

SOUTH SHORE INSIDER: Kirk Sykes, president of New Boston Fund and Urban Strategy America Fund

By Alex Spanko
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This fall, workers are slated to break ground in Boston's Chinatown for Parcel 24, a project that will bring residential and retail space to a long-vacant plot of land. In the process, they'll also be bringing the Urban Strategy America Fund's "poster child" for community-focused development to life.

About 40 percent of the Chinatown site will be dedicated to affordable rentals and condos, along with 200 market-rate apartments. Milton resident Kirk Sykes, the Boston-based real estate investment fund's president, said that mix of property types is good for community health because it breaks down socioeconomic barriers and heads off concerns about gentrification.

Sykes, 54, switched sides in the local real estate game in 2004, when he left his job as president of a development firm to launch the Urban Strategy America Fund for its parent, the New Boston Fund. Sykes' Primary Group had worked with the New Boston Fund on its Olmsted Green development in Dorchester, on the site of the former Boston State Hospital.

Since then, the fund has raised \$190 million from a group of corporate investors that includes major banks and pension funds. That money has been fully committed to many projects along the East Coast, including ones in Pennsylvania and Florida.

The pot has been split about evenly between development projects – such as Olmsted Green – and the takeover of existing properties, Sykes said.

Sykes is also serving a two-year term as chairman of the Federal Reserve Bank of Boston's board of directors.



Kirk A. Sykes, president of New Boston Fund and Urban Strategy America Fund in his 75 State Street office, Boston.

How exactly do you keep the community in mind when working on large-scale projects?

It's a great idea to start by having a local partner – not necessarily another real estate developer, but a local community development corporation. And in the case of Olmsted Green and Parcel 24, we had Lena Park and then the Asian Community Development Corp. Those organizations have the pulse of the community, and they've been at it for a while, and so they have a sense of what's important. And many times, there are a lot of stakeholders that you're trying to satisfy in order to make the project successful. So there's a group that'll have affordability as a key objective. There's a group that will have economic development as a key objective. There's a group that will have job creation as a key objective.

And we've been able to satisfy all of those when we've partnered with a local entity that has access to the community, and knowledge, and even delivery capacity. And so that's sort of a proven strategy for us. It also smoothes the permitting and entitlement process, because it's easier to have a dialogue with the community and to have trust.



Kirk A. Sykes, president of New Boston Fund and Urban Strategy America Fund.

What's the outlook for Boston rents in the next couple of years?

Rents are at an all-time high, and ... a lot of that is generated by the fact that nothing was built during the three years of the recession. ... Projections from PPR Economics suggest that (rent increases) will trend at north of 6 percent (per year) – some say 6, some say 7, some say 8. Eventually, at some point over the next five years, more product is going to come on line and the market will cool down. But there's no projection for that happening between now and 2016. So if you're in the ground, or getting in the ground, in the course of the next year or two, you should be in pretty good shape to take advantage of this pent-up demand.

Will the commercial development on the South Boston waterfront drive residential growth there?

It's places (where) things exist now and places (where) things will exist in the future, and if you compare what exists in the Seaport today, it's exciting, it's got a lot of potential, but it's a relatively small presence compared to the established markets of the Financial District, Back Bay, South End, et cetera. What you have is the potential for growth because of land and density, and you don't have that in some of the residential neighborhoods, like the South End and Back Bay. So I think the answer is that there's a lot planned. Boston changes slowly, and I have no doubt that the Seaport will be an incredibly vibrant place. I don't think it's going to happen overnight. I think it'll happen in the course of the next 10 years, and maybe a little longer.

How do you balance community interests with the demands of investors?

Our investors are concerned about trying to build bridges with (the) community ... whether you're a pension fund and you're concerned about the dollars of people who work for the state, and who have a range of income, being deployed in a way that's responsible and maybe even accessible to them, versus something that's sort of profitable but removed and not very beneficial to the (greater) good – to some of our investors that are teachers' pension funds, who generally have said: We want our money to be committed to projects that are transformative.

At the same time, banks have the same agenda, whether it's under the Community Reinvestment Act, which requires them to invest in communities that have economic need, or generally that they're trying to look leaderly in their presence. And now, of course, we have less banks, so there's a need to sort of identify yourself and be branded as sort of representative of the communities that you serve.