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How Winthrop Center was saved

Developer turns to lenders
abroad to get tower's 2023
opening back on track



By Tim Logan
GLOBE STAFF

In nearly 30 years as a big-time developer, Chris Jeffries has put up a lot of buildings in complicated places like Boston, Manhattan, and San Francisco.

And like anyone who's been operating at that level for so long, Jeffries — the founder and lead partner of Millennium Partners — has seen his share of ups and downs. But he's never had a down quite like what happened at the end of February.

His company was 18 months and more than \$300 million into the construction of Winthrop Center, the 690-foot skyscraper Millennium is building downtown. It had already spent \$102 million to buy the site from the city, worked to change state law to allow for the shadows it would cast on Boston Common, and dug a foundation that reaches as deep as 170 feet beneath the Financial District.

Millennium was about to sign an \$825 million loan to finance vertical construction, with the closing set for the first week of March. The COVID-19 pandemic hadn't really hit the United States yet but it was raging through Asia and Europe. World financial markets were starting to freeze up — particularly the streams of global capital that finance fancy condo and office towers like Winthrop Center. Millennium's lenders, huge investment banks led by HSBC and Goldman Sachs, told Jeffries they couldn't sell the debt, and so they couldn't make the loan. The deal fell through.

"It was like, what the hell do we do now?" Jeffries said last week. "We don't have the financing."

Construction has resumed on the Winthrop Center project in downtown Boston, on the site of a city-owned parking garage that was demolished. An architectural rendering (below left) shows what the 690-foot tower will look like when completed.

Developer goes abroad to finance Winthrop Center

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Millennium had two choices, Jeffries said: Stop the project — with its half-built foundation and no idea when it might start up again — or try to find more money.

So he called an old friend, Ed Siskind, a former Goldman Sachs executive who had financed Millennium projects in the 1990s, including 10 St. James St. in Boston. Siskind now runs Cale Street Partners, a London firm that invests on behalf of Kuwait's \$533 billion sovereign wealth fund. He had access to money.

"It was a long shot, but we reached out," Jeffries said. "We truthfully didn't find anybody behind door number two."

Siskind came to Boston to meet with Jeffries and tour the site. Back in London, he talked to the Kuwaitis. To help further the cause, Millennium ponied up another \$200-plus million worth of equity — a huge stake for a developer to sink into its own project, but also a sign of confidence in it.

The financial maneuvering worked: On Wednesday, Millennium and Cale Street closed on a \$775 million construction loan that will get the massive building back on track to open in early 2023. It amounts to a \$1.3 billion bet on a skyscraper at a time when the news is full of stories about major companies abandoning such projects, and people deciding they no longer want to live in big cities.

Jeffries, who reads those stories and speaks to those companies, on Thursday walked through a downtown Boston that is vastly quieter, and a far more grim place, than it was seven months ago, when all looked well and the talk was mostly about growth. But he believes Boston will bounce back. The area's universities, the still-booming life-sciences industry, even Boston's modest scale compared with Manhattan, Los Angeles, or Chicago, he said, give it a stability and an appeal that will outlast this moment.

"There's a strength to Boston, and a size to Boston; there's something special going on here that's

going to make Boston even more the focus of companies who want to be here, and people who want to be here," Jeffries said. "They saw that sitting in London."

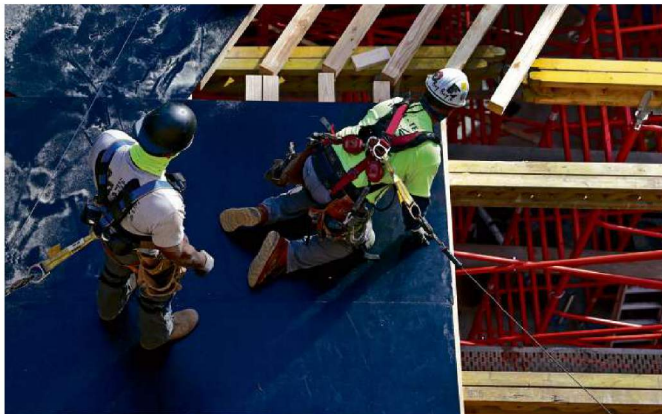
Jeffries said it will help that Winthrop Center — which, of course, was designed before COVID-19 arrived — includes many of the touches companies say they're now looking for: Its so-called passive house design boosts energy efficiency and airflow. Column-free floor plans and 12-foot ceilings will mean more natural light. Every floor of the office part of the tower will come with outdoor terraces.

That's all part of the pitch Millennium will make as it starts to market \$12,000 square feet of office space, no easy task in a downtown where two other office towers are underway and few, if any, large companies are looking for room to grow now. Indeed, Boston has about 3 million square feet available for sublease by tenants that have decided they no longer need it. That's the most since 2001, according to the real estate firm CBRE.

Jeffries acknowledges Millennium probably won't sign an anchor tenant for awhile. Companies are still assessing what they need for office space, and where they want to be. The market is paralyzed. But when things loosen up, he predicted, the tenants will come.

"I am not worried at all about the office space," he said. "It's just an impossible time to talk with anybody."

Then there's what's above all those offices. The top 26 floors of the 52-story tower were planned to be condos, tapping a growing market for high-end living downtown that Millennium fed when its Millennium Tower opened in 2016 in nearby Downtown Crossing. To salvage Winthrop Center's financing, Millennium eliminated 66 units and asked the Boston Planning & Development Agency for permission to make the residential apartments instead — a setback for investors in a down economy. That shift would cost the city about \$26 million in affordable housing funds — money Mil-



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Karan Richards (left), an apprentice carpenter, is part of the crew working on the Winthrop Center project in downtown Boston. Construction resumed recently after having been halted during the pandemic.

lennium had planned to spend on an affordable high-rise in nearby Chinatown — but city officials approved the change to keep Winthrop Center moving.

Millennium still wants to sell the units, Jeffries said, and plans next year to build out a showroom in the same Franklin Street storefront where it marketed Millennium Tower. But if the real estate market remains soft, it will seek renters, Jeffries said. It's considering a rent-to-own model that would serve as a sort of hybrid.

Either way, Jeffries — whose company built Boston's Ritz-Carlton in what was once known as

the Combat Zone and sold more than \$1 billion worth of condos at Millennium Tower — said he is confident those upper floors will eventually fill with owners.

"In my 25 years I've never built an apartment that I haven't sold," he said. "Everybody always eventually buys every apartment. Every city we built in has a demand."

These days, Millennium is building only in Boston. It has properties in New York, San Francisco, Miami, and Washington and has long been planning a \$1 billion tower in Los Angeles. But Winthrop Center is the only one that's pushing ahead with con-

struction.

It may also be the final project Jeffries helms. He turned 70 during the summer and is ready to slow down. Millennium will continue, he said, but he may step back. But Winthrop Center, he said, is quite a coda for a career.

"This is it," he said. "There's nothing else right now. It's this building, this place. We must have great success here and we'll need all our energy on this."

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