

Merchants seek local control of Faneuil Hall

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\$20m raised so far to buy out lease

By Jenn Abelson, Globe Staff | June 24, 2009

A group of merchants at Faneuil Hall Marketplace has raised more than \$20 million as part of an effort to take control of the shopping center and tourist attraction from its bankrupt landlord.

Yesterday, the retailers said they have received pledges from local celebrities, athletes, and other business owners to buy the lease from [General Growth Properties Inc.](#) and run the property themselves. They estimate they need to raise at least \$50 million to have a chance at winning control of the Marketplace and stabilizing its operations, after years of unsettling changes and an influx of national chains.

"It's really about having locals gain control of this much loved landmark, which is not an ordinary piece of real estate," said Carol Troxell, who runs several food shops there and is a member of the group raising funds, the Friends of Faneuil Hall. "Its historical significance to Boston makes it deserving of a local group of people who understand the market and are willing to maintain the vision of the property."

The Friends group, which includes several active and longtime merchants, has declined to identify backers who have pledged money. It is also raising money directly from the public through its website, [FriendsofFaneuilHall.org](#).

Chicago-based General Growth declined to comment.

Faneuil Hall Marketplace is owned by the City of Boston, which leases out three of its four buildings - Quincy, North, and South markets - to General Growth, but maintains operation of Faneuil Hall, a historic venue where some of the nation's most prominent orators have appeared.

In 1975, General Growth's predecessor signed a 99-year lease, paying the city \$10 a year, plus taxes on the property.

But city officials indicated a merchant takeover from General Growth would help ease their fears about the direction the Marketplace has taken in recent years, with its once unique shopping experience giving way to a typical mall atmosphere as national chains replaced local shops that could not afford increasing rents.

"Obviously, there would be an interest in having local ownership," said Brenda McKenzie, economic development director for the Boston Redevelopment Authority. "We would like to see the center in a position where we can actively and collaboratively work with ownership to make sure the center stays as vibrant as it should be."

General Growth, the country's second-largest mall operator, filed for bankruptcy protection in New York in April after it was unable to sell some of its property leases, including at Faneuil Hall and South Street Seaport in Manhattan, to raise money to refinance nearly \$1 billion in debt.

Meanwhile, years of fighting between Boston and General Growth over the character of Faneuil Hall came to a head in March, when the city said the company had defaulted on several lease provisions to maintain the Marketplace. Among the issues: insufficient lighting, security staffing, and repairs of leaks.

Boston officials have said they would consider taking legal action against General Growth if it did not fix the problems.

When developers redesigned Faneuil Hall Marketplace three decades ago, they hoped that a center with locally owned food stalls, restaurants, and pushcarts would anchor an urban revival on Boston's waterfront. But that focus

has withered recently with the arrival of chains such as [Urban Outfitters](#) and Dick's Last Resort and the departure of locally owned galleries, toy stores, and other shops due to high rents.

"If we can work out a deal and get local people owning the Marketplace, they will care for it with the passion that a large company never could," said Linda DeMarco, owner of Boston Pretzel Bakery.

The merchants' hopes for buying the Marketplace largely rest on the actions of a General Growth creditor: Wells Fargo Bank, which lent the property manager \$94 million for the Faneuil Hall lease. In court records, Wells Fargo has objected to Faneuil Hall being in the Chapter 11 process because General Growth has not defaulted on its loan for the Marketplace, and the lease was still profitable.

In court papers, Wells Fargo said putting Faneuil Hall into bankruptcy protection was "solely in an attempt to rewrite loan agreements" to benefit General Growth. Wells Fargo wants the shopping center removed from the bankruptcy proceeding. Closing arguments on Wells Fargo's request are scheduled for today. Wells Fargo declined to comment.

If the bank prevails, real estate analysts said, General Growth would likely again try to sell the Faneuil Hall lease, to raise cash. Interested buyers earlier this year included mall operators Westfield Group and [Simon Property Group](#), according to a local official.

"It's a saleable property. It's a trophy retail property that has significant value. Clearly they need liquidity," said Jordan Sadler, an analyst with KeyBanc Capital Markets who specializes in real estate investment trusts.

Still, since General Growth took over the property about four years ago, vacancy rates have soared, according to local merchants, to as high as 10 percent.

Under local ownership, the merchants believe they could assemble a team that would better manage Faneuil Hall and restore the vision of a unique New England experience, with small businesses selling local products, said Claudio Kraus, owner of the gift shop Geoclassics and a member of Friends of Faneuil Hall.

"This place is being neglected," Kraus said. "We want to do whatever is possible to make this a more vital, vibrant marketplace. There is a solution."

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