



TWO FROZEN, ONE THAWS

Private investment helps Beverly, while nostalgia afflicts Quincy



DIGGING IN: Sotirios Emmanouil, with beard, breaks ground at Quincy's Fore River Shipyard in March 1997 with, from left, Sens. John Kerry and Edward Kennedy and then Gov. William Weld.

This is a tale of two cities.

Through a good part of the 20th Century, Beverly and Quincy were dominated by two industrial behemoths and economic engines.

In Beverly it was the United Shoe Machinery Corp., which in 1905 on a 250-acre site built the largest reinforced-concrete plant in the world.

At its height, in 1944, the plant employed 6,100 workers.

In Quincy, industry was dominated by the Fore River Shipyard, a 120-acre waterfront ship works run by General Dynamics where 32,000 workers worked at its peak during World War II.

Neither industrial giant is still around. But the status of these two prime properties couldn't be more different.

Woburn-based developer Cummings Properties has invested \$63 million at "The Shoe" to create one of the most successful office parks in the state.

Cummings Center in Beverly has more than 2 million square feet of new and restored office buildings that house 400 tenants, providing 4,000 jobs and significant property tax revenue.

The Fore River Shipyard is filled with decaying buildings and a collapsed crane that killed two workers in January.

About a quarter of the acreage is being used as storage space for 3,000 cars.

Cummings Properties bought the Beverly complex from Black & Decker in 1995 for just \$500,000, using its own money to buy and redevelop it. No bank would've touched a brownfields site of this magnitude at that time, Cummings CEO Dennis Clarke says.

"We started the renovation by the seat of our pants, not knowing where it was going and without an anchor tenant," Clarke said. "We were nimble."

In 1997, Massachusetts Heavy Industries, a com-

pany owned by Greek shipping magnate Sotirios Emmanouil, bought the Fore River Shipyard with public-guaranteed loans from the Massachusetts Water Resources Authority.

Emmanouil promised 7,500 jobs and claimed he had contracts in place to build ships. The plan was enthusiastically endorsed by Massachusetts Sens. Edward Kennedy and John Kerry [related, bio], former Gov. William Weld, former U.S. Rep. Gerry Studds and former Quincy Mayor James Sheets. All put their political muscle behind making the deal happen. Studds even took a job with MHI.

But Emmanouil's promises proved empty. Despite enormous public expenditure to help MHI secure the yard and ensure its operation - \$80 million in federal, state and city-guaranteed loans - he failed to deliver a single ship.

Cummings Properties and MHI had reached Tax Increment Financing agreements with their respective cities that deferred taxes in exchange for promises to create jobs and tax revenue. But while Cummings has filled Beverly's coffers with more than \$5 million in property taxes since 1997, MHI generated zero revenue.

Only \$12 million of the \$80 million has been recovered through sale of the shipyard and its equipment. And that money went to the U.S. Maritime Administration.

Neither the state, which invested \$20 million, nor the city of Quincy, on the hook for almost \$10 million, have seen any return on their investments.

As a result, Quincy must pay more than \$800,000 per year for 10 years to pay off the loans it guaranteed. This, and other fiscal problems, forced the city to raise its residential tax rate more than 45 percent in four years.

"The yearly payment is a killer," said Mayor William Phelan, who swept into office in 2002 on a campaign that questioned the wisdom of Sheets' decision to invest city funds with Emmanouil's company. "All the signs were there that MHI did not have the ship contracts it claimed it did, and that commercial shipbuilding in the U.S. was untenable because of high labor costs."

On the day he entered office in November 2002, Phelan rescinded the financing agreement with MHI. He has since gotten shipyard buyer and Quincy auto magnate Daniel Quirk to pay \$1.8 million of an estimated \$2.6 million owed in back taxes.

Quirk paid \$9 million for 113 acres of the yard, about one-third of which lies in neighboring Braintree. Yet his oversight of Fore River has not been without its own controversy.

He won a lawsuit filed by competing bidder Jay Cashman, who alleged irregularities in the Maritime Administration's handling of the bidding process.

Area residents, led by City Councilor Daniel Raymondi, have been critical of Quirk's decision to store automobiles from his area dealerships on the property.

Quirk defends what he terms "an interim use" while he develops a plan estimated to be completed in four months.

"I'm the first owner to pay any taxes on this property in 20 years," around \$250,000 yearly, Quirk said. "Considering the time it will take to get through permitting and the public process, parking cars there is providing the city with tax revenue. I don't want to rush into a bad business enterprise like building ships."

Quincy would like to see a shipyard mixed-use development that will include jobs, tax revenue and uses compatible with the surrounding neighborhood.

It won't be easy. Any development must include a maritime use for its deep-water port designation. It must also contend with an active freight line that serves a nearby Massachusetts Water Resources Authority plant. Before development can begin, millions more will have to be invested in additional environmental cleanup, site preparation and development costs.

With a long permitting and public process, it will be many years before any development happens at Fore River.

Meanwhile, Cummings Center in Beverly is almost fully built out. The last piece of its master plan, a 140-room hotel, has just been proposed. The complex has parks and other protected open space and even an elementary school.

Mike Hogan, who served as director of Mass. Development from the mid-1990s until last year, was involved in and has witnessed the success of Cummings Center and the failure of Fore River.

Hogan - now the CEO of cranberry grower A.D. Makepeace - credits Cummings' success to the vision of now-retired CEO Bill Cummings and his willingness to put his own money at risk.

"The key to any successful development is that its owner has to have his skin in the game," Hogan said.

As to why Quincy tried to revive shipbuilding when the industry had foundered in the United States, Hogan has a one-word answer - "nostalgia."

Quincy's desire to revive its proud shipbuilding legacy led it down the wrong path, he says.

And while Bill Cummings invested millions of his own money in a vision for the future, Sotirios Emmanouil never put a dime into his obsession with Fore River's past.

"Public money should be the last dollars to come into a project, not the first," Hogan said. "It's much easier to use the levers of government to support entrepreneurship than to create a reason for an entrepreneur to invest."