

BANKER & TRADESMAN

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(Not All) Damage Control

BY LAURA SCHREIER | BANKER & TRADESMAN STAFF WRITER

Kathryn Murphy headed off to law school in the early 1970s, like many of her generation, to “save the world,” with dreams of going into public policy. Through the twists and turns of fate, she ended up a real estate lawyer at several Boston firms, making partner in the early 1980s, at a time when female law partners were a rare thing. She also did a stint as in-house counsel for Shawmut Bank during the real estate crisis of the 1990s, and was a founding member of professional association New England Women in Real Estate. These days, she’s looking on the brighter side of an otherwise gloomy commercial real estate market, concentrating on doing deals at a time when deals are scarce.

Kathryn C. Murphy

Title: Partner; Krokidas & Bluestein, Boston

Age: 60

Experience: 35 years



Q: You worked for Shawmut when they needed real estate lawyers to handle the workload from the financial crisis in the early 90s. Did banks handle things differently back then?

A: Yes. It was very different. ... In the 90s it was a more localized kind of recession. We were overbuilt, there had really been a real estate boom at all levels, but what happened was the [Office of the Comptroller of the Currency], moved into the banks – to Bank of New England, Shawmut and Bank Boston – and basically, the banks had to really look at every loan and appraise every property, and if the loans weren’t meeting their covenants, their loan-to-value ratio and their debt service coverage ratios, even if they were paying debt service currently, they had to move those loans to a nonperforming status, which in my understanding means the reserve requirement goes up. They were called “performing nonperformings.”

The lenders were constantly moving things to workout, the workout guys were constantly trying to modify the loans, or if they couldn’t get them modified they went to foreclosure, and the foreclosed properties were being moved out of the bank.

Q: So auctions were fast and furious, then?

A: They were. They had note auctions, they had note sales, they had property auctions, all kinds of bulk sales... it just went. And that’s not happening here, yet.

Here, there’ve been huge numbers of foreclosures in residential properties in the inner cities, and in Lowell, Lawrence, Brockton, places like that. But the commercial foreclosures have been really pretty few and far between. I mean, they’re happening, but it’s not like it was in 1990. And the banks are not being required to move things to work-out just because the loan-to-value ratio is out of whack ... now lenders are being told, it’s only one factor to be considered when they’re looking at the loan. And if everything else is looking good, if it’s paying its debt service, if the owner is being cooperative, they’re free to modify the loan.

Q: Is that because now people are more afraid of bank failures?

A: I think it has to do with the capital available in the banks, to

handle all the reserve requirements. I’m not quite sure why that’s so different this time... but I think [lenders’] capital may be a little more precarious than it was to begin the 1990s.

Q: What kinds of deals are you doing now?

A: I’m working on a couple of situations that will be foreclosed or the note will be sold ... I’ve got some loan modifications, where the banks are working with the borrowers to keep the loan in place. I’ve got a couple of development deals, and I closed a construction loan right before Thanksgiving on a 54-unit loft project in Chelsea.

Q: So at least it isn’t all damage control.

A: No, there’s some fun stuff going on. And one of my most fun projects that’s been ongoing for a long time is I’m representing the commonwealth of Massachusetts – the Division of Capital Asset Management, which is the real estate arm of the commonwealth – in connection with a project in the Longwood Medical area ... where the commonwealth has entered into a development agreement with the Brigham and Women’s Hospital, for the hospital to redevelop the old Mass. Mental Health Center site. ... The commonwealth is going to ground lease the property to Brigham and Women’s Hospital, which is going to build new buildings, and about 70,000 square feet of those buildings is going to be leased back to the mental health facilities. ... it’s complicated and it’s really fun to work on, and it’s a good thing. It’s a happy deal, at least at the moment.

Q: As we wrap up, are there any career highlights you’d like to share?

A: One of the things that I sort of think about in my career is noteworthy: I was one of the founding dozen women who co-founded NEWIRE (New England Women In Real Estate) in the 1980s.

There were so few women [in real estate] and those of us that were in the industry were invisible. Literally. I went to a NAIOP meeting, and [friend Susan Leff] and I walked into this meeting ... and I think we were the only women. And we disappeared into this sea of suits, because we’re not very tall. And I don’t remember what the topic was, but the speaker started with an off-color joke, and it just went downhill from there. ... But the industry is still very male-dominated.



MURPHY’S TOP FIVE REAL ESTATE DEALS:

- 1 Served as counsel for The Boston Conservatory renovation at Fenway.
- 2 Helped redevelop a contaminated site on the Malden River into first-class office buildings.
- 3 Assisted Northeastern University’s West Campus expansion.
- 4 Assisted Somerville with drafting of new zoning for Assembly Square.
- 5 Drafted condo documents for the Residences at the Ritz Carlton Towers in Boston.