



Planning, Program Development and Real Estate Committee

Item V – B

January 8, 2015

**Approval of Term Sheet for New Carrollton
Joint Development**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201191

Resolution:
 Yes No

TITLE:

Term Sheet for New Carrollton Joint Development

PRESENTATION SUMMARY:

In 2010, staff selected New Carrollton JV LLC, a joint venture of Forest City and Urban Atlantic, as the Developer for the Metro-owned property at New Carrollton. The Developer proposes to build a mixed-use project totaling 2.7 million square feet, with the first phase being approximately 260,000 square feet of residential and 13,000 square feet of retail. Staff has negotiated a Term Sheet for the lease of the property to the Developer and is seeking Board approval to execute the Term Sheet.

PURPOSE:

Approval to execute a Term Sheet for the New Carrollton joint development project.

DESCRIPTION:

As shown in the Key Highlights below, the proposed project meets the recently adopted Board Evaluation Criteria for joint development.

Key Highlights:

Metro Development Objectives	How Addressed by Proposed Project
Proposed project integrates regional transit facilities	The New Carrollton station includes not only Metrorail service, but also MARC, Amtrak, Metrobus, The Bus (Prince George's County bus service), and serves as the eastern terminus for the proposed Purple Line. The proposed Development project has been designed to accommodate all of these modes.
Proposed project reduces automobile dependency	By creating a new mixed-use town center at the New Carrollton station, the project will provide opportunities to live, work, and shop adjacent to transit.
Proposed project increases pedestrian / bicycle originated transit trips	The proposed master plan for the development includes a focus on creating a walkable urban environment from what is currently a very car-oriented station area. Through traffic-calming roadway design and provision of bicycle and pedestrian connections, the project will facilitate increased ped / bike access to the station.
Proposed project fosters safe station areas	Currently the station is surrounded by a sea of surface parking lots. The proposed mixed-use development will activate the station area with new residents, workers, and shoppers to create a safer environment.
Proposed project enhances connections to transit stations	The proposed project will enhance ped / bike access to the transit station as described above, while also

	preserving and enhancing vehicular and bus access.
Proposed project provides mixed-use development	The proposed 2.7 million square foot development includes residential, office, retail, and hotel uses.
Proposed project offers active public spaces	The project will enhance the existing public plaza adjacent to the station, as well as provide new public spaces including an active public square, and enhanced natural areas.
Proposed project promotes and enhances ridership	The proposed project will generate increased ridership through the new development, while maintaining and enhancing access for existing commuters who use the New Carrollton station.
Proposed project achieves metro financial objectives, including fair market value for Metro	Developer will pay fair market value to lease the property, including the replacement, relocation, and reconstruction of impacted Metro facilities.
Proposed project encourages revitalization and sound growth	The proposed project fulfills Prince George's County's vision of creating a mixed-use transit-oriented development at the New Carrollton Station, which will serve as a catalyst for revitalization of the surrounding area.

Background and History:

The joint development site at New Carrollton was offered in 2010 via a Request for Qualifications in collaboration with the State of Maryland, which owns an adjoining 16- acre parcel next to Metro's approximately 25-acre parcels closer to the New Carrollton Metro Station itself. The staff-recommended developer in response to the Request for Qualifications was New Carrollton JV, LLC. The staff recommendation was in turn approved by the Metro Board and the Maryland Secretary of Transportation.

The New Carrollton Metro Station joint development project is planned as a large, multi-phase, transit-oriented development with a mix of uses including residential, retail, office, hotel, transit and transportation, parking, public park or open space uses. The project is anticipated to proceed in phases over time as market conditions allow.

Metro will execute individual ground leases with the developer in phases as each portion of the overall joint development site is considered to be ready for development. The ultimate goal is to activate the land around the New Carrollton Metro Station by converting surface parking lots to development sites, generating real estate revenue and enhanced ridership for Metro, real estate tax revenue to Prince George's County and income and sales tax revenue to the State and County, and profit to the private sector development team.

The private sector development team contains of two companies -- subsidiaries of Urban Atlantic and Forest City Enterprises – both of whom have significant experience with mixed-use development similar to the proposed project at New Carrollton. For example, Forest City Enterprises is now involved with transforming the Washington Navy Yard into a mixed-use residential, retail, office and park project known as The Yards. Urban Atlantic has recently completed the mixed-use residential, retail, parking and transit project known as Rhode Island Row on Metro-owned land at the Rhode Island Avenue-Brentwood Metro Station, a project that won an award from the Urban Land Institute for workforce housing.

The current proposal is to start development on a part of the southern Metro-owned parcel with a mid-rise (four-to-six story) multi-family project and a small retail component. The project would then expand on a parcel-by-parcel basis as market conditions warrant. Improved transit facilities

would include a new bus loop and Kiss & Ride facility to relive congestion at the undersized current facilities, and replacement of Park & Ride surface parking that is displaced by the development with either a new Park & Ride garage at New Carrollton or Park & Ride surface parking at another Metro station on the Orange Line in Prince George's County.

By executing ground leases in phases as described above, Metro will retain its land if any subsequent phase of the development project does not proceed. It is expected that each phase of the development will have its own ground lease with a term not to exceed 98 years. The entire joint development site will also be subjected to covenants to be recorded in the land records to require that the site be developed and maintained as a transit-oriented development and that Metro's operating facilities are protected against interference.

Discussion:

The Term Sheet provides the following as a basis for negotiations of a binding agreement:

- Development of the site through a series of long term ground leases (one lease for each phase);
- Proposed development of 2.7 million square feet of mixed-uses, with the first phase comprised of approximately 260,000 square feet of residential and 13,000 square feet of retail;
- Replacement of impacted transit facilities (Kiss & Ride, Bus Loop, surface parking) in conjunction with first phase of development;
- Ground leasing of the each phase site for 98 years with a fixed base rent and future escalation, revaluation and participation by Metro in capital events;
- Developer will seek zoning approval and other entitlements before commencement of construction of the project;
- Developer anticipates that the first phase of development will commence in 2016;
- The first phase of development will occur on the south side of the station, to allow for the construction of the proposed Purple Line to occur on the north side of the station.

FUNDING IMPACT:

There is no immediate impact on funding, and all replacement of Metro facilities will be done at the Developer's cost. In the longer term, Metro will receive cash payments for the lease of each phase of the project and this cash funding will be accounted for in the capital budget. Further, additional riders living, working, or shopping at the proposed development will generate new ridership revenue.	
Project Manager:	Steven A. Teitelbaum, Senior Real Estate Advisor
Project Department/Office:	Chief Financial Officer / Office of Real Estate and Station Planning

TIMELINE:

Previous Actions	<p>April 2011 - WMATA, Developer, and the State of Maryland entered into a Memorandum of Understanding</p> <p>December 2012 -- Previous approval of Term Sheet and Joint Development Agreement in support of Developer's pursuit of Maryland state agency headquarters.</p> <p>Summer 2013 to Summer 2014 -- Developer revised master plan following unsuccessful pursuit of state agency headquarters.</p> <p>Fall 2014 -- Metro staff and Developer negotiate a new Term Sheet reflecting revised master plan.</p>
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Anticipated actions after presentation	Summer 2015 -- Presentation of a Joint Development Agreement for Board approval. Early 2016 -- Closing on ground lease for first phase of development.

RECOMMENDATION:

Approval to execute a Term Sheet for the New Carrollton joint development project.



Washington Metropolitan Area Transit Authority

Approval of Term Sheet for New Carrollton Joint Development

Planning, Program Development and Real Estate Committee

January 8, 2015



Purpose

- Approve the negotiation and execution of a Term Sheet with Urban Atlantic / Forest City for the New Carrollton joint development site



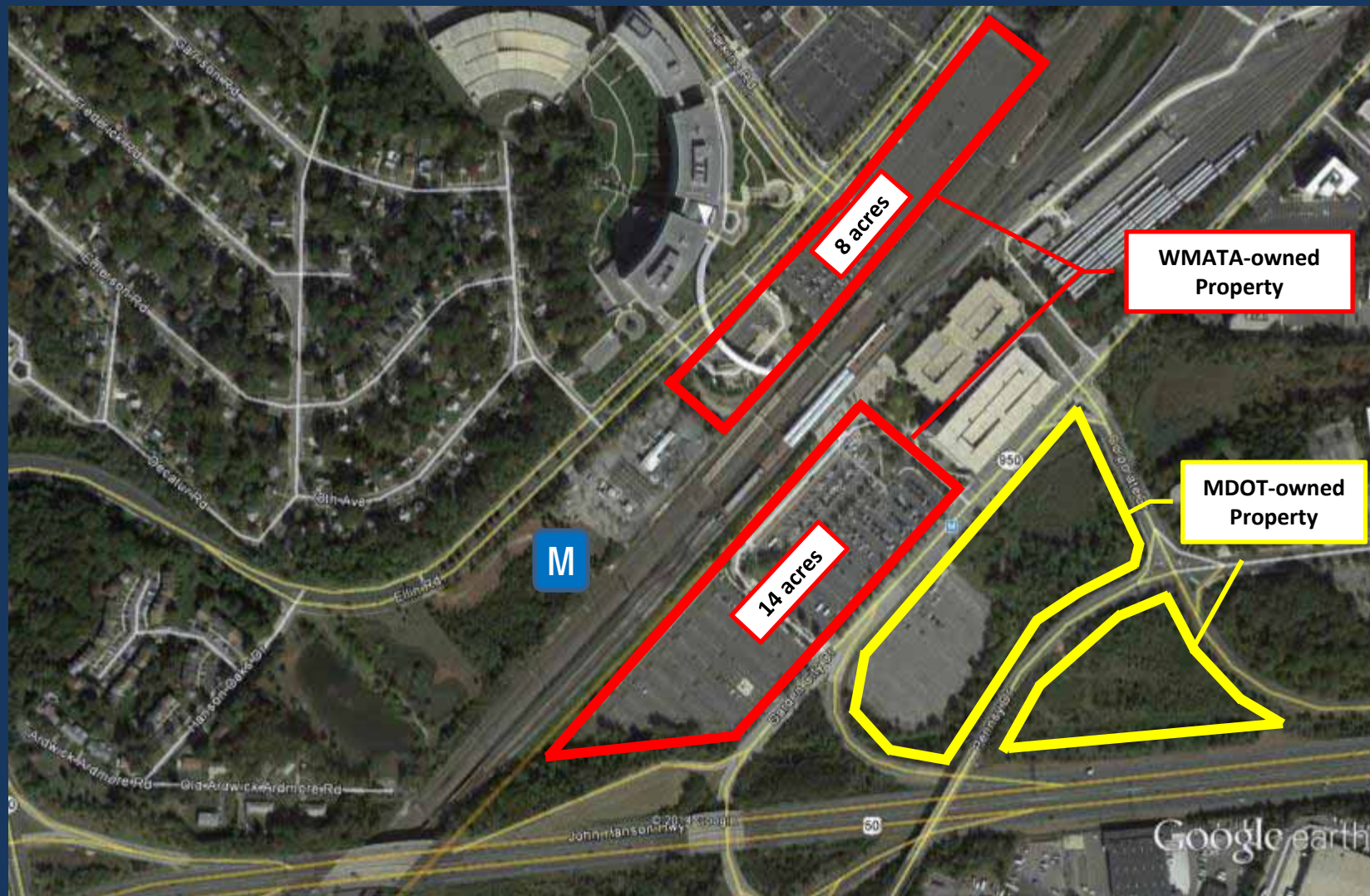


Background

- Summer 2010 – Memorandum of Understanding between Metro and State of Maryland
- Fall 2010 – RFQ and Selection of Urban Atlantic / Forest City
- Fall 2012 – Negotiation and approval of original term sheet
- 2013 to 2014 – Developer revises project vision and master plan
- Fall 2014 – Developer and Metro negotiate new term sheet reflecting revised master plan



Site Location





Development Program

- Proposed uses:

Uses	Overall Program *	Initial Phase *
Residential	1.3 million sq. ft. (approx. 1,370 units)	260,000 sq. ft. (approx. 260 units)
Office	1.1 million sq. ft.	
Retail	150,000 sq. ft.	13,000 sq. ft.
Hotel	150,000 sq. ft.	
Total Development	2.7 million sq. ft.	273,000 sq. ft.

* All square footages are approximate

- Replacement / relocation of WMATA transit facilities including Bus Loop, Kiss & Ride, and Park & Ride parking



Development Program





Benefits

- Supports Strategic Plan goals of connecting communities and ensuring financial stability
- Proposed project achieves Metro Joint Development program objectives:

Integrate regional transit facilities	Provide mixed-use development, including housing and the opportunity to obtain goods and services near transit stations
Reduce automobile dependency	Offer active public spaces
Increase pedestrian / bicycle originated transit trips	Promote and enhance ridership
Foster safe station areas	Generate long-term revenues for Metro
Enhance surround area connections to transit stations	Encourage revitalization and sound growth in the communities that Metro serves



Recommendation

- Approve the negotiation and execution of a Term Sheet with the Urban Atlantic / Forest City team for the New Carrollton joint development site



SUBJECT: APPROVAL TO EXECUTE A TERM SHEET FOR JOINT DEVELOPMENT AT
NEW CARROLLTON METRO STATION

RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, On September 21, 2010, the Washington Metropolitan Area Transit Authority (WMATA) and the State of Maryland jointly issued a Request for Qualifications seeking private sector developers to engage in real estate joint development on WMATA-owned and State-owned parcels around the New Carrollton Metro Station on the Orange Line in Prince George's County, Maryland; and

WHEREAS, As a result of that Request for Qualifications, WMATA and the State of Maryland selected New Carrollton JV, LLC (Developer) as the private sector developer to pursue that joint development; and

WHEREAS, WMATA, Developer, and the State of Maryland entered into a Memorandum of Understanding on April 9, 2011, whereby development planning requirements, processes, and responsibilities were established; and

WHEREAS, The WMATA Planning, Program and Real Estate Committee approved a term sheet with Developer on December 6, 2012; and

WHEREAS, Pursuant to Resolution 2012-35, the WMATA Board of Directors authorized the General Manager/Chief Executive Officer to execute a Joint Development Agreement and the Phase 1A and 1B Leases with New Carrollton JV, LLC, and to return to the Board for approval of all subsequent Phase Leases; and

WHEREAS, WMATA and Developer executed a Joint Development Agreement on December 20, 2012; and

WHEREAS, The parameters of the New Carrollton Joint Development Project have changed, specifically due to the removal of the State of Maryland's parcel from the project, thus necessitating the negotiation of a new Term Sheet and Joint Development Agreement by and between WMATA and Developer; and

WHEREAS, WMATA staff and Developer have negotiated a non-binding Term Sheet setting forth the basic parameters for a joint development project on WMATA's land at the New Carrollton Metro Station; and

WHEREAS, WMATA will ground lease WMATA's land in phases as individual development projects are initiated by Developer and approved by WMATA; and

WHEREAS, Developer will replace WMATA's existing bus loop and Kiss & Ride facility on the south/east side of the New Carrollton Metro Station with new WMATA facilities; and

WHEREAS, Developer will replace any surface Park & Ride parking at the New Carrollton Metro Station displaced by the development project with either new Park & Ride garage parking at New Carrollton or surface Park & Ride parking at another Metro station on the Orange Line in Prince George's County, Maryland; and

WHEREAS, Developer will pay WMATA ground rent at fair market value, to be determined on a parcel-by-parcel basis; and

WHEREAS, Developer's joint development project will be in accordance with the Federal Transit Administration's (FTA) transit-oriented development principles; and

WHEREAS, The approval of the WMATA Board of Directors is required for WMATA to proceed with the Term Sheet; and

WHEREAS, After execution of the Term Sheet, WMATA and Developer and, if it chooses to participate, the State of Maryland, will negotiate a Joint Development Agreement setting forth the terms and conditions for the ground lease of WMATA's land, construction of the project, replacement of any WMATA facilities, and continued operation of the WMATA facilities that will remain on the site, subject to the approval of the WMATA Board of Directors and to the consent of FTA; now, therefore be it

RESOLVED, That the Board of Directors approves the execution of a Term Sheet for the New Carrollton joint development with New Carrollton JV, LLC; and be it finally

RESOLVED, That this Resolution shall be effective 30 days after the adoption of this Resolution.

Reviewed as to form and legal sufficiency,


for Kathryn H.S. Pett
General Counsel

WMATA File Structure Nos.:
21.9.3 Joint Development Pre-Contract Actions

PROPOSED