

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 101059	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

Approve Amended Twinbrook JDA and Phase 1A Lease

PURPOSE:

Obtain approval of an amended Twinbrook Joint Development Agreement (JDA) and Phase 1A lease. These agreements incorporate terms approved by the Board in December 2010. The terms reflect current market conditions rather than those that prevailed when the JDA was executed in 2002, the Board approved an amended term sheet in 2005, the JDA was amended in 2007, and the Phase 1A lease was executed in March 2008, all prior to the collapse of the financial markets in October 2008.

DESCRIPTION:

This action will support Metro's goal of using every resource wisely by restarting the development of the Twinbrook transit-oriented development to provide additional ridership and revenue for the Authority.

The 2007 JDA development program for the 26-acre site comprises 1,000 apartments, 595 condominium residences, 200,000 square of retail space, and 325,000 square feet of office space to be built in three phases, each with two subparts. The developer, JBG, is also to construct two Metro parking garages. The start schedule is: 1A (2007), West Side Metro Garage (before 1B), 1B (2008), 2B (2009), 2A (2011), East side Metro Garage (before 3A), 3A (2013), and 3B (2013).

Subparts 1A, 1B, 2B and the West Side Metro Garage are in default. Subparts 2A, 3A, 3B and the East Side Metro Garage are not in default since they are not scheduled to start until May 2011 and May 2013, respectively.

Due to the dramatic decline in market values over the past two years, the project no longer makes economic sense based on the terms the Board approved in 2005, and JBG has not been willing to continue the project on those terms. Therefore, staff and JBG negotiated amended terms that the Board approved in December 2010. The new terms would allow JBG to restart the project and meet a spring 2011 target to refinance Phase 1A.

As noted in the December 2010 Board summary, the new terms are above market valuations; JBG was the only original respondent; Metro is not likely to get a superior offer in the near term from any other developer; JBG has considerable financial

strength; and, subject to an amended JDA, JBG is willing to construct the West Side Metro Garage.

The Twinbrook project has achieved national recognition for its design and LEED-ND (Leadership in Energy and Environmental Design-Neighborhood Development) compliance.

Phase 1A , now complete, has 279 apartments, 81% leased, and 15,500 square feet of retail space, 55% leased, all consistent with JBG`s leasing schedule. From an overall perspective, however, Phase 1A is in default since the West Side Metro Garage has not been built, and 94 surface spaces displaced by the development have not yet been replaced. Construction of the West Side Garage would provide the replacement spaces.

The amended JDA and Phase 1A lease conform to all other terms approved by the Board in December 2010. The amended JDA provides for the following schedule for garages and development phases: West Side Garage- 2011, Phase 1B- 2012, Phase 2A- 2013, Phase 2B- 2014, East Side Garage prior to Phase 3A, Phase 3A- 2013, Phase 3B- 2013.

FUNDING IMPACT:

Approval of the amended agreements would result in a reduction in the originally anticipated revenue for the Transit Infrastructure Investment Fund (TIIF). However, by enabling a currently-stalled joint development project to move forward, approval of the agreements would hasten an increase in passenger ridership and associated revenue.

Project Department/Office: PLJD/SAAM
Project Manager: Rosalyn Doggett

RECOMMENDATION:

Approval of an amended Twinbrook Joint Development Agreement and amended Phase 1A lease.