

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201718

Resolution:
 Yes No

TITLE:

Acquisition of Warehouse at 10201 Good Luck Road

PRESENTATION SUMMARY:

To brief the board on a space consolidation plan and seek approval to acquire a warehouse located at 10201 Good Luck Road in Lanham, for the consolidation.

PURPOSE:

To obtain Board approval to acquire a warehouse located at 10201 Good Luck Road in Lanham, Maryland for relocation and consolidation of the functions currently in Metro's Stone Straw facility and three short-term leased warehouse spaces.

DESCRIPTION:

Staff proposes to acquire 10201 Good Luck Road, a 142,800 square foot warehouse in Lanham, Maryland into which to relocate and consolidate functions from three short-term leases and the Stone Straw building. Metro leases 84,131 square feet of warehouse space in three short-term leases in Beltsville, Maryland occupied by Metro departments displaced from the Greenbelt Storage and Inspection Yard to accommodate the construction of the RAIL Commissioning facility and the Yard parking garage.

The proposed acquisition will also accommodate the relocation of the functions currently located in the Stone Straw facility thereby enabling Metro to dispose of Stone Straw, a long-sought goal, and save substantial capital funds for its repair.

Key Highlights:

The acquisition of 10201 Good Luck Road is a financially sound investment and will result in the following benefits for Metro:

- Enables consolidation from three leased locations into a Metro-owned facility
- Avoids renovation expenses for Stone Straw, an obsolete building
- Generates revenue from the sale of Stone Straw

Background and History:

Plant Maintenance (PLNT) and Systems Maintenance (SMNT) functions had occupied space in the Greenbelt Rail Yard, and were displaced due to the construction of the rail commissioning facility and related employee parking. These functions were relocated in

to short-term leased space in Prince George’s County, as a part of that capital project.

In July, 2015, the Metro Board approved the acquisition of 3636 Pennsy Drive in Landover, Maryland, a 360,000 square foot warehouse, for \$35M, into which Metro proposed to relocate all of its leased warehouse space (160,000SF) and Stone Straw and still leave capacity to at a minimum relocate all non-rail functions from the New Carrollton S & I Yard in the future. During the acquisition due diligence, staff discovered that one existing tenant at 3636 Pennsy occupying 136,799 square feet of space had a lease term that could potentially extend to December of 2029, as opposed to December of 2017 as had been represented by the Seller. This meant that the two tenants at the property could occupy 56% of the property potentially for another 13 years. Staff has determined this high level of non-Metro occupancy is inconsistent with Metro’s current operational needs. Additionally, the Seller insisted on a purchase price above the appraised value. Staff also identified a significant risk that fit-out costs would exceed initial estimates.

As an alternative, staff proposes to acquire 10201 Good Luck Road into which to relocate the three short-term leases and Stone Straw.

Discussion:

The acquisition of 10201 Good Luck Road will consolidate three existing leased facilities into a single Metro-owned facility. Further, Metro will be able to relocate functions currently located in the Stone Straw facility thereby enabling Metro to dispose of the Stone Straw Building. This building is in need of significant capital funds for repair and renovation, and even if renovated, it does not efficiently support Metro’s needs. Relocating from the Stone Straw building will facilitate (1) avoiding the renovation/repair costs, and (2) realizing proceeds from the sale of the facility.

Considering these factors, Metro will realize savings of \$6.3 million to \$10.6 million* over 10 years (Net Present Value) in the proposed consolidation compared to the continuation of its current occupancy at these facilities. The proposed capital investment will realize a payback period of 1 to 5 years*.

*(The range of estimated savings is based on rehabilitation costs for the Stone Straw building, as well as the revenue potential from its sale)

FUNDING IMPACT:

Program:	Capital Improvement Program		
Project:	CIP0231		
Project Manager:	Anabela Talaia		
Project Department/Office:	Department of the Chief Financial Officer/Office of Real Estate and Station Planning		
	Year One FY16	Year Two & Beyond	Total
Budget:	12,852,000	0	12,852,000
This Action:	12,852,000	0	12,852,000
Prior Approval:	0	0	
Remaining Budget:	0	0	0

Remarks:	One-time capital expenditure
Operating Budget Impact:	Maintenance

The purchase of the warehouse is budgeted for and funded in the Board approved FY2016 Capital Improvement Program. The purchase of this property will be funded using non-federal local funding sources.

If Metro does not purchase this property the agency will not recognize planned revenues associated with the sale of Stone Straw and, furthermore, Metro will need to make significant capital investments into the facility if it continues to occupy the property. Metro will also continue paying rent for the three leases that total over \$800,000 in costs annually that will need to be extended and paid for through the operating budget if the purchase of the property is not approved.

TIMELINE:

Previous Actions	July 2015 - the Board authorized staff to acquire a warehouse at 3636 Pennsy Drive, in Landover, MD for department relocations and consolidations from leased space
Anticipated actions after presentation	Offer, Negotiation, Due Diligence, and Acquisition of 10201 Good Luck Road

RECOMMENDATION:

Board approval for the acquisition of a warehouse located at 10201 Good Luck Road in Lanham, Maryland for department relocations and consolidation from short-term leased space.

PRESENTED AND ADOPTED: March 24, 2016

SUBJECT: APPROVAL TO ACQUIRE A WAREHOUSE AT 10201 GOOD LUCK ROAD IN LANHAM, MARYLAND

2016-12

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

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) has entered into three leases since 2012 for a total of 84,131 square feet of warehouse space in the general area of the Greenbelt Storage and Inspection Yard; and

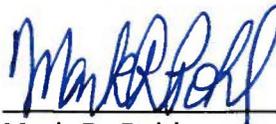
WHEREAS, WMATA staff has performed a cost/benefit analysis and determined that it is more financially sound to acquire a warehouse property into which to relocate the leased functions; and

WHEREAS, The proposed acquisition will also accommodate the relocation of the functions currently located in the Stone Straw facility, thereby enabling WMATA to dispose of Stone Straw, a long-sought goal, in addition to generating revenue from the sale of the building and saving substantial capital funds that would have been spent on repair of the building; now, therefore be it

RESOLVED, That the Board of Directors approves the acquisition of 10201 Good Luck Road in Lanham, Maryland; and be it finally

RESOLVED, That this Resolution shall be effective 30 days after adoption in accordance with § 8(b) of the WMATA Compact.

Reviewed as to form and legal sufficiency,



Mark R. Pohl
Acting General Counsel

WMATA File Structure No.:
21.1.1 Fee Simple Acquisition

**Motioned by Mr. Price, seconded by Mr. Goldman
Ayes: 8 – Mr. Evans, Ms. Harley, Mr. Corcoran, Mr. Downey, Mr. Price, Mr. Goldman, Mrs. Hudgins and Ms. Tregoning**