Washington Metropolitan Area Transit Authority

Board Action/Information Summary

● Action ○ Information	MEAD Number: 102251	Resolution: ○ Yes ● No

TITLE:

Sale and Replacement of Tenleytown Chiller Plant

PURPOSE:

Request Board authorization to:

- Negotiate contract for sale and replacement of Tenleytown Chiller Plant (1/4 acre) at 42nd and Ellicott Streets, NW, Washington, DC contingent upon subsequent Board approval of actual sale price
- Determine sale price on basis of appraisal of rezoned property or cost of replacement chiller plant, whichever is greater

DESCRIPTION:

The proposed action meets Metro's goal of using every resource wisely in the disposition of underutilized property to provide enhanced facilities for Metro.

The Tenleytown Chiller Plant sits on ¼-acre of Metro-owned land at the intersection of 42nd and Ellicott Streets, NW, Washington, DC, a few feet from Wisconsin Avenue. The Plant provides air conditioning for the Tenleytown-AU and Friendship Heights Metro stations.

The Plant site is bordered on its other two sides by an aged Safeway supermarket and its surface parking. Safeway has engaged Clark Realty to redevelop the supermarket site. The proposed redevelopment plan is to demolish the existing store and build a new, larger Safeway store and approximately 200 rental units above and alongside, with underground parking. This proposal requires rezoning by the District of Columbia. The broad concept has been tentatively approved by the District’s Office of Planning, pending submittal, review and approval of a formal application.

The Plant site is attractive to Clark Realty and Safeway because it allows them to retain the redevelopment’s overall density, while lowering the height of the proposed project and providing additional retail space in response to community comments, thus enhancing the likelihood of obtaining rezoning. In addition, incorporating the Plant site into the redevelopment provides some additional density, facilities and design enhancements for the developer.

Clark Realty has proposed to buy the Plant site, demolish Metro’s existing stand-alone building, and incorporate a new chiller plant on the same site as part of the redevelopment. Preliminary analysis by engineers from Metro and Clark Realty indicates this is technically feasible.

The proposed purchase price to Metro is the greater of (1) the Chiller Plant site's fair market value if incorporated into the development or (2) the cost of replacing the existing Plant with a new one in the new development on the same site. Fair market value will be determined by an appraisal process. Depending on the relative appraised value of the site and the cost of the new facility, Metro may also net some cash. Metro's existing capital or operating budgets will not pay for the new facility.

Metro will continue to own, operate and maintain the new Plant equipment. The disposition documents will include easements assuring Metro of unfettered access to the new development for the purpose of operating, maintaining, repairing and replacing the new facilities.

In the absence of internal guidelines governing disposition of excess property, this transaction has been negotiated with Clark Realty on a sole source basis. The closest analogy is to the "WMATA Joint Development Policies and Guidelines." Those Policies and Guidelines permit a sole source disposition if there is only one adjacent property owner and that adjacent property owner can utilize the site more effectively than a stand-alone third party purchaser, specifically citing the example of a small Metro-owned property. The same concept applies here. The Plant site has significantly more value to Safeway-Clark Realty and therefore to Metro if incorporated into the proposed larger redevelopment than if sold to a third party buying the Plant site on a stand-alone basis. On a stand-alone basis under current zoning, the estimated value of the Plant site is too low to pay for a new chiller plant facility, let alone to support a private sector development project; a rezoning is a practical necessity to increase the value of the Plant site. But a stand-alone rezoning is not practicable: the Plant site is too small under District of Columbia zoning law to apply for upzoning similar to what Clark proposes without a governmental waiver to allow an application, and, because of site constraints due to our ground level and below-ground facilities, it is not likely that the property could support a larger stand-alone building or the curb cuts to service a stand-alone redevelopment if a waiver was granted and rezoning obtained. Further, the delay of a public bidding process could quash the proposed transaction with Clark Realty, whose timetable for its own rezoning would require it to move forward without the Plant site, possibly mooting the entire opportunity. Only Clark Realty, by incorporating the Plant site into the Safeway planned unit development, can logically offer Metro a purchase price making a sale of the Plant site worthwhile to Metro.

The proposed sale was internally screened in November 2011 and then externally screened to the District of Columbia government in December 2011. No objections were received.

FUNDING IMPACT:

Per Federal Transit Administration regulations, proceeds from this sale will be placed in the capital budget where they will first be used to pay the cost of the replacement chiller plant. Any balance will be retained in the capital budget.

Project Manager:	Steve Teitelbaum
Project Department/Office:	Department of Planning and Joint Development Office of Station Area Planning and Asset Management

RECOMMENDATION:

Approval to negotiate a contract for sale and replacement of Tenleytown Chiller Plant (1/4 acre) at 42nd and Ellicott Streets, NW, Washington, DC, contingent upon subsequent Board approval of actual sale price; and determine sale price on basis of appraisal of rezoned property or cost of new chiller plant, whichever is greater.