

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201480

Resolution:  
 Yes  No

**TITLE:**

Capitol Heights Joint Development Term Sheet

**PRESENTATION SUMMARY:**

WMATA owns approximately 6.74 acres of land at the Capitol Heights Metro Station plus another 0.66 acres immediately southeast of the Metro Station property. In April 2014, WMATA issued a Joint Development Solicitation seeking private sector development on the surface parking lot at the Metro Station and on that 0.66-acre parcel. WMATA then selected Donatelli Development as the preferred developer and now wishes to sign a non-binding term sheet with Donatelli Development.

**PURPOSE:**

Approve the negotiation and execution of a non-binding term sheet with Donatelli Development for the development of a portion of WMATA's land at the Capitol Heights Metro Station.

**DESCRIPTION:**

Toward advancing WMATA's joint development program, in April 2014 WMATA issued a Joint Development Solicitation for private sector real estate development on a portion of WMATA's landholdings at the Capitol Heights Metro Station. The Solicitation offered the WMATA-owned surface parking lot area and a vacant WMATA-owned 0.66-acre parcel located across Davey Street and southeast of the parking lot.

Donatelli Development submitted a proposal in response to the Solicitation. The proposal was very similar in concept to the development program anticipated by the Solicitation. As shown in "Key Highlights" below, the proposed project meets the recently adopted Board Evaluation Criteria for joint development.

The authorization to negotiate the term sheet between WMATA and Donatelli Development is now requested from the Planning, Program Development and Real Estate Committee and the Board of Directors.

**Key Highlights:**

<b>Metro Development Objectives</b>	<b>How Addressed by Proposed Project</b>
Proposed project integrates regional transit facilities	The project knits the Capitol Heights neighborhood directly into the Metro Station site while continuing to provide the same transit facilities as are currently in use.
Proposed project reduces automobile dependency	By creating new multifamily development with some retail use above a Metro Station, the new project creates the opportunity to reduce the need for automobile usage.
Proposed project increases pedestrian/bicycle-originated trips	The plan calls for better pedestrian access to the Metro Station for trips originating or terminating off-site via a more attractive pedestrian element and also creates the potential for trips generated directly on-site.
Proposed project fosters safe station areas	The proposed project -- particularly when combined with other projects underway or planned within a couple of blocks of the Metro Station -- will activate the area with new residents, workers and shoppers.
Proposed project enhances connections to transit stations	The proposed project will enhance pedestrian and bicycle access to the Metro Station (as described above).
Proposed project provides mixed-use development	The proposed project includes multifamily residential, townhouse and retail development.
Proposed project offers active public spaces	A new pedestrian plaza is proposed for the Davey Street frontage of the Metro Station.
Proposed project promotes and enhances ridership	The project will generate new ridership through riders traveling to and from the project itself, while also maintaining access for commuters traveling to and from the Metro Station.
Proposed project achieves Metro's financial objectives, including fair market value for Metro	The developer will pay fair market value to Metro, already validated by appraisal.
Proposed project encourages revitalization and sound growth	The proposed project is in accord with the County's and the Town's transit-oriented desires for the site and is one of several other projects within a couple of blocks of the Metro Station on both the District and Prince George's County sides of the Southern Avenue border.

**Background and History:**

The Capitol Heights area is seeing a significant amount of new development on both the Maryland and District of Columbia sides of the border. Among the projects under development is the Capitol Gateway mixed-use development in the District. This project consists of new townhouses that have been completed, a Walmart-anchored retail center that is under construction, and additional retail, and residential contemplated for future phases of that project. In the Town of Capitol Heights, the Town and Donatelli Development (the same developer as is working with WMATA) are proceeding with a multifamily project immediately south of the Metro Station across Davey Street on Town-owned land. And finally, another developer is seeking to develop multifamily and townhouses on the large block bordered by Southern Avenue and Davey Street, immediately southwest of the Metro Station.

In total, there is approximately 1.3 million square feet of new development under way at Capitol Heights comprised of over 900 residential units and 210,000 square feet of retail.

**Discussion:**

Donatelli Development will purchase the WMATA-owned surface parking lot at the Capitol Heights Metro Station along with the WMATA-ow 0.66-acre vacant lot southeast of the Capitol Heights Metro Station. Donatelli will then develop approximately 200 multifamily units on what is now the surface parking lot, along with a few thousand square feet of retail space facing the Metro Station, and four townhouses on the 0.66-acre parcel.

WMATA's current transit facilities -- the bus loop, Kiss & Ride and Metro Station entrance west of the main development site and the traction power substation east of the main development site -- will remain owned by WMATA and in operation unaffected by this transaction.

The WMATA-owned surface parking lot currently has 372 parking spaces for daily use. Given the Capitol Heights real estate market and the small size of the site, it is not economically feasible to replace those parking spaces on the site as part of the Capitol Heights joint development project. WMATA is currently contemplating relocation and replacement of all or a portion of these spaces at the Morgan Boulevard station, located east of the Capitol Heights Station but also along the Blue/Silver Line corridor. The funding for the replacement of these spaces will come out of the joint development sales proceeds. The exact quantity of replacement spaces will be determined based on an analysis impacts to ridership and revenue.

**FUNDING IMPACT:**

Proposed project will result in new revenue from the sale of the property and from increased ridership at Capitol Heights.	
Project Manager:	Steven A. Teitelbaum, Senior Real Estate Advisor
Project Department/Office:	Department of the Chief Financial Officer / Office of Real Estate and Station Planning

**TIMELINE:**

<b>Previous Actions</b>	April 2014 -- WMATA issued a Joint Development Solicitation seeking development of this site  November 2014 -- WMATA staff selected Donatelli Development as the developer, subject to Board approval (and eventual FTA concurrence)
<b>Anticipated actions after presentation</b>	Spring 2015 -- finalize term sheet  Summer/Fall 2015 -- negotiate formal Joint Development Agreement and return to Board for approval  Fall/Winter 2015 -- seek FTA concurrence in the transaction  2016 -- close on the sale of the land

**RECOMMENDATION:**

Approve the negotiation of a non-binding term sheet with Donatelli Development for the private sector development of a portion of WMATA's landholdings at the Capitol Heights Metro Station.

**PRESENTED AND ADOPTED: May 28, 2015**

**SUBJECT: APPROVAL TO NEGOTIATE AND EXECUTE A TERM SHEET WITH DONATELLI DEVELOPMENT FOR JOINT DEVELOPMENT AT THE CAPITOL HEIGHTS METRORAIL STATION**

**2015-26**

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

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) issued Joint Development Solicitation 2014-01 requesting proposals for the private development of a portion of the WMATA-owned land at the Capitol Heights Metrorail Station (Metro Station) in Prince George's County, Maryland (Capitol Heights Joint Development Site); and

WHEREAS, The Capitol Heights Joint Development Site includes the surface parking lot at the Metro Station and a 0.66-acre parcel of vacant land southeast of the Metro Station, across Davey Street, but does not include the Metro Station entrance, the existing bus loop, the existing Kiss & Ride area, or a 0.4-acre parcel of vacant land southwest of the Metro Station, across Davey Street; and

WHEREAS, In November 2014, WMATA staff preliminarily designated Donatelli & Klein, Inc., d/b/a Donatelli Development, Inc. (Donatelli Development), as the developer with which WMATA would negotiate for that development project; and

WHEREAS, WMATA staff has been negotiating with Donatelli Development for the development of the Capitol Heights Joint Development Site; and

WHEREAS, The anticipated development of the Capitol Heights Joint Development Site includes approximately 200 units of multi-family housing and a few thousand square feet of retail space facing the Metro Station entrance, with associated parking for residents and the retail use, plus, on the 0.66-acre parcel, four townhouses; and

WHEREAS, Negotiations with Donatelli Development anticipate the sale of the Capitol Heights Joint Development Site to Donatelli Development; and

WHEREAS, WMATA staff seeks the Board of Directors approval to negotiate and execute a non-binding term sheet with Donatelli Development on substantially the terms set forth above, subject to the further approval of the Board to any binding agreement and to the concurrence of the Federal Transit Administration in accordance with its procedures; now, therefore be it

**Motioned by Mrs. Hynes, seconded by Mr. Goldman**

**Ayes: 7 – Mr. Downey, Mr. Goldman, Mrs. Hudgins, Ms. Tregoning, Ms. Harley, Mrs. Hynes and Mr. Evans**

*RESOLVED*, That the Board of Directors authorizes staff to negotiate and enter into a non-binding term sheet with Donatelli Development for the development of the Capitol Heights Joint Development Site substantially on the terms set forth above; and be it finally

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

Reviewed as to form and legal sufficiency,



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Mark R. Pohl  
Acting General Counsel

WMATA File Structure No.:  
21.9.3 Joint Development Pre-Contract Actions