

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100376	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

Lease of Easement Rights at Shaw-Howard Univ Sta.

PURPOSE:

To request Board approval of a lease to Broadcast Center Partners, LLC with option to purchase various easement rights from Metro at the Shaw-Howard Univ Metrorail station north entrance.

DESCRIPTION:

Metro owns fee simple and underground easement rights at the Shaw-Howard Univ Metrorail station at 7th and S Streets, N.W. Metro facilities include escalators, canopy, elevators and underground facilities. Because of Metro's station entrance and underground facilities, the majority of the property value is in the air rights. The highest and best use of Metro's property is the assemblage of air rights with the adjacent property to develop a mix of retail, office and residential uses.

Metro offered the air rights in a joint development solicitation in 2003. One proposal was received but not accepted because it did not meet the joint development guidelines. The District of Columbia ("District"), which was offering the adjacent site for development, entered into discussions with Metro about acquiring Metro's property but ultimately declined. The District selected Broadcast Center Partners ("BCP") as the developer for the adjacent site. BCP's plans include development of 105,000 square feet of commercial office space anchored by Radio One, 23,000 square feet of retail space, and 180 residential units. After completing building designs, BCP submitted plans to Metro defining the real estate interests that it wished to acquire from Metro. Metro and BCP exchanged proposed prices and terms and reached agreement to lease various easement rights with an option to purchase as outlined below. The total value of this agreement to Metro is \$1,200,000.

This project will benefit the local community by helping to revitalize the theater and arts district and stimulating additional development around the Shaw-Howard Univ Metrorail station.

Proposed Lease Area:

- Easement over Metro's escalator parcel for window washing on the front facade of the office building
- Easement over Metro's elevator parcel for portion of office building entrance

- Underground easements for part of parking garage and office bldg. footings

Proposed Lease Term:

99 years commencing when BCP closes on its Land Disposition and Development Agreement with the District.

Initial Payment: \$336,000

Balance:

\$1,200,000 - \$336,000 = \$864,000 paid out over 99-year lease term with interest

Annual Rent: \$61,413

Total Rent Payments (99 years @ \$61,413/year): \$6,079,887

Calculations for Purchase of Perpetual Easements

Year	Annual Rent	Cumulative Rent	Easement Value*	Residual Value
1	\$ 61,413	\$ -	\$ 925,344	\$ -
2	\$ 61,413	\$ 61,413	\$ 991,043	\$ 929,630
3	\$ 61,413	\$ 122,826	\$ 1,061,408	\$ 938,582
4	\$ 61,413	\$ 184,239	\$ 1,136,767	\$ 952,528
5	\$ 61,413	\$ 245,652	\$ 1,217,478	\$ 971,826
6	\$ 61,413	\$ 307,065	\$ 1,303,919	\$ 996,854
7	\$ 61,413	\$ 368,478	\$ 1,396,497	\$ 1,028,019

*Easements` value increased @ 7.1% annual rate

FUNDING IMPACT:

This is a revenue generating contract with funds to be deposited into the Transit Infrastructure Investment Fund ("TIIF"). Use of these funds is restricted to Federal Transit Administration-eligible capital projects.

RECOMMENDATION:

Approve a lease to Broadcast Center Partners, LLC with an option to purchase various easement rights from Metro at the Shaw-Howard Univ Metrorail station north entrance.