

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

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 101212	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

Bethesda Station Lease Amendment

PURPOSE:

Obtain Board approval to amend the lease with Meridian BMC Office Owner, LLC (developer), to clarify the lease terms regarding responsibility for garage deck structural repair and dedicate the anticipated revenue from three lease events (a refinancing expected to take place in August 2011 and annual adjustments due in 2011 and 2012) for the repair of the Bethesda Metrorail station.

DESCRIPTION:

Metro entered into a land lease in December 1981 to facilitate the transit oriented development of commercial office and retail space over the Bethesda Metrorail station. The resultant development consists of a 323,589 square foot office tower and garage and a 41,640 square foot food court and plaza. Under the lease agreement, Metro retains space for its operations, including bus bays and a Kiss & Ride area, which are on the top level of the parking garage just below the office building.

The garage deck used for the bus bays and Kiss & Ride has deteriorated since construction, which has created a potential safety hazard. The parking garage concrete deck requires immediate repair. The land lease language is not clear concerning responsibility for maintenance and repair of the garage. To meet the immediate and future repair needs, Metro and the developer have agreed to amend the terms of the land lease.

The developer will immediately undertake the repairs needed now. The total cost to repair the garage deck is estimated at approximately \$4.0 million, although this cost could possibly be higher (or lower). To share in the funding of these repairs with no capital outlay, Metro has agreed to forgo rent revenue due it from the developer in a proposed agreement that shares repair costs on a 50-50 percentage basis. The total rent revenues due Metro from the developer could be as much as \$2.4 million. This amount is not certain as it depends on building occupancy, lease rates, and the amount of the developer's current financing that

is refinanced to support building improvements the developer intends to make. Metro's responsibility to support garage deck repair costs would be capped at the amount of rent due Metro by the developer, so that in no case would Metro be required to pay for repairs with funds in the CIP.

Additionally, the agreement Metro has negotiated amends the land lease to assign responsibility for all future garage maintenance and repair, including Metro operational areas, to the developer.

Amending the lease to utilize this funding approach will support the following strategic goals: (1) create a safer organization by (a) expediting repair of the bus deck, and (b) avoiding a safety hazard for bus operations; and (2) use every resource wisely by eliminating the need for (a) a capital outlay by Metro, and (b) litigation and its attendant cost.

FUNDING IMPACT:

Rent revenue received from the developer supports Metro's Operating Budget. The rent revenues that would comprise Metro's share of the garage repair cost are those that are not included in Metro's FY2012 budget forecasts, as they are generated by contingencies, such as project refinancing, that are not readily forecastable; therefore, the forgone rent in FY2011 and FY2012 will have no impact upon the budgeted annual estimated Joint Development revenue.

Project Manager: Steve Goldin
Department: Planning and Joint Development
Office: Station Area Planning and Asset Management

RECOMMENDATION:

Approval to amend the lease with Meridian BMC Office Owner, LLC, to clarify the lease terms regarding responsibility for garage deck structural repair and dedicate payments from two annual rent adjustments and a refinancing for the repair of the Bethesda Metrorail station.