

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201508

Resolution:
 Yes No

TITLE:

Acquisition of 3636 Pennsy Drive in Landover, MD

PRESENTATION SUMMARY:

This presentation presents an overview of Metro's proposed acquisition warehouse located at 3636 Pennsy Drive in Landover, Maryland for department relocations and consolidation from leased space.

PURPOSE:

To obtain Board approval to acquire a warehouse located at 3636 Pennsy Drive in Landover, Maryland for department relocations and consolidation from leased space.

DESCRIPTION:

Metro leases 206,292 sq. ft. of enclosed warehouse spaces and 284,766 sq. ft. of surface lots throughout the WMATA service region. 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. 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, and save substantial capital funds for its repair.

Key Highlights:

The acquisition of 3636 Pennsy Drive is a financially sound investment and will result in the following benefits for Metro:

- Enables consolidation from leased locations, avoidance of renovation expenses for obsolete buildings, and sale of those obsolete buildings
- Achieves an 11-year payback period for the warehouse purchase based on operating expense savings and sale proceeds from obsolete facilities
- Secures ownership of a strategic location as it is adjacent to other WMATA operations facilities
- Supports future Heavy Rail Overhaul facility, given site's adjacency to Orange Line rail corridor
- Facilitates consolidation from four separate leased locations into a WMATA-owned facility

Background and History:

Certain departments have responsibility for maintaining Metro's RAIL and BUS facilities throughout the service region: Plant Maintenance (PLNT) has responsibility for maintenance, noncapital repairs, janitorial functions, and general site care of Metro's facilities and Systems Maintenance (SMNT) has responsibility for the electrical systems and electronics in the facilities. SMNT and PLNT were displaced from the Greenbelt Storage and Inspection Yard into leased space to provide space for the RAIL commissioning facility and the employee parking garage. These displaced functions were accommodated in three warehouse leases in the Greenbelt area.

In a separate transaction, in 2012 staff leased a separate warehouse space in Alexandria, Va for the storage of capital inventory for which no storage space was available in existing WMATA-owned facilities.

The Board subsequently approved an initiative to relocate maintenance departments from rail yards in support of rail car fleet expansion. As part of this effort staff began a search for additional warehouse space to complete the relocation of these remaining functions from rail yards.

Discussion:

The acquisition of 3636 Pennsy Drive will consolidate all of these existing leased spaces into a single WMATA-owned facility. Further, WMATA will be able to relocate functions currently located in the Stone Straw facility thereby enabling WMATA 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 WMATA's space 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. By acquiring the proposed warehouse, consolidating from the leased locations, and selling the outdated buildings, the transaction will achieve an 11-year payback period.

In addition to the recommended option to purchase the warehouse outright, staff also explored pursuit of a lease of the warehouse with an option to purchase. While this option would allow WMATA to occupy the warehouse with a lower upfront cost, it would ultimately result in a higher price when WMATA exercises the purchase option. The higher cost of the lease with purchase option is due to the fact that today Metro has an opportunity to buy the building priced as a mostly-vacant property. At the time of when the option is exercised, the building will be fully-leased, and the purchase price will be significantly higher to reflect this fully-leased status.

FUNDING IMPACT:

Program:	Capital Improvement Program		
Project:	TBD		
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:	35,000,000	0	35,000,000
This Action:	35,000,000	0	35,000,000
Prior Approval:	0	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 WMATA does not purchase this property the agency will not recognize \$5 million in planned revenues associated with the sale of the WMATA owned facility at Stone Straw. Furthermore, WMATA will need to make significant capital investments into this facility if it continues to occupy this property.

From an operating cost perspective, WMATA participates in several leases today that total \$1.5 million 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	None
Anticipated actions after presentation	Offer, Negotiation, Due Diligence, and Acquisition of 3636 Pennsy Drive

RECOMMENDATION:

Board approval for the acquisition of a warehouse located at 3636 Pennsy Drive in Landover, Maryland for department relocations and consolidation from leased space.

PRESENTED AND ADOPTED: July 23, 2015

SUBJECT: APPROVAL TO ACQUIRE A WAREHOUSE AT 3636 PENNSY DRIVE IN LANDOVER, MARYLAND

2015-42

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

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) has entered into four leases since 2012 for a total of 206,292 square feet of enclosed warehouse spaces and 284,766 square feet of surface lots throughout the WMATA service region; and

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

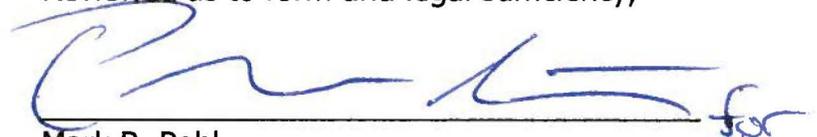
WHEREAS, The proposed acquisition will also accommodate the relocation of the functions currently located in the Stone Straw facility, thereby enabling WMATA to dispose of Stone Straw, a long-sought development site; and

WHEREAS, Staff has identified 3636 Pennsy Drive as an appropriate warehouse property and needs Board of Directors approval to acquire the property; now, therefore be it

RESOLVED, That the Board of Directors approves the acquisition of 3636 Pennsy Drive in Landover, Maryland; and be it finally

RESOLVED, That this Resolution shall be effective 30 days after its passage by the Board of Directors in accordance with the § 8(b) of the 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 Ms. Tregoning, seconded by Ms. Harley
Ayes: 8 – Mr. Downey, Mr. Goldman, Mrs. Hudgins, Mr. Bulger, Ms. Tregoning, Ms. Harley, Mr. Corcoran
and Mr. Dormsjo**