

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
200206

Resolution:
 Yes No

TITLE:

Approval of sale of Tenleytown Chiller site

PRESENTATION SUMMARY:

Safeway supermarkets would like to buy Metro's Tenleytown Chiller Plant site and incorporate it into a proposed mixed-use development replacing the existing adjacent Safeway store and adding multifamily housing. The site is 1/4 acre at the corner of 42nd and Ellicott Streets, NW, Washington, DC. The adjacent Safeway site is approximately 2.5 acres and wraps around our site on the the non-street sides.

PURPOSE:

Request Board authorization to:

- 1) Negotiate a contract for the sale of the land (1/4 acre) and the replacement of the Tenleytown Chiller Plant located at 42nd and Ellicott Streets, NW, Washington, DC as part of modernization and redevelopment of adjacent Safeway supermarket parcel;
- 2) Obtain a sales price to be the greater of (a) the cost of a new chiller plant using modern technology or (b) the fair market value of Metro's land.

DESCRIPTION:

The Tenleytown Chiller Plant sits on 1/4-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 adjacent property owner on both of the non-street sides is Safeway Inc., the supermarket chain.

The proposed project offers Metro the opportunity to sell the Tenleytown Chiller Plant land to Safeway in exchange for a new chiller plant. This proposed transaction is similar in concept to a proposal approved by the Board in April 2012 (MEAD 102251) that did not go forward because Safeway and its then-development-partner subsequently had a falling out. Safeway has since selected a new development partner, Bozzuto Development Company, and wishes to go forward with the same overall concept but a somewhat different project design.

Key Highlights:

1. Metro sells its 1/4-acre Tenleytown Chiller Plant site to Safeway. Safeway already owns the adjoining 2.5 acre site occupied by a small and obsolescent Safeway and surface parking.

2. Safeway incorporates the Metro site into its larger redevelopment of the neighboring property to create a new and larger Safeway and residences above and around the new store. All on-site surface parking is moved underground.
3. Safeway builds Metro a new chiller plant, incorporated into the new development. Metro retains the right to operate, maintain, repair and replace the new equipment.
4. Metro receives from Safeway the greater of (a) a new chiller plant using modern technology or (b) the fair market value of Metro's land.

Background and History:

The Tenleytown Chiller Plant site is bordered on its other two sides by an aged Safeway supermarket and its surface parking, approximately 2.5 acres. Safeway, working with Bozzuto Development Company, would like to redevelop the supermarket site. The proposed redevelopment plan is to demolish the existing store and surface parking and build a new, larger Safeway store and apartments and townhouse units above and alongside the store, with underground parking for the store and residences. A new chiller plant would be incorporated into the new development.

This proposed transaction is similar in concept to a proposal approved by the Board in April 2012 (MEAD 102251) that did not go forward because Safeway and its then-development-partner subsequently had a falling out. Safeway has since selected a new development partner, Bozzuto Development Company, and wishes to go forward with the same overall concept but a somewhat different project design.

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.

Discussion:

Safeway's existing store adjacent to the Metro-owned site is over 50 years old and small. Safeway would like to build a new and larger store on its site in order to compete with other grocery stores in the area. The redevelopment plan also includes residential apartments on top of the new store and some townhouses alongside. Instead of the existing surface parking lot, parking for both the store and the residences would be moved underground.

Incorporating the Tenleytown Chiller Plant site into this redevelopment is attractive to Safeway for various reasons. The Plant site sits on the most visible corner of the block, facing Wisconsin Avenue, and would provide Safeway with a prominent streetfront entry to its store. More broadly, incorporating the Plant site into the project allows Safeway more flexibility in moving density and height around on the site. Safeway and the local community are interested in that flexibility because moving height towards Wisconsin Avenue would reduce the physical impact of the proposed development on residential streets on the northern and western borders of the project.

As a consequence of the foregoing, Safeway proposes 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

Safeway indicates this is technically feasible.

Metro will continue to own, operate and maintain the new chiller plant equipment. The disposition documents will include easements assuring Metro of unfettered access to the new facility for operating, maintaining, repairing and replacing the equipment.

The proposed purchase price to Metro is the greater of (a) the cost of a replacement chiller plant using modern technology or (b) the fair market value of Metro's land. (After the new facility is put in operation, Metro will be responsible for its operation and pay the costs of operation.)

FUNDING IMPACT:

Per Federal Transit Administration regulations, the proceeds from this sale will first be used to pay the cost of the replacement chiller plant. Any balance will be retained in Metro's capital budget.	
Project Manager:	Steven A. Teitelbaum, Senior Real Estate Advisor
Project Department/Office:	Department of Finance and Administration, Office of Real Estate and Station Planning (LAND)

TIMELINE:

Previous Actions	April 2012 -- Board approves a conceptually similar project between Metro and an earlier developer working on behalf of Safeway (MEAD 102251). Safeway and that developer had a falling out thereafter and that project did not go forward. Safeway subsequently chose a different developer.
Anticipated actions after presentation	Negotiate a sales contract with Safeway for the sale of the site. Work with technical teams on each side to design the replacement chiller plant and the means of installing it.

RECOMMENDATION:

Approve giving staff authorization to:

1) Negotiate a contract for the sale of the land (1/4 acre) and the replacement of the Tenleytown Chiller Plant located at 42nd and Ellicott Streets, NW, Washington, DC as part of modernization and redevelopment of adjacent Safeway supermarket parcel;

2) Obtain a sales price to be the greater of (a) the cost of a new chiller plant using modern technology or (b) the fair market value of Metro's land.