

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

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| <input checked="" type="radio"/> Action <input type="radio"/> Information | MEAD Number: 103070 | Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No |
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TITLE:

Agreement for Sale of Congress Heights Property

PRESENTATION SUMMARY:

Metro proposes to enter into a purchase and sale agreement for the sale of a parcel of land at the south entrance to the Congress Heights Metro Station. The price is the greater of \$3 million or the appraised value of the land as rezoned. The purchaser is an adjoining landowner who will consolidate the properties for development.

PURPOSE:

Approve the negotiation and entering into of a purchase and sale agreement for the sale of land around and including the Congress Heights Metro Station south entrance to Sanford CityPartners I, LLC.

DESCRIPTION:

Metro owns approximately 41,068 square feet (0.94 acres) of land on the south side of Alabama Avenue, S.E. that includes the south entrance to the Congress Heights Metro Station and related facilities. The property is otherwise vacant but not valuable for development on a stand-alone basis because of its size, current R-5-A single-family residential zoning, and poor street access due to the location of the Station entry portal in the center of the site. The property was appraised at \$530,000 in 2010 on a stand-alone basis.

The flanking properties on the east and west side are owned by affiliates of Sanford CityPartners I, LLC. Sanford CityPartners I, LLC proposes to rezone the property to increase its development potential and, if successful in doing so, buy Metro's property and combine it with the adjacent properties for development. The current proposal is to build a 240,000 square foot office, multifamily or hotel property with ground-floor retail and associated parking.

Sanford CityPartners I, LLC proposes to pay Metro the greater of \$3 million or the appraised value of the property as rezoned for more intensive development than is currently permitted. This is a fee simple sale, not a ground lease. Although the approval associated with this Board Action will conceptually approve the sale itself, the Board will also be given the opportunity to approve the appraised value which will be determined upon the District's approval of the rezoning, which is estimated to take one

year. Federal Transit Administration approval of the sale is also required.

Closing is scheduled for approximately 24 months from contract signing. The precise timing of the closing is contingent upon obtaining the aforementioned rezoning, completion the appraisal, and FTA approval of the sale.

If the property is eventually sold, the Metro Station entrance and ancillary facilities such as vent shafts and utilities will remain under Metro's control and continue to serve Metro and its passengers. A permanent and irrevocable easement and covenant will be recorded in the land records at the time of the sale to protect Metro's operations and to allow Metro to maintain and make alterations to its facilities and to rebuild and replace them. In addition, the developer covenants to not interfere with Metro operations. Metro will also have the right to review and approve the developer's design and construction documents to protect Metro facilities against damage.

Key Highlights:

- Sale of undeveloped property around and including a Station entrance for mixed-use development will benefit the neighborhood and, by new real estate tax revenues, the District of Columbia.
- Purchase price payable to Metro is the greater of \$3 million or the appraised value of the land as rezoned for development.
- Metro retains operational use of and control over the Station entrance and ancillary facilities.

Background and History:

A sale of this property to the same purchaser was approved by the Board in the Summer of 2011 (MEAD 101225). However, no purchase and sale agreement for that sale was ever consummated because the parties could not reach agreement on terms.

The proposed purchaser is the owner of adjoining properties. Consolidation of Metro's property with the purchaser's adjoining properties would enhance the development potential of Metro's property. Therefore, this transaction does not require public bidding due to the "adjacent property owner" exception (Section 7.14) of the WMATA Joint Development Policies and Guidelines.

Discussion:

If a purchase and sale agreement is entered into and the transaction successfully closes, Metro will receive at least \$3 million, which will be applied to capital funds, and the District of Columbia will see a property returned to its real estate tax rolls. If development thereafter occurs on the consolidated site,

Metro may reap additional Metrorail and Metrobus riders at Congress Heights and the District will see increased real estate taxes.

If no purchase and sale agreement is entered into, or if a purchase and sale agreement is entered into but the transaction does not successfully close, the status quo of a largely vacant Station entrance will be maintained.

In any circumstance, as discussed previously, Metro will retain operational control over the Station entrance itself and ancillary facilities on the site. If the property is sold, a permanent and irrevocable easement and covenant will be recorded in the land records to protect Metro's rights in this regard.

FUNDING IMPACT:

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| There is no cost to Metro. The transaction will result in net proceeds to Metro. | |
| Project Manager: | Steven A. Teitelbaum |
| Project Department/Office: | Office of Real Estate and Station Planning (LAND) |

TIMELINE:

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| Previous Actions | 2011 -- Prior Board approval of a similar transaction that was not consummated. 2011-2012 -- Negotiation of new transaction, including a proposed purchase contract and a declaration of covenants. |
| Anticipated actions after presentation | Next 24 months -- Signing the purchase and sale agreement, rezoning of the property, appraisal of the property's value, Board approval of the appraised value, FTA approval of the transaction, and closing. |

RECOMMENDATION:

Board approval to negotiate and enter into a purchase and sale agreement to sell 41,068 square feet of land above the Congress Heights Metro Station south entrance.