

Washington Metropolitan Area Transit Authority

## Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:  
202180

Resolution:  
☐ Yes ☒ No

### TITLE:

Acquisition of Housing Credits Over \$1 Million

### PRESENTATION SUMMARY:

Staff seeks to acquire housing credits for the Jackson Graham Building site, in furtherance of the joint development agreement with Square 487 Associates LLC (a partnership between Stonebridge and Rockefeller).

### PURPOSE:

Request Board approval for acquisition of housing credits valued over \$1 million.

### DESCRIPTION:

Metro seeks to acquire housing credits to enable the redevelopment of the Jackson Graham Building as an office and retail site without housing on-site.

The parties from whom the housing credits are sought to be purchased are affiliates of (1) Douglas Development and (2) Bernstein Development.

### Key Highlights:

- In February 2020, the Board approved staff's selection of the joint venture partnership comprised of Stonebridge and Rockefeller (together, "Developer") with whom to enter into a Joint Development Agreement to redevelop and ground lease Metro's Jackson Graham Building ("JGB") site into a mixed-use office and retail project.
- The Developer proposes to apply housing credits to satisfy the residential component otherwise required by JGB's zoning and will not proceed with the joint development if housing credits are not secured for the JGB site.
- The Developer and Metro have agreed that Metro shall purchase the housing credits valued in total over \$1 million, which real estate acquisition requires Board of Directors' approval.

### Background and History:

In July 2018, Metro's Board of Directors approved the "office consolidation strategy" that was designed to place Metro's more than 3,000 office-based employees into safer and healthier workspace and to save Metro operating funds through consolidation of offices into fewer and more cost-effective buildings. The strategy includes consolidating more than 10 offices dispersed throughout the region into three new offices located at L'Enfant Plaza, Eisenhower Avenue Metro Station and New Carrollton Metro Station, plus maintaining the existing Greenbelt railyard office building. The strategy also unlocks the real estate potential of Metro's existing headquarters building site located at 600 Fifth Street N.W. in Washington, DC, which Metro will dispose of under a 99-year ground lease.

A joint development solicitation was issued in April 2019 and staff selected the Developer toward the end of 2019. In February 2020, the Board of Directors authorized staff to negotiate and execute a joint development agreement ("JDA") with the Developer. The JDA anticipates Metro moving out of JGB around December 2022. Development of Metro's three new office buildings is underway.

#### **Discussion:**

On February 27, 2020, the Board authorized staff to negotiate and execute the joint development agreement with Square 487 Associates LLC for the JGB site. The Developer proposed redeveloping the JGB site as a commercial and retail project and to apply housing credits to satisfy the site's residential component required by JGB's zoning. The Developer has advised that, given its proposal for mixed-use office and retail building(s), it cannot proceed with the JDA if housing credits are not secured for the JGB site.

Staff has determined that it is best for Metro to acquire the housing credits (which would be reimbursed by the Developer), instead of being acquired by the Developer. First and foremost, the housing credits should be transferred to the JGB site, so that Metro could maintain the highest value for the JGB site in the unlikely event that the Developer does not close on the ground lease. Second, Metro has reached agreements with sellers of housing credits, which agreements (and prices) would likely be renegotiated between the sellers and the Developer, which may never be reached. Lastly, if Metro does not acquire the housing credits and the Developer withdraws its offer, then Metro would need to either go to the next highest developers who responded to the joint development solicitation or issue a new solicitation; either choice would set Metro back by at least one year. Metro's acquisition of housing credits thus enables Metro to receive the highest value for the JGB site and to close as quickly as possible on the ground lease.

Housing credits are a real estate interest and their cost exceeds \$1 million. In accordance with Board Resolution 2011-30, this acquisition requires Board of Directors approval.

**FUNDING IMPACT:**

Budget:	Operating Budget, Fiscal 2021
Project/Account:	
Project Manager:	Nina M. Albert, Vice President, Real Estate and Parking
Project Department/Office:	CFO/Office of Real Estate and Parking (LAND)
This Action:	\$6,000,000
Remarks:	One-time Expense: Estimated additional non-personnel expense to be added to the budget

	FY 2021	
Budget:	Approved total project budget, or approved amended budget	0
This Action:	Amount requested for approval	6,117,411
Prior Approval:	Commitments & obligations against the budget as recorded in PeopleSoft	0
Remaining Budget:	Budget-(subtotal + prior approval)	6,117,411

**TIMELINE:**

<b>Previous Actions</b>	Negotiate with the Developer and with proposed sellers of housing credits
<b>Anticipated actions after presentation</b>	June 2020 – Execute Purchase and Sale Agreements with sellers of housing credits July 2020 – Seek approval from DCRA for credit transfer October 2020 – Close on housing credit transfer

**RECOMMENDATION:**

Request Board approval for acquisition of housing credits valued over \$1 million.

SUBJECT: APPROVAL TO ACQUIRE HOUSING CREDITS FOR THE JACKSON GRAHAM BUILDING SITE

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

WHEREAS, Resolution 2011-30 requires Board approval to acquire real property with a value that exceeds \$1,000,000; and

WHEREAS, WMATA staff intends to negotiate and execute purchase and sale agreements for the acquisition of housing credits in the District of Columbia with an aggregate value that exceeds \$1,000,000; and

WHEREAS, The housing credits are real property interests that will benefit the Jackson Graham Building site which is zoned to include a residential housing component;

NOW, THEREFORE, be it

*RESOLVED*, That the Board approves the acquisition of housing credits for the Jackson Graham Building site which, in the aggregate, are valued in excess of \$1,000,000; and be it finally

*RESOLVED*, That this Resolution shall be effective immediately to allow staff to negotiate and execute purchase and sale agreements and to complete its due diligence in a timely manner.

Reviewed as to form and legal sufficiency,

/s/  
Patricia Y. Lee  
Executive Vice President and General Counsel