



Finance and Capital Committee

Action Item III-B

February 13, 2020

**Approval of Joint Development Agreement for
600 Fifth Street NW**

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
202159

Resolution:
☐ Yes ☒ No

TITLE:

JGB Joint Development Agreement

PRESENTATION SUMMARY:

Metro is relocating out of the Jackson Graham Building (JGB) and building three new administrative offices in its place. After Metro staff relocates, JGB will be available for disposition.

The Board has previously authorized Metro staff to negotiate terms for the disposition of JGB. Metro staff has done so and now requests Board authorization to enter into a Joint Development Agreement that will lead to a 99-year ground lease of the property.

PURPOSE:

Request Board approval to execute a joint development agreement for Metro's headquarters property located at 600 Fifth Street NW.

DESCRIPTION:

See "Key Highlights," "Background and History" and "Discussion" below.

Key Highlights:

Key Highlights

- In 2016, the Board authorized an office consolidation strategy to improve working conditions for Metro employees and to reduce administrative operating costs.
- The strategy includes consolidating ten existing leased and owned office facilities into four owned office buildings, as well as disposing of Metro's headquarters, located at 600 Fifth Street NW in Washington, DC.
- Staff offered the JGB site for joint development in April 2019, selected a developer and negotiated terms for a joint development agreement.
- The proposed agreement is for a 99-year ground lease with annual rent payments.

Background and History:

Metro first started evaluating the need to renovate JGB in 2002, given the age and condition of many major building systems (such as heating, ventilation, air conditioning, plumbing, and others), as well as aging interior finishes, lack of amenities, and other

deficiencies.

In 2016, Metro began implementing an office consolidation strategy to more efficiently use its owned space and to dispose of leased office space. It was determined that the costs of renovating the JGB would be prohibitive. In July 2018, the Board authorized the disposition of JGB by outright sale. In November 2018, Metro purchased 300 Seventh Street SW, Washington, DC, across the street from the L'Enfant Plaza Metro Station, and began construction in October 2019. In addition to the new headquarters, Metro is building two new office buildings on Metro-owned land near the Eisenhower Avenue (Alexandria, Virginia) and New Carrollton (Prince George's County, Maryland) Metro Stations. The office consolidation will reduce the total number of administrative facilities from the current ten to four locations, including existing space in Greenbelt.

Once the new buildings are opened, JGB will no longer be needed for Metro operations or administration. However, continuing control of the JGB site is required because three Metro station chiller plants are located on the roof and the Red Line tunnel runs under the property. As a result, and in accordance with Metro's Joint Development Policies, JGB was put on the market as a ground lease opportunity in April 2019, and a developer was selected through a competitive bid process.

Discussion:

Had JGB been sold outright, the site would have been treated as surplus property with Metro receiving a one-time payment. Offering the property as a ground lease, however, allows Metro to collect annual rent payments. Jones Lang LaSalle (JLL) is Metro's real estate advisor and broker for the disposition; they offered the JGB site under a long-term (99-year) ground lease. Proposals were received from 14 qualified investors and developers.

Staff selected a joint venture team of **Rockefeller Group Development Corporation** and **Stonebridge Acquisitions, LLC** with whom to negotiate a joint development agreement, ground lease and construction agreement (for the replacement chiller plants). The result of the negotiations is a 99-year ground lease with annual payments of rent, with a closing date of late December 2022 or January 2023, subject to a mutual six-month option to extend the closing date.

The ground lease ensures continuing control of the property, which satisfies the Federal Transit Administration's requirement for joint development projects, because the ground lessee must not interfere with Metro operations and must replace the existing on-site chiller plants that serve Archives-Navy Memorial/Penn Quarter, Gallery Place-Chinatown and Judiciary Square Metro Stations.

FUNDING IMPACT:

This is a revenue-producing contract, resulting in real estate revenues. There is no negative funding impact on Metro.	
Project Manager:	Nina M. Albert

Project Department/Office:	CFO/LAND (Office of Real Estate and Parking)
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TIMELINE:

Previous Actions	July 2018 – Board authorizes Metro staff to negotiate terms and execute documents for the sale of the Jackson Graham Building April 2019 – Offering memorandum issued for disposition of the Jackson Graham Building through joint development ground lease Summer 2019 – Competitive bid process to select a developer results in selection of joint venture composed of Rockefeller Group Development Corporation and Stonebridge Acquisitions, LLC Fall/Winter 2019-2020 – Negotiations proceed with selected developer on terms of joint development agreement and related ground lease and construction agreement (for replacement of Metro-owned chiller plant)
Anticipated actions after presentation	March 2020 – Submission of joint development agreement to the FTA for concurrence December 30, 2022 – Subject to extension, Metro vacates the Jackson Graham Building and closes on the 99-year ground lease June 2023 – Outside date for closing on the ground lease

RECOMMENDATION:

Approval to execute a joint development agreement for Metro's headquarters property located at 600 Fifth Street NW.

Joint Development Agreement for Jackson Graham Building Site

Finance and Capital Committee

February 13, 2020



Purpose

Request Board approval of a Joint Development Agreement for Jackson Graham Building site

Background

- 2016 Office consolidation study initiated to evaluate multiple office buildings across region
- 2018 Board approval of office consolidation strategy, including sale of Jackson Graham Building (JGB) and acquisition of three new office buildings, subject to Board approval
- 2019 JGB offered for joint development instead of a sale

Existing Jackson Graham Building Site

- Jackson Graham Building (JGB) has served as Metro's headquarters since 1974
- 600 5th Street N.W. in Washington, DC
- 1.12 acre site (full city block)
- 381,394 gross square feet office building
- Chillers for three Metro stations
- Red Line tunnel under site



Joint Development Agreement

- Selected Stonebridge/Rockefeller
- Proposal to reuse JGB and add three floors
- 99-year ground lease with annual payments
- Closing by January 2023
- Perpetual maintenance and access covenants for station chillers and Red Line tunnel



Recommendation

Approval of Joint Development Agreement for Jackson Graham Building site

SUBJECT: RATIFICATION OF ISSUING A JOINT DEVELOPMENT SOLICITATION AND APPROVAL TO EXECUTE A JOINT DEVELOPMENT AGREEMENT FOR THE JACKSON GRAHAM BUILDING SITE

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

WHEREAS, Resolution 2018-13 requires Board approval to issue and to execute a joint development agreement; and

WHEREAS, Resolution 2018-28 authorizes staff to negotiate terms and execute documents for the sale of the Jackson Graham Building site located at 600 Fifth Street, N.W., Washington, DC 20001, known in the land records of the District of Columbia as Lot 17 in Square 487; and

WHEREAS, Staff has negotiated the terms of a joint development agreement with a joint venture partnership comprised of Rockefeller Group Development Corporation and Stonebridge Acquisitions, LLC (together, Developer), wherein the Developer will enter into a 99-year ground lease and develop the Jackson Graham Building site;

NOW, THEREFORE, be it

RESOLVED, That the Board ratifies the issuance of a joint development solicitation for the Jackson Graham Building site; and be it further

RESOLVED, That the Board authorizes the General Manager and Chief Executive Officer to negotiate and execute a joint development agreement with Developer or its affiliate regarding the Jackson Graham Building site; and be it finally

RESOLVED, That this Resolution shall take effect immediately to allow staff to timely execute the joint development agreement.

Reviewed as to form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure No.:
21.9.4 Joint Development Agreements

PROPOSED