



Capital Program, Planning and Real Estate Committee

Item III - B

October 12, 2017

Request to Transfer Metro Property for Purple Line

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201912

Resolution:
 Yes No

TITLE:

Transfer of WMATA Property for Purple Line

PRESENTATION SUMMARY:

The State of Maryland is seeking Board approval for the transfer of WMATA real property by perpetual easement at New Carrollton, College Park-U of Md, and Silver Spring stations for construction and operations of the Purple Line. The Board will be presented with the State of Maryland's request for transfer of property for consideration and approval.

PURPOSE:

The State of Maryland seeks Board approval for the conveyance of WMATA real property interests by perpetual easement at or around three Metro Stations for the purpose of creating the right-of-way for the Purple Line.

DESCRIPTION:

The State of Maryland's Purple Line is a new transit project in the greater Washington region. The 16-mile light rail line will extend from Bethesda in Montgomery County to New Carrollton in Prince George's County and provide a direct connection to Metro at four Metro stations: Bethesda, Silver Spring, College Park-U of Md, and New Carrollton. The Purple Line will also connect to MARC, Amtrak, and local bus services. A total of 21 Purple Line stations are planned in Montgomery County and Prince George's County combined.

In 2016, the Board approved the Purple Line Project Construction Agreement between WMATA and the Maryland Transit Administration (MTA), which provides for WMATA's design and engineering reviews of the Purple Line where the new transit project impacts on WMATA's facilities and operations. The agreement also acknowledges that conveyance of various parcels of WMATA owned and/or controlled real property will be necessary for the construction, operation and maintenance of the transit project and that WMATA and MTA will reach agreement on the process, terms, and compensation for the conveyance of real property interests prior to construction commencing.

Key Highlights:

The State of Maryland is seeking Board approval for: (i) the transfer of WMATA real property by perpetual easement at College Park-U of Md and Silver Spring stations at no cost; and (ii) the transfer of WMATA real property at New Carrollton in exchange for a 450-space parking lot and adjacent property owned by the State.

To effectuate the State's proposal, the Board must approve the transfer of property, as well as make an exception to Board Resolution 2008-29, which addresses the transfer of property to a local jurisdiction or state government for a transit project.

Currently, the resolution does not allow a no-cost transfer of Joint Development property or property transfers that adversely affect the Authority's regionally-funded annual operating budget. The State of Maryland's proposal impacts between \$8.7 million and \$18.6 million in Joint Development property and between \$62,400 and \$187,200 of annual parking revenue.

Background and History:

The Purple Line is being overseen by MTA in close coordination with WMATA, Montgomery and Prince George's counties, the Maryland-National Capital Park and Planning Commission, the Maryland State Highway Administration, and local municipalities in the project area.

Given the scope of coordination, MTA and WMATA in 2016, entered into a Project Construction Agreement (PCA), which PCA establishes the guiding principles for coordination, design, construction, and other implementation requirements between the two parties. The PCA also establishes that WMATA will transfer real property interests to make way for the Purple Line, establishes WMATA's entitlement to compensation, and sets a deadline for determining the approach to compensation to be given by MTA to WMATA for such property, which must be done no later than thirty (30) days prior to the commencement of construction of the Purple Line on the relevant property. The Purple Line project is now at a point that the approach to compensation for WMATA property should be decided.

Board Resolution 2008-29 provides policies and guidance for the transfer of real property to a sponsoring jurisdiction or government agency for a transit project. This resolution allows WMATA to transfer real property to another transit agency at no cost if various criteria are met, including: (1) the project will improve Authority or regional transit facilities; (2) there is no cost to the Authority, other than the real estate contribution, (3) the transfer will not adversely affect the Authority's operations or its regionally-funded annual operating or capital improvement program budgets, and (4) the enhanced benefit of the transit improvements is commensurate in value to the real estate that is being contributed. The resolution also states that this policy does not extend to joint development projects.

The three Metro Stations where the Purple Line will require conveyance of real property are College Park-U of Md, Silver Spring and New Carrollton. Some of the WMATA property at these Metro Stations meet the criteria for a no-cost transfer of property to MTA. Other real property transfers required by the Purple Line at these stations, however, do impact WMATA's operating revenues and Joint Development projects.

The three stations that the Purple Line crosses are each unique:

(1) At College Park-U of Md, a total of approximately 100,000 square feet along Metro's rail tracks, the Metro Station entrance, bus loop and parking garage is needed for the Purple Line right-of-way; in accordance with Resolution 2008-29, this property can be transferred at no cost to the State. The Purple Line right-of-way also requires an additional 31,250 square feet of Joint Development property, which reduces the Joint Development site by that amount and, as a result, reduces the real estate revenue to WMATA by approximately \$2.0 million.

(2) At Silver Spring, some property (the air rights) over the Metrorail tracks is needed, as well as Joint Development property. Easements for the air rights can be transferred at no cost to the State in accordance with Resolution 2008-29. The 1.8-acre Joint Development site is expected to be reduced by approximately 32,000 square feet (or 40% of the site), which decreases the value to WMATA from \$16.6 million (the value of the entire Joint Development property) by at least \$6.7 million. In addition, WMATA has a Memorandum of Understanding with Montgomery County to share 25% of WMATA's joint development proceeds with the County.

It is unknown whether the remaining 60% of the Joint Development site at Silver Spring could be developed and a joint development solicitation would be required to determine market interest in the remaining property. It is also possible that the remaining portion of the joint development property cannot be developed because the site is too small or awkwardly configured. Typically, in real estate compensation practices, compensation due to an owner when the remaining piece of land is no longer sellable (an "uneconomic remnant") equals the fair market value of the original property (in this case, approximately \$16.6 million). The State of Maryland is requesting that the area required for its right-of-way be conveyed at no cost to the State and proposes that WMATA proceed with Joint Development on the remainder of the property.

(3) At New Carrollton, the property required for the Purple Line includes approximately 20,000 square feet parallel to Ellin Rd. along the length of the bus loop on the north side of the station; in accordance with Resolution 2008-29, this property can be transferred at no cost to the State. The Purple Line will also temporarily impact all 830 parking spaces on WMATA's surface parking lot on the north side of the station (the North Lot) during construction and permanently reduce the North Lot by 500 to 600 parking spaces. The

North Lot is also subject to a Joint Development Agreement with a selected developer.

The State of Maryland is offering as compensation to WMATA for the loss of 500 to 600 parking spaces (operating revenue) the transfer of the State-owned surface parking lot on the south side of the station, which contains 450 parking spaces, plus unimproved adjacent property owned by the State. The difference in value of a 500-space parking lot and a 450-space parking lot is an estimated \$62,400 in annual revenue, which has a net present value of \$1.5 million. The difference in value of a 600-space parking lot and a 450-space parking lot is an estimated \$187,200 in annual revenue, which has a net present value of \$4.5 million. The fair market value of the land itself was established at \$4.5 million by a State-contracted appraisal; because approximately 22% of the land is occupied by the State-owned parking lot, the prorated value of the additional land area is approximately \$3.5 million.

Board Resolution 2008-29 and the Project Construction Agreement provide for WMATA receiving compensation for loss of operating revenue as well as compensation for Joint Development property. The estimated impact of the State's proposal on WMATA's operating budget is between \$62,400 and \$187,200 annually. The estimated decrease in value of Joint Development property is a minimum of \$8.7 million and a maximum of \$18.6 million, depending on development potential of the remaining Joint Development property at Silver Spring, offset in part by the \$3.5 million value of the land at New Carrollton.

Discussion:

The Board is required to approve two things if it is to accept the State of Maryland's proposal.

First, the Board must approve any and all transfers of property to a local jurisdiction or state government for use by a transit project. Staff recommends transferring the property areas requested by the State of Maryland by perpetual easement for the creation of the right-of-way and enable this light rail transit project to move forward.

The second Board approval required to accept the State of Maryland's proposal is an exception to Board Resolution 2008-29 to transfer Joint Development property at no cost and approve the estimated loss in annual revenue of between \$62,400 and \$187,200, depending on the reduction in parking spaces at New Carrollton. The estimated decrease in value of Joint Development property is a minimum of \$8.7 million and a maximum of \$18.6 million, depending on development potential of the remaining Joint Development property at Silver Spring, offset in part by the \$3.5 million value of the land at New Carrollton.

There are several forms of compensation that would be satisfactory to

WMATA, such as: an in-kind contribution of land, parking, or other revenue property in the Washington region from the State of Maryland to WMATA; investment in WMATA's replacement infrastructure at Joint Development sites in Maryland, which investments would accelerate transit-oriented development; or other types of consideration that the State of Maryland would propose.

In determining the State of Maryland's request for transfer of real property interests, the Board should consider the importance of the Purple Line project as a whole, the precedence the approval may set for no cost property transfers, and the foregone revenue to WMATA.

FUNDING IMPACT:

If the State of Maryland's compensation proposal is approved by the Board, the funding impact to Metro is a loss of between \$62,400 and \$187,200 per year in parking revenue which is part of the operating program budget. The State's proposal decreases in value of Metro's Joint Development property by a minimum of \$8.7 million and a maximum of \$18.6 million, offset in part by the \$3.5 million value of the land at New Carrollton, which Joint Development revenue (if realized) would support WMATA's capital program budget.	
Project Manager:	Nina Albert
Project Department/Office:	CFO/LAND

TIMELINE:

Previous Actions	June 2008 – Board Resolution 2008-29 May 2016 – Purple Line Project Construction Agreement between WMATA and Maryland Transit Administration
Anticipated actions after presentation	Conveyance of property interests to the State of Maryland in accordance with Board approvals.

RECOMMENDATION:

Board to consider the State of Maryland's proposal for the conveyance of WMATA property for the Purple Line light rail project.



Washington Metropolitan Area Transit Authority

Request to Transfer Metro Property for Purple Line

Capital Program, Planning and Real Estate Committee

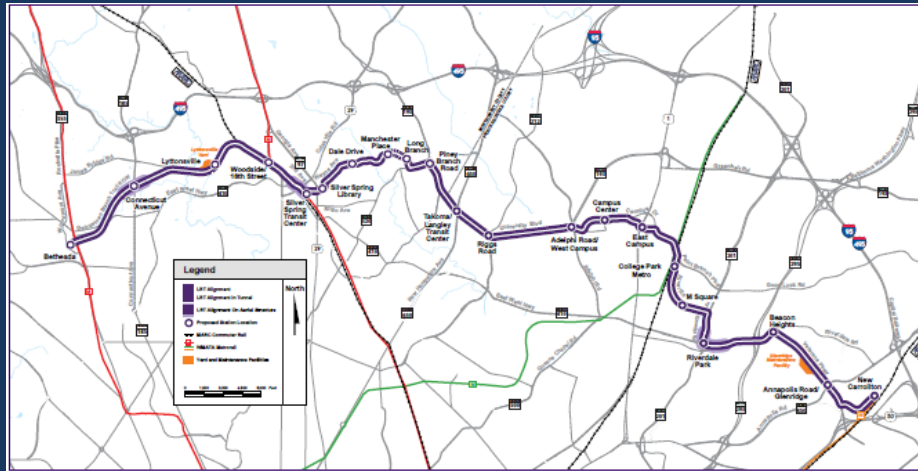
October 12, 2017



Purpose

- Present State of Maryland's request for Board approval of the transfer of Metro real property interests required to create the Purple Line right-of-way, including:
 - Transfer of various Metro-owned properties that are not revenue-generating for Metro at no cost to State
 - Transfer of Metro's joint development property at no cost to State at:
 - College Park-U of Md Metro Station
 - Silver Spring Metro Station
 - New Carrollton Metro Station
 - Transfer of 500-600 spaces on Metro's north parking lot at New Carrollton in exchange for a State-owned 450-space parking lot and adjacent property on the south side of the station

Background – Purple Line



- 16-mile Purple Line requires property at three Metro Stations: College Park-U of Md, Silver Spring and New Carrollton
- Purple Line Project Construction Agreement approved by Board in 2016; states that Metro shall be compensated unless Metro determines in its sole discretion to offer property at no cost
- Property is expected to be transferred by permanent easement to State of Maryland

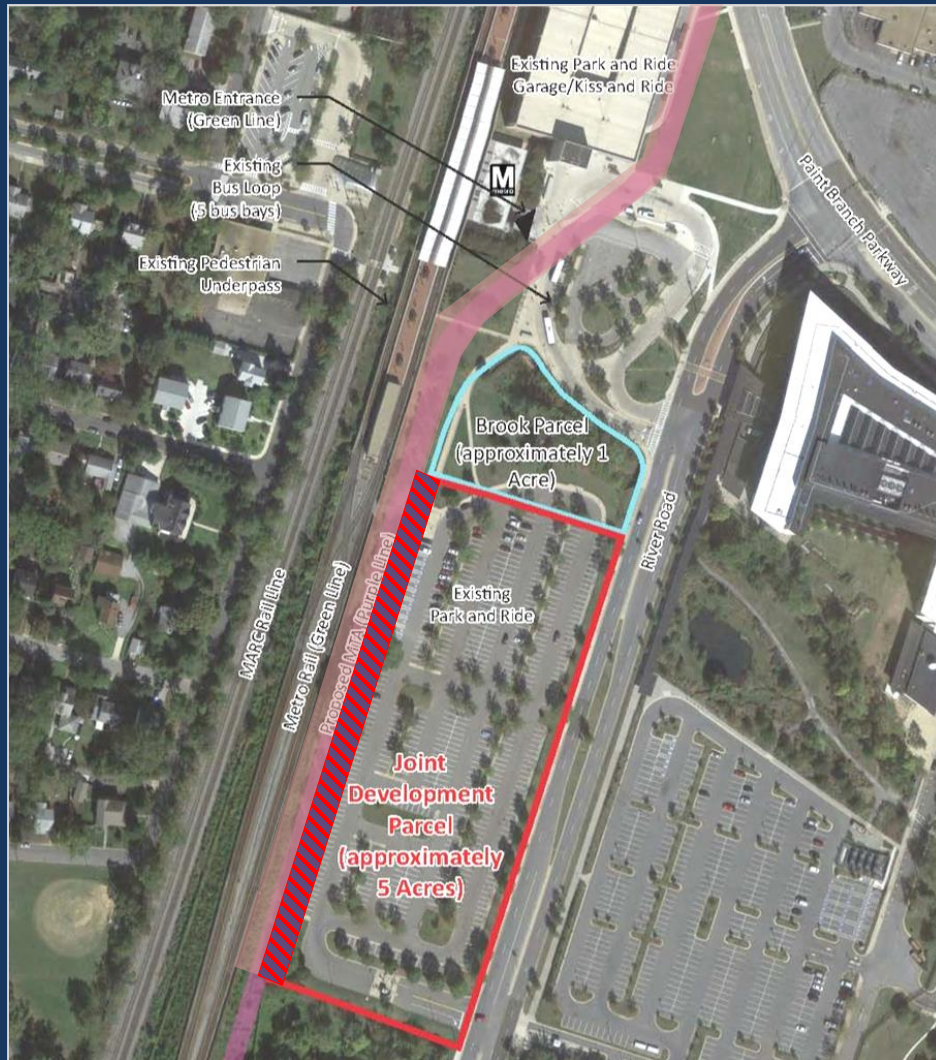


Background – Board Policy

- Board Resolution 2008-29 establishes policy on compensation for property for local transit projects:
 - Transfers of property require Board approval
 - Metro to support transit projects funded by local jurisdictions and state governments by transferring property at no cost, provided project is a benefit to Metro, does no harm to operations, and does not adversely affect Metro's operating or capital budgets
 - This policy does not extend to Joint Development projects
- State of Maryland's requested transfer of Metro's property, including joint development property, at no cost to State (except for transfer of a State-owned parking lot and some adjacent property) requires an exception to Board Resolution 2008-29



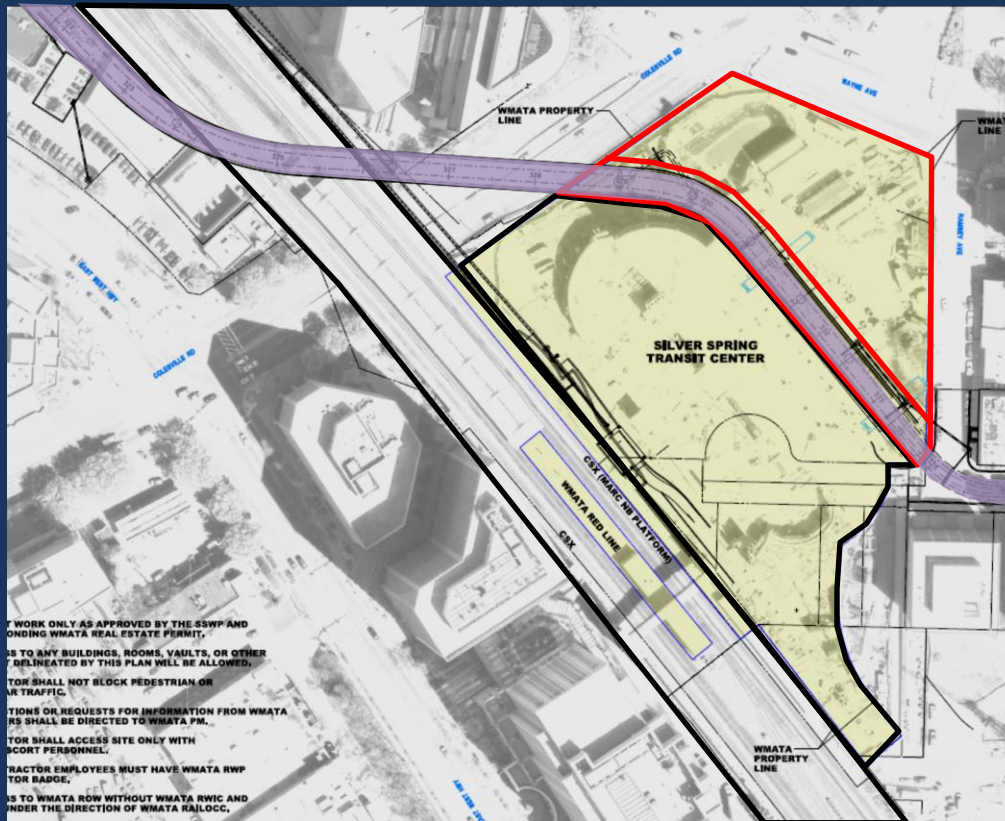
Joint Development at College Park-U of Md



- Purple Line requires an estimated total of 130,000 square feet for its right-of-way
 - 31,250 square feet is joint development property
- Estimated value of loss to Metro: \$2.0 million
- State requests transfer of WMATA property (including joint development property) at no cost

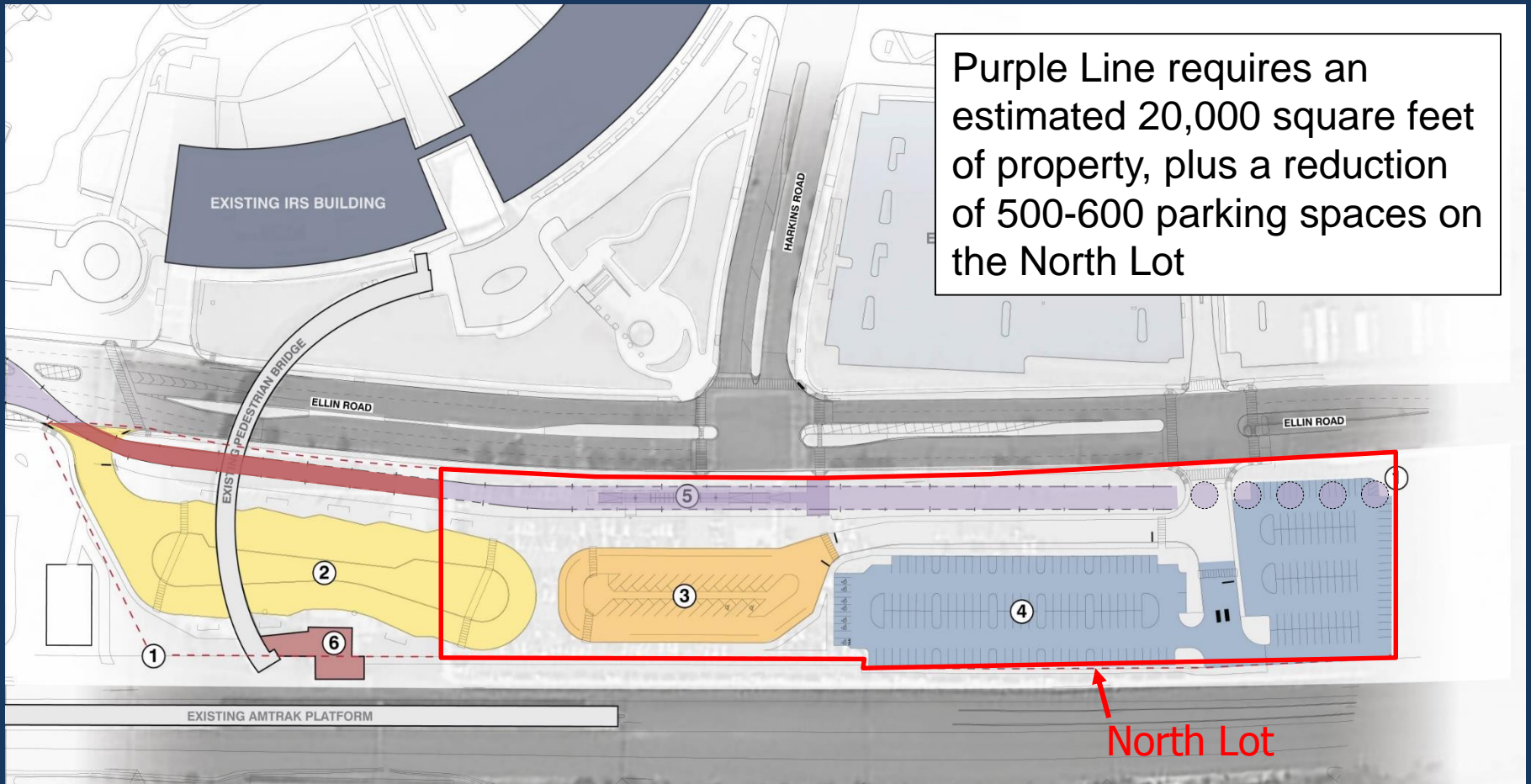
Joint Development at Silver Spring

Silver Spring Transit Center



- Purple Line’s original aerial route revised to cross Metro’s parcel to reduce project costs by approx. \$30 million
- Purple Line requires approx. 32,000 square feet of Joint Development property with an estimated value of \$6.7 million
- State requests right-of-way to be transferred at no cost
- Metro free to pursue Joint Development on remainder of site

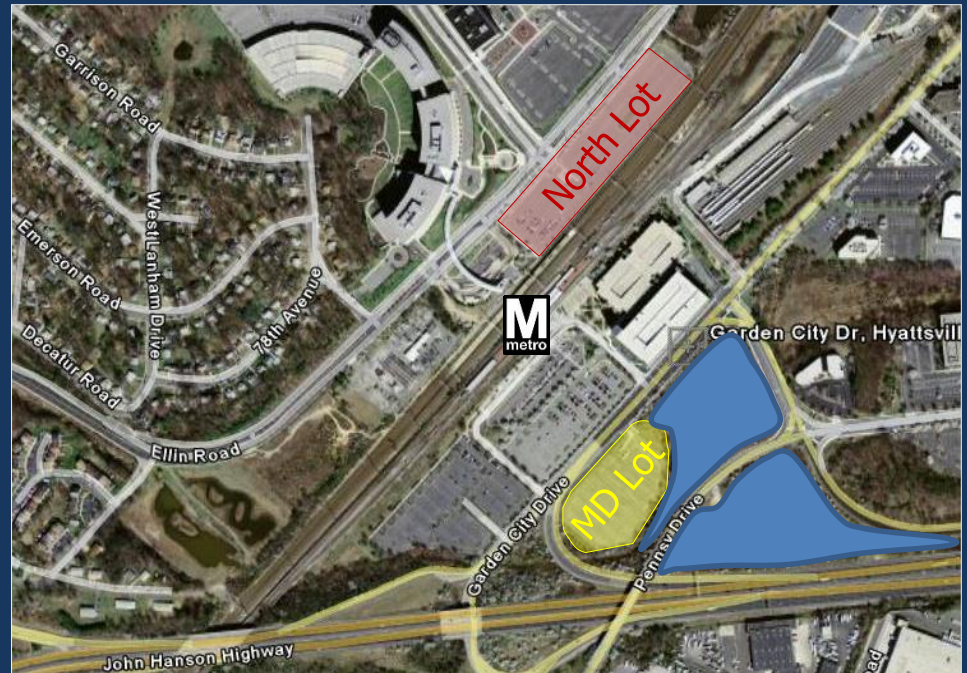
North Parking Lot at New Carrollton



Purple Line Alignment with Metro Facilities – North Side of Station

New Carrollton – Cont'd

- State offers its 450-space parking lot and adjacent property on south side of station as in-kind compensation
- Net present value of foregone 50-150 parking spaces is \$1.5 - \$4.5 million
- State-owned property could be developed in future





Summary of Proposed Compensation by State

WMATA Properties to be Transferred	Estimated Fair Market Value	Proposed Compensation from State
Estimated 120,000 SF of non-revenue generating properties	N/A	N/A
College Park: 31,350 SF of joint development property	\$2.0 million	0
Silver Spring: 32,000 - 79,370 SF of joint development property	\$6.7 - \$16.6 million	0
New Carrollton: 500–600 parking spaces for 450 State-owned spaces plus 496,000 SF of adjacent State-owned property	\$15.1 - \$18.1 million (parking)	\$13.6 million (parking) + approx. \$3.5 million in land value
TOTAL	\$23.8 - \$36.7 million	\$17.1 million
	Minimum Difference: \$6.7 million	
	Maximum Difference: \$19.6 million	



Approaches to Compensation

- Approve some or all of State of Maryland's request, which requires exception to Board Resolution 2008-29
- No exception to Board Resolution 2008-29, seek fair market value for Joint Development property and be made whole for loss of operating revenue from parking
- Compensation can be provided in different forms



Discussion

- State of Maryland's request for Board approval of the transfer of Metro real property interests required to create the Purple Line right-of-way includes:
 - Transfer of various Metro-owned properties that are not revenue-generating for Metro at no cost to State
 - Transfer of Metro's joint development property at no cost to State at:
 - College Park-U of Md Metro Station
 - Silver Spring Metro Station
 - New Carrollton Metro Station
 - Transfer of 500-600 spaces on Metro's north parking lot at New Carrollton in exchange for a State-owned 450-space parking lot and adjacent property on the south side of the station

SUBJECT: APPROVAL TO CONVEY A PERMANENT EASEMENT ON WMATA REAL PROPERTY TO THE STATE OF MARYLAND FOR THE PURPLE LINE LIGHT RAIL PROJECT

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

WHEREAS, Resolution 2011-30 requires Board of Directors' approval of Washington Metropolitan Area Transit Authority (WMATA) real property conveyances valued over \$1 million; and

WHEREAS, Resolution 2008-29 provides for the no-cost conveyance of WMATA real property to local jurisdictions and state governments for reimbursable and other transit projects under certain conditions, including that the conveyance will not adversely affect WMATA's operations or its regionally funded annual operating or capital improvement program budgets (Condition 1.(iv)); and

WHEREAS, Resolution 2008-29 does not extend to joint development projects; and

WHEREAS, The Purple Line Light Rail Project (Project) is a 16-mile light rail line between Bethesda in Montgomery County and New Carrollton in Prince George's County that is sponsored, funded, constructed and operated by, or on behalf of, the State of Maryland via the Maryland Transit Administration; and

WHEREAS, The State of Maryland has requested that WMATA convey a permanent easement on WMATA real property at Silver Spring, College Park-U of Md, and New Carrollton Metrorail stations for the construction, operation and maintenance of the Project; and

WHEREAS, The proposed conveyances at Silver Spring, College Park-U of Md, and New Carrollton Metrorail stations are valued over \$1 million, as set forth in Attachment A; and

WHEREAS, The proposed conveyance at New Carrollton does not meet Resolution 2008-29 Condition 1.(iv); and the proposed conveyances at Silver Spring, College Park-U of Md, and New Carrollton includes real property that is part of joint development projects; now, therefore be it

RESOLVED, That the Board of Directors approves the conveyance of a permanent easement on certain WMATA real property to the State of Maryland at no cost or for in-kind consideration, as set forth in Attachment A, subject to the conditions below; and be it further

RESOLVED, That the Board of Directors waives Condition 1.(iv) with respect to the proposed New Carrollton conveyance, and waives the joint development exception with respect to the Silver Spring, College Park-U of Md and New Carrollton conveyances, and approves these proposed conveyances; and be it further

RESOLVED, That WMATA and the State of Maryland must receive written approval (or concurrence) of the proposed conveyances from the Federal Transit Administration; and be it further

RESOLVED, That the conveyance documents shall include a provision requiring that any property conveyed hereby that is not used by, or on behalf of, the State of Maryland for transit purposes be re-conveyed to WMATA, and that WMATA shall be entitled to all revenue from any such property prior to its re-conveyance to WMATA; and be it further

RESOLVED, That the conveyance documents shall include any additional provisions required by the Board of Directors in response to any WMATA Compact public hearing(s) held with respect to the Project; and be it finally

RESOLVED, That, in order to meet the Project's timeline for construction, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure No.:
21.3.2 Disposal of Less-Than-Fee Permanent Interest (easements)

CONSIDERATION FOR THE CONVEYANCE OF A PERMANENT EASEMENT ON
WMATA REAL PROPERTY FOR THE PURPLE LINE LIGHT RAIL PROJECT

For WMATA Property to be conveyed:

1. At or around Bethesda Metrorail Station: None;
2. At or around Silver Spring Metrorail Station: Approximately 32,000 square feet of joint development area plus approximately 30,000 square feet of non-revenue producing property at no cost to State of Maryland (estimated fair market value: \$6.7-\$16.6 million);
3. At or around College Park-U of Md Metrorail Station: Approximately 31,350 square feet of joint development area plus approximately 99,000 square feet of non-revenue producing property at no cost to State of Maryland (estimated fair market value: \$2.0 million); and
4. At or around New Carrollton Metrorail Station: Approximately 20,000 square feet of non-revenue-producing property at no cost to the State of Maryland, plus approximately 500-600 parking spaces on the north side of the New Carrollton Metrorail Station (estimate fair market value: \$15.1-\$18.1 million). In consideration, the State would convey fee simple ownership of the 450-space State-owned surface parking lot located on the south side of the New Carrollton Metrorail Station, retrofitted for Metro's use, including, but not limited to, Metro parking arrays and SmarTrip® equipment, (estimated fair market value: \$13.6 million) plus land adjacent to that State-owned parking lot (estimated fair market value: \$3.5 million).
- 4.5. At or around New Carrollton Metrorail Station: Approximately 20,000 square feet of non-revenue producing property at no cost to the State of Maryland, plus approximately 600 parking spaces on the north side of the New Carrollton Metrorail station in consideration for the fee simple ownership of the 450-space State-owned surface parking lot located on the south side of the New Carrollton Metrorail station retrofitted for Metro's use including, but not limited to, Metro parking arrays and SmarTrip® equipment (estimated fair market value: \$15.1-\$18.1 million).