Finance and Capital Committee

Action Item III-C

November 1, 2018

Office Consolidation

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

◉ Action ○ Information	MEAD Number: 202039	Resolution: ◉ Yes ○ No

TITLE:

Office Consolidation -DC Building Acquisition

PRESENTATION SUMMARY:

Staff will provide an update on the office consolidation strategy and request Board approval to acquire an office building in Washington, DC for the new Metro headquarters building.

PURPOSE:

- Obtain Board approval to close on a purchase transaction to acquire an office building in Washington, DC.

DESCRIPTION:

Key Highlights:

- As part of an overall office consolidation strategy approved by the Board in July, staff is moving forward to decrease required office square footage and save $130 million over 20 years. As part of the strategy, Metro will ground lease its existing headquarters building, reducing multiple leases, and consolidating Metro office staff into three new office buildings, one in Washington, DC, one in Virginia and one in Maryland.
- The first office acquisition is the Washington, DC building, which will serve as Metro's new headquarters building in the future.
- Staff has entered into a purchase and sale agreement for the building and seeks Board approval to complete the transaction.

Background and History:

For several years, staff has identified many deferred maintenance priorities and concerns within Metro's headquarters building, Jackson Graham Building (JGB). The building has not been renovated since its original construction in 1974 and sits on a 43,000 square foot site across from the Capital One Arena and the National Building Museum. Most of the building systems within JGB are between 10 to 42 years in age, are at the end of their useful life, and need to be replaced. The building is not up to current life-safety and accessibility standards, both of which are high priorities for Metro.

Since 2002, Metro has considered selling JGB and purchasing a new headquarters building. The reasons for vacating JGB are twofold: (1) the high renovation cost to bring it up to current life-safety and accessibility standards compared to, (2) the potential sales/lease proceeds given its prime location in Washington's commercial district.

In 2007, the Board authorized staff to negotiate the sale of JGB, but a disposition was not effectuated for various reasons. In 2016, the Board and staff agreed to revisit this strategy and come to an actionable recommendation for the sale of JGB. In 2017, staff expanded its evaluation of Metro's office spaces to nine owned and leased office spaces, including JGB. The goal was to identify cost savings opportunities, across the board improvements to life-safety and working conditions of Metro's office employees, and improvements to operational efficiencies.

The nine selected office locations have the greatest number of Metro's employees and consultants, as well as space that Metro currently leases. The nine locations are: (1) Jackson Graham Building (owned), (2) Carmen Turner Facility (owned), (3) Greenbelt Yard (owned), (4) Telegraph Road (owned), (5) Alexandria Yard (owned), (6) H Street (leased), (7) L'Enfant Plaza (leased), (8) Professional Place (leased), and (9) Belcrest Road (leased). Since 2017, Metro has added another office lease, increasing the total number of office spaces impacted to ten. Together, these office facilities house a total of 3,400 Metro staff and consultants.

In July 2018, the Board of Directors approved the ground lease of JGB, and the purchase of three new office buildings or land, if more economic, one in Washington, DC, one in Virginia and one in Maryland.

Discussion:

Since July 2018, staff has evaluated more than 64 properties across the Washington region to find sites and buildings that are suitable to acquire. Staff has focused on the Washington, DC building acquisition first, as the size and location of the new headquarters building informs the decisions that will be taken for the other two buildings in the region. The criteria for selecting a new headquarters building was set forth in a Request for Information (RFI) and a complete search was done by Metro's selected real estate brokerage company, Jones Lang LaSalle (JLL). The selection criteria for a new site included:

- Building to be within 1,500 walkable feet of a Metrorail station
- Desired closing date for the building in the District of Columbia, no later than March 2019
- Building(s) offered must have the ability to meet all current applicable state and local government building codes and regulations including, but not limited to, fire and life safety, accessibility, sustainability standards and seismic protection

- Building(s) offered must have the ability to achieve LEED-Silver certification
- Building must be available for purchase

As a result of an extensive search, JLL and Metro staff identified several prospects meeting Metro's needs. One building surpassed the other options, both in value and location - the Reporter's Building located at 300 7th Street S.W. in Washington, DC, and across the street from the L'Enfant Plaza Metro Station, which serves five out of six Metrorail lines, the Virginia Railway Express (VRE) and multiple bus lines. While an older building, plans had been made by the owner to completely renovate the building and staff was able to evaluate the renovation potential of this site. The renovation potential is good and permits Metro to add three floors if it desires or to redevelop the property as is. The site is located at the heart of the transit system and has employee amenities nearby at L'Enfant Plaza and The Wharf.

Staff completed due diligence on the building, found no concerns that cannot be overcome, as well as negotiated and executed a Purchase and Sale Agreement with the property owner, subject to final Board approval.

FUNDING IMPACT:

Funding for office building acquisition is provided for in the FY2019-FY2024 Capital Improvement Program Six-Year Plan.	
Project Manager:	Nina Albert
Project Department/Office:	CFO/LAND

TIMELINE:

Previous Actions	July 2018 - Board approves Office Consolidation Strategy
Anticipated actions after presentation	November 2018 - Close on acquisition of DC office building 2019-2021 - Design and construction 2021 - Construction completed/move Metro headquarters

RECOMMENDATION:

- Board approval to close on the purchase transaction to acquire an office building in Washington, DC.

Office Consolidation: DC Building Acquisition

Finance and Capital Committee

November 1, 2018

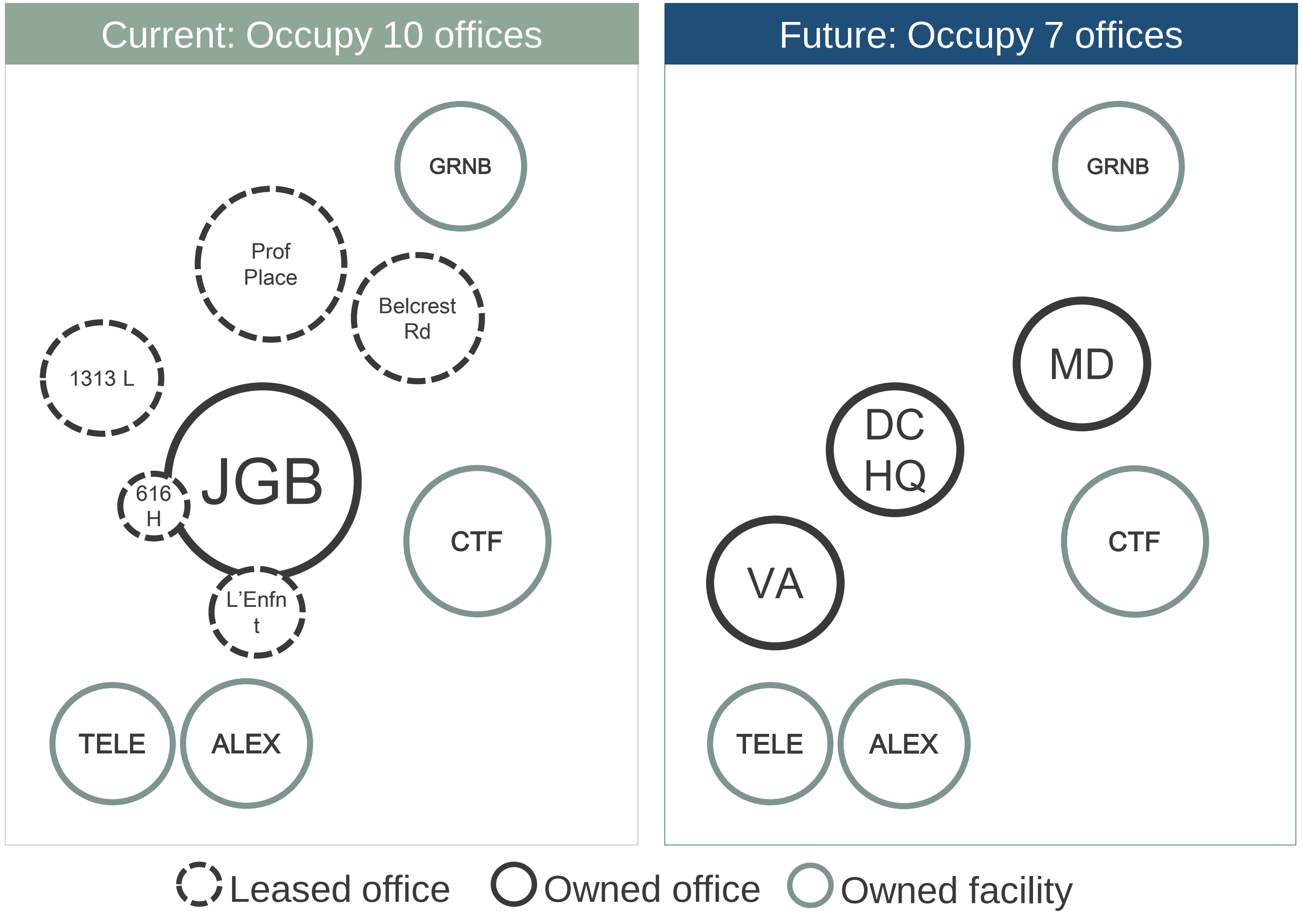
Purpose

- To obtain Board approval to continue the office consolidation with the acquisition of an office building in Washington, DC

Background

- 2009 Proposal to move Metro’s Headquarters to Anacostia Metro Station was made, but not approved by the Board
- 2016 Systems within Metro’s Headquarters are at the end of their useful life and out of code; office consolidation study initiated to evaluate multiple office buildings across region
- 2018 Approval of office consolidation strategy, including sale of JGB and acquisition of three new office buildings, subject to Board approval

Office Consolidation Strategy



- Consolidate 10 to 7 buildings
  - ✓ Ground lease Jackson Graham Building
  - ✓ Buy HQ building in DC
  - ✓ Purchase office buildings in MD and VA
  - ✓ Eliminate long-term leases
- Reduce total office building footprint by 100,000 square feet
- Save $130 million over 20 years

Acquisition Process

- Jones Lang LaSalle is Metro’s brokerage firm
- Issued Request for Information in addition to brokerage search
- Identified on-market and off-market opportunities
- More than 65 opportunities evaluated
- Minimum Criteria:
  - 1,500 walkable feet of Metro station
  - 150,000 – 300,000 square feet
  - Ability to achieve minimum of LEED-Silver
  - Ability to deliver within 24 months of award
- First priority is DC acquisition

Acquisition of DC office building

- The “Reporter’s Building” was built in 1964
- Building is 149,700 square feet; development potential is approximately 200,000 square feet
- L’Enfant Plaza Metro Station serves five Metrorail lines, VRE, and multiple bus lines
- A submarket with existing amenities, that is being improved for a greater sense of place
  - L’Enfant Plaza has updated food court, hotel, future home of Spy Museum, improvements being made to 10th Street S.W. and The Wharf is six blocks away

300 7th Street S.W.
Washington, DC 20024

Next Steps

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Space program refinement					
Board approval for DC acquisition				Design	
Board approval for Virginia acquisition					Design
Board approval for Maryland acquisition					Design

Recommendation

- Board approval to continue the office consolidation with the acquisition of an office building in Washington, DC

SUBJECT: APPROVAL TO PURCHASE AN OFFICE BUILDING IN THE DISTRICT OF COLUMBIA

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

WHEREAS, Resolution 2018-28 requires approval by the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors as a condition precedent to closing on any purchase transaction related to WMATA's office consolidation strategy; and

WHEREAS, WMATA staff has negotiated terms of a purchase and sale agreement wherein WMATA intends to purchase an office building located in the District of Columbia; NOW, THEREFORE, be it

RESOLVED, That the Board of Directors authorizes the General Manager/Chief Executive Officer to close on the purchase of the office building located in the District of Columbia; and be it finally

RESOLVED, That this Resolution shall be effective immediately to allow staff to proceed to closing on the purchase transaction as contemplated by the purchase and sale agreement.

Reviewed as to form and legal sufficiency,

Patricia Y. Lee
General Counsel

WMATA File Structure No.:
21.1.1. Fee Simple Acquisition