



Finance and Budget Committee

Information Item IV-B

January 10, 2019

**Approval to Issue a Joint Development
Solicitation for Capitol Heights Metro Station**

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
202052

Resolution:
☒ Yes ☐ No

TITLE:

Capitol Heights Metro Station Joint Development

PRESENTATION SUMMARY:

Staff is requesting authorization to issue a Joint Development Solicitation for the Capitol Heights Metro Station.

PURPOSE:

Seek Board approval to issue a Joint Development Solicitation for the Capitol Heights Metro Station.

DESCRIPTION:

Staff recommends issuing a solicitation to take advantage of recent market interest in the Capitol Heights Metro Station site and work done previously to advance joint development. In 2014, the Board authorized a Joint Development solicitation. A developer was selected and a Purchase and Sale Agreement was approved by the Board. In early 2018, however, the developer terminated the Purchase and Sale Agreement, unwilling to close on the transaction under the current terms.

Since then, there has been renewed market interest. Staff has received more than three expressions of interest by developers. The site has also been included in an "Opportunity Zone," a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income communities.

Staff seeks authorization to issue a new joint development solicitation to include the 6.74 acres of station property and a vacant Metro-owned 0.66 acre parcel located across Davey Street. It would call for the removal of the surface parking lot, as had been previously contemplated and vetted in a Compact Public Hearing. Additional due diligence work is being undertaken, to improve the marketability of the site. The solicitation would seek a developer to ground lease the property.

Key Highlights:

- Metro had a joint development agreement with a developer, which was terminated in early 2018. Metro has since received at least three

expressions of interest from developers to develop the Capitol Heights Metro Station.

- The Board had previously approved the permanent removal of the 372-space surface parking lot at Capitol Heights without replacement of the parking spaces in favor of joint development, following a Compact Public Hearing. A nearby Metrorail station has over 650 spaces available to accommodate the parking demand.
- The new joint development solicitation would offer 6.7 acres of land, plus an ancillary 0.66-acre parcel, without requiring replacement parking.

Background and History:

In recent years, Metro has taken multiple steps to advance joint development at Capitol Heights Metro Station. In 2014, the Board approved the issuance of a joint development solicitation and staff selected a developer in May 2015. A Joint Development Agreement was subsequently approved, along with a purchase and sale agreement for the property.

A Board authorized Compact public hearing was held on October 17, 2018 on the removal of a 372-space Park & Ride lot at the station. There was significant public outreach, including surveys of parking customers, “pop-up” events, notifications to area residents and businesses, contacts to county and municipal elected officials, legal notices, and the creation of a special webpage.

Results of a customer survey of parkers at the Capitol Heights Metro Station showed that most parkers would likely use other area Metro stations with Park & Ride facilities. Of those who said that they would relocate, 64% identified Addison Road, only one-mile way on the same street (Central Avenue) as their alternative. After the hearing and survey, the Board approved the amendment to the Mass Transit Plan to remove the surface parking lot for joint development.

In January 2018, the Purchase and Sales Agreement was terminated by the developer who did not wish to proceed under the terms. Since then, at least three developers have expressed an interest in the site.

Discussion:

Staff has analyzed the benefits of joint development at Capitol Heights against the Board's approval criteria, set forth in Metro's Joint Development Policies, adopted in 2018. The following table summarizes the benefits and risks to Metro of the joint development.

Board Approval Criteria for Joint Development	Staff analysis
<i>Maintains or enhances transit ridership, safety</i>	The project will generate approximately 50 new daily riders, with the construction of a

<i>and/or access</i>	200-unit apartment building and 18,000 SF of retail. This is a net ridership increase, which assumes some potential loss of Park & Ride customers due to the removal of the parking lot. In addition, mixed-use development tends to improve the perception of public safety, with more people at the site throughout the day.
<i>Maintains or enhances WMATA's ability to operate transit services and/or maintain the transit system</i>	A surface parking lot will be eliminated, though a Metro garage is located less than a mile away with ample underutilized capacity to serve displaced parkers. Closure of the surface parking lot eliminates annual operating and maintenance costs for that parking lot.
<i>Has a positive net fiscal impact for WMATA</i>	The project may provide an estimated \$250,000 net annual benefit to WMATA – considering transit ridership revenues, cost avoidance and real estate revenues. This represents a net present value of \$3.8 million over a 20-year period.
<i>Is consistent with or enhances local land use and economic development plans</i>	The developer will be required to follow local land use plans. Development is encouraged in this station area by the local government (both the town and Prince George's County). Other redevelopment efforts are underway in the station area.
<i>Complies with FTA Joint Development Guidelines</i>	The prior joint development project had obtained the required FTA concurrence.

The funding analysis is based on projected ridership and real estate revenues and cost avoidance from the closure of the surface parking lot. It assumes construction of a 200-unit apartment building and 18,000 SF of retail, which had been previously proposed for the site.

While the Board approved the permanent removal of the surface parking lot at Capitol Heights in January 2017, significant underutilized parking remains at nearby Metro parking facilities. Based on September 2018 paid utilization data, 660 parking spaces are vacant on weekdays at the Addison road Metro Station, which is just under a mile away from Capital Heights along Central Avenue. This is more than adequate capacity to accommodate all of the 370 commuters parking at the Capitol Heights Metro Station on weekdays.

In short, the facts of the joint development remain the same as in 2014 through 2018, when the previous joint development agreement was evaluated. There is no need for replacement of Park & Ride spaces at Capitol Heights Metro Station, the same site is still attractive to the private development community, and the joint development will render a net positive revenue and ridership

benefit to Metro. Staff recommends issuing a new joint development solicitation for Capitol Heights Metro.

FUNDING IMPACT:

Joint Development is a revenue producing activity for Metro which results in new ridership revenue and real estate revenue. The project is estimated to have a net annual benefit of \$250,000 through increased revenues and cost avoidance.	
Project Manager:	Andy Scott, Senior Real Estate Advisor
Project Department/Office:	CFO/LAND

TIMELINE:

Previous Actions	<p>April 2014: Metro issues joint development solicitation for the development of the Park & Ride lot and vacant land parcel at the Capitol Heights Metro Station.</p> <p>May 2015: Board authorizes staff to negotiate and execute a non-binding term sheet with Donatelli Development. Term sheet is executed the same month.</p> <p>July 2016: Board authorizes staff to negotiate and execute a binding joint development agreement with Donatelli Development and to hold a Compact public hearing for proposed changes affecting parking at the Capitol Heights and Morgan Blvd Metro Stations.</p> <p>October 2016: Metro and Donatelli Development enter into a binding joint development agreement.</p> <p>October 17, 2016: Staff conducts the Compact public hearing regarding proposed changes affecting parking at the Capitol Heights and Morgan Blvd Metro Stations.</p> <p>January 27, 2017: Board approves (1) Compact public hearing staff report, (2) a change to the General Plans and Adopted Regional System (the Mass Transit Plan) allowing the closure of the 372-space Park & Ride lot at Capitol Heights, and conveyance of Davey Street to the Town of Capitol Heights.</p> <p>January 2018: Donatelli exercises its rights to terminate the agreement.</p>
Anticipated actions	

after presentation	<p>Spring 2019 – Issuance of Joint Development Solicitation</p> <p>Fall 2019 – Selection of Developer/negotiation of terms</p> <p>Winter 2019 – Board Authorization to Execute a Joint Development Agreement.</p> <p>Winter 2019 – Execution of a Joint Development Agreement</p>
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RECOMMENDATION:

Recommend Board authorization to issue a Joint Development Solicitation for the Capitol Heights Metro Station.

Capitol Heights Station Joint Development

Finance & Capital Committee

January 10, 2019



Purpose

- Seek Board authorization to issue a Joint Development solicitation for the Capitol Heights Metro Station

Background

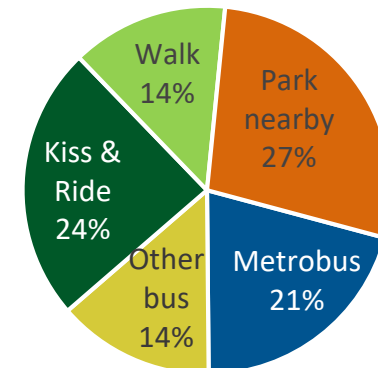
- 2014 Board approval of issuance of Joint Development Solicitation
- 2016 Board approval of Joint Development Agreement
- 2017 Board approved a Compact Public Hearing staff report and amendment to the Mass Transit Plan for the removal of the 372-space Park & Ride lot and conveyance of Davey Street
- 2018 Joint Development Agreement terminated

Existing Conditions



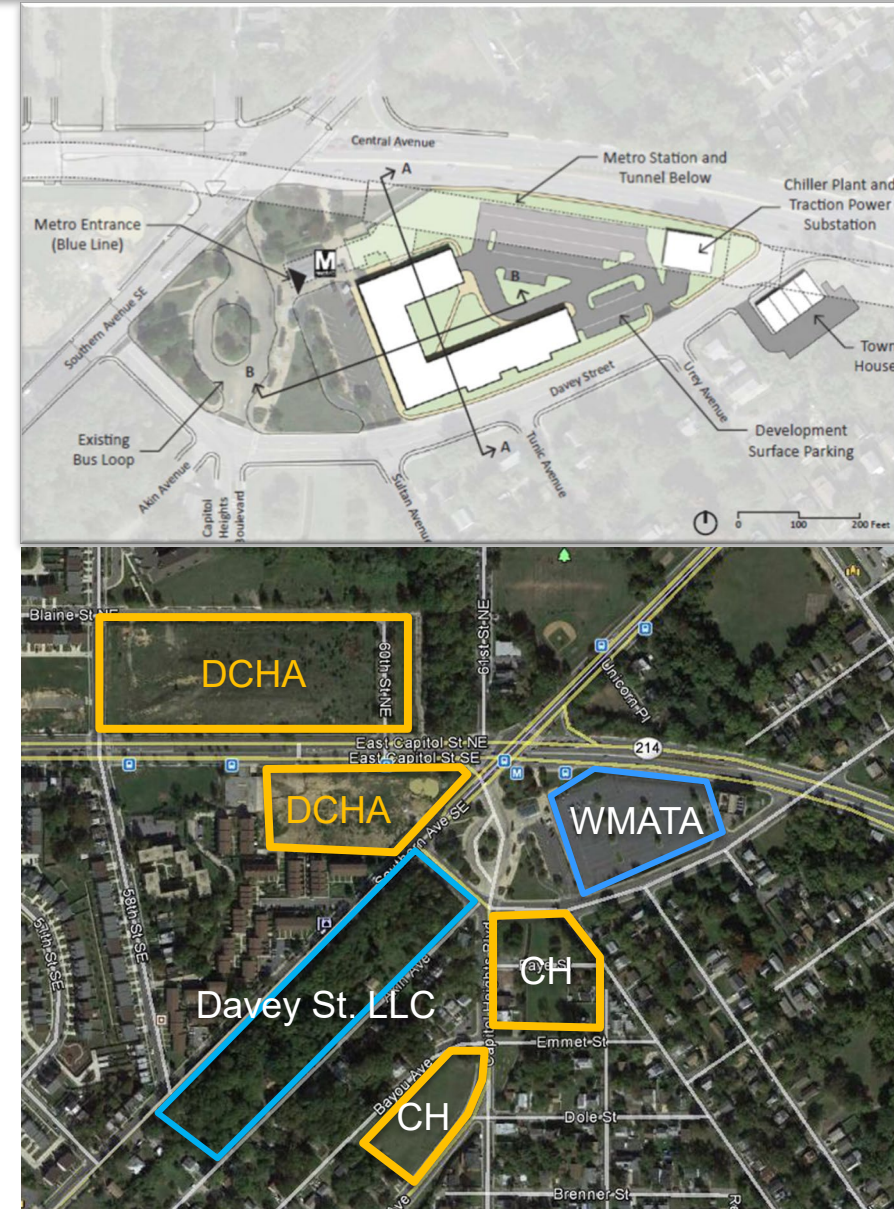
- Four bus-bays, two layover spaces
- 16 Kiss & Ride, two handicap spaces, 3 motorcycle spaces
- Five bike racks
- 372 park & ride spaces
- Average daily ridership: 1,864

Access mode
share



Project Goals

- Station area land use goals
 - Currently 4.5 households per acre
 - 2040 goal: 12 households per acre
- Ease of implementation
 - No replacement parking
- Promote local land-use and economic development goals



Next Steps

Winter 2019

Issue Joint Development
Solicitation

Fall/Winter 2019

Seek Board approval to
execute a Joint
Development Agreement

Summer 2019

Staff selects developer,
negotiates terms

Recommendation

- Authorize staff to issue a Joint Development solicitation for the Capitol Heights Metro Station

SUBJECT: AUTHORIZATION TO ISSUE A JOINT DEVELOPMENT SOLICITATION FOR
THE CAPITOL HEIGHTS METRORAIL STATION

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

WHEREAS, Resolution 2018-13 requires WMATA Board of Directors' authorization to offer sites in a joint development solicitation; and

WHEREAS, In Resolution 2017-02 the Board of Directors approved an amendment to the Mass Transit Plan allowing for the removal and closure of the 372-space commuter lot at the Capitol Heights Metro Station in favor of joint development; and

WHEREAS, Staff recommends issuing a joint development solicitation for the Capitol Heights Metrorail Station to take advantage of recent market interest in the site; NOW, THEREFORE, be it

RESOLVED, That the Board of Directors hereby authorizes the General Manager/Chief Executive Officer to issue a Joint Development Solicitation for the Capitol Heights Metro Station; and be it finally

RESOLVED, That this Resolution shall be effective 30 days after adoption in accordance with Section 8(b) of the Metro Compact.

Reviewed as to form and legal sufficiency,



for Patricia Y. Lee
General Counsel