

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
201775

Resolution:
☒ Yes ☐ No

TITLE:

Grosvenor Joint Development & Station Enhancement

PRESENTATION SUMMARY:

Board authorization is requested (1) to negotiate and execute a Joint Development Agreement for the Grosvenor-Strathmore Metro Station, and (2) for a waiver to the Use Regulations to allow a pilot station enhancement program.

PURPOSE:

Obtain Board authorization to:

-- Permit the General Manager/Chief Executive Officer or his designee to negotiate and execute a Joint Development Agreement with Fivesquares LLC for a joint development project at the Grosvenor-Strathmore Metro Station; and

-- Provide approvals required by and a waiver to the Use Regulations to allow Metro to pilot a "Station Enhancement Program" at the Grosvenor-Strathmore Metro Station. It would be a developer-led program and include art, music, and commercial uses at the station entrance plaza. The waiver would allow the sale of food and beverages, provided that only take-away prepared foods and beverages could be sold, and then only during a four-hour period in the afternoon/evening during the pre-development period.

DESCRIPTION:

Metro proposes to enter into a Joint Development Agreement with a real estate development company, Fivesquares LLC, to develop a surface parking lot at the Grosvenor-Strathmore Metro Station into a transit-oriented development. The project is proposed to be a mixed-use residential and retail development, the density of which will be determined by Montgomery County's Minor Master Plan Amendment. The minimum number of units the development can expect is approximately 530 multifamily apartments and/or condominium units. Metro shall be compensated for the development value at fair market value based on the number of residential units and amount of retail square footage developed on the property.

Montgomery County is currently conducting its master plan and zoning review and approval process, which is anticipated to conclude during the summer of 2017. Based on the recommendations of the Montgomery County Planning Board, the Montgomery County Council will consider approval of the proposed Minor Master Plan Amendment in the fall of 2017. Once the County finally approves the density permitted at the joint development site, Metro and the developer will confirm a price for the joint development parcel.

The joint development project will be developed in phases over a number of years. The number of phases and the number of years will depend on the ultimate size of the project.

The proposed Joint Development Agreement requires 1:1 replacement of the parking now in the existing surface parking lot by expanding the existing parking garage at the Metro Station. This garage expansion will be required as part of the first phase of the development project. The garage expansion will be constructed by the developer in accordance with plans approved by Metro and the cost of the garage expansion will be funded from some of the proceeds otherwise payable to Metro.

The developer and Metro have also discussed doing a pilot project in which the developer would manage and sponsor a station enhancement program at the Grosvenor-Strathmore Metro Station to (1) market and build anticipation for the joint development to come, and (2) test a station enhancement strategy that includes temporary commercial uses. Staff favors the concept, which includes Arts in Transit, Metro Music and commercial uses (information about Strathmore Music Center events/classes and about joint development and retail opportunities). This proposal includes a request to sell food and beverage under limited circumstances and subject to certain conditions. This would test retail concepts at Metro stations in general and in particular those proposed for the joint development project at Grosvenor-Strathmore.

Key Highlights:

-- Metro has sold most of its land around the Grosvenor-Strathmore Metro Station for residential development. Metro now proposes to ground lease or sell its remaining developable land at Grosvenor-Strathmore.

-- As a corollary to this joint development project, the Board is requested to provide approvals required by, and a waiver to the Use Regulation to allow, a pilot station enhancement program, which may include some or all of the following: art and murals, music, and commercial retail uses at the station entrance plaza area.

Background and History:

The Grosvenor-Strathmore Metro Station is located in a residential area of Montgomery County between the Bethesda and Medical Center employment centers to the south and the emerging mixed-use White Flint area to the north. Much of the residential development around the Grosvenor-Strathmore Metro Station -- apartments, condominiums and townhouses -- has occurred on land Metro has sold for development over the years.

In 2013, Metro put its remaining developable parcel at Grosvenor-Strathmore out for joint development. Pursuant to various Board approvals, a solicitation was issued (November 2013) and a developer was selected and a nonbinding term sheet was executed (February 2016).

Metro and the selected developer have agreed to a plan for expanding the existing garage to accommodate the 412 surface parking spaces that would be removed to make way for development. In addition, the Montgomery County Planning Board has initiated a study that will recommend a development density for the Metro Station site.

Metro has also been negotiating a binding Joint Development Agreement with the developer. That agreement is nearly complete.

The developer would also like to lead and manage a station enhancement program in the interim before development. The program has not been fully developed, but it includes testing retail concepts, which require Board approval.

Discussion:

Metro, with concurrence by Montgomery County, is interested in joint development at the Grosvenor-Strathmore Metro Station. The last remaining parcel to develop is the surface Park & Ride lot, which contains 412 parking spaces. These spaces would be replaced 1:1 in an expansion of the existing garage at the Grosvenor-Strathmore Metro Station so that there is no loss in parking capacity.

A unique characteristic of the Grosvenor-Strathmore Metro Station is that it is a "turn-around" station for outbound Red Line trains that do not continue all the way to Shady Grove and, consequently, is the originating station for a significant number of inbound Red Line trains. In effect, Grosvenor-Strathmore acts much like a terminus station and has the parking demand that accompanies that status. There are 1,894 daily parking spaces at Grosvenor-Strathmore (412 in a surface parking lot and the remainder in a garage); the parking garage and lot are routinely full or nearly full.

In the interest of maximizing real estate value and boosting walk-in ridership while not forfeiting any ridership generated by Grosvenor-Strathmore's parking facilities, in 2013 Metro offered its land for development at the Grosvenor-Strathmore Metro Station. A condition of the offering was that the existing parking capacity must be maintained.

The Montgomery County Planning Board is currently undertaking a planning study of the station area to determine the appropriate density at the site. The County's study is expected to be completed by June 30, 2017 and submitted to the County Council for final approval in the fall of 2017. The Planning Board staff is considering higher density residential development than is currently permitted. At a minimum, the density would permit 534 housing units on Metro's joint development site.

The basic terms of the transaction with the developer are in line with those set forth in the nonbinding term sheet:

- A project that will be built in phases over a period of years as market demand warrants, but with deadlines for the development of each phase. The overall development program will depend on the number of units authorized by Montgomery County.

- The payment of ground rent (or, if residential condominiums are to be developed, sales price) on a per-unit basis for residential units and a per-square-foot basis for retail space, in each case based on an appraisal, with annual increases based on the Consumer Price Index.

-- Metro participation in net operating income and in the net proceeds of sales and refinancings.

-- An offset against the compensation payable to Metro for the cost to expand Metro's parking garage.

The developer has also requested to sponsor and manage a station enhancement program, which could include art, music and temporary retail uses in the station entrance plaza. These interim uses will precede the development project, not be part of the development project itself. These interim uses could include collaboration with Metro's Art in Transit program (the developer is a sponsor of the existing Arts Walk at this Metro Station) and with the adjacent Strathmore Music Center. The developer is interested in engaging multiple other local organizations, community groups and businesses.

Since the enhancement program will include commercial uses, Board approval of an exemption to Section 100.20 of Metro's Regulations Concerning the Use of WMATA Property (also known as the Use Regulations) is required. The Use Regulations currently do not permit retail or other commercial uses at Metro Stations without Board approval. In addition, the Use Regulations specifically prohibit the sale of food and beverages at Metro Stations. Staff is requesting Board approval of retail and commercial uses and a waiver of the prohibition of the sale of food and beverages at the Grosvenor-Strathmore Metro Station, each exemption to be subject to conditions set forth below.

Historically, Metro has been hesitant to permit commercial and retail uses such as the sale of food and beverages on Metro property. To address previously expressed concerns, staff is proposing to limit the sale of food and beverages to a four-hour period in the afternoon and evening. This amenity would be geared towards customers leaving the Metro system. The desire to include the sale of food and beverages in the pilot program is due to their being one of the most viable commercial amenities for commuters. This pilot program would be limited to the pre-development period -- which is expected to end in 2022 or 2023 -- and therefore not be permanent. All maintenance and management responsibilities would be assumed by the developer.

FUNDING IMPACT:

This project is expected to be net accretive to Metro. The cost of Metro infrastructure, such as the garage expansion, would be offset against the proceeds to be paid to Metro by the developer, and the balance of the proceeds would be net to Metro. There should also be incremental ridership gains at this Metro Station as the property were developed. In addition, the number of revenue-producing commuter parking spaces would remain the same; thus, parking revenue should not be impaired.	
Project Manager:	Steven A. Teitelbaum, Senior Real Estate Advisor
Project Department/Office:	CFO/Office of Real Estate and Station Planning (LAND)

TIMELINE:

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<p>Previous Actions</p>	<p>November 2013: WMATA issued a Joint Development Solicitation 2013-03 for the Grosvenor-Strathmore Metro Station.</p> <p>May 2015: WMATA Board of Directors authorized the negotiation and execution of a nonbinding Term Sheet with Streetscape Partners, LLC.</p> <p>February 2016: WMATA and Streetscape Partners, LLC entered into a nonbinding Term Sheet for the project.</p> <p>Spring 2016: Streetscape Partners, LLC requested WMATA's approval of a transfer of its development rights to its affiliate Fivesquares, LLC.</p> <p>July 2016: The Montgomery County Planning Board staff formally began a one-year "minor master plan amendment" study for the development potential of the site.</p>
<p>Anticipated actions after presentation</p>	<p>Summer-Fall 2017: The Montgomery County Planning Board staff, then the Planning Board, and finally the County Council (sitting as the District Council) are to prepare and approve the "minor master plan amendment" for the site.</p> <p>Fall 2017: The developer begins site planning, financing and other development matters preparatory to acquiring the first phase of the project and constructing the garage expansion.</p>

RECOMMENDATION:

Board provide authorization to:

- Permit the General Manager/Chief Executive Officer or his designee to negotiate and execute a Joint Development Agreement with Fivesquares LLC for a joint development project at the Grosvenor-Strathmore Metro Station; and
- Provide approvals required by and a waiver to the Use Regulations to allow Metro to pilot a "Station Enhancement Program" at Grosvenor-Strathmore Metro Station. It would be a developer-led program and include art, music, and commercial uses at the station entrance plaza. The waiver would allow the sale of food and beverages, provided that only take-away prepared foods and beverages can be sold, and only during a four-hour period in the afternoon/evening during the pre-development period.

SUBJECT: APPROVAL TO NEGOTIATE AND EXECUTE A JOINT DEVELOPMENT AGREEMENT, APPROVAL OF COMMERCIAL USE AND WAIVER TO ALLOW THE SALE OF FOOD AND BEVERAGES AT THE GROSVENOR-STRATHMORE METRO STATION SITE

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

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) issued Joint Development Solicitation 2013-03, requesting proposals for the private development of a portion of the WMATA-owned land at the Grosvenor-Strathmore Metro Station in Montgomery County, Maryland (Grosvenor-Strathmore Joint Development Site); and

WHEREAS, The Grosvenor-Strathmore Joint Development Site consists of approximately eight acres, including an existing surface parking lot and stormwater management pond, but does not include the station entrance, the existing bus loop, the existing Kiss & Ride area, or the existing WMATA-owned and -operated parking garage; and

WHEREAS, Resolution 2015-27 authorized the negotiation and execution of a non-binding term sheet with Streetscape Partners (Streetscape), subject to Board of Directors approval of any binding agreement, and such non-binding term sheet was signed on February 18, 2016; and

WHEREAS, WMATA and Streetscape are in the final stages of negotiating a proposed Joint Development Agreement (JDA); and

WHEREAS, Streetscape has requested that its rights as the selected developer be assigned to its affiliate, Fivesquares, LLC (Fivesquares); and

WHEREAS, The anticipated development of the Grosvenor-Strathmore Joint Development Site includes approximately 534 (or more if permitted by the County) units of condominiums, multifamily rental and townhouse housing and a few thousand square feet of retail space, with associated parking for residential and retail uses; and

WHEREAS, Pursuant to the proposed JDA, WMATA will lease and/or sell the Grosvenor-Strathmore Joint Development Site to Streetscape (or Fivesquares) for a payment to be determined by an independent appraisal of the Grosvenor-Strathmore Joint Development

Site assuming successful rezoning and acquisition of various other governmental approvals; and

WHEREAS, Under the proposed JDA, WMATA will retain the right to protect and operate all of WMATA's facilities at the Grosvenor-Strathmore Metro Station except the surface parking lot currently located thereon, which must be removed for this joint development project to proceed; and

WHEREAS, The current surface parking lot will be replaced with an addition to the existing WMATA-owned and -operated parking garage at the Grosvenor-Strathmore Metro Station, such addition to contain a comparable number of spaces to the surface parking lot; and

WHEREAS, Fivesquares has requested WMATA's approval to enhance the Grosvenor-Strathmore Metro Station in the area at or near the existing station entrance plaza with some combination of art, music, advertising and/or retail uses, including possibly the sale of food and beverages during the pre-development period of the joint development project (Pilot Project); and

WHEREAS, Pursuant to the Regulations Concerning the Use of WMATA Property (Use Regulation), commercial use of the station site requires the Board of Directors approval, and the sale of food and beverages is a prohibited commercial use; and

WHEREAS, The use of property at the Grosvenor-Strathmore Metro Station for the Pilot Project is an incidental use of real property, for which Federal Transit Administration (FTA) approval is required; now, therefore be it

RESOLVED, That the Board of Directors approves the assignment of Streetscape's rights to Fivesquares; and be it further

RESOLVED, That the Board of Directors authorizes staff to negotiate and enter into a binding JDA with Fivesquares or Streetscape for the development of the Grosvenor-Strathmore Joint Development Site substantially on the terms set forth above; and be it further

RESOLVED, That the Board of Directors approves the commercial use of and waives the prohibition against the sale of food and beverages at the station site for the limited purpose and duration of the Pilot Project, provided that FTA approves the Pilot Project; and be it finally

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

Reviewed as to form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure Nos.:
21.8.1 Use Regulations
21.9.4 Joint Development Agreement

PROPOSED