



Planning, Program Development and Real Estate Committee

Item V – B

March 12, 2015

**Approval of New Carrollton Joint
Development Agreement**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201316

Resolution:
 Yes No

TITLE:

Joint Development Agreement for New Carrollton

PRESENTATION SUMMARY:

Metro owns approximately 25 acres of land around the New Carrollton Metro Station. In 2010, staff selected New Carrollton JV, LLC, a joint venture between Forest City and Urban Atlantic, to develop that land as a large mixed-use project. Staff negotiated and on January 22, 2015 the Board approved execution of a nonbinding Term Sheet for the project. Staff and the developer have moved to the next stage, a binding Joint Development Agreement (JDA). Board approval is requested to execute the JDA.

PURPOSE:

Approval to execute a binding Joint Development Agreement for the New Carrollton Metro Station joint development project.

DESCRIPTION:

Metro and Prince George's County have long sought private sector development around the New Carrollton Metro Station. Metro is now in negotiations with its selected developer for that development. Board approval of the next stage of negotiations is requested.

Metro will realize significant revenue from the project in the form of (1) new transit facilities, (2) cash payments for the lease or sale of each phase of the project, and (3) ridership revenues from the proposed mixed-use development. The project will also provide an economic development boost for the state of Maryland and Prince George's County, which will both receive new property, sales, and income taxes from the 1.9 million square feet of office, residential, hotel, and retail uses on the Metro-owned property.

As shown in "Key Highlights" below, the proposed project meets the recently adopted Board Evaluation Criteria for joint development.

Key Highlights:

Metro Development Objectives	How Addressed by Proposed Project
Proposed project integrates regional transit facilities	The New Carrollton Metro Station integrates Metrorail, Metrobus, MARC, Amtrak and (Prince George's County's) The Bus service. It is also the proposed terminus of the proposed light rail Purple Line. The proposed development project accommodates all of those transit services.
Proposed project reduces automobile dependency	By creating a new mixed-use town center at the New Carrollton Metro Station, the project will provide opportunities to live, work and shop adjacent to transit.
Proposed project increases pedestrian/bicycle-originated trips	The proposed master plan for the project creates a walkable urban environment from what is currently an auto-centric Station area. Through roadway design, sidewalks, and new pedestrian and bicycle connections, the project will facilitate pedestrian and bicycle access to the Metro Station.
Proposed project fosters safe station areas	Currently, the Metro Station is surrounded by a sea of surface parking lots and parking garages. The proposed project will activate the area with new residents, workers and shoppers to create a safer environment.
Proposed project enhances connections to transit stations	The proposed project will enhance pedestrian and bicycle access to the Metro Station (as described above) and will also improve the bus and Kiss & Ride facilities on site.
Proposed project provides mixed-use development	The proposed project includes multifamily residential, retail, office and hotel uses.
Proposed project offers active public spaces	The project will enhance the existing public plaza area at the Metro Station, create new street front public space, and may include a new urban park.
Proposed project promotes and enhances ridership	The project will generate new ridership through riders traveling to and from the project itself, while also maintaining and enhancing access for commuters traveling through the Metro Station.
Proposed project achieves Metro's financial objectives, including fair market value for Metro	The developer will pay fair market value to Metro, validated by appraisals. The value will include the cost of replacing, relocating and generally upgrading impacted Metro facilities.
Proposed project encourages revitalization and sound growth	The proposed project is in accord with Prince George's County's vision for the area as a mixed-use transit-oriented development, as expressed in its 2010 New Carrollton Transit District Development Plan.

Background and History:

The joint development site at New Carrollton was offered in 2010 via a Request for Qualifications in collaboration with the State of Maryland (the State owns a 16-acre parcel next to Metro's 25-acre parcel). The staff-recommended developer in response to the Request for Qualifications was New Carrollton JV, LLC. The staff recommendation was in turn approved by the Board and by the Maryland Secretary of Transportation.

The New Carrollton Metro Station joint development project is planned as a large, multi-phase, transit-oriented development with a mix of uses including residential, retail, office, hotel, transit and transportation, parking, public park and open space. The project is anticipated to proceed in phases over time as market conditions allow.

Metro will execute individual ground leases with the developer (or sell parcels for residential condominium development to the developer) in phases as each portion of the overall joint development site is considered to be ready for development. The ultimate goal is to activate the land around the New Carrollton Metro Station by converting surface parking lots to development sites, generating real estate revenue and enhanced ridership for Metro, real estate tax revenue to Prince George's County, income and sales tax revenue to the State and the County, and profit to the private-sector development team.

The private sector development team is a joint venture between two companies -- subsidiaries of Forest City Enterprises and Urban Atlantic. Both companies have significant experience with mixed-use development similar to the proposed project at New Carrollton. For example, Forest City Enterprises is now involved with transforming the Washington Navy Yard into a mixed-use residential, retail, office and park project known as The Yards. Urban Atlantic recently completed the mixed-use residential, retail, parking and transit project known as Rhode Island Row on Metro-owned land at the Rhode Island Avenue-Brentwood Metro Station, a project that won an award from the Urban Land Institute for workforce housing.

The current proposal is to start development on a part of the southern Metro-owned parcel with a mid-rise (four-to-six story) multifamily project and a small retail component. The project would then expand on a parcel-by-parcel basis as market conditions warrant. Improved transit facilities would include a new bus loop and Kiss & Ride facility to relieve congestion at the undersized current facilities. Surface parking that is displaced by development would be replaced with either a new Park & Ride garage at New Carrollton or Park & Ride surface parking at another Metro station on the Orange Line in Prince George's County.

By executing ground leases (or selling parcels for residential condominium development) in phases as described above, Metro will retain its land if any subsequent phase of the development project does not proceed. It is expected that each phase of the project that is ground leased will have its own ground lease with a term not to exceed 98 years. The entire joint development site will also be subjected to covenants to be recorded in the land records requiring that the site be developed and maintained as a transit-oriented development and that Metro's operating facilities be protected

against interference.

Discussion:

The Joint Development Agreement follows the approved Term Sheet in establishing the following basic deal terms:

- Development of the site through a series of long-term ground leases, one lease for each phase (or by way of sales for parcels that are to be developed as residential condominiums);
- Proposed development (on WMATA-owned property) of 1.8+ million square feet of mixed uses -- residential, retail, office and hotel. The first phase is comprised of approximately 140,000 square feet of residential development and 30,000 square feet of retail. An additional 900,000+ sq ft of development is anticipated on the adjacent property at New Carrollton that is owned by the State of Maryland. Total development program on WMATA-owned and State-owned property is approximately 2.7 million sq ft.;
- Replacement of impacted transit facilities (Kiss & Ride, bus loop, surface parking) in conjunction with the first phase of development;
- For the first phase of development, impacted WMATA commuter parking will be replaced on a 1-for-1 basis by the developer. This may be accomplished in a new parking structure built for WMATA; creation of replacement surface spaces at a nearby station; provision of WMATA spaces within a shared public-private parking structure; and/or provision of WMATA spaces within a privately owned and maintained structure. For the first phase and future phases, an analysis will be conducted at each phase of development to determine the most cost-effective approach to replacement parking that creates the greatest positive impact to WMATA revenues and ridership;
- Ground leasing (or parcel sales) of each phase with a fixed base rent, as determined by an appraisal process, and future participation by Metro in the revenues generated by operations and by capital events;
- The developer will seek zoning approval and other entitlements before commencing construction;
- The first phase of development is scheduled to begin in 2016; and
- The first phase of development will occur on the south side of the Metro Station to allow for the potential construction of the Purple Line station on the north side of the Metro Station.

FUNDING IMPACT:

Define current or potential funding impact, including source of reimbursable funds.	
Project Manager:	Steven A. Teitelbaum, Senior Real Estate Advisor
Project Department/Office:	Chief Financial Officer/Office of Real Estate and Station Planning

There is no immediate impact on funding because Metro will not be bearing expenses. All replacement of Metro facilities will be done by the developer at its own cost or at the cost of Prince George's County or the State of Maryland. In the longer term, Metro will receive cash

payments for the lease (or sale) of each phase of the project and this cash funding will be accounted for in the capital budget. Further, additional riders living, working or shopping at the proposed development will generate new ridership revenue.

TIMELINE:

<p>Previous Actions</p>	<p>2010 -- Metro and the State of Maryland issue a Request for Qualifications. New Carrollton JV, LLC was chosen as the selected developer.</p> <p>April 2011 -- Metro, the State of Maryland and the developer entered into a Memorandum of Understanding.</p> <p>December 2012 -- The Board approved an earlier nonbinding Term Sheet and binding Joint Development Agreement in support of the developer's pursuit of a headquarters for a Maryland state agency, which ultimately selected a different site.</p> <p>Summer 2013-Summer 2014 -- The developer revised its master plan.</p> <p>Fall 2014-February 2015 -- Metro staff and the developer negotiated a new nonbinding Term Sheet reflecting the revised master plan. The Board approved the Term Sheet on January 22, 2015.</p> <p>February-March 2015 -- Metro staff and the developer negotiate a binding Joint Development Agreement.</p>
<p>Anticipated actions after presentation</p>	<p>Spring 2015 -- Finalize and execute Joint Development Agreement.</p> <p>2016 -- Closing on ground lease and construction begins on the first phase of the development.</p>

RECOMMENDATION:

Approval to execute a binding Joint Development Agreement for the New Carrollton Metro Station joint development project.



Washington Metropolitan Area Transit Authority

Approval of New Carrollton Joint Development Agreement

Planning, Program Development and Real Estate Committee

March 12, 2015



Purpose

- Approve the negotiation and execution of a Joint Development Agreement with a joint venture of Urban Atlantic and Forest City for the New Carrollton joint development site



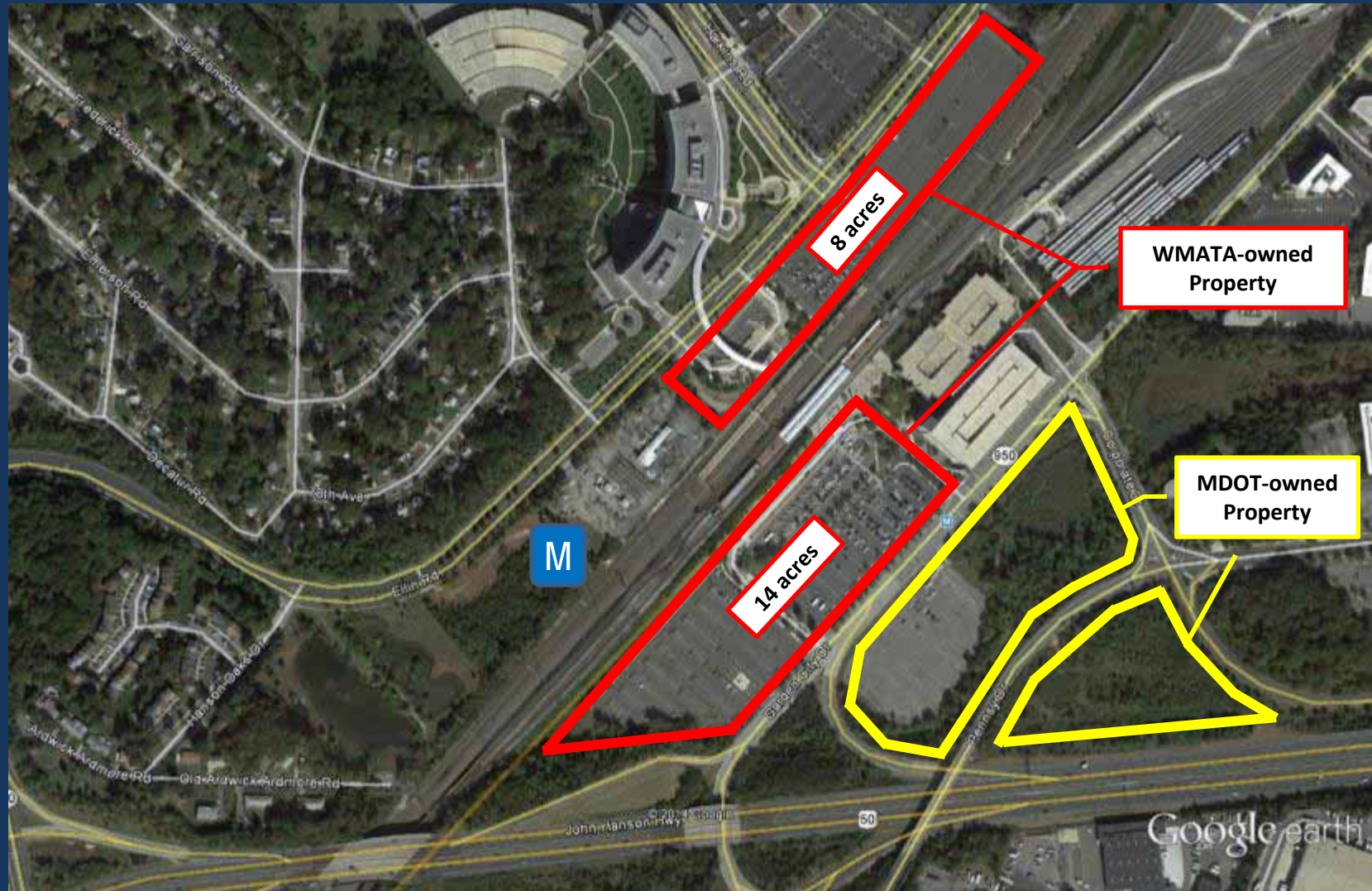


Background

- Summer 2010 Memorandum of Understanding between Metro and State of Maryland
- Fall 2010 RFQ and Selection of Urban Atlantic / Forest City
- 2013 to 2014 Developer revises project vision and master plan
- Fall 2014 Developer and Metro negotiate new term sheet reflecting revised master plan
- January 2015 Board approval of new term sheet



Site Location





Development Program

- Proposed uses:

Uses	Overall Program *	Initial Phase *
Residential	800,000 sq. ft.	140,000 sq. ft.
Office	800,000 sq. ft.	
Retail	135,000 sq. ft.	20,000 sq. ft.
Hotel	150,000 sq. ft.	
Total Development	1.9 million sq. ft.	160,000 sq. ft.

* All square footages are approximate and represent development on WMATA-owned property. With Maryland-owned property included, total development is approximately 2.7 million sq. ft.

- Replacement / relocation of WMATA transit facilities including bus loop, Kiss & Ride, and surface Park & Ride parking



Development Program





Benefits

- Proposed project achieves Metro Joint Development Program objectives:

Integrate regional transit facilities	Provide mixed-use development, including housing and the opportunity to obtain goods and services near transit stations
Reduce automobile dependency	Offer active public spaces
Increase pedestrian / bicycle originated transit trips	Promote and enhance ridership
Foster safe station areas	Generate long-term revenues for Metro
Enhance surrounding area connections to transit stations	Encourage revitalization and sound growth in the communities that Metro serves



Benefits

- Supports Strategic Plan goals of connecting communities and ensuring financial stability
 - New town center preserves vehicle access while enhancing pedestrian / bicycle connectivity
 - Metro will realize value for our property at the station
 - Metro will also realize \$1.5 million in annual ridership revenue from 800+ new daily trips at full build-out
 - County / State benefit from 1.9 million square feet of development generating new property, sales, and income tax revenue



Recommendation

- Approve the negotiation and execution of a Joint Development Agreement with the Urban Atlantic / Forest City team for the New Carrollton joint development site



SUBJECT: APPROVAL TO EXECUTE JOINT DEVELOPMENT AGREEMENT FOR NEW CARROLLTON METRO STATION JOINT DEVELOPMENT PROJECT

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

WHEREAS, WMATA and the State of Maryland selected New Carrollton JV, LLC (Developer) as the private sector developer to pursue a joint development on WMATA-owned and State-owned parcels around the New Carrollton Metro Station on the Orange Line in Prince George's County, Maryland (New Carrollton Joint Development Project"); and

WHEREAS, By Resolution 2012-35, the WMATA Board of Directors authorized the General Manager/Chief Executive Officer to execute a Joint Development Agreement and certain phase leases with Developer and to return to the Board for approval of all subsequent phase leases; and

WHEREAS, WMATA and Developer executed a Joint Development Agreement on December 20, 2012; and

WHEREAS, The parameters of the New Carrollton Joint Development Project have changed, necessitating the negotiation of a new term sheet and Joint Development Agreement between WMATA and Developer (the State of Maryland not being involved at this time); and

WHEREAS, By Resolution 2015-04 the WMATA Board of Directors approved the execution of a new non-binding term sheet with Developer for the New Carrollton Joint Development Project on the terms set forth in the Resolution; and

WHEREAS, WMATA and Developer signed a term sheet dated February 3, 2015; and

WHEREAS, The new term sheet anticipates the negotiation and execution of a binding Joint Development Agreement setting forth the parameters for development of the New Carrollton joint development project; and

WHEREAS, Under terms of the Joint Development Agreement, WMATA will ground lease (or, for residential condominiums, sell) WMATA's land in phases as individual development projects are initiated by Developer and approved by WMATA; Developer will replace WMATA's existing bus loop and Kiss & Ride facility on the south/east side of the New Carrollton Metro Station with new WMATA facilities; Developer will replace any surface Park & Ride parking at the New Carrollton Metro Station displaced by development with either new Park & Ride garage parking at New Carrollton or surface Park & Ride parking at another Metro station on the Orange Line in Prince George's County, Maryland; Developer will pay WMATA ground rent (or purchase prices) at fair market value, to be determined on a parcel-by-parcel basis; and

WHEREAS, The New Carrollton Joint Development Project will be in accordance with the Federal Transit Administration's transit-oriented development principles; and

WHEREAS, The approval of the WMATA Board of Directors is required for WMATA to proceed with the Joint Development Agreement; now, therefore be it

RESOLVED, That the Board of Directors approves the execution of a Joint Development Agreement with New Carrollton JV, LLC consistent with the terms set forth above; and be it finally

RESOLVED, that this Resolution shall be effective 30 days after the adoption of this Resolution.

Reviewed as to form and legal sufficiency,



Mark R. Pohl
Acting General Counsel

WMATA File Structure Nos.:
21.9.4 Joint Development Agreements