

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
201686

Resolution:
☒ Yes ☐ No

TITLE:

Capitol Heights Joint Development

PRESENTATION SUMMARY:

Staff will inform the Board of the proposed sale of land at the Capitol Heights Metro Station (Blue/Silver Lines, Prince George's County) for -- consistent with the term sheet previously approved by the Board -- the development of approximately 180-200 multifamily housing units and a small amount of retail space.

PURPOSE:

(1) Authorize the scheduling of a WMATA Compact public hearing(s) assessing (i) the removal of the current on-site Park & Ride surface lot and the relocation of the affected parkers to other Metro Stations, (ii) the possible addition of approximately 40 metered parking spaces in Davey Street at the Capitol Heights Metro Station, and (iii) the possible construction of additional parking spaces at the Morgan Boulevard Metro Station.

(2) Approve the negotiation and execution of a Joint Development Agreement with Donatelli Development for the development of a portion of WMATA's land at the Capitol Heights Metro Station.

DESCRIPTION:

WMATA seeks to enter into a Joint Development Agreement -- effectively a sales contract -- for the development of a portion of WMATA's land at the Capitol Heights Metro Station (Blue/Silver Lines, Prince George's County). The proposed development is (i) approximately 180-200 dwelling units in buildings of five stories above grade-level residential parking, (ii) approximately 18,000 square feet of grade-level retail space with its own parking, (iii) a landscaped pedestrian plaza on the Davey Street frontage between the existing bus loop and Kiss & Ride, and (iv) four townhouse units on a separate outparcel across Davey Street. The proposed sales price is \$3,888,000. If more than 200 units are developed or developable, WMATA is to be paid \$20,000 for each additional unit. In addition, the developer is to pay WMATA two percent (2%) of the net proceeds of each future capital transaction -- such as a sale or refinancing -- affecting the property.

The property to be sold does not include the current Metrorail station entrance, bus loop and Kiss & Ride area located at the western end of the Station site and the current combination traction power substation and chiller plant located at the eastern end of the Station site. Those facilities will remain WMATA property and are expected to continue in use without any material effect from the proposed development.

The foregoing is in furtherance of a Joint Development Solicitation issued in April 2014 and a non-binding term sheet between WMATA and Donatelli Development approved by the Board of Directors on May 28, 2015.

The one on-site facility that will be affected by this proposed project is the existing surface Park & Ride lot. The area occupied by that lot will be sold. The eight handicapped-accessible parking spaces will be replaced on-site. The other parking currently located there will be replaced by filling empty spaces at other Metro Stations with sufficient capacity, chiefly the nearby Addison Road Metro Station. (Addison Road alone currently has more than enough capacity to absorb all of the lost spaces.) Another alternative is to add approximately 40 metered spaces in Davey Street, which WMATA owns, adjacent to the Capitol Heights Metro Station.

Key Highlights:

Among the highlights of the project (previously noted in MEAD #201480, which addressed the non-binding term sheet):

- The developer will pay fair market value, already established by appraisal, to Metro.
- The project will generate new ridership while not affecting access for pedestrian, bicyclist, bus and Kiss & Ride patrons.
- Pedestrian access to the site may be enhanced via a more attractive path of travel and a new pedestrian plaza for the Davey Street side of the Station.
- The proposed project includes multifamily residential, townhouse and retail space.
- The proposed project is in accord with the desires of Prince George's County and the Town of Capitol Heights to foster transit-oriented development for the site.
- The proposed project better knits the Capitol Heights neighborhood to the Metro Station.
- By creating new multifamily development and retail on-site, the proposed project, combined with other proposed development within a block or two of the Metro Station, creates the opportunity of a lively area that could reduce automobile usage.
- Subject to the subsequent approval of the Board of Directors after a WMATA Compact public hearing, the current 372-space Park & Ride surface parking lot on-site will be removed. In addition to private parking in the area and possibly adding 40 metered spaces in adjacent WMATA-owned Davey Street, Metro-operated Park & Ride parking is available at the nearby Addison Road Metro Station, whose garage historically operates with approximately 600+ unused spaces, and at other nearby Metro Stations with equivalent underutilized capacity.

Background and History:

The Capitol Heights Metro Station is located in Prince George's County, immediately adjacent to the District of Columbia boundary. A significant amount of new development is taking place on both the District of Columbia and Maryland sides of the border. For example, new townhouse units have been developed in the District of Columbia. In Maryland, Donatelli Development (the same developer as is working with WMATA) is working with the Town of Capitol Heights on a residential project on Town-owned land across Davey Street immediately south of the Metro Station. Another development company is working on a separate residential project (with, perhaps, some retail facing the Metro Station) on a block across Davey Street immediately southwest of the Metro Station.

This particular project is in furtherance of a Joint Development Solicitation issued in April 2014 and a non-binding Term Sheet between WMATA and Donatelli Development approved by the Board of Directors on May 28, 2015.

Discussion:

Donatelli Development will purchase the WMATA-owned surface parking lot at the Capitol Heights Metro Station along with the WMATA-owned 0.66-acre vacant lot across Davey Street to the southeast of the Metro Station. The sales price, supported by appraisal, is \$3,888,000. Donatelli will then develop approximately 180-200 multifamily units on what is now the surface parking lot, along with a few thousand square feet of retail facing the Metro Station, and, on the 0.66-acre parcel, four townhouses.

WMATA's current transit facilities -- the bus loop, Kiss & Ride and Metrorail entrance immediately west of the main development site, and the traction power substation and chiller plant immediately east of the main development site -- will remain owned by WMATA and in operation, unaffected by this transaction.

The WMATA-owned surface parking lot on the site has 372 parking spaces for daily use. Given the Capitol Heights real estate market and the small size of the site, it is not economically feasible to replace those parking spaces on the site as part of the development project. An on-line and in-person survey of Capitol Heights parking customers was conducted by our Office of Customer Research in February 2016 to gauge parking customer reaction to a proposed removal of that surface parking lot. Based on that survey, most Capitol Heights parkers are expected to relocate to Park & Ride facilities at other Metro Stations and another quarter are expected to continue to ride Metro with the same frequency but without parking at a Metro Station. Most of those surveyed who said they would relocate to another Metro Station named the nearby Addison Road Metro Station; the parking garage there generally has 600+ unused spaces on any given day. Others surveyed identified other Metro Stations which have several hundred additional unused parking spaces as favored alternatives. Second, if the spaces are so replaced or relocated, there will be no cost to WMATA and WMATA's existing facilities will be better utilized. Third, it may also be possible to install approximately 40 metered parking spaces in Davey Street, a WMATA-owned street adjacent to the Capitol Heights Metro Station. It is also possible that the Board could later also authorize the construction of additional parking spaces at another Metro Station. A determination regarding each of these three possibilities is dependent upon a WMATA Compact public hearing(s) to determine the acceptability of the alternatives by Metro patrons and the community.

LAND's calculation is that this transaction will be net accretive to WMATA's bottom line by approximately \$2.4 - \$4.2 million on a net present value basis. The calculation factors in retained and lost parking revenue, retained and lost ridership revenue, and ridership revenue gained from the development project. The calculation also factors in the land value WMATA will receive.

WMATA will go forward with this project only (1) if the bondholders of the Maryland Transportation Authority (whose bonds paid for parking garages at other Metro Stations

in Prince George's County) are assured that their collateral for those bond obligations -- which are underwritten by the "parking surcharge" collected by WMATA from parking customers as part of their daily fee -- is not adversely affected, and (2) Prince George's County approves the impact the loss of future "parking surcharges" from this Park & Ride lot could have on its bonding capacity. Staff has obtained preliminary oral acceptance from both and will be following up in writing.

FUNDING IMPACT:

The proposed project will result in accretive new revenue from the sale of the property and from increased ridership at Capitol Heights. PLAN projects that the project will add 88 trips per day on Metrorail, creating additional revenue of \$154,978/year. There is no meaningful capital expense anticipated for this project.	
Project Manager:	Steven A. Teitelbaum, Senior Real Estate Advisor
Project Department/Office:	Department of the Chief Financial Officer / Office of Real Estate and Station Planning

TIMELINE:

Previous Actions	<p>April 2014 -- WMATA issued a Joint Development Solicitation seeking development of this site.</p> <p>November 2014 -- WMATA staff selected Donatelli Development as the developer, subject to Board approval (and eventual FTA concurrence)</p> <p>May 28, 2015 -- Board approves the negotiation of a non-binding term sheet with Donatelli Development for this project.</p> <p>May 28, 2015 -- WMATA and Donatelli Development sign a non-binding Term Sheet for this project.</p>
Anticipated actions after presentation	<p>Immediately -- Finalize Joint Development Agreement.</p> <p>Summer 2016 -- Seek FTA concurrence in the transaction. Notify WMATA's bondholders of the transaction and of WMATA's compliance with its bond covenants. Notify the Maryland Transit Administration and Prince George's County of the transaction and obtain their assent.</p> <p>Summer/Fall 2016 -- Hold WMATA Compact public hearing(s) to gauge rider and community sentiment regarding removing the parking lot and adding parking meters at Capitol Heights and adding surface parking at Morgan Boulevard.</p> <p>Late 2016 - 2017 -- Close on the sale of the land, with development to follow thereafter.</p>

RECOMMENDATION:

(1) Authorize the scheduling of a WMATA Compact public hearing(s) assessing (i) the removal of the current on-site Park & Ride surface lot and the relocation of the affected parkers to other Metro Stations, (ii) the possible addition of approximately 40 metered parking spaces in Davey Street at the Capitol Heights Metro Station, and (iii) the possible construction of additional parking spaces at the Morgan Boulevard Metro Station.

(2) Approve the negotiation and execution of a Joint Development Agreement with Donatelli Development for the development of a portion of WMATA's land at the Capitol Heights Metro Station.

PRESENTED AND ADOPTED: July 28, 2016

SUBJECT: APPROVAL TO NEGOTIATE AND EXECUTE A JOINT DEVELOPMENT AGREEMENT WITH DONATELLI DEVELOPMENT FOR JOINT DEVELOPMENT AT THE CAPITOL HEIGHTS METRORAIL STATION; AND CONDUCT A WMATA COMPACT PUBLIC HEARING FOR PARKING CHANGES AT CAPITOL HEIGHTS AND MORGAN BOULEVARD METRORAIL STATIONS

2016-32

**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 2014-01 requesting proposals for the private development of a portion of the WMATA-owned land at the Capitol Heights Metrorail Station (Metro Station) in Prince George's County, Maryland (Capitol Heights Joint Development Site); and

WHEREAS, The Capitol Heights Joint Development Site includes the surface parking lot at the Metro Station and a 0.66-acre parcel of vacant land southeast of the Metro Station, across Davey Street, but does not include the Metro Station entrance, the existing bus loop, the existing kiss & Ride area, or a 0.4-acre parcel of vacant land southwest of the Metro Station, across Davey Street; and

WHEREAS, In November 2014, WMATA staff preliminarily designated Donatelli & Klein, Inc., d/b/a Donatelli Development, Inc. (Donatelli Development), as the developer with which WMATA would negotiate for that development project; and

WHEREAS, WMATA staff has been negotiating with Donatelli Development for the development of the Capitol Heights Joint Development Site; and

WHEREAS, The anticipated development of the Capitol Heights Joint Development Site includes approximately 200 units of multi-family housing and a few thousand square feet of retail space facing the Metro Station entrance, with associated parking for residents and the retail use, plus, on the 0.66-acre parcel, four townhouses; and

WHEREAS, Negotiations with Donatelli Development anticipate the sale of the Capitol Heights Joint Development Site to Donatelli Development; and

Motioned by Mr. Costa, seconded by Mr. Price

Ayes: 8 – Mr. Bulger, Ms. Harley, Mr. Corcoran, Mr. Costa, Mr. Price, Mr. Goldman, Mrs. Hudgins and Ms. Carmody

WHEREAS, WMATA staff seeks the Board of Directors approval to negotiate and execute a non-binding term sheet with Donatelli Development on substantially the terms set forth above, subject to the further approval of the Board to any binding agreement and to the concurrence of the Federal Transit Administration in accordance with its procedures; now, therefore be it

RESOLVED, That the Board of Directors authorizes staff to negotiate and enter into a non-binding term sheet with Donatelli Development for the development of the Capitol Heights Joint Development Site substantially on 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,



Patricia Y. Lee
General Counsel

WMATA File Structure Nos.:
12.7.3 Station Area Plans
21.9.4 Joint Development Agreements