Planning, Development and Real Estate Committee

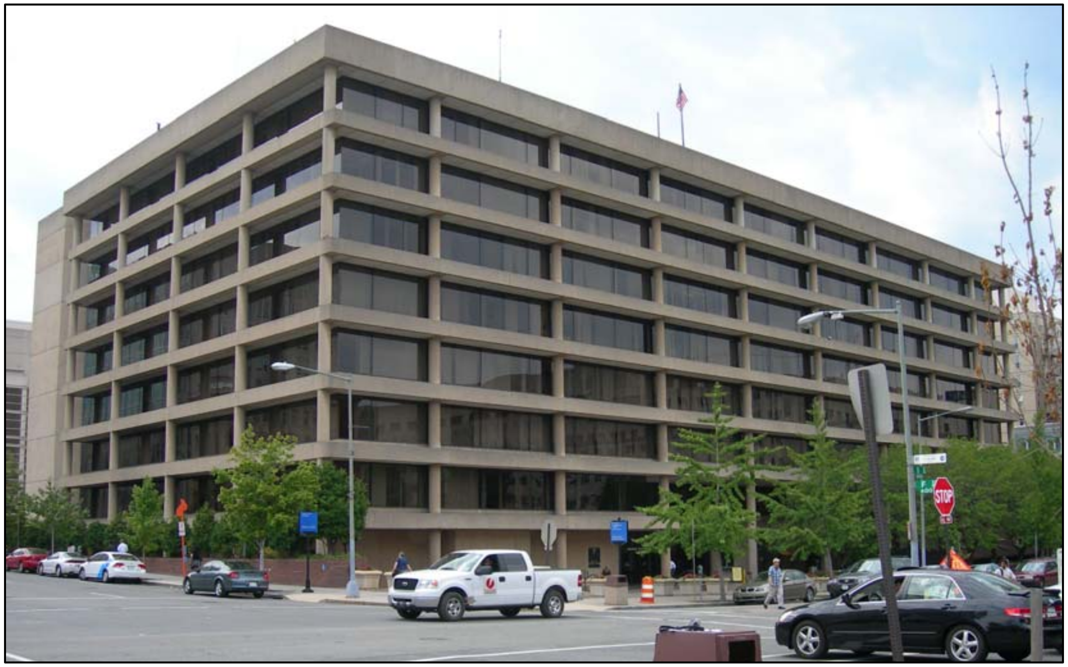
Board Information Item V-A

June 12, 2008

Jackson Graham Building Relocation Analysis

Jackson Graham Building
Sale / Relocation Analysis

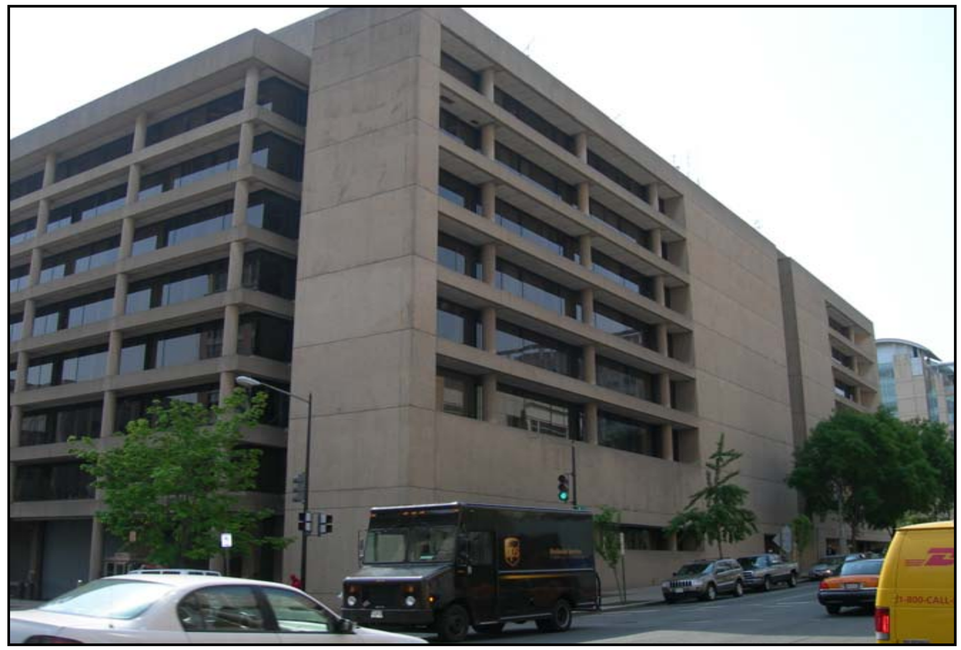
May 2008



Concept

Metro hired Bolan Smart Associates, Inc. to prepare an economic analysis of the possibility of selling and relocating the Jackson Graham Building (JGB). The analysis includes:

- Fee simple sale of JGB
- Estimated cost of replacement facility at Anacostia or New Carrollton Metrorail stations



JGB
Metro Specialty Assets

Property developed in 1974 exclusively for WMATA use.

Metro system specialty assets:

- Red Line tunnel bisects B3 level
- Tunnel air shafts around perimeter of building
- Roof top chillers serve Gallery Place-Chinatown, Judiciary Square, and Archives-Navy Memorial-Penn Quarter Metrorail stations
- Fiber optic cables connect all Metrorail stations to Operations Control Center (OCC)
- Roof top antennae for Metro radio network

JGB
Redevelopment Issues

Change in occupancy and associated redevelopment would trigger major gutting and reconfiguring of the building. Issues include:

- Post-tension concrete frame difficult to work around during reconstruction.
- Foundation would have to be reinforced if more floors were to be added; not easily done since reinforcements cannot intrude into Red Line tunnel.
- Location of the elevator banks and service areas at the perimeter of the building renders redevelopment to Class A office space difficult.
- Adding floors would require more elevators banks.
- Substandard proportion of windows to floor area.
- Need to rezone to achieve commercial reuse and maximize potential density.
- New development will need to conform with Judiciary Square building setbacks.
- Parking limitations not critical, but tighten up if building is enlarged.
- Market for alternative use strong but location limits premium pricing.
- Various construction staging requirements due to Metro system operations.

JGB
Redevelopment Options

- **Renovate existing building for office use:**
  Based on the physical factors, the best re-use would be for larger tenants who could successfully use a full floor or a single user similar to the current occupant.

- **Expand the building for office use:**
  Involves some premium construction costs and likely to depend on design flexibility to supplement core area vertical circulation.

- **Demolition and erection of new building:**
  The easiest way to remedy the building's existing problems is to demolish and start anew, however, the new construction would be encumbered by the very significant on-site Metro-related specialty assets.

- **Renovate building for residential or hotel use:**
  In order to accommodate residential uses, substantial portions of the building would have to be demolished to create a central courtyard or several smaller courtyards to increase the availability of natural light and windows, which would result in a loss of density.

JGB
2008 Market Value

Value Vacant and Unencumbered by Specialty Assets

Property Condition	Value	Value / FAR*	Comment**
Existing Building	$90M	$300 / FAR	300,000 gsf
JGB Demolished and Replaced	$100M	$250 / FAR	400,000 gsf
JGB + 3 Additional Floors	$120M	$300 / FAR	400,000 gsf

* FAR = Floor Area Ratio (above grade building square footage divided by the site square footage (48,401SF)
** Assumes site re-zoned to commercial, maximum estimated 8.4 FAR

JGB Relocation Assumptions

- **Design / build at new location – Metro-owned**
- **Relocation to Metro-owned land at a Metrorail station**
- **Replicate capacity of current facility with 10% less space**

Replacement JGB*	Cost	PSF **	Comment
2008 Turn-key	$80M - $90M	$300 - $325	Build to LEED Silver
Construction Cost / Design Escalations	$10M - $15M+		2012 Delivery
Station Re-configuration	$5M - $10M+		Parking / Bus Lanes
Move / FFE***	$5M+		
Total Relocation Cost	**$100M - $120M+**		

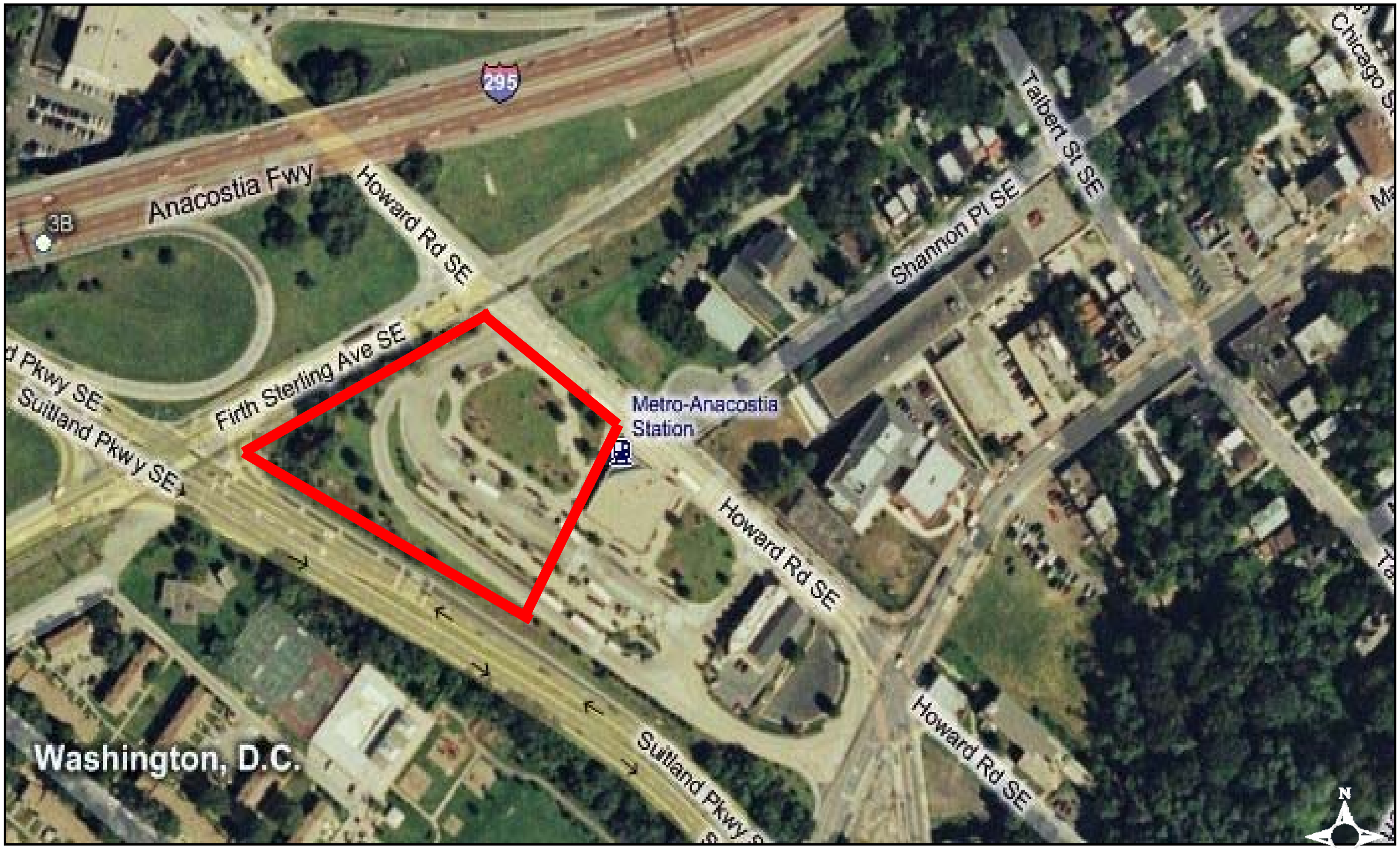
* Without consideration of Specialty Assets
** PSF = Per Square Foot
Replacement Facility = 275,000SF above-grade; 112,500SF below-grade
*** FFE = Furniture, Fixtures, and Equipment

JGB
Sale / Relocation Cost Analysis*

Item	Sale Revenue	Relocation Cost	Comment
Sale of JGB	$90M - $120M		Unencumbered
Extra Construction Costs	($3M - $10M)		Over Red Line
Chiller Relocation	($10M - $15M)		On-site or nearby
3-Yr WMATA Lease Back	($15M)		
Turn-key Replacement		($80M - $90M)	
Cost / Design Escalations		($10M - $15M+)	2012 Delivery
Station Re-configuration		($5M - $10M+)	Parking / Bus Lanes
Move / FFE		($5M+)	
Land		$0	Foregone Value
Totals (rounded)	$70M - $95M	($100M - $120M+)	
Net Gain / Loss			**($5M – $50M+)**

* Cost of replacing the OCC not included. WMATA is in the process of estimating the cost of a back-up OCC facility.

JGB Relocation Scenario
Anacostia



JGB Relocation Scenario
New Carrollton

Developer Survey

Bolan Smart polled major real estate firms located in the District of Columbia as to their view of optimum use and valuation:

- **What end-use(s) would be envisioned?**
  - Larger tenant office use described as likely highest and best use.
  - Conversion to hotel use was cited, but at much lower valuation.
- **What is the implied $2008 value of JGB?**
  - FAR values of land mentioned in the range of $200 - $250/FAR.
- **Would you expect to: (1) rehab the existing building or (2) seek to add additional space; or (3) tear-down and rebuild?**
  - Upon being informed of Metro's Specialty Assets, there were no clearly superior approaches identified, although interviewed parties admitted to a first preference to tear-down and rebuild from ground level.
- **What would be an estimated development cost (hard and soft costs net of land, entitlements, and special tenant spaces) to deliver a comparable office building elsewhere in $2008?**
  - Turnkey delivery costs in the range of $300 - $325 per above-grade sf.