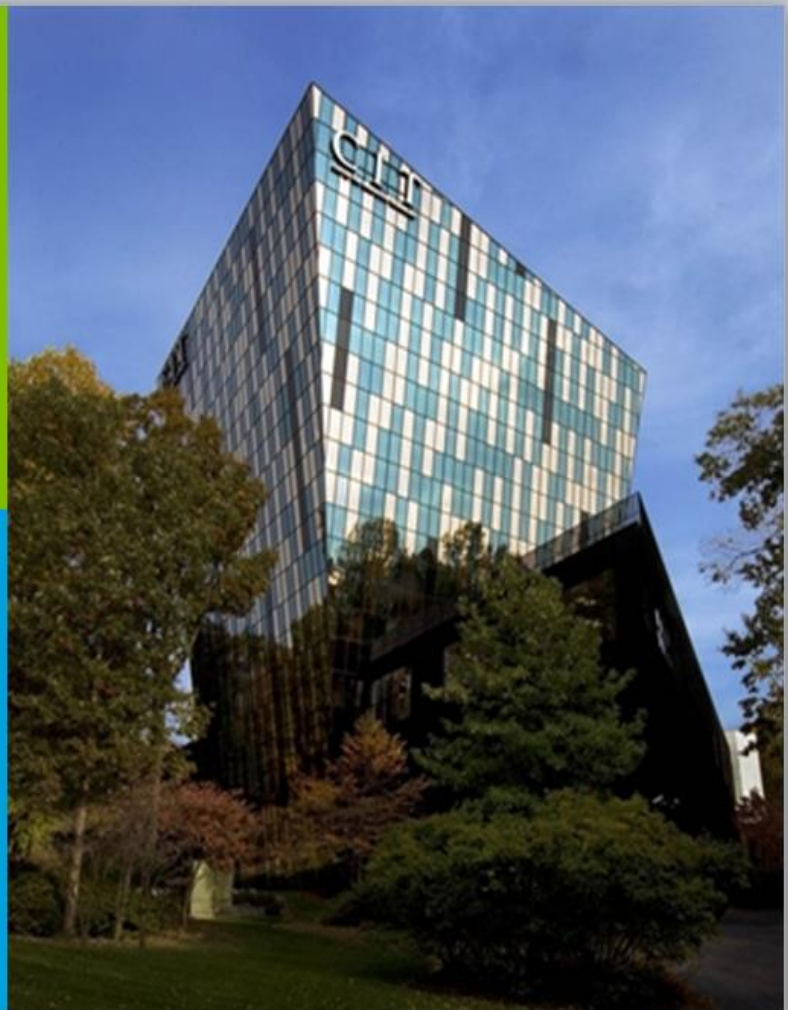




DEPARTMENT  
OF GENERAL  
SERVICES

CENTER FOR  
INNOVATIVE  
TECHNOLOGY  
DISPOSITION

Quarterly Report  
October 1, 2017



October 1, 2017

## Introduction

This quarterly report is an addendum to the previous Department of General Services (DGS) reports dated October 1, 2016, January 1, 2017, April 1, 2017 and July 1, 2017, to the Chairmen of the House Appropriations and Senate Finance Committees and to the Governor, on DGS' progress identifying disposal options of real property located in Loudoun and Fairfax Counties, owned by the Innovative and Entrepreneurship Investment Authority (IEIA) and improved with the Center for Innovative Technology (CIT) complex, as required by Item 428 U.1. of Chapter 780, 2016 Acts of Assembly.

## Background

The Initial Report provided background on the IEIA and CIT complex, including the financial and ownership history regarding the "Midrise" and "Tower" buildings constructed on an underground parking facility. The January 1<sup>st</sup> report detailed findings of the Office of Attorney General (OAG) and DGS' review of the of the leases, the property title report, a survey and the zoning designation found in the Fairfax County Comprehensive Plan, to determine what else may impact the disposition of the property. DGS supplied the appraiser with the updated survey, based on the findings from the title report, to obtain the possible market value of the property, depending upon its future use, approved development density and what remaining usable acreage was available.

On June 15, 2017, as per §2.2-1156, DGS received written authorization from the Secretary of Administration, as delegated by the Governor, to market the Loudoun County and Fairfax County parcels improved with the CIT complex property for sale. It was contemplated at that time to hold on the sale of the unimproved Fairfax County parcels until all conveyances associated with the construction of the metro station and road realignments were complete. DGS revised the authorization request to include the unimproved Fairfax County parcels in the surplus property sale based upon conversations with the localities and the OAG indicating that title issues may be resolved at the same time the property is being marketed.

July 13, 2017

DGS CIT meeting:

DGS and Divaris met with the CIT leadership to review the marketing plan for the property and to discuss their future space needs. They asked that MACH37 be included in their future space needs and that any negotiations include allowing them to remain rent free in the building until 2019, when most current tenant leases expire. Due to the size of the CIT/MACH37 suites, DGS stated that such a lease would include a purchaser's right to relocate them in the building to a 'right-size' suite based upon their need and staffing levels. Currently, CIT occupies 19,880 SF and MACH37 occupies 7,611 SF. If CIT/MACH37 elects to relocate prior to closing on the sale of the property, DGS and Divaris will provide assistance with relocation selection, if needed.

October 1, 2017

July 20, 2017 DGS meeting with Loudoun and Fairfax Counties:

DGS and Divaris met with representatives from Loudoun and Fairfax Counties to discuss the sale of the property. Both counties are supportive of the action and agreed to work cooperatively to review a future purchaser's development plans. They prefer that all of the IEIA property be sold in one transaction, so that future plans would be submitted as one development and that the density attributed to the total acreage could be applied to the remaining useable acres for future development.

August 8, 2017 The Secretary of Administration approves the sale of the unimproved Fairfax County Parcels.

August 10, 2017 DGS meeting with CIT tenants:

DGS and Divaris Real Estate, Inc. (Divaris), the Commonwealth's Real Estate Broker, held a tenant meeting on-site to brief the tenants of the planned sale of the property and to explain that the property will be sold subject to their leases. DGS offered to meet with the tenants individually to address any specific concerns that the tenants have at this time.

August 14, 2017 Divaris began marketing the property, DGS took over management of the tenant leases and CIT remains as facility management.

August 31, 2017 DGS and Divaris arranged for the Virginia Economic Development Partnership (VEDP) to tour the property.

August 31, 2017 DGS and Divaris worked with CIT to plan the tour path and tour dates to minimize impact on the tenants.

August 31, 2017 DGS met with individual CIT tenants on-site.

September 18, 2017 DGS presented a property update to the House Appropriations Committee.

September 20, 2017 DGS and Divaris conducted the VEDP Tour and CIT staff attend the tour.

September 20, 2017 DGS conducted individual tenant meetings on-site.

October 1, 2017

- September 29, 2017 VEDP toured the CIT complex. This tour was arranged with CIT and not through DGS. Attendees included:  
Keith Boswell - VEDP  
Stephen Moret - VEDP  
Kurt Hoffman - Fairfax County  
Colleen Kurdasz - Loudoun County  
Tristan Simon - Rebees  
David Bennion - Wilson Peak
- October 12, 2017 Due to recent articles regarding the sale of the property, several tenants have contacted DGS asking the surety of their occupancy or if they may terminate their agreements and relocate now.

### **Leased Occupancy**

Since the July 1, 2017 report, CIT has not entered into any new leasing agreements. DGS continues to work with the OAG to execute numerous lease amendments in both the Midrise and Tower Buildings. Previous quarterly reports recommended utilizing Divaris to manage leasing the property to enable DGS and the OAG to efficiently execute such transactions and create a streamlined consistent process. As it relates, many of the leases have expired, with little obligation for tenants to remain in the building complex. In an effort to bring all leases current, DGS is now in the process of contacting affected tenants regarding the status of their leases. DGS will continue to work with the OAG to process such lease renewals and/or amendments accordingly. Lastly, several tenants, some with expired leases, have requested a rental rate reduction. As such, DGS requested Divaris to complete a market rental rate analysis to determine the justifiable rental rate for leased space at CIT. DGS has provided the results of the analysis to CIT. DGS is sensitive to the financial impact to CIT regarding rental rate reductions, and is therefore requesting CIT to approve or deny all rental change requests received from tenants.

### **Metro Rail Station**

DGS, with the assistance of the OAG, has processed all known outstanding transactions relating to the new metro rail station, including the 15 foot permanent Fairfax County Water Authority Waterline Easement. This 5,580 square foot Waterline Easement, that CIT had negotiated with the Fairfax County Water Authority for no consideration, was considered part of the metro rail conveyance. The Waterline Easement went to record on September 20, 2017.

October 1, 2017

## Rock Hill Road Realignment

In January 2017, DGS received a plat for the Rock Hill Road realignment at its intersection point with Innovation Drive. The expectation is that the abandonment of the exiting section of Rock Hill Road (8,654 square feet) for the new section of Rock Hill Road (9,592 square feet) will create a net square footage loss of IEIA property in the amount of 938 square feet, but it would add back the 8,864 square feet to the parcel containing the CIT Building. DGS and the OAG are working with Fairfax County to draft the deed of dedication for the right of way transfer to occur. DGS and the OAG continue to negotiate with Fairfax County and other parties on the deed of dedication and easement for the right of way. In the meantime, DGS and OAG are working on a right of entry agreement with the Metropolitan Washington Airports Authority to allow for work to commence as quickly as possible, while still protecting the Commonwealth's interests.

## Title Concerns

In preparation for the surplus sale, DGS, the OAG and the title company investigated concerns relating to any encumbrances that may affect the marketability of the title. Through the survey and title report, an unreleased restrictive covenant requiring the property to be used for public purposes was identified. The title company has determined what is required to release this covenant on the undeveloped portion of the property by all current beneficiaries and it is likely that the title company used by a prospective purchaser will require the same release. The OAG is using outside counsel and a letter requesting the releases has been prepared and is to be sent in November 2017.

## Divaris Marketing Update

1. Toured with VEDP on September 20<sup>th</sup>
2. Toured with group on September 27<sup>th</sup>.
3. Toured with additional VEDP staff and others on September 29<sup>th</sup>
4. Toured with group on October 10<sup>th</sup>
5. Over 35 inquiries received
6. Preparing file for additional information to send to interested parties
7. Following up with phone calls to targeted prospects
8. Continuing to market

## Conclusion

As directed by Item 428 U.1. of Chapter 780, 2016 Acts of Assembly, DGS has prepared and marketed the property according to §2.2-1156 of the Code of Virginia. DGS, the OAG and Divaris have incurred significant expenses obtaining various studies, surveys, title reports, resolving leasing issues, negotiating and preparing multiple conveyances in support of the Metro Rail station and marketing materials to be recouped upon the disposition of the property.

October 1, 2017

**Attachments**

- A. August 2017 Rent Roll with DGS Transaction Status
- B. CIT Divaris Marketing Brochure



**Attachment A  
August 2017 Rent Rolls  
CIT Midrise**

Suite No.	Tenant	Start Date	End Date	RSF	Monthly Rent	PSF Rate	Option Terms (Under Review)	Notes
1st floor	Corridor common area			2,167				
150	Foreground Security	04/01/2014	08/31/2017	8,126	\$ 16,892.70	\$ 24.95		
160	Vacant			3,680	\$ -	\$ -		
165	Foreground Security	10/06/2012	08/31/2017	1,500	\$ 3,371.42	\$ 26.97		
170	American Institute of Artificial Intelligence***			1,173	\$ 2,101.67	\$ 21.50		AIAI has occupied the premises prior to lease execution by COV.
180	ESTA International, LLC	09/01/2012	09/01/2018	1,300	\$ 2,549.52	\$ 23.53		
190	Vacant			2,500	\$ -	\$ -		
250	Edgeone, LLC*	05/19/2014	05/31/2017	1,664	\$ 3,050.00	\$ 22.00		
260	Smart City Works, Inc.	04/01/2017	08/31/2017	4,177	\$ 6,614.00	\$ 19.00		
265	ECIA, Inc.	02/14/2014	02/13/2017	1,674	\$ 3,789.60	\$ 27.17		
270	CIT/Mach37 Cyber Accelerator	07/01/2013	07/01/2020	7,611	\$ 10,350.00	\$ 16.32	One (1) five-year extension option	
280	Vacant			5,320	\$ -	\$ -		
350	Honeywell	05/01/2012	07/31/2019	7,515	\$ 13,886.69	\$ 22.17	Two (2) three-year extension options	Rent decreased 8/1/2017 per lease amendment.
355	Honeywell	08/20/2014	07/31/2019	5,362	\$ 9,908.24	\$ 22.17	Two (2) three-year extension options	Rent decreased 8/1/2017 per lease amendment.
360 & 370	Honeywell	06/01/2016	07/31/2019	4,369	\$ 8,071.73	\$ 22.17	Two (2) three-year extension options	Rent decreased 8/1/2017 per lease amendment.
380	Vacant**			1,600	\$ -	\$ -		
390	IT Vertex/Diligent Group	09/05/2014	08/31/2017	1,600	\$ 3,347.00	\$ 25.10		
				<b>Total Occupied SF</b>	<b>46,071</b>			
				<b>Total Rental Income CIT</b>	<b>\$ 83,932.57</b>			
				<b>Average PSF Rate</b>		<b>\$ 21.86</b>		
				<b>Market PSF Rate</b>		<b>\$24</b>		
*Amendment pending.								
** Amendment is pending for Honeywell to expand occupy to suite 380.								
*** New lease pending.								
Data as of 8/2017 P&L, subject to further review.								





**FOR SALE**  
**CIT OFFICE COMPLEX**  
& ADDITIONAL LAND PARCELS

2205 - 2214 Rock Hill Road, Herndon, VA 20170

# Property Overview



Property Stats	
<b>Building Size</b>	±149,415 SF
<b># Floors</b>	7 story tower 3 story mid-rise
<b>Year Built</b>	1989
<b>Building Complex Parcels</b>	±12.38 Acres
<b>Additional Parcels</b>	±13.50 Acres
<b>Total Acreage</b>	±25.88 Acres
<b>Building Complex Zoning</b>	I-4 (Fairfax) PD-RDP (Loudoun)
<b>Additional Parcels Zoning</b>	I-4

Recognizing an opportunity to use a valuable real estate asset to fund innovative programs throughout the state, the Commonwealth of Virginia is offering for sale, through its contract broker Divaris Real Estate Inc., the iconic CIT office/research complex adjacent to the future Innovation Center Metro Station and the Dulles Toll Road. The campus is comprised of an office tower connected to a mid-rise research building occupied by technology oriented businesses.

The CIT complex features a glass enclosed atrium lobby with a 130-seat auditorium, conference center, classrooms, cafeteria, and 430 underground parking spaces. Additional land may be used for development opportunities. The campus is part of the Dulles Technology Corridor which includes the headquarters or regional offices of more than 50 national companies such as AT&T, Microsoft, Sprint, Computer Sciences Corporation, Cisco, Verizon, and Network Solutions.

The Owner is offering its fee simple interest in the property on an “as-is” basis, subject to existing leases. Any and all access to the campus without an appointment and escort is strictly prohibited. **All inquiries should be directed to InnovativeVA@divaris.com.**

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# Location & Local Area



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# Site Aerial Overview



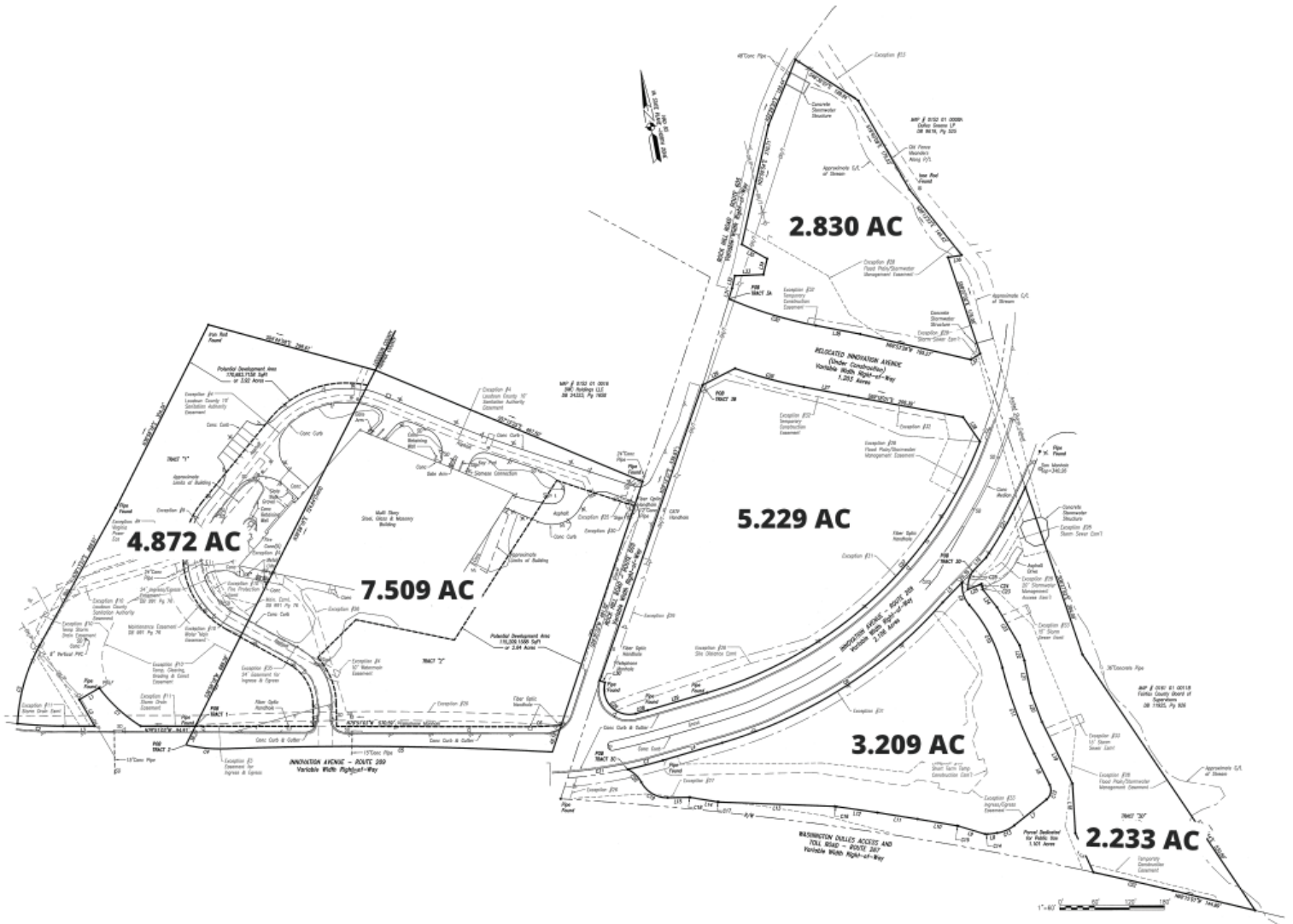
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# Site Survey

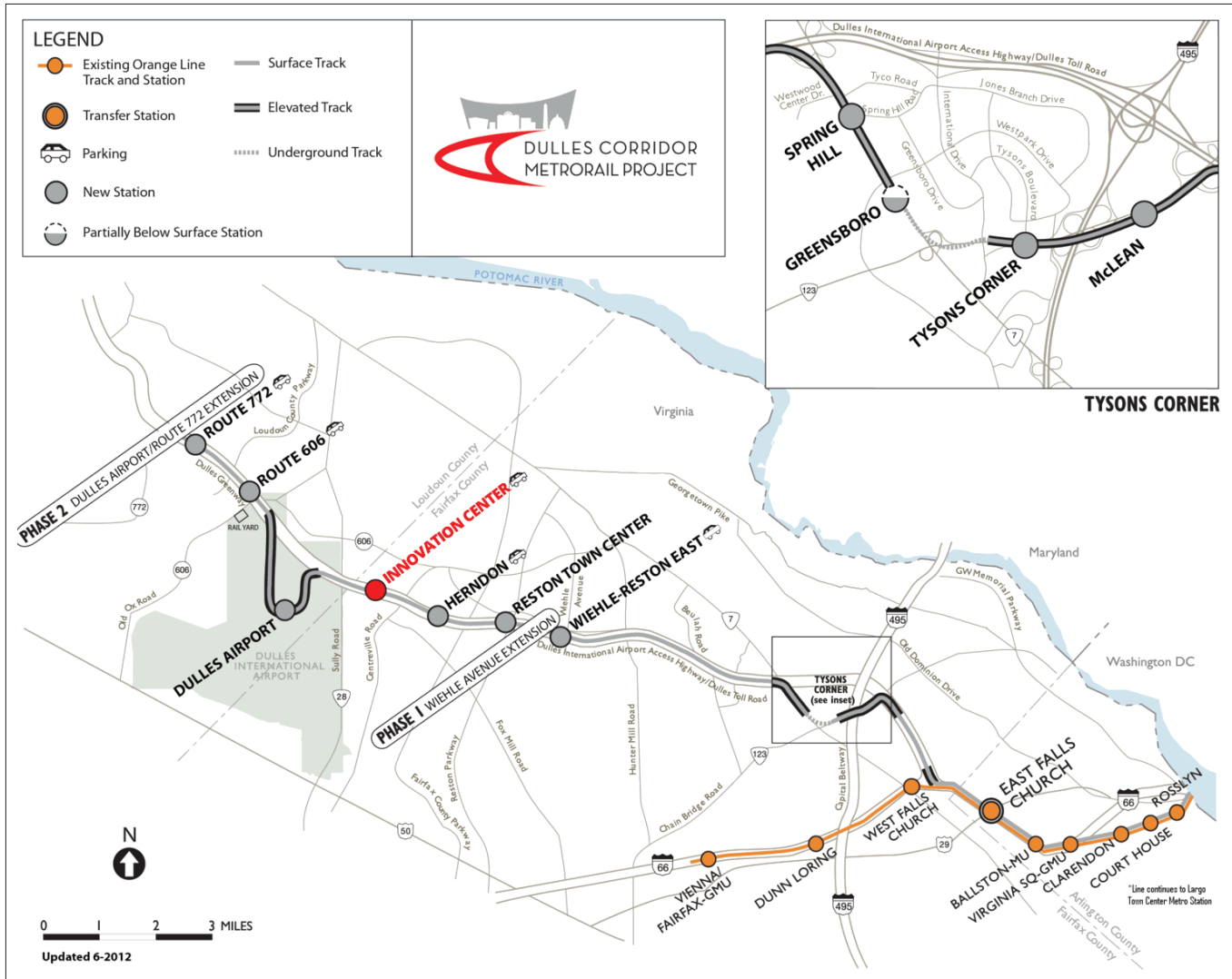


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# Dulles Corridor Metrorail Project



The Dulles Corridor Metrorail Project is a 23-mile extension of Washington’s existing Metrorail System. It is being built in two phases by the Metropolitan Washington Airports Authority (MWAA). When completed, the line will provide a no transfer ride from Dulles to downtown Washington creating long-sought after connectivity between the burgeoning Dulles corridor and the nation’s capital.

The extension includes 11 new stations, including the Innovation Center Station, which is directly adjacent to the property. Phase 2 is currently under construction, with a completion date expected in 2019/2020, at that time all Phase 2 metro stations will open. The Innovation Center Station will be located in the median of the Dulles toll road, and will feature pedestrian bridges to both the north and the south. On the north side the station will feature a bus/kiss and ride drop off, and pedestrian access while the south side will feature a 2,000 car parking deck, and bus/kiss and ride drop off.

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