



DEPARTMENT
OF GENERAL
SERVICES

CENTER FOR
INNOVATIVE
TECHNOLOGY
DISPOSITION

Quarterly Report
April 1, 2018



April 1, 2018

Introduction

This quarterly report is an addendum to the previous Department of General Services (DGS) quarterly reports submitted October 1, 2016 through January 1, 2018, to the Chairmen of the House Appropriations and Senate Finance Committees and to the Governor. The report provides an update 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

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 Office of Attorney General (OAG) indicating that title issues may be resolved at the same time the property is being marketed.

Leased Occupancy

DGS continues to work with the OAG to execute the lease amendments in both the Midrise and Tower Buildings, confirming their expiration dates on or before December 31, 2018. DGS will continue to work with the OAG to process such lease amendments accordingly.

DGS has determined three current private tenant leases extend past December 31, 2018. Of the three leases, one tenant had previously requested an early termination and DGS is preparing an early termination agreement. One tenant is unresponsive to calls and emails at this time. This coming reporting period DGS will contact the third tenant, whose lease expires in 2018 and has two three-year extension options and significant tenant improvements.

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.

Rock Hill Road Realignment

In January 2017, Fairfax County requested property from the IEIA for the realignment of Rock Hill Road at its intersection point with Innovation Drive. The road realignment will provide better ingress/egress to the new Metro Rail Station. The expectation is that a section of Rock Hill Road (8,654 square feet) will be abandoned by Fairfax County and will be conveyed as consideration to the IEIA for the new section of IEIA property (9,592 square feet) needed for the realignment. Fairfax has not yet agreed to add back the abandoned 8,864 square feet to the IEIA property.

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Rock Hill Road Realignment – continued

DGS, the OAG and Fairfax County have worked together to draft the required documents for the dedication and right of way transfer to occur. The documents are ready to circulate for signature once Fairfax County approves the survey and consideration.

Title Concerns

In preparation for the surplus sale, DGS, the OAG, outside counsel 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 to assist with requesting the releases and the release requests have been sent to all property owners listed by the title company.

Natural Resource Concerns

On January 9, 2018, DGS received a letter from the Department of Conservation and Recreation (DCR) unsolicited by DGS. DCR recommends that for any future land disturbing activities, project plans be submitted to DCR for review of potential impacts to the natural heritage resources. DCR re-reviewed the project and issued a revised letter indicating that DCR does not find that future land disturbing activities on the CIT site will have an impact on natural resources. DCR recommends that for any future land disturbing activities, a project plan be submitted to DCR for review of potential impacts to natural heritage resources. (see attached letter).

Fairfax County

Fairfax County Board of Supervisors authorized a plan amendment in October 2017 to consider increasing density and the land use mix for the area. More details on the plan amendment, 2017-III-DS1, can be found on the following Fairfax County website:

<https://www.fairfaxcounty.gov/planning-zoning/plan-amendments/innovation-center-station-north>

The County is expediting review of this amendment, and anticipate it going to public hearing in October 2018.

In addition, Fairfax County has a separate planning process to facilitate community-based plan changes, the Site Specific Plan Amendment (SSPA). There was a nomination submitted by Stout & Teague, who owns some of the nearby properties to the CIT property. Through that process, the submitters also asked for a review of the plan recommendations in the area (see Attachment C).

That request needed to be changed, due to Fairfax County's initiated process. Stout & Teague is in the process of revising its nomination, and if it is accepted by Fairfax County, it will be listed on the nomination website.

<https://www.fairfaxcounty.gov/planning-zoning/site-specific-plan-amendment-process/track-nomination>

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DGS ordered an updated valuation of the property to reflect the higher density that would be permitted under Fairfax County's revised comprehensive plan and zoning. Delivery of the valuation addendum is expected this month.

Divaris Marketing Update

Divaris continues to list the property on their website and respond to calls. They have received over 50 calls expressing interest in the property and have provided over 15 groups tours of the property. A call for offers has been delayed pending the outcome of development opportunities being pursued by the Virginia Economic Development Partnership.

Attachments

- A. March 2018 Rent Roll with DGS Transaction Status
- B. February 2, 2018 Revised Department of Conservation and Recreation Letter

Midrise Building								
Suite No.	Tenant	Start Date	End Date	RSF	Monthly Rent	PSF Rate	Option Terms (Under Review)	ANTICIPATED LEASE CHANGES
1st floor	Corridor common area			2,167				
150	Foreground Security*	04/01/2014	08/31/2017	8,126	\$ 16,892.70	\$ 24.95		Amendment in process, terminating effective 12/31/18.
160	Vacant			3,680	\$ -	\$ -		
165	Foreground Security*	10/06/2012	08/31/2017	1,500	\$ 3,371.42	\$ 26.97		Amendment in process, terminating effective 12/31/18.
170	American Institute of Artificial Intelligence***			1,173	\$ 2,101.67	\$ 21.50		AIAI has occupied the premises prior to lease execution by COV. Draft lease terminates 4/30/18.
180	ESTA International, LLC*	09/01/2012	09/01/2018	1,300	\$ 2,638.75	\$ 24.36		Amendment in process, terminating effective 12/31/18.
190	Vacant			2,500		\$ -		
250	Edgeone, LLC*	05/19/2014	05/31/2017	1,664	\$ 3,050.00	\$ 22.00		Amendment in process, terminating effective 5/31/18.
260	Vacant			4,177		\$ -		
265	ECIA, Inc.	02/14/2014	02/13/2017	1,674	\$ 3,789.60	\$ 27.17		Tenant unresponsive to communication attempts. CIT/Mach37 Cyber Accelerator vacated this space in 9/2017.
270	Vacant			7,611		\$ -		
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	Amendment in process, DGS will need to negotiate with tenant mutually agreeable early termination terms to include SCIF costs.
355	Honeywell*	08/20/2014	07/31/2019	5,362	\$ 9,908.24	\$ 22.17	Two (2) three-year extension options	Amendment in process, DGS will need to negotiate with tenant mutually agreeable early termination terms to include SCIF costs.
360 & 370	Honeywell*	06/01/2016	07/31/2019	4,369	\$ 8,071.73	\$ 22.17	Two (2) three-year extension options	Amendment in process, DGS will need to negotiate with tenant mutually agreeable early termination terms to include SCIF costs.
380	Vacant**			1,600	\$ -	\$ -		
390	IT Vertex/Diligent Group	09/05/2014	08/31/2017	1,600	\$ 3,347.00	\$ 25.10		
				Total Occupied SF				
				46,071				
					Total Rental Income CIT			
					\$ 67,057.80			
					Average PSF Rate			
						\$ 23.47		
					Market PSF Rate			
						\$24		
*Amendment pending.								
** Amendment is pending for Honeywell to expand occupy to suite 380.								
*** New lease pending.								
Data reflects 2/2018 P&L, subject to further review.								
New leases/amendments drafted and approved by the OAG.								

Tower Building								
Suite No.	Tenant	Start Date	End Date	RSF	Monthly Rent	PSF Rate	Option Terms (Under Review)	ANTICIPATED LEASE CHANGES
100	Intelligence Consulting Enterprise Solutions, Inc.	04/28/2016	05/31/2019	3,539	\$ 7,225.00	\$ 24.50		Tenant unresponsive to communication attempts. DGS will need to negotiate with tenant mutually agreeable early termination terms.
110	International Electronic Manufacturing Initiative, Inc.*	07/01/2005	06/30/2016	1,800	\$ 3,975.00	\$ 26.50		Amendment in process, terminating effective 12/31/18.
200	BNL, Inc.*	12/01/2011	11/30/2016	3,300	\$ 6,000.00	\$ 21.82		Amendment in process for Suite 200, terminating effective 12/31/18. Tenant pursuing relocation options. If alternate space is found, tenant requests early termination of Suite 500.
201	Foreground Security*	01/09/2012	08/31/2017	3,446	\$ 7,673.00	\$ 26.72	Lease contains one (1) three-year option. Amendment added three-years, but didn't expressly state that the option term was exercised, nor did it remove it from the agreement.	Amendment in process, terminating effective 12/31/18.
300	Northern VA Technology Council	07/01/2003	06/30/2022	7,406	\$ 9,166.18	\$ 14.85		
400	Vacant			8,093	\$ -	\$ -		
500	BNL, Inc.	05/01/2016	04/30/2019	3,063	\$ 5,762.88	\$ 22.58		Amendment in process for Suite 200, terminating effective 12/31/18. Tenant pursuing relocation options. If alternate space is found, tenant requests early termination of Suite 500.
501	Axios Systems, Inc.*	03/03/2009	05/31/2018	3,506	\$ 8,070.84	\$ 27.62	Lease contained one (1) two-year extension option which has already been exercised.	Amendment in process, terminating effective 12/31/18.
501a	Vacant			774	\$ -	\$ -		
502	DHK Enterprises, Inc.*	01/01/2012	12/31/2017	1,205	\$ 2,803.00	\$ 27.91		Amendment in process, terminating effective 12/31/18.
600	Center for Innovative Technology			19,880	\$ -	\$ -		OAG in process of drafting lease, terminating effective 12/31/18.
P1-010	Open Mind Systems, Inc.*	03/18/2014	07/31/2016	297	\$ 900.00	\$ 36.36		Amendment in process, terminating effective 12/31/18 and reducing rent to \$600/month (per CIT approval).
P2-020	US Data Forensics, LLC*	05/01/2012	04/30/2017	850	\$ 1,382.00	\$ 19.51		Tenant is fairly unresponsive to communication attempts. Tenant informed DGS that business was sold to a new entity. DGS has requested various corporate documents, awaiting tenant response.
P3-001	Better Engineering Services (Management office) ****			846	\$ 1,480.50	\$ 21.00		
P3-003	INQBATION, Inc.			664	\$ 1,081.75	\$ 19.55		INQBATION, INC. - terminated effective 2/28/2018.
Cellar	Verizon	09/01/1988	08/31/2018	1,000	\$ 1,063.15	\$ 12.76		Tenant has requested lease extension, terminating effective 12/31/18.
				Total Occupied SF	50,802			
				Total Rental Income CIT	\$ 56,583.30			
				Average PSF Rate		\$ 22.44		
				Market PSF Rate		\$24		
	* Amendment pending.							
	**** No lease.							
	Data reflects 2/2018 P&L, subject to further review.							
	New leases/amendments drafted and approved by the OAG.							

Molly Joseph Ward
Secretary of Natural Resources

Clyde E. Cristman
Director



Rochelle Altholz
*Deputy Director of
Administration and Finance*

Darryl Glover
*Acting Deputy Director of
Soil and Water Conservation
and Dam Safety*

Thomas L. Smith
Deputy Director of Operations

COMMONWEALTH of VIRGINIA
DEPARTMENT OF CONSERVATION AND RECREATION

January 9, 2018
Revised February 2, 2018

Hugh Hubinger
Department of General Services
1100 Bank Street
Richmond, VA 23219

Re: Center for Innovative Technology - **Revised**

Dear Mr. Hubinger:

The Department of Conservation and Recreation's Division of Natural Heritage (DCR) has searched its Biotics Data System for occurrences of natural heritage resources from the area outlined on the submitted map. Natural heritage resources are defined as the habitat of rare, threatened, or endangered plant and animal species, unique or exemplary natural communities, and significant geologic formations.

Biotics documents the presence of natural heritage resources within two miles of the project area. However, due to the scope of the activity and the distance to the resources, we do not anticipate that this project will adversely impact these natural heritage resources.

DCR recommends that for any future land disturbing activities, project plans be submitted to DCR for review of potential impacts to natural heritage resources.

Under a Memorandum of Agreement established between the Virginia Department of Agriculture and Consumer Services (VDACS) and the DCR, DCR represents VDACS in comments regarding potential impacts on state-listed threatened and endangered plant and insect species. The current activity will not affect any documented state-listed plants or insects.

There are no State Natural Area Preserves under DCR's jurisdiction in the project vicinity.

New and updated information is continually added to Biotics. Please re-submit project information and map for an update on this natural heritage information if the scope of the project changes and/or six months has passed before it is utilized.

The VDGIF maintains a database of wildlife locations, including threatened and endangered species, trout streams, and anadromous fish waters that may contain information not documented in this letter. Their database may be accessed from <http://vafwis.org/fwis/> or contact Ernie Aschenbach at (804-367-2733) or Ernie.Aschenbach@dgif.virginia.gov.

Should you have any questions or concerns, feel free to contact me at 804-692-0984. Thank you for the opportunity to comment on this project.

Sincerely,

600 East Main Street, 24th Floor | Richmond, Virginia 23219 | 804-786-6124

*State Parks • Soil and Water Conservation • Outdoor Recreation Planning
Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*

Alli Baird

Alli Baird, LA, ASLA
Coastal Zone Locality Liaison