



DEPARTMENT
OF GENERAL
SERVICES

CENTER FOR
INNOVATIVE
TECHNOLOGY
DISPOSITION

Quarterly Report
January 1, 2018



January 1, 2018

Introduction

This quarterly report is an addendum to the previous Department of General Services (DGS) quarterly reports submitted October 1, 2016 through October 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 1st 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.

Leased Occupancy

Since the October 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. DGS will continue to work with the OAG to process such lease renewals and/or amendments accordingly. Several tenants, some with expired leases, continue to request a rental rate reduction. 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. In the Midrise Building, CIT allowed two tenants to vacate without notifying DGS resulting in a decrease of rental income in the amount of approximately \$16,800 monthly. One of the tenants that moved, MACH37, a related entity to CIT, vacated the building in September 2017.

January 1, 2018

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, 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. A Right of Entry Agreement was signed on November 21, 2017, allowing for preparations for the road realignment to continue as the Right of Way Dedication is finalized with Fairfax County.

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 and the prepared a draft letter requesting the releases. The letter will be sent, once the property disposition is determined.

Natural Resource Concerns

On January 9, 2018, DGS received a letter (see Attachment B) 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. Due to legal status of the Wood turtle, DCR also recommends coordination with the Virginia's regulatory authority for the management and protection of this species, the Virginia Department of Game and Inland Fisheries, to ensure compliance with the Virginia Endangered Species Act (VA ST §29.1-563-570)

January 1, 2018

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>

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 15 groups tours of the property. A call for offers has been delayed pending Amazon's headquarter location decision.

Attachments

- A. November 2017 Rent Roll with DGS Transaction Status
- B. January 9, 2018 Department of Conservation and Recreation Letter
- C. Plan Amendment Nomination
- D. CIT Divaris Marketing Brochure

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

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

Re: Center for Innovative Technology

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.

According to the information currently in our files, the Sugarland Run Stream Conservation Unit (SCU) is located downstream from the project site. SCUs identify stream reaches that contain aquatic natural heritage resources, including 2 miles upstream and 1 mile downstream of documented occurrences, and all tributaries within this reach. Stream Conservation Units are given a biodiversity significance ranking based on the rarity, quality, and number of element occurrences they contain. The Sugarland Run SCU has been given a biodiversity ranking of B4, which represents a site of moderate biodiversity. The natural heritage resources associated with this site are:

<i>Glyptemys insculpta</i>	Wood Turtle	G3/S2/NL/LT
	Aquatic Natural Community (NP-Middle Potomac-Catoctin First Order Stream)	G3G4/S3S4/NL/NL

The Wood turtle ranges from southeastern Canada, south to the Great Lake states and New England. In Virginia, it is known from northern counties within the Potomac River drainage (NatureServe, 2009). The Wood turtle inhabits areas with clear streams with adjacent forested floodplains and nearby fields, wet meadows, and farmlands (Buhlmann et al., 2008; Mitchell, 1994). Since this species overwinters on the bottoms of creeks and streams, a primary habitat requirement is the presence of water (Mitchell, 1994).

Threats to the wood turtle include habitat fragmentation, urbanization, and automobile or farm machinery mortality (Buhlmann et al., 2008). Please note that the Wood turtle is currently classified as threatened by the Virginia Department of Game and Inland Fisheries (VDGIF).

The documented Aquatic Natural Community is based on Virginia Commonwealth University's INSTAR (*Interactive Stream Assessment Resource*) database which includes over 2,000 aquatic (stream and river) collections statewide for fish and macroinvertebrate. These data represent fish and macroinvertebrate assemblages, instream habitat, and stream health assessments. The associated Aquatic Natural Community is significant on multiple levels. First, this stream is a grade B, per the VCU-Center for Environmental Sciences (CES), indicating its relative regional significance, considering its aquatic community composition and the

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Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*

present-day conditions of other streams in the region. This stream reach also holds a “Healthy” stream designation per the INSTAR Virtual Stream Assessment (VSS) score. This score assesses the similarity of this stream to ideal stream conditions of biology and habitat for this region. Lastly, this stream contributes to high Biological Integrity at the watershed level (6th order) based on number of native/non-native, pollution-tolerant/intolerant and rare, threatened or endangered fish and macroinvertebrate species present.

Threats to the significant Aquatic Natural Community and the surrounding watershed include water quality degradation related to point and non-point pollution, water withdrawal and introduction of non-native species.

DCR recommends that for any future land disturbing activities, project plans be submitted to DCR for review of potential impacts to natural heritage resources. Due to the legal status of the Wood turtle, DCR also recommends coordination with Virginia's regulatory authority for the management and protection of this species, the VDGIF, to ensure compliance with the Virginia Endangered Species Act (VA ST §§ 29.1-563 – 570).

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,



Alli Baird, LA, ASLA
Coastal Zone Locality Liaison

CC: Amy Ewing, VDGIF

Literature Cited

Buhlmann, K. T. Tuberville, and W. Gibbons. 2008. *Turtles of the southeast*. University of Georgia Press. Athens, GA. 252 pp.

Mitchell, J. C. 1994. *Reptiles of Virginia*. Smithsonian Institution Press, Washington. pp. 88-91.

NatureServe. 2009. *NatureServe Explorer: An online encyclopedia of life* [web application]. Version 7.1. NatureServe, Arlington, Virginia. Available <http://www.natureserve.org/explorer>, (Accessed: April 8, 2010).

Justification for Plan Amendment - Innovation Center Transit Station Area

The applicant proposes that the 40 acres of contiguous undeveloped land radiating from the Innovation Center Transit Station (Land Units L-1, L-2 and L-3) be reconsidered as a single unit. The justification for this amendment is based on three significant changes in circumstance. First, Land Unit L-1 has for years has been the home of the Center for Innovative Technology, but is now surplus property for sale by the Commonwealth of Virginia. Second Metro is now a reality rather than a plan. Finally the land has been identified and offered as an opportunity zone for a major corporate user with the support of Fairfax County, Loudoun County, and the Commonwealth.

Land units L-1, L-2 and L-3 together represent essentially all of the undeveloped land on the north side of the Innovation Center Station within Fairfax County and one of the best economic opportunities for attracting a major user. This status should be reflected in the Comprehensive Plan as either a primary plan or as an available option.

During the previous comprehensive planning process the Center for Innovative Technology became tangled with their neighbors over important planning issues which also led to a joint planning task force involving Fairfax County, Loudoun County and the town of Herndon. While the process led to some significant plan improvements, including the relocation of the station access point, relocation of a bridge crossing the Dulles Access Road, implementation of a street grid and a new alignment of Innovation Avenue, the pressures to complete the process left several important opportunities and considerations unresolved or resolved in a sub-optimal fashion. At the time the larger consolidated parcel owners were preoccupied with specific short term plans. Since then no building development has moved forward, but infrastructure has been put in place. All of the Land owners in this Fairfax County proposal are also significant owners of adjoining land in Loudoun County, and now have an obvious reason to work jointly.

Now the opportunity exists to plan again with fewer competing forces. The bridge and Metro access issues are now resolved, and the CIT is no longer a factor. Innovation Avenue has been relocated. Starting with a recognition that the developable land is essentially a wedge with the transit entry at the apex, the most efficient plan would align the primary access through the middle of the wedge with buildings along both sides. This general approach is still possible and could better integrate Land Bays L-2 and L3 and connect more efficiently with the adjoining Loudoun parcels. A quick aerial review of the site area makes it clear that the most desirable development scenario include all of the parcels in this proposal as well as the adjacent areas in Loudoun County.

The proposal is consistent with essentially every major objective of the plan, but requires strong cooperation between the two counties. The Fairfax County has no vehicular access to the proposal area without using Loudoun County roads, and conversely the Loudoun land has no Metro access but through Fairfax.

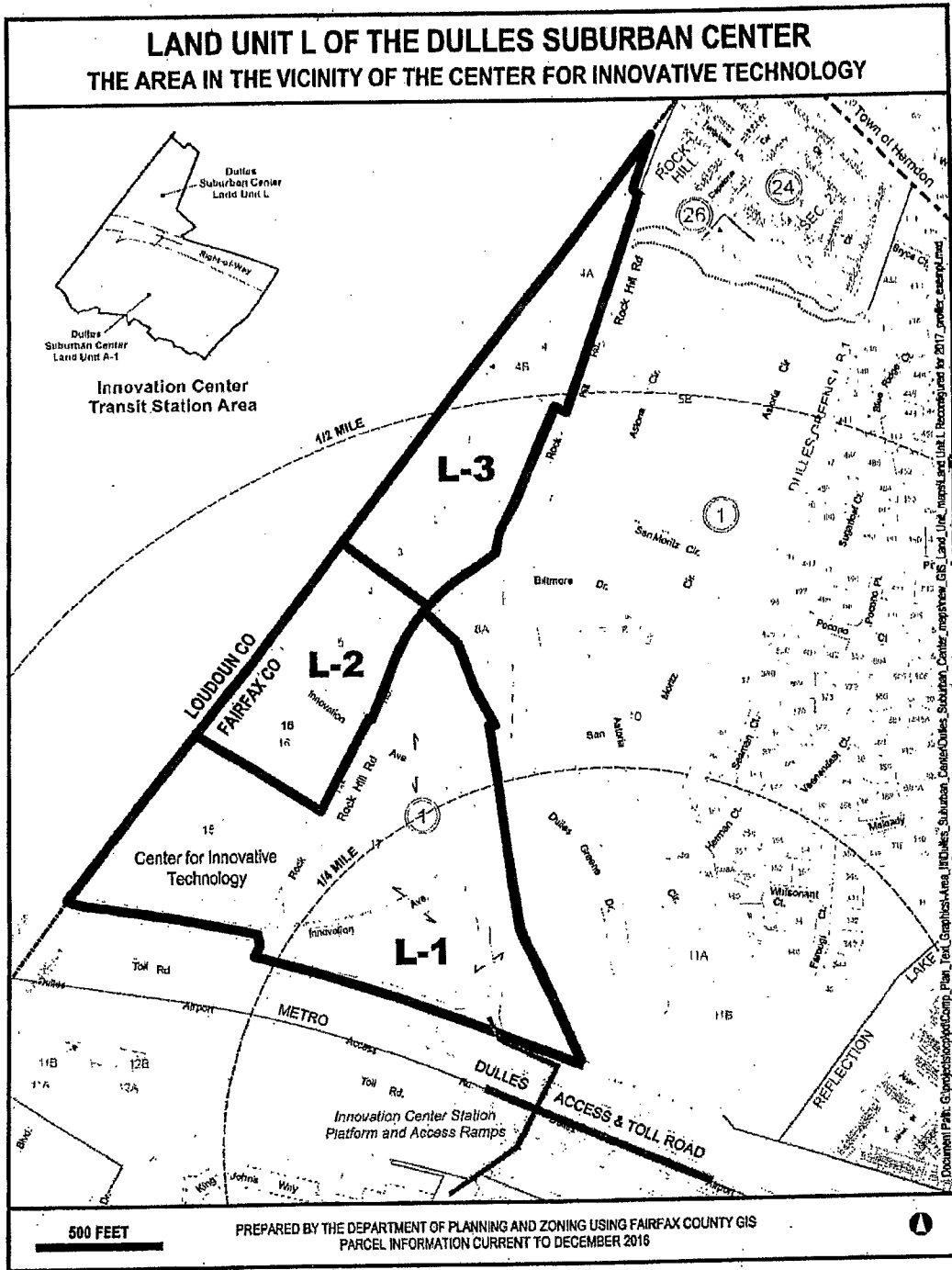


FIGURE 41



FOR SALE
CIT OFFICE COMPLEX
& ADDITIONAL LAND PARCELS

2205 - 2214 Rock Hill Road, Herndon, VA 20170

Property Overview



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

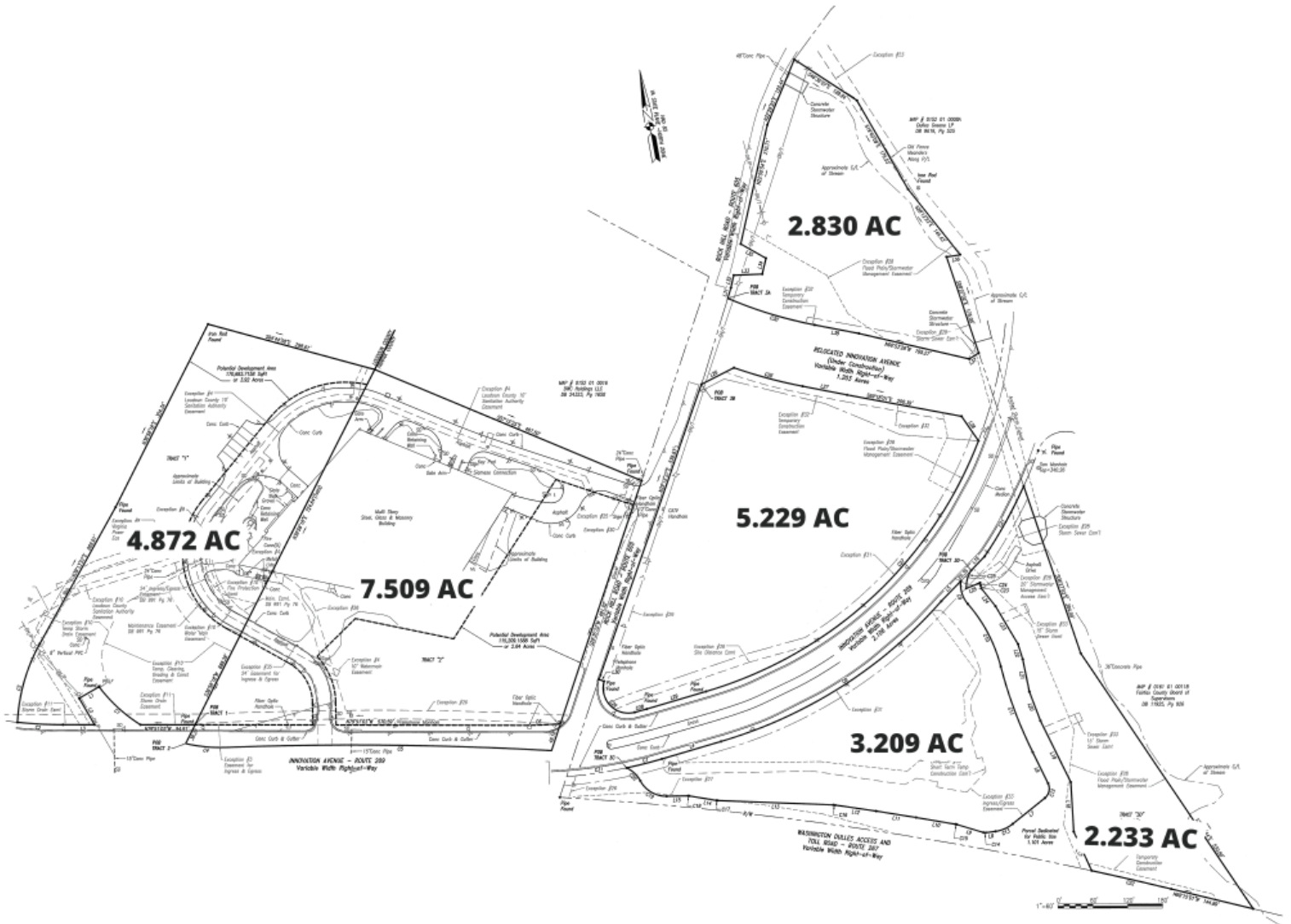


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Site Survey

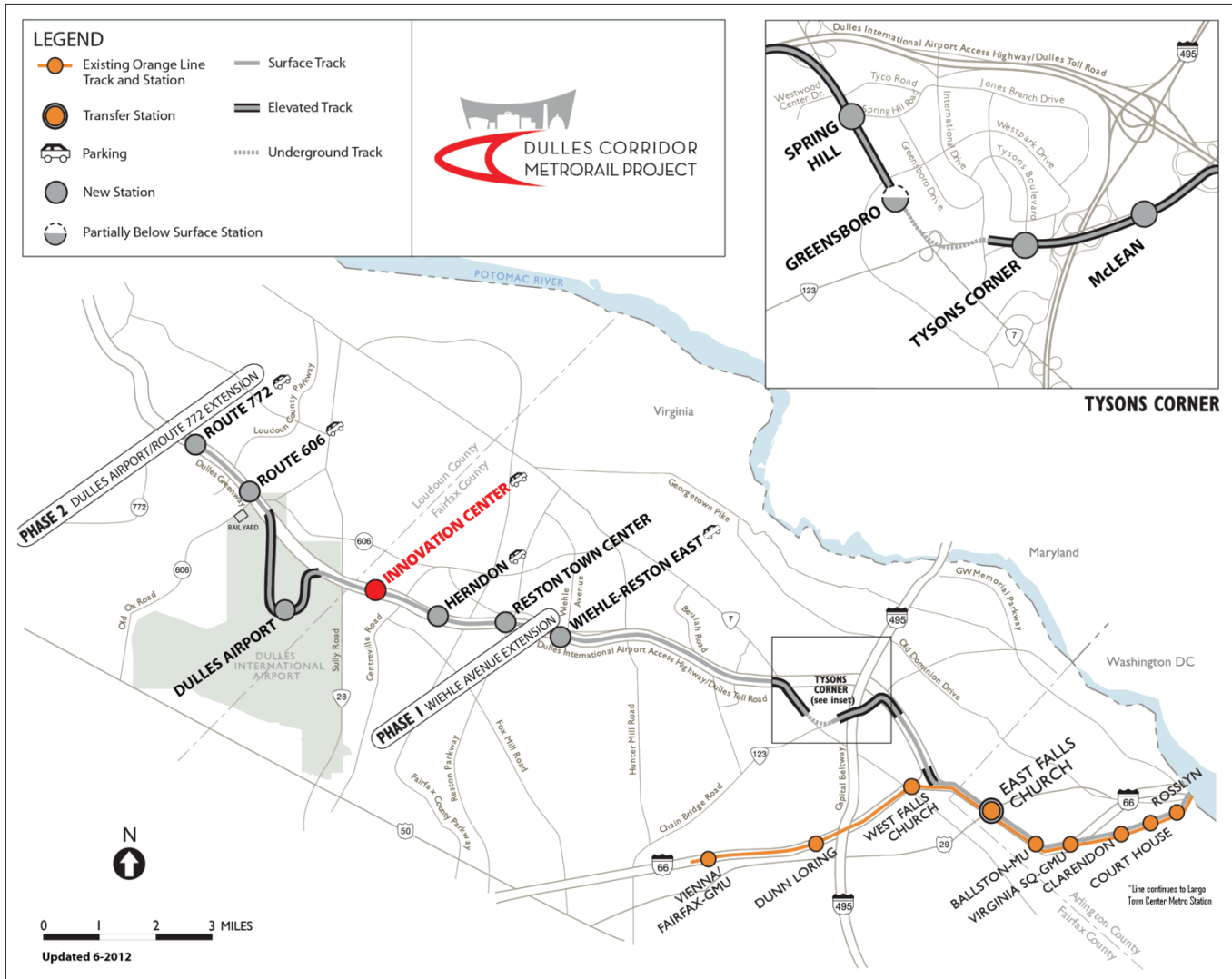


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Dulles Corridor Metrorail Project



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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