



DEPARTMENT  
OF GENERAL  
SERVICES

CENTER FOR  
INNOVATIVE  
TECHNOLOGY  
DISPOSITION

Quarterly Report  
January 1, 2019



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## Introduction

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

## Leased Occupancy

DGS worked with the Office of the Attorney General (OAG) to execute lease amendments and termination notices for tenants in both the Midrise and Tower Buildings, confirming their expiration dates were on or before December 31, 2018. Effective December 31, 2018, only two tenant leases currently extend past December 31, 2018.

The first tenant is a technology council, whose lease expires in 2022. They have requested a reduction in rent, space and lease term to June 30, 2020. Pursuant to their current lease, CIT is required to provide "an on-site, staffed food service (e.g., a restaurant or a cafeteria)." In early May, CIT informed DGS that its on-site cafeteria was terminating its lease effective May 30, 2018. On May 24, 2018, DGS notified the technology council tenant by email that DGS would agree to their requested terms. This would be subject to the amended lease terminating effective December 31, 2018, with an opportunity to extend month-to-month, if the property has not sold. DGS also informed the technology council tenant that the on-site cafeteria was terminating its lease, effective May 30, 2018. The technology council tenant did not respond to DGS until July 5, 2018. DGS received a letter from the technology council tenant's attorney requesting that the Landlord restore the café as soon as possible. On August 31, 2018, DGS received another request from the technology council tenant requesting free rent and a lease term reduction to December 31, 2018; however, their request also included month-to-month and notice provisions effectively extending the lease well beyond December 31, 2018. On September 20, 2018, DGS notified the technology council tenant that lease termination effective December 31, 2018 was acceptable; however, their proposed free rent, month-to-month and notice provisions effectively extending the lease well beyond December 31, 2018 were not acceptable terms. On September 21, 2018, the technology council tenant notified DGS that they were withdrawing their request for an amendment and would continue with their current lease term to June 30, 2022.

The second tenant, whose lease extends past December 31, 2018, has two (2) three-year tenant extension options that will extend the current term ending July 31, 2019 to July 31, 2025. The tenant's premises includes a Sensitive Compartmented Information Facility (SCIF). The tenant confirmed its intent to exercise both options at the end of its current lease term.

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DGS, working with the OAG, has prepared a lease for CIT consideration. The lease addresses CIT's current occupancy and future occupancy, if CIT is still in the complex at the time of the sale. The OAG informed DGS that CIT will need to seek guidance from its own counsel regarding clarifying the relationship between CIT and IEIA within the lease.

Effective January 1, 2019, tenants in the CIT complex, with the exception of three, will have vacated significantly reducing revenue needed for maintenance and operation and other facility expenses. DPB has informed CIT and DGS that CIT will need to utilize its building reserve fund and its existing maintenance reserve authorization to address the budget deficit through Fiscal Year 2020. If necessary, CIT could request additional funding in a future budget cycle.

### **Metro Rail Station**

The Fairfax Water Authority contacted DGS requesting utility easements on the property to accommodate a new water main crossing beneath the Dulles Toll Road, between Route 28 and the Innovation Center Metro Station. This project is driven by potential development and the need to provide additional reliability and redundancy to existing water customers in the area, including Loudoun County and the Town of Herndon. DGS has requested that the authority avoid encumbering CIT properties with any new easements. DGS recommended placing the water main within the right-of-way of Innovation Avenue, providing a stub for future service improvements to the CIT properties, and to the extent necessary, within the Innovation Center Metro Station properties to serve the station.

In December 2018, a letter from Fairfax County was received requesting a public dedication for a sidewalk and lighting along Innovation Avenue for access to the Metro Rail Station. The public dedication and electrical easement are currently under review with DGS.

### **Rock Hill Road Realignment**

In January 2017, Fairfax County requested property from 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. A section of Rock Hill Road (8,654 square feet) will be abandoned by Fairfax County in the future. DGS is requesting that 8,654 square feet be conveyed, as consideration, to IEIA for the new section of IEIA property (9,592 square feet) needed for the realignment. This Deed of Dedication and Easement has been recorded and the road realignment is near completion. Once the road realignment is completed, then the abandonment process will begin for the abandonment of the 8,654 square feet to be returned back to IEIA.

### **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 beneficiaries listed by the title company. Fairfax County, one of

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the beneficiaries identified by the title company, has agreed to release and terminate the restrictive covenant. The release and termination agreement with Fairfax County has been approved and executed by the Governor and has been put to record. The OAG and outside counsel will then contact the remaining beneficiaries to obtain their release of the restrictive covenant.

### **Fairfax County**

The 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 Fairfax County Board of Supervisors adopted this amendment on December 4, 2018. Fairfax County has been provided access to the property to perform survey work, an environmental site assessment, and wetlands delineation studies, at their sole expense, to assist the County in its comprehensive plan review process.

DGS obtained an updated valuation of the property to reflect the higher density that would be permitted under Fairfax County's revised comprehensive plan and zoning. The valuation addendum indicated that the higher density would have a significant impact to the value of the property. DGS is setting up a meeting to discuss Fairfax's comprehensive plan amendment and inviting Loudon County to the meeting to discuss the how the plan amendment would impact the development of the CIT Complex as it resides in both Counties.

### **Divaris Marketing Update**

Divaris continues to list the property on their website and respond to calls. They have received over 55 calls to date expressing interest in the property and have provided over 15 groups tours of the property. A call for offers was delayed pending the outcome of development opportunities being pursued by the Virginia Economic Development Partnership. As of January 1, 2019, Divaris was authorized to reactivate the marking of the project. The marketing brochure is being updated as well as the marketing plan and timeline.