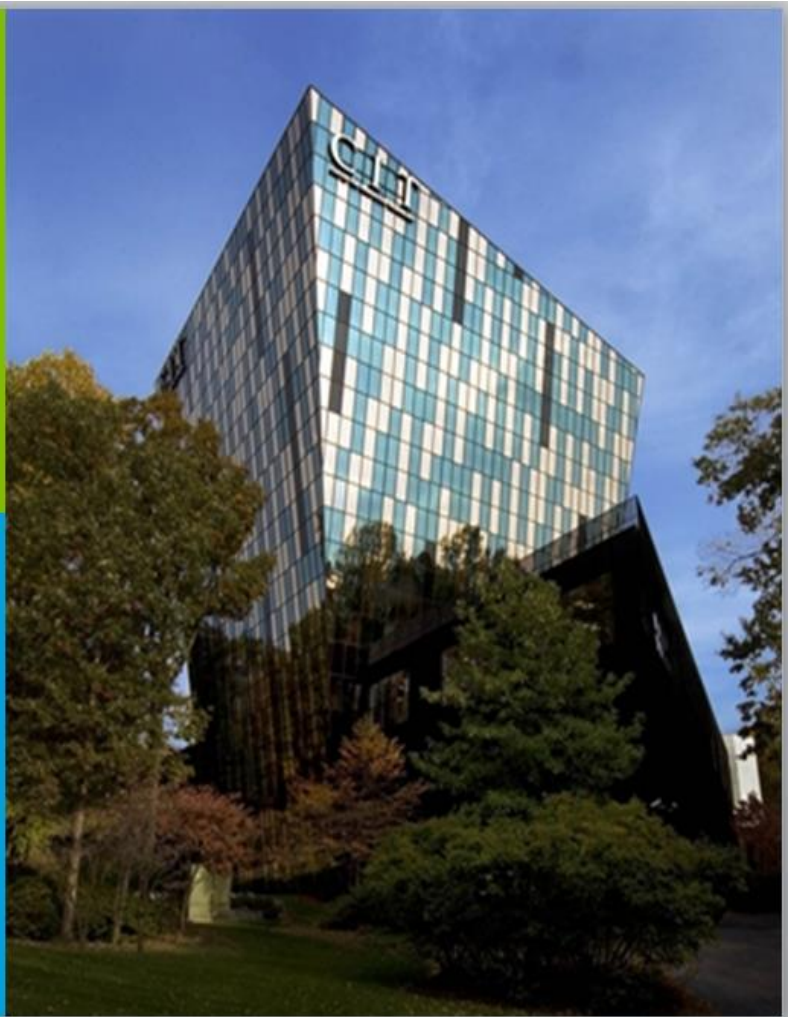




DEPARTMENT
OF GENERAL
SERVICES

CENTER FOR
INNOVATIVE
TECHNOLOGY
DISPOSITION

Quarterly Report
October 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 July 1, 2019, 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 Attorney General (OAG) to execute lease amendments and termination notices for tenants in both the CIT Midrise and Tower Buildings, confirming their expiration dates were on or before December 31, 2018. Only four occupants remain in the building.

The first tenant is the Northern Virginia Technology Council, whose lease expires on June 30, 2022.

The second tenant has one (1) three-year tenant extension option remaining that will extend the current term ending July 31, 2022 to July 31, 2025. The tenant's premises includes a Sensitive Compartmented Information Facility (SCIF). The tenant confirmed its intent to exercise the remaining option at the end of its current lease term.

DGS worked with the OAG and prepared a lease for CIT's consideration. The lease addresses CIT's current occupancy and future occupancy, if CIT is still in the complex at the time of the property 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.

Verizon's lease at CIT terminated on December 31, 2018; however, Verizon has maintained month-to-month tenancy. Verizon notified CIT and DGS that their equipment in the cellar of the Midrise building provides phone service for the occupants of the building as well as some surrounding customers; and, it is not possible at this point to remove the equipment. Verizon informed DGS that it would take approximately two (2) years to relocate their equipment. Verizon has proposed a 5-year lease with two (2) 5-year renewal options with a termination right for a future buyer only and exercising the termination right would require 2 years' notice. DGS has informed Verizon that disposal of the property is moving forward, and that CIT cannot enter into long-term commitments. Further, DGS has informed Verizon that CIT/DGS will likely not have rights and control of the building beyond 2020; and, Verizon may negotiate occupancy terms with the new owner of the building thereafter.

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With only four remaining occupants, the vacancy has significantly reduced 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, DGS received a letter from Fairfax County requesting a public dedication for a sidewalk and lighting along Innovation Avenue for access to the Metro Rail Station. The parties are executing the public dedication and electrical easement are currently under review with the Office of the Attorney General. Fairfax County obtained an appraisal determining the value of the land for both the dedication and the electrical easement for which DGS agrees.

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 Deed of Dedication and Easement was recorded and the road realignment is now complete, the vacation for the 8,654 square feet of the previous Rock Hill Road to be returned back to IEIA for consideration of the portion of the existing IEIA property that was conveyed for the road improvements is progressing well and is expected to be reviewed by the Fairfax County Board of Supervisors at their November 2019 meeting.

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. Fairfax County, one of 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 has contacted counsel representing the remaining possible beneficiaries to obtain their release of the restrictive covenant and has asked DGS to assist with contacting the landowners.

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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>

Fairfax County Board of Supervisors adopted this amendment on December 4, 2018. Access to the property was granted to Fairfax County 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. Copies of the reports have been received.

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 has met to discuss Fairfax's comprehensive plan amendment and including Loudoun County to discuss how the plan amendment would affect the development of the CIT property as it resides in both Counties. Both Counties have expressed a willingness to work together as to potential development opportunities.

Divaris Marketing Update

As of January 1, 2019, Divaris was authorized to reactivate the marketing of the property. The marketing materials were updated (with input from both Fairfax and Loudoun Counties) and the initial marketing blast was issued on March 11, 2019. A Call for Offers was issued on June 3, 2019 with offers due by July 22, 2019. Fourteen (14) proposals from thirteen (13) offerors were received. One proposal was rescinded leaving 13 proposals from 12 offerors. The Divaris team conducted interviews with all proposers on September 9th through the 11th and September 19th. Results of the interviews were presented to DGS on September 20th. Divaris is scheduled to issue a Call for Best and Final to all 13 offerors, expected to occur during the week of October 7th. The remaining schedule is anticipated to be:

- | | | |
|----------------|--|----------------------------|
| I. | Call for "Best and Final" Offers | Week of October 7th |
| | A. Issue "BEST AND FINAL CALL FOR OFFERS" | |
| | B. Answer questions from Offerors | |
|
II. |
"Best and Final" Offers Due |
11/15/19 |
| | A. Evaluate Final offers submitted | |
| | B. Confirm details of offers and obtain answers to any unclear items | |
| | C. Develop spreadsheet for presentation to DGS | |
| | D. Present findings to DGS | 11/25/19 |