

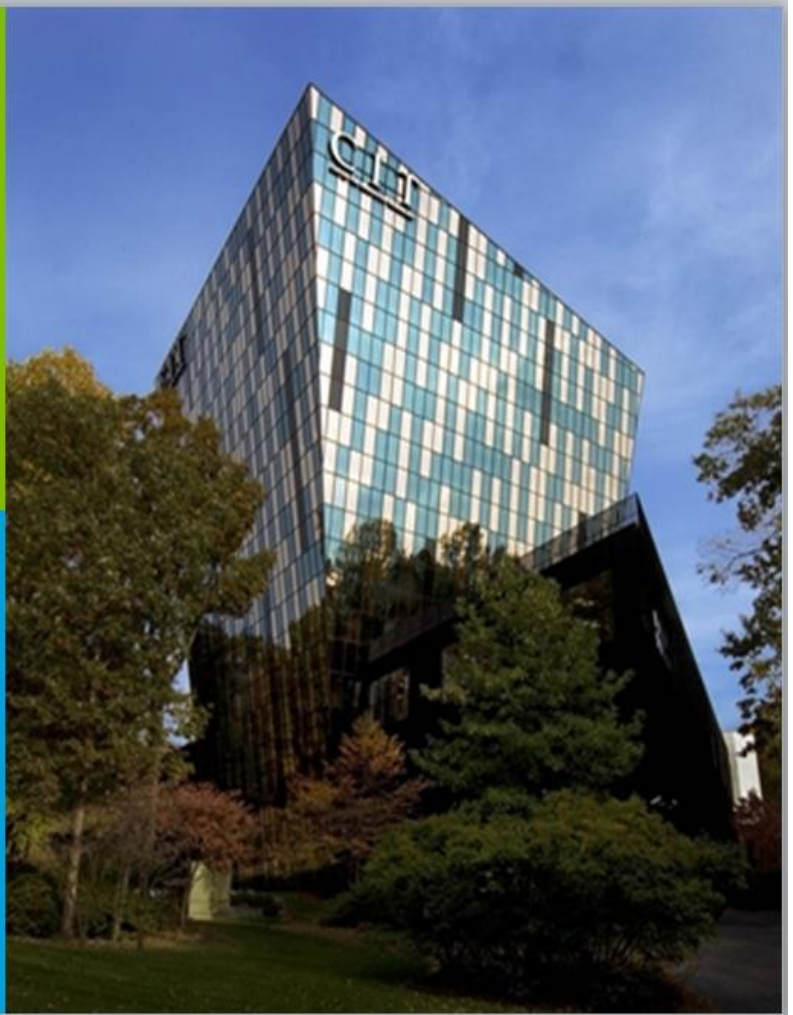


DEPARTMENT OF
GENERAL SERVICES

DEPARTMENT
OF GENERAL
SERVICES

CENTER FOR
INNOVATIVE
TECHNOLOGY
DISPOSITION

Quarterly Report
April 1, 2020



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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 January 2, 2020, to the Chairmen of the House Appropriations and Senate Finance Committees and to the Governor. The report provides an update on DGS' progress identifying, selecting, and proceeding with a disposal options for 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 several 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, Honeywell, 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 lease expires on March 31, 2021, and includes a license for alternative space at the property, upon lease termination, for an extended term of twenty (20) years with automatic annual renewals thereafter. The lease has been fully executed. 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 quickly. 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 two (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

April 1, 2020

not have rights and control of the building beyond 2020 and Verizon may negotiate occupancy terms with the new owner of the building thereafter.

Except for Verizon, which is operating on a month-to-month basis, DGS is currently working with the remaining tenants to obtain tenant estoppels as part of the property disposition.

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. As part of the transfer of the property, DGS and CIT are also working with the property's service contractors to cancel the building's service agreements effective as of the anticipated closing date.

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 public dedication of the sidewalk was recorded on November 9, 2019. Fairfax County decided not to proceed with the electrical easement for the sidewalk lighting at this time.

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. The Fairfax County Board of Supervisors reviewed and approved the vacation at their November 2019 meeting. Since the thirty day objection period has concluded, the deeds of vacation were put to record on December 23, 2019.

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, a restrictive covenant was identified by the title company, which the involved parties are continuing to discuss and address. Fairfax County, one of the

April 1, 2020

beneficiaries identified by the title company, has agreed to release and terminate any interest it may have in the restrictive covenant and such release and termination agreement with Fairfax

County has been approved and executed by the Governor and has been put to record. The OAG, DGS, and purchaser have discussed the title encumbrance and are developing a plan for such encumbrance satisfactory to purchaser and seller as part of the disposition of the property.

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 (1) proposal was rescinded leaving thirteen (13) proposals from twelve (12) offerors.

The Divaris team conducted interviews with all proposers September 9 - 11, 2019 and on September 19, 2019. Results of the interviews were presented to DGS on September 20, 2019.

On October 16, 2019, Divaris issued a Call for Best and Final Offer to all 12 offerors, with a due date of November 15, 2019. Twelve (12) proposals were received from ten (10) offerors. Results of the Best and Final Offers were presented to DGS.

On November 27, 2019, DGS notified, and then began discussions, with a single offeror that provided the most favorable offer to the Commonwealth. On February 10, 2020, the Purchase and Sale agreement was executed by offeror and closing is anticipated to occur by mid-May.