



# City of Alexandria

City Council Chambers at  
Del Pepper Community  
Resource Center  
4850 Mark Center Drive  
Alexandria, VA 22311

## Legislation Text

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** JUNE 22, 2018

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER

**DOCKET TITLE:**

Consideration of a Contingent Contract to Sell City-Owned Property at 912, 916, 920 King Street and 116 South Henry Street.

**ISSUE:** Consideration of a contract to sell City-owned property located at 912, 916, 920 King Street and 116 South Henry Street.

**RECOMMENDATIONS:** That City Council authorize the City Manager to enter into a contract with Galena Capital Partners to sell the City-owned surplus properties located at 912, 916, 920 King Street and 116 South Henry Street for \$5,300,000 contingent upon:

- a) Approval of a Development Special Use Permit (DSUP) and any needed related land use approvals for this project by the Planning Commission, the Board of Architectural Review, and City Council; and
- b) Approval of the sale by the Planning Commission per Section 9.06 of the City Code to confirm adherence to the City's Master Plan and City Council approval per Section 2.03(g) of the City Charter and Section 15.2-2100 of the Virginia State Code.

**BACKGROUND:** On September 27, 2016, City Council authorized the City Manager to issue a Request for Proposals (RFP) for the disposition, sale and redevelopment of City-owned property at 912, 916, 920 King Street, 116 S. Henry Street and 120, 122 and 122 ½ N. Patrick Street for no less than 90 days to include a provision that proposals shall not result in a net loss of total off-street parking spaces compared to the existing conditions (85 parking spaces) following the process detailed in the City's Real Estate Disposition Policy with the option of issuing a separate solicitation for the sale and redevelopment of 120, 122 and 122 ½ N. Patrick Street. Following four weeks of community engagement, the City issued an RFP for the disposition, sale and redevelopment of City-owned surplus property at 912, 916, 920 King Street and 116 South Henry Street on April 3, 2017. Staff plans to develop and issue a separate RFP for the sale and redevelopment of 120, 122 and 122 ½ N. Patrick Street as the RFP for those properties will likely attract a larger pool of developers interested

in providing infill townhomes.

The RFP for the disposition, sale and redevelopment of City-owned surplus property at 912, 916, 920 King Street and 116 South Henry Street closed on July 24, 2017 with the City receiving three (3) proposals.

Following the receipt of the responses to the RFP, the City of Alexandria interdepartmental Real Estate Committee was convened to evaluate and score these proposals and make a recommendation to the City Manager. The senior level managers that make up the Real Estate Committee provide expertise in the areas of facility management and construction, construction financing, planning and zoning, architecture, economic development, affordable housing, public parking and the local real estate market. Jones, Lang LaSalle (JLL) served as the City's consultant and advisor for the development and issuance of the RFP, as well as the evaluation of the proposals received and future negotiations with the awardee.

During the Committee's review process one of the three respondents withdrew their proposal leaving two proposals for the Committee to evaluate and score.

**DISCUSSION:** As outlined in the RFP, the goals of this sale and redevelopment included the preservation of the historic identity of the area; the need for additional public parking in this area of King Street (minimum of 85 spaces); economic development; and consistency with the City's Old Town Master Plan.

The two (2) remaining proposals/offers were ranked by the Real Estate Committee. Both proposals included a phased approach to the sale and construction of the sites per the requirements of the RFP to maximize the number of available parking spaces throughout the construction period. However, the proposal from Galena Capital Partners provided the highest offer; provided the highest amount of public parking; the greatest mix of residential units; and included affordable housing. Based on those elements, the Committee ranked the Galena proposal as the highest and best offer.

The **Galena Capital Partners** proposal includes a base *offer price of \$5,300,000*, provides for approximately fifty-two (52) multi-family units of varying scale serving many market segments; approximately 150 parking spaces; and approximately 10,000-15,000 square feet of ground level retail across the two sites:

- **116 S. Henry Street** - This site will include an automated parking garage of approximately 142 above ground parking spaces and approximately six (6) surface parking spaces. The site will also include two street level retail bays of approximately 3,500 square feet between them and at least 22 residential units over the three floors above the parking garage ranging from 400 to 900 square feet each.
- **912-920 King Street** - This site will include ground floor retail with space to accommodate one trophy retail tenant, with an estimated 6,700 square feet and additional space available through either a below ground or mezzanine expansion. The site will also include up to 30 dwelling units above of varying sizes. The site will include pocket parks and urban greenery to serve the residents and visitors.
- **Affordable Housing** - The offeror will pay the affordable housing contribution rate above the purchase price. The affordable contribution is estimated at \$182,000 based on the preliminary design concept.

- **Parking** - The proposal provides for the replacement of all 85 parking spaces across the three City-owned sites as required by the RFP while also providing at least one space for each of the 52 residential units proposed at 116 S. Henry and 912-920 King Street with 11 parking spaces to spare. The proposer envisions that not every household will own a vehicle, which may result in approximately 30 spaces for public use above and beyond the 85 parking spaces being replaced.

To establish the value of the City-owned parcels prior to entering into any negotiations for the sale of the properties, the City retained the services of an independent appraiser. The independent appraiser provided both a Market Value Appraisal of the combined 912-920 King Street parcels; the parcel at 116 S. Henry Street; and a hypothetical Land Value based on the highest rated proposal as analyzed and rated by the Real Estate Committee.

### **Independent Appraisal**

The independent appraiser, established the adjusted market value as \$5,300,000, or \$80.00/SF-FAR assuming 66,266/SF is delivered (total, all parcels).

**RECOMMENDATION:** In evaluating and scoring the proposals, the Committee looked at the highest and best use for these sites including giving additional consideration to proposals that exceed the required 85 parking space minimum. Additionally, the developer had to follow a phasing strategy which maintains the maximum number of available parking spaces throughout the construction period by delivering parking at the Henry Street site first prior to the King Street site proceeding. The Committee considered how well the design concepts fit into the historic identity of the area, contribution to affordable housing as well as sustainable design principles consistent with City's green building standards. The Committee also considered the market value of the parcels as established by an independent appraiser.

Based on these considerations, the offer prices received and the best and final offer received following receipt of the independent appraisal, the Committee unanimously recommended that the City pursue award of a sales contract to Galena Capital Partners based on their best and final offer of \$5,300,000 for the subject City-owned properties. The Galena proposal provides the highest offer; provides the highest amount of public parking through an automated parking solution; the greatest mix of residential units; and includes an affordable housing contribution of \$182,000 above the purchase price.

Staff determined that the uniqueness of the offering including the size and configuration of the parcels and the requirement to retain 85 parking spaces were the primary factors that determined the value of the offers received in response to the RFP. While the highest rated proposal from Galena Capital Partners is less than the market value established by the independent appraiser, Galena did offer the highest purchase price and provided the City with the best value including use of an automated parking solution that resulted in Galena not only meeting and exceeding the parking requirement but also making the best use of the available land to include retail and residential.

Upon entering into a sales contract, the purchaser will be required to make a deposit of ten percent (10%) of the purchase price for the Property. The City will apply this deposit toward the purchase of the properties. The contract will include a future purchase option by the City for the proposed parking garage. The sale of the properties would be contingent upon:

- a) approval of a Development Special Use Permit (DSUP) and any needed related land use approvals for this project by the Planning Commission, the Board of Architectural Review, and City Council, and

- b) approval of the sale by the Planning Commission per Section 9.06 of the City Code to confirm adherence to the City's Master Plan and Development Special Use Permit (DSUP) approval. Closing would only occur after DSUP approval by City Council. If a DSUP is not approved there would be no sale of those properties to Galena.

With City Council approval, the City Manager will enter into a contract with Galena Capital Partners for the sale of 912, 916, 920 King Street and 116 S. Henry Street, in the amount of \$5,300,000 contingent upon approval of the sale by the Planning Commission per Section 9.06 of the City Code to confirm adherence to the City's Master Plan and City Council approval per Section 2.03(g) of the City Charter and Section 15.2-2100 of the Virginia State Code.

While there has been prior community engagement on the development of these properties, there would be additional community engagement and input sought, as well as public hearings.

**FISCAL IMPACT:** The annual real property tax revenue is estimated at \$340,000 for all subject properties. The net proceeds after transaction and closing costs are anticipated to be \$5,088,000. Per the adopted City Real Estate Disposition Policy, proceeds will be designated as a source of funds in the City's Capital Improvement Program.

**ATTACHMENT:** Galena Capital Partners Proposal Renderings (site plans and elevations)

**STAFF:**

Laura Triggs, Deputy City Manager

Jeremy McPike, Director, Department of General Services

Alfred Coleman, Deputy Director, Department of General Services

Kendel Taylor, Director, Department of Finance

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Al Cox, Historic Preservation Manager, Office of Planning and Zoning

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Katye North, Principal Planner, Transportation & Environmental Services

Stephanie Landrum, President and CEO, Alexandria Economic Development Partnership