



**Capital Program, Planning and Real Estate Committee**

**Item III - B**

**December 1, 2016**

**Metro's Office Space Needs**

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201822

Resolution:  
 Yes  No

**TITLE:**

Metro Office Space Needs

**PRESENTATION SUMMARY:**

Describes the process Metro is following to comprehensively assess and determine future office space needs, costs and location options. Currently, Metro occupies 912,275 square feet across the region, which could be reduced and consolidated.

Metro's office space goals are (1) achieve lower annual operating costs, (2) be financially favorable to Metro, (3) improve intra-departmental communication and efficiency, and (4) improve employee safety and workplace satisfaction.

**PURPOSE:**

The purpose of this presentation is to inform and seek Board guidance on management's office space consolidation objectives and strategy and planning process, including steps for Board involvement and approvals.

**DESCRIPTION:**

**Key Highlights:**

Metro houses approximately 3,000 employees and consultants in seven separate office locations, three of which are leased and four of which are owned by Metro. The largest facility is JGB, which major building systems must be replaced in the near future, as they are at the end of their useful lives. In addition to anticipated JGB capital repairs, Metro spends approximately \$3 million per year to lease office space.

Given the imminent need to decide whether or not to renovate the JGB as well as the desire to reduce or eliminate lease expenses, Metro is evaluating all of its office space requirements to determine (1) the amount of future office space needed, (2) how departments could be reorganized to achieve greater communication and efficiency, and (3) the most cost-effective solutions. Metro will determine which office space strategies make the most sense and recommend whether to renovate the JGB or sell it and relocate to one or more other locations.

## **Background and History:**

Office space analyses done to date for Metro have focused on the JGB. The first JGB valuation study was completed in 2002. In 2006, the District of Columbia proposed that Metro's headquarters be relocated near the Anacostia Metrorail Station, a proposal that did not advance. From 2012-2016, various building conditions and workplace needs analyses were done. The scopes extended beyond the JGB and included office needs at the Carmen Turner Facility and others. Most recently, in January 2016, McKinsey Consulting recommended that Metro evaluate selling the JGB and using the proceeds to relocate its headquarters.

## **Discussion:**

The scope of the current office consolidation study is proposed to be comprehensive and designed to drive a decision about what to do with Metro's office spaces going forward. The seven office locations that will be evaluated are: (1) the JGB, (2) the office component of the Carmen Turner Facility, (3) Professional Place, (4) L'Enfant Plaza, (5) Belcrest Road, (6) Greenbelt, and (7) Telegraph Road. These locations have a total of 912,275 square feet and house approximately 3,000 employees and consultants. Three of these locations are being leased by Metro.

The proposed goals for creating a long-term office space strategy are:

- Achieve lower annual operating costs
- Be financially favorable to Metro
- Improve intra-departmental communication and efficiency
- Improve employee safety and workplace satisfaction

Some of the underlying principles of the project are:

- Metro prefers to own rather than lease office space
- Metro's office functions can be de-centralized across 2-3 different locations, organized by functions among departments
- Metro's office buildings should be located within 1,500 feet of a Metrorail station (approximately 86% of employees at JGB commute to work by Metrorail)
- JGB's data center and back-up operations control center will need to move in parallel to a move in ready office space
- The project will apply Metro's Workplace Strategy Guide, which was published in 2015.

Metro's strategy for evaluating its office needs should include the following elements to support a recommendation and decision:

- Rezoning potential for JGB site
- Historic preservation determination for JGB
- Internal and external communication
- Office space programming for all departments
- Cost-benefit analyses of: (1) stay or (2) go
- Disposition and acquisition strategy
- Funding and financing strategy

**FUNDING IMPACT:**

For information only.	
Project Manager:	Nina Albert
Project Department/Office:	CFO/LAND

**TIMELINE:**

<b>Previous Actions</b>	2006 - Presentation by District of Columbia to relocate Metro headquarters to Anacostia Metrorail Station  2016 - McKinsey Consulting recommendation to evaluate possibility of selling JGB
<b>Anticipated actions after presentation</b>	Fall 2017 - Complete due diligence and present recommendations for office space consolidation



Washington Metropolitan Area Transit Authority

# Evaluation of Metro's Office Space

Capital Program, Planning, and Real Estate Committee

December 1, 2016



# Purpose

- To inform and seek Board guidance on office space consolidation objectives and strategy



# Background

Year	Actions
2002	<ul style="list-style-type: none"><li>• JGB Valuation Study (Jones Lang LaSalle)</li></ul>
2006	<ul style="list-style-type: none"><li>• Presentation by DC to Board to relocate JGB to Anacostia</li></ul>
2008	<ul style="list-style-type: none"><li>• JGB Economic Analysis (Bolan Smart Associates)</li></ul>
2012-2014	<ul style="list-style-type: none"><li>• JGB Building Condition Report and Workplace Needs Analysis (Gannett Fleming-Parsons)</li></ul>
2016	<ul style="list-style-type: none"><li>• Recommendation to evaluate JGB sale (McKinsey)</li></ul>
2016	<ul style="list-style-type: none"><li>• JGB Valuation Study (Jones Lang LaSalle)</li></ul>



# McKinsey Recommendations

January 2016 – McKinsey recommends assessing sale of JGB, including:

- Evaluating current condition of JGB
- Determining alternatives: (1) hold or (2) sell
- If holding, determining how to fund renovation
- If selling, determining selling scenarios: (1) as-is sale or (2) land redevelopment sale
- Defining approach for disposition of JGB and acquisition of new space



# Evaluation Process and Milestones

## Program of Requirements

- Space requirements
- Departmental adjacencies
- Data center requirements
- Historic review
- Cost estimating



## Decisions

- Stay or move
- If move, relocation strategy
- Project and operating costs
- Funding and financing



## Execution

- Acquisition(s)
- Disposition
- Permitting
- Design
- Construction
- Move

A large, light red double-headed arrow pointing left and right, spanning the width of the diagram. The text 'Stakeholder Communication' is centered within the arrow.

Stakeholder Communication



# JGB Conditions Assessment

- JGB's building systems are at end of their useful lives:
  - Heating Ventilation and Air Conditioning (HVAC)
  - Plumbing
  - Electrical
  - Roof
  - Back-up Operating Control Center
- In addition, JGB does not have:
  - Automatic fire suppression system
  - ADA accessible restrooms (except on 1<sup>st</sup> Floor)
- These systems are costly and would be a major unfunded expense if they failed



# JGB Valuation Study, June 2016

- Zoned “Special Purpose-2”
- Limited reuse potential “as-is”
  - Deficient number of elevators
  - Low space utilization due to perimeter service areas
- Redevelopment constraints
  - Continuation of Red Line under site
  - Retainage of 3 rooftop Metro chillers, perimeter air shafts, and roof antennas

## JGB Valuation

“AS IS”

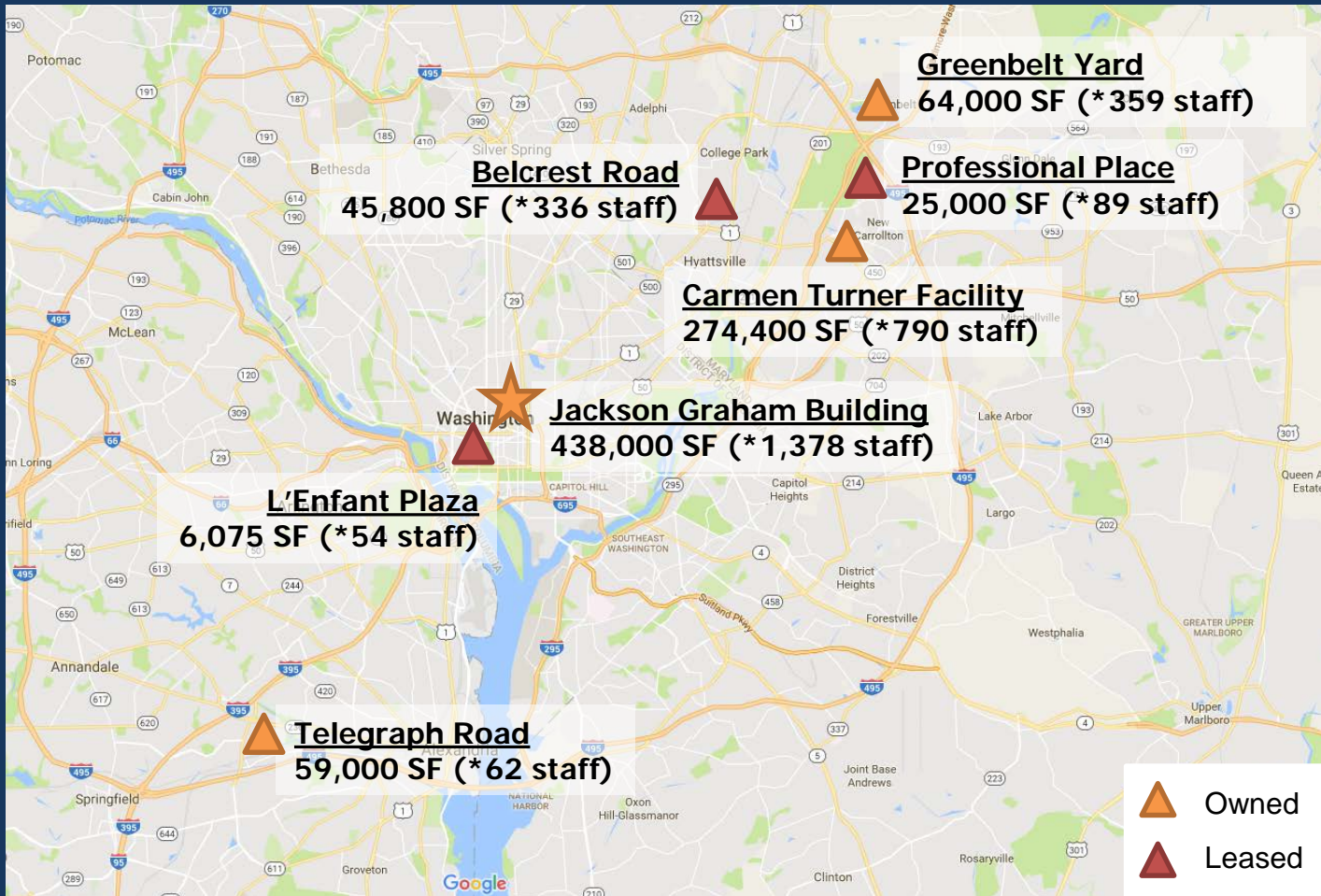
**\$56.2 million - \$80 million**

If rezoned and demolished

**\$68 million - \$132 million**



# Assessment of Office Space Needs



Total Office:  
912,275 SF

Total Staff:  
3,068\*

Annual Lease  
Costs:  
\$3 million

\*2016 Counts

NOTE: WMATA has administrative staff at 70 locations



# Opportunity to Improve Efficiencies

## Capital Program Delivery (185)

- JGB (36)
- CTF (2)
- Alexandria (39)
- Professional Place (84)
- 3421 Pennsy Drive (21)
- Greenbelt (3)

## Rail (304)

- JGB (13)
- CTF (138)
- Alexandria (69)
- Greenbelt (28)
- New Carrollton (17)
- Shady Grove (13)
- 5 locations (26)

## Human Resources (147)

- JGB (93)
- CTF (25)
- Telegraph Road (2)
- Medical Facility (27)

## Bus (186)

- JGB (73)
- CTF (49)
- Bladensburg (17)
- Four Mile (8)
- Northern (7)
- Shepard Parkway (10)
- Landover (22)



# Proposed Project Objectives

Create a long-term office space strategy that:

- Achieves lower annual operating costs
- Is financially favorable
- Improves intra-departmental communication and efficiency
- Improves employee safety and workplace satisfaction



# Proposed Project Principles

- Prefer to own rather than lease
- Metro's office functions do not need to be centralized
- Locate within 1,500 feet of Metrorail station
- Achieve Leadership in Energy & Environmental Design (LEED)-Silver rating
- Move JGB's data center and Operations Control Center if JGB is sold



# Proposed Evaluation Process

Strategy development includes:

- Rezoning potential
- Historic preservation determination
- Internal and external communication
- Program of Requirements (office space programming for all departments)
- Cost-benefit analyses of: (1) stay or (2) go
- Disposition and acquisition strategy
- Funding and financing strategy





# Next Steps

- Obtain Board guidance on project objectives and process
- Provide interim updates on Program of Requirements, JGB zoning, and JGB conditions assessments
- Seek Board approval for decision to hold or dispose of JGB
- Seek Board approval if Compact public hearing is required for disposition of JGB
- Seek Board approval for disposition of JGB or acquisition of new property