Response to RFI for Air Rights Development
Rosslyn, VA
Falls Church, VA
Response to RFI for the Air Rights Development at the Rosslyn and East Falls Church Metro Station Areas

Presented to: OPT3, VDOT, VDRPT, WMATA ("the Parties")

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Table of Contents

- Brandywine Overview
- Brandywine Background
- General Response
- Rosslyn Site Response
- Falls Church Site Response
Point of Contact – Brandywine Overview

**Point of Contact:**

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**Overview:**

Brandywine Realty Trust appreciates the opportunity to respond to the Parties to discuss our interest and qualifications to assist in the Air Rights Development in Rosslyn over I-66. The project criteria is an excellent match with our extensive development experience, our financial capacity, our commitment to thoughtful well planned design and our vast network of tenants, vendors and high-quality professionals. Certainty of execution and involvement with high quality projects are our ultimate goals, and this submission outlines our initial thoughts regarding the project.

Our objective is simple: collaborate with the Parties to design, construct, and deliver a high quality mixed use development that meets and exceeds the unique requirements for mixed use development in an urban setting in leasing space in today’s environment and in the future. Our approach will be characterized by flexibility and creativity. We will use our qualified and experienced team members to deliver the highest possible quality product. Finally, we will leverage our uniquely-strong financial position to deliver the best overall economic outcome to ensure near-term and long-term success.
Developer Background

History & Ownership

Founded in 1994 with just four properties and two employees as a spin-off from a private developer, Brandywine Realty Trust is now one of the largest publicly owned, full-service, integrated real estate companies in the United States. Organized as a real estate investment trust and operating in key markets, Brandywine owns, leases and manages urban town centers and select suburban office portfolios. Brandywine is based in Radnor, PA and has additional regional offices in Mount Laurel, NJ; McLean, VA; Richmond, VA; and operating offices in Philadelphia, PA; Oakland, CA; San Diego, CA; and Austin, TX.

Our mission is to design, create, and maintain extraordinary working environments for our clients and employees that reflect our high standards and uncompromising commitment to excellence.

Innovative Approach

Today, as a leading full-service real estate company, we’re engaged in some of the most innovative development projects currently in progress in the Northeast corridor. We’re taking the lead in such smart-growth initiatives as transit-oriented development and automated parking. We’re revitalizing historic urban properties and pursuing LEED certification for new and existing developments. We’re breaking ground on award-winning suburban mid-rises and injecting existing suburban office parks with the sort of energy and vibrancy that matter to tenants and investors alike. In a changing, challenging world, we’re looking ahead.
Brandywine is well known for its air rights development over Amtrak’s North East Corridor in Philadelphia, near 30th Street Station. Brandywine entered into a master ground lease with Amtrak and has successfully developed a 731,862 sf, 29 story, 100% leased trophy high rise office building. Additional phases are underway, with a 33 story campus housing project currently under construction.

Details on these projects are in the following pages.
Distinguishing Quality:
An Uncompromising Commitment to Excellence

Simply planning for excellence is not enough at Brandywine. Our ambition—our fundamental purpose—is to make excellence happen.

When we talk about excellence, we’re talking about process, people, and passion. About how we work together as a team—toward a shared vision and within a culture that emphasizes innovation, life/work balance, and civic engagement. We excel at Brandywine because our people are different—solutions-oriented, profoundly committed, deeply engaged in the communities in which we work, team centric, and unafraid to take the sort of risks that yield exceptional outcomes.

Our development team is the embodiment of this philosophy. It consists of highly skilled individuals with decades of collective experience working on challenging developments together. Their experience and overall passion for excellence has made us successful with some of the most complex development projects in the region, earning the satisfaction of our tenants, and praise from the communities in which we work. *In summary, our uncompromising commitment to excellence has become our distinguishing quality.*
Project Approach: A Full Service Philosophy

Two words sum up how Brandywine will approach the Air Rights project: Full Service

“Full Service” means that we will have an acute focus on every phase of the development process. Working seamlessly with your team, we will be an engaged, value-added participant in the design process, as coordinated by your leadership group. We will work closely with the facilities group on both value engineering and design enhancements which will achieve optimal construction pricing and maximum savings. Working in close coordination with the facilities group, we will employ our best construction management practices & procedures to ensure the timely delivery of a product that is of the highest possible quality.

Collaborative Development

In each of the projects on which the designated project team was involved, all required close collaboration with sophisticated real estate and facilities groups, similar to that of your envisioned team. In each case Brandywine had to manage complex integration issues, and in each instance the process has been highly successful.
Additional strengths that the Brandywine team offers which further ensures *Certainty of Execution* are the following:

- Successful experience with highly complicated development transactions.
- Emphasis on quality and innovative design.
- Proven execution.
- Strong community & governmental relationships.
Cira Centre

30th & Arch Streets  |  Philadelphia, PA

*Cira Centre represents the standard of excellence to which Brandywine is continually committed.*

**Background:**

Through a competitive process begun in 2001, Brandywine was awarded an option by Amtrak for the subject site. Upon 50% preleasing, Brandywine commenced a twenty-two month construction period, delivering the building 93% pre-leased in late 2005. Brandywine maintains a long-term ground lease with Amtrak for the site. In addition to reestablishing the standard of high-rise architecture in Philadelphia, Cira Centre is widely recognized as a model for Transit-oriented development and urban renewal. The project was fully financed and delivered on time and on budget. The project is also significant because it brought 2,000 jobs to University City.

**Highlights:**
- 29 Floors
- 731,862 SF
- $212 Million project cost
- Designed by world-renowned architect Cesar Pelli

**Key Challenges:**
- Creating a new office market and setting a new standard of quality for future development.
- Cost & schedule risk associated with Amtrak coordination relative to site work.
- Site constriction: virtually no staging area for material, requiring real-time delivery logistics.
- Time-constrained schedule: 22 months to construct in order to meet anchor tenant’s commencement date.
- Designed and executed a successful Economic Opportunity Plan (EOP).
Air Rights Development

IRS Campus

30th & Market Streets | Philadelphia, PA

As one of the largest historic urban redevelopment projects in the Country, the IRS Campus shows how Brandywine’s Urban Development Team is redefining “re-use”.

Background:

Brandywine purchased the historically certified U.S. Post Office Building in 2007 from the University of Pennsylvania as part of a broader, highly complex transaction with the U.S. Post Office. Brandywine subsequently entered into a twenty-year lease with the U.S. Internal Revenue Service to accommodate their regional headquarters requirement. Brandywine’s first step was to leverage its experience and relationships with the City to obtain the necessary zoning overlay. The project was fully financed, 100% leased, and delivered in August of 2010 on time and on budget. This project is also significant because it brought 5,000 jobs to University City.

Highlights:

- Historical restoration and conversion of 1930’s-era postal distribution facility into a state-of-the-art LEED certified office building.
- 862,000 SF
- $260 Million Project Cost
- Worked with Local political leadership to design EOP with extensive local labor content provisions.

Key Challenges:

- Zoning: Project required Brandywine to obtain a zoning overlay to allow for the planned uses at the site.
- Demonstrated our experience in overseeing the intense coordination of institutional, governmental, and corporate stakeholders.
- Executed on forward financing commitments.
- Navigating complex process for monetizing New Market and Historical Tax Credits critical to the project’s overall financing.
Redefining the term “re-use”

Background:
As part of its lease with the U.S. Internal Revenue Service, Brandywine was obligated to construct a 1,663 car parking garage adjacent to and part of the IRS Campus. The garage was fully financed, 95% leased, and was delivered in conjunction with the IRS occupancy in August of 2010.

Highlights:
- 1,663 Spaces
- 600,000 SF
- 9,000 SF of Street Front Retail
- $95 Million Project Cost

Key Challenges:
- Building the structure over and adjacent to high voltage electric lines and track associated with Amtrak’s coach yards and Northeast corridor.
- Controlling cost and schedule risk in connection with Amtrak coordination.
- Executed on forward financing commitments.
South Lake at Dulles Corner is a great example of Brandywine’s ability to be resourceful in its approach to complicated development challenges.

Background:

The South Lake building is the latest addition to Brandywine’s award-winning Dulles Corner Development, which now totals six buildings and 1.3 Million SF. Brandywine upgraded the plans for the building to include several sustainability features, high-capacity electrical systems, and optimal floor plates. The redundancy of the electrical systems enabled the anchor tenant to co-locate their office and data center components in a single facility. The pad site was significantly constrained, presenting Brandywine with the challenge of masking tenant’s generators, tanks, and equipment sufficient to preserve the Class A image that is consistent with this award-winning mixed-use park. The ultimate solution involved creating an underground vault to house these uses. Considered one of the highest quality assets in the Dulles Corner office submarket, South Lake is 100% leased to Time Warner Cable (TWC). The project was financed entirely off Brandywine’s revolving credit facility and sold in Q1 2010 for a significant profit.

Highlights:

- 10 Stories
- 268,240 SF
- $84 Million Project Cost
- LEED Certified
- Structured Parking: 938 spaces

Key Challenges:

- Creatively planned the site around extensive pre-existing underground sewer infrastructure.
- Locating a large amount of generators and other tenant equipment to accessible but non-visible locations.
Design Overview: Building Data

- Building Area: 460,000 SF ±
- Building Height: 395’ ±
- Number of Apartment Units: 345
- Number of Beds: 850
- Office-Lease Space: 4,000 SF
- Retail Space: 6,700 SF
- Amenities: 15,500 SF

Features

- All units have private, lockable bedrooms, with private bath per bedroom
- Amenities: study lounges, bike storage, concierge, exercise room and pool
- Rent includes utilities, all amenities and fully furnished units (50 month leases)
- Target Market: Grad students and young professionals

Projected Schedule

- Commence Demolition: December 2012
- Substantial Completion: August 2014
EVO continued

Amenities

Basement
- Secured Bike Storage Area adequate for 75 bikes.

First Floor
- Retail at lower lobby and upper lobbies areas. Total 6,700 GSF.

Mezzanine/Concierge Level
- Centralized activity “hub” for students containing: Mail Room, Business Center with computers, coffee/café, reception and management offices.
Amenities

Residential Floors
- Eleven (11) Study Lounges providing areas for residents to congregate for social activities and meet for quiet study. Each Lounge is two stories and accessible from either floor.

32nd Floor
- Two-Story Fitness Center complete with latest fitness equipment and aerobic activities.

33rd Floor/Roof Top
- Club room including social space with pool tables, fireplace and large screen TVs.

Roof Top Pool Area
- Outdoor pool with areas for wading and lounging surrounded by pool deck area containing lounge chairs and tables.
General

1. Please comment on the optimum size of an Air Rights platform and underlying land area to support vertical development, if such size exists. Please indicate how the size of the platform may relate to the building footprint.

Given the complexity of air rights development, a larger scale, multiple building mixed use project is needed for the site. Recommend 5 acres minimum.

2. What due diligence items and studies are required to develop an understanding of the preliminary feasibility of Air Rights platform development? Are detailed engineering studies required to reach this level of understanding?

The following items will drive feasibility:

a) The ability to achieve mixed use zoning from Arlington County

b) Viable layout that does not preclude views from existing buildings such that lawsuits are triggered

c) Platform design and engineering to be controlled by VDOT
3. Please describe the preferred transaction structure for Air Rights development at either of the contemplated sites.

Preferred structure is a long term ground lease with buyout option by Leasee. Podium to span over I-66 to be provided by VDOT based upon a mutually agreed upon design. Ground lease will be terminable in the event that specified rezoning of the site can not be achieved within a specified period of time (e.g. 5 years). Ground lease will have initial rate reduced or abated until zoning is approved.

During the period prior to approval of rezoning, Brandywine will cooperate with VDOT to develop a comprehensive master plan and zoning application for the site.
Rosslyn Site

1. Please comment on the viability of the prospective Rosslyn site as identified in this document for Air Rights development.

Rosslyn site is viable as an urban, mixed use site, including uses of high rise multifamily, student housing, hotel, retail and office. Research regarding the cost of providing a tunnel/podium for development needs to be done by VDOT prior to an RFP.

Concern regarding blocking views of in-place development will be the most difficult issue, in our opinion. Support and endorsement from Arlington County will be important.

2. Would an alternative site over I-66 in the Rosslyn area be more viable for Air Rights development?

The best site would be no greater than 3 blocks from the Metro rail station and also afford views of Washington, DC. If an alternate site which helps minimize or reduce podium/tunnel costs or reduces impact to adjacent sites, then it should be considered.

3. Would development occur in a single phase or in a multi-phased approach?

The scale of the project would likely dictate multi-phased development.
Feasibility

1. Please comment on the current technical or financial feasibility of Air Rights development in Rosslyn given the current and projected development pipeline and real estate market conditions. Which product type or types (office, commercial, residential, etc.) are most feasible? Please indicate the scope of development (by use and square footage) that is believed to be feasible.

The following product types are viable in a mixed use environment:

- High rise office
- High rise multifamily or student housing
- Retail
- Hotel
- Once the location and podium are defined, more detailed plans can be presented. Given the long term nature of a project of this type, cyclical market fluctuations may influence which products are the most viable at any given point in time. We believe FAR’s of 10.0 or higher are possible, such that a 5 acre site might yield 2.1 million sf of development.
Value

1. Please explain the relationship between the value created by vertical development and the potential cost of an Air Rights platform at the Rosslyn site.

A market price can be paid for the land if the platform is provided by VDOT. This is recommended because a typical project development budget can not bear the cost of the platform and be economically viable. Typical project financing horizons are approximately 10 years, and the platform costs would likely need to be amortized over a much longer term, more in keeping with the ground lease.

Please indicate the potential range of values created under a fee simple sale or long-term lease agreement that may be supportable by a feasible Air Rights development using the scope described above at the Rosslyn site.

Market pricing for land in Rosslyn is on the order of $100/sf of buildable product.

2. Would public subsidy of any sort likely be required for feasibility of the project in the near term? Note: Assume no public subsidy has been allocated or made available for this project.

Costs of the platform would be the key issue. Public funds or financing would be required – see # 1 above.
Technical

1. How would potential Air Rights development at Rosslyn be accomplished so as not to preclude future improvements to I-66? VDOT to control the design accordingly.

Risks

a) What are the key risks to an Air Rights development project at this site? How can such risks be mitigated, shared and/or transferred in an optimal manner?

b) Cost of platform – VDOT to control. Long term financing is a must.

c) Public approvals – Arlington County and adjacent landowners may not support the project. This support must be achieved before the developer is locked into the deal.

d) Typical development, market, and financing risks – Brandywine is equipped to manage these risks. Low interest funding or guarantees from the Commonwealth of VA could be a tool to improve project feasibility.
Falls Church Site

Site

1. Please comment on the viability of the prospective East Falls Church site as identified in this document for Air Rights development. Which portion, if any, of the Air Rights development area is the most attractive or viable for development?

Brandywine is not pursuing the Falls Church site because, in our opinion, there is not a viable office market for urban development in this location, nor is one expected to emerge in the near future.

2. Is the conventional land development site of the parking area more viable in the near term? Should the land parking area be developed completely separately from the Air Rights? Is some combination of Air Rights and conventional land development viable?

N/A

Feasibility

1. Please comment on the current feasibility of Air Rights development in East Falls Church given the current and projected development pipeline and real estate market conditions. Which product type or types are most feasible? Please indicate the scope of development (by use and square footage) that is believed to be feasible.

N/A
**Falls Church Site continued**

2. Please indicate the scope of land development on the parking lot site (by use and square footage) that is believed to be most feasible and financeable on the parking lot area in the current market environment.

   N/A

3. Would development occur in a single phase or in a multi-phased approach?  

   N/A

**Value**

1. Please explain the relationship between the value created by vertical development and the potential cost of an Air Rights platform at the East Falls Church site.

   N/A

2. Please indicate the potential range of values created under a fee simple sale or long-term lease agreement that may be supportable by a feasible Air Rights development using the scope described above at the East Falls Church Air Rights site.

   N/A

3. Please indicate the value under a fee simple sale or long-term lease agreement that may be supportable by a conventional land development using the scope described above at the East Falls Church Metro parking site.  

   N/A
Falls Church Site continued

4. Would public subsidy of any sort likely be required for feasibility of either the Air Rights or land development project in the near term?

*Note: Assume no public subsidy has been allocated or made available for this project.*

N/A

Technical

1. How would potential Air Rights development at East Falls Church be accomplished so as to not preclude future improvements to I-66?  
N/A

2. Metro operations on site or at an alternative site in extremely close proximity must be maintained during construction and permanent replacement facilities must be provided. How would you approach the temporary and permanent replacement of the existing bus loop and Metro parking infrastructure, if displaced?

N/A

Risks

1. What are the key risks to an Air Rights development project at this site? How can such risks be mitigated, shared and/or transferred in an optimal manner?  
N/A