

COMSTOCK

September 30, 2013

Sent Via Email to: Sam.Beydoun@vdot.virginia.gov

Sam Beydoun
Program Manager
Office of Transportation Public-Private Partnerships
600 E. Main Street, Suite 2120
Richmond, VA 23219

Re: Request for Information – Air Rights Development

Dear Mr. Beydoun:

Thank you for the opportunity to provide information regarding the potential for Air Rights development in Rosslyn and East Falls Church.

Please find Comstock's response to the RFI attached to this letter.

As a follow up to this RFI, we welcome the opportunity to meet with you in person to discuss our responses and share our findings in greater detail.

Sincerely,



John Camera

cc: Chris Clemente
Larry Bergner
Phil London

Request for Information – Air Rights Development
Comstock Partners Response
September 30, 2013

Point of Contact:

John Camera
Development Manager
Comstock Partners, LC
1886 Metro Center Drive
4th Floor
Reston, VA 20190
jcamera@comstockpartnerslc.com
(D) 703.230.1285

Firm Background:

Please provide a short overview on your firm's experience in relevant, comparable development projects with an emphasis on Air Rights development and public-private partnerships for real estate development.

Comstock Partners ("Comstock") is a privately-held residential and commercial real estate development company headquartered in Reston, VA. The firm has a proven track record with Air Rights development and public-private partnerships in Northern Virginia. Through a public-private partnership with Fairfax County, Comstock is currently developing the Reston Station Metro Facility in Reston, Virginia, one of the region's largest construction projects and one of the largest underground parking garages on the eastern seaboard. Located at the intersection of Wiehle Avenue and the Dulles Toll Road, adjacent to the Wiehle-Reston East Metro Station, the Reston Station Metro Facility includes more than 3,400 parking spaces, a transit bus facility with 12 bus bays, a 50-space Kiss n' Ride facility and parking for hundreds of bicycles. This major public infrastructure project has been designed to accommodate significant transit-oriented, mixed-use Air Rights development of more than one million square feet directly above the Reston Station Metro Facility, positioning the buildings to create maximum benefit for residents and workers due to its proximity to the Metro Station currently under construction in the median of the Dulles Toll Road, while also maximizing benefit to the community at large.

In addition to Reston Station, Comstock is also developing Loudoun Station, a mixed-use transit-oriented development in Ashburn, VA adjacent to the planned terminus of the Phase II Silver Line Extension. Last summer, Comstock delivered the first phase of development at Loudoun Station, including 357 residential rental units and 60,000 SF of ground floor retail. In August 2013, the company broke ground on a mixed-use building at Loudoun Station that will house a 54,000 SF movie theater, 50,000 SF of Class-A office and 8,000 SF of retail. Comstock is also currently pursuing a public-private partnership with Loudoun County to develop three parking garages that will house approximately 5,000 parking spaces to meet the County's Metro-related parking needs.

Comstock and its principals have an extensive history of developing successful real estate projects throughout the Washington, D.C. region and in many other markets in the United States. Having developed tens of thousands of residential units (single family, townhomes, condominiums and apartments), office buildings, hotels, retail centers, community facilities and public infrastructure projects over the past several decades, the Comstock team of professionals possesses the experience necessary to manage the complex tasks associated with developing high quality mixed-use, transit-oriented urban environments and related infrastructure that provide superior, long-term value for all stakeholders.

Please see the flyers attached at the end of this RFI response for more information on Comstock's Reston Station and Loudoun Station developments.

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.*

While there is no one optimum size of an Air Rights platform, in general, the size of the platform should be large enough to allow for an efficient parking design that adequately parks the site. Parking garages are optimized in 60 foot increments, and any platform narrower than sixty feet wide would likely present a challenge. The building footprint is optimized by locating it above the garage in a way that allows structural loads to be transferred in an efficient manner through the garage, the platform and the foundations below. In the case of an Air Rights platform over a highway, it would be ideal for the highway to have an adequately sized median strip that will allow for foundations, shear walls and columns, thus minimizing the distances that must be spanned.

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

The following due diligence items and studies are recommended to allow a developer bidding an RFP to understand the feasibility of Air Rights platform development:

- A detailed geotechnical study of the subsurface conditions where the foundations of the platform will likely be constructed
- A site plan indicating the location and size of easements and available utilities including water, sanitary, sewer, electrical and gas
- A confirmation of the intended zoning for the site
- A confirmation of any future plans to widen roadways beneath the platform

3.) *Please describe the preferred transaction structure for Air Rights development at either of the contemplated sites.*

Possible transaction structures include a fee simple sale, a long-term ground lease and a joint venture. The preferred structure is a long-term ground lease or joint venture. These structures are beneficial for both the developer and the owner of the Air Rights or land. Without the need to expend capital to purchase a fee simple interest in the Air Rights or land, upfront project costs are significantly reduced, and the developer can instead invest its capital in the costly infrastructure and platform necessary to support the development. By deferring compensation for the value of the property, the Air Rights owner will take some risk; however, the reward is a higher present value of the Air Rights once ground rent payments begin and/or revenues from residential unit sales are realized.

Rosslyn Site

Site

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

In preparation for this RFI response, Comstock performed a conceptual analysis of the viability of Air Rights development at the identified prospective Rosslyn site. Our analysis assumed a target 70,000 SF platform with zoning rights similar to what is allowed by the "C-O Rosslyn" zoning designation. Comstock believes that the prospective site is the most viable of the potential Rosslyn sites identified in the RFI. This is due to the site's visibility and accessibility, as well as its potential for views of Washington, DC, the Potomac River, adjacent municipal parks and national parklands, and Rosslyn itself.

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

Comstock believes the prospective site is the most viable. While expanding the prospective site to the south along Route 66 East may be feasible, this decision would likely result in the need to split the project into two or three phases and may require a plan for an access road on the platform to serve the expanded development. Clearly defining a long-term plan for the ultimate size of the platform in this area is highly recommended before going to RFP. This would allow a developer to master-plan the site and create a design that maximizes efficiency, optimizes views and results in the highest value for the property.

We believe that future Air Rights projects in Rosslyn (after the prospective site) could include the site to the northwest of the prospective site, on the other side of the Rosslyn municipal park. This secondary site sets up well in terms of accessibility, and development of this site would not interfere with or complicate development of the prospective site.

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 more feasible? Please indicate the scope of development (by use and square footage) that is believed to be feasible.*

Comstock believes that residential is the most financially feasible use for the prospective site due to the site's prominent location and potential views. Comstock's analysis of the prospective site envisions a 700,000 SF project consisting of two iconic residential towers with a total of 550 to 650 residential units and 10,000 to 20,000 SF retail and restaurant space. Given that Rosslyn has a large majority of office product and a significant pipeline of future office development, we believe that residential product would fill a void in the neighborhood and be far less risky than office development. While office product would require significant preleasing in order to make the project financeable, development of residential product could be pursued immediately. The premium rents and condo sales prices of a residential development would likely generate a higher return on investment than an office development – and with far less risk. As a follow up to this RFI, we welcome an opportunity to meet in person and share with you the findings of our initial study of the site.

2.) *Would development occur in a single phase or in a multi-phased approach?*

Development would likely occur in one phase but could easily be split into two manageable, back-to-back phases. Our conceptual design envisions two high-rise residential towers with a total of 550 to 650 units. We believe that half of the units could be marketed and sold as condominiums and the other half could be maintained as rentals. If market conditions allow, splitting the project up in this manner could potentially allow for the entire project to be delivered in a single phase. One tower could be dedicated to condos and the other to rentals, or the higher floors on both towers could be dedicated to condos while the lower floors could remain as rentals. If market conditions required a phased approach to development, the two towers could be developed in sequence.

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.*

The value created by Air Rights development at the Rosslyn site can only be realized after spending a significant amount of capital to design and build a suitable platform and parking garage that will support vertical construction above it. The cost premium to develop Air Rights on the prospective site is estimated to be approximately \$40 to \$45 million in current dollars. This Air Rights cost premium must be accounted for when determining the value of the Air Rights at the prospective site.

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 Rosslyn site.*

Comstock's analysis indicates that the fee simple value of Air Rights at the prospective site ranges from \$10 million to \$12 million. We believe a long-term lease agreement would yield a significantly higher present value for the Air Rights owner than a fee simple sale of the Air Rights. A long-term lease with a minimum beginning annual base rent of \$250,000 to \$500,000 per year is likely to be supportable. Participation rent could be structured so as to yield additional ground rent to the Air Rights owner based on performance of the rental units.

Additional revenue potential could also be structured based upon the prices achieved by residential condominium sales.

- 3.) *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.*

Comstock does not believe a public subsidy would be required for feasibility of the project in the near term.

Technical

- 1.) *How would potential future widening of I-66 impact the potential for Air Rights development at Rosslyn?*

Planning the platform so as to allow for the potential future widening of I-66 would likely add cost to the project. Without detailed plans, it is difficult to say how much cost would be added.

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?*

The key risks for an Air Rights development at this site would stem from the potential for complications related to planning, design and construction. These risks can be mitigated through a public-private partnership that generates clearly articulated, shared goals for the project and fosters cooperation between the developer, the Air Rights owner and the local municipality. Commitment to a team approach in a complicated project like this will result in a coordinated effort that is more likely to succeed.

East 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?*

Comstock does not believe Air Rights development is viable at the East Falls Church site. While such development may be physically feasible, current market conditions and allowable densities do not support the project. The fact that high-rise development is not permitted and is also not financially feasible in the Falls Church submarket is a clear indication that Air Rights development is not viable.

- 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?*

Comstock believes development of the parking area and kiss ‘n ride area is viable in the near term. Future Air Rights could prove to be viable someday. However, establishing higher density zoning would likely be a crucial step for future Air Rights to ever be successful in this location.

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.*

Comstock does not believe Air Rights development is financially feasible at the East Falls Church site.

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

Comstock believes that residential development is the most feasible and financeable in the current market environment on the parking lot and kiss ‘n ride sites. Based on our initial analysis of the prospective sites, we believe the ideal scope of development would be between 400,000 and 600,000 SF on the parking lot site, and between 100,000 and 120,000 SF on the kiss ‘n ride site. The total developable SF would vary based upon how many Metro parking spaces must be replaced and whether potential widening of I-66 must be accounted for. 12,000 to 25,000 SF of ground floor retail is envisioned for the site. Potential residential unit counts range from 400 to 720.

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

Depending on the number of residential units allowed, development would occur in one or two phases.

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.*

Because the zoning and rents in the Falls Church market do not currently support high-rise development, the cost of an Air Rights platform would be infeasible.

- 2.) Please indicate the potential range of values created under a fee simple sale of 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.*

This question is deemed to be not applicable since Comstock believes Air Rights development at the East Falls Church site is infeasible.

- 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.*

The value of a fee simple sale or long-term lease agreement for a conventional land development at the East Falls Church Metro can only be determined after we better understand the intentions to widen I-66, the number of Metro parking spaces required to be replaced, and the intended density for the sites.

- 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.*

Comstock does not believe a public subsidy would be required for feasibility of the land development project in the near term. However, in order to confirm this analysis, more information is needed with regards to intentions to widen I-66, the number of Metro parking spaces required to be replaced, and the intended density for the sites. If the developer is expected to pay for the replacement of Metro parking, kiss 'n ride and bus facilities, then the cost of these improvements will ultimately need to be taken into account when calculating the value of the land.

Technical

- 1.) *How would potential future widening of I-66 impact the potential for Air Rights development at East Falls Church?*

Potential future widening of I-66 at the Metro parking site would likely preclude a developer from building approximately 120 residential units. Comstock's initial study of the site envisions a scenario in which a 75 foot setback can be maintained to allow for future widening of the highway. This area could be dedicated for surface parking if the road widening is not deemed to be imminent. As a follow up to this RFI, we welcome an opportunity to meet in person and share with you the findings of our initial study of the site.

- 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?*

Comstock would maintain a working parking and bus facility at all times during construction until permanent facilities can be delivered. Accelerating construction of the permanent structured parking garage on the parking site would allow for an easier transition during development. If full replacement of the current number of Metro parking spaces is required, development of a consolidated, stand-alone WMATA parking, bus and kiss 'n ride facility on the current kiss 'n ride site could provide an efficient solution for Metro operations.

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?*

The key risks for a development at this site would stem from the potential for complications related to planning, design and construction. These risks can be mitigated through a public-private partnership that generates clearly articulated, shared goals for the project and fosters cooperation between the developer, the Air Rights owner and the local municipality. Commitment to a team approach in a complicated project like this will result in a coordinated effort that is more likely to succeed.

RESTON STATION

METRO + METROPOLITAN

WIEHLE AVENUE | RESTON, VIRGINIA

Reston Station is a public-private partnership between Comstock and Fairfax County. The project comprises a subterranean Metro transit parking facility and over 1 million square feet of private development built above.

Comstock has acted as the fee developer of the County's Metro Station Facilities. In this role, Comstock was responsible for entitling and planning the project and worked closely with multiple stakeholders, including Fairfax County in both its proprietary and regulatory capacity to rezone the parcel in just eleven months. Subsequently, Comstock contracted with James G Davis Construction, under a Guaranteed Maximum Price agreement, to construct and deliver the County's required Metro Station Facilities in time for commencement of Metro Silver Line operations.



The private development is structured around a 99 year ground lease with a rent structure that will allow the County to service its bonds for the transit garage while allowing Comstock to phase in the project concomitant with market demand.

The overall development reflects the work of world class architects and their teams of talented engineers. While the subterranean garage is not being submitted for LEED certification, comprehensive sustainable standards have been implemented.

Through the use of efficient water, electrical, and mechanical systems, use of sustainable materials, focus on indoor environmental quality and leveraging the Metro accessible location, the buildings under private development will meet LEED Silver status, and the project will be submitted for LEED Neighborhood status.

COMSTOCK



OVERVIEW

- 9 Acres
- 550,000 SF of Office
- 750,000 SF of Residential
- 125,000 SF Hotel
- 65,000 SF of Retail
- 1.3 Million SF Public Parking Garage
- 1.2 Million SF Private Parking Garage

TEAM

- Comstock Partners, LC
- Fairfax County
- James G. Davis Construction
- Hickok Cole Architects
- Murphy/Jahn Architects
- Davis, Carter, Scott Ltd



LOUDOUN STATION

METRO + METROPOLITAN

LOUDOUN STATION | ASHBURN, VIRGINIA

Comstock rezoned Loudoun Station to PD-TRC in 2004, making it one of the first transit oriented development projects in the County. With an overall site plan of 43 acres situated at the terminus of Phase II of the Silver Line Metro, the phased community will ultimately deliver approximately 1,500 residences, 1.3 million SF of office space, 300,000 SF of retail space including a 12-screen movie theater, and a full-service hotel. Proffered commitments include a grid of streets, pedestrian and bike trails, public open space and transit facilities. Many of these improvements have already been delivered.



The first phase of the community, BLVD | Loudoun Station, project is nearing completion, delivering 357 luxury apartments in three (3) four and five-story buildings built above retail podiums. Ground floor retail bays, with 16' finished ceilings, comprise 62,000 SF of the space. The apartments feature a variety of floor plans with high ceilings, large windows, superb finishes and high-end amenities. These buildings line a broad boulevard that will offer a vibrant and engaging atmosphere when the retail spaces begin to open this fall.

When the market dictates, Comstock will begin to deliver the office component. It is anticipated that these office buildings will attain LEED Silver certifications or better. At final build-out, the preponderance of the parking will be structured, resulting in a far less impervious footprint than a surfaced parked plan. When the Silver Line is completed to Loudoun, Comstock will also file for a parking reduction to encourage Metro ridership and shared parking uses.

COMSTOCK



OVERVIEW

- 43 Acres
- 1,500 Residences
- 300,000 SF of Retail
- 12-Screen Movie Theater
- 1.3 Million SF of Office
- Full Service Hotel

TEAM

- Comstock Partners, LC
- US Department of Housing & Urban Development
- James G. Davis Construction
- Davis, Carter, Scott Ltd
- Hickok Cole Architects
- HKS, Inc.

