



**RE: Response to Request for Information
Regarding the Development of Air Rights
At the Rosslyn Metro Station Area**

Point of Contact

Andrew McGeorge
Director
Monday Properties
1000 Wilson Blvd Suite 700
Arlington, VA 22209
703-284-0212

Firm Background

Monday Properties is a real estate investment firm that owns and operates all of the properties in its portfolio. Founded in 1998, the company focuses primarily on two of the world's most competitive and resilient real estate markets: New York City and the greater Washington, D.C. metro area. This disciplined concentration has enabled Monday Properties to make intelligent real estate decisions based on an intimate knowledge of the marketplace, and build lasting relationships with investors, tenants, brokers, financial institutions and industry peers. This concentrated approach offers insights into new opportunities that can extend beyond our current locations.

Since 2002, Monday Properties has completed over \$10 billion in transactions, representing 23 million square feet throughout the New York City and greater Washington, D.C. markets. Monday Properties manages each property in its portfolio and currently operates at 90% occupancy.

In Rosslyn, Monday Properties owns and operates 10 buildings totaling 3M sf, which represents one-third of the Rosslyn commercial real estate market. Chief Executive Officer Anthony Westreich's family pioneered commercial and residential development in Rosslyn beginning in the 1950's and since that time developed and/or redeveloped 2.5 million of the 9 million square foot office inventory in Rosslyn, including the iconic trophy buildings known as the Twin Towers (1000 and 1100 Wilson Boulevard). Monday Properties' development professionals have more than 35 years of experience in assembling more than 6.5 million square feet of Class A properties. Today, Monday Properties is the largest owner of office property in Rosslyn and its

longstanding ties to the submarket make it an especially appropriate developer of a building that will redefine the Washington, D.C. skyline. This signature 580,000 sf building, 1812 N. Moore, will be the tallest building in the region and completed this October. This project involved the acquisition of development rights from the adjacent Dominion Power substation. Additionally, the building is directly above and adjacent to the Rosslyn metro station. This required significant coordination with WMATA and Monday Properties committed to, and is currently constructing, over \$4.7M worth of improvements to the Rosslyn Metro Station.

Monday Properties has a long standing relationship with Arlington County and the Rosslyn Business Improvement District (BID). Tim Helmig, Chief Development Officer, serves on the BID Board as well as the Process Panel for the Rosslyn Sector Plan Update.

On April 25, 2013, Arlington County officially accepted Monday Properties' site plan and rezoning application to redevelop 1960 era buildings, 1401 Wilson Blvd and 1400 Key Blvd, from 385,000 to 914,160 sf. This application is currently going through the public process with the County and construction is anticipated to commence in 2016.

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.*

The optimal platform size would be driven by the optimal floor plate size of an office, hotel, or residential building (with ground floor retail in all) including additional land required to achieve 20% open space (including sidewalks), for streets (12' lane width for roads and 18' sidewalk widths), and ingress and egress. The platform size will also be driven by the design of the parking structure, utilities, fire marshall access, and potential access points to the Potomac River, future boathouse, trails, and planned esplanade.

- 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?*

A Geotechnical Study is needed to understand the underlying soil, rock, and water. An Environmental Phase I is needed to understand possible contamination issues. Civil engineering studies would need to be conducted to understand overall site design and layout, utilities, necessary setbacks and other encumbrances. Structural engineering

studies would be needed to evaluate the platform fundamentals, such as the size and location of beams and the platform loads. Legal studies would need to be conducted - title search, survey, zoning opinion, comprehensive legal search. Architectural massing studies would be commissioned. A contractor would be consulted to assess cost and constructability. A wind study and FAA study would be conducted to understand constructability. Lastly, WMATA would be consulted to determine the viable locations for footings as they relate to the existing metro tunnels or any future expansion.

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

The ideal transaction structure would be a Purchase Agreement linked to the ultimate density, height, and use granted by Arlington County. These parameters directly affect value and without them being known, the entitlement risk is too great to determine value with any certainty. An additional unknown is the final recommendations from the Rosslyn Sector Plan Update. Therefore, a Purchase Agreement or Land Lease Agreement structured in a way that aligns value with the ultimate density and use type would be preferred.

Rosslyn Site

Site

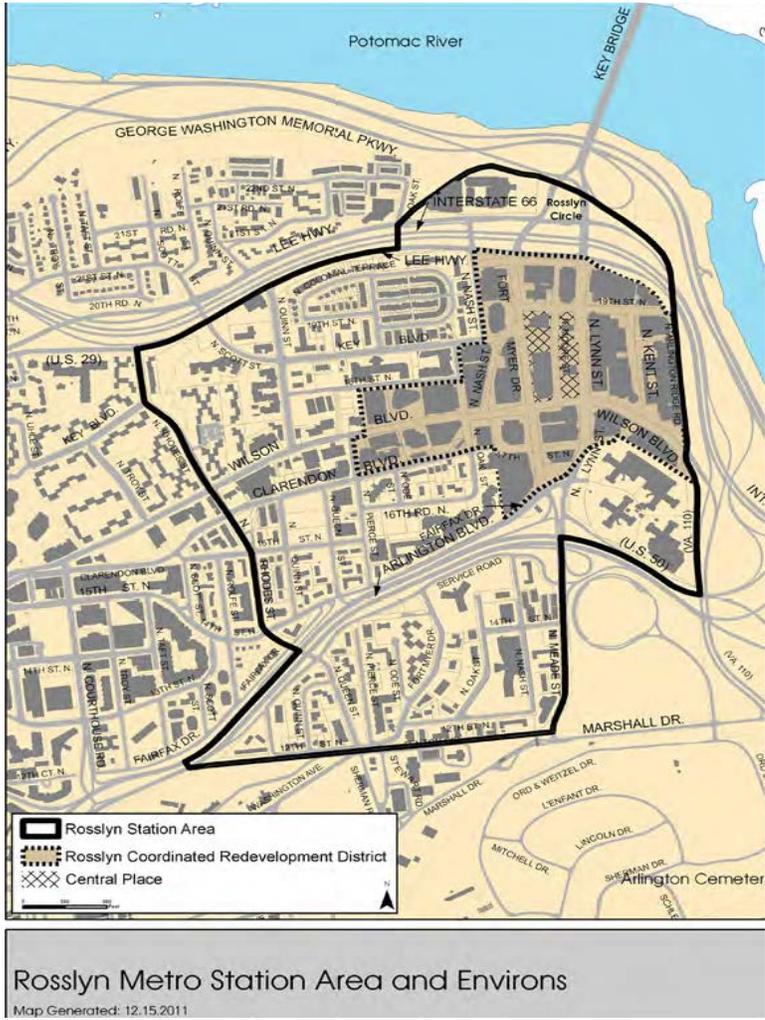
- 1. Please comment on the viability of the prospective Rosslyn site as identified in this document for Air Rights development.*

The viability of the site is driven by the entitlement risk associated with the many unknowns, such as the zoning and the Rosslyn Sector Plan Update. Current policy dictates that building heights will taper down from the core. Given the geographic location of the proposed site, which currently has a special district zoning designation of S-3A and is outside the Rosslyn Coordinated Redevelopment District (RCRD, see map below), this may adversely affect the viability of developing at this location.

However, if the entitlement risk can be eliminated, significantly reduced, or shared, the site itself is attractive from a development standpoint. It ties into the Rosslyn core, is in close proximity to the metro and major transportation corridors, and has excellent views of Washington DC and the Potomac River.



Rosslyn Coordinated Redevelopment District



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

The proposed site is an attractive one. However, further expanding it to the southeast would allow for greater potential than just a 70,000 sf platform. This expanded platform could enable the creation of a true destination with a mix of uses, including an

unparalleled open space component that engages the waterfront and builds upon the County’s vision for the creation of an esplanade.

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.*

In determining the ultimate product type for the Air Rights site, strong consideration would be given to the status of projects in the development pipeline. The scope of the development that would be feasible given a 70,000 sf platform would be as follows: 20% of the site would be allocated to open space/sidewalks, 15% to on-site roads, and 65% of the site for the building footprint. 65% of the 70,000 equates to a 45,500 sf site area. Assuming Arlington County would annex this site into the RCRD and approve C-O Rosslyn zoning with a 10 FAR, this would allow a building size of 455,000 sf. The ideal width of the building would be approximately 120’ in order to allow for adequate ramping of the parking garage.

All product types would be feasible. The product type would be driven by the supply and demand conditions at the time of the Air Rights development. Current projects in the pipeline are as follows:



Rosslyn Projects - Approved/Under Construction		
1812 North Moore Street		
Monday Properties	570,000 GSF Office	Project under construction, fall 2013 delivery
	11,020 SF Retail	
Central Place		
JBG	350 Residences	Estimated Delivery: 2015
	570,000 GSF Office	Estimated Delivery: TBD
	44,554 SF Retail	Estimated Delivery: 2015 & TBD
Sedona and Slate		
JBG	479 Residential Units	Estimated Delivery: 2013
	12,635 SF Retail	
Rosslyn Gateway		
JBG	490,056 GSF Office	Approved July 2012, start date TBD
	148 Room Hotel	
	273 Residential Units	
	26,376 SF Retail	
Colony House		
B.F. Saul	168 Room Hotel	Approved June 15, 2013 to build Hilton Homewood Suites Extended Stay hotel start date TBD
Approved/Under Construction Totals:		1,630,056 sf office
		316 room hotel
		1,102 residential units
		94,585 sf retail



Rosslyn Projects – Currently in Arlington County Site Plan Review Process		
Rosslyn Plaza		
Vornado	1,868,529 GSF Office	Phased Development Site Plan submitted to Arlington County to redevelop this 6.5 acre property. Project in preliminary planning stage.
	300-500 Room Hotel	
	300 Residential Units	
	45,465 SF Retail	
1400 Key Blvd		
Monday Properties	274 units	Site plan and rezoning application formally accepted by Arlington County 3/29/13.
	42,000 sf retail	
1401 Wilson Blvd		
Monday Properties	515,000 sf office	Site plan and rezoning application formally accepted by Arlington County 3/29/13.
	10,000 sf retail	
Site Plan Review Process Totals:		2,383,529 sf office
		300-500 hotel rooms
		574 residential units
		97,465 sf retail

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

It would be most cost effective for development to occur in a single phase. However, the option to select single or phased construction and delivery would offer the greatest flexibility and would allow the developer to respond to market conditions.



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 construction cost associated with the platform as well as the cost of the air rights themselves become the developer's land cost. The more expensive the cost of the platform, the higher the projected rents would have to be in order to achieve an adequate return on cost. Depending on the debt/equity structure of the development firm, this return on cost could range from 8-10%.

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

There is an inverse relationship between value created and the potential platform cost – the lower the cost of the platform, the more value potential. If the total cost of constructing the platform is in the range of \$500-\$750 psf (\$35M - \$52.5M for a 70K sf platform), estimating this to be 25% of total project costs (\$175M - \$210M), the range of values that would need to support this cost in order to achieve an 8-10% return on cost would be \$14M - \$21M.

3. *Would public subsidy of any sort likely be required for feasibility of the project in the near term?*

Yes. Based on the estimates above, a public subsidy would be required to meet an industry standard rate of return.

Technical

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

The larger the platform the more development potential but this has to be coordinated and planned for in the design of the initial platform. The eventual expansion area needs to be known and planned for upfront given that it affects platform column placing and corresponding building(s) design. This would also have an impact on costs and value.



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 at this site are entitlement risks, (the risk that Arlington County won't annex this site into the RCRD and approve a rezoning and site plan with the necessary FAR and height), typical market risks (hard and soft costs, leasing risk, construction risk), and location specific risk (WMATA, park service, risk associated with building over an operating highway).