



CITY OF RICHMOND

Department of Planning & Development Review *Staff Report*

Ord. No. 2014-245: To declare surplus and to direct the sale of certain interests of the City in real estate located at 120 Shockoe Slip and 1331 A East Canal Street and in air rights over a portion of East Canal Street near its intersection with South 13th Street for \$916,000 to Highwoods Realty Limited Partnership for the purpose of facilitating the expansion of the existing headquarters building of the Martin Agency.

To: City Planning Commission
From: Land Use Administration
Date: December 8, 2014

PETITIONER

Highwoods Realty Limited Partnership

LOCATION

120 Shockoe Slip, 1331 A East Canal Street and a portion of East Canal Street

PURPOSE

To sell air rights over East Canal Street and City owned property for \$916,000 to Highwoods Realty Limited Partnership ("Highwoods") to facilitate the expansion of the existing headquarters building of the Martin Agency.

SUMMARY & RECOMMENDATION

The Martin Agency is a nationally-acclaimed full-service advertising agency, headquartered in the City of Richmond. The Agency was founded in 1965 and since has grown to become one of the nation's leading advertising agencies. The Martin Agency was independently owned until 1986, when it was acquired by Scali, McCabe & Sloves Advertising of New York. Eight years later, Scali was acquired by The Interpublic Group of Companies, based in New York City.

Out of 10,000 Advertising Agencies in America, The Martin Agency has consistently been ranked among the top five by national publications and industry leaders alike. In 2010, Adweek Magazine named The Martin Agency "US Agency of the Year". Most recently, Advertising Age Magazine name The Martin Agency Creativity Innovators of the Year in the January 2014 issue of the magazine.

The Martin Agency, in its current location, has played a pivotal role in the vitality of Shockoe Slip for almost 20 years. Its lease comes up for renewal on March 31, 2017 and they have been actively evaluating a long-term plan for their headquarters location, including the possibility of relocating out of the City to Henrico County. The company has indicated its desire to remain in the City, pending a number of requests of the City to accommodate its future growth. The Martin Agency has negotiated with its Landlord, the renewal of its lease for an additional 15 years, contingent upon its ability to expand. Shockoe Plaza, which houses the Martin Agency, is

currently 118,000 square feet and was developed by and is owned by Highwoods Realty Limited Partnership. As a part of its renewal decision, Martin must have the ability to expand by 47,000 square feet, increasing its total occupancy to nearly 170,000 square feet. In order to accommodate this growth, the Landlord is proposing to construct an addition to the existing building, which requires the acquisition of the aforementioned property and air rights over Canal Street. These properties are identified as: Parcel # E0000067001 (.155 acres with an assessed value of \$376,000) and Parcel # E0000067020 (.029 acres with an assessed value of \$81,000) and the air rights over East Canal Street. Highwoods proposes to pay \$916,000 for all property and air rights. The City granted a franchise that expires in 2044 for air rights over part of the area of East Canal Street identified on the attached exhibit pursuant to Ordinance No. 84-153-135, adopted June 25, 1984, to C & M Properties, Inc., and this franchise is now held by Shockoe Plaza Investors, L.C., an affiliate of Highwoods. Further, some question exists as to the current ownership of Parcel # E0000067020, but the City's interest in that property by virtue of a reversion clause in a February 28, 1986, deed will need to be conveyed by quitclaim deed if an office building is to be expanded onto that property.

The current assessed value of the existing building is \$21 million and the estimated value of the expansion is roughly \$15 million, making the total estimated value of the expanded building \$36 million.

The property is desired to accommodate the company's future expansion in the area. It is recommended that the City sell the subject surplus property to Highwoods in order to retain a corporate headquarters, stimulate private investment, support new job creation and advance economic development in the downtown area. As a part of the expansion, the Martin Agency intends to hire new employees. While the majority of the staff is full-time with limited part-time, the Martin Agency does have freelancers on premises. Taking the existing employment numbers into account and assuming steady growth, Martin estimates job growth for onsite employees to grow from its current employee count of 500 to 675 by 2017.

According to an INPLAN Study conducted by the Greater Richmond Partnership, The Martin Agency annually contributes an estimated \$139 million to the local economy. Each dollar spent by the company and its employees generates another \$.46 in sales elsewhere in the region. Given its proximity in Shockoe Slip, many small, local Richmond businesses benefit from the daily activities of the Agency and its employees. The City Administration, Economic Development and Real Estate recommend approval.

FINDINGS OF FACT

Site Description

The subject properties are identified as: Parcel # E0000067001 (.155 acres with an assessed value of \$376,000) and Parcel # E0000067020 (.029 acres with an assessed value of \$81,000) and the air rights over East Canal Street. The two parcels are currently

improved with a retaining wall and a drive that provides access from the bridge over East Canal Street (13th Street) to back down to East Canal Street. The building adjacent to East Canal Street to the north contains several loading docks and cub cuts in the location where the air rights would be established. East Canal is a cobblestone street in this area with sidewalks and ornamental street lights on both sides of the street.

Proposed Use of the Property

The Martin Agency, in its current location, has played a pivotal role in the vitality of Shockoe Slip for almost 20 years. Its lease comes up for renewal on March 31, 2017 and they have been actively evaluating a long-term plan for their headquarters location, including the possibility of relocating out of the City to Henrico County. The company has indicated its desire to remain in the City, pending a number of requests of the City to accommodate its future growth. The Martin Agency has negotiated with its Landlord, the renewal of its lease for an additional 15 years, contingent upon its ability to expand. Shockoe Plaza, which houses the Martin Agency, is currently 118,000 square feet and was developed by and is owned by Highwoods Realty Limited Partnership. As a part of its renewal decision, Martin must have the ability to expand by 47,000 square feet, increasing its total occupancy to nearly 170,000 square feet. In order to accommodate this growth, the Landlord is proposing to construct an addition to the existing building, which requires the acquisition of the aforementioned property and air rights over Canal Street.

Master Plan

The Downtown Plan recognizes this area as part of the Urban Center Character Area. This area is characterized by higher density, mixed-use development, typically arranged on fine-grained street network, with wide sidewalks, regular tree planting, and minimal setbacks.

Zoning

The subject properties are located in the B-5 Central Business zoning district, which permits office and other commercial uses subject to meeting the feature requirements of the district. The properties are also located in the Shockoe Slip City Old & Historic District and any future building that is visible from the public right-of-way would be subject to review by the Commission of Architectural Review.

Surrounding Area

The Downtown Expressway is adjacent to the properties to the south and west. The existing buildings occupied by the Martin Agency are located to the north and east.

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