



CREATIVE REAL ESTATE SOLUTIONS



BACKGROUND:

Save the Children (STC) is the leading independent organization creating change for children in need around the world.

STC leased nearly 40,000 SF within 2000 L Street, NW, but as organizational growth continued, STC had run out of space. At the same time, Rockrose Development (Rockrose), the property's landlord, began looking into a total building redevelopment that would lead to costs higher than STC's budget.



CHALLENGE:

With 6 years remaining on their lease, STC was faced with trying to terminate the lease early, forcing them to pay \$10M in remaining lease obligation or be priced out of the building once the redevelopment was completed, without the budget to fund a relocation. Before it could begin searching for new space, STC would need to negotiate an early termination settlement with Rockrose.



SOLUTION:

WLS approached Rockrose with the concept of Rockrose using the vacated STC space to as a construction office for the redevelopment. Rockrose agreed and WLS was then able to negotiate the costs of terminating the lease down to \$5 million, and if it was paid up-front, the cost would result in a 6% net present value discount, lowering the obligation to \$4.5 million.

With the termination payment settled, WLS and STC turned toward finding new space. While STC's parameters for image, quality and space were paramount, finding a landlord that STC could partner with to offset moving costs and pay the termination settlement was the next step. WLS found a match in CIM Group (CIM), a real estate owner, operator and lender, which had just converted to a public company and had the financial wherewithal to make a creative transaction like this work. WLS also knew that CIM's building, 899 North Capitol Street, NE, was experiencing protracted vacancy compared to other Class-A quality buildings in the market, despite below-market asking rent prices. Signing a large, prominent tenant such as STC would provide the long-term lease CIM needed to attract other groups.



RESULTS:

WLS was able to negotiate a lease that settled all of STC's financial goals, namely an aggressive concession package that paid the STC lease termination with Rockrose and fully funded STC's relocation, all at a base rent that was lower than STC's prior rent. The agreement was executed when CIM got the green light from the CIM senior leadership to approve this creative and unorthodox transaction. Further, because STC is a nonprofit organization and chose to relocate into an area of the city that is consistently seeking more office-based workers, they were able to apply for a real estate tax credit, which led to a \$5.00 PSF real estate tax credit for ten years.

The new space also solved STC's organizational goals, as the new space layout is designed to STC's new national standards and provides flexibility for the future. STC vacating their old space allowed Rockrose to kick off their redevelopment of their building into the largest multi-tenant office project in the CBD. The STC deal provided the momentum CIM Group needed to spur additional leasing activity, as the building's vacancy rate decreased from 27% to 14% after STC moved in.

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