

CLIENT

Society of American Foresters &
Renewable Natural Resources Foundation

LOCATION

Grosvenor Heights,
Bethesda, MD

TEAM

David Belford
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CHALLENGES

The Society of American Foresters (SAF) owned the historic Grosvenor Mansion located on 35.1 acres of land in Bethesda, Maryland. In the 1970s, the SAF created another organization, the Renewable Natural Resource Foundation (RNRNF), to develop up to 350,000 SF of office buildings on the grounds, *without* clear delineation of how the ownership of the land would be divided between the two organizations. Over time, of the 350,000 SF of total developable square footage, only two office buildings of 25,000 square feet were built, one owned by the RNRNF (which was severely underutilized), and one converted into office condominiums owned by the Nature Conservancy, Wildlife Society, American Fisheries Society, and American Society of Photogrammetry and Remote Sensing.

In 2007, SAF decided to sell the property without the help of a broker. Under the current zoning, the mansion and one acre of land were deemed historic, but the other 34.1 acres were available for redevelopment. SAF passed up a potential buyer who offered \$50 million for the property that would keep the current zoning, in favor of a school who offered \$68 million but needed to rezone the property. The school took the property through entitlements, but as part of the rezoning process was informed by the county that 8 additional acres would be deemed historic and 12 acres would be designated legacy open space, meaning that 21 of the 34.1 acres were unusable for redevelopment. Because the land would become significantly encumbered, and facing strong community opposition, the school pulled out of the deal. To make matters worse, the school forfeited a deposit of only \$250,000, but this was less than SAF had spent in legal fees negotiating the sale, meaning that SAF lost both money and a significant amount of time.

Broad Street Realty was initially hired in 2007 to represent the SAF to find a new headquarters, with the assumption that the sale to the school would close. When the sale fell through, SAF could no longer afford a new headquarters, and BSR was instead engaged to sell the land parcel owned by the groups.

ACTIONS:

Broad Street Realty aggressively marketed the property to find a buyer who could redevelop the property given the constraints required by the county, and were able to secure an attractive offer from a highly qualified buyer. Based on the strength of this buyer, both the SAF and RNRF agreed to sell their portions of the property, which was contingent on the buyer obtaining several levels of zoning approvals.

For the sale to proceed, BSR had the challenge of negotiating with all of the 6 parties that had ownership in the property, the first of which was to negotiate an agreement between the SAF and the RNRF about what percentage of the sale proceeds would go to each party. BSR also negotiated with the condo owners to entice them to support the sale and expedite the sale process, this being accomplished by BSR getting the buyer to provide improvements to the office condo building (which by that point had become significantly outdated).

Seven years had lapsed between the time that BSR was initially engaged by the SAF to the time the sale closed, demonstrating BSR's commitment to getting results for their clients regardless of the many complexities involved and the significant time commitment required by BSR.

RESULTS

- BSR successfully sold the 34.1 Acre Parcel, which at the time was the largest privately held piece of undeveloped land remaining in Bethesda.
- BSR negotiated a \$5 million nonrefundable deposit from the buyer to protect their client in the due diligence phase in case the sale did not close.
- The buyers, EYA and Streetscape Partners, purchased the property for \$34.1 million and eventually developed 240 townhomes and 23 single family homes, at an average sale price of \$1.1 million.
- The historic mansion was excluded from the sale, and was retained by SAF.
- SAF has since retained BSR to sell the historic mansion.

