

Implementation



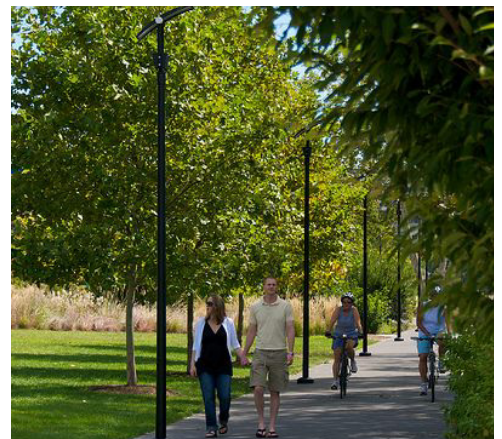
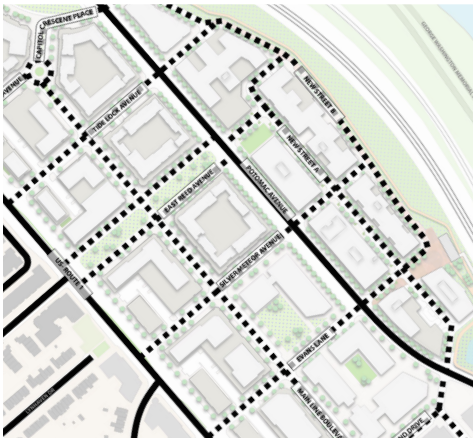
IMPLEMENTATION



Alexandria’s growth in the past is partially the result of planning and infrastructure investments, such as the Eisenhower and King Street Metrorail stations and the urban street grid, that were the result of both public and private investment. The build-out of the Plan area, the Potomac Yard Metrorail station, land uses, street grid and associated infrastructure will enable long-term redevelopment for the City, similar to infrastructure investments and planning in the City decades ago. If the City implements all the recommendations of the Plan, the City could capture a significant share of the projected regional growth. The Plan lays out an ambitious 20 to 30-year vision for North Potomac Yard.

A. Overview

It is important to understand the degree to which the implementation and infrastructure components of the Plan are interrelated and depend on one another for their success. The required infrastructure and development must also be carefully phased. The transportation and circulation through the site are based on the provision of a Metrorail station and dedicated transit. Without a Metrorail station, the Plan does not work and is not feasible. The success of the residential neighborhoods will depend on the viable retail and commercial uses which will provide convenient access to goods and services. Open space and design excellence add value but will also add amenities for the workers, residents, and visitors. Without all the necessary infrastructure improvements and amenities working together and phased appropriately, potential tenants, residents, and retail patrons will go somewhere that does provide the desired level of infrastructure improvements and amenities.



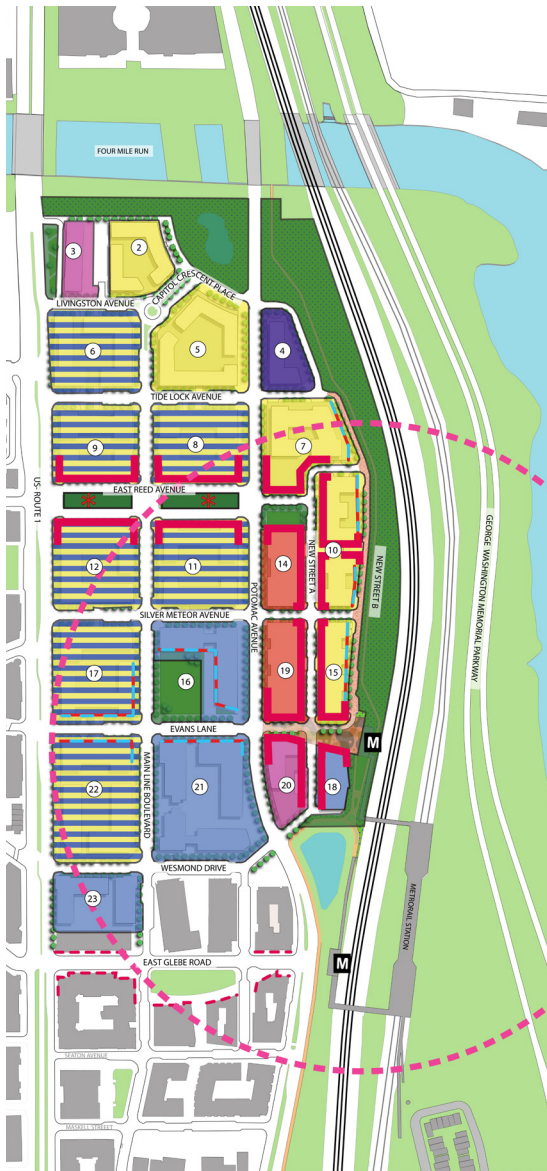
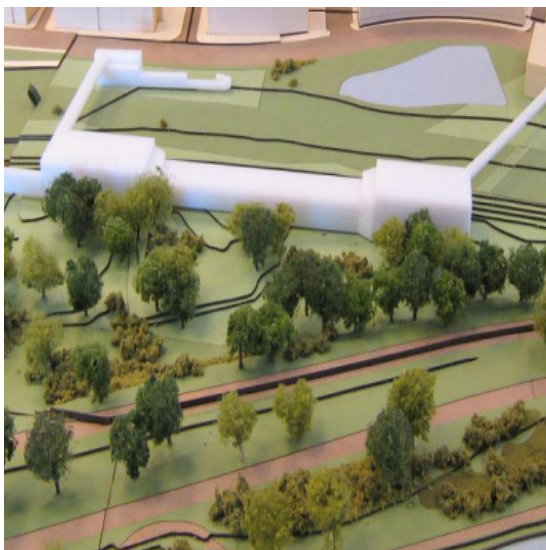


Figure 9.1 Land Use Plan, Required and Optional Retail Locations, and 1/4 Mile Pedestrian Walkshed



This chapter incorporates the planned land use and density, infrastructure, transportation, amenities, community facilities, phasing, and fiscal impacts. The implementation chapter serves several purposes:

- Evaluate the overall financial feasibility of the land use plan;
- Understand and describe the project economics and general financing concepts;
- Understand and describe the basic financial transaction structure between the City and developer contributions;
- Ensure that private development provides funding for public improvements and their on-going maintenance; and
- Find the right balance of private and public funding that is needed to construct the Metrorail station.

B. Infrastructure, Amenities, and Phasing

The cost to construct a new WMATA Metrorail station has been previously estimated by WMATA to be approximately \$270 million. The final cost and project budget will be finalized later in 2017 when WMATA selects a contractor and negotiates a construction contract. The developer is expected to construct the dedicated transitway. An additional \$5 million is anticipated for other transportation improvements, as well as other mitigation measures if deemed necessary through the development review process. Transportation is not the only needed infrastructure given the number of employees, residents, visitors and students who will eventually reside, work or visit North Potomac Yard. Significant additional investment in sewer and water distribution and management are needed to accommodate the basic needs generated by the planned amount of development. In addition, services such as police, fire and schools will be required for the proposed development, and anticipated to be funded with a portion of the new taxes this project will generate.

The discussion of the funding for the Metrorail station in this chapter provides a static summary of total project financing, total project costs and total revenues. These costs and revenues are incurred over time from the inception of development through the build-out of the project and the impacts of these timing issues have a potentially significant impact on the overall financial feasibility of the project. As is often the case with large, complex, urban infill redevelopment efforts, in the initial years of planning and construction, a large proportion of overall costs must be

incurred and revenues follow much later. At North Potomac Yard this is particularly true as a result of the significant infrastructure improvements, such as the Metrorail station, that must be made in the early phases to support the planned development.

C. Zoning and Development Conditions

The City's Zoning Ordinance is a key regulatory tool, and is used to direct the size, character, use, and location of development throughout the City. Coordinated Development District #19 has been established to implement the Plan.

The increase in allowable development from 600,000 square feet to approximately 7.5 million square feet will require significant investment from the developer for infrastructure and facilities and amenities to meet public needs. The following are some of requirements, which are generally included in the development special use permit process:

- Street and Street Improvements – Sidewalks – Street right-of-way (necessary to serve the needs of the site);
- Applicable Utilities such as Sanitary and Storm Sewer – Water – Electric (necessary to serve the needs of the site);
- Parks – Open Space (necessary to serve the site);
- Voluntary Affordable Housing Contribution;
- Voluntary Public Art Contribution;
- High Quality Architecture and Streetscape;
- Underground Parking; and
- Sanitary Sewer and Stormwater.

In addition, for the development proposed in the Plan to be implemented, the following major transportation infrastructure improvements are required:

- WMATA Metrorail Station; and
- Extension of the Dedicated High-Capacity Transitway (Metroway) into North Potomac Yard.

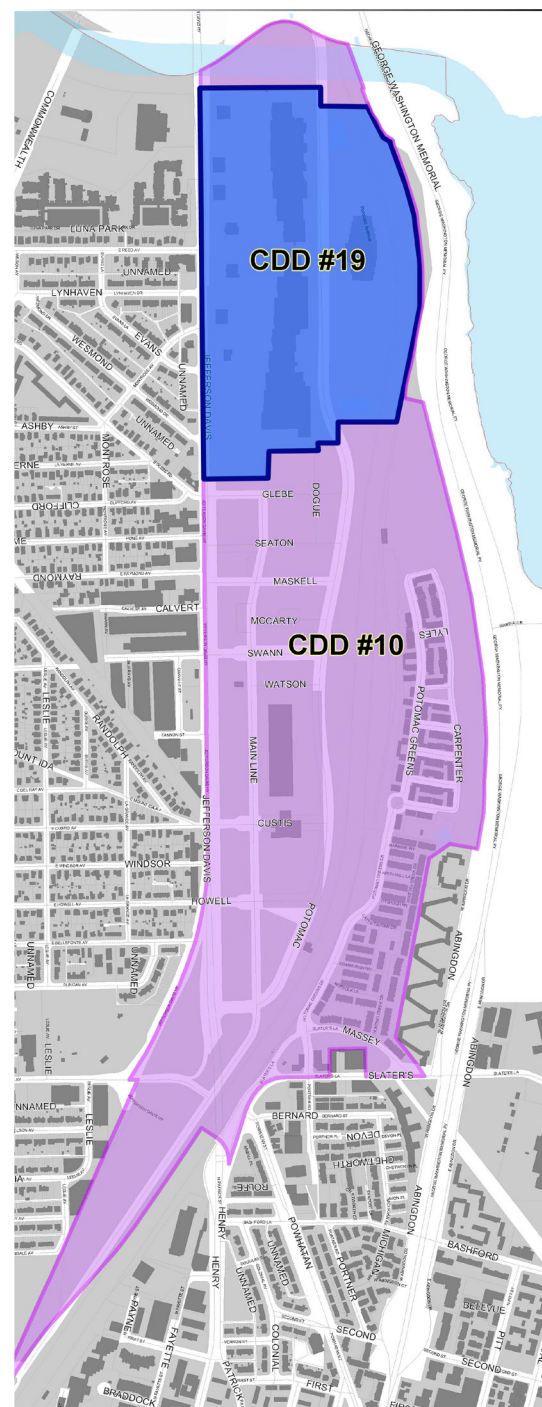
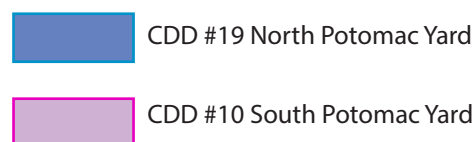


Figure 9.2 CDD Zoning for Potomac Yard



In the event that the Metrorail station is not constructed, no more than 3.7 million square feet of development may be constructed.

The Plan recommends a number of other community benefits, desired by the City and community, be provided at additional cost to the developer, some of which include the following:

- Reservation for future school;
- Civic Uses – Performing Arts Theatre, etc.; and
- Green – Sustainable Building Elements

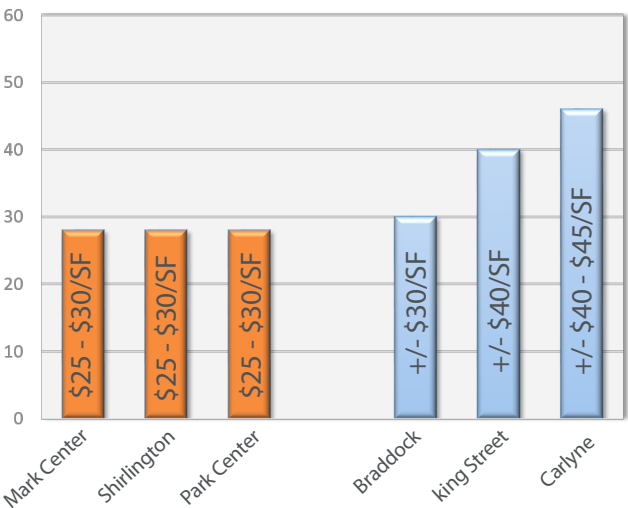
The developer’s ability to invest in community benefits is driven by the strength of the market (i.e. achievable rents and revenues) and development costs. Although Potomac Yard is in a relatively strong market, there are significant costs associated with infrastructure development. In addition, because of the existing retail buildings and uses, redevelopment must generate enough income to pay development costs and achieve an adequate investment return to redevelop the existing buildings. When a return exceeds the return-on-cost threshold there is an opportunity for the developer to invest in public amenities.

The Coordinated Development District (CDD) zoning significantly increases the amount of development and associated value that can be provided to the City. The presence of a Metrorail station significantly increases potential public amenities by creating market value (higher rents) and reducing development cost (such as less required parking). In addition, all other things being equal, absorption (the amount and pace of development) near Metrorail stations is faster than non-Metro locations. Office rents at Metrorail stations in Alexandria are almost one-and-a-half times greater than comparable non-Metrorail locations. As such, the ability for the developer to contribute significantly

toward public amenities increases significantly, almost tenfold, when the Metrorail station is constructed.

While the current economic state of commercial real estate development makes a calculation speculative, accounting for developer cost and profit margin, the construction of a new Metrorail station will increase the value of the land by as much as \$240 million, creating value that can be spent toward community benefits. (See Table 9.1). The contribution amount will be refined as part of the implementation phase of the project.

Chart 9.1: Office Rents at Metrorail and Non-Metrorail Locations



Metro Location

Non-Metro Location

- Average Metro Proximate Office Value = \$37.70
- Average increase of \$9.70/SF in office value for Metro Proximate Locations

Source: Department of Real Estate Assessment

Table 9.1: Increase in Value of Land Due to Increase in Planned Development

2.5 FAR, METRO OFFICE/RETAIL MIX POTOMAC YARD RETAIL CENTER			
	Existing Zoning	2.5 FAR	
Land Area	3,008,589 sf	3,008,589 sf	
FAR Feet	600,000 sf	7,521,473 sf	
<i>Retail</i>	600,000 sf	(20%) 1,504,295 sf	
<i>Office</i>	0	(80%) 6,017,178 sf	
Retail			
Land Value	\$90,000,000	\$60,171,800	
Value /FAR Ft.		\$40.00	
Office			
Land Value	\$0	\$270,773,000	
Value /FAR Ft.		\$45.00	
Difference			
Total Value	\$90,000,000	\$330,944,800	\$240,944,800
Discount for Profit			(10.00%) \$216,850,300
Contribution / FAR Ft.			\$28.83

Source: City of Alexandria, W-ZHA

D. Overview of Financing The Potomac Yard Metrorail Station

The rezoning of North Potomac Yard (Landbay F) increases the development in North Potomac Yard from 600,000 square feet of “big box” retail to 7,500,00 square feet of mixed-use development. The transportation network in this area of the City will not support this level of development, and therefore, the construction of a new Metrorail station and dedicated transitway are necessary to accommodate the planned development.

Funding of the Metrorail Station

The City has established the Potomac Yard Metrorail Station Fund, the proceeds of which are to be used solely for the design, construction, and financing of the station and will be segregated from other revenues. Potomac Yard Metrorail Station Fund will accumulate revenue from the following sources:

- Net New Tax Revenue;
- Special Tax Districts;
- Developer Contributions; and
- Federal-State Grant.

Net New Tax Revenue: For new tax revenue generated by new development in Potomac Yard, fixed percentages will be allocated to the General Fund to pay for City services and schools that the new Potomac Yard residents and businesses will need. The net new tax revenues will go to the Station Fund to pay debt service and station-related operating costs. Any remaining balance after the Potomac Yard Metrorail Station debt service and station operating costs will go to the City's General Fund to fund City-wide service for Alexandria residents and businesses.

Special Tax Districts: Two special tax districts (Figure 9.3) have been established to generate revenue for the Station Fund. The Tier I special tax district applies to non-single family development and collects 20 cents per \$100 of valuation. The tax levy in the Tier I district began in 2011. The Tier II special tax district would apply to single-family and condominium development in the southern part of Potomac Yard and is planned to assess 10 cents per \$100 of valuation. Collections are planned to begin in the calendar year after the station opens. Once station costs and all other potential sources of funding are better known, a final decision on the Tier II special tax district will be made.

Developer Contributions: CPYR, Inc., the owner of North Potomac Yard, is required to contribute up to \$54.6 million in 2017 dollars for the Metrorail station, indexed to inflation, some of which could be accelerated as a shortfall guaranty. MRP and PYD, the developers of the southern portion of Potomac Yard, previously agreed to contribute \$2 million as well as some of the land for the Metrorail station.

Federal-State Grant: A federal grant with a state match of \$1.0 million was utilized in the early stages of project planning and environmental documentation.

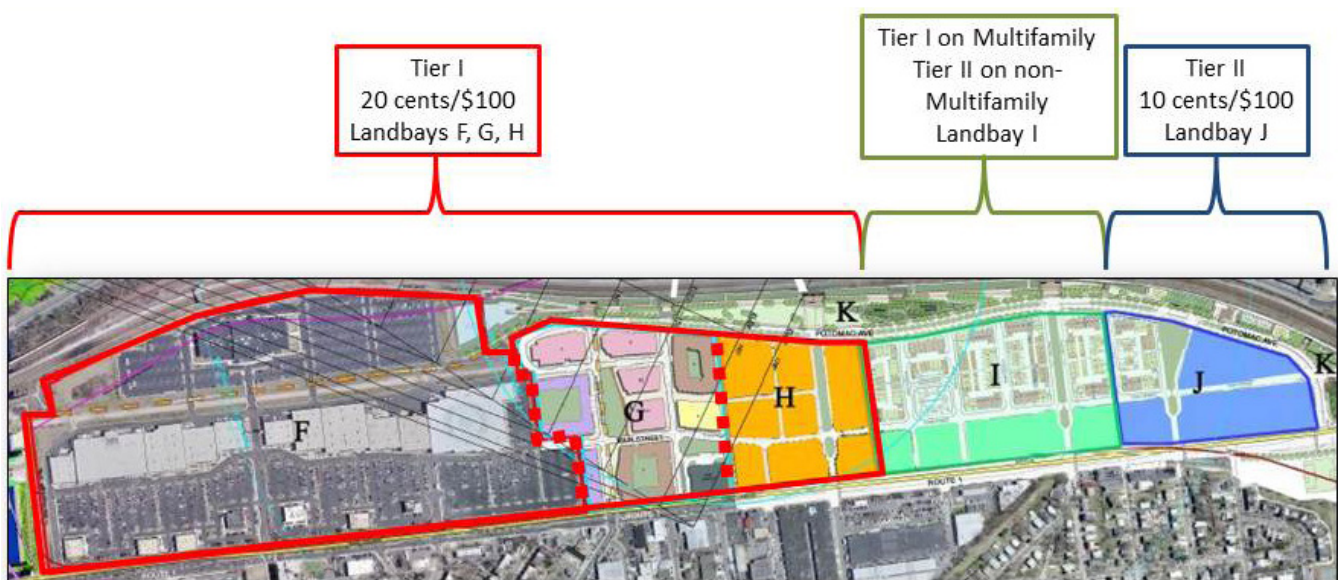


Figure 9.3: Potomac Yard Special Tax Districts

In addition, The City has been awarded a \$69.5 million grant from the Northern Virginia Transportation Authority (NVTA), to be used for planning, design, and construction of the Metrorail station. The rest of the station capital costs will largely be financed by borrowing of the City.

The revenue sources described above will be used to pay back loans from three sources:

- **Virginia Transportation Infrastructure Bank (VTIB):** In 2015, the City was awarded a \$50 million loan from the Virginia Transportation Infrastructure Bank. The low interest rate of the loan (2.17 percent) will reduce borrowing costs by lowering the overall debt service associated with total borrowing requirements for construction of the station. The flexible terms of the VTIB loan repayment reduce the City's risk as new development is anticipated to generate new revenues utilized for the repayment of principal and interest associated with the loan.
- **Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan:** The City is seeking a low cost substantial TIFIA loan (amount to be determined) from the U.S. Department of Transportation. Similar to VTIB, a TIFIA loan would have lower borrowing costs and flexible repayment terms, which would reduce the overall debt service and reduce risk associated with the pace of development.
- **General Obligation Bonds:** The City plans to fund the station construction costs not funded through other sources by issuing general obligation bonds (amount to be determined). The bond issuance will be structured to minimize debt service in the early years, with a gradually increasing annual principal repayment over the 30- year amortization period. A letter of credit would also likely be obtained by the City as an interim bridge financing source



Conceptual rendering of southern Metro Pavilion at East Glebe Road and Potomac Avenue.

Note: Final design of the Metrorail station will be subject to review and approval by the Board of Architectural Review (BAR).

E. Phase I Development

Land Use

Phase I of development as depicted in Figure 9.4 is a 25-acre area east of Potomac Avenue, where the current theater is located. Phase I (Figure 9.5) proposes a land use mix of office, residential, hotel, and retail uses. The remainder of the sites west of Potomac Avenue would be developed in future phases. It is projected that the remaining phases will take 20-25 years to complete.



Figure 9.4: Phase 1 Existing Site Conditions

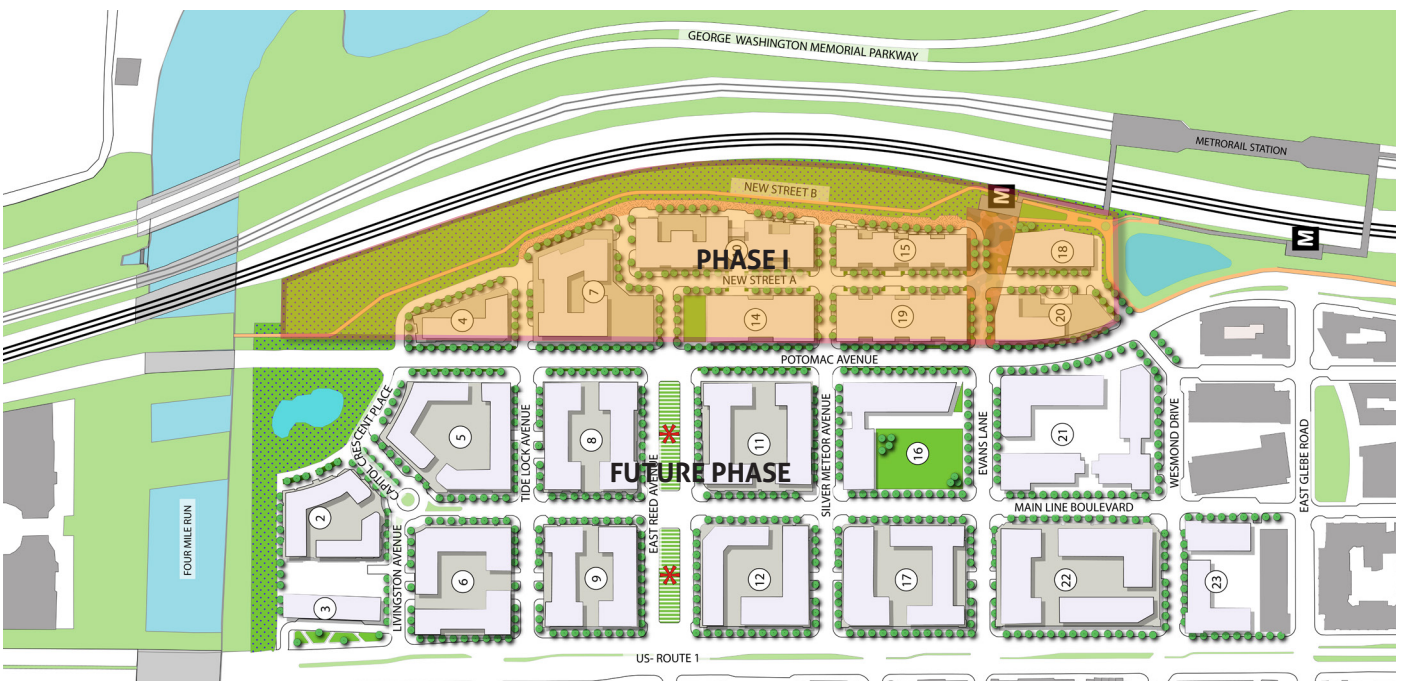
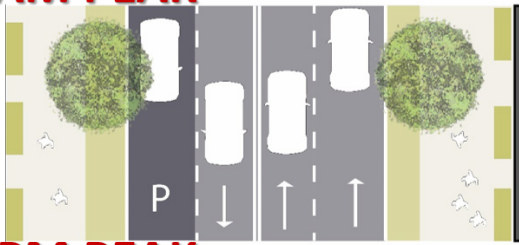


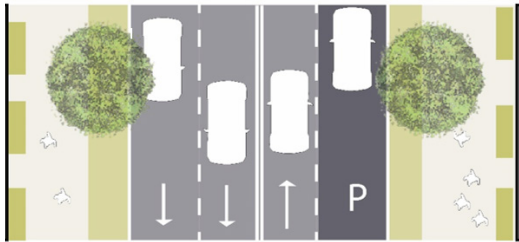
Figure 9.5: Phase 1 Illustrative Plan

 Phase 1

AM PEAK



PM PEAK

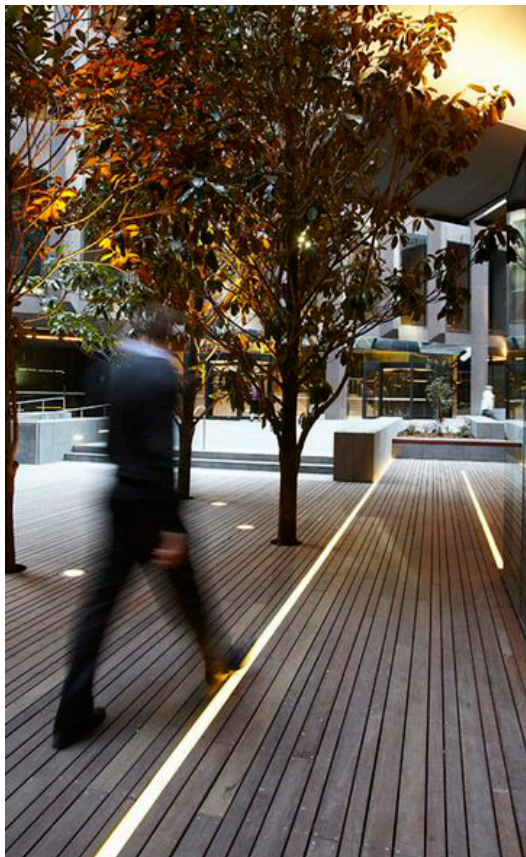


NON PEAK



Phase I Potomac Avenue Configuration

Depicts two travel lanes in the AM and PM peak directions, and on-street parking in both directions at all other times.



Transportation

Phase I redevelopment anticipates retaining Potomac Avenue in its current alignment with transportation improvements to pedestrian safety and the character of the street. During peak hours, Potomac Avenue will include two travel lanes in the peak direction and one travel lane and on-street parking permitted in the non-peak direction; in non-peak hours, there will be one travel lane in each direction, with on-street parking permitted in the outside travel lanes. Additionally, five traffic signals are proposed along Potomac Avenue at the intersections of Wesmond Drive, Evans Lane, East Reed Avenue, Silver Meteor Avenue, and Tidelock Avenue. These improvements will provide traffic and pedestrian signals at urban intervals, reduce travel speed along Potomac Avenue, provide on-street parking to serve retail uses, and enhance the pedestrian character of the street.

The existing Potomac Avenue Trail on the west side of Potomac Avenue will remain during Phase I, with a new north-south multi-use trail provided in the extended portion of Potomac Yard Park. The multi-use trail will connect with the existing trail with the south as well as the bike ramp to Potomac Greens Park. The final design and location of the trail will occur with the design of Potomac Yard Park.

Transit

During Phase I, the Metroway will run on its existing alignment in dedicated lanes along Route 1 from Potomac Avenue to East Glebe Road, then in shared lanes turn right (northbound) on East Glebe Road and then left onto Potomac Avenue, continuing north to Arlington. The existing theater and shopping center are served by two DASH bus lines, the AT9 and AT10, which will continue to serve the site. The realignment of these two lines will be analyzed and finalized as part of the development review process.

Open Space

As part of Phase I, the following open spaces will be provided: Metro Plaza, Market Lawn, and an extended Potomac Yard Park. Combined, these open spaces equal approximately 5 acres of new ground level public parks or open spaces within the first phase of redevelopment. The final design of these open spaces will occur during the development review process with opportunity for public input and participation.

F. Plan Implementation

The Plan recommends a comprehensive approach to addressing a variety of issues that will require coordination throughout the Plan area. Implementation of these recommendations will be coordinated and implemented as part of the development review process.

Each of the plans outlined below will be submitted with each phase of development and amended with each subsequent phase to achieve the intent and recommendations of the Plan.

Environmental Sustainability & Stormwater Management

The Plan aims to establish and prioritize environmental sustainability and performance recommendations across the entire Plan area. The Environmental Sustainability Master Plan (ESMP) required by this Plan will provide guidance and identify short-term, mid-term and long-term strategies to achieve carbon neutrality and coordinate sustainability in a comprehensive manner. The ESMP will include green buildings, open spaces, stormwater management, energy and water efficiency, conservation measures, and use of renewable resources and emerging technologies. Additionally, green building targets established as part of this Plan will comply with the Environmental Action Plan (EAP), as implemented through City policies.

A Wastewater Management Plan (WWMP) will also be required to provide a comprehensive approach to reducing, mitigating, treating, and reusing water resources. The WWMP will address stormwater management, green infrastructure, and other tools and technologies.

The measures identified in these documents will be coordinated and implemented through the subsequent development applications.

Community Facilities

The Plan requires the developer to provide a comprehensive Community Facilities Proposal (CFP) that identifies and anticipates the general locations and sizes of community facilities and/or public buildings within the Plan area. The CFP can also include locations for the school, daycare/childcare, and other civic use buildings. The CFP should be coordinated with the City to identify City facility needs, community needs, and needs of future residents/users. The implementation of the CFP will occur as subsequent development applications are submitted and reviewed by the City.

Open Space

The Plan requires the developer to provide a comprehensive Open Space Plan to identify location, size and use of public and private open space.