

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 27, 2013

TO: CHAIR AND MEMBERS, PLANNING COMMISSION

FROM: FAROLL HAMER, DIRECTOR, PLANNING & ZONING *jh*

SUBJECT: IMPLEMENTATION OF BEAUREGARD SMALL AREA PLAN PUBLIC BENEFITS UPDATED SOURCES AND USES; AFFORDABLE DELIVERY SCHEDULE; ALLOCATION OF NET NEW REAL ESTATE TAX REVENUES

The Beauregard Small Area Plan (BSAP) included a financing plan reflecting sources and uses for the delivery of the contemplated \$258 million (future dollars) in public benefits including the delivery of 800 units of affordable and workforce housing. As part of the rezoning planning process, that financing plan has been updated (Attachment I). The key changes from the BSAP original public benefits financing plan (Implementation chapter, p. 151) are described below:

1. Based on current developer estimates, all of the Beauregard development plans have been shifted to start one year later than what was projected in the BSAP plan. Since the public benefits will largely be paid with developer contributions paid at each building's certificate of occupancy, as well as from the real estate tax increment which occurs at each stage of the development process, those public benefit projects (with the exception of affordable housing), developer contributions, and real estate tax revenues have also been shifted out one year.
2. When the BSAP negotiations were initiated, costs paid for by the developer contribution rate were first calculated in 2011 dollars which resulted in a \$12.55 per square foot contribution rate. This contribution rate has now been adjusted forward by actual inflation (CPI-U) since then to \$13.13 in 2013 dollars. CPI-U will continue to then be applied annually starting in 2014.
3. In addition to the inflation adjustment noted above, due to the shift out by one year of all planned development, all public benefit costs and developer contribution rates have been inflated by 3% in each year of the plan implementation. This is the primary reason why the plan implementation cost has increased from \$258 million to \$263 million.

4. In the rezoning negotiations, the developers agreed to an additional new added 3 cents per square foot for storm water initiatives. This has been added to the \$13.13 contribution rate to a new \$13.16 2013 rate, and a new storm water initiative added to the public benefits line.
5. In order to better define the likely costs of the Ellipse over the next year rather than waiting for this \$35 million project cost refinement in 2017, the City's FY 2014 Transportation Improvement Program contemplates funding \$0.3 million in preliminary Ellipse design and engineering costs so the Ellipse cost refinement could occur earlier. These savings were reallocated to storm water initiatives and, when added to the new 3-cent developer paid add-on, results in \$0.6 million (2013 dollars) in funding for new storm water initiatives.
6. With the non-participation of the dry cleaner's site in the Hekemian land assemblage at Beauregard and Seminary, 75,000 square feet of development and its related developer contributions have been removed from the plan. The net result is that net new Beauregard real estate tax revenues of about \$1.0 million will be substituted. If the dry cleaner's site is reincorporated into the Beauregard Plan at some point in the future, the developer contribution rate of \$13.16 (as annually adjusted) would be proposed to be applicable to that site.

As described in the rezoning documents, the affordable/workforce housing plan was revised to serve more of the Beauregard low-income population, to leverage federal low income housing tax credits, and to deliver these affordable housing units earlier than the BSAP plan contemplated:

1. The BSAP projected 29 years to deliver all 800 affordable/workforce housing units while the revised proposal delivers these units in 21 years.
2. The BSAP projected that the median delivery date would be in year 11 of the plan, while the revised proposal would deliver the 400th unit in year 10 of the plan.
3. The revised plan has more affordable housing units in place in 22 years of the 29 year implementation plan, and fewer units in place in only 4 years of the plan.

A comparison of the projected unit delivery schedule (Beauregard Small Area Plan vs. Rezoning Plan) is included as Attachment II.

As part of the discussion of the rezoning process, Planning Commissioner Hyra requested that a chart of the projected net new real estate tax revenues generated by the proposed Beauregard redevelopment be prepared. The chart (Attachment III) shows that all net new real estate taxes from Beauregard redevelopment are proposed to be used to fund Beauregard public benefits (mostly to fund more affordable housing above that which the developers will contribute to) from 2017 to 2027. From 2017 to 2035, the City would direct \$100.3 million of net new Beauregard tax revenues towards Beauregard public benefits, with \$44.1 million of that amount

being reimbursed by developer contributions from 2028 until 2042. This results in a final City contribution of net new Beauregard real estate tax revenues of \$56.2 million. Starting in 2027, some to all of the net new real estate tax revenues received annually become available to fund, through the City's General Fund, services Citywide and in the Beauregard area.

- Attachments
- I: Beauregard Plan Public Benefit Funding Summary: Sources and Uses
 - II. Affordable/Workforce Housing Plans: Comparative Delivery Schedule
 - III. Proposed Allocation of Net New Real Estate Tax Revenues

Beauregard Plan Public Benefit Funding (\$ in Millions) Sources and Uses

(Revised)

PUBLIC BENEFITS (Uses)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fire Station			1.1	5.2	5.4						
Ellipse					3.4	15.6	16.1				
Rapid Transitway			2.6	12.3	12.6						
Landscaping Beauregard				1.8	1.8						
Tree Canopy			0.2					0.2			
Other Roads				0.2	0.2	0.1	0.1				
Ramsay Field/Other								0.6	3.0	3.8	0.9
Other Parks										0.4	1.7
Stormwater Improvements											
A/W Housing	2.0	2.0	0.1	0.1	3.2	0.1	4.0	12.8	9.3	17.6	20.3
Total	2.0	2.0	4.0	19.6	26.6	15.8	20.2	13.6	12.3	21.8	22.9
Funding (Sources)											
Developer Contributions			19.5	1.1	19.9	3.2	5.5	7.8	1.8	8.9	8.3
RE Tax Revenues			3.0	3.4	6.8	7.5	8.7	10.0	10.7	12.5	14.5
City Housing Trust Fund/Other	2.0	2.0					4.0				
Total	2.0	2.0	22.5	4.5	26.7	10.7	18.2	17.8	12.5	21.4	22.8

Beauregard Plan Public Benefit Funding (\$ in Millions) Sources and Uses
(Revised)

PUBLIC BENEFITS (Uses)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Fire Station											
Ellipse											
Rapid Transitway											
Landscaping Beauregard											
Tree Canopy		0.3					0.4				
Other Roads											
Ramsay Field/ Other											
Other Parks	1.7										
Stormwater Improvements							0.6	0.6			
A/W Housing	18.5	20.1	9.9	8.3		7.6	10.2	8.5	8.8	6.3	
Total	20.2	20.4	9.9	8.3	0.0	7.6	11.2	9.1	8.8	6.3	0.0
Funding (Sources)											
Developer Contributions	4.6	9.0	7.1	4.7	8.9	8.5	13.0	4.0	9.6	4.9	7.5
RE Tax Revenues	15.7	11.0	(1.2)	3.6	(8.9)	(0.9)	(1.8)	5.1	(0.8)	1.4	(7.5)
City Housing Trust Fund/Other			4.0								
Total	20.3	20.0	9.9	8.3	0.0	7.6	11.2	9.1	8.8	6.3	0.0

Beauregard Plan Public Benefit Funding (\$ in Millions) Sources and Uses
(Revised)

PUBLIC BENEFITS (Uses)	2037	2038	2039	2040	2041	2042	Grand Total
Fire Station							11.7
Ellipse							35.1
Rapid Transitway							27.5
Landscaping Beauregard							3.6
Tree Canopy	0.4						1.5
Other Roads							0.6
Ramsay Field/ Other							8.3
Other Parks							3.8
Stormwater Improvements							1.2
A/W Housing	0.0	0.0	0.0				169.7
Total	0.4	0.0	0.0	0.0	0.0	0.0	263.0
Funding (Sources)							0
Developer Contributions	5.9	7.8	0.0	10.5		12.8	194.8
RE Tax Revenues	(5.5)	(7.8)	0.0	(10.5)	0.0	(12.8)	56.2
City Housing Trust Fund/Other							12.0
Total	0.4	0.0	0.0	0.0	0.0	0.0	263.0

Beauregard Affordable/Workforce Housing Plans

BSAP Affordable and Workforce Housing Plan

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set-aside Affordable and Workforce Housing Units	47	46	0	0	0	58	56	62	38	60
Cumulative Set-aside Affordable and Workforce Housing Units	47	93	93	93	93	151	207	269	307	367

Revised Beauregard Affordable and Workforce Housing Plan

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set-aside Affordable and Workforce Housing Units	43	42	8		36	0	69	103	29	104
Cumulative Set-aside Affordable and Workforce Housing Units	43	85	93	93	129	129	198	301	330	434
Cumulative Difference between BSAP and Revised Plan	(4)	(8)	0	0	36	(22)	(9)	32	23	67

Beauregard Affordable/Workforce Housing Plans

BSAP Affordable and Workforce Housing Plan

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Set-aside Affordable and Workforce Housing Units	60	60	30	30	30	30	30	20	20	20
Cumulative Set-aside Affordable and Workforce Housing Units	427	487	517	547	577	607	637	657	677	697

Revised Beauregard Affordable and Workforce Housing Plan

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Set-aside Affordable and Workforce Housing Units	60	53	56	27	22	0	19	75	20	20
Cumulative Set-aside Affordable and Workforce Housing Units	494	547	603	630	652	652	671	746	766	786
Cumulative Difference between BSAP and Revised Plan	67	60	86	83	75	45	34	89	89	89

Beauregard Affordable/Workforce Housing Plans

BSAP Affordable and Workforce Housing Plan

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Grand Total
Set-aside Affordable and Workforce Housing Units	20	20	9	9	9	9	9	9	9	800
Cumulative Set-aside Affordable and Workforce Housing Units	717	737	746	755	764	773	782	791	800	

Revised Beauregard Affordable and Workforce Housing Plan

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Grand Total
Set-aside Affordable and Workforce Housing Units	14	0	0	0	0	0	0	0	0	800
Cumulative Set-aside Affordable and Workforce Housing Units	800	800	800	800	800	800	800	800	800	

Cumulative Difference between BSAP and Revised Plan	83	63	54	45	36	27	18	9	0	
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Beauregard Redevelopment
Proposed Allocation of Net New Real Estate Tax Revenues
(\$ in millions / future dollars)

Net New Real Estate Tax Revenues Allocated
Towards Beauregard Public Benefits Plan

2017	\$3.0	
2018	3.4	
2019	6.8	
2020	7.5	
2021	8.7	
2022	10.0	
2013	10.7	
2024	12.5	
2025	14.5	
2026	15.7	
2027	11.0	
2028	(1.2)*	
2029	3.6	
2030	(8.9)*	
2031	(0.9)*	
2032	(1.8)*	
2033	5.1	
2034	(0.8)*	
2035	<u>1.4</u>	
Subtotal	\$100.3	
	<u>(44.1)</u>	Less future developer contribution reimbursement (see right column below)
Total	\$56.2	= Net City Beauregard Public Benefits Contribution

*Contributions by developers in years where there are no public benefit expenditures scheduled in that year. These funds would reimburse the City for a part of prior years' public benefit expenditures.

Net New Real Estate Tax Revenues
Allocated for City Services
(Future Dollars)**

Developer Contributions
(Future Dollars)

2027	6.8	
2028	19.6	
2029	16.5	
2030	23.2	
2031	25.6	
2032	28.9	
2033	25.4	
2034	33.1	
2035	33.5	
2036	37.5	7.5
2037	39.8	5.5
2038	42.6	7.8
2039	43.9	
2040	47.1	10.5
2041	48.7	
2042	<u>52.4</u>	<u>12.8</u>
Total	\$524.6	\$44.1

Net Present

Value* \$216.1 million**

\$18.2 million

***"Net new real estate taxes" are defined as the difference between the value of existing real property planned to be redeveloped and the value of future real property value when redeveloped. No deduction for the cost of the provision of City services to the new residents and businesses in the Beauregard area has yet been taken. These revenues are planned to be allocated for both providing the cost of City services to the Beauregard area as well as to help fund the cost of future City services. Calculations are expressed in future dollars and reflect the impact of inflation.

***Net Present Value reflects the discounting of the above totals to 2013 dollars. In effect, net present value removes the impact of compounded inflation from 2027 to 2042 and expresses these numbers in 2013 dollars (i.e., today's purchasing power).