

City of Alexandria, Virginia

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: KARL W. MORITZ, DIRECTOR, PLANNING & ZONING
THROUGH: JAMES F. PARAJON, CITY MANAGER
DATE: MARCH 6, 2024
RE: DISCUSSION ITEM: PROPOSAL TO INCREASE THE CATALYST
CEILING IN THE EISENHOWER WEST/LANDMARK VAN DORN
CONTRIBUTION POLICY

Recommendation

As permitted through the adopted [Eisenhower West/Landmark Van Dorn Developer Contribution Policy](#), staff is proposing to the City Council that the policy's catalyst phase ceiling of 3 million square feet be raised to 4 million square feet.

Summary

The established policy for developer contributions in Eisenhower West/Landmark Van Dorn (EWLVD) sets a ceiling for the "catalyst phase" at 3 million square feet of approved development. After the catalyst phase is over, the developer contribution rate rises from \$3.57 (2024\$) per square foot to \$8.34 (2024\$) per square foot. Approved development has reached 2.5 million square feet and, unless the catalyst ceiling is increased, any new projects will be subject to the post-catalyst rate.

The policy envisions that the catalyst ceiling will be re-evaluated before moving to the post-catalyst phase. Staff's judgement is that the area's market is still in the catalyst phase, because there is not yet sufficient market support for new development to shoulder an increased developer contribution rate. This is in part due to changes in regional and national market realities, including significantly increased costs of construction (materials and interest rates) as well as the scarcity of funding.

Staff is proposing to the City Council that the catalyst "ceiling" be increased from 3 million to 4 million square feet, which will allow pending projects to move forward as catalyst.

The proposal was discussed with the Planning Commission during their regular meeting on March 5 during which members expressed their support for increasing the catalyst ceiling given the reality of the economic situation in this part of the city.

Background

The EWLVD developer contribution policy was adopted by City Council in 2018 to assist with funding open space and infrastructure improvements recommended in both the [Landmark Van Dorn Corridor Plan \(2009\)](#) and [Eisenhower West Small Area Plan \(2015\)](#) to mitigate impacts from development. Recommended improvements were grouped into three categories based on their recommended funding sources and timing. Estimated costs for public improvements were \$259M or \$359M (2018\$), depending on selected options identified in the policy:

- Category 1 improvements \$83M or \$183M (2018\$)
 - Multimodal Bridge or Van Dorn Bridge widening \$151M or \$51M
 - Van Dorn Bridge Pedestrian Improvements \$5.3M
 - Backlick Run Park Improvements \$12M
 - Eisenhower Avenue Straightening/Realignment \$13M
 - Spot Improvements at various intersections \$2.5M
- Category 2 improvements \$74M (2018\$)
 - West End Transitway
- Category 3 improvements \$101M (2018\$)
 - High Street Bridge \$50M
 - Farrington Connector \$51M

The policy recommends a phased developer contribution approach with a rate of \$3.57/sf (2024\$) for catalyst projects to help incentivize redevelopment in the short- and mid-term. Catalyst rates are applied to the first 3 million sf of approved development. Longer term non-catalyst projects would pay a higher rate of \$8.34/sf (2024\$). This phased approach allows time for policy considerations and related analysis regarding the Multimodal Bridge or alternative option(s).

Approximately 2.5 million sf of development has been approved to date with approximately 500,000 sf remaining in the catalyst phase.

Two development projects that are currently under review and have been discussed in recent Eisenhower West/Landmark Van Dorn Implementation Advisory Group (EWLVD IAG) meetings are proposals for the Vulcan site (~895,000 gross floor area) and the balance of the 5001 Eisenhower Avenue (Victory Center) site (~820,000 gross floor area).

Staff is proposing that the development threshold for the catalyst rate be raised from 3 million sf to 4 million sf of approved development for the following reasons:

- The idea of a catalyst phase recognizes that Eisenhower West and Landmark/Van Dorn is not yet an established market for new development. Once there are several examples of new projects completed and successfully tenanted (or sold), it will signal to the broader market that the balance of planned development in these areas is a good investment.
- Although the catalyst phase is defined in EWLVD as 3 million square feet of approved development, it is clear that the area will not exit the catalyst phase until a significant

fraction of the 3 million square feet is under construction. The Landmark project, including the hospital, is expected to start construction in 2024.

- Closer to the Van Dorn Metro station, however, recent development has been limited to the townhouses on the eastern third of the 5001 Eisenhower site. Staff believes that both the proposal for the balance of the 5001 Eisenhower site and the proposal for the Vulcan materials site have the potential to shift the Van Dorn market from the “catalyst” phase to a market with some momentum. However, current economic conditions are still very challenging for new development, particularly but not limited to a scarcity of capital for investment and a very high cost of materials. Market rents in the Van Dorn area are not sufficient to overcome these financial hurdles and pay the post-catalyst rate for developer contributions. The proposed increase in the catalyst cap to 4 million square feet would be sufficient to encompass both the Vulcan and 5001 Eisenhower proposals and because they are facing similar economic constraints, should be treated equitably.
- Staff does not believe that the change will significantly impact implementation of the two small area plans, except to facilitate forward movement on important development projects. Staff will bring forward, via the Eisenhower West/Landmark Van Dorn Implementation Advisory Group, an update of the public improvements needed to implement these plans at a future date.