


City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 20, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER 

SUBJECT: POTOMAC YARD LOCALLY PREFERRED ALTERNATIVE
DETERMINATION: FOLLOW UP QUESTIONS AND ANSWERS

In follow up to the Council public hearing on Saturday, May 16, there were a number of questions and issues raised which should be addressed before Council selects a Locally Preferred Alternative (LPA) on May 20. The following text answers the questions as well as addresses some of the issues which Council members and some speakers raised:

Tier II Special Tax District:

Q: Does the Tier II special tax district decision need to be made at this time?

A: The vote by Council on May 20th is to select a Locally Preferred Alternative site for the Metrorail station (or a no build alternative). No decision is needed at this time about station financing. With the Northern Virginia Transportation Authority future grant funding not finalized at this point in time, federal TIGER grant funding unknown, bond interest rates not locked in on the to-be-issued City bonds, and the station costs not to be more certain until the time that the design build contract is near final negotiations, there is logic in holding off a decision at this time on whether to alter or leave in place the Tier II special tax district.

Q: Did Loudoun County and Fairfax County exempt residential property owners from their 20-cent and 19-cent Metrorail Silver Line special tax districts?

A: Loudoun did not exempt residential property owners from their special tax district established to help pay for the Silver Line, but Fairfax did provide a residential tax exemption.

Q: What would be the average annual cost to the Tier II homeowners for the 10-cent special tax district addition to their real estate bill?

A: The Average single family home in Potomac Yard is assessed at \$909,000 with a range from \$705,000 to \$1,200,000. This would result in a Metrorail station 10-cent tax average of \$909 with the range being between \$705 and \$1,200. The average condominium is valued at \$635,900 with a range between \$462,000 and \$746,000. This would result in a Metrorail station 10-cent

tax average of between \$462 and \$746. These numbers are in 2015 dollars and do not reflect future inflation or appreciation of home values.

Q: Are the South Potomac Yard residential homeowners required to pay for the Metrorail station twice because of that developer's \$2 million contribution to the Metrorail station.

A: It is highly unlikely that this developer contribution increased the cost to the Potomac Yard home buyers. First, home builders price new homes based on market conditions and not largely on specific land development costs. While they seek to have their development costs recovered in their business planning whether or not they paid this \$2 million contribution did not likely contribute to Potomac Yard home pricing. Also the \$2 million was a developer obligation for a large portion of the South Potomac Yard area as were other public infrastructure improvements such as the Route 1 Bridge, Landbay K Park, Potomac Avenue, as well as the trunk sewer and pump station.

Q: How could the special tax district be modified?

A: There are a number of ways the tax district could be modified. Currently, based on current 2015 assessments at a 10-cent district rate the tax revenues would be about \$0.5 million per year. The tax district options include (all in 2015 dollars):

1. Cut the tax rate in half. A 5-cent tax rate would result in a loss of revenue of about \$250,000 per year. Each penny is worth about \$50,000.
2. Reduce the time period that the district would be in place from 27 years to 10 years. This would reduce revenues by some \$ 14.6 million over the 17 years that the district would not be in place.
3. Exempt single family homes and condominium units from the tax. The apartments and commercial retail space would pay the tax. That would reduce the annual tax revenues from \$0.5 million per year to \$0.1 million per year.
4. Apply the tax district to Oakville Triangle. At a 10-cent rate that would raise some \$0.5 million per year at full build out. The owner/developer of the Oakville Triangle site has recently indicated that paying the tax is not in its development business plan and if levied, the planned developer contributions for public benefits would be reduced substantially.
5. Eliminate the Tier II special tax district. The cost of that would be \$0.5 million per year

Q: What would be the impact on the City's real estate tax rate if the tax district was eliminated and the General Fund (i.e., City taxpayers made up the lost \$0.5 million)?

A: The impact on the City's real estate tax rate would be just over 1/10th of one cent on the real estate tax rate. It is highly unlikely that this situation would occur as a direct quid pro quo to

cover station costs. Rather any loss of Station Fund revenue due to a loss of Tier II special tax district revenues is likely to result in an equal amount of Potomac Yard station revenue which would have otherwise gone to the General Fund staying in the Station Fund. Also the General Fund impact may just as well be comprised of spending reductions or tempered spending increases in the General Fund.

Station Construction:

Q: What influence does the City have over station design? Does WMATA just follow longstanding station design standards? Can the City insist on new, cheaper, equally good materials and techniques?

A: Although there will certainly be a tension between WMATA standards, engineering functionality and station design, the City intends to have a significant influence on station design. The Planning Commission and City Council will need to approve a Development Special Use Permit (DSUP) for the station. The City's Board of Architectural Review (BAR) for the Old and Historic District will also have review authority over the station design if the B Alternative is selected. While some station features such as the length of the platform, the height of the pedestrian bridges over the CSX tracks, and certain other features need to be uniform or meet specific non-negotiable WMATA technical standards, in the area of exterior finishes, colors and design there is some flexibility. The project will likely be value engineered one or more times during the design-build negotiations process so that the most cost effective materials can be considered.

The City has engaged a consultant to assist in the development of a Memorandum of Understanding with WMATA that will detail each organization's roles and responsibilities during the design build process. The goal is to ensure that the station design is of high quality and that the design process includes input from residents and other stakeholders as appropriate. The National Park Service will also be a partner in the station design process.

Q: What influence do we have over WMATA on costs? While this will be a WMATA construction managed process, the City has to agree to the station construction price before WMATA can proceed to award a construction contract. In addition, the City will be closely working with WMATA on the design-build specifications, the design-build contractor price submissions, as well as the final design-build price negotiations. The FY 2016 City budget includes a new senior engineer position to help oversee the WMATA process in addition to added outside consultant resources the City will employ. During the design-build negotiation process the assignment of contract risks will also be structured.

Q: How will construction access work?

A: Most construction access will likely occur from the north end of Potomac Greens Drive accessing the construction site through the park. No construction access would be permitted from the George Washington Memorial Parkway. Some construction access may also occur across the future pedestrian bridges from the Landbay K Park (which may also be constructed in part or whole from the Landbay K Park). Other access routes may be also utilized, but that will

likely be plotted out during the design-build process particularly once the contractor proposals are received. The contractors may propose other means and methods of construction access.

Q: Will there be construction access utilizing the easement between the WMATA substation through the Old Town Greens property to Potomac Greens Drive?

A: It is anticipated that most of the construction access will be through the north end of Potomac Greens Park. What rights WMATA has under any Old Town Greens area easement is something that WMATA will have to address. The City is confident that adequate rights exist to construct the station. Old Town Greens has raised this issue and WMATA has been asked to respond to them.

Other Issues:

Q: What are the reductions in developer obligations that the owner of North Potomac Yard has indicated it is seeking?

A: The owner of North Potomac Yard CPYR, Inc. has formally indicated to the City that while it will still plan on paying the \$10 per square foot for the first 4.9 million square feet of development, it wishes to change the methodology so as to reduce the real purchasing value of the \$10 per square foot by delaying when inflationary adjustments are made to their contribution rate. It also wishes to reduce the previous shortfall guarantee from \$32 million to \$15 million, as well as to shift out the trigger date for paying for other public benefits. The full details of the requested reduction are included with the letter from CPYR's local developer representative JBG (Attachment I). The City has not accepted any of these requested changes to the developer contribution. None of these proposed financial changes causes the B Alternative not to be financially viable.

Q: What is the CSXT's position on a Locally Preferred Alternative?

A: CSXT weighed in recently (Attachment II) and indicated that it "strongly prefers the B-CSX Design Option not to be chosen" due to what it characterizes as "significant and expensive" disruption to freight, AMTRAK and VRE Operations "far outweighing any potential benefits" to CSXT.

Q: What level of current North Potomac Yard (i.e. retail center) revenues will be lost to the General Fund?

A: None. The Potomac Yard Metrorail Station financial model assumes that all current taxes that North Potomac Yard generates (real estate taxes, sales taxes, meals taxes, etc.) stay in the City's General Fund. Those existing revenues are not being used to finance the Metrorail station. It is the developer's intent (and many current Potomac Yard retailers' plans) to stay in North Potomac Yard after it is redeveloped so those tax revenues are not at risk.

Q: Will there be a continuing role for the Potomac Yard Implementation Monitoring Group (PYMIG)?

A: As was the case with the Woodrow Wilson Bridge construction, an ongoing monitoring group can be of value to the City and other key stakeholders such as the neighborhoods impacted by the construction process. If Council agrees, staff will draft a revised charge and membership for PYMIG and bring that back to Council for consideration. PYMIG discussed this at their last meeting and confirmed the value of an ongoing monitoring group.

Attachment I - Letter from CPYR's local developer representative JBG

Attachment II - Letter from CSXT regarding their position on the Locally Preferred Alternative

THE JBG COMPANIES

Honorable William D. Euille, Mayor
and Members of City Council
City of Alexandria
City Hall Room 2300
301 King St.
Alexandria, VA 22314

Re: Potomac Yard Center (Landbay F)
CDD # 19 – North Potomac Yard

Dear Mayor Euille and Members of Council,

As we have discussed with the City Manager, JBG, together with Lionstone and the owner of Landbay F, are committed to cooperatively working with the City of Alexandria (the "City") to enable the construction of a Metrorail station within Potomac Yard, and ultimately enable the development of the approximate uses and total densities described in the North Potomac Yard Small Area Plan. We believe these densities are achievable under either a Location A or a Location B scenario.

Since JBG's engagement in 2013, the new development team consistently has stated that the constraints of the in-place leases require us to re-develop in a phased approach. This is different but more realistic than the approach envisioned by the prior development team. As you may know, the owner of Landbay F replaced the team that lead the entitlement effort and created the initial development plan with a new investment advisor – Lionstone Investments. In 2012, Lionstone, raised the issue of whether the upfront burden of the \$32MM shortfall guaranty attached to Location B in CDD # 19 could be economically supported by the value of the development of the first phase of Landbay F (Phase I). Lionstone then engaged JBG as the new Master Developer, and charged them with, among other things, developing an economically viable plan to develop Phase I, regardless of the Metro location.

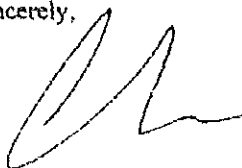
In order to start Phase I and ensure an economically viable redevelopment plan for Potomac Yard Center under a Location B scenario, the City Manager requested and JBG proposed a conceptual framework to amend the prior approvals. This framework included a reduction of the shortfall guaranty and the restructuring of Phase I proffers as outlined in Exhibit A. Although we have discussed these changes with City staff over several months, we want to provide this information in writing to the City Council as you consider the selection of the locally preferred alternative for the Metrorail station, as no one wishes these matters to appear unexpected after making the important LPA decision and the associated expectations with that location. We support the Location B alternative with the conceptual framework proffer package as defined in Exhibit A.

Under this framework, we still have significant contingent Metro Contributions if Location B is selected, provided that the contributions are phased with new development. Fortunately, the City's new financial model indicates that this approach will provide adequate funding to pay for the new Metro station without resulting in a projected shortfall requiring general fund resources. In addition, the new framework would restructure some of the non-Metro proffer obligations during Phase I as we have presented to City staff and detailed on Exhibit A.

Of course, this framework would only apply if Location B is selected. In the event Location A is selected, we would pursue a dual path of developing the lower maximum density approved under the current CDD # 19 while working with the City to revise the CDD Approvals to add additional density on Landbay F to support the tax assessment base for the Metrorail station.

We understand that approval and implementation of the Exhibit A framework would require a planning and legislative process. While we support the Location B with this revised framework, we simply want to be clear that without it, we do not see a viable path to redevelop and add density to Landbay F under a Location B scenario. We look forward to continuing to work with the City to enable a Metrorail station to be constructed within Potomac Yard.

Sincerely,



Andrew Vanhorn
The JBG Companies
Master Developer for Landbay F

Cc: Mark Jinks, City Manager

Exhibit A – Framework Agreement

Exhibit A

5/4/2015

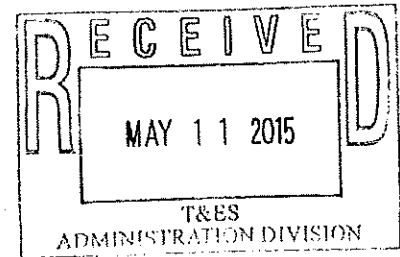
1. Revised proffer sizing and timing as outlined below.

Category	<u>Current</u>		<u>Revised</u>	
	\$ Cost	Condition	\$ Cost	Condition
Shortfall Guarantee # 22.c.x	\$32,000,000	Max \$10M drawn/year.	\$15,000,000	Max \$5MM drawn every two years, fully credited against Metro Contributions
Metro Contribution, A1 #22b	\$49,000,000	\$10/sf for first 4.9 million sf	\$10/sf fixed	No escalations for CPI while shortfall is posted
Traffic calming	\$1,000,000	First C of O		Reset CPI to \$2015
National Park Service Landscaping	\$200,000	First Building		Reset CPI to \$2015
BRT construction	*3	At 1.5M square feet		At 2MM square feet of new development
E. Glebe	*3	Route 1 Improvements (At 2M square feet)		At 2MM square feet of new development
BRT stations	*3	At 2M square feet		At 2MM square feet of new development
Sanitary Sewer	*3	At 2M square feet		At 2MM square feet of new development
Synthetic Turf Field	*3	At 2M square feet		At 2MM square feet of new development
School Land Reservation	*3	2,000 units (phase 5) - Prevents building on "Block 4" in first phase		Move to Block 1, 2, or 3 and no earlier than 2,000 units

2. Revised CDD language to enable DSUP approvals (McGuire Woods to draft language):
 - a. Ability to break infrastructure plan into 4 phases: 1 phase east of Potomac Avenue and 3 phases west of Potomac Avenue (TBD)
 - b. Staff to agree to work to reduce other enhanced DSUP requirements that were unique to this project (Environmental Sustainability Master Plan, etc.)
3. Improvements to be completed per requirements of CDD. Actual cost TBD.



Troy J. Creasy
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April 30, 2015

Mr. Richard J. Baier
City of Alexandria
Dept of Transportation and Environmental Services
P.O. Box 178 – City Hall
Alexandria, VA 22313

Subject: Potomac Yard Metro Station DEIS B-CSX Design Option – CSXT Mileposts CFP 107 to 108

Dear Mr. Baier,

CSXT has reviewed the Potomac Yard Metrorail Station Draft Environmental Impact Statement for the new in-fill station at Potomac Yard. CSXT understands the importance of this project to the neighborhood development, to the City, WMATA, and the greater DC area.

CSXT would like to offer a response to Build Alternative B-CSX Design Option, involving the relocation of the CSXT tracks and right of way (ROW) to the west of their existing alignment, to allow the City and WMATA to utilize the existing CSXT ROW to build the proposed station without affecting the National Park Service which borders WMATA to the east.

Please understand that although there may be a few minor improvements to CSXT property and assets as a part of the outcome of this project, CSXT strongly prefers that Build Alternative B-CSX Design Option not be chosen. The disruption to Amtrak and VRE passenger operations, and CSXT freight operations for the duration of construction would be significant and expensive, far outweighing any potential benefits.

If Build Alternative B-CSX Design Option is chosen as a possible alternative for the new Potomac Yard Metro Station, CSXT has numerous conditions that must be met. Some of these conditions include the following:

- CSXT shall be reimbursed for all costs associated with this project including:
 - Preliminary engineering plan reviews
 - All necessary Track and Signal Work
 - Construction Engineering and Inspection
 - Full time flagman for duration of construction
- Amtrak/VRE Passenger Delays/Penalties
- CSXT acquires new ROW via Fee Simple
- At a minimum, maintain existing ROW width on new section and existing fencing requirements
- All Pedestrian crossings must be grade separated and span the entire new CSXT ROW.
- CSXT must keep the ability to maintain access to its ROW and access roads

Please be advised that the above items are not all inclusive, but a list of initial concerns. As the project progresses there will likely be additional issues that will need to be addressed as part of the normal project review progression.

CSXT looks forward to hearing what option is ultimately chosen and will continue to work with all affected agencies on completing this important project.

Sincerely,

A handwritten signature in cursive script, appearing to read "Troy Creasy".

Troy Creasy
Project Manager II – Public Projects