



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** MAY 11, 2015

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of a Resolution to Adopt a Locally Preferred Alternative for the Potomac Yard Metrorail Station.  
[ROLL-CALL VOTE]

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**ISSUE:** Consideration of a Resolution to Adopt a Locally Preferred Alternative for the Potomac Yard Metrorail Station.

**RECOMMENDATION:** That City Council Adopt the Resolution of the Locally Preferred Alternative (LPA) for the Potomac Yard Metrorail Station to:

- (1) Designate Alternative B as the LPA for the Potomac Yard Metrorail Station to best support the smart-growth high-density mix of uses envisioned for Potomac Yard, to support the adjacent communities, to maximize Metrorail ridership and to realize the projected transportation, economic development, and fiscal benefits;
- (2) Designate Option 2 for construction access;
- (3) Adopt the proposed mitigation framework in regard to the National Park Service-administered George Washington Memorial Parkway (GWMP) (see Attachment 1, Table 2 and Appendix B), and authorize the City Manager to negotiate a Net Benefits Agreement with National Park Service (NPS), subject to City Council approval;
- (4) Authorize the Environmental Impact Statement (EIS) process to proceed to the Final EIS stage;
- (5) Authorize an amendment to the City's agreement with the Washington Metropolitan Area Transit Authority (WMATA) to authorize and fund the design-build contractor selection process through the

next phase of this project; and

- (6) Authorize the City Manager to enter into a Memorandum of Understanding with WMATA to outline roles and responsibilities throughout the design-build process, subject to City Council approval.

**BACKGROUND:** Potomac Yard represents one of the most significant redevelopment opportunities for the City with the potential to achieve the vision for an urban mix of uses near transit. The construction of a Metrorail station has been the center of discussion in regard to transportation and land use planning for Potomac Yard for many years, most recently in the adopted 2008 City-wide Transportation Master Plan and the 2010 North Potomac Yard Small Area Plan.

In 2011, the City of Alexandria initiated an Environmental Impact Statement (EIS) under National Environmental Policy Act (NEPA) for construction of the proposed Potomac Yard Metrorail Station. The lead Federal agency for the EIS has been the Federal Transit Administration (FTA) and the City has been the project co-lead and sponsor. WMATA and the NPS have been cooperating agencies. As part of this process, a Draft EIS was released on March 27, 2015.

The selection of the preferred location of the Metrorail station is a significant decision for the City from a transportation, land use and economic development perspective. This decision is one of the final steps in the Draft EIS process. Following selection of the LPA, a Final EIS will be prepared which will include further design and refinement of the preferred alternative to minimize community and environmental impacts. The NEPA process will close out with Records of Decision (ROD) issued by FTA and NPS in 2016. Following the ROD, the project can move to award of the design-build contract, final design, and construction.

Building a new Metrorail station is the key to transforming Potomac Yard into a smart-growth, urban, walkable community with a mix of office, residential uses, high-quality retail, entertainment, and new parks. A new Metrorail station will help accommodate growing transportation demand in the Route 1 corridor within the existing roadway network and will provide additional benefits to the City, as described in the Potomac Yard Metrorail Station Staff Recommendation document for the Preferred Alternative (Attachment 1).

**DISCUSSION:** Getting the Metrorail station location right, closest to the most potential development and office uses in particular, is critical to the success of the project. The North Potomac Yard Small Area Plan recommends that the station be located closest to the highest density. The Plan also allows the most density if the station is constructed in the Alternative B location (and requires the developer to contribute to the cost of construction), and therefore yields the most economic benefit to the City. Alternative B locates the Metrorail station within 0.25 mile of the densest development and creates the best opportunity for smart growth and a walkable, compact, urban community. If Alternative B is selected, based on existing land use decisions, the North Potomac Yard development would have 3.825 million more square feet of development than if Alternative A was selected and more development than any of the other build alternatives. Staff has determined after much analysis that Alternative B best balances land use and transportation, is consistent with City plans, and places the station in the best location to serve the largest number of potential Metrorail riders. It is also the best smart growth alternative for the Washington, D.C. region.

The Draft EIS evaluates two construction access options: access primarily via the GWMP (Option 1) or via Potomac Greens Drive (Option 2). Both options were evaluated in order to understand the potential impacts. However, NPS policy and federal regulations prohibit commercial vehicles on the GWMP if another option is available. Therefore, staff recommends that City Council select Alternative B with construction access

principally via Potomac Greens Drive (Option 2 - no access from GWMP) as their preferred alternative.

Staff recommends that during refinement of the preferred alternative through the Final EIS process and as design advances, the City continue to pursue strategies to avoid, minimize, or mitigate adverse impacts to the community, natural, and cultural resources, including but not limited to the strategies outlined in the staff recommendation (Attachment 1).

Because Alternative B would require a land exchange and release of the Greens Scenic Easement from the National Park Service, the City will need to enter in to a Net Benefits Agreement with NPS to include the elements outlined in Appendix B of the attached staff recommendation.

A Net Benefits Agreement would mean that the GWMP would be better off with Alternative B than with the existing GWMP conditions. Some of the elements included in the City's proposal are:

- Exchange of approximately 7,000 square feet of GWMP property and 1.71 acres of the Greens Scenic Area Easement for full ownership by the United States of most of the remaining parkland covered by this easement (approximately 13 acres);
- \$12 million for stormwater improvements, development of and at least partial funding for a master plan for Daingerfield Island, repairs and improvements to the Mount Vernon Trail, and plans and studies to address planning needs of the south section of the GWMP;
- Limitations on the height and other restrictions (on items such as materials, signage, and lighting) on portions of Potomac Yard adjacent to the GWMP;
- Design of the station and landscape, including planting and berms, to mitigate the visual impact of the station on the GWMP; and
- NPS participation in the design process for the station.

All mitigation measures suggested in the staff report will be confirmed and refined during the Final EIS or at later stages when the details of the project components and the construction scenarios are further developed.

**COMMUNITY INPUT:** The public has been engaged throughout the NEPA process through public meetings, meetings with community groups, briefings of boards and commissions, and meetings of the Potomac Yard Metrorail Implementation Work Group (PYMIG), all of which were open to the public. Since February 2015, staff has reached approximately 250 residents at meetings of community groups and 100 residents through a series of three recent informational open houses. Print, electronic, and broadcast media coverage has been extensive.

Many residents have expressed support for Alternative B, including some residents of Potomac Greens and Potomac Yard, based on its potential to positively affect the development of Potomac Yard, its citywide economic benefits, and its local and regional transportation benefits. Residents who support Alternative B have noted some concerns about some of the potential negative effects. These potential negative effects of Alternative B are the same or similar to effects that may occur with Alternative A, with the exception of the NPS land required and the scenic easement revision, which would be more than offset by the mitigation committed to in the Net Benefits Agreement. The most frequently noted concerns related to the effects of Alternative B include impacts from construction, parking and traffic, impacts to the GWMP, impacts to parks, wetlands, the potential for increased crime, and questions on financial feasibility. Additional detail is included in Appendix C of the attached staff recommendation. As of May 7, 2015, the Board of Architectural Review, the Planning Commission, and the Environmental Policy Commission have expressed support for Alternative B. The Alexandria Chamber of Commerce has also endorsed Alternative B.

Some residents have expressed support for the No Build Alternative, including some residents of Potomac Greens. This support generally comes from residents who believe that the existing transportation network (including the Crystal City/Potomac Yard Transitway) is sufficient to support the mobility needs of Potomac Yard residents and businesses. Many of these residents supporting the No Build Alternative would also like to see a lower level of development in North Potomac Yard and are concerned about impacts to the George Washington Memorial Parkway and the financial feasibility of the station.

Additional comments received from the public following the publication of this memorandum will be transmitted to City Council on May 19, 2015 as an addendum.

**IMPLEMENTATION:** Following approval of the LPA by City Council, preparation of the Final EIS will begin. This process will include public discussion of proposed mitigation measures in Fall 2015. The project team anticipates a combined Final EIS and ROD from FTA and NPS in early 2016.

The procurement process for the design-build contract will also begin following approval of the LPA, and will run concurrently with the Final EIS process, subject to future consideration and approval by City Council. The procurement process would also be subject to the alignment of financing sources and the design-build contract costs. Award of the design-build contract is expected in mid-2016 after the ROD is issued, with construction beginning in early 2017. The station is anticipated to open in late 2018 or early 2019.

**FISCAL IMPACT:** The current financing plan for the Potomac Yard Metrorail Station assumes a self-financing plan that will not require the use of current General Fund revenues. The bulk of the capital costs will be paid for using new Potomac Yard-generated tax revenues and developer contributions for Alternative B as shown below. 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 are segregated from other City revenues. The Station Fund will receive revenue from net new tax revenues from Potomac Yard, two special tax districts, and developer contributions. The City will fund the portion of the station construction costs not funded through other regional and state sources described below by issuing general obligation bonds. The bond issuance will be structured to minimize debt service in the early years, with a gradually increasing annual principal repayment over 30 years.

### **Alternative B Station Funding Plan**

<b><u>Sources</u></b>	<b><u>Amount (millions)</u></b>
GO Bond Issuance	\$143.6
VTIB Loan	\$50.0
NVTA Grants	\$69.5
<u>Other Sources</u>	<u>\$5.0</u>
TOTAL	\$268.1

Two special tax districts 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. Collections began in 2011. The Tier II special tax district would apply to single-family and condominium development in the lower part of Potomac Yard and would assess 10 cents per \$100 of valuation. Collections would begin in the calendar year after the station opens. Residents of Potomac Yard have expressed concerns about the Tier II special tax district.

For Alternative B, CPYR, Inc., the owner of North Potomac Yard, agreed in 2010 to contribute up to \$49 million in 2010 dollars, indexed to inflation, some of which could be accelerated as a shortfall guarantee. CPYR's representatives have subsequently indicated they wish to renegotiate their previously agreed-to contribution downward (Attachment 2). Discussions about amending their existing obligation would occur in 2016 when replanning of some elements of the 2010 North Potomac Yard Small Area Plan is contemplated. The Potomac Yard Metrorail Station financing plan substantially benefits from, but does not require, the previously agreed-to CPYR contribution level to remain financially feasible based on current projections.

In January 2015, the Commonwealth Transportation Board awarded the City of Alexandria a \$50 million loan from the Virginia Transportation Infrastructure Bank (VTIB) for construction of the Metrorail station. The 30-year loan locks in an interest rate of 2.17%, which is lower than the City's bonding rate. The loan also requires no interest or principal payments for four and one-half years after contract completion. This grace period is important to allow early development around the Metrorail station to begin to create new revenue prior to the City's first repayments. 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.

The plan also assumes \$69.5 million in Northern Virginia Transportation Authority (NVTA)-granted 70% funds, with the majority of that funding requested for FY2017. Although NVTA has not yet considered the City's request, the Potomac Yard Metrorail Station was one of the highest ranked regional projects during consideration of NVTA projects for FY 2015 and FY 2016, indicating that the City's request has a high probability of being funded. In addition, the City is planning to apply for up to \$50 million through the United States Department of Transportation's TIGER program. However, the probability of a TIGER grant award is very low given that the number of grant applications for this program typically significantly exceeds by multiples available federal funds.

Staff recommends that additional regional, state, and federal funding sources continue to be pursued where available. Prior to authorization of the design-build contract by City Council, assumptions in the financial feasibility analysis will be updated based on real estate performance and revised projections to ensure that the project remains financially feasible and that all financing sources are in place.

#### **ATTACHMENTS:**

Attachment 1: Proposed Resolution

Attachment 2: Staff Recommendation for the Preferred Alternative - April 24, 2015 with appendices:

Appendix A: Draft EIS Executive Summary

Appendix B: Letter from the National Park Service re: Net Benefit Agreement

Appendix C: Community Feedback on Impacts of Alternatives

Attachment 3: Letter from JBG

#### **STAFF:**

Emily A. Baker, P.E., Acting Deputy City Manager

Christopher Spera, Deputy City Attorney, Office of City Attorney

Yon Lambert, AICP, Director, T&ES

Karl W. Moritz, Director, P&Z

Mitchell Bernstein, P.E., Acting Director, DPI

Sandra Marks, AICP, Deputy Director, T&ES

Jeffery Farner, Deputy Director, P&Z  
Christopher Bever, Assistant Budget Director, OMB  
Ramond Robinson, Division Chief, Division Transit Services,  
Lee Farmer, AICP, Principal Transportation Planner, T&ES  
Bethany Znidersic, Urban Planner, RPCA