Eisenhower West/Landmark Van Dorn Implementation Developer Contributions Policy

Issue: Eisenhower West Small Area Plan and Landmark Van Dorn Corridor Plan Developer Contributions Policy Public hearing and recommendation on establishment of a Developer Contributions Fund and a formula for developer contributions to implement the Eisenhower West Small Area Plan and Landmark Van Dorn Corridor Plan	Planning Commission Hearing:	November 8, 2018
	City Council Hearing:	November 17, 2018
Staff: *Planning and Zoning:* Karl Moritz, Director; Jeffrey Farner, Deputy Director; Carrie Beach, Division Chief; Radhika Mohan, Principal Planner; Ashley Labadie, Urban Planner; *Transportation and Environmental Services:* Yon Lambert, Director; Hillary Orr, Deputy Director; *Recreation, Parks and Cultural Activities:* Jack Browand, Division Chief, Park Planning.		

PLANNING COMMISSION ACTION, NOVEMBER 8, 2018: On a motion made by Commissioner Lyle and seconded by Commissioner Wasowski, the Planning Commission voted to recommend approval of the Eisenhower West Small Area Plan and Landmark Van Dorn Corridor Plan Developer Contribution Policy with the addition of the following clarifying language related to the policy milestone review: *"The non-catalyst contribution can be adjusted by City Council at each milestone for policy development (1.5 million sq. ft, and 3 million sq. ft) based on the cost of the necessary infrastructure and market conditions."* The motion carried on a vote of 6-0, with Commissioner Macek absent.

Discussion:
Commissioner Lyle stated that the jump from $3 per square foot to $7 per square foot is a steep jump and recommended adding a reevaluation of the rate as part of the recommended policy check-ins. She stated that the Norfolk Southern preferred alignment for the multimodal bridge is likely unrealistic and that the City should consider other options that serve a similar function but would be cheaper.

Commissioner Koenig stated that he appreciated the simplicity and thoroughness of the proposed policy. He noted that adding the ability to adjust the rate at the policy check in points could potentially result in a rate increase, not just a rate decrease.

Commissioner Wasowski noted that the amount of funding anticipated does not exceed the anticipated cost of infrastructure and therefore she doesn't foresee reducing the contribution rate.

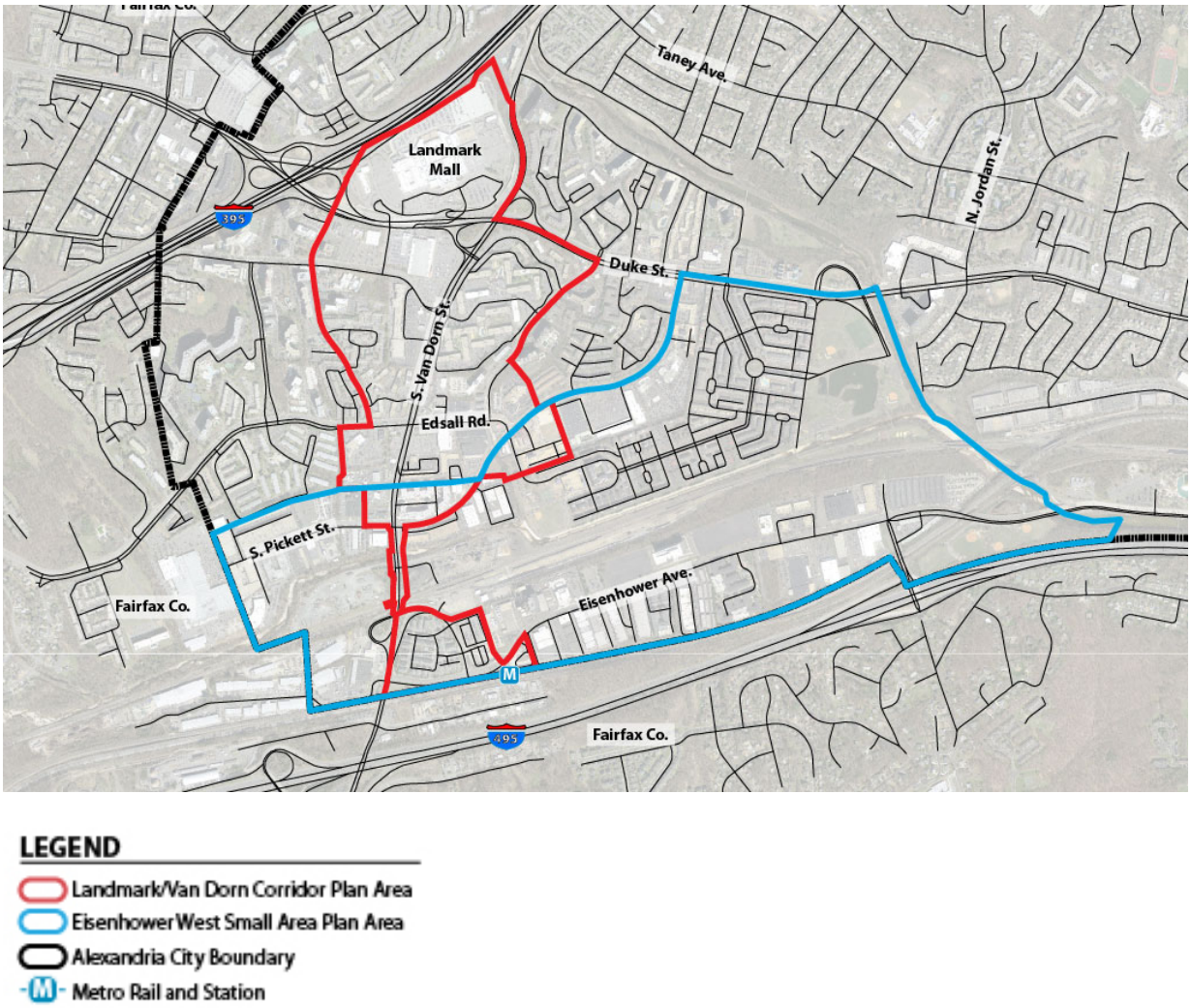
Speakers:
Mr. Bud Hart of Hart & Gibbs, LLC, attorney representing Greenhill Realty Capital, complimented staff on the outreach process for involving the development community in providing feedback on the proposed recommendation. He suggested that the policy include a more gradual increase in the developer contribution rate, as well as the potential for reducing the rate if infrastructure is determined to not be needed.

I. BACKGROUND

A. Small Area Plan Recommendations

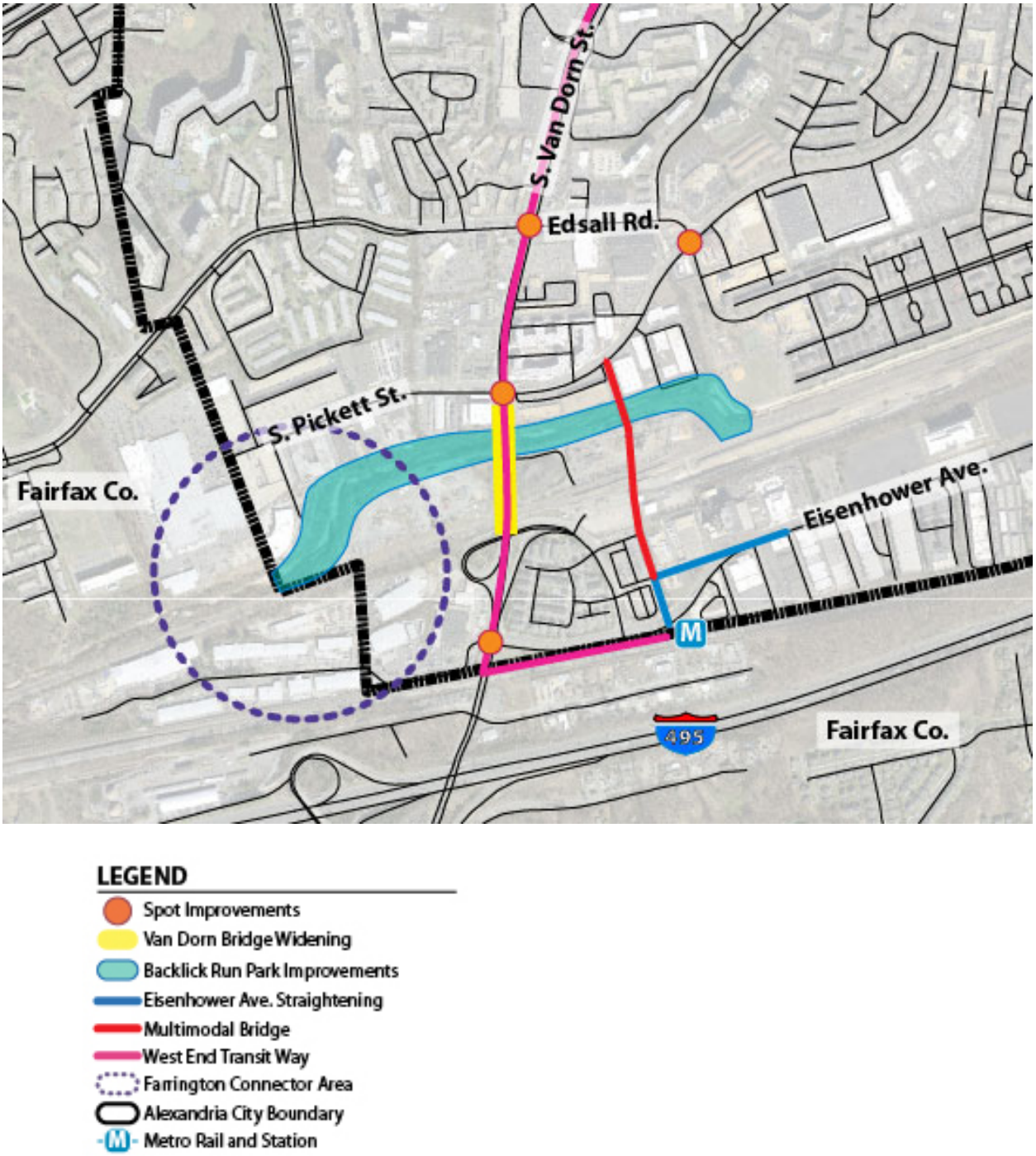
The Landmark/Van Dorn Corridor Plan (LVD Plan) and the Eisenhower West Small Area Plan (EW Plan), covering the areas shown in Figure 1, recommend infrastructure and open space improvements to serve existing and future residents, workers, and visitors, and transform this area into a more walkable, connected, transit-oriented series of neighborhoods. As in other small area plans, a developer contribution policy is recommended to assist in funding necessary infrastructure improvements and to mitigate the impact of new development. In addition to area-wide improvements, the plans recommend site-related streetscape, open space, on-site streets, and infrastructure improvements be implemented by developers as part of the redevelopment of each site.

Figure 1: Eisenhower West and Landmark/Van Dorn Corridor Plan Areas



To ensure that adequate public infrastructure and amenities are in place as redevelopment occurs, the Plans recommend the improvements shown in Figure 2 and described below.

Figure 2: Recommended Infrastructure Improvements



Note: Not shown on map is High Street Bridge recommended by LVD

1. **Multimodal Bridge**

A multimodal bridge to connect the Van Dorn Metrorail Station to South Pickett Street was initially recommended in the 2009 LVD Plan and further studied and recommended in the EW Plan. The bridge is intended to serve as a future alignment for the West End Transitway, providing transit, pedestrian, bike and car connections between the Metrorail station and South Pickett Street and beyond. At the time of the 2015 EW Plan, it was determined that the bridge would be necessary when new development reached a threshold of 7 to 9 million square feet. To understand potential impacts to future properties as proposed in the EW Plan, the City studied multiple bridge alignment options and included five in the EW Plan, with a planning level cost of $51 million. This effort included outreach with affected property owners, including Norfolk Southern. However, late in the EW Plan process, the railroad raised concerns about all the options and potential conflicts between a bridge and the Thoroughbred Bulk Transfer facility. After the plan was completed, Norfolk Southern provided new input on the bridge location, pushing it west of the Transloading facility leading to an alignment shown on Figure 2. The location, height, and spans required by the Norfolk Southern alignment, in addition to current escalated construction costs, have significantly increased the estimated cost of the planned bridge to approximately $150 million. An alternative option to the Multimodal Bridge considered during the EW Planning Process was widening the Van Dorn Street Bridge to include additional capacity. This widening project is currently estimated at $51 million in 2018 dollars, not including escalation costs.

2. **Van Dorn Bridge Pedestrian Improvements**

The EW Plan recommended pedestrian enhancements to the Van Dorn Bridge to encourage use of the Metrorail Station by residents in the neighborhoods to the north by improving safety and comfort for those walking to and from the Metrorail Station. (This recommendation assumed construction of a separate Multimodal Bridge that would also have pedestrian facilities).

3. **Backlick Run Park Improvements**

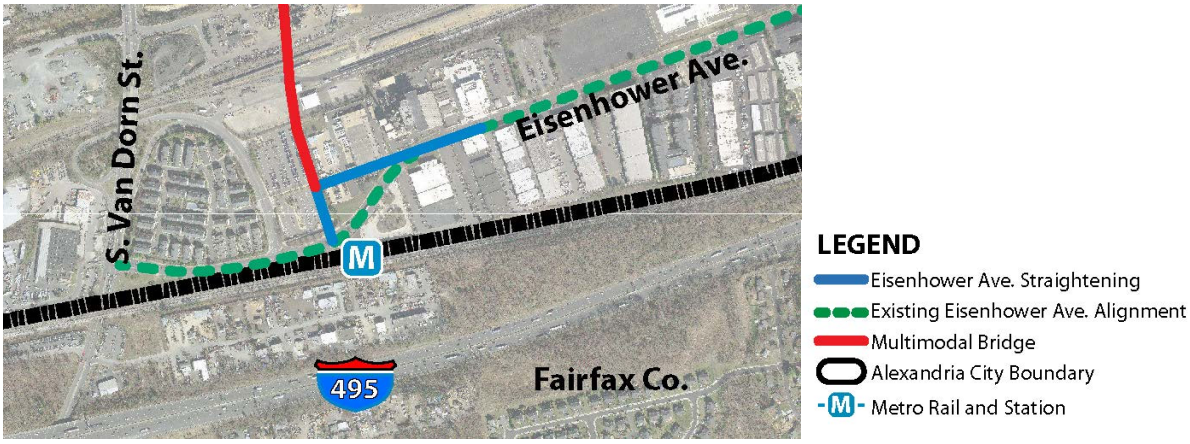
The EW Plan recommends revitalization of the portion of Backlick Run located between the City boundary to the west and Cameron Station to the east into an active greenway with multi-use trail, passive open space, benches, and open space areas as illustrated in Figure 3. It is anticipated that the land for the Backlick Run Park will be provided as part of the redevelopment of each site. The developer contributions are intended to fund the park improvements. The open space will also include stormwater management features and stream revitalization strategies to restore the health of the existing stream.

Figure 3: Rendering of Revitalized Backlick Run Park (From EW Plan)

4. Eisenhower Avenue Straightening/Realignment

The EW Plan proposes that Eisenhower Avenue, between the Covanta facility and Metro Road, be straightened to create a new pedestrian-oriented street with a realigned configuration (Figure 4) that enables a mixed-use destination around a redeveloped Van Dorn Metrorail Station. This would be constructed in conjunction with redevelopment of the WMATA property and adjacent sites.

Figure 4: Realignment of Eisenhower Avenue



5. Spot Improvements at Various Intersections

The EW Plan recommends spot improvements at the intersections of Van Dorn and Eisenhower, Van Dorn and Edsall, Van Dorn and Pickett, and Pickett and Edsall. Improvements may include pedestrian improvements, including new crosswalks and sidewalk connections, new curb ramps, lane re-striping, and other lane adjustments. (See Figure 2)

6. West End Transitway

Both the EW Plan and the LVD Plan call for implementation of the West End Transitway, a priority of the Transportation Master Plan and City Strategic Plan. Phase 1 of implementation includes Transportation Systems Management (TSM), which features transit signal priority at 16 intersections, removal of slip lanes, intersection improvements, and curbside Bus Rapid Transit (BRT) stations. In the long term, and outside the scope of this developer contribution policy, Phase 2 will consider dedicated lanes, and as part of the redevelopment process for adjoining parcels, additional right of way will be provided to not preclude this in the future. (See Figure 2)

7. High Street Bridge

A High Street Bridge over Duke Street was recommended in the LVD Plan to provide a continuous connection across Duke Street. This bridge will be discussed as part of the upcoming Landmark Mall Planning Process.

8. Farrington Connector

To provide additional north-south connectivity on the west side of the area, the EW Plan recommends a new street connecting Farrington Avenue with Edsall Road. The street would bridge the Norfolk-Southern railroad right-of-way and Backlick Run, providing new access to areas along the western border of the city for cars, pedestrians and cyclists. The EW SAP depicts one potential alignment; however, the feasibility and location will be determined in the future in coordination with future redevelopment and Fairfax County (See Figure 2).

II. STAFF ANALYSIS

A. Funding Sources

There are three sources of funding for the recommended improvements:

1. Developer contributions through new redevelopment,
2. City incremental tax revenue (20%) as budgeted through the Capital Improvement Program (CIP), and
3. Federal and state grant funding.

Figure 5 shows a table of total funding anticipated through developer contributions and incremental tax revenue.

<u>Developer Contributions:</u>

Consistent with many of the City's Small Area Plans, the Eisenhower West/Landmark Van Dorn Implementation developer contributions are intended to mitigate the impact of development and assist with funding the recommended improvements of the plans. A two-phased developer

contribution rate is proposed to balance market conditions and incentivize redevelopment while considering the need, timing, and cost of infrastructure improvements. Staff recommends the developer contribution policy consist of two phases: "Catalyst" and "Non-Catalyst." Redevelopment projects occurring in Phase 1, the Catalyst Phase, will pay a rate that incentivizes redevelopment in the short-to-mid-term while accruing funding toward the improvements. The Catalyst phase applies a rate of $3.00 (2018 dollars) per square foot to the first 3 million square feet of development, projected to occur within the next five to ten years, well in advance of the 7-9 million square feet threshold that triggers the need for the Multimodal Bridge or Van Dorn widening, projected to occur 10-20 years in the future.

The phased approach also allows time for policy considerations and related analysis regarding the Multimodal Bridge or alternative option(s), including widening of the Van Dorn Bridge. The Non-Catalyst Phase will apply a rate of $7.00 (2018 dollars) per square foot for the remaining development in the Plan areas. Policy check-ins are recommended as outlined below for the non-catalyst phase.

The estimated total developer contributions from both phases is estimated to be $51 million (in 2018 dollars), assuming build-out of the projected 9 million square feet.

Incremental Tax Revenue:

The EW and LVD Plans, similar to other Plans, recommend that a portion of the net new real estate tax revenue be one of the sources to fund necessary infrastructure. Net new tax revenue is the City tax revenue over what would have been generated under existing zoning, prior to the approval of the plans. It is recommended that a maximum of 20% of the incremental tax revenues generated by the real estate value growth from new development in the Plan areas pay for a portion of the desired public benefits. This is a pay-as-you-go financing plan that will not require the use of any current City General Fund revenues.

The estimated net new tax revenue for approximately 9 million square feet is $38 - $45 million (in 2018 dollars).

Figure 5: Table of Developer Contributions and City Incremental Tax Revenue over 10-15 Years

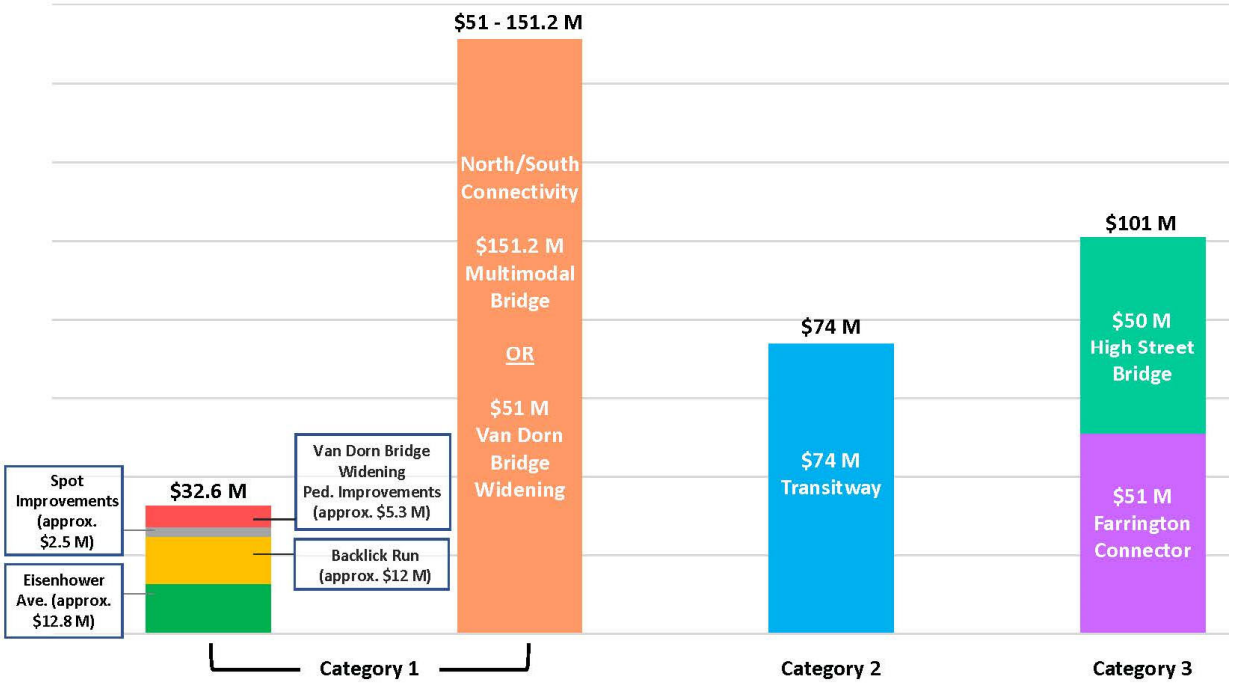
Source	**Total Estimated Revenue in 2018 Dollars (millions)**
Redevelopment - Catalyst Phase ($3.00/SF)	$ 9.0
Redevelopment - Non-Catalyst Phase ($7.00/SF)	$ 42.0
City 20% Incremental Tax Revenue	$ 38.0 – $ 45.0
Total	**$ 89.0 – $ 96.0**

A. Infrastructure Improvement Costs and Phasing

Planning level cost estimates for the identified improvements are based on estimated design, infrastructure and construction costs, and contingency. The projects have been grouped into three categories based on their recommended funding sources and timing, as depicted in Figure 6 and explained below.

Category 1 Improvements: Category 1 includes the projects identified for implementation in the short-to-medium term and to be funded by Developer Contributions and City Tax Increment revenue. Category 1 is further divided into two columns in order to highlight the potential cost range between the Multimodal Bridge as one option or Van Dorn Bridge Widening or other comparable alternatives as another. As noted, the updated Multimodal Bridge cost estimate ($151 million) is significantly higher than previously estimated. The increased expense is associated with the location, height, and spans associated with the preferred Norfolk Southern alignment in addition to the escalation in construction costs. The Van Dorn Bridge widening was identified during the Eisenhower West planning process as a potential alternative to the Multimodal Bridge. This option or a comparable option would likely be significantly more financially feasible but would need to be further analyzed through the "Milestones for Policy Development" process described below.

Figure 6: Projects and Estimated Costs (in 2018 Dollars)



Assuming the City wins some competitive federal/state grants and that Van Dorn Street is widened rather than constructing the Multimodal Bridge, many of the recommended plan improvements can be funded with a combination of grants, developer contributions, and incremental tax. Staff is recommending that a decision regarding the Multimodal Bridge or the Van Dorn Street widening

occur in the future. Staff recommends two policy check-ins: the first to occur mid-way through Phase 1 at 1.5 million square feet of constructed new development, and the second to occur at 3 million square feet of constructed new development. The purpose of the policy check-ins is to give Planning Commission and City Council the opportunity to focus on potential strategies for the Multimodal Bridge, Van Dorn widening, or other potential alternatives), including traffic analysis and updated cost estimates to address the need, financial feasibility, and desirability of the Bridge or potential alternatives, as well as the timing and sequencing of next steps. If City Council decides to proceed with the Multimodal Bridge, additional funding through other sources will need to be identified.

Discussing and evaluating the need and options for a Multimodal Bridge, Van Dorn widening or other alternatives at 1.5 and 3 million square feet will allow ample time for evaluation of an option with an appropriate cost-benefit analysis before the 7-9 million square feet threshold (projected to occur in 10-20 years) for the bridge is triggered. Figure 7 summarizes the thresholds for policy development.

Figure 7: Table of Milestones for Policy Development

Trigger (Year or SF)	Task
2018	Adoption of Developer Contribution Policy and Implementation Fund
1.5 Million SF	Review of developer contributions received to date and prioritization of plan improvements; Review of Multimodal Bridge, Van Dorn widening and Alternative options; based on cost estimates
3 Million SF	Evaluation and further traffic analysis of remaining infrastructure improvements, including Multimodal Bridge; Updated cost estimates; Prioritize plan improvements; review contribution rate
7-9 Million SF	Multimodal Bridge, Van Dorn widening, or other alternatives design and construction

Note: SF referenced above is based on approved development special use permits.

Category 2 Improvements: The Phase 1 West End Transitway improvements are estimated at $74 million. The City currently has two pending grant applications: a FY18 BUILD grant for the northern segment for $25 million and a $60 million FY24/25 Smart Scale grant for the full corridor. Phase 2 potential dedicated transit lanes will occur outside of this funding timeline. Land for the dedicated lanes will be provided as part of the development review process.

Category 3 Improvements: The Farrington Connector is considered a long-term improvement that will require significant coordination with Fairfax County as well as grant funding. Fairfax County has indicated that they are not ready to discuss this Connector in the near term. The project can be re-evaluated as part of the policy check-in at the 1.5 and 3 million square feet threshold and as part of ongoing planning processes and coordination with Fairfax County. The High Street

Bridge will be reviewed as part of the FY 2019 Landmark Mall Re-Planning process, which will explore alternative improvements that could replace the need for this infrastructure project.

B. Applicability of Developer Contribution Policy

All redevelopment within the Eisenhower West and Landmark/Van Dorn Corridor Plan areas will be subject to the developer contribution policy outlined below. Developer contributions will be assessed on new development on a per square foot basis (net FAR as defined by the Zoning Ordinance). Projects that have filed a complete preliminary Development Special Use Permit prior to the approval of this policy are not subject to the developer contribution formula. In addition, bonus density achieved through Section 7-700 of the Zoning Ordinance will not be required to pay the developer contribution. The developer contribution rate will be adjusted annually for inflation using the CPI-U index for the Washington metro area.

C. Eisenhower West/Landmark Van Dorn Implementation Fund

Contributions will be collected into a dedicated Eisenhower West/Landmark Van Dorn Implementation fund that will be used to support key infrastructure projects. The fund will be flexible enough to respond to regional and federal grant opportunities and development projects. Funds will be withdrawn and applied to projects as determined through periodic check-ins with Planning Commission and City Council to determine infrastructure and open space priorities.

B. STAKEHOLDER OUTREACH

Staff held meetings with property owners and their representatives to provide information and follow-up regarding the process for establishing the developer contribution formulas, answer questions, and gather feedback. In addition, staff presented the proposed developer contribution policy and rates with the Eisenhower West/Landmark Van Dorn Implementation Advisory Group at their September meeting and sent the draft proposal by email when the docket was published in advance of the Planning Commission meeting. Finally, Staff will present the proposed policy to the Federation of Civic Associations in October, as well as posting the proposed policy to the project webpage.

C. FISCAL IMPACT

The developer contribution policy is estimated to generate up to $51 million (in 2018 dollars) to assist in the implementation of the Landmark/Van Dorn Corridor Plan and Eisenhower West Small Area Plan. In addition, the City will utilize grant funding and/or the City's Capital Improvement Program (CIP) and funding will need to be considered as part of the City budget and CIP process through the 20- to 25-year life of the Plan.

D. STAFF RECOMMENDATION

Staff recommends approval of the Eisenhower West/Landmark Van Dorn Implementation Developer Contribution Policy and the applicable contribution formulas subject to Figure 8 and all applicable codes and ordinances.

Figure 8: Table of Recommended Developer Contribution Rates

Phase	**Redevelopment Threshold (Square Feet - SF)**	**Rate per SF (Notes 1-5 as applicable below)**
Catalyst	Up to 3,000,000	$3.00
Non-Catalyst	> 3,000,000	$7.00

Notes:

1. SF is defined as Net FAR as defined by the Zoning Ordinance.
2. Projects that have filed a complete preliminary Development Special Use Permit prior to the approval of this policy are not subject to the developer contribution formula.
3. The Catalyst rate is vested with the approval of a Development Special Use Permit (DSUP) and is subject to expiration if the DSUP approval expires; a DSUP extension does not lock in the Catalyst rate.
4. Bonus density achieved through Section 7-700 of the Zoning Ordinance will not be required to pay the developer contribution.
5. Rate is subject to annual adjustment for inflation using the CPI-U index for the Washington metro area.

HART & GIBBS, P.C.

ATTORNEYS AND COUNSELLORS AT LAW

HARRY P. HART
MARY CATHERINE H. GIBBS

ASSOCIATE:
DONNA L. SCOTT
(LICENSED IN NEW YORK AND WASHINGTON, DC)

700 NORTH FAIRFAX STREET, SUITE 600
ALEXANDRIA, VIRGINIA 22314

TELEPHONE (703) 836-5757
FAX (703) 548-5443
WWW.HARTLANDUSELAW.COM

RETIRED:
CYRIL D. CALLEY, 2005
HERBERT L. KARP, 2017

November 8, 2018

Ms. Mary Lyman, Chair
And Members of the Alexandria Planning Commission
C/O Mr. Karl Moritz, Director
Department of Planning & Zoning
301 King Street, Suite 2100
Alexandria, VA. 22314

Re: Docket Item No. 2, Eisenhower West/Landmark Van Dorn Implementation Developer Contributions Policy

Dear Madame Chair and Members of the Planning Commission:

We're writing to make a couple of brief comments on the Eisenhower West/Landmark Van Dorn Implementation Developer Contributions Policy that you will be considering at tonight's Planning Commission meeting. First, we want to commend the Staff for reaching out on a number of occasions to the land use bar in Alexandria to discuss the plans for these Developer Contributions. After several meetings, Staff has released a draft policy that seeks to balance the infrastructure needs of the plan areas with the goal of seeing redevelopment and revitalization of this important area in the City. Recognizing that the policy is a balance of these important factors, we only have a couple of comments/suggestions regarding the draft policy:

1. The jump from $3 per square foot to $7 per square foot after 3 million square feet is reached seems like a steep jump. We had discussed whether there could be a different, graduated scale for this increase. As the policy has a number of points where there will be reviews of how much development has occurred and what infrastructure needs remain, perhaps the policy could identify that the increase to the contribution be more gradual than a $4 per square foot jump.
2. As just identified, the policy recommends that there be a number of times that the policy be reviewed for how its working at certain levels of development. What isn't clear from the draft is something we discussed in our meetings, that the level of the contribution may decrease if the infrastructure needs change, for instance, if the multi-modal bridge is not built for whatever reason. Language with regard to this potential impact should be added to the policy so there is no confusion in the future if and when these reviews occur.

As we stated previously, we appreciate the Staff working with us in trying to create a policy that balances many important factors in implementing these two plans for the West End of Alexandria. We look forward to continuing to work towards revitalizing this important part of our City.

Sincerely,

Bud Hart

cc: Mr. Richard Greenberg, Greenhill Realty Capital Corp.