Metrorail Station Feasibility Analysis

City Council Work Session

November 24, 2009

Metrorail Station Feasibility Analysis

- *Objective*: To develop a financing plan that uses only Potomac Yard generated revenues to finance a new Metrorail station (i.e., self-funded)

Metrorail Station Feasibility Analysis

- Determining location
- Costing
- Financing
- Developer agreements

Metrorail Station Location Options (2015 costs)

- A = $220 million
- B2 = $240 million
- B3 = $225 million

Cost and Revenue Mismatch

- Station to be constructed early in development process
- 20 to 25 year build-out due to market absorption

Financing Options

- General obligation bonds
- Moral obligation bonds
- Revenue or TIF bonds
- Off balance sheet (IDA)
- Private financing

Funding Sources to repay bonds

- Net tax generation
- Special Tax District revenues
- Significant rezoning proffer (F)
- $10@sq foot for existing zoning (G and H)

Bond Financing Implications

- Debt burdens materially increase
- $275 million bond issue
- Generational decision
- Increases 2015 projected City debt by 64%
- Current Conservative debt policy guidelines would need to be rewritten

Debt to Tax Base Ratio (2015)

Target	Ceiling	Current Projection	Add $275 million to projections
1.10%	1.60%	1.18%	1.93%

Station Alternative

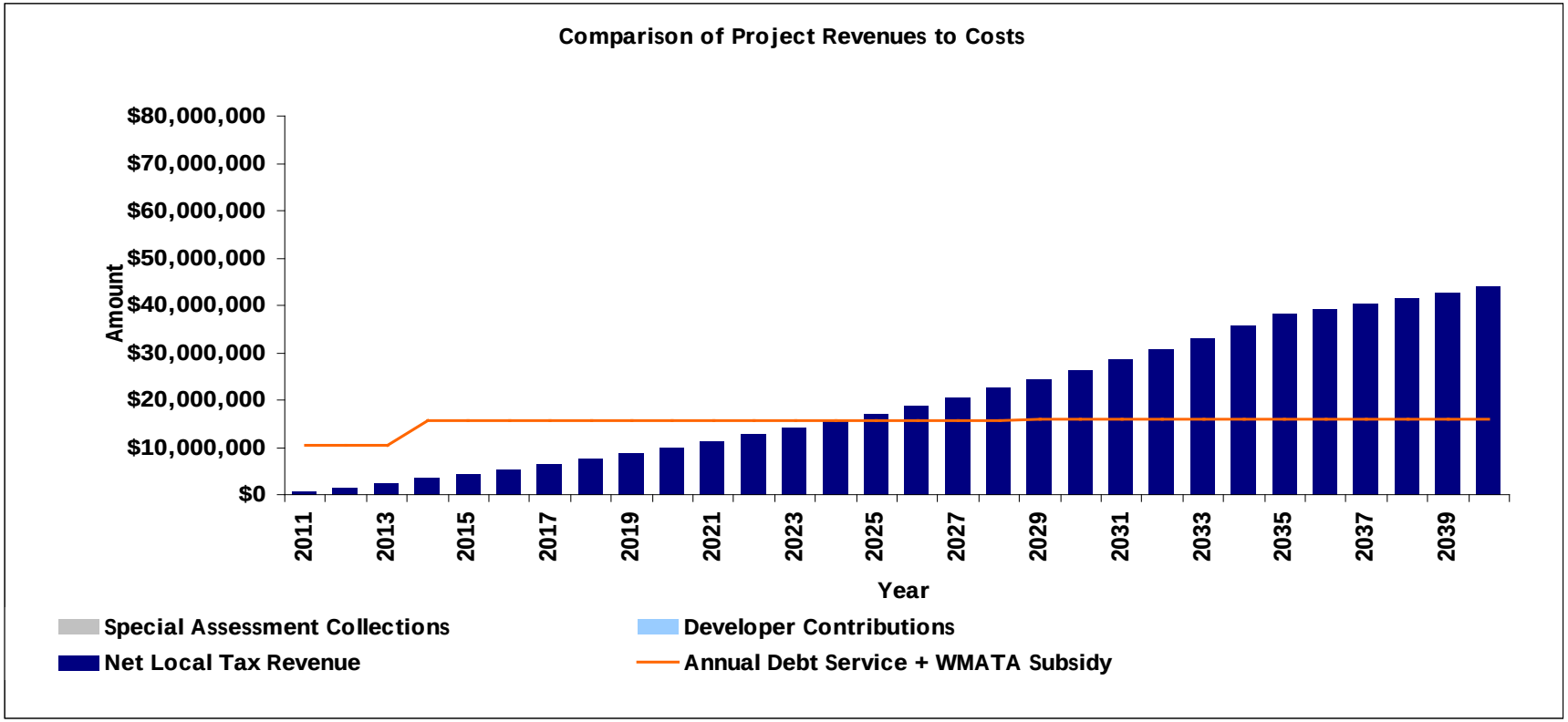
100% Local Tax

Results

- Size of Funding Gap: $74.6 million
- Breakeven Year: Year 2025
- NPV: $5.9 million

Assumptions

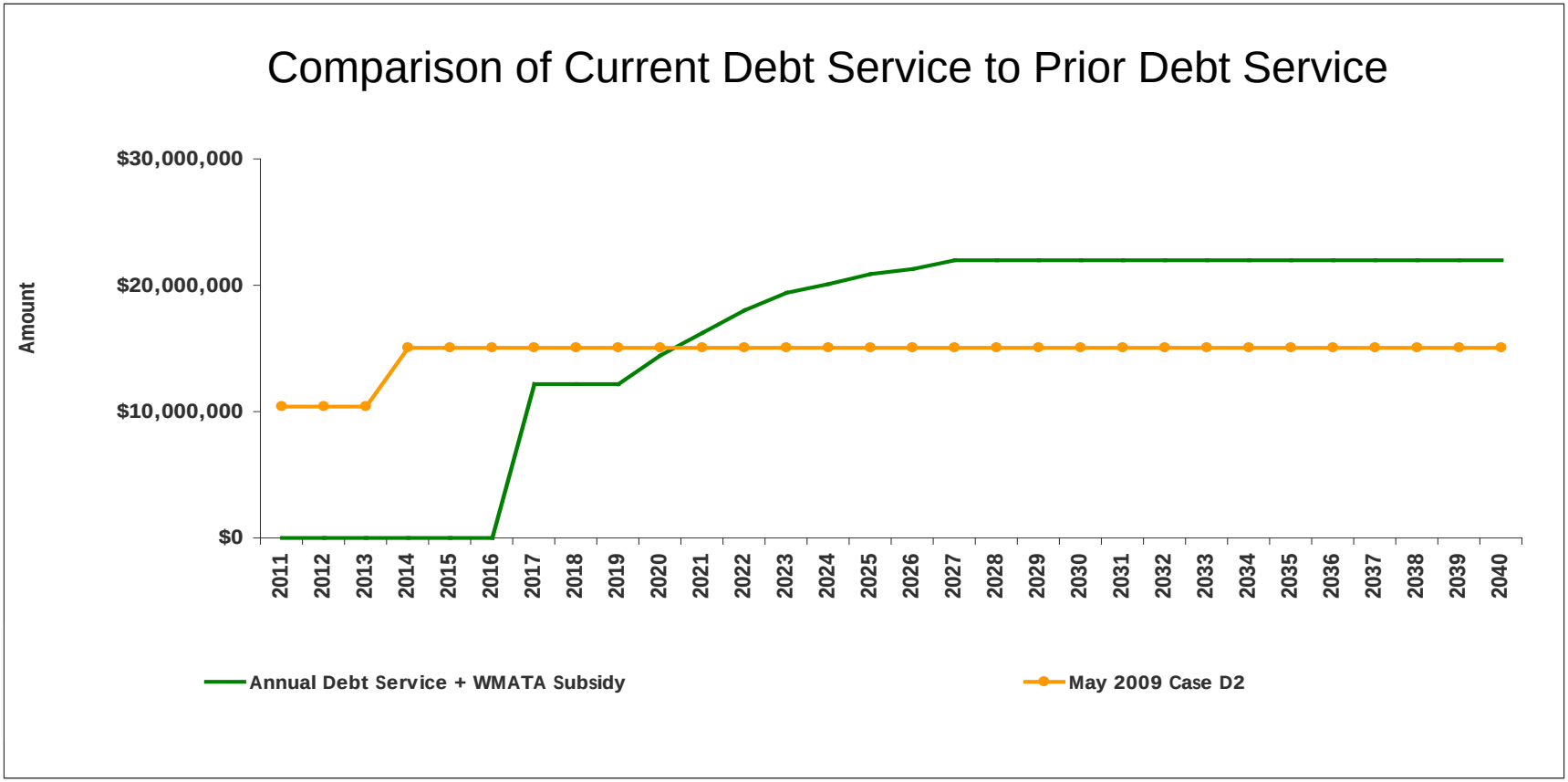
- 100% local tax collections only
- 25-year build out period
- 2014 station completion year



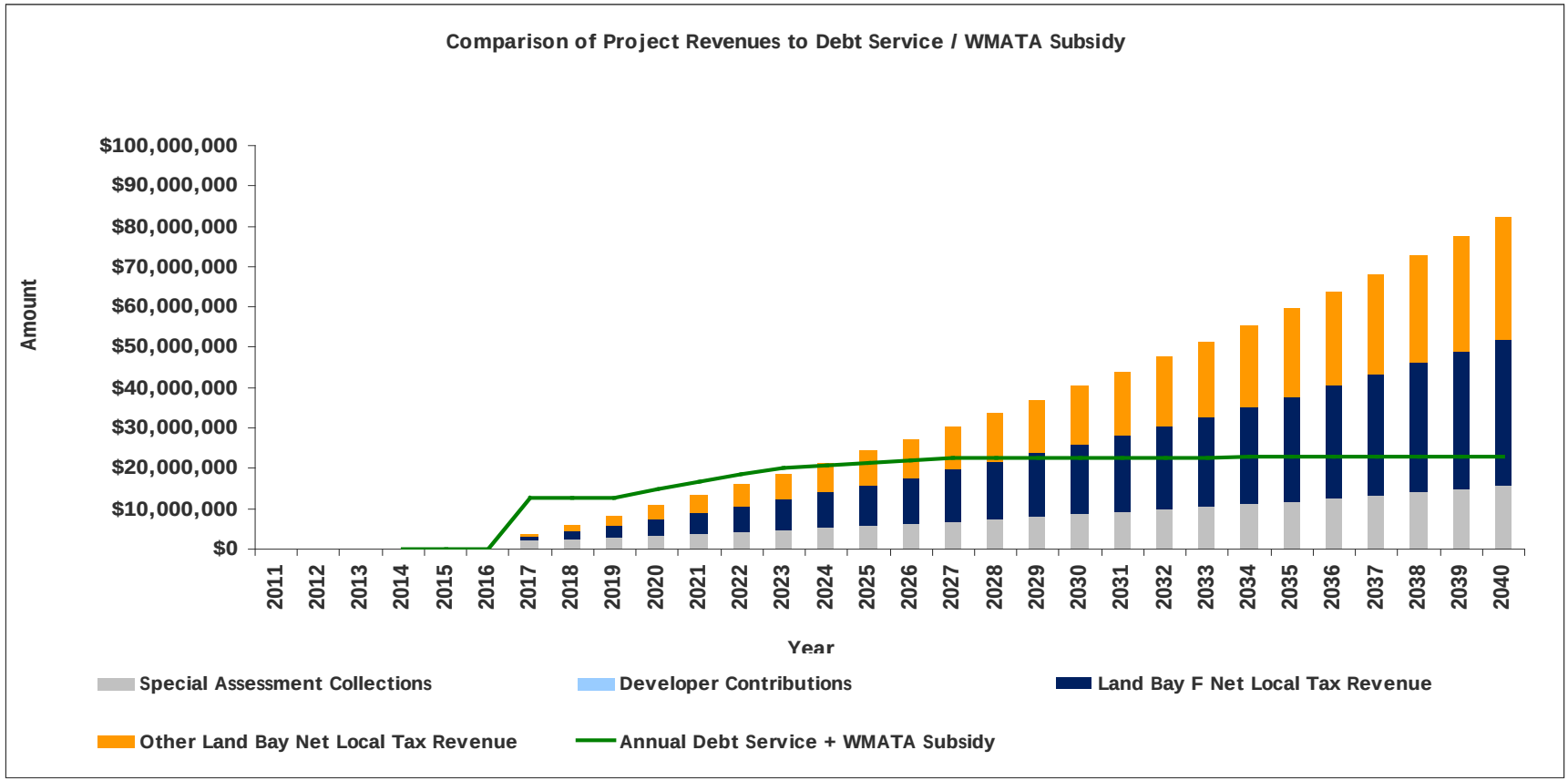
City’s Gap Closing Steps

- Capitalize construction interest in years 1, 2 & 3
- Interest only in years 4, 5 & 6
- Gradual ramp-up of principal repayment starting in year 7

Structuring Has Reduced Early Debt Service Requirements

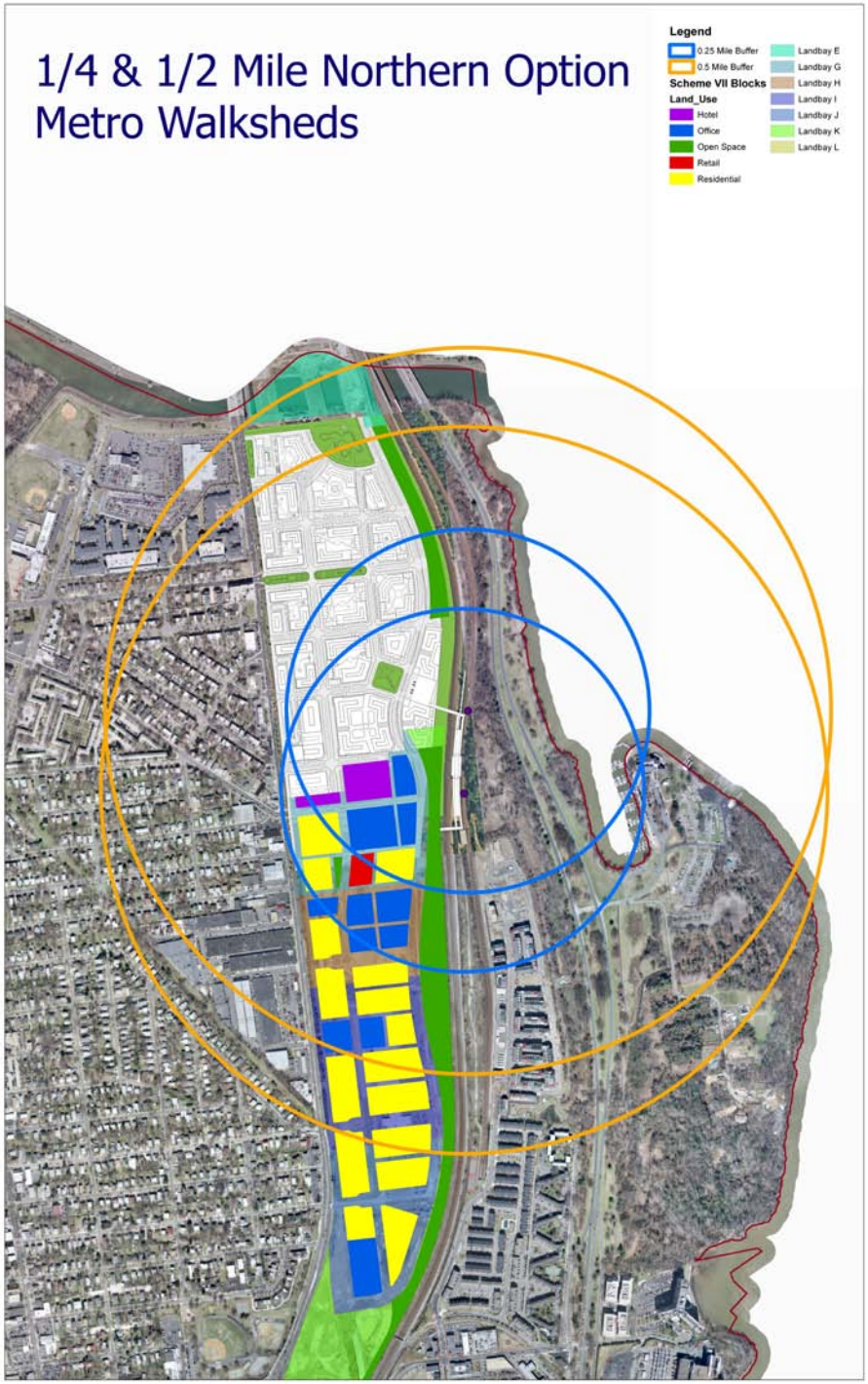


Case B2 - $32 M Gap Between Revenues and Debt Service



To Resolve Financing Conundrum

- Landbay F proffer needs to be substantially increased
- $32 million gap needs to be closed with accelerated contribution
- Other Landbays need to contribute $10@ sq ft
- Allocation of risk and transaction terms and conditions need to be negotiated

Questions and Discussion

1/4 & 1/2 Mile Northern Option Metro Walksheds