

Wilden Analysis

Financial Impact and Redevelopment Alternatives

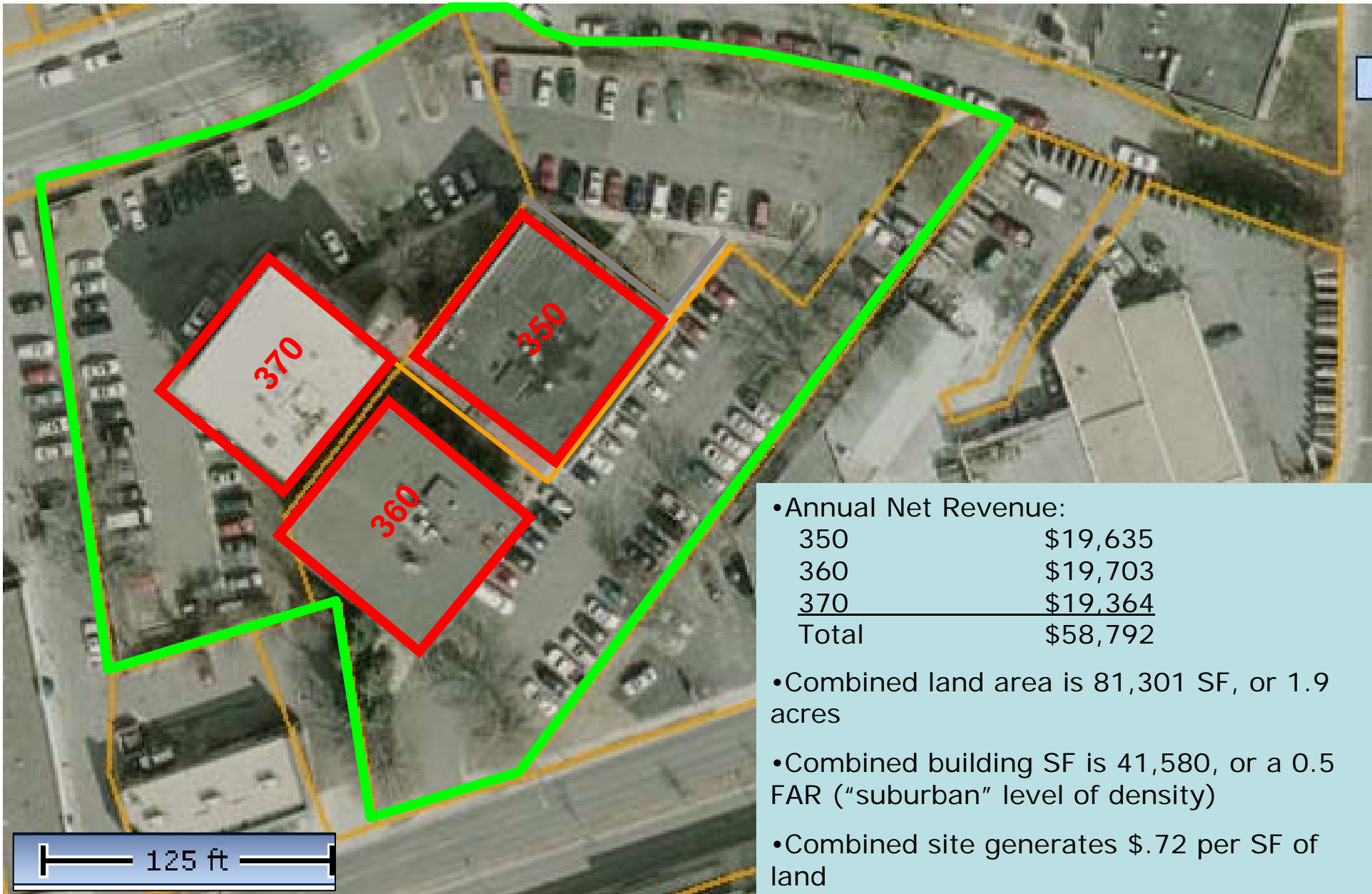
For EDA Meeting Discussion on 2/2/10

M. Novotny, EDA Member

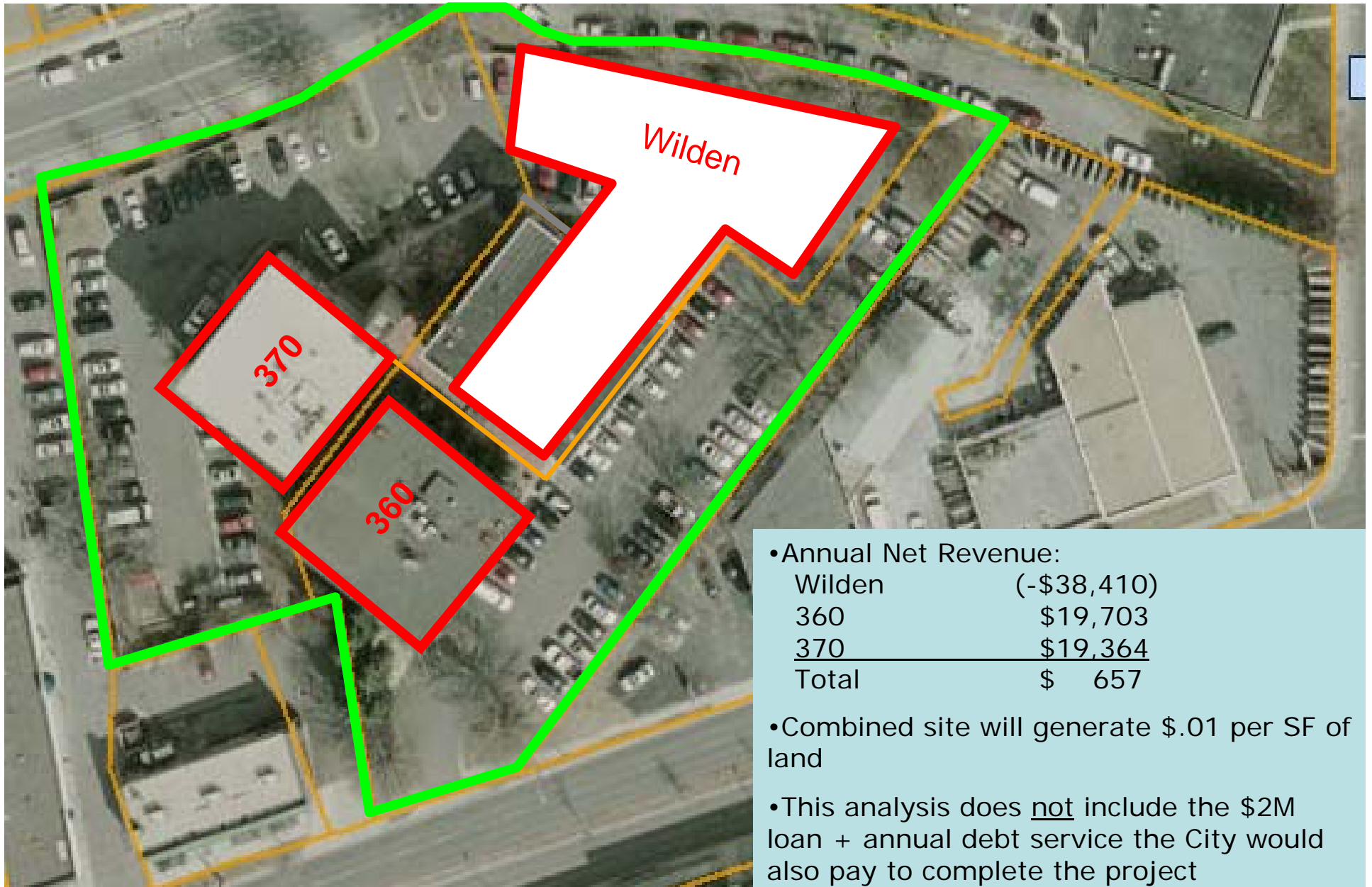
Introduction

- This study compares the latest iteration of the Wilden project at 350 S. Washington and newly proposed office building at 360 S. Washington with the existing conditions today, as well as with alternative scenarios of office and retail development at varying levels of density. (Note the applicant is still finalizing design so some assumptions made here may change.)
- The City's Comprehensive Plan recommends "consolidating lots to accommodate higher density development" in the South Washington Corridor. The alternative scenarios in this study consider the adjacent parcels together to show the benefit of consolidation as the Comp Plan recommends.
- Additionally, the Wilden property is zoned "B-2/Central Business" and is located in the middle of the City's most concentrated business area. This study considers future alternative scenarios specifically with a mix of office and retail uses rather than residential, which are consistent with the current zoning and future planning for the area.
- The scenarios proposed in this study can be achieved from a development perspective, however the City should establish a more detailed plan and revitalization district for the area and put incentives in place to encourage lot consolidation and high-quality development.
- Note all financial returns shown here were obtained with the City's fiscal model. Please see the EDA staff report issued 1/27/10 in the appendix for further detail.

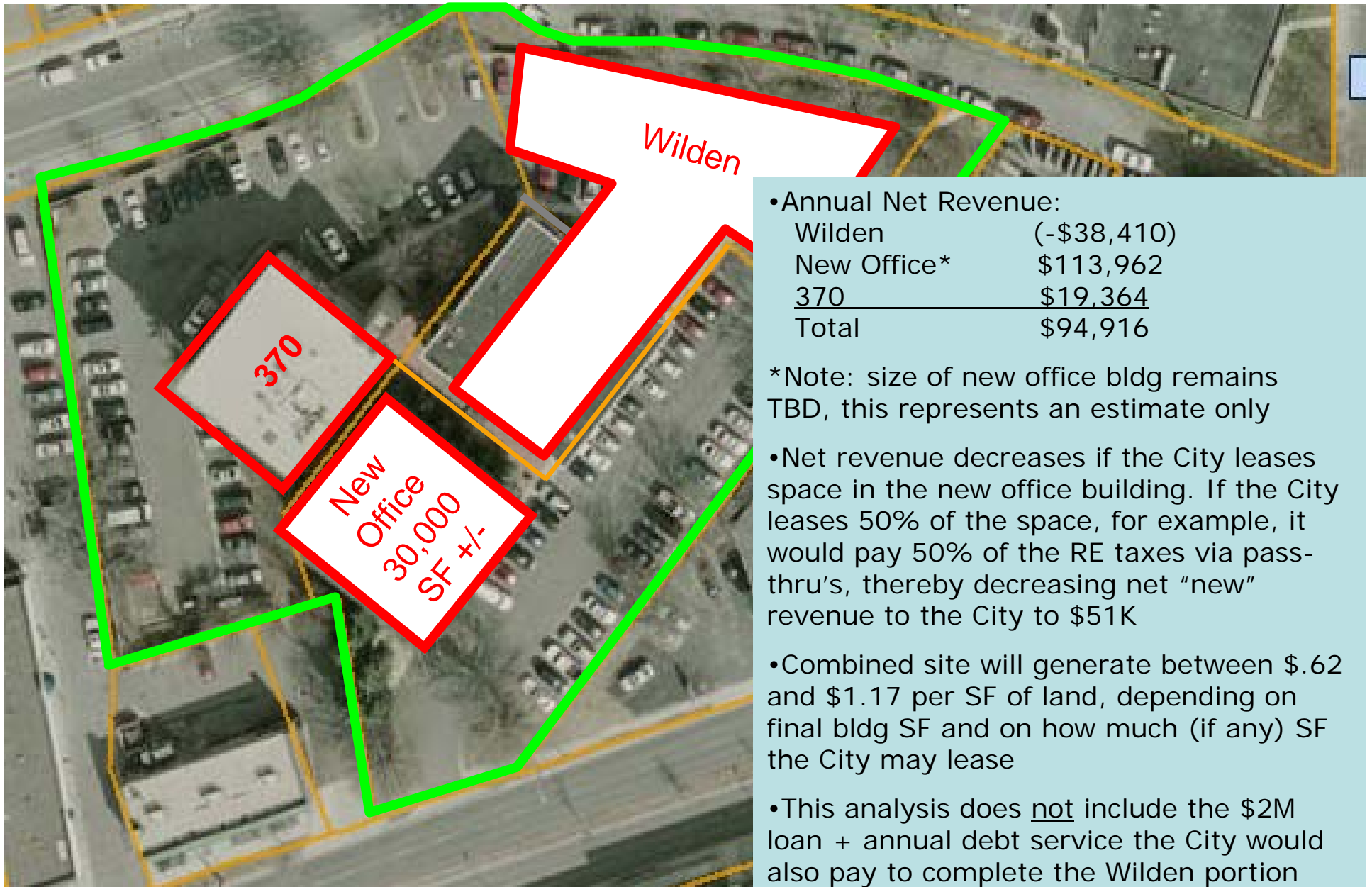
Existing Use: \$59K Annual Net Revenue to City



Original Wilden Plan: \$1K Annual Net Revenue to City



New Wilden Plan: \$51K to \$95K+/- Annual Net Revenue to City



- Annual Net Revenue:

Wilden	(-\$38,410)
New Office*	\$113,962
370	\$19,364
<hr/>	
Total	\$94,916

*Note: size of new office bldg remains TBD, this represents an estimate only

- Net revenue decreases if the City leases space in the new office building. If the City leases 50% of the space, for example, it would pay 50% of the RE taxes via pass-thru's, thereby decreasing net "new" revenue to the City to \$51K

- Combined site will generate between \$.62 and \$1.17 per SF of land, depending on final bldg SF and on how much (if any) SF the City may lease

- This analysis does not include the \$2M loan + annual debt service the City would also pay to complete the Wilden portion

Alternative Scenarios

- The following slides show alternative development plans and are based on financial performance as predicted through the City's fiscal model. Each requires lot consolidation and encourages high quality development through increased density and more efficient design.
- These scenarios could be achieved by the City establishing a detailed plan for the area, incorporating a revitalization district (as suggested in the Comp Plan) and introducing incentives to encourage lot consolidation and high quality development.
- Several different levels of density are considered → 1.5, 2.5 and 3.0 FAR. The term FAR ("Floor to Area Ratio") is commonly used in office development to measure building density relative to land. **FAR is technically the total building floor area divided by the total site square footage (ie. 100,000 SF building / 50,000 SF site = 2.0 FAR).**
- FAR levels in areas near Falls Church for comparison:
 - Rosslyn – up to 10.0 (potential bonus for 'right-of-way' dedication)
 - Ballston – up to 6.0 (need minimum 80K SF of land to achieve 6.0)
 - Courthouse – up to 3.8 for office
 - Clarendon – up to 3.8 for office
- Note on design: Office buildings are typically designed to be 100' to 120' wide. The building length can vary, however it should achieve a rectangular shape to create an efficient layout around the building core (ie. elevators, restrooms, stairwells etc).
- Floorplates between 18K SF and 26K SF are typically efficient and desirable for medium to larger tenants because it allows a more efficient and economical layout of their office.

Option 1: \$426K Annual Net Revenue to City



Option 2: \$426K Annual Net Revenue to City



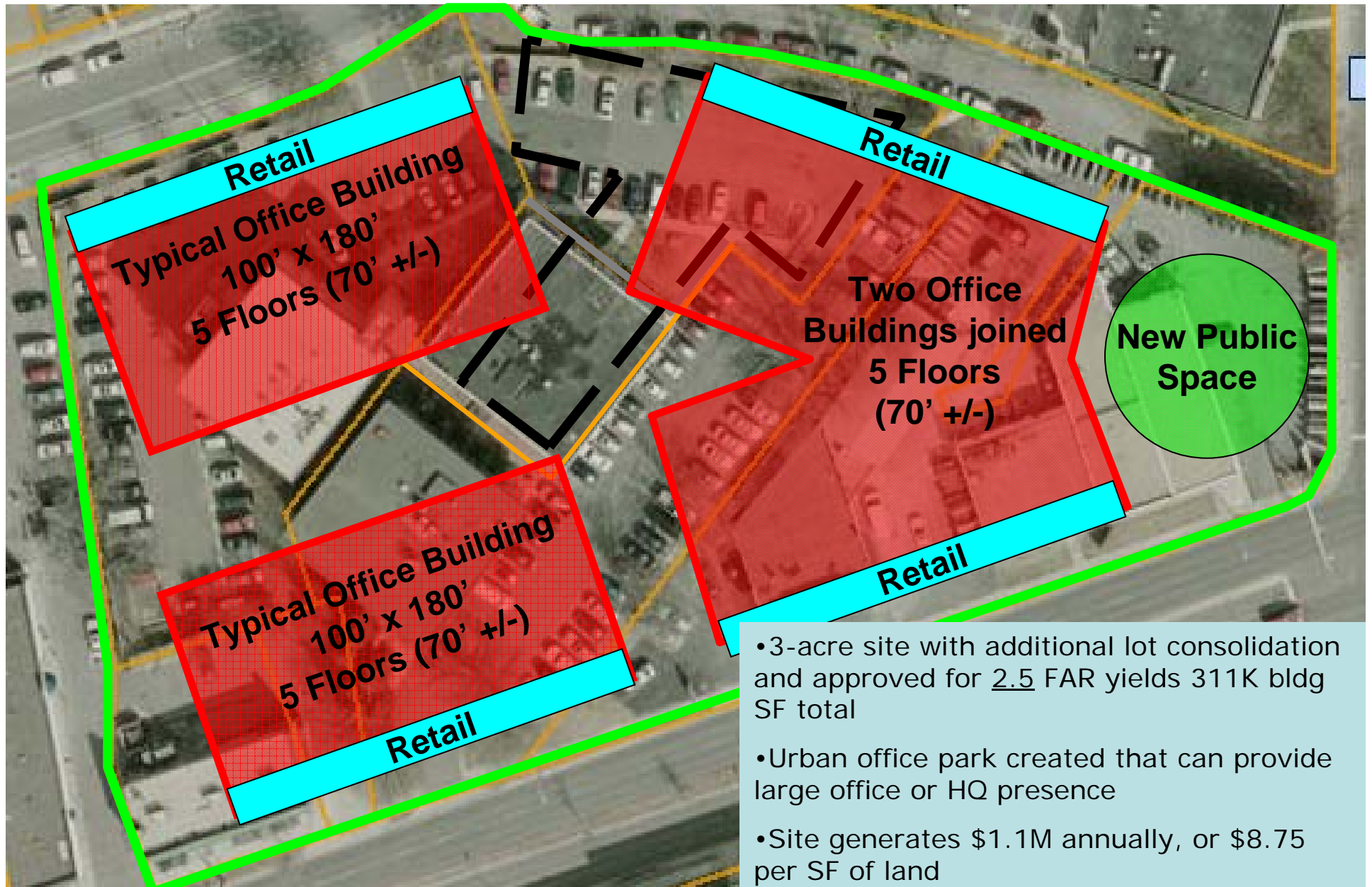
Option 3: \$711K Annual Net Revenue to City



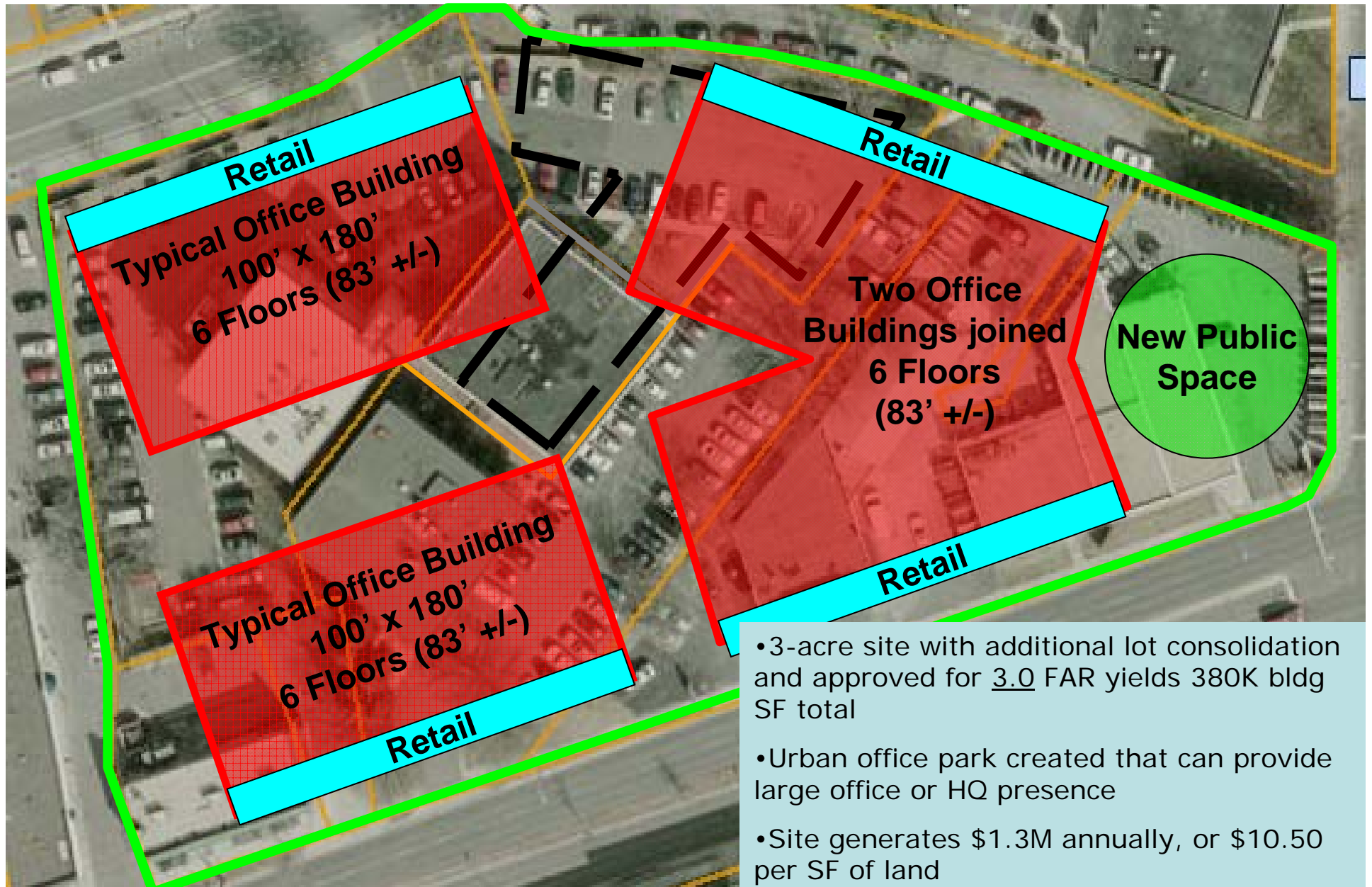
Option 4: \$711K Annual Net Revenue to City



Option 5: \$1.1M Annual Net Revenue to City



Option 6: \$1.3M Annual Net Revenue to City



Conclusions

- 350, 360 and 370 South Washington are currently underperforming at \$0.72 net tax revenue per land square foot. Higher and better uses that include first-class office and retail could achieve up to \$10.00 +/- per land square foot.
- Approving the revised Wilden project with the proposed new office building at 360 will maintain about the same or marginally better financial performance of the land versus the office buildings that exist today.
- The Wilden proposal will eliminate opportunities for land consolidation and preclude larger and higher quality commercial development in the future which would generate a considerably higher return for the City.
- The opportunity loss to the City is materially higher than previously reported as earlier staff analysis does not consider land use implications of adjacent parcels.
- Rather than approve the Wilden, the City could begin further planning of the South Washington Corridor and introduce a revitalization district that would encourage the type of high quality design and development shown here. (Both Arlington and Fairfax have successfully encouraged lot consolidation and redevelopment through the creation of special zoning districts and the use of bonus density incentives.)
- Achieving a higher level of office development as shown here could act as a catalyst to additional high quality commercial development in the adjacent City Center area.

Appendix – EDA Staff Analysis 1/27/10

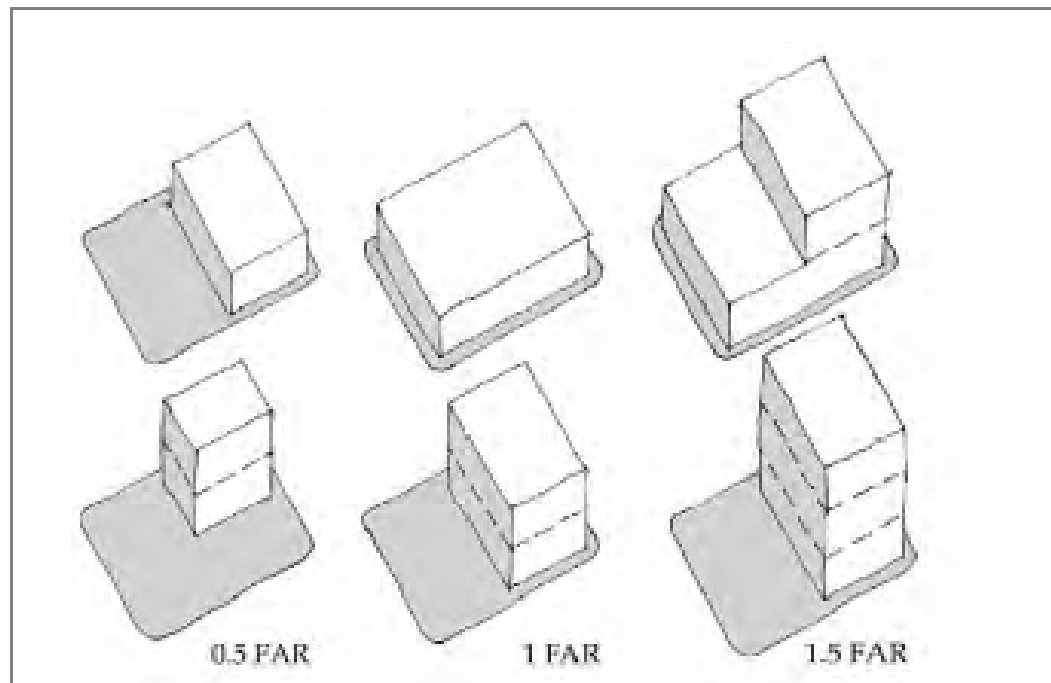
Comparative Fiscal Impact Scenarios for 350, 360 & 370 S. Washington St.							
Development Scenarios	Floor Area Ratio (FAR)	Building SF/Land SF	Estimated Annual Net Revenue	Estimated Annual Gross Revenue	Building Floorplate & Retail Component (SF)	Office Component (SF)	Notes
BASE CASE:							
350 (FCHC)	0.51	14,070/27,783	\$19,635	\$31,130	4,690 Floorplate; No Retail	14,070	Only one floor is occupied
360 (Sawner)	0.52	14,070/27,151	\$19,703	\$32,228	4,690 Floorplate; No Retail	14,070	Building is mostly empty
370 (Homestretch)	0.51	13,440/26,367	\$19,364	\$31,328	3,360 Floorplate; No Retail	13,440	Building occupied by Homestretch offices
BASE TOTAL	0.51	41,580/81,301	\$58,702	\$95,716	No Retail	41,580	Buildings are partially occupied
The Wilden	2.31	64,160/27,783	(-\$38,410)	\$30,508	13,817 Floorplate; No Retail	1,800	"Net" net annual revenue = (-\$38,723)*
The Wilden + 360 & 370 "As Is"	1.13	91,670/81,301	\$589	\$69,575	No Retail	29,310	"Net" net annual revenue = \$276*
"Tax Analysts"-Scale Commercial Development	1.00	81,301/81,301	\$284,296	\$360,461	Assume 13,550 Floorplate & Retail	67,750	Assume 6 stories & 3-level, above ground parking structure
"Denser" Commercial Development	1.50	121,951/81,301	\$426,444	\$540,691	Assume 20,325 Floorplate & Retail	101,625	Assume 6 stories & combination above & below ground parking
"Densest" Commercial Development	2.50	203,252/81,301	\$710,741	\$901,152	Assume 33,875 Floorplate & Retail	169,375	Assume 6 stories & combination above & below ground parking

Notes: Commercial development scenarios assume land consolidation. Properties are zoned "B-2" (Central Business District) with height limit of 75 feet. FAR is not a density standard used by the city.

* "Net" net projections include offsetting losses of revenue from elimination of existing land uses.

Appendix – FAR Description

Floor area ratio (FAR) can be a useful measure of development intensity for mixed-use and commercial areas in the TOD. FAR is the ratio of total building floor area to parcel area, exclusive of streets. If a project uses this particular measure, there are various ways it can meet a TOD's FAR objectives.



Left: Diagrams showing different ways of meeting various FAR objectives.

For example, a 1.0 FAR can be achieved with a one-story building occupying an entire lot (middle top)...

...or with a two-story building with a footprint of half the lot (middle bottom).