



# ULI Washington Technical Assistance Panel

## Development Opportunities in the City of Falls Church

City of Falls Church  
October 15-16, 2014



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# ULI – the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.



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# ULI Washington

## A District Council of the Urban Land Institute

**ULI at the local level:** 2,000+ Members: developers, architects, planners, public officials, financiers, students...

### **Emphasis on sharing best practices and providing outreach to communities**

- Technical Assistance Panels
- Regional Land Use Leadership Institute
- UrbanPlan Program
- Washington Real Estate Trends Conference
- Case Studies
- Regionalism and Housing Initiative Councils

# ULI Washington: Technical Assistance Panels (TAPs)

## Recent TAPs:

- Prince George's County: Metro Green Line Corridor
- MDOT: Public Safety Training Academy/Shady Grove Life Sciences Center
- Manassas, VA: Mathis Avenue Corridor
- City of Annapolis: Annapolis City Dock
- D.C. Dept. of Housing and Community Development: Anacostia Gateway
- Maryland Dept. of Transportation: Wheaton CBD
- Interim Uses at the former Walter Reed Army Medical Center
- Revitalization and Development in East Frederick
- Harvesting the Value of Metrorail in Loudoun County, VA
- Glenmont Shopping Center, Montgomery County, MD
- Investing in Prince George's Plaza, Prince George's County, MD
- Re-envisioning Rhode Island Ave, Washington, DC



# TAP Panelists

## Panel Chair:

- **Bob Wulff**, Center for Real Estate Entrepreneurship

## Panel Members:

- **Elizabeth Baker**, Walsh, Colucci, Lubeley, & Walsh, PC
- **Leonard Bogorad**, RCLCO
- **Anthony Chang**, Washington Real Estate Investment Trust



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# TAP Panelists

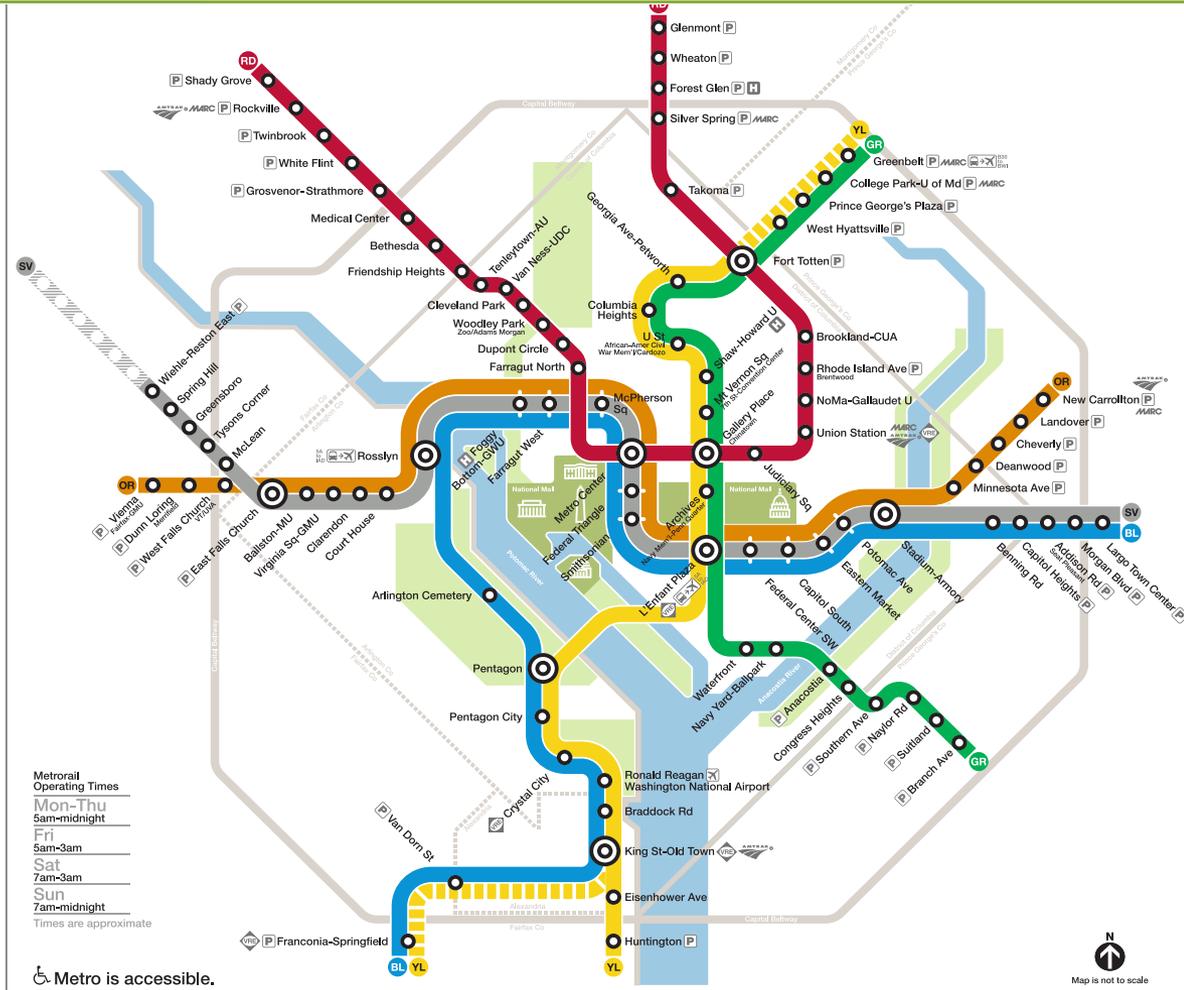
## Panel Members, (cont'd):

- **Martine Combal**, DC Office of the Deputy Mayor for Planning and Economic Development
- **Peter Crowley**, LandDesign
- **Robert Eisenberg**, Heritage Property Company, LLC
- **Gary Malasky**, Malasky Real Estate
- **Sean O'Donnell**, Perkins Eastman



# The Region is Growing

- Creating a place around an underutilized metro station
- Addressing current and future metro travel patterns
- Civic uses in a mixed-use context



# What is Falls Church?

- Two descriptors stand out:
  - “The Little City,” unique within the National Capital Region urban landscape
  - Rightfully proud of nationally ranked school system. The City’s main attraction that draws high-income and well-educated families to this city.



CITY OF FALLS CHURCH



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# AGORA

- How do we embed 10 acres of commercial development within the new \$100 million high school campus?
- By creating an AGORA
  - Based on the ancient Greek city state. A place where the academy and commerce meet, resulting in a creative marketplace of ideas and goods.

# Our Vision

- Our site plan for the 10 acre commercial development is physically linked to the new high school campus and this link is enhanced by a public space that encourages interaction between the school system, the larger Falls Church community, and the proposed mixed-use commercial development.



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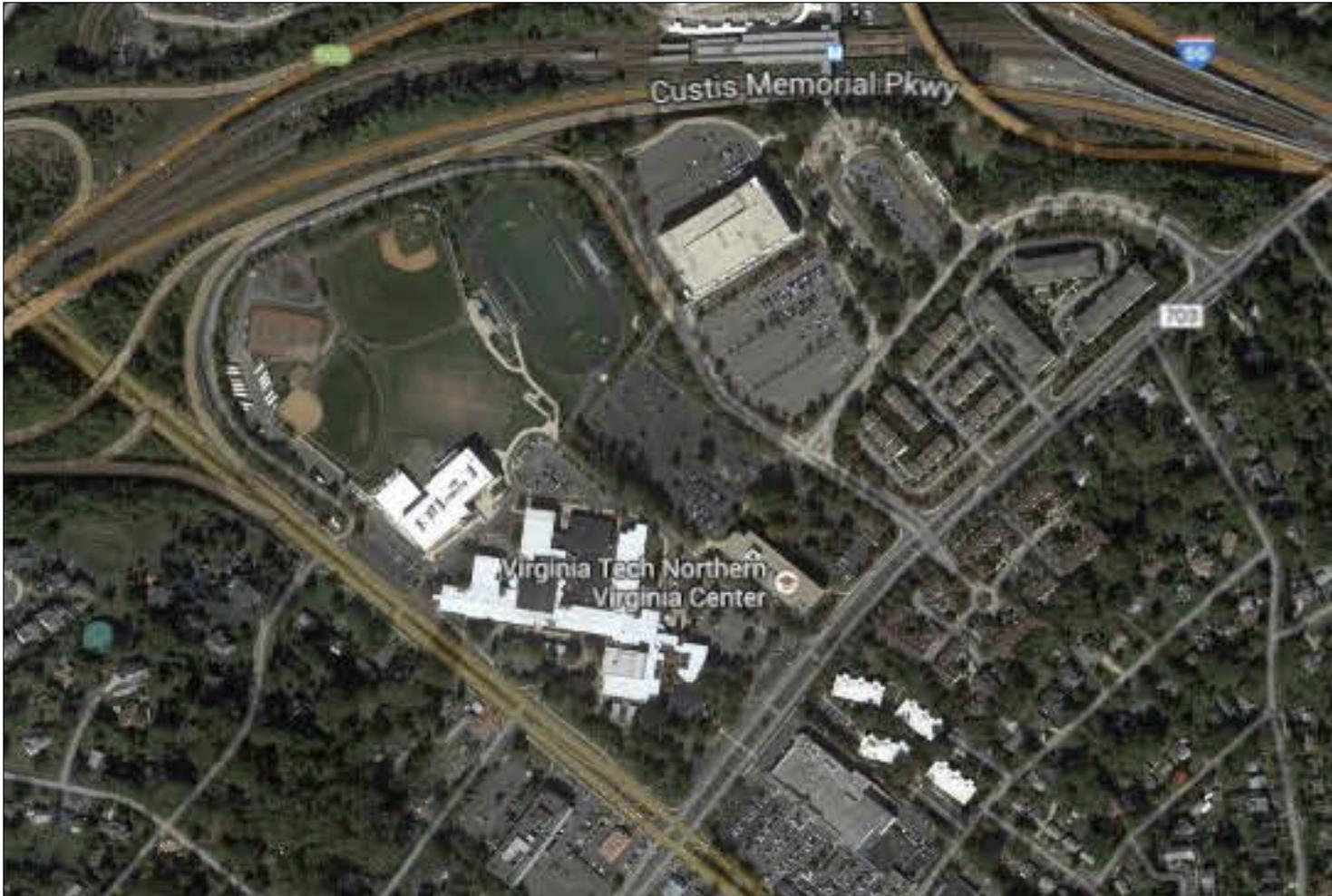
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# Site Selection and Plan

- Haycock Road Site
  - Land value maximized from vertical mixed-use project
  - No suitable alternative
  - Development sequence: build new school, tear down old school, develop 10-acre commercial site
- Football Field Site
  - Isolation limits development use to multi-family residential
  - Minimizes land value and opportunity
  - Development sequence: nearly simultaneous with new school



# Existing Conditions



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# Concept Plan



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# Concept Plan



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# Concept Plan



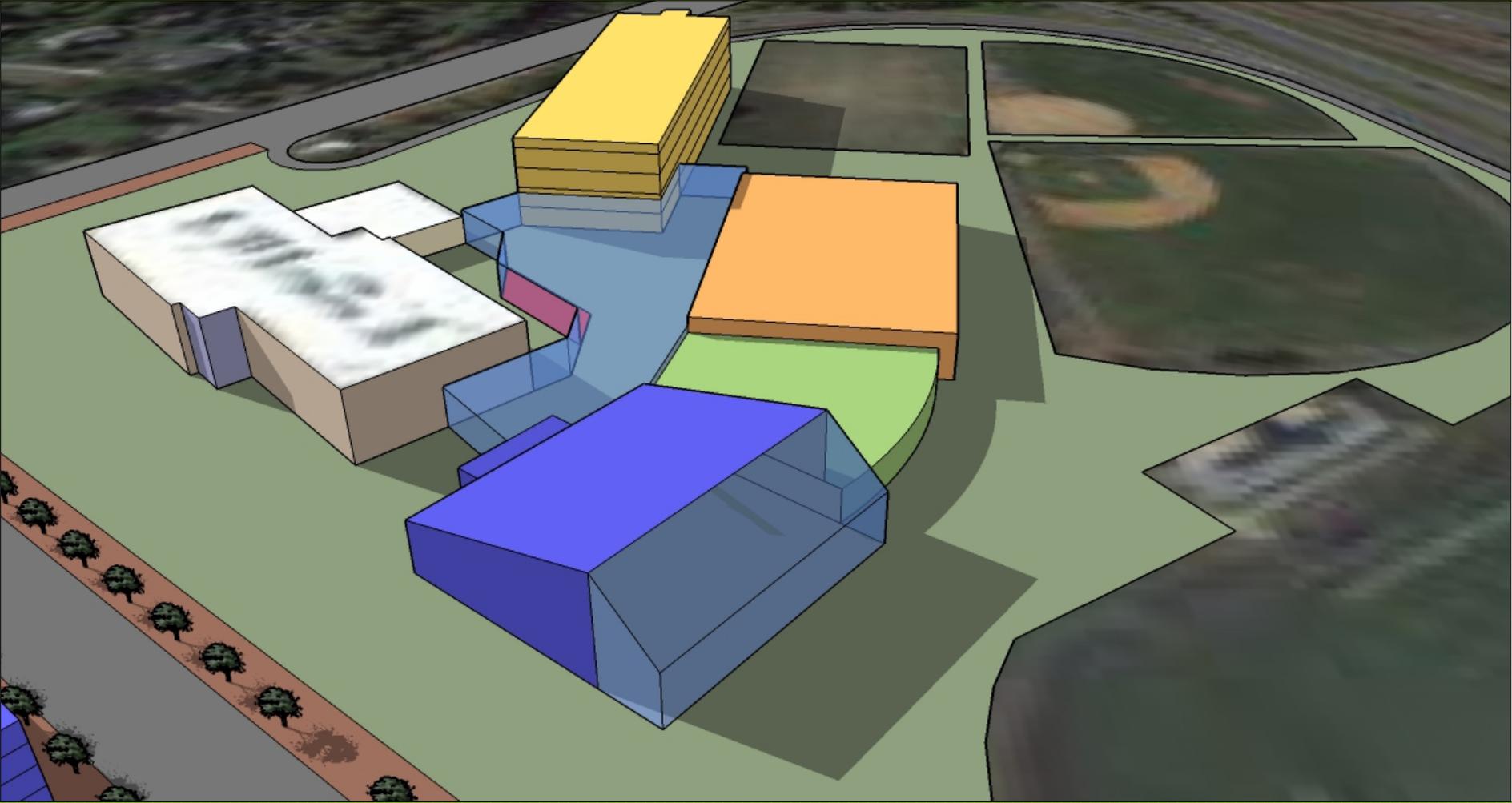
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# School Site Plan



# School Site Plan



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# School Site Plan: 21<sup>st</sup> Century Education



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# School Site Plan: Civic Presence



Dunbar High School, Washington, DC



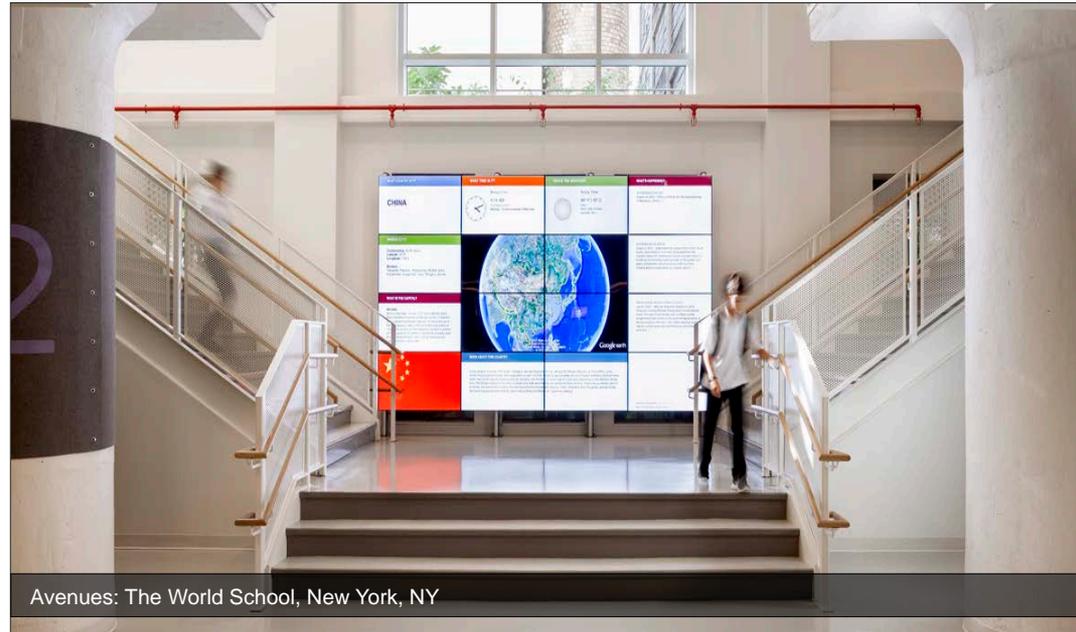
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# School Site Plan: Entry | Reception



Stoddert ES & Community Center, Washington, DC



Avenues: The World School, New York, NY



Yorktown High School, Arlington, VA

# THE HEART OF THE SCHOOL



Dunbar High School, Washington, DC

# School Site Plan: Food + Community



Avenues: The World School, NY, NY



Washington Latin PCS, DC



Concordia International School, Shanghai, China

# School Site Plan: Food + Community



Concordia International School, Shanghai, China



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# PUBLIC SPACES



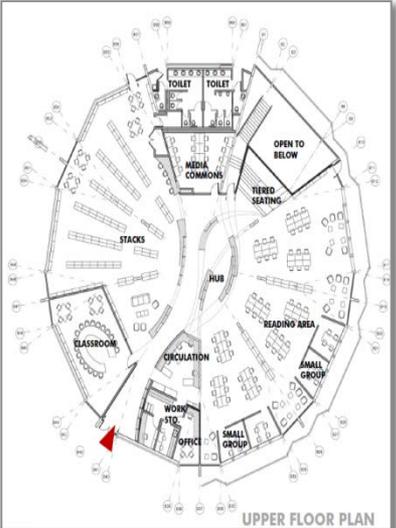
Dunbar High School, Washington, DC



# LEARNING COMMONS



# School Site Plan: The Learning Commons



# HOWARD UNIVERSITY HOMECOMING GALA



Dunbar High School, Washington, DC

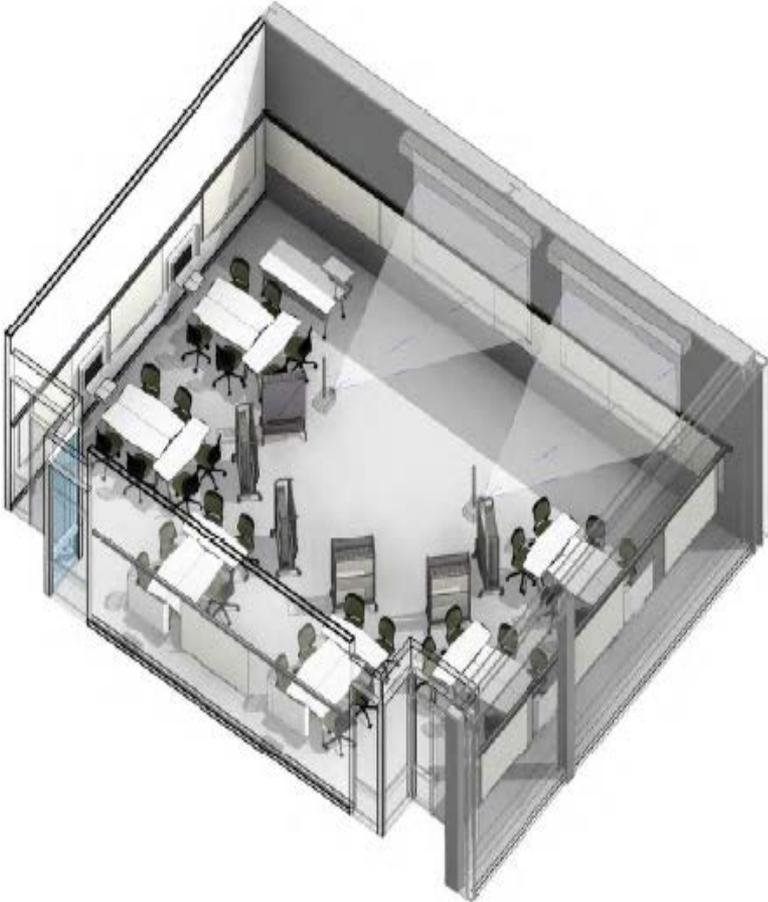
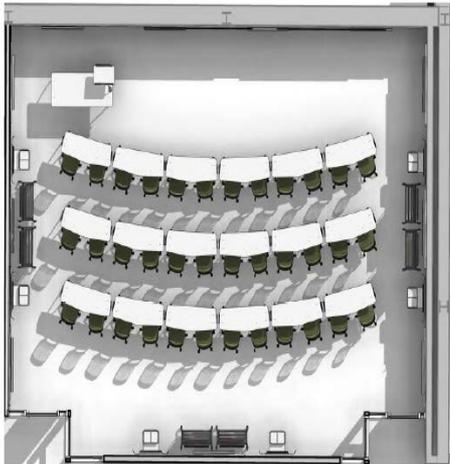
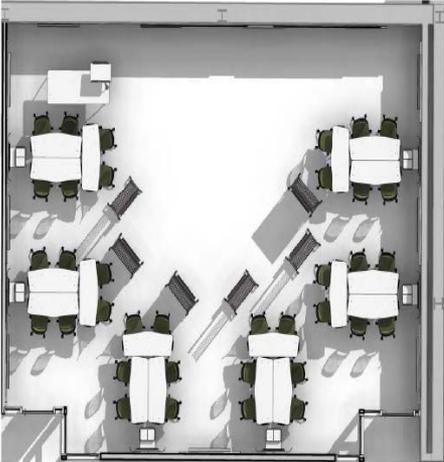
# School Site Plan: The Big Idea



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# School Site Plan: The Active Classroom



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# School Site Plan: The Active Classroom



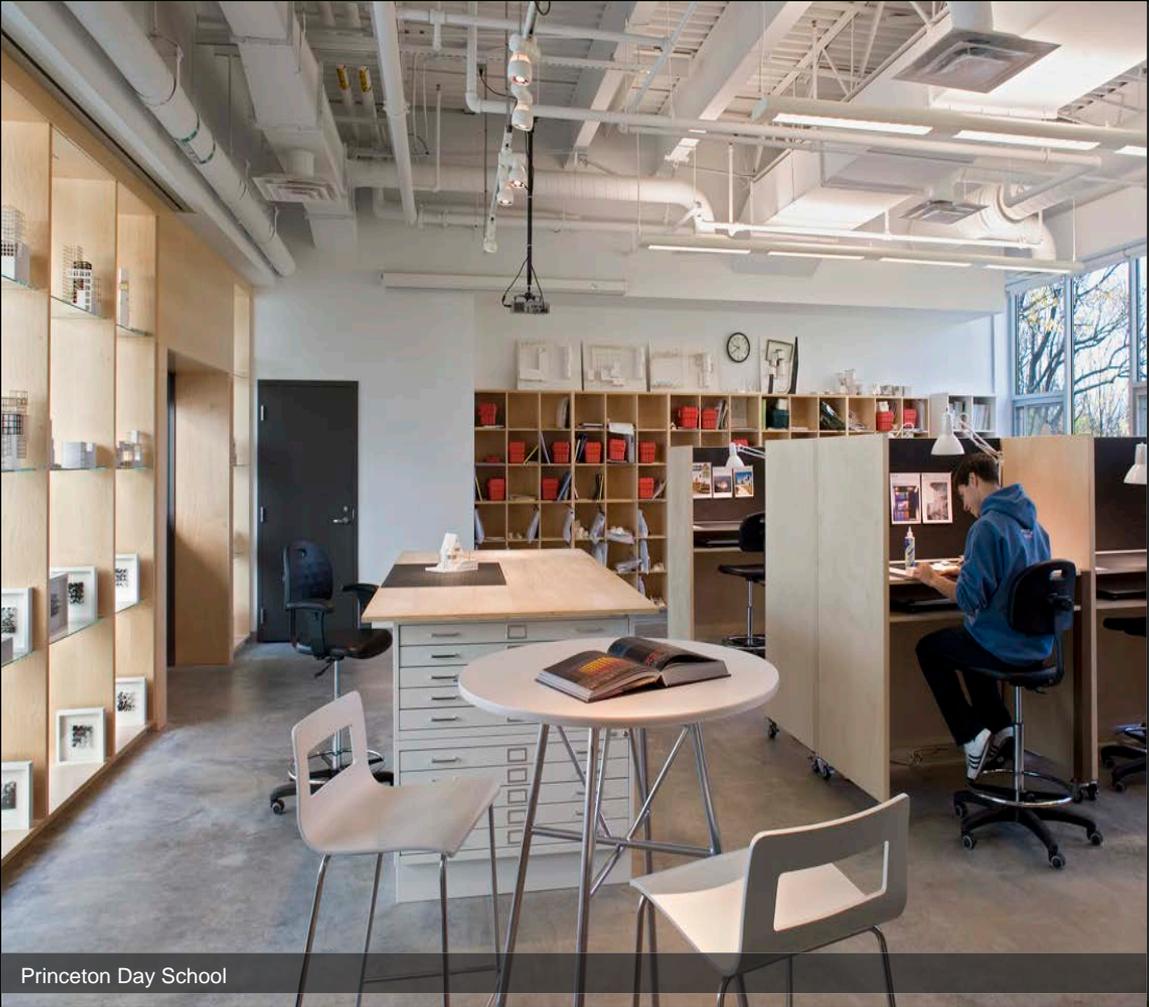
Avenues, The World School, New York, NY



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# School Site Plan: Design Studio



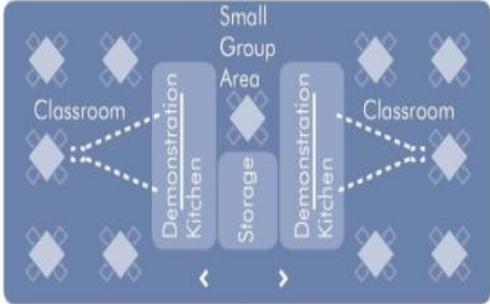
Princeton Day School



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# School Site Plan: World Language Food Lab



# School Site Plan: Civic Presence



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# Development Program

	Units	PSF	GSF
Health Club			40,000
Movie Theater			40,000
Restaurant			40,000
Other Retail			42,000
Medical Office			66,000
Office			72,000
Grad. Housing / Apts.	500	1000	500,000
Active Adult Apartments	140	1200	168,000
Condos	80	1400	112,000
Hotel	110	650	71,000
<b>TOTAL</b>			<b>1,151,000</b>



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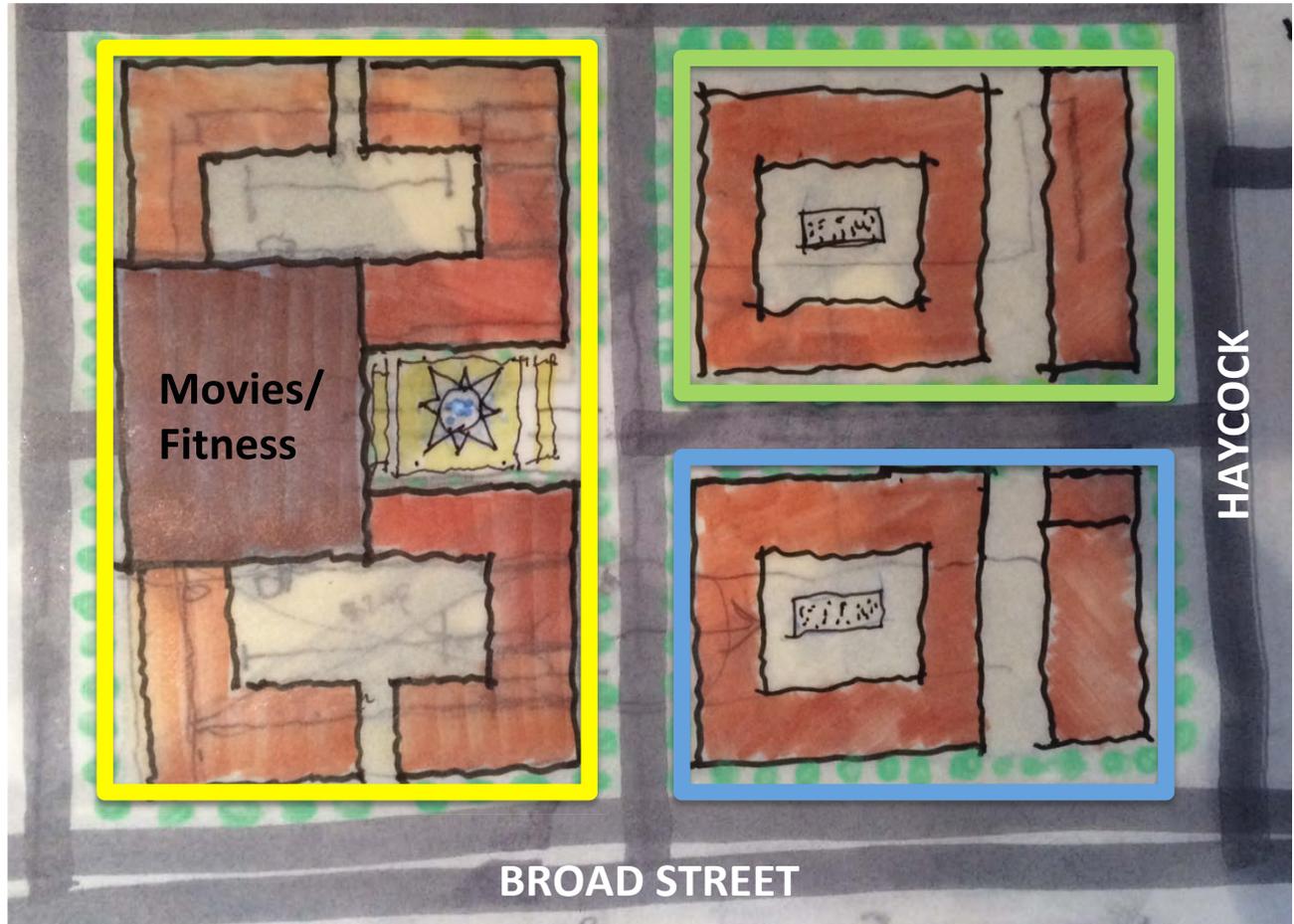
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# Development Program Phasing

Phase I

Phase II

Phase III



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# Implementing Plan: Attract a Developer

- To create value, the City needs to reduce both risk and uncertainty.
- Renegotiate lease w/UVA/VT to create new ROWs / access to metro and proposed parking garage



# Implementing Plan: Attract a Developer

- Complete a Joint Planning Study for Metro Station to Route 7
  - Joint plan for the Site as well as the parcels controlled by WMATA and UVA/VT with Fairfax, WMATA and UVA / VT for the area from Route 7, Haycock to I-66
  - Focus on connectivity & integration w/ UVA/VT & WMATA
  - Planning Study and resultant plan amendment will require authorization by Fairfax Board of Supervisors
  - WMATA Board must host a Compact Public Hearing and subsequently approve the Plan
  - This Plan may have recommendations for zoning ordinance amendments



# Implementing Plan: Attract a Developer

- Planning and public outreach will take approximately 1-1.5 years
- If a Joint Plan cannot be completed...
  - The City could move forward without the other governmental partners (Fairfax, WMATA, UVA/VT), but this would have a negative impact on the 10 acre site land value



# Implementing Plan: Attract a Developer

- Cost of planning for 10 acres should be budgeted (approximately \$250K - \$350K); consultants will include:
  - Planning / Architecture consultants
  - Civil engineers
  - Traffic consultants
  - Environmental consultants (Phase 1 Environmental Site Assessments)
  - Market analysis consultants
  - Appraiser (for disposition)



# Options for a PPP

- **Sell Land Parcels:** Attractive to developers; no ongoing payments to the City
- **Land Leases:** There can be many variations
  - Traditional annual payments with periodic revaluations will limit developer responses
  - Base annual payments with participation in cash flow; negotiating participations can be very complicated
- **Joint Venture:** Complex, may have lower certain payments, can maximize total return with more risk



# Implementing Plan: How to Structure a PPP

- Request for Expressions of Interest (RFEI)
  - Combines Request for Information (short proposal ideas) and Request for Qualifications (to assess organizational & financial capacity)
  - May want to hire outside consultants to assist with development of documents (RFEI & RFP) and be an independent reviewer
  - This will take approximately 4-6 months, assuming respondents have 60 days to respond



# Implementing Plan: How to Structure a PPP

- Request for Proposals (RFP) for a Master Developer
  - This assumes the City will not fully demolish or construct the new utilities and roads serving the site.
  - In the RFP:
    - Do allow for different proposals by respondents than what is presented in RFEI
    - Do list priorities and requirements so they are clear
    - Do not be vague
    - Do give the developer flexibility to generate new ideas
    - City should engage a consultant to perform an appraisal or a land residual model to have an internal assessment of value prior to reviewing responses



# Implementing Plan: How to Structure a PPP

- Post RFP, negotiate an Exclusive Rights Agreement with deal terms
- Developer obtains entitlements
- Revise ERA if required by final entitlements



# Recommended Zoning Designations

- Site is currently R-1A
- Staff recommended B-2, which requires special exceptions for bonus height and residential uses
- The TAP recommends the City create a new truly mixed use zone which would work better and may be useful in other areas of the City.

# Fiscal Benefits to the City

- Analyzed fiscal impact using City's model
  - Ran model using 3 assumptions re students per rental apartment unit
  - Based on experience at most comparable developments, 0.12 students per apartment (50% above Montgomery Co.)
  - Also used City's low (0.25) and high (0.33) student assumptions
- Total net revenues \$25M-\$35M during 10-year development period (without inflation)
- Annual net revenues \$3.7M-\$4.9M in 2014 dollars at build-out
- Key revenue sources: real property, BPOL, sales, meals, hotel taxes
- Students generated: 60 (ULI), 165 (City high), 125 (City low)

# Pre-Development Timeline

Timeline	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
CFC,FC,WMATA,UVA/VT Planning (1 year)	■				
Master Developer Selection (1.5 - 2 years)		■	■		
Site Planning/Entitlements (1.5 years)				■	



# Development Timetable

- School construction begins in 2020 and takes two years
- School construction debt incurred ahead of new revenues from site
- Assumed land sale or lease schedule:
  - 2022 – 50% of land is conveyed (critical mass)
  - 2025 – 25% of land is conveyed
  - 2029 – 25% of land is conveyed

# Development Timetable

- We assume a ten-year buildout of the commercial component of the site
- Real estate cycles will undoubtedly impact this schedule



# Financial Analysis

- A new \$100 million high school is assumed
- \$100 million of municipal bonds would be issued to cover the school's cost (4%, 30-year term)
- At stabilization of new development, new net tax revenue should cover 60% - 80% of bond debt service



## Financial Analysis (continued)

- On the way to stabilization of all new development:
  - Land parcel sales
  - Ongoing debt service on bonds
  - New net tax revenues (growing over time)
- Net cash flow shortfall over the development period (\$15M - \$22M)



# THE HEART OF THE SCHOOL



Dunbar High School, Washington, DC

# Questions?



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