Passenger Transport

APTA

The Weekly Newspaper of the Transit Industry

Washington, D.C., Monday, November 27, 1995

Volume 53, Number 47

# Private Developer To Build $20 Million Va. Metro Station

## *Public-Private Partnership Is Lauded*

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ALEXANDRIA, VA.—In what officials cite as a classic example of a transit public-private partnership, the Washington Metropolitan Area Transit Authority and the RF&P Corporation on Nov. 16 agreed on a plan in which the commercial real estate company will design and build a new $20 million station along WMATA's Metrorail line.

The agreement, signed on the Potomac Yard property where the new station will be built, marks the first time ever that a private corporation has underwritten the design and construction of a transit rail station. It is also the first time a station has been added to an existing transit system between currently operating stations, officials said.

"This is a historic day for WMATA and for transportation in the United States," said WMATA General Manager Lawrence Reuter, who joined members of the Arlington, Alexandria, and Fairfax, Va., Washington, and Virginia governments at the signing. "This is where good business and good public policy benefits everyone."

Virginia Lieutenant Gov. Donald Beyer, speaking above the rumble of a passing Metrorail train, applauded the agreement, saying, "It will have a ripple effect. The station will serve families and companies, and it will lead to more growth."

The new station will be built between the National Airport and Braddock Road stations along Metrorail's Blue and Yellow lines on the grounds of Potomac Yard, formerly one of the nation's largest railway freight yards. Railyard operations ceased there in 1994. Under the contract, RF&P will pay for the station design and construction costs, estimated at $20 million, and WMATA will operate and maintain it.

Richmond-based RF&P, which owns the 342-acre site that spans Arlington County and the city of Alexandria, plans to build a 16 million-square-foot mixed-use development that will include more than 5,000 housing units along with office and retail uses.

The new station will serve as one of northern Virginia's biggest transportation hubs, as Metrorail's Yellow and Blue lines will join with Amtrak, Virginia Railway Express commuter rail, Metrobus, taxi, and pedestrian and bicycle paths. Nearly 15,000 commuters are expected to use the station each day when it is fully operational.

WMATA is expected to see increases in off-peak direction ridership and off-peak hour, weekend, and holiday ridership as commuters use the station to go to neighboring Crystal City and downtown Washington.

"The Potomac Yard Metro Station will benefit our nearby neighbors, the larger surrounding communities, the environment, the Metro authority, and RF&P," said Denton Kent, RF&P's president and chief executive officer. "The station allows the integration of mass transit in the development in a rational and efficient fashion."

U.S. Deputy Transportation Secretary Mort Downey said the Metrorail system has been a critical element in shaping the Washington region. "This is the latest step in the process," he said. "It's a destination that will be served by a variety of efficient and environmentally friendly transportation alternatives. It sets a new benchmark for transportation."

Reuter said that, in today's budget environment, transit general managers realize funding is tight, but that ridership is nonetheless expected to grow. "Partnerships like this one today accomplish both those goals."

Alexandria Mayor Patricia Ticer said the "public sector, private sector, and the community will benefit" from the new agreement. "This project, in the shadow of the nation's capital, is the best example of the ability of the public and private interests to cooperate for the benefit of the public good."

Plans call for the project to advance in three phases, with Phase I providing for environmental assessments and general plan development, beginning in January 1996. Phase II, which is scheduled to begin in January 1997, includes design work, while Phase III will include construction. Officials said the station is scheduled to open in March 2000.

## Can Transit Infrastructure Be Self-Financing?

Private sector funding for the new Metrorail station (mentioned in the article on the preceding page) never took place. Some residents complained strongly that the proposed development would generate too much traffic on nearby Route 1. In response to these concerns, local officials reduced the permissible development density of the site.

As a result, there was no longer enough potential development space to pay for the cost of designing and constructing the station without making the price of that development unaffordable to potential users. Today, the site is home to a complex of big-box stores that load Route 1 with more auto traffic than the denser, transit-oriented development originally envisioned for this site.

Lessons Learned:

- Lower-density auto-oriented development can generate more auto traffic than higher-density development that is accompanied by and oriented towards transit; and
- Transit infrastructure can pay for itself. Of course, it is unusual to have a single property owner who can internalize all of the land value enhancement externalities of a transit station – and thereby afford to pay for that infrastructure. More typically, many landowners are involved, each of whom controls some, but not all, of the land that benefits from the new transit infrastructure. Therefore, government needs to be more creative about establishing coalitions and agreements among the numerous landowners who, individually and collectively, benefit from enhanced land values as a result of new transit services and facilities.

Lesson Applied:

- In 1998, landowners near another proposed new Metrorail station in northeast Washington, DC agreed to contribute funds toward the cost of a new station between the Rhode Island Avenue Station and Union Station.
    - After a few years of environmental studies and negotiations among the parties, a special assessment district was created. $25 million in bonds were sold. Proceeds were used to design and build the new station. Special assessments will pay off the bonds over 30 years.
    - Two owners of land immediately adjacent to the station donated small strips of land valued at about $6 million to the station rather than requiring the transit authority to purchase it.
    - All together, nearby landowners contributed about 1/3 of the total cost of station design and construction.

For more information about value-capture as a means of infrastructure finance, contact:

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