Overview

• Growing Market
• Committed Public and Private Participants
• Meaningful Planning
• Managing Value Capture Burden
• Phasing Flexibility
Dulles Metrorail serving growing market

Source: Dulles Corridor Metrorail Project, 2015
Growing market enabled value capture sources fund one-fifth of Project, through two counties

<table>
<thead>
<tr>
<th>Sources of Capital / Funds</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Rail Project Budget Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>$900</td>
<td>-</td>
<td>$900¹</td>
<td>15.8%</td>
</tr>
<tr>
<td>Commonwealth of Virginia</td>
<td>252</td>
<td>323</td>
<td>$575¹</td>
<td>10.1%</td>
</tr>
<tr>
<td>Fairfax County</td>
<td>400</td>
<td>515</td>
<td>915</td>
<td>16.1%²</td>
</tr>
<tr>
<td>Loudon County</td>
<td>-</td>
<td>273</td>
<td>273</td>
<td>4.8%²</td>
</tr>
<tr>
<td>MWAA (Aviation Funds)</td>
<td>-</td>
<td>233</td>
<td>233</td>
<td>4.1%²</td>
</tr>
<tr>
<td>MWAA (Dulles Toll Road)</td>
<td>$1,354</td>
<td>$14,34</td>
<td>$2,788</td>
<td>49.0%³</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$2906</td>
<td>$2,778</td>
<td>$5,684</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

¹Fixed amount; ²Fixed percentage of total cost, ³Residual

Source: Dulles Corridor Metrorail Project, 2015

- Phase 1 Transportation Improvement District (TID) assessed value increased healthily over past two decades
- Relative prosperity motivated private landowners and gave local and state policymakers confidence in Project
Assessed value of taxable commercial/industrial property in Phase 1 TID in $ billions mostly grew over 20 years

Source: Fairfax County Economic Development Authority, 2016
Phase 1 TID primarily covers Tysons corner (in east) as well as some properties towards Dulles International Airport.
Growing market and strong existing market resulted in strong bond ratings

• Phase 1 TID bonds were rated AA, Aa1, and AA by Fitch, Moody’s, and Standard & Poor’s, respectively

• Key strengths according to FitchRatings of these bonds were as follows:
  – Good coverage and liquidity of 1.45 maximum annual debt service (MADs) and 3.1x at maximum legal rate
  – County target of minimum coverage ratio of 1.5x
  – **Tax rate flexibility**, allowing rate to change to maintain revenue at sufficient level to cover debt service
  – Strong but concentrated tax base: Phase 1 TID includes corporate **headquarters of five Fortune 500 companies** and growing assessed valuation
Principal stakeholders were highly committed to project

<table>
<thead>
<tr>
<th>Partner</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington Metropolitan Area Transit Authority</td>
<td>Transit agency responsible for Phase 1 and Phase 2 operations</td>
</tr>
<tr>
<td>Metropolitan Washington Airports Authority</td>
<td>Airport authority overseeing Project construction</td>
</tr>
<tr>
<td>Fairfax County, Loudon County</td>
<td>Local governments that established special districts for value capture</td>
</tr>
<tr>
<td>Commonwealth of Virginia</td>
<td>Enacted legislation allowing for special districts, and provided grant funding</td>
</tr>
<tr>
<td>LEADER</td>
<td>Private development group advocated for Project and helped to organize the Phase 1 TID</td>
</tr>
<tr>
<td>US DOT</td>
<td>Federal Transit Administration provided New Starts grant and loan to finance Phase 2 of project; (USDOT Secretary LaHood also played role in bringing Phase 2 partners together)</td>
</tr>
</tbody>
</table>
Principal stakeholders were highly committed to project (cont’d)

• Numerous public and private participants were committed to Project for years, overcoming variety of challenges including:
  – questions about alignment
  – planning delays
  – debates about costs of project elements (such as tunnels)
  – interregional differences and
  – federal funding limitations

• For value capture developers, like those initiating Phase 1 TID, were highly committed for two decades in advocacy and resources for studies, legal costs, and paid spokespeople
  – Advocacy continued through economic downturns which in retrospect appear to be small “blips”, but at time severely challenged number of businesses advocating for Project
Meaningful planning

- Tyson’s Plan and similar planning throughout corridor reflected transportation impacts of Dulles Metrorail—fostering denser, more pedestrian-oriented area
- Also allowed developers to further leverage landholdings, justifying early investment in advocating for Project and setting up TIDs
Meaningful planning example: Parking ratios for Phase 1 (TID) form part of Dulles Metrorail planning

<table>
<thead>
<tr>
<th>Use</th>
<th>Previous*</th>
<th>&lt; 1/8 mile Metro Station**</th>
<th>1/8 – ¼ mile Metro Station**</th>
<th>1/4 – 1/2 mile Metro Station**</th>
<th>Non-TOD**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Townhouse</td>
<td>2.75</td>
<td>1.75 – 2.2</td>
<td>1.75 – 2.2</td>
<td>2.0 – 2.5</td>
<td>2.0 – 2.7</td>
</tr>
<tr>
<td>Multifamily (MF) 0-1 bedroom</td>
<td>1.6</td>
<td>1.0 – 1.3</td>
<td>1.0 – 1.3</td>
<td>1.1 – 1.4</td>
<td>1.1 – 1.4</td>
</tr>
<tr>
<td>MF 1-2 bedroom</td>
<td>1.6</td>
<td>1.0 – 1.6</td>
<td>1.0 – 1.6</td>
<td>1.35 – 1.7</td>
<td>1.35 – 1.7</td>
</tr>
<tr>
<td>MF 3+ bedroom</td>
<td>1.6</td>
<td>1.0 – 1.9</td>
<td>1.0 – 1.9</td>
<td>1.6 – 2.0</td>
<td>1.6 – 2.0</td>
</tr>
<tr>
<td>Hotel</td>
<td>1.08</td>
<td>None – 1.0</td>
<td>None – 1.0</td>
<td>None – 1.05</td>
<td>0.85 – 1.08</td>
</tr>
<tr>
<td>Office</td>
<td>2.6</td>
<td>None – 1.6</td>
<td>None – 2.0</td>
<td>None – 2.2</td>
<td>2.0 – 2.4</td>
</tr>
</tbody>
</table>

*Per unit or 1,000 square feet. **Minimum – Maximum

Source: Fairfax County, 2014
Managing value capture burden

• It will take over a decade to assess TIDs benefit/cost and impact on land values. Based on available evidence, increased assessments are reportedly **not creating competitive disadvantage** for developers.

• Nevertheless, obtaining agreement on special assessments among **smaller land holders** was a challenge:
  – At issue for some is that Tysons Plan **imposes additional fees**, including Tysons Service District rates of $0.06 per $100 of AV.

• As Tysons densifies over the next decades, these rates will remain in place:
  – Additional $0.19 Phase 1 TID tax increased base tax rate by 22%, not including taxes for storm water, leaf collection, and water.
  – While this could present competitive disadvantage, developers believe that competing locations throughout Washington, D.C. region **have similar all-in tax burdens**.
Phasing flexibility

- Project and value capture effort underwent several phases, including splitting Project into two phases and dividing Fairfax County TID into two.
- Project and value capture participants nimbly responded to these changes.
Final thoughts

• Growing Market: Made value capture possible
• Committed Public and Private Participants: Long-term commitments are a requirement
• Meaningful Planning: Allowed developers to maximize TOD premium
• Managing Value Capture Burden: May be an issue in some projects; not necessarily Dulles Metrorail
• Phasing Flexibility: Watchword of all major infrastructure projects
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