

TODay Workshop #2

“Making The Vision Reality: Financing”



ULI Colorado



Prepared by



Basile Baumann Prost & Associates
177 Defense Highway, Suite 10
Annapolis, Maryland 21401

AGENDA

- Financing Land Acquisition/Banking
- Financing Public Improvements
- Public/Private Partnerships
- Questions?

FINANCING LAND ACQUISITION / BANKING

Land Banking for Future Development

Conditions that create “banked” land

- lack of market demand
- presence of private developers holding land in anticipation of future market opportunities
- absence of key infrastructure or access
- presence of zoning/development regulations that do not match market demand
- activity by transit authority/local government/development corporations to acquire or assemble land

FINANCING LAND ACQUISITION / BANKING

Skyland Redevelopment, Washington, DC (Anacostia Metro Station Area)

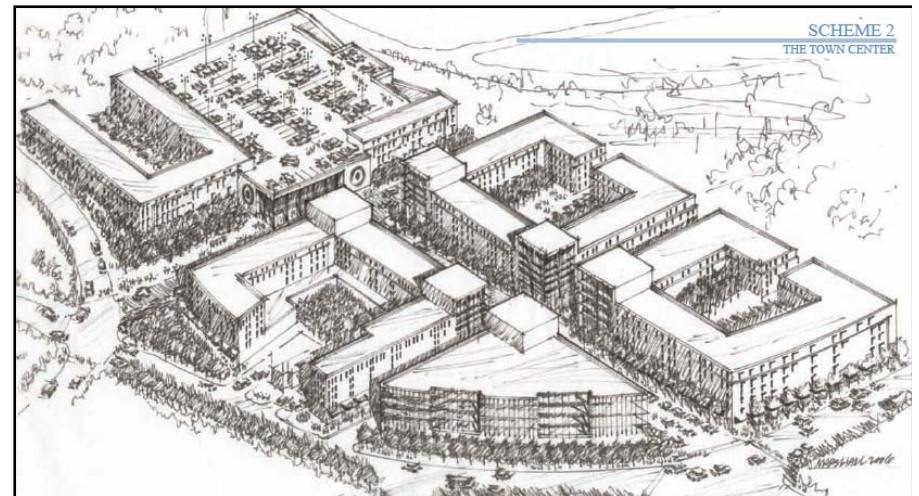
- Redevelopment of rundown strip mall and adjacent vacant property
- 18.5 acre site which includes 1940s-era Skyland Shopping Center (11 acres) and vacant residentially zoned land (7.5 acres)
- Project Co-Developer: National Capital Revitalization Corporation
- Goal is to implement City and community's vision for the site and improve the neighborhood
- 17 different parcels controlled by 15 property owners, 30 different tenants
- Previous attempts to assemble land have failed



FINANCING LAND ACQUISITION / BANKING

Skyland Redevelopment

- Community & government support for development
- Government financed study showing retail sales leakage
- NCRC (local government development corp.) purchasing property and will act as the landowner
- NCRC selects developer to undertake vertical development; will pay ground lease
- Project build out includes:
 - Total of 915,000 sq. ft.
 - 315,000 sq. ft. of retail
 - 600 residential units
 - \$125 million project



FINANCING LAND ACQUISITION / BANKING

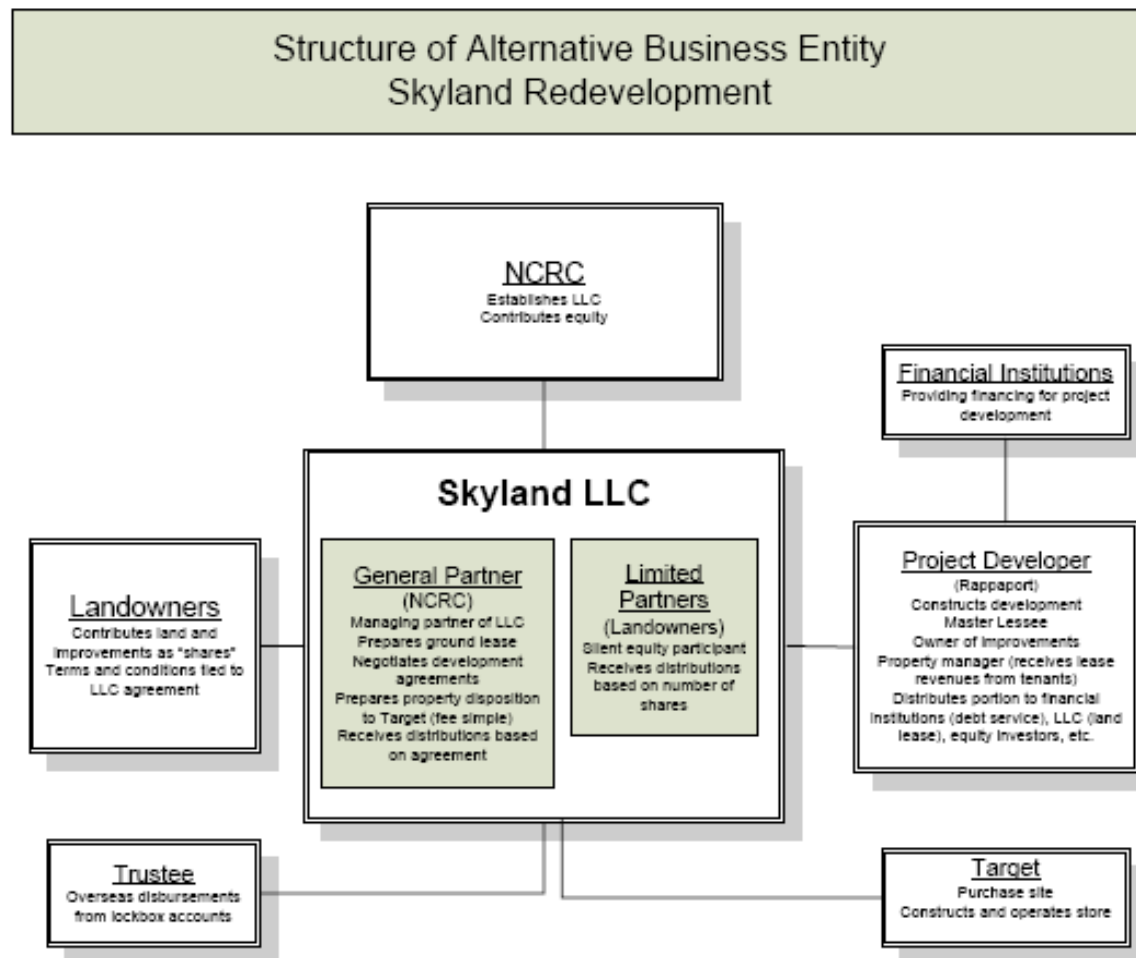
Land Acquisition / Assembly

- NCRC forms \$150 million strategic equity partnership with Morgan Stanley to provide investment capital for its projects in DC
- Received \$25.7 million in TIF to assist with land acquisition (other land acquisition funds from sale of other property)
- Property acquired by NCRC through negotiation and potential condemnation
- Relocation company assisting business owners at Skyland
- Selected property owners looking at potential participation in project



FINANCING LAND ACQUISITION

- Equity investment approach
- Landowners contribute their land (and improvements) as “shares” and receive a portion of the distribution from cash flow generated
- Value of the asset = LLC shares, Cash & LLC shares, Cash
- Vertical developer pays long term ground lease to NCRC
- Opportunity for all parties to participate in project’s upside
- LLC business entity minimizes landowners and NCRC risk exposure



FINANCING LAND ACQUISITION / BANKING

New Town at Capital City Market, Washington, DC

- Redevelopment of 24-acre underutilized site into mixed use *Town Center*
- Creation of a “*New Town at Capital City Market Revitalization Development and Public/Private Partnership Act of 2006*”



FINANCING LAND ACQUISITION

New Town at Capital City Market

- City Council approved legislation designates one of the property owners as developer (joint venture)
- District model for developing large tracts of underutilized land to create workforce housing, needed community facilities/services, jobs, and increase tax base
- Site will be rezoned from low-density, light industrial uses to mixed use commercial
- Authorizes use of tax incentives, economic and other development initiatives



FINANCING LAND ACQUISITION / BANKING

New Town at Capital City Market

- Plan allows for existing property owners and/or lessees to:
 - invest in the project and become equity owners
 - become fee simple owners in the new retail and warehouse facility
 - participate in like-kind 1031 property exchanges
- Plan allows existing retailers and wholesalers to continue their businesses in new revitalized market
- Financial toolbox includes tax abatement, TIF, PILOT
- Once developer gets control of 50% of land then remaining land can be acquired
 - 45+ property owners
 - Other participating land owners include DC, Gallaudet University
 - Eminent domain requires Council approval

FINANCING PUBLIC IMPROVEMENTS

Shannon Station Transit Village, Pittsburgh

- Located in Castle Shannon, inner ring suburb of Pittsburgh
- Part of the T, a 25-mile Light Rail Line serving downtown Pittsburgh and southern suburban communities
- Castle Shannon station opened in 1987
- Primarily serves as a park-n-ride lot (parking lot operating above capacity)
- Project involves conversion of 7.5 acre, 500-space surface parking lot to mixed use transit village with structured parking
- Goal is to create a “Sense of Place”
- One of the first significant TODs in region



FINANCING PUBLIC IMPROVEMENTS

Shannon Station Transit Village, Pittsburgh

Development Program

- \$31 million project
- 114 rental residential units
- 9 story building
- 54,000 square feet of ground floor retail
- Public plaza
- Retail outparcel (10,000 square feet)



FINANCING PUBLIC IMPROVEMENTS

Shannon Station Transit Village, Pittsburgh

Structured Parking

- Serves as foundation for the development
- Phase I – 600 PAAC park-n-ride spaces, 315 residential/commercial spaces
- Phase II – 400 additional structured PAAC parking spaces
- Would be 2nd public structured park-n-ride facility in region (out of 12)
- Would be one of 3 park-n-ride facilities to charge parking user fee
 - Proposed (\$1 daily, \$13 monthly)

FINANCING PUBLIC IMPROVEMENTS

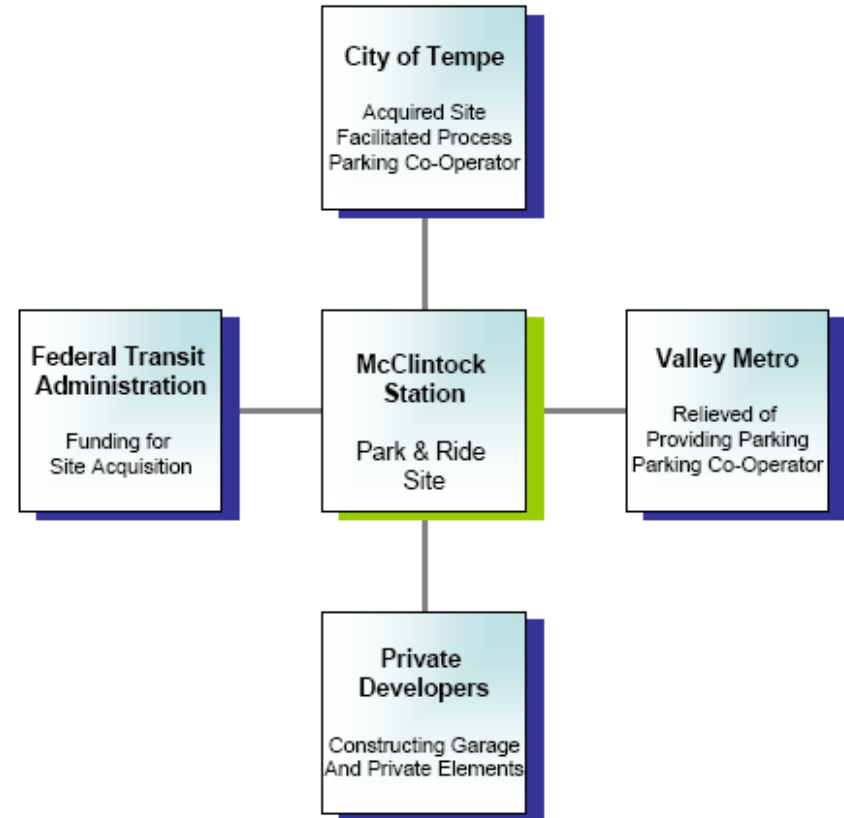
Shannon Station Transit Village, Pittsburgh

- Developer acquired development rights from Port Authority of Allegheny County (RFQ/RFP process)
 - 75 year ground lease
 - PAAC receives 25% of profits after a 15% return on project equity
- Financing of structured parking by TIF
- Infrastructure Financing (\$10 million total – Parking Deck)
 - TIF/TRID (\$5 million)
 - State Economic Program (\$2 million)
 - Alternative Program Financing (\$3 million)
- Economic and Fiscal Impact: \$2 million in annual tax revenue to Commonwealth and local municipalities

Joint Development Agreement/Financing City of Tempe, Arizona

TOD Project Background

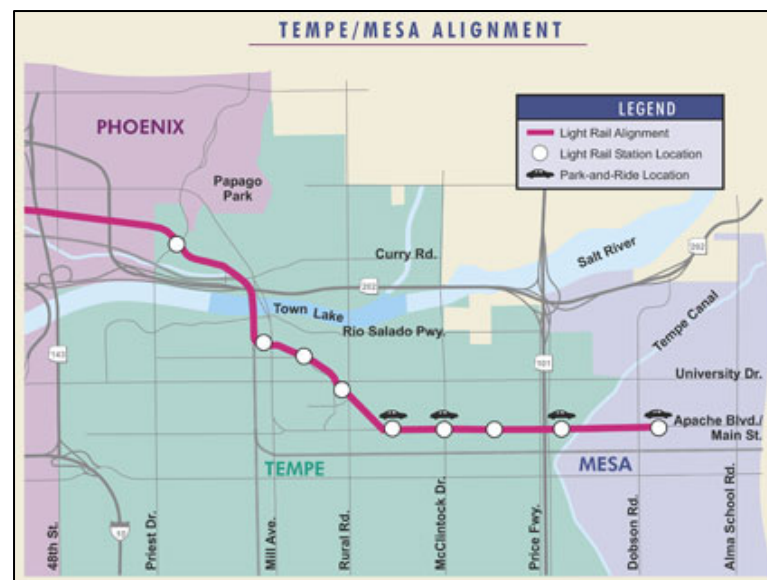
- McClintock Station Park-n-Ride site
- City Acquired 4.5 Acres with FTA Funds of a 300-Space Surface Parking Lot (prospective park-n-ride)
- City “sells” the property (as part of a settlement agreement) to private developer in exchange for:
 - 300+ Space Structured Garage
 - 450 Residential Units
 - 1 Parking Space per Residential Unit
 - 12,500 square feet of retail



PUBLIC / PRIVATE PARTNERSHIPS

Joint Development Agreement/Financing City of Tempe, Arizona

- Legal Document Regarding TOD Project
- Formalizes Public-Private Partnership
 - City of Tempe
 - Valley Metro Regional Public Transportation Authority
 - Federal Transit Administration
 - Private Developers
- Meets FTA Joint Development Requirements





Joint Development Agreement/Financing City of Tempe, Arizona

Meeting FTA Joint Development Guidelines

- Physical and Functional Relationship of Development to Transit
- Enhances Urban Economic Development
- Incorporates Private Investment
- Enhances the Effectiveness of Transit
- City Retains Effective Control
- Highest and Best Use
- Generates Financial Benefit for the Transit System



PUBLIC / PRIVATE PARTNERSHIPS

Baileys Crossroads, Fairfax County, Virginia

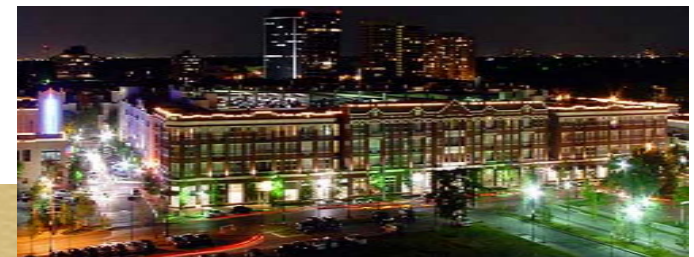
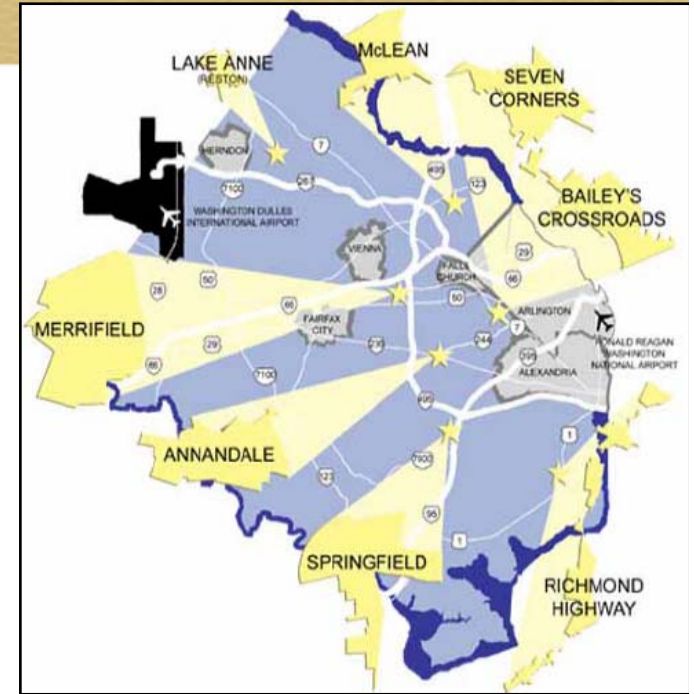
- Emerging as a transit hub connecting Northern Virginia and Washington, DC
- High density, highly diverse area
- Affluent & Aspiring Lifestyles exist next to Fringe & Struggling Neighborhoods
- Columbia Pike Streetcar Project critical to success of Bailey's Crossroads development vision
- Rosslyn-Ballston corridor good "analog" for Bailey's future
 - Creation of residential and commercial nodes around transit stations
 - Prototype of next type of transit in region
- Longer term perspective required



PUBLIC / PRIVATE PARTNERSHIPS

Baileys Crossroads, Fairfax County, Virginia

- County created Commercial Revitalization Districts (1998) to encourage economic development activities in older commercial areas
- County provides incentives to encourage private sector investment
 - Increased FAR
 - Direct financial Incentives
 - Indirect financial Incentives
 - Technical Assistance
- Coordination with local revitalization corporations and committees
- 23 projects totaling \$4.9 billion investment to date



PUBLIC / PRIVATE PARTNERSHIPS

Baileys Crossroads, Fairfax County, Virginia

Fairfax County Revitalization Program		
Approach	Programs	Strategies
Regulations	<ul style="list-style-type: none"> • Flexible Zoning Provisions 	<ul style="list-style-type: none"> • Increased FAR (e.g. 0.4 to 2) • Increased building height (from 40 to 50 ft) • Reduced parking requirements (20%)
Direct Financial Incentives	<ul style="list-style-type: none"> • Investing in Communities Program • Revitalization Incentive Fund • Business Partnerships in the Community 	<ul style="list-style-type: none"> • Tax abatement • Façade improvement grants • Tax increment financing • CDA financing • Low-to-no interest loans (e.g. \$10,000 to \$500,000) • Tax exempt bond financing • Below-market and subordinate financing
Indirect Financial Incentives	<ul style="list-style-type: none"> • Commercial Walk-Thru Program • Permit Application Center 	<ul style="list-style-type: none"> • Expedited Development Review • Team inspections • Parking Requirement Reduction
Technical Assistance	<ul style="list-style-type: none"> • Revitalization Field Staff • Business Partnerships in the Community 	<ul style="list-style-type: none"> • Individual Consulting • Referral Networking • Resource Library / Revitalization website
Infrastructure Investments	<ul style="list-style-type: none"> • No formal program 	<ul style="list-style-type: none"> • Streetscape Improvements



PUBLIC / PRIVATE PARTNERSHIPS

Baileys Crossroads, Fairfax County, Virginia

Southeast Quadrant Redevelopment Project

- Area comprises 33 acres at intersection of two major roadways
- Study area has 45 parcels and 29 property owners
- Majority of site is owner-occupied
- Access to site is not well developed
- Building stock has deteriorated
- Pedestrian-friendly and attractive streetscape is non-existent
- Public design charrette – mixed use as most highest priority for study area



PUBLIC / PRIVATE PARTNERSHIPS

Baileys Crossroads, Fairfax County, Virginia

Southeast Quadrant Redevelopment Project

- 4.5 acre site, 5 parcels
- “Ready and willing” developer interested in partnering with County
- Mixed use redevelopment with office, retail and residential components
- Potential East County Center
 - 150,000 sq. ft
 - location of government services
- Developer and County currently in negotiation
 - County will provide their value of surplus property (1.4 acres) as “share” in project





Questions?

David Starnes

Basile Baumann Prost & Associates

177 Defense Highway, Suite 10

Annapolis, MD 21401

410-299-7800

dstarnes@bbpa.com

www.bbpa.com