



Economics of Developing the Anacostia River

Nina Albert, Project Manager
Office of the Deputy Mayor for Planning and Economic Development

March 17, 2009, 6:30-8:30pm
Martin Luther King Library



www.theanacostiawaterfront.com



Agenda



- Economic development principles
- Sources and uses of funds
- Public financing methods

[Short break for questions]

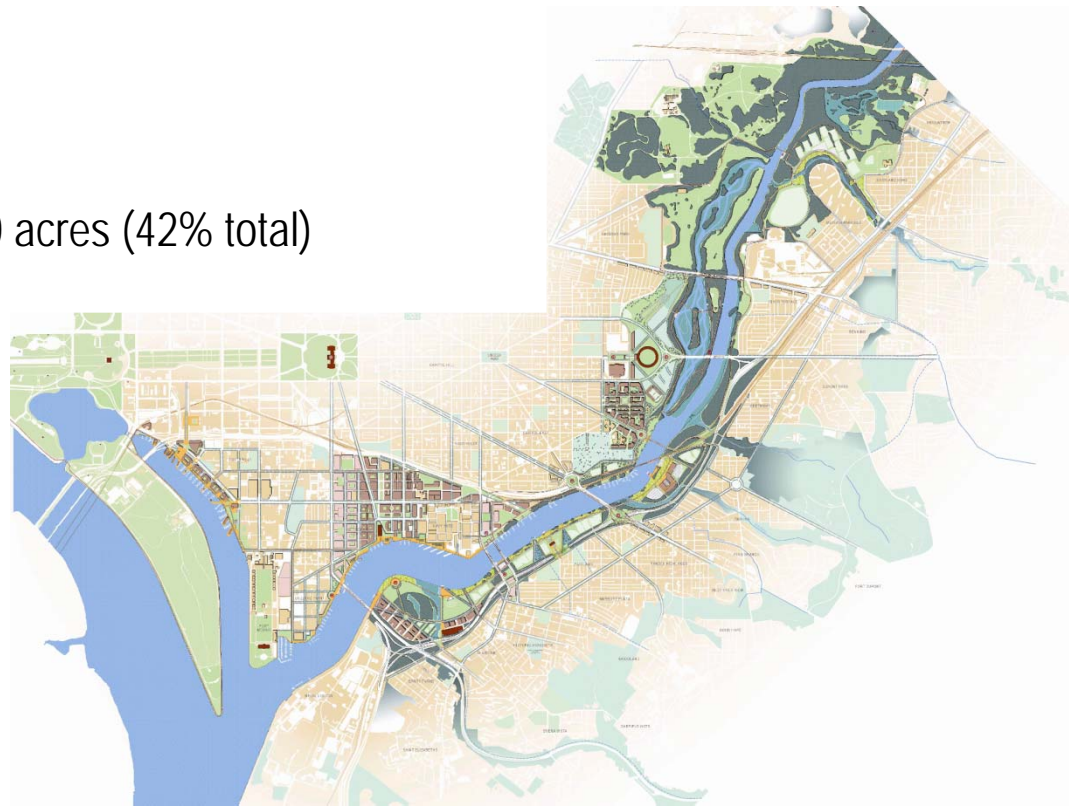
- Land Disposition
- Real estate development process
- Real estate finance 101



Anacostia Waterfront today

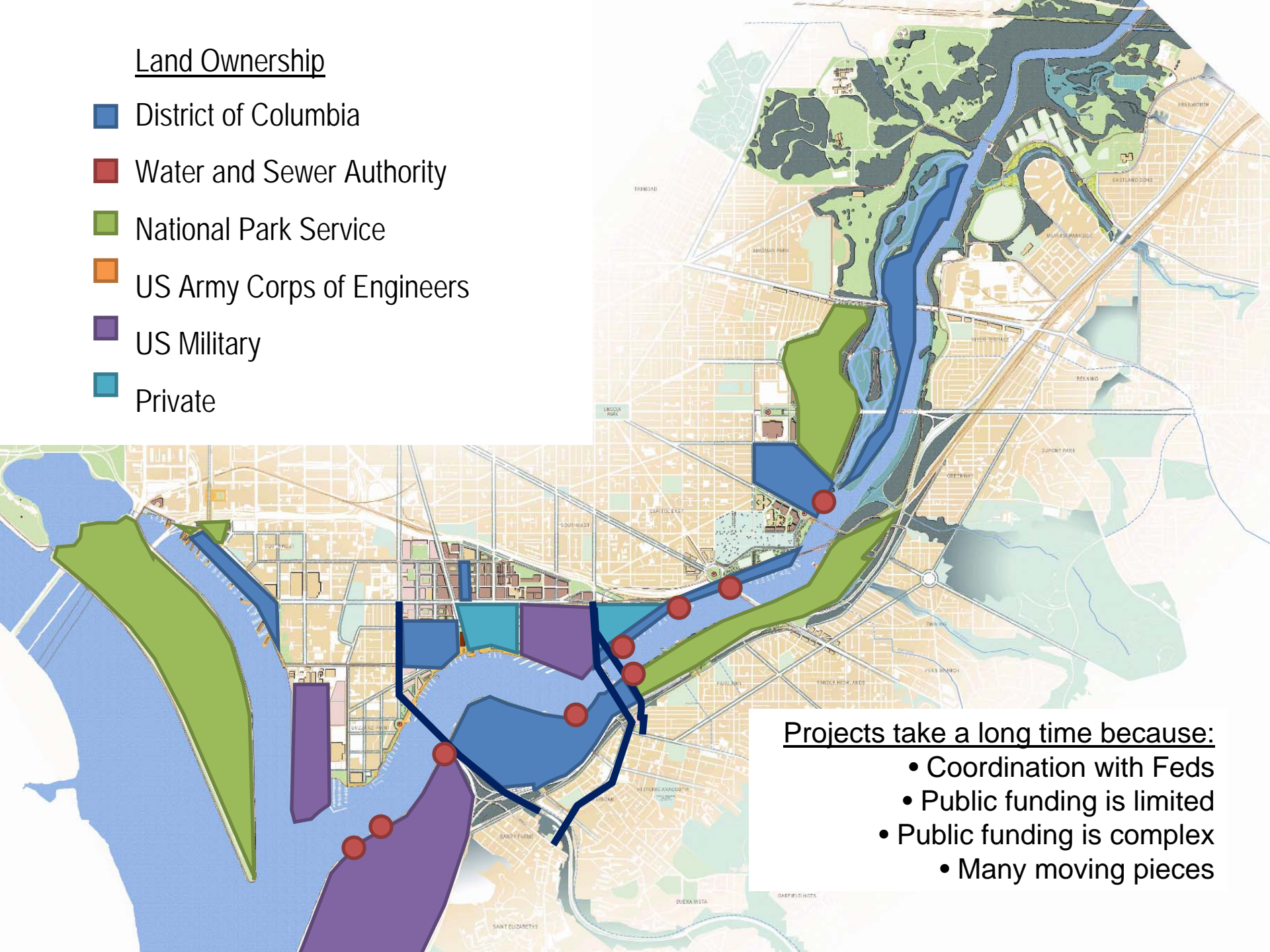


- 2,800 acres of land
- 95% publicly-owned shoreline
- 70% publicly-owned land
 - National Park Services owns 1,200 acres (42% total)
- Demographics
 - Total population 43,348
 - Total households 19,585
 - Median income \$29,771



Land Ownership

- District of Columbia
- Water and Sewer Authority
- National Park Service
- US Army Corps of Engineers
- US Military
- Private



Projects take a long time because:

- Coordination with Feds
- Public funding is limited
- Public funding is complex
 - Many moving pieces

AWI Projects



Types of Project	Agency	Name of Projects
Infrastructure	DDOT WASA DMPED	<ul style="list-style-type: none"> • South Capital Street Bridge • 11th Street Bridge • Anacostia Riverwalk Trail • Low-Impact Development Streetscape Standards • Bulkhead replacement • Dredging • Combined sewer system rehabilitation/replacement
Environmental Remediation	DDOE USACE Private parties	<ul style="list-style-type: none"> • Wetland restoration • Tributary system upgrades • Remediation of hot spots • Dredging out contaminated silt in Anacostia River • “Mystery Mountain”
Redevelopment Projects	DMPED Private developers	<ul style="list-style-type: none"> • Southwest Waterfront • Hill East Waterfront • Poplar Point • The Yards
Parks	DPR DMPED NPS	<ul style="list-style-type: none"> • Kingman Island restoration • Marvin Gaye Park • Diamond Teague Park • Poplar Point • Parks at the Yards • Canal Park • Boathouse Row (kind of)

Estimated Public Investment over 25-30 yrs



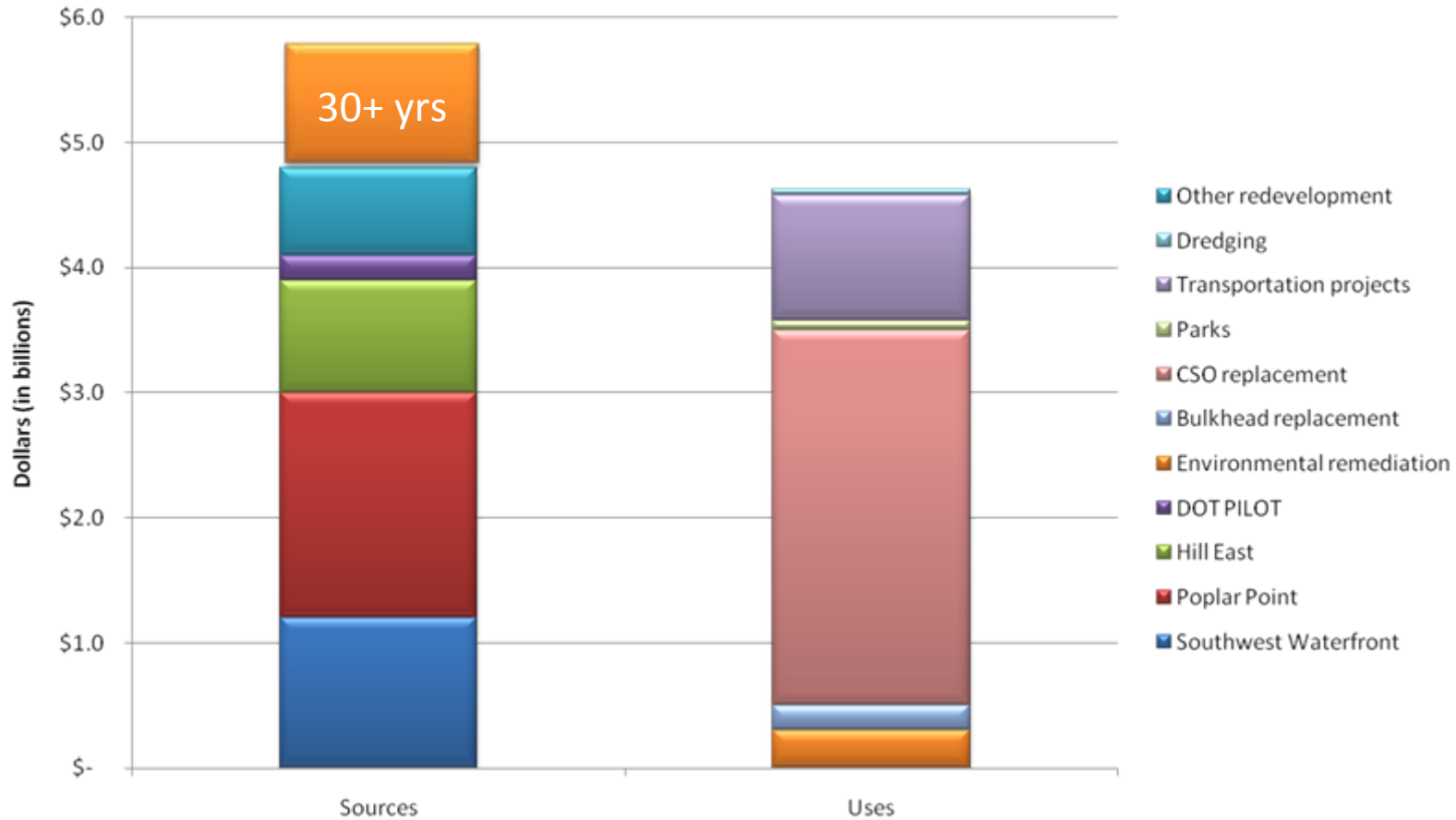
- Environment \$2 billion
- Transportation \$4 billion
- Parks \$250 million
- Cultural destinations \$100 million
- Neighborhoods \$300 million



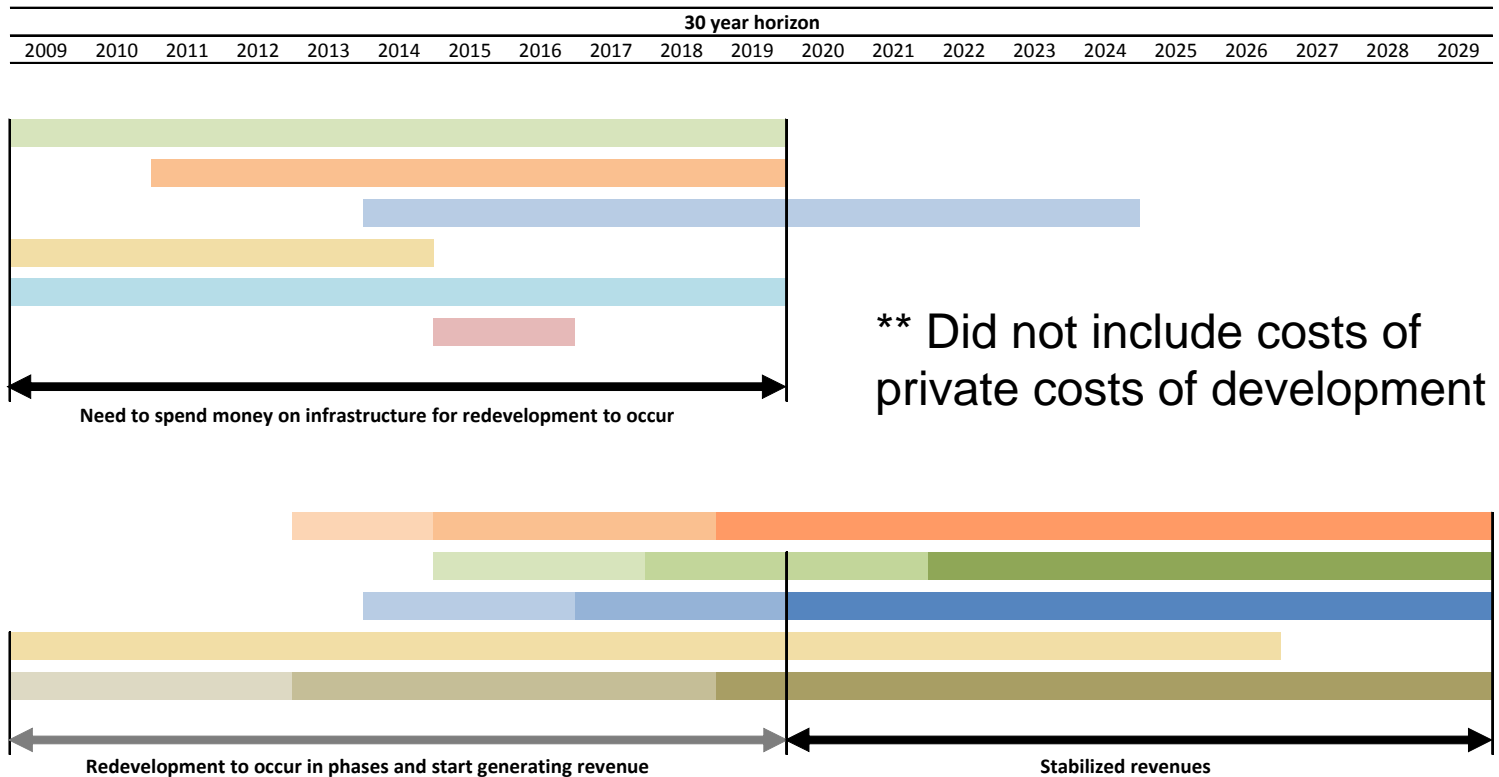
Sources and Uses of Funds



AWI Estimated Sources and Uses (30 yrs)



Timing of Use of Funds

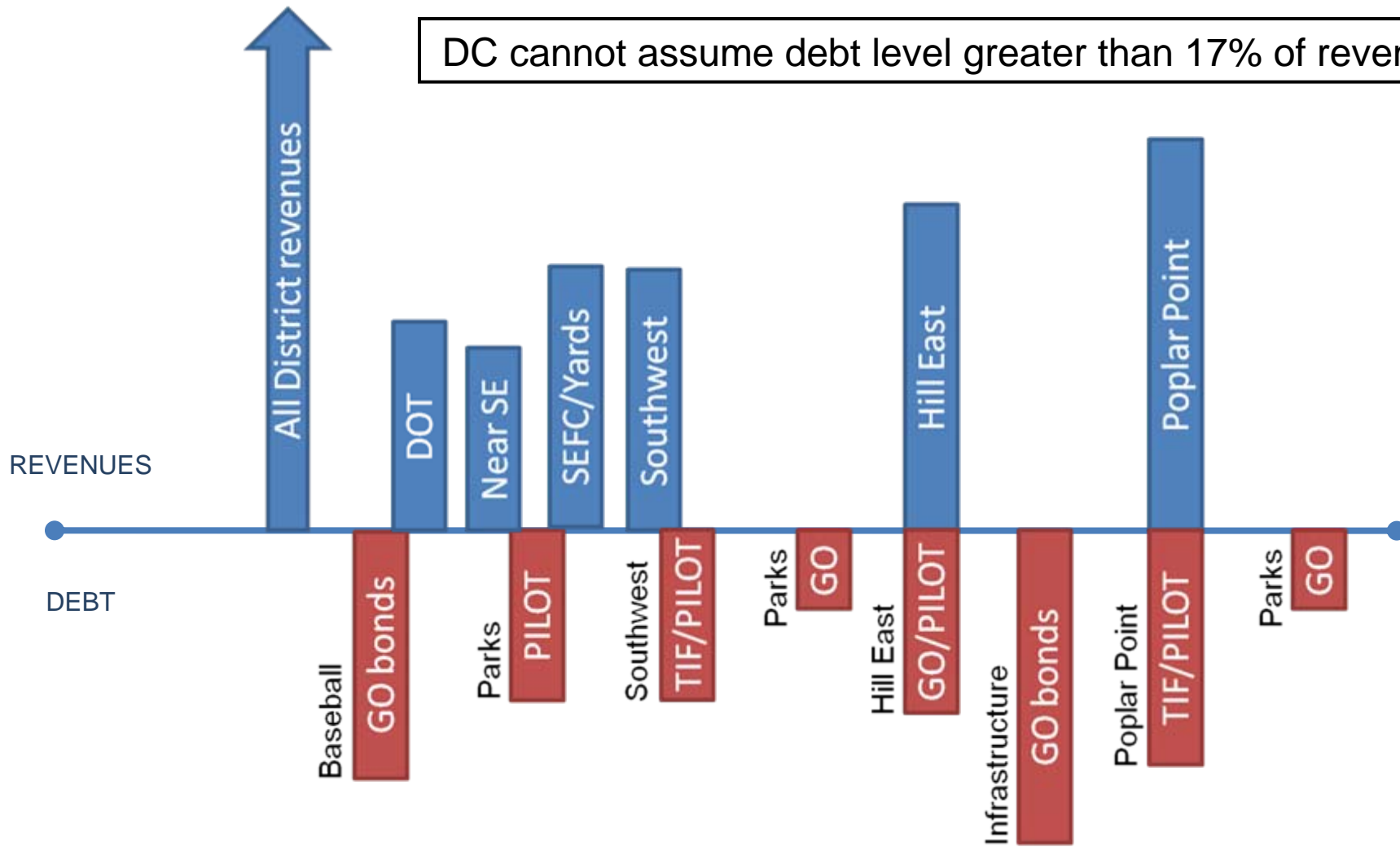


Try to time revenue generators as strategically as possible

Timing of investments



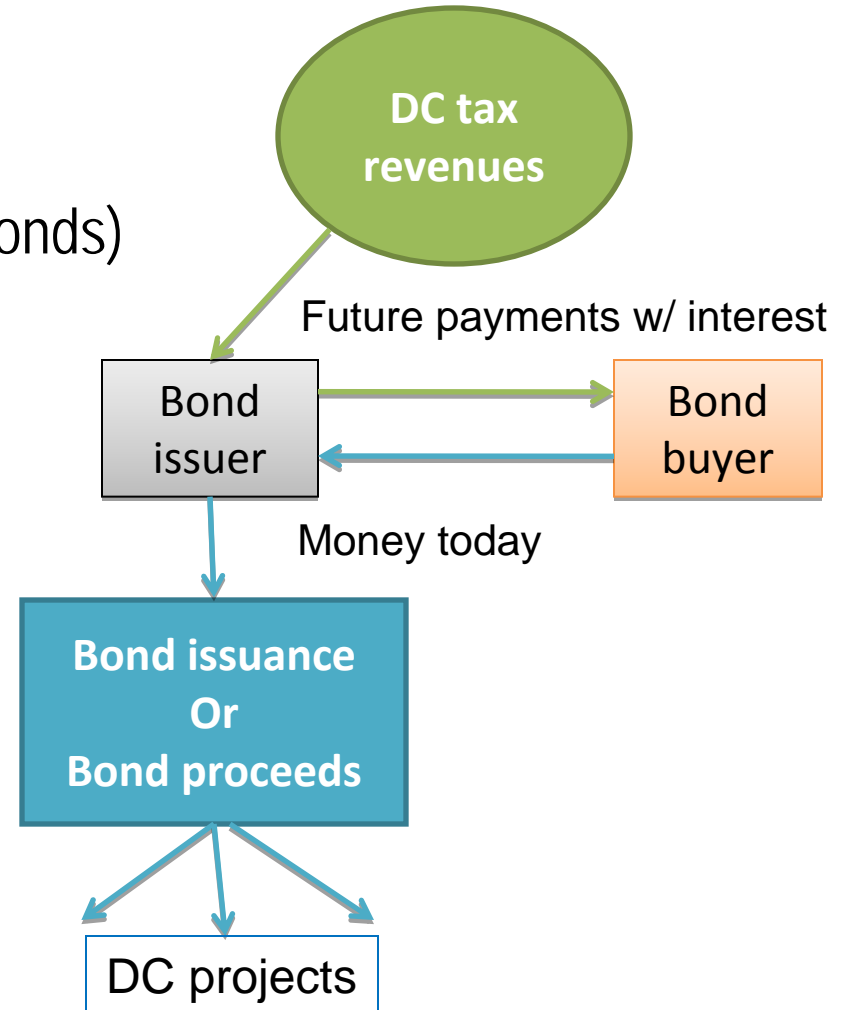
DC cannot assume debt level greater than 17% of revenues



Types of Public Funding



- Direct allocation
- Government Obligation bonds (G.O. bonds)
 - “Cheapest” way to borrow money
- Tax Increment bonds
 - Payment In Lieu of Taxes (PILOT)
 - Tax Increment Financing (TIF)
 - Want to make these tax-exempt



DOT PILOT



- Property was owned by Federal government
- Once transferred to private owner, property is no longer tax-exempt; now has property tax on it
- Previous tax revenues = \$0
- \$110 million generated for AWI specific uses



Southwest Waterfront



SOUTHWEST WATERFRONT
TIF/PILOT Bond
Tax Revenue and Debt Service Summary



District Economic Goals



- Tax revenue increases (property, sales, income)
- Job creation
 - People are employed, have healthcare, discretionary income, housing
 - DC's cost for support services (housing, healthcare, other) decreases
 - DC's income taxes increase
- Business creation
 - Creates employment opportunities
 - DC's revenue from sales and business taxes increases
- Catalytic effects
 - Encourages adjacent properties to redevelop or increase productivity
- Housing opportunities
 - DC has goal of remaining a residential city, with a range of homeownership opportunities

**Cannot overlook
environmental
or social equity
goals**





[BREATHER]

Time for a few questions

Alex Nyhan, Forest City Washington

Dennis Chestnut, Groundwork Anacostia River DC

Nina Albert, Office of the Deputy Mayor for Planning and Economic Development





Real Estate Development 101

Public-Private Partnerships



\$9 billion in private investment



Waterfront Station
Forest City/Vornado



Half Street
Monument Realty



Poplar Point
TBD



The Yards
Forest City



Hill East
TBD



Southwest Waterfront
Hoffman/Struever



Development process



Schematic Design



Construct



Construction



Financing

Completed Project



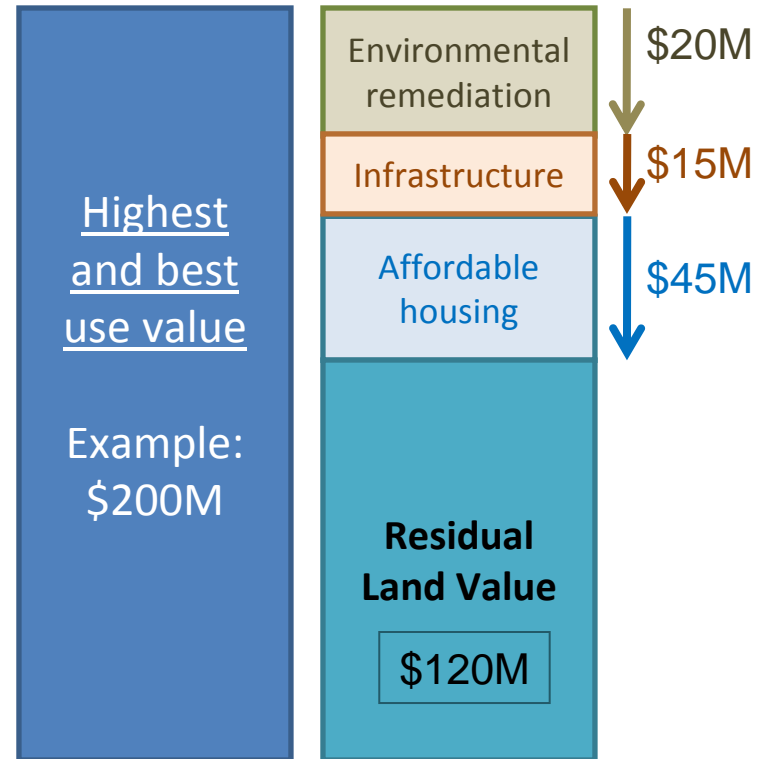
Land acquisition and feasibility



How much is the land worth?



RESIDUAL LAND VALUE



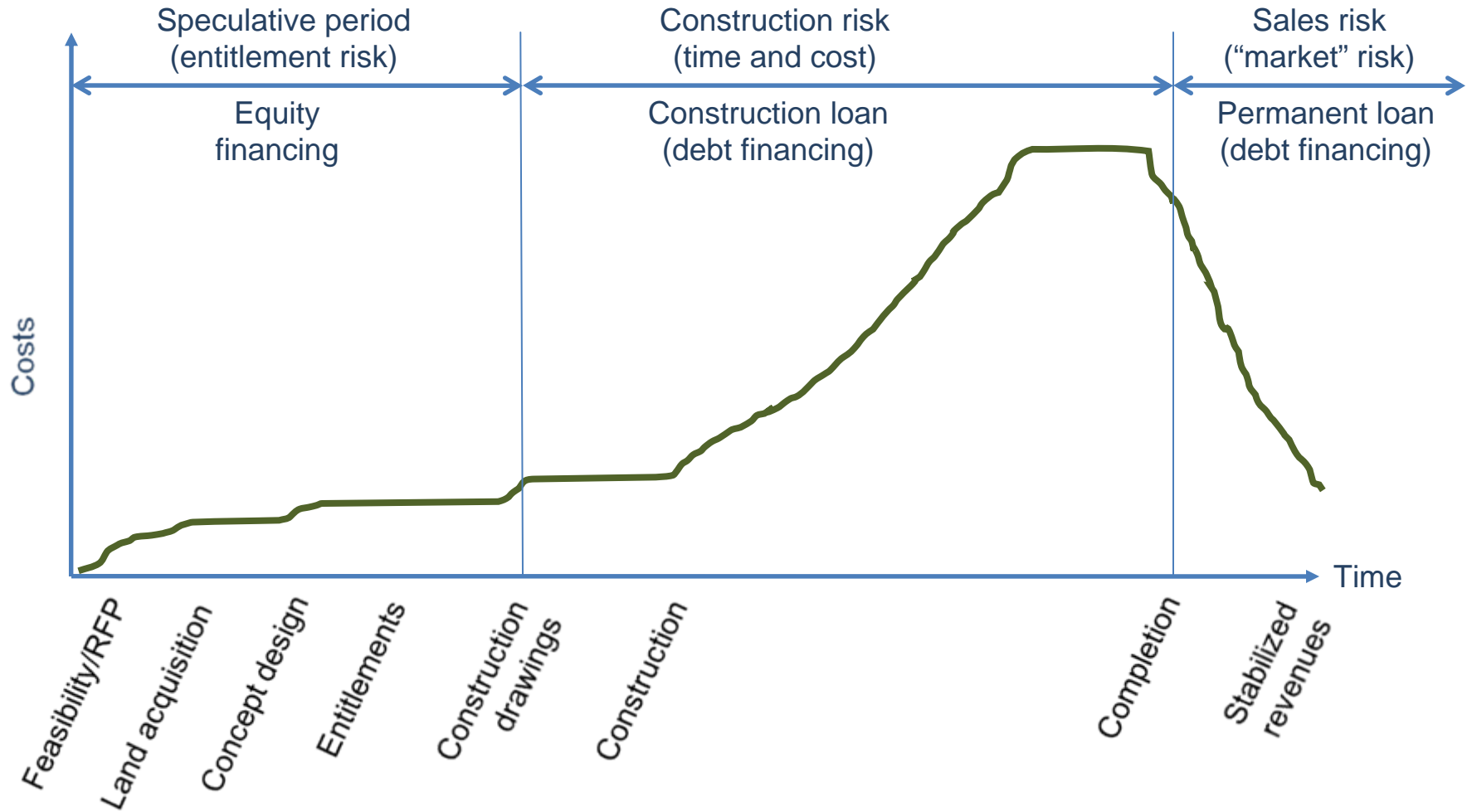
Real Estate Feasibility



		Year						
		1	2	3	4	5	9	10
REVENUES	<u>Vacancy</u>							
Condos	8%				3,375,000	4,725,000	7,161,075	
Apartments	5%				67,000	93,800	139,104	
Office	8%				3,000,000	4,200,000	6,031,853	
Retail	15%				800,000	1,120,000	1,486,109	
Parking	5%				40,000	56,000	83,047	
TOTAL REVENUES					7,282,000	10,194,800	14,901,188	186,264,852
COSTS								
Land cost		15,000,000						
Hard cost		37,066,667	37,066,667	37,066,667				
Soft cost		7,413,333	7,413,333	7,413,333				
Contingency		5,560,000	5,560,000	5,560,000				
DEVELOPMENT COSTS		65,040,000	50,040,000	50,040,000	-	-	-	-
Financing		3,823,820	3,823,820	3,823,820				
TOTAL NOI		(68,863,820)	(53,863,820)	(53,863,820)	7,282,000	10,194,800	14,901,188	186,264,852
IRR		6%						



Development Cost & Risk



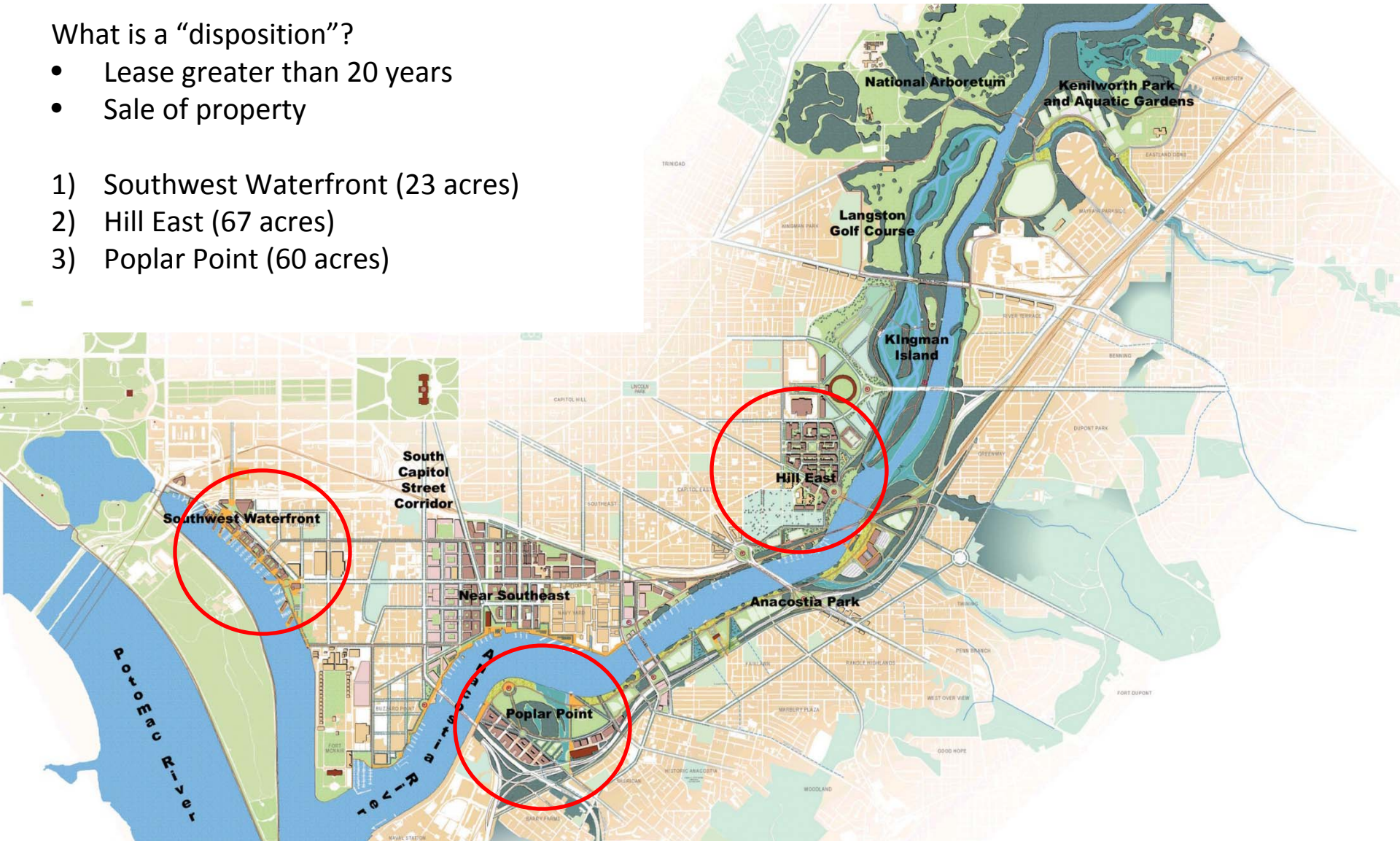
DC Disposition of Land



What is a “disposition”?

- Lease greater than 20 years
- Sale of property

- 1) Southwest Waterfront (23 acres)
- 2) Hill East (67 acres)
- 3) Poplar Point (60 acres)



Project Requirements



AWI Requirements

- 30% affordable housing
- 35% contracting with CBEs; CBE equity participation; and CBE development
- First Source hiring
(51% from DC; 20% from Ward 8)
- Green building requirements
- Build according to the city's plans

District's Goals

- Achieve the AWI requirements
- Create high quality development
- Program the site as to maximize future revenues
- Developer to pay for as much of the infrastructure as is economically feasible
- District to receive as much in payment as possible



Criteria for Selection



- Experience in developing large-scale development
- Experience developing waterfront projects
- Financial capacity
- Ability to achieve District requirements
- High quality design

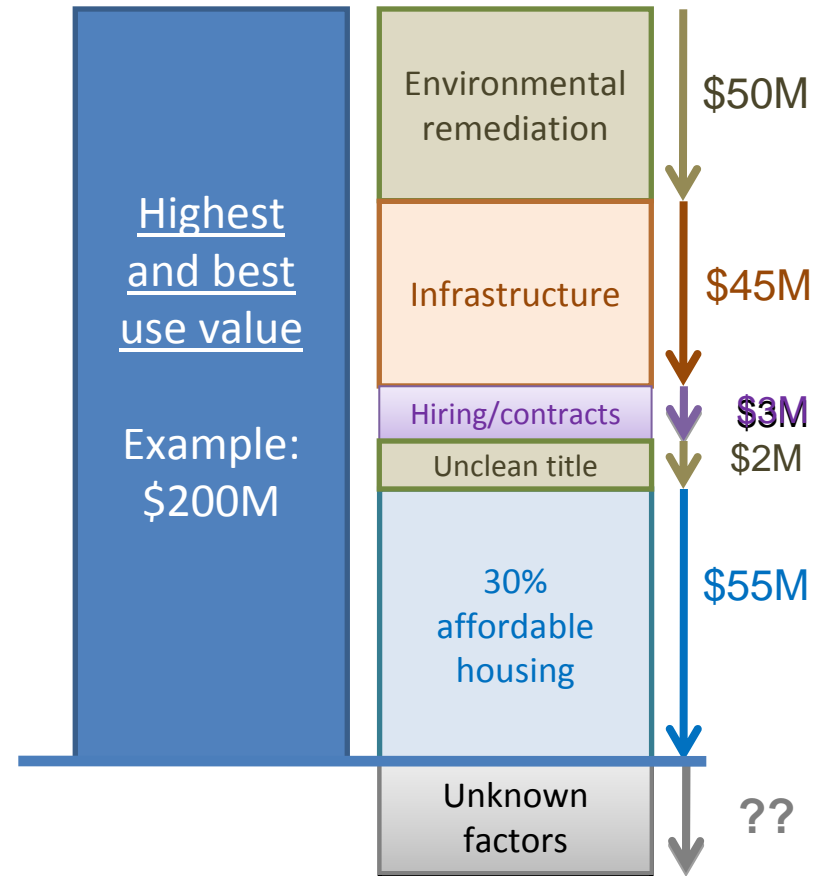


AWI projects are very ...



- Unknown costs
- Added public requirements
 - Affordable housing
 - Cost of parks
 - Cost of infrastructure
 - Limiting contracting sources
 - Limiting hiring sources
- Public financing is sometimes required to create the development opportunity

RESIDUAL LAND VALUE



Public-Private Partnerships



Role of public partner

- Establish vision/plan for area
- Remove title encumbrances
- Provide cross-agency coordination to simplify entitlement process
- Provide public subsidy, if required
- Provide job training to assist developer in meeting hiring goals
- Champion the project and assist in maintaining momentum

Role of private developer

- Finance
- Entitle
- Design
- Construct
- Market/sell project
- Meet public requirements
- Maintain project
- Pay taxes



Role of Community



- Provide input and guidance to planners during Small Area Planning process.
- Review and ask questions about plans during permitting process. Provide specific or clear recommendations or guidance to developers.
 - Occurs before construction drawings b/c developer can still modify plans without having lost time/money.
- If in favor of the project, assist in providing momentum by supporting, participating, and championing it.
- If not, speak early and speak clearly as to what you want to see changed.





THANK YOU!

Alex Nyhan, Forest City Washington

Dennis Chestnut, Groundwork Anacostia River DC

Nina Albert, Office of the Deputy Mayor for Planning and Economic Development

