

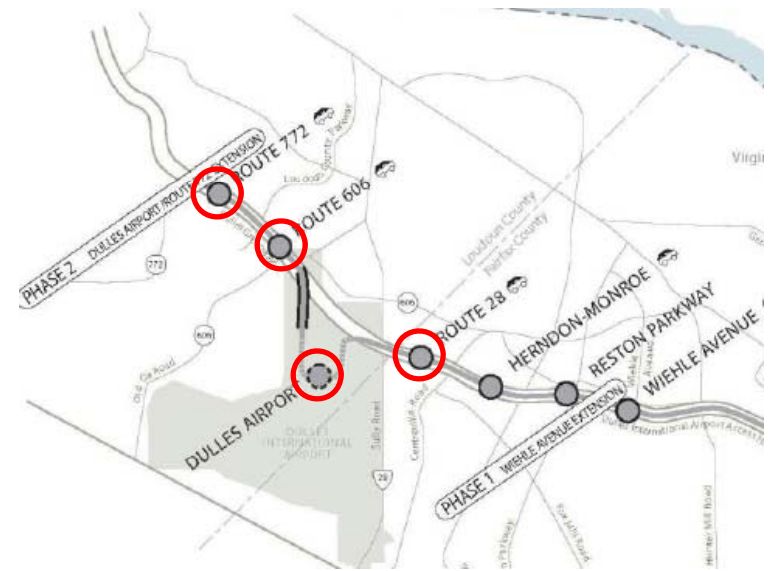
Market and Fiscal Impact Analysis of the Phase 2 Metrorail Extension to Loudoun County

Loudoun County | May 15, 2012



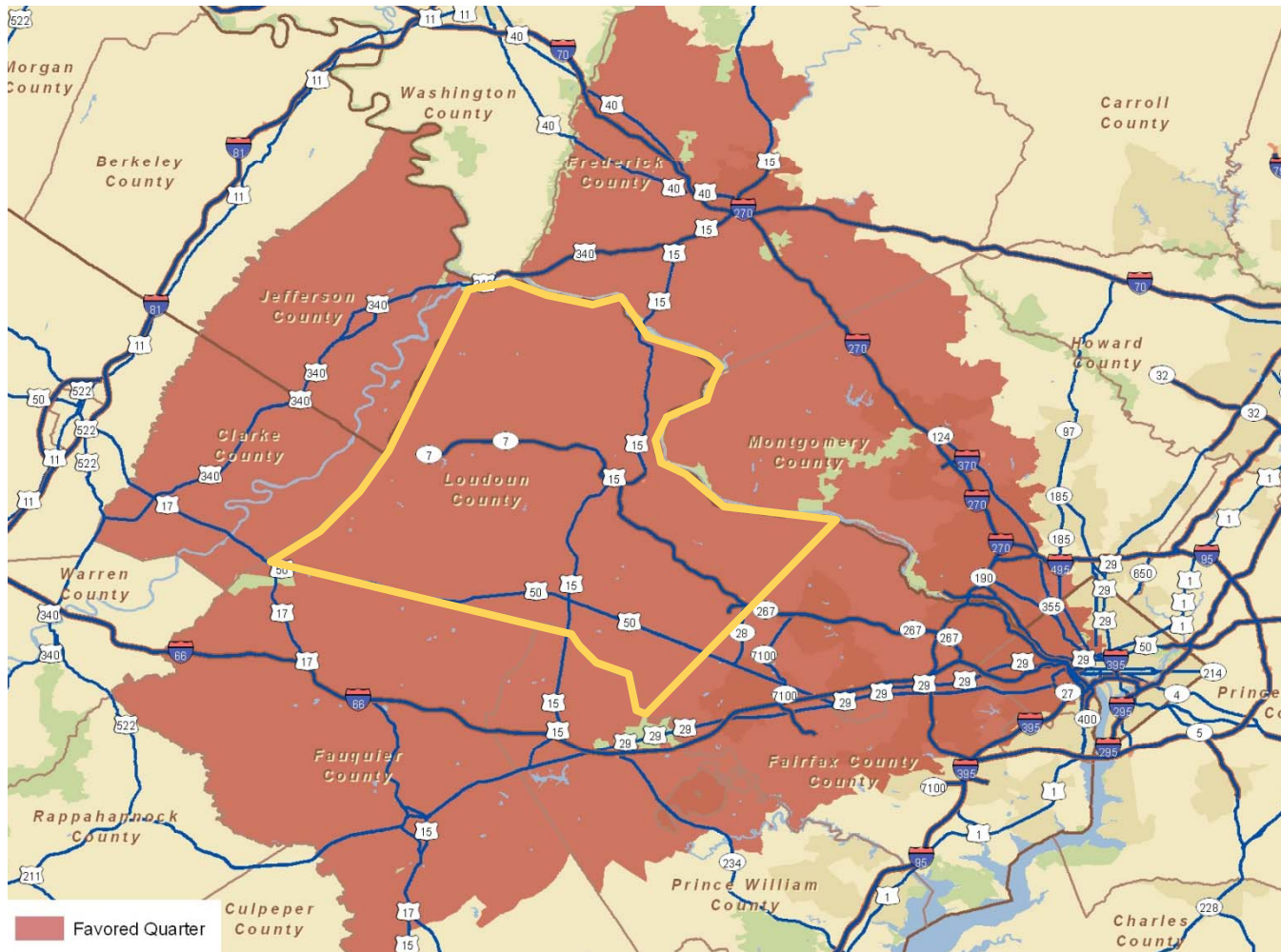
BACKGROUND AND OBJECTIVES

- ▶ RCLCO (Robert Charles Lesser & Co.) is a national real estate advisory firm based in Bethesda
- ▶ Loudoun County selected RCLCO to analyze development and fiscal impact of proposed Phase 2 Metrorail extension
- ▶ Original study completed in April 2011 and now updated
- ▶ Major tasks included:
 - 30-year forecasts of commercial and residential development at countywide, subcounty, and rail station area levels under 2 scenarios:
 - **“Baseline”** assumes completion of the Phase 1 Extension
 - **“Phase 2 Extension”** assumes completion of the Phase 2 Extension
 - Fiscal impact analysis of development at each station area and countywide, under each scenario



- ▶ Based on the scope of work with Loudoun County, this study does not address or account for:
 - Infrastructure or operating costs associated with the Phase 2 Extension
 - Potential environmental and traffic benefits associated with the Phase 2 Extension

LOUDOUN WILL GROW WITH OR WITHOUT PHASE 2 COUNTY IS IN THE CENTER OF THE “FAVORED QUARTER”



- ▶ Higher-end housing and office development concentrated in Favored Quarter
- ▶ Greater economic activity makes Favored Quarter an attractive location for development
- ▶ COG projects 44% of household growth and 48% of job growth will occur in Favored Quarter over next 20 years

BUT RAIL EXTENSION WILL HAVE AN IMPACT

RAIL REDISTRIBUTES DEVELOPMENT WITHIN A REGION

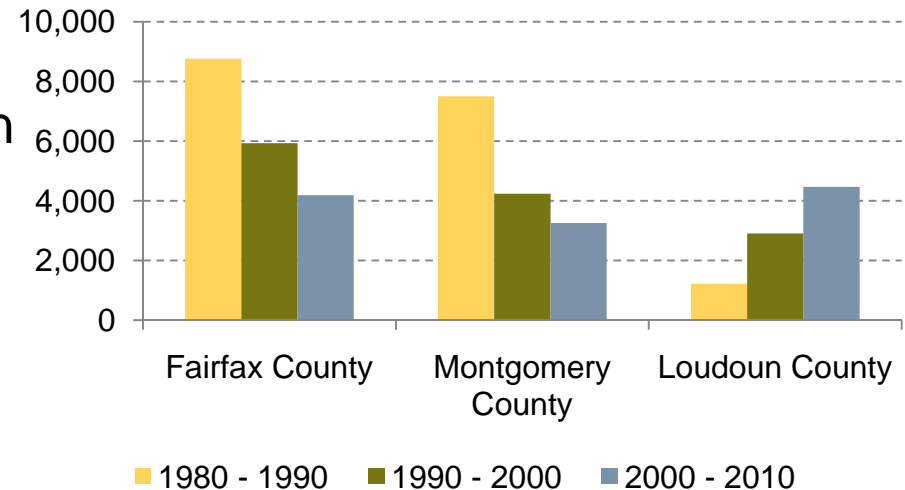
- ▶ Rail extensions do not cause net new development in a metro region
- ▶ Rail service does affect development locations within and between counties
- ▶ Station areas are attractive sites for development
 - ▶ Proximity to rail improves accessibility for residents and employees
 - ▶ Higher gas prices and traffic congestion make transit accessibility even more valuable
- ▶ Development concentrates around station areas and occurs faster than elsewhere—particularly within ½ mile
- ▶ Denser and higher value development is likely around transit stations
- ▶ Property values and rents are higher near Metro stations—studies indicate a range of 5%-20%

AS COUNTIES MATURE, GROWTH SLOWS

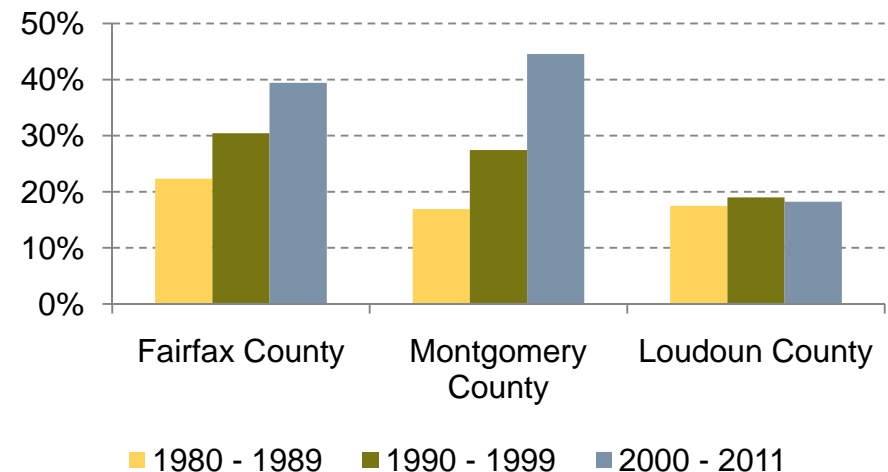
NEW DEVELOPMENT BECOMES MORE URBAN

- ▶ Growth in the region will result in Loudoun following patterns of closer-in counties such as Fairfax
- ▶ Continued rapid growth, but decreasing share of metro area total
- ▶ Increasingly urban
- ▶ Increasing % of housing units will be multifamily
- ▶ Increasing % of employment growth will be in office

Annual Growth in Number of Households



Multifamily Permits as % of Total



FISCAL IMPACT MODEL

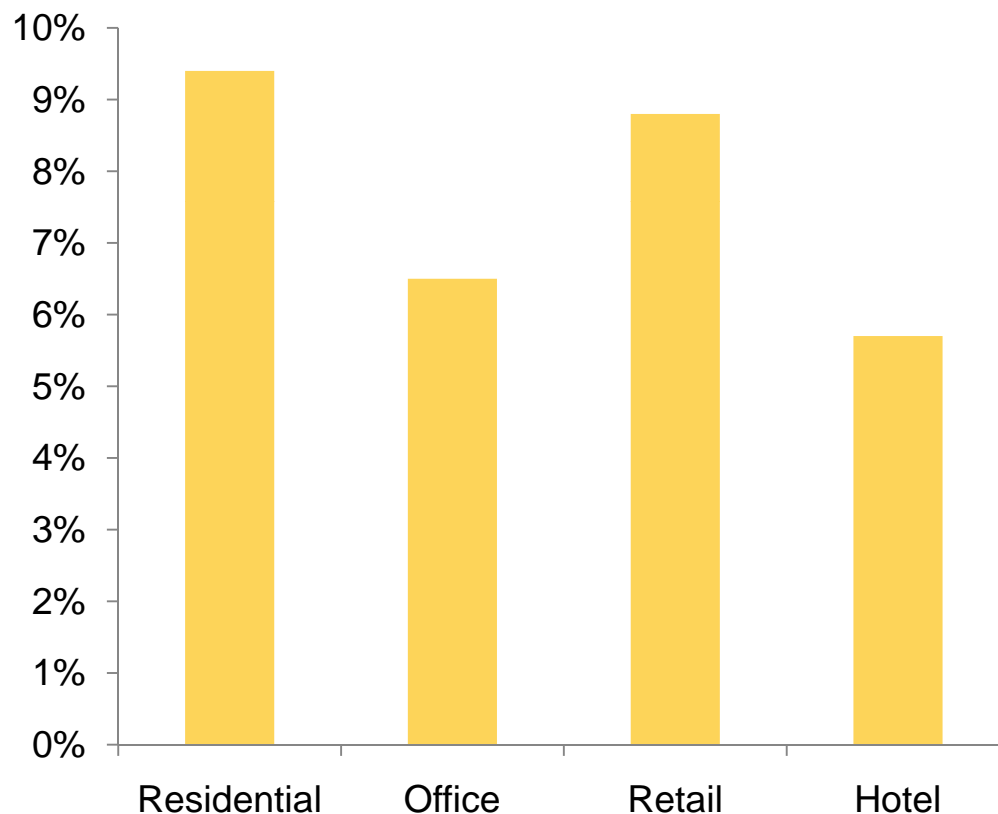
- ▶ Includes all revenues and non-capital expenditures associated with real estate development
 - ▶ Does not include capital costs or Metro operating costs, which County staff is evaluating separately
- ▶ Analyzed impact of development *at each station area* under Baseline and Phase 2 scenarios
- ▶ Also analyzed difference in fiscal impact between Baseline and Phase 2 scenarios *countywide*
 - ▶ Only counts “net new” development in Loudoun County due to Phase 2 Extension
- ▶ Model takes account of changes in amount of development, property values, rents, and sales due to the Phase 2 Extension
- ▶ Results presented in both 2011 constant dollars and with inflation

MAJOR CHANGES SINCE 2011 REPORT

- ▶ Adjusted development capacity assumptions to account for rezoning approval of Dulles Town Center and the “Central” Mixed-Use Office Center allowed under the Route 28 CPAM
- ▶ Accounted for development potential on airport property near the Route 606 station (the previous version assumed no development would occur on airport property)
- ▶ Updated historical data and third party forecasts to the latest available, including 2011 data where possible; 2010 Census data, unavailable last year, have been incorporated into the analysis
- ▶ Assumptions in the fiscal model now based on Loudoun County’s 2011 Comprehensive Annual Financial Report and the 2011 property tax rate of \$1.285 per \$100 of assessed value
- ▶ Adjusted office methodology to project gross square footage rather than net rentable area and better account for vacancy
- ▶ Report now includes results with inflation in addition to constant dollars

TOTAL COUNTYWIDE IMPACT OF PHASE 2 EXTENSION ON DEVELOPMENT QUANTITY

**Percent Difference in Development by Product Type
Due to Phase 2 Extension
2012-2040**



- ▶ **4,837 residential units**
 - 39 units, or 1% higher than 2011 report
- ▶ **1,403,000 square feet of office development**
 - 364,000 sf, or 35% higher than 2011 report
- ▶ **670,000 square feet of retail development**
 - 23,000 sf, or 4% higher than 2011 report
- ▶ **294 hotel rooms**
 - ▶ 75 rooms, or 34% higher than 2011 report

RESIDENTIAL DEVELOPMENT FORECAST

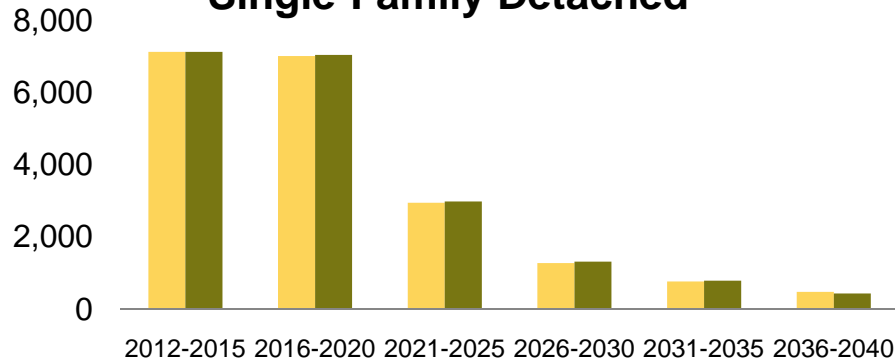
New Residential Development Forecast by Planning Subarea and Station Area, 2012-2040

Subarea	Baseline	Phase 2	Difference
Ashburn	16,019	19,510	22%
Rt. 606 Station	0	0	0%
Rt. 772 Station	4,949	8,440	71%
Dulles	18,141	18,141	0%
Leesburg	4,587	4,587	0%
Northwest	1,731	1,760	2%
Potomac	658	658	0%
Route 15 North	1,169	1,190	0%
Route 15 South	857	874	2%
Route 7 West	4,262	4,262	0%
Southwest	867	883	2%
Sterling	3,354	4,619	37%
Route 28 Station	0	1,265	N/A
Countywide	51,646	56,483	9%
Station Areas	4,949	9,705	96%

- ▶ Phase 2 Extension increases housing forecast by 9% (4,837 units) countywide
- ▶ Residential demand is limited by capacity constraints
- ▶ 98% of added housing units projected to be near Metro stations, due to density bonuses
- ▶ Multifamily units within ½ mile of Metro projected to receive a 10%-15% value premium and generate less school enrollment

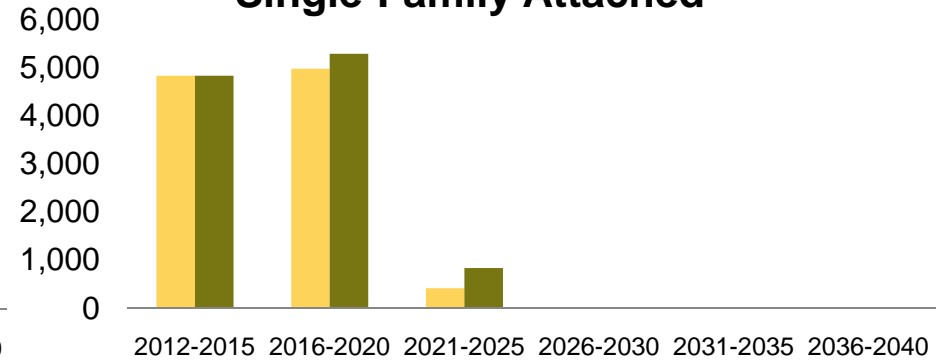
RESIDENTIAL DEVELOPMENT FORECAST

Single-Family Detached



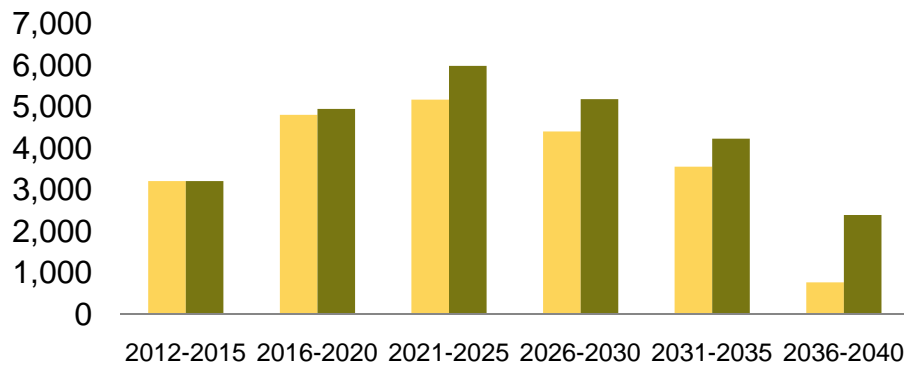
■ Baseline (Phase 1 Rail) SFD Units
■ Phase 2 Rail SFD Units

Single-Family Attached



■ Baseline (Phase 1 Rail) SFA Units
■ Phase 2 Rail SFA Units

Multifamily



■ Baseline (Phase 1 Rail) MF Units ■ Phase 2 Rail MF Units

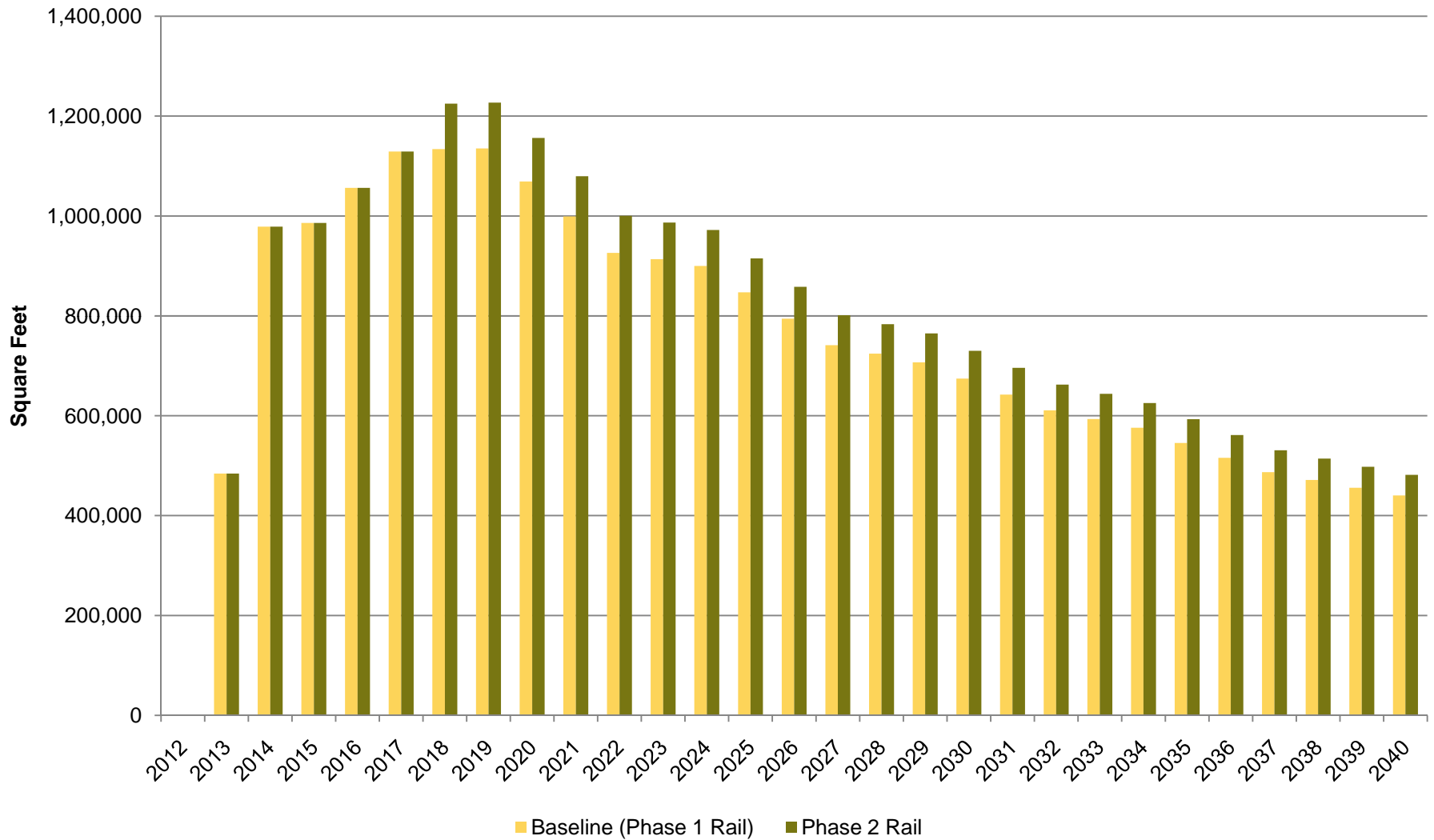
OFFICE DEVELOPMENT FORECAST

Office Development Forecast by Corridor and Station Area, 2012-2040 (Square Feet)

Corridor	Baseline	Phase 2	Difference
Route 7	5,495,000	4,227,000	-23%
Route 28	5,384,000	6,367,000	18%
Station Area	2,153,000	3,348,000	56%
Route 50	646,000	646,000	0%
Route 267	3,417,000	4,822,000	41%
Route 772 Station Area	1,880,000	3,270,000	74%
Route 606	1,694,000	2,398,000	42%
Station Area	1,101,000	1,845,000	68%
Route 625	2,849,000	2,426,000	-15%
Other	2,052,000	2,052,000	0%
County Total	21,537,000	22,940,000	7%
Station Areas Total	5,134,000	8,462,000	65%

- ▶ Phase 2 Extension increases office development forecast by 7% (1.403M sq. ft.) countywide
- ▶ Impact at station areas (65%) much greater due to redistribution of office development within county
- ▶ 10%-15% value and rent premium within ½ mile of Metro

OFFICE DEVELOPMENT FORECAST



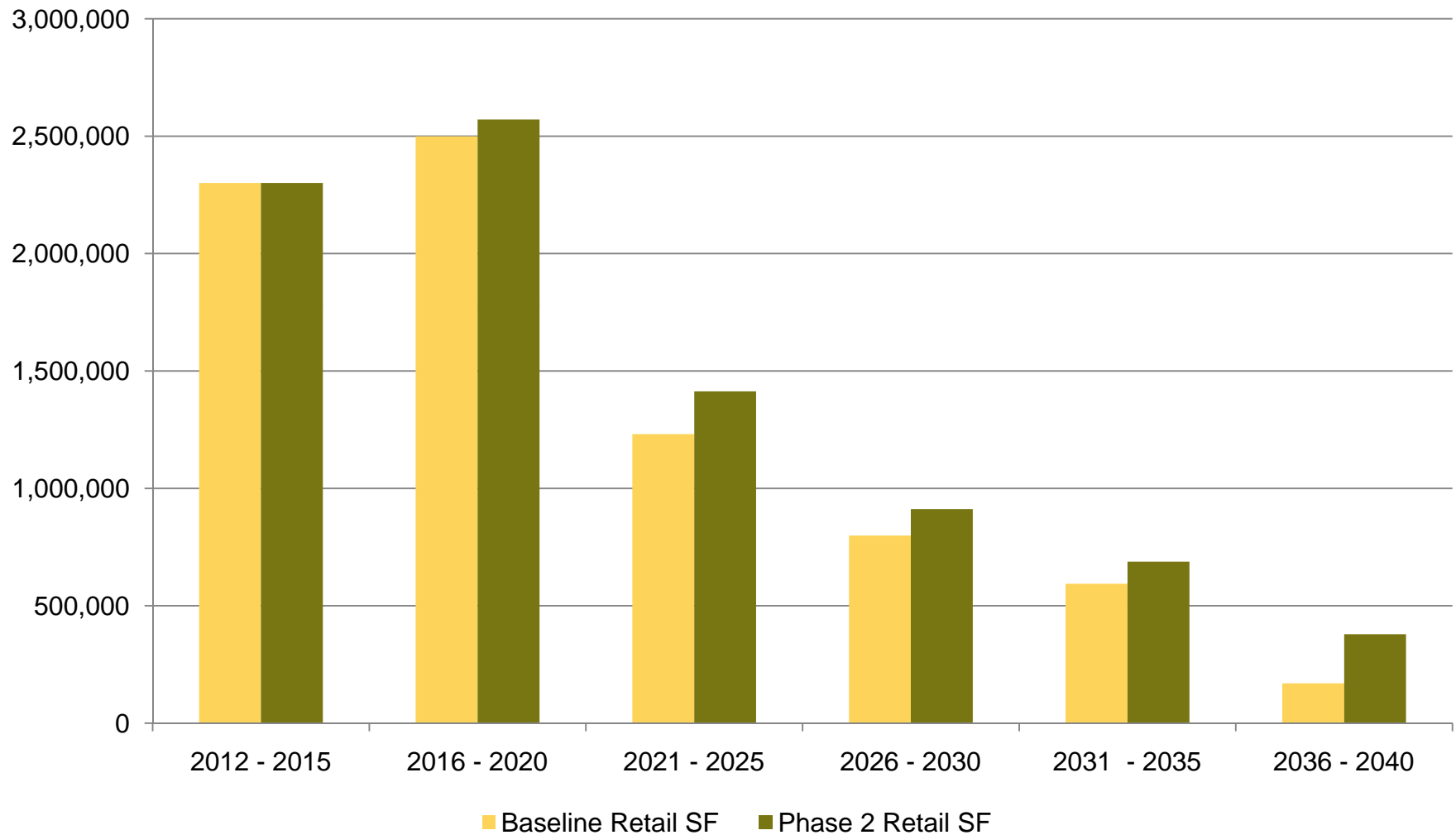
RETAIL DEVELOPMENT FORECAST

Retail Development Forecast by Planning Subarea and Station Area, 2012-2040 (Square Feet)

Subarea	Baseline	Phase 2	Difference
Ashburn	2,566,000	2,828,000	10%
Route 606 Station Area	51,000	85,000	67%
Route 772 Station Area	103,000	198,000	92%
Dulles	2,585,000	2,777,000	7%
Leesburg	591,000	626,000	6%
Northwest	0	0	0%
Potomac	76,000	83,000	9%
Route 15 North	76,000	83,000	9%
Route 15 South	76,000	83,000	9%
Route 7 West	268,000	278,000	4%
Southwest	0	0	0%
Sterling	1,357,000	1,508,000	11%
Route 28 Station Area	176,000	226,000	28%
County Total	7,594,000	8,264,000	9%
Station Area Total	330,000	509,000	54%

- ▶ Phase 2 Extension increases retail development forecast by 9% (670,000 sq. ft.) countywide
- ▶ Retail development is tied to household growth
- ▶ Retail in station areas projected to be primarily town center retail
- ▶ 0%-4% value, rent and sales premium within ½ mile of Metro

RETAIL DEVELOPMENT FORECAST



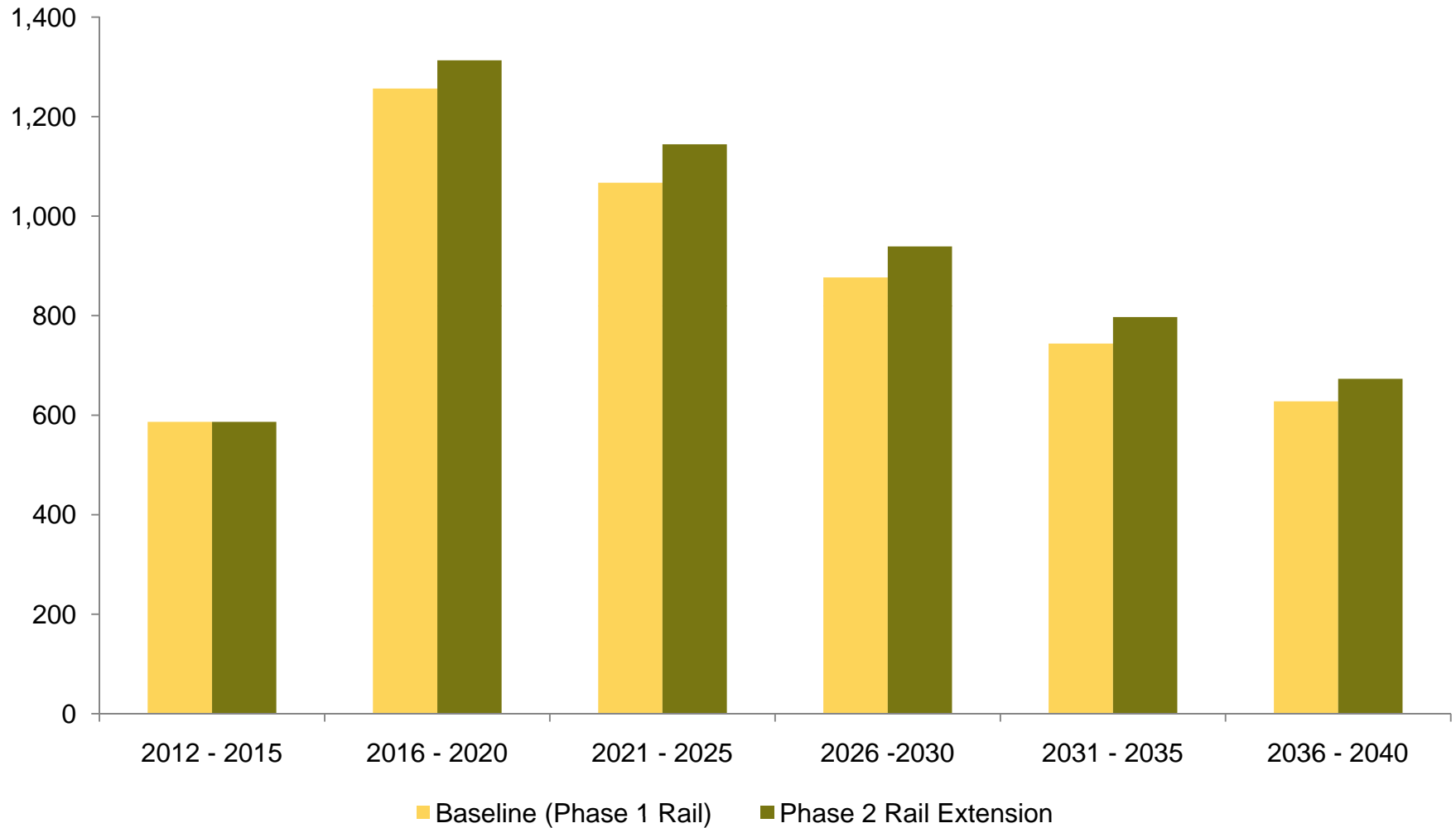
HOTEL DEVELOPMENT FORECAST

Hotel Development Forecast by Planning Subarea and Station Area, 2012-2040 (No. of Rooms)

Corridor	Baseline	Phase 2	Difference
Route 7	516	436	-16%
Route 28	2,064	1,745	-16%
Station Area	619	960	55%
Route 50	258	273	6%
Route 267	774	1,091	41%
Route 772 Station Area	503	818	63%
Route 606	774	1,091	41%
Station Area	464	763	64%
Route 625	258	273	6%
Other	515	545	6%
County Total	5,159	5,453	6%
Station Areas	1,586	2,541	60%

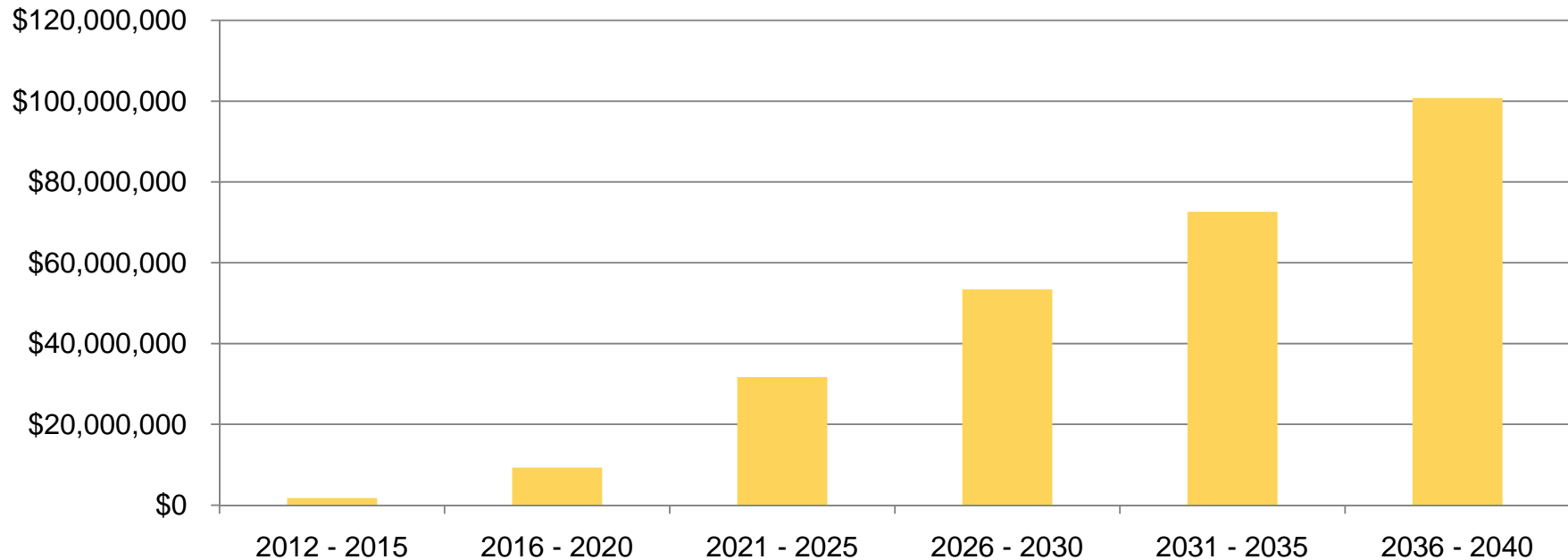
- ▶ Phase 2 Extension increases hotel development forecast by 6% (294 rooms) countywide
- ▶ Hotel development driven primarily by office development
- ▶ Hotel development will concentrate near Metro stations
- ▶ 5%-10% value and room rate premium within ½ mile of Metro

HOTEL DEVELOPMENT FORECAST



COUNTYWIDE NET FISCAL IMPACT OF PH. 2 RAIL COUNTS ONLY “NET NEW” DEVELOPMENT

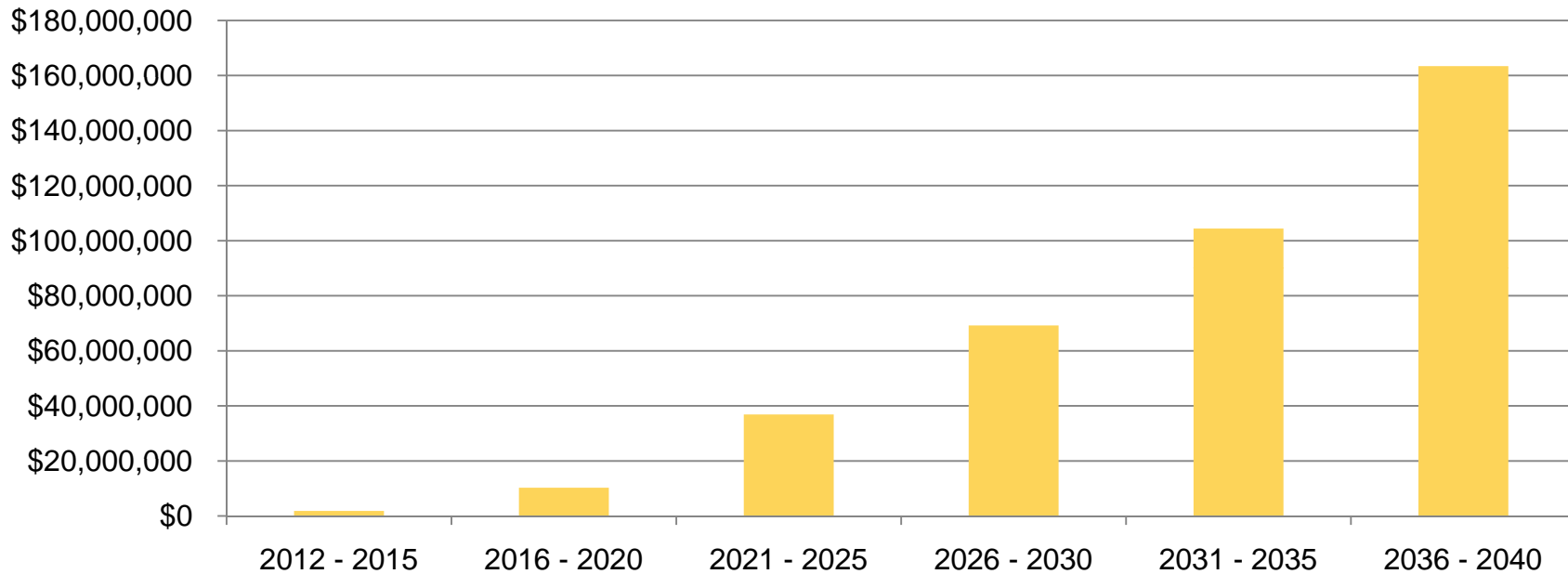
**Net Fiscal Impact of Phase 2 Extension Countywide
2012-2040 (2011 Constant Dollars)**



- ▶ Total revenues associated with net new development: \$563,199,000
- ▶ Total expenditures associated with net new development: \$293,671,000
- ▶ Total net fiscal impact estimated to be \$269,528,000 in 2011 dollars
- ▶ Average annual net fiscal impact is \$9,294,000

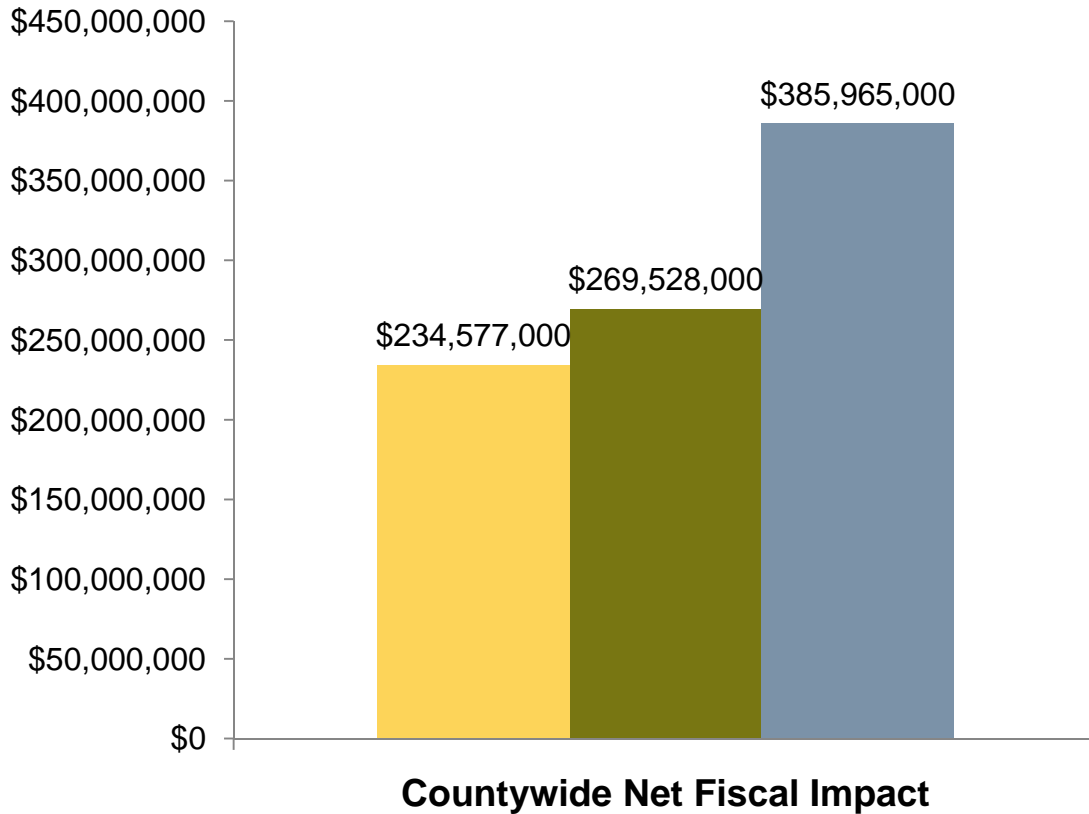
COUNTYWIDE NET FISCAL IMPACT OF PH. 2 RAIL COUNTS ONLY “NET NEW” DEVELOPMENT

**Net Fiscal Impact of Phase 2 Extension Countywide 2012 - 2040
(with Inflation)**



- ▶ Total revenues associated with net new development: \$863,003,000
- ▶ Total expenditures associated with net new development: \$477,038,000
- ▶ Total net fiscal impact estimated to be \$385,965,000
- ▶ Average annual net fiscal impact is \$13,309,000

CURRENT ESTIMATE OF NET FISCAL IMPACT 15% HIGHER THAN 2011 REPORT

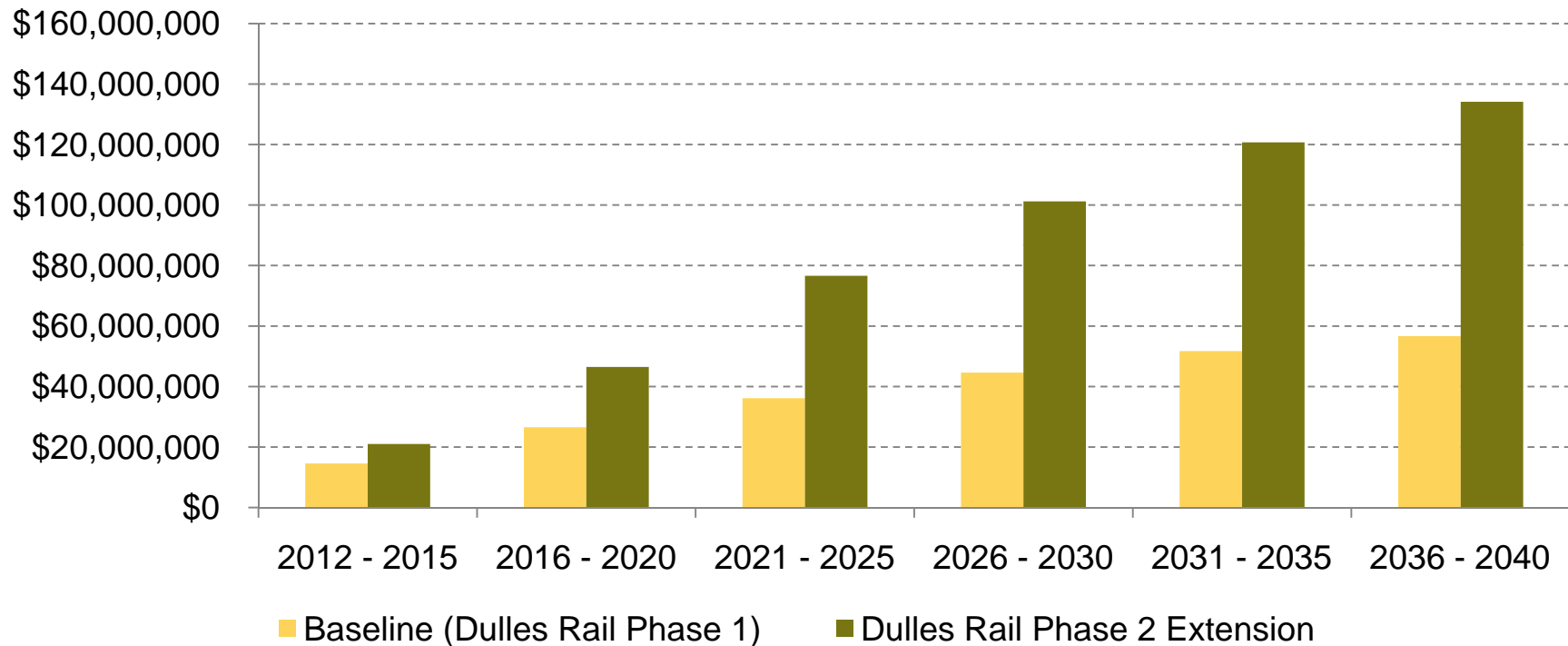


- April 2011 Report - Constant Dollars
- Current Report - Constant Dollars
- Current Report - Nominal Dollars (with Inflation)

Countywide Net Fiscal Impact Current Report vs. 2011 Report (Constant Dollars)	
2011 Report	\$234,577,000
Current Report	\$269,528,000
Difference	\$34,591,000
% Difference	15%

ROUTE 772 STATION AREA

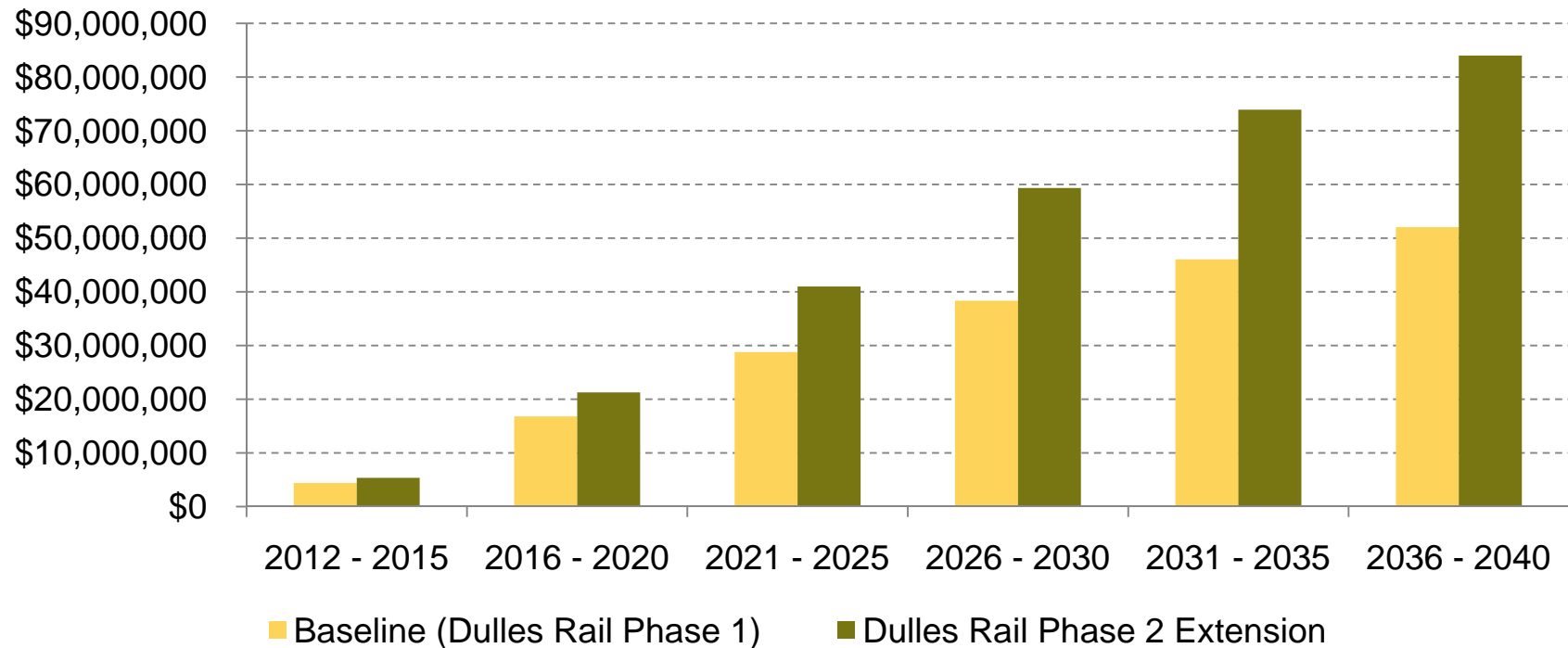
**Net Fiscal Impact of Route 772 Station Area Development
2012-2040 (2011 Constant Dollars)**



- ▶ Increase in net fiscal impact with Phase 2 Extension estimated to be \$269,923,000 in 2011 dollars
- ▶ Increase in net fiscal impact with Phase 2 Extension estimated to be \$399,720,000 in nominal dollars (with inflation)

ROUTE 28 STATION AREA

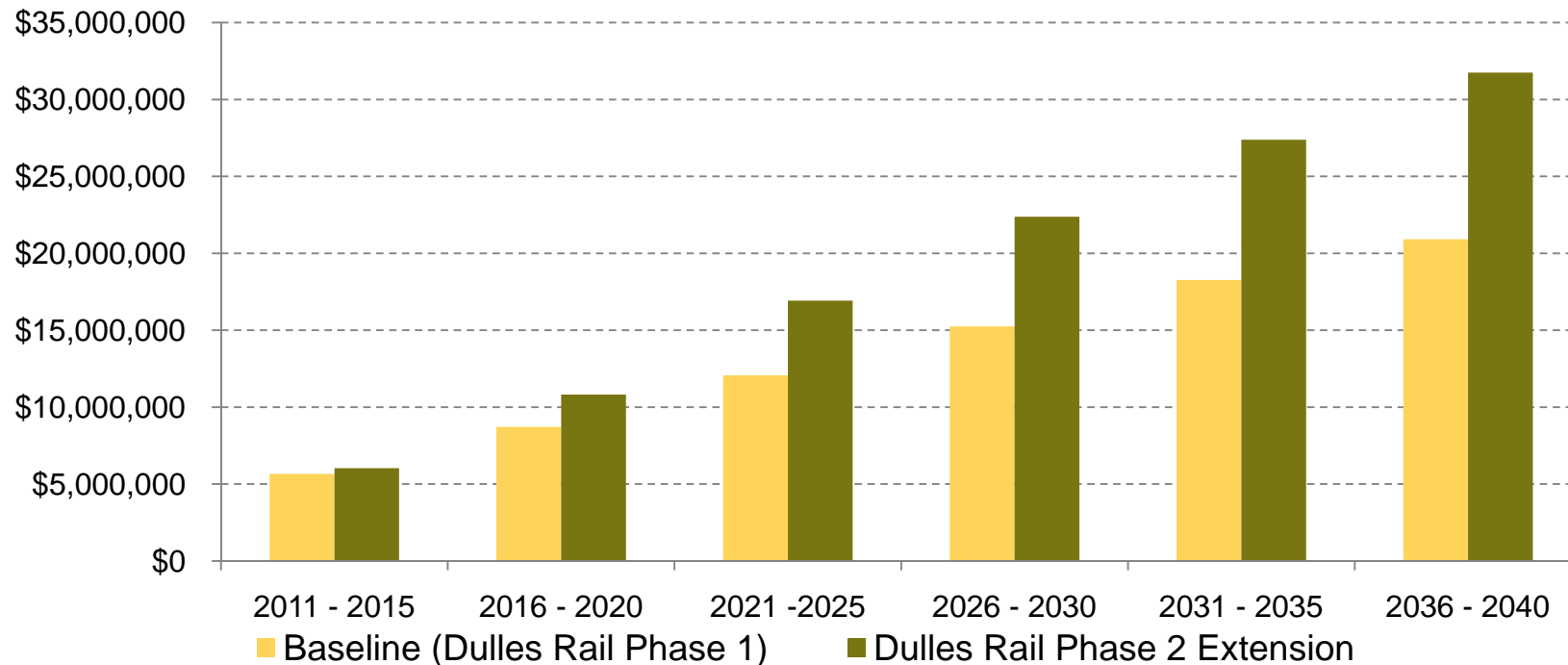
Net Fiscal Impact of Route 28 Station Area Development 2012-2040 (2011 Constant Dollars)



- ▶ Increase in net fiscal impact with Phase 2 Extension estimated to be \$98,453,000 in 2011 dollars
- ▶ Increase in net fiscal impact with Phase 2 Extension estimated to be \$152,714,000 in nominal dollars (with inflation)

ROUTE 606 STATION AREA

**Net Fiscal Impact of Route 606 Station Area Development
2012-2040 (2011 Constant Dollars)**



- ▶ Increase in net fiscal impact with Phase 2 Extension estimated to be \$57,126,000 in 2011 dollars
- ▶ Increase in net fiscal impact with Phase 2 Extension estimated to be \$89,374,000 in nominal dollars (with inflation)

Market and Fiscal Impact Analysis of the Phase 2 Metrorail Extension to Loudoun County

Loudoun County | May 15, 2012

