Summary of May 2 PCTC Meeting

The May 2 PCTC meeting focused on two topics:

1. Current thinking among the members of the Tysons Partnership (TP) regarding the landowner/developer contribution to the cost of the required transportation improvements and financing options;
2. County staff views and concerns.

Additionally, the newly-hired Executive Director of the Tysons Partnership, Michael Caplin, an attorney from McLean, was introduced to the PCTC by the Parnership. He takes over the leadership position that was held by Keith Turner.

Background. The May 2 was the first meeting since February 15, 2012. The last five scheduled meetings had been cancelled because the PCTC was waiting for the Tysons Partnership (TP) and County staff to complete some analyses and for the TP to come forward with some recommendations on how the Tysons private sector would pay for its share of the transportation improvements inside Tysons.

The overall costs for development and construction of the transportation and non-Metro transit improvements required is estimated to be $5,362 M, including 3% inflation, over the next 40 years. Expressed in 2051 dollars and with a 3% inflation factor, this includes what County staff are describing as Tysons-wide Transportation improvements (estimated cost of $1,591M), the grid of streets within Tysons (estimated total cost of $1,534M), neighborhood improvements (estimated total cost of $103M), and transit improvements, which are estimated at $2,133M. It excludes a $101M project, which originally was part of the plan but has been dropped.

County staff further divided the Tysons-wide Transportation improvements into two sub- categories: mostly inside Tysons and mostly outside Tysons. While the ratios are not final and are subject to change, the PCTC has preliminarily assigned financing responsibility for Tysons-wide Transportation Improvements, as follows:

- Mostly inside Tysons: Private sector - 90%, Fed/State/Other - 10%
- Mostly outside Tysons: Public sector - 90%, Fed/State/Other - 10%

Using these ratios, County staff has proposed that the private sector be responsible for $506M of the $1,591M required for the Tysons-wide Transportation Improvements. Additionally, County staff has proposed that the private sector be responsible for the total cost of the grid of streets ($1,534M) within Tysons. (The attached spreadsheet and map (click here) identify all 17 Tysons-wide construction projects and the grid of streets, and provide the cost and responsibility for each.)

Partnership Presentation

TP representatives Keith Turner and Jim Pollocaro gave a short talk on the TP's proposal for raising the private sector's $506M for the transportation improvements inside Tysons. The Tysons business community is very split on the issue of creating a Tysons-wide tax district. The key features of the TP proposal are, as follows:

- A tax district that encompasses all of the current rezoning applicants in the TOD areas who are seeking approval for high densities.

- The boundaries of the tax district would be formed by drawing rough shapes within the TOD areas that encircle the rezoning applicants and then connecting these shapes by running lines along the rights-of-way of Rt. 7, Rt. 123 and other roads.

- The tax rate would be a maximum of $0.22 per $100 of assessed value. The tax rate would start out low and gradually rise as the Dulles Rail tax rate gradually tapers off, but would not exceed $0.22.

- Because the private sector revenue stream would start out very slowly, the County would have to advance the $506M, most likely by periodically issuing county bonds as the need arose.

- The private sector would pay the County back over time, with the time needed to pay off the $506M depending on the rate of growth with Tysons, but most likely it would be paid off by 2060.

Reactions to TP Presentation:

Commissioner De la Fe commented that it would appear to be inherently unfair that only the rezoning applicants pay for the transportation improvements when all landowners in Tysons would benefit. Keith Turner responded that the TP had put it to a vote, and the proposal presented represented the outcome of that vote.

County staff pointed out two problems with the TP proposal: 1) many of the construction projects would fall outside the boundary of the tax district and, therefore, the tax revenue could not be used to pay for them and, 2) such a non-contiguous tax district may be subject to legal challenges. (Click here for further information on various special tax district statutes and their limitations.)

MCA representatives at the meeting noted that, if the county had to issue bonds to cover upfront the private sector's $506M share, the interest costs alone would exceed $506 M. County staff agreed, noting that the interest would be far more than $506 M.

<u>County Staff Suggestions for Financing Transportation Improvements</u>

County staff would like to see a solution for funding the private sector contribution that includes both a Tysons-wide tax district and a revenue stream from the rezoned properties.

County staff gave a presentation on options for raising the private sector's share of the Tysons-wide road improvements. Their handout [click here] lists 8 options that are different from what we had seen in the past because they are focused on raising private sector revenues. Barbara Byron, Len Wales and a county attorney provided much commentary on the legal difficulties of raising revenue, the cost of borrowing, debt support and the need for reliable revenue streams, etc. Len Wales estimated (from memory) Tysons property assessments as $10B, 85-90% commercial and 10-15% residential.

Of the 8 options, staff only supports the first three, which would raise money quickly, could be enacted by the Board of Supervisors and would raise all the needed revenues by 2050. Option 1 would create a Tysons-wide tax district. Options 2 and 3 would establish a sanitary or service district respectively, both relatively easy to do. The McLean Community Center is funded by a sanitary tax district.

Option 4 is the TP's proposal which staff did not appear to support. Option 8 would have the public sector pay for everything. Option 6 would be similar to the Georgelas rezoning where he proffered to extend Greensboro Drive, but staff noted that this approach would difficult to manage over the long term; one key requirement for any financing approach is the revenue stream must be reliable so that bonds could be issued against it.

Len Wales twice suggested that the transportation improvements be paid for using a mixed approach of pay-as-you-go and issuing bonds as needed. Len also said that county staff is recommending to the Board of Supervisors that the county double the amount of annual spending on roads projects throughout Fairfax County. (The county historically has averaged about $20M per year on road spending; Wales believes that the county could increase it to $40M.)

Commissioner Alcorn pointed out that Bethesda is using parking fees to help pay for road construction. Staff noted that it is aware of that and said that could be a source of revenue in the future.

<u>Comment:</u> Staff mentioned that the Capital One rezoning would probably be ready for public hearing by mid-July and a second rezoning case would be ready by mid-September. These rezoning requests put further pressure on the county to establish a private sector revenue stream for Tysons road construction.