City of Falls Church

Interoffice Memorandum

DATE: **JUNE 23, 2005**

TO: **HONORABLE MAYOR, AND CITY COUNCIL**
CHAIR HOLRAN AND MEMBERS OF THE PLANNING COMMISSION
CITY CENTER TASK FORCE

FROM: **DANIEL E. MCKEEVER, CITY MANAGER**

SUBJECT: **JUNE 23, 2005--JOINT WORKSESSION**
CITY CENTER-UPDATE AND COMPREHENSIVE PLAN POLICY DIRECTION

COPIES TO: ECONOMIC DEVELOPMENT AUTHORITY

This memo is to update you on City Center and lay out a strategic plan for proceeding with a successful project.

Further, our goal is to have your concurrence in moving forward with the first critical piece of policy work, the adoption of City Center language and a Concept Plan to be reflected in the adopted Comprehensive Plan. Staff anticipates that this Comprehensive Plan work should run concurrently with the ongoing adoption process and the Comprehensive Plan should be adopted in its entirety within the next 45 days.

As you know, a City staff team has been meeting since late last year and working toward a new development framework for City Center. The team consists of Assistant City Manager Wyatt Shields, Economic Development Director Rick Goff, Business Development Manager Becky Witsman, General Manager for Development/Planning Director Elizabeth Friel, Principal Planner Gary Fuller, Principal Planner Helen Reinecke-Wilt, Senior Planner/Transportation Planner Wendy Block Sanford, Acting Zoning Administrator John Boyle, and myself.

The team briefed the City Center Task Force in December 2004 and received general support for staff's work on a policy and concept plan. Following that meeting, staff met with private sector

experts and fine-tuned these plans based upon their critical market perspective. At this point in time, I want to update Council, the Task Force, our boards and commissions, the public, the landowners, and the development community on our progress to date, and on the elements of a strategic plan for moving forward. Much of this information was conveyed late last month, but has been updated and additional specific action is needed at this time

SUMMARY OF CURRENT ACTIVITY

Over the past few years there has been considerable economic activity in the City, primarily along its major arterial highways and roads. The sum of these projects has been a total of $289 million of new economic activity approved through site planning, which reflects approximately 11.5 acres of land undergoing redevelopment and more than 1.2 million square feet of new development. This includes the Tax Analysts building at 500 S. Maple Avenue, which, at 85,000 square feet, represents the largest single office project in the City since George Mason Square was completed in 1986. All of this new activity has resulted in significant, positive net revenue for the City.

In addition to these projects, there are several that have been submitted but yet to be reviewed and approved. We have received a mixed-use proposal for the Pearson's Funeral Home lot, as well as one for the Falls Church Service Center lot. In addition, new owners are remodeling property along South Washington and there is a large mixed-use project just outside the City in Arlington County on North Washington Street. All of these projects have or will contribute to the vibrancy of the City's economic future and none, we are told by our private sector advisors, will significantly impact the success of the City Center initiative. Rather than viewing them as competition, they should be viewed as economic building blocks to the center of the City. But that's not all.

Since January, when the City discontinued its effort to select a "master developer" for City Center, staff has been meeting and is working with several interested parties regarding redevelopment in the City Center area. As you may recall, we discontinued our efforts to select a single master developer believing that development activity in the City was a strong indicator of market interest, and that we should allow the market to locate, identify and initiate activity in City Center. We are pleased to report that is happening; however, similar to most economic development initiatives, it takes a considerable amount of time to identify a parcel, determine the interest of the property owner(s) in selling, negotiating a sale price, and then preparing conceptual and other plans for that site. Patience, I would submit, is the principal economic development virtue. Now, with a summary of activity, allow me to outline our approach to the redevelopment of City Center.

STRATEGIC PLAN

It became evident from our research, experience, and the advice of our private sector consultants, that the success of a City Center type of project is based on a complex set of variables. According to the Urban Land Institute's recent publication, ***"Place-Making, Developing Town Center's, Main Streets and Urban Villages,"*** in order for a City Center type of project to be successful it needs:

- Sound objectives;
- A thorough market analysis to take account of market synergy;
- Creative development strategy that is driven by market needs;
- Plan and design that will yield functional and marketable buildings that achieve synergy between uses and create a sense of place for the project as a whole;
- Financial analysis to determine the project's feasibility; and
- A financing plan for public improvements.

Staff's work to date has been focused primarily on development regulations. I now believe this approach is too limited to encompass all the critical elements for a successful City Center. Staff's work has evolved and is now comprised of a more comprehensive strategy in the form of a strategic plan with timelines and specific outcomes.

The City Center Strategic Plan is comprised of six basic and critically interrelated elements:

1. Goal and Objectives;
2. Market Identification;
3. Transportation Plan;
4. Development Plan;
5. Financial Analysis; and
6. The Financing Plan.

GOALS AND GUIDING PRINCIPLES

City staff has been working on preliminary Goals and Guiding Principles that were established by the City Center negotiating team during the process of seeking a master developer. They are presented here and we recognize they will be further clarified through the public processes as outlined below. Staff would suggest that these Goals and Guiding Principles should be incorporated into the Comprehensive Plan update. This will provide concrete policy guidance on City Center, which is a critical first step. Please see attached this draft language and Goal Matrix (Attachment 1) noting that the Comprehensive Plan language provides greater detail that these general goals and objectives.

Goals

- City Center should contain a mix of uses, unique design and well-balanced density.
- City Center should be designed and built based on public input, the Comprehensive Plan, the best of the Streetworks plan, best planning practices, and should be market based in its approach.
- Public space, public art, and green development practices should be integral to City Center.

Guiding Principles

- **Great Place:** City Center should be anchored by a "great place," a town common that will be a center of everyday civic, social and recreational activity for residents of City

Center, the City, and region, in addition to the patrons, visitors and customers of the commercial and entertainment venues. The town common should be flanked on each side by street-level retail, including cafes and restaurants, as well as entertainment uses. City Center shall be designed to be highly accessible by pedestrians, bicyclists, and mass transit, creating a multi-modal transportation center.

- **Mixed Use:** The City Center plan shall embrace mixed-use and pedestrian friendly design concepts to bring a vibrant, balanced and sustainable diversity of activities and land uses. The mix should include commercial office, retail, restaurants, cafes, theaters, art galleries, a hotel, recreational facilities, rental and owner-occupied housing, affordable housing, structured off-street parking, street and surface parking, a town common, along with pedestrian walkways, sidewalks and alleyways, incorporating streetscape enhancements.

- **Unique Design:** The City Center design should be exemplary and unique, from the largest details such as building design and the integration of open space, to the relationship between the buildings, to the design of entryways from the parking areas, as well as the details of landscaping and signage. Green building and low impact development principles should be included in the design of buildings and sites.

- **Balanced And Sustainable Development:** The City Center development will be sustainable and create new revenue and economic development opportunities for the City. City Center shall not cause any unmitigated burden on City infrastructure or its financial future.

- **Affordable Housing:** The City Center project will include housing opportunities that should address a broad spectrum of affordability.

- **Partnership:** The City should consider certain financing tools or special assessment mechanisms to support public infrastructure and improvements or to assist in the effective operation and maintenance of City Center.

In addition to the specific City Center language, staff is recommending that the entire City Center area be reflected as " Mixed Use" on the Comprehensive Plan (see Attachment 2 – Land Use Designation, City Center) The Mixed Use designation is reflective of the needed variety of uses in the City Center area. It is important to note that the City Center area has expanded slightly south of Broad Street to create continuity with new development occurring on S. Maple Street. This extension is consistent with past policy in that the zoning of the area B-2, Central Business District, and the 1997 Comprehensive Plan showed this area as mixed use and a Planning Opportunity Area. The connection of this area to City Center is also discussed in several goals and strategies in the 1997 Comprehensive Plan and the draft Comprehensive Plan update currently under review.

Also included in the Comprehensive Plan/City Center attachment is a Concept Map and general definitions of the key elements of the Concept Plan. (See Attachment 3 – Concept Plan – City

Center) The elements of the Concept Plan are described in the proposed City Center Comprehensive Plan (Attachment 1) In general the Concept Plan reflects:

- General Layout including road alignments
- Mixed Use throughout the City Center area
- Public Open Space
- Preferred Retail Locations
- Transportation Patterns

The Concept Plan provides guidance and does not mandate specific locations for specific uses.

IDENTIFYING OUR MARKET

The Economic Development Authority, with George Mason University, is undertaking a "Big Picture Study" that will assess city policies and strategies in the area of economic development within the context of national and regional mega-trends and potential counter-trends. As the City's most significant and ambitious development project, the success of City Center is dependent upon its consistency in the market place with trends in demographics, housing, employment, regional density and growth patterns and, particularly, office and retail development trends. The Big Picture Study is designed to provide Falls Church with a better understanding of its market and what lies ahead so that City Center planning decisions made today (which will have far-reaching consequences), are the best informed decisions it can possibly make.

While the Big Picture Study will serve as an important general guide for City Center strategic planning, its retail component requires more in-depth consideration. The street level appearance, feel and vitality of the project will depend, in large part, on the scale, mix and quality of City Center's retail, restaurant and entertainment elements. For that reason, the City has undertaken a Retail Market Analysis of Falls Church that will look at both the current retail supply in the city and, most importantly, a detailed assessment of retail demand. An analysis of this information will establish a realistic expectation of our current and emerging retail market. With its existing retail base and a number of new mixed-use development projects delivering a retail element, it is essential for Falls Church to understand how City Center will best fit into the changing landscape of retail activity in the City.

While these efforts are intended to better identify the market-based opportunities available to the City, we must fundamentally understand and adapt to additional, important development realities if we are to be successful with our economic development efforts. These factors include the price of land, the cost of underground parking construction, the general cost of construction in the Northern Virginia area, and the source of the revenue to offset these costs and to allow a profit to the developer. The City's redevelopment sites are small, pushing the need for underground parking and building height. In addition to these two construction impacts, a third, market-reality component necessitates a mix of uses, as it is a fundamental, economic fact in Northern Virginia, non-residential rents are not and will not be sufficient to offset the costs of constructing profitable, yet extraordinary projects in Falls Church. Please see attached the

executive summary of the initial report. (Attachment 4) Among the most critical points are the following:

- Key trends driving development of Falls Church include:
    - Northern Virginia's surging growth
    - Growth of high quality jobs
    - Aging of the population and growth of "early" and "empty" nesters
    - Shortage of housing and increasing housing prices
    - Increases in commuting and congestion costs that have placed higher premiums and value on close-in locations
    - Changing patterns of density and mix of uses to meet preferences of an increasingly diverse and urban population

- The region's growth patterns in the last 10-15 years have resulted in Falls Church becoming an even more desirable location than it used to be. The large amount of residential and job growth outside the Beltway, coupled with lack of infrastructure keeping pace with that growth, have put a premium on closer-in locations. Falls Church is such a location, and its location between Tyson's Corner and the Rosslyn-Ballston Corridor are resulting in development pressures in the city, but they also present the city with an opportunity to create a dynamic village-scale environment for residents and workers. It can be of such a scale as to be very attractive to all who seek the "urban village", mixed use environment in which some residents can walk to work, residents and workers have a broad spectrum of shopping and recreational opportunities, and overall the city has a very sustainable development pattern and mix.

- New housing is an essential component of economic development strategy. Residents of new housing provide additional work force for area employers, which can be an attraction for additional employers. As importantly, new resident incomes are spent at nearby shops and restaurants and other activities, and provide the necessary "night-time population" for local business.

- Nearly 500,000 square feet of new space for retail space for groceries, health care, personal care, entertainment and restaurants could be supported by the current population of the city. The approximate 100,000 residents who live in nearby Fairfax and Arlington have $1.6 billion in disposable income that provide real opportunities for additional retail and service demands.

- Situated between the high cost and high density office markets in Tyson's Corner and Rosslyn-Ballston, there are opportunities for the city to attract firms and organizations that want an urban environment at a somewhat smaller scale but of sufficient density to support costs of similar amenities and structured parking. Smaller sized federal contracting firms and associations might fit this potential.

- The potential for new retail and office development coupled with a strong and sustainable market demand for more condominiums and apartments provide the City of Falls Church the critical choice in shaping a vibrant and dynamic community for decades to come.

Timeline – The EDA Big Picture Study was the subject of a public presentation on May 18, 2005. It is anticipated that the retail study and a retail strategy will be completed by **Summer 2005.**

TRANSPORTATION PLAN

The Transportation Plan will be a comprehensive analysis of the transportation components of City Center. The Plan will balance the needs of City Center as a vibrant economic nexus with the various demands of motorists, pedestrians, and bicyclists on the area's roadway system. This plan will be the primary guide to transportation planning in City Center and will serve as the foundation for updating and amending various other City plans and policies.

The Plan will document the City's existing transportation conditions and identify needs and assets within City Center. This information will create a picture of the current transportation system and will provide the baseline for future expansion. The Plan will then evaluate how transportation needs will change in the City with the redevelopment of City Center. Finally, the Plan will provide recommendations and an action plan to address transportation challenges/needs arising from a redeveloped City Center.

Specifically, the Transportation Plan will show the optimal transportation improvements and describe how these improvements will enable the City to create a "Great Place". The Plan will evaluate the impacts of City Center redevelopment on vehicular movement, pedestrian and bicycle access, multimodal transfer, aesthetics, and safety. The Plan will evaluate future roadway and public transportation improvements such as the realignment of Maple Avenue, on-street parking on Broad Street, and the construction of an intermodal transportation facility.

The Transportation Plan will utilize Regional Surface Transportation Program (RSTP) funds and is to be completed by Fall 2005. Construction of the intermodal transportation facility and other City Center transportation improvements will be completed concurrent with the redevelopment of City Center and will utilize federal (TEA-21), state (VDOT) and local funds

Timeline – It is anticipated that the RSTP funded study will be completed by **Fall 2005.** The Comprehensive Plan text and Concept Map will help guide this study.

DEVELOPMENT PLAN

The Development Plan will consist of the following:

- Comprehensive Plan update, including:
    - Goals and Guiding Principles (see above) for City Center
        - Staff will propose that these statements be added to the Comprehensive Plan

- Concept Plan
    - Staff will recommend a Concept Plan be adopted for the City Center area that will specify the location of critical City Center elements, but also be general and not a parcel-by-parcel mandated use plan.

- Zoning Tool to allow development in accordance with the Comprehensive Plan:

    - Staff is considering a range of options to guide and encourage the development of City Center in a holistic comprehensive manner that will provide clear expectations and timing for development review.

As indicated above the first necessary step is the adoption of City Center policy via the Comprehensive Plan.

Timeline – It is anticipated that the Development Plan will be presented at work sessions beginning in **Summer 2005.**

Staff anticipates that Planning Commission and City Council public hearings will continue through this summer and Fall with adoption expected in early October.

FINANCIAL ANALYSIS

A critical element of the City Center redevelopment is its long-term financial sustainability, and that is why the details of the retail strategy become so critical to the future of City Center. The retail strategy is intended to clearly identify the City's market, and to build and serve that market. This is a more responsible way to proceed and, moreover, allows the City to identify real economic opportunities, run them through the City's fiscal model, to report their net fiscal impact to the community. George Mason University is reviewing the assumptions in the City's financial model, and we expect them to make recommendations to modify and/or amend the model for future use.

Timeline – It is anticipated that the financial analysis for each project, or development opportunity, will be conducted when the project is presented to the City.

FINANCING PLAN

There are a number of options and tools available for the public financing of infrastructure and certain non-private elements of City Center. While no decisions have been made regarding public participation, a true partnership requires some sort of public investment. Most importantly, staff, with help of bond counsel and other experts, will assess which of these financing mechanisms will best serve City Center. Among the options are:

- *Special Service Districts (SSD)*, where special ad valorem taxes are levied on property owners within a specified district to pay for services or infrastructure. However, these districts would have no independent authority to issue bonds or levy special assessments.

- *Community Development Authorities (CDA)*, another form of special tax districts. They are created to help expedite development projects by encouraging public/private partnerships to finance infrastructure and improvements. A CDA could finance a broader range of facilities, improvements and services than a SSD, including parking facilities. A CDA also has independent authority to issue revenue bonds and utilize the power of eminent domain.

- *Tax Increment Financing (TIF)*, where incremental increases in real estate taxes from new development within a designated area are diverted to use for financing or funding public facilities, infrastructure and redevelopment activities. The City would have to issue any debt related to the TIF, as there would be no separate decision-making entity involved.

- *Redevelopment and Housing Authorities (RHA)*, have a primary mission of providing low-income housing, but they can also be used for targeted redevelopment and economic development, so long as there is a tie to the housing mission. An RHA could independently issue bonds, utilize the power of eminent domain, and hold, improve, purchase, sell, lease, or option real and personal property. RHAs have no power to tax or assess. They generate revenues by selling and leasing real estate related to housing projects that they undertake.

- *State and Federal Transportation Funding*, are sources of funds that would allow highway reconstruction, including new roadway alignment, sidewalk construction, drainage, village green, and on and off street parking. In addition, federal earmarks are currently proposed that will provide a dedicated funding source to initiate a major off-street intermodel parking facility.

- *General Obligation Bonds*, are sources of funding that can finance public improvements and can be used independently, or, with several of the options above that would provide a narrow and dedicated funding stream to off-set the annual debt service costs.

Timeline – It is anticipated that the Financial Plan will be presented in work sessions beginning in **Fall 2005.**

SUMMARY

This strategy is intended to be the roadmap for the future. Prior to the adoption of the draft Comprehensive Plan and Strategic Plan, staff will use the criteria and concept plan outlined within these documents when meeting and discussing the project with developers. **The next critical step is the adoption of the Comprehensive Plan including City Center policy and plans by Fall 2005.**

ATTACHMENTS

1. City Center Comprehensive Plan Language and Goal Matrix
2. City Center Comprehensive Plan Land Use Designation Map
3. City Center Concept Plan
4. Executive summary –Big Picture Study