



**Finance and Capital Committee**

**Information Item III-A**

**June 8, 2023**

**Joint Development Portfolio Update**

Washington Metropolitan Area Transit Authority

## Board Action/Information Summary



Action



Information

Document Number:  
205512

Resolution:



Yes



No

### Presentation Name:

Joint Development Portfolio Update

### Project Manager:

Liz Price

### Project Department:

Office of Real Estate Development

### Purpose/Key Highlights:

To provide the Board an information update on the 10-year Strategic Plan for Joint Development including first year achievements and implementation progress, which include:

- Completion of four new buildings totaling 161 housing units and one million square feet of office development;
- Five closings and groundbreakings totaling 1,495 housing units;
- Rezoning or comprehensive plan amendments at three Metro stations with development potential of more than 2,500 housing units;
- Three unsolicited proposals for public library and mixed-income and affordable housing;
- Four Compact hearings; and
- Board approval to hold six compact hearings to enable joint development and to issue joint development solicitations at seven Metro stations.

### Interested Parties:

Not applicable.

### Background:

WMATA has the most active Joint Development program in the nation having delivered more than 55 buildings at 30 metro stations since 1978 totaling 17 million square feet of mixed-use development. The fiscal benefits of these projects are estimated to generate more than \$194 million dollars of annual property, sales, and incomes taxes for state and local governments.

In April 2022, Metro published its first 10-year Strategic Plan for Joint Development ("Strategic Plan") that identified 40 stations with land available for development. These properties could support more than 31 million square feet of new mixed-use development and approximately 26,000 housing units. At full build-out the fiscal these projects are forecasted to generate an additional \$340 million of annual property, sales, and incomes taxes for state and local governments.

The Strategic Plan was formulated to accelerate joint development, align Metro and jurisdictional interests, attract investment, and prioritize future station opportunities. The Strategic Plan also includes an ambitious goal to establish 20 new joint development agreements by 2032. Lastly, the Strategic Plan identifies strategies to overcome barriers to development and presents an action plan for each station to advance development.

## **Discussion:**

Executing 20 new joint development agreements in the next ten years requires Metro to transact 2.5 times faster than it typically has on prior projects. Achieving this goal will require Metro and its partners to resolve financial obstacles impacting the feasibility of these projects. These include extraordinary costs to reconstruct or replace transit infrastructure such as commuter parking and bus loops or address other site infrastructure needs such as the creation of street grids or relocating utility mains.

Metro's historic approach to these costs was to fund them using the real estate proceeds from the sale or leasing of Metro-property. This was possible since the land values of the past projects were often high given the proximity of the initial 30 stations to the region's central business districts or these costs were lower since the land area of the inner core stations were often smaller. The location of the remaining 40 stations with joint development potential are farther away from these commercial centers and typically softer real estate market conditions. The average property size at these stations is also much larger leading to much higher infrastructure needs that often exceed land values creating a feasibility gap. As a result, these stations are likely to develop at lower densities than allowed by zoning without financial assistance, or not develop at all, which represents a missed opportunity to maximize housing potential at transit-rich locations, grow ridership, mitigate future traffic congestion, or address climate change.

Addressing these obstacles will require partnership between Metro and regional governments since neither party has complete control over all the cost and revenue drivers impacting joint development feasibility. As part of the Strategic Plan for Joint Development, Metro has identified how it could help to reduce costs and risks, which include:

- Right-sizing the capacity and footprint of commuter parking and bus facilities,
- Applying commercial construction standards,
- Reinvesting or deferring real estate revenues, and
- Securing all necessary Board approvals for changes to transit facilities and execution of joint development agreements as expediently and as early as possible.

The roles of the regional jurisdictions in accelerating joint development focus on solving for any remaining gaps by:

- Coordinating state and local funding for infrastructure needs and housing or economic development priorities,
- Considering tax abatements and other real estate development incentives,
- Leveraging affordable housing funds,
- Pursuing federal assistance (e.g., grants, loans, etc.),
- Securing and supporting entitlements (e.g., rezoning, expedited permits, etc.), and
- Reducing development requirements (e.g., private parking, etc.).

Metro is coordinating closely with regional jurisdictions on how to address these needs and fast-track joint development solicitations at stations where possible. Without collaboration and partnership, the financial, environmental, and social benefits of these projects to the region are likely to be delayed.

**Funding Impact:**

No direct impact on funding.

**Previous Actions:**

No prior actions.

**Next Steps:**

- Hold Compact public hearings
- Coordinate with jurisdictions on funding sources to support investment needs
- Issues Joint Development solicitations

**Recommendation:**

Information Only

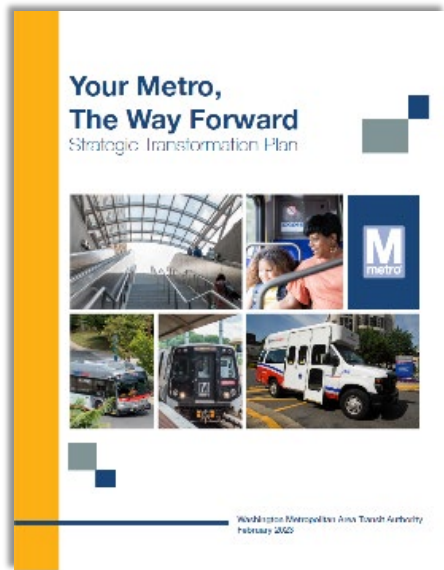
# Joint Development Portfolio Update

Finance & Capital Committee  
June 8, 2023



# Metro's Strategic Transformation Plan & Joint Development

Guides long term strategy and day-to-day decision making of Metro over the next 5+ years



**Guiding**



### Day-to-day decisions

- Customer interactions
- Service schedules
- Communications



### Long-term strategy

- Budget allocation
- Capital improvements
- Priority projects



## Goals — Our priorities to achieve the vision

Service Excellence

Talented Teams

Regional  
Opportunity and  
Partnership

Sustainability

# Update on Joint Development Strategic Plan

**Published April 2022**

- Recap Goals
- Highlight First Year Achievements
- Discuss Challenges & Solutions



# Joint Development Goals

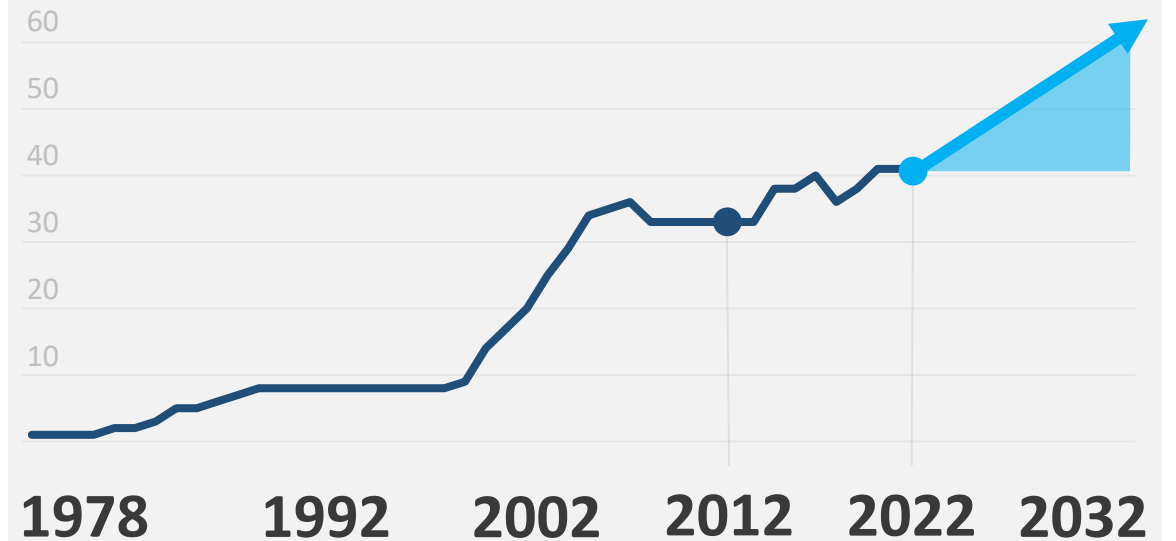
Accelerate joint development

Align Metro & Jurisdictional interests

Prioritize future station opportunities

Attract investment

## Establish 20 New Joint Development Agreements By 2032



**2.5x faster pace than past decade**



# Most Active Joint Development Program in Nation

## Impact To Date

**55 buildings** completed at 30 stations

**17M** sq. ft. of development

**8,000+** housing units

**\$194M** annual local/state taxes generated (est.)

## Future Opportunities

Development potential at **40 stations**

**31M+** sq. ft. of new development

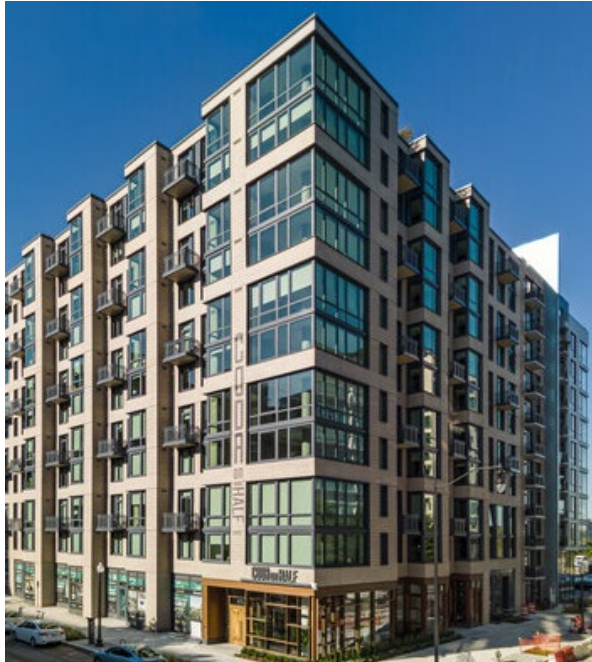
**26,000+** new housing units

**\$340M** new annual local/state taxes forecasted

**Grows Metro's ridership and fare revenues**

# First Year Achievements

4 New Buildings Delivered



**Navy Yard**  
161 Housing Units  
8% Affordable



**Metro HQ at L'Enfant Plaza**  
290,000 Square Feet



**Metro Office at New Carrollton**  
329,000 Square Feet



**Metro Office at Eisenhower**  
425,000 Square Feet



## First Year Achievements

5 Closings / Groundbreakings with \$100M+ Invested by Amazon's Housing Equity Fund



**Congress Heights**  
179 Housing Units  
100% Affordable



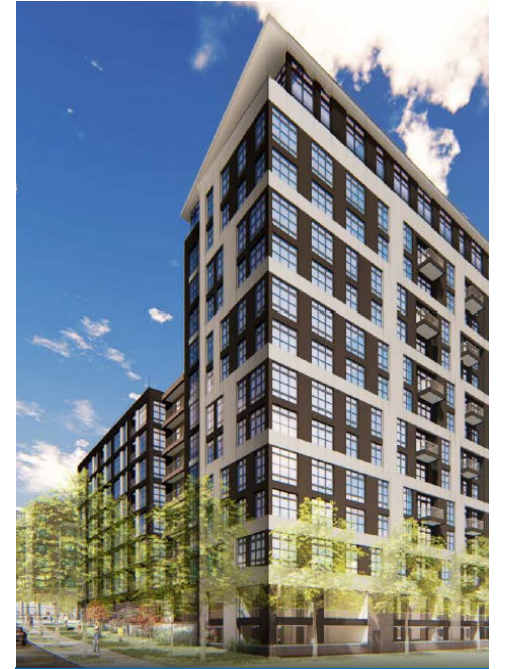
**College Park**  
451 Affordable  
100% Affordable



**New Carrollton**  
291 Housing Units  
100% Affordable



**Grosvenor-Strathmore**  
220 Housing Units  
15% Affordable



**North Bethesda**  
354 Housing Units  
12.5% Affordable







## First Year Achievements

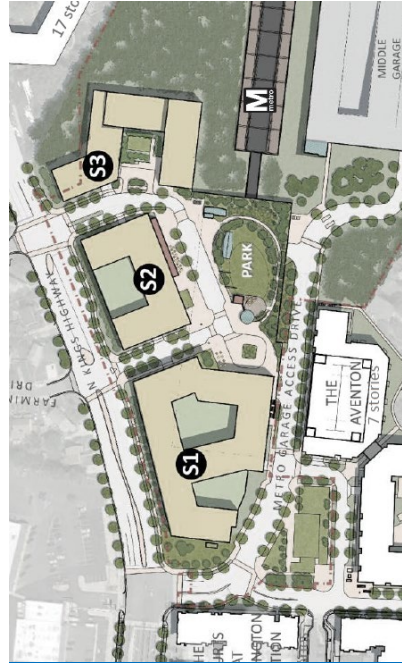
3 Projects Entitled for Development & Received 3 Unsolicited Proposals



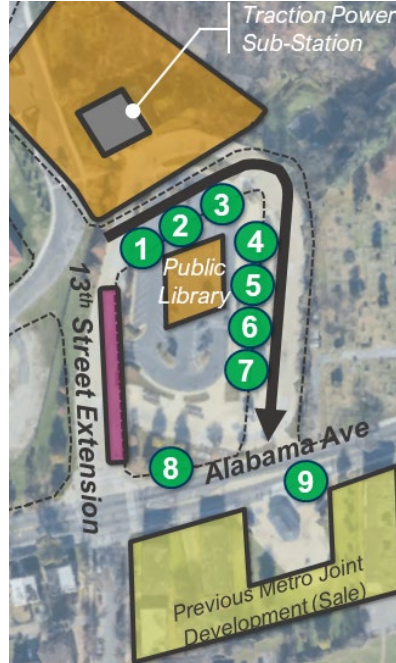
**West Falls Church**  
Rezoning  
900 Housing Units



**Twinbrook**  
Rezoning  
440 Housing Units



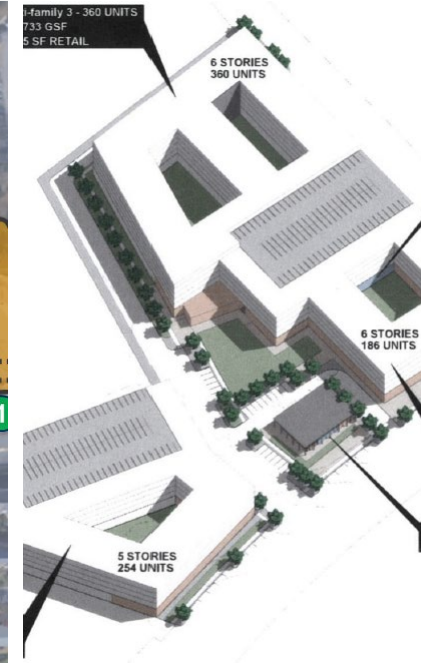
**Huntington**  
Comp Plan  
1,200+ Housing Units



**Congress Heights**  
DCPL Proposal for  
Public Library



**Forest Glen**  
HOC Proposal for  
Affordable Housing



**Largo | Lottsford Rd**  
Adjacent Owner  
Proposal for Housing



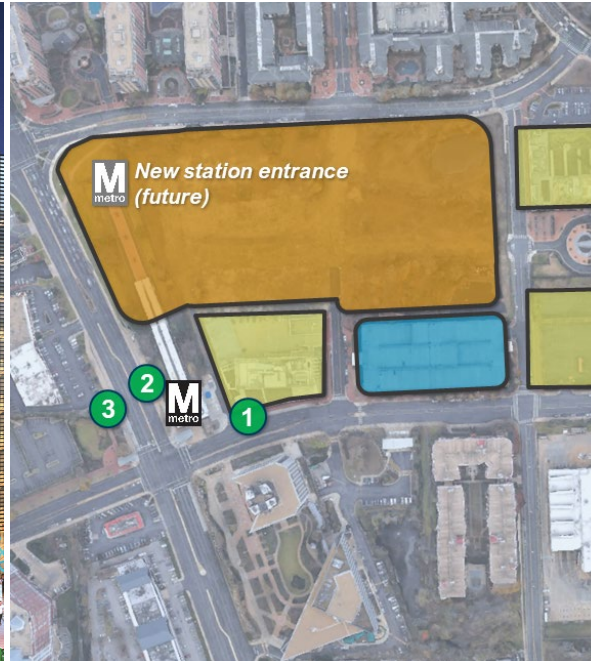
## First Year Achievements

\$600M+ Federal/State/Local Commitments for Station Improvements & Economic Development



### New Carrollton

Train hall, facades, plazas,  
retail & bike/ped facilities (\$100M+)



### North Bethesda

Second Metro entrance, street grid,  
& Institute for Health Computing (\$50M+)



### Blue Line Corridor | Maryland

Amphitheater, market hall,  
field house & cultural center (\$400M+)



### Congress Heights & Deanwood

2x public libraries,  
street grid, & plazas (\$50M+)

# Implementation Next Steps

**Hold 6 Compact Public Hearings**

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**Coordinate Funding Needs with Jurisdictions  
& Issue 7 Joint Development Solicitations**

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**Advance Master Planning for 18+ Stations**



# Historic Approach to Funding Joint Development Costs

## Past projects benefited from:

Smaller infill parcels

Lower transit replacement costs

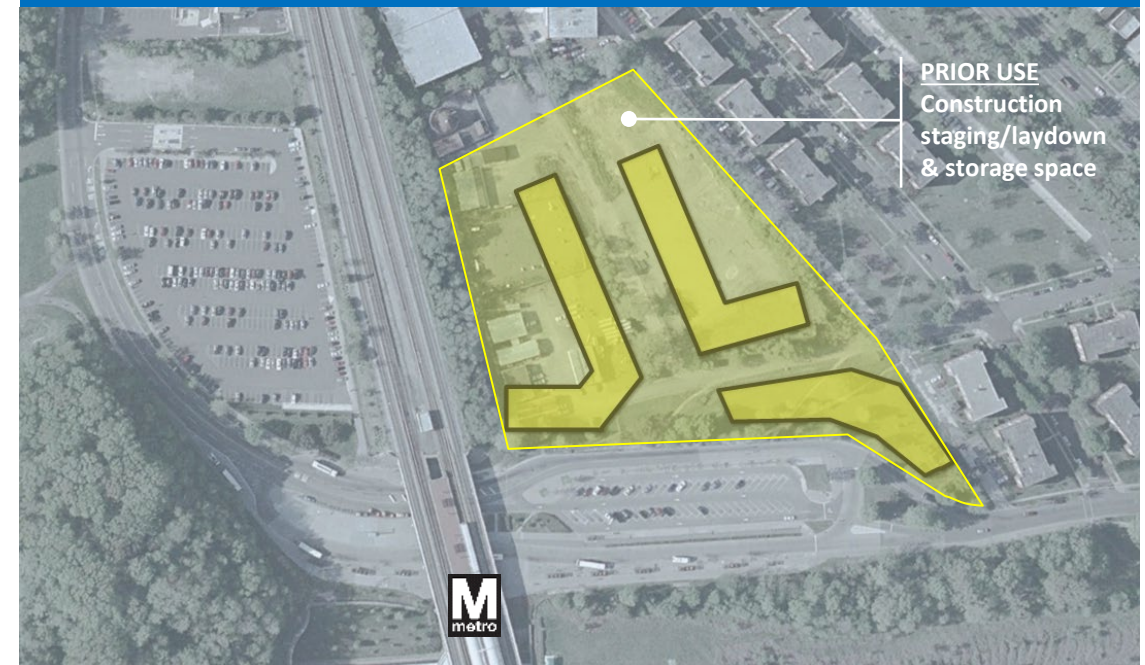
Limited needs for other site infrastructure


Stronger real estate markets

Land value > costs (positive net fiscal impact)

**WMATA discounted land value to advance projects**

## EXAMPLE – FORT TOTTEN



 Prior Joint Development

\*Required No Changes to Transit Facilities



# Challenges Ahead for Future Joint Development Costs

## Financial gaps exist at many stations:

Larger / complex properties (5 to 50+ acres)

More infrastructure needs (transit or other)

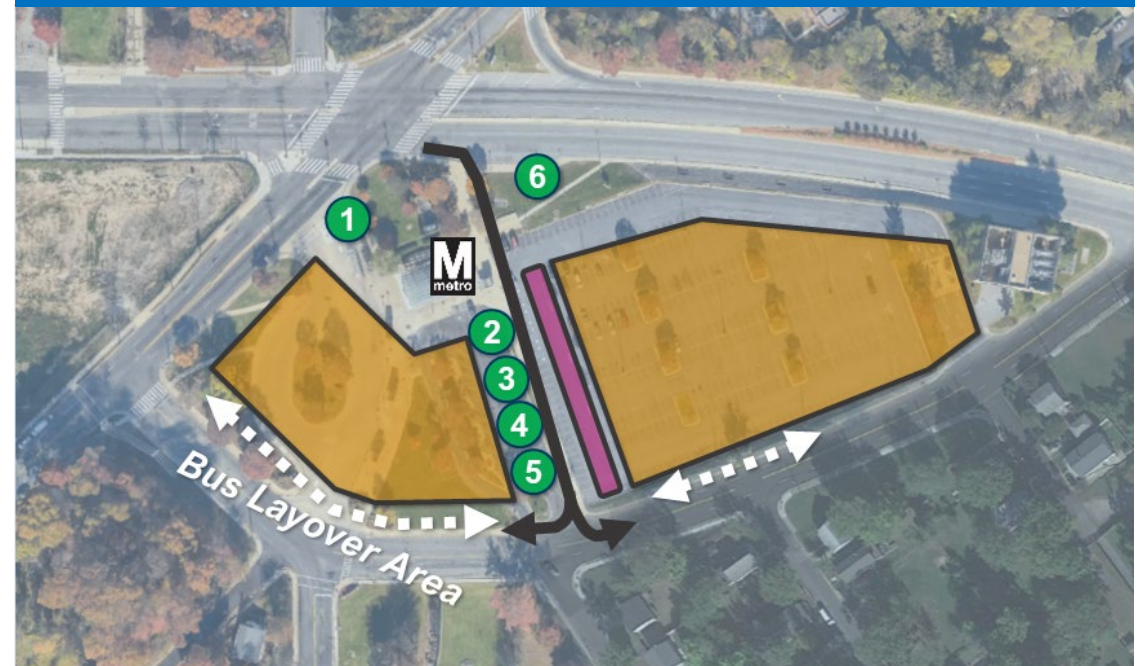
Desires for more affordable housing

Softer real estate markets

Land value < costs

**Most projects cannot advance without investment from other sources**

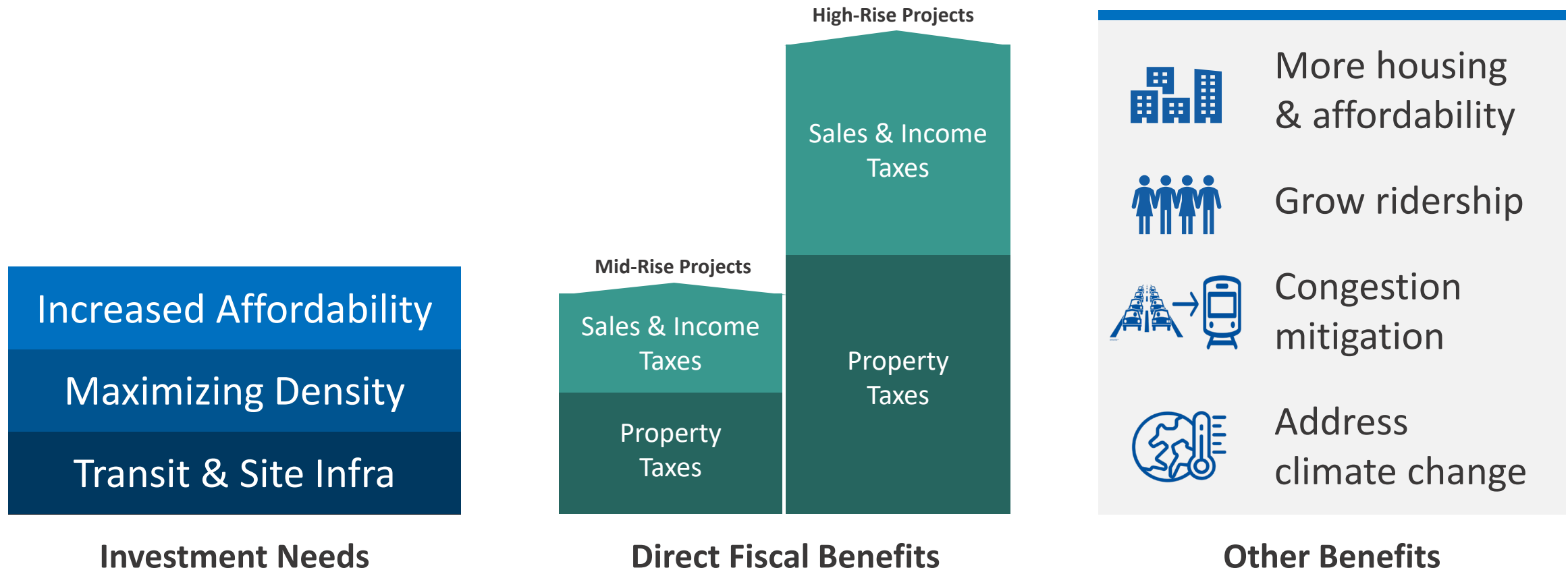
## EXAMPLE – CAPITOL HEIGHTS



Future Joint Development K&R Replacement Bus Replacement

# Investment by Jurisdictions Needed to Advance Projects

Near term projects unlock \$800M+ in new state & local tax revenues over 30 years



# Partnership Approach to Joint Development

## Metro's Role

Reduce costs & risks

Right-size capacity and footprint of parking & bus facilities

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Apply commercial design standards

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Reinvest or defer land value to address investment needs

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Secure Board approval for changes to transit facilities as early as possible

## Jurisdictional Roles

Support remaining gaps

Coordinate state & local funding

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Pursue federal assistance (grants, etc.)

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Leverage affordable housing & economic development programs

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Expedite rezonings/permits & reduce requirements (private parking, etc.)

## Next Steps

- **Hold Compact public hearings**
- **Conduct industry outreach**
- **Coordinate with jurisdictions on funding sources**
- **Issue Joint Development solicitations**