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
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
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

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

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

Baseline (Phase 1 Rail)  Phase 2 Rail

Square Feet

0 200,000 400,000 600,000 800,000 1,000,000 1,200,000 1,400,000

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

Baseline Retail SF | Phase 2 Retail SF

2012 - 2015: 2,500,000
2016 - 2020: 2,500,000
2021 - 2025: 1,500,000
2026 - 2030: 500,000
2031 - 2035: 1,000,000
2036 - 2040: 500,000

Loudoun County
HOTEL DEVELOPMENT FORECAST

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

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

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<thead>
<tr>
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<tbody>
<tr>
<td>2011 Report</td>
<td>$234,577,000</td>
<td>$269,528,000</td>
<td>$234,577,000</td>
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<tr>
<td>Current Report</td>
<td>$269,528,000</td>
<td>$385,965,000</td>
<td>$269,528,000</td>
</tr>
<tr>
<td>Difference</td>
<td></td>
<td>$34,591,000</td>
<td>$34,591,000</td>
</tr>
<tr>
<td>% Difference</td>
<td></td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
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Loudoun County
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)
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)
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)
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