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Rail Rip-off

Extending METRO rail to Dulles Airport will enrich select landowners to the tune of billions of dollars. Why, then, are Fairfax County commuters being forced to pay so much of the project cost?

The proposed extension of the Washington METRO system to Dulles Airport is one of the most expensive infrastructure projects ever conceived in the state of Virginia. The projected cost is $4 billion, assuming no expensive delays or overruns. "Rail to Dulles," as the project is known in shorthand, is vitally necessary for the economic health of Northern Virginia. But, as currently conceived, the project would precipitate a multibillion-dollar transfer of wealth from taxpayers and commuters to politically powerful land owners.

The plan for financing Rail to Dulles has three main components: The federal government will pay 50 percent, the state will pony up 25 percent, while Fairfax County, Loudoun County and the Metropolitan Washington Airports Authority will chip in the other 25 percent.

Where will the state get its $1 billion share of the money? From the commuters who drive along the Dulles Toll Road -- commuters who had been promised that the tolls would be scrapped once the original construction bonds had been paid off.

And who will benefit from Rail to Dulles? Commuters will receive some benefit, to be sure, in the form of reduced congestion. The METRO line, which will run down the Toll Road right of way, will divert some traffic from the highway to rail cars. But the biggest winners will be the owners of land near the 11 new rail stations.

To get an idea of how much wealth will be created by Rail to Dulles, consider this: The current assessed value of the commercial property in just the Phase 1 special tax district, concentrated in Tysons Corner, is $9 billion to $10 billion. Fairfax County is contemplating changes to its comprehensive plan that would increase allowable square footage of non-residential development (offices, retail, hotels) by 43 percent and residential development by 151 percent.(1) Those zoning changes in Tysons Corner potentially could translate into an additional $4 billion in property assessments. And that doesn't include the boost to property within walking distance of the METRO stations, which could easily double in value.

Add it all up, and the increase in property values for *just Tysons Corner* could well exceed $5 billion. But the contribution of commercial property owners to Phase 1 METRO financing would be capped at $400 million.

The mismatch between property owners' contributions to financing Rail to Dulles and the benefits they can anticipate receiving are unconscionable. How Republicans, who supposedly abhor government giveaways, can tolerate such a lopsided distribution of benefits is beyond me. That Democrats, who purportedly believe in transferring wealth from the wealthy to the poor -- not the reverse -- can countenance this arrangement is even more of a mystery.

Rail to Dulles has so much bureaucratic momentum behind it, however, that it may be impossible to derail. Suggestions that a Bus Rapid Transit system could provide comparable mobility at a fraction of the cost(2) have been swept aside. And, as intriguing as the concept is, Personal Rapid Transit, a 21st-century permutation of mass transit(3), is still too untested and unproven to gain popular support within a politically acceptable time frame.

Given the political realities that something must be done now, and it must be done within the broad framework already in place, there are two key points I would emphasize:

First, Rail-to-Dulles must be built. The project is crucial to the economic vitality of Northern Virginia for two reasons: (a) It will relieve traffic congestion by taking thousands of cars off the region's roads, and (b) it will provide the impetus to refashion Tyson's Corner from the jumbled mess that it is now into a world-class, transit- and pedestrian-oriented business center.

Second, sufficient economic value will be created that every-

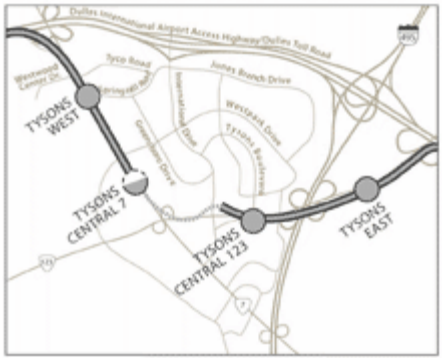
one can come out a winner. There is no need to plunder the mostly middle-class commuters who ride the Dulles Toll Road. The tools exist to make commercial property owners pay the full cost of the project and still come out ahead.

Tysons Corner is the most important business center in Virginia. It accounts for more economic activity than downtown Richmond, downtown Norfolk or even the burgeoning Reston-Herndon technology center to the west. The concentration of technology expertise, human capital and entrepreneurial ferment has few peers around the country.

In a testament to its business vitality, Tysons prospers in spite of its grave flaws as a locus of urban activity. Although individual buildings may have architectural flair, the business district is an aesthetic disaster. Visually, there are few memorable vistas or focal points. A flotsam of mid-rise buildings is awash in expansive parking lots, and development is bifurcated by streets designed to move cars, not people. Functionally, there is no pedestrian life: It's easier to cross the street by driving from one parking lot to the next than to make the trip on foot.

Perhaps most serious of all, there is a massive imbalance between commercial and residential development. As a consequence, tens of thousands of employees converge on Tysons every morning from around the region, adding immeasurably to traffic congestion in the business center itself and the arteries leading into it.

Addressing these deficiencies, even in part, could create a world-class business district. However, a makeover will cost billions of dollars. Extending METRO through Tysons Corner is the only way that would stimulate the level of investment required.



Under existing plans, the Rail-to-Dulles extension would tie into the Washington METRO line near the West Falls Church station on the orange line. It would run north to Tysons Corner and then hook up with the Dulles Toll Road. In Phase 1, a $1.8 billion project, the METRO would extend as far as Wiehle Ave. on the eastern fringe of Reston.

In Phase 2, the METRO would thrust past the employment centers of Reston and Herndon, loop down to Dulles Airport, and then continue west into Loudoun County. In total, eight stations would reside in Fairfax County, one in Dulles Airport and two in Loudoun County.

The first benefit to Northern Virginia would be congestion relief. Rail boosters assert that peak hour capacity would equal four new lanes on the Dulles Toll Road, accounting for an estimated ridership of 35,000 to 38,000 daily boardings. (Assuming most passengers account for two daily boardings, one each way, that would translate into 17,500 to 19,000 passengers per day.)

That aspect of the plan has gotten most of the attention -- down here in Richmond, at least. But equally significant, perhaps more so, are the changes to Tysons Corner land use. The high-density development that would cluster around the four METRO stations would be so profitable that developers could afford to bulldoze many existing buildings, parking lots, side streets and related infrastructure and rebuild the urban fabric from scratch.

As just one example of what could be in store for Tysons Corner, consider Tysons Corner Center, a project of the Macerich Company. Macerich, a California-based Real Estate Investment Trust, is one of the largest owner/ operators of regional malls in the country. With anchor tenants such as Nordstrom, Bloomingdale's, Hecht's and

Tysons Corner Center: Rendering taken from the www.tysonsfuture.com website

Lord & Taylor, Tysons Corner Center, located on Rt. 123, is one of the largest malls in the Washington metro area.

Under the Macerich plan, the mall would remain in place, but the land around it -- including a Circuit City store and acres of parking lots -- would be transformed. The company's ambition is to create "a world-class community around the center where people can live, work, walk and shop in a vibrant, connected neighborhood." Plans call for adding:

- Four office buildings containing 1.4 million square feet
- Four residential buildings offering up to 1,250 new units
- A 240-room hotel
- Street-level restaurants and retail adding up to 200,000 square feet
- An ice rink, plaza, courtyards, water fountains, performance stage, sky terrace and public art.

As a mixed-use, "transit oriented development," Tysons Corner Center would plug directly into a Metro Rail station. Macerich would make improvements to Rt. 7 and Rt. 123, and it would provide connectivity by means of sidewalks, bike paths, walkways and improved bus/shuttle service. In marked contrast to the auto-centric pattern of development that exists now, this new community would encourage people not only to use the METRO but to walk, bicycle, take shuttles and ride buses -- eliminating thousands more automobile trips every day.

One of the most ambitious projects on the Fairfax County drawing boards, Tysons Corner Center exemplifies the grandiose scale of the redevelopment that could take place, transforming Tysons Corner beyond recognition. Given the square footage that would be added by the zoning changes under discussion, Tysons could accommodate another dozen Macerich-scale projects. Rail to Dulles would catalyze the investment of *billions of dollars* of real estate investment over a 10- to 20-year period. The economic development potential is breath-taking.

As spectacular as the benefits of transit-intensive development would be for Fairfax County, the positive impact would ripple across Northern Virginia -- even beyond the metropolitan fringe. The 12,500 housing units built in Tysons Corner -- providing shelter for some 25,000 residents -- would *not* have to be built in Fauquier County, Stafford County or western Loudoun County. I cannot emphasize enough: The only way to prevent hop-scotch, disconnected, low-density development on the metropolitan periphery, where such development is expensive, disruptive and unwanted, is to create more compact, densely settled communities in metro Washington's *core* jurisdictions. (The same logic applies on a lesser scale to metropolitan Richmond and Hampton Roads.)

In sum, Rail to Dulles is crucial to the future not only of Fairfax and Loudoun Counties but to all of Northern Virginia and all the counties in its economic orbit.

But as much as the initiatives like Tysons Corner Center should be encouraged, it would near-criminal folly for state and county policy makers allow landowners like Macerich to reap 90 percent of the economic value created by construction of the rail line paid for with 90 percent public funds.

In an ideal world, it would be possible to finance the construction of Rail to Dulles without creating massive transfers of wealth to rich landowners. Here's a schematic outline of how it can be done if special-interest politics doesn't interfere.

First some background: Fairfax County has established a special tax district that allows the County to levy an additional tax -- $0.22 per $100 of assessed value -- on commercial property owners within the district. That rate could increase a few pennies, but under no circumstance can it exceed $0.40 per $100 annually. Furthermore, the total tax obligation is capped at $400 million. As things now stand, that is the full liability of property owners for Phase 1 of the project.

Rendering taken from the www.tysonsfuture.com website.

Not all landowners will come out ahead under the current financing scenario. Those whose properties are located closest to METRO stations will see the greatest increase in value, while those located more than a half mile distant will see only marginal increases in value. Some landowners will get fabulously rich from METRO while others will get very little from it. Yet everyone within the tax district would pay on the same basis. Bottom line: The tax district is an engine of inequity and it needs to be deep-sixed.

But first things first. Before creating a new tax district, Fairfax and Loudoun County planners need to figure out what kind of land use they want around their METRO stops. I would argue that the counties' comprehensive plans should permit extremely high densities above the METRO stations, should tone down the density within a 1/4-mile walking distance, and should let densities taper off at greater distances. In effect, there would be a central, high-density point at each METRO station surrounded by concentric rings of diminishing density, modified by geographical features such as streams, gullies, major thoroughfares, existing town centers and the like.

Then, and only then, would planners configure Community Development Authorities (CDAs) over the high-density zones. The CDAs would have the power to issue bonds to pay for their share of the METRO stations, rail line, parking decks and other improvements required to enhance the accessibility of the stations.

Landowners near the METRO stations would get a giant twofer from this arrangement: (1) a massive increase in permitted density, and (2) proximity to a METRO station. Spread across 11 METRO stations, the real-estate value added would amount to billions of dollars.

Under the cost-sharing formula now in place, state and local authorities will have to pick up a total of $2 billion -- perhaps more in the event of cost overruns or design changes such as running the Tysons METRO line underground. If the debt were spread across 11 stations, each CDA would need to issue on average about $200 million in bonds. The annual debt service on 30-year notes would be, in very rough numbers, about $10 million per year.

To pay off the bonds, planners then would superimpose special tax districts over the CDAs. Under this arrangement, only the landowners who benefited most directly from the public improvements would be forced to pay the special tax. Landowners outside a 1/4-mile to 1/2-mile radius, who enjoy neither increased density nor proximity to METRO stations, would not pay the higher tax rate. Commuters using the Dulles Toll Road, who have already paid for construction of their highway, would not have to continue paying tolls to fund construction of the METRO as well. (Maintaining tolls may be justified as a means to continue funding improvements to the toll road, but that's a different issue.)

Ideally, the CDAs and tax districts would be structured to ensure that nobody loses and everybody wins: Those who pay the taxes would be more than compensated by the soaring economic value of their property and the returns they could generate from it.

As long as their riches aren't coming at the expense of someone else, I have no problem with landowners like Macerich Company making loads and loads of money. That's capitalism, baby! You gotta love it. But if their riches come at the expense of other landowners and powerless commuters, I have a huge problem. That's state-sanctioned theft.

The Kaine administration undoubtedly feels under pressure to get the project moving -- that's why it turned over responsibility for the project to the Metropolitan Washington Airports Authority. Finding an alternative to the current, patently unjust funding formula could delay the project for months, so I don't imagine that the people in charge have any appetite for reopening discussions. But if the Kaine crew stumbles blindly ahead on its current course, it will play Robin Hood in reverse: robbing middle class commuters and giving to the rich and powerful. Among voters, there will be far more losers than winners, and they may find a voice come election time.

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Read more columns by Jim Bacon at
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