

# New York Avenue-Florida Avenue- Galludet University Metro Station: A Case Study

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The New York Avenue-Florida Avenue-Galludet University Metro station in Washington DC is a result of planners and neighborhood property owners believing in a new vision for their neighborhood. The project was built as a partnership between local landowners, the District of Columbia, the Federal Government and the Washington Metropolitan Area Transit Authority (WMATA), as WMATA's first infill station built in between two existing stations. The city and the neighborhood have been able to leverage the station to bring new life into the area surrounding the station.

## Background

Condition of the area in the late 1990s

NoMa, an abbreviation for the area North of Massachusetts Avenue, is located just north of Union Station in close proximity to downtown Washington, DC. In the 1990s, the NoMa area was primarily empty freight rail yards, abandoned buildings, warehouses and vacant lots. While the area had once served as a distribution center for metropolitan Washington, DC, the area declined as the railroad companies consolidated and eliminated the need for the rail yards in the area.

There were some homes in the area. According to a 1999 study by the Washington Metropolitan Area Transit Authority (WMATA), there were 5,600 people within  $\frac{1}{2}$  to  $\frac{3}{4}$  mile of the New York Avenue/Florida Avenue intersection. The population was approximately 90% minority and had a median income of \$23,396, with 24% of the residents living in poverty. The median income for the district was \$30,727 at that time and 17% of city residents earned poverty-level incomes. Another important note was that 50% of the residents did not own a car, which made the necessity for transit great.

WMATA's Red Line ran right through the area, but did not stop. NoMa was located between the Union Station stop and the Rhode Island Avenue stop. There was a stretch of track almost two miles long in between these two stations, which is uncharacteristically long for WMATA or other urban rail systems. The lack of a WMATA station in the area was also a hindrance to development as the Federal Government requires that government buildings be located in areas accessible by public transit. This was particularly significant in Washington, where over 25% of local jobs are in the federal government.

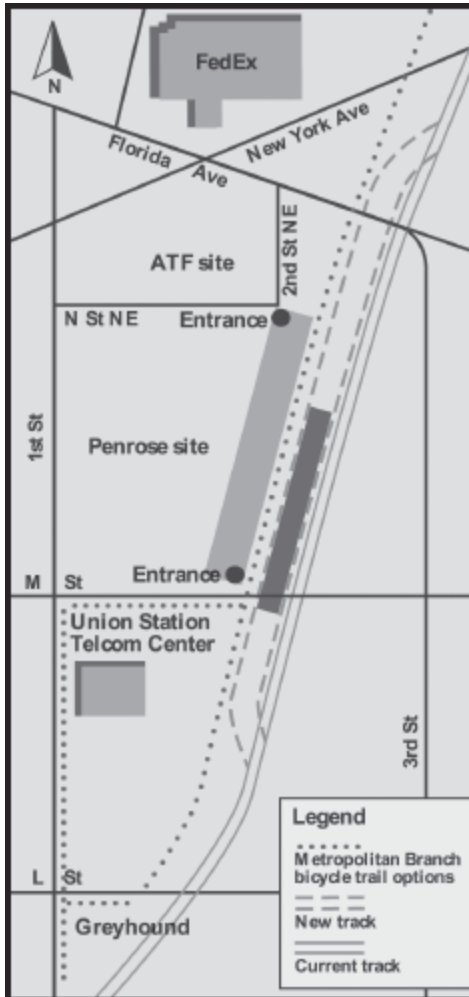
## Planning environment

Given the large amount of underutilized land in the area as well as its proximity to downtown, Washington DC planners identified NoMa as a prime area for redevelopment. A 1998 plan entitled *The Economic Resurgence of Washington D.C.: Citizens Plan for Prosperity in the 21<sup>st</sup> Century* identified NoMa as an area to be developed into a "a new mixed-use information technology, communications media, arts and entertainment, and housing district." In order to bring this to fruition, the plan states the following:

Action 29: Create a public-private financing mechanism to build a new Metrorail station on the existing Red Line near New York Avenue and Florida Avenue, NE, enabling a large area of currently vacant and underutilized land and buildings to be developed for thousands of new jobs and housing opportunities.

In addition to this plan, other concurrent plans also identified the area as an excellent site for redevelopment efforts.





## Fiscal situation in DC

In the late 1990s, the District of Columbia was financially constrained. The financial situation was so dire that Congress took control of the district government through the National Capital Revitalization and Self Government Act, which transferred control of much of the city functions to an appointed Control Board. Since project costs were expected to be above \$75 million (actual costs were above \$100 million), the District could not build the Metrorail stop without outside financial assistance.

## The Public Private Partnership

The New York Avenue Metro station was built with funds from private landowners, the District of Columbia and the federal government. Early estimates of costs for the project were \$75 million, so each party originally agreed to pay \$25 million, or one third of the costs. Actual costs were above \$100 million with the overrun paid by the District of Columbia.

### Private landowners

Following the feasibility study showing the possibility and potential benefits of a Metro station at New York and Florida Avenues, local landowners become very interested in the project. Following organizing efforts and negotiations described below, the Metrorail station funding included \$25 million of funds from private landowners.

This contribution was based on the landowners' perception that the land values around the station would increase as a result of the station. Therefore, they invested in the station with the understanding that the new station would increase the value of their land. These landowners agreed to pay a special assessment over the period of 30 years to raise the funds. This special assessment

would be an additional charge on top of usual property taxes that the District would collect along with the property taxes. The District of Columbia issued bonds to bring in the capital and repays the bonds using the funds collected through the special assessment.

### Organizing Efforts

Significant community organizing was involved to achieve the \$25 million contribution by the private landowners. The root of the effort was in the DC Department of Housing and Community Development's New York Avenue Task Force, which later developed into Action 29 – New York Avenue Metro Station Corporation, named for Action 29 from the *Citizens Plan for Prosperity in the 21<sup>st</sup> Century*.

Environmental groups initially opposed the plans for the new Metrorail station since they interfered with plans to build the Metropolitan Branch Trail, a bicycle and pedestrian path along the Red Line railroad right-of-way extending from Union Station to Silver Spring, Maryland. Advocates for the path insisted that the station be built to accommodate the bicycle path. A compromise was reached where station construction plans included a special bridge and elevator to allow the planned Metropolitan Branch Trail to continue around the station.

In order to achieve its goal of raising funds for the new station from within the local community, Action 29 was very inclusionary and involved many people ranging from business owners to government officials. The organization was chaired by Dr. Marc Weiss and had several hundred people participate in

its various meetings. Action 29 held meetings often and ensured that all voices were heard. Action 29 leadership actively recruited participation from as many stakeholders as possible; they invited numerous community representatives to their meetings and spoke at neighborhood gathering places such as churches and community centers. Meetings were held monthly and decisions were made by consensus. These community organizing efforts came at a price. The organization succeeded in raising \$140,000 from the private sector as well as received a \$100,000 grant from the District government for these planning and organizing efforts.

By including many people and numerous viewpoints in the planning process, there was great enthusiasm for the project and very little resistance. However, the challenge was to convince the private property owners to contribute financially.

### Negotiations

Given that most existing Metrorail stations were built without landowner assistance, private property owners in the area were reluctant to participate at first. Dr. Marc Weiss organized meetings with them, and explained that given the difficult financial situation of the city, the Metro Station could not be built without their assistance. He also shared studies with them that demonstrated how transit access increased property values.

At first, the landowners adjacent to the station agreed to contribute \$25 million to the project. This would fund what was thought to be 1/3 of the cost, which at the time were estimated at \$75 million (actual costs were above \$100 million). Property owners agreed to a special assessment over the course of 30 years, but asked that they be credited for the assessment against any future increase in property taxes. They felt that if they were not credited against future tax increases, they would essentially be paying for the station twice, once through the assessment and once through increased property taxes.

The District did not agree to the landowners' request to use the assessment as credit against future property tax increases. District officials insisted that the landowners contribute to the project, and not simply assist in the financing. Had the District agreed to decrease future property taxes for the landowners, the funds would have been more like a financing vehicle for the district, where the landowners shift the cost of the project to the district through decreased future property taxes, and not as a partnership.

The District wanted the landowners to share in the increase in property values that would result from the station. According to the District officials, land values in the area had already gone up due to the plans for the station, as developers had begun to buy land near the proposed station. Therefore the District rejected the landowners' terms that required that the special assessment be credited against future property tax increases.

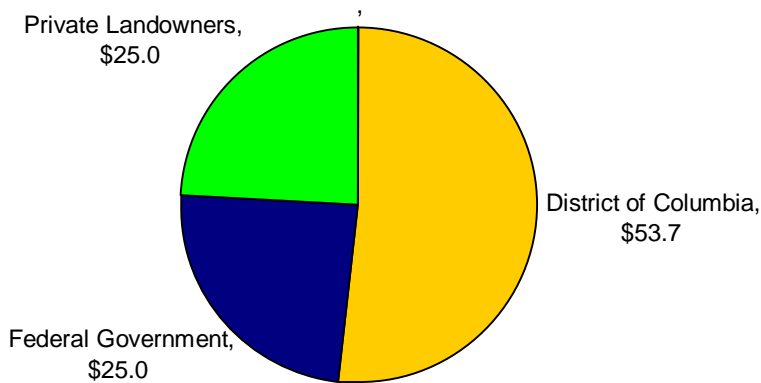
After lengthy negotiations, the property owners agreed to a special assessment without a future property tax credit. A memorandum of understanding was signed between the Washington, DC Mayor Anthony Williams and the landowners with the following terms:

- The District would issue \$25 million in bonds to be paid for using proceeds from a special assessment. The funds raised from the bond issue would be used toward the building of a new Metro Station near the intersection of New York and Florida Avenues.
- A special assessment district would be created to include all properties that would directly benefit from the new Metro station
- The special assessment would apply to all non-residential tax-paying properties within the special assessment district
- The amount of the special assessment would be calculated based on the current assessed value of the property and would not fluctuate over time. This percentage is calculated to ensure that there will be sufficient revenues to pay off the bonds.

- The District agreed to work with the landowners to explore other innovative financing techniques, including Tax Increment Financing.

Based on this understanding, the Council of the District of Columbia passed the New York Avenue Metro Special Assessment Authorization Emergency Act of 2001 to create the special assessment district and allow the district to collect the assessment. The assessment district was defined as commercially-zoned parcels that were within 2,500 feet of the transit station entrances but not within 1,250 feet of Union Station. The district could begin collecting the assessment the following year, in 2002.

**New York Avenue Metro Station Funding, in millions**



**Federal Government**

While negotiations with the landowners were taking place, Congress expressed support for the endeavor of using a public-private partnership to build the station. They agreed to match the funding of the property owners if the District could succeed in reaching an agreement. By matching the private contribution, Congress committed \$25 million to the project. In addition, they committed \$6 million to the Metropolitan Branch Trail improvements, to build the station in a way that accommodates the planned bicycle and pedestrian trail. This brought the total federal contribution to \$31 million.

In addition to funds for the construction of the station, other Federal assistance came from the government’s agreement to build offices in the area. It committed \$100 million to build a headquarters for the Bureau of Alcohol, Tobacco and Firearms, which previously had offices scattered around the city. The headquarters would be on city-owned land directly across from the proposed station and would house 1,100 employees. In addition, another \$100 million was committed to build new offices that would serve the US Securities and Exchange Commission.

These federal commitments were an important element in the success of the station. Since the private landowners saw that the government was investing in the area, they were encouraged that the administration was committed to revitalizing the area and was able to confidently invest in the area through the special assessment.

## District of Columbia

Despite financial and political uncertainties at the early stages of the project, the District of Columbia was one of the earliest contributors to the station by funding the \$350,000 feasibility study discussed above. This study, in addition to the organizing efforts of the Department of Housing and Community Development, mobilized and educated the landowners and Congress about the potential impacts of the project and succeeded in achieving their contributions. As mentioned above, the District also granted Action 29 a \$100,000 grant for community organizing and planning.

In addition to its grants and organizing efforts, Mayor Anthony Williams committed \$34 million from the district budget to fund the building of the station. This included \$25 million, which based on estimates at the time, was thought to be 1/3 of the project costs, plus \$9 million that the District gave to WMATA for its environmental assessment and planning efforts. However, by the end of construction, the District's financial contribution escalated to \$53.7 million. These funds came from the city's capital budget, which is primarily funded by revenues from property, income and sales taxes.

## Timeline

1997 - 1998	District completes a strategic plan that identifies NoMa as a strategic investment area and identifies the need for an infill Metro Station
1997 - 1998	Negotiations with private landowners
March 1998	District government funds a feasibility study to see if an infill station could be built in the NoMa area.
November 1998	The new metro station becomes an important part of the district's strategic economic development plan
December 1998	Private landowners agree to contribute \$25 million
1999	WMATA conducts a feasibility study for the station
June 1999	DC Mayor Williams agrees to contribute \$34 million to the new station
October 2000	Congress commits \$25 million to the project and an additional \$6 million for the bike path
Fall of 2000	Preliminary engineering completed
Fall of 2000 -	Design was approved by the National Capitol Planning Commission and the Commission of Fine Arts
December 2000	Ground breaking on the project site
November 2002	Ground breaking on the station
November 2004	Station opens

## Economic Development after the Opening

As mentioned above, developers became interested in parcels in the NoMa area even before plans for the station were finalized. This may be a result of artificial constraints on the commercial market due to maximum height restrictions in the capital. As a result of a 1910 congressional law, building heights in Washington, DC may not exceed the height of the Capitol building.

Since construction on the station began, the economic development of the area has been robust. Numerous properties displayed signs indicating upcoming commercial development. XM Satellite, the largest new business to come to Washington DC in the last ten years, chose a site across the street from the new station. Other media and communications companies have joined XM Satellite, such as Qwest

Communications and the Gannett Company. As of the writing of this report, construction is also being completed on the \$100 million new headquarters for the Bureau of Alcohol and Firearms.

According to a February 2006 article in the Washington Post, 2.1 million feet of office space were built in the NoMa area since 2001, another 1.8 million is currently under construction and 11 million square feet have been planned or proposed. This is a total of nearly 15 million square feet of new office space in the area. According to the article, land in the area sold for \$10 per buildable square foot in the 1980s, where now it sells for \$50 per buildable square foot. This is a significant increase, but still half the price of land downtown.

Another notable development in the area was the building of the McKinley Technology High School, a part of the DC public school system, which was built to provide strong science and technology educations to primarily minority students. This was part of a community development strategy to ensure that neighborhood residents benefit from the changes in the area.

The innovative public-private partnership, along with its focus on community involvement, was recognized by numerous organizations as a model for public-private partnerships and community investment. These organizations include the UN-Habitat Global Awards Program , the American Association of State Highway and Transportation Officials (AASHTO), the American Public Transportation Association (APTA) and the Ford Foundation.

## Lessons Learned

*Inclusionary process is a key to success:* The planning process for the New York Avenue Metro station took many years. Numerous stakeholder meetings were held throughout this period and decisions were made by consensus. By actively seeking and stakeholder input, the organizers of this effort were able to secure buy-in across a wide spectrum of people and minimized any resistance to the project.

*When the government demonstrates commitment, the private sector will follow:* In this case, the federal and local governments demonstrated a strong commitment to the project. This commitment was not simply financial. Through its intense investment of time and organizing efforts, the District of Columbia made its support for the project clear. The federal government, in addition to its promise to match landowner funding, agreed to build a headquarters for the Bureau of Alcohol and Firearms in the area. The private sector was able to sense that the government was committed to making this project a reality, and therefore found the encouragement to contribute financially themselves.

*Private landowners can be educated in the tangible benefits of transit improvements:* Marc Weiss and the District of Columbia's Department of Housing and Community Development educated the local landowners in the impact of transit improvements on land values. By bringing studies and proof from other areas, the district was able to impart on the landowners the potential benefits of a transit station. Furthermore, since developers started buying land in the area as soon as talk of the station became serious, it is clear that many savvy developers are aware of the potential to profit from transit improvements. In this case, the financial situation of the district made it clear to landowners and developers that transit-related profits would not come unless they too invested. The private sector was willing to invest in order to reap the benefits that a new station would provide.