AOBA
Apartment and Office Building Association of Metropolitan Washington

June 22, 2012

Mr. Peter F. Murphy, Chairman

Fairfax County Planning Commission

12000 Government Center Parkway, Suite 330

Fairfax, Virginia 22035

Chairman Murphy:

On behalf of the Apartment and Office Building Association (AOBA) of Metropolitan Washington, I thank you for the oportunity to submit comments regarding the Tysons Committee's strawman proposal related to infrastructure financing. I regret that I was unable to attend the June 21 public input session, but do hope that you will consider the below comments for your June 26 mark-up session.

As you may know, AOBA's members collectively own and manage more than 43 million square feet of commercial office space and 41,000 multifamily residential units throughout Fairfax County. Much of that portfolio is located within the boundaries of the planned Tysons Corner urban center, and would thus be subject to the proposed financing mechanisms. As evidenced by this substantial investment, our member are fully vested in Tysons Corner and its future and have thus embraced the vision adopted by Fairfax County and are committed to doing their part to bring that vision to reality. While we understand that the plan will not come to fruition without some shared costs, we do maintain a number of concerns with the proposed financing scheme, the economics of which may inadvertently threaten the realization of the planned revitalization and renewal of Tysons Corner.

As the concept of a service district only recently came to the forefront of discussions, our member companies require additional time to fully analyze and understand the cost implications and economic incentives/disincentives that would result. With this in mind, I hope that you will accept the comments and concerns listed below as our initial response for the record, to be followed by additional input as your deliberations continue. Several of our members have volunteered to run scenarios for their properties through the proposed taxing/proffer model to determine and demonstrate the impacts in terms of rent levels, pass-through costs, competitiveness with surrounding markets and project feasibility for various building types and sizes. We will gladly share this information with you as it is available to aid in your own review.

I have briefly outlined below a few of the initial areas of concern our members have identified:

- Pass-through costs under the proposed service district may render Tysons Corner uncompetitive with surrounding markets: Commercial properties generally are operated under a triple-net lease, the provisions of which pass through increased costs directly to the tenant. The proposed service district would represent a property tax increase of roughly 25% over time. Business tenants entering into long-term lease contracts will have not budgeted for this sharp cost increase. Real estate taxes are further factored into per square

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foot cost estimates and comparisons. This may disadvantage Tysons Corner in competing with other local markets and make it difficult to attract new businesses to locate in Fairfax County.

- Costs of building in Tysons Corner may provide a disincentive for higher density projects: Under the proposed financing scheme, planned densities may not be realized. While building at higher densities may increase potential revenues for a project, the costs are also more significant. As such, the economics of building wood construction may become more profitable in contrast. This is clearly not in alignment with the vision adopted by the County for its urban center.
- The proposed financing model may negatively impact affordability of housing: Existing stock of affordable housing will be hard hit by the proposed service district. The bulk of such properties are restricted by government programs from increasing rent levels to recover costs of operating to include real estate taxes – actually the number one cost driver for our industry. Such a substantial increase in tax rates may drive some such properties out of business or reduce the amount of investments that can be made in maintaining and upkeeping the properties. This creates a situation in which these buildings may ultimately fall into disrepair and out of character with the vision we have all embraced for incorporating citizens at lower income levels.
- Cost-sharing under the proposed financing model may not be equitable: Our membership is engaged in both the development and ownership and management of commercial and multifamily residential properties. There is a recognition amongst our members, however, that existing buildings fail to realize the same benefits in terms of increased property values and new opportunities that come with high density building. Indeed, some may suffer a competitive disadvantage, particularly on the residential side. We urge the Planning Commission to explore and consider alternative options which might more appropriately treat different building types and where other cost areas might be relaxed to prioritize the realization of the Tysons Corner vision.

Again, we sincerely appreciate the opportunity to provide input as we embark on this important endeavor together as partners. We will continue to provide feedback and look forward to working together to achieve the vision of a new Tysons Corner.

Sincerely,

Brian M. Gordon, MPA
Vice President, Government Affairs, Virginia