Fairfax County Board of Supervisors
Economic Initiatives Committee (EIC)
Fairfax County Government Center
Board Auditorium
July 26, 2022

Meeting Summary

Board Members present: EIC Chairman Supervisor John W. Foust, EIC Vice-Chairman Supervisor Daniel G. Storck, Board of Supervisors (BOS) Chairman Jeffrey C. McKay, BOS Vice Chairman Penelope A. Gross, Supervisor James R. Walkinshaw, Supervisor Walter L. Alcorn, Supervisor, Supervisor Dalia A. Palchik, Supervisor Kathy L. Smith

Chairman's Opening Remarks

On July 26th, two items were brought to the Economic Initiatives Committee for consideration: 1. Richmond Highway Undergrounding Proposal and 2. Proposal for Public Investment in Support of the Huntington Club Redevelopment – Community Development Authority (CDA)/Tax Increment Financing (TIF). In his opening remarks, EIC Chairman Supervisor Foust reviewed the meeting's agenda. The Board approved minutes from the May 17th meeting, without suggested changes.

Item 1. Richmond Highway Undergrounding Proposal

The first agenda item was the Richmond Highway, Route 1 Undergrounding proposal. The presentation also featured updates on the bus rapid transit (BRT) and widening projects that were previously endorsed by the board of supervisors in March 2019 and July 2021. The BRT project is a construction undertaking that is intended to bring a new high quality bus system that will connect Huntington Metrorail to Hybla Valley by 2033. The project is being completed in conjunction with a Virginia Department of Transportation (VDOT) widening project to accommodate a new transit system. As a champion of the efforts, Supervisor Storck remarked that the undergrounding project had the potential to change perceptions of the southern parts of Fairfax County.

Tom Biesiadny, Director, Department of Transportation, spoke to the benefits of utility undergrounding, the construction schedule, cost, and project funding. Biesiadny noted greater service reliability, reduced visual clutter, improved safety, better visibility for retail and restaurants, and reduced easement requirements as advantages. Christina Jackson, Chief Financial Officer, Fairfax County, acknowledged the financial risks that undergrounding would present to the BRT and widening projects. The incorporation of undergrounding into the existing projects could add two additional years to the project schedule. The board was informed that a two-year extension could add an additional $264 million to $403 million to the total project cost, when adjusted for inflation.

Joe LaHait, Debt Manager, Department of Management and Budget, presented ideas for funding and financing the undergrounding project. First, LaHait proposed use of a county-wide utility rate surcharge on residential and commercial rate payers as a funding option. The surcharge could generate $40 million in annual revenue. Charges would require approval from the Board of Supervisors and a formal agreement between the county and statutorily mandated parties. Developing an agreement, may be time intensive and delay project completion. Second, the EDA Infrastructure Revenue Bond sale could be a mechanism for financing $136 million of the project. To do so, would require approval from the Board of

Supervisors and the Economic Development Authority. In his remarks, Supervisor Storck expressed his support for the development of an “undergrounding” reserve fund. Storck proposed the inclusion of undergrounding as a budget item or establishing a special tax district.

The BRT project has received environmental clearance and has begun land acquisition. The total cost is estimated to be $795 million, of which $461 million has already been funded. The Department of Transportation anticipates that the deficit will be funded through the Federal Transit Administration’s New Starts program. The widening project has also obtained clearance and land acquisition is underway. All but $15 million of the estimated cost has been funded. The Department of Transportation will ask the board to approve a smart scale application to fund the rest of the widening project.

Based on available information, some Supervisors expressed doubts about whether they could vote to approve the undergrounding proposal if it was brought to a future board meeting for a vote. Supervisors expressed concerns about potential delays and the project’s costs, as well as countywide surcharges on their constituents and the project’s potential impact on the Federal Transit Administration’s rating and how a rating change could compromise existing federal funding expectations. During the discussion, Supervisors Alcorn, Gross, Smith, and Walkinshaw inquired about the statutory limitations on transportation development projects, utility rate surcharges, and Federal Transit Administration’s project evaluation criteria. Supervisor Storck asked questions about how the cost projection assessment was completed. Supervisor Palchik advocated for a budget guide to help the public understand the long-term financial implications of the proposal. Chairman McKay proposed that the cost escalation assessment be presented to the Federal Transit Administration to understand if there would be a negative impact on the project’s rating.

Supervisor Foust discussed whether to bring a board matter to a future Board of Supervisors meeting directing staff to implement both the widening and BRT projects as expeditiously as possible and focus on a utility design with improved aesthetics and uniformity. Board members agreed that no decision would be made concerning the undergrounding proposal until it could be determined whether including the undergrounding costs would have a negative impact on the BRT project’s rating for financial assistance.

Item 2. Proposal for Public Investment in Support of the Huntington Club Redevelopment – Community Development Authority (CDA)/Tax Increment Financing (TIF)

Joe LaHait, representing the county team working on the Huntington Club project, presented the Huntington Club Redevelopment proposal for public investment. LaHait was joined by Keenan Rice, President, Municap, Inc. and JoAnne Carter, Managing Director, PFM Financial Advisors LLC. The proposal had three requests:1. a request for the board to adopt revised principles for public investment to support development, 2. a request to establish a Community Development Authority (CDA) and, 3. a request to fund the project though a bond sale; with a debt service paid from Tax Increment Financing (TIF) revenues. The three phased project will redevelop an existing real estate property near the Huntington Metro. In December of 2021, the board approved the Huntington Club condominium property to be rezoned for multifamily residential and commercial uses.

The proposal requests the formation of a CDA with the authority to fund the infrastructure costs associated with the redevelopment. The existing homeowner’s association will be dissolved per the 2017 termination agreement in December 2022. Some homeowners have elected to leave (Opt-out) and be paid out for the value of their unit. Those condominium owners who elected to retain their ownership (Opt-in) in the redevelopment represent a unique ownership structure as they will become the redeveloper of the project and have contracted with a firm to act as Master Developer. A petition, with support from owners of fifty-one percent of the property’s value, is required to establish the CDA. A 26-million-dollar CDA bond could be requested from the county for infrastructure financing of the first phase of the project. The amount would fund the costs not covered by the revenue garnered by the sale of the property’s land parcels associated with Phase 1; and meet the “but for” test whereby the redevelopment would not occur without the CDA financing. The CDA bonds would be paid from County appropriations of TIF revenues generated in the CDA and special assessments levied on CDA property owners if TIF revenues do not cover debt service payments; and further secured by a Debt Service Reserve Fund. The county would need to adopt a memorandum of understanding with the CDA to outline parameters, responsibilities, obligations, and governance structures.

In the discussion, the board agreed to adopt the revised principles of public investment at the August 2nd Board of Supervisors meeting. Supervisor Foust and Chairman McKay opened the discussion with a compliment to the staff for the work that had been completed to date. Chairman McKay acknowledged the complexity of the project and its importance to the county. Supervisor Storck expressed his support for the proposal because of the positive impact it could have on future efforts to develop other properties in the surrounding areas. The Huntington Club team was invited to bring a final recommendation to the September 20th EIC meeting. In advance of the meeting, Supervisor Alcorn has asked the team to prepare an estimate of the potential financial risk to future residents, if the second phase of the project is not realized. Alcorn also asked the team to develop a communication plan for informing future residents of the risks associated with the development.