



# Herndon Downtown Redevelopment

**Economic Opportunity Reserve:  
Capital Development Project**

Initial Project Evaluation

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# Herndon Downtown Redevelopment Site



# Public Benefits and Project Goals

- Create a town center anchoring the Town's Historic District
- Facilitate revitalization of the local community
- Provide additional public parking
- Develop a permanent public arts center
- Diversify and enhance real estate and local tax revenues

# Herndon Downtown Project Characteristics

- 4.675-acre Town of Herndon property, fully entitled
- Total Project Estimate: \$109.1 million
- Mixed use PPEA project
  - 273 apartments
  - 17,000 square feet retail
  - 16,265 square feet Arts Center
  - 726-space public parking garage, of which 330 spaces are reserved for the Town's use



# Implementation of Downtown Herndon

- In 2015, the Town issued an RFP for the redevelopment of 4.675 acres of town-owned land in downtown Herndon
- Planned and Zoned for mixed use development with multi-family, retail/restaurant, office use
- Goal for mixed used development to include an arts center and a parking garage
- Comstock Herndon Venture, LC was selected by the Herndon Town Council in November 2016

# Previous EOR Approval – County Contribution to Project, To Date

- Presented at the October 17, 2017, Budget Committee
- BOS Action Item approved a \$1.2M EOR funding request on June 19, 2018
- MOU also approved between Town and County
- Town must have contributed \$1.2 million prior to receiving County funding

No County funding has been sent to the Town to date per the terms of the approved Memorandum of Understanding

# Interim Project Updates – Variance in Total Cost

- Total Project Estimate (TPE) \$79.4 million during 2016 RFP process
- TPE in 2019 increased to \$111.4 million due to higher costs for infrastructure, price of construction, materials, and labor pricing
- Project rebid in 2020 seeking COVID-19 savings and resulted in \$109.1 million TPE
- The 2020 rebid results in a project variance / gap of \$29.7 million over the 2016 TPE
- Variance / gap since reduced to **\$24.6 million** after value engineering and a reduction in one underground level of the parking garage

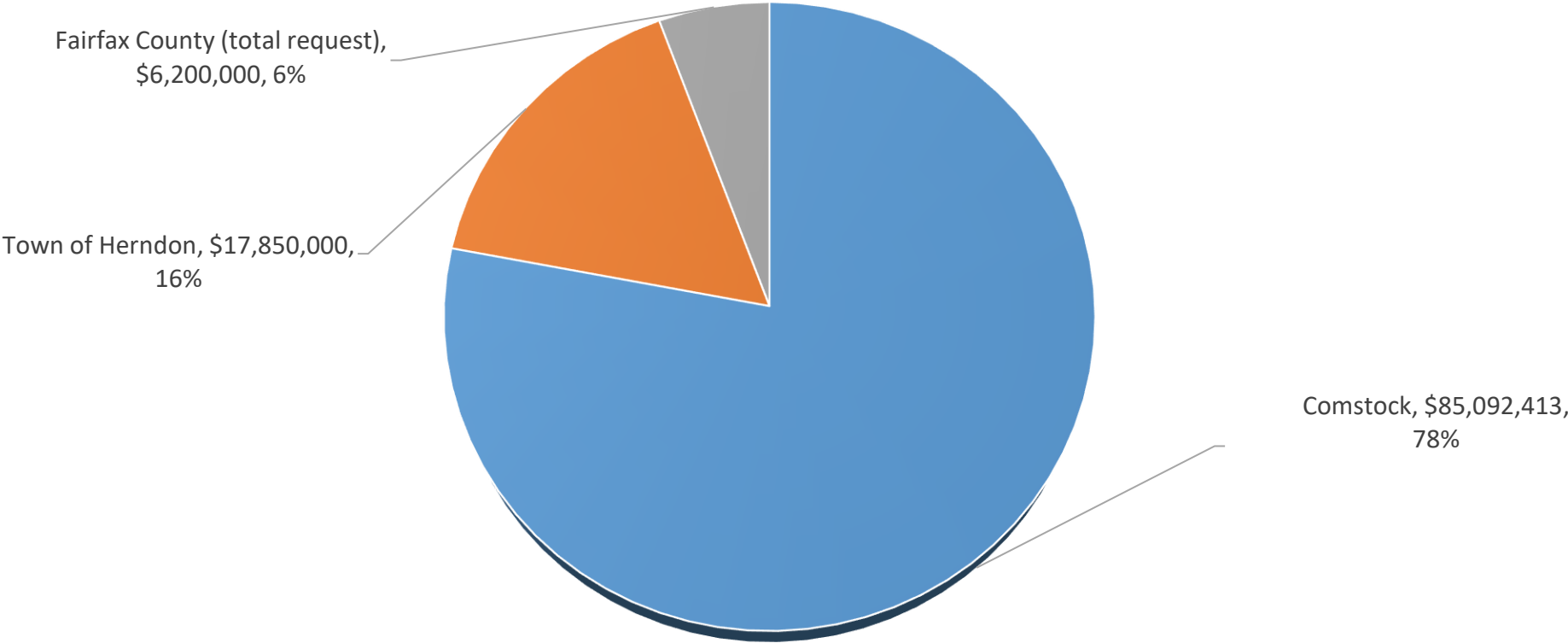
# Project Gap / Variance – \$24.6 million

- 50/50 Split between Comstock and the Town to address gap
- Town proposes \$5 million in adjustments to reduce their 50 percent share per below chart
- Request of \$5 million from the County

<b>Town 50% Share of the Project Gap</b>	<b>\$12.3m</b>
Less Utility / Permit Fee Reductions	-\$2.35m
Less Real Estate Tax Abatement	-\$1.91m
Defer Recreational Proffer	-\$0.49m
Eliminate Arts Center Mezzanine	-\$0.25m
Town of Herndon / Development Partner	-\$2.30m
<b><i>Net Remaining – New Request to County</i></b>	<b><i>\$5.00m</i></b>



# Total Project Estimate: \$109,100,000



# Project Contributions

- Fairfax County return on the project was evaluated only on increased real estate revenue returned to Fairfax County
- Town hired JLL to perform a financial review of the project. Based on JLL and staff analysis, the project would result in an annual increase of \$886,500 in Fairfax County General Fund Real Estate taxes in the first year of occupancy
  - Under Town of Herndon ownership, the site provides \$0 real estate taxes

If supported, staff recommends payments made over a period of years to minimize annual impact to the Economic Opportunity Reserve and improve return on investment.

# Project Criteria

Project meets the Board adopted project EOR criteria for Capital Development Projects

- Staff evaluated a total contribution of \$6,200,000 over a 6-year period
  - **\$5,000,000 additional request** + \$1,200,000 previously approved
  - County portion of project would be 5.7%; approximately an 18:1 funding ratio
- Over the first 10-years of the project, the County would receive total net present value increase in revenue of  $\approx$  \$9,200,000 (return of investment and  $\approx$  \$3,000,000 in new revenue)
  - County payback is expected in Year 8
  - Total net present value equity multiple of 1.55
  - Plus \$1,000,000+ of new annual real estate revenue in Years 11+
- No commitment of funds for ongoing operations

# Timeline

Date	Item
November 2015	Town issues RFP for Downtown Redevelopment Project
November 2016	Town selects Comstock for Downtown Redevelopment Project
October 2017	Town requests \$1.2m in County EOR funding for project
June 2018	County Board approves \$1.2m for project from EOR
January 2020	Town Project Rebid – Take 1
August 2020	Town Project Rebid – Take 2
December 2020	Land closing
December 7, 2021	Board Review of \$5m in EOR Funding Authorization
December 2021	Ground Breaking
August 2023: Garage December 2023: Arts Center March 2024: Entire Project	Substantial Completion

# Questions?