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**A statement by Bert Ely to the Alexandria City Council**  
February 12, 2010

**Comments on the finances of the City's waterfront plan**

Mr. Mayor and members of Council, I am Bert Ely, an Old Town resident since 1981. I am here to express concern about the financial aspects of the proposed waterfront plan. I speak only for myself and not any organization.

The waterfront plan is scheduled for vetting by the Planning Commission in just 52 days and approval by Council just nine weeks from today, yet crucial aspects of the plan are unknown or highly questionable as to completeness or reasonableness.

Recently, I have focused on the plan's finances, working with tax revenue forecasts and capital outlay estimates from the Planning Department. Mr. Mayor and members of Council, the numbers do not work!

The waterfront plan now on the table does not make sense economically. The forecasted revenues are too high, the capital-cost estimates too low, and operating and maintenance expenses have not been included in the plan's financial forecast. Before adopting any waterfront plan, Council should direct that financial aspects of the plan be reviewed by independent experts.

The first attached spreadsheet sets out revenue estimates. These revenue estimates are way too high because of excessively optimistic assumptions. For example, the plan assumes 625 hotel rooms will be built – a 62% increase in rooms east of Washington Street – yet under the 1983 settlement agreement, hotels cannot be built on the Robinson Terminal properties.

The plan assumes that restaurant space equal to fourteen restaurants, each the size of the Virtue restaurant now being built on South Union, will operate in the area. At \$30 per person, that will equate to almost more 3,000 diners a day in the area, with many more on weekend days. Leaving aside parking issues, the already jammed streets and sidewalks in the area simply lack the capacity to handle that additional traffic.

Land values in the area are projected to more than double. How realistic is that?

The second spreadsheet sets out the cost of initial capital outlays for components of the waterfront plan. A marine engineering expert who cannot be here today has told me that the cost estimates for the piers, bulkheads, dredging, and other water-related components of the plan are way too low.

Far worse, City staff has told me that they are still developing operating cost estimates for the proposed facilities. The numbers you have been given so far are grossly incomplete, for they leave out such costs as utilities, ongoing clean-up expenses, routine repairs, and replacements over the forecast period. While impossible to predict, the next Isabel will impose additional costs on the City to replace docks and other infrastructure not insured for flood damage.

Today's waterfront embarrasses the City because of poor maintenance, such as clearing out debris along the water's edge. Will that be the waterfront of the future – one which looks worse than what we have today?

I close by referring to the third spreadsheet, which shows my rough estimate of the negative cash flows, and therefore the negative budget impact, of the proposed plan for many years to come, without adding the substantial costs of operating and maintaining these new facilities.

Council needs to put the brakes on this so-call plan until it has much more complete and realistic revenue and cost estimates. You will not have that by April 16. Don't act until you have all the numbers.

Thank you for your time. I welcome your questions.

**Calculation of Net Tax Revenues from Waterfront Plan Redevelopment**

Line #

Ely comments and calculations

**Old Town area hotels, per ACVA website**

<b>Real Property Tax</b>		
1	Redevelopment parcels: square feet of land	317,352
2	Value of Land, per square foot	\$180
3	Redevelopment parcels: square feet of planned improvements	773,384
4	Value of Improvements, per square foot	\$265
5	Upon Redevelopment, Total Value of Land and Improvements	\$262,070,120
6	Real property tax rate (per \$100 value)	\$0.978
7	Real property tax revenues	\$2,563,046
8	Minus current tax revenues from redevelopment parcels	-\$462,889
9	Net increase in real property tax revenues	\$2,100,157

7.29 acres.  
This is projected **increase** in land values. Present tax values along S. Union \$150-\$183/SF; S. Robinson Terminal \$131/SF.  
17.75 additional acres of floor space.

**554%** increase in property-tax collections in the waterfront area.

<b>Meals Tax</b>		
10	Amount of total development anticipated to be restaurant (sf)	109,941
11	Annual revenues per square foot	\$275
12	Total annual restaurant revenues	\$30,233,775
13	Meals tax rate	\$0.04
14	Meals tax revenues	\$1,209,351

The equivalent of **14** restaurants the size of the new Virgin at 106 South Union, which will have 300 indoor seats.

At \$30 per person, 1,007,793 diners per year, or a daily average of **2,761**.

<b>Sales Tax and BPOL from Restaurants</b>		
15	Total annual restaurant revenues	\$30,233,775
16	BPOL rate (per \$100 value)	\$0.20
17	BPOL tax revenues	\$60,468
18	Sales tax rate	1%
19	Sales tax revenues from restaurants	\$302,338
20	Total of sales and BPOL tax revenues from restaurants	\$362,805

<b>Transient Lodging Tax</b>		
21	Amount of total development anticipated to be hotel (rooms)	625
22	Room rate	\$151
23	Occupancy rate	65%
24	Revenues	\$22,390,469
25	Transient lodging tax rate	\$0.065
26	Transient lodging tax revenues	\$1,455,380
27	Room nights	148,281
28	Room night tax rate (per room night)	\$1
29	Room night tax revenues	\$148,281
30	Total transient lodging tax revenues	\$1,603,662

A **62%** increase in hotel rooms east of Washington Street -- see list to left of Old Town hotels.

An average of **406** occupied rooms per night in new hotels along the waterfront.

Transient lodging tax plus \$1 room tax projected for FY 11 at \$11.1 million. New hotels increase tax take by **14.5%**.

<b>Sales Tax and BPOL from Hotels</b>		
31	Transient Lodging revenues	\$22,390,469
32	BPOL rate (per \$100 value)	\$0.35
33	BPOL tax revenues	\$78,367
34	Sales tax rate	1%
35	Sales tax revenues from transient lodging	\$223,905

<b>Totals</b>		
36	Net increase in real property tax revenues	\$2,100,157
37	Meals tax revenues	\$1,209,351
38	Total of sales and BPOL tax revenues from restaurants	\$362,805
39	Total transient lodging tax revenues	\$1,603,662
40	Sales tax revenues from transient lodging	\$223,905
41	Grand Total	\$5,499,879
42	Assume 15% for general city services	-\$824,982
43	<b>Net Tax Revenues</b>	<b>\$4,674,898</b>

Citywide meals-tax revenues FY 11 projected at \$15.4 million. New restaurants increase tax take by **7.9%**.

Not specified what City expenses this covers, and does not cover.

Name	Address	Number of rooms
East of Washington:		
Best Western Old Colony	1101 North Washington	49
Crowne Plaza	901 North Fairfax	254
Holiday Inn	625 First Street	178
Hotel Monaco	480 King Street	241
Morrison House	116 South Alfred	45
Sheraton Suites	801 North St. Asaph Street	247
	Total rooms	<u>1,014</u>
King Street Metro area:		
Embassy Suites	1900 Diagonal Road	268
Hampton Inn	1616 King Street	80
Hilton Alexanria	1767 King Street	263
Lorien Hotel and Spa	1600 King Street	107
Residence Inn	1456 Duke Street	240
	Total rooms	<u>958</u>
Total hotel rooms in Old Town area		<u><u>1,972</u></u>

Per Alexandria City Planning Department  
Dollars in millions

Year	Cumulative net revenue	Calculated annual net revenue	Calculated annual gross revenue, with 15% add-back
1	0.25	0.25	0.29
2	0.74	0.49	0.58
3	1.48	0.74	0.87
4	2.97	1.50	1.76
5	5.23	2.26	2.65
6	8.24	3.02	3.55
7	11.47	3.23	3.80
8	14.92	3.44	4.05
9	18.57	3.66	4.30
10	22.44	3.87	4.55
11	26.53	4.09	4.81
12	30.83	4.30	5.06
13	35.34	4.51	5.31
14	40.07	4.73	5.56
15	44.80	4.73	5.56
16	49.53	4.73	5.56
17	54.26	4.73	5.56
18	58.99	4.73	5.56
19	63.72	4.73	5.56
20	68.45	4.73	5.56
21	73.18	4.73	5.56
22	77.91	4.73	5.56
23	82.64	4.73	5.56
24	87.37	4.73	5.56
25	92.10	4.73	5.56
26	96.83	4.73	5.56
27	101.56	4.73	5.56
28	106.29	4.73	5.56
29	111.02	4.73	5.56
30	115.75	4.73	5.56
31	120.48	4.73	5.56

**City of Alexandria**  
**Waterfront Plan**  
**Financial forecast -- without annual operating costs**  
**Dollars in millions**

Year	Annual cash flows -- before operating costs			Cumulative cash flow	Annual operating costs	True cumulative cash flow
	Capital Outlays (1)	Net Revenues (2)	Net cash flows			
Totals =	41.6	120.4	78.8		?	?
1	2.0	0.2	(1.8)	(1.8)	?	?
2	2.5	0.5	(2.0)	(3.8)	?	?
3	3.0	0.7	(2.3)	(6.0)	?	?
4	3.5	1.5	(2.0)	(8.0)	?	?
5	4.0	2.3	(1.7)	(9.8)	?	?
6	4.5	3.0	(1.5)	(11.3)	?	?
7	4.5	3.2	(1.3)	(12.5)	?	?
8	4.5	3.4	(1.1)	(13.6)	?	?
9	4.0	3.7	(0.3)	(13.9)	?	?
10	3.5	3.9	0.4	(13.6)	?	?
11	3.0	4.1	1.1	(12.5)	?	?
12	2.6	4.3	1.7	(10.8)	?	?
13	0.0	4.5	4.5	(6.3)	?	?
14	0.0	4.7	4.7	(1.5)	?	?
15	0.0	4.7	4.7	3.2	?	?
16	0.0	4.7	4.7	7.9	?	?
17	0.0	4.7	4.7	12.7	?	?
18	0.0	4.7	4.7	17.4	?	?
19	0.0	4.7	4.7	22.1	?	?
20	0.0	4.7	4.7	26.8	?	?
21	0.0	4.7	4.7	31.6	?	?
22	0.0	4.7	4.7	36.3	?	?
23	0.0	4.7	4.7	41.0	?	?
24	0.0	4.7	4.7	45.8	?	?
25	0.0	4.7	4.7	50.5	?	?
26	0.0	4.7	4.7	55.2	?	?
27	0.0	4.7	4.7	60.0	?	?
28	0.0	4.7	4.7	64.7	?	?
29	0.0	4.7	4.7	69.4	?	?
30	0.0	4.7	4.7	74.1	?	?
31	0.0	4.7	4.7	78.8	?	?

**Footnotes:**

- (1) Ely estimate as to the timing of the capital outlays.
- (2) Planning Department projection as to the timing of the net revenues.