


City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 14, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: EISENHOWER WEST ALEXANDRIA INDUSTRIAL USE STUDY

ISSUE: City Council receipt of the Eisenhower West Alexandria Industrial Use Study (Attachment I).

RECOMMENDATION: That City Council receive the Eisenhower West Alexandria Industrial Use Study (Study).

DISCUSSION: In June 2008, City Council directed City staff to initiate a study analyzing the costs, risks, benefits, and opportunities associated with redeveloping the industrial sites in Eisenhower West (Virginia Paving Asphalt Plant, the Covanta Energy-from-Waste Facility, the Vulcan Materials facility, and the Norfolk Southern Railroad Ethanol Transloading Facility) into mixed-use communities. The study considers the market demand for a variety of uses and analyzes the financial viability and fiscal impact of redeveloping the four subject parcels into mixed-use, pedestrian, and transit-oriented development.

The City of Alexandria retained the consulting firm of Bay Area Economics (BAE) to perform the economic and fiscal analysis. MACTEC Engineering supported BAE for the environmental analysis for all the industrial sites and HDR Inc. provided support for the economic and environmental analysis for the Covanta Facility.

Key Findings

The findings of the Study are important background information to frame future actions, policy, and land-use decision making as part of a future Eisenhower West Small Area Plan. The key findings of the Study are as follows:

- **Market support for redevelopment is generally weak, especially compared to other nearby sites.** The Consultant Team conducted a market analysis of development potential in the Northern Virginia area. The market analysis found that there is adequate supply of land available to meet the development demand that will exist when current economic conditions improve and for the next two decades. Other areas – some of which also have nearby Metro stations – have fewer barriers to redevelopment, making them

more likely to redevelop before the study area parcels. Therefore, market forces alone are not likely to provide sufficient incentive to redevelopment in the study area.

- **Significant constraints to redevelopment exist.** The consultant team met with representatives of the industrial uses to gain an understanding of the minimum land and infrastructure requirements needed to relocate. The present location provides the existing uses with benefits and infrastructure that cannot be easily replicated on alternative sites. For example, Vulcan and Virginia Paving utilize the railroad line to transport aggregate. With respect to Norfolk Southern and Covanta, the City has limited legal and practical options for redevelopment. Other site constraints common to all of the properties in differing degrees include lack of access and connectivity, irregular property boundaries, and Resource Protection Areas and flooding risks.
- **If hurdles can be overcome, redevelopment would provide fiscal and economic benefits.** The consultant team developed four alternative redevelopment scenarios based on current market realities that present a mix of office, residential and retail development that under certain circumstances could be supported by the market. The estimated tax revenues from the potential redevelopment, in addition to the cost to provide City services were calculated for each scenario. The fiscal analysis shows that there would be increased revenues to the City from an expanded tax base even when the cost of City services is deducted. In addition, there would be “net new” jobs and households. However, the study notes that the economic and fiscal benefits need to be weighed against potential traffic and air quality impacts.
- **Comprehensive redevelopment would likely require substantial City involvement even in the long-term.** The financial analysis suggests that even with a favorable market demand, a public subsidy would be required to cover some infrastructure and possible business relocation/cessation costs in order to attract private development. The fiscal benefits to the City from the redevelopment could be used as a source of funds to cover all or part of the subsidy required.

Next Steps

The report includes two suggestions for next steps. One is to work with the property owners where opportunities exist realizing that several of the facilities have made substantial upgrades to improve the existing appearance of the facilities and the nearby streetscape. The other suggestion is to undertake the Eisenhower West Small Area Plan, which is currently on the Department of Planning and Zoning’s work program to begin next year. City Council will consider the Department’s FY 2011 budget and work program, including the timing of the Eisenhower West Small Area Plan, this winter and spring.

The Covanta Facility, that was reviewed in this Industrial Study, is a unique property whose replacement cost is of the order of magnitude of \$300 million to \$335 million dollars, is an energy-from-waste facility with MACT (Maximum Achievable-- Air --Control Technology installed in 2000) which processes the City’s waste as well as Arlington County’s municipal solid waste. This energy-from-waste facility is a “green” and environmentally positive technology, as it not only produces electricity, but also avoids long distance hauling and

landfilling of municipal solid waste. As a part of the existing required use contract (i.e., “put or pay”), the City and Arlington County are analyzing joint options (when these two jurisdictions are no longer required to take solid waste to the facility) to 2025 (when the land and the facility revert to City and Arlington County ownership) both from economic and environmental perspectives as to its relationship post 2013. Between 2013 and 2025, under the existing contracts that the City and Arlington signed with Covanta several decades ago, the plant becomes a “merchant plant” which in general has the ability to receive municipal solid waste from the general marketplace. Currently, City and Arlington staff are developing a range of options to deal with the 2013 to 2025 period, which will likely recommend continued City and County usage of the energy from waste facility. These options will be brought forward to Council, the Arlington County Board for discussion and eventual decision-making.

Community Outreach

Staff convened three community meetings (in February, May and September) to provide information and follow-up regarding the purpose, scope, methodology, and findings of the study. At the third meeting, the community emphasized that the redevelopment scenarios analyzed in the study should not preclude exploration of other development options during the small area planning process. In addition, the City staff prepared an official Record of Responses to public comment (Attachment II).

Planning Commission Review

The Planning Commission reviewed the study and the public comments at their October 6, 2009 meeting. The Commission accepted the report’s findings and expressed appreciation for the work that was done in support of the future Eisenhower West Small Area Plan.

ATTACHMENTS:

Attachment I. Eisenhower West Industrial Land Use Study Final Report
Attachment II. Record of Responses to Public Comment

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