

House Transportation and Infrastructure Committee
Hearing On
Opening the Northeast Corridor to Private Competition
For the Development of High-Speed Rail
“Passenger Oriented Development Planning Initiative”

Testimony of James H. Richardson
Senior Vice President
FC Asset Services LLC

May 26, 2011

This testimony is on behalf of FC Asset Services, which together with Woolpert¹, has formed an Alliance for Passenger Oriented Development (APOD). In previous testimony introduced into the record by Congressman Tom Petri on March 11, we recommended an organized approach to station area development that would make commercial improvement an integral element in the revitalization of passenger rail corridors across the country. The goal is to create a package that provides a stream of revenues from escalating land and commercial values in the station area. This revenue can then be plowed back to operating subsidies, maintenance, and capital projects across a high performance intercity or urban passenger rail corridor. Currently, station oriented development is undertaken on an ad hoc basis. There is frequently little coordination between the economic development opportunities, the passenger rail operation itself and the intermodal connections to that operation. We submit that this new proposal can be a part of a holistic solution to the most vexing problem of providing high performance passenger rail corridors additional streams of revenue that will underpin the operations. A summary of our legislative proposal is attached at the end of this testimony.

We believe that this approach can apply to any urban rail or intercity passenger corridor and it is ideal for the Northeast Corridor. There are incredible commercial development opportunities along the Northeast Corridor. With this plan, we are proposing to capture some of the value of these development opportunities to help finance high speed corridor infrastructure investments and operational expenses.

Following are principles we recommend for the Northeast Corridor:

¹FC Asset Services is a subsidiary of Forest City Enterprises, Inc., an NYSE-listed national real estate company principally engaged in the ownership, development, management and acquisition of commercial and residential real estate. Forest City has developed numerous Transit Oriented Developments across the country. Woolpert is a design, engineering, and geospatial firm that integrates services and applies technologies for federal, local/state, and private-sector clients.

- A corridor wide real estate plan should be developed under a Master Planner Development Administrator (MPDA). While certainly European and other international developers with experience may be subcontractors, this should be an American led planning effort. The MPDA will have specific responsibilities:
 - Prior to any competition that would open the Northeast Corridor to public private partnership control, there should be a survey of all available real estate and an overlay with an estimate of development potential that should be made available to help support the infrastructure/operations expenses and the development opportunities that will be available to a bid consortiums
 - Following a competition, the design, construction, management, operation, maintenance of the high speed rail system, and commercial development for the corridor should be under the singular control of a Corridor Management Group which will work through the MPDA to:
 - ✓ Create Revenue Capture Assessment Districts in each station area.
 - ✓ Establish an NEC Rail Corridor Development Fund that will plow back revenue into infrastructure and ongoing high speed rail service requirements.
 - ✓ Create continuity with common branding across all station areas in the corridor with maximum revenue generation from advertising and related sources as well as coordinating all of the stations to create destination centers that will drive ridership and revenues.
 - ✓ Combine the above to establish a core development program that will be corridor wide. The core program will generate income and be under the direct ownership and control of the Corridor Management Group. This should be not less than 10% of the total target commercial investment. These will be essential properties; particularly those tied to intermodal connections. The control of the core will provide leadership and leverage. This will in turn yield consistency and financial stability over the entire corridor commercial development program.

Because these projects will combine public interest mobility and rail access with commercial development pure commercial bank interest rates and terms will not work. Therefore we propose access to innovative finance such as the Railroad Rehabilitation & Improvement Finance (RRIF) and the Transportation Infrastructure and Innovation Act (TIFIA) that can leverage private investment in a true public-private partnership (P3) arrangement.

As America is lagging far behind most of the developed world in high speed rail, we would suggest a special initiative for high performance corridor development in the Northeast Corridor and other emerging corridors. Perhaps a National Corridor Bonding or Passenger

Corridor Infrastructure Bank could be established. Through this dedicated mechanism, this innovative finance could be made available to each corridor for both operational and qualified station area development. This program should be deficit neutral. Revenues from the Corridor Development Fund could be used to pay back the funds/bonds as well as to support operational cost.

This proposal will provide a new source of revenue for the basic maintenance and upkeep of the high speed rail operation. Just as importantly, it can make a large contribution to creating vibrant urban communities with state of the art intermodal station areas that will integrate access to passenger rail service with other transportation options.

In conclusion, we propose Congress make station area development an integral part of an emerging high speed rail operation under the control of a common a Corridor Management Group in the Northeast Corridor. We believe the same concept can be applied to the designated state supported corridors that have potential to become the backbone of a high performance American intercity passenger system. By engaging P3s and station oriented development, together with streamlining regulatory approval, we believe the objective can be achieved in the shortest possible timeframe.

Thank you.

LEGISLATIVE OUTLINE NATIONAL REFORM INITIATIVE RAIL PASSENGER ORIENTED DEVELOPMENT

Establish a P3 Passenger Rail Commission on High Performance Rail Passenger Area Oriented Development.

Purpose: The Commission will guide a robust program of station area development that will return revenues to emerging and new high speed, regional and urban passenger rail operations.

Commissioners: 1) The Secretary of Transportation, Chair; 2) States (representing the Northeast Corridor; 3) States (representing state assisted intercity passenger corridors; 4) Renowned Station area Development Expert (appointed by the President); 5) Building Trades Labor. A broad based advisory committee will be established.

Commission Role. Will provide consistent and coordinated policy guidance on how to attract private investment into the station area districts across high performance urban and state supported passenger rail corridors throughout the country. It will oversee a special initiative on potential P3 property development along the entire Northeast Corridor as a part of a plan to open the Northeast Corridor to private competition in the development of high speed rail. It will provide technical assistance and best practices for station area development and master planning. It will put forward model programs for workable public-private partnerships, methods for generating revenues and establishing corridor development funds that support rail operations.

The Commission, working through a Master Planner Development Administrator (MPDA) will provide guidance for the creation of Special Assessment Areas or Districts. These in turn will permit the State or Local Authority to establish a Rail Service Corridor Development Fund that will assure ongoing success of the basic passenger rail service. It will establish guidelines for Qualified Programs which will make the station areas eligible for federal incentives such as Railroad Rehabilitation and Improvement Financing (RRIF) for approved projects, planning grants² as may be available as well as expedited regulatory treatment.

Specifically, the Commission will retain a Master Planner Development Administrator (MPDA) that will:

² We understand the Administration will shortly submit a "Transportation Opportunities Act" that will propose a grant program for development of a "National High Performance Rail System." Station development that meets stated intermodal goals will receive a high priority under this proposal.

- **Provide technical assistance and guidelines to emerging high speed, regional and urban rail passenger corridors on station area development.**
 - Make available consistent and coordinated Guidelines. These Guidelines will identify best practices for planning, design and implementation which include best station area planning factors such as station site selection; physical site assessment; market feasibility assessment; brand development; public involvement and station area master planning as well as economic and market assessment and funding strategies. "Best practices" will be identified by the Commission. The Guidelines will enable minimum best practices that can be utilized across the entire high performance passenger rail network.

- **Provide Technical Assistance in Developing Model Programs for Public Private Partnerships**
 - Model programs will be developed to maximize use of PPP type of project financing. These will include management and ownership sharing through long term, performance-based contracts where appropriate risks can be transferred cost effectively to a private sector partner. Models will be developed for a PPP which includes a Station Area Development Authority that will be centrally administered and responsible for all aspects of the design, build, operation, and maintenance and financing of the project.

- **Develop Model Programs for Generating Revenues from Increased Values and for Corridor Development Funds.**
 - Working with state and local governments, model *station area revenue producing programs* will be made available to the states and communities to develop high speed, regional or urban rail corridors. These will include Special Assessment Districts; Tax Increment Financing; Joint Development; Assessed Taxes and other value capture strategies.
 - In addition the MPDA will model Rail Corridor Development Funds that can deploy revenues from strategies for plow back into the corridor passenger railroad operation.

Each Urban or State Intercity Corridor may establish Corridor-Commissions to oversee the implementation of Corridor High Performance Passenger Area Development Plans. The National Commission will issue guidelines for establishing official Corridor Commissions. Each Corridor Commission will apply to the National Commission for recognition. Each shall be chaired by a State or Local Authority deemed most responsible for the development of the passenger rail corridor development. Each Corridor Commission will coordinate with the National MPDA. Each Corridor Commission shall have an advisory board which shall include, but not be limited to, the governors of states (or representatives); mayors of major municipalities; commuter operator (if any), rail construction labor, Amtrak and an alternative rail operator (recommended by the Association of Independent Passenger Rail Operators- AIPRO), and a local economic development and real estate expert/s. Each Corridor Commission with the assistance of the MDPDA will:

- Assure corridor-wide consistency in site selection and station area planning which will include rail passenger corridor branding and revenue producing strategies.

- Assure that each Plan includes a *revenue assessment program* and a *Rail Corridor Development Fund*. That fund may be used to finance capital development, operating subsidies and maintenance of the core passenger operation. The Development Fund revenues may be used to pay back RRIF loans used in the development of the high speed or regional corridor operation.

The Commission may provide federal incentives for Qualified Station Development Programs.³

Qualified Corridor programs are those Corridor programs that meet the basic guideline for capturing increased property values to return funds to operations. These Corridors will have access to federal financial incentives which include RRIF loan funding for approved projects. Available federal high speed, intercity and urban passenger grant funding will be made available, and could be used to subsidize RRIF loans to generate additional public and private congressional leverage. Qualified Corridor Projects are available for streamlined regulatory processing. These projects must build value in the station area that return revenues back to operations.⁴

Commission will adopt Streamlined Regulatory Reform Plan.

The Commission will have the authority to establish and implement a program of expedited federal regulatory approvals for Qualified Station Projects. The Commission will, notwithstanding any other provision of law, establish a "Passenger Oriented Development Regulatory Reasonableness Plan." The "Reasonableness Plan" must address impacts on existing environmental law and regulation and how any adverse impacts to the environment would be mitigated. The Regulatory Plan the may reform, coordinate, or expedite regulatory approvals that will simplify and speed qualified passenger rail oriented development projects. Specific regulatory requirements deemed non-essential to mitigating adverse impacts may be identified and streamlined to expedite corridor development, but it must be stipulated by the Commission that there are no substantial adverse impacts. The Commission shall designate a lead agency to coordinate project delivery as authorized by the Regulatory Reform Plan.

³ Beyond establishing the Commission, the program will require no special funding. The RRIF program is deficit neutral. The Qualified PPP's would be eligible for grant funding to the extent it became available under the Intercity Passenger Rail capital investment grant program authorized under Section 24402 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA)

⁴ We believe the RRIF program should be modernized and reformed. We endorse the proposal of the American High Speed Rail Alliance to reform the RRIF program and make it more accessible which was put forward at this hearing.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name: James H. Richardson, III

(2) Other than yourself, name of entity you are representing:

FC Asset Services, LLC

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

None

[FC Asset Services, LLC (FCAS) has not received any Federal contracts or grants in the current fiscal year or in the past two (2) fiscal years. FCAS is a subsidiary of Forest City Enterprises, Inc. (FCE). FCE is a publicly traded real estate company listed on the New York Stock Exchange. FCE, through its various subsidiaries, has entered various Federal contracts and/or received certain Federal grants in the ordinary course of its business.]

Signature



05.19.2011

Date

James H. Richardson, III

Senior Vice President, FC Asset Services, LLC (a subsidiary of Forest City Enterprises)

James (Jim) Richardson is responsible for all Development, Construction, and Entitlement work for Forest City on each development project. In addition, Jim works very closely with local, state and federal agencies for various financing mechanisms to build Forest City's projects. Jim's recent work has included the successful negotiations with the Federal EPA on a RECLA site in Virginia. Over the last few years, Jim has been involved with organizations regarding the planning of Transit Oriented Developments, and establishing Public Private Partnerships.

Experience

1981-Present Forest City Enterprises, Cleveland, Ohio

- 1985-Present – Developed the following projects.
 - 2005-2008 The Shops at Wiregrass – Development of an 800,000 lifestyle center in Tampa, FL.
 - 2006-2008 The Shops White Oak Village – Development of a 1 million square foot shopping center on a Brownfield site in Richmond, VA. Added mass transit to interior of site and negotiated a \$25 million TIF.
 - Short Pump Town Center – Completed of the 1.3 million square foot lifestyle center in Richmond, VA and later developed the 150,000 square foot expansion to the center; negotiated a \$30 million TIF.
 - 2006-2007 Ritz Carlton Cleveland – Renovation of 212 rooms and public space.
 - 2005-2006 Westin Hotel – Renovation of 619 rooms and public space.
 - Boulevard Mall – Renovation and Expansion of Regional Shopping Mall
 - Robinson Town Center – Design and Development of Regional Mall in Pittsburg, PA
 - Euclid Corridor Mater Plan – Worked with the Regional Transit Authority [RTA] on the Redevelopment and Mater Planning of the Euclid Corridor in Cleveland, Ohio. Consisted of \$250 million in infrastructure improvement to the existing RTA system starting at the Terminal Tower and Tower City Center to East Cleveland, planning the interface with RTA and the streetscape/commercial development.
- 1982-1985 Forest City Management – Managed multiple shopping centers in Cleveland and in '84 went to Detroit as General Manager of Millender Center, a mixed unit project with a 250 room hotel, 1,200 space parking deck, 350 apartments, 20,000 square feet of office and 40,000 square feet of retail; was involved with the completion of the transit station at Millender for the people mover system built in Detroit.
- 1981-1982 Project Construction Manager, Tucson Mall, 1 million square feet.

Prior to 1981

Richardson Construction Company, Tucson, AZ

- Jim opened and operated his own general contractor company and completed approximately \$4 million in projects ranging from office, townhouses and apartments.

AFFILIATIONS

Member of the International Council of Shopping Centers.