

Union Station Transportation Center

TRANSIT-ORIENTED DEVELOPMENT PLAN



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EXECUTIVE SUMMARY

Study Purpose

As Connecticut's principal rail hub, Union Station's success as a state-of-the-art, multi-modal transportation center is fundamental to the success of the regional transportation system and critical to the State's economic growth. The purpose of the Union Station Transportation Center Transit-Oriented Development Plan is to advance pre-development planning for mixed-use development in and around Union Station in order to meet increasing demand for proximity to transit and further the station's role as an economic catalyst for the City and State. The Plan is timely given Governor Malloy's July 22, 2013, announcement to proceed with a Transit-Oriented Development Request for Proposals for Union Station. Ready to be implemented immediately, the Transit-Oriented Development Plan is a product of intense collaboration between the City of New Haven and the Connecticut Department of Transportation's Bureau of Policy and Planning as well as the Office of Rails.

The Plan was developed for the New York-Connecticut Sustainable Communities Consortium (the Consortium) through a U.S. Department of Housing and Urban Development (HUD) Sustainable Communities Regional Planning Grant.

The Transit-Oriented Development Plan

The Transit-Oriented Development Plan consists of a Re-Merchandising Strategy for Union Station and a Transit-Oriented Development Strategy for the Union Station Transportation Center.

The Re-Merchandising Strategy upgrades the goods and services available in Union Station in order to enhance the passenger experience and reinforce Union Station's role as a gateway to New Haven and Connecticut. The Re-Merchandising Strategy calls for the development of an Annex attached to the back of Union Station. The two-story Annex allows for deeper retail bays, provides additional passenger seating/waiting area, and introduces new access to the Station's second-story balcony area. In addition, the Annex-addition allows for the development of additional restrooms and storage area. The Re-Merchandising Strategy also recommends development of a restaurant and two new store spaces within the Station.

The Transportation Center's Transit-Oriented Development Strategy calls for the immediate development of a new parking garage north of the Station's existing parking garage. At a minimum the garage is to contain ground-level store space along Union Avenue. As part of the developer solicitation, however, respondents are encouraged to propose a privately financed, transit-oriented project to accompany the garage.

The Transit-Oriented Plan's Implementation

To implement the Union Station Transportation Center Transit-Oriented Development Plan, a new Union Station Development Authority replaces the Lease and Funding Agreement that

currently governs Union Station. The Union Station Development Authority will implement the Plan's recommendations and pursue long-term transit-oriented development. The Union Station Development Authority will possess the powers necessary to plan, finance, operate, and manage the Transportation Center.

Before special legislation is pursued for the Union Station Development Authority, a Memorandum of Understanding (MOU) will be executed between the State of Connecticut, the City of New Haven, and the New Haven Parking Authority. The MOU will detail each party's implementation role for the period between MOU execution and the time the Development Authority is established.

A Request for Proposals (RFP) for Transportation Center Development and Management will be drafted immediately. Private development/management companies will be solicited to implement the Transit-Oriented Development Plan. Tasks include the design and development of the new garage, re-merchandising strategy implementation, and overall transportation center management. The RFP will encourage respondents to include privately financed, transit-oriented development in addition to the requested services.

The garage component of the project will be a turnkey development funded by the Development Authority through a revenue bond secured by the Union Station Transportation Center's existing cash flow. Garage groundbreaking is targeted for 2014.

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INTRODUCTION

Study Purpose and Process

As Connecticut's principal rail hub, Union Station's success as a state-of-the-art, multi-modal transportation center is fundamental to the success of the regional transportation system and critical to the State's economic growth. The purpose of the New Haven Union Station Transit-Oriented Development Plan is to advance pre-development planning for mixed-use development in and around Union Station. The Plan was developed for the New York-Connecticut Sustainable Communities Consortium (the Consortium). The Consortium is a bi-state collaboration of cities, counties and regional planning organizations funded with a \$3.5 million (of which the City of New Haven received \$186,000) U.S. Department of Housing and Urban Development (HUD) Sustainable Communities Regional Planning Grant. The Consortium's primary purpose is to execute a Regional Plan for Sustainable Development that integrates housing, economic development, transportation and environmental planning.

Definitions

Transportation Center: The Transportation Center is the 7.33 acres of land that consists of Union Station, commuter parking lots, intercity bus and limousine docks, and the rail platforms.

The Jones Lang LaSalle Study (JLL Study): A plan for the Transportation Center was prepared by Jones Lang LaSalle in February 2008. This Plan called for a \$208 million project to renovate and re-merchandise Union Station, increase commuter parking, activate Union Avenue and construct a new mixed-use development on the site. This Plan revises the JLL Plan in light of current market realities.

North/East and South/West of Union Station: The JLL study refers to the "North" end of Union Station (the garage entrance) and the "South" end of Union Station (the Greyhound bus entrance). The Connecticut Department of Transportation and signs in Union Station refer to the JLL Study's North end as "East" and the JLL Study's South end as "West." In this document, Union Station's garage entrance is called the north/east end and the Greyhound bus entrance, the south/west end of Union Station.

Structure of this Report

This report begins with a discussion of the State of Connecticut's policy regarding transit-oriented development. How existing conditions at and around the Transportation Center are currently satisfying those policy objectives is the subject of the existing conditions section. A summary of the office, hotel, residential and retail markets highlights near- and long-term transit-oriented development prospects. The Transit-Oriented Development Plan and Implementation Strategy follow.

UNION STATION POLICY BACKGROUND

On October 13, 2011, the State of Connecticut announced the award of \$5 million to eleven cities, towns and regional planning organizations to plan and facilitate transit-oriented development projects. “Finding smart, practical ways to connect housing and employment centers to transportation is a critical step in growing the State’s economy and making Connecticut a more vibrant place to work and live” said Governor Malloy. “The projects that we’re supporting will help these towns and surrounding regions take tangible steps in making their communities more walkable, more accessible, and more attractive to residents and employers alike.” In addition to the Sustainable Communities grant, New Haven was awarded a \$390,000 TOD Pilot Program grant from the State to pursue transit-oriented development in and around Union Station.

The State defines transit-oriented development as: “The development of residential, commercial and employment centers within one-half mile or walking distance of public transportation facilities, including rail and bus rapid transit and services, that meet transit supportive standards for land uses, built environment densities and walkable environments, in order to facilitate and encourage the use of those services.” Transit-oriented development capitalizes on the transit asset and, at the same time, generates additional demand for transit service. Both transportation and economic development objectives are satisfied when transit-oriented development occurs.

With the exception of the Union Station improvements funded in 1982, there has been no transit-oriented development at the Union Station Transportation Center. The existing Lease and Funding Agreement that governs the Transportation Center’s management does not preclude transit-oriented development on the Center’s land, but transit-oriented development is not a stated objective in the Lease and Funding Agreement.

Since 2007, the State has expressed its support for transit-oriented development in the Union Station Transportation Center area. In a letter dated July 13, 2007 to Mayor DeStefano, the Department of Transportation’s Commissioner acknowledged that a new parking garage on the Transportation Center site, would need to be designed in a manner “appropriate for what hopefully will be transportation-oriented development.”

In 2008, the State and City commissioned a study performed by Jones, Lang and LaSalle to evaluate the potential for transit-oriented development at the Union Station Transportation Center and in the surrounding district. The study demonstrated the feasibility of TOD around Union Station and laid out potential implementation strategies. Unfortunately, the study was released just prior to “the great recession”, when the finance and real estate industry fell into turmoil. As a result, despite agreement between the State and City on pursuing TOD, its recommendations have not been implemented.

In 2012, the State and City initiated a solicitation process to update the JLL Study in light of new market and economic realities. The consultant team led by W-ZHA, LLC was selected by the State

and City to perform the Study. The City worked directly with the State Department of Transportation's Bureau of Policy and Planning and Office of Rail to select the consultant team and finalize the scope of work.

To craft the Transit-Oriented Development Plan, six project review meetings were held with State and City staff, including one with the Commissioner. State and City staff were frequently in contact with the consultant team to develop and vet ideas. The Transit-Oriented Development Plan contained herein is a product of this collaboration. The Plan is implementable and achieves the State's and City's explicit policy objectives.

EXISTING CONDITIONS

Union Station Overview

The New Haven Union Station Transportation Center occupies 7.33 acres of land and is anchored by Union Station. Located in the Long Wharf neighborhood, Union Station is within easy walking distance of the Hill neighborhood, downtown, and the City's Medical District. The Transportation Center is accessed via Union Avenue.



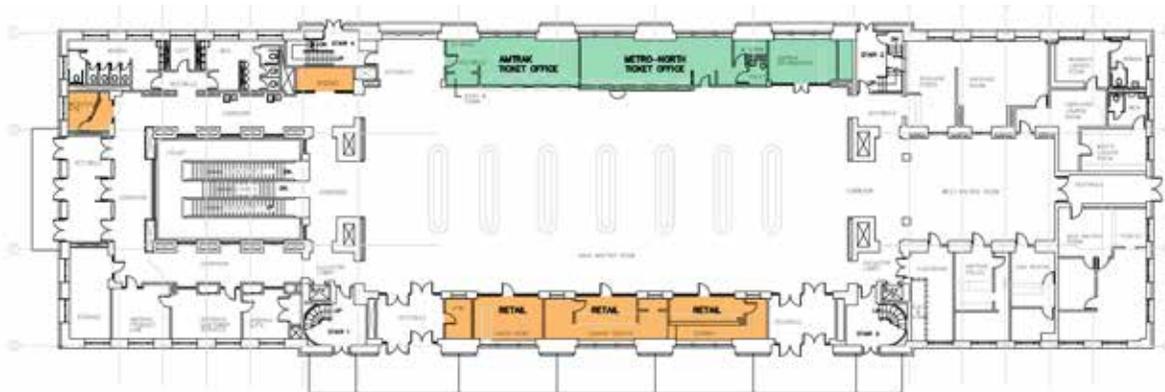
As the terminus station for Shoreline East and the New Haven-Hartford-Springfield Line, and a major regional stop for Amtrak, Union Station is Connecticut's principal rail center. Union Station is not only the busiest Amtrak station in Connecticut, but the 11th-busiest station in the Amtrak system.



Developed in 1920 and listed on the National Register of Historic Places, Union Station is a classic example of Beaux Arts architecture. The Station is four stories tall with a three-story Main Hall framed by giant arches. Bathed in natural light, the Main Hall contains the passenger waiting area, ticketing and store space.



Two wings flank the Main Hall; on the main floor the wings contain bathrooms and transit-support functions. Office space occupies the second, third and fourth floors of the Station. Passengers access the rail platforms via lower-level tunnels.



FIRST-LEVEL PLAN

The multimodal Transportation Center accommodates local and intercity buses, rental cars, taxis, limousines and local shuttle services.

Transportation Center Land Uses and Operating Performance

The Union Station Transportation Center consists of Union Station, commuter parking lots, intercity bus and limousine docks, and the rail platforms. Much of the Transportation Center’s land is occupied by surface parking and/or service space that potentially could be redeveloped. The Station itself comprises 107,400 square feet with 39,500 square feet of leased office space and approximately 2,770 square feet of leased storefront space.¹ The remainder of the Station is used for rail-support and storage.

There are 1,145 parking spaces at the Transportation Center, 93 percent of which serve commuters.² The parking garage contains 880 spaces. As a result of the Parking Authority’s policy of reserving a high number of spaces for transient users, of the 1,145 parking spaces, 270 spaces (just less than 25 percent) are occupied by monthly permit holders. Peak-hour occupancy data suggests that the facility gets very close to full, or fills entirely, on a regular basis.³

The City and the State agree that there is a near term need for more commuter parking at the Union Station Transportation Center. There is currently a 450-person waiting list for the monthly parking permits.⁴ The opening of Gateway Community College has increased pressure on public parking downtown. Furthermore, the 471-car surface lot at the Coliseum Site, where many commuters currently park, is under contract for redevelopment. The JLL Study assumed the second garage on the Transportation Center would contain 667 spaces.

With the exception of the office and retail space in Union Station itself, there is no transit-oriented development at the Transportation Center. The absence of active building frontage along Union Avenue has compromised not only the pedestrian environment, but the redevelopment potential of surrounding parcels.

In terms of operating performance, the Transportation Center comprises two profit centers: the Union Station building and Transportation Center parking. Union Station building revenues are derived from renting space to the rail operators, office tenants and retail tenants. The building’s rental revenue is not sufficient to cover the cost of operating,

Union Station Building Operating Performance FY 2012

Rental Revenue	\$1,614,740
Expenses	\$2,298,050
Net Operating Income	(\$683,310)
Other Expense: State of Connecticut Payment	\$36,030
Net Income	(\$719,340)
Depreciation	\$291,610
Net Cash	(\$427,730)

Source: New Haven Parking Authority

1 Source: CoStar and the New Haven Parking Authority. Excludes Avis rental car space, which is considered a rail-support use.
 2 Walker Parking conducted an analysis of parking at Union Station. An October 1, 2012, memorandum states that length-of-stay data from the New Haven Parking Authority indicates that 93 percent of parkers at Union Station park for over six hours.
 3 Walker Parking, “Union Station Parking Rate Analysis,” October 1, 2012.
 4 New Haven Parking Authority

**Union Station Parking Performance
FY 2012**

Rental Revenue	\$4,914,620
Expenses	\$1,821,230
Net Operating Income	\$3,093,390
Other Income: Interest	\$11,775
Other Expense: State of Connecticut Payment	\$14,010
Net Income	\$3,091,155
Depreciation	\$90,380
Net Cash	\$3,181,535

Source: New Haven Parking Authority

Union Station Building and Parking Performance FY 2012

Rental Revenue	\$6,529,360
Expenses	\$4,119,280
Net Operating Income	\$2,410,080
Other Income: Interest	\$11,775
Other Expense: State of Connecticut Payment	\$50,040
Net Income	\$2,371,815
Depreciation	\$381,990
Net Cash	\$2,753,805

Source: New Haven Parking Authority

maintaining and securing the Station. The Union Station building had a negative net operating income in the fiscal year ending on June 30, 2012.

The Transportation Center’s parking generates sufficient revenue to cover both the cost to operate the parking and the Station. The Transportation Center’s parking generates \$3.09 million in net operating income.

As a whole, the Union Station Transportation Center generated a net operating income of \$2.41 million for the Fiscal Year ending on June 30, 2012. This income is used to fund capital improvements and to fund a capital reserve account. The Transportation Center is no longer carrying any debt.

The Union Station Transportation Center’s net operating income is sufficient to support additional commuter parking and transit-oriented development at and around the Transportation Center, which is key to unlocking the full economic potential of the Station and surrounding district.

Transportation Center Governance

The Transportation Center’s management is the product of a Lease and Funding Agreement (the Agreement) executed by the State of Connecticut, the City of New Haven and the New Haven Parking Authority in 1982. The Agreement stipulates that the State will lease the Transportation Center to the City and that the City will contract with the New Haven Parking Authority to operate and manage the Transportation Center. The State owns the Transportation Center. The Lease and Funding Agreement does not have as an objective the pursuit of transit-oriented development.

The term of the lease is from July 1, 1982 to June 30, 2017, and there have been four amendments to date. The lease allows for three additional 5-year terms upon mutual agreement of the State and the City of New Haven. The Lease and Funding Agreement is enforced by a Joint Advisory Committee (JAC) that is charged with reviewing all disputes, disagreements and questions affecting the Transportation Center that cannot be resolved by the parties.

At the time of its execution in 1982, the State was to receive Federal Funding to renovate Union Station and construct a garage. The Agreement details the funding strategy for the non-Federal share of the Transportation Center’s improvements. In the Agreement, the State agreed to fund

the non-Federal share of the capital improvements with the City paying that portion of the debt service associated with “Municipal Improvements”. Municipal Improvements were defined as the rental space on the second, third, and fourth floor of Union Station as well as non-rail space on the 1st floor and basement. Also included as Municipal Improvements were 130 garage parking spaces thought necessary to support the rental space.

The Lease and Funding Agreement includes a procedure to undertake major future improvements, whereby the Parking Authority has to obtain JAC approval for Capital Improvements in excess of \$200,000. A new governance structure is recommended to develop a second garage and implement transit-oriented development before 2017 due to the complexity of the existing arrangement and the fact that the Lease and Funding Agreement does not include transit-oriented development.

Transportation Services

The Union Station Transportation Center offers passenger rail service and local and intercity bus service. Amtrak, Metro North, Shore Line East and New Haven-Hartford-Springfield rail service is available at the Station. Peter Pan, Greyhound and Mega Bus provide inter-bus service from Union Station. The range of services and the depth of service make the Union Station Transportation Center an excellent transit anchor for transit-oriented development.

Based on 2011 levels, New Haven’s Union Station is the 11th-busiest station in the Amtrak system, with roughly 741,000 riders (2,000 daily) on its *Northeast Corridor*, *Acela Express*, *New Haven-Springfield Shuttle* and *Vermont* lines. Yale University and leisure travel are considered the primary drivers of Amtrak ridership.

Putting this figure in context, according to Amtrak, New Haven’s Amtrak ridership is the highest in Connecticut, well above Stamford (385,000 riders), Hartford (174,000) and New London (166,000), and it also tops a number of larger cities/metros, including Newark, New Jersey, (684,000) and Providence (626,000). As the table illustrates, however, it is significantly lower than Boston’s South Station (1.36 million) and Philadelphia’s 30th Street Station (3.87 million).

Amtrak’s *New Haven-Springfield Shuttle* and *Vermont* lines currently aggregate to 219,000 annual passengers (600 daily).

Amtrak’s 20 Busiest Stations, 2011

RANK	STATION	RIDERSHIP
1	New York, NY	8,995,551
2	Washington, DC	4,850,685
3	Philadelphia, PA	3,872,392
4	Chicago, IL	3,393,695
5	Los Angeles, CA	1,606,212
6	Boston, MA—South Station	1,360,162
7	Sacramento, CA	1,175,046
8	Baltimore, MD	953,170
9	Albany-Rensselaer, NY	769,626
10	San Diego, CA	753,739
11	New Haven, CT	740,902
12	Wilmington, DE	717,772
13	Newark, NJ	683,626
14	Seattle, WA	672,485
15	Portland, OR	665,677
16	Irvine, CA	664,263
17	BWI Airport, MD	662,453
18	Providence, RI	625,995
19	Milwaukee, WI	617,800
20	Emeryville, CA	583,865

Source: Amtrak, “National Facts”; W-ZHA

In the future, New Haven’s Union Station will be the southern terminus for the *New Haven-Hartford-Springfield Line* (NHHS), which will provide service along that corridor that is cheaper, faster and more frequent than the existing Amtrak *New Haven-Springfield Shuttle Line*. Funding has been secured, and the new line is scheduled to commence in 2016.

According to NHHS projections, this line will account for some 829,260 riders by the year 2030.⁵ Initially planned at 30-minute peak headways (one-hour otherwise), the NHHS commuter service will likely skew inbound (to New Haven) rather than outbound (e.g., to Hartford).

Metro-North’s *New Haven* line adds another 1.41 million annual passengers to the mix at New Haven’s Union Station (3,700 on an average weekday, 8,400 on the weekend).⁶ It is the second busiest on the line,⁷ after Stamford (2.80 million), and ahead of New Rochelle (1.23 million), Greenwich (989,000) and Bridgeport (974,000).⁸

While Metro-North is often seen as a “commuter” line, New Haven’s Union Station enjoys more off-peak traffic than any other along the *New Haven* line. Its 441,000 traditional “rush-hour” passengers represent just 45% of its weekday traffic, compared to 61% for the line as a whole. New Haven’s weekend ridership is the highest on the *New Haven* line.

Union Station is also the western terminus for the Shore Line East (SLE) rail service from/to New London (except for weekday “Express” trains to Bridgeport and Stamford). Total ridership on the Shore Line East system climbed through much of the 2000’s, with over 500,000 annual passengers by 2008.

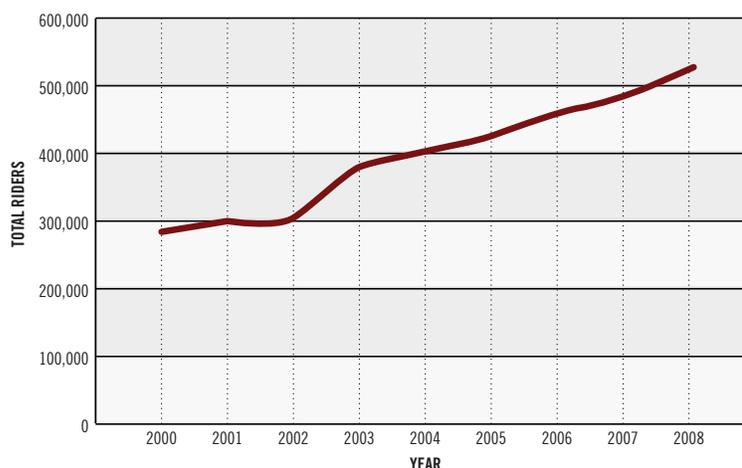
All in all, Union Station is very busy throughout the day and on weekends. At peak periods, seating is constrained. Other than the Sbarro in Union Station’s

**Metro North Station Ridership
Top Stations on New Haven Line, 2011**

AVERAGE WEEKDAY	WEEKDAY		WEEKEND	
	DAILY	% AM PEAK	BOTH DAYS	% OR TOTAL RIDERSHIP
Stamford	9,118	46%	8,326	18%
New Rochelle	3,970	53%	3,807	19%
New Haven	3,737	45%	8,400	45%
Larchmont	3,485	67%	1,915	11%
Greenwich	3,408	46%	1,983	12%
Bridgeport	3,110	64%	3,188	21%
Fairfield	3,009	75%	2,282	15%
New Haven Line	62,360	61%	53,080	17%

Source: Metro North; W-ZHA

Shore Line East Ridership Growth, 2000–2008



Source: onemorestop.net

⁵ The current estimate was made by Jon Foster, in the Rail Operations Office of the Connecticut Department of Transportation, while the NHHS projections come from the www.nhhsline.com website.*

⁶ Source: Metro North

⁷ These rankings do not include New York City’s Grand Central Station.

⁸ Source: Metro North

basement, there is no table seating in Union Station. There are also very few electrical outlets for laptop and/or cell phone use in the station.

Neighborhood Context

The Transportation Center sits adjacent to the New Haven rail yard. The rail yard is among the largest rail-maintenance facilities in the Northeast. As such, the rail yard is an important economic development asset to both the city and the state.

Union Avenue is the primary route to Union Station. Because the Transportation Center's land is primarily used for parking, the pedestrian experience along the track-side of Union Avenue is poor. This compromises the redevelopment potential of nearby properties.

Across Union Avenue from Union Station are Church Street South and the Robert T. Wolfe apartment building, both subsidized, low-income housing projects. Church Street South is privately owned by Northland Investment Corporation. Union Station is not only a transportation asset to the households living here, but Union Station's retail serves the local community.

Further north/east across Union Avenue is the City's Police Department and a small Knights of Columbus operations building.

The north/east boundary of the New Haven Transportation Center's land is bordered by a 1086 power substation that was recently constructed to support upgraded passenger rail service at New Haven. From the north/east, vehicles and pedestrians must travel under the Route 34 overpass to get to the Station.

While the Transportation Center's existing surrounding land uses are not transit-oriented, the Hill-to-Downtown Plan calls for moderate- to high-density mixed-use development and transportation improvements that will greatly enhance the Transportation Center's development potential. The Hill-to-Downtown Plan improves the Transportation Center's access and visibility. An important first step in this process will be to incorporate active commercial/residential land uses on the ground level of all buildings constructed along Union Avenue. As such, the Transportation Center will be well positioned to become an even stronger multimodal center and investment location.

MARKET ANALYSIS HIGHLIGHTS AND CONCLUSIONS

Office Market

Union Station contains 39,500 square feet of leased office space. With over 20,000 square feet of contiguous space, Union Station's fourth floor contains competitive Class B office space. The office space on the second and third floors is in a "U" configuration and is best classified as Class C office space.

Notwithstanding its configuration, all Union Station office space leases for \$20.65 per square foot. All of the office leases in Union Station are with either transportation or parking agencies.

There are approximately 6.25 million square feet of office space in New Haven's urban core, which includes the downtown, the Medical District, Long Wharf, and the Maritime Center. Two-thirds of the City's office space is located here, as is approximately one-fifth of New Haven County's office space.⁹

The urban core's multitenant Class A market is currently challenged with a large amount of available space (over 20 percent). Significant amounts of space have become available because of moves by United Illuminated and AT&T. Nevertheless, a new 495,000-square-foot office building is slated for Downtown Crossing, and Connecticut DOT is developing a 300,000-square-foot building at the rail yard that will contain approximately 270,000 square feet of office space.

Moody's Analytics employment projections suggest that there will be demand for additional office space in New Haven County by 2022. With its resurgence as a live-work-play destination, New Haven's urban core is well positioned to capture a significant share of this office demand. By 2022, there will be 300,000 to 500,000 square feet of additional office demand.

In the near term, much of the multitenant absorption will likely be captured in existing buildings with space available at a reasonable rent. In the near to mid term, there are more competitive locations available for new office development than the Transportation Center, namely the Coliseum site and Downtown Crossing. Over the longer term, however, as the Hill-to-Downtown District redevelops, the Transportation Center could become a strong candidate for new office development.

Today fourth-floor office space inside Union Station is competitive Class B office space that could attract private, knowledge-based industries. Because of the Station's environs, on-site parking at two to three spaces per 1,000 square feet will be required to successfully market this space.

The U-shaped office space in the Station's "wings" will be more difficult to lease, particularly if the Station is not re-merchandised. In the near term, this space is most appropriate for public agencies.

9 Source: CoStar

Hotel

There are seven competitive hotels containing 1,028 hotel rooms in and around New Haven’s downtown. The Omni Hotel is the largest and only hotel with a significant amount of meeting space (22,000 square feet). No hotels are within easy (quarter-mile) walking distance of Union Station.

The performance among a group of hotels was analyzed. The group includes New Haven Hotel, the Omni, the

Courtyard New Haven Downtown, the La Quinta, Premiere Hotel and Suites and the Study. Hotel occupancy among these hotels was 67.84 percent in 2011. Average revenue per available room (REVPAR) among these hotels was \$84.66 per night. The hotel sample’s average REVPAR is almost 70 percent higher than the County average.

Interviews with hotel representatives indicate that New Haven’s universities and hospitals drive demand for hotel rooms. Therefore, a location that is convenient to Yale, the Yale-New Haven Hospital, and the Yale School of Medicine is advantageous.

Both existing hotel performance data and employment growth suggest that there will be market support for a new hotel in or near downtown by 2020.

A hotel at the Transportation Center would complement and enhance Union Station’s function as an anchor and gateway to New Haven. A hotel at the Station would be convenient for visitors arriving by train as well as by vehicle from I-95 on Church Street. Because a hotel’s parking demand peaks when commuter demand is lowest, there would be an opportunity for shared-use parking on-site.

As hotel use would be an attractive use on the Transportation Center’s land, near term hotel investors will likely look for sites that are closer to the medical/research hub and near the Downtown’s center. There are other sites that can offer relatively easy access to the train station while also offering easy access to employment and entertainment concentrations.

Over the long term, as the neighborhood around the Station revitalizes, hotel development may become feasible. Such a land use would enhance the Transportation Center’s role as multimodal transportation and service hub.

Hotel Supply | Downtown and Immediate Surroundings

HOTEL NAME	LOCATION	ROOMS
The Study at Yale	Downtown	124
The Duncan	Downtown	35
New Haven Hotel	Downtown	92
Courtyard New Haven at Yale	Downtown	207
The Omni New Haven Hotel at Yale	Downtown	306
La Quinta	Long Wharf	152
New Haven Premiere Hotel and Suites	Long Wharf	112
Total		1,028

Source: Smith Travel Research; W-ZHA

Residential

There has been considerable residential development (approximately 1,500 units) in Downtown New Haven over the last decade. The pace of development has been so rapid that the U.S. Census is not up-to-date in terms of numbers of households downtown. Data review suggests that there are slightly over 4,000 residential units in downtown. Residential projects are well occupied and command high rents.

Research by the Center for Transit Oriented Development indicates that approximately two-thirds of all future demand for transit-oriented development will be derived from singles and couples. These households value locations with public transportation, “walkability” and access to amenities. In New Haven today, almost three-quarters of County households are either young households with few or no children at home and/or empty nesters or retirees.

With approximately 4,000 housing units, downtown captures approximately 7 percent of the potential County-wide, urban-inclined market. Based on target-market move rates and County household growth, the Downtown residential market has the potential to support 500 to 800 residential units over the next five to seven years.

Residential investors will seek sites that are accessible to transit, yet more central to major employment clusters and entertainment hubs. There are such sites available today. Sites in the Hill-to-Downtown District and the Coliseum site can be considered transit-oriented and they more walkable and amenity rich than the Transportation Center site. These sites are well-positioned for near-term residential development.

While it is a transportation hub, the Transportation Center site is challenged by its lack of “walkability” and nearby amenities. The lack of these important place-based assets compromises the Transportation Center’s near-term residential development potential. Once these barriers are removed, the Transportation Center will have residential development potential.

Retail

Generally, retail mixes at major commuter/intercity transit stations in the U.S. tend to fall in one of three categories: Iconic Destinations, Amenity-Rich Terminals, and Basic “Grab-and-Go” Stations.

Station-Types

STATION-TYPE	STORE MIX	MARKET CHARACTERISTICS	STATION EXAMPLES
Iconic Destination	Critical mass of retail (100,000+ sq ft); specialty/comparison shopping; sit-down restaurants	Global cities; large tourist/Amtrak volumes; high residential and office densities nearby	New York, NY—Grand Central; Washington, DC—Union Station
Amenity-Rich	Quick-service food/drink purveyors; convenience	Major metros, significant commuter/Amtrak volumes; nearby office density	Boston, MA—South Station; Philadelphia, PA—30th St Station; Newark, NJ—Penn Station
Basic “Grab-and-Go”	Bare essentials: coffee, casual eatery; newsstand	Intercity station in small or medium-sized Metro; modest levels of commuters; small worker contingent nearby; connections to local transit network	Baltimore, MD—Penn Station; Wilmington, DE—Biden Station; Providence, RI—Providence Station

Source: MJB Consulting; W-ZHA

At present, New Haven’s Union Station functions as a “grab-and-go” station. It contains roughly 2,770 square feet of retail space, including five storefronts (Union News, Subway, Sbarro, and two Dunkin’ Donuts).¹⁰ Stores lease for approximately \$75.00 per square foot in the Main Hall and \$26.45 per square foot on the lower level. While precise sales figures are not available, direct observation suggests that Union Station stores are very busy and would be well-served by larger floor plates.

Union Station is most comparable to Baltimore’s Penn Station, Wilmington’s Joseph R. Biden Jr. Railroad Station and Providence Station. These stations boast ridership levels of at least a similar order of magnitude and, like New Haven’s Union Station, serve as the distant termini for commuter lines destined for the heart of large cities and sit in locations slightly removed from their own, more modest CBDs.

The existing mixes at these three stations are also “grab-and-go.” There is a coffee/muffin purveyor, like a Dunkin’ Donuts (in both Baltimore and Wilmington); some sort of casual, quick-service eatery with a limited amount of table seating; and a newsstand—either in separate retail bays or combined in the same space.



In addition to the long lines often observed at the Dunkin’ Donuts in the Main Hall, the continued presence (and current renovation) of a second location on the lower level suggests ongoing success for the operator.

¹⁰ Avis was not included in this figure, as it was considered, like Amtrak, Metro-North and Greyhound, a transportation-related use and not a retail one.

Ridership and Transportation Service | Comparable Stations

	AMTRAK	COMMUTER	OTHER*
Union Station New Haven	741,000	1.81 million	Intercity and local bus
30th Street Station Philadelphia	3.87 million	2.67 million**	Intercity and local bus, subway; nearby employment base
South Station Boston	1.36 million	11.4 million**	Intercity and local bus, subway; nearby employment base
Penn Station Baltimore	953,000	926,000	Intercity and local bus; light-rail
Providence Station	626,000	370,000	Local bus

* Most of these stations also serve as stops for intercity bus lines like Greyhound and Megabus, but these carriers do not release station-specific ridership data.

**Weekday service; order of magnitude

Existing Retail Mix | Comparable Transit Stations

	NEW HAVEN	BALTIMORE	WILMINGTON	PROVIDENCE
Fast food	Yes (2)	Yes	Yes	Yes
Coffee/muffin	Yes (2)	Yes (2)	Yes	Yes
Newsstand	Yes	Yes	Yes	Yes
Alcohol	Yes	Yes	No	No
Prominent vacancies	No (qualified)	Yes	Yes	No

Source: MJB Consulting

While New Haven’s Union Station operates as a basic “grab-and-go” station today, there are exciting possibilities for enhancing and expanding the mix there. The market survey suggests a tenanting scheme that fits between the existing rungs of the conventional typology and that pioneers a new, more compelling and more “place-specific” station experience at Union Station.

The Merchandising Strategy details a near-term opportunity to increase the space and merchandise available at existing stores in the Station and introduce new retail offerings. These opportunities are only feasible if stores are located in highly visible, well-trafficked spaces.

Merchandising Strategy

The amount of retail and eating and drinking space is constrained by Union Station’s physical plant. Storefront retail and eating and drinking establishments can only be successful in the Main Hall, adjacent to the Main Hall, and on major pedestrian traffic pathways (such as the bottom of the escalators leading to the platforms). Other underutilized areas of Union Station such as the balcony area are not suitable for retail or eating/drinking investment.

A two-pronged strategy is recommended to expand and enhance Union Station’s store mix:

- Enlarge Existing Stores in Union Station and Add New Haven-Based Operators
- Add New Retail Categories

ENLARGE EXISTING STORES IN UNION STATION AND ADD NEW HAVEN-BASED OPERATORS

Certain businesses at New Haven’s Union Station warrant more space. The most obvious is Union News, which currently occupies 250 square feet. Convenience stores in comparable stations are typically larger. More square footage will allow for easier interior circulation and greater visual appeal (including more attractive window displays). More space also allows a store to offer a broader range of merchandise categories.

The Subway could also use more space. Quick-service eateries at other train stations often offer table seating.

The ubiquity of brands like Dunkin’ Donuts and Subway greatly weakens Union Station’s role as a gateway to a specific “place,” introducing and celebrating the city’s unique identity as well as providing a source of civic pride. In a city renowned for its “apizza,” home to icons like Frank Pepe, Sally’s and Modern, New Haven’s Union Station features Sbarro—an “Anywhere U.S.A.” mall staple. And instead of a long-time local institution such as Willoughby’s Coffee & Tea, or popular favorites like Woodbridge’s, Katz’s Deli, or Orange Street’s Nica Market,¹¹ Union Station offers Dunkin’ Donuts and Subway, which can be found in transit depots across New England.



Due to high levels of educational attainment, university communities often provide fertile ground for artisan “Third Wave” coffee bars.



Instead of Subway and Dunkin’ Donuts, Providence Station features Café La France, a loosely held local franchise that uses healthy, locally sourced ingredients for its tasty sandwiches, baked goods and caffeinated beverages.

Grand Central Terminal is instructive in this regard, not only for its soaring Main Hall but also for the local flavor of its retail mix. As of 2008, only 16 percent of its stores were national chains. Grand Central’s food court is filled largely with New York originals, like Junior’s, Mendy’s (of Seinfeld fame), Two Boots, and Café Spice.¹²

The long lines at Dunkin’ Donuts and Subway suggest that there is room for additional coffee and sandwich operators. New operators

11 Katz’s Deli Restaurant and Nica’s Market finished #1 and #2, respectively, in the *New Haven Advocate’s* 2012 Best of New Haven Readers Poll for “Best Sandwich”.

12 As according to interviews conducted by Andrew H. Sullivan of Harvard University’s John F. Kennedy School of Government for his Spring 2009 report entitled “Rail Station Renovation Studies: Recommendations for the Redevelopment of New York City’s Pennsylvania Station”, p. 17 and 38.

should be New Haven businesses. Indeed, the Stamford Transportation Center includes both a Dunkin' Donuts and the independent Java Joe's.

ADD NEW RETAIL CATEGORIES

Storefronts

In most cases, new categories and concepts should be tested first, under lower-risk conditions. They can, for instance, be added to the offerings of existing businesses or combined in new ones, or they can be introduced in non-permanent mobile formats. If they are successful, they can be considered for full-on storefronts.

For example, while New Haven's Union Station might not be able to sustain a standalone bookstore or even a mini-shop like the Barbara's Bestsellers in Boston's South Station, an expanded space for Union News could include a more modest selection of best-selling (high-turnover) titles, similar to the Hudson News model found in airports and rail stations. This concept could be implemented in partnership with a local operator like Atticus Bookstore.

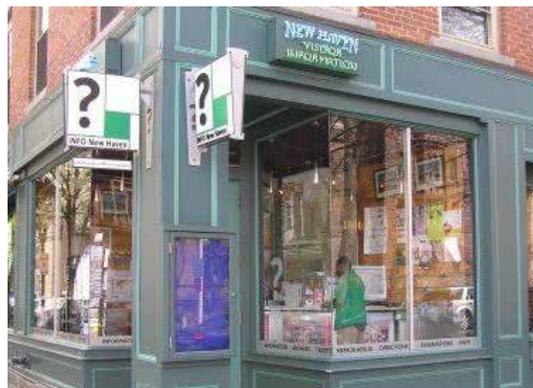
The second sandwich purveyor that offers prepared foods and ready-made meals could also serve as a "micro-grocery" and florist. The inclusion of these products will enhance convenience-driven sales to homeward-bound commuters during the evening rush. This would add another day-part to the store's revenue model.

While the potential for a stand-alone drinking establishment is limited, the second coffee purveyor could supplement its revenue and add a new day-part by including a small bar area that offers a more appealing atmosphere for alcohol consumption than the Sbarro.

One more storefront possibility is an "INFO New Haven/Welcome To New Haven" concept, operated by the Town Green Special Services District. This concept would consolidate and more fully develop the visitor resources currently scattered throughout the station. Yale University might lease space to sell licensed clothing and paraphernalia with the Yale insignia, and other local institutions and organizations might do the same. Such a use, would certainly contribute to Union Station's role as a gateway to the City.

Non-Permanent Mobile Formats

Non-permanent mobile formats, like carts and kiosks—known in the trade as "Retail Merchandising Units," or "RMUs"—offer an even lower-risk approach to testing new categories and concepts. RMUs can, through a "trial-and-error" process, be customized



The Town Green Special Services District already operates an "INFO New Haven" storefront at the high-visibility intersection of Chapel Street and College Street in the downtown core, and would therefore be a logical candidate to manage and staff a similar operation at New Haven's Union Station, assuming adequate funding could be secured.



With their role in energizing common areas, pushcarts were a key element of the original “festival marketplace” concept pioneered in the ‘70s and ‘80s by Benjamin Thompson and The Rouse Company at urban revitalization projects like Boston’s Faneuil Hall Marketplace (above) and Baltimore’s Harborplace, and have since become a standard feature of the suburban mall.



The Doc Popcorn franchise, which sells its signature snack in flavors such as “Sinfully Cinnamon” and “Hoppin’ Jalapeno,” operates in train-station settings, like Boston’s South Station and Philadelphia’s 30th Street Station. It offers both a fixed-location kiosk and smaller movable-cart model. It already has a presence in Connecticut, with locations at Mystic Aquarium, Lake Compounce and Danbury Fair Mall.

to—and only incur costs for—peak demand periods. In addition to facilitating greater variety in the retail mix and reducing barriers to entry for smaller (and more locally specific) businesses, their presence can also help to enliven the station itself and contribute to a more festive atmosphere.

RMUs can add to the food and drink offerings with meals, snacks and beverages that do not have the mass-market appeal or average ticket size justifying a full retail bay. Examples might include a taco stand or a popcorn stall; both products can easily be consumed on a train.

RMUs can also peddle certain convenience goods or impulse-driven specialty items, such as weather-related accessories or inexpensive costume jewelry. Finally, a concept often found in airport terminals, the massage “bar,” might be adapted to the train-station setting.

An emerging trend in non-permanent mobile retailing is the “Automated Retail Store” (ARS). The ARS interfaces with consumers by touch-screen, only accepts credit/debit cards, and often dispenses products via an internal robotic arm. Like a RMU, it offers a low-cost and low-risk retailing alternative and is easily unplugged and moved elsewhere, as necessary. ARS examples include RedBox (DVD and BluRay videos), Best Buy (electronics), and flowers.

Market Analysis and Merchandising Conclusions

There are near-term and long-term market opportunities at the Union Station Transportation Center. In the near term there is the market for increased store space and product diversity in and around the Station. Over the longer term as the Hill-to-Downtown neighborhood transforms (seven-plus years), the Transportation Center will be well-positioned for office, hotel and/or residential development. In all cases, care should be taken to improve Union Avenue’s pedestrian experience by incorporating active land uses on the ground floor of all new buildings constructed on Union Avenue.

UNION STATION TRANSPORTATION CENTER TRANSIT-ORIENTED DEVELOPMENT PLAN

The New Haven Union Station Transit-Oriented Development Plan includes a Re-Merchandising Strategy for the Station together with a Transit-Oriented Development Strategy for near-term development of Transportation Center land.

To craft the Transit-Oriented Development Plan, six project review meetings were held with City and State staff, including one with the Commissioner. State and City staff were presented with options, which were refined to produce the Re-Merchandising Strategy and Transit-Oriented Development Strategy. The Transit-Oriented Development Plan contained herein is a product of State and City collaboration.

The Plan satisfies State's and the City's mutual objectives for the Transportation Center:

- The Union Station Transportation Center is developed and managed in a manner that supports regional and commuter rail transportation goals and recognizes its role as a major gateway for New Haven.
- The Union Station Transportation Center contributes to the vitality of surrounding neighborhood by effectively planning for support functions like parking, taxis, buses and deliveries and pursuing transit-oriented development that strengthens the Union Avenue's appearance and pedestrian experience.
- Transit-oriented development is promoted at or near the Transportation Center to support transit, neighborhood revitalization, and the region's economic development.
- Near-term parking development is required to address increasing commuter demand and the waning supply of parking at auxiliary parking sites.
- A new management agreement is required to achieve these goals and allows the City "a seat at the table" to influence future transit center development and management decisions.

The Re-Merchandising Strategy



The Strategy

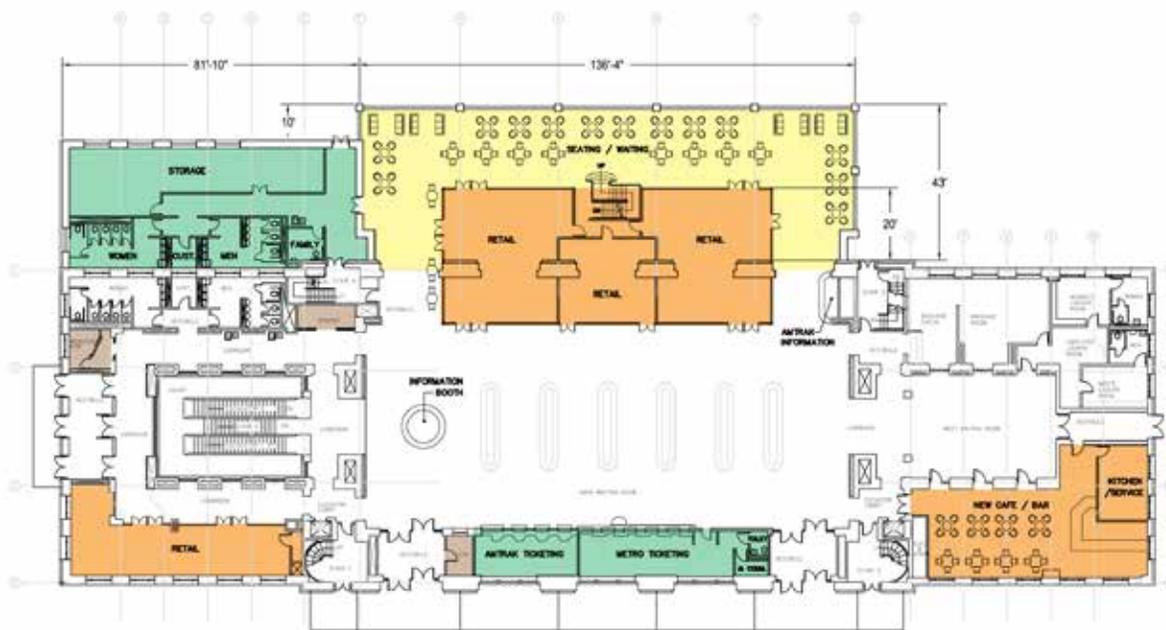
The Re-Merchandising Strategy upgrades the goods and services available in Union Station in order to enhance the passenger experience and reinforce Union Station’s role as a gateway to New Haven and Connecticut. The Re-Merchandising Strategy calls for the development of an Annex attached to the back of Union Station. The two-story Annex allows for deeper retail bays, provides additional passenger seating/waiting area, and introduces new access to the Station’s second-story balcony area. The Annex adds approximately 3,200 square feet of retail space and 5,750 square feet of new seating and waiting area. The 2,870 square foot, one-story Annex-Addition allows for additional restrooms and storage area to support Station operations.

The Annex is developed on what is now a surface parking lot between Union Station and the tracks. These parking spaces would be replaced in either the south/west lot or the new parking garage. The existing chiller system is re-located to accommodate the Annex. A 15-foot-wide roadway is provided between the Annex and the tracks to allow for pedestrian circulation and limited vehicular access.

In the Re-Merchandising Strategy, train-ticketing functions remain in the Main Hall, but they are flipped to its other side, where existing stores are located now. New store spaces are developed where the ticketing functions are currently.

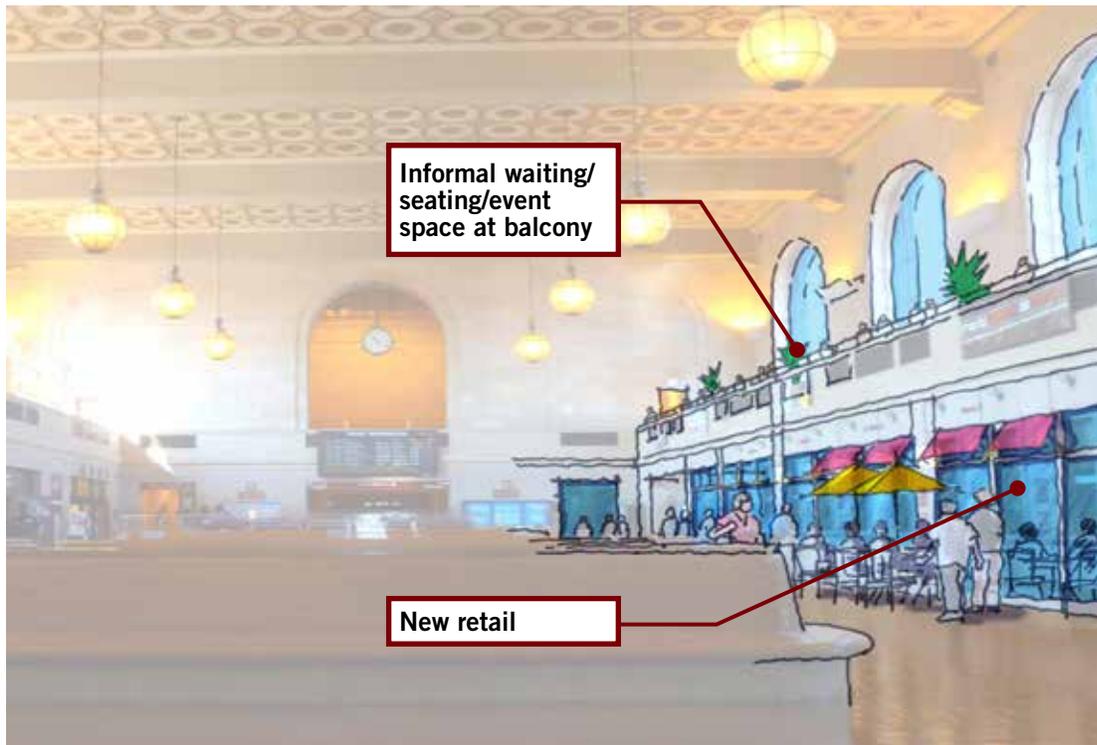
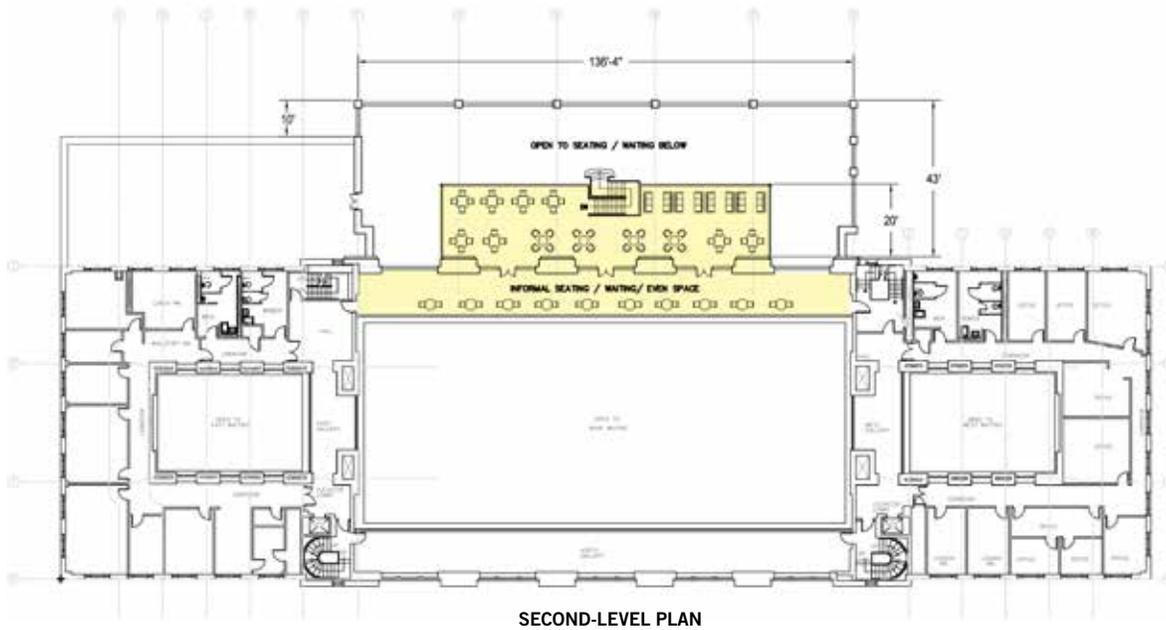
With this relocation, stores will occupy the most visible location in the Station. With the Annex, the relocation also allows for the stores to be larger to accommodate additional merchandise and/or seating.

The Re-Merchandising Strategy introduces new store space at the north/east end of the Station and a restaurant/bar at the south/west end of the Station. The new store space at the north/east end is 1,000 square feet. The restaurant/bar space is approximately 1,850 square feet and includes a full commercial kitchen. The restaurant/bar is understood to be a Station amenity and, as such, it is likely that prospective restaurateurs will need incentives to locate here.

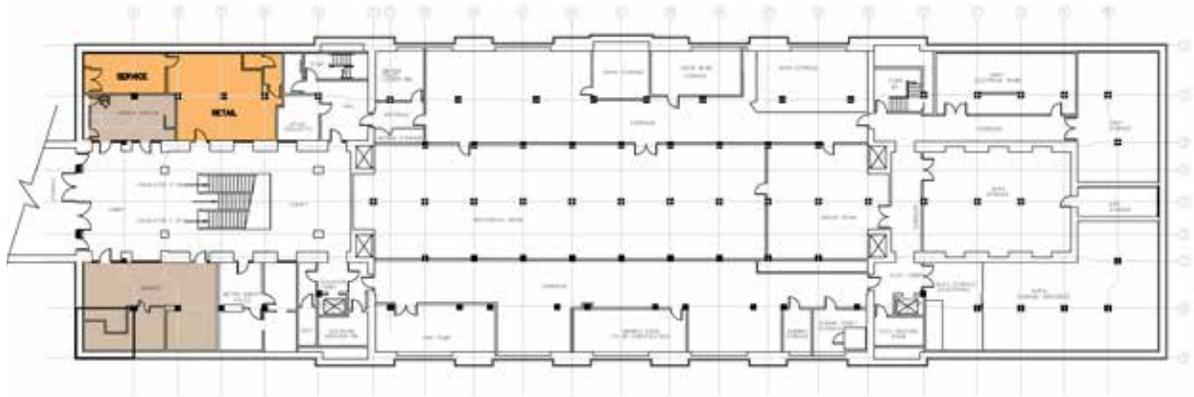


FIRST LEVEL PLAN

The two-story Annex contains stairs to access Union Station's track-side balcony. The balcony functions as an informal waiting and seating area as well as event space. The balcony will contain table seating and plenty of electrical outlets for laptop and cell phone use. The balcony is expanded by 2,000 square feet to allow for a better view of the tracks and oncoming north and southbound trains. The balcony can be used as event space available for private functions.



A new store is introduced on the lower level of Union Station next to the existing Dunkin' Donuts. This space currently contains the Amtrak lounge/room and ticket receiver. These uses move to second and third floor of the Station.



BASEMENT LEVEL PLAN

As part of Union Station's re-merchandising, non-permanent retail (like carts) and automated retail stores are encouraged. These uses can be located in the Main Hall where there is not retail frontage and/or on the lower level where the rail tunnels meet the Station.

Financial Implications

On a preliminary, order-of-magnitude basis, the estimated cost to implement the Re-Merchandising Strategy is \$4.4 million. This estimate includes \$300,000 to re-locate the Station's existing chillers. Approximately, 45 percent of this cost is related to retail-space development, with the remaining costs associated with Station improvements (like the one-story Annex addition for bathrooms and storage, balcony improvements and additional seating and waiting areas).

Rehabilitation Cost Estimate Re-Merchandising Strategy

	ESTIMATED SQ FT	COST/ SQ FT	TOTAL
STORE IMPROVEMENTS			
Restaurant/Bar Store Shell	1,850	\$200	\$370,000
Restaurant/Bar Store Tenant Improvements/Inducement	1,850	\$150	\$277,500
Ticketing in Existing Retail Space	950	\$150	\$142,500
Store Shells in Existing Ticket Booths/Annex Space	3,400	\$225	\$765,000
North/East Wing Store	1,000	\$200	\$200,000
Basement Store	1,200	\$200	\$240,000
Sub-Total Net New Store Space/Cost			\$1,995,000
STATION IMPROVEMENTS			
Ground-Level Seating/Waiting Area in Annex	3,750	\$225	\$843,750
Relocation of Station Chillers			\$300,000
Annex Single-Level Addition	2,870	\$225	\$645,750
New Balcony Area	2,000	\$225	\$450,000
Existing Balcony Access & Electricity	1,600	\$125	\$200,000
Sub-Total: Station Improvements			\$2,439,500
Total			\$4,434,500

Source: Milone & MacBroom; W-ZHA

This investment will create approximately 6,370 square feet of net new store space in Union Station. These new stores will generate approximately \$186,550 in net new revenue for the Station. Projected rental rates per square foot are lower than the Station’s per square foot rental rates because the stores will be larger than they are today. Given the cost to develop the new stores, the investment yield is 9 percent, which satisfies a typical private sector investment threshold of 8 percent.

New Store Revenue and Yield Re-Merchandising Strategy

ITEM	ESTIMATED SQ FT	BASE RENT*	ANNUAL REVENUE
Restaurant/Bar	1,850	\$30.00	\$55,500
Stores in Old Ticket Booths/Annex	3,400	\$45.00	\$153,000
North/East Wing Store	1,000	\$25.00	\$25,000
Basement Store	1,200	\$25.00	\$30,000
Less: Revenue from Existing Stores in the Main Hall	(1,080)		(\$76,950)
Net New Retail Space/Total Revenue	6,370		\$186,550

*All leases will include percentage rent for sales above a certain threshold.

Store Improvement Cost	\$1,995,000
Yield	9%

Source: W-ZHA

Transit-Oriented Development Strategy

The Transit-Oriented Development Strategy addresses future development of the Transportation Center site and its environs. The Transit-Oriented Development Plan reflects these assumptions:

- A near-term need exists for a parking garage containing at least 630 parking spaces.
- The Transportation Center must continue to accommodate local bus, intercity bus, and rental car services.
- The Transportation Center must allow for the efficient flow of buses, taxis, and service trucks.
- A site of at least 30,000 square feet must be available at the Transportation Center to accommodate future transit-oriented development.
- New development at the Transportation Center will provide active ground level uses on Union Avenue.

The Transit-Oriented Development Plan recommends that a new public parking garage be located immediately north/east of the Transportation Center's existing garage. The new garage will contain active ground level uses on Union Avenue frontage to improve the pedestrian experience along Union Avenue and contribute to the neighborhood's revitalization. The new parking garage will contain the rental car function to preserve prime surface parking spaces for Station tenants. The garage plan allows for relocation of the intercity bus function over the long term.

A transit-oriented development site is preserved both north/east of the new garage and at the Transportation Center's south/west surface lot. This affords the Transportation Center's Governing Body the flexibility to respond to future private market forces whether they be strongest for a location north/east- or south/west-end of the Transportation Center.

The Strategy assumes that as part of the developer solicitation for the construction of the new garage, developers would be encouraged not only to develop the garage but also to propose privately financed, transit-oriented development at or next to the New Haven Transportation Center. Those respondents incorporating transit-oriented development in their proposals would receive higher scores in proposal evaluations. The Strategy assumes that without private transit-oriented development, the program for the new garage would contain store space along Union Avenue.

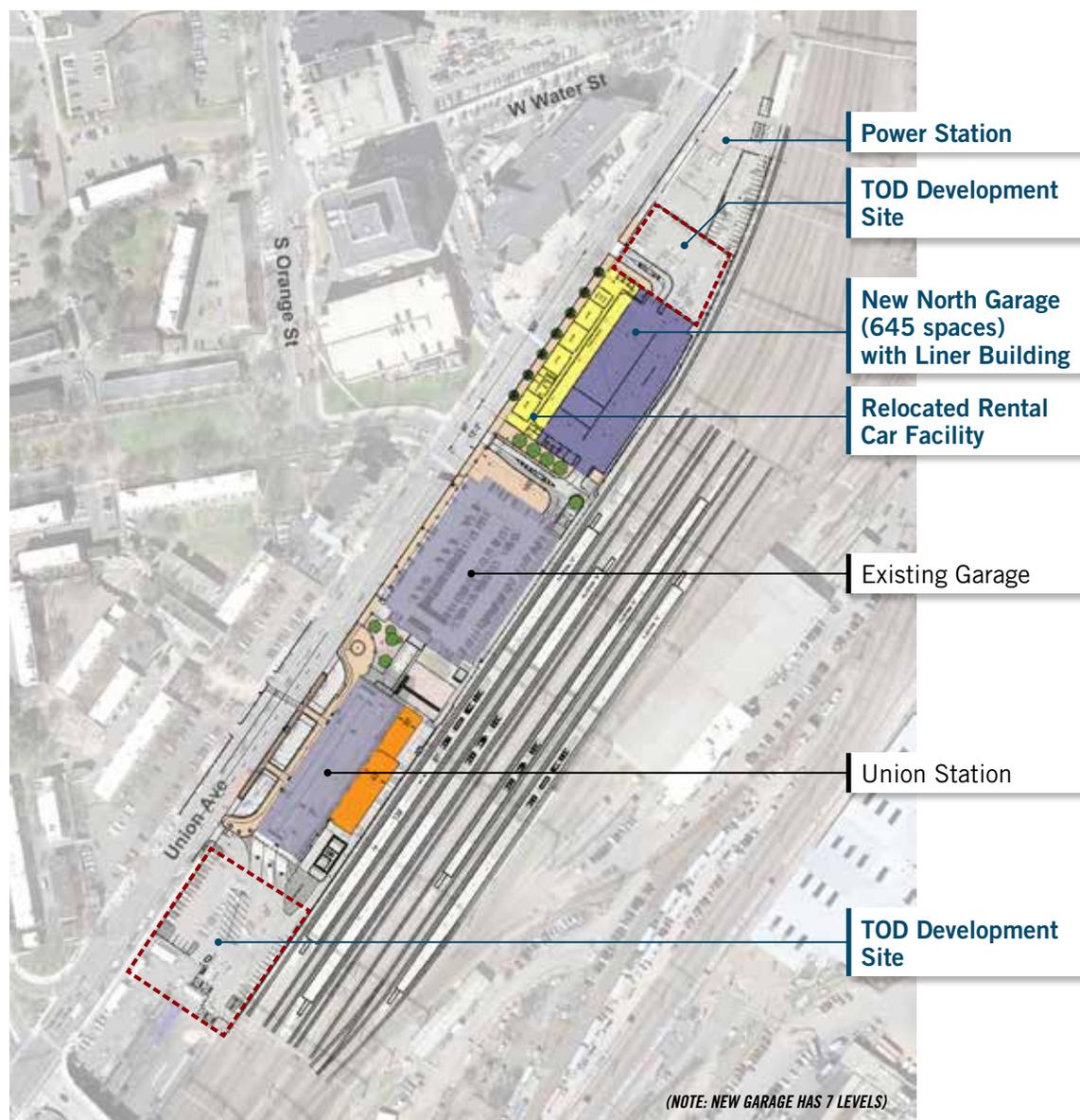
Two options are presented for near-term development. Both options incorporate active ground floor land uses on Union Avenue as part of the new garage's development. One option assumes development of a privately financed "liner" building in concert with development of the parking garage. The second option assumes that the parking garage is developed with ground-level store space on Union Avenue. In both options, rental car storage would move from the Transportation Center's south/west lot to the new parking garage.

Parking Garage With Liner Building

The Plan

Under this option, a privately financed, residential liner building is developed on Union Avenue with a 645-car parking garage behind it (which could be increased in size, if necessary). The garage is built on existing parking, resulting in 459 net new spaces. This solution preserves land both to the north/east and south/west for transit-oriented development.

The liner building and the garage are separate buildings under separate ownership. The residential units would either park in the garage or the adjacent surface lot. Vehicles enter the garage from the south/west and exit the garage from the north/east.





Financial Implications

Under this option, the liner building is privately financed and privately developed on Transportation Center land between the garage and Union Avenue. The Governing Body owns the garage. The garage costs less on a per-space basis because it does not need an attractive facade on Union Avenue. On a preliminary, order-of-magnitude basis, the cost to develop the garage under this option is \$14.8 million.

Garage Development Cost* Transit-Oriented Development/ Liner Building Option

ITEM		COST/SPACE	ESTIMATED COST
Garage	645 spaces	\$23,000	\$14,835,000
Retail	—	\$200	\$0
Total Cost			\$14,835,000

* Costs assume an open shop.

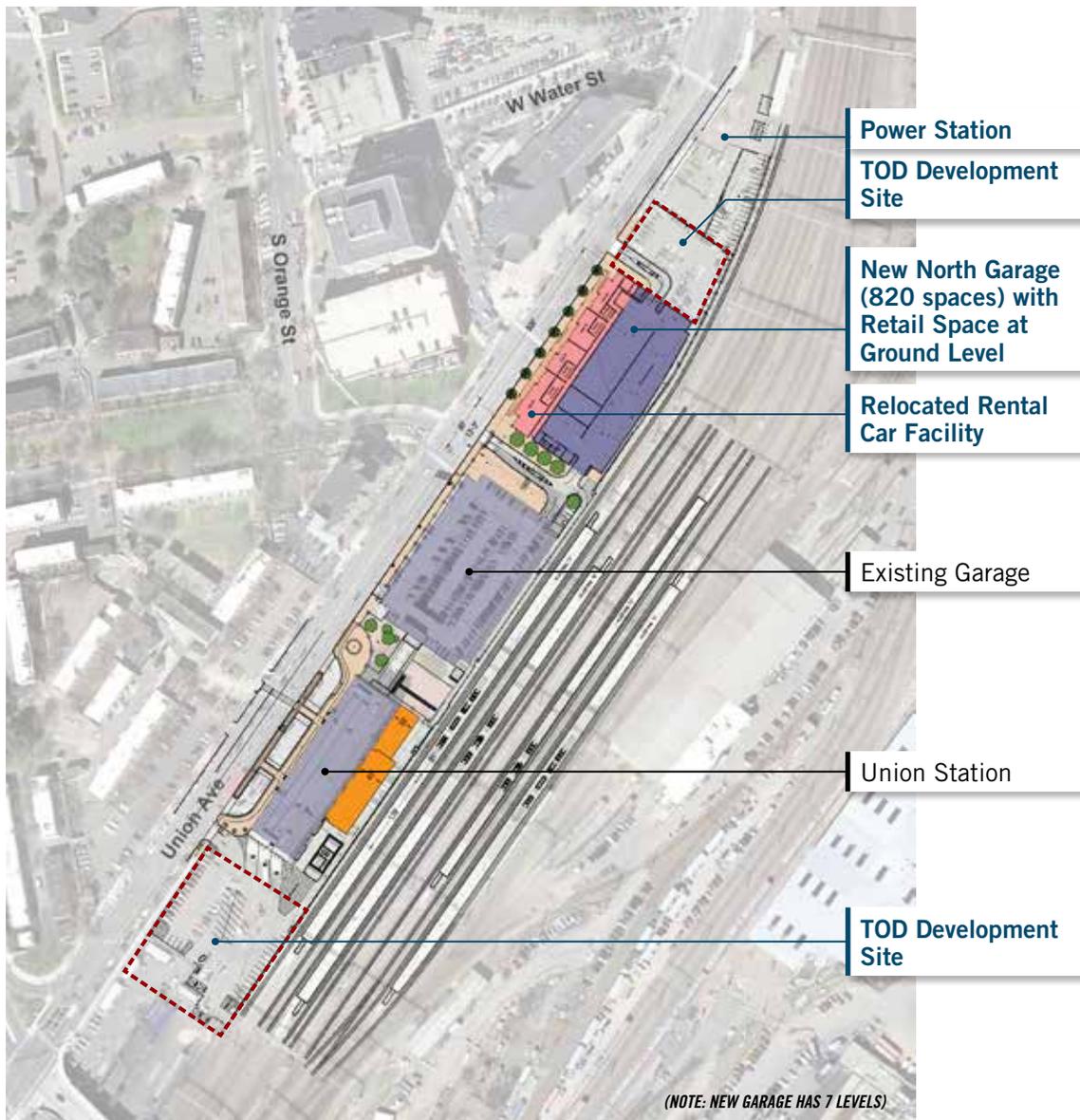
Source: Goody Clancy, W-ZHA

Parking Garage With Ground-Level Store Space

The Plan

If private development is not proposed in concert with the new garage's development, the garage will contain 9,000 square feet of store space. Because a portion of this site is in the floodplain, an elevated, parallel sidewalk will provide access to the store space. Owned by the Governing Body, this store space will be leased to private tenants, more than likely at below-market rents.

With ground-level retail only, the parking garage can accommodate 820 cars (which could be increased in size, if necessary). The garage is developed on existing parking spaces, resulting in 635 net new spaces.





Financial Implications

The 820-space garage's development budget includes the cost to develop ground-level retail/commercial space. The Governing Body owns the retail/commercial space. On a preliminary, order-of-magnitude basis, the garage is estimated to cost \$22.3 million under this Option.

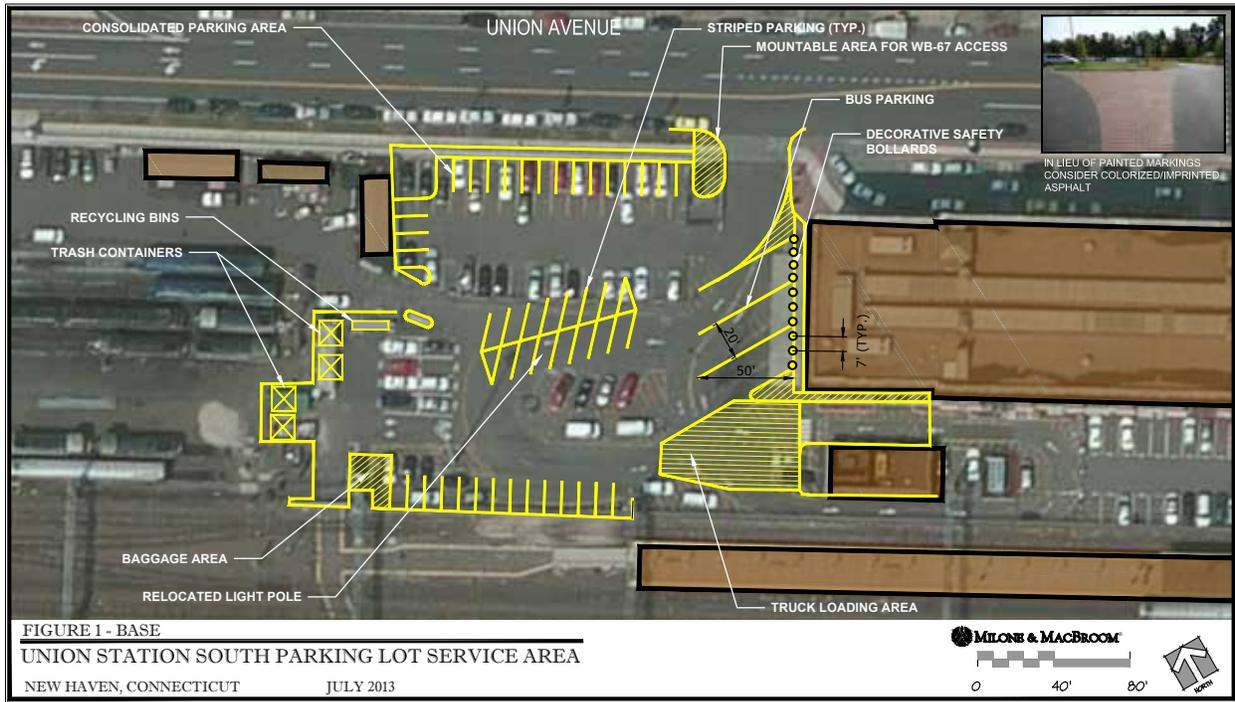
Garage Development Cost* Transit-Oriented Development/ Ground-Level Retail Option

		COST/SPACE	ESTIMATED COST
Garage	820 spaces	\$25,000	\$20,500,000
Retail	9,000 sf	\$200	\$1,800,000
Total Cost			\$22,300,000

* Costs assume open shop.

Source: Goody Clancy; W-ZHA

In the near term, the Transportation Center's south/west lot is re-striped to allow for more efficient access to and from the Station. Intercity buses would continue to park immediately outside the Station's south/west entrance. There are 41 reserved parking spaces in the south/west lot for tenant parking. The Plan also allows for efficient truck unloading and trash pick-up.



IMPLEMENTATION

Governance Options

A governance structure determines who makes policy, on what issues, and with what powers. A new governance structure for the Union Station Transportation Center is recommended. As noted in the *New Haven Union Station Transit-Oriented Development Information Package* (“information package”) from the JLL study,¹³ from a transit-oriented development perspective, the optimum management instrument should offer:

- City and State representation
- Efficiency in procurement and permitting
- The ability to issue and secure debt
- A dedicated source of revenue to implement short- and long-term projects that are consistent with the mission, even if not defined today
- Flexibility about financing

Four governing instruments were evaluated for the Union Station Transportation Center:

1. A Lease
2. A Municipal Development Agency
3. A Transit District
4. A New Haven Union Station Development Authority

A Lease

The Transportation Center is currently governed by a lease that was executed in 1982 (“The Lease and Funding Agreement”). A lease is a contract between parties and is typically used when there is a known, specific set of actions or items that the lease governs. When the Lease and Funding Agreement was signed in 1982, the specific actions were Station renovations, garage development and Station management.

A lease does not represent the best governing instrument for the Transportation Center in the future because it is not particularly flexible. To implement the Plan the new garage must be developed, the Station re-merchandised, and transit-oriented development pursued. These activities will require that the Governing Body have the ability to respond to conditions as they change.

Another shortcoming of a lease is that it does nothing to improve the efficiency of the procurement process. Each party to a lease must follow its own procurement procedures. Finally, a lease, in and of itself, does not empower the Governing Entity to issue or secure debt.

¹³ Prepared by Joseph Fasi, attorney, as part of the JLL Study.

A Municipal Development Agency

Municipal Development Agencies have the statutory authority to develop real property and to respond, as needed, to the exigencies of a multifaceted, evolving concept. However, such agencies, and the statutes authorizing them, are really designed to “assemble and dispose of land.” The statutes require that the sale or lease of land occur “at fair market or fair rental value.” This prohibits the agency from writing down land value as an incentive to private, transit-oriented development.

The City appoints the Municipal Development Agency board, which may or may not include State representation. The State must be represented and hold a majority position on the board of the Union Station Transportation Center.

Chapter 103a Transit Districts

Chapter 103a of the General Statutes authorizes municipalities to create transit districts for the provision of transportation services and infrastructure. Projects authorized to be constructed in the Transit District are limited to transportation facilities. A mixed-use, transit-oriented development is not a transportation facility, so a transit district is not a viable vehicle for implementing transit-oriented development.

A Development Authority

A development authority satisfies all of the governance objectives. The development authority’s purpose would be to manage the Transportation Center as a premiere transportation facility and to encourage transit-oriented development in and around the Transportation Center. A development authority can be flexible, it can bond, its board can be appointed by the City and State, and it can enter into public/private partnerships.

Special legislation would be required to create the Union Station Transportation Center Development Authority. The Authority would possess all the powers necessary to plan, finance, build, operate, manage, and preserve a transit-oriented development community in the “New Haven Union Station District.”¹⁴ The District would be defined as the Union Station Transportation Center as well as, potentially, property within easy walking distance of Union Station.

The Board would be appointed by the City and State with a majority of the seats appointed by the State.

¹⁴ Powers to be modeled after the Capital City Economic Development Authority (Adriaen’s Landing) Section 32-602.

Implementation Steps

The Development Authority must undertake three key initiatives to guide the evolution of the Union Station Transportation Center.

Step 1: **Build a New Parking Garage (and Ancillary Station Improvements) and Re-Merchandise the Station**

Step 2: **Leverage Transit-Oriented Development**

A new parking garage is necessary to maintain and increase transit ridership at Union Station. The Development Authority will own the new parking garage and set parking rates. The garage can be financed with a revenue bond or State transportation funds. For purposes of this analysis, a Development Authority revenue bond is assumed. A third-party Transportation Center Manager will operate and maintain the garage(s) on behalf of the Development Authority.

The Transportation Center Manager will also be responsible for implementing the Re-Merchandising Strategy. Firms experienced in facility management possess a network of tenant contacts and are expert in marketing, management, and lease negotiations. The Transportation Center Manager would be responsible for recruiting tenants, overseeing design and construction, negotiating lease terms, and maintaining the Station under the specific terms of the contract with the Development Authority. Typically, facility management agreements include a base management fee with incentives for strong performance (as defined by the Governing Body).

The Transportation Center Manager will develop a capital improvement program and budget to implement the Re-Merchandising Strategy. The Development Authority will approve the program and capital budget. The capital improvements called for in the re-merchandising strategy will be funded by the State and reimbursed with interest from Transportation Center revenue. The Transportation Center Manager will oversee the construction process.

The Development Authority will pursue transit-oriented development at the Transportation Center or, depending on the terms reached in the MOU and legislation, the Authority could also pursue transit-oriented development within walking distance of the Transportation Center. Because transit-oriented development typically requires public/private financing, a portion of the Transportation Center's cash flow will be reserved to support private, transit-oriented investment.

Rail operation and maintenance will continue to be the State's responsibility.

Implementation Timing and Financing

Parking Garage Overview

Union Station Transportation Center's governance structure has an impact on the timing of garage implementation. According to the Lease and Funding Agreement that currently governs the Union Station Transportation Center's operations, the New Haven Parking Authority is to manage the facility (the Station and its parking) through June 30, 2017. The existing Lease and Funding Agreement will either have to be extended or replaced to construct the new parking garage before July, 2017.

As the Action Plan details, if immediate steps are taken to execute an MOU and establish a New Haven Union Station Development Authority, ground-breaking for the new garage could take place as early as October 2014.

Re-Merchandising Overview

In addition to the governance structure, lease provisions among existing tenants in Union Station impact when the re-merchandising strategy can be implemented. Some existing leases inure tenant occupancy rights through June 30, 2017. Specifically, the Subway and Dunkin' Donuts leases provide the lessees a right of first refusal for food and beverage services in Union Station's Main Hall through June 30, 2017. Because the Annex will introduce new store space to the Main Hall, these right-of-first refusal provisions force the Annex's completion to after June 30, 2017.

Some re-merchandising initiatives can take place before July 2017, however. Assuming that the governance structure is replaced by June 2014, the Transportation Center Manager will be able to negotiate leases for the new store spaces in the Station's north/east wing, south/west wing, and basement.

If the Lease and Funding Agreement remains in force through June 30, 2017, any new lease before this date would have a termination date of July, 30, 2017. Leases with a term of less than five years are not conventional, and it is unlikely that a tenant would be willing to fit out space with such a short lease term. Therefore, with the Lease and Funding Agreement in place, new store spaces would likely not be occupied until after June 30, 2017.

Action Plan

The first step in the Action Plan is agreement among the involved parties to establish a New Haven Union Station Development Authority governance structure to supersede the Lease and Funding Agreement. A Memorandum of Understanding among the State of Connecticut, the City of New Haven, and the New Haven Parking Authority will be executed that defines the fundamentals of the new governance structure. The MOU will also set out an action plan detailing each party's role and responsibilities for the period between MOU execution and the time when the Lease and Funding Agreement is superseded by the Development Authority. It is assumed that the New Haven Union Station Development Authority will be in place by June 2014.

The MOU will establish a Transportation Center Committee made up of State and City representatives. State representatives will account for the majority of the Committee. The Transportation Center Committee will immediately draft a Request for Proposals for Transportation Center Development and Management and Transit-Oriented Development.

The private sector will be solicited to implement the Transit-Oriented Development Plan on behalf of the Development Authority. Responsibilities include the design and construction of the new garage, implementing the Re-Merchandising Strategy and Transportation Center maintenance and management. The Transportation Center’s cash flow will pay the management fees and expenses. The RFP will encourage respondents to include privately financed, transit-oriented development as part of their proposal.

The new garage will be a turnkey development funded by the Development Authority through a revenue bond secured by the Union Station Transportation Center’s existing and future cash flow. Assuming the Request for Proposals is issued in the fall of 2013, a Transportation Center Manager can be on-board by early 2014. Project design can, thus, occur in the spring and summer of 2014 with garage ground-breaking in October 2014.

The Transportation Center Manager will also be tasked with implementing the \$4.4 million Re-Merchandising Strategy. This includes design, capital budgeting, tenant recruitment, construction oversight and management. The capital improvements within the Station will initially be funded with State transportation funds. The State transportation funds will be paid back to the State using the Transportation Center’s future cash flow.

Financing

The larger parking garage with 820-spaces and 9,000 square feet of retail is estimated to cost \$23.4 million to develop (including construction interest).

At a 1.8 debt-coverage ratio, the Transportation Center’s existing cash flow is sufficient to support a \$23.4 million bond.

Parking Garage Financed Via Revenue Bond Parking Operations at Union Station Transportation Center (2012 \$s)

Parking Garage Costs		\$22,300,000
Construction Interest	5.0%	\$1,115,000
Total Bond		\$23,415,000
Debt Service		\$1,722,900
<i>Term</i>	20	
<i>Interest Rate</i>	4.0%	
2012 Existing Parking Operations Net Operating Income		\$3,093,390
Debt Coverage		1.80

Source: New Haven Parking Authority; W-ZHA

**Union Station Parking System Projected Cash Flow
Transportation Center with New 820-Car Garage (\$000's)**

Revenue Inflation: 2.0%							
Expense Inflation: 2.0%							
	DEVELOPER SOLICITATION	DESIGN/ CONSTRUCT ¹	CONSTRUCT/ BEGIN OPERATIONS ²	STABILIZED OPERATIONS ³			
EXISTING GARAGE	2013	2014	2015	2016	2017	2018	
Revenue	\$5,013	\$4,906	\$5,304	\$8,268	\$8,433	\$8,602	
Expenses	(\$1,858)	(\$1,895)	(\$1,933)	(\$1,971)	(\$2,011)	(\$2,051)	
Net Operating Income	\$3,155	\$3,011	\$3,372	\$6,296	\$6,422	\$6,551	
Debt Service			(\$448)	(\$1,828)	(\$1,828)	(\$1,828)	
Cash Flow	\$3,155	\$3,011	\$2,923	\$4,468	\$4,594	\$4,722	

¹ During construction revenue from redeveloped surface parking spaces is lost. Assumed lost spaces have no impact on operating expenses.

² Assumes revenue generated from new garage for a quarter of the year.

³ First full year of operations with 1,780 parking spaces.

Source: New Haven Parking Authority, Financials for Parking Year-End 2012, W-ZHA

For purposes of this analysis, even with private management, it is assumed that the Station's operating expenses will remain as they are today. The cash flow projections for the Transportation Center reflect the following assumptions:

2014	<ul style="list-style-type: none"> • Execute a Memorandum of Understanding • Establish the Union Station Development Authority • Merchandising Strategy refined and approved by Development Authority • Capital Budget approved by Development Authority • Station marketing
2015	<ul style="list-style-type: none"> • Restaurant tenant identified and lease negotiated • Restaurant design complete • Basement store and north/east store tenants identified and leases negotiated • Basement store and north/east store design complete • Loan from State to construct basement store, north/east store and restaurant (4% over 20 years after construction) • Restaurant, basement store, north/east store construction commences • Annex design and approval process underway
2016	<ul style="list-style-type: none"> • Restaurant, basement store and north/east store construction with second Quarter operations • Annex design and approval process complete

2017	<ul style="list-style-type: none"> • Restaurant, basement store and north/east store full year of operation • Annex construction commences • New ticket booths and Main Hall retail construction after 7/1/2017
2018	<ul style="list-style-type: none"> • Annex opens end of 1st quarter 2018 • Union Station re-merchandising fully operational

The Transportation Center’s operation can cover the costs of the new parking garage and the re-merchandising strategy. In addition, there is sufficient cash flow to support future transit-oriented development at or near the Transportation Center.

**Union Station Transportation Center Cash Flow
With Re-Merchandising Improvements and Additional Parking Cash Flow (\$000’s)**

Revenue Inflation: 2.0%							
Expense Inflation: 2.0%							
						STABILIZED	
	2013	2014	2015	2016	2017	2018	2019
Station Revenue	\$1,647	\$1,680	\$1,714	\$1,757	\$1,784	\$1,877	\$1,947
Station Expenses							
<i>Staff</i>	(\$883)	(\$901)	(\$919)	(\$937)	(\$956)	(\$975)	(\$995)
<i>Operations</i>	(\$1,023)	(\$1,044)	(\$1,065)	(\$1,086)	(\$1,108)	(\$1,130)	(\$1,152)
<i>Admin Fee</i>	(\$437)	(\$446)	(\$455)	(\$464)	(\$474)	(\$483)	(\$493)
<i>Design Services</i>			(\$900)				
Total Operating Expenses	(\$2,344)	(\$2,391)	(\$3,339)	(\$2,487)	(\$2,537)	(\$2,588)	(\$2,640)
Station Net Operating Income	(\$697)	(\$711)	(\$1,625)	(\$730)	(\$753)	(\$711)	(\$693)
Debt Service on Station Improvements				(\$35)	(\$70)	(\$255)	(\$316)
Station Cash Flow	(\$697)	(\$711)	(\$1,625)	(\$765)	(\$823)	(\$966)	(\$1,009)
Parking Cash Flow	\$3,155	\$3,011	\$2,923	\$4,468	\$4,594	\$4,722	\$4,138
Transportation Center Cash Flow	\$2,458	\$2,300	\$1,298	\$3,703	\$3,771	\$3,757	\$3,128

Source: New Haven Parking Authority, Financials for Parking Year-End 2012; W-ZHA