WASHINGTON
UNION STATION
STATION EXPANSION

Draft Environmental Impact Statement for Washington Union Station Expansion Project

Appendix A3c – Final Concept Development and Evaluation Report Appendix C: *Supporting Retail Information for Concept Development*

U.S. Department of Transportation
Federal Railroad Administration

July 13, 2016

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WASHINGTON
UNION STATION
STATION EXPANSION

Appendix C

Supporting Retail Information for Concept Development

Task 2.3C

July 13, 2016

Contents

Introduction

This report evaluates the retail component of current concepts based on project design goals established at the outset of the Station Expansion Project (SEP). This report includes three sections:

- Project design Goals and Objectives – This section outlines overall project goals detailed in the Purpose and Need Statement as they relate to retail uses.
- Retail Principles – This section summarizes retail principles defined in the Retail Market Demand Analysis (Task 2.2D) which, in coordination with project goals, supported the design of retail space.
- Evaluation of Current Concepts – This section evaluates the merits of the retail plan for the current concepts according to project design goals and the principles for successful retail. This section describes strategies to mitigate challenges and maximize retail value.

Retail at an expanded Union Station is intended to serve as a passenger amenity as well as a source of revenue. There is currently 206,000 square feet of retail space in Washington Union Station (WUS), with demand for retail space expected to increase in coming years with the growth in the number of transit users as well as nearby residents, workers, and visitors. The SEP presents an opportunity to generate additional revenue.

The market analysis completed as part of the Retail Market Demand Analysis (Task 2.2D) found potential to support 60,000 to 105,000 square feet of additional retail space at the Station Expansion. Of the total increase in retail square footage, about 19,000 square feet can be attributed directly to demand from projected growth in the number of transit passengers based on preliminary future ridership estimates from December 2015. The remaining 41,000 to 86,000 square feet could be supported by growth in the number of nearby residents, employees, and tourists assuming the completion of all planned office, residential, and retail development in the analysis' trade area.

The concepts under consideration envision either 60,500 or 81,500 square feet of retail space in a new Lower Concourse, depending on whether additional below grade tracks are included in the SEP. Of the total new retail space planned on the Lower Concourse, 22,000 square feet would be located below Concourse A, 31,000 square feet would be located along the Central Concourse, and 18,000 square feet would be located along the First Street Concourse. An additional 11,000 square feet would be located at the entrances to the Station at First and Second Streets. Under a scenario in which ABGT are included within the SEP, a block of retail space is removed in the Lower Level Concourse to accommodate access to the below grade tracks. As a result, total new retail space under a high-speed rail scenario is 60,500 square feet rather than 81,500 square feet.

The ABGT is no longer being considered as a project element. Please refer to the Executive Summary for a description of the current status of the ABGT options.

In addition to the Lower Concourse, a new Concourse A Mezzanine could be created as part of the SEP in the "Bus on South" option, and contain 10,000 square feet of retail space. The Concept A Mezzanine, which would be located completely above Concourse A and would connect Concourse A to a new bus terminal, would not be possible under any other bus concept under consideration. If the Concourse A Mezzanine is built, total retail space in the SEP would be 91,500 square feet.

New retail space would primarily serve as convenience retail for passengers, but areas featuring the most visibility and foot traffic have the potential to become draws for those living and working in the neighborhood and those visiting the area. New retail space in the Lower Level Concourse A would have the most visibility and could become a central gathering area, which could attract destination stores and sit-down restaurants. The First Street Concourse would be a key thoroughfare for travelers connecting between intercity rail and Metro, and could therefore attract convenience retail stores that serve transit users. The Central Concourse, which would have lower pedestrian activity than other corridors, would depend on uses that can draw people to this area of the Station. Retail space at new Station entrances at First Street and Second Street present an opportunity to draw nearby residents and workers from NoMa and H Street, strengthening the integration of the SEP with those neighborhoods. The H Street Concourse would not contain any retail since the area would be occupied by passenger waiting areas and vertical circulation to train platforms. The primary design goal along the H Street Concourse is to provide unencumbered sightlines that allow for clear passenger wayfinding.

The Concourse A Mezzanine, would be visible from the Station and offer potentially interesting views down to Station activity, making it a potentially appealing location for sit-down restaurants and other food & beverage services.

When fully occupied, new retail space has potential to generate between $6.5 and $10.2 million in additional income annually assuming construction of both the Lower Concourse and the Concourse A Mezzanine. Current retail rents in WUS range from approximately $75 to 125 per square foot. Using this pricing as a base and applying adjustments to planned retail space based on location, anticipated tenancies, and foot traffic, this study estimates average rents across all new retail space to be $100 to $110 per square foot (triple net) in current dollars. However, rental rates will vary significantly between locations, with some retail spaces better positioned than others. For example, retail on the Lower Concourse located near Metro would likely experience heavy foot traffic, allowing tenants there to achieve higher sales and, as a result, pay a higher rent per square foot.

In advancing the concepts, key elements that need to be considered include loading and ventilation to accommodate retail uses. Retail concepts that include commercial space below grade and beneath railroad tracks will pose design challenges that must be addressed. Specifically, design must incorporate means to load goods in and out of the lower level of the SEP as well as provide proper ventilation of spaces to allow for food services.

Retail Goals and Objectives

The following goals are based on the initial Partner Workshops and overall project design Goals and Objectives:

- **Support a world-class railroad station for the National Capital Region.** Retail can support the SEP as a world-class railroad station in three key ways:
    - Retail functions as a passenger amenity, enhancing the experience of those travelling through the Station
    - Retail activity promotes vibrancy and creates a more dynamic and exciting environment, particularly when integrated with open space
    - The leasing of retail space provides a primary source of revenue generation to support ongoing station operations

- **Support improved connectivity along transportation nodes.** For passengers transferring between transit modes, retail serves as a key amenity. Providing adequate retail space improves the experience of passengers connecting through the SEP and enhances the quality of the overall transit trip.

- **Provide better integration between SEP and its surrounding neighbors, and planned future development.** Retail within SEP can enhance the connection between it and surrounding neighborhoods. SEP stores and restaurants can draw nearby workers and residents who are not necessarily using the SEP for transit purposes. In particular, retail can better attract those living and working in NoMa and H Street neighborhoods, both poised to grow significantly in the years to come.

- **Preserve and maintain the historic Washington Union Station.** While retail stores occupy a significant amount of space in the existing WUS, they are designed to integrate and complement the historic nature of the building. The development of new retail space in the SEP should maintain this focus on preserving the historic aspects of the WUS.

Retail Principles

The report from Task 2.2D outlined the following retail design principles, which have guided the SEP concepts and will remain informative for subsequent stages of design. These principles are summarized below.

- **Successful retail requires visibility and high levels of foot traffic.** This principle is already evident in the existing WUS, with heavily trafficked areas such as Concourse A and the western side of WUS commanding higher rents than the mezzanine retail and eastern side of WUS. Retail in the SEP should be located in areas with high visibility and foot traffic to best position stores for success and create the strongest opportunity for revenue generation and amenities for users of WUS.

- **Retail within the SEP can become a destination by providing a compelling offer that draws residents from the neighborhood and around the District.** Existing retail at WUS competes with urban retail centers throughout the region such as Chinatown, Georgetown, and Fashion Centre at Pentagon City. Additionally, the retail environment surrounding WUS is becoming increasingly competitive with the continued growth of retail concentrations in areas such as the 14th Street Corridor and CityCenter DC. Remaining a competitive retail location into the future will require the SEP to build identity through a compelling mix of retail that is unique to Washington, D.C. In doing so, the SEP has the potential to capture spending potential from passengers and others from throughout the District.

- **Retail can be distinguished by including signature destinations and cultural venues that create activity during the day, evening, and weekends.** While transit riders are the core users of WUS, other consumer groups make up a significant portion of the demand for retail space. The growing number of residents and workers near WUS as well as the increasing number of visitors coming to Washington, D.C. each year offer an opportunity to capture increasing spending potential and create a vibrant destination, particularly during off-peak transit hours. The development of a signature destination or cultural venue will help attract these consumer groups.

- **Retail requires not only a compelling tenant mix, but excellent visibility and easy access to the diverse consumer group envisioned for the SEP.** The Lower Concourse in the SEP is envisioned to be located underneath trains and, therefore, would need to have easy and highly visible access from the street as well as inside/near the historic Station in order to capture consumer groups beyond transit riders.

Evaluation of Current Concepts

New retail space in the current concepts would be located in a new Lower Concourse level beneath the existing railroad tracks. Additionally, if built, a new Concourse A Mezzanine would include new retail space as well. Figure C-5 and Figure C-6, which follow this section of the report, show the Lower Concourse level of an expanded Station and identify the location of new retail. Figure C-7 shows the Concourse A Mezzanine. This report considers the following in evaluating the current retail concept:

- Existing Retail Space
- New Retail Space
- Potential Tenanting
- Revenue Potential
- Design Requirements
- Impact of Other Design Elements
- Other Retail Strategies Considered but Not Carried Forward

Existing Retail Space

Under all current concepts for the SEP, existing retail remains largely the same with the exception of a small amount of space in Concourse A. WUS currently has approximately 206,000 SF of retail space. While the majority of existing space would remain unchanged, the expansion of Concourse A and the need for it to accommodate a larger number of people passing through the SEP requires the elimination of approximately 7,000 SF of existing retail space.

Retail space in the historic portion of WUS is not proposed to change. Preserving and maintaining the historic aspects of the WUS building is a critical goal of the SEP.

New Retail Space

Total retail space proposed for the SEP ranges between 60,500 and 91,500 SF, in line with the estimated future demand for an additional 60,000 to 105,000 SF projected in the Retail Demand Analysis. There are six blocks of new retail space proposed to inhabit the Lower Concourse level as well as one block in the Concourse A Mezzanine, as shown in Figure C-1. The largest blocks of space are located along Lower Level Concourse A, on the First Street Concourse, and on the Central Concourse. Smaller spaces are located at the WUS entrances planned for Second Street and First Street and would be visible to surrounding neighborhoods. In SEP plans that include capacity for ABGT, Block Four of retail space along the Central Concourse is removed to accommodate access to the high-speed platform. As a result, total new retail space in the Lower Concourse under an ABGT scenario is 60,500 SF rather than 81,500 SF. The H Street Concourse, which would run beneath H Street between First Street and Second Street, would not contain any retail since space along the Concourse would be occupied by waiting areas for MARC, VRE, and Amtrak passengers as well as areas for vertical circulation to train platforms. As an entry and exit point to train platforms, the primary design goal along the H Street Concourse is to provide unencumbered sightlines that allow for clear passenger wayfinding. In addition to the Lower Level Concourse, the Concourse A Mezzanine could have an estimated 10,000 SF of retail space if built.

Tenanting

The type of tenant best suited for each block of new retail space would be driven by the location of retail space within the SEP, its relationship to other retail nodes, expected pedestrians flows through the SEP, and market demand. Based on the findings of previous market demand analysis and understanding of potential pedestrian flow, this report identifies a possible retail tenanting program for new space in the SEP. Figures C-2 and C-3 present a potential retail program.

Figure C-1 | New Retail Space in the Station Expansion Project

Retail Space	Location	Total Retail Space (SF)
Block One	Lower Level Concourse A	22,000
Block Two	First Street Concourse	18,000
Block Three	Central Concourse	10,000
Block Four*	Central Concourse	21,000
Block Five	Second Street Entrance	7,000
Block Six	First Street Entrance	3,500
	Total	**81,500**
Block Seven**	Concourse A Mezzanine	10,000
	Total	**91,500**

**This retail space does not exist in a scenario including below grade tracks*
***This retail space is possible only as part of the "Bus on South" concept*

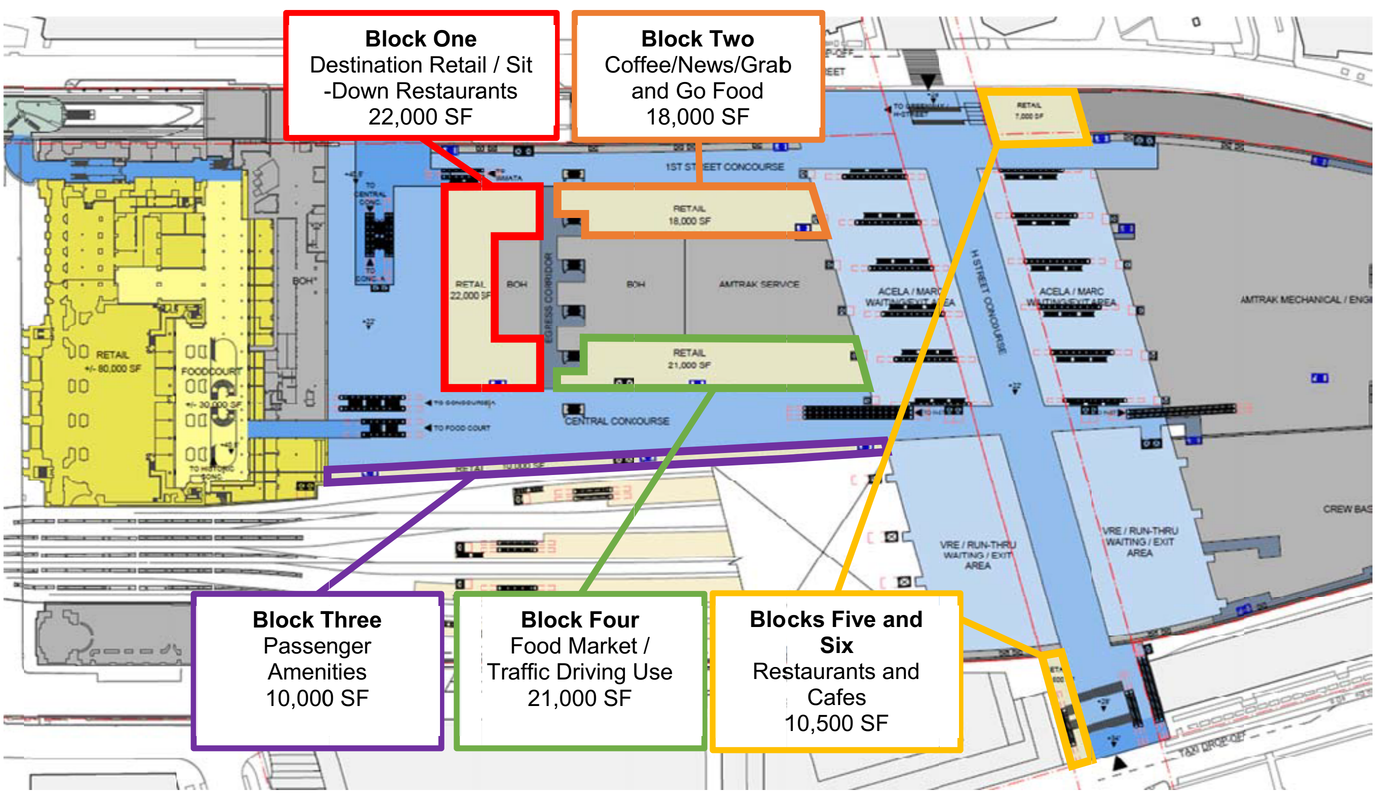
While this report identifies a potential proposed retail program, there are a number of factors that would impact future tenanting in the SEP. In addition to location, the ultimate tenant mix will be driven by market conditions at the time of lease-up, quality of interior finishes and common areas, consumer preferences at the time of lease-up, and a merchandising vision established by the owner or master developer of the SEP retail space.

Block One presents the most potential to attract destination retail and sit-down restaurants, and builds on the existing mix of destination retail. Similar to the high visibility of the below grade food court in the existing WUS through large floor cuts at the staircases, retail in Block One would have significant visibility through large floor cuts in Concourse A that provide access below. Block One fronts the Lower Level Concourse A, which provides it with visibility and foot traffic that position it well to accommodate destination retail and/or sit-down food and beverage establishments. These establishments could draw the spending potential of both passengers and non-passengers. Additionally, integration with the common area in Lower Level Concourse A can help create a central gathering point that enhances vibrancy and establishes identity within the SEP.

Retail in Block Two fronting the First Street Concourse should be targeted primarily toward transit users. Given that the First Street Concourse would have a large number of pedestrians passing through to make connections between Metro and intercity rail as well as local residents and workers passing through to reach these modes, Block Two would cater to transit users on the move. Retail in this area would likely consist of coffee shops, grab and go food options, and newsstands.

Retail space in Block Three is well-positioned to house passenger amenities. Pedestrian flow through the Central Concourse is expected to be lower than other SEP corridors and the block has store depth that will not appeal to many retailers. As a result, marketability of this space would be lower than other retail spaces and achievable rents would likely be lower. Passenger amenities that passengers would seek out such as car rental facilities, ticket offices, and tourist information desks should be located in this area.

Figure C-2 | Potential Retail Program for a new Lower Concourse Level without ABGT tracks



Because the Central Concourse would have lower foot traffic than other corridors, success of retail in Block Four would depend on anchor uses that can attract people to this area of the Station. Potential uses include a market that offers fresh foods and grocery items as well as prepared foods. This type of use could also draw nearby residents and visitors as well as transit users passing through the SEP.

Block Five and Block Six are positioned to leverage visibility and connections to surrounding neighborhoods as restaurants or cafes. The location of retail spaces at the entrance to the Station from NoMa and H Street offers the opportunity to strengthen the connection between the SEP and those neighborhoods. Popular local food and beverage establishments could draw nearby residents and workers to the Station while also serving the needs of transit users and visitors.

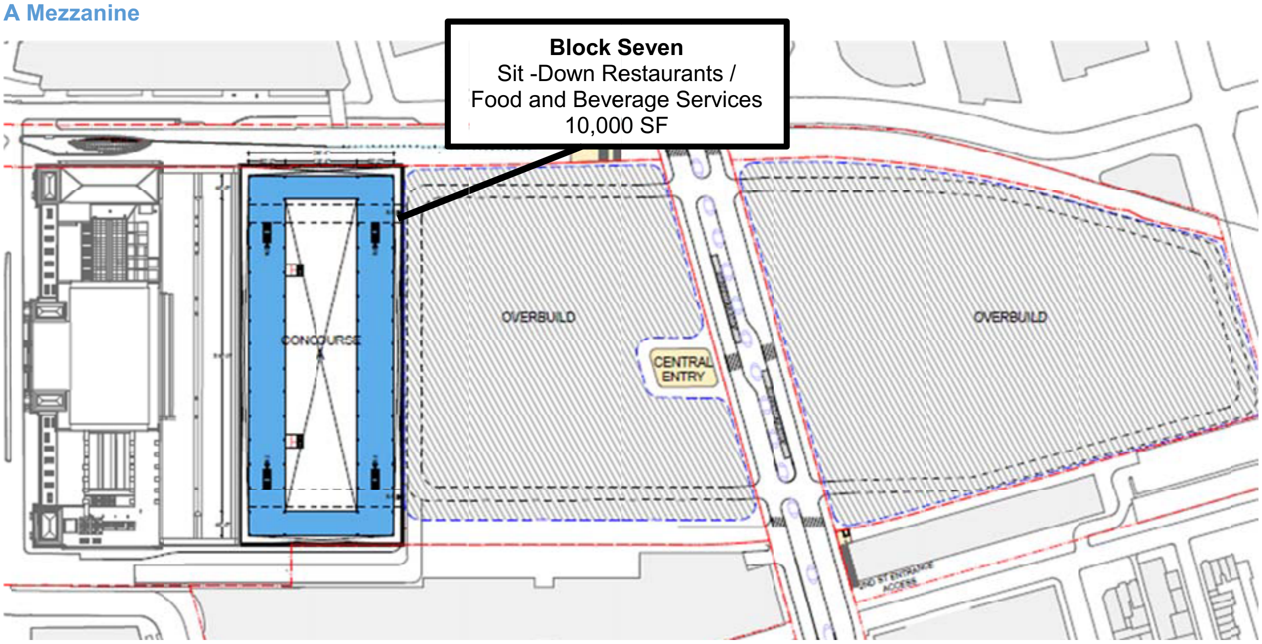
Block Seven is located in the Concourse A Mezzanine and provides views to Station activity below. These views, combined with the visibility of this space throughout Concourse A, make this space ideal for food and beverage uses where users can overlook Station activity. As shown in Figure C-3, there is no specific retail area designated for the Concourse A Mezzanine as there is in the Lower Level Concourse. However, this report estimates the Concourse A Mezzanine could contain 10,000 SF of retail space.

Revenue Potential

New retail space in the SEP could yield between $6.5 and $10.1 million in annual revenues (in current-year dollars). Because existing retail space at the WUS is under a long-term lease between USRC and Ashkenazy Acquisition Corporation (USI), it is not included in the analysis.

While current rental terms for specific tenants in WUS are unknown, rental rates across the WUS range from approximately $75 to $125 per SF. Using an average rent of $100 per SF today for existing retail space in WUS as a base, this report estimates potential rent per square foot for each new retail block in an expanded SEP. The analysis takes into account the location of the retail block in the SEP as well as the store size and typical rental rate of likely tenants identified in the retail program plan. While variation would exist between individual leases in the same retail block, again depending on factors such as specific location and store size, the retail block pricing estimated here represents an overall average price per square foot. Figure C-4 summarizes estimated rents and annual revenue for new retail spaces.

Figure C-3 | Potential Retail Program for a new Concourse A Mezzanine



Total annual revenue of new retail space under the non-high-speed rail scenario is estimated to be between $8.2 and $9.0 million. Under the ABGT scenario, there would be less retail space since Block Four would need to be removed to provide space for access to the new ABGT platform. As a result, estimated annual revenue would decrease to between $6.5 and $7.1 million. Adding Concourse A Mezzanine retail (Block Seven), total retail revenue generate by retail space increases to between $9.2 and $10.1 million annually.

Design Requirements

New retail both below grade and below railroad tracks presents several design challenges, particularly with regard to loading and ventilation. It is more difficult to provide efficient means of loading/unloading goods and construct ventilation for food services below grade compared to retail space located at-grade. The proposed layout of the Lower Concourse level recognizes and addresses these potential hurdles.

Loading challenges are addressed through placement of a loading dock along Second Street at the north end of the expanded Station. The design of the SEP takes advantage of grade changes to make the loading dock more easily accessible to retail beneath the railroad tracks. A tunnel from the loading dock to the concourses allows goods to move between the dock and Lower Concourse of the SEP. For any restaurant space, proper ventilation would be required and should be incorporated into the design of retail spaces.

Impact of Other Design Elements

While overall retail design is consistent across concepts, there are a number of design variables that have yet to be solidified which would impact retail potential in certain locations. The most important of these design variables is the location of the bus terminal. The bus terminal serves as an entry point to the station not only for intercity bus travelers, but also for visitors arriving on tourist buses. As a result, the location of the bus terminal would have a significant impact on pedestrian movement through the expanded Station. As the total number of pedestrians passing by any given location increases or decreases, the retail potential of that location would be impacted. In addition to pedestrian flow through the Station, the location of the bus terminal will impact whether the Concourse A Mezzanine can be built. The Concourse A Mezzanine is possible only under the “Bus on South” concept.

Other Retail Strategies Considered but Not Carried Forward

Initial design concepts for the SEP included a concept that placed a new concourse above the rail tracks instead of beneath the rail tracks. Under that concept, retail space would also be located above grade along the concourse. However, that concept is no longer under consideration. As a result, a strategy placing retail in a concourse above the rail tracks was not considered for this analysis.

Figure C-4 | Potential Revenue of New Retail Space

Retail Space	Total Retail Space (SF)	Estimated Average Rent ($/SF)	Total Annual Revenue ($Millions)
Block One	22,000	$110 - 120	$2.4 – 2.6
Block Two	18,000	$120 - 130	$2.2 – 2.3
Block Three	10,000	$90 - 100	$0.9 – 1.0
Block Four*	21,000	$80 - 90	$1.7 – 1.9
Block Five	7,000	$105 - 115	$0.7 – 0.8
Block Six	3,500	$100 - 110	$0.3 – 0.4
Total/Average	**81,500**	**$101 - 111**	**$8.2 – 9.0**
Block Seven**	10,000	$100 - 110	$1.0 – $1.1
Total/Average	**91,500**	**$101 - 111**	**$9.2 – 10.1**

*This retail space does not exist in a scenario that includes ABGT

**This retail space is possible only as part of the “Bus on South” concept

Figure C-5: Lower Level Concourse: High-Speed Rail Concept

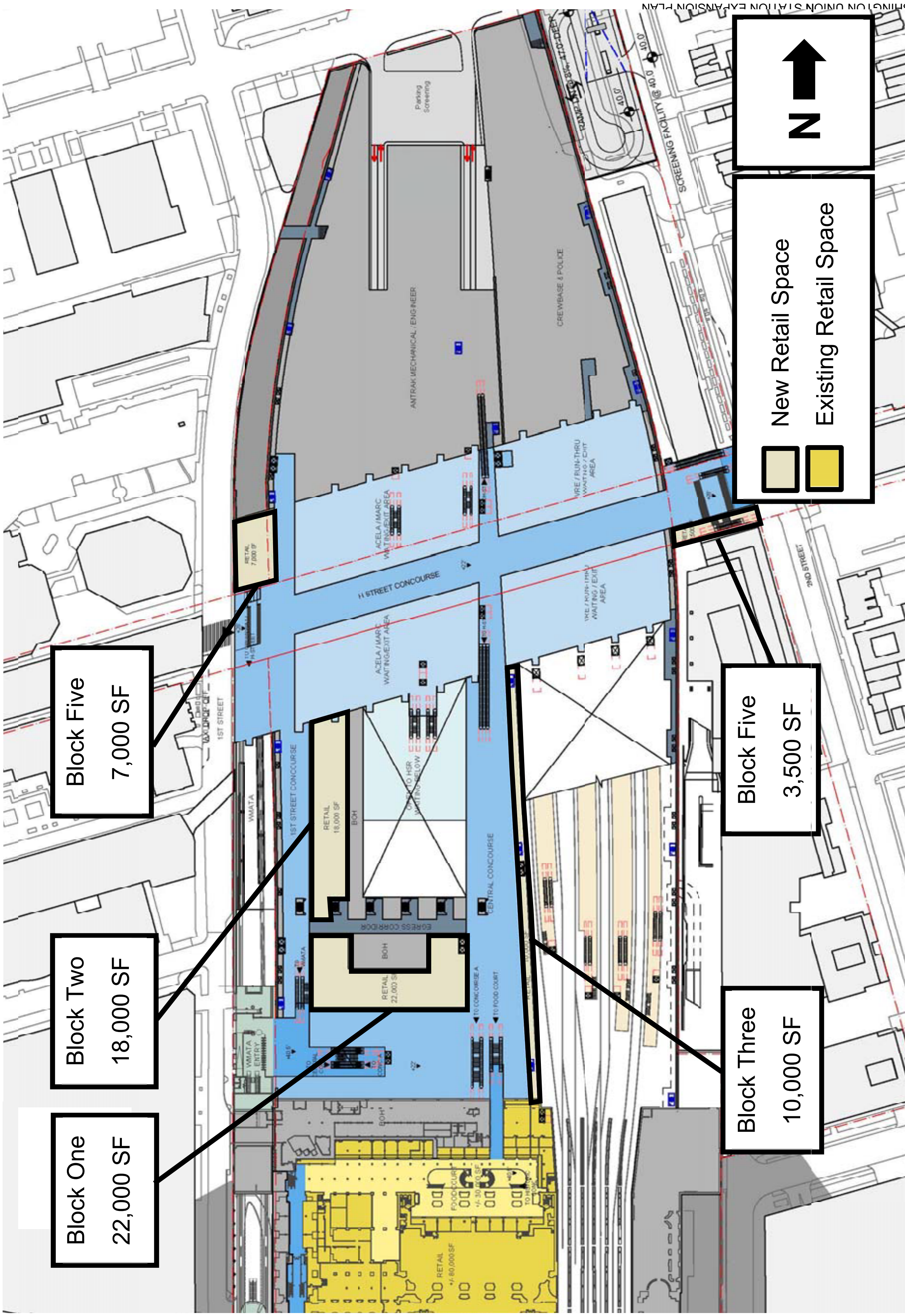


Figure C-6: Lower Level Concourse: Non-High-Speed Rail Concept

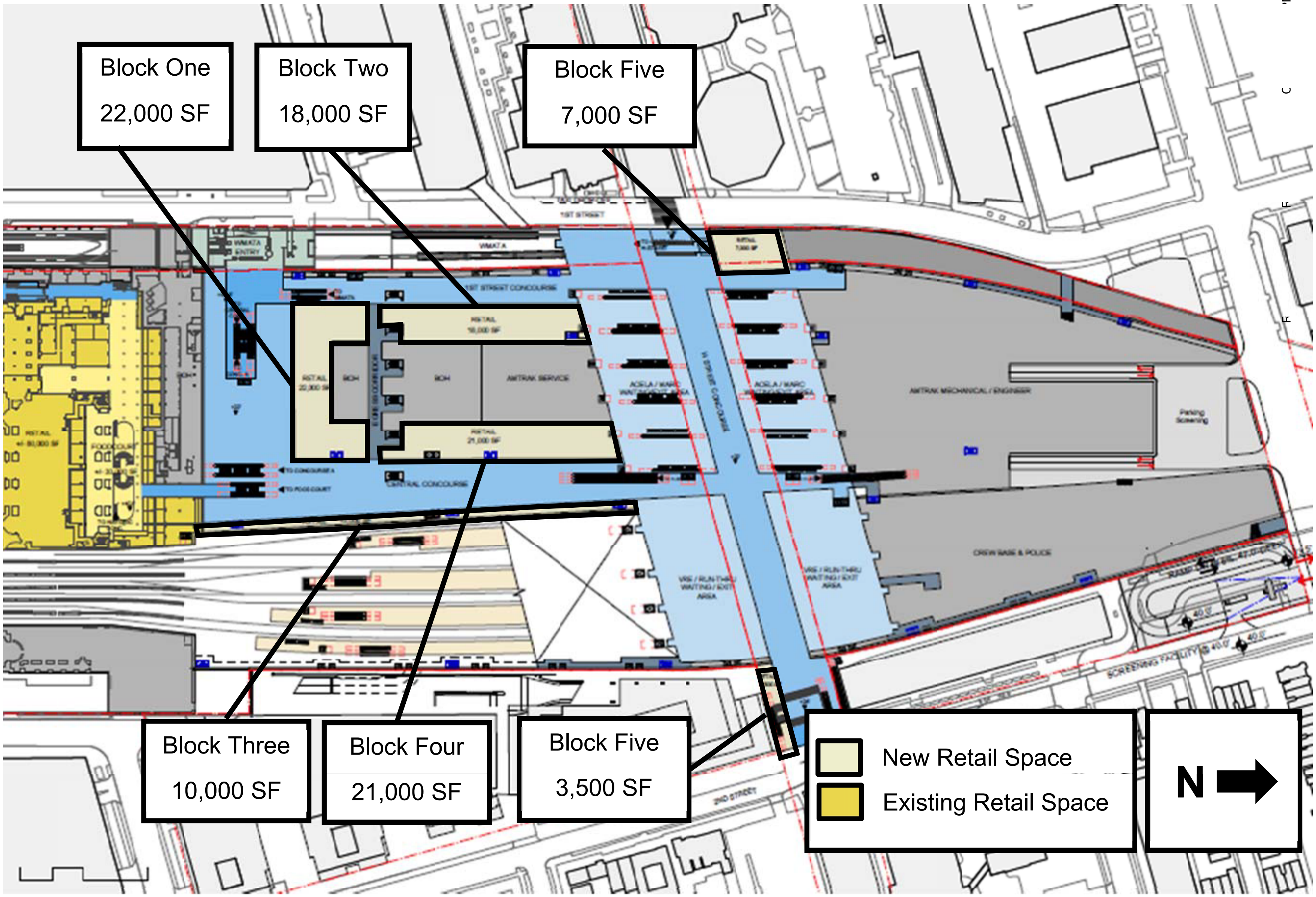
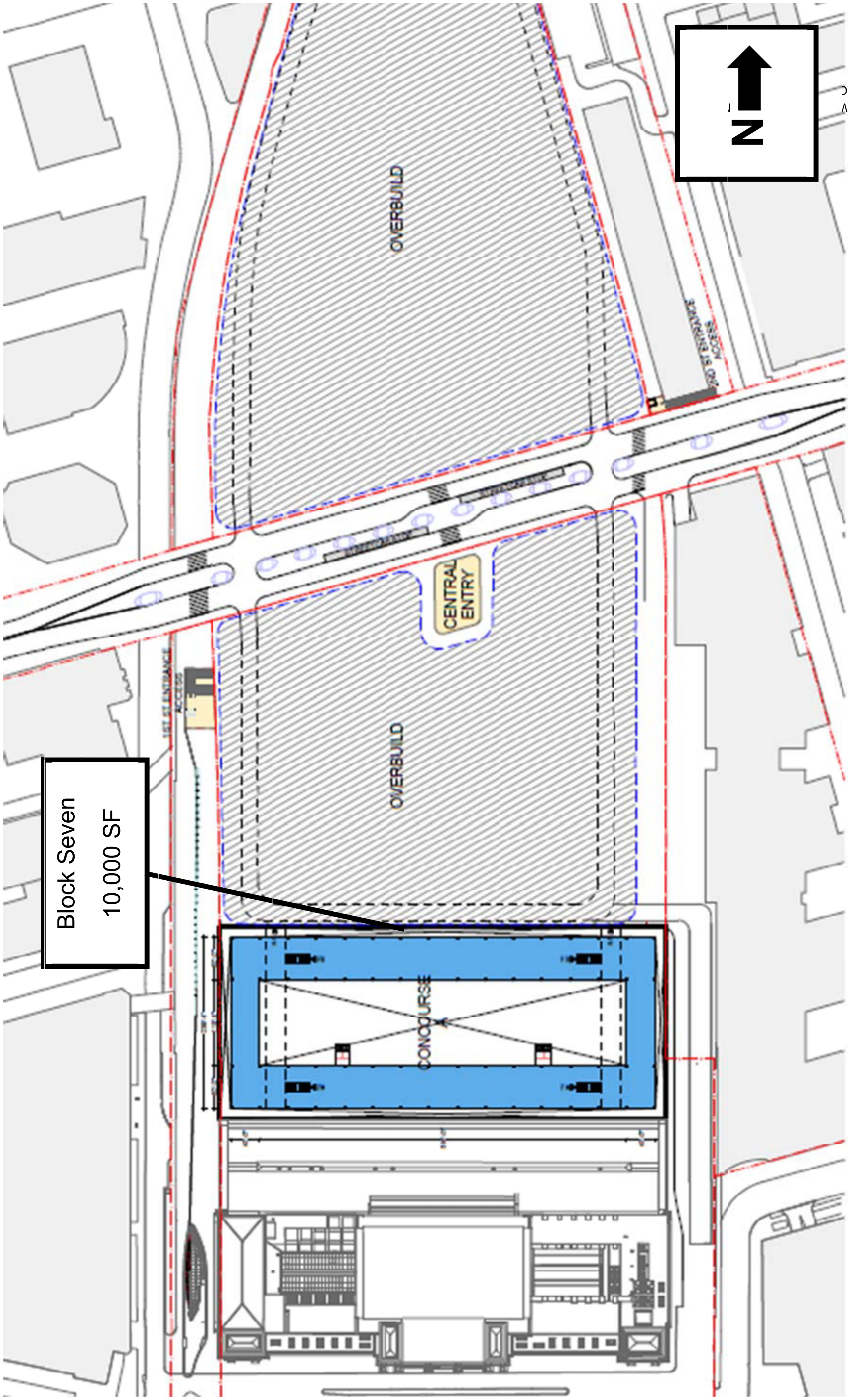


Figure C-7: Concourse A Mezzanine



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