Private Profit and Public Benefit in the Revitalization of Union Station

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UPP 501: Space, Place & Institutions
Originally Submitted: December 4, 2012
Abstract
Washington, DC’s Union Station was born a place-based, anchor institution over a century ago. Referred to as Beaux-Arts, Neoclassical, and even Burnham Baroque, the building is without a doubt an icon in design. Yet it is also iconic in its function as a local and regional transportation hub and in its character as a civic asset. Shifts in the city’s population, economy, travel behavior, and political leadership have made the history of Union Station an uneven one. Changes in the national political economy over time shaped it further still as a transit-oriented, mixed-use development. Efforts are underway to extensively upgrade and expand Union Station. The potential benefits to the city and beyond are so great it is hard to imagine the facility neared obsolescence just a generation ago. Its history demonstrates what can make, break, and re-make an anchor institution. Its path forward illuminates how such a facility can change the way governments, markets, and communities interact with one another – for the better. This paper traces the managerial history of Union Station and examines how various outside influences affected its operation. As a case study, Union Station is instructive in both the potential pitfalls and advantages of infrastructure privatization and governance by public authority. The paper concludes with a discussion of the implications for the planning profession.

Part I. Early History: Heavy-Handed, High-Minded Government
“The genius of the American people runs to transportation and to business. Why not express through those mediums the artistic soul of the nation?”—Newspaperman John Henry Zuver, South Bend, 1916

The siting of Union Station mere blocks from the U.S. Capitol and National Mall fulfilled the vision of the 1902 McMillan Plan for a core monument and park system in Washington. Pennsylvania Railroad’s president agreed to remove their station from the Mall in favor of a new development just north of the Capitol, where operations from four other railroads could be located. Lead architect Daniel Burnham prevailed over the railroads by appealing to their appetite for prestige, convincing them to consolidate at the center of a system of radiating avenues – “the one gateway to the city.” The facility was fundamentally place-based both in terms of a specific location and moment in time. From inception, it was also part of a larger plan for the northeastern section of the city.

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2 Named for the Senate Park Commission’s lead author, James McMillan.
3 Chappell, Sally A. Kitt.
The federal and DC governments jointly funded a plaza and new streets in front of the terminal, in addition to subsidizing a significant portion of the rail realignment costs. President Theodore Roosevelt signed the Union Station Act in 1903 to authorize the building of a new terminal and require all railroads serving DC to use it. The legislation went so far as to require the station cost “not less than $4,000,000” and be “monumental in character.”

Even in the halcyon days of railroading, it took planning and funding support from multiple levels of government and visionary civic leadership to deliver the project. Congress played an active role in initiating, scoping, and funding the establishment of Union Station.

Multi-modal transportation facilities are inherently complex units that tend to anchor neighborhoods and catalyze nearby development. Yet train stations during the great American railway age were uniquely potent in terms of influential and aspirational qualities. Perhaps it was the sheer dominance of train travel as a mode of transportation at the time, or the fact that they arose in vibrant urban centers, but train stations around the turn of the century “became a means of expressing civic and personal values…a nexus of social life, more than just a place to catch a train.”

Architects, developers, public officials, even railroad managers recognized the rail station could simultaneously serve public, ceremonial purposes and provide private utility.

Daniel Burnham and his associates designed Union Station to be intentionally ornate, even opulent. It was to be a “vestibule” to the capital city, greeting visitors from all corners of the globe as they came to discover America’s greatness. The train shed, key feature of most terminal stations, was omitted from the design because Burnham did not want to distract from

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5 Chappell, Sally A. Kitt.
the beauty of the Capitol.\textsuperscript{6} It is also quite possible the architect wanted to concentrate attention on his own barrel vault-ceilinged, gold-leafed passenger concourse.

Union Station epitomized the City Beautiful movement of the late 19\textsuperscript{th} and early 20\textsuperscript{th} centuries; it was intended to inspire visitors and influence nearby development alike through its grandeur. While it sought to gin up virtuous feelings of civic loyalty, the City Beautiful movement also had a more earthly aim of enticing those with means to frequent city centers and spend money there.\textsuperscript{7} In a certain sense, the City Beautiful-inspired train stations of the era were prototypical public-private partnerships. Decades later, Harvey Molotch would use the phrase “civic jingoism” for this notion of progress embodied by the boosterism of cities.\textsuperscript{8}

For its first fifty years, Union Station thrived as a transportation, commercial, and cultural node of Washington. The terminal housed everything from a bowling alley to Turkish baths, from a hotel to a butcher shop. At its peak usage during the late 1940s, 200,000 passed through each day. Then in 1953 an incoming train’s brakes failed, causing a derailment that was devastating to the station’s image, albeit miraculous in that no one was killed. Financial distress set in; the railroads considered replacing Union Station with an office building in the early ‘60s.\textsuperscript{9}

Meanwhile, efforts were afoot to save and revitalize the facility. Congress designated Union Station a landmark in 1964 and a local citizens committee proposed that a national visitor’s center be created there. By 1968, the National Visitor Center Facilities Act was signed into law, calling for a vaguely defined clearinghouse of tourist information to be established in time for the bicentennial celebration in 1976. Once again, the federal government’s prerogative

\textsuperscript{7} Sullivan, Andrew H.
\textsuperscript{9} Sullivan, Andrew H.
– and pocketbook – mandated a development scheme for Union Station. Within five years, the center closed permanently under a cloud of failure. Observers noted that the center offered nothing beyond a slideshow of amenities just outside Union Station. To make matters worse, travelers using the terminal’s rail facilities were relegated to a makeshift structure nearby.\(^{10}\)

The National Visitor Center episode demonstrates the tensions of public sector involvement in a mixed-use development that is equally commercial and public in nature, if not weighted more toward the former. Had it not been for Congressional intervention, the terminal may have been mothballed or worse. Yet had it also not been for such intervention, the terminal may have maintained its critical focus on providing transportation services. Entirely federally funded, the Visitor Center lacked imperative or motive to serve any identifiable market demand. Ultimately, it was a $117 million dollar money pit.\(^{11}\)

**Part II. Redevelopment Under Neoliberalism**

It is perhaps ironic that a neoliberal management approach brought government-owned Union Station, providing government-subsidized rail service, back from the precipice. The privatization of station management may have saved its very existence. During the era when neoliberalism was ascendant, other historic train stations – most notably New York’s Penn Station – were demolished under the aegis of cost-effectiveness. In all likelihood, a desire not to repeat such an episode of cultural destruction undergirded the effort to save Union Station.

Things had gone from bad to worse under the Interior Department’s stewardship. Station facilities were left to languish to the point that Burnham’s marquee design – the noble gateway to America’s capital city – had become an outmoded public safety hazard and the main terminal

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\(^{10}\) Sullivan, Andrew H.  
\(^{11}\) An all too literal pit, unfortunately: the Department of Interior, which managed the project, carved a hole in Union Station’s main concourse to house the National Visitor Center.
was sealed off. For several years, Congress debated how to mitigate a national embarrassment by doing something to either demolish or refurbish Union Station. Its fate was caught in a “legislative logjam” as lawmakers fretted there were bigger federal priorities to address and that the District of Columbia was not sufficiently handling its own problems. Once again the institutional relationships between Congress, the city government, and Union Station carried greater weight than any private sector or citizen involvement. The station floundered amidst the government’s risk aversion and lack of direction; its very roof caved in after a storm in 1981.

A few months before the ceiling collapse, Congress passed the Union Station Redevelopment Act. The measure called for rehabilitation of the complex “primarily as a multiple-use transportation terminal serving the Nation’s capital, and secondarily as a commercial complex.” Restoring principal focus on the facility’s transportation mission, the Department of Transportation took control from Interior. The Redevelopment Act also set goals for the effort: preservation of historically significant building features, operation of the building as a multi-modal transportation facility, and commercial development that will,

“to the extent possible, financially support the continued operation and maintenance of such complex; and withdrawal by the Federal Government from any active role in the operation and management of the Union Station complex as soon as practical and at the least possible Federal expense consistent with the goals set forth.”

The role of the federal government in the restoration of Union Station was to create the conditions for market-based self-sufficiency, as quickly and unobtrusively as possible. In recognition of the challenges, risks, and lack of rail station redevelopment precedent, an intermediary was created to navigate the “interests and impulses that would facilitate the

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14 Ibid.
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terminal’s redevelopment.” Union Station Redevelopment Corporation (USRC) is a non-profit, limited liability entity modeled after community development corporations (CDCs) that gained prominence in the 1970s. Governed by a five-member board, USRC went on to accept proposals from private firms, negotiate agreements, and monitor progress on the redevelopment. A prominent developer with a substantial record of mixed-use and inner-city development was chosen as USRC’s first president. In 1983, the U.S. Department of Transportation and Amtrak together lent USRC $70 million interest-free for the redevelopment. The District of Columbia directed $40 million in previously allocated highway funds to the construction of a parking garage – from which operating revenues and rent payments to USRC would be used for debt service. Public funds thus accounted for over 70% of the total up-front development costs.

The Union Station Redevelopment Corporation exemplifies the neoliberal governance-by-public-authority model. Much of the risk of the redevelopment and ongoing operational costs was shifted to the private sector. In exchange, the federal government all but ceded authority over the asset for nearly a century. Though complicated, the management structure in the years following USRC’s creation ushered in a fairly rapid, dramatic overhaul of the station’s commercial and transportation facilities. Two architecture firms and two real estate firms were retained through a series of joint ventures, in addition to the mélange of governments and transportation authorities with a stake in the redevelopment. A single contractor oversaw the project and the station reopened on schedule in 1988.

In the dozen years following Union Station’s reopening, USRC repaid its debt to the federal government. The station maintained a 96% or better commercial real estate occupancy

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15 Sullivan, Andrew H.
16 Comprised of Amtrak, the District of Columbia, the Federal City Council, Federal Railroad Administration, and U.S. Secretary of Transportation.
17 Sullivan, Andrew H.
rate, exceeded past revenues performance, increased neighborhood real estate values, and spurred construction of over four million square feet of nearby office space.\textsuperscript{18} The Washington Post gushed, “it was impossible not to be exhilarated by the sight of Union Station” and that its “breathtaking grandeur” had returned.\textsuperscript{19}

The Union Station Redevelopment Act had managed to precipitate a truly remarkable feat: a de facto private sector takeover and simultaneous entrenchment public service-oriented objectives. It unleashed the hounds of private sector efficiency and profit maximization as it directed the station to remain a historically significant, multi-modal hub for the public benefit. While the Reagan Administration agitated for the elimination of subsidies for Amtrak, Reagan’s Transportation Secretary Elizabeth Dole sat on the USRC board as new marble floors and gold-trimmed ceilings were installed at Amtrak’s most significant station.

Multi-modal transit connections – and Amtrak’s viability as a rail carrier – have only been further enhanced in more recent years of USRC management. In 2000 the company paid the Washington regional transit authority for the right of access to the Union Station Metro Station, facilitating the smooth linkage of in-town trips with intercity ones.\textsuperscript{20} The following year, USRC negotiated a lease agreement with Greyhound after determining the bus company’s tenancy would enhance Union Station’s capabilities (and therefore its value). Around the same time, the company reached out to the Downtown Business Improvement District to help develop a circulator route, which is now a staple of bus service in DC.\textsuperscript{21}

In his watershed essay, “The City as a Growth Machine,” Harvey Molotch argues that urban policy decisions are primarily oriented toward capitalistic growth. Not only does the

\textsuperscript{18} Ball, David S.
\textsuperscript{19} Ibid. Page 14.
\textsuperscript{20} Travelers can take Metro rail to Union Station and transfer to Amtrak (or vice versa) without stepping outside.
\textsuperscript{21} The Circulator operates five routes with typical 10-minute headways among major destinations that are underserved by Metro rail. \url{http://www.dccirculator.com/}
growth machine define the landscape of governance, but of the community itself: “to the degree
to which otherwise competing land-interest groups collude to achieve a common land-
enhancement scheme,” Molotch wrote, “there is a community.” Growth is the singular force
able to unite business leaders, civic boosters, property owners, and investors in a common cause
or course of action.

The successful renovation of Union Station- initiated by the federal government,
overseen by a non-profit, executed by the business community – lends truth to the growth
machine thesis. A form of competitive cooperation matured among various commercial interests
and among various transportation providers in and around the station. As an intermediary
empowered with comprehensive management authority and a long-term view, USRC was able to
foster the “collusion” of which Molotch spoke. In working to improve the performance and
experience of Union Station, an inchoate group of stakeholders redefined the complex’s identity
and helped revitalize an entire neighborhood.

Part III. The Future: Amtrak and Akridge’s Master Plans

“The day these stations opened their doors they were citadels of private enterprise, packed with small
businesses, full of amenities meant to serve the public. They were massive economic development
initiatives, designed to spur the growth of entire neighborhoods. And they were civic centers, town
squares, gateways to bustling metropolises.”

Today, Union Station’s 200,000 square feet of retail space are “unusually profitable,
earning $750 per square foot.” In 2007 the organization Union Station Investco, LLC bought
the lease for Union Station’s retail space and is currently investing in modest, more superficial
renovations. Though it may never again see the World War II-era levels of daily traffic, Union

22 Molotch, Harvey. Page 311.
23 Amtrak competes with intercity and regional bus carriers. Maryland and Virginia’s commuter rail operators
compete with Metro for select destinations. Taxis compete with WMATA buses and the Circulator.
24 Sullivan, Andrew H.
25 “A good mall brings in $400 or $500 per square foot.” Sullivan, Andrew H. Page 27.
Station hosts 100,000 passenger trips per day between Amtrak, commuter rail lines, Metro, and buses.\textsuperscript{26} As many as 70,000 people traverse through the station daily.\textsuperscript{27}

In 2006 a DC-based developer named Akridge bought the air rights to build a platform over Union Station’s rail yard as a foundation for an above-grade mixed-use development. Akridge termed the concept Burnham Place and advertised plans for a three million square-foot development including 1.5 million square feet of office space, 1,300 residential units, 500 hotel rooms, and 100,000 square feet of retail space.\textsuperscript{28} The concept involves linking various elements of the business district and the prospering H Street Northeast corridor with Union Station and Capitol Hill. To promote walking and biking, a greenway would run alongside Union Station and Burnham Place before connecting with the city’s broader trail network.

But first, the Washington D.C. Zoning Commission and City Council had to grant approval of Akridge’s scheme. The developer proposes to count the height of the would-be buildings from the platform level it intends to build above Union Station. Given Washington’s century-old Height Act, which limits building heights to 130 feet, the point at which one starts counting makes a difference. The Office of Planning endorsed the proposal, and a new zoning district for this particular air rights development was approved, which required the D.C. Council to change its Comprehensive Plan. Although a grassroots organization and the National Capital Planning Commission voiced opposition, residents around the station and the Councilmember from the local ward gave their blessings.\textsuperscript{29}

\textsuperscript{28} Akridge. “Akridge to Bring Vision of Burnham Place to Life through Union Station Master Plan.” July 25, 2012.
The zoning variance marks a significant redefinition of space in the District of Columbia. Akridge was granted a “right to the air” quite literally above and beyond long-standing precedent for property owners in the city. If Burnham Place is built, proves commercially viable, and is well-received by community, it could altogether reshape the real estate business in Washington. Higher density and infill might be facilitated; neglected or underperforming areas might get a fresh look from developers and civic leaders.

This creative private sector proposal to parlay proximity to Union Station into a vibrant mixed-use development would not be possible without the support of Amtrak and USRC. In fact, the air rights auction set Amtrak into motion of generating a long-range Master Plan for Union Station. Once buildings rise up above their rail yard, it becomes nearly impossible for Amtrak to re-align the tracks or alter platforms to improve service or expand capacity. Given the strong ridership growth and bullish projections in the decades ahead, Amtrak did not want to see its options limited.

Union Station is currently the second busiest station in the entire American passenger rail system. Yet it is also running dangerously close to capacity: platforms are too narrow to be in compliance with safety and accessibility standards; queues of waiting passengers routinely, chaotically clog much of Union Station’s concourses; and space constraints lead to the mixing of passengers with train services, with severe bottlenecks the result.30 Thus, Amtrak began a “collaborative planning process” with all regional transportation providers and Union Station stakeholders to establish a capital investment framework for its terminal.

In short, the Master Plan calls for a tripling of passenger capacity and a doubling of train service, all without adding to the footprint of the station.31 The $7 billion dollar proposal calls

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31 Ibid.
for phased implementation with a laser focus on achieving private sector buy-in and “monetizing” the benefits for all Union Station affiliates. Additional platforms would be built within new grand concourses linking the terminal complex with the H Street neighborhood and forthcoming streetcar line. The train shed passed over by Daniel Burnham would arise front-and-center. Key to the financing regime is a proposed below-ground, vastly expanded parking garage. Amtrak’s Master Plan seeks for surplus capital to be absorbed above and below Union Station – without the accumulation of land parcels. If this redevelopment proceeds as envisioned, it could prove a signifier of a new paradigm in transportation planning specifically and in real estate development, generally.

The Burnham Place project now has the full-throated endorsement of Amtrak, which views the initiative as going hand-in-hand with its own Union Station Master Plan. Amtrak CEO Joseph Boardman said, “This unique public-private partnership, leveraging the transportation expertise of Amtrak and the development expertise of Akridge and the USRC, will help remake Union Station into a worthy gateway to the nation’s capital.” Together, the air rights development and Union Station redevelopment could generate $14.3 billion in total benefits to the greater Washington area over 15 years.

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32 Ibid.
33 Chollet, Mary.
Part IV. Conclusion

“There is a tension between the ideal of equal access and the desire for orderly public places. Anchor institutions are often on the front lines of balancing this tension. To the extent they can show us the way toward meeting both goals, and further, to make equal access a strength rather than simply an ideal, they will strengthen the broader community.”

Ever since the Reagan-era response to Union Station’s managerial failures, the planning around the complex has been predicated on the minimization of government involvement and regulation (save the occasional, rather helpful infusion of subsidized loans or grants). Further tilting the dynamic is a present day anti-Amtrak political groundswell. Pressure to eliminate federal subsidies and privatize the Northeast Corridor reached new heights in the 112th Congress, particularly among Republican members of the House of Representatives.35 The House Transportation and Infrastructure Committee held eight hearings over two years focused on criticism of Amtrak and the U.S. Department of Transportation’s passenger rail policies.36 In a climate where the company must strain justify its very existence, it is a rational – if not necessary – strategy to partner with respected private sector entities to validate its business model.

Yet even when more temperate views carry the day in government, there are distinct advantages to private sector involvement in transportation-oriented mixed-use developments. Private developers can offer political coverage, freeing officials from public blame over a confusing or unpopular course of action. A facility manager with sole control over a budget can facilitate predictability and smoother operations. An entity oriented toward potential returns tends to be less risk averse and willing to think creatively if an action can be justified. As Sullivan concludes from his case studies of rail stations, “the private sector can visualize the larger development. It can better merchandise the whole by resisting allure of profit

36 http://transportation.house.gov/hearings/
maximization of the parts…the private sector can elevate a rail station’s architecture and historic restoration to the detriment of short-term rent generation.”

However, to these advantages one must add counterbalances – proper measures of government oversight and input (at each salient level of government) and engagement by the local community. Enlightened self-interest is necessary but not sufficient for the successful redevelopment of Union Station. Questions of equity and advocacy ought to be raised. If this multi-billion dollar vision materializes, what will it mean for DC residents who already struggle to afford rents among the highest in the nation? Who will be hired to perform the temporary work, and who will fill the permanent positions? Will private parties take on their fair share of risk, or will it be an instance of taxpayer risk/private reward? Will an entire community be transformed into something residents neither recognize nor want? Many of these questions are unknowable at this early stage, especially given the uncertainty of Amtrak and Akridge securing necessary financing. It is also unclear the extent to which (if at all) Amtrak solicited the opinions of DC residents and workers as the Master Plan was drafted.

This is not to say the development is inherently a bad idea for local residents or unduly risky one. As Michael Porter argues, successful inner-city economic development involves building relationships with a community by hiring locally and tailoring businesses to the local market. Moreover, the inner city can be a ripe place for commercial real estate investment given that it is typically underserved in retail and personal services and located among a young, rapidly growing populace with high purchasing power. The inner city is an attractive site for investment in that it represents a congested, high-rent area with transportation and communication nodes and high potential for business clustering.

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37 Sullivan, Andrew H.
In his “Rail Station Renovation Studies,” Andrew Sullivan forwards a similar set of recommendations, reinforcing the validity of an enlightened self-interest approach. Festival marketplaces in particular are an effective way to supplement the transportation function of a station, he argues. They can “reinvigorate urban areas by filling once-vibrant under-used spaces with local, independent restaurants and specialty shops.”39 Union Station has recently done just that by opening space outside the western entrance to its main concourse (near the Metro rail entrance) to independent vendors. Commuters and tourists can purchase locally grown flowers and produce, jewelry and other gifts, or quickly grab a fresh baguette on their way home.

This “farmer’s market” likely generates minimal revenue for station management, but it enhances the station atmosphere and encourages travelers to linger. For some it might be the enticement to go inside and patronize a shop or restaurant when they otherwise would have bypassed the concourse in their rush to the train or bus. Amtrak and USRC should build upon initiatives like this to strengthen locals’ connections with the station, both physically and culturally. When people feel personally attached to an asset in their community, they are more likely to be interested and engaged in development efforts around that facility.

Union Station is a behemoth of an anchor institution in Northeast Washington, DC. Because it is such, its owner (the federal government) and operating structure have “special importance to the re-making of a city and its future,” contends the advocacy group CEOs for Cities.40 In discussing what such institutions “owe” their communities, CEOs for Cities’ report asserts that anchors can enhance the desirability of surrounding neighborhoods. They should

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40 CEOs for Cities. Page 2.
“take the broadest possible view of how to act in their own interests and at the same time, act in the interests of their communities.”

Of course, the responsibility to think broadly about community impacts extends directly to the planning profession. Paul Davidoff’s thesis on advocacy planning urged planners not to shy away from political negotiations over power and resources, because values are an inescapable element of the rational decision-making process. He discussed an “unavoidable bifurcation of the public interest” and how advocates must assert themselves to ensure the welfare of a given population is supported.

Just as Davidoff was critical of planning commissions and unitary plans, he might today throw cold water on the approach employed by Amtrak, the Union Station Redevelopment Corporation, and an alphabet soup of developers and financing entities. What Davidoff feared about planning commissions is their lack of direct accountability to the electorate. Complex public-private partnerships with even more complex financing and organizational schemes run the risk of further occluding the planning process. In this sense, planners and advocates would do well to resist the simple substitution of control by financial oligarchs for control by government technocrats.

Revitalization and capacity expansion of Union Station is one of the greatest transportation and development challenges Washington faces. The endeavor is absolutely critical to economic development in this part of the city, to mobility in the capital region, and to transportation connectivity along the Eastern seaboard. One of urban planning’s most over-used

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quotes comes from the visionary of Union Station himself.\textsuperscript{43} Though often invoked, the “make no little plans” ethos is rarely comes to fruition in the modern era. In the case of this project, the approach is warranted. Union Station’s history shows how an all-or-nothing approach of heavy-handed government or unfettered private sector development will negatively impact transportation services and the local economy. Union Station Redevelopment Corporation, developers and commercial entities, transportation providers, and the advocacy community must strike an effective, elusive balance to turn today’s grand plans into tomorrow’s reality.

\footnotesize{\textsuperscript{43} “Make no little plans; they have no magic to stir men’s blood and probably themselves will not be realized. Make big plans; aim high in hope and work.” –Daniel H. Burnham}
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