



U.S. Department of Transportation

**Federal Railroad Administration**

## **Report to Congress:**

**Fiscal Year 2024 Washington Union Station  
Project Governance and Execution Action Plan**

**House Report 118-154, Departments of Transportation, and  
Housing and Urban Development, and Related Agencies  
Appropriations Bill, 2024**

# **WASHINGTON UNION STATION PROJECT GOVERNANCE AND EXECUTION ACTION PLAN**

## **Executive Summary**

The 2024 House of Representatives Appropriations Report (H. Rept. 118-154) directed the Secretary of Transportation, in coordination with the Federal Railroad Administration (FRA), to develop and deliver this Washington Union Station Project Governance and Execution Action Plan (Action Plan) to the House and Senate Committees on Appropriations. This Action Plan provides:

- 1) the current state of Washington Union Station (Station)
- 2) the state of good repair activities the United States Department of Transportation (DOT) will undertake with the Project Sponsor, Union Station Redevelopment Corporation (USRC); and
- 3) the Washington Union Station Expansion Project (SEP) activities DOT will undertake with the Project Sponsor, USRC, to make transformational improvements at the station.

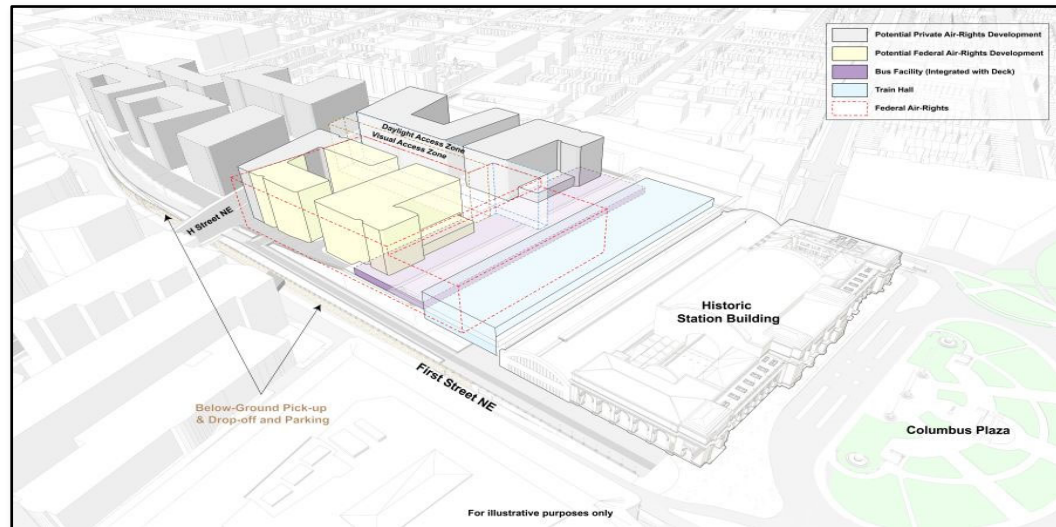
The current lease structure of Union Station dates back to 1981 when Congress passed the Union Station Redevelopment Act, but no longer functions to maintain the station in a state that meets the needs of transportation operators, retail partners, and members of the traveling public. To implement the Act, four years later in 1985, the station was leased from DOT to USRC and subleased most of the station to what became Union Station Investco (USI). The sublease between USRC and USI does not provide clear operating and maintenance responsibility standards for the sublessee to adhere to, nor does it provide sufficient rent and capital maintenance contributions from the sublessee to USRC to maintain the Station long-term, which has led to the current station conditions.

Over the past few decades, the lack of sufficient funding from the 99-year sublease agreement has required USRC to continually defer capital maintenance, leading to a \$100 million state of good repair backlog. In the short term, the FY 2025 President's Budget proposes to reserve \$15 million from the Federal-State Partnership for Intercity Passenger Rail grant program as a limited, two-year effort to remedy immediate state of good repair projects at Washington Union Station, which would contribute toward (but not eliminate) the capital maintenance backlog. In the long term, DOT, USRC, and the new sublessee, Amtrak, recognize the need for an updated leasing structure that benefits all parties and provides for the long-term viability of the station and its maintenance.

In addition to addressing the state of good repair backlog and modernizing the sublease agreement, the Station Expansion Project (SEP) is a forward-looking transformational effort to holistically improve Washington Union Station. The SEP is intended to expand and modernize the Station's multimodal transportation facilities to meet current and future transportation needs, while preserving the historic Station building. The SEP includes reconstructing and realigning the tracks and platforms; constructing a train hall and new concourses; enhancing Station accessibility; improving multimodal transportation services and connectivity; and improving and

expanding infrastructure and other supporting facilities. The planning horizon year for full completion of the SEP is 2040; however, a Constructability Study is currently underway to determine what aspects of the SEP can be delivered more quickly and cost-efficiently, while still providing transformational results to revitalize Union Station.

Figure 1: SEP Illustration



## **Ownership Structure**

DOT, acting through FRA, owns the Washington Union Station complex. The Station serves as a major regional multi-modal center and transportation hub serving eight modes of transportation (intercity passenger rail, commuter rail, transit services, intercity and local bus services, DC streetcar, rental cars, and for-hire vehicles) and a commercial/ retail center for travelers and the local community. While DOT is the owner of the Station, there is no Federal presence at the Station, and DOT is not involved in the day-to-day operation of the Station. FRA leases the Station to USRC, a non-profit organization that acts as the Station landlord and is responsible for overseeing the Station on behalf of FRA. DOT and FRA both have seats on the Board of Directors of USRC. The National Railroad Passenger Corporation (Amtrak) subleases most of the station from USRC, including the historic headhouse, retail and passenger concourses, and is responsible for day-to-day management and operations of the Station.<sup>1</sup> USRC does not sublease the parking garage, which contains public parking, intercity bus operations, and car rentals, but instead directly manages it through a parking operator contract. USRC also serves as the Project Sponsor for the SEP, working with FRA and Amtrak to manage growth and development of the Station.

## **Past Structures and Practices Impacting Union Station**

<sup>1</sup> The United States District Court for the District of Columbia conferred Amtrak possession of the sublease on July 29, 2024, consistent with Amtrak's authority to acquire interests in property by eminent domain pursuant to 49 U.S.C. 24311. The order did not change the terms of the sublease agreement from those agreed to by the previous sublessee. A final decision by the District Court is expected in 2025.

Washington, D.C.'s Union Station, designed by Daniel Burnham, first opened in 1907 and was one of grandest train stations in the world. By the 1970s, demand on the Station, declining rail passenger transportation, and poor maintenance led to its deterioration. The first attempt to rehabilitate the Station was the early 1970s effort by the U.S. Department of the Interior to turn the Station into a National Visitor's Center. Following the bicentennial, the Station continued to degrade, and the Visitor's Center was closed. In 1981, Congress passed the Union Station Redevelopment Act of 1981 (1981 Act), Pub. L. 97-125, directing DOT—through FRA—to embark on preserving the historic integrity of the Station, restoring rail passenger services to the building, together with intermodal facilities for buses and Metro transit, and developing commercial activity. The redeveloped Station's grand opening was in 1988.

The Union Station Redevelopment Act, while including a goal to minimize reliance on DOT for funding and operating the Station, provided FRA broad authority, funding, and specific direction to lead Station redevelopment. Under the 1981 Act, now codified at 40 U.S.C. §§ 6901-6910, FRA retains broad authority regarding the redevelopment of the Station. Congress has not provided updated direction since the 1981 Act.

Since 1985, FRA has had a long-term lease with USRC to manage the historic Station building, passenger concourse, and the parking garage. USRC, in turn, subleases the day-to-day management and operations of the Station; Amtrak currently possesses this sublease. The sublease structure, as established in 1985, does not provide sufficient rent and capital maintenance contributions from the sublessee to USRC to maintain the Station long-term. USRC operates without federal financial assistance. The lack of rents and other funding sources to USRC to invest into the Station's state of good repair have required USRC to continually defer capital maintenance projects over the last decade due to insufficient funds.

The current sublease has two major flaws: (1) vague operating and maintenance standards, and (2) insufficient funding for capital repairs. The first flaw, vague operating and maintenance standards, created conditions for the former sublessee, Union Station Investco, LLC (USI), to underinvest in repairs and maintenance, while upstreaming Station revenues to its parent company. As the building aged, the lack of sufficient repairs and maintenance caused more building systems to need capital repairs and increased the urgency with which those repairs were needed. Further, because the last major investment in the over 100-year-old Station was in the mid-1980s, many systems are near or at end-of-life. Under the sublease, the source of funding for capital repairs shifted from the Station sublessee to USRC because capital repairs are funded from a capital maintenance reserve fund (CMRF), which leads to the second flaw: insufficient funding for capital repairs.

The sublessee's contributions to the CMRF are paltry, the sublease provides for little escalation, and USRC is responsible under the lease for funding capital repairs exceeding the CMRF. However, USRC's revenue is limited to (1) parking garage revenue, which remain below pre-pandemic levels, and (2) sublessee rent and CMRF payments, which have not materially increased since the 1980s due to little to no escalation. These revenue sources have been insufficient to keep up with the capital repair needs. As a result, building systems have continued

to degrade as USRC tried to triage capital projects. USDOT/FRA wishes to modify the lease terms to better fund a state of good repair. However, this is contingent upon the outcome of ongoing legal proceedings over eminent domain (see below) and successful negotiations with the parties to the lease and sublease to negotiate terms and conditions consistent with the Station's capital needs and current commercial real estate practice.

The Station's capital requirements are estimated at approximately \$100 million to replace the aging roof and HVAC system, restore the parking garage, and address building code, fire alarm, and utility needs, along with other capital backlog repairs needed as listed in Table 1. The President's Fiscal Year 2024 and Fiscal Year 2025 Budgets requested that Congress provide direct appropriations of \$15 million for the Station's capital maintenance needs.

Table 1. Capital Maintenance Backlog at Washington Union Station

<u>Station HVAC Replacement</u>
<u>Garage and Bus Deck Restoration</u>
<u>Historic Door Replacement</u>
<u>East Hall Plaster Wall Rehabilitation</u>
<u>Station Roof Replacement</u>
<u>Utilities Replacement</u>
<u>Station Building Code and Fire Alarm Upgrades</u>
<u>Garage Building Code and Fire Alarm Upgrades</u>
<u>Floor Replacement</u>
<u>Station External and Internal Lighting</u>
<u>Wayfinding</u>

### **Amtrak's Use of Eminent Domain**

In addition to the flaws with the sublease described above, the sublease structure also led to years of Amtrak railroad projects being delayed and improvements not advancing. The events leading to Amtrak's actions to obtain the sublease began in 2021 after the then-sublessee, USI, defaulted on two loans associated with its acquisition of the station sublease in the mid-2000s. In late 2021, Amtrak first attempted to purchase the sublease from the original senior lender to USI, but the senior lender rejected the offer. Amtrak then sought to participate in the senior lender's foreclosure sale, but the foreclosure sale was canceled and the junior lender, Kookmin Bank Co., Ltd. (Kookmin Bank), a South Korean investment bank, acquired the senior loan under the terms of its intercreditor agreement with the senior lender. As required by 49 U.S.C. § 24311, the statute governing Amtrak's use of eminent domain, Amtrak offered to purchase the sublease from Kookmin Bank for its appraised value of \$250 million. Again, Amtrak's offer was not accepted.

In early 2022, Kookmin Bank obtained control of USI's sublease by foreclosing on the ownership interests of USI. USI owed Kookmin Bank approximately \$430 million, not including interest, penalties, and fees, before the foreclosure.

In April 2022, after Kookmin Bank and Amtrak were unable to agree to a purchase arrangement, Amtrak moved to acquire the sublease through eminent domain<sup>2</sup> due to its inability to advance improvements at the Station to benefit passenger rail. Amtrak's eminent domain action does not affect DOT's fee ownership of the Station. USRC remains FRA's lessee and Amtrak's landlord. DOT and FRA are not parties to the eminent domain litigation.

On April 17, 2024, the United States District Court for the District of Columbia granted Amtrak possession of the sublease. The Court set July 29, 2024, as the date of transfer. However, the lender has challenged Amtrak's authority. May 2025 is the anticipated timeframe for the District Court's final decision regarding (a) Amtrak's authority to condemn the sublease and (b) just compensation.

In its ruling, the Court held that Amtrak has authority to take immediate possession of the sublease using the eminent domain authority that Congress granted Amtrak. The Court found that Amtrak's acquisition of the sublease is necessary for intercity rail passenger transportation. Becoming USRC's direct sublessee facilitates Amtrak's important shorter-term efforts to modernize the concourse and repair the subbasement railroad bridge. In the longer-term, Amtrak will have the ability to adjust uses of the terminal to accommodate the projected growth of rail passengers, as well as intercity bus passengers, commuter rail users, and other Station visitors, thereby enhancing the experience for Amtrak customers and the public, including security upgrades.

DOT and FRA remain committed to a vibrant, multi-use Station that balances robust commercial space with a multimodal transportation hub. The private aspect of the Station is the retail activity, which will remain central to the Station regardless of Amtrak's acquisition of the sublease. Through the sublease, USRC, as landlord, requires the tenant (Amtrak) to operate a portion of the Station primarily for retail, as that activity helps fund Station maintenance. Additionally, Amtrak has agreed to work with FRA and USRC to meet DOT priorities, which include amended sublease terms that support operations and capital improvements for the multi-use and multi-modal Station.

As the Congress-entrusted owners of the Station, DOT and FRA will continue to ensure the Station supports mobility and connectivity between the economies of the Northeastern and Southeastern United States.

## **State of Good Repair**

### **Accountability**

FRA conducts ongoing coordination of Station improvements and maintenance activities with USRC, Amtrak, and the District of Columbia (DC) at the USRC Board of Directors, leadership level, and staff level.

The USRC Board of Directors consists of representatives from DOT, FRA, Amtrak, DC, and the Federal City Council (a non-profit organization dedicated to the advancement of civic life in

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<sup>2</sup> See 49 U.S.C. § 24311(a)(1).

DC). The USRC Board oversees USRC's management, including approving the proposed budget each fiscal year. The USRC budget includes a capital plan for proposed projects to address capital needs. USRC reports on a quarterly basis on progress of these capital maintenance projects to the USRC Board.

### Capacity

USRC's role as it relates to state of good repair is to oversee and manage the sublease agreement (formerly with USI) for Station operations and management. The current USRC sublessee is Amtrak, so Amtrak is now responsible for capital maintenance projects in coordination with USRC. The USRC-Amtrak sublease, acquired from USI, requires Amtrak to prepare an Annual Management Plan, including a capital plan for repair work Amtrak will undertake during the fiscal year that identifies funds available and how funds will be divided among projects. USRC reports on the progress of these maintenance projects to the USRC Board on a quarterly basis.

According to the USRC-Amtrak sublease, USRC is responsible for all cost overruns necessary to complete capital maintenance and state of good repair projects, which have been historically underfunded. USRC cannot commit dollars it does not have, resulting in projects getting deferred year after year. Projects get more expensive the longer they are delayed, due to inflation and the continued degradation of capital assets. USRC continues to advance capital maintenance projects according to the limited funds available; however, the number of projects needed continues to grow each year, and USRC is not better positioned to fund and complete the projects.

### Resources

USRC has been unable to fund necessary building repairs due to declining parking garage receipts—USRC's primary revenue source—caused by the COVID-19 pandemic and a dated sublease structure that provides little escalation in rent and capital maintenance contributions from USRC's sublessee. Neither USRC nor the Station received emergency relief funding under the three COVID supplemental appropriations. As a result, USRC continues to postpone critical infrastructure projects such as replacing the aging roof and HVAC system and addressing needed building code, fire alarm, and utility improvements. Although Station parking garage receipts have returned to 70 percent of pre-pandemic levels, USRC faces a shortfall of \$100 million to complete these projects.

USRC is actively pursuing support to overcome the funding capacity constraint. USRC's efforts for additional sources of funding include seeking to partner with entities eligible (such as Amtrak, DC, Maryland, Virginia, etc.) to receive federal discretionary grants. USRC is also coordinating with state and local governments to obtain non-federal commitments, as well as outreach efforts to secure funding.

Both the Fiscal Year (FY) 2025 House and Senate Appropriations bills provide \$15,000,000 in Federal-State Partnership for Intercity Passenger Rail funding for a directed grant to USRC for rehabilitation and repair of the Station. If enacted, this remedy would provide immediate support to advance critical backlogged capital maintenance projects at the Station.

## **Washington Union Station Expansion Project**

For the future of the Station, FRA remains committed to a vibrant, multi-use Station that balances robust, privately occupied, commercial spaces with necessary intercity passenger rail improvements and additional multi-modal uses such as bus operations, transit, and parking in the garage. The SEP is intended to transform the Station to support current and future rail service and operational needs; facilitate intermodal transportation; preserve and maintain the historic Station; provide a positive customer experience; sustain the economic viability of the Station; and integrate the Station with the adjacent neighborhoods, businesses, and planned development. As identified in the SEP Environmental Impact Statement (EIS), the estimated total project cost of the SEP is \$8.8 billion, with construction estimated to take over a decade.

FRA and USRC recognize the need to explore strategies to reduce SEP cost and schedule, which is the focus of next steps in advancing the Construction Implementation Study (CIS).

FRA, USRC, and stakeholders have achieved multiple milestones for the SEP in 2024:

- FRA signed and issued the SEP National Environmental Policy Act (NEPA) Record of Decision (ROD) and Final EIS (FEIS) on March 12, 2024, completing the federal environmental review process for the SEP.<sup>3</sup> The ROD states and explains FRA’s decision to select the Preferred Alternative (Alternative F) for future implementation. The ROD also identifies the avoidance, minimization, and mitigation measures to address the anticipated impact of the Project on existing buildings and communities that the Project Sponsor – USRC – would implement with the SEP. The SEP FEIS addressed the substantive comments received on the 2020 Draft EIS (2020 DEIS) and 2023 Supplemental DEIS (2023 SDEIS).
- Infrastructure DC (IDC), a non-profit organization dedicated to accelerating investment in the District of Columbia’s public infrastructure, in partnership with the DC government, released an independent SEP Delivery and Governance Study on May 8, 2024 (Delivery and Governance Study or Study).<sup>4</sup> The SEP Delivery and Governance Study affirmed USRC’s role as Project Sponsor and provided a proposed strategic plan and key next steps necessary to advance the SEP.
- USRC is initiating a CIS that will examine how to optimally phase the SEP, identify efficiencies in schedule, and deliver project cost efficiencies in a fiscally responsible way. The CIS will also include element prioritization to identify which elements are most cost-effective to implement.

### **SEP Project Sponsor**

As confirmed in both FRA’s ROD and the IDC’s Delivery and Governance Study, USRC is the Project Sponsor responsible for implementing the SEP through final design and construction. USRC will implement the SEP in coordination with Amtrak, which has responsibility for the rail infrastructure (tracks, platforms, and supporting railroad operation facilities), and for certain

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<sup>3</sup> <https://railroads.dot.gov/elibrary/washington-union-station-expansion-project-final-environmental-impact-statement-feis-and>.

<sup>4</sup> <https://www.federalcitycouncil.org/wp-content/uploads/2024/05/Washington-Union-Station-Study-Report.pdf>.



Station operations after becoming USRC's direct sublessee, at the Station. FRA was the Lead Agency responsible for the environmental review of the SEP. Acting as owner of the Station on behalf of DOT, FRA will work with USRC to ensure that USRC has the accountability, capacity, and resources to carry out the SEP.

### Accountability

USRC Board members, consisting of DOT, FRA, Amtrak, DC, and the Federal City Council, regularly obtain SEP updates and discuss project delivery and governance at their formal meetings every quarter. In addition, the Board provides direction to USRC's management, including Board oversight of USRC procurements according to the USRC procurement policy. Further, USRC submits a Quarterly Procurement Report to the Board, listing all outstanding procurements and any new procurements since the last report. Details on each procurement include contractor/vendor, description of services, cost of contract, status, and expected completion. The USRC Board also maintains accountability for USRC by ensuring USRC is appropriately staffed with the necessary expertise to advance project delivery and SEP development.

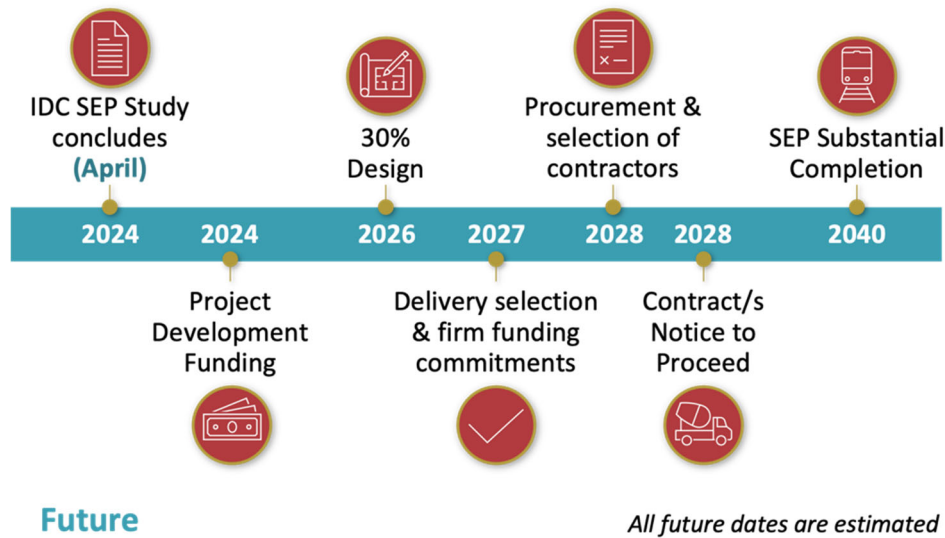
In addition to their roles on the USRC Board, the DOT Office of the Secretary and FRA leadership actively coordinate with USRC and Amtrak on SEP activities. Staff review the status of SEP development and funding, coordinate the SEP with other projects and initiatives at the Station, and ensure collaboration with stakeholders.

IDC worked with an Advisory Group composed of representatives from DOT, FRA, USRC, Amtrak, and DC to develop the Delivery and Governance Study and propose delivery, financing, and governance mechanisms needed to realize the SEP. The Delivery and Governance Study documented the Advisory Group's specific findings and recommendations for SEP oversight, implementation, and funding structure. The Study provides for accountability through the following steps that can be tracked and monitored:

- **Governance:** USRC is the appropriate entity to undertake the Project Sponsor role for SEP Project Development activities and should organize to effectively undertake these responsibilities with the USRC Board monitoring this role. USRC, Amtrak, and DC should collaborate to advance project development activities with the assistance of Maryland and Virginia, including through the provision of project funding.
- **Funding:** USRC should work with Amtrak, DC, Virginia, and Maryland to apply for funding from FRA discretionary grant programs and other federal programs and identify the non-federal match for those funding opportunities.
- **Delivery:** USRC, in coordination with Amtrak, should identify an efficient and risk-mitigated SEP delivery strategy and team with key stakeholders to implement the near-term activities.

The Study identified future milestones (shown below) associated with the completion of construction of the SEP and the return of the Station to steady-state operations. Currently, the

SEP is within FRA’s project development Lifecycle Stage.<sup>5</sup> The project development stage is when the project sponsor conducts design, engineering, and other studies to ensure the project is ready for implementation. USRC will need to complete further work, such as final design, to prepare for construction.



### Capacity

USRC is initiating a CIS, in cooperation with Amtrak and other stakeholders, to examine a phased implementation strategy for the SEP and further develop project activities. The purpose of the CIS is to be able to deliver station improvements more quickly, and identify the most cost-efficient SEP activities to deliver. The CIS will present a refined budget and schedule, identify design, constructability, phasing, and operations strategies, and develop and analyze concepts to reduce SEP costs and schedule. At completion of the CIS, USRC and the project stakeholders will better understand the technical and financial capacity needs and timeframes to implement the SEP.

USRC expanded its staffing and technical capacity throughout 2023 and 2024 for this work. Recent hires include a Senior Vice President and Head of Construction who is responsible for overseeing the design and construction of the SEP, capital improvement projects, and historic preservation initiatives.

USRC continues to expand their staff expertise with an experienced team to achieve shared goals and objectives. The USRC Board met in July 2024 to discuss necessary expertise to meet the needs for the scope and scale of the SEP development and facility operations.

<sup>5</sup> For a description of FRA’s Lifecycle Stages, see FRA’s Guidance on Development and Implementation of Railroad Capital Projects dated January 11, 2023, <https://railroads.dot.gov/sites/fra.dot.gov/files/2023-01/FRA%20Guidance%20on%20Development%20and%20Implementation%20of%20Railroad%20Capital%20Projects.pdf>.

## Resources

Significant collaboration among the partner entities and external stakeholders is necessary to advance planning, design, construction, and, eventually, long-term operations and maintenance. USRC engaged DC, Maryland, and Virginia to support updates on the Delivery and Governance Study and obtain regional buy-in. USRC is working with DC, Maryland, and Virginia to identify sources for a non-federal funding match to support DOT discretionary grant applications. USRC will need to continue meaningful inclusion of Station stakeholders, including DC, Maryland, Virginia, private developers such as Akridge,<sup>6</sup> the Washington Metropolitan Area Transit Authority, intercity bus operators, and other federal and regional stakeholders needed to realize the SEP's next century vision.

USRC is not currently an eligible applicant for FRA or DOT discretionary grants programs. Instead, it must partner with DC, Amtrak, or other eligible entities in the region to jointly apply for grant funding for state of good repair projects and SEP advancement at the Station. Due to increased cost, complexity, and time associated with multi-party funding agreements, USRC is working with DC, Maryland, and Virginia congressional offices to enable USRC to become an eligible funding recipient under federal discretionary grant programs and to support directed funding for USRC. As project development funding is secured, USRC would initiate engineering and design activities, as well as develop the Terminal Infrastructure Plan that provides the future railroad components to be included in the SEP, including the technical design for the Terminal to be upgraded to meet future intercity and commuter ridership requirements. In parallel with and as informed by these steps, USRC would identify construction funding sources and develop a capital funding plan.

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<sup>6</sup> Akridge is the owner and developer of the private air rights above the rail terminal at Washington Union Station.