

Laurel Hill Adaptive Reuse Site

Proposed Master Plan

Fairfax County

April-May 2009

The Alexander Company was asked by Fairfax County to develop a Master Plan that accomplishes the following:

- Preserves the essential historic core of the Adaptive Reuse Site
- Minimizes the financial burden on the taxpayers
- Promotes socially positive uses that compliment the surrounding community
- Provides for flexibility and transparency in the development process
- Permits the adaptive reuse of Laurel Hill into something of far-reaching significance and consequence - both exciting and uplifting



The process for developing the Master Plan included due diligence, market analysis, and public outreach:

- Previous Task Force recommendations and studies
- Community/Stakeholder Input
- Market Research
 - Retail, Office, Residential, Educational
- Site and Building Investigation
 - Historic Considerations
 - Infrastructure
 - Adaptability of Existing Building
 - Access and Visibility
 - Environmental Considerations

- Review of Public Approval Process
- Summary of Findings
- Draft Master Plan
- Extensive Public Input
- Financial Feasibility Analysis
- Revised Draft Master Plan



Proposed Master Plan

The proposed Master Plan for the Adaptive Reuse Site at Laurel Hill creates a hub of community residences, workplaces, shopping, and green space where residents and neighbors can meet for a cup of coffee, stop in at the neighborhood market, enjoy dinner together, or spend time outdoors. The layout will accommodate visitors arriving by car but will also feature a variety of pedestrian and bicycle connections weaving the site into the fabric of the surrounding neighborhoods.

The retail section of the Plan is located for easy and convenient access and designed with sufficient size to make it a successful neighborhood center. The neighborhood retail center is intended to house uses such as a small grocery, bank, drug store, dry cleaner or restaurants.

During the day, niche office users will reactivate the site. The former Penitentiary buildings will provide office workers with an interesting and unique workplace where they can walk to lunch or enjoy a break in one of the site's open spaces. Residents will bring further vitality to the site. Newly constructed single-family

homes will place front doors on tree-lined, pedestrian friendly streets. The Reformatory will provide residents with a unique living opportunity in the former dormitory structures. People living on the site will be neighbors who help support the retail and restaurant uses.

The Plan expands upon the unique green and open spaces of the site and envisions the vibrant use of a Community Green for events and gatherings. The site will also be a prominent feature and visitor stop on the Greenway Trail, utilizing the Towers and historic buildings to interpret the history of the area. In addition to creating an exciting new community asset, the Plan minimizes the burden to the taxpayers of Fairfax County and preserves the historic core of the Reformatory and Penitentiary.

Master Plan Components

Neighborhood Retail and Mixed Use – 41,400 sf

Small grocery, pharmacy, bank, restaurant, daycare, etc.

- New Construction - 22,400 sf
- Historic Dining Hall – 11,000 sf
- Power Plant – 8,000 sf

Historic Office – 50,000 sf

Traditional small office users and service retail such as dentist, architecture & engineering firm, IT start up, investment advisor, accountant, yoga studio, personal trainer, consultant, etc.

- 50,000 sf in historic Penitentiary buildings

Mixed-Use and Retail Pad Sites – 55,000 sf

There are two pad sites with a total land area of 55,000 sf. It is estimated that these two sites combined could accommodate 20,000 sf of restaurant, retail, service retail or office uses. Buildings would not be constructed on these sites until a specific user is identified.

Chapel – 20,000 sf

It is anticipated that the chapel will be used for a community oriented use such as a church or a daycare. This building will be stabilized and cleaned-up until a user is identified and a full renovation can be completed.

Residential: Rental – 171 units

The multi-family residential will be a combination of market rate apartments and subsidized magnet housing units that for specific users such as nurses, firefighters, and/or teachers.

- Magnet Housing Apartments: 53 units of magnet housing in historic Reformatory buildings
- Market Rate Apartments: 118 units of market rate housing in historic Reformatory buildings

Residential: Owner Occupied – 181 units

- Single-family Attached: 181 newly constructed attached single-family homes

Recreation Space

- Open space in multiple locations with varying sizes and intended levels of activity
- Pedestrian, bicycle, and vehicular circulation
- Tower Tour: renovation of 3-4 historic guard towers for public access
- Community Green

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Financial Feasibility

High infrastructure costs, limits on density related to the historic nature of the site, and the higher cost of adaptive reuse, make the economics of this project challenging. Each of the proposed uses was selected to balance financial feasibility with a wide variety of physical, legal, and preservation constraints. The following table outlines each of the proposed uses, the estimated cost of completing the improvements, and the financial surplus or gap associated with each use. While these estimates are the result of thorough analysis, it is important to note that they are also based on market assumptions and assumptions related to the structure of the relationship between the County and the future developer of the site. The aim of the analysis is to help guide County decision making and estimate the approximate level of County subsidy required to complete this project.

Estimated Total Project Cost: \$148 million
Estimate Historic Tax Credit Equity: \$16.6 million
State: \$9 million
Federal: \$7.6
Estimated Housing Tax Credit Equity: \$6.1 million
Financial Gap: \$8-\$12 million

	Estimated Total Cost	Estimated Surplus/(Gap)
Retail		
New	\$ 4,300,000	\$ 1,100,000
Historic	\$ 2,300,000	\$ 600,000
Historic Office	\$ 12,400,000	\$ (2,600,000)
Historic Residential		
Market Rate Apartments (118 units)	\$ 22,400,000	\$ (2,200,000)
Magnet Apartments (53 units)	\$ 10,300,000	\$ 2,300,000
Pad Sites	\$ 4,000,000	\$ 1,100,000
Townhomes (181)	\$ 63,400,000	\$ 10,900,000
Infrastructure	\$ 20,200,000	\$ (12,900,000)
Demolition	\$ 1,100,000	\$ (1,100,000)
Extraordinary Historic	\$ 1,700,000	\$ (1,700,000)
County Fees	\$ 4,000,000	\$ (3,800,000)
Proffer Suggestions	\$ 2,000,000	\$ (700,000)
Total	\$ 148,000,000	\$ (9,000,000)

Summary of Site Costs: ~\$29,000,000

Site Work: \$18,493,000

Cost estimates related to site work were completed by Walter Phillips, a Virginia based civil engineering firm. The firm has extensive experience in the Lorton market including the redevelopment of the Workhouse portion of the former Lorton Prison.

Site Preparation: \$3,425,000

Includes the cost of site excavation, erosion controls, surveying, construction staging, standard traffic controls, backfill retaining wall, utility spoils relocation, construction fencing, fine grading, utility spoils disposal, etc.

Site Utilities: \$6,500,000

Includes the costs associated with storm water management, sanitary sewer, and water.

Site Improvements: \$4,690,000

Costs associated with creating parking lots, roads, and sidewalks on the site.

Landscaping: \$1,695,000

Costs associated with purchasing and planting landscaping materials on the 80-acre site.

Site Design: \$670,000

Creation of construction documents for site work and other site related plans needed for the County approval process.

Exterior Lighting: \$1,513,000

Costs associated with lighting the exterior of buildings, parking lots, and streets.

County Fees: \$4,050,000

Fees were estimated in conjunction with Fairfax county staff and Walter Philips and include the rezoning application fee, the site plan submission and processing fee, sewer fees, and park fees

County Proffer Suggestions: \$1,960,000

Includes proffer suggestions from the Park Authority and Fairfax County Public Schools.

Other Site Costs: \$4,451,000

Demolition Costs: \$1,050,000

Demolition estimates include costs associated with the removal of the steel cellblocks in the former penitentiary, the removal of several buildings, and the removal of the equipment in the power plant.

Bridge: \$250,000

It is anticipated that a small bridge will be required to accommodate vehicular traffic over a swale on the site. The cost of this bridge was estimated by Walter Phillips.

Chapel: \$166,000

The budget for the chapel includes the cost of repairing the roof and making cosmetic improvements to the building.

Penitentiary Wall: \$1,050,000

A structural report has been completed on the historic penitentiary wall and BE&K provided an estimate of the cost to restore the wall.

Tower #5 Structural Repairs: \$125,000

A structural report identified concerns related to Tower #5. BE&K provided an estimate of the cost to stabilize the tower.

Other Tower Improvements: \$385,000

The master plan proposes improving several towers for public use as well as shoring up and securing the remaining towers. BE&K provided an estimate for improving the towers.

Traffic: \$550,000

It is anticipated that two traffic lights, costing \$250,000 each, will be required on Silverbrook Road. It is also anticipated that a \$50,000 traffic study will be required. These estimates are based on input from Walter Phillips and Wells and Associates.

Vehicular Access from Lorton: \$875,000

If it is determined that the connector road between Laurel Crest and Lorton Rd does not need to be constructed and the access from Lorton to the site can be built as a private road the cost is estimated to be \$875,000. This estimate is based on input from Walter Phillips and Wells and Associates.

Overview of Subsidy Programs

Federal and State Historic Tax Credit Equity: \$16.6 million

Two of the most significant financial resources available for the renovation of the Adaptive Reuse Site are Federal and State Historic Tax Credits. The tax credits are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate historic buildings. These programs offer tax credits equal to 20% (federal) and 25% (state) of qualified rehabilitation expenditures. The credits can be sold to corporate investors to raise equity to fund the cost of renovation. Based on the projected renovation budget, it is estimated that the tax credits associated with the adaptive reuse site could be sold for approximately \$16.6 million.

Housing Tax Credit Program: \$6,100,000

The 53 units of Magnet Housing included in the Master Plan are potentially eligible for the Low-Income Housing Tax Credit Program. The program, which is administered by the Virginia Housing Development Authority (VHDA), provides a tax incentive for creating housing with income and rent restrictions. In general terms, the value of the credits is based receiving a tax credit equal to 9% of eligible renovation costs for 10 years. The credits can be sold to corporate investors to raise equity to fund the cost of renovation.

The Magnet Housing units will be restricted to a particular occupational group such as nurses, teachers, fire fighters, and/or police officers. In 2009, a resident's household income would be restricted to \$43,140 for a one person household and \$59,300 for a two person household. Rents for 1BR and 2BR units would be restricted to \$1,107 and \$1,279 respectively.

Proforma Assumptions

Development Costs

Construction costs were estimated by BE&K, a Virginia-based general contractor that completed the construction for the Lorton Arts Foundation at the Workhouse. Alexander Company construction managers and architects also spent a significant amount of time on site and cross-checked estimates from the general contractor. Other development costs were estimated by the Alexander Company in conjunction with the Company's industry contacts including bankers, insurance providers, and tax credit syndicators.

Income and Vacancy

The projected income and vacancy for each of the uses was based on market data provided in retail and office market analysis and a residential market analysis that were completed by third party contractors.

Expenses

Data used to estimate expenses was based on information provided in the market studies and on the Alexander Company experiences with comparable properties.

Financing

The County and the selected developer will explore options for financing the public improvements. As discussed for other, similar projects such options are expected to include a combination of private equity, tax revenue including possible special district taxes, or possibly tax increment financing. Further analysis of available financing options will include an assessment of the debt burden of the County, the developer and the ultimate owners within the development as well as the tangible and intangible benefits to be derived by all parties in accordance with the County's Principles for Public Investment.