THE ALEXANDER COMPANY
SUMMARY OF FINDINGS: LAUREL HILL ADAPTIVE REUSE AREA
September 10, 2008

Background

The Laurel Hill Adaptive Reuse Area is an approximately 80-acre site that was part of the former District of Columbia's Department of Corrections in Lorton, Virginia. The Adaptive Reuse Area is owned by the Fairfax County Board of Supervisors and is comprised of the former Lorton Prison Reformatory and Penitentiary Buildings, the prison Ballfield, and the historic Laurel Hill House.

A Memorandum of Agreement (MOA) between the General Services Administration, Fairfax County, and nine other signatories was executed in June 2001. In 2002, over 2,300 acres of land transferred from the federal government to Fairfax County for a price of $4.2 Million ($0.04/square foot). The majority of that land is planned for public parkland. As part of the MOA, the County committed to preserving 136 historic buildings including the majority of the buildings associated with the Adaptive Reuse Site.

Following the transfer of the land to Fairfax County, numerous stakeholders including the Fairfax County Board of Supervisors, Fairfax County staff, and a series of citizen task forces, including the Laurel Hill Adaptive Reuse Citizens Advisory Committee (CAC), put years of thought and work into a reuse plan for the former Lorton Prison.

The culmination of these efforts was the *Recommendations for the Adaptive Reuse Areas within Laurel Hill* (2004). The publication documents the Committee's two-year process of soliciting input from community stakeholders and working with planning professionals to create a plan for Laurel Hill. It was with this plan, and the following Fairfax County goals, that The Alexander Company, Inc. set out to assess the former Lorton Prison site:

- Preserve the essential historic core (both physical and symbolic) of the Reformatory/Penitentiary sites
- Minimize the present and future financial burden on the taxpayers
- Promote socially positive and acceptable reuses that compliment other development on the site and in the surrounding community.
- Provide flexibility and transparency in the development process
- Permit adaptive reuse of Laurel Hill into something of far-reaching significance and consequence-both exciting and uplifting.

The vision put forth in the *Recommendations for the Adaptive Reuse Areas within Laurel Hill* describes the redevelopment of the former Penitentiary and Reformatory sites into an exciting mixed-use development. The recommended uses are residential, including magnet housing, professional office, educational, and retail in a village center concept. The Recommendations were adopted as an amendment to the Fairfax County's Comprehensive Plan in March 2006.

In May 2008, the Alexander Company (Company) was hired by Fairfax County to work with the County to create a financially feasible master development plan for the Laurel Hill Adaptive Reuse Area. To date, the Company has performed a wide variety of due diligence activities including an analysis of the retail, office, and residential markets, a review of the relevant planning and zoning documents, and an analysis of the physical aspects of the site and buildings. Additionally, the Company has solicited community feedback in four public meetings and has met with a variety of relevant stakeholder groups. The following is a summary of findings to date.

Citizen Comments, Issues, and Concerns

The Alexander Company, in cooperation with Fairfax County, solicited feedback from community members at meetings held in June and July of 2008. While the full summaries of these meetings are available on the County website (http://www.fairfaxcounty.gov/dpz/laurelhill/master_plan.htm), many of the key points are summarized below.

- Interest in pedestrian friendly retail, restaurant, and commercial uses – Shirlington and Fairfax Corner cited as positive examples
- Investigate possible opportunities to develop office space related to Base Realignment and Closure (BRAC) activities at Fort Belvoir and development opportunities integrated with the planned INOVA outpatient facility
- Questions and concerns about the type, location, and density of residential development on the site. There is a general concern that the density of housing on the site will further exacerbate overcrowding of local schools
- Concerns that the preservation of historic buildings will require unwanted density on the site
- Address Laurel Hill House in the overall plan
- Desire by the South County Hawks to retain use of the baseball field. The Hawks are allocated field use by the Department of Community and Recreation Services. Baseball playing is an interim use at the site. The Ball Field area is part of the overall adaptive re-use site.
- Interest in recreational green space on the site
- Proposed use(s) should complement – not compete with – the Lorton Arts Foundation's development of the former Workhouse site
- Interest in additional research regarding programming for an educational use
- Concerns about the impact that development will have on traffic congestion

Market Research

Retail, Office Markets – Basile Bauman Prost Cole & Associates completed a retail and office study to help determine the feasibility of developing office and retail space on the adaptive reuse site.

- The retail study examined twenty (20) centers within a 5-mile radius of the Adaptive Reuse Site. In general, the properties are performing well with vacancy rates on centers built within the last 10 years averaging 1.5% and the vacancy rate on older centers averaging 4%. The average *net* rental rate for anchor tenants is $15.39/ sq. ft., while the non-anchor tenants pay an average rent of $24.71/ sq. ft.

- The retail study examined demographic information in 3, 5, and 10-mile rings surrounding the Adaptive Reuse Site. This information was compared to the site selection criteria of national and regional retailers. Based on the results of this analysis a list of 73 potential retail users was identified. The list includes boutique and full size grocery stores, restaurants, movie theaters, gyms, furniture stores, clothing, shoe stores, pharmacies, and a variety of other consumer product retailers.

- The office study examined thirty (30) properties within an 8-mile radius of the Adaptive Reuse Site. The limited number of Class A office properties in the area had an average rental rate of $35.75/ sq. ft., while the Class B & C properties had an average rental rate of $19.91/ sq. ft. Vacancy rates at the Class A properties are 4.4% while Class B & C properties have a vacancy rate of 5%.

To supplement the formal market studies, the Alexander Company met with a variety of real estate professionals to discuss the market feasibility of development on the Adaptive Reuse Site. The following is a summary of the key points from those meetings:

- Defense contractors servicing Fort Belvoir will have specific and constraining security needs, but smaller consultants may be good prospects for office space
- Medical office space is currently overbuilt
- A key attraction, such as a movie theater, is needed to draw people to the site and support additional retail activity
- Good access and visibility from Silverbrook Road is a critical factor in attracting retail tenants
- Adequate and well located parking are imperative for retail success
- Educational users require significant parking, state of the art technology, and specific classroom design. For-profit educators, such as ITT tech, indicated that they begin exploring sites 6-12 months before they hope to begin classes.

In sum, retail and office vacancy rates are below stabilized standards in the industry and indicate that additional retail and office space is viable. The market rental rates indicate that the feasibility of structured parking is questionable and surface parking is most likely. The success of commercial space will be dictated by: (1) good access and

visibility, (2) development of a critical mass sufficient to attract users and bring them back into the heart of the Adaptive Reuse Area, (3) adequate and convenient parking, and (4) creation or inclusion of an anchor, draw, destination use such as a movie theatre. Restrictions on the height of new construction (2 to 3 story maximum) make development of large-scale office space unlikely.

If an educational user can be identified, the use would potentially be a good fit for the property. However, the response from public sector institutions has been limited and for-profit educators are unlikely to commit to leasing space that is more than a year from delivery. Public sector educators that have expressed any interest in the past should be contacted to determine if there is continued interest. If no users are identified, flexible space that could accommodate a for-profit educational user should be developed and marketed to those users.

- *Housing Market* – Real Property Research Group completed a housing study to help assess the feasibility of building rental and/or for-sale housing on the Adaptive Reuse Site. The study primarily examined an area between the Prince William County border and Fairfax County Parkway to the north and south and Hooes Road and Telegraph Road to the east and west. A secondary market was also examined that includes a larger portion of the I-95 corridor.

    - Rental communities within the market area are performing well, with an average vacancy rate of 3.5%, and a stabilized vacancy rate of 1.5%. Overall, the rental communities average $1,319/month for one-bedroom units and $1,511/month for two-bedroom units. The competitive rental communities have a clubhouse and an outdoor pool as part of their amenity package.

    - According the 2000 Census, 52% of the owner occupied housing stock in the Laurel Hill market area is single-family attached housing and 44% is single-family detached. The inventory of unsold housing units in Fairfax County has risen dramatically since 2005, and the average sold price has decreased in 2008. MLS sales volumes are on the decline, reflecting the overall national real estate downturn. Since 2000, new single-family detached and attached housing in the area has been built. The adjacent Laurel Hill development was approved in 2001 and the Spring Hill development was approved in 2003.

    - The Residences of Lorton Station, which opened in 2006, is the only condominium development in the Laurel Hill market area. The prices for these two-bedroom condominiums range from $329,000-$336,500, and have an average square footage of 1,236.
    - Based on estimates from the Washington Council of Governments, the study projects that the population in the Laurel Hill primary market area will grow at 7.7% per year between 2008 and 2013. This projected

population growth, which is partially attributed to the jobs being relocated to Fort Belvoir, will result in increased housing demand in the area.

- *Fort Belvoir* - Base Realignment and Closure (BRAC) will bring approximately 20,400 new personnel to Fort Belvoir. Relocations of Army leased space and the new DeWitt Hospital will bring about 5,500 employees to the main post at Fort Belvoir and the National Geospatial Intelligence Agency will bring 8,500 employees to the Engineer Proving Ground, for a total of 14,000 employees between these two locations. Washington Headquarters Service will relocate approximately 6,400 employees to a site to be determined (options include the GSA warehouse site in Springfield as well as two alternative locations in Alexandria). Most new employees and personnel coming to Fort Belvoir are Department of Defense civilian or contractor positions living off of the installation. While some of the relocated employees will commute from their current residences, the BRAC activities will create new demand for housing in the region, including the Laurel Hill area.

  In addition, estimates of off-base, indirect and induced jobs (non-embedded contractors, retail, wholesale, construction, health and local government workers) are expected to bring 7,500 to 9,500 employees to the area to support the BRAC jobs.

- *INOVA Lorton Healthplex* - The Lorton Healthplex, which will be located at the corner of Lorton and Silverbrook Roads, is a planned new outpatient healthcare facility that will be part of INOVA Health Systems. The Healthplex will include an emergency department, a variety of outpatient services including diagnostic imaging, and a shell space for a future surgery suite. While the plan originally included medical office space, this space has been removed from the plan due to lack of physician interest.

In sum, demand for housing in the area will continue to increase due to its proximity to a major transportation corridor (I-95), relative close proximity to mass transportation (VRE at Lorton Station), the expansion at Fort Belvoir, and the construction of the Inova Lorton Healthplex. At the same time, the supply of rental housing is low as indicated by vacancy rates of less than 5% and limited new rental housing development is planned. For sale housing, attached and detached, is currently overbuilt; however we expect the increasing demand and low rates of new construction will correct the over supply situation fairly quickly. From a market perspective, the site is well suited for development of multifamily residential rental housing and limited for sale new construction townhomes. Condominium development in the Laurel Hill area has been very limited and any attempt to break into this market should be measured. While the suburban, residential nature of the site does not lend itself to dense condominium development, a limited number of units in the context of a village center may be feasible.

Site and Buildings

Existing Buildings – Physical inspection of the existing historic structures in the Reformatory section of the site indicates that the buildings were relatively well constructed and maintained and are structurally sound. With limited infill and minor demolition, the buildings in the Reformatory section should adapt well to residential uses. However, the creation of adequate and convenient parking is a challenge that must be addressed.

The buildings located between the Reformatory and Penitentiary, including the laundry, steam plant, and industrial buildings, are in generally good condition and should adapt well to residential or limited office or retail use. While the *Recommendations for the Adaptive Reuse Areas Within Laurel Hill*, suggests a village center/Main Street concept in the area, several factors diminish the possibility of this solution. The buildings are located on a narrow street that would limit on-street parking. Furthermore, they are in the middle of the site with no visibility and limited accessibility. The Main Street concept for this area was contemplated prior to access being cut off by the Spring Hill development.

Physical inspection of the Penitentiary section of the site also indicates that the buildings were relatively well constructed and maintained, and are structurally sound. The reuse of the Penitentiary section is more challenging given the historic wall, the lack of an internal road or driveway system, and the height of the windows on the existing cell block buildings. In addition, the National Park Service has expressed a desire that some portion of the cell blocks be maintained in order to preserve an example of the former use. However, with attention to these difficult to address items, the Company feels that a viable reuse plan is attainable. As is the case with the Reformatory, creating accessible parking will be a challenge at the Penitentiary.

The brick towers that ring the site are designated historic and should be incorporated into the overall development plan. The unique architecture and prominent location of tower numbers 4, 5, 6, and 7 associated with the penitentiary wall should be used to brand the redevelopment of the Adaptive Reuse Area. Incorporation of the penitentiary towers into the design of the development as a defining character feature will not be difficult. While reuse of the towers as functional space will be difficult, it is not impossible. Unfortunately, several of the penitentiary towers are in poor condition and the cost of required renovation will be a factor in the overall economics of the redevelopment. Tower numbers 1, 8, 9, 10 have even less opportunity for a functional reuse and offer little opportunity for branding or identification. The second set of towers should be cleaned and repaired, and renovation scope and expense should be kept to a minimum.

A structural assessment of the wall was undertaken in the summer of 2007. The assessment found:

- Signs of deterioration throughout the wall structure.

- Deterioration of masonry from freezing and thawing, chemical attack by water and other substances, moisture expansion, other internal expansive reactions, and mismatch in dimensional characteristics of wall composition.
- Water infiltration as the result of rough removal of the upper sections of the original wall
- Probability that in some areas the internal sections of the walls were built up of brick that was thrown in haphazardly and filled with mortar, leaving channels, cracks and crevices – creating internal stresses and causing substantial cracking.
- An inadequate number of expansion joints in the existing walls and the improper patching and clogging of the joints by debris.
- A total of 49 piers, 27 of which are damaged and need repair. Failed attempts have been made to repair the piers using dissimilar brick and mortar materials.

Infrastructure – A local civil engineering firm was hired to assist with the assessment of current conditions, conceptual land planning, and engineering feasibility based upon current codes and ordinances, and conceptual cost estimates for infrastructure development.

Planning and constructing adequate infrastructure to support the adaptive reuse of the site is one of the most significant costs associated with the redevelopment of the property. Utilities are readily available on the perimeter of the site. The existing water, sewer, gas and electrical infrastructure that served the former prison buildings is obsolete requiring the engineering and construction of new systems. Likewise, newly designed and constructed roads, sidewalks, and bike and pedestrian connections are needed. Additionally, the reuse of the site will require significant upgrades to storm water management systems.

Existing steam tunnels weave through the historic site. The steam tunnels were constructed in conjunction with the historic structures and have asbestos containing material, which in the best circumstance should remain undisturbed. The presence of the tunnels increases the difficulty and expense of installing roads and utilities. These tunnels should be mapped prior to any extensive infrastructure design work.

In addition to the on-site infrastructure, the development's impact on off-site infrastructure must be assessed. These off-site impacts include, but are not limited to, transportation/roads, schools, and recreational facilities, and will be addressed during the rezoning process.

Access and Visibility – Visibility and access from major roads is limited. In order to redevelop the site successfully, access and visibility from Silverbrook Road is essential. Removal of sections of the Penitentiary Wall, removal of trees and brush along Silverbrook Road, and an additional strategic access point from Silverbrook Road is necessary. In initial conversations with Fairfax County Transportation and the Virginia Department of Transportation, staff indicated that the addition of an access point on Silverbrook is possible. Steep grades between Silverbrook and the site will require significant site engineering and will add to the cost of the road.

Open Areas – There are several areas on the site that could potentially accommodate new construction:

- Six (6) acres adjacent to the chapel
- Space within penitentiary walls (not within the courtyard)
- Ball Field area
- Select spaces located adjacent to Silverbrook Road

Historic Preservation - The reuse of the former Lorton Prison is guided and influenced by a number of documents and factors including the Memorandum of Agreement, the physical characteristics of the site, and the requirements of a wide variety of agencies that review and approve historic redevelopments.

- Memorandum of Agreement (MOA): An MOA between the General Services Administration, Fairfax County, and 9 other signatories was executed in June 2001. The MOA lists 136 structures and features designated as "contributing" to the eligible historic district. The MOA requires that all exterior work on contributing historic structures be completed in compliance with the Secretary of the Interior's Standards for Rehabilitating Historic Buildings. The MOA calls for the subject property to be treated as a historic overlay district for review purposes. Any undertaking including alterations to the exterior of a structure or alterations to the grounds is subject to comment from the Virginia Department of Historic Resources (VDHR) and the Lorton Heritage Society and must be approved by the Fairfax County Architectural Review Board (ARB).

- Architectural Review Board (ARB): The ARB has adopted draft Architectural Standards and Guidelines for the reuse site, which largely mirror the Secretary of Interior's Standard for Rehabilitating Historic Buildings. These draft Standards and Guidelines consider the reuse site in the context of the National Register designation but contemplate only building exteriors and open space.

- National Park Service: Two of the most significant financial resources available for the renovation of the Adaptive Reuse site are Federal Historic Tax Credits and State Historic Tax Credits. The Historic Credits are discussed in more detail below; however, the use of Historic Credits subjects the adaptive reuse plan for the entire site to the review and approval of both VDHR and the National Park Service. A tax credit review by the National Park Service requires the review of potential impacts to the entire National Register site, including the MOA-contributing buildings and the buildings listed in the nomination to the National Register of Historic Places. Proposed modifications to historically significant interior spaces, such as the penitentiary cell blocks, gymnasium, and dining hall, will also be reviewed by VHDR and the National Park Service.

    - *Federal Historic Tax Credits* - This program offers a tax credit equal to 20% of the cost of renovation for qualified rehabilitation programs and

encourages the retention and reuse of historic structures while preserving their historic character.

- *State Historic Tax Credits* - The State Historic Tax Credits are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate historic buildings. The state tax credit is equal to 25% of the cost of renovation.

- Federal and State Historic Tax Credits can be sold to corporate investors to raise equity to fund the cost of renovation.

- The following site-specific constraints were identified in initial meetings with the National Park Service and VDHR. If Historic Tax credits are used, these and other issues will need to be addressed to the satisfaction of the ARB, VDHR, and the National Park Service. If credits are not used, they will need to be addressed to the satisfaction of the ARB and VDHR. As a signatory to the MOA, the Lorton Heritage Society will also review the renovation plans.

  - *Penitentiary Wall* – While it will be necessary to penetrate the Penitentiary Wall to allow for vehicular access and visibility into the Penitentiary site, the National Park Service considers the wall an important and character-defining feature. Initial feedback from the National Park Service indicates a preference for removal of panels between pilasters to allow access. Feedback also shows an aversion to lowering the wall to knee height or to placing buildings to give the impression of wall penetration. Members of the ARB also expressed an interest in a solution that keeps the majority of the wall intact.

  - *Penitentiary Cell Blocks* – Initial conversations with the National Park Service indicate that the cellblocks will be viewed as character-defining features and a representative sample of the blocks will need to be retained. This can be accomplished by preserving a representative set of cells in each of the penitentiary buildings or by preserving all of the cells in one of the penitentiary buildings.

  - *Reformatory Courtyard* - The formal organization of the Reformatory Courtyard should be maintained and not contain any new construction.

  - *Historic Road System* - Historic roads need to be respected. If historic roads are to be used in redevelopment, there needs to be a change in materials to demonstrate the difference between historic and new roads. If historic roads are not used for vehicular traffic they should be maintained and incorporated as pedestrian or bicycle paths.

  - *Height and Massing of New Construction* - The similarity of height in existing buildings significantly contributes to the overall character of the

site. It is important that new construction, or additions to existing buildings, respects the height of existing buildings and the Penitentiary Wall.

- *Infill Construction between Dormitories and Penitentiary Buildings* – New construction between the dormitory buildings in the Reformatory and cellblock buildings in the Penitentiary is possible if it is sensitive to the visibility from the courtyards.

Cost of Adaptive Reuse—In general, the economics of renovating historic structures for a new use are more difficult than the economics of building new space. There are many factors that contribute the reduced economic efficiency.

- The reuse of a historic campus that preserves the essential historic core limits height and density of development on a site making it more difficult to spread fixed costs such as land acquisition and infrastructure construction across an adequate amount of income generating development.
- Working within the confines of existing structures increases the cost of design and engineering. While new buildings can be designed with efficient stacking of uses and mechanical systems, each and every space in a historic structure must be measured and documented, and then architectural plans and mechanical systems designed to fit within the existing spaces. The latter is more time consuming and therefore expensive.
- Historic space and its inherent characteristics such as window placement and ceiling heights, limit the use of some spaces and therefore reduce the efficiency of the building (ratio of gross space to salable or leaseable space). While construction costs are paid based upon gross space constructed revenue is based upon net space leased or sold. With the reduced efficiency ratio in historic structures, construction cost per square foot of salable or leaseable square footage increases.
- The adaptive reuse of historic buildings relies more heavily on labor than new construction and the increase in labor costs tend to drive up the construction cost per square foot.

Opportunity Related to Adaptive Reuse – While adaptive reuse is more challenging, it represents an opportunity to create a unique living, shopping, and working environment. In a time when communities are beginning to look more and more similar, adaptive reuse provides a unique experience, which is often a marketing advantage.

Additional Public Approval Considerations

Producing a viable Master Plan requires citizen input, financial considerations, and an understanding of the site constraints and opportunities. Implementing an adopted Master Plan requires additional public approvals. Based on conversations with representatives from the Fairfax County Department of Planning and Zoning (DPZ), and publicly available materials, the following land use approvals were identified.

- *Amendment to the Fairfax County Comprehensive Plan* - An adopted Master Plan may require a Comprehensive Plan Amendment. The Plan Amendment review process includes review and comment by County staff, GSA, VDHR, ARB, South County Federation, stakeholders and the public and requires approval by the Planning Commission and the Board of Supervisors. Signatories to the MOA will also play a review role.

- *Rezoning* – The developer selected for implementing an adopted Master Plan will need to file a Rezoning application. The Rezoning process includes review and comment by County staff, South County Federation, GSA, VDHR, ARB, stakeholders and the public and requires approval by the Planning Commission and Board of Supervisors. Again, signatories to the MOA will have a review role in this process.

During these review processes, an application or land use proposal is reviewed by various county (and sometimes state) agencies for input related to transportation, stormwater management, low-impact development, affordable and workforce housing, public facilities and the environment. These processes include public hearings before the Fairfax County Planning Commission and the Fairfax County Board of Supervisors. Additional approvals such as site plan review are also required.

Next Steps

To date, The Alexander Company has received input from community members and other stakeholders including the Virginia Department of Historic Resources, the National Park Service, the Architectural Review Board, South County Federation, Lorton Heritage Society, Fairfax County planning staff, and local real estate, design, legal, engineering and traffic professionals. The Company has completed market research and a building and site analysis.

The next step for The Alexander Company and the County is to formulate a draft plan for the reuse of the subject site. Over the next several weeks, The Alexander Company's in-house design team will work with the civil engineer, traffic consultant, retail consultant, and other specialists to formulate a draft reuse plan. The plan will be prepared for presentation and discussion at community meetings to be scheduled between September 29, 2008 and October 20, 2008. Based on feedback from these meetings and a financial feasibility analysis, The Alexander Company will refine the plan and present it to the community later in the year.