



Laurel Hill
Project Advisory Committee

Sharon Bulova, Chairman
Fairfax County Board of Supervisors
12000 Government Center Parkway
Fairfax, Va. 22035

December 18, 2009

Dear Chairman Bulova,

The Laurel Hill Project Advisory Committee held a public meeting Wednesday, December 16, 2009 at the South County Secondary School. The purpose of the meeting was to discuss and then vote on the PAC's final recommendations regarding the Alexander Company's proposed Master Plan for the Laurel Hill Adaptive Reuse Site (the reformatory and penitentiary area).

The PAC voted to recommend approval of the Master Plan with a number of conditions. I have included the list of recommendations, as well as a brief project history, and observations and comments that contributed to our recommendations.

The PAC also voted to recommend that the committee be discontinued. The PAC is not a signatory to the Memorandum of Agreement (MOA) regarding historic features, and is not likely to participate in discussions about federal and state historic tax credits (However, we offer some specific recommendations regarding County participation in tax credit discussions). If the Board adopts the Master Plan, we believe the County's re-zoning process, Planning Commission hearings, reviews by MOA stakeholders and continuing dialogue with South County residents will be the appropriate mechanisms to address any remaining issues related to the project.

We very much appreciate the assistance and input we have received from County staff since the PAC was established by the Board of Supervisors in 2005, and in particular, during the many months of public discussion regarding the proposed Master Plan. This is especially true with regard to our numerous information requests and preparations for Project Advisory Committee meetings.

In addition, we gratefully acknowledge the County's positive response to the PAC request for an independent financial analysis of the proposed Master Plan. The Alvarez and Marsal Master Plan Financial Assessment was very helpful.

I would like to personally thank Bob Cosgriff and Doug Wrenn who served on the Laurel Hill Adaptive Reuse Citizens Task Force, and then on the Project Advisory Committee. They have devoted more than seven years of their time and attention to this process. They have demonstrated leadership and wisdom, and a commitment to the best interests of the adaptive reuse of this historic site. Their guidance and support during the many years of a complex and challenging task will not be forgotten.

As always, please feel free to contact members of the Project Advisory Committee with any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Timothy J. Sargeant". The signature is written in a cursive style with a long horizontal flourish at the end.

Tim Sargeant, Chair
Laurel Hill Project Advisory Committee

At-Large Member
Fairfax County Planning Commission

CC: Fairfax County Board of Supervisors
Tony Griffin, County Executive
Jim Zook, Director, Department of Planning and Zoning
Chris Caperton, Laurel Hill Project Coordinator
Bob Cosgriff, Laurel Hill Project Advisory Committee
Doug Wrenn, Laurel Hill Project Advisory Committee

Attachments

Laurel Hill Project Advisory Committee Recommendations Regarding the Draft Master Plan for the Reformatory-Penitentiary Area

December 16, 2009

Project History

Laurel Hill Adaptive Reuse

The Laurel Hill Project Advisory Committee (PAC) was established by the Fairfax County Board of Supervisors in 2005 to monitor the development of the Adaptive Reuse Area. The PAC makes recommendations to the Board. The three members of the committee, Tim Sargeant, Doug Wrenn and Bob Cosgriff, each served on the Laurel Hill Adaptive Reuse Citizens Task Force.

The Laurel Hill Citizens Task Force met for more than two years to develop recommendations for the adaptive reuse areas within Laurel Hill. The committee recommended a mixed use concept at the reformatory/penitentiary site that includes residential, retail, office and education uses. The recommendations were submitted to the Board of Supervisors in December 2004. At that time, the Board of Supervisors voted unanimously to accept the recommendations as presented.

The Laurel Hill Citizens Task Force recognized the complexity and generally higher costs associated with the adaptive reuse of historic structures (compared to new construction). Professional planning input indicated that an adaptive reuse project involving the former penitentiary and reformatory buildings could result in a budget gap as high as \$30 million.

In order to increase the viability of an adaptive reuse project, the Laurel Hill Citizens Task Force recommended that *the County may consider increasing residential or retail development density or reducing the number of historic structures to be reused*. This recommendation was adopted unanimously by the Laurel Hill Citizens Task Force, which included members of the Lorton Heritage Society and other South County representatives. The recommendation also was adopted by the Board of Supervisors and included in the Comprehensive Plan text for the reformatory/penitentiary area at Laurel Hill.

2006 RFP Process

In 2006, the County received two responses to a Request For Proposal (RFP) for the adaptive reuse of the reformatory and penitentiary site. Both proposals were rejected due to the lack of key financial information, concerns about historic preservation and conflicts with Comprehensive Plan and Laurel Hill Citizen Task Force recommendations.

Master Developer

As a result of the RFP process, the County opted to solicit the services of a master developer to provide land use planning, design, financial analysis and conduct public outreach. In August 2007, the County issued a request for proposal for the services of a Master Developer. The Alexander Company, based in Madison, Wisconsin, was selected to develop a master plan for the site.

Project Advisory Committee Meetings

The Laurel Hill Project Advisory Committee has held public meetings since its inception. This includes seven meetings between May 2008 and December 2009 to receive input from the Alexander Company, County staff and citizens, and to review the proposed Master Plan. Individual PAC members also have attended numerous civic association and other meetings regarding the Master Plan.

Project Advisory Committee Observations and Comments

The Project Advisory Committee members have spent the last five years in the adaptive reuse planning process (as well as two years on the Laurel Hill Adaptive Reuse Citizens Task Force). We have had the opportunity to develop a perspective about the process, the goals, and the many often-competing conditions and priorities inherent in this process. Here is a summary of observations and comments as a prelude to our recommendations:

1. There is a cost associated with inaction. The County is spending approximately \$600,000 annually for security and maintenance of the reformatory/penitentiary site. That is \$5.4 million since the site was acquired in 2002. In addition, approximately \$3.5 million has been spent at the reformatory/penitentiary site for rehabilitation and stabilization of buildings and other structures.

Expenditures are likely to continue until the site becomes self-sustaining.

2. The reformatory/penitentiary area is one of *two* sites with historically significant buildings, sites, structures and objects. The County already has spent more than \$8 million dollars in rehabilitation and stabilization of historic structures at the Lorton Arts Foundation's Workhouse site (adjacent to Route 123). In addition, the Board of Supervisors agreed to a contribution of \$5 million or \$1 million per year through Fiscal Year 2011 to the LAF (This is subject to an equal match by LAF fundraising in order to qualify for the following year).

It is unlikely that the County will continue its commitment to both the reformatory/penitentiary and workhouse sites at these funding levels.

3. The Master Plan calls for 181 town homes and 171 apartments for a total of 352 residential units at the reformatory/penitentiary site (in addition to office and retail uses) to make the project financially viable. This has prompted expressions of concern, and in some cases, opposition, by some in the South County area as well as some preservation stakeholders (However, on December 8, 2009, the South County Federation, a signatory to the Memorandum of Agreement, voted not to oppose moving forward with the Master Plan for the Laurel Hill Adaptive Reuse site).

In fact, the current Master Plan scenario is *lower* than comparable residential development densities proposed by planning consultants during the 2002–2004 Laurel Hill Adaptive Reuse Citizens Task Force process. In addition, the responses to the County's 2006 RFP process can be characterized by higher residential densities than the current Master Plan.

Simply put, the level of residential development is not likely to be lower unless there is a willingness to save fewer contributing structures.

4. Residential development under the reformatory/penitentiary Master Plan is projected to yield a total of 96 students: 53 elementary, 13 middle school and 30 high school students. According to information provided by Fairfax County Public Schools, the addition of the 1,200-student South County middle school in 2012 will alleviate overcrowding at the 2,500-student South County high school.

Local schools should be able to absorb the additional elementary, middle and high school students generated by development at the adaptive reuse site.

5. According to County staff, the National Register identifies 91 features (buildings, structures, objects and sites) as contributing to the historic significance of the reformatory/penitentiary area. The Master Plan proposes to demolish six contributing buildings to make the project more viable.

That means the Master Plan retains more than 93 percent of the total contributing features at the reformatory/penitentiary area.

In addition, approximately 80 percent of the contributing features at the Workhouse site have been retained.

6. Federal and state historic tax credits might provide a significant source of funding for the adaptive reuse project. However, the use of historic tax credits subjects the adaptive reuse plan *for the entire site* to the review and approval of the National Park Service and the Virginia Department of Historic Resources.

According to the Master Plan Financial Assessment submitted by Alvarez and Marsal:

“Regarding the certainty of gaining these tax credits, the state and federal agencies responsible for administering these programs cannot commit to project eligibility or what levels of expenditures qualify for eligibility until after design progresses to a level of detail beyond the master planning phase.”

7. The Master Plan’s proposed use of the reformatory/penitentiary baseball field for new construction has been a source of contention since the beginning of the master planning process. Many of the proposed town homes would be constructed on the ball field to help pay for the preservation and reuse of historic structures. The Master Plan calls for a “community green” on parts of the ball field adjacent to the historic bleachers that will not be used for new construction.

It is important to consider the following regarding the ball field:

- *Mt. Vernon District Supervisor Gerry Hyland has stated he will not support the Master Plan unless an alternate baseball field is identified.*
- *In September 2008, the Project Advisory Committee recommended that the Board of Supervisors, “...work directly with the Fairfax County Park Authority to identify funding and other resources to address the shortage of athletic fields in the South County area.”*
- *According to a September 10, 2009 letter from the Fairfax County Architectural Review Board, the proposed Master Plan adheres to the ARB’s standards and guidelines for new construction.*
- *According to a letter dated September 28, 2009 from the Virginia Department of Historic Resources, updated information indicates “...the ball field as currently exists and use of this area exclusively for that purpose appears to be a development that occurred after the end of the period of significance for the property.”*

- *The September 28, 2009 VDHR letter also says the proposed Master Plan is “...well suited to participate in the state and federal rehabilitation tax credit programs....”*
 - *The South County Federation (an MOA signatory) as well as the Laurel Hill and Spring Hill communities which are adjacent to the adaptive reuse site, have indicated support for the Master Plan’s “community green” concept as opposed to a dedicated baseball use.*
 - *New construction on the ball field will help pay for the preservation and reuse of other historically significant structures in the reformatory-penitentiary area.*
 - *Increasing development and saving fewer contributing features to make adaptive reuse viable are consistent with the Laurel Hill Adaptive Reuse Citizens Task Force recommendations and the adopted Comprehensive Plan.*
8. *There are examples of successful adaptive reuse projects that involve demolition or alteration of contributing structures.*
- *The Downtown Silver Spring, Maryland redevelopment project: There were four historic buildings in the 26-acre redevelopment area. The Silver Theatre was fully restored and reused by the American Film Institute; the Tastee Diner was moved three blocks and reopened and expanded; the historic Silver Spring Shopping Center façade was preserved and new construction allowed to be built behind and above it; and the Silver Spring Armory was demolished. The project has been a success for Montgomery County and the surrounding community.*

Alexander Company examples of adaptive reuse projects involving demolition include:

- *The Professional Building in Kansas City: A dilapidated historic structure was demolished.*
 - *The Fox River Mills project in Wisconsin: Some ancillary buildings listed as significant were demolished to accommodate the renovation of the remainder of the buildings.*
9. *The independent financial analysis of the Master Plan conducted by Alvarez and Marsal concluded that the Alexander Company’s financial feasibility study was based upon reasonable market assumptions and sound real estate fundamentals, “...given the preliminary nature of the ‘master plan’ scope of services and the status of the planned development program.”*

As a result, Alexander Company’s feasibility analysis and the Alvarez and Marsal assessment produce what A&M calls “reasonable estimates of the financial gap and a general idea of the economic impact to Fairfax County.”

10. *If the Board of Supervisors adopts and implements the Master Plan process for the reformatory-penitentiary site, it will be several years before any substantive construction begins.*

The County’s re-zoning process, Planning Commission hearings, reviews by MOA stakeholders and continuing dialogue with South County residents will be the appropriate mechanisms to address any remaining issues related to the project.

Laurel Hill Project Advisory Committee Recommendations Regarding the Master Plan for the Laurel Hill Adaptive Reuse Site

The Project Advisory Committee recommends approval of the Master Plan with a number of conditions:

- 1. The County and its developer should limit residential development to the current level proposed in the Master Plan.**
- 2. The use of low-income housing tax credits should be limited to the proposed amount of \$5 million, which will cover the cost of the 44 affordable dwelling units required by Fairfax County's ADU ordinance.**
- 3. The Alexander Company estimates the project's financial gap will be \$9 million to \$13 million. The PAC recommends that the County establish a reasonable limit within that range to manage project costs and stakeholder expectations.**
- 4. The PAC recommends that the County adopt and implement all recommendations on Pages 30 and 31 of the Alvarez and Marsal Master Plan Financial Assessment dated October 9, 2009. The recommendations are as follows:**
 - **Update Market and Construction Data** - As the project evolves beyond the proposed master plan, new market and construction costs estimates for the development period and the leasing period should be incorporated.
 - **Conduct Sensitivity Analyses** - Fairfax County should ensure that the project developer conducts sensitivity analyses around individual variables to determine which variables pose the greatest financial or project risk to the County.
 - **Discounted Cash Flow Analysis** – Combine the analyses of the development (construction and lease-up) and operating periods of the overall project into one discounted cash flow (DCF) before a development agreement is structured. This will allow for greater transparency and understanding of how each use affects the financing gap/surplus.
 - **Discounted Cash Flow Analysis from an Investor/Joint-Venture Perspective** – Develop multiple scenarios for how the public-private partnership would be structured between the developer and Fairfax County.
 - **Fee Simple Transfer of Town Homes to Buyers** – Ensure the ability to transfer town homes through a fee simple sale. A requirement to use a leasehold structure would likely impair the value of the town home property and may discourage future home buyers.
- 5. The PAC recommends that the County give serious consideration to the use of tax-exempt bond financing to fund the estimated \$20.2 million for new infrastructure.** While the Alexander Company estimates that the project may qualify for more than \$17 million in Federal and State Historic Tax Credits, Alvarez and Marsal notes that the state and federal agencies administering these program can't commit to project eligibility "until after design progresses to a level of detail beyond the master planning phase." At least a portion of the tax-exempt financing could be handled through a CDA or TIF.

6. **While the PAC concurs with the Master Plan’s “community green” concept, we strongly recommend that a new baseball field is identified and established before project construction begins.**
7. **The PAC encourages state elected officials as well as Fairfax County Supervisors to engage in direct dialogue with Audrey Tepper of the National Park Service and Elizabeth Tune of the Virginia Department of Historic Resources regarding project qualification for federal and state historic tax credits. Elected officials also should request regular updates from County staff regarding tax credit discussions.**

As Alvarez and Marsal notes in its Master Plan Financial Assessment, state and federal agencies that administer the tax credit programs cannot commit to project eligibility or what level of expenditures qualify until after design progresses to a level of detail beyond the current master planning phase.

As the Alexander Company and County staff have explained, the use of historic tax credits subjects the adaptive reuse plan for the *entire site* to the review and approval of the National Park Service and Virginia Department of Historic Resources.

In a September 10, 2008 Summary of Findings, the Alexander Company noted that, “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 penitentiary cell blocks, gymnasium and dining hall will also be reviewed by VDHR and the National Park Service.”

According to the Department of Interior regulations governing the historic preservation tax incentive program, “...rehabilitation certification will be issued on the merits of the overall project rather than for each structure or individual component. [36 CFR Part 67.6 (b)(4)]”

8. In a letter dated September 28, 2009 from the Virginia Department of Historic Resources, Elizabeth Tune, Manager, Office of Preservation Incentives notes that, “...the ball field as currently exists and use of this area exclusively for that purpose appears to be a development that occurred after the end of the period of significance for the property.”

Ms. Tune encourages the County to “...amend the National Register nomination to reflect this new understanding, as it provides important information on the evolution of the property.”

The PAC recommends that the County proceed with an amendment to the National Register nomination as it relates to the reformatory/penitentiary ball field area. This will provide clarification to consideration of support for historic tax credits, especially with regard to the Master Plan’s proposal for new construction in the ball field area.

9. **The PAC does not recommend that the Laurel Hill House be included in any proffer or funding considerations for the reformatory/penitentiary adaptive reuse project.** According to a consultant’s study issued in June 2008, options for rehabilitating the Laurel Hill House range from \$366,000 to \$1.8 million. Such costs may contribute to an increase in the project funding gap, or increase the need for additional development density.

The Fairfax County Comprehensive Plan recommends the incorporation of the house with the surrounding parkland. We concur with the County assessment that the Park Authority is the agency with the mechanisms and expertise for managing historic homes.

10. **The PAC recommends that the County take all prudent steps to lower project costs.** As an example, the County should consider waiving the requirement for \$4 million in County fees and limiting proffer suggestions below \$2 million, as outlined in the “Financial Feasibility” section of the Alexander Company’s Master Plan.

11. The Fairfax County Architectural Review Board has recommended concentrating more of the retail at the interior of the site rather than at the edges of the site, and use historic buildings at the interior of the site for retail. This may be more consistent with the current “Village Main Street” concept illustrated in the current Comprehensive Plan text for the adaptive reuse site. However, we acknowledge the Alexander Company’s concerns about visibility of retail.

The ARB also requests that parking be located “...so it does not appear remote in relationship to the use it is proposed to serve.”

The PAC recommends further review of the placement of parking and retail within the adaptive reuse site, as consideration of the Master Plan moves forward.

12. **The PAC recommends that every effort should be made in the final design to orient as much traffic as possible to and from the adaptive reuse site to Lorton Road, to take advantage of planned road improvements.**
13. Targeted workforce housing programs to support teachers, police, firefighters and other County employees are still possible. All may benefit from targeted workforce housing in the southern area of Fairfax County.

In addition, progress continues in the planning and zoning process for the Inova Healthplex in Lorton, Virginia, near the adaptive reuse site. This may provide an opportunity for a workforce housing program that is similar to the program established between Inova Health System and the County at Glenwood Mews in Alexandria, Va. While the Glenwood Mews program offers town homes, smaller rental units could be offered at the Laurel Hill adaptive reuse site to qualified applicants who do not have families. Therefore:

The PAC recommends that the County consider the implementation of a targeted workforce housing program, consistent with the description in the current Comprehensive Plan text, as the Master Plan process moves forward.

14. Due to tax credit limitations, the 44 proposed rental units that would meet the County's Affordable Dwelling Unit requirements may not be eligible for use in a targeted workforce housing program. However, Congress enacted legislation last year that offers limited additional flexibility with regard to preferences (H.R. 3221 – 231). Further modifications may be possible. As a result:

The PAC recommends that the County work with elected officials in the U.S. Senate and House of Representatives to pursue further legislative modifications that would allow Fairfax County's targeted magnet/workforce housing programs to become eligible for Low Income Housing Tax Credit financing.

15. Regarding the developer selection process:

The selection of the Alexander Company as the County's development advisor/master planner did not commit the County to selecting the company as the developer. The PAC recognizes that there are advantages and disadvantages to a competitive bidding process for the selection of a developer, and also acknowledges there are regulations and procedures in place to protect the public interest. As a result:

The PAC recommends that the developer selection process should be undertaken in a way that is efficient, transparent and promotes competition.

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