

**Master Plan for the
Laurel Hill Adaptive Reuse Site
Fairfax County
December 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
- Financial Feasibility Analysis
- Revised Draft Master Plan
- Final Master Plan



Master Plan

The 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 accommodates visitors arriving by car but also features 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.

The Plan envisions niche office users reactivating the site, with the former Penitentiary buildings providing 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 place front doors on tree-lined, pedestrian friendly streets. The

Reformatory provides 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 is planned as 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 – 20,000 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. The retail pad site closest to Silverbrook Road and White Spruce Way should be a neighborhood-serving and oriented use that excludes a gas station.

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 units will be a combination of market rate (127 units) and affordable (44 units) apartments in the historic Reformatory buildings. The affordable units will utilize low-income housing tax credits to help offset the total project cost by approximately \$5 million. It is the intent of the master plan to include the affordable units as part of a magnet housing program. Inclusion of the 44 units into a magnet housing program requires County coordination to identify a program need, and developer confirmation that the tax credit program allows the targeting of these units to specific occupational groups. If the 44 units do not qualify for use in a magnet program, additional apartments should be identified for the magnet housing program. The project developer will consider a strong community preference for age-restricted or senior housing in these affordable units. This preference is seen as complimentary to the adjacent Spring Hill community and reduces the burden on local schools.

Residential: Owner-Occupied – 181 units

The newly constructed homes should add to the unique appeal of the property and complement the historic features of the Adaptive Reuse site with a diversity of housing types, square footage, and price points designed to appeal to a wide variety of buyers. The housing mix may include two and three-level attached single-family homes, such as villas and duplexes, as well as a limited number of detached single-family homes. The attached neighborhood concept diagram provides an example of how the master plan could be interpreted to achieve the plan goals related to a diverse mix of housing types.

Once a developer is selected, the design process must include additional input from stakeholders. The developer of the site should conduct informational work sessions with stakeholders to receive feedback about the variety and location of the owner-occupied homes. Community feedback about architectural design concepts will also be considered.

The Memorandum of Agreement (MOA) provides procedures for the review and approval of development plans. The MOA gives the Virginia Department of Historic Resources, the Lorton Heritage Society, and the Architectural Review Board specific review and approval responsibilities. Opportunities for community input may also occur during the review of plans by these organizations.

Recreation Space

- Open space in multiple locations with varying sizes and intended levels of activity
- Pedestrian, bicycle, and vehicular circulation, including connections to the County's Greenway Trail
- Tower Tour: renovation of selected historic guard towers for public access
- Community Green to serve multiple purposes, events and activities. The Community Green will preclude a continued baseball use at this location, however, a replacement field will be provided off-site in the South County area.

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 estimate the approximate financial gap of the project and help guide County decisions related to closing the gap using funding mechanisms and financial tools at the County's disposal.

Estimated Total Project Cost: \$148 million
Estimate Historic Tax Credit Equity: \$16.6 million
 State: \$9 million
 Federal: \$7.6 million
Estimated Housing Tax Credit Equity: \$5 million
Financial Gap: \$9-\$13 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 - 127 units	\$ 24,100,000	\$ (2,400,000)
Magnet Apartments - 44 units	\$ 8,500,000	\$ 1,900,000
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	\$ (9,600,000)

* This surplus was calculated based on value to project as a land sale. Total cost was estimated independently and will be paid by a third-party developer.

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 required in the Zoning Ordinance.

County Proffer Requests: \$1,960,000

Includes the following anticipated proffer requests:

Fairfax County Park Authority: \$842,750 (calculated based on the number of new residents on the site, and the non-residential development square footage)

Fairfax County Public Schools: \$1,108,608 (calculated based on the number of anticipated new students generated from the development)

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: \$5,000,000

The 44 units of Affordable Housing included in the Master Plan are potentially eligible for the Low-Income Housing Tax Credit (LIHTC) 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 units will be restricted to a particular occupational group identified in partnership with Fairfax County. In 2009, household income would be restricted to \$43,140 for a one person household and \$49,300 for a two person household. Rents in 2009 for 1BR and 2BR units would be restricted to approximately \$1,027 and \$1,155 respectively.

The Fairfax County Zoning Ordinance requires up to 12.5 percent of the total number of residential units as Affordable Dwelling Units (ADUs). The proposed 352 residential units generate a requirement for approximately 44 ADUs. The Federal Low-Income Housing Tax Credit for 44 units will likely qualify as the project's ADU requirement and require no additional ADUs. The number of LIHTC units is not intended to rise or fall in reaction to any financial gap associated with the project.

The number of ADUs calculated for this project is inclusive of a 20% density bonus described in the Zoning Ordinance. No additional density bonuses – or increased number of residential units – should be allowed for the site.

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.

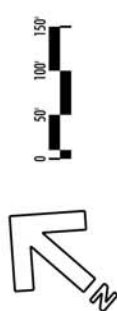
Financing

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.

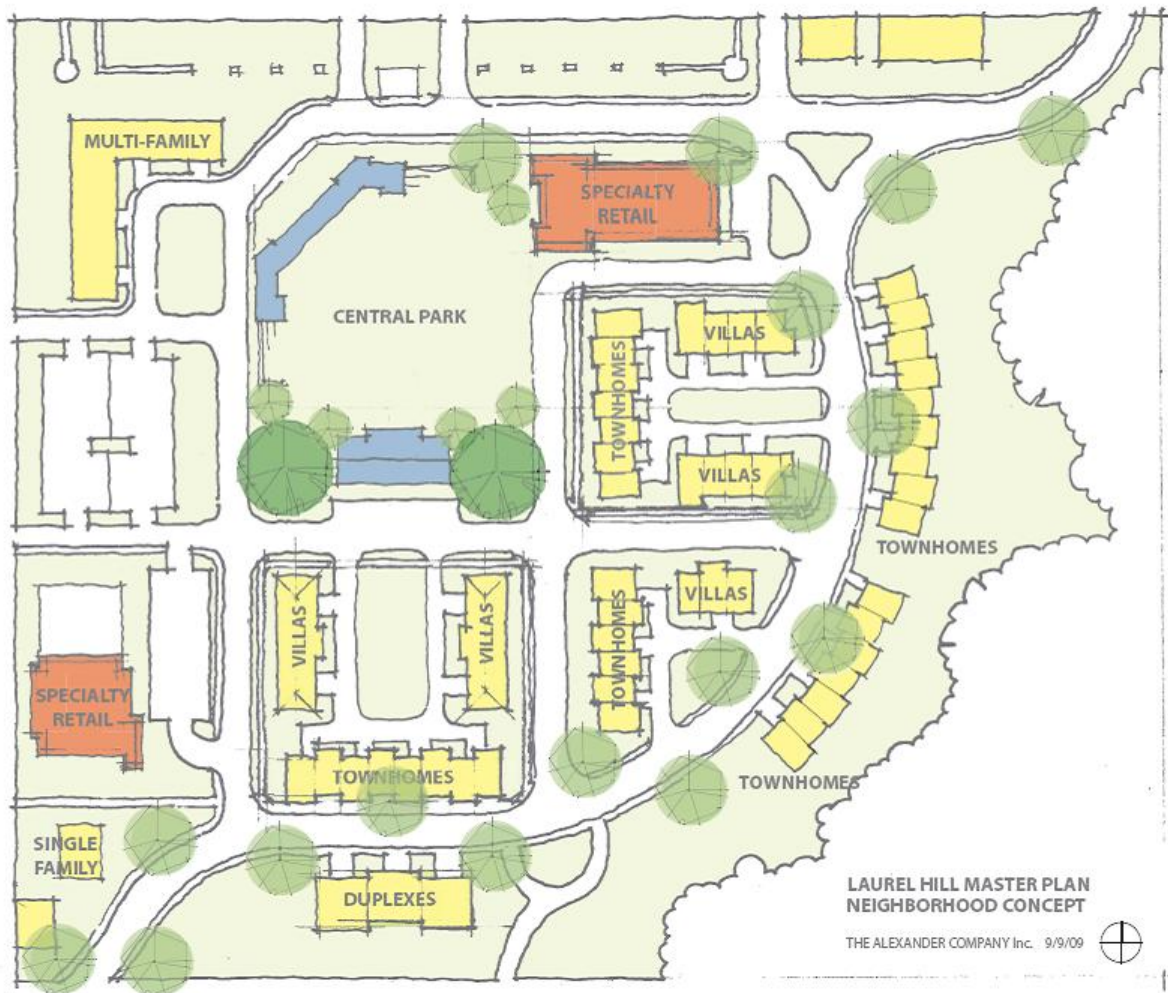


Legend

- Specialty Retail: 41,400 s.f.
- Pad Sites: 20,000 s.f.
- Historic Office: 50,000 s.f.
- Historic Residential: 171 units
- New Residential: 181 units
- Civic Space



Laurel Hill Adaptive Reuse Program Diagram



**LAUREL HILL MASTER PLAN
NEIGHBORHOOD CONCEPT**

THE ALEXANDER COMPANY Inc. 9/9/09