ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of December 15, 2009

DATE: December 15, 2009

SUBJECT: Arlington Mill Redevelopment Project

C. M. RECOMMENDATION:

1. Authorize the County Manager to modify plans for the approved Arlington Mill Community Center (AMCC) redevelopment project as needed to construct the public portions of the project independently from the housing portion of the project, with a target opening of the first quarter of 2013.

2. Authorize the County Manager to pursue a development partner for the residential housing to be built on the northern portion of the site.

ISSUES: How should the County move forward with the redevelopment of the Arlington Mill Community Center site using the approved plans?

SUMMARY:
As a result of the on-going efforts among the Arlington Mill Steering Committee, County staff, the County's private development partner, and the community, culminating in the County Board work session on Monday, December 7, 2009, it has became clear that the approved plan could not be developed for at least seven years, but also that the project could "go-forward" much sooner if some modifications are made and the project is built in phases.

County staff is recommending constructing the community center, gymnasium and plaza separately from the housing portion of the original site plan. Proceeding with the public portion of the approved site plan will provide the County with the community center facility envisioned with the approval of the 2006 Bond Referendum in approximately 36 months from County Board approval of this recommendation. The County will obtain a partner to complete the housing on the northern portion of the site as soon as the financial market will support such a commitment.

BACKGROUND: Based on many years of planning and work by the Arlington Mill Steering Committee and County staff, in November of 2006 a Bond Referendum was approved for up to $26 million dollars for the redevelopment of the Arlington Mill Community Center. Following

County Manager: BMD MAA

County Attorney: SAM

Staff: Hunter Moore, CMO

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the approval County staff, working with the Committee, solicited proposals for a partner and ultimately selected Public Private Alliances (PPA). PPA worked diligently with the County and community through an extensive public design and review process to develop a plan for development that met programmatic and space needs identified in the previous work. As a result, the County Board approved a Use Permit in July of 2008 for the development of a new, three-story community center with a public plaza, attached gymnasium, 192 apartments and two-and-a-half levels of underground parking to support both the public and private aspects of the development. Of the apartments, 33 would be market rate units built within three stories on top of the three-story community center and 62 of the 159 additional apartments would be affordable units, provided in a separate, five-story apartment building on the northern portion of the site.

To finance the affordable housing portion of the project, PPA applied for and obtained tax credits from the Virginia Housing Development Authority (VHDA), and those tax credits required completion of the affordable units by a certain date. As a result, an aggressive schedule was developed, and plans were made for the removal of the existing structure in the late fall of 2008 and the existing programs and services provided were relocated. Unfortunately, about the time of program relocation, the world-wide financial markets changed substantially and, despite PPA's best efforts, financing for the market rate housing portion of the project could not be obtained. Subsequently, the tax credits awarded to the project for the affordable housing were returned to VHDA and a new effort was launched to determine the best way to proceed. A wide variety of options were considered. Those options were refined though a public process to two proposals: (1) make a significant investment in time and resources to re-occupy the existing building and wait at least five years until re-examining the feasibility of developing the approved project as designed, or (2) make those modifications necessary to allow the public portions of the plan to move forward as soon as possible.

DISCUSSION: Given the extensive community process and County investment that went into design and approval of the mixed use development, as well as the uncertainty surrounding the timing to eventually build the entire plan as approved, County staff recommends making those modifications needed to construct the public portions of the project independently from the housing portion of the project, with a target for the start of site preparation work late in calendar year 2010 or early 2011 and completion of this phase of the project by the first quarter of calendar year 2013. This approach would eliminate the residential units above the community center, but may also provide an opportunity for staff to examine a trade off of costly underground parking beneath the center for additional floors of shell space above. Otherwise the community center building, gymnasium and plaza would be built, as approved, as part of the first phase of the redevelopment of this site.

Serious consideration was given to the potential re-use of the existing building during the time period of design modifications. All of the programs and services formerly provided in the center were relocated in August 2008 and in many cases integrated into the operation of their new locations. Since the plan had been to demolish the structure, nearly all furnishings (including tables, chairs, desks and other essential items), fixtures and equipment (such as the telephone system and technology infrastructure) had been removed from the building without regard for potential re-occupancy. Cabinetry, boards, and other mounted features in many classrooms were removed leaving holes in walls. The building has been maintained at a minimal level of maintenance heat and cooling to provide security, prevent the growth of mold, and prevent freezing of pipes and fire suppression systems. The reopening of even a relatively small portion of the building would require about three to six (3-6) months of renovation, including interior refinishing, installation of phone and internet services, repair to the HVAC system and controls, and refurnishing in order to provide an appropriate environment. Approval of this phased redevelopment recommendation would result in site preparation for the new community center starting in approximately twelve (12) months. Accordingly, the County's ability to provide community services in a refurbished building would be limited to about six to nine (6-9) months. The costs associated with the reuse of the building would be high (approximately $500,000) in relation to the short time that the building could be occupied. The disruption to the programs and services that would move back into the building, and then back out, would also not be justified given the short timeframe of occupancy. However, some community members did express the need for English as a Second Language (ESL) classes within the neighborhood. In recognition of this desire County staff will discuss with Arlington Public Schools, whose REEP program runs many of the ESL classes, whether other locations can be provided in the short term that do not require the major capital investment needed at the existing AMCC building.

There will be a separate process to attract a potential development partner for the housing portions of the project. These efforts could occur at the same time that the plans for public portions of the project are modified and developed. Construction and/or operation of the community center, gym or plaza will not be unduly hindered by the housing development schedule.

Reaching the conclusion to not move forward with the approved plan for the Arlington Mill project has been difficult and disappointing. With the extensive involvement of the community and a solid private partner, a good project that provides an exceptional community center with a major civic plaza, and high quality, mixed-income housing was approved. Unfortunately, funding for market rate portions of the housing project is just not available in this market and it is unclear when it would become available again.

The proposal to modify plans for the approved project and construct the public portions of the project independently from the housing portion of the project appears to be the only option for moving this project forward in a timely manner. The current design will remain the guiding principle in the modification process.

In conclusion, staff recommends proceeding with the public portions of the project as soon as possible with the target of starting site preparation before the end of 2010 and opening a new AMCC in the first quarter of 2013. This course of action would re-affirm the County's July 2008 commitment to the project's overall form, which is consistent with the Columbia Pike Form Based Code, as well as the community center structure and location, the gymnasium and plaza and the inclusion of housing in a residential building on the northern portion of the site. The recommended action would result in a phased implementation of the approved plan with some modifications. The first phase would include the elimination of the residential portions above the community center and the possible inclusion of additional floors over the community center for other County purposes. The second phase would be the development of the housing portion of the project with the final number of committed affordable units to be determined, but in any case not less than the number originally approved.

FISCAL IMPACT: Implementation of the recommended actions will require the following resources:

- Architectural engineering funds for the modifications to the existing architectural and engineering plans in 2010 which are available in PAYG funds;

- $24-25 million for the removal of the existing building and development of the new community center, gym, plaza and surface parking at an estimated annual debt service expense of $2.0-$2.4 million a year (with this amount first occurring in FY 2012);

- An annual operating expense of $2.8-$3.3 million (with about half that amount occurring in FY 2013 based on the schedule currently envisioned.).