

OCTOBER 20, 2020

DIANE RUGGIERO
OFFICE OF THE ARTS
CITY OF ALEXANDRIA
MEMORANDUM


Re: Torpedo Factory Art Center – Commercial Market Developer Input

Dear Diane,

Per your request, AEDP spent the last few weeks gathering feedback from commercial developers who have expressed interest in the Torpedo Factory Art Center and surrounding real estate. AEDP's outreach was conducted to get a sense of what the development community suggests would be necessary to improve the vibrancy of the Torpedo Factory Art Center (TFAC), and what resources they might be interested in bringing to the table, for inclusion in public discussions on an action plan for "Vibrancy and Sustainability." While AEDP believes that many of the developers we spoke with will participate in the public discussion over the coming months, we are providing this memo to summarize themes and ideas in advance.

Over the last two years, the immediately adjacent parcels (101 N. Union Street office building, 201 N. Union Street office building, Chart House and Blackwall Hitch restaurants) have all been sold to new owners. Prior to these transactions, a variety of different developers, owners, and investors did due diligence to consider these investment opportunities. The notes below capture observations, suggestions, and identify some structural challenges the City and community should consider as part of the public discussion about the TFAC's future. As you will note, most of the developers advise that the City, as owner of the TFAC, should consider investments in the building as part of a larger investment/improvement strategy, to include the immediately adjacent assets.

While this memo contains the initial feedback from discussions about the TFAC specifically, and the hurdles developers identified as needing to be addressed to make an investment feasible, additional developer feedback may be forthcoming, which we will provide in a subsequent memo if appropriate.



Suggestions, Ideas, and Observations about the use of the TFAC building

- ‘The Torpedo Factory needs to be opened up to have more engagement, it’s too internalized.’ Incorporating more open glass (i.e. glass awnings or windowed walls) on the first floor like [Faneuil Hall Marketplace in Boston, MA](#) would help to engage the community.
- There is no incentive to walk into the Torpedo Factory now- ‘it’s not inviting from the street, nor is it from the waterfront. No one knows it’s there and once inside, it lacks the vibrancy that the outdoor space has now.’ The ground floor activation needs a better connection to the walkable waterfront.
- The first floor warrants activated spaces – if the artists are not there every day, someone has to monetize the asset in some way. Looking to the artists to provide “some activation” is not enough.
- Suggestion: put in place a schedule that requires every studio be active at all times the building is open. Provide storage for artists’ works outside of the “retail studios” so that when an artist is not present, it allows the space for other uses to become part of the core activities. Having storage options and providing marketing support is a better way to support artists than a static studio. Need to make the building an ongoing event, not just an open studio to watch and converse with the artists in order to bring regular, predictable foot traffic.
- The City and developer should bring in a partner that is experienced in food as well as an activation group to help with ideas for the first-floor space.
- The highest and best use on the street level may not be exclusively for the artists. The City needs to start thinking about ‘a hybrid model like the [Oxbow Public market in Napa Valley](#) meets the Torpedo Factory.’ There is a way to find balance on the first floor that works for everyone.
- ‘The Torpedo Factory is not benefitting from or maximizing its potential now that there is a new owner of the adjacent parcels, and now that there is new activation along the waterfront. It’s a missed opportunity at this point.’
- Roof deck activation is an untapped opportunity.
- ‘Activating the rooftop would be a start with some form of conference center and restaurant combination. Something new that will draw attention to the building.’
- An outdoor venue like [Millennium Park in Chicago](#) could be incorporated at the Torpedo Factory to host concerts and events.
- The TFAC requires the type of activation similar to what they have been able to do with [ALX Community space on the first floor of the 201 N Union Street office building](#).
- The City needs to rethink the artist leases and find ways to bring new artists into the mix.

Observations about the Real Estate dynamics surrounding the TFAC

- The majority of developers interested in acquiring the adjoining office building (101 N. Union Street) and retail pads sites (Chart House and Blackwall Hitch restaurants) could not overcome the biggest hurdle- the land lease. The City owns the ground underneath these assets, so the sale of the buildings to a new owner required that new owner to assume the remaining term of the land lease, which is currently less than 30 years. Feedback from those who did not pursue the sale: ‘Holding the land lease constant without any extension and not owning the Torpedo Factory, it ultimately did not make sense to pursue acquiring the surrounding assets.’
- Many of the developers believe that the owners of the adjacent real estate will need the City to extend the land lease to encourage the type of investment that makes financial sense- ‘One cannot amortize the necessary capital improvements and one cannot find retailers to commit to their share of build-out expenses if the building ownership reverts back to the City in less than 30 years.’
- An extension of the City’s land lease must be considered if private investment is important in these assets that are connected to the TFAC- ‘How important are the goals of the City? If not invested in the long term, then the waterfront will just languish into infinity until the land lease runs out.’ ‘The City will only ever receive minimal investment by any new owner.’
- From a pure real estate perspective, some developers believe that it is not in the City’s best interest to have one of its most valuable assets “run by the arts.” Some combination of a public private partnership (PPP) needs to be formed, along with an extension of the ground lease on BOTH the TFAC and surrounding buildings to achieve the type of capital investment and activation desired.
- “For the Torpedo Factory Art Center building, in order to access private capital through a PPP, the City will need to execute a long-term ground lease to make the deal work for a private development partner.”
- Local example to consider for inspiration: [Grimke School Redevelopment site and gymnasium project with the African American Civil War Museum \(AACWM\) in Washington, DC.](#)

If you have any questions about the above information, please contact me. We look forward to continued dialogue on this project.

Sincerely,

CHRISTINA MINDRUP
VICE PRESIDENT, REAL ESTATE

