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# Deal of the Year 2020: Landmark Mall

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About a year ago, [Brigg Bunker](#) thought he just might need to buy Landmark Mall.

Bunker's company, Potomac-based Foulger-Pratt, had begun sniffing around the shuttered Alexandria property, a target for redevelopment for roughly two decades. The site's labyrinth of owners was partly responsible for previous plans falling through. Bunker figured it might be more simple to just acquire the 52-acre site.

He'd already heard there had been renewed interest in a redevelopment via his contacts at [Seritage Growth Properties](#), a real estate investment trust that owns Landmark's old Sears



EMAN MOHAMMED

From left, Mark Jinks, Alexandria city manager; David O'Reilly, CEO of The Howard Hughes Corp.; Dr. Rina Bansal, president of Inova Alexandria Hospital; Tom McDuffie, senior vice president of Inova Health System; Alexandria Mayor Justin Wilson; and Brigg Bunker, managing partner and COO of

department store. Bunker recalls that relationship gave the developer “a chance to enter the conversation” with the owner of the rest of the shuttered mall: Howard Hughes Corp.

Foulger-Pratt

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The longer those conversations went, the more it became clear that Foulger-Pratt could pursue something new. Instead of simply becoming the latest in a steady parade of new Landmark owners, the developer decided it could strike an unusual new deal with Seritage and Hughes, keeping the existing owners in place and bringing in new capital to finally spark its long-awaited transformation.

“Everyone realized the risks associated with getting Landmark done,” says Bunker, Foulger-Pratt’s chief operating officer. “We essentially had to work through this structure for the city to believe this was real, for Inova to believe this was real ... and we found we could do this in partnership, rather than being at odds with each other.”

This new triumvirate was indeed able to bring Falls Church-based [Inova Health System](#) on board to anchor the 4 million-square-foot project with a new Alexandria hospital, signing a preliminary term sheet Dec. 22 for what looks to be the most promising effort yet to breathe new life into the long-desolate mall site. There’s still a ways to go, but the partnership has won confidence from city officials that this deal could, finally, solve one of Greater Washington’s trickiest development puzzles.

“A lot of people had given up on it ever happening,” says Alexandria Mayor [Justin Wilson](#). “I constantly hear ‘I’ll believe it when I see it.’ ... But the hard part is done. It was about assembling the right players and having the will to get it done.”

### **A redevelopment, revived**

Wilson attributes the community’s skepticism to the ever-changing plans for the mall’s future.

Although Wilson says the mall was a “national leader 25 or 30 years ago,” it steadily declined in the ensuing decades due to a mix of disruptive construction nearby and

competition from newer malls. That spurred persistent discussions about redeveloping it, starting in the early 2000s under then-owner General Growth Properties.

Hughes took over ownership of a portion of the mall in 2010 when it was spun out of General Growth as that firm entered bankruptcy. It's pitched a variety of visions for the property since then, eventually buying the old Macy's department store and, more recently, striking a deal with Seritage to establish full control of the site. City officials have tried to speed the process along by replanning the campus on three different occasions.

But real progress has perpetually remained elusive. Wilson believes previous efforts were too focused on retail and "never built momentum," because Hughes could never land a major anchor to get people excited. Foulger-Pratt, by contrast, was laser-focused on landing Inova to make the deal happen.

The hospital system — the region's fourth-largest nonfederal employer in 2020, per Washington Business Journal research — has eyed Landmark for years as it's considered what to do about its aging Seminary Road hospital. But Tom McDuffie, president of Inova's realty division, says discussions with Hughes never advanced with any real seriousness until Foulger-Pratt became involved.

Bunker says he felt comfortable approaching Inova because his firm has built medical offices on or adjacent to the latter's hospital campuses in the past. And McDuffie says Inova was receptive to that pitch because Foulger-Pratt has serious experience on large projects around the region — the company's portfolio includes major undertakings like the new Downtown Silver Spring and the remake of Discovery Inc.'s old Silver Spring headquarters.

### **An uncommon arrangement**

For Inova, the Landmark site was certainly attractive given its proximity to major highways and links to major bus networks. McDuffie says he is enthusiastic about the chance to build a "more compressed, more urban environment" rather than another suburban-centric campus. Yet he only felt the deal could work if Foulger-Pratt could promise a tight timeline — no easy feat in the development world.

"We wanted a sense of place there by the time we get there, as opposed to a

development with a grid of streets and lots sold to other developers and users and a time frame that stretches out," McDuffie says.

And that's a big part of the reason Bunker eventually chose to strike a deal with Hughes and Seritage, rather than pursuing an outright Landmark purchase. Easement agreements on the site would have made it impossible to redevelop things "piecemeal" by buying just part of the property, he says. And there was no reason to attempt complex financial transactions under sole ownership or control when Foulger-Pratt could get Inova on board right away if everyone worked together.

"We figured if we do this through a joint venture and we bring in fresh capital, then we all have a way to achieve our goals," Bunker says.

That harmony then gave city leaders confidence the time was right to put some public money into the deal. They have long understood Landmark's transformation would require some public financing, Wilson says, especially considering the infrastructure work necessary to demolish most of the old mall structure and transform it into a walkable, mixed-use environment. Inova's arrival, he says, galvanized his proposal for \$130 million in bond financing.

Under the current plan, the city will issue bonds to fund \$76 million in infrastructure improvements and \$54 million to purchase three parcels at Landmark, which it will then lease to Inova for construction of the new hospital. City staffers expect the project will generate about \$923 million in new tax revenue across the next 30 years, allowing the city to pay back debt-service costs on the bonds that are pegged at between \$191 million and \$278 million.

### **Future ripple effect**

The City Council still must approve the financing plan, likely to happen as part of the fiscal 2022 budget. That process is set to wrap up by May 5.

And there are a host of other steps before Landmark truly becomes a reality. The council will first consider a conceptual development plan for the site sometime this summer, though Wilson estimates that time frame could be as soon as July or, perhaps, September. Then Foulger-Pratt must submit more detailed plans for the new buildings and infrastructure, with the goal of starting construction in 2023.

Inova will also need to sell its existing Seminary Road hospital to fund the new Landmark facility, inducing a rezoning for that site to allow new residential construction to make it more attractive to a buyer. The council is set to take that up by July as well.

McDuffie says Inova additionally hopes to win approval soon for its conceptual plans for the hospital building, perhaps by June, opening the door for construction to start in 2023 as Foulger-Pratt manages its own piece of the project. McDuffie hopes to open the facility's doors to patients by 2028.

McDuffie wants the new facility to be "the hub we were missing" locally. The health system is advancing plans for a HealthPlex near Potomac Yard and a new hospital in Springfield, but McDuffie views the Landmark site as key to tying those new projects together. "This will be a hub in our eastern region that will be a truly state-of-the-art hospital for Alexandria," McDuffie says. "We couldn't have achieved this anywhere else in the city."

City leaders and developers are similarly counting on the project to provide a vital new gathering space on Alexandria's West End, invigorated by the hospital's hundreds of employees. Bunker expects to ultimately include plenty of apartments and retail, perhaps even a grocery store, as well as significant open space for community events.

If he can pull off that vision, Wilson expects a welcome development domino effect.

"We have millions of square feet of entitled development in our Beauregard plan, our Eisenhower West plan that isn't moving forward right now," Wilson says. "Landmark helps make all that happen. It's one of those projects with an echo that will last for a generation, really."

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## **BEST SALE/ACQUISITION FINALISTS**

### **Crystal House**

**Location:** 1900 S. Eads St., Arlington

**Buyer:** Washington Housing Conservancy

**Seller:** Roseland Residential Trust affiliate

**Financing:** [Amazon.com Inc.](#), Washington Housing Initiative Impact Pool

**Property manager:** [JBG Smith Properties](#)

**Size:** 825 units across two buildings

**Price:** \$377 million

**Sale date:** Dec. 31, 2020

**About the deal:** At the end of 2020, the newly formed Washington Housing Conservancy made its first purchase in its effort to preserve affordable housing in the region. The nonprofit — with a board and funding from major local developers — paid \$377 million for Crystal City's Crystal House apartment buildings and land.

Amazon.com Inc. provided much of the financing via \$339.9 million in loans and \$42 million in grants. Washington Housing Conservancy's Impact Pool provided an additional \$6.7 million loan. The acquisition included a 99-year covenant on the property to ensure affordable workforce housing with 75% of units to be for those earning \$85,000 or less per year.

**Why it matters:** Few areas of Greater Washington are seeing a rate of change quite like Crystal City, the new home of Amazon's HQ2. As development in and around the area continues, concerns about its affordability have grown. Keeping Crystal House's 800-plus units affordable marks an important dedication to the neighborhood by financiers JBG Smith, Amazon and more.

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## Novavax HQ

**Location:** 700 Quince Orchard Road, Gaithersburg

**Buyers:** Alexandria Real Estate Equities, Novavax

**Seller:** Rock Creek Property Group

**Seller brokers:** [Kevin McGlooin](#), [Peter Rosan](#) and [Megan Williams](#) of [Cushman & Wakefield](#)

**Buyer brokers:** [Pete Briskman](#) and [Joe Judge](#), JLL

**Size:** 121,672-square-foot building, adjacent 9.7 acres

**Price:** \$57.5 million total

**Sale date:** Oct. 23, 2020

**About the deal:** When Maryland biotech Novavax found itself in need of growing space, Rock Creek Property Group and Alexandria Real Estate Equities (ARE) were

happy to make a deal. Cushman & Wakefield brokered the sale of a lab facility, with ARE purchasing the building from Rock Creek. Novavax will be the sole tenant in the building. In a separate purchase, Novavax purchased the adjacent 9.7 acres for its future campus growth.

**Why it matters:** Few deals on this list are as timely as Novavax's headquarters. The company is in trials for its protein-based Covid-19 vaccine candidate. The candidate and this expansion turn a tide for a company that has faced challenges with other products and even had to shrink its footprint and headcount. Should this new Covid vaccine candidate be successful, expect to see major growth from the company in the coming years.

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### **Smithsonian at Capital Gallery**

**Location:** 600 Maryland Ave. SW

**Buyer:** Smithsonian Institution

**Seller:** Boston Properties

**Size:** 455,000 square feet

**Price:** \$254 million

**Sale date:** June 25, 2020

**About the deal:** in the Smithsonian Institution when it sold the D.C. museum group 455,000 rentable square feet out of the Capital Gallery complex next to L'Enfant Plaza Metro. The Class A office complex was expanded in 2006, with Smithsonian leasing around 268,000 square feet at the time.

**Why it matters:** This deal was much more complicated than most other straightforward sales. In order to get Smithsonian the square footage it wanted within the building, Boston Properties took on the task of relocating some 70,000 square feet of retail tenants into a separate portion of the building, which the developer still owns.

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### **U.S. Department of Transportation HQ**

**Location:** 1200 New Jersey Ave. SE

**Buyer:** U.S. General Services Administration

**Seller:** JBG Smith Cos. affiliate fund

**Size:** 1.9 million square feet

**Price:** \$760 million

**Sale date:** March 2, 2020

**About the deal:** The GSA spent a whopping \$760 million to acquire its U.S. Department of Transportation headquarters in Navy Yard, exercising a purchase option embedded in its decade-old deal with an affiliate of then-The JBG Cos. At the time of purchase, the GSA estimated that the buy would eliminate some \$50 million in rental payments.

**Why it matters:** We couldn't let this record-setting deal fall off our 2020 list. The GSA's purchase of 1200 New Jersey Ave. NE ranked No. 1 on the Washington Business Journal's List of largest office building sales in Greater Washington last year. At a sale price of \$517 per square foot, it bested No. 2 on the list by more than \$50 per square foot.

**Alex Koma**

Staff Reporter

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