

DEVELOPMENT SUMMARY, TIED TOGETHER, INTRO TO HEALTHCARE

- o SHOW SLIDE 1 (development summary)
- o Good evening. My name is Adam Weers, I am a principal with Trammell Crow Company, and I am pleased to represent Vision McMillan Partners tonight and share some thoughts with you regarding remand issue 1A and issue 3.
- o As described in detail in previous testimony, the development program at McMillan includes a mix of uses, the heart of which centers around a residential program with a wide range of housing types – affordable and market rate, rental and for-sale, single and multi-family. Indeed, a full 20% of the total units at McMillan will be affordable - the crown jewel of which is an 85-unit senior, affordable building.
- o McMillan’s retail program, a key neighborhood priority from the beginning, will help create a sense of place - and with the addition of a grocer anchor to the team, the District’s newest Harris Teeter will serve as the anchor to our overall retail program.
- o All of these uses are inextricably tied together – to affect one part of the program is to affect all parts. The density provided by the healthcare component, particularly the increased daytime population from the professionals working in these new facilities, provides the additional boost the retail program needs to attract a grocer.
- o SHOW SLIDE 2 (comp plan policy list)
- o As will be covered in more detail in testimony by Mr. Dettman, the McMillan program significantly advances or addresses more than 100 separate Comp Plan policies spread throughout 13 different elements of the plan including:
 - The **NEW NEIGHBORHOODS, HOUSING AFFORDABILITY,** and **NEIGHBORHOOD-BASED SENIOR HOUSING** aspects of the **HOUSING ELEMENT**

- The **CORE INDUSTRIES, GROCERY STORES, INSTITUTIONAL GROWTH, and LINKING RESIDENTS TO JOBS** aspects of the **ECONOMIC DEVELOPMENT ELEMENT**
- IN RESPONSE TO REMAND ISSUE 1A – if the 115’ tall healthcare facilities were limited to medium-to-moderate height, there is NO WAY the project would be able to advance so many of these policies in such a strong fashion.

SOURCES & USES ECONOMIC IMPACT & WORKFORCE DEVELOPMENT

- SHOW SLIDE 3 (project benefits summary)
- Indeed, if we take a step back and consider the totality of the benefits that this development program generates, it includes numerous components that are long-term and far reaching, thereby ensuring that the economic development potential of the site is fully realized – as outlined in the **USE OF LARGE SITES** element of the Comp Plan.
- The 30-year net fiscal impact in particular is of a magnitude ~~that~~ is rarely seen from any development. McMillan will provide nearly \$1.2 billion of new tax revenues, 67% of which is generated by the engine of the development program - the healthcare component. Similarly, the vast majority of thousands of new construction and permanent jobs at McMillan are generated by the ~~new~~ ^{new} healthcare facilities.
- SHOW SLIDE 4 (CBA)
- On this point of jobs, I would point out that one of the most exciting components of the Community Benefits Agreement VMP developed with ANC5E is the \$1 million in scholarships and grants we are investing in the workforce development strategy we have dubbed Opportunity|McMillan. Through this innovative new plan, we are directly meeting the **LINKING RESIDENTS TO JOBS** and **DEVELOPER PROFFERS FOR SCHOOLS** elements of the Comp Plan. More to the point, we have partnered with the

Community Foundation to invest this \$1 million and help us ensure that District residents get access the education and job training necessary to plug into the jobs we create.

- o I would be remiss if I did not point out that this CBA, which includes a combined \$5 million in neighborhood benefits and proffers, was agreed to by the ANC and the development team in 2014, but has been forced to sit IDLE for nearly 3 years. If the development program at McMillan is reduced, all of the hard work and negotiations that went into developing such a significant benefits package would be completely undone and none of these benefits realized.

HEALTHCARE BACKGROUND – NEED FOR THIS USE – SMART GROWTH

- o SHOW SLIDE 5 (age of plant)
- o Turning back to the development program, the healthcare component is a sorely needed addition to the District’s aging healthcare infrastructure. The District’s healthcare facilities are on average the second oldest in the nation, much of which is owed to the IN-frequency with which new healthcare facilities are built in our city.
- o Indeed, the District has not seen a major new healthcare development completed for 15 years, when GW Hospital delivered in 2002.
- o While our buildings are built slowly, the District’s population is rising rapidly, with some 100,000 people moving in over this same 15-year period. This places even more demand on the existing healthcare facilities throughout the city.
- o These two factors – lack of new supply and a rapidly growing population – have led the District to be ranked last in terms of healthcare facilities per capita among all major metropolitan areas in the nation.
- o SHOW SLIDE 6 (citywide healthcare concentration map)

RELAND
DISTRICT
ASSOCIATION

- Locating McMillan directly adjacent to the WHC campus, perfectly positions us to help address these systemic issues, as well as directly meet the **CORE INDUSTRIES** and **INSTITUTIONAL GROWTH** elements of the Comp Plan
- Healthcare real estate in the District places high value on adjacency to existing hospitals and the circles on this map represent concentrations of healthcare buildings throughout the city.
- The large yellow star represents the 3.5 million square feet of hospitals next to McMillan. This adjacency offers a unique opportunity for these systems to modernize significant portions of their operations by expanding across the street, and then repurposing the newly freed-up space on their existing campus.
- I would note here that the involvement of these systems in McMillan is not in lieu of expansion to other locations throughout the District. Indeed, their involvement in McMillan can help facilitate those other efforts. By modernizing their main campus, a system can create tremendous value by streamlining operations. A major modernization of its core operations can help a system increase revenue, decrease costs and often provide fundraising and philanthropic opportunities; all of which feed the bottom line and help fuel their other operations dispersed throughout the city.
- I would also point out, that while this adjacency makes McMillan attractive to healthcare users, this does not translate to general office users. To put it more clearly, outside of healthcare, there is no discernable large-scale commercial demand for this site. The District’s general office market is in a trough and appears poised to remain so for the foreseeable future. But even in a strong office market, McMillan does not currently have the attributes a general office development site needs to be successful.

PARCEL 1 NEEDS TO BE TALL + CONNECTING HEIGHT TO PARKS AND PRESERVATION

- SHOW SLIDE 7 (future of healthcare)

- In designing the Parcel 1 buildings, our team embraced forward thinking, smart growth principles, thereby abandoning the historic formula for big healthcare – which was to place massive, sprawling complexes on very large land parcels, a phenomenon seen locally at United Medical Center and Providence Hospital.
- Modern healthcare design incorporates smart-growth principles like taller buildings, vertical integration, smaller footprints, underground parking, and mixed-use environments with rich amenity bases and open, green, public spaces. These features help enhance the patient experience and attract the best and brightest human capital.
- SHOW SLIDE 8 (building moves and benefits added)
- By pursuing these principles, Parcel 1 is squeezing nearly 800,000sf of density into less than 4 acres. In addition, the building configuration was directly influenced by the site context and by community input.
 - We pushed our building back from North Capitol as a response to the Stronghold neighborhood, creating a 260-foot buffer.
 - This buffer allowed an acre of new park space and the preservation of Cell 14
 - We pushed our building away from the NSC to more appropriately relate the buildings to the historic assets preserved within this key element of the plan.
 - The creation of the healing gardens came directly from a community request to shrink the building footprint, in order to make room for additional green space.
 - This move also added to our preservation program and enhanced our ability to re-envision the Olmstead walk’s most prominent section
 - Lastly, the Parcel 1 buildings were shortened by 15’ and moved again to maintain the historic view corridors of the adjacent AFRH site.

CONSEQUENCES TO REDUCING HEIGHT ON PARCEL 1

- With each of these steps, the healthcare component was **SIGNIFICANTLY REDUCED** in order to retain substantial portions of the site as open space and make it usable for recreational purposes. **IN RESPONSE TO REMAND ISSUE 3** - the only feasible way to accomplish this is to allow the development program to recapture **SOME** of the lost density by rising higher than medium-to-moderate height would normally allow.
- Through all of these moves, the healthcare facilities were forced to absorb material changes without upsetting our long running conversations with the users who will serve as our anchor tenants. We have now reached the floor and are at a point where any **FURTHER MATERIAL REDUCTIONS** jeopardize the continued existence of the healthcare component.
- SHOW SLIDE 9 (mix of tenant types)
- As discussed in my testimony on May 8th, 2014, TCC is the largest healthcare developer in the country, with more than \$4B of healthcare development completed or in process.
- Our experience guided our vision for the commercial program, which centers on a campus that will house a range of healthcare and life science users; including everything from small physician groups, to mid-sized organizations, to large anchor tenants.
- The anchor tenants in particular, are crucial to the project's viability in these early stages. It is a typical development dynamic for anchor tenants to be the first to commit to a project and act as a catalyst for the project starting.
- As you might imagine, this creates significant leverage for these potential users, and means they are very influential and can drive a hard economic bargain. Another typical development dynamic is for anchor tenants to receive terms that are below-market in exchange for their early involvement. That factor is directly in play in our current negotiations, which creates very real challenges given the cost of some of our building's design features like underground parking.

- In addition, these anchors have unusually large space needs that come with particular design requirements, one of which I have highlighted here.
- SHOW SLIDE 10 (floor-to-floor heights)
- The floor-to-floor heights required by healthcare users are very different than a conventional office user given their particular need for large interstitial spaces to accommodate medical and mechanical equipment. If the proposed 8-story buildings on Parcel 1 had typical commercial floor-to-floor heights, it would only rise 90'.
- The Parcel 1 facilities by contrast, have floor-to-floor heights rising as tall as 18'6" in some cases, driving this 8-story facility up to 115' total.
- If the height of Parcel 1 were reduced to 90', it would eliminate two full floors of the building and slash the density of the healthcare program by 190,000sf. This equates to a 27% REDUCTION in density from our original filing.
- We have been in confidential negotiations with two anchor tenants for McMillan for several years. These users are large, sophisticated institutions that require extensive lead times to organize and effect this complex transaction. The on-again/off-again dynamic of McMillan impacts their ability to make these commitments, and has made our negotiations quite challenging. To layer-on such a stark cutback to the commercial program now would bring these negotiations to an absolute halt. Without an anchor secured, the healthcare development CANNOT and WILL NOT proceed.
- Obviously, the ramifications of this are not confined to the commercial program, given the interconnectedness and interdependencies between all components of McMillan.
 - Without the commercial program, we lose our Harris Teeter, and without a grocer anchor, the retail program dwindles;
 - Directly contradicting the NEIGHBORHOOD SHOPPING, and GROCERY STORE elements of the Comp Plan.

- In losing the commercial and retail program, the residential component of McMillan is severely impacted;
 - Jeopardizing its ability to advance the HOUSING AFFORDABILITY, and NEIGHBORHOOD-BASED SENIOR HOUSING elements of the Comp Plan.
- Without the commercial or retail density, McMillan loses thousands of jobs – hundreds of millions of dollars of taxes – and can no longer provide the \$5m of benefits included in the CBA;
 - This runs completely counter to the CONNECTING RESIDENTS TO JOBS, and DEVELOPER PROFFERS FOR SCHOOLS elements of the Comp Plan.

CLOSE

- o SHOW SLIDE 11 (renderings)
- o Those of us who have dedicated the last 11 years of our lives to envisioning greatness for McMillan, have often referred to the solution we arrived at as a Swiss watch. The intricacy and craftsmanship required to fit each component of the plan together ‘just-so’, was nothing short of remarkable when you consider the numerous perspectives and stakeholders involved; all the more so when you overlay the weight of three decades full of hopes, dreams and expectations of an entire city for a site that has lain fallow and inaccessible for far too long.
- o For a single project to advance more than 100 separate Comp Plan policies as significantly as this is astounding, and everyone involved in the years of work it has taken to bring us to this point takes pride in that fact.
- o This is the offering McMillan brings in exchange for 10% of the site responsibly rising to 115’ in height. Given all that McMillan accomplishes, and the purview of the Commission, we feel confident this plan is worthy of your approval and respectfully ask you to do just that.