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NCPPP Exclusive: An Inside Look at the Darcy and the Flats, a Challenging Mixed-Use Development Project in Bethesda, MD.

StonebridgeCarras, LLC, is a real estate development and investment firm whose portfolio includes several of the Washington, D.C., region's most successful mixed-use projects, which are built near public transit and feature a combination of office, retail, residential and hotel space. One example is the transformation of two county-owned parking lots in suburban Bethesda, Md., into The Darcy and The Flats. This project, which opened in June 2015, has increased Montgomery County's residential and commercial tax base, added affordable housing, and enhanced a portion of a public trail while improving the quality and availability of public parking in a very busy dining and shopping destination. We asked Jane Galbraith Mahaffie, a principal at StonebridgeCarras, to talk about the project and provide an overview of other P3 projects in the StonebridgeCarras portfolio.

NCPPP: Describe your role at StonebridgeCarras, both generally and in terms of your participation in development of The Darcy and The Flats.

JM: At StonebridgeCarras (SC) I am one of two principals who oversee the entitlement and development of all SC projects. In this role I direct the multi-faceted mixed-use developments and public-private initiatives with a combined value of more than $1 billion. The Darcy/Flats are a great example of the public–private projects that SC is involved in. At over $200 million it included both private and public partners and required extensive entitlement processes and community outreach. My role at SC is quite directed to leading the firm's efforts on the public/private partnership projects in the Washington metropolitan area.

NCPPP: What organizations did StonebridgeCarras partner with to build The Darcy and The Flats and what were their roles?

JM: Montgomery County Department of Transportation (MCDOT) was the public entity responsible for The Darcy/Flats development. The team of StonebridgeCarras and PN Hoffman joined forces and responded to the request for proposals that MCDOT issued in 2004. That team, Lot 31 Associates, remained partners throughout the project. Northwestern Mutual Life Insurance and Buvermo Investments joined the team as additional debt/equity investors in the project.

MCDOT was a very active partner throughout the development, and at the conclusion of the development, they own the 900-space public parking garage in the project. PN Hoffman and SC became a completely integrated team in project management, construction oversight, leasing and condominium sales of the project. It was a bit unusual, but the teams really worked well together.

NCPPP: What types of challenges did you encounter in conducting this project and how did you overcome them?

JM: The project was 3.3 acres in the heart of Bethesda. Given the size of the garage the schedule was an additional one year of construction, predominantly all below-grade work. We shut down a

road for the construction and were adjacent to both residential mid-rise and high-rise and single-family homes. The garage was designed in a way that included a large transfer beam at the ground level that had post tension beams taller than me. Then above grade were two residential buildings with 40,000 square feet of retail, reconstruction of a road (now effectively a bridge above the garage) and significant public outdoor space.

The greatest challenge was the schedule, the understanding that we were really constructing three projects, and the public expectations. When you have significant below-grade work, the schedule runs through many seasons. In Washington, D.C., where you have four true seasons, site and foundation–to-grade work is very susceptible to weather. As it happened, the two winter seasons during below-grade work/foundation-to-grade were horrific in D.C. Success came with adjusting schedules and working with the county and adjoining neighbors. Additionally, when you have three projects in one, you have efficiencies but not in every category. Manpower adjustments had to be made by us, the design team and the contractor to successfully navigate some significant issues because we were working with three distinct projects.

P3 projects naturally have expectations by the public. In The Darcy/Flats we had road closures and a significant area under construction in a major downtown area of Bethesda. Our team very quickly established a bimonthly newsletter that was widely distributed among neighbors, our county partners, county regulators and elected officials. We also established working teams among agencies to react quickly as needed. These were just some aspects of additional communication that is clearly required in P3 projects.

NCPPP: What lessons did the firm learn in pursuing this project?

JM: Every project presents its own opportunities and challenges. The Darcy/Flats was a very exposed project (locational). Communication and flexibility surrounding schedules was a key element learned on this project.

NCPPP: How was this project similar to projects your firm usually leads? What were some of the significant differences?

JM: SC develops very complex multi-faceted mixed use projects. The degree of difficulty was similar to many that we have developed and are in our pipeline. As a P3 project, it was similar in understanding that P3 projects bring many constituents and varied expectations. As noted above, the most significant difference was the size below grade and the multiple implications that 500,000 feet below grade presented in schedule and technical challenges.

NCPP: Can you describe other P3 projects StonebridgeCarras is conducting or plans to pursue?

JM: SC and our joint venture partner, Bozzuto, were awarded a P3 project with Montgomery County to develop a new headquarters for Maryland-National Capital Park and Planning Commission (M-NCPPC) that includes leased space for significant Montgomery County agencies. This 300,000- -square-foot building will begin construction in 2017. It also includes a public parking garage and significant town square in downtown Wheaton. At the conclusion of its construction, SC/Bozzuto will retain the land currently housing M-NCPPC for private development.

In the District of Columbia, SC and our joint development partners, ProFish and The Jarvis Companies, will be developing a residential, retail, and industrial mixed-use project including renovating the historic Crummell School for the community in the Ivy City neighborhood. This project is exciting as it retains a neighborhood industrial company with the development of additional retail and residential, including affordable housing. In addition, the development team will

be working with the community as we together prescribe the uses to be housed in the renovated school.

NCPPP: How is the landscape for real estate P3 projects changing? What interesting trends have you observed since the start of the recession?

JM: I think that P3 projects continue to be a great vehicle for both the public entities and the private developers. Public agencies provide a site previously unavailable to the private market, which benefits both groups. Public agencies can also benefit from the opportunity of more private financing of projects that benefit communities. I am not sure if directly observed as result of the recession, but I think that as the P3 model has matured, the projects tend to be more complex in both opportunity and expectations. P3 projects are not for the faint at heart. Firms responding have to understand the complexity of the deals and time required for a successful development.

NCPPP

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