LAKE ANNE VILLAGE CENTER

COMMERCIAL REINVESTMENT PLAN

April 2011

Prepared for Fairfax County, Virginia

ALVAREZ & MARSAL

TEG

TABLE OF CONTENTS

I. CURRENT CONDITIONS ASSESSMENT

Built in 1965, Washington Plaza in the Lake Anne Village Center (LAVC) was the first area to be developed in the planned community of Reston, Virginia. Centered on a man-made lake, the LAVC is one of five originally conceived villages that were part of Robert E. Simon's Master Plan for Reston. With a mix of residential and commercial uses integrated into a natural setting, the LAVC most closely reflects the original intent of the Master Plan to provide residents with a unique environment in which they can "live, work, and play." As a result, the LAVC is considered a special place by many local residents, and it is regarded worldwide by planners, architects, and developers as one of the earliest examples of a master planned pedestrian-oriented, mixed-use development.

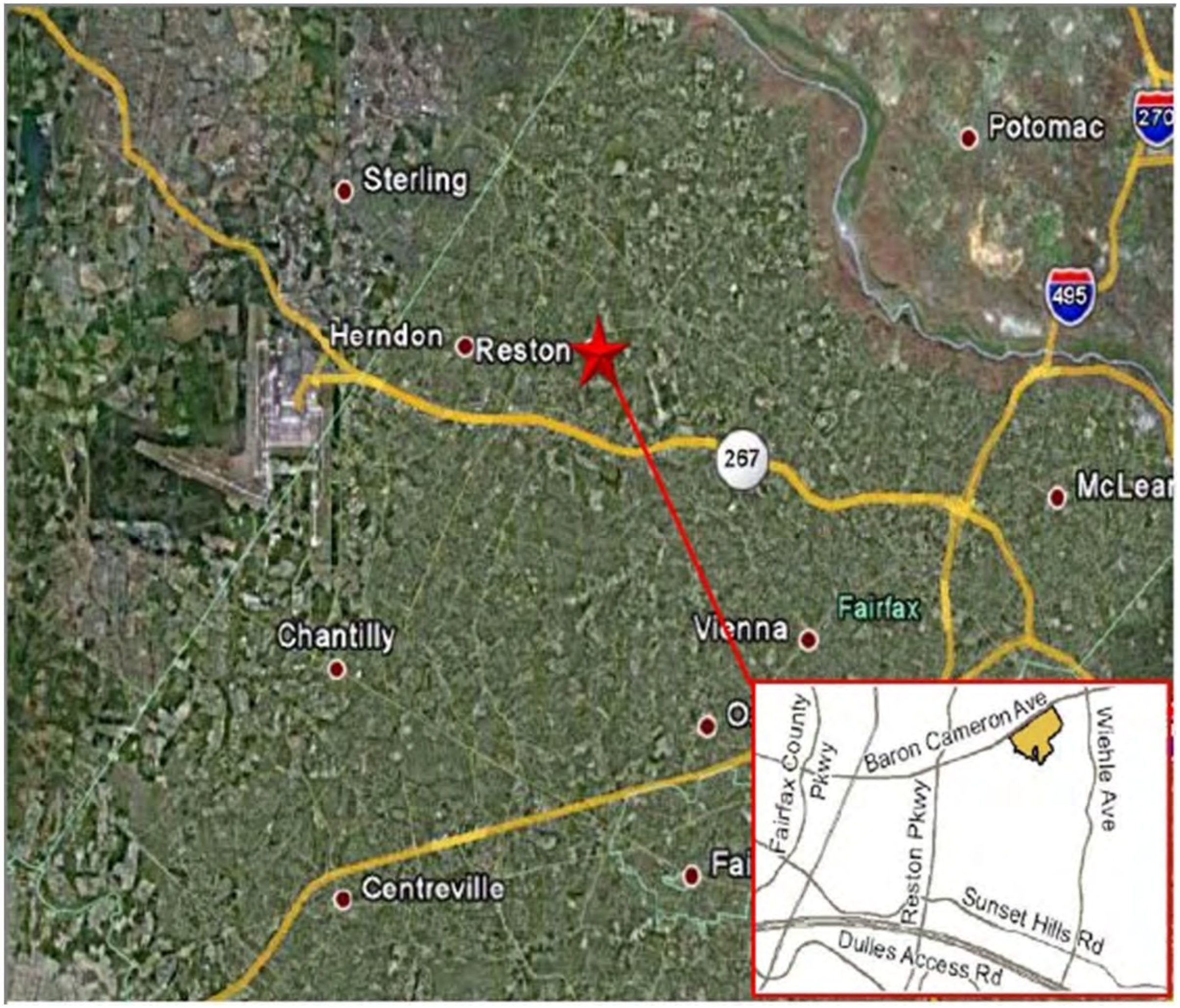
Not unlike many downtowns and village centers across the United States, the non-residential component of the LAVC began to suffer in the late 1970s as new competition emerged in the form of shopping malls and auto-centric strip retail centers. In 1980, Gulf Reston, the owner and operator of the mixed-use component in the LAVC, sold the village center to an entity that converted a significant portion of the property into a mixed-use condominium. The new ownership structure led to uncoordinated decision making and decentralized management of the individual commercial spaces. As a result of evolving market conditions and the complexity of the condominium ownership structure, the LAVC has witnessed a decline in the quality of its non-residential tenant base and an increased rate of business turnover. The LAVC faces an additional challenge in the form of aging infrastructure, designed and built in the 1960s, that now requires a high level of maintenance and reinvestment.

Fairfax County has long recognized LAVC as an important community asset, both as a local gathering place and as an economically viable mixed-use commercial center. The County has invested significant resources to ensure that the village reaches its fullest potential, including the designation of the LAVC as a Commercial Revitalization Area (CRA) in 1998, the purchase of the Crescent Apartment complex, and the adoption of a Comprehensive Plan Amendment in 2009, that encourages and guides future redevelopment of the property adjacent to Washington Plaza. In addition to County efforts, LAVC property owners, merchants and residents have initiated several grassroots efforts to enhance the economic vitality of the village center and to protect those qualities that make it such a unique place.

Building upon the momentum generated by the amendment to the Comprehensive Plan for Lake Anne Village, the Fairfax County Office of Community Revitalization and Reinvestment (OCRR) retained Alvarez & Marsal, along with The Eisen Group (A&M/TEG), to develop a Commercial Reinvestment Plan (CRP) for the LAVC. The CRP comprises short and long term strategies to stabilize and sustain current establishments and to attract viable and complementary new non-residential establishments to the LAVC. The CRP was informed by the operations and market analyses presented in the Current Conditions Assessment portion of this report.

The Current Conditions Assessment provides baseline data with respect to the organizational and assessment structure of the Lake Anne of Reston, a Condominium Association (LARCA); property owner, business owner/operator and tenant issues and practices; the structure and functions of the existing Lake Anne Merchants' Committee; community preferences regarding the types of businesses sought after; and, market conditions related to operating businesses in the LAVC and how they compare to competing locations.

Figure 1: Lake Anne Village Center Location Map



1. SITE ANALYSIS

1.1. Site Location. Lake Anne Village Center (LAVC) is located in Reston, Virginia – a planned community in the northwest portion of Fairfax County. Reston has a dual identity:

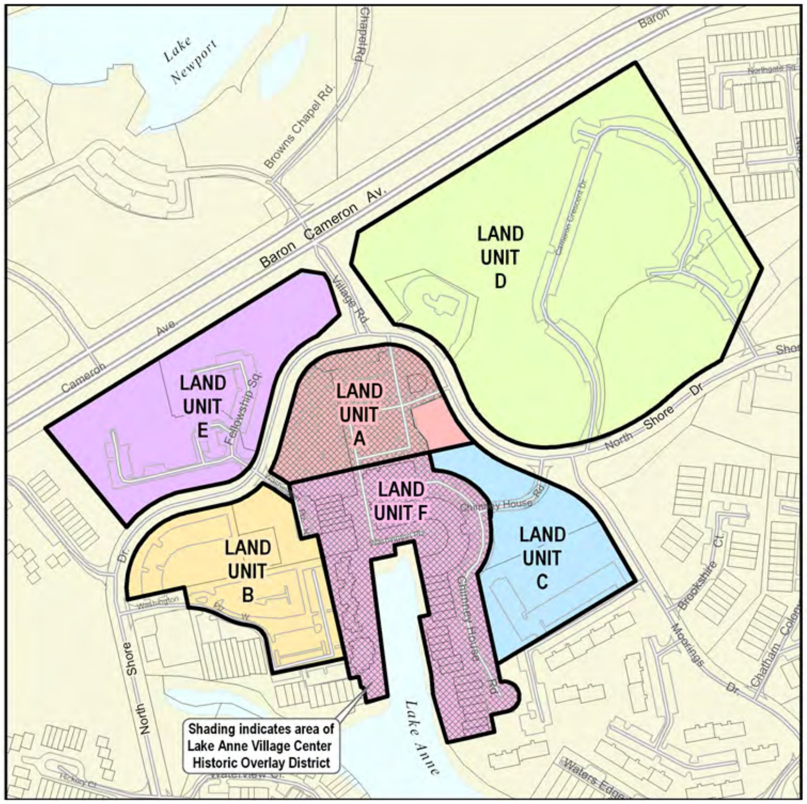
1) As a regional economic center, with commercial development located along the Dulles Toll Road, and concentrated along Reston Parkway in the Reston Town Center, Sunrise Valley Drive and Sunset Hills Road; and,

2) As a vibrant residential community offering a wide variety of housing options, open space, and recreational amenities.

Unlike larger commercial centers in Reston, such as the nearby Reston Town Center and Plaza America, LAVC is located in a primarily residential setting, surrounded by clusters of single family homes, condominiums, and multifamily apartment buildings.

The LAVC site is bounded by Baron Cameron Avenue (Rte 606) to the north, Lake Anne to the south, North Shore Drive to the west and Moorings Drive to the east. LAVC is located midway between Tysons Corner and Washington Dulles International Airport, and enjoys excellent access and proximity (1.5 miles) to the Dulles Toll Road, the Fairfax County Parkway, and Wiehle Avenue (Route 7100). LAVC will also benefit from the extension of the Metrorail Sliver Line along the Dulles Toll Road, with the Wiehle Avenue station slated to open in 2013, and the Reston Parkway and Herndon-Monroe stations opening in 2016.

Figure 2: Study Area Map



1.2. Study Area. The non-residential uses located within the Lake Anne Commercial Revitalization Area (CRA) constitute the primary study area. Based on the Fairfax County Comprehensive Plan, the LAVC CRA is divided into six land units comprising approximately 40 acres of total land area.

The Lake Anne Historic Overlay District, a significant heritage resource listed in the Fairfax County Inventory of Historic Sites, encompasses roughly nine acres in the heart of the Study Area. The Historic District is identified on the Study Area Map as a portion of Land Unit A and all of Land Unit F.

The primary focal point of the LAVC, as well as this study, is the historic Washington Plaza contained in Land Unit F. The plaza is surrounded by a mix of uses, and includes: high-rise residential condominiums; mixed-use condominium buildings with residential over retail and professional office; low-rise commercial office; a daycare center; a Reston Community Center facility; and the Washington Plaza Baptist Church. The majority of the property in Land Unit F, in addition to two-thirds of the parking lot in Land Unit A, is owned by the Lake Anne of Reston, a Condominium Association (LARCA).

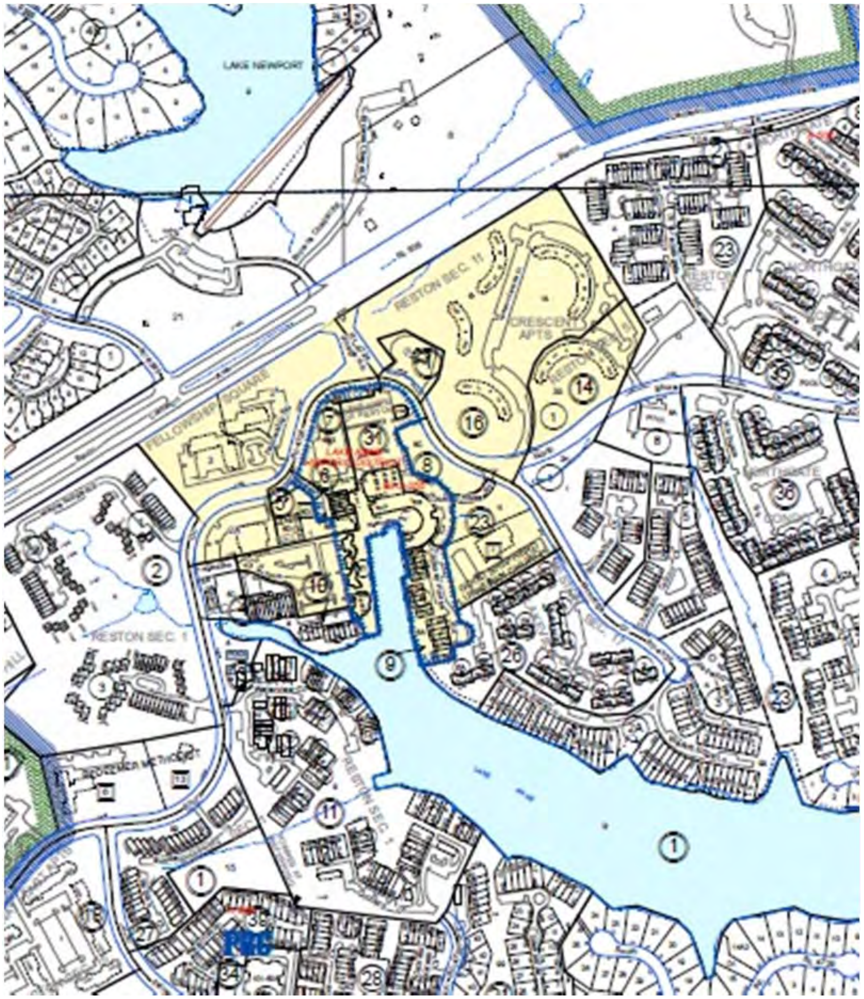
The use mix in the other land units includes multifamily rental apartments; low-rise commercial office; single-tenant office; a gas station; a convenience store; 3.4 acres of open space owned by the Reston Association; and surface parking. The Study Area also includes 0.23 acres of undeveloped vacant land located in Land Unit B, between the Lake Anne Office Building and the Washington Plaza Baptist Church parking lot. (See Figure 3: LAVC Primary Land Uses)

Figure 3: LAVC Primary Land Uses

Unit A	3. 6 ac	Yes (portion)	Surface parking lot serving Washington Plaza; Reston Association open space; Association of School Business Officials (ASBO Building); 24-7 Convenience Market
Unit B	4.2 ac	No	Lake Anne Office Building; two vacant parcels; surface parking lot
Unit C	3.8 ac	No	Buddhist Compassion Relief Tzu-Chi (office building); Reston Association open space
Unit D	17.3 ac	No	Crescent Apartments; gas station
Unit E	6.0 ac	No	Fellowship House Senior Housing
Unit F	5.75 ac	Yes (all)	Mixed-use development on Washington Plaza, including: 15-story Heron House, a high-rise residential condominium; condominiums with retail and office uses at the ground level and residential uses on the upper levels; vacant commercial building (former Millennium Bank); Washington Baptist Church; Reston Community Center; and a child care center.

Source: Fairfax County, Office of Community Revitalization and Reinvestment

Figure 4: LAVC Zoning Map



Source: Fairfax County, Office of Community Revitalization and Reinvestment

1.3. Zoning. LAVC is zoned to the Planned Residential Community (PRC) District, and is governed by an approved Development Plan (DP). (See Figure 4: LAVC Zoning Map) The PRC District was created in order to facilitate master planned, mixed-use development in accordance with a site specific comprehensive plan. The developer of a PRC benefits from flexibility in land use mix, level of density, and overall design. According to the Fairfax County Zoning Ordinance, in order to receive such benefits, the developer must achieve the following objectives:

1. A variety of housing types, employment opportunities and commercial services
2. An orderly and creative arrangement of all land uses with respect to each other and the surrounding community
3. A comprehensive transportation system providing for a separation of pedestrian and vehicular traffic
4. Provision of cultural, educational, medical, and recreational facilities
5. Locating structures to take advantage of the natural and manmade environment
6. Provision of adequate and well-designed open space
7. Staging development with the provision of public utilities, facilities and services

The current mixes of uses at LAVC conform to the existing PRC designation, and are permitted by the governing DP. Any proposed use changes that are not in conformance with the DP will require the approval of an amendment to the DP by the Fairfax County Board of Supervisors through a public hearing process. Zoning issues are not anticipated to be a major impediment to reinvestment in the commercial component of Washington Plaza.

Figure 5: Land Unit Recommendations under Full Consolidation and Redevelopment Options per LAVC Comprehensive Plan Amendment

LAND UNIT	FULL CONSOLIDATION OPTION	REDEVELOPMENT OPTION
A – 3.6 ac	Res – 175 DU/210,000 SF Com – 105,000 SF	Res – 125 DU/150,000 SF Com – 85,000 SF
B – 4.2 ac		Res – 120 DU/144,000 SF Com – 130,000 SF Other – redeveloped Lake Anne Professional Bldg w/ 5,000 SF retail
C – 3.8 ac		Res – 100 DU/120,000 SF
D – 17.3 ac	Res – 935 DU/1,220,000 SF Com – 8,000 SF	Res – 750 DU/900,000 SF Com – 4,000 SF
E – 6.0 ac	Res – 425 DU/510,000 SF Com – 4,000 SF	Res – 320 DU/384,000 SF Com – 8,000 SF
F – 5.75 ac		
TOTAL – 34.9 ac	**Res – 1,755 DU/2,106,000 SF Com – 247,000 SF**	**Res – 1,415 DU/1,698,000 SF Com – 221,000 SF**

Architectural Sketches of a Redevelopment in Lake Anne Village Center

1.4. 2009 Lake Anne Village Center (LAVC) Comprehensive Plan Amendment

1.4.1. LAVC Comprehensive Plan Amendment. On March 30, 2009, the Fairfax County Board of Supervisors (BOS) approved a Plan Amendment for the LAVC to address commercial reinvestment needs and community revitalization objectives for the LAVC. The purpose of the Plan Amendment is to encourage a carefully planned redevelopment of the area which will also preserve and protect the planning and urban design characteristics of the historic district. The Plan Amendment paves the way for reinvestment in the LAVC by addressing the following:

- New infill development based on market forces and community housing goals;
- Carefully planned infill development;
- Retention and enhancement of diverse housing options;
- Improved visibility and accessibility to the LAVC; and
- Incorporation of more retail, dining and commercial activities to extend activation of the public spaces in Lake Anne Village Center.

1.4.2. Full Consolidation Option and Redevelopment Option. The amount and types of new infill development have been framed by two options. (See Figure 5) The Full Consolidation Option (consolidation of Land Units A, D, and E) is designated as the 'preferred option', and has the larger development program, with over 2.1 million square feet of residential use in 1,755 units and almost 250,000 square feet of commercial development. The alternative is the Redevelopment Option, which includes just over 1,400 dwelling units in 1.7 million square feet of space and 221,000 square feet of commercial development. Unlike the Full Consolidation Option, the Redevelopment Option permits separate redevelopment of the Land Units.

1.5. Urban Infrastructure

1.5.1. Building Design. The vocabulary of the existing buildings was once thought to be the "the new design for America," and to many it still remains an iconic design and concept. The appeal and significance of the existing architecture at Lake Anne is recognized by modernists, architects, planners and some segments of the general public. While highly evocative of a pedestrian-scaled 1960s modernist design vocabulary, the mixed-use buildings at LAVC are now old enough to present a number of issues that affect maintenance costs and the potential to accommodate the functional requirements (e.g. store sizes, storefront visibility, storage space, unit depths, etc.) of new tenants and owners. Flat roofs, like many of those existing on the structures in the LAVC, are more prone to leaks; current roofing technologies would be both more durable and more affordable than patching fifty year old flat roofing systems. Glazing systems used in the original construction are increasingly unavailable and newer systems are generally more energy efficient. The storefront systems are also difficult to replace, and are somewhat out of date when compared to current design and materials requirements for successful retail operations. Other building materials are less readily available, and may require substitutions with similar materials.

Building materials and the flat roof design will continue to present challenges with respect to maintenance and repair. Future development/redevelopment/re-use potentials should adapt the design vocabulary to accommodate new technologies, materials and techniques that will reinforce the design integrity but allow for easier updating and replacement, and more efficient maintenance.

1.5.2. Critical Mass. There is a significant amount of office and residential density within a 3 and 5-mile radius of the LAVC. There are also millions of visitors (regional and national) that come to Reston and western Fairfax County each year; however many of them do not know that Lake Anne exists. From a retail perspective, the non-residential uses in the LAVC struggle for the following reasons: 1) there is no hierarchy of retail spaces, from anchor tenants to in-line spaces, that would allow for the diversity of retail that is needed in order to compete in the general marketplace; and, 2) the overall the amount of non-residential gross square footage is insufficient for a commercial destination.

1.5.3. Open Space. The open space in Washington Plaza was conceived and derived by studying the seaside resort town of Portofino in Italy. Many of the principles for well-designed open space are incorporated as part of the LAVC plan. A number of important planning and design factors contribute to the quality and functionality of Washington Plaza and the adjacent open spaces, including: the view corridors to and from the plaza; the edge conditions on the approach to Plaza portals; view, seating and circulation that is framed by the physical layout of the buildings; the space between the pedestrian path and the storefront zone; and, the main Washington Plaza area that is sized appropriately to accommodate festivals and events that attract visitors to the LAVC. However, there are many areas of concern that take away from the opportunity to optimize the success of the open space. The signage, furniture, sculpture, fountains and landscaping have not aged well. The new store identity signs are an important step toward improved retail signs and provide a framework to evolve the store sign design format in the future; the branding effort to re-identify Lake Anne Village is another key step. To foster an appropriate design and implementation approach over time, a comprehensive view of the identification, use, and ability to program Lake Anne's open space that utilizes new design tools, sources of revenue/potential investment and mechanisms to expand the offerings of events such as the Farmers Market and the Crafts Market will be required. Coordinated improvements can also address the level of expense required to maintain Washington Plaza.

Approaching LAVC on Baron Cameron

LAVC entrance on North Shore Drive

Pedestrian access to Washington Plaza

Fairfax Connector

1.5.4. <u>Vehicular Access</u>. In an auto-centric market such as Reston, the largest share of visitors will drive to the site. Visibility and access from the surrounding street network is therefore a critical element in the success of commercial activity in the LAVC.

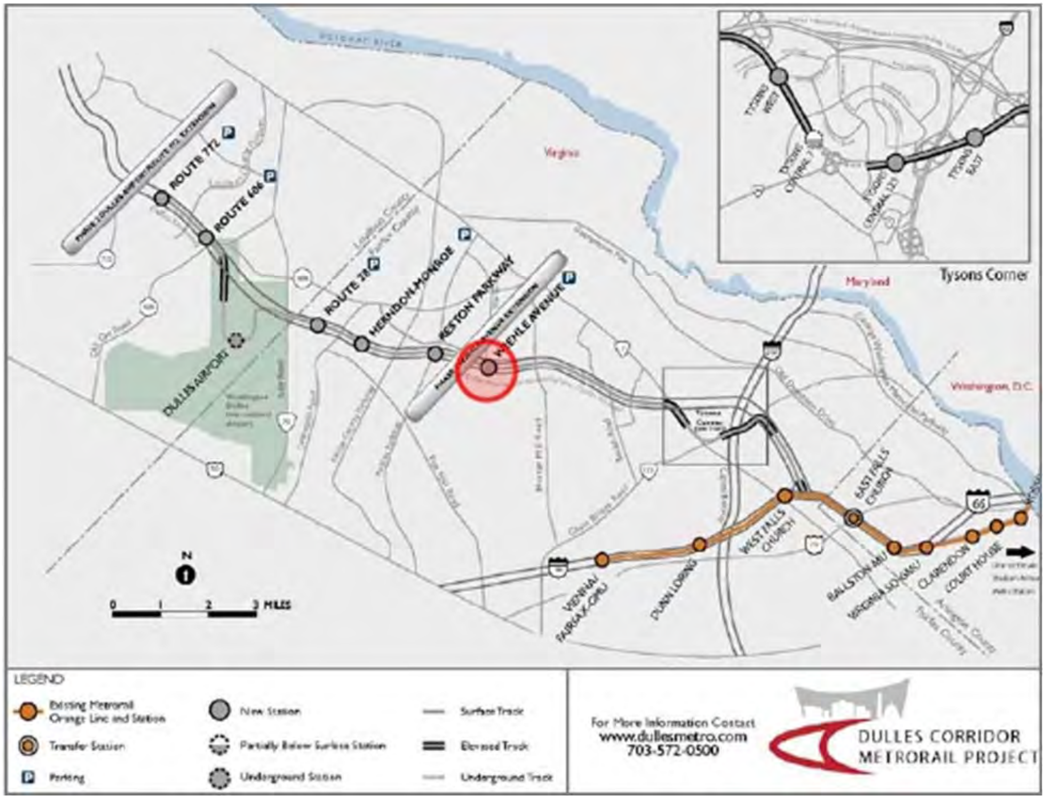
The primary point of access to the Washington Plaza parking lot is from North Shore Drive, a winding collector road for local streets serving the LAVC. According to the 2008, Parsons Brinckerhoff Parking and Transportation Study, most vehicles accessing the parking lot use the northern entrance located near the intersection of Village Road and North Shore Drive. Based on an analysis of VDOT traffic counts for nearby roadways, a large share of automobile visitors to the LAVC arrive at this intersection from Baron Cameron Avenue (28,000 vehicles per day on the segment between Reston Parkway and Wiehle Avenue).

The entry to Lake Anne Village is ‘announced’ in both directions along Baron Cameron Road (although the sign on the westbound approach is partially obscured by overgrown vines), but the direct visual connection from the road to the LAVC is obscured by the placement of the office building occupied by the Association of School Business Administrators (ASBO). Due to the inward focus of the buildings on Washington Plaza, a visitor must park his or her car and proceed on foot toward Lake Anne before the commercial storefronts are visible.

1.5.5. <u>Pedestrian Access</u>. As intended in the original Reston Master Plan, visitors from adjacent housing clusters and apartment complexes are likely to arrive at the LAVC on foot. Pedestrian access to the village center is provided at several locations surrounding Washington Plaza, including the main parking lot on the north side of the site, as well as stairways from Chimney House Road and the parking lot to the west of the plaza. A signalized crosswalk connects the Fellowship House apartments to the LAVC, providing access to seniors and disabled residents who are less likely to own an automobile. Meanwhile, the pedestrian connection from the Crescent Apartments is limited to an un-signalized crosswalk on North Shore Drive.

1.5.6. <u>Transit Access</u>. On-site public transportation is currently provided by the Fairfax Connector and Reston Internal Bus Systems (RIBS), with routes connecting the LAVC to nearby destinations such as Reston Town Center and the Reston East Park-and-Ride facility. The Parsons Brinckerhoff study indicates that the busiest bus stops are those serving the Crescent Apartment complex on North Shore Drive. The primarily suburban residential setting of the LAVC suggests that transit service is more of an amenity for neighborhood residents traveling outside Lake Anne, and is less critical in attracting outside customers to the village center.

Figure 6: Map of Dulles Corridor Metrorail Extension
Source: Metropolitan Washington Airports Authority



1.5.7. Future Metrorail Extension.

1.5.7.1. **Silver Line Phase 1 and Phase 2.** The Washington Metro Area Transit Authority (WMATA) Dulles Corridor Metrorail Silver Line extension will significantly enhance Fairfax County's connection to the Washington, DC region. The project will be built in two phases: 1) extending Metro from the Orange Line from West Falls Church to stations in Tysons and at Wiehle Avenue; and 2) extending it through Reston and Herndon to Dulles Airport and Route 772 in Loudoun County. The stations that will be built along the Dulles Toll Road will be accessible from both its north and south sides. The Wiehle Avenue Station, which is highlighted in Figure 6, will be constructed in Phase 1 of the project, which is scheduled for completion in 2013.

1.5.7.2. **Metro Station Proximity to LAVC.** The impact of the Metrorail extension will be significant for the entire Dulles corridor, making commuting to Tysons Corner, the District of Columbia and other employment centers much easier for people that live in suburbs along the Toll Road. The project will stimulate new development within ¼ to ½ mile of the planned station areas, a distance generally considered by transportation planners as a comfortable walk to and from transit. Less certain, however, is the affect that the Metrorail will have upon existing commercial centers located beyond the typical transit walkshed.

Wiehle Avenue is one of two stations that will serve Reston; the other station, Reston Parkway, located near the intersection of the Dulles Toll Road and Reston Parkway, will be built as part of Phase 2 of the project. LAVC is approximately two miles (driving distance) from the planned Wiehle Avenue station. The April 2008 Wiehle Avenue/ Reston Parkway Station Access Management Plan shows the potential for a paved trail connection between the LAVC and the Wiehle Avenue Station. This link would improve station area access for pedestrians and cyclists.

1.5.8. Parking. The current parking for the LAVC is organized around four surface parking areas, with the primary lot encompassing approximately 2.4 acres to the north of Washington Plaza. Parking is shared on a "first come, first-served" basis by most end users in the LAVC, including residents, business patrons, office workers, and event visitors. The shared parking lots at the LAVC generally function as planned, but there are times when the parking is constrained, such as on Saturday mornings when the Reston Farmers Market is held on the main lot, and during peak drop-off/pick-up periods at the daycare center.

Parking at the LAVC is further complicated by the fact that the surface lots are owned by multiple entities; the LARCA owns the eastern two-thirds of the main Washington Plaza lot, while the remaining one-third is owned by 1601 Washington Plaza LLC, which is the same corporation that owns the former Millennium Bank Building. The ABSO also shares in some maintenance costs of the main lot.

The parking that exists today in the LAVC is insufficient to support the increased level of density as prescribed by the redevelopment options outlined in the LAVC Comprehensive Plan Amendment. The PB Americas, Inc., *Lake Anne Village Center Parking and Transportation Study Final Report* (September 2008) concluded that a subterranean parking garage containing 900 to 1,033 space, could be built in conjunction with the redevelopment of the main Washington Plaza parking lot.

1.5.9. Landscaping. The mature landscape that exists today, while established and healthy, in some locations somewhat obscures visibility of the commercial parking lot and creates a sense that the area is overgrown and in need of better maintenance. A landscape plan for the LAVC that incorporates indigenous plant materials would improve the natural aesthetic of the area. The new planter pots placed in position along Washington Plaza's restaurant seating areas have already improved the sense of clear seating and circulation zones and provide both color and natural softening to the plaza.

1.5.10. Lighting. LAVC lacks a clear hierarchy of lighting types that provide for the many layers of lighting that are typical in a mixed-use commercial environment. Many of the lamp types do not emit the light color spectrum commonly used in commercial areas. An appropriate commercial lighting scheme would highlight activity at the plaza level without having a negative impact on the residential units above.

1.5.11. Utilities.

1.5.11.1. **Metering of Utilities.** Some commercial property owners that are members of LARCA share meters for measuring utility tariffs – a relic from when much of the LAVC was owned and operated by a single entity. In the past, all utility costs measured on a single meter were allocated based on each unit owner's proportional share of the condominium. This approach created conflict among commercial unit owners, as some felt they were paying an inequitable share of total utility costs. In an effort to improve the cost allocation methodology, LARCA now conducts an annual utility inventory, in which an engineer visits each commercial unit to inspect changes in equipment that may affect rates of consumption. As a result, a restaurant equipped with refrigerators and a commercial grade kitchen would pay a higher share of condominium utility costs than a retailer using less energy intensive equipment.

1.5.11.2. **Reston Lake Anne Air Conditioning Corporation (RELAC).** RELAC is the chilled water system that provides air conditioning from late May to early October to residences in seven clusters and two condominiums in Reston, including many of the commercial users in the LAVC. RELAC is a closed cooling system comprised of a pumping station and chiller that is connected to a series of pipes that circulate water to the main cooling plant which is located at the intersection of North Shore Drive and the driveway to the parking lot behind Heron House. RELAC was considered a very progressive system when it was built in the 1960s, and to this day it is unique in that it is the only chilled water public utility in Virginia. The system, which is regulated by the Commonwealth of Virginia State Corporate Commission (SCC), was purchased in 2003 by its current owner, Aqua America, a national water utility. A subsidiary of the parent company, Aqua Virginia, is responsible for ongoing operations and maintenance.

On August 4, 2010, the Virginia SCC approved a request by Aqua Virginia to increase the utility tariff by 56.2 percent, which Aqua Virginia substantiated was necessary to offset escalating operating costs and tariff rates that had remained flat for the previous 15 years. The SCC's approval of the rate increase included recommendations to implement certain quality of service measurements, and recognized recent RELAC system improvements to improve the supply of chilled water to its customers. However, many RELAC consumers continue to express concern about in the system's quality of service, which has a direct impact on some business owners who rely on RELAC for cooling their spaces, and the increase in the cost of services may be a significant burden for some customers who have historically enjoyed a relatively low cost of service.

RELAC customers have few alternatives to the current system, either because of legal stipulations or due to physical and/or financial limitations. Covenants in the Reston Association Deed require that residential property owners remain connected to the RELAC system, and while those property owners can petition to leave the system for medical reasons, the waiver does not transfer if a unit is sold. This creates a disincentive for current property owners to invest in individual cooling systems, as a future owner would automatically have to revert to RELAC service. This requirement only applies to the residential clusters (e.g. Washington Plaza Cluster) currently on the system, whereas members of LARCA have no legal obligation to utilize RELAC service. However, if the entire condominium were to leave the system, the association would have to make a significant investment in an alternative cooling solution.

Several property owners in the LAVC have left the RELAC system and invested in alternative cooling solutions. Those owners incurred high front end costs in hopes of receiving improved service and lower utility bills in return. RELAC lost close to 25 percent of its customers when the Fellowship House installed a rooftop cooling tower, taking 240 apartment units off the system. Most recently, the Reston Historic Trust completed a $250,000 renovation of the Reston Museum included an alternative air cooling system. And the Reston Community Center is also planning to leave RELAC and install an internal Heating, Ventilating, and Air Conditioning (HVAC) system as part of its plan for expansion in the LAVC.

Figure 7: LAVC Building Profile

Location/Building Name	Primary Use	Year Built	Gross Floor Area - Non-Residential	Gross Floor Area - Residential	Dwelling Units
Washington Plaza Buildings					
Heron House	High-Rise Condo	1966	1,927	56,901	62
Chimney House	Multiplex Condo; Condo Center	1966	37,039	31,328	34
Quayside	Multiplex Condo; Condo Center	1966	6,023	12,149	12
Washington Plaza E-Block	Cluster Office	1965	14,400	--	--
Washington Plaza - Townhouses	Townhouse	1965	--	31,546	20
Lake Anne Baptist Church	Church	1967	11,613	--	--
Millennium Bank Building	Low-Rise Office	1966	9,800	--	--
Subotal - Washington Plaza			**80,802**	**131,924**	**128**
Other Buildings					
24-7 Market	Condo Center	1966	1,987	--	--
ASBO Building	Low-Rise Office	1966	8,693	--	--
Gas Station	Gasoline & Service	1966	2,295	--	--
Fellowship House	Medium-RiseApartment	1971/76	--	194,620	240
Crescent Apartments	Garden Apartments Rental	1967	--	215,742	181
Buddhist Relief Building	Low-Rise Office	1977	16,988	--	--
Lake Anne Office Building	Low-Rise Office	1974	48,536	--	--
Subotal - Other			**78,499**	**410,362**	**421**
TOTAL			**159,301**	**542,286**	**549**

Source: Fairfax County Department of Tax Administration; The Eisen Group

1.6. **Building Profile.** According to property records maintained by Fairfax County, the LAVC Commercial Revitalization Area (CRA) is improved with over 701,800 square feet of gross building area, of which 213,000 square feet (30 percent) is concentrated in the buildings clustered around Washington Plaza. All of the buildings exceed 30 years of age; and most were constructed in a two-year period between 1965 and 1967.

The residential component of LAVC includes 547 units offering a diversity of housing types, sizes, and styles. All of the owner-occupied housing is located on Washington Plaza, with 106 condominium units and 20 townhouses. The largest concentration of owner-occupied housing is the 62-unit Heron House, a 15-story high-rise overlooking Lake Anne.

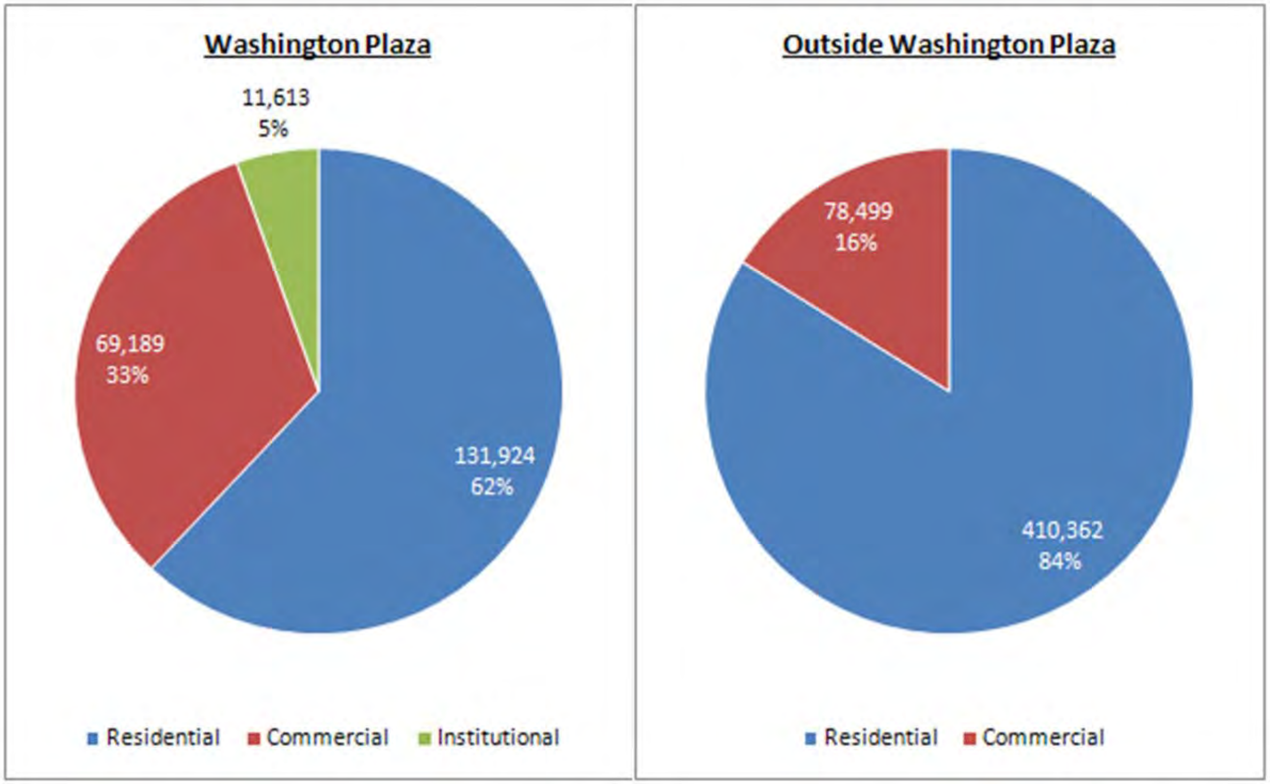
In addition to opportunities for homeownership, the LAVC offers a significant stock of rental apartments in two multifamily developments. Fellowship House, located northwest of Washington Plaza, contains 240 rental apartments set aside for low income seniors (ages 62 and over) and disabled residents. To the northeast of Washington Plaza, in Land Unit D, Fairfax County owns and operates the garden-style Crescent Apartment complex, which provides 181 affordable housing units.

Select residential properties meant to illustrate the diversity of housing types available in Lake Anne Village Center.





Figure 8: Distribution of Land Uses in Lake Anne Village Center (based on SF of Gross Floor Area)



Source: Fairfax County Department of Tax Administration; The Eisen Group

Washington Plaza is a true mixed-use environment, with housing units built either adjacent to or above commercial uses. Close to one-third of the total gross building area on Washington Plaza is occupied by non-residential uses, including 59,400 square feet of ground floor retail and service space, the 11,600-square foot Washington Plaza Baptist Church, and the 9,800-square foot Millennium Bank building.

Outside Washington Plaza, the built environment is primarily characterized by large lot, single-use development. Notable non-residential uses include: the Lake Anne Office Building, home to Fairfax County Human Services, and two additional tenants, occupying 48,500 square feet; a 17,000-square foot office building on Moorings Drive that is owned and occupied by the Buddhist Compassion Relief Tzu-Chi; and a 2,300-square foot gas station on North Shore Drive immediately to the west of the Crescent Apartment complex. There are also two non-residential uses on pad sites in the Washington Plaza parking lot – the two-story ASBO Office Building (8,700 square feet), and the 24-7 Express Market (1,990 square feet).

Images (from left to right): Chimney House Commercial Unit; Lake Anne Office Bldg; E-Block Unit; Medical Office Unit; Millennium Bank Building; ASBO Building

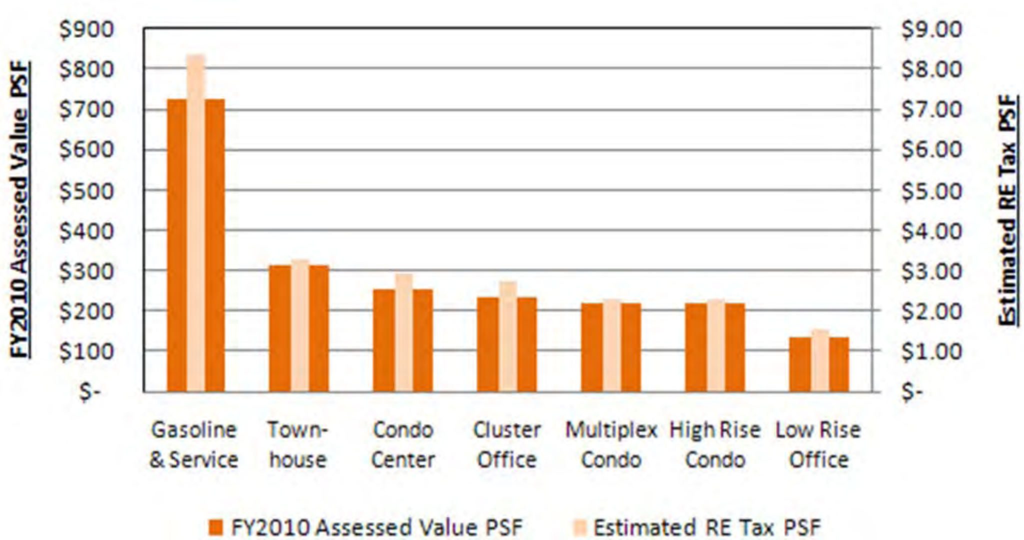





Figure 9: FY 2010 Assessed Valued in Lake Anne Village Center

Tax Category	FY 2010 Assessed Value	% of Total Assessed Value
Taxable – Residential	$32,080,990	32.7%
Taxable – Non-Residential	$28,106,880	28.7%
Exempt – Residential	$36,373,140	37.1%
Exempt – Non-Residential	$1,470,000	1.5%
TOTAL	**$98,031,000**	**100.0%**

Figure 10: FY 2010 Assessed Valued and Estimated Real Estate Tax by Major Land Use Category



Source: Fairfax County Department of Tax Administration; The Eisen Group

1.7. Real Estate Tax Assessments. According to Fairfax County property records for FY 2010, the properties contained within the LAVC are assessed at $98 million in aggregate value. Of the total assessment, roughly 70 percent, or $68.4 million, is attributable to owner occupied and rental residential properties. (See Figure 9) Non-residential uses report a combined assessment of approximately $29.6 million. On a per square foot (PSF) basis, this translates into $126 PSF of residential building area, and $186 PSF of commercial building area, respectively.

In its current configuration, the LAVC is limited in its capacity to generate property tax revenues, as only 61 percent of the assessed value is taxable. There are several uses exempt from paying real estate taxes, most notably the County-owned Crescent Apartments and the non-profit Fellowship House. The combined assessment for the two apartment complexes for FY 2010 is over $36 million. The other tax-exempt use is the Washington Plaza Baptist Church, with a current assessment at just under $1.5 million.

Of the various types of taxable uses in the LAVC, the Lake Anne gas station generates the highest level of real estate taxes, paying an estimated $8.34 PSF of gross building area. (See Figure 10) The next highest revenue generating uses are the townhouses in the Washington Plaza Cluster, whose owners pay slightly more than $3.25 PSF. In the mixed-use condominium component of the LAVC, commercial owners pay anywhere from $2.71 to $2.93 PSF, whereas residential owners pay $2.27 PSF. (It should be noted that real estate taxes are in addition to any assessments levied by LARCA or Reston Association.)

1.8. Historic Designation and Financial Incentives

1.8.1. Historic Designation. The LAVC and portions of adjacent parcels are currently included within a Fairfax County historic overlay district. This designation recognizes the significance of the iconic planning and design qualities that make the LAVC an important part of planning and design history in the United States, as well as one of the best known images and identifiers for Reston. In addition to the County historic overlay (which requires design review and special consideration for any proposed changes to the original buildings and public spaces), the LAVC will be eligible for designation in the National Register of Historic Places ("The National Register") in 2016.

The National Register is the official list of historic sites, districts, buildings structures and objects which have been identified and designated by the National Park Service, United States Department of Interior. The National Register was created as part of the National Historic Preservation Act (NHPA) of 1966, the country's first comprehensive historic preservation policy in our history. The NHPA also established a State Historic Preservation Office (SHPO) in each of the states and U.S. territories to administer the Federal preservation programs at the state level. While there are some protections and incentives provided by listing a property or district on The National Register, the designation is largely symbolic; with two exceptions. Properties listed on The National Register require special review for projects which are funded by Federal agencies (required by Section 106 of the NHPA, which requires mitigation of any effects of Federally funded project determined to be adverse to the historic character of the site or structure), and designated commercial properties (e.g., properties in commercial use and generating commercial rent for private owners) which follow the rehabilitation design guidelines established by the Department of Interior can qualify for tax credits equal to 20 percent of the approved expenditures completed under the rehabilitation guidelines. The Federal Historic Tax Credits are administered by the National Park Service and the Internal Revenue Service.

1.8.2. Federal Historic Preservation Tax Credit. The Federal Historic Preservation Tax Incentive provides a 20 percent tax credit for the certified rehabilitation of certified historic structures or a 10 percent tax credit for the rehabilitation of non-historic, non-residential buildings built before 1936. The program is jointly administered by the US Department of the Interior (i.e., National Park Service in association with the State Historic Preservation Officer (SHPO) and the Department of the Treasury (Internal Revenue Service). The credit lowers the amount of tax owed, typically dollar for dollar up to 20 percent of the amount spent that has been certified by the SHPO and the Department of Interior and approved by the Internal Revenue Service. The intent of the historic tax credit program is to encourage appropriate rehabilitation and investment in historic commercial structures.

To receive a tax credit, three certification steps must be completed:

1. The property or district must be 'certified' as historic, meaning that it can be listed (or is eligible for listing with a pending application) on the National Register. While certain structures have been listed before they were 50 years old, most National Register listings require that a structure or district be at least 50 years old to qualify. In the case of the LAVC, the fifty year requirement will be met in 2016, fifty years after it opened.

2. The plan for rehabilitation must be certified as being consistent with the Secretary of Interior's Standards for Certified Rehabilitation of Certified Historic Structures (also called The Secretary's Standards). The Secretary's Standards generally require that original building fabric be retained, restored or replaced in kind. In Virginia, the certification process of the plans for rehabilitation are reviewed and approved by the SHPO in Richmond, preferably in advance of rehabilitation construction, as non-compliance with The Secretary's Standards can preclude eligibility for the Federal tax credit.

3. The third certification step is the review of the completed project to assure that the rehabilitation construction remains consistent with The Secretary's Standards, and that the project was completed as planned under the approved design guidelines.

Once the three part certification is completed and approved, the National Park Service notifies the Internal Revenue Service, which issues a final approval letter to the applicant. Only at that point can the applicant claim the credit, which is valued on a dollar for dollar basis against income taxes owed. If the value of the rehabilitation tax credit exceeds the applicant's tax liability for the eligible tax year, the credit can be carried back (to amend previously paid taxes) for two years, or carried forward for up to twenty years. The 10% rehabilitation tax credit is worth half of the value of the historic credit, but does not require compliance with The Secretary's Standards.

1.8.2.1. **Qualified Historic Rehabilitation Projects.** A certified historic structure is a building listed individually in the National Register of Historic Places or a building that is located in a registered historic district and certified by the NPS as contributing to the historic significance of the district. The NPS must certify all rehabilitation projects. Certification requires that the rehabilitation be consistent with the historic character of the building. Rehabilitation must be consistent with the Secretary of the Interior's Standards for Rehabilitation, including the following:

1. The property will be used for its historic purpose or in a new use that requires minimal change to the key characteristics of the structure.
2. The historic character of the building will be preserved.
3. The restoration will recognize the original time, place, and use of the building.
4. Changes over time that contribute to the historic character of the building will also be preserved.
5. Distinctive features, construction techniques or craftsmanship will be preserved.
6. Ideally, deteriorated historic features will be repaired, if possible. If they are replaced, the missing features will be documented.
7. Chemical physical treatments that can potentially cause damage to the property will be avoided.
8. Significant archeological resources will be avoided.
9. New construction will not destroy historic materials and will be designed in the same character as the historic structure.
10. Any new construction will be designed so that if removed in the future, the removal will not destroy the historic integrity of the building.

According to the regulations, the building must be depreciable (used in trade or business or held for income). The rehabilitation must also be substantial (e.g. during a selected 24-month period, rehabilitation expenditures must exceed the greater of $5,000 or the adjusted basis of the building and its structural components. In general, the cost of rehabilitation must exceed the pre-rehabilitation cost of the building. The tax credit is typically allowed in the tax year that the building is placed back in service.

1.8.2.2. **Qualified Expenditures.** Qualified expenditures include direct work costs, architectural and engineering fees, site survey fees, legal fees, development fees, and other construction related costs (if costs are added to the property basis and are related to the services performed). The fees cannot include landscaping, feasibility studies, financing fees, paving, retaining walls, sidewalks, storm water construction, new construction, new additions that expand the existing historic structure, or parking. The owner must hold the building for five full years after completing the rehabilitation, or repay the credit (the amount owed is reduced by 20 percent per year).

1.8.2.3. **Federal Tax Credit Standards.** Based on standards issued by the Internal Revenue Service, the rehabilitation tax credit cannot typically be used by a tax-exempt entity. However, in some instances, tax-exempt groups are involved in rehabilitation projects by forming a limited partnership and maintaining minority ownership interest as a general partner. If a limited partnership is formed, the limited partner is eligible for tax credits.

1.8.2.4. **Properties Leased to a Tax Exempt Entity.** A building owner who incurs the cost of rehabilitating an historic structure cannot pass the credit on to a lessee(s) if the owner is tax-exempt. A taxpaying entity, however, can claim the rehabilitation tax credit on property that is leased by a tax exempt entity (e.g. government or non-profit organization). However, the lease must not result in a disqualified lease. A disqualified lease means that:

1. Part or all of the property was financed directly or indirectly by an obligation in which the interest is tax exempt and the entity participated in the financing (for example, tax-exempt bonds were used in the financing of the project);
2. Under the lease there is an option to buy by the tax-exempt entity;
3. The lease term is in excess of 20 years; or,
4. The lease occurs after a sale or lease of the property and the lessee used the property before the sale or lease (for example, if a public school building is in need of renovation and it is sold to a private entity, which renovates the property and in turn leases the property back to the school, this would result in a disqualified lease).

An exception states that property is considered tax-exempt use property if the portion of property leased to tax-exempt entities under disqualified leases is more than 35% of the property. The phrase "more than 35%" implies more than 35% of the net rentable floor space of the building (excluding the common areas of the building). If more than 35% of a building is leased to a tax-exempt entity, a taxpayer would be able to claim the rehabilitation tax credit on expenditures incurred for the portion of the building not rented to a tax-exempt entity.

1.8.3. <u>Virginia Historic Tax Credits.</u> In addition to the Federal Historic Tax Credits, properties in Virginia can also qualify for state Historic Tax Credits. The Virginia State Historic Tax Credit program was established in 1997, modeled on the federal tax credits, but allowing 25% of the approved expenditures to be credited against state income tax obligations and administered by the Department of Historic Resources (DHR). The two programs duplicate most requirements (adherence to the Secretary's Standards for Rehabilitation design standards, listing on the National Register, similar review, certification and approval processes); however, project eligibility for the Virginia program applies not only to income producing commercial properties, but also to owner-occupied buildings/residences. This means that the residential condominiums in the LAVC might be able to qualify for Virginia Historic Tax Credits in/after 2016.

2. GOVERNANCE, MANAGEMENT AND STEWARDSHIP

2.1. Fairfax County Government

DEPARTMENT/AGENCY	DESCRIPTION*	RELEVANCE TO LAKE ANNE VILLAGE CENTER
Fairfax County Office of Community Revitalization and Reinvestment (OCRR)	Established by the Fairfax County Board of Supervisors in 2007, OCRR facilitates strategic redevelopment and investment opportunities within targeted commercial areas. OCRR activity is focused on five Commercial Revitalization Districts (CRD), two Community Revitalization Areas (CRA), and two special project areas. LAVC is one of the two CRAs. Benefits of the CRA designation include: 1. Facilitated administrative procedures for development review; 2. Concurrent Comp Plan amendments with zoning applications; 3. Special zoning ordinance provisions relating to parking reductions and area identification signage. OCRR works closely with the Reston Community Reinvestment Corporation (RCRC) to encourage economic development and reinvestment in the LAVC.	Building on the momentum generated by the Comprehensive Plan, OCRR issued a Request for Proposals in the spring of 2010 for a feasibility analysis of the redevelopment of the village center. Following Fairfax County's *16 Principles for Public Investment to Support Commercial Revitalization,* there may be an opportunity for OCRR to foster a public-private partnership to spearhead redevelopment of LAVC. OCRR could also serve as a liaison to the County for projects and proposals in the LAVC, and could also play a role in facilitating the approval process.
Fairfax County Department of Housing and Community Development (HCD)	HCD administers various affordable housing and commercial revitalization programs on behalf of Fairfax County. The department also serves as staff to the Fairfax County Redevelopment and Housing Authority (FCRHA), working to implement the affordable housing goals outlined in the FCRHA Strategic Plan, as well as the five-year and annual plans for Public Housing and Housing Choice. Specific programs administered by HCD include: the Fairfax County Rental Program; loans for home improvements and repairs; the Housing Choice Voucher Program; the Public Housing Rental Program; management of senior living facilities; and various programs intended to promote homeownership.	In an effort to preserve the County's inventory of affordable housing, the County purchased the 180-unit Crescent Apartment complex in 2006 for $49.5 million. HCD is responsible for the ongoing management and maintenance of the property. The Crescent Apartment complex is the largest land parcel in LAVC, giving the County a major stake in the future redevelopment of the site. Redevelopment of the Crescent Apartment site will impact the location, density and mix of residential and non-residential uses in the LAVC. The residents of the Crescent Apartments also represent a segment of the LAVC consumer base, which has implications for retail merchandising and future tenanting.

DEPARTMENT/AGENCY	DESCRIPTION*	RELEVANCE TO LAKE ANNE VILLAGE CENTER
Fairfax County Department of Planning and Zoning (DPZ)	DPZ reviews changes to the Comprehensive Plan and to the zoning of property. The Fairfax County Zoning Ordinance includes special provisions for Historic Overlay Districts, such as the one found in the LAVC. Historic Overlay Districts can be proposed by citizens, community groups, of County agencies; and are meant to protect and enhance significant historic and architectural resources. Properties located in a Historic Overlay District are not necessarily listed on the Virginia Landmarks Register, or the National Register of Historic Places. (See also Section 1.8, Historic Designation and Financial Incentives).	Reinvestment projects in LAVC will require changes to the zoning of the property, including review by ARB.
Architectural Review Board (ARB)	The ARB, whose members are appointed by the County Board of Supervisors, is responsible for administering Zoning Ordinance provisions within Historic Overlay Districts. ARB plays an advisory role to several County agencies and has no regulatory authority over land use matters. However, all site plans and permitting applications within a Historic Overlay District must be reviewed by the ARB. Property owners are encouraged to engage the ARB for preliminary review prior to submitting an application to DPZ.	Any new improvements or alterations to existing buildings and open space within the LAVC Historic Overlay District will require ARB review. Redevelopment plans for the LAVC, including potential removal of buildings contributing to its historic character, will also need to be reviewed by ARB.
Fairfax County Park Authority; and, the Reston Community Center (RCC)	The Fairfax County Park Authority develops, operates and maintains a vast portfolio of amenities for area residents, including: parks and open space; nature centers; an equestrian center; two water parks; an observatory; eight golf courses; an ice skating rink; and programming for multiple performances, events, and educational seminars. The RCC focuses on providing cultural, educational and recreational opportunities to residents and workers specifically in the Reston area. RCC programming is paid for by a 0.047 percent ad valorem tax on property in the area.	Both the Park Authority and RCC have a direct role in attracting visitors to the LAVC. The Reston Farmers Market, held in the Washington Plaza parking lot every Saturday between May and October, is supervised by the Park Authority through its Community Horticulture office. Meanwhile, the RCC operates year-round facility in LAVC that offers a wide range of services, including classes in the fine arts, fitness programs, meeting room rentals While the amenities provided by the Park Authority and the RCC generate activity in the LAVC, there is an opportunity for enhanced programming as well as coordination with the local merchants to incentivize visitors to patronize shops and restaurants.

2.2. Reston Association

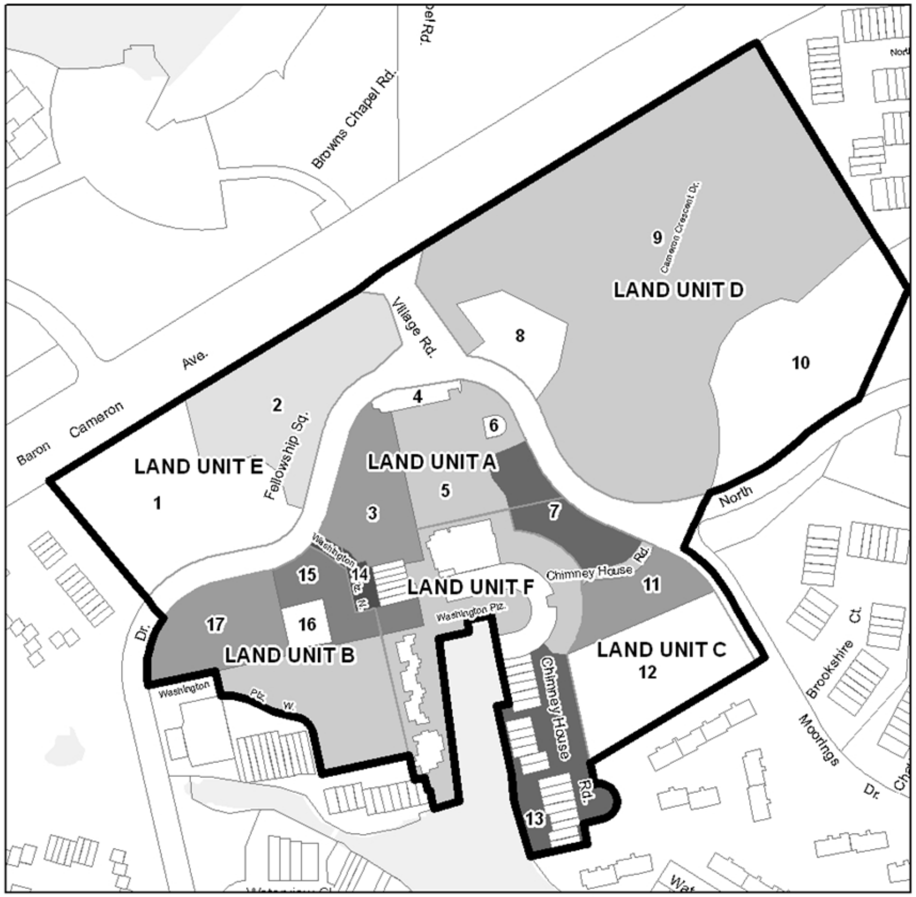
DEPARTMENT/AGENCY	DESCRIPTION*	RELEVANCE TO LAKE ANNE VILLAGE CENTER
Reston Association (RA)	The primary function of the RA, a registered 501c (4) non-profit organization, is to interpret, protect and maintain the covenants enumerated in the community's Deed of Dedication. The covenants address such issues as: uses and restrictions of the Reston common areas; rules relating to property assessments and budgets; design, use, and maintenance of the built environment; and operating rules for residential Cluster Associations. The RA funds capital projects and general operations through an assessment on residential properties. From a land use perspective, the Planning & Zoning Committee of the RA ensures that new development is consistent with the community's founding principles, and is consistent with all local, county, and state ordinances, bylaws, and regulations. The RA is also responsible for maintenance of over 1,300 acres of open space comprising pedestrian trails, bikeways, natural areas, and four man-made lakes. The Parks and Recreation department operates 15 community pools, and provides programming and special events at a number of recreational facilities.	The RA owns close to two acres of open space in the northeast corner of the LAVC, located in between North Shore Drive and the Chimney House parking lot. In addition to the open space, the RA is also responsible for maintenance of Lake Anne, up to the docks and steps leading to Washington Plaza. As it exists today, the RA's relationship with LARCA and other property owners in LAVC is primarily administrative. At one time the RA contributed up to $60,000 on annual basis for maintenance and repair of Washington Plaza, a burden that now falls almost entirely on the members of LARCA. In recent years that line item was removed from the RA operating budget.
Reston Design Review Board (DRB)	The DRB is a nine-person committee appointed by the Board of Directors of the RA to administer the design covenants set forth in the Reston Deed. Membership is comprised of six architectural and planning professionals and three community representatives from non-design backgrounds. The DRB reviews all applications to alter, modify or improve Reston properties. Its review, which is in addition to typical County processes, focuses on architectural compatibility with the original intent of the Reston Master Plan, effects of physical improvements on neighboring properties, quality and appearance of materials used in construction, and construction schedule and timing. Review standards and design guidelines vary by neighborhood.	The DRB will be involved in any changes or improvements in the LAVC. The members of the DRB have been divided with some who want to see limited to no change at LAVC, to those who are willing to see change, but with clearly prescribed rules, to those who believe that the LAVC has lost its place in the market and should be completely overhauled. While the DRB may be divided, most of its members believe that something needs to be done at LAVC. The challenge will be navigating the DRB process to determine what can be accomplished with respect to the non-residential uses.

Descriptions of Reston Association and DRB activities are based on information found in the Reston Deeds of Dedication and other publicly available sources.

2.3. Other Stakeholders

DEPARTMENT/AGENCY	DESCRIPTION	RELEVANCE TO LAKE ANNE VILLAGE CENTER
Washington Plaza Cluster	Many of the homes in Reston are concentrated in one of the community's 132 residential clusters. Clusters are groups of lots whose members collectively own and maintain common property (e.g. parking, open spaces.) Each cluster has its own set of design standards with respect to paint colors, building materials, doors, fences, decks, light fixtures, and other aesthetic features. The Washington Plaza Cluster contains a mix of residential and commercial townhouses divided into six separate blocks. Two residential blocks containing 21 dwelling units are located to the south of Heron House; three residential blocks containing 20 dwelling units are located to the south of the Chimney House building; and one commercial block containing six units (the "E-Block") is located on Washington Plaza, south of the vacant office building formerly occupied by Millennium Bank. The cluster association also owns around 1.54 acres of open space.	Property owners in the Washington Plaza Cluster Association enjoy views of scenic Lake Anne and access to all of the plaza amenities. However, unlike members of the LARCA, cluster association property owners are not obligated to contribute to the maintenance of the plaza area. The only exception being the owner of the townhouse unit containing the Lake Anne Coffee House, who is obligated under the terms of a sale agreement to share in some of the plaza maintenance costs. In FY2010, this cost sharing arrangement will generate roughly $9,000 in income for the LARCA. Due to the separated ownership structure of the Cluster Association and the LARCA, both groups function under different standards with respect to ongoing maintenance activities, such as window replacements, building washing, façade improvements, landscaping, etc. A coordinated capital improvement plan could result in a more uniform and consistently fresh appearance throughout the Washington Plaza area.
Reston Community Reinvestment Corporation (RCRC)	Formed in 1997, the RCRC is a 501(c) (3) non-profit corporation recognized by the Fairfax County Board of Supervisors in January 2004 as the local entity to represent the community's interest in the revitalization of LAVC. RCRC members served in an advisory capacity to the Hunter Mill District Supervisor and County staff during the recent area studies and the development of the LAVC Comprehensive Plan Amendment. It is anticipated that RCRC will continue to play an active and valuable role in promoting LAVC, and building consensus around redevelopment opportunities. The RCRC Board of Directors contains stakeholders from various groups with an interest in LAVC, including representatives from: Reston Association; LARCA; Washington Plaza Cluster; Lake Anne Merchants Association; Reston Historic Trust; Washington Plaza Baptist Church; Fellowship Square Foundation; ASBO; and Millennium Bank. Bob Simon, founder of Reston, is also a member of the Board.	RCRC has been an effective advisor to the County in its effort to protect and enhance the economic vitality of LAVC. The membership of the Board represents a source of institutional knowledge with respect to the history of the LAVC and Reston. RCRC's advisory role should continue throughout the implementation of one of the redevelopment options outlined in the Comprehensive Plan Amendment.

DEPARTMENT/AGENCY	DESCRIPTION	RELEVANCE TO LAKE ANNE VILLAGE CENTER
Lake Anne of Reston, a Condominium Association (LARCA)	The more than 116 property owners, some of which own more than one of the 132 residential and non-residential units in the buildings on Washington Plaza, are members of LARCA, whose charter and by-laws regulate the use, appearance and financial status of the Condominium. Acting as a group in accordance with the Commonwealth of Virginia Condominium Act, among other things, the unit owners develop the rate of assessment for common expenses, collection methods, and regulate the use and appearance of the condominium.	LARCA and its critical role in the maintenance and future revitalization of the LAVC is discussed in I. Current Conditions Assessment, 3. *LAKE ANNE OF RESTON, A CONDOMINIUM ASSOCIATION*.
Lake Anne Merchants Committee & Friends of Lake Anne (FOLA)	A 501(c)(3) non-profit organization, the Lake Anne Merchants Committee ("Merchants Committee") is a group of business owners working together to promote the activities of the merchants in the LAVC. The Merchants Committee was originally established to increase communication among business owners, as well as to collaborate on events to attract visitors to the LAVC. Over time, the Merchants Committee has taken on a more expanded role, with current leadership focused on developing a comprehensive marketing and identity campaign, including a new Lake Anne Village website and identity package. Activities of the Merchants Committee are funded by a self-imposed special assessment on the commercial condo owners in the LARCA; the committee has an FY 2010 operating budget of $50,000. While the Lake Anne Merchants Committee works to promote the Lake Anne Village brand, Friends of Land Anne (FOLA), an independent group that shares some common members with the Merchants Committee, focuses on the physical appearance of the commercial spaces on Washington Plaza. Past projects paid for by FOLA include: umbrellas and outdoor seating on the plaza; window boxes and planters lining Lake Anne; and new storefront signage for La Villa Market, the Reston Art Gallery, and Roti Grill. FOLA projects are funded by fees collected from the Reston Craft Market that runs every Saturday on Washington Plaza, from May to December. Total revenue generated by the market is projected to reach nearly $12,000 in 2010.	The scope and scale of revitalization initiatives that the Merchants Committee and FOLA can reasonably be expected to undertake is determine by: 1) the current level of funding (a combined $62,000) that only allows for incremental revitalization on a project-by-project basis; and 2) the inability of either group to regulate business operations and/or control the mix of retail in the LAVC. Increased funding for either organization may be difficult to accomplish in the near term, as it would require an increased special assessment on commercial condominium owners and/or additional fee revenue from the Reston Market.



Lake Anne Land Ownership Map

Source: Fairfax County Department of Tax Administration, Real Estate Division (except as noted)

* Acreage for LARCA Common Area is calculated to be 5.75 acres. ** Acreage for 17-2 ((31)) 1645 parcel is calculatedtobe.05acres.

Source: Fairfax County Government GIS and Mapping Services

LAND OWNERSHIP MAP KEY			
Map Key	**Property Owner**	**Tax Map ID Number**	**Acres**
1	Fellowship Square Foundation Inc	17-2 ((01)) 3	3.37
2	Fellowship Square Foundation Inc	17-2 ((01)) 2	2.59
3	1601 Washington Plaza LLC	17-2 ((07)) 6B3	1.49
4	Association of School	17-2 ((07)) 6B2	0.21
5	Lake Anne of Reston Condominiums (LARCA)	Common Area	(5.75*)
6	LARCA (JMM LLC – condo owner-occupant)	17-2 ((31)) 1645	.0 (0.05**)
7	Reston Homeowners Assn	17-2 ((08)) 6C	1.01
8	G and K Inc	17-2 ((01)) 7	0.86
9	Board of Supervisors Fairfax County	17-2 ((16)) 1A	13.11
10	Board of Supervisors Fairfax County	17-2 ((14)) (1) 2G	3.38
11	Reston Home Owners Assn	17-2 ((23) 11	0.89
12	Buddhist Compassion Relief TZU-CHI	17-2 ((23)) 1	2.19
13	Washington Plaza	17-2 ((09)) 6A	1.30
14	Washington Plaza	17-2 ((06)) 6E	0.24
15	Church Baptist Washington	17-2 ((05)) 6D	0.85
16	Monteverde LLC	17-2 ((05)) 6D1	0.23
17	Monteverde LLC	17-2 ((01)) 2A	1.41

3. LAKE ANNE OF RESTON, A CONDOMINIUM ASSOCIATION (LARCA)

3.1. LARCA Overview. Most of the residential and commercial property owners on Washington Plaza are members of the Lake Anne of Reston Condominium Association (LARCA). Formed in 1981, the LARCA operates in accordance with the Commonwealth of Virginia Condominium Act, and has, among other things, the power to collect assessments for maintenance of common spaces and regulate activity and appearance of condominium property. (See 2.3, *Other Stakeholders)* for additional information on LARCA's role in LAVC).

Figure 11: Physical Profile of Lake Anne of Reston Condominium Association (LARCA)

BUILDING/LOCATION	RESIDENTIAL	COMMERCIAL	TOTAL
Heron House	61 units 56,901 SF	1 unit 1,927 SF	62 units 58,828 SF
Chimney House	34 units 31,328 SF	15 units 37,039 SF	49 units 68,367 SF
Quayside	11 units 13,390 SF	9 units 5,037 SF	20 units 18,427 SF
Parking Lot	--	1 unit 1,987 SF	1 unit 1,987 SF
TOTAL	**106 units 101,619 SF**	**26 units 45,990 SF**	**132 units 147,609 SF**

The Condominium is comprised of 132 units containing 147,609 square feet of gross floor area primarily concentrated in three major blocks of buildings: the 15-story residential tower Heron House; and Quayside and Chimney House with residential stacked over first floor commercial units. In addition LARCA controls a 1,920 SF stand-alone shop, four parking lots, and the 149,000 SF Washington Plaza. The non-residential component includes 26 commercial units, including 25 units on Washington Plaza, and an additional unit in the main LAVC parking lot. The non-residential component occupies 45,990 square feet, representing 30 percent of the Condominium's total square footage.

3.2. Governance and Operations. LARCA is governed by a Board of Directors (the "Board") composed of five (5) members, including three (3) representatives of residential owners, and two representatives of commercial owners. Directors are elected by Association members to serve two-year terms. The Board has a contract with a national association management firm, Community Management Corporation, to handle day-to-day operations of the condominium.

3.3. Commercial Regulations. The LARCA Board has a limited ability to regulate business activities in Lake Anne Village, but does have the power to do the following:

1. Protect ingress and egress to commercial units;
2. Provide security personnel and trash removal for business-related activities;
3. Make special assessments against commercial units for expenses specific to non-residential operations;
4. Prohibit business activities deemed harmful to the common elements on Washington Plaza; and,
5. Generally interpret other Bylaws as they relate to the commercial owners, such as covenants that regulate the design, appearance, use, and maintenance of the common elements.

Subject to Article V, Section 9 of the amended 2004, *Bylaws of Lake Anne of Reston, a Condominium*, the LARCA Board of Directors and Unit Owners Association does "…not have the power, duty or authority to alter the mixed-use character of the Condominium Property or to interfere with the normal conduct of business and 'business related activities' permitted by applicable zoning, the Reston Protective Covenants and Restrictions, engaged in by

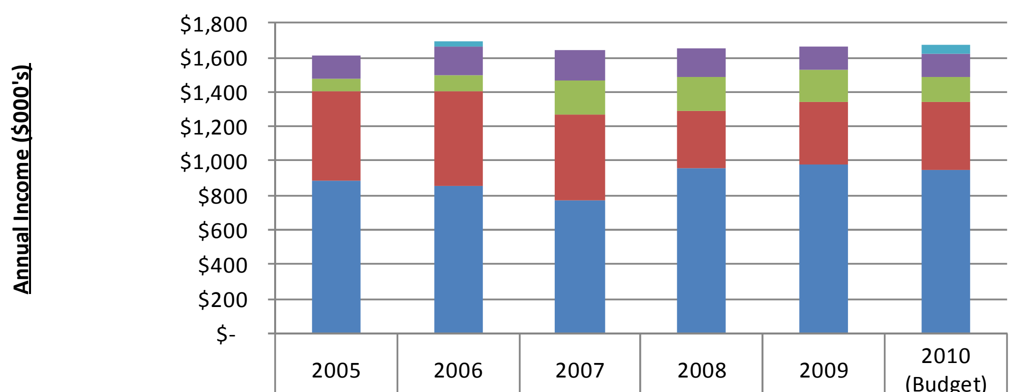
Commercial Unit Owners within their Units and the portion of the General Common elements known as Washington Plaza." Therefore, so long as businesses are not deemed to be "harmful" to Washington Plaza, the Condominium has no authority to influence or restrict the commercial tenant mix in LAVC. Also, though the language in Article III, Section 2 of the amended 2004 Condominium Bylaws implicitly restricts commercial operating hours to the time between the hours of 8 a.m. and 12 midnight, the Bylaws do not specify standard hours of operation. While a restriction on operating hours addresses the concern some residents have regarding noise and security, this is problematic for bars and restaurants on the plaza that would benefit from extended operating hours to accommodate a customer base that may want to stay out past midnight. Additionally, just as Lake Anne's restricted hours of operation may cause some consumers to select an alternative entertainment venue, the absence of standardized hours of operation creates a disconnect between the commercial businesses and consumers, as customers are more likely to patronize a commercial environment that has consistent and uniform hours of operation.

As a formal commercial management plan is developed, it will be important for LARCA to consider the broader implications of the LARCA Bylaws and undertake actions necessary to restructure and/or amend the LARCA Bylaws to enable LARCA to participate in a Memorandum of Understanding (MOU) with other non-LARCA property owners that should, among other things, mandate hours of operation, control mix of uses, and tenant use restrictions, and provide storefront/window display guidelines, and cost sharing agreements.

3.4. Budgeting. Thirty days prior to the start of the fiscal year, which runs from January to December, the Board must prepare an annual budget that estimates the costs for the upcoming year for the administration, operation, maintenance and repair of the Condominium property. In its current format, expenses for both operations and capital improvements are included in the same budget.

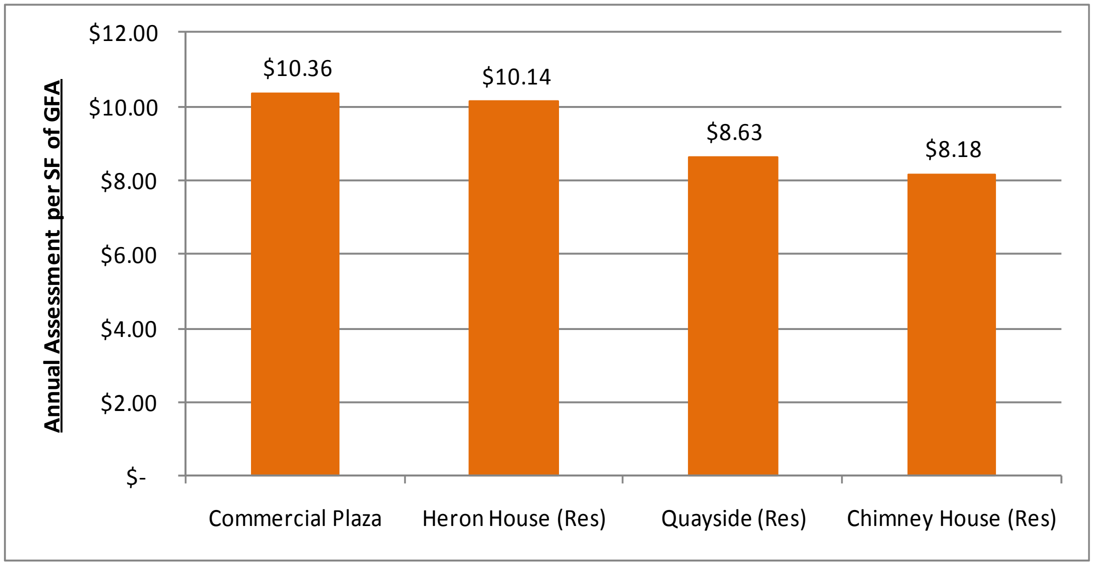
3.5. Condominium Income Trends. According to Condominium bylaws, annual income must equal total expenses (direct expenses, plus the sum of the pro rata share of common element expenses) for each of the four Condominium budget subsections: Chimney House (Residential); Heron House (Residential), Quayside (Residential), and the Commercial Plaza. Over the past five years, annual income has ranged from $1.6 million to $1.7 million, with the 2010 budget showing a total projected income of $1.67 million.

Figure 12: Annual LARCA Income by Source, 2005 to 2010 ($000s)



	2005	2006	2007	2008	2009	2010 (Budget)
Prior Yr Gain	$-	$29	$-	$-	$-	$54
Other Income	$136	$173	$181	$166	$141	$128
Other Assessment	$75	$88	$194	$194	$183	$147
Direct Bldg Assessment	$515	$553	$495	$340	$365	$395
Common Assessment	$886	$852	$773	$954	$979	$948

Figure 13: Average Assessment per SF of Gross Floor Area, 2009



Source: Lake Anne of Reston Condominium Association; The Eisen Group

Other key points regarding income line items include:

Common Area Assessment – largest source of income for LARCA, representing 57 percent of total income budgeted for 2010. This assessment is consistent across all units at approximately $6.48 PSF.

Direct Building Assessment – an assessment for expenses attributable to specific uses and buildings, including utilities and maintenance costs. Direct assessments account for 24 percent of 2010 budgeted income.

Other Assessment – includes income derived from an assessment on utility usage by commercial units that are not separately metered, as well as an additional assessment to service debt from a loan taken out in March 2001 for exterior concrete building restoration and window replacement in Heron House, and miscellaneous repairs to window units at Quayside and Chimney House.

Other Income - represents roughly 10 percent of the total LARCA budget, and includes income from storage fees, a rooftop antenna lease, interest accrued on Condominium bank accounts, and common area expense reimbursements from ASBO (parking lot) and Lake Anne Coffee House (plaza). Budgeting procedures also allow for the year-to-year carry of operating gains and losses.

Commercial Plaza Assessment – commercial unit owners pay the highest assessments on an average per square foot basis, ranging from $7.19 PSF at the Reston Art Gallery, and up to $17.84 PSF for the large vacant space in the Quayside building. The large variance in commercial assessments is primarily driven by utility usage and whether or not a unit is separately metered.

Figure 14: Summary of LARCA Expenses, FY 2009

EXPENSES	FY 2009 ACTUAL EXPENSES	PER SF GROSS FLOOR AREA*	PER UNIT*	% OF TOTAL EXPENSES
Payroll & Benefits	$ 220,446	$1.49	$1,670	13.2 %
Utilities	$ 390,437	$2.65	$2,958	23.4 %
Repairs & Maintenance	$ 60,966	$0.41	$462	3.7 %
Professional Services	$ 71,783	$0.49	$543	4.3 %
Contracts	$ 165,136	$1.12	$1,251	9.9 %
Insurance	$ 41,085	$0.28	$311	2.5 %
Administrative Expenses	$ 98,912	$0.67	$749	5.9 %
Financing Expenses	$ 112,872	$0.76	$855	6.8 %
Other Expenses	$ 21,136	$0.14	$160	1.3 %
Reserves (w/o marketing fund)	$ 435,210	$2.95	$3,297	26.1 %
Reserves (marketing fund)	$ 50,000	$0.34	$379	3.0%
TOTAL	**$ 1,667,984**	**$11.30**	**$12,636**	**100 %**

Assumes 132 units and 147,609 SF of total GFA, as per Fairfax County Department of Tax Administration records

3.6. Operating Expenses. 2009 Annual Condominium expenses at the in 2009 were approximately $1.67 million, or $11.30 PSF of gross floor area. Expenses are allocated among three categories:

Common Area Expenses - General expenses that support all owners, such as overhead costs for legal fees, property management contract expenses, various general maintenance costs for plumbing and electrical repairs, annual contribution to the general reserve fund, and staff and benefit expenses are considered "Common" expenses and are allocated to each owner based on their individual pro rata share of ownership (computed on the basis of percentage of square footage owned of the total square footage). Common Area expenses represent 64 percent of the LARCA operating budget.

Residential Expenses - Each residential unit owner pays direct expenses attributable to their building such as utilities and trash pickup services that are contracted by building with the costs directly assigned to each building's budget. Some buildings have unique services such as the Heron House elevator maintenance contract. These expenses are grouped into the Chimney House, Heron House and Quayside subsections of the budget. Residential expenses account for 24 percent of the total budget.

Commercial Plaza Expenses – These expenses are attributable to the commercial unit owners and the business operations on Washington Plaza. All commercial owners share these expenses that are specific to the operation and maintenance of the commercial units including services for cleaning of the plaza, trash compactor maintenance, and the contribution to the Commercial Owners Fund. Commercial expenses make up the remaining 12 percent of the LARCA operating budget.

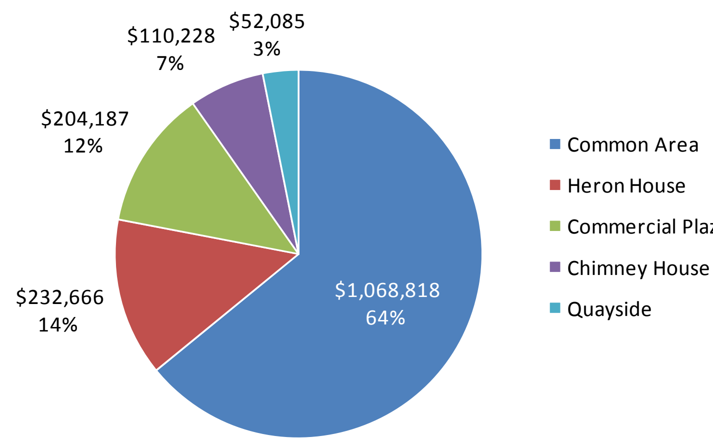


Figure 15: LARCA Operating Expense Comparison, FY 2009

EXPENSES	LARCA	OLD (1) CONSTRUCTION	NEW (2) CONSTRUCTION
Payroll & Benefits	$1,670	$2,794	$1,248
Utilities	$2,958	$2,681	$923
Repairs & Maintenance/ Contract Services (3)	$2,257	$3,262	$1,161
Insurance	$311	$350	$400
Administrative Expenses & Marketing (4)	$613	$908	$465
Management Fee	$515	$892	$541
Reserves (5)	$3,297	$350	$150
TOTAL	**$11,621**	**$11,237**	**$4,879**

Notes:

(1) "Old" construction refers to properties built in the 1970s or earlier

(2) "New" construction refers to properties built within last three years, or currently under development

(3) Includes expenses associated with repairs and maintenance; and professional and contract services. Due to differences in accounting procedures, some LARCA expenses budgeted under "Reserves" are included in this category at other properties.

(4) For LARCA, this expense category includes administrative expenses, as well as the $50,000 commercial marketing fund budgeted under reserves

(5) For LARCA, excludes the $50,000 commercial marketing fund

Source: Lake Anne of Reston Condominium Association; Representative Properties; The Eisen Group

3.7. Annual Operating Budget. Information presented herein regarding LARCA's annual operating budget is based on an analysis of the Condominium's historical expenses and a comparison of them to the operating characteristics of comparable commercial mixed-use properties in the Washington, DC area. The following criteria were used to identify comparable properties:

1. **Mixed Use:** Properties include a mix of residential and commercial uses.
2. **Age:** Primary focus on buildings built in 1970s, or earlier. Analysis included a comparison to new construction, which tends to be more efficient in its operations, for the purposes of demonstrating higher maintenance costs associated with older properties.
3. **Location:** All properties are located in the Washington, DC metropolitan area
4. **Common Area:** Primary focus on properties with significant outdoor "hardscaping" – e.g., open spaces similar to the brick walkways and concrete sculpture on Washington Plaza
5. **Elevators:** All properties have elevator service
6. **Building Configuration:** Primary focus on properties comprised of more than one building across which expenses are distributed

Figure 15 presents a summary of LARCA's major expense categories on a per unit basis (excludes real estate taxes, financing expenses, and other miscellaneous expenses specific to a property). LARCA expenses are shown in comparison to average expenses observed at two new construction mixed-use properties, as well as average expenses for six properties built in the same era as the LAVC. Some expense categories, including "Repair and Maintenance" and "Contract Services", are consolidated so as to facilitate comparison across properties.

Figure 16: LARCA's Ten (10) Expense Categories, Actual Expenditure Per Square Foot (SF), Share of Total Expenses, 1-Year (YR) Percent (%) Change, and 3-YR Compound Annual Growth Rate (CAGR)

EXPENSE CATEGORY	FY09 ACTUAL EXPENDITURE PER SF GFA*	SHARE OF TOTAL EXPENSES	1-YR % CHANGE FY08 – FY09	3-YR CAGR* FY06 – FY09	DISCUSSION
Payroll & Benefits	$1.49	13.2 %	+ 4.4%	- 1.5%	LARCA payroll expenses include salary and benefits for one (1) property manager, one (1) chief engineer, and three (3) maintenance staff. These expenses are low in comparison to other old construction properties, as many multifamily buildings also employ door staff and security personnel. Meanwhile, most new construction buildings require less maintenance, and therefore, many new properties have lower staffing costs (on a per unit or PSF basis) as engineers and maintenance staff can be distributed across a larger share of the property.
Utilities	$2.65	23.4 %	- 1.2%	+ 3.4 %	Utilities are a very property specific expense, and, in the case of LARCA, these costs can vary dramatically from one unit to the next. The greatest variance in utility costs is observed in the commercial units, which is in large part driven by the type of business that occupies a space. Food operators tend to have higher utility costs than soft goods retailers and office users, as restaurants are usually equipped with commercial grade appliances. For those commercial units not on separate meters, the Condominium has adopted the practice of an annual utility inventory to assist in the equitable allocation of energy costs. Utility expenses for separately metered units are not included in the Condominium budget, but rather paid directly by unit's owners.
Repairs & Maintenance	$0.41	3.7 %	- 3.3%	- 6.3%	This expense category includes repair of common area elements, as well as routine maintenance of building HVAC, electrical, and plumbing systems. Repair and maintenance expenses are high in comparison to newer construction buildings, but consistent with properties built in the 1970s and earlier.
Professional Services	$0.49	4.3 %	+ 159.3%	+ 6.5%	Approximately 90 percent of professional service expenses are attributable to legal fees, including an annual tax audit and financial review. Recent increases in legal fees are attributable to a lawsuit filed in 2008, as well as collections of delinquent condominium assessments. Legal fees could potentially remain above historic norms as the Condominium may consider retaining legal counsel for assistance through the pending LAVC redevelopment process.

Figure 16: LARCA's Expense Categories, Actual Expenditure PSF, Share of Total Expenses, 1 YR % Change, and 3 YR CAGR (continued)

EXPENSE CATEGORY	FY09 ACTUAL EXPENDITURE PER SF GFA*	SHARE OF TOTAL EXPENSES	1-YR % CHANGE FY08 – FY09	3-YR CAGR* FY06 – FY09	DISCUSSION
Contracts	$1.12	9.9 %	- 7.5%	1.7%	Expenses for contract services are higher than the range observed at newer properties, which is due to unique factors such as the Heron House elevator contract, as well as high maintenance costs associated with aging buildings, common areas and parking lots. Commercial unit owners are responsible for the Washington Plaza cleaning contract at an annual cost of roughly $23,000.
Insurance	$0.28	2.5 %	+ 15.8%	+ 4.7%	Insurance premiums are generally market driven and beyond the control of the Condominium. Recent increases in insurance expenses are due to payments of deductibles. Insurance expenses seem reasonable in comparison to observed rates at mixed-use properties in the Washington, DC area.
Administrative Expenses	$0.67	5.9 %	+ 0.8%	+ 3.2%	Administrative expenses include an annual management fee paid to CMC that is equal to four percent of the Condominium's total income, which is consistent with industry standards. The CMC management fee - which covers expenses associated with accounting, maintenance of financial records, and collection of assessments – accounts for 60 percent of administrative expenses. The remaining 40 percent, or roughly $30,000 per year, pays for office supplies, bank charges, telephone and internet, and other miscellaneous expenses.
Financing Expenses	$0.76	6.8 %	- 7.3%	- 1.5%	LARCA took on significant debt in the mid-1990s to fund much needed improvements on and around Washington Plaza, including repairs to the plaza fountain and adding ADA-compliant access to the Quayside building. While financing expenses will decrease over time as original principal balances are paid, the cost of debt service creates a real burden for property owners today.
Other Expenses	$0.14	1.3 %	N/A	N/A	Includes uncollected condominium assessments.

Figure 16: LARCA's Expense Categories, Actual Expenditure PSF, Share of Total Expenses, 1 YR % Change, and 3 YR CAGR (continued)

EXPENSE CATEGORY	FY09 ACTUAL EXPENDITURE PER SF GFA*	SHARE OF TOTAL EXPENSES	1-YR % CHANGE FY08 – FY09	3-YR CAGR* FY06 – FY09	DISCUSSION
Reserves	$3.29	29.1 %	- 2.2%	+ 1.4%	Replacement reserves at the Lake Anne Condominium are very high in comparison to newer condominium properties in Reston Town Center and older mixed-use properties elsewhere in the Washington, DC area. Per the direction of the Board, close to 30 percent of the Condominium's income is placed into a reserve account. The FY 2010 Repair and Replacement Reserve Study suggested that an annual contribution of $246,400 would be sufficient to fund the Condominium's 20-year capital improvement program without stressing the reserve account balance. However, the Board approved a more modest decrease in reserve contributions for the upcoming fiscal year, a conservative position that reflects a past history of an underfunded capital account and having to rely on debt to fund major improvements. This approach also avoids having to collect special assessments from property owners when major work is needed. In addition to the money set aside for capital improvements, reserve expenses include a $50,000 Commercial Owners Fund paid for by a self-imposed assessment on commercial unit owners. This funds the activity of the Lake Anne Merchants Committee, which plays a vital role in the marketing and promotion of the LAVC. Per Condominium Bylaws, these funds may not be used for any other purpose than for which they were collected. Additional analysis on how the LARCA spends its capital dollars is presented in the next section of the report.

Figure 17: Components of Projected 20-Year Capital Expenses for LARCA

COST COMPONENT	20-YEAR CAPITAL EXPENDITURE	% OF TOTAL
Heron House –Exterior & Interior	$2,345,000	70.4%
Other Buildings – Exterior & Interior	$680,290	20.4%
Sidewalks & Pavement	$213,130	6.4%
Site Repairs	$91,310	2.7%
TOTAL EXPENDITURES	**$3,329,730**	**100.0%**

Source: FY 2010 Repair and Replacement Study for Lake Anne of Reston Condominium

Figure 18: Comparison of Projected Capital Expenses to Assessed Property Values

CHARACTERISTIC	HERON HOUSE UNITS	OTHER LARCA UNITS
Total SF of Gross Floor Area	58,828 SF	88,781 SF
Total Assessed Value of Real Property (FY2010)	$12,841,480 *($218.29 PSF)*	$20,950,340 *($235.98 PSF)*
Projected 20-year Capital Expenses (per FY2010 Repair & Replacement Reserve Study)*	$2,345,000 *($39.86 PSF)*	$680,290 *($7.66 PSF)*

** Excludes projected costs for pavement, sidewalks and other site items*

3.8. Capital Reserves. The FY 2010 Repair and Replacement Reserve Study outlines a 20-year capital improvement plan that is comprised of three levels of work that are necessary to care for a property – maintenance, repair, and replacement. It is important to note that the reserve study is NOT a spending plan, but rather a reflection of total estimated capital expenses over the study's 20-year timeframe. The ultimate decision of how and when to fund capital improvement projects will be at the discretion of the LARCA Board, as approved by LARCA's 116 property owners.

The study describes over $3.3 million in work that will need to be completed in the next 20 years simply to maintain the Condominium common areas (see Figure 17). The identified improvements range from simple repairs to balcony railings that could be completed by in-house maintenance staff, to replacement of major mechanical systems that could result in major disruption to Condominium operations.

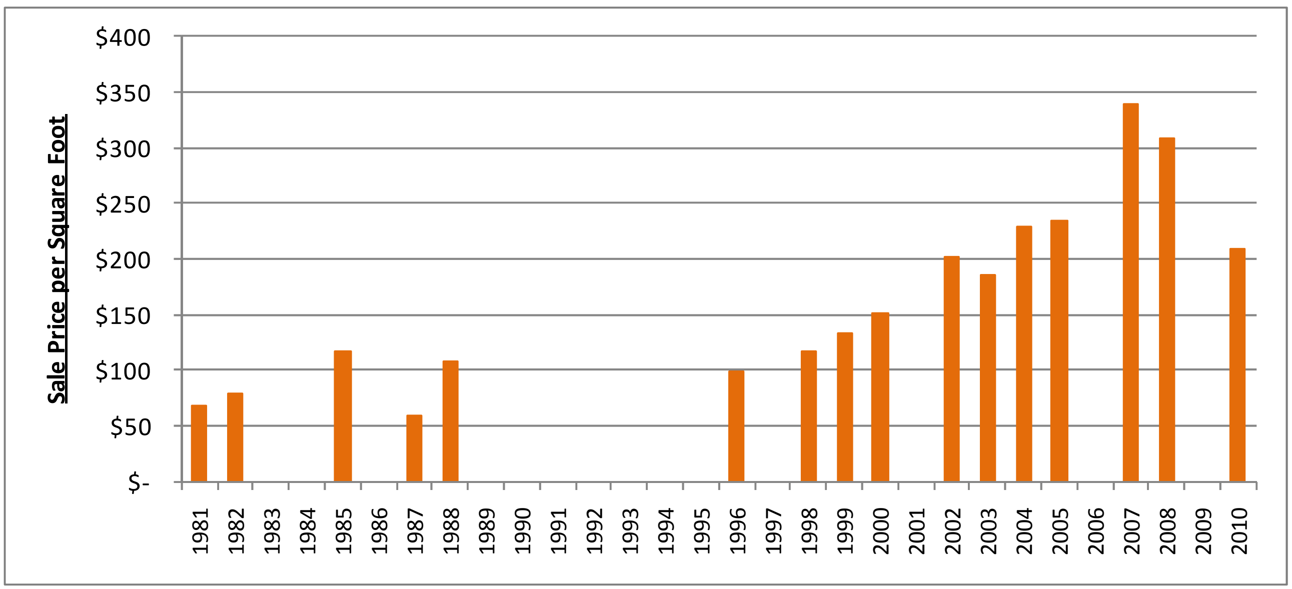
Approximately $1.68 million, or 50 percent of total capital expenses, are identified in the study as near term expenses (e.g. within next five years) for ongoing maintenance and several major projects, including riser replacements at Heron House ($595,000), replacement of balcony and patio doors at Heron House ($172,800), waterproofing of the garden area at Chimney House ($127,560), pavement overlay repairs at Heron House and Chimney House ($75,980), and repointing of the curved brick wall along the parking lot side of Chimney House ($48,000).

Future improvements at Heron House represent over 70 percent of the Condominium's projected capital expenses, which is not unexpected given that high-rise buildings are more expensive to maintain because of inherently complex structural and mechanical systems, such as elevators. Exterior and interior improvements at other buildings account for another 20 percent of projected expenses. The remaining 10 percent of the 20-year capital expenses are for recommended site repairs and sidewalk improvements.

Figure 19: Recent Commercial Condominium Sales in Lake Anne Village

PROPERTY ADDRESS	CURRENT TENANT	SALE DATE	TYPE OF PURCHASER	PRICE
1617 Washington Plaza	Kalypso's Tavern	Apr 2010	Owner Occupant	$850,000 ($209 PSF)
1621-23 Washington Plaza	Reston Used Books	Jan 2008	Owner Occupant	$400,000 ($309 PSF)
11426 Washington Plaza	Lake Anne Florist	Jun 2007	Investor	$283,000 ($339 PSF)
1629 Washington Plaza	Small Change	Jul 2005	Investor	$250,000 ($234 PSF)
11412 Washington Plaza	Vacant	Mar 2004	Investor	$215,000 ($267 PSF)
1591B Washington Plaza	La Villa Market	Feb 2004	Owner Occupant	$100,800 ($175 PSF)
1603 Washington Plaza	TLC4Kid's Daycare	May 2003	Investor	$591,000 ($186 PSF)
1645 Washington Plaza	24-7 Market	Sep 2002	Investor	$400,000 ($201 PSF)

Figure 20: Historic Price per Square Foot of LARCA Unit Sales, 1981 to 2010



Source: Fairfax County Department of Tax Administration; The Eisen Group

3.9. Property Values. Purchasers of commercial condominium units include a mix of real estate investors and entrepreneurs who bought a unit in order to operate a business in the LAVC. Figure 19 identifies the most recent commercial condominium sales in LAVC, the most recent being the unit that now houses Kalypso's Tavern. Condominium sale prices vary depending on when the unit was purchased, and whether or not the purchaser is also an end user of the space. The highest sale price on a per square foot basis was recorded in June 2007 (See Figure 19) at the peak of the most recent real estate boom, when the unit that now houses Lake Anne Florist sold for $339 PSF. On the other end of the spectrum, the unit occupied by La Villa Market sold for $175 PSF in February 2004, a relatively low price that indicates a below market rate sale.

The time at which a unit was purchased has significant implications with respect to occupancy costs in the LAVC. Owners who purchased a unit within the last five years not only paid a higher price for their real estate, but they are also more likely to be carrying a mortgage in addition to paying condominium assessments and property taxes. For owner occupants this means that they will have to support a higher business volume in order to cover occupancy costs before making a profit. Meanwhile, investors will have to charge higher rents in order to achieve desired financial yields. Commercial owners who have been in the LAVC the longest have an advantage over newer arrivals in that they are less likely to be carrying debt on their property.

Figure 21: Commercial Condominium Occupancy Cost Analysis

RENT & SALES ANALYSIS	INVESTMENT IN PROPERTY (BASIS)					
	LOW		MODERATE		HIGH	
	100% Equity	*35% Equity*	*100% Equity*	*35% Equity*	*100% Equity*	*35% Equity*
RETURN REQUIREMENTS						
Estimated Investment Value per SF 1/	$ 115	$ 115	$ 205	$ 205	$ 355	$ 355
Ownership Equity	100%	35%	100%	35%	100%	35%
Unit Size SF GBA 2/	1,850	1,850	1,850	1,850	1,850	1,850
Unit Value	$ 212,750	$ 212,750	$ 379,250	$ 379,250	$ 656,750	$ 656,750
Ownership Equity	$ 212,750	$ 74,463	$ 379,250	$ 132,738	$ 656,750	$ 229,863
Ownership Hurdle Rate: Return on Equity 3/	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Annual NOI required to achieve hurdle	$ 14,893	$ 5,212	$ 26,548	$ 9,292	$ 45,973	$ 16,090
per SF	*$ 8.05*	*$ 2.82*	*$ 14.35*	*$ 5.02*	*$ 24.85*	*$ 8.70*
ANNUAL RENT REQUIREMENT (PER SF)						
Required NOI	$ 8.05	$ 2.82	$ 14.35	$ 5.02	$ 24.85	$ 8.70
Plus: Operating Expenses 4/	$ 11.68	$ 11.68	$ 11.68	$ 11.68	$ 11.68	$ 11.68
Plus: RELAC Tariff 5/	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.75
Plus: RE Taxes 6/	$ 3.05	$ 3.05	$ 3.05	$ 3.05	$ 3.05	$ 3.05
Plus: Debt Service 7/	$ -	$ 6.69	$ -	$ 11.92	$ -	$ 20.64
Total Annual Rent Requirement	**$ 23.53**	**$ 24.99**	**$ 29.83**	**$ 32.42**	**$ 40.33**	**$ 44.82**
GROSS SALES REQUIREMENT (PER SF) 7/						
Sales per SF						
Rent @ 8% of gross sales	$ 294	$ 312	$ 373	$ 405	$ 504	$ 560
Rent @ 10% of gross sales	$ 235	$ 250	$ 298	$ 324	$ 403	$ 448
Rent @ 12% of gross sales	$ 196	$ 208	$ 249	$ 270	$ 336	$ 374

Notes:

1/ based on inflation-adjusted average sale prices of commercial condominiums in LARCA from 1981 to 2010

2/ hypothetical unit in LARCA based on average commercial condominium unit size

3/ based on an average investor's desired rate of annual cash-on-cash return

4/ based on average LARCA assessment for commercial units in 2009

5/ based on RELAC expenses for residential paid by LARCA in 2009 adjusted to reflect a higher rate of utility consumption by commercial units

6/ based on commercial tax rate posted on Fairfax EDA website ($1.15 per $100 of assessed value); plus an additional assessment for the Reston Community Center (4.7¢ per $100 of assessed value)

7/ assumes commercial mortgage with 6.5% interest rate, amortized over 20 years

8/ gross sales volume required by a successful business to support annual rent level

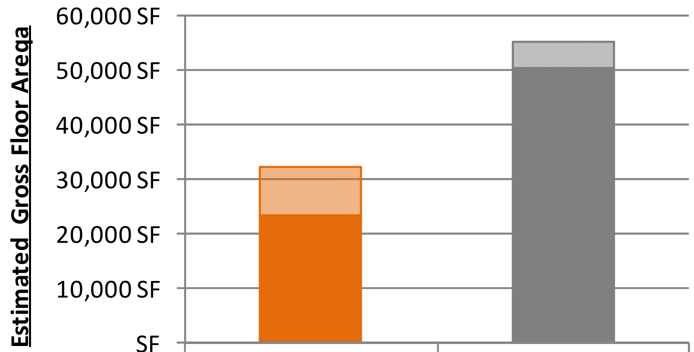
Source: The Eisen Group

3.10. Occupancy Cost Analysis. In order to illustrate how the invested basis in a commercial condominium unit affects overall occupancy costs in LAVC, a conceptual analytical framework was developed that takes into consideration inflation-adjusted purchase prices as well as the level of equity invested in a property. Based on the perspective of a real estate investor, Figure 21 shows the annual rent that an owner would have to charge in order achieve a reasonable return on their equity, which for the purposes of this analysis is estimated at an industry standard of seven percent per annum.

All else being equal, an investor who has owned a unit for a longer period of time can charge lower rents and still meet their investment hurdle. This is because their inflation-adjusted equity basis is lower than someone who purchased a unit more recently at a much higher price. Among investors in the LAVC, this dynamic is amplified by the fact that many owners have a very low to almost zero return expectation, with some owners leasing their space at cost. This in turn creates a disincentive for tenants to maintain a competitive business with healthy sales volumes.

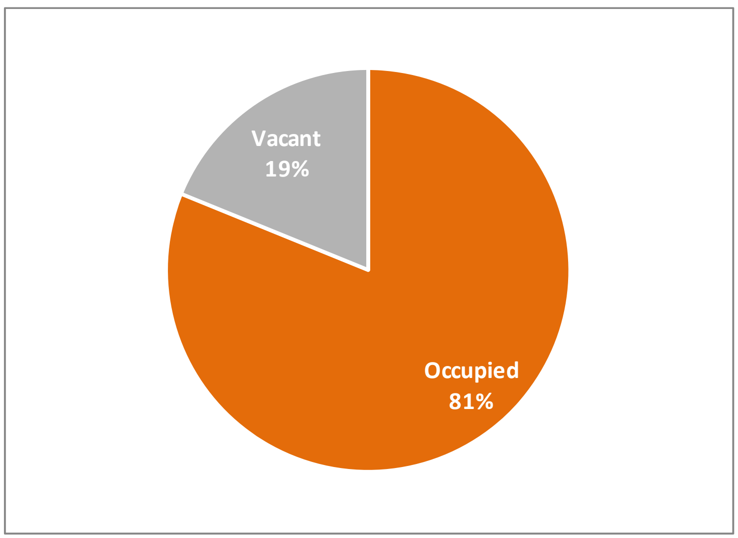
Depending on their level of invested equity, a market driven commercial investor would have to charge an annual rent ranging from $24 PSF to $40 PSF+ in order realize a reasonable return. At the high end of this scale, rents would have to approach the rates achieved by the highest performing commercial spaces in Reston Town Center. Assuming industry standards for retail operating margins, this implies that the tenant would have to produce an annual sales volume of at least $335 PSF.

Figure 22: Summary of Activating & Non-Activating Space



	Activating Non-Residential Space	Other Non-Residential Space
Vacant	8,944 SF	4,900 SF
Occupied	23,273 SF	50,198 SF

Figure 23: Distribution of Occupied and Vacant SF of GFA



4. LAVC BUSINESS & OPERATIONS ANALYSIS

4.1. Business Mix. The current business mix at the LAVC includes a total of 69,189 SF of retail and service space in the core area of Washington Plaza; this total is not all strictly retail in the current offerings, as it includes several small professional offices such as real estate brokers and consumer service businesses such as the barber, a hair salon and a nail salon (Figure 24). An additional 4,282 SF of retail and service space is located in Parcel A, outside the LAVC core, and includes the 24-7 Market in the parking lot, and the gas station on North Shore Drive. Once in the parking lot of Land Unit A, the edges of the ground floor spaces are generally not activated with uses that would draw visitors to Washington Plaza (particularly with the vacancy of the space formerly occupied by Millennium Bank), and do not create a strong a sense of welcome and arrival to an active public area as a differing mix could create.

In total, the LAVC includes 73,471 SF of non-residential uses (retail, food and beverage, consumer and professional services, convenience retail and ground floor commercial space). Analysis of the existing mix suggests that there is considerably less space that could be considered as retail and service uses that consistently activate Washington Plaza. Estimates suggest that there is between 30,000 and 35,000 SF of 'activating' retail and service uses, including vacant space that could be leased to an appropriate user (or about 37% of total non-residential space). When compared to the experience-based assumption that 125,000 to 150,000 SF of activating uses are needed to create a sustainable critical mass, LAVC is considerably short of the necessary square footage. As a finding about existing conditions, this suggests that, as spaces are leased, or businesses close in the future, a stronger emphasis should be placed on reinforcing and increasing the number of activating uses that are on Washington Plaza, as well as on seeking other ways to increase both total available space and the quality and range of offerings to strengthen the retail business mix.

Since the mid-1990s, it has been a pattern in existing commercial districts (whether Village Centers, Main Streets or Town Centers without central leasehold control over ground floor commercial space) that commercial spaces formerly occupied by retail uses have increasingly transitioned into professional offices at the street level. From a commercial real estate perspective, this is understandable, as professional offices, banks or other services often can afford to pay higher rents than can locally owned retail and food service businesses. But from the standpoint of street-level and pedestrian activation and the perception of an area as a retail destination, these uses do not reinforce a retailing environment as much as stores and restaurants do. They can be valuable tenants but may not add much pedestrian traffic to a shopping area because they do not create the retail continuity that areas with critical mass establish.

Figure 24: LAVC Commercial Mix by Business Type

BUSINESS TYPE	ESTIMATED SF GROSS FLOOR AREA	KEY ESTABLISHMENTS
Arts/Community	11,582 SF	Reston Community Center; Reston Historic Trust Museum; Reston Art Gallery & Studios
Convenience	3,391 SF	La Villa Market; 24-7 Market
Food & Beverage	11,453 SF	Kalypso's Sports Tavern; Café Montmarte; Jasmine Café; G Sushi; Roti Grill
Specialty Foods	836 SF	Lake Anne Florist, Virginia Wine & Gourmet
Gasoline/Auto-related	2,295 SF	Lake Anne Chevron
General Merchandise	1,295 SF	Reston's Used Book Shop
Health & Personal Care	1,525 SF	Lakeside Pharmacy
Miscellaneous Retail	3,035 SF	Vogue to Vintage; Small Change Consignments; Unique Bazaar
Office	13,019 SF	Mix of attorneys; Realtors; tech firms; architects & planners
Other Services	8,254 SF	TLC4Kids Children's Center; Spine Center & Reston Pilates; Post Office at Lake Anne; Millennium Bank
Personal Care Services	2,942 SF	Nail Palace; KG Kutz; Lake Anne Hair Design & Barber; Platinum Solutions
Vacant	13,844 SF	Various storefronts
TOTAL	**73,471 SF**	

4.2. Vacancies. The first half vacancy rate in 2010 for retail/commercial space at the LAVC is approximately 19%, which, in a project containing about 73,000 square feet of commercial space, can be considered significant. Vacant space can be considered a development opportunity, as new owners and operators can improve the retail mix, introduce new goods and services, and/or provide expansion space for existing operations. However, for retailers looking for new locations, too much vacant space can signal a weaker business climate, and may suggest that other locations are a better prospect. While vacancy is expected in retail/mixed-use areas (the industry generally expects about 5% vacancy in a stabilized market as a condition of changing business characteristics), having almost one-fifth of the total space presents a perception challenge to revitalization programs. Commercial vacancies occur for a wide range of reasons:

- In mid-2010, the business climate for the retail sector is not growing. Consumer expenditure levels are down nationally and many retailers are having difficulty receiving conventional financing because of the national economic condition.
- Property owners over-value what they think their properties are worth, despite market indicators for rental and sales rate that demonstrate what businesses are willing to pay.

- Property owners may have invested more than prevailing rents can justify, so they wait for better economic conditions and are less aggressive in trying to fill empty spaces, resulting in spaces that sit underutilized, without motivated landlords
- Business owners may decide to retire or sell their businesses, but unless a family member is interested in taking over the business, or a new purchaser is found, viable business operations often close despite proven market support because there is no one available to purchase the business and keep it open
- Retailers have not recognized changes in the marketplace and their customer base, so they no longer sell what consumers want to buy
- Space and configuration requirements change, such that existing spaces may be harder to market because they do not meet standards for storefront widths, total space and space depths required for business operations
- There is not enough customer traffic to warrant the asking rents or sales prices; since rents are a function of sales (for retailers, usually rent is somewhere between 8% and 12% of gross sales), businesses in high traffic/sales areas can afford to pay higher rents, but in less active retail areas, the available sales may not justify the level of investment required to purchase/lease space for a retail or service operation
- Landlords take any tenant they can get, without vetting a business plan or marketing strategy
- Without a coherent retail mix strategy and commercial management program, property owners are more willing to lease space to anyone with a deposit check

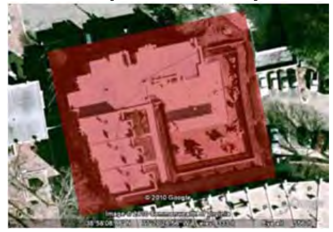
As with other aspects of the LAVC existing conditions analysis, the fragmented ownership of the LAVC area complicates implementation of a comprehensive vacancy-reduction strategy. According to A&M/TEG interviews and research, the Washington Plaza vacant spaces reflect the following reasons:

1. Some property owners are asking too much rent for the available spaces;
2. Some property owners are waiting for better economic conditions; and,
3. Others are waiting to retire or sell their businesses, but may close their businesses if no new operator is found.

4.3. Storefronts, Unit Depths and Store Sizes. The storefronts at LAVC are integrated with the overall building architecture, with columns (which often include demising walls between individual tenants) spaced approximately 15 feet apart. While consistent with the intimate scale of the LAVC buildings, the fifteen-foot storefront bay is small by retail industry standards, and several spaces (primarily restaurants around Washington Plaza, the pharmacy and the used bookstore) have expanded both their square footage of selling space and the number of storefront bays they occupy. The expansions provide more exposure for the businesses, as well as create a situation in which the entrance(s) within the existing storefront bays need to either be designated by use (for example, the Pharmacy and the Roti Grill each have separate entrances into the same interior space) or require that one entrance be locked (as is the condition at the used bookstore).

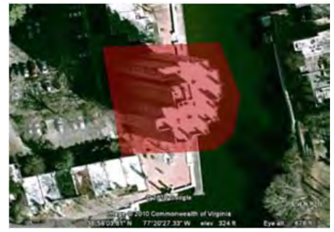
At approximately 50-55 feet, LAVC store depths are also somewhat small by industry standards. Current store planning criteria suggest that 75-80 feet of store depth (ideally connected to a dedicated service corridor in the rear of the stores) provides optimal space and operational efficiencies. The LAVC stores do not have access to rear, or side servicing, resulting in service and deliveries occurring through the front doors of the businesses. While functional, front door servicing can obstruct customer traffic in and outside of the store.

Figure 25: Non-Residential Use Profile by Building

Building Name	**Chimney House – J Bldg** 	**Chimney House – Daycare** 	**Millennium Bank Bldg** 	**E-Block** 
Location	Washington Plaza	Washington Plaza	Washington Plaza	Washington Plaza
Primary Commercial Identity	Restaurant Cluster; Specialty Shops	Daycare; Reston Community Center	Vacant Bank Building	Coffee Shop; Services; Small Professional Office
Affiliation	LARCA	LARCA	None (independent ownership)	Washington Plaza Association
Commercial Units	10 units	5 units	1 unit	3 units
Non-Residential Floor Area	19,671 SF	17,368 SF	9,800 SF	14,400 SF
Non-Residential Vacancy **(*Vacancy Rate)***	915 SF *(4.8%)*	0 SF *(0.0%)*	9,800 SF *(100.0%)*	0 SF *(0.0%)*
Commercial Storefront	350 feet	125 feet (facing parking lot) 115 feet (facing plaza)	95 feet (facing parking lot) 45 feet (facing plaza)	90 feet
Average Unit Depth	40 feet	38 to 60 feet	45 feet	45 feet
Property Owners ***(Prop + Biz Operator)***	9 property owners *(6 also operate a business)*	4 property owners *(1 also operates a business)*	1 property owner *(vacant/no businesses)*	3 property owners *(2 also operate a business)*
Largest Contiguous Block of Commercial Ownership	4,075 SF	12,781 SF	9,800 SF	5,400 SF

Source: Fairfax County Department of Tax Administration; The Eisen Group

Figure 25: Non-Residential Use Profile by Building (continued)

Building Name	**Quayside** 	**Heron House** 	**24-7 Market** 	**Gas Station** 
Location	Washington Plaza	Washington Plaza	Main Parking Lot	North Shore Drive
Primary Commercial Identity	Services; Small Professional Office	Reston Art Gallery	Stand alone food & convenience store	Stand alone gas station
Affiliation	LARCA	LARCA	LARCA	None
Commercial Units	8 units	1 units	1 unit	1 unit
Non-Residential Floor Area	6,023 SF	1,927 SF	1,987 SF	2,295 SF
Non-Residential Vacancy **(*Vacancy Rate*)**	1,649 SF (*27.0%*)	0 SF (*0.0%*)	0 SF (*0.0%*)	0 SF (*0.0%*)
Commercial Storefront	215 feet	NA	50 feet	NA
Average Unit Depth	30 to 40 feet	NA	40 feet	NA
Property Owners ***(Prop + Biz Operator)***	6 property owners *(none)*	1 property owner *(1 also operates a business)*	1 property owner *(none)*	1 property owner *(1 also operates a business)*
Largest Contiguous Block of Commercial Ownership	2,690 SF	1,927 SF	1,987 SF	2,295 SF

Source: Fairfax County Department of Tax Administration; The Eisen Group

4.4. Operations Analysis.

4.4.1. Overview. The Operations Analysis of the LAVC incorporates information and data observations by A&M/TEG to form a context for review, findings and recommendations for improvement to and revitalization of the LAVC. The information is based on:

1. **Survey.** Findings of the electronic survey provided to non-residential owners, operators and LAVC stakeholders. Seventy (70) electronic surveys were sent out to LAVC business owners, non-residential property owners, and other stakeholders via "SurveyMonkey.com". Of the 70 surveys distributed, thirty-three (33) responses were received (eg, 47 % Response Rate), and twenty-three (23) respondents completed the survey (eg, 32% Completion Rate). However, response rates vary by question, and a statistical significance test was not conducted. Therefore, findings from the surveys support general observations, and are not statistical conclusions. Relevant findings from the surveys are included in summary format in this section of the report, and a copy of the survey instrument and full responses are included in the attached Appendices I and II, respectively.

2. **Interviews.** At the request of interviewees about confidentiality, findings from interviews conducted with LAVC property owners and business operators, specific comments and remarks have been aggregated and not directly attributed unless otherwise approved.

3. **Site Visits.** Site visits to the LAVC were conducted on several occasions to understand the relative spatial relationships between public and private spaces and areas, the general retail/food service and consumer services store mix, layouts and store operations, the quality of retail and food service presentations, operations and maintenance of Washington Plaza and other public areas, the general orientation and circulation patterns leading to the LAVC and the physical characteristics of the LAVC, including storefronts, business identity signs, wayfinding and directional signs, advertising and branding logos, and other physical and operational characteristics of the study area.

The purpose of integrating the survey, interview and on-site analysis and findings is to provide the groundwork for recommendations on the most appropriate changes, strategies and methods to revitalize the LAVC.

4.4.2. Ownership Patterns. Ownership seems to be the crux of the core issue for the LAVC's advancing and progressing into the future. The fractured ownership and no clear control by an organization will continue to restrict the improvements needed in order for the overall area to change. There are 26 non-residential property owners in the core Washington Plaza area, which does not include the owners of the ASBO building, the Washington Plaza Baptist Church, and the Lake Anne Professional Building. The ownership structure of these individual commercial units does not lend itself readily to creating a retail merchandising strategy that will allow the diversity of retail types to enter the marketplace and create a balance of retail categories that is needed for the LAVC to be successful. Consensus building has been a struggle and will continue to be an issue until a clear organizational structure is created that can build consensus and allow a majority vote to be the rule.

4.4.3. Leasing Approaches. While 11 of the property owners in LAVC also occupy some or all of their space, there are 15 owners who rent space to tenants and/or trying to lease vacant space. Given the diversity of the LAVC tenant mix, it would be misleading to quote overall average rents, as most leases are structured to reflect operating characteristics unique to a specific type of operator. For example, the Reston Historic Trust owns a commercial unit on Washington Plaza which it leases back to itself at an annual rate of $9.30 PSF for use as the Reston Museum. Meanwhile, vacant storefronts two doors down from the museum are on the market at $28 PSF for a triple-net lease. Fronting the Washington Plaza parking lot, space in the vacant Millennium Bank building is listed at $21 PSF for ground floor space, and $13 PSF for second floor space, respectively. The highest rents in LAVC reach the mid $30 PSF range.

KEY SURVEY FINDINGS

Respondents to the survey included a mix of property owners, owner-operators, as well as representation from LARCA and the E-Block. Property owners responding to the survey have been in the LAVC for a long time:

- Almost 73 percent have owned property in LAVC for 10+ years
- Another 18 percent have owned property for 5-10 years

Commercial owners renting space to tenants employ a variety of lease types, term lengths, and rent rates:

- Lease terms includes a mix of 3, 5, and 10-year deals; although longer leases appear to be more common
- Tenants typically pay for some or all condominium expenses, but there is a mix of full-service, modified full-service, and triple net ‘NNN’ leases
- Rent rates vary significantly by tenant type and owner, ranging from $17 PSF for community uses, and up to $33 PSF for food operators

In comparison to the broader marketplace, rents at the LAVC are competitive with asking rates at traditional shopping centers in Reston and elsewhere in northwestern Fairfax County. A sample of asking rents at nearby strip centers, mixed-use commercial centers, and a historic downtown is shown below:

1) **Hunters Woods Village (Reston, VA)**
6,900 SF available
Asking rent $35 PSF (triple net)

2) **Plaza America (Reston, VA)**
17,728 SF available,
Asking rent $28 to $45 PSF (triple net)

3) **South Lakes Shopping Center (Reston, VA)**
5,350 SF available
Asking rent $30 PSF (triple net)

4) **Seneca Square (Great Falls, VA)**
4,292 SF available
Asking rent $30.25 PSF (triple net)

5) **Crossroads of Dulles - Retail (Herndon, VA)**
7,200 SF available
Asking rent $30 PSF (triple net)

6) **Elden Corner Center (Downtown Herndon)**
10,000 SF available (under construction)
Asking rent $35 PSF (triple net)

4.4.4. <u>Consumer and Market Orientation</u>. Despite its relatively small size within the context of the greater Reston area, the LAVC is important to a broad range of constituents. The first is the resident population in the immediate area – owners and occupants of the single family homes, townhouses, condominiums, and rental apartments. This market combines longtime residents and their families, many of whom have lived near the LAVC for decades with more recent populations attracted by the affordability of the Crescent Apartments, primarily a growing Latino population. The retail mix has adjusted to serve the newer residents, with food, dining and retail goods primarily oriented toward Latino residents at the 24-7 Market, the La Villa Market and the Unique Bazaar. Based on the survey and interview results, it is clear that long-time residents and owners have a sentimental attachment to the design and long-time retail operators such as Reston’s Used Bookshop and the Lakeside Pharmacy. Patrons of the stores and restaurants commented on the personal relationships they feel with long-time owners, and commented that they often shop in the LAVC because they know the business owners there. It is a business relationship based on personal loyalties as much as on price or convenience.

While many residents appreciate the national tenants located in Reston Town Center, they do not want to shift away from locally owned businesses in the LAVC. However, newer residents do not seem to have the same traditional connections to the scale, character and mix of the LAVC, with one interviewee saying that while Lake Anne Village is an important symbol, the passion to protect the LAVC from change is harder to understand, and considered the design qualities of the village to be “an appreciation to be gained over time, but not something that is automatic for everyone.”

KEY SURVEY FINDINGS

Business owners were asked where most of their customers come from:

- Approximately 73 percent of the LAVC customer base is from the greater Reston Area
- 24 percent of which live in Lake Anne Village
- Of the 12 respondents who answered this question, five did not know where some or all of their customers live

The next group of consumers is the residential and employee base of greater Reston and the adjacent communities. These residents and workers have other options for shopping, whether in Reston's other village centers (which are grocery based strip mall centers), the dense urban environment of Reston Town Center, the shopping centers of Herndon, major shopping destinations in Tysons Corner, Dulles Town Center, Leesburg Outlets, commercial development along the major traffic arterial roads, and historic town centers in Herndon and Leesburg. These consumers may have heard of Lake Anne Village and have visited it, but the limited offerings are not strong enough to sustain consumer traffic from this group when there are so many competing areas. The attractiveness of the Plaza and view of the fountain are enough to draw a visit, but it takes more (such as the Saturday Crafts and Farmers Markets) to attract the secondary resident and office worker markets.

The final consumer group is the visitor market, which includes both Visiting Friends and Relatives (or VFRs as they are known in the hospitality industry) and design-oriented visitors, architects, planners, urban designers and landscape architects who have studied the LAVC and who want to experience a planning and urban design icon. This group shares an interest in LAVC's architecture and visiting cultural/educational attractions, such as the Reston Museum.

4.4.5 Issues Important to Business Success.

4.4.5.1 **Operating Expenses.** Survey responses indicated that the cost of operating expenses in LAVC is the most important factor affecting business success for operators in the LAVC. This finding is an indication of the economic conditions at hand, as operators who are generating substantial sales are less concerned with rents and operating costs. As retail profits narrow, operating costs become a higher priority, as any cost increase comes out of profits.

4.4.5.2 **Proximity to Customer Base.** Proximity to walk-in customers was also critical, as about 24 percent of the customer base was reported to be from Lake Anne Village residents, with an additional 49 percent coming from other parts of Reston and the rest living outside of Reston. Because the number of residents is currently limited and is small in total, this suggests that both a greater adjacent resident population and a mix that would supplement local resident expenditures would strengthen revenues and viability.

4.4.5.3 **Services, Security, and Promotional Activities.** Operationally, trash pickup, maintenance, and wayfinding/business directories were considered priorities. The need to provide a sense of security and to hold promotional events to draw traffic are indicative of the need to have more people in LAVC at more times of the week, over longer parts of the day (since activity levels reportedly drop after 5pm) and of the benefit of visitors attracted by concerts, the Farmers Market and the Craft Market (among other activities) to the business community. In some commercial areas, events are considered to take business away from typical store activities, but in the LAVC, events are viewed as a positive element and a traffic builder for some operators.

KEY SURVEY FINDINGS

When asked how they would like to see the character of LAVC evolve, survey respondents view the future of LAVC as a:

'Dining/Entertainment Hotspot' (*85% of respondents*)

'Family Activity Center' (*75% of respondents*)

'Historical/Cultural Landmark' (*65% of respondents*)

80% of respondents who operate a business in LAVC have a website that could be linked to the new Lake Anne Village website.
When asked about different forms of marketing, business owners indicating the following methods as being most effective:

'Friends & Family/Word of Mouth' (*4.36*)

'Business Website' (*4.11*)

'Other Internet Advertisement' (*3.86*)

Several respondents also mentioned the effectiveness of postcard mailers

4.4.5.4 **Parking.** Survey respondents commented on the need for dedicated parking near the LAVC, in part to service shoppers and food service customers from outside Reston. It was somewhat surprising that the need to provide better loading and servicing access to LAVC businesses was of lower concern, but may be explained by the fact that many business owners have operated there for ten or more years, understand that the building configuration never addressed convenient rear-door service access (and, in fact, prevents its easy incorporation into the base building) or have become accustomed to front-door servicing and deliveries. In A&M/TEG's experience, this would become a greater issue as customer volume increases.

4.4.5.5 **Hours of Operation.** According to the survey, a full quarter of responding businesses are not open 40 hours per week, and the open days vary between weekday hours, evening hours and weekend operations – there is insufficient operating consistency to market that the LAVC is 'open for business'. Structuring and enforcing standard operating hours is highly desirable, but difficult to achieve, unless retail operators are bound by consistent lease or other restrictions. In single-owner shopping environments, operating hours are a requirement built into the lease agreement, and those not following the requirements can be substantially fined or held in violation of the lease agreement. The fragmented commercial condominium ownership at the LAVC provides little leverage over individual owners and operators to participate unless they agree to join a consistent operating hour's program voluntarily. Retail industry experience suggests that it can take up to a year after establishing consistent hours to "train" consumers that stores will be open under a predicable schedule. Each store closing during those hours affects consumer expectations and business performance.

4.4.5.6 **Lake Anne of Reston, A Condominium Association (LARCA).** The organizational approach, structure and management role played by LARCA also drew multiple comments, with 87% of survey respondents suggesting that an overall retail management and organizational strategy should be developed for LARCA and the LAVC; another 87% recognized the benefits of successful marketing and events, and requested that additional funding be allocated to the marketing and promotions budget.

KEY SURVEY FINDINGS

Top types of businesses that would strengthen the commercial/retail business mix in LAVC:

'Casual Dining'
(*14 responses*)

'Ice cream/Gelato'
(*13 responses*)

'Specialty Foods'
(*12 responses*)

'Wine Bar'
(*11 responses*)

'Beer/Wine Shop'
(*9 responses*)

'Upscale Dining'
'Fashion Boutiques'
'Drugstore/Pharmacy'
(*8 responses*)

'International Food'
'Grocery Store'
'Coffee Shop'
'Gardening Center'
'Medical Office'
(*7 responses)*

'Organic Grocer'
'Dry Cleaner'
'Yoga'
(*6 responses)*

4.4.6 Marketing and Identity. The recent efforts by the Lake Anne Village Merchants Committee to update the center's marketing and identity are significant steps in repositioning the LAVC and the ways it is recognized in the community. The new logo, store identity signs, brand banners in the parking lot, and logo embossed shopping bags for use in the Farmers Market and Crafts Market are each steps in a comprehensive approach to updating and refreshing LAVC's brand and identity.

Landscape enhancements, such as the relocated and re-planted landscape pots that help define circulation and seating areas in the Plaza, efforts to retain the kayaks and boats at the landing, and programming of events to bring activity to the public spaces all confirm the level of commitment by the Merchants Committee to ongoing improvements to the LAVC public realm and to the public perception of the place. The LAVC takes pride in its identity as a friendly, locally owned mix of businesses that is differentiated from Reston Town Center, both in customer orientation and scale. As the redevelopment plan encouraged by the Comprehensive Plan Amendment is implemented, the recent steps to improve marketing and identity will serve as the base for the next steps in the evolution of the LAVC.

Images (from left to right): LAVC event flier; storefront signage at La Villa Market; The Reston Market; Reston Farmers Market; new logo

4.4.7 Desired Business Mix. Survey respondents were asked to suggest specific business names that they thought would be complementary or would strengthen the current mix. Consistent with overall preferences to enhance the business mix with additional food and beverage (casual dining, fine dining, ice cream & gelato, coffee, etc.) the greatest number of suggested businesses was in one of the following categories: restaurants, grocery and specialty food stores.

SPECIFC FOOD & RELATED OPERATORS	SPECIFIC NON-FOOD OPERATORS
Tea Room	Lake Anne Pharmacy
Starbucks (mentioned twice)	CVS
Jamin' Java	The Birdfeeder (mentioned twice)
Old Brogue (Great Falls)	Angela's Happy Stamper
Cantina d' Italia (Herndon)	Chicos
El Manantial (Tall Oaks Shopping Center)	J Jill
Euro Bistro (Herndon)	Current Boutique
Two Amy's	New to You
Lost Dog Cafe (Falls Church)	Barnes & Noble
Sunflower (Vienna)	Doggy spa
Le Madeleine Bakery Café	Pet specialty sore
Whole Foods	Gift & home accessory boutiques
Harris Teeter	Clothing & accessory boutiques
Wine Cellar (Herndon)	
Virginia ABC Store	
Individually owned restaurants	
Italian style deli shop	
Bakery/pastry shop	
Organic small grocery	

5. MARKET OVERVIEW

5.1. Reston Market Overview. By both design and intention, the commercial development profile of Reston has always been divided by differing scales and market orientations. In the initial plans for Reston, the Village Centers were envisioned as different from the intended Reston Town Center and the development parcels along the Dulles Toll Road which were intended to encourage higher density development, high rise construction and an orientation to a wider audience than just the immediately surrounding resident markets. In contrast, the Village Centers were intended to be low-scaled, pedestrian oriented projects that were as much focused on design as on market sustainability. The LAVC is the only Village Center constructed according to this design and development intent, and represents the early Reston objective of a pedestrian-friendly mix of uses created in a setting of harmonious architectural compositions and destination-oriented public spaces. As one of the first (and only) completely realized design visions remaining from Reston's beginnings, the LAVC became both emblematic of Reston's early planning ideals, appreciated by its neighboring residents as well as architects, planners and designers around the world, and a place that has been difficult to change. The dedication to its original design and planning qualities has served as both a guide and a limitation to allowing the LAVC to evolve with the surrounding marketplace. While the LAVC remains largely unchanged from its original plan, the significantly greater density of Reston Town Center less than a mile away fulfilled its original intent of a major community center, and has emerged as the successor location identifying commercial and 'urban' qualities for Reston.

Paralleling the establishment and expansion of Reston Town Center, the remaining parts of Reston have grown in population and density, and, in response to a regional demand, in hotel rooms to serve both the business travel market relating to Reston's expanding commercial office concentration and the site's proximity to Dulles International Airport. The result is that there are two Reston's – one that is recognized for its growth, increasing density and response to regional elements such as the Silver Line Metro extension to Dulles International Airport, and the other, more locally oriented, protected (and revered by many) as a place that should be preserved even in the face of evolving market conditions, changing consumer preferences and increased competition. This is not to say that the LAVC should try to emulate the physical and development characteristics of Reston Town Center. The challenge and the opportunity is to retain and sustain the existing buildings and public spaces at the LAVC, balanced against a carefully planned and designed concept to somewhat broaden the existing market, provide for more retail critical mass to better serve Lake Anne area residents and to create an extension of the qualities that make Lake Anne Village special without overwhelming the scale and character of Washington Plaza and the current uses there.

5.2. LAVC Consumer Market Areas. Consumer groups expected to patronize businesses in the LAVC include Reston area residents, daytime employees working in proximity to the site, and visitors from across the Washington, DC area and beyond. Of the three consumer groups, Reston area residents represent the most captive audience; as a result, they are expected to be the primary drivers of demand for commercial activity in the LAVC.

In order to better understand the market factors that will affect the sales potential for commercial operators in the LAVC, A&M/TEG developed a demographic profile of residents living in the LAVC's consumer market areas. The demographic profile provides insight into the overall size of the consumer markets, total consumer expenditure potentials, and key lifestyle characteristics that will help inform an appropriate commercial tenant mix for the LAVC.

The geographic boundaries of the LAVC consumer market areas are informed by several factors:

- Proximity to competitive commercial centers
- Physical capacity for commercial development within LAVC

- Local traffic patterns and road networks
- Typical consumer shopping behavior (e.g. purchase frequency; willingness to travel for different types of merchandise/services/experiences; etc.)
- Stated desire for a locally-oriented tenant mix, as expressed in the LAVC stakeholder surveys

Based on these factors, three (3) market areas were identified from which the LAVC will derive much of its consumer base, including:

1. Immediate Market Area 1/3 mile walking radius
2. Primary Market Area 5 minute drive time
3. Secondary Market Area Greater Reston

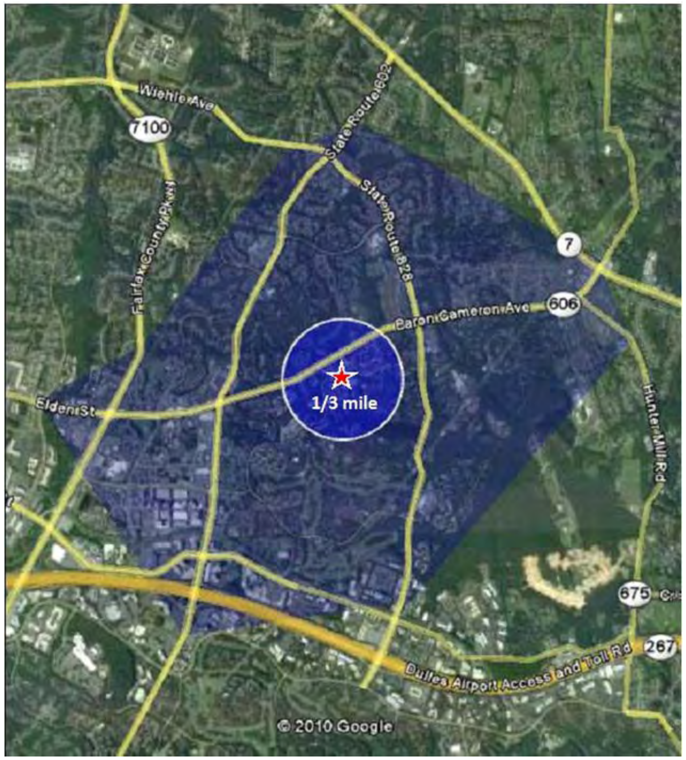


Figure 26: LAVC Consumer Market Areas (Immediate & Primary). Source: Google Maps

While the LAVC will attract some customers from beyond Reston, it is anticipated that consumers from the three core market areas will generate the majority of the retail, restaurant, and service sales in LAVC. The three markets are described in further detail on the following:

5.2.1. Immediate Market Area (1/3-mile walk radius). The first market area consists of those residents who live within a reasonable walking distance to LAVC. This consumer group is likely to access the LAVC by foot, and regularly patronize businesses for day-to-day goods and services. The Immediate Market Area consists of a mix of long time Lake Anne residents, many of whom have personal connections with LAVC businesses, and a more recent population drawn to Lake Anne by the affordability of the Crescent Apartments. The retail mix at the LAVC has been adjusting to serve a growing Hispanic population in this market area, as evidenced by such operators as La Villa Market, 24-7 Market, and Unique Bazaar.

5.2.2. Primary Market Area (5-minute drive time). The second consumer group is comprised of residents living within an approximate five minute drive to the LAVC, encompassing an area that is roughly bounded by Route 7 to the north, Lake Fairfax Park to the east, Dulles Toll Road to the south, and Fairfax County Parkway to the west. Assuming an enhanced tenant mix and visitor experience, residents living in the Primary Market Area will view the LAVC as one of the competing options for goods and services in the area north of the Dulles Toll Road.

5.2.3. Secondary Market Area (Greater Reston). Residents living elsewhere in Greater Reston, outside the Immediate and Primary Market Areas, represent the third consumer group. Consumers in this group have access to an even broader range of commercial offerings than those in the primary market area, and therefore will patronize LAVC businesses less frequently. This group, which may have heard of the LAVC, but never visited, will be drawn to the site by a unique shopping/dining experience, promotional events, and a physical setting that is not being offered by competing commercial centers along the Dulles Toll Road Corridor.

Figure 27: Demographic Characteristics of LAVC Consumer Market Areas

Data Point	Immediate Market*	Primary Market	Secondary Market	Total Market
Population				
2010	2,162	24,918	33,142	60,222
2015	2,197	26,124	32,760	61,081
% Change	1.6%	4.8%	-1.2%	1.4%
2010 Median Age	42.3	40.2	41.0	40.7
2010 Pop by Race				
White	66.4%	70.3%	69.9%	69.9%
African American	9.9%	7.5%	7.9%	7.8%
Asian	11.9%	13.3%	12.2%	12.6%
Other	11.8%	8.9%	10.0%	9.6%
% of 2010 Pop Hispanic or Latino	16.2%	12.8%	14.9%	14.1%
% of 2010 Pop w/ Bachelor's Degree or Higher	52.5%	49.6%	43.8%	46.5%
Households				
2010	1,047	11,543	12,953	25,543
2015	1,074	12,201	12,850	26,125
% Change	2.6%	5.7%	-0.8%	2.3%
2010 Avg HH Size	2.02	2.12	2.56	2.34
% of HHs w/ Kids	35.0%	41.6%	45.7%	43.7%
% of HHs w/o Kids	65.0%	58.4%	54.3%	56.3%
% of HHs Own	62.0%	60.1%	79.4%	70.0%
% of HHs Rent	38.0%	39.9%	20.6%	30.0%

**Data do not take into consideration the potential growth resulting from redevelopment in LAVC*

Source: Nielsen Claritas; The Eisen Group

5.3. Consumer Market Demographics.

5.3.1. <u>Population Trends</u>. Near term population growth in Reston is heavily skewed toward the neighborhoods to the north the of Dulles Toll Road, driven in large part by continued build-out of Reston Town Center and redevelopment projects such as the JBG-owned Fairways Apartments. According to Nielsen Claritas estimates, the portion of Reston that is south of the Toll Road is projected to lose population between 2010 and 2015. Meanwhile, LAVC's *Primary Market Area* population is expected to increase by nearly five percent during that same time period. The *Immediate Market Area* also has the potential to experience significant population growth if the residential redevelopment specified in the Comprehensive Plan for the LAVC is realized.

5.3.2. <u>Age</u>. Reston has an age profile common to many suburban jurisdictions, with a median age that is skewed higher by a prevalence of families, soon to be empty nesters, and retirees. The *Immediate Market Area* has a slightly higher median age than the rest of the Reston Market due to the senior population living in Fellowship House.

5.3.3. <u>Race and Ethnicity</u>. The *Immediate Market Area* is slightly more diverse than other neighborhoods in Reston, with a larger concentration of non-white residents.

5.3.4. <u>Education</u>. The *Immediate Market Area* is also highly educated, as more than half of the residents living within 1/3 of mile of the LAVC have a Bachelor's degree or higher.

5.3.5. <u>Households</u>. Between 2010 and 2015, the rate of household formation is projected to outpace population growth in all of the LAVC's market areas. This reflects national demographic patterns of increasingly smaller households as a result of aging baby boomers, and younger couples delaying, or choosing not to have children.

5.3.6. <u>Housing Tenure</u>. Residents living closest to the LAVC are more likely to rent their home than those living elsewhere in Reston. This is due to LAVC's adjacency to Fellowship House and the Crescent Apartments that together contain 421 rental units.

Figure 28: Income and Spending Characteristics of LAVC Consumer Market Areas

Data Point	Immediate Market	Primary Market	Secondary Market	Total Market
Median HH Income				
2010	$92,561	$96,481	$111,328	$103,849
2015	$100,874	$106,318	$121,963	$113,789
CAGR*	1.7%	2.0%	1.8%	1.9%
Average HH Income				
2010	$111,140	$121,931	$143,258	$132,304
2015	$124,172	$135,323	$158,234	$146,134
CAGR*	2.2%	2.1%	2.0%	2.0%
Per Capita HH Income				
2010	$54,115	$56,952	$56,027	$56,341
2015	$61,003	$63,649	$62,090	$62,718
CAGR*	2.4%	2.3%	2.1%	2.2%
Annual Retail Spend				
Dining Out	5.12 mm	58.84 mm	70.73 mm	134.70 mm
Food at Home	5.28 mm	59.76 mm	76.31 mm	141.35 mm
General Merchandise	11.92 mm	138.54 mm	179.74 mm	330.19 mm
Health/Personal Care	2.68 mm	28.64 mm	36.61 mm	67.93 mm
Miscellaneous	1.18 mm	13.58 mm	17.01 mm	31.77 mm
Total	**$26.18 mm**	**$299.36 mm**	**$380.40 mm**	**$705.95 mm**
Avg Spend per HH				
Dining Out	4,893	5,098	5,461	5,273
Food at Home	5,047	5,177	5,891	5,534
General Merchandise	11,389	12,002	13,876	12,927
Health/Personal Care	2,556	2,481	2,827	2,660
Miscellaneous	1,124	1,177	1,313	1,244
Total	**$25,009**	**$25,935**	**$29,368**	**$27,638**
Avg Spend per Capita				
Dining Out	2,370	2,361	2,134	2,237
Food at Home	2,444	2,398	2,302	2,347
General Merchandise	5,515	5,560	5,423	5,483
Health/Personal Care	1,238	1,150	1,105	1,128
Miscellaneous	544	545	513	528
Total	**$12,111**	**$12,014**	**$11,478**	**$11,722**

** Retail expenditure estimates are in 2010 dollars. CAGR – compound annual growth rate*

Source: Nielsen Claritas; The Eisen Group

5.3.7. Household Income. Residents living in all three LAVC market areas are highly affluent, with estimated 2010 median household income ranging from $92,561 in the *Immediate Market Area*, and up to $143,258 in the *Secondary Market Area*. Estimated average household income in each market area exceeds $110,000, and is the highest in the *Secondary Market Area* where households earn an average of $158,234 per year. Overall, household incomes in the *Immediate Market Area* are slightly lower than those in the *Primary and Secondary Market Areas*, which is a reflection of a higher concentration of retirees and broader income diversity found in the Crescent Apartments.

5.3.8. Per Capita Income. Per capita income statistics are often a better indicator of resident spending potential, as it reveals how much discretionary income is available to each member of a household. Using this statistic, *Immediate Market Area* residents are on par with their counterparts in the *Primary and Secondary Market Areas*, reporting an estimated 2010 per capita income of $54,115.

5.3.9. Income Growth. Forecasted income growth for each of the LAVC market areas suggests that residents will maintain their level of affluence over the next five years, with incomes expected to grow at or slightly below the rate of inflation.

5.3.10. Total Retail Expenditure. The LAVC is surrounded by a tremendous amount of demand for retail goods and services. The center's three consumer market areas combined represent over $705 million (CY 2010) in annual retail expenditure potential, of which $26 million is attributable to residents living within walking distance of the site. While a significant share of this expenditure currently occurs in places other than the LAVC, it represents a very large pool of spending for which LAVC merchants can compete.

Figure 29: Income and Spending Characteristics of LAVC Consumer Market Areas

Data Point	Immediate Market	Primary Market	Secondary Market	Total Market
Median HH Income				
2010	$92,561	$96,481	$111,328	$103,849
2015	$100,874	$106,318	$121,963	$113,789
CAGR*	1.7%	2.0%	1.8%	1.9%
Average HH Income				
2010	$111,140	$121,931	$143,258	$132,304
2015	$124,172	$135,323	$158,234	$146,134
CAGR*	2.2%	2.1%	2.0%	2.0%
Per Capita HH Income				
2010	$54,115	$56,952	$56,027	$56,341
2015	$61,003	$63,649	$62,090	$62,718
CAGR*	2.4%	2.3%	2.1%	2.2%
Annual Retail Spend				
Dining Out	5.12 mm	58.84 mm	70.73 mm	134.70 mm
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Miscellaneous	544	545	513	528
Total	**$12,111**	**$12,014**	**$11,478**	**$11,722**

** Retail expenditure estimates are in 2010 dollars. CAGR – compound annual growth rate. Source: Nielsen Claritas; The Eisen Group*

5.3.11. Average Household Retail Expenditure. Estimated average household expenditures in the *Immediate and Primary Market Areas* are $25,009 and $25,935, respectively, whereas average household expenditure in the *Secondary Market* is estimated at over $29,000. This difference is primarily due to a larger average household size in the *Secondary Market Area*.

5.3.12. Per Capita Retail Expenditure. There is greater spending parity among the three LAVC consumer market areas when considering per capita expenditure potential. The presence of fewer children in the *Immediate and Primary Market Areas* allows those residents to spend more on a per capita basis than their cohorts in the *Secondary Market Area*. *Immediate Market Area* residents report the highest per capita expenditure potential at $12,111.

Demographic characteristics also influence how per capita spending is allocated to specific categories of goods and services. *Immediate Market Area* residents tend to spend more on food, both for consumption at home and when dining out, than residents in the *Primary and Secondary Market Areas*. Due to a slightly higher concentration of older residents, per capita expenditure on health and personal care goods is also highest in the *Immediate Market Area*. Meanwhile, *Primary Market Area* residents spend the most in establishments selling general merchandise, such as department stores, clothing stores, furniture and home furnishings stores, electronics stores, and other venues selling soft goods.

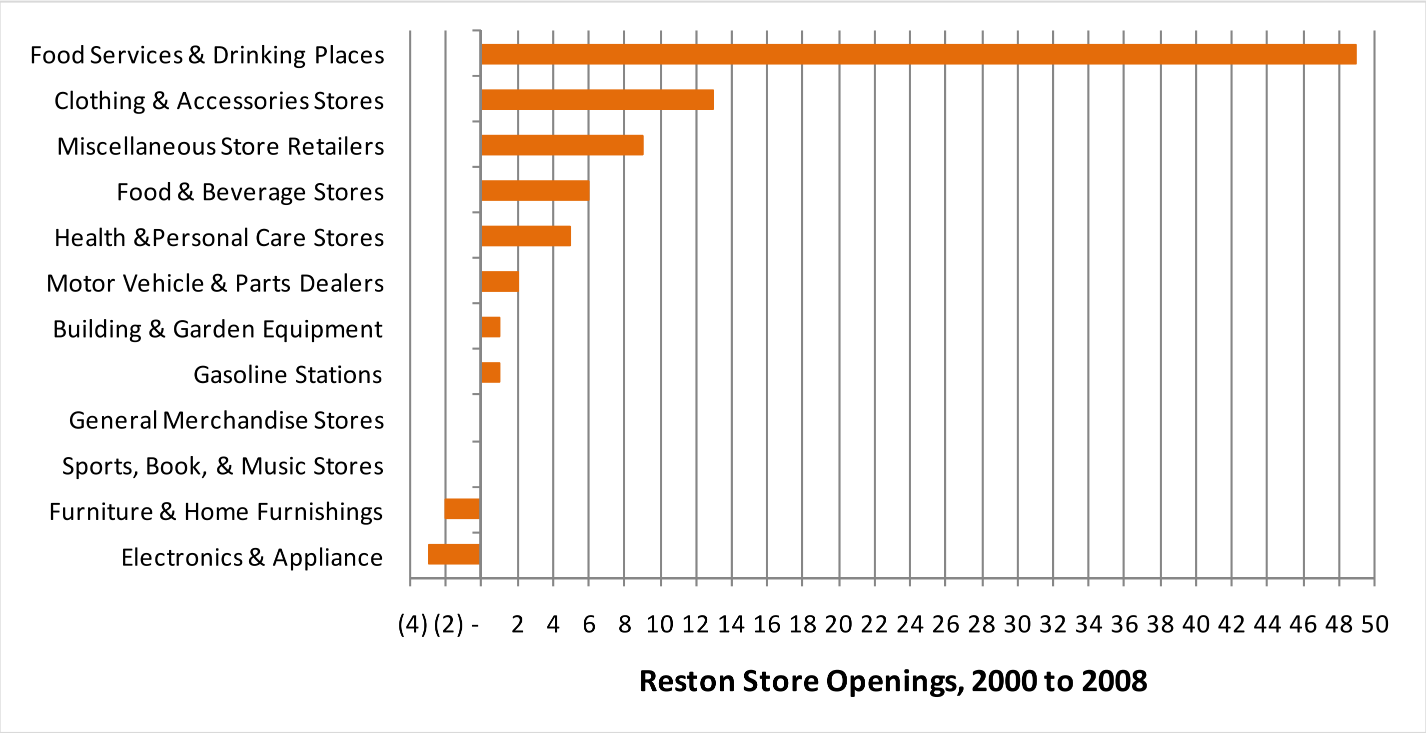
5.4. Retail Market Overview.

5.4.1. Greater Reston Retail Trends. As of 2008 (the latest year for which the US Census provides business data), the Greater Reston area was home to 230 retail stores and food service establishments. Roughly 60 percent of these businesses are found in ZIP Code 20190, which comprises the area that is north of the Dulles Toll Road, south of Baron Cameron Avenue, and in between Fairfax County Parkway and Hunter Mill Road. This area is home to several commercial nodes, including Reston

Town Center, two village centers (Lake Anne Village and Tall Oaks Village), and other major shopping centers such as The Spectrum and Plaza America.

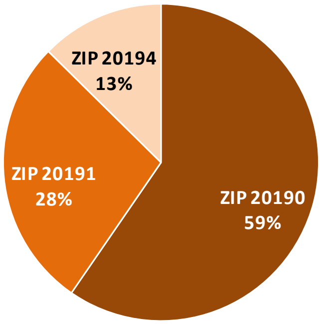
Between 2000 and 2008, the Greater Reston market experienced a net gain of 81 businesses in the retail and food service sectors, of which 49 (over 60 percent) of the net new businesses were bars and restaurants. Growth in the food and beverage sector has been driven primarily by operators choosing to locate in Reston Town Center and its surrounding area, capitalizing on heavy foot traffic generated by a commercial center with a regional identity. The strong attraction of Reston Town Center is also the primary factor that explains a net gain of 13 clothing stores during the same time period.

Figure 30: Greater Reston Store Openings by Type of Business, 2000 to 2008



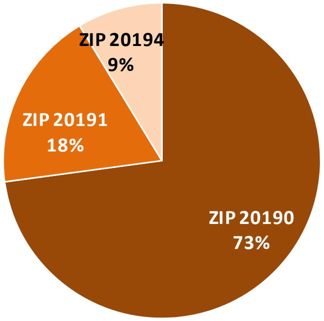
Total Retail Establishments as of 2008

Total = 230



New Retail Establishments, 2000 to 2008

Total = 81



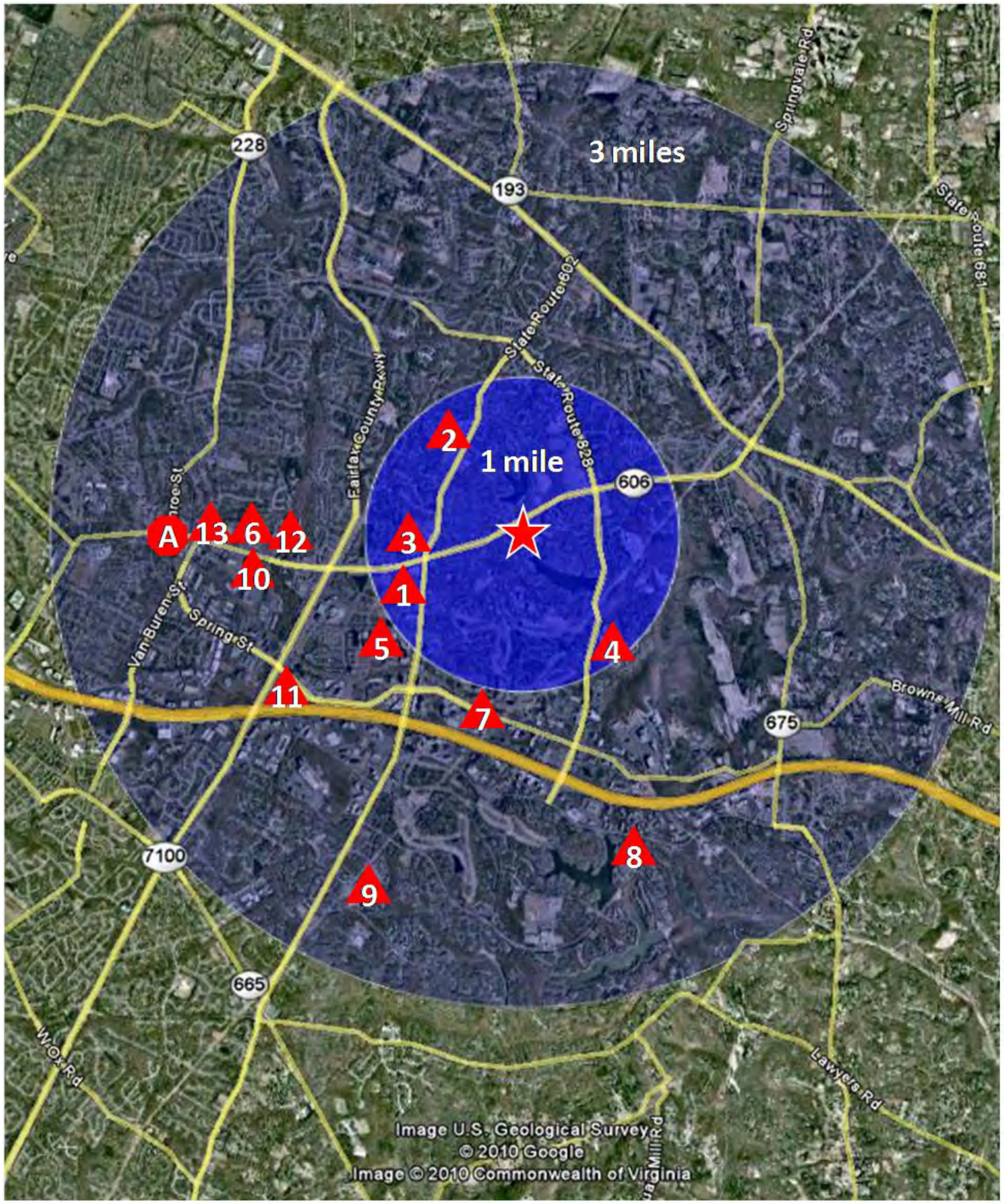
Source: US Census Bureau, ZIP Code Business Patterns; The Eisen Group

5.4.2. <u>LAVC Retail Market Competition</u>. LAVC faces significant competition from nearby shopping centers with established anchor tenants, greater visibility, and better access. As shown in Figure 30, there are 13 shopping centers comprising over 1.7 million square feet of space located within three miles of the LAVC. Eight of the 13 centers are anchored by grocery stores, with many of the major national chains represented, including Harris Teeter, Whole Foods, Safeway, and Giant. There is also a Trader Joe's located to the west of the LAVC, off of Baron Cameron Avenue. With nine grocery stores in a 3-mile radius of the LAVC, it is unlikely that the market could support another supermarket at Lake Anne, even with the projected household growth that would result from new residential development.

Many of the shopping centers in the LAVC market, most notably Reston Town Center, have been successful in attracting national and regional chain operators, but high rents have priced out most local and independent businesses. There is an opportunity for the LAVC to fill this void in Reston's retail market; however, the market context for an intimately-scaled, community-oriented, walkable environment with interesting shops, services and dining opportunities, will continue to become more competitive. Renewal plans for Downtown Herndon will enhance its retail focus; and, with the Wiehle Avenue station scheduled to open in 2013, landowners with properties near the Dulles Corridor rail extension are planning to launch the next wave of development. As these projects will provide updated settings with more functional retail space than what is found in the LAVC today, it is critical that the LAVC non-residential uses implement a Commercial Management Plan (CMP) now that will establish a compatible mix of local and independent businesses to optimize LAVCs unique market niche. Conversely, the influx of additional residents to the area provides LAVC an opportunity to tap into this new market and to position LAVC, to excel. To optimize LAVC's market position, it is vital that the LAVC non-residential uses develop and implement a more aggressive marketing strategy that focuses on customer retention, attracting new customers from the current consumer base, and capitalizes on LAVC's proximity to a rapidly growing consumer market as redevelopment projects, and other opportunities come on-line. As part of the CRP, a new marketing approach that engages promotional reciprocity among commercial centers (e.g., event advertising, and participation, shuttle service, etc.) and pursues new marketing venues (e.g., Metro Kiosks, Bus Advertising, etc.) should be developed and activated to further the LAVC as a significant consumer destination of choice.

Images (from left to right): Mighty Fine Food & Lucky Lounge, Reston Town Center; Downtown Herndon Master Plan; Reston Heights site plan, JBG Companies

Figure 31: Map of Major Shopping Areas within 1 Mile and 3 Miles of LAVC



Source: Google Maps; Nielsen Claritas; The Eisen Group

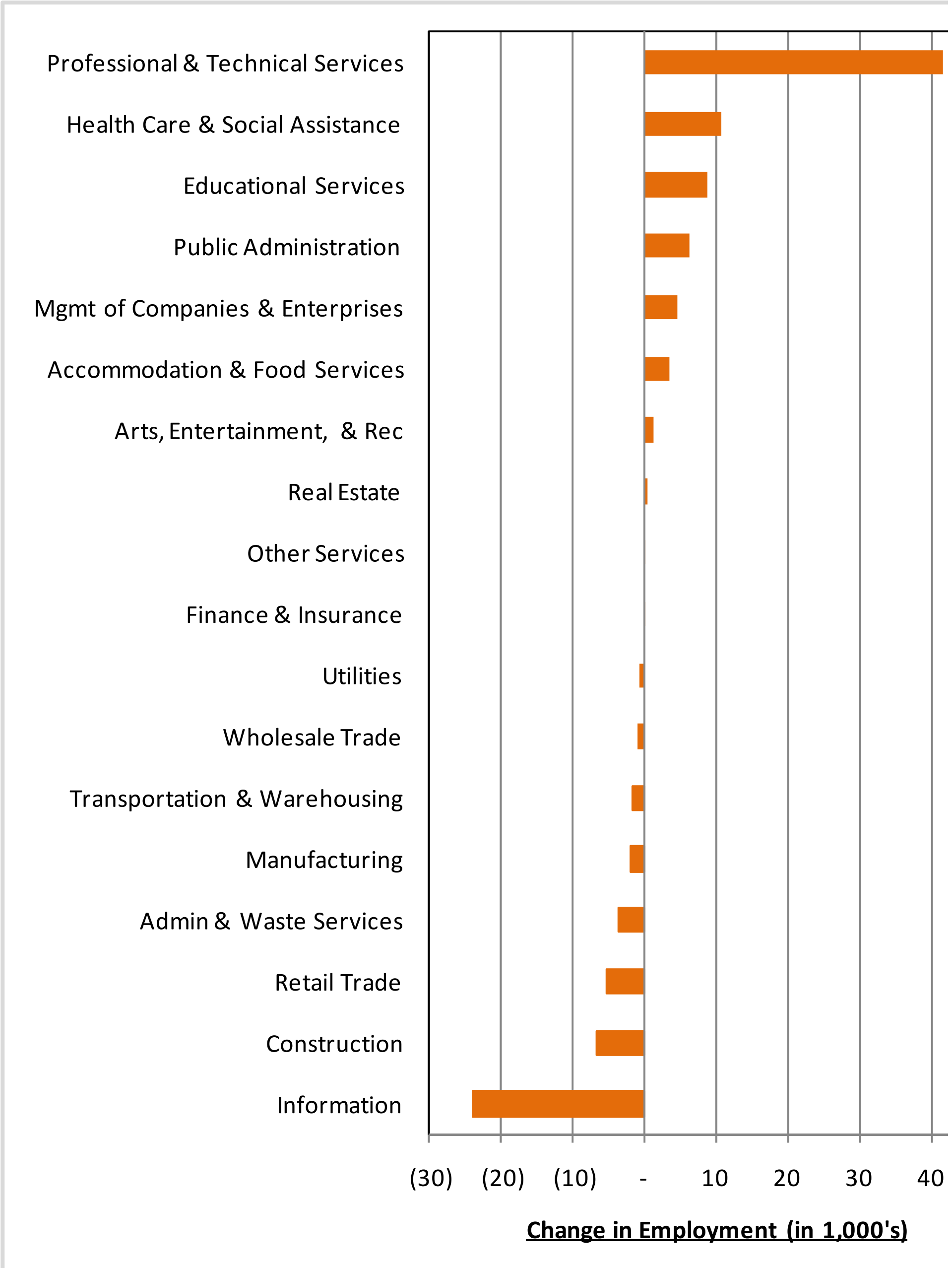
Figure 32: Summary of Major Shopping Areas within 1 Mile and 3 Miles of LAVC

ID	Center Name	Retail SF GLA	Anchor(s)
1	The Spectrum at Town Center	278,500 SF	Harris Teeter
2	Northpoint Village	136,796 SF	Giant Food
3	Home Depot Center	128,334 SF	Home Depot
4	Tall Oaks Village Center	71,953 SF	Compare Foods
5	Reston Town Center	308,720 SF	Regional mixed-use hub
6	Herndon Centre	249,800 SF	K-Mart
7	Plaza America	164,998 SF	Whole Foods
8	South Lakes Village Center	109,828 SF	Safeway
9	Hunters Woods Village Center	124,152 SF	Safeway
10	Herdon Marketplace	70,000 SF	Safeway
11	Village Commons	20,225 SF	Quick service restaurants *(across street from Target)*
12	BB&T Shopping Center	21,035 SF	BB&T Bank
13	Pines Shopping Center	71,690 SF	Bestway Food
A	Downtown Herndon	*NA*	Restaurant cluster

1,756,000 SF of shopping center retail within 3 miles of LAVC

(excludes Downtown Herndon & free standing stores)

Figure 33: Fairfax County Job Growth by Sector, 2000 to 2009



Source: Commonwealth of Virginia Employment Commission; The Eisen Group

5.5. Office Market Overview.

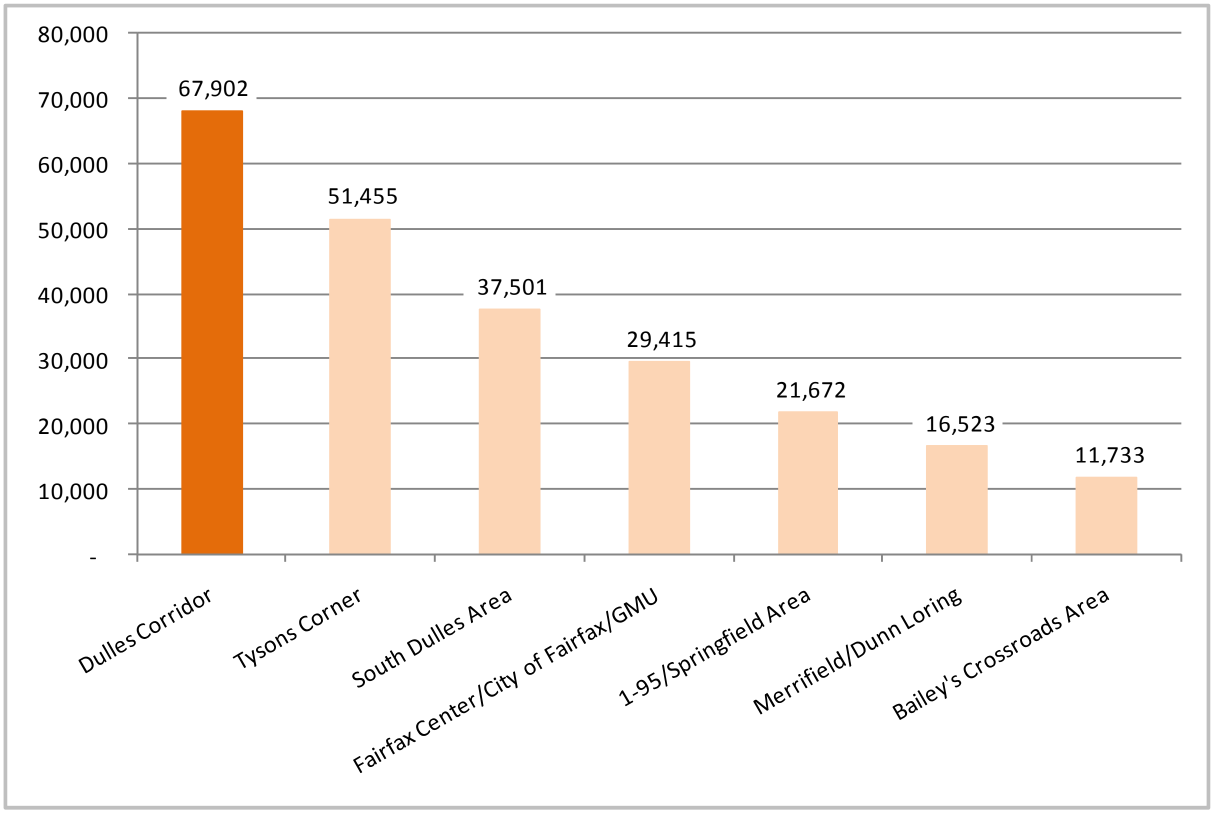
5.5.1. Employment and Business Trends.

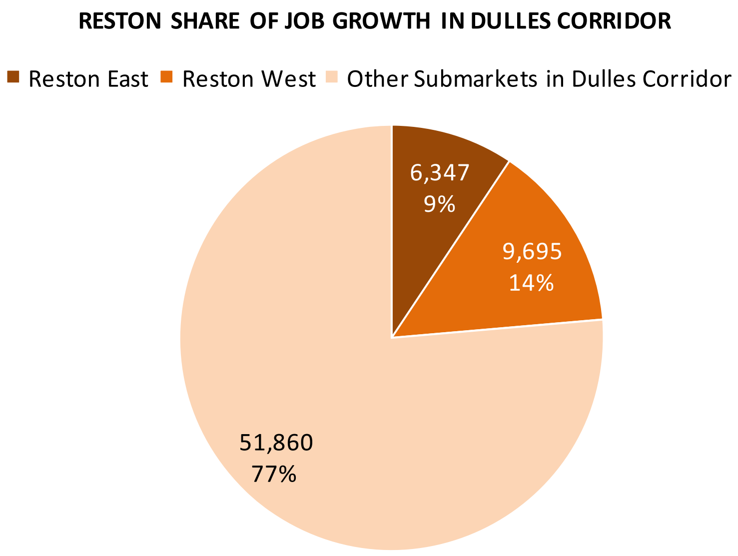
5.5.1.1. **Regional Employment.** Between 2000 and 2009, total employment in Fairfax County grew by nearly 33,400 jobs. County job growth was led by an expansion in the 'Professional & Technical Services' sector, which added 41,400 high-paying jobs (average annual salary in this industry sector as of 2009 was approximately $105,000.) Mirroring national and regional trends, the 'Education' and 'Healthcare' sectors also expanded, contributing another 19,000 jobs. However, growth in these key sectors was offset by 23,700 fewer jobs in the 'Information' sector, a reflection of the lingering impacts of the decline in the technology and communications sectors experienced during the early 2000s. Additional job losses are attributable to the 'Construction' and 'Retail Trade' sectors, which suffered from diminished consumer spending as a result of the financial crisis and Great Recession of 2007-2010.

5.5.1.2. **Regional Business Development.** Fairfax County has multiple assets, such as a highly skilled labor pool, access to major corporations, excellent quality of life, and proximity to the Federal Government, that make it a desirable location for business development. The County has capitalized on these assets to recruit several major companies to relocate their headquarters to the area, including: Computer Science Corporation; Volkswagen; Northrop Grumman; Science Applications International Corporation; and Hilton Worldwide. The major corporations have clustered in heavily trafficked and easily accessible areas, such as Tysons Corner and in other commercial centers visible from the Dulles Toll Road. In addition to major corporations, the County has also been successful in attracting and incubating start-up businesses. According to data from the Virginia Employment Commission, during the period between 2000 and 2009, an average of 1,400 new start-up businesses incorporated in Fairfax County on an annual basis. In contrast to the major corporations, these smaller companies tend to make their location decisions based more on cost than visibility, which presents an opportunity for places like the LAVC.

5.5.1.3. **Projected Employment Growth.** Primary employment centers in Fairfax County, as defined by the Metropolitan Washington Council of Governments (MWCOG), will add approximately 236,200 jobs between 2005 and 2030, of which 67,900 jobs (or 30%) will be located in the Dulles Corridor. However, much of the projected job growth in the Dulles Corridor is expected to occur in submarkets other than Reston, such as the Dulles Corner and Herndon. MWCOG projects that Greater Reston will add around 16,000 jobs between 2005 and 2030, most of which will likely be concentrated in office buildings around the planned Metrorail stations at Wiehle Avenue and Reston Parkway and in Reston Town Center.

Figure 34: Projected Fairfax County Job Growth by Employment Center, 2005 to 2030

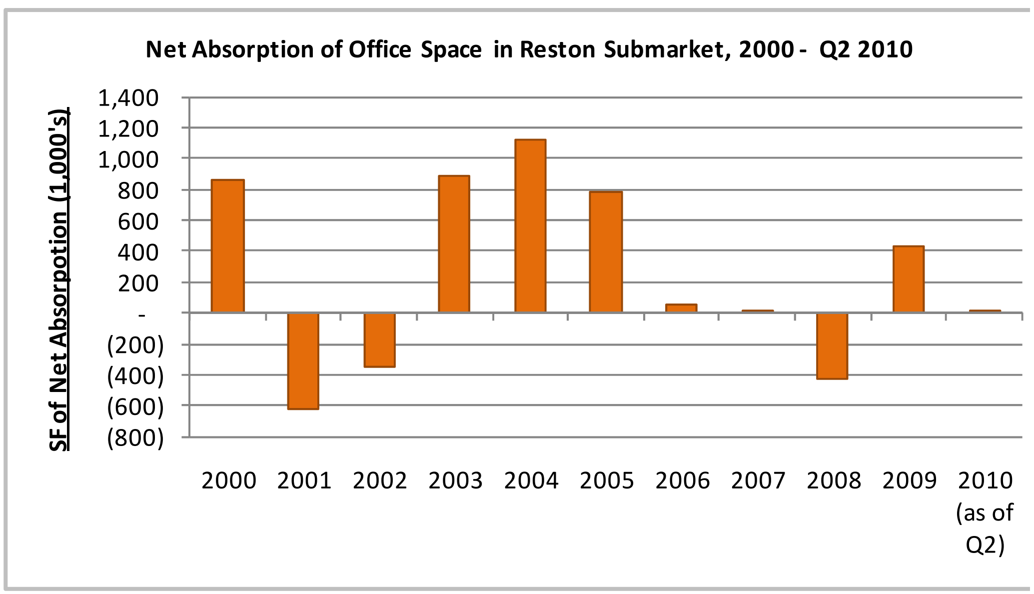




Source: MWCOG Round 7.0 Cooperative Forecasts; The Eisen Group

Figure 35: Greater Reston Office Market Characteristics as of Q2 2010

Bldg Class	# Bldgs	SF RBA	Total Vacancy	Vacancy Rate	Average Rent
Class A	101	14.75 mm	2.62 mm	17.8%	$28.15
Class B	103	4.00 mm	0.60 mm	15.1%	$22.47
Class C	14	0.49 mm	0.02 mm	4.2%	$23.64
TOTAL	**218**	**19.24 mm**	**3.24 mm**	**16.8%**	**$26.85**



** Vacancy, rent, and absorption data includes direct and sublet space*

Source: CoStar Group, Inc.; The Eisen Group

5.5.2. **Office Market Trends.**

5.5.2.1. **Inventory.** As of the second quarter of 2010, the Greater Reston office market contained 218 buildings comprising 19.24 million SF of space, of which 14.75 million SF (77 percent) is found in 'Class A' office buildings. Approximately 5.0 million SF (or 25 percent) of the total inventory was built between 2000 and 2010.

5.5.2.2. **Rental Rate.** Current 'Class A' average rents are approximately $28.15 PSF, which represents a 19 percent discount from the historic peak 'Class A' average rent of $34.78 PSF in the first quarter of 2001. Average rents achieved by 'Class B' buildings have historically run $5.00 PSF lower than the market rate for 'Class A' space.

5.5.2.3. **Vacancy.** Overall vacancy as of the second quarter of 2010 was close to 17 percent, which is roughly 700 basis points higher than the historic structural vacancy rate (i.e. the rate at which rents neither increase or decrease) for Washington, DC office markets located 'Outside the Beltway".

5.5.2.4. **Absorption.** Between 2000 and 2009, the Greater Reston office market absorbed over 274,500 SF of space per year. However, since 2007, the Reston office market has experienced negative net annual absorption of over 130,000 SF.

5.5.2.5. **Near Term Opportunities.** Stagnant rents, high vacancy, and consistently negative absorption indicate weak demand for new speculative office space in the Greater Reston market. It would take nearly five years of positive net absorption at the historic average annual rate of 274,500 SF for the market to return to a level of stabilized vacancy. Near term job growth will likely back fill existing space, or occupy new space already under construction or planned around the Dulles Toll Road, Reston Town Center, and Wiehle Avenue, which significantly diminishes the opportunity for new speculative office concentrations to emerge in places like the LAVC.

6. LESSONS LEARNED FROM OTHER COMMERCIAL CENTERS

6.1. Overview. The concept of creating a Village or Town Center as the heart of new communities has continued over the last four decades with varying degrees of success. The Washington, DC area has one of the larger concentrations of these new towns, including such places as Greenbelt, Maryland (which preceded Reston and was built during the Franklin Roosevelt presidency in 1937 as one of three constructed 'New Towns' patterned after English "Garden Cities"). Recent commercial town center projects include: The Villages at Shirlington; Columbia, MD; The Kentlands in Montgomery County; Reston Town Center; and new infill mixed use developments including Clarendon Market Common, Rockville Town Center and National Harbor in Prince George's County. Though LAVC remains unique in its scale, setting and intact planning and architectural expression, improvements are possible and needed for LAVC to remain competitive in todays' and future markets.

To understand the similarities, differences and applicability of successful local town centers and neighborhood districts with concentrations of locally owned retail businesses (eg, Del Ray, Old Takoma Park), mix of uses and consumer demographics, several key characteristics were considered as the basis for comparison (Figure 36):

- Square feet of space by land use category
- Local and surrounding area population and number of dwelling units
- Mix of retail, food and beverage, and consumer services
- Amount of adjacent, and nearby office space
- Special uses and destination components attracting from a larger market area

The CRP for the LAVC should carefully consider and apply as appropriate, "lessons learned" from other relevant examples, while preserving the LAVC's unique sense of place.

Figure 36: Town & Village Centers Offering Applicable Lessons for LAVC

Name	Location	Year Estab.	Retail SF	Dwelling Units	Office SF	Hotel Rooms	Pop w/in 1 Mile (2009)	HH w/in 1 Mile (2009)	Avg HH Inc w/in 1 Mile (2009)	Per Capita Expenditure w/in 1 Mile (2009)
Lake Anne Village Center	**Reston, VA**	**1966**	**35,026**	**547**	**97,036**	**n/a**	**20,154**	**9,232**	**$116,505**	**$16,190**
Village at Shirlington	Arlington, VA	1944/2005	191,130	804	647,673	142	34,526	16,263	$106,163	$15,601
Kentlands	Gaithersburg, MD	1991	540,000	1,800	1,000,000	n/a	15,195	5,679	$144,266	$16,245
Clarendon Market Common	Arlington, VA	2006	240,000	387	100,000	n/a	39,276	20,704	$121,812	$17,221
Rockville Town Center	Rockville, MD	2007	175,000	644	600,000	n/a	17,.854	6,729	$97,313	$13,050
Columbia Town Center	Columbia, MD	Planned	806,352	3,606	3,050,261	500	10,889	4,933	$86,555	$13,811
Old Town Takoma Park	Takoma Park, MD	Existing	103,000	n/a	n/a	n/a	26,869	10,726	$87,966	$12,206
Del Ray	Alexandria, VA	Existing	161,500	n/a	n/a	n/a	25,018	11,320	$131,977	$16,533

Source: Nielsen Claritas; The Eisen Group

6.2. Village at Shirlington (Arlington, Virginia)

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
Early prototype (1944) has evolved in response to market changes (renovated in 1996 and 2005); significant multi-family residential development in area; office component smaller part of mix than residential.	Project has evolved from an open-air mall configuration to a mixed-use development with housing, hotel, restaurants and retail uses.	LAVC residents would benefit by adding more restaurants in the Land Unit A redevelopment area to share markets, activate the Plaza and waterfront.
Area has planned its transition through additional density, street activation and public-private partnerships (addition of structured parking, streetscape, and subsidy for cultural facilities).	Several uses draw consumers from both local and outside markets: multiple restaurants and multi-screen cinema, Signature Theater and a branch library.	The addition of cultural/entertainment uses would complement restaurant clusters and bring patrons at night and on weekends.

6.3. Kentlands (Gaithersburg, Maryland)

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
New Urbanism planning prototype similar to early impact of Reston; original Village concept proved less compatible with commercial scaled retail economics.	Retail concept shifted toward a combination of street-oriented shops and Big Box stores; restaurant cluster and cinema serve on-site residents and outside markets.	Original design intent modified to attract stronger tenant mix, improve project economics, broaden market base.
Pedestrian scale open spaces and Village scale retail designed to create a distinctive, walkable mixed-use environment.	Large parcel leaseholds provide control over tenant mix and placement; configuration is not all pedestrian oriented, with large surface parking lots across 'Town Center'.	Single developer for Land Unit A would allow centralized tenant mix management, leasing strategy and project management to complement LAVC retail mix.
As project developed, design qualities have been altered to suit conventional tenant and financing requirements; design character in LAVC should be protected.	Half of the 540,000 square feet of retail uses are chain stores in Big Box formats: Giant, Whole Foods, Lowe's Home Improvements, K-Mart Superstore.	Big Box formats would be incompatible with LAVC scale and market orientation; cultural/entertainment venues activate public spaces.

6.4. Market Common at Clarendon (Arlington, Virginia)

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
Pedestrian-oriented mixed-use plan uses; traditional 'town square' plan surrounded by retail with residential above.	Mostly national chains; local retailers challenged by rent levels; parking in garages (except small Whole Foods lot) and limited on-street spaces within site.	Single owner redevelopment of former Sears store/Auto/Garden center allowed for the controlled creation of retail critical mass, attracting a specialty retail cluster, Whole Foods supermarket, and multiple restaurants.
Like Reston, Market Common has been recognized as a planning prototype (but for urban infill); mixes townhouses, mid-rise & retail around managed public space.	High visibility from arterial roads, Metro corridor density has increased residential base; Metro access two blocks away; 52 restaurants within 1/2 mile.	Like at the LAVC, neighborhoods required the inclusion of local and regional retail businesses in mix, did not want national chains; most locals have closed due to downturn, high rents.

6.5. Rockville Town Center (Rockville, Maryland)

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
Designed to create pedestrian-friendly shopping and civic environment; Town Center as community center.	Development centralized for site control, tenant mix and provision of structured parking.	Potential to locate a library or other County facility in LAVC expansion
Mixed-use design includes townhouses, mid- and high-rise residential, office, retail and civic uses grouped around managed public spaces.	County Government Center creates major employment and visitor traffic in Rockville; Metro access with Station within 3 blocks of Town Center.	Cluster of restaurants, cinemas draws from broader market, creates vitality, services for residents

6.6. Columbia Town Center (Columbia, Maryland)

ILLUSTRATIVE MASTER PLAN

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
Columbia paralleled Reston's development as a planned community with both social and design objectives to remake the U.S. city. Similar history of ownership changes and market-responsive plan amendments.	Centerpiece was 800,000 SF enclosed Mall of Columbia; expanded several times, Columbia Mall was antithesis of LAVC's Village scale and environment; Mall of Columbia expanded to 1.3 M SF; 5 anchors.	Re-use of surface parking lots as mixed-use townhouse/office/retail development; increased residential density to reposition retail component stalled by owner’s financial problems; development partners should be financially sound.
Columbia Mall reconfiguration converted surface parking lots to pedestrian-friendly walkable mixed-use areas flanking mall entrances (residential, office, retail, civic).	Mall remains the community's heart; still a more 'suburban' character than LAVC or Reston Town Center; could change if/when planned expansion is implemented.	Increased retail and services as critical mass expands offerings to residents; scale not transferrable to LAVC, but selected tenant mix would add to LAVC's growth, appeal.

6.7. Old Town Takoma Park (Takoma Park, Maryland)

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
Pedestrian-scaled walkable district; local retailers comprise tenant mix, drawn by lower rents and diverse population; Mom & Pop businesses create differentiated place.	One-mile long traditional downtown street with three nodes of activity; Metro station at western end of corridor. Retains several distinctive, long-term destination retailers.	Lower rents attract locally- owned businesses but require a central management program to sustain and attract new operators. Could offer retail recruitment opportunities for LAVC.
Residents are very protective of smaller scale and character, do not want national tenants; Latino residents changed retail.	Density around Metro station area will likely create higher land values, higher rents, and interest by national tenants.	Nodes recognized with complementary, but different strategies (Metro area, DC/MD border, Old Town Takoma Park).

6.8. Del Ray Commercial District (Alexandria, Virginia)

Similarities to LAVC	Differences with LAVC	Applicability to LAVC
Diverse population and concentration of locally-owned businesses highly valued by Del Ray residents and businesses.	One mile long corridor with central retail node, street runs through center of retail district; limited office and employment presence.	Concentration of locally owned businesses and growing reputation as an alternative, funky retail district that attracts innovators and start up businesses drawn by lower rents.
Low scale commercial buildings with arts, residences, professional offices above retail spaces; multiple property owners.	Traffic counts along corridor increase retail exposure, auto orientation. Both a pass-through and a destination district.	Could offer recruitment opportunities for LAVC; Del Ray Business Association dealing with similar issues as LAVC Merchants Committee.

6.9. Summary of "Lessons Learned" from Local Commercial Centers. Each of the local commercial centers' approach to revitalization was driven by different variables which have influenced the centers formula for success such as: location of site, branding, traffic patterns and pre-existing conditions. Their differences make them unique, but many of their similarities and solutions are relevant to the LAVC, including:

1. Early prototypes evolved due to market changes;
2. Areas planned transition through additional planned density, street activation, and public-private partnerships;
3. The distinctive walk-able mixed-use environments preserved their scale and character through redevelopment;
4. The projects mixes of townhomes, mid-and high-rise residential, office, retail and civic uses are grouped around managed public space;
5. To remain competitive and broaden their mix of uses, tenant spaces and leasehold agreements were modified; and,
6. Redevelopment of a parking lot contributed to the revitalization of a commercial center, and community.

By reviewing the "Lessons Learned" from other local commercial centers, it is apparent that change or the need for change will determine both challenges and opportunities. Change can be resisted or it can be embraced as fuel for innovation and transformation. The deciding factor will be the attitude and perseverance of those entities charged with adapting to the challenge and finding new solutions.

Like the examples, LAVC is positioned for change. What that change will be, will be determined by the commitment and actions of the LARCA and Non-LARCA property owners and, the business operators. The consumer market and competition is growing; and, the time to implement a Commercial Reinvestment Plan (CRP) that will sustain current uses, and guide the revitalization of LAVC is now. As discussed in Part II of this report, the first step in this process should be to unify the LAVC non-residential use property owners under the terms of a Memorandum of Understanding (MOU) to provide a solid foundation for new opportunities and a renewed vitality that will come by having consistent operating guidelines, improved LAVC marketing, more equitable allocation of operating and maintenance costs, and establishment and funding of a Commercial Management Program (CMP). By pursuing these endeavors, the property owners and business operators will dust off this hidden gem, known as the Lake Anne Village Center, and welcome in a new age of prosperity.

7. COMMERCIAL DEMAND ANALYSIS

7.1. Commercial Demand Analysis – General Approach. A Commercial Demand Analysis was conducted in order to inform the LAVC CRP's goal of activating LAVC ground floor commercial uses. The proposed CRP takes into consideration existing commercial spaces in the LAVC, as well as new space that could be added to the site through future redevelopment projects. While the majority of the commercial space in the LAVC will be concentrated in Land Units A and F, the demand analysis also considers the small amount of additional ground floor space that can accommodated in the other Land Units.

The recommended CRP is based on market opportunities and physical site constraints identified in the Current Conditions Assessment portion of this report, as well as stakeholder preferences for the commercial positioning of the LAVC, as expressed through surveys and a public workshop. The demand analysis quantifies supportable square footage for ground floor commercial space in the following store categories:

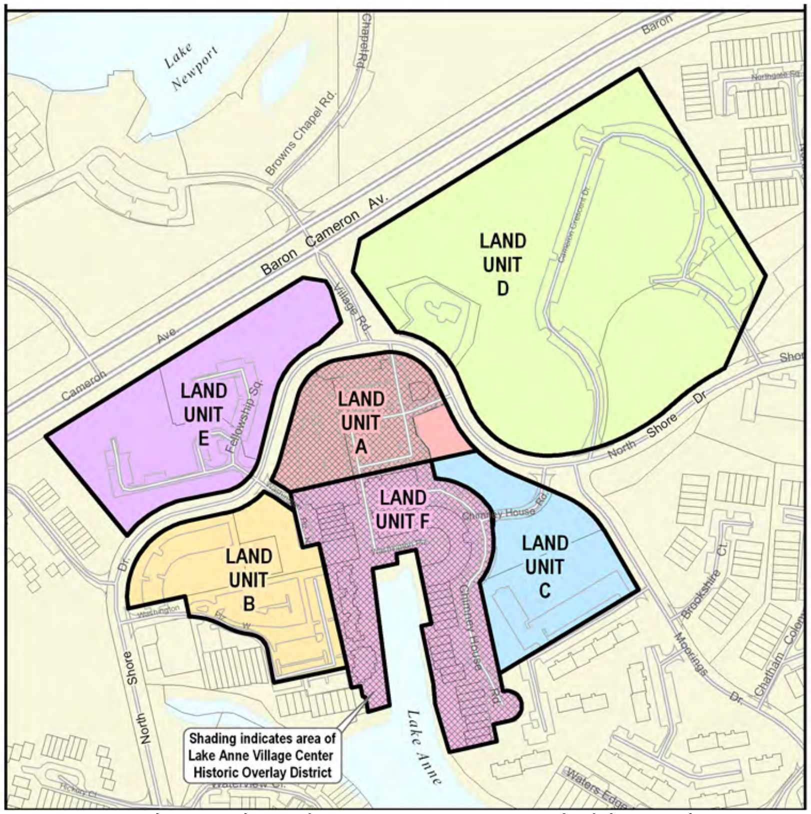
- **Dining Out** – bars, restaurants, cafes
- **Food at Home** – grocery stores, convenience stores, liquor stores, specialty foods

- **General Merchandise** – apparel, furniture and home furnishings, electronics, department stores, book stores, music stores, sporting goods and hobby shops
- **Health & Personal Care –** pharmacies, cosmetic stores, optical goods
- **Miscellaneous Retail –** office supplies, florists, gift stores, used merchandise
- **Personal Services –** hair and nail salons, dry cleaners, pet care, photo finishing

7.2. Assumptions.

7.2.1. Timeframe. The proposed commercial program is based on forecasted market conditions in 2015. This timeframe assumes successful initial efforts to reposition the LAVC through marketing and new business recruitment, as well as the completion, or near completion, of redevelopment per the 2009 Comprehensive Plan Amendment. However, it should be noted that all dollar amounts presented in the following analyses are expressed in 2010 dollars.

Figure 37: Map of LAVC Land Units



7.2.2. Consumer Markets. The analysis focuses on LAVC's three core consumer markets – Immediate Area residents living within 1/3-mile of the site (including residents added through redevelopment); Primary Area residents living within a 5-minute drive; and Secondary Area residents living elsewhere in Greater Reston. Other consumer markets, such as daytime employees working nearby and visitors from beyond Reston, are accounted for through the use of an "inflow" factor.

7.2.3. Expenditure Potentials. Household spending on specific categories for each of the consumer markets is based on estimates provided by Nielsen Claritas. Expenditures for the 'Personal Services' category are further refined using 2007 sales data for Fairfax County, as reported in the US Census of Economic Trade.

7.2.4. Capture Rates. Capture rates were developed in order to quantify the amount of household expenditures from each of the consumer markets that could potentially occur at LAVC. Differences in capture rates are subject to several variables, including:

1. Proximity and compatibility of each consumer market to LAVC;
2. Quality and amount of LAVC retail, restaurants, and services;
3. Access to LAVC via major streets, pedestrian linkages, and transit;
4. Adjacency to future consumer-generating development;
5. Constraints related to parking; and,
6. Consumer expenditure patterns inherent to the respective markets for each type of business category.

Figure 38: Distribution of Estimated Captured Spending by LAVC Consumer Market

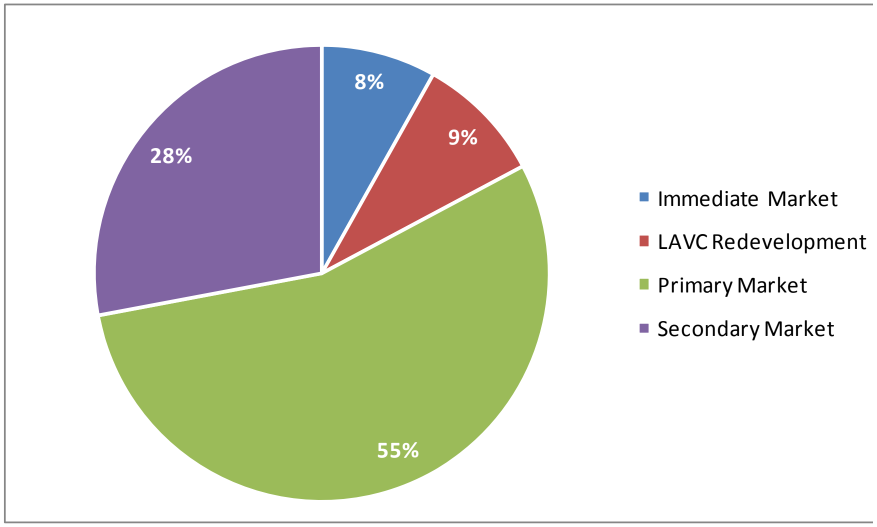
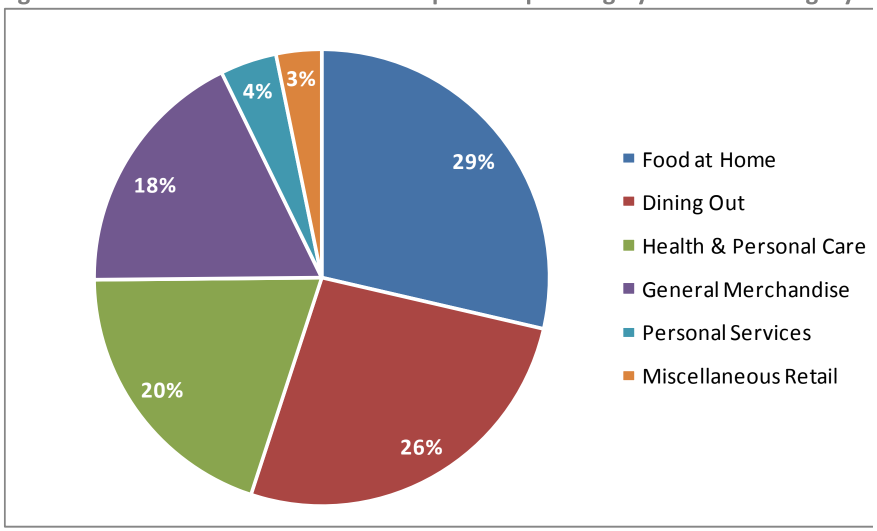


Figure 39: Distribution of Estimated Captured Spending by Business Category



Source: Nielsen Claritas; US Census of Economic Trade; The Eisen Group

7.3. LAVC Consumer Expenditure Potential. Based on the Timeframe, Consumer Markets, Expenditure Potential, and Capture Rate assumptions identified above, it is estimated that the LAVC has the potential to capture between $24.6 million and $40.9 million of total consumer market area expenditures by 2015. The high end of the range ('Upside') assumes that the consumer experience in the LAVC has improved through enhanced events programming and the addition of new businesses that generate foot traffic to activate the site. Meanwhile, the low end of range ('Base Case') reflects a scenario in which LAVC commercial operations remain the same, with few new tenants and limited changes to current marketing and events programs. It should also be noted that these figures do not take into consideration additional inflow of spending by consumers outside the LAVC's core consumer market areas.

Approximately eight percent of total captured spending in the LAVC is expected to originate from households located in the Immediate Market Area. The Immediate Market Area's small share of total captured expenditures emphasizes the importance of tapping into a broader market in order to realize the sales volume necessary to sustain a healthy commercial center. The addition of new households to the Immediate Market Area through redevelopment in the LAVC is an example of an opportunity to broaden the village center's consumer base. Assuming that 1,200 net new households are added to the Immediate Market Area through the redevelopment process, the LAVC would benefit from $2.2 million to $3.7 million of additional captured sales.

The Primary Market Area is expected to generate the largest share of total sales at LAVC, accounting for approximately 55 percent of total captured expenditure potential. Combined with the Immediate Market Area and new households created through redevelopment, 72 percent of total captured spending in LAVC is expected to come from within a five-minute drive of the site. The remaining 28 percent of total captured spending is expected to come from residents living elsewhere in the Greater Reston area.

In terms of business categories, 'Food at Home' and 'Dining Out' are expected to account for 55 percent of total sales in the LAVC, reflecting the focus on food as a driver for future commercial development. 'Health and Personal Care' and 'General Merchandise' stores represent another 20 percent and 18 percent of total sales, respectively, which indicates strong demand for non-food operators, as well. See Figure 39 for a detailed summary of captured spending.

Figure 40: Captured Consumer Expenditure Potential in 2015 (expressed in $s 2010)

MARKET	HOUSEHOLDS in 2015	AVG ANNUAL SPEND PER HH	TOTAL ANNUAL EXPENDITURE	CAPTURE RATE BASE CASE	CAPTURE RATE UPSIDE	CAPTURED RESIDENT EXPENDITURE BASE CASE	CAPTURED RESIDENT EXPENDITURE UPSIDE
LAVC Walkshed (1/3 Mile)							
Dining Out	1,074	4,950	5,316,300	8.3%	12.5%	443,025	664,538
Food at Home	1,074	5,110	5,488,140	11.1%	20.0%	609,793	1,097,628
General Merchandise	1,074	11,530	12,383,220	2.9%	4.0%	353,806	495,329
Health & Personal Care	1,074	2,590	2,781,660	13.3%	28.6%	370,888	794,760
Miscellaneous Retail	1,074	1,140	1,224,360	7.1%	10.0%	87,454	122,436
Personal Services	1,074	700	751,800	11.1%	20.0%	83,533	150,360
Total - LAVC Walkshed	**1,074**	**$ 26,020**	**$ 27,945,480**	**7.0%**	**11.9%**	**$ 1,948,500**	**$ 3,325,050**
LAVC Redevelopment							
Dining Out	1,200	4,950	5,940,000	8.3%	12.5%	495,000	742,500
Food at Home	1,200	5,110	6,132,000	11.1%	20.0%	681,333	1,226,400
General Merchandise	1,200	11,530	13,836,000	2.9%	4.0%	395,314	553,440
Health & Personal Care	1,200	2,590	3,108,000	13.3%	28.6%	414,400	888,000
Miscellaneous Retail	1,200	1,140	1,368,000	7.1%	10.0%	97,714	136,800
Personal Services	1,200	700	840,000	11.1%	20.0%	93,333	168,000
Total - LAVC Redevelopment	**1,200**	**$ 26,020**	**$ 31,224,000**	**7.0%**	**11.9%**	**$ 2,177,095**	**$ 3,715,140**
Primary Market (5-min Drive)							
Dining Out	12,201	5,120	62,469,120	6.7%	10.0%	4,164,608	6,246,912
Food at Home	12,201	5,200	63,445,200	5.6%	10.0%	3,524,733	6,344,520
General Merchandise	12,201	12,070	147,266,070	1.9%	2.7%	2,805,068	3,927,095
Health & Personal Care	12,201	2,490	30,380,490	6.7%	14.3%	2,025,366	4,340,070
Miscellaneous Retail	12,201	1,180	14,397,180	3.6%	5.0%	514,185	719,859
Personal Services	12,201	720	8,784,720	5.6%	10.0%	488,040	878,472
Total - Primary Market	**12,201**	**$ 26,780**	**$ 326,742,780**	**4.1%**	**6.9%**	**$ 13,522,000**	**$ 22,456,928**
Secondary Market (Greater Reston)							
Dining Out	12,850	5,460	70,161,000	3.0%	4.5%	2,126,091	3,189,136
Food at Home	12,850	5,890	75,686,500	2.2%	4.0%	1,681,922	3,027,460
General Merchandise	12,850	13,880	178,358,000	1.0%	1.3%	1,698,648	2,378,107
Health & Personal Care	12,850	2,830	36,365,500	2.7%	5.7%	969,747	2,078,029
Miscellaneous Retail	12,850	1,310	16,833,500	1.4%	2.0%	240,479	336,670
Personal Services	12,850	860	11,051,000	2.2%	4.0%	245,578	442,040
Total - Secondary Market	**12,850**	**$ 30,230**	**$ 388,455,500**	**1.8%**	**2.9%**	**$ 6,962,464**	**$ 11,451,442**
TOTAL RESIDENT MARKET							
Dining Out	27,325	5,266	143,886,420	5.0%	7.5%	7,228,724	10,843,086
Food at Home	27,325	5,517	150,751,840	4.3%	7.8%	6,497,782	11,696,008
General Merchandise	27,325	12,876	351,843,290	1.5%	2.1%	5,252,836	7,353,971
Health & Personal Care	27,325	2,658	72,635,650	5.2%	11.2%	3,780,401	8,100,859
Miscellaneous Retail	27,325	1,238	33,823,040	2.8%	3.9%	939,832	1,315,765
Personal Services	27,325	784	21,427,520	4.2%	7.6%	910,484	1,638,872
TOTAL	**27,325**	**$ 28,339**	**$ 774,367,760**	**3.2%**	**5.3%**	**$ 24,610,060**	**$ 40,948,560**

Source: Nielsen Claritas; US Census of Economic Trade; The Eisen Group

7.4. Supportable Commercial Program. In order to translate consumer expenditure potential into a commercial space program for LAVC, an inflow factor was applied to the estimated captured sales for each of the major business categories. The inflow of additional expenditures attributable to consumers outside the core market areas is expected to contribute an additional $1.8 million to $2.1 million to total sales in the LAVC. Including the potential for inflow expenditures, it is estimated that the LAVC can sustain annual sales ranging from $25.9 million ('Base Case') to $43.1 million ('Upside').

Next, estimates of sales productivity (i.e. sales PSF) were developed for each of the major business categories, which are derived from competitive market rents in the Greater Reston area and national performance benchmarks from the International Council of Shopping Centers. Based on these sales productivity rates, it is estimated that in year 2015, the LAVC can support between 68,800 SF ('Base Case') and 110,000 SF ('Upside') of ground floor commercial space. Estimates of supportable square feet include space currently occupied by existing businesses in each of the major categories (approximately 24,500 SF), which suggests that the LAVC can support additional commercial tenants comprising 44,300 SF to 85,500 SF of space. While some of the additional businesses could fill the existing 9,000 SF of ground floor vacancy on Washington Plaza, the remaining 35,400 SF to 76,600 SF would require the construction of new commercial space as part of the redevelopment of the LAVC.

The commercial program derived from the demand analysis focuses on six primary business categories, and does not reflect the total potential for non-residential uses in the LAVC. Other non-residential uses, such as small professional offices, full-service banks, health and fitness facilities, civic uses, art galleries, and cultural institutions, will also contribute to the future vibrancy of the LAVC. It would be desirable for future redevelopment of the LAVC to cluster the activating commercial uses (food and beverage, specialty retail and selected personal services) in the most visible pedestrian areas, such as the Chimney House building and in new construction along major entries to Washington Plaza. To the extent that additional non-residential uses remain or are added to the overall mix, their placement should occupy less pedestrian-oriented zones. These uses would be best located in the upper levels of new construction buildings and in smaller spaces on the ground level of existing buildings, such as Quayside.

See Figure 40 for a detailed summary of the supportable program for the six primary business categories.

Figure 41: Supportable Square Feet of Activating Commercial Uses in LAVC (in 2015)

SCENARIO/ BUSINESS CATEGORY	CAPTURED RESIDENT EXPENDITURE BASE CASE	CAPTURED RESIDENT EXPENDITURE UPSIDE	INFLOW FACTOR	TOTAL CAPTURED SALES POTENTIAL BASE CASE	TOTAL CAPTURED SALES POTENTIAL UPSIDE	SALES PRODUCTIVITY	SUPPORTABLE TENANT SPACE BASE CASE	SUPPORTABLE TENANT SPACE UPSIDE
Scenario 1 - Low Sales Productivity								
Dining Out	7,228,724	10,843,086	10.0%	7,951,596	11,927,394	$365 PSF	21,800 SF	32,700 SF
Food at Home	6,497,782	11,696,008	5.0%	6,822,671	12,280,808	$520 PSF	13,100 SF	23,600 SF
General Merchandise	5,252,836	7,353,971	2.5%	5,384,157	7,537,820	$235 PSF	22,900 SF	32,100 SF
Health & Personal Care	3,780,401	8,100,859	2.5%	3,874,911	8,303,380	$500 PSF	7,700 SF	16,600 SF
Miscellaneous Retail	939,832	1,315,765	2.5%	963,328	1,348,659	$300 PSF	3,200 SF	4,500 SF
Personal Services	910,484	1,638,872	2.5%	933,247	1,679,844	$400 PSF	2,300 SF	4,200 SF
Total - Scenario 1	**$ 24,610,060**	**$ 40,948,560**		**$ 25,929,910**	**$ 43,077,906**	**$374 PSF**	**71,000 SF**	**113,700 SF**
Scenario 2 - High Sales Productivity								
Dining Out	7,228,724	10,843,086	10.0%	7,951,596	11,927,394	$385 PSF	20,700 SF	31,000 SF
Food at Home	6,497,782	11,696,008	5.0%	6,822,671	12,280,808	$585 PSF	11,700 SF	21,000 SF
General Merchandise	5,252,836	7,353,971	2.5%	5,384,157	7,537,820	$245 PSF	22,000 SF	30,800 SF
Health & Personal Care	3,780,401	8,100,859	2.5%	3,874,911	8,303,380	$535 PSF	7,200 SF	15,500 SF
Miscellaneous Retail	939,832	1,315,765	2.5%	963,328	1,348,659	$340 PSF	2,800 SF	4,000 SF
Personal Services	910,484	1,638,872	2.5%	933,247	1,679,844	$480 PSF	1,900 SF	3,500 SF
Total - Scenario 2	**$ 24,610,060**	**$ 40,948,560**		**$ 25,929,910**	**$ 43,077,906**	**$401 PSF**	**66,300 SF**	**105,800 SF**
TARGET RETAIL MIX								
Dining Out	7,228,724	10,843,086	10.0%	7,951,596	11,927,394	$375 PSF	21,300 SF	31,900 SF
Food at Home	6,497,782	11,696,008	5.0%	6,822,671	12,280,808	$550 PSF	12,400 SF	22,300 SF
General Merchandise	5,252,836	7,353,971	2.5%	5,384,157	7,537,820	$240 PSF	22,500 SF	31,500 SF
Health & Personal Care	3,780,401	8,100,859	2.5%	3,874,911	8,303,380	$517 PSF	7,500 SF	16,100 SF
Miscellaneous Retail	939,832	1,315,765	2.5%	963,328	1,348,659	$314 PSF	3,000 SF	4,300 SF
Personal Services	910,484	1,638,872	2.5%	933,247	1,679,844	$437 PSF	2,100 SF	3,900 SF
TOTAL TARGET MIX	**$ 24,610,060**	**$ 40,948,560**		**$ 25,929,910**	**$ 43,077,906**	**$387 PSF**	**68,800 SF**	**110,000 SF**

Source: The Eisen Group

Figure 42: Summary of Supportable Square Feet by Major Business Category

BUSINESS CATEGORY	EXISTING SPACE	EXISTING TENANTS	SUPPORTABLE TENANT SPACE BASE CASE	SUPPORTABLE TENANT SPACE UPSIDE	NEW TENANT SPACE BASE CASE	NEW TENANT SPACE UPSIDE	NOTES
Dining Out	11,453 SF	Café Monmarte; Jasmine Café; Roti Grill; Kalypso's; Lake Anne Coffee; G Sushi	21,300 SF	31,900 SF	9,800 SF	20,400 SF	'Upside' scenario can support up to 9 new dining establishments, which if combined with existing operators, is sufficient to reach a critical mass of bars and restaurants at LAVC
Food at Home	4,227 SF	La Villa Market; 24-7 Market; Lake Anne Florist, Virginia Wine & Gourmet	12,400 SF	22,300 SF	8,200 SF	18,100 SF	'Upside' scenario generates sufficient demand for a small specialty food market, plus additional venues, such as a wine shop or bakery
General Merchandise	1,295 SF	Reston Used Books	22,500 SF	31,500 SF	21,200 SF	30,200 SF	This category has the least amount of representation in the LAVC; there is potential for attracting new retailers selling products related to food, arts/design, and sustainable goods
Health & Personal Care	1,525 SF	Lakeside Pharmacy	7,500 SF	16,100 SF	6,000 SF	14,600 SF	'Upside' scenario can support a modern, full-size pharmacy in addition to existing operators
Miscellaneous Retail	3,035 SF	Small Change Consignments; Vogue to Vintage; Unique Bazaar	3,000 SF	4,300 SF	SF	1,300 SF	LAVC is currently oversupplied with used merchandise and consignment shops, this category should be diversified by bringing in other types of miscellaneous retail tenants
Personal Service	2,942 SF	Nail Palace; Lake Anne Hair Design; K.G. Cutz; Platinum Solutions; Rita's Alterations	2,100 SF	3,900 SF	-800 SF	1,000 SF	LAVC could potentially accommodate one or two additional personal service tenants, such as a dry cleaner
TOTAL	**24,477 SF**		**68,800 SF**	**110,000 SF**	**44,400 SF**	**85,600 SF**	

NEW CONSTRUCTION REQUIREMENT	BASE CASE	UPSIDE
SF of New Tenant Space	44,400 SF	85,600 SF
Less: Existing Ground Floor Vacancy	*-9,000 SF*	*-9,000 SF*
SF of Redevelopment / New Construction	**35,400 SF**	**76,600 SF**

Source: The Eisen Group

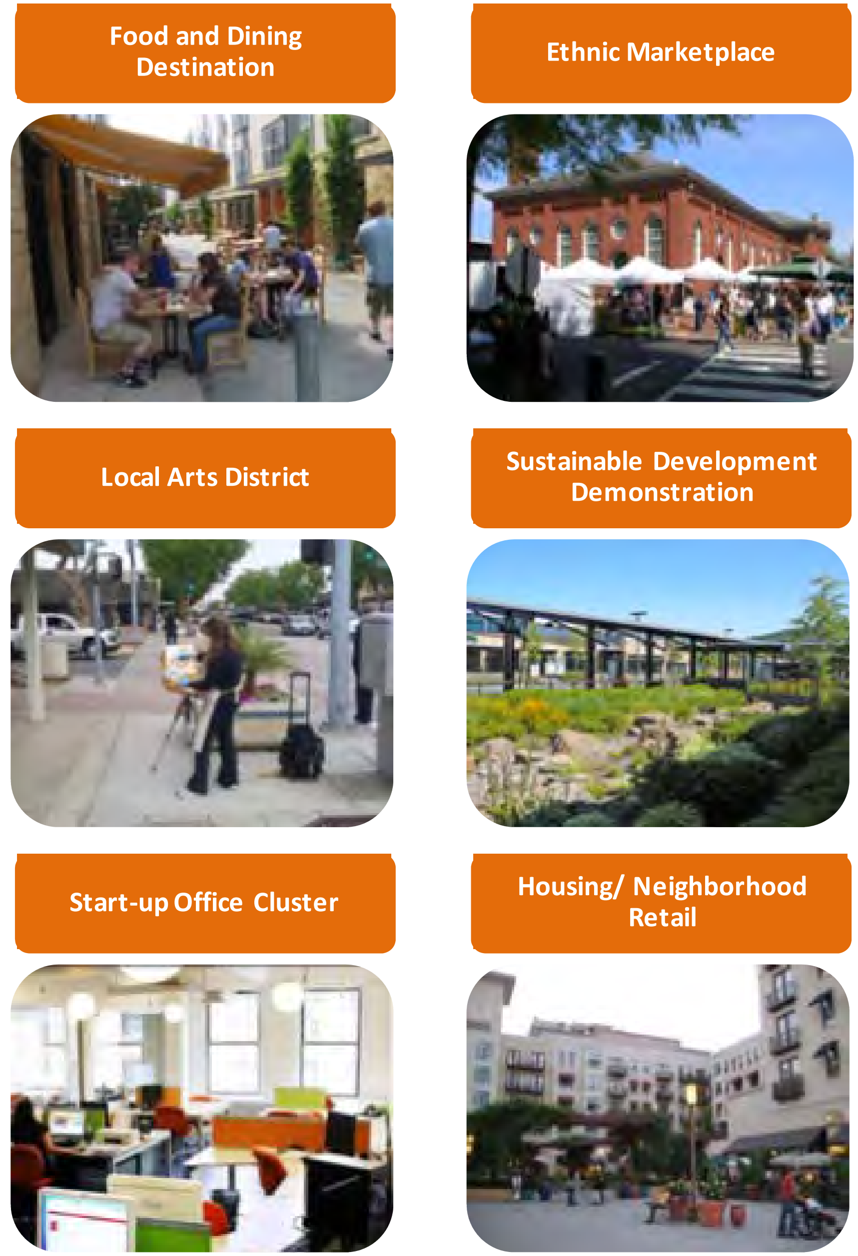
8. COMMERCIAL DEVELOPMENT CONCEPTS

8.1. Overview of Commercial Development Concepts. As part of a Public Workshop on September 8, 2010, to discuss the LAVC Commercial Reinvestment Plan (CRP), the A&M/TEG team presented six potential commercial development concepts to help guide the implementation of the CRP. The six potential concepts (Figure 41) were created based on the following characteristics and qualifications:

- The concepts are intended as a basis for potential strategies to reposition the market orientation and commercial identity of the LAVC. As implemented, they can serve as a guide for desired outcomes for commercial uses in LAVC and as a focus for leasing and tenant recruitment efforts. The selected concept(s) can influence an appropriate mix of near-term and long-term reinvestment strategies and can be a tool for linking existing uses to the future redevelopment of the LAVC according to the 2009 Comprehensive Plan Amendment.
- The potential concepts are based on both market opportunities, as well as stakeholder preferences presented in the survey conducted as part of the LAVC Current Conditions Assessment. The concepts are not mutually exclusive, and can be combined or blended, and other commercial concept options for LAVC are also possible.
- The timing and complexity of the commercial concepts vary, as some can be expressed through events and programming. For example, the popular Lake Anne Village Farmers Market is already an established event that would be complementary to a food-oriented concept. Other concepts may require capital investments or physical improvements in buildings, public spaces and/or infrastructure to be implemented, and may be more dependent upon identifying potential sources of funds. Some of the commercial concept options were suggested in direct response to existing market opportunities, while others are more oriented toward creating/inducing new market opportunities.

Following is a detailed description of each of the six commercial concepts, including a discussion of key advantages and disadvantages, as well as a list of potential actions required for implementation; and, a summary of the overall consensus that came out of the September 8, 2010, Public Workshop regarding the preferred commercial concept.

Figure 43: Potential Commercial Development Concepts for LAVC



ADVANTAGES

- **Dining district is a consumer destination; with critical mass, generates and sustains consumer traffic**
- **Highly compatible with physical layout of Washington Plaza and Lake Anne waterfront**
- **Outdoor season extends over 8 to 9 months**
- **More food and beverage operators and expanded Washington Plaza seating increases dining capacity and activation**

DISADVANTAGES

- **May require alteration of existing LAVC buildings to allow for black iron exhaust, larger floor plates, better servicing and deliveries**
- **Requires substantial, off-peak parking capacity**
- **Outdoor dining not a year-round opportunity**

8.2 Food and Dining Destination.

8.2.1. Description. This concept will expand and supplement the existing food and beverage offerings at the LAVC, with a goal of adding between seven and 15 new food service operators that could sustain increased foot traffic and assure repeat consumer visits through increased variety.

8.2.2. Merchandising Focus. The types of tenants that would be targeted for this concept include restaurants and cafes (e.g., casual upscale dining, gourmet coffee, wine bar, delis, tapas, sushi, empanadas, etc.) and specialty foods (e.g., gelato/ice cream, cheeses, butcher shop, wine store, bakery/cupcakes, smoothies, etc.).

8.2.3. Link to Future Redevelopment. Accommodating additional large-scale, full-service food operations in commercial spaces on Washington Plaza may require physical modifications to existing buildings, such as installation of new exhaust units, expansion of small interior spaces, and improved access for servicing and deliveries. However, food tenants with smaller floor plates and less intensive kitchen requirements could be successful in existing spaces. This concept could easily blend with purpose-built food and retail spaces as part of future redevelopment in Land Unit A. The addition of new space for restaurants and specialty foods will be necessary in order for LAVC to achieve the targeted critical mass of food and beverage offerings.

8.2.4. Short Term Actions.

- Target vacant spaces for food and beverage operators
- Create two to three seasonal food and beverage oriented events for Washington Plaza
- Review operating policies (eg, hours of operation, noise, musical performances, etc.) that could affect a food and dining destination, and revise as necessary to ensure competitiveness with similar market locations
- As possible, add more seasonal outdoor seating to expand customer capacity

8.2.5. Long Term Actions.

- Modify existing buildings for food and beverage conversions, if necessary
- Add a concentration of food and beverage operators in future Land Unit A redevelopment to extend the concept and create critical mass

ADVANTAGES

- Can reflect and attract specialized consumer mix across the Reston/Fairfax region's growing ethnic population
- Few other models in Fairfax County (one example is Koreatown in Annandale)
- Would extend market reach via a unique market niche
- Mix could serve growing Hispanic population in Lake Anne Village or other ethnic segments in the Reston area

DISADVANTAGES

- Sales volume potentials may not justify market-rate rents required by future redevelopment construction costs
- Larger ethnic consumer base may not readily relate to Lake Anne Village's mid-century American design character
- 'Mom-and-Pop' businesses can be harder to finance and sustain over time

8.3. Ethnic Marketplace.

8.3.1. Description. Ethnic markets include specialty retailers, food suppliers and dining opportunities based around one or more cultural clusters. This concept is often found in a multi-lingual environment, and can include stores, businesses and professional services, and music and dance in cultural venues. While operators in an ethnic market may be willing to work in less conventional layouts, they typically require more affordable rents, and may not follow conventional store design and window displays.

8.3.2. Merchandising Focus. An ethnic marketplace can accommodate a variety of tenant types, including groceries and specialty foods, restaurants and cafes, and entertainment and cultural venues. Permanent businesses are often supported by ethnic event programming, such as the celebration of international holidays. From a physical perspective, this concept can be expressed through vendor stalls at events and permanent 'bricks-and-sticks' businesses.

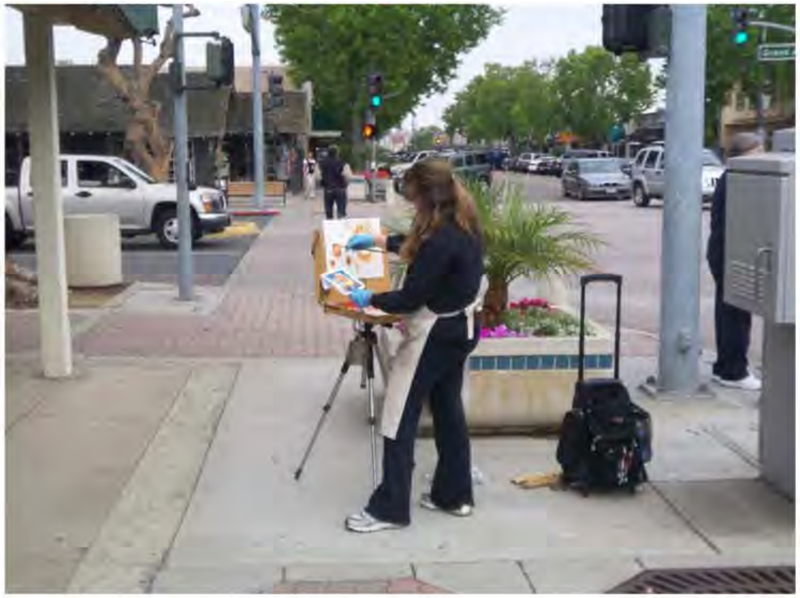
8.3.3. Link to Future Redevelopment. Continuation of this concept into future redevelopment of Land Unit A could attract other businesses through a long term clustering effect. Examples of this type of experience include Eden Center in Falls Church; the Korean enclave in Annandale; the multi-ethnic Washington, DC Farmer's Market located near the intersection of Florida Avenue and New York Avenue; and the concentration of Ethiopian restaurants, stores and clubs at 9th and U Streets in NW Washington, D.C.

8.3.4. Short Term Actions.

- Target vacant spaces for ethnic products and cuisine
- Develop ethnic culture-themed events for LAVC and Washington Plaza
- Review design standards to accommodate cultural influences on colors and materials, multi-lingual graphics/signs

8.3.5. Long Term Actions.

- Explore potential to fund an incentives fund for physical improvements and/or technical assistance for operators
- Focus an ethnic business incubator program for the LAVC



ADVANTAGES

- Would reinforce arts programs at Reston Community Center and Rose Gallery as a community asset
- Smaller scale arts-related components allows flexibility for changes and new concepts
- Arts and artists often pioneer and help to differentiate redevelopment districts
- Complementary to dining and restaurant uses

DISADVANTAGES

- Arts districts frequently require public subsidy, generate lower public revenues than other uses
- Rising costs and real estate values can displace arts- focused projects due to improving values

8.4. Local Arts District.

8.4.1. Description. Local Arts Districts are characterized by clusters of art galleries, studios, entertainment venues, and creative industry offices (e.g., architects, designers, advertising, media, etc.) Businesses and cultural venues are sometimes combined with affordable artist housing, allowing arts professionals to work and live in the same environment.

8.4.2. Merchandising Focus. In terms of tenanting, this concept includes commercial and non-profit art galleries, independent film cinemas, live performance theaters, 'creative industry' office space, and art supply and design product stores. These types of tenants are often supported by regular programming of open spaces with outdoor performances and public art displays.

8.4.3. Link to Future Redevelopment. An arts concept can reinforce existing uses in the LAVC, provide future thematic uses of Washington Plaza shops and open spaces, and complement greater redevelopment density in Land Unit A. Primarily focusing future commercial development on this concept will require a critical mass of approximately 20,000 SF of additional arts related uses, plus an events and marketing program focused around an 'arts identity' plan.

Further development of the arts may also suggest the need for affordable/subsidized artist housing and/or working studio spaces. Examples of affordable artist housing programs include, Westbeth Artists housing in New York City, the Chickering Piano Factory in Boston, the Arts District in Providence, RI, and artist housing in Peekskill, NY.

8.4.4. Short Term Actions.

- Utilize marketing funds to re-brand the LAVC as an arts center
- Initiate an outdoor sculpture program for the LAVC's public spaces and connections to the surrounding Lake Anne neighborhood
- Expand Reston Community Center programming with more performances in existing spaces to attract audiences

8.4.5. Long Term Actions.

- Create a permanent, and "right-sized" performing arts venue in the LAVC
- Institutionalize provision of additional artist studios and housing as part of future residential development program

ADVANTAGES

- Opportunity to showcase sustainable practices through both retrofits and new construction projects
- Design focus can be a prototype of new technology that complements conservation of modernist character
- Scale of LAVC is manageable for incremental improvements
- Consistent with LAVC history as a place for innovation

DISADVANTAGES

- May be difficult to organize comprehensive applications given complexity of LAVC property ownership
- Sources of subsidy funding may not be readily available
- Will require ongoing management to maintain visibility and encourage "next" projects
- Emerging science of green construction and retrofits still being developed – sources of information, technology, and application to be determined

8.5 Sustainable Development Demonstration

8.5.1. Description. Community-scale sustainable development is still a relatively new concept, with few existing U.S. prototypes. The concept of a sustainable development demonstration can be implemented in a number of ways – it could be physical (eg, demonstrations of green roofs, natural storm water filtration systems, solar energy storage, passive energy design); nutritional (eg, local restaurants, organic foods); or consumer oriented (eg, sustainable products and consumer goods).

8.5.2. Merchandising Focus. In addition to the physical use of sustainable building materials and energy systems, this concept lends itself to business development through the recruitment of 'green' products stores (eg, EcoGreen Living in Takoma Park, MD; Greater Goods in Washington, DC; EcoHaus in Seattle, Portland, and San Francisco); locally sourced restaurants (eg, Founding Farmers, Liberty Tavern); and offices for environmentally oriented non-profit organizations).

8.5.3. Link to Future Redevelopment. The demonstration of sustainable technology is more apparent in new construction projects, which would lend itself well to future redevelopment opportunities in Land Unit A. However, retrofits could conflict with the goals and policies of the Historic District Overlay in Land Unit F, which would complicate the 'greening' of existing buildings.

8.5.4. Short Term Actions.

- Target vacancies for recruitment of 'green' businesses
- Explore sources of funding for sustainable development demonstration projects (grants, tax credits, applicable technologies, etc.)
- Review window replacement needs against environmental and historic design standards to create appropriate guidelines
- Modify the LAVC 'brand' to focus on sustainable development

8.5.5. Long Term Actions.

- Develop partnerships with public and/or private sponsors to implement demonstration projects in LAVC
- Incorporate new technologies into ongoing LAVC maintenance and operations (eg, green roofs, solar power, wind, retrofits, storm water management)
- Convert RELAC system to geothermal or other form of sustainable technology

ADVANTAGES

- Specialized leasing niche could differentiate lower cost space in LAVC from other affordable area offerings
- Workers and visitors tend to appreciate local character and specialized retail and dining offerings
- No other center in Fairfax County addressing this need
- Can adapt to less conventional office spaces and sizes
- Initial co-working concept already in place at WeSpace

DISADVANTAGES

- Price-sensitive office use that may not be able to pay market-based rents
- May not justify 'Class A' construction standards, which could affect future office uses and leasing characteristics
- Limited space capacity (existing and future) may make it difficult to create "critical mass" of tenants and users
- Does not serve neighborhood residents

8.6. Start-Up Office Cluster.

8.6.1. Description. This concept focuses on workspace for start-up companies, entrepreneurs, non-profit organizations, and associations grouped in Lake Anne Village and its environs. The goal is to create an affordable office option by repositioning existing LAVC office assets, expanding business amenities, and developing shared management of operational needs.

8.6.2. Merchandising Focus. In addition to affordable office space, this concept is supported by a range of available food and beverage offerings, office supply stores, and professional services.

8.6.3. Link to Future Redevelopment. This concept could focus the future leasing strategy for existing commercial office spaces by targeting a niche not currently served in the Greater Reston market. Office uses also support food and beverage operators by expanding the daytime consumer market, complementary to, can draw audiences in evenings and on weekends.

8.6.4. Short Term Actions.

- Target upper floors and other vacant spaces for start-up business recruitment
- Explore job creation incentives for the LAVC
- Create a new office-oriented LAVC brand

8.6.5. Long Term Actions.

- Create and sustain additional start-up and business expansion business spaces in the LAVC
- Add more supporting services for startup businesses as well as retail and dining components, as possible

ADVANTAGES
- Would strengthen LAVC and environs as a residential district
- Stronger retail mix would draw and sustain more commercial activity to undersized Washington Plaza area
- Increasing available retail and services can add value to residential and commercial properties

DISADVANTAGES
- Conventional retail mix that is less likely to draw inflow traffic to LAVC
- Incremental residential and other density needed onsite in order to support expanded goods and services

8.7. Housing/Neighborhood Retail.

8.7.1. Description. This concept is a traditional mixed-use development strategy, including the addition of more multifamily housing to support the expansion of resident-serving neighborhood retail (pharmacy, dry cleaners, professional and consumer services, specialty retail and dining). It would take the current mix in the LAVC and broaden its offerings by adding complementary goods and services. The underlying tenet of this concept is that residential uses support retail, and that increased housing density will translate into more support for commercial businesses.

8.7.2. Merchandising Focus. Anchor at 25,000 to 50,000 square feet with supporting retail and service uses as described above.

8.7.3. Link to Future Redevelopment. The existing commercial areas in LAVC cannot accommodate a full-size grocery anchor, but a smaller anchor concept could be integrated into future redevelopment plans for Land Unit A. Additional housing density will also be required in order to build a sufficient customer base for an expanded resident-serving retail mix.

8.7.4. Short Term Actions.

- Retain and/or expand critical resident serving uses: pharmacy, bank/ATM, coffee shop, food and beverage, consumer services

8.7.5. Long Term Actions.

- Add more housing density to LAVC area to provide incremental market support for new retail and other resident serving uses
- Incorporate larger retail spaces into Land Unit A redevelopment plan to extend range and amount of resident-serving uses in LAVC
- Add parking as required

8.8. Preferred Commercial Development Concept. The general consensus of the September 8, 2010, Public Workshop participants was that a combination of the six commercial concepts would be more effective approach, rather than selecting and focusing on a single concept. While participants agreed that all six concepts have the potential to contribute to the repositioning of LAVC, the 'Food and Dining' concept was ranked the highest by participants as the most likely to strengthen the LAVC as a destination for residents and visitors. It was noted that one of the key advantages of developing a food and dining destination as a central concept for the LAVC is that it is highly compatible with the existing base of restaurants and food service operators. Other concepts were considered valuable supplemental strategies, but were not considered strong enough as individual concepts to carry a full commercial reinvestment program. Additional input from the Public Workshop participants regarding the preferred commercial development concept are summarized as follows:

- Food and Dining' would be highly compatible with entertainment and the arts, presenting an opportunity to develop cultural/art events that would complement the LAVC as a food destination
- 'Food and Dining' concept should be unique and include a variety of ethnic cuisines and specialty foods, with a focus on independent operators
- While establishing a 'Local Arts District' as the primary concept for the LAVC may not be financially feasible, the arts should be integrated into future physical improvements and better incorporated into a marketing and events program
- Incorporating sustainable development into future reinvestment activities is very appealing, as this concept would simultaneously reflect the tradition of innovation that was central to the creation of Reston and Lake Anne Village, and also resonate as a current innovation that would appeal to a wide range of visitors
- Funding for sustainable development demonstration projects will have to come from multiple sources; such projects may require a long time to implement, and therefore are unlikely to catalyze immediate change in the LAVC
- Viability of a 'Start-up Office Cluster' as a leading commercial concept is limited by concerns regarding overall financial feasibility, as well as the concept's ability to provide support and services to Lake Anne Village residents
- Future office users could be drawn to the LAVC by improved food and retail offerings
- Additional residential and consumer density is necessary in order to provide market support for additional retail and service businesses, regardless of the pursued combination of commercial concepts
- Centralization of commercial management in the LAVC is a necessary step to organize and implement the preferred commercial development concept