

# BUILDING & CONSTRUCTION

**NORTHEAST**

BUILDING A STRONGER REGION

## Breaking New Ground

*Two Dallas-based companies teamed up to develop the mixed-use Penrose Square community in the northern Virginia and Washington, D.C., area.*

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*“A lot of developers don’t want to partner with third-party landowners. Our philosophy is different in that regards – we embrace it, to be honest.”*

*> Jim Mertz, executive vice president*

## Breaking New Ground

**+** Two Dallas-based companies teamed up to develop the mixed-use Penrose Square community in the hot northern Virginia and Washington, D.C., area. *By Jamie Morgan*

Penrose Square will offer residents luxury living surrounded by restaurants, 30,000 square feet of retail shops and a supermarket.



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**> It took foresight from two Dallas-** based companies to create a joint venture for a project in northern Virginia. It was about six years ago, and Thompson Realty and Carbon Companies knew that the northern Virginia and Washington, D.C., markets were prime for mixed-use developments – but they also knew that breaking into the market wouldn’t be easy. So instead of operating in a Dallas office while courting far-away landowners, the two companies started Carbon Thompson Development. Carbon Thompson is based in Virginia, while

its two parent companies still operate in Dallas, offering support to their East Coast offspring when needed.

Carbon Thompson’s first opportunity came in 2005 when it closed on a deal to develop a portion of Moorefield Station – a 600-acre master-planned development. It includes a grocery store, 413 luxury apartment homes atop ground floor retail and banking institutions. The project’s residential units are nearing completion, bringing Loudon County, Va., its own urban center that soon will be accessible by the Washington, D.C., Metro

### **Carbon Thompson Development – Penrose Square**

[www.carbonthompson.com](http://www.carbonthompson.com)

**Project value:** \$150 million

**Site location:** Arlington, Va.

**Scope:** 800,000-square-foot mixed-use development

transit system. Jim Mertz, executive vice president of Carbon Thompson, says Moorefield Station allowed the company to establish itself in the Virginia and D.C. market.

“In this particular case, there were >

> some relationships involved that allowed us to look at a very specific opportunity,” Mertz says. “Through that relationship and through our work on the Moorefield project, there were other opportunities that were made available.”

One of those opportunities has been in the making since 2006 and is expected to be completed in May 2011. The site of the future Penrose Square development is owned by the B.M. Smith family, which

phy is different in that regards – we embrace it, to be honest,” it says.

**Local Excitement**

The community of Columbia Pike in Arlington, Va., is eager to embrace Penrose Square when it opens. Foulger Pratt is the general contractor for the construction, and the project is on time and under budget thus far, Mertz says. Carbon Landmark Construction is acting as construction manager.

The site will be home to 30,000 square feet of specialty retail shops, restaurants and 299 luxury apartments anchored by a Giant Food Supermarket. Once complete, the \$150 million development will provide luxury living and shopping to residents within the development and serve residents nearby, but the process in getting there took four years of preliminary work.

Before any foundations were laid, the site went through extensive negotiating and rezoning. The county had to approve a project that could not meet the requirements of the local form base zoning code mainly due to the presence of a loading dock and higher ceilings for a future grocery store to be developed as part of the project. Giant Foods had been operating on the site and had an existing 12-year lease at the time construction was slated to start. Carbon Thompson and Giant Foods

reached an agreement in which the store will close for three years and move back in when construction is completed.

“The good news was everybody wanted the project redeveloped,” Mertz says. “It was [hard] trying to develop a lease document where everyone could live with it. There were over four years of work on the lease document prior to even closing on the financing to get it ready to go.”

But Mertz says long waits are the

nature of the Virginia and D.C. market. In Texas, the usual wait is six months to a year before shovels hit the ground; in Virginia and D.C., two to four years is typical. The process tends to favor companies that have the capital to withstand drawn-out approvals.

“That’s part of the high barriers to entry that this market is known for,” Mertz says. “The deals are very complicated transactions and take a long time to get done. It takes a lot more capital to be able to survive anywhere from the two to four years that it takes to get through the development approvals process.”

Mertz says the high barriers to entry coupled with today’s strict bank lending environment have limited competition in the development market, leading to better opportunities for Carbon Thompson in its chosen locations.

Its third project, the Arrowbrook Centre, has been in the making for more than two years and will begin construction in 2011. Located in Fairfax County, Va., it will have more than 1 million square feet of office, retail and luxury apartments – and, as Carbon Thompson likes to say, it will be a “community for the 21st century.”

**The Carbon Companies**

The Carbon Companies is a fully integrated real estate development and management company comprised of several sister companies: Carbon Landmark Development, Carbon Thompson Development, Carbon Landmark Construction, Carbon Thompson Residential Management and Carbon Capital Partners. Together the companies offer development, construction, asset management, property management and acquisition services. ☉

**Cates Engineering** has extensive experience in designing mixed-use projects. Its growth over the past three decades has come from close relationships with the construction wing of the industry by implementing value-engineering practices from the very start of the design process. Cates Engineering is licensed across the country in more than 20 states.



was looking to redevelop the old Adam Square Shopping Center that once occupied the property. More than that, the family was looking for a developer that would partner with them in the development. “People feel comfortable with the way that we do business and that we are willing to embrace land sellers that want to stay involved with the development going forward,” Mertz says. “A lot of developers don’t want to partner with third-party landowners. “Our philoso-

## Penrose Square | Arlington, Virginia



drawing by rounds vanduzer architects



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**Congratulations to Carbon Thompson, Foulger-Pratt and the entire project team for their outstanding work.**

Columbia Pike, Arlington's International Main Street, is a bohemian mix of the old and new that truly represents Arlington's diversity. Classic art deco buildings, small-scale, specialty retail and Arlington's greatest concentration of ethnic restaurants make the Pike a unique living and working experience. The Pike feeds traffic to several large federal government agencies and more than 40,000 commuters travel on it every day.

Heffner Architects was tasked with the development of the approved 4.1 zoning submission for this 4.15 acre site in the heart of the "Pike". Working closely with the development team, general contractor, neighborhood civic associations and zoning staff, Heffner Architects developed the 4.1 resubmission package and construction documents for Penrose Square. Heffner Architects will continue with construction administration throughout the completion of the project.

Penrose Square is a mixed use development consisting of 298 residential units, 69,309 SF of grocery store, 25,455 SF of ground floor retail, 17,761 SF of public square and 712 spaces of structured, multi-level parking.

The development of Penrose Square is one of the first few steps in Arlington's plan to revitalize Columbia Pike into a lively commercial boulevard with a mix of ground-floor retail stores, sidewalk cafes, tree-canopied sidewalks and upper story homes and offices.



### CATES ENGINEERING STRUCTURAL CONSULTING

*Cates Engineering is proud to be a partner with Carbon Thompson Development on their most recent endeavors.*

*Together we have worked to produce **high quality, environmentally friendly and cost effective**, urban infill design solutions. Cates Engineering looks forward to helping Carbon Thompson open Communities for the 21st Century.*

**Cates Engineering** provides structural consulting services nationwide, for a wide variety of building types and systems. Our diversified staff utilizes the latest analysis and design methods and software to provide **cost-competitive designs** that exceed our clients' expectations.



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