

memorandum

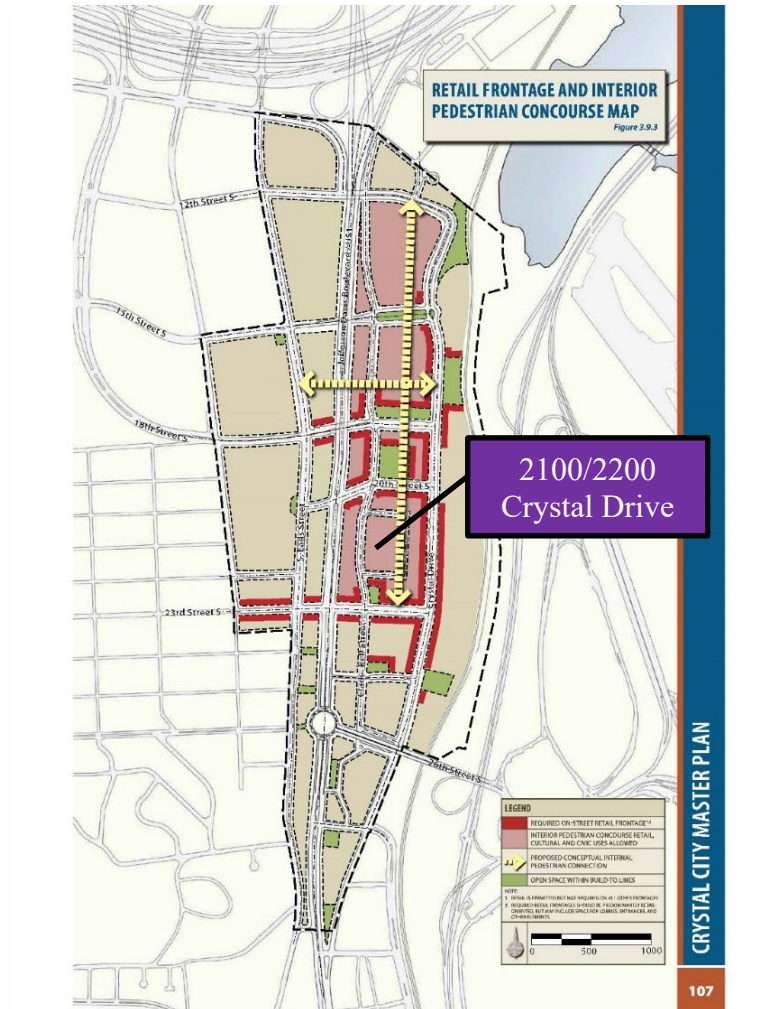
TO	Marc McCauley Emma Martin	DATE	June 1, 2025
FROM	Matthew J. Allman	EMAIL	MJAllman@Venable.com
CC	Jay Corbalis	PHONE	703.905.1446
RE	Proposed Adaptive Reuse of Vacant Office and Crystal Drive Pedestrian Entrances		

I. Overview of Adaptive Reuse Proposal

This memo evaluates JBGS’ proposal under Arlington County’s new Adaptive Reuse Policy to convert over 500K SF of vacant office space into 195 new residential units and 344 hotel rooms, providing the neighborhood with more places to live and stay. As part of the proposal (the “Adaptive Reuse Proposal”) the design reuses the two existing pedestrian entrances to the Crystal City Underground to introduce new residential and hotel lobbies essential for the viability of the proposed uses to engage Crystal Drive. This analysis demonstrates that the proposal aligns with adopted County planning guidance, which supports the revitalization of National Landing into a more vibrant, pedestrian-friendly, and economically resilient community and allows for targeted modifications to the Underground to reflect evolving neighborhood conditions.

II. County Policy Guidance***Crystal City Sector Plan.***

A major theme of the Sector Plan is the improvement of the pedestrian realm by creating a more inviting and active street environment. Its retail recommendations support this theme. The Sector Plan (page 106) notes that “retail street frontage is an indispensable component in any active neighborhood.” Land Use Recommendation 4 (page 28) calls for designating specific areas in Crystal City for ground floor retail and locating interior retail “to not detract from street level retail areas.” Consistent with this, it notes that demand for internal retail spaces was expected to stagnate or decline, while the strongest demand for new retail would be in street-level and hybrid spaces. This guidance is reflected in the Sector Plan’s Retail Frontage and Interior Pedestrian Concourse Map (Figure 3.9.3, below), which shows areas, including the 2000 block of Crystal Drive, where ground floor retail is required. It also notes that frontages where retail is required should be predominantly retail but may include space for lobbies, entrances, and other elements.



Overall, the Sector Plan established seven goals outlining the key aspirations for revitalizing the neighborhood, all of which are supported by the Adaptive Reuse Proposal:

Sector Plan Goal	Adaptive Reuse Proposal Contribution
1) Create a high-quality public realm that strengthens the sense of place	Improves the public realm by adding new, active uses on Crystal Drive.
2) Provide a mix of uses balancing office, residential, retail, cultural, and civic uses among several defined neighborhood centers	Replaces obsolete office space with new residential and hotel uses.

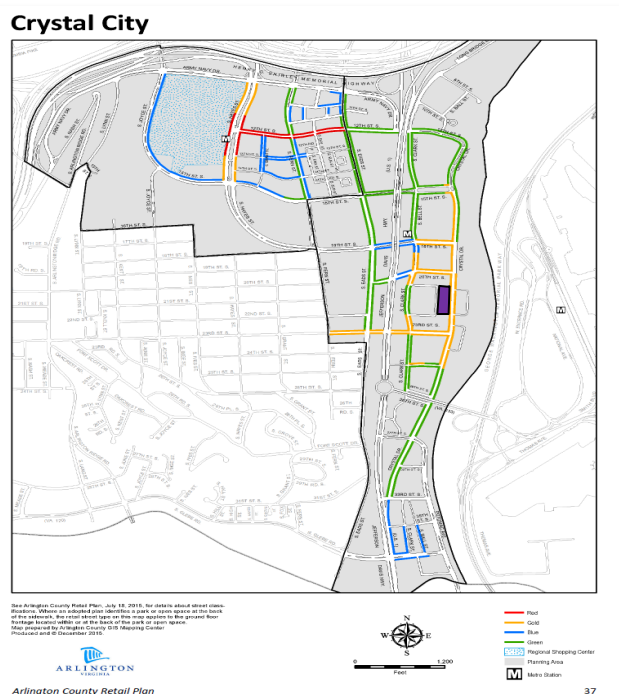
3) Relate architecture and urban design to the human scale	Adds pedestrian-scale lobbies on Crystal Drive in line with existing retail.
4) Enhance multimodal access and connectivity	Adds activity to Crystal Drive, the multi-modal spine of National Landing, directly adjacent to an existing bus-rapid transit stop, two bikeshare stations, the planned VRE/Amtrak station, and the CC2DCA pedestrian bridge.
5) Incorporate sustainable and green building principles into all urban and architectural design	Repurposes existing buildings, reducing embodied carbon emissions and avoiding the waste associated with demolishing and rebuilding these structures.
6) Preserve the integrity of the single-family neighborhood to the west	Provides new, multi-bedroom units that are typically unavailable in new high-rise product, relieving demand on existing single-family neighborhoods.
7) Ensure Crystal City's long-term economic sustainability	<p>Converts vacant properties to productive uses, increasing tax revenue and adding demand for retail and other services.</p> <p>The addition of new hotel rooms will address a major pain point for existing and prospective office tenants and will promote the economic sustainability of remaining office stock.</p>

Related to the Underground, the Crystal City Sector Plan provides nuanced and multi-faceted guidance. It notes the uniqueness of the Underground as an interior retail street providing weather-protected access to hotels, office and residential buildings, retail, and public transit. At the same time, the Sector Plan recognizes the need for the Underground to evolve as the neighborhood grows. For example, the Illustrative Concept section of the plan (page 32) notes that “sections (of the Underground) may be relocated in some instances, to adapt to redevelopment above ground.” The Bicycle and Pedestrian Accommodation section (page 52) recommends preserving the Underground’s connectivity “with the understanding that the current layout may need to be modified to support the area’s redevelopment.” The Public Realm section (page 89) notes that “new development that replaces existing buildings will require an evolution in both its (the Underground’s) form and program.” Transportation Recommendation 6 (page 29) also echoes this sentiment, noting that the Underground should be “adequately flexible to permit creative design solutions for new development.”

Under the Adaptive Reuse Proposal, the existing pedestrian entrances to the Crystal City Underground fronting on Crystal Drive would be converted to residential and hotel lobbies and as a result would therefore no longer provide an east-west connection to the north-south segment of the closed retail Underground corridor. There are no site plan conditions, easements, or other encumbrances that mandate public access through the two entrances which are proposed for adaptive reuse.

These new lobbies on Crystal Drive are essential to the viability of the overall Adaptive Reuse. To be viable, both the residential and hotel programs require dedicated, accessible, safe and secure entrances on Crystal Drive. This is essential for guest and resident wayfinding and arrival, access to transportation, and most importantly safety & security. The design of the hotel lobby is subject to approval by the Hotel Flag and a dedicated lobby for hotel guests is a brand standard requirement of the Hotel Flag.

Arlington County Retail Plan. The Arlington County Retail Plan was adopted in 2015 to replace the Rosslyn-Ballston Corridor Retail Action Plan. It “describes a vision for the retail environment in Arlington” and serves as a “guiding plan for development of ground floor spaces” (page iv). In general, the plan promotes street-facing retail, noting that “retail thrives in a well-designed and well-managed public realm” (page 6) with a streetscape that promotes visibility and opportunities for short-term vehicle and bicycle parking. Further, the plan notes the importance of compact and linear street frontages, where increased pedestrian activity helps activate the street and provides greater exposure to businesses. The plan notes that at the time (2015), about 50% of retail in Crystal City was located within the Underground with limited to no visibility from the street, but that ongoing redevelopment is expected to increase the amount



of external retail with street frontage and visibility. Indeed, the entire implementation section of the plan is based on the concept of a hierarchy of retail “streets.” It includes recommendations for which streets within the county’s urban centers should contain retail, and at what intensity. For the relevant block of Crystal Drive (highlighted in red below on the Retail Plan map), the plan recommends a “gold” street type, which it defines as “streets planned for any type of retail use or retail equivalent as permitted by the Zoning Ordinance” (page 22).

CMRI 2.0. In response to pandemic-era challenges to the County’s office market, Arlington has advanced the Commercial Market Resiliency Initiative (CMRI) to address the current crisis of office vacancy and promote the conversion of obsolete commercial buildings into more productive uses. To do this, the CMRI aims to modernize Arlington’s regulations related to land development, creating a faster, more flexible approval process for such conversions. One way the CMRI facilitates this flexibility is by recognizing the benefits to the County of repurposing obsolete office buildings when considering the application of sector plan goals, and “limiting or amending these goals and policies if such aspirational requirements are viewed as in direct conflict with economic viability of certain project types” (page 4 of the County’s adopted policy guidance on adaptive reuse). Policy V.8 (page 5) reinforces this approach by noting that the application of County goals on adaptive reuse projects should “reflect the Core guidance of this policy that repurposing obsolete office buildings is a public priority... therefore the policy goals, site plan standards and requirements applied to Adaptive Reuse projects must reflect tradeoffs necessary to achieve project viability.” In this way, the CMRI supports adaptive reuse strategies to address the oversupply of office space and promote economic resilience. The conversion of 2100 and 2200 Crystal Drive into hotel and residential uses with activated lobbies on Crystal Drive directly supports these objectives, contributing to a diversified and sustainable urban environment.

III. The Evolution of National Landing

The Crystal City Underground was a product of a time when auto-oriented design and suburban style development were the norm. The result was a streetscape with wide roads to promote vehicle throughput and blank walls devoid of activity. Urban planning has since evolved away from this model, and for several decades National Landing has been working to retrofit the public realm to promote a more outward-facing, pedestrian-scale environment. The County has played a major role in this evolution by redesigning streets to enhance pedestrian convenience and safety. This includes demolishing pedestrian bridges and underpasses, widening sidewalks, removing “slip lanes,” and converting many of the streets in National Landing from one-way to two-way.

The \$150M Crystal City East Metro Entrance project currently under construction, which will result in a new pedestrian entrance to the metro station on Crystal Drive, is also part of this transformation. That project was designed to serve as a portal to the new, street-facing uses on Crystal Drive, reducing demand on the Underground as a Metro entry point.

External trends have influenced this evolution as well. Enclosed malls have been in decline for

several decades, as retail habits have shifted online and towards experiential and open-air retail. The Underground has not been immune from these pressures. Sales have been declining since before the Sector Plan was adopted, as evidenced by the closure of Safeway in 2005, and the Underground has operated at a loss for many years. The pandemic accelerated this decline as remote work further reduced the number of office workers in the neighborhood, leading to a decrease in foot traffic in the Underground and inability for tenants to cover basic operating expenses such as utilities and real estate taxes. Soaring vacancy and increased costs ultimately led to the complete closure of retail in the Underground in 2024, and the drop in activity has led to increased security concerns despite best practices and investments in additional monitoring and patrol.

Office occupancy in National Landing has faced similar challenges. Occupancy in JBGS' National Landing office portfolio has dropped from 95% in 2011 at Sector Plan adoption to 88.7% in Q1 2020 before COVID, to 85.1% in Q4 2022, to 76% today. This decline in occupancy has continued even though JBGS has reduced its office portfolio by over 1 million square feet of properties taken out of service for redevelopment or adaptive reuse. If 2100 and 2200 Crystal Drive were added back to the office stock, occupancy would decrease to 69%. The County Board has clearly recognized these trends by passing the Commercial Market Resiliency Initiative in 2024 to encourage the conversion of underutilized office spaces to more productive uses.

For its part, JBGS and its predecessors have made significant investments in new residential units, street-level retail and an improved streetscape to help arrest these trends. This began with the addition of street level retail on the 2000 block of Crystal Drive in the early 2000s and continued with the development of the "Central District Retail" project on Crystal Drive between 15th and 18th streets, which added restaurants, a grocery store, and movie theater. The Water Park project in 2022 continued this trend by improving the existing park and adding a variety of food vendors to the neighborhood. It was followed by two new residential towers with a retail "woonerf" at 1900 Crystal Drive and Surreal, a standalone restaurant space across Crystal Drive from 2100/2200. Since 2018, JBGS has delivered more than 1500 new units and over 150K SF of new, street-level retail on Crystal Drive.

Converting unused office space to residential and hotel uses will help generate demand for the new, street-level retail on Crystal Drive and will increase activity outside of regular business hours. Market experience confirms these trends. While demand for retail in the Underground has struggled post-pandemic, leasing has been strong for the street-level retail spaces JBGS has delivered in recent years.

IV. Analysis

The Adaptive Reuse Proposal is clearly consistent with the County's planning guidance. Repurposing two vacant office buildings into new residential and hotel uses achieves the CMRI goal of improving the County's fiscal position by replacing obsolete buildings with more productive uses. The continued focus on enhancing the public realm by promoting street-level

retail over interior retail and providing new street-facing building lobbies as an activity generator is consistent with the Sector Plan's and Retail Plan's goal of promoting vibrant, pedestrian-oriented retail streets. Finally, the conversion of two existing entrances to the Underground fits squarely within the Sector Plan's guidance regarding the Underground, which recognizes the need to modify the Underground to facilitate redevelopment of the buildings above.

More broadly, the proposal furthers the decades long evolution of National Landing, supported by significant public and private investments, transforming it from an auto-oriented, office-focused submarket to a vibrant, mixed-use, pedestrian-oriented neighborhood with increasing foot traffic outside of traditional business hours.

The residential building includes larger units, with two-bedroom and three-bedrooms layouts, designed to accommodate a range of residents, including young families who want to stay and grow in the neighborhood. The hotel will offer much-needed overnight accommodations for both leisure and business travelers, addressing a well-documented shortage noted by the local office community, as there are currently 401 fewer hotel rooms available in National Landing than before COVID and delivery of Amazon HQ. The Adaptive Reuse Proposal will also benefit the County economically, by replacing two vacant buildings with productive uses that will generate needed tax revenue to fund services and improvements for the community.

V. Conclusion

The Adaptive Reuse Proposal aligns with Arlington County's strategic vision as outlined in the Crystal City Sector Plan, the Arlington County Retail Plan, and the Commercial Market Resiliency Initiative. Broader trends have made continued office and underground retail use on this block untenable. By adapting to current market conditions and prioritizing street-level engagement necessary for the viability of the new uses, this project advances the ongoing transformation of National Landing into a dynamic, pedestrian-friendly, and economically resilient community.