

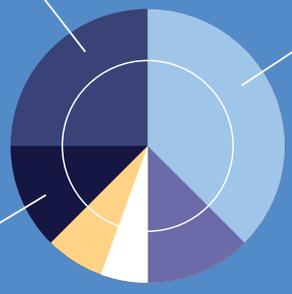


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Redbrick LMD Spends More Than a Decade Bringing OZ-Located Bridge District into Existence

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

In 2011, Tom Skinner and William Passmore, two of the three founders of real estate owner, developer and manager Redbrick LMD, stood atop a parking garage in Washington, D.C.'s Poplar Point and saw a vision for a sliver of vacant, underused land adjacent to the structure.

There, across the Anacostia River from the nation's capital's Navy Yard district, Redbrick's founders dreamt of a 2.5-million-square-foot multifamily, retail and office neighborhood, a neighborhood designed to be sustainable, inclusive, healthy and filled with opportunity designed to attract a diverse group of residents and tenants.

Redbrick has worked to make that vision a reality, bringing the parcels of land together during the past decade for what will be known as the Bridge District. The developer broke ground May 19 on the first piece of the endeavor, The Douglass, a 750-apartment, mixed-use multifamily housing property that will host market-rate and affordable housing along with retail.

The Bridge District sits in an opportunity zone (OZ) in Ward 8 and used equity capital from a Redbrick-sponsored qualified opportunity fund (QOF) to finance the development. Skinner said bringing together the various parcels of land to bring the vision to bear was the greatest challenge faced so far.

"The time, effort and tenacity it took over a decade to acquire the parcels and work with city leaders, community members and other government agencies to get it zoned and entitled to the point of commencing construction today was significant," Skinner said. "The Bridge District and two physical bridges—the

Frederick Douglass Memorial Bridge and 11th Street Bridge—connect the Capitol Riverfront, Buzzard Point and the Navy Yard with existing neighborhoods south and east of the Anacostia River. The Bridge District is also a bridge to new job and economic opportunities for local residents and represents a bridge to new ways of living."

All Down the Line

The Bridge District marks the latest growth opportunity in a series on or near the Washington Metropolitan Area Transit Authority's (Metro's) green line corridor, beginning in 2007 with the 2.1-million-square-foot U.S. Department of Transportation headquarters building and followed a year later with the opening of Nationals Park baseball stadium. Those facilities sit across the river from the Bridge District. However, the growth, expansion and revitalization of the community has already begun to cross the bridge to Ward 8, which includes a green line Metro stop. Opening last year, the Frederick Douglass Memorial Bridge, which crosses the Anacostia River and replaces the South Capitol Street Bridge, disembarks at the northwestern end of the Bridge District.

Skinner, Passmore and cofounder Louis Dubin envisioned this path of progress from their 2011 vision when Redbrick acquired the first parcel of land in

2013 and subsequently acquired approximately 8 acres through multiple transactions.

The Douglass is the first of five multifamily buildings with retail planned for the Bridge District. Plans for the remaining phases include two potential office buildings with a focus on the cybersecurity industry. All buildings will aim for net zero carbon from operations, exceeding International Future Living Institute and LEED Platinum standards as they stand today.

“The OZ structure meshes with our strategic focus to think long term,” said Trisha Miller, executive managing director of capital markets for Redbrick. “Our investors will own this for at least a decade, so we put a lot of thought into what will drive value a decade from now. We believe buildings constructed today with a net-zero focus may stand a higher likelihood of trading at a premium a decade from now for many reasons.”

In The Douglass, 80 apartments will be affordable at 50% and 60% of the area median income of the D.C.-area’s own Washington Metropolitan Statistical Area 2021 Median Family Income standard of \$129,000 for a household of four.

The first phase of construction at the Bridge District also includes Sandlot Anacostia, one of several D.C. locales under the Sandlot brand to deliver a cultural arts and entertainment venue. The Bridge District location will host shipping container bar and shipping container kitchens in a 25,000-square-foot venue that allows for live entertainment. The site will offer commercial kitchen space to Black-owned restaurants and chefs as well as Black-owned wine and spirits companies among the beverage offerings. A food truck and trailer will also help bridge the food desert gap in Ward 8.

Building Community

While the Bridge District is a massive undertaking, Miller said Redbrick strives to be a good neighbor in the community. The developer hosted hundreds of

community meetings before sinking shovels into the ground. Among the lessons learned in those meetings was the need for affordable housing that allowed multiple generations to live together, leading Redbrick to offer approximately half of the affordable units as three-bedroom apartments in The Douglass. The meetings also helped Redbrick refine its plans with a focus on local job creation and hiring local contractors when appropriate.

Miller said emphasizing health and wellness, having a positive social impact, focusing on the environment and bringing capital into an underserved community are exactly what Redbrick believes OZs were designed to do.

“We’re quite passionate and very excited about it,” Miller said. “We’re really striving to be everything that this legislation was intended to deliver.”

Skinner agreed. “Redbrick has immersed itself in the neighborhood as we strive to be a positive and productive member of the community for the next 10 years and beyond,” Skinner said. “The OZ structure requires a long-term vision of developers and therefore we work hard to be viewed as constructive partners to the community. We have conducted well over 200 meetings with community leaders and members to gain an understanding of what they believe will serve the community well and we continuously work toward meeting their expectations.”

Kristina Noell, head of the Anacostia Business Improvement District (BID) worked closely with Redbrick, providing insight about the area in addition to the meetings to help develop the site.

“Redbrick has been really successful in galvanizing different organizations and having discussions, bringing in the right partners to pull people together,” Noell said. “In an evolving community, there’s other things to take into consideration, including small businesses. We want to make sure they are sustainable and enhance the uniqueness of the community that exists.”

Noell said Redbrick has strived to bring that sort of balance. “We’re very honored to work with a developer that is engaged and committed to the partnership with the Anacostia BID and broader community, continuously looking at ways to be creative and crosscutting in ‘how do we create as much balance as we possibly can?’” Noell said. “They really care about the community and it’s great that they don’t just talk, but do.”

Redbrick, in part through Sandlot, has worked to participate in the Anacostia BID’s creation of an arts and culture district “to highlight the cool things that are already there and what’s to come,” Noell said.

Noell is excited to see improved access to the adjacent Anacostia Park, a national park which hugs the river’s coastline where the Bridge District is situated.

“I love them for wanting to turn a service road that’s near the Bridge District into an arts promenade which will create another entry point into the park,” Noell said. “It’s going to be beautiful.”

Financing

OZ equity financing will be used in the construction of the Bridge District. Since the lengthy timeline to acquire the parcels of land predates the 2017 enactment of the OZ legislation, the incentive proved to be more of an additive than an inspiration for Redbrick.

The Douglass is fully capitalized with a combination of both equity and debt. The equity has been raised in QOFs.

“We utilize low leverage of approximately 35% to 45% during the construction phase and intend to refinance with permanent debt of approximately 60% to 65% upon stabilization of the building,” Skinner said. “We intend to utilize a similar financing structure for the construction of subsequent parcels at the Bridge District, with equity capital raised via a series of OZ funds to be offered over the next several years.”

Skinner said the OZ structure has been beneficial as it has the potential to further enhance the returns to investors and attract capital that is aligned with the intent of the project.

“We are executing on a long-term vision to develop this neighborhood and the 10-year hold requirement of OZ capital aligns exceptionally well with the vision,” Skinner said. “In addition, the OZ structure magnifies the ability to attract patient capital seeking to deliver a long-term positive and meaningful impact to the community, consistent with the intent of the legislation.”

The first residents are expected to move to The Douglass by the end of 2024. The seventh and final Bridge District building is targeted for completion in 2028. ❖

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