

Industry Insight: Grant Epstein of Community Three Development

by Ken on 5/14/2010

With a fresh Georgetown MBA degree in hand, earned at the end of his seven year stint as an architect at Torti Gallas, Grant Epstein is clearly not a man content to enjoy the quiet life. And still it seems ambitious that three years after starting his own development firm, Grant has two completed condo projects under his belt and at least three more in the wings. Grant spoke with DCMud about development, local architecture, and the pleasures and pitfalls of being one of the few developers to start new condo projects over the past few years.

Tell us about the background of Community Three Development. How did it come together?



Grant: I was an architect at Torti Gallas and Partners for seven years, and decided that I wanted a little more of the process of building. So I went to Georgetown, got an MBA, and talked with John Torti and Tom Gallas about starting this company. We created a business plan, and thought that our ability to visualize things before they 'were' was something of value, so we decided to start Community Three Development, the three of us. That was three years ago.

We really wanted to do projects that we thought other developers wouldn't do, ones that took historical sensitivity and design innovation and community outreach - things that were very complicated, because we thought our talents could really help in those situations, like with the church here [The Lofts at St. Monica's]. It takes a lot of thinking and design and experience to craft something on the inside of this church that still looks like a church, but now has a new use.

What was the primary focus of your work while you were at Torti Gallas?

Grant: I was doing town planning and I did a lot of work on transit-oriented development, military family housing, Hope VI work--basically making neighborhoods all over the country. I worked on Twinbrook Station and King Farm. I did a lot of work in San Diego, so I traveled a lot. A lot of it was community outreach, doing charrettes, finding out what the issues were in the neighborhood, learning about the vernacular architecture and creating neighborhoods that fit in appropriately.

You left Torti Gallas in 2004, before the downturn. Was that insight on your part about the oncoming drought, or had you always had your eye on development?

Grant: It had nothing to do with the oncoming drought. It was really about me trying to fulfill my goals professionally and personally and academically. In retrospect, it was a good time for us to learn. We got to learn while things were slower. We were going to make mistakes. As a developer starting out you can't make those big mistakes. Your first project has to be a success. That's a lot of pressure but because of the way the economy was, we could take it little by little and learn, be more cautious and conservative and make sure we were doing everything to make that project a success. In retrospect it was a good time to do it.

When did you start acquiring developable land?

Grant: After I finished business school. We bought our first property at the beginning of 2007.

And were there a lot of mistakes on that first project?

Grant: Tons! Tons of mistakes.

Did that make you think twice?

Grant: [Laughs] Yeah, I thought twice. As an architect you have to solve problems with design issues. As a developer you have to do that and you also have a lot more to grasp; sales, construction, the community. But all those things piled together, it's still solving problems. Designing things that solve those problems - that keeps me going every day. I come to work and it is different every day no matter what. Some days it's really down, some days it's really up...but I get to make that choice. I get to make those decisions that ultimately affect success. It's stressful, but I think I'd rather have it that way than not.

You really love this.

Grant: I love it! I absolutely love it. I have a lot of friends who say "thank God it's Friday". I hate Fridays. Not because I don't want to go home, but because I didn't get to do enough this week. You don't feel that if you don't like your job. I work pretty much seven days a week. I wake up in the morning and there's another design problem to solve. I used to feel that way with architecture too.

Do you think a background in architecture is central to good development?

Grant: In our development it is. I look at details very closely knowing that we live in a builder's world where buildings are made of 2,000 parts instead of 20,000 parts like they were 50 years ago. So you've got to be more careful when you design the elements of the building. Having an architectural background I think allows me to see how to use those fewer elements in a way that makes sense and is efficient. I think it also allows me to see a broader picture in terms of all the stakeholders involved. As an architect you're really an ambassador for creation. You've got the community, economics, zoning, historic preservation, neighbors, market - all those things you're trying to get the design to say. As a developer you're trying to do those things as well, but you also have a financial stake in the matter which some would say makes it more serious. Architects are trained for those things and I think that makes you more qualified or more equipped to develop.

Tell us about your process.

Grant: I'm involved in every step from beginning to end, from acquisition to close-out and even beyond, as a developer should be. We do all the design in-house. We do it in a charrette-type format where we sit down either at the site or at our office and spend an intensive day trying to put up every idea we can possibly think of. Generally what that yields is the major issues. A lot of times the solution isn't readily known, but the issues are. Then we continue to refine and refine based upon those issues to come up with a strategy. We take that strategy and start to make it real. We basically do all the schematic design in-house in order to figure out all those issues and



further details that come up. Then we go to the community. We say “look, this is what we’re planning to do” because we don’t live in a vacuum, we live in a community and it is one of the stakeholders in any project. We build the project and we sell it and move on to the next one, but the people in the neighborhood are with the project as long as they’re here and it’s important to them. We know that. We also work in historic districts so we work with historic preservation, zoning, planning, all right at the beginning so we can understand what the right thing to do is. It sounds altruistic, but if you do the right thing the end product will be fine. And we’ve proven that. So, then we have an architect, engineers, civil, mechanical, all work with us to do the detail drawings. I’m the point of contact with the contractor, so I basically do the oversight on the job. I’m there during the first stages of construction every week, answering questions, making further design changes on-site, and toward the end of the project I’m there every day, I do my own punch lists, I stage in-house, we do all the brochures, marketing, everything from start to finish we do with the purpose of making it a complete work.

What was your design philosophy as an architect and what is it now that you’re a developer?

Grant: [Pauses] I think any architect who says their design philosophy is constant is lying. I think your philosophy matures throughout the course of your work. That’s not to say you’ll change from a modernist to a traditionalist, but architecture is an experience-based field. That experience is different for everyone and surfaces directly in the design. It’s become more refined I think. The experience of doing residential units has taught me more about the way soldier buildings work. The bulk of the buildings in DC are soldier buildings like townhouses, small apartment buildings and the like. My education at Notre Dame highlighted public building design from a more academic point of view. I’ve come to understand a lot more about the nuts and bolts that go along with designing living spaces. I think that’s allowed me to be more holistic in the design process. There’s a big picture item about how a building is perceived from the street, but there’s also a small thing about how the kitchen sink is next to the window so you can look out.

Do the architect and the developer ever spend any late nights arguing with one another?

Grant: [Laughs] All the time! All of the time! If you’re a pure developer you’re interested in the economic outcome, if you’re a pure architect you’re interested in the aesthetic that becomes the project. I’m not saying that architects and developers shouldn’t play those roles, I think they need to wear both hats. If you’re designing, you need to understand the economics and if you’re developing, you need to understand the design. It’s that dialogue I have internally that makes this fun for me. It’s really the reason I chose to change fields. That dialogue keeps me going at night. It keeps me up at night... but it also keeps me going.

Given the dramatic drop in land prices during the period when you started developing, was there a window of opportunity to become a serious development firm more quickly?

Grant: I would tend to agree in a general sense that land prices went down, however in the district I think in the up-and-coming neighborhoods the opposite happened. We found that people were expecting 2004 prices in 2008. I think that still exists. There are some big parcels that yes, have gone down in value and are available but we like to go into a neighborhood and there are very few parcels that are in neighborhoods that are the right size and were drastically hit by the downturn in terms of land price, at least in our experience. You have to get the land at the right price. Because Washington’s such a strong economy nationally, land prices are still elevated. We work very hard to find opportunities where land is at the right price to sponsor the development. It’s a block by block situation in this city and a case by case situation.

How do you assess the current market and where do you think development goes from here?

Grant: The criteria for lending has obviously become more strict. There are definitely people lending out there. Most of the smaller regional banks are still excited to do development deals. Once you get over a certain dollar amount they can’t



handle it, so those deals are the ones that have really suffered. We've had relationships with financial institutions that have been wonderful in the past and they just don't have a process for lending anymore. I think they want to do business but can't. But even in this economy, if you've got a good plan and a good project and team, it's worth betting on. I think that our lenders see that... at least I hope they see that! Everybody's got to work harder to do what used to be done a lot easier. That doesn't mean it can't be done. I'd be lying if I said I didn't want it to be easy but it's not and we have to find a way to make it work, so let's figure it out together. It's painful, but it can be done.

Are you expanding in the area of commercial development?

Grant: I see a lot of empty office buildings and retail spaces around the city. I think there are opportunities everywhere, but I think there are more for residential development than commercial. I think that will change, but right now there's a lot of available space that needs to be absorbed before we build more. I think there will be a market for smaller commercial space as small businesses grow and start up again. And I don't think those are tenants who generally go into a 4,000 s.f. office space. Unfortunately it's directly tied to the lending and for the moment I don't see the lending becoming a reality, at least in the next few years. That's my personal opinion. I hope the commercial sector becomes healthy.

What attracted you to The Nine project?

Grant: The property I think was built in the early 1920's or 30's and it was a plumbing supply store. Over the years it changed hands a couple of times and in the 80's it was a barber shop. It got run down, neglected, unused for about ten years and it showed. What was most intriguing was the 1850's carriage house that was on that site as well, and the horrible condition it was in. It sits on Naylor Court which is one of DC's named alleys where people live, and which has a long and great heritage in that neighborhood.

I could see something there...that it could be. It had some very interesting zoning and site issues because it was a fairly narrow lot, but we did a charrette and we found a way to make a two-sided building that could help to bring some life back to Naylor court on that side. That was our goal. We completely rebuilt the carriage house with the original bricks because it was very unsafe. We even put in the steel beam and hayloft door using old pictures we'd found. Now there are two new residents who live on Naylor Court (pictured at left, pre-construction). A 4 unit building with about 3,000 SF of commercial space also allowed us to learn a lot. It was a fun project.



And M Street Flats?

Grant: M Street was a little different. It was an 1880's mansion that became a crack house, in the 80's, I believe. It was part of Operation Fix It in the 90's and they cleaned it up a bunch but it was still vacant. Somebody had begun to do some development there to turn it into additional units without permits or plans. Obviously, they were shut down.

We bought the building and saw it as an opportunity to get creative with the zoning ordinance on this big lot. What we found after designing and designing it, was that there wasn't enough light in any of the units because it was a row house lot and the building was big, and we couldn't do it. We tried to think about it in a little different way, as a building with a courtyard in the middle where we could get multiple layers of light into the units and at the same time provide outdoor space, something that was very rare for condos in the city. So we found a solution that made ten absolutely unique units that had enough light to support them. It's one of the things, I think, that makes our projects a little different than others.

We'll do that at the [Lofts at St. Monica's] as well. That's why I think people like town houses. Even though they tend to look similar from the outside, inside they're all different. They each have their own character. I think that people buying condos should have the same experience. Instead of walking down a corridor to unit 107 that's the same as 207, 307, 407, 507, your unit is unique, it's one of a kind. People can go through the building and find a unit they can identify with. It fits their lifestyle. That adds value. By having something unique as opposed to cookie cutter, people can have an emotion about it rather than a need or a financial decision. Those are important, but buying a house or a condo is a position of pride. We want people to feel that sense of pride when they choose to live in one of our properties. That's what I would want. This is going to be my house. It's not going to be anyone else's. I think people need that.

At St. Monica's, was it an obvious choice to re-purpose some of the architectural and design elements?

Grant: I think so. Some people won't want stained glass windows in their home. I don't think they should look to buy in a church then. I think there are people who will identify with the unique nature of each of the units. We want to keep the character of the church. It will always have the church form and we shouldn't be afraid of it. That was part of the appeal. This is a very fun project. The design issues are so complicated, because you're turning a commercial building or a public building into a residential building. The systems are completely different, the way the building was built is not the way you need it built for its new use, and how do you take advantage of all those things on the inside and make sure you don't destroy the hundred year old heritage that's part of this property? And do it all within a budget? It's a very complicated equation. Maybe I'm a glutton for punishment but I find that fun. Those are the projects we look for.



So what's ahead for you and Community Three Development?

Grant: We've got a number of projects in the works. If I told you about them I'd have to kill you.

Go ahead, give up some secrets.

Grant: [Long pause] Well... we've got something brewing on Capitol Hill SE, right now a condo project about the same size as St. Monica's. It's something that would start construction beginning of 2011 and deliver in 2012. We're looking for things in the 10 to 20 unit range. That's a size we think lends itself to our process, at least right now, and I think it's the size of deal that can work in this lending environment. We've got something working in Georgetown in the Glover Park area. It's along the same lines but more of a mixed use scenario. It would be about the same timeline as Capitol Hill. Those are a couple of them.

You have a lot of starts planned.

Grant: In this business you have to have a lot of balls in the air because a lot of them don't fall. We choose which projects to go forward with very carefully. We want to devote the right amount of time to them. We have a number of things in the works, but whether they'll start now or later, or ever, remains to be seen.

Finally, give us some examples of DC architecture that inspire you.

Grant: Well, as a classicist, all of the federal buildings that are classical. Their grandeur really inspires me. And living on Capitol Hill for ten years, it is amazing how different the facades of the townhouses can look. It's amazing the amount of craftsmanship that went into these houses on the hill. Detail that it's very hard to replicate today. So the old townhouses, they inspire me. We've lost a lot in our new buildings, in the construction of them. It primarily has to do with the number of pieces that go into a house. There aren't many craftsmen that know how to do the details.

It also costs too much.

Grant: That's part of it too, but the people don't exist anymore... the trades don't exist. For instance, iron staircases. Two or three guys in the area do iron staircases the right way. Two or three guys! Back in the early 1900's there were forty! It's a big difference. At M Street we found the iron treads from an old turn of the century house and recast the iron posts in order to use the same style that was supposed to be there, but was missing. There were only a couple of guys who knew how to do that.

Now give us some examples of buildings that should be razed.

Grant: Oh, I can't do that...

You know you have a list.

Grant: L'Enfant Plaza. I don't know that it should necessarily be razed, but...re-conceived. Let's put it that way.

So we'll change "razed" to "re-conceived".

Grant: Yes. Re-conceived. L'Enfant Plaza is one that definitely fits that. It was built in an era where there were certain thoughts about how things would be in the future as opposed to how we relate to the past. Crystal City is another one. All of Crystal City. And I know there's a plan to redo that. It should be reconceived. It's a single use district. And it's not far from being something special. Some very minor changes, some increase in residential could make that into something that's truly spectacular. Could make it into Bethesda very easily. So...those are two.

The interview was conducted by Susan Isaacs of DCRealestate.com