

A VISIONARY: Developer Milt Peterson wants National Harbor to connect the region, not divide it. "We are complementing the city," he vows.

JOANNE S. LAWTON

NEWSMAKER OF THE YEAR

PETERSON'S SWAN SONG?

Developer Milt Peterson doesn't like to think National Harbor will be his legacy, but the truth is, only a tough old bird like him could have pulled it off. *Douglas Fruehling, Senior Editor*

Milt Peterson often drives his metallic Porsche Cayenne Turbo up the bluff overlooking National Harbor and works from the luxurious confines of his vehicle for several hours. It's the perfect place to watch his biggest accomplishment take shape: Not only can he see how National Harbor is changing the waterfront, he can see all of the other areas it is changing, from Old Town Alexandria across the river to the nation's capital off in the distance.

Although Peterson and his company, The Peterson Cos., have been creating National Harbor for more than a decade, it wasn't until 2007 that the mixed-use project really captured the region's collective conscience. As the 300-acre project on the Potomac in Prince George's County went from a muddy hole in the ground to a small city in its own right, the reality that Peterson had succeeded in building National Harbor began to set in.

The impact was far and wide. It had everyone talking — and, in many cases, acting.

Working for Peterson is like playing a game of 52 Pickup, where you scatter a deck of cards and see where they land. "Because I like to do 52-pickup, I've never been able to be tied to Wall Street," he says. "I couldn't have some 26-year-old MBA from Wall Street telling me what to do next Thursday."

D.C. convention and tourism officials finally faced the reality that National Harbor is likely to steal convention and hotel business. After years of discussion and in the heat of the credit crunch, they struck a deal to build a convention center hotel, albeit a smaller one than many observers think the city needs. The deal came just two months after National Harbor's main draw, the Gaylord National Resort and Convention Center, announced it had pre-booked its millionth room night.

Alexandria officials also began to react, opting for a more collegial approach to its new neighbor. Seeing an opportunity to attract tourists, Alexandria is spiffing up Old Town and encouraging a new privately run water taxi service between the two waterfronts.

The National Children's Museum announced it would relocate to National Harbor, a blow to redevelopment plans for L'Enfant Plaza, which the museum originally pegged as its new home.

Perhaps what generated the most buzz was Peterson's clandestine maneuver to buy "The Awakening," the famous statue of a giant emerging from the ground, with plans to move it from federal land at Hains Point to National Harbor. That was the first time many people who don't necessarily follow development sat up and took notice of National Harbor. It surprised nearly everyone — even most people at Peterson's company had no idea of his plans for the statue.

Whether you're a National Harbor fan or not — and, yes, there are plenty of detractors — the project is creating waves of economic impact throughout the region, all thanks to Peterson's dogged pursuit of his vision for the wooded tract he bought on the shores of the Potomac in 1996.

"The reason that it has been more dramatic is that there's a tremendous amount of skepticism about the project," Peterson said in a recent interview. "When there are skeptics like that, it introduces more drama when you succeed."

Months before its scheduled opening, National Harbor is already a landmark. More than a dozen cranes tower over the site, drawing attention from Wilson Bridge motorists, and the words "National Harbor" were recently painted on the piers so passengers on planes taking off and landing at Reagan National Airport know what they're looking at.

The project — the largest ever built at once in the region, by some accounts — will debut in April when Gaylord opens its 2,000-room resort and 470,000-square-foot convention center. Fairfax-based The Peterson Cos. will open much of the public space at that time as well, with other hotels, office space, condominiums and plenty of retail opening in the months that follow.

THE BUZZ FACTOR

Peterson, a well-respected D.C. developer who relishes his well-earned "eccentric" label, not only created the vision for National Harbor but oversees many of the details. The inspiration for the main boulevard came after a visit to Barcelona, Spain: About 120 sycamore trees will line the street (Peterson found a nursery in Delaware that had mature sycamores, so they will already be 30-feet tall when planted). The street will end with a set of steps, patterned after the Spanish Steps in Rome, leading to a performance area and a sandy patch that will be the new home of "The Awakening." The entire boulevard is lined up with the George Washington Masonic Memorial in Alexandria.

He says he used the natural grade — the parcel rises at 3 percent first 800 feet, 6 percent for the next thousand feet and 10 percent after that — to create a unique atmosphere.

"It's like a theater," he says. "God gave it to us that way."

He's personally picked out some of the materials, such as tiles and pavers, and has been intimately involved in finding and commissioning art pieces and statues for the grounds. When someone told him "The Awakening" was for sale, he immediately went to a Web site with the details and had an offer on the table that afternoon. Peterson came across the granite boulders serving as abstract statues — one is a mini version of Stonehenge — while driving around Maine and convinced the homeowner to help him get more.

His staff jokes that working for Peterson is like getting a prize from a Cracker Jack box.

"You don't know what will be here until it's here," said David Kersey, a Peterson vice president and project director for design and construction at National Harbor. "Milt's dreams continue to evolve."

Peterson has his own phrase for it: 52 Pickup, referencing the card game where you throw 52 playing cards in the air and see where they land.

As chairman for a company he built from the ground up begin- [CONTINUES ON NEXT PAGE]

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[CONTINUED FROM PREVIOUS PAGE] ning in the early 1970s, Peterson can pick and choose what details he wants to be involved in. He's been known to grab the controls of a backhoe, and he had two of the project's more prominent buildings — the ones where both his personal office and condo will be — redesigned five times before he was happy.

"I was a pain in the neck," he admits.

BIRTH OF NATIONAL HARBOR

Peterson first thought seriously about building National Harbor in the mid-1990s after one of his four sons, Steven, suggested taking a look at the property, then known as Port of America.

"That Saturday I came over and walked the waterfront," Peterson recalls. "I fell in love with it."

Such a massive undertaking was not a new thing for Peterson. Large ground-up communities such as Fair Lakes, Washingtonian, Downtown Silver Spring and Fairfax Corner were his vision.

At the time, the National Harbor site already had a tumultuous past, with as many names as developers. James Burch was the first to create a vision for it in the early 1980s, dubbing his project Bay of America. He later sold to James Lewis, who spent a decade and millions of dollars on plans to create Port of America with a 52-story skyscraper as its centerpiece. After defaulting on a loan, Lewis turned the property over to a savings and loan that was later taken over by the Resolution Trust Corp. In 1996, the RTC auctioned the property to Peterson after another bidder, Robert Sedrish, could not make the deal happen.

The site has proven so difficult to develop because of the environmental issues, the many agencies involved and the financing required.

After revising Lewis' original plans, Peterson

"People in the business I knew said, 'What in the world are you doing over there?' over and over again — and that was just a year ago."

Milt Peterson

slogged through what many observers considered insurmountable project approvals. He won Prince George's County Commission and National Capital Planning Commission approvals in 1998 but faced a lawsuit from nearby residents opposing it. They later dropped the suit after Peterson agreed to hire a consultant to devise a plan for downtown Oxon Hill and other considerations.

Many observers thought he was crazy.

"People in the business I knew said, 'What in the world are you doing over there?' over and over again — and that was just a year ago," he said.

He attributes his success to perseverance. But here's something that might surprise those who know Milt Peterson: He actually did think about giving up. He doesn't want to talk about it now, saying only that he nearly walked away when the politics of Prince George's County took an unpleasant turn.

"I say to people, 'I've been working on this for 15 years. Look what it's done to me — I'm only 44,'" the 71-year-old Peterson says, fully aware the line is sure to draw laughter from anyone in earshot.

He says only a company like his — a privately funded developer without the earnings pressures of Wall Street — could pull off a project like National Harbor. For many years, he spent \$1 million a month on the project.

Peterson Cos. and Gaylord are investing about \$1.6 billion on the initial phases, a price tag that will likely hit \$5 billion when the site is fully built out.

He says he expects the project to start mak-

ing money in four or five years, a remarkable time frame for such a costly project. The key, he said, was limiting land debt to only \$4 million.

Peterson turned to lenders only when it came time to secure construction financing. Everything else was funded with cash, virtually all of it his own or from within his family. In 2006, Peterson sold the Fair Lakes office buildings it developed in the 1980s in Fairfax for nearly \$400 million, which was redeployed to National Harbor and other projects.

"When you have something this risky, you don't borrow on it," he says. He didn't bring in outside investors for a simple reason: He wanted total control.

"Because I like to do 52-pickup, I've never been able to be tied to Wall Street," he said. "I couldn't have some 26-year-old MBA from Wall Street telling me what to do next Thursday."

BUILDING BRIDGES

Peterson, tall and trim with closely cropped white hair, unleashes quips at about the same rate he's developed properties over the years. The father of four and grandfather of 10 — this month he celebrated his 50-year wedding anniversary — readily admits he sometimes says things just to elicit a reaction.

Although fellow developers call him a visionary, Peterson eschews the normal definition.

"How can I make it the best? That's being a visionary," he said.

Part of that vision relates to bridging the Potomac, the region's natural divide. He talks passionately about how the river has hampered regionalism.

"The river has become a divider over the last 100 years. We want to make the river become a connector."

He welcomes news that Alexandria has recognized that National Harbor could be a benefit to Old Town, not a detriment. In November, the Alexandria City Council approved \$1.3 million in funding to attract visitors to Old Town through increased marketing, improvements to the marina and trolley service on King Street. City officials say it's important to embrace the thousands of National Harbor visitors staying just across the river.

That means making it easy for them to reach Old Town. In April, Peterson and Alexandria officials announced plans to partner with Potomac Riverboat Co. for regular water taxi service between National Harbor and Old Town. Potomac Riverboat also will offer service from National Harbor to Mount Vernon and Georgetown, and officials are working on ways to provide service to the new Washington Nationals ballpark and the National Mall.

"We are complementing the city," says Peterson, vowing that his project is attracting new convention business with tourists who will spend money in other parts of the region. D.C. convention officials don't necessarily see it the same way, and they are keeping a close eye on the "Gaylord effect" that has hit other cities when Gaylord has opened resorts around the country. The Washington Convention Center Authority came under fire this year for poor bookings, but many observers attribute that to the lack of a convention center headquarters hotel. Such a hotel would make life easier for convention planners because a large number of rooms and meeting spaces would be provided adjacent to the center. After years of discussion and delay, the city, Marriott International Inc. and RLJ Development LLC finalized a deal to build a \$540 million, 1,150-room convention hotel in September, though completion is still several years away.

Peterson is heartened by the public's growing reaction to the project.

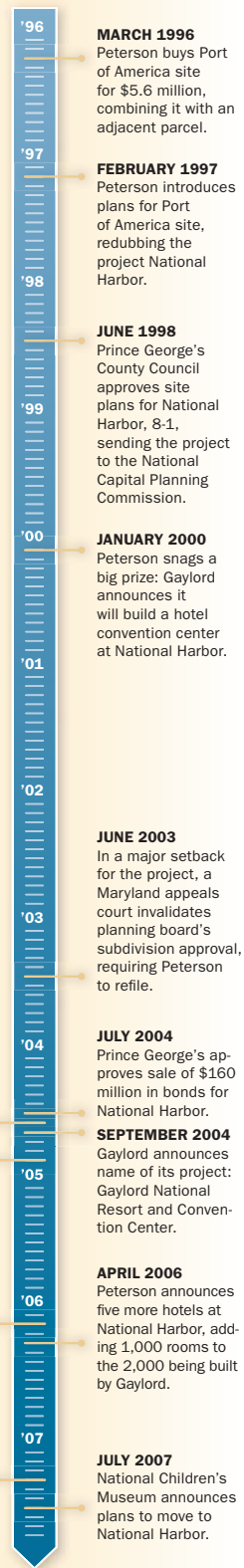
"It seems as though the public has drunk the Kool-Aid and is saying, 'They did it.'"

So is National Harbor Peterson's legacy? He doesn't like thinking about it in those terms, especially after developing a portfolio that already has forever changed Washington. But he does acknowledge one thing: "I won't do another one of this size."

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Years in the making

Milt Peterson has been working on National Harbor for more than a decade. His dream will finally be realized this spring when the Gaylord National Resort and Convention Center, several shops and restaurants and most of the public space opens.



RICH MARTIN