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March 27, 2014

VIA HAND DELIVERY

BOARD OF ZONING ADJUSTMENT
District of Columbia
CASE NO. 18325
EXHIBIT NO. 38

Lloyd Jordan, Chaırman
D C Board of Zoning Adjustment
441 4th Street, N W
Suıte 210S
Washıngton, D C 20001

**Re: Board of Zoning Adjustment Order No. 18325 (the "Order") approving variance and special exception relief for 704 3rd Street NW (Square 529, Lots 802, 803, 845 & 847) (the "Property") – Request to Extend the Order for a Period of Two Years**

Dear Chaırman Jordan and Members of the Board.

On behalf of Renaıssance Centro Thırd Street LLC ("**Applicant**"), the owner of the Property and the orıgınal applıcant ın thıs case, we hereby submıt a request for a two (2) year extensıon of BZA Order No 18325, grantıng an extensıon to approval for varıance and specıal exceptıon relıef Thıs request for an extensıon ıs made pursuant to 11 DCMR § 3130 6 for the good cause shown hereın Enclosed wıth thıs letter are the Fee Calculator Form and a check for the applıcable filıng fee of $1487 20

In BZA Case No 18325, the Applıcant sought varıance and specıal exceptıon relıef ın order to renovate and expand a hıstorıc buıldıng for use as an apartment buıldıng and/or hotel The Property and the plans for the Project have not changed since the approval under the Order

## I. OVERVIEW OF THE PROJECT

### A The Property

The Property is located at the northwest corner of 3rd and G Streets NW It is bounded by an alley to the north, G Street to the south, 4th Street to the east, and commercial and residential buildings to the west It measures approximately 13,356 square feet in land area The Property is improved with a long-vacant five-story former apartment building that is an individually-listed historic landmark (the "**Building**") The Property is located in the DD/C-2-C Zone District.

The approved project will be a hotel and/or residential complex consisting of the existing Building and the addition of a new 12-story, 130-foot-tall structure on the west side of the Building (collectively, the "**Project**"). The Project will contain approximately 124,156 square feet of gross floor area enabled by a combined lot development agreement Approximately 33,018 square feet of gross floor area ("**GFA**") will be provided in the renovated Building, and approximately 91,138 square feet of GFA will be provided in the addition The addition will be set back from the main structure of the Building, and the south façade of the new addition will have the appearance of an independent building adjacent to the Building Prior to receiving approval from the BZA, the Applicant received concept approval from the Historic Preservation Review Board for the Project.

B Project Approval

In order to allow for the renovation and addition to the Building, the Applicant applied to the BZA for (i) variance relief from the minimum rear yard requirement (§ 774.1), residential lot occupancy (§ 772 1), and off street parking (§ 2101 1); and (ii) special exception relief for a penthouse composed of walls of unequal height (§ 411.5)

On March 20, 2012, in BZA Case No 18325, the Board voted to approve the Project with the above-described relief BZA Order No 18325, attached as Exhibit 1, was made final on March 28, 2012

## II. JURISDICTION AND STANDARD OF DECISION OF THE BZA

The BZA is permitted to extend its Orders under Section 3130 6 of the Zoning Regulations Section 3130 7 permits the BZA to extend its Orders for a period of two (2) years.

In order to extend a BZA Order under 11 DCMR § 3130.6, the Applicant must demonstrate that: (a) the extension request is served on all parties to the application by the applicant and all parties are allowed thirty (30) days to respond, (b) there is no substantial change in any of the material facts upon which the Board based its original approval of the Order that would undermine the BZA's justification for approving the original Order, and (c) that there is good cause for such extension

## III RATIONALE FOR EXTENSION OF BZA ORDER NO. 18325

A Extension request served on all parties to the application

This extension request is being served simultaneously on the only party to the original application for the BZA case Advisory Neighborhood Commission 2C (formerly 6C). The ANC is allowed thirty (30) days to respond to this request. The extension request is also being sent to the Office of Planning. As when the Board approved the Project, there are no neighboring properties that would be adversely affected as the result of the relief under BZA Order No 18325 The Project has the potential to revitalize a vacant historic structure and to have a positive overall impact on the neighborhood Therefore, the first criterion for an extension of BZA Order No 18325 has been satisfied.

B No Substantial Change to Any of the Material Facts

The factors satisfying the variance standards and allowing for the special exception relief remain as they were for the Board's approval of the requested relief. There has been no substantial change in any of the material facts relating to the approved case With respect to the variance relief, the exceptional, unique conditions of the Property and the Building remain, such as the historic landmark designation, the zoning characteristics, and the layout of the Property Similarly, the practical difficulty on the Applicant of the strict application of the Zoning Regulations remains The practical difficulty inherent in providing a conforming rear yard, lot occupancy, and the required amount of off-street parking still results from the unique and exceptional circumstances related to the existing historic Building The Zone Plan would still not be harmed through the approval of the requested relief since the Project and related relief would enact policies desired by the Zoning Regulations and Comprehensive Plan

Regarding the special exception relief, the roof structure is still in harmony with the general purpose and intent of the Zoning Regulations and Zoning Maps and will not adversely affect the use of neighboring property in accordance with the Zoning Regulations and Zoning Maps Further, there was no change to the Property's treatment by the D C Comprehensive Plan.

Therefore, the second criterion for an extension of BZA Order No 18325 has been satisfied

C. <u>Good Cause for Delay and Actions Subsequent to Issuance of BZA Order No 18325</u>

Under Section 3130 6(c), good cause for the extension must be demonstrated with substantial evidence of one or more of the following criteria (1) An inability to obtain sufficient project financing due to economic and market conditions beyond the applicant's reasonable control; (2) An inability to secure all required governmental agency approvals by the expiration date of the Board's order because of delays that are beyond the applicant's reasonable control; or (3) The existence of pending litigation or such other condition, circumstance, or factor beyond the applicant's reasonable control

The Applicant's good cause for delay is based on criteria numbers 1 and 3 While the Applicant encountered some difficulty obtaining project financing, its primary difficulty was from circumstances that were beyond its reasonable control and not easily understood at the time the Project was approved, as described in detail in the affidavit attached as <u>Exhibit 2</u> However, once the Project received approval from the BZA, the Applicant diligently pursued it by, among other things, engaging Ernst & Young to advise it on the highest and best use for the property, and assessing the engineering and construction costs of preserving the historic Building (which is an essential component of the Project required by the HPRB)

Based on the advice from Ernst & Young, the Applicant pursued the hotel option as the best use for the Project. Accordingly, the Applicant worked to attract a hotel and had numerous discussions, meetings, and site visits with potential hotel brands.

At the same time that it was engaging potential hotels, the Applicant pursued information to determine pricing for the Project. Since the effective date of the Order, the Applicant has spoken with contractors, including Whiting-Turner, Forrester, and Clark Construction, to determine the cost of constructing it. Subsequently, the Applicant learned that the cost of preserving the historic Building will be extraordinarily high.

The Applicant preferred the hotel option because the hotel was determined to be the best alternative to account for the high cost of preservation and to better accommodate the adaptive reuse of the historic building. The Applicant pursued discussions with numerous hotel brands and potential equity partners, several of which had been consulted even before the BZA approval. There was notable interest in the Project among several hotel brands, and the Applicant conducted site tours with five major hotel brands, including Hyatt, between mid-2012 and mid-2013. However, challenges beyond the Applicant's control, both in the larger market and in the immediate Project vicinity, emerged that deterred potential hotel brands and equity partners from committing at that time.

For one, the Federal government budget battles, including the recent government shutdown, impacted government-related travel. As government agencies looked to cut costs, travel became a prime target. In July 2013, global hospitality consulting firm HVS posed the following rhetorical question: "Where should you buy, sell or build a hotel? Based on recent market trends and according to our observations . . . The top four cities to hold or sell hotels are Washington D C , Rochester, NY, Tucson, AZ, and New Haven, CT" (see http //www.hvs com/article/6413/hotel-value-fundamentals-signal-positive-trend-in, July 1, 2013) Then, the Federal government announced new per diem hotel rates in fall 2013, and D.C was one of just a few markets where the per diem rate declined (see Exhibit 3)

The decline in per diem rates negatively impacted the Applicant's revenue projections for a hotel. As shown in the projection from Hyatt House (one of the potential hotel brands) in Exhibit 4, a hotel is projected to capture demand from the government market segment, since it is situated "within a cluster of government agencies.. " Therefore, a reduction in the government per diem rate would adversely impact the hotel's expected performance

At the same time, Project construction costs, which were already high due to incorporating and renovating of the historic Building, continued to rise (see Exhibit 5). As the information from these contractors and engineers demonstrates, the cost of incorporating the historic Building into the Project will significantly increase the cost per square foot of construction more so than was understood at the conceptual pre-entitlement design phase See estimates in Exhibit 6. Certainly, when it applied to the BZA the Applicant understood that preserving and incorporating a historic building into a project would be expensive, but this Building, in particular, requires an exceptional amount of preservation because of significant deferred maintenance as it passed through several developers until the Applicant took title to the Property. It also sustained damage during the August 2011 earthquake.

Despite the significant cost of preservation, the Applicant has not been deterred from proceeding with the approved Project  Instead, from 2012 to the present, the Applicant has actively pursued the Project and has been seeking ways to best absorb the exceptional preservation cost  Thus, the Applicant has been making strong efforts to proceed with the Project, but the most effective means of cost offset was not available through most of the Order's valid period

As the Applicant updated its financial models in preparation for discussions with hotel construction lenders, the returns diminished, caught between rising construction costs and reduced revenue projections  Thus, despite the consult of mortgage broker Cassidy/Turley, the Applicant encountered increasing difficulty finding hotel investors or construction lenders who were interested in the Project, especially without a committed hotel brand.

In addition to the overall hotel market conditions, uncertainties in the sub-market was the most important factor that caused hotel operators to temporarily exhibit less interest in the Project pending improved market conditions  In assessing a location, hoteliers look to "demand drivers" that will generate sufficient demand to fill hotel rooms

First, and most important, as the email correspondence from Hyatt Hotels attached in <u>Exhibit 7</u> shows, hotel operators expressed a strong desire to know whether the Capitol Crossing project (the large mixed-use project to be constructed over Interstate 395 directly across 3rd Street to the east of this Property) will proceed before committing to this location [1] The significant Capitol Crossing project will dramatically affect the surrounding neighborhood and the market conditions, and potential hotel operators are keenly aware of this Among other components, the Capitol Crossing project will include approximately 2,226,625 square feet of new buildings, will extend F and G Streets, will relocate the I-395 entrance ramp, and will temporarily disrupt nearby streets during construction. Among other effects that concerned hotel operators are the loading and parking access disruptions from the inevitable street closures and construction staging that will occur from the Capitol Crossing construction Further, hoteliers expressed concern about the impact on guests during the unprecedented amount and large scale of construction that will occur when decking over I-395 Thus, hotel operators preferred, at the least, the I-395 deck to be complete before committing to the Project

Second, the potential impact on the local hotel market from the new Convention Center hotel created uncertainty about saturation in the local hotel market that gave potential hotel operators reservations about the Project One of the concerns was whether the large number of new rooms in the Convention Center hotel would leave opportunity for other nearby hotels, and for the development of yet another hotel in the same sub market.

In 2012 and 2013 when the Applicant was in discussions with them, hoteliers were concerned about the uncertainty of the timing of the Capitol Crossing project This uncertainty prevented hotels from committing to the Project Through the end of 2013,

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[1] The Capitol Crossing project was approved as a planned unit development by the Zoning Commission in Case No 08-34

Capitol Crossing was still conceptual, and its future was unclear However, in January 2014, it became publicly known that the Capitol Crossing project will proceed, as described in the news article attached as Exhibit 8 Unfortunately, this certainty about Capitol Crossing's future came too late for the Applicant to meaningfully re-consider a hotel before the Order expires, but the Applicant now intends to resume discussions given the pending start date of Capitol Crossing

Since no hotel operator would commit to the Project, the Applicant had to turn its focus away from a hotel after more than a year of trying to pursue this option The Applicant shifted its focus to a residential project instead in late-2013. However, the challenge for residential development is the high cost of incorporating the historic Building and the arrangement of modern apartments within the dimensions of a historic structure. As shown in Exhibit 9, the Applicant consulted Whiting-Turner Contracting to provide pricing input on the Project Largely due to the cost of the façade preservation and restoration, as well as the incorporation of other aspects of the historic Building (as agreed to with HPRB) that decrease efficiency, the Project priced at $233 per GSF excluding parking, a significantly higher cost than other comparable rental residential buildings recently priced See current information from Clark Construction attached as Exhibit 10 As this shows, Clark recently priced rental buildings in D C in the range of $182 - $209 per gross square foot ("**GSF**") excluding parking. This extraordinary cost of over 20% more per GSF would put the Project at a competitive disadvantage with respect to nearby residential projects that, since they are new construction, do not carry a similar challenge of incorporating a historic building.

Therefore, the Applicant recently began exploring how to spread the high cost of preserving the historic Building over a larger residential project that would be more competitive  The Applicant is studying the possibility of incorporating additional property not included in the original Project into one modified and larger project. The Applicant engaged Esocoff and Associates Architects in late-2013 to explore incorporating an adjacent property fronting on 4th Street NW, which is also owned by the Applicant, into the Project

Therefore, the Applicant seeks an extension of the Order so it has the opportunity to further study a modified and expanded residential project as a more economically feasible alternative to a hotel. It may be the case that the approved Project (as residential) is the best option, but the Applicant has not yet been able to completely analyze the potential of expanding a residential project onto the adjacent property  Thus, the Applicant has been unable to proceed with preparing the plans for the approved Project necessary for vesting the Order  It would be financially irresponsible for the Applicant to invest in construction drawings for the approved Project if it was not certain that it would move forward with them. If the Applicant ultimately decides that it wants to modify the approved Project to incorporate the adjacent property, then it will have lost a considerable amount of time and money preparing useless construction drawings  However, without preparing construction drawings for the approved Project and submitting them for permit, the Applicant cannot vest the Order  *Regardless of its decision about the best option, the Applicant is fully aware that approval of this extension request would be only for the already-approved plans and that any modified project incorporating the adjacent property would require another public hearing and BZA approval*

The Applicant has been extremely diligent in its efforts to proceed with the approved Project and remains actively engaged in assessing the modified design concept that will allow it to make an informed decision about the viability of an expanded project versus proceeding with the approved Project given the significant cost of preserving the historic Building In fact, despite the significant cost of preservation, the Applicant has not been deterred from proceeding with the approved Project Instead, through numerous conversations and ongoing work with consultants, the Applicant has been seeking ways to move forward

Assuming that the Board grants the extension of the Order, during the next several months, the Applicant will be pricing the most recent drawings with a contractor, speaking with lenders and investors, and making a decision about the most financially-viable option Put simply, the Applicant has not had the time since receiving the expanded residential concept drawings in February to make a determination, so it requests additional time to make a fully-informed decision about what project option is best. the approved Project as all-residential, a new expanded all-residential project, or the original hotel Project

Notwithstanding the Applicant's pursuit of a residential project, the very recent re-emergence of and greater certainty in the hotel market means that now is the time to re-engage hotel operators Among other changes that will re-interest hotels in the Project are that Capitol Crossing will start in the next 60 days; the I-395 ramp will be relocated to improve access, and 3rd Street will be restored to 2-way traffic, vastly improving access to the potential hotel's main entrance as well as to loading and parking. All of these improvements are shown in the plans attached as <u>Exhibit 11</u> With these advances for

Capitol Crossing, the Applicant could complete construction drawings while the I-395 deck is being constructed and time the hotel construction to deliver shortly after the I-395 deck is completed Also, the Convention Center hotel, slated to open within months, is having a positive impact on Convention Center bookings and adding demand for additional room nights (see attached article in Exhibit 12), which will positively impact the economics of a hotel in the Project All of these recent positive changes will help assuage hotel operators' previous concerns about committing to the Project, so the Applicant believes that now is the right time to re-engage with hotel operators Therefore, the Applicant requests an extension of the Order so that it can, once again, pursue its preferred hotel option for the Project

The Applicant requests a two year extension to the BZA Order so that it can complete its analysis of residential project options and re-engage hotel operators During a two-year extension period, the Applicant will either apply to the BZA for approval of a modified project or prepare the plans necessary for it to receive the appropriate governmental approvals (acceptance of a complete building permit application) that would vest the Order

If the Applicant loses the entitlements granted by the BZA under the Order, then the Applicant's ability to rehabilitate a historic landmark and to reactivate a neglected corner will be compromised. The Order will expire before the Applicant can determine whether it can proceed with the approved residential Project, with an expanded residential project, or with a hotel However, if the Board has not granted an extension, then the Applicant's incentive to develop any project on the site will be drastically diminished Without an entitlement for at least the approved Project, any development would be terribly set back just as the hotel market is re-emerging and the Applicant is assessing residential alternatives  Without any entitlement, the Applicant would be more inclined to sell the site, thereby leaving the historic Building vacant for even more time because future purchasers again must go through the multi-year HPRB approval process and the likely BZA approval process. The Applicant believes that, with sufficient time granted in an extension of the Order, it will be able to reengage in discussions in an effort to secure a hotel brand, and if not, to determine whether proceeding with the approved residential Project or an expanded residential project is better  Thus, the only practical way to ensure that the Project proceeds, in one form or another, is to grant a two year extension of the Order

## IV. **EXHIBITS**

| | |
|---|---|
| Exhibit 1 | BZA Order No 18325 |
| Exhibit 2 | Affidavit of Albert H. Small Jr |
| Exhibit 3 | Article about Federal Per Diem Rates |
| Exhibit 4 | Hotel Revenue Projections |
| Exhibit 5 | Turner Construction Cost Index |
| Exhibit 6 | Preservation Cost Estimates |
| Exhibit 7 | Hyatt Hotels Email re  Capitol Crossing Project |
| Exhibit 8 | Washington Business Journal Article about Capitol Crossing Project |
| Exhibit 9 | Project Pricing Information |
| Exhibit 10 | Comparable Project Pricing Information |
| Exhibit 11 | Capitol Crossing Plans |

| | |
|---|---|
| Exhibit 12 | Washington Business Journal Article about Convention Center Hotel |

## V CONCLUSION

The Applicant requests a two-year extension of the Order because of circumstances beyond its control that prevented it from vesting the Order The Applicant discovered the extraordinary cost of preserving the historic building after BZA approval, so it sought ways to best absorb this cost The Applicant is actively pursuing both hotel and residential alternatives for Project, and, given more time, the Applicant is confident that it will find the better of the two options to move forward A hotel is the most viable alternative for absorbing this cost, but hotel operators were unwilling to commit to this location because of market uncertainties and the unclear status of the Capitol Crossing project across the street Therefore, the Applicant recently began studying expanding and modifying an all-residential project as a possible means to defray the preservation cost, but it needs more time to make a determination. However, now that there is more certainty about the Capitol Crossing project, now is also the time to re-engage potential hotel operators. Within the extension period, the Applicant will either vest the Order or apply to the BZA for approval of modified plans Any further information regarding the Applicant's satisfaction of the BZA Order extension test can be provided by Applicant upon request

For all of the above reasons constituting good cause, the Applicant requests a two (2) year extension of BZA Order No 18325

Thank you for your attention to this application

Respectfully submitted,
GOULSTON & STORRS, PC

John T Epting/CK

John T Epting

Cary R Kadlecek

Cary R. Kadlecek

Enclosures

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

***RENAISSANCE CENTRO 3RD ST LLC***

*C/O COMMUNITY REALTY CO.INC.*
*6305 IVY LANE, SUITE 210*
*GREENBELT, MARYLAND 20770*
*301-345-3334*

M&T BANK
BALTIMORE, MARYLAND

7-11
520

| DATE | CHECK NO. | AMOUNT |
|---|---|---|
| March 25, 2014 | 346 | *$1,487.20 |

Pay:**************One thousand four hundred eighty-seven dollars and 20 cents

PAY TO THE ORDER OF
DC TREASURER
P.O. BOX 98095
OFFICE OF TAX AND REVENUE
WASHINGTON, DC 20090-8095

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

# BEFORE THE BOARD OF ZONING ADJUSTMENT OF THE DISTRICT OF COLUMBIA

## FORM 126 – BOARD OF ZONING ADJUSTMENT FEE CALCULATOR

Per §3180 of the Zoning Regulations, at the time of the filing of an application or an appeal with the Board of Zoning Adjustment, the applicant or appellant shall pay a filing fee in accordance the fee calculator below. In the case of an application combining two (2) or more actions, or for an application requesting consideration of more than one alternative, the fee shall be the total of the amounts for each action or alternative computed separately. However, for applications involving owner-occupied, one-family dwellings or flats, regardless of the number of variances, special exceptions, or alternatives requested, the fee is three hundred and twenty-five dollars ($325.00). A department, office, or agency of the Government of the District of Columbia shall not be required to pay a filing fee where the property is owned by the agency and the property is to be occupied for a government building or use.

| APPLICATION OR APPEAL TYPE: | FEE | UNIT | TOTAL |
|---|---|---|---|
| **VARIANCE:** | | | |
| Owner-Occupied Dwelling | $325 | | |
| All Other Variances Per Section Requested | $1,040 | | |
| | | **TOTAL FOR VARIANCES:** | |
| **SPECIAL EXCEPTION:** | | | |
| Parking Lot/Garage/Accessory Parking (per space) | $104 | | |
| Child Development Center (per student) | $33 | | |
| Private School (per student) | $33 | | |
| Residential Under §353 | $520 | | |
| CBRF (per person) | $104 | | |
| Office Use in SP (per 100 square feet) | $52 | | |
| Roof Structures | $2,600 | | |
| Hotel or Inn in SP (per room or suite) | $104 | | |
| Gasoline Service Station | $5,200 | | |
| Repair Garage | $1,560 | | |
| Home Occupation | $1,560 | | |
| Accessory Apartment Under §202 | $325 | | |
| Theoretical Lot Under §2516 | $1,560 | | |
| Additional Theoretical Lot Under §2516 | $520 | | |
| Recycling Facility Under §802 | $5,200 | | |
| Antenna Under §211 | $2,600 | | |
| Any Other Special Exception | $1,560 | | |
| Chancery (per 100 square feet) | $65 | | |
| Owner-Occupied Special Exception | $325 | | |
| Time Extension/Modification – Owner Occupied | $130 | | |
| Time Extension/Modification – All other (percentage of filing fee) | 26% | $5720 | $1487.20 |
| | | **TOTAL FOR SPECIAL EXCEPTIONS:** | $1487.20 |
| **APPEAL:** | | | |
| NCPC/ANCs/Citizens Association/Civic Association/Not-for-Profits | $0 | | |
| All other organizations, groups or persons | $1,040 | | |
| | | **TOTAL FOR APPEALS:** | |
| | | **GRAND TOTAL:** | $1487.20 |

**I/We certify that the above information is true and correct to the best of my/our knowledge, information and belief. Any person(s) using a fictitious name or address and/or knowingly making any false statement on this application/petition is in violation of D.C. Law and subject to a fine of not more than $1,000 or 180 days imprisonment or both. (D.C. Official Code § 22 2405)**

**Name:** Cary Kadlecek **Signature:** Cary Kadlecek

**Exhibit No.** ______________ Last Revised (10/18/10) **Case No.** ______________

**CERTIFICATE OF SERVICE**

I hereby certify that on March 27, 2014, copies of the attached letter and enclosures were delivered via US Mail to the following.

Stephen Cochran
1100 4th Street, SW
Suite E650
Washington, DC 20024

Advisory Neighborhood Commission 2C
c/o Harold Closter SMD 2C02
400 Massachusetts Avenue NW #1019
Washington, DC 20001

Cary Kadlecek

gsdocs\7058705 1

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**
**Board of Zoning Adjustment**

**Application No. 18325 of Renaissance Centro Third Street LLC**, pursuant to 11 DCMR §§ 3104.1 and 3103.2, for a variance from the lot occupancy requirements under § 772, a variance from the rear yard requirements under § 774, a variance from the off-street parking requirements under § 2101.1, and a special exception to allow a roof structure with walls of unequal heights under § 411.11, to allow an addition to an existing building in the DD/C-2-C District at premises 704 3rd Street, N W. (Square 529, Lots 802, 803, 845, and 847).

**HEARING DATE:** March 20, 2012
**DECISION DATE:** March 20, 2012 (Bench Decision)

## SUMMARY ORDER

**SELF-CERTIFIED**

The zoning relief requested in this case was self-certified, pursuant to 11 DCMR § 3113.2. (Exhibit 6.)

The Board of Zoning Adjustment ("Board" or "BZA") provided proper and timely notice of the public hearing on this application by publication in the *D.C. Register* and by mail to the Applicant, Advisory Neighborhood Commission ("ANC") 6C, and to all owners of property within 200 feet of the property that is the subject of this application The subject property is located within the jurisdiction of ANC 6C, which is automatically a party to this application. ANC 6C submitted a report, dated December 19, 2011, in support of the application. The ANC indicated that at a duly noticed and regularly scheduled public meeting on December 15, 2011, with a quorum of six out of nine Commissioners present, the ANC voted unanimously (6:0) to support the application (Exhibit 26 )

The Office of Planning ("OP") submitted a timely report recommending approval of two of the three area variances requested as well as the special exception request, to allow the adaptive reuse and expansion of an existing historic structure in the DD/C-2-C Zone into a hotel and/or residential building. Specifically, OP recommended approval of the requests for special exception relief under § 411.11 and variance relief from the minimum rear yard requirements under § 774 1 and the maximum lot occupancy requirements under § 772.1. OP stated that it could not recommend approval for a variance from minimum off-street parking relief under

§2101.1 due to a lack of information.[1] (Exhibit 29.) The District's Department of Transportation ("DDOT") submitted a report recommending approval of the Applicant's request for a variance from the off-street parking requirements under § 2101.1. In its report DDOT recommended that the Applicant provide pre-loaded SmartTrip cards to new residents and/or hotel visitors and encourage the use of nearby public transportation options. (Exhibit 28.)

Variance Relief

As directed by 11 DCMR § 3119.2, the Board has required the Applicant to satisfy the burden of proving the elements that are necessary to establish the case, pursuant to § 3103.2, for area variances from §§ 772, 774, and 2101.1 of the Zoning Regulations. No parties appeared at the public hearing in opposition to this application. Accordingly, a decision by the Board to grant this application would not be adverse to any party.

Based upon the record before the Board and having given great weight to the OP and ANC reports filed in this case, the Board concludes that in seeking area variances from the requirements of §§ 772, 774, and 2101.1, the Applicant has met the burden of proving under 11 DCMR § 3103.2, that there exists an exceptional or extraordinary situation or condition related to the property that creates a practical difficulty for the owner in complying with the Zoning Regulations, and that the relief can be granted without substantial detriment to the public good and without substantially impairing the intent, purpose, and integrity of the zone plan as embodied in the Zoning Regulations and Map.

Special Exception

As directed by 11 DCMR § 3119.2, the Board required the Applicant to satisfy the burden of proving the elements that are necessary to establish the case for a special exception under § 3104.1 from the strict application of the requirements for a roof structure with enclosing walls of unequal heights under § 411 11. No parties appeared at the public hearing in opposition to the application Accordingly, a decision by the Board to grant this application would not be adverse to any party.

The Board concludes that the Applicant has met the burden of proof for special exception relief, pursuant to 11 DCMR §§ 3104 1 and 411.11, that the requested relief can be granted as being in harmony with the general purpose and intent of the Zoning Regulations and Map. The Board further concludes that granting the requested relief will not tend to affect adversely the use of neighboring property in accordance with the Zoning Regulations and Map.

[1] On March 20, 2012, the Applicant submitted supplemental information to respond to OP's concerns (Exhibit 30) as well as revised plans that removed a previously proposed parking level (Exhibit 31.) At the hearing, the Board granted expert witness status to Sacha Rosen for architecture and design. The Board approved the application subject to the revised plans in Exhibit 31

Pursuant to 11 DCMR § 3100.5, the Board has determined to waive the requirements of 11 DCMR § 3125.3, that the order of the Board be accompanied by findings of fact and conclusions of law. The waiver will not prejudice the rights of any party and is appropriate in this case. It is therefore **ORDERED** that the application is hereby **GRANTED, pursuant to Revised Plans – Exhibit 31.**

**VOTE:** **4-1-0** (Lloyd L. Jordan, Nicole C. Sorg, Jeffrey L. Hinkle, Anthony J. Hood to Approve; Rashida Y.V. MacMurray opposed )

**BY ORDER OF THE D.C. BOARD OF ZONING ADJUSTMENT**
A majority of the Board members approved the issuance of this order.

**ATTESTED BY:** ______________________
**SARA A. BARDIN**
**Director, Office of Zoning**

**FINAL DATE OF ORDER:** MAR 28 2012

PURSUANT TO 11 DCMR § 3125.9, NO ORDER OF THE BOARD SHALL TAKE EFFECT UNTIL TEN (10) DAYS AFTER IT BECOMES FINAL PURSUANT TO § 3125.6.

PURSUANT TO 11 DCMR § 3130, THIS ORDER SHALL NOT BE VALID FOR MORE THAN TWO YEARS AFTER IT BECOMES EFFECTIVE UNLESS, WITHIN SUCH TWO-YEAR PERIOD, THE APPLICANT FILES PLANS FOR THE PROPOSED STRUCTURE WITH THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS FOR THE PURPOSE OF SECURING A BUILDING PERMIT, OR THE APPLICANT FILES A REQUEST FOR A TIME EXTENSION PURSUANT TO § 3130.6 AT LEAST 30 DAYS PRIOR TO THE EXPIRATION OF THE TWO-YEAR PERIOD AND THAT SUCH REQUEST IS GRANTED. NO OTHER ACTION, INCLUDING THE FILING OR GRANTING OF AN APPLICATION FOR A MODIFICATION PURSUANT TO §§ 3129.2 OR 3129 7, SHALL EXTEND THE TIME PERIOD.

PURSUANT TO 11 DCMR § 3125, APPROVAL OF AN APPLICATION SHALL INCLUDE APPROVAL OF THE PLANS SUBMITTED WITH THE APPLICATION FOR THE CONSTRUCTION OF A BUILDING OR STRUCTURE (OR ADDITION THERETO) OR THE RENOVATION OR ALTERATION OF AN EXISTING BUILDING OR STRUCTURE. AN APPLICANT SHALL CARRY OUT THE CONSTRUCTION, RENOVATION, OR ALTERATION ONLY IN ACCORDANCE WITH THE PLANS APPROVED BY THE BOARD AS THE SAME MAY BE AMENDED AND/OR MODIFIED FROM TIME TO TIME BY THE BOARD OF ZONING ADJUSTMENT.

IN ACCORDANCE WITH THE D.C. HUMAN RIGHTS ACT OF 1977, AS AMENDED, D.C. OFFICIAL CODE § 2-1401.01 ***ET SEQ.*** (ACT), THE DISTRICT OF COLUMBIA DOES NOT

DISCRIMINATE ON THE BASIS OF ACTUAL OR PERCEIVED: RACE, COLOR, RELIGION, NATIONAL ORIGIN, SEX, AGE, MARITAL STATUS, PERSONAL APPEARANCE, SEXUAL ORIENTATION, GENDER IDENTITY OR EXPRESSION, FAMILIAL STATUS, FAMILY RESPONSIBILITIES, MATRICULATION, POLITICAL AFFILIATION, GENETIC INFORMATION, DISABILITY, SOURCE OF INCOME, OR PLACE OF RESIDENCE OR BUSINESS. SEXUAL HARASSMENT IS A FORM OF SEX DISCRIMINATION WHICH IS PROHIBITED BY THE ACT. IN ADDITION, HARASSMENT BASED ON ANY OF THE ABOVE PROTECTED CATEGORIES IS PROHIBITED BY THE ACT. DISCRIMINATION IN VIOLATION OF THE ACT WILL NOT BE TOLERATED. VIOLATORS WILL BE SUBJECT TO DISCIPLINARY ACTION.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**
**Board of Zoning Adjustment**

**BZA APPLICATION NO. 18325**

As Director of the Office of Zoning, I hereby certify and attest that on **MAR 2 8 2012**, a copy of the order entered on that date in this matter was mailed first class, postage prepaid or delivered via inter-agency mail, or delivered by electronic mail in the case of those ANCs and SMDs that have opted to receive notices thusly, to each party and public agency who appeared and participated in the public hearing concerning the matter, and who is listed below:

John Epting, Esq and Cary R Kadlecek, Esq.
Goulston & Storrs
1999 K Street, N.W., Suite 500
Washington, D.C. 20006-1101

Chairperson
Advisory Neighborhood Commission 6C
P O. Box 77876
Washington, D.C. 20013

Single Member District Commissioner 6C09
Advisory Neighborhood Commission 6C
6C09@anc.dc.gov

Tommy Wells, Councilmember
Ward Six
1350 Pennsylvania Avenue, N.W., Suite 408
Washington, D.C. 20004

Melinda Bolling, Esq.
General Counsel
Department of Consumer and Regulatory Affairs
1100 4th Street, S.W., 5th Floor
Washington, D.C. 20024

**ATTESTED BY:** ______________________________

**SARA A. BARDIN**
**Director, Office of Zoning**

2

**Affidavit of Albert H. Small, Jr.**

The undersigned, being duly sworn according to law, deposes and says

1 I am Founder and Principal of Renaissance Centro and the manager of Renaissance Centro Third Street LLC ("**Applicant**")

2 Renaissance Centro is a real estate development firm in the Washington, DC region Its development portfolio includes single family residences, condominiums, rental apartment communities, hotels, and mixed-use urban properties

3 Applicant is the owner of 704 3rd Street NW ("**Property**") and was the original applicant in BZA Case No 18325 Order No 18325 ("**Order**") approved a hotel and/or residential complex with a new 12-story, 130-foot-tall addition (the "**Project**")

4 The Property is improved with an individual historic landmark building ("**Building**") that will be preserved and incorporated into the Project

5 Since the Order approved the Project, the Applicant has been diligent in its efforts to proceed with the Project

6 Since the Order approved the Project, the anticipated cost of preserving the Building has escalated considerably The high cost results from deferred maintenance by prior owners of the Property, and damage sustained during the August 2011 earthquake

7 In consultation with Ernst & Young real estate advisors, the Applicant determined that a hotel is the highest and best use for the Project, both to account for the high cost of preservation and to adapt and reuse the historic structure

8 In mid-2012 through early-2013, several hotel brands expressed interest in the Project However, none of these hotel brands would commit to the Project because of uncertainties surrounding the Capitol Crossing project across 3rd Street from the Property, as well as the uncertain impact of the Convention Center Hotel on the local hotel market The hotel brands expressed reservations about the Project because of the unknown status of Capitol Crossing and because of the potential disruption that ongoing construction of Capitol Crossing could have on the Project.

9 The federal government's September 2013 reduction in per diem hotel rates for the Washington, DC region negatively affected the Applicant's revenue projections for a hotel in the Project

10 Combined, the decreased revenue projections, lack of commitment from hotel operators, and

increased construction costs resulted in no hotel investors or lenders signing onto the Project As a result, and despite the involvement of mortgage broker Cassidy/Turley, the Applicant was not able to identify construction financing for a hotel

11 Once the Applicant understood in mid-2013 that hotel brands would not commit to the Project until market conditions improved and more clarity on the Capital Crossing plan emerged, it began to examine a viable residential program as a means to effectuate the Order and develop the Project

12 Because of the extensive Building preservation, the cost of constructing the Project as residential will be higher per square foot than comparable residential projects without a historic component, which will put the Project at a competitive disadvantage

13. The Applicant has been assessing alternatives to making a residential Project more feasible and suitable for the market The Applicant engaged Esocoff & Associates architect in late 2013 to study the possibility of expanding the Project to include another Applicant-owned adjacent property to the west as a means to increase the project's efficiency and to offset the high preservation costs across a larger project area The Applicant received concept drawings from the architect in February 2014 for an expanded residential project

14 The Applicant has not yet been able to complete its analysis of expanding a residential project onto the adjacent property, so it has been unable to proceed with developing construction drawings for the Project

15 In January 2014, the Applicant became aware that the Capitol Crossing project will proceed with development The certainty about and improvements to the Capitol Crossing project will address many of the previous reservations that hotel operators had about committing to the Project

16 The convention center hotel will open this quarter and appears to be attracting new business to the city In several cases, hotel room demand exceeds the convention center hotel's capacity, which has reduced concerns about a negative impact it may have on other hotels in its submarket

17 Because a hotel is still the Applicant's preferred option for the Project, the Applicant desires to re-engage hotel operators about committing to the Project However, because the known future of Capitol Crossing is so recent, the Applicant has been unable to have meaningful discussions with hotel operators about the Project

18 Despite the challenges that it has encountered, the Applicant intends to proceed with a project on the Property However, more time is necessary to re-engage hotel operators about the Project Also, more time is necessary for the Applicant to complete its study of an expanded residential project and determine whether it will proceed with the Project as a hotel or apply for approval of an expanded residential Project in the event that hotel operators are still unwilling to commit

19. The Applicant has been stymied in its efforts to move forward by market and neighborhood conditions outside of its control. As conditions now improve for hotel development, and as the Capitol Crossing timeline and project details becomes clearer, the Applicant requires additional time to effectuate the Order. If the Applicant loses the entitlements granted in the Order, then the Applicant's ability to rehabilitate a historic landmark and proceed with any project will be significantly hampered.

RENAISSANCE CENTRO THIRD STREET LLC

By: [signature]
Name Albert H. Small, Jr.
Title: Manager

Subscribed and sworn to before me this 27th day of March 2014.

Doreen Rearick
Notary Public

My Commission expires: April 30, 2015
[Notarial Seal]

DOREEN REARICK
NOTARY PUBLIC 7500951
COMMONWEALTH OF VIRGINIA

3

# 2014 Federal Per Diem Rates and Policy Take Aim at Curbing Meeting Spend



 by Cheryl-Anne Sturken | September 9, 2013



**Late last week,** the Washington, D.C.-based General Services Administration, the arm of the federal government responsible for setting travel policy and regulations, released the much anticipated 2014 federal travel per diem rates. After last year's contentious standoff between hoteliers and the agency, which sought to reduce 2013 rates drastically and ultimately resulted in the GSA freezing 2012 rates until a solution could be reached, the new rates should have hoteliers country heaving a collective sigh.

ıew lodging rates increased an average of 1.9 percent, many cities, like San Francisco, saw much bigger gains. A few, like Washington, D.C., actually saw their rates drop. Even more significant, however, the GSA said it is doing away with a long-established policy that allowed federal employees to spend up to 25 percent above per diem rates for conferences. It is a move, the agency said, designed to implement stricter controls and reduce travel costs. Considering the scandals that enveloped the GSA and IRS over their conference spend, it should come as no surprise. The agency estimates that the elimination of the 25 percent policy will result in savings of $10 million in fiscal year 2014.

In an Aug. 30 blog post on the GSA's website, Ann Rung, associate administrator of government-wide policy, stated, "In recent years, the administration has taken aggressive steps to cut travel and conference spending. We have implemented strict policies and controls to ensure that all travel and conference expenditures are cost-effective and advancing the goals of federal agencies." In addition, she pointed out that the GSA's cost-cutting measures had resulted in a $2 billion reduction in travel spend since 2010, including $28 million in 2012. "As each agency reviews its travel and conference-related activities, each agency must ensure that any spending serves the American people as efficiently and effectively as possible," she wrote.

Despite the increase in lodging rates, the 2014 per diem rates, which take effect Oct. 1, are still, on average, 5 percent below the average daily market rate, which is based on several factors including market costs. The following chart highlights the 2014 per diem rate change for 10 major conference cities over 2013 rates. A complete chart of the 2014 per diem rates can be found at gsa.gov.

**FEDERAL PER DIEM RATES**

| | 2013 | 2014 |
|---|---|---|
| Austin, Texas | $108 | $120 |
| Chicago | $130-$190 | $128-$209 |
| Cincinnati | $118 | $127 |
| Dallas | $109 | $118 |
| Fort Lauderdale | $101-$164 | $108-$180 |
| Miami | $105-$152 | $109-$187 |
| New Orleans | $101-$108 | $135-$151 |
| New York City | $204-$295 | $191-$303 |
| San Francisco | $155-$184 | $172-$226 |
| Washington, D.C. | $169-$226 | $167-$219 |

*Source: General Services Administration*

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**Storm Brewing Over Federal Per Diem Room Rates**
New GSA method for setting reimburseable hotel rates could cripple business in key markets.

**Federal Per Diem Rates Tumble and Create Headaches**
Government meeting planners will face other serious hurdle beginning this Oct. 1, when the new 2011 ...

**Dolce Hotels and Resorts Introduces GSA-Approved, All-Inclusive Per Diem Rates**
More hotels might want to rethink the way they approach government meeting business, because Dolce H...

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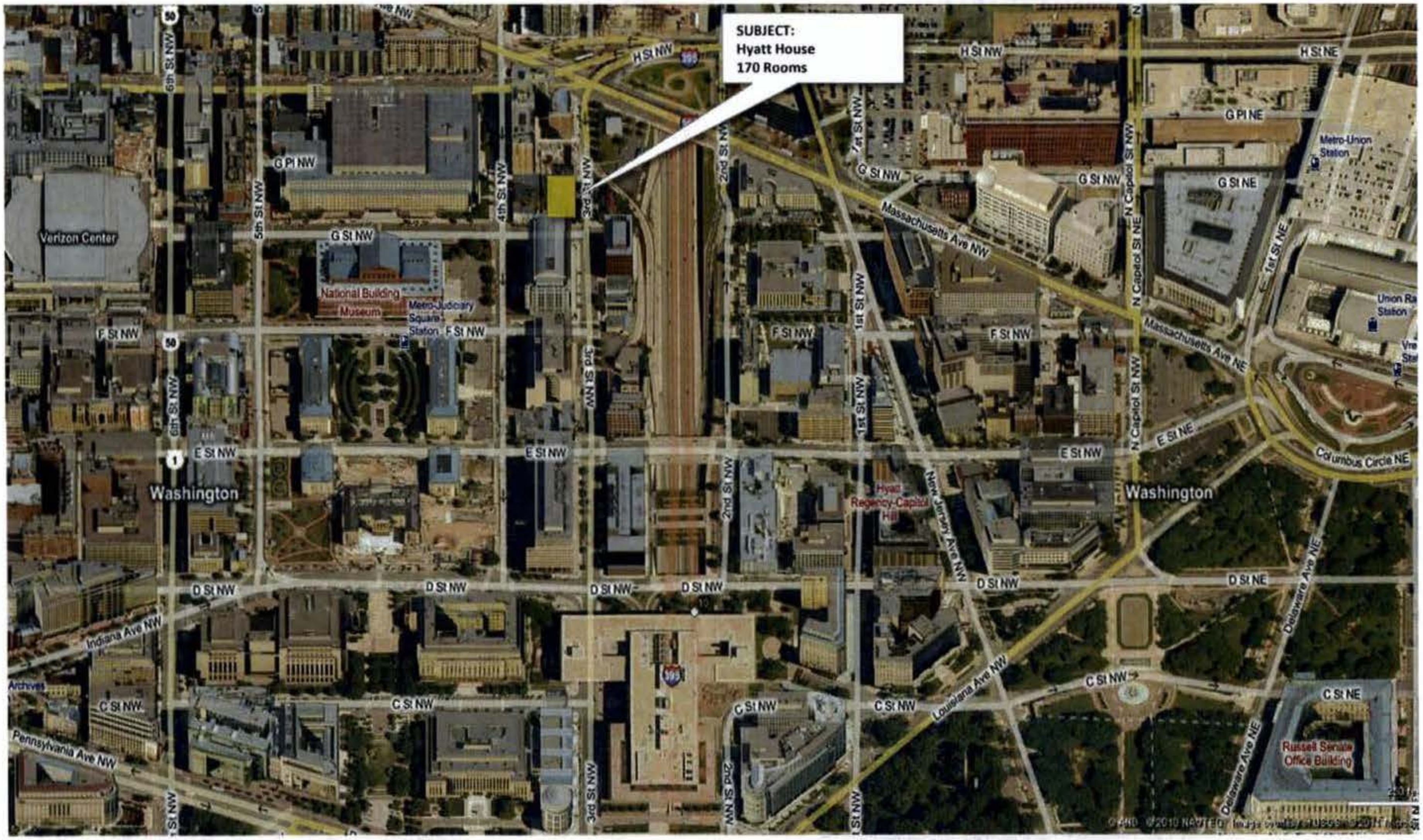
HYATT

# *Hyatt House Washington DC (DRAFT)*

*Market Analysis and Pro Forma Cash Flows*

*September 24, 2012*

## Local Area Map



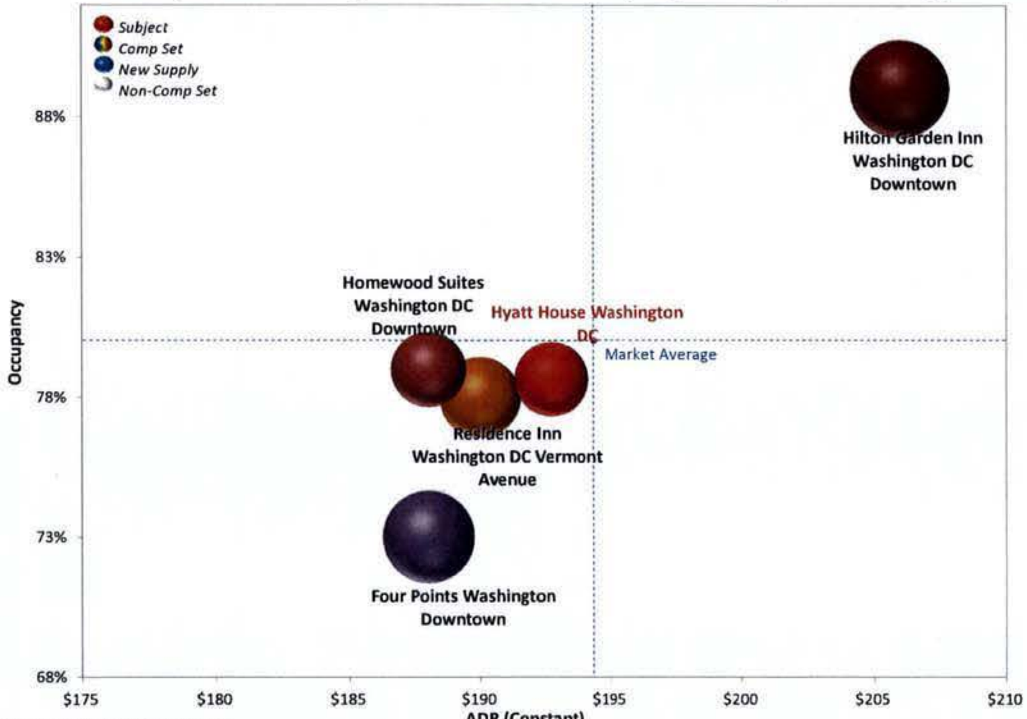
HYATT

# Hyatt House Washington DC (DRAFT)

24-Sep-2012

## Rate and Occupancy Positioning (USD$)

### Competitive Positioning - Estimated Stabilized Occupancy and ADR (Constant 2011$)




*Source: Hyatt Feasibility Estimates*

| Index Assumptions: | OCC | ADR | RevPAR | RevPAR Rank |
|---|---|---|---|---|
| Hilton Garden Inn Washington DC Downtown | 116% | 109% | 126% | 1 of 5 |
| Hyatt House Washington DC | 98% | 99% | 97% | 2 of 5 |
| Homewood Suites Washington DC Downtown | 98% | 96% | 95% | 3 of 5 |
| Residence Inn Washington DC Vermont Avenue | 97% | 97% | 94% | 4 of 5 |
| Four Points Washington Downtown | 89% | 96% | 85% | 5 of 5 |

The positioning chart illustrates the projected stabilized Occupancy and ADR for the Hyatt House Washington DC, plotted against the representative set of hotels in downtown Washington DC. The bubble area is proportional to each hotel's room count. ADR is estimated based on historic data, adjusted for expected changes in the market and property conditions. Market Average represents the stabilized Occupancy and ADR of the combined competitive set hotels, including any new supply.

The select service and extended stay markets in Washington DC have maintained relatively high RevPAR, even during the recent downturn. The extended stay properties (including the Residence Inn Vermont Ave, and Homewood Suites) have marinated occupancies between 77.5-81% and select properties have maintained occupancies between 71-91%, through the past several years. Overall, market occupancy peaked in 2008 and 2011 at 81%. In terms of Average Daily Rate (ADR), the competitive market experienced a 1.2% increase between 2007 and 2011.

Year-to-date through August, occupied room nights decreased slightly at 1.2% while ADR remained relatively flat at 0.2%. As a result, RevPAR has decreased 1.7%. Overall, we expect the market to end 2012 at 79% with a rate of $197. This would indicate that RevPAR is expected to decrease 2.4% when compared to 2011 .

In terms of the Hyatt House, we expect the hotel to be well positioned to capture demand from the corporate, government, and group market segments. The Homewood Suites is the market leader for extended stay and commands a premium in the market given excellent location at Vermont Avenue, providing an abundance of amenities, while only a short walk to most major corporations within DC. However, we feel that compared to the extended stay properties, the Hyatt House is expected to rank second in RevPAR index and would be positioned above borth the Residence Inn andHomewood Suites, on a stabilized basis. This is supported based on the subject property's unique location, within walking distance to Convention Center, Union Station and Capitol Hill. Moreover, the Hyatt House is situated within a cluster of government agencies including the FBI, Military and Defense Forces, and District of Columbia Court of Appeals, all providing long term stay

**Strengths:**
- Brand new product with ground-up construction.
- Designed and built to Hyatt House specifications.
- Best extended stay product in DC market, other properties are beginning to show their age.
- Location is within walking distance to major DC demand generators.
- Excellent access, only few blocks to Union Station.
- Near China Town and Verizon Center, provides many support amenities

**Weaknesses:**
- Immediate location does not offer an abundance of restaurants or retail options.
- Limited weekend demand .

**Opportunities:**
- Strong brand presence in DC will lead to combined sales efforts.
- High occupancies of the extended stay properties indicate strong demand in the market.
- Continued condo and residential development in the area will create additional demand for retail and entertainment

**Threats:**
- New 425 Mass condo development, 4 blocks from Hyatt House, leases more than the planned 20 units to Marriott Executay rental program

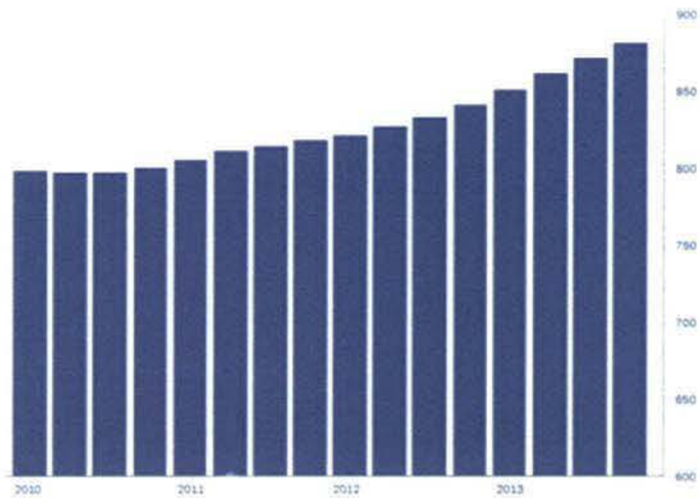
# Cost Index

**Increasing Demand is Leading to Rising Cost of Construction**
*Turner Building Cost Index Shows 4.65% Annual Increase*

Turner Construction Company announced that the Fourth Quarter 2013 Turner Building Cost Index – which measures costs in the non-residential building construction market in the United States – has increased to a value of 878. This reflects a 1.15% quarterly increase from the Third Quarter 2013 and a 4.65% annual increase from the Fourth Quarter 2012.

**"Growing demand is fueling optimism in the design and construction industries. Private Sector building construction work continues to grow offsetting reductions in the public sector. Labor costs and material prices are inching up as demand increases. "**

Karl F. Almstead
Vice President




| Quarter | Index | % Change |
|---|---|---|
| **4th Quarter 2013** | **878** | **1.15** |
| 3rd Quarter 2013 | 868 | 1.05 |
| 2nd Quarter 2013 | 859 | 1.18 |
| 1st Quarter 2013 | 849 | 1.19 |

Base year: 1967, index 100

Please click below to download the Building Cost Index

**2013**

 First Quarter 2013

 Second Quarter 2013

 Third Quarter 2013

 Fourth Quarter 2013

**2012**

**RELATED NEWS**

6/12/2012
Labor and Material Prices Slowly Increase in Second Quarter 2012 According to Turner Building Cost Index

12/11/2012
Construction Costs Continue to Increase in Fourth Quarter 2012

6/17/2013
Turner's Building Cost Index Increase Driven by Growth in Larger, Urban Markets

10/1/2013
Increased Activity in Design Firms and Increased Construction Activity Results in Steady Growth in Construction Costs According to Turner Building Cost Index

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## SCHEMATIC ESTIMATE DETAIL

**Isolated Cost to Preserve Historic Façade**

| DIV | Description | | | No. of Units | Unit Type | Unit Cost | Total Cost |
|---|---|---|---|---|---|---|---|
| 02 | **Sitework** | | | | | | |
| | **Selective Demolition** | | | | | | |
| | | | Selective Demolition 704 3rd Street | 1 | ls | $ 1,953,000.00 | $ 1,953,000.00 |
| | | | Temporary Shoring for Selective Demo | 1 | ls | $ 165,000.00 | $ 165,000.00 |
| | | | Razing of 704 3rd Street | -1 | ls | $ 1,200,000.00 | $ (1,200,000.00) |
| | **Façade Support System** | | | | | | |
| | | **Bracing System** | | | | | |
| | | | Above Ground Facade Support 240 LF x 60' Tall | 14400 | sf | $ 50.00 | $ 720,000.00 |
| | | | Pile Foundations for Facade Support 60' long Micro Piles | 38 | ea | $ 5,100.00 | $ 193,800.00 |
| | | **Underpinning** | | | | | |
| | | | Underpin Façade 13 Pits at 25 feet deep | 325 | lf | $ 800.00 | $ 260,000.00 |
| | | | IP Beams Façade Between pits | 9 | ea | $ 1,200.00 | $ 10,800.00 |
| | | | Underpin Façade 13 Pits at 25 feet deep | 325 | lf | $ 800.00 | $ 260,000.00 |
| | | | Tiebacks Façade Thru Pits | 26 | ea | $ 2,100.00 | $ 54,600.00 |
| | | | **Demolition Total** | | | | **$ 2,417,200.00** |
| 04 | **MASONRY/STONE** | | | | | | |
| | **Existing Façade Skin** | | | | | | |
| | | | Refurbish Precast Window Sills at Existing Façade | 1 | allow | $ 50,000.00 | $ 50,000.00 |
| | | | Rehab of existing brick | 1 | ls | $ 1,214,000.00 | $ 1,214,000.00 |
| | | | **Masonry/Stone Total** | | | | **$ 1,264,000.00** |
| 05 | **METALS** | | | | | | |
| | **Misc. Metals/Ornamental** | | | | | | |
| | | | Refurbish Fire Escape | 1 | allow | $ 20,000.00 | $ 20,000.00 |
| | | | Refurbish Existing Columns | 1 | allow | $ 20,000.00 | $ 20,000.00 |
| | | | **Metals Total** | | | | **$ 40,000.00** |
| 06 | **WOOD & PLASTIC** | | | | | | |
| | **Finishes/Finish Carpentry** | | | | | | |
| | | | Exterior Trim at Existing Façade | 1 | allow | $ 50,000.00 | $ 50,000.00 |
| | | | **Woods and Plastics Total** | | | | **$ 50,000.00** |
| 08 | **DOORS & WINDOWS** | | | | | | |
| | **Exterior Glazing** | | | | | | |
| | | | Replacement of Existing Windows | 1 | allow | $ 500,000.00 | $ 500,000.00 |
| | | | **Glazing Total** | | | | **$ 500,000.00** |
| | **Division 2-16 Subtotal** | | | | | | **$ 4,271,200.00** |

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Gmail by Google

Ilan Scharfstein <ilan@rencentro com>

# 3rd & G update

**Ilan Scharfstein** <ilan@rencentro com> Thu, Mar 20, 2014 at 2 57 PM
To "<julienne smith@hyatt com>" <julienne smith@hyatt com>

Hi Julienne,

I wanted to take a moment to follow up on our discussions about the 3rd & G site When we last spoke, you suggested that Hyatt was very interested in the site, but you expressed concern that starting a hotel project before Capitol Crossing was well underway might be premature Among your concerns was the noise and disruption associated with the deck construction, likely street closures and the impact the work would have on our garage access and loading in the case that our hotel opened prior to the deck construction being completed At the time, construction start was unclear, but there is more recent good news Capitol Crossing is poised to commence construction of the deck spanning 395 Please see the attached news article

In addition, your concerns about how the garage and loading would work efficiently -- due to both 3rd and 4th Streets currently running one way southbound -- have also been addressed in the latest Capital Crossing site plan (You can access information by clicking this link ) The developer is now planning to relocate the 395 access ramp and restore 3rd Street to a two-way street

By the time you are in town for the May hotel conference, work on Capitol Crossing should be underway Let's plan to walk the site again and pick up our discussions where we left off last year

Regards,
Ilan

--
Ilan A Scharfstein
Renaissance Centro
7501 Wisconsin Avenue, Suite 1103-E
Bethesda, MD 20814
301-215-7997

---

**Cap Crossing WBJ 010314.pdf**
116K

Gmail by Google

Ilan Scharfstein <ilan@rencentro com>

# 3rd & G update

**julienne.smith@hyatt.com** <julienne smith@hyatt com> Fri, Mar 21, 2014 at 7 06 PM
To ilan@rencentro com

Ilan, thank you for your update on the Capitol Crossing project As we have discussed, getting clarity on that project is critical to our decision on when we might proceed with a hotel at 3rd & G Streets We remain very interested in the site, but await more detailed information on the duration of the highway deck construction and the reworking of 3rd Street These issues are critical to the creation of a sense of place and to the efficient operation of the hotel, both of which will impact the guest experience

We would be excited to pursue another Hyatt project in DC, with Renaissance Centro Let's discuss further at the BLIS conference when, as the article suggests, construction on Capitol Crossing may have commenced

Best regards, Julienne

Julienne Smith
Vice President, Real Estate & Development
Hyatt Hotels Corporation
278 North Union Street, Suite 107
Lambertville, NJ 08530
Office· 609 483 2459 Mobile 443 710 2921
E: julienne smith@hyatt com
www hyattdevelopment com
[Quoted text hidden]

<Cap Crossing WBJ 010314 pdf>

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**From the Washington Business Journal**
**:http://www.bizjournals.com/washington/breaking_ground/2014/01/capitol-crossing-its-actually.html**

Jan 3, 2014, 1:36pm EST

# Capitol Crossing: It's actually happening

Michael Neibauer
Staff Reporter- *Washington Business Journal*
Email | Twitter

A major mixed-use development in D.C. that many thought would never happen appears to be happening.

**Property Group Partners** and Center Place Holdings LLC have filed an application to modify the approved planned-unit development for the 7-acre Capitol Crossing. The 2.2 million-square-foot project promises to reconnect and redefine the east end of downtown Washington through the construction of a massive platform over Interstate 395 and the creation of three new city blocks.

Key to the application: Work will begin in the first quarter of 2014 with the installation, relocation and reconfiguration of utilities and the street grid right-of-way. The platform construction over the freeway is scheduled to kick off in the third quarter. It's a two-year build.

The 247,000-square-foot development site is bounded by Massachusetts Avenue and Second, Third and E streets NW, on either side of the Center Leg Freeway. The platform will reconnect F and G streets, between Second and Third streets, to the L'Enfant street grid, finally closing what some call "the scar downtown."

A series of past PUD applications for the $1.3 billion Capitol Crossing have all been approved, dating back to 2008. They include the construction of the air rights platform, a nearly 1 million-square-foot office building in the north block, a 12-story apartment building, two additional office buildings, 63,000 square feet of retail and 1,100 below-ground parking spaces.

At full buildout, Capitol Crossing will be only 300,000 square feet smaller than CityCenterDC nine blocks to the west. Both projects may be dwarfed by **Akridge's** proposed Burnham Place, a 3 million-square-foot development planned for the air rights atop the Union Station rail yard. All three are, or will be, examples of how unused or underused public space can be redeveloped and placed back on the tax rolls.

PGP paid the District $11 million in December 2012 for the right to build atop I-395, and will make additional payments totaling as much as $109 million over time.

The PUD modification requested by the developer, filed Dec. 20, only deals with the large Capitol Crossing office building on the north block — a single structure with three towers. It was always slated to be built first.

The application seeks to replace a pedestrian canopy connection between the east and west buildings with a 15-foot-wide pedestrian bridge of transparent glass and stainless steel. It also outlines plans to relocate the parking garage entrance and freeway portal, and to move forward with a redesigned building entrance on Third Street NW.

Michael Neibauer covers economic development, chambers of commerce, transportation and politics.

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## SCHEMATIC ESTIMATE SUMMARY

| | | Hotel | | Dwelling Units | | Parking | | TOTAL ESTIMATE | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 104,770 | $/SF | 128,052 | $/SF | 54,632 | $/SF | 287,454 | $/SF | |
| DIV. | DESCRIPTION | COST | $/SF | COST | $/SF | COST | $/SF | TOTAL ESTIMATED COST | COST per TOTAL GSF | COST % of TOTAL |
| 2 | SITEWORK & DEMOLITION | $ 1,154,000 | $ 11.01 | $ 4,188,200 | $ 32.71 | $ 1,757,712 | $ 32.17 | $ 7,099,911 | $ 24.70 | 13.4% |
| 3 | CONCRETE | $ 2,616,756 | $ 24.98 | $ 2,616,756 | $ 20.44 | $ 1,395,301 | $ 25.54 | $ 6,628,813 | $ 23.06 | 12.6% |
| 4 | MASONRY | $ 1,956,255 | $ 18.67 | $ 1,925,589 | $ 15.04 | $ 508,850 | $ 9.31 | $ 4,390,694 | $ 15.27 | 8.3% |
| 5 | METALS | $ 357,978 | $ 3.42 | $ 327,978 | $ 2.56 | $ 68,989 | $ 1.26 | $ 754,945 | $ 2.63 | 1.4% |
| 6 | WOODS & PLASTICS | $ 572,545 | $ 5.46 | $ 910,825 | $ 7.11 | $ 14,373 | $ 0.26 | $ 1,497,744 | $ 5.21 | 2.8% |
| 7 | THERMAL & MOISTURE PROTECTION | $ 409,562 | $ 3.91 | $ 159,025 | $ 1.24 | $ 145,064 | $ 2.66 | $ 713,651 | $ 2.48 | 1.4% |
| 8 | DOOR & WINDOW SYSTEMS | $ 1,748,833 | $ 16.69 | $ 2,101,133 | $ 16.41 | $ 10,200 | $ 0.19 | $ 3,860,166 | $ 13.43 | 7.3% |
| 9 | FINISHES | $ 2,696,752 | $ 25.74 | $ 1,687,707 | $ 13.18 | $ 5,410 | $ 0.10 | $ 4,389,869 | $ 15.27 | 8.3% |
| 10 | SPECIALTIES | $ 160,200 | $ 1.53 | $ 55,200 | $ 0.43 | $ - | $ - | $ 215,400 | $ 0.75 | 0.4% |
| 11 | EQUIPMENT | $ 460,200 | $ 4.39 | $ 398,680 | $ 3.11 | $ - | $ - | $ 858,880 | $ 2.99 | 1.6% |
| 12 | FURNISHINGS | $ 124,120 | $ 1.18 | $ 32,321 | $ 0.25 | $ - | $ - | $ 156,441 | $ 0.54 | 0.3% |
| 13 | SPECIAL CONSTRUCTION | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | 0.0% |
| 14 | CONVEYING SYSTEMS | $ 922,500 | $ 8.81 | $ 615,000 | $ 4.80 | $ 337,500 | $ 6.18 | $ 1,875,000 | $ 6.52 | 3.6% |
| 15 | MECHANICAL SYSTEMS | $ 3,728,790 | $ 35.59 | $ 3,728,790 | $ 29.12 | $ 655,455 | $ 12.00 | $ 8,113,035 | $ 28.22 | 15.4% |
| 16 | ELECTRICAL SYSTEMS | $ 2,561,042 | $ 24.44 | $ 2,561,042 | $ 20.00 | $ 464,372 | $ 8.50 | $ 5,586,456 | $ 19.43 | 10.6% |
| | **SUBTOTAL #1 (DIVISIONS 2 -16)** | $ 19,469,533 | $185.83 | $ 21,308,246 | $203.38 | $ 5,363,226 | $98.17 | $46,141,005 | $160.52 | 87.4% |
| 1 | **GENERAL CONDITIONS (6.0%)** | $ 1,168,172 | $11.15 | $ 1,278,495 | $12.20 | $ 321,794 | $5.89 | $2,768,460 | $9.63 | 5.2% |
| | Building Permit | NIC | | NIC | | NIC | | NIC | | |
| | Fee (3%) | $ 619,131 | $5.91 | $ 677,602 | $6.47 | $ 170,551 | $3.12 | $ 1,467,284 | $5.10 | 2.8% |
| | Contingency (4%) | $ 850,273 | $8.12 | $ 930,574 | $8.88 | $ 234,223 | $4.29 | $ 2,015,070 | $7.01 | 3.8% |
| | Liability Insurance (.80 %) | $ 176,857 | $1.69 | $ 193,559 | $1.85 | $ 48,718 | $0.89 | $ 419,135 | $1.46 | 0.8% |
| | Builder's Risk | NIC | | NIC | | NIC | | NIC | | |
| | W-T Performance and Payment Bonds | NIC | | NIC | | NIC | | NIC | | |
| | **TOTAL** | **$22,284,000** | **$ 212.69** | **$24,388,000** | **$ 232.78** | **$6,139,000** | **$ 112.37** | **$52,811,000** | **$ 183.72** | **100.0%** |

**CLARK CONSTRUCTION**

**Project Comparison - Residential Buildings**
February 19, 2014





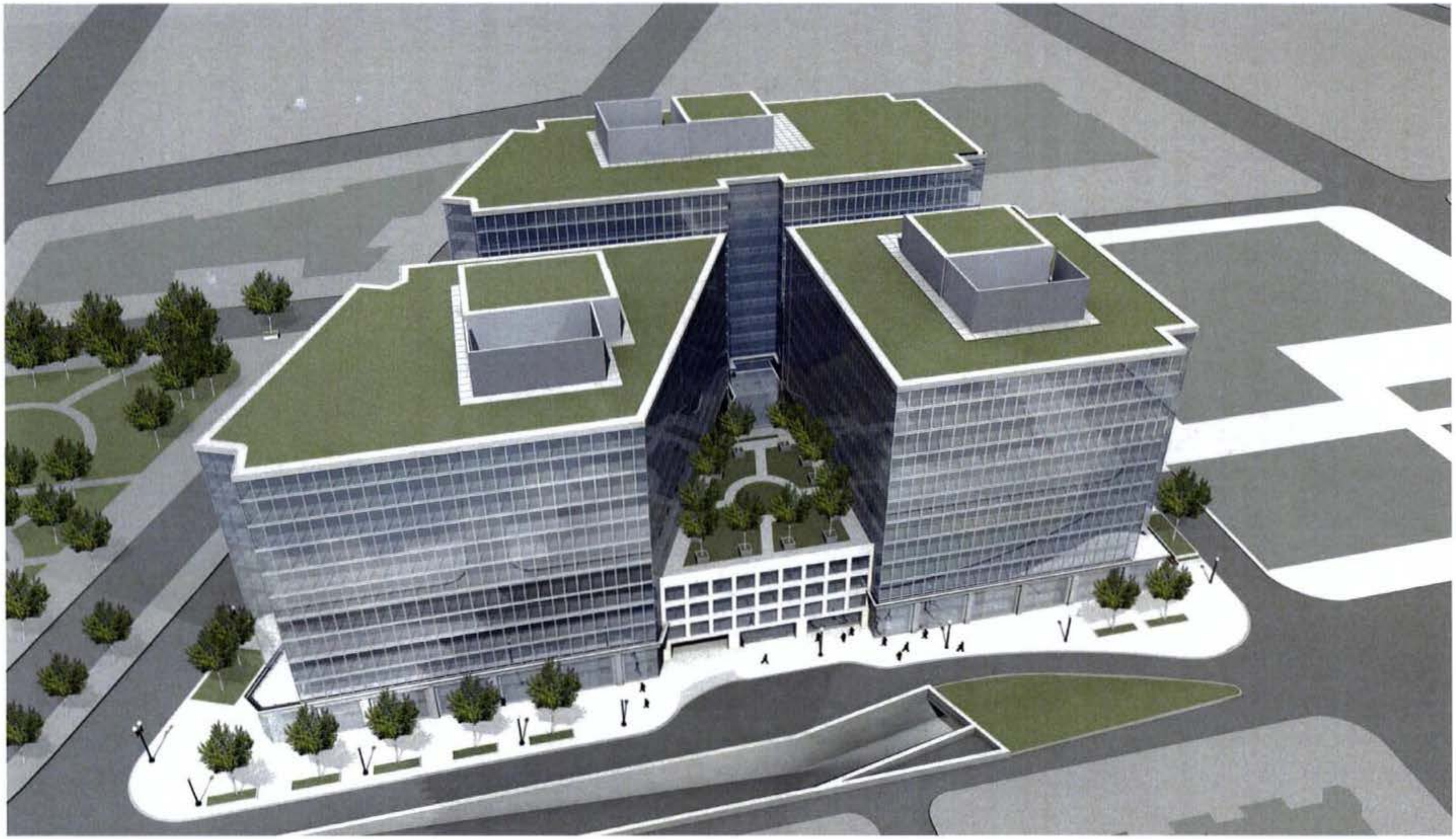



| Project | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| Use / type | Rental & Condo | Rental | Rental | Rental | Rental | Rental | Rental | Condo |
| Location | Washington, DC | Bethesda, MD | Washington, DC | Arlington, VA | Washington, DC | Virginia | Washington, DC | Washington, DC |
| Bid Date | 04/30/13 | 05/08/13 | 07/12/13 | 08/01/13 | 08/22/13 | 09/13/13 | 01/10/14 | 01/10/14 |
| Residential sf | 286,300 sf | 258,100 sf | 296,300 sf | 437,100 sf | 343,900 sf | 160,200 sf | 467,500 sf | 384,500 sf |
| Retail sf | 27,700 sf | 0 sf | 0 sf | 32,000 sf | 0 sf | 0 sf | 0 sf | 0 sf |
| Parking sf | 131,500 sf | 80,400 sf | 89,500 sf | 208,000 sf | 129,400 sf | 0 sf | 686,400 sf | 686,400 sf |
| Project gsf | 445,500 sf | 338,500 sf | 385,800 sf | 677,100 sf | 473,300 sf | 160,200 sf | 1,153,900 sf | 1,070,900 sf |
| | | | | | | | mixed use | mixed use |
| Number of units | 164 units | 246 units | 272 units | 377 units | 327 units | 160 units | 471 units | 302 units |
| Net area per unit | 1,520 sf/unit | 777 sf/unit | 816 sf/unit | 860 sf/unit | 818 sf/unit | 808 sf/unit | 647 sf/unit | 842 sf/unit |
| Bldg area per unit | 1,746 gsf/unit | 1,049 gsf/unit | 1,089 gsf/unit | 1,159 gsf/unit | 1,052 gsf/unit | 1,001 gsf/unit | 993 gsf/unit | 1,273 gsf/unit |
| Residential levels | 10 levels two towers | 17 levels | 6 levels | 28 levels | 11 levels | 11 levels | 12 levels | 12 levels |
| Parking levels | 3 levels | 4 levels | 5 levels | 6 levels | 3 levels | 0 levels | 2 levels | 2 levels |
| Parking location | below grade | below grade | below grade | below & above grade | below grade | mixed use | below grade | below grade |
| Parking spaces | 252 space | 171 space | 225 space | 335 space | 252 space | 0 space | 1,329 space | 1,329 space |
| Parking efficiency | 522 sf/space | 470 sf/space | 398 sf/space | 621 sf/space | 513 sf/space | 0 sf/space | 516 sf/space | 516 sf/space |
| Foundation type | spread ftgs | spread ftgs | spread ftgs | spread ftgs | mat foundation | spread footings | piles & mat | piles & mat |
| Structure type | concrete | concrete | concrete | concrete | concrete | concrete | concrete | concrete |
| Mechanical system | WSHP | WSHP | WSHP | WSHP | VRF | Split Systems | | |
| Exterior Skin Ratio | 54% | 53% | 55% | 41% | 44% | 51% | 48% | 43% |
| Common & core area ratio | 13% | 16% | 18% | 16% | 18% | 17% | 19% | 21% |

| | A $/sf | A $/unit | B $/sf | B $/unit | C $/sf | C $/unit | D $/sf | D $/unit |
|---|---|---|---|---|---|---|---|---|
| **Project $/gsf** | | | | | | | | |
| Sitework $/gsf | $5.64 | $15,331 | $2.30 | $3,169 | $6.59 | $9,345 | $16.35 | $29,360 |
| Residential $/sf | $294.96 | $514,915 | $183.66 | $192,691 | $182.36 | $198,651 | $239.31 | $277,462 |
| Retail $/sf | $302.58 | $51,107 | $0.00 | $0 | $0.00 | $0 | $132.96 | $11,286 |
| Parking $/sf | $97.45 | $78,136 | $95.41 | $31,182 | $111.42 | $36,663 | $128.20 | $70,733 |
| Project $/gsf | $242.77 | $659,489 | $165.00 | $227,042 | $172.49 | $244,659 | $216.50 | $388,842 |
| **Residential Building $/sf** | | | | | | | | |
| Earthwork & Support of Exc. | $0.00 | $0 | $0.00 | $0 | $1.60 | $1,742 | $0.00 | $0 |
| Structure | $34.54 | $60,295 | $27.02 | $28,353 | $29.79 | $32,456 | $39.12 | $45,356 |
| Exterior Skin & Soffits | $54.34 | $94,859 | $38.39 | $40,274 | $36.01 | $39,223 | $40.02 | $46,405 |
| Roofing & Waterproofing | $10.44 | $18,221 | $3.15 | $3,308 | $4.55 | $4,958 | $3.29 | $3,819 |
| Building Finishes | $62.90 | $109,807 | $35.50 | $37,245 | $35.55 | $38,724 | $53.09 | $61,551 |
| Residential equipment | $17.82 | $31,113 | $11.77 | $12,351 | $8.13 | $8,852 | $12.99 | $15,064 |
| Elevators | $6.65 | $11,605 | $3.29 | $3,447 | $4.27 | $4,648 | $2.02 | $2,346 |
| Mechanical | $42.97 | $75,011 | $29.86 | $31,327 | $27.22 | $29,650 | $46.64 | $54,079 |
| Electrical | $36.07 | $62,977 | $16.48 | $17,291 | $17.18 | $18,713 | $18.41 | $21,346 |
| GC & Markups | $29.23 | $51,028 | $18.20 | $19,095 | $18.07 | $19,686 | $23.72 | $27,496 |
| Total | $294.96 | $514,915 | $183.66 | $192,691 | $182.36 | $198,651 | $239.31 | $277,462 |

| | E $/sf | E $/unit | F $/sf | F $/unit | G $/sf | G $/unit | H $/sf | H $/unit |
|---|---|---|---|---|---|---|---|---|
| **Project $/gsf** | | | | | | | | |
| Sitework $/gsf | $6.19 | $8,961 | $10.13 | $10,144 | $11.15 | $27,308 | $11.15 | $39,527 |
| Residential $/sf | $206.40 | $217,072 | $159.86 | $160,064 | $208.97 | $207,418 | $214.86 | $273,557 |
| Retail $/sf | $0.00 | $0 | $0.00 | $0 | $0.00 | $0 | $0.00 | $0 |
| Parking $/sf | $121.79 | $48,195 | $0.00 | $0 | $166.19 | $242,199 | $166.19 | $377,734 |
| Project $/gsf | $189.46 | $274,228 | $169.99 | $170,207 | $194.67 | $476,925 | $194.81 | $690,818 |
| **Residential Building $/sf** | | | | | | | | |
| Earthwork & Support of Exc. | $0.00 | $0 | $2.84 | $2,840 | $0.00 | $0 | $0.00 | $0 |
| Structure | $26.08 | $27,431 | $26.68 | $26,718 | $28.74 | $28,531 | $27.21 | $34,643 |
| Exterior Skin & Soffits | $37.99 | $39,951 | $28.80 | $28,838 | $40.90 | $40,591 | $43.83 | $55,809 |
| Roofing & Waterproofing | $2.87 | $3,021 | $2.49 | $2,495 | $3.16 | $3,137 | $4.37 | $5,569 |
| Building Finishes | $48.54 | $51,052 | $33.57 | $33,616 | $47.09 | $46,736 | $45.08 | $57,393 |
| Residential equipment | $12.35 | $12,990 | $9.40 | $9,413 | $6.41 | $6,364 | $10.16 | $12,940 |
| Elevators | $3.71 | $3,907 | $3.16 | $3,165 | $5.03 | $4,989 | $4.10 | $5,225 |
| Mechanical | $29.33 | $30,847 | $21.67 | $21,697 | $38.68 | $38,390 | $39.50 | $50,291 |
| Electrical | $25.07 | $26,364 | $15.40 | $15,418 | $18.26 | $18,125 | $19.30 | $24,577 |
| GC & Markups | $20.45 | $21,512 | $15.84 | $15,862 | $20.71 | $20,555 | $21.29 | $27,109 |
| Total | $206.40 | $217,072 | $159.86 | $160,064 | $208.97 | $207,418 | $214.86 | $273,557 |

| **Parking Garage $/sf** | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| Excavation | $14.66 | $13.04 | $14.59 | $21.42 | $16.45 | $0.00 | $28.39 | $28.39 |
| Support of Excavation | $11.40 | $20.45 | $15.65 | $15.64 | $20.01 | $0.00 | $13.40 | $13.40 |
| Structure & foundations | $29.72 | $29.57 | $47.42 | $41.61 | $47.26 | $0.00 | $73.73 | $73.73 |
| Exterior Skin & Soffits | $0.00 | $0.00 | $0.00 | $9.79 | $0.00 | $0.00 | $0.00 | $0.00 |
| Roofing & Waterproofing | $6.05 | $3.76 | $3.63 | $4.74 | $5.36 | $0.00 | $4.27 | $4.27 |
| General Building Finishes | $9.15 | $6.43 | $8.93 | $10.80 | $9.17 | $0.00 | $10.18 | $10.18 |
| Elevators | $4.46 | $2.75 | $0.95 | $2.45 | $2.98 | $0.00 | $0.47 | $0.47 |
| Mechanical | $7.04 | $5.68 | $6.20 | $5.39 | $4.71 | $0.00 | $14.29 | $14.29 |
| Electrical | $5.32 | $4.27 | $3.01 | $3.67 | $3.77 | $0.00 | $4.98 | $4.98 |
| GC & Markups | $9.66 | $9.45 | $11.04 | $12.70 | $12.07 | $0.00 | $16.47 | $16.47 |
| Total | $97.45 | $95.41 | $111.42 | $128.20 | $121.79 | $0.00 | $166.19 | $166.19 |
| Total $/space | $50,850 /space | $44,858 /space | $44,322 /space | $79,601 /space | $62,538 /space | with mixed use retail & stick build | $85,836 /space | $85,836 /space |



**Return to L'Enfant**

Consolidated PUD Application Final Consolidated PUD Plans - May 23, 2011

Axonometric - View From West - North Block

KEVIN ROCHE JOHN DINKELOO AND ASSOCIATES LLC Louis Dreyfus Property Group 2.4



Axonometric - View From North - North Block

**From the Washington Business Journal**
**:http://www.bizjournals.com/washington/blog/2013/04/convention-center-marriott-marquis.html**

Apr 15, 2013, 4:32pm EDT

# Convention center Marriott Marquis touts meeting bookings

Rebecca Cooper
Staff Reporter- *Washington Business Journal*
Email | Twitter

It is still be more than a year from opening, but the Marriott Marquis at the Walter E. Washington Convention Center has already been booking event and hotel room space into 2015, including some meetings never before held in the District.

The sales team is "on track" with bookings, said Dan Nadeau, who started as the hotel's general manager last month. Marriott declined to provide specific milestones to illustrate that track.

"I'm feeling very good about the booking pace and capacity at this point," he said.

The 1,175-room hotel is expected to be completed in May 2014, and all projections suggest it is on schedule, Nadeau added.

Here are a few of the bookings the hotel has landed:

**Association of the U.S. Army:** The AUSA will hold its 2014 annual meeting and exposition at the convention center, hosting about 35,000 attendees. Although AUSA has held meetings in the District in the past, this was the first citywide convention signed at the Marquis. The conference will bring approximately 3,500 room nights to the Marquis and 13,800 to all hotels citywide.

**American Academy of Family Physicians:** Another of the early bookings, the AAFP will hold its annual meeting at the convention center and Marquis in October of 2014. The AAFP has never held its conference in the District before and is expected to draw 6,500 attendees, meaning approximately 3,500 room nights for the Marquis and a total of 18,662 room-nights to hotels citywide.

**Family, Career & Community Leaders of America:** FCCLA will host its national leadership conference at the convention center and Marquis in July 2015, overlapping the Fourth of July holiday. FCCLA's 5,000 attendee conference represents approximately 3,500 room nights for the Marquis and 12,625 room nights citywide.

**American Dental Association:** A first time conference in D.C., the ADA will be a citywide convention with the Marquis as the headquarters hotel is expected to bring more than 40,000 attendees in November 2015. The conference means 4,000 room nights for the Marquis and 55,545 to hotels in the city overall.

**This blog has been updated.**

Rebecca Cooper covers retail, restaurants, tourism and the arts.