SULLIVAN & BARROS, LLP
Real Estate | Zoning | Business Law

MARTIN P. SULLIVAN
DIRECT: (202) 503-1704
MSULLIVAN@SULLIVANBARROS.COM

January 20, 2016

Delivery Via email

Marnique Heath, Chairperson
Board of Zoning Adjustment
441 4th Street, NW
Suite 210S
Washington, DC 20001

Re: BZA Special Exception Application No. 19100; 525 Longfellow Ave.

Dear Chairperson Heath and Board Members:

Pursuant to the Board's request at the hearing on November 17, 2015, the Applicant is herewith submitting additional information and discussion regarding the practical difficulty of developing the Property in strict compliance with the Zoning Regulations. The additional information being submitted includes drawings of the potential two-row structure scenario, which contemplates the construction of two (2) 25-foot wide flats, which would be approximately 40% wider than every other house on this block. The practical difficulty is a result of the Property being just shy of the necessary width to provide three row structures, and well over the minimum required width to provide just two row structures.

The Applicant has previously submitted a financial analysis (Exhibit 26) which demonstrates a practical difficulty financially in developing under the two-lot scenario. The Applicant purchased the Property with the expectation that he would be able to develop the Property under the existing R-4 Zoning Regulations.[1] This did not happen, and the Applicant then had the option of asking for special exception relief to do a five unit apartment house, or to do the plan proposed in the Application – three row structures.

[1] We understand that this fact alone does not necessarily justify satisfaction of the practical difficulty test, but it is important to note that it was not until well after his purchase that the discussion on the R-4 Zoning Regulations turned to not even allowing the conversion into three (3) units. The Applicant believed he would get a permit prior to the effective date of the text amendment. He was not, however, able to accomplish that goal.

The Applicant also could have attempted to develop the Property as a matter-of-right with just two lots. However, as shown in the financial analysis, this could only be accomplished at a significant financial loss.

In fact, even the three-lot scenario being requested does not result in a significant amount of profit. At this point, the Applicant is trying to make the best of an unfavorable situation. It just so happens that the three-lot scenario requested is exactly what ANC 4D favors, as well as the neighbors. It is also the plan which is consistent with the character of this block.

<u>Response to the Office of Planning</u>.

The Office of Planning has provided no substantive response to the financial information submitted by the Applicant. It has ignored it, claiming that variance relief is precluded by the fact that there exists a matter-of-right possibility. This is, of course, not a correct interpretation of the practical difficulty standard, which only requires that strict compliance with the regulations result in an unnecessary burden to the property owner.

At the hearing, the Office of Planning also mentioned that it considered “neighborhood concerns with the densification of the neighborhood.” But on this point the "neighborhood" has weighed in in the form of strong ANC support, testimony from the single-member district representative, and letters of support from neighbors, with no opposition. We do not think that OP’s concerns are justified in this case, either in theory or practice.

Finally, the Office of Planning also stated that the analysis must be restricted to the property itself, and could not consider the property’s existence within the surrounding neighborhood. This is also not accurate. The unique condition in a variance application may indeed result from a property’s situation in relation to its surrounding area. The Court of Appeal noted in *Monaco v. D.C. BZA*, 407 A.2d 1091 (D.C. 1979) that a property can be considered unique, in part, as a result of its location, or proximity to other properties. In this case, the Property is in a location where 17-18 foot wide lots are present on this entire block, with varying lot area amounts – mostly larger than what is being proposed in this Application.

That fact is one of the reasons that the Applicant finds a practical difficulty in developing 25-foot wide lots here. If this block was made up of 22- to 25-foot wide lots, the Applicant's property perhaps would not be considered unique, and perhaps would not have a practical difficulty. This is not the case, however, as the matter of right option requires the Applicant to provide lots which would be 40% wider than every other lot on this block.

Finally, the Applicant is requesting a degree of relief of approximately 1 foot of the required lot width. It is possible for the Board to consider the small degree of the variance requested when evaluating whether or not the Applicant has satisfied the practical difficulty test. If the information submitted here so far does not fully persuade, then the very small degree of variance relief requested, along with great weight given to the ANC support, should serve to reassure the Board that the practical difficulty test has been met.

Sincerely,

Martin P. Sullivan

Martin P. Sullivan

Enclosures

cc: ANC 4D
Brandice Elliott

TEASS \ WARREN
ARCHITECTS

Contents

BZA 19100 | 525 Longfellow St NW

BZA - Supplemental Drawings

20 January 2016

Prepared for:

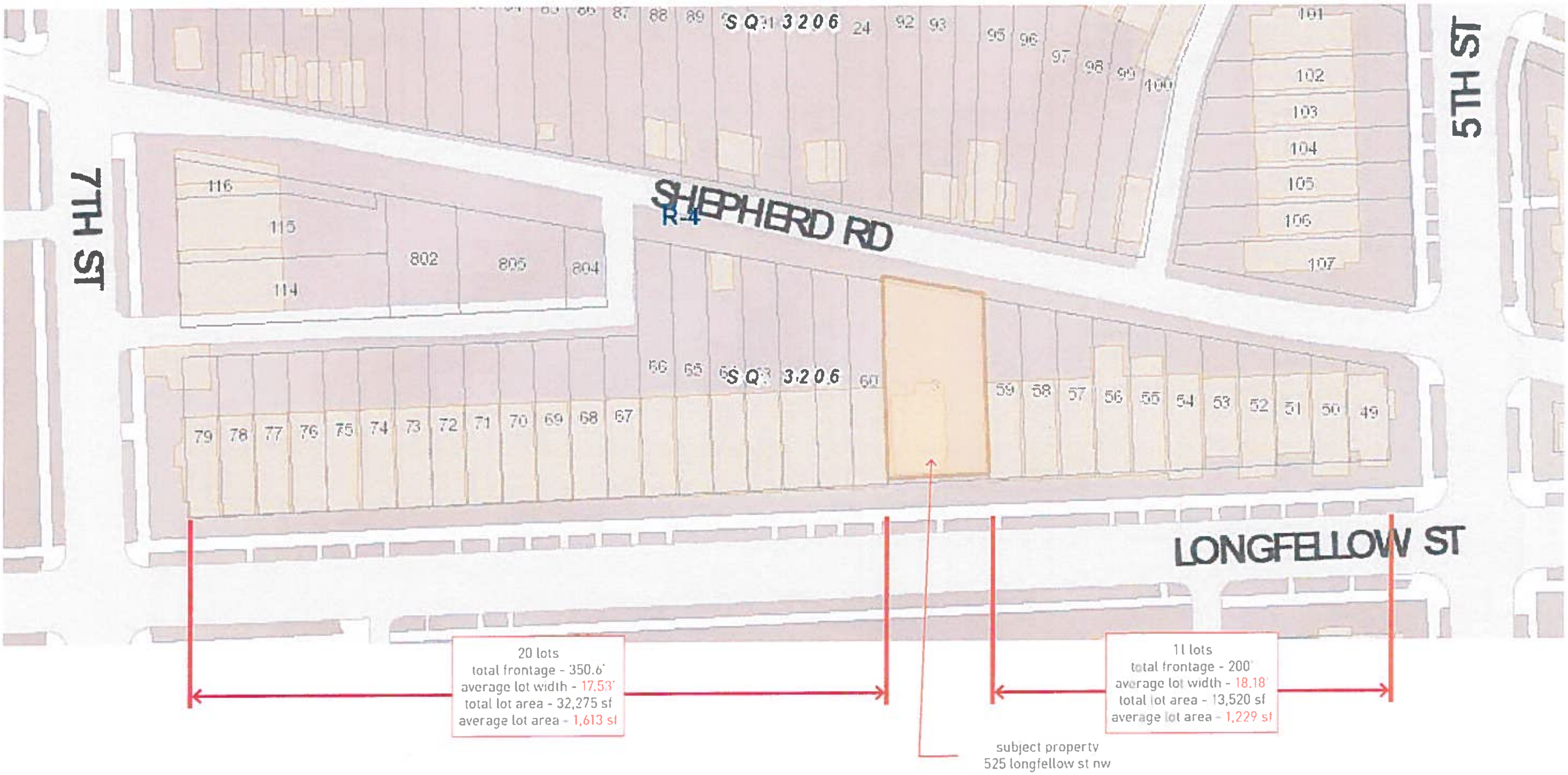
Amit Vora

525 Longfellow St NW
Washington, DC 20011
202 361 1269
amit@sunrisehg.com

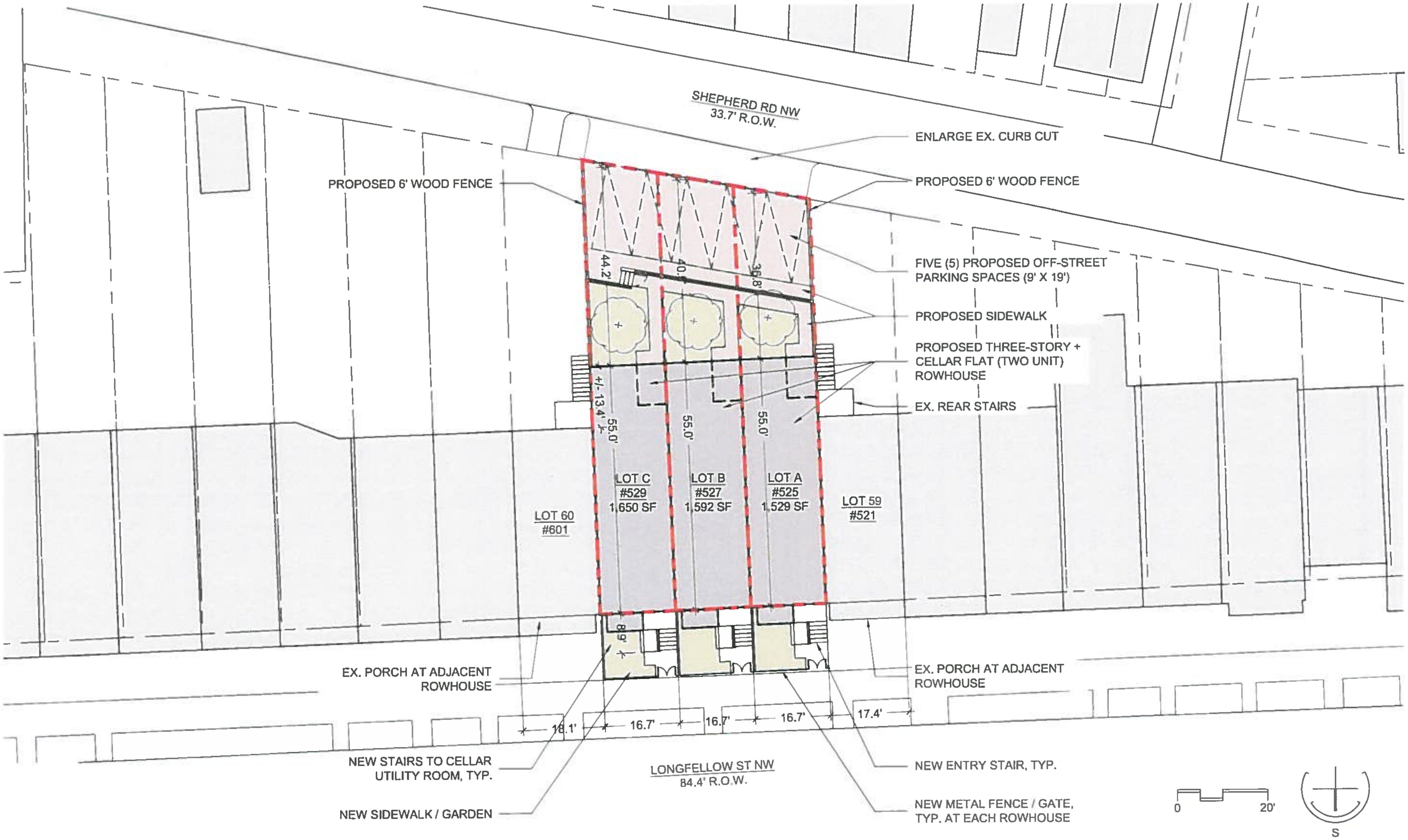
Prepared by:

Teass \ Warren Architects
Will Teass, AIA LEED AP

515 M St SE, Suite 200
Washington, DC 20003
202 683 6260
will @ teass-warren.com


SQ 3206
SHEPHERD RD
R-4
7TH ST
5TH ST
LONGFELLOW ST
20 lots
total frontage - 350.6'
average lot width - 17.53'
total lot area - 32,275 sf
average lot area - 1,613 sf
11 lots
total frontage - 200'
average lot width - 18.18'
total lot area - 13,520 sf
average lot area - 1,229 sf
subject property
525 longfellow st nw

TEASS \ WARREN
ARCHITECTS



TEASS \ WARREN
ARCHITECTS

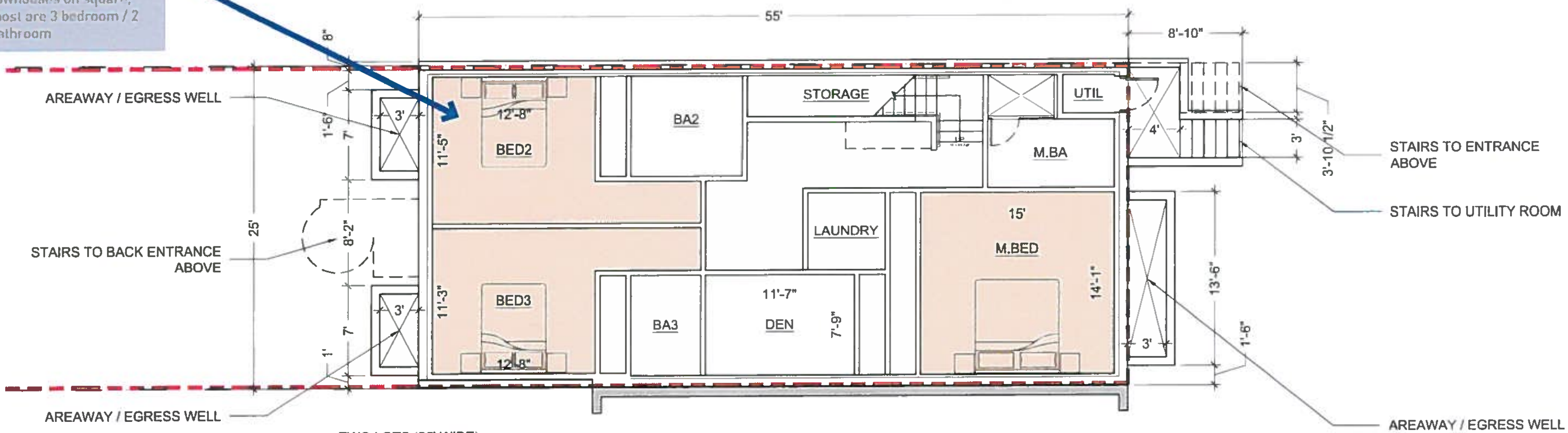
TEASS \ WARREN
ARCHITECTS

matter of right option | proposed site plan
1" = 20'

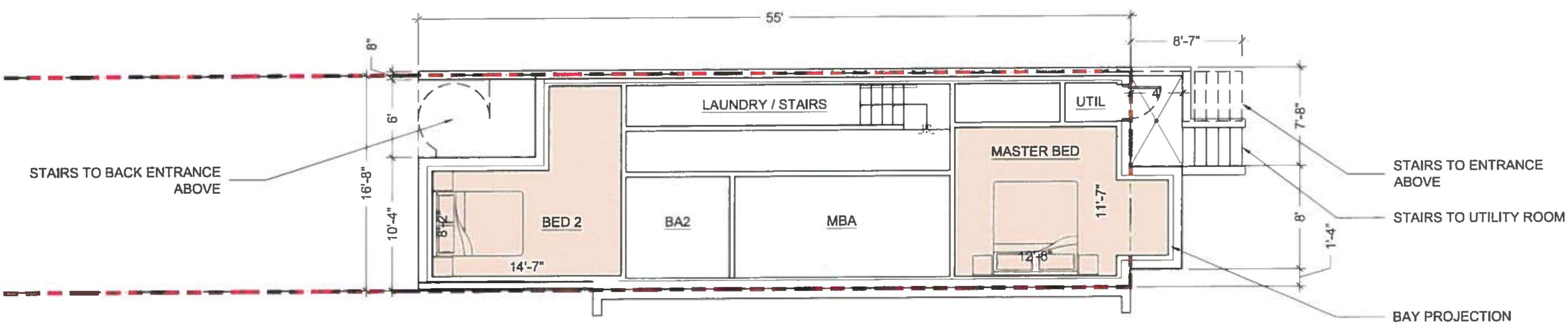
TEASS \ WARREN
ARCHITECTS

unit configuration (5 bedroom / 5 bath) is substantially out of character with other rowhouses on square; most are 3 bedroom / 2 bathroom

TEASS | WARREN
ARCHITECTS



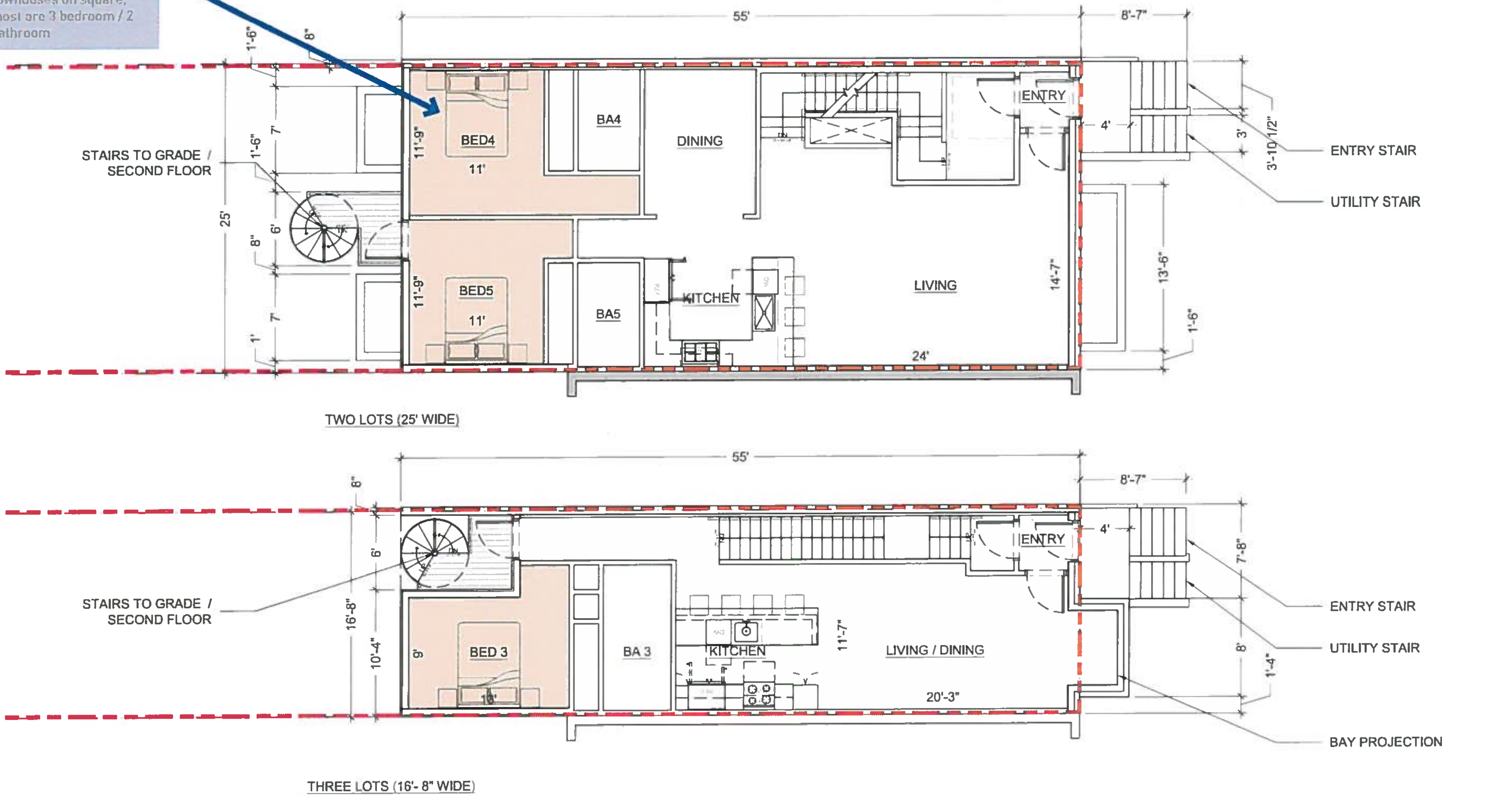
TWO LOTS (25' WIDE)



THREE LOTS (16'- 8" WIDE)

unit configuration (5 bedroom / 5 bath) is substantially out of character with other rowhouses on square; most are 3 bedroom / 2 bathroom

TEASS \ WARREN ARCHITECTS



525 Longfellow St NW – BZA 19100

Nov 3, 2015

525 Longfellow St NW
BZA: 19100
Financial Study

Attached are financial feasibility analyses of identified possible uses for 525 Longfellow ST, NW in Washin ton DC. These have been prepared in collaboration of the applicant and applicable industry norms.

Market Demand: There is a lack of identifiable market demand at the subject site — i.e. neighborhood conditions, site access and visibility. This particular submarket of Petworth does not have many comparable projects.

Economic Assumptions: The applicant has identified a number of variables and assumptions related to representing economic feasibility. Key variables include:

Development Costs

Gross SF / Net SF:	*conversion to net square footage factor for unusable space*
Fixed Costs: land: other fixed elements:	*Do not vary based on project type or size* *Per applicant purchase price (plus settle costs) in March 2015* *Base building surveys, designs, entitlement costs, permit and fees*
Incremental Costs: hard construction:	*Vary based on project type, size, floors, etc..* *Building construction costs that vary by building type (industry norms)*
Soft Costs:	*Design costs, admin, fees, construction period financing, etc (typically 10-15% of all development costs)*

Income & Expense:

Potential Gross Revenue	*Income assuming marketability (see Footnotes for background)*
Operating Expenses:	*Surveillance/security, maintenance, management, insurance*
Net Income:	*Project net income after deduction for operating or sales costs.*

Funding Requirement

Mortgage Debt:	*Applied to rental property: terms depend on product type/risk (N/A)*
Investment/Equity	*the total cost if for sale, cash value (i.e 30%) if leveraging mortgage debt*
yield requirement	*The minimum required return (one-time on total investment for sale, annually on equity for rental)*
Profit/Loss	*Net income minus development/financing cost*

Investment Return Thresholds: The critical need for at-risk real estate development is that the projected income generates enough revenue to justify the commitment of the capital required to pay for the investment. Without sufficient returns, no developer will be able to justify the investment either for themselves, or to attract independent investors. In this case, no experience investor would commit to any of the alternative developments which fail to generate a minimum of a 11% return either on project cost of a one time for-sale venture (and more typically in the 18% to 20% range), or as a annual rate of return on the equity committed to underwrite long term mortgage debt. Real estate development by its nature is a high-risk venture, with many variable, some controllable, and other not. Investors, lending institutes (and consumers) have many other safer (and more liquid) options, with little or no risk (e.g., a diversified portfolio with growth and dividend paying stocks, US treasuries, corporate bonds, annuities, etc.) to accept real estate development projected yields that are not substantially higher.

525 Longfellow LLC
Project: 525 Longfellow St NW
BZA: 19100

Project Description		BZA Request 3 Lots/6 Units		2 Lots / 4 Units
Units		6		4
Parking	Included		Included	
Gross Living Area		10,776		10,400
Total Saleable		10,776		10,400
Average Gross Square Footage /Unit		1,796		2,600
Development Costs				
Fixed Costs				
building (including settlement costs)		$ 572,715		$ 572,715
other fixed elements (non variable development costs)[2]		$ 163,750		$ 163,750
Total Fixed		$ 736,465		$ 736,465
Incremental Cost				
hard costs (per budget / industry norms)		$155/gsf		$145/gsf
total construction cost		$ 1,670,280		$ 1,508,000
Total Building Cost		$ 1,670,280		$ 1,508,000
Total Fixed and Incremental Cost		$ 2,406,745		$ 2,244,465
Variable Soft Costs		10.00%		10.00%
(fees, admin, consturction period financing)				
Total Soft Costs		$ 240,674.50		$ 224,446.50
Total Development Cost		**$ 2,647,419**		**$ 2,468,911**
total cost per unit				
Income & Expense				
Potential Gross Revenue [3]		$ 3,178,920		$ 2,610,400
per unit	$300/sf	$ 529,820	$285/sf	$ 652,600
Cost of Sales	5.00%	$ (158,946)	5.00%	$ (130,520)
Transfer and Recordation	*2.50%*	*$ (79,473)*	*2.50%*	*$ (65,260)*
Total Project Revenue		*$ 2,940,501*		*$ 2,414,620*
Funding Requirements				
Required Investment (total development cost)		*$ 2,647,419*		*$ 2,468,911*
yield requirement 11% min return	*11.00%*	*$ 291,216.14*	*11.00%*	*$ 271,580.26*
Financing Cost /Yield Requirement		***$ 291,216***		***$ 271,580***
Net Income		*$ 2,940,501*		*$ 2,414,620*
Development Cost		*$ (2,647,419)*		*$ (2,468,911)*
Financing Cost /Yield Requirement		*$ (291,216)*		*$ (271,580)*
Profit / Loss after Financing		***$ 1,865***		***$ (325,872)***

[2] Base building surveys, design, entitilment costs, permits and fees per budget / industry norms

[3] Projected sales price based on neighborhood market conditions adjusted for unit size, basement configuration and location. Note the adjacent row homes have generally sold for roughly 280-400 sq ft. Law of dimineshing returns apply to 4 large units, price per square foot will decrease after 1600 sq ft.

525 Longfellow LLC
Project: 525 Longfellow St NW
BZA: 19100

	BZA Request 3 Lots/6 Units		2 Lots / 4 Units	
Units		6		4
Parking	Included		Included	
Gross Living Area		10,776		10,400
Total Saleable		10,776		10,400
Average Gross Square Footage /Unit		1,796		2,600
Real Estate Taxes	$	6,500	$	6,500
Legal	$	20,000	$	20,000
Architectual & Engineering	$	105,000	$	105,000
Permitting, Testing & Utility Fees	$	24,000	$	24,000
Insurance	$	8,250	$	8,250
Total Non Variable Costs	**$**	**163,750**	**$**	**163,750**

General Construction	$	441,816	$	353,600
Demolition	$	64,656	$	62,400
Utility Service	$	43,104	$	41,600
Site Work	$	86,208	$	83,200
Foundation	$	134,700	$	130,000
Exterior Finishing	$	96,984	$	93,600
Carpentry	$	161,640	$	156,000
Doors and Windows	$	53,880	$	52,000
Finsihes	$	129,312	$	124,800
Electrical, Mech & Plumbing	$	258,624	$	223,600
Equipment and Rental	$	43,104	$	36,400
Façade Front and Rear	$	70,044	$	67,600
Landscaping	$	32,328	$	31,200
Roof	$	53,880	$	52,000
Total Building Costs	**$**	**1,670,280**	**$**	**1,508,000**