

Cynthia A Giordano
Cynthia.Giordano@aporter.com

202 942 5840
202 942 5999 Fax

555 Twelfth Street NW
Washington DC 20004 1206

March 20, 2008

Anthony Hood, Chair
Zoning Commission
c/o Office of Zoning
441 4th Street, N W
Suite 210
Washington, D C 20001

2008 MAR 20 AM 10: 26

DC OFFICE OF ZONING

RECEIVED

Re CONSENT CALENDAR
Proposed Minor Modification of a PUD
Zoning Commission Case No 05-24 (Eastgate Family Housing)

Dear Mr Hood and Members of the Zoning Commission

This is a supplement to our February 19, 2008 request for a Minor Modification of the Eastgate Hope IV Planned Unit Development ("PUD")

As indicated previously, the Applicant is the District of Columbia Housing Authority and the private development team of A & R/THC II LLC The PUD is a new residential community, now called Glencrest, consisting of 186 dwelling units, including 158 townhouses, 20 detached single-family dwellings and 8 units in two grand homes Sixty-one (61) percent of the units will be for low- and moderate-income occupancy The overall goal is to create a stable, mixed-income residential community with the emphasis on affordable housing

The requested modification to Zoning Commission Order No 05-24 relates to the approved 20 detached single-family houses The Applicant has determined that these houses, to be sold in the mid-high \$400,000 range, are no longer marketable as a result of the downturn in the housing market and the subprime crisis

Fortunately, the Applicant secured the financing for the project and began site work prior to the current downturn However, the lender for the project is now very concerned about the feasibility of the detached units and their potential to drag the entire project into the red The lender has indicated that it will cease its monthly disbursements to the project if an alternative to building the detached units is not obtained very soon

The development team has put together the attached pro forma (Exhibit "A") to illustrate the financial difficulty posed by the approved detached units in today's market The analysis addresses two scenarios

ZONING COMMISSION
District of Columbia

CASE NO 05-24B ZONING COMMISSION
District of Columbia
EXHIBIT NO 5 CASE NO.05-24B
EXHIBIT NO.5

ARNOLD & PORTER LLP

Anthony Hood, Chair
March 20, 2008
Page 2

- (1) development of the PUD project as approved but without the 20 detached houses, and
- (2) development of PUD project substituting 45 proposed market rate townhouses for the approved 20 detached houses

Note that both analyses assume, as required by HUD, that the Hope VI project breaks even ("B/E") and that no profit is realized

Under scenario (1), the costs and revenues associated with the 20 detached units are eliminated with the end result that the remaining 44 market rate units in the project have to achieve a sales price of \$388,192 to reach B/E. In A&R's opinion this sales price is not achievable (and grossly exceeds their original projections). As a result, the project fails and the lender will no longer fund it.

Under scenario (2), substituting the 45 townhouses for the 20 detached units, a sales price of only \$317,861 for the market rate townhouses has to be achieved for the project to succeed. According to A&R, this price point is achievable and the project can proceed. Although, some unit variety will be lost, the City will gain 15 additional units of workforce housing as compared to the previously approved plan.

As demonstrated by the attached analysis, the Applicant has no other alternative but to modify the PUD to replace the unmarketable detached units with a marketable unit type. The Applicant cannot simply delay construction of these houses until the market rebounds because the entire project is already under construction, the subject detached houses are located in the middle of the project site, and the remaining market rate units cannot command the prices required to offset the projected revenues lost from the detached houses.

The requested 45 additional townhouse units are of the same architectural style and design as the 158 townhouses which have already been approved on the PUD site. This will allow the Applicant to quickly move forward with the site work and construction of the houses, thereby avoiding costly construction delays in this case. The fact that the substitute townhouses are of the same architectural design as the approved townhouses suggests that a public hearing is not necessary in this case.

Under these exceptional circumstances, which include a need to save a federally funded Hope VI project from bankruptcy with serious resulting implications for the City's ability to obtain future Hope VI funds, we assert that the requested modification can be approved as a minor modification. A precedent for substituting unit types under the minor modification process is attached hereto as Exhibit "B". The precedent case,

ARNOLD & PORTER LLP

Anthony Hood, Chair
March 20, 2008
Page 3

involving the substitution of a senior apartment building for approved townhouses in the Walter Washington Estates development, also involved a need for expedited action to ensure funding of HUD subsidized housing

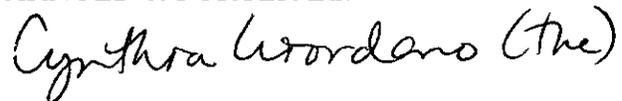
Since the initial modification request, we note that this minor modification request has received the support of the ANC-7E and a positive reception from DDOT staff

For all of the reasons stated above, the Applicants request Zoning Commission approval of a minor modification to substitute forty-five townhouse units similar in design and architectural style to the previously approved townhouses per the plans attached hereto. Flexibility to provide or delete driveways and off-street parking for the units per DDOT's requirements is also requested

Thank you in advance for your consideration

Sincerely,

ARNOLD & PORTER LLP



Cynthia A. Giordano

Attachments

cc Advisory Neighborhood Commission 7E
Office of Planning
Kerry Smyser, D C Housing Authority

GLENNCREST

ANALYSIS FOR BUILDING OR NOT BUILDING THE 20 SFD UNITS**ASSUMPTIONS**

Total development cost, adjusted for interest expense, minus contractors credit to be absorbed by remaining 105 units

No credit for contractor's General Conditions

SFD revenue lost = \$424,350/unit less commission of 2.5% =		\$	8,280,000
Construction cost credit for 20 SFD units @	\$ 204,450	\$	4,089,000
Contribution Loss for 20 SFD units		\$	4,191,000
Contribution Loss /unit		\$	209,550

Number of Financial Assistance Units	61
Number of Market Price Units (existing)	44
Number of additional Market Rate Units (proposed)	45

Break even sale price of remaining homes if 20 SFD units are eliminated

Total Project Budget		\$	37,458,798
Contractors credit for 20 SFD units	\$204,450		\$4,089,000
Adjustment for const. Interest expense			\$110,403
Adjusted development budget		\$	33,259,395
Revenue from 61 Financial Assistance units @	\$ 219,961	\$	13,417,621
Revenue from 44 Market Rate units @ avg of	\$ 325,775	\$	14,334,088
Total Revenue from 105 units		\$	27,751,709
Resulting profit (deficit)		\$	(5,507,686)
Other project funding (DCHA)		\$	3,177,917
Assume project savings of:		\$	-
Net profit (deficit)		\$	(2,329,769)
Required additional contribution/unit from existing market units to break even		\$	52,949
Required sales price of existing market units (44) to break even		\$	388,192

Break even sale price of remaining homes if 20 SFD units are replaced with 45 Townhomes

Construction Cost to build TH		\$	167,951
Additional price to cover development soft cost of	\$ 555,415	\$	12,343
Adjustment for construction Interest expense for one year		\$	7,437
Cost/unit for 45 additional TH		\$	187,731
Adjusted Development for 105 units		\$	33,259,395
Cost to build 45 additional TH		\$	8,447,880
Adjusted budget for 150 TH units		\$	41,707,275
Less: revenue from 61 Financial Assistance units		\$	13,417,621
Revenue required from 89 market rate units to BE -incl comm		\$	28,289,654
Required sales price per unit for all (89) market rate units to break even		\$	317,861

**Government of the District of Columbia
ZONING COMMISSION**



**ZONING COMMISSION ORDER NO 829-B
Case No 00-16MM/99-07MM/98-20M/97-3C
(Minor Modification to a Consolidated PUD at
828 Bellevue Street, S E , "Walter Washington Estates")
July 10, 2000**

FINDINGS OF FACT

- 1 On September 20, 1999, the applicant requested approval of a minor modification to a previously approved Planned Unit Development (PUD) for property located at 828 Bellevue Street, S E (Lot 25 in Square 6159) The modifications were requested pursuant to the Consent Calendar provisions of 11 DCMR §3030 The modifications were approved in accordance with Z C Order No 829-A
- 2 The subject property is currently being developed with a gated, 152-townhouse community and community center in accordance with Z C Order No 829
- 3 The requested modification involves a row of 11 townhouses, located on the southwestern portion of the PUD site, which was the subject of a previous modification (Z C Order No 912, Z C Case No 98-20M/97-3C)
- 4 The purpose of the requested modification is to substitute a three-story 45 unit low-income elderly apartment building for the 11 townhouses The elderly apartment building will receive Section 202 funding from HUD due to the severe need to increase the stock of safe and affordable housing for elderly D C residents
- 5 The proposed apartment building is larger than the 11 townhouses, but the number of occupants and the parking demand for the proposed building will be comparable to the approved townhouse row Further, the overall density of the PUD will remain the same upon approval of the modification
- 6 The Commission finds that the requested modifications are minor in nature as required by Section 3030 2
- 7 The proposed modifications will enable the applicant to offer housing in the PUD project to a broader spectrum of D C residents and to create a full life-cycle community

- 7a The applicant represented to the Commission that the length of the hearing process, where the modifications deemed not to be minor might jeopardize the funding necessary to complete the process
- 8 By memorandum dated July 10, 2000 the Office of Zoning (OZ) reported to the Zoning Commission that the proposed modifications appeared to meet the requirements of Section 3030
- 9 Advisory Neighborhood Commission (ANC) 8E, a party in the case, was notified on the requested modification and provided a letter in support of the modification. It was noted that the timing of the minor modification request did not permit the ANC to vote on the matter at a meeting attended by a quorum
- 10 On July 10, 2000, at its monthly public meeting, the Zoning Commission reviewed the modifications and took proposed and final action to approve them.

CONCLUSIONS OF LAW

- 1 The Zoning Commission finds that the proposed minor modification is appropriate and not inconsistent with the intent of 11 DCMR §3030
- 2 The Zoning Commission further believes that its decision is in the best interests of the District of Columbia and is consistent with the intent and purpose of the Zoning Regulations and the Zoning Act
- 3 The approval of the minor modification is not inconsistent with the Comprehensive Plan for the National Capital

DECISION

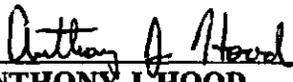
In consideration of the reasons set forth in this order the Zoning Commission for the District of Columbia hereby orders **APPROVAL** of a minor modification to a previously approved PUD for 828 Bellevue Street, S E , subject to the following condition

- 1 The PUD modifications approved herein shall be in accordance with the plans prepared by Christian & Associates, Inc identified in the record as Exhibit 1

This order was adopted and approved by the Zoning Commission at its public meeting on July 10, 2000 by a vote of 4-0 (Kwasi Holman, Carol Mitten, Anthony Hood, and John Parsons to **APPROVE**)

Z C ORDER NO 829 B
CASE NO 00 16MM/99 07MM/98 20M/97 3C
PAGE NO 3

In accordance with the provisions of 11 DCMR §3028.8, this order shall become final and effective upon publication in the D C Register, that is, on AUG 25 2000



ANTHONY J HOOD
Chairperson
Zoning Commission



JERRILY R. KRESS, FAIA
Director
Office of Zoning