

May 16, 2001

D.C. HEARING OFFICE
2001 MAY 21 PM 3:06

BZA 16744

Mr. Jay Hellman
Managing General Partner
500 NJ Associates
1828 L Street, NW
Washington, DC 20036

Re: Zoning Variances at 500 New Jersey Avenue, NW

Dear Jay:

You asked me to comment on why certain zoning variances are necessary to build the right building on this special site. I believe the reasons are clear.

It is a unique site. Its configuration is small and narrow. All sides front on streets. It sits in an open setting, visually linked to the most architecturally dramatic building in Washington -- the US Capitol. First, however, as a background to the comments which follow below, a brief review of my involvement in this project would be useful.

You initially shared with me your research on the evolution of computer and communication technology and its relationship to the future of office buildings and cities in the 1980's. Early in 1994, we discussed your research again, especially as it relates to this project. I visited the site with you at that time and concluded that while your ideas had substantial merit, I was too committed elsewhere to focus on them.

Based on the additional material you furnished over succeeding months, we continued to stay in touch. On at least two occasions in this period, I had hoped that we would be able to work with you to bring this significant project to market. Although we were not able to do so, I am delighted that you are now in a position to proceed. I know that obtaining a contract on the former Amoco gas station was very difficult. I understand that you have just 90 days to adjust the zoning and then obtain the needed financing. In that regard, the zoning variances you need are straightforward, logical and necessary. They are a direct consequence of the unique aspects of this site.

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Exhibit No. 30

Board of Zoning Adjustment
District of Columbia
CASE NO.16744
EXHIBIT NO.30

Because the site is small, you have the burden of diseconomies of scale. The FAR variance you are requesting is the most this site can physically accommodate. A 95,000 square foot building is still small, but on the edge of viable. Anything less would not allow 3 elevators -- the minimum for an architecturally significant building that must command top market rents to be economically viable. The lobby must be elegant and impressive. The garage entry and ramp system is another fixed cost that must be amortized over the rentable area provided in the building. In addition, your operating costs will be higher because the caliber of tenant will demand it. A concierge is one example of an added operating cost that arises in quality buildings.

Your site is long, narrow and surrounded by streets on all sides. Your key street frontage on New Jersey Avenue is one of L'Enfant's very special streets. As a result of these factors, the face costs per square foot of rentable area will be more than 3 times what a normal building would bear. In fact, a comparably-sized building would typically have two party walls and an alley wall. The face costs in that instance would be more than 6 times higher.

The building you are proposing at 500 New Jersey Avenue is exactly correct. I believe it will be a valuable asset for the city as a part of the inventory we can offer to our office customers. I wish you well in this endeavor.

Sincerely,

Robert Gladstone