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October 21, 2002

CHRISTINE MOSELEY SHIKER
202-457-7167

Internet Address: cmshiker@hklaw.com

VIA HAND DELIVERY
Members of the Board of Zoning Adjustment
District of Columbia Office of Zoning
441 4th Street, N.W., Suite 210S
Washington, D.C. 20001

Re: Board of Zoning Adjustment Case No. 16930
500 New Jersey Avenue, N.W.
Additional Information

Dear Board Members:

As requested by the Office of Planning, enclosed please find the original and twenty copies of a letter from John B. Schlichting, Vice President, Director of Development of CarrAmerica Development, Inc., which further discusses the practical difficulty in the above-referenced case.

Should you have any questions regarding this matter, please do not hesitate to contact me at (202) 457-7167.

Sincerely,

Christine Moseley Shiker

Enclosures

cc: David McGettigan, Office of Planning (Via Facsimile; w/enclosure)

BZA
Case No. 16930
Exhibit No. 78

Board of Zoning Adjustment
District of Columbia
CASE NO.16930
EXHIBIT NO.78

CarrAmerica Development, Inc.

1850 K Street, NW
Washington, DC 20006
Phone 202.729.3800
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www.carramerica.com

CarrAmerica®

October 18, 2002

Mr. Lawrence N. Brandt
Lawrence N. Brandt, Inc.
3201 New Mexico Avenue, NW
Washington, DC 20016

Re: Practical Difficulty of Constructing 500 New Jersey Avenue, NW.

Dear Mr. Brandt:

As you know, we are performing development consulting services for the contract purchaser of 500 New Jersey Avenue, NW, the National Association of Realtors. In this capacity, we have participated in the design review of the building that you propose to develop at this location since March 2002. This letter summarizes our conclusions regarding the practical difficulty of constructing a Class A office building at this location, and why the costs to construct this building are significantly higher (on a per square foot basis) than those of a typical Washington, DC office building. This letter is also intended to explain that while the costs of constructing the 92,000 square foot building that you propose to build are extraordinarily high, the costs of building a smaller building would be even higher (on a per square foot basis), and prohibitively uneconomic, given the fixed costs associated with development at this location.

The primary reason for the practical difficulty is the higher construction costs resulting from the size and configuration of the site itself. At 8,312 square feet, the site is a very small and narrow triangle. A site of this size is extremely unique for the District of Columbia. Due to the generous public right-of way surrounding the site on all sides (including a National Parks Service Reservation), the building site itself is a relatively small portion of the block. The site factors contribute to higher costs due to 1) a much larger proportion of Class A, fully articulated facades as compared to usable interior square footage, 2) a much higher percentage of building core relative to usable space, and 3) an unusually large amount of sitework and landscaping costs associated with both the generous right-of-way as well as your commitment to re-landscape the National Parks Service Reservation.

Façade Premium

All sides of the proposed building are fully exposed making it necessary for each side of the building to receive a fully articulated Class A facade. This is very unusual in Washington, DC. Most office buildings share a party wall with an adjacent building; many have party walls on both sides. Additionally, most buildings have a side that is facing an alley. The cost of the facade facing an alley, which may be constructed of lesser materials such as basic masonry with punched window openings, is significantly less than the cost of a first class curtainwall. The cost of a party wall is even less than that of an alley elevation; thus the cost premium is even more significant.

If one compares 500 New Jersey Avenue (at approximately 92,000 square feet) and a more typical class A Washington, DC office building (between 150,000 and 300,000 square feet), the cost of the façades could be as much as three times that of the typical building. With approximately 8,000 square feet per floor, the ratio of floor area (square feet) to windowed perimeter (linear feet) is approximately 18 square foot per linear foot. In a typical office building of 17,000 square feet per floor and one party wall, this ratio is approximately 38 square feet per linear foot. With two party walls, the ratio approaches 47 square feet per linear foot.

It is certainly true that the narrow, small floorplates will offer the building occupants an unusually large percentage of windowed offices. This situation is so extreme in this case, however, that functional office space that does not normally require windows, such as copy rooms, kitchens, file storage etc., will have to be located on the perimeter thus decreasing the efficiency of a typical office layout. These inefficiencies as well as the inefficiencies of the core factor as described below will offset the higher rents achievable for windowed offices.

Building Core Premium

Every office building has a core that contains the elevators, fire stairs, restrooms, mechanical and utility spaces on every floor. A typical core for an office building containing 17,000 to 30,000 square feet per floor occupies approximately 8% to 10% of the floor. Due to the smaller 8,000 square foot floorplates, the core factor for 500 New Jersey will be in the 12 – 14% range. The higher core factor increases the relative cost of construction while also decreasing the efficiency of the floor plate to prospective tenants.

In addition, a building of 92,000 square feet with typical 17,000 square foot floor plates would be five or six stories tall and not normally require three elevators. With more than six floors and consequently more than six elevator stops, however, the building requires one freight elevator and two passenger elevators to provide adequate elevator service to the building's occupants. The additional elevator adds significantly to the costs as well.

CarrAmerica®

Sitework Premium

As mentioned above, the National Association of Realtors has committed to complete re-landscaping and reconstruction (both hard and softscape) of the entire block, including the generous 50' right-of-way on New Jersey Avenue and the National Parks Service Reservation at the top of the triangle. The sitework that is required at most downtown Washington, DC office buildings covers only a small portion of the developed land area. In the case of 500 New Jersey Avenue, the square footage of sitework is many times greater than the site itself.

It has been our experience that construction costs for a Class A office building in Washington, DC are typically are in the $80 - $100 per square foot range. It is our expectation that the proposed 92,000 square foot building, with the sustainable features required to achieve LEED certification, will have construction costs in the $140 - $165 / sf range. Should the relief requested in the form of a height variance not be granted, the practical difficulty of constructing a smaller office building at this location will be so extreme that the project will be financially infeasible.

Sincerely,

John Schlichting
Vice President, Director of Development