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June 2, 2003

Norman M. Glasgow, Jr.
202-419-2460
nglasgow@hklaw.com

D.C. BOARD OF ZONING ADJUSTMENT
2003 JUN -2 AM 11:01

Via Facsimile

Board of Zoning Adjustment
441 4th Street, N.W.
Room 210 S
Washington, D.C. 20001

Re: BZA No. 17012, Application of Jemal's Benjo, LLC

Dear Members of the Board:

For the Board's reference, attached please find a copy of a letter provided by the Applicant to the Office of Planning on Friday, May 30, 2003. This letter clarifies the differences in economic costs to the Applicant between the Office of Planning's proposal for the residential usage of the third floor of the building and the Applicant's revised proposal to split usage of the third floor roughly equally between residential and commercial. As the Board will note from the testimony and other evidence offered at the public hearing on May 20, 2003, the project as originally proposed by the Applicant was only modestly feasible. Now, as revised by the Applicant to address the concerns raised by Office of Planning at the hearing, the Applicant is proposing to accept an additional loss of approximately $500,000-$600,000. The Applicant submits that it has no additional room for error and that the project as proposed by the Office of Planning would be infeasible and the Applicant would not be able to proceed.

As the Board is aware, the community is strongly in support of this application.

For all these reasons, the Applicant requests approval from the Board of its revised proposal, with the third floor of the building to be divided roughly equally between residential and commercial use. We welcome the Board's favorable decision at its meeting on June 3, 2003. Thank you for your consideration of this application.

Sincerely,

Norman M. Glasgow, Jr.

Dennis R. Hughes

cc: ANC 2C
Office of Planning
Paul Millstein

WAS1 #1186869 v1

BZA
Case No. 17012
Exhibit No. 47

Board of Zoning Adjustment
District of Columbia
CASE NO. 17012
EXHIBIT NO. 47

DOUGLAS DEVELOPMENT CORPORATION

Ellen McCarthy
Jennifer Steingasser
John Moore
Office of Planning
801 N. Capitol Street, N.E.
Room 4000
Washington, D.C. 20002

Re: BZA Application No. 17012
1301-1309 9th Street, N.W.

Dear Ellen, Jennifer and John:

This letter responds to your recent request that the Applicant in the above-referenced application identify the differences in costs and economic impacts between the Office of Planning's proposal, set forth in its May 16, 2008 report to the Board, and the Applicant's revised proposal for split commercial and residential use of the third floor, as set forth at the public hearing on May 20, 2008.

The economic impact on the Applicant of devoting the entire third floor to residential use, as proposed by the Office of Planning, instead of splitting the uses on the third floor, with approximately 50% residential and 50% commercial uses, totals in the range of $535,000-$585,000 of additional cost to the project, primarily as a result of the following:

(1) *Rent Differential*: The difference in the capitalized value of the rent between commercial and residential use for the 3,090 square feet that is in issue equals approximately $285,000, utilizing a 7% cap rate:

702 H STREET, NW, SUITE 400
WASHINGTON, DC 20001 • (202) 638-6300 • FAX (202) 638-0303
www.douglasdevelopment.com

(2) *Construction Costs Differential*: Residential build-out of the 3,090 square feet in issue would result in an additional cost of approximately $250,000-$300,000 over Commercial build-out costs for the same amount of space. This differential is owing to the fact that commercial build-out is only shell space, whereas residential build-out requires complete interior finish.

Owing to the extensive and exceptional added costs of historic preservation on the project, this $535,000-585,000 cost differential is essential to make an otherwise infeasible project feasible. Please bear in mind that the Applicant's original proposal, utilizing the entire third floor for commercial uses, was proposed in order to close the economic feasibility gap created by the unique construction costs. That proposal would "close the gap" by approximately $1.2 million and result in a marginally feasible project. The Applicant's revised proposal to split the third floor in a roughly 50-50 commercial/residential manner, provides no margin for error. The Applicant simply cannot take out another $500,000 to $600,000 and still be left with a feasible project.

Also, please note that the Applicant's project, as originally submitted to the Board, is vigorously supported by the community, which recognizes that, given the property's location at the back of the Convention Center, the residential use is of a lower priority than retail and office uses. Advisory Neighborhood Commission 2C

SMD Representative Alex Padro reinforced this fact through his testimony at the public hearing, reminding the Board that, historically, such mixed-use buildings in the neighborhood, particularly along 9th and 7th Streets, NW, were primarily commercial in nature, with secondary residential uses.

I hope that this is responsive to your questions on this matter.

Very truly yours,

Paul Millstein

Douglas Development Corporation

WAS1 #1186436 v1

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TO:

Rick Nero
Board of Zoning Adjustment **(202) 727-6072**

Ellen McCarthy
Jennifer Steingasser
John Moore,
Office of Planning **(202) 442-7638**

Leroy Thorpe, ANC 2C **(202) 724-1476**

Paul Millstein **(202) 638-0303**

If you did not receive all of the pages or find that they are illegible, please call

10:11 AM 2-JUN-2003 D.C. ZONING

FROM:

Norman Glasgow, Jr. **(202) 419-2460**
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