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March 25, 2016

VIA IZIS

Marnique Heath, Chairperson
D.C. Board of Zoning Adjustment
441 4th Street, N.W.
Suite 210S
Washington, D.C. 20001

Re: Board of Zoning Adjustment Order No. 18325 and No. 18325-A (the "Order") approving variance and special exception relief for 704 3rd Street NW (Square 529, Lots 802, 803, 845 & 847) (the "Property") – Request to Extend the Order for a Period of Two Years

Dear Chairperson Heath and Members of the Board:

On behalf of Renaissance Centro Third Street LLC ("**Applicant**"), the owner of the Property and the original applicant in this case, we hereby submit a request for a two (2) year extension of BZA Order No. 18325. This request for an extension is made pursuant to 11 DCMR § 3130.6 for the good cause shown herein. Enclosed with this letter are the Fee Calculator Form and a check for the applicable filing fee of $1487.20.

In BZA Case No. 18325, the Applicant sought variance and special exception relief in order to renovate and expand a historic building for use as an apartment building and/or hotel. The Property and the plans for the Project have not changed since the approval under the Order.

Board of Zoning Adjustment
District of Columbia
CASE NO.18325B
EXHIBIT NO.3

I. **OVERVIEW OF THE PROJECT**

A. The Property

The Property is located at the northwest corner of 3rd and G Streets NW. It is bounded by an alley to the north, G Street to the south, 3rd Street to the east, and commercial and residential buildings to the west. It measures approximately 13,356 square feet in land area. The Property is improved with a long-vacant five-story former apartment building that is an individually-listed historic landmark (the "**Building**"). The Property is located in the DD/C-2-C Zone District.

The approved project will be a hotel and/or residential complex consisting of the existing Building and the addition of a new 12-story, 130-foot-tall structure on the west side of the Building (collectively, the "**Project**"). The Project will contain approximately 124,156 square feet of gross floor area enabled by a combined lot development agreement. Approximately 33,018 square feet of gross floor area ("**GFA**") will be provided in the renovated Building, and approximately 91,138 square feet of GFA will be provided in the addition. The addition will be set back from the main structure of the Building, and the south façade of the new addition will have the appearance of an independent building adjacent to the Building. Prior to receiving approval from the BZA, the Applicant received concept approval from the Historic Preservation Review Board for the Project.

Although the Applicant is not able to proceed with the project at this time, it is diligently pursuing site preparations, having recently repaired the building façade and is preparing a permit application package to pursue the alterations allowed by HPRB.

B. Project Approval

In order to allow for the renovation of and addition to the Building, the Applicant applied to the BZA for: (i) a variance from the minimum rear yard requirement (§ 774.1); (ii) a variance from residential lot occupancy requirement (§ 772.1); (iii) a variance from the off street parking requirement (§ 2101.1); and (iv) a special exception for a penthouse composed of walls of unequal height (§ 411.5).

On March 20, 2012, in BZA Case No. 18325, the Board voted to approve the Project with the above-described relief. BZA Order No. 18325, attached as Exhibit 1, was made final on March 28, 2012. On May 6, 2014, the Board granted a two (2) year time extension by Order No. 18325-A. That Order is valid until March 28, 2016 (Exhibit 2).

II. JURISDICTION AND STANDARD OF DECISION OF THE BZA

The BZA is permitted to extend its Orders under Section 3130.6 of the Zoning Regulations. Section 3130.7 permits the BZA to extend its Orders for a period of two (2) years. In order to extend a BZA Order under 11 DCMR § 3130.6, the Applicant must demonstrate that: (a) the extension request is served on all parties to the application by the applicant and all parties are allowed thirty (30) days to respond, (b) there is no substantial change in any of the material facts upon which the Board based its original approval of the Order that would undermine the BZA's justification for approving the original Order, and (c) that there is good cause for such extension.

III. RATIONALE FOR EXTENSION OF BZA ORDER NO. 18325

A. Extension request served on all parties to the application

This extension request is being served simultaneously on the only party to the original application for the BZA case: Advisory Neighborhood Commission 2C (formerly 6C). The ANC is allowed thirty (30) days to respond to this request. The extension request is also being sent to the Office of Planning. As when the Board approved the Project, there are no neighboring properties that would be adversely affected as the result of the relief under BZA Order Nos. 18325. The Project has the potential to revitalize a vacant historic structure and to have a positive overall impact on the neighborhood. Therefore, the first criterion for an extension of BZA Order Nos. 18325 has been satisfied.

B. No Substantial Change to Any of the Material Facts

The factors satisfying the variance standards and allowing for the special exception relief remain as they were for the Board's approval of the requested relief. There has been no substantial change in any of the material facts relating to the approved case. With respect to the variance relief, the exceptional, unique conditions of the Property and the Building remain, such as the historic landmark designation, the zoning characteristics, and the layout of the Property. Similarly, the practical difficulty to the Applicant from the strict application of the Zoning Regulations remains. The practical difficulty of providing a conforming rear yard, lot occupancy, and the required amount of off-street parking is still related to the unique and exceptional circumstances of the existing historic Building. The Zone Plan would still not be harmed through the approval of the requested relief since the Project and related relief would enact policies desired by the Zoning Regulations and Comprehensive Plan. Regarding the special exception relief, the roof structure is still in harmony with the general purpose and intent of the Zoning Regulations and Zoning Maps and will not adversely affect the use of neighboring property in accordance with the Zoning Regulations and Zoning Maps. There is no change to the Property's treatment by the D.C. Comprehensive Plan.

In fact, under the Zoning Regulations Review ("**ZRR**"), which was recently adopted by the Zoning Commission to become effective on September 6, 2016, none of the above variance relief would be required. A rear yard is not required for a historic landmark under Subtitle I § 205.3; there is no lot occupancy requirement under Subtitle I § 202; and no parking is required under Subtitle I § 212. Further, under the newly-adopted penthouse regulations, the Project's non-uniform height penthouse walls are also permitted under § 411.9. Accordingly, the special exception relief is also no longer required.

However, the primary purpose of this extension is to ensure that the Project's entitlements are kept in place until the effective date of ZRR.

Therefore, the second criterion for an extension of BZA Order Nos. 18325 and 18325-A has been satisfied.

C. Good Cause for Delay and Actions Subsequent to Issuance of BZA Order No. 18325

Under § 3130.6(c), good cause for the extension must be demonstrated with substantial evidence of one or more of the following criteria: (1) An inability to obtain sufficient project financing due to economic and market conditions beyond the applicant's reasonable control; (2)

an inability to secure all required governmental agency approvals by the expiration date of the Board's order because of delays that are beyond the applicant's reasonable control; or (3) the existence of pending litigation or such other condition, circumstance, or factor beyond the applicant's reasonable control.

The Applicant's good cause for delay is based on criteria numbers 1 and 3. The Applicant's prior submission for the first extension request provided a detailed summary of compliance with criteria 1 and 3 for the period of 2012-2014 (Exhibit 3). That submission described in detail the huge preservation costs of the development and the difficulties in the hotel and residential markets particularly given the uncertainty over the timing of the massive Capitol Crossing project right across the street. These circumstances have not changed, particularly because the Capitol Crossing project is more than a year away from completion. Since the requested relief is no longer needed under ZRR and the new penthouse regulations, we have only summarized the compliance with criteria 1 and 3 below. Should additional information be needed by the Board, we would be happy to provide it.

Hotel Development Options

The Applicant pursued the hotel option as the preferred use for the Project because it is the best alternative to account for the high cost of preservation and to better accommodate the adaptive reuse of the historic building. Since the first time extension, the Applicant has continued discussions with numerous hotel brands, and many have expressed strong interest in the Project. However, continuing challenges beyond the Applicant's control in the immediate Project vicinity have continued to deter potential hotel brands for the near term.

Importantly, hotel operators continue to express a strong desire to know when the Capitol Crossing project (the large mixed-use project to be constructed over Interstate 395 directly across 3rd Street to the east of this Property) will be completed before committing to this location.[1] The current status of the Capitol Crossing Project is addressed below.

Residential development options

Since no hotel operator has yet committed to the Project, the Applicant also continues to explore residential development. However, the challenge for residential development is the high cost of incorporating the historic Building and the arrangement of modern apartments within the dimensions of a historic structure. Furthermore, the costs of construction continue to rise, making it a challenge for the Applicant to find a way to best absorb these costs.

Based on this, the Applicant has continued to explore how to spread the high cost of preserving the historic Building over a larger residential area. Since the last extension request was granted, the Applicant has placed the commercial building at the corner of 4th & G Streets under contract, with closing anticipated in less than two months. The Applicant is fully aware that approval of this extension request would be only for the already-approved plans and that any modified project incorporating the adjacent property may require another public hearing and BZA approval depending upon compliance with ZRR.

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[1] The Capitol Crossing project was approved as a planned unit development by the Zoning Commission in Case No. 08-34.

Capitol Crossing

The significant Capitol Crossing project will dramatically affect the surrounding neighborhood and the market conditions, and potential hotel operators are keenly aware of this. Among other components, the Capitol Crossing project will include approximately 2,226,625 square feet of new buildings, will extend F and G Streets, will relocate the I-395 entrance ramp, and will temporarily disrupt nearby streets during construction. The loading and parking access disruptions from the street closures and construction staging occurring from the Capitol Crossing construction are among the multiple short-term effects that concern hotel operators. Hoteliers also expressed concern about the impact on guests during the unprecedented amount and large scale of construction. Hotel operators preferred, at the least, that the I-395 deck be complete before committing to the Project. That portion of the project is currently under construction as detailed in a recent *Washington Business Journal* article included as Exhibit 4. ("Capitol Crossing on the verge of going vertical"; 1/14/16).

IV. **CONCLUSION**

Given all of the above, and perhaps most importantly, the fact that none of the requested relief would be required under ZRR, the Applicant requests this two (2) year time extension for Order 18325. The Applicant requests this extension because of circumstances beyond its control that prevented it from vesting the Order and with full recognition that the granted relief will no longer be required under ZRR. The Applicant discovered the extraordinary cost of preserving the historic building after BZA approval, so it sought ways to best absorb this cost. The Applicant is actively pursuing both hotel and residential alternatives for the Project, and, given more time, the Applicant is confident that it will find the better of the two options to move forward. A hotel is the most viable alternative for absorbing the high cost, but to date, hotel operators have been unwilling to commit to this location because of market uncertainties due to the ongoing construction of the Capitol Crossing project across 3rd Street. Therefore, the Applicant has also been evaluating an all-residential project as a possible means to defray the preservation cost, but it needs more time to make a determination as it continues to acquire adjacent properties. However, now that the Capitol Crossing is proceeding, to the Applicant has re-engaged potential hotel operators. With this requested extension, the Applicant will either vest under the BZA Order or ZRR.

Any further information regarding the Applicant's satisfaction of the criteria for extending the BZA Order can be provided by Applicant upon request.

For all of the above reasons constituting good cause, the Applicant requests a second two (2) year extension of BZA Order No. 18325.

Thank you for your attention to this application.

Respectfully submitted,
GOULSTON & STORRS

/s/ John Epting
John T. Epting

/s/ Cary Kadlecek
Cary R. Kadlecek

Enclosures

V. EXHIBITS

Exhibit 1	BZA Order No. 18325
Exhibit 2	BZA Order No. 18325-A
Exhibit 3	Request to Extend the Order for a Period of Two Years, March 27, 2014
Exhibit 4	*Washington Business Journal* article