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Supplemental Statement of Steven E. Sher
Director of Zoning and Land Use Services

Rationale for Office Building Height and Density

The preliminary planned unit development identifies two locations for office buildings as part of the overall mix of uses in the project. One building would be located in the southern half of Square 769, to be known as 250 M Street, on the north side of M Street between 2nd and 3rd Streets, S.E. Two buildings would be located in the southern portion of Square 882, now designated as the 600 M Street buildings, on the north side of M Street between Reservation 19A and 7th Street, S.E. The 250 M Street building would contain 236,000 square feet of gross floor area, including 15,000 square feet of retail and service uses on the ground floor. The 600 M Street buildings would contain a total of 496,000 square feet of gross floor area, including 15,000 square feet of retail and service uses. All the buildings are proposed to have a maximum height of 110 feet.

Within the boundaries of the preliminary PUD, a total of 771,017 square feet of commercial development is permitted as a matter-of-right under the existing zoning. The Applicants propose to construct a total of 753,000 square feet of commercial development, including 702,000 square feet of office and 51,000 square feet of retail and service uses. The total proposed commercial development is therefore less than now permitted.

The redistribution of the commercial density is appropriate for the following reasons:

- M Street will become the "main street" of the Near Southeast portion of the Anacostia Waterfront area. It has the potential to become a grand urban boulevard lined by taller buildings containing more intense uses than is currently the case. The Zoning Regulations already permit heights up to 130 feet in the area between South Capitol Street and New Jersey Avenue. The proposed zoning for the Southeast Federal Center would allow up to 130 feet in height for the area east to 4th Street. Allowing 110 feet in height for the

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three office buildings would help to set the frame for the context of M Street, which also has office buildings at ninety feet east of 11th Street.

- Office buildings in the 600 block of M Street would be across from the activity center which is building at the Navy Yard. There will be a natural demand from office tenants who have business directly with Navy personnel, particularly with the Naval Sea Systems Command. Many of those contractors require face-to-face contact on an on-going basis with NAVSEA and the proximity afforded by office space at the proposed location would benefit both the government and the private contractors.

- Shifting the office space from Square 739, bounded by New Jersey Avenue and 2nd, I and K Streets opens that square up for residential use. This extends residential use into the area currently anticipated to be predominantly office in use, thereby expanding mixed use opportunities and becoming a natural enhancement to the residential and hotel development proposed for the block immediately to the south.

- It is a typical development pattern in the District for high rise buildings to be located along major arteries and corridors, adjoined by low density, low-rise residential structures within close proximity. The Connecticut Avenue corridor is perhaps the best example, with many stretches of ninety foot buildings separated only by ten or fifteen foot alleys from two story detached single family residences. Portions of the Southwest Urban Renewal area have a deliberate and successful mix of high-rise and low rise buildings in the same project. In the case of 250 M Street, the building immediately to the north is proposed to be of equal height. In the case of the M Street office buildings, the buildings to the north are proposed to be thirty to forty-five feet in height, but will be separated by a twenty-three foot wide public alley.

- The economic leverage afforded by the office buildings is extremely important to the overall success of the HOPE VI project. The replacement of the existing 707 units of public housing requires more dollars than are available through the grant from HUD. The D.C. Housing Authority must be able to sell its land for a price sufficient to underwrite the costs of building the public housing units. Limiting the height of the 600 M Street buildings to less than 110 feet would cause a net reduction in commercial office density, exacerbated further if combined with the stated desire to have higher ceiling heights on the ground floor.

For all the above-stated reasons, it is appropriate to approve a maximum height of 110 feet for the three office buildings. These buildings are in the preliminary PUD, and must be reviewed again by the Zoning Commission as part of a second stage application, where the Commission can be satisfied as to the design relationships involved.

Economics of Office Building Development

The Hope VI grant for the Capper/Carrollsburg Dwellings of $35 million will be leveraged into a total of $425 million in public and private investment. The proceeds from the land value of the office space will be reinvested into the community for housing and economic development activities, thus making the office space component one of the primary economic engines for the community redevelopment.

The location of the 600 M Street office buildings is the most economically feasible site for the office component, given its proximity to the Navy Yard and its frontage along M Street. Maximizing the market value of the land will help the D. C. Housing Authority to replace all of the 707 public housing units that exist today.

The revitalization effort for the Near Southeast neighborhood will re-establish the historic Carrollsburg community while creating public access through a network of streets and parks to an underutilized Anacostia waterfront. The development of this new community will provide an attractive link between Capitol Hill to the north and the waterfront to the south. The main components contributing to the re-emergence of the Near Southeast neighborhood include the Hope VI Capper/Carrollsburg Dwellings, Southeast Federal Center, DDOT headquarters and Federal Gateway. As the planning for each of these projects in the near Southeast continues, there is a continued effort to assure these developments will be complimentary of one another in both design and functionality.

M Street, with its emerging commercial uses, plays a key role to the success of the overall plan, becoming a new pedestrian oriented "Main Street" and thriving commercial. With the completion of the 80 M Street and 300 M Street office buildings and the current construction of 1100 New Jersey Avenue, the office component along M Street is promising. The new U.S. DOT headquarters and Southeast Federal Center include an additional concentration of office, retail and residential space along the M Street corridor with comparable, and in some cases, taller building heights than the proposed 600 M Street office buildings. The proposed zoning along the south side of M Street between 1st Street and New Jersey Avenue allows for construction to 130 feet, while the proposed zoning along the south side of M Street between 4th Street and Isaac Hull Avenue allows a height of 110 feet. The building under construction at 1100 New Jersey Avenue is built to 130 feet, while the proposed 236,000 square foot building at 250 M Street, part of this PUD application, will be built to 110 feet.

The building height proposed for the 600 M Street office buildings is appropriate along this emerging commercial corridor in the context of the existing and soon to be surrounding buildings referenced above. Throughout the coordinated planning, taller buildings are placed along the Canal Blocks Park, as well as along M Street, creating a compatible setting with existing office uses and a size and scale of building appropriate to the M Street right-of-way. This plan maintains a pedestrian friendly residential neighborhood in the interior portion of the development, consistent with the blocks of Capitol Hill today.

The current plan, which maximizes building frontage along M Street, will provide the best opportunity to reach pre-construction tenant leasing obligations to enable construction to proceed. In what is to date an unproven office market, both obtaining and maintaining these non-negotiable leasing requirements is mandatory for financial lending purposes and ultimately, the construction and reality of the 496,000 square feet of new office space at 600 M Street.

Throughout the master planning process for the HOPE VI site, several locations were discussed as potential sites for the office space. The DPW site on Square 739 along New Jersey Avenue was explored, with the development team continually moving back to M Street as the prime site to maximize the land value and rent potential for the new office space. Projections for rent levels at that location are in the range of $27 per square foot. Any realignment of the building's orientation, reduction of building frontage along M Street or reduction in building height would be detrimental to the value of the office space and could put both buildings at considerable risk.

The footprints for each of the two office buildings at 600 M Street are approximately 120 feet by 210 feet, or 25,200 square feet. It takes ten floors in each building to achieve a 250,000 square foot building and two buildings to get to the required 500,000 square feet. Fitting ten floors into a 110 foot tall building is tight. Assuming a flat site:

- Measuring point to first floor slab = 8 inches (allows for sidewalk cross slope for proper drainage)
- 8 typical office floors at 10 feet, 8 inches floor-to-floor = 85 feet, 4 inches
- Top floor to roof slab = 11 feet, 4 inches (allows additional dimension for roof drains and mechanical distribution)
- Roof parapet = 1 foot

After subtracting the dimensions noted above from the 110 foot height permitted under the proposed CR zoning, the remaining dimension for the first to second floor height is 11 feet, 8 inches. The same analysis holds true for the 250 M Street office building.

Reducing the building height below 110 feet or requiring a minimum of 14 feet clear on the first floor would have a substantially adverse and unacceptable impact on the economics of the project. The 15 foot dimension that would be necessary to achieve 14 feet clear is unattainable under current building height restrictions without compromising an entire floor of development. Either action would result in the loss of at least approximately 50,000 square feet, or 10 percent of the total, of the rentable office space.

With proceeds from the land value of this office space being reinvested into the community for housing and economic development activities, the reduction in attainable office space would equate to the reduction in leveraged funds available for public housing development. Maximizing the market value of the land is essential in allowing the District of Columbia Housing Authority to replace on site all 707 public housing units that exist today.

The retail component of the project is further envisioned to be comprised of neighborhood serving retail uses, which do not typically require minimum ceiling heights of 14 feet. An 11 to 12 foot ceiling height has been acceptable for better quality neighborhood retail concepts which would include, for example coffee bars, small markets, drycleaners, bakeries and neighborhood cafes and bistros. An 11 foot, 8 inch ceiling height would not impair efforts to attract better retailers to this project. Many super regional shopping center developers only guarantee an 11 foot ceiling height for lower level retail in major malls.

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