2650 Virginia Avenue, N.W.
The Watergate Hotel

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STATEMENT

OF THE APPLICANT
TO THE
DISTRICT OF COLUMBIA ZONING COMMISSION
FOR APPROVAL OF A MODIFICATION
TO A PLANNED UNIT DEVELOPMENT

May 7, 2003

ZONING COMMISSION
District of Columbia
Case No. 03-16
Exhibit No. 7

ZONING COMMISSION
District of Columbia
CASE NO.03-16
EXHIBIT NO.7

PREFACE

This statement and attached documents are submitted by Monument Residential LLC, on behalf of BRE/Watergate LLC, the owner of the subject property (collectively, the "Applicant"), to the Zoning Commission for the District of Columbia for a modification to an approved Planned Unit Development ("PUD"). The subject property is located on the southwest side of Virginia Avenue between New Hampshire Avenue and Rock Creek Parkway, N.W., and consists of Lot 807 in Square 8 (the "Site"). The Site is zoned SP-2 and is currently developed with the building used as the Swissôtel Washington at the Watergate. The Applicant is seeking approval of the modification to have the option to convert the hotel to an apartment house of approximately 155 units. In all other respects, the PUD will not be changed and the existing development will remain as is.

As set forth below, this statement and the attached documents meet the filing requirements for a PUD application under Chapter 24 of the Title 11 of the District of Columbia Municipal Regulations (DCMR), Zoning.

DEVELOPMENT TEAM

Developer:	Monument Residential 7th Floor 1155 Connecticut Avenue, N.W. Washington, DC 20036
Owner:	BRE/Watergate LLC 345 Park Avenue New York, NY 10154
Architects:	Hickok Warner Cole 1023 31st Street, N.W. Washington, DC 20007
Traffic Consultant:	Wells & Associates, LLC Suite 600 1420 Spring Hill Road McLean VA 22102
Economic Consultant:	Basile Baumann Prost & Associates Suite 10 Nichols Center 177 Defense Highway Annapolis, MD 21401
Land Use Counsel:	Holland & Knight LLP Suite 100 2099 Pennsylvania Avenue, N.W. Washington, DC 20006

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I.
INTRODUCTION

This statement and the attached documents support the application of BRE/Watergate, LLC, the owner of the subject property (the "Applicant"), to the Zoning Commission for the District of Columbia ("Zoning Commission") for a modification to an approved Planned Unit Development ("PUD"). The proposed modification involves the Watergate complex, one of the first PUDs approved after the adoption of the PUD regulations in 1958. The overall Watergate complex includes three apartment buildings, two office buildings, a hotel and interior retail spaces. The proposal is to allow the option to convert the 250 room hotel, currently operating as the Swissôtel Washington at the Watergate, to an apartment house of approximately 155 units. All other uses and buildings in the complex will remain as approved and existing.

The Site consists of Lot 807 in Square 8, and is currently zoned SP-2 under the PUD. A copy of the building plat for Lot 807 is attached as Exhibit D. This application seeks no change to the existing zoning, as an apartment house is a use permitted as a matter-of-right in the SP-2 District. The requested modification is fully consistent with the District of Columbia Comprehensive Plan ("Comprehensive Plan"). Notice of the intent to file this application was given in accordance with the requirements of 11 DCMR 2406.7 (see Exhibit I).

II.
PROJECT DESCRIPTION

A. Site Location and Description

1. The Site

The Site contains 37,897 square feet of land area and consists of Lot 807 in Square 8. The Site is located in the center of the Watergate complex, which includes the area bounded by Virginia Avenue, New Hampshire Avenue, F Street and the Rock Creek and Potomac Parkway. Lot 8 includes both the hotel and the office building located at 2600 Virginia Avenue. A copy of a portion of the Sanborn Atlas plat showing the site is attached as Exhibit C.

The Generalized Land Use Map of the Comprehensive Plan designates the general area of the Site in the mixed-use category of high density residential and medium density commercial.

2. Land Use and Zoning of Surrounding Area

The Subject Property is situated in the Foggy Bottom neighborhood area, in the northwest quadrant of the city. The area is characterized by a mixture of land uses, predominantly in high rise buildings, including apartment houses, a dormitory for the George Washington University, office buildings, two gasoline service stations and the Kennedy Center.

The buildings which surround the subject building are all part of the Watergate complex. To the northwest, east and southeast are the three existing cooperative apartment buildings. To the northeast is one of the two office buildings. To the west and south are the Rock Creek Parkway and the Potomac River.

The remainder of the subject square includes only one small parcel, occupied by a gasoline service station at the corner of Virginia Avenue and Rock Creek Parkway. Immediately across Virginia Avenue to the northeast is a high-rise dormitory occupied by students of the George Washington University and another gasoline service station at the corner of Virginia Avenue and 27th Street. To the southwest, across F Street, is the Kennedy Center for the Performing Arts. To the southeast across New Hampshire Avenue, is the chancery of the Kingdom of Saudi Arabia. Behind the GW dormitory and the chancery are the ramps of the freeway connecting the Whitehurst Freeway and I-66. Further to the southwest across the freeway is Columbia Plaza, another high-rise mixed use complex of apartments and offices.

The area southwest of Virginia Avenue is zoned SP-2. The area on the northeast side of Virginia Avenue is zoned R-5-E, with the area northwest of the freeway ramps zoned FB/R-3. The Kennedy Center and the Rock Creek Parkway are Federal property and are not zoned. A copy of a portion of the Zoning Map from the Office of Zoning website is attached as Exhibit B.

B. Zoning History of the Site

The Subject Property was zoned R-5-D (now R-5-E) in the comprehensive rezoning of 1958. In 1962, the Zoning Commission approved a planned unit development for the Watergate complex and rezoned the property to SP. When the SP District5 was divided into SP-1 and SP-2 in 1978, this property was designated SP-2. Consistent with the PUD regulations at the time, the Zoning Commission authorized the Board of Zoning Adjustment to approve the details of the project

through further processing. A copy of the Zoning Commission's approval is attached as Exhibit F.

In 1964, by Order No. 7903, BZA approved the further processing of Stage 2 of the PUD, including the subject building and the 2600 Virginia office building. A copy of that order is attached as Exhibit F. In subsequent cases, the BZA approved the further processing of the entire project, including approval of office tenants and retail uses. The Zoning Commission ultimately approved general office uses for both office buildings.

C. The Proposed Project

The proposed modification to the existing approved PUD will allow the option to convert an existing hotel of approximately 250 rooms to an apartment house of approximately 155 units. The modifications to the building necessary to affect the conversion will be mostly internal to the building, resulting in the removal of certain hotel related uses on lower levels and the conversion of the guest rooms on the upper levels to apartments. The existing health club will remain on the B-3 level and will partly be relocated to the B-2 level. A 3,000 square foot restaurant will be included on the B-1 level in a location now devoted to ballroom space. The remaining portion of the ballroom will be devoted to amenity space for the apartment units.

Exterior changes will include the replacement of existing windows, the construction of carports on the surface adjacent to the pool at the rear and the construction of additional stairways for access from the top floor units to the roof

deck. All exterior changes to the building are subject to the review of the Commission of Fine Arts.

The ninety-five parking spaces currently available to the hotel will remain available to the apartment house, but additional parking will be provided to increase the number of spaces for the apartments to 151. A set of plans prepared by Hickok Warner Cole Architects, showing the changes to the building and the location of the additional parking spaces, is attached as Exhibit A.

D. The Developer

The Applicant, Monument Residential LLC, on behalf of BRE/Watergate LLC, the current owner of the Site, submits this application for modification of the PUD to allow the conversion of the hotel to an apartment house. Monument Residential, LLC, is an affiliate of Monument Realty, which is a full service real estate company focused on the acquisition and development of commercial, residential and hotel properties in the Washington, DC metropolitan area. Since its founding in 1998, Monument Realty has been one of the region's most active developers with a portfolio of over 4.5 million square feet of Class A office and retail space, 800 residential units to include both apartment and condominium, and a 353-room hotel. Current projects, including, Franklin Square North, Ballston Point, Potomac Place Apartments, The Madison Hotel & Office Building, and Eleven.

III.
IMPACTS OF THE PROJECT UNDER SECTION 2403.3

The impacts of the Project will not be unacceptable on the surrounding area or upon the operation of city services and facilities. In fact, the Project will have a

positive impact on the immediate area. The Project will result in the elimination of transient residential use and will provide for permanent residential use of a portion of the PUD in an area designated by the Comprehensive Plan as appropriate for mixed use, including high density residential.

Furthermore, the Project will have no unacceptable impact on traffic and, in fact, will have a positive, albeit modest, impact. As indicated in the Traffic Impact Study prepared by Wells & Associates (the "Traffic Impact Study"), the Project will have no adverse impact on traffic conditions and will in fact generate less peak hour traffic than the existing hotel. The Traffic Impact Study further concludes that there will be sufficient parking available for the number of apartments proposed. A copy of the Traffic Impact Study is attached as Exhibit G.

The Project will not have an adverse impact on the light and air, because it will involve no increase in the size or footprint of the existing building. The District's existing water and sewer services are adequate to serve this facility as an apartment house, which will create no additional load.

The project will have positive fiscal and economic benefits for the city, as documented in the report of Basile Baumann Prost and Associates, attached as Exhibit H. The apartment house is expected to generate more than $250,000 in tax revenue and more than $2.5 million in expenditures during construction. Once completed, the apartment house will generate more than $4.1 million annual in tax revenues and have an estimated annual economic impact on the District's economy

of more than $31 million. The hotel currently yields only $3.2 million in annual tax revenues with $5.4 million in annual consumer expenditures to the District.

IV.
NOT INCONSISTENT WITH COMPREHENSIVE PLAN UNDER SECTION 2403.4

As discussed at length below, the Project is not inconsistent with the Comprehensive Plan.

V.
PUBLIC BENEFITS AND PROJECT AMENITIES

The PUD guidelines require the Zoning Commission to evaluate specific public benefits and project amenities of a proposed project. Public benefits are defined as "superior features of a proposed planned unit development that benefit the surrounding neighborhood or the public in general to a significantly greater extent than would likely result from development of the site under the matter of right provisions of this title." 11 DCMR § 2403.6. "A project amenity is one type of public benefit, specifically a functional or aesthetic feature of the proposed development, that adds to the attractiveness, convenience or comfort of the project for occupants and immediate neighbors." 11 DCMR § 2403.7. Furthermore, in deciding a PUD application, the Zoning Commission is required to "judge, balance and reconcile the relative value of the project amenities and public benefits offered, the degree of development incentives requested, and any potential adverse effects according to the specific circumstances of the case." 11 DCMR § 2403.8.

Public benefits and project amenities may be exhibited in a variety of ways and may overlap with furthering the policies and goals of the Comprehensive Plan.

In the present case, the residential development in an area of the city, which could use additional long-term residents, provides significant benefit to the neighborhood and the District as a whole and satisfies the requirements of Chapter 24.

Under §2403.9(f), the creation of additional housing in this area of Ward 2 is a significant amenity to the community. The Project constitutes a new residential development in an area designated for mixed use, including high density residential, by the Land Use element of the Comprehensive Plan.

The location of the Site is ideal for additional housing, surrounded by three high-rise apartment buildings. The Foggy Bottom area contains a broad mix of uses, including office, residential and public uses. There has been limited new residential development in the area, and additional housing will enhance the residential component of the overall mixed use character of the area. The Project will be a key part of the total urban living system in this portion of Ward 2, with its proximity to the Central Employment Area and recreation.

Because the exterior configuration of the existing building will be retained, the project will continue to conform to the overall landscaping and design scheme of the Watergate complex. The curvilinear nature of the design remains a distinctive feature, not often duplicated in Washington architecture.

The building will continue to include the health club and a restaurant on the lower levels. These are uses of special value to the existing residents of the Watergate complex.

VI.
COMPLIANCE WITH THE COMPREHENSIVE PLAN

The Project advances the purposes of the Comprehensive Plan, is consistent with the Generalized Land Use Map, and furthers and complies with the major themes and elements for the District and Ward 2 in the Comprehensive Plan.

A. Purposes of the Comprehensive Plan

The purposes of the Comprehensive Plan are six-fold:

> (1) Define the requirements and aspirations of District residents, and accordingly influence social, economic and physical development; (2) Guide executive and legislative decisions on matters affecting the District and its citizens; (3) Promote economic growth and jobs for District residents; (4) Guide private and public development in order to achieve District and community goals; (5) Maintain and enhance the natural and architectural assets of the District; and (6) Assist in conservation, stabilization, and improvement of each neighborhood and community in the District.

D.C. Code §1-245(b).

The Project significantly advances these purposes by promoting the social and economic development of District residents through the provision of additional housing and achieving the community goal of adequate parking.

B. Generalized Land Use Map

The proposed development is consistent with the Generalized Land Use Map, which designates the PUD Site for high density residential and medium density commercial uses. A copy of a portion of the Generalized Land Use Map is attached as Exhibit E.

C. Compliance with Major Themes of the Comprehensive Plan

The Project is consistent with many of the Comprehensive Plan's major themes as follows:

1. Stabilizing and Improving the District's Neighborhoods

The conversion of a hotel into a multi-family residential building will provide an increased sense of community in the West End neighborhood. It will provide additional housing opportunities in an area immediately outside of the Central Employment Area.

2. Reaffirming and Strengthening District's Role as an Economic Hub

The Comprehensive Plan encourages making maximum use of the District's location at the center of the region's radial Metrorail and commuter rail systems. *See* 10 DCMR §109.1(b). The Project takes advantage of this asset by its proximity to the Foggy Bottom Metrorail station.

D. Compliance with Major Elements of the Comprehensive Plan

The Project furthers the objectives and policies of many of the Comprehensive Plan's major elements as follows:

1. Housing Element

According to the Housing element of the Comprehensive Plan, housing in the District is viewed as a key part of a total urban living system that includes access to transportation and shopping centers, the availability of employment and training for suitable employment, neighborhood schools, libraries, recreational facilities, playgrounds, and other public amenities. 10 DCMR § 300.4. The subject property supports the housing goals of the Comprehensive Plan and furthers the total urban

living system of the District through its proximity to the Foggy Bottom Metrorail station and its provision of multi-family residential units and on-site retail and service uses.

2. Transportation Element

A basic philosophy of the District's Transportation element is to provide for the efficient movement of people and goods within the District and its metropolitan area. 10 DCMR § 500.2. The policies established in support of the general transportation objectives include supporting land use arrangements that simplify and economize transportation services. 10 DCMR § 502.1(a). The location of the project in close proximity to the Foggy Bottom Metrorail station furthers this goal, as does the mixed-use nature of the development. The project also supports the District's goal of adequate parking through its provision of 151 parking spaces for 155 residential units, a ratio that exceeds the minimum requirement for parking in an SP-2 District, where only thirty-nine spaces would be required for 155 units. The parking is provided in a three-level, below-ground garage.

The Transportation element of the Comprehensive Plan also states that reverse commute options that will provide District residents with access to the regional job market should be provided. 10 DCMR § 502.2(j). The proximity of the subject property to I-66 and the Theodore Roosevelt Memorial Bridge, in addition to the Foggy Bottom Metrorail station, will provide District residents with easy access to suburban job markets.

3. Urban Design Element

The Urban Design element states that it is the District's goal to "promote the protection, enhancement and enjoyment of the natural environs and to promote a built environment that serves as a complement to the natural environment, provides visual orientation, enhances the District's aesthetic qualities, emphasizes neighborhood identities, and is functionally efficient." 10 DCMR § 701.1.

As the project involves a use conversion of an existing hotel, the building will maintain its consistency with the surrounding area in terms of materials, height, scale and massing. 10 DCMR § 708.2. The project's massing and scale is already sensitive to the established patterns of development in the area. 10 DCMR §710.2(e).

4. Land Use Element

The Land Use element encourages a substantial amount of new housing primarily in housing opportunity areas and near Metrorail Stations in order for the District to perform its role as the region's urban center providing the greatest density of jobs and housing. 10 DCMR § 1100.2(b). The Site furthers this goal due to the subject site's proximity to the Foggy Bottom Metrorail station.

E. Compliance with Ward 2 Elements of the Comprehensive Plan

The Project fulfills and furthers the specific objectives for this area, as set forth in the Comprehensive Plan for Ward 2.

1. Ward 2 Economic Development

The Ward 2 Economic Development element seeks to enhance the image of the ward as a place to do business and to reside. 10 DCMR § 1301.1(a). The

proposed development creates additional residential opportunities in the ward while increasing income and property tax revenues to the District

2. Ward 2 Housing Element

The Ward 2 Housing element encourages the provision of new housing to meet the needs of present and future District residents at locations consistent with the District land-use policies and objectives. 10 DCMR § 1305.1(a). The proposed development furthers this goal through the development of high-quality housing in a mixed-use area that is in close proximity to Metrorail.

This element further states that the District government shall improve neighborhood-level commercial services throughout the ward while protecting residential neighborhoods from disruptive uses. 10 DCMR § 1305.1(h). The proposed development creates both additional housing that will enhance the residential neighborhood and neighborhood-level retail and service uses that will support the residents.

3. Ward 2 Transportation Element

Ward 2 is located at the center of the District and at the focal point of the Metrorail system, buslines, and the city's freeway and arterial street system. Although its location provides great benefits to the residents and employees of Ward 2, it also creates some adverse impacts on quality of life. 10 DCMR § 1309.1. Parking within the ward is identified as a major problem due to evening visitors, student parking, and the lack of parking provisions for many residential dwellings. (10 DCMR § 1309.11) This element of the Comprehensive Plan encourages strict

adherence to the current parking requirements of the zoning regulations. 10 DCMR § 1311.1(d)(3). As mentioned above, the proposed development will include 151 parking spaces for 155 residential units, providing adequate parking for the residents of the apartment building.

4. Ward 2 Residential Land Use Element

Primary objectives of the Ward 2 Residential Land Use element include the conservation and enhancement of existing residential neighborhoods and the creation of new residential neighborhoods. Specifically, the Foggy Bottom and West End residential neighborhoods are to be maintained and enhanced. 10 DCMR § 1326.1 and 1327.1(a)(1). The project supports the Residential Land Use element of the Comprehensive Plan by establishing a new residential use that will significantly enhance the character of the neighborhood.

VII.
AREAS OF FLEXIBILITY

The Applicant requests flexibility in the following areas:

1. To vary the location and design of all interior components, including partitions, structural slabs, doors, hallways, columns, stairways, and mechanical rooms, provided that the variations do not change the exterior configuration of the building;

2. To make changes in the exterior design to conform to the plans ultimately approved by the Commission of Fine Arts; and

3. To vary the range of units between 150 and 160 total apartment units.

VIII.
CONCLUSION

For the foregoing reasons, BRE/Watergate LLC submits that this application to modify the approved PUD meets the standards of Chapter 24 of the Zoning Regulations; is consistent with the purposes and intent of the Zoning Regulations and Zoning Map; is consistent with the land use objectives of the District of Columbia; will enhance the health, welfare, safety and convenience of the citizens of the District of Columbia; satisfies the requirements for approval of a consolidated PUD; provides significant public benefits and project amenities; and advances important goals and policies of the District of Columbia. Accordingly, the Applicant requests that the Zoning Commission approve the modification application.

Respectfully submitted,

HOLLAND & KNIGHT LLP
2099 Pennsylvania Avenue, N.W., Suite 100
Washington, D.C. 20006
(202) 955-3000

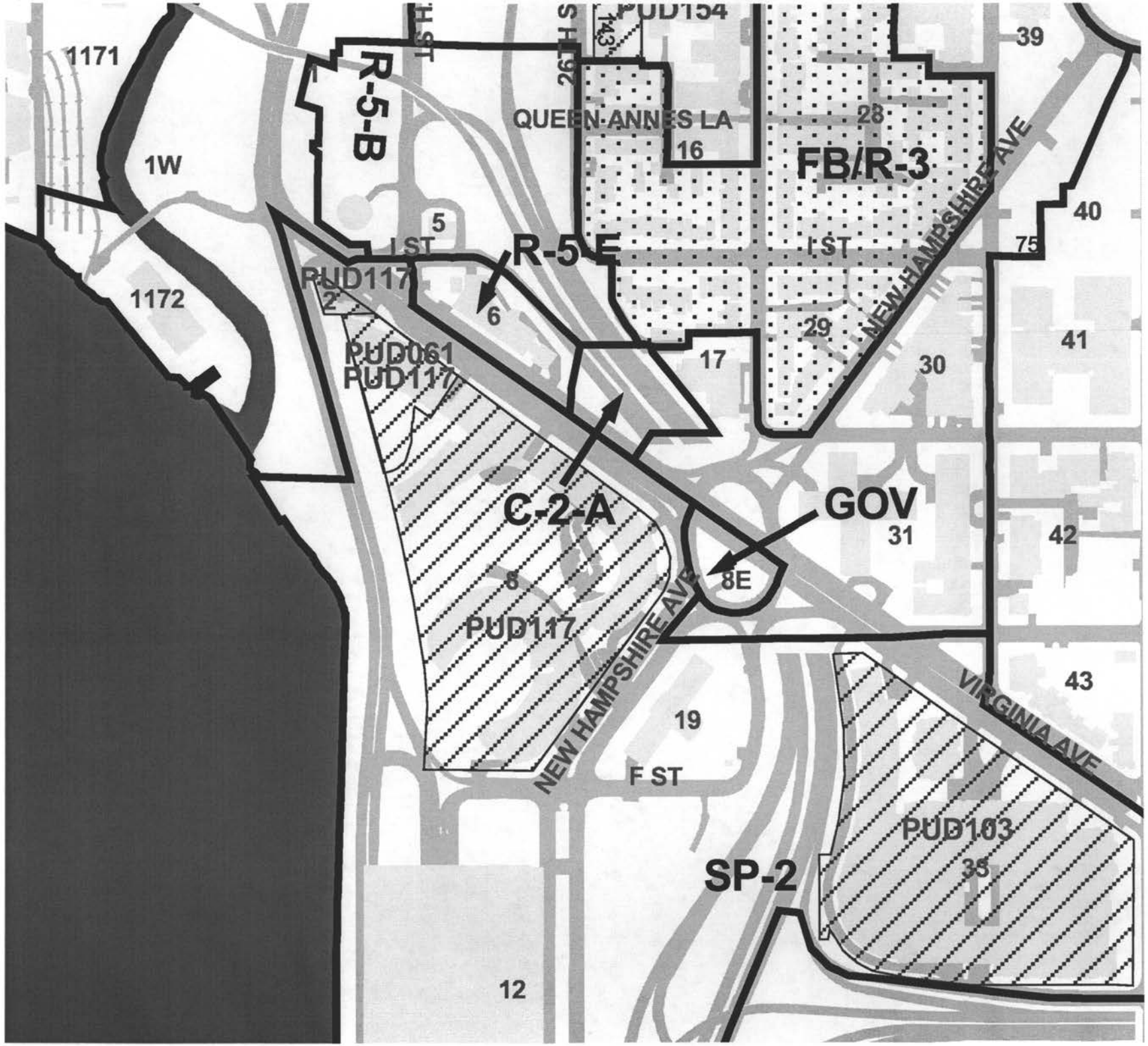
By: _____
Norman M. Glasgow, Esq.

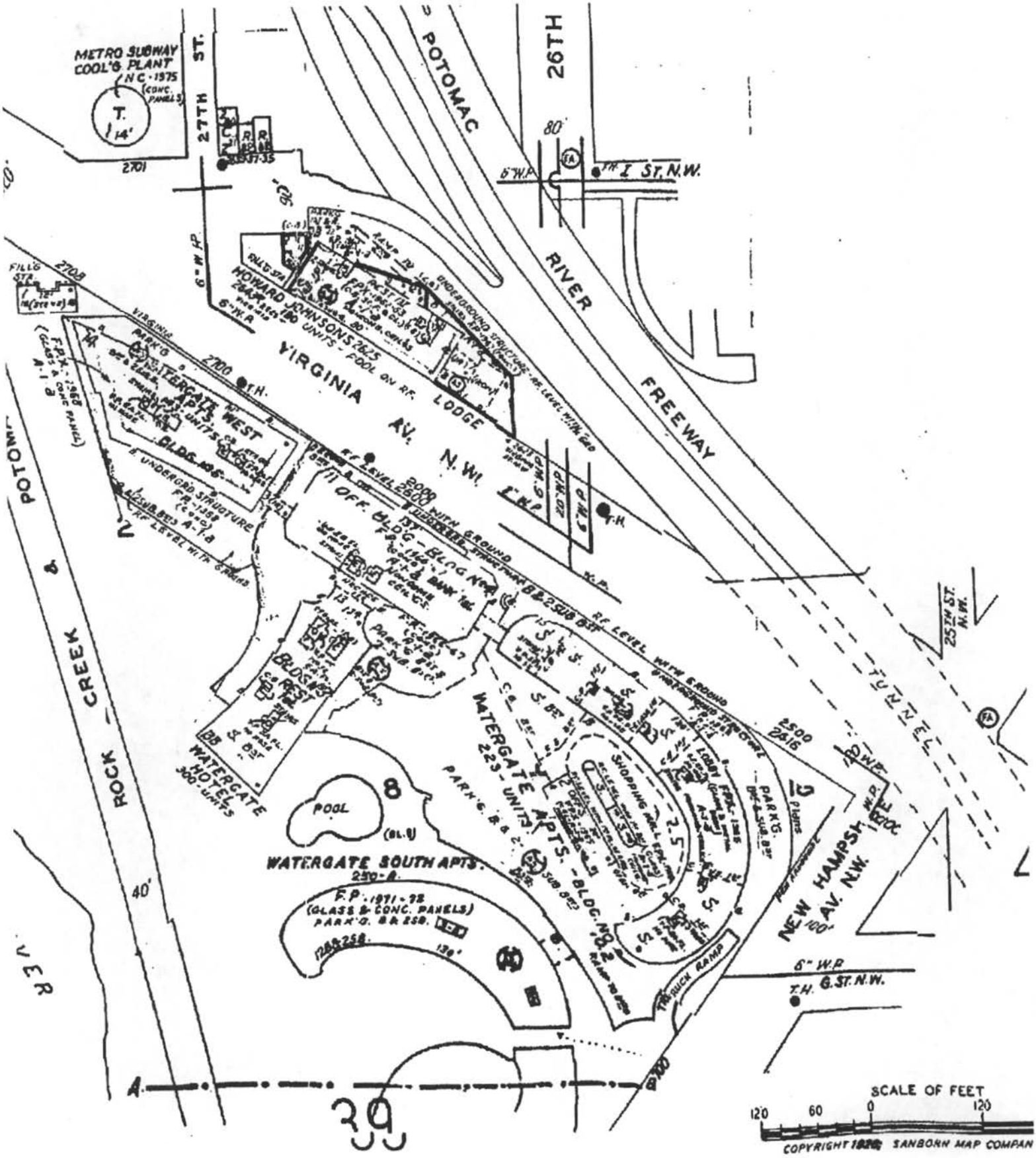
WAS1 #1177960 v2

Exhibit A

Architectural Plans and Drawings

(Please refer to 11" x 17" documents
attached separately to this submission)


1171
1W
1172
R-5-B
I ST
26TH S
143
PUD154
39
QUEEN ANNES LA
28
16
FB/R-3
NEW HAMPSHIRE AVE
40
5
I ST
R-5-E
I ST
75
PUD117
2
6
29
41
PUD061
PUD117
17
30
C-2-A
GOV
31
42
8
8E
PUD117
NEW HAMPSHIRE AVE
43
VIRGINIA AVE
19
F ST
PUD103
SP-2
38
12


METRO SUBWAY COOL'G PLANT
N.C.-1975
(CONC. PANELS)
T.
14'
2701
27TH ST.
POTOMAC
26TH
80'
6"W.P.
T.H. I ST. N.W.
RIVER
FREEWAY
6"W.P.
6"W.P.
HOWARD JOHNSONS 26&25
180 UNITS - POOL ON R.F. LODGE
VIRGINIA AV. N.W.
2700
T.H.
VIRGINIA PARK'G
WATERGATE APTS WEST
UNITS
BLDG. 26
UNDERGRD STRUCTURE
F.P.-1968
(GLASS & CONC. PANELS)
A-1 a
R.F. LEVEL WITH GROUND
2000
2600
WITH GROUND
OFF. BLDG - BLDG. No. 1
137'
F.P.-1962
A-1 a
BANK
R.F. LEVEL WITH GROUND
B&S 250 B&T
2500
2616
25TH ST. N.W.
TUNNEL
WATERGATE HOTEL
300 - UNITS
WATERGATE
223 - UNITS - BLDG. No. 2
SHOPPING MALL
LOBBY
PARK'G
PLANTS
POOL
(BL. U)
WATERGATE SOUTH APTS.
250 - A
F.P. 1971-72
(GLASS & CONC. PANELS)
PARK'G B & B 250
1288-258
138'
ROCK CREEK
POTOMAC
40'
NEW HAMPSHIRE AV. N.W.
100'
6"W.P.
T.H. G.ST. N.W.
RAMP
A
B
SCALE OF FEET
120 60 0 120
COPYRIGHT 1972 SANBORN MAP COMPAN
39

DISTRICT OF COLUMBIA GOVERNMENT
OFFICE OF THE SURVEYOR

Washington, D.C., 5-5, 2003

Plat for Building Permit of SQ-8 LOT 807

Scale: 1 inch = 40 feet Recorded in Book A&T Page 3574

Receipt No. 4285

Furnished to: HOLLAND & KNIGHT

Surveyor, D.C.

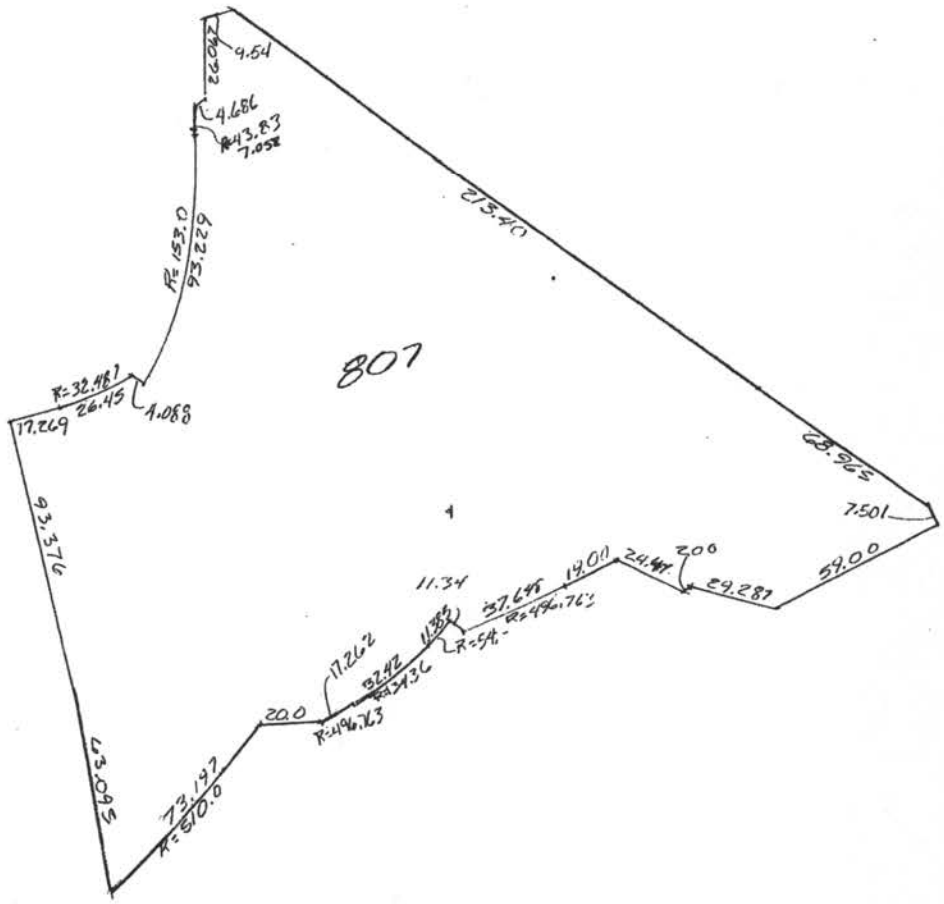
By: DA

I hereby certify that all existing improvements shown hereon, are completely dimensioned, and are correctly platted; that all proposed buildings or construction, or parts thereof, including covered porches, are correctly dimensioned and platted and agree with plans accompanying the application; that the foundation plans as shown hereon is drawn, and dimensioned accurately to the same scale as the property lines shown on this plat;and that by reason of the proposed improvements to be erected as shown hereon the size of any adjoining lot or premises is not decreased to an area less than is required by the Zoning Regulations for light and ventilation; and it is further certified and agreed that accessible parking area where required by the Zoning Regulations will be reserved in accordance with the Zoning Regulations, and that this area has been correctly drawn and dimensioned hereon. It is further agreed that the elevation of the accessible parking area with respect to the Highway Department approved curb and alley grade will not result in a rate of grade along centerline of driveway at any point on private property in excess of 20% for single-family dwellings or flats, or in excess of 12% at any point for other buildings. (The policy of the Highway Department permits a maximum driveway grade of 12% across the public parking and the private restricted property.)

Date: _____

_____
(Signature of owner or his authorized agent)

NOTE: Data shown for Assessment and Taxation Lots or Parcels are in accordance with the records of the Department of Finance and Revenue, Assessment Administration, and do not necessarily agree with deed description.




K ST
QUEEN
HUGHES
Bottom
EXPY
22ND
23RD
ST
66

GOVERNMENT OF THE DISTRICT OF COLUMBIA

ZONING COMMISSION

July 17, 1962

File 62-19

Mr. Joseph Luria
Lichtenberg and Luria
1730 K Street, N.W.
Washington 6, D. C.

Dear Mr. Luria:

The Zoning Commission in executive session on July 17th, 1962, conditionally approved the "Watergate" project involving the planned use of land under Article 75 of the Zoning Regulations. This project embraces all property in squares 2, 3, 7, 8, 9 and 18, Reservation 133 and all streets therein closed by order of the Commissioners, D. C. as recorded in Book 142, Page 60, Records of the Surveyor, D. C.

The plan conditionally approved by the Commission is on file under Z.C. 62-19 with pertinent exhibits stamped "Office of the Zoning Commission, D. C.", initialed R.O.C. on each of the 16 plan and elevation sheets and the one official computation sheet of the area. Four typewritten sheets listing the type of possible commercial uses and commercial adjuncts are also thus identified.

Conditions are:

(a) All office usage requested shall be limited to those uses allowable in the SP District. The Board of Zoning Adjustment may in its discretion permit all or part of these uses to be determined by the Zoning Administrator.

(b) The maximum height of 130 feet shall be limited to 25% of the building complex.

(c) The total gross floor area of the high rise buildings shall not exceed the total permitted under existing R-5-D regulations on the area owned by Island Vista, Inc. on July 15th, 1962. In computing such area, the area of open balconies and the area of open colonnades on ground level will be specifically excluded.

(d) The height of the section or building designated as No. 1 shall be subject to a possible adjustment, the extent and location of which shall be discretionary with the Board of Zoning Adjustment. The Board, however, before authorizing such adjustment shall ascertain the views and opinions of the National Capital Planning Commission, the Commission of Fine Arts, the Commissioners, D. C. and the Director of the National Park Service, following which it (the Board) shall make these views and opinions known to the Zoning Commission.

(e) The Board of Zoning Adjustment shall have complete latitude to determine within the limits designated on approved sheets the number and nature of commercial uses and commercial adjuncts; provided, however, that the estimated total gross floor area for such uses shall not be increased.

R. O. CLOUSER
Director

Exhibit A-1

ZONING COMMISSION OF THE DISTRICT OF COLUMBIA

July 17, 1962

ORDERED:

That after public notice and hearing as prescribed by law, the following districts heretofore established by the Zoning Commission of the District of Columbia, as shown in the official Zoning Map and atlases, are hereby modified and amended as follows:

All lots zoned R-5-D and C-2 in squares 2, 3, 7, 8, 9 and 18, bounded by the Rock Creek and Potomac Parkway, 27th Street, F Street, New Hampshire Avenue and Virginia Avenue, N.W., are changed to SP (61-44).

Parts of H Street, 26th Street, 27th Street and G Street located within the area bounded by Virginia Avenue and New Hampshire Avenue, F Street and the Rock Creek and Potomac Parkway, N.W., which were closed by order of the Commissioners, D. C., as shown on plat recorded in the Office of the Surveyor, D. C., in Book 142, Page 60, are included in the SP District (62-18).

F. J. CLARKE

CONRAD L. WIRTH

J. GEORGE STEWART

WALTER TOBRINER

JOHN B. DUNCAN

ATTEST:

W. E. CHASE
EXECUTIVE OFFICER

Before the Board of Zoning Adjustment, D.C.

PUBLIC HEARING—Sept. 30, 1964

Appeal #7903 Watergate Realty, Inc. appellant.

The Zoning Administrator District of Columbia, appellee.

On motion duly made, seconded and unanimously carried the following Order was entered on October 7, 1964:

ORDERED:

That the appeal for further processing (Stage 2) under provisions of Section 7501 of part of large-scale development plan known as Watergate, within area bounded by Virginia Avenue, New Hampshire Avenue, F Street and Rock Creek Potomac Parkway, N.W., entire squares 3, 7, 8, 9 and 18 and lots 813 and 814, square 2, be granted for the following reasons and subject to the conditions hereinafter set forth:

(1) From the records and the evidence adduced at the hearing, the Board finds from the plans submitted to and examined by the Board that the intent and purpose as envisioned by the Zoning Commission's Order will be carried to completion (by continued progression).

(2) The Board finds that Stage 1 of the development plan is under construction in accordance with its approval in appeal #7234.

(3) The Board finds that the plans as submitted are for the erection of the office and hotel facilities as authorized by the Zoning Commission Order.

(4) The Board finds that the provisions of paragraphs 7501.41 and 7501.42, referred to by paragraph 7501.77 are met by the evidence presented and by the plans under review herein.

(5) The Board finds that the filing of this appeal was within the time authorized by its Order in appeal #7234.

(6) The Board finds that the evidence and plans presented for Stage 2 the processing of which is now before the Board, shows:

(a) Complete floor plans and architectural elevation of the portion of the building included in Stage 2, and designated on drawings as Buildings 3 and 4;

(b) Grading and drainage plan for the area to be developed in Stage 2;

(c) The planning and lanscape plans for the land to be developed under Stage 2;

(d) The finished site plan with pertinent areas and dimensions showing thereon the portion ofthe building encompassed in Stage 2, and noti precisely any difference in its approved location or size, the location and details of all other structures not classed as buildi and the location, details and grades of all driveways requiring curb cuts;

(e) Detailed parking plan, and the circulation relation for the area and garage facilities and street access.

Exhibit C-4

(7) The Board has meticulously reviewed all details of the plan of Stage 2 submitted and finds that sufficient information has been afforded so that an affirmative finding of compliance with the Zoning Commission directive of July 17, 1962 is made.

The Board further finds that other information and plans with relation to the construction of Stages 1, 3 and 4 are a part of this record and these are acceptable to the extent approval here is necessary as a basis for further processing.

(8) The Board finds from the area plat submitted that therehave been slight revisions in the land allocations to each of thefour stages; that this has been occasioned by the proposeddedication to the District of Columbia for highway purposes of a portion of the land at the intersection of Virginia and New Hampshire Avenues; and that therehave been minor changes in the division lines between each of the stages occasioned as the plans and construction details were developed.

This new area plat is approved.

We note that final details of Stage 2 will require further Board review and further, that difficulties not now envisioned may arise. Accordingly, jurisdiction heretunder for Stage 2 is hereby retained (for either purpose), without further public notice and public hearing, to the end that interpretation, plan correction, minor modification of such plans, or clarification of the approved plans may be reviewed. (Paragraph 7501.79).

A further condition of this Order is that all SP office uses except those for professional persons shall require Board of Zoning Adjustment review. The Zoning Administrator is hereby authorized, within the terms and conditions of the plan approved by the Zoning Commission, to approve professional office use only.

WATERGATE HOTEL

Transportation Impact Study



Prepared for:
Monument Realty

Prepared by:
Wells & Associates, LLC

May 7, 2003

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WATERGATE HOTEL
TRANSPORTATION CHARACTERISTICS
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- PARKING

PROPOSED RESIDENTIAL CONVERSION
- OVERVIEW
- PROGRAM
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- VEHICULAR ACCESS, EGRESS, AND CIRCULATION
- PARKING

CONCLUSIONS

Introduction



The Watergate Hotel, as seen from Rock Creek and Potomac Parkway

The Watergate Hotel is located at 2650 Virginia Avenue in the northwest section of Washington, D.C. The hotel is one of six buildings that comprise the Watergate Complex, which contains a total of 620 cooperative apartments and 500,000 S.F. of office and other commercial uses.

The Watergate Complex is generally bounded by Virginia Avenue, New Hampshire Avenue, and the Rock Creek and Potomac Parkway, as shown on Figure 1.

The Foggy Bottom – GWU Metro Station, which serves the Orange and Blue Lines, is located approximately four blocks, or 1,750 feet, northeast of The Watergate Hotel.

The present hotel was originally built in 1969 as a luxury apartment building. Monument Realty proposes to convert the building back to a residential building.

This report evaluates the existing transportation characteristics of the hotel, projects the future transportation characteristics of the proposed residential building, and the adequacy of the existing public street network to accommodate the proposed residential conversion.

The conclusions of this study are that:

1. ***The proposed residential building would generate 67 (or 59 percent) fewer vehicle-trips during the AM peak hour, and three (or four percent) fewer vehicle-trips during the PM peak hour than the existing hotel.***
2. ***The proposed residential use would be served by the same access/egress/circulation systems as the existing hotel. Full movement access to Virginia Avenue will be provided via the existing service road.***
3. ***The residential building will be served by 151 parking spaces (or 0.97 spaces per unit), which exceeds the D.C. Zoning Ordinance of one space for every four units.***
4. ***The public street network will adequately accommodate the proposed residential use.***



The Watergate Hotel Porte Cochere



Valet Parking Entrance/Exit

5. ***The proposed parking supply will adequately accommodate projected parking demands.***

Watergate Hotel Transportation Characteristics

Overview. This section presents the trip generation, vehicular traffic access/egress/circulation, parking, and loading/service characteristics of the existing Watergate Hotel.

Program. The Watergate Hotel consists of the following uses:

Hotel Rooms:	250 Rooms
Meeting Space:	12,906 S.F.
Food and Beverage:	7,581 S.F.
Health Club:	12,421 S.F.
Parking:	75 Spaces

Trip Generation. The Watergate Hotel is estimated to generate ***114 AM peak hour trips***, and ***80 PM Peak hour trips***, as shown in the appendix to this report. These estimates are based on Institution of Transportation Engineers (ITE) trip generation rates for hotels and restaurants and transit surveys conducted by the Washington Metropolitan Area Transit Authority (WMATA) at Metro stations throughout metropolitan Washington. It is estimated that approximately 10 to 15 percent of all hotel trips, and none of the restaurant trips, would be made by transit.

Vehicular Access, Egress, and Circulation. A porte cochere is located on the east side of the hotel; the valet parking garage driveway is located on the west side of the hotel.

Vehicular access to the the parking garage and porte cochere driveways is provided by a service road on the south side of Virginia Avenue, as shown on Figure 2. This service road operates one-way eastbound towards Juarez Circle (where Virginia Avenue, New Hampshire Avenue, and 25th Street meet).



Parking Garage Driveway on Virginia Avenue



Virginia Avenue in Front of The Watergate Hotel

Motorists can access the service road at the Virginia Avenue, 37th Street Street/Service Road intersection, and exit the service road at Juarez Circle. Thus, full-movement access and egress is provided to and from the west and east ends of the service road, respectively. Vehicles also can exit the porte cochere driveway directly onto eastbound Virginia Avenue.

Parking. Eighty four (84) parking spaces are required based on the D.C. Zoning Ordinance, as shown in the appendix to this report.

The Watergate Hotel is served by a total of 92 parking spaces: 75 valet parking spaces that are located on parking level B1 plus 17 surface parking spaces on the west side of the hotel. Thus, the existing parking supply meets the D.C. Zoning Ordinance requirements.

Proposed Residential Conversion

Overview. This section presents the trip generation, vehicular traffic access/egress/circulation, parking, and loading/service characteristics of the proposed residential building.

Program. The proposed residential building would consist of 155 apartments. The existing 90-seat restaurant would remain.

Trip Generation. The proposed residential units and restaurant are estimated to generate ***47 AM peak hour trips***, and ***77 PM peak hour trips***. These estimates are based on Institution of Transportation Engineers (ITE) trip generation rates and WMATA surveys. It is estimated that approximately 39 percent of all residential trips, and none of the restaurant trips, would be made by transit.

The residential uses would, therefore, generate 67 (or 59 percent) fewer AM peak hour trips, and three (or four percent) fewer PM peak hour trips, than the existing hotel uses.



Entrance to Juarez Circle

Vehicular Access, Egress, and Circulation. The existing vehicular access, egress, and circulation system that serves the existing hotel also would serve the proposed residential uses.

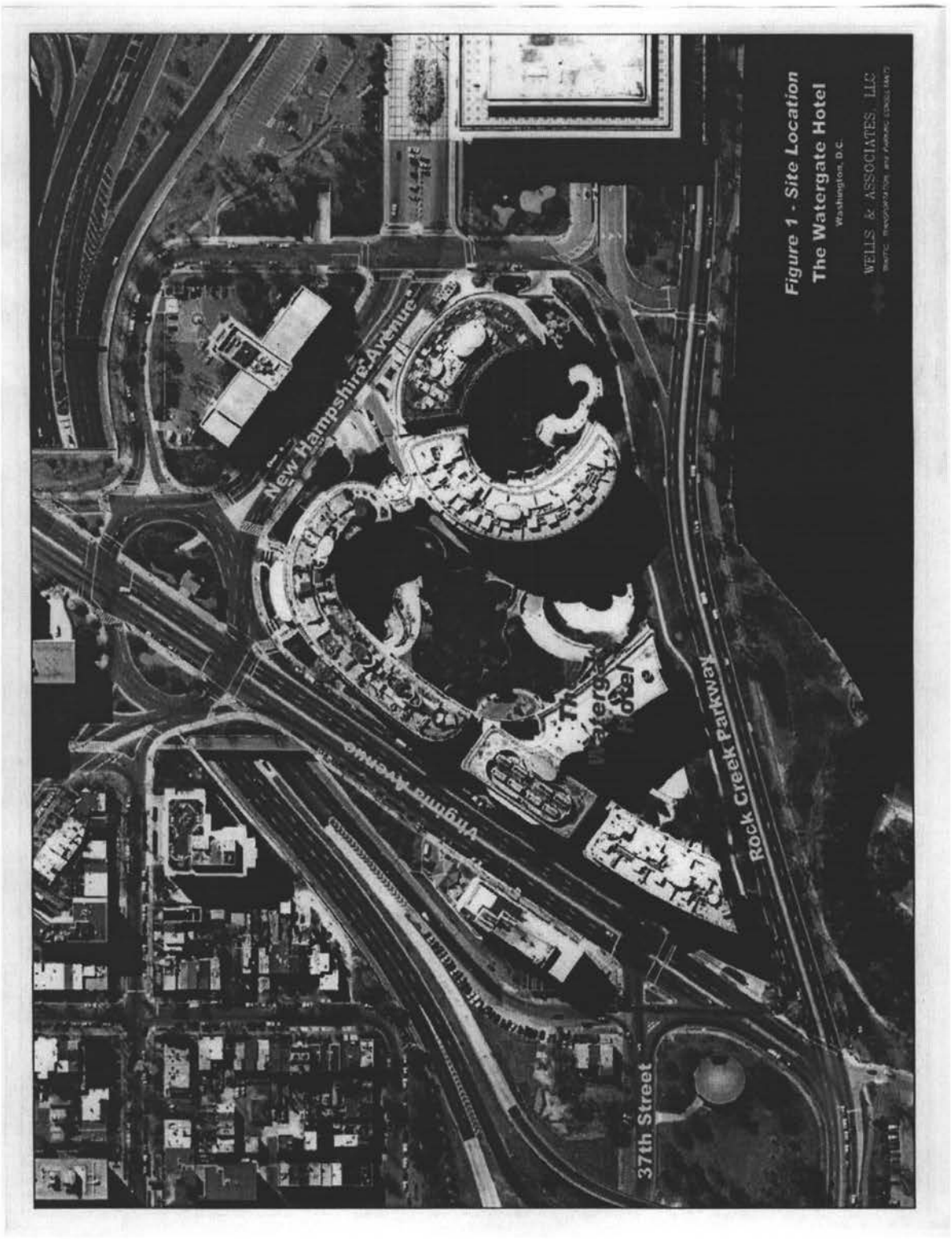
Parking. The D.C. Zoning Ordinance requires one parking space for every four residential units, or 39 spaces for 155 units. The proposed residential building would be served by 151 parking spaces on the surface and in three below-grade parking garage levels. Thus, the proposed parking supply meets the D.C. Zoning Ordinance requirements.

Conclusions

The conclusions of this study are that:

1. ***The proposed residential building would generate 67 (or 59 percent) fewer vehicle-trips during the AM peak hour, and three (or four percent) fewer vehicle-trips during the PM peak hour than the existing hotel.***
2. ***The proposed residential use would be served by the same access/egress/circulation systems as the existing hotel. Full movement access to Virginia Avenue will be provided via the existing service road.***
3. ***The residential building will be served by 151 parking spaces (or 0.97 spaces per unit), which exceeds the D.C. Zoning Ordinance of one space for every four units.***
4. ***The public street network will adequately accommodate the proposed residential use.***
5. ***The proposed parking supply will adequately accommodate projected parking demands.***

Appendix


New Hampshire Avenue
Virginia Avenue
Rock Creek Parkway
37th Street
Figure 1 - Site Location
The Watergate Hotel
Washington, D.C.
WELLS & ASSOCIATES, LLC

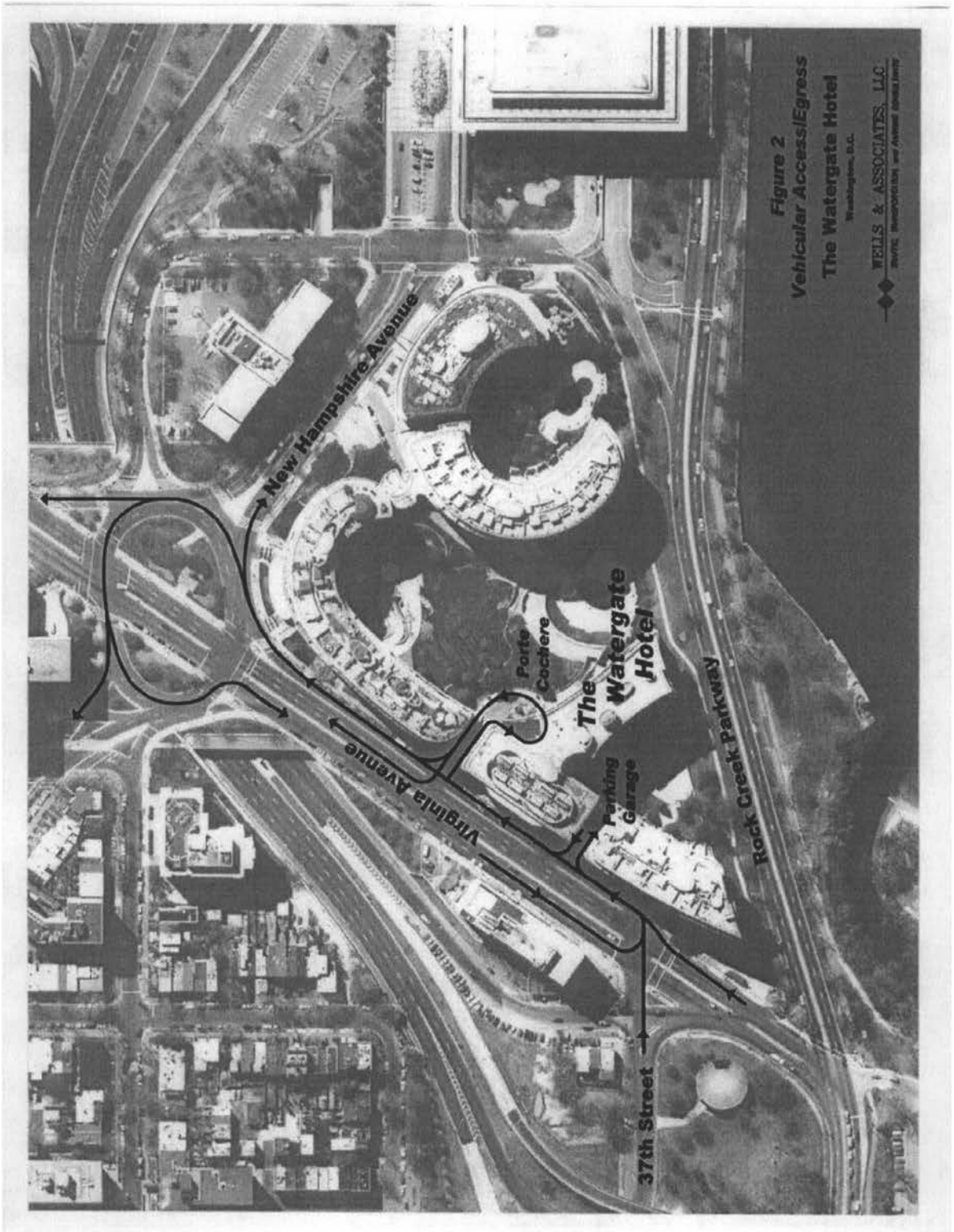

New Hampshire Avenue
Virginia Avenue
37th Street
Porte Cochere
The Watergate Hotel
Parking Garage
Rock Creek Parkway
Figure 2
Vehicular Access/Egress
The Watergate Hotel
WELLS & ASSOCIATES, LLC

Table A1
The Watergate Hotel
Trip Generation Analysis

Trip Type/ Land Use	Amount	Units	AM Peak Hour In	AM Peak Hour Out	AM Peak Hour Total	PM Peak Hour In	PM Peak Hour Out	PM Peak Hour Total	Average Daily Traffic
Watergate Hotel (Existing Program)									
Hotel (code 310)	250	Rooms	78	50	128	34	31	65	1,868
Transit Mode Share **(2)**	13%		10	6	16	4	4	8	236
Net New Trips			68	43	111	30	27	57	1,633
Restaurant (code 834)	90	Seats	2	1	3	16	7	23	257
Transit Mode Share **(2)**	0%		-	-	-	-	-	-	-
Net New Trips			2	1	3	16	7	23	257
Total Trip Generation (Existing Program)			**70**	**44**	**114**	**46**	**34**	**80**	**1,890**
Watergate Hotel (Proposed Program)									
Residential Condominium	155	D.U.	12	60	72	59	29	88	945
Transit Mode Share **(2)**	39%		5	24	28	23	11	35	371
Net New Trips			7	37	44	36	18	54	574
Restaurant (code 834)	90	Seats	2	1	3	16	7	23	257
Transit Mode Share **(2)**	0%		-	-	-	-	-	-	-
Net New Trips			2	1	3	16	7	23	257
Total Trip Generation (Proposed Program)			**9**	**37**	**47**	**52**	**25**	**77**	**832**
Comparison									
Difference (Approved vs. Proposed)			(61)	(7)	(67)	6	(9)	(3)	(1,058)
Percentage			-87%	-15%	-59%	13%	-27%	-4%	-56%

Notes: (1) Trip Generation, Sixth Edition, the Institute of Transportation Engineers.

(2) Development-Related Ridership Survey II, by JHK & Associates, December 1989 and assumed a distance of 1,750 feet.

Table A2
Watergate Hotel
Parking Demand Summary (1)

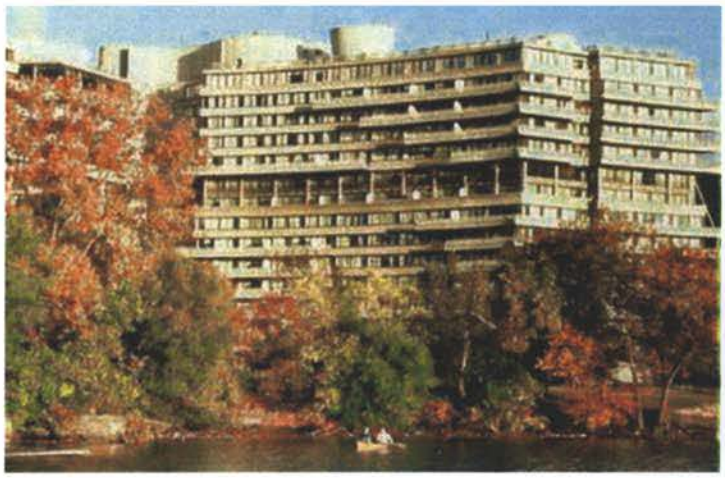
Use	Amount	Units	Parking Rate	Parking Required (spaces)
Guest Rooms	250	Rooms	1/4	63
Ballroom	6,364	SF	1/300	21
Restaurant (Jeffrey's)	90	seats		NA
Total				84
Parking Supply (garage)				75
Parking Supply (surface)				17
Total				92
Surplus/deficit				8
Condominium	155	DU	1/4	39
Restaurant (Jeffrey's)	90	seats		NA
Total				39
Parking Supply (garage)				134
Parking Supply (surface)				17
Total				151
Surplus/deficit				112

Notes: (1) Parking based on District of Columbia Municipal Regulations, 2002.

Table A3
Proposed Parking Supply
The Watergate Hotel/Residential Conversion

Level	Area	Parking Spaces		
		Fee Simple	Leased	Total
Surface	Porte Cochere	8	-	8
Surface	Valet Garage Entrance	9	-	9
Subtotal		17	-	17
B-1	Crescent Bar Off the Ramp	7	-	7
B-1	Hotel Parking (under new layout)			
	Self-Park Spaces	-	68	68
	Tandem Spaces	-	17	17
Subtotal		7	85	92
B-2	Employee Back office	16	-	16
B-2	Jean Louis Lounge / Back Office			-
	Self-Park Spaces	-	13	13
	Tandem Spaces	-	2	2
Subtotal		16	15	31
B-3	Fitness Laundry / Fitness Weight Area	11	-	11
Total		51	100	151

Economic and Fiscal Impact Analysis for the *Watergate Hotel* and *Proposed Watergate Condominium Project*



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May 1, 2003

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1 Introduction

Purpose

The subject of the economic and fiscal impact analysis is the Watergate Hotel which consists of a 13-story structure containing 250 guest rooms and three sub-levels containing 12,900 square feet of meeting space, a casual full-service restaurant, a 12,421 square foot full-service health club, support retail space, and a 75-space valet parking garage.

Originally built in 1969 as a luxury apartment building, the Hotel is part of the six-building Watergate complex, which includes three luxury cooperative residents containing 620 units, 500,000 square feet of office space, and several boutique retailers. The Watergate Hotel is located in the West End's Foggy Bottom neighborhood and is adjacent to the Kennedy Center for the Performing Arts on the banks of the Potomac River. The Hotel is located a short walk to Georgetown, the CBD, the National Mall and many of Washington's cultural destinations.

Objective/Organization of the Economic and Fiscal Impact Analysis

The objective of the economic and fiscal impact analysis is to compare the existing tax revenue that is generated by the Watergate Hotel to the potential tax revenue that would be generated if the hotel were converted to a luxury condominium project. This impact analysis will also quantify the benefits of any auxiliary uses as part of the development, including a restaurant, health club, and parking.

This report provides an economic and fiscal impact evaluation of the existing Watergate Hotel that quantifies the benefits of the hotel in terms of direct economic impacts (jobs at hotel, restaurant, health club and parking facility, payroll, and consumer expenditures) and related direct fiscal impacts (income tax from employees, hotel sales tax, personal property tax, restaurant sales tax, real property tax, corporate franchise tax, and parking tax) of the existing Watergate Hotel to the District. Using the Bureau of Economic Analysis' RIMS II model, the estimated indirect and induced economic and fiscal benefits to the District for the existing Watergate Hotel are also quantified. Any related spin-off sales tax impacts are also quantified.

The analysis also provides an economic and fiscal impact evaluation of the renovation and subsequent operation resulting from the conversion of Watergate Hotel to a luxury condominium project. This evaluation quantifies the benefits of the condominium project in terms of direct economic impacts (number of residents, number of jobs of ancillary components as part of condominium project, payroll, consumer expenditures) and related direct fiscal impacts (income tax of residents and employees living within the District, real property tax, personal property tax, restaurant sales tax, and corporate franchise tax) resulting of the conversion of the existing Watergate Hotel to a condominium project. Using the Bureau of Economic Analysis' RIMS II model, the estimated indirect and induced economic and fiscal benefits to the District for the condominium project are also quantified. Any related spin-off sales tax impacts are also quantified.

Based on the economic and fiscal impact analyses of the Watergate Hotel and proposed condominium project, the "net new" economic and fiscal impacts versus transfer impacts to the District as a result of converting the hotel into a condominium project are evaluated. "Net new" impacts are tax revenues that the District would gain as a result of increased business activity that did not exist before within the District and would increase the District's tax base. On the other hand, transfer impacts represent a transfer of tax revenue from an existing business within the District to another area within the District and would not increase the tax base.

The report provides commentary and a quantitative evaluation of other economic benefits to the District as a result of this project including public benefits, as well as, financial benefits. This includes District housing goals, multiplier and housing impact to District from additional jobs; attraction of new residents to the District; spin-off retail sales; and the perceived economic, market, and development impacts.

The report concludes with a comparative analysis of the economic and fiscal impacts of the existing Watergate Hotel to the new economic and fiscal impacts that would result if the hotel was converted to a luxury condominium project. The key issue is a focused comparison of the existing tax revenue generated to the District government from the Watergate Hotel to the potential tax revenue that would be generated if the hotel were converted to a condominium project.

2 Economic and Fiscal Impact Analysis of Watergate Hotel

The economic and fiscal impact analysis of the Watergate Hotel includes a review of economic and fiscal benefits related to the annual operation of this. The operational phase economic and fiscal benefits are impacts that the District will receive on an annual basis and are based upon the pro forma income and expense statement. For the purpose of this assignment, we utilized an average of the Watergate Hotel's pro forma income and expense statements from 2000 to 2002, and adjusted to 2003 dollars. These impacts include job opportunities for area residents, consumer purchases, material sales, and tax revenues such as real and personal property, sales, and income (including direct corporate, unincorporated business, and indirect personal income taxes paid by District residents employed at the project).

This summary (with complete tables in the appendix) presents our findings in both quantifiable and qualitative terms. An explanation of methodology utilized in this analysis, including a discussion of key assumptions, is provided in the Methodology section of this report.

Summary of Findings for the District of Columbia

The Watergate Hotel provides defined economic and fiscal benefits to the District of Columbia. The economic impacts include the direct and induced economic impact in terms of total economic value (business sales), labor income, and direct new jobs created during the annual operation and maintenance of the hotel. The fiscal impacts include income tax revenues from the jobs, direct sales tax revenue realized from purchases within the project, and indirect sales tax revenue realized from the purchases by the workers within the region. The indirect sales tax revenue represents indirect (spin off) sales as a result of direct material purchases made within region. For the purpose of this analysis all figures are in 2003 dollars.

The Watergate Hotel has a total of 350 jobs (228 direct jobs and 122 indirect jobs). The hotel's employment generates an aggregate annual payroll of over $10.8 million ($6.7 million direct and $4.1 million indirect). The wages and salaries of employees annually generate $5.3 million in consumer expenditures within the District. These annual market activities channel additional economic benefits into the District as employees make purchases and create and support other jobs.

The related fiscal impact is approximately $3.2 million in tax revenue to the District of Columbia. In all, the District of Columbia receives $2.3 million in sales tax (of which $1.6 million is hotel room tax), $234,000 in income tax, $622,000 in real property tax, $85,000 in personal property tax, and $42,000 in franchise tax each year.

The following table summarizes the total annual economic and fiscal impact for the Watergate Hotel, in terms of jobs, payroll, consumer expenditures, and related tax revenue (income, franchise, real property, direct and indirect sales, and personal property) to the District of Columbia.

Watergate Hotel Summary of Estimated Economic and Fiscal Impacts to District of Columbia Annual Operations (2003 Dollars)			
Economic Impacts (1/)			
	Direct	Indirect	**Total**
Jobs (FTE)	228	122	**350**
Payroll	$6,650,628	$4,155,195	**$10,805,823**
Consumer Expenditures	$5,370,382		**$5,370,382**
Fiscal Impacts to District			
Income Tax			$234,021
Franchise Tax			$41,603
Real Property Tax			$622,618
Sales Tax			$2,264,645
hotel room			*$1,602,781*
other			*$661,863*
Personal Property Tax			$85,820
Total			**$3,248,706**

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live or where they make consumer expenditures

Source: Basile Baumann Prost & Associates

Tables A-1 through A-19 in the appendix provide detailed analysis tables used to estimate the fiscal and economic impacts for the Watergate Hotel.

3 Economic and Fiscal Impact Analysis of Condominium Project

This portion of this study contains an evaluation of economic and fiscal impacts resulting from the renovation of the Watergate Hotel to a luxury condominium project. This evaluation quantifies the benefits of the condominium project in terms of direct economic impacts (number of residents, number of jobs of ancillary components as part of condominium project, payroll, consumer expenditures) and related direct fiscal impacts (income tax of residents and employees living within the District of Columbia, real property tax, personal property tax, restaurant sales tax, and corporate franchise tax) resulting of the conversion of the existing Watergate Hotel to a condominium project.

This summary of our findings (with complete tables in the appendix) presents our findings in both quantifiable and qualitative terms, based on the economic changes brought to the District of Columbia by the Watergate condominium project. An explanation of methodology utilized in this analysis, including a discussion of key assumptions, is provided in the Methodology section of this report.

Summary of Findings for the District of Columbia

Renovation Phase Fiscal/Economic Impacts

During the renovation phase of the proposed Watergate condominium project, a variety of new opportunities will be created. The renovation will create 100 new jobs (56 direct and 52 indirect) which will have an aggregate payroll of $6 million ($3.2 million direct and $2.8 million indirect). Consumer expenditures will total roughly $2.6 million and $4.2 million in material purchases will be made in the local region.

The related fiscal impact of renovation will be roughly $460,000 in tax revenue to the District of Columbia. In all, the District of Columbia will receive roughly $248,000 in real property tax, $119,000 in income tax, $50,000 in permits and fees, and $42,000 in sales tax.

The following table summarizes the economic and fiscal benefits of the renovation of the Watergate Hotel to a condominium project for the District of Columbia in 2003 dollars.

Watergate Condominium Project Summary of Estimated Economic and Fiscal Impacts to District of Columbia *Renovation Period (2003 Dollars)*			
Economic Impacts (2/)			
	Direct	Indirect	**Total**
Jobs (FTE)	56	52	**108**
Payroll	$3,206,459	$2,746,973	**$5,953,432**
Material Purchases (regional)	$4,203,370		**$4,203,370**
Consumer Expenditure	$2,589,216		**$2,589,216**
Fiscal Impacts to District			
Income Tax (1/)			$118,814
Real Property Tax			$248,201
Sales Tax			$42,033
Permits and Fees			$50,000
TOTAL			**$459,049**
Source Notes 1/ Assumes 35% pay income taxes in District of Columbia 2/ Total estimated jobs and payroll do not differentiate as to where employees live or as to where employees make consumer expenditures *Sources: Basile Baumann Prost & Associates*			

Tables B-1 through B-20 in the appendix provides detailed analysis tables used to estimate the fiscal and economic impacts during the project's renovation phase.

Operating Period Fiscal/ Economic Impacts

Once the renovation is complete, impacts related to the Watergate condominium project's operations will continue on an annual basis.

The Watergate condominium project, with an assumed market value of roughly $100 million, will create a total of 453 new jobs (41 direct jobs and 412 indirect jobs). 402 of these 412 indirect jobs are a result of residential expenditures in the district. The project's employment opportunities will generate an aggregate annual payroll of over $11.5 million ($1.3 million direct and $10.2 million indirect). In addition, residential earnings will total nearly $38 million. The wages and salaries of project employees and residents will annually generate $31.7 million in consumer expenditures. These annual market activities will channel additional economic benefits into the District of Columbia as employees make purchases and create and support other jobs.

The related fiscal impact will be roughly $4.1 million in tax revenue to the District of Columbia. In all, the District of Columbia will receive roughly $2 million in income tax, $1 million in sales tax, $1 million in real property tax, $6,000 in personal property tax, and $8,000 in franchise tax each year.

The following table summarizes the economic and fiscal benefits of the Watergate condominium project to the District of Columbia in 2003 dollars.

Watergate Condominium Project
Summary of Estimated Economic and Fiscal Impacts to District of Columbia
Annual Operations (2003 Dollars)

Economic Impacts (1/)	Direct	Indirect	**Total**
Jobs (FTE)	41	412 (2/)	**453**
Payroll	$1,333,921	$10,246,110	**$11,580,031**
Residents Earnings	$37,935,555		**$37,935,555**
Consumer Expenditure	$31,710,102		**$31,710,102**

Fiscal Impacts to District	
Income Tax	$2,036,050
Franchise Tax	$7,948
Real Property Tax	$1,010,777
Sales Tax	$1,061,572
Personal Property Tax	$6,464
Total	**$4,122,812**

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live
2/ Includes jobs created from residential expenditures

Sources: Basile Baumann Prost & Associates

Tables B-1 through B-20 in the appendix provides detailed analysis tables used to estimate the fiscal and economic impacts during the project's operation phase.

Specialized Study of Purchasers

Since income tax is the most important tax source to the District of Columbia, an important aspect of the economic and fiscal impact analysis is a determination of the proportion of residents of the condominium project that pay District of Columbia income tax. In order to determine the proportion of condominium residents who pay District of Columbia income taxes, a specialized analysis has been conducted to determine the nature of the luxury condominium tenancy.

A brief analysis of tenancy for luxury condominiums demonstrates that typical purchasers include lawyers, lobbyists, foreign dignitaries, and "empty nesters." A standard rule of thumb used for estimating the ratio of household income to a given residential unit value is to assume home values are approximately 2.5 times annual household income. Assuming the average Watergate unit price equals $646,000, it is implied that the average annual household income is $258,400.

The District of Columbia has a high portion of households that can afford a luxury condominium. Household income data from 1999 illustrates that 11,639 households in the District earned more than $200,000 per year. The Watergate project would thus represent less than a one percent capture rate of current District of Columbia households with income over $200,000 per year.

D.C. Household Incomes in 1999 Greater Than $100,000		
Households	248,590	100%
$100,000 to $149,999	20,790	8.4%
$150,000 to $199,999	8,292	3.3%
$200,000 or more	11,639	4.7%
Total	**40,721**	**16.4%**

A number of high end or luxury condo occupants often have other homes and established legal residency in other jurisdictions, which necessitates an evaluation of the proportion of condo residents that are District of Columbia residents and pay District of Columbia income taxes.

In order to estimate the percentage of Watergate units that are occupied by District of Columbia residents, BBP Associates examined comparables (e.g. new Ritz-Carlton), contacted a number of real estate agents that specialize in high value District of Columbia units, and analyzed the District of Columbia's tax assessment records based on homestead exemptions for high-end units to obtain owner occupied residential information.

Based on our analysis, BBP Associates estimates that 55% to 77% (mid-point 66.7%) of high-end condos are occupied by owners who reside in the District of Columbia. We conservatively estimate two-thirds, or 66%, of Watergate's units would be occupied by households paying District of Columbia taxes. Assuming 66% as the percentage of residents who pay District of Columbia income taxes tends to understate the actual percentage paying District of Columbia income taxes because a portion of the units not owner occupied are rented to District of Columbia residents that do pay taxes. BBP Associates has therefore conservatively estimated that households who will pay District income taxes occupy approximately two-thirds of the units.

4 Comparative Analysis and "Net New" Versus Transfer Demand

Basic Comparative Analysis

A basic comparison of the economic and fiscal impact analysis during the annual operations of the existing Watergate Hotel and the proposed condominium project provides the following results:

- Total jobs (direct and indirect) created by renovating the Watergate Hotel into a condominium project will result in 103 jobs, or a 30 percent increase over the existing number of jobs in the hotel. Most of the new jobs created by the condominium project are a product of the new residents' expenditures within the District of Columbia.

- There will be an estimated $26 million increase in the consumer expenditures as a result of converting the Watergate Hotel into a condominium project. This represents more than a 490 percent increase in consumer expenditures.

- The total fiscal impact in terms of tax revenue to the District of Columbia increases by more $900,000, or 27 percent, as a result of converting the Watergate Hotel into a condominium project. It is estimated that income tax revenue increases by more than 770 percent (resulting from new District of Columbia residents as opposed to hotel guests), and real property tax increases by more than 62 percent (resulting from higher value of property). Sales tax revenue is estimated to decrease by more than $1.2 million (due primarily to the loss of hotel room revenue).

Net New Vs. Transfer Demand

The increase in retail expenditures, jobs, payrolls and tax benefits to the District of Columbia is noted above and is understated in that the "Net New" revenue is likely greater than the incremental difference between the existing situation with the Watergate Hotel and the situation after the conversion of the hotel to condominium use.

A significant portion of the existing hotel demand and the concomitant jobs, payrolls and District of Columbia tax benefits will likely be transferred to other hotel facilities in the District of Columbia. BBP Associates assumes that a vast proportion of the existing impacts (with the exception of real and personal property taxes) will continue to be experienced in the District of Columbia and captured by existing and planned lodging accommodations. The restaurant and health club impacts substantially represent a demand going from one health club and restaurant to another and no net new demand.

The luxury condominium however represents an expansion of supply in the District of Columbia at a particularly unique location which will predominately represent "net new" demand for luxury housing units. Thus, the incremental property values above the existing hotel substantially represent "net new" revenue for the District of Columbia. Similarly, the incremental household income, income tax, retail expenditures and economic multiplier impacts of the new residents of the luxury condominium units generally represents "net new" economic benefits to the District of Columbia.

While the incremental direct fiscal impacts to the District of Columbia is approximately $900,000 annually, from $3.2 million to $4.1 million, the "net new" benefit is more on the order of magnitude of a $2.8 million, as approximately $1.9 million of existing hotel room tax, income tax and franchise tax revenue would be transferred to other facilities in the District of Columbia. It is estimated that, taking into consideration incremental and transfer demand, actual annual direct District of Columbia taxes would rise from approximately $3.2 million to $6 million (constant 2003 dollars), an increase of $2.8 million or approximately 88 percent.

The following table compares the estimated economic and fiscal impacts to the District of Columbia resulting from a conversion of the existing Watergate Hotel to a luxury condominium project. This table shows the incremental difference between the two uses, as well as, shows which impacts represent transfer demand (to other facilities within the District of Columbia) and which result in total "net new" demand, or new revenue to the District of Columbia that would be realized if the project was constructed.

Comparison of the Estimated Economic and Fiscal Impacts to District of Columbia
Annual Operations (2003 Dollars)

Economic Impacts	Watergate Hotel	Watergate Condominium	Increment Difference		Transfer Demand	"Net New" Demand
			No.	Percent		
Jobs (FTE)	350	453	103	+30%	200	303
Payroll	$10,805,823	$11,580,031	$702,208	+7%	$9,389,540	$10,091,748
Residents Earnings		$37,935,555	$37,935,555	N/A	-	$37,935,555
Consumer Expenditures	$5,370,382	$31,710,102	$26,339,720	+490%	$4,656,709	$30,996,426
Fiscal Impacts (Direct)						
Income Tax	$234,021	$2,036,050	$1,802,029	+770%	$234,021	$2,036,050
Franchise Tax	$41,603	$7,948	($33,655)	-80%	$41,603	$7,948
Real Property Tax	$622,618	$1,010,777	$388,159	+62%	-	$388,159
Sales Tax	$2,264,645	$1,061,572	($1,203,073)	-53%	-	$399,709
Hotel room	*$1,602,781*		*($1,602,781)*		*$1,602,781*	-
Other	*$661,863*	*$1,061,572*	*$399,709*	*+60%*	-	*$399,709*
Personal Property Tax	$85,820	$6,464	($79,356)	-92%		($79,356)
Total	**$3,248,706**	**$4,122,812**	**$873,306**	**+27%**	**$1,878,405**	**$2,752,510**

5 Qualitative Commentary

The Watergate condominium conversion will provide significant benefits to the District of Columbia beyond those quantified in the previous sections. In particular, the projects will help the District of Columbia meet its goals of creating a "living downtown" with 24-hour a day, seven day a week activity. The major investment will create significant jobs and economic spin off benefits and require no subsidy from the District of Columbia government. The attraction of new, upper income residents will generate significant disposable income for support District of Columbia retail, entertainment and cultural activities.

The investment will further reinforce and strengthen the Watergate area in support of further reinvestment into the Kennedy Center. These goals and objectives will be met without adversely impacting other properties. The hotel demand formally served on site will be transferred to other hotels. This transferred demand will help to ameliorate the vast fluctuation in demand which may take place with the recent opening of the Convention Center and the anticipated construction of a large number of convention oriented hotels. The demand formally captured by the Watergate Hotel will serve to help fill hotel rooms when major conventions are not taking place.

The development of high-quality condominiums with no required public sector assistance will help serve as a precedent for developing high-quality residential uses which can contribute significantly to the economic well-being of the District of Columbia, the quality of life of District of Columbia residents, and the enhancement of the urban fabric.

The construction of the project will generate new jobs and payroll for District of Columbia residents. The operational period of the project will create a sustainable development with long-term jobs, payroll, retail expenditure and tax benefits to District of Columbia. The significant infusion of new residents and their income will in turn create new jobs and economic spin off far greater than those now generated by the relatively low income jobs at the existing hotel. At the same time the jobs and lodging activities which now occur at the Watergate will likely still be retained by the District of Columbia, captured an existing hotel facilities which would have their occupancy and economic viability further enhanced.

In summary, conversion of the existing Watergate Hotel to high-quality condominium use will meet the District of Columbia's economic development and housing objectives. The project will contribute substantively to the tax revenues of the District of Columbia both during the construction and long-term and sustainable operational period of this development.

Methodology

Economic and Fiscal Impact Analysis

The following "bullet points" present key elements of our methodology for developing job, payroll, expenditure and tax revenue estimates for the economic and fiscal impact analyses.

- We utilized information provided to us by Monument Residential for each of the project's use, including hotel, condominium, retail, and parking. This includes:

  1/ The Watergate Hotel property information (Eastdil)

  2/ The Watergate Hotel income statement ending December 2002 (The Watergate Hotel)

  3/ The Watergate Hotel parking department income statement ending December 2002 (Swissotel Washington)

  4/ Watergate condominium project development budget (Monument Residential)

  5/ Watergate condominium project full occupancy operating budget (Monument Residential)

  6/ Watergate condominium project parking count (Monument Residential)

  7/ Application for Tax Increment Financing (Valhal Corporation)

  Employment estimates (by use) were made by applying industry standards to the baseline information where applicable.

- Employee totals and wages per job classification for each use (hotel, apartment, restaurant, and parking) were provided by Monument Residential. FTE indicates "full-time equivalent", working 2,080 hours annually. Specifically, Swissotel Washington provided employee totals and wages for the hotel, parking garage (wages only), restaurant. Monument Residential provided employee totals and wages for condominium staffing. BBP Associates estimated retail and health club employee totals and wages.

- Residential totals for condominium project provided by Monument Residential.

- In calculating expenditure impacts, disposable income was 85 percent of personal income for 2002 (Bureau of Economic Analysis) and consumption expenditures was 95 percent of disposable income for 2002 (Bureau of Economic Analysis).

- The Bureau of Economic Analysis' RIMS II model was the source for the final demand output and income multipliers by industry sector for the Capitol Metro area and were utilized to estimate indirect employment and income effects. The multipliers are based on

the 1992 benchmark input-output accounts for the U.S. economy and 1997 regional data. RIMS II multipliers enable effective planning for public and private sector projects and programs at state and local levels. These regional input-output multipliers, which account for interindustry relationships within regions, are useful tools for conducting regional economic impact analysis.

The Washington, DC-MD-VA Region 2 data used for this analysis include the following areas: District of Columbia; Anne Arundel County, MD; Frederick County, MD; Montgomery County, MD; Prince George's County, MD; Arlington County, VA; Loudoun County, VA; Alexandria, VA; Fairfax, Fairfax City + Falls Church, VA; and Prince William, Manassas + Manassas Park, VA.

- Current personal property, sales, income, franchise, and real property tax rates were obtained from the District's Office of Tax and Revenue website, the Washington DC Marketing Center website, and the Washington, DC Chamber of Commerce website.

- In calculating individual income tax revenues, we assumed that 35 percent of construction workers resided in the District; and 55 percent of parking employees, 60 percent of retail employees, 55 percent of hotel employees, 55 percent of condominium employees, and 67 percent of condominium residents were District residents. This is based on an analysis of other projects within the District of Columbia, discussions with brokers and developers familiar with similar projects, and our analysis of the tenancy of likely occupants of a luxury condominium project within the District of Columbia. We assumed one standard deduction of $2,000 and one personal exemption of $1,370.

- Total current property taxes collected from subject site provided to us by Monument Residential. Rates for property tax are for fiscal year 2003, information obtained from District Office of Finance and Revenue.

- Personal property values estimated by BBP Associates. We estimated 75 percent of these values provided would be assessable. This adjusted value was then taxed at the City's rate of $3.40 per $100 of assessed value.

- Spin off sales taxes estimates for work related impacts during renovation period estimated at $500 annually per employee X sales tax rate at 5.75 percent. Spin off sales tax impacts for construction workers residing in District calculated by assuming 35 percent of all workers reside in District and that 50 percent of their retail expenditures are in District.

- Spin off sales estimates during operation for condominium residents calculated by assuming 50 percent of their retail expenditures made in the District. Spin off sales tax impacts for employees working in project estimated at $500 per employee annually. Spin off for employees who reside in the District estimated by determining the number of employees who reside in the District (55 percent of parking employees, 60 percent of retail employees, 55 percent of hotel employees, 55 percent of condominium employees) and assuming 50 percent of their retail expenditures are in the District.

- Hotel spin off sales tax estimates assumes 20 percent off site daily spending for retail/entertainment and 30 percent off site daily spending for restaurant. Assumes 55 percent of off site spending occurs in the District.

Certificate of Notice

I HEREBY CERTIFY that a copy of the Notice of Intent to file an Application for an amendment to an approved planned unit development for certain property located at 2650 Virginia Avenue, N.W., part of the overall Watergate complex known as the Swissôtel Washington at the Watergate was mailed to Advisory Neighborhood Commission 2A and to the owners of all property within 200 feet of the perimeter of the project site on April 24, 2003, at least ten (10) calendar days prior to the filing of the application for a Planned Unit Development as required by the Zoning Regulations of the District of Columbia, 11 DCMR §2406.7.

Copies of the Notice and the mailing list are attached hereto.

Steven E. Sher
Director of Zoning and Land Use Services

APR 2 4 2003

Date

WAS1 #1178842 v1

April 24, 2003

NOTICE OF INTENT TO FILE A ZONING APPLICATION

Application to the
District of Columbia Zoning Commission
for a Modification
to an Approved Planned Unit Development

Monument Residential LLC, on behalf of BRE/Watergate L.L.C. (collectively, the "Applicant") hereby gives notice of its intent to file an application for approval of a modification to a Planned Unit Development ("PUD") in accordance with the District of Columbia Zoning Regulations, 11 DCMR (February, 2003). The application will be filed with the Zoning Commission not less than ten (10) days from the date of this notice. This notice is given pursuant to Section 2406.7 of the Zoning Regulations.

The property that is the subject of this application consists of Lot 807 in Square 8 (the "Property"). The Property is located at 2650 Virginia Avenue, N.W. and is part of the Watergate complex. The Property consists of approximately 37,897 square feet of land area. The Property currently is improved with a thirteen story building devoted to the Swissôtel Washington at the Watergate, which contains approximately 250 rooms.

The property is currently zoned SP-2. The Watergate complex is a multi-phased development, for which the Zoning Commission approved the concept in 1962. The hotel is part of Stage II of the project.

The Applicant seeks the option to convert the existing hotel to an apartment house with approximately 150 units. The hotel has a total of approximately ninety-five parking spaces, in the garage and on the surface, which would remain available to the apartment house. The project would primarily involve interior renovations to convert the hotel rooms and support areas to apartment units and support areas. There would be some improvements made to the exterior building, but there would be only minimal changes to the gross floor area of the building.

The developer for this proposal is Monument Residential LLC; the architect is Hickok Warner Cole; and the land use counsel is Holland & Knight LLP.

Should you need any additional information regarding the proposed PUD application, please contact Norman M. Glasgow, Jr., Esq., of Holland & Knight LLP at (202) 955-3000.

cc: D.C. Zoning Commission
D.C. Office of Planning
ANC 2A

Roster of Persons Owning Real Property Any Portion of Which is within 200 Feet (225 Foot Scaled) of the Outermost Portions of Lot 807, Square 8 (The Watergate Hotel, Washington, DC)

Square and Lot	Premise Address	Owner Name and Address:
0002 0803	2708 Virginia Avenue, NW	Humble Oil and Refining c/o J. L. Windlinger P. O. Box 53 Houston, Texas 77001-0053
0008 0806	2500 Virginia Avenue, NW	Watergate East., Inc. Property Tax Dept. 113 P. O. Box 4900 Scottsdale, AZ 85261-4900
0008 0808	2600 Virginia Avenue, NW	Trizec-Hahn LLC Watergate Property Tax Dept. 113 P. O. Box 4900 Scottsdale, AZ 85261-4900
0008 0809	2700 Virginia Avenue, NW	Watergate West, Inc., et al 2700 Virginia Avenue, NW Washington, D.C. 20037-1908
0008 0812	700 New Hampshire Ave., NW	Watergate South, Inc. et al 700 New Hampshire Ave., NW' Washington, D.C. 20037-2406
Unknown, yet Facing	Unspecified	National Park Service c/o John Parsons 1100 Ohio Drive, S.W. Room 220 Washington, D.C., 20242
0008 0811	600 New Hampshire Ave., NW	Income and Growth Watergate c/o Lasalle Investment Mgmt. #600 200 East Randolph Street Chicago IL 60601-6436