



**DMPED Zoning Commission Testimony
Walter Reed Zoning Regulations
April 2nd, 2015**

Good evening Commissioners, my name is Martine Combal, Deputy Director of Real Estate with the Office of the Deputy Mayor for Planning and Economic Development. I appreciate this opportunity to provide you with important context and background regarding the redevelopment of the former Walter Reed Army Medical Center project on behalf of the Deputy Mayor's Office.

For today's testimony I would like to provide the Commission with an 1) overview of the BRAC process, including the incorporation of homeless assistance providers, 2) the challenges and risks of developing this site, 3) as well as the District's site-specific approach to affordable housing, and 4) the overall community benefits that will be incorporated into the site.

The redevelopment of Walter Reed represents a unique and critical economic development project for not only Ward 4 and the District, but the region. The redevelopment of Walter Reed is an exercise in balance. The site has many amazing features such as the great lawn, the historic structures, a varied topography, but many of these site amenities are also constraints that helped to inform the final land use program that is outlined in the Small Area Plan. This development will create essentially a new neighborhood with approximately 2,000 units of housing and a new neighborhood town center for the District, while providing surrounding residents neighborhood-serving retail and new public amenities. Over the last six years the District has conducted more than 74 community meetings, representing over 110 hours of direct community engagement and countless staff and consultant hours to shepherd this project.

It is important to share that this development opportunity presents itself to the District because of the 2005 Base Realignment and Closure Act (BRAC), whereby, after the land was first offered to other federal users, in 2009 the U.S. Army declared a portion of the Walter Reed campus surplus. The District subsequently had to negotiate new boundaries with the Army and the Department of State in 2011, which resulted in approximately 67 acres and allowed the District's Local Redevelopment Authority (LRA) to complete a Reuse Plan and a concurrent Small Area Plan. These plans identified community goals, evaluated site and market

conditions, and established an overall development program for the site, including densities and land uses.

Stewarded by the LRA, with critical community input, the planning process conducted for the Walter Reed campus produced what is called a Reuse Plan to comply with federal requirements prior land disposition. Additionally, because the site is being acquired from the Army through the BRAC process, the LRA was required to create a plan for homeless assistance for the U.S. Department of Housing and Urban Development's (HUD) review and approval. The LRA accomplished this through a Notice of Interest (NOI) process through which organizations were selected by the LRA Committee, which included agency directors and 10 community members. The selected NOI users include HELP USA, So Others Might Eat (SOME), and the Transitional Housing Corporation (THC). These NOI users were selected to develop 114 very low-income housing units and supportive services for the homeless, including seniors and veterans and have been assigned specific properties on the Walter Reed campus as part of the master plan. The Reuse Plan was informed by the NOI process and selected users were included in the District's BRAC required Homeless Assistance Plan Submission to HUD. The LRA received approval from HUD on the Homeless Assistance Submission in January of 2014.

Concurrently, the Small Area Plan was developed by the DC Office of Planning in conjunction with the LRA and community to satisfy local requirements for land use and zoning, including urban design guidelines that complement the vision laid out in the Reuse Plan.

The Commission has received background on Small Area Plan process from the Office of Planning, so I will not focus our testimony further on this process. Instead, I would like to share that the LRA has held productive negotiations with our 2013 competitively selected Master Developer and the Army regarding the terms of the acquisition and the disposition. It is important to note that under the conveyance terms from the Army, which is through what is called an Economic Development Conveyance (EDC), the District must show an overall economic benefit to the area in exchange for the possibility of a transfer with below market rate terms. This does not imply that the transfer will be at no cost and the District will be obligated to pay the Army for the property. Because the terms are not yet finalized, the District is not in a position to disclose that information at this time.

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Along these lines, I would like to further identify some of the additional challenges that I mentioned earlier in my testimony, which are unique to the site and the overall acquisition and development.

- The market land payment and necessary guarantees of payment that must be made to the Army to acquire the property;
- The need for constructing infrastructure to support new uses, including both roadways and utilities;
- The number of historic buildings and historic landscapes featuring varying degrees of structural and architectural soundness;
- Demolition of Building 2, which is 2.6 million square feet, the equivalent of a 12 story building, in a manner that is sensitive to the surrounding uses;
- The potential for environmental remediation;
- The challenging topography of the site, including major grade changes throughout; and
- Managing the development of such a large, multi-use site through multiple market shifts over 20 years.

In light of these constraints, the redevelopment of Walter Reed is slated to include a significant amount of affordable housing at various AMI levels and serving a variety of unique populations, including veterans, seniors, and the homeless. The District is committed to achieving very deep affordable housing within the project. Through the District's Land Disposition Agreement (LDA) the mixed-income affordable housing on Walter Reed will be more than double the Inclusionary Zoning requirements set forth in the proposed zoning plan and provides for units serving households at very low income levels (30% AMI and below), which otherwise could not be achieved through zoning or private development.

The property is not owned by the District, so both of the acquisition and disposition of the property will need Council authority that is not provided for under D.C. § 10-801. The project will exceed the proportion of very low income units that would be required by new affordable housing provisions in DC Code §10-801, but also much of the housing will be provided by experienced affordable housing managers and service providers. These service providers will not only address the housing needs of very low income seniors, veterans and homeless households, but also address other important needs by providing crucial support services to help them continue to progress along the housing spectrum. Further, it is contemplated that the housing serving these most vulnerable populations will be

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built early in the development, in support of the District's strategy to end homelessness.

Site wide, 20% of the total units will be reserved as affordable housing, going beyond the Inclusionary Zoning requirements to provide additional affordable dwelling units as proffered through the 2013 master developer RFP process. Specifically, the project is projected to create 432 affordable units. Of those units:

- The project is slated to deliver 114 very low income rental units for the homeless households at or below 30% Area Median Income (AMI);
- 109 rental and 30 for sale low-income units for households between 31-50% AMI; and
- 149 rental and 30 for sale moderate-income units to households between 51 – 80% AMI.

Combining the site constraints along with the affordable housing program creates tense economic pressures on the project, which impacts the site's ability to generate public benefits over and above the significant additional benefits identified through the community planning process, which include:

- Enhancement of the open space including:
 - 14 acres of public open space
 - Preservation and care of hundreds of trees across the site
 - Additional of recreational, cultural and historic outdoor features and amenities
- Preservation and restoration of historic elements, including 500,000 SF of historic buildings, such as Building 1, the original Walter Reed hospital
- Extension of the street network throughout the site to include new and critical east-west and north-south connections for vehicles, bikes, and pedestrians
- Incorporation of innovative sustainable strategies, such as the possibility of the District's first micro grid and net zero energy system, the use of photovoltaics, green roofs, and stormwater management strategies
- Adding to the vibrancy of the Georgia Avenue corridor
- Creation of a connection between the Georgia Avenue street frontage and a new town center
- Additionally, the redevelopment is expected to generate:

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- 2,300 construction jobs, 3,460 estimated annual employment for stabilized project,
- \$4,153,000 in tax revenues during construction and an estimated \$30,418,000 in cumulative annual revenue at project stabilization.

As the project has progressed, I would like to take the time to acknowledge several large milestones that have been achieved, including the selection of a master development team (Hines-Urban Atlantic-Triden) in the fall of 2013, approval of the Reuse Plan by the US Department of Housing and Urban Development in January 2014, the execution of an Exclusive Rights Agreement with the development team in May of 2014, and agreement with the Army on a preliminary draft term sheet just this past month. There are many steps that need to occur before the property can be transferred from the Army to the District and the master development team. Additional reviews will be required for this project to move forward, including:

- As is required by District law, once the specific terms have been negotiated, the Mayor will seek Council authority to execute the transaction upon the terms and conditions previously negotiated. Prior to Council action, Council will hold at least one public hearing, which will include opportunities for interested stakeholders to provide their input and testimony on the proposed acquisition and disposition.
- Due to the historic nature of the site and the addition of multiple buildings on the campus to the National Historic register, the site plans will be required to be submitted to the Historic Preservation Review Board. This process will again provide a forum for individuals and groups to express their perspectives.

The District is seeking zoning consistent with the Small Area Plan that will provide certainty to all project stakeholders while also responding to market realities. I hope that I've helped to convey the opportunity that the District believes the Walter Reed redevelopment presents to the residents of Ward 4, the City, and the Region.

Thank you again and I am available to answer any questions you may have.

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