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April 14, 2025

VIA IZIS

Zoning Commission for the
District of Columbia
441 4th Street, N.W., Suite 210S
Washington, D.C. 20001

**Re: Two-Year Extension of a Second-Stage PUD
Capitol Crossing South Block (Square 568, Lot 865)
Z.C. Order Nos. 08-34A and 08-34F**

Dear Members of the Zoning Commission:

On behalf of CAPITOL CROSSING V LLC (the “Applicant”), we hereby submit an application for a two-year extension of the validity of Z.C. Order No. 08-34A, as modified by Z.C. Order No. 08-34F, which approved a second-stage Planned Unit Development (“PUD”) for development of an office building at Square 568, Lot 865 (the “Property”) within the South Block of the Capitol Crossing development project.¹

The subject application is filed pursuant to Subtitle Z § 705 of the Zoning Regulations. As required by Subtitle Z § 1600.10(c), a filing fee of \$1,500 is included with this application. An authorization letter from the Applicant is attached at Exhibit A, and a signed Application Signature Form 100 is attached at Exhibit B.

I. BACKGROUND

A. Prior PUD Approvals

Pursuant to Z.C. Order No. 08-34, dated May 23, 2011, and effective as of July 1, 2011, the Zoning Commission for the District of Columbia (the “Zoning Commission”) approved (i) a first-stage PUD for land and air rights above the Center Leg Freeway in an area generally bounded by Massachusetts Avenue, NW to the north, 2nd Street, NW to the east, E Street, NW to the south, and 3rd Street, NW to the west (the “Overall PUD Site”); (ii) a consolidated PUD for a portion of

¹ At the time that PUD Order Nos. 08-34A and 08-34F were approved, the Property was known as Lot 862 (part of Record Lot 44) in Square 568. The assessment & taxation lot numbers have since change, but the underlying record lot continues to be Record Lot 44 in Square 568.

the Overall PUD Site; and (iii) a Zoning Map amendment to the Overall PUD Site to the C-4 zone. Development of the South Block (then known as Lot 44) was approved as part of the first-stage PUD.

Pursuant to Z.C. Order No. 08-34A, dated January 28, 2013, and effective as of March 1, 2013 (Exhibit C), the Zoning Commission approved a second-stage PUD for the Property in accordance with Z.C. Order No. 08-34. The second-stage PUD approved development of the Property with a 130-foot tall office building with ground-floor retail (the “Office Building”).

Pursuant to Z.C. Order No. 08-34F, dated May 23, 2016, and effective as of August 5, 2016 (Exhibit D), the Zoning Commission approved a Minor Modification to the Office Building to remove the previously-approved eco-chimney, revise the design of the building façade and penthouse, and permit habitable space within the penthouse.

B. Current Deadline to File Building Permit Application and Start Construction for the Office Building on the Property

Pursuant to Z.C. Order No. 08-34A, Decision No. C.2, the second-stage PUD for the South Block was “valid for a period of two (2) years from the date of completion of the platform and base infrastructure approved in Z.C. Order No. 08-34. Within such time, the Applicant shall apply for a building permit for the construction of the South Block Building. The Applicant shall commence construction of the South Block Building within four years of the completion of the construction of the platform and base infrastructure” (emphasis added).² The term “completion of the platform and base infrastructure” was not defined in Z.C. Order No. 08-34A.

In 2019, the Zoning Administrator for the District of Columbia confirmed that the date of “completion of the construction of the platform and base infrastructure” would be considered the date that a “Certificate of Substantial Completion” of construction of the deck and bridges is issued by DDOT accepting the tunnel and streets as part of the public space within DDOT’s jurisdiction.

In 2021, the Zoning Administrator acknowledged that DDOT would not issue a Certificate of Substantial Completion, and instead the District, through the Deputy Mayor for Planning and Economic Development (“DMPED”), would execute an Acknowledgment of Substantial Completion (“Acknowledgment”), which would be recorded in the Land Records for the District of Columbia (“Land Records”), and that the date that the Acknowledgement is recorded in the Land Records would be the date assigned to the “completion of the platform and base infrastructure” as set forth in Z.C. Order No. 08-34A.

On August 28, 2023, DDOT issued a letter granting the Applicant’s “Request for Substantial Completion” (“DDOT Substantial Completion Letter”), confirming that the construction of the platform and base infrastructure was complete. In 2023, the Zoning Administrator further confirmed that the date of issuance of the DDOT Substantial Completion Letter would be the basis for the District’s issuance of the Acknowledgement, which would

² The term “South Block Building” in Z.C. Order No. 08-34A referred to what is called the “Office Building” in this statement.

be recorded at some date in the future, and would be the date assigned to the “completion of the platform and base infrastructure” as set forth in Z.C. Order No. 08-34A.

Accordingly, the Applicant is required to submit a building permit application for the Office Building no later than August 28, 2025 (two years following the date of issuance of the DDOT Substantial Completion Letter), and must start construction of the Office Building no later than August 28, 2027 (four years following the date of issuance of the DDOT Substantial Completion Letter), all in accordance with Z.C. Order No. 08-34A, Decision No. C.2 and the subsequent Zoning Administrator confirmations.

C. Submission of Building Permit Application in 2021

In March, 2021, the Applicant submitted building permit application B2105989 (the “Permit Application”) for the construction of the Office Building as approved in Z.C. Order No. 08-34A, as modified by Z.C. Order No. 08-34F. The Permit Application was processed through the majority of the disciplines at the D.C. Department of Buildings, including the Zoning department which approved the Permit Application on April 29, 2022. Unfortunately, due to changes in the Construction Code that became applicable to the Office Building, additional revisions were needed to be made to the plans submitted with the Permit Application. Due to the work needed for those changes, combined with worsening market conditions as further discussed below, the Applicant did not pull the building permit associated with the Permit Application.

D. Request for Two-Year Extension of Validity of Z.C. Order No. 08-34A

As described in detail below, the Applicant seeks an extension of the building permit application deadline and the construction start deadline based on a variety of conditions, circumstances, and factors beyond the Applicant’s reasonable control that has rendered the Applicant unable to comply with the applicable time limits. Accordingly, the Applicant respectfully requests a two-year extension of the validity of Z.C. Order No. 08-34A, as modified by Z.C. Order No. 08-34F, such that a building permit application for the Office Building on the Property must be filed by August 28, 2027, and construction of the Office Building on the Property must begin by August 28, 2029.

II. JURISDICTION OF THE ZONING COMMISSION

Pursuant to 11-Z DCMR § 705.2, the Zoning Commission is authorized to extend time periods of PUD orders for good cause provided the following conditions are met:

1. The extension request is served on all parties to the application by the applicant, and all parties are allowed thirty (30) days to respond;
2. There is no substantial change in any of the material facts upon which the Commission based its original approval of the application that would undermine the Commission’s justification for approving the original application; and
3. The applicant demonstrates with substantial evidence that there is good cause for such extension, as provided in 11-Z DCMR § 705.2(c).

The sole substantive criterion for determining whether a PUD should be extended is whether there exists “good cause shown.” The Zoning Regulations define “good cause shown” in Subtitle Z § 705.2(c) as evidence of one or more of the following:

1. An inability to obtain sufficient project financing for the development, following an applicant’s diligent good faith efforts to obtain such financing, because of changes in economic and market conditions beyond the applicant’s reasonable control;
2. An inability to secure all required governmental agency approvals for a development by the expiration date of the order because of delays in the governmental agency approval process that are beyond the applicant’s reasonable control; or
3. The existence of pending litigation or such other condition, circumstance, or factor beyond the applicant’s reasonable control that renders the applicant unable to comply with the time limits of the order.

III. COMPLIANCE WITH STANDARDS FOR EXTENDING PUD VALIDITY

A. Extension Request Served on All Parties

The parties to the second-stage PUD were Advisory Neighborhood Commissions (“ANCs”) 2C and 6C. As of January 1, 2023, and as a result of the ANC boundary line redistricting, the Overall PUD Site is now located entirely within the boundaries of ANC 6E. While certain sections of Subtitle Z of the Zoning Regulations were modified to provide that only the new affected ANC must be served if the affected ANC has changed since the effective date of the final order (*e.g., see* Subtitle Z § 703.10), Subtitle Z § 705 governing time extensions does not include such language. Accordingly, as indicated in the attached Certificate of Service and out of an abundance of caution, the Applicant served this application on all three of the ANCs (2C, 6C, and 6E), thus providing the required time period in which to respond.

B. No Substantial Change in Material Facts

There has been no substantial change in any of the material facts upon which the Zoning Commission based its approval of the Office Building in Z.C. Order No. 08-34A, as modified by Z.C. Order No. 08-34F. The Applicant remains fully committed to moving forward with a high-density development on the South Block in accordance with the conditions and obligations imposed as part of the PUD approval. However, the Applicant must continue to evaluate potential changes that may be needed given market conditions.

C. Good Cause Shown

Pursuant to Subtitle Z § 705.2(c)(3), the Zoning Commission is authorized to grant an extension of PUD validity for projects where the applicant demonstrates with substantial evidence, the existence of “condition[s], circumstance[s], or factor[s] beyond the applicant’s reasonable control that renders the applicant unable to comply with the time limits of the order.”

As set forth in the affidavit of George W. Cantrell, III, President, Capitol Crossing Advisors LLC, (the “Affidavit”) (Exhibit E), this application satisfies the criteria of Subtitle Z § 705.2(c)(3) and thus meets the requirements for extending the validity of the second-stage PUD approval for the Property. The Applicant has taken many steps to move the project forward, as summarized below:

- The Applicant has diligently moved forward with the overall Capitol Crossing development project over the years. This work has included construction of the platform and base infrastructure, which includes all below-grade parking garages and consolidated loading facilities for the entire project. The Applicant delivered the improvements on the North Block, including two new office buildings with ground floor retail and the open-air pedestrian way. In the Center Block, the Applicant delivered the new rectory and annex buildings for the Holy Rosary Church. Specifically for the South Block, the Applicant relocated the historic Adas Israel Synagogue building and coordinated construction for the new facilities to support the Lillian and Albert Small Jewish Museum of the Jewish Historical Society of Greater Washington.
- The Applicant worked closely with DDOT on the design, permitting, and construction of major new public infrastructure, including the construction of new public rights-of-way for F and G Streets, NW, which are now fully operational. The Applicant installed new roadway subbase and resurfaced the 200 block of Massachusetts Avenue, NW, the 500, 600, and 700 blocks of 2nd Street, NW, and the 500, 600, and 700 blocks of 3rd Street, NW. As part of the roadway infrastructure, the Applicant modified bridges on E Street and Massachusetts Avenue, constructed the new Massachusetts Avenue highway entrance portal, and reconstructed the 2nd Street, NW highway exit portal.
- In addition to public roadways, the Applicant installed a variety of new traffic signals and street lights as part of delivery of the PUD. It installed new water and sewer lines, including four major isolation valves to the District’s water infrastructure, and relocated and upgraded a major 36-inch water main in Massachusetts Avenue, NW. The Applicant constructed approximately 70 additional curb inlets for improved street drainage and made significant contributions through Casey Trees for trees in Cobb Park.
- Overall, the Applicant spent approximately \$200 million in public space infrastructure improvements to benefit the District as a whole.
- On August 28, 2023, DDOT granted the Applicant’s request for substantial completion of the public space infrastructure and confirmed that the overall Capitol Crossing project is “in a physical condition that it can be used for normal and safe vehicular, pedestrian, bicycle, or other travel in all lanes and at all points of entry and exit.” *See Exhibit 1 to the Affidavit.* The Applicant is working closely with DDOT to achieve final completion and anticipates that it will be obtained in the near term.
- As it relates specifically to the South Block, the Applicant obtained DDOT Public Space Committee approval for all improvements in public space surrounding the South Block and constructed those improvements. *See* photographs at Exhibit 2 to the Affidavit showing the

existing conditions. The Applicant also prepared and recorded the required DDOT Covenant for Special Paving and Fixtures in Public Space – South Block in the land records for the District of Columbia (“Land Records”) on September 26, 2023, at Instrument No. 2023082664.

- The Applicant obtained approvals and installed the utility infrastructure required to service the South Block from DOEE, DC Water, PEPCO, Washington Gas, and Verizon.
- The Applicant prepared and recorded a PUD Covenant for the South Block in the Land Records on September 18, 2014, as Instrument No. 2014085670.
- Prior to the Covid-19 pandemic, the Applicant was actively working with brokers to market the Office Building on the South Block as a build-to-suit for a large office headquarters. With Covid, the Applicant’s primary focus shifted to the leasing of the office buildings on the North Block, which are still not fully leased.
- To realize the potential of the overall Capitol Crossing project, and as set forth in the Affidavit, there is an inherent need to move forward with development of the Property, particularly given the considerable investment in the highway, decks, bridges, and below-grade garage to date. However, the Applicant is presently confronted with a variety of issues when viewing Property within the overall context of downtown Washington, D.C. and many of the challenges that have resulted. Impacts of the Covid-19 pandemic created an inhospitable market for office development. Obstacles associated with escalating construction costs, insufficient labor, supply chain issues, inflation, rising interest rates, and a weak lending market are high nationally, which has had specific and material consequences on the Applicant’s ability to move forward with development of the Office Building on the Property. Despite the Applicant’s good faith efforts, it has been unable to advance development of the Office Building within the required timeframes due to a variety of conditions, circumstances, and factors beyond the Applicant’s reasonable control. These include the following:
 - The national office vacancy rate reached 19.8% by the end of 2024, and the office sector is expected to face another challenging year in 2025 as it continues to adapt to the post-pandemic world. *See [Commercial Edge January 2025 Office Market Report](#)*. Office vacancies are not expected to fall in 2025, despite return-to-office mandates from major corporations and the Federal government, given recent changes in office culture defined by a new work culture reliant on remote and hybrid work. Thus, there is little to no demand for new office space.
 - In the District of Columbia, the office vacancy rate increased to approximately 20.3% by the end of 2024, up from approximately 17% at the beginning of 2022, as negative absorption pushed vacancy rates higher. *See [Colliers Washington, DC Office 24Q4 Report](#)*.
 - At Capitol Crossing specifically, and as noted above, the Applicant delivered two office buildings (200 and 250 Massachusetts Avenue, NW) in 2019 on the North

Block. As of the date of this filing, 200 Massachusetts Avenue is approximately 84% occupied and 250 Massachusetts Avenue is approximately 22% occupied. The ground floor retail for the two buildings combined is only 50% occupied, even after an investment of over \$25 million by the Applicant to promote and finish out the new retail space. Based on these figures, it is clear that there is no demand for new office or retail space at Capitol Crossing at this time, such that an additional two years to file a building permit application for the Office Building at the Property is necessary.

- Challenges to the construction industry generally have also disrupted office construction, including increased costs of labor and materials. In Washington, D.C., there were zero office deliveries during the fourth quarter of 2024, with only one office building under construction. Office development continues to be “at an all-time low” with 12 straight quarters of negative absorption. *See [Colliers Washington, DC Office 24Q4 Report](#).*
- Retailers, restaurateurs, and grocers have also been reluctant to lease ground floor space as they wait to see how economic conditions change or improve in subsequent years.

Due to the above considerations, the Applicant has determined that in order to ensure an economically feasible and successful office project, the most practical course of action is to seek an extension to the approval of the Office Building on the Property.

Despite the obstacles described above and set forth in the Affidavit, the Applicant is fully committed to moving forward with further development of the Property within the prevailing constraints. The Applicant is currently engaged with the brokerage and investment communities on a continuing basis to evaluate potential opportunities at the Property. Given the recent and upcoming return-to-office mandates across multiple industries, the Applicant believes that it is possible that the office market will improve in the nearer-term future. If not, the Applicant will submit a separate application to the Zoning Commission for a modification to the approved PUD for the Property to reflect a marketable and realistic development proposal.

Based on the foregoing information, it is clear that the Applicant has taken many steps to move forward with development of the Office Building on the Property, even though it has been unable to move forward with construction of the Office Building to date. As noted above, the base infrastructure, including all parking and loading, has already been constructed, and the Applicant is fully committed to moving forward with development of the Property as soon as market conditions allow. The Applicant has invested substantial resources in the overall Capitol Crossing PUD, including the Property, over many years, including legal, architectural, engineering, permitting, construction, and other consulting fees. The Applicant estimates that such costs have totaled over \$1.3 billion in the project overall. There is simply no financial advantage for the Applicant not to move forward with development of the Property and has every incentive to do so as soon as feasible.

IV. NO HEARING NECESSARY

Pursuant to Subtitle Z § 705.7, the Commission shall hold a public hearing on a request for an extension of the validity of an application approval only if, in the determination of the Commission, there is a material factual conflict that has been generated by the parties to the proceeding concerning any of the criteria in Subtitle Z § 705.2. The hearing shall be limited to the specific and relevant evidentiary issues in dispute.

A hearing is not necessary for this request since there are not any material factual conflicts generated concerning any of the criteria set forth in Subtitle § 705.2. All parties to the PUD have been served copies of this application. There is no dispute that the Applicant has worked diligently to move forward with development of the Property, despite being unable to file a building permit application for the approved Office Building. Thus, there cannot be any material factual conflicts generated concerning any of the criteria by which the Zoning Commission is required to consider this request.

V. COMMUNITY ENGAGEMENT

The Capitol Crossing development project is located within the boundaries of ANC 6E, and specifically ANC 6E08. Prior to filing this application, the Applicant met with Commissioner Dale Prince, the Single Member District representative of ANC 6E08, to present the extension request and describe the status of the overall Capitol Crossing development project overall. The Applicant is scheduled to present at ANC 6E's regularly scheduled and duly noticed public meeting on April 24, 2025, and will provide an update to the case record following that meeting as necessary.

As stated above, the Applicant also notes that the parties to the original second-stage PUD for the Property were ANCs 2C and 6C, but that as of January 1, 2023, and as a result of the ANC boundary line redistricting, the entire Capitol Crossing PUD is now located entirely within the boundaries of ANC 6E. As noted above and indicated in the Certificate of Service included at the end of this letter, the Applicant served this application on all three of the ANCs (2C, 6C, and 6E).

VI. CONCLUSION

In light of this demonstration of good cause and for the reasons stated herein, the Applicant respectfully requests that the Zoning Commission approve a two year extension of the validity of Z.C. Order No. 08-34A, as modified by Z.C. Order No. 08-34F, such that (i) a building permit application for the Office Building on the Property must be filed no later than August 28, 2027; and (ii) construction of the Office Building on the Property must begin no later than August 28, 2029. No hearing is necessary as there are no material factual issues in question.

Sincerely,

HOLLAND & KNIGHT LLP

By: Christy M. Shiker
Christy M. Shiker

By: Jessica R. Bloomfield
Jessica R. Bloomfield

Attachments

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that on April 14, 2025, electronic copies of the foregoing application were served on the following at the email addresses stated below:

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