

STATEMENT OF FACTS
Waterfront 375 M Street, LLC and Waterfront 425 M Street, LLC
In Support of a Request for an Extension of Time for First-Stage PUD
Z.C. Order No. 02-38A/02-38E - East and West M Street Office Buildings

I, Deborah Ratner Salzberg, being duly sworn, depose and state as follows:

1. I am the Vice President of FC Waterfront Member, LLC, which is the Managing Member of Waterfront 375 M Street, LLC and Waterfront 425 M Street, LLC (collectively, "Waterfront").
2. Waterfront 375 M Street, LLC is the owner of Lot 825 in Square 542 ("East M") and Waterfront 425 M Street, LLC is the owner of Lot 826 in Square 542 ("West M") (together, the "Properties"). The Properties comprise a portion of Record Lot 89 in Square 542 (the "PUD Site").
3. I have been involved in the design, construction, entitlement process, and financial market analysis for development of the PUD Site since April, 2003.
4. Pursuant to Z.C. Order No 02-38A, the Zoning Commission approved a modified First-Stage PUD and a Second-Stage PUD for the four buildings located in the center of the PUD Site, including the East and West 4th Street Office Buildings and the East and West Residential Office Towers.
5. Construction of the East and West 4th Street Office Buildings began in or around November, 2007, commencing with the demolition of the former Waterside Mall and followed by construction in or around April, 2008. The East and West 4th Street Office Buildings were occupied in or around March, 2010.
6. Construction of the East and West Residential Buildings began in early 2012 and was completed in 2013. In accordance with the commitments set forth in Condition No. 18 of Z.C. Order No. 02-38A, more than 80,000 square feet of gross floor area has been dedicated to affordable housing units in the East and West Residential Buildings combined.
7. Pursuant to Z.C. Order No 02-38A, the northern portion of the PUD Site was approved as a First-Stage PUD to be constructed with two residential buildings known as the Northwest Building and the Northeast Building.
8. The Northwest Building was approved as a Second-Stage PUD in 2013, pursuant to Z.C. Order No. 02-38D, and is currently under construction with delivery expected in early spring, 2017. Upon delivery of the Northwest Building, over 90,000 total square feet of ground floor retail space will be leased and occupied within the PUD Site (approximately 85,691 square feet currently leased and approximately 5,300 square feet to be leased in the Northwest Building).

9. The Northeast Building was retained by the District, which will partner with a separate private developer in submitting a Second-Stage PUD application and developing the Northeast Building.
10. Pursuant to Z.C. Order No 02-38A, the southern portion of the PUD Site was approved to be constructed with East M and West M as office buildings. Since that time, the Zoning Commission approved two extensions for West M (Z.C. Order Nos. 02-38C and 02-38E) and one extension for East M (Z.C. Order No. 02-38E), such that Second-Stage PUD applications for both the East and West M buildings are required to be filed no later than April 15, 2017.
11. I have reviewed Meany & Oliver Companies, Inc.'s Tenant Demand Study (the "Tenant Demand Study"), which concludes that tenant demand for office space in Washington, DC is severely limited. *See Exhibit E* to this filing, including the Fourth Quarter 2016 Washington DC Office Market Statistical Overview attached to *Exhibit E*. At the end of the fourth quarter of 2016, the office vacancy rate had increased to 11%, and gross leasing activity had declined by 30% from the market's 10-year average of 10.3 million square feet to 7.2 million square feet. A tenant looking for over 100,000 square feet of Class A office space in Washington, DC currently has 32 options to consider, including eight buildings under construction and scheduled to deliver within the next 24 months.
12. According to the Tenant Demand Study, the vacancy rate in the larger Southwest submarket is 12.9%. Moreover, developments at the Wharf (800 and 1000 Maine Avenue, SW) are already 47% preleased, with an additional 260,000 square feet of trophy office space remaining to be leased. This will likely push the vacancy rate in the Southwest submarket to over 15% over the next two years.
13. In addition, the neighboring Capitol Riverfront/Southeast submarket has a 23.3% vacancy rate and over 3.5 million square feet of proposed office development in the pipeline. Both The Wharf and the Capitol Riverfront offer superior access to amenities and a presence on the water and will be in direct competition for any office user that might consider leasing the East and West M buildings.
14. As set forth in the letter from Mark Gerteis, Managing Director for Forest City Realty Trust Capital Markets (*Exhibit F* of this filing), banks have informed Waterfront that in order to provide financing for office projects, the proposed buildings must have pre-leasing of at least 50%. Thus, without a substantially pre-leased building, it has not been possible for Waterfront to attract any lenders for the East and West M buildings. However, Waterfront remains fully-engaged in marketing, pre-leasing, and financing the buildings.
15. As indicated on the spreadsheet attached as *Exhibit G* of this submission, Waterfront has taken numerous steps to actively market the East and West M buildings to potential tenants, including working with Vornado Realty Trust as a leasing broker (the "Leasing Broker"). The Leasing Broker has conducted outreach to the brokerage community, provided marketing materials to potential tenants, made presentations to large public and private sector tenants, and submitted expressions of interest and responses to Requests for

Proposals for approximately 24 potential tenants. However, Waterfront has not been successful in these efforts to date.

16. Given the severely limited demand for office space in Washington, DC, Waterfront has been unsuccessful in pre-leasing and securing financing for development of the East and West M buildings.
17. Waterfront has been committed to activating the Properties during the extension period. Over the past several years, the Applicant has activated the vacant parcels with various interim uses and events, including farmers' markets, charity events, block parties, sport leagues, and seating areas. Waterfront has also met with the community and Advisory Neighborhood Commission 6D on multiple occasions to discuss timing and development of the East and West M buildings.
18. Waterfront is currently preparing to file applications for a modification to the approved First-Stage PUD and a Second-Stage PUD for the East and West M buildings. The modification and Second-Stage applications will be filed prior to April 15, 2017, which is the expiration date of the First-Stage PUD.

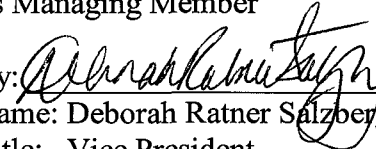
I solemnly affirm under the penalties of perjury that the contents of this Affidavit are true and correct to the best of my personal knowledge.

Waterfront 375 M Street, LLC, a
District of Columbia limited liability company

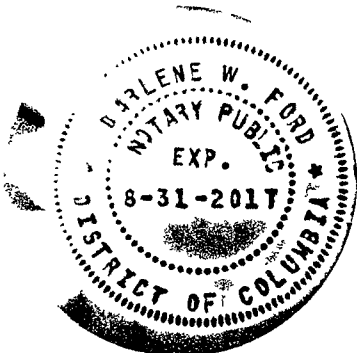
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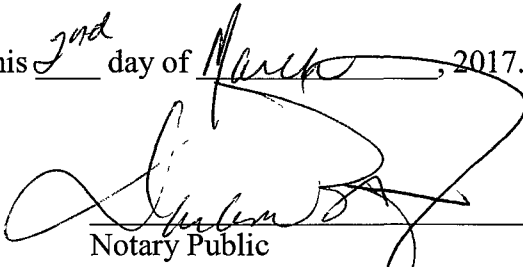
Waterfront 425 M Street, LLC, a
District of Columbia limited liability company

By: FC Waterfront Member, LLC,
its Managing Member

By: 
Name: Deborah Ratner Salzberg
Title: Vice President

Sworn to and subscribed before me, this 2nd day of March, 2017.




Notary Public

DARLENE W. FORD
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires August 31, 2017