

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF PLANNING



Office of the Director

MEMORANDUM

TO: D.C. Zoning Commission

FROM: 
Andrew Altman, Director

DATE: October 2, 2001

SUBJECT: Waiver of Rules for Late Submission of Office of Planning Report
Zoning Commission Case No. 01-07C

The attached Final Report concerning the application of Commerce Building Associates/ Riddell Building Joint Venture for a proposed Planned Unit Development is being submitted fewer than 10 days prior to the Zoning Commission's consideration of the request to set the case down for a public hearing. The Office of Planning (OP) requests that the Commission waive its rules to receive the report into the record.

Attachments

aa/sc

ZONING COMMISSION
District of Columbia
CASE 01-07C
EXHIBIT 26

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF PLANNING



Office of the Director

MEMORANDUM

TO: D.C. Zoning Commission
FROM: Andrew Altman, Director
SUBJECT: Final Report-- Zoning Commission Case No. 01- 07C
A Proposed One-Stage Planned Unit Development (PUD) and Application for
Rental of Public Air Space
1700-1730 K Street, N.W.
Square 126, Lots 56 and 851
DATE: October 1, 2001

I. APPLICATION-IN-BRIEF

Applicant: Commerce Building Assoc. / Riddell Bldg. Joint Venture
Flexibility Sought: -11.14 FAR in Zone Permitting 11.0 FAR for a PUD
-Penthouse Setback of 9'4" (vs. 18'6" MOR) at rear
-No Rear Yard or Court (vs. 35' to 40' wide court MOR)
-Rental of approx. 225 GSF of Air Rights Over Public Space
Under Sections: -DCMR 11, Chapter 24 – particularly Sec. 2405.2 for FAR
-Sections 777 and 411 for Penthouse Setback
-Section 774.9(c) for Rear Yard/Court
-Public Space Utilization Act for Alley Air-Space Rental
Parcels: Square 126, Lots 56 and 851
Zoning: C-4
Proposal: PUD to replace two 50 year old buildings with one more efficient
structure. Rental of public alley air space.
Matter of Right: 10.0 FAR, 130 Feet
PUD: 11.0 FAR, 130 Feet
Existing Buildings: 11.55 FAR, 13 Stories
Proposed Building: 11.14 FAR, 130 Feet
Principal Proffered Amenities: -Local Business Opportunities and First Source Agreements
-Superior Architectural Design
-Widening of K Street Sidewalk, Landscaping and Benches
-Enhancements to Farragut Square Park
-Additional Housing Contribution
Other Relevant Issues: -Required Housing Contribution

II. OFFICE OF PLANNING RECOMMENDATION-IN-BRIEF

The Office of Planning (OP) **recommends the Zoning Commission approve the application (with the conditions noted on page 15) as described in the August 7, 2001 pre-hearing statement and modified in Addendum 1, Exhibit A with cover letter dated September 21, 2001.**

OP further **recommends the Zoning Commission approve the request dated September 21, 2001 for rental of public air space over portions of the Public Alley in Square 126.**

III. APPLICATION SUMMARY

The applicants wish to tear down the existing Commerce Building and Riddell Building at the southwest corner of 17th (Connecticut) and K Streets and construct a larger, more efficient new office building with first floor retail. The new building would have less gross square footage than the two existing structures, but the net rentable square footage would be approximately the same, and significantly more efficient.

The applicants have applied for a one-stage PUD, asking flexibility on FAR, rear yard/court requirements, and rear penthouse setback from the public alley. As part of this application and a concurrent request to the Department of Consumer and Regulatory Affairs (DCRA) Building and Land Regulation Administration, the developer has requested Zoning Commission approval of the rental of a small amount of air rights over the rear and side alleys.

The applicant cites the Zoning Commission's authority to approve FAR over and above that requested as part of the Zoning Regulations. It states it is providing significant amenities in return for relatively little requested flexibility. According to the applicant, these amenities include superior building design, a wider K Street sidewalk, a greater-than required amount of affordable housing construction, and improvements to adjacent Farragut Square. However, it may no longer be possible for the applicant to include the suggested Farragut Square improvements as an amenity since the National Park Service has declined to accept the applicant's offer for the improvements.

IV. SITE AND AREA DESCRIPTION; ZONING AND HISTORIC PRESERVATION CONTEXT *(Attachment 1)*

The corner of 17th and K Street, N.W., where Connecticut Avenue meets Farragut Square, has long been one of Washington's premier commercial locations. Farragut Square is a park under National Park Service jurisdiction and was part of the original L'Enfant plan for the City. K Street is a major boulevard, 160 feet wide, including flanking service roads. 17th Street borders both the east and west sides of the Square. The Square is ringed with commercial structures generally containing retail uses on the first floor and offices above. Although some of the older

buildings rise to only 110 feet, the majority of buildings are 130 feet high, both on the Square and along nearby K Street.

The Metro Farragut North, Red Line station is diagonally across the intersection of 17th and K Streets. The Blue/Orange Line, Farragut West station is one block south, at 17th and I Streets

The site is approximately 33,485 square feet. The zoning for the site, and for all nearby squares, is C-4.

Neither the Commerce Building nor the Riddell Building, the two structures proposed for demolition, have been declared or nominated to be landmarks. They are not located in an historic district. The Barr Building, which adjoins the Commerce Building immediately to the south along 17th Street, is a significant structure. It has not yet been nominated for landmark status. The Army-Navy Club, however, which is diagonally across Farragut Square from the site of the proposed development, is a designated landmark. There are many other historically designated buildings of both local and national significance within a four-block radius of the Commerce and Riddell Buildings, including the White House. Nearby Lafayette Square is an historic district.

V. APPLICANT'S PROPOSAL

The applicant wishes to demolish the two early 1950's 11.55 FAR buildings presently on-site, rent approximately 225 gsf of public space over rear alleys and courts, and construct a single, more efficient 373,135 gsf, 11.14 FAR, 130' foot high, 100% + lot coverage building. It would stretch approximately 120 feet along the western side of 17th Street, and 265 feet along K Street.

The project would include approximately 17,000 square feet of retail space. Approximately 2,244 square feet would be constructed over public alley space in the rear of the building. To achieve this, 5 ½ square feet would be rented over a cul-de-sac of the northern section of the east-west alley, beginning at the third floor; an additional 7 ½ square feet would be rented over the alley at the southwestern corner of the building, beginning at the fourth floor.

A 225 space underground parking garage would be entered from K Street, just to the east of the alley bordering the site on its west.

Under matter-of-right C-4 zoning, the applicant would be permitted to develop a 334,850 square foot building, with 10.0 FAR, 130-feet of height and 100% lot coverage. No parking would be required.

A standard PUD would permit 368,335 gsf, with an 11.0 FAR, the same height and lot occupancy as matter of right, and a 155-space parking requirement. While the requested 11.14 FAR 373,135 GSF exceeds that amount, it is within the 5% flexibility permitted to the Commission.

	Project	Proposal Compared With M-O-R Allowance or Requirement	Proposal Compared With Standard PUD
GSF	373,135	+ 38,285 gsf (+11.4%)	+5515 gsf (+1.5%)
FAR	11.14	+1.14 (+11.4%)	+1.14 (+1.27%)
Height	130'	Same	Same
Lot Occupancy	99%	-1%	-1%
Parking	225	+225	+70

The applicant has hired the architectural firm of Pei Cobb Freed and Partners in conjunction with Weihe Design Group to design the structure.

The architects have developed separate but related architectural treatments for the 17th and the K Street facades. *(See Applicant's filing dated September 21 for most recent design).*

The 17th Street façade, which faces Farragut Square, has a façade of stone-veneer, glass and stainless steel. This façade has changed slightly since the project was scheduled for a hearing. Principally, a larger number of smaller windows have been replaced by a smaller number of larger windows. The façade no longer tries to echo the rhythm of 900 17th Street, which is at the southern end of the block.

The design of the K Street frontage has not changed. There is no stone on this side. The building reads as a glass and stainless steel structure consisting of two pavilions joined by a recessed central hyphen, and cantilevered over the sidewalk from the second to 11th floors. There is an overscaled glass and metal canopy at the main entrance, and a garage entrance at the western end of the first floor. The entire cantilever is over private space; the applicant would recess the first floor by 5 ½ feet in order to widen the sidewalk and achieve the cantilever. The applicant feels this would provide a sheltered, column-free, well-lit "awning" for this space.

VI. PLANNING AND ZONING ISSUES

A. Consistency with the Comprehensive Plan *(Attachment 2)*

The proposed PUD is consistent with the Comprehensive Plan's Generalized Land Use Map designation of the area as one suitable for high-density commercial uses. The site of the proposed PUD falls within the portion of the Central Employment Area covered by the Ward 2 element of the Comprehensive Plan. The proposal is consistent with the emphasis on infill and

“replacement of older buildings with new buildings” in Section 1356.1. The PUD also promotes the housing elements of many Ward plans through its collaboration with Jubilee Enterprises in the rehabilitation of affordable residential units. This housing contribution is discussed more in a later section.

B. Consistency with the PUD Evaluation Standards of Section 2400

The proposal is consistent with the objectives and evaluation standards of a Planned Unit Development, as defined in 11 DCMR Section 2400.

1. Quantitative Standards

- In a C-4 zone, a PUD has a 15,000 square foot minimum lot area. This project meets that standard (Section 2401.1(c)).
- The maximum Floor Area Ratio for the total of the project may not exceed 11.0, according to Section 2405.2. Section 2405.3 gives the Commission the discretion to increase height or FAR by 5% if such an increase “is essential to the successful functioning of the project” and is consistent with other PUD purposes and standards. OP’s preliminary report had noted that the project appears to meet these standards, but that the pre-hearing statement would benefit from a more detailed description of floor plates that were considered and rejected as being so unworkable that they make the proposed, slightly large floor plate “essential”. The applicant subsequently presented a cogent justification of the desirability of the proposed floor plates on pages 8-10 of its pre-hearing statement.
- The maximum height is 130 feet, according to Section 2405.1 (again, with 5% discretion pursuant to Section 2405.3). The project meets that standard.

2. Discretionary Physical Standards

Other standards, from which the PUD may vary, subject to a public hearing and Zoning Commission approval, include:

- Greater or lesser requirements for yards or courts (Section 2406.5), “depending on the exact circumstances of the project”. OP’s preliminary report had noted that the supplemental filing would benefit from additional discussion of this. The applicant has added adequate additional explanation for this in its pre-hearing statement.

3. Housing Requirements (Attachment 3)

The housing element of the Comprehensive Plan encourages the private sector to provide new housing to meet the needs of present and future residents. The zoning ordinance, in Section 2404, also links the Commission’s discretionary awarding of additional commercial

square footage through a PUD or public space action to the applicant's effecting the provision of additional housing. The provision of the housing is not an amenity; it is a requirement governed by Section 2404.4 of the Zoning Regulations.

Section 2404.3 allows the applicant to provide the required housing by:

- a. Actual construction, as specified in section 2404.6 or by;
- b. A financial contribution to a housing trust fund, as provided in section 2404.7.

Developers have generally chosen to ensure actual construction of housing and to have their certificates of occupancy for the discretionarily approved office space tied to that construction, rather than making a contribution to the housing trust fund. Section 2404.6 (b) allows the applicant to construct the housing, or "secure the housing production by other business arrangements..." Developers have been frank in acknowledging their preference for the first option governed by Section 2404.6 (b) option because it requires less money to meet a third-party housing provider's gap. The development community has also contended that this option results in a quicker turnaround between the time the money is provided to the third party and the actual construction of the housing.

This applicant has elected the first option. It proposes to work with Jubilee Enterprise of Greater Washington to, in the original application, "add at least 13,000 square feet of affordable housing to the residential housing market in southeast Washington". The pre-hearing statement increases that figure to 16,673 SF.

According to the applicant's pre-hearing statement, the applicant would provide Jubilee Enterprise with financial assistance to rehabilitate 16,673 SF of residential space, constituting approximately twenty-one low-income rental apartment units at the Trenton Park Apartment Complex. Trenton Park is adjacent to, but not part of, the Wheeler Hills Estates and is in Housing Opportunity Area 25, in far southeastern Washington.

The gross square footage of required new or rehabilitated housing is calculated according to section 2404.6 (a) (2) of the zoning regulations: "not less than one-third of the gross square feet of increased office space". The requirement is for only 1/3 of the GSF because Trenton Park is located in a Housing Opportunity Area. The 16,673 gsf of proposed housing construction or rehabilitation is 3,908 SF, or 30%, greater than the 12,765 square feet that would be required by the formula.

In its preliminary report on this application, and in subsequent conversations, OP had asked the applicant for a copy of its agreement with Jubilee Enterprise so OP could review the proposed housing dollar contribution and performance mechanisms. The applicant provided this agreement to OP on September 27, 2001. During the interim OP has explored different approaches to guide the Commission in assessing what level of dollar contribution would be appropriate.

1. The first approach is to accept as appropriate whatever amount the housing provider is willing to agree to accept as an adequate contribution by the developer towards the construction of the 12,765 SF of housing required by Section 2404.6. As of September 27, 2001, the applicant and the housing provider had agreed to \$320,000.
2. The second is to consider what would be the Housing Trust Fund alternative contribution under Section 2404.7. The section provides for alternative methods of calculating this. Both are rooted in the increased value to the applicant that would be generated by approval of the additional square footage. By the first of the Trust Fund methods the required contribution would be approximately \$3.1 million. By the second Trust Fund method the required contribution would be approximately \$4.1 million.¹
3. There is a third approach that OP has used in recent PUD applications. It was also one of the generative precedents for some of the Mayor's recent housing policy recommendations. This is the precedent set by a previous Zoning Commission decision on the Solar Building PUD. This PUD site is located one block east of the proposed 1700-30 K Street PUD. In this case, where the developer agreed to provide for gap financing for affordable fee-simple housing, the parties based the contribution on the gap between housing affordability for a family of 4 whose median income is 50% of the Washington area's average, and the cost of constructing housing for such a family. For the year 2000, HUD determined this figure to be approximately \$40,000. The unit size in the case was 1500 square feet. Therefore, were the 1700 K Street PUD applicant to follow the Solar Building formula, the required 12,765 square feet of housing would be the equivalent of approximately eight of the 1500 square foot units. The contribution to Jubilee Enterprise of Greater Washington would be approximately \$390,000.

However, this model is not completely apt because Jubilee Enterprise is providing rental housing, not fee simple housing. The applicant has stated that its contribution will enable the rehabilitation or construction of 21 units totaling 16,673 square feet. Each housing unit would thus average approximately 790 square feet. Comparability of the affordability of the housing is the key to any comparison between rental and fee simple housing. OP is seeking additional information from the applicant and from Jubilee Enterprise to determine whether the applicant's contribution is sufficient to close the gap between an unsubsidized rent level and a subsidized rent level that meets the low income housing guidelines for monthly rent as a percentage of income.

The zoning regulations would not likely have provided for different ways of ensuring the production of housing if the Council had not intended to provide some flexibility to the applicant. The Commission recognized the need for striking an appropriate relationship between the benefits an applicant receives from approval of additional discretionary square footage and the Council's directive that such benefits of such approvals should redound to the provision of

¹ Details will be included in the supplemental report that OP will submit after additional discussions with the applicant.

additional affordable housing. While the dollar equivalent of the housing provided under Section 2404.6 must not necessarily be equal to the contribution that would have been provided under the provisions of section 2404.7, there needs to be a reasonable relationship between the two levels of contribution.

OP had hoped to be able to discuss the applicant's proposal in greater detail in this final report. Because OP received a copy of the Applicant/Jubilee Enterprise agreement only on September 27, OP will be analyzing the agreement further in a supplemental report. At the time this final report was completed OP could say only that it appears the applicant's housing contribution should fall within a range of \$390,000 to \$4.1 million.

C. PUD Amenities

The objectives of a PUD are:

- to permit flexibility of development in return for
- the provision of superior public benefits,
 - provided the PUD process is not used to circumvent the intent and purposes of the Zoning Regulations,
 - or results in an action inconsistent with the Comprehensive Plan.

Public amenities are defined in Section 2407.3 as including "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".

The applicant states the project will provide several amenities.

i. Local Business Opportunities and First Source Agreements.

By entering into a Memorandum of Understanding with the D.C. Local Business Opportunity Commission, the applicant will agree to a goal of thirty-five (35%) participation by small, local and disadvantaged businesses in the contracted development costs in connection with the design development, construction, maintenance and security of the project. The applicant has filed this.

By working with the Department of Employment Services, the applicant will agree to use DOES as its first source for recruitment, referral and placement of new hires for employees whose jobs are created by the PUD. The applicant has furnished OP with an unsigned draft. A signed agreement was expected to be executed within a few days of OP's submitting this final report.

OP has asked the applicant to provide information on its past performance on local business opportunity and first source agreements in advance of the public hearing.

ii. Superior Urban Design, Architecture and Site Planning

a) General Façade and Streetscape Design: While the Zoning Regulations do provide for this to be considered an amenity, OP notes that any developer would wish to provide high quality design for the purpose of attracting tenants. That said, there is no question about the excellence of the quality of the materials and their detailing. This applies to both the façade treatment for both office space and the retail frontage. The applicant estimates that the façade treatment is costing \$32/sf of façade more than a nearby, recently completed building by the same architectural firm. The alley treatment is said to cost \$10/sf of wall more than alley treatments for comparable buildings. According to the applicant's pre-hearing statement, the "exceptional architectural elements of the proposed PUD represent an additional cost of approximately \$2,080,000 over and above the cost of a matter of right building".

The K Street façade is embellished with a distinctive entrance awning and penthouse metal work. The façade, while literally the length of two typical K Street buildings, is broken down into separate masses. The penthouse detailing has been more conservatively re-designed since the preliminary designs.

The proposed benches along K Street will provide a pedestrian amenity and promote safety by inhibiting jaywalking. The applicant estimates these streetscape improvements, including the sidewalk paving and landscaping, will cost \$25/SF more than is typical.

With respect to the general level of additional expense being spent on the façade, the applicant has indicated both that exterior design does little to add to rent levels and that it would be more cost effective simply to re-skin the existing Commerce and Riddell Buildings rather than giving something back to the public in the form of the superior design the applicant proffers as part of this PUD application.

In evaluating the above-noted design amenities, the Office of Planning has been impressed by the attention given to architectural details and the superior quality of the materials. The building would make an excellent contribution to the appearance of a prominent corner of the central business district. However, OP has had a very difficult time evaluating whether this building would rise to the level of "superior" urban design, architecture and site planning within the context of its surroundings. The applicant has demonstrated that the building exterior is attractive. It has not given any indication of how the architecture would welcome the public in to experience its design excellence. The public will experience the building principally from underneath the cantilever, or while walking or driving along K Street or 17th Street.

The quality of the architecture in the K Street corridor has been rising in recent years. However, a building such as the Cesar Pelli-designed office building at the southwest corner of 19th and K Streets is a crisply detailed stainless steel and glass curtain wall

building with exceptional lobby fittings visible to the public. This building was a matter of right building. OP cannot determine if the proposed 1700-30 K Street PUD would present to the public any more agreeable an appearance or noticeably excellent design than the matter of right building at 19th and K.

b) K Street Retail Frontage and Cantilever: One architectural and urban design element remains of concern to OP. In proposing to use 5 ½ feet of private space to widen the K Street sidewalk and to set off the cantilever of the building's 2nd through 11th floors, the applicant has, in effect, "recessed" the K Street retail frontage by 5½ feet. OP remains concerned that, even though there would be no obstructing columns, and even though the applicant has stated it will provide for photo-sensitive lighting, this feature may carry with it some of the negative effects of arcaded retail frontage. Twenty years of experience in the CEA showed that arcaded space that is separated from the street by columns led to poor retail visibility and reduced the pedestrian's positive experience of the street.² The applicant has provided additional computer simulations that allay some of OP's concerns about the cantilever/recess. Figure 2 on page S-10 of the applicant's August 7 filing indicates that an unobstructed cantilever may not inevitably shadow a retail space. Like the 2000 L Street building illustrated in this figure, the applicant's K Street façade would be north facing and in natural shadow for all but a few weeks of the year. This is not the case for a similar cantilevered façade nearing completion at 12th Street and Pennsylvania Avenue, N.W.

OP continues to have reservations about the cantilever. In OP's opinion, it is definitely not a positive addition to the suggested amenity package. It is possible, however, that the potential negative impacts may be able to be mitigated by the reflective materials and photo-sensitive lighting the applicant has indicated it will include in the proposed building. The Commission may wish the applicant to present additional light and shadow studies and bring a massing model to the public hearing.

iii. Improved Pedestrian Traffic Circulation and Parking.

The applicant views the widening of the K Street sidewalk as an amenity. The applicant's pre-hearing statement includes a pedestrian traffic study indicating that the existing sidewalk operates at a pedestrian level-of-service C during peak morning hours. These pedestrian level-of-service levels are intended to be comparable to the more familiar vehicular traffic levels of service measures. OP notes that, while a level of service C is not a desirable level, it is not until a service level of D is reached that the Department of Public Works (DPW) begins to note concern for the service level at vehicular intersections in central Washington. The traffic study submitted by the applicant in its pre-hearing statement indicates that the additional sidewalk width would be a benefit during peak time. In a subsequent conversation between OP and DPW about

² The Board of Zoning Adjustment is currently considering another case where the applicant has requested a variance in order to build the retail space that is now set back from the property line back out to the building line along Connecticut Avenue, just 1 ½ block north of 17th and K Streets.

the overall proposed PUD, DPW indicated that while it did not feel that a widened sidewalk was needed, provision of a wider sidewalk would be a pedestrian amenity.

OP had asked the applicant to provide more details about the K Street garage treatment. These included details about the appearance of the garage opening both when the door is open and closed. The description in the August 7 pre-hearing statement and the supplemental September 21 addendum indicates the treatment may be acceptable, but the Commission may wish to examine more detailed views of the garage and its door treatment at the public hearing.

Finally, with respect to circulation and transportation matters, the applicant was asked to give further consideration to whether provision of extra parking at this location, within one block of two Metro lines and stations, is desirable, and should be considered a public amenity. The pre-hearing statement does not appear to address this. The District's public policy approach to parking in the central employment area is complex. On the one hand, it seeks to promote additional parking in areas with a high concentration of retail. On the other hand it discourages additional parking in areas adequately served by Metro due to problems of congestion and air quality non-attainment. The vicinity around 1700 K Street has a significant concentration of retail space, but it is not within the designated downtown retail core. Red Line and Blue/Orange line Metro stations within one block also serve it. While the provision of 75 parking spaces more than are required would clearly be of significant benefit to the building's operators and tenants, OP is not able to consider it a public amenity in evaluating the proposed PUD. OP is not however, stating that the provision of the additional parking would definitely have a negative impact.

iv. Increased Tax Revenues

To the extent that upgraded commercial space replaces existing space, this can be a benefit. The applicant had been asked to demonstrate that the lesser amount of upgraded space would generate more tax revenue than the slightly greater amount of less attractive space currently on the site. Such a situation seems logical to OP, given the inefficient configuration of the existing buildings, but it had not been documented as of the filing of the pre-hearing statement. OP would find it plausible that, if the applicant provides a comparison of the net rentable space in the existing and proposed buildings, this point will be clarified.

v. Contribution to the Rehabilitation of Farragut Square (Attachment 4)

At the time the Commission scheduled the public hearing the applicant had indicated that it was having discussions with the National Park Service (NPS) about bringing value to the neighborhood by contributing to the renovation of Farragut Square. The NPS has since indicated it is "unable at this time (September 17, 2001) to accept your [the applicant's] offer of \$70K as a contribution to the National Park Service in return for your PUD benefits". Because there is, at the time this report is being submitted, no

contribution to the rehabilitation of the square, there is no proposed amenity for OP to evaluate.

D. Other Zoning Flexibility: Rear Penthouse Setback Requirements

Section 411.11 allows the Commission to approve penthouses that do not meet setback requirements specified in other sections of the zoning regulations, “provided, that the intent and purpose of this chapter and this title shall not be materially impaired by the structure, and the light and air of adjacent buildings shall not be affected adversely”.

The applicant requests flexibility to setback the rear penthouse line 9’4” rather than 18’6” from the building line. This would allow a more generous setback on the public frontages at 17th and K Streets. Given the width of the rear alley, there would be over 30 feet between the proposed penthouse and the adjacent property. OP feels that the proposed setback strikes an appropriate balance between the public benefits proposed and the intent of the zoning regulations, and therefore meets PUD criteria.

E. Amenities and Benefits in Relation to the Degree of Flexibility Requested

In OP’s opinion the building is attractively designed and, with the possible exception of the retail recess/office block cantilever along K Street, is urbanistically sound. The applicant has satisfactorily documented that the materials and the details are excellent, and that the façade cost is significantly more than average. Whether the design is significantly superior to what a developer might provide for a matter of right development at this prime location is open to discussion. There are similarly attractive, matter-of-right office buildings, designed by nationally prominent architects, in several central employment area locations.

The single clearly demonstrable and quantifiable public benefit in close proximity to the proposed PUD that the applicant had offered as an amenity was the contribution to the upgrade of Farragut Square. The National Park Service has rejected this offer.

The applicant states that it will effectuate the provision of 3900 more square feet of affordable housing than what is required by Section 2404.6 of the zoning regulations. At the time this report was being finalized OP had not been able complete its review of the signed agreement provided OP on September 27 between the applicant and the housing provider. The agreement provides for a contribution of \$320,000 to the housing provider for the construction of the 16,673 square feet.

The proposed project does not exceed permitted heights. While its density is considerably greater than what would be permitted on the site as a matter of right (38,285 SF, i.e.; 11.4%), its density would be less than the buildings currently on the site. Tax revenues will probably increase from the replacement of Class B+ office buildings with a Class A or A+ building. The

provided parking will significantly exceed what is required; whether this is a benefit at a location one block from two metro stations serving three lines is debatable. 16,673 square feet of rehabilitated affordable housing will be provided in a part of the City where such housing is a high priority; 13,000 square feet of this is required to be provided.

In return for the benefits and amenities, the applicant is asking to:

- rent a very minor amount of air space over alleys;
- obtain the additional permitted density over Matter of Right;
- avail itself of the Commission's option to grant up to 5% additional square footage than would normally be permitted a PUD in a C-4 zone, and;
- gain relief from rear yard/ court requirements and from penthouse setback requirements at the rear.

OP is continuing conversations with the applicant about its affordable housing contribution and alternative methods of assisting in the rehabilitation of Farragut Square or other nearby public space. These conversations will form the basis for a supplemental report OP will be submitting before the public hearing.

VII. PUBLIC SPACE RENTAL CONSIDERATIONS

The applicant proposes to rent public air space over a portion of the alley abutting the property, in the rear of Square 126. The applicant states this would allow for a more rational layout of the proposed building above the first and second floor. One air space rental would permit extension of the footprint by 5 1/2 linear feet in the middle of the rear of the building. The other would allow for the "squaring off" of 2.275 square feet of the southwestern corner of the building, without interfering with turning radii for vehicles needing to use the alley.

The configuration of the proposed air space rental appears not to interfere with the ability of traffic, deliveries or emergency vehicles to safely negotiate the alley. The minor projections are at least twenty feet away from the nearest buildings. OP has no objection to the proposed rental of public space.

The linkage between the rental of this space and the provision of housing has been addressed in another section of this report.

VIII. AGENCY REFERRALS AND COMMENTS

This application has been referred to the following District government agencies for review and comment:

1. Department of Public Works. Their comments to the applicant and to OP are referred to in Section VI. C. iii;
2. Metropolitan Police Department;
3. Fire and Emergency Medical Services Department;

4. Department of Community and Regulatory Affairs (DCRA).
5. Department of Housing and Community Development.

This referral is particularly important to comply with Section 2404.12's requirement that DHCD analyze the PUD application for compliance with the housing requirements of Section 2404, and a recommendation. As of September 27, 2001 DHCD's response was indicated as being forthcoming before the public hearing. OP will include this in its supplemental filing.

IX. COMMUNITY COMMENTS

ANC 2B has filed a letter indicating its vote to approve this application at its duly noticed and attended regular September meeting. OP is aware of no other community comments.

X. FINAL RECOMMENDATIONS

OP concludes that the balance between the 38,285 additional square feet the applicant would achieve over and above matter of right allowances, and the amenities being offered is, at best, neutral. 38,000 square feet of additional office space is not a large request for a PUD, especially when the existing buildings are larger than the building being proposed. However, 38,000 square feet of office space plus a substantially more usable floor plate in an attractive new building at Connecticut and K will generate several million dollars of additional rental over the life of the new building.

With the contemplated contribution to Farragut Square not having been found acceptable, without any of the usual contributions that allow a clearer assessment of the relationship among benefits to the owner, impact from the PUD, and amenities offered in return, this is a very difficult PUD for the Office of Planning to evaluate.

OP recommends the Zoning Commission **approve the PUD** as shown in the applicant's filing of September 21, 2001 and described in the pre-hearing statement of August 7, 2001, **subject to the Commission's satisfactory consideration and resolution of the following clarifications and additional conditions:**

- Presentation of additional light and shadow studies at the public hearing, including presentation of a massing model and materials and lighting proposed for the K Street retail frontage and the underside of the proposed cantilever, and redesign of the retail frontage if concluded appropriate by the Commission;
- The enforceability of and appropriate level of contribution to the affordable housing applicant's affordable housing agreement. The applicant and Jubilee Enterprise have currently agreed to \$320,000 to provide for the rehabilitation or construction of the 12,765 square feet of housing required by Section 2404.6, plus the approximately 3,900 square feet of additional "amenity" housing construction proffered by the applicant. The

Office of Planning will submit a supplemental report evaluating the appropriate level of contribution.

- As part of the amenities package, a contribution to the rehabilitation of Farragut Square or other nearby public space that is deemed acceptable by the National Park Service, the Downtown BID, or another government agency or non-profit group assisting in the rehabilitation of the Square or other nearby public space.

X. POSTSCRIPT (*Attachments 3 and 5*)

On the evening of September 27, 2001 the applicant faxed to OP the signed agreement with Jubilee Enterprise, the proposed housing provider (*see Attachment 3*). During the afternoon of September 28, 2001 the applicant e-mailed one memo concerning taxes that the proposed PUD would generate (*Attachment 5*) and another considering the general conceptual relationship between requested PUD bonuses and proffered amenities. OP will review all of these documents, continue its ongoing discussions with the applicant, and file a supplemental report on the housing contribution and any changes to the amenities package.

AA/slc

Attachments



Connecticut Ave

18th St

K St

SITE

C-4

17th St

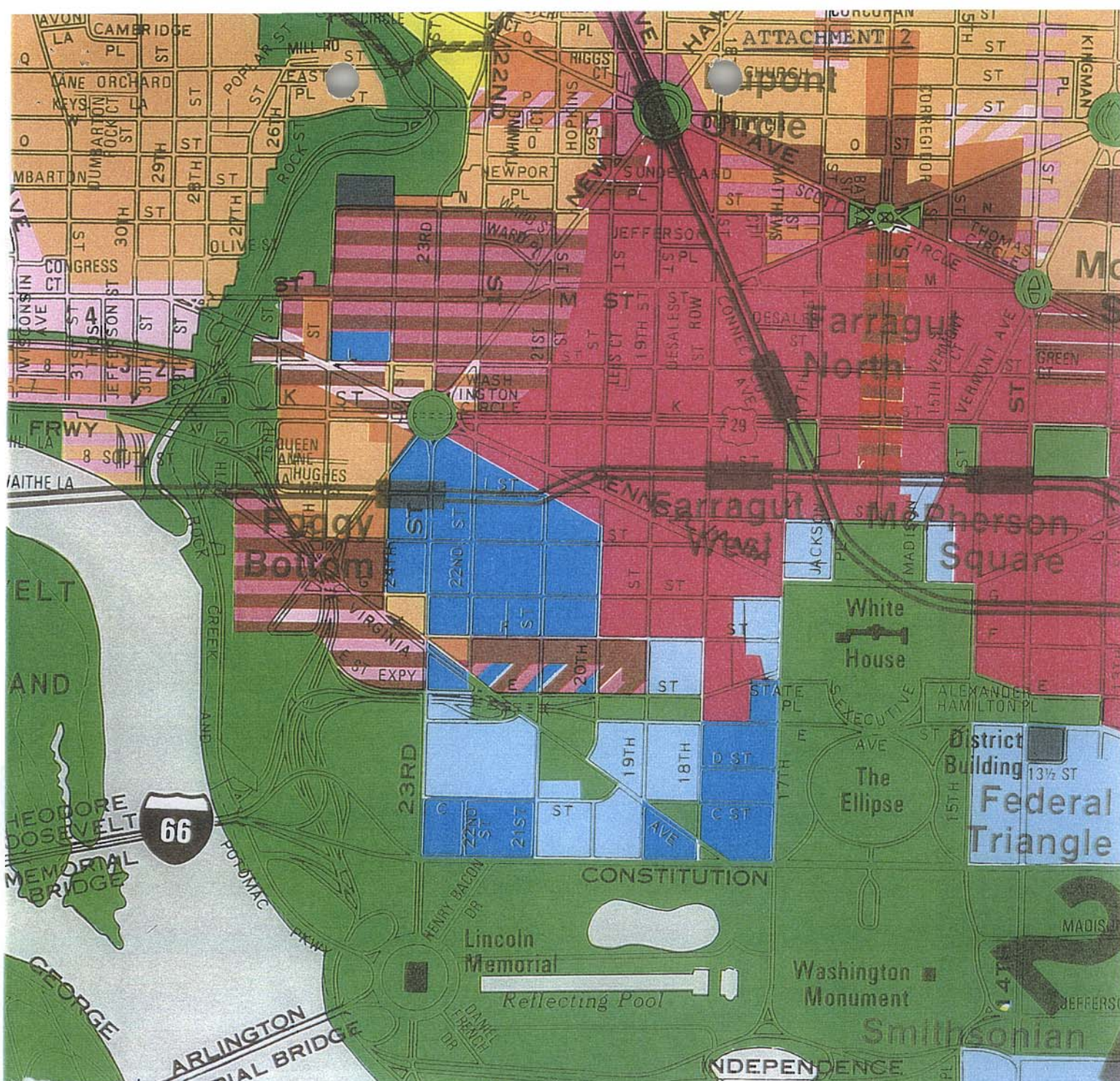
FED

17th St

I St

Connecticut Ave

S 12



- moderate density**
 Row houses and garden apartments are the predominant uses; may also include low density housing.

- medium density**
 Multiple-unit housing and mid-rise apartment buildings are the predominant uses; may also include low and moderate density housing.

- high density**
 High-rise apartment buildings are the predominant uses; may also include moderate, and medium density housing.

- medium density**
 Shopping and service areas that generally offer a large concentration of goods and services outside the Central Employment Area are the predominant uses; most customers arrive by car, bus or subway.

- medium - high density**
 A shopping and service area that generally offers the largest concentration of goods and services outside the Central Employment Area is the predominant use; most customers arrive by car, bus or subway.

- high density**
 The business and retail heart of the District and metropolitan area include employment, retail, office, cultural and entertainment centers.

MEMORANDUM

TO: Mike Tyler
Charles E. Smith Development

FROM: David A. Fuss, Esq.
Wilkes Artis, Chtd.

DATE: August 20, 2001

RE: 1700 K Street Project - Real Property Tax Forecast

Currently 1700 K Street is assessed for \$19,167,000 and 1730 K is assessed for \$38,407,031. Taken together, the District has assessed these two old, C-class buildings at \$173 per square foot of net rentable area. At this assessed value the properties generate a total annual revenue of \$1,065,000 in real property taxes.

Under the ownership's proposed plans a single, modern Class A commercial office building with approximately 18,000 square feet of retail space, over 350,000 square feet of office space and four levels of parking will occupy the site. Based upon current market trends it is estimated that this new structure will generate approximately \$2.6 million in annual property tax revenue, thereby increasing the District tax base by over \$1.5 million per year.

The \$2.6 million revenue estimate is based upon projected assessments of \$145 million (\$395 per square foot of net rentable area). Such an estimate is in line with the recent sale prices of well-located, Class A commercial office buildings.