GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF PLANNING

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Office of the Director

MEMORANDUM

TO: District of Columbia Zoning Commission

FROM: Andrew Altman, Director

DATE: October 11, 2001

SUBJECT: Supplemental Office of Planning Report on Case No. 01-07C, 1700 -30K St., N.W.

I. BACKGROUND

The Office of Planning's (OP's) Final Report on this application, transmitted to the Commission on October 1, 2001, recommended the Zoning Commission *" approve the application... subject to the Commission's satisfactory consideration and resolution of the following 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 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."*[1]

At the public hearing, the applicant will present information addressing the K Street retail frontage, building materials, and the proposed cantilever.

This memorandum transmits addition information regarding the other two matters:

1. The housing linkage requirements of 11 DCMR Section 2404, and;
2. The proposed contribution to public space improvements.

ZONING COMMISSION
Case 01-07C
Exhibit 32

[1] OP Final Report on Application No. 01-07C, pp. 14-15

801 North Capitol Street, N.E., Suite 4000, Washington, D.C. 20002 202-442-7600, fax 202-442-7637 or 7638

II. HOUSING LINKAGE *(See Attachment 1)*

11 DCMR Section 2404.12 requires OP to refer to the Department of Housing and Community Development (DHCD), PUD applications that ask the Commission to approve commercial office space greater than what is permitted as a matter of right. The Zoning Regulations ask DHCD to provide "an analysis of compliance with the housing requirements of this section [Section 2404] and a recommendation".

There are three ways an applicant can meet its housing linkage requirement under Section 2404. The applicant has chosen the option that allows it to construct or rehabilitate affordable housing through arrangements with a third party housing provider. The DHCD analysis of the applicant's proposal is attached to this memorandum.

There appears to be a substantial difference between what DHCD finds would meet the requirements of Section 2404 and what the applicant is offering. It is true that the standards in 11 DCMR Section 2404.6, for determining the adequacy of a proposed contribution, are somewhat vague. In previoius cases, this has left the Commission, OP and DHCD in the position of simply accepting the statements of the applicant and the housing provider as to whether the proposed contribution by the applicant would close a gap and cause the required and/or proffered square footage of housing to be constructed. Fortunately, the Commission does not have to rely on this scenario in this particular case. DHCD has been working with Banc *(sic)* of America Community Development Corporation (CDC), which has a purchase option with Jubilee Enterprise for the Trenton Park Apartments' rehabilitation. DHCD had provided a tentative Community Development Block Grant (CDBG) commitment of $1.75 million to help finance the project, and make the rental rates affordable to low and moderate-income tenants. The *pro forma* provided to DHCD by the Banc of America CDC indicates that the rehabilitation costs will be approximately $41.06 per square foot. DHCD states, given this cost per square foot for the rehabilitation: "it appears that the proposed contribution of $320,000 would pay for the rehabilitation of 7,793 sf of the Trenton Park Apartments complex". DHCD finds that, based on the *pro forma* for the Trenton Park Apartments, it would be necessary for the applicant to contribute $520,470 to the third party housing provider in order to rehabilitate the 12,762 square feet of affordable housing required 11 DCMR Section 2404.6 (a) (2). This is $200,470 more than the applicant is now proposing to provide.

III. PUBLIC SPACE AMENITY *(See Attachment 2)*

The applicant has transmitted an October 9, 2001 letter from the Golden Triangle Business Improvement District (BID), accepting a proposed cash grant of $70,000 from the applicant (Commerce Building Associates). The BID anticipates "allocating the funds to our public space program…. which includes improvements to the parks, streetscape and softscape, as well as lighting signage, cleaning and services" within the BID. The Golden Triangle BID encompasses much of the central business district west of 16th Street and north of Pennsylvania Avenue, east of New Hampshire Avenue and south of Dupont Circle. While not as closely linked to the proposed project's location as was the previously proposed commitment to the rehabilitation of Farragut Square, this new proposal would also result in a likely increase in the level of public amenities within the vicinity of the proposed project.

Aa/slc

Attachments

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Office of the Director

OCT 11 2001

MEMORANDUM

TO: Andrew Altman
Director, Office of Planning

FROM: Stanley Jackson
Acting Director

SUBJECT: Zoning Commission Case No. 01-07C, Application for Planned Unit Development at 1700-1730 K Street, NW, Square 126, Lots 56 and 851

In accordance with District of Columbia Municipal Regulations (DCMR) Title 11, Section 2404.12, this Department has reviewed the application for Planned Unit Development (PUD) at 1700-1730 K Street, NW, Square 126, Lots 56 and 851 in order to determine if the proposal complies with DCMR housing linkage requirements. Based on the information available, it does not appear that the proposed affordable housing contribution meets the requirements of the regulations.

The applicant is proposing an office and retail development that will provide approximately 356,135 sf of office space and 17,000 sf of retail space on a site of 33,485 square feet in a C-4 zone. The proposed FAR is 11.14. The matter of right FAR for the site is 10.0. In determining whether DCMR Title 11, Section 2404 applies to this development, Section 2404.4 explains that the commercial floor area other than office space is to be excluded from the computations to allow for normal retail use. Section 2404.4 also indicates that when the proposed retail floor area is excluded, the matter of right density is to be reduced by 0.5 FAR. Taking into consideration these modifications, it is apparent that because the applicant is proposing to build 356,135 sf of office space, or 38,028 sf more than the 318,108 sf that is allowed, the housing linkage requirement is triggered.

In order to comply with the housing linkage requirement, the applicant proposes to contribute $320,000 to Jubilee Enterprise of Greater Washington to assist with the substantial rehabilitation of Trenton Park Apartments. According to the *District of Columbia Assessment Directory*, the square footage of the Trenton Park Apartments complex is approximately 245,147 sf, and according to a pro forma dated March 13, 2001 from Banc of America Community Development Corporation, the estimated cost of rehabilitating the property is $10,066,090, excluding acquisition costs. Therefore, the rehabilitation cost per square foot is approximately $41.06.

Based on the average cost per square foot, it appears that the proposed contribution of $320,000 would pay for the rehabilitation of 7,793 sf of the Trenton Park Apartments complex.

Because the applicant is proposing to rehabilitate housing, the conditions of Section 2404.6 apply. Trenton Park Apartments is located in the Wheeler Hills Estate Housing Opportunity Area, therefore, in accordance with Section 2404.6(a)(2) not less than one-third of the gross square feet of increased office space is to be rehabilitated. This amounts to a housing rehabilitation requirement of 12,676 sf. The applicant proposes to provide enough funding to rehabilitate only 7,793 sf of housing. Therefore, the proposal does not meet the requirements of Section 2404.6(a). Based on the analysis outlined above, this Department recommends that the applicant's proposed housing linkage contribution be increased to $520,470.

Though the proposal fails to meet the requirements of Section 2404.6(a), it does appear to meet the requirements of Section 2404.6(d) and (e). The Department of Housing and Urban Development is in the process of terminating the Section 8 contract associated with Trenton Park Apartments due to housing code violations, and this Department is in the process of preparing loan documents for the project that will require the housing to be maintained as affordable housing for not less than 30 years. Therefore, if their housing contribution was increased to $520,470, it appears that the applicant would be in compliance with the housing linkage requirements set forth in DCMR, Title 11, Section 2404.

STABILIZED PROFORMA | *Assumes CDBG grant* | 13-Mar-01

Trenton Park Apartments 259 | 4:10 PM

Washington, DC

Units	Unit Type	Square Feet	Current Mo. Rent *	Current Rent Potential	Proposed Increase (over 2 years)	Proposed New Rent	Annual Rent Potential	Assumptions Utilized
Market:								
1	efficiency		$ 356	$ 4,275	26%	$ 450	$5,400	
32	1BR1BA		$ 433	$ 166,428	27%	$ 550	$211,200	
34	1BR heat		$ 495	$ 202,091	19%	$ 590	$240,720	
64	2BR		$ 514	$ 394,437	27%	$ 650	$499,200	
25	2BR heat		$ 612	$ 183,614	14%	$ 695	$208,500	
21	3BR		$ 585	$ 147,329	24%	$ 725	$182,700	
4	3BR heat		$ 672	$ 32,253	15%	$ 775	$37,200	
Section 8:								
12	1BR		$ 427	$ 61,488	4%	$ 444	$63,948	all vouchers
12	1BR heat		$ 488	$ 70,272	4%	$ 508	$73,083	
26	2BR		$ 506	$ 157,872	4%	$ 526	$164,187	
16	2BR heat		$ 603	$ 115,776	4%	$ 627	$120,407	
8	3BR		$ 576	$ 55,296	4%	$ 599	$57,508	
4	3BR heat		$ 662	$ 31,776	4%	$ 688	$33,047	
259				$ 1,622,906			$1,897,099	$610 average rent

	Total	Per Unit	
Projected Other Income	$55,000	$212	
Projected Operating Cost/Unit	$1,098,242	$4,240	
Reserve for Replacements	$75,000	$290	estimate

Stabilized Income Statement		Total	Per Unit	
Gross Rental Income		$1,897,099	$7,325	
less: vacancy & collection loss	9.0%	($170,739)	($659)	
Effective Gross Income		$1,726,360	$6,665	
Other Income		$55,000	$212	
TOTAL INCOME		$1,781,360	$6,878	
Payroll		$310,800	$1,200	
Utilities		$275,000	$1,062	
Operations, maintenance		$284,900	$1,100	
Management fee		$103,582	6.00%	of rent collections
Insurance		$36,260	$140	
Property taxes		$77,700	$ 300	
Fees, license		$10,000		
TOTAL OPERATING EXPENSES		$1,098,242	$4,240	assumption from mkt. data
NET OPERATING INCOMI		$683,119	$2,638	
Cap Rate Valuation @ assumed cap.	9.50%	$7,190,723	$27,763	assumption (market data)
Reserve for Replacements		$75,000	$290	per HUD requirements
Cash Flow Before Debt Service		$608,119	$2,348	

Investment Basis Assumptions		Total	Per Unit	
Acquisition	(pay off mortgage)	$1,796,000	$6,934	
Rehab. Costs		$ 6,498,285	$25,090	
Rehab soft costs		$714,811	$2,760	
Operating Reserve, Capitalized Interest		$863,189	$3,333	to cover losses in first 2 years
Relocation expenses (temporary on-site)		$200,000	$772	
DEVELOPER'S FEE		$1,081,964	$4,177	
Other Soft Costs		$707,840	$2,733	
Total Project		$11,862,090	$45,800	

Financing Sources	Permanent:	Total	Per Unit	Construct:	Total	Per Unit
Tax-exempt bonds	80% LTV	$5,752,578	$22,211	80%	$ 5,752,578	$ 22,211
CDBG funds		$1,750,000			$ 1,750,000	
Linkage fees		$ 300,000	$ 1,158			
4% tax credits (rehab only; 250 units)	$0.78	$3,036,440	$11,724		$1,821,864	
Deferred developer's fee		$540,982	$2,089			
TPNC reserves contribution		$266,648	$1,030		$266,648	
BA CDC Equity		$215,442	$832		$ 2,271,000	$8,768
TOTAL: ALL SOURCES		$11,862,090	$45,800		$ 11,862,090	
TOTAL: DEBT AND CDC EQUITY ONLY		$5,968,020	$23,043			

Debt Equity Assumptions	Permanent Loan: Loan to Value	Loan to Cost		Construction Loan:
Loan to Value Ratio - 1st Mortgage	80.0%	48.5%		
Loan to Value Ratio - 1st & 2nd Mortgage	80.0%	48.5%		
	Rate	Amortiz.	Term (yrs)	Rate
1st Mortgage Terms (rate, amort.)	7.00%	30	30	
2nd Mortgage Terms (rate, amort.)				
Debt Service - 1st Mortgage (incl. amortiz.)	$459,265			
Debt Service - 2nd Mortg	$0			
Combined Debt Service	$459,265			
Debt Service Coverage - 1st Mortgage	1.32			
Debt Service Coverage - 1st & 2nd Mortgage (combined)				
Cash Flow After Debt Service	$148,854			
Pre-Tax Cash Flow on Equity Invested	69.09%			

Ownersip Interest:		
BACDC:	$2,271,000	80%
TPNC:	$566,648	20%
TOTAL:	$2,837,648	

Attachment 1A

STABILIZED PROFORMA *Assumes CDBG grant* 13-Mar-01
Trenton Park Apartments **259** 4:10 PM
Washington, DC

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Attachment 2

GoldenTriangle
Business Improvement District

October 9, 2001

Mr. Michael K. Gewirz
Commerce Building Associates
Riddell Building Joint Venture
1730 K Street, N.W., Suite 1204
Washington, D.C. 20006

Re: Contribution to the Golden Triangle Business Improvement District

Dear Mr. Gewirz:

This letter is to gratefully acknowledge your recent commitment toward, and long-term support of, the BID. We are very excited to be the anticipated recipient of a cash grant in the amount of $ 70,000.00 which arises as part of your amenity component associated with the PUD involving 1700 and 1730 K Streets. The time is right for redevelopment of these buildings as the Central Business District experiences is newest renaissance. The new building will go along way towards repositioning the CBD as the business market it has become and we are happy that you have included much-needed parking as well as exciting retail layouts, a wider sidewalk and a world-class design and entrance. We are aware, too, that our share of BID Taxes will likely increase as the assessed value of the new buildings is established.

The BID anticipates allocating the funds to our public space program. As you know, we have an ambitious, multi-year program for reinvestment in the CBD, which includes improvements to the parks, streetscape and softscape, as well as lighting, signage, cleaning and services. These activities are ongoing and your kindness allows us to not only plan accordingly but to be responsive to new ideas for neighborhood improvement.

We wish you the best of luck in your zoning effort and hope that all is concluded favorably so that we may benefit from your thoughtfulness.

Sincerely yours,

Marcia Rosenthall

Marcia Rosenthall
Executive Director

The Golden Triangle - the place to be in Washington, D.C.

ATTACHMENT 3

COMMERCE BUILDING ASSOCIATES, A JOINT VENTURE
RIDDELL BUILDING JOINT VENTURE
SUITE 1110
1000 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036-5327

September 5, 2001

Mr. Christopher N. Whitney
Executive Director
Jubilee Enterprise of Greater Washington
1700 Kalorama Road, N.W., Suite 201
Washington, D.C. 20009

Re: Trenton Park Apartment Complex

Dear Mr. Whitney:

In light of our recent agreement negotiated by the Charles E. Smith Companies on our behalf, we thought it would be useful to set forth in more detail the financial assistance that Commerce Building Associates, a Joint Venture, and Riddell Building Joint Venture (the "Owners") will provide Jubilee Enterprise of Greater Washington ("Jubilee"), for the benefit of Trenton Park Neighborhood Corporation (TPNC"), to undertake substantial rehabilitation of the Trenton Park Apartment Complex.

1. <u>The PUD</u>

As you know, the Owners intend to construct a new commercial office building in downtown Washington at 1700 K Street, N.W., under the planned unit development ("PUD") provisions of the District's Zoning Regulations. In return for the additional 38,285 square feet of space the Owners will achieve under the PUD process, the Owners are required to assist in the provision of 12,761 square feet of affordable housing. Any additional housing provided above this amount may be credited as an amenity to the PUD.

Based upon our agreement, the Owners will contribute $320,000.00 to assist in the substantial rehabilitation of 16,673 square feet of space, which equates to twenty-one low-income rental units. This represents an increase of approximately twenty-five percent above the housing required under the Zoning Regulations and a significant amenity of the PUD project.

2. <u>The Trenton Park Apartment Complex</u>

You have informed us that TPNC has encountered certain additional development costs in connection with the substantial rehabilitation of this project. In an effort to mitigate the effect of these additional costs, the $320,000.00 contribution from the Owners will allow the completion of the twenty-one units by filling the remaining financial gap. The Owners and TPNC agree to designate the costs to be covered by this amount through the collaborative process described below.

3. <u>Contract Construction Agreement.</u>

Upon final approval of the PUD, the Owners and TPNC agree to enter into a Contract Construction Agreement that will include the following provisions:

a. The funds will be used to facilitate the substantial rehabilitation of a minimum of twenty-one units and to maintain the rental rates for these dwellings at an affordable level. The funds for the units will be placed in an escrow account with the Jubilee Enterprise Fund ("JEF"), as escrow agent, for distribution upon the issuance of a Certificate of Occupancy for the PUD project and the issuance of a Certificate of Occupancy for the rehabilitated units.

b. Upon completion of the rehabilitation of the units, the Owners shall have the right to review the final Certificates of Occupancy or equivalent documents. Certificates of Occupancy or an equivalent document issued by the District of Columbia for the rehabilitated units and accepted by the permanent lender shall be evidence that the units have been completed.

c. The funds will be paid directly to TPNC from the escrow agent at the instruction of the Owners once the Owners have determined that the rehabilitation project meets the completion standard set forth in subparagraph "b" above.

d. The Contract Construction Agreement will terminate once the Owners have instructed the escrow agent to release the money to TPNC. In the event that the Owners are unable to release all of the funds because TPNC has failed to complete the units, the Owners will have the option of (i) working with TPNC to find alternative housing to satisfy the obligation under the PUD project; or (ii) terminating their relationship with TPNC and directing the escrow agent to return all funds to the Owners and entering into a Contract Construction Agreement with another affordable housing provider to fulfill the requirements of the PUD project.

e. The Owners and TPNC recognize that the required housing must be completed as a prerequisite to the issuance of a Certificate of Occupancy for the PUD project. Accordingly, TPNC agrees to make every effort to complete the rehabilitation of the units within twelve months after the Contract Construction Agreement is signed by all parties. In the event the Contract Construction Agreement is not signed within three months after the Zoning Commission issues an order approving the PUD project, this letter shall expire.

f. Jubilee and TPNC agree that the contribution to be provided by the Owners constitutes a significant public amenity of the PUD project. In recognition of this significant public amenity, Jubilee and TPNC agree to support the PUD project by providing their expertise on the production of affordable housing in the District to agency officials, at the public hearing before the Zoning Commission on the PUD, and at other meetings, as appropriate.

We are pleased to have the opportunity to collaborate with you on this important project and hope that the foregoing establishes a basis to enable us to move forward and enter into a relationship as described above.

Very truly yours,

COMMERCE BUILDING ASSOCIATES,
A JOINT VENTURE

RIDDELL BUILDING JOINT VENTURE

By: ______________________
Edward H. Kaplan

WAS1 #936389 v3

ATTACHMENT 4

United States Department of the Interior

NATIONAL PARK SERVICE
National Capital Parks–Central
900 Ohio Drive, S.W.
Washington, D.C. 20024–2000

IN REPLY REFER TO:

Mr. Michael J. Tyler
Charles E. Smith Commercial Realty
2345 Crystal Drive
Arlington, VA 22202

SEP 17 2001

Dear Mr. Tyler:

This letter is in response to your fax of September 12, 2001, received by our offices on September 13, 2001 regarding your Planned Unit Development application for 1700 K Street, NW.

Since early 2001 my staff has worked with your firm in a collaborative manner to present to you a list of complete needs at both Farragut and McPherson Squares. Our estimate for complete upgrades in both parks is $1.3 million, with $435k already committed to the project from both appropriations and the Golden Triangle BID. Thus the balance outstanding, to complete the 2 parks, was approximately $865k. You indicated in meetings and on the phone that you suspected the entire amount was greater than the developer would be interested in supporting, and we were aware of that.

In your fax of September 12, and in a phone call on July 18, 2001 you tendered your first and "final offer" to the National Park Service in regard to your proposed contribution. The amount offered, $70k, is but a fraction of the total need for those parks improvements.

The National Park Service has a history of successful partnerships and donation relationships forged by developers that have resulted in great benefit to park sites in Washington, DC. We welcome such partners and donations that help us accomplish our mission to manage, care for, and interpret these vital urban park sites.

The needs at Farragut and McPherson Squares are great, and the local business community served by these parks is even greater. Yet your offered donation is so incremental so as to not make a substantial improvement in the condition or quality of the experience offered in the park. Thus, with great disappointment in your proposal, we are unable at this time to accept your offer of $70k as a contribution to the National Park Service in return for your PUD benefits.

Thank you for your interest in assisting the National Park Service in its presentation of Farragut and McPherson Squares to the public.

Sincerely,

Arnold Goldstein
Superintendent

cc: DC Office of Planning