

May 18, 2015

VIA ELECTRONIC FILING

Anthony J. Hood, Chairman  
Zoning Commission for the District of Columbia  
441 Fourth Street, NW, Suite 210S  
Washington, DC 20001

**Re: Zoning Commission Case No. 14-07: First-Stage and Consolidated PUD for 1270 4<sup>th</sup> Street, NE (Parcels 129/77, 129/95, and 129/96 in Square 3587) Applicant's Supplemental Posthearing Submission**

Dear Chairman Hood and Members of the Commission:

Enclosed please find the Applicant's responses to the issues outlined by the Commission at the proposed action meeting on April 27, 2015.

**Housing—Unit Count**

Consolidated PUD – South Parcel Building. The Applicant has proposed a total of 465 residential units in the South Parcel building, which is the consolidated portion of the PUD. The Applicant has requested flexibility to increase or decrease the total number of units by up to 10%. At the public hearing, the Applicant explained and OP confirmed that 10% flexibility in the number of units is common for many recent residential PUDs.

First-Stage PUD – North Parcel Building. The Applicant has proposed a total of 165 residential units for the North Parcel building, which is the first-stage portion of the PUD. The Applicant has requested flexibility to increase or decrease the total number of units for this portion of the PUD only by up to 20%. Such flexibility is appropriate at this conceptual early stage of planning and design. The Applicant has also agreed to narrow this range prior to the filing of the second-stage PUD for the North Parcel building. (See Condition 2 of the First-Stage PUD.)

### **Affordable Housing**

Distribution of Affordable Units. As the Applicant explained at the public hearing, the Applicant has not proposed specific locations for affordable units because modifications to the final unit count and unit mix may mean that specifically-identified affordable units at this stage might not satisfy the requirements for proportional distribution across unit types. As requested by the Commission, however, the Applicant has prepared a drawing illustrating the proposed location of affordable units within the Project. (Exhibit A: Affordable Housing Distribution.) This illustration depicts the distribution of affordable units throughout each floor of the building as well as approximate locations for where affordable units will be located on each floor. Final unit locations will be selected based on the final floor plans and unit mix and reviewed by both the Zoning Administrator's office and the Department of Housing and Community Development during the permitting process.

Clarification of Affordable Housing Commitment. To confirm, the Applicant has proposed to set aside affordable housing units in both the South Parcel and North Parcel buildings. The Applicant will set aside 8% of the residential gross floor area of the PUD as affordable housing (the "Affordable Housing Component"). Of this amount, 20% of the Affordable Housing Component will be set aside for households earning up to 50% AMI, and the balance will be set aside for households earning up to 80% AMI. Only the 50% AMI units attributable to the North Parcel building's Affordable Housing Component, however, will be shifted from the North Parcel building to the South Parcel building. The 80% AMI units attributable to the North Parcel building's Affordable Housing Component will be provided in the North Parcel building.

Value of the Affordable Housing Commitment. The Applicant has agreed to set aside approximately 7,945 SF of gross floor area in the PUD for households earning up to 50% AMI. In response to the Commission's request, the Applicant has prepared a valuation for this public benefit. In response to Zoning Commission request the Applicant has assigned a value of \$1,750,000 to these ten (10) units, with the following valuation approach.

- For purposes of the valuation, the 7,945 SF of residential gross floor area is approximately ten (10) residential units ("**50% Units**"). In order to approximate the value of the 50% Units, the Applicant utilized two industry standard valuation methods. The first method calculates the cost to construct each unit, and subtracts the income produced by each such unit over a certain period of time. The second method calculates the incremental difference in rent between an 80% AMI unit and a 50% AMI unit for a mix of studio, one-bedroom, and two-bedroom units, with an exit cap rate of 5%.

- Regarding the first valuation method, the average all-in design and construction cost of the residential component of the building is conservatively approximately \$116.25M. Assuming an estimated 465 residential units in the building and spreading the costs evenly over this number of units, the value of the design and construction of each individual unit is approximately \$250,000. In this instance, due to the efficiency of the building from both a per-unit cost and per-unit operating expense, the income for the 50% Units is included so as not to overstate the cost (i.e., value as a public benefit). That is, the Applicant incorporated a small amount of income over operating costs for the 50% Units in order to conservatively calculate the valuation of the public benefit. This reduces the public benefit valuation to approximately \$200,000 per unit. For ten (10) 50% Units, the total value under such valuation method is \$2,000,000.
- Regarding the second valuation method, since the 50% Units will produce a small amount of income due to the operating efficiency of the building, the Applicant applied a 5% cap rate to a weighted average range of unit types. The Applicant compared such figure to the same calculation for a similar number of 80% AMI units. The resulting difference in the value between the 50% and 80% AMI residential units was \$150,000 per unit. For ten (10) 50% Units, the total value under such valuation method is \$1,500,000.
- Therefore, using the average of the two (2) valuation methods above, the value of the 50% Units is \$175,000 per unit or \$1,750,000 (the cost of ten (10) units at \$175,000 per unit).

### **Roof Structure**

As requested by the Commission, attached are plans and sections that confirm that the revised roof structure plan meets the 1:1 setback requirement. (Exhibit B: Roof Structure Setbacks.) Also attached is a perspective that illustrates the appearance of the roof structure elements at nighttime. This demonstrates that while the rooftop will be properly lit at night, it will not provide excess light into the industrial and mixed use neighborhood. (Exhibit C: Night Lighting Plan.)

### **Sustainability Commitments**

The Applicant is specifically committing to securing Silver certification from the U.S. Green Building Council (“USGBC”) for each building under the LEED 2009 standards. However, as the Commission is aware, it can often take months for Green Building Certification, Inc.

("GBCI"), as the accreditation arm of the USGBC, to review and issue its formal certification after construction is complete. To ensure that the USGBC's final review does not hold up the certificates of occupancy for the PUD, the Applicant proposes to provide the Zoning Administrator's office with access to the project's documentation on the GBCI website. GBCI is the exclusive organization that administers project certification for the USGBC's LEED rating system, and provides independent, third-party verification that the required points and level of sustainability have been achieved prior to the issuance of the certificate of occupancy. The revised conditions of approval (Condition 8 of the Consolidated PUD and Condition 5 of the First-Stage PUD) reflect these details.

The Applicant has also separately committed to achieve a Green Area Ratio of 0.22 for each building (Condition 9 of the Consolidated PUD and Condition 6 of the First-Stage PUD). This is a separate and standalone commitment, so even if the Applicant were to adjust the location of the green roof, this commitment would still need to be met. However, out of an abundance of caution, the Applicant has revised the conditions of approval to reflect that the green roof flexibility (Condition 25(i)) will not impact this commitment. (To this end, Condition 25(i) should reference Conditions 8 and 9 to reflect the updated numbering in the revised conditions of approval.)

### **Neal Place Commitment**

As requested by the Commission, the Applicant has agreed to also tie the construction of the final Neal Place extension to the certificate of occupancy for the North Parcel building. DDOT has agreed to this additional condition.

### **Parking Flexibility**

The Applicant identified the request for flexibility from the parking space size requirement on page A2 of the plans included in its prehearing submission and explained the reason for requesting the flexibility at the public hearing. The Applicant proposes to lay out the parking garage with 9' x 18' parking spaces (instead of the standard 9' x 19' parking spaces), and increase the aisle width to 24' in order to facilitate easier circulation through the parking garage. This is particularly important given that much of the parking will be provided as public parking for visitors to the Union Market neighborhood. In response to the Commission's request, the Applicant has revised Condition 25(k) regarding parking flexibility to specifically reference and limit the flexibility to what is shown on page A2 of the plans.

**Ward 5 Works Industrial Study**

The PUD will further many specific goals and action items from the Ward 5 Works Industrial Study. Among other action items, the PUD will expand the tree canopy (Action 3.3 and 12.4), promote non-automobile modes of transportation (Action 3.4), increase low impact development implementation (Action 3.5), expand successful workforce development programs and provide notice to ANC 5D of job opportunities and training programs (Action 4.1), encourage adaptive reuse of existing industrial buildings (Action 9.1), invest in pedestrian connections (Action 11.1), add street lighting (Action 11.5), and invest in new community amenities such as parks, retail and streetscapes (Action 12.1)

In response to the Commission's request, the Applicant proposes the following revised language for Finding of Fact 59(v) of the proposed order:

59. . . .

(v) OP requested that the Applicant further demonstrate how the PUD furthers the goals of the Ward 5 Works Industrial Land Use study. At the hearing, the Applicant ~~provided additional testimony addressing this request~~ summarized its efforts to incentivize both producers/makers and retailers to come to the Union Market area, and agreed to specifically notify ANC 5D of job opportunities and training programs created through the PUD. The Applicant also provided testimony regarding how the PUD would provide sustainability and streetscape improvements, promote pedestrian and other non-automobile forms of transportation, and invest in new community amenities such as parks, retail, and streetscape improvements, all of which fulfill specific action items of the Ward 5 Works Study. The Councilmember for Ward 5, an author and advocate for the Ward 5 Works study, also submitted testimony that the PUD was a "wonderful opportunity" to institute the recommendations of the study all while preserving the character and uses within the Union Market neighborhood.

Chairman Anthony Hood  
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**Conclusion**

The Applicant looks forward to the Commission's final action on this matter. If you have any questions, please contact Jeff Utz at 202-721-1132 or David Avitabile at 202-721-1137.

Respectfully submitted,

  
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**CERTIFICATE OF SERVICE**

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