



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
WASHINGTON, D.C.

Reply To

HPA No. 79-310
901 F Street, N.W.
Lot 800, Square 376
Old Masonic Temple
(Julius Lansburgh Furniture Store)

ORDER

At the public hearing on November 1, 1979, the parties in this case, 900 G Street Associates and Don't Tear It Down, through counsel agreed to the following:

1. The applicant, 900 G Street Associates, will submit to Don't Tear It Down by November 12, 1979 the purchase price for the 2/5 interest in the 900 G Street property conveyed by YAG Associates to 900 G Street Associates, and the book value (a) with depreciation and (b) without depreciation for the last tax year in which the property was owned by 900 G Street Associates.
2. If the parties cannot agree to stipulate to the admission of the information identified in paragraph 1, a hearing will be scheduled during the week of November 12, 1979 for the purpose of hearing evidence on this matter.
3. The Office of Planning and Development will submit a written report on applicant's evidence by November 13, 1979.
4. The parties will submit legal briefs and proposed findings of fact and conclusions of law by November 30, 1979.
5. The 120 day period during which the Mayor's Agent must make a decision on this application will be extended from November 16, 1979 until December 21, 1979.

Based upon the foregoing agreements, it is

ORDERED, that the parties comply with the schedule outlined above and it is

FURTHER ORDERED, that the 120 day period be and hereby is extended until December 21, 1979.

Carol B. Thompson

Mayor's Agent
D.C. Law 2-144

November 13, 1979

Date



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
WASHINGTON, D.C.

ORDER

Before the Mayor's Agent for, and Administrator of, D.C. Regulation 73-25 (hereafter Mayor's Agent).

Application L.M. No. 79-138 of the Aaron Strauss & Lillie Strauss Foundation, Inc. for a permit to raze a building located at 901 F Street, N.W., lot 800, Square 376.

HEARING DATE: March 2, 1979

FINDINGS OF FACT:

1. The applicant proposes to raze the building located at 901 F Street, N.W., lot 800, Square 376.

2. The building located on this lot, the Old Masonic Temple commonly known as the Julius Lansburgh Furniture Store, is listed in the city's inventory of historic sites contained in the comprehensive statewide historic preservation survey and plan prepared pursuant to Sec. 101(a) of Public Law 89-665, and is also listed in the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 (16 U.S.C. 461-467) and Public Law 89-665 (16 U.S.C. 470a-470m).

3. In accord with D.C. Regulation 73-25, the application was referred to the Mayor's Agent, who in turn referred the application to the Joint Committee on Landmarks of the National Capital, the District of Columbia Professional Review Committee for nominations to the National Register of Historic Places.

4. The Joint Committee on Landmarks advised that demolition of the building would be contrary to the public interest and should be delayed.

5. The Old Masonic Temple building, now commonly know as Julius Lansburgh's Furniture Store, was erected in 1867-69.

6. The building is four stories high, rectangular in shape with a rear ell. Construction is of masonry, largely of brick with stone foundations and polychromatic stone facing on the street facades. The roof is flat with a deeply projecting cornice supported by brackets. The subtly articulated facade composition is embellished with unusual sculptural detail. Designed by prominent Washington Architects Cluss and Kammerhueber in Second Empire style, this fraternal-commercial building of rare architectural merit is located importantly across 9th Street from the Old U.S. Patent Office. It is a unique and notable example of Reconstruction era fraternal-commercial architecture in the District of Columbia, complementing in scale and dignity its prestigious neighborhood.

7. Adolph Cluss and Joseph Wildrich von Kammerhueber achieved a national and international reputation for their innovative designs for Wallach (1892) and Franklin (1865) Schools in the District of Columbia. Concurrently with their work on the Masonic Temple they were engaged on the reconstruction of the Smithsonian Institution after the fire of 1865 and on the design and construction of the U.S. Department of Agriculture. Cluss was further associated with the transformation which took place in the city at this time through the design of markets and more schools and through his duties as engineer-member of the Board of Public Works. He was later architect of the U.S. National Museum and redesigned the interiors of the U.S. Patent Office after the fire of 1877.

8. Constructed by the Grand Lodge of Masons, the building is a symbol of awakening civic consciousness in Washington City during the nationalistic period following the Civil War and of the role played by the Grand Lodge of Masons in the construction of the Federal City. Masonic activity in the District of Columbia dates from about 1795. The Lodge was first organized here in January 1811. In the early years of the city the cornerstones of important buildings--notably the White House (1792), the Capitol (1793), Blodgett's Hotel (1793), the City Hall (1820), and the Washington Monument (1848)--were laid Masonically, as was the cornerstone of the Federal District off Jones Point in Alexandria (1791). Fifteen Presidents of the United States have been Masons. President James A. Garfield, while a member of the U.S. Senate, was active in the Pentalpha Lodge which met in the Old Masonic Temple at 9th and F Streets, N.W.

9. A representative of Advisory Neighborhood Commission 2C testified at the hearing that the building is important architecturally, and that the ANC is in favor of an order to delay its demolition.

10. Representatives of various governmental agencies, and community organizations testified in support of the order to delay the demolition of the building and stated their willingness to negotiate with the owners of the building to try to find a means to preserve it.

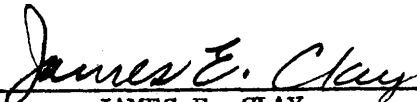
11. Representatives of the 900 G Street Limited Partnership, **now** the owner of the building, testified that they were willing to work with community organizations and the government to preserve at least the facades of the building by exploring such mechanisms as a Planned Unit Development, Urban Development Action Grants, tax relief, and historic preservation grants.

CONCLUSIONS OF LAW:

1. Based upon the above Findings of Fact, the Mayor's Agent is of the opinion that the demolition of the building should be delayed for 180 days to permit the State Historic Preservation Officer and the Professional Review Committee to negotiate with the owners of the building and civic groups, public agencies, and interested citizens to find a means of preserving the building.

2. The Mayor's Agent concludes that since the Old Masonic Temple (1) is a fraternal-commercial building of rare architectural merit designed by architects of international repute; (2) is sited importantly across from the Old U.S. Patent Office and complements the scale and dignity of its prestigious neighborhood; and (3) is a symbol of the awakening civic consciousness in Washington City during the nationalistic period following the Civil War and of the role played by the Grand Lodge of Masons in the construction of the Federal City, its demolition is contrary to the public interest and should be delayed for 180 days.

ORDERED: The issuance of a permit to raze is DELAYED for 180 days from the date of this **ORDER**.



JAMES E. CLAY

Acting Mayor's Agent for D.C. Regulation 73-25

3/2/79

EFFECTIVE DATE



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
WASHINGTON, DC

ORDER

Before the Mayor's Agent for D.C. Law 2-144, the Historic Landmark and Historic District Protection Act of 1978.

HPA No. 79-310, Application to raze 901 F Street, N.W., Square 376, Lot 800.

HEARING DATES: October 30, 1979 and November 1, 1979

FINDINGS OF FACT:

1. Applicant, 900 G Street Associates, A Limited Partnership, has applied for a permit under Section 5 of the Historic Landmark and Historic District Protection Act of 1978 (hereinafter "the Act"), D.C. Law 2-144, to raze a structure owned by it in the District of Columbia on Lot 800 in Square 376 known as 901 F Street, N.W.

2. 901 F Street, N.W., the Old Masonic Temple, and commonly known as the Julius Lansburgh Furniture Store (Lansburgh's) is a Category II Landmark on the District of Columbia's Inventory of Historic Sites and has been listed in the National Register of Historic Places since May 8, 1974.

3. On July 19, 1979, in accord with Section S(a) of D.C. Law 2-144, the permit application was referred to the Mayor's Agent for D.C. Law 2-144.

4. In accord with Section 5(b) of D.C. Law 2-144, the application was referred to the Joint Committee on Landmarks of the National Capital, which serves as the Historic Preservation Review Board.

5. The Joint Committee on Landmarks recommended that the demolition permit not be granted because the building is a Historic Landmark listed in the District of Columbia's Inventory of Historic Sites and in the National Register of Historic Places and therefore its demolition would be inconsistent with the purposes of D.C. Law 2-144 as set forth in Section 2 (b) .

6. The applicant filed a Claim Form for D.C. Law 2-144 Demolition Application on August 30, 1979. On this form the applicant requested a public hearing and stated its intention to proceed on two bases: (a) that denial of the requested razing permit will result in unreasonable economic hardship; and (b) that demolition of the structure is consistent with the purposes of the Act as set forth in Section 2(b) thereof. The applicant subsequently withdrew the latter claim at the hearing and the scope of the public hearing was restricted accordingly by the Mayor's Agent.

7. Materials required by Section 5(g) of D.C. Law 2-144 and Section 3.3 of the Rules of Procedure pursuant to D.C. Law 2-144 were filed by the applicant on October 9, 1979. Don't Tear It Down, which filed on October 15, 1979, as a party in this case, objected to the submission as incomplete because the applicant failed to state the purchase price for 901 F Street. However, upon stipulation of the two parties this information on this matter was admitted to the record on November 26, 1979 as Exhibit 32.

8. On Tuesday, October 30 and Thursday, November 1, 1979, the Mayor's Agent conducted a public hearing in this case. During the course of the hearing, 16 witnesses were heard and 31 exhibits admitted into evidence. In addition, pursuant to stipulations by Counsel dated November 26 and November 30, two additional exhibits have been admitted to the record.

9. Upon the consent of the parties at the public hearing on November 1, 1979, the 120 day period during which the Mayor's Agent must render a decision in this case was extended by the Order of November 13, 1979, from November 16, 1979 until December 21, 1979.

10. Designed by architects Adolph Cluss and Joseph Wildrich von Kammerhueber, Lansburgh's was erected in 1867-9 in a modified French Renaissance style. A detailed description of the building and its significance appears in the recommendation of the Joint Committee on Landmarks (Exhibit 11).

11. The building occupies the northeast corner of the intersection of 9th and F Streets, N.W., and is located across 9th Street from the National Portrait Gallery, the Old U.S. Patent Office. A public alley runs from east to west, adjacent to the rear boundary of Lot 800.

12. Occupying the entire area of Lot 800, the building was originally a four story building 84 feet in height, and is rectangular in shape with a rear ell. It is 131'5" on F Street and 31'6" on 9th Street. The ell measures 31'5" x 41'4" Construction is of masonry, -largely of brick with stone foundations and stone facing on the street facades.

13. In the 1920's, several alterations were made to the building. The interior partitions were removed, and a mezzanine was added, as well as a new floor between the second and third floors. Of the original interior detail only a vigorously moulded window surround near the stairway on the second floor remains. The exterior of the building was painted white. On the first floor along the street frontage all the original stone and cast iron were removed or covered over, to provide modern show window.

14. The building is in reasonably good structural shape. The report of Mr. Allison, a structural engineer who testified on behalf of the applicant, indicated that the roof is in generally good condition. Mr. Allison's report also noted the presence of the tie rods on the north facade of the building, but drew no conclusion as to the condition of this wall. Some of the mortar on the facades has deteriorated. The floors have a load bearing capacity of 77 pounds per square foot.

15. The building lot is 8,059 square feet in area, and is located in the C-4 zone, which permits the construction of buildings up to 110 feet in height and with an 8.5 FAR.

16. Prior to January 23, 1979, the record owner of the Lansburgh's building was the Aaron Straus and Lillie Straus Foundation, Inc., a Maryland corporation (Straus Foundation}. On July 26, 1978, the Straus Foundation entered into a lease with Jerome Golub. Golub was given an option to purchase Lansburgh's between August 1, 1978 and July 31, 1979 for \$800,000 (Exhibit 18). On August 15, 1978, Golub assigned his lease for Lansburgh's to the Young Women's Christian Association of the National Capital Area, Inc., (Y.W.C.A.) in exchange for a deposit of \$50,000. The Y.W.C.A. also agreed to pay Golub an additional \$85,000 in the event that the Y.W.C.A. exercised Golub's option to purchase Lansburgh's from the Straus Foundation. (Exhibit 19)

17. On September 7, 1978, applicant and the Y.W.C.A. entered into a contract for the exchange of real estate. It was agreed in the contract that the Y.W.C.A. would arrange to acquire Lansburgh's no later than January 23, 1979, and that the Y.W.C.A. would exchange Lansburgh's for property owned by the applicant on the southwest corner of 9th and G Streets, N.W. It was further agreed that the Y.W.C.A. would pay applicant \$100 per square foot for each square foot by which the property to be provided by the applicant to the Y.W.C.A. exceeded the size of the Lansburgh's site, plus the sum of \$100,000. It was also agreed that if applicant could not demolish Lansburgh's within 30 days of the exchange, the Y.W.C.A. would pay applicant an additional \$4,000 for each month demolition was delayed to a maximum of \$48,000. (Exhibit 17)

18. On January 23, 1979, the applicant acquired Lansburgh's directly from the Straus Foundation. In the transaction the applicant transferred title to 13,000.10 square feet of property on the southwest corner of 9th and G Streets, N.W., known as Lot 68 in Square 376, to the Y.W.C.A. in exchange for the 8,059 square foot site at the northeast corner of 9th and F Streets, N.W., identified as Lot 800. The City's land records indicated a transaction price of \$800,000. However, as the August 16, 1978 assignment of lease states, the Y.W.C.A. paid a total of \$935,000 for Lansburgh's (\$800,000 to the Strauss Foundation and \$135,000 to Golub). In addition in that property exchange, the Y.W.C.A. paid the applicant \$594,000, the sum of the \$100 per square foot by which the 9th and G Streets parcel exceed Lansburgh's plus \$100,000. (Exhibits 17, 19, 27)

19. In the January 23, 1979 property exchange the applicant conveyed to the Y.W.C.A., Lot 68 in Square 376, a parcel containing 13,000.10 square feet. Between April 1964 and August 1973, the applicant acquired 26,566.61 square feet at the southwest corner of 9th and G Streets, N.W. for a cost of \$1,397,882.98. After the property was acquired, the property was ultimately replatted into Lot 68 containing 13,000.10 square feet and Lot 69 containing 13,566.61 square feet. (Exhibit 21) Besides the acquisition costs the applicant incurred additional capital costs of \$101,011.43. Therefore, the total capitalized investment as of December 31, 1970 in Lots 68 and 69 was \$1,498,894. Operating expenses amounted to \$1,233,473. Consequently, the total investment amounted to \$2,732,367. Of this amount, \$431,410 represented capital contributions of the partners themselves from 1965-1978. The remaining \$2,300,957 was loans to the partnership for which the carrying costs have been included in the calculations. (Exhibit 32)

20. The applicant's investment in Lansburgh's can be computed by four methods: the out-of-pocket investment, capital amount, the tax basis, and alternative investment as purchase price.

(a) Apparently the \$594,000 the applicant received from the Y.W.C.A. in exchange for Lansburgh's went to reduce the applicant's debt. Therefore, as a result of the January 23, 1979 property transfer of Lot 68 to Y.W.C.A. for Lansburgh's, the applicant's out-of-pocket investment in Lot 800 was as follows:

	<u>Lot 68 Investment</u>	<u>Less Cash Received</u>	<u>Resulting Investment for Lot 800</u>
Capital Contribution of Partnership	\$ 211,105	-	\$ 211,105
Total Investment	\$1,337,051	\$ 94,000	\$ 143,051

As stated in the affidavit, the applicant will incur carrying charges on its investment debt for the year 1979 in the approximate amount of \$152,500 for Lansburgh's and Lot 69. Calculated on a square foot basis these carrying charges amount to \$56,831 for Lansburgh's and \$95,669 for Lot 69. The applicant must also pay real estate taxes of \$30,000 (\$13,725 for Lansburgh's and \$16,278 for Lot 69). However, the estimated carrying charges on the investment will be reduced by two factors: (1) \$36,000 to be paid by the Y.W.C.A. to the applicant for its carrying costs and operating expenses of Lansburgh's pursuant to the property exchange contract; and (2) an approximate \$40,000 in operating profit for the parking lot on Lot 69. Consequently, the applicant's net additional carrying costs through December 31, 1979 on a square foot basis will amount to \$71,944 for Lot 69 and \$34,556 for Lot 800.

As of December 31, 1979 the applicant's total out-of-pocket investment in Lots 69 and 800 will be \$2,244,867:

	<u>Lansburgh's (Lot 800)</u>	<u>Lot 69</u>	<u>Total</u>
Capital Contribution	\$ 211,105	\$ 220,305	\$ 431,410
Total Investment	\$ 777,607	\$1,467,260	\$2,244,867

(b) By the capital account method the applicant's equity in Lansburgh's is \$805,105 the sum of \$211,105, the applicant's capital contribution to the purchase and operation of Lot 68, plus the \$594,000 cash received for Lansburgh's and applied to reduction of the applicant's debt.

(c) The Y.W.C.A.'s contract for Lansburgh's provided for a price of \$935,000 (Exhibits 18 & 19) and the applicant took title to these contract rights for Lansburgh's. Therefore, the maximum investment the applicant can claim in Lansburgh's is that \$935,000.

(d) Tax basis-Section 1031 of the Internal Revenue Code would apply a maximum tax basis for Lansburgh's at \$733,466 and for Lot 69 the maximum tax basis would be \$765,428.

21. The applicant proposes to demolish Lansburgh's, close the existing alley located between Lots 800 and 69, and dedicate a new alley between Lot 68, the Y.W.C.A.'s property, and Lot 69. The applicant then intends to erect a modern office structure on the consolidated lot composing an area of 21,625.61 square feet.

22. Mr. Richard Haas, an appraiser appearing on behalf of the applicant, testified that the value of the consolidated lot would be \$160 per square foot. Mr. Haas also testified that the value of Lot 69 alone is also \$160 per square foot. These figures are based on an 8.5 FAR and an \$18.82 per square foot FAR value. (Exhibit 22) Mr. Haas also indicated that with Lansburgh's demolished, Lot 800 alone would have a value of 10 to 18 percent less than Lot 69 for a total value of between \$1,071,847 and \$1,184,673. (Exhibit 33)

23. The applicant commissioned Mr. Robert C. Smith, an architect to study rehabilitation possibilities for 901 F Street. Two potential use combinations were analyzed: (a) retail on the ground floor with office space in the upper floors; and (b) ground floor retail with residential dwelling units above. The architect proposed that the existing wood frame interior be removed and replaced with reinforced concrete floors; that the roof be completely removed and replaced with modern building materials, and that the existing elevator be replaced. The building would also get new plumbing, heating, ventilation, and air-conditioning systems. The exterior of the building would be restored by replacing the stonework on the ground floor, removing paint from the facades, and cleaning and painting the wood ornamentation. During the interior renovation, the facades would have to be braced externally. The proposed renovation would increase the net leasable space by over 5,000 from 37,000 to 42,000 square feet by adding mezzanines. (Exhibit 12)

24. However, Lansburgh's can be renovated consistent with the District of Columbia Building Code, and to a fire safe condition satisfactory to experts in this field without replacing the interior floors. Using the cost projections for a first class renovation for office and commercial space provided by Mr. Smith, the applicant's architect, but deleting those items relating to replacing the existing wood floors with concrete, and decreasing the floor space by 5,000 square feet, the total renovation cost would be \$2,386,698. This figure is based upon a total exterior and interior renovation cost of \$2,210,598 plus \$176,100 (\$61 square feet x 29,350 square feet) the cost of interior finishing provided by Mr. John Abbett, an economics expert who testified on behalf of the applicant. The \$2,210,598 is computed as follows in the basis of cost figures provided by Mr. Smith in Exhibit 12, Appendix B, pp. 2-5.

(a) Existing building rehabilitation. Those items identified by Mr. Smith as solely relating to the decision to replace all existing structural members concrete (item 3 and the first and last entries under item 2) have been deleted. In addition, \$50,000 has been added as the cost of a new roof. The percentage calculations of item 1 and builder's overhead and profit have accordingly been recalculated. The total for this phase is \$997,547.

(b) Ground floor retail. These items are unchanged for a total of \$266,526.

(c) Office building. Those items which are calculated on a square foot basis (items 9, 15, 16 and the first entry under item 5) have been recalculated as 37/42 of the cost used by Mr. Smith because his design proposed to increase the office space from the present 37,000 to 42,000. The percentage calculations of item 1 and builder's overhead and profit have accordingly been recalculated. The total for this phase is \$946,524.92.

25. The cost for renovating Lansburgh's for retail/office use can be alternatively determined. The building is structurally sound and renovation in compliance with the District of Columbia Building Code to a fire safety standard considered fully safe by an expert, could be achieved by the installation of another stairwell, fire-rated dry wall, fire rated carpeting, a sprinkler system, and emergency lighting. A first class renovation including the items stated above would cost no more than the \$38 per square foot cost of the renovation of the headquarters of the National Trust for Historic Preservation. The interior renovation at this cost would amount to \$1,406,000. Exterior renovation requiring the rehabilitation of the existing facade, replacement of missing stone work, and installation of brick pavers would cost \$510,307. Additional tenant work would amount to \$176,100. Therefore, the total cost for a fire rated renovation would be \$2,092,407.

26. A first class renovation of Lansburgh's would obtain rental income of \$17 per square foot for office space and \$28 per square foot for retail space at the completion of the construction. This averages out to be approximately \$19 per square foot. (Exhibit 19) The total rental income from such a first class renovation would be \$713,150 (7,650 square feet of commercial space x \$28 = 214,200 + 29,350 square feet of office space x \$17 = \$498,950). Based on the higher renovation cost of \$2,386,698 and using the method of analysis described by applicant's expert, Mr. Abbett, the applicant would achieve a return of 19.2 percent on its equity investment even if Lansburgh's is valued at its highest possible cost of \$935,000. A copy of this analysis is attached in Appendix.

27. Without a substantial amount of work, Lansburgh's could be made to comply with the provisions of the District of Columbia Building Code and thus qualify for a certificate of occupancy for rental as commercial and office space. Such renovation would cost about \$150,000, and would include installation of an additional stairwell, fire-rated dry wall, fire-rated carpeting, emergency lighting, and a sprinkling system. The building could then be rented for \$5 to \$6 per square foot. A rental income of \$185,000 to \$222,000 could be achieved annually.

28. As stated in the affidavit, the applicant's real estate taxes for Lansburgh's are \$13,725. If the entire \$150,000 is borrowed by the applicant for renovation, the carrying costs would not exceed \$79,706. There is no evidence that there would be any additional expenses incurred from such a rental. Therefore, the applicant's net income from this alternative would be from \$91,569 to \$128,569 annually.

29. Rental of Lansburgh's with minimal renovations will result in a return to the applicant irregardless of how the investment is calculated:

(a) Based upon applicant's total out-of-pocket investment (including all operating losses and loans) as of December 31, 1979 of \$777,607 for Lansburgh's plus additional renovation costs of \$150,000 for a total of \$927,607, the annual return to the applicant would be between 9.9 percent and 13.9 percent.

(b) The annual return to the applicant based upon its maximum theoretical investment of \$935,000 is between 9.8 percent and 13.8 percent.

(c) The annual return to the applicant based on its capital account of \$805,105 is between 11.4 percent and 16.0 percent.

(d) The annual return to the applicant upon its actual cash contribution in the property of \$211,105 based upon its present debt structure as it appears in the record, and considering the applicant's actual carrying costs as expenses, is between 43.4 percent and 60.9 percent.

30. The applicant has not listed Lansburgh's for sale either by itself or together with Lot 69. However, there has been one offer for Lansburgh's itself and one for the entire property Arthur Cotton Moore, a Washington, D.C. architect, and associates, offered to purchase Lansburgh's and Lot 69 for \$3,792,000. The applicant rejected Moore's offer as an unfavorable one and because Moore was not irrevocally committed to complete the purchase. However there is no evidence of efforts by the applicant to pursue a more favorable purchase arrangement.

31. On October 9, 1979, Donald G. Webster an owner of the C.G. Sloan and Company auction gallery, offered to purchase Lansburgh's for \$850,000 in cash. There was no response to Mr. Webster's offer. Mr. Webster did state in testimony that he would have considered increasing his offer to cover the applicant's costs. (Affidavit, Section 6; Exhibits 20 and 31)

32. However, it is evident that had the applicant accepted Mr. Webster's offer of \$850,000 before December 31, 1979 it would have obtained a profit of \$72,393 based on the out-of-pocket investment of \$777,607. The return on this investment is 9.3 percent. A similar return can be achieved if the capital account method is used. Only if the maximum investment of \$935,000 is used would the applicant obtain a loss of \$85,000 or 9.1 percent. Yet since the applicant's total cash contribution in Lansburgh's is \$211,105, Webster's offer would give the applicant a 34.3 percent return on its equity.

33. If the Arthur Cotton Moore offer had been accepted and the sale completed by December 31, 1979, the applicant would have received \$3,792,000 for Lots 800 and 69. The out-of-pocket investment for the applicant is \$2,244,867. The profit therefore would amount to \$1,547,133. The return on the total investment would have been 68.9 percent. On the capital account method the gain would be \$2,766,590. However, after the repayment of loans amounting to \$1,813,457, the net gain to the applicant would be 953,133 or a 93 percent return on the profit. Yet it should be remembered that the total of the actual contributions by the partners to their capital account amounted to \$431,410. After repayment of the loans, the applicant would receive a net profit of \$1,978,543 over the actual capital contributed or a return of 458 percent.

34. Under present zoning, if the alley is closed between Lots 800 and 69 by the City Council and these lots are consolidated and Lansburgh's were demolished the applicant could then build a new structure with a total square footage of 183,818. However, if the alley is closed and Lots 800 and 69 are consolidated, but Lansburgh's is not demolished the city's height and FAR limits would create an informal transfer of development rights to the contiguous sites to the limit of the maximum height. Consequently, a new building could be constructed on Lot 69 with a total square footage of 146,818. Since Lansburgh's contains 37,000 square feet it is evident that the total square footage available for new construction would be the same whether Lansburgh's were demolished or retained.

35. If Lansburgh's were retained and Lots 800 and 69 were combined, Lot 69 could be used to construct a building of 146,818 square feet giving Lot 69 an effective FAR of 10.82. The value of Lot 69 is determined by its FAR and for this property the value is \$18.82 per FAR foot. Accordingly, under these circumstances the value of Lot 69 would be increased to \$2,763,115, which is \$592,456 more than the value of Lot 69 if Lansburgh's is demolished. The value of Lansburgh's (Lot 800) with the building is not less than Webster's offer of \$850,000. The total value of Lansburgh's and Lot 69, if consolidated with Lansburgh's remaining, is therefore \$3,613,115. As stated before the value of Lots 69 and 800, if combined with Lansburgh's demolished, is \$3,460,098, or \$153,017 less. (Exhibits 28 and 32)

36. There is evidence that there are several ways the developer could reduce his costs with government assistance. The applicant has not applied for existing federal grant money for historic buildings. There is property tax relief for individually designated commercial historic properties. The Office of Planning and Development has stated that it is willing to work with developers on historic preservation problems and achieving expeditious alley closings.

CONCLUSIONS OF LAW:

1. Pursuant to Section 5(e) of D.C. Law 2-144, no demolition permit may be issued unless the Mayor or his designated agent finds that "failure to issue a permit will result in unreasonable economic hardship to the owner." Section 3(n) defines "unreasonable economic hardship as a taking of the owner's property without just compensation." Under the law, the applicant has the burden of proving unreasonable economic hardship.
2. The Mayor's Agent finds that the applicant, who acquired Lansburgh's after the building was listed in the District of Columbia's inventory of historic sites and the National Register of Historic Places, and after the passage of D.C. Law 2-144, cannot now claim unreasonable economic hardship based upon the application of the historic preservation law.
3. In order to meet the burden of proving unreasonable economic hardship, the applicant must demonstrate that denial of the demolition permit will preclude it from any reasonable use of its property or return on its investment. Based upon the above Findings of Fact, the Mayor's Agent finds that the applicant has failed to prove: (1) that it could not fully renovate Lansburgh's and obtain a reasonable return on its investment, (2) that it could not obtain a return by renting Lansburgh's after meeting minimum District of Columbia Code requirements, (3) that it could not sell Lansburgh's either alone or in conjunction with Lot 69 for a profit, and (4) that Lansburgh's, in conjunction with Lot 69, could not be developed to the full zoning potential and that the value of these two lots will be decreased by the denial of the demolition permit.
4. Therefore, the Mayor's Agent does not find that denial of a demolition permit for Lansburgh's will result in unreasonable economic hardship to the owner.

ORDERED:

The issuance of a demolition permit for 901 F Street, N.W., Square 376, Lot 800 is denied.

Carol B. Thompson
Mayor's Agent

December 21, 1979
Date

Appendix

ANALYSIS OF TOTAL IMPROVEMENT COSTS
OF 901 F STREET BUILDING SCHEME 1:
OFFICE SPACE WITH GROUND FLOOR RETAIL 1/
(Current Dollars)

(Based Upon Testimony of Mr. Abbett and Exhibit 29, Table A-2)

	Per Leasable Square Foot	<u>Total</u>
1. Bard Construction Cost <u>2/</u>	59.75	2,210,598
2. Tenant Finish Allowance <u>3/</u>	<u>4.76</u>	<u>176,100</u>
Subtotal: Construction & Finish	64.51	2,386,698
3. Non-construction Costs		
(a) Construction Loan Interest <u>4/</u>	11.47	427,383
(b) Interim Loan Fee <u>5/</u> -	.90	33,285
(c) Permanent Mortgage Fee <u>6/</u>	.90	33,285
(d) Real Estate Taxes - During Construction <u>7/</u>	1.18	43,800
(e) Permits, Professional Fees & Insurance <u>8/</u>	.65	23,867
(f) Architect Fees & Tenant Plans <u>9/</u>	3.87	143,202
(g) Developers Fee <u>10/</u>	1.94	71,601
(h) Advertising, Promotion & Leasing <u>11/</u>	<u>1.77</u>	<u>65,500</u>
Subtotal: Non-Construction costs	22.68	838,923
4. Land Value <u>13/</u>	<u>25.27</u>	<u>935,000</u>
TOTAL IMPROVEMENT COSTS	<u>112.45</u>	<u>4,160,621</u>

Notes to Table

1. This item is in accordance with the assumptions contained in Exhibit 29, Table A-2, note 1, except that the total leaseable space has been reduced to 37,000, the present leaseable space in the building. (7650 square feet of leaseable office space on the ground floor and 29350 square feet of leaseable office space on the upper floors.
2. Based on the testimony of Mr. Smith (Exhibit 12), these costs are the same as those used in Exhibit 29, Table A-2, note 2, with the costs attributable to the concrete floor scheme deleted and the costs for a new roof added.
3. This item is based on the same assumptions as those in Exhibit 29, Table A-2, note 3; except that the office space has been reduced to 29350 square feet in accordance with the present size of the building.
4. This item makes assumptions similar to those in Exhibit 29, Table A-2, note 4.
5. In accordance with Exhibit 29, Table A-2, note 5, this item is 1% of interim construction loan amount.
6. In accordance with Exhibit 29, Table A-2, note 6, this item is 1% of permanent mortgage amount.
7. This item is the same as note 7, Table A-2, Exhibit 29.
8. In accordance with Exhibit 29, Table A-2, note 8, this item is 1% of construction and finish costs.
9. This item is identical to note 9, Table A-2, Exhibit 29.
10. In accordance with Exhibit 29, Table A-2, note 10, this item is 3% of construction and finish costs.
11. This item is similar to those in Exhibit 29, Table A-2, note 11, except that the square footage has been reduced to 37,000, the size of the building.
12. Because this item related to inaccuracies due to rounding, in Exhibit 29, Table A-2, Note 12, this is inapplicable.
13. This item uses as land costs the maximum possible cost to the applicant, \$935,000.

ESTIMATES OF FINANCING STRUCTURE & REQUIRED RENTS
 901 F STREET BUILDING SCHEME I:
 OFFICE SPACE WITH GROUND FLOOR RETAIL
(Based Upon Testimony of Mr. Abbett and Exhibit 29, Table A-4)

	<u>Per Leasable Square Foot</u>	<u>Total</u>
Total Improvement Costs <u>1/</u>	112.45	4,160,621
<u>Financing Structure</u>		
Permanent Mortgage <u>2/</u>	89.96	3,328,497
Required Equity Funds <u>3/</u>	<u>22.49</u>	<u>832,124</u>
TOTAL Capitalization	112.45	4,160,621
<u>Annual Debt Service</u>		
'Mortgage Debt Service <u>4/</u>	9.88	365,469
<u>Estimated Annual Operating Expenses (1981) <u>6/</u></u>	<u>4.37</u>	<u>161,730</u>
Average Annual EFFECTIVE GROSS INCOME (rent) Required <u>7/</u>	14.25	527,207
Plus 5% Vacancy and Collection Allowance	<u>.71</u>	<u>26,360</u>
Average Annual REQUIRED GROSS RENT (to break even) <u>8/</u>	14.96	553,567
Actual Rent <u>9/</u>	19.25	713,150
Profit	4.31	159,583
Return to Equity <u>5/</u>	19.2%	19.2%

Notes For Table

1-4 and 6. These items are identical to Exhibit 29, Table A-4, notes 1-4.

5. Exhibit 29, Table A-4, note 5 bases its calculation on a theoretical 15% return on the investment which Mr. Abbett testified would be the minimum return necessary before he would advise an investor to proceed. However, the significant question is how much return will be obtained if the renovation is made. Therefore, the return on the investment has been moved to the bottom of the chart in order to reflect the actual return based on Mr. Abbett's analysis.

7. Exhibit 29, Table A-2, note 7 is based on the capital return. In this instance it is calculated before the return is considered.

8. Using the cost and financing assumptions covered here, this is the average gross rent required to cover operating and capital costs used in the rehabilitation. Gross rent would reflect those changes.

9. These figures are based on Mr. Abbett's testimony and Exhibit 29.



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
WASHINGTON, D C

R. D. 10

February 11, 1980

The permits requested for the demolition or relocation of the Rhodes Tavern) the partial demolition of portions of the National Metropolitan Bank Building; and the permit for the preliminary review of an alteration of the Keith-Albee and National Metropolitan Bank Building have been deemed necessary to allow the construction of a project of special merit according to Carol B. Thompson, the Mayor's Agent.

"After holding a public hearing for three days and reviewing over 700 pages of evidence and exhibits, the decision to issue these permits is based on the exemplary architecture of the project in its retention and sensitive incorporation of the facades of the Keith-Albet and National Metropolitan Bank Building into the total project.*

Contact: Gloria Barajas - 724-8694