Docket Item #7
BAR CASE# 2004-0030

BAR Meeting
August 18, 2004

ISSUE: Permit to Demolish

APPLICANT: Basheer & Edgemoore

LOCATION: 915 South Washington Street

ZONE: RCX/Residential

BOARD ACTION, MAY 19, 2004: Mr. Smith gave a PowerPoint presentation that outlined the Staff recommendation. On a motion by Dr. Fitzgerald, seconded by Ms. Quill the Board deferred the application for restudy. The vote on the motion was 6-0.

REASON: After hearing the testimony, the Board concluded that addition information was needed regarding economic alternatives that are available concerning the use of the property prior to making a decision regarding the demolition of the Gunston Hall apartments.

SPEAKERS: Bud Hart, attorney, representing Basheer & Edgemoore, spoke in support
Anne H. Adams, architectural historian, Shaw Pittman, LLP, representing Basheer & Edgemoore, spoke in support
Engin Artemel, Artemel Associates, representing Basheer & Edgemoore, spoke in support
John Rust, Rust, Orling & Neale, project architect, spoke in support
David Zitland, arborist, Care of Trees, Inc., spoke in support
Diane Basheer, Basheer & Edgemoore, spoke in support
Russell Woodman, tenant, Gunston Hall, spoke in opposition
Charles Trozzo, 209 Duke Street & Chairman, Alexandria Historic Preservation & Restoration Commission, spoke in opposition
LeeAnn Gardner, tenant, Gunston Hall, spoke in opposition
Ellen Pickering, Roberts Lane, spoke in opposition
Kevin Sheid, 815 Green Street, spoke in support
Lawrence O'Connor, representing the Historic Alexandria Foundation, spoke in opposition
Sandra Knapp, tenant, Gunston Hall, spoke in opposition
Sean Weingast, owner, spoke in support
Carolyn Murek, President, Old Town Civic Association, spoke regarding the issue
David Eaton, 900 block South Columbus Street, spoke in support
Gail Rothrock, 209 Duke Street, spoke in opposition

Elizabeth Jones, 2105 Russell Road, spoke in opposition
Brian Walensky, tenant, Gunston Hall, spoke in opposition

STAFF RECOMMENDATION:

The staff recommends **denial** of the Permit to Demolish.

NOTE: Under the terms of the Board's by-laws, this docket item requires a roll call vote.

I. ISSUE:

The applicant is requesting approval of a Permit to Demolish the Gunston Hall apartments, an eight building multi-family apartment complex located at 901-915 South Washington Street to construct condominiums and townhouses as discussed in the concept plan staff report (BAR Case#2004-0031).

II. BACKGROUND AND STAFF RECOMMENDATION

The Board considered a request for demolition of Gunston Hall at its May 19, 2004 meeting. The staff gave the following reasons for the denial recommendation in the original staff report (Attachment 1):

- The Gunston Hall apartments are part of the district's historical heritage and are worth preserving based on the staff findings using zoning ordinance criteria,
- The staff is concerned that demolition of Gunston Hall could set a precedent in this area of the City, leading to other demolition requests that could change the character of the area and be inconsistent with the Old and Historic Alexandria District,
- On the other hand, the buildings themselves are typical of other garden apartments found on South Washington Street,
- The Staff also acknowledges the applicant's concern about whether the existing buildings can be economically renovated and the uncertainty about whether the City would grant a parking reduction Special Use Permit that a renovation might necessitate.

At the May 19, 2004 meeting, the Board asked the applicant to provide a financial analysis to document the financial viability of renovating the apartments at Gunston Hall rather than demolishing the buildings. The Board asked the staff to review the applicant's financial analysis and to provide comments to the Board.

Although financial feasibility of renovation is not a criterion under the zoning ordinance for determining whether or not to grant a permit to demolish, the staff finds that the applicant's study demonstrates that renovation by the contract owner is not economically feasible under the fair market value assumption used in the study. If the property were sold with the expectation that the apartment units would be renovated and upgraded, the fair market value would be much lower, perhaps in the range of the current assessment of $5,000,000. With this lower assumption, Scenarios I and II could be feasibly implemented.

Regardless of the results of the financial analysis, the staff continues to recommend denial of the Permit to Demolish for the reasons stated above.

III. DESCRIPTION OF THE FINANCIAL SCENARIOS

Three renovation scenarios were proposed by the applicant that would preserve the existing buildings. The staff was consulted and agreed that the scenarios provided a range of situations to analyze.

- Scenario I: This scenario limits renovation expenditures to one-third of the value of the buildings so as not to trigger the zoning ordinance requirement to provide off-street parking.

- Scenario II: This scenario assumes full renovation of the buildings, with the City granting a waiver of all required off-street parking (88 spaces).

- Scenario III: This scenario assumes full-renovation of the buildings, with a parking lot built in the interior courtyard that would provide some off-street parking spaces (54 spaces). The city would grant a waiver of the remaining off-street spaces (34 spaces).

In all scenarios, financial viability of both sales units as well as rental units is considered. The applicant concludes that "all of these scenarios result in very substantial monetary losses to a potential purchaser, and consequentially, none of these scenarios are viable." The applicant also feels that the viability of Scenarios II and III are questionable because they require a waiver of off-street parking spaces which neighbors are likely to oppose. The Repair and Renovation Study provided by the applicant is attached as Attachment 2. The staff analysis of this Study follows.

IV. STAFF ANALYSIS OF THE FINANCIAL STUDY

While many of the assumptions in the scenarios are reasonable and follow industry practices, the bottom line of all the scenarios hinge on assumptions, estimates, and figures provided in the following four areas:

- Acquisition Cost
- Renovation Cost
- Market Comparisons
- Historic Tax Credits/Easements

Acquisition Cost

A "Property Purchase Fair Market Value" of $11,558,010 is used as a base for all three scenarios. The number is based on the assessed value of the Liberty Row property, which is under construction at 625 First Street. The rationale for using this property as a comparison is that it is zoned CD, which allows an FAR of 1.25, the same as the Gunston Hall property.

The acquisition cost is important because it is a large number in the analysis and a significant change in this number can affect the bottom line in a major way. For example, just using the current assessed value of the Gunston Hall property of $5,000,000 (a little less than half of the "Fair Market Value") can result in a positive return on investment for Scenarios I and II.

The $11,558,010 fair market value is a proxy for the actual purchase price being paid by the applicant, Basheer & Edgemoore, as contract owner of the property. The staff does not find this number unreasonable given the development potential of this CD zoned site. The current FAR of the site is 0.6 compared with the permitted FAR of 1.25 which does not require a Special Use Permit. However, had the same renovation analysis of the site been done using the current owner's actual purchase price of $2,400,000 in 1986, the return on investment would be positive for all scenarios.

<u>Renovation Cost</u>

Full renovation costs for Scenarios II and III are estimated to be $150/square foot ($7,035,120). This renovation estimate does not include the cost of asbestos abatement, which is estimated to be an additional $950,000. The staff feels that the per square foot cost of renovation seems to be high for this renovation, but the staff has not seen the inside of the apartments and cannot categorically say that the cost is too high.

Even if the renovation cost were $125/square foot, it would not change the bottom line.

<u>Market Comparisons</u>

The staff did an independent analysis of the rental and sales market for units in the Northern Virginia area and found that the Condo Fair Market Value and Monthly Rent Fair Market Value estimates used in the study are reasonable for renovated units of that age and parking situation.

<u>Historic Tax Credits/Easements</u>

The rationale for considering Federal and state tax credits only for Scenario II is reasonable. Gunston Hall could become a Certified Historic Structure by expanding the period of significance for the George Washington Memorial Parkway through 1945. In Scenario II, full renovation meets threshold limits for substantial rehabilitation at both federal and state levels. (Federal credits are not included for the condo option, because they would be recaptured upon sale of the condos.)

Rehabilitation threshold limits of 100% of the adjusted basis (for federal credits) and 50% of the assessed value (for state credits) are not met in Scenario I, because rehab costs are assumed to be limited to 33% of the assessed value of the buildings.

The new surface parking lot assumed in Scenario III would not meet the Secretary of the Interior's Standards for Rehabilitation and thus federal and state tax credits would not be available.

The financial tax benefits of open space and façade easements were not addressed in the Study. Such conservation easement donations are recognized as charitable contributions under the tax code. An appraiser would establish the value of such an easement based on the difference between the appraised fair market value before and after the donation. However, IRS guidelines suggest that the deductible value of an easement can be appraised at approximately 10 – 15% of the fair market value of the property.

Using a conservative number, the $5,000,000 current appraised value of the Gunston hall apartments, would yield a one-time $750,000 charitable federal tax deduction and a $375,000 state tax deduction. Even if the fair market value were higher after renovation of the units, the impact of the easement deduction would not be enough alone to turn the calculated net loss into a gain.

V. FINANCIAL ANALYSIS - STAFF CONCLUSION

Although financial feasibility of renovation is not a criterion under the zoning ordinance for determining whether or not to grant a permit to demolish, the staff finds that the applicant's study demonstrates that renovation by the contract owner is not economically feasible under the fair market value assumption used in the study. If the property were sold with the expectation that the apartment units would be renovated and upgraded, which would reflect approximately ½ of the allowable FAR, the fair market value would be much lower, perhaps in the range of the current assessment of $5,000,000. With this lower assumption, Scenarios I and II could be feasibly implemented.

VI. STAFF RECOMMENDATION

Regardless of the results of the financial analysis, the staff continues to recommend denial of the Permit to Demolish for the following reasons:

- The Gunston Hall apartments are part of the district's historical heritage and are worth preserving based on the staff findings using zoning ordinance criteria,
- The staff is concerned that demolition of Gunston Hall could set a precedent in this area of the City, leading to other demolition requests that could change the character of the area and be inconsistent with the Old and Historic Alexandria District,
- On the other hand, the buildings themselves are typical of other garden apartments found on South Washington Street,
- The Staff also acknowledges the applicant's concern about whether the existing buildings can be economically renovated and the uncertainty about whether the City would grant a parking reduction Special Use Permit that a renovation might necessitate.

REPAIR & RENOVATION STUDY
915 SOUTH WASHINGTON STREET

	Scenario I (see pages 3-5) Maintenance/Repair		Scenario II (see pages 6-8) Renovation with Parking Waiver for All Required Off-Street Parking		Scenario III (see pages 9-11) Renovation with Parking Waiver for 34 Off-Street Spaces	
A. COST TO ACQUIRE & RENOVATE PROPERTY	Total	Per Unit	Total	Per Unit	Total	Per Unit
Property Purchase Fair Market Value	11,558,010	206,393	11,558,010	206,393	11,558,010	206,393
Renovation Cost						
Building Renovation	777,600	13,886	7,035,120	125,627	7,035,120	125,627
Parking Lot & SWM					225,000	4,018
Asbestos Abatement	335,800	5,996	950,000	16,964	950,000	16,964
Architecture, Engineering, Specialty Consultants	116,640	2,083	703,512	12,563	1,055,268	18,844
Finance	767,283	13,701	1,214,799	21,693	1,249,404	22,311
Administration, Legal, Ins, Taxes, Lic, Other OH	800,000	14,286	1,200,000	21,429	1,300,000	23,214
Developer Fee	1,435,533	25,635	2,266,144	40,467	2,337,280	41,737
Total Renovated Cost	**15,790,866**	**281,980**	**24,927,585**	**445,135**	**25,710,082**	**459,109**
B. CONDOMINIUM APARTMENT OPTION						
Total Renovated Cost	15,790,866	281,980	24,927,585	445,135	25,710,082	459,109
Federal Preservation Tax Credits						
VA Preservation Tax Credits			(2,751,774)			
Selling & Marketing	710,589		1,121,741		1,121,741	
Warranty	84,000		112,000		112,000	
Total Cost of Sales	16,585,455	296,169	23,409,552	418,028	26,943,823	481,140
Condo Fair Market Value	11,725,200	209,379	16,415,280	293,130	18,760,320	335,006
Net Loss on Condominium Option	**(4,860,255)**	**(86,790)**	**(6,994,272)**	**(124,898)**	**(8,183,503)**	**(146,134)**
C. RENTAL APARTMENT OPTION						
Total Renovated Cost	15,790,866	281,980	24,927,585	445,135	25,710,082	459,109
Federal Preservation Tax Credits			(2,201,419)			
VA Preservation Tax Credits			(2,827,699)			
Total Renovated Cost (net of tax credits)	15,790,866	281,980	19,898,467	355,330	25,710,082	459,109
Required Net Operating Income (annual)	1,579,087		1,989,847		2,571,008	
Operating Expenses (annual)	302,400		252,000		268,800	
Net Rent Required (annual)	1,881,487		2,241,847		2,839,808	
Vacancy (annual)	56,445		67,255		85,194	
Gross Potential Rent (annual)	1,937,931	34,606	2,309,102	41,234	2,925,002	52,232
Monthly Rent Required	161,494	2,884	192,425	3,436	243,750	4,353
Rental FMV (annual)	806,400	14,400	940,800	16,800	1,041,600	18,600
Monthly Rent Fair Market Value	67,200	1,200	78,400	1,400	86,800	1,550
Annual Net Loss on Rental Option	**(1,131,531)**	**(20,206)**	**(1,368,302)**	**(24,434)**	**(1,883,402)**	**(33,632)**
Capitalized Net Loss on Rental Option	**(11,315,312)**	**(202,059)**	**(13,683,021)**	**(244,340)**	**(18,834,024)**	**(336,322)**

ATTACHMENT I

Update: Staff has added additional information regarding the siting of this garden apartment complex.

STAFF RECOMMENDATION:

Staff recommends **denial** of the Permit to Demolish.

NOTE: Under the terms of the Board's by-laws, this docket item requires a roll call vote.

I. ISSUE:

The applicant is requesting approval of a Permit to Demolish the Gunston Hall apartments, an eight building multi-family apartment complex located at 901-915 South Washington Street to construct condominiums and townhouses as discussed in the concept plan Staff report.

II. ARCHITECTURAL DESCRIPTION

The complex occupies the entire city block bounded by South Washington, Green, Columbus and Church streets. It consists of two "C" shaped groupings, each with four two story red brick structures, surrounding a landscaped quadrangle all in a strong Colonial Revival design vocabulary. The buildings are set back 50 feet from the street. The basement level is exposed on the Church Street (south) and Columbus Street (rear or west) sides. The buildings facing Washington Street have truncated gable roofs clad in slate and punctuated by wood dormers. The end walls of the front buildings have lunette windows between double chimneys. All the buildings have brick quoins at the corners, a stringcourse with dentils and wood multi-pane windows. The buildings on the side and rear have parapets concealing flat roofs. The entrances face onto the courtyard and are accented by a variety of Colonial Revival architectural forms, including porticos, doorways with multi-light sidelights and transoms and palladian windows. The courtyard retains a number of mature trees and a system of walkways linking the buildings. Large holly bushes mark the front entrance to the courtyard. Low brick walls at the front and back of the courtyard enclose the space. The site drops off significantly at the rear (west) of the property where it is terraced to accommodate the change in topography. A set of brick steps through an ironwork gateway gives access to the courtyard from the rear.

The complex houses 56 apartments in the first and second stories and service areas in the basement level.

Figure 2 Gunston Hall Apartments, 900 block South Washington Street, 1939. Constructed around a central courtyard with walkways connecting the buildings and generous street setbacks and landscaping.

II. BACKGROUND & HISTORY:

The Gunston Hall apartments at 901-915 South Washington Street are an eight building multi-family garden apartment complex constructed in 1939. The architect for the Gunston Hall apartments was Harvey H. Warwick, one of the most important architects for apartments in the Washington metropolitan area in the 1930s and 1940s. An Appendix to this report provides additional information about Warwick and his architectural contributions in the Washington, D.C. area.

Siting

When originally constructed, the complex was located in a largely undeveloped rural area of the City. Washington Street had been extended over adjacent Hunting Creek to the south in 1932 with the construction of the George Washington Memorial Parkway as part of the commemorations of the bicentennial of Washington's birth. Prior to that the street had ended in a dirt path at St. Mary's Catholic Cemetery in the 1000 block of South Washington Street.

South Washington Street as it passes through Alexandria is the George Washington Memorial Parkway, an individually listed property on the National Register of Historic Places and a unit of the National Park Service. As a condition of routing the parkway through Alexandria, the City agreed to preserve and maintain the memorial character of the parkway. Construction started in 1929, and in 1932, the bicentennial year, the parkway was completed between the Arlington Memorial Bridge and Mount Vernon. The roadway followed the varied natural and physical features of the landscape. As it intersected Alexandria, its four miles showcased some of the City's vast numbers of historic resources.

In the 1930s and 1940s, prior to the establishment of the Old and Historic District and Board of Architectural Review, plans for all of the properties that fronted on Washington Street were evaluated by the Federal government, acting through the National Capital Park and Planning Commission and, later, the National Park Service to ensure that they contributed to the memorial character of the George Washington Memorial Parkway. Thus, all buildings on Washington Street from this period are significant for having undergone federal design review and having been approved as "in keeping with the dignity, purpose and memorial character" of the highway.

At the time they were built, the Gunston Hall Apartments were well sited. The buildings have a generous set back from Washington Street on a high point of ground which in 1939 overlooked the Potomac River to the east and Hunting Creek and farmland in Fairfax County to the south. Advertisements in the *Alexandria Gazette* at the time the buildings first rented noted "Large, Cool Apartments" which resulted from their placement on high ground and "Commanding a glorious view of the Potomac River." (7/14/1940). This bucolic setting helped to provide a transition from the more urbanized Washington Street section of the George Washington Memorial Parkway to the undulating, limited access parkway passing through the rolling hills adjacent to the Potomac River on its way to Mount Vernon.

At the May 19th public hearing there was testimony to the effect that the Gunston Hall apartments were not a true garden apartment in the sense that it was not a large complex that meandered over shifts in topography in the same manner as other Warwick complexes at Colonial Village and Arlington Village do. The siting of the Gunston Hall apartment complex is a specific response to the original plan of Alexandria. Dating from the late 18^{th} century, the plan of Alexandria mandated an orthogonal grid of rectangular shape blocks. While much of the City remained undeveloped until the middle of the 20^{th} century, all of the plans for the City showed the street grid system even if the streets themselves had not actually been constructed. Therefore, in order to comply with the City plan, development had to take place within the confines of the established blocks. Thus, it is a testament to the design talent of Harvey Warwick that he was able to combine the signature elements of his previous garden apartment projects into a relatively compact yet somewhat dense configuration while managing to maintain an open and airy feeling in which all apartments had at least two exterior exposures. This compact design with a center courtyard became the prototype for similar garden apartments that were constructed along South Washington Street during the course of the next decade.

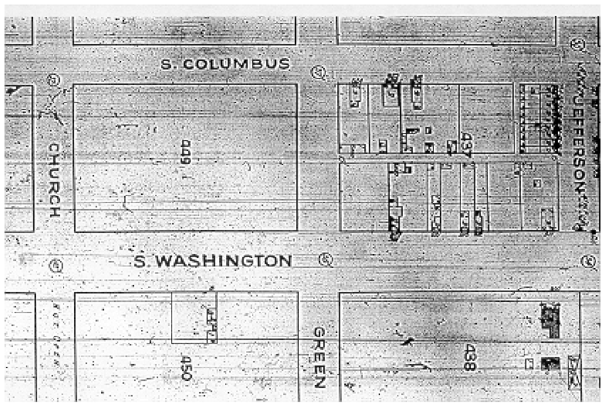

Figure 3 1921 Sanborn map showing platted, but undeveloped blocks

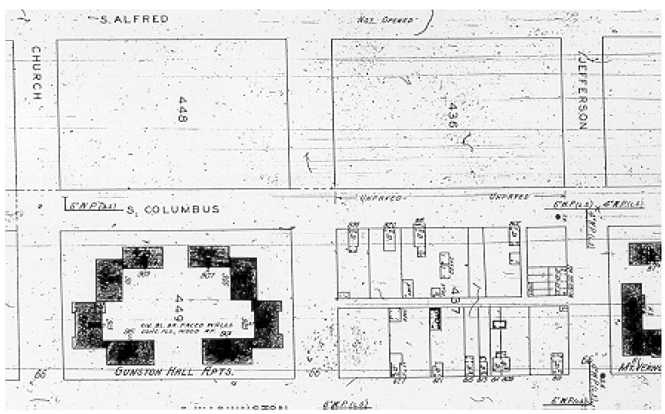

Figure 4 1941 Sanborn map showing developed Gunston Hall Apartments, with surrounding undeveloped blocks

The Gunston Hall Apartments are among a number of garden apartment complexes fronting directly onto the George Washington Memorial Parkway which bear historic names: for example, the Mount Vernon Gardens apartments in the 700 block of South Washington Street (1939) and the Williamsburg apartments in the 900 block of South Washington Street (1941).

Figure 5 Gunston Hall, home of George Mason, Mason Neck, Virginia. Constructed 1755-60.

Figure 6 Gunston Hall Apartments, designed in a conscious Colonial Revival style in 1939, employs many of the same design elements as the original Gunston Hall plantation building including brick construction, slate covered gable roof with dormers, double chimneys, pedimented door surrounds quoining and circular windows.

The Gunston Hall Apartments are named for the home of George Mason, father of the Bill of Rights, located several miles to the south of Mount Vernon on Mason Neck. The historical names of the new apartment complexes served to reinforce the patriotic associations of Alexandria with the Revolutionary War and early National eras and to foster a sense of pilgrimage for those motoring from Washington, DC toward Mount Vernon.

Historical Context: Response to Housing Needs

The Gunston Hall apartments were built in response to a severe housing shortage that gripped the metropolitan Washington area in the mid- to late-1930s with the growth of the New Deal agencies and continued through the defense build-up for World War II. From 1939 to 1943, the number of federal government workers nearly doubled. The 1940 City directory claimed that, "Alexandria's rapid development in the past few years has made it the fastest-growing city in the state." (1940 Directory, Introduction, 15). In this period the Naval Torpedo Station, Gravelly Point Air-city (National Airport), Potomac Yards and the Pentagon, all in the immediate vicinity of Alexandria, employed many thousands of workers. As a result, a severe housing shortage developed, particularly for modest income rental units. The apartment vacancy rate in the Washington area dropped from 12.5 percent in mid-1933 to 0.5 percent in late 1934 (Goode, James M., Best Addresses, page 332). Alexandria's housing woes were such that the City commissioned a survey of all dwelling units in the City (approximately 9000 at the time) and a study of housing conditions. The report was presented to the City Council in June 1939 ("Speakers on U.S. Housing Here Tonight," *Alexandria Gazette*, 4/19/1939, 1 and "Social Unit Gets Housing Plan Report," *Alexandria Gazette*, 6/17/1939, 1).

In response, from 1939 through 1941, significant numbers of garden apartment complexes were constructed at the south end of the City where zoning enacted in 1931 allowed higher density development along Washington Street. According to the 1998 draft Historic Resources Report for the Woodrow Wilson Bridge Improvement Study, the 700, 800 and 900 blocks of South Washington comprise a significant architectural grouping:

> Collectively, the large concentration of multi-unit, speculative housing ... south of Franklin Street makes a major, and unique, contribution to the N[ational] R[egister] District as a whole, and its period of significance which extends through 1945. (Page 5-22)

The Gunston Hall Apartments, along with the Mount Vernon Gardens Apartments in the 700 block and The Boulevard Apartments at Green and South Washington Streets, appear to be the first of the garden apartment complexes to be completed on South Washington Street. The project was undertaken by the Mount Vernon Development Corporation, owner, and Stone and Warwick Construction Company, builder.

Begun in late summer or early fall of 1939, the Gunston Hall Apartments were completed by July 14, 1940 when a prominent advertisement for rental apartments appeared in the *Alexandria Gazette*. In addition to touting the siting of the complex, the advertisement called attention to a number of amenities and the “unusual low rates” for its spacious 3- to 5-room apartments. The attractiveness of the complex and intense housing shortage apparently ensured that the complex was quickly filled. The advertisement ran for less than a week. By the time the 1940 City Directory was published, 34 apartments are listed as inhabited.

Architectural Context: Garden Apartment Style

Alexandria had no tradition of purpose-built apartment buildings. Prior to the apartment boom at the end of the 1930s, renters rented entire houses, flats carved out of larger and generally older houses, or boarded. There were no multi-story apartment buildings as were built in Washington from the 1880s onward. Instead, Alexandria’s apartment history begins with the garden apartments constructed in 1939. Nationally, the first garden-style apartments were constructed in 1920s. By the 1930s, this type of multi-family housing had become popular in metropolitan areas all over the country. According to James Goode, in the period between 1935 and 1940, over 300 garden-style apartments complexes were built in and around the nation’s capitol, making the area one of the most significant resources for this type of architecture (Goode, Page 184). Garden style apartments are typified by groupings of low (two to three story) buildings without lobbies or elevators arrayed in a landscaped setting, often featuring a central or interior courtyard. The typical site plan preserved much of the land as open space and placed the buildings well back from the street. The advantages to the tenant included increased light, air and privacy and a restful setting. The domestic appearance of the relatively small buildings in their landscaped settings made this type of apartment more palatable to the middle class, which had generally been resistant to high rise multi-family dwellings. The style proved an economical and aesthetically pleasing housing solution for Alexandria in the period of intense growth at the end of the 1930s and beginning of the 1940s.

In the 1970s and 1980s a number of area garden apartment complexes threatened with redevelopment instead successfully converted to condominium or co-op ownership. A number of local garden apartment developments of the same period as the Gunston Hall Apartments are listed on the National Register of Historic Places:

Arlington Village Historic District, Arlington, VA
Colonial Village Apartment Complex, Arlington, VA
Walter Reed Gardens, Arlington, VA
Fairlington Historic District, Arlington, VA
Buckingham Historic District, Arlington, VA
Parkfairfax, Alexandria, VA

Figure 7 Gunston Hall apartment looking south from Green Street.

IV. APPLICANT'S REASON FOR DEMOLITION

The applicants wish to demolish Gunston Hall Apartments, 56 units, to facilitate redevelopment of 60 dwelling units, 48 in two new condominium buildings on Washington Street and 12 in new townhouses on South Columbus Street and a Certificate of Appropriateness for the same.

The applicant says that the existing buildings have seriously deteriorated and that renovation of the buildings would require compliance with the off-street parking requirements. The property currently does not have off-street parking. The need to meet current parking requirements is triggered when the cost of improvements is 33 1/3 % or more of the market value of the building. The applicant says to create off-street parking would require removing all the trees and open space. The other alternative would be to apply for a parking reduction Special Use Permit, which the applicant says the City might not approve.

V. FINDINGS

In considering a Permit to Demolish, the Board shall consider any or all of the following criteria set forth in the Zoning Ordinance, §10-105(B) in determining whether or not to grant a permit to demolish. The staff has provided a response to each criterion.

(1) **Is the building or structure of such architectural or historical interest that its moving, removing, capsulating or razing would be to the detriment of the public interest?**

Response: Yes. The Gunston Hall Apartment complex is part of the architectural heritage that accompanied the development of the George Washington Memorial Parkway. The complex is an excellent example of the garden apartment style tailored to the more intimate Alexandria setting. It is the work of an architect who figured prominently in the development of apartments in the Washington area in the mid-20th century. It represents a significant period in Alexandria's history and growth.

(2) **Is the building or structure of such interest that it could be made into a historic house?**

Response: No. By definition, these multi-family buildings are not an historic house.

(3) **Is the building or structure of such old and unusual or uncommon design, texture and material that it could not be reproduced or be reproduced only with great difficulty?**

Response: No. These buildings were built in the mid-20th century using materials and techniques readily available at the time. These same materials and construction methods are readily available today.

(4) **Would retention of the building or structure help preserve the memorial character of the George Washington Memorial Parkway?**

Response: Yes. The buildings were designed in direct response to the construction of the George Washington Memorial Parkway and are included as part of the George Washington Memorial Parkway National Register of Historic Places listing. The appropriateness and significance of the garden apartments on the southern end of Washington Street is mentioned in the Washington Street Design Guidelines (page 8). The setback of the buildings, the feeling of openness, and the scale of the buildings provides a fitting and appropriate southern Parkway entrance to the City's urban area.

In fact, the applicant recognizes "that these buildings were built during the post WWII boom in residential construction in our area and their architectural character of red brick finish with punched windows is an important design concept for the memorial charter of the Parkway, and the garden apartments in this area are specifically listed as a part of the historic register."

(5) **Would retention of the building or structure help preserve and protect an historic place or area of historic interest in the city?**

Response: Yes. These building were created as part of the historic place of the George Washington Memorial Parkway and are contributing resources in the Old and Historic Alexandria District.

(6) **Would retention of the building or structure promote the general welfare by maintaining and increasing real estate values, generating business, creating new positions, attracting tourists, students, writers, historians, artists and artisans, attracting new residents, encouraging study and interest in American history, stimulating interest and study in architecture and design, educating citizens in American culture and heritage, and making the city a more attractive and desirable place in which to live?**

Response: Yes. The Gunston Hall garden apartment complex consciously evokes the design approaches of the early National period and seeks to foster a patriotic connection to George Mason, the father of the Bill of Rights. Its open feeling, low scale, and attractive design set the stage for making this southern entryway to the City's urban area an attractive and desirable place to live.

(7) **In the instance of a building or structure owned by the city or the redevelopment and housing authority, such building or structure having been acquired pursuant to a duly approved urban renewal (redevelopment) plan, would retention of the building or structure promote the general welfare in view of needs of the city for an urban renewal (redevelopment) project?**

Response: This is not applicable to Gunston Hall.

VI. STAFF RECOMMENDATION

The Staff finds that the Gunston Hall apartments are part of the district's historical heritage and, under the above criteria, are worth preserving. The complex is an example of the garden apartment style tailored to the scale of the City in this area adjacent to the George Washington Memorial Parkway. It has a scale, setback, and openness that present a soft southern entrance to the urban area of the City and the historic district. Retention of the apartments is consistent with the agreement that the City made with the National Park Service to preserve and maintain the memorial character of the parkway.

The Staff is also concerned that demolition of Gunston Hall could set a precedent in this area of the City, leading to other demolition requests that could change the character of the area and be inconsistent with the Old and Historic Alexandria District.

On the other hand, the buildings themselves are typical of other garden apartments found on South Washington Street.

Based on the findings and analysis of the site, the staff recommends that the Permit to Demolish be denied.

In the alternative, if the Board determines to approve the Permit to Demolish, staff recommends the following conditions be added to the approval:

1. No demolition permit shall be issued until the B.A.R. has approved the design of a new building and a building permit for a new building has been issued;
2. A report addressing the design and history of the complex shall be prepared by an historian meeting the Secretary of the Interior's qualifications and approved by Staff prior to issuance of a building permit;
3. Large scale 4" x 5" negative black and white record photographs to Historic American Building Survey Standards shall be made of the exterior elevations of the buildings. Two sets of these photographs together with the one set of negatives shall be deposited at both the Special Collections, Alexandria Library as well as the Alexandria Archives and Record Center prior to the issuance of a building permit;
4. Physical design detail elements, to be determined at the discretion of the Director of the Lyceum, are to be removed and deposited in the collections of the Lyceum in consultation with Staff of the Department of Planning & Zoning;
5. Alexandria Archaeology must be called immediately (703-838-4399) if any buried structural remains (wall foundations, wells, privies, cisterns, etc.) or concentrations of artifacts are discovered during development. Work must cease in the area of the discovery until a City archaeologist comes to the site and records the finds; and,
6. These conditions must appear in the General Notes of the site plan so that on-site contractors are aware of the requirement.

Appendix

Architect: Harvey Warwick (1893-1972)

Harvey Warwick, born in 1893, designed two of the most significant apartment building complexes in Washington, D.C.: the Westchester on Cathedral Avenue, N.W. and Colonial Village complex in Arlington, the first large-scale Federal Housing Administration apartment complex. Little is known of Warwick's early life and schooling, but his initial designs influenced the development of the apartment building type in Washington, D.C. Harvey Warwick's first apartment building designs were the prosaic compositions of the seven building C-A-F-R-I-T-Z Row (1922) on Spring Road, N.W. The unusual massing seen at the Randall Mansions (1923) at 1900 Lamont Street, N.W. reveals a more distinct talent. The Chalfonte (1925) at 1601 Argonne Place, N.W. presents a Mediterranean facade, distinctly influenced by contemporary Los Angeles apartment buildings. His skill with Gothic Revival, expressed in the 1930s as Gothic Moderne, is seen in the decidedly transitional design for Hilltop Manor (1926, now the Cavalier) at 3500 14th Street, N.W., the Miramar (1929) also on 14th Street, and his triumph, the design for the Westchester (1930) for Gustave Ring and Morris Cafritz.

In 1930, Morris Cafritz joined in partnership with Gustave Ring to conceive the apartment complex to be known as the Westchester of Cathedral Avenue. Retaining architect Warwick to execute their idea, the men intended the Westchester to be a 28-acre project with four, eight story connecting buildings. Employing the Tudor Revival style, Warwick prepared a design that fully articulated every elevation of the buildings. Only three of the four buildings were completed as the Great Depression reduced developer Gustave Ring's financial ability to complete his plans.

Working with Ring in 1936, Warwick designed Colonial Village in Arlington County, Virginia. This pioneering garden apartment development was the first large scale Federal Housing Administration apartment development in the country. Warwick produced carefully conceived apartment building designs within park-like settings. Colonial Village was the area's first garden apartment complex designed as a planned community and developed by Ring. The complex featured open landscaped courts and sidewalks, adjacent shopping, and meticulous attention to amenities and the comforts of renters. Warwick teamed with Ring once again in 1939 to design Arlington Village, their second FHA-insured garden apartment complex in Arlington County.

Figure 8 Gunston Hall courtyard entrance.

Figure 9 Colonial Village courtyard entrance.

Warwick designed 44 apartment buildings in Washington, D.C. from 1922-1945. He was a close associate throughout his career of Morris Cafritz and fellow Washington developer Gustave Ring. Warwick's apartment building designs include several large garden apartment complexes in northeast and southeast Washington such as the Skyland Apartments and Suburban Gardens. Colonial Village in Arlington is perhaps one of Warwick's best apartment complex designs Historian James Goode has determined that "because of its excellence in design and construction Colonial Village became a prototype for dozens of other large garden apartment complexes in other states."

Warwick, who employed a variety of architectural styles, produced designs for buildings ranging from the early interpretations of the Art Deco to the Colonial Revival styles. According to Striner and Wirz: "The Commonwealth reveals how his [Warwick's] style, like that of so many Washington architects of this period, developed from the highly ornate and eclectic look of the later 1920s to a style rather neatly poised between Art Deco and the International style by the early 1940s." Clearly, Warwick's prominence as an architect is associated with his designs for apartment buildings.
[from: National Register of Historic Places nomination form for Arlington Village Historic District, Arlington County, VA (000-0024)]

Harvey Warwick's affinity for the garden apartment style may in part be due to his own love of landscape design and gardening. A founding member and director of the National Capital Daylily Club (NCDC), Warwick's skills as exhibited on his own "estate" are admiringly remembered by a fellow member:

> Harvey Warwick, Bethesda, MD started his estate plantings in the early to mid-thirties with large mature specimen trees and shrubs. I believe that it was once the most magnificent garden in the whole middle Atlantic area. (from NCDC website)

Warwick's involvement in the Gunston Hall Apartments may have included the design of the landscape. In addition, he may have had a financial interest in the project, as he had earlier in the Westchester Apartments. Further research should reveal whether he had a connection to the construction firm of Stone and Warwick which built the Gunston Hall Apartments.

Warwick's work is featured in two important studies of Washington area architecture: James Goode's <u>Best Addresses: A Century of Washington's Distinguished Apartment Houses</u> (1988) and Hans Wirz and Richard Striner's <u>Washington Deco: Art Deco Design in the Nation's Capital</u> (1984). As previously noted, two of Warwick's projects are included on the National Register of Historic Places: Colonial Village Apartment Complex and Arlington Village Historic District. In addition, Trinity Towers, an apartment building located at 3032 14th Street, NW, is included on the landmarks list for Washington, DC.

By the time Warwick designed the Gunston Hall complex he was a well known mature designer of apartment buildings. His design for the Gunston Hall apartments owes much to his earlier work design at the Colonial Village complex in Arlington County (1935-1937). That complex was designed by Warwick approximately four years prior to the Gunston Hall project. Like

Colonial Village, the Gunston Hall complex is designed in a restrained Colonial Revival vocabulary. The buildings are two stories in height, constructed of brick with punched window openings and have similar detailing, such as brick quoining. The garden style setting of the Gunston Hall complex also benefitted from Warwick's experiences at Colonial Village. At Gunston Hall the buildings ring a central courtyard with landscaped walkways serving each building as do many of the buildings at Colonial Village. While the Gunston Hall complex did not have imbedded retail as did the Colonial Village, the residents of Gunston Hall were within one block of the shopping center at the corner of Franklin and South Washington Street that had been built in conjunction with the Yates Garden subdivision.

Thus, Gunston Hall is a continuation of and refinement of the work of Harvey Warwick as embodied in the prototypical Colonial Village development.

CITY DEPARTMENT COMMENTS

Legend: C - code requirement R - recommendation S - suggestion F- finding

Code Enforcement:

C-1 Prior to the issuance of a demolition permit or land disturbance permit, a rodent abatement plan shall be submitted to Code Enforcement that will outline the steps that will taken to prevent the spread of rodents from the construction site to the surrounding community and sewers.

Alexandria Archaeology:

F-1 This property was the site of a 19th-century brickyard. An archaeological investigation was completed on this lot. Although the work did not result in the recovery of significant archaeological resources relating to the brickyard, there is a possibility that some evidence of the brickyard activities may be discovered during development.

R-1 Call Alexandria Archaeology immediately (703-838-4399) if any buried structural remains (wall foundations, wells, privies, cisterns, etc.) or concentrations of artifacts are discovered during development. Work must cease in the area of the discovery until a City archaeologist comes to the site and records the finds.

R-2 The above statement (in R-1) must appear in the General Notes of the site plan so that on-site contractors are aware of the requirement.

ATTACHMENT II

REPAIR AND RENOVATION STUDY
FOR
915 SOUTH WASHINGTON STREET
JUNE 3, 2004

<u>Basheer & Edgemoore</u>

2071 Chain Bridge Road, Vienna, VA 22182

Tel (703) 749-0140 Fax (703) 749-0142

REPAIR & RENOVATION STUDY
915 SOUTH WASHINGTON STREET

SUMMARY

This analysis is provided in response to a request by the Board of Architectural Review to study the viability of renovating the exiting buildings at 915 South Washington Street in an effort to preserve them. Three renovation scenarios are presented which would preserve the existing buildings. Staff was consulted and concurred that these are appropriate scenarios to study. All of these scenarios result in very substantial monetary losses to a potential purchaser, and consequently, none of these scenarios are viable. Further, Scenario II and Scenario III assume that the City will provide a waiver for some or all of the parking required by the Zoning Ordinance, which, in itself, is unlikely considering the severe parking shortage expressed by neighbors.

Scenario I limits renovation expenditures to one-third of the value of the buildings, so as not to trigger the City requirement to provide all parking off-street. Scenario II assumes a full renovation of the building, to bring it up to more current standards, and assumes the City will grant a waiver of all required off-street parking, which is calculated to be 88 parking spaces. Scenario III assumes a full renovation of the building and a parking lot to be constructed in the interior courtyard that would provide 54 off-street parking spaces. Scenario III would require a City waiver for 34 off-street parking spaces. The existing buildings contains 40 one-bedroom apartments and 16 two-bedroom apartments, together averaging 838 square feet per apartment. The existing building has no off-street parking.

REPAIR & RENOVATION STUDY
915 SOUTH WASHINGTON STREET

	Scenario I (see pages 3-5) Maintenance/Repair		Scenario II (see pages 6-8) Renovation with Parking Waiver for All Required Off-Street Parking		Scenario III (see pages 9-11) Renovation with Parking Waiver for 34 Off-Street Spaces	
A. COST TO ACQUIRE & RENOVATE PROPERTY	Total	Per Unit	Total	Per Unit	Total	Per Unit
Property Purchase Fair Market Value	11,558,010	206,393	11,558,010	206,393	11,558,010	206,393
Renovation Cost						
Building Renovation	777,600	13,886	7,035,120	125,627	7,035,120	125,627
Parking Lot & SWM					225,000	4,018
Asbestos Abatement	335,800	5,996	950,000	16,964	950,000	16,964
Architecture, Engineering, Specialty Consultants	116,640	2,083	703,512	12,563	1,055,268	18,844
Finance	767,283	13,701	1,214,799	21,693	1,249,404	22,311
Administration, Legal, Ins, Taxes, Lic, Other OH	800,000	14,286	1,200,000	21,429	1,300,000	23,214
Developer Fee	1,435,533	25,635	2,266,144	40,467	2,337,280	41,737
Total Renovated Cost	**15,790,866**	**281,980**	**24,927,585**	**445,135**	**25,710,082**	**459,109**
B. CONDOMINIUM APARTMENT OPTION						
Total Renovated Cost	15,790,866	281,980	24,927,585	445,135	25,710,082	459,109
Federal Preservation Tax Credits						
VA Preservation Tax Credits			(2,751,774)			
Selling & Marketing	710,589		1,121,741		1,121,741	
Warranty	84,000		112,000		112,000	
Total Cost of Sales	16,585,455	296,169	23,409,552	418,028	26,943,823	481,140
Condo Fair Market Value	11,725,200	209,379	16,415,280	293,130	18,760,320	335,006
Net Loss on Condominium Option	**(4,860,255)**	**(86,790)**	**(6,994,272)**	**(124,898)**	**(8,183,503)**	**(146,134)**
C. RENTAL APARTMENT OPTION						
Total Renovated Cost	15,790,866	281,980	24,927,585	445,135	25,710,082	459,109
Federal Preservation Tax Credits			(2,201,419)			
VA Preservation Tax Credits			(2,827,699)			
Total Renovated Cost (net of tax credits)	15,790,866	281,980	19,898,467	355,330	25,710,082	459,109
Required Net Operating Income (annual)	1,579,087		1,989,847		2,571,008	
Operating Expenses (annual)	302,400		252,000		268,800	
Net Rent Required (annual)	1,881,487		2,241,847		2,839,808	
Vacancy (annual)	56,445		67,255		85,194	
Gross Potential Rent (annual)	1,937,931	34,606	2,309,102	41,234	2,925,002	52,232
Monthly Rent Required	161,494	2,884	192,425	3,436	243,750	4,353
Rental FMV (annual)	806,400	14,400	940,800	16,800	1,041,600	18,600
Monthly Rent Fair Market Value	67,200	1,200	78,400	1,400	86,800	1,550
Annual Net Loss on Rental Option	**(1,131,531)**	**(20,206)**	**(1,368,302)**	**(24,434)**	**(1,883,402)**	**(33,632)**
Capitalized Net Loss on Rental Option	**(11,315,312)**	**(202,059)**	**(13,683,021)**	**(244,340)**	**(18,834,024)**	**(336,322)**

REPAIR & RENOVATION STUDY
915 SOUTH WASHINGTON STREET

METHODOLOGY & ASSUMPTIONS

Following is a guide to the methodology and assumptions used in preparing the preceding repair and renovation study for this property. For each scenario: Section A calculates the cost to acquire the property and perform the indicated scope of work; Section B calculates the viability to sell the property as condominiums after renovated as indicated in Section A; Section C calculates the viability to operate the property as rental apartments after renovated as indicated in Section A.

Scenario I: Maintenance/Repair

A. **Acquisition and Maintenance/Repair- Cost to acquire the property and complete work are calculated. Construction budget is limited to 1/3 of the value of the building.**

- Property purchase at fair market value. Fair market value is based on the assessed value of the Liberty Row property, at 625 First Street, prorated for its slightly larger size. This site is zoned CD which allows a FAR of 1.25, the same as the subject property, and is being developed in a similar fashion as the subject property. The Liberty Row site is 99,231 square feet in size and is assessed by the City at $13,207,500. 915 South Washington Street is 86,838 square feet in size (Exhibit A).
- Renovation budget (including asbestos abatement) is limited to one-third of the value of the building, so as to not trigger the Zoning Ordinance requirement to provide off-street parking. The building value is assumed to be double (200%) of the current City assessment of $1,670,100, or $3,340,200 (Exhibit B). Consequently, the renovation budget is approximately $777,600 or $13,886 per apartment or $15 per square foot. (Additionally, $335,800 or $5,996 per unit is budgeted for asbestos abatement.) This budget could accommodate the upgrade of one of the major building systems, but probably not more than that (e.g., repair/replace windows or replace heating system, but not both).
- Abatement of asbestos flooring, insulation, roofing and debris. No abatement of asbestos transite panels attached to floor slabs. Cost estimate of $335,800 is based on the Asbestos Survey Report by Geller Environmental Labs, Inc updated on August 19, 2003 (Exhibit C).
- Architecture, engineering and other professional services required for design, contract documents, bidding, contract administration, and permits are assumed to be 15% of construction costs. This percentage is higher in this scenario than the other scenarios due to the relatively lower construction cost.
- Property acquisition and redevelopment financing and fees assumed to be 6% of related costs.

- Developer fee assumed to be 10% of acquisition and redevelopment costs.
- The total cost to acquire the property at fair market value and perform the renovation work is the sum of the cost above.

B. Condominium Apartment Option- Alternative to sell the property as condominium apartments after the property is renovated.

- Total renovation costs as described above.
- Federal preservation tax credits are not included because these tax credits would be recaptured upon sale of the condominiums, and because the minimum expenditure threshold is not met. Virginia preservation tax credits are not included because this scenario does not meet the minimum expenditure threshold. A minimum expenditure of 100% of the assessed value of the building is required to be eligible for Federal preservation tax credits. A minimum expenditure of 50% of the assessed value of the building is required to be eligible for Virginia preservation tax credits.
- Cost to market and sell condominium apartments is assumed to be 4.5% of total renovation cost.
- Warranty cost is assumed to be $1,500 per apartment.
- The total cost to acquire, renovate and sell this property as condominium apartments is the sum of these costs.
- The fair market value of these condominium apartments is estimated from recent comparable property sales, which are similar in size, type, location, renovation quality, and which have 1940's era kitchens and bathrooms, and do not have parking or central air conditioning (Exhibit D). This is assumed to be $350 per square foot of net apartment area, resulting in an average fair market sales price of $209,379 per apartment.
- The total cost acquire, renovate and sell this property as condominiums exceeds the fair market value and results in a loss of approximately $4,065,666 or $72,601 per apartment. For this scenario to be viable, the project would need to be subsidized by this amount by the City or some other source. As these are 'market-rate' condominiums, no such subsidy source is known to exist.

C. Rental Apartment Option- Alternative to rent apartments after the property is renovated. This valuation method equates total capital investment to the present value of the perpetual net operating income.

- Total renovation cost is as described in section A above.
- Federal and Virginia preservation tax credits are not included because this scenario does not meet the minimum expenditure threshold. A minimum expenditure of 100% of the assessed value of the building is required to be eligible for Federal preservation tax credits. A minimum expenditure of 50% of the assessed value of the building is required to be eligible for Virginia preservation tax credits.

- The required net operating income is calculated multiplying the total capital cost of the renovated property by the capitalization rate. The appropriate capitalization for this type of project is assumed to be 10%. (This property valuation method is more commonly seen in the reverse, where the net operating income is divided by the capitalization (discount) rate to produce a valuation of the property. This calculates the present value of a perpetual net operating income.)
- Operating expenses are added to the net operating income to produce a net rent (revenue) required to support the total capital cost. Annual operating expenses are assumed to be $5,400 per unit. This is relatively higher than in the other scenarios, because this scenario will do only some of the deferred maintenance on the property. Most of the building will be 'as-is', resulting in considerably more replacement and maintenance cost for items such as heating system, plumbing, roofing, windows, brick pointing, as well as individual apartment repairs and replacement.
- A vacancy allowance is added to produce a total rent (revenue) if all apartments were rented. This is known as gross potential rent. The vacancy rate is assumed to be 3%.
- The annual rent that must be charged to support the total capital investment to acquire, renovate and operate this property as rental apartments is estimated to be $1,937,931 per year. This is equivalent to an average monthly rent of $2,884 per apartment.
- The fair market rents of these apartments is estimated from recent comparable property rentals, which are similar in size, type, location, renovation quality, and which do not provide parking, and are assumed to average $1,200 per month (Exhibit E).
- The total cost acquire, renovate and operate this property as rental apartments exceeds the fair market rents and results in an annual <u>loss</u> of approximately $1,131,531 per year or $20,206 per apartment per year. For this scenario to be viable, the project would need to be subsidized by this amount by the City or some other source. As these are 'market-rate' apartments, no such subsidy source is known to exist.
- For comparison to the condominium alternative above, the present value of this <u>loss</u> is calculated as a perpetuity and equals a <u>loss</u> of $11,315,312. The substantial difference between the loss generated by the rental alternative versus the condominium alternative is due to the relative strength of the condominium market (i.e., the condominium market is stronger than the rental market).

Scenario II: Renovation with No Off-street Parking

A. Acquisition and renovation with no off-street parking. Cost to acquire the property and complete work are calculated. The building will be updated to meet contemporary standards. The City must waive the entire off-street parking requirement of 88 parking spaces for this scenario.

- Property purchase at fair market value. Fair market value is based on the assessed value of the Liberty Row property, at 625 First Street, prorated for its slightly larger size. This site is zoned CD which allows a FAR of 1.25, the same as the subject property, and is being developed in a similar fashion as the subject property. The Liberty Row site is 99,231 square feet in size and is assessed by the City at $13,207,500. 915 South Washington Street is 86,838 square feet in size (Exhibit A).
- Renovation will provide new roofs, plumbing system, electrical system, air conditioning, alarm, computer network, kitchens, bathrooms, interior finishes, trim, and windows, as well as landscaping and exterior building maintenance. It also provides two apartments to be modified to meet accessibility requirements. The budget assumes a renovation cost of $150 per square foot
- Abatement of asbestos flooring, insulation, roofing, transite panels and debris. Transite panels, which contain 15% to 30% asbestos, are attached to the floor slabs and must mechanically separated from the structural slab. Cost estimates are based on the Asbestos Survey Report by Geller Environmental Labs, Inc updated on August 19, 2003 (Exhibit C).
- Architecture, engineering and other professional services required for design, contract documents, bidding, contract administration, and permits assumed to be 10% of construction costs.
- Property acquisition and redevelopment financing and fees assumed to be 6% of related costs.
- Developer fee assumed to be 10% of acquisition and redevelopment costs.
- The total cost to acquire the property at fair market value and perform the renovation work is the sum of the costs above.

B. Condominium Apartment Option- Alternative to sell the property as condominium apartments after the property is renovated.

- Total renovation costs as described above.
- Federal preservation tax credits are not included because these tax credits would be recaptured upon sale of the condominiums. Virginia preservation tax credits are included and could possibly off-set some of the renovation cost. However, to be eligible for Virginia preservation tax credits, the building must be individually listed on the Virginia Landmarks Register, certified as eligible for listing, or certified as a contributing structure in a district that is listed. It is dubious whether the building could

even meet the lowest standard (contributing) because nowhere in the National Register nominations for either the Alexandria Historic District or George Washington Memorial Parkway are garden apartments, or buildings this recent discussed as part of these districts.

- Cost to market and sell condominium apartments is assumed to be 4.5% of total renovation cost.
- Warranty cost is assumed to be $2,000 per apartment. This is slightly higher than Scenario I due to the greater amount and complexity of the work performed.
- The total cost to acquire, renovate and sell this property as condominium apartments is the sum of these costs.
- The fair market value of these condominium apartments is estimated from recent comparable property sales, which are similar in size, type, location, renovation quality, and which do not provide parking (Exhibit D). This is assumed to be $400 per square foot of net apartment area, resulting in a fair market sales price of $293,130 per apartment.
- The total cost acquire, renovate and sell this property as condominiums exceeds the fair market value and results in a loss of approximately $6,994,272 or $124,898 per apartment. For this scenario to be viable, the project would need to be subsidized by this amount by the City or some other source. As these are 'market-rate' condominiums, no such subsidy funding source is known to exist.

C. **Rental Apartment Option- Alternative to rent apartments after the property is renovated.** This valuation method equates total capital investment to the present value of the perpetual net operating income.

- Total renovation cost is as described in section A above.
- Federal and Virginia preservation tax credits are included and could possibly off-set some of the renovation cost as indicated. However, to be eligible for Federal or Virginia preservation tax credits, the building must be individually listed on the National Register and Virginia Register or certified as a contributing structure in a district that is listed. It is dubious whether the building could even meet the lowest standard (contributing) because nowhere in the National Register nominations for either the Alexandria Historic District or George Washington Memorial Parkway are garden apartments, or buildings this recent discussed as part of these districts
- The required net operating income is calculated multiplying the total capital cost of the renovated property by the capitalization rates. The appropriate capitalization for this type of project is assumed to be 10%.
- Operating expenses are added to the net operating income to produce a net rent (revenue) required to support the total capital cost. Annual operating expenses are assumed to be $4,500 per unit. This is relatively lower than in the other scenarios, because this scenario will more completely renovate the building and reduce maintenance and future capital costs.

- A vacancy allowance is added to produce a total rent (revenue) if all apartments were rented. The vacancy rate is assumed to be 3%.
- The annual rent that must be charged to support the total capital investment to acquire, renovate and operate this property as rental apartments is estimated to be $2,309,102 per year. This is equivalent to an average monthly rent of $3,436 per apartment.
- The fair market rents of these apartments is estimated from recent comparable property rentals, which are similar in size, type, location, renovation quality, and which do not provide parking are estimated to be $1,400 per month (Exhibit E).
- The total cost acquire, renovate and operate this property as rental apartments exceeds their fair market rents that results in annual <u>loss</u> of approximately $1,368,302 per year or $24,434 per apartment per year. For this scenario to be viable, the project would need to be subsidized by this amount by the City or some other source. As these are 'market-rate' apartments, no such subsidy source is known to exist.
- For comparison to the condominium alternative above, the present value of this <u>loss</u> is calculated as a perpetuity and equals a <u>loss</u> of $13,683,021. The substantial difference between the loss generated by the rental alternative versus the condominium alternative is due to the relative strength of the condominium market.

Scenario III: Renovation with Off-street Parking in the Courtyard

A. Acquisition and renovation with a surface parking lot built in the central courtyard. Cost to acquire the property and complete work are calculated. The building will be updated to meet contemporary standards. For this scenario, the City must waive the off-street parking requirement that cannot be accommodated by the new surface lot, which is approximately 34 parking spaces. The City must also permit the cutting down of three large Pin Oak trees, two of which are noted as specimen quality.

- Property purchase at fair market value. Fair market value is based on the assessed value of the Liberty Row property, at 625 First Street, prorated for its slightly larger size. This site is zoned CD which allows a FAR of 1.25, the same as the subject property, and is being developed in a similar fashion as the subject property. The Liberty Row site is 99,231 square feet in size and is assessed by the City at $13,207,500. 915 South Washington Street is 86,838 square feet in size (Exhibit A).
- Renovation will provide new roofs, plumbing system, electrical system, air conditioning, alarm, computer network, kitchens, bathrooms, interior finishes, trim, and windows, as well as landscaping and exterior building maintenance. It provides two apartments to be modified to meet accessibility requirements. The budget assumes a renovation cost of $150 per square foot.
- Trees are removed and a surface parking lot is graded and constructed in the center courtyard. BMP storm water management facilities are constructed underground and connected to the storm sewer in the road at the intersection of Columbus and Church Streets.
- Abatement of asbestos flooring, insulation, roofing, transite panels and debris. Transite panels, which contain 15% to 30% asbestos, are attached to the floor slabs and must mechanically separated from the structural slab. Cost estimates are based on the Asbestos Survey Report by Geller Environmental Labs, Inc updated on August 19, 2003 (Exhibit C).
- Architecture, engineering and other professional services required for design, contract documents, bidding, contract administration and permits, assumed to be 15% of construction costs. This is higher than in Scenario II due to the engineering costs related to the parking lot, BMP facility, and storm sewer connection.
- Property acquisition and redevelopment financing and fees assumed to be 6% of related costs.
- Developer fee assumed to be 10% of acquisition and redevelopment costs.
- The total cost to acquire the property at fair market value and perform the renovation work is the sum of the costs above.

B. Condominium Apartment Option- Alternative to sell the property as condominium apartments after the property is renovated.

- Total renovation & other construction costs as described above.
- Federal and Virginia preservation tax credits are not included. For a project to be eligible for these tax credits the renovation work must comply the Secretary of the Interior's Standards for Rehabilitation. The surface parking lot would violate these Standard's provisions for new site features, and consequently, would not be eligible for preservation tax credits. Further, Federal preservation tax credits would be also be recaptured upon sale of the condominiums.
- Cost to market and sell condominium apartments is assumed to be 4.5% of total renovation cost.
- Warranty cost is assumed to be $2,000 per apartment. This is slightly higher than Scenario I due to the greater amount and complexity of the work performed.
- The total cost to acquire, renovate and sell this property as condominium apartments is the sum of these costs.
- The fair market value of these condominium apartments is estimated from recent comparable property sales, which are similar in size, type, location, renovation quality, and which provide some parking (Exhibit D). This is assumed to be $450 per square foot of net apartment area, resulting in a sales price of $335,006 per apartment.
- The total cost acquire, renovate and sell this property as condominiums exceeds their fair market value and results in a loss of approximately $8,183,503 or $146,134 per apartment. For this scenario to be viable, the project would need to be subsidized by this amount by the City or some other source. As these are 'market-rate' condominiums, no such subsidy source is known to exist.

C. **Rental Apartment Option- Alternative to rent apartments after the property is renovated.** This valuation method equates total capital investment to the present value of the perpetual net operating income.

- Total renovation cost is as described in section A above.
- Federal and Virginia preservation tax credits are not included. For a project to be eligible for these tax credits the renovation work must comply the Secretary of the Interior's Standards for Rehabilitation. The surface parking lot would violate these Standard's provisions for new site features, and consequently, would not be eligible for preservation tax credits.
- The required net operating income is calculated multiplying in the total capital cost of the renovated property by the capitalization rates. The appropriate capitalization for this type of project is assumed to be 10%.
- Operating expenses are added to the net operating income to produce a net rent (revenue) required to support the total capital cost. Annual operating expenses are assumed to be $4,800 per unit. This is higher than in the other Scenario II due to the cost of maintaining the parking lot and BMP facility.

- A vacancy allowance is added to produce a total rent (revenue) if all apartments were rented. The vacancy rate is assumed to be 3%.
- The annual rent that must be charged to support the total capital investment to acquire, renovate and operate this property as rental apartments is estimated to be $2,925,002 per year. This is equivalent to an average monthly rent of $4,353 per apartment.
- The fair market rents of these apartments is estimated from recent comparable property rentals, which are similar in size, type, location, renovation quality, and which provide some parking (Exhibit E). Fair market rents are assumed to be $1,550
- The total cost acquire, renovate and operate this property as rental apartments exceeds their fair market rents that results in annual loss of approximately $1,883,402 per year or $33,632 per apartment per year. For this scenario to be viable, the project would need to be subsidized by this amount by the City or some other source. As these are 'market-rate' apartments, no such subsidy source is known to exist.
- For comparison to the condominium alternative above, the present value of this loss is calculated as a perpetuity and equals a loss of $18,834,024. The substantial difference between the loss generated by the rental alternative versus the condominium alternative is due to the relative strength of the condominium market.

EXHIBIT A

EXHIBIT B

EXHIBIT C

EXHIBIT D

EXHIBIT E