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# Incentives ignite SE surge

Hotel, housing, retail part of \$113M project OK'd for city tax help

Washington Business Journal - July 11, 2003 by [Christine Cubé](#) Staff Reporter

The D.C. Council has approved the District's first tax increment financing-backed project outside of downtown: a \$113 million, mixed-use development in Southeast Washington.

In a move that gives a major push to D.C. Mayor Tony Williams' ambitious housing agenda, the council moved quickly July 8 to approve \$11.5 million in TIF assistance to Capitol Hill Towers, which is also the first TIF project to include public housing.

The project mixes a 344-unit apartment tower, underground parking for 232 cars and a 200-room Courtyard by Marriott at 140 L St. SE. The developer is New York-based Valhal Corp.

The council recesses July 15 and plans to return in September to vote on a permanent piece of legislation on the project, which likely will go to the mayor by January.

In the meantime, D.C. Council's approval of the project and its financing package -- which includes \$36.5 million of owner equity, \$48 million in housing finance authority bonds, \$15 million in enterprise zone bonds and \$11.5 million in TIF -- assures the developer and the bond market the District is proceeding with the project, says D.C. Councilman Jack Evans, D-Ward 2.

"They want to move quickly," Evans says. "When you're building a neighborhood, you want more than office buildings. ... We don't want a Crystal City-type environment, which is a complete failure."

Sheldon Stein, president of the development company ([www.valhal-corp.com](http://www.valhal-corp.com)), says Valhal plans to break ground on the project, which will offer 128 affordable housing units in the apartment tower, in September.

Construction will take 22 to 24 months. The development also will include about 9,000 square feet of ground-floor retail, and should deliver around the summer of 2005.

Besides the housing push -- Williams hopes to attract 100,000 new residents to the District -- officials say the hotel was critical in the decision to move forward with TIF money.

"This is the first time we're using TIF to advance a mixed-use development that includes housing," says Michael Jasso, special assistant for TIF in the D.C. Office of Planning and Economic Development ([dcbiz.dc.gov](http://dcbiz.dc.gov)). "The hotel allowed us to use TIF to help advance the housing agenda. We think there will be strong demand for business hotels as the Navy Yard is redeveloped."

That section of the Southeast waterfront, on New Jersey Avenue at L Street SE, is an economically depressed part of town. Michael Hodge, director of revenue bonds and enterprise zones in the economic development office of D.C., says the Capitol Hill Towers development will help move things along where development previously has been "spotty."

"The project involves a great deal of leveraging and resources," Hodge says. "It'll be instrumental in jump-starting that area and continuing some of the momentum that's begun to show in the area."

'A different place'

The Southeast waterfront development is part of the city's overall Anacostia Waterfront Initiative.

It includes more than \$800 million in investment, with three zoning cases pending: the Arthur Capper Carrollsburg Hope VI housing, Department of Transportation headquarters and the Southeast Federal Center.

D.C. Planning Director Andy Altman says these substantial projects, many of which already are financed and attaining zoning or design review permits, are part of a larger picture.

"This is one of the most significant waterfront developments in the country," Altman says. "There are over 330 acres undergoing redevelopment in the near Southeast."

By comparison, Baltimore's Inner Harbor covers roughly 90 acres and New York's Battery Park City is about 70-plus acres.

"This is really emerging as a second growth corridor in the city, after downtown," he says. "There's an incredible amount that's going on there. It'll be a different place in five years."

The so-called "near Southeast waterfront" stretches from South Capitol Street to the 11th Street Bridge, and from the Southwest Freeway to the waterfront.

The Capitol Hill Towers site is one block from the new headquarters of the Department of Transportation, which plans to move about 7,000 employees there.

Altman says the proposed hotel and apartments fit perfectly into the scheme.

"We want to promote mixed-use," he says. "We're thrilled when we see residential projects come into the area. It helps bring more people to the waterfront; and with the Navy Yard there and contractors who are serving the Navy Yard, there really is a need for a hotel there."

Long time coming

The Capitol Hill Towers project has been in the works for four years.

"We don't mind taking the risk for a calculated investment [and] for a location that promises to be a successful transitional urban location," Valhal's Stein says.

The project is expected to generate more than \$10 million annually through rental income from the apartments, the hotel and garage operation and the retail component. The project will generate \$1.4 million in tax revenue for the city.

Officials expect the project will bring about 125 new jobs to the area and 62 full-time hotel jobs.

The neighborhood now boasts few hotels. There is an independent, 100-room Channel Inn on Water Street SW, the 152-room Capitol Hill Suites on C Street SE and the Best Western Skyline hotel, which is undergoing a multimillion-dollar renovation, on South Capitol Street.

Bill Moyer, director of the hotel advisory group of D.C.-based Donohoe Real Estate Services, says the redevelopment of the Navy Yard over the next several years will transform the area into a unique destination.

"The hotel should do quite well there," Moyer says. "It may take a while to ramp up, but it's one of the few places in Washington that's left to develop."

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