

GOVERNMENT OF
THE DISTRICT OF COLUMBIA

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ZONING COMMISSION

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PUBLIC HEARING

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FOR THE PURPOSE OF
CONSIDERING THE FOLLOWING: |

PUD MODIFICATION -
WATERGATE HOTEL

Case No.
03-16

-----+

Monday, March 1, 2004

Hearing Room 220 South
441 4th Street, N.W.
Washington, D.C.

The Public Hearing of Case No. 03-16 by the District of Columbia Zoning Commission convened at 6:30 p.m. in the Office of Zoning Hearing Room at 441 4th Street, Northwest, Washington, D.C., Carol J. Mitten, Chairperson, presiding.

ZONING COMMISSION MEMBERS PRESENT:

CAROL J. MITTEN	Chairperson
ANTHONY J. HOOD	Vice Chairperson
KEVIN HILDEBRAND	Commissioner
JOHN G. PARSONS	Commissioner (National Park Service)

OFFICE OF ZONING STAFF PRESENT:

ALBERTO P. BASTIDA	Secretary
SHARON SCHELLIN	Zoning Specialist

OFFICE OF PLANNING STAFF PRESENT:

JOEL LAWSON,	Office of Planning
JENNIFER STEINGASSER,	Office of Planning

D.C. OFFICE OF CORPORATION COUNSEL:

SHERRY GLAZER, Esq.

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P-R-O-C-E-E-D-I-N-G-S

6:36 p.m.

CHAIRPERSON MITTEN: Good evening, ladies and gentlemen. This is a public hearing of the Zoning Commission of the District of Columbia for Monday, March 1st, 2004. My name is Carol Mitten and joining me this evening are Vice Chairman Anthony Hood and Commissioner Kevin Hildebrand. We should be joined shortly by Commissioner John Parsons.

And just so that you know, if there's anyone else who tries to get in the room who can't see, there are places to sit in the hallway. We have a television screen set up out there as well.

The subject of this evening's hearing is Zoning Commission Case No. 03-17 and it is the continuation of our January 29th, 2004 public hearing. This application is a request by BRE/Watergate, LLC for approval of a modification to an improved planned unit development for property located at 2650 Virginia Avenue, N.W. known as lot 807 in Square No. 8.

Notice of today's hearing was published in the D.C. register on November 14th, 2003 and copies of that hearing announcement are available to you in the wall bin near the door.

This hearing will be conducted in

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1 accordance with the provisions of 11 DCMR Section
2 3022, which are the rules of procedure for contested
3 cases. The order of procedure will be as follows.
4 Preliminary matters followed by the presentation of
5 the Applicant's case, report by the Office of
6 Planning, report by other Government agencies, report
7 by the affected Advisory Neighborhood Commission, in
8 this case it's ANC 2A, Parties and persons in support
9 and parties and persons in opposition.

10 The following time constraints will be
11 maintained in this hearing. The Applicant will have
12 40 minutes. I believe that's what they've requested.
13 Parties will have 15 minutes. Organizations will have
14 five minutes. Individuals will have three minutes.

15 The Commission intends to adhere to these
16 time limits as strictly as possible in order to hear
17 the case in a reasonable period of time. The
18 Commission reserves the right to change the time
19 limits for presentations if necessary and notes that
20 no time shall be seated.

21 And I would note for the record that Mr.
22 Parsons has joined us.

23 All persons appearing before the
24 Commission are to fill out two witness cards. These
25 cards are also on the table near the door. Upon

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1 coming forward to speak to the Commission, please give
2 both cards to the reporter who is sitting to our
3 right.

4 Please be advised that this proceeding is
5 being recorded by the court reporter and is also being
6 webcast live. Accordingly, we must ask you to refrain
7 from any disruptive noises or actions in the hearing
8 room. When presenting information to the Commission,
9 please turn on and speak into the microphone at the
10 table in front of us stating first your name and home
11 address. When you are finished speaking, please turn
12 off your microphone so that your microphone is no
13 longer picking up sound or background noise.

14 The decision of the Commission in this
15 case must be based exclusively on the public record.
16 To avoid any appearance to the contrary, the
17 Commission requests that person present not engage the
18 members of the Commission in conversation during a
19 recess or at any other time. Staff will be available
20 throughout the hearing to discuss procedural
21 questions.

22 Please turn off all beepers and cell
23 phones at this time so as not to disrupt this
24 proceeding.

25 Now we will consider any preliminary

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1 matters. And I will go first to Mr. Bastida. Any
2 preliminary matters?

3 MR. BASTIDA: Madam Chairman, the staff
4 has no preliminary matters. Thank you.

5 CHAIRPERSON MITTEN: Okay. Thank you. So
6 the first matter then, as a preliminary matter, is to
7 recap where we are with requests for party status.

8 I'm going to call out what I believe is
9 still before us in terms of requests and if there are
10 any changes to this, I would like whoever is affected
11 to come forward.

12 We have a request from the Committee of
13 Concerned Owners in Watergate East as a proponent as
14 a request for a party in support. We have a request
15 from William Wolf and Audrey Wolf to appear as parties
16 in support. We have a request from Watergate West to
17 appear as party in opposition. We have a request from
18 Watergate South to appear as -- no, I believe the
19 request from Watergate South has been withdrawn. We
20 have a request from Frederick and Joel Schwartz who
21 reside in Watergate West to appear as proponents with
22 reservations. We have a request from Watergate East
23 Committee Against Hotel Conversion to Co-op Apartments
24 to appear as parties in opposition, and that was a
25 late filing, which we'll take that up. And then we

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1 have sort of an outstanding request from Watergate
2 East itself to appear as a party in opposition, but
3 we're now told that they are not taking a position and
4 I am going to, unless I'm told otherwise, as a
5 withdrawal of a request for party status inasmuch as
6 one of the requirements of the request is that you
7 must state your position.

8 So is there anything in terms of what we
9 have before us that is incorrect that I've read?

10 Take a seat at the table and identify
11 yourself for the record.

12 MS. FERSTER: Good evening. My name is
13 Andrea Ferster. I'm counsel for Watergate East.

14 Watergate East has filed a supplemental
15 filing indicating that Watergate East will not be
16 participating in an advocacy role today, which means
17 simply that we will not be participating in cross
18 examination, we will not be presenting witnesses and
19 we will not be participating in argument on any
20 preliminary or procedural matters.

21 However, Watergate East Board of Directors
22 did vote on January 11th to participate as a party in
23 opposition and they have not withdrawn that vote.

24 CHAIRPERSON MITTEN: So given what you've
25 just said, what's the purpose of maintaining that

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1 request?

2 MS. FERSTER: Watergate East is in a very
3 difficult situation, as I'm sure you appreciate at
4 this point, which is why Watergate East filed a motion
5 to postpone the hearing. As a result of the decision
6 of the Delaware Chancery Court, which we filed as a
7 supplemental filing on February 27th, the Delaware
8 Chancery Court has directed that Watergate East
9 resubmit the matter of whether or not the membership
10 will approve the sale of Watergate East assets to the
11 membership.

12 CHAIRPERSON MITTEN: I understand.

13 MS. FERSTER: That vote cannot take place
14 any earlier than April 12th, which is the time at
15 which it is now set for being resubmitted to the
16 membership. As a result of the fact that Watergate
17 East on April 12th may well be in a position where its
18 membership might approve the sale of assets to the
19 Applicant in this case, they will at that point be
20 required to withdraw their opposition and support the
21 application under the terms of the agreement.
22 However, if the membership at that point does not
23 approve the sale of the assets, then Watergate East
24 will continue to be opposed to the application in this
25 case.

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1 CHAIRPERSON MITTEN: Okay. Thank you.
2 Anyone else that I didn't correctly represent the
3 request for party status?

4 All right. Then why don't we take up the
5 issue of Watergate East first. And my position would
6 be that I'd like to recommend to my colleagues is that
7 inasmuch as we have a request for party status from
8 folks who live in Watergate East that desire to be
9 proponents represented as the Committee of Concerned
10 Owners in Watergate East and we now have, although
11 it's a late filing, a request from Watergate East
12 Committee Against the Hotel Conversion to Co-op
13 Apartments, and those represent the two factions
14 within Watergate East that the Board is no longer
15 capable on its own to represent that we would grant
16 party status to each of those entities and deny the
17 request for party status from Watergate East so that
18 we have all the views from Watergate East represented
19 in one party or another, but not by the Board.

20 Are there thoughts? Comments?

21 UNIDENTIFIED SPEAKER: (Off microphone.)

22 CHAIRPERSON MITTEN: No, we're
23 deliberating now on the requests that are before us
24 and those requests stand on their own. Thank you.

25 COMMISSIONER HOOD: So in Watergate East

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1 we have opposition and proponents? That's what both
2 of those two who --

3 CHAIRPERSON MITTEN: Yes.

4 COMMISSIONER HOOD: So therefore, that
5 would still leave room for that other group to join
6 one of those at a later date or however they see fit.

7 CHAIRPERSON MITTEN: Thank you.

8 COMMISSIONER HOOD: I would agree with
9 that, Madam Chair, at this point.

10 CHAIRPERSON MITTEN: Anyone else?

11 COMMISSIONER PARSONS: Where does that
12 leave Watergate East when and if they vote on this
13 matter? April 12th, I guess is when they report it?
14 April 12th?

15 MS. FERSTER: That's correct.

16 CHAIRPERSON MITTEN: Let's just keep in
17 mind that Watergate East is just a group of owners
18 represented by a Board of Directors.

19 COMMISSIONER PARSONS: Yes.

20 CHAIRPERSON MITTEN: For, you know, just
21 the legal reasons that have been described to us the
22 folks in Watergate East are not able to be represented
23 by their Board. So this would allow both factions
24 within Watergate East to be represented by a party.
25 I don't know that anyone would be disadvantaged and in

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1 my mind there's no magic to having Watergate East,
2 Incorporated take a position.

3 COMMISSIONER PARSONS: So if these
4 proceedings go beyond April 12th, are we to hear from
5 Watergate East as a witness, if you will?

6 CHAIRPERSON MITTEN: Yes, as an
7 organization, not as a party. They're not prepared to
8 participate as a party now.

9 COMMISSIONER PARSONS: Understood. All
10 right. I agree.

11 CHAIRPERSON MITTEN: Do we have a
12 consensus?

13 COMMISSIONER HILDEBRAND: Does this have
14 any other ramifications on the other parties,
15 Watergate South?

16 CHAIRPERSON MITTEN: We'll take those up
17 in a sec.

18 COMMISSIONER HOOD: But that still would
19 give them the opportunity regardless of which way they
20 go. They still have a faction within that East
21 whether they are proponents or opposition. Like my
22 point earlier, they can join --

23 CHAIRPERSON MITTEN: Yes.

24 COMMISSIONER HOOD: Okay. That still
25 gives them an avenue to work with.

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1 CHAIRPERSON MITTEN: Yes.

2 COMMISSIONER HOOD: Okay.

3 CHAIRPERSON MITTEN: Okay. So we have a
4 consensus. We've granted party status to the
5 Committee of Concerned Owners in Watergate East and
6 we've granted party status thus far to Watergate
7 Committee Against Hotel Conversion to Co-op Apartments
8 and we will deny the request for Watergate East to
9 participate as a party in opposition.

10 I'll take up Watergate West next. We have
11 a request to appear as a party in opposition from
12 Watergate West. Is there any objection from the
13 Commission?

14 UNIDENTIFIED SPEAKER: No objection.

15 CHAIRPERSON MITTEN: All right. Then we
16 have a request from Frederick and Joel Schwartz who
17 are residents of Watergate West to appear basically as
18 individuals who are a party as proponents with
19 reservations. I would say that if we started taking
20 up the individual requests for party status from
21 individual residents within these buildings, that they
22 would erode their opportunity to be viewed as having
23 a unique relationship to the PUD property and
24 therefore I would recommend that we not grant the
25 request of the Schwartz's.

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1 COMMISSIONER PARSONS: Totally agree.

2 CHAIRPERSON MITTEN: We have a consensus
3 there? And then for the same reason I would say that
4 we not grant the request of the Wolfs to appear as
5 parties in support because they are represented,
6 clearly represented by the Committee of Concerned
7 Owners in Watergate East.

8 COMMISSIONER HOOD: I would agree.

9 UNIDENTIFIED SPEAKER: Madam Chair, may I
10 be heard?

11 CHAIRPERSON MITTEN: No, sir.

12 UNIDENTIFIED SPEAKER: (Off microphone.)

13 CHAIRPERSON MITTEN: No, sir. Not on this
14 matter.

15 All right. Then we have as parties
16 participating in this case in support, Committee of
17 Concerned Owners in Watergate East; as parties in
18 opposition we have Watergate West, Watergate East
19 Committee Against Hotel Conversion to Co-op
20 Apartments.

21 All right. The next matter is we have a
22 motion from Watergate East Committee Against Hotel
23 Conversion to Co-op Apartments to postpone.

24 You can briefly address your motion.

25 MR. OLENDER: I am Jack Olender on behalf

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1 of Watergate East Committee Against Hotel Conversion
2 to Co-op Apartments, which was formed about noontime
3 today. We asked to be parties really in event that
4 the matter was not continued because we haven't had an
5 opportunity to prepare, we don't have a zoning lawyer
6 and so forth.

7 We feel that a postponement is necessary
8 because we learned only on last Wednesday that the
9 chancery court in Delaware had ordered that the vote
10 taken by Watergate East was invalid, was an invalid
11 vote, and so we've had very -- very, very little time
12 to prepare anything, witnesses and so forth. So we
13 feel that Watergate East residents, at least half of
14 the individuals when they voted last time were against
15 this zoning as well as the sale and at least half --
16 and more than half of the apartments and more than
17 half of the owners were against it, that they really
18 are left without adequate representation. I am a
19 lawyer, but I am not a zoning lawyer by any means. I
20 have no knowledge of zoning law.

21 Watergate East did have a zoning lawyer
22 who has addressed you already. So, I submit that this
23 needs to be continued until after the April 12 vote so
24 that Watergate East, which is the one I suggest most
25 involved in this case, is a party. And the reason

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1 it's most involved is that Watergate East presently
2 leases space to the hotel.

3 CHAIRPERSON MITTEN: We understand that
4 part of it.

5 MR. OLENDER: And this space is necessary
6 for the parking.

7 CHAIRPERSON MITTEN: I understand.

8 MR. OLENDER: And the lease, I don't know
9 that this has been presented to you, the lease
10 repeatedly indicates that the lessee is the hotel, the
11 hotel lessee. And very reasonable argument can be
12 made by lawyers and judges that this lease cannot be
13 transferred to anyone other than a hotel. It cannot
14 be transferred for conversion into condo apartments.
15 And if that be true, then Monument is in no position
16 to convert even if you were to award them what they
17 ask here because they cannot do it without the parking
18 space.

19 CHAIRPERSON MITTEN: Okay.

20 MR. OLENDER: So it's really -- it's not
21 a realistic situation that they are seeking this
22 zoning at this time when Watergate East has not yet
23 decided whether it will sell the property to them.

24 CHAIRPERSON MITTEN: Okay. Thank you, Mr.
25 Olender.

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1 MR. OLENDER: You're welcome.

2 CHAIRPERSON MITTEN: Mr. Glasgow?

3 MR. GLASGOW: Good evening, Madam Chair
4 and members of the Commission. For the record, my
5 name is Norman M. Glasgow, Jr., law firm of Holland &
6 Knight, representing the Applicant in the case.

7 We certainly object to the motion for
8 postponement. Mr. Olender was here last month,
9 attended the hearing. The positions of the parties
10 have not changed. Even though this was a very late
11 filing today and the rules are very evident as to the
12 filing, I certainly understand why the Chair granted
13 the request for party status and I think that it has
14 been handled in a correct way to have parties both in
15 support and in opposition for Watergate East that
16 reflects what's going on in the building. That's
17 evident in the record where that's at. And we believe
18 that everybody has had an opportunity to know what's
19 going on in this case.

20 This case has been -- I think the set down
21 was in June of 2003. The initial hearing was
22 scheduled in November of 2003. There was a
23 postponement at that point in time to work further
24 with the community groups. That work is done. There
25 have been an unbelievable number of community meetings

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1 involving this project. Anyone that could take the
2 position that they have not had an opportunity to be
3 involved in this or get a case ready given the length
4 of the time that this has been going on would have to
5 claim that they've been out of the country for the
6 last six months. This community is well aware of
7 what's going on with this case and the parties and the
8 persons that have been appearing before the Commission
9 are aware of it.

10 So I think that we are prepared to go
11 forward tonight and try a land use case and not get
12 all bogged down into the jostling between the
13 different factions within Watergate East as to who is
14 going to have a say in or who is going to control the
15 disposition of the property. We have a long-term
16 ground lease. We're willing to move forward on the
17 long-term ground lease. Hopefully, we'll end up with
18 a sale of the property. If it's not, it's not. We'll
19 move forward in either event.

20 CHAIRPERSON MITTEN: Okay. Thank you.
21 Are there any other parties who want to be heard on
22 this motion? Okay.

23 MR. AGUGLIA: My name is Richard Aguglia,
24 representing Watergate West in opposition.

25 We do not object to going forward tonight.

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1 We are very sympathetic with East's position as
2 explained by Mr. Olender. However, we've had to
3 juggle our lineup so to speak significantly because of
4 the last minute pullout by the East, Inc. itself.

5 CHAIRPERSON MITTEN: Yes.

6 MR. AGUGLIA: And so long as Mr. Glasgow
7 does not object to us naming additional witnesses, as
8 we did today, then we would not object to going
9 forward today.

10 CHAIRPERSON MITTEN: Okay. Thank you.

11 MR. AGUGLIA: We named three additional
12 witnesses today as a result of Watergate East, Inc.
13 saying that they were basically in a paralysis mode
14 and unable to proceed. So as long as there's no
15 objection to our introducing three additional
16 witnesses, we would not object to continuing tonight.

17 CHAIRPERSON MITTEN: Okay. Thank you.
18 Let's just hear you on that point and then we'll have
19 it all in front of us.

20 MR. GLASGOW: All right. None of those
21 witnesses were proffered by Watergate East. You know,
22 as long as the entire presentation is kept within the
23 15 minutes with whatever that lineup of witnesses is,
24 I don't understand why these three witnesses that are
25 being added, plus I think there was a request to add

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1 Ms. Eig as a witness also, so I guess it's four. None
2 of the materials that were supposed to be filed or the
3 outlines of the statements were filed timely, either
4 by Watergate East or anyone else.

5 CHAIRPERSON MITTEN: So bottom line it for
6 me. You object or you don't object?

7 MR. GLASGOW: Well, I'm certainly going to
8 object for the record.

9 CHAIRPERSON MITTEN: Okay.

10 MR. GLASGOW: But, you know, the
11 Commission is going to rule.

12 CHAIRPERSON MITTEN: Okay.

13 MR. GLASGOW: And hopefully we'll move
14 forward and have a hearing tonight.

15 CHAIRPERSON MITTEN: Okay.

16 MR. GLASGOW: Thank you.

17 CHAIRPERSON MITTEN: What I would like to
18 propose, particularly since we do have multiple
19 parties in opposition and one may be more prepared
20 than the other, they certainly can work cooperatively,
21 is that we would get through as much of the hearing as
22 we can tonight, but not to take up the parties and
23 persons in opposition until Thursday night, which will
24 give you some additional time to collect yourselves
25 and work together to make an effective presentation.

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1 And then we can proceed tonight and give the folks in
2 opposition a little bit of extra time. How does that
3 sound? Good enough?

4 COMMISSIONER PARSONS: Excellent.

5 CHAIRPERSON MITTEN: Okay. I'm sorry,
6 you're not a party so you're just going to need to
7 take a seat. Thanks. For right now.

8 Okay. I think we're ready to go forward
9 then. Mr. Glasgow?

10 While you're taking your seat at the
11 table, I will ask all those persons who are planning
12 on testifying either this evening or on Thursday
13 night, please rise now and Mrs. Schellin will
14 administer the oath.

15 (WITNESSES SWORN.)

16 MR. GLASGOW: Are we ready?

17 CHAIRPERSON MITTEN: Go right ahead.

18 MR. GLASGOW: All right. Thank you. Good
19 evening, members of the Commission. My name is Norman
20 M. Glasgow, Jr. I'm appearing on behalf of Monument
21 Residential, LLC and BRE/Watergate, LLC, owner of the
22 subject properties.

23 With the permission of the Commission, I'd
24 like to present a brief opening statement. First, I'd
25 like to have Mr. Darby, would you identify yourself

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1 very quickly for the record?

2 MR. DARBY: Michael Darby, principal of
3 Monument Residential.

4 MR. GLASGOW: Bill?

5 MR. STEIN: William Stein, managing
6 director of Blackstone Real Estate Advisors, principal
7 of BRE/Watergate.

8 MR. GLASGOW: Also here in attendance this
9 evening are Mr. Frank Durkin of Hickok Warner Cole.
10 They're the architects for the project, and as will be
11 explained by the architect, they're only minimal
12 changes to the exterior of the building as a result of
13 the PUD modification request and those exterior
14 modifications have previously been approved by the
15 Commission of Fine Arts.

16 Mr. Marty Wells of Wells & Associates is
17 a professional traffic engineer here this evening.
18 Jim Prost of Basil, Bowman, Prost, who is the economic
19 consultant and Steven Sher is the land planner. Also
20 in attendance this evening are Chad Teaterman and
21 Caroline Brown of Holland & Knight and Mr. Asheel Shaw
22 of Monument Residential.

23 Submitted as expert witnesses are Mr.
24 Marty Wells, the traffic engineer, James Prost,
25 economic consultant and Steve Sher as land planner.

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1 All of these submitted expert witnesses have
2 previously been accepted as experts by the Zoning
3 Commission in past cases.

4 The Applicants of the project have had
5 substantial input from the community and they have
6 worked diligently to try to address the concerns
7 raised by the other co-ops at this complex. And so
8 the co-ops in a sense are split. We have Watergate
9 East persons both in support and in opposition,
10 Watergate West in opposition, Watergate South in
11 support. The Applicants have also worked diligently
12 with the Advisory Neighborhood Commission and we're
13 pleased to report that ANC 2A has voted to support the
14 project. In addition, the project has received the
15 support of DDOT. We understand that there's a report
16 in the record from DDOT.

17 The property is zoned SP-2 which permits
18 residential development as a matter of right and we
19 submit that the increase of residential units on the
20 site is consistent with the residential density levels
21 originally envisioned for the project. In fact, as
22 the Commission is aware from a review of its prior
23 orders, it was anticipated at one point that the
24 complex would contain approximately 1,600 residential
25 units and if the Commission approves the PUD

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1 modification, the complex will contain approximately
2 800 units or half the residential density originally
3 envisioned.

4 If there are no preliminary questions, I'd
5 like to proceed with the testimony of the witnesses
6 and I assume that the Commission has a copy of the
7 Applicant's pre-hearing statement.

8 CHAIRPERSON MITTEN: Yes, we do.

9 MR. GLASGOW: All right. Mr. Darby, would
10 you please identify yourself for the record and
11 proceed with your testimony

12 MR. DARBY: Yes, Michael Darby, principal
13 of Monument Residential.

14 Good evening, ladies and gentlemen. I am
15 the contract purchaser of Watergate Hotel. I'm here
16 to present a proposal to convert the Watergate Hotel
17 into 133 high-quality residential cooperative units
18 with 146 parking spaces. Additionally, we will retain
19 and improve the health club. We're retaining an area
20 for a restaurant and providing the residents of
21 Watergate East and South with community rooms adjacent
22 to the restaurant.

23 When the current owners of the Watergate
24 Hotel announced that the hotel was for sale and I
25 first toured it last March, I immediately thought,

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1 "Wouldn't this be a great -- if we can convert the
2 hotel to high-quality residences." With the
3 Watergate's name, 654 high quality residences already
4 are here and those wonderful views up and down the
5 Potomac River, these new units would be some of the
6 finest in the city. After all, when you think of
7 quality mixed-used projects in the U.S., you always
8 think of the Watergate.

9 It seemed that the timing for converting
10 to residential was perfect. The hotel was not doing
11 very well financially and even though the rooms had
12 recently been renovated, there were major deferred
13 costs that would need to be or that could not be
14 deferred for very much longer. The replacement of the
15 air conditioning system, the plumbing piping, the
16 windows, the roof and the repair of the concrete slabs
17 in the parking areas all needed to be done. We
18 estimated this cost to be over \$10 million.

19 At the same time, the demand the housing
20 in the District had picked up considerably and the
21 value of residential property has increased
22 accordingly. Because of the financial situation of
23 the hotel and the cost to maintain it, the simple fact
24 is the hotel is more valuable as residential units.

25 Monument won the bid on the property and

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1 began the process of working in the community
2 including the residences and building owners in
3 Watergate and the Watergate Complex to address any
4 concerns they may have in relation to your proposed
5 plan. We've heard from many of the residents that
6 they believe the conversion of the hotel to
7 cooperative units will complete the Watergate Hotel
8 complex by replacing the hotel with high-quality
9 residences similar to those other residences in the
10 complex. We have heard from many of them that they
11 are very worried about the future of the hotel if it
12 remains a hotel. Will it be operated by a low-quality
13 hotel operator? Will the existing amenities remain?
14 Who will the guests be? Will the traffic become
15 worse? They want a permanent solution now and our
16 plan for a long term residential provides that
17 solution.

18 We have addressed their concerns about the
19 demand for this project and market research shows that
20 each year there are about 7,500 high-income households
21 from D.C. and neighborhoods of Northern Virginia and
22 Maryland looking for new homes. However, in the past
23 year there were only six new urban luxury projects in
24 the District, a total of 284 downtown units that met
25 this demand. Even if twice as many units were created

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1 next year, the District's neighborhoods would be
2 fulfilling less than eight percent of the demand per
3 year for units at the price level we plan to build at
4 the Watergate.

5 We've addressed the neighbors' concerns
6 about Monument's ability to finance the conversion of
7 the hotel by providing them with a letter from our
8 investment partner Leeman Brothers Real Estate
9 Partners, LP, a \$1 billion fund, confirming their
10 involvement in the project. We have provided them
11 with a list of projects of similar or greater value
12 that Monument has been involved with, including the
13 renovation of the Madison Hotel, the Odyssey, a \$90
14 million high-end residential development in Arlington
15 County, the Washington Post office building site in
16 downtown D.C. and Franklin Square North a recently
17 completed \$75 million office building located at 13th
18 and L Streets, N.W.

19 We've recently documented these agreements
20 with both Watergate South and members of Watergate
21 East. We've included South conditions in the records.
22 We've incorporated provisions in these agreements that
23 address the following areas of concern.

24 First, the ownership structure of the
25 units. We made a major concession by agreeing to

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1 change the ownership structure from condominium
2 structure to a cooperative structure. We did this
3 because many of the residents told us they wanted all
4 the units in the complex to operate under the same
5 ownership structure for continuity and they were
6 concerned about their ability to enforce the
7 provisions of the agreements we've negotiated with
8 Watergate East and South, especially after the units
9 have all been sold and Monument moves on.

10 We addressed residents' concerns about
11 college students occupying the new cooperative units
12 and agreed to place restrictions on the use of these
13 units. Only owner occupants can purchase units and
14 these owners are not allowed to rent the units for
15 more than two years in any five-year period.

16 Residents were concerned about the number
17 of people that would occupy the new residences. A
18 daily average shows that the hotel averages about 380
19 guests and employees per day and according to the 2000
20 census for the Foggy Bottom area, the average number
21 of people occupying residences is 1.4. Using this
22 number, the number of people per day in the 133 new
23 units will be only 170, more than half the number of
24 the hotel occupants.

25 In order to satisfy the residents'

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1 concerns that we maintain the value of the units,
2 we've agreed to maintain a minimum average sales price
3 of \$450 per square foot. We've also agreed to reduce
4 the number of units from 155, which we originally
5 looked at, to approximately 133.

6 Second, the residents told us that the
7 important hotel amenities to them are the health club,
8 restaurant and function rooms. We've agreed to make
9 the health club available to residents of Watergate
10 South and East and we offered to make it available
11 also to West. This new state of the art health club
12 will be fully renovated and services will be similar
13 to those available today.

14 We've agreed to make available an area of
15 approximately 3,000 square feet for a restaurant
16 operator free of rent. We are also making available
17 to the operator any of the existing hotel kitchen
18 equipment that's available at no cost. This
19 restaurant will be open to the public and our retail
20 consultants, Madison Retail, have indicated that they
21 will be able to find a good operator for this space.

22 We've agreed to provide East and South
23 with access to community rooms located adjacent to the
24 new restaurant and overlooking the pool area. This
25 offer was also extended to West.

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1 Third, we have addressed traffic concerns
2 by providing studies from a traffic consultant that
3 shows there will be less traffic generated from the
4 new residences and there will be no peak traffic
5 problems are there are currently from hotel functions.

6 We have also provided 146 parking spaces
7 for residents, an increase of approximately 60 spaces.

8 Fourth, in order to minimize disturbances
9 for the residents, we've agreed to set a condition in
10 relation to the construction. These conditions limit
11 noise, construction times and access to the site by
12 construction vehicles. We've also agreed to keep the
13 residents informed of construction progress through a
14 regularly-updated website.

15 We have provided the residents with an
16 economic study that shows the new units will have a
17 positive economic impact because of the increased
18 spending generated from new owners. We have gained
19 support from Watergate South and the majority of
20 members from Watergate East, 54 percent of whom voted
21 to support our proposal to convert the hotel into a
22 cooperative and sell us an area of the hotel that is
23 currently leased from Watergate East.

24 There have been ongoing discussions in
25 relation to the percentage of membership that is

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1 needed to approve the sale of this leased space. It
2 was decided by the chancellor by the Delaware court
3 last week that a simple majority was all that was
4 needed to approve the sale.

5 We'd like to purchase this space, however,
6 since there's a long-term lease on the space which
7 runs through 2065 with a monthly payment of \$1 per
8 month, we can still move forward with the project
9 without owning the space.

10 The Commission of Fine Arts has reviewed
11 and approved our proposed changes to the rooftop and
12 exterior of the building. The Foggy Bottom and West
13 and Advisory Neighborhood Commission, ANC 2A, voted to
14 support our plan stated that the conversion to
15 residential will add to the number of permanent
16 residences in the Foggy Bottom area and reduce traffic
17 congestion. Also, the Foggy Bottom Association voted
18 to support our plan.

19 In summary, our plan to convert the
20 Watergate Hotel to residential has received a great
21 deal of support from the community. We are providing
22 economic benefit to the District and we are helping to
23 meet the mayor's goal of providing 100,000 new
24 residences to the District. Thank you very much.

25 MR. GLASGOW: I'd like to proceed with the

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1 next witness, Mr. William Stein.

2 MR. STEIN: Thank you. Good evening. My
3 name's Bill Stein. I represent BRE/Watergate, the
4 current owner of the hotel.

5 If I may, just to give you a very quick
6 background on Blackstone, just to put in context sort
7 of our involvement in the hotel industry.

8 Blackstone was a private investment firm,
9 or is a private investment firm that was founded about
10 20 years ago. And Blackstone Real Estate Advisors is
11 its real estate arm and through that arm we've
12 purchased over 15 billion of real estate over the last
13 10 years. We've purchased, within that 15 billion, 92
14 full-service hotels, about 20,000 rooms, and two
15 portfolios of limited-service hotels, about 150
16 properties, totalling about 18,000 rooms. We've owned
17 or currently own hotels managed by Four Seasons, Ritz-
18 Carlton, Hyatt, Marriott, Neco, Weston and we
19 currently own and operate the Savoy group of luxury
20 hotels in London.

21 BRE/Watergate, which is an affiliate of
22 Blackstone Real Estate Advisors, acquired the
23 Watergate Hotel in August of 1998. It was owned
24 previously by a European hotel company that didn't
25 have much of a presence in the U.S. The hotel was

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1 struggling and was need in very significant capital
2 investment. Blackstone's expectations were to
3 renovate the hotel and reposition it. And in fact we
4 spent over \$13 million 1999 renovating the property.

5 Unfortunatly, the performance of this
6 hotel has not met our expectations. It's been run by
7 tow different management companies, neither of which
8 have been able to turn it around. The average rate in
9 this hotel is down over 30 percent from its peak in
10 1999 and the market penetration of this hotel, how it
11 performs against its direct competition, has fallen
12 significantly over the last five years.

13 What's caused this? Obviously, when we
14 went into this investment our assumption was that we'd
15 be able to reposition it and turn it around. I think
16 a couple of things have led to this.

17 One, there's a perception that the
18 location of this hotel is not very good from both a
19 business perspective and a leisure perspective. Our
20 customers and those that we're trying to be customers
21 of this hotel are telling us that the distance from
22 them main business center and the district is too far
23 off. It's not located well for that and even as a
24 tourist and leisure destination it's not a location
25 that works.

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1 The other issues that's impacted this
2 hotel's performance is new development. There's been
3 over 2,000 new hotel rooms developed in the last three
4 years in the immediate area and there's another 2,500
5 rooms currently planned or under construction that are
6 going to have an impact on the hotel.

7 You may hear in some testimony tonight
8 that a number of the residents of this community would
9 prefer to keep the hotel. And one of the arguments I
10 think you'll hear is that there is a significant
11 amount of use between those residents and the hotel
12 itself. And frankly, I wish that was the case, but
13 unfortunately it's not.

14 Last year, in 2003, less than one percent
15 of the total revenue of the hotel came from residents
16 of the immediate community. And that one percent
17 equates to about \$150,000 a year in revenue. A-
18 hundred-and-thirty of that 150 was from food and
19 beverage or catering, which you heard from Mr. Darby
20 is going to be an option that's still available to
21 those residents through the restaurant and the
22 function space that's being delivered to them. Only
23 \$20,000 was generated last year from rooms-related
24 activity from the neighborhood.

25 In addition, there is no room service

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1 provided to the adjacent buildings in this complex.
2 You may hear in some other mixed-use complexes where
3 it's all in one physical facility, hotels service the
4 apartments. Logistically that wasn't feasible within
5 this facility because the buildings are spread out.
6 They're not located within the same physical construct
7 and it hasn't worked and we haven't been able to
8 provide room service to the residents.

9 One of the other major issues that's
10 confronting us as owners of this hotel is significant
11 capital still needs to be invested. Even though we've
12 renovated the room product, things like the HVAC, the
13 heating, ventilation and air conditioning systems, the
14 health club, the front entrance all need to be
15 upgraded with significant dollars and Blackstone is
16 just not in a position to do that, one, because of the
17 poor performance of this investment and, two, that
18 there's a lack of return on any investment we make
19 here going forward.

20 So basically because of the reasons that
21 I've described and the plan that was proposed by
22 Monument, you know, it's our belief that the
23 conversion plan presented is in the highest and best
24 use for this facility and the best long-term fit for
25 the complex as a whole. Thank you.

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1 MR. GLASGOW: I'd like to call the next
2 witness, Mr. Frank Durkin of Hickok Warner Cole
3 Architects.

4 Frank, would you please identify yourself
5 for the record and proceed with your testimony?

6 MR. DURKIN: My name is Francis Durkin.
7 I'm with Hickok Warner Cole Architects who has been
8 retained by Monument Realty for the conversion of the
9 Watergate Hotel to the residential units.

10 And if you'll just allow me a second, I'll
11 get my boards. Since we all know where the Watergate
12 Complex is and time is limited, I'm not going to take
13 you through every specific, but I'd be glad to answer
14 any questions that you may have about our proposed
15 development.

16 The hotel itself is the building which is
17 most inboard of all the Watergate buildings facing
18 Rock Creek Park. This is Virginia Avenue and this is
19 New Hampshire Avenue, which is the orientation of all
20 of the following boards that you will see.

21 On the B3 level we are taking what is the
22 existing health club facility and mechanical rooms and
23 so forth, and we are converting the existing health
24 club into a renovated facility, as Mr. Darby
25 indicated. It will be a state of the art facility in

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1 much better condition than the current one and will be
2 available for all of the residents of the Watergate
3 Complex to use. We're also recapturing some of the
4 back-of-hotel house space such as laundry facilities
5 and things of that nature for some parking spaces on
6 the B3 level.

7 On the B2 level, we are taking most of the
8 hotel support spaces which includes the cafeteria and
9 laundry and storage and mechanical, and the Jean Louis
10 and the accounting space and we're converting those to
11 parking in the Jean Louis area and some parking up to
12 the north and converting the mechanical and storage
13 rooms to facilities available for the residents' use
14 such as tenant storage and things of that nature.

15 On the B1 level, the B1 level of the
16 current hotel valet parking will be retained as
17 residents' parking and this is the level at which we
18 are proposing the new restaurant for the public, as
19 well as the meeting room that we are giving to the
20 Watergate East Association for their board functions.

21 The existing ground floor is probably the
22 most radical change, which is converting the hotel
23 lobby and some of the back-of-house hotel accounting
24 facilities and so forth, things like that, into
25 cooperative units. And then the typical floors are a

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1 conversion from hotel rooms to the residential units.
2 And that tracks all the way up through the building.

3 The only exterior changes that we are
4 proposing are minor and have been approved by the
5 Commission of Fine Arts. We are replacing all of the
6 windows which are at the end of their natural life,
7 but we're replacing them in kind. For the units at
8 the top of the building, we are proposing some minor
9 pop-outs through the roof so that they have access to
10 private roof terraces, but we're also planning on
11 maintaining a public roof terrace, which I can show
12 you right here where we are planning on hugging the
13 existing structures so that the impact will be minimal
14 and won't really be visible unless you're on top of
15 some of the adjacent buildings.

16 I believe that that covers about
17 everything. And like I said, if you have any
18 questions, I'd be glad to answer them. Thank you.

19 MR. GLASGOW: All right. I would like to
20 call the next witness, Mr. Marty Wells, professional
21 traffic engineer.

22 Mr. Wells, would you please identify
23 yourself for the record and proceed with your
24 testimony?

25 MR. WELLS: Yes, my name is Marty Wells.

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1 I'm president of Wells & Associates. I and my firm
2 were retained by Monument Realty to evaluate the
3 transportation impacts of converting the Watergate
4 Hotel into a co-op apartment building.

5 We evaluated the trip generation
6 characteristics of the hotel and the co-ops. We
7 evaluated the vehicular access and egress and
8 evaluated the parking.

9 We found that the proposed 133-unit
10 residential use would generate fewer trips, peak-hour
11 trips, than the existing 250-room hotel. Not
12 surprising. The hotel in its ancillary uses generates
13 about 114 a.m. peak-hour trips and 80 p.m. peak-hour
14 trips. The 133 co-op apartments would generate about
15 42 a.m. peak-hour trips and 71 p.m. peak-hour trips.
16 What I'm saying is the co-op would generate about 72
17 fewer a.m. peak-hour trips and about nine fewer p.m.
18 peak-hour trips.

19 A total of 146 parking spaces are proposed
20 to be provided for the 133 co-op apartments. That's
21 an average of 1.1 parking spaces per unit, which is
22 more than adequate. That's four times the ordinance
23 requirement of one space per four units in the SP2
24 zone. That's more than half again the average vehicle
25 ownership for owner-occupied units in this census

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1 tract, which is about .07 vehicles per unit. One
2 point one spaces per unit is consistent with current
3 parking ratios at Watergate South and Watergate East.
4 It's more than twice as many spaces as at Watergate
5 West.

6 Vehicular access and egress to the
7 residential portico share and the parking garage would
8 be the same as for the existing hotel. Access would
9 be provided primarily by Virginia Avenue and more
10 specifically by the service street along the north
11 side of the building. DDOT, I'm grateful to say, has
12 reviewed our analysis and they concur with our
13 findings. And I'd be happy to answer any questions
14 you have following this presentation.

15 MR. GLASGOW: Thank you. I'd like to call
16 Mr. Jim Prost, the next witness.

17 Would you please identify yourself
18 for the record and proceed with your testimony?

19 MR. PROST: Good evening. My name is Jim
20 Prost. I am a principal of Basil, Bowman, Prost &
21 Associates and we have been engaged by Monument to
22 conduct an economic and fiscal impact analysis of the
23 existing hotel and compare that to the economic and
24 fiscal impact of its conversion to residential use.

25 We conducted an economic and fiscal impact

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1 analysis using an economic model which we have
2 developed which was adapted from a U.S. Department of
3 Commerce Bureau of Economic Analysis, which uses an
4 econo-metric model which measures both the direct and
5 indirect impact particular to the District using
6 something called a RIMS 2 model. It's the same model
7 we've used when we've done economic and fiscal impact
8 analysis for the District Government, for the State of
9 Maryland, for Montgomery County as well.

10 Our analysis evaluated both the
11 construction period impact and the impact upon for
12 conversion. During the construction, we estimate that
13 approximately 106 full time equivalent jobs would be
14 created. That would create about \$6 million in
15 payroll and would result in an economic impact, a tax
16 benefit, to the District Government from income tax,
17 real property, sales tax of about \$460,000. All of
18 these are in constant 2003 dollars. They haven't been
19 adjusted for inflation.

20 We've also looked at the economic impact
21 that would happen upon conversion of the facility to
22 full residential use from its existing hotel activity.
23 We estimate that there would be 453 full time
24 equivalent jobs created as a result of the conversion.
25 That would include both direct jobs that would be on

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1 site as well as the indirect jobs which would be
2 created primarily from the spending value. The
3 residents of this unit, this development, with
4 significantly high incomes as a relationship to the
5 sales prices would generate about \$32 million in
6 consumer expenditures within the District. This has
7 been adjusted for where they would make the
8 expenditures based on experience in the District. And
9 that would translate into a tax impact of about \$4.2
10 million per year in the District, a significant amount
11 of income tax which has adjusted for factors of who
12 may or may not be a resident of the District and pay
13 District taxes and property taxes, which takes into
14 consideration the differential tax rate for commercial
15 and residential properties and the sales tax that
16 would be generated from the sales dollars that would
17 be created by the particular project.

18 We have compared this to what the existing
19 hotel facility creates and the existing hotel facility
20 creates about 350 full time equivalent jobs, both
21 direct and indirect, from the on site jobs from the
22 hotel and also as a result of spending by people
23 residing in the hotel. This means there would be
24 about a 30 percent increase in direct and indirect
25 jobs of the conversion versus the existing use.

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1 Another way of also looking at it from a
2 market perspective is given the market demand in the
3 District, we perceive that there is a shortage of
4 high-end residential uses and this would create
5 additional market opportunities for high-end
6 residential uses, which would bring new dollars into
7 the District.

8 In terms of the hotel which would no
9 longer be in utilization, that hotel demand, at least
10 a portion of the District hotel demand that is
11 captured by that would be captured by other District
12 hotels. So we don't see that the hotel demand would
13 be lost to the District. So if you take into
14 consideration this transfer, there would actually be
15 about an 87 percent increase in jobs within the
16 District, assuming that the hotel jobs didn't go away,
17 they remained in the District, but we brought new jobs
18 because of the new income.

19 The total economic impact in terms of
20 taxes would be to generate an 85 percent increase in
21 taxes to the District where the taxes would be about
22 \$7 million compared to the \$3.2 million now. So from
23 an economic and fiscal standpoint, this is a
24 significant benefit to the District.

25 MR. GLASGOW: Thank you, Mr. Prost. I'd

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1 now like to call our last witness, Mr. Steven Sher,
2 land planner.

3 Steven, you have 12 minutes and three
4 seconds.

5 CHAIRPERSON MITTEN: Don't feel the need
6 to take it all.

7 MR. SHER: Madam Chair, members of the
8 Commission, for the record my name is Steven E. Sher,
9 the Director of Zoning and Land Use Services with the
10 law firm of Holland & Knight. Unaccustomed to having
11 more than two minutes, I'll talk more slowly -- no,
12 never mind.

13 You have a report that I think the staff
14 will hand you and I'm just going to through what are
15 the highlights of this as it relates to what is before
16 you, which of course is the proposed conversion of the
17 existing hotel to an apartment house of 133 units and
18 as Mr. Darby indicated in his opening remarks, this
19 will be a cooperative apartment house, the same form
20 of ownership that currently exists for the three
21 existing apartment houses in the project.

22 The property is zoned SP2 and of course
23 the SP2 zone permits an apartment house as a matter of
24 right. But for the fact that the original PUD
25 approved in 1962 specified this building as a hotel,

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1 we wouldn't be here. So, what is before you is a
2 modification to the approved PUD to allow this
3 building to be an apartment house.

4 Page 5, just to go back through a little
5 bit of history, the Watergate was one of the first, if
6 not the first major PUD in the District and the
7 regulations as they related to PUDs in 1962 are very
8 different from the ones that there are now. There was
9 no consolidated PUD. You had to go to the BZA for
10 further processing. The Zoning Commission approved a
11 very general concept and then left the BZA to figure
12 out the details. In one of our submissions either in
13 the application or in the pre-hearing statement I
14 included a copy of the Zoning Commission's approval
15 from 1962. It's one page long. And that's all it is.
16 There's nothing else. And then you go to the BZA and
17 find all the things that happened thereafter.

18 But in that first project approved in
19 1962, there were four stages, an apartment house now
20 known as Watergate East, which included 301 apartment
21 units and 53,000 square feet of retail and service
22 commercial uses. Stage two was an office building and
23 the hotel, 2600 and 2650 Virginia Avenue. Stage three
24 was the apartment house now known as Watergate West at
25 2700 Virginia Avenue. And stage 4 was an apartment

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1 house located along the south side of the property on
2 New Hampshire Avenue and F Street, and that was
3 supposed to contain approximately 850 apartment units.
4 So the total development, as I think Mr. Darby
5 indicated, was approximately 1,600 dwelling units, 300
6 hotel rooms, 185,000 square feet of office space,
7 80,000 square feet of retail, 1,250 parking spaces,
8 total FAR of about 4.5 or 1,900,000 square feet of
9 gross floor area.

10 That's not what's there today. And you
11 say why is that so? Well, in 1968, the Watergate
12 Improvement Associates came back to the Zoning
13 Commission and said, "We don't want to build exactly
14 what you approved in 1962." So we needed, lo and
15 behold, a PUD modification. And the result of that
16 was that what started out as what I just described
17 wound up being about 500,000 square feet of office
18 space as compared to the 185,000 at the beginning, 650
19 more or less apartment units, a 250-room hotel, 1,240
20 parking spaces and then the retail space which is
21 mixed around in the project.

22 So, what was conceived in 1962 was
23 modified in 1968 and then since that time there have
24 been a number of other modifications approved by both
25 the BZA and the Zoning Commission and to the point

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1 that the project sits as it now exists. And this
2 would be a further modification to the existing
3 approvals. We have 133 apartments. The health club
4 on the B2 and B3 levels. The restaurant on the B1
5 level. The FAR would increase by 1,026 square feet.
6 That's .0003 FAR. So, can't even get my fingers close
7 enough together to show what that difference is.

8 The exterior changes, as Mr. Durkin
9 related, the addition of six car ports on an open area
10 now used for parking anyhow. Construction of
11 additional stairways for access to the roof and
12 replacement of the windows and all those have been
13 approved in concept by Commission of Fine Arts. The
14 lot occupancy for the hotel building on its lot is
15 43.5 percent, well under any permitted requirement.
16 We would have more than the minimum amount of
17 residential recreation space required in an SP zone.
18 We have 146 spaces, which is four times the amount of
19 parking that's required. There's no change in loading
20 from the existing condition where there is a
21 consolidated loading area adjacent to the 2600
22 Virginia Avenue office building. That's not going to
23 change.

24 With respect to the density of persons in
25 this project, and Mr. Darby alluded to this a little

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1 bit before, the 2000 census for census block two in
2 tract 56, which is actually the Watergate project in
3 its entirety, indicates that the average number of
4 persons per household is 1.41. Out of 133 units, that
5 would be a total of 187 residents in the building.
6 Two-hundred. A-hundred-seventy-five. One-point-four
7 -one is an interesting number, but nonetheless, with
8 250 hotel rooms, even if you assumed that there was
9 only one person per hotel room, there would still be
10 more persons on the premise as a hotel than there
11 would be if this was an apartment house. Even if you
12 assume that the hotel wasn't operating at full
13 capacity, if you reduce that by 80 percent, 75
14 percent, 70 percent, you are still in the same range
15 of no significant change in the number of persons on
16 the property. And this is just talking about
17 residents. It's not talking about staff. It's not
18 talking about visitors. It's just who's going to be
19 there on a day to day basis.

20 As we've indicated before, there's no
21 change in the overall height and density. There's no
22 greater impact. In fact, there is a lesser impact in
23 terms of traffic generation and the economic benefits
24 to the District are substantial, as Mr. Prost just
25 went through. So, what you have here is an

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1 application which proposes and increase in the number
2 of housing units in the property, the maintenance of
3 the overall landscaping and design scheme. The
4 continued inclusion of the health club and the
5 restaurant, which are the uses which seem to be of
6 most value to the existing residents, and that's
7 balanced against an insignificant increase in gross
8 floor area, no change in the height. And the only
9 area of flexibility that we're talking about is the
10 fact that on the roof we've got more than roof
11 structure to begin with and the walls are of unequal
12 height right now and that condition continues.

13 On pages 9, 10, 11 and 12, I've gone
14 through the comprehensive plan, but I think you can
15 summarize our view of what the comprehensive plan
16 requires in one word and that's "housing." You'll
17 reflect upon the letters in opposition that you've
18 received, but the one sentence in one letter that I
19 saw earlier today that just struck me as being so
20 incongruous was, "What this area doesn't need is
21 another apartment house." I just didn't understand
22 that. I think what this area could use is more
23 apartment houses, more permanent full time residences.

24 And with respect to compatibility with the
25 area, the existing building will be retained

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1 obviously. It's part of the overall Watergate
2 Complex. The use of an apartment house is consistent
3 with the use of the existing cooperative apartment
4 buildings. There's no change in density or height.

5 I conclude that the proposed PUD
6 modification would have significant beneficial impacts
7 for the project and the area by replacing 250
8 transient units with 133 permanent apartment units,
9 that the proposed PUD modification is not inconsistent
10 with the comprehensive plan, that it doesn't change
11 the overall design or the project and that it should
12 be approved.

13 CHAIRPERSON MITTEN: Thank you.

14 MR. GLASGOW: That concludes our direct
15 presentation.

16 CHAIRPERSON MITTEN: Okay. Commission
17 questions? Go ahead.

18 COMMISSIONER HILDEBRAND: You talked
19 several times about having a surplus of parking for
20 residential units. Have you considered at all parking
21 for the restaurant and health club uses out of your
22 parking count?

23 MR. DARBY: The health club will be
24 available to those residents of Watergate and so they
25 shouldn't have to drive to get there. They will live

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1 in the facility and be able to walk there and there is
2 provision for access through the underground parking
3 garage so that they can go under cover from their
4 buildings to the health club and not have to drive.

5 The restaurant we see as being valet
6 parked. It would be they can drive up to the front
7 door. There's access from the front portico share.
8 You can go from there downstairs into the restaurant
9 and there are multiple locations around the area to
10 valet park, including the Watergate South office
11 building adjacent which has parking that is available
12 to the public at all times. So we have considered by
13 the restaurant and the health club.

14 COMMISSIONER HILDEBRAND: On the
15 architecture, I was looking at the plan for the
16 private terraces at the ground floor level and it just
17 seems that the share is incongruous with the curve or
18 linear design of the building. Have you looked at
19 something that's not sort orthagonal and square, that
20 is more complementary with the existing architecture?

21 MR. DURKIN: We actually believe that it
22 is congruous with the existing architecture and that
23 pieces are square in order to facilitate a parking
24 space. However, we're bending the group of three of
25 them to match the existing the curve of the parking

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1 lot at that area. And we're covering the structures.
2 I didn't show you this board in my presentation, but
3 the plan is to cover the structures with a trellis
4 piece that will appear green from the roof so that
5 there's minimal visual impact. And in fact, we
6 believe that we're improving what is currently a
7 parking lot to being a greensward to be viewed from
8 the adjacent buildings.

9 COMMISSIONER HILDEBRAND: Actually I
10 wasn't talking about the covered parking at all. I
11 was talking about the terraces that you're putting out
12 from the private units or the residential units.

13 MR. DURKIN: Oh, I'm sorry. Adjacent --

14 COMMISSIONER HILDEBRAND: Is that front
15 wall curved or is it a segmented line?

16 MR. DURKIN: Yes, it's curved to parallel
17 the building face.

18 COMMISSIONER HILDEBRAND: Because
19 graphically it looks as though it's a square line.

20 MR. DURKIN: It's a very gradual curve,
21 but it is indeed curved.

22 COMMISSIONER HILDEBRAND: And the
23 materials of that are the same as the material of the
24 existing face of the building?

25 MR. DURKIN: The material will be the same

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1 as the existing building.

2 COMMISSIONER HILDEBRAND: One other
3 question I had on the roof top. It seemed very
4 fragmented to me and, you know, Washington is one of
5 those cities that you see from above. Have you
6 considered what this will look like for people
7 approaching the city through aircraft and is there any
8 way to make it a more cohesive statement than the
9 various fragmented individual units that you've
10 proposed?

11 MR. DURKIN: Well, when I speak of
12 individual stairs coming up, we are not adding any
13 additional pieces to those that are already there. If
14 you go up on the roof scape of the existing building,
15 you'll see that it's composed of very free form
16 organic curved shapes that stand individually to mark
17 stair towers and the elevator override and mechanical
18 penthouses. And our idea is to minimize the visual
19 impact on that from the adjacent properties and the
20 ground by hugging them with pieces that are as low or
21 lower than the existing structures.

22 I think from above those existing
23 structures are so dominant that our pieces are really
24 going to -- you're not going to be able to see that,
25 for instance, if you're arriving on an airplane. And

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1 in fact, the entire Watergate Complex is like a
2 village on top. Over the years there have been many,
3 many additions put on all of the adjacent buildings
4 and we believe that our roof impact is actually the
5 least of all of the buildings.

6 COMMISSIONER HILDEBRAND: I think what I
7 was just reacting to more is the texture you showed
8 for the designated roof areas. It seems somewhat
9 preliminary in concept.

10 MR. DURKIN: Indeed we are still in the
11 schematic phases of that part of the design. If
12 you're talking about the actual physical terraces?

13 COMMISSIONER HILDEBRAND: Yes.

14 MR. DURKIN: Yes, that is something that
15 would probably take on more of the organic shape, if
16 you're talking about the flat surfaces.

17 COMMISSIONER HILDEBRAND: The other
18 question I had, I notice that you're taking out part
19 of the building façade where you're lowering window
20 sills. Is that only behind existing railings?

21 MR. DURKIN: That's right. If you look at
22 the existing façade and the way that the railings have
23 different extensions on different floors, that is
24 currently where the existing through all mechanical
25 units for the hotel rooms are. And we will be

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1 replacing that with a different mechanical system. So
2 we are able to bring windows down to the floor level,
3 but it's always behind a railing. That only occurs
4 where it will not be visible from the exterior.

5 COMMISSIONER HILDEBRAND: Okay.

6 CHAIRPERSON MITTEN: Thank you. Anyone
7 else? Mr. Hood?

8 COMMISSIONER HOOD: Thank you, Madam
9 Chair. I'm going to start with Mr. Darby.

10 You mentioned about the dialogue that you
11 had with the community in making some changes to
12 adjust for the concerns that you heard from the
13 community. For example, I think one of the questions
14 that they asked you were they were concerned about who
15 the guests were going to be and obviously you've tried
16 to address those concerns. Why do you suppose that
17 you still have so much opposition if they were looking
18 for those kind of answers and wanted to be a much
19 higher quality and concerned about who the guests were
20 as far as the hotel use? Why do you still have
21 opposition if you've answered those questions?

22 MR. DARBY: Yes, I mean, I think
23 unfortunately you can't please everybody. We met --
24 went in asking what people were looking for and they
25 addressed several main concerns. We looked at it from

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1 the standpoint of what are those things that you need
2 most in relation to the hotel? Now obviously if we
3 convert the guest rooms to residential units, then
4 they lose the ability to have people staying there on
5 extended stay purposes or overnight. But the
6 restaurant was a big item that they said they used and
7 wanted and needed. We thought that was a good amenity
8 for the whole complex. We felt the complex was big
9 enough to be able to house a restaurant and there was
10 enough business in the complex, both during lunch
11 times with the office buildings and during the
12 evenings, as well as the local community using it as
13 well.

14 The health club was something that we
15 heard from many people was something that they enjoyed
16 using and barely needed renovation, so this was
17 something we could bring to them with a new health
18 club with all the same amenities kept intact and do
19 that.

20 And as we went through all the other
21 issues, and there were countless meetings. We had
22 meetings we called at the hotel and invited people to
23 come along to talk to us. We invited people many,
24 many times to call us with any questions. We put out
25 flyers and brochures and informational documentation

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1 for them. And we addressed a lot of questions.

2 Progressively we addressed them.

3 One of the big ones was taking the
4 building from a condominium structure that we had
5 first proposed to a cooperative structure and our
6 feeling was with the cooperative that there was a
7 significant reduction of value because of the
8 perception of co-ops to condominium. But we made that
9 concession because we heard that it was a much more
10 cohesive ownership structure for the whole complex.

11 So over many, many months, and we've been
12 now working this, I look back when we first got
13 involved, nearly 12 months, we have made many
14 concessions. We cannot keep it a hotel and convert it
15 to residential and I think that's where you'll find
16 the main opposition.

17 One of the other main things we heard was
18 that people were concerned about the number of people
19 that will inhabit the residential units and at one
20 point I threw out that there would be a maximum of and
21 agree to a maximum of two people for each bedroom in
22 the unit. A lot of people heard that as saying there
23 were going to be two people in each bedroom in each
24 unit and when they did the math and did four times
25 133, they came up with, you know, over 500 people of

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1 new residences. That's not what I said. I said we
2 would limit the number. When you take the normal
3 statistics, obviously we all think there's going to be
4 a lot less than that.

5 So some of it was just people wanted to
6 hear certain things and those people that have had
7 connections to the hotel over time and we understand
8 that they do not want to see change because they had
9 some connection. But as Mr. Mr. Stein pointed out,
10 the problem unfortunately is the hotel cannot stay the
11 same way it is going forward to be economically
12 viable. So even if we don't change it to residential,
13 there would be some major change to the hotel that
14 will be different from what they have today.

15 COMMISSIONER HOOD: Okay. Thank you.
16 Madam Chair, I would just note for the record, unless
17 my colleagues can help me and show me where it is, I
18 didn't see anything from the police department. We're
19 talking about a change of use and I think we should
20 encourage, and maybe when we get to the Office of
21 Planning, unless there's something here that I missed,
22 that it is very important and imperative, I think,
23 that we get something from the Metropolitan Police
24 Department.

25 CHAIRPERSON MITTEN: I don't believe it

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1 was there, but we can ask the Office of Planning to
2 request that again.

3 COMMISSIONER HOOD: The other question I
4 have is for Mr. Sher.

5 You mentioned the comprehensive plan and
6 you talked about what it mentions is housing. And I
7 was just sitting here curious and I know we're talking
8 about the Watergate. It also mentions affordable
9 housing. Can you elaborate more on that, how you
10 stand in the scope of the comprehensive plan? You
11 said housing. So you brought up housing. So I want
12 you to elaborate, or has there been any discussions
13 for affordable housing?

14 MR. SHER: Start with the generalized land
15 use map which shows it mixed-use high-density
16 residential and medium-density commercial. Then look
17 to the beginning of the discussion of the housing
18 element, major policies, housing viewed as a key part
19 of a total urban living system encouraging the private
20 sector to provide new housing to meet the needs of
21 present and future District residents at locations
22 consistent with District land use policies and
23 objectives. Use plan unit developments to encourage
24 the construction or rehabilitation of additional
25 single and multi-family housing at suitable locations,

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1 encourage the retention and expansion of residential
2 uses in mixed-use neighborhoods to help maintain the
3 residential characters of those areas. Those are all
4 sections set forth on pages 10 and 11 of my outline.

5 I believe that yes, the comp plan does
6 talk about housing and it talks in places about
7 meeting all levels of need and demand and provide
8 incentives for type of housing needed at desired
9 locations. This is not a project that has affordable
10 housing at the moment, certainly. It's not what has
11 been proposed as part of this project which would be
12 consistent with the type and level and existing
13 condition in the Watergate Complex. Would there be
14 anything wrong with affordable housing at this
15 location? Absolutely not. Is it the place that you
16 think given all the other amenities and factors
17 involved in this application? I frankly wouldn't
18 expect to hear, but I wouldn't see anything wrong with
19 it.

20 COMMISSIONER HOOD: Okay. But I'm just
21 going back to 243-9F and it states affordable housing
22 and you brought it up, so I just was wondering have
23 the discussions been made. And, you know, we always
24 go to the comp plan and we want to start using the
25 comp plan I guess. And we talk about affordable

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1 housing all over the city and I know this is the
2 Watergate. I'm not crazy. Btu also, I'm just looking
3 at the comp plan. It says "affordable housing." I
4 just wondered if there had been any discussions
5 with the Applicant.

6 MR. SHER: Not as far as I know.

7 COMMISSIONER HOOD: I actually knew the
8 answer, but I was just curious.

9 I think somewhere, and my colleague may
10 have asked this, I was trying to get myself together
11 up here, the windows. And I think I know the answer
12 to that, but I'm going to ask it anyway of the
13 architect, Mr. Durkin.

14 Are we replacing all of the windows
15 because hotel use windows are different, or because
16 we're going to make the compatible with the other East
17 and West and what not?

18 MR. DURKIN: The existing windows are over
19 30 years old and they're in need of replacement in
20 general. And as this is going to be a high-quality
21 facility, we are replacing them to make sure that
22 everything is as high quality as can be. Now in some
23 cases, as I was telling Mr. Hildebrand, where there
24 are existing mechanical units screened by the terraces
25 that will be removed, they will be replaced by glazing

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1 to match in composition the existing windows. But the
2 net result is that anybody standing on the ground
3 looking at the building will not notice a difference
4 other than the windows are cleaner and in better
5 condition than they once were.

6 COMMISSIONER HOOD: But they will be
7 compatible to the adjoining units though?

8 MR. DURKIN: Absolutely.

9 COMMISSIONER HOOD: Okay. Madam Chair, I
10 thought we usually, and maybe it's in the file, again,
11 I don't know, we normally usually have a material
12 sample and I think that we need to have that for the
13 record, I would think.

14 CHAIRPERSON MITTEN: Is there going to be
15 any difference in the material or the color of the
16 frame of the window?

17 MR. DURKIN: I'm sorry. Our construction
18 drawings will indicate to replace in kind the windows
19 so they will match the existing exactly.

20 CHAIRPERSON MITTEN: I think we typically
21 ask for the material samples when it's something new,
22 but --

23 COMMISSIONER HOOD: New construction.

24 CHAIRPERSON MITTEN: Yes.

25 COMMISSIONER HOOD: Okay. As long as it's

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1 compatible.

2 CHAIRPERSON MITTEN: Okay.

3 COMMISSIONER HOOD: All right. That's all
4 I have right now. Thank you.

5 CHAIRPERSON MITTEN: All right. Anyone
6 else? Mr. Parsons?

7 COMMISSIONER PARSONS: Mr. Darby, I'm a
8 little confused. As you probably know, our record
9 contains a number of letters from people who live in
10 the complex now and many of them are undated. There
11 are form letters, if you will. Is your proposal to
12 allow people to use the health club facility and the
13 insertion of a restaurant a late coming offer?

14 MR. DARBY: No.

15 COMMISSIONER PARSONS: Or is it something
16 the citizens have known about for a long time?

17 MR. DARBY: It's not late. It was one of
18 the first proposals we made. I found that information
19 is taking awhile in some instances to filter through
20 to all the members of the different co-ops. Certainly
21 with Watergate East because we were discussing the
22 sale of the lease space and the members were involved
23 with a vote. They knew better all the nuances of the
24 proposal we made. But certainly with Watergate West
25 and South it didn't seem that each and every member

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1 had taken an interest in all the details, as some of
2 the letters showed that there were people were saying,
3 "It would be awful to get rid of the hotel because
4 we'd lose the health club."

5 COMMISSIONER PARSONS: Yes, that's what I
6 mean.

7 MR. DARBY: Yes. Now, the only situation
8 is that we went to West to say, "Can we negotiate with
9 you to get your support and provide you with these
10 things," and West has not entertained very many
11 discussions at all such that we never entered into any
12 agreement with them. But our intention had always
13 been to make available the health club to them as
14 well. The restaurant of course would be available to
15 everyone because otherwise the restaurant doesn't have
16 the number of potential patrons that it would need, I
17 would think would need, to maximize its revenue. So
18 it of course will be open to everybody as well.

19 COMMISSIONER PARSONS: So in the
20 management regime of this new cooperative, who
21 controls who can use the health club?

22 MR. DARBY: We have signed an agreement
23 with Watergate South. We have proffered an agreement
24 to Watergate East and that's tied in with the vote in
25 relation to the sale of the space, the sale of lease

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1 space, but we have proffered that agreement to East to
2 agree for them to be able to use the health club. And
3 once again, we proffered it to Watergate West. If
4 they decide to take up our offer and agree to use it,
5 the documents have been -- I would agree to record
6 documents that state that we are going to do that. In
7 fact, what they asked for was for this Commission here
8 to make it a condition or conditions to the approval
9 of our proposal and we are happy to do that if there's
10 a mechanism for doing that.

11 COMMISSIONER PARSONS: Thank you.

12 COMMISSIONER HILDEBRAND: Can I ask a
13 follow-up?

14 CHAIRPERSON MITTEN: Sure.

15 COMMISSIONER HILDEBRAND: Have you studied
16 the usage of the existing health club and are you
17 convinced that you have a the population there who
18 will adequately use the facility you've left behind?

19 And also, the restaurant size. You're
20 downsizing the restaurant capacity pretty
21 significantly. Is that because of the drop out of the
22 hotel component?

23 MR. DARBY: Will, I'm going to see if I
24 can answer the first question and then answer half the
25 second question and then ask Mr. Stein to help me.

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1 COMMISSIONER HILDEBRAND: Sure.

2 MR. DARBY: The health club situation is
3 that we believe that a health club for a cooperative
4 of this quality is a good amenity to have. The fact
5 there's an existing health club there and we can use
6 that area and use some of the basic structure helps us
7 to lower our costs in relation to moving forward. We
8 see it as a benefit to have the other members helping
9 us to pay for, or helping everybody to pay for the
10 costs associated with keeping the health club at a
11 level that they would want. And that would include
12 some of the services they have today like aerobics
13 instruction, water aerobics instruction, massage,
14 other facilities, other amenities that they have that
15 would also be paid for as part of the overall costs.

16 We have done our studies that show that we
17 can produce a health club fully renovated at about \$10
18 a month more in cost to the members that they have
19 today. And obviously the quality would be so much
20 better that I would hope that \$10 would be considered
21 worthwhile.

22 As far as the restaurant, we're providing
23 a 3,000 square foot area for the restaurant that also
24 may use -- is able to use the adjacent kitchen area or
25 part of the adjacent kitchen area which exists on the

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1 B1 level today and that's where most of the kitchen
2 equipment is today. It wouldn't have to be the size
3 of the kitchen that it is because the kitchen houses
4 the kitchen for the whole hotel, but certainly an area
5 would be used as well if that area would be required.

6 But let me turn to Mr. Stein and talk
7 about the existing restaurant and what size that is.

8 MR. STEIN: The existing restaurant
9 effectively is there to service the hotel. It does
10 draw some business associated with the Kennedy Center
11 and from the residents itself, but its really an
12 amenity for the hotel guests. And given its size, you
13 know, once you didn't have a hotel there, effectively
14 you don't need the extent of the restaurant facility
15 you have in place.

16 I don't know the square footage exactly or
17 the number of seats. We also have a second outlet
18 that services the hotel as well, but I mean, I can
19 tell you from the profitability of that restaurant
20 there are plenty of times when it sits empty or, you
21 know, with limited use from a hotel perspective and
22 from, you know, as well as being open to the public.
23 So, you know, our view it that clearly you don't need
24 the size of the restaurant you have in place today.

25 MR. DARBY: Just to finish up that, our

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1 retail consultants, Madison Retail, who specialize in
2 restaurants felt that that was about the right size to
3 attract the type of restaurant operator that we would
4 need. Watergate is a little bit out of the way for
5 destination eating, but they felt that with a known
6 quantity in people coming to the facility for the
7 office building and the residents, there would be
8 enough business to go around, as well as hopefully
9 people from the Kennedy Center and other locations.

10 COMMISSIONER HILDEBRAND: One other thing.
11 You spoke to the transference of the hotel occupancy
12 to adjacent hotels or hotels in the vicinity. Have
13 you looked at the geographic area? Are there other
14 hotels that are in the immediate area to absorb the
15 residential components needed for guest housing,
16 etcetera?

17 MR. STEIN: Yes, absolutely. The hotel
18 ran under 70 percent occupancy last year and
19 historically has probably run in the mid '60s. We
20 look at a hotel in a competitive set of about six or
21 seven other properties and the market itself is
22 probably running in the high 60s to low 70s in
23 occupancy as a whole. So there's clearly enough
24 capacity.

25 As I mentioned too there were over 2,000

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1 hotel rooms added in the last couple of years and
2 there's another 2,500 in the immediate area that are
3 either under construction or will be. So clearly, I
4 think there's going to be enough capacity in the
5 market place to absorb having this hotel shut.

6 CHAIRPERSON MITTEN: Anything else? Mrs.
7 Miller, any questions on cross examination from the
8 ANC?

9 MRS. MILLER: None.

10 CHAIRPERSON MITTEN: Okay. Mr. Wolf, any
11 questions on cross examination?

12 MR. WOLF: No, thank you.

13 CHAIRPERSON MITTEN: Thank you. Mr.
14 Aguglia, any questions?

15 MR. AGUGLIA: Yes.

16 CHAIRPERSON MITTEN: Okay. Can we make
17 room for Mr. Aguglia at the table?

18 MR. AGUGLIA: Question for Mr. Stein.

19 Now, Mr. Stein, you said that one of the
20 reasons for agreeing to this potential conversion of
21 the hotel to residential was the fact that the hotel
22 was floundering?

23 MR. STEIN: Correct.

24 MR. AGUGLIA: And, Mr. Darby, did you not
25 say that that was one of the components of your making

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1 the offer to Mr. Stein's group?

2 MR. DARBY: Yes.

3 MR. AGUGLIA: All right. Is there
4 anything, Mr. Darby, in your statement of the case,
5 any financial information whatsoever, that supports
6 your testimony today that the hotel is doing poorly or
7 doesn't have its market share?

8 MR. DARBY: There's nothing in my
9 statement, no.

10 MR. AGUGLIA: Is there anything in the
11 record of this case other than your statement in terms
12 of financials that support your statement here today?

13 MR. DARBY: No, but I'm sure that we could
14 provide them if it was requested.

15 MR. AGUGLIA: Okay.

16 MR. GLASGOW: Madam Chair, I'd just like
17 to know what the relevance of that is. We don't have
18 a burden of proof to show that the hotel is not
19 profitable.

20 CHAIRPERSON MITTEN: I agree. But all he
21 did at this point was just ask the question.

22 MR. AGUGLIA: Well, for the record --

23 CHAIRPERSON MITTEN: No, just keep on.

24 MR. AGUGLIA: Okay. Please explain a
25 little bit more about the restaurant. If the

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1 conversion takes place and the restaurant is downsized
2 and put on a separate level, who would manage the
3 restaurant, Mr. Darby?

4 MR. DARBY: Okay. First of all, I don't
5 think the restaurant size is less than the existing
6 resident in the building today. But the fact is that
7 we're making available the space to restaurant
8 operators rent free and we're providing operating
9 equipment for them to use that would normally cost
10 them a lot of initial -- that would be a large initial
11 cost and making it available as well. We haven't
12 offered it to anyone yet. We can't offer it obviously
13 until the space is finished, but it's very similar to
14 what we do with a lot of our retail spaces in our
15 office buildings. We build the office building and we
16 make the space available and restaurants come along
17 and rent the space. So, very similar to what we do
18 all over Washington, D.C.

19 MR. AGUGLIA: All right. If the
20 restaurant should fail, whose responsibility would be
21 that?

22 MR. DARBY: You mean we have a restaurant
23 and then the restaurant fails after we have a
24 restaurant?

25 MR. AGUGLIA: Yes.

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1 MR. DARBY: It would be the responsibility
2 of -- I think we're making Watergate Council
3 responsible for choosing the restaurant and it would
4 be the responsibility of the residences, all of them
5 I would think, to find a restaurant to go back into
6 the space.

7 MR. AGUGLIA: All right. So the burden
8 then would shift to the residents and their council to
9 assure that a restaurant remained there?

10 MR. DARBY: I don't think it's a burden.
11 There's no rent being paid and there would be a built
12 out restaurant presumably in a good quality build out
13 that would mean that they would have a large advantage
14 to renting the space, finding someone to rent the
15 space going forward, just like every other restaurant
16 in Washington too.

17 MR. AGUGLIA: Where is the existing
18 restaurant located in the hotel, Mr. Stein or Mr.
19 Darby?

20 MR. DARBY: It's on the B1 level.

21 MR. AGUGLIA: On the B1 level? And where
22 would it be in the new proposal?

23 MR. DARBY: On the B1 level.

24 MR. AGUGLIA: On the B1 level?

25 MR. DARBY: Same level, yes.

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1 MR. AGUGLIA: Same level? Would it have
2 window space?

3 MR. DARBY: Yes. It overlooks the pool
4 out towards the Potomac River. The new one.

5 MR. AGUGLIA: It overlooks the pool and
6 the Potomac River?

7 MR. DARBY: It looks straight out past the
8 pool to the Potomac River.

9 MR. AGUGLIA: What occupies the next room
10 adjacent to the restaurant?

11 MR. DARBY: You mean what will occupy the
12 future?

13 MR. AGUGLIA: Well, yes. In the proposal,
14 what will be next to the restaurant?

15 MR. DARBY: The community room.

16 MR. AGUGLIA: The community room?

17 MR. DARBY: Right, which will have access
18 from the restaurant so the restaurant can cater the
19 community room for the benefit of the community,
20 Watergate East, West and South and the residences.

21 MR. AGUGLIA: Where is the location of the
22 indoor pool in relation to the proposed restaurant?

23 MR. DARBY: On the B3 level. It's two
24 floors down.

25 MR. AGUGLIA: It's two floors down?

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1 MR. DARBY: Yes.

2 MR. AGUGLIA: Okay. Is the hotel, Mr.
3 Darby, currently the center of the complex, the core
4 of the complex?

5 MR. DARBY: You mean --

6 MR. AGUGLIA: In physically location.

7 MR. DARBY: You mean is it actually in the
8 very middle physically located?

9 MR. AGUGLIA: Is considered the center of
10 the complex, of the PUD complex, the core?

11 MR. DARBY: I have no way to answer.

12 MR. AGUGLIA: All right.

13 MR. DARBY: I don't understand the
14 question.

15 MR. AGUGLIA: All right. Let me rephrase
16 the question. Are there underground connections from
17 the various residences and the office buildings to the
18 hotel?

19 MR. DARBY: The whole underground area of
20 the whole complex is connected by the parking areas,
21 a truck loading and unloading area and truck routes
22 out of the underground space. They're all
23 interconnected, yes.

24 MR. AGUGLIA: They're all interconnected?
25 And they all lead to the hotel?

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1 MR. DARBY: They all lead to each other as
2 well, yes.

3 MR. AGUGLIA: Okay.

4 MR. DARBY: They don't all lead to the
5 hotel.

6 MR. AGUGLIA: You are aware, Mr. Darby,
7 that there was a hotel across the street?

8 MR. DARBY: Yes.

9 MR. AGUGLIA: And you're aware that that
10 hotel was purchased by George Washington University
11 for dorm use?

12 MR. DARBY: Yes, I was.

13 MR. AGUGLIA: Okay.

14 MR. DARBY: I am.

15 MR. AGUGLIA: All right. I have questions
16 for Mr. Prost.

17 Mr. Prost, you prepared the financial
18 analysis, is that correct?

19 MR. PROST: Correct.

20 MR. AGUGLIA: All right. Let's turn
21 please to page 7 of your analysis.

22 MR. PROST: Okay.

23 MR. AGUGLIA: If the Commission could
24 follow along with me, I'd appreciate it.

25 On page 7 of your economic and financial

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1 impact analysis, which is attached to their statement
2 of the case --

3 MR. PROST: Correct.

4 MR. AGUGLIA: Is it correct to show that
5 the current jobs directly at the hotel are 228?

6 MR. PROST: That is correct.

7 MR. AGUGLIA: That is correct? And that
8 there 122 indirect jobs?

9 MR. PROST: Indirect jobs created, yes.

10 MR. AGUGLIA: As a result of the direct
11 jobs?

12 MR. PROST: Correct.

13 MR. AGUGLIA: Okay. And you're indicating
14 there that by reference to the various taxes that the
15 hotel brings that the economic impact in 2003 dollars
16 is \$3.2 million roughly?

17 MR. PROST: Correct.

18 MR. AGUGLIA: Okay. Now, let's go to page
19 10 of your analysis. All right. Now, this is the
20 proposed condominium project, correct?

21 MR. PROST: Correct.

22 MR. AGUGLIA: For the proposed project.

23 MR. PROST: Proposed project.

24 MR. AGUGLIA: All right. So you are
25 showing that there will be 41 jobs on direct?

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1 MR. PROST: On site.

2 MR. AGUGLIA: On site?

3 MR. PROST: Yes.

4 MR. AGUGLIA: All right. So in terms of
5 direct jobs, there will be a loss from 228 to 41, is
6 that correct?

7 MR. PROST: Notwithstanding the potential
8 and likely transfer of the 228 jobs to other hotels.

9 MR. AGUGLIA: Okay. But for the time
10 being your study is indicating that, 41 from 228,
11 there will be a loss of 187 direct jobs?

12 MR. PROST: On site there will be a loss
13 of jobs. The 228 will be transferred. There will be
14 a net impact of positive of 41 additional direct jobs
15 in the District.

16 MR. AGUGLIA: All right. So is it your
17 position that all 228 jobs that will be lost at this
18 hotel will be absorbed in the D.C. hotel market?

19 MR. PROST: Likely to be absorbed in the
20 D.C. hotel market.

21 MR. AGUGLIA: All 288?

22 MR. PROST: Most of them would be absorbed
23 in the D.C. hotel market. These are people who want
24 to be in the District who are actually choosing this
25 as a secondary location because they're really want to

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1 be in another location and more likely to be in all
2 the new hotels that have been developed in the
3 District. This is a very attractive place for hotels,
4 not particularly this location, so yes.

5 MR. AGUGLIA: So your assumption is that
6 none of these employees would across the bridge to the
7 hotel there, the Key Bridge, or to Pentagon City, that
8 they would all be absorbed in the D.C. --

9 MR. PROST: I think it is likely that they
10 would be absorbed in the new hotels in the District.

11 MR. AGUGLIA: All right. Okay. Have you
12 followed the D.C. hotel vacancy and occupancy rates?

13 MR. PROST: Yes, I have.

14 MR. AGUGLIA: Yes. Are you aware that
15 since 2001 that they've been on the decline?

16 MR. PROST: The occupancy rate has been on
17 a decline as the hotel supply has expanded, yes. So
18 the total number of occupied units has not gone down,
19 but the occupancy rate has gone down because there's
20 a new supply.

21 MR. AGUGLIA: Yes. You don't think the
22 supply has gone down because of the economy, that the
23 vacancy rate has increased and the occupancy rate has
24 dropped because of the economy?

25 MR. PROST: There are economic

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1 implications obviously of September 11th. There are
2 other economic implications. D.C. is one of the
3 strongest hotel markets in the nation.

4 MR. AGUGLIA: Well, if it's one of the
5 strongest hotel regions in the nation, why then is
6 this particular hotel floundering?

7 MR. PROST: Because it's a bad location
8 for a hotel.

9 MR. AGUGLIA: It's a bad location for a
10 hotel?

11 MR. PROST: Yes.

12 MR. AGUGLIA: Okay. Now turning to page
13 10 again.

14 MR. PROST: Yes.

15 MR. AGUGLIA: You show 412 indirect jobs.
16 Right?

17 MR. PROST: Correct.

18 MR. AGUGLIA: Now is it fair to state that
19 there's more assumptions built into the indirect jobs
20 than the direct jobs?

21 MR. PROST: No.

22 MR. AGUGLIA: No?

23 MR. PROST: No. It's a standard economic
24 model that is typically used. It's utilized by the
25 Bureau of Economic Analysis that there typically are

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1 direct and indirect impacts and if you really want to
2 look at the true impacts, you'd have to look at both.

3 MR. AGUGLIA: But you would agree there
4 are 228 employees at the hotel now, correct?

5 MR. PROST: On site.

6 MR. AGUGLIA: On site?

7 MR. PROST: On site.

8 MR. AGUGLIA: All right. So that's the
9 most solid reference you have, correct, in terms of
10 direct?

11 MR. PROST: Well, in terms of direct, yes.

12 MR. AGUGLIA: Okay.

13 MR. PROST: But not in terms of total
14 jobs.

15 MR. AGUGLIA: Okay. So it's your position
16 that it's just as easily ascertainable how many
17 indirect jobs there are as direct?

18 MR. PROST: Yes, it is.

19 MR. AGUGLIA: That's your testimony? All
20 right. Now, it's your assumption that of these 412
21 jobs, 402 of those jobs would be created by the
22 persons who occupy the proposed units and their
23 expenditures in the District?

24 MR. PROST: I'd have to look in my
25 appendix to see the exact number because I have 412

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1 and that's a combination. The indirect jobs are
2 created by two factors. It's created by the payroll
3 of the people on site who are working on site as well
4 as the residential expenditures. So it's a total. So
5 I don't know. I couldn't tell you without looking at
6 the appendix table for which portion of the 412 result
7 from the residents and which result from the payroll.
8 But both are taken into consideration.

9 MR. AGUGLIA: All right. So let's go to
10 page 9 and perhaps you can help me a little bit. On
11 page 9, towards the bottom of the page, under
12 "Operating Period Fiscal Economic Impacts."

13 MR. PROST: Yes.

14 MR. AGUGLIA: The second sentence there
15 says, "Four-hundred-and-two of these 412 indirect jobs
16 are a result of residential expenditures in the
17 District."

18 MR. PROST: Okay. Then that means that
19 the 10 are a result of the payroll.

20 MR. AGUGLIA: Okay. And that the 402 are
21 a result of new residents moving in and using their
22 buying power to establish jobs?

23 MR. PROST: Correct.

24 MR. AGUGLIA: All right. So 402. Now,
25 how much of the residents' income, let's go with gross

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1 first, so I've moved into the unit and that roughly
2 comes down to almost three employees per unit, is that
3 correct, that no matter how many people are in the
4 unit, each unit owner would essentially spend enough
5 money to bring three new jobs to the District under
6 this assumption?

7 MR. PROST: Let me get to my assumptions.
8 If you will get to Appendix Table B-11, details list.

9 MR. AGUGLIA: I have it another document.
10 Let me rephrase the question. If I have 402 jobs
11 created as a result of the expenditures from each unit
12 and I divide that by 133 units, I come with three --

13 MR. PROST: There is --

14 MR. AGUGLIA: -- jobs per unit created by
15 the expenditures.

16 MR. PROST: Well, first of all, there is
17 an economic multiplier impact. So, the --

18 MR. AGUGLIA: But please answer my
19 question. Please answer my question.

20 MR. PROST: No, I have to go through the
21 process of how it is done because it's not just the
22 expenditures of those residents. That's an incorrect
23 assumption. One, you've got expenditures of those
24 residents. Those residents have expenditures. Those
25 residents' expenditures create an economic multiplier.

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1 When those residents purchase things, other people
2 work in stores. They purchase things so there is also
3 an economic multiplier upon their expenditures of 1.7.

4 So you look at the actual expenditures of
5 the residents of \$38 million in terms of earnings.
6 Their are consumer expenditures are \$30 million.
7 There is an economic impact also from the employees on
8 the site. There is an economic multiplier based on
9 the Bureau of Economic Analysis of 1.7 for every
10 expenditure. So you have to take into consideration
11 all these factors and all these factors generate the
12 402. It's not just the direct resident expenditures.
13 There's a multiplier on that. There's a multiplier on
14 the employment. And that in total creates the 402.

15 MR. AGUGLIA: Does the multiplier come
16 into play under transfer demand?

17 MR. PROST: No.

18 MR. AGUGLIA: It does not?

19 MR. PROST: That's a separate number.

20 MR. AGUGLIA: It does not? So to
21 recapitulate what you're saying is that there's a
22 variety of reasons, but one unit owner, for a variety
23 of reasons, is expected to generate three jobs in the
24 District of Columbia from his or her spending
25 practices?

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1 MR. PROST: The overall economic impact of
2 the residents of the employees and the multiplier
3 impacts creates 402 jobs, correct.

4 MR. AGUGLIA: Okay. Now, I'm still
5 focusing on page 10 for the minutes.

6 CHAIRPERSON MITTEN: Mr. Aguglia, can I
7 just ask, how long do you anticipate spending on this
8 particular report?

9 MR. AGUGLIA: Another five minutes or so.

10 CHAIRPERSON MITTEN: Okay.

11 MR. AGUGLIA: I'm going to try to keep it
12 to 10 minutes, or five to 10 minutes per witness max.

13 CHAIRPERSON MITTEN: Okay. I understand
14 you want to ask some questions, but try and be mindful
15 of whether or not the points are getting through to us
16 as well as to yourself. Okay?

17 MR. AGUGLIA: All right.

18 CHAIRPERSON MITTEN: Thank you.

19 MR. AGUGLIA: In deducing the real
20 property tax fiscal impacts on page 10 --

21 MR. PROST: Yes. Okay.

22 MR. AGUGLIA: -- did you take into account
23 that there's a homestead deduction for all residents?

24 MR. PROST: Yes, I have the homestead
25 deduction in and we have the residential tax rate as

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1 opposed to the commercial tax rate.

2 MR. AGUGLIA: What were you using as the
3 residential deduction, homestead deduction?

4 MR. PROST: I have to find it here. I
5 can't find it right now, but it is in here.

6 MR. AGUGLIA: Do you know what it is off
7 the top of your head?

8 MR. PROST: Not off the top of my head,
9 no, I don't?

10 MR. AGUGLIA: Do you know that the city
11 council proposed to increase the deduction?

12 MR. PROST: I know they proposed to
13 increase the deduction.

14 MR. AGUGLIA: Are you also aware that they
15 proposed to put a spending cap?

16 MR. PROST: I'm aware that there are
17 various proposed changes in the taxes. This is based
18 on the current tax rate in the district.

19 MR. AGUGLIA: Okay. All right. Going to
20 page 13 of your report, so under Watergate Hotel you
21 indicate there that there are approximately 350 direct
22 and indirect jobs?

23 MR. PROST: Correct.

24 MR. AGUGLIA: And that plus taxes will
25 spawn approximately \$3.2 million in 2003 dollars, is

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1 that correct?

2 MR. PROST: Correct.

3 MR. AGUGLIA: Okay. Again, looking under
4 the Watergate Condominium, again with the proposition
5 that 402 are indirect, correct?

6 MR. PROST: Correct.

7 MR. AGUGLIA: That in fact will spawn
8 somewhere in the neighborhood of \$31 million in
9 consumer expenditures?

10 MR. PROST: Correct.

11 MR. AGUGLIA: There is an indication of
12 residents' earnings, \$37 million, correct?

13 MR. PROST: Correct.

14 MR. AGUGLIA: All right. How much
15 disposable income would each resident have to pay in
16 order to create the jobs that you've indicated, the
17 indirect jobs?

18 MR. PROST: Well again, the indirect jobs
19 is a multiplier effect as well as there -- there are
20 multiple phases.

21 MR. AGUGLIA: Understood. Understood.

22 MR. PROST: The consumer expenditures are
23 \$31.7 million.

24 MR. AGUGLIA: All right. But can you give
25 me an idea of that amount? What is the percentage of

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1 gross income that you would anticipate each unit owner
2 to expend?

3 MR. PROST: Well, you could divide 31.7
4 million by 453. I'm sorry. One moment please. I'm
5 pretty sure I have that. Household consumption
6 expenditures in the District are approximately \$15.3
7 million, about 100,000 per -- the total retail
8 expenditures by the occupants of the residence are
9 approximately \$15.3 million, which is roughly \$100,000
10 per resident.

11 MR. AGUGLIA: All right. So each resident
12 is anticipated to spend \$100,000 in order to create
13 the jobs which will in turn, through a multiplier,
14 create more jobs and more income. Is that correct?

15 MR. PROST: Correct.

16 MR. AGUGLIA: Okay. And based upon the
17 taxes that would be brought into the city as a result
18 of the conversion, you're showing 4.1 million roughly,
19 is that correct, in 2003 dollars?

20 MR. PROST: I don't -- where are you
21 referring?

22 MR. AGUGLIA: I'm going down into the
23 fiscal impacts under Watergate.

24 MR. PROST: What page are you on please?

25 MR. AGUGLIA: Under Watergate Condominium.

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1 MR. PROST: What page are you on please?

2 MR. AGUGLIA: I'm on page 13.

3 MR. PROST: Okay.

4 MR. AGUGLIA: I'm looking at basically our
5 summary.

6 MR. PROST: Okay. Four-point-one-million.
7 correct.

8 MR. AGUGLIA: Four-point-one-million. And
9 then you're showing that there's an incremental
10 difference between what is proposed and what the hotel
11 currently brings in now, correct?

12 MR. PROST: Correct.

13 MR. AGUGLIA: All right. And then you
14 reached another figure based upon transfer demand
15 which jumps from 873,000 to 1.8 million. Is that
16 correct?

17 MR. PROST: Correct. What we would say
18 then, at least the hotel portion of the demand would
19 be absorbed within the District would not be lost to
20 the District. So, we perceive from this assumption
21 that it would be additive to the increment that would
22 be resulted from the conversion so the total impact
23 would be the difference of the conversion to the
24 existing use, which is \$873,000 in tax revenues. But
25 we also assume that the \$1.9 million roughly in taxes

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1 that is generated by the hotel would transfer to other
2 hotels in the District for a total increment to the
3 District of 2.8 million.

4 MR. AGUGLIA: So is it fair to say, just
5 trying to sum this up for the Commission, that your --
6 this is based on two major assumptions. One
7 assumption is that the conversion to the condominium
8 use will spawn approximately 402 indirect jobs for a
9 variety of reasons.

10 MR. PROST: That's one of many assumptions
11 and conclusions, yes.

12 MR. AGUGLIA: Right. Okay. And that each
13 new unit owner would spend approximately \$100,000 in
14 the District of Columbia to help this?

15 MR. PROST: Again, that's one of the many
16 assumptions, yes.

17 MR. AGUGLIA: Okay. And that all the
18 employees who would be let go from the hotel would be
19 absorbed into the District of Columbia hotels.
20 There's no loss of jobs.

21 MR. PROST: Correct.

22 MR. AGUGLIA: Right?

23 MR. PROST: Correct.

24 MR. AGUGLIA: Are you also assuming that
25 all the units would be sold out at the same time in

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1 this?

2 MR. PROST: I believe we have a 95 percent
3 occupancy factor. I'd have to check. I'm pretty sure
4 it's a 95 percent occupancy factor.

5 MR. AGUGLIA: All right. Now, a 95
6 percent occupancy factor would be fairly high. Have
7 you done any market study that would indicate to you
8 that there is a shortage of demand for luxury
9 condominiums in the District of Columbia?

10 MR. PROST: We have not done any specific
11 market analysis. I'm aware of a strong demand there
12 is for this particular site. This is a very unique
13 site and we strongly believe that it will be marketed.

14 MR. AGUGLIA: All right. So you --

15 MR. PROST: But we have not done any --

16 MR. AGUGLIA: You haven't done any market
17 study?

18 MR. PROST: Correct.

19 MR. AGUGLIA: Are you aware that there are
20 luxury condominiums at the Ritz Hotel at 22nd and M?

21 MR. PROST: I'm aware of the market issues
22 related to the Ritz Hotel.

23 MR. AGUGLIA: Okay. And is that -- would
24 you say that is at 95 percent occupancy?

25 MR. PROST: Not at this time.

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1 MR. AGUGLIA: Okay. Are you aware that
2 there are luxury condominiums at the Ritz in
3 Georgetown at the Incerator?

4 MR. PROST: I'm not familiar with that
5 project. The other Ritz.

6 MR. AGUGLIA: Okay. So you don't know
7 anything about that project?

8 MR. PROST: No.

9 MR. AGUGLIA: Are you aware that the JBG
10 is going to be constructing luxury housing at 24th,
11 25th and M Streets in the District of Columbia?

12 MR. PROST: I'm aware that there are
13 proposals. Again, I have not done a housing market
14 study.

15 MR. AGUGLIA: Study. All right. So
16 you're basically have deduced 95 percent occupancy
17 based upon the location?

18 MR. PROST: Upon the location and at build
19 out. All this analysis is at build out.

20 MR. AGUGLIA: Okay. All right. If I
21 could direct my questions now to Mr. Wells with the
22 traffic report.

23 All right, Mr. Wells. I'm going to turn
24 to your Table A1 in your report, which appears to be
25 a compilation of your various trip generation

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1 analysis. All right. Do you have it, sir?

2 MR. WELLS: Yes, I do.

3 MR. AGUGLIA: All right. Now, sir, did
4 you conduct this study based upon your representatives
5 being present on the site and doing their own
6 independent survey, or did you base it on national
7 data?

8 MR. WELLS: This is based on standard
9 Institute of Transportation Engineers trip generation
10 rates modified to reflect the urban location of this
11 development.

12 MR. AGUGLIA: All right. So you did not
13 do your own independent study by having
14 representatives at the site?

15 MR. WELLS: I am an independent
16 consultant.

17 MR. AGUGLIA: But did you have your own
18 representatives at the site doing their own count?

19 MR. WELLS: No, we did not.

20 MR. AGUGLIA: You did not? Okay. I'm
21 sorry. Let me try to be better articulate on that.

22 Now, under the existing program for the
23 Watergate Hotel, you show a hotel code 310. Is that
24 correct?

25 MR. WELLS: Correct.

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1 MR. AGUGLIA: All right. Now hotel code
2 310, does that code include a restaurant and health
3 club meeting spaces as part of the model?

4 MR. WELLS: It typically does. The code
5 refers to the land use code that the Institute of
6 Transportation Engineers assigns to this category of
7 use. And for this category of use, a hotel, generally
8 hotels have restaurants of varying sizes.

9 MR. AGUGLIA: All right. Then let me ask
10 you this. Just below it it shows an additional count
11 in the a.m. and p.m. for a restaurant, code 834.

12 MR. WELLS: That's correct.

13 MR. AGUGLIA: And why did you include
14 another count for restaurants when in fact it would be
15 included in the hotel under code 310?

16 MR. WELLS: We recognized that a
17 restaurant is part of both of these proposals. It's
18 part of the hotel and it's also proposed to be
19 retained, although at a smaller square footage, in the
20 co-op apartment building.

21 MR. AGUGLIA: But I don't believe that's
22 responsive to my question, sir. This is under the
23 category of existing program. All right? This is the
24 existing program. It has nothing to do with the
25 proposed program, which is underneath. So, you're

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1 showing the hotel code 310 with counts for peak a.m.
2 and p.m. peak hours and then in addition you're also
3 showing another count for restaurants a.m. and p.m.
4 peak hours. Is that not correct?

5 MR. WELLS: That's correct.

6 MR. AGUGLIA: All right. But does that
7 not appear to be a double count?

8 MR. WELLS: I believe this is the
9 appropriate procedure to compare the two uses. This
10 same analysis was presented to DDOT and they agree
11 with the way we calculated the trips.

12 MR. AGUGLIA: Would you not agree that
13 DDOT's analysis was superficial?

14 MR. WELLS: I would not.

15 MR. AGUGLIA: No? And you don't agree
16 that under your own testimony this is a double count?

17 MR. WELLS: I do not believe it's a double
18 count.

19 MR. AGUGLIA: All right. Now, under the
20 Watergate Hotel proposed program, you have listed
21 residential condominiums as your first area for making
22 your counts. What model number was that? It's
23 missing. What code did you use?

24 MR. WELLS: I don't recall. I'd have to
25 go back to the manual.

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1 MR. AGUGLIA: Okay. You realize that the
2 proposal is for luxury condominiums at the site?

3 MR. WELLS: It is. It's for co-op
4 apartments.

5 MR. AGUGLIA: All right. But luxury?

6 MR. WELLS: Yes.

7 MR. AGUGLIA: All right. Is it not a fact
8 that the residential condominium counts, the model
9 that you used here is for ordinary condominiums and
10 not luxury?

11 MR. WELLS: They are for residential
12 condominiums as defined by the Institute of
13 Transportation Engineers. They do not indicate luxury
14 units.

15 MR. AGUGLIA: Is there in fact not a
16 different model for luxury?

17 MR. WELLS: I'd have to refer back to the
18 manual.

19 MR. AGUGLIA: So you don't know?

20 MR. WELLS: Not as I sit here.

21 MR. AGUGLIA: Okay. Now, in the same part
22 of your proposed program you indicate that the transit
23 mode share would be 39 percent. Would you explain
24 what that means please?

25 MR. WELLS: This is actually a non-auto

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1 mode split. This is an urban area. Most of the
2 Institute of Transportation Engineers' data is
3 collected nationally in suburban areas. It is
4 standard practice then to modify these rates to
5 reflect the urban location. In this case, served by
6 multiple bus lines, served by Metrorail and many
7 destinations within walking distance. And the
8 specific number that we generated was based on a study
9 conducted by Metro, WMATA, based on surveys of various
10 uses throughout the Washington Metropolitan area,
11 within Metro station areas.

12 MR. AGUGLIA: What was the date of that
13 Metro study?

14 MR. WELLS: These data were collected
15 throughout the '80s. We have contacted Metro. This
16 is still the data they use for their own studies.
17 These relationships are considered to apply to today's
18 conditions as well as in the '80s.

19 MR. AGUGLIA: So what you're saying is
20 even though the data that you relied on is
21 approximately 14 years old, you still relied on it
22 because WMATA still relies on it? Is that your
23 testimony?

24 MR. WELLS: The industry relies on it and
25 we followed the industry standards.

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1 MR. AGUGLIA: Did you heck the 2000
2 census to see if those figures were comparable with
3 the studies done by Metro?

4 MR. WELLS: We did not.

5 MR. AGUGLIA: You did not?

6 MR. WELLS: We based this on Metro.

7 MR. AGUGLIA: Did you know that the 2000
8 census figures show 21 percent?

9 MR. WELLS: I did not consult those
10 relationships.

11 MR. AGUGLIA: Okay. Now are you saying
12 that 39 percent of the people who buy into these
13 luxury condominiums will be taking public
14 transportation?

15 MR. WELLS: I'm saying 39 percent of all
16 the trips generated by these units, whether they're
17 residents or employees, would take some form of
18 transportation other than automobile. They might
19 walk. They might take a bus. They might take a
20 Metrorail.

21 MR. AGUGLIA: Would your conclusion have
22 changed had you used the luxury condominium mode?

23 MR. WELLS: I believe our conclusions are
24 correct. I believe they're correct based on the
25 industry standards and I believe they're correct as

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1 corroborated by the body count, if you will, of the
2 number of people who would be present in this building
3 under the current hotel versus the residential use.

4 MR. AGUGLIA: So your findings, sir, was
5 that as far as the afternoon count was concerned, you
6 show a four percent differential in favor of the
7 conversion. Is that correct?

8 MR. WELLS: Actually, you are correctly
9 referring to Table A1 of our May 7th report. As you
10 undoubtedly are aware from the testimony here, the
11 proposal has changed. There's no longer 155 units.
12 There in fact are 133 units that are proposed and the
13 trip generation numbers that apply to the 133 are
14 those that I presented in my direct testimony.

15 MR. AGUGLIA: Do we have a copy of his
16 information? Did we get a copy of this as part of
17 your resubmission? I do not recall getting any copy
18 of this change. This is the only document that we
19 have.

20 MR. GLASGOW: His testimony is of record.

21 MR. AGUGLIA: Right, but point of
22 procedure is it may be of record, but it was not given
23 to the rest of us for us to review.

24 MR. GLASGOW: Well, I think that the
25 witness in effect is stating here, hasn't done quite

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1 as directly, that if he has a count with 155 units and
2 that it's a four percent decrease, that if we now have
3 133 units, it's going to be less.

4 CHAIRPERSON MITTEN: That's what I heard.

5 MR. AGUGLIA: All right. Of course we
6 don't have the document to review. It's not in the
7 record.

8 CHAIRPERSON MITTEN: What he's saying is
9 though the conclusion that he's drawing, even if he
10 didn't do anything else other than reduce the number
11 of units, that inasmuch as his conclusion was 155
12 units, is not going to have a detrimental effect and
13 even fewer units is going to have -- the condition is
14 only going to improve.

15 MR. AGUGLIA: I understand that, but if I
16 had the document I could show that he used the wrong
17 model for the condominiums. He used a residential
18 instead of a luxury.

19 CHAIRPERSON MITTEN: Well, then why don't
20 you focus on what you do have when you make your
21 presentation.

22 MR. AGUGLIA: All right. I would ask that
23 the Commission have that available for us to review
24 please.

25 CHAIRPERSON MITTEN: We may ask for that

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1 depending on the case that you present.

2 MR. AGUGLIA: Yes. I have some questions
3 for Mr. Sher.

4 Mr. Sher, in your review of the PUD
5 history, was the hotel always a component of the PUD?

6 MR. SHER: Yes, there was a hotel at the
7 beginning. There's a hotel now.

8 MR. AGUGLIA: Thank you. Are you familiar
9 with the Ward 2 plans for this area?

10 MR. SHER: Yes.

11 MR. AGUGLIA: Do those plans indicate that
12 preservation of hotels is to be encouraged? I refer
13 you to Section 1332 of the Ward 2 Objectives for Hotel
14 Development.

15 MR. SHER: Not one that I cited in my
16 report, but if that's what it says, that's what it
17 says.

18 MR. AGUGLIA: All right. I'm going to
19 show you what is the Ward 2 Objective for Hotel
20 Development. Could you please to the Commission what
21 it says?

22 MR. SHER: Certainly. 1332.1?

23 MR. AGUGLIA: Yes.

24 MR. SHER: This one?

25 MR. AGUGLIA: Yes.

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1 MR. SHER: "To obtain a major increase in
2 new rooms in new hotels at appropriate locations in
3 Ward 2 adding approximately 3,400 additional hotel
4 rooms by the year 2000 or early in the 21st Century."

5 MR. AGUGLIA: Okay. You are aware of
6 course that the hotel formerly occupied by Howard
7 Johnson's across the street was closed?

8 MR. SHER: Yes.

9 MR. AGUGLIA: All right. And is now
10 occupied by GW students?

11 MR. SHER: Was that a question?

12 MR. AGUGLIA: Yes.

13 MR. SHER: Is it now occupied by GW
14 students?

15 MR. AGUGLIA: Yes. Yes.

16 MR. SHER: Of course it is.

17 MR. AGUGLIA: Okay. So how do you square
18 your analysis that the closing of the hotel will meet
19 the Ward 2 Objectives?

20 MR. SHER: Well, as you gave it to me to
21 read, I put the emphasis on the word "appropriate"
22 locations. And if you're asking me do I think this is
23 an appropriate location for a hotel, compared to other
24 locations in Ward 2 that the plan may be addressing,
25 I believe it's talking more primarily about other

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1 locations than this one.

2 MR. AGUGLIA: Okay. Do you believe that
3 the conversion of the hotel to residential will
4 further separate the Watergate from the rest of the
5 city, the Watergate Complex from the rest of the city?

6 MR. SHER: I don't think the Watergate
7 Complex is getting any further away from the rest of
8 the city no matter what we do.

9 MR. AGUGLIA: You are aware that there's
10 an effort by the Zoning Commission to foster Living
11 Downtown? Are you aware of that?

12 MR. SHER: Yes.

13 MR. AGUGLIA: Are you aware that in fact
14 in the early '90s the Commission enacted a downtown
15 development district in Chapter 17 of the Regulations?

16 MR. SHER: I'm very familiar with Chapter
17 17.

18 MR. AGUGLIA: Okay. And you are aware
19 that one of the emphases was on mixed use so that
20 there would be a lively meeting place with
21 entertainment and something other than office canyons?
22 Were you aware of that?

23 MR. SHER: Yes.

24 MR. AGUGLIA: All right. So do you not
25 believe that the closing of the hotel and converting

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1 it to residential would be in a sense in contradiction
2 to the concept of a Living Downtown?

3 MR. SHER: No.

4 MR. AGUGLIA: You do not?

5 MR. SHER: This is not part of downtown as
6 defined in either the comprehensive plan or the zoning
7 regulations.

8 MR. AGUGLIA: Understood.

9 MR. SHER: So the policies of the Living
10 Downtown have nothing to do with the Watergate.

11 MR. AGUGLIA: But you are aware of the
12 history of the Watergate Complex? You are, are you
13 not?

14 MR. SHER: I think I said yes.

15 MR. AGUGLIA: All right. Was it not
16 called the Watergate Town?

17 MR. SHER: I don't know that.

18 MR. AGUGLIA: You don't know that? You
19 didn't know it was --

20 MR. SHER: I don't know that.

21 MR. AGUGLIA: -- in your review of the
22 background that it was a town within a city?

23 MR. SHER: I don't recall seeing a
24 reference to Watergate as a town.

25 MR. AGUGLIA: You never heard of a

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1 reference of Watergate Town?

2 MR. SHER: No.

3 CHAIRPERSON MITTEN: I think we can leave
4 that alone now. You can testify to that if you have
5 evidence of it.

6 MR. AGUGLIA: So you were unaware that the
7 hotel was a central part of the complex?

8 MR. SHER: I was aware from the beginning
9 that in 1962 when the Zoning Commission approved the
10 PUD there was a hotel in the project that the hotel
11 occupies the same location more or less that it
12 occupies now since it was built, that it was always in
13 the project and it's still in the project. Does that
14 answer your question?

15 MR. AGUGLIA: It does.

16 MR. SHER: Okay.

17 MR. AGUGLIA: No further questions at this
18 time.

19 CHAIRPERSON MITTEN: Okay. Thank you, Mr.
20 Aguglia.

21 And then Mr. Olender.

22 MR. OLENDER: Yes. Would you be amenable
23 to taking a rest room break? We've been at it two
24 hours.

25 CHAIRPERSON MITTEN: How much cross

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1 examination are you going to take?

2 MR. OLENDER: I anticipate half an hour.

3 CHAIRPERSON MITTEN: Well then, let's take
4 a rest room break.

5 MR. OLENDER: Thank you.

6 CHAIRPERSON MITTEN: Five minutes.

7 (Whereupon, at 8:39 p.m. off the record
8 until 8:46 p.m.)

9 MR. OLENDER: Thank you, Madam Chair. Mr.
10 Darby, I'd like to question Mr. Darby please.

11 Would you look at me please? Mr. Darby,
12 Monument Residential, LLC and Monument Realty, LLC are
13 two separate corporations, is that correct?

14 MR. DARBY: Yes.

15 MR. OLENDER: They are both Delaware
16 corporations, is that correct?

17 MR. DARBY: I believe so.

18 MR. OLENDER: This application that was
19 made on behalf of BRE/Watergate, LLC was made by
20 Monument Residential, LLC, is that correct?

21 MR. DARBY: We'll check on that.

22 MR. OLENDER: You don't know that?

23 MR. DARBY: Check on that, Mr. Olender.

24 MR. OLENDER: But I mean you don't know
25 without checking?

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1 CHAIRPERSON MITTEN: He's just going to
2 check. You want the answer, right?

3 MR. OLENDER: Right.

4 CHAIRPERSON MITTEN: Okay. Just let them
5 check.

6 MR. OLENDER: I wanted to get it on the
7 record though --

8 CHAIRPERSON MITTEN: Right. Just let him
9 check.

10 MR. OLENDER: -- that he apparently
11 doesn't know.

12 MR. DARBY: Yes, Monument Residential,
13 LLC.

14 MR. OLENDER: All right. And the projects
15 that you mentioned in your direct -- I didn't intend
16 to say anything funny. If I did, I apologize to the
17 tribunal. This is a serious matter.

18 Mr. Darby --

19 MR. GLASGOW: Madam Chair, can we have an
20 orderly process with respect to just the questions and
21 the answer?

22 CHAIRPERSON MITTEN: Yes, we will.

23 MR. GLASGOW: Thank you.

24 MR. OLENDER: Thank you. Mr. Darby, the
25 projects that you testified to in direct examination

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1 that you are involved in at this time in the District
2 of Columbia were they all Monument Residential, LLC
3 projects?

4 MR. DARBY: We use different corporations
5 as owning entities for different projects. We
6 probably have 25 different entities we use for
7 different projects. We form single purpose entities
8 for different projects. We operate our residential
9 projects under Monument Residential, LLC and our
10 commercial projects under Monument Realty, LLC. They
11 are different for different types of projects.

12 MR. OLENDER: How many projects do you
13 have going at this time with Residential, LLC?

14 MR. DARBY: I don't know exactly.

15 MR. OLENDER: Do you have more than one?

16 MR. DARBY: I don't know exactly?

17 MR. OLENDER: Do you have any?

18 MR. DARBY: What do you mean by "going" as
19 Monument Residential, LLC?

20 MR. OLENDER: The projects are by Monument
21 Residential, LLC.

22 MR. DARBY: Mr. Olender, I explained we
23 have single purpose entities and some of those
24 entities have sub-entities that we form in relation to
25 our projects. Different projects have different

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1 entities. I don't understand the question.

2 CHAIRPERSON MITTEN: Mr. Olender, what's
3 the relevance of this?

4 MR. OLENDER: It's very -- I'll show this
5 in a few minutes, Your Honor. I don't want to --

6 CHAIRPERSON MITTEN: I want you to tell
7 me --

8 MR. OLENDER: Can I approach the bench
9 and --

10 CHAIRPERSON MITTEN: No, you have to tell
11 me now in front of everyone.

12 MR. OLENDER: The thing is, Your Honor --

13 CHAIRPERSON MITTEN: And I'm not Your
14 Honor.

15 MR. OLENDER: I told --

16 CHAIRPERSON MITTEN: This is not a court
17 and so we're a little less formal, but still
18 respectful. So I appreciate your deference, but I
19 just want to keep it in perspective.

20 MR. OLENDER: That's what I tried to tell
21 you in the beginning. My associates and friends
22 should have experienced counsel in this type of case
23 to try it for them. But I'm doing the best I can.

24 CHAIRPERSON MITTEN: Okay. Would you now
25 tell me the relevance of inquiring --

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1 MR. OLENDER: The relevance is that I am
2 trying to set the stage to ask you to dismiss the
3 application for the reason that Monument Residential,
4 LLC, which has submitted this application and which
5 intends to do this project, is one, doing such
6 projects in the District of Columbia at this time and
7 two, is not registered to transact business in the
8 District of Columbia, although its other corporation
9 Monument Realty, LLC is registered to do business for
10 some reason. And I confronted Mr. Darby with this at
11 the membership meeting approximately six weeks ago --

12 CHAIRPERSON MITTEN: Let me just ask, just
13 to move off of this, if you would like to make that
14 motion, I would ask you to do that as a separate
15 matter and focus on what you heard Mr. Darby's direct
16 testimony and cross examination and we'll take up any
17 motions that you want to file and the briefings that
18 you will attach to that separately.

19 MR. OLENDER: With all respect, I really
20 need to lay the groundwork on the record so that --

21 CHAIRPERSON MITTEN: No, you really don't.
22 That's the point. That's how this is different. You
23 don't need to do that.

24 MR. OLENDER: You'll just accept my word
25 that they're not registered?

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1 CHAIRPERSON MITTEN: And then they will
2 respond to your motion and that's how we will get the
3 information that we need. So you don't have to do
4 that here. Let's focus on Mr. Darby's testimony as it
5 relates to land use.

6 MR. OLENDER: All right. You stated in
7 your direct testimony, Mr. Darby, that the Delaware
8 court said that a simple majority is all that is
9 needed to approve the agreement which you proffered to
10 Watergate East. Is that correct? Is that what you
11 stated?

12 MR. DARBY: Obviously it's a lot more
13 complicated than that and we --

14 MR. OLENDER: I can't hear you.

15 MR. DARBY: It's a lot more complicated
16 than just that one statement. Obviously what's been
17 given to the Commission is a copy of the judge's
18 ruling and certainly I would defer to that ruling and
19 information contained within it.

20 MR. OLENDER: So you would defer to
21 whatever the chancellor of Delaware says rather than
22 your interpretation, is that true?

23 MR. DARBY: Yes.

24 MR. OLENDER: Thank you. Why did you
25 finance the lawsuit filed against Watergate East and

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1 six members --

2 MR. GLASGOW: That was not part of his
3 testimony. I object.

4 CHAIRPERSON MITTEN: Mr. Olender, Mr.
5 Darby didn't testify about that and I would ask you
6 again what's the relevance of that?

7 MR. OLENDER: The relevance, Your Honor,
8 is they are so desperate to get this land that
9 Watergate East has and that they need for their
10 project that they have gone to the extent of ripping
11 asunder the residents of Watergate East so that four
12 members of the Board sues six --

13 CHAIRPERSON MITTEN: No, no, no, no, no.
14 There will be no expressions from the audience.
15 Otherwise, I'll ask you to leave and you will not be
16 able to follow this proceeding further from
17 within the hearing room.

18 Mr. Olender, I just want you to understand
19 what we do here. Okay? Some of these legal
20 machinations that go on, they go on outside the
21 hearing room. What we're interested in is the zoning
22 case that's before us, which is what we took the
23 testimony about and that's where I'd like you to focus
24 your attention in the cross examination.

25 MR. OLENDER: Yes.

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1 CHAIRPERSON MITTEN: Okay? And
2 desperation or no desperation, or whatever goes on to
3 convince people to support something or to not support
4 something is really not relevant for us. As long as
5 people are making arguments that are relevant for us,
6 that's what we want to hear.

7 MR. OLENDER: Well, Madam Chair and
8 Commissioners, I submit that you probably should be
9 interested in who the Applicant is. In other words,
10 is the Applicant someone who is going to carry through
11 what they promise, or are they -- that's why I think
12 it's pertinent for me to bring out just what they are
13 doing, the extent to which they've gone to try to
14 force us to sell the property and to support this.
15 And I think --

16 CHAIRPERSON MITTEN: If you think that's
17 relevant, then you should spend your time when you're
18 putting on your case to do that, but I don't think
19 you're going to be successful without a tedious and
20 unhelpful cross examination that we're not going to
21 sit through. You're not going to get Mr. Darby to
22 admit that he's some kind of, you know, bad guy. He's
23 just not going to.

24 MR. OLENDER: I don't want him to. I just
25 want him to give the facts. The facts are that he put

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1 -- he and his company paid for six board members to be
2 sued.

3 MR. GLASGOW: In renew my objection, Madam
4 Chair.

5 CHAIRPERSON MITTEN: Mr. Olender, you're
6 going to have to move to another subject.

7 MR. OLENDER: Mr. Darby, you spoke in your
8 direct examination about a new health club. Do you
9 recall saying that?

10 MR. DARBY: Yes.

11 MR. OLENDER: A new health club.

12 MR. DARBY: A renovated health club.

13 MR. OLENDER: Pardon?

14 MR. DARBY: The health club will be
15 renovated.

16 MR. OLENDER: Yes. What is your
17 definition of a health club? What do you mean by a
18 health club?

19 MR. DARBY: The health club that we
20 propose will have the existing swimming pool
21 renovated. It will be -- new air conditioning systems
22 will be put in the pool area. The pool will be
23 refurbished. The locker rooms will be completely
24 redone with new lockers, new walls, new showers, new
25 tile. Included in that will be new rooms for massage

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1 and other treatments. There will be new equipment
2 including treadmills, weights, life cycle, universals
3 and all the things that currently exist in the health
4 club today, but in a much better condition.

5 MR. OLENDER: You at various times
6 explained that the members of the Watergate co-ops
7 would have a key to the health club. I assume that's
8 a card key that you put in the slot and then you can
9 get in? Is that true?

10 MR. DARBY: I didn't testify to that
11 today.

12 MR. OLENDER: No, no. I'm talking about
13 on occasions. You held events to which you invited
14 members of Watergate --

15 MR. GLASGOW: Madam Chair, he didn't
16 testify about holding events.

17 MR. OLENDER: Well, let --

18 CHAIRPERSON MITTEN: Maybe just to
19 clarify, how will the folks get access to the health
20 club?

21 MR. DARBY: The health club members can
22 access it either through the B1 level and there's
23 elevator that goes down to the lower level. There has
24 been discussion at different times, but nothing final,
25 about other methods and as we discussed earlier, there

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1 would be a way to come through the lower levels to
2 make sure they're walking through out of the rain and
3 it would be a logical thing to have access through
4 there and if it's a secured area, then a key card
5 would make sense to do so.

6 MR. OLENDER: And the reason they would
7 need the key card is that instead of the 30 or so
8 employees of the health club there would be none, no
9 employees, correct?

10 MR. DARBY: No, we have always said that
11 the health club will be manned by operators. We have
12 always said that it would be a non-profit situation,
13 that the fees, the dues would pay and cover the
14 expenses only and unlike today where Sport and Health,
15 a public or a company that runs health club for
16 profit, it would be an operation that would not have
17 that. And you cannot run a health club without the
18 correct people. If there's a swimming pool, I think,
19 in the District of Columbia, you have to have
20 lifeguards. You have to have an operator that can
21 book people in and out for their different treatments,
22 massage, exercise, all those different things they
23 have and so I don't know how he could have ever assume
24 there wouldn't be any employees.

25 MR. OLENDER: Because that's what you

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1 said, didn't you, when you held these parties to try
2 to convince us residents to sell the property to you.
3 You said that there would not be staff, that the
4 customers could bring in their personal trainers if
5 they want. Isn't that correct?

6 MR. DARBY: Mr. Olender, we held three
7 meetings at the Watergate Hotel. They were not
8 parties. They were meetings where we had chairs set
9 up in an auditorium-type fashion and I spoke to the
10 people in those rooms about the different things.
11 Often, Mr. Olender, there were people that didn't
12 listen to what I was saying clearly and many things
13 were assumed. Each time we had the meetings, we
14 subsequently put out questions with answers that
15 answered any questions that we have had. There were
16 often times that residents stood up who are opposed to
17 what we are doing and quite categorically made
18 statements that showed they hadn't been listening
19 during the time.

20 So, I don't know what everybody heard. I
21 know what we've always stated. It doesn't make sense
22 to have a club that doesn't have some form of
23 operation. We intend to have a club that is not
24 taking money from the residents for profit. We intend
25 to have a club that is an amenity to the condos, the

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1 co-ops, that we're going to do and if people want to,
2 and we've heard that people are opposed to our plan,
3 so I don't know if they want to, but those that want
4 it can have access to the health club to use the
5 facilities.

6 MR. OLENDER: Did you understand my
7 question?

8 MR. DARBY:

9 CHAIRPERSON MITTEN: I think he was
10 responding to what amounted to a statement from you
11 more than a question, but let's just take Mr. Darby's
12 testimony here tonight as his representation to the
13 Commission as to the way in which the health club will
14 be operated and we can incorporate that as a condition
15 of the order.

16 MR. OLENDER: What, if anything, did you
17 put in the agreement which you signed and tried to get
18 Watergate East to sign regarding any personnel made
19 available at the health club?

20 MR. DARBY: There's nothing. It doesn't
21 address personnel. It addresses a health club will be
22 made available. It defines it in a very superficial
23 manner because we didn't get into that detail, what
24 the equipment will be in the health club and the fact
25 that it will be new and defines who can use it, as per

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1 the lengthy negotiations I had with your legal
2 representatives, or Watergate East's legal
3 representatives, in relation to negotiations.

4 MR. OLENDER: Are you aware that there are
5 approximately 30 employees at the health club?

6 MR. DARBY: I'm not aware of that.

7 MR. OLENDER: Are you aware that they have
8 many skilled trainers who are physical therapists?

9 MR. DARBY: I'm not aware of that, but we
10 have always proposed, should that be required, that
11 people who use the health club can bring in anybody
12 that they want to. After all, I'm selling co-ops. At
13 the end of the sale, if they want to bring in 30
14 skilled therapists, they can bring in 30 skilled
15 therapists. I'm not controlling who they decide to
16 hire to give them treatments that they need. The
17 health club runs as a profit center and those physical
18 therapists, those trainers charge over and above the
19 normal fee for that. That's a profit center for them.
20 If people in the future want to have those amenities
21 over and above the amenities that I'm going to provide
22 in the base case situation, they can have as many
23 people as they want. It's a health club that will be
24 handed over to the residents of Watergate to use.

25 MR. OLENDER: Once you sell the co-ops,

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1 you're gone for all intents and purposes, correct?

2 MR. DARBY: Once I have fulfilled my
3 obligations under the agreements that I've signed and
4 once I have met the standards for the District of
5 Columbia in relation to cooperative laws, I obviously
6 will move on to another project, yes.

7 MR. OLENDER: Is there a reason why you
8 have declined to make available to Watergate East the
9 financials for Monument Residential, LLC?

10 CHAIRPERSON MITTEN: Mr. Olender, he
11 didn't testify about that in his direct testimony.

12 MR. OLENDER: I would think you would want
13 to know. They refused to give us any financials.

14 CHAIRPERSON MITTEN: It's not relevant to
15 the land use question before us.

16 MR. OLENDER: As to whether they'll be
17 able to do what they say they're going to do, I submit
18 it's the first thing that needs to be considered.

19 CHAIRPERSON MITTEN: We do not consider
20 that.

21 MR. OLENDER: Are you going to offer
22 housing at the Watergate, Mr. Darby --

23 MR. DARBY: Yes.

24 MR. OLENDER: Wait a minute. I didn't --

25 MR. DARBY: Oh, I thought you'd finished.

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1 Sorry.

2 MR. OLENDER: -- finish the question. I'm
3 trying to find the word. Are you going to offer
4 "affordable housing" at the project that you wish to
5 do at the Watergate? Can you answer that yes or no?
6 If you can, please do.

7 MR. DARBY: One of the conditions that
8 Watergate --

9 MR. OLENDER: If you can't --

10 MR. DARBY: Excuse me, I'll answer --

11 MR. OLENDER: If you can't answer it yes
12 or no, you --

13 CHAIRPERSON MITTEN: He's not required to
14 limit his answers to yes or no. Okay?

15 MR. OLENDER: I thought it was a simple
16 question. Very well.

17 MR. DARBY: One of the conditions that I
18 have agreed to with the negotiations of Watergate
19 South and then the people from Watergate East that
20 support the project is that I will maintain a sales
21 price of \$450 a foot. I think, unfortunately, that
22 would limit my ability to provide affordable housing.
23 If there's a way that can be worked out and it makes
24 sense for everybody and works with the District's
25 requirements, I certainly would be amenable to working

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1 out something for them.

2 MR. OLENDER: But the Commissioners can
3 take it that you are not going to use this to offer
4 affordable housing? Can they take that?

5 MR. DARBY: Sir, they can hear my answer
6 and take it the way that I said it.

7 MR. OLENDER: And how many times the rate
8 for affordable housing, if you know, is \$450 a foot?
9 Ten times?

10 MR. DARBY: I don't know. Do you know?
11 I don't know.

12 MR. OLENDER: I don't know. You're in the
13 business.

14 MR. DARBY: I don't know it.

15 MR. OLENDER: I'm just a --

16 MR. DARBY: I'm building affordable
17 housing in many other places, but not here.

18 MR. OLENDER: But it's nowhere near \$450
19 a foot, is it? Is it?

20 MR. DARBY: I don't know.

21 MR. OLENDER: You wouldn't be willing to
22 state under oath that it's nowhere near \$450 a foot?

23 MR. DARBY: I don't know.

24 CHAIRPERSON MITTEN: It's not necessary.

25 We heard the testimony and we're very familiar with

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1 what affordable housing routinely costs. So I think
2 you can move to another question now.

3 MR. OLENDER: Is the reason why Monument
4 Residential, LLC doesn't register to do business so
5 that you don't have to comply --

6 MR. GLASGOW: Madam Chair, I'm going to
7 object again.

8 MR. OLENDER: -- please let me finish my
9 question because I think they'll be interested in this
10 -- so that they don't have to comply with District of
11 Columbia regulations such as minority hiring for
12 construction such as for various withholding programs
13 such as worker's comp? Did you listen to my question?
14 Did you hear the question?

15 CHAIRPERSON MITTEN: It's not a relevant
16 question for the Zoning Commission. So it's not
17 necessary for you to answer.

18 MR. DARBY: Okay.

19 MR. OLENDER: That's all I wish to ask of
20 this gentleman. I'd next like to speak with Mr.
21 Stein.

22 Mr. Stein, you're with Watergate Hotel,
23 the people that own Watergate Hotel.

24 MR. STEIN: BRE/Watergate, yes.

25 MR. OLENDER: You will not be with the co-

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1 op, if it's allowed to rise, is that true?

2 MR. STEIN: I will not be with Monument,
3 or involved in the project?

4 MR. OLENDER: Well, once the project is
5 up, you will not be involved in the sale, you will not
6 be involved in running it, or anything of that nature?

7 MR. STEIN: Correct.

8 MR. OLENDER: All right. And you said
9 that there's a need to upgrade the health club.

10 MR. STEIN: Correct.

11 MR. OLENDER: Is that right?

12 MR. STEIN: Correct.

13 MR. OLENDER: And you heard my cross
14 examination of your colleague?

15 MR. STEIN: Yes.

16 MR. OLENDER: Right. Have you put in any
17 provisions in this transaction that would assure
18 people of having on the premises of the health club
19 skilled and trained trainers and physical therapists?

20 MR. STEIN: No.

21 MR. OLENDER: Do you ever go into the
22 health club?

23 MR. STEIN: Yes.

24 MR. OLENDER: Would you tell the
25 Commissioners about the elderly people you see there

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1 who have disabilities such as severe osteoarthritis,
2 such as Parkinson's disease, such as Multiple --

3 MR. GLASGOW: Madam Chair, I object.

4 MR. OLENDER: Would you please let me
5 finish my question?

6 CHAIRPERSON MITTEN: Well, you're
7 testifying through your question.

8 MR. OLENDER: I'm asking him whether he
9 has seen them.

10 Have you seen them in the --

11 MR. GLASGOW: He didn't testify as to
12 that, Madam Chair.

13 CHAIRPERSON MITTEN: I think that if your
14 point is that there's the concern about the change
15 that may take place from the existing health club to
16 whatever would be proposed, I think that trying to
17 draw that out through cross examination is not the
18 most productive way to do it. So I'd ask you to put
19 that on through your case, the direct case and if you
20 have something that Mr. Stein can tell us that you
21 can't tell us, that's what we want you to ask him now.

22 MR. OLENDER: I'm only going to have 15
23 minutes, Your Honor.

24 CHAIRPERSON MITTEN: That's the way it
25 goes.

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1 MR. OLENDER: It takes me three weeks to
2 put on a case, not 15 minutes.

3 CHAIRPERSON MITTEN: Well you don't get to
4 make up for what time you don't get for your main case
5 in this form of cross examination.

6 MR. OLENDER: Is it true, Mr. Stein, that
7 you, meaning the hotel and the owners of the hotel,
8 have in recent weeks received inquiries from one or
9 more luxury hotel groups to buy the hotel, but you've
10 been unable to deal with them because you're tied up
11 with Monument?

12 MR. STEIN: No.

13 MR. OLENDER: Is that true?

14 MR. STEIN: No.

15 MR. OLENDER: You testified that the
16 restaurant is an amenity for the hotel. How long have
17 you been at the hotel?

18 MR. STEIN: We've owned the hotel since
19 1998, August of 1998.

20 MR. OLENDER: Have you been in D.C. before
21 that?

22 MR. STEIN: Yes.

23 MR. OLENDER: Where were you before '98?

24 MR. STEIN: I live in New York, but I've
25 spent time in D.C. before that, yes.

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1 MR. OLENDER: So you don't know who
2 operated the restaurants, the famous Chef Paladin?
3 Are you aware?

4 MR. STEIN: Yes, I am.

5 MR. OLENDER: You're aware that he
6 operated the restaurants at the hotel? And then are
7 you aware that it was, help me with the pronunciation,
8 Afriel?

9 MR. STEIN: Correct.

10 MR. OLENDER: Afriel. And then it was
11 Jeffrey's?

12 MR. STEIN: Correct.

13 MR. OLENDER: And now it's Afriel's again,
14 is that true?

15 MR. STEIN: Correct.

16 MR. OLENDER: And all of these from
17 Paladin on down were luxury restaurants, correct?

18 MR. STEIN: They were all run by the
19 hotel.

20 MR. OLENDER: They were first class
21 restaurants.

22 MR. STEIN: I don't know your definition
23 of that.

24 MR. OLENDER: Are you telling the
25 Commission that your restaurant is not a first class

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1 restaurant?

2 MR. STEIN: I don't know how you define
3 first class restaurant.

4 MR. OLENDER: You've never heard the term?

5 MR. STEIN: In Europe they use Michelin
6 stars. You want to assign a rating to it, I can
7 answer it if has a specific rating that is awarded by
8 restaurant industry. I don't know what you mean by
9 your question.

10 MR. OLENDER: All right. That's all I
11 have of you, sir.

12 MR. STEIN: Thank you.

13 MR. OLENDER: Next I'd like to ask a few
14 questions of the gentleman, Mr. Sher.

15 You gave the economic analysis, right?

16 UNIDENTIFIED SPEAKER: Mr. Prost.

17 MR. OLENDER: Oh, Mr. Prost. I'm sorry,
18 Mr. Sher. Mr. Prost.

19 MR. PROST: Good evening.

20 MR. OLENDER: Good evening, sir. How much
21 work do you do for Monument?

22 MR. PROST: I've done one or two jobs for
23 Monument. Most of my work is public work.

24 MR. OLENDER: Right. How much work have
25 you done for the law firm Holland & Knight that's

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1 representing the Applicant here?

2 MR. PROST: I'm not sure I've done any
3 direct work with Holland & Knight.

4 MR. OLENDER: Are you the one that said
5 there would be a 30 percent increase in employment?

6 MR. PROST: I don't know exactly. I'd
7 really have to look at --

8 MR. OLENDER: No, no. I mean this
9 evening. My hearing isn't perfect. I thought I heard
10 one of your witnesses say if it converted into a co-
11 op, then it's going to increase employment 30 percent
12 by the time it's done.

13 MR. PROST: That is correct.

14 MR. OLENDER: That's correct? Do you know
15 why the Union members came here tonight to testify
16 against this project?

17 MR. PROST: I'm not aware of that. I
18 don't know they're here and I don't know why.

19 MR. OLENDER: Have any Union members said,
20 "Let's" --

21 CHAIRPERSON MITTEN: Mr. Olender, you're
22 not going to testify through your cross examination.

23 MR. OLENDER: So, Mr. Prost, you're not
24 aware of what unions may think about this?

25 MR. PROST: I am not aware.

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1 MR. OLENDER: All right. Would you tell
2 us how many hotel industry workers are unemployed at
3 this time in the District of Columbia?

4 MR. PROST: I'm not aware of that number.

5 MR. OLENDER: Have you tried to find out
6 before testifying that closing down the hotel is going
7 to increase employment and all of these fired people
8 are going to find jobs in hotels in the District of
9 Columbia? Did you think it was at all relevant to
10 find out how many are unemployed right now?

11 MR. GLASGOW: Madam Chair, I object.

12 CHAIRPERSON MITTEN: What's the basis of
13 your objection?

14 MR. GLASGOW: This was beyond the scope of
15 his testimony.

16 MR. OLENDER: Oh, he testified.

17 CHAIRPERSON MITTEN: I think the point of
18 the question is how do you reconcile what may be -- or
19 how do you, in concluding that these jobs would be
20 absorbed --

21 MR. PROST: I conclude that there is a
22 hotel demand that exists in the District. This
23 particular hotel is not getting a strong portion of
24 that demand. The demand that it is getting I believe
25 will be captured by other hotels in the District which

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1 will transfer the demand and will transfer the
2 employment from the hotel sector. The other
3 employment is non-hotel employment.

4 MR. OLENDER: Well, let's cut to the point
5 of it. Are you telling the Commission that at this
6 time hotel workers in the District of Columbia are
7 fully employed? Is that what you're telling them?

8 MR. PROST: I'm not testifying to the
9 employment rate. I'm testifying that there is a hotel
10 demand that supports a level of employment in this
11 hotel and that hotel demand that is in this hotel
12 would be transferred to another hotel. That's all I'm
13 testifying.

14 MR. OLENDER: It would be transferred to
15 another hotel that has laid off its own workers?

16 MR. PROST: I can't testify to what other
17 hotels are doing.

18 MR. OLENDER: That's all the questions I
19 have of you.

20 MR. PROST: Thank you.

21 MR. OLENDER: And now, Mr. --

22 CHAIRPERSON MITTEN: Did you want to talk
23 about land use or traffic?

24 MR. OLENDER: The person that spoke about
25 zoning, Mr. -- who was that?

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1 CHAIRPERSON MITTEN: You have your choice
2 of Mr. Sher or Mr. Wells, or Mr. Durkin, if you'd like
3 to talk about design.

4 MR. OLENDER: No. I'm not into design.

5 CHAIRPERSON MITTEN: Okay.

6 MR. OLENDER: I'm into the one who talked
7 about the hotels are encouraged -- it was you --

8 CHAIRPERSON MITTEN: I think it was Mr.
9 Sher.

10 MR. OLENDER: -- are encouraged by D.C.
11 law to -- for appropriate locations in Ward 2. You're
12 the one, right?

13 CHAIRPERSON MITTEN: He is the one.

14 MR. OLENDER: Thank you. Appropriate
15 locations. Are you aware, you are aware, that the
16 Kennedy Center opera stars are housed in the hotel?

17 MR. SHER: I believe that's true in part,
18 yes.

19 MR. OLENDER: And are you aware that
20 Placido Domingo has submitted a letter asking that the
21 hotel remain a hotel?

22 MR. SHER: I haven't seen his letter, but
23 I believe he may have.

24 MR. OLENDER: Are you aware that the
25 theatrical productions at the Kennedy Center house

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1 their stars at the Watergate Hotel?

2 MR. SHER: I don't know that for a fact,
3 but I believe it could be the case.

4 MR. OLENDER: Are you aware that the
5 various world famous ballet troupes that perform in
6 the Kennedy Center, that they're ballerinas and male
7 dancers work out in the health club at the Watergate
8 Hotel?

9 MR. SHER: I don't know that either.

10 MR. OLENDER: But you assume it's true?

11 MR. SHER: I'll take your word for it.

12 MR. OLENDER: All right. And are you
13 aware that theater goers meet regularly in the
14 Watergate Hotel?

15 MR. SHER: I don't know that either, but
16 I'll take your word for that too.

17 CHAIRPERSON MITTEN: What's the real
18 question?

19 MR. OLENDER: The real question is not
20 only we in the Watergate need the Watergate Hotel --

21 CHAIRPERSON MITTEN: No, that's a
22 statement.

23 MR. OLENDER: -- but the Kennedy -- the
24 Kennedy --

25 CHAIRPERSON MITTEN: What's the question?

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1 MR. OLENDER: Well --

2 CHAIRPERSON MITTEN: Maybe there isn't
3 one. Let's move on.

4 MR. OLENDER: Maybe not. If I can just
5 look at my notes, I may be done. That's it. Thank
6 you.

7 CHAIRPERSON MITTEN: Thank you. Okay. I
8 think we're ready to move to the report by the Office
9 of Planning. Mr. Lawson.

10 MR. LAWSON: Madam Chair, members of the
11 Commission, my name is Joel Lawson and I'm a
12 development review specialist with the D.C. Office of
13 Planning. With me here this evening is Jennifer
14 Steingasser, also with the D.C. Office of Planning.

15 At its June 9th, 2003 meeting, the Zoning
16 Commission sat down for a public hearing Case Nr. 03-
17 16, an application to amend the Watergate Complex PUD.
18 The original PUD was intended to provide a well-
19 planned mixed-use development. It's been amended
20 since there and there have been numerous BZA
21 applications, most of which were related to specific
22 commercial uses.

23 The Watergate Complex currently contains
24 three co-op apartment buildings referred to as
25 Watergate East, West and South, a hotel, an office

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1 building, retail, underground parking and amenity
2 space and over five acres of open space.

3 This application is to modify the original
4 PUD to allow the conversion of the hotel into an
5 apartment building. As part of the conversion, a
6 number of modifications to the building are proposed.

7 Below grade, the applicant is proposing to
8 provide additional parking spaces, alter the health
9 club area, convert the banquet area to amenity space
10 and restaurant and convert service areas to new
11 dwelling units, some of the areas within spaced leased
12 from Watergate East Cooperative. I should note that
13 the OP report incorrectly stated that the lease was
14 with Watergate West, which is a separate co-op.

15 Above grade, alterations include
16 converting hotel suite and lobby areas into 133
17 residential units, add a new ground level open
18 carports, replacing all windows and adding rooftop
19 terrace spaces with privacy screens and stairwells.

20 The proposed use is not inconsistent with
21 the comprehensive plan generalized land use map
22 designation of mixed high-density residential and
23 medium-density commercial development and supports
24 major themes related to the provision of housing in
25 the downtown area. The proposal also does not appear

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1 to be contrary to the original PUD or with the intent
2 to the original PUD approval as recorded in the
3 transcript from the original public hearing in 1962.
4 As noted in that transcript, the proposal was intended
5 to provide a well-planned development, primarily
6 residential with related office and commercial
7 facilities.

8 The OP report also noted a number of
9 specific zoning regulations for which additional
10 information was required to clarify level of
11 conformity and whether Zoning Commission relief would
12 be needed. The applicant has requested relief for
13 wall height of rooftop enclosures. OP supports this
14 requested relief. OP also believes that the zoning
15 regulations may require the provision of publicly
16 accessible parking for the restaurant. As this does
17 not appear to be provided on site, relief appears to
18 be required. Given that public parking is available
19 within the complex, OP also has no concern with this
20 requested relief.

21 The Applicant has indicated to OP that the
22 proposal without the leased area would provide a
23 confirming number of standard parking spaces that can
24 be accessed without going through the leased area.

25 OP referred the proposal to a number of

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1 District agencies including the Metropolitan Police
2 Department. The Department of Parks and Recreation
3 and the D.C. Water and Sewer Authority supplied
4 comments on the proposal. Neither indicated objection
5 to the application, although WASA noted a number of
6 technical issues that must be addressed at the
7 building permit state.

8 Subsequent to filing the OP report, the
9 Department of Housing and Community Development
10 submitted comments noting support for the application
11 as it would provide additional housing opportunities
12 in the West End neighborhood. And the District
13 Department of Transportation also submitted comments
14 regarding the Applicant's traffic study noting
15 agreement with its conclusions regarding traffic and
16 parking impacts. Copies of these reports are
17 available for distribution.

18 In summary, from a land use perspective,
19 which is the focus of the OP analysis, the original
20 PUD permits and in fact encourages residential
21 development. The proposal used is permitted under
22 current zoning, which is not being changed, and would
23 generally conform to the comprehensive plan and to the
24 generalized land use map designation. This concludes
25 the OP presentation and OP is available for questions.

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1 Thank you.

2 CHAIRPERSON MITTEN: Thank you, Mr.
3 Lawson. Questions from the Commission? Anyone have
4 questions? Questions?

5 COMMISSIONER HOOD: I just have one
6 question. Hopefully we can get something from the
7 police department. We asked for it earlier and I
8 think that's one the keys.

9 And also, I want to go back to this
10 affordable housing issue, while I know that it wasn't
11 offered. I heard the testimony in cross examination
12 that maybe you can go back to the applicant and see
13 what can be worked out. But I know it wasn't offered.
14 But it sounds like he may be amenable, so you know,
15 while we have a chance maybe we need to see where we
16 are. I would just like to see that discussion opened
17 back up again. If that's in order, Madam Chair, we do
18 it for every other project.

19 CHAIRPERSON MITTEN: Well, we only have
20 three days until we reconvene.

21 COMMISSIONER HOOD: We only have three
22 days to reconvene, but do you plan on voting on
23 Thursday?

24 CHAIRPERSON MITTEN: No.

25 COMMISSIONER HOOD: Okay. Well, I think

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1 we can open up that dialogue.

2 CHAIRPERSON MITTEN: Okay.

3 COMMISSIONER HOOD: I would like to see
4 that opened up because I heard the testimony on cross
5 examination.

6 CHAIRPERSON MITTEN: All right.

7 COMMISSIONER HOOD: So see what comes out
8 of it.

9 CHAIRPERSON MITTEN: Okay. Any other
10 questions? All right. Mrs. Miller, did -- no, Mr.
11 Glasgow first. Did you have any questions?

12 MR. GLASGOW: No cross.

13 CHAIRPERSON MITTEN: Okay. Mrs. Miller
14 any questions for the Office of Planning?

15 MRS. MILLER: (Off microphone.)

16 CHAIRPERSON MITTEN: Mr. Wolf, any
17 questions?

18 MR. WOLF: No questions.

19 CHAIRPERSON MITTEN: Mr. Aguglia?

20 MR. AGUGLIA: I have a few questions.

21 Mr. Lawson, when you wrote your report
22 were you aware that the Ward 2 plan, Section 1333
23 encouraged the continued improvement of existing
24 hotels in the ward?

25 MR. LAWSON: Yes, I was.

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1 MR. AGUGLIA: And what is your comment to
2 the fact that under this conversion the existing hotel
3 will be lost? How do you square that?

4 MR. LAWSON: I believe the plan says that
5 it encourages continued improvements of existing
6 hotels. I don't believe the plan says requires the
7 improvement of existing hotels and I believe there are
8 a number of sections in the community plan which
9 relate to various aspects of this application, which
10 would apply.

11 MR. AGUGLIA: You were aware of course
12 that the Howard Johnson's across the street was closed
13 for hotel occupancy?

14 MR. LAWSON: I've been told that, yes.

15 MR. AGUGLIA: You've been told that? Were
16 you aware in preparing your report that Watergate West
17 was opposed to the PUD modification?

18 MR. LAWSON: I became aware of that
19 probably prior to preparing the final report from the
20 Office of Planning.

21 MR. AGUGLIA: All right. But it's your
22 position then that even though one of the owners of
23 the buildings in the PUD complex objects that that
24 should not have any bearing on the land use
25 modification sought?

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1 MR. LAWSON: I believe this -- the Office
2 of Planning addresses this from a land use
3 perspective, which is what we did.

4 MR. AGUGLIA: And so your answer is?

5 MR. LAWSON: My answer is that the Office
6 of Planning addressed this from a land use issue.
7 There may be other issues that are relevant to the
8 Commission.

9 MR. AGUGLIA: Okay. In preparing your
10 report, did you review any NCPC files?

11 MR. LAWSON: I did not.

12 MR. AGUGLIA: Were you aware that NCPC was
13 at that time the planning agent for the District of
14 Columbia?

15 MR. LAWSON: I'm going to say no, although
16 I think I may have noticed that in some of the early
17 transcripts.

18 MR. AGUGLIA: So you do not --

19 MR. LAWSON: It was not -- I'll say no
20 because to be honest I can't remember if I ever came
21 across that.

22 MR. AGUGLIA: All right. Thank you.

23 CHAIRPERSON MITTEN: Thank you, Mr.
24 Aguglia. Mr. Olender?

25 MR. OLENDER: One question please.

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1 CHAIRPERSON MITTEN: Okay.

2 MR. OLENDER: Sir, is it true that in your
3 report it's noted that the Applicant has not obtained
4 or submitted approval by the adjoining residents?

5 MR. LAWSON: That was my understanding,
6 yes.

7 MR. OLENDER: Yes. And you made note of
8 that?

9 MR. LAWSON: That's correct.

10 MR. OLENDER: Thank you. That's all.

11 CHAIRPERSON MITTEN: Thank you. All
12 right. Mr. Lawson noted that we had a report from
13 DDOT and also I guess for your January 19th report you
14 had attached some concerns from WASA.

15 Is there any other Government agency
16 represented here tonight that would like to submit a
17 report or offer testimony?

18 Okay. Then we're ready for the ANC
19 report.

20 MRS. MILLER: Good evening. I'm Dorothy
21 Miller, Chair of ANC 2A. In our position, we filed a
22 resolution with you all in January and you've had a
23 chance to read it and our position hasn't changed. We
24 are glad that we have a chance to get residential
25 taxpayers down there instead of people who don't pay

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1 taxes and just come and go and we're all very much
2 aware that the Howard Johnson is inhabited by
3 students. And we're also very much aware that we have
4 more hotels in that little square area than any other
5 place in town. And as you keep saying at the Office
6 of Planning, "We don't want to do to the Southwest
7 what they did to Foggy Bottom. No hotels and no more
8 universities." That's from the Office of Planning.

9 CHAIRPERSON MITTEN: Anything else?

10 MRS. MILLER: That's it.

11 CHAIRPERSON MITTEN: Okay. And I guess we
12 should note that the ANC is in support of the PUD
13 modification.

14 MRS. MILLER: Absolutely.

15 CHAIRPERSON MITTEN: Okay.

16 MRS. MILLER: Residential taxpayers living
17 in Foggy Bottom.

18 CHAIRPERSON MITTEN: Okay. Any questions
19 for Mrs. Miller from the Commission? Mr. Hildebrand?

20 COMMISSIONER HILDEBRAND: You said that
21 there are a sufficient number of hotels in the area.
22 Can you quantify that for me in anyway?

23 MRS. MILLER: Oh, good gracious, yes. You
24 go a block down the street and you've got -- Lanier
25 has put up two, the Ritz and he's put up the one at

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1 the -- in Georgetown. And your problems that they
2 haven't rented is because they were very badly
3 designed. In fact, a friend of mine did decorating
4 and said the place was just awful to try to -- you go
5 up two floors, then you walk a city block to get to
6 the other apartments.

7 CHAIRPERSON MITTEN: How about some of the
8 hotels?

9 MRS. MILLER: And the hotels, on that one
10 corner alone, you've got four hotels and we've got
11 three apartment buildings coming up. We've got a time
12 share coming up at the corner of 25th and
13 Pennsylvania. You've got your guest quarters, or
14 whatever it is, just as you enter Georgetown and
15 you've got the State Plaza Hotel. You've got ?
16 everywhere you turn there's a hotel. The one on
17 Pennsylvania Avenue where Foggy Bottom meets.
18 Everywhere you turn there's a hotel down there.

19 COMMISSIONER HILDEBRAND: Thank you.

20 COMMISSIONER HOOD: Commissioner Miller,
21 I just wanted to ask you, is this within your
22 district, this piece, Watergate?

23 MRS. MILLER: No. The person that lives
24 in that district had to recuse himself because he
25 stood to lose a win on it an he had stated that if it

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1 went co-op he could support it. It went co-op and
2 then he backed out and said he couldn't support that
3 either.

4 COMMISSIONER HOOD: Okay. Your ANC
5 Commission meeting where this was discussed, did you
6 have a lot of constituents show up at that meeting?

7 MRS. MILLER: The usual. About 50, 60 or
8 so.

9 COMMISSIONER HOOD: And this was well-
10 ventilated through the ANC process?

11 MRS. MILLER: Good gracious, yes.

12 COMMISSIONER HOOD: Okay. All right.
13 Thank you.

14 MRS. MILLER: We put notices out, we
15 mailed it to 30 some people and all the things you're
16 supposed to do.

17 COMMISSIONER HOOD: Right. I understand.
18 Okay. Thank you.

19 CHAIRPERSON MITTEN: All right. Any other
20 questions? Mr. Glasgow, any questions for Mrs.
21 Miller?

22 MR. GLASGOW: No questions.

23 CHAIRPERSON MITTEN: Mr. Wolf, any
24 questions for Mrs. Miller?

25 MR. WOLF: No questions.

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1 CHAIRPERSON MITTEN: Okay. Mr. Aguglia?

2 MR. AGUGLIA: I have two questions.

3 CHAIRPERSON MITTEN: All right.

4 MR. AGUGLIA: Ms. Miller, did the SMD for
5 the complex, did he recuse himself from the vote or
6 did you tell him that he had to recuse himself from
7 the vote because he lived in the complex?

8 MRS. MILLER: I did not. We called the
9 person who's in charge of ANCs and he explained it
10 that because of the conflict of interest that he could
11 not participate. And we didn't ask him to leave the
12 room. We could have, but we did not. We let him
13 stay.

14 MR. AGUGLIA: All right. But here's my
15 question. Did he recuse himself or did you tell him
16 that --

17 MRS. MILLER: I didn't tell him anything.
18 I told you I called Gottlieb Simon who talked with
19 Richard Price and Richard said that he would offer his
20 resolution even though that shouldn't have been done.
21 But we did that much, we did what we could to support
22 a position that we were not in favor of and I don't
23 tell a person they have to recuse themselves. I go to
24 the source and have that come forward that way.

25 MR. AGUGLIA: All right. So the

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1 resolution was passed two to one without the other
2 member voting, correct?

3 MRS. MILLER: Yes.

4 MR. AGUGLIA: All right. Was your
5 resolution approving the conversion based in part on
6 a fear that the hotel, if it remained a hotel, would
7 at some point be bought by George Washington
8 University and house students?

9 MRS. MILLER: There's not a single person
10 in Foggy Bottom that doesn't believe that.

11 MR. AGUGLIA: All right. Thank you.

12 CHAIRPERSON MITTEN: Okay. And, Mr.
13 Olender, any questions for Mrs. Miller?

14 MR. OLENDER: No.

15 CHAIRPERSON MITTEN: Okay. Thank you.
16 All right. Now we're ready to move to parties and
17 persons in support. So we'll start first with a
18 presentation by the Committee of Concerned Owners in
19 Watergate East. Mr. Wolf. You'll have 15 minutes.

20 MR. WOLF: Do I need to something --

21 CHAIRPERSON MITTEN: Yes, push the button
22 in the middle of the base and it will -- there you go.

23 MR. WOLF: Thank you.

24 CHAIRPERSON MITTEN: And just state your
25 name for the record.

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1 MR. WOLF: My name is William B. Wolf, Jr.
2 Madam Chair, Commissioners, I shall, as was Mrs.
3 Miller, be brief.

4 I looked at my desk calendar and
5 discovered that two days from now will be the
6 anniversary of the negotiations that took place
7 bringing us here. On March 3, 2003, the president of
8 Watergate East, Mr. Lewis Herring at that time, asked
9 me join three other people to constitute a committee
10 to respond to an invitation or a request. We'd come
11 to the hotel, meet with Mr. Stein and Mr. Darby, we
12 didn't know who they were, and hear what they had to
13 say. And what they had to say was that they were
14 interested in purchasing two areas that none of us on
15 the committee knew Watergate East owned, it may be
16 that our counsel knew it, I don't know, areas used
17 principally for parking, lesser for some public space
18 in the hotel.

19 At that meeting, which was about a week
20 after Mr. Herring spoke to me, somewhere around March
21 10th or 11th, it was suggested that the price for
22 Watergate East's property should be \$900,000. The
23 Commission should understand that this property was
24 leased to the hotel not by us, but by the originators
25 of the entire Watergate project, leased to the hotel

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1 some \$46,000 square feet of property for \$12 a year
2 until 2065. Why? I don't know. My guess is to
3 subsidize the hotel.

4 At any rate, Mr. Darby and Mr. Stein
5 suggested to us that they would like to buy this
6 property in spite of the favorable lease, unbelievably
7 favorable lease, because if they created apartments,
8 they wanted to be able to sell parking spaces in fee
9 simple in terms of land use, not under a lease that
10 would expire, maybe for our great grandchildren.

11 For the next six months we negotiated and
12 in September, last September, Mr. Darby and I struck
13 a price that both of us considered fair and proper,
14 which was \$4,250,000. But in September, it became
15 clear that a number of the directors on the Board of
16 Directors of Watergate East were opposed to selling
17 anything to the hotel because they wanted the hotel to
18 stay in operation. And the Board split six people,
19 including the president, opposed to the sale and five
20 people vigorously in favor of the sale. Those numbers
21 have never changed. Our Board remains split six to
22 five. And until Wednesday of last week, it was my
23 intention to come before this Commission and testify
24 that in my respectful judgment the Commission should
25 consider that Watergate East is split pretty much down

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1 the middle.

2 We had a members' meeting, which was
3 forced upon the Board, remember the Board's six to
4 five against sale, a members' meeting that was forced
5 on the Board by recourse to our bylaws, which allow a
6 members' meeting to be called if 50 members sign a
7 petition. In about three days we got 70 members to
8 sign the petition. Somewhere I think in September or
9 October, those of us who were vigorously in favor of
10 this transaction got together as a Committee of
11 Concerned Owners and its on behalf of some 20 of those
12 people, whose consents I got in writing to list their
13 names as part of the Committee of Concerned Owners, on
14 behalf of those people that I appear today.

15 Now what happened last Wednesday? What
16 happened last Wednesday was that we go a ruling from
17 the Court of Chancery of the State of Delaware where
18 Watergate East is incorporated and I know,
19 Commissioners, that you have copies of that ruling.
20 That ruling said we have to have another meeting of
21 members, not because there was any deficiency in the
22 members or the members' procedure, or the people who
23 were vigorously in favor of this project. No, the
24 opinion, lay the blame at the feet of our president
25 for misinforming and non-informing our residents. And

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1 the chancellor, the Delaware judge, said you must have
2 another meeting with full fair information provided
3 for the members.

4 So, it is my understanding that at a
5 meeting of the Board today called at 4:30, my
6 understanding that the Board set a date for another
7 meeting of members for April 12th, which is also the
8 date of the annual meeting of Watergate East, and that
9 meeting will take place.

10 As I've said, I'm not prepared to say
11 consider us split down the middle. I think we
12 probably are, but in the vote of the members that was
13 set aside for lack of information to the opponents,
14 that vote was 33,000 shares in favor of the project
15 and 28,000, I'm rounding off, opposed to the project.
16 So, for those present and voting in person or by
17 proxy, the sale was approved, but it was close.
18 Fifty-four percent of the votes.

19 So, it still remains a fact that Watergate
20 East is pretty much split down the middle. We'll know
21 better though on April 12th what that split is, but I
22 don't think from a land use point of view you care.
23 You know that there is vigorous support at Watergate
24 East and you know that there is vigorous opposition at
25 Watergate East. And I thank you very much.

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1 CHAIRPERSON MITTEN: Thank you, Mr. Wolf.

2 Any questions from the Commission for Mr. Wolf?

3 Mr. Glasgow, any questions?

4 Mrs. Miller, did you have any questions

5 for Mr. Wolf?

6 MRS. MILLER: No, thank you.

7 CHAIRPERSON MITTEN: Mr. Aguglia?

8 MR. AGUGLIA: No, ma'am.

9 CHAIRPERSON MITTEN: Mr. Olender?

10 MR. OLENDER: Yes, please. One.

11 Mr. Wolf, you mentioned that on the
12 outstanding shares available to vote that the yeas,
13 those wanting the sale, were slightly more than those
14 opposed, correct?

15 MR. WOLF: No. I said nothing about
16 outstanding shares available to vote. That's your
17 phrase and I don't know what it means. I didn't say
18 that.

19 MR. OLENDER: Well, there are a total of
20 73,837 eligible shares. Is that true?

21 MR. WOLF: Sounds like it's about right.

22 MR. OLENDER: All right. And those that
23 voted in favor of the sale, there were more shares of
24 those than those that voted against?

25 MR. WOLF: Correct.

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1 MR. OLENDER: All right.

2 MR. WOLF: You had one question. What's
3 the question?

4 MR. OLENDER: Well, this is all the same
5 question. It's one subject. You're also aware that
6 by apartments there were slightly more apartments that
7 voted opposed to the sale than those that voted in
8 favor, true?

9 MR. WOLF: I am completely unaware of any
10 such statement and I have no notion as to whether or
11 not it's true.

12 MR. OLENDER: Well --

13 MR. WOLF: You do know our bylaws provide
14 for voting by shares, not by apartments.

15 CHAIRPERSON MITTEN: Mr. Wolf. Mr. Wolf.

16 MR. WOLF: Still answering.

17 MR. OLENDER: Are you --

18 CHAIRPERSON MITTEN: Are you guys
19 neighbors?

20 MR. WOLF: We live in the same Watergate
21 East.

22 MR. OLENDER: In separate buildings.

23 CHAIRPERSON MITTEN: Okay.

24 MR. WOLF: I'm North. He's South.

25 CHAIRPERSON MITTEN: Okay.

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1 MR. OLENDER: Right.

2 CHAIRPERSON MITTEN: I see. Okay.

3 MR. OLENDER: He's my friend. He's all
4 right.

5 CHAIRPERSON MITTEN: I'm sure he feels the
6 same about you.

7 MR. OLENDER: And you're aware that by
8 owners 97 of the owners voted not to the sale and 92
9 voted yes.

10 CHAIRPERSON MITTEN: Mr. Olender, you're
11 testifying again through your cross examination.

12 MR. WOLF: Jack, you're testifying. I'm
13 not aware of that at all.

14 MR. OLENDER: You're not?

15 MR. WOLF: Not at all aware of that.

16 CHAIRPERSON MITTEN: What's a question for
17 Mr. Wolf that he could help us with?

18 MR. OLENDER: Well, then the last part of
19 the question is, the reason why you on the yes side
20 have more votes than the nos had was because a smaller
21 number of people owning big apartments and multiple
22 apartments, like you and your wife own three
23 apartments, that your voting shares came out to more
24 than the larger number of people with smaller
25 apartments and just one apartment.

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1 MR. WOLF: I've lost the question. I
2 think you have too. But I think the answer is no.
3 I'm not aware of that at all.

4 MR. OLENDER: Well, thank you very much.

5 MR. WOLF: You're very welcome.

6 CHAIRPERSON MITTEN: Thank you.

7 MR. OLENDER: Thank you.

8 CHAIRPERSON MITTEN: Thank you. Thank
9 you, Mr. Wolf.

10 MR. WOLF: Thank you, Madam Chair.

11 CHAIRPERSON MITTEN: All right. I think
12 now we'll move to the other folks who are on the
13 witness in support. And I'll call them out as best I
14 can. We're going to have panels of four.

15 Is Mrs. Wolf going to testify?

16 MR. WOLF: (Off microphone.)

17 CHAIRPERSON MITTEN: Oh, she left you at
18 home? Okay.

19 Mr. Sheehan? Daniel Sheehan. Have a seat
20 at the table.

21 K. H. Stolwell, who has checks on both
22 columns, so I'm not sure.

23 UNIDENTIFIED SPEAKER: (Off microphone.)

24 CHAIRPERSON MITTEN: Oh, she's against?

25 Okay. Then never mind.

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1 Mrs. Spillinger? Mr. William G. Dakin?
2 Gone? Coming back? Well, okay. We won't cross him
3 off them. Elizabeth Elliot? I didn't see her.

4 UNIDENTIFIED SPEAKER: No, she's not here.

5 CHAIRPERSON MITTEN: Okay. Looks like
6 Jackie Duke? Jackie Duke from Trizec? Kathy Card
7 from Trizec? No? Frederick, last name starts with an
8 "E" maybe?

9 UNIDENTIFIED SPEAKER: (Off microphone.)

10 CHAIRPERSON MITTEN: You can still
11 testify. Are you Mr. Schwartz?

12 MR. SCHWARTZ: (Off microphone.)

13 CHAIRPERSON MITTEN: You can still
14 testify.

15 MR. SCHWARTZ: (Off microphone.)

16 CHAIRPERSON MITTEN: Yes, please. I think
17 we have four. Do we have four? Yes, we do.

18 Mr. Sheehan, we'll have -- let's see, Mrs.
19 Spillinger's going to get five minutes and everyone
20 else gets three. Go right ahead. And just introduce
21 yourself as you begin.

22 MR. SHEEHAN: Thank you, Madam Chair,
23 members of the Commission. My name is Dan Sheehan.
24 I live in Watergate East. I want to state for the
25 record that I enthusiastically support this proposal.

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1 In my view, it will be good for the city, it will
2 contribute to the economic base and rather than let
3 the hotel continue to decline and perhaps turn into
4 what I characterized it as Motel 6 at the Watergate,
5 I would much prefer to see it converted into long term
6 permanent residential housing, rather than short term
7 transient housing.

8 It is my belief that we will have a
9 greater economic base in the Foggy Bottom area with
10 these upscale residences and that will have a
11 significant impact on the availability of the retail
12 services that are there. It will also guard against
13 the potential which was mentioned earlier about having
14 it sold to George Washington University, although I
15 like George Washington, since I'm a graduate of it as
16 well.

17 I think that the commitment by Monument
18 Realty for the health club, for the meeting rooms and
19 for the provision of a restaurant will also benefit
20 the Watergate Complex as a whole. And so with that,
21 I will conclude and say that I again enthusiastically
22 support that. Thank you, Madam Chair.

23 CHAIRPERSON MITTEN: Thank you. And I'd
24 ask you to all hold your seats. We'll go through the
25 whole panel and then we'll ask questions of the whole

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1 panel. Mrs. Spillinger.

2 MRS. SPILLINGER: Thank you. Good
3 evening, Chairman Mitten and members of the
4 Commission. My name is Barbara Spillinger. I am a
5 resident of Watergate East at 2500 Virginia, a former
6 ANC chair, and currently vice president of the Foggy
7 Bottom Association in which latter capacity I appear
8 before you this evening.

9 The Foggy Bottom Association is a citizen
10 organization whose more than 400 members live in the
11 Foggy Bottom West End quadrant of the city. The FBA
12 strongly supports Mayor Anthony Williams' call to
13 build the taxpaying permanent residential base of the
14 District. We believe that the mayor's initiative in
15 this regard is essential to the economic well being of
16 the city.

17 The Board of the FBA initially joined with
18 ANC 2A in opposing the PUD amendment application by
19 Monument Residential. That opposition was based on
20 the then unanimous opposition to the proposal of the
21 three residential Watergate cooperatives. And on
22 October 31, 2003, FBA president Ron Cocomo addressed
23 a letter to the Zoning Commission in which he asked
24 the Commission to defer consideration of this proposal
25 until a time when there is sufficient assurance as to

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1 the specific nature of the conversion of the hotel
2 property to apartment usage. With Monument's latest
3 detailed proposal to convert the hotel to a
4 cooperative residence, this time has now come and the
5 solid opposition of the Watergate Complex, as you are
6 hearing this evening, no longer exists.

7 At a meeting of the FBA Board on February
8 17th, 2004, by a vote of eight to one, the Board gave
9 its support to the proposed PUD modification based
10 largely on FBA's longstanding position of promoting
11 the infusion of permanent taxpaying residents into
12 Foggy Bottom West End. That ends my statement. I'd
13 be pleased to answer questions and thank you for the
14 opportunity to appear this evening. Thank you.

15 CHAIRPERSON MITTEN: Thank you. Mr.
16 Dakin?

17 MR. DAKIN: My name is William Dakin. I
18 also live at Watergate East.

19 The first point I'd like to make is that
20 those of us who live in the Watergate Complex do not
21 live on an island. We are part of the larger
22 community, not just Foggy Bottom, but of the District.
23 And you of course are Commissioners not for the
24 Watergate Complex, but for the District.

25 So, we must weigh the wishes of people who

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1 live in the complex against other issues that affect
2 the District as a whole. We've heard complaints about
3 there might be longer lines when you try to check out
4 at the Safeway, there might be more people there, one
5 thing and another.

6 But, on the other hand, when you go beyond
7 our little complex into the larger community, you have
8 the issue of expanding the income tax base, you have
9 the issue of expanding the real property tax base to
10 replace the revenues that are lost as GW buys up
11 property and takes it off the tax rolls and you have
12 the issue of stabilizing our population by bringing in
13 permanent residents in a community which to some of us
14 appears to be turning into a vast dormitory.

15 I suspect that you're going to hear a lot
16 of testimony about how people like the amenities, they
17 like to be able to go and have a drink at the bar of
18 the hotel, they like to have their dinner there, they
19 like to have their friends stay there. That's only
20 half the story. In the 14 years that my wife and I
21 have lived in Watergate East, we have had meals at a
22 Watergate restaurant of one sort or another perhaps
23 seven times, an average of once every two years. In
24 the 14 years that we have lived there, friends of ours
25 or relatives who came to see us, stayed at the

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1 Watergate Hotel perhaps four or five times because
2 there are many other hotels where people who come to
3 see us like to stay. There are many other restaurants
4 that my wife and I and our friends like to patronize.
5 So, the loss of these amenities or testimony about
6 loss of these amenities I suggest might be taken with
7 something of a grain of salt. Thank you.

8 CHAIRPERSON MITTEN: Thank you, Mr. Dakin.
9 Mr. Schwartz.

10 MR. SCHWARTZ: Good evening,
11 Commissioners. My name is Frederick Schwartz, Jr.
12 I'm going to be submitting my full statement, but I'll
13 give a very brief one tonight.

14 I've had several planning positions in the
15 U.S. Department of Transportation and currently
16 practice law, particularly administrative law and
17 appellate work. I've lived in Apartment 111 at
18 Watergate West for more than 25 years. While I've
19 represented Watergate West before the Commission, I do
20 not appear before them tonight and in fact disagree
21 strongly with their position. I would note for the
22 record that because of the Commission's decision,
23 there is no party representing those who support the
24 proposal from Watergate West. I've, in my testimony,
25 discussed the relevant history of Watergate at the

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1 Watergate PUD and I need not do that now.

2 Let me just say in terms of the Zoning
3 Commission's jurisdiction, that as you point out,
4 Madam Commissioner, the role of the Commission is to
5 evaluate the new residential structure to ensure it is
6 consistent with the intent of the PUD and the overall
7 zoning scheme. The Commission's authority to regulate
8 the discontinuance of the previous hotel however is
9 problematic. It is within the authority of the
10 Commission to insist that concessions made by the
11 developer in exchange for the right to develop a
12 property not be ended. On the other hand, your right
13 to deal with a trade-off in terms of the particular
14 project, the prior use versus the new use, I don't
15 believe is appropriate.

16 I've talked about the bona fides of the
17 proposed use. In terms of the conveniences that may
18 be lost, I would recommend that the Commission include
19 in the findings of fact and conclusions of law the
20 agreements or the facts that agreements were entered
21 into. This will help in case there's a breach.

22 Most important is new parking promised by
23 the developers. The provision of parking is required
24 by the zoning regulations. While the most recent
25 Zoning Commission order provided that there be not

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1 less than 1,240 parking spaces, litigation undertaken
2 by Watergate West and certain individual
3 representatives have determined that there are at
4 least 30, and possibly 50 to 60, spaces below that
5 amount. This has been to the court to appeals in Lun
6 v. Watergate Investors and I discuss that litigation
7 in my testimony. The court of appeals has determined
8 that in fact the zoning order has been violated on a
9 continuing basis. Therefore, I would recommend that
10 you include your findings of fact and conclusions of
11 law the insistence as you did in the last order, that
12 there be the appropriate number of parking spaces in
13 Watergate West as a complex. I think my time is up.

14 I do have the answer to Mr. Hildebrand's
15 question, but I don't think I have time to tell him,
16 so he'll have to ask me.

17 CHAIRPERSON MITTEN: Okay. Thank you very
18 much, Mr. Schwartz. Any questions for this panel?

19 Do you know the question that he wants to
20 answer for you?

21 COMMISSIONER HILDEBRAND: Can I ask him
22 what my question was?

23 MR. SCHWARTZ: Yes, your question is what
24 is the hotel population, I believe.

25 COMMISSIONER HILDEBRAND: Oh, yes. What

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1 is the hotel population.

2 MR. SCHWARTZ: I'm glad you asked that
3 question. There are within half a mile of Watergate
4 West, if Expedia.com is to be believed, 17 hotels
5 including two Ritz-Carltons, a Four Season, Western
6 Grand, a Park Hyde and a Fairmont.

7 COMMISSIONER HILDEBRAND: Thank you. I
8 have one other question for you. You mentioned that
9 there is a negative balance on the required parking
10 for the overall complex. Are you saying that that
11 negative balance is solely within the jurisdiction of
12 Watergate West and has no impact on the modification
13 to the PUD that we're considering, or are you saying
14 that there's some violation within the area that we're
15 looking at that needs to be addressed?

16 MR. SCHWARTZ: The Watergate Complex is in
17 violation of the zoning order and it appears it's been
18 in serious violation of the zoning order for a
19 considerable period of time. Watergate West sued the
20 successors in interest to the developers that
21 originally made those commitments and who came under
22 the order and the court of appeals has said that we
23 and the individual -- Watergate West and the
24 individuals who rented the parking spaces had standing
25 to issue a suit in essence in the name of the Zoning

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1 Commission. It's now at trial and it is the
2 responsibility in our view that the successors in
3 interest who made the original commitment will be
4 required to come up with the required additional
5 parking spaces.

6 My point is this. My point is that there
7 will be approximately, and I've lost my place now, but
8 perhaps -- well, I guess I'm not going to get help
9 from the other side, but there will be sufficient new
10 spaces added by the use of the Watergate East area to
11 meet the need to satisfy the Zoning Commission order.
12 And so that is why I am suggesting that you include in
13 your findings of fact and conclusions of law the
14 requirement reiterated that there is to be 1,000 and
15 plus parking spaces and note that the developers have
16 provided information that they will in fact meet or
17 add enough spaces to meet that requirement.

18 COMMISSIONER HILDEBRAND: Have you
19 included more definitive information in the written
20 statement that you're providing tonight?

21 MR. SCHWARTZ: Yes, I have.

22 COMMISSIONER HILDEBRAND: Thank you.

23 CHAIRPERSON MITTEN: Anyone else have
24 questions for this panel? Let's see. Mr. Glasgow,
25 did you have any questions for the panel?

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1 MR. GLASGOW: (Off microphone.)

2 CHAIRPERSON MITTEN: Mrs. Miller, any
3 questions for the panel?

4 MRS. MILLER: (Off microphone.)

5 CHAIRPERSON MITTEN: Mr. Wolf, any
6 questions for the panel?

7 MR. WOLF: (Off microphone.)

8 CHAIRPERSON MITTEN: Mr. Aguglia?

9 MR. AGUGLIA: No, ma'am.

10 CHAIRPERSON MITTEN: Mr. Olender?

11 MR. OLENDER: No.

12 CHAIRPERSON MITTEN: Okay. Very good.
13 Thank you all for coming down tonight.

14 Peter Ehrenhaft? Marecelon Kert? Walter
15 Goodman? Oh, he's gone? Okay. Paul Houts? Gone?
16 Houts? He's gone? Okay. Both of them? Mr. and Mrs?
17 Okay. Violet McSomething? McAuliffe? Josephine
18 Hillyard? I think everybody's going to get three
19 minutes.

20 Mr. Ehrenhaft, why don't you start?

21 MR. EHRENHAFT: Thank you, Madam Chairman.
22 My name is Peter Ehrenhaft. I live in the Watergate.
23 I was a former treasurer of the Watergate. I've lived
24 there for nine years. I was a member of Swede, Frank,
25 Harris, Shriver & Campleton, which is the law firm

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1 that represented Italian developers of Watergate and
2 was a participant in the early preparation of the
3 legal documents.

4 I would like to use my testimony to
5 respond to some of the comments of tonight. The bulk
6 of my testimony I've submitted in a letter that is
7 before you, in any event.

8 First I would like to say with regard to
9 this crazy lease that we have been talking about, how
10 did that happen? When the Watergate was developed as
11 a complex, the Italians, actually a Italian company
12 owned by the Vatican, owned all of the buildings.
13 They were advised that they ought to separate
14 obligations among them just in case they were later
15 sold to individual entities, and that in fact
16 occurred. But the agreements between the various
17 buildings, such as this lease and others with regard
18 to repairing common facilities and so on, were not
19 negotiated at arm's length between opposing parties.
20 They were essentially an accounting device to allow
21 the different buildings to bear certain burdens and
22 included was, as was suggested, a subsidy to the hotel
23 by making these spaces available to the hotel at a
24 very low rate. So that's kind of the history of how
25 that occurred.

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1 Second, I would like to talk about
2 affordable housing. This is affordable by some people
3 who want to come to the District of Columbia and they
4 are the kinds of people that need to have housing in
5 the District, no less than people of more modest
6 means. The goal of affordable housing is a valid and
7 vital one and that is most likely to be created if one
8 has a viable tax base that brings purchasing power and
9 other kinds of revenue to the District. And
10 therefore, I don't think that the concept of
11 affordable housing means that every lot in the
12 District has to have a place available that people of
13 more modest income can afford. It is a much larger
14 kind of a perspective that I believe the Commission
15 needs to bring to that issue.

16 Third, with regard to the parking
17 requirements of Watergate West, if there is a short
18 fall in the Watergate West parking, as there may well
19 be, I don't think that it would be appropriate to tax
20 the new developers of the hotel to provide all of that
21 short fall. There are two commercial parking entities
22 in the Watergate that service the office buildings and
23 it could well be that those are the most appropriate
24 parties to be required to shed some parking space, if
25 there is an overall requirement for parking rather

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1 than simply the monument space that is now being
2 required.

3 Last, I want to talk about the windows
4 that are going to be replaced. At the moment all of
5 the windows of the Watergate do not look the same
6 because in some of the buildings there has been the
7 appropriate replacement of the single glazed glass
8 windows that were put in back in the '60s by double
9 glazed and tinted glass that are important conservers
10 of the energy that is generated by a power plant
11 within the complex. Unfortunately, as a treasurer, I
12 constantly was urging that our building replace its
13 windows and I'm hoping that by approving this
14 particular transaction and our receipt of the money
15 that Monument has offered, that we will have the funds
16 to replace our windows as well, which badly need it.
17 Thank you.

18 CHAIRPERSON MITTEN: Thank you. Ms. Kert?

19 MS. KERT: Hi, I'm Marcelon Kert. I've
20 lived at Watergate East for 33 years. I heartily
21 support the sale of the hotel to further conversion.
22 When I see what has happened to Foggy Bottom in the
23 last 33 years, where GW has literally taken over most
24 of the taxable property. I am delighted to know that
25 the residents would bring 133 residences that would be

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1 taxable property. Our city needs it. We need it.

2 Thank you very much.

3 CHAIRPERSON MITTEN: Thank you. Ms.
4 McAuliffe?

5 MS. MCAULIFFE: Yes. My name is Violet
6 McAuliffe. I live at 2500 Virginia Avenue, Watergate
7 East, and I support the application to convert the
8 hotel into a cooperative apartment house because it
9 would bring full time residents into our area and to
10 offset the increased number of students living here.

11 My husband and I do not use the hotel's
12 health club, we do not patronize the hotel's
13 restaurant and our friends who visit us do not stay at
14 the hotel. People like us would not be hurt by the
15 proposed conversion. Thank you.

16 CHAIRPERSON MITTEN: Thank you very much.
17 Ms. Hillyard.

18 MS. HILLYARD: My name is Josephine
19 Hillyard and I'm a 38-year resident of the Watergate
20 East and I wholeheartedly support the conversion of
21 the hotel to a cooperative. Furthermore, just about
22 everything's been said that can be said here tonight,
23 except that Watergate residents use very few of the
24 city's -- or to make very few demands on city
25 services, as you know, and we are taxpayers. Thank

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1 you.

2 CHAIRPERSON MITTEN: Thank you. Any
3 questions for this panel? Any questions? Mr.
4 Glasgow?

5 MR. GLASGOW: (Off microphone.)

6 CHAIRPERSON MITTEN: Mrs. Miller?

7 MRS. MILLER: (Off microphone.)

8 CHAIRPERSON MITTEN: Mr. Wolf?

9 MR. WOLF: (Off microphone.)

10 CHAIRPERSON MITTEN: Mr. Aguglia?

11 MR. AGUGLIA: (Off microphone.)

12 CHAIRPERSON MITTEN: Mr. Olender?

13 MR. OLENDER: No, thank you.

14 CHAIRPERSON MITTEN: Great. Thank you,
15 all, very much. Mr. Cocome? Mr. Trines? Meg
16 Gabriel? Meg Gabriel. Mr. Thomas Chadbourne. Thomas
17 Chadbourne. Okay. Mr. Cocome, why don't you start?

18 MR. COCOME: Thank you. Chairman Mitten
19 and Commission members, my name is Ronald Cocome and
20 while I am the president of the Foggy Bottom
21 Association, I'm testifying here tonight as a
22 Watergate resident. And since you will later hear
23 from my friend John Boardman of the Hotel Employees
24 and Restaurant Employees International in order to
25 give this a little union balance, I'm also president

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1 of the International Alliance of Theatrical and Stage
2 Employees, Local B868 at the Kennedy Center. I
3 strongly support the application before you to amend
4 the Watergate PUD.

5 The four-star Watergate Hotel of today is
6 sadly a thing of the past and the owners are going to
7 sell this hotel, which has been losing money for
8 years. Many do not like the economic realities that
9 make that change necessary. However, not liking the
10 facts will not change them. There are only two likely
11 futures for the hotel property. One is a fourth
12 Watergate residential cooperative or two is a hotel of
13 a far lower standard.

14 A cooperative with the specifics before us
15 would provide stability and security to our fragile
16 residential community. An unknown one or two-star
17 hotel development rather would create great
18 uncertainty and risk. Further, as you've heard many
19 times, Mayor Williams has cited the need for an
20 increase in permanent upper-income taxpaying residents
21 in the District. Approval of the application now
22 before you offers a perfect opportunity to support
23 this worthy initiative of the mayor and I ask you to
24 do so. Thank you very much.

25 CHAIRPERSON MITTEN: Thank you, Mr.

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1 Cocome. Mr. Trines?

2 MR. TRINES: My name is Harry Trines. I'm
3 also a resident of Watergate East. I fully support
4 the application before you because one, it will
5 establish a more stable base of residents in the area
6 as opposed to having transient come and out of the
7 hotel. Second, because it will increase the tax base
8 in the city and that will ultimately benefit all
9 residents. And third, because I think times are
10 changing and we have to go along with those changing
11 times and we can't stop that. Thank you.

12 CHAIRPERSON MITTEN: Thank you. Ms.
13 Gabriel?

14 MS. GABRIEL: I'm Meg Gabriel. My husband
15 and I have lived at Watergate East for now two years.
16 We like it very much. We're distressed to hear that
17 the Board is so split. We support the building. We
18 support the Monument.

19 CHAIRPERSON MITTEN: Okay. Thank you.
20 Mr. Chadbourne?

21 MR. CHADBOURNE: I'm Thomas Chadbourne.
22 I am a 13-year resident of Watergate East. My wife
23 and I weighed the pros and cons of this and frankly we
24 like the status quo, but things change and things are
25 changing. So we opted for an apartment complex there

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1 to raise the value, property values, and stabilize the
2 complex versus the hotel going downhill and finally
3 ending up as a property of George Washington
4 University. My wife and I are both totally in favor
5 of this project.

6 CHAIRPERSON MITTEN: Thank you. Any
7 questions for this panel? Any questions?

8 MR. GLASGOW: (Off microphone.)

9 CHAIRPERSON MITTEN: Mrs. Miller?

10 MRS. MILLER: (Off microphone.)

11 CHAIRPERSON MITTEN: Mr. Wolf?

12 MR. WOLF: (Off microphone.)

13 CHAIRPERSON MITTEN: Mr. Aguglia?

14 MR. AGUGLIA: (Off microphone.)

15 CHAIRPERSON MITTEN: Mr. Olender?

16 MR. OLENDER: (Off microphone.)

17 CHAIRPERSON MITTEN: Okay. Thank you,
18 all, very much. J. T. Ward? D. D. Farzaneh? Gloria
19 W-I -- Wiesholt? Marjorie Weingold?

20 UNIDENTIFIED SPEAKER: (Off microphone.)

21 CHAIRPERSON MITTEN: Okay. Thank you.
22 Ruth Van Herven?

23 UNIDENTIFIED SPEAKER: Madam Chair, (off
24 microphone.)

25 CHAIRPERSON MITTEN: Oh, okay.

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1 UNIDENTIFIED SPEAKER: (Off microphone.)

2 CHAIRPERSON MITTEN: Yes, we're almost
3 done with -- and then we'll see you back on Thursday
4 perhaps. We'll do this panel and then we'll ask for
5 a final show of hands of anyone else who'd like to
6 testify.

7 MR. WARD: Thank you, Madam Chairman and
8 Commissioners. I appreciate the opportunity to come
9 before you tonight.

10 My name is Tom Ward. I've resided at the
11 Watergate since 1974. I'm strongly in favor of this
12 proposal by Monument because they have agreed that it
13 will be a cooperative apartment and it will be the
14 same as the other units in the area, and I think this
15 will provide great stability for our area. It makes
16 economic sense for Watergate East. We're getting \$1
17 a month rent for these spaces at the moment for the
18 next 65 years. Monument's prepared to give us a
19 substantial amount of money which we desperately need
20 to refurbish our building, which is 35 years old. I
21 am involved in capital improvements at the present
22 time and it's very expensive rebuilding much of our
23 building. So, it would be financially very
24 advantageous for us to get this money that Monument is
25 offering us.

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1 And the last point is it will be an
2 economic boon to the District of Columbia, in my
3 impression, because 133 high-end apartments will
4 strongly contribute to the tax basis of the District
5 and I think this will help the District in many ways.
6 Thank you.

7 CHAIRPERSON MITTEN: Thank you, Mr. Ward.
8 Sir? I don't want to mess your name up twice.

9 MR. FARZANEH: Yes, My name is Darius
10 Farzaneh. I have been living in Watergate East for
11 the past 27 years and most of this time I have been a
12 member of the Board. So I am very familiar with the
13 building and I know that all of those buildings in
14 Watergate are in need of great repair. The hotel has
15 not been repaired for such a long time that we have to
16 carry most of the expenses of central plant because
17 their equipment is not up to standard. We only have
18 one central plant that supplies steam and cold water
19 to all the buildings. So the rest of the buildings
20 have to support just because the hotel does not have
21 the required equipment there and the hotel is not
22 capable of spending that money because they don't make
23 any money. I am only comparing our Watergate East to
24 another residential building in Georgetown. We are
25 spending more than average building because we have to

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1 carry some other units with us and pay for them.

2 So I am very much in favor of the sale
3 because we are spending almost \$1 million a year for
4 the essential repairs for the building, which is very
5 old, and the contract with the hotel we will recover
6 a lot of money that is very much needed for our
7 building. Thank you.

8 CHAIRPERSON MITTEN: Thank you, Mr.
9 Farzaneh.

10 MR. FARZANEH: Right.

11 CHAIRPERSON MITTEN: Did I do better that
12 time?

13 MR. FARZANEH: Yes.

14 CHAIRPERSON MITTEN: Okay. Great. Thank
15 you. I know I messed your name up too, so --

16 MS. VAN HERVEN: My name is Ruth van
17 Herven and my husband and I strongly support the
18 proposed conversion. I support it so strongly that I
19 have been willing to stay here for nigh onto four
20 hours this evening to tell you that in one minute.

21 I think that most of our arguments, we're
22 brand new residents at the Watergate. It just makes
23 common sense. I think most of the arguments that have
24 been presented tonight in favor make a lot of sense to
25 us as well.

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1 I would only add one to all of the
2 different ways in which people have said this makes
3 economic sense and that is additional community of
4 local residents purchasing in our little retail center
5 will do a lot to beef that up as well because the
6 retail portion of the complex shows some of the same
7 signs of dwindling and neglect that all of the people
8 who have been talking about the hotel not having the
9 kind of purchasing power it should have -- have been
10 mentioning. Thank you.

11 CHAIRPERSON MITTEN: Thank you. Any
12 questions for this panel? Any questions, Mr. Aguglia?

13 MR. AGUGLIA: No, ma'am.

14 CHAIRPERSON MITTEN: I'm using the finger
15 now to try and get -- my index finger, I just will
16 point out for the record. Sometimes these things
17 don't translate very well and then they get
18 transcribed. Thank you, all, very much.

19 Anyone who'd like to testify in support?

20 All right. Then we will, as I -- are you
21 support?

22 UNIDENTIFIED SPEAKER: (Off microphone.)

23 CHAIRPERSON MITTEN: Well, you're part of
24 a party, are you not?

25 UNIDENTIFIED SPEAKER: (Off microphone.)

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1 CHAIRPERSON MITTEN: Okay. Dr. Shalit,
2 just sit down there for a second. Identify yourself
3 for the record.

4 DR. SHALIT: I was going to --

5 CHAIRPERSON MITTEN: You're going to tell
6 us who you are for the record first.

7 DR. SHALIT: My name is Sol Shalit. I
8 live at 2500 Virginia Avenue, N.W., Watergate East and
9 I was going to testify as an expert witness in
10 economics. I have been certified by this Commission
11 about two years ago in another case in a PUD of 1957
12 E Street. But the whole lawsuit in Delaware thrown
13 the entire thing into a limbo and we have consequently
14 no Board to represent us here and --

15 CHAIRPERSON MITTEN: What's the question?
16 What's the particular question?

17 DR. SHALIT: -- no -- an attorney. My
18 question is, I would like to submit a report I have
19 prepared that I think the Commission should see,
20 although I'm leaving for Canada in two days and you
21 would not be able to cross exam me, but at least to
22 have that statement, whether as an expert, I leave it
23 up to you.

24 CHAIRPERSON MITTEN: You're welcome to
25 submit anything you have for the record tonight.

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1 DR. SHALIT: Yes, I would like to submit
2 it because I would not be here. And also make
3 available myself for questions of anyone at any time
4 after March 9th. I'll be able to answer any questions
5 that you have.

6 And the reason that this report would be
7 of interest to you is because the Basil, Bowman &
8 Prost --

9 CHAIRPERSON MITTEN: I'm going to ask you
10 to just submit that for the record and we're not going
11 to take the testimony now. So if you would just
12 submit that for the record and we'll review it.

13 DR. SHALIT: It's okay. And then I'll be
14 available for questions should you want to elevate me
15 to a status of expert witness again, I'll be very
16 happy to respond to all questions from all sides.

17 CHAIRPERSON MITTEN: Thank you, Dr.
18 Shalit.

19 DR. SHALIT: Thank you.

20 MR. GLASGOW: Madam Chair, just to clarify
21 the record, I understand the report's getting
22 submitted into the record.

23 CHAIRPERSON MITTEN: Yes.

24 MR. GLASGOW: But it's not as an expert?

25 CHAIRPERSON MITTEN: Right, there's no one

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1 proffering Dr. Shalit as an expert.

2 MR. GLASGOW: Fine.

3 CHAIRPERSON MITTEN: Yes.

4 MR. GLASGOW: All right.

5 CHAIRPERSON MITTEN: Thank you. Okay. We
6 will hear the case in opposition, both parties and
7 persons in opposition on Thursday night. This
8 Thursday night. Same room. Same starting time.
9 6:30. Hope it's a little cooler in here. And we'll
10 see you then. Thank you very much.

11 (The meeting was adjourned at 10:21 p.m.)

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