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H Street NE, The Next Hot Spot; D.C. Embarks on Redevelopment of Long-Neglected Corridor; [FINAL Edition]

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Full Text (2070 words)

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Housing developers searching for ever-scarcer D.C. sites are moving into a new neighborhood: The H Street corridor of Northeast, a dilapidated stretch of boarded-up buildings and riot-scarred storefronts that for decades has seen little investment.

Two large parcels, slated for hundreds of residential units, are now under contract along H Street, a heavily traveled east-west thoroughfare on the northern edge of Capitol Hill. Huge office buildings are also under construction or planned nearby.

The D.C. government recently approved a Strategic Development Plan for H Street calling for more than \$300 million in investment, most of it private, along the corridor from 2nd Street to Maryland Avenue NE. Such plans generally combine zoning restrictions and incentives in an attempt to shape private development to fit public goals.

The plan calls for new housing, retail and venues for the arts and entertainment. More attractive sidewalks and public spaces, as well as the establishment of a light rail or trolley system, are also elements of the District's plan, which will take years to realize.

In the mid-20th century, H Street was a thriving commercial corridor, one of the District's top shopping districts, with theaters, stores and restaurants that attracted both neighborhood residents and Washingtonians from across the city.

The street began to languish in the 1950s and 1960s with the suburbanization of America, like many other urban commercial corridors across the country. People moved to the suburbs and began shopping at malls. Traveling by car to shop, rather than by foot, became the American way, even for city dwellers.

The assassination of the Rev. Martin Luther King in April 1968 sparked devastating rioting and looting on H Street. Shops closed down and empty buildings crumbled. Many lots remain vacant; boarded-up shops now line the street. About 60 of 218 existing storefronts are empty, D.C. officials said.

The District's long-term goal -- hard to envision looking down the desolate strip of empty lots and blank storefronts -- is to restore H Street to its bustling commercial glory days, much the way that 14th Street NW, another Washington riot corridor, has been revitalized in recent years.

A flood of development money is already starting. "I'm getting two or three calls a week from developers about H Street," said Derrick Woody of the D.C. government's Office of Planning. "There are some substantial firms looking for opportunities there."

One significant project is District-based Abdo Development's proposed restoration of the historic Capital Children's Museum buildings at 3rd and H streets NE, at the western end of the old

commercial corridor. The 130-year-old red brick museum buildings sit on a sprawling 2.4-acre site; hundreds of luxury condominiums are planned.

Abdo Development, with a New York-based financial partner, has agreed to pay the Children's Museum \$24 million for the museum buildings, which were built in 1874 and added to in the 1950s and 1960s. The museum plans to build a new facility, the National Children's Museum, at L'Enfant Plaza.

Jim Abdo, principal of Abdo Development, said restoration and construction would bring the price of the project to more than \$100 million. He declined to discuss the financing details. Abdo Development plans to fully restore the 19th-century structures; the more-modern, mismatched additions are to be torn down. The company envisions building two other condo buildings on the site to complete the luxury complex. The timetable is still uncertain.

"We've been looking for an opportunity like this for a long time," said Abdo, whose firm specializes in restoration of historic buildings in the District.

His company has never undertaken a project this large. Its biggest project to date was the conversion of a 60,000-square-foot historic building on Rhode Island Avenue NW to luxury condos. Its most recent project was the conversion to loft condominiums of a 100-year-old schoolhouse on Capitol Hill. "Housing is what drives a neighborhood," Abdo said. "We're hoping to be the catalyst that drives development there."

His firm beat out Bethesda-based Clark Realty for the Children's Museum site. Clark, like other large developers, has also been looking in the area for development opportunities.

"The city is running out of affordable sites," said John Sunter, development executive with Clark Realty. "Price points have gone so high as to make them difficult to develop." Sunter said there has been competition from developers on several sites in the H Street area.

Clark now has a contract to buy a five-acre site at the opposite end of the H Street corridor from the Children's Museum, at the site of the long-gone Sears, Roebuck building across from the Hechinger Mall at Maryland and Bladensburg avenues NE. The company hopes to build 230 rental apartments and 50 for-sale townhouses there by late 2006.

"We were very happy to find a site that large," Sunter said. "To have something this big as close to the Capitol as this, is quite rare." Sunter declined to disclose what his company has agreed to pay, but said prices in the H Street area were more affordable than in other more fashionable parts of the city.

One of the main draws of the area is that it is close to Union Station and the U.S. Capitol complex -- transportation, entertainment and employment centers for the District.

From his building, Abdo said, "It's a 7 1/2-minute walk to Union Station. And no other hub of transportation compares to Union Station in the District. Housing here makes a lot of sense." In addition, there will soon be a new Metro station within walking distance, at New York and Florida avenues NE.

Residents and businesses close to H Street say they welcome the housing plans.

"The museum project will be the shot in the arm that the neighborhood needs to really get going," said Charles Docter, chairman of the planning and zoning committee of the local Advisory Neighborhood Commission. "Everyone is delighted to see the museum property finally realize its

potential. It's a sign that the rest of the neighborhood is going to be revitalized."

Anwar Saleem, owner of a beauty salon on H Street and a lifelong resident of the area, said: "People are welcoming this. We need people down here to shop in our stores."

Abdo Development will be asking D.C. officials for a higher level of density to compensate for the difficulties and costs involved in preserving two historic structures that together are some 90,000 square feet in size.

The company will present its plan to D.C. and community officials in a series of meetings over the coming months. D.C. officials said one of the amenities the District may ask for in return is an affordable housing component for the project.

"As long as it's for housing, you bet I'm in favor of higher density," said Docter, who for years has been a vocal advocate of new housing downtown.

In addition to housing, huge office buildings are planned or being built for the corridor. These projects have been in the works since before the District's plan for H Street was unveiled last year. And while neighbors may welcome housing, they're wary about office construction.

"In the past, offices have usually meant that people are lost to the District at night," Docter said.

Louis Dreyfus Property Group is building a 1.1-million-square-foot, three-building complex that stretches from H Street to F Street along 2nd Street. Two buildings in the complex are to house the new headquarters of the Securities and Exchange Commission. The company is looking for a tenant for the third building. The project is scheduled to be completed by late 2007.

"We're big believers in that area," said Robert H. Braunohler, vice president for development with Louis Dreyfus. "It's just a matter of a few years before it really starts to take off."

Akridge, a District-based real estate development company, has a contract to purchase 15 acres of air rights above the rail yard on both sides of H Street for \$10 million. The company proposes building 2 million square feet of space, in a mix that could include offices, stores, housing and a 400-room hotel.

Both Dreyfus's and Akridge's projects will abut the Hopscotch Bridge, which takes H Street over the railroad tracks behind Union Station. The bridge, built in the 1970s primarily to speed the commute from Maryland, gets its name from the mural that adorns it. When it was built, it effectively cut the H Street corridor off from other nearby neighborhoods such as Capitol Hill while greatly increasing high-speed traffic through the area.

"It's not going to feel like that horrible bridge anymore," said Shannon Small, vice president of marketing for Akridge. "With the buildings coming right up to it, the bridge is going to become a connection between the businesses on the west side and residential on the east side."

Braunohler said that, as part of getting D.C. approval for its project, Louis Dreyfus agreed to build a pedestrian walkway from H Street to Union Station through one of its buildings that has an entrance on the bridge.

Several new businesses have recently opened on H Street, including a couple of restaurants, a clothing store and an ice cream shop. The Atlas Theater, which will include two venues, is to open in October, joining the H Street Playhouse, which also recently opened on the street. A new

coffee house is also planned.

What H Street merchants say they need, though, is more people to patronize their stores.

The new housing will certainly bring residents. How many people will come to H Street, and how much they will pay to be there, has yet to be tested.

Abdo Development builds top-of-the-line luxury condominiums, units with soaring glass windows, unusual loft spaces, open floor plans and high-end appliances and materials. For all that chic, the company fetches high prices, often pushing the price envelope in neighborhoods where they build. Will buyers pay amounts unheard of for near Northeast to live near H Street, next to the Hopscotch Bridge, even if it is in a meticulously restored historic building?

"I'm confident we can generate prices in the \$500-a-square-foot range there," Abdo said. "I have no doubts." At \$500 a square foot, a 1,000-square-foot condo would cost \$500,000.

Home prices are certainly climbing on the leafy residential streets north of H Street, although they're nowhere near that high.

According to the area's multiple listing service, the average sales price of a home between H Street and Florida Avenue NE was \$79,000 in 1999. By 2003, it had jumped to \$226,000. Although residents do express some concern that expensive new development in the neighborhood could lead to displacement of long-time residents, most say it's not a huge factor for their neighborhood.

"I wonder sometimes if the same people that were here for the rough times will be able to stay for the good times," said resident and business owner Saleem, who grew up in a rowhouse just off H Street. "Folks who have lived here a long time mostly own their homes, though. So they have the option of staying, or selling for a lot of money and moving somewhere else."

The residential area north of H Street is mostly a patchwork of small tree-lined streets with modest rowhouses. "A renovated two-bedroom rowhouse recently sold for over \$300,000 there," said Don Denton, manager of the Coldwell Banker Residential Brokerage Pardoe office on Capitol Hill. "We're shocked, but that's the way it is. There's been a sea change in mentality. Everyone is showing that area now. And we're seeing very little buyer resistance. Four to five years ago, that wasn't the case."

Denton said recent home buyers have been mostly young professionals who want to live in the city but have been priced out of Capitol Hill and other neighborhoods. "They're willing to sacrifice something in terms of neighborhoods in the short run to avoid that 1 1/2-hour commute every day," he said.

Chris Macks and his girlfriend Jennifer Char are two such recent buyers. The couple has a contract to buy a two-bedroom, one-bath rowhouse on I Street NE for \$269,000.

"We didn't start out looking there," Macks said. "We wanted to live on Capitol Hill. But the only things we could afford there were absolute shells."

He said, "I can't honestly say I'll be strolling around the neighborhood at night. But I am going to get involved in the community. We're actually more excited to be part of an emerging area than an area that's completely gentrified."

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