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Best Real Estate Deals

Annual awards recognizing the area's best commercial real estate deals of 2012

By: Michael Neibauer, Apr 26, 2013

Deal of the Year: The impact of Canal Park and 200 Eye St. SE on the Capitol Riverfront



Countless developers, government officials, business leaders and civic activists have played crucial roles in the evolution of Capitol Riverfront from industrial no-man's land into one of the most sought after mixed-use neighborhoods in Washington.

Would that growth have occurred without Nationals Park as the focal point? It's debatable, but it certainly could not have happened without patience, creative thinking and financial partners willing to invest in an "emerging" community.

In the case of 200 Eye St. SE and adjacent Canal Park, both of which opened or reopened in 2012, Capitol Riverfront has added two more key pieces to the puzzle — a community gathering space and a massive, fully leased office property.

The former Washington Star printing plant at 200 Eye St. SE, formerly 225 Virginia Ave., was left vacant in 1998. When the District government entered into a long-term lease for the windowless industrial property in late 2006, the idea was to resurrect its 408,000-square-foot space as a home for various Metropolitan Police Department functions.

But then-Mayor Adrian Fenty pulled the plug, citing the estimated \$100 million cost of redevelopment. The District went in search of a sub-lessee, just as the real estate market tanked. There was no deal to be made.

Instead (after paying roughly \$15 million in monthly lease payments), the District agreed in mid-2009 to buy the building and then turn it over to Stonebridge Carras through a lease-leaseback transaction.

With the deal in place, Stonebridge went about gutting 200 Eye, replacing its facade and all building systems on behalf of the D.C. government. The lobby, now a gallery for the District's art collection, replaced the former loading dock. The basement was converted into a 90-space parking garage. The rooftop, roughly 32,000 square feet of it, was greened.

What the District received in return for its 20-year, \$101 million commitment is a Leadership in Energy and Environmental Design Platinum office building for some 1,400 employees of three departments — the Child and Family Services Agency, D.C. Commission on the Arts and Humanities and the Office of the Chief Technology Officer.

While 200 Eye was a deal to emerge from difficult times, Washington Canal Park was a difficult deal that emerged over a long time.

The 1.8-acre, three-linear block park was once part of the historic Washington City Canal, but it was paved over in the 1870s and later used as a parking lot for school buses.

Developer WC Smith first approached the District about building a park there, across from the shuttered Southeast Federal Center, in 1999, but there was no public funding available. What emerged was the Canal Park Development Association, which would both raise funds for, and develop, the park.

Over the next decade, the association secured a \$2.5 million grant from the federal government, \$2.5 million from The JBG Cos. (owner of the adjacent U.S. Department of Transportation headquarters), a contribution from D.C. and other private gifts to amass the \$27 million needed to build the sustainable park, its 10,000-square-foot ice skating path, a fountain and three pavilions.

Contaminated soils were replaced and native plants reintroduced. Two underground cisterns hold 80,000 gallons of water. The stormwater system captures, treats and stores enough water to satisfy up to 95 percent of the park's water needs.

The construction of Canal Park featured the reclamation and rehabilitation of a brownfield into a high point of the Capitol Riverfront neighborhood, just as the overhaul of 200 Eye returned a deteriorating hulk of a building to sustainable, productive use. The two together are key to the community's revitalization.