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The Washington Post

December 8, 1999, Wednesday, Final Edition

SECTION: A SECTION; Pg. A01

LENGTH: 884 words

HEADLINE: Housing, Retail Set For Gallery Place Site; Council Approves Bond Financing

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BODY:

The D.C. Council yesterday unanimously approved a $ 46 million financing package that is a key to construction of a $ 195 million entertainment, retail and housing complex atop the Gallery Place Metro station, next to MCI Center.

Developers Herbert Miller and John "Chip" Akridge said they plan to begin construction early next year. The project, to be called Gallery Place, is to include a 21-screen AMC movie theater with 4,300 stadium-style seats, other retail and restaurant establishments, 173 apartments, and 850 parking spaces. Completion is scheduled for fall of 2001.

At $ 195 million, the project's cost rivals that of the neighboring arena and far exceeds that of any privately owned office building begun in the city in years.

The vote ends a year of wrangling between the developers and D.C. political and financial officials about what role the city should take in filling the long-empty Chinatown site.

The council's action authorizes the District to use "tax-increment financing" to support the development. The city would sell $ 46 million in bonds backed by future tax collections from the project, becoming, in effect, a partner with the developers.

The justification is that the city's money will make it possible for the project to include stores and housing. Without a subsidy, the reasoning goes, only offices would be built.

Although yesterday's council vote was technically a temporary approval requiring a final vote, sponsors said the council is committed to the project. "This will go forward," said council member Charlene Drew Jarvis (D-Ward 4).

The measure was introduced at the request of Mayor Anthony A. Williams (D). It also was cleared by the city's chief financial officer, who is appointed by the D.C.

financial control board, which will have to approve the financing as well. Advocates of downtown housing have been strong backers of the project.

City officials, developers and activists have long struggled to turn downtown into a more enticing place to visit, shop, play and live. Council member Jack Evans (D-Ward 2)--whose district includes the site, bordered by Sixth, H and Seventh streets NW--said, "What we're trying to do is bring life to the streets after dark, unlike K Street," where there is relatively little after-office-hours activity. "I can't tell you how important it is to have people living downtown."

Akridge said the project would prove to be "a tremendous shot in the arm to create more of a 24-hour city."

For decades, the Chinatown site has symbolized failed attempts to revitalize the eastern side of downtown. One project, a plan to build shopping and offices with a Asian theme, languished for years as the developers who then had rights to the site were unable to make it work.

But the construction of MCI Center prompted the Washington Metropolitan Area Transit Authority, the site's owner, to take back control from those developers. After a competition, Metro granted rights to Miller and Akridge.

The key to the latest plan for the site is the tax-increment financing. The tax approach has been used elsewhere in the nation but never before in the District. Williams has called the approach "a new and powerful tool" in the "arsenal of economic development programs."

The bonds sold by the District would help pay the developers' construction costs. Evans said 90 percent of the revenue needed to pay off the bonds would come from sales taxes generated by the commercial ventures at the project and the remainder from real estate taxes. In effect, the District is surrendering that tax money to support the project.

Miller aide Norman Beeke said the developers "have firm commitments" from lenders to finance the project. He said the city is requiring that the developers and their private equity investors put up a $ 30.5 million down payment.

In long negotiations with the city, Miller argued that tax-increment funding is the best way to build non-office projects like Gallery Place because such projects are not as profitable for developers as office construction. City officials wanted to create an attractive financing package for investors without giving away too much in future tax revenue. The city is not accountable, however, if the project does not generate enough revenue to repay bondholders.

In an interview Monday night while he was on his way to Paris on a business trip, Miller said the Gallery Place project will add to the growing collection of housing, restaurants, shops and art galleries in the Seventh Street corridor and farther south along Pennsylvania Avenue.

"It will be a place where people can meet and relate to each other, where it is a true city," he said.

Miller said negotiations are underway to bring major retailers to the site, although he declined to name them. He said a Jillian's restaurant and entertainment facility, a chain

that caters to young professionals out on the town, will be one of the showcase establishments.

The developers are staging a ceremonial groundbreaking on the site tomorrow, but Akridge said the developers would need to get routine building and other permits from the city before construction could start in earnest in the first quarter of next year.

ADDING TO DOWNTOWN (This graphic was not available)