



The Gallup Building

Washington, D.C.

Project Type:
Commercial/Industrial

Case No:
C032011

Year:
2002

SUMMARY

The Gallup Building is a speculative office building project that combines historic preservation of a significant landmark structure, the Old Masonic Temple, and construction of an adjacent, complementary eight-story office building. The complex adds 147,000 square feet (13,656 square meters) to a downtown area that is experiencing a revival of desired nighttime activity and that is extending the contiguous downtown district eastward. The developer displayed fortuitous timing and marketing savvy in waiting for a lead tenant before commencing construction. The lead tenant, the Gallup Organization—known for its name-brand public opinion polls—secured the project's naming rights by virtue of its occupation of four floors and over half of the leasable space.

FEATURES

- Adaptive use of a historically and architecturally significant structure
 - Rehabilitation of an entire landmark building, instead of the usual and expected retention of its facade only
 - Creative purchase and sale of transfer development rights to increase buildable space and to protect density in the vicinity
 - Cooperation with city agencies and preservation organizations
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SPECIAL FEATURES

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- Cooperation with city agencies and preservation organizations

PROJECT ADDRESS

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OWNER/DEVELOPER

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OWNER/ASSET MANAGER

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OWNERS

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Washington, D.C. 20036
202-333-4480
Fax: 202-333-4481
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STRUCTURAL ENGINEER

Tadger-Cohen-Edelson Associates, Inc.
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301-587-1820
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MECHANICAL ENGINEER

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GENERAL CONTRACTOR

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SITE DESCRIPTION

The Gallup Building is a rehabilitation of the Old Masonic Temple and the construction of an addition to it on a 22,595-square-foot (2,099-square-meter) site at the northwest corner of F and Ninth streets. The assembled site is in what was once known as Old Downtown, now referred to as the East End. Built in 1867, the temple was a premier social hall in Washington until the end of the century and the city's largest private gathering place. Several inaugural balls were held there, along with Masonic functions, until the Freemasons moved out in 1908 and into grander space. From 1921 to 1971, the Julius Lansburgh Furniture Company owned it as part of a thriving downtown shopping district.

When Lansburgh moved out in 1971, the edifice remained vacant until the current development commenced. North of it was an alley separating the temple from a row of small mercantile buildings that were demolished in the 1970s to create a surface parking lot. Notable structures on adjacent blocks include the Martin Luther King Jr. Memorial Library, designed by Mies van der Rohe, to the north; and across Ninth Street, the Old Patent Office Building, which houses two Smithsonian Institution museums: the National Portrait Gallery and the American Art Museum. Two blocks away, opened in 1997, is the entertainment destination MCI Center, anchor for the revitalization of the entire East End district, and home arena of the metropolitan Washington, D.C./Baltimore region's only professional men's and women's basketball teams and ice hockey team.

The Old Masonic Temple had long been a concern of historic preservationists in Washington. Grass-roots groups succeeded in listing the building as an individual landmark in the District of Columbia Inventory of Historic Places in 1973, and in the National Register in 1975.

DEVELOPMENT PROCESS

Three distinct issues have characterized this development: the transfer of development rights (TDR); conflicts and cooperation among historic preservationists, city agencies, and private developers; and maximization of federal historic preservation tax credits.

After the Lansburgh Company moved out in 1971, the building was purchased by an investment group, led by parking lot magnate Domenic Antonelli, Jr., that intended to demolish the Old Masonic Temple to create a single large surface parking lot. But in 1981, after a lengthy court process that ended in a U.S. Appeals Court ruling, Antonelli's group was restrained, and thereafter the building remained empty and poorly maintained.

Since 1979, a grass-roots group called Don't Tear It Down had been advocating for the designation of the old downtown, among other areas, as a historic district. This district included the temple, and in 1984, the District of Columbia passed legislation creating the Downtown Historic District, temporarily halting further demolition of the 200 historic buildings within its boundaries by nominating them all for inclusion in the *National Register of Historic Places*.

As part of the city's 1978 preservation law, the zoning ordinance allowed owners of historic property to transfer development rights, i.e., selling unused zoning densities from one site to another, freeing proceeds to offset preservation costs. The zoning ordinances covering the temple site and the adjacent empty lot, owned by the same Antonelli investment group, permitted a bigger building than the 20,000 square feet (1,858 square meters) of the four-story temple. Antonelli's group was able to sell the combined parcel's TDR to another owner in a "receiving zone" for over \$4 million. With the proceeds, the temple ownership hired Mary Oehrlein and Associates, a D.C.-based architecture firm specializing in historic preservation, to oversee the structure's restoration, inside and out. The restoration cost \$1.3 million, and greatly enhanced the building's resale value.

With the TDR conveys a covenant that prohibits the seller from buying back the lost height and density the zoning would have permitted before the sale of the TDR. As this applied not only to the temple, but also to the adjacent empty lot, the entire parcel was subject to new height and density restrictions.

Antonelli's group, facing bankruptcy, eventually sold the property for \$3 million in 1997 to Infrastructure Capital Group (ICG), a newcomer seeking real estate investment opportunities with Karchem Properties Inc., itself in business only since 1991. Karchem took an equity stake in the project, and bought the next-door property, 911 F Street, for \$1.45 million to control the growth of nearby buildings on the block. And in an interesting twist on the TDR process, Karchem purchased the TDRs of two two-story retail buildings farther west on F Street to keep their properties at their current densities and to recoup the allowable floor/area ratio (FAR) for the temple site that had been transferred by its previous owner.

The historic preservation aspect of this project was determined early on by the intense interest the temple drew from preservationists and by the development potential in the East End, catalyzed by the progress of the nearby MCI Center, the completion of the Shakespeare and Warner theaters, and renewed activity at the National Portrait Gallery and the American Art Museum across the street from the temple.

Earlier redevelopment efforts at the temple site concentrated on retaining the facade only—what developers facetiously call "facadectomy"—to maximize the FAR and to construct a more rational building with modern, efficient

systems. Preservationists resisted these schemes for their excessive heights and densities, and for their obliteration of the temple's interior. Of particular interest was the Great Hall, the 25-foot-high (7.6-meter-high), 5,000-square-foot (465-square-meter) column-free space on the second floor, behind the piano nobile (noble floor) facade.

In view of the city's height limitation of 110 feet (33.5 meters) for all buildings—no structure may be higher than the dome of the Capitol building—facadectomies were inevitable in Washington, D.C. Karchem initially planned to retain only the facade and re-create the interiors to gain more floor space. But in meetings with the city's Historic Preservation Review Board, and in subsequent meetings with the private D.C. Preservation League and the quasi-public Advisory Neighborhood Commission, it became clear to the developer that for the project to proceed, the entire temple building, inside and out, would have to be retained and, where necessary, restored.

DESIGN AND CONSTRUCTION

The architects of the Old Masonic Temple, Adolph Cluss and Joseph von Kammerhueber, designed many of Washington's most notable public and institutional buildings after the Civil War. Styled after urban palazzos of the Italian Renaissance, the 1867 temple is distinctive for its flamed-granite rustication at street level and its three upper floors in two shades of sandstone to differentiate the lighter window trim, belt courses, and quoins from the darker primary wall surfaces. The piano nobile is expressed primarily as a tall second floor with alternating arched and peaked window pediments with an ornate belt course above. A heavily ornamented, overhanging cornice with brackets emphatically caps the structure.

Historic preservationists insisted that the temple "read" as much as possible as a freestanding building. A 20-foot-wide (six-meter-wide) recess, infilled with glass, separates the new from the old, as a remnant and reminder of the alley that once was there. At a height of 70 feet (21 meters), next to the 80-foot (24-meter) height of the temple and the 100-foot (30-meter) height of the new addition, the recess gives both the old and the new room to breathe. Its transparency affords passersby views of the interior atrium created in this recess, and floods the interior with light. The addition is clad in Indiana limestone, matching the color of the temple's ground-floor granite rustication. The architect, Martinez & Johnson, wanted to give the addition "something of the character of a mid-block tower." Indeed, it respects the temple not only by continuing the stone cladding, but also by continuing the horizontal line of the belt course atop the temple's piano nobile. By stepping up and away from the temple—from its 100-foot (30-meter) height closest to the temple—to a 115-foot (35-meter) height at its farthest corner, the addition acknowledges the temple's primacy. Another respectful design gesture is an overhanging copper cornice atop the south tower, and a similar one at the same height acting as a canopy on the north tower.

The main entrance is at the south tower of the addition, immediately to the north of the temple and the glassy recess between. Inside and past the entry tower, the recess between the old and the new opens up into a soaring atrium, roofed in open steel trusses infilled with glass. The original north wall of the temple is revealed, as is the south wall of the new addition as it arcs back to form a rear wall. A sweeping staircase, standing free of the temple wall but hugging it, rises to the piano nobile. As part of the Historic Preservation Review Board's entitlement, the Great Hall of the piano nobile was restored completely, and its column-free space is now used by the Gallup Organization as a meeting hall.

The floors of the new addition are at the same level as those in the temple, and three skybridges cross the atrium to connect the old and new. The atrium solution was originally thought to be an undesirable compromise, but it has generated more perimeter office spaces, affording interesting views that create a unique identity and experience for building users. Post-tensioned concrete floors minimize floor depths, maximize ceiling heights, and allow virtually column-free interiors. The base of the north tower contains the accessways to the three levels of underground parking for 110 vehicles. Excavation for the subterranean space, which abuts the shallower foundations of the historic temple, unearthed an underground river, and required sheathing and shoring that added \$1.25 million to the construction budget.

TENANTS

Although the development team was always convinced that the project was financially viable, it seemed a particular kind of tenant would optimize the "fit" between the building and end-user. The Gallup Organization of Lincoln, Nebraska, was an ideal lead tenant. The group's varied activities fit well on four floors—spanning the old and new—of the complex, absorbing 61,000 square feet (5,667 square meters). The organization uses the Great Hall as a lecture, training, and events room. Gallup was attracted to the East End by its new vitality and downtown location, reflecting a significant trend of businesses and residents returning from the suburbs to downtowns. As an organization with worldwide activities in polling and research, Gallup considered it important to have a Washington, D.C., address for its operations in the capital area, and to have an office headquarters that would reflect the professionalism and custom-designed quality of its research efforts.

When Gallup contracted in September 1998 to lease office space in the upper three floors of the to-be-restored temple building (the street-level floor was slated to be retail space) and four floors of the new addition, the project had been on hold for just such a tenant. The signing of the contract released construction financing. A month later, the property owner, ICG, retired from its lead ownership role before construction could commence. Gallup vowed to stay with Karchem, despite proffers from a number of commercial leasing agents representing in-place and

in-progress developments in the increasingly active East End. In January 1999, when Karchem found a new lead financier in Northridge Capital, Gallup's commitment was secured; a month later, construction started in earnest. Gallup has since moved its world headquarters to its space in the building, creating almost 200 new jobs, half of them in professional capacities.

Floors five through eight, all in the new addition, comprise 34,100 square feet (3,168 square meters) of office space. They are leased to six tenants; one of them is the building owner, ICG.

Angelo & Maxie's restaurant occupies the 13,000 square feet (1,208 square meters) on the street level of the temple building. The remaining available retail space of 6,900 leasable square feet (641 square meters) on the street level of the new addition is still empty.

FINANCING

Efforts to finance and market the project began prior to the city's approval of the MCI Center, the blockbuster sports complex two blocks to the east, and before the creation of downtown Washington's Business Improvement District (also known as the Golden Triangle). Consequently, market risk was much higher for an East End project such as the proposed Gallup Building than for other downtown projects located in the central business district core and in the West End, and obtaining financing, especially for an upstart developer, required teaming with at least one large equity partner, which Karchem had in ICG.

The project is about half the size of an average downtown Washington development project. The combination of a small floor plate and a common-space atrium generates a high proportion of expensive building perimeter. To boost financial returns, the project was developed to qualify for historic preservation tax credits valued at \$1.5 million. Adjacent building owners joined the project to create a single record lot to add density to the project, thereby increasing rental income and generating transferable development rights to be sold for everyone's benefit. First Union bank issued a construction loan of \$24.5 million. Northridge Capital, an asset management firm that invests in and manages real estate, took over as lead owner for the landowner, ICG, after ICG withdrew its lead position during an unrelated investigation into the owners' investments. Karchem, as developer, and Clark Enterprises, the parent company of the general contractor, held equity in the project as minority owners.

EXPERIENCE GAINED

The project would have been more financially successful if the historic facades of the Old Masonic Temple had been the only remnant preserved, allowing for greater flexibility in constructing a rational and efficient floor plate throughout the 22,595-square-foot (2,099-square-meter) site. Such a less-than-complete preservation effort may have been negotiable with the D.C. Historic Preservation Review Board, but the developer opted to accept the recommendations of the various public agencies and private interest groups, and keep intact the temple building. This decision led to a creative architectural approach that redounded in the developer's favor: it resulted in an appropriate architectural design that respects its site and creates a signature development; and its respectfulness of the context convinced the lead tenant to first sign a lease, and then to honor its commitment when it appeared that the development was jeopardized by a lack of forthcoming financing.

The developer learned how to maximize the development opportunities—not that it was wise to take every such opportunity—by purchasing adjacent properties and the consequent rights to creatively apply and sell their TDRs. This was the intent of the ordinance that instituted the TDR concept, and it has worked to the benefit of a city that is constrained by height limitations and a mandate to preserve its historic character. Only through the TDR process was Karchem able to present a pro forma that justified the project going forward as a historic preservation and adaptive use development.

PROJECT DATA**LAND USE INFORMATION**

Site area (acres/hectares): 0.52/0.21
 Gross building area (square feet/square meters): 147,000/13,656
 Parking (underground): 110 spaces
 Floor/area ratio: 6.5

LAND USE PLAN

Use	Acres/Hectares	Percentage of Site
Building	0.51/0.20	98
Landscaping/open space	0.01/0.01	2
Total	0.52/0.21	100

OFFICE INFORMATION

Net leasable area (square feet/square meters): 95,100/8,835
 Percentage of net leasable area occupied: 94
 Number of tenants: 7
 Annual rents (per square foot/per square meter): \$40/\$431
 Average length of lease: 5 years
 Typical term of lease: Triple net

Tenant	Area (Square Feet/Square Meters)
Gallup Organization	61,000/5,667
Others (6)	34,100/3,169

RETAIL INFORMATION

Net leasable area (square feet/square meters): 19,900/1,849
 Percentage of net leasable area occupied: 65
 Number of tenants: 1
 Annual rents (per square foot/per square meter): \$48/\$517 plus 2.5% of gross above annual sales of \$1.75 million
 Average length of lease: 10 years
 Typical term of lease: Triple net

Tenant	Area (Square Feet/Square Meters)
Angelo & Maxie's (restaurant)	13,000/1,208
[vacant]	6,900/641

DEVELOPMENT COST INFORMATION

Acquisition Cost: \$3,000,000

Site Improvement Costs: \$2,290,000
 Excavation: 626,000
 Sheathing/shoring: 1,250,000
 Grading: 62,000
 Sewer/water/drainage: 95,000
 Paving: 36,000
 Curbs/sidewalks: 185,000
 Landscaping/irrigation: 36,000

Construction Costs: \$20,792,000

Superstructure: \$11,650,000
 HVAC: 615,000
 Electrical: 1,260,000
 Plumbing/sprinklers: 1,080,000
 Elevators: 415,000
 Fees/general conditions: 1,465,000
 Finishes: 1,786,000
 Graphic/specialties: 64,000
 Miscellaneous: 2,457,000

FF&E: \$1,418,000

Soft Costs: \$5,500,000
 Architecture/engineering: 1,650,000
 Project management: 422,000
 Leasing/marketing: 815,000
 Legal/accounting: 147,000
 Taxes/insurance: 374,000
 Title fees: 97,000
 Construction interest and fees: 1,626,000
 Miscellaneous: 369,000

Total Development Cost: \$33,000,000

DEVELOPMENT SCHEDULE

Site purchased: July 1997
Planning started: July 1997
Sales/leasing started: July 1997
First tenant signed: September 1998
Construction started: February 1999
Project completed: September 2000

DIRECTIONS

From Reagan National Airport: The Gallup Building is north of the airport, approximately three miles (4.8 kilometers) away across the Potomac River in downtown Washington, D.C. Depart from airport northward onto George Washington Parkway. Proceed 0.7 mile (1.1 kilometers) to the first exit ramp up to the Fourteenth Street Bridge and follow directions to downtown. Remain on Fourteenth Street until past Pennsylvania Avenue, and turn right onto F Street. Proceed eastward on F Street until Ninth Street. The Gallup Building is at the northwest corner of Ninth and F streets; the entry is on Ninth Street. (Ninth Street is one way heading south.)

Driving Time: Ten minutes in nonpeak traffic.

The Gallup Building is across the street from the west entry/exit of Gallery Square stop on the Red Line of the Metro subway system.

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

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Before redevelopment, the Old Masonic Temple had undergone exterior restoration and interior stabilization. The sale of its transfer of development rights (TDR) had paid for its \$1.3 million rehabilitation cost, satisfying preservationists while enhancing the building for its eventual sale. The street-level storefront windows, though restored, remained shuttered, reflecting its vacant state.



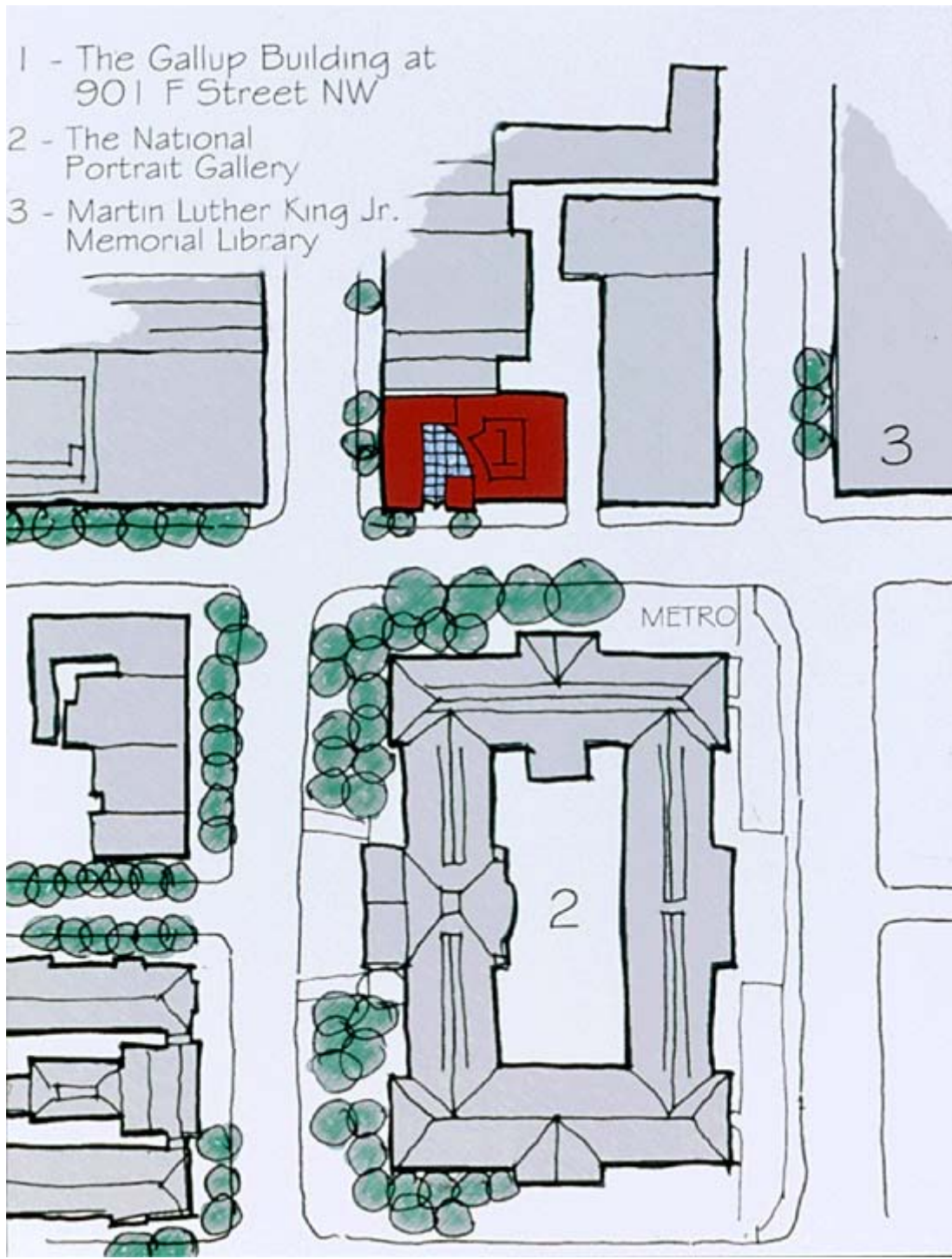
After redevelopment, the gap between the Old Masonic Temple and the mid-block structure north of it on Ninth Street has been filled in with another mid-block building, its height mediating between the historic edifice and its neighbors. The temple's street level is now enlivened by awnings over the windows of the new restaurant, which occupies the entire ground floor of the old temple building.



The new eight-story structure respects the historic building to which it is attached by simultaneously setting itself physically apart while mirroring its colors and textures and appropriating the horizontal lines of the belt course atop the old temple's piano nobile. Copper-surfaced canopies crown the pilasterlike towers at the corners, echoing the heavily ornamented overhanging cornices of the old temple.



From the street, the separation between the old temple (its rear facade, at right, is in brick) and the new office building is a 20-foot-wide (six-meter-wide) glass structure set back from the sidewalk. From within, the separation widens to a 60-foot-wide (18-meter-wide) atrium 70 feet (21 meters) high. Three skybridges cross the atrium to connect the floors of the four-story temple structure with their counterparts in the new office building.



In the location plan, north is to the right, F Street is top to bottom, and Ninth Street is horizontal.