

"They give such a hard time to everybody around here to try to get them to sell. I just started my business, and I want to do business here."

— Davood Mirzaiee, a mechanic who owns property and an auto shop at First and K streets SE



Davood Mirzaiee bought his lot at First and K SE last year for \$250,000.



BY LUCIAN PERKINS — THE WASHINGTON POST

Tony Meeks, left, and his son Samuel, 13, load firewood for restaurants at their rented lot at First and I streets SE. The Meeks family is looking to relocate the business, probably outside the Beltway, given the competition to buy land in the neighborhood.

Around Future Stadium, an Intense Competition for Land

STADIUM, From A1

"I just started my business, and I want to do business here," Mirzaiee said. "Why should I leave because all of this is coming?" he asked, throwing a greasy hand in the air toward the \$110 million hotel and co-op project a block away. "I built this place, and now they want to kick me out." He said he wants to stay because he believes it's a good location and his business will thrive as the development arrives.

The first pitch in the proposed baseball stadium is at least three years away, the ceremonial groundbreaking as yet unplanned, but the tantalizing prospect of a stadium has already set off a land rush.

"This area is on fire," said Tim Temple, who owns Splash carwash near the corner of South Capitol and I streets, four blocks from the proposed stadium, and is considering at least two offers — one for approximately \$8 million — for his land and a neighboring lot.

"Everything's going," said Temple, who bought his lot in 1978 with \$164,001 he got in the settlement of a motorcycle accident. "We've got Congress on one side and the stadium on the other."

Marty Chernoff, a longtime landowner based in Denver, recently sold about two acres near First and I streets SE — an area roughly the size of two football fields — for more than \$40 million. He owned some of that property with a partner, Leonard Greenberg, chief executive of Bethesda-based Greenhill Capital Corp.

Chernoff said he paid about \$1.55 million for the land, which he began acquiring in 1987 when most investors saw only blight in Southeast, and kept buying after the real estate crash of the late 1980s.

"It's a hot time in the old town tonight," Chernoff said jokingly. "There's a lot of buyers and not much supply. It's the old economics rule of supply and demand. As the demand goes up, so does the price."

"Baseball is a big part of what's driving it," he said. "It's the realization that this will be an upscale, quality neighborhood where you're close to Capitol Hill and close to the new stadium."

The stadium, which would take up an area that is now used mostly for sand and gravel hauling and other industrial uses, would sit three blocks south of the Chernoff property. It has created a magnetic field in the neighborhood bounded by Interstate 295 on the northern edge, the Anacostia River to the south, South Capitol Street SE to the west and as far east as 11th Street.

Just east of the stadium, the U.S. Department of Transportation is building a new headquarters near First and M streets SE, which will open next year. South of it, Forest City Enterprises Inc. of Cleveland plans to turn 40 acres into offices, residences, restaurants, shops and a waterfront park over the next decade.

Across from those two projects stands a gleaming new office building — 1100 New Jersey Avenue SE — with government contractors, a drugstore, burger joint and sub sandwich shop as tenants. A major developer — Donohoe Companies — owns an empty lot near the Navy Yard Metro stop and reportedly plans to put an office building there.

Behind the glassy office tower at M Street and New Jersey Avenue SE, New York-based developer Valhal Corp. is spending \$110 million to put up the two 14-story buildings, a 344-unit luxury cooperative and hotel on a lot that once housed small, abandoned rowhouses and a warehouse that formerly stored tobacco. The open-air drug market, a prominent landmark until recently, has yielded to the traffic of no-nonsense construction workers, providing a remarkable transformation.

"I brought a banker over one day to see the site, and there was a dead guy laying on the sidewalk," said Sheldon Stein, chief executive of Valhal, recalling a dark day a few years ago.

"It was pretty dicey for a very long period of time," Stein said. "Needless to say, he didn't invest with us."

Valhal's co-op units are just being marketed. One-bedroom units will start in the high \$200,000s, two-bedroom units as high as \$400,000 on upper floors. Construction on the new complex, with a large indoor swimming pool and billiards room, started in spring 2004. It is scheduled to open next spring.

To the north and west are several auto mechanic shops, a few parking lots for trucks and a trash transfer station. On one side, the new complex overlooks a squat brick building that houses a program for at-risk kids. On the other sits a parking lot for school buses and rows of boarded-up public housing. The buses will give way to a new city park, and the public housing is being replaced by 1,500 apartments, condominiums and rowhouses with prices ranging from low-income to market rate.

The one spot Valhal couldn't get its hands on was a small brick rowhouse that once housed a market. The Star Market, as the red and blue sign above the boarded-up windows says, once sold "Cold Beer & Wine." Valhal offered the landowner a deal. "We

March 2004, Fourth and M Streets SE



August 2005, Fourth and M Streets SE



The landscape of M Street SE is being transformed. At left, the brick wall formerly fronting the Southeast Federal Center has given way to construction on the new headquarters for the U.S. Department of Transportation. At right is 300 M Street.

May 2004, Second and K Streets SE



July 2005, Second and K Streets SE



PHOTOS BY JACQUELINE DUPREE — THE WASHINGTON POST

Where a building at 1100 New Jersey Avenue once stood on its own, top right, Capitol Hill Tower is under construction, above right, consisting of a Courtyard by Marriott Hotel and a 344-unit luxury cooperative, set to open next spring. At the end of the street is the new Department of Transportation headquarters, scheduled to open next year. The site is also the eventual location of Washington Canal Park.

tried to buy it, but the guy wanted \$1 million for it," said Stein. "It's only worth \$100,000. We settled on \$400,000." But the deal fell apart. Stein was ready to move forward on the project, and the landowner, who could not be reached for comment, was reluctant to sell. The market closed last fall.

"He missed the boat," Stein said. "He decided to get serious after it was too late."

Stein designed his project around the little market, which now stands in the shadow of his hotel building — exactly an inch away, says Stein's construction superintendent. But, Stein says, it all worked out for the best because daylight now brightens a courtyard that faces Second Street SE.

"If I had built right up to the corner, it would have cut out the light and view of the courtyard," he said. "It doesn't look so terrible with the market there. The actual project comes out better because it's there."

How his co-ops will sell is a bit of an unknown. He is the first residential developer to build in the area in years. Stein said he expects to market the project to workers at the new transportation department headquarters, the nearby Navy Yard and on Capitol Hill.

"Everybody's waiting to see how we do," Stein said. "Then they'll be right on our heels."

Much more development is coming.

A half block from Stein's co-op and hotel project, Irving, Texas-based apartment developer JPI plans to put a residential and retail complex on some of the land it bought last week from Chernoff near First and I streets SE, now home to a strip club, the Nexus Gold Club. Nexus will probably be torn down in a year or so; Ron Hunt, manager, said he's looking for another location in downtown D.C.

The big Bethesda-based developer Lerner Corp. is starting on an office building at Half and M streets SE, in the midst of empty lots and run-down buildings. Monument Realty LLC of Washington is also planning a large mixed-use development on land it owns near the stadium site, on N Street between Half and South Capitol streets. And a few blocks away, on I Street SW, Centex Homes of Dallas plans to build about 300 condominiums and a new home for the Corcoran College of Art and Design in a building once occupied by a recently closed homeless shelter.

As decay gives way to dollars, tenants and landowners who once might have longed for a few neighborhood improvements are feeling more anxiety than relief. It's all moving at unnerving speed.

"This area is going to be developed, and fast," said Tony Meeks, as he locked up his fence on a rented lot across from the Nexus Gold Club. He helps his father run a firewood business there, selling oak and hickory to downtown restaurants for their brick ovens. He's unsure what the absentee landowner is thinking.

"You see them coming to do percs of the ground all around here," Meeks said, referring to soil percolation tests. "We're trying to hang in there, but I'm sure the offers are coming for here." He is looking for another location, most likely outside the Beltway.

Still, a sense of community pervades the run-down blocks. An after-school program for at-risk kids, which sits on New Jersey Avenue SE across from Valhal's large project, gets its vans fixed at a garage around the corner. And much of the news about impending development comes not from the property owners but from the neighboring tenants who lease the space and watch the comings and goings of prospective buyers. The suits are coming, they say, when developers are on the move.

Jennifer Murphy, who runs the after-school program, said she's not sure what will happen to her building and a grassy lot next to it where her landlord lets the kids play ball. The last she heard was that the property was fetching offers of roughly \$3 million.

"We're getting a little nervous because it's hard to know what's going to happen around here," said Murphy, whose program serves about 70 kids a year. Many of her students, whose families make an average \$15,000 a year, once lived in the Arthur Capper/Carrollburg public housing project two blocks away.

After the project was closed, many of the residents were given federal Section 8 subsidy vouchers to move to other low-income housing projects. Housing advocates said some went to projects east of the Anacostia River, and others ended up in projects in Prince George's County.

Murphy said she now has to bus most of the kids from far Southeast to her summer camp and after-school program.

"I don't think we'll be serving too many Section 8 kids from in there," Murphy said, as she looked up at the tall, brick and glass Valhal project. "I'm crossing my fingers that we can stay here."

Newsroom intranet editor Jacqueline Dupree contributed to this report.