

Douglas Development, D.C. ask for a \$38.5 million federal loan guarantee for New City



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A pair of retail buildings surrounded by a central Main Street is a key part of Douglas Development's plans for New City DC, a massive project near Ivy City.

D.C. DHCD

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Douglas Development Corp. is working with the District to secure \$38.5 million in federal loan guarantees to back its [New City DC](#) project near Ivy City, arguing it can't get the project off the ground without the backing.

The 1.6 million-square-foot project is “not financially feasible” without the loan guarantee as the company “cannot attract additional private financing” unless it gets access to that \$38.5 million, city officials wrote in an [application](#), citing information from Douglas, posted to the District's website Sept. 21. Douglas has been pursuing New City for the better part of [four years](#), viewing it as the next step in the transformation of the Northeast neighborhood following [previous projects in Ivy City](#).

Douglas is working with D.C.'s Department of Housing and Community Development and the Office of the Deputy Mayor for Planning and Economic Development on the application, which seeks to leverage the [Section 108](#) loan guarantee program managed by the U.S. Department of Housing and Urban Development. That program allows the city to leverage federal housing grants to access low-cost loans for big projects, especially those that include affordable housing.

Douglas executives did not respond to a request for comment on the application.

The D.C. Council in July agreed to let officials apply for the loan guarantees as [one step of many](#) to find new [affordable housing funding](#). Lawmakers approved the DHCD to leverage \$5 million in Community Development Block Grant funding to provide [up to \\$88 million](#) in loans in 2021.

The application has not yet been submitted to HUD, DHCD Director [Polly Donaldson](#) said in a statement. District officials are accepting public comments on the application through Monday, and will then decide whether to move forward with it after reviewing the results.

Douglas in August [applied for permits](#) that suggested construction on the first residential building at New City would begin in the fall of 2020.

“There have been multiple developers of the site in the past, however, none of these projects came to fruition due to a lack of available financial assistance and the significant site preparation that is required,” D.C. officials wrote in the application. A variety of massive projects have been pitched and then abandoned there over the years — [Jim Abdo once envisioned it](#) as a massive mixed-use campus, only to be hampered by the Great Recession. Another developer once pitched it as a Walmart-anchored development before that deal with the retail giant [fell apart too](#).

If HUD approved the guarantee, the New City loan would eat up close to half of the District's Section 108 lending capacity in fiscal year 2021, though Donaldson added that the agency is still considering other “possible loan funds” and evaluating projects “in addition to New City.”

“The District has, for some time, been considering the opportunity to tap HUD's Section 108 loan guarantee program to supplement our local and more common federal resources for economic and community development,” Donaldson wrote via a spokesman. “While we have not submitted a Section

108 application to HUD in recent years, we have been working with HUD since the early spring of this year to better understand the program and determine projects and initiatives that could use it.”



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A map shows Douglas Development's latest mix of uses for New City DC, its latest Ivy City-adjacent project.

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Officials wrote that the project will include a total of 859 residential units, with about 214 set aside as affordable homes. Of those, at least 53 homes will be set aside as deeply affordable units, or within reach for people making up to 30% of the area median income, while the remaining units will be affordable for people making between 30% and 50% of AMI.

The developer also promised a 150,000-square-foot “destination grocery store,” 149,700 square feet of other retail uses, a 210-room hotel and a 45,600-square-foot office building.

Those plans are a bit smaller than previous iterations of New City. Douglas’s [2018 marketing materials](#) called for closer to 1,390 apartments and 105,000 square feet of office in total, but plans included in the loan application show several buildings once planned for residential have been converted to retail, with office space removed entirely. Two building sites are now listed merely as “future development” opportunities in the latest plans.

Douglas expects to spend \$461.8 million on the project, including \$37.3 million on infrastructure work alone, per the application. The developer expects to chip in \$169 million in equity, and secure a \$254 million private loan, noting in the application that it's retained CBRE to secure that financing.

The application notes the federally guaranteed loan would fund "land acquisition for the northwest corner of the site along New York Avenue NE," although it's unclear what that means. Deed records show that the developer in 2017 paid a total of \$75 million to [acquire most of the 16-acre property](#), a triangular area bounded by New York Avenue, Montana Avenue NE and Bladensburg Road NE.

The only exception to that is a small lot at the corner of Bladensburg Road NE and New York Avenue NE, which Douglas had once hoped to include in the New City project and is now being [marketed for sale](#) — though that is located at the northeast corner of the triangle. The developer also did not respond to inquiries about its potential interest in that property.