

# Opposition to D.C. public-private land deals imperil library, other projects

Washington Post By [Mike DeBonis](#) November 2, 2013

During the past five years, District leaders have spent nearly \$200 million to rebuild or renovate 14 public libraries. But the West End Neighborhood Library, a fraying, 46-year-old, concrete-and-brick edifice at 24th and L streets NW, has not been among them.

Plans dating back more than seven years to [replace the library and a nearby fire station](#) at no direct cost to taxpayers have languished despite the support of two mayors, a unanimous D.C. Council and numerous community groups.

That is largely because of a band of activists, backed by Ralph Nader, who have assailed the project as a bald giveaway of public assets to private interests. They have fought the deal before the council, in front of a zoning board and in the courts, losing at every turn but repeatedly delaying groundbreaking as they raise alarms.

“We’ve been warning the District government,” Nader said. “It’s just like hitting a stone wall. There are very few people who stand up for the taxpayers’ assets.”

At issue for Nader is the price of the land, which the city intends to sell to a private developer planning to build more than 150 luxury apartments and retail space — in addition to the library, firehouse and affordable housing.

In recent weeks, a lawyer affiliated with Nader’s group asked the District’s U.S. attorney to investigate the deal, citing in a Sept. 30 letter an “appearance of corruption and possible illegality.” The letter renews claims of a giveaway, citing a private document it obtained showing that investors stand to make tens of millions of dollars.

The unyielding opposition, however, has [deeply vexed neighborhood groups](#), who accuse the Nader group of advancing an agenda biased against public-private partnerships at the expense of the community’s wishes for new residents and amenities. And frustrated city officials and developers say that the activists have twisted facts and shown little understanding of the practicalities of urban development in the course of delaying a project expected to return about \$3.5 million in taxes annually to city coffers.

“We’re going to be one of the last libraries renovated,” said Susan Haight, who lives near the redevelopment site and leads the Friends of the West End Library. “I just find [the opponents] very, very frustrating. . . . It’s over, and it’s time to move on.”

The fight also carries implications for other public-private land deals, which have become a favored vehicle for city officials to promote economic development with public spending without violating the city’s strict debt cap. Mayor Vincent C. Gray (D) has proposed [financing a new professional soccer stadium](#) by swapping a city office building for privately held land in Southwest Washington.

Some of the same people who oppose the West End project are [fighting another deal](#): the redevelopment of a former public school on Capitol Hill that involves the same developer. And the Nader-backed Library Renaissance Project has been skeptical of another plan, in its early stages, to refurbish the Martin Luther King Jr. Memorial Library by expanding the building and leasing part of it to private parties.

In the West End, the terms of the deal call for the developer, Georgetown-based [EastBanc](#), to build the fire station and library for the city at a cost of about \$20 million — in exchange for the land. Nader and Oliver B. Hall, an attorney for the opponents, point to appraisals commissioned by the city showing that the land is worth at least \$30 million in “as is” condition and could be worth as much as \$65 million given the density of the proposed redevelopment.

Officials in the District's economic development office said the higher appraisals are based on the most profitable use of the property, because including a library, fire station and affordable housing cuts deeply into the land's value. They also said that construction costs are considerably less in a mixed-use project than if the city built standalone facilities.

Jeff Miller, the District's director of real estate development, said the city got a "reasonable price" for the property when the deal was struck in 2010, a time when the real estate market was softer and investors were in retreat. "It's a great project for the city, and the neighborhood enthusiastically supports it," he said.

Hall said he has been loath to trust any financial claims made by the city or the developer. "I think they have some explaining to do," he said.

The distrust stretches back to 2007, when city officials prepared the deal with EastBanc without a competitive bidding process. The D.C. Council took an initial vote to approve the deal, but it was canceled amid [protests from Nader and others](#), and the project was opened to bidding. EastBanc [won the deal](#) in 2010, beating out one other bidder.

City officials say the competitive process helped ensure that taxpayers got the best deal, but the opponents say the dearth of bidders hints at potential corruption. The activists have found new fuel for their claims in a private business plan that they obtained this year and shared recently with The Washington Post.

The document, developed by EastBanc in late 2011, shows that the firm and its investors — Chevy Chase, Md.-based real estate titan the JBG Cos. and Bethesda-based Clark Enterprises Inc. — are planning to reap a profit, depending on market conditions, of about \$40 million over five years on a cash investment of \$44.4 million.

The potential profit, Nader says, proves that the city offered a "sweetheart deal," especially considering that it agreed last year to provide [\\$7 million in financing](#) to build affordable housing units above the fire station. "The property was vastly undervalued if they can make a profit like that," Nader said.

[Anthony Lanier](#), EastBanc's president, confirmed that the business plan is genuine and is "substantially accurate" in representing the terms of the deal with JBG and Clark. The document shows that EastBanc, as the lead developer, would make most of its money in fees, while JBG and Clark are entitled to the bulk of the profit.

Lanier said the profit projections in the business plan are "industry standard," representing a target annualized return of 18 percent. "If I didn't show this profit, I couldn't raise any capital," he said. "The real estate capital market is not going to invest in any project that does not double their money."

Barbara Kahlow, an officer in the West End Citizens Association who has been involved in the project, said Nader and his group are "following their own personal agenda" against public-private asset deals. "But that is not how the community felt," she said. "The community felt they were getting a good deal."

Haight said she is not bothered by EastBanc and its investors standing to make a tidy profit. "Nothing is perfect, and when you make a deal, you make a deal," she said. "The developer is taking all the risk. That's the thing that just wears me down on this. There's no risk on Nader's part — none."

Nader acknowledged his philosophical bent against deals involving private interests and public assets. "Historically, privatization in American history had led to corruption," he said. "If you are going to make a strong argument for public-private partnerships, you've got to have rigorous oversight . . . and that just doesn't occur."

Nader dismissed the widespread support of neighborhood groups, including the elected Advisory Neighborhood Commission, saying that the "more generalized interest" of protecting the city at large from being fleeced trumps the neighbors' "immediate interest" in getting a new library, retail space and other amenities.

“They have a bird in the hand,” he said. “We’re talking about the preservation of taxpayers’ assets for fair value or retention by the government. . . . It’s not glamorous, and sometimes it gets so complex people throw up their hands.”

Nader and his allies show no sign of throwing up their hands. An activist group represented by Hall petitioned the D.C. Court of Appeals last year to overturn the project’s zoning approval, claiming that it was improperly [exempted from affordable-housing requirements](#).

A three-judge panel [rejected those claims](#) in August, and the group has asked for a rehearing before the full court to present the newly unearthed business plan as proof that the exemption was unwarranted.

It is unclear whether Hall’s letter to prosecutors has generated any official interest. Officials with the city’s economic development office said they have not been contacted by investigators. William Miller, a spokesman for U.S. Attorney Ronald C. Machen Jr., acknowledged receiving Hall’s letter but declined to comment on it.

The West End Neighborhood Library’s days as a neighborhood hub are, in any case, dwindling.

In anticipation of a groundbreaking, the city has signed a lease for a 5,000-square-foot temporary library space at the Watergate. A groundbreaking date for the new building has yet to be scheduled, but Lanier said he hopes to begin clearing the site in January, regardless of the ongoing litigation.

Jonathan O’Connell contributed to this report.