

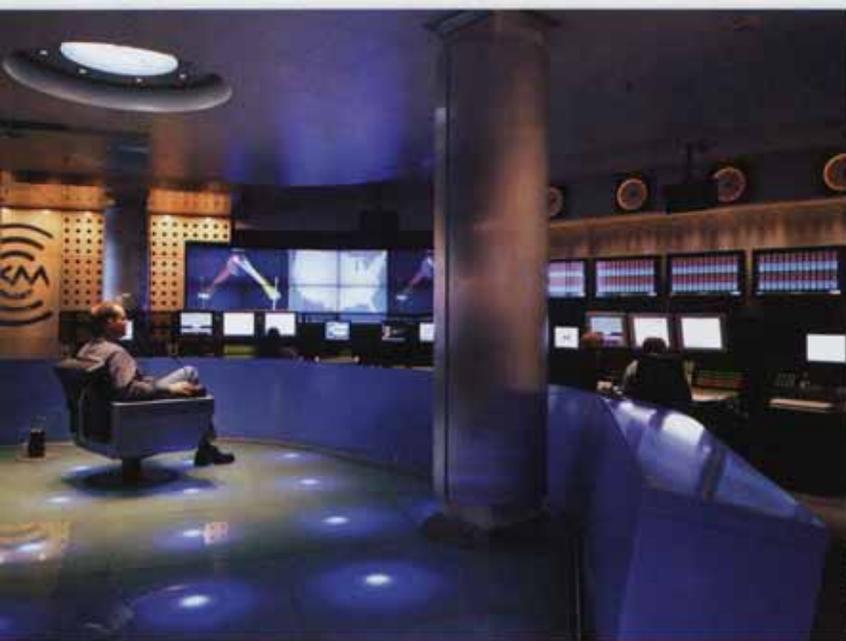
Set in a run-down, low-income Washington, D.C., neighborhood that, despite its location less than a mile from the U.S. Capitol building, had seen no new investment in more than a decade, the 83-year-old, three-story industrial loft complex at 1500 Eckington Place, N.E., was an unlikely candidate for commercial development. The blighted area contained boarded-up buildings, after-hours drug markets, and no visible signs of economic activity on the horizon. Yet, believing the structure—which comprised ten individual buildings constructed over the years—and its location held promise, Union Realty Partners, Inc., purchased the property in 1998 on a speculative basis and then proceeded to market and lease it to XM Satellite Radio Inc. (XM) and Qwest Communications and transform it into a world-class corporate headquarters and digital broadcast center.

According to J. Stephen Muller, president, Union Realty Partners, Inc., “The greatest challenge we faced was that we were ‘flying blind’ from a planning perspective. We didn’t know what type of ten-

ants we could attract to the property, given its pioneering location. This meant we had to develop a multiuse renovation and marketing plan that would work for users of industrial, flex, and office space. We staged the renovation of the base building in six

ECKINGTON PLACE

Washington, D.C.



Michael Moran

Michael Moran

DEVELOPMENT TEAM

Owner

XM Satellite Radio Inc.
Washington, D.C.
www.xmradio.com

Architect

Core Group, PC
Washington, D.C.

Developer

Union Realty Partners, Inc.
Washington, D.C.

PROJECT DATA

Site Area: 3.34 acres (1.35 hectares)

Building Area: 247,955 square feet net
(23,035 square meters)

Land Uses: Offices and 182 parking spaces

Completion Date: April 2002

phases, which allowed us to build momentum and avoid the mistake of building out the wrong type of improvements.”

Extraordinary marketing efforts were needed to overcome the stigma of the location and convince brokers that the area was a viable location for high-tech companies and safe for their employees. The developer emphasized the structure’s high ceilings, heavy floor capacity, and huge (and redundant) electrical capacity, as well as its competitive lease rates and state-of-the-art security system.

“The biggest risk we took,” adds Muller, “was leasing space to XM, which, at the time, was a startup company with no revenues. Although XM agreed to invest a lot of capital to improve the building, most of the improvements were special purpose in nature (broadcast studios) and therefore didn’t add much residual value. Ultimately, we underwrote the deal based on the strength of XM’s management and underlying business model, the strength of XM’s strategic partners, and the underlying value of its broadcast license.” To attract XM, the mayor and the city council agreed to pass legislation minimizing the amount of personal property tax that the firm would have to pay the city. The broadcaster, in turn, donated 5,000 square feet (465 square meters) of its space to the metropolitan police department as a police substation. The developer also helped lead a private sector initiative to cofinance a new Metrorail station nearby, the first public/private funding of a Metrorail station in the city.

The new Eckington Place is a model for successful economic development in a low-income, inner-city, industrial area. It has become the cornerstone in the city’s economic efforts to transform the area now known as NoMA (North of Massachusetts Avenue), and was the catalyst for several other major public and private ventures. ■



Michael Moran