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**WASHINGTON BUSINESS JOURNAL BEST REAL ESTATE DEALS 2004
1717 RHODE ISLAND AVENUE, NW WINS BEST REHAB**

WASHINGTON, DC – AS DEVELOPER OF 1717 RHODE ISLAND AVENUE, NW, KARCHEM PROPERTIES (WWW.KARCHEM.COM) ACCEPTED THE AWARD FOR BEST REHAB DURING THE WASHINGTON BUSINESS JOURNAL'S AWARDS CEREMONY ON APRIL 26. THE FREE-STANDING CLASS A OFFICE BUILDING IS LOCATED ONE BLOCK EAST OF CONNECTICUT AVENUE ADJACENT TO ST. MATTHEW'S CATHEDRAL. THE 10-STORY BUILDING IS 157,000 RENTABLE SQUARE FEET. NO TWO FLOORS ARE ALIKE; THERE ARE 12 BALCONIES ON 5 FLOORS AND 7 SKYLIGHTS ON 3 FLOORS. THE BUILDING IS 85% LEASED, WITH THE 7TH FLOOR AND PART OF THE 6TH FLOOR AVAILABLE FOR LEASE.

THE NEW BUILDING INTEGRATES FOUR HISTORIC TOWN HOUSES WITH A NEWLY CONSTRUCTED OFFICE BUILDING. THE MID-BLOCK SITE HAS WINDOW LINES ON ALL FOUR SIDES ABOVE THE TOWN HOUSES. THE BUILDING ENJOYS UNOBSTRUCTED VIEWS OF ST. MATTHEW'S TO THE WEST, THE NATIONAL CATHEDRAL TO THE NORTH, AND THE BASILICA AT THE CATHOLIC UNIVERSITY TO THE EAST. RHODE ISLAND AVENUE IS A 2-WAY STREET WITH 6 LANES PROVIDING ACCESS FROM BOTH DIRECTIONS AND LOTS OF NATURAL LIGHT.

THE TOWN HOUSES HAD BEEN BOARDED UP AND THE LAND FENCED AND VACANT FOR 20 YEARS. THE HISTORIC STRUCTURES HAD BEEN VANDALIZED AND DAMAGED BY FIRES AND NEGLECT. THE HOMELESS AND RATS HAD BEEN ATTRACTED TO THE GOLDEN TRIANGLE OF DOWNTOWN WASHINGTON, DC. DURING CONSTRUCTION OF THE NEW OFFICE BUILDING, THE PROJECT PAID 200 UNION LABORERS \$15.5 MILLION. THE CITY WILL GAIN REAL PROPERTY TAX REVENUES OF \$1 MILLION PER YEAR. THE ENVIRONMENT WAS PROTECTED THROUGH THE USE OF ORGANIC MATERIALS ON NEW CONSTRUCTION. BUILDING REUSE, RESOURCE REUSE AND RECYCLED CONTENT IN THE HISTORIC SECTION ALSO PROVIDED A POSITIVE ENVIRONMENTAL IMPACT.

A FAÇADE PROJECT WAS PROHIBITED BY THE 1986 PUD. THE REHABILITATION REQUIRED MORE EXPERTISE IN DESIGN AND CONSTRUCTION THAN FAÇADE PROJECTS. THE INTERIOR OF THE TOWN HOUSES WERE REHABILITATED ON THE EXTERIOR AND INTERIORS ADAPTED TO OFFICE USE. THE PROJECT REQUIRED STABILIZING AND UNDERPINNING THE HISTORIC STRUCTURES.

SUBSEQUENTLY, A THREE-LEVEL PARKING GARAGE WAS BUILT UNDER THE TOWN HOUSES AND NEW BUILDING. DURING CONSTRUCTION, DAMAGE WAS MITIGATED IN THE CATHEDRAL BY USING ENGINEERING EQUIPMENT DAILY. THE DESIGN AND CONSTRUCTION OF THE BUILDING AND STREETScape WERE APPROVED AND MONITORED BY THE HISTORIC ARCHITECT AND THE HISTORIC PRESERVATION OFFICE IN THE OFFICE OF PLANNING.

THE HISTORIC TOWN HOUSES ARE NOW SMALL JEWEL BOXES. THE STONE AND MASONRY FACADES AND THE DECORATIVE IRONWORK WERE RESTORED. INSIDE, THE FIREPLACES, INTERIOR STAIRCASES, BEAMS AND MILLWORK WERE PAINSTAKINGLY RESTORED. THE FORMER LIBRARY OF CHIEF JUSTICE WHITE WAS RESTORED AS WELL AND IS NOW AN INTIMATE CONFERENCE ROOM. THE HISTORIC WINDOWS WERE REPLICATED IN NY.

THE NEW COMPONENT OF THE BUILDING WAS UPGRADED FROM THE 1980 DESIGN TO BE CONSISTENT IN QUALITY WITH THE HISTORIC COMPONENT. LIMESTONE REPLACED CONCRETE LINTELS; COPPER REPLACED PAINTED METAL ROOFS AND DOWNSPOUTS. BRICK REPLACED MASONRY COURSING ON THE REAR OF NEW BUILDING. FOR THE LOBBY, STONE WAS HAND SELECTED IN ITALY; BOOK MATCHED AZUL IMPERIAL GRANITE FOR THE FEATURE WALL IN THE LOBBY AND VOLGA BLUE GRANITE FOR THE LOBBY AND ELEVATOR FLOORS.

THERE WERE MANY CHALLENGES IN MAKING THE DEAL. KARCHEM PROPERTIES NEGOTIATED WITH THE ARCHDIOCESE TO EXECUTE A 99-YEAR GROUND LEASE AND FINANCED THE UNSUBORDINATED GROUND LEASE PROJECT. KARCHEM PROPERTIES' EQUITY PARTNER EXITED THE DEAL 10 DAYS BEFORE CLOSING. WHILE SEARCHING FOR EQUITY AFTER THE DOT COM BUST, KARCHEM'S SMALL EQUITY POOL CONTINUED TO PAY GROUND RENT TO ARCHDIOCESE FOR 1 YEAR. DURING THAT YEAR, KARCHEM PROPERTIES EXPENDED ADDITIONAL CAPITAL TO MEET MILESTONES SET IN THE GROUND LEASE. IN APRIL 2002, KARCHEM CLOSED AN ALL-EQUITY DEAL WITH THE MULTI-EMPLOYER PROPERTY TRUST.

THERE WERE JUST AS MANY CHALLENGES DURING CONSTRUCTION. THE GENERAL CONTRACTOR ("GC") FILED BANKRUPTCY HALF WAY THROUGH THE PROJECT WHICH HAD FALLEN BEHIND BECAUSE OF THE GC'S FAILING PERFORMANCE. THE GC BREACHED ITS LEASE FOR 20% OF THE BUILDING AT THE SAME TIME. THE SUBS STOPPED OR SLOWED WORK AND WERE OWED LARGE, OVERDUE PAYMENTS BY THE GC. KARCHEM PROPERTIES IMMEDIATELY TOOK OVER AS CONSTRUCTION MANAGER WORKING THROUGH THE UNPAID ACCOUNTS AND SUBCONTRACT AGREEMENTS. A SIGNED MUTUAL TERMINATION AGREEMENT WITH A FINANCIAL SETTLEMENT ENDED THIS SET OF CHALLENGES.

THE PROJECT WAS DELIVERED IN THE LAST QUARTER OF 2004 AND THE TENANTS MOVED IN DURING THE FIRST QUARTER OF 2005. INTERIOR BUILD OUTS CONTINUE FOR NEW TENANTS. KARCHEM PROPERTIES COMMISSIONED THE BUILDING WITH A PROPERTY MANAGEMENT STAFF OF FOUR.

KARCHEM PROPERTIES WAS ESTABLISHED IN 1991 TO PROVIDE COMMERCIAL REAL ESTATE DEVELOPMENT SERVICES. BASED IN WASHINGTON, DC, THE COMPANY HAS DISTINGUISHED ITSELF BY DEVELOPING COMPLEX PROPERTIES INCLUDING HISTORIC PRESERVATION AND ADAPTIVE USE PROJECTS. THE COMPANY IS ADVISING THE NATIONAL PROPERTY BOARD OF SWEDEN ON DEVELOPING THE 70,000 SQUARE FOOT HOUSE OF SWEDEN ON THE GEORGETOWN WATERFRONT.

THE MULTI-EMPLOYER PROPERTY TRUST ('MEPT' [WWW.MEPT.COM](http://www.mept.com)), A \$4.19 BILLION OPEN-END COMMINGLED EQUITY REAL ESTATE FUND, INVESTS IN A DIVERSIFIED PORTFOLIO OF NEW CONSTRUCTION, 100% UNION-BUILT REAL ESTATE PROPERTIES IN MAJOR METROPOLITAN MARKETS AROUND THE COUNTRY. TODAY, MEPT HAS 155 PROPERTIES IN 26 MAJOR METROPOLITAN MARKETS. MEPT'S PRIMARY INVESTMENT STRATEGY IS TO CREATE TOP-QUALITY, CORE, INCOME-PRODUCING PROPERTIES THROUGH DEVELOPMENT, REHABILITATION, OR ACQUISITION AND REPOSITIONING OF UNDERVALUED ASSETS.

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