

Commercial Real Estate

McCaffery, Douglas buy vacant H Street building

By Sarah Krouse

McCaffery Interests Inc. and Douglas Development Corp. bought 675 H St. NW at auction Feb. 23 for an undisclosed amount, finally staking claim to a parcel that has been in limbo for years.

The team plans to turn the site, at Seventh and H streets next to the Chinatown arch, into 45,000 to 48,000 square feet of office and retail space that will likely resemble much of Douglas' other downtown holdings.

McCaffery and Douglas formed a partnership more than a year ago and have fought for the site since. The final price was comparable to the \$12.1 million that developer Yeni Wong paid for the property in 2005, the partnership said.

"We're very excited about it," said Norman Jemal, a principal of Douglas. "We envision spectacular retail, and the timeline is immediate."

The McCaffery-Douglas partnership and local developer Monument Realty had each been pursuing the boarded-up building for months.

Monument owns 627-631 H St. NW and is planning an 80,000-square-foot office and retail project there. Surprisingly, the company did not bid at the auction for 675 H.

Wong acquired the dilapidated property in 2005, and virtually all of the retail space was pre-leased by the summer of 2008. But Wong defaulted on the note later that year.

Douglas purchased the defaulted note from Capmark Finance Inc. in September



Jemal



Wong

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2009. Shortly afterward, the partnership served Wong a notice of foreclosure.

However, Wong's company filed for bankruptcy protection in November 2009, temporarily thwarting the McCaffery-Douglas partnership's plan to pick up the property at auction.

Monument wooed Wong for about a year before the two of them put together a bankruptcy reorganization plan that would inject new equity to rescue the project.

On June 24, the McCaffery-Douglas entity filed for relief from the automatic stay imposed by the U.S. Bankruptcy Court in D.C. The partnership argued that Wong had not filed a reorganization plan that had a reasonable chance of being confirmed in a reasonable time.

Ultimately, the reorganization was not approved, and the McCaffery-Douglas partnership filed for foreclosure.

Jemal said office and retail tenants had approached the partnership in the last year, but no deals could move forward because of the bankruptcy. The team will meet next week to chart a timeline for redevelopment.

"We've been in lockdown mode because we were the lender, and now we'll start to jump back into it," said Juan Cameron, a senior managing director at McCaffery.

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