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Mr. David Cohen
Treasurer, Board of Trustees
Jewish Primary Day School of the Nation's Capital
6045 16th Street, NW
Washington, DC 20011

Re: Impact of limited term Board of Zoning Appeals "BZA" Approval

Dear Mr. Cohen:

At your request, this letter serves to summarize, from a mortgage banker's perspective, some of the threshold issues created when BZA approval is subject to a specific expiration date versus BZA approval without a specific term limit. From a lender's perspective, owner occupied properties are among the most conservative lending propositions and accordingly receive the most attractive borrowing terms. By contrast, when a property is encumbered by a BZA approval that has a specific term limitation, a banker views the term limit analogous to a leased property (versus owner occupied). For example, in the case of the Jewish Primary Day School "JPDS", in the event the owner occupied school property is encumbered by a BZA term limit, even though the property is owner occupied, a lender is compelled to extend financing that assumes BZA approval will not continue beyond its specified expiration date, similar to a leasehold interest which is assumed to cease at the expiration of the lease term. While a banker may understand that JPDS is a very good neighbor and BZA approval is likely to be extended beyond its initial expiration, a bank's regulatory standards must conservatively assume worst case, which is that BZA approval does not get extended beyond term expiration.

While a specific financing proposal remains subject to comprehensive underwriting by Birchwood Capital Partners, based on my 23 plus years of real estate finance experience combined with almost one billion dollars in successful transaction closings, the key effects of a BZA approval with a specific term limit are as follows:

- **Reduced property investment**- since fiscal responsibility forces all parties to operate assuming BZA approval will not be extended, aggregate investment in the property will be reduced. The lender will ask the borrower to carefully consider limiting improvements to what is absolutely essential as residual value beyond the expiration of the BZA approval term is risky and unknown.

- **Accelerated amortization of improvements**- all property improvements will be amortized over the limited term of the BZA approval- not beyond. This expedited amortization compels JPDS to divert limited funds that would otherwise be used for education or scholarship towards an accelerated depreciation schedule that mirrors the limited term of BZA approval.

- **Higher cost of capital and higher monthly payments**- given term limit of BZA approval creates meaningful lender risk; increased bank risk translates into a higher interest rate. Not only will interest rates be higher, total occupancy costs will be further increased as a result of the expedited amortization that must mirror the term limit. This combination of higher cost of capital plus faster amortization will drive substantial increases in JPDS's cost of occupancy. A higher cost of occupancy means less funding for educational endeavors. Lower funding earmarked for education makes JPDS a less desirable borrower; a vicious cycle.

- **Difficulty refinancing in years closer to term expiration**- the term of any loan is going to have to be no greater than the outside expiration date of the BZA term limit. In the event BZA re-approval is delayed, given a temporary extension, or additionally conditioned, obtaining new financing to replace the initial financing could be extremely problematic and perhaps even impossible. This looming balloon payment with unknown ability to refinance will compel JPDS to set up and maintain significant reserve funds in case financing cannot be renewed after BZA term limit expiration, which again will divert funds away from JPDS's core product- providing education to elementary school children.

- **Adverse impact on enrollment in later years of term**- it is reasonable to assume that parents of children who will be enrolled near BZA term expiration point(s) will be rightfully concerned about the ramifications to their child and their child's education. This concern may translate into choosing other schools that have greater operational stability. In the case of JPDS, alternative Jewish day schools are all in nearby Maryland which could impact an affected family's housing choices. Decreased enrollment at JPDS has effects on budget, educational programming, institutional stability and the residential location decisions of Jewish families in the area.

From a mortgage banker's perspective, it is my strong recommendation that if the community has specific concerns regarding the JPDS BZA application, then these concerns should be manifested into specific conditions for the BZA approval- not a term limit. If parking is the real concern, make maintaining offsite parking a condition of BZA approval with no term limit, etcetera. For all of the reasons stated in this letter, plus more, a term limit on the BZA approval does not serve the community members, sustainable community investment, or JPDS- it only serves to increase risk, divert funds from community investment, increase operational costs for the school, and create long term uncertainty for all.

Thank you again for selecting Birchwood Capital Partners in your efforts to secure financing for JPDS. Should you have any questions regarding this matter, please contact me.

Sincerely,
BIRCHWOOD CAPITAL PARTNERS

David Strouse
President