SULLIVAN & BARROS, LLP

Real Estate | Zoning | Business Law

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June 3, 2014

By E-mail Submission

Lloyd Jordan, Chairman
Board of Zoning Adjustment
441 4th Street, NW, Suite 200S
Washington, DC 20001
bzasubmissions@dc gov

Re: Response of Party Opponent Metropole Condominium Association to the Applicant's Pro Forma and Supporting Evidence; BZA Application No. 18638, 1456-1460 Church St, NW

Dear Chairman Jordan and Members of the Board:

At the May 20th hearing for this Application, the Applicant submitted a Projected Project Cashflow (the "Pro Forma") purporting to compare the expected financial results from the operation of a 37-unit apartment house vs that of an 18-unit apartment house (A copy of the Pro Forma is attached hereto as Exhibit A) The Pro Forma concludes that the Applicant will lose money in an 18-unit scenario and earn a very modest profit in the 37-unit scenario The Pro Forma is not attributed to any particular author, and there is no source listed for the numbers in the Pro Forma At the hearing on May 20th, none of the Applicant's witnesses testified as to the source or accuracy of the numbers used in the Pro Forma

The Metropole Condominium has asserted from the beginning that the desire for such a large amount of parking relief was merely a function of the Applicant's preference to provide 37 extremely small rental units, rather than providing the typical apartment mix for the surrounding neighborhood [1] This aspect of the proposal – the desire to have so-called rental "micro-units" – has caused the need for such a high degree of variance relief. If the Applicant was satisfied to build units of a size consistent with this neighborhood, it would not need such detrimental variance relief

In an attempt to claim that it had a practical difficulty in providing a smaller number of units than 37 (1 unit for every 100 square feet of land), the Applicant provided three pieces of evidence (1) the Pro Forma; (2) testimony from a real estate agent, Michael Hines, who claimed that (i) larger units would have a much lower price per square foot, and (ii) it was difficult to market units facing the alley, and (3) testimony from a commercial broker, Andrew McAllister, who testified that (i) a critical factor in the success of a project is to "optimize the unit mix" and (ii) an 18-unit project would not be finance-able based solely on the numbers in the Pro Forma [2]

[1] While the Applicant is not required to conform to the typical unit size in the surrounding neighborhood, it should not complain to the BZA of a practical difficulty from a heightened parking requirement of its own choosing
[2] These witnesses also testified about subjects for which they would not appear to have expertise. For instance, the real estate agent (not an architect) testified that larger units would have to be in the rear of the building and the *commercial* broker testified that renters of small units would not own cars

This evidence has been found to be patently false or without foundation, and what little is true tends to prove the opposite of what the Applicant had hoped.

The Pro Forma

The numbers in the Pro Forma are not supportable As noted above, it is not known who crafted the Pro Forma, or from what source the numbers were derived None of the Applicant's witnesses authenticated or validated the actual numbers in the Pro Forma. In fact, there was no testimony at all that attempted to establish legitimacy in the Pro Forma.

In contrast, the Metropole has received two separate reports from highly-credentialed experts, a real estate valuation/property tax expert and a licensed appraiser, both of which completely discredit the numbers in the Pro Forma These reports are attached hereto as Exhibit B and Exhibit C. The conclusions of both of these experts are that the numbers in the Pro Forma are not legitimate In fact, those numbers are likely misrepresented by a great margin, rendering the Pro Forma meaningless and without any probative value in proving a practical difficulty.

The most obvious misrepresentations are in the Pro Forma's Expense categories, where the total operating expenses between the two scenarios are nearly identical. Even Operations & Maintenance Expense is exactly the same under both scenarios, despite the fact that the 37-unit scenario would have twice as many tenants, as well as kitchens and bathrooms. In addition to this, the debt load due to capital expenses is identical, as if construction costs would be the same under each scenario, another incredible "assumption." But most telling error is the Net Property Taxes, which, as noted in the McIntosh report, is impossible based on the numbers within the Pro Forma itself If the property tax amount is the same under each scenario, then the property value is the same under each scenario

Which leads to the question: if the value of the building will be the same under either scenario, then what practical difficulty is solved by providing a 37-unit building over an 18-unit building?

Larger Units and Alley Units

The Applicant's witness, Mr. Hines, testified that larger units have a lower per square foot value than micro-units and are also difficult to market. In response to this, the Metropole is submitting Exhibit D, which is a flyer from Mr. Hines's company advertising a 1,006 square foot unit as having the "Highest Price Per Sq Ft on Church St" ($814 per sq ft). The fact that a larger unit, over 1,000 square feet, has the "highest price per square foot on Church Street" directly contradicts the argument that larger units have a much smaller price per square foot.

Mr Hines also testified that units facing the alley are difficult to market. In response to this, the Metropole submits Exhibit E, an MRIS listing for an alley-facing condominium (in the Metropole). This unit sold for $816 per square foot in just six days. This was a higher per square foot price than the above example, and therefore completely discredits Mr. Hines's second assertion that alley units are difficult to market [3]

[3] Mr Hines is not an impartial witness Attached as Exhibit F is a flyer noting the Applicant's project as one of the "Recent Successes by Michael Hines?" reflecting an obvious connection and interest in this project, and in particular in the provision of a greater number of units

Andrew McAllister

Andrew McAllister, in testifying on the feasibility of the 18-unit scenario, relied solely on the discredited Pro Forma, leaving that particular testimony completely meaningless. Mr McAllister also testified that a critical factor in a project's success is to "optimize the unit mix." It would appear that a building full of tiny rental units is not typical of an optimal unit "mix." Please see Exhibit G attached hereto, showing recent condo sales activity in the immediate area. These sales are almost all well over 1,000 square feet, apparently more representative of the optimum mix that has led to such great success on Church Street and the immediately surrounding area.

Summary

The evidence attached hereto shows conclusively that the Applicant's attempt to make a practical difficulty argument was based on incorrect data. The Pro Forma has no basis in fact, and has been flatly discredited by Metropole's independent experts. The testimony of Mr. Hines has been shown to be incorrect and potentially biased, and the testimony of Mr. McAllister is irrelevant, as it was based solely on the discredited Pro Forma

The Special Exception Request

Regarding the Applicant's late special exception request, it is a specific requirement of such special exception relief that the Board grant "only the amount of relief needed to alleviate the difficulty proved " The Applicant has failed to prove this point, under the same rationale put forth above. In fact, this special exception requirement brings into greater focus that the degree of parking relief required (whether by variance or special exception) is a critical aspect of this case The Applicant is claiming that it must have parking relief of 19 spaces (it claims to provide four spaces, but none are available to actual residents of the building) in order to alleviate its supposed practical difficulty The Applicant has not made any such showing.[4] In fact, the discredited Pro Forma and other discredited testimony, along with the exhibits attached hereto, prove the opposite – that the "amount of relief needed to alleviate the difficulty" is some amount far less than what the Applicant is proposing

For the reasons stated above and earlier in this case, the Metropole respectfully requests that the Application be denied.

Sincerely,

Martin P. Sullivan

Martin P Sullivan

Enclosures

cc: Carolyn Brown, Esq., for the Applicant
Office of Planning, Stephen Gyor
ANC 2F

[4] And proposed mitigation measures do not mitigate Acquiring parking spaces in other locations simply takes those parking spaces away from the neighborhood, and it has not been shown that RPP restrictions are either enforceable or a disincentive to car ownership

CERTIFICATE OF SERVICE

I hereby certify that on June 3, 2014, a copy of the attached Response to Pro Forma was delivered via electronic mail to the following:

Counsel for Applicant.
Carolyn Brown, Esq.
Holland & Knight LLP
Carolyn.brown@hklaw com

Stephen Gyor
D C Office of Planning
Stephen.gyor@dc gov

ANC 2F
Anc2F@starpower net

Martin P. Sullivan

Martin P. Sullivan

PROJECTED PROJECT CASHFLOW

37 Studio Units vs. Alternate 18-unit Configuration (ten 2-BR and 8 Studios)

REVENUE		37 Units	18 Units
Apartment Rent		$736,044	$580,500
Vacancy	10.00%	$73,604	$58,050
TOTAL REVENUE		**$662,440**	**$522,450**
EXPENSES			
Operations & Maintenance		($172,050)	($172,050)
Property Management Fees		($66,244)	($52,245)
Administrative Fees		($11,015)	($11,015)
Net Property Taxes		($34,000)	($34,000)
TOTAL EXPENSES		**($283,309)**	**($269,310)**
NET OPERATING INCOME		**$379,130**	**$253,140**
DEBT, CAPITAL EXPENSE			
Permant Debt Service (8M at 4.5%)		($255,740)	($255,740)
TOTAL DEBT, CAPEX & LIQUIDITY EVENTS			
CASHFLOW ON APPLICANT'S EQUITY INVESTMENT		**$123,390**	**($2,601)**
		6.15%	<0%

Exhibit A

37 Unit Revenue

UNIT PRICING		SQFT	RENT	TOTAL
1 Garden	Studio	289	**$1,156**	$1,156
2 Garden	Studio	289	**$1,156**	$2,312
3 1st Floor	1 Bed	448	**$2,240**	$4,552
4 1st Floor	Studio	376	**$1,880**	$6,432
5 1st Floor	Studio	333	**$1,665**	$8,097
6 2nd Floor	Studio	377	**$1,885**	$9,982
7 2nd Floor	Studio	288	**$1,440**	$11,422
8 2nd Floor	Studio	334	**$1,670**	$13,092
9 2nd Floor	Studio	304	**$1,520**	$14,612
10 2nd Floor	Studio	279	**$1,395**	$16,007
11 2nd Floor	Studio	304	**$1,520**	$17,527
12 3rd Floor	Studio	377	**$1,885**	$19,412
13 3rd Floor	Studio	288	**$1,440**	$20,852
14 3rd Floor	Studio	334	**$1,670**	$22,522
15 3rd Floor	Studio	304	**$1,520**	$24,042
16 3rd Floor	Studio	279	**$1,395**	$25,437
17 3rd Floor	Studio	304	**$1,520**	$26,957
18 4th Floor	1 Bed	507	**$2,535**	$29,492
19 4th Floor	Studio	304	**$1,520**	$31,012
20 4th Floor	Studio	279	**$1,395**	$32,407
21 4th Floor	Studio	304	**$1,520**	$33,927
22 5th Floor	1 Bed	460	**$2,300**	$36,227
23 5th Floor	Studio	304	**$1,520**	$37,747
24 5th Floor	Studio	279	**$1,395**	$39,142
25 5th Floor	Studio	304	**$1,520**	$40,662
26 6th Floor	1 Bed	507	**$2,535**	$43,197
27 6th Floor	Studio	304	**$1,520**	$44,717
28 6th Floor	Studio	279	**$1,395**	$46,112
29 6th Floor	Studio	304	**$1,520**	$47,632
30 7th Floor	1 Bed	460	**$2,300**	$49,932
31 7th Floor	Studio	304	**$1,520**	$51,452
32 7th Floor	Studio	279	**$1,395**	$52,847
33 7th Floor	Studio	304	**$1,520**	$54,367
34 8th Floor	1 Bed	507	**$2,535**	$56,902
35 8th Floor	Studio	304	**$1,520**	$58,422
36 8th Floor	Studio	279	**$1,395**	$59,817
37 8th Floor	Studio	304	**$1,520**	$61,337
		12687		
Basement Rental PSF		$4		
Other Units Rental PSF		$5		

Revenue Using Larger 2 bedroom rear units

UNIT PRICING		SQFT	RENT	TOTAL
1 Garden	2 bedroom	580	**$1,800**	$1,800
2 1st Floor F	Studio	350	**$1,750**	$3,550
3 1st Floor F	Studio	448	**$2,240**	$5,790
4 1st Floor R	Studio	376	**$1,880**	$7,670
5 2nd Floor R	2 bedroom	885	**$3,100**	$10,770
6 2nd Floor F	2 bedroom	1000	**$3,300**	$14,070
7 3rd Floor R	2 bedroom	885	**$3,100**	$17,170
8 3rd Floor F	2 bedroom	1000	**$3,300**	$20,470
9 4th Floor R	2 bedroom	885	**$3,100**	$23,570
10 4th Floor F	Studio	507	**$2,535**	$26,105
11 5th Floor R	2 bedroom	885	**$3,100**	$29,205
12 5th Floor F	Studio	507	**$2,535**	$31,740
13 6th Floor R	2 bedroom	885	**$3,100**	$34,840
14 6th Floor F	Studio	500	**$2,500**	$37,340
15 7th Floor R	2 bedroom	885	**$3,100**	$40,440
16 7th Floor F	Studio	460	**$2,300**	$42,740
17 8th Floor R	2 bedroom	885	**$3,100**	$45,840
18 8th Floor F	Studio	507	**$2,535**	$48,375

McIntosh & Associates, LLC
Real Estate Tax Consulting

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Washington DC 20007, United States of America
Phone: 202.510.9735 . Fax: 202-318-6450

June 2, 2014

By E-mail Submission

Lloyd Jordan, Chairman
Board of Zoning Adjustment
441 4th Street, NW, Suite 200S
Washington, DC 20001
bzasubmissions@dc.gov

Re: Opinion on Applicant's Projected Cash Flow; BZA Application No. 18638, 1456-1460 Church St, NW

My name is Keith McIntosh. I have over 20 years experience in real estate valuation and taxation in the District of Columbia, as noted on the attached biography. I have reviewed the Applicant's Project Cash Flow (the "Projection") submitted at the hearing on May 20th.

The bottom line on this Projection is that the 37-unit scenario is likely to cost more to build than the 18-unit scenario, so I do not believe we have an apples to apples comparison. You would have to almost double the costs on kitchens, bathrooms, HVAC, electrical and plumbing, etc. Also, assessments for apartment buildings are based on the income approach to value, therefore the 37 units would have a higher value than the 18 units and therefore higher taxes (the Projection has the property tax (along with most other expenses) exactly the same amount under the two scenarios).

For these reasons, I conclude that the property tax expense amount is clearly not accurate (for one or the other scenario), and several other of the expense amounts are highly questionable.

Sincerely,

Keith McIntosh

Exhibit B

PROFESSIONAL PROFILE

Keith McIntosh
Principal

Keith@McIntoshtaxllc.com
T. 202.510.9732
F. 202.318.6450

Keith McIntosh brings over 20 years of experience specializing in real estate tax consulting on behalf of commercial property investors, owners, developers and occupants. The scope of his tax appeal work extends to jurisdictions throughout the United States and has generated over Billions in real estate assessment reductions.

In October 2008, Mr. McIntosh went into private practice, where he launched McIntosh & Associates, LLC, a Real Estate Tax Consulting Firm. McIntosh & Associates specializes in tax assessment appeals, review of income and expense filings, personal property tax filings, business compliance analysis, due diligence for potential acquisitions, tax credits and technology to support these accountabilities

Prior to launching McIntosh & Associates, LLC, Mr. McIntosh led the National Real Estate Tax Consulting Group at CB Richard Ellis (CBRE). At CBRE, Mr. McIntosh delivered substantial results to CBRE's clients, saving over $6 M in the first year of this relationship.

Prior to joining CBRE, Mr. McIntosh focused on building his practice initially with PriceWaterHouseCoopers where he led a team of seven professionals. Early in his career, Mr. McIntosh was a principal partner in Property Tax Specialists, a firm later acquired by Coopers & Lybrand, LLP.

In addition to real estate tax expertise, Mr. McIntosh has developed various properties in the Washington, DC market including the $40 Million-200,000 square foot mixed-use Tivoli Square redevelopment.

CLIENTS REPRESENTED

- United States Postal Service/CBRE
- UrbanAmerica
- Rubicon American Trust
- Marriot Hotels
- Brookfield Properties
- Kaiser Permanente
- Volkswagen
- Chubb Insurance
- Safeway
- J.P. Morgan
- Black Entertainment Television
- Dex Media
- Intelsat
- Sovereign Bank
- TIAA
- Bernstein Companies
- Microsoft

SIGNIFICANT ACHIEVEMENTS

- ☐ Achieved a 95% success rate in finalized savings versus projected savings during 2006.
- ☐ Saved clients millions in taxes.
- ☐ Received the 2005 Washington Business Journal Deal of the year for Tivoli Square.

CREDENTIALS

EDUCATION

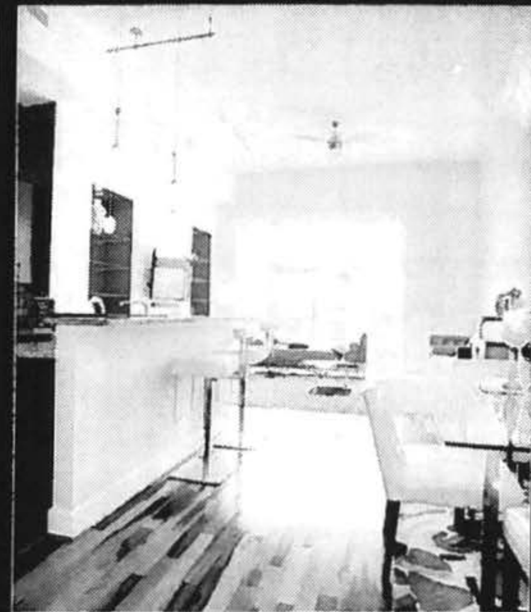
- ☐ American University, Bachelor of Arts, Economics, 1991
- ☐ Institute for Professionals in Taxation

We Are Your Luxury Condominium Experts

Over 70 Million Sold in 2013 for Top Dollar

TTR | Sotheby's
INTERNATIONAL REALTY

Highest Price Per Sq Ft on Church St
1401 Church St NW #220 - $819,000



Sold with Multiple Offers
1334 Belmont St NW #301 - $905,000

Sold in 24 Hours
3303 Water St NW #N8 - $6,000,000

Exhibit D

MRIS Real Estate in Real Time

Residential Gallery - Customer

1401 CHURCH ST NW #220, WASHINGTON, DC 20005-2046

List Price: $819,000	**Own:** Condo, Sale	**Total Taxes:** $4,868	**MLS#:** DC8314068
Cont Date: 15-Apr-2014	**Close Date:**	**Close Price:**	**Status:** CNTG/NO KO
Adv. Sub: LOGAN CIRCLE		**ADC Map:** 0	**Gr Rent:**
Type: Mid-Rise 5-8 Floor	**Style:** Contemporary	**Acre:**	**HOA:** C/C:480.36
Model:	**#Lvls:** 1 **#Fpls:** 0	**Yr Blt:** 2005	**Tax Living Area:** 1,006
BR: 2 **FB:** 2 **HB:** 0	**Basement:** No		

Heat/Cool/Wtr/Swr: Forced Air/Natural Gas/Central A/C/Electric/Public/Public Sewer
Park: Garage **# Gar/Cpt/Assgn:** 1/ /
Const: Brick
View Accessibility: **Body of Water:**
Listing Co: TTR Sotheby's International Realty **List. Date:** 09-Apr-2014 **DOMM/DOMP:** 6/6

Internet Remarks: This spacious two bedroom, two bathroom loft with garage parking is located at the epicenter of 14th St shopping and restaurants. Unique amenities include 11' ceilings, bamboo wood floors throughout, gourmet kitchen with gas cooking, oversized picture windows and 2 Juliet balconies overlooking Church St. The condo also features an abundance of storage with a stellar community roof deck.
Directions: Turn onto Church St NW from 14th St NW. Enter through the secondary entrance midway down the block on the right hand side.

$819,000
÷ 1006 sf
____
$814 per sf

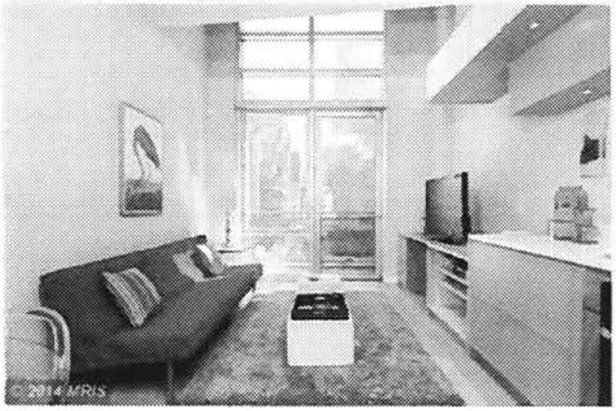
MRIS Real Estate in Real Time

Residential Gallery - Customer

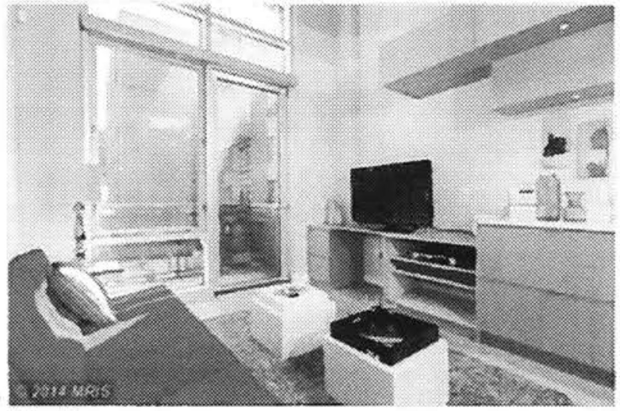
1515 15TH ST NW #202, WASHINGTON, DC 20005-1859

MLS#: DC8328398
List Price: $499,555 **Own:** Condo, Sale **Total Taxes:** $3,400 **Status:** SOLD
Cont Date: 30-Apr-2014 **Close Date:** 12-May-2014 **Close Price:** $540,000 **Subsidy** $0
Adv. Sub: LOGAN CIRCLE **ADC Map:** 000 **Gr Rent:**
Type: Mid-Rise 5-8 Floor **Style:** Contemporary **Acre:** **HOA:** **C/C**:407.91
Model: **#Lvls:** 2 **#Fpls:** 0 **Yr Blt:** 2008 **Tax Living Area:** 666
BR: 1 **FB:** 1 **HB:** 1 **Basement:** No
Heat/Cool/Wtr/Swr: Heat Pump(s)/Electric/Central A/C/Electric/Public/Public Sewer
Park: Garage **# Gar/Cpt/Assgn:** 1/ /
Const: Brick
View Accessibility: **Body of Water:**
Listing Co: Coldwell Banker Residential Brokerage **List. Date:** 24-Apr-2014 **DOMM/DOMP:** 7/7

Internet Remarks: Unabashedly modern luxury at the highly sought-after Metropole. Across from Whole Foods and walking distance to the best restaurants in DC, this 2-level beauty boasts designer finishes at every turn. Main level features wall of floor-to-cathedral-ceiling windows and integrated kitchen with high end stainless appls. Loft-style bedroom, private balcony, in-home W/D. Garage pkg included. Courtyard.
Directions: 15th ST NW between Church St NW and P St NW. Above Vida Gym and Bang Salon.



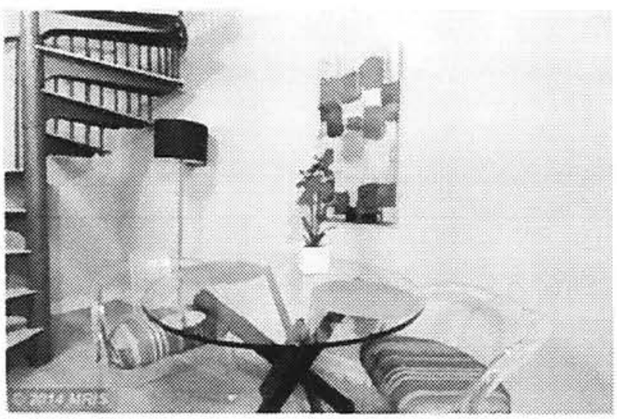
Living Room



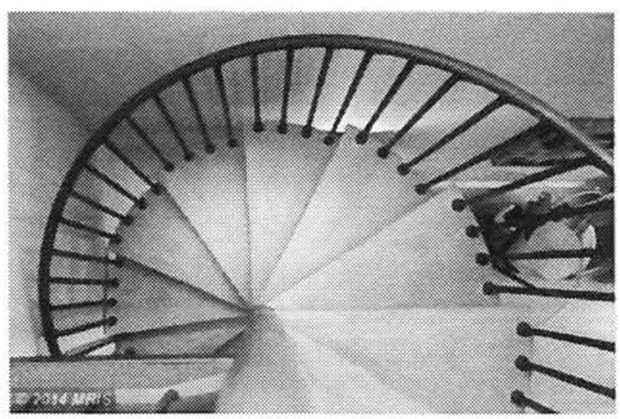
Living Room

Living Room

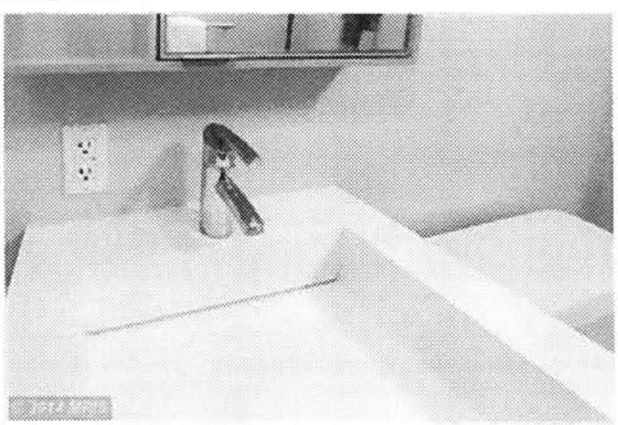
Living Room

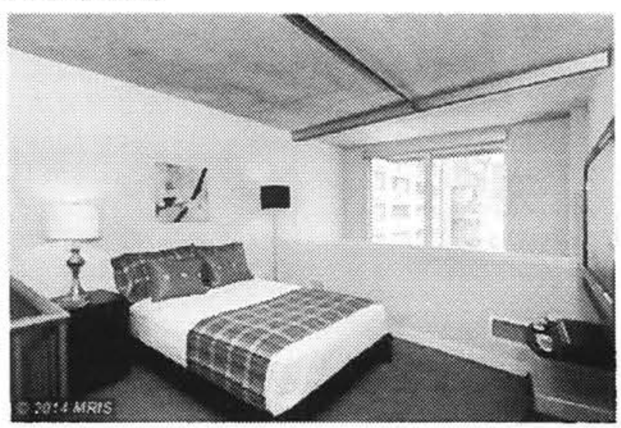


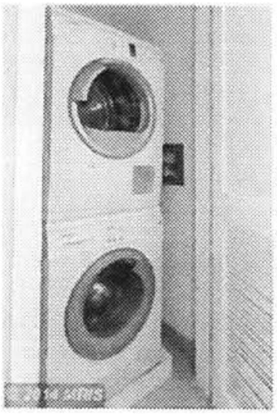
Dining Room



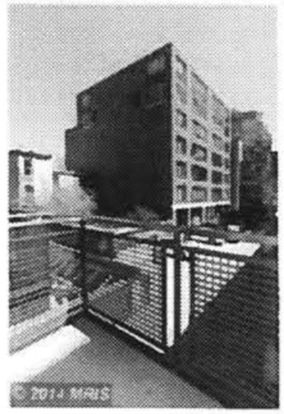
Interior (General)







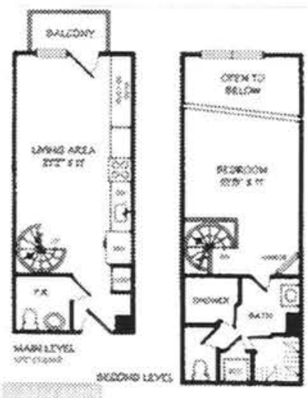
Interior (General)



Exterior (Rear)


Community

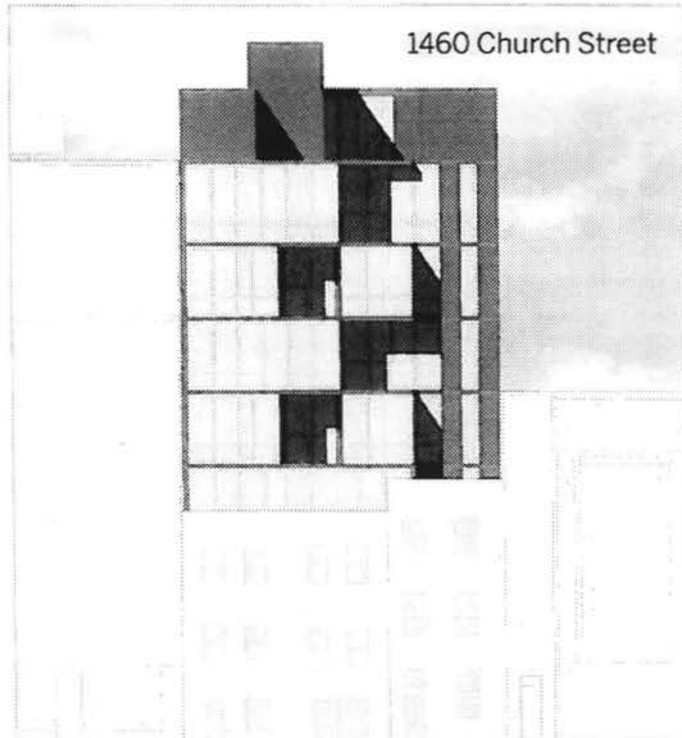

Community



Interior (General)

ENT SUCCESSES BY MICHAEL HINE

Michael Hines represented both the seller and buyer 1921-1929 14th Street & 1351 Wallach Place, NW, which sold the first week of March for $7,700,000. This 56 unit building called 'Elysium Fourteen' is scheduled to break ground on July 1st, 2014. The 'Elysium' brand represents a new line of luxury properties developed by Madison Investments.



Nestled within one of DC's most sought after streets, 1460 Church Street uniquely combines three historic townhouses with a stunning, glassy 8-story addition. The structure will house 37 upscale micro units in the heart of the vibrant 14th Street Corridor.

MICHAEL HINES
+1 202 379 5868
michael.hines@sothebysrealty.com
1206 30th Street NW
Washington, DC 20007

Michael Hines, a sales associate with TTR Sotheby's International Realty, has made DC his home for the past 14 years. Voted by Washingtonian Magazine as one the area's brightest young entrepreneurs, Michael has become one of the most successful real estate agents in Washington, selling over $100 million in real estate as well as becoming one of the top producing listing agents of condominium product in Logan Circle. A highly engaged community activist, Michael has worked closely with current and former city officials and leaders, providing him with a deep knowledge of real estate development activity in the city.

TTR | Sotheby's INTERNATIONAL REALTY

CURRENT RESIDENT
1515 15TH ST NW

WASHINGTON DC 20005-1862

Exhibit F




2013 CONDO SALES ACTIVITY

WASHINGTON FINE PROPERTIES, LLC

ADDRESS	BR/BA	LVLS	DOM*	SQ FT	PRICE/SQ FT	LIST PRICE	CLOSE PRICE
1515 15th Street NW #607	3/3	2	58	2127	$893	$1,895,000	$1,900,000
1413 P Street NW #202	2/2.5	1	18	1863	$910	$1,499,999	$1,695,000
1413 P Street NW #603	2/2	2	2	1384	$1,120	$1,499,900	$1,550,000
1517 Church Street NW #C	3/3	2	13	1901	$800	$1,475,000	$1,520,000
1444 Church Street NW #705	2/2	2	5	1900	$797	$1,470,000	$1,515,000
1401 Church Street NW #521	3/2	2	13	1314	$1,058	$1,399,900	$1,390,000
1515 15th Street NW #705	2/2	2	119	1493	$871	$1,399,000	$1,300,000
1935 12th Street NW #2	3/3	3	68	2165	$637	$1,395,900	$1,380,000
1410 S Street NW #2	3/3.5	2	30	1844	$705	$1,345,000	$1,300,000
1413 P Street NW #403	2/2	1	0	1155	$1,126	$1,300,000	$1,300,000
1908 Vermont Avenue NW	3/2.5	3	0	2576	$425	$1,275,900	$1,094,282
1450 Church Street NW #603	2/2.5	2	61	1561	$762	$1,220,000	$1,190,000
1735 Johnson Avenue NW #H	3/2.5	2	0	1537	$742	$1,199,999	$1,140,000
1210 R Street NW #309	3/3	2	0	1756	$683	$1,199,000	$1,199,000
1401 Church Street NW #507	2/2	2	89	1043	$1,079	$1,175,000	$1,125,000
1335 R Street NW #1	3/3	2	2	1657	$709	$1,175,000	$1,175,000
1900 Vermont Avenue NW	3/2.5	3	27	2441	$440	$1,159,900	$1,073,465
1515 15th Street NW #704	1/1.5	2	10	1201	$958	$1,149,000	$1,150,000
1904 Vermont Avenue NW	3/2.5	3	53	2297	$452	$1,120,900	$1,037,647
1902 Vermont Avenue NW #B	3/2.5	3	0	2297	$452	$1,089,900	$1,038,710
1220 11th Street NW #4	3/2.5	2	3	2245	$430	$1,059,000	$965,000
1634 14th Street NW #703	2/2.5	2	0	1400	$733	$1,050,000	$1,026,660
1634 14th Street NW #602	2/2.5	2	0	1400	$750	$1,049,900	$1,050,000
1013 T Street NW #B	2/2.5	2	75	1761	$520	$998,000	$915,000
1515 15th Street NW #216	2/2.5	2	79	1417	$702	$995,000	$995,000
1 Logan Circle NW #7	2/2	2	5	1500	$677	$995,000	$1,015,000
1908 Vermont Avenue NW #A	3/2.5	3	41	2212	$428	$965,900	$947,815
1900 Vermont Avenue NW	3/2.5	3	27	2146	$445	$950,900	$954,105
1801 13th Street NW #3	3/3	3	22	1068	$890	$950,000	$950,000
1 Logan Circle NW #8	2/2	1	5	1213	$782	$949,000	$949,000
1439 S Street NW #2	3/2	2	19	1383	$679	$939,000	$939,000
1531 P Street NW #8	2/2	2	0	1432	$642	$920,000	$920,000
1210 R Street NW #316	2/2.5	2	2	1611	$568	$899,500	$915,000
1401 Church Street NW #522	1/2	2	50	932	$950	$899,000	$885,000
27 Logan Circle NW #3	3/2.5	2	14	1488	$581	$899,000	$865,000
1904 Vermont Avenue NW	3/2.5	3	53	2065	$437	$895,000	$902,440
1410 S Street NW #1	2/2.5	1	30	1844	$458	$895,000	$845,000
1902 Vermont Avenue NW #A	3/2.5	3	10	2065	$425	$875,900	$878,370
1401 Q Street NW #201	3/2	2	81	1372	$630	$875,000	$865,000
1400 Church Street NW #204	2/2	1	5	1153	$750	$864,900	$865,000
1400 Church Street NW #201	2/2	1	92	1187	$716	$849,900	$850,000
1210 R Street NW #312	2/2.5	2	6	1583	$580	$849,555	$918,000
1324 14th Street NW #3	2/2	2	7	1248	$729	$849,000	$910,000
1300 13th Street NW #401	2/2	1	18	1482	$566	$849,000	$839,000
1701 13th Street NW #2	2/2.5	2	7	1301	$694	$845,000	$902,500
1401 R Street NW #Ph-6	1/1	1	98	930	$903	$839,900	$839,900
1401 Q Street NW #504	2/2	1	62	1170	$706	$839,900	$826,000
1350 S Street NW	4/2	4	374	1692	$358	$799,900	$605,000
1406 Corcoran Street NW #E	2/2	2	10	1047	$789	$799,000	$826,170
1325 13th Street NW #5	3/2.5	3	21	1467	$537	$799,000	$787,500
1741 Johnson Avenue NW #306	2/2	2	6	1142	$724	$799,000	$827,000
1741 Johnson Avenue NW #301	2/2	2	54	1108	$719	$797,200	$797,200
1709 13th Street NW #2	2/2.5	2	5	1137	$713	$795,000	$811,000
1300 13th Street NW #502	2/3	1	5	1331	$605	$789,495	$805,000
1324 14th Street NW #3	1/2	2	0	1248	$637	$779,900	$794,433
1515 11th Street NW #2-4	2/2.5	3	19	1374	$568	$775,950	$780,000
1426 Rhode Island Avenue NW #A	2/3.5	4	45	1590	$472	$775,000	$750,000
1355 Riggs Street NW	3/1.5	3	3	1650	$342	$750,000	$565,000
1515 11th Street NW #2-3	2/2.5	3	109	1339	$538	$750,000	$720,000
1502 10th Street NW #2	2/2.5	2	10	1285	$584	$749,900	$750,000

Exhibit G

LOGAN CIRCLE MARKET REPORT
Condominium Sales in 2013
Information provided by Michael Hines

TTR | Sotheby's INTERNATIONAL REALTY

SALE DATE	ADDRESS	BR/BA	LIST PRICE	SOLD PRICE
4/23/13	1413 P ST NW #302	3|3	$1,799,900	$1,799,900*
8/27/13	1413 P ST NW #202	2|3	$1,499,999	$1,695,000
5/23/13	1413 P ST NW #603	2|2	$1,499,900	$1,550,000
9/27/13	1444 CHURCH ST NW #705	2|2	$1,470,000	$1,515,000
8/14/13	1413 P ST NW #403	2|2	$1,300,000	$1,300,000
9/26/13	1515 15TH ST NW #705	2|2	$1,399,000	$1,300,000
10/25/13	1515 15TH ST NW #704	1|2	$1,149,000	$1,150,000
2/27/14	1401 CHURCH ST NW #519	1|2	$1,050,000	$1,015,000
2/14/14	1401 Q ST NW #203	2|3	$919,000	$1,000,000
10/30/13	1515 15TH ST NW #216	2|3	$995,000	$995,000
2/7/14	1450 CHURCH ST NW #602	2|3	$975,000	$938,908
1/27/14	1440 CHURCH ST NW #609	2|2	$919,900	$910,000
12/6/13	1401 CHURCH ST NW #522	1|2	$899,000	$885,000
3/29/13	1400 CHURCH ST NW #204	2|2	$864,900	$865,000
8/27/13	1401 Q ST NW #201	3|2	$875,000	$865,000
11/25/13	1400 CHURCH ST NW #201	2|2	$849,900	$850,000
2/28/13	1401 Q ST NW #504	2|2	$839,900	$826,000
2/27/13	1440 CHURCH ST NW #402	2|2	$674,000	$775,000
11/22/13	1440 CHURCH ST NW #101	2|2	$729,000	$729,000
6/21/13	1450 CHURCH ST NW #303	2|2	$615,000	$710,000
10/8/13	1450 CHURCH ST NW #503	2|2	$719,000	$710,000
8/6/13	1444 CHURCH ST NW #201	2|2	$699,000	$707,177
12/20/13	1450 CHURCH ST NW #201	2|2	$699,000	$699,000
10/11/13	1400 CHURCH ST NW #203	2|2	$669,000	$662,500
8/30/13	1515 15TH ST NW #214	1|2	$649,900	$635,000
2/7/14	1401 CHURCH ST NW #414	1|1	$650,000	$632,000
10/13/13	1401 Q ST NW #501	1|1	$639,900	$630,000
4/15/13	1401 CHURCH ST NW #322	1|2	$625,000	$625,000
12/13/13	1515 15TH ST NW #228	2|1	$599,900	$625,000
12/20/13	1450 CHURCH ST NW #304	2|2	$649,000	$625,000
12/16/13	1529 14TH ST NW #603	2|2	$619,000	$622,500
7/3/13	1515 15TH ST NW #220	1|2	$550,000	$550,000
3/4/14	1450 CHURCH ST NW #C-01	2|2	$560,000	$550,000
1/10/13	1529 14TH ST NW #402	1|2	$528,555	$525,000
7/1/13	1515 15TH ST NW #406	1|2	$499,900	$520,000
8/6/13	1450 CHURCH ST NW #102	1|2	$529,000	$520,000
11/22/13	1515 15TH ST NW #203	1|2	$499,000	$499,000
5/17/13	1444 CHURCH ST NW #103	1|1	$442,000	$442,000
2/25/13	1401 CHURCH ST NW #323	1|1	$435,000	$435,000
8/30/13	1445 CHURCH ST NW #1	1|1	$435,000	$435,000

*Under Contract
Based on information obtained from Metropolitan Regional Information Systems, Inc. (MRIS).

WILLIAM S. WISE, INC.
Real Estate Appraisers & Consultants
P.O.Box 2005, Frederick, Maryland 21702 Wash, Metro (301)846-0140

June 3, 2014

2014 JUN -3 PM 4:0
RECEIVED

Sullivan & Barros, LLP
1990 M Street, NW
Suite 200
Washington, DC 20036

Attention: Mr. Martin P. Sullivan

Re: A Consultation Pertaining to
Data Provided in the RoseBusch Pro Forma of May, 2014
For 1456-1460 Church Street, NW, Washington, DC 20005
SSL# 0209 0065, 0209 0066 and 0209 0067

Dear Mr. Sullivan:

In accordance with your request, we submit our consultation report which pertains to the data you provided to us in the RoseBusch Pro Forma of May, 2014, a copy of which is contained in this letter's Addenda. This letter is not to be represented as a real property appraisal. Rather, these consultants reviewed the information provided in the aforementioned Pro Forma and analyzed it in order to determine if the data provided was market supported. This consultation is intended to comply with the reporting requirements set forth under *the Uniform Standards of Professional Appraisal Practice* As such, it presents only discussions of the data, reasoning and analyses that were used to review the Pro Forma. Supporting documentation concerning the data, reasoning, and analyses is retained in the analyst's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within this letter of transmittal. The clients of this report are Mr Martin P Sullivan and his designees who are involved with the subject property. These individuals also are the users of this consultation. The consultants are not responsible for unauthorized use of this report or use of this report by anyone other than those users stipulated herein.

The purpose of this report is to review the income and expense data provided in the Pro Forma for two development scenarios under consideration for a proposed rental apartment building located at 1456-1460 Church Street, NW, Washington, DC 20005. The function of this report is to provide an opinion as to whether the income and expense data in the Pro Forma is supported by market derived income and expense data. This report does not provide an estimate of value. It is anticipated that our consultation report may be utilized in legal negotiations between the owners of subject property and the Metropole Condominiums Home Owners Association (HOA) and/or these parties' representatives. The letter of engagement and instructions are included in the *Addenda*.

APPRAISALS • CONSTRUCTION INSPECTIONS • MARKET STUDIES

WILLIAM S. WISE, INC.

We disclose that these consultants have not performed any form of appraisal services, as an appraiser or in any other capacity, regarding the subject of the work under review within the three year period immediately preceding acceptance of this assignment.

These consultants were provided with the May, 2014 RoseBusch Pro Forma comparing the two potential development scenarios One pertains to a 37 studio and one-bedroom executive suite rental project and the other is an 18 unit development containing 10 two bedroom units and 8 studio units This Pro Forma is copied and included in the Addenda. After reviewing market income and expense data and comparing our findings with the Pro Forma, we have reported our findings in this consultation letter.

The scope of this consultation is defined as the process utilized in the collecting, confirming, and reporting of data In order to analyze the data in the Pro Forma we researched income and expense data of the residential rental market of Northwest Washington DC. In securing data we utilized information and leads provided by area developers, real estate brokers, MRIS Information System, LoopNet, Reis Reports and CoStar Comparables Data was verified with a party knowledgeable of the information where possible. Important information is contained in the preface of this report. Your attention is directed to the *Certification* and *Assumptions and Limiting Conditions* in the preface to this report. We were not granted access to the interior of the subject improvements due but did view their exterior The analysis, opinions and conclusions were developed and the report was prepared in accordance with and is subject to the requirements of the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Institute. All portions of the letter are important and the entire letter should be read for a full understanding of the analysis and value conclusion. This transmittal letter and certification of appraisal precede the consultation report, further describing the subject property and containing the reasoning and pertinent data leading to the conclusions cited here.

Sincerely,

Robert [illegible], MAI, SRA
Certified General Real Estate Appraiser
Maryland License [illegible]
District of Columbia License No. [illegible]

Carolyn M. Wise
Certified General Real Estate
Maryland License [illegible],
Virginia License 1403

CERTIFICATION

The undersigned hereby certifies, to the best of their belief and knowledge that·

1. The statements of fact contained in this report are true and correct.

2 The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions and conclusions

3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved

4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result, conclusion or the occurrence of a subsequent event directly related to the intended use of this report that favors the cause of the client.

7. Our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Practice*.

8 This report has been prepared in conformity with the rules and regulations of the District of Columbia.

9. We made an exterior inspection only of the property that is the subject of this report.

10 No one provided significant real property consultation assistance to the persons signing this certification.

11. Robert J. Robidoux certifies that to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute of which I am a member

12. Robert J. Robidoux certifies that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I, Robert J Robidoux, have completed the requirements of the continuing education program of the Appraisal Institute.

14. At least one of the signers of this appraisal is licensed/certified in the jurisdiction of the subject property as indicated by seal or reference to license number.

15. We performed this consultation by (1) personally inspecting the exterior of the subject property and exterior of the neighborhood; (2) we reviewed the RoseBusch Pro Forma of May, 2014 as well as the District BZA Case 18638; (2) we collected, confirmed and analyzed the market income and expense data and compared it the RoseBusch Pro Forma of May, 2014; and (3) we reported the results of our conclusions pertaining to the Pro Forma's data in this report.

16 We have researched and analyzed comparable residential rents and income and expense data found in the market area and have reported the conclusions of our analysis in this report We further certify that adequate comparable market data exists in the general market area to develop a consultation conclusion pertaining to the aforementioned Pro Forma.

17. We have taken into consideration factors that have an impact on income and expense for residential rental apartments in order to come to a conclusion given the scope of this report We have not knowingly withheld any significant information from this consultation and we believe, to the best of our knowledge, that all statements and information in this report are true and correct.

18. We disclose that these analysts have not performed any form of appraisal or analysis services, as an appraiser or in any other capacity, regarding the subject of the work under review within the three year period immediately preceding acceptance of this assignment.

Robert [illegible], MAI, SRA
Certified General Real Estate Appraiser
Maryland License #04-978
District of Columbia License No. 10381

Carolyn M. Wise
Certified General Real Estate
Maryland License 814,
Virginia License 1493

WILLIAM S WISE, INC.

Assumptions and Contingent Conditions

This report is subject to the following assumptions and contingent conditions where applicable.

1. The legal description(s) furnished is correct.

2. Title to the property is good and fully merchantable

3 There are no encumbrances or title defects except as noted in this report

4. If areas and dimensions used in this analysis, they were obtained from plats of record and/or were provided by the client.

5 Data utilized in this analysis was obtained from sources considered authoritative for purposes of this consultation report. However, no liability is assumed for the correctness of this data.

6 Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the author, particularly as to the conclusions, the identity of the analyst or the firm with which he is connected, or any reference to the Appraisal Institute or membership designation of this organizations.

7. Possession of this report, or a copy thereof, does not carry with it the right to publication. However it may be used only in its entirety by the client designated by the letter of transmittal for any legitimate and lawful purpose.

8. The analysts are not required to appear in court or give testimony by reason of this report with reference to the subject property unless arrangements have been made previously therefore

9 It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the properties described, and that there is no encroachment or trespass unless noted in this report.

10. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on or in the subsurface of the property, or other environmental conditions, were not called to the attention of nor did the analyst become aware of such during the course of the assignment. The analyst has no knowledge of the existence of such materials on or in the property unless otherwise stated. The analyst, however, is not qualified to test such substances or conditions. If such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions are present, the conclusions cited here may be affected. The conclusions are predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

Assumptions and Contingent Conditions (continued)

11 The existence of potentially hazardous material used in the construction or maintenance of any existing buildings, such as the presence of asbestos/urea-formaldehyde foam insulation, and or the existence of toxic waste or radon, which may or may not be present on the properties, was not observed by the appraisers; nor do we have any knowledge of the existence of such materials on or in the property The analysts, however, are not qualified to detect or test for such substances. The existence of these substances may have an affect on the analysis of the property We urge the client to retain an expert in this field if desired. If any user of this appraisal report is concerned with the possibility of environmental hazards on the site, near the site, we recommend retention of appropriate experts for counsel and advice.

12. The subject site is not located within the Chesapeake Bay Act area, and is furthermore not located within any resource management areas, or resource protection areas

13. We were not provided access to the interior inspection of the subject improvements but this did not effect our analyses as they pertained to the Pro Forma which reflects proposed rather than "as is" improvements.

DISCUSSION/ANALYSIS

Property Identification

This consultation pertains to the data provided in the RoseBusch Pro Forma of May, 2014 which is copied and included in the Addenda of this report. This Pro Forma reflects two development scenarios proposed for the properties located at 1456, 1458 and 1460 Church Street, NW, Washington, DC 20005. The following chart identifies the properties that are the basis of the two development scenarios:

RoseBusch Properties		
Square and Lot ID	Address	Owner
0209 0065	1460 Church Street, NW	Rosebusch, LLC
0209 0066	1458 Church Street, NW	Rosebusch, LLC
0209 0067	1456 Church Street, NW	Gregg M Busch
Zoning - ARTS/C-3-A within the Greater Fourteenth Street Historic District		
Census Number Tract 52 01, Brock Group 4, Block 4005		
Source District of Columbia Office of Tax and Revenue		

Based on the District's Planning Department as stated in a Memorandum of October 15, 2013, the property is the subject of of BZA Case 18638 which is a variance and special exception request to allow the construction of a new residential building in the ARTS/C-3-A District located at 1456 Church Street, NW. The BZA approved the special exceptions pertaining to roof structures, rear yard setbacks and building height The BZA also approved variances pertaining to quantity of parking and lot occupancy. We provide a copy of this memorandum in the Addenda of this report. We urge the readers of this letter to refer to the memorandum as it provides the proposed use of the subject property upon completion of it's redevelopment.

The subject property currently is improved with three story rowhouse dwellings on all three lots totaling about 3,420 square feet.

Purpose and Function of Consultation

The purpose of this report is to review the income and expenses data provided in the Pro Forma for two development scenarios under consideration for a proposed rental apartment building located at 1456-1460 Church Street, NW, Washington, DC 20005. The function of this report is to provide an opinion as to whether the income and expense data presented in the Pro Forma is supported by market derived income and expense data. This report does not provide an estimate of value. It is anticipated that our consultation report may be utilized in legal negotiations between the owners of subject property and the Metropole Condominiums Home Owners Association (HOA) and/or these parties' representatives. The letter of engagement and instructions are included in the *Addenda*.

C. <u>Effective Date of Consulation</u>

The conclusions stated herein is effective as of May 31, 2014 which reflects thé date on which the exterior of the subject property was inspected.

<u>Date of Report</u>

June 3, 2014

<u>Consultation Development and Reporting Process</u>

The scope of this consultation requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Appraisal Institute. The standards contain rules that must be followed and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis, or opinion. These uniform standards set the requirements to communicate the appraisers' or analysts' analyses, opinions, and conclusions in a manner that will be meaningful and not misleading in the marketplace The scope of the assignment further requires compliance with the client's requirements in their letter of engagement of May 29, 2014.

The scope of this consultation is defined as the process utilized in the collecting, confirming, and reporting of data. This letter of our findings pertaining to the RoseBusch Pro Forma of May, 2014 has been prepared. Income (rental apartment data) and operating expense data as it pertains to the two development scenarios proposed for the subject property were researched. Market trends and income and expense data were researched (search period 1/01/12 through 05/29/14) in the District of Columbia and concentrating in it's Northwest Quadrant. Given the purpose of this report, we do not give an opinion as to the highest and best use of the subject property. The conclusions of this report are limited to determining if the data presented in the RoseBusch Pro Forma is market supported. In securing data we utilized information and leads provided by area developers, real estate brokers, MRIS, LoopNet, Reis Reports and CoStar Information Systems, Inc. Additionally, we reviewed file data. Data has been verified with the appropriate party where possible.

The analysts lack the knowledge and experience with respect to the detection and measurement of hazardous substances. Therefore, this assignment does not cover the presence or absence of such substances as discussed in the Assumptions and Limiting Conditions section of this report. We refer the reader to this report's *Assumptions and Limiting Conditions*.

The documentation necessary to arrive at the reported conclusions included an exterior inspection of the site and improvements, review of the subject property's BZA case and collection of rental income and operating expense data which was confirmed and analyzed in comparison with the Pro Forma. Demand and supply trends, financing conditions and availability as well as market trends were also researched Statistical information was derived from the subject's immediate area. We do not perform an estimate of value in this report and the report should not be construed as an appraisal report.

Indices used in the analysis of our report come from numerous locations including, but not limited to, area developers, financial institutions, local-regional-national publications, federal and regional government agencies, and prior appraisals. A complete review of these sources would be quite cumbersome and we, therefore, identify the source of this information in the corresponding section of the report in which the information is used.

Income & Expense Analysis

Income producing properties are purchased by investors who are willing to forego present liquidity for the right to receive anticipated benefits in the future. The critical element in the determination of a property's value, and hence its desirability as an investment, is its ability to produce a reliable and increasing stream of future income. In the simplest terms, the greater the potential for increased reliable benefits, the more an investor is willing to pay for the right to receive those benefits.

Our analysis involves testing pro-forma income and expenses against market data to see if the subject property is reflects market levels. 1456 Church St., NW will be designed and built as an income producing property. Because of this we test both the income and expense against market levels.

The basic steps in our analysis are:

1) Analyze the market for income and expense estimates using statistical information, published information and expense comparables; identify appropriate units of comparison

2) Compare the subject's pro-forma estimates for both income and expenses against market levels

3) Formulate an opinion as to where within the market ranges would income and expenses for 1456 Church St., NW expect to have a central tendency toward.

We begin our analysis by examining 1456 Church St., NW, Washington, DC's expectation for income production through rental revenue. After which we then perform the same analysis for anticipated expenses

Income

1) Rental Analysis - Paramount in the development of a reliable income estimate is the estimation of the subject's potential gross income. The subject property is a proposed multifamily structure. Thus, we test the pro-forma analysis that was provided against the market data so as to provide an appropriate indication of market rent.

   Presented on the following page in chart form is the subject's pro-forma for anticipated rental income

1456 Church Street, NW Washington DC
(37 Units 12,383 Sq.Ft.)

No.	Unit Level	Unit Type	Unit Area (Sq.Ft.)	Monthly Rent	Rent/Sq.Ft.
1	Garden	Studio	289	$1 56	$ 4.00
2	Garden	Studio	289	$1 56	$ 4.00
3	1st Floor	1 Bed	448	$2 240	$ 5.00
4	1st Floor	Studio	376	$1 880	$ 5.00
5	1st Floor	Studio	333	$1,665	$ 5.00
6	2nd Floor	Studio	377	$1 885	$ 5.00
7	2nd Floor	Studio	288	$1 440	$ 5.00
8	2nd Floor	Studio	334	$1 670	$ 5.00
9	2nd Floor	Studio	304	$1 520	$ 5.00
10	2nd Floor	Studio	279	$1 395	$ 5.00
11	2nd Floor	Studio	304	$1 520	$ 5.00
12	3rd Floor	Studio	377	$1 885	$ 5.00
13	3rd Floor	Studio	288	$1 440	$ 5.00
14	3rd Floor	Studio	334	$1 670	$ 5.00
15	3rd Floor	Studio	304	$1 520	$ 5.00
16	3rd Floor	Studio	279	$1 395	$ 5.00
17	3rd Floor	Studio	304	$1 520	$ 5.00
18	4th Floor	1 Bed	507	$2 535	$ 5.00
19	4th Floor	Studio	304	$1 520	$ 5.00
20	4th Floor	Studio	279	$1 395	$ 5.00
21	4th Floor	Studio	304	$1 520	$ 5.00
22	5th Floor	1 Bed	460	$2 300	$ 5.00
23	5th Floor	Studio	304	$1 520	$ 5.00
24	5th Floor	Studio	279	$1 395	$ 5.00
25	5th Floor	Studio	304	$1 520	$ 5.00
26	6th Floor	1 Bed	507	$2 535	$ 5.00
27	6th Floor	Studio	304	$1 520	$ 5.00
28	6th Floor	Studio	279	$1 395	$ 5.00
29	6th Floor	Studio	304	$1 520	$ 5.00
30	7th Floor	1 Bed	460	$2 300	$ 5.00
31	7th Floor	Studio	304	$1 520	$ 5.00
32	7th Floor	Studio	279	$1 395	$ 5.00
33	7th Floor	Studio	304	$1 520	$ 5.00
34	8th Floor	1 Bed	507	$2 535	$ 5.00
35	8th Floor	Studio	304	$1 520	$ 5.00
36	8th Floor	Studio	279	$1 395	$ 5.00
37	8th Floor	Studio	304	$1 520	$ 5.00
		Totals	12,383	$61,337	

1456 Church Street, NW Washington DC
(18 Units 12,430 Sq.Ft.)

No.	Unit Level	Unit Type	Unit Area (Sq.Ft.)	Monthly Rent	Rent/Sq.Ft.
1	Garden	1 bedroom	380	$1,330	$ 3.50
2	1st Floor F	Studio	350	$1 750	$ 5.00
3	1st Floor F	Studio	448	$2 240	$ 5.00
4	1st Floor R	Studio	376	$1 880	$ 5.00
5	2nd Floor R	2 bedroom	885	$3 100	$ 3.50
6	2nd Floor F	2 bedroom	1000	$3,300	$ 3.30
7	3rd Floor R	2 bedroom	885	$3 100	$ 3.50
8	3rd Floor F	2 bedroom	1000	$3,300	$ 3.30
9	4th Floor R	2 bedroom	885	$3 100	$ 3.50
10	4th Floor F	Studio	507	$2,535	$ 5.00
11	5th Floor R	2 bedroom	885	$3 100	$ 3.50
12	5th Floor F	Studio	507	$2,535	$ 5.00
13	6th Floor R	2 bedroom	885	$3,100	$ 3.50
14	6th Floor F	Studio	500	$2 500	$ 5.00
15	7th Floor R	2 bedroom	885	$3 100	$ 3.50
16	7th Floor F	Studio	460	$2 300	$ 5.00
17	8th Floor R	2 bedroom	885	$3 100	$ 3.50
18	8th Floor F	Studio	507	$2,535	$ 5.00
		Totals	12,430	$48,375	

From the previous chart it is observed that two scenarios are presented. The first scenario is that of 1456 Church being developed into an executive suites facility. This facility would rent units which would primarily consist of a bedroom and bathroom area. Common areas would consist of kitchens, living areas and other communal areas. As developed the building would contain 37 units of which 6 units would be one-bedroom units and the balance (i.e 31 units) would be studios The second scenario is of 1456 Church Street, NW being developed into an 18 unit apartment building. Under this scenario 1456 Church Street, NW would contain 8 studio units and 10 two-bedroom apartments.

As containing 37 executive suites the average studio unit will be 306 square feet. In addition, the average one-bedroom unit will be 482 square feet. According to the pro-forma total income for the entire project of $736,044 will be generated. An average monthly rental rate for the studio units is anticipated to be $1,513 and $2,408 for one-bedroom units. On a per square foot basis the building is anticipated to generate a Potential Gross Income of $5.00

As containing 18 apartment units the average studio apartment unit will contain 691 square feet. In addition, the average two-bedroom unit will be 878 square feet. According to the pro-forma total income for the entire project as containing 18 apartment units of $580,500 will be generated. An average monthly rental rate for the studio units is anticipated to be $2,031 and $2,736 for two-bedroom units On a per square foot basis the building is anticipated to generate a Potential Gross Income of $5.00 for its studios and $3.42 for its two-bedroom units.

To test the subject pro-forma against the market we surveyed apartment rentals that occurred within the neighborhoods of Logan Circle, 14th Street Corridor and what is known as Old City 2 between January 1, 2012 and present. In addition, we limited our survey to only buildings that were constructed post 2000 and contained either apartment or condominium units. The statistical results of our survey are presented in chart form below:

Statistics Rentals Logan Circle Old City 2 & 14th Street Corridor-Efficiencies

Status RENTED (10)

	List Price	Bedrooms	Baths	FB	HB	DOMM	DOMP	Acres	Lot Sqft	Yr Built
Min	$1,450	0	1	1	0	4	4	-		2003
Max	$2,395	0	1	1	0	157	157	-	-	2006
Avg	$2,003	0	1	1	0	42	42	0	0	2005
Avg/Sq Ft	$5.77									

Status RENTED (10)

	ListPrice	OrigPrice	ClosePrice
Min	$1,450	$1,450	$1,450
Max	$2,395	$2,500	$2,500
Avg	$2,005	$2,073	$1,983
Sum	$20,025.00	$20,725.00	$19,830.00
Avg/Sq Ft			$5.73

Statistics Rentals Logan Circle Old City 2 & 14th Street Corridor-1-Bedroom

Status RENTED (35)

	List Price	Bedrooms	Baths	FB	HB	DOMM	DOMP	Acres	Lot Sqft	Yr Built
Min	$1,800	1	1	1	0	3	3	-	-	2003
Max	$3,000	1	2	2	1	126	126		-	2013
Avg	$2,345	1	1	1	0	32	34	0	0	2005
Avg/Sq Ft	$5.46									

Status RENTED (35)

	ListPrice	OrigPrice	ClosePrice
Min	$1,800	$1,800	$1,800
Max	$3,000	$3,000	$3,000
Avg	$2,345	$2,425	$2,336
Sum	$77,379.00	$80,010.00	$77,104.00
Avg/Sq Ft			$3.45

Statistics Rentals Logan Circle Old City 2 & 14th Street Corridor-2 Bedroom

Status RENTED (57)

	List Price	Bedrooms	Baths	FB	HB	DOMM	DOMP	Acres	Lot Sqft	Yr Built
Min	$2,600	2	1	1	0	0	0		-	2000
Max	$5,000	2	3	5	1	162	164	-		2010
Avg	$3,475	2	2	2	0	26	29	0	0	2005
Avg/Sq Ft	$5.33									

Status RENTED (57)

	ListPrice	OrigPrice	ClosePrice
Min	$2,600	$2,700	$2,600
Max	$5,000	$5,200	$5,000
Avg	$3,475	$3,544	$3,448
Sum	$197,853.00	$202,036.00	$196,549.00
Avg/Sq Ft			$5.31

When comparing 1456 Church's anticipated income against the market survey we find that for studios are competitive when developed as apartment units. When given a projected average monthly rental of $2,284 for 1456's proposed studio units versus the market's average rental rate of $2,003, 1456 Church Street, NW is believed to be competitive. Indeed, under the executive suites scenario it can almost be interpreted as a bargain given that the subject's average rental rate will be $1,513 per month. However, when looking closer, it is observed that the subject's average unit size for its one-bedroom apartments will be 457 square feet and its executive suites will be 306 square feet. Both areas are below the market average of 531 square feet. Also, on a per square foot basis the subject is anticipated to charge rent at $5 00 per square foot, per month. This as compared to the market's average rental rate of $3 73 per square foot.

This also hold's true for the subject's one-bedroom units. While the subject's anticipated rental rate of $2,408 per unit, per month is very competitive with the market's average rental rate of $2,345 per unit, per month the average unit size of 482 square feet for 1456's units versus the market's average size for one-bedroom units of 677 square feet puts 1456 Church Street, NW at a disadvantage. Finally, the anticipated rental rate per square foot for 1456's one-bedroom units of $5.00 is signficantly higher than the market's average rental rate of $3.46 per square foot. Like the efficiency units while competitive on rental rate per month 1456's unit size and rental rate per square foot make these units less competitive.

Finally, for the subject's two-bedroom units, 1456's anticipated average rental rate of $3,010 per unit, per month is very competitive with the market's average rental rate of $3,448 per unit, per month. The average unit size of 878 square feet for 1456's 2-bedroom units versus the market's average size for two-bedroom units of 1,042 square feet puts 1456 Church Street, NW at a disadvantage. Finally, the anticipated rental rate per square foot for 1456's two-bedroom units of $3.42 is higher than the market's average rental rate of $3.31 per square foot. Like the efficiency units while competitive on rental rate per month 1456's unit size and rental rate per square foot make these units less competitive

2) Vacancy and Collection Loss

At the time of this report according to Reis, Inc.- Metro Analysis of apartment market within the District of Columbia the supply of residential units is 93,890 units. It is anticipated that 3,192 units to be added in the next 12 months. The current vacancy rate is 4.7% and the 5 year average vacancy rate has been 5.1 percent. It is anticipated that over the next year supply will exceed demand by approximately 6,000 units and that the vacancy rate will increase to 5.9%. Given both Marcus and Millichap, 2014 annual report as well as Reis, Inc. District of Columbia Analysis the subject's pro-forma of 10% appears to be aggressively conservative. A vacancy rate of approximately 6% would appear to be more appropriate especially given the fact that 1456 Church

Street, NW is part of an area that is emerging as one of the District of Columbia's best residential neighborhoods.

3) Operating Expenses

The proposed development scenario for the subject property as a 37 unit executive suites facility is more similar to an extended stay hotel than an apartment project The Pro Forma does not stipulate whether the owners have utilized expenses based on hospitality expense projections or on apartment expense projections. Given it is known that the 18 unit development scenario is a conventional apartment project development, we researched comparable expense data from apartment projects as well as statistical information provided in NAAHQ's 2013 Survey of Income and Operating Expenses in Rental Apartment Communities.

The RoseBusch Pro Forma provides four categories of Expenses. They include Operations and Maintenance, Property Management Fees; Administrative Fees and Net Property Taxes The standard Pro Forma includes the following Operating Expense categories: Salaries and Personnel, Insurance, Taxes, Utilities, Management Fees, Administrative, Marketing, Contract Services and Repairs and Maintenance. To equate the RoseBusch Pro Forma to market to our statistical data, we combined the NAAHQ Expense categories of Salaries and Personnel, Insurance, Utilities, Marketing, Contract Services and Repairs and Maintenance into the RoseBusch Pro Forma category of Operations and Maintenance. The following is a synthesis of NAAHQ data in comparison with the data presented in the RoseBusch Pro Forms:

EXPENSES	37 Units	Exp/Unit	NAAHQ Info.	Exp./SqFt.	NAAHQ Info.	18 Units	Exp/Unit	NAAHQ Info.	Exp./SqFt.
Operations & Maintenance	$172,050	$4,650	$3,448	$13.89	$10.30	$172,050	$9,558	$3,448	$13.84
Property Management Fees	$66,244	$1,790	$503	$5.35	$1.50	$52,245	$2,903	$503	$4.20
Administrative Fees	$11,015	$298	$329	$0.89	$0.98	$11,015	$612	$329	$0.89
Net Property Taxes	$34,000	$919	$1,862	$2.75	$5.56	$34,000	$1,889	$1,862	$2.74
TOTAL EXPENSES	($283,309)	($7,657)	$6,142	($22.88)	$18.35	($269,310)	($14,962)	$6,142	($21.67)

	Mid. & Hi-Rise			Subject - 37 Units/12,383 Sq.Ft.			Subject - 18 Units/12,430		
Number of Properties		329			37			18	
Number of Units		84,482			12,383			12,430	
Avg. No. of Units/Property		257							
Avg. No. of Square Feet/Unit		901			335			691	
Turnover rate in %		52%			52%			52%	
	$ Per Unit	$ Per Sq. Ft	% of GPR	$ Per Unit	$ Per Sq. Ft	% of GPR	$ Per Unit	$ Per Sq. Ft	% of GPR
Revenues									
Gross Potential Rent	16,034	18.69	100.0%	$736,044	$59.44	100.0%	$580,580	$46.70	100.0%
Rent Revenue Collected	15,410	17.11	91.6%	$662,040	$53.46	89.9%	$522,450	$42.03	90.0%
Losses to Vacancy	988	1.10	5.9%	$73,604	$5.94	10.0%	$58,050	$4.67	10.0%
Collection Losses	58	0.06	0.3%						
Losses to Concessions	371	0.41	2.2%						
Other Revenue	1,080	1.20	6.4%						
Total Revenue	16,502	18.32	98.0%	$736,044	$59.44	100.0%	$580,580	$46.70	100.0%
Operating Expenses									
Salaries and Personnel	1,415	1.57	8.4%	$52,355	$4.23	7.1%	$25,470	$2.05	4.39%
Insurance	262	0.29	1.6%	$9,694	$0.78	1.32%	$4,776	$0.38	0.81%
Taxes	1,862	2.07	11.1%	$68,894	$5.56	9.38%	$33,596	$2.70	5.77%
Utilities	564	0.63	3.4%	$20,868	$1.69	2.84%	$10,152	$0.82	1.75%
Management Fees	503	0.56	3.0%	$18,611	$1.50	2.53%	$9,054	$0.73	1.56%
Administrative	329	0.37	2.0%	$12,173	$0.98	1.65%	$5,922	$0.48	1.02%
Marketing	236	0.26	1.4%	$8,732	$0.71	1.19%	$4,248	$0.34	0.73%
Contract Services	435	0.48	2.6%	$16,095	$1.30	2.19%	$7,830	$0.63	1.35%
Repair and Maintenance	536	0.60	3.2%	$19,832	$1.60	2.69%	$9,648	$0.78	1.66%
Total Operating Expenses	6,144	6.82	36.5%	$227,254	$18.35	30.88%	$110,596	$8.89	19.04%
Net Operating Income	10,358	11.50	61.5%	$404,716	$35.11	55.07%	$469,984	$33.14	70.96%
Capital Expenditures	1,160	1.29	6.9%	$42,920	$3.47	5.83%	$20,880	$1.68	3.60%

The reader will see that under the Operations and Maintenance category, the 37 unit development scenario indicates that the per unit expense is $4,650. The per square foot of the average unit size Operating and Maintenance expense is $13.89. In comparison, the NAAHQ Expense is lower on a per unit and per square foot basis, i.e., $3,448/unit and $10.30/sf. Property Management expense for the subject's 37 units is proposed to be $1,790/unit or $5.35/sf. The NNAHQ data indicates a per unit expense for this category of $503/unit or $1.50/sf. This is a substantial cost difference from the statistical data.

Administrative Fees for the 37 unit proposed project are estimated to be $298 per unit or $0.89/sf. The NAAHQ data suggests it should be $329/unit or $0.98/sf. While not so dramatic a difference as Property Management, the subject's expense estimate is lower than the statistical data. Property taxes cited in the Pro Forma for the 37 unit project are estimated to be $919.00/unit or $2.75/sf. Statistical data indicates a much greater tax burden of $1,862.00/unit or $5.56/sf.

The total costs on a per unit basis as proposed by the subject's Pro Forma amounts to $7,657.00 per unit or $22.88/sf. In comparison the statistical data indicates a per unit total operating cost of $6,142 or 19.8% less than estimated on the Pro Forma for the proposed 37 unit project. The per square foot difference from the Pro Forma total cost and the total cost noted in the statistical data is equally different.

We conclude that based upon statistical information solely, the subject's 37 unit expense estimates are not supported. We now turn to the statistical data pertaining to the 18 unit development scenario. The 18 unit development scenario indicates that the per unit Operations and Maintenance expense is $9,558. On a per square foot basis an expense of $13.84 is indicated. In comparison, the NAAHQ Expense is lower on a per unit and per square foot basis, i.e., $3,448/unit and $4.99/sf. Property Management expense for the subject's 18 units is proposed to be $2,903/unit or $4 20/sf. The NAAHQ data indicates a per unit expense for this category of $503/unit or $0.73/sf. This is a substantial cost difference from the statistical data.

Administrative Fees for the 18 unit proposed project are estimated to be $612 per unit or $0.89/sf. The NNAHQ data suggests it should be $329/unit or $0.48/sf. The subject's expense estimate is much greater than the statistical data. Property taxes cited in the Pro Forma for the 18 unit project are estimated to be $1,889/unit or $2.74/sf. Statistical data does support the subject owner's estimate for this expense data, i.e. $1,862/unit or $2.70/sf.

The total costs on a per the 19 units proposed by the subject Pro Forma amounts to $14,962.00 per unit or $21 67/sf In comparison the statistical data indicates a per unit total operating cost of $6,142.00 or 58.9% less than estimated on the Pro Forma. The per square foot difference from the Pro Forma total cost and the total cost noted in the statistical data results in a -59% difference

In conclusion, both the 37 and 18 unit development scenarios offer expense estimates which are not supported by the statistical data.

We must determine if market derived expense information does or does not support the expenses the developer protects. This market information was provided from comparable data in our files and is estimated on a per square foot basis We researched several projects for data and found that the expense category for Administration Fees were not provided in by the expense comparables. As such we utilize total expenses of these comparables and compare them to the subject on a per square foot basis.

EXPENSE COMPARABLE CHART

1456 CHURCH STREET, NW, WASHINGTON, DC

	Subject Estimated Per/SF Expenses		14TH ST ,NW WASHINGTON, DC	19th STREET ,NW WASHINGTON, DC	13TH STREET ,NW WASHINGTON, DC
	37 Units	18 Units	Per SF	Per SF	Per SF
Total Expenses	$22 88	$21 67	$11 96	$10 49	$ 5 70

	O STREET, NW WASHINGTON, DC	8TH ST, NW, WASHINGTON, DC	RHODE ISLAND AVE ,NW WASHINGTON, C	19th STREET, NW WASHINGTON, DC
	Per SF	Per SF	Per SF	Per SF
Total Expenses	$ 4 97	$10 11	$ 6 94	$11 05

These seven comparables show that the expenses estimated for the proposed subject project, either 37 or 18 unit scenario far exceeds comparable market data. As we found that the expense projections were not supported by the statistical data either, we conclude that the expense parameters are not well supported in the RoseBusch Pro Forma.

P **Reconciliation and Conclusion**

All sections of this analysis is felt to have been developed from adequate data and is considered viable. Our analysis has found that while that the projected income and expenses appears to be at various points at odds with market expectations.

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ADDENDA

Letter of Engagement