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Real Estate | Zoning | Business Law

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September 30, 2015

By IZIS Submission

Board of Zoning Adjustment
441 4th Street, NW
Suite 210S
Washington, DC 20001

Re: BZA Application No. 19029 – 1338 Fairmont Street, NW; Additional Submission

Dear Members of the Board:

I am writing on behalf of the Applicant in the above-referenced case to submit a financial analysis, as requested, as further evidence of the practical difficulty in complying with the Zoning Regulations at 1338 Fairmont Avenue, NW. As will be further explained at the hearing, the Applicant is being required to make significant alterations to the subject property in order to keep the third (basement) unit, which has existed in the subject building since 1989. It is these requirements which make the provision of a 4th unit, in addition to the approval for the existing 3rd unit, necessary to avoid the unnecessary burden of complying with the 900-foot rule for conversions in the R-4 zone.[1]

The Applicant also requests that the Board consider this Application as a bifurcated request: (i) for approval of the 4th unit, as originally requested, which the Applicant asserts is necessary to relieve the practical difficulty inherent in bringing the third unit up to code; and in the alternative: (ii) for approval of the 3rd unit only under a laches and estoppel basis for variance relief, since the 3rd unit has existed here since 1989 and removing the 3rd unit, and forgoing the rent for that unit, would create a separate practical difficulty.

As the financial information shows, providing a fourth unit is the only option that avoids an economic loss due to either removing the 3rd unit or bringing that unit up to Building Code as required. At the hearing, the Applicant will also further explain how the Application satisfies the area variance test, pursuant to information previously submitted in this case, and summarized as follows:

The Property is unique due to its history, location, and current layout, as well as the fact that the third unit has existed since 1989 and that third unit needs significant work to be brought up to Building Code. Also, the Building is quite large, and is located adjacent to a 16-unit apartment house, and among several other 4+ unit buildings in the immediate vicinity. There is practical difficulty to the Applicant in converting the Building back to the 2-unit configuration that existed prior to 1989, and a further economic practical difficulty in bringing that 3rd unit up to Building Code. Granting relief would not result in substantial harm to the public good, as the request would only add one (1) unit to the existing mix, in an area which already contains a mix of converted row structures and moderate-sized apartment houses. Granting relief would also

[1] This case is being considered under the previously existing § 330.5(e), pursuant to the vesting provisions of § 3202.9(b)(3)(B).

not substantially impair the intent of the Zoning Regulations, as the Property has a very unique condition not likely to be repeated elsewhere. Regarding the recent amendments to the Zoning Regulations, those changes were adopted primarily to address large additions to R-4 structures. This proposal does not propose an addition, and is strongly supported by ANC 1B and neighbors, with no opposition.

For these reasons, as will be further explained at the hearing, the Applicant asserts that the Application satisfies the variance test and respectfully asks the Board to approve the requested relief.

Thank you for considering this Application.

Sincerely,

Martin P. Sullivan

Martin P. Sullivan

cc: ANC 1B
Office of Planning

Construction Inspections, LLC

September 28, 2015

VIA E-MAIL

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

RE: 1338 Fairmont Street, NW, Washington, DC
Financial Feasibility Analysis

Dear Mr. Sullivan:

We have been asked to provide a financial feasibility analysis for the property at 1338 Fairmont Street, NW, in Washington, DC. The purpose of this analysis is to determine income estimates for the building as configured for two, three and four units.

Our analysis of the financial data provided to us indicates the following, based upon the configuration of the building:

Configuration	Net Income/ (Loss)	Conclusion
Two Units	($11,942.60)	Not feasible
Three Units	($9,817.45)	Not feasible
Four Units	$13,426.11	Feasible

The following pages provide details of how these amounts were calculated.

Thank you for the opportunity to work with you. If you have any questions, or if you need any additional information, please do not hesitate to contact me.

Very truly yours,

Peter Kalish
Vice President

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<u>Scope of Work and Limiting Factors for a Financial Feasibility Analysis</u>

Construction Inspections, LLC neither validates nor guarantees the accuracy of any of the documents provided to us from the client, client's representatives, owner, owner's representatives or other third party source that are used in this report.

Construction Inspections, LLC shall not be held liable for its review or conclusions made by using any such documents that are found to be invalid, inaccurate or incorrect.

To the maximum extent allowed by law, client agrees to indemnify, defend and hold harmless Construction Inspections, LLC from any and all claims, demands, suits, loss, liability, damages, costs and expenses, including attorneys' fees, incurred by reason of the actions of the client and/or owner.

1338 Fairmont Street
Financial Feasibility Analysis
Proforma Projection

	2 Units	3 Units	4 Units	Proforma Assumptions	
Monthly Rent	$6,300.00	$6,800.00	$9,800.00	See Rent Estimates and Unit Configuration schedule	
Annual Rent	$75,600.00	$81,600.00	$117,600.00	Annual	
Revenues:					
Annual Rent	$75,600.00	$81,600.00	$117,600.00	Annual	
Less: Vacancy Loss	($7,560.00)	($8,160.00)	($11,760.00)	Vacancy Loss	10%
Net Rent	**$68,040.00**	**$73,440.00**	**$105,840.00**		
Operating Expenses:					
Real Estate Taxes	$9,656.00	$9,656.00	$9,656.00	Per Gross SF 4,828 SF - assume value increase	$2.00
Other Operating Expenses	$16,898.00	$16,898.00	$16,898.00	Per Gross SF 4,828 SF - insurance, maintenance etc.	$3.50
Subtotal Operating Expenses	**$26,554.00**	**$26,554.00**	**$26,554.00**		
Net Operating Income	**$41,486.00**	**$46,886.00**	**$79,286.00**		
Debt Service					
Mortgage (principal and interest)	$53,428.60	$56,703.45	$65,859.89	See Financing schedule	
Subtotal Debt Service	**$53,428.60**	**$56,703.45**	**$65,859.89**		
Net Annual Income/(Loss)	**($11,942.60)**	**($9,817.45)**	**$13,426.11**		

[Prepared by Construction Inspections, LLC]

1338 Fairmont Street
Financial Feasibility Analysis
Square Footage Calculations Schedule

Gross SF	4,828

Net Rentable SF Summary:	
# Units	**SF**
2 Units	3,961
3 Units	3,961
4 Units	3,817

Net Rentable SF Calculations:			
SF Configuration by Floor	**2 Units**	**3 Units**	**4 Units**
Basement/First/Second Floors	2,020		
Third/Fourth Floors	1,941		
Basement		967	
First Floor		974	
Second/Third/Fourth Floors		2,020	
Basement			967
First Floor			974
Second Floor			666
Third/Fourth Floors			1,210
Totals	**3,961**	**3,961**	**3,817**

[Source: Matthew McDonald AIA]

1338 Fairmont Street
Financial Feasibility Analysis
Construction Costs Schedule

	2 Units	3 Units	4 Units	Assumptions
Hard Costs:				
Direct Hard Costs:				
General Requirements	$23,415.00	$26,015.00	$27,820.00	
Site Construction	$43,898.00	$43,970.00	$48,414.00	
Concrete	$4,500.00	$6,000.00	$6,000.00	
Masonry	$1,500.00	$1,500.00	$1,500.00	
Metals	$1,800.00	$1,800.00	$1,800.00	
Woods and Plastics	$70,316.00	$65,310.00	$98,913.00	
Thermal and Moisture Protection	$15,800.00	$9,320.00	$15,800.00	
Windows and Doors	$11,551.00	$15,343.00	$20,529.00	
Finishes	$68,335.00	$62,250.00	$80,274.00	
Specialties	$6,770.00	$7,116.00	$13,420.00	
Equipment	$15,000.00	$15,000.00	$37,300.00	
Furnishings	$31,114.00	$45,250.00	$58,334.00	
Special Construction	$0.00	$25,000.00	$25,000.00	
Conveying Systems/Elevator	$0.00	$0.00	$0.00	
Mechanical & Plumbing	$61,800.00	$68,768.00	$75,600.00	
Electrical	$13,000.00	$22,000.00	$25,000.00	
Subtotal Direct Hard Costs	**$368,799.00**	**$414,642.00**	**$535,704.00**	
Indirect Hard Costs:				
Overhead	$36,879.90	$41,464.20	$53,570.40	10.00% Direct Hard Costs
Profit	$36,879.90	$41,464.20	$53,570.40	10.00% Direct Hard Costs
Subtotal Hard Costs	**$442,558.80**	**$497,570.40**	**$642,844.80**	
Soft Costs:				
Architectural Fees	$35,000.00	$35,000.00	$45,000.00	
MEP Drawings	$15,000.00	$15,000.00	$15,000.00	
Structural Engineering	$5,000.00	$5,000.00	$5,000.00	
Permitting	$5,000.00	$5,000.00	$5,000.00	
Contingency	$7,375.98	$8,292.84	$10,714.08	2.00% Direct Hard Costs
Subtotal Soft Costs	**$67,375.98**	**$68,292.84**	**$80,714.08**	
Subtotal Construction Costs	**$509,934.78**	**$565,863.24**	**$723,558.88**	
Other Construction Costs:				
Financing/Other Contingency	$10,198.70	$11,317.26	$14,471.18	2.00% Total Construction Costs
Marketing/Leasing	$1,500.00	$2,250.00	$3,000.00	$750.00 Estimate per Unit
Subtotal Construction Costs	**$521,633.48**	**$579,430.50**	**$741,030.06**	
Construction Loan Financing Costs:				
Construction Interest	$4,564.29	$5,070.02	$6,484.01	See Financing schedule
Subtotal Construction Financing	**$4,564.29**	**$5,070.02**	**$6,484.01**	
Total Estimated Construction Costs	**$526,197.77**	**$584,500.52**	**$747,514.07**	
Cost per Unit	$263,098.88	$194,833.51	$186,878.52	
Cost per Gross Square Feet	$54.49	$40.35	$38.71	4,828 Gross SF

[Source for Construction Costs: Matthew McDonald AIA]

[Prepared by Construction Inspections, LLC]

1338 Fairmont Street
Financial Feasibility Analysis
Financing Calculations Schedule

Construction Loan Financing Assumptions	
Loan to Cost Ratio	70%
Interest	5.00%
Months Outstanding	6.00
Outstanding per Month	50.00%

Mortgage Financing Assumptions	
Loan to Value Ratio	70%
Interest	5.00%
Amortization in Years	20.00

Other Assumptions	
Land Value	$425,000.00
Equity	30%

Construction Loan Interest Calculation:	2 Units	3 Units	4 Units
Total Estimated Construction Costs	$521,633.48	$579,430.50	$741,030.06
Construction Loan at 70% Loan to Cost	$365,143.43	$405,601.35	$518,721.04
Construction Interest Annual	$18,257.17	$20,280.07	$25,936.05
Construction Interest Per Month	$1,521.43	$1,690.01	$2,161.34
Construction Interest # Months Construction	$9,128.59	$10,140.03	$12,968.03
Estimated Amount Outstanding	**$4,564.29**	**$5,070.02**	**$6,484.01**

Mortgage Financing Calculation:	2 Units	3 Units	4 Units
Land (assessed value for 2016)	$425,000.00	$425,000.00	$425,000.00
Construction Costs	$526,197.77	$584,500.52	$747,514.07
Total Estimated Value	$951,197.77	$1,009,500.52	$1,172,514.07
Loan Amount @ 70% LTV	$665,838.44	$706,650.37	$820,759.85
Mortgage Payment (Annual)	**$53,428.60**	**$56,703.45**	**$65,859.89**
Mortgage Payment (Monthly)	**$4,452.38**	**$4,725.29**	**$5,488.32**

[Prepared by Construction Inspections, LLC]