

Exhibit A

EXHIBIT 10



Department of Consumer and Regulatory Affairs
 Permit Operations Division
 1100 4th Street SW
 Washington DC 20024
 Tel. (202) 442 - 4589 Fax (202) 442 - 4882



B

BUILDING PERMIT

THIS PERMIT MUST ALWAYS BE CONSPICUOUSLY DISPLAYED AT THE ADDRESS OF
 WORK UNTIL WORK IS COMPLETED AND APPROVED

Issue Date: 10/31/2013

PERMIT NO. B1307457

Expiration Date: 10/31/2014

Address of Project: 2112 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0006
Description Of Work: New two family flat Building with 3 Floors and Cellar						
Permission Is Hereby Granted To: Kady Group Inc		Owner Address: 9324 ANNAPOLIS ROAD 20706		PERMIT FEE: \$2,493.34		
Permit Type: New Building	Existing Use: Other (Specify)		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name: Ousman Ba	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions:						
This Permit Expires if no Construction is Started Within 1 Year or if the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations; As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead based paint, the permit holder shall abide by all applicable paint activities provisions of the "Lead Hazard Prevention and Elimination Act of 2008" and the EPA "Lead Renovation, Repair and Painting rule" regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddoe.dc.gov, Lead and Healthy Housing.						
Director: Nicholas A. Majett		Permit Clerk: Keith Hawkins				
TO REPORT WASTE, FRAUD OR ABUSE BY ANY DC GOVERNMENT OFFICIAL, CALL THE DC INSPECTOR GENERAL AT 1-800-521-1639 FOR CONSTRUCTION INSPECTION INQUIRIES CALL (202) 442-9557 TO SCHEDULE INSPECTIONS PLEASE CALL (202) 442-9557						



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Issue Date: 10/31/2013

PERMIT NO. B1307456

Expiration Date: 10/31/2014

Address of Project: 2114 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0006
Description Of Work: New two family flat Building with 3 Floors and Cellar						
Permission Is Hereby Granted To: Kady Group Inc		Owner Address: 9324 ANNAPOLIS ROAD, LANHAM MD 20706		PERMIT FEE: \$2,493.34		
Permit Type: New Building	Existing Use: Other (Specify)		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name: Ousman Ba	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions: Building shall have sprinkler systems						
This Permit Expires if no Construction is Started Within 1 Year or if the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations; As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead/Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead-based paint, the permit holder shall abide by all applicable paint activities provisions of the 'Lead Hazard Prevention and Elimination Act of 2008' and the EPA 'Lead Renovation, Repair and Painting rule' regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddee.dc.gov, Lead and Healthy Housing.						
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Issue Date: 10/31/2013

Expiration Date: 10/31/2014

PERMIT NO. B1307393

Address of Project: 2122 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0009
Description Of Work: New 2 Unit Building with 3 Floors and Collar						
Permission Is Hereby Granted To: Kady Group Inc		Owner Address: 9324 ANNAPOLIS ROAD 20706		PERMIT FEE: \$2,493.34		
Permit Type: New Building	Existing Use: Other (Specify)		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name Ousman Ba	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions: This Permit Expires if no Construction is Started Within 1 Year or if the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations; As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead based paint, the permit holder shall abide by all applicable paint activities provisions of the 'Lead Hazard Prevention and Elimination Act of 2008' and the EPA 'Lead Renovation, Repair and Painting rule' regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddoe.dc.gov , Lead and Healthy Housing.						
Director: Nicholas A. Majett		Permit Clerk Stacie Williams				
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Issue Date: 10/31/2013

PERMIT NO. B1307394

Expiration Date: 10/31/2014

Address of Project: 2120 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0008
Description Of Work: New 2 Unit Building with 3 Floors and Cellar						
Permission Is Hereby Granted To: Kady Group Inc		Owner Address: 9324 ANNAPOLIS ROAD 20706		PERMIT FEE: \$2,493.34		
Permit Type: New Building	Existing Use: Other (Specify)	Proposed Use: Two-Family Flat - R-3			Plans:	
Agent Name: Ousman Ba.	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwel Units:	Proposed Dwel Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions:						
This Permit Expires If no Construction is Started Within 1 Year or If the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations; As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead based paint, the permit holder shall abide by all applicable paint activities provisions of the 'Lead Hazard Prevention and Elimination Act of 2008' and the EPA 'Lead Renovation, Repair and Painting rule' regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddoe.dc.gov, Lead and Healthy Housing.						
Director: Nicholas A. Majett		Permit Clerk: Stacie Williams				
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Issue Date: 12/03/2013

PERMIT NO. **B1309364**

Expiration Date: 12/03/2014

Address of Project: 2116 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0007
Description Of Work: New 2 Unit Building with 3 Floors and Cellar						
Permission is Hereby Granted To: Eckington Station Llc		Owner Address: 9324 ANNAPOLIS ROAD, LANHAM MD. 20706		PERMIT FEE: \$1,174.42		
Permit Type: New Building	Existing Use: Single Family Dwelling - R-3		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name: Ousman Ba	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions:						
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Director: Nicholas A. Majett <i>Nicholas Majett</i>		Permit Clerk Donya Jackson <i>Donya Jackson</i>				
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Issue Date: 12/03/2013

PERMIT NO. B1309365

Expiration Date: 12/03/2014

Address of Project: 2118 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0007
Description Of Work: New 2 Unit Building with 3 Floors and a Cellar						
Permission is Hereby Granted To: Eckington Station Llc		Owner Address: 9324 ANNAPOLIS ROAD, LANHAM MD 20706		PERMIT FEE: \$1,174.42		
Permit Type: New Building	Existing Use: Single Family Dwelling - R-3		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name: Ousman Ba	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions: This Permit Expires if no Construction is Started Within 1 Year or if the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations; As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead based paint, the permit holder shall abide by all applicable paint activities provisions of the 'Lead Hazard Prevention and Elimination Act of 2000' and the EPA 'Lead Renovation, Repair and Painting rule' regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddoe.dc.gov , Lead and Healthy Housing.						
Director: Nicholas A. Majett		Permit Clerk: Donya Jackson				
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Issue Date: 12/03/2013

PERMIT NO. B1309366

Expiration Date: 12/03/2014

Address of Project: 2124 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0010
Description Of Work: New 2 Unit Building with 3 Floors and Cellar						
Permission is Hereby Granted To: Eckington Station Llc		Owner Address: 9324 ANNAPOLIS ROAD, LANHAM MD 20706		PERMIT FEE: \$1,174.42		
Permit Type: New Building	Existing Use: Single Family Dwelling - R-3		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name: Ousman Ba	Agent Address: 6700 Belcrest Road #402 20782	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions: This Permit Expires if no Construction is Started Within 1 Year or if the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations; As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead based paint, the permit holder shall abide by all applicable paint activities provisions of the 'Lead Hazard Prevention and Elimination Act of 2008' and the EPA 'Lead Renovation, Repair and Painting rule' regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddoe.dc.gov , Lead and Healthy Housing.						
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Issue Date: 12/03/2013

PERMIT NO. B1309367

Expiration Date: 12/03/2014

Address of Project: 2126 3RD ST NE		Zone:	Ward: 5	Square: 3561	Suffix:	Lot: 0812
Description Of Work: New 2 Unit Building with 3 Floors and Cellar						
Permission Is Hereby Granted To: Eckington Station Llc		Owner Address: 9324 ANNAPOLIS ROAD, LANHAM MD 20706		PERMIT FEE: \$1,631.14		
Permit Type: New Building	Existing Use: Other (Specify)		Proposed Use: Two-Family Flat - R-3		Plans:	
Agent Name:	Agent Address:	Existing Dwell Units:	Proposed Dwell Units: 2	No. of Stories: 3	Floor(s) Involved: 3	
Conditions/ Restrictions: 						
This Permit Expires if no Construction is Started Within 1 Year or if the Inspection is Over 1 Year. All Construction Done According To The Current Building Codes And Zoning Regulations: As a condition precedent to the issuance of this permit, the owner agrees to conform with all conditions set forth herein, and to perform the work authorized hereby in accordance with the approved application and plans on file with the District Government and in accordance with all applicable laws and regulations of the District of Columbia. The District of Columbia has the right to enter upon the property and to inspect all work authorized by this permit and to require any change in construction which may be necessary to ensure compliance with the permit and with all the applicable regulations of the District of Columbia. Work authorized under this Permit must start within one(1) year of the date appearing on this permit or the permit is automatically void. If work is started, any application for partial refund Lead Paint Abatement Whenever any such work related to this Permit could result in the disturbance of lead based paint, the permit holder shall abide by all applicable paint activities provisions of the 'Lead Hazard Prevention and Elimination Act of 2008' and the EPA 'Lead Renovation, Repair and Painting rule' regarding lead-based include adherence to lead-safe work practices. For more information, go to http://ddoe.dc.gov, Lead and Healthy Housing.						
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Exhibit B

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
OFFICE OF THE ZONING ADMINISTRATOR



November 10, 2014

Olusola Sulekoiki
Kessington Place L.L.C.
9324 Annapolis Road
Lanham, MD 20706

RE: Application of Inclusionary Zoning to 2112-2126 3rd Street NE

Dear Mr. Sulekoiki:

It has come to our attention that a multi-dwelling development of flats located at 2112 – 2126 3rd Street NE is subject to the Inclusionary Zoning (IZ) regulations pursuant to 11 DCMR Chapter 26. More specifically, § 2602.1 provides that IZ applies to developments of 10 or more dwelling units which are:

“New one-family dwellings, row dwellings, or flats constructed concurrently or in phases on contiguous lots or lots divided by an alley, if such lots were under common ownership at the time of construction...” (Section 2602.1(c)(2)).

As such, please complete the attached Certificate of Inclusionary Zoning Compliance (CIZC) application and return it promptly to my office. If a CIZC has already been executed or the project is considered exempt from the IZ requirements, please submit any supportive documentation. In the meantime, no additional building permits or Certificates of Occupancy will be issued for this development until IZ compliance is addressed.

Sincerely, Matthew Le Grant
Matthew Le Grant
Zoning Administrator

Attachments: CIZC Application

cc: Adeniyi Talabi (Agent for Owner)

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
CERTIFICATE OF INCLUSIONARY ZONING COMPLIANCE (CIZC) APPLICATION

SECTION A - BUILDING PERMIT AND PROJECT INFORMATION (All information must match building permit application, where applicable)

1. Name of Inclusionary Development			2. Address of Inclusionary Development		
3. Square/Suffix	4. Lot(s)	5. Zoning District/Overlay District	6. Zoning Commission or BZA Order (if applicable)	7. Building Permit Application Date: _____ Number: _____	
8. Owner of Building or Property		9. Owner Address (include ZIP code)		10. Owner Phone # & Email	
11. Agent for Owner		12. Agent Address (include ZIP code)		13. Agent Phone # & Email	
14. Is the development exempt from IZ? ☐ Yes (attach a detailed explanation, including DHCD certification pursuant to 11 DCMR § 2602.8). ☐ No		15. Primary Construction Method ☐ Steel and/or Concrete ☐ Other (such as stick built)		16. Total Area of the Lot(s) of the Inclusionary Development _____ sq. ft.	
17. Total Gross Floor Area (all uses) _____ sq. ft.		18. Total Residential Floor Area located in: Cellar: _____ sq. ft. Enclosed public space projections: _____ sq. ft.		19. Total Residential Gross Floor Area (including Cellar and Projection Area if applicable) _____ sq. ft.	
20. Ratio of Total Net Residential Area to Total Residential Gross Floor Area _____		21. Total Net Residential Area _____ sq. ft.		22. Total Net Residential IZ Required _____ sq. ft.	

SECTION B - IZ UNIT CLASSIFICATION

Unit or Dwelling Type		All Units (#)	Market Rate Units (# and % of total Market Rate Units)	IZ Units (# and % of total IZ units)	IZ Income Set Aside (#)	
					50% of AMI	80% of AMI
Multiple Dwellings	Studio and 1-bedroom units		#: _____ %: _____	#: _____ %: _____		
	2 or more bedroom units		#: _____ %: _____	#: _____ %: _____		
	Total		#: _____ %: _____	#: _____ %: _____		
Single household dwellings and flats	Single household dwellings		#: _____ %: _____	#: _____ %: _____		
	Flats		#: _____ %: _____	#: _____ %: _____		
	Total		#: _____ %: _____	#: _____ %: _____		

SECTION C - IZ UNIT ITEMIZATION (If more than 10 units, continue unit information on a supplemental page)

No.	Inclusionary Unit Number, Dwelling Address, or Lot	Net Square Feet	Number of Bedrooms	Income Set-Aside 50% of AMI or 80% of AMI	Estimated Date of Availability	Right of Return (Y/N)	Off-site unit for another IZ Development? (Attach BZA Order)
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
Total Net Residential IZ Proposed: _____ sq. ft.							

SECTION D - OTHER REQUIREMENTS

- | | | |
|---|---|--|
| 1. Do the bedrooms meet the definition provided in 14 DCMR § 2299.1? ☐ Yes ☐ No | 2. Will the construction be phased?
☐ Yes (attach a phasing plan) ☐ No | 3. Review Section G and check the box to acknowledge that necessary information and materials for the <i>Information</i> and <i>Analysis</i> checklists have been provided: ☐ |
|---|---|--|

SECTION E - PROJECT ARCHITECT'S OR PROJECT ENGINEER'S INCLUSIONARY UNIT CERTIFICATION

1. Name:	2. D.C. Lic. No.	3. Address: (include ZIP code)	4. Phone # and Email
----------	------------------	--------------------------------	----------------------

I certify to the best of my knowledge that the size of each Inclusionary Unit is at least ninety-eight percent (98%) of the average size of the same type of Market Rate unit in the Inclusionary Development, or at least ninety-eight percent (98%) of the size indicated on the table found in 14 DCMR Chapter 22 Inclusionary Zoning Implementation §2202.4(f).

Signature of Project Architect/Engineer: _____

Date: _____

SECTION F - APPLICANT'S SIGNATURES

Owner: I hereby certify that I am the owner of the property, that the application and plans are complete and correct to the best of my knowledge, that if a permit (or permits) is issued, construction will conform to the D.C. construction codes, the Zoning Regulations, and other applicable laws and regulations of the District of Columbia.

Signature: _____

Address: _____

Date: _____

Agent: I hereby certify that I have the authority of the owner to make this application. I declare that the application and plans are complete and correct to the best of my knowledge, that if a permit (or permits) is issued, construction will conform to the D.C. construction codes, the Zoning Regulations, and other applicable laws and regulations of the District of Columbia.

Signature: _____

Address: _____

Date: _____

SECTION G - ZONING ADMINISTRATOR CHECKLIST OFFICIAL USE ONLY

	Yes	No	N/A	Comments
Information: Is the application complete?				
1. Does CIZC information match the building permit application?	1. ☐	1. ☐	1. ☐	
2. Floor plans and elevations (with IZ units identified in the floor plans)	2. ☐	2. ☐	2. ☐	
3. DC surveyor's plat	3. ☐	3. ☐	3. ☐	
4. Copy of <u>draft</u> Inclusionary Development Covenant	4. ☐	4. ☐	4. ☐	
5. Schedule of interior finishes, fixtures, equipment, and appliances comparing market rate and IZ units	5. ☐	5. ☐	5. ☐	
6. Copy of phased development plan	6. ☐	6. ☐	6. ☐	
7. Copy of Board of Zoning Adjustment or Zoning Commission Order	7. ☐	7. ☐	7. ☐	
8. DHCD letter of exemption from IZ	8. ☐	8. ☐	8. ☐	
9. \$250 application fee (made out to DC Treasurer)	9. ☐	9. ☐	9. ☐	
10. Are all signatures present?	10. ☐	10. ☐	10. ☐	
Analysis: Does the application demonstrate compliance?				
1. Is the net square footage of the Inclusionary Units sufficient?	1. ☐	1. ☐	1. ☐	
2. Are the exterior design, materials and finishes of the Inclusionary Units comparable to the market rate units?	2. ☐	2. ☐	2. ☐	
3. Are interior finishes and appliances of the Inclusionary Units comparable to market rate units?	3. ☐	3. ☐	3. ☐	
4. Are the Inclusionary Units of the appropriate minimum size?	4. ☐	4. ☐	4. ☐	
5. Is the proportion of Inclusionary studio and 1-bedroom Units less than the proportion of market rate studio and 1-bedroom units?	5. ☐	5. ☐	5. ☐	
6. Are Inclusionary Units overly concentrated on any floor?	6. ☐	6. ☐	6. ☐	
7. Are Inclusionary Units split appropriately between 50% and 80% of AMI?	7. ☐	7. ☐	7. ☐	
8. Will the Inclusionary Units be constructed at a proportional rate to the market rate units?	8. ☐	8. ☐	8. ☐	
9. Are any Inclusionary Units located off-site?	9. ☐	9. ☐	9. ☐	

ZONING ADMINISTRATOR -- This certifies that the Certificate of Inclusionary Zoning Compliance is hereby: ☐ Approved

☐ Denied due to the items checked above.

Signed: _____

Date: _____

Exhibit C

BOLAN SMART ASSOCIATES, INC.

1150 K STREET, NW, SUITE 1211, WASHINGTON, DC 20005 • (202) 371-1333

February 2016

2112-2126 3rd Street, NE
BZA Case #19101
IZ Economic Viability

Bolan Smart Associates has been asked to review the economic viability of providing two Inclusionary Zoning Set-Aside housing units for a largely already built 16-unit development project at 2112-2126 3rd Street, NE.

1. IZ Economic Feasibility under Bonus Density Provisions: The Applicant has represented that the subject project with IZ would have worked with bonus density. Bolan Smart has reviewed developer budget information and concurs with this finding. That said, Bolan Smart has not been tasked to consider how potential bonus density and IZ provisions may have otherwise applied to the subject project.
2. As Built Economic Feasibility: Bolan Smart has evaluated the Applicant provided February 2016 development budget information and finds the cost and revenue assumptions to be consistent with market norms for this type of project at this location. The combination of the land acquisition costs, hard and soft construction costs, and the cost of end unit sales are all reasonable. The evidence of recorded sales prices for finished units when measured against the total development cost including transaction expenses indicates the subject project falls in the middle range of generally required economic performance, producing approximately a 20% overall return-on-cost over a two to three year period.
3. DC Office of Planning Findings: Bolan Smart was asked also asked to consider the District of Columbia Office of Planning memorandum concerning this BZA case dated January 5, 2016. It is our understanding that the Office of Planning analysis was premised on Applicant estimated budget information current to spring 2015, that was then compared with actual recorded unit sales information from later in 2015. Bolan Smart highlights two observations from this memorandum:
 - On page 3, the OP report observes that the original provided Applicant budget information identified “positive net proceeds” from both the as conceived project without IZ provisions as well as other hypothetical scenarios, including IZ accommodations without the benefit of an added density bonus. The applicant does not refute this observation, which is also confirmed by Bolan Smart. What is in question, however, and is well stated in the OP report, is “does a certain amount of unrealized proceeds, due to the provision of IZ units, equate to a denial of economic viability...” The OP report does not attempt to address this question (nor does the OP report comment on the Applicant’s summary of costs). Differentiating between “positive net proceeds” and “unrealized proceeds” is the critical question, which we attempt to dissect later herein.

- On page 4 of the OP report there is a table comparing the Applicant's earlier budget based projected unit sales prices with the actual generally higher recorded prices, computing a "Discrepancy Amount" as the delta between the two. (We note that OP took the lower of two sales price scenarios originally presented by the Applicant, not factoring for the alternate higher price scenario that was also submitted.) Based on employing the lower sales price assumption, the OP report suggests that "there is a discrepancy in the Applicant's favor". The OP report continues, however, to ask that the Applicant "provide an accurate cost-breakdown for BZA review". With the benefit now of the available actual cost expenditures, as presented by the Applicant elsewhere, the implied positive discrepancy from the realized unit sales prices is not in the Applicant's favor, but in fact presents some dilution in proportional proceeds. This is due to higher actual construction costs than represented in the spring 2015 budgets reviewed by OP, a higher cost function experienced industry-wide of recent. In addition, the subject project incurred an increase in the cost of construction financing consequent from 16 months of project delay attributed to the overlay of the IZ discussions. In sum, higher unit delivery costs have not been entirely offset by higher sales revenues.
 - Actual cost 6.0% higher than spring 2015 Budget
 - Actual revenues 3.7% higher than spring 2015 Budget
- 4. Applicant Actual Costs and Revenues: The following provides a simplified illustration of the Applicant's costs and revenues, plus the yield-on-cost (positive proceeds). The inputs are based on the Applicant's actual budget submitted under separate cover, and which Bolan Smart has previously stated as consistent with market norms:
 - Actual all-in delivery cost \$300 / gsf
 - Actual revenues \$360 / gsf @ 84.6% gsf to nsf @ \$425 / nsf
 - Revenue over cost (positive proceeds) = \$60 / gsf (yield = 20%) x 29,155 gsf = \$1,750,000
- 5. What constitutes economic viability? The OP report references "positive net proceeds", assumed to mean project revenues exceeding project costs. It goes without saying that economic viability requires positive proceeds in order to attract investment and to offset development risks. A generally accepted understanding is that new development typical to that of the subject project has minimum investment thresholds of 20% to 25% positive proceeds over costs. This yield rate is spread over multiple years of development period, and compensates the developer investor for a number of opportunity costs. While this "return" is often referred to as profit, this can be misleading in that what it really represents is the minimum required payment to induce the investment. It represents the cost of capital, or even more simply put, cost of business, that if not recovered, means a project will go not go forward.

6. What would constitute development feasibility economic loss? The OP report poses the question of what “unrealized proceeds” may mean in denying economic feasibility. From the investor’s perspective, any “positive proceeds” totaling less than 20% of project cost would deny economic feasibility.
7. Actual cash loss? Under the circumstances being considered in this BZA case, the Board may or may not agree on the applicability of investor based minimum proceeds. Then the question may become how much “unrealized proceeds” can the investor absorb before they are losing actual capital, having already forsaken any expected required minimum yield? In the case of the subject project, there are two development cost line components that need to be added if there is to be no “positive net proceeds” allowed as a definition of economic feasibility. The missing items are direct compensation for developer time and expense (i.e. 4.0% developer fee on project cost) and some lower threshold of compensation for investor equity, suggested as equivalent to the cost of debt as a minimum alternative opportunity cost to an otherwise required risk based higher yield threshold. The following computation illustrates what should be considered as required “positive proceeds” to cover base costs, or put another way, to not constitute and actual cash loss (or developer investor out of pocket subsidy):
- Minimum developer fee @ 4.0% (not counted in budget): \$350,000
 - Project yield as if debt @ 5.0% per year x 24 months = 10.0%: \$900,000
 - Total minimum yield-on-cost (not cash loss / minimum positive proceeds): \$1,250,000
8. IZ Implication: The difference between investment viability at 20% yield (\$1,750,000) and no actual cash loss (\$1,250,000) = \$500,000 (possible unrealized proceeds). This approximates one IZ unit @ 50% AMI valued in the range of \$150,000 with an equivalent market value in the range of \$650,000.
9. Summary: Bolan Smart finds the Applicant’s development costs market reasonable and the sales revenues market actual. Including no IZ units meets investor minimum thresholds for economic viability, while providing for two IZ units constitutes a substantial loss. Depending on the BZA’s determination of economic viability, up to one IZ unit may be absorbed by the Applicant such that the Applicant is not actually losing actual cash value, though nonetheless being denied a normal market investor return.