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April 2003

District of Columbia Zoning Commission
Washington, DC

RE: 14th and V Streets Application for a Consolidated Planned Unit Development Economic Impact Analysis

Dear Members of the Zoning Commission:

Bolan Smart Associates has been asked to analyze the potential economic impact on the District of Columbia of constructing the proposed 280-unit condominium building. Based on evaluating a 100% completed project, including approximately 24,000 square feet of on-site retail and requisite parking, our findings are summarized as follows:

1. **Direct Annual District Tax Revenue**: The principal direct tax revenues to the District of Columbia resulting from the completion of the subject property -- calculated in $2003 per the attached Table 1, ANNUAL DIRECT DC TAX REVENUE -- total approximately $2,300,000 per year (net of any possible moderately priced units). The primary components of this sum are estimated to be comprised of:

    1) $938,000 per year in real estate taxes, based on an estimated finished property assessment of $92,360,000 (valued @ an average of $339,000 per condominium unit);

    2) $915,000 per year in new DC resident income taxes (based on an average required household gross income of $102,000 to qualify to purchase @ 30.0% income to value ratios and a 54.0% new DC tax paying resident base);

    3) $210,000 per year in new DC resident retail sales tax revenues, attributable to $2,800,000 in DC based taxable sales (65% DC capture of new DC resident retail sales);

    4) $74,000 per year in new DC resident related use taxes and fees (residential building operation's, resident DMV fees, utility and telecommunications fees, etc.); and.

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5) $188,000 per year in net additional DC retail sales tax revenues not related to new residents, attributable to $6,630,000 in overall annual on-site taxable retail sales minus 5% on-site new resident related retail sales @ 35% net new DC sales.

2. **One-Time Construction Related Benefits**: The combination of property transfer taxes and deed or trust recordation taxes associated with the proposed condominium building, coupled with development processing fees and permits, should generate well in excess of $4,000,000 of direct District of Columbia front end fee revenues. In addition, over 225 direct construction jobs are estimated to be created as part of a two year, $52+ million construction budget. (See Table 2 for estimated job impacts.) The economic multipliers directly benefiting the District associated with this size of construction expenditure -- while not explicitly quantified as part of this report -- can be very substantial.

3. **Recurring Property Resale Transfer and Deed Recordation Taxes**: Assuming a normal 7% rate of annual property turnovers, the District would continue to collect over $166,000 per year in combined property transfer deed of trust recordation taxes (not including possible refinancing related recordation fees).

4. **Additional Project Related DC Residents**: Per a broad-based District goal, the proposed residential building should result in the addition of a valuable number of new, relatively high-income residents to the District. By creating an additional supply of highly desirable multi-family units at this location, not only will new residents currently living outside of the District be attracted to relocate, but those existing DC residents that choose to relocate will free up needed inventory for other prospective DC residents. We estimate that the net effect of developing new homes for the approximately 376 residents (1.4 persons per household) projected for the subject development would be to facilitate the equivalent of a 226 person increase in the District's population, representing an estimated 60% of the building's population, of which 90% of these households are assumed to be taxpayers (meaning 54.0% of the buildings households are net new DC taxpaying households).

5. **Employment Benefits**: There is a range of employment benefits which accrue from the completion of a mixed-use development at the subject property. As portrayed on the attached Table 2, these include the creation of an estimated 63 direct residential and retail related jobs. This job generation is in addition to the 226 construction related jobs estimated to be created covering an approximate two-year construction period.

6. **Adding Moderately Priced Units**: The applicant has proposed dedicating up to 10 moderately priced condominium units for purchase by households earning between 50% and 70% of median income. Assuming that the value of the developer contribution toward paying down the ten moderately priced units approximates $110,000 per unit, the resulting purchase price for a 750 square foot unit would be in the range of $150,000, requiring approximately a $50,000 annual household income. Replacing market priced housing units with moderately priced homes reduces the indicated direct annual District Tax Revenues for the proposed building by approximately $26,400, or on the order of 1.0%. (Note that the applicant is not seeking any tax or other public sector related financial subsidies in conjunction with providing moderately priced housing units.)

7. **Summary**: The proposed project has the probability of adding in excess of $2,500,000 million in combined new direct and annual property transfer related taxes for the District of Columbia. This is clearly multiple times the current minimal property tax the property is generating as unimproved. While not quantified, the economic benefits go well beyond these substantial direct tax revenues, including the addition of significant neighborhood consumer spending, enhanced surrounding property values, and the addition of community jobs.

Sincerely,

Bolan Smart Associates, Inc.

Table 1 - Proposed Consolidated PUD - 14th & V Streets, NW, Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - $2003

Project Description

1)	Condominiums	10 units
2)	Average Size	750 sf
3)	Total Saleable SF	7,500 sf
4)	Retail	0 sf
5)	Parking	250 spaces

			Building / Parking	
			one sf	total sf
Real Estate Tax				
7)	Condominium Real Estate Value (including parking)		$200.00	$1,500,000
8)	DC Homestead Exemption	$30,000 per unit		($300,000)
9)	Seniors Exemption	considered unlikely		$0
10)	Taxable Residential Real Estate Value			$1,200,000
11)	Retail Real Estate Value		$240.00	$0
12)	Parking (included above)			NA
13)	Total Taxable Real Estate Value			$1,200,000
14)	Residential Real Estate Tax	0.96% residential tax rate	$1.54	$11,520
15)	Commercial Real Estate Tax	1.85% commercial tax rate	$4.44	$0
16)	***Total Real Estate Taxes***			***$11,520***
Residential Direct Tax Revenues			one unit	total units
17)	Average Unit Value	$200.00 per sf	$150,000	$1,500,000
18)	Required Gross HH Income	30.0% multiple of unit value	$50,000	$500,000
19)	Taxable Income	75.0% of gross	$37,500	$375,000
20)	Initial DC Income Tax	$30,000 of initial taxable income	$2,000	$20,000
21)	Additional DC Income Tax	9.3% DC tax rate over initial	$698	$6,975
22)	Total Potential DC Income Taxes		$2,698	$26,975
23)	Income Taxes Adjusted for Average Occupancy	96.0% occupancy	$2,590	$25,896
24)	Potential New DC Residents	60.0% new residents	$1,554	$15,538
25)	***Income Tax Revenue Adjusted for Resident Status***	90.0% of new residents pay taxes	$1,398	***$13,984***
26)	New Resident Retail Expenditures Subject to Sales Tax	35.0% of taxable income	$7,560	$75,600
27)	District of Columbia Resident Sales Capture	65.0% of expenditures	$4,914	$49,140
28)	***DC Average Applicable Sales Tax*** (a)	7.5% blend of categories	$369	***$3,686***
29)	***Other Resident Related Use Taxes and Fees*** (b)	0.6% of taxable income	$130	***$1,296***
30)	Personal Property Tax (not applicable) (c)			NA
31)	***Total Residential Direct Tax Revenues***		$1,897	***$18,965***
Other Retail Direct Tax Revenues			one rsf	total rsf
32)	On-site Taxable Retail Sales (adjusted for 15% vacancy)	$325 per rsf	$276.25	$0
33)	DC Average Applicable Sales Tax (a)	7.5% blend of categories	$20.72	$0
34)	Sales Tax Net of On-Site Residents	95.0% not on-site consumers	$19.68	$0
35)	DC Corporate Tax of Retail Sales	9.9% on 10% profit on gross	$2.73	$0
36)	Total Retail Related Taxes		$22.42	$0
37)	***Net New DC Retail Sales Tax Capture***	35.0% net new DC sales	$7.85	***$0***
Parking (commercial related)			one space	total spaces
38)	Parking Income (included in retail rent)	$0 per space per day		
39)		$0 per space per yr.	$0	$0
40)	***DC Parking Revenue Tax***	0.0% of gross revenue	$0	***$0***
Total Direct Annual Tax Revenue *(net of possible MPUs)*				***$30,485***

Notes:

(a) Based on blend of sales tax on general goods and services and sales tax on restaurant related sales.

(b) Condominium building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.

(c) Fixtures, etc. included in real property value; residents assumed not to exceed $50,000 personal property exemption.

Prepared by Bolan Smart Associates, Inc. (04/03).

Table 2 - Proposed Consolidated PUD - 14th & V Streets, NW, Washington, DC
ECONOMIC IMPACT SUMMARY - $2003

Direct Annual District Tax Revenues			% of total
1) Real Estate Tax	*$160 avg. assessed value per rsf*	$11,520	37.8%
2) New DC Resident Income Tax	*54.0% net new DC taxpayers*	$13,984	45.9%
3) New DC Resident Retail Sales Tax	*35.0% net new DC sales*	$3,686	12.1%
4) Other New DC Resident Related Use Taxes and Fees		$1,296	4.3%
5) Other Net New DC Retail Sales Tax *(not related ro new residents)*		$0	0.0%
6) Parking Revenue Tax (commercial related)		$0	0.0%
7) ***Total Direct Annual District Tax Revenue***		***$30,485***	100.0%
8) Possible Reduction Associated With 10 Moderately Priced Units		($26,400)	86.6%

One-time District Revenue	
9) Property Transfer Tax and Deed Recordation Tax	$4,000,000+
10) Development Fees & Permits	$25,000+
11) Construction Related Sales Tax	not calculated

Recurring Property Resale Transfer Fees		
12) Annual Re-sales Related Taxes	*7.0% annual unit turnover*	$2,625
13) Annual Refinance Deed Recordation Taxes		not calculated

Additional Project Related DC Residents			
14) Estimated Average Project Household Size		1.4	persons
15) Average Occupied Units	*96.0% occupancy*	10	units
16) Total Residents		13	persons
17) Total Additional DC Residents	*60.0% net new residents*	8	persons

Direct Project Employment		**DC Jobs**		**DC Residents**
18) Direct Condominium FTE Jobs (a)		5	(50%)	3
19) Retail FTE Jobs	*350 sf per job*	0	(50%)	0
20) ***Total Permanent FTE Jobs***		***5***		***3***
21) Temporary Construction FTE Jobs (b)		226	(35%)	79
22) ***Total Temporary FTE Jobs***		***226***		***79***
23) ***Total FTE Jobs***		***231***		***82***

Employment, Economic and Tax Multipliers not considered

Notes:

(a) FTE - full time equivalent job

(b) Construction employment: $52,000,000 construction cost @ $165 per gsf x 40% direct labor divided by $46,000 average annual income, equaling 452 person years divided by 2.0 years for project completion, realizing 226 construction full time equivalent jobs.

Prepared by Bolan Smart Associates, Inc. (04/03)