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RE: 14th Street and Florida Avenue, NW, Washington, DC
District of Columbia Economic Impact Overview

Bolan Smart Associates has been asked to provide an overview of the magnitude of economic importance to the District of Columbia of constructing an $79.9 million mixed-use development comprising 16,600 to 26,000 square feet of retail and 171 residential condominiums (including 6 moderate income units on-site and financial support for sustaining additional off-site moderate income units). Not only does this development represent expanded economic use of the site and to this District of Columbia neighborhood – including more than 240 residents – the project will bring enhanced retail services to the 14th Street corridor and will contribute to rounding out the substantial new investment fronting on the Florida Avenue and 14th Street intersection. Removal of the majority of the existing buildings and communication equipment at the site is anticipated to have a noticeable positive impact on nearby property values as well.

Based on evaluating a 100% completed project including the minimum amount of proposed retail space (15,800 nsf), our findings are summarized below.

1. **Direct Annual District Tax Revenue**: The principal direct tax revenues to the District of Columbia resulting from the completion of this project – calculated in $2005 – total $3.44 million per year in terms of gross tax revenue generated. The primary components of the project generated taxes, as summarized in Tables 2 to 4, are estimated to be comprised of:

    1) $0.82 million per year in real estate taxes. (This compares with $0.054 million in estimated real estate taxes per the proposed 2006 DC assessment for lot 119 and part of lot 122 in Square 2868 as currently improved);

    2) $0.50 million in (non-tenant or resident related) retail related taxes attributable to $5.85 million in overall annual on-site taxable retail sales derived from the provision of 15,800 rentable square feet of retail. (See Table 2). This on-site retail related sales tax, representing 14.7% of the total estimated project tax impact, will replace the taxes currently assumed to be attributable to auto related business associated with the subject site as currently used;

    3) $0.007 million per year in employment related sales tax revenues, attributable to $0.087 million in annual taxable sales ($40 per week in retail expenditures per employee). (See Table 2);

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4) $1.55 million per year in new DC resident income taxes derived from the development of 171 condominium apartments. (See Tables 3 and 4);

5) $0.24 million per year in DC resident retail sales tax revenues, attributable to $3.25 million in DC based taxable sales (@ 50% to 60% DC capture of DC resident retail sales). (See Tables 3 and 4);

6) $0.11 million in DC resident related use taxes and fees (residential building operation's, resident DMV fees, utility and telecommunications fees, etc.). (See Tables 3 and 4); and

7) $0.12 million in recurring condominium sale transfer and recordation fees (@ 7.0% annual turnover). (See Tables 3 and 4)

2. **Economic Activity Benefits**: The addition of a substantial residential presence at the subject property, creating more than twice the District tax revenues than a by-right development would support, should generate millions of dollars in additional annual economic activity not directly accounted for in the project-specific tax generation data. Over 40 retail related jobs and project support jobs are estimated to be created, replacing somewhat fewer jobs associated with the current auto related businesses. (If an additional retail area of 10,000 square feet below grade is commited, the added jobs and retail related generated taxes would increase the economic impacts of the retail portion of the project by close to 40% over the impacts indicated herein.) This job generation is in addition to the 133 construction related jobs estimated to be created spanning each month of the project's 24-month construction period.

3. **Moderate Income Contribution**: In addition to providing six on-site moderate income residential units, the developer proposes to fund $1.0 million to help secure the affordability of approximately 48 existing off-site units located one block to the west. This contribution is premised on a combination of per unit delivery cost recovery of six retained market rate units versus offering six additional moderate incomes on-site, plus supplemental developer funding.

4. **Construction Related Benefits**: The combination of initial recordation fees, development processing fees and permits, could generate well in excess of $2.0 million of direct District of Columbia revenues. In addition, the purchase of $20.0 million of construction materials – while not explicitly quantified as part of this report – will obviously benefit the District.

Table 1 - Combined Land Uses - 14th and Florida - Washington, DC
ECONOMIC IMPACT SUMMARY - $2005

Direct Annual District Tax Revenues (assuming no abatements etc.)					**District Tax Revenue**
		taxable value	*tax value per sf*	*RE tax*	
1) Real Estate Tax	retail	$6,071,410	$365.00	$106,705	
see Tables 2-4	market condominiums	$72,884,639	$478.81	$699,693	
	moderate priced condo	$934,411	$168.81	$8,970	
	total	$79,890,460		$815,368	$815,368
		taxable sales	*taxable $ per sf*	*retail related tax*	
2) Retail Space Related DC Tax Revenue	general retail	$5,846,851	$351.50	$499,302	
see Table 2	total	$5,846,851		$499,302	$499,302
		taxable sales	*$ per week*	*DC sales tax*	
3) Employee Related Sales Tax Revenue	retail employees	$86,772	$40.00	$7,376	$7,376
see Table 2					
		Required HH Income		*total potential DC income tax*	
4) DC Resident Income Tax	market condominiums	$143,918		$1,530,471	
see Tables 3-4	moderate priced condo	$64,514		$21,051	
	total			$1,551,522	$1,551,522
		total potential taxable sales	*DC capture*	*DC sales tax*	
5) DC Resident Retail Expenditures	market condominiums	$6,383,030	50.0%	$239,364	
see Tables 3-4	moderate priced condo	$97,545	60.0%	$4,390	
	total	$6,480,575		$243,753	$243,753
6) Other DC Resident Related Fees	market condominiums			$109,423	
see Tables 3-4	moderate priced condo			$1,672	
	total			$111,096	$111,096
7) Recurring Condo Resale Transfer Fees		7.0% annual unit turnover			$123,688
see Tables 3-4					
				gross DC taxes	
8) Total Direct Annual DC Tax Revenue	retail			$613,383	
see Tables 2-4	market condominiums			$2,783,910	
	moderate priced condo			$37,873	
Total Direct Annual DC Tax Revenue				$3,435,166	$3,435,166

One-time District Revenue

Property Transfer Tax, Deed Recordation Taxes and Development Fees	$2,000,000+
First-time Homebuyer DC Income Tax Credit	not considered
Construction Related Sales Tax	not considered

		total residents
Additional Project Related Residents	market condominiums	238
see Tables 2-4	moderate priced condo	9
	total	**246**

Direct Project Full Time Employment (FTE jobs)		*DC jobs*
see Table 2	Retail	42
	Residential	3
	Total Permanent FTE Jobs	**45**
	Temporary Construction FTE Jobs (a)	133
	Total FTE Jobs	**178**

Employment, Economic and Tax Multipliers

not considered

(a) Construction employment: $33,000.000 construction cost x 40% direct labor divided by $49,500 average annual income, equaling 266 person years divided by 2.0 years for project completion, realizing 133 construction full time equivalent jobs.

Prepared by Bolan Smart Associates, Inc. (06/05)