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RE: 4th Street and Rhode Island Avenue, NE, 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 a $40.0 million mixed-use development comprising 3,000 square feet of retail and 170 rental apartments (including 20% of the residential floor area for moderate income units on-site). This development represents expanded economic use of the site and the addition of more than 280 residents to this District of Columbia neighborhood.

Based on evaluating a 100% completed project, 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 this project – calculated in $2005 – total $1.51 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) $359,000 per year in real estate taxes. (This compares with $29,000 in estimated real estate taxes for 2005 tax year for lot 808 in Square 3629 as currently assessed);

    2) $90,000 in (non-tenant or resident related) retail related taxes attributable to $1.05 million in overall annual on-site taxable retail sales derived from the provision of 3,000 rentable square feet of retail. (See Table 2);

    3) a modest amount in employment related sales tax revenues, attributable to $16,000 in annual taxable sales ($40 per week in retail expenditures per employee). (See Table 2);

    4) $623,000 per year in new DC resident income taxes derived from the development of 170 rental apartments. (See Tables 3 and 4);

    5) $185,000 per year in DC resident retail sales tax revenues, attributable to $2.46 million in DC based taxable sales (@ 65% to 70% DC capture of DC resident retail sales). (See Tables 3 and 4); and

    6) $56,000 in DC resident related use taxes and fees (residential building operations, resident DMV fees, utility and telecommunications fees, etc.). (See Tables 3 and 4);

2. **Economic Activity Benefits**: The addition of a substantial residential presence at the subject property – 170 new apartments and 280 new residents – should generate millions of dollars in additional annual economic activity not directly accounted for in the project-specific tax generation data.

3. **Direct Employment Opportunities**: Approximately 12 retail related jobs and project support jobs are estimated to be created. This job generation is in addition to the 121 construction related jobs estimated to be created spanning each month of the project's 24-month construction period.

4. **Construction Related Benefits**: The combination of initial recordation fees, development processing fees and permits, could generate well in excess of $500,000 of direct District of Columbia revenues. In addition, the purchase of $18.0 million of construction materials – while not explicitly quantified as part of this report – will obviously benefit the District.

Table 1 - Combined Land Uses - 4th and Rhode Island, NE - 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	$1,095,000	$365.00	$19,245	
see Tables 2-4	market rental apts	$28,291,536	$240.00	$271,599	
	moderate priced apts	$7,072,884	$240.00	$67,900	
	total	$36,459,420		$358,743	$358,743
		taxable sales	*taxable $ per sf*	*retail related tax*	
2) Retail Space Related DC Tax Revenue	general retail	$1,054,500	$351.50	$90,051	
see Table 2	total	$1,054,500		$90,051	$90,051
		taxable sales	*$ per week*	*DC sales tax*	
3) Employee Related Sales Tax Revenue	retail employees	$15,957	$40.00	$1,356	$1,356
see Table 2					
		Required HH Income		*total potential DC income tax*	
4) DC Resident Income Tax	market rental apts	$71,068		$555,310	
see Tables 3-4	moderate priced apts	$41,601		$68,156	
	total			$623,466	$623,466
		total potential taxable sales	*DC capture*	*DC sales tax*	
5) DC Resident Retail Expenditures	market rental apts	$3,305,535	65.0%	$161,145	
see Tables 3-4	moderate priced apts	$456,863	70.0%	$23,985	
	total	$3,762,398		$185,130	$185,130
6) Other DC Resident Related Fees	market rental apts			$49,583	
see Tables 3-4	moderate priced apts			$6,853	
	total			$56,436	$56,436
7) Recurring Resale Transfer Fees		not applicable			$0
				gross DC taxes	
8) Total Direct Annual DC Tax Revenue	retail			$110,652	
see Tables 2-4	market rental apts			$1,172,819	
	moderate priced apts			$225,920	
Total Direct Annual DC Tax Revenue				$1,509,391	$1,509,391

One-time District Revenue

Deed Recordation Taxes and Development Fees	$500,000+
Construction Related Sales Tax	not considered

		total residents
Additional Project Related Residents	market rental apts	226
see Tables 2-4	moderate priced apts	57
	total	**283**

		DC jobs
Direct Project Full Time Employment (FTE jobs)		
see Table 2	retail	7
	residential	5
	Total Permanent FTE Jobs	**12**
	temporary construction FTE jobs (a)	121
	Total FTE Jobs	**133**

Employment, Economic and Tax Multipliers not considered

(a) Construction employment: $30,000.000 construction cost x 40% direct labor divided by $49,500 average annual income, equaling 242 person years divided by 2.0 years for project completion, realizing 121 construction full time equivalent jobs.

Prepared by Bolan Smart Associates, Inc. (07/05)

Table 2 - Retail
4th and Rhode Island, NE - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - $2005

Project Description

1)	Retail	3,000 gsf
2)	Total Retail	2,850 nsf @ 95% efficiency
3)	General Retail Parking	18 spaces

Direct Project Full Time Employment (a)

350 sf per retail job
7 retail jobs

			Building / Parking	
	Real Estate Tax		one sf	total sf
4)	General Retail Real Estate Value		$365.00	$1,095,000
5)	Parking (included above)			NA
6)	Total Taxable Real Estate Value		$365.00	$1,095,000
7)	Commercial Real Estate Tax (net of possible DC abatements)	1.85% commercial tax rate	$6.75	$19,245
8)	***Total Real Estate Taxes***		$6.75	***$19,245***
	General Retail Direct Tax Revenues		one sf	total sf
9)	On-site Taxable Retail Sales (adjusted for 5% vacancy)	$370 per sf	$351.50	$1,054,500
10)	DC Average Applicable Sales Tax	7.0% inc. 1% convention center	$24.61	$73,815
11)	Sales Tax Net of On-Site Residents or Tenants	95.0% not on-site consumers	$23.37	$70,124
12)	DC Corporate Tax	9.975% on 10% profit on gross	$3.51	$10,519
13)	Business Personal Property (adjusted for 5% vacancy)	$80.00 FF&E per sf	$76.00	$228,000
14)	Business Personal Property Tax	$3.40 per $100 assessed value	$2.58	$7,752
15)	Other Operating Taxes and Fees (b)	$0.60 per sf	$0.55	$1,656
16)	Total General Retail Related Taxes		$30.02	$90,051
17)	***Net New DC General Retail Related Tax Capture***	100.0% net new DC sales	$30.02	***$90,051***
	Parking (part of tenant rent)		one space	total spaces
18)	Parking Income	$0.00 per space per day		18
19)		$0 per space per year	$0	$0
20)	***DC Parking Revenue Tax***	12.0% of gross revenue	$0	***$0***
	Employee Related Sales Tax Revenue		one sf	total sf
21)	FTE Employee Retail Expenditures Subject to Sales Tax	$40.00 per FTE per week	$5.60	$15,957
22)	***Employee Related Sales Tax***	8.5% mostly meals	$0.48	***$1,356***
	Total Direct Annual Tax Revenue		$38.83	***$110,652***

Notes:
(a) FTE is full time equivalent employee, assumed at 40 hours per week.
(b) Operations purchases, utility and telecommunications fees, other business license fees and charges.

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Table 3 - Market Rental Apartments
4th and Rhode Island, NE - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - $2005

Project Description		**Project Related New DC Residents**
1) Apartments	173,355 gsf	1.75 persons / unit
2) Total Units	170 units	129 occupied units
3) Market Priced Units	136 units	226 total residents
4) Average Size	867 rsf	100.0% net new residents
5) Total Rentable SF	117,881 nsf @ 85% efficiency	226 new DC residents

		Building / Parking	
Real Estate Tax		one sf	total sf
6) Apartment Real Estate Assessment (including parking)		$240.00	$28,291,536
7) DC Homestead Exemption	not applicable	$0.00	$0
8) Seniors Exemption	not applicable	$0.00	$0
9) Taxable Residential Real Estate Value		$240.00	$28,291,536
10) Parking (included above)			NA
11) Total Taxable Real Estate Value		$240.00	$28,291,536
12) Residential Real Estate Tax (net of possible DC abatements)	0.96% residential tax rate	$2.30	$271,599
13) ***Total Real Estate Taxes***		$2.30	***$271,599***
Residential Direct Tax Revenues		one unit	total units
14) Average Unit Rent Per Month (including parking)	$2.05 per sf	$1,777	$241,657
15) Minimum Required Gross Household Income	333.3% multiple of rent	$71,068	$9,665,308
16) Taxable Income	90.0% of gross	$63,962	$8,698,777
17) Initial DC Income Tax	$30,000 of initial taxable income	$2,000	$272,000
18) Additional DC Income Tax	9.0% DC tax rate over initial	$3,057	$415,690
19) Total Potential DC Income Taxes		$5,057	$687,690
20) Income Taxes Adjusted for Average Occupancy	95.0% occupancy	$4,804	$653,305
21) Potential New DC Residents	100.0% new residents	$4,804	$653,305
22) ***Income Tax Revenue Adjusted for Resident Status***	85.0% of residents pay taxes	$4,083	***$555,310***
23) New Resident Retail Expenditures Subject to Sales Tax	40.0% of taxable income	$24,305	$3,305,535
24) District of Columbia Resident Sales Capture	65.0% of expenditures	$15,799	$2,148,598
25) ***DC Average Applicable Sales Tax*** (a)	7.5% blend of categories	$1,185	***$161,145***
26) ***Other Resident Related Use Taxes and Fees*** (b)	0.6% of taxable income	$365	***$49,583***
27) Personal Property Tax (c)			not considered
28) ***Total Residential Direct Tax Revenues***		$5,633	***$766,038***
Recurring Property Resale Transfer Fees			
29) Annual Re-sales Related Taxes	not applicable		$0
30) Annual Refinance Deed Recordation Taxes	not applicable		$0
Parking (included with unit purchase)			
Total Direct Annual Tax Revenue		$9.95	***$1,172,819***

Notes:

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

(b) 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.

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Table 4 - Moderately Priced Rental Apartments (60% of AMI for family of 1.75 persons)
4th and Rhode Island, NE - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - $2005

Project Description

1) Apartments	173,355 gsf	
2) Total Units	170 units	
3) Market Priced Units	34 units	
4) Average Size	867 rsf	
5) Total Rentable SF	29,470 nsf @ 85% efficiency	
	34,671 gsf	

Project Related New DC Residents

1.75 persons / unit	
32 occupied units	
57 total residents	
100.0% net new residents	
57 new DC residents	

	Building / Parking		
Real Estate Tax		one sf	total sf
6) Apartment Real Estate Assessment (including parking)		$240.00	$7,072,884
7) DC Homestead Exemption	not applicable	$0.00	$0
8) Seniors Exemption	not applicable	$0.00	$0
9) Taxable Residential Real Estate Value		$240.00	$7,072,884
10) Parking (included above)			NA
11) Total Taxable Real Estate Value		$240.00	$7,072,884
12) Residential Real Estate Tax (net of possible DC abatements)	0.96% residential tax rate	$2.30	$67,900
13) ***Total Real Estate Taxes***		$2.30	***$67,900***
Residential Direct Tax Revenues		one unit	total units
14) Average Unit Rent Per Month (including parking)	$1.20 per sf	$1,040	$35,364
15) Minimum Required Gross Household Income	333.3% multiple of rent	$41,601	$1,414,435
16) Taxable Income	85.0% of gross	$35,361	$1,202,270
17) Initial DC Income Tax	$30,000 of initial taxable income	$2,000	$68,000
18) Additional DC Income Tax	9.0% DC tax rate over initial	$482	$16,404
19) Total Potential DC Income Taxes		$2,482	$84,404
20) Income Taxes Adjusted for Average Occupancy	95.0% occupancy	$2,358	$80,184
21) Potential New DC Residents	100.0% new residents	$2,358	$80,184
22) ***Income Tax Revenue Adjusted for Resident Status***	85.0% of residents pay taxes	$2,005	***$68,156***
23) New Resident Retail Expenditures Subject to Sales Tax	40.0% of taxable income	$13,437	$456,863
24) District of Columbia Resident Sales Capture	70.0% of expenditures	$9,406	$319,804
25) ***DC Average Applicable Sales Tax*** (a)	7.5% blend of categories	$705	***$23,985***
26) ***Other Resident Related Use Taxes and Fees*** (b)	0.6% of taxable income	$202	***$6,853***
27) Personal Property Tax (c)			not considered
28) ***Total Residential Direct Tax Revenues***		$2,912	***$98,995***
Recurring Property Resale Transfer Fees			
29) Annual Re-sales Related Taxes	not applicable		$0
30) Annual Refinance Deed Recordation Taxes	not applicable		$0
Parking (included with unit purchase)			
Total Direct Annual Tax Revenue		$7.67	***$225,920***

Notes:

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

(b) 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.

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