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ZONING COMMISSION
District of Columbia

CASE NO. 06-01

EXHIBIT NO. 7

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BOLAN SMART ASSOCIATES, INC.

900 19TH STREET, NW, SUITE 600, WASHINGTON, DC 20006 • (202) 371-1333 • FAX (202) 371-1334

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**RE: Square 776, Washington, DC
Economic Impact Overview**

Bolan Smart Associates has been asked to provide a brief overview of the magnitude of economic importance to the District of Columbia of constructing the proposed \$85 million mixed-use development at 3rd and H Streets NE. Not only does this new development represent a highly positive economic use to the District of Columbia – most significantly represented in the addition of a major new supermarket, also including some 330 residents and 180 jobs – the project is a vital part of repositioning the gateway to H Street, enhancing the new development potential and value for the entire surrounding neighborhood.

Based on evaluating a 100% completed project, 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 approximately \$3.11 million per year. The primary components, as summarized in Table 1, are estimated to be comprised of:
 - 1) \$661,000 per year in real estate taxes (compared with \$52,000 in real estate taxes as currently assessed);
 - 2) \$684,000 in (non resident related) sales taxes attributable to \$7.3 million in annual on-site taxable retail sales (not including non-taxable sales comprising the bulk of supermarket sales) derived from 54,551 rentable square feet of retail space. (See Table 2);
 - 3) limited parking tax revenue (\$16,000) from a 121 space commercial parking component;
 - 4) a limited amount of employment related sales tax revenues (\$30,000), attributable to \$350,000 in annual taxable sales (\$40 per week in retail expenditures per employee). (See Table 2);

- 5) \$1.30 million per year in DC resident income taxes derived from the development of 232 rental apartments. (See Tables 3 and 4);
 - 6) \$315,000 per year in DC resident retail sales tax revenues, attributable to \$4.42 million in DC based taxable sales. (See Tables 3 and 4); and
 - 7) \$105,000 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).
2. **Additional Project Related DC Residents:** Per a broad-based District goal, the planned construction of 232 residential living units will result in accommodations for approximately 330 residents. By creating an additional supply of new 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.
3. **Employment and Economic Activity Benefits:** As summarized on Table 1, a total of 176 full time equivalent jobs are estimated to be located at the proposed development, including over 165 retail related jobs, and a number of project support jobs, estimated to provide over \$5.0 million in annual District based payroll. Assuming that District residents hold 30% of the direct office jobs and 35% of the retail jobs, totaling over 60 DC resident jobs, the annual direct payroll going to District residents is over \$2.0 million. Adding a 25% economic multiplier to the District resident employment indicates a total District resident annual income base directly dependent on the subject project's job related activity of \$2.5 million (and close to \$0.20 million in annual District income tax receipts not directly related to project resident households).
4. **Neighborhood Enhancement:** Given the significance of the location and nature of the proposed investment relative to the existing dormant land uses, accentuated by the prominence of a new supermarket in a generally underserved location, the degree of positive

impact on neighborhood conditions, community vibrancy and associated tax revenues is substantial. Examples of the positive neighborhood related economic impacts include:

- a) The addition of a major supermarket represents a highly sought after consumer convenience, providing enhanced choices, increased market competition and improved neighborhood access. The provision of enclosed on-site parking brings an added level of consumer options to the greater neighborhood, allowing for supermarket operations to function in a contemporary format on a scale that would otherwise not be sufficient to support the sales volumes necessary to sustain a major new facility.
- b) The restoration of a functional use for the underused property should lead to stronger neighborhood conditions, impacting a number of city blocks proximate to the site. Modest estimates suggest that the increase in area real estate tax values and assessments associated with the revitalization of this significant site, enhanced by the presence of a much sought after supermarket operator, would be on the order of 5% or more, and typically would run higher for other currently underdeveloped properties.

5. **One-time Construction Related Benefits:** The combination of recordation fees associated with the proposed development, coupled with development processing fees and permits, could generate well in excess of \$1.5 million of direct District of Columbia tax revenues consequent from the initial development effort. In addition, more than 215 direct annual construction jobs are estimated to be created as part of a 24-month, \$58 million base building construction budget. The economic multipliers directly benefiting the District associated with this size of construction expenditure, including the purchase of over \$34 million of construction materials, will obviously be considerable.

6. **Provision of a Mix of Housing for DC Residents:** A distinguishing feature of the proposed project is the intent to build rental units, a product which has been overtaken of recent by ownership condominium (and conversion) activity. The average residential unit is projected to rent to households requiring incomes of less than \$85,000 per year, or within the range of published Area Medium Incomes for the greater region. Similarly, the anticipated inclusion of select units specifically set aside for moderate income households will provide needed homes for a range of households that are under housed or otherwise priced out of the marketplace.

**Table 1 - Combined Land Uses - Square 776, Washington, DC
ECONOMIC IMPACT SUMMARY - \$2005**

Direct Annual District Tax Revenues (assuming no abatements etc.)

District Tax Revenue

		<u>taxable value</u>	<u>tax value per sf</u>	<u>RE Taxes</u>	<u>total</u>
1) Real Estate Tax	retail	\$12,948,975	\$237	\$239,556	
see Tables 2-4	rental apartments	\$55,699,800	\$240	\$409,951	
	moderate priced rental	<u>\$1,245,539</u>	\$133	<u>\$11,957</u>	
	total	\$69,894,314			\$661,464
		<u>gross DC taxes</u>	<u>net DC retail related tax</u>		
2) Retail Space Direct Tax (non real estate)	supermarket	\$374,168	100.0%	\$374,168	
see Table 2	general retail	<u>\$310,096</u>	100.0%	<u>\$310,096</u>	
	total	\$684,264			\$684,264
		<u>taxable revenues</u>		<u>DC parking tax</u>	
3) Parking Tax	discounted general retail	\$132,495		\$15,899	\$15,899
see Table 2					
		<u>taxable sales</u>		<u>DC sales tax</u>	
4) Employee Related Sales Tax Revenue	retail employees	\$356,283		\$30,284	\$30,284
see Table 2					
		<u>total potential</u>		<u>net DC income tax</u>	
5) DC Resident Income Tax	rental apartments	\$1,404,493	90.0%	\$1,264,044	
see Tables 3-4	moderate priced rental	\$38,533	90.0%	<u>\$34,679</u>	
					\$1,298,723
		<u>total potential taxable sales</u>	<u>DC capture</u>	<u>DC sales tax</u>	
6) DC Resident Retail Expenditures	rental apartments	\$6,805,482	60.0%	\$306,247	
see Tables 3-4	moderate priced rental	<u>\$176,738</u>	65.0%	<u>\$8,616</u>	
		\$6,982,220			\$314,863
7) Other DC Resident Related Fees	rental apartments			\$102,082	
see Tables 3-4	moderate priced rental			<u>\$3,030</u>	
					\$105,112
Total Direct Annual DC Tax Revenue		\$3,110,609			\$3,110,609
		<u>gross DC taxes</u>		<u>net DC taxes</u>	
8) Total Direct Annual Tax Revenue By Use	retail	\$970,004	100.0%	\$970,004	
see Tables 2-4	rental apartments	\$2,082,323	100.0%	\$2,082,323	
	moderate priced rental	<u>\$58,282</u>	100.0%	<u>\$58,282</u>	
	Total Direct Annual DC Tax Revenue	\$3,110,609			\$3,110,609

One-time District Revenue

Recordation Taxes and Development Fees	\$1,500,000+
Construction Related Sales Tax	\$750,000+

Additional Project Related Residents

see Table 4

	<u>total residents</u>		<u>net DC residents</u>
rental apartments	315	100.0%	315
moderate priced rental	<u>15</u>	100.0%	<u>15</u>
total	330		330

Direct Project Full Time Employment (FTE jobs)

see Tables 2-3

	<u>DC jobs</u>		<u>DC residents</u>
Retail	167	35.0%	59
Parking	4	35.0%	1
Residential (one job / 50 units)	<u>5</u>	35.0%	<u>2</u>
Total Permanent FTE Jobs	176		62
Temporary Construction FTE Jobs (a)	<u>215</u>	35%	<u>75</u>
Total FTE Jobs	391		137

Indirect Employment, Economic and Tax Multipliers

not considered

(a) Construction employment: \$58,000,000 construction cost x 40% direct labor divided by \$54,000 average annual income, equaling 430 person years divided by 2.0 years for project completion, realizing 215 construction full time equivalent jobs.

Table 2 - Retail
Square 776 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Supermarket	45,000 gla
2) General Retail	9,551 gla
3) Total Retail	54,551 gla
4) Supermarket Parking	
5) General Retail Parking	121 spaces

Direct Project Full Time Employment (a)

300 sf per retail job
167 retail jobs
40 parking space / job
4 parking jobs
171 total jobs

Real Estate Tax

6) Supermarket Retail Real Estate Value	
7) General Retail Real Estate Value	
8) Parking (included above)	
9) Total Taxable Real Estate Value	
10) Commercial Real Estate Tax (net of possible DC abatements)	
11) Total Real Estate Taxes	

Building / Parking		
	one sf	total sf
	\$240.00	\$10,800,000
	\$225.00	\$2,148,975
		NA
100.00% of assessment	\$237.37	\$12,948,975
1.85% commercial tax rate	\$4.39	\$239,556
	\$4.39	\$239,556

Supermarket Direct Tax Revenues

12) On-site Taxable Retail Sales	
13) DC Average Applicable Sales Tax	
14) Sales Tax Net of On-Site Residents or Tenants	
16) DC Corporate Tax	
17) Business Personal Property	
18) Business Personal Property Tax	
19) Other Operating Taxes and Fees (b)	
20) Total Retail Related Taxes	
21) Net DC Supermarket Retail Related Taxes	

	one sf	total sf
\$90 per sf	\$90.00	\$4,050,000
5.75%	\$5.18	\$232,916
95.0% not on-site consumers	\$4.92	\$221,270
9.975% on 10% profit on gross	\$0.90	\$40,399
\$60.00 FF&E per sf	\$60.00	\$2,700,000
\$3.40 per \$100 assessed value	\$2.04	\$91,800
\$0.50 per sf	\$0.46	\$20,700
	\$8.31	\$374,168
100.0% net DC sales	\$8.31	\$374,168

General Retail Direct Tax Revenues

22) On-site Taxable Retail Sales (adjusted for 8% vacancy)	
23) DC Average Applicable Sales Tax (blended categories)	
24) Sales Tax Net of On-Site Residents or Tenants	
25) DC Corporate Tax	
26) Business Personal Property (adjusted for 8% vacancy)	
27) Business Personal Property Tax	
28) Other Operating Taxes and Fees (b)	
29) Total General Retail Related Taxes	
30) Net DC General Retail Related Tax Capture	

	one sf	total sf
\$375 per sf	\$345.00	\$3,295,095
8.0% inc. 1% convention center	\$27.60	\$263,608
95.0% not on-site consumers	\$26.22	\$250,427
9.975% on 10% profit on gross	\$3.44	\$32,869
\$75.00 FF&E per sf	\$69.00	\$659,019
\$3.40 per \$100 assessed value	\$2.35	\$22,407
\$0.50 per sf	\$0.46	\$4,393
	\$32.47	\$310,096
100.0% net DC sales	\$32.47	\$310,096

Parking

31) Parking Income (discounted for retail patrons)	
32)	
33) DC Parking Revenue Tax	

	one space	total spaces
\$3.00 per space per day		
\$1,095 per space per year	\$1,095	\$132,495
12.0% of gross revenue	\$131	\$15,899

Employee Related Sales Tax Revenue

34) FTE Employee Retail Expenditures Subject to Sales Tax	
35) Employee Related Sales Tax	

	one sf	total sf
\$40.00 per FTE per week	\$6.53	\$356,283
8.5% mostly meals	\$0.56	\$30,284

Total Direct Annual Tax Revenue

36)

	\$17.78	\$970,004
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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.

Table 3 - Market Rental Apartments
Square 776 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Total Apartments	232 units
2)	
3) Market Rate Apts	221 units
4) Average Apt Size	840 rsf (net rentable area)
5) Apartment RSF	185,666 rsf

Project Related DC Residents

1.4 persons / unit
<u>225</u> occupied units
315 total residents
<u>100.0%</u> net residents
315 DC residents

Real Estate Tax

6) Apartment Real Estate Assessment
7) Parking (included above)
8) Real Estate Value
9) Residential Real Estate Tax
10) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$240.00	\$44,559,840
		<u>NA</u>
125.0% of assessment	\$300.00	\$55,699,800
0.92% residential tax rate	\$2.21	\$409,951
	\$2.21	<u>\$409,951</u>
	one unit	total units
\$2.50 per sf	\$2,100	\$487,268
333.3% multiple of rent	\$84,003	\$19,488,780
90.0% of gross	\$75,603	\$17,539,902
\$30,000 of initial taxable income	\$2,000	\$464,000
9.3% DC tax rate over initial	<u>\$4,241</u>	<u>\$983,931</u>
	\$6,241	\$1,447,931
97.0% occupancy	\$6,054	\$1,404,493
100.0% net DC residents	<u>\$6,054</u>	<u>\$1,404,493</u>
90.0% of residents pay taxes	\$5,448	<u>\$1,264,044</u>
40.0% of taxable income	\$29,334	\$6,805,482
60.0% of expenditures	<u>\$17,600</u>	<u>\$4,083,289</u>
7.5% blend of categories	\$1,320	<u>\$306,247</u>
0.6% of taxable income	\$440	<u>\$102,082</u>
		<u>NA</u>
	\$7,209	<u>\$1,672,373</u>
	\$11.22	<u>\$2,082,323</u>

Residential Direct Tax Revenues

11) Monthly Rent
12) Minimum Required Gross Household Income
13) Taxable Income
14) Initial DC Income Tax
15) Additional DC Income Tax
16) Total Potential DC Income Taxes
17) Income Taxes Adjusted for Average Occupancy
18) Potential DC Residents
19) Income Tax Revenue Adjusted for Resident Status
20) Resident Retail Expenditures Subject to Sales Tax
21) District of Columbia Resident Sales Capture
22) DC Average Applicable Sales Tax (a)
23) Other Resident Related Use Taxes and Fees (b)
24) Personal Property Tax (not applicable) (c)
25) Total Residential Direct Tax Revenues

Parking (tax not applicable on residential parking)

Total Direct Annual Tax Revenue

26)

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.

Table 4 - Moderately Priced Rental Apartments
Square 776 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Total Apartments	232 units
2)	
3) Moderate Priced Apartments	11 units (estimated)
4) Average Apartment Size	852 rsf (net rentable area)
5) Apartment RSF	9,374 rsf

Project Related DC Residents

1.4 persons / unit
<u>11</u> occupied units
15 total residents
<u>100.0%</u> net residents
15 DC residents

Real Estate Tax

6) Apartment Real Estate Assessment
7) Parking (included above)
8) Real Estate Value
9) Residential Real Estate Tax
10) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$132.87	\$1,245,539
		<u>NA</u>
100.0% of assessment	\$132.87	\$1,245,539
0.92% residential tax rate	\$1.28	\$11,957
	\$1.28	<u>\$11,957</u>
	one unit	total units
\$1.50 per sf	\$1,278	\$14,061
333.3% multiple of rent	\$51,126	\$562,384
\$3,800 blended exemption	\$47,326	\$520,584
\$30,000 of initial taxable income	\$2,000	\$22,000
9.3% DC tax rate over initial	<u>\$1,611</u>	<u>\$17,724</u>
	\$3,611	\$39,724
97.0% occupancy	\$3,503	\$38,533
100.0% net DC residents	<u>\$3,503</u>	<u>\$38,533</u>
90.0% of residents pay taxes	\$3,153	<u>\$34,679</u>
35.0% of taxable income	\$16,067	\$176,738
65.0% of expenditures	<u>\$10,444</u>	<u>\$114,880</u>
7.5% blend of categories	\$783	<u>\$8,616</u>
0.6% of taxable income	\$275	<u>\$3,030</u>
		<u>NA</u>
	\$4,211	<u>\$46,325</u>
Parking (tax not applicable on residential parking)		
Total Direct Annual Tax Revenue		
28)	\$6.22	<u>\$58,282</u>

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.