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ZONING COMMISSION

CASE No. 06-04

EXHIBIT No. Tab-1

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**RE: 1600 North Capitol Street, Washington, DC
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 \$36 million mixed-use development comprised of 4,970 square feet of retail and approximately 76 condominium apartments (including a moderate income component). Not only does this new development represent a positive economic use for the District of Columbia – including close to 130 residents and a number of retail jobs – the project is a vital part of repositioning the highly visible North Capitol Street and Florida Avenue crossroads, enhancing the new development potential and value for the entire surrounding neighborhood.

Based on evaluating a 100% completed project, our findings are summarized below.

A) **Direct Annual District Tax Revenue:** The principal direct tax revenues to the District of Columbia resulting from the completion of this project – calculated in \$2006 – total approximately \$1.36 million per year. The primary components, as summarized in Table 1, are estimated to be comprised of:

- 1) \$340,700 per year in real estate taxes (compared with \$16,300 in real estate taxes as currently assessed);
- 2) \$133,600 in (non on-site employment or resident related) sales taxes attributable to \$1.62 million in annual on-site taxable retail sales derived from 4,970 rentable square feet of retail space. (See Table 2);
- 3) a modest amount in employment related sales tax revenues, attributable to \$27,000 in annual taxable sales (\$40 per week in retail expenditures per employee). (See Table 2);
- 4) \$666,600 per year in DC resident income taxes derived from the development of an estimated 76 residential condominiums. (See Tables 3 and 4);

- 5) \$101,800 per year in DC resident retail sales tax revenues, attributable to \$1.32 million in DC based taxable sales. (See Tables 3 and 4);
- 6) \$51,500 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) \$65,900 in recurring residential condominium resale transfer and deed recordation taxes assuming a normal 7% rate of annual property turnovers (not including possible refinancing related recordation fees). (See Tables 3 and 4).

- B) **Additional Project Related DC Residents:** Per a broad-based District goal, the planned construction of 76 residential living units will result in accommodations for approximately 130 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.
- C) **Provision of a Mix of Housing for DC Residents:** Per another District goal, the planned construction of a select number of moderate income units will provide needed homes for a range of households that are currently under housed or otherwise priced out of the marketplace.
- D) **Direct Employment Opportunities:** Approximately 15 retail related jobs and project support jobs are estimated to be created. This job generation is in addition to the 63 construction related jobs estimated to be created spanning each month of the project's 24-month construction period.
- E) **Neighborhood Enhancement:** Given the significance of the location and nature of the proposed investment relative to the existing land uses, the degree of positive impact on neighborhood conditions, community vibrancy and associated tax revenues is substantial.

F) **One-time Construction Related Benefits:** The combination of transfer and mortgage recordation fees associated with the proposed condominium sales, coupled with development processing fees and permits, could generate well in excess of \$1.0 million of direct District of Columbia tax revenues consequent from the initial development effort. In addition, the purchase of \$10.0 million of construction materials – while not explicitly quantified as part of this report – will obviously benefit the District.

**Table 1 - Combined Land Uses - 1600 North Capitol Street
ECONOMIC IMPACT SUMMARY - \$2006**

Direct Annual District Tax Revenues

Net District Tax Revenue

		<u>taxable value</u>	<u>tax value per sf</u>	<u>RE tax</u>	<u>total</u>
1) Real Estate Tax	retail	\$1,118,250	\$225	\$20,688	
see Tables 2-4	resid condominiums	\$33,825,014	\$487	\$311,190	
	moderate priced condo	<u>\$963,347</u>	\$162	<u>\$8,863</u>	
	total	\$35,906,612			\$340,741
2) Retail Space Direct Tax (non real estate)	general retail	<u>gross DC taxes</u> \$133,645	<u>net DC retail related tax</u> 100.0%	\$133,645	\$133,645
see Table 2					
3) Employee Related Sales Tax Revenue	retail employees	\$27,173		\$2,174	\$2,174
see Table 2					
4) DC Resident Income Tax	resid condominiums	<u>total potential</u> \$721,238	<u>net DC income tax</u> 100.0%	\$649,114	
see Tables 3-4	moderate priced condo	<u>\$19,381</u>	100.0%	<u>\$17,443</u>	
	total	\$740,620			\$666,558
5) DC Resident Retail Expenditures	resid condominiums	<u>total potential taxable sales</u> \$3,746,740	<u>other capture</u> 35.0%	<u>DC sales tax</u> \$98,352	
see Tables 3-4	moderate priced condo	<u>\$102,932</u>	45.0%	<u>\$3,474</u>	
	total	\$3,849,672			\$101,826
6) Other DC Resident Related Fees	resid condominiums			\$49,957	
see Tables 4-4	moderate priced condo			<u>\$1,544</u>	
					\$51,501
7) Recurring Condo Resale Transfer Fees			<u>annual unit turnover</u> 7.0%		<u>\$65,934</u>
see Table 3-4					
Total Direct Annual DC Tax Revenue		\$1,362,377			\$1,362,377
8) Total Direct Annual Tax Revenue By Use	retail	<u>gross DC taxes</u> \$156,507	<u>net DC taxes</u> 100.0%	\$156,507	
see Tables 2-4	resid condominiums	\$1,172,462	100.0%	\$1,172,462	
	moderate priced condo	<u>\$33,409</u>	100.0%	<u>\$33,409</u>	
	Total Direct Annual DC Tax Revenue	\$1,362,377			\$1,362,377

One-time District Revenue

Property Transfer Tax, Deed Recordation Taxes and Development Fees	\$1,000,000+
First-time Homebuyer DC Income Tax Credit	not considered
Construction Related Sales Tax	not considered

	<u>total residents</u>	<u>net DC residents</u>
Additional Project Related Residents		
see Tables 3-4		
resid condominiums	118	118
moderate priced condo	<u>10</u>	<u>10</u>
total	128	128

	<u>DC jobs</u>	<u>DC residents</u>
Direct Project Full Time Employment (FTE jobs)		
see Table 2		
Retail	13	35.0%
Residential (two jobs / 80 units)	2	35.0%
Total Permanent FTE Jobs	15	5
Temporary Construction FTE Jobs (a)	<u>63</u>	<u>22</u>
Total FTE Jobs	78	27

Indirect Employment, Economic and Tax Multipliers not considered

(a) Construction employment: \$17,000,000 construction cost x 40% direct labor divided by \$54,000 average annual income, equaling 126 person years divided by 2.0 years for project completion, realizing 63 construction full time equivalent jobs.

Table 2 - Retail
1600 North Capitol - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

- 1) General Retail 4,970 sf
 2)

Direct Project Full Time Employment (a)

- 350 sf per retail job
 13 retail jobs

Real Estate Tax

- 6) General Retail Real Estate Value
 9) Real Estate Value
 10) Real Estate Tax Revenue
 11) *Total Real Estate Tax Revenue*

Retail Direct Tax Revenues

- 12) On-site Taxable Retail Sales (assumed no vacancy)
 13) DC Average Applicable Sales Tax (blended rate)
 14) Sales Tax Net of On-Site Residents
 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 General Retail Related Tax Capture*

Employee Related Sales Tax Revenue

- 22) FTE Employee Retail Expenditures Subject to Sales Tax
 23) *Employee Related Sales Tax*

Total Direct Annual Tax Revenue

- 24)

Building / Parking		
	one sf	total sf
	\$225.00	\$1,118,250
100.00% of assessment	\$225.00	\$1,118,250
1.85% commercial tax rate	\$4.16	\$20,688
	\$4.16	\$20,688
	one sf	total sf
\$325 per sf	\$325.00	\$1,615,250
7.00%	\$22.75	\$113,068
95.0% not on-site consumers	\$21.61	\$107,414
9.975% on 10% profit on gross	\$3.24	\$16,112
\$45.00 FF&E per sf	\$45.00	\$223,650
\$3.40 per \$100 assessed value	\$1.53	\$7,604
\$0.55 per sf	\$0.51	\$2,515
	\$26.89	\$133,645
100.0% net DC sales	\$26.89	\$133,645
	one sf	total sf
\$40.00 per FTE per week	\$5.47	\$27,173
8.0% mostly meals	\$0.44	\$2,174
net	\$31.49	\$156,507

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 - Residential Condominiums
1600 North Capitol - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

1) Condominiums	76 units
2)	
3) Market Units	70 units
4) Average Size	993 nsf (net saleable area)
5) Total Saleable SF	69,495 nsf

Project Related DC Residents

1.75 persons / unit
67 occupied units
118 total residents
100.0% net residents
118 DC residents

Real Estate Tax

6) Condominium Real Estate Value (including parking)
7) DC Homestead Exemption
8) Seniors Exemption
9) Taxable Residential Real Estate Value
10) Parking (included above)
11) Real Estate Value
12) Residential Real Estate Tax (as DC proposed)
13) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$525.00	\$36,485,014
\$38,000 per unit	(\$38.28)	(\$2,660,000)
considered unlikely		\$0
	\$486.72	\$33,825,014
		NA
100.0% of assessment	\$486.72	\$33,825,014
0.92% residential tax rate	\$4.48	\$311,190.13
	\$4.48	\$311,190

Residential Direct Tax Revenues

14) Average Unit Value
15) Required Gross HH Income
16) Taxable Income
17) Initial DC Income Tax
18) Additional DC Income Tax
19) Total Potential DC Income Taxes
20) Income Taxes Adjusted for Average Occupancy
21) Potential DC Residents
22) Income Tax Revenue Adjusted for Resident Status
23) Resident Retail Expenditures Subject to Sales Tax
24) District of Columbia Resident Sales Capture
25) DC Average Applicable Sales Tax (a)
26) Other Resident Related Use Taxes and Fees (b)
27) Personal Property Tax (c)
28) Total Residential Direct Tax Revenues

	one unit	total units
\$520.00 per sf	\$516,251	\$36,137,538
30.0% multiple of unit value	\$154,875	\$10,841,261
80.0% of gross	\$123,900	\$8,673,009
\$30,000 of initial taxable income	\$2,000	\$140,000
9.3% DC tax rate over initial	<u>\$8,733</u>	<u>\$611,290</u>
	\$10,733	\$751,290
96.0% occupancy	\$10,303	\$721,238
90.0% of residents pay taxes	<u>\$9,273</u>	<u>\$649,114</u>
	\$9,273	\$649,114
45.0% of taxable income	\$53,525	\$3,746,740
35.0% of expenditures	<u>\$18,734</u>	<u>\$1,311,359</u>
7.5% blend of categories	\$1,405	\$98,352
0.6% of taxable income	\$714	\$49,957
		<u>not considered</u>
	\$11,392	\$797,423

Recurring Property Resale Transfer Fees

29) Annual Re-sales Related Taxes (2.5% combined fees)
30) Annual Refinance Deed Recordation Taxes

7.0% annual unit turnover	\$0.92	\$63,849
		not calculated

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)	net	\$16.87	\$1,172,462
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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 Condominiums
1600 North Capitol - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

1) Condominiums	76 units
2) Moderate Priced Component	(15% of additional FAR)
3) Moderate Priced Units	6 units (estimated)
4) Average Size	993 nsf (net saleable area)
5) Total Saleable SF	5,957 nsf

Project Related DC Residents

1.75 persons / unit
6 occupied units
10 total residents
100.0% net residents
10 DC residents

Real Estate Tax

6) Condominium Real Estate Value (including parking)
7) DC Homestead Exemption
8) Seniors Exemption
9) Taxable Residential Real Estate Value
10) Parking (included above)
11) Real Estate Value
12) Residential Real Estate Tax (as DC proposed)
13) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$200.00	\$1,191,347
\$38,000 per unit	(\$38.28)	(\$228,000)
considered unlikely		\$0
	\$161.72	\$963,347
		NA
100.00% of assessment	\$161.72	\$963,347
0.92% residential tax rate	\$1.49	\$8,862.80
	\$1.49	\$8,863

Residential Direct Tax Revenues

14) Average Unit Value
15) Required Gross HH Income
16) Taxable Income
17) Initial DC Income Tax
18) Additional DC Income Tax
19) Total Potential DC Income Taxes
20) Income Taxes Adjusted for Average Occupancy
21) Potential DC Residents
22) Income Tax Revenue Adjusted for Resident Status
23) Resident Retail Expenditures Subject to Sales Tax
24) District of Columbia Resident Sales Capture
25) DC Average Applicable Sales Tax (a)
26) Other Resident Related Use Taxes and Fees (b)
27) Personal Property Tax (c)
28) Total Residential Direct Tax Revenues

one unit	total units
\$200.00 per sf	\$198,558
\$1,191,347	\$1,191,347
30.0% multiple of unit value	\$59,567
\$357,404	\$357,404
75.0% of gross	\$44,676
\$268,053	\$268,053
\$30,000 of initial taxable income	\$2,000
\$12,000	\$12,000
9.3% DC tax rate over initial	\$1,365
\$8,189	\$8,189
\$3,365	\$20,189
96.0% occupancy	\$3,230
\$19,381	\$19,381
90.0% of residents pay taxes	\$2,907
\$17,443	\$17,443
\$2,907	\$17,443
40.0% of taxable income	\$17,155
\$102,932	\$102,932
45.0% of expenditures	\$7,720
\$46,320	\$46,320
7.5% blend of categories	\$579
\$3,474	\$3,474
0.6% of taxable income	\$257
\$1,544	\$1,544
	not considered
\$3,744	\$22,461

Recurring Property Resale Transfer Fees

29) Annual Re-sales Related Taxes (2.5% combined fees)
30) Annual Refinance Deed Recordation Taxes

7.0% annual unit turnover	\$0.35	\$2,085
		not calculated

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)	net	\$5.61	\$33,409
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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.