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**RE: Washington Gateway
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 \$290 million Washington Gateway mixed-use development at Florida and New York Avenues NE. Not only does this new development represent a dramatically positive economic use to the District of Columbia – including some 2,390 jobs and 370 residents – the project is a vital part of repositioning the northeast gateway to the entire downtown area of Washington, DC, enhancing the development potential and value for the surrounding neighborhood and beyond.

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 \$2006 – total approximately \$10.04 million per year. The primary components, as summarized in Table 1, are estimated to be comprised of:
 - 1) \$4.78 million per year in real estate taxes (compared with less than \$30,000 in 2005 real estate taxes);
 - 2) \$0.29 million in (non-office, hotel or resident related) sales taxes attributable to \$3.45 million in annual on-site taxable retail sales derived from 10,030 rentable square feet of retail space. (See Table 2);
 - 3) \$1.04 million in office use related taxes comprised of corporate taxes and user fees (530,000 rentable square feet, 50% of which occupied by the private sector). (See Table 3);
 - 4) \$1.72 million in hotel use related taxes, derived from \$12.91 million in room, overnight guest and other hotel patron revenues. (See Table 4);
 - 5) \$0.26 million in parking taxes from a 572 space commercial parking component; (See Tables 3 - 4);
 - 6) \$0.59 million per year in office, hotel and retail employment related sales tax revenues, attributable to \$7.33 million in annual taxable sales (\$45 to \$60 per week in retail expenditures per employee). (See Tables 2 - 3);

- 7) \$1.08 million per year in new DC resident income taxes derived from the development of 170 residential apartments. (See Tables 5 - 6);
- 8) \$0.20 million per year in new DC resident retail sales tax revenues, attributable to \$2.66 million in DC based taxable sales. (See Tables 5 - 6); and
- 9) \$0.09 million in new DC resident related use taxes and fees (residential building operation's, resident DMV fees, utility and telecommunications fees, etc.). (See Tables 5 - 6).

2. **Employment and Economic Activity Benefits:** There is a range of employment benefits which accrue from the completion of a mixed-use development at the subject property. As summarized on Table 1, a total of 2,390 full time equivalent jobs are estimated to be located at Washington Gateway, including 2,238 office jobs, 111 hotel jobs and 26 retail related jobs, plus a number of project support jobs, responsible for over \$150 million in annual District based payroll. Assuming that District residents hold 20% to 30% of all jobs, totaling at least 500 DC resident jobs, the annual direct payroll going to District residents is over \$32.5 million. Adding a 25% economic multiplier to the District resident employment indicates a total District resident annual income base directly dependent on the Washington Gateway job related activity of over \$40.0 million (and \$3.0 million in annual District income tax receipts not directly related to project resident households).

3. **Additional Project Related DC Residents:** Per a broad-based District goal, the planned construction of 234 residential living units (average of proposed 218 – 250 units) will result in accommodations for approximately 370 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.

4. **One-time Construction Related Benefits:** The combination of deed recordation fees associated with the proposed development, coupled with development processing fees and permits, could generate well in excess of \$3.5 million of direct District of Columbia tax revenues consequent from the initial development effort. In addition, close to 600 direct annual construction jobs are estimated to be created as part of a 30-month, \$200 million base building construction budget. The economic multipliers directly benefiting the District associated with this size of construction expenditure, including the purchase of over \$100 million of construction materials, will obviously be very substantial.

**Table 1 - Combined Land Uses - Washington Gateway
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	\$3,210,500	\$320	\$59,394	
see Tables 2-6	office	\$198,750,000	\$375	\$3,676,875	
	hotel	\$34,000,000	\$400	\$629,000	
	rental apartments	\$42,143,246	\$236	\$404,575	
	moderate priced rental	<u>\$1,041,676</u>	<u>\$140</u>	<u>\$10,000</u>	
	total	\$279,145,422			\$4,779,845
2) Retail Space Related Tax (non-real estate)		<u>taxable sales</u>		<u>net DC retail related tax</u>	
see Table 2	general retail	\$1,912,500		\$123,175	
	restaurant	<u>\$1,541,475</u>		<u>\$164,557</u>	
	total	\$3,453,975			\$287,732
3) Office Use Related Tax (non-real estate)		<u>gross DC taxes</u>		<u>net DC related tax</u>	
see Table 3		\$1,038,004		\$1,038,004	\$1,038,004
4) Hotel Use Related Tax (non-real estate)		<u>taxable sales</u>		<u>net DC related tax</u>	
see Table 4	room tax	\$8,144,063		\$818,478	
	other guest expenses	\$3,257,625		\$276,898	
	non-guest food & beverage	\$1,513,000		\$136,170	
	other			<u>\$486,275</u>	
		\$12,914,688			\$1,717,821
5) Parking Tax		<u>taxable revenues</u>		<u>DC parking tax</u>	
see Tables 3-4	office	\$1,579,200		\$189,504	
	hotel	<u>\$595,680</u>		<u>\$71,482</u>	
		\$2,174,880			\$260,986
6) Employee Related Sales Tax Revenue		<u>taxable sales</u>		<u>net DC retail related tax</u>	
see Tables 2-4	retail	\$61,693		\$4,935	
	office	\$7,006,308		\$560,505	
	hotel	<u>\$265,389</u>		<u>\$21,231</u>	
		\$7,333,391			\$586,671
7) DC Resident Income Tax		<u>total potential</u>		<u>net DC income tax</u>	
see Tables 5-6	rental apartments	\$1,166,003		\$1,049,402	
	moderate priced rental	<u>\$31,900</u>		<u>\$28,710</u>	
	total	\$1,197,903		\$1,078,113	\$1,078,113
8) DC Resident Retail Expenditures		<u>total potential taxable sales</u>	<u>other capture</u>	<u>DC sales tax</u>	
see Tables 5-6	rental apartments	\$5,740,193	45.0%	\$193,732	
	moderate priced rental	<u>\$146,493</u>	50.0%	<u>\$5,493</u>	
	total	\$5,886,686		\$199,225	\$199,225
9) Other DC Resident Related Fees					
see Tables 5-6	rental apartments			\$86,103	
	moderate priced rental			<u>\$2,511</u>	
	total			\$88,614	\$88,614
Total Direct Annual DC Tax Revenue					\$10,037,009
10) Total Direct Annual Tax Revenue By Use		<u>gross DC taxes</u>		<u>net DC taxes</u>	
see Tables 2-6	retail	\$352,061	100.0%	\$352,061	
	office	\$5,464,887	100.0%	\$5,464,887	
	hotel	\$2,439,534	100.0%	\$2,439,534	
	rental apartments	\$1,733,812	100.0%	\$1,733,812	
	moderate priced rental	<u>\$46,715</u>	100.0%	<u>\$46,715</u>	
	Total Direct Annual DC Tax Revenue	\$10,037,009			\$10,037,009

One-time District Revenue

Deed Recordation Taxes and Development Fees	\$3,500,000+
First-time Homebuyer DC Income Tax Credit	not considered
Construction Related Sales Tax	not considered

Project Related Residents

	<u>total residents</u>	<u>net DC residents</u>
rental apartments	356	356
moderate priced rental	<u>14</u>	<u>14</u>
total	370	370

Direct Project Full Time Employment (FTE jobs)

	<u>DC jobs</u>	<u>DC residents</u>
Retail	26	9
Office	2,238	448
Hotel	111	39
Parking	11	4
Residential (one job / 45 units)	5	2
Total Permanent FTE Jobs	2,390	501
Temporary Construction FTE Jobs (a)	<u>593</u>	<u>207</u>
Total FTE Jobs	2,983	708

Indirect Employment, Economic and Tax Multipliers

not considered

(a) Construction employment: \$200,000,000 construction cost x 40% direct labor divided by \$54,000 average annual income, equaling 1,481 person years divided by 30 months for project completion, realizing 593 construction full time equivalent jobs.

Table 2 - Retail
Washington Gateway
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

- 1) General Retail 6,000 rsf
- 2) Restaurant/entertain 4,030 rsf
- 3) Total Retail 10,030 rsf
- 4) Parking see office space
- 5)

Direct Project Full Time Employment (a)

- 350 sf per retail job
26 retail jobs

26 total jobs

Real Estate Tax

- 6) General Retail Real Estate Value
- 7) Restaurant Real Estate Value
- 8) Parking (included above)
- 9) Real Estate Assessment
- 10) Real Estate Tax Revenue
- 11) **Total Real Estate Tax Revenue**

Building / Parking		
	one sf	total sf
	\$300.00	\$1,800,000
	\$350.00	\$1,410,500
		<u>NA</u>
100.00% of value	\$320.09	\$3,210,500
1.85% commercial tax rate	\$5.92	<u>\$59,394</u>
	\$5.92	<u>\$59,394</u>

General Retail Related Use Taxes

15.0% vacancy

- 12) On-site Taxable Retail Sales
- 13) DC Average Applicable Sales Tax
- 14) Sales Tax Net of On-Site Residents or Office 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 General Retail Related Tax Capture**

	one sf	total sf
\$375 per sf	\$318.75	\$1,912,500
5.75%	<u>\$18.33</u>	<u>\$109,988</u>
85.0% not on-site consumers	\$15.58	\$93,490
9.975% on 10% profit on gross	<u>\$3.18</u>	<u>\$19,077</u>
\$45.00 FF&E per sf	<u>\$38.25</u>	<u>\$229,500</u>
\$3.40 per \$100 assessed value	\$1.30	\$7,803
\$0.55 per sf	<u>\$0.47</u>	<u>\$2,805</u>
	<u>\$20.53</u>	<u>\$123,175</u>
100.0% net DC sales	\$20.53	<u>\$123,175</u>

Restaurant / Entertainment Use Tax

15.0% vacancy

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

	one sf	total sf
\$450 per sf	\$382.50	\$1,541,475
9.0% net 1% convention center	<u>\$34.43</u>	<u>\$138,733</u>
100.0% not on-site consumers	\$34.43	\$138,733
9.975% on 10% profit on gross	\$3.82	\$15,376
\$75.00 FF&E per sf	<u>\$63.75</u>	<u>\$256,913</u>
\$3.40 per \$100 assessed value	\$2.17	\$8,735
\$0.50 per sf	<u>\$0.43</u>	<u>\$1,713</u>
	<u>\$40.83</u>	<u>\$164,557</u>
100.0% net DC sales	\$40.83	<u>\$164,557</u>

Employee Related Sales Tax Revenue

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

	one sf	total sf
\$45.00 per FTE per week	<u>\$6.15</u>	<u>\$61,693</u>
8.0% mostly meals	\$0.49	<u>\$4,935</u>

Total Direct Annual Tax Revenue

- 36)

net	\$35.10	<u>\$352,061</u>
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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 - Office
Washington Gateway
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006**

Project Description

- 1) General Office 530,000 rsf
- 2) Retail (see retail) 0 rsf
- 3) Total Building Area 530,000 rsf
- 4) Parking 470 spaces
- 5)

Direct Project Full Time Employment (a)

- 225 sf per office job
- 2,238 office jobs
- 60 parking space / parking job
- 8 parking jobs
- 2,246 total jobs

Real Estate Tax

- 6) General Office Real Estate Value
- 7) Retail Real Estate Value
- 8) Parking (included above)
- 9) Real Estate Assessment
- 10) Real Estate Tax Revenue
- 11) **Total Real Estate Tax Revenue**

Building / Parking		
	one sf	total sf
	\$375.00	\$198,750,000
	\$0.00	\$0
		NA
100.00% of value	\$375.00	\$198,750,000
1.85% commercial tax rate	\$6.94	<u>\$3,676,875</u>
	\$6.94	<u>\$3,676,875</u>
	one sf	total sf
\$110,000 per employee	\$232.22	\$123,077,778
9.975% on 5% profit on gross	<u>\$1.16</u>	<u>\$613,850</u>
\$2,050 per employee	<u>\$8.66</u>	<u>\$4,587,444</u>
\$3.40 per \$100 assessed value	\$0.29	\$155,973
\$0.55 per sf	<u>\$0.51</u>	<u>\$268,180</u>
	<u>\$1.96</u>	<u>\$1,038,004</u>
100.0% net DC revenues (c)	\$1.96	<u>\$1,038,004</u>
	one space	total spaces
\$14.00 per space per work day		
\$3,360 per space per year	<u>\$3,360</u>	<u>\$1,579,200</u>
12.0% of gross revenue	\$403	<u>\$189,504</u>
	one sf	total sf
\$60.00 per FTE per week	<u>\$13.22</u>	<u>\$7,006,308</u>
8.0% mostly meals	\$1.06	<u>\$560,505</u>
net	\$10.31	<u>\$5,464,887</u>

Private Sector Office Related Tax (50% private tenants)

- 12) Taxable Gross Revenues (adjusted for 5% vacancy)
- 13) DC Corporate Tax
- 14) Business Personal Property (adjusted for 5% vacancy)
- 15) Business Personal Property Tax
- 16) Other Operating Taxes and Fees (b)
- 17) Total General Office Related Taxes
- 18) **Net DC Private Office Tax Capture**

Parking

- 19) Parking Income
- 20)
- 21) **DC Parking Revenue Tax**

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)

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.
- (c) While the majority of office tenants will relocate from other DC bldgs, some new, and all vacated space ultimately filled by new employment.

Table 4 -Hotel
Washington Gateway
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

- 1) Hotel Rooms 170 rooms
- 2)
- 3) Total Building Area 85,051 nsf
- 4) Parking 102 spaces
- 5)

Direct Project Full Time Employment (a)

- 0.65 job per room
111 jobs
35 parking space / job
3 parking jobs
113 total jobs

Real Estate Tax

- 6) General Retail Real Estate Value
- 7)
- 8) Parking (included above)
- 9) Real Estate Value
- 10) Real Estate Tax Revenue
- 11) **Total Real Estate Tax Revenue**

Direct Use Related Tax Revenues

- 12) Room Nights
- 13) Room Revenue
- 14) **Transient Accommodations Tax**
- 15) Other Hotel Expenditures (inc. restaurant)
- 16) **Other Hotel Guest Sales Tax**
- 17) Business Personal Property
- 18) Business Personal Property Tax
- 19) Other Operating Taxes and Fees (b)
- 20) Total Direct Use Related Taxes
- 21) **Net DC Direct Use Tax Capture**

Other Direct Tax Revenue

- 22) Non-Hotel Related Food & Beverage Sales
- 23) DC Average Applicable Sales Tax
- 24) Sales Tax Net of Hotel Guests
- 25) DC Corporate Tax
- 26) Total Other Direct Tax Revenue
- 27) **Net Other Direct DC Tax Capture**

Parking

- 28) Parking Income
- 29)
- 30) **DC Parking Revenue Tax**

Employee Related Sales Tax Revenue

- 31) FTE Employee Retail Expenditures Subject to Sales Tax
- 32) **Employee Related Sales Tax**

Total Direct Annual Tax Revenue

- 33)

Building / Parking		
	one room	total rooms
	\$200,000	\$34,000,000
		NA
100.00% of assessment	\$200,000	\$34,000,000
1.85% commercial tax rate	\$3,700	\$629,000
	\$3,700	\$629,000
	one room	total rooms
75.0% occupancy	274	46,538
\$175 average daily rate	\$47,906	\$8,144,063
10.05% tax rate (District portion)	\$4,815	\$818,478
\$70 per occupied room night	\$19,163	\$3,257,625
8.5% blended sales tax rate	\$1,629	\$276,898
\$30,000 FF&E per room	\$30,000	\$5,100,000
\$3.40 per \$100 assessed value	\$1,020	\$173,400
\$4.25 per room night	\$1,163	\$197,784
	\$8,627	\$1,466,561
100.0% net DC sales	\$8,627	\$1,466,561
	one room	total rooms
\$25 per room per day	\$8,900	\$1,513,000
9.0% net 1% convention center	\$801	\$136,170
100.0% not on-site consumers	\$801	\$136,170
9.975% on 10% profit on gross	\$677	\$115,090
	\$1,478	\$251,260
100.0% net DC sales	\$1,478	\$251,260
	one space	total spaces
\$16.00 per space per day		
\$5,840 per space per year	\$5,840	\$595,680
12.0% of gross revenue	\$701	\$71,482
	one room	total rooms
\$45.00 per FTE per week	\$3.12	\$265,389
8.0% mostly meals	\$124.89	\$21,231
net	\$14,631	\$2,439,534

Notes:

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

Table 5 - Rental Apartments
Washington Gateway
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

1) Total Apartments (218 - 250 units)	234 units (average)
2)	
3) Market Rate Apartments	225 units
4) Average Apartment Size	795 rsf (net rentable area)
5) Apartment RSF	178,573 rsf

Project Related DC Residents

1.6 persons / unit
<u>213</u> occupied units
341 total residents
<u>100.0%</u> net residents
341 DC residents

Real Estate Tax

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

Building / Parking		
	one sf	total sf
	\$295.00	\$52,679,057
		NA
80.0% of value	\$236.00	\$42,143,246
0.96% residential tax rate	\$2.27	\$404,575.16
	\$2.27	\$404,575
	one unit	total units
\$2.35 per sf	\$1,868	\$419,647
333.3% multiple of rent	\$74,716	\$16,784,190
90.0% of gross	\$67,244	\$15,105,771
\$30,000 of initial taxable income	\$2,000	\$449,280
9.3% DC tax rate over initial	<u>\$3,464</u>	<u>\$778,091</u>
	\$5,464	\$1,227,371
95.0% occupancy	\$5,191	\$1,166,003
90.0% of residents pay taxes	<u>\$4,671</u>	<u>\$1,049,402</u>
	\$4,671	\$1,049,402
40.0% of taxable income	\$25,553	\$5,740,193
45.0% of expenditures	<u>\$11,499</u>	<u>\$2,583,087</u>
7.5% blend of categories	\$862	\$193,732
0.6% of taxable income	\$383	\$86,103
		NA
	\$5,917	\$1,329,237
	net	\$9.71
		\$1,733,812

Residential Use Related 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 Use Related 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 6 - Moderately Priced Rental Apartments
Washington Gateway
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006

Project Description

1) Total Apartments	234 units
2) Moderate Priced Component	
3) Moderate Priced Apartments	9 units
4) Average Apartment Size	<u>795</u> rsf (net rentable area)
5) Apartment RSF	7,441 rsf

Project Related DC Residents

1.6 persons / unit
9 occupied units
14 total residents
<u>100.0%</u> net residents
14 DC residents

Real Estate Tax

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

Building / Parking		
	one sf	total sf
	\$175.00	\$1,302,095
		<u>NA</u>
80.0% of value	\$140.00	\$1,041,676
0.96% residential tax rate	\$1.34	\$10,000.09
	\$1.34	\$10,000
	one unit	total units
11) Monthly Rent	\$1.60 per sf	\$1,272
12) Minimum Required Gross Household Income	333.3% multiple of rent	\$50,870
13) Taxable Income	\$3,800 blended exemption	\$47,070
14) Initial DC Income Tax	\$30,000 of initial taxable income	\$2,000
15) Additional DC Income Tax	9.3% DC tax rate over initial	<u>\$1,588</u>
16) Total Potential DC Income Taxes	\$3,588	\$33,579
17) Income Taxes Adjusted for Average Occupancy	95.0% occupancy	\$3,408
18) Potential DC Residents	90.0% of residents pay taxes	<u>\$3,067</u>
19) Income Tax Revenue Adjusted for Resident Status	\$3,067	\$28,710
20) Resident Retail Expenditures Subject to Sales Tax	35.0% of taxable income	\$15,651
21) District of Columbia Resident Sales Capture	50.0% of expenditures	<u>\$7,825</u>
22) DC Average Applicable Sales Tax (a)	7.5% blend of categories	\$587
23) Other Resident Related Use Taxes and Fees (b)	0.6% of taxable income	\$268
24) Personal Property Tax (not applicable) (c)		<u>NA</u>
25) Total Residential Use Related Tax Revenues	\$3,923	\$36,715
Parking (tax not applicable on residential parking)		
Total Direct Annual Tax Revenue		
28)	net	\$6.28
		\$46,715

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.