

# BOLAN SMART ASSOCIATES, INC

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## **RE 5220 Wisconsin 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 a mixed-use development comprising approximately 13,200 square feet of retail and 55 to 70 residential condominiums (with midpoint of 63 units used in this analysis), including 6 to 7 affordable units. Not only does this development represent expanded economic use of the site – including the addition of new District of Columbia residents – the project helps solidify the retail and street front vitality along this portion of Wisconsin Avenue.

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

1) **\$1.9 Million in 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 \$1,900,000 per year in terms of net tax revenue generated. The primary components of the project generated taxes, as summarized in Tables 1 to 4, are estimated to be comprised of:

- 1) \$542,000 per year in real estate taxes (This compares with \$31,000 in real estate taxes for the 2006 tax year for the property as currently improved)
- 2) \$531,000 in retail related taxes coming from customers located off site (not on site tenants or residents) attributable to \$6,041,000 in estimated overall annual on site taxable retail sales derived from the provision of approximately 13,200 square feet of retail. (See Table 2. Note actual tenants and mix of uses are not as yet identified). This on site retail related sales tax representing 27.8% of the total estimated project tax impact, should replace by a substantial margin the taxes assumed to be attributable to the more limited current uses of the subject site.
- 3) \$4,900 per year in parking taxes associated with the provision of retail and community oriented parking (See Table 2)
- 4) \$5,500 per year in employment related sales tax revenues consequent from \$68,000 in annual taxable sales generated by on-site commercial tenants (\$42 per week in retail expenditures per employee) (See Table 2)

- 5) \$629 000 per year in new DC resident income taxes (70% of resident households considered new to the District or otherwise backfilled at former locations by new DC residents of which 90% are considered tax paying) derived from the development of 63 condominium apartments (See Tables 3 and 4)
  - 6) \$71 000 per year in DC resident retail sales tax revenues attributable to \$943 000 in DC based taxable sales (@ 25% to 50% DC capture of DC resident retail sales) (See Tables 3 and 4)
  - 7) \$50 000 in DC resident related use taxes and fees (residential building operations resident DMV fees utility and telecommunications fees etc) (See Tables 3 and 4) and
  - 8) \$80 000 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 should generate millions of dollars in additional annual economic activity not directly accounted for in the project-specific tax generation data. The creation of approximately 34 retail related jobs and project support jobs are estimated to replace the more limited current commercial employment at the property. This job generation is in addition to the creation of an estimated 152 construction related jobs spanning each month of the project's 18-month construction period
- 3 **Construction Related Benefits** The combination of initial recordation fees, development processing fees and permits could generate well in excess of \$1.2 million 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 as well

**Table 1 - Combined Land Uses - 5220 Wisconsin Avenue, NW  
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	\$5 213 250	\$395	\$96 445	
see Tables 2-4	resid condominiums	\$47 691 910	\$654	\$438 766	
	affordable priced condo	<u>\$776,734</u>	\$143	<u>\$7,146</u>	
	total	\$53,681 894			\$542 357
2) Retail Space Direct Tax (non real estate)		<u>gross DC taxes</u>		<u>net DC retail related tax</u>	
see Table 2	general retail	\$313 327	100 0%	\$313 327	
	restaurant	<u>\$217,736</u>	100 0%	<u>\$217,736</u>	
					\$531 063
3) Parking Tax		<u>taxable revenues</u>		<u>DC parking tax</u>	
see Table 2	retail	\$41 063		\$4 928	
					\$4 928
4) Employee Related Sales Tax Revenue		<u>total taxable sales</u>		<u>DC sales tax</u>	
see Table 2	retail employees	\$68 468		\$5 477	
					\$5 477
5) DC Resident Income Tax		<u>total potential</u>		<u>net DC income tax</u>	
see Tables 3-4	resid condominiums	\$990 532	63 0%	\$624 035	
	affordable priced condo	<u>\$19,923</u>	27 0%	<u>\$5,379</u>	
	total	\$1 010 455			\$629 414
6) DC Resident Retail Expenditures		<u>total potential taxable sales</u>		<u>other capture</u>	<u>DC sales tax</u>
see Tables 3-4	resid condominiums	\$3 705 143	25 0%	\$69 471	
	affordable priced condo	<u>\$33,134</u>	50 0%	<u>\$1,243</u>	
	total	\$3 738 278			\$70 714
7) Other DC Resident Related Fees					
see Tables 4-4	resid condominiums			\$49 402	
	affordable priced condo			<u>\$497</u>	
					\$49 899
8) Recurring Condo Resale Transfer Fees			<u>annual unit turnover</u>		
see Table 3-4			7 0%		<u>\$80,463</u>
<b>Total Direct Annual DC Tax Revenue</b>		<b>\$2,224 438</b>			<b>\$1 914 314</b>
9) Total Direct Annual Tax Revenue By Use		<u>gross DC taxes</u>		<u>net DC taxes</u>	
see Tables 2-4	retail	\$637 913	100 0%	\$637 913	
	resid condominiums	\$1 555 097	81 0%	\$1 260 294	
	affordable priced condo	<u>\$31,428</u>	51.3%	<u>\$16,108</u>	
	<b>Total Direct Annual DC Tax Revenue</b>	<b>\$2,224 438</b>			<b>\$1 914,314</b>

**One time District Revenue**

Property Transfer Tax, Deed Recordation Taxes and Development Fees \$1 200 000+  
 First time Homebuyer DC Income Tax Credit not considered  
 Construction Related Sales Tax not considered

		<u>total residents</u>	<u>net new DC residents</u>
Project Residents	resid condominiums	91	70 0%
see Tables 3-4	affordable priced condo	<u>10</u>	30 0%
	total	101	67

		<u>DC jobs</u>	<u>DC residents</u>
Direct Project Full Time Employment (FTE jobs)	Retail	31	35 0%
see Table 2	Residential	<u>3</u>	35 0%
	<b>Total Permanent FTE Jobs</b>	<b>34</b>	<b>12</b>
	Temporary Construction FTE Jobs (a)	<u>152</u>	35%
	<b>Total FTE Jobs</b>	<b>186</b>	<b>65</b>

**Indirect Employment, Economic and Tax Multipliers** not considered

(a) Construction employment. \$30,750,000 hard construction cost x 40% direct labor divided by \$54 000 average annual income equaling 228 person years divided by 1.5 years for project completion, realizing 152 construction full time equivalent jobs

**Table 2 - Retail**  
**5220 Wisconsin Avenue, NW Washington, DC**  
**ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006**

<b>Project Description</b> (specific retail tenants not yet identified)	<b>Direct Project Full Time Employment (a)</b>
1) General Retail                      9 000 sf	
2) Food Service <u>4,200</u> sf	
3) Total Retail                      13 200 sf	400 sf per retail job
4) Parking                              15 spaces	
5)	31 retail jobs

**Real Estate Tax**

Building / Parking		
	one sf	total sf
6) General Retail Real Estate Value	\$374 06	\$3 366 563
7) Food Service Real Estate Value	\$439 69	\$1 846,688
8) Parking (included above)		NA
9) Real Estate Assessment	100 00% of assessment	\$394 94
10) Real Estate Tax Revenue	1 85% commercial tax rate	\$7 31
11) <b>Total Real Estate Tax Revenue</b>	\$7 31	<b>\$96 445</b>

**Retail Direct Tax Revenues**

	one sf	total sf
12) On site Taxable Retail Sales (adjusted for 5% space vacancy)	\$450 per sf	\$427 50
13) DC Average Applicable Sales Tax (blended rate)	7 00%	<u>\$29 93</u>
14) Sales Tax Net of On-Site Residents	95 0% not on-site consumers	\$28 43
16) DC Corporate Tax	9 975% on 10% profit on gross	<u>\$4 26</u>
17) Business Personal Property (adjusted for 5% space vacancy)	\$50 00 FF&E per sf	<u>\$47 50</u>
18) Business Personal Property Tax	\$3 40 per \$100 assessed value	\$1 62
19) Other Operating Taxes and Fees (b)	\$0 55 per sf	<u>\$0 51</u>
20) Total Retail Related Taxes	<u>\$34 81</u>	<u>\$313,327</u>
21) <b>Net DC General Retail Related Tax Capture</b>	100 0% net DC sales	\$34 81

**Food Service Direct Tax Revenues**

	one sf	total sf
22) On site Taxable Retail Sales (adjusted for 5% space vacancy)	\$550 per sf	\$522 50
23) DC Average Applicable Sales Tax	9 0% net 1% convention center	<u>\$47 03</u>
24) Sales Tax Net of On-Site Residents or Commercial Tenants	92 0% not on-site consumers	\$43 26
25) DC Corporate Tax	9 975% on 10% profit on gross	\$5 21
26) Business Personal Property (adjusted for 5% space vacancy)	\$90 00 FF&E per sf	<u>\$85 50</u>
27) Business Personal Property Tax	\$3 40 per \$100 assessed value	\$2 91
28) Other Operating Taxes and Fees (b)	\$0 50 per sf	<u>\$0 46</u>
29) Total Retail Related Taxes	<u>\$51 84</u>	<u>\$217,736</u>
30) <b>Net Food Service Related Tax Capture</b>	100 0% net DC sales	\$51 84

**Parking**

	one space	total spaces
31) Parking Income (approx 50% of spaces discounted for retail use)	\$7 50 per average space per day	
32)	\$2,738 per space per year	<u>\$41,063</u>
33) <b>DC Parking Revenue Tax</b>	12 0% of gross revenue	\$329

**Employee Related Sales Tax Revenue**

	one sf	total sf
34) FTE Employee Retail Expenditures Subject to Sales Tax	\$42 00 per FTE per week	<u>\$5 19</u>
35) <b>Employee Related Sales Tax</b>	8 0% mostly meals	\$0 41

**Total Direct Annual Tax Revenue**

36)	gross	\$48 33	<b>\$637 913</b>
	net new	\$48 33	<b>\$637 913</b>

**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**  
**5220 Wisconsin Avenue, NW - Washington, DC**  
**ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS \$2006**

Project Description		Project Related DC Residents
1) Condominiums	63 units	1 70 persons / unit
2)		<u>54</u> occupied units
3) Market Units	56 units	91 total residents
4) Average Size	<u>1,302</u> nsf (net saleable area)	<u>70.0%</u> net new residents
5) Total Saleable SF	72,931 nsf	64 new DC residents

	Building / Parking	
	one sf	total sf
<b>Real Estate Tax</b>		
6) Condominium Real Estate Value (including parking)	\$700 00	\$51 051 910
7) DC Homestead Exemption	\$60,000 per unit (\$46 07)	(\$3 360 000)
8) Seniors Exemption	considered unlikely	<u>\$0</u>
9) Taxable Residential Real Estate Value	\$653 93	\$47 691 910
10) Parking (included above)		NA
11) Total Taxable Real Estate Value	100 0% of assessment \$653 93	\$47 691 910
12) Residential Real Estate Tax	0 92% residential tax rate \$6 02	\$438 765 57
13) <b>Total Real Estate Tax Revenue</b>	\$6 02	<b>\$438 766</b>
<b>Residential Direct Tax Revenues</b>		
		one unit      total units
14) Average Unit Value	\$700 00 per sf \$911 641	\$51 051 910
15) Average Required Gross HH Income	30 0% multiple of unit value \$273 492	\$15 315 573
16) Taxable Income	80 0% of gross \$218,794	\$12,252 458
17) Initial DC Income Tax	\$30 000 of initial taxable income \$2,000	\$112,000
18) Additional DC Income Tax	8 7% DC tax rate over initial <u>\$16,425</u>	<u>\$919,804</u>
19) Total Potential DC Income Taxes	\$18 425	\$1 031 804
20) Income Taxes Adjusted for Average Occupancy	96 0% occupancy \$17 688	\$990 532
21) Potential DC Residents	90 0% of residents pay taxes <u>\$15,919</u>	<u>\$891,479</u>
22) <b>Income Tax Revenue Adjusted for Resident Status</b>	70 0% net new residents \$11 143	<b>\$624 035</b>
23) Resident Retail Expenditures Subject to Sales Tax (net new)	45 0% of taxable income \$66,163	\$3 705 143
24) District of Columbia Resident Sales Capture	25 0% of expenditures <u>\$16,541</u>	<u>\$926,286</u>
25) <b>DC Average Applicable Sales Tax (a)</b>	7 5% blend of categories \$1 241	<b>\$69 471</b>
26) <b>Other Resident Related Use Taxes and Fees (b)</b>	0 6% of taxable income \$882	<b>\$49 402</b>
27) Personal Property Tax (c)		not considered
28) <b>Total Residential Direct Tax Revenues (net new)</b>	\$13 266	<b>\$742 908</b>
<b>Recurring Property Resale Transfer Fees</b>		
29) Annual Re-sales Related Taxes (2 2% combined fees)	7 0% annual unit turnover \$1 08	\$78 620
30) Annual Refinance Deed Recordation Taxes		not calculated
<b>Parking (included with unit purchase)</b>		
<b>Total Direct Annual Tax Revenue</b>	gross	\$21 32
31)	net new	<b>\$1 555 097</b>
		<b>\$1 260 294</b>

**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 - Affordable Priced Condominiums**  
**5220 Wisconsin Avenue, NW - Washington, DC**  
**ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2006**

Project Description		Project Related DC Residents
1) Condominiums	63 units	1.5 persons / unit
2) Affordable Priced Component	(12% of additional FAR)	7 occupied units
3) Affordable Priced Units	7 units	10 total residents
4) Average Size	777 nsf (net saleable area)	30.0% net new residents
5) Total Saleable SF	5,440 nsf	3 new DC residents

	Building / Parking	
	one sf	total sf
<b>Real Estate Tax</b>		
6) Condominium Real Estate Value (including parking)	\$220 00	\$1 196 734
7) DC Homestead Exemption	\$60 000 per unit	(\$77 21)
8) Seniors Exemption	considered unlikely	\$0
9) Taxable Residential Real Estate Value	\$142 79	\$776,734
10) Parking (included above)		NA
11) Total Taxable Real Estate Value	100.00% of assessment	\$142 79
12) Residential Real Estate Tax	0.92% residential tax rate	\$1 31
13) <b>Total Real Estate Tax Revenue</b>	\$1 31	\$7 146
<b>Residential Direct Tax Revenues</b>		
14) Average Unit Value	\$235 00 per sf	\$182,619
15) Average Required Gross HH Income	30.0% multiple of unit value	\$54 786
16) Taxable Income	75.0% of gross	\$41 089
17) Initial DC Income Tax	\$30 000 of initial taxable income	\$2,000
18) Additional DC Income Tax	8.7% DC tax rate over initial	\$965
19) Total Potential DC Income Taxes		\$2,965
20) Income Taxes Adjusted for Average Occupancy	96.0% occupancy	\$2,846
21) Potential DC Residents	90.0% of residents pay taxes	\$2,562
22) <b>Income Tax Revenue Adjusted for Resident Status</b>	30.0% net new residents	\$768
23) Resident Retail Expenditures Subject to Sales Tax (net new)	40.0% of taxable income	\$4 733
24) District of Columbia Resident Sales Capture	50.0% of expenditures	\$2,367
25) <b>DC Average Applicable Sales Tax (a)</b>	7.5% blend of categories	\$178
26) <b>Other Resident Related Use Taxes and Fees (b)</b>	0.6% of taxable income	\$71
27) Personal Property Tax (c)		not considered
28) <b>Total Residential Direct Tax Revenues (net new)</b>		\$1 017
<b>Recurring Property Resale Transfer Fees</b>		
29) Annual Re-sales Related Taxes (2.2% combined fees)	7.0% annual unit turnover	\$0 34
30) Annual Refinance Deed Recordation Tax		not calculated
<b>Parking (included with unit purchase)</b>		
<b>Total Direct Annual Tax Revenue</b>		
31)	gross	\$5 78
	net new	\$2 96
		\$31 428
		\$16,108

**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.