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**2201 M Street, NW, Washington, DC - Hotel**
**Economic Impact**

Bolan Smart Associates has been asked to provide an overview of the economic benefits to the District of Columbia of a planned 238 room hotel at 2201 M Street, NW. Based on evaluating a 100% completed project, our findings are summarized below.

A. **Direct Annual District Tax Revenue ($2011)**: The principal direct tax revenues to the District of Columbia resulting from the completion of this project total approximately $4.69 million per year (calculated in $2011). The primary components, as summarized in Table 1, are estimated to be comprised of:

1) $1.87 million per year in real estate taxes;

2) $2.42 million in hotel use related taxes, derived from $17.73 million in room, overnight guest and other revenues associated with a 238 room hotel (See Table 2);

3) $0.30 million in restaurant / bar sales taxes attributable to $3.73 million in annual on-site taxable retail sales derived from 5,144 square feet of retail space (See Table 3);

4) $0.08 million in parking taxes from an approximate 53 stacked space commercial parking component (See Table 2); and

5) $0.02 million per year in hotel and retail employment related sales tax revenues, attributable to $0.29 million in annual taxable sales ($50 per week in retail expenditures per employee) (See Tables 2 - 3).

B. **Employment and Economic Activity Benefits**: There is a range of employment benefits which accrue from the completion of the proposed development. As summarized on Table 1, in the range of 110 hotel and retail related full time equivalent permanent jobs are estimated to be located at the development, responsible for over $5.0 million in annual District based payroll. Assuming that District residents hold at least 50% of all jobs (per First Source Agreement) totaling over 55 DC resident jobs, the annual direct payroll going to District residents is over $2.5 million. Adding a 25% economic multiplier to the District resident employment indicates a total District resident annual income base directly dependent on the subject related activity in the range of $3.0+ million (and $0.20 million in annual District income tax receipts).

B. **One-time Construction Related Benefits**: The combination of deed recordation fees, 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, approximately 168 full time construction jobs (also subject to the First Source Agreement) are projected to be created as part of a 20 month, $39.3 million base building construction budget. The economic multipliers directly benefiting the District associated with this size of construction expenditure, including the purchase of over $23.0 million of construction materials, will obviously be substantial.

C. **Certified Business Enterprise Contracting Opportunities**: A project development agreement with the District of Columbia stipulates that a significant portion of eligible development and construction be contracted using Certified Business Enterprises pursuant to the Small, Local and Disadvantaged Business Enterprise Development and Assistance Act of 2005. This establishes a goal for CBE development related contracting costs consisting of over $11.0 million.

## Table 1 - Combined Land Uses - 2201 M Street, NW, Washington, DC - Hotel
## ECONOMIC IMPACT SUMMARY - $2011

**Direct Annual District Tax Revenues** — **District Tax Revenue**

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | *taxable value* | *tax value per sf* | *RE tax* | *total* |
| 1) | Real Estate Tax | hotel | $101,150,000 | $813 | $1,865,275 | |
| | | total | $101,150,000 | | | $1,865,275 |
| | | | *taxable sales* | | *DC related tax* | |
| 2) | Hotel Related Tax Revenue | room tax | $16,053,576 | | $1,613,384 | |
| | | other guest expenses | $1,672,248 | | $142,141 | |
| | | non-room service food & beverage | see retail space | | see retail space | |
| | | other | | | $665,455 | |
| | | | $17,725,824 | | | $2,420,980 |
| | | | *taxable sales* | | *DC retail related tax* | |
| 3) | Retail Space Direct Tax (non real estate) | restaurant / bar | $3,729,400 | | $299,392 | |
| | | total | $3,729,400 | | | $299,392 |
| | | | *taxable revenues* | | *DC parking tax* | |
| 4) | Parking Tax | hotel | $446,870 | | $80,437 | |
| | | | $446,870 | | | $80,437 |
| | | | *taxable sales* | | *DC retail related tax* | |
| 5) | Employee Related Sales Tax Revenue | hotel | $154,838 | | $12,387 | |
| | | restaurant / bar employees | $133,744 | | $10,700 | |
| | | | $288,582 | | | $23,087 |
| | | **Total Direct Annual DC Tax Revenue** | $4,689,170 | | | $4,689,170 |
| | | | *gross DC taxes* | | *DC taxes* | |
| 6) | Total Direct Annual Tax Revenue By Use | hotel | $4,379,079 | | $4,379,079 | |
| | | restaurant / bar | $310,092 | | $310,092 | |
| | | **Total Direct Annual DC Tax Revenue** | $4,689,170 | | | $4,689,170 |

**One-time District Revenue**

| | |
|---|---|
| Deed Recordation Taxes and Development Fees | $1,000,000+ |
| Construction Related Sales Tax | not considered |

| **Direct Project Full Time Employment** (FTE jobs) | *DC jobs* | | *DC residents* |
|---|---|---|---|
| Restaurant | 51 | 51.0% | 26 |
| Hotel | 60 | 51.0% | 30 |
| **Total Permanent FTE Jobs** | **111** | | **57** |
| Temporary Construction FTE Jobs (a) | 168 | 51.0% | 86 |
| **Total FTE Jobs** | **279** | | **142** |

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

(a) Construction employment: $39,300,000 construction cost x 40% direct labor divided by $56,000 average annual income, equaling 281 person years divided by 20 months for project completion, realizing 168 construction full time equivalent jobs.

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**Table 2 - Hotel**
**2201 M Street, NW, Washington, DC - Hotel**
**ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - $2011**

| **Project Description** | | | **Direct Project Full Time Employment** (a) |
|---|---|---|---|
| 1) Hotel Rooms | 238 | rooms | 0.25 jobs / room |
| 2) | 124,479 | gsf (incl. all above grade space) | 60 jobs (incl. parking, net of rest.) |
| 3) | 523 | gsf per room (including retail) | |
| 4) Parking | 53 | spaces (including stacked) | |
| 5) | | | 60 total jobs |

| | Building / Parking | | | |
|---|---|---|---|---|
| **Real Estate Tax** | | | one room | total rooms |
| 6) General Real Estate Value | | | *$425,000* | *$101,150,000* |
| 7) | | | | |
| 8) Parking (included above) | | | | NA |
| 9) Total Taxable Real Estate Value (assessment) | 100.00% | of value | $425,000 | $101,150,000 |
| 10) Real Estate Tax Revenue (1.65% rate on first $3.0M of value) | 1.85% | commercial tax rate | $7,837 | $1,865,275 |
| 11) ***Total Real Estate Tax Revenue*** | | | $7,837 | ***$1,865,275*** |
| **Direct Use Related Tax Revenues** | | | one room | total rooms |
| 12) Room Nights | 77.0% | occupancy | 281 | 66,890 |
| 13) Room Revenue (net of parking) | $240 | average daily rate | $67,452 | $16,053,576 |
| 14) ***Transient Accommodations Tax*** | 10.05% | net 4.45% convention center | $6,779 | $1,613,384 |
| 15) Other Hotel Expenditures (inc. room service) | $25 | per occupied room night | $7,026 | $1,672,248 |
| 16) ***Other Hotel Guest Sales Tax*** | 8.5% | tax rate | $597 | $142,141 |
| 17) Business Personal Property | $20,000 | FF&E per room | $20,000 | $4,760,000 |
| 18) Business Personal Property Tax | $3.40 | per $100 value >$225K | $648 | $154,190 |
| 19) Other Operating Taxes and Fees (b) | $5.00 | per room night | $1,405 | $334,450 |
| 20) Total Direct Use Related Taxes | | | $9,429 | $2,244,165 |
| 21) ***DC Direct Use Tax Capture*** | 100.0% | net DC sales | $9,429 | ***$2,244,165*** |
| **Other Direct Tax Revenue** | | | one room | total rooms |
| 22) Restaurant Food & Beverage Sales | | see Table 3 | $0 | $0 |
| 23) DC Average Applicable Sales Tax | | see Table 3 | $0 | $0 |
| 24) Sales Tax | | see Table 3 | $0 | $0 |
| 25) DC Corporate Tax | 9.975% | on 10% profit on gross | $743 | $176,815 |
| 26) Total Other Direct Tax Revenue | | | $743 | $176,815 |
| 27) ***Other Direct DC Tax Capture*** | 100.0% | net DC sales | $743 | ***$176,815*** |
| **Parking** | | | one space | total spaces |
| 28) Parking Income | $30.00 | per space per room day | | |
| 29) | $8,432 | per space per year | $8,432 | $446,870 |
| 30) ***DC Parking Revenue Tax*** | 18.0% | of gross revenue | $1,518 | ***$80,437*** |
| **Employee Related Sales Tax Revenue** | | | one room | total rooms |
| 31) FTE Employee Retail Expenditures Subject to Sales Tax | $50.00 | per FTE per week | | $154,838 |
| 32) ***Employee Related Sales Tax*** | 8.0% | mostly meals | | ***$12,387*** |
| **Total Direct Annual Tax Revenue** | | | | |
| 33) | | | $19,527 | $4,379,079 |

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.

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## Table 3 - Retail
## 2201 M Street, NW, Washington, DC - Hotel
## ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - $2011

| **Project Description** | | | **Direct Project Full Time Employment** (a) |
|---|---|---|---|
| 1) | | | 100 sf / job |
| 2) Restaurant / Bar | 5,144 sf | | 51 jobs |
| 3) Total Retail | 5,144 sf | | |
| 4) Parking | | included in hotel | |
| 5) | | | 51 total jobs |

| | | Building / Parking | |
|---|---|---|---|
| **Real Estate Tax** | | one sf | total sf |
| 6) General Retail Real Estate Value | included in hotel | $0.00 | $0 |
| 7) Restaurant Real Estate Value | included in hotel | $0.00 | $0 |
| 8) Parking (included above) | | | NA |
| 9) Total Taxable Real Estate Value (assessment) | | $0.00 | $0 |
| 10) Real Estate Tax Revenue | | $0.00 | $0 |
| 11) ***Total Real Estate Tax Revenue*** | | $0.00 | ***$0*** |
| **General Retail Direct Tax Revenues** | | one sf | total sf |
| 12) On-site Taxable Sales | $0 per sf | $0.00 | $0 |
| 13) DC Average Applicable Sales Tax | 5.75% | $0.00 | $0 |
| 14) Sales Tax | 100.0% | $0.00 | $0 |
| 16) DC Corporate Tax | 9.975% on 10% profit on gross | $0.00 | $0 |
| 17) Business Personal Property | $0.00 FF&E per sf | $0.00 | $0 |
| 18) Business Personal Property Tax (part of hotel ownership) | $3.40 per $100 assessed value | $0.00 | $0 |
| 19) Other Operating Taxes and Fees (b) | $0.00 per sf | $0.00 | $0 |
| 20) Total Retail Related Taxes | | $0.00 | $0 |
| 21) ***DC General Retail Related Tax Capture*** | 100.0% net DC sales | $0.00 | ***$0*** |
| **Restaurant / Bar Direct Tax Revenues** | | one sf | total sf |
| 22) On-site Taxable Retail Sales (net of room service) | $725 per sf | $725.00 | $3,729,400 |
| 23) DC Average Applicable Sales Tax | 9.0% net 1% convention center | $65.25 | $335,646 |
| 24) Sales Tax (net of hotel room service) | 75.0% not on-site consumers | $48.94 | $251,735 |
| 25) DC Corporate Tax | 9.975% on 10% profit on gross | $7.23 | $37,201 |
| 26) Business Personal Property | $90.00 FF&E per sf | $90.00 | $462,960 |
| 27) Business Personal Property Tax | $3.40 per $100 value >$225K | $1.57 | $8,091 |
| 28) Other Operating Taxes and Fees (b) | $0.50 per sf | $0.46 | $2,366 |
| 29) Total General Retail Related Taxes | | $58.20 | $299,392 |
| 30) ***DC Restaurant Related Tax Capture*** | 100.0% net DC sales | $58.20 | ***$299,392*** |
| **Parking** | | one space | total spaces |
| 31) Parking Income | included in hotel and off-site | | |
| 32) | | $0 | $0 |
| 33) ***DC Parking Revenue Tax*** | included in hotel and off-site | $0 | ***$0*** |
| **Employee Related Sales Tax Revenue** | | one sf | total sf |
| 34) FTE Employee Retail Expenditures Subject to Sales Tax | $50.00 per FTE per week | $26.00 | $133,744 |
| 35) ***Employee Related Sales Tax*** | 8.0% mostly meals | $2.08 | ***$10,700*** |
| **Total Direct Annual Tax Revenue** | | | |
| 36) | | $60.28 | ***$310,092*** |

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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