EXCERPT FROM

MARKET STUDY REGARDING

WAYNE PLACE SENIOR HOUSING

PREPARED

BY STU PATZ

OF

RER ECONOMIC CONSULTANTS

FOR THE

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

APRIL 2001

Rec'd.
1.17.01

Case No. 16729
Exhibit No. 35

Board of Zoning Adjustment
District of Columbia
CASE NO.16729
EXHIBIT NO.35

Conclusions

Conclusions on the market support and viability of the Wayne Place proposal are presented in the following paragraphs. There are no direct apartment comparables for Wayne Place, as most area properties are old, non amenitized, and offer only small sized apartment units. Thus conclusions regarding market support are based primarily on the ability of this unique proposal to attract current homeowners or generate a transfer demand from existing senior tenants at nearby renovated apartment complexes.

This however is standard for senior communities, as most attract at least half of their residents from homeownership.

Analysis of Demand

Summary of Market Findings

Demographic data show that the defined market area has approximately 1,400 households that constitute the target market for Wayne Place, with 900 of these living in Southeast (as compared to Northeast). This total is expanded to include seniors with Section 8 vouchers and seniors in the 55 to 64 age category. The potential market is not expected to change over the 2000 to 2005 forecast period. It is likely that most of the higher income senior households are owners, not renters. Most of the market area's senior renters are low-income or moderate-income.

There are probably about 60 seniors in the market area that pay net rents of $600 or more, with half of these being in the Southwest sector of the market area. Twenty of the Southwest seniors are at Malbury Plaza, the only "luxury" apartment complex in Southeast. Park Naylor, Oxon Run Manor and Wingate may have a few seniors who pay $600 or more in net rent. However, the majority of the seniors in Southeast pay rents well under $550 and primarily under $500.

The apartment complexes that currently attract seniors offer no amenities and have small units. Thus, their rents are low and the $500± rents are for apartment units that are not comparable to the Wayne Place proposal. Thus, Wayne Place can expect to generate higher rents compared with existing apartment product.

Demand Analysis

Based on the experience of other LIHTC apartment complexes for seniors, Wayne Place is likely to attract some tenants with Section 8 vouchers (10-15 percent) and some in the 55 to 64 age category (10 to 15 percent). These two sectors of the market are likely to occupy about 14 of the proposed 56 units at Wayne Place and these prospective tenants would probably take all of the two-bedrooms. Thus, the following demand analysis shows market support for 42 spacious one-bedroom units with net rents at approximately $600.

Data in Table 7 suggest that if Wayne Place can attract four percent of the income-eligible senior homeowners in Southeast Washington and 15 percent of the senior renters who pay rent of $525 and above, Wayne Place can attract the additional 42 seniors needed for project success. These are in addition to the 14 prospective tenants from the other two sources identified above.

Thus, market support for Wayne Place is expected to come from the following four sources:

	Market Support
Seniors with Section 8	7
All Seniors (55-64)	7
Senior Owners	34
Senior Renters (65-79)	8
Total	56

This mix is consistent with other tax credit projects for seniors. It shows that in spite of the fact that one-bedroom rents of $600 are above the rates of existing apartment complexes in Southeast, the majority of the existing tenants can afford the higher rent by virtue of their home value and Section 8 vouchers.

Table 7	Analysis of Apartment Demand, Wayne Place, April, 2001		
	Target Seniors	Capture Rate	Market Support
Homeowners	850	4.0%	34
Renters	50	15.0%	8
Total	900	4.7%	42

Source: S. Patz and Associates, Inc.

Proposed Competition

At present, there are no other senior housing communities announced that would be directly competitive with Wayne Place. Presidential Tower is a 200± unit Section 8 apartment complex, located at 9th and Valley Avenue, S.E. that could be renovated for senior housing after 2002. Plans are not yet set for this proposal, which could be placed on the market as Section 8 housing, market rate rentals or condos. Wayne Place should be fully occupied prior to this proposal entering the market for any of the potential housing types.

Lease-Up Period

Wayne Place is likely to be started in mid-2002, with the need to secure financing and the need to demolish the existing buildings. The three/four-story building will require 9 to 12 months to construct, which would place the completion and premarketing date in mid-2003. Based on the lease-up pace of recently renovated garden apartment

complexes, an average five-unit per month lease-up pace is likely for a 6 to 10 month lease-up period after completion assuming some preleasing.

Project Evaluation

Wayne Place is proposed to have:

- Off-street parking
- Common area space with a wellness center and business center
- Spacious apartments with side-by-side washer and dryer units
- On-site leasing
- On-site senior services
- Unit and project security

With these features and amenities, Wayne Place will be a special apartment community in Southeast.

Saint Paul Community Development Corporation

5817 Allentown Way
Temple Hills, Maryland
(301) 449-1290

Wayne Place Senior Living
Project Description – June 2001

Project Description and Scope of Work

Wayne Place Senior Living is a proposed new construction 56-unit apartment facility consisting of one and two bedroom apartments specifically for senior citizens living independently. The project is being developed by the Saint Paul Community Development Corporation (SPCDC) through Wayne Place Senior Living Limited Partnership.

Th proposed facility will consist of high quality, affordable apartment units available to our very vulnerable elderly population. The building will be secured and protected from outside influences by utilizing state-of-the-art entry and security monitoring systems. This twenty-four hour security service will combine the benefits of state-of-the-art electronics with human backup and monitoring to make Wayne Place Senior Living a safe and secure residence for seniors. All apartments will be individually equipped with the latest in safety and security features. As an independent senior living facility, Wayne Place Senior Living will offer all of the customary amenities expected in such a facility. Unlike many other low to moderate-income facilities, this complex will give special attention to interior design and architectural detailing, and will incorporate many personal conveniences that are common in home settings. The common areas will contain a large array of services and facilities including a community room, a library, a beauty salon, a computer center, and a health services office. A very special feature of the project is the envisioned full-service Wellness Center, which will house an array of medical and allied health services. The DC Senior Citizens Counsel and Delivery Services, the lead agency on senior issues in the District of Columbia, is working with the SPCDC to develop the Wellness Center. Additionally, the DC Senior Citizens Counsel and Delivery Services will provide primary delivery of a variety of services in 34 different program areas.

To further enhance the Wellness Center, SPCDE is developing additional support services through Howard University's College of Allied Health. That department has pledged the services of faculty and students from the Departments of Clinical Laboratory Science, Nutritional Sciences, Occupational Therapy, Physical Therapy, Physician Assistants, Radiation Therapy and Health Sciences for the purposes of monitoring and promoting prevention, wellness and relevant associated screening activities in a coordinated manner to best serve the needs and interests of the senior residents.

SPCDC will demolish the structures that currently exist on the site of the new senior facility. Those structures have been in declining condition for several years and are currently vacant.

Project Development Team:

Saint Paul Community Development Corporation

Founded by the Saint Paul Baptist Church, the Saint Paul Community Development Corporation's third independent living project seeks to fulfill the mission of "increasing the pool of affordable housing, specifically concentrating on high quality independent and assisted living housing for seniors." Saint Paul Community Development Corporation's other projects include a multi-purpose community center, two garden apartment renovations, and three senior living facilities. The management team is composed of individuals with extensive backgrounds and experience in real estate development, design and constructions, financial management, human and material management, project management and system designs. Carl Williams, Executive Director, is a licensed real estate broker and contractor with over 16 years of experience. Brandon Bellamy, Project Manager, is a licensed real estate broker with over 7 years of real estate sales and leasing experience. Charles Miller, CPA, has over 30 years of business development and accounting experience. Floyd Wilson, Director of Public Relations, has experience that includes 17 years as a member of the Prince George's County Council. Charles Berrin, Chief Operations Officer, has experience that includes 14 years with the National Institute of Mental Health, and an additional 18 years of private sector senior executive, managerial and administrative experience. Charles McNear, Director of Design and Construction, brings 25 years professional experience in both government and private sector development projects. Ronald Thomas, the head of SPCDC's tax credit division, has extensive experience in conceptual, financial and operational planning of residential, commercial, and industrial real estate development projects. Dr. Lillie Williams, SPCDC's Director of Family Services, also is the head Department of Clinical Nutrition, College of Allied Health Sciences at Howard University.

Bozzuto Group

The Bozzuto Group has developed and built more than 6,000 apartments, condominiums, townhouses, and single family homes for its own account during its first ten years of business. In addition, the company has built 2,000 units under third party contracts for other owners. The company manages just under 5,000 units, including 2,100 units for third party owners.

Tom Bozzuto and his company are perceived as "Pillars of the Industry" among their peers. The firm and its individual staff members and projects have been recognized with 19 industry awards in a ten year period—a clear testament to the quality and innovativeness of their work.

Senior Citizens Counseling and Delivery Service

As the lead agency on aging issues in the District of Columbia and Ward 8, the Senior Citizens Counseling and Delivery Service is committed to enhancing the quality of life for all senior citizens in the District of Columbia. The agency believes in ensuring quality housing with amenities and programs that benefit our aging population. The Senior Citizens Counseling and Delivery Service offers services that include, among others: the Foster Grandparent Program, geriatric daycare, Alzheimer daycare, the Project Care Program, the Campbell AME Literacy Program, and several nutrition programs located at different sites around the City. The Senior

Citizens Counseling and Delivery Service is part of the Senior Service Network and is supported by the District of Columbia Office on Aging and the United Black Fund.

Feasibility

Data from the 1990 census compiled by the U.S. Census Bureau and the D.C. Office of Planning Population Estimates shows that between the years 1990 and 1996 there was a dramatic increase in the elderly population of Washington, D.C.* According to the data, in 1996, approximately 17% of the City's population was 60 years old or older. Simultaneously, during the same period between 1990 and 1996, there was an approximately 11.3% decrease in the size of the population in the city of people under age 60. These numbers indicate a present need for design and construction of independent living for the changing population. As the baby boomer population ages, this need will further increase.

Statistics show that about one-third of all elderly persons live alone. Of this population, as is true nationally, women in the District of Columbia have a longer life expectancy than men. Forty-four percent of elderly women are widows. The combination of these two variables suggests that a significant proportion of elderly women will spend their senior years alone. Such a population needs safe and secure housing, which is a need this project addresses.

Another variable in this data shows that the African-American elderly make up about 68% of the total elderly population in Washington, DC. According to these same statistics, almost half of the African-American elderly are at or below the poverty line, which makes the elderly African-American male and female the most economically vulnerable of all elderly in the City. Therefore, in addition to a need for adequate, secure housing, there is a steadily increasing need for ***affordable*** housing for the elderly.

Another important variable is that older people prefer to remain where they have lived through their adult lives. The DC Department of Housing and Community Development lists only one District of Columbia operated senior building in Ward 8 (Knox Hill). Knox Hill, located on Jasper Street, SE is 2.6 miles from the Wayne Place Senior Living site, and has 122 units. As of January 2001, there are two additional facilities in the area: the Robert Walker House, located at 22nd and Savannah Streets, SE, just over 2 miles from the Wayne Place Senior Living site, and the Robert Walls Senior Citizen Center. Together these three facilities provide approximately 238 units for the elderly in Ward 8. The addition of 56 housing units for the elderly will represent an increase of approximately 25% in the number of senior independent living units available in the Ward 8 community.

*All data is from the 1990 Census.

WAS1 #992318 v1

St. Paul Senior Living Center at Wayne Place LP

USES OF FUNDS: Total Units	*Cost At Matter of Right FAR (37117 sq. ft.)*				*Cost With Variance (62977 sq. ft.)*		
	Per Unit	Per Sq.Ft.	Total		Per Unit	Per Sq.ft	Total
	38				56		
Acquisition - Land	-	-	-		-	-	-
Acquisition - Bldg	-	-	-		-	-	-
Acquisition - Demolition	4,737	4.85	180,000		3,214	2.86	180,000
Site Work	14,474	14.82	550,000		9,821	8.73	550,000
Construction - Parking Deck	-	-	-		-	-	-
Construction - Retail Space	-	-	-		-	-	-
Construction - Residential	45,182	46.26	1,716,904		45,886	40.80	2,569,637
Contingency	3,535	3.62	134,330		3,535	3.14	197,978
Architectural Fees	4,029	4.12	153,106		2,734	2.43	153,106
Developer Overhead	2,632	2.69	100,000		1,786	1.59	100,000
Construction Loan Interest	3,485	3.57	132,430		3,485	3.10	195,187
Insurance During Construction	158	0.16	6,000		107	0.10	6,000
Environmental Study	53	0.05	2,000		36	0.03	2,000
Survey & Engineering	211	0.22	8,000		143	0.13	8,000
Title and Recording	316	0.32	12,000		214	0.19	12,000
Legal & Accounting	581	0.59	22,075		394	0.35	22,075
Local Legal	737	0.75	28,000		500	0.44	28,000
Bond Fees	5,197	5.32	197,500		3,527	3.14	197,500
Architectural Review	39	0.04	1,500		27	0.02	1,500
Cost Certification and Audit	118	0.12	4,500		80	0.07	4,500
Marketing Expense	921	0.94	35,000		625	0.56	35,000
Appraisal	79	0.08	3,000		54	0.05	3,000
Const. Loan Financing Fees	184	0.19	7,000		125	0.11	7,000
Permits	526	0.54	20,000		357	0.32	20,000
Tax Credit Fee	434	0.44	16,500		295	0.26	16,500
Financing Fees /Carrying Cost	3,544	3.63	134,664		2,405	2.14	134,664
Rent-Up Reserve	1,579	1.62	60,000		1,071	0.95	60,000
Operating Reserve	2,895	2.96	110,000		1,964	1.75	110,000
TOTALS	95,645	97.92	3,634,509		82,387	73.26	4,613,647

Summary: With the average rent rate of $625 per unit, 38 units produces annual revenue of $285,000. This loss is of more than $135,000 per year. With fixed operating costs of approximately $129,800 annually, this leaves $155,000 available for debt service. The reduction of construction (56 units v. 38 units) reduces the amount of equity available. The building is approximately 21% more expensive to construct ($98 vs. 73 per sq. ft.) while producing 40% less revenue. Aggregating the remaining sources the project would need a first mortgage of $2,021,574. However, the available cash flow for debt service borrowed at the same rates and terms can only support a mortgage of $1,762,599. In order for a project to be economically viable and qualify for financing it should produce revenue over the mortgage payment by at least 20% (1.20 debt coverage ratio (dcr)). The project will be financed in part by DCHFA-issued bonds and such a debt ratio will be required. The project is economically infeasible due to the lack of revenue, because it produces a debt coverage of approximately 0.80. The difference is 40%. The project would not break even.

By contrast, with 56 units, the project produces an annual revenue of $420,000. This amount will, at a 1.2 dcr, support a mortgage in excess of $3,000,000 which would make the project feasible and provide sufficient dcr and a return on equity to proceed forward.