GRAVES & HORTON, LLC

Attorneys At Law

1111 14th Street, N.W.
Third Floor
Washington, D.C. 20005

Telephone
(202) 216-0660
Facsimile
(202) 216-0639
e-mail chico@graveshorton.com

March 25, 2003

RECEIVED
D.C. OFFICE OF ZONING
2003 MAR 25 PM 4:27

VIA HAND DELIVERY
D.C. Board of Zoning Adjustment
Suite 210
441 4th Street, N.W.
Washington, DC 20001

Re: Supplemental Response - Case No. 16983 – Applicant - Blue Sky Housing O Street, LLC

Dear Members of the Board:

On behalf of Blue Sky Housing O Street, LLC, the legal owner of lot 36 and 37 in square 479 better known as 505 and 507 O Street, NW, Washington, DC (the "Property"), attached please find a Supplemental Statement of the Applicant with Exhibits. The Exhibits include pro formas based on an economic analysis of the Property, Sales Comps for the area including Condo Comps and single family row dwellings Comps with square footage, Architectural renderings and drawings and appraisal of the Property. The application is a request for variances pursuant to Sections 330.5, 401.3 and 2101.1 of the Zoning Regulations to allow for the Applicant to rehabilitate the rowhouses into seven condominium units.

The Applicant appeared before the D.C. Board of Zoning Adjustment ("BZA") on March 11, 2003 at a regularly scheduled public meeting of the BZA. The Applicant presented substantive information regarding the application and the variance requests. This substantive information included an economic analysis of developing the Property as a matter of right with 5 condominium units compared with developing the Property assuming the variances with 7 condominium units. The economic analysis was in pro-forma form and clearly demonstrated that developing the Property as a matter of right posed a practical difficulty that was not economically feasible because the average condominium sales price was $315 SF for condos in the area and the total development costs was $332 SF. The variances were needed to achieve any type of feasibility for the project and over come the practical difficulties of developing the Property because the total development costs are $267 SF and if sales for condo are $315 SF that allows for a reasonable rate of return. This analysis was based on Comps provided by Randall H. Hagner & Co., Inc., rehabilitation of the buildings on the Property, construction numbers provided by Derkin Construction Company and architectural numbers provided Killette & Associates. The BZA allowed the Applicant to submit further information to satisfy some concerns raised by the BZA thus the reason for the supplemental submittal.

BZA
Case No. 16983
Exhibit No. 38

Board of Zoning Adjustment
District of Columbia
CASE NO. 16983
EXHIBIT NO. 38A1

The BZA outlined four areas that needed to be addressed further: (1) Architectural drawings and rendering. The rendering shows the front façade and the drawings show the composition of the units in the proposed project; (2) More specific economic data and analysis, the Applicant retained S. Patz & Associates, Inc. to develop pro-formas based on (a) an economic analysis of a matter of right project that includes single family and multiple unit development and (b) an economic analysis of a variance project that includes multiple unit development if the variances were granted; (3) The value of the Property and evidence that the Applicant did not pay to much for the Property. The Applicant had an appraisal performed by Wilbert Watkins which clearly shows the Applicant paid a reasonable sum for the Property and did not impose a practical difficulty on their self by paying to much for the Property and (4) The uniqueness of the lots because of their small size. These four areas along with other concerns are summarized below but addressed in full detail in the Supplemental Statement of the Applicant.

The Architectural rendering shows the front façade and the drawings show the composition of the units in the proposed project. The Architectural drawings and renderings clearly demonstrate that the Applicant wants to build a project that is clearly complimentary of the neighborhood. The drawings show that the composition of the units would be comparable with other units in the area.

The Applicant retained S. Patz & Associates, Inc. to develop pro-formas based on (a) an economic analysis of a matter of right project that includes single family with an English basement and a multiple unit development and (b) an economic analysis of a variance project that includes a multiple unit development. The analysis shows that single family with a English basement at 2,800 SF and 4,100 SF new construction would cost approximately $800,000 for 2,800 SF or $1,000,000 for 4,100 SF total development costs were single family dwellings in the area with similar or less SF ranges from $150,000 to $550,000 and are not new construction. To simplify the point new constructed homes at Harrison Square and 10th & V Street, NW, which are comparable but not in the Project area, are selling for $400,000 to $700,000. This analysis proves the idea of building new single family dwellings with an English basement imposes a practical difficulty that cannot be overcome. An analysis was done on five units with 5,400 SF GBA that cost $311 SF with sales at $310 SF this showed a negative return of $242,640 thus demonstrating a practical difficulty that cannot be overcome. Also, an analyses was done on five units with 7,200 SF GBA that showed a negative return of $86,510 thus demonstrating a practical difficulty that cannot be overcome. The economic analyses that included the requested variances demonstrated that the Applicant would make a reasonable return and thus overcoming the practical difficulty of developing the Property.

The Applicant had an appraisal performed by Watkins Realty Appraisal Services. The Property appraised for $214,000 for 505 $200,000 for 507 and that was consistent with property of this nature in this area. The appraisal clearly shows the Applicant paid a reasonable sum for the Property and did not impose a practical difficulty on their self by paying too much for the Property.

The uniqueness of the lots because the of their small size and the loss of certain matter of right developable square footage if the buildings were demolished and newly constructed make the development of the Property as a matter of right unfeasible. The Applicant is seeking a variance from the requirements of Section 401.3 of the Zoning Regulations that require a multiple unit residential dwelling have at a minimum

900 square feet of land for each dwelling unit. The Property has approximately 2,283 square feet of land individually and 4,566 collectively. The Applicant is proposing three residential dwelling units for lot 36 and thus would be required under the Zoning Regulations to have 2,700 square feet of land. The Applicant is proposing four residential dwelling units for lot 37 and thus would be required under the Zoning Regulations to have 3,600 square feet of land. Lot 36 and Lot 37 are unique because they are in such poor condition and are small narrow lots that present a practical difficulty that make it impossible for the Applicant to restore and rehabilitate or construct new dwellings that are 5 units or less and receive a fair and reasonable return arising out of the ownership of the Property. The lots are 2,283 SF of land and 20.75 feet wide individually which are small size lots and make them unique because the minimum lot size for a semi-detached house is 3,000 SF and 30 feet in width. If the Applicant was not granted an area variance the Applicant would suffer a practical difficulty because the lots are very small and the Applicant could not build anything that is feasible for the Property (see exhibit A of Supplemental Statement - economic analysis of all uses). If the Applicant was not granted an area variance the Applicant would have to construct 5 units at a average size of 1420 SF (Rehab & New Construction) which would pose a practical difficulty because that would put the units at a price point that is unattainable in that area. If the Applicant was not granted an area variance and the Applicant constructed two single family rowhouses with an English basement (consistent with the area) that would pose a practical difficulty because that would put the units at a price point that is unattainable in that area.

The last point is the empirical data clearly shows that new construction or rehabilitation of the Property as a matter of right is unfeasible and that the rehabilitation of the current dwellings is a cost that is comparable with new construction but any difference in cost is negligible. This conclusion is important because it demonstrates that although the Property is not located in a historic district and the Applicant, community and the District desires to see the Property rehabilitated there is no self imposed practical difficulty because of that desire.

The Applicant has clearly meet its burden of proof by demonstrating in the hearing and through its supplemental submittal that the Property is unique because of the size of the lots and condition of the Property and the uniqueness imposes a practical difficulty on the Property that can not be overcome unless variance relief is granted and granting of variance relief will not be to the public and community detriment and would be consistent with the zoning plan because the well being of the neighborhood will be improved with the development of this Project.

Please feel free to call me if I can be of further assistance in this matter.

Very truly yours,
GRAVES & HORTON, LLC



Earle C. Horton, III

BEFORE THE BOARD OF ZONING ADJUSTMENT
OF THE
DISTRICT OF COLUMBIA

Application of Blue Sky Housing O Street, LLC
BZA Application No. 16983
Hearing Date: 4/1/03
ANC: 2C

SUPPLEMENTAL STATEMENT OF THE APPLICANT

I.

NATURE OF RELIEF SOUGHT

This statement is submitted on behalf of Blue Sky Housing O Street, LLC (the "Applicant") in support of the above-referenced application for variances from the requirements of Sections 330.5, 401.3 and 2101.1of the Zoning Regulations. The request is being made in order to allow the Applicant to restore and rehabilitate two crumbling, deteriorating and condemned rowhouses into seven condominium units or build with new construction seven condominium units on Lots 36 and 37 of Square 479 (the "Property"). **The Application and the Proposed variances has the unanimous support of Advisory Neighborhood Commission ("ANC") 2C.**

II.

JURISDICTION OF THE BOARD

The Board of Zoning Adjustment (the "Board") has jurisdiction to grant variances requested herein pursuant to Section 3103.2 of the Zoning Regulations.

III.

BACKGROUND

A. Description of the Subject Property

The subject Property are two small, narrow rectangular lots located in Square 479 of approximately 2,283 square feet individually and 4,566 square feet collectively. The

Property is improved with two rowhouses. The rowhouses have been abandoned and condemned for a very long time and have been the source of significant drug activity, rodent infestation and vagrant squatting. The rowhouses were constructed in the early twentieth century. The rowhouses are crumbling and deteriorating. The Property is not located in a historic district, but the surrounding neighborhood has rowhouses with similar construction. The Property is designated on the District of Columbia Comprehensive Plan Generalized Land Use Map as medium and low density residential.

B. Description of Surrounding Area

The Property is located in an area with a mix of apartments, cooperatives, condominiums, commercial and residential. The Property is bordered by O Street to the South, a Baptist Church to the North, an abandoned and condemned rowhouse to the west and a church to the east. The Property is zoned R-4. The neighboring properties are zoned R-4, R-5-B, R-5-D, C-2-A and C-2-B. There are parking lots at the Community Center at 6th and O Streets, the O Street Market, an old DC Public School Bldg. located on O Street between 5th Street and New Jersey Avenue and the numerous apartment complexes.

C. Description of the Requested Variances

The rowhouses are unique because they are in such poor condition compared with the rowhouses in the surrounding area. Also, the unique size of the lots because they are small. The practical difficulties of economically rehabilitating the dwellings or building new construction on the Property and making a reasonable economic return requires the Applicant to seek a variance from the requirements of the Zoning Regulations concerning lot area.

The uniqueness of the Property because it resides in Square 479 that has no alley and thus no rear yard access requires the Applicant to seek a variance from the parking requirements.

IV.

THE APPLICANT MEETS THE BURDEN OF PROOF FOR VARINACES FROM LOT AREA AND PARKING

A. Standards for Granting a Variance

Under D.C. Code Section 5-424(g)(3) and 11 DCMR 3103.2, the Board is authorized to grant variances from the strict application of the regulations where it finds three conditions exist:

(1) the property is unique because, *inter alia*, of its size, shape or topography or other extraordinary or exceptional situation or condition;

(2) the owner would encounter practical difficulties or undue hardship if the Zoning Regulations were strictly applied; and

(3) the variance would not cause substantial detriment to the public good and may be granted without substantially impairing the intent, purpose and integrity of the zone plan as embodied in the Zoning Regulations and Map. See *French v. District of Columbia Board of Zoning Adjustment*, 658 A.2d 1023, 1035 (D.C. 1995) (quoting *Roumel v. District of Columbia Board of Zoning Adjustment*, 417 A.2d 405, 408 (D.C. 1980)); see also, *Capitol Hill Restoration Society, Inc. v. District of Columbia Board of Zoning Adjustment*, 534 A.2d 939 (D.C. 1987).

In the case of an area variance, the Applicant must show that the uniqueness of the property imposes a practical difficulty on the Applicant's ability to comply with the Zoning Regulations and such variance will not injure the public good or substantially impair the intent and purpose of the Zoning Regulations and Map. In the subject case, the variances relate to the unique condition of the Property and the small area of the Property, the practical difficulties of developing the Property and the exceptional situations and conditions affecting this Property. The requested variances from lot area and parking

requirements of the Zoning Regulations, meet the requirements under the law for the approval of the area variances.

B. Variance Relief Under Section 330.5 and 401.3 (Lot Area)

The Applicant is seeking a variance from the requirements of Section 401.3 of the Zoning Regulations that require a multiple unit residential dwelling have at a minimum 900 square feet of land for each dwelling unit. The Property has approximately 2,283 square feet of land individually and 4,566 collectively. The Applicant is proposing three residential dwelling units for lot 36 and thus would be required under the Zoning Regulations to have 2,700 square feet of land. The Applicant is proposing four residential dwelling units for lot 37 and thus would be required under the Zoning Regulations to have 3,600 square feet of land. Lot 36 and Lot 37 are unique because (1) they are in such poor condition and (2) are small narrow lots, that present practical difficulties that make it impossible for the Applicant to restore and rehabilitate or construct new dwellings which are 5 units or less and receive a fair and reasonable return arising out of the ownership of the Property. The lots are 2,283 SF of land and 20.75 feet wide individually which are small size lots and make them unique because the minimum lot size for a semi-detached house is 3,000 SF and 30 feet in width. If the Applicant was not granted an area variance the Applicant would suffer a practical difficulty because the lots are very small and the Applicant could not build anything that is feasible for the Property (see exhibit A economic analysis of all uses). If the Applicant was not granted an area variance the Applicant would have to construct 5 units at a average size of 1420 SF (Rehab or New Construction) which would pose a practical difficulty because that would put the units at a price point of $376,000 sale price, with condo units in the area selling for $310 to $315 SF this price point is unattainable in that area. If the Applicant was not granted an area variance and the Applicant constructed two single family rowhouses with an English basement (consistent with area) that would pose a practical difficulty because that would put the units at a price point of approximately $800,000 for 2,800 SF or $1,000,000 for 4,100 SF (total development costs) were these price points are unattainable in that area.

1. **The Property is Unique and Affected by an Exceptional Situation or Condition.**

The Property is unique because the lots are 2,283 SF of land and 20.75 feet wide individually which are small size lots and make them unique because the minimum lot size for a semi-detached house is 3,000 SF and 30 feet in width.

The dwellings on the Property are unique because they are in such disrepair and have deteriorated to an unsafe condition which is inconsistent with the vast majority of the other property in the area which are in good condition. These dwellings are unique because they are old and historic and are badly deteriorating and could collapse. The unique condition of deterioration of these dwellings makes them a danger to the community.

The uniqueness of the Property imposes a practical difficulty for the Applicant.

2. **Strict Application of the Zoning Regulations would impose a Peculiar and Exceptionally Practical Difficulty on the Applicant.**

The Applicant would suffer a practical difficulty if the area variance requirement is not granted because the uniqueness of the Property:

(1) The lots are 2,283 SF of land and 20.75 feet wide individually which are small size lots and make them unique because the minimum lot size for a semi-detached house is 3,000 SF and 30 feet in width. If the Applicant was not granted an area variance the Applicant would suffer a practical difficulty because the lots are very small and the Applicant could not build anything that is feasible for the Property under the Zoning Regulations (see exhibit A economic analysis of all uses).

(2) The Applicant would have to construct 5 units at a average size of 1420 SF, based on 7,100 SF building, (Rehab or New Construction) which would pose a practical difficulty because that would put the units at a price point ($376,000 sales price) that is unattainable in that area (See exhibit D Comp. Sales data and prior Comp sales data submitted at hearing). Thus the Applicant cannot

expect to receive a fair and reasonable return arising out of the ownership of the Property.

(3) The Applicant might have to construct two single family rowhouses with an English basement (consistent with area) that are 2,800 SF (standard) or 4,100 SF (maximum) that would pose a practical difficulty because that would put the units at a price point of approximately $800,000 for 2,800 SF or $1,000,000 for 4,100 SF total development costs were that is unattainable in that area (See exhibit E Comp. Sales data). Thus the Applicant cannot expect to receive a fair and reasonable return arising out of the ownership of the Property.

The Practical Difficulties of the Property means the Applicant cannot put the Property to any conforming purpose and expect to receive a fair and reasonable return arising out of the ownership of the Property. The dwellings on the Property are shells and have and will continue to deteriorate until nothing can be saved. The cost to rehabilitate or newly construct the dwellings is going to be approximately $700,000 to $800,000 (rehab construction not including soft costs or acquisition) or $420,000 to $615,000 (new construction not including soft costs or acquisition). The cost to acquire the Property was approximately $400,000 this acquisition cost was fair market value for the Property because the Property was appraised for $214,000 for 505 $200,000 for 507 and that was consistent with property of this nature in this area (See exhibit B appraisal of the Property). The appraisal clearly shows the Applicant paid a reasonable sum for the Property and did not impose a practical difficulty on their self by paying too much for the Property. The total development cost to use the dwellings as a conforming use will be approximately $1,200,000 (this does not include soft costs) (either rehab or new construction). The most likely conforming use would be a single family rowhouse. Single family rowhouses in the area are selling for approximately $250,000 and up. There is no single family rowhouses in the area selling for $800,000 to $1,200,000 (See exhibit E Sales Comps) which the Applicant feels is a fair and reasonable return arising out of the ownership of the Property. The sale of the seven condominium units will allow the Applicant to make a fair and reasonable return arising out of the ownership of the Property. **The Board has**

granted variance relief after a showing of an economic burden where no matter of right zoning whatsoever was economically feasible. Proof of economic burden is relevant to a decision of whether to grant a variance where applicant is not merely seeking the most favored zoning for its land but faces difficulty financing any improvement of property under current zoning designation, *Tyler v. D.C. Board of Zoning Adjustment*, 606 A.2d 1362 at 1366 (D.C. 1992). The Applicant should be granted a variance once he has shown that there are no alternatives for the site that would conform to Zoning Regulations and are feasible as a matter of right. *Myrick v. District of Columbia Board of Zoning Adjustment*, 577 A.2d 757 (D.C. 1990). A area variance shall be granted when there are no feasible alternatives that would comply with the Zoning Regulations. *Association for Preservation of 1700 Block of N St., N.W., & Vicinity v. District of Columbia Bd. of Zoning Adjustment*, 384 A2d. 674 (D.C. 1978). The 900 square feet of land required for each residential unit creates practical difficulties for the Property because it is not economically feasible to abide by the Zoning Regulations and there are no feasible alternatives that would comply with the Zoning Regulations.

3. **Relief can be Granted Without Substantial Detriment to the Public Good and Without Substantially Impairing the Intent, Purpose and Integrity of the Zone Plan as Embodied in the Zoning Regulations and Map.**

A variance from the 401.3 would not be of substantial detriment to the public good or substantially impair the intent and purpose and integrity of the Zoning Regulations and Map. A granting of the variance would actually be a substantial benefit to the public good because two abandoned, deteriorating, crumbling and condemned rowhouse dwellings that are used for drug activity, vagrancy and has rodent infestation will be restored and rehabilitated which will add to the neighborhood character and quality of life. The well-being of the neighboring properties is likely to be improved with the re-occupation of these now abandoned dwellings. The proposed multiple unit residential dwelling does not adversely affect the use or enjoyment of any abutting or adjacent dwelling or

property. The light and air available to neighboring properties are not unduly affected, and the privacy of use and enjoyment of neighboring properties are not unduly compromised. In fact the neighbors abutting or adjacent to the Property are very much in favor of the proposed multiple unit dwelling for the Property. The multiple unit dwelling is consistent with the Zoning Map and Plans because an R-4 District is primarily low to medium density which this project is definitely in accordance with. An R-4 District is zoned primarily residential which the project will be residential homeownership of condominiums. The project will be consistent with the neighborhood, the Zoning Map and Zoning Regulations because the neighborhood has apartment buildings, condominiums, cooperatives and commercial.

C. Variance Relief Under Section 2101.1 (Parking)

The Applicant is also seeking relief from the requirements of Section 2101.1 of the Zoning Regulations. Section 2101.1 requires a multiple unit residential dwelling in the R-4 District to provide one space for each three dwelling units. The Applicant is proposing three dwelling units for lot 36 and thus would be required under the Zoning Regulations to provide one space. The Applicant is proposing four dwelling units for lot 37 and thus would be required under Zoning Regulations to provide two spaces. Square 479 were lot 36 and 37 are situated in does not have an alley and thus no rear yard access. Due to the location of the Property in very close proximity to two metro stations, several major bus lines, several parking lots and the fact that the 500 block of O Street has only three dwellings within its borders and all three of the dwellings are condemned and abandoned parking will not be a problem for the future residents of the Property or the residents of the neighborhood.

A area variance shall be granted when there are no feasible alternatives that would comply with the Zoning Regulations. *Association for Preservation of 1700 Block of N St., N.W., & Vicinity v. District of Columbia Bd. of Zoning Adjustment*, 384 A2d. 674 (D.C. 1978).

1. **The Property is Unique and Affected by an Exceptional Situation or Condition.**

As mentioned herein, the Property is unique because it has no rear yard access and the front yard is approximately 5 feet deep and the side yard is approximately 41/2 feet wide. The uniqueness of the Property gives the Applicant no real options to provide on site parking for residents to meet the requirements of the Zoning Regulations. The Property is affected by an exceptional situation and condition because the Property is situated in Square 479 which has no alley and thus no way to access the rear yard of the Property the only area were the Applicant could provide parking in accordance with the Zoning Regulations.

2. **Strict Application of the Zoning Regulations would impose a Peculiar and Exceptionally Practical Difficulty on the Applicant.**

The Applicant would suffer a practical difficulty if the variance from the parking requirement is not granted because the Applicant would have to demolish the existing dwellings and construct dwellings that were smaller in size in order to allow access to the rear yard or seek easements from property owners on the side with the side yard in order to widen the side yard to allow for rear yard access. The practicalities of these options are not practical at all because they would cause an undue hardship on the Applicant for the following reasons: (1) demolishing the dwellings and building smaller dwellings would not be economically viable and would ruin the character of the Property and (2) getting easements from side yard property owners is not economically viable and impractical because they all have small rear yards.

3. **Relief can be Granted Without Substantial Detriment to the Public Good and Without Substantially Impairing the Intent, Purpose and Integrity of the Zone Plan as Embodied in the Zoning Regulations and Map.**

A variance from the parking space requirement would not be of substantial detriment to the public good or substantially impair the intent and purpose and integrity of the Zoning Regulations and Map. As mentioned herein, the Property

is located within several blocks of the Convention Center/Mount Vernon Square, Shaw/Howard University and Chinatown Metro Stations and several major bus routes on 6th Street, 7th Street/Georgia Avenue, New York Avenue and New Jersey Avenue. The surrounding properties consist of a Community Center with a parking lot in the 600 block of O Street, the O Street Market, a Baptist Church with a parking lot on the other side of Square 479, an old DCPS Public School building with a parking lot in the 400 block of O Street and several medium to large apartment complexes in the area that have parking lots. The most important and significant fact is that the 500 block of O Street has only three dwelling situated within its borders and all three are abandoned and condemned and two of the dwellings comprise the Property. There are enough parking spaces in the block to park at a minimum 9 vehicles legally. The Applicant estimates that three or four condominium owners will have cars and the rest will use mass transit or other means other than individual automobiles to get to and from work or anyplace else. The proposed multiple unit residential dwelling does not adversely affect the use or enjoyment of any abutting or adjacent dwelling or property. The light and air available to neighboring properties are not unduly affected, and the privacy of use and enjoyment of neighboring properties are not unduly compromised. The multiple unit dwelling is consistent with the Zoning Map and Plans because an R-4 District is primarily low to medium density which this project is definitely in accordance with. An R-4 District is zoned primarily residential which the project will be residential homeownership of condominiums and consistent with the Zoning Map and will not impair or be inconsistent with the Zoning Regulations.

VI.

COMMUNITY SUPPORT

At its regularly scheduled public meeting on November 6, 2002, ANC 2C unanimously voted to support this Application.

VII.

CONCLUSION

For the reasons stated above, the requested relief meets the applicable standards for a variance under the Zoning Regulations. Accordingly, the Applicant respectfully requests the Board to Grants the Application.

Respectfully submitted,

Graves & Horton, LLC

By: _____
Earle C. Horton, III

1111 14th Street, NW
Third Floor
Washington, D.C. 20005
202-216-0660

EXHIBITS

Exhibit A	Economic Analysis from S. Patz & Associates, Inc.
Exhibit B	Appraisal from Watkins Realty Appraisal Services
Exhibit C	Architectural drawings and rendering from Killette & Associates
Exhibit D	Condominium Comps for Area from National Association of Realtors
Exhibit E	Single Family Comps for the Area from Randall H. Hagner & Co., Inc.

EXHIBIT A

▪ S. PATZ & ASSOCIATES, INC ▪

▪ REAL ESTATE CONSULTANTS ▪

March 24, 2003

Mr. Earle C. Horton, III
Managing Member
1111 14th Street, N.W.
Third Floor
Washington, D.C. 20005

Re: BZA Case No. 16983 – Applicant – Blue Sky Housing O Street, LLC

Dear Mr. Horton:

We are pleased to submit the attached pro formas based on an economic analysis related to the request of Blue Sky Housing O Street, LLC ("Blue Sky") for a zoning variance for Lots 36 and 37 in Square 479 in the Northwest neighborhood of the District of Columbia, better known as 505 and 507 O Street, N.W.

It is our understanding from reading the Memorandum, dated March 4, 2003, from Mr. Andrew Altman, Director of the Office of Planning, to the Board of Zoning Adjustment, that Blue Sky may develop, *as a matter of right*, a total of 5 housing units on the subject property, should the two lots be combined into a single 4,565 square foot lot. It is also our understanding that Blue Sky has requested a lot area variance so that it may develop a total of 7 apartment units on the combined lots, in a residential condominium with a total building area of 7,200 square feet. It is further our understanding that the Office of Planning requested an economic analysis and pro formas to compare the matter of right development with the desired renovation plan with the lot area variance and parking variance.

We reviewed residential condominium sale prices in the market area and the development expenses provided by Blue Sky and prepared an independent pro forma analysis based on these data that show the economic feasibility under both the *matter or right development* and *development with variance* scenarios. The pro formas showing these comparisons are attached. Where appropriate, we adjusted development costs and sale prices that we believe better reflect current market conditions. These adjustments are based on our past research for pro forma analyses and on input from various professionals who are assisting you with this effort. However, our independent market research was limited, as Blue Sky provided considerable data for our review.

The results of our analysis show the following:

- Development of the subject property as a matter of right with five residential condominium units, with a total project gross building area of either 5,400 square feet or 7,200 square feet, is economically unfeasible, and would result in Blue Sky (the developer) experiencing a financial loss and negative internal rate of return.

1039 Sterling Road ▪ Suite 201 ▪ Herndon, Virginia 20170 ▪ 703.709.9101 ▪ 703.709.9105 fax ▪ SPatzec@aol.com

- Development of the subject property as a matter of right with two single family rowhouses, one on each lot, with a living area of either 2,800 square feet, or 4,100 square feet, is economically unfeasible, and would result in Blue Sky experiencing a financial loss and negative internal rate of return.

- Development of the subject property with the requested lot area variance and parking variance, allowing 7 units, would allow Blue Sky to make a modest profit and modest internal rate of return.

The conditions that create a significant practical difficulty in Blue Sky developing the property under the strict application of the existing zoning are the market values of these types of vacant lots (or shells) in the subject's neighborhood, which have increased to the point where a developer can only make a profit on a renovation project by developing residential uses with a density higher than that permitted as a matter of right.

Our analysis is presented in 2003 dollar values and the analysis assumes that all units would be sold within the year they are placed on the market. We were not provided with architectural drawings so we were not able to fully evaluate the quality of the units that would be offered for sale. We have assumed that the condominium units would be built with finishes that generate the prices shown in the attached pro forma.

Given these conditions and qualifications, our analysis shows the need to increase density from 5 units to 7 for project feasibility.

I trust that this brief letter report will be sufficient for your needs. Please call if additional data or clarification are needed.

Sincerely,

Stuart M. Patz
President

SMP/mec
[Horton.ltr]

505 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 2,800 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of House (2800 SF @$200/SF)			$ 560,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 420,000	
Construction Permits		$ 4,200	
Architectural and Engineering		$ 33,600	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,500	
Development Fee		$ 39,200	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 8,400
Real Estate Taxes		$ 6,010	$ 2,150
Contingency		$ 28,000	
Financing Fee		$ 4,480	
Interest Paid Until Sale of Home		$ 25,960	$ 8,200
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 28,000
Total	$ 206,000	$ 597,450	$ 47,250
Net Income	$ (206,000)	$ (597,450)	$ 512,750
Cumulative Loss/Gain	$ (206,000)	$ (803,450)	$ (290,700)
Indicated Profit >			Negative
	$ (206,000)		
	$ (597,450)		
	$ 512,750		
Internal Rate of Return	-31%		
Indicated Return >	Negative		

505 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 2,800 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Single Family Row House	3BR,2.5BA PLUS 1BR,1BA E.B.								2,800	$ 200
Development/Marketing Costs	**Assumption**									
Property Acquisition	1/2 of Aquisition Price (for 2 lots)	2,283	2,800	1	$ 200,000	87.60	$ 71.43	$ 200,000		
Site Rehabilitation		2,283		1	$ 30,000	$ 13.14		$ 30,000		
New Home Construction	Includes Contractor Profit		2,800	1	$ 420,000		$ 150.00	$ 420,000		
Construction Permits	1% of Building Renovation Cost			1	$ 4,200			$ 4,200		
Architectural and Engineering	8% of Construction Cost		2,800	1	$ 33,600		$ 12.00	$ 33,600		
Real Estate Appraisal				1	$ 1,800			$ 1,800		
Survey				1	$ 500			$ 500		
Insurance			2,800	1	$ 1,500		$ 0.54	$ 1,800		
Development Fee	7% of Sales Price			1	$ 39,200			$ 39,200		
Environmental				1	$ 2,000			$ 2,000		
Title and Transfer Tax (Acquisition)	1/2 of Total (for 2 lots)			1	$ 6,000			$ 6,000		
				1	$ -					
Real Estate Taxes Year 1	Actual			1	$ 6,006			$ 6,006		
Real Estate Taxes Year 2	50% of Estimated Annual			1	$ 2,150			$ 2,150		
Contingency	5% of Sales Price			1	$ 28,000			$ 28,000		
				1	$ -					
Loan Amount	80% of Gross Sales/Value			1	$ 448,000			$ 448,000		
Financing Fees	1% of Loan Amount			1	$ 4,480			$ 4,480		
Interest Paid Until Sale of Home	10-Year Amortization, 6.0% rate									
Year 1	12 months			1	$ 25,982			$ 25,982		
Year 2	4 months			1	$ 8,196			$ 8,196		
				1	$ -					
				1	$ -					
Advertising and Promotion				1	$ 1,000			$ 1,000		
Real Estate Commission	5% of Sale Price			1	$ 28,000			28,000		
Transfer Tax - Sale of Home	1.5% of Sale Price			1	$ 8,400			8,400		

505 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 2,800 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of House (2800 SF @$200/SF)			$ 560,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 420,000	
Construction Permits		$ 4,200	
Architectural and Engineering		$ 33,600	
Real Estate Appraisal		$ 1,800	
Survey		$ 500	
Insurance		$ 1,800	
Development Fee		$ 39,200	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 8,400
Real Estate Taxes		$ 6,010	$ 2,150
Contingency		$ 28,000	
Financing Fee		$ 4,480	
Interest Paid Until Sale of Home		$ 25,990	$ 8,200
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 28,000
Total	$ 206,000	$ 597,450	$ 47,250
Net Income	$ (206,000)	$ (597,450)	$ 512,750
Cumulative Loss/Gain	$ (206,000)	$ (803,450)	$ (290,700)
Indicated Profit >			Negative
	$ (206,000)		
	$ (597,450)		
	$ 512,750		
Internal Rate of Return	-31%		
Indicated Return >	Negative		

507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 2,800 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of House (2800 SF @$200/SF)			$ 560,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 420,000	
Construction Permits		$ 4,200	
Architectural and Engineering		$ 33,600	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,500	
Development Fee		$ 39,200	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 8,400
Real Estate Taxes		$ 940	$ 2,150
Contingency		$ 28,000	
Financing Fee		$ 4,480	
Interest Paid Until Sale of Home		$ 25,960	$ 8,200
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 28,000
Total	$ 206,000	$ 592,380	$ 47,250
Net Income	$ (206,000)	$ (592,380)	$ 512,750
Cumulative Loss/Gain	$ (206,000)	$ (798,380)	$ (285,630)
Indicated Profit >			Negative
	$ (206,000)		
	$ (592,380)		
	$ 512,750		
Internal Rate of Return	-30%		
Indicated Return >	Negative		

507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 2,800 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Single Family Row House	3BR,2.5BA PLUS 1BR,1BA E.B.								2,800	$ 200
Development/Marketing Costs	**Assumption**									
Property Acquisition	1/2 of Aquisition Price (for 2 lots)	2,283	2,800	1	$ 200,000	87.60	$ 71.43	$ 200,000		
Site Rehabilitation		2,283		1	$ 30,000	$ 13.14		$ 30,000		
New Home Construction	Includes Contractor Profit		2,800	1	$ 420,000		$ 150.00	$ 420,000		
Construction Permits	1% of Building Renovation Cost			1	$ 4,200			$ 4,200		
Architectural and Engineering	8% of Construction Cost		2,800	1	$ 33,600		$ 12.00	$ 33,600		
Real Estate Appraisal				1	$ 1,500			$ 1,500		
Survey				1	$ 500			$ 500		
Insurance			2,800	1	$ 1,800		$ 0.64	$ 1,800		
Development Fee	7% of Sales Price			1	$ 39,200			$ 39,200		
Environmental				1	$ 2,000			$ 2,000		
Title and Transfer Tax (Acquisition)	1/2 of Total (for 2 lots)			1	$ 6,000			$ 6,000		
				1	$ -					
Real Estate Taxes Year 1	Actual			1	$ 937			$ 937		
Real Estate Taxes Year 2	50% of Estimated Annual			1	$ 2,150			$ 2,150		
Contingency	5% of Sales Price			1	$ 28,000			$ 28,000		
				1	$ -					
Loan Amount	80% of Gross Sales/Value			1	$ 448,000			$ 448,000		
Financing Fee	1% of Loan Amount			1	$ 4,480			$ 4,480		
Interest Paid Until Sale of Home	10-Year Amortization, 6.0% rate									
Year 1	12 months			1	$ 25,982			$ 25,982		
Year 2	4 months			1	$ 8,198			$ 8,198		
				1	$ -					
				1	$ -					
Advertising and Promotion				1	$ 1,000			$ 1,000		
Real Estate Commission	5% of Sale Price			1	$ 28,000			28,000		
Transfer Tax - Sale of Home	1.5% of Sale Price			1	$ 8,400			8,400		

507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 2,800 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of House (2800 SF @$200/SF)			$ 560,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 420,000	
Construction Permits		$ 4,200	
Architectural and Engineering		$ 33,600	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,800	
Development Fee		$ 39,200	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 8,400
Real Estate Taxes		$ 840	$ 2,150
Contingency		$ 28,000	
Financing Fee		$ 4,480	
Interest Paid Until Sale of Home		$ 25,980	$ 8,200
Advertising and Promotion		$ 600	$ 600
Real Estate Commission			$ 28,000
Total	$ 206,000	$ 592,380	$ 47,250
Net Income	$ (206,000)	$ (592,380)	$ 512,750
Cumulative Loss/Gain	$ (206,000)	$ (798,380)	$ (285,630)
Indicated Profit >			Negative
	$ (206,000)		
	$ (592,380)		
	$ 512,750		
Internal Rate of Return	-30%		
Indicated Return >	Negative		

505 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 4,100 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of House (4100 SF @$171/SF)			$ 700,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 615,000	
Construction Permits		$ 6,150	
Architectural and Engineering		$ 36,900	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,500	
Development Fee		$ 49,000	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 10,500
Real Estate Taxes		$ 6,010	$ 2,690
Contingency		$ 35,000	
Financing Fee		$ 5,600	
Interest Paid Until Sale of Home		$ 32,450	$ 10,250
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 35,000
Total	$ 206,000	$ 822,110	$ 58,940
Net Income	$ (206,000)	$ (822,110)	$ 641,060
Cumulative Loss/Gain	$ (206,000)	$ (1,028,110)	$ (387,050)
Indicated Profit >			Negative
	$ (206,000)		
	$ (822,110)		
	$ 641,060		
Internal Rate of Return	-33%		
Indicated Return >	Negative		

***Note: The developer may not be able to achieve a $700,000 price at this location even for such a large home and would suffer a greater loss if the price had to be dropped.

505 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 4,100 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Single Family Row House	3BR,2.5BA PLUS 1BR,1BA E.B.								4,100	$ 171
Development/Marketing Costs	**Assumption**									
Property Acquisition	1/2 of Aquisition Price (for 2 lots)	2,283	4,100	1	$ 200,000	87.60	$ 48.78	$ 200,000		
Site Rehabilitation		2,283		1	$ 30,000	$ 13.14		$ 30,000		
New Home Construction	Includes Contractor Profit		4,100	1	$ 615,000		$ 150.00	$ 615,000		
Construction Permits	1% of Building Renovation Cost			1	$ 6,150			$ 6,150		
Architectural and Engineering	6% of Construction Cost		4,100	1	$ 36,900		$ 9.00	$ 36,900		
Real Estate Appraisal				1	$ 1,500			$ 1,500		
Survey				1	$ 500			$ 500		
Insurance			4,100	1	$ 1,500		$ 0.37	$ 1,500		
Development Fee	7% of Sales Price			1	$ 49,000			$ 49,000		
Environmental				1	$ 2,000			$ 2,000		
Title and Transfer Tax (Acquisition)	1/2 of Total (for 2 lots)			1	$ 6,000			$ 6,000		
				1	$ -					
Real Estate Taxes Year 1	Actual			1	$ 8,005			$ 8,005		
Real Estate Taxes Year 2	50% of Estimated Annual			1	$ 2,668			$ 2,668		
Contingency	5% of Sales Price			1	$ 36,000			$ 36,000		
				1	$ -					
Loan Amount	80% of Gross Sales/Value			1	$ 560,000			$ 560,000		
Financing Fees	1% of Loan Amount			1	$ 5,600			$ 5,600		
Interest Paid Until Sale of Home	10-Year Amortization, 8.0% rate									
Year 1	12 months			1	$ 32,453			$ 32,453		
Year 2	4 months			1	$ 10,248			$ 10,248		
				1	$ -					
				1	$ -					
Advertising and Promotion				1	$ 1,000			$ 1,000		
Real Estate Commission	5% of Sale Price			1	$ 35,000			35,000		
Transfer Tax - Sale of Home	1.5% of Sale Price			1	$ 10,500			10,500		

505 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 4,100 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of House (4100 SF @$171/SF)			$ 700,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 615,000	
Construction Permits		$ 6,150	
Architectural and Engineering		$ 36,900	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,500	
Development Fee		$ 49,000	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 10,500
Real Estate Taxes		$ 8,010	$ 2,690
Contingency		$ 36,000	
Financing Fee		$ 5,600	
Interest Paid Until Sale of Home		$ 32,450	$ 10,250
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 35,000
Total	$ 206,000	$ 822,110	$ 58,940
Net Income	$ (206,000)	$ (822,110)	$ 641,060
Cumulative Loss/Gain	$ (206,000)	$ (1,028,110)	$ (387,050)
Indicated Profit >			Negative
	$ (206,000)		
	$ (822,110)		
	$ 641,060		
Internal Rate of Return	-33%		
Indicated Return >	Negative		

***Note: The developer may not be able to achieve a $700,000 price at this location even for such a large home and would suffer a greater loss if the price had to be dropped.

507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 4,100 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of House (4100 SF @$171/SF)			$ 700,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 615,000	
Construction Permits		$ 6,150	
Architectural and Engineering		$ 36,900	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,500	
Development Fee		$ 49,000	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 10,500
Real Estate Taxes		$ 940	$ 2,690
Contingency		$ 35,000	
Financing Fee		$ 5,600	
Interest Paid Until Sale of Home		$ 32,450	$ 10,250
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 35,000
Total	$ 206,000	$ 817,040	$ 58,940
Net Income	$ (206,000)	$ (817,040)	$ 641,060
Cumulative Loss/Gain	$ (206,000)	$ (1,023,040)	$ (381,980)
Indicated Profit >			Negative
	$ (206,000)		
	$ (817,040)		
	$ 641,060		
Internal Rate of Return	-33%		
Indicated Return >	Negative		

***Note: The developer may not be able to achieve a $700,000 price at this location even for such a large home and would suffer a greater loss if the price had to be dropped.

507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 4,100 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Single Family Row Houses	3BR,2.5BA PLUS 1BR,1BA E.B.								4,100	$ 171
Development/Marketing Costs	**Assumption**									
Property Acquisition	1/2 of Aquisition Price (for 2 lots)	2,283	4,100	1	$ 200,000	87.60	$ 48.78	$ 200,000		
Site Rehabilitation		2,283		1	$ 30,000	$ 13.14		$ 30,000		
New Home Construction	Includes Contractor Profit		4,100	1	$ 615,000		$ 150.00	$ 615,000		
Construction Permits	1% of Building Renovation Cost			1	$ 6,150			$ 6,150		
Architectural and Engineering	6% of Construction Cost		4,100	1	$ 36,900		$ 9.00	$ 36,900		
Real Estate Appraisal				1	$ 1,500			$ 1,500		
Survey				1	$ 500			$ 500		
Insurance			4,100	1	$ 1,500		$ 0.37	$ 1,500		
Development Fee	7% of Sales Price			1	$ 49,000			$ 49,000		
Environmental				1	$ 2,000			$ 2,000		
Title and Transfer Tax (Acquisition)	1/2 of Total (for 2 lots)			1	$ 6,000			$ 6,000		
				1	$ -					
Real Estate Taxes Year 1	Actual			1	$ 937			$ 937		
Real Estate Taxes Year 2	50% of Estimated Annual			1	$ 2,068			$ 2,068		
Contingency	5% of Sales Price			1	$ 35,000			$ 35,000		
				1	$ -					
Loan Amount	80% of Gross Sales/Value			1	$ 560,000			$ 560,000		
Financing Fees	1% of Loan Amount			1	$ 5,600			$ 5,600		
Interest Paid Until Sale of Home	10-Year Amortization, 6.0% rate									
Year 1	12 months			1	$ 32,453			$ 32,453		
Year 2	4 months			1	$ 10,248			$ 10,248		
				1	$ -					
				1	$ -					
Advertising and Promotion				1	$ 1,000			$ 1,000		
Real Estate Commission	5% of Sale Price			1	$ 35,000			35,000		
Transfer Tax - Sale of Home	1.5% of Sale Price			1	$ 10,500			10,500		

507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
NEW CONSTRUCTION
SINGLE-FAMILY ROW HOUSE - 4,100 SQ. FT.
3BR, 2.5BA PLUS 1BR,1BA ENGLISH BASEMENT

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of House (4100 SF @$171/SF)			$ 700,000
Development/Sales Costs			
Property Acquisition	$ 200,000		
Title and Transfer Tax (Acquisition)	$ 6,000		
Site Rehabilitation		$ 30,000	
New Home Building Construction		$ 615,000	
Construction Permits		$ 6,150	
Architectural and Engineering		$ 36,900	
Real Estate Appraisal		$ 1,500	
Survey		$ 500	
Insurance		$ 1,500	
Development Fee		$ 49,000	
Environmental		$ 2,000	
Transfer Tax - Sale of New Home			$ 10,500
Real Estate Taxes		$ 940	$ 2,090
Contingency		$ 35,000	
Financing Fee		$ 5,600	
Interest Paid Until Sale of Home		$ 32,450	$ 10,250
Advertising and Promotion		$ 500	$ 500
Real Estate Commission			$ 35,000
Total	$ 206,000	$ 817,040	$ 58,840
Net Income	$ (206,000)	$ (817,040)	$ 641,060
Cumulative Loss/Gain	$ (206,000)	$ (1,023,040)	$ (381,980)
Indicated Profit >			Negative
	$ (206,000)		
	$ (817,040)		
	$ 641,060		
Internal Rate of Return	-33%		
Indicated Return >	Negative		

***Note: The developer may not be able to achieve a $700,000 price at this location even for such a large home and would suffer a greater loss if the price had to be dropped.

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 7200SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of Unit #1 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #2 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #3 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #4 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #5 (1420 SF @$265/SF)			$ 376,000
Total			$ 1,880,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 875,000	
Construction Permits		$ 8,750	
Architectural and Engineering		$ 87,500	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 131,600	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 28,200
Real Estate Taxes		$ 6,940	$ 7,220
Contingency		$ 94,000	
Financing Fee		$ 15,040	
Interest Paid Until Condos Sold		$ 81,060	$ 26,200
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 94,000
Total	$ 412,000	$ 1,397,890	$ 156,620
Net Income	$ (412,000)	$ (1,397,890)	$ 1,723,380
Cumulative Loss/Gain	$ (412,000)	$ (1,809,890)	$ (86,510)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,397,890)		
	$ 1,723,380		
Internal Rate of Return	-4%		
Indicated Return >	Negative		

****Note: The developer may not be able to achieve a $376,000 price at this location even for larger units and would suffer a greater loss if the price had to be dropped.

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 7200SF GBA

Real Estate	Type of Unit	Land Area	Proposed Building Area	No. of Resid. Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Residential Condo Unit #1	2BR, 2BA, DEN								1,420	$ 285
Residential Condo Unit #2	2BR, 2BA, DEN								1,420	$ 285
Residential Condo Unit #3	2BR, 2BA, DEN								1,420	$ 285
Residential Condo Unit #4	2BR, 2BA, DEN								1,420	$ 285
Residential Condo Unit #6	2BR, 2BA, DEN								1,420	$ 285
Development/Marketing Costs	**Assumption**									
Property Acquisition	Market Transaction	4,565	7,200		$ 80,000	87.62	$ 55.56	$ 400,000		
Site Rehabilitation		4,565			$ 15,000	$ 16.43		$ 75,000		
Building Renovation	Includes Contractor Profit		7,200		$ 175,000		$ 121.53	$ 875,000		
Construction Permits	1% of Building Renovation Cost				$ 1,750			$ 8,750		
Architectural and Engineering	10% of Building Renovation Cost		7,200		$ 17,500		$ 12.15	$ 87,500		
Real Estate Appraisal					$ 1,000			$ 5,000		
Survey					$ 600			$ 3,000		
Insurance			7,200		$ 2,000		$ 1.39	$ 10,000		
Development Fee	7% of Sales Price				$ 26,320			$ 131,600		
Environmental					$ 800			$ 4,000		
Title and Transfer Tax (Acquisit.)					$ 2,400			$ 12,000		
Real Estate Taxes Year 1	Actual				$ 1,388			$ 6,942		
Real Estate Taxes Year 2	50% of Estimated Annual				$ 1,444			$ 7,219		
Contingency	5% of Sales Price				$ 18,800			$ 94,000		
Loan Amount	80% of Gross Sales/Value				$ 300,800			$ 1,504,000		
Financing Fees	1% of Loan Amount				$ 3,008			$ 15,040		
Interest Until Condos Sold	15-Year Amortization, 5.5% rate									
Year 1	12 months				$ 16,212			$ 81,060		
Year 2	4 months				$ 5,240			$ 26,199		
Advertising and Promotion					$ 400			$ 2,000		
Real Estate Commissions	*5% of Gross Sales Revenue*				$ 18,800			94,000		
Transfer Tax - Sale of Units	1.5% of Gross Sales Revenue							26,200		

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 7200SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of Unit #1 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #2 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #3 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #4 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #6 (1420 SF @$265/SF)			$ 376,000
Total			$ 1,880,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 875,000	
Construction Permits		$ 8,750	
Architectural and Engineering		$ 87,500	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 131,600	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 28,200
Real Estate Taxes		$ 6,940	$ 7,220
Contingency		$ 94,000	
Financing Fee		$ 15,040	
Interest Paid Until Condos Sold		$ 81,060	$ 26,200
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 94,000
Total	$ 412,000	$ 1,397,890	$ 156,620
Net Income	$ (412,000)	$ (1,397,890)	$ 1,723,380
Cumulative Loss/Gain	$ (412,000)	$ (1,809,890)	$ (86,510)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,397,890)		
	$ 1,723,380		
Internal Rate of Return	-4%		
Indicated Return >	Negative		

****Note: The developer may not be able to achieve a $376,000 price at this location even for larger units and would suffer a greater loss if the price had to be dropped.

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 5400SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #2 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #3 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #4 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #5 (1050 SF @$310/SF)			$ 326,000
Total			$ 1,630,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 800,000	
Construction Permits		$ 8,000	
Architectural and Engineering		$ 80,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 114,100	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 24,450
Real Estate Taxes		$ 6,940	$ 6,260
Contingency		$ 81,500	
Financing Fee		$ 13,040	
Interest Paid Until Condos Sold		$ 70,280	$ 22,710
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 81,500
Total	$ 412,000	$ 1,271,860	$ 135,920
Net Income	$ (412,000)	$ (1,271,860)	$ 1,494,080
Cumulative Loss/Gain	$ (412,000)	$ (1,683,860)	$ (189,780)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,271,860)		
	$ 1,494,080		
Internal Rate of Return	-9%		
Indicated Return >	Negative		

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AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 5400SF GBA

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Residential Condo Unit #1	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #2	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #3	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #4	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #5	2BR, 2BA, DEN								1,050	$ 310
Development/Marketing Costs	**Assumption**									
Property Acquisition	Market Transaction	4,595	5,400		$ 80,000	87.02	$ 74.07	$ 400,000		
Site Rehabilitation		4,595			$ 15,000	$ 16.43		$ 75,000		
Building Renovation	Includes Contractor Profit		5,400		$ 160,000		$ 148.15	$ 800,000		
Construction Permits	1% of Building Renovation Cost				$ 1,600			$ 8,000		
Architectural and Engineering	10% of Building Renovation Cost		5,400		$ 16,000		$ 14.81	$ 80,000		
Real Estate Appraisal					$ 1,000			$ 5,000		
Survey					$ 600			$ 3,000		
Insurance			5,400		$ 2,000		$ 1.85	$ 10,000		
Development Fee	7% of Sales Price				$ 22,820			$ 114,100		
Environmental					$ 800			$ 4,000		
Title and Transfer Tax (Acquisition)					$ 2,400			$ 12,000		
Real Estate Taxes Year 1	Actual				$ 1,388			$ 6,942		
Real Estate Taxes Year 2	80% of Estimated Annual				$ 1,252			$ 6,258		
Contingency	5% of Sales Price				$ 16,300			$ 81,500		
Loan Amount	80% of Gross Sales/Value				$ 260,800			$ 1,304,000		
Financing Fees	1% of Loan Amount				$ 2,608			$ 13,040		
Interest Paid Until Condos Sold	15-Year Amortization, 5.5% rate									
Year 1	12 months				$ 14,057			$ 70,283		
Year 2	4 months				$ 4,543			$ 22,714		
Advertising and Promotion					$ 400			$ 2,000		
Real Estate Commissions	5% of Gross Sales Revenue				$ 16,300			$ 81,500		
Transfer Tax - Sale of Units	1.5% of Gross Sales Revenue				$ 4,890			$ 24,450		

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AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 5400SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #2 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #3 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #4 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #5 (1050 SF @$310/SF)			$ 325,000
Total			$ 1,630,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 800,000	
Construction Permits		$ 8,000	
Architectural and Engineering		$ 80,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 114,100	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 24,450
Real Estate Taxes		$ 6,940	$ 6,260
Contingency		$ 81,500	
Financing Fee		$ 13,040	
Interest Paid Until Condos Sold		$ 70,280	$ 22,710
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 81,500
Total	$ 412,000	$ 1,271,860	$ 135,920
Net Income	$ (412,000)	$ (1,271,860)	$ 1,494,080
Cumulative Loss/Gain	$ (412,000)	$ (1,683,860)	$ (189,780)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,271,860)		
	$ 1,494,080		
Internal Rate of Return	-9%		
Indicated Return >	Negative		

505 & 507 0 STREET PRO FORMA
WITH VARIANCE
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2.5BA UNITS AND 2 1BR, 1.5BA UNITS
7,200 SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #2 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #3 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #4 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #5 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #6 (800SF @ $315/SF)			$ 252,000
Sale of Unit #7 (800SF @ $315/SF)			$ 252,000
Total			$ 2,209,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 900,000	
Construction Permits		$ 9,000	
Architectural and Engineering		$ 90,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 154,630	
Environmental		$ 4,000	
Transfer Tax Sale of Units		$ 12,000	$ 33,140
Real Estate Taxes		$ 6,940	$ 8,480
Contingency		$ 110,500	
Financing Fee		$ 17,700	
Interest Paid Until Condos Sold		$ 95,250	$ 30,780
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 110,450
Total	$ 412,000	$ 1,494,020	$ 183,850
Net Income	$ (412,000)	$ (1,494,020)	$ 2,025,150
Cumulative Loss/Gain	$ (412,000)	$ (1,906,020)	$ 119,130
Indicated Profit >			Positive
	$ (412,000)		
	$ (1,494,020)		
	$ 2,025,150		
Internal Rate of Return	5%		
Indicated Return >	Positive		

505 & 507 0 STREET PRO FORMA
WITH VARIANCE
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2.5BA UNITS AND 2 1BR, 1.5BA UNITS
7,200 SF GBA

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Proposed Living Area Within Condominium Units	Sales Price Per Square Foot
Residential Condo Unit #1	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #2	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #3	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #4	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #5	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #6	1BR, 2BA, DEN								800	$ 315
Residential Condo Unit #7	1BR, 2BA, DEN								800	$ 315
Development/Marketing Costs	**Assumption**									
Property Acquisition	Market Transaction	4,585	7,200	7	$ 57,143	87.62	$ 55.56	$ 400,000		
Site Rehabilitation		4,585		7	$ 10,714	$ 16.43		$ 75,000		
Building Renovation	Includes Contractor Profit		7,200	7	$ 128,571		$ 125.00	$ 900,000		
Construction Permits	1% of Building Renovation Cost			7	$ 1,286			$ 9,000		
Architectural and Engineering	10% of Building Renovation Cost		7,200	7	$ 12,857		$ 12.50	$ 90,000		
Real Estate Appraisal				7	$ 714			$ 5,000		
Survey				7	$ 429			$ 3,000		
Insurance			7,200	7	$ 1,429		$ 1.39	$ 10,000		
Development Fee	7% of Sales Price			7	$ 22,090			$ 154,630		
Environmental				7	$ 571			$ 4,000		
Title and Transfer Taxes				7	$ 1,714			$ 12,000		
Real Estate Taxes Year 1	Actual			7	$ 992			$ 6,942		
Real Estate Taxes Year 2	50% of Estimated Annual			7	$ 1,212			$ 8,483		
Contingency	5% of Sales Price			7	$ 15,779			$ 110,460		
Loan Amount	80% of Gross Sales/Value			7	$ 252,457			$ 1,767,200		
Financing Fees	1% of Loan Amount			7	$ 2,525			$ 17,672		
Interest Paid Until Condos Sold	15-Year Amortization, 5.5% rate									
Year 1	12 months			7	$ 13,807			$ 96,248		
Year 2	4 months			7	$ 4,398			$ 30,784		
Advertising and Promotion				7	$ 286			$ 2,000		
Real Estate Commissions	5% of Gross Sales Revenue			7	$ 15,779			110,460		
Transfer Tax - Sale of Units	1.5% of Sales Price			7	$ 4,734			33,135		

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WITH VARIANCE
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2.5BA UNITS AND 2 1BR, 1.5BA UNITS
7,200 SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #2 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #3 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #4 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #5 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #6 (800SF @ $315/SF)			$ 252,000
Sale of Unit #7 (800SF @ $315/SF)			$ 252,000
Total			$ 2,206,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 900,000	
Construction Permits		$ 9,000	
Architectural and Engineering		$ 90,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 154,630	
Environmental		$ 4,000	
Transfer Tax Sale of Units		$ 12,000	$ 33,140
Real Estate Taxes		$ 6,940	$ 8,480
Contingency		$ 110,500	
Financing Fee		$ 17,700	
Interest Paid Until Condos Sold		$ 96,250	$ 30,790
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 110,460
Total	$ 412,000	$ 1,494,020	$ 183,660
Net Income	$ (412,000)	$ (1,494,020)	$ 2,026,180
Cumulative Loss/Gain	$ (412,000)	$ (1,906,020)	$ 119,130
Indicated Profit >			Positive
	$ (412,000)		
	$ (1,494,020)		
	$ 2,026,180		
Internal Rate of Return	6%		
Indicated Return >	Positive		

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 7200SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of Unit #1 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #2 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #3 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #4 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #5 (1420 SF @$265/SF)			$ 376,000
Total			$ 1,880,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 875,000	
Construction Permits		$ 8,750	
Architectural and Engineering		$ 87,500	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 131,600	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 28,200
Real Estate Taxes		$ 6,940	$ 7,220
Contingency		$ 94,000	
Financing Fee		$ 15,040	
Interest Paid Until Condos Sold		$ 81,060	$ 26,200
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 94,000
Total	$ 412,000	$ 1,397,890	$ 156,620
Net Income	$ (412,000)	$ (1,397,890)	$ 1,723,380
Cumulative Loss/Gain	$ (412,000)	$ (1,809,890)	$ (86,510)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,397,890)		
	$ 1,723,380		
Internal Rate of Return	-4%		
Indicated Return >	Negative		

****Note: The developer may not be able to achieve a $376,000 price at this location even for larger units and would suffer a greater loss if the price had to be dropped.

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AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 7200SF GBA

Real Estate	Type of Unit	Land Area	Proposed Building Area	No. of Resid. Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Residential Condo Unit #1	2BR, 2BA, DEN								1,420	$ 265
Residential Condo Unit #2	2BR, 2BA, DEN								1,420	$ 265
Residential Condo Unit #3	2BR, 2BA, DEN								1,420	$ 265
Residential Condo Unit #4	2BR, 2BA, DEN								1,420	$ 265
Residential Condo Unit #5	2BR, 2BA, DEN								1,420	$ 265
Development/Marketing Costs	**Assumption**									
Property Acquisition	Market Transaction	4,565	7,200		$ 80,000	87.62	$ 55.56	$ 400,000		
Site Rehabilitation		4,565			$ 15,000	$ 16.43		$ 75,000		
Building Renovation	Includes Contractor Profit		7,200		$ 175,000		$ 121.53	$ 875,000		
Construction Permits	1% of Building Renovation Cost				$ 1,750			$ 8,750		
Architectural and Engineering	10% of Building Renovation Cost		7,200		$ 17,500		$ 12.15	$ 87,500		
Real Estate Appraisal					$ 1,000			$ 5,000		
Survey					$ 600			$ 3,000		
Insurance			7,200		$ 2,000		$ 1.39	$ 10,000		
Development Fee	7% of Sales Price				$ 26,320			$ 131,600		
Environmental					$ 800			$ 4,000		
Title and Transfer Tax (Acquisit.)					$ 2,400			$ 12,000		
Real Estate Taxes Year 1	Actual				$ 1,388			$ 6,942		
Real Estate Taxes Year 2	50% of Estimated Annual				$ 1,444			$ 7,219		
Contingency	5% of Sales Price				$ 18,800			$ 94,000		
Loan Amount	80% of Gross Sales/Value				$ 300,800			$ 1,504,000		
Financing Fees	1% of Loan Amount				$ 3,008			$ 15,040		
Interest Until Condos Sold	15-Year Amortization, 5.5% rate									
Year 1	12 months				$ 16,212			$ 81,060		
Year 2	4 months				$ 5,240			$ 26,199		
Advertising and Promotion					$ 400			$ 2,000		
Real Estate Commissions	5% of Gross Sales Revenue				$ 18,800			94,000		
Transfer Tax - Sale of Units	1.5% of Gross Sales Revenue							26,200		

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AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 7200SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues ***			
Sale of Unit #1 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #2 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #3 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #4 (1420 SF @$265/SF)			$ 376,000
Sale of Unit #5 (1420 SF @$265/SF)			$ 376,000
Total			$ 1,880,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 875,000	
Construction Permits		$ 8,750	
Architectural and Engineering		$ 87,500	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 131,600	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 28,200
Real Estate Taxes		$ 6,940	$ 7,220
Contingency		$ 94,000	
Financing Fee		$ 15,040	
Interest Paid Until Condos Sold		$ 81,060	$ 26,200
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 94,000
Total	$ 412,000	$ 1,307,890	$ 156,620
Net Income	$ (412,000)	$ (1,307,890)	$ 1,723,380
Cumulative Loss/Gain	$ (412,000)	$ (1,909,890)	$ (86,510)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,307,890)		
	$ 1,723,380		
Internal Rate of Return	>4%		
Indicated Return >	Negative		

****Note: The developer may not be able to achieve a $376,000 price at this location even for larger units and would suffer a greater loss if the price had to be dropped.

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 5400SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #2 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #3 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #4 (1050 SF @$310/SF)			$ 326,000
Sale of Unit #5 (1050 SF @$310/SF)			$ 326,000
Total			$ 1,630,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 800,000	
Construction Permits		$ 8,000	
Architectural and Engineering		$ 80,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 114,100	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 24,450
Real Estate Taxes		$ 6,940	$ 6,260
Contingency		$ 81,500	
Financing Fee		$ 13,040	
Interest Paid Until Condos Sold		$ 70,280	$ 22,710
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 81,500
Total	$ 412,000	$ 1,271,860	$ 135,920
Net Income	$ (412,000)	$ (1,271,860)	$ 1,494,080
Cumulative Loss/Gain	$ (412,000)	$ (1,683,860)	$ (189,780)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,271,860)		
	$ 1,494,080		
Internal Rate of Return	-9%		
Indicated Return >	Negative		

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 5400SF GBA

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Living Area Within Condominium Units	Sales Price Per Square Foot
Residential Condo Unit #1	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #2	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #3	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #4	2BR, 2BA, DEN								1,050	$ 310
Residential Condo Unit #5	2BR, 2BA, DEN								1,050	$ 310
Development/Marketing Costs	**Assumption**									
Property Acquisition	Market Transaction	4,565	5,400		$ 80,000	$ 87.62	$ 74.07	$ 400,000		
Site Rehabilitation		4,565			$ 15,000	$ 18.43		$ 75,000		
Building Renovation	Includes Contractor Profit		5,400		$ 180,000		$ 148.15	$ 800,000		
Construction Permits	1% of Building Renovation Cost				$ 1,800			$ 8,000		
Architectural and Engineering	10% of Building Renovation Cost		5,400		$ 18,000		$ 14.81	$ 80,000		
Real Estate Appraisal					$ 1,000			$ 5,000		
Survey					$ 600			$ 3,000		
Insurance			5,400		$ 2,000		$ 1.85	$ 10,000		
Development Fee	7% of Sales Price				$ 22,820			$ 114,100		
Environmental					$ 800			$ 4,000		
Title and Transfer Tax (Acquisition)					$ 2,400			$ 12,000		
Real Estate Taxes Year 1	Actual				$ 1,368			$ 6,842		
Real Estate Taxes Year 2	50% of Estimated Annual				$ 1,252			$ 6,259		
Contingency	5% of Sales Price				$ 16,300			$ 81,500		
Loan Amount	80% of Gross Sales/Value				$ 260,800			$ 1,304,000		
Financing Fees	1% of Loan Amount				$ 2,608			$ 13,040		
Interest Paid Until Condos Sold	15-Year Amortization, 8.5% rate									
Year 1	12 months				$ 14,057			$ 70,283		
Year 2	4 months				$ 4,543			$ 22,714		
Advertising and Promotion					$ 400			$ 2,000		
Real Estate Commissions	5% of Gross Sales Revenue				$ 16,300			$ 81,500		
Transfer Tax - Sale of Units	1.5% of Gross Sales Revenue				$ 4,890			24,450		

505 & 507 0 STREET PRO FORMA
AS A MATTER OF RIGHT
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2BA UNITS, 5400SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #2 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #3 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #4 (1050 SF @$310/SF)			$ 325,000
Sale of Unit #5 (1050 SF @$310/SF)			$ 325,000
Total			$ 1,630,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 800,000	
Construction Permits		$ 8,000	
Architectural and Engineering		$ 80,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 114,100	
Environmental		$ 4,000	
Transfer Tax - Sale of Units			$ 24,450
Real Estate Taxes		$ 6,840	$ 6,259
Contingency		$ 81,500	
Financing Fee		$ 13,040	
Interest Paid Until Condos Sold		$ 70,280	$ 22,710
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 81,500
Total	$ 412,000	$ 1,271,860	$ 135,920
Net Income	$ (412,000)	$ (1,271,860)	$ 1,494,080
Cumulative Loss/Gain	$ (412,000)	$ (1,683,860)	$ (189,780)
Indicated Profit >			Negative
	$ (412,000)		
	$ (1,271,860)		
	$ 1,494,080		
Internal Rate of Return	-9%		
Indicated Return >	Negative		

505 & 507 0 STREET PRO FORMA
WITH VARIANCE
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2.5BA UNITS AND 2 1BR, 1.5BA UNITS
7,200 SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #2 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #3 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #4 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #5 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #6 (800SF @ $315/SF)			$ 252,000
Sale of Unit #7 (800SF @ $315/SF)			$ 252,000
Total			$ 2,209,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 900,000	
Construction Permits		$ 9,000	
Architectural and Engineering		$ 90,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 154,630	
Environmental		$ 4,000	
Transfer Tax Sale of Units		$ 12,000	$ 33,140
Real Estate Taxes		$ 6,940	$ 8,480
Contingency		$ 110,500	
Financing Fee		$ 17,700	
Interest Paid Until Condos Sold		$ 95,250	$ 30,780
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 110,450
Total	$ 412,000	$ 1,494,020	$ 183,850
Net Income	$ (412,000)	$ (1,494,020)	$ 2,025,150
Cumulative Loss/Gain	$ (412,000)	$ (1,906,020)	$ 119,130
Indicated Profit >			Positive
	$ (412,000)		
	$ (1,494,020)		
	$ 2,025,150		
Internal Rate of Return	5%		
Indicated Return >	Positive		

505 & 507 0 STREET PRO FORMA
WITH VARIANCE
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2.5BA UNITS AND 2 1BR, 1.5BA UNITS
7,200 SF GBA

Real Estate	Type of Unit	Land Area	Proposed Building Area	Number of Residential Units Matter of Right	Unit Analysis $/Proposed Residential Unit	Unit Analysis $/Land Square Foot	Unit Analysis $/ Proposed Building Area Sq. Ft.	Total Cost	Proposed Living Area Within Condominium Units	Sales Price Per Square Foot
Residential Condo Unit #1	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #2	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #3	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #4	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #5	2BR, 2.5 BA, DEN								1,100	$ 310
Residential Condo Unit #6	1BR, 2BA, DEN								800	$ 315
Residential Condo Unit #7	1BR, 2BA, DEN								800	$ 316
Development/Marketing Costs	**Assumption**									
Property Acquisition	Market Transaction	4,595	7,200	7	$ 57,143	87.02	$ 55.56	$ 400,000		
Site Rehabilitation		4,595		7	$ 10,714	$ 16.43		$ 75,000		
Building Renovation	Includes Contractor Profit		7,200	7	$ 125,571		$ 125.00	$ 900,000		
Construction Permits	1% of Building Renovation Cost			7	$ 1,286			$ 9,000		
Architectural and Engineering	10% of Building Renovation Cost		7,200	7	$ 12,857		$ 12.50	$ 90,000		
Real Estate Appraisal				7	$ 714			$ 5,000		
Survey				7	$ 429			$ 3,000		
Insurance			7,200	7	$ 1,429		$ 1.39	$ 10,000		
Development Fee	7% of Sales Price			7	$ 22,080			$ 154,630		
Environmental				7	$ 571			$ 4,000		
Title and Transfer Taxes				7	$ 1,714			$ 12,000		
Real Estate Taxes Year 1	Actual			7	$ 992			$ 6,942		
Real Estate Taxes Year 2	50% of Estimated Annual			7	$ 1,212			$ 8,483		
Contingency	5% of Sales Price			7	$ 15,779			$ 110,450		
Loan Amount	80% of Gross Sales/Value			7	$ 252,457			$ 1,767,200		
Financing Fees	1% of Loan Amount			7	$ 2,526			$ 17,672		
Interest Paid Until Condos Sold	15-Year Amortization, 6.5% rate									
Year 1	12 months			7	$ 13,607			$ 95,248		
Year 2	4 months			7	$ 4,398			$ 30,784		
Advertising and Promotion				7	$ 286			$ 2,000		
Real Estate Commissions	5% of Gross Sales Revenue			7	$ 15,779			110,450		
Transfer Tax - Sale of Units	1.5% of Sales Price			7	$ 4,734			33,138		

505 & 507 0 STREET PRO FORMA
WITH VARIANCE
RESIDENTIAL CONDOMINIUM UNITS
FIVE 2BR, 2.5BA UNITS AND 2 1BR, 1.5BA UNITS
7,200 SF GBA

	Acquisition	Year 1	Year 2
Sales Revenues			
Sale of Unit #1 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #2 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #3 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #4 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #5 (1100SF @ $310/SF)			$ 341,000
Sale of Unit #6 (800SF @ $315/SF)			$ 252,000
Sale of Unit #7 (800SF @ $315/SF)			$ 252,000
Total			$ 2,206,000
Development/Sales Costs			
Property Acquisition	$ 400,000		
Title and Transfer Tax (Acquisition)	$ 12,000		
Site Rehabilitation		$ 75,000	
Building Renovation		$ 900,000	
Construction Permits		$ 9,000	
Architectural and Engineering		$ 90,000	
Real Estate Appraisal		$ 5,000	
Survey		$ 3,000	
Insurance		$ 10,000	
Development Fee		$ 154,630	
Environmental		$ 4,000	
Transfer Tax Sale of Units		$ 12,000	$ 33,140
Real Estate Taxes		$ 6,940	$ 8,480
Contingency		$ 110,800	
Financing Fee		$ 17,700	
Interest Paid Until Condos Sold		$ 95,250	$ 30,790
Advertising and Promotion		$ 1,000	$ 1,000
Real Estate Commissions			$ 110,450
Total	$ 412,000	$ 1,494,020	$ 183,860
Net Income	$ (412,000)	$ (1,494,020)	$ 2,026,150
Cumulative Loss/Gain	$ (412,000)	$ (1,906,020)	$ 119,130
Indicated Profit >			Positive
	$ (412,000)		
	$ (1,494,020)		
	$ 2,026,150		
Internal Rate of Return		5%	
Indicated Return >		Positive	

S. PATZ AND ASSOCIATES, INC.

CORPORATE OVERVIEW & SERVICES

FOR REAL ESTATE DEVELOPMENT

S. Patz and Associates, Inc.
1039 Sterling Road
Suite 201
Herndon, VA 20170

S. PATZ AND ASSOCIATES, INC.
CORPORATE OVERVIEW AND SERVICES

S. Patz and Associates, Inc. is an economic consulting and appraisal firm specializing in objective market research and property valuation for public and private sector clients and banks concerned with the dynamics of the current and evolving real estate development and investment markets. Services offered by S. Patz and Associates, Inc. include market research and financial feasibility analysis for office, retail, industrial, residential, hotel, recreation, and mixed-use developments. Major assignments include market and feasibility analysis for public/private cooperative development of commercial and mixed use projects, cost/benefit analysis of transportation system and other planning projects, fiscal analysis for determining impacts of new development on local government, multi-disciplinary economic planning for a wide range of large scale developments, and appraisals of commercial and residential properties and raw land.

The president of S. Patz and Associates, Stuart M. Patz, has established a reputation for producing detailed and precise market data and recommendations based on well-documented research and analysis. Mr. Patz, who was founder and former president of RPR Economic Consultants, has served a broad range of clients in numerous unique assignments over the years, including many of the major real estate developers in the Washington, DC region and nationwide, such as CSX Resources, Inc., The Centennial Companies, The Driggs Corporation, The Fried Group, Mobil-Reston, Winchester Homes, Pulte Homes, Comstock Homes, Centex National Housing Corporation, The Mills Corporation, Dominion Resources, Federal Realty Investment Trust, Exxon Corporation, The Lerner Companies, Clark Realty Capitol, KSI Services, Inc., GMAC Commercial Mortgage Corporation, HH Hunt, Carl M. Freeman Retail, IDI-Cortese, LP, among others.

The staff at S. Patz and Associates, Inc. has undertaken significant market research in numerous cities and counties within the Mid-Atlantic states and in the South. Several of these assignments included statewide or region-wide analyses for housing, industrial space, office space, and mixed-use development for public and private clients. Appraisals completed by the company staff cover all land uses, including small and large residential sites, for lending institutions, private developers and property owners. Also included in recent and current work assignments are expert witness testimony and review appraisal work for banks and attorneys.

The company also lists a wide range of non-profit housing developers as clients and has undertaken a wide range of studies for affordable housing communities, including HOPE VI Communities, as well as market rate apartment proposals. The company is approved for market research by several offices of HUD, and is on the approved list for numerous state housing agencies, such as District of Columbia, Maryland, North Carolina, Georgia, Pennsylvania, etc.

CONSULTING SERVICES

Market Research/Demographics. S. Patz and Associates, Inc. stresses the basic elements of supply and demand as the building blocks of real estate market research. Modern computer technology allows us to quickly and accurately establish, update and maintain data bases on real estate development, business conditions and demographic trends in target jurisdictions. Knowledge of local government procedures enables us to assist developer clients through the approvals process, while our experience in real estate development brings real-world expertise to our recommendations for clients in the public sector.

Economic/Financial Feasibility is the bottom-line test of viability for a real estate endeavor, be it private new development or publicly-sponsored rehabilitation. S. Patz and Associates, Inc. employs the latest computer software for cash-flow and return-on-investment analysis, or other measures of economic and financial feasibility, based on operations data and/or projections for existing or proposed facilities. These techniques have been successfully used by S. Patz and Associates, Inc. in pro formas for new development projects and in workout analyses for troubled properties.

Cost-benefit and Fiscal Impact Analysis. For the public sector, project viability may also depend on net fiscal balance for local government, or on other economic and/or non-economic costs and benefits to accrue to the citizens, businesses and institutions in a locality. Budgetary and other governmental impacts of development are assessed by S. Patz and Associates, Inc. utilizing spreadsheet analysis of municipal finances, and multiplier impact models developed from U.S. Department of Commerce RIMS data. Studies that have been completed include TIF analysis for 1.0 million square foot shopping malls in Philadelphia, PA and Orange, CA, tax impact of a pari-mutuel track in Maryland, and benefits analysis for a mixed-use development analysis planned to include a Lego theme park south of Washington, DC.

Economic Development is a major concern for public bodies when viewing real estate conditions or activity. S. Patz and Associates, Inc. has extensive experience in working together with public bodies and private entities to create incentive packages that can bring black ink to the bottom line for development projects to create jobs and increase earnings in economically impacted areas. Examples include traditional bond financing for a 1.8 million square foot industrial park in Richmond, Virginia, TIF support from industrial development to finance an interstate interchange in Front Royal, Virginia, and creation of a public lake to enhance development in the Owings Mills Town Center, Maryland.

Commercial Revitalization couples economic development objectives of enhancing employment and earnings with better service to neighborhoods and communities through business development and through upgrading the physical functioning and appearance of older impacted commercial areas. Revitalization studies by S. Patz and Associates, Inc. in three impacted centers in Fairfax County, Virginia, led to bond issues to support

improvements in those centers and to staff and fund an ongoing commercial revitalization program. Other revitalization studies focused on: Essex and Pikesville in the Baltimore area; Alexandria, Herndon, McLean, Kensington, Damascus, and La Plata in the Washington DC area; the Georgia Avenue Corridor in northeast Washington, DC; and Richmond, Norfolk, Newport News, Portsmouth, and Lynchburg in Virginia.

Fee Simple, Leasehold and Specialized Appraisals. In establishing a national commercial real estate appraisal service, S. Patz and Associates, Inc. primary goal was to assemble a team of extremely well qualified MAI and staff appraisers that could provide timely, professional evaluations on real estate assets. S. Patz and Associates, Inc. appraisal expertise covers a complete spectrum of property types including multifamily, residential, lodging, industrial, office, retail, single-family subdivisions, resorts, mixed-use developments and undeveloped land. Our appraisal staff prides itself on providing a professional, unbiased and independent third-party analysis of real estate including self-contained and summary certified narrative appraisals, appraisal reviews, asset liquidation valuations, market and investment valuations and expert testimony services.

Expert Witness Testimony/Highest and Best Use. Service as an expert witness in court proceedings attests to a professional's credibility and reputation among peers. Stuart Patz has provided expert witness testimony on numerous occasions, as for example in bankruptcy cases, tax appeals, and a wide range of litigation regarding real estate values and development feasibility. Quite frequently the issue involves highest and best use analysis of a property concerning issues of valuation, zoning change, or similar matters. Examples of the expert witness testimony of Mr. Patz are: a tax appeal for a 2,000 acre waterfront site in Charles County, Maryland; testimony concerning property values and market trends for office buildings, an apartment tower, and commercial sites in Northern Virginia; and property valuations involved in a highway taking and the taking of property for an extension of the Appalachian Trail.

REAL PROPERTY RESEARCH AT S. PATZ AND ASSOCIATES, INC.

Development Potential and Valuation of Raw Land is prototypically the beginning point for analysis concerning land development. Market research and valuation by S. Patz and Associates, Inc. provides land owners or prospective land owners with information to assist in land development decisions, including purchase, rezoning, subdivision, and improvements, or sale to developers or builders at some step in this process. Many of the projects listed below by land use type began with an assessment of alternative land development strategies, and financial analysis for highest and best use of the sites.

Single Family Housing has been studied extensively by S. Patz and Associates, Inc. for both private developers and public development and redevelopment agencies. Our expertise in assessing potential demand for a wide variety of market rate and luxury housing has enabled us to assist our clients in planning product line and determining feasibility, for such new home developments as Ashburn Village (Loudoun County, Virginia) and St. Charles communities (Maryland), large scale PUD's, such as Laurel

Lakes in Laurel, Maryland, and significant Virginia subdivisions including Widewater in Stafford County and Belmont in Loudoun County).
S. Patz and Associates, Inc. also specializes in analyzing niche housing markets in mature or aging communities in order to identify inner-city housing opportunities for public or non-profit clients, such as the City of Richmond's Randolph area, the City of Norfolk (Midtown Arch), and the City of Pittsburgh (Washington's Landing). In-town private development in the District of Columbia included the Visitation Site in Georgetown and the Fort Lincoln New Town.

Multifamily Housing assignments tackled by S. Patz and Associates, Inc. cover the full range of opportunities, from tax-credit and other assisted units for low and moderate tenants, to upscale apartments and luxury condominiums for more affluent renters and buyers, as well as HOPE IV proposals. The tax credit program, for example, has become the foremost mechanism in stimulating private development of low cost rental housing. S. Patz and Associates, Inc. prepared a statewide analysis of demand for the program in Virginia, by county, for the Virginia Housing Development Authority (VHDA), along with the analysis of numerous individual sites around the state for VHDA. S. Patz and Associates, Inc. has analyzed numerous potential sites for tax credit apartments around the country for both for-profit and non-profit developers and for state housing agencies.

Market rate multifamily apartment projects have been studied by S. Patz and Associates, Inc. for public as well as private clients. Examples of upscale communities include two in the Georgetown section of Washington, D.C., Georgetown Park and the Flour Mill. Multifamily apartments and condominiums have also been researched by S. Patz and Associates, Inc. as components of large scale mixed use developments and resort/second home developments, as well.

Resort Housing and Second Homes in a wide variety of settings have come under the scrutiny and analysis of S. Patz and Associates. Mountain ski chalets, country lakeside retreats, Sun Belt golfing communities, coastal villas -- all have been the subject of study by S. Patz and Associates, Inc. for resort and second home developers and home builders throughout the United States. Market analysis was conducted by S. Patz and Associates, Inc. for the 1,000 unit Imperial Lakes planned development in Lakeland, Florida, and the 500 unit Starpass Resort in Tucson, Arizona. We analyzed the impacts of the proposed 3,000 Solomon's Town Center on the Chesapeake Bay in Maryland, and waterfront homes in Seaford, Delaware, Rehoboth, Delaware, Kent Island, Maryland, Annapolis, Maryland, Swan Point (Charles County, Maryland), golf communities such as Cress Creek (Martinsburg, West Virginia), ski communities such Dillon, Colorado, and Snowshoe, West Virginia, and even an air-park oriented community in Eagles Nest, West Virginia.

Retail Stores, Centers and Malls face an increasingly difficult task of maintaining a competitive edge in today's fiercely competitive retail marketplace. Mega-malls, big boxes, and retail-entertainment complexes are among the market innovations that have changed the face of retailing in the last decade. S. Patz and Associates, Inc. understands the market dynamics and economic realities facing all types of retail venues, from the

mall to the strip center to the neighborhood grocery. We undertook economic analysis of the 2.0 million square foot Potomac Mills mall south of Washington, D.C. and of seven other existing or proposed "mills" malls for the Mills Corporation, as well as the upscale Georgetown Park specialty mall in Washington, D.C. Unusual and innovative assignments have included recommendations for a discount center in a former jail in Moundsville, West Virginia.

Commercial Office Space has been subjected to a roller-coaster ride through the business cycle of the nineteen-eighties and -nineties. Record development and absorption of regional/corporate office space in most office markets in the 1980's was met with a stagnant demand and escalating vacancies in the early-1990's. During the downturn of the 1990's recession S. Patz and Associates, Inc. was a leader in workouts for distressed office properties for RTC and other agencies. As the office market strengthened, S. Patz and Associates, Inc. realigned its focus once again on market research for speculative office development. Examples of S. Patz and Associates, Inc. service to office developers include research for the 1.2 million square foot Capitol Gateway project at Union Station in Washington, D.C. The successful Muirkirk Business Park in Laurel, Maryland and the nearly complete Ingleside Corporate Center in Lanham, Maryland. On a smaller scale S. Patz and Associates, Inc. specializes in research for medical and professional office space, either as freestanding development or within larger centers or mixed-use projects.

Industrial and Flex Space has increasingly been the focus of S. Patz and Associates, Inc. research as modern industries emerge from a period of downsizing and shake-out, resulting in a reinvigorated market for good quality, well-located industrial space. S. Patz and Associates, Inc. industrial studies include traditional heavy industrial space in Pittsburgh, Pennsylvania (studies for the City, Allegheny County, and LTV Steel) and Cleveland, Ohio (for the City), warehousing and distribution space (e.g., a 1.0 million square foot industrial park for the City of Richmond, Virginia), and modern flex office-warehouse/technology or R&D space in an airport park (for the Town of Manassas, Virginia). A new industrial park for blue-chip industrial users in the Williamsburg area was master planned for James City County, Virginia. Private sector assignments in Prince George's County, Maryland, include industrial and flex space at Spectrum 95, Woodlands, and Muirkirk Employment Park; in Stafford, Virginia we projected potential for 2.5 million square feet of mixed flex and industrial space at the Stafford Airpark. An unusual assignment was the study of food processing and aquaculture uses for a waterfront site in Crisfield, Maryland (for the Town).

Meetings Hotels and Resorts have become important destination facilities in support of tourism and economic development. Potential resort/meetings hotel developers and operators have called on S. Patz and Associates, Inc. for market research and feasibility analysis, and, during the downturn of the recent recessionary years, for workout analysis for troubled facilities. For example, S. Patz and Associates, Inc. analyzed operations and market support the Grand Traverse Resort (Michigan) for FSLIC. Other resort hotel assignments for S. Patz and Associates, Inc. included the Brandermill Inn and Conference Center in Virginia, a proposed conference center on Lake Gaston in North Carolina, a

conference center at Pier I on the Chesapeake Bay, and small conference retreats at Antietam and St. Mary's historic sites in Maryland (both for the State of Maryland). S. Patz and Associates, Inc. also has an extensive track record in research for traditional hotels, including full service hotels and highway budget facilities.

Marinas, Ski Resorts and Golf Courses are among the recreational facilities analyzed for market support and economic feasibility. Marina sites analyzed by S. Patz and Associates, Inc. include Kent Island, Maryland; Irondequoit Bay in New York (off Lake Erie); Kinnickinnic River in Milwaukee; the West Beach development in Oahu, Hawaii; and marinas in Sussex County, Delaware and Baltimore, Maryland. S. Patz and Associates, Inc. evaluated the market feasibility of ski facilities at Blue Ridge Reserve, West Virginia, and golf courses at Hawthorne, Florida and at White Deer in Williamsport, Pennsylvania.

Large Scale Mixed-Use Development combines elements of a number of these different land uses and poses a special challenge in presenting a comprehensive analysis of market conditions, rates of absorption, product type and pricing strategy, supporting cash flow and financial feasibility analysis, and, typically, a fiscal impact analysis for submission to local government as part of the approvals process. Among the larger mixed-use projects calling upon the services of S. Patz and Associates, Inc. is Belmont, River Creek, and Ashburn Village in Loudoun County, Virginia, Widewater in Stafford, Virginia, St. Charles Communities in Charles County, Maryland, among others.

Tourism and other Recreational/Leisure Facilities. The tourism industry and recreational facilities provide leisure opportunities for visitors and residents while also promoting job growth and economic development. Tourism development was the subject of two studies S. Patz and Associates, Inc. undertook for the State of Maryland for the National Historic Parks at Antietam and St. Mary's, and focusing on potential visitor demand for commercial and other support facilities. Other specialized recreational and leisure facilities studied by S. Patz and Associates, Inc. include: the Scranton, Pennsylvania Zoo; a proposed Air Museum at the Pittsburgh International Airport; and a pari-mutuel racetrack in the vicinity of Hagerstown, Maryland. A fitness center and an historic dinner theater at Mt. Vernon are two examples of commercial leisure and recreational facilities analyzed for market support by S. Patz and Associates, Inc.

Joint Development Opportunities analysis for transportation systems builds on the concept of "capturing" for the transportation project a portion of the development value that is created on adjacent and nearby sites by the project. In three successive assignments S. Patz and Associates, Inc. evaluated the strength of market support for residential, retail and office uses at three Metro stations in Washington, DC, for the Washington Area Transit Authority. A similar value capture analysis was performed for the City of Bellevue, Washington. Analysis of highway improvements included assessment of funding capabilities for a Special Tax District for Route 28, and the impacts of expansion of the Dulles Toll Road, both in Loudoun County, Virginia. In Stafford, Virginia, we demonstrated how a Special Taxing District and pro-rata fees could finance a new residential parkway.

PROFESSIONAL QUALIFICATIONS
OF STUART M. PATZ

Stuart M. Patz is President of S. Patz and Associates, Inc. (SPA), a full service economic consulting and appraisal firm headquartered in Herndon, Virginia and with a satellite office in Winston-Salem, North Carolina. Prior to establishing SPA, Mr. Patz was president of RER Economic Consultants, a division of RER Resources, L.P., and prior to that, RPR Economic Consultants, the research arm of the J.E. Robert Company.

Mr. Patz brings to the field of economic consulting a broad understanding of demographic trends, both within the Washington Metropolitan area and nationwide. He is recognized for his knowledge of the housing market in general, and the elderly housing market, in particular. Mr. Patz's expertise in housing studies includes both market rated affordable, and his firm has completed numerous studies under HUD's new Mark-to-Market Program.

He is one of the foremost experts on development activity in the greater Washington area and has been a guest speaker on a number of occasions on local emerging development opportunities. His experience also includes market studies for office space, industrial space, hotels/motels, retail space and a wide range of mixed use projects. He has undertaken a number of unique market studies for marinas, zoological parks, historic properties, theaters and museums, and has been complimented on his ability to establish detailed market data for these atypical land uses. He is known for his innovative approach to market research and economic consulting, in general. He has qualified as an expert witness in several local and area courts and has served as an expert witness numerous times.

Mr. Patz has been the market consultant for numerous large-scale commercial and residential development projects that were successfully developed during the early-1990's. These projects required detailed analysis of current market trends in light of the major recession in the real estate market of that time. It is the type of market research for which Mr. Patz and his firm has been known.

Mr. Patz was the consultant to Allegheny County, Pennsylvania for the reuse for the former (and historic) Terminal building at the Pittsburgh International Airport. He completed a detailed study of the feasibility of a new convention center in Altoona, Pennsylvania, which opened in June, 2001. Mr. Patz's research for the adoptive reuse for the Boston Store in downtown Erie resulted in the successful reuse for housing of this building that was vacant for 20 years. He completed numerous studies for affordable housing in the District of Columbia, particularly in Southeast. In Georgetown, Mr. Patz was the consultant for the prestigious Georgetown Park. In Southeast Washington, successful development studies by Mr. Patz includes Walter E. Washington Estates, Rockburne Estates, and Fort Stanton Apartments, the first new market rate apartment community in that part of the City since the 1960's.

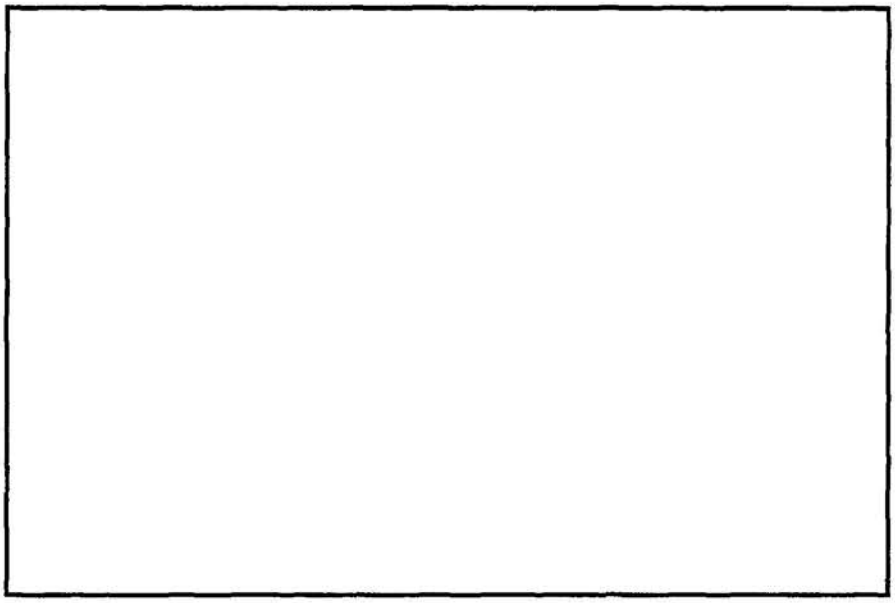
Mr. Patz has over 30 years of experience in the real estate field. He is a former Vice President of Hammer, Siler, George Associates, a national consulting firm. Prior to that, Mr. Patz was a senior staff member of Development Research Associates, a division of Booz, Allen & Hamilton, and previously to that served as a City Planner for the City of Alexandria, Virginia.

Mr. Patz holds a Bachelor of Arts degree in sociology from the University of Pittsburgh, and a master's degree in Urban and Regional Planning from Virginia Polytechnic Institute. While at Virginia Polytechnic Institute, he was selected for Tau Sigma Delta, an honor society for architecture and allied arts. He has been a guest speaker for the Northern Virginia Apartment Association and the District of Columbia Building Association. He is a past President of Northern Virginia Hebrew Congregation and was formerly on the Board of Directors of First Commonwealth Savings Bank.

EXHIBIT B

Borrower/Client HORTON			File No. 505OSTNW
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			

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SUMMARY OF SALIENT FEATURES

SUBJECT INFORMATION	Subject Address	505 O St NW
	Legal Description	LOT 0036 SQUARE 0479 SD: OLD CITY #2
	City	WASHINGTON
	County	N/A
	State	DC
	Zip Code	20001-3423
	Census Tract	0048.01
	Map Reference	10B12DC
SALES PRICE	Sale Price	$ 197,000
	Date of Sale	02-26-02
CLIENT	Borrower / Client	HORTON
	Lender	NA/HORTON
DESCRIPTION OF IMPROVEMENTS	Size (Square Feet)	2,256
	Price per Square Foot	$ 87.32
	Location	OLD CITY #2
	Age	102YRS+/-
	Condition	FAIR
	Total Rooms	0
	Bedrooms	0
	Baths	0
APPRAISER	Appraiser	WILBERT WATKINS, CREA,CRA
	Date of Appraised Value	03-22-03
VALUE	Final Estimate of Value	$ 214,000

Borrower HORTON			File No. 505OSTNW
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			

APPRAISAL AND REPORT IDENTIFICATION

This Appraisal conforms to one of the following definitions:

☒ Complete Appraisal
The act or process of estimating value, or an estimate of value, performed without invoking the Departure Provision.

☐ Limited Appraisal
The act or process of estimating value, or an estimation of value, performed under and resulting from invoking the Departure Provision.

This Report is one of the following types:

☐ Self Contained Report
A written report prepared under Standards Rule 2-2(A) of a complete or limited appraisal performed under Standard 1.

☒ Summary Report
A written report prepared under Standards Rule 2-2(B) of a complete or limited appraisal performed under Standard 1.

☐ Restricted Report
A written report prepared under Standards Rule 2-2(C) of a complete or limited appraisal performed under Standard 1.

Comments on Appraisal and Report Identification

Note any departures from Standards Rules 1-2, 1-3, 1-4, plus any USPAP-related issues requiring disclosure:

SEE ADDENDUM.

505OSTNW

Property Description

UNIFORM RESIDENTIAL APPRAISAL REPORT

File No. 505OSTNW

SUBJECT

Property Address 505 O St NW | City WASHINGTON | State DC | Zip Code 20001-3423
Legal Description LOT 0036 SQUARE 0479 SD: OLD CITY #2 | County N/A
Assessor's Parcel No. 0479//0036 | Tax Year 806 | R.E. Taxes $ 2,002.00 | Special Assessments $ 0.00
Borrower HORTON | Current Owner HORTON | Occupant: ☒ Owner ☐ Tenant ☐ Vacant
Property rights appraised ☒ Fee Simple ☐ Leasehold | Project Type ☐ PUD ☐ Condominium (HUD/VA only) | HOA $ /Mo.
Neighborhood or Project Name OLD CITY #2 | Map Reference 10B12DC | Census Tract 0048.01
Sale Price $ 197,000 | Date of Sale 02-26-02 | Description and $ amount of loan charges/concessions to be paid by seller N/A
Lender/Client NA/HORTON | Address 505 O ST., NW, WASHINGTON,DC 20001
Appraiser WILBERT WATKINS, CREA,CRA | Address P.O. BOX 55471, WASHINGTON, DC 20040

NEIGHBORHOOD

				Predominant occupancy	Single family housing PRICE $(000)	AGE (yrs)	Present land use %	Land use change
Location	☒ Urban	☐ Suburban	☐ Rural					
Built up	☒ Over 75%	☐ 25-75%	☐ Under 25%				One family 90	☒ Not likely ☐ Likely
Growth rate	☐ Rapid	☒ Stable	☐ Slow	☒ Owner	150 Low	NEW	2-4 family 2	In process
Property values	☐ Increasing	☒ Stable	☐ Declining	☐ Tenant	999 High	250	Multi-family 2	To:
Demand/supply	☐ Shortage	☒ In balance	☐ Over supply	☒ Vacant (0-5%)	Predominant		Commercial 1	
Marketing time	☐ Under 3 mos.	☒ 3-6 mos.	☐ Over 6 mos.	☐ Vac.(over 5%)	197	102	VACANT 5	

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood boundaries and characteristics: SUBJECT IS BORDERED W BY 7TH ST., NW, N BY RT 1(RHODE ISLAND AVE), E BY N CAPT AVE.AND S BY RT 50/RT 1

Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.):
PROPERTIES IN THIS LOCATION CONSIST OF A VARIETY OF ARCHITECTURAL STYLES AND TYPES AND ERECTED ON TYPICAL URBAN SITES. THEY APPEAR TO RECEIVE AVERAGE MARKET ACCEPTANCE. THERE ARE NO KNOWN LOCATIONAL FACTORS WHICH MIGHT ADVERSELY AFFECT MARKETING OR VALUE. EMPLOYMENT AND SUPPORT SERVICES ARE IN TYPICAL PROXIMITY TO THE SUBJECT. EMPLOYMENT APPEARS TO BE GENERALLY STABLE.

Market conditions in the subject neighborhood (including support for the above conclusions related to the trend of property values, demand/supply, and marketing time -- such as data on competitive properties for sale in the neighborhood, description of the prevalence of sales and financing concessions, etc.):
INTEREST RATES ARE HOLDING AT 07.0% TO 08.0% AT THIS TIME. DISCOUNT POINTS VARY FROM 00 TO 03%. ADJUSTABLE RATES STARTING AT 06.5% ARE AVAILABLE AT THIS TIME. IT IS CUSTOMARY FOR SELLERS TO PAY A PORTION OF THE PURCHASER'S CLOSING COSTS IE.(LOAN DISCOUNT POINTS.)

PUD

Project information for PUDs (if applicable) - - Is the developer/builder in control of the Home Owners' Association (HOA)? ☐ Yes ☐ No
Approximate total number of units in the subject project N/A | Approximate total number of units for sale in the subject project N/A
Describe common elements and recreational facilities: N/A

SITE

Dimensions PLAT UNAVAILABLE AT DATE OF INSPECTION.
Site area 2,283SF+/- | Corner Lot ☐ Yes ☒ No
Specific zoning classification and description R4(RESIDENTIAL)
Zoning compliance ☒ Legal ☐ Legal nonconforming (Grandfathered use) ☐ Illegal ☐ No zoning
Highest & best use as improved: ☒ Present use ☐ Other use (explain)

Utilities	Public	Other	Off-site Improvements	Type	Public	Private
Electricity	☒		Street	MACADAM	☒	☐
Gas	☒		Curb/gutter	CONCRETE	☒	☐
Water	☒		Sidewalk	CONCRETE	☒	☐
Sanitary sewer	☒		Street lights	ELECTRIC	☒	☐
Storm sewer	☒		Alley	NONE	☐	☐

Topography GENTLY ROLLING
Size TYPICAL
Shape RECTANGULAR
Drainage APPARENTLY ADEQUATE
View NGHD
Landscaping TYPICAL FOR THE AREA
Driveway Surface NONE(STREET)
Apparent easements TYPICAL OF THE AREA
FEMA Special Flood Hazard Area ☐ Yes ☒ No
FEMA Zone X | Map Date 11/15/1985
FEMA Map No. 1100010020B

Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning use, etc.): STANDARD EASEMENT UTILITIES ARE PRESUMED TO EXIST. NO ADVERSE FACTORS WERE NOTED. SITE IS TYPICAL OF THE NEIGHBORHOOD.

DESCRIPTION OF IMPROVEMENTS

GENERAL DESCRIPTION		EXTERIOR DESCRIPTION		FOUNDATION		BASEMENT		INSULATION	
No. of Units	1	Foundation	MASONRY	Slab	NO	Area Sq. Ft.	1,463	Roof	NO
No. of Stories	2	Exterior Walls	BRICK	Crawl Space	NO	% Finished	0	Ceiling	PRSM
Type (Det./Att.)	ATTACH	Roof Surface	COMP SHGL	Basement	100%	Ceiling	0	Walls	PRSM
Design (Style)	COLONIAL	Gutters & Dwnspts.	METAL	Sump Pump	NONE OBSR	Walls	0	Floor	NO
Existing/Proposed	EXISTING	Window Type	DBL HNG	Dampness	NONE OBSR	Floor	0	None	NO
Age (Yrs.)	102	Storm/Screens	YES/YES	Settlement	NONE OBSR	Outside Entry	YES	Unknown	N/A
Effective Age (Yrs.)	10-15	Manufactured House	NO	Infestation	NONE OBSR				

ROOMS	Foyer	Living	Dining	Kitchen	Den	Family Rm.	Rec. Rm.	Bedrooms	# Baths	Laundry	Other	Area Sq. Ft.
Basement	SEE AD											1,463
Level 1	SEE AD											1,128
Level 2	SEE AD											1,128

Finished area **above** grade contains: 0 Rooms; 0 Bedroom(s); 0 Bath(s); 2,256 Square Feet of Gross Living Area

INTERIOR	Materials/Condition	HEATING	SEE AD	KITCHEN EQUIP.	ATTIC	AMENITIES	CAR STORAGE:
Floors	SEE ADDENDA	Type		Refrigerator	None	Fireplace(s) #	None ☒
Walls	SEE ADDENDA	Fuel		Range/Oven	Stairs	Patio	Garage # of cars
Trim/Finish	SEE ADDENDA	Condition		Disposal	Drop Stair	Deck	Attached
Bath Floor	SEE ADDENDA	COOLING		Dishwasher	Scuttle	Porch	Detached
Bath Wainscot	SEE ADDENDA	Central		Fan/Hood	Floor	Fence ☒	Built-In
Doors	SEE ADDENDA	Other		Microwave	Heated	Pool	Carport
		Condition		Washer/Dryer	Finished		Driveway STREET

Additional features (special energy efficient items, etc.): NONE NOTED(SEE ADDENDA).

COMMENTS

Condition of the improvements, depreciation (physical, functional, and external), repairs needed, quality of construction, remodeling/additions, etc.: THE SUBJECT'S IMPROVEMENT SHOW EVIDENCE OF ADVANCED DEPRECIATION AND DEFERRED MAINTENANCE. THE SUBJECT IS ALSO IN NEED OF MODERN UPGRADES. VALUE ASSUMES THERE ARE NO MECHANICAL OR STRUCTURAL DEFICIENCIES HIDDEN FROM THE VISUAL INSPECTION.

Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property.: THERE WERE NO APPARENT EVIDENCE OF ADVERSE ENVIRONMENTAL CONDITIONS ON THE SITE OR IN THE IMPROVEMENTS. SEE ADDENDUM.

Form UA2 — "TOTAL for Windows" appraisal software by a la mode, inc. — 1-800-ALAMODE

505OSTNW

Valuation Section

UNIFORM RESIDENTIAL APPRAISAL REPORT

File No. 505OSTNW

COST APPROACH

ESTIMATED SITE VALUE	= $ 35,000	Comments on Cost Approach (such as, source of cost estimate, site value, square foot calculation and for HUD, VA and FmHA, the estimated remaining economic life of the property): REPLACEMENT COST IS BASED MARSHAL & SWIFT ESTIMATING SERVICE AND MODIFIED BY KNOWN LOCAL COST FACTORS. SEE ADDENDUM FOR SQUARE FOOT CALCULATIONS. NO FUNCTIONAL OR EXTERNAL INADEQUACIES NOTED.
ESTIMATED REPRODUCTION COST-NEW-OF IMPROVEMENTS:		
Dwelling 2,256 Sq. Ft. @$ 105.00	= $ 236,880	
1,463 Sq. Ft. @$ 35.00	= 79,170	
	=	
Garage/Carport Sq. Ft. @$	=	
Total Estimated Cost New	= $ 316,050	
Less Physical 110,618 Functional External		
Depreciation	=$ 110,618	REMAINING ECONOMIC LIFE= 60 YEARS
Depreciated Value of Improvements	=$ 205,432	
"As-is" Value of Site Improvements	=$ 5,000	
INDICATED VALUE BY COST APPROACH	=$ 245,432	

SALES COMPARISON ANALYSIS

ITEM	SUBJECT	COMPARABLE NO. 1		COMPARABLE NO. 2		COMPARABLE NO. 3	
Address	505 O St NW WASHINGTON	603 P ST., NW WASHINGTON DC		1020 W ST., NW WASHINGTON, DC		146 THOMAS ST., NW WASHINGTON DC	
Proximity to Subject		0.09 miles		0.83 miles		0.62 miles	
Sales Price	$ 197,000		$ 156,000		$ 175,000		$ 220,000
Price/Gross Living Area	$ 87.32 /1	$ 86.67 /1		$ 140.00 /1		$ 151.52 /1	
Data and/or Verification Source	INSPECTION PUB REC	MLS/ PUB REC/INSPECTION		MLS/PUB REC/INSPECTION		MLS/PUB REC/INSPECTION	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-)$ Adjust.	DESCRIPTION	+(-)$ Adjust.	DESCRIPTION	+(-)$ Adjust.
Sales or Financing Concessions		CASH TYP-NO ADJ		CONV TYP-NO ADJ		CONV TYP-NO ADJ	
Date of Sale/Time		11-02-SETT		03-02-SETT		09-02-SETT	
Location	OLD CITY #2	OLD CITY #2		OLD CITY #2		OLD CITY #2	
Leasehold/Fee Simple	FEE SIMPLE	FEE SIMPLE		FEE SIMPLE		FEE SIMPLE	
Site	2,283SF+/-	774SF+/-		800SF+/-		1349SF+/-	
View	NGHD	NGHD		NGHD		NGHD	
Design and Appeal	COLO/FAIR	COLO/FAIR		COLO/FAIR		COLO/FAIR	
Quality of Construction	BRICK	BRICK		BRICK		BRICK	
Age	102YRS+/-	102YRS+/-		112YRS+/-		202YRS+/-	
Condition	FAIR	FAIR		FAIR		FAIR	
Above Grade Room Count	Total: 0 Bdrms: 0 Baths: 0	Total: 6 Bdrms: 3 Baths: 1	-5,000	Total: 6 Bdrms: 3 Baths: 1	-5,000	Total: 6 Bdrms: 3 Baths: 2	-7,500
Gross Living Area	2,256 Sq. Ft.	1,800 Sq. Ft.	+7,540	1,250 Sq. Ft.	+13,040	1,452 Sq. Ft.	+11,020
Basement & Finished Rooms Below Grade	FULL,UNIMPRV 0	FULL, UNIMPRV NO		NO NO	+20,000	FULL UNIMPRV NO	
Functional Utility	FAIR	AVERAGE	-3,500	AVERAGE	-3,500	FAIR	
Heating/Cooling	NO/NO	HW/NO	-3,500	HW/NO	-3,500	NO/NO	
Energy Efficient Items	NONE	STD	-5,000	STD	-5,000	STD	
Garage/Carport	STREET	STREET		STREET		STREET	
Porch, Patio, Deck, Fireplace(s), etc.	NO NO	NO 2 FP	-5,000	NO NO		NO NO	
Fence, Pool, etc.	FENCE	NO	+500	NO	+500	NO	+500
KIT EQ	NONE	STD KT EQ		STD KT EQ		STD KT EQ	
Net Adj. (total)		☐ + ☒ - $	13,960	☒ + ☐ - $	16,540	☒ + ☐ - $	4,020
Adjusted Sales Price of Comparable		Net 8.9 % Gross 19.3 % $	142,040	Net 9.5 % Gross 28.9 % $	191,540	Net 1.8 % Gross 8.6 % $	224,020

Comments on Sales Comparison (including the subject property's compatibility to the neighborhood, etc.): ALL COMPARABLE SALES ARE SIMILAR IN STYLE AND APPEARANCE AND LOCATED WITHIN CLOSE PROXIMITY TO THE SUBJECT PROPERTY. ALL SALES WERE APPROPRIATELY ADJUSTED FOR ALL VALUE INFLUENCING DISSIMILARITIES. ALL WERE FEE SIMPLE ESTATES AND UNAFFECTED BY COMMON AMENITIES THE ADJUSTED VALUES ACCURATELY BRACKET THE MARKET VALUE OF THE SUBJECT.

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Date, Price and Data Source, for prior sales within year of appraisal	NO PRIOR SALES BROKER INQ	NO PRIOR SALES BROKER INQ	NO PRIOR SALES BROKER INQ	NO PRIOR SALES BROKER INQ

Analysis of any current agreement of sale, option, or listing of subject property and analysis of any prior sales of subject and comparables within one year of the date of appraisal: RESEARCH INDICATES NO CURRENT SALES HISTORY FOR THE SUBJECT OR IT'S COMPARABLES OTHER THAN REPORTED SALES WITHIN THE LAST YEAR.

INDICATED VALUE BY SALES COMPARISON APPROACH $ 214,000

INDICATED VALUE BY INCOME APPROACH (If Applicable) Estimated Market Rent $ N/A /Mo. x Gross Rent Multiplier = $

RECONCILIATION

This appraisal is made ☒ "as is" ☐ subject to the repairs, alterations, inspections or conditions listed below ☐ subject to completion per plans & specifications.

Conditions of Appraisal: THE SUBJECT IS APPRAISED IN FAIR CONDITION WITH NO NOTICEABLE ADVERSE CONDITIONS THAT WOULD THE AFFECT THE ESTIMATE OF VALUE.

Final Reconciliation: THE UTILIZED SALES COMPARISON APPROACH MEASURES ACTUAL BUYER-SELLER ACTIVITY IN THE MARKET AND IS THE MOST RELIABLE INDICATOR OF RESIDENTIAL MARKET VALUE. THE EVALUATION OF THE COST APPROACH PROVIDED A GOOD CONFIRMATION FOR THE DERIVED ESTIMATED VALUE. THE INCOME APPROACH WAS CONSIDERED

The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/FNMA form 10048 (Revised 6-93).

I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF 03-22-03

(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE $ 214,000

APPRAISER: WILBERT WATKINS	SUPERVISORY APPRAISER (ONLY IF REQUIRED):
Signature	Signature ☐ Did ☐ Did Not Inspect Property
Name WILBERT WATKINS, CRIA,ACA	Name
Date Report Signed 03-23-03	Date Report Signed
State Certification # State	State Certification # State
Or State License # RA213 State DC	Or State License # State

Form UA2 — "TOTAL for Windows" appraisal software by a la mode, inc. — 1-800-ALAMODE

UNIFORM RESIDENTIAL APPRAISAL REPORT
MARKET DATA ANALYSIS

These recent sales of properties are most similar and proximate to subject and have been considered in the market analysis. The description includes a dollar adjustment, reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to, or more favorable than, the subject property, a minus (-) adjustment is made, thus reducing the indicated value of the subject. If a significant item in the comparable is inferior to, or less favorable than, the subject property, a plus (+) adjustment is made, thus increasing the indicated value of the subject.

SALES COMPARISON ANALYSIS

ITEM	SUBJECT	COMPARABLE NO. 4		COMPARABLE NO. 5		COMPARABLE NO. 6	
Address	505 O St NW WASHINGTON	1507 8TH ST., NW WASHINGTON DC		415 U ST., NW WASHINGTON DC			
Proximity to Subject		0.23 miles		0.57 miles			
Sales Price	$ 197,000		$ 215,000		$ 277,500		$
Price/Gross Living Area	$ 87.32 /b	$ 179.17 /b		$ 193.25 /b		$ /b	
Data and/or Verification Sources	INSPECTION PUB REC	MLS/PUB REC/INSPECT		MLS/PUB REC/INSPECT			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-)$ Adjust.	DESCRIPTION	+(-)$ Adjust.	DESCRIPTION	+(-)$ Adjust.
Sales or Financing Concessions		CASH TYP-NO ADJ		CONV TYP-NO ADJ			
Date of Sale/Time		07-02-SETT		02--02-SETT			
Location	OLD CITY #2	OLD CITY #2		OLD CITY #2			
Leasehold/Fee Simple	FEE SIMPLE	FEE SIMPLE		FEE SIMPLE			
Site	2,283SF+/-	1900SF+/-		3780SF+/-			
View	NGHD	NGHD		NGHD			
Design and Appeal	COLO/FAIR	COLO/AVG	-5,000	COLO/AVG	-5,000		
Quality of Construction	BRICK	BRICK		BRICK			
Age	102YRS+/-	102YRS+/-		102YRS+/-			
Condition	FAIR	AVERAGE	-10,000	AVERAGE	-10,000		
Above Grade Room Count	Total 0 / Bdrms 0 / Baths 0	Total 7 / Bdrms 4 / Baths 1		Total 6 / Bdrms 3 / Baths 1		Total / Bdrms / Baths	
Gross Living Area	2,256 Sq. Ft.	1,200 Sq. Ft.	+10,620	1,436 Sq. Ft.	+8,260	Sq. Ft.	
Basement & Finished Rooms Below Grade	FULL,UNIMPRV 0	NO NO	+20,000	FULL,UNIMPRV NO			
Functional Utility	FAIR	AVERAGE	-3,500	AVERAGE	-3,500		
Heating/Cooling	NO/NO	FWA/NO	-1,500	HW/NO	-1,500		
Energy Efficient Items	NONE	STD		STD			
Garage/Carport	STREET	OSP	-1,500	STREET			
Porch, Patio, Deck, Fireplace(s), etc.	NO NO	NO NO		PORCH(F & B) NO	-5,000		
Fence, Pool, etc.	FENCE	NO	+1,000	FENCE			
KIT EQ	NONE	STD KT EQ		STD KT EQ			
Net Adj. (total)		☒ + ☐ - $	10,120	☐ + ☒ - $	16,740	☐ + ☐ - $	
Adjusted Sales Price of Comparable		Net 4.7 % Gross 24.7 % $	225,120	Net 6.0 % Gross 12.0 % $	260,760	Net % Gross % $	
Data, Price and Data Source for prior sales within year of appraisal	NO PRIOR SALES BROKER INQ	NO PRIOR SALES BROKER INQ		NO PRIOR SALES BROKER INQ			

Comments: TWO ADDITIONAL COMPARABLE SALES WERE SELECTED TO FURTHER JUSTIFY THE DERIVED ESTIMATE OF VALUE.

COMMENTS

Form UA2.(AC) — "TOTAL for Windows" appraisal software by a la mode, inc. — 1-800-ALAMODE

Subject Photo Page

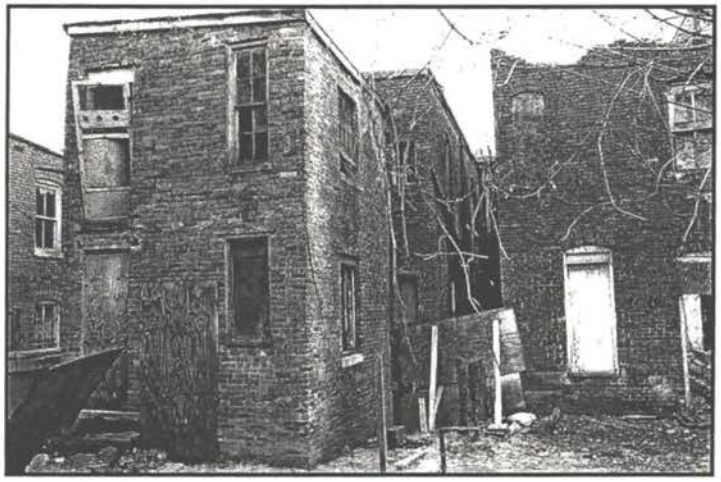
Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			



Subject Front

505 O St NW

Sales Price	197,000
Gross Living Area	2,256
Total Rooms	0
Total Bedrooms	0
Total Bathrooms	0
Location	OLD CITY #2
View	NGHD
Site	2,283SF+/-
Quality	BRICK
Age	102YRS+/-



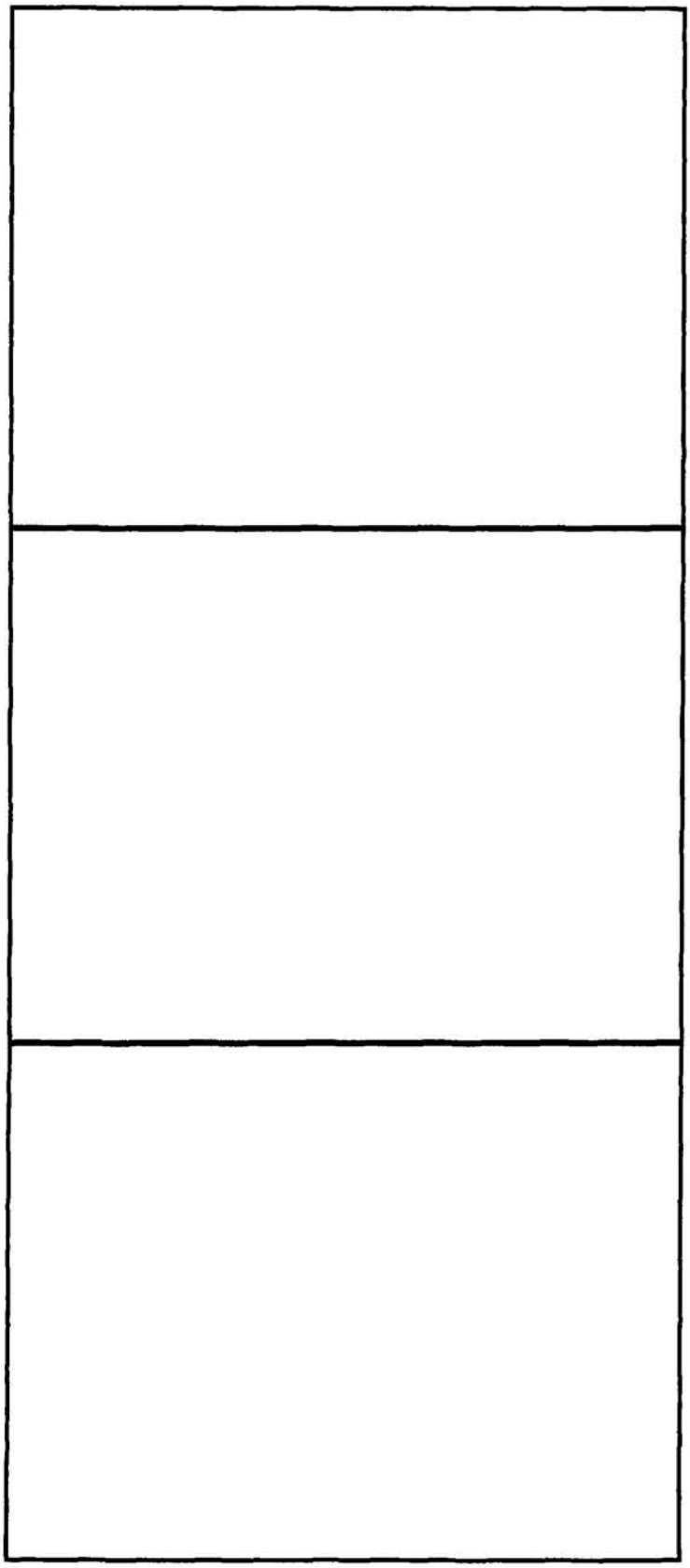
Subject Rear



Subject Street

Comparable Photo Page

Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			



Comparable 1

603 P ST., NW

Prox. to Subject	0.09 miles
Sale Price	156,000
Gross Living Area	1,800
Total Rooms	6
Total Bedrooms	3
Total Bathrooms	1
Location	OLD CITY #2
View	NGHD
Site	774SF+/-
Quality	BRICK
Age	102YRS+/-

Comparable 2

1020 W ST., NW

Prox. to Subject	0.83 miles
Sale Price	175,000
Gross Living Area	1,250
Total Rooms	6
Total Bedrooms	3
Total Bathrooms	1
Location	OLD CITY #2
View	NGHD
Site	800SF+/-
Quality	BRICK
Age	112YRS+/-

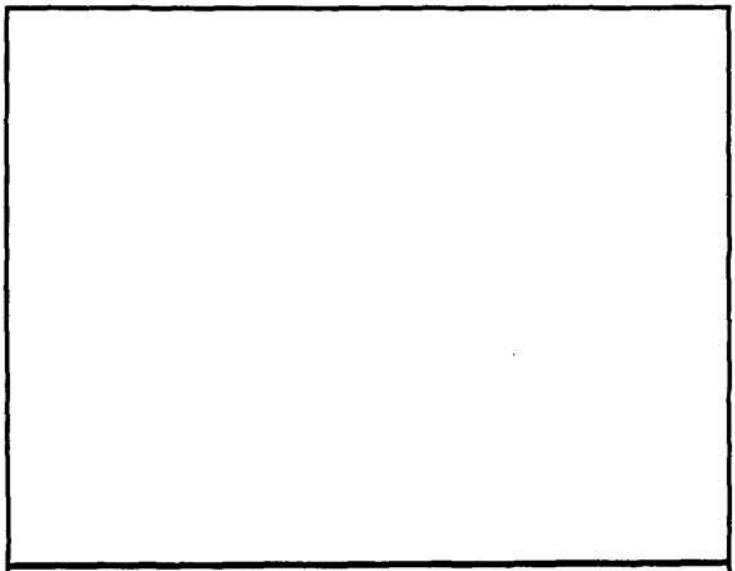
Comparable 3

146 THOMAS ST., NW

Prox. to Subject	0.62 miles
Sale Price	220,000
Gross Living Area	1,452
Total Rooms	6
Total Bedrooms	3
Total Bathrooms	2
Location	OLD CITY #2
View	NGHD
Site	1349SF+/-
Quality	BRICK
Age	202YRS+/-

Comparable Photo Page

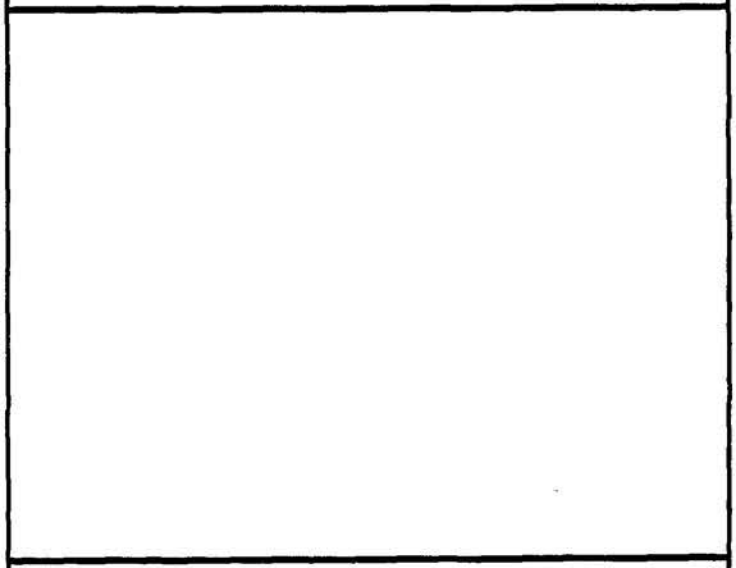
Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			



Comparable 4

1507 8TH ST., NW

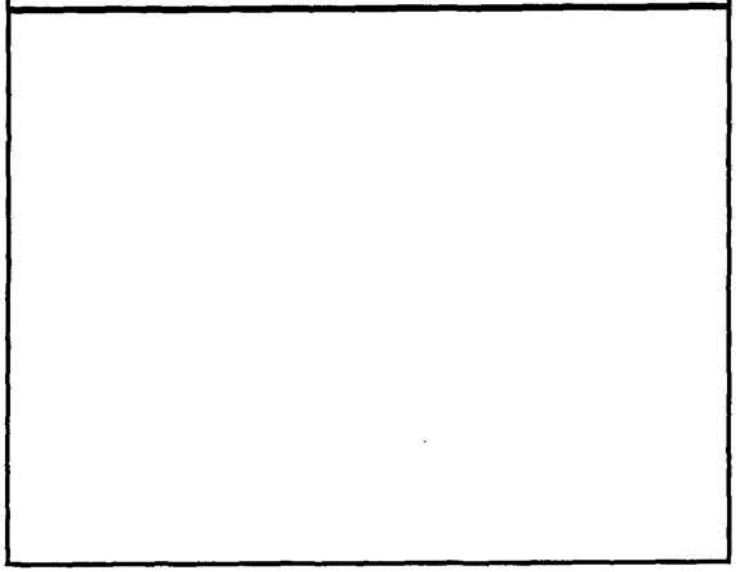
Prox. to Subject	0.23 miles
Sale Price	215,000
Gross Living Area	1,200
Total Rooms	7
Total Bedrooms	4
Total Bathrooms	1
Location	OLD CITY #2
View	NGHD
Site	1900SF+/-
Quality	BRICK
Age	102YRS+/-



Comparable 5

415 U ST., NW

Prox. to Subject	0.57 miles
Sale Price	277,500
Gross Living Area	1,436
Total Rooms	6
Total Bedrooms	3
Total Bathrooms	1
Location	OLD CITY #2
View	NGHD
Site	3780SF+/-
Quality	BRICK
Age	102YRS+/-

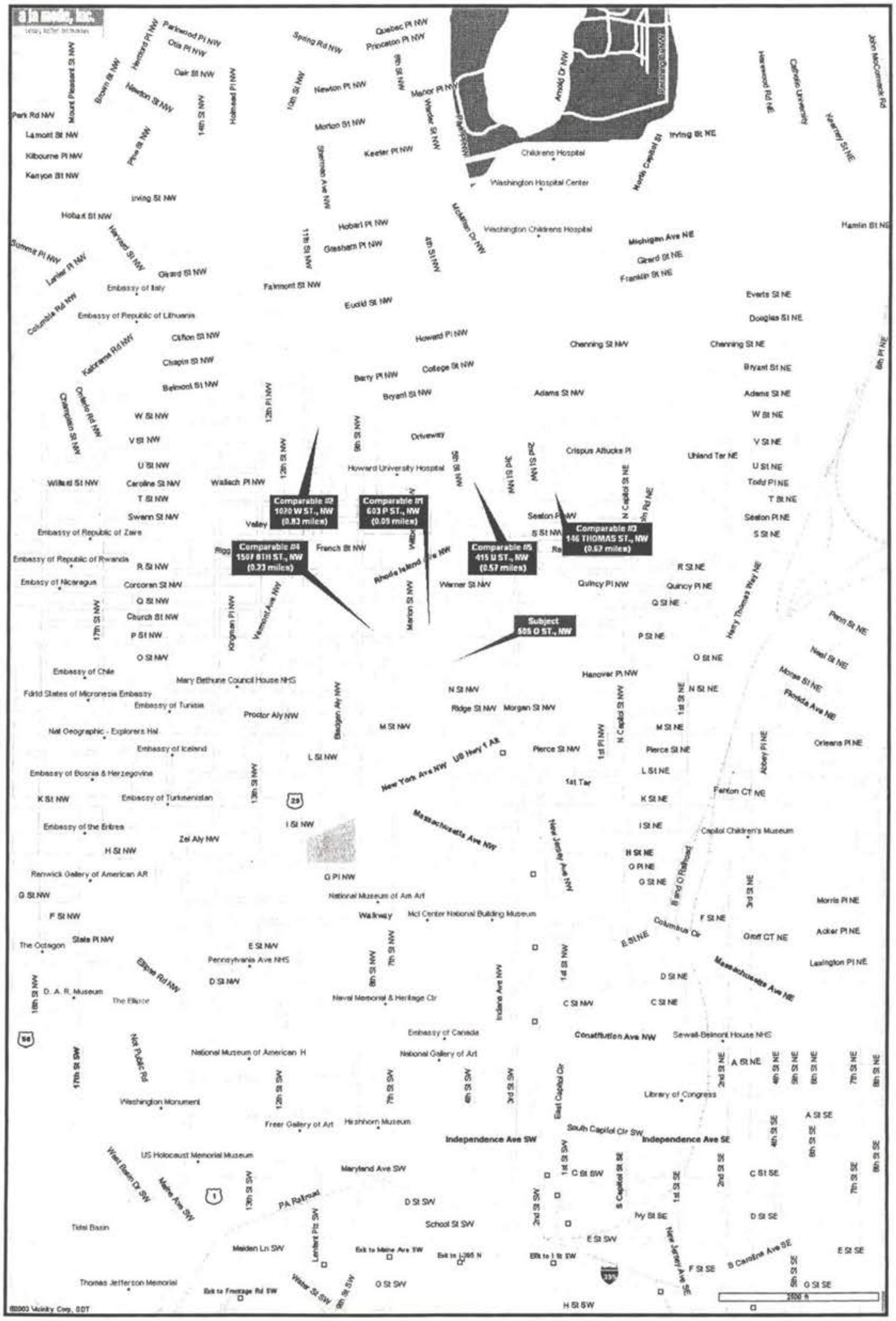


Comparable 6

Prox. to Subject	
Sale Price	
Gross Living Area	
Total Rooms	
Total Bedrooms	
Total Bathrooms	
Location	
View	
Site	
Quality	
Age	

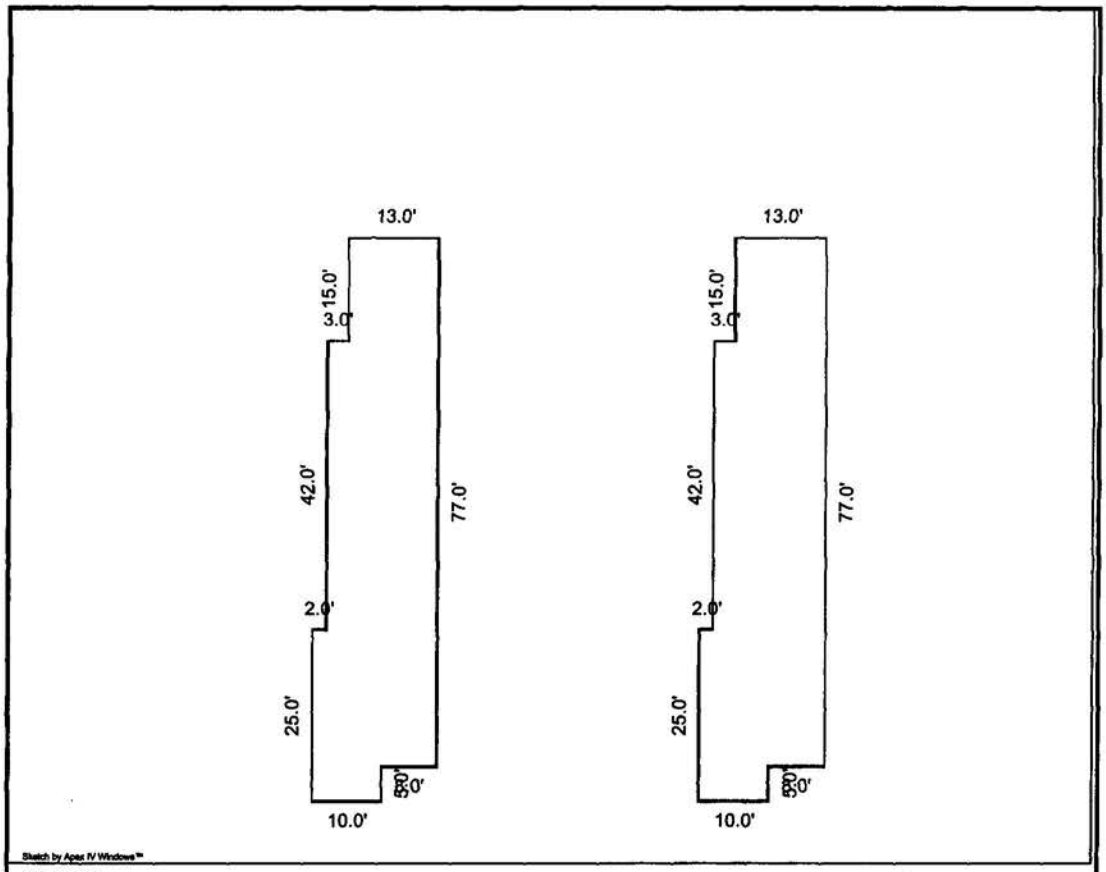
Location Map

Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			



Building Sketch (Page - 1)

Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			



Sketch by Apex IV Windows™

Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
GLA1	First Floor	1277.00	1277.00
GLA2	Second Floor	1277.00	1277.00
TOTAL LIVABLE	(rounded)		2554

LIVING AREA BREAKDOWN		
Breakdown		Subtotals
First Floor		
8.0 x 67.0		536.00
2.0 x 25.0		50.00
5.0 x 15.0		75.00
8.0 x 77.0		616.00
Second Floor		
8.0 x 67.0		536.00
2.0 x 25.0		50.00
5.0 x 15.0		75.00
8.0 x 77.0		616.00
8 Calculations Total (rounded)		2554

Borrower HORTON			File No. 505OSTNW
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			

Gross Living Area (GLA)	2,256 s.f.
Gross Building Area (GBA)	3,719 s.f.

Areas	Square Footage		
Basement	1,463	s.f.	39% of GBA
Level 1	1,128	s.f.	30% of GBA
Level 2	1,128	s.f.	30% of GBA
Level 3	0	s.f.	0% of GBA
Garage	0	s.f.	0% of GBA
Other	0	s.f.	0% of GBA

Area Dimensions					Type of Area				Level		
Measurements		Factor		Area	Living	Bsmnt	Garage	Other	One	Two	Three
14.00 X 77.00		1.00		1,078.00	X				X		
5.00 X 10.00		1.00		50.00	X				X		
14.00 X 77.00		1.00		1,078.00	X					X	
5.00 X 10.00		1.00		50.00	X					X	

SUPPLEMENTAL ADDENDUM

File No. 505OSTNW

Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			

THIS IS A SUMMARY APPRAISAL REPORT WHICH IS INTENDED TO COMPLY WITH THE REPORTING REQUIREMENT SET FORTH UNDER STANDARDS RULE 2-2(B) OF THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE. AS SUCH, IT PRESENTS ONLY SUMMARY DISCUSSIONS OF PROCESS TO DEVELOPE THE APPRAISER'S OPINION OF VALUE. SUPPORTING DOCUMENTATION CONCERNING THE SAME REASONING AND ANALYSIS IS RETAINED IN THE APPRAISER FILE. THE DEPTH OF DISCUSSION CONTAINED IN THIS REPORT IS SPECIFIC TO THE NEEDS OF THE CLIENT AND IS FOR THE INTENDED USE STATED BELOW. THE APPRAISER IS NOT RESPONSIBLE FOR UNAUTHORIZED USE OF THIS REPORT. ADDITIONALLY, THIS ANALYSIS IS A COMPLETE APPRAISAL IN THAT THE DEPARTURE PROVISION OF THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE HAS NOT BEEN INVOKED.

NEIGHBORHOOD CHARACTERISTICS:

SUBJECT IS APPRAISED IN "AS IS" CONDITION. ALSO IT SHOULD BE NOTED THAT THE SUBJECT IS IN NEED OF TOTAL RENOVATION BOTH ON THE INTERIOR AND EXTERIOR OF THE PROPERTY. ADJUSTMENTS ARE MADE IN THE APPRAISAL GRID AS A RESULT OF THIS CONDITION.

THE SUBJECT IS LOCATED IN AN ESTABLISHED RESIDENTIAL NEIGHBORHOOD CONSISTING OF HOMES WITH A BALANCED VARIETY OF ARCHITECTURAL STYLES. IT IS CONVENIENT TO PLACES OF WORSHIP, SCHOOLS, SHOPPING AND TRANSPORTATION. IMPROVEMENTS ARE TYPICAL IN DESIGN AND CHARACTER FOR THIS LOCATION. EMPLOYMENT STABILITY IS IS CONSIDERED TO AVERAGE. POLICE AND FIRE PROTECTION ARE ADEQUATE. THERE WERE NO ADVERSE CONDITIONS NOTED THAT WOULD AFFECT THE SUBJECT AREA. THE SUBJECT IS COMPATIBLE AND DOES CONFIRM WITH THE CHARACTERISTICS OF THE NEIGHBORHOOD. IT IS THE OPINION OF THE APPRAISER THAT THE SUBJECT NEIGHBORHOOD IS RATED AVERAGE.

ENVIRONMENTAL CONDITIONS:

A VISUAL INSPECTION OF THE SUBJECT INTERIOR AND EXTERIOR SHOW NO APPARENT SIGN S OF ADVERSE ENVIRONMENTAL CONDITION IN THE VICINITY OF THE SUBJECT. THIS IS BASED ON THE APPRAISER'S LIMITED KNOWLEDGE OF THIS TYPE OF CONDITION.

COMMENTS ON SALES COMPARISON APPROACH:

IN COMPLETING THE SALES COMPARISON APPROACH, I HAVE ATTEMPTED TO USE COMPARABLE SALES WHICH FULLY COMPLY WITH GENERALLY ACCEPTED SECONDARY MARKET UNDERWRITING GUIDELINES, (E.G., SETTLED DATES WITHIN CERTAIN TIME FRAMES, NET ADJUSTMENTS UNDER 15%, GROSS ADJUSTMENTS UNDER 25%, REASONABLE PROXIMITY TO THE SUBJECT PROPERTY, SIMILAR GLA, USE AND UTILITY, ETC.). IN ADDITION, WHENEVER POSSIBLE, I HAVE ALSO ATTEMPTED TO MEET SPECIFIC UNDERWRITING CRITERIA RELAYED BY THE LENDER/CLIENT. IN ORDER TO ACHIEVE THIS GOAL, A COMPLETE SEARCH OF THE MARKET IS CONDUCTED. GROSS LIVING AREA ADJUSTMENTS ARE MARKET DERIVED AT $10.00 PER SQUARE FOOT (ROUNDED).

THE ADJUSTMENT FOR BASEMENTS REPRESENTS THE ADDED UTILITY. THE REMAINING ADJUSTMENTS ARE CONSIDERED SELF EXPLANATORY. ALL SALES CITED ARE THE BEST AVAILABLE OF SIMILAR CONSTRUCTION, MATERIALS UTILITY AND WITHIN THE SAME MARKET AREA.

THE ABOVE SALES, WHILE NOT EXACTLY SIMILAR, DO FORM A RANGE OF SIMILARITY AND VALUE CONSIDERED INCLUSIVE OF THE SUBJECT.

Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			

ADDITIONAL ADDENDUM

COMMENTS ON THE INCOME APPROACH:

IN ARRIVING AT AN ESTIMATE OF VALUE, THE APPRAISER ANALYZED ALL THREE APPROACHES TO VALUE. THESE INCLUDED THE INCOME, COST AND THE SALES COMPARISON APPROACH.

COMMENTS ON THE COST APPROACH:

THE COST WAS DEVELOPED UTILIZING THE MARSHALL & SWIFT GENERAL COST FOR THIS GEOGRAGRAPHICAL AREA AND THE APPRAISER'S GENERAL KNOWLEDGE AND LOCAL BUILDER'S COST FACTORS.

COMMENTS ON THE INCOME APPROACH:

THE INCOME APPROACH WAS DEVELOPED AND UTILIZED WITH GROSS RENT MULTIPLIER AND WAS WAS CALCULATED FROM THE SUBJECT SALES AND OTHERS WITHIN THE SUBJECT NEIGHBORHOOD.

ALL COMPARABLE SALES ARE SETTLED TO BEST OF THE APPRAISER'S KNOWLEDGE. VERIFICATION IS WITH THE PUBLIC RECORDS AND/OR REALTOR OR SIMILAR RECORDS, MLS SERVICE, SELLER OR BUYER AS REFERENCED ON THE MARKET GRID. IT IS THE OPINION OF THE APPRAISER THAT THE VERIFICATIONS USED ARE THE BEST AVAILABLE DURING THE APPRAISAL PROCESS.

SIZE(SQUARE FOOTAGE):

EVERY EFFORT HAS BEEN MADE TO TRY AN ESTABLISH THE TRUE ESTIMATED SQUARE FOOTAGE OF THE SUBJECT AND IT'S COMPARABLE SOLD PROPERTIES DURING THE APPRAISAL PROCESS.

LOCAL TRESPASS LAWS UNDER MOST CIRCUMSTANCES FORBIDS ANY PERSON FROM ENTERING PRIVATE PROPERTY WITHOUT THE EXPRESSED PERMISSION OF IT'S OWNER. AS A RESULT, IN MANY CASES, APPRAISERS ARE FORCED ESTIMATE THE SQUARE FOOTAGE OF COMPARABLE PROPERTIES. THIS CAN RESULT IN MISCALCULATIONS.

FANNIE MAE AND FREDDIE MAC GUIDELINES REQUIRE THAT APPRAISERS UTILIZE THE SQUARE FOOTAGE AS NOTED IN THE PUBLIC RECORD WHEN EVER APPROPRIATE. THEREFORE WHEN EVER THE APPRAISER IS UNABLE TO PHYSICALLY MEASURE THE SQUARE FOOTAGE OF ANY PROPERTY, THE SQUARE FOOTAGE AS NOTED IN THE PUBLIC RECORD IS UTILIZED. HOWEVER, THE READER IS MADE AWARE THAT ON MANY OCCASIONS THE SQUARE FOOTAGE AS NOTED IN THE PUBLIC RECORD IS INACCURATE. THESE ERRORS HAVE BEEN NOTICED IN THE JURISDICTION OF BOTH MARYLAND AND THE DISTRICT OF COLUMBIA . IN CASES OF THIS TYPE, THE APPRAISER MAKES EVERY EFFORT TO CONTACT THE OWNERS OF ALL PROPERTIES INVOLVED IN THE APPRAISAL PROCESS. WHEN PERMISSION IS NOT OBTAINED, PUBLIC RECORD INFORMATION IS UTILIZED.

A MORE RECENT CONTACT WITH OFFICIALS WITHIN THE TAX OFFICE OF THE DISTRICT OF COLUMBIA INDICATE
THAT THEIR MASS APPRAISAL APPROACH TO VALUATING PROPERTIES FOR TAX PURPOSES UTILIZES THE SQUARE FOOTAGE OF BOTH THE ABOVE AND BELOW GRADE AREAS OF PROPERTIES WHEN ESTABLISHING AD VALOREM TAX ASSESSMENTS. SINCE BELOW GRADE SQUARE FOOTAGE OF SUBJECT AND COMPARABLE DATA (FANNIE MAE & FREDDIE MAC GUIDELINES)ARE NOT CONSIDERED DURING THE APPRAISAL PROCESS WHEN UTILIZING THE STANDARD UNIFORM RESIDENTIAL APPRAISAL REPORT(URAR) AND SIMILAR FORMS, THE APPRAISER HAS MADE APPROPRIATE ADJUSTMENTS WHERE DISCREPANCIES ARE NOTED.

ALL MONATERY ADJUSTMENTS ARE MARKET EXTRACTED USING A METHOD OF PAIRED SALE ANALYSIS WHEN ADJUSTMENTS ARE DEEMED NECESSARY DURING THE APPRAISAL PROCESS.

MULTI-PURPOSE SUPPLEMENTAL ADDENDUM
FOR FEDERALLY RELATED TRANSACTIONS

WATKINS REALTY APPRAISAL SERVICE

Borrower/Client HORTON			
Property Address 505 O St NW			
City WASHINGTON	County N/A	State DC	Zip Code 20001-3423
Lender NA/HORTON			

This Multi-Purpose Supplemental Addendum for Federally Related Transactions was designed to provide the appraiser with a convenient way to comply with the current appraisal standards and requirements of the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of Currency (OCC), The Office of Thrift Supervision (OTS), the Resolution Trust Corporation (RTC), and the Federal Reserve.

This Multi-Purpose Supplemental Addendum is for use with any appraisal. Only those statements which have been checked by the appraiser apply to the property being appraised.

☒ PURPOSE & FUNCTION OF APPRAISAL

The purpose of the appraisal is to estimate the market value of the subject property as defined herein. The function of the appraisal is to assist the above-named Lender in evaluating the subject property for lending purposes. This is a Federally related transaction.

☒ EXTENT OF APPRAISAL PROCESS

☒ The appraisal is based on the information gathered by the appraiser from public records, other identified sources, inspection of the subject property and neighborhood, and selection of comparable sales within the subject market area. The original source of the comparables is shown in the Data Source section of the market grid along with the source of confirmation, if available. The original source is presented first. The sources and data are considered reliable. When conflicting information was provided, the source deemed most reliable has been used. Data believed to be unreliable was not included in the report nor used as a basis for the value conclusion.

☒ The Reproduction Cost is based on Marshall & Swift supplemented by the appraiser's knowledge of the local market.

☒ Physical depreciation is based on the estimated effective age of the subject property. Functional and/or external depreciation, if present, is specifically addressed in the appraisal report or other addenda. In estimating the site value, the appraiser has relied on personal knowledge of the local market. This knowledge is based on prior and/or current analysis of site sales and/or abstraction of site values from sales of improved properties.

☒ The subject property is located in an area of primarily owner-occupied single family residences and the Income Approach is not considered to be meaningful. For this reason, the Income Approach was not used.

☐ The Estimated Market Rent and Gross Rent Multiplier utilized in the Income Approach are based on the appraiser's knowledge of the subject market area. The rental knowledge is based on prior and/or current rental rate surveys of residential properties. The Gross Rent Multiplier is based on prior and/or current analysis of prices and market rates for residential properties.

☐ For income producing properties, actual rents, vacancies and expenses have been reported and analyzed. They have been used to project future rents, vacancies and expenses.

☒ SUBJECT PROPERTY OFFERING INFORMATION

According to Public records. the subject property:

☒ has not been offered for sale in the past 30 days.
☐ is currently offered for sale for $ _____ .
☐ was offered for sale within the past 30 days for $
☐ Offering information was considered in the final reconciliation of value.
☐ Offering information was not considered in the final reconciliation of value.
☐ Offering information was not available. The reasons for unavailability and the steps taken by the appraiser are explained later in this addendum.

☒ SALES HISTORY OF SUBJECT PROPERTY

According to Public records the subject property:

☒ has not transferred in the past twelve months.
☐ has transferred in the past twelve months.
☐ has not transferred in the past thirty-six months.
☐ has transferred in the past thirty-six months.
☐ All prior sales which have occurred in the past twelve months are listed below and reconciled to the appraised value, either in the body of the report or in the addenda.

Date	Sales Price	Document #	Seller	Buyer

☒ FEMA FLOOD HAZARD DATA

☒ Subject property is not located in a FEMA Special Flood Hazard Area.
☐ Subject property is located in a FEMA Special Flood Hazard Area.

Zone	FEMA Map/Panel #	Map Date	Name of Community
X	1100010020B	11/15/1985	

☐ The community does not participate in the National Flood Insurance Program.
☒ The community does participate in the National Flood Insurance Program.
☐ It is covered by a regular program.
☐ It is covered by an emergency program.

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☒ CURRENT SALES CONTRACT

☒ The subject property is currently not under contract.
☐ The contract and/or escrow instructions were not available for review. The unavailability of the contract is explained later in the addenda section.

☐ The contract and/or escrow instructions were reviewed. The following summarizes the contract:

Contract Date	Amendment Date	Contract Price	Seller
			HORTON

☐ The contract indicated that personal property was not included in the sale.
☐ The contract indicated that personal property was included. It consisted of _____
_____ Estimated contributory value is $ _____.
☐ Personal property was not included in the final value estimate.
☐ Personal property was included in the final value estimate.
☐ The contract indicated no financing concessions or other incentives.
☐ The contract indicated the following concessions or incentives: _____

☐ If concessions or incentives exist, the comparables were checked for similar concessions and appropriate adjustments were made, if applicable, so that the final value conclusion is in compliance with the Market Value defined herein.

☒ MARKET OVERVIEW

Include an explanation of current market conditions and trends.

3-6 months is considered a reasonable marketing period for the subject property based on Current market conditions.

☒ ADDITIONAL CERTIFICATION

The Appraiser certifies and agrees that:

(1) The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP"), except that the Departure Provision of the USPAP does not apply.
(2) Their compensation is not contingent upon the reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
(3) This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

☒ ADDITIONAL (ENVIRONMENTAL) LIMITING CONDITIONS

The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value.

☒ ADDITIONAL COMMENTS

Sales recited are the very best and most comparable found. Other sales were analyzed and considered, but were less indicative of market value than those recited. Secondary market standards for net and gross adjustment percentages were complied with.

☒ APPRAISER'S SIGNATURE & LICENSE/CERTIFICATION

Appraiser's Signature _____ Effective Date 03-22-03 Date Prepared _____
Appraiser's Name (print) WILBERT WATKINS, JR., MAI Phone # (202) 2917614
State MD ☒ License ☐ Certification # _____ Tax ID # _____

☐ CO-SIGNING APPRAISER'S CERTIFICATION

☐ The co-signing appraiser has personally inspected the subject property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. The report was prepared by the appraiser under direct supervision of the co-signing appraiser. The co-signing appraiser accepts responsibility for the contents of the report including the value conclusions and the limiting conditions, and confirms that the certifications apply fully to the co-signing appraiser.
☐ The co-signing appraiser has not personally inspected the interior of the subject property and:
☐ has not inspected the exterior of the subject property and all comparable sales listed in the report.
☐ has inspected the exterior of the subject property and all comparable sales listed in the report.
☐ The report was prepared by the appraiser under direct supervision of the co-signing appraiser. The co-signing appraiser accepts responsibility for the contents of the report, including the value conclusions and the limiting conditions, and confirms that the certifications apply fully to the co-signing appraiser with the exception of the certification regarding physical inspections. The above describes the level of inspection performed by the co-signing appraiser.
☐ The co-signing appraiser's level of inspection, involvement in the appraisal process and certification are covered elsewhere in the addenda section of this appraisal.

☐ CO-SIGNING APPRAISER'S SIGNATURE & LICENSE/CERTIFICATION

Co-Signing Appraiser's Signature _____ Effective Date _____ Date Prepared N/A
Co-Signing Appraiser's Name (print) _____ Phone # ( )
State _____ ☐ License ☐ Certification # _____ Tax ID # _____

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DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

* Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgement.

STATEMENT OF LIMITING CONDITIONS AND APPRAISER'S CERTIFICATION

CONTINGENT AND LIMITING CONDITIONS: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.

2. The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.

5. The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.

6. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.

7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.

8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.

9. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.

10. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have researched the subject market area and have selected a minimum of three recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the subject property, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable.

2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.

3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.

4. I have no present or prospective interest in the property that is the subject to this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.

5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.

6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.

7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.

8. I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparables in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.

9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

SUPERVISORY APPRAISER'S CERTIFICATION: If a supervisory appraiser signed the appraisal report, he or she certifies and agrees that: I directly supervise the appraiser who prepared the appraisal report, have reviewed the appraisal report, agree with the statements and conclusions of the appraiser, agree to be bound by the appraiser's certifications numbered 4 through 7 above, and am taking full responsibility for the appraisal and the appraisal report.

ADDRESS OF PROPERTY APPRAISED: 505 O St NW, WASHINGTON, DC 20001-3423

APPRAISER:	**SUPERVISORY APPRAISER (only if required):**
Signature: Wilbert Watkins	Signature:
Name: WILBERT WATKINS, CREA,CRA	Name:
Date Signed: 1/20/04	Date Signed:
State Certification #:	State Certification #:
or State License #: RA213	or State License #:
State: MD	State:
Expiration Date of Certification or License: 1/17/2004	Expiration Date of Certification or License:
	☐ Did ☐ Did Not Inspect Property