2412 17th Street, NW
BZA Application No. 17111

Financial Hardship of Developing 13 Units
(rather than 23 units)

- Many costs of this development are either fixed (that is they are the same whether we build 13 units or 23units) or they only increase slightly as the number of units increases).

- Given that fact, when we only build 13 units, the cost per unit is much higher than if we build 23 units (see attached summary).

- These higher costs would require a higher selling price, which would necessitate upgrading the finishes (more expensive appliances, cabinets, light fixtures, flooring, plumbing fixtures, etc.), thereby adding further cost to each unit.

- The resulting increase in sales price would be approximately $250,000. Since we planned to be in the price range of $300,000 to $450,000 (for 23 units), we would have to increase our sales prices to $550,000 to $700,000. This is impractical for the following reasons:

    - *This particular location will not support these prices.* The sub-market is extremely fragmented and tends to change from block to block. The surrounding uses and crime rate on this block create a market condition that will not support selling prices over $500,000 unless unit sizes are increased, parking is provided, security is increased and other costly amenities are added.

    - *Lenders and Equity Investors are far less likely to be attracted to a development with the higher selling prices.* This is the result of two factors. First, the entire DC market for units above a $500,000 sales price is much thinner than for units below $500,000 (the number of sales between $300,000 and $500,000 has been running at over 3.5 times the sales above $500,000). Second, the lack of a viable submarket at our location will make the project extremely unattractive to a lender/investor. As a result, we will spend significantly more time finding sources of debt and equity financing and the cost of that financing will be much higher than normal (assuming it is available at all).

BZA
Case No. 17111
Exhibit No. 34

Board of Zoning Adjustment
District of Columbia
CASE NO. 17111
EXHIBIT NO. 34

- *The site has inadequate parking.* Buyers of condominiums costing over $500,000 are looking for at least one parking space on site and in many cases, two spaces. Our site can only provide 5 spaces to meet a demand of 13 to 26 spaces. In addition, (we learned after 12 meetings with the ANV and Reed-Cooke Neighborhood Association) the neighborhood is vehemently opposed to additional parking and the resulting traffic. The area is seen as relying on public transportation and other alternatives to the private automobile.

- *The unit sizes currently planned are too small for the new price range.* Buyers in the market above $500,000 will demand more than the 832 sq. ft. (average sales sq. ft., not including common space) we have on the two floors above the basement. This will necessitate eliminating two units on each floor in order to produce units that are 1387 sq. ft. The reduction from 13 units to 9 units means that the increased cost per unit is now $370,755. These means our unit prices would be between $670,000 and $820,000. The three basement units could not possibly sell in this price range. The other units would have prices approaching $600 per sq. ft. which is not achievable in this submarket.

- *The reduction in the number of units directly conflicts with the Comprehensive Plan.* The stated objective of the Comprehensive Plan for this area is **to preserve and create new housing.** The addition of two floors and the additional FAR serve to preserve the existing units.

- **CONCLUSION:** Attempting the redevelop this building without adding two floors (as per our application) would not be financially feasible, would result in the redevelopment plan being abandoned and would mean that the building would continue to sit in its unused capacity for years to come.

FINANCIAL HARDSHIP OF
DEVELOPING 13 UNITS
(RATHER THAN 23 UNITS)

Contruction Related Costs	
Underpin existing foundation	$185,000
Basement Pumping	$15,000
Basement excavation and slab	$125,000
Repair existing masonry walls	105,000
Repair existing flooring systems	165,000
Two interior stairs	75,000
Finishes in comon areas	60,000
Elevator	110,000
Handicap access	6,000
Closed-Circuit TV/Security System	25,000
Fireline for sprinkler system	32,000
Interior demo & bracing	145,000
Roofing system	85,000
Work in Public Space	45,000
Landscaping	25,000
Permits, Tap Fees & Utility Fees	75,000
Drainage improvements for Jubilee	25,000
Construction Security & Fencing	75,000
Contractor General Req. & OH	450,000
Acqusition Cost	
Value of existing building	1,300,000
Soft Costs	
Equity Raise	60,000
Loan Fees	90,000
Architect & Engineer	215,000
Appraisal, Market Study & Environmentals	35,000
Condominium Bond	30,000
Marketing	150,000
Model Unit/ Sales Office	85,000
Legal & Accounting	75,000
Survey & Geotech	20,000
Project Management Fee	240,000
Zoning	25,000
Title	20,000
Misc. & Contingency	150,000
Total Fixed Costs	$4,323,000
Cost/Unit at 13 units	332,538
Cost/Unit at 23 units	187,957
Extra Cost Burden/Unit at Only 13 units	144,582
Cost of Upgrades Required	45,000
Additional Interest Carry (slow sales pace)	9,500
Developer OH & Profit (8% +15%) on addtl. costs	43,604
6% Brokerage Fee On additional costs	13,991
Total Increase in Sales Price/Unit	***$256,677***