PARCEL 27 DC USA DEVELOPMENT PLAN SUMMARY

Development Summary

D.C. USA will be a 540,000 square foot retail and entertainment complex located in the heart of Columbia Heights on Parcel 27, the 4.89 acre site on the west side of 14th Street between Park Road and Irving Street in the former 14th Street Urban Renewal Area. The site, which is diagonally across from the historic Tivoli Theater, encompasses most of a full city block, with dimensions of 500 feet along 14th Street, Columbia Heights' main north/south corridor, 225 feet on Park Road and 500 feet on Irving Street.

The developers of D.C. USA have been working closely with the District of Columbia to develop a program that will provide the maximum benefits to the residents of Columbia Heights, the surrounding communities and the District as a whole. The dramatic complex will bring together uses that are consistent with high quality urban retail and entertainment developments including a Target store; high quality specialty retailers; food establishments; and entertainment, recreational, educational and service uses. Approximately 15,000 square feet in the architecturally distinguished structure will also be allocated to local and minority-owned tenants at rents that are 33% below-market.

D.C. USA will be modeled after Harlem *USA* (also developed by Grid Properties and Gotham Organization) in its high quality tenant mix and its commitment to an urban design that focuses on the pedestrian. The complex will be uniquely urban in scale and density with most of the retail spaces entered directly from the street in order to reinforce the street as the dominant urban design element. It is envisioned that this program mix will create a critical mass for future development along the 14th Street corridor. Enhancing the shopping and entertainment opportunities currently available in the District will increase the number of people who stay in the District to do their shopping while maximizing local job opportunities. D.C. USA is projected to generate 1,650 permanent jobs and 700 construction jobs.

There will be enclosed parking for approximately 1,364 cars in three below-grade levels. The amount of parking spaces was approved by a Zoning Board of Adjustment action (Application #16858, Decision Date 4/23/02). The test borings indicate that soil conditions will enable the site to be excavated to this level without ground water problems. The size of the project was analyzed by Gorove/Slade Associates, Inc. in their traffic study of November 16, 2000. The facility's impact on surrounding streets can be minimized with the mitigation measures that Gorove/Slade has recommended. These measures include changing an exclusive right-turn lane into a shared through-right turn lane at the intersection of 16th Street and Irving Street to maximize traffic efficiency and modifying the signal timing splits during the evening peak period at the intersection of 14th Street at Park Road and Kenyon Street.

D.C. USA will appeal to a diverse population through vertically integrated multi-generational themes (education, the arts, health and fitness and style and fashion) combining retail, entertainment and recreation. D.C. USA will also offer a number of special marketing opportunities (including interactive educational exhibit uses, display advertising, electronic signage and various promotional events) that will link corporate sponsors to community-

BZA
Case No. 17232
Exhibit No. 62

Board of Zoning Adjustment
District of Columbia
CASE NO. 17232
EXHIBIT NO. 62

based educational, recreational and cultural organizations, and will provide these corporations with access to a vastly under-served population.

Space Program

The program for D.C. USA can be summarized as follows:

Level	Retail[1]	Target	Support[2]	Parking	Totals
Parking Level 3	-	-	-	148,000	148,000
Parking Level 2	-	-	-	168,000	168,000
Parking Level 1	-	-	-	204,000	204,000
Ground Floor	151,000	-	38,500	-	189,500
Second Floor	104,000	80,000	8,500	-	192,500
Third Floor	69,800	80,000	8,500	-	158,300
Totals	324,800	160,000	55,500	520,000	1,060,300

[1] Also includes any entertainment, recreational, educational and service uses.
[2] Includes loading areas, mechanical space, circulation and common areas.

Local and Minority Business Participation

The space program for the complex includes approximately 15,000 square feet of retail space that will be made available to local and minority-owned businesses at rents that are approximately 33% below-market. A conceptual plan to fund tenant improvements and working capital using a grant being sought by DCCH for these tenants can be found in Section 4 of this submission. If such a grant is unavailable other sources of funding will have to be developed in conjunction with the District.

An Affirmative Action Program has been submitted to the RLA along with the First Source Agreement and Memorandum of Understanding.

Click the following link to view the DCUSA First Source Employment Agreement:
http://www.ncrcdc.com/docs/publichearingtestimonies/fsea_dcusa.pdf
[file name: fsea_dcusa.pdf - file size: 9 MB]

Affirmative Action Program

Development Team Members

The development team will consist of Grid Properties, Joseph Searles III and the Development Corporation of Columbia Heights ("DCCH"). The ownership interests of minority participants Joseph Searles III and DCCH will be in excess of the 25% required by the RFP. The land would be owned by DCCH. The land would be leased to a single purpose entity formed to develop this project. DC USA Operating Co., LLC is controlled by Grid Properties, the Gotham Organization and Joseph Searles III (who would have a 25% interest in DC USA Operating Co., LLC).

The developers are committed to maximizing the opportunities for minority and local individuals, firms and organizations on the project team and have set a goal of 35% of design contracts. Listed below are the local and/or minority firms that will be part of the design team. Firms with an L are local and firms with an M are minority owned.

Architects:	*Part of Joint Venture Team* **Austin L. Spriggs Associates (M,L)** 433 Massachusetts Avenue, N.W. Washington, D.C. 20001 202-659-8666 Contact: Mr. Austin L. Spriggs
Civil Engineers: **Structural Engineers:**	**Delon Hampton & Associates (M,L)** 800 K Street, N.W. North Lobby – Suite 720 Washington, D.C. 20001-8000
Mechanical Engineer:	**Diversified Engineering, Inc. (M,L)** 7600 Georgia Avenue, N.W. Washington, D.C. 20012 202-726-7676 Contact: Mr. Marion C. Thomas, President
Landscape Architect:	**Peter Liu Associates** 638 Eye Street, N.W. Washington, D.C. 20001 202-460-5124 Contact: Peter Liu
Construction Manager:	*Part of Joint Venture Team* **The Sherman R. Smoot Corporation of Washington D.C. (M,L)** 3 Skyline Place 5201 Leesburg Pike, Suite 1100 Falls Church, VA. 22041 703-998-1100 Contact: Mr. Mark S. Cain, Vice President

Minority Contracting Opportunities

The following is a summary of the Subcontracting Plan for Minority Business Enterprises that has been developed by the joint venture construction management team of The Clark Construction Group and The Sherman R. Smoot Corporation of Washington D.C.

(1) Subcontracting Plan for Minority Business Enterprise (MBE)

(a) Goal
The total planned subcontracting dollar percentage for MBE's is 35%.

(b) Description of Work Areas
The following products and/or services will be offered as opportunities for MBE's:

- General Requirements
- Site Work
- Concrete
- Masonry
- Metals
- Woods and Plastics
- Thermal and Moisture Protection
- Doors and Windows
- Finishes
- Specialties
- Equipment
- Furnishings
- Conveying Systems
- Mechanical
- Electrical

(c) Source Identification
The following sources will be utilized to identify MBE's for possible participation on this project:

- National Association of Minority Contractors
- NAMC – Washington Metro Area
- Md./D.C. Minority Supplier Development Council
- D.C. Department of Human Rights and Local Business Development Administration
- D.C. Department of Public Works
- Clark In-house Source List

(d) Plan Administrator
Fred L. Valentine, Director of Community Relations, will ensure that proper implementation under this plan is consistent with efficient contract performance.

(e) Utilization of Lower Tier MBE's
To achieve the 35% MBE goal, 2nd and 3rd tier subcontractors will be utilized.

(f) Efforts to Assure MBE Opportunities
The following efforts will be made prior to bid:

- Follow-up written solicitations to local MBE's.
- Follow-up with telephone calls to each MBE.
- Provide access to plans and specifications.
- When requested, provide counseling and discuss subcontracting opportunities.
- Provide assistance where necessary and when possible and appropriate.

(g) Outreach Efforts

- Contacts with MBE trade association.
- Contacts with business development organizations.
- Attendance at MBE procurement conferences and trade fairs.

(h) Employment Opportunities for Lower Income Area Residents and D.C. Residents and Minorities

The company will assign an affirmative action officer to the project to assure the following:

- First Source Agreement with the D.C. Department of Employment Services is implemented and met.
- Fulfill Memorandum of Understanding with D.C. Department of Human Rights and Local Business Development.
- Contact and follow-up with all subcontractors.
- Utilize the following sources for soliciting and recruiting minorities and D.C. residents:
    - D.C. Employment Services
    - D.C. Apprenticeship Program
    - Action to Rehabilitate Community Housing (ARCH)
    - Potomac Job Corps

(i) Records and Reports

Records and reports to support all efforts required of this project will be maintained and submitted as required.

Permanent Employment Opportunities

DC USA is committed to maximizing the employment opportunities for lower income residents as well as District residents and minorities. DC USA, with the Development Corporation of Columbia Heights in a coordinating role, shall use reasonable efforts to achieve the goals of 75% employment for District residents and minorities. In order to achieve these goals DC USA shall employ various strategies to apprise District residents of employment opportunities including:

- Advertising in local newspapers
- Sponsoring of job fairs
- Solicitation of local community organizations
- Referrals from appropriate government agencies

DC USA shall also attempt to include similar hiring goals in all leases with retailers and entertainment companies located in the complex. DC USA shall also use reasonable efforts to purchase goods and services (e.g. custodial, security, supplies, etc.) from local businesses.

Retail Market

The retail mix would be designed to serve Columbia Heights and the surrounding communities – almost 200,000 people live within a two-mile radius of the site – and to attract other district residents as well as tourists to the area. In addition to Target, tenants in the following categories are being sought: books, music, apparel, sporting goods, office supplies, consumer electronics, housewares, home furnishings, a bowling center and a health club. It is also anticipated that there will be several food tenants.

Architectural Design

Based on the program presented here, revised schematic drawings have been prepared by the architectural team of Bower Lewis Thrower Architects and Austin L. Spriggs Associates.

Click the following link to view DCUSA schematic drawings:

http://www.ncrcdc.com/docs/pda/dcusa_flplans.pdf

[file name: dcusa_flplans.pdf - file size: 2.66 MB]

The design reflects the following basic concepts:

- The complex is being designed to encourage the maximum amount of pedestrian activity. The complex will be uniquely urban in scale and density with most of the retail spaces entered directly from the street in order to reinforce the street as the dominant urban design element. The storefronts will maximize transparency.
- The design will provide maximum visibility for first-class retailers in a dynamic and secure shopping environment. Larger big box type uses would have minimum street level presence.
- The building's massing and architectural treatment will be compatible with the surrounding community including the residential buildings planned for the other parcels surrounding the site.
- The exterior surface would be a combination of masonry, glass and precast with a significant amount of articulation.
- The building will have a main entrance for Target and some of the other big box retailers on 14th Street mid-way between Park Road and Irving Street. The corners of the building at Park Road and at Irving Street will be chamfered and taller in height than the rest of the structure to enhance the project's visibility from both the north and south.
- The surface of the façades would be further animated with the use of electronic imagery and other display signage integrated into the architectural vision.
- The Irving Street elevation will include the retaining of two existing facades that belonged to a car dealership built in the first half of the 20th century. The cost of

reinforcing the facades during demolition and excavation and the restoration of the facades will be part of the RLARC's budget for demolition.

- Entry and exit from the parking would be from both Park Road and from Irving Street via Hiatt Place as shown on the ground level plan.
- Truck access to the complex will be from Park Road with loading docks located at the rear of the property. Trucks will exit via a drive-through that bisects the site onto Irving Street.
- The impact of the building on the existing Bell School, to the extent it remains in place, will be minimized by several methods as shown on the elevation provided with the schematic drawings. The loading area will be separated from the existing Bell School by solid noise barriers that will run along the property line. Behind these barriers will be a double row of trees that will provide visual screening. The school will also be protected by the placement of the building's exhaust fans. The parking garage will also be exhausted away from the school. In addition, an exhaust system will be provided in the loading dock that will extend to the building's roof. A portion of the wall facing the school will be reserved for a mural to be designed by students at the Bell School.

Design and Construction Team

Architect:	**Bower Lewis Thrower Architects** 1216 Arch Street Philadelphia, PA 19107 215-563-3900 Contact: Mr. Michael Prifti, Partner **Austin L. Spriggs Associates** 433 Massachusetts Avenue, N.W. Washington, D.C. 20001 202-659-8666 Contact: Mr. Austin L. Spriggs
Structural Engineer:	**To be Selected**
Civil Engineer:	**Delon Hampton & Associates** 800 K Street, N.W. North Lobby – Suite 720 Washington, D.C. 20001-8000 Contact: Mr. Foster J. Beach III
Mechanical Engineer:	**Cosentini Associates** 2 Pennsylvania Plaza New York, NY 10121 212-615-3600 Contact: Mr. Jonathan Michaeli, Partner

Diversified Engineering, Inc.
7600 Georgia Avenue, N.W.
Washington, D.C. 20012
202-726-7676
Contact: Mr. Marion C. Thomas, President

Landscape Architect:

Peter Liu Associates
638 Eye Street, N.W.
Washington, D.C. 20001
202-460-5124
Contact: Peter Liu

Construction Manager:

A joint venture including:

The Clark Construction Group, Inc.
7500 Old Georgetown Road
Bethesda, MD 20814
301-986-8100 Mr. Barry DePauw, Senior Vice President

The Sherman R. Smoot Corporation of Washington D.C.
3 Skyline Place
5201 Leesburg Pike, Suite 1100
Falls Church, VA. 22041
703-998-1100
Contact: Mr. Mark S. Cain, Vice President

Community Participation

A Community Participation Program was developed by the Development Corporation of Columbia Heights, and is provided below:

Community Participation Program

The Community Participation Program for DC USA will be characterized by the sustained engagement of Columbia Height's residents in a process that will provide a continuing opportunity for review and input on all proposed elements of the project from the full range of residents of this diverse community. DC USA's community participation activities will include but not limited to well-advertised quarterly community meetings sponsored by the development team and coordinated by the Development Corporation of Columbia Heights and the quarterly distribution of a printed multi-lingual Project Update Report made available throughout the community by mail, in stores and other public interaction places throughout the community. The printed information will also be made available through the over 50 not-for-profit community-based organizations now active throughout the project area. Special briefings will be regularly held at meetings of Advisory Neighborhood Commissions, various neighborhood affiliates, tenant organizations, the local merchants association, not-for-profit service delivery organizations and religious groups across Columbia Heights.

Copies of the various project development submissions required by the District of Columbia Redevelopment Land Agency (RLA) will be made available to community residents at offices of Advisory Neighborhood Commissions, the local library and at designated community based organization throughout the project area.

General Business Terms

DC USA Operating Co., LLC development plan is based upon the following general business terms which are consistent with our discussions to date with RLARC (as well as other public agencies) and the pro-forma financial analyses submitted:

1. The RLARC will convey Parcel 27 and adjoining privately owned parcels it has acquired to the Developer. The Developer will pay the sum of $1 million for the land. The site will be delivered vacant and clear of any buildings or tenants. As part of the demolition, the District will provide the necessary structural support of the existing Irving Street facades which are being retained. The District will also provide funds to cover the cost of preserving the facades. RLARC will remove any fill that resulted from demolition. The Phase I Environmental Site Assessment previously submitted indicates that there are possibly two underground storage tanks on the site. Confirmation of the presence of the tanks and their size is pending a response from the D. C. Underground Tank Storage Program. There are also four above ground tanks. The report also recommended that an asbestos and lead inspection be performed as part of the Phase II Environmental Analysis. All environmental remediation, whether the conditions are known or unknown at this time, will be completed by the District before closing. The terms and timing for the closing will be as provided in the Land Disposition Agreement and will occur simultaneously with the closing of the Developer's construction loan and the closing of the TIF or any other public financing.

2. The Developer shall have the right to subdivide the property into one or more condominium units and convey a condominium unit to the Target Corporation pursuant to an executed Letter of Intent with Target and a Purchase Agreement to be negotiated between the parties. The Developer shall also have the right to create a condominium unit that consists of the parking facility.

3. The three levels of below grade parking will be initially owned by DC USA Operating Co, LLC. The Developer will be responsible for operating and maintaining the parking facility and making all necessary capital repairs. Target and the other tenants in the project will have no obligation to: make any capital contribution toward the cost of the parking facility; fund any operating deficit of the parking garage: or fund any future capital repairs of the parking facility. The cost of operating or repairing the facility will not be included in any common area maintenance charges and will be the sole responsibility of the Owner of the parking facility. The operation of the garage will be self-supporting including any debt service and any capital repair costs. Retailers and the

project's lender will require covenants that insure that the parking will always be available for customers of the project's tenants when they want it. The parking facility will be open to the public but its pricing structure will be used to encourage retail customers to use the garage while discouraging non-retail customers during peak retail demand periods. During the weekday, commuters will be encouraged to park in the facility and the pricing will be set to discourage commuters from staying into the later afternoon or evening hours (if there are insufficient spaces available to satisfy retail customers). Weeknights, overnight parking will be made available to community residents to the extent there is no interference with the parking demand of the retail customers. The financial analyses assume that there will be net income generated from the operation and that this income will be used to service a portion of the conventional financing on the project. An option for the District to acquire the garage upon completion may be negotiated as long as such ownership: allows the Developer to have operating responsibility for the garage; does not compromise the operational and maintenance requirements of Target and the other tenants; does not impact the collateral required of the conventional lender; and allows any net income to flow through to the Developer.

4. The Developer shall also have the right to convey the land under any of the condominium units other than the Target Unit, (subject to applicable law permitting the separation of land ownership from condominium unit ownership and further subject to the approval of RLARC which may be withheld at its sole discretion), to the Development Corporation of Columbia Heights (or a wholly-owned subsidiary or affiliate). DCCH will then enter into a ground lease for the land with DC USA Operating Co., LLC for a base rent of $1 per annum.

   DC USA Operating Co., LLC will retain the services of the DCCH to create, monitor and administer community participation, equal employment, affirmative action and local and minority business participation in the project. DCCH will be paid, for a period of ten years commencing with the start of construction, an annual fee of $200,000 for these services. Upon completion and initial tenant occupancy of the building, DCCH (either as owner of the land or as a service provider) subject to RLARC approval, will also be paid 25% of net cash flow (after the Developer has received any deferred fees and its preferred return on equity) less amortization of land costs (all as such terms are to be defined in the agreement between DC USA Operating Co. and DCCH and will be approved by the RLARC).

5. The District of Columbia will provide tax increment financing (TIF) of at least $50 million (exclusive of the debt service reserve fund) although this amount may vary based upon changes in interest rates, additional costs of issuance and various unforeseen conditions. Increased tax revenues from real estate and sales taxes will be used to service the TIF bonds. The TIF bonds will not be secured with a mortgage on the property.

6. Target will purchase a condominium unit. The budget for Target, which includes no land cost, is included under the Financing Plan. Target will pay for its Unit upon completion of the work. The Developer will use the entire proceeds of the Target sale to reduce the amount of the construction loan.

7. The Developer will explore with Target the imposition of certain restrictions to advance the economic development objectives of the District. These include the following restrictions:

   i) Target will not be permitted to sell, lease, assign or otherwise convey the rights to the Target Unit until a certificate of completion has been issued upon completion of construction.
   ii) During the first 10 years Target, if Target desires to sell, lease, assign or otherwise convey the Target Unit it shall use commercially reasonable efforts to have it utilized for "big box" retail. If the Target unit cannot be utilized for "big box" retail it may be utilized for any other Permitted Use (as defined in the LDA) that is in compliance with the Condominium Declaration and By-Laws.

8. Approximately 15,000 square feet of retail space will be made available to local and minority-owned businesses at rents that are approximately 33% below-market.

9. The District will waive the 2.2% D. C. transfer and recording taxes on the conveyance to Target.

10. The District of Columbia will waive the recordation tax associated with the TIF and any tax exempt financing and there will be no letter of credit fees.

Financing Plan

The financing plan for D.C. USA has been developed through numerous meetings and discussions which have included the District of Columbia Redevelopment Land Agency ("RLA") and its successor RLARC; the Office of Deputy Mayor for Planning and Economic Development; and various consultants to the District. The plan's objective is to provide the minimum amount of public subsidy necessary to make the project feasible. D.C. USA is a high quality facility located in a market where rent levels cannot currently support the type of development without public subsidy. D.C. USA will be a boon to the immediate area and will generate direct and indirect benefits that will more that offset the subsidy provided.

The total cost for the proposed project is approximately $140 million. The proposed permanent funding sources for the project costs are: i) TIF bonds, or equivalent governmental benefit, of approximately $50 million (excluding the debt service reserve fund) although this amount may vary based upon changes in interest rates, additional costs of issuance and various unforeseen conditions; ii) permanent loan amount of approximately $47 million; and iii) equity that will total approximately $43 million. The need for TIF financing is driven by several factors including the size and cost of the parking facility, the allocation of below market space for minority and locally owned businesses and the creation of less expensive second floor and third floor space to attract larger retailers to the District at affordable rents and occupancy costs.

The use of public subsidy for D.C. USA in the form of TIF helps to accomplish the following:

1. Generates high density development (rather than a one-level strip development which would otherwise be feasible);
2. Supports the construction of parking (in an area where retail rents would not otherwise support or subsidize parking operations);
3. Allows for the desired inclusion of second and third floor retail space which enables larger retailers to be accommodated at affordable rents and occupancy costs;
4. Provides local and minority-owned business opportunities of 15,000 square feet with rents at a substantial discount to the market;
5. Encourages more people to move back into the District;
6. Enhances the shopping opportunities currently available in the District thereby increasing the number of people who will stay in the District to do their shopping;
7. Creates jobs (approximately 1,650 permanent jobs and 700 construction jobs are projected); and
8. Increases revenue to the District as listed below.

The cost of the public subsidy however is more than offset by the enormous financial benefits, both direct and indirect, to the District of Columbia generated by the development. After servicing the TIF, we estimate that the project will still provide the District with approximately $5 million annually in real estate and sales taxes (see enclosed TIF analysis). In addition, there are a number of other taxes generated from the project, such as income tax for the approximately 1,650 employees, that are not included in the TIF analysis. The financial benefits to the District include the following:

1. Increased real estate taxes (the TIF only utilizes 25% of the real estate taxes).
2. Increased real estate taxes from increased property values in the surrounding neighborhood.
3. The direct and indirect revenue stream to the District that will be generated by future projects that happen because of the critical mass and momentum established by D.C. USA.
4. Sales tax on building materials.
5. Increased sales and user taxes (including parking).
6. Increased income taxes (corporate and individual).
7. Increased income taxes from new residents who move into the area because of better access to retail goods and services.
8. Personal property taxes.
9. Public utility taxes.
10. Toll telecommunications taxes.
11. Insurance premium taxes.

Tax Increment Financing

The vast majority of the public subsidy will be in the form of tax increment financing ("TIF"). Tax increment financing is funded through district issued bonds that are then repaid through the increases in tax revenues generated by the assisted project. The tax increment financing application was originally submitted in October 2001 with a revised application submitted in January 2002. A feasibility analysis has recently been completed by the District CFO's office. The amount of the TIF is subject to City Council approval.

Conventional Permanent Loan Financing

A portion of the project costs will be financed with construction loan and conventional loan financing. We have included a letter from JPMorganChase indicating their continued interest in working with us to provide both construction and permanent financing. JPMorganChase is the project lender for Harlem USA and we maintain a strong relationship. The bank debt would be secured by a first mortgage. The amount of permanent financing will be approximately $47 million.

Equity

The remaining source of funds during construction for project costs will be funded with equity which will consist of three components: cash contributions, deferred fees and a payment from Target to cover the cost of its unit. A return on equity benchmark of 20% upon stabilization has been utilized in all of the financial analyses.

Development Feasibility Analysis

The feasibility of the proposed development plan has been analyzed with respect to a number of issues including subsurface conditions, development and construction cost assumptions, traffic impacts, required public approvals, retail market demand, financial assistance required from the District and development schedule.

Environmental and Subsurface Conditions

GeoConcepts Engineering provided a Phase I Environmental Site Assessment, dated December 1, 2000 (a copy of which was included in the Preliminary Submission). The report determined that the site contains at least one underground storage tank. In addition, there are four above-ground storage tanks, four 55-gallon drums and numerous smaller paint cans on the site. However, the three soil borings that were taken and analyzed for the presence of volatile organic compounds did not show elevated readings that would be indicative of leaking tanks. An asbestos or lead survey was not performed as part of the Phase I.

Subsequent to the above Phase I analysis the District demolished several buildings on the site. We have not received from the District any information on their environmental remediation efforts associated with the demolition.

GeoConcepts Engineering also provided a Preliminary Geotechnical Engineering Report, dated December 12, 2000 that analyzed the site's subsurface conditions. The report was based on test borings drilled by GeoConcepts and information obtained from a previous subsurface investigation that was conducted for the new Metro Station construction. The report indicated that the proposed building could be supported on spread footings and that, based on groundwater levels, underfloor drainage should not be necessary. However, perimeter subdrainage at the base of basement walls was recommended.

Development and Construction Cost Assumptions

Development and construction costs were based on the following key assumptions.

- Site Acquisition – Based on discussions with the RLARC.
- Site Work – Based on cost estimate provided by Smoot Construction (see attached budget).
- Core & Shell Construction Costs - Based on an updated cost estimate (dated November 19, 2002) provided by Smoot Construction. The costs have been escalated for a November 2003 start date.
- Target core and shell costs are based on the negotiated Letter of Intent.
- Fit-out Construction Costs – The fit-out or tenant work allowance line is based on a cost of $20/s.f. for retail tenants. The retail fit-out cost is for providing elevators and escalators for multi-floor tenants, performing other construction for some tenants and/or providing cash allowances for tenant build-outs for key tenants.
- Professional fees – Budget costs for professional fees are based on our experience on other projects and fee proposals we have received from the architectural and engineering team.

Traffic

The size of the project has been analyzed by Gorove/Slade Associates, Inc. in their traffic study of December 19, 2000. The complete study is available from the RLARC. The facility's impact on surrounding streets can be minimized with the mitigation measures that Gorove/Slade has recommended. These measures include changing an exclusive right-turn lane into a shared through-right turn lane at the intersection of 16th Street and Irving Street to maximize traffic efficiency and modifying the signal timing splits during the evening peak period at the intersection of 14th Street at Park Road and Kenyon Street.

Development Schedule

The schedule assumes a November 2003 start date and approximately 24 months for construction (including theater fit-out). The Financing Plan is based on these schedule assumptions.

Space Use Confirmation Plan

D.C. USA will appeal to a diverse population through vertically integrated multi-generational themes (education, the arts, health and fitness and style and fashion) combining retail, entertainment and recreation. The dramatic complex will bring together uses that are consistent with high quality urban retail and entertainment developments such as several larger big box uses including a Target store; high quality specialty retailers; food establishments; and entertainment, recreational, educational and service uses. Approximately 15,000 square feet in the architecturally distinguished structure will also be allocated to local and minority-owned tenants at rents that are approximately 33% below-market. D.C. USA will also offer a number of special marketing opportunities (including interactive educational exhibit uses, electronic signage and various promotional events) that will link corporate sponsors to community-based educational, recreational and cultural organizations, and will provide these corporations with access to a vastly under-served population.

The program for D.C. USA can be summarized as follows:

Level	Retail[1]	Target	Support[2]	Parking	Totals
Parking Level 3	-	-	-	148,000	148,000
Parking Level 2	-	-	-	168,000	168,000
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Third Floor	69,800	80,000	8,500	-	158,300
Totals	324,800	160,000	55,500	520,000	1,060,300

[1] Also includes any entertainment, recreational, educational and service uses.
[2] Includes loading areas, mechanical space, circulation and common areas.

Retail Market

According to Delta Associates, there is approximately 99 million square feet of retail space serving the D.C. metro area which includes the District, suburban Maryland and northern Virginia. The population of the Primary Metropolitan Statistical Area is 4,739,999; and is served by 94 million square feet of retail space. Yet the District, with 519,000 residents, has slightly less than 5 million square feet of retail space. Of that 5 million square feet, 4 million square feet is neighborhood and community shopping. This means that there is only 900,000 square feet of power, regional and super regional shopping inside the District. Despite having 10.9% of the population in the metro area, the District only has 5.3% of the retail space in the region. This shortage comes at a time when new urbanism is bringing people back to the District; when the housing market is hot with low vacancy rates and when the economy has grown significantly over the past 10 years. When you combine the demand with low supply, the shortage of retail is staggering.

The retail mix of D.C. USA has been designed to serve Columbia Heights and the surrounding communities – almost 200,000 people live within a two-mile radius of the site – and to attract other district residents as well as people who work in the area.

Leasing Update

Target has signed a letter of intent to occupy a total of approximately 170,000 square feet comprised of 80,000 square feet each on the 2nd and 3rd Floors and approximately 10,000 square feet on the Ground Floor for loading. The Target space will be entered via a retail lobby along 14th Street that may be shared with several other tenants. We are currently in discussions with numerous other tenants including: high quality specialty retailers in the areas of home electronics, home furnishings, apparel, sporting goods, books and office supplies; food establishments; and entertainment, recreational, educational and service uses.

Leasing Opportunities Plan for Displaced and Small, Local and Disadvantaged Businesses

D.C. USA has set aside approximately 15,000 square feet of retail space for local and minority-owned businesses at rents that are approximately 33% below-market. The discounted rental rate is being made possible through the sizing of the TIF. In addition to the discounted rental rate businesses will require technical assistance as well as access to working capital and funds for tenant improvements. DCCH, as part of its role, will design, support and administer a targeted business attraction, training and technical assistance program designed to enhance opportunities for neighborhood and minority entrepreneurs. Through a series of special business development-training programs and the provision of on-going technical assistance will be administered to assist potential tenants to focus early on business plan development skills and organizing the financial capacity needed to qualify for retail component participation. A special $500,000 grant has been sought by DCCH through the federal Office of Community Service for the purpose of making jobs available to lower income community residents. The grant will be dedicated to leveraging loans to provide "build out" and working capital for community and minority entrepreneurs who locate in the project. Based on a 3 to 1 leverage, $1.5 million of public and private funds, would be available to support entrepreneurs. If such a grant is unavailable other sources of funding will have to be developed between DCCH and the District.