Board of Zoning Adjustment #17837

Hillcrest Homes Associations LP

Analysis of Impact of Proposed Development on Existing Residents and Neighborhood Stability

Harps & Harps, Inc.
November 18, 2008

Statement of Richard R. Harps

Board of Zoning Adjustment Case # 17837

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The subject consists of 12.57 acres of land (547,592 sq. ft.) located in the Hillcrest area of Southeast, Washington, DC. The area, located along the southeastern border of the City, is a stable residentially oriented area, adjacent to a major commuter arterial from Prince George's County, Maryland.

The larger neighborhood is generally built out with a mixture of single family homes to the north, high-rise apartments to the south, and garden apartments to the west. The proposed development at subject will consist of 54 single family detached dwellings located along the southeastern area of the subject site.

General Location Map – Delineation lines are approximate

Subject in Red - Approximate Area to be Developed in White

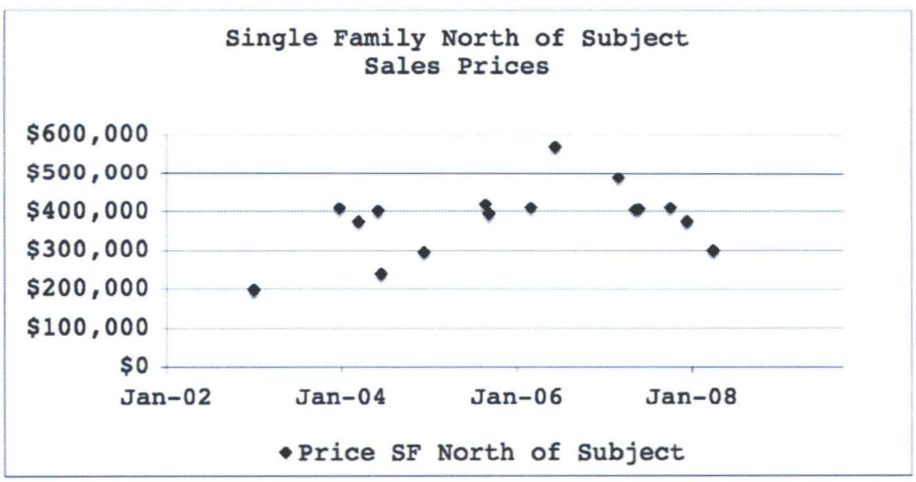
The development will face the Marlborough House high-rise apartment building across the District/Maryland line. The development will be separated from the single family dwellings located to the north and the garden apartments to the west by a large buffer of open and wooded area.

The immediate area is within easy walking distance to the Naylor Road Metrorail Station. Shopping and neighborhood conveniences are not readily available within walking distances but are within five to ten minutes via automobile. Transportation to employment centers is easily available via Metrorail (south of subject) and automobile (Branch Avenue east of subject and Suitland Parkway southeast of subject.

General prices and rents for the surrounding area are

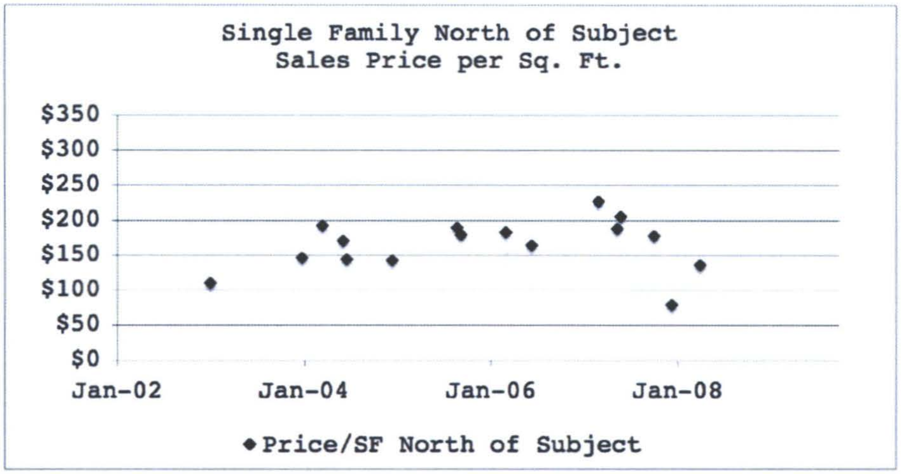
Single Family[1]:	2006-2008 Price Range $299,000 to $570,000 ($79 to $277 per sq. ft.)
High-Rise:	Marlborough House $800 to $1,600 per month
Garden:	Naylor Gardens Cooperative Current Asking Prices (2008) ≈ $100,000 to $110,000
Proposed:	Price Range (before options) $495,000 to $545,000 ($295 to $313 per sq. ft.)

Existing single family houses to the north over the past three years have sold for from $299,000 to $570,000, with a median and average of $408,000 and $420,000.

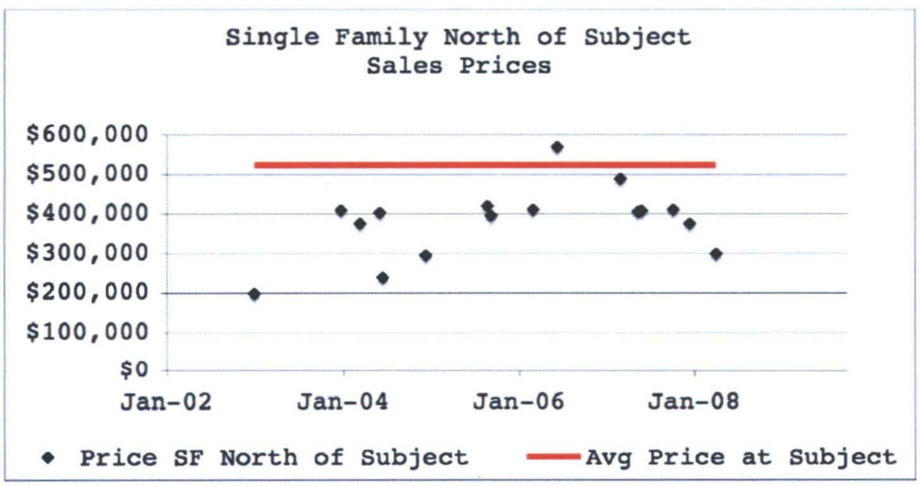


[1] Squares researched: 5646, 5647, 5648, 5649, 5649N, 5700, 5701, 5708, 5709, 5710 and 5711

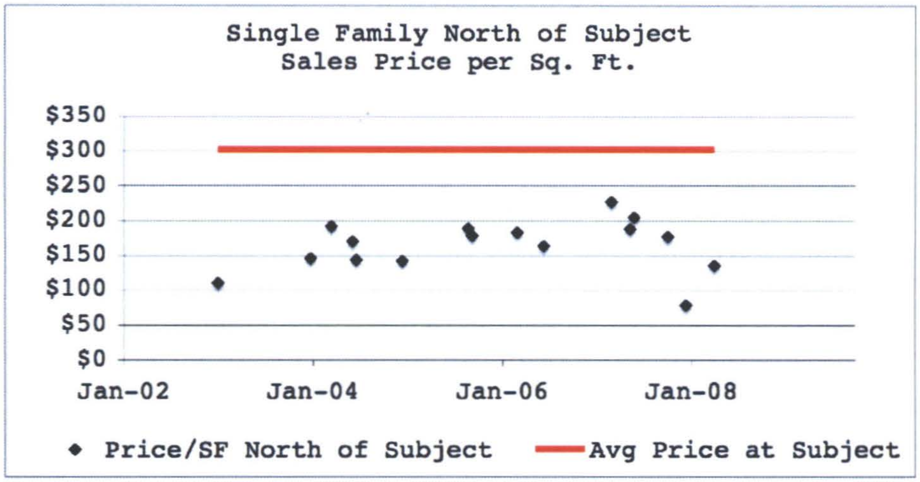
On a price per square foot basis, the prices paid for the single family homes north of subject over the past three years have ranged from a low of $79 per sq. ft. to a high of $227 per sq. ft.



The proposed single family houses at subject will be priced, and would be expected to sell, at prices that are in the upper range of the existing prices in the area. Average prices for the subject development, before upward adjustments for options, are projected by the developer to be between $495,000 and $545,000, averaging $525,000.



On a price per square foot basis, the projected sales at subject will range from $295 to $313, with an average of $305 per sq. ft. and will be above the prices paid for the single family dwellings north of subject.



The trends in the immediate neighborhood, especially as they pertain to the single family dwellings located north of the proposed development at subject, clearly indicate that the subject development will be a positive influence on the area and would not be expected to have any negative impact on the surrounding properties.

The principal task at hand is to determine the expected impact of the proposed project on the value of the surrounding properties. The proposed development and the surrounding properties are both affected equally by the larger market area. The issue is what would be the expected change to the existing single family houses located north of subject once the proposed development is completed. As shown above, the proposed development is expected to be delivered at prices that are above the current levels in the neighborhood, consistent with new developments in established neighborhoods.

Looking at the qualitative issues that affect residential neighborhood values, it is apparent that the subject development would have no negative impact and will likely have a positive impact on the stability of the area. Reviewing the Appraisal Institute text, Appraising Residential Properties, 3rd Edition, 1999, a series of separate and interrelated factors can are shown as having an impact. The grid summary on the following pages lists those social, economic, governmental and environmental factors affecting residential neighborhoods and the impact that the proposed development would be expected to have on the residential neighborhood immediately north of subject.

Based on these qualitative factors, it is apparent that the proposed development will be a positive factor in the neighborhood.

FACTORS AFFECTING RESIDENTIAL NEIGHBORHOODS

SOCIAL INFLUENCES

Factor:	After Hillcrest Homes Development
Population characteristics and trends	Positive - Potential for increased household income
Quality and reputation of the establishments that serve the neighborhood	Positive - Potential for betterment with additional families and income
Community and neighborhood organizations	Positive - potential for new HH Homeowner's Association to add to neighborhood stability and community engagement
Absence or extent of crime and litter	Positive – New development will increase homeownership and self-policing of environs

FACTORS AFFECTING RESIDENTIAL NEIGHBORHOODS

ECONOMIC INFLUENCES

Factor:	After Hillcrest Homes Development
Economic profile of residents	Positive - Potential for increased household income
Types and terms of financing available	No change – general market will determine
Property price and rent levels	Positive - Potential for increases in value of adjacent residential neighborhood over time as Hillcrest Homes matures
Amount of development, construction, conversion and vacant land	Positive – Agreement to retain green space and wooded areas in northern portion of site – elimination of potential for full site redevelopment – placing vacant land in productive and complementary uses
Extent of owner occupancy	Positive – Hillcrest Homes will be owner-occupied.

FACTORS AFFECTING RESIDENTIAL NEIGHBORHOODS

GOVERNMENTAL INFLUENCES

Factor:	After Hillcrest Homes Development
Taxation and Special Assessments in relation to the services provided and in comparison to other neighborhoods in the community	Positive – Hillcrest Home homeowner's association will maintain private streets and common areas.
Public and private restrictions	Positive – Agreements will prevent development in northern portion of larger site
Schools	Unlikely to have a measurable impact
Quality of fire and police protection and other public services	Unlikely to have a measurable impact
Government planning and development activity	Positive – Development near Metrorail – Additional revenues to City

FACTORS AFFECTING RESIDENTIAL NEIGHBORHOODS

ENVIRONMENTAL INFLUENCES

Factor:	After Hillcrest Homes Development
Location of the neighborhood within the community	Positive – step-down buffer with high-rise apartments to southeast and maintenance of wooded areas and green space.
Transportation system and linkages	Positive - Potential for opening Southern Avenue and bypass for larger neighborhood
Services, amenities and recreational facilities	Unlikely to have a measurable impact in short term – Long term positive.
Topography, soil, climate and view	No significant impact on neighborhood.
Patterns of land use and signs of change in land use patterns	Hillcrest Homes is last major undeveloped site in immediate area available for development. Proposed development is less dense than matter-of-right. Proposed development conforms to zoning and comprehensive plan. Proposed development serves as appropriate buffer with high-rise apartments to southeast and garden apartments to west.
Age, size, style, condition and appearance of residences and neighborhood facility	Hillcrest Homes will be new, high-end, and upscale in finishes and features, consistent with typical EYA developments. Project will be complementary to the varied styles to the north. Individual lots will be smaller but overall density significantly less than permitted under M/R. Wooded and green space buffer Hillcrest Homes from existing houses.
Adequacy and quality of utilities	Unlikely to have a measurable impact

Impact Of Proposed Development On Values Of Single Family Neighborhood To The North

The issue of whether the proposed development would have a negative, positive or no impact on the surrounding neighborhood has been reviewed. In the broad analysis it is clear that the development will be positive for the neighborhood. In attempting to quantitatively determine the impact of the proposed development on the single family neighborhood located to the north, a review of larger developments in the City was undertaken. While no directly comparable situations were found, development of townhouses in single family detached neighborhoods would certainly serve as a 'worst case' check. In other words, if a townhouse development did not have a negative impact on an adjacent single family neighborhood, then subject's detached development (regardless of lot size) would not be expected to have a negative impact on the adjacent single family neighborhood. If new Townhouses had a positive impact, then it is only reasonable to expect that new detached single family developments could actually have a positive impact.

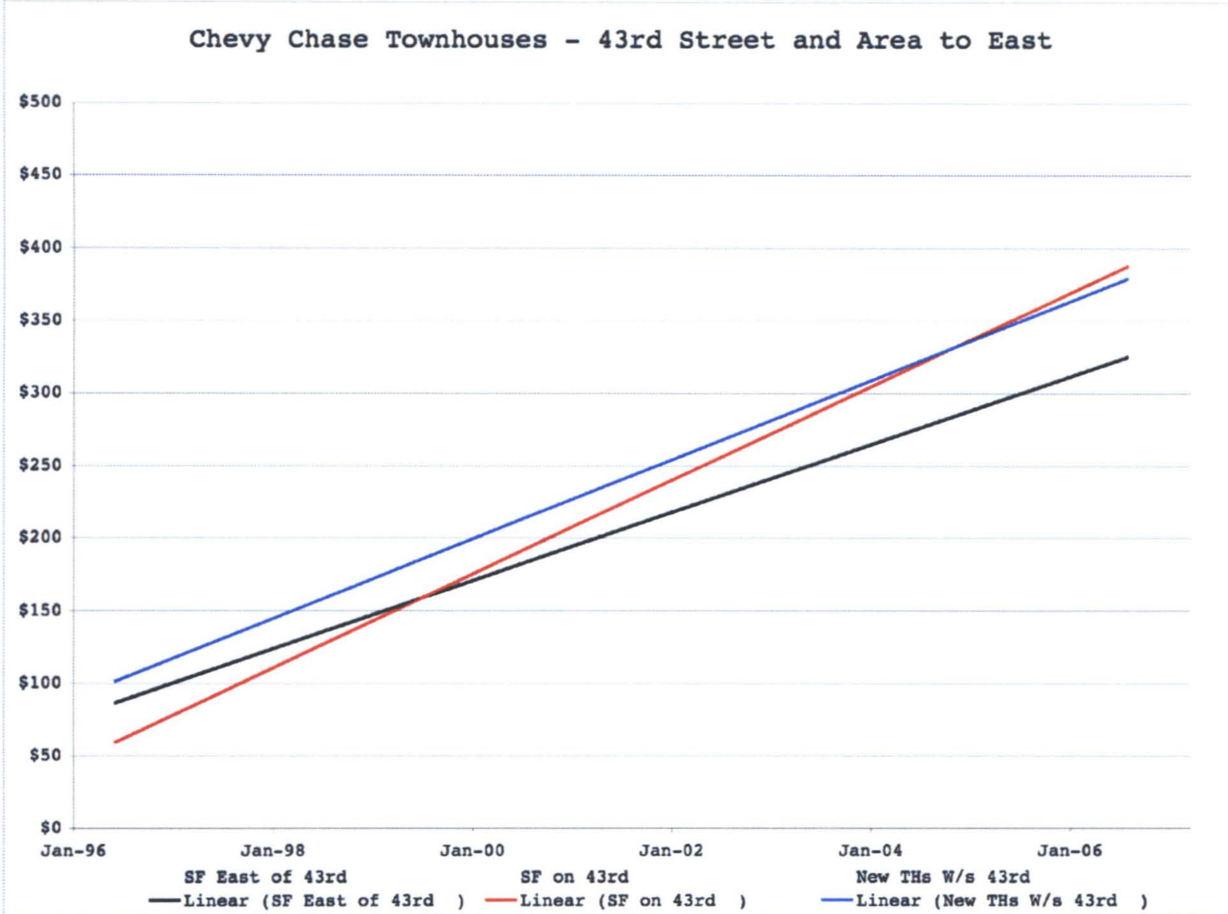
A review of developments in the City yielded one that is considered useful for the analysis. The townhouses constructed on 43rd Street, in the Chevy Chase (Friendship Heights) area of the City, contain 43 courtyard units, a sufficient number to have an impact. Subject has 54 single family detached units. The area to the immediate west of the 43rd Street townhouses is commercial. The area to the immediate southeast of subject is high-rise apartments. The area to the east of the 43rd Street townhouses is single family detached. The area to the north of subject is single family detached.

Sales from the period before the 43rd Street townhouses were constructed through 2006 were reviewed. The graph on the following pages shows the linear trend lines for the sales in the three categories:

Prices of the new townhouses (in blue);

Prices of the single family dwellings immediately east of the townhouses situated on the east side of 43rd Street (in red); and

Prices of the single family dwellings located east of 43rd Street (in black).



The data clearly indicates that the prices of the single family dwellings located on 43rd Street (the RED line above), immediately facing the new townhouses, have escalated at a HIGHER rate than the prices for the single family dwellings located east of 43rd Street (in BLACK).

Therefore, in this instance, the construction of new townhouses, which sold at prices equal to and above (on a per sq. ft. basis) the existing single family dwelling in the immediate area, had a positive impact on values.

CONCLUSION

The proposed development is likely to maintain or improve the current neighborhood stability and have a positive impact on the long term trend in prices. The addition of 54 new single family residences would be expected to have a positive impact on the values on the single family neighborhood immediately north of subject.

CERTIFICATION

I hereby certify that, to the best of my knowledge and belief:

The statements of facts contained in this report are true and correct;

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analysis, opinions, conclusions and recommendations;

I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

My engagement in this assignment was not contingent upon developing or reporting predetermined results;

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this assignment;

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice;

I inspected the subject property;

Except for information on the physical aspects of the proposed development taken from site plans, building layouts and other documents supplied by the client, no one provided significant professional assistance me;

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Disclosure of the contents of this appraisal report is governed by the by-laws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected or the MAI or SRA designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communications without the prior written consent and approval of the undersigned.

Richard R. Harps

Qualifications of Richard R. Harps, MAI, CRE

Academic: Bachelor of Arts, Economics, The American University, Washington, D.C. 1972.

American Institute of Real Estate Appraisers courses and/or examinations: IA - Basic Principles, Methods and Techniques - 1972; IB - Capitalization Theory and Techniques - 1972; II - Urban Properties - 1973; IV - Condemnation - 1973; VI - Investment Analysis - 1980; IBA - Capitalization Theory & Techniques - 1987; 2-1 Case Studies - 1991, Highest and Best Use and Market Analysis – 1993, Advance Sales Comparison and Cost Approach – 2000, Advanced Income Capitalization - 2006

Seminars presented by AIREA, AI, GWCAR, WBR, WDCAR and other organizations.

General: 1971-1983 - John R. Pinkett, Inc., Vice President of Appraisals.

1984 to Present - HARPS & HARPS, INC., President

1996 to 2004 – HARPS & SCALLAN, LLC/INC.

Qualified as Expert in: District of Columbia Zoning Commission; District of Columbia Board of Zoning Adjustment; District of Columbia Office of Tax and Revenue Board of Real Property Assessments and Appeals; District of Columbia Alcohol Beverage Control Board; Superior Court of the District of Columbia; United States District Court for the District of Columbia; United States Bankruptcy Court for the District of Columbia; Mayor's Agent for Historic Preservation-Chief Administrative Law Judge of the District of Columbia; United States Bankruptcy Court, District of Maryland; United States District Court, District of Maryland.

District of Columbia Certified General Real Property Appraiser Certificate #10003.

Maryland Certified General Real Property Appraiser Certificate #10177

Virginia Certified General Real Estate Appraiser Certificate #003181

Appraisal/Consulting Experience: Assignments since 1971 include: houses, stores, shopping centers, office buildings, apartment buildings, hotels, unimproved land, air rights, special purpose properties; full and partial takings from office buildings, power plants, stores, houses, railroad rights-of-way, and apartment buildings; condominium conversion, relocation assistance studies, planned unit development analyses, lease analyses, fair rental studies, urban renewal re-use parcels, planned unit development and zoning studies, and assessment consulting, valuation and equalization studies.

Partial Client List: , United State National Park Service, Washington Metropolitan Area Transit Authority, U.S. General Services Administration, U.S. Dept. of Justice, District of Columbia Department of Housing and Community Development, District of Columbia National Capital Revitalization Corporation, Potomac Electric Power Company, Washington Gas Light Company, Verizon, Howard University, International Monetary Fund, International Bank for Reconstruction and Development (World Bank), attorneys, financial institutions, developers and individuals.

Organizations

Appraisal Institute, successor to American Institute of Real Estate Appraisers, MAI designation - Voluntary re-certification through December 31, 2012
Minority Relations Subcommittee, 1980-1981, Vice Chairman 1981; National Education Committee, 1983-1984; Division of Courses, 1985; Division of Curriculum, 1981-1982; Board of Examiners - Examinations 1987-1989; and General Comprehensive Examination Subcommittee/General Comprehensive Examination Panel 1983-2008, Chairman 1987-1989

Washington Metropolitan Area Chapter Appraisal Institute (formed January 1991 by merger of Wash Metro Chapter # 18 AIREA and Wash Metro Chapter of SREA): President-1994

Counselors of Real Estate - CRE designation

District of Columbia Building Industry Association

Washington D.C. Association of REALTORS®: New Development/Zoning Committee 1975-90, Chrm 1981-82; Board of Directors, 1981 to 1986, 1990-1994, 1998; President, 1985

Real Estate Education Foundation (WDCAR) - President 1989

Lambda Alpha International – International Land Economics Fraternity, Treasurer George Washington Chapter 2008

Real Estate Counseling Group of America – President 2005-2007

National Association of REALTORS®: Board of Directors 1985-1987, 1992; Executive Committee 1986-1987; REALTORS® Legislative Committee: 1989 Chairman Housing Subcommittee, 1990 Chairman Federal Tax Subcommittee, 1991 Vice Chairman RLC, 1992 Chairman RLC; Real Estate Finance Committee 1989-92; State and Municipal Legislative Committee 1990; Building Advisory Committee/Real Property Operations Committee 1988, 1990-1993, 2004, 2007-2008; RPAC Trustee 1989, 1992; Real Estate Lending Working Group Chairman 1991; Public Policy Oversight Group 1993

Greater Washington Board of Trade - Board of Directors, 1985