



THORNE CONSULTANTS, INC.
REAL ESTATE COUNSELING

ZONING COMMISSION
District of Columbia

CASE NO. 0251A

EXHIBIT NO. 35

ZONING COMMISSION
District of Columbia
CASE NO. 02-51A
EXHIBIT NO. 35

**A COMPLETE APPRAISAL
IN THE SELF-CONTAINED NARRATIVE FORMAT**

**VACANT LAND PARCEL
OF 15,394 SQUARE FEET**

**Lot 82 in Square 182
1616 Rhode Island Avenue, N.W.
Washington, D.C.**

DC Zoning Commission Case No. 02-51A

RECEIVED
D.C. OFFICE OF ZONING
2005 NOV 25 AM 11:39

REPORT DATE:

November 11, 2005

VALUE OPINION DATE:

October 28, 2005

PREPARED FOR:

Mr. Darren Bowie
Chair, Advisory Neighborhood Commission 2B
1529 Q Street, N.W., #4
Washington, D.C. 20009

PREPARED BY:

THORNE CONSULTANTS, INC.
10605 Concord Street, Suite 420
Kensington, Maryland 20895
TEL: (301) 231-4700 FAX: (301) 231-4704
thorneconsultants@eurekaimail.net

THORNE CONSULTANTS, INC.

REAL ESTATE COUNSELING

November 11, 2005

Mr. Darren Bowie
Chair, Advisory Neighborhood Commission 2B
1529 Q Street, N.W., #4
Washington, D.C. 20009

Re: 1616 Rhode Island Avenue, N.W.
Washington, D.C.
Square 182, Lot 82
Land Area: 15,394 Square Feet
Zoning Commission Case No.: 02-51A

Mr. Bowie:

The attached appraisal report is prepared for use by our client, Advisory Neighborhood Commission (ANC) 2B, and its attorney, Stephen N. Gell. The purpose of the report is to estimate the market value of the fee simple interest in the subject property, Square 182, Lot 82, under office and hotel development scenarios. This letter of transmittal is an integral part of the attached Complete Appraisal Report and its addenda presented in the Self-Contained Narrative Format. The report is to be read, understood and used only in its entirety.

The appraisal report and its addenda are intended only for use by our client and its attorney in negotiations concerning the subject real estate. Our client recognizes that the signatories to the report and Thorne Consultants, Inc. are unbiased third parties with no role in any past or present decisions regarding the acquisition, development, leasing, operation or disposition of the subject. This report is invalid if used for any purposes other than those represented to us by our client. Moreover, the report may not be relied on for any purpose by any person or firm other than our client, including any existing or potential borrower, without the express written consent of the signatories. Thorne Consultants, Inc. and the signatories to this report assume no obligation, liability, or accountability to any user or reader of this document other than the client to whom our report is addressed.

The date of our report is November 11, 2005, and the site was inspected on October 28, 2005. The description of the property is based on information provided by our client, information available on public record, and general observations made during our inspection of the subject.

The attached report identifies the subject property, the rights and values appraised; addresses pertinent facts regarding the area, subject and comparable data; summarizes our investigation, analyses and opinions; and sets forth our assumptions and limiting conditions. The scope of our work is detailed at the outset of the report; the sources of information and the basis for the estimates and assumptions are stated throughout the report; and the addenda includes supporting documents and our qualifications.

Based upon our recent inspection of the property and the investigation and analysis undertaken, and given a range of possible values, subject to the stated assumptions and limiting conditions, it is our opinion that the estimated market value of the fee simple interest in the subject property, if developed as an office building, as of October 28, 2005, is:

TWELVE MILLION EIGHT HUNDRED THOUSAND DOLLARS
(\$12,800,000)

We are of the opinion that the estimated market value of the fee simple interest in the subject property, if developed as a hotel, as of October 28, 2005, is:

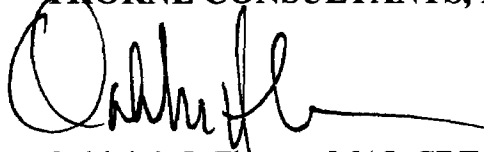
SEVEN MILLION NINE HUNDRED THOUSAND DOLLARS
(\$7,900,000)

This report has been made with the following specific assumption:

The subject site was zoned SP-2 prior to approval of the PUD designation for Lots 82 and 83 in Square 182. SP-2 zoned parcels are found adjacent to both the eastern and western boundaries of the subject parcel. Lot 82 currently is zoned C-4 by a covenant in the original PUD. The original permitted FAR for the combined Lots 82 and 83 under the PUD concept was 8.5. The 1998 PUD modification changed the FAR of the entire site to 8.2. This figure was then allocated as 7.9 FAR for the subject site (121,613 square feet) and 8.5 FAR for the adjacent site (Lot 83, which is presently owned by The Regents of the University of California) to the east of the appraised parcel.

We appreciate this opportunity to be of service to ANC 2B in this matter and look forward to assisting with your future real estate needs.

Respectfully submitted,
THORNE CONSULTANTS, INC.



Oakleigh J. Thorne, MAI, CRE
Certified General Appraiser
District of Columbia #10140

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	
Summary of Salient Facts and Conclusions	1
Purpose, Scope and Use of the Appraisal	2
Definitions of Value and Property Rights Appraised	3
Certification of Value	6
Assumptions and Limiting Conditions	7
II. FACTUAL DESCRIPTIONS	
Summary of the Appraisal Problem	9
Identification of the Property	9
Sales History and Ownership	9
Valuation Strategy	10
Regional Description	10
General Economic Conditions	14
Washington Metropolitan and Downtown Office Market	15
Washington Metropolitan and Downtown Hotel Market	18
Neighborhood Description	20
Zoning and Development Restrictions	23
Tax and Assessment Data	25
Description of the Site and the FAR Calculation	26
III. ANALYSIS AND CONCLUSIONS	
Highest and Best Use	27
Valuation Methodology	27
Office Land Sales Comparison Approach	28
Office Land Sales Comparison Approach Reconciliation and Final Value Estimate	35
Exposure Time	35
Hotel Land Sales Comparison Approach	36
Hotel Land Sales Comparison Approach Reconciliation and Final Value Estimate	42
Exposure Time	42
IV. ADDENDA	<u>Exhibit</u>
Zoning Commission Orders	A
Subject Photographs	B
Office Land Sale Plats	C
Hotel Land Sale Plats	D
Tax Plat	E
Qualifications	F

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

PROPERTY TYPE: The subject consists of a vacant commercially zoned land parcel encumbered by an existing PUD agreement.

PRESENT USE: An asphalt-covered surface parking lot

LOCATION: 1616 Rhode Island Avenue, N.W., in Washington, D.C.

MAP IDENTIFIER: Square 182, Lot 82

LAND AREA: 15,394 surface square feet

ZONING: DC/C-4 (FAR is 8.5; maximum lot coverage is 100%; maximum height is 110 feet)

MAXIMUM FAR: 121,613 square feet (based on an FAR of 7.9 resulting from 1998 PUD modification)

PROPOSED FAR: 130,870 square feet (based on an FAR of 8.5; refer to the "Zoning and Development Restrictions" section)

PROPERTY RIGHTS APPRAISED: Fee simple interest

APPRAISAL DATE: October 28, 2005

REPORT DATE: November 11, 2005

OWNER OF RECORD: Rhode Island Associates Limited Partnership (Charles E. Smith and Dominic Antonelli Jr., Trustees)

HIGHEST AND BEST USE:
AS IF VACANT: Develop with an office building

SUMMARY OF VALUE OPINIONS:

**ESTIMATED VALUE, IF DEVELOPED
AS AN OFFICE BUILDING \$12,800,000**

**ESTIMATED VALUE, IF DEVELOPED
AS A HOTEL \$7,900,000**

PURPOSE, SCOPE AND USE OF THE APPRAISAL

PURPOSE

The purpose of this complete appraisal is to provide our competent, disinterested and unbiased opinion of the market value of the fee simple estate in the property known as Square 182, Lot 82 (1616 Rhode Island Avenue, N.W.) in Washington, D.C., a vacant land parcel.

Our client recognizes that the signatories to the report are unbiased third parties with no role in any past, present or future decisions regarding the acquisition, development, operation or disposition of the subject. This report is invalid if used for any purposes other than those represented to us by our client. Further, this report may not be relied on for any purpose by any person or firm other than our client without the express written consent of the appraisers. The signatories to this report assume no obligation, liability, or accountability to any third party.

This appraisal report is incomplete and cannot be relied upon without the accompanying letter of transmittal.

SCOPE

The scope of the appraisal includes a number of independent investigations and analyses. Some of the more important data sources used in our analysis are listed below.

Ownership Information - Information relating to ownership of the real estate was obtained from public records as well as from conversations with Stephen N. Gell.

Document Reviews - We obtained copies of transcripts from the Board of Zoning Adjustment's hearings concerning the PUD Modification application (dated 5/9/05 and 9/29/05), as well as a copy of the pre-hearing submission (dated 6/21/05). Complete copies of all related documents and descriptions remain in our files.

Market Area Description - We examined various secondary data sources such as 1990 and 2000 Census data, county-sponsored economic and demographic reports, CoStar Group, Inc.'s database (office space inventory and trends), Ernst & Young's 2005 National Lodging Report (hotel market), and national trade journals and newspapers.

Site Description - The site was inspected by Oakleigh J. Thorne on October 28, 2005, when photographs were taken.

Valuation Methodologies - There are three commonly accepted approaches used to appraise real property. Our valuation was based on the use of land sale analogues derived from the sales comparison approach to support the estimated land value. A more detailed discussion of the appraisal methodology is found in a later section of the report.

Work Performed - The work performed for this assignment included a site inspection, interviews with representatives of Advisory Neighborhood Commission (ANC) 2B, review of documents relating to the PUD Modification, and retrieval of land sales for office and hotel development.

USE

It is our understanding that the intended use of this report is to provide members of ANC 2B and its attorney (Stephen N. Gell) with information about the current market value of the subject land under two development alternatives. To that end, this report has been directed to and prepared exclusively for ANC 2B.

This report may not be relied on for any other purpose or by any other person or firm other than our client. Further, Thorne Consultants, Inc., and the signatories to this report assume no responsibility or liability to any user of this document other than the entities to whom the report is addressed. The parties recognize that the signatories to this report and Thorne Consultants, Inc., have had no role in any past or present decisions regarding the acquisition, development, operation or disposition of the subject property.

DEFINITIONS OF VALUE AND PROPERTY RIGHTS APPRAISED

This appraisal is based on the following definitions relating to market value:

"MARKET VALUE" means "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 acting in what they consider their own best interests; (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."¹

The market value estimate reflects the most probable price in terms of financial arrangements equivalent to cash (i.e., market rate, conventional financing).

"VALUE AS IS" means "the value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning."²

"HIGHEST AND BEST USE" means "the highest and most profitable use for which the property is adaptable and needed or likely to be needed in the near future."³

¹ Government Printing Office, Federal Register, Vol. 55, No. 165, Rules and Regulations (Washington: Government Printing Office, 1990), 34696.

² Appraisal Institute, The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 306.

³ Ibid, 34.

"FEE SIMPLE ESTATE" is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."⁴ Fee simple estate is sometimes referred to as "fee simple interest" or "fee simple."

"FLOOR AREA RATIO (FAR)" means "the relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area."⁵

"GROSS BUILDING AREA" (GBA) is defined as "the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded."⁶

"HOTEL GUESTROOMS" include a variety of terms which may cause a misunderstanding of the actual number of rentable guestrooms in a hotel. For clarification, the following vocabulary is used:⁷

"Room" is an individual space, whether separately rentable or not, and is often used generally by the public. **"Key"** is a separate, rentable unit. The hotel industry thinks in terms of keys, which represent the total number of individual guestroom units available to rent.

"MARKET AREA" means "the geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users."⁸

"SALES COMPARISON APPROACH" is "a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available."⁹

⁴ Ibid, 113.

⁵ Ibid, 117.

⁶ Ibid, 131.

⁷ Walter A. Rutes and Richard H. Penner, Hotel Planning and Design, (New York: Watson-Guptill Publications, 1985), 166-167.

⁸ Appraisal Institute, Dictionary, 174-175.

⁹ Ibid, 255.

"INCOME CAPITALIZATION APPROACH" is "a set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate."¹⁰

"COST APPROACH" is "a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised."¹¹

"EXPOSURE TIME" is "the time a property remains on the market; the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions."¹²

"COMPLETE APPRAISAL" is "the act or process of developing an opinion of value or an opinion of value developed without invoking the Departure Rule."¹³

"SELF-CONTAINED APPRAISAL REPORT" is a written report prepared under Standards Rule 2-2(a) of USPAP. The Self-Contained Appraisal Report should contain all information significant to the solution of the appraisal problem. "Describe" is the distinguishing term related to the Self-Contained Appraisal Report. Standards Rule 2-2(a)(vii) requires a description of sufficient information to disclose the scope of work used to develop the appraisal to the client and any intended users of the appraisal. The reader of the Self-Contained Appraisal Report should expect to find all significant data reported in comprehensive detail.¹⁴

¹⁰ Ibid, 143.

¹¹ Ibid, 67.

¹² Ibid, 105.

¹³ The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice, 2005 Edition (Washington, D.C.: The Appraisal Foundation, 2005), 1.

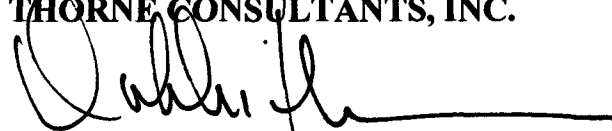
¹⁴ Ibid, 23-25, 149-150, 152.

CERTIFICATION OF VALUE

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

- the statements of fact 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 analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have 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.
- the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- 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 appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- I have the knowledge and experience necessary to complete the assignment competently.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant professional assistance to the person signing this report.
- 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, Oakleigh J. Thorne, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.
- I, Oakleigh J. Thorne, MAI, currently hold appropriate state certifications allowing the performance of real estate appraisals in connection with federally related transactions in the state in which the subject property is located.
- based upon our recent inspection of the property and the investigation and analysis undertaken, and given a range of possible values, subject to the stated assumptions and limiting conditions, it is our opinion that the estimated market value of the fee simple interest in the subject property, Lot 82, as of October 28, 2005, if developed as an office building, is \$12,800,000, and if developed as a hotel is \$7,900,000.

Certified by,
THORNE CONSULTANTS, INC.



Oakleigh J. Thorne, MAI, CRE
District of Columbia Certified General Appraiser #10140

ASSUMPTIONS AND LIMITING CONDITIONS

This report has been made with the following specific assumption:

The subject site was zoned SP-2 prior to approval of the PUD designation for Lots 82 and 83 in Square 182. SP-2 zoned parcels are found adjacent to both the eastern and western boundaries of the subject parcel. Lot 82 currently is zoned C-4 by a covenant in the original PUD. The original permitted FAR for the combined Lots 82 and 83 under the PUD concept was 8.5. The 1998 PUD modification changed the FAR of the entire site to 8.2. This figure was then allocated as 7.9 FAR for the subject site (121,613 square feet) and 8.5 FAR for the adjacent site (Lot 83, which is presently owned by The Regents of the University of California) to the east of the appraised parcel.

This report has also been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable. We further assume that the subject is not encumbered by the existence of marked or unmarked cemeteries and/or historic resources which would hinder any development process.
2. The property is appraised free and clear of any or all liens or encumbrances.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable and was verified wherever possible. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. Maps, plat and illustrative material in this report are included only to assist the reader in visualizing the property. The appraisal team has made no survey of the property and assumes that the existing boundaries are correct and that no encroachments exist. The appraisers assume no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the valuation, excepting those items specifically mentioned in the report.
6. It is assumed that there are no hidden or unapparent conditions of the property or subsoil (including, but not limited to, any product or substance banned, controlled or classified as a hazard by any federal, state or local agency or board, inclusive of underground storage tanks or any chemical contamination of the soil) that render them more or less valuable, other than as noted herein. No responsibility is assumed for such conditions or for arranging engineering studies that may be required to discover them. Members of the appraisal team are not experts on soil conditions or engineering issues, and our efforts are limited to visual inspection. We suggest our client seek appropriate professional engineering counsel on all matters pertaining to soil structure and engineering. This report is not to be relied on as an opinion of the conditions of the property or soils, nor should any such representation be made.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, and all easements are enforceable and have been complied with, unless a nonconformity has been stated, defined and considered in the report. Members of our firm are not experts on zoning or easement issues, and our efforts are limited to reporting what we perceive as pertinent existing land use regulations and easements. We advise our client to seek appropriate legal counsel on all matters pertaining to the status

of easement agreements and the compliance of any existing or proposed uses of the subject property with applicable zoning codes. This report is not to be relied on as an opinion of compliance with zoning restrictions or as an opinion regarding the validity of easement agreements nor should any such representation be made.

9. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
10. Members of our firm are not qualified to test for hazardous substances or conditions. If the presence of hazardous substances or environmental conditions affects the value of the property, the value estimated is predicated on the assumption that there are no conditions on or in the property or in such proximity thereto that they would cause a loss in value (other than as noted in the report). No responsibility is assumed for any such conditions nor for any expertise or engineering knowledge required to discover them.
11. The conclusions expressed in our appraisal report apply only as of the stated date of appraisal, and we assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions stated herein.
12. By reason of the assignment, we are not required to give consultation or testimony, or attend court or any other hearing, with reference to the property unless written contractual arrangements have been previously made relative to such additional employment.
13. Disclosure of the contents of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
14. Neither all nor any part of this report nor copy thereof shall be used for any purposes by anyone other than the client to whom the report is addressed, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, or any other means of communication (including, without limitation, prospectuses, private offering memoranda, and other offering material provided to prospective investors), particularly as to value conclusions, the identity of the appraisers or their firms, or any reference to the MAI affiliation. The signatories to this report assume no obligation, liability or accountability to any user of this document other than the client to whom the report is addressed.
15. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, if any exist.
16. The principal business activity of Thorne Consultants, Inc. is the valuation of real estate, including the analysis of real estate markets, operating statements, investor criteria, property sales, and cost data. Our reports are prepared so that readers who consider our opinions can evaluate them in terms of the available data and its applications, the methodologies of analyses employed, and our judgments and conclusions. The reader is advised to reach an independent conclusion regarding all facts, recognizing that the appraisal team does not possess expertise regarding certain issues. Appropriate experts should be consulted with respect to matters involving specialized knowledge and/or skills including, but not limited to, zoning, engineering and survey issues, and hazardous materials contamination.
17. The values reported here are valid estimates only under the valuation circumstances described, and the dollar amount of any value opinion rendered was based on the purchasing power of the U.S. dollar and normal financing rates, terms and charges as of the appraisal date. Further, the final estimate of the value is not guaranteed, and no warranty is implied or intended. If the subject property becomes distressed or is auctioned or market conditions change or the property cannot be held until the market for the property returns, then the value estimates reported herein are invalid.

SUMMARY OF THE APPRAISAL PROBLEM

The scope of work for this assignment included analysis of both office and hotel development on Lot 82. For decades, the land was occupied by a hotel which was demolished in the late 1980s. In 1989, a Planned Unit Development (PUD) (No. 638) was approved for the site. The PUD called for development of a single mixed-use residential/office/retail building with an approved FAR of 8.5. In 1998, a PUD Modification (No. 638-F) was granted that permitted subdivision of the site into two lots with two buildings and a combined FAR of 8.2. A residential/academic facility was approved for the eastern half of the parcel (Lot 83), and a hotel was approved for the western portion (Lot 82).

At the time of modification, the FAR assigned to the two sites was reallocated as follows: 8.5 for the residential site and 7.9 for the hotel site. Subsequently, the University of California completed its mixed-use residential/classroom/office building (100,000 square feet of which is residential). After many years of attempting and failing to sell the site to a hotel operator, the owner of Lot 82 is currently seeking to modify the PUD to permit office development. Local Advisory Neighborhood Commission (ANC) 2B, which has significant influence in the PUD process, is interested in determining the difference in land values under the two development scenarios.

Land sales for office and hotel development were culled from our database and used as analogues to estimate value under the subject's assumed C-4 zoning.

IDENTIFICATION OF THE PROPERTY

Lot 82 is an irregular rectangular tract with frontage along the south side of Rhode Island Avenue. The eastern side is bounded by Lot 83 (the other part of the PUD), which is occupied by the University of California's 176,000-square-foot residential/academic building (100,000 square feet of which is residential, as stated above). The site is bordered on the south by a wide alley beyond which is 1615 M Street (office building) and is bordered on the west by an alley bordering the Human Rights Campaign office building. All public utilities serve the parcel. The parcel, in its entirety, is identified by the District's Office of Tax and Revenue as Lot 82 in Square 182.

SALES HISTORY AND OWNERSHIP

Lot 82 in Square 182 has been owned by Rhode Island Associates Limited Partnership for more than ten years preceding the date of this appraisal.

Title to the property is assumed to be marketable unless otherwise stated. The signatories and Thorne Consultants, Inc. were not engaged to conduct a title search. Our review of the subject's history is not intended as an opinion of title, nor should a representation of such be made. The subject's legal description is based on information from the public record, and no responsibility is assumed for the legal description or for matters including legal or title considerations. We further assume that the subject is not encumbered by the existence of marked or unmarked cemeteries and/or historic resources which would hinder any development process.

VALUATION STRATEGY

Due to the assignment's complexity, we elected to outline our valuation methodologies.

1. We understand that Lot 82 is zoned C-4 per a covenant in the original PUD. The site had been zoned SP-2 prior to approval of the PUD, and adjacent sites to the east and west of the subject are still zoned SP-2. The original FAR for the entire PUD was 8.5; however, the 1998 PUD modification changed the FAR to 8.2 (3.05 residential and 5.15 office). The new FAR was allocated as 7.9 for the subject site (Lot 82) and 8.5 for the adjacent site (Lot 83).
2. We used all available transactions relating to office and hotel sales to establish a vacant land value. The District has only a limited number of vacant sites zoned C-4, which are in high demand.

REGIONAL DESCRIPTION

The subject property is located in the District of Columbia ("Washington, D.C.") which serves as the nation's capital city and is the core of the Washington-Baltimore Consolidated Metropolitan Statistical Area ("CMSA"). The presence of the executive, legislative and judicial branches of the federal government attracts permanent and transient employment, worldwide, as evidenced by the significant concentrations of embassies, trade associations and lobbyists, professional service firms, and wholesale and retail trade companies. The region's historical sites, changing exhibits, sports venues and meeting facilities also generate significant domestic and overseas tourism.

The economic vitality of the region encompassing the property is an important consideration in estimating future demand and income potential. This regional description includes information about access and modes of transportation, population, households and commercial office space trends.

TRANSPORTATION

Washington, D.C.'s transportation system compares favorably to other major U.S. cities. The region is served by three major airports and several military and commuter airstrips, the Amtrak Rail system, the local mass transit rail and bus systems, the Potomac River, and a network of interstate highways and regional road systems for bus, personal automobile and other ground transportation. All three airports and the other modes of transportation serve arriving commercial, group and leisure travelers who use Washington hotels.

Airline Service

The three main airports, Washington Dulles International, Ronald Reagan National, and Baltimore-Washington International, collectively feature regular air service to destinations throughout the United States and to major international destinations such as London, Paris, Frankfurt, Tokyo and Hong Kong.

Interstate and Road Network

Pierre L'Enfant's original plan for Washington, D.C., established a system of avenues which now radiate from the downtown area and serve as major arteries to outlying areas, overlaid with a street grid which provides access within neighborhoods. The development of the interstate highway system in the 1950s and 1960s augmented L'Enfant's plan, shortening travel time within the region and accelerating suburban development.

Several major highways provide accessibility in the region. Interstate 95 runs north/south through Prince George's County and joins Interstate 495 in Fairfax County, Virginia, to the south and Montgomery County, Maryland, to the north to form the Capital Beltway. Completed in 1964, the Beltway encircles the District of Columbia, providing the primary route for commuting and pass-through traffic. Downtown D.C. is accessible from the Beltway via three major interstates and several U.S. and state highways. Interstate 395 provides access to the District from the south, entering the District at 14th Street, S.W. Interstate 295 connects I-95 and Prince George's County, Maryland, to the east with the District near 14th Street and Maine Avenue, S.W. Interstate 66 connects I-495 and the western portion of Northern Virginia with the District near Rosslyn and Georgetown. Major north/south highways include U.S. 1 and MD Routes 185, 355, and 214. Major east/west highways include U.S. 29, U.S. 50, and MD Routes 4 and 5.

Rail, Bus and Other Transit

Growth of Washington as a government and commercial center has been aided by the construction of the Metrorail subway system. Initially opened in 1976, Metro links downtown Washington to suburban areas. Metrorail, the Metrobus system and other local carriers which serve communities surrounding Metrorail stations transport over one million business travelers, visitors and commuters daily.

Metrorail features a color-coded rail line system which currently networks 85 stations. Washington, D.C., is the focal point for Metro with several route transfer stations such as Metro Center, Gallery Place and L'Enfant Plaza. The five rail lines of service are the Blue, Orange, Red, Yellow, and Green Lines. The Blue Line runs west from Addison Road in suburban Maryland through the District, turning south over Key Bridge in Arlington, and terminating at Springfield, Virginia. The Orange Line begins at New Carrollton, Maryland, and extends west through the city to Vienna, Virginia. The Red Line forms an irregular U-shape beginning at Shady Grove in Montgomery County, looping through downtown and terminating at Glenmont, south of Olney, Maryland. The Yellow Line begins at Mt. Vernon/UDC in downtown and runs south past Reagan National Airport to the Huntington Station. The Green Line originates near I-95 in suburban Maryland at Greenbelt and extends through central D.C. to Anacostia.

The District of Columbia is also well served by regional ground transportation systems. Long distance bus service is provided by Greyhound from a terminal north of Union Station. Commuter passenger rail service to New York and other northeast U.S. cities is provided by Amtrak from Union Station, with more limited service to other parts of the country. Travelers can transfer from Amtrak to the city's Metrorail within Union Station. Rail freight service is provided by CSX, Conrail, and Norfolk-Southern.

DEMOGRAPHIC TRENDS AND FORECASTS

Area jurisdictions prepare household trends and forecasts based on housing surveys and building permits by planning area. Population is counted every decade by census with interim estimates developed by surveys which use average household sizes for new housing units.

The Washington, D.C. MSA remains one of the fastest growing regions in the country with the number of households up $\pm 202,300$, or 13.9%, from 1990 to 2000. Population growth increased $\pm 519,100$ persons, or 13.2%, for the same ten-year period. The region's 1.25% compounded annual growth rate in population exceeded the 1.03% growth rate for the U.S. during the same period. Planners from the Washington Council of Governments indicate that the D.C. MSA is a strong employment center which attracts new young residents who then remain in the area due to the higher salary and wage rates, school quality and cultural opportunities. The Council projects continued growth for the D.C. MSA through 2010.

HOUSEHOLD TRENDS AND PROJECTIONS, 1990-2010 NUMBER OF HOUSEHOLDS, DISTRICT OF COLUMBIA AND WASHINGTON, D.C. MSA					
	1990	1995	2000	2005	2010
District of Columbia	249,600	232,100	219,300	221,800	234,000
Avg. Annual Change	--	-17,500	-12,800	2,500	12,200
Compounded Annual Percent Change ¹	--	-1.44%	-1.13%	0.23%	1.08%
Washington, D.C. MSA	1,459,300	1,559,800	1,661,600	1,778,300	1,904,200
Avg. Annual Change	--	20,100	20,360	23,340	25,180
Avg. Annual Percent Change ¹	--	1.34%	1.27%	1.37%	1.38%
	2.69	2.64	2.67	2.66	2.64
¹ Calculated using previous column as base year. Source: Metropolitan Washington Council of Governments.					

Although the District of Columbia's total population decreased during the 1990s, modest population growth occurred over the last few years, particularly in the city's CBD and northwest sectors. Planners see a residential renaissance occurring as the city's management has improved delivery of resident services and public schools are being renovated and well managed.

The District of Columbia experienced compound annual household loss of -1.44% between 1990 and 1995 and -1.13% between 1995 and 2000. These growth rates were almost two points lower than the overall D.C. area in the 1990s. The trend is forecasted to change over the next decade as the D.C. government improves services. Household growth is forecasted at a compound annual rate of 0.23% between 2000 and 2005, and a rate of 1.08% is forecasted between 2005 and 2010.

Residential development opportunities are expected to increase between 2000-2010 as the D.C. government encourages demolition and redevelopment of older buildings and renovation of residential rowhouses. The following table presents population trends and forecasts for the District of Columbia compared to the Washington, D.C. MSA.

POPULATION TRENDS AND PROJECTIONS, 1990-2010 DISTRICT OF COLUMBIA AND WASHINGTON, D.C. MSA					
	1990	1995	2000	2005	2010
District of Columbia	606,500	554,300	523,300	528,800	560,300
Avg. Annual Change	--	-52,200	-31,000	5,500	31,500
Compounded Annual Percent Change ¹	--	-1.78%	-1.14%	0.21%	1.16%
Washington, D.C. MSA	3,923,600	4,116,700	4,442,700	4,736,300	5,019,300
Avg. Annual Change	--	38,620	65,200	58,720	56,600
Avg. Annual Percent Change ¹	--	0.97%	1.54%	1.29%	1.17%
¹ Calculated using previous column as base year. Source: Metropolitan Washington Council of Governments.					

Changes in the number of households result from population gains and losses, and D.C. experienced compound annual population loss of -1.78% between 1990 and 1995 and -1.14% between 1995 and 2000. These rates were almost three points below the growth rates of the Washington, D.C. MSA during the same period. Residents left the city in the early 1990s due to the deterioration of government and school services; these residents moved to the suburbs in search of new employment opportunities and lower living costs. As with household growth, the population trend is forecasted to revert to a positive increase between 2000 and 2010 as services in the city continue to improve.

OFFICE MARKET AREAS

The downtown office market has five commonly defined submarkets as follows (CoStar defines its Downtown submarket as the CBD, the East End and the West End):

Capitol Hill/Southwest This area is characterized by several government agencies and government facilities as well as some upscale and average residential development. The area is well established and has experienced moderate development activity over the last five years. The most significant new improvements to the area were the restoration and redevelopment of Union Station as a train station and shopping mall and the opening of the U.S. Holocaust Memorial Museum in Southwest D.C. Future development in the area is likely to occur in the vicinity of Union Station, along the Potomac and Anacostia Rivers south of the Capitol Building, at the Portals near 12th Street and Maine Avenue, and along downtown's Washington Waterfront. This sector's general boundaries are M Street to the north; 4th Street, N.W., Constitution Avenue and 15th Street to the west; the Potomac River to the south; and 3rd Street, N.E., to the east.

although it remains 1.2 million jobs short of its prior peak in March 2001. About one-third of the jobs recently created are in the office-using sectors of information, financial activities, and professional and business services. The strong labor market is fueling rising interest rates, including the benchmark rates used in real estate mortgages.

Interest rates are rising in response to an expanding economy, which increases demand for office space. As demand increases, vacancies will eventually decline and rental rates will rise, boosting net operating income for landlords. The fear, however, is that leasing market fundamentals such as vacancy and rental rates, which tend to change slowly, may not improve quickly enough to defend the high prices and low cap rates from erosion as interest rates rise.

Although still tentative, improving leasing market conditions are cause for optimism, while rising interest rates, still in the early stages of their escalation, are a cause for pessimism. At the present time, demand side appears to be exerting a stronger influence on investor's reaction to the higher costs of funds. Buyers appear to be anticipating the recovery in leasing markets even though solid proof of it may lag. Consequently, cap rates have continued to decline, while investment volumes have soared this year.

A recent survey of 83 Grubb & Ellis office investment brokers found:

- ☐ About 40% think that the improved leasing market is prompting buyers to be more aggressive in their bidding.
- ☐ About 22.5% believe that rising interest rates are making buyers more conservative.
- ☐ The remainder suggest that buyers are neither more aggressive nor conservative.
- ☐ Buyers are largely remaining rational, and chances of a pricing "bubble" are remote. Even if one existed, it would be unlikely to burst anytime soon.
- ☐ The first 50 to 100 basis-point increase in long-term interest rates may exert little or no influence on cap rates.
- ☐ A continued rise in interest rates will exert a graded influence ranging from little or no impact on prices for institutional-grade Class A properties to a more pronounced impact on Class B and C properties in secondary markets.
- ☐ Pricing differences will widen between markets to the benefit of those cities that post consistently strong leasing trends. In secondary and tertiary markets that are slow to recover, prices may actually decline.

WASHINGTON METROPOLITAN AND DOWNTOWN OFFICE MARKET

The Washington office market continues to be one of the nation's most difficult markets for tenants. In the third quarter 2005, availability rates decreased moderately, down 1.5 percentage points from 11.0% in third quarter 2004 to 9.5%. D.C.'s availability rate continues to be among the lowest in the country. Asking rental rates increased as demand for large blocks

of quality space continued. Overall rental rates increased \$1.25 to \$30.61 per foot, while Class A rental rates jumped even more sharply, up \$1.54 to \$33.01 per foot. The increase in the Class A rental rate can be attributed to the delivery of several speculative buildings in the East End, Capitol Hill and CBD submarkets and in Arlington, which are commanding higher prices for large blocks of contiguous space. Market-wide, there are 107 buildings currently under construction, totaling 13.6 million square feet of which 6.5 million square feet, or 48.1%, are pre-leased.

While overall availability rates fell slightly in Downtown submarkets (CBD, East End and West End), there was an even greater drop in suburban submarkets, nearly 2%. Suburban leasing activity was highlighted by the U.S. Department of Agriculture's 337,500-square-foot lease at Riverside in College Park and NIH's 479,000-square-foot lease at One/Two Rockledge Centre in North Bethesda. Both of these leases were renewals. These transactions, in addition to several smaller ones, decreased the suburban Class A availability rate from 13.4% to 10.2%. The Class B availability rate also changed significantly, with availability decreasing by 1.5 percentage points to 10.2%, due primarily to expansions.

The Washington, D.C. sales market continues to soar. The District currently has the highest sales price per foot of any market in the country, including Manhattan, with sales prices for trophy properties surpassing \$600 per foot.

COMPARISON OF DOWNTOWN SUBMARKETS AND METROPOLITAN OFFICE STATISTICS 2000-THIRD QUARTER 2005						
Year	Downtown Submarkets			Metropolitan Washington		
	Absorption	Rental Rate	Vacancy Rate	Absorption	Rental Rate	Vacancy Rate
2000	NA	\$37.97	5.6%	8,904,822	\$30.49	6.2%
2001	548,000	\$39.86	7.7%	-2,670,133	\$29.65	10.8%
2002	-23,000	\$40.30	8.5%	1,557,691	\$28.61	12.9%
2003	624,000	\$39.44	8.8%	6,904,220	\$28.39	12.2%
3 rd Qtr 2004	863,000	\$40.75	9.2%	9,047,467	\$29.36	11.0%
3 rd Qtr 2005	2,447,000	\$41.97	7.9%	9,220,262	\$30.61	9.5%
Note: Data for 2000-2003 are year-end; 2004-2005 are year-to-date. Rental rates are average quoted rates. Vacancy figures exclude available sublet space. Figures may not total due to rounding. Source: CoStar Group, Inc. and Thorne Consultants, Inc.						

The recent sale of Lincoln Square, 555 11th Street, N.W., for an estimated \$718 per foot in March 2005 set an all-time record for office building investments in Washington. The annual compound change in the average unit price of office building investments is 8.9% from 1993 to mid-2005. The growth in Class A office rents during the same period reported by national leasing firms is much lower at about 3% per year. Operating expenses for office buildings have been increasing at rates between 5% to 6% per year. Obviously, the trend in prices is not sustainable.

The shift in investor demand from the stock market to real estate combined with the low cost of funds and demand for investments in Washington's relatively secure office market are contributing to these price aberrations.

Foreign investors also see Washington as a favorable market due to the combination of low interest rates and the reduced value of the dollar. According to the Association of Foreign Investors in Real Estate, Washington, D.C. was recently rated as the most attractive market in the world in which to buy real estate. The sales market is expected to continue to be strong as owners and investors attempt to capitalize on record sales prices. The effect of these high unit prices will continue to place financial pressure on tenants as the new owners seek to increase revenue in order to achieve bench mark or projected returns.

Net absorption increased slightly, at 9.2 million square feet through the 3rd Quarter 2005 compared to 9.0 million square feet through 3rd Quarter 2004. The largest occupancy gains occurred in the CBD, Tysons Corner, East End and Ballston submarkets. Federal agencies and law firms accounted for the bulk of tenant demand in 2005. While non-profits focused on smaller blocks of space in the 5,000- to 25,000-square-foot range, law firms concentrated on larger blocks of space in the Trophy and Class A markets. As a result of this segmented demand, rates on premium space have trended up throughout 2005, with downtown tenants willing to pay \$60 per square foot for premium space and \$50 per square foot for second-generation Class A space.

Leasing activity in the District was highlighted by the Office of the Comptroller of the Currency's 337,800-square-foot lease at One Independence Square in the Southwest submarket and the Department of Health and Human Services's 148,653-square-foot lease at the Aerospace Center, also in Southwest. Both of these leases were renewals. Development in Downtown Washington continued at a high rate with 1.5 million square feet in five buildings delivered through 3rd Quarter 2005. Law firms, faced with a shortage of existing high-quality options, were the most active in these developments, pre-leasing much of the new supply.

Another 2.7 million square feet of new office space (12 buildings) is currently under construction, with scheduled delivery through 2007. The majority of pre-leasing activity has been from law firms, lobby groups and the Federal Government. The General Services Administration has projected a need for 3.0 million square feet through 2007 for agencies including the Veteran's Administration, the Department of Justice, ATF and the Department of Commerce. This bodes well for continued activity in the development pipeline, but also begs the question -- Where will the next corridors of growth and development be in the District? It appears that the bulk of the demand will be accommodated in the northern section of the Capitol Hill submarket above H Street and in the southeast Federal Center.

SUMMARY

Fundamentals for the District's commercial office market remain strong and should continue to hold steady as compared with the Northern Virginia office market. With slower increasing rents and a modest increase in vacancies throughout all submarkets and classes of office buildings, the District still remains one of the most sought-after areas. The outlook for the office market over the next two years is positive.

Considering the amount of new construction in the pipeline, and in spite of the relatively tepid pre-leasing in those projects, we expect rent levels to be only slightly affected by the new product. Rather, there still exists a lack of large blocks of quality space for tenants in the marketplace. Controlled new supply has emerged to keep pace with tenant demand in order to maintain equilibrium in the commercial real estate market. As developers have been careful not to overbuild, the market remains strong. This caution is evidenced by the overall office vacancy rate of 7.9% for the Downtown submarkets and 9.5% for the metropolitan area

WASHINGTON METROPOLITAN AND DOWNTOWN HOTEL MARKET

In the District, the principal sources of demand for overnight guestrooms are the business, group meeting, leisure and extended stay segments. Based on recent research, the business segment accounts for the largest percentage of demand at 55%. Group meetings represent 25%; tourist accounts for 10%; and extended stay is 10%. The market segments are briefly described below.

The business segment is comprised of travelers conducting business with federal and local government agencies, the U.S. Department of State, foreign embassies, lobbyists, corporate offices, associations and professional service firms. These travelers are typically middle- and upper-level executives of the organization or are financiers, investment managers, attorneys, architects or accountants.

The group meeting segment consists of guests from corporate, government, university and association groups. Washington, D.C. is the leading destination of members, support personnel and lobbyists of national associations and countries of the world. These groups use hotels for small, single-site meetings such as board of directors and committee meetings as well as for legal depositions or large legal cases requiring “war” rooms to prepare for trials.

The tourist segment includes domestic and international travelers connected with tour groups, family events or individual travelers. Washington, D.C. is a major destination for tourists and contains the majority of the area’s attractions. The city is a popular stop for international travelers because of its worldwide recognition and importance as the national seat of government. Demand peaks during the spring and summer months and on fall weekends.

Extended stay demand results from temporary work assignments and relocation of employees for area employers and government agencies. Extended stay travelers stay three to four weeks on average and require short-term rental apartment-style accommodations with mini- or full kitchens, separate living/work and sleeping areas, and recreational amenities.

Market Occupancy and Average Daily Rate

Regional occupancy increased to 71.2% in 2004 and is expected to increase by 2.1% to 73.3% for 2005. The average daily rate (ADR) increased by 6% in 2004 to \$118, and the regional ADR is expected to increase by 4% to \$122 this year. Occupancy and ADR in the District are considerably higher than the regional average. Occupancy is expected to increase in 2006 as demand continues to grow due to the influx of convention center demand compressing the supply of downtown rooms.

Supply

In 2005, three new hotels were added to the District's inventory: the 233-room Residence Inn (Capitol Hill); 228-room Hampton Inn (Convention Center); and 383-room Embassy Suites (Convention Center). The supply of room-nights is expected to increase moderately over the next few years. New hotels scheduled to open in the next three years include the 204-room Courtyard by Marriott Capitol Hill Towers (2006) and the 1,500-room Marriott Convention Center Hotel (2008).

REGIONAL CONCLUSIONS

Over the last decade, developing suburban areas experienced strong population growth (as a consequence of low-cost land available for new residential development) while the District experienced a net decrease in population. D.C.'s professional employment base grew rapidly during the 1980s and 1990s as a function of increased corporate demand for representation before federal government agencies by attorneys and associations, as well as due to an expanding market for government contracting (including defense, telecommunications and computer-related consulting). This employment growth sustained strong demand for new office space in the expanding Central Business District as well as in niche office markets including Georgetown and Capitol Hill.

The development of the Metro Rail system over the last decade facilitated these revitalized commercial growth patterns in the downtown area. Employment and commercial development growth experienced during the 1980s and 1990s provides a strong base for continued growth in the 2000s.

Future office and hotel demand growth within the District will continue to be driven by the federal government and professional services firms (e.g., attorneys, accountants, trade associations, etc.) and the business travelers they generate. Tourism and convention activity will further fuel hotel demand.

MARKET AREA DESCRIPTION

The District of Columbia is divided into four sectors: Northwest, Northeast, Southwest and Southeast. The point of origin for these four sectors is the U.S. Capitol Building located at First Street, the Mall and North Capitol Street. Street addresses within the District have an abbreviation of the sector name to denote their location within the city, such as "N.W." for Northwest.

The subject is located in the northwest sector (N.W.) of the city in the Central Business District (CBD) submarket. The CBD has an irregular shape and lies between the West End on the west and the East End on the east. The general boundaries are 21st Street to the west, Constitution Avenue to the south, 14th Street to the east, and P Street to the north.

DEVELOPMENT OVERVIEW

The CBD area is characterized by office buildings, ground-floor retail uses and hotels. The submarket is served by Metrorail, the region's light rail mass transit system, with a station at the corner of Connecticut Avenue and L Street. The adjacent West End submarket has more of a residential environment than the CBD and is a more popular location for out-of-town hotel guests seeking a location proximate to both downtown government offices and businesses and to the nightlife offered by Georgetown and Dupont Circle. Several foreign embassies, association and institutional headquarters buildings, and apartment properties are located to the north along Massachusetts Avenue.

The submarket contains several hotels, including the Residence Inn at Scott Circle, the Governors Inn across Rhode Island Avenue, the Hay Adams, Jefferson Hotel and Capitol Hilton on 16th Street, the Park Terrace and Holiday Inn on Rhode Island Avenue (east of Scott Circle), and the Mayflower on Connecticut Avenue. Retail and restaurant uses are predominantly located on the first floor and basement levels of office or hotel buildings and are clustered along Connecticut Avenue and K Street. Residential uses are limited to older apartment buildings along Massachusetts Avenue, east and west of Scott Circle. According to CoStar Group, Inc., the subject's CBD submarket includes 337 office buildings with an inventory of about 38 million square feet of space.

Attractions in and around the CBD submarket consist of the White House, Ellipse, Corcoran and Renwick Art Galleries, Constitution Hall and National Geographic Society. Further to the west, Georgetown offers restaurants, antique shops, clothing stores and bars. Washington, D.C. is a popular tourist destination year-round with peak visitations occurring at Cherry Blossom time in March/April and during convention periods in the fall. Further south of the market is the Capital Mall area, which features the monuments of Washington, Lincoln and Jefferson as well as the Smithsonian Institution's museums.

NEIGHBORHOOD DESCRIPTION

This section presents a description and analysis of the impact of social, economic, governmental and/or environmental factors on property values in the vicinity of the subject.

WARD 2, CLUSTER 6

The subject's neighborhood is known as Cluster 6 of Ward 2 in Washington, D.C., which includes the two neighborhoods of Connecticut Avenue/K Street and Dupont Circle. Cluster 6 is bordered by Florida Avenue on the north; 16th Street, S Street and 15th Street on the east; Pennsylvania Avenue, 17th Street and State Place on the south; and 19th Street, Pennsylvania Avenue, New Hampshire Avenue, 21st Street, O Street and Rock Creek Park on the west.

The commercial areas and neighborhoods of Cluster 6 include some of the most densely developed areas of the District. The residential areas of this Cluster include a mix of apartments and single-family homes. Connecticut Avenue is the primary thoroughfare that cuts across the neighborhoods of Cluster 6. Lined with offices and ground floor retail, this avenue provides a vibrant commercial district that extends from Farragut Square to Florida Avenue. The south

section of the Cluster, along Connecticut Avenue and K Street, includes the west end of the downtown business district. To the north, several local business districts serve residential neighborhoods located east and west of Connecticut Avenue, i.e., P Street between Dupont Circle and Rock Creek Park, 17th Street between P Street and R Street, and 18th Street between R Street and Florida Avenue.

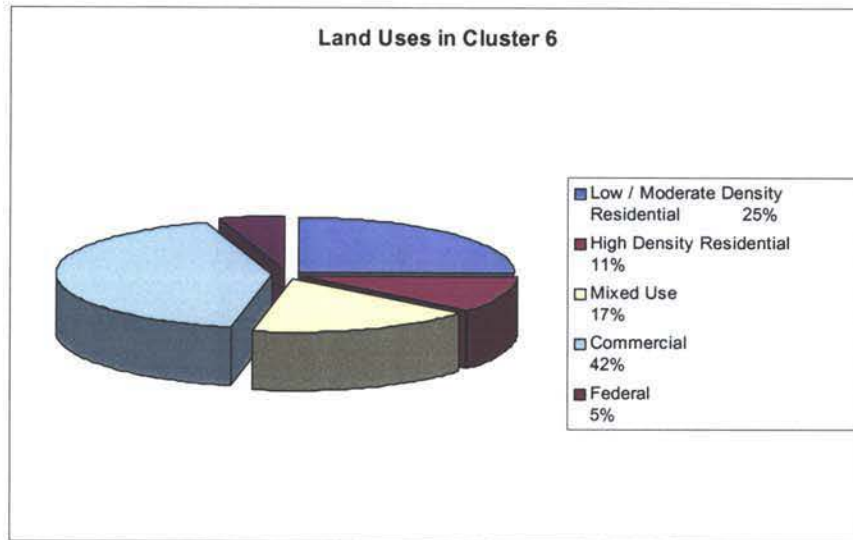
The Cluster has a large number of positive features including immediate access to Rock Creek Park and neighborhood parks such as Dupont Circle and the triangle park at 17th and R Streets. The neighborhoods also have direct access to several Metrorail stations on the Red Line (e.g., Dupont Circle and Farragut North stations). The commercial districts are vibrant with shops, restaurants and entertainment venues within walking distance from residential areas. High-quality and well-maintained housing stock includes a mix of townhomes, apartments, condominiums and cooperatives. A strong and active Advisory Neighborhood Commission (ANC) and the Golden Triangle Business Improvement District monitor conditions in the area and provide services to the business district. Three historic districts protect the character of the area, and neighborhood activities are plentiful (e.g., annual house tour, the Phillips Collection Museum, First Friday Open House for art galleries, and the Dupont Circle Farmers Market).

The Cluster has almost 17,000 residents, representing about 3% of the District's total population as of the 2000 Census. The Cluster has a population that is less ethnically diverse than the rest of the city and an age distribution that includes more residents between 18 and 65 years than the rest of the city. The education and income levels in this Cluster are higher than those for the city as a whole. Owner-occupied housing units as of the 2000 Census totaled 11,437, which represented 29% of all units; by comparison, the District's overall rate of owner occupation was 41% in 2000. The median household income for Cluster 6 was \$55,402 in 2000 compared to \$34,416 in 1990. The District's median household income in 2000 was \$43,001.

All public utilities are available in the neighborhood and are provided as follows: water and sewer by D.C. Public Works; electricity by Potomac Electric Power Company (PEPCO); natural gas by Washington Gas Company; telephone by Verizon; and cable television by District Cable. Refuse and waste removal is available by private contractor. The District of Columbia provides all fire, police and emergency services along with private ambulance contractors.

The Dupont Circle neighborhood is in a period of increasing stability in its life cycle. Demand for both new and existing residential units is generally balanced with supply. Presently, the condition of the housing stock is good to excellent, architectural styles from different historical periods are represented, and very few vacant or abandoned housing properties exist.

A summary of the types and corresponding percentages of land uses for Cluster 6 are summarized in the following chart.



Both private and public investment activities have been, or are being, completed in the Cluster. Key recent activities include:

- ◆ P Street Streetscape – the design and implementation of the streetscape on P Street between Dupont Circle and Rock Creek Park.
- ◆ The Phillips Collection – expansion of the art museum by more than 27,000 square feet.
- ◆ Dupont Circle – restoration of the park and fountain.
- ◆ Summit Grand Park at 900 15th Street – a 151,000-square-foot, mixed-use building including residential, office and retail space.
- ◆ Ambassador Condominiums at 1750 16th Street – rehabilitation of an apartment building into 33 residential units.
- ◆ Union, Labor, Life Building at 1625 I Street – an office building including a nine-story, light-filled atrium lobby.
- ◆ Solar Building at 1000 16th Street – renovation to include three additional stories.
- ◆ Farragut Center at 1725 I Street – a ten-story office building within the Golden Triangle Business Improvement District.
- ◆ St. Matthew's Court at 1717 Rhode Island Avenue – a ten-story building which will incorporate existing townhomes and St. Matthew's Cathedral.
- ◆ 1700 K Street – development of 380,000 square feet of office and retail space.

- ◆ Investment Building at 1008 15th Street – redevelopment into 375,000 square feet of office and retail space.
- ◆ Sofitel Hotel at 806 15th Street – rehabilitation of the Old Shoreham Building into a 164,000-square-foot building of hotel and retail space.

ZONING AND DEVELOPMENT RESTRICTIONS

PUD RULINGS

As stated in our Letter of Transmittal and in the Assumptions and Limiting Conditions on page 7 of this report:

The subject site was zoned SP-2 prior to approval of the PUD designation for Lots 82 and 83 in Square 182. SP-2 zoned parcels are found adjacent to both the eastern and western boundaries of the subject parcel. Lot 82 currently is zoned C-4 by a covenant in the original PUD. The original permitted FAR for the combined Lots 82 and 83 under the PUD concept was 8.5. The 1998 PUD modification changed the FAR of the entire site to 8.2. This figure was then allocated as 7.9 FAR for the subject site (121,613 square feet) and 8.5 FAR for the adjacent site (Lot 83, which is presently owned by The Regents of the University of California) to the east of the appraised parcel.

The addenda includes a copy of “Zoning Commission Order No. 638, Case No. 88-32C (PUD and Map Gramercy),” dated November 13, 1989. This order approved the subject PUD and related map amendment changing the zoning from SP-2 to C-4 for Lot 824 in Square 182. At the time, a vacant hotel, formerly known as the Gramercy Inn, occupied the site. The PUD site was approved for development with a mixed-use (residential, retail and office uses) structure with a maximum FAR of 8.5 (maximum of 6.86 FAR devoted to office/retail use and minimum of 1.64 FAR to residential use).

By “Zoning Commission Order No. 638-F, Case No. 98-12M (Modification of Planned Unit Development for 1616 Rhode Island Avenue, N.W.,” dated December 14, 1998, Lot 80 (as it was then known) was permitted to be subdivided into two lots of record (Lots 82 and 83). The 1998 Order established the total FAR of the PUD (two buildings combined) to be 8.2, of which Lot 83 received a total FAR not to exceed 8.5 and Lot 82 received a total FAR not to exceed 7.9. A copy of the 1998 zoning document is also in the addenda. Said document confirms the zoning of the subject site as C-4.

C-4 ZONE

The C-4 zone is referred to as the Central Business District, as designated by the District of Columbia Municipal Regulations (DCMR), Title 11 - Zoning. The purpose of the Central Business District is to encourage a diversity of commercial, retail and business land uses at high densities including mixed-use developments.

Uses permitted by right in a C-4 zone include offices, retail sales or services, hotels or inns, residential buildings, private or public theaters, and embassies or international organizations, among others. Development standards for the C-4 zone are summarized below:

Maximum Building Height: 110 feet

Maximum Floor Area Ratio: 8.5 for all buildings and structures on the lot (refer to the “Assumptions and Limiting Conditions” and the “Description of the Site and the FAR Calculation” sections to clarify the potential development issues.)

Maximum Lot Coverage: 100%

Minimum Side Yard Setbacks: None required

Minimum Rear Yard Setback: 12 feet

The subject Lot 82 is located in the Dupont Circle Overlay District, the purpose of which is to require a scale of development consistent with the nature and character of the Dupont Circle area in height and bulk, and to ensure a general compatibility in the scale of new buildings with older, low-scale buildings by restricting the maximum permitted height and floor area ratio of the new structures. Moreover, the Overlay District protects the integrity of “contributing buildings” in the various Historic Districts within the Overlay District. The residential character of the area is enhanced by maintaining existing residential uses and controlling the scale, location and density of commercial and residential development. Open gardens and backyards are preserved in order to provide light, air and privacy. Limited curb cuts are allowed on Connecticut Avenue, and public spaces in front of buildings must be landscaped.

RECENT DEVELOPMENTS

By “Pre-Hearing Submission” dated June 21, 2005 (prepared by Pillsbury Winthrop Saw Pittman LLP), the property owner seeks an order from the Zoning Commission modifying the approved PUD for the subject property. More specifically, the Rhode Island Associates Limited Partnership requests a change in use of a previously approved PUD building from commercial hotel to commercial office with requisite design changes. The Partnership proposes to develop the property with a ten-story office building containing approximately 130,870 square feet of commercial office space (including about 7,000 square feet that could be used for retail) and about 120 below-grade parking spaces.

The aforementioned Submission notes that Zoning Commission Order No. 638-F (referred to on the preceding page) approved the construction of two buildings, one a mixed-use residential/academic facility (Lot 83) and the second a suites hotel (Lot 82). The former building (owned by the University of California) has been constructed, but the hotel developer decided not to build the approved hotel on Lot 82. The unbuilt portion of the PUD site consists of approximately 15,394 square feet of land area currently used as a surface parking lot (an approved interim use). A hearing on the proposed PUD modification was held before the Zoning Commission on September 29, 2005, wherein the matter was continued to December 1, 2005.

CONCLUSION

In accordance with the PUD covenant, our appraisal assumes that the subject Lot 82 is zoned C-4. Moreover, we note that, based on the 1998 PUD modification, the subject's FAR currently is limited to 7.9. Given the site's location and physical constraints, and in light of current market conditions, we conclude, as discussed later in this report, that any hotel development is not economically feasible.

We further conclude that the subject could be developed with an office building with an FAR of 121,613 square feet. The property owner has proposed a building containing ten stories and 130,870 square feet (FAR of 8.5), including onsite parking for 120 vehicles. The Zoning Commission would need to approve this increase to an FAR of 8.5 from the existing 7.9. The "Description of the Site and the FAR Calculation" section of this report outlines the potential envelope calculations.

Members of our firm are not experts on zoning issues, and our efforts are limited to reporting what we perceive as pertinent existing land use regulations. We advise our client to seek appropriate legal counsel on all matters pertaining to compliance of any existing or proposed uses of the subject property with applicable zoning codes. This report is not to be relied on as an opinion of compliance with zoning restrictions, nor should any such representation be made.

TAX AND ASSESSMENT DATA

The District of Columbia's Office of Tax and Revenue conducts annual assessments of all real property in the District to estimate market value for tax purposes. The assessment is based on 100% of estimated market value as of the first day of each tax year. Tax rates are established by the D.C. Council annually for the tax year commencing October 1. The D.C. Council set the tax rate at \$1.85 for each \$100 of assessed value for Class 3 Commercial Properties.

City land records identify Lot 82 in Square 182 as owned by Rhode Island Associates Limited Partnership (Charles E. Smith and Dominic F. Antonelli Jr., Trustees). The District valued the real property for tax assessment purposes at \$7,958,700 for tax year 2005 and has proposed \$8,512,880 for 2006. The property's assessment is 100% of value, and the tax rate is \$1.85, resulting in current annual real property taxes of \$147,235.95.

Our firm takes no responsibility for the accuracy of assessment and tax data reported by the District's Office of Tax and Revenue.

DESCRIPTION OF THE SITE AND THE FAR CALCULATION

Lot 82 is an irregular rectangular tract with frontage along the south side of Rhode Island Avenue. The eastern side is bounded by Lot 83 (the sister element of the combined PUD), which is occupied by the University of California's 176,000-square-foot residential/academic building (100,000 square feet are residential). The site is bordered on the south by a wide alley beyond which is 1615 M Street (an office building). On the west, the site is bounded by an alley bordering the Human Rights Campaign office building. All public utilities serve the parcel.

The lot is level and at grade with adjacent streets. Most of the offices in any proposed building on Lot 82 will have limited air, light and view amenities. Only the offices with a front elevation will offer relatively attractive views to the north. The lower floors on the southern side would offer views of the alley behind the building, while some of the upper floors might have views of the Washington Monument. The parcel's narrow and long shape dictates a building design where window fenestration is limited to only the north and south walls.

A tax plat is found in the addenda identifying the parcel's configuration.

BULK AND MASSING CALCULATIONS

The site consists of a 15,394-square-foot irregular rectangular parcel. The narrowest width of a building would be on the northern side of the lot fronting Rhode Island Avenue. The eastern side of the lot is controlled by the PUD agreement with the University of California, whose existing residential/academic building occupies the lot. The southern and western sides of the lot are constrained by the adjacent alleys and their requirements.

According to the PUD agreement, the total surface area of 15,394 square feet, based on an FAR of 7.9, would result in a maximum permitted FAR of 121,613 square feet. Although the District of Columbia's zoning maps show the subject in a DC/SP-2 (Dupont Circle/Special Purpose-2) zone, the site was apparently rezoned to C-4 at the time the PUD was approved (see Zoning Commission Orders in the addenda). The C-4 zone allows for a multiple of 8.5 FAR for all uses; however, the narrow site wedged between two office buildings on a busy commuter route with related traffic noise offers no redeeming or marketable residential attributes. While not ideal, the most profitable use of Lot 82 is for office development.

CONCLUSION

The subject parcel is constrained by the physical elements previously listed, and the air, light and view amenities are equally impaired for either hotel or office uses. The physically

possible maximum footprint of about 15,394 square feet and the small total project scale feasibly limit the building to a single use.

These negative factors contribute to a development concept incorporating all office space to improve scale economies; however, the aforementioned site constraints depress typical market-priced office FARs which are used as value analogues.

HIGHEST AND BEST USE

PHYSICAL AND LEGAL ISSUES

Lot 82 is served by all public services to satisfy the needs of any proposed development. Although the irregular shape is unusual, the net site area of 15,394 square feet is adequate to physically support any number of structures.

FINANCIAL FEASIBILITY AND MAXIMUM PRODUCTIVITY

We determined that transient housing on the site is not marketable and concluded that the maximally productive use is for office space development within the total PUD permitted FAR envelope of 7.9. The site's configuration physically limits development to a structure containing 121,613 square feet. The office market's low vacancy rate supports our opinion that the highest and best use of the land is to develop the parcel with an office building.

We understand that a hotel development concept has been marketed for several years without success. The concentration of hotels in the market area (including the former NRA building converted to a Marriott Courtyard, the newly renovated Beacon Hotel directly opposite the subject parcel, and the Jefferson Hotel at the corner of 16th and M Streets) suggests the market is saturated.

VALUATION METHODOLOGY

The most appropriate valuation method for the subject land parcel is the sales comparison approach. We searched several databases for recent transfers of land suitable for office and hotel development. We concentrated on a search ring proximate to the subject's location in the CBD submarket and the outer rings of the CBD of Washington, D.C.

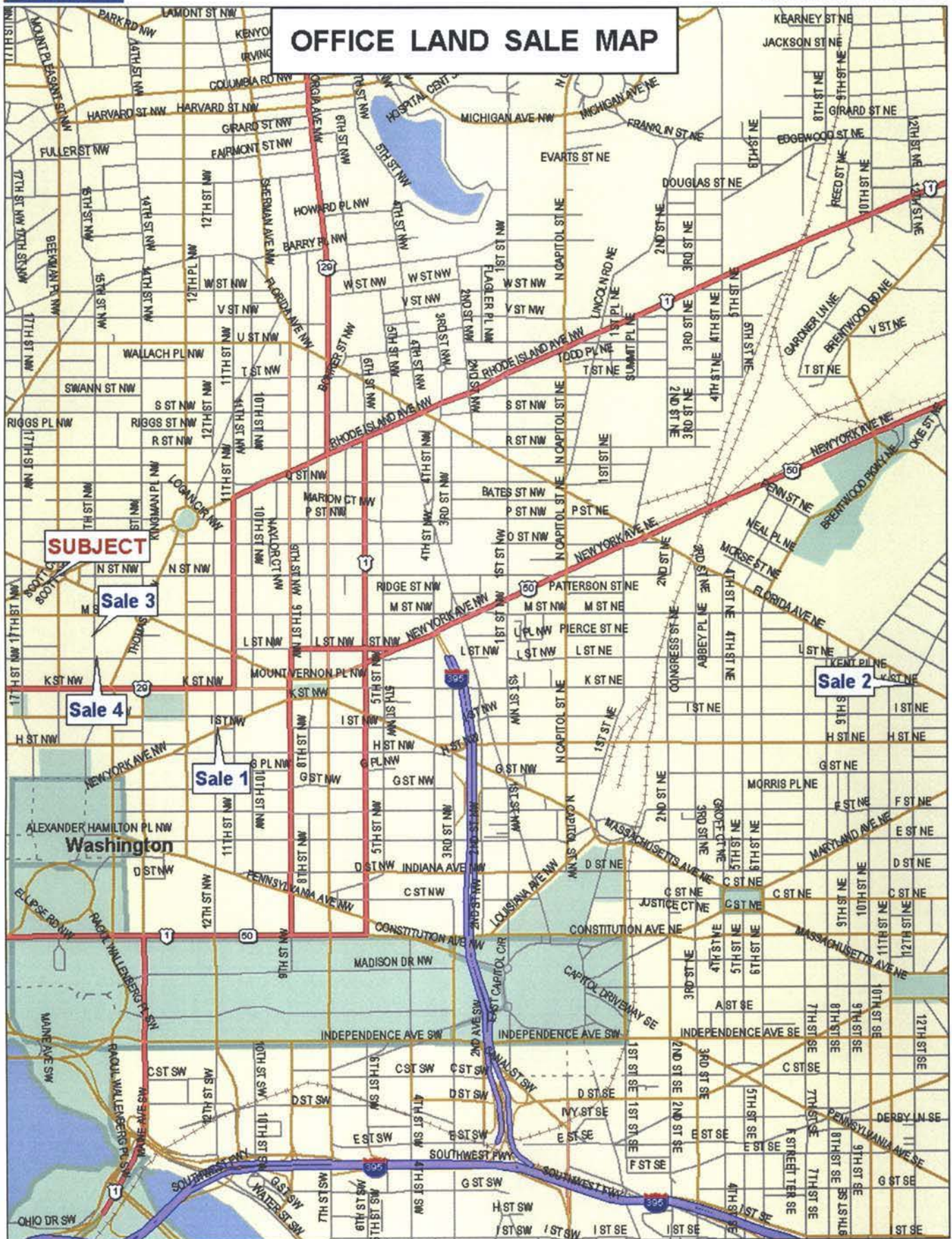
In analyzing the comparable office and hotel sales, we selected the price paid per proposed maximum allowable or known "as built" FAR area. Purchasers of land for office

development focus on the amount of development most probably achievable in determining price. Therefore, it is our opinion that the subject site would be purchased on the basis of its potential office space FAR. Although purchasers of land for hotel development often focus on the price per key in determining price, we were unable to apply this technique for various reasons.

OFFICE LAND SALES COMPARISON APPROACH

Listed on the following pages are four vacant land sales for office building development obtained from several data sources. An adjustment grid follows the last sale, and a location map follows this page.

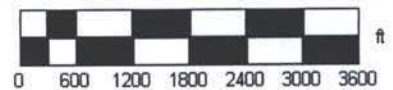
OFFICE LAND SALE MAP



Data use subject to license.

© 2005 DeLorme. Street Atlas USA® 2006 Plus.

www.delorme.com



Data Zoom 13-1

OFFICE LAND SALE ONE

Location:	1101 New York Avenue, N.W.
Legal Description:	Square 317, Lots 16-19, 802-804, 806-807 and 829-833 (The deed references these lots and omits the corner Lots 800 and 801 of 3,600 leased square feet.)
Grantor:	George Basiliko Real Estate
Grantee:	1101 New York Holdings (LLC)
Instrument Number:	2004127641
Sale Date:	September 15, 2004
Consideration:	\$42,000,000 (Plus \$1,500,000 for the purchase of 107,000 C.L.D. [Combined Lot Development] feet; however, the price excludes any price allocation for the two leased corner lots.)
Financing Terms:	The seller received all cash
Zoning:	C-3-C; HRDDC (Hotel and Residential Overlay District)
Floor Area Ratio:	6.0 (An alley closure and the purchase of C.L.Ds produced a gross building area of 366,666 square feet.)
Site Area:	31,757 square feet (Includes Lots 800 and 801; the alley closure area is unknown.)
Unit Price:	\$114.55 per FAR (Includes the C.L.D. feet)

Comments: This sale represents an assemblage of several parcels acquired by Mr. Basiliko beginning in 1986. The site has a moderate southward-facing slope with frontage on I, 11th and 12th Streets. A narrow public alley leading north from I Street was closed. A 12-story office building is presently under construction on the site, and the expected delivery date is in the summer of 2007. Ernst & Young has reportedly leased 131,658 square feet on four floors. The cost to raze several structures on the lots is unknown. We attempted to verify the area of the building envelope with multiple sources; conflicts ranging between 346,644 to 393,568 square feet exist and remain unresolved.

Data Source:	A review of the deed, a personal inspection of the site, and verification with both buyer and seller.
---------------------	---

OFFICE LAND SALE TWO

Location: 1001 12th Street, N.W.
Washington, D.C.

Legal Description: Square 316, Lots 816 and 817

Grantor: Potomac Electric and Power Company (PEPCO)

Grantee: JBG/Rockwood 1101 K LLC

Instrument Number: 2004025478

Sale Date: February 24, 2004

Consideration: \$22,323,388

Financing Terms: The seller received all cash

Zoning: Part DD/C-2-C and DD C-3-C

Floor Area Ratio: 9.5 (Split zoning produces an average FAR)

Site Area: 28,827 square feet
273,604 square feet, the permitted FAR

Unit Price: \$81.59 per the permitted FAR

Comments: The parcel is located at the northeast corner of 12th and K Streets. The 12th Street location lies in a transition zone without critical mass like the CBD or the East End markets. The presently vacant site was occupied by one of PEPCO's office buildings. A large substation also occupied a portion of the site and left high levels of PCBs in the soil. The building was later razed by the power company. The site had been on the market for several years as the owner attempted to sell the parcel with contaminants. Eventually the site's contaminants were removed from the land by PEPCO, and the asset was dumped on the market. The lot has a modest southward-facing slope and is presently used for surface parking and open storage. No construction activity has started at the site as the buyer is looking for a seed office tenant. The owner had listed the property at a price well above the market. Eventually, management capitulated and sold quickly to JBG.

Data Source: A review of the deed, personal inspection of the site, and verification with the buyer's office.

OFFICE LAND SALE THREE

Location:	1150 15th Street, N.W. Washington, D.C.
Legal Description:	Square 197, Lot 855 (new lot)
Grantor:	WP Company LLC
Grantee:	M R Post LLC (Monumental Realty)
Instrument Number:	2003018474
Sale Date:	December 24, 2003
Consideration:	\$45,564,232
Financing Terms:	The seller received all cash
Zoning:	C-4
Floor Area Ratio:	11.1 (Due to a division of the single tax lot and the ability to use undeveloped FAR from the adjacent built site to the south, FAR was increased by-right to 11.1.)
Site Area:	35,464 square feet 393,580 square feet, the permitted FAR
Unit Price:	\$115.77 per the permitted FAR

Comments: The mid-block site, found on the west side of 15th Street, was used as a parking structure and loading area for the local newspaper, the Washington Post. The site has a modest southward-facing slope with public alleys both on the northern and southern boundaries. The buyer intends to construct an office building on the site. Demolition of the single above-grade and one partially below-grade level parking structure will be very expensive as trucks commonly were parked on the upper level indicating a heavy concrete superstructure.

Data Source:	A review of the deed, personal inspection of the site, and verification with a representative of the buyer's partnership.
--------------	---

OFFICE LAND SALE FOUR

Location:	1101 15th Street, N.W. Washington, D.C.
Legal Description:	Square 214, Lot 106
Grantor:	Trust for the International Brotherhood of Electrical Workers Pension Benefit Fund, Inc.
Grantee:	15th and L Street Associates LLC (Coyne Foundation)
Instrument Number:	2003139896
Sale Date:	October 16, 2003
Consideration:	\$16,920,000
Financing Terms:	The seller received all cash
Zoning:	C-4
Floor Area Ratio:	10.0
Site Area:	16,920 square feet 169,200 square feet, the permitted FAR (The "as built" FAR is 183,387 square feet)
Unit Price:	\$100.00 per the permitted FAR

Comments: This is a transfer of a leased fee interest to the land tenant. The building on the site was delivered in 1976, contains a rentable area of 173,483 square feet, and is a 12-story, Class B office building. Negotiations to purchase the fee by the lessee extended over five years beginning in 1998. Both parties agreed to transfer title at a price consistent with the demand for office land in the District. The parties were well informed as three appraisers were retained to estimate the market value of the land as if vacant sans the lease. Neither party was under any duress. After the death of Marshall Coyne and the creation of the Foundation by his brother Sheldon, negotiations resulted in a sale by the Fund. The level corner lot is found in the northeast corner of 15th and L Streets. The price was based on the perception of value by the parties; the lease payments and remaining term of the lease were not factors in pricing the asset.

Data Source: A review of the deed, personal inspection of the site, and verification with the grantor.

SQUARE 182, LOT 82 - OFFICE DEVELOPMENT

LAND SALES ADJUSTMENT CHART

ELEMENT OF COMPARISON	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
SALES DATA					
Address (All N. W. Locations)	1616 RI Avenue	1101 NY Avenue	1001 12th Street	1150 15th Street	1101 15th Street
Date of Sale	10/28/2005	9/15/2004	2/24/2004	12/24/2003	10/16/2003
Zoning	DC/C-4	HRDDC/C-3-C	DD/C-3-C	C-4	C-4
Sale Price	\$12,800,000	\$42,000,000	\$22,323,388	\$45,564,232	\$16,920,000
Land Area (Sq. Ft.)	15,394	31,757	28,827	35,464	16,920
Office FAR (Feet)	121,613	366,666	273,604	393,580	169,200
Sale Price per FAR Foot	\$105.00	\$114.55	\$81.59	\$115.77	\$100.00
Property Rights Adjustment	Fee Simple	0%	0%	0%	0%
Adjusted Price		114.55	81.59	115.77	100.00
Financing Adjustment	All Cash	0%	0%	0%	0%
Adjusted Price		114.55	81.59	115.77	100.00
Conditions of Sale Adjustment	Open	0%	10%	0%	0%
Adjusted Price		114.55	89.75	115.77	100.00
Market Conditions (Time)	Current	10%	12%	15%	15%
Adjusted Price		126.00	100.52	133.13	115.00
Physical Adjustments:					
Micro-Market Location	CBD	-5%	-5%	0%	0%
Mid-Block or Corner	Mid-Block	-5%	-5%	0%	-5%
Floor Plate and Scale	Moderate	-10%	-5%	-15%	0%
Adjusted Price Per FAR Foot	\$100 - \$110	\$100.80	\$85.44	\$113.16	\$109.25
For Reconciliation Purposes:					
Total Net Adjustment		-12%	5%	-2%	9%
Total Gross Adjustment		30%	37%	30%	20%

Note: In the subject column, the date of sale refers to the appraisal date, and the price per FAR foot refers to the value estimate.

Source: Prepared by Thorne Consultants, Inc.

ANALYSIS OF THE OFFICE LAND SALES

Our search selection criteria for comparable sales focused on: 1) submarket location; 2) similar use as consistent with zoning and the market area; and 3) reflection of current market conditions (date of sale). In analyzing the four selected analogues, we used the price paid per FAR foot as office developers in the District typically rely on this method.

The sales were adjusted based on their superiority or inferiority as compared to the subject. We found that no adjustments were warranted for property rights or financing.

Conditions of Sale

Sale Two was adjusted for sale conditions as the land was dumped after an extended and unsuccessful marketing period. Accordingly, an upward adjustment was applied to reflect an atypically motivated seller.

Market Conditions

We concluded that office land prices have risen in tandem with the growth in office rents. Accordingly, upward adjustments were applied to all sales.

Physical Adjustments

Three categories of site-specific adjustments were used in the comparison: micro-market location; mid-block or corner location; and a combination of elements including adequacy of the floor plate and building scale.

Micro-Market Location

Sales One and Two were adjusted downward to account for the CBD's lower office rents when compared to properties in the East End. As of 3rd Quarter 2005, CBD and East End quotes rental rates were \$43.53 and \$46.08 per square foot, respectively.

Mid-Block or Corner Location

The subject's hypothetical office building has a mid-block location; in addition, the irregular shape of the lot is a negative factor. Downward adjustments were applied to all corner sales, and no adjustment was applied to the mid-block sale (Sale Three).

Site Conditions/Project Scale

Large floor plates have an advantage when compared to the sales of smaller parcels with smaller leasing floor plates. Sales One, Two and Three required moderate downward adjustments for superior economical size.

Adjusted Sale Price Indications

The adjusted sales indicate a range of \$85.44 to \$113.40 per FAR foot. Placing roughly equal weight on the indications obtained from each of the sales, we estimate the subject's value at about \$105 per FAR foot or \$12,769,365 or \$12.8 million.

**ESTIMATED VALUE OF THE SUBJECT'S LAND
USING THE SALES COMPARISON APPROACH \$12,800,000**

OFFICE LAND SALES COMPARISON APPROACH RECONCILIATION AND FINAL VALUE ESTIMATE

The sales comparison approach is the best methodology to appraise vacant raw land. In our opinion, adequate factual data has been researched and presented here to support the value conclusion. We relied exclusively on the sales comparison approach to support our market value estimate.

Based upon our recent inspection of the property and the investigation and analysis undertaken, and given a range of possible values, subject to the stated assumptions and limiting conditions, it is our opinion that the estimated market value of the fee simple interest in the subject property, Lot 82, if developed as an office building, as of October 28, 2005, is:

TWELVE MILLION EIGHT HUNDRED THOUSAND DOLLARS
(\$12,800,000)

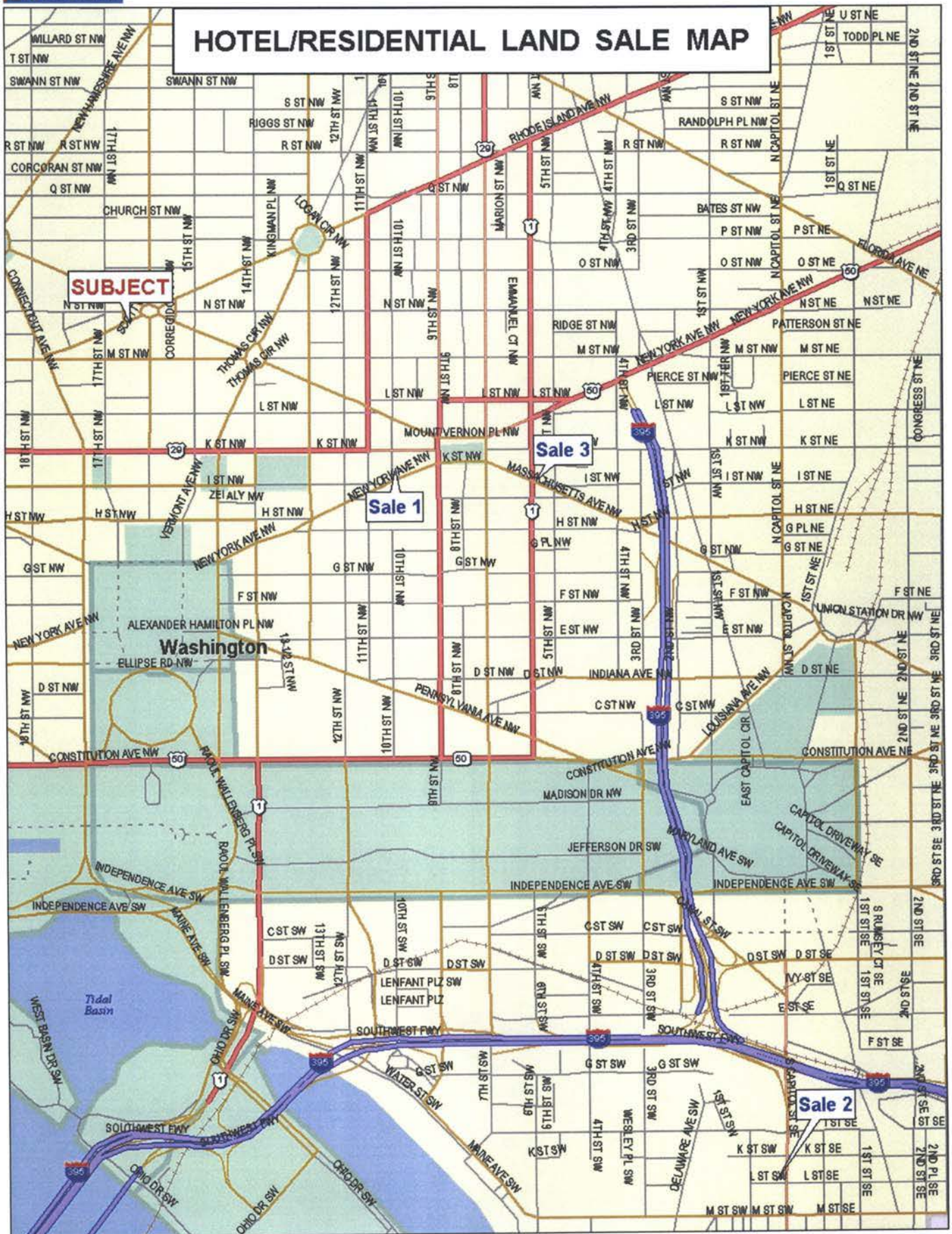
EXPOSURE TIME

Typical marketing periods for land zoned for office uses, as assumed in this appraisal, is estimated to be six to nine months.

HOTEL LAND SALES COMPARISON APPROACH

Listed on the following pages are two vacant land sales for hotel development and one land sale for a hotel/residential PUD, which were obtained from several data sources. An adjustment grid follows the last sale, and a location map follows this page.

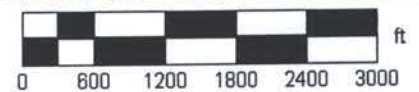
HOTEL/RESIDENTIAL LAND SALE MAP



Data use subject to license.

© 2005 DeLorme. Street Atlas USA® 2006 Plus.

www.delorme.com



Data Zoom 13-4

HOTEL LAND SALE ONE

Hotel Name/Address:	21 L Street, S.W. Washington, D.C.
Legal Description:	Square 648, Lot 22
Grantor:	Kyun Hwa & Seung Won Hong
Grantee:	21 L, LLC (Richard Ruben-NYC)
Deed Reference:	2005090056
Deed Date:	June 28, 2005
Consideration:	\$6,325,000 (Includes \$2.0 million for environmental clean-up and demolition; see comments below.)
Zoning:	UR/C-3-C
Financing/Conditions:	All cash; no seller financing
Site Area:	27,143 square feet (176,430 FAR feet)
Unit Price:	\$233.03 per square foot (\$35.85 per FAR square foot)
Price per Key:	\$21,625
Description:	This level parcel has 115 feet of frontage on L Street. The buyer plans to build a 200-room hotel on the site (no flag has been identified). The owner estimates that the site will need an additional \$2.0 million to clean environmental soil contamination and demolish and remove existing structures.
Data Source:	Discussion with the seller's source, review of the deed, and inspection of the property.

HOTEL LAND SALE TWO

Hotel Name/Address:	Embassy Suites Hotel-Washington Convention Center 900 Tenth Street, N.W. Washington, D.C. 20001
Legal Description:	Square 343, Lots 2, 3, 19, 20, 22 and 825
Grantor:	MacMahon/Turner New York Avenue, LLC
Grantee:	TST New York Avenue L.L.C.
Deed Reference:	2004094179-85 and 87-97
Deed Date:	June 23, 24, 28 & 29 and July 1 & 2, 2004
Consideration:	\$21,000,000
Zoning:	HRDDC, Washington
Financing/Conditions:	All cash
Site Area:	17,326 square feet (210,000 FAR feet)
Unit Price:	\$1,212 per square foot (\$100.00 per FAR square foot)
Price per Key:	\$54,688
Description:	Construction of the 14-story Embassy Suites Hotel with 384 guest rooms is about complete, and opening is set for the first quarter of 2006. The land has a southward-facing slope and is located in the southwest corner of Tenth Street and New York Avenue.
Data Source:	Review of the deed and inspection of the property.

HOTEL/RESIDENTIAL LAND SALE THREE

Name/Address:	Hampton Inn/Sovereign Square 599/555 Massachusetts Avenue, N.W. Washington, D.C.
Legal Description:	Square 484, Lots 836 and 837
Grantor:	Salvation Army
Grantee:	484 OPCO LLC (JBG Companies)
Deed Reference:	2002100688
Deed Date:	August 30, 2002
Consideration:	\$9,508,690
Zoning:	DD/C-2-C
Financing/Conditions:	All cash; no seller financing
Site Area:	34,796 square feet (12,574 and 22,222 square feet) 349,352 FAR square feet (actual FAR of 10.04)
Unit Price:	\$273.27 per square foot
Price per Key:	NA
Price per FAR FT:	\$27.22
Description:	This level parcel has frontage on Massachusetts Avenue and 6 th Street. The buyer built a 228-room (121,786 square feet with an FAR of 3.5) Hampton Inn hotel on the western third of the site, and a 246-unit apartment building (227,566 square feet with an FAR of 6.54) to its east. The two buildings were completed as portions of Planned Unit Development (PUD) #022 and #069 in Square 484.
Data Source:	Review of the deed and inspection of the property.

SQUARE 182, LOT 82 - HOTEL DEVELOPMENT

LAND SALES ADJUSTMENT CHART

ELEMENT OF COMPARISON	SUBJECT	SALE 1	SALE 2	SALE 3
<u>SALES DATA</u>				
Hotel Flag	Unknown	Unknown	Embassy Suites	Hampton Inn
Address	1616 RI Avenue, N. W.	21 L Street, S. W.	900 10th Street, N. W.	599 Mass Avenue, N. W.
Date of Sale	10/28/2005	6/28/2005	6-7/2004	8/30/2002
Zoning	DC/C-4	UR/C-3-C	HRDDC	DD/C-2-C
Sale Price	\$7,904,845	\$6,325,000	\$21,000,000	\$9,508,690
Land Area (Sq. Ft.)	15,394	27,143	17,326	34,796
Keys (Rooms)	NA	200	384	NA
FAR (Sq. Ft.)	121,613	176,430	210,000	349,352
Sale Price per Key	NA	\$31,625	\$54,688	NA
Sale Price per FAR Foot	\$65.00	\$35.85	\$100.00	\$27.22
Property Rights Adjustment	Fee Simple	0%	0%	0%
Adjusted Price		35.85	100.00	27.22
Financing Adjustment	All Cash	0%	0%	0%
Adjusted Price		35.85	100.00	27.22
Conditions of Sale Adjustment	Open	0%	0%	0%
Adjusted Price		35.85	100.00	27.22
Market Conditions (Time)	Current	0%	10%	15%
Adjusted Price		35.85	110.00	31.30
<u>Physical Adjustments:</u>				
Micro-Market Location	CBD	60%	-20%	20%
Mid-Block or Corner	Mid-Block	-5%	-5%	-5%
Floor Plate and Scale	Moderate	-5%	-10%	0%
Adjusted Price Per FAR Foot	\$60- \$70	\$53.78	\$71.50	\$36.00
<u>For Reconciliation Purposes:</u>				
Total Net Adjustment		50%	-29%	32%
Total Gross Adjustment		70%	45%	35%

Note: In the subject column, the date of sale refers to the appraisal date, and the price per FAR foot refers to the value estimate.

Source: Prepared by Thorne Consultants, Inc.

ANALYSIS OF THE HOTEL LAND SALES

Our search selection criteria for comparable sales focused on: 1) submarket location; 2) similar use as consistent with zoning and the market area; and 3) reflection of current market conditions (date of sale). In analyzing the three selected analogues, we used the price paid per FAR foot.

The sales were adjusted based on their superiority or inferiority as compared to the subject. We found that no adjustments were warranted for property rights, financing or conditions of sale.

Market Conditions

We concluded that hotel land prices have risen in tandem with the growth in ADRs. Accordingly, upward adjustments were applied to Sales Two and Three.

Physical Adjustments

Three categories of site-specific adjustments were used in the comparison: micro-market location; mid-block or corner location; and a combination of elements including adequacy of the project scale.

Micro-Market Location

Sale Two was adjusted downward to account for the CBD's lower hotel rates when compared to properties near the new convention center. Sales One and Three, in locations with lower room rates at the fringes of the downtown submarket, were adjusted upward.

Mid-Block or Corner Location

The subject's hypothetical building has a mid-block location; in addition, the irregular shape of the lot is a negative factor. Downward adjustments were applied to all of the sales, each of which has a corner location.

Site Conditions/Project Scale

Large floor sizes have an advantage when compared to sales of smaller parcels with smaller floors. Sales One and Two required moderate downward adjustments for superior economical size.

Adjusted Sale Price Indications

The adjusted sales indicate a range of \$36.00 to \$71.50 per FAR foot. Placing greatest reliance on the indications obtained from Sales One and Two and moderate weight to Sale Three, we estimate the subject's value at about \$65 per FAR foot or \$7,904,845 or \$7.9 million.

**ESTIMATED VALUE OF THE SUBJECT'S LAND
USING THE SALES COMPARISON APPROACH \$7,900,000**

HOTEL LAND SALES COMPARISON APPROACH RECONCILIATION AND FINAL VALUE ESTIMATE

The sales comparison approach is the best methodology to appraise vacant raw land. In our opinion, adequate factual data has been researched and presented here to support the value conclusion. We relied exclusively on the sales comparison approach to support our market value estimate.

Based upon our recent inspection of the property and the investigation and analysis undertaken, and given a range of possible values, subject to the stated assumptions and limiting conditions, it is our opinion that the estimated market value of the fee simple interest in the subject property, Lot 82, if developed as a hotel, as of October 28, 2005, is:

SEVEN MILLION NINE HUNDRED THOUSAND DOLLARS
(\$7,900,000)

EXPOSURE TIME

Estimating a marketing period for the subject assuming hotel development is problematical. The site has been offered to several hotel developers over the last five years without success. Competition from hotels in the market area and the proposed construction of the 1,000-room convention hotel appear to satisfy demand for hotel rooms for next five to seven years. As a result, we estimated an exposure period of about four to five years.

ADDENDA

EXHIBIT A

ZONING COMMISSION ORDERS

ORDER NO. 638

Government of the District of Columbia

ZONING COMMISSION



ZONING COMMISSION ORDER NO. 638

CASE NO. 88-32C

(PUD & MAP GRAMERCY)

NOVEMBER 13, 1989

Pursuant to notice, a public hearing of the Zoning Commission of the District of Columbia, was held on June 1, 1989. At this hearing, the Zoning Commission considered an application from Rhode Island Associates Limited Partnership for consolidated review and approval of a Planned Unit Development and related map amendment, pursuant to Sections 2400 and 102 of the District of Columbia Municipal Regulations (DCMR), Title 11 Zoning. The public hearing was conducted in accordance with provisions of 11 DCMR 3022.

FINDINGS OF FACT

1. The original application, which was filed on October 24, 1988, requested consolidated review and approval of a PUD and related map amendment from SP-2 to C-4 for Lot 824 in Square 182. That application requested approval of a 13-story building consisting of 10 floors of office/retail use and 3 floors of residential use. The total floor area ratio (FAR) for the project was 10.5, of which 8.2 was devoted to office/retail use. The proposed height of the project was 130 feet.
2. The application was subsequently revised on March 30, 1989, in response to a suggestion of the Office of Planning (OP) to decrease the height and bulk of the project. The revised application called for a 10 story building consisting of 8 floors of office/retail use and 2 floors of residential use. The height of the project was reduced from 130 feet to 104 feet and the FAR reduced from 10.5 to 8.5.
3. The PUD site is located at 1616 Rhode Island Avenue, N.W., in an SP-2 zone district, contains a total land area of 32,645 square feet, and presently consists of a vacant hotel. The hotel was formerly known as the Gramercy Inn and built to a height of 90 feet and an FAR of 6.0.

4. The PUD site is located in Ward 2 in the northwest quadrant of the District of Columbia, near the intersection of Rhode Island Avenue, N.W. and Massachusetts Avenue, N.W., diagonally across from Scott Circle.
5. The SP-2 District permits matter-of-right medium density development including all kinds of residential uses, with limited offices for non-profit organizations, trade associations and professionals permitted as a special exception requiring approval of the BZA to a maximum height of sixty-five feet, a maximum floor area ratio (FAR) of 6.0 for residential and 3.5 for other permitted uses, and a maximum lot occupancy of eighty percent for residential uses.
6. The C-4 District is the downtown core, comprising the retail and office centers for both the District of Columbia and the metropolitan area, and allows office, retail, housing and mixed uses to a maximum height of 110 or 130 feet, a maximum lot occupancy of one hundred percent, and a maximum FAR of 8.5 or 10.0, with the maximum height and FAR dependant upon the width of adjoining streets.
7. Under the PUD process of the Zoning Regulations, the Zoning Commission has the authority to consider this application as a first-stage PUD. The Commission may also impose development conditions, guidelines, and standards which may exceed or be less than the matter-of-right standards identified above for height, FAR, lot occupancy, parking, and loading, or for yards and courts. The Zoning Commission may also approve uses that are permitted as a special exception and would otherwise require approval by the Board of Zoning Adjustment (BZA).
8. The District of Columbia generalized Land Use Element Map of the Comprehensive Plan for the National Capital includes the PUD site in an area included in the high density commercial land use category.
9. The area surrounding the PUD site contains a wide variety of land uses. Major office and retail development is located to the south of the site while moderate and high density residential development is located to the north. Adjacent to the PUD site on the east and west are office buildings which house the B'nai B'Rith International and the National Rifle Association, respectively. Both buildings are 90 feet in height with FARs of 6.0 and 7.6, respectively. To the south of the site is the Sumner-Magruder School office complex, built to a height of 100 feet.

Directly to the north is a Holiday Inn hotel and U.S. Reservation No. 62.

10. The applicant, by written statements and by testimony presented at the public hearing, indicated that project will be of a single, 10-story above-grade structure. The building will consist of 277,900 square feet of gross floor area and a total FAR of 8.5, of which 6.9 FAR will be devoted to commercial uses. The total lot occupancy will not exceed 93 percent. The height will be revised to 106 feet, which would allow the ground floor retail uses to be at grade, in lieu of 2 feet below grade.
11. The residential component of the project, located on floors 9 and 10, will consist of 52 rental units, or no less than 48 rental units. The apartment lobby will be entered through a separate entrance, located at the corner of the site closest to 16th Street on Rhode Island Avenue, N.W. The commercial component, located on floors 1-8, will be entered at the center of the building along the Rhode Island Avenue frontage. The retail component of the project will be located on a portion of the ground floor.
12. The applicant, through its developer, indicated that the following amenities package would apply:
 - a. New Rental Housing Units Downtown

The project will provide rental housing units in the Downtown. The proposed development will include approximately 52 apartments with excellent views of the monumental core of the District. Since housing development must be subsidized, a matter-of-right development on the site would not create housing at this Downtown location within the Central Employment Area.
 - b. Replace a Vacant Commercial Use

The development of a mixed-use residential/commercial project, including approximately 52 rental units, will replace a former hotel, now vacant and deteriorating, with a mix of uses that is compatible with surrounding land uses and consistent with the land use patterns and zoning classifications for the area.
 - c. Federal Parkland

The applicant provided, in its post hearing submission, that the applicant will contribute \$75,000 to the National Park Service to be

earmarked toward the cost of maintenance and improvements of U.S. Reservations 62, 63 and 64 located across from the project site. The applicant indicated that this contribution would be made in 3 annual payments of 25,000 with the first payment to be made prior to the issuance of the building permit for the project.

d. Urban Design

The proposed structure will be compatible with existing buildings in the vicinity of the site. The articulated facade will add prominence to a segment of Rhode Island Avenue that is relatively bland in character. The proposed landscaping will enhance the aesthetic quality of the area and create an attractive environment for people in the neighborhood.

e. Revenue for the District

The residential, retail and commercial components of the development will generate revenue for the District. It is anticipated that the annual real estate taxes on the completed development will be approximately \$1,200,000. Additional employment, sales and other avenue sources will provide additional dollars for the District.

f. Employment Opportunities

The mixed-use development will create temporary construction jobs and permanent jobs for District residents. It is anticipated that up to 48 full-time and 70 part-time permanent jobs will be created for the retail space, 6 full-time and 12 part-time jobs for the commercial space and 7 jobs for the residential component of the development. The applicant will enter a First Source Employment Agreement to target qualified District residents, especially those in Ward 2, for employment at the site.

g. Minority Business Opportunities

The applicant will work with the Minority Business Opportunity Commission and will enter into a Memorandum of Understanding to provide minority opportunities at all phases of the development.

h. The applicant will contribute \$50,000 to the John W. Ross Elementary School at 1730 R Street, N.W. to assist in funding the renovation of the school.

13. The applicant, through testimony, indicated that the economic feasibility of the project, through the use of pro forma documentation, is "very tight", especially when considering the risk involved in developing a "stacked" commercial/residential building downtown. He indicated that any reduction in the amount of commercial space would make the project less economically attractive than re-establishing a hotel use on the site.
14. The applicant, through its expert in architecture and planning, testified that the proposed project was in conformance with the high density commercial use designation of the site in the Comprehensive Plan Generalized Land Use Map and fostered the urban design elements of the Comprehensive Plan. He explained that the project will replace a vacant, deteriorating hotel with a high-quality, functionally efficient and attractively designed building.
15. The applicant testified that the project was in conformance with the applicable zoning regulations for the C-4 zone with respect to height, density, parking and lot occupancy. He indicated, however, that two minor deviations from the Zoning Regulations, regarding the rear yard requirement and the loading requirement, are requested by the applicant as part of the PUD approval.
16. He testified that due to the narrowness of the alley system surrounding the site, it would be impractical to provide a 55 floor loading berth in the building, as required by the Regulations for apartment buildings greater than 50 units. He indicated that since the project is designed to accommodate 52 apartments, it would technically be required to provide a 55' loading berth. This berth could be provided, but it would not be useable because of the constraints of the existing alley system. In lieu, therefore, the project provides an additional, useable 30-foot berth.
17. With regard to the rear yard issue, the applicant indicated that the project provides a 27 foot rear yard, 6 feet less than would be required based on the height of the building. He further indicated that the office component of the project requires an 18-foot rear yard, only a 1 foot differential from what is provided. The configuration of the apartment units, however, U-shaped around the recreational space, provided more light and air than would be provided by the strict application of the Regulations.
18. The applicant testified that the height of the project had been carefully examined so as to minimize any

potential impact on the surrounding properties. He explained that the ground level of the project is proposed to be two feet below grade. He indicated that the residential floors could not be lowered any more without creating apartments that would front office building windows a mere ten feet away. He believed that the building height has been reduced to its minimum. He also indicated that the residential floors have been set back, reducing the apparent height of buildings as seen from the street below.

19. The height of the penthouse, after a lengthy study, has been reduced to 16' 6", two feet less than a typical penthouse and is .17 FAR; less than half the size of a typical penthouse.
20. The applicant requested that flexibility be granted in the final design of the PUD project for the following:
 - a. The right to reallocate space between apartment units to provide less than 52 larger units, in response to market conditions;
 - b. The right to change the number and location and design of all interior components, including partitions, structural slabs, doors, hallways, columns, stairways, location of elevators, electrical and mechanical rooms, so long as the variations do not change the exterior configuration of the building including the penthouse;
 - c. The right to make minor adjustments in the facade window detailing, including the flexibility to shift the location of the doors of the retail uses on the ground floor;
 - d. Flexibility in the final location and type of exterior lighting fixtures;
 - e. Flexibility in the final selection of the exterior materials within the color ranges and material types proposed, based on availability at the time of construction;
 - f. The right to change the number and location of the types of parking spaces provided and other modifications to the below-grade space to accommodate the needs of the apartment residents, retail users, office tenants and handicapped persons, including the deletion of one level of parking spaces as long as at least 177 parking spaces be provided on-site within the parking garage of the project; and

- g. The right to vary the amount of retail/office space provided in the project, depending on market conditions.
21. The applicant, through a representative of its traffic consultant, testified at the public hearing that the proposed PUD would not change the current levels of traffic service in the area. The testimony further concludes that the provision of a 55 foot loading berth within the project would be unwarranted. The report of the traffic consultant indicates that an additional 30-foot berth in lieu of the 55-foot berth would provide adequate service to the project.
22. The District of Columbia Office of Planning (OP), by memorandum dated May 15, 1989 and by testimony presented at the public hearing recommended approval of the application, subject to general agreement on the amenities package.
23. OP indicated that the proposed building is expected to have little adverse impact on the surrounding transition zone, particularly now that it has been scaled back from 130 feet in height to 104 feet. That height has been further mitigated by setting back the upper floors, continuing the visual sense of the adjacent 90 foot height with an important awning design element and minimizing the visibility of the penthouse with a major setback and reduction in size and with the selection of materials. The office use would be lower in height than the office use in the adjacent buildings. The project would bring an important transition use (residential) in its upper floors to the critical transition zone along Rhode Island Avenue.
24. OP further indicated that the most important amenity in this project is the proposed configuration of the mix of uses. The common wisdom in mixed-use development is that residential and commercial uses cannot be stacked successfully. This conclusion greatly reduced the flexibility in achieving mixed-use projects, particularly on small sites where there is not enough room for two buildings. If the proposed configuration does work, the lights will be on in the upper two floors long after the offices below have gone dark, providing a friendly presence or beacon, among office buildings. If it works well, it will provide an important new model for mixed-use development throughout the District of Columbia.
25. The District of Columbia Department of Public Works (DPW), by memorandum dated June 5, 1989, concluded or recommended the following:

- a. That the anticipated traffic generated by the PUD project would not adversely affect the surrounding transportation system;
 - b. That on-site parking accommodations are more than adequate;
 - c. That the applicant provide more information that justifies its need to provide a 30 foot loading berth, in lieu of the required 55 foot loading berth;
 - d. That the public alleys to the east and south of the PUD site be widened by five feet;
 - e. That the water supply service to the PUD site is adequate;
 - f. That the combined sewer stormwater service for the PUD site is adequate for sanitary waste but inadequate for stormwater runoff; and
 - g. That the PUD project will have to comply with Section 509 of District of Columbia Law 5-188, which establishes requirements and procedures to control stormwater runoff.
26. The District of Columbia Fire Department (DCFD), by memorandum dated May 5, 1989, objects to the proposal, as originally filed. The DCFD stated that a fire in a building such as proposed can adversely affect the emergency operations of the Fire Department. Factors to be considered are type of construction, type of fire, location of fire within, means for the spread of fire, occupancy/use, Fire Department access, and the most important factor, whether people have to be rescued.
27. The DCFD indicated that its review of the proposal for construction of a 130 foot mixed used building with all residential units above 90 feet in height as listed in the application appears to create major and undue hardships on the daily operations of the Fire Department. The overall height extension as proposed exceeds the rescue capability of Fire Department aerial ladder trucks (limited to 100 ft. at a 70 ft. climbing angle) currently assigned to protect Square 182.
28. The District of Columbia Department of Recreation (DOR), by memorandum dated May 8, 1989, expressed concern that the applicant's amenity to improve the grounds of U.S. Reservation No. 62 (Daniel Webster Park) was of minimal value to the city. DOR recommended, as a supplement to the applicant's

previous proffer, an open space/landscaping plan for the street-level area and, for the benefit of the apartment residents, a roof-top landscape plan that includes but is not limited to tree planters and seating areas.

29. The District of Columbia Metropolitan Police Department (MPD), by letter dated May 16, 1989, offered no objection to the application and indicated that the proposal will not generate an increase in the level of police services.
30. The District of Columbia Public Schools (DCPS), by memorandum dated May 16, 1989, expressed no opposition to the application and indicated that the residential component of the proposal would not be anticipated to adversely affect school enrollment.
31. Advisory Neighborhood Commission (ANC) 2B, by letter dated May 31, 1989, supported the proposal; subject to the following conditions:
 - a. At least one parking space shall be assigned to each apartment unit (48 units minimum);
 - b. No less than top two floors shall be devoted to bona fide, non-transient residential use;
 - c. All residential lease terms shall be for a minimum of 12 months;
 - d. No room service nor hotel-type services shall be provided to the residential occupants;
 - e. No apartment or room shall be leased on a time sharing basis, nor used as a hotel, motel, boarding house or private club, including fraternity or sorority facility;
 - f. No apartment or room shall be leased to any corporation, partnership, association, joint venture, government agency, trust, or estate, nor to anyone acting for or on behalf of such entity; and
 - g. The applicant shall provide funding or in-kind services for the following improvements at the Ross Elementary School:
 - (1) Attic Renovation;
 - (2) Basement Renovation;
 - (3) Window Replacement;
 - (4) Playground Resurface;

- (5) Fencing repair; and
- (6) Replacement of pipes.

- 32. The National Rifle Association (NRA), party in the proceedings, by letter dated May 11, 1989 and by testimony presented at the public hearing, opposed the application because of potential of the common public alley between the PUD site and the NRA being closed during construction of the PUD. NRA stated that the present alley has a significant volume of delivery traffic, garage traffic and short-cut traffic, and must remain open to prevent a hardship on the NRA and others that use the alley for deliveries, trash pick-up, and access to parking.
- 33. Testimony from persons in opposition to the proposal was received from the Dupont Circle Citizens Association and B'Nai B'rith. Issues of concerns included but not limited to the height of the proposal in excess of 90 feet, an FAR in excess of 7.0, and the potential inability to use the alley between the PUD site and B'nai B'rith during construction of the PUD.
- 34. The principal of Ross Elementary School, by letter dated May 30, 1989, submitted a list of major repair or improvement needs of the school with related cost estimates associated thereto.
- 35. The Zoning Commission concurs with the general position of OP, ANC-2B, and the applicants and believes that the PUD proposal is an appropriate development for the PUD site.
- 36. As to the concerns of ANC-2B, and others regarding parking, residential leasing, transiency, and the contribution to Ross Elementary School, the Commission believes it has adequately addressed the aforementioned in its decision.
- 37. The Commission concurs with the general position of DPW and the applicant, and finds that the PUD proposal would not adversely affect the surrounding transportation system, that the provided on-site parking is adequate, that the substitution of a 30 foot loading berth in lieu of the required 55 foot loading berth is reasonable and adequate, and that the widening of the existing adjacent alleys has been adequately addressed.
- 38. As to the concerns of DPW regarding stormwater runoff, the Commission believes that this concern would be addressed and resolved through the permit review process.

39. The Commission believes that the ground floor of the project should remain at grade level with a corresponding increase in the height of building of 2 feet. The Commission finds that this minor increase in height will not have an adverse impact on the surrounding neighborhood.
40. As to the concerns of DCFD regarding the fire protection of residential units above 90 feet, the Commission is mindful that the revised application reduced the PUD building height from 130 feet to 106 feet. The Commission finds that the residential floors of the project can adequately be protected from fire, pursuant to applicable regulations, including the use of sprinkler systems.
41. As to the concern of DOR regarding residential recreation space, the Commission believes that it has adequately addressed the matter in its decision.
42. As to the concerns of the NRA and others regarding the temporary closing of the alleys, and not structurally damaging neighboring properties, the Commission is mindful that it has no jurisdiction in these matters but believes that applicable procedures and regulations will be applied as is done in matter-of-right development.
43. As to the concern regarding security, the Commission finds that the security measures are no more adversely affected as a result of the PUD proposal than they would be affected by the existing building and the previous hotel use on the PUD site. The Commission, in fact, believes that the alley setback requirements that are included herein, may lessen the security concerns for neighboring owners of property.
44. The Commission finds that the applicants have met the intent and purpose of the Zoning Regulations and further finds that the proposal is suitable for the site, and that the design, height, density, and scale are compatible with the subject neighborhood.
45. The proposed action of the Zoning Commission was referred to the National Capital Planning Commission (NCPC), under the terms of the District of Columbia Self-Governmental and Government Reorganization Act. The NCPC, by report dated September 7, 1989, indicated that the proposed action of the Zoning Commission would not adversely affect the Federal establishment or other Federal interests in the National Capital or be inconsistent with the Comprehensive Plan for the National Capital.

CONCLUSIONS OF LAW

1. The Planned Unit Development process is an appropriate means of controlling development of the subject site, because control of the use and site plan is essential to ensure compatibility with the neighborhood.
2. The development of this PUD carries out the purposes of Chapter 24 to encourage the development of well-planned residential, commercial and mixed-use developments which will offer a variety of building types with more attractive and efficient overall planned and design not achievable under matter-of-right development.
3. The development of this PUD is compatible with city-wide goals, plans and programs, and is sensitive to environmental protection and energy conservation.
4. Approval of this application is not inconsistent with the Comprehensive Plan for the National Capital.
5. The approval of this application is consistent with the purposes of the Zoning Act.
6. The proposed application can be approved with conditions which ensure that the development will not have an adverse affect on the surrounding community, but will enhance the neighborhood and ensure neighborhood stability.
7. The approval of this application will promote orderly development in conformity with the entirety of the District of Columbia zone plan, as embodied in the Zoning Regulations and Map of the District of Columbia.
8. The Zoning Commission has accorded to the Advisory Neighborhood Commission 2B the "great weight" consideration to which it is entitled.
9. This application is subject to compliance with D.C. Law 2-38, the Human Rights Act of 1977.

DECISION

In consideration of the Findings of Fact and Conclusions of Law herein, the Zoning Commission for the District of Columbia hereby orders APPROVAL of this application for consolidated review of a Planned Unit Development ("PUD") and change of zoning for lot 824, in Square 182 located at 1616 Rhode Island Avenue, N.W. The approval of this PUD is subject to the following guidelines, conditions and standards:

1. The Planned Unit Development ("PUD") shall be developed in accordance with the plans prepared by the Weihe Partnership Architects marked as Exhibits No. 20B and 24 of the record as modified by the guidelines, conditions and standards of this Order.
2. The PUD site shall be developed with a mixed use structure which will contain a mixture of residential, retail and office uses.
3. The floor area ratio (FAR) of the building shall not exceed 8.5 of which a maximum of 6.86 FAR shall be devoted to office/retail use, and a minimum of 1.64 FAR shall be devoted to residential use.
4. The height of the building shall not exceed one hundred six (106) feet.
5. The total lot occupancy of the project shall not exceed ninety-three percent (93%) of the site.
6. The project shall be developed with not less than forty-eight (48) residential units on floors 9 and 10 of the project. The total number of residential units on the two floors shall not exceed fifty-two (52).
7. The applicant may combine space in the residential units of the development to create larger apartments in response to market conditions.
8. At least 9,000 square feet of floor area at the street level of the building shall be devoted to retail uses.
9. There shall be minimum of 125 on-site parking spaces for the commercial uses in addition to which there shall be not less than one assigned parking space for each residential unit, designated for use by the residential tenants. The applicant may provide additional parking in the vault space as shown on Exhibit No. 24 of the record.
10. Recreation space shall be provided on the 9th floor of the building as shown on Exhibit No. 24 of the record.
11. No hotel, motel, boarding house and private club uses or activity of any kind, either open or covert shall be conducted or permitted on floors 9 and 10 of the project, and no portion of these two floors shall be converted to any such use or activity.
12. All leases for the residential units shall be for a minimum of 12 months.

13. No residential unit shall be leased to any corporation, partnership, association, joint venture, government agency, trust, estate, or the like.
14. Loading areas, driveways, and walkways shall be located on the site, as shown on Exhibit No. 24 of the record.
15. Landscaping shall be provided as shown on Exhibit No. 24 of the record.
16. The applicant shall have flexibility with respect to the following matters:
 - a. Varying the location and design of all interior components, including partitions, structural slabs, doors, hallways, columns, stairways, location of elevators, and electrical and mechanical rooms, provided the variations do not change the exterior configuration of the building including the penthouse;
 - b. Making minor adjustments in the facade, window and balcony detailing, including the flexibility to shift the location of the doors to the retail uses on the ground floor and vary the type of paneling used on the retail frontage in order to accommodate the different types of retail uses, provided that the applicant shall submit the aforementioned to the Zoning Commission for final approval which the Commission may determine to grant without having a further public hearing.
 - c. Varying the location and type of exterior lighting fixtures.
 - d. Varying the final selection of the exterior materials within the color ranges and material types as proposed, based on availability at time of construction, provided the applicant shall submit the aforementioned to the Zoning Commission for final approval which the Commission may determine to grant without having a further public hearing.
 - e. Varying the species but not the size of plant materials;
17. The Zoning Commission reserves the discretion to determine the proceedings by which it will consider any matter submitted to it pursuant to Paragraphs b and d of Condition No. 16 of this Order.
18. The applicant shall relinquish 2 1/2 feet setback at the right-of-way lines of the alleys to the east and west of the PUD site for a height of not less than

two (2) stories. Such setback areas shall be improved at the alley level to allow for unobstructed vehicular use for public purposes.

19. The applicant shall execute a binding agreement with the D.C. Board of Education or D.C. Public Schools, which provides that the applicant shall contribute a minimum of \$150,000.00 towards the renovation or repairs of the John W. Ross Elementary School.
20. The applicant shall enter into a Memorandum of Understanding with the Minority Business Opportunity Commission, which requires the applicants to make a bona fide effort toward at least thirty-five (35) percent of the construction related contracts for the project to certified minority business enterprises.
21. The applicant shall enter into a First Source Agreement with the Department of Employment Services ("DOES") which provides that the applicant will use DOES as its first source for the recruitment, referral and placement of employees in connection with the construction of the project.
22. The change of zoning from SP-2 to C-4 for lot 824 in square 182 shall be effective upon recordation of a PUD covenant, pursuant to 11 DCMR 2407.3
23. No building permit shall be issued for the site until the applicant has recorded a covenant in the land records of the District of Columbia between the owner and the District of Columbia satisfactory to the Office of Corporation Counsel and the Zoning Regulation Division of the Department of Consumer and Regulatory Affairs (DCRA). The covenant shall bind the owner and all successors in title to construct on and use of the property in accordance with this Order and amendments thereto of the Zoning Commission.
24. The Zoning Secretariat shall not release the record of this case to the Zoning Regulations Division of the DCRA until the applicant has filed a certified copy of said covenant with the records of the Zoning Commission.
25. The PUD approved by the Zoning Commission shall be valid for a period of two years from the effective date of this Order. Within such time, application must be filed for a building permit as specified in Subsection 2407.1 DCMR Title 11. Construction shall start within three years of the effective date of this Order.
26. Pursuant to D.C. Code Sec. 1-2531 (1987), Section 267 of D.C. Law 2-38, the Human Rights Act of 1977, the

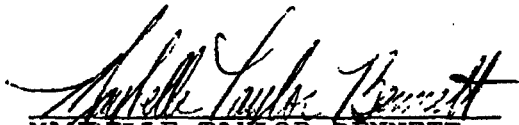
applicant is required to comply fully with the provisions of D.C. Law 2038, as amended, codified as D.C. Code, Title 1, Chapter 25, (1987), and this Order is conditioned upon full compliance with those provisions. Nothing in this Order shall be understood to require the Zoning Regulations Division/DCRA to approve permits, if the applicant fails to comply with any provisions of D.C. Law 2-38, as amended.

Vote of Zoning Commission taken at the public meeting on July 10, 1989: 5-0 (Maybelle Taylor Bennett, Lloyd D. Smith, John G. Parsons, William L. Ensign and Lindsley Williams, to approve with conditions).

The guidelines, conditions and standards were approved by Zoning Commission at its public meeting on August 7, 1989.

This order was adopted by the Zoning Commission at the public meeting on November 13, 1989 by a vote of 4-0 (Lloyd D. Smith, William L. Ensign, Maybelle Taylor Bennett and John G. Parsons, to adopt as amended).

In accordance with 11 DCMR 3028, this order is final and effective upon publication in the D.C. Register, that is on
DEC 15 1989.


MAYBELLE TAYLOR BENNETT
Chairperson
Zoning Commission


EDWARD L. CURRY
Executive Director
Zoning Secretariat

ORDER NO. 638F

Government of the District of Columbia

ZONING COMMISSION



ZONING COMMISSION ORDER NO. 638-F*

Case No. 98-12M

**(Modification of Planned Unit Development
for 1616 Rhode Island Avenue, N.W.)**

December 14, 1998

Pursuant to notice, the Zoning Commission for the District of Columbia held a public hearing on December 3, 1998, to consider an application from Rhode Island Associates Limited Partnership for a modification to a previously approved Planned Unit Development ("PUD"), pursuant to Chapter 24 of the District of Columbia Zoning Regulations, Title 11, Zoning. The public hearing was conducted in accordance with the provisions of 11 DCMR 3022.

FINDINGS OF FACT

1. On March 6, 1998, the Rhode Island Associates Limited Partnership ("Applicant") filed an application for a modification to a PUD previously approved by Zoning Commission Order No. 638, pursuant to Zoning Commission Case No. 88-32C, as modified and extended by Zoning Commission Order Nos. 638-A, 638-B, 638-C, 638-D and 638-E, hereinafter "Original PUD."

The Original PUD permitted the construction of a single mixed-use building containing residential, office and retail space. The height of the building was approved to be 106 feet and the floor area ratio (FAR) was not to exceed 8.5, of which no more than 6.86 was to be devoted to commercial use and of which 1.64 FAR was to be devoted to residential use. The first eight floors of the building were for office use with ground floor retail and the top two floors for residential use with a maximum of fifty-six apartments. The PUD permitted 125 parking spaces for commercial uses and not less than one parking space for each apartment unit, with the total number of parking spaces on the site permitted to vary from 173 to 177.

The current zoning of the site, in conjunction with the Original PUD, is C-4. The C-4 Zone District is a high density commercial and mixed-use zone. The maximum height permitted is 130 feet, so long as the street abutting the site is at least 110 feet wide, the maximum bulk permitted is 10.0 FAR, and the maximum lot occupancy permitted is 100%.*

*Published in the D.C. Register on February 26, 1999 as Zoning Commission Order No. 871.

Under the PUD Regulations, the Zoning Commission has the authority to impose development conditions, guidelines and standards which may exceed, or may be less than, the matter of right standards identified above. The Zoning Commission may also approve uses that are permitted as special exceptions by the BZA or approve development variances that are required by the project design.

The present modification is requested in order to permit the redesign of the PUD to allow for two buildings instead of one. One building, on a separate lot, will be for the use of the University of California and will be predominately residential apartments for use by the University's Washington Center. It will also accommodate the Center's academic program with space for faculty and graduate student offices, administrative office/support, classrooms and the University's Office of Federal Government Relations. The University of California building will consist of eleven stories with approximately 147,305 square feet of gross floor area at a FAR of 8.5 on its lot of approximately 17,330 square feet. Approximately 99,750 of the total gross floor area will be for residential use. The apartments will occupy the 4th through 11th floors. The building will also have space for ancillary services typical of an apartment building and recreational space. The first three floors will accommodate the University's academic program and other needs. The building will have 44 parking spaces in an underground garage.

The second building, on its own lot, will be for use by Homestead Village, Inc. as an extended-stay inn. The Homestead Village building will consist of eleven stories with approximately 121,000 square feet of gross floor area, at a FAR of 7.9 on its own lot of approximately 15,396 square feet. This building, an inn, will be comprised of 220 units. Guest units will include living, sleeping, bathrooms and fully equipped kitchen areas. The guest rooms will occupy the second through eleventh floors. The first floor of the building will have ancillary services typical of an inn and an exterior garden of approximately 3,000 square feet. The penthouse will house, in addition to mechanical equipment, a self-service laundry and an exercise room for guests. The building will have 57 parking spaces below grade in an underground garage.

The modification decreases the total FAR of the project to 8.2, of which 5.15 FAR will be devoted to non-residential uses including academic/office/inn uses, and 3.05 FAR will be devoted to residential use. The modified bulk and massing of the project is consistent with the approval of the Original PUD. The height of building of neither of the buildings in the modified PUD will exceed 106 feet. The total lot occupancy of both buildings prior to subdivision in the modified PUD will be seventy-nine percent.

A representative of the University of California testified that it is a contract purchaser of a portion of the PUD site and it seeks to buy it in order to establish a permanent location for its Washington Center program which currently exists in leased facilities. The University representative indicated that its Board of Regents has approved the funding of the purchase and development of its portion of the property. The representative testified

that the estimated time for construction of the University building is eighteen months, tentatively scheduled to begin in August 1999.

A representative of Homestead Village, Inc. testified that it is a contract purchaser of the balance of the site. He stated that Homestead intends to build and operate an extended stay inn on the property, targeted at traveling business professionals, with a length of stay averaging between two and three weeks. He also indicated that Homestead Village's inns were unique in that units have kitchens, sleeping quarters and living areas. Further, the inn will have no restaurant or ancillary retail space. He testified that the estimated time for construction of the Homestead Village building is fourteen months, tentatively scheduled to begin in August 1999.

The project architect testified as an expert in architecture and site planning, on behalf of the Applicant, and stated that by providing for two buildings instead of one, the modified PUD will be more in scale with other buildings in the surrounding neighborhood. He also testified that the height of both buildings will be no higher than 106 feet and the total FAR will be reduced from the Original PUD from 8.5 to 8.2. The architect stated that both the eastern and western alleys adjacent to the property will be effectively widened by the plans and that two (loading) berths for each building would be provided. The architect testified that the University building and the Homestead building fit well together on this site. He stated that the uses proposed in the modification are appropriate for the site given its location as a transition area between the Downtown and DuPont Circle. He also opined that the modification is not inconsistent with the Comprehensive Plan and is consistent with the intent and purposes of the Zoning Regulations.

The Applicant's transportation consultant, recognized as an expert by the Commission, testified that the project will have no adverse transportation impact on the surrounding neighborhood. He also testified that the parking provided for both buildings is more than adequate. He stated that there is no need for a 55 foot loading berth in either building based on the proposed uses.

The Applicant presented as amenities and benefits in addition to those contained in Zoning Commission Order No. 638: (a) an increase in housing in the PUD from approximately 53,670 gross square feet in the Original PUD to approximately 99,750 gross square feet proposed in the modification; (b) a \$25,000 donation by Homestead Village, Inc. to the National Park Service for improvements to Dupont Circle Park; (c) a mentoring program to be established between the University of California and Ross Elementary School (or substitute school mutually acceptable to the University and ANC 2B if Ross is closed); (d) a \$10,000 donation from the Applicant to the Dupont Circle Citizens' Association for the completion of the Dupont Circle Resource Center; and (e) tax revenue for the District of Columbia in excess of \$1.5 million annually.

The Commission notes that three of the amenities and benefits required pursuant to

applicant had agreed to submit plans to the Zoning Commission that did not include space for human occupancy above the 106 foot height. The Applicant did not submit any additional plans to the Zoning Commission, as the record was closed at the time. The Commission finds that the original plans submitted contained a self-service laundry and an exercise room for guests in the roof penthouse. This space does not exceed any limits imposed by the Act of 1910, since the building and roof structure are below the 130 foot height permitted. Pursuant to Section 2405.7, the Zoning Commission can approve use of a roof structure below the limits of the Act of 1910 by exercising the authority otherwise conferred upon the Board of Zoning Adjustment by Section 411.11.

CONCLUSIONS OF LAW

1. The PUD process is an appropriate means of controlling development of the site in a manner consistent with the best interest of the District of Columbia.
2. The development of this PUD project carries out the purposes of Chapter 24 of the Zoning Regulations to encourage the development of well planned developments which will offer a variety of building types with more attractive and efficient overall planning and design, not achievable under matter of right development.
3. Approval of this PUD modification and change of zoning is not inconsistent with the Comprehensive Plan.
4. The proposed PUD meets the minimum area requirements of Section 2401.1 of the Zoning Regulations.
5. Approval of this PUD modification application is appropriate because the application is generally consistent with the present character of the area.
6. The Commission takes note of the position of Advisory Neighborhood Commission 2B, and in its decision has accorded to the ANC the "great weight" consideration to which it is entitled.
7. The approval of the modification application will promote the orderly development of the site in conformity with the entirety of the District of Columbia zone plan as embodied in the Zoning Regulations and Map of the District of Columbia.
8. The proposed modification application can be approved with conditions which will ensure that development will not have an adverse effect on the surrounding area.
9. The modification application is subject to compliance with D.C. Law 2-38, the Human Rights Act of 1977.

DECISION

In consideration of the Findings of Fact and Conclusions of Law contained in this order, the Zoning Commission for the District of Columbia orders **APPROVAL** of this application for modification to the Original PUD approved by Z.C. Orders Nos. 638 through 638-E, for property located in Square 182, Lot 80. Zoning Commission Orders Nos. 638 through 638-E are hereby amended as follows:

1. The Planned Unit Development (PUD) site shall be developed in accordance with the drawings prepared by Harman-Cox Architects and Esocoff and Associates Architects, dated October 3, 1998, marked as Exhibit 20, and as modified by the guidelines, conditions and standards as follows:
2. The project shall be a mixed-use project consisting of the construction of two separate buildings containing academic, office, residential and inn uses. The property may be subdivided into two lots of record.
3. The total FAR of the PUD (both buildings combined) will be 8.2, of which 5.15 FAR will be devoted to non-residential uses including academic/office/extended stay uses, and 3.05 FAR will be devoted to residential use. The University building shall have a total FAR not to exceed 8.5 and the inn shall have a total FAR not to exceed 7.9.
4. The maximum height building of either building shall not exceed 106 feet.
5. The lot occupancy of the project (both buildings) shall not exceed seventy-nine percent of the total site as it exists before subdivision.
6. The University building shall provide a minimum of 44 parking spaces, and the inn shall provide a minimum of 57 parking spaces.
7. Landscaping shall be provided as shown on the plans marked as Exhibit No. 20 of the record. The yards, courts, driveways and loading berths of the PUD shall be as shown on the plans marked as Exhibit No. 20 of the record.
8. The University building shall be set back from its east property line by five feet (to a height of fourteen feet) in order to effectively widen the public alley from ten to fifteen feet; additionally, the inn shall be set back from its western property line by eleven feet (to a height of fourteen feet) thus increasing the effective width of the alley to twenty-one feet.

9. In addition to the requirements of Zoning Commission Order No. 638 which have been performed by the Applicant, namely, a \$150,000 donation to the District of Columbia Board of Education, the First Source Agreement executed with the Department of Employment Services and the Memorandum of Understanding executed with MBOC, the following additional benefits shall be provided:
 - (a) the Applicant shall make a \$10,000 donation to the Dupont Circle Citizens Association for the completion of the Dupont Circle Resource Center prior to the first to occur of (1) the issuance of a building permit for the inn or (2) the issuance of a building permit for the University building;
 - (b) prior to the issuance of a building permit for the inn, a \$25,000 donation shall be made by Homestead Villages, Inc. to the National Park Service for improvements to Dupont Circle Park.; notwithstanding paragraph 9(c) below, this obligation encumbers only the portion of the property designated for inn use; and
 - (c) prior to the issuance of a Certificate of Occupancy to the University, a mentoring program between the University of California and Ross Elementary School shall be established. Ross Elementary School may be substituted with another school mutually acceptable to the University and ANC 2B, if Ross is closed; notwithstanding Paragraph 9(b) above, this obligation encumbers only the portion of the property designed for University use.
10. The Applicant shall have the necessary flexibility to make adjustments to the project with respect to the location and design of all interior components, including partitions, slabs, doors, hallway columns, stairways, location of elevators, electrical and mechanical rooms, provided that the variations do not change the exterior configuration of the building, and to vary the location and types of parking spaces provided and other modifications to the below grade space to accommodate the needs of the Applicant and handicapped persons and required structural and mechanical building elements.
11. If both contract purchasers fail to consummate the purchase of their respective portions of this property, and the Applicant does not effectuate the terms and conditions of the Original PUD or otherwise achieve amendments thereto from the Zoning Commission, the zoning of the property shall revert to the SP-2 Zone District. If one, but not the other, of the contract purchasers does not consummate the purchase of its respective portion of the property, the Applicant shall file a PUD modification request, for the portion of the property remaining in Applicant's ownership, within 120 days of the date of the termination of the contract purchaser's right to purchase. The requirement to file the further PUD modification required by this Paragraph 11 shall not affect the portion of the property no longer owned by the Applicant. Such further PUD modification application shall include all the requirements of the Zoning Regulations for modifications to a PUD and a specific plan and timetable for Applicant's completion of said further PUD modification.

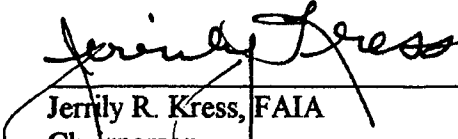
12. Pursuant to the intent of 11 DCMR 2407.3, no building permit shall be issued by the Department of Consumer and Regulatory Affairs (DCRA) for the PUD modification until the Applicant has recorded a "Notice of Modification" of Z.C. Order No. 638 in the Land Records of the District of Columbia. That Notice of Modification shall include a true copy of Z.C. Order Nos. 638, 638-A, 638-B, 638-C, 638-D, and 638-E and this Order that the Director of the Office of Zoning has so certified. The recordation of the Notice of Modification shall bind the Applicant, and the successors in title to the property, to construct on and use this site in accordance with this order and any amendments thereof.
13. After recordation of the Notice of Modification, the Applicant shall promptly file a certified copy of that Notice of Modification with the Office of Zoning for the records of the Zoning Commission.
14. The Office of Zoning shall not release the record of this case to the Zoning Division of DCRA until the Applicant has satisfied Conditions Nos. 11 and 12 of this order.
15. The PUD modification approved by the Zoning Commission shall be valid for a period of two years from the effective date of this order. Within such time, applications must be filed for building permits as specified in 11 DCMR 2409.1. Construction shall begin within three years of the effective date of this order.
16. Pursuant to D.C. Code Section 1-2531 (1991), Section 267 of D.C. Law 2-38, the Human Rights Act of 1977, the Applicant is required to comply fully with the provisions of D.C. Law 2-38, as amended, codified at D.C. Code, Title 1, Chapter 25 (1991), and this order is conditioned upon full compliance with those provisions. Nothing in this order shall be understood to require the Zoning Regulations Division of DCRA to approve permits if the Applicant fails to comply with any provision of D.C. Law 2-38, as amended.

Vote of the Zoning Commission taken at its public hearing on December 3, 1998: 3-0 (Herbert M. Franklin, Anthony J. Hood, John G Parsons to approve with conditions).

The order was adopted by the Zoning Commission at its monthly public meeting on December 14, 1998, by a vote of 3-0: (John G. parsons, Herbert M. Franklin, and Anthony J. Hood to approve as amended; Jerrily R. Kress and Angel F. Clarens not voting, not having participated in the case).

In accordance with the provisions of 11 DCMR 3028, this order shall become final and effective upon publication in the D.C. Register; that is, on **FEBRUARY 26, 1999**.

ZONING COMMISSION ORDER NO. 638-F
Z.C. CASE NO. 98-12M
PAGE NO. 9


Jennily R. Kress, FAIA
Chairperson
Zoning Commission


Sheri Pruitt-Williams
Acting Director
Office of Zoning

ZCO638-F/SPW

EXHIBIT B

SUBJECT PHOTOGRAPHS



Subject's Frontage on Rhode Island Avenue



Subject's Frontage and California Regent's Building



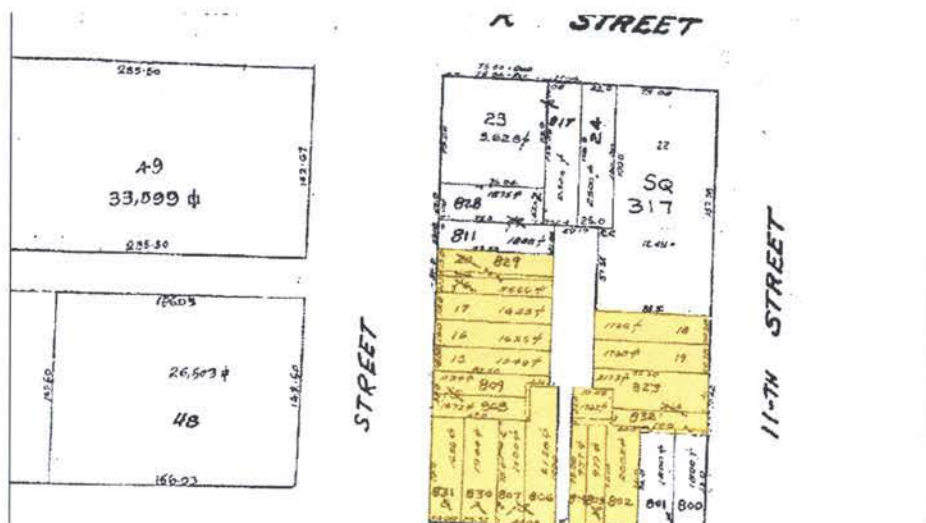
Subject's Parking Lot and Alley at Western Elevation



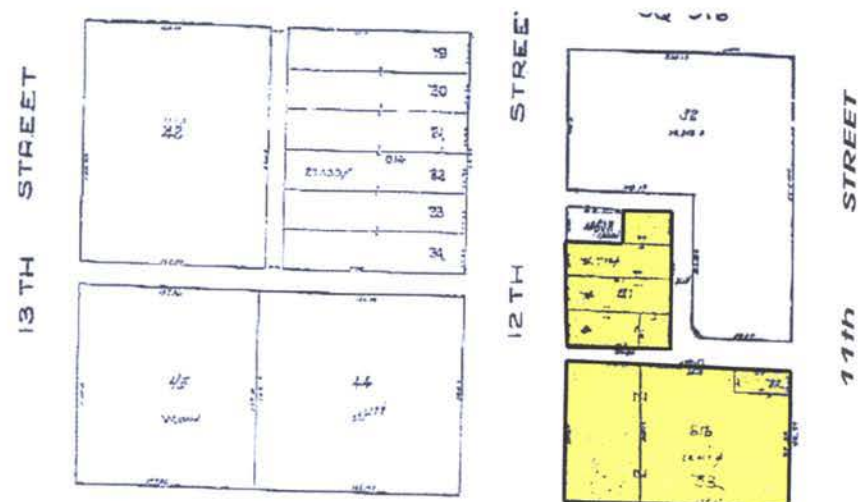
The Regent's Building Elevation From Rhode Island Avenue

EXHIBIT C

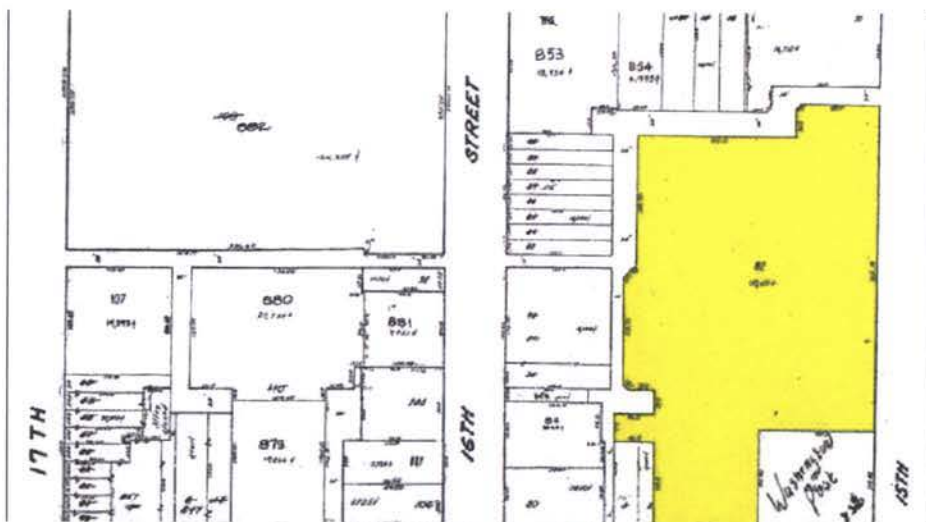
OFFICE LAND SALE PLATS



1101 New York Avenue, NW



1001 12th Street, NW



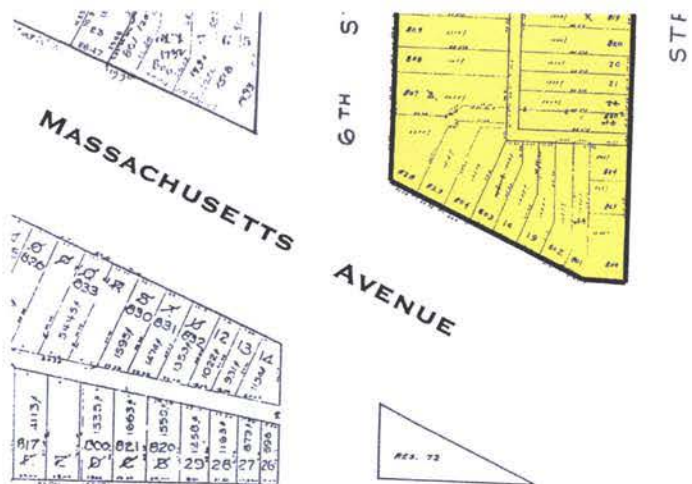
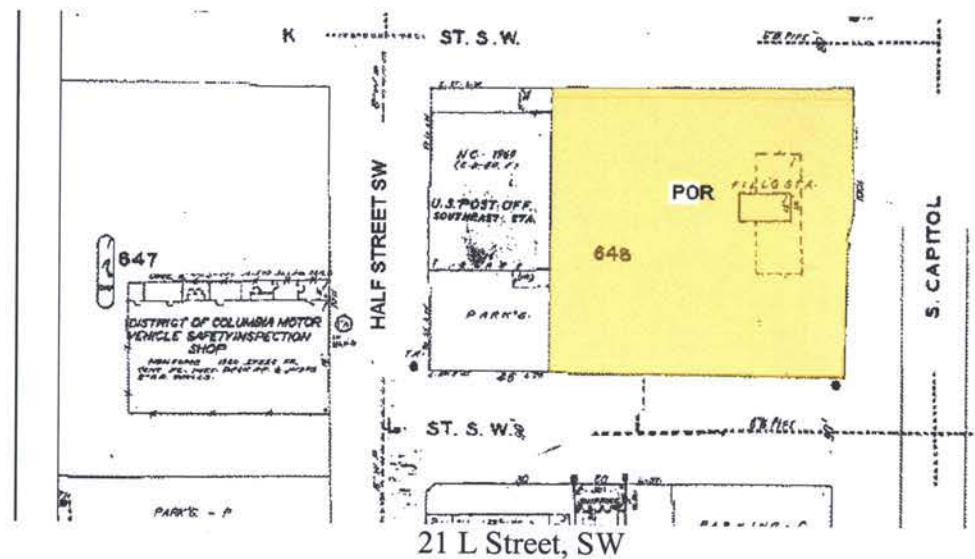
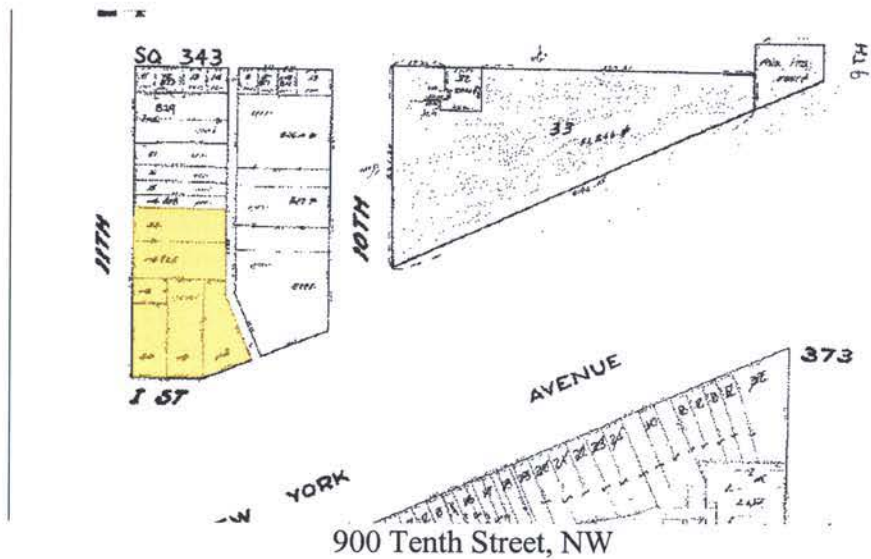
1150 15th Street, NW



1101 15th Street, NW

EXHIBIT D

HOTEL LAND SALE PLATS



599/555 Massachusetts Avenue, NW

EXHIBIT E

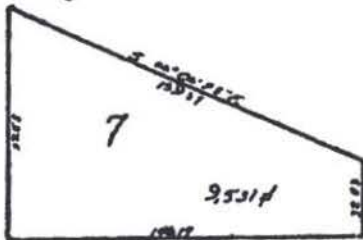
TAX PLAT

ST.

17TH

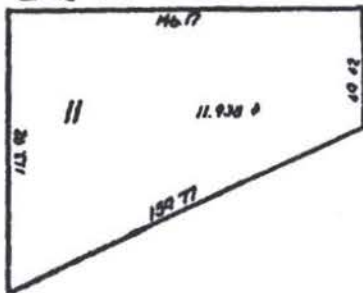
SQ S. 181

AVE

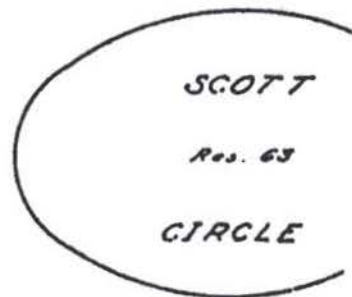


N STREET

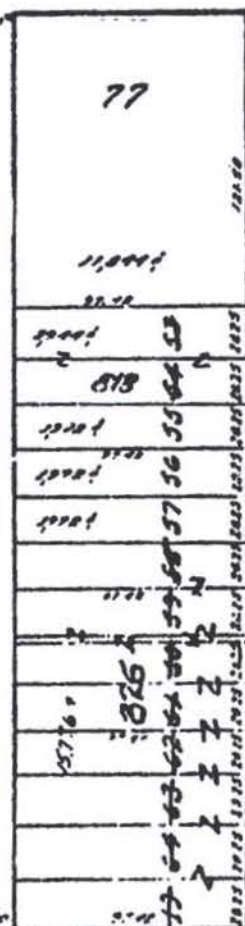
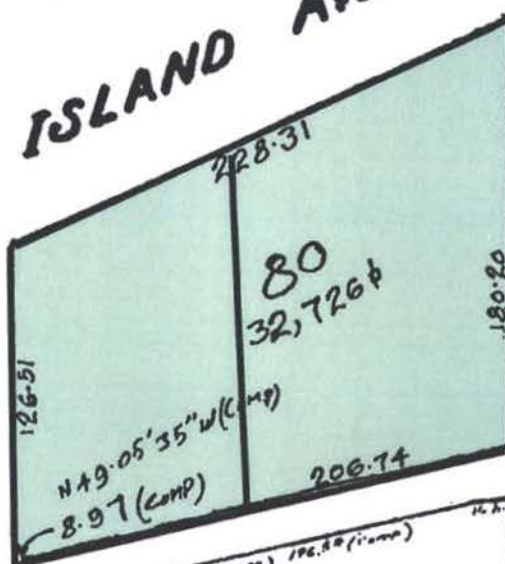
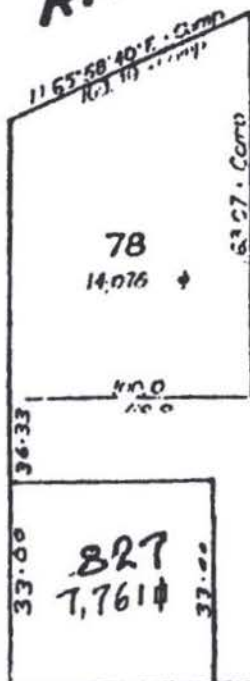
SQ N 182



BATAAN ST



RHODE ISLAND AVENUE N



16TH ST.

SQUARE 182

EXHIBIT F
QUALIFICATIONS

QUALIFICATIONS - OAKLEIGH J. THORNE, MAI, CRE

PROFESSIONAL EDUCATION

State University of New York, New Paltz, New York (B.S. 1964)
American University, Washington, D.C. (Graduate Studies 1969-1972)

Appraisal Institute (formerly, American Institute of Real Estate Appraisers):

- Course 1A1, Real Estate Appraisal Principles (1966)
- Course 1A2, Basic Valuation Procedures (1966)
- Course 1B-A&B, Capitalization Theory and Techniques (1967)
- Course 2-1, Case Studies in Real Estate Valuation (1968)
- Course 6, Investment Analysis (1969)
- Course 4, Condemnation (Successfully Challenged the Exam, 1969)
- Course 2-3, Standards of Professional Practice (1987, 1990, 1993)
- Course 410, Standards of Professional Practice Part A (1996, 1999)
- Course 420, Standards of Professional Practice Part B (1996, 1999)
- Virginia Mandated Law Course (1998, 1999, 2000)
- Course 550, Advanced Applications (2001)
- USPAP Course - Six hours (2002)
- USPAP Course - Sixteen hours (2002)
- Evaluating Commercial Construction - Sixteen hours (2003)
- Case Studies in Partnership and Common Tenancy Valuation - Fourteen hours (2004)
- USPAP Course - Seven hours (2005)

PROFESSIONAL EXPERIENCE

- 1990 Thorne Consultants, Inc., Principal; Engaged in servicing clients' real property counseling and appraisal needs throughout the Washington Metropolitan Region.
- 1988 - 1990: Huntmar Associates, Ltd., Director of Acquisitions and Finance, Fairfax, Va.; Responsible for the purchase of investment-grade real estate in the Mid-Atlantic region for European equity funds and office building and flex-space sites for new product development.
- 1980 - 1988: Coldwell Banker, First Vice President and Regional Manager of Consultation Division, Washington, D.C.; Engaged in business development and P&L performance for East Coast consultation offices.
- 1978 - 1980: U. S. Railway Association, Washington, D.C.; Contracted, coordinated and reviewed land use, feasibility and appraisal reports involving the Association's litigation with ConRail and six additional bankrupt railroads.
- 1976 - 1978: Richard Roberts Co., Vice President, Hartford, Conn.; Acquired \$50 million of rental apartment and office products from R.E.O. accounts of financial institutions.
- 1974 - 1976: American Real Estate Advisors, Inc., President, Washington, D.C.; Developed new business and counseled in multiple areas of real estate analysis for both leveraged and cash investments.
- 1969 - 1973: Real Estate Research Corporation, Vice President, Washington, D.C.; Responsible for administration of staff and development of new business.
- 1965 - 1969: C. L. Orbaker and Associates, Inc., Poughkeepsie, N.Y.; Wrote consulting and valuation reports on commercial properties.

PROFESSIONAL APPRAISAL LICENSES AND CERTIFICATION

- State of Maryland # 04-1956; valid through January 17, 2007
- District of Columbia # 10140; valid through February 28, 2006
- Commonwealth of Virginia # 4001 - 001708; valid through July 31, 2006
- Appraisal Institute - Continuing Education Completed; valid through December 31, 2008

PROFESSIONAL MEMBERSHIPS

Appraisal Institute:

- MAI, Member No. 4615, 1971-present
- Member, National Education Committee, 1973-1975
- Member, Washington Metropolitan Area Chapter No. 18, 1971-present
- Chairman, Education Committee, Washington Metropolitan Area Chapter No. 18, 1980-1982

The Counselors of Real Estate:

- CRE, Member No. 973, 1984-present
- Member, National Education Committee, 1986-1988

Urban Land Institute (ULI):

- Sustaining Member, 1970-present
- Served on the Commercial and Retail Development Council, 1985-1987

ACADEMIC AFFILIATIONS/ACTIVITIES

Urban Land Institute (ULI):

- Member of Advisory Services Panel for ULI Conference on "Adaptive Re-Use of World Fair Site in Knoxville, Tennessee," July 1998
- Member of Advisory Services Panel for ULI Conference on "Downtown Housing and Retail Strategies Evaluation for the City of Columbus, Ohio," September 1985

The Counselors of Real Estate (CRE):

- Assignment and Fees," Convention of American Rural Real Estate Brokers, Washington, D.C., May 2004
- Panel Speaker, "The Georgetown Park Story," Convention of ASREC in Washington, D. C., Spring 1988
- Discussion Group Leader, "Practice Development for Counselors," Convention of ASREC, Honolulu, Hawaii, November 1987
- Panel Moderator, "Canadian Real Estate Development Perspective," Convention of ASREC (representative companies included Olympia and York, Cadillac Fairview, Trizec and Bramalea), Toronto, Canada, May 1986

Appraisal Institute (MAI):

- Panel Moderator, "Eminent Domain Issues in Metropolitan Washington, D.C.," September 1998
- Instructor, "Course 550," 1992-2001, at various universities throughout the United States including American University in Washington, D.C.
- Instructor, "Capitalization Theory and Techniques, Part B" and "Case Studies in Real Estate Valuation" (Course 550), 1978-1992, at American University and at other locations
- Instructor, "Market Analysis," 1978-1982, at various universities throughout the United States

PCIA (Wireless Infrastructure Association):

- Panel Speaker, PCIA National Conference on Zoning and Land Use Issues, Washington, D.C., October 2002
- Panel Speaker, "Consulting Assignments and Fees," Realtor Land Institute, McLean, Virginia, May 2004

National Association of Real Estate Investment Trusts (NAREIT):

- Speaker, "Analytical Techniques for Calculating Loan Loss Reserves," Bermuda, 1975

American Management Association (AMA):

- Speaker, "Corporate Involvement with Real Estate," New York City, 1974

PUBLICATIONS

"Demand for Biomedical Facilities," *Real Estate Issues*, The Counselors of Real Estate, Spring 2000

"The Changing Role of the Counselor," *Real Estate Issues*, The Counselors of Real Estate, Fall 1999

"The Tenant Representation Process," *Perspective*, SIOR, March/April 1988

"The Electronic Spreadsheet and Participating Lenders' Yields," *Appraisal Journal*, April 1988

"Joint Ventures in the Eighties," *Real Estate Review*, Summer 1988

"Comparative Lease Aging and Lotus 1-2-3," *Real Estate Review*, Spring 1985

"Corporate Real Estate Management and Value," Tape Cassettes, Society of Real Estate Appraisers, 1979

"Development Strategy," *Industrial Development Handbook*, Urban Land Institute, 1975

"Marketability and Market Analysis," curriculum for seminar, Society of Real Estate Appraisers, 1974

"Financial Analysis - The State of the Art," *Appraisal Journal*, January 1974 (This article won the Institute's 1975 Charles B. Shattuck Award.)

CURRENTLY UNPUBLISHED MANUSCRIPTS

- "Connecting Universities With Surplus Real Estate"
- "Estimating the Value of a Basket of Securities in a Lead Trust"

REPRESENTATIVE CLIENTS

Thorne Consultants, Inc.'s client base consists of attorneys, commercial banks, investors, developers, public sector agencies, life insurance companies, pension funds and partnership entities for both domestic and foreign investors.

EXPERT TESTIMONY

Mr. Thorne is qualified as a real estate expert witness in regional, State and Federal District courts concerning such litigation issues as partnership disputes, pension fund asset values, environmental contamination, condemnation and bankruptcy.

CAREER SUMMATION

Mr. Thorne has more than forty years of experience in the real estate industry in a vast array of activities including site acquisition for office building and flex-space product development; construction bidding and management; financing; apartment property management; office tenant representation; long-term corporate strategic planning; participating debt structure alternatives; financial investment characteristics; valuation of real property; and counseling clients on real estate market economics. He has performed appraisals on properties including, but not limited to, apartment complexes; condominium projects (residential, commercial and industrial); cooperatives; hotels and motels; industrial facilities; vacant land (raw and developed); nursing homes; day care centers; office buildings; planned unit developments; retail facilities; rights-of-way; restaurants; parking garages; golf courses; country clubs; schools; churches; health clubs; and shopping centers (neighborhood strips, community centers and regional malls). Valuation appraisals as well as evaluation assignments (market studies, feasibility analyses, etc.) have been completed on existing, partially completed and proposed development.