HOLLAND & KNIGHT LLP

2099 Pennsylvania Avenue, N.W.
Suite 100
Washington, D.C. 20006-6801

202-955-3000
202-955-5564 Fax
www.hklaw.com

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STEVEN E. SHER
DIRECTOR OF ZONING
AND LAND USE SERVICES
202-663-7278
Internet Address:
ssher@hklaw.com

February 23, 2004

VIA HAND DELIVERY

D.C. Zoning Commission
Suite 210
441 4th Street, N.W.
Washington D.C. 20001

Re: Zoning Commission Case No. 03-16
Watergate Hotel PUD Modification
Report of Basile Baumann Prost and Associates, Inc.

Dear Members of the Commission:

Attached, as requested by Counsel for Watergate East, Inc., please find a copy of the Economic and Fiscal Impact Analysis report of Basile Baumann Prost & Associates, Inc., on the proposed conversion of the Watergate Hotel to an apartment house. The report, dated May 1, 2003, was submitted as a part of the application for modification of the planned unit development. The analysis and conclusions of the report have not changed; the only difference is that all of the back-up tables which are the appendices to the report are included.

Copies of this report were sent to Counsel for Watergate East, Inc., and Watergate West, Inc., as requested. We submit the full report so that the Zoning Commission would have the same information requested by others.

Sincerely,

Norman M. Glasgow, Jr.

Steven E. Sher
Director of Zoning and Land Use Services

Attachment

ZONING COMMISSION
District of Columbia
CASE NO.03-16
EXHIBIT NO.60

Economic and Fiscal Impact Analysis for the *Watergate Hotel* and *Proposed Watergate Condominium Project*



Prepared by:

Basile Baumann Prost &
Associates, Inc.
Nichols Center, Suite 10
177 Defense Highway
Annapolis, MD 21401

Submitted to:

Asheel Shah
Monument Residential, LLC
1155 Connecticut Avenue, NW
7th Floor
Washington, DC 20036

May 1, 2003

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1 Introduction

Purpose

The subject of the economic and fiscal impact analysis is the Watergate Hotel which consists of a 13-story structure containing 250 guest rooms and three sub-levels containing 12,900 square feet of meeting space, a casual full-service restaurant, a 12,421 square foot full-service health club, support retail space, and a 75-space valet parking garage.

Originally built in 1969 as a luxury apartment building, the Hotel is part of the six-building Watergate complex, which includes three luxury cooperative residents containing 620 units, 500,000 square feet of office space, and several boutique retailers. The Watergate Hotel is located in the West End's Foggy Bottom neighborhood and is adjacent to the Kennedy Center for the Performing Arts on the banks of the Potomac River. The Hotel is located a short walk to Georgetown, the CBD, the National Mall and many of Washington's cultural destinations.

Objective/Organization of the Economic and Fiscal Impact Analysis

The objective of the economic and fiscal impact analysis is to compare the existing tax revenue that is generated by the Watergate Hotel to the potential tax revenue that would be generated if the hotel were converted to a luxury condominium project. This impact analysis will also quantify the benefits of any auxiliary uses as part of the development, including a restaurant, health club, and parking.

This report provides an economic and fiscal impact evaluation of the existing Watergate Hotel that quantifies the benefits of the hotel in terms of direct economic impacts (jobs at hotel, restaurant, health club and parking facility, payroll, and consumer expenditures) and related direct fiscal impacts (income tax from employees, hotel sales tax, personal property tax, restaurant sales tax, real property tax, corporate franchise tax, and parking tax) of the existing Watergate Hotel to the District. Using the Bureau of Economic Analysis' RIMS II model, the estimated indirect and induced economic and fiscal benefits to the District for the existing Watergate Hotel are also quantified. Any related spin-off sales tax impacts are also quantified.

The analysis also provides an economic and fiscal impact evaluation of the renovation and subsequent operation resulting from the conversion of Watergate Hotel to a luxury condominium project. This evaluation quantifies the benefits of the condominium project in terms of direct economic impacts (number of residents, number of jobs of ancillary components as part of condominium project, payroll, consumer expenditures) and related direct fiscal impacts (income tax of residents and employees living within the District, real property tax, personal property tax, restaurant sales tax, and corporate franchise tax) resulting of the conversion of the existing Watergate Hotel to a condominium project. Using the Bureau of Economic Analysis' RIMS II model, the estimated indirect and induced economic and fiscal benefits to the District for the condominium project are also quantified. Any related spin-off sales tax impacts are also quantified.

Based on the economic and fiscal impact analyses of the Watergate Hotel and proposed condominium project, the "net new" economic and fiscal impacts versus transfer impacts to the District as a result of converting the hotel into a condominium project are evaluated. "Net new" impacts are tax revenues that the District would gain as a result of increased business activity that did not exist before within the District and would increase the District's tax base. On the other hand, transfer impacts represent a transfer of tax revenue from an existing business within the District to another area within the District and would not increase the tax base.

The report provides commentary and a quantitative evaluation of other economic benefits to the District as a result of this project including public benefits, as well as, financial benefits. This includes District housing goals, multiplier and housing impact to District from additional jobs; attraction of new residents to the District; spin-off retail sales; and the perceived economic, market, and development impacts.

The report concludes with a comparative analysis of the economic and fiscal impacts of the existing Watergate Hotel to the new economic and fiscal impacts that would result if the hotel was converted to a luxury condominium project. The key issue is a focused comparison of the existing tax revenue generated to the District government from the Watergate Hotel to the potential tax revenue that would be generated if the hotel were converted to a condominium project.

2 Economic and Fiscal Impact Analysis of Watergate Hotel

The economic and fiscal impact analysis of the Watergate Hotel includes a review of economic and fiscal benefits related to the annual operation of this. The operational phase economic and fiscal benefits are impacts that the District will receive on an annual basis and are based upon the pro forma income and expense statement. For the purpose of this assignment, we utilized an average of the Watergate Hotel's pro forma income and expense statements from 2000 to 2002, and adjusted to 2003 dollars. These impacts include job opportunities for area residents, consumer purchases, material sales, and tax revenues such as real and personal property, sales, and income (including direct corporate, unincorporated business, and indirect personal income taxes paid by District residents employed at the project).

This summary (with complete tables in the appendix) presents our findings in both quantifiable and qualitative terms. An explanation of methodology utilized in this analysis, including a discussion of key assumptions, is provided in the Methodology section of this report.

Summary of Findings for the District of Columbia

The Watergate Hotel provides defined economic and fiscal benefits to the District of Columbia. The economic impacts include the direct and induced economic impact in terms of total economic value (business sales), labor income, and direct new jobs created during the annual operation and maintenance of the hotel. The fiscal impacts include income tax revenues from the jobs, direct sales tax revenue realized from purchases within the project, and indirect sales tax revenue realized from the purchases by the workers within the region. The indirect sales tax revenue represents indirect (spin off) sales as a result of direct material purchases made within region. For the purpose of this analysis all figures are in 2003 dollars.

The Watergate Hotel has a total of 350 jobs (228 direct jobs and 122 indirect jobs). The hotel's employment generates an aggregate annual payroll of over $10.8 million ($6.7 million direct and $4.1 million indirect). The wages and salaries of employees annually generate $5.3 million in consumer expenditures within the District. These annual market activities channel additional economic benefits into the District as employees make purchases and create and support other jobs.

The related fiscal impact is approximately $3.2 million in tax revenue to the District of Columbia. In all, the District of Columbia receives $2.3 million in sales tax (of which $1.6 million is hotel room tax), $234,000 in income tax, $622,000 in real property tax, $85,000 in personal property tax, and $42,000 in franchise tax each year.

The following table summarizes the total annual economic and fiscal impact for the Watergate Hotel, in terms of jobs, payroll, consumer expenditures, and related tax revenue (income, franchise, real property, direct and indirect sales, and personal property) to the District of Columbia.

Watergate Hotel Summary of Estimated Economic and Fiscal Impacts to District of Columbia Annual Operations (2003 Dollars)			
Economic Impacts (1/)			
	Direct	Indirect	**Total**
Jobs (FTE)	228	122	**350**
Payroll	$6,650,628	$4,155,195	**$10,805,823**
Consumer Expenditures	$5,370,382		**$5,370,382**
Fiscal Impacts to District			
Income Tax			$234,021
Franchise Tax			$41,603
Real Property Tax			$622,618
Sales Tax			$2,264,645
hotel room			*$1,602,781*
other			*$661,863*
Personal Property Tax			$85,820
Total			$3,248,706

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live or where they make consumer expenditures

Source: Basile Baumann Prost & Associates

Tables A-1 through A-19 in the appendix provide detailed analysis tables used to estimate the fiscal and economic impacts for the Watergate Hotel.

3 Economic and Fiscal Impact Analysis of Condominium Project

This portion of this study contains an evaluation of economic and fiscal impacts resulting from the renovation of the Watergate Hotel to a luxury condominium project. This evaluation quantifies the benefits of the condominium project in terms of direct economic impacts (number of residents, number of jobs of ancillary components as part of condominium project, payroll, consumer expenditures) and related direct fiscal impacts (income tax of residents and employees living within the District of Columbia, real property tax, personal property tax, restaurant sales tax, and corporate franchise tax) resulting of the conversion of the existing Watergate Hotel to a condominium project.

This summary of our findings (with complete tables in the appendix) presents our findings in both quantifiable and qualitative terms, based on the economic changes brought to the District of Columbia by the Watergate condominium project. An explanation of methodology utilized in this analysis, including a discussion of key assumptions, is provided in the Methodology section of this report.

Summary of Findings for the District of Columbia

Renovation Phase Fiscal/Economic Impacts

During the renovation phase of the proposed Watergate condominium project, a variety of new opportunities will be created. The renovation will create 100 new jobs (56 direct and 52 indirect) which will have an aggregate payroll of $6 million ($3.2 million direct and $2.8 million indirect). Consumer expenditures will total roughly $2.6 million and $4.2 million in material purchases will be made in the local region.

The related fiscal impact of renovation will be roughly $460,000 in tax revenue to the District of Columbia. In all, the District of Columbia will receive roughly $248,000 in real property tax, $119,000 in income tax, $50,000 in permits and fees, and $42,000 in sales tax.

The following table summarizes the economic and fiscal benefits of the renovation of the Watergate Hotel to a condominium project for the District of Columbia in 2003 dollars.

Watergate Condominium Project Summary of Estimated Economic and Fiscal Impacts to District of Columbia *Renovation Period (2003 Dollars)*			
Economic Impacts (2/)			
	Direct	Indirect	Total
Jobs (FTE)	56	52	**108**
Payroll	$3,206,459	$2,746,973	**$5,953,432**
Material Purchases (regional)	$4,203,370		**$4,203,370**
Consumer Expenditure	$2,589,216		**$2,589,216**
Fiscal Impacts to District			
Income Tax (1/)			$118,814
Real Property Tax			$248,201
Sales Tax			$42,033
Permits and Fees			$50,000
TOTAL			$459,049

Source Notes
1/ Assumes 35% pay income taxes in District of Columbia
2/ Total estimated jobs and payroll do not differentiate as to where employees live or as to where employees make consumer expenditures

Sources: Basile Baumann Prost & Associates

Tables B-1 through B-20 in the appendix provides detailed analysis tables used to estimate the fiscal and economic impacts during the project's renovation phase.

Operating Period Fiscal/Economic Impacts

Once the renovation is complete, impacts related to the Watergate condominium project's operations will continue on an annual basis.

The Watergate condominium project, with an assumed market value of roughly $100 million, will create a total of 453 new jobs (41 direct jobs and 412 indirect jobs). 402 of these 412 indirect jobs are a result of residential expenditures in the district. The project's employment opportunities will generate an aggregate annual payroll of over $11.5 million ($1.3 million direct and $10.2 million indirect). In addition, residential earnings will total nearly $38 million. The wages and salaries of project employees and residents will annually generate $31.7 million in consumer expenditures. These annual market activities will channel additional economic benefits into the District of Columbia as employees make purchases and create and support other jobs.

The related fiscal impact will be roughly $4.1 million in tax revenue to the District of Columbia. In all, the District of Columbia will receive roughly $2 million in income tax, $1 million in sales tax, $1 million in real property tax, $6,000 in personal property tax, and $8,000 in franchise tax each year.

The following table summarizes the economic and fiscal benefits of the Watergate condominium project to the District of Columbia in 2003 dollars.

Watergate Condominium Project
Summary of Estimated Economic and Fiscal Impacts to District of Columbia
Annual Operations (2003 Dollars)

Economic Impacts (1/)	Direct	Indirect	Total
Jobs (FTE)	41	412 (2/)	**453**
Payroll	$1,333,921	$10,246,110	**$11,580,031**
Residents Earnings	$37,935,555		**$37,935,555**
Consumer Expenditure	$31,710,102		**$31,710,102**

Fiscal Impacts to District	
Income Tax	$2,036,050
Franchise Tax	$7,948
Real Property Tax	$1,010,777
Sales Tax	$1,061,572
Personal Property Tax	$6,464
Total	$4,122,812

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live
2/ Includes jobs created from residential expenditures

Sources: Basile Baumann Prost & Associates

Tables B-1 through B-20 in the appendix provides detailed analysis tables used to estimate the fiscal and economic impacts during the project's operation phase.

Specialized Study of Purchasers

Since income tax is the most important tax source to the District of Columbia, an important aspect of the economic and fiscal impact analysis is a determination of the proportion of residents of the condominium project that pay District of Columbia income tax. In order to determine the proportion of condominium residents who pay District of Columbia income taxes, a specialized analysis has been conducted to determine the nature of the luxury condominium tenancy.

A brief analysis of tenancy for luxury condominiums demonstrates that typical purchasers include lawyers, lobbyists, foreign dignitaries, and "empty nesters." A standard rule of thumb used for estimating the ratio of household income to a given residential unit value is to assume home values are approximately 2.5 times annual household income. Assuming the average Watergate unit price equals $646,000, it is implied that the average annual household income is $258,400.

The District of Columbia has a high portion of households that can afford a luxury condominium. Household income data from 1999 illustrates that 11,639 households in the District earned more than $200,000 per year. The Watergate project would thus represent less than a one percent capture rate of current District of Columbia households with income over $200,000 per year.

D.C. Household Incomes in 1999 Greater Than $100,000		
Households	248,590	100%
$100,000 to $149,999	20,790	8.4%
$150,000 to $199,999	8,292	3.3%
$200,000 or more	11,639	4.7%
Total	40,721	16.4%

A number of high end or luxury condo occupants often have other homes and established legal residency in other jurisdictions, which necessitates an evaluation of the proportion of condo residents that are District of Columbia residents and pay District of Columbia income taxes.

In order to estimate the percentage of Watergate units that are occupied by District of Columbia residents, BBP Associates examined comparables (e.g. new Ritz-Carlton), contacted a number of real estate agents that specialize in high value District of Columbia units, and analyzed the District of Columbia's tax assessment records based on homestead exemptions for high-end units to obtain owner occupied residential information.

Based on our analysis, BBP Associates estimates that 55% to 77% (mid-point 66.7%) of high-end condos are occupied by owners who reside in the District of Columbia. We conservatively estimate two-thirds, or 66%, of Watergate's units would be occupied by households paying District of Columbia taxes. Assuming 66% as the percentage of residents who pay District of Columbia income taxes tends to understate the actual percentage paying District of Columbia income taxes because a portion of the units not owner occupied are rented to District of Columbia residents that do pay taxes. BBP Associates has therefore conservatively estimated that households who will pay District income taxes occupy approximately two-thirds of the units.

4 Comparative Analysis and "Net New" Versus Transfer Demand

Basic Comparative Analysis

A basic comparison of the economic and fiscal impact analysis during the annual operations of the existing Watergate Hotel and the proposed condominium project provides the following results:

- Total jobs (direct and indirect) created by renovating the Watergate Hotel into a condominium project will result in 103 jobs, or a 30 percent increase over the existing number of jobs in the hotel. Most of the new jobs created by the condominium project are a product of the new residents' expenditures within the District of Columbia.

- There will be an estimated $26 million increase in the consumer expenditures as a result of converting the Watergate Hotel into a condominium project. This represents more than a 490 percent increase in consumer expenditures.

- The total fiscal impact in terms of tax revenue to the District of Columbia increases by more $900,000, or 27 percent, as a result of converting the Watergate Hotel into a condominium project. It is estimated that income tax revenue increases by more than 770 percent (resulting from new District of Columbia residents as opposed to hotel guests), and real property tax increases by more than 62 percent (resulting from higher value of property). Sales tax revenue is estimated to decrease by more than $1.2 million (due primarily to the loss of hotel room revenue).

Net New Vs. Transfer Demand

The increase in retail expenditures, jobs, payrolls and tax benefits to the District of Columbia is noted above and is understated in that the "Net New" revenue is likely greater than the incremental difference between the existing situation with the Watergate Hotel and the situation after the conversion of the hotel to condominium use.

A significant portion of the existing hotel demand and the concomitant jobs, payrolls and District of Columbia tax benefits will likely be transferred to other hotel facilities in the District of Columbia. BBP Associates assumes that a vast proportion of the existing impacts (with the exception of real and personal property taxes) will continue to be experienced in the District of Columbia and captured by existing and planned lodging accommodations. The restaurant and health club impacts substantially represent a demand going from one health club and restaurant to another and no net new demand.

The luxury condominium however represents an expansion of supply in the District of Columbia at a particularly unique location which will predominately represent "net new" demand for luxury housing units. Thus, the incremental property values above the existing hotel substantially represent "net new" revenue for the District of Columbia. Similarly, the incremental household income, income tax, retail expenditures and economic multiplier impacts of the new residents of the luxury condominium units generally represents "net new" economic benefits to the District of Columbia.

While the incremental direct fiscal impacts to the District of Columbia is approximately $900,000 annually, from $3.2 million to $4.1 million, the "net new" benefit is more on the order of magnitude of a $2.8 million, as approximately $1.9 million of existing hotel room tax, income tax and franchise tax revenue would be transferred to other facilities in the District of Columbia. It is estimated that, taking into consideration incremental and transfer demand, actual annual direct District of Columbia taxes would rise from approximately $3.2 million to $6 million (constant 2003 dollars), an increase of $2.8 million or approximately 88 percent.

The following table compares the estimated economic and fiscal impacts to the District of Columbia resulting from a conversion of the existing Watergate Hotel to a luxury condominium project. This table shows the incremental difference between the two uses, as well as, shows which impacts represent transfer demand (to other facilities within the District of Columbia) and which result in total "net new" demand, or new revenue to the District of Columbia that would be realized if the project was constructed.

Comparison of the Estimated Economic and Fiscal Impacts to District of Columbia
Annual Operations (2003 Dollars)

	Watergate Hotel	Watergate Condominium	Increment Difference		Transfer Demand	"Net New" Demand
			No.	Percent		
Economic Impacts						
Jobs (FTE)	350	453	103	+30%	200	303
Payroll	$10,805,823	$11,580,031	$702,208	+7%	$9,389,540	$10,091,748
Residents Earnings		$37,935,555	$37,935,555	N/A	-	$37,935,555
Consumer Expenditures	$5,370,382	$31,710,102	$26,339,720	+490%	$4,656,709	$30,996,426
Fiscal Impacts (Direct)						
Income Tax	$234,021	$2,036,050	$1,802,029	+770%	$234,021	$2,036,050
Franchise Tax	$41,603	$7,948	($33,655)	-80%	$41,603	$7,948
Real Property Tax	$622,618	$1,010,777	$388,159	+62%	-	$388,159
Sales Tax	$2,264,645	$1,061,572	($1,203,073)	-53%	-	$399,709
Hotel room	*$1,602,781*		*($1,602,781)*		*$1,602,781*	-
Other	*$661,863*	*$1,061,572*	*$399,709*	*+60%*	-	*$399,709*
Personal Property Tax	$85,820	$6,464	($79,356)	-92%		($79,356)
Total	$3,248,706	$4,122,812	$873,306	+27%	$1,878,405	$2,752,510

5 Qualitative Commentary

The Watergate condominium conversion will provide significant benefits to the District of Columbia beyond those quantified in the previous sections. In particular, the projects will help the District of Columbia meet its goals of creating a "living downtown" with 24-hour a day, seven day a week activity. The major investment will create significant jobs and economic spin off benefits and require no subsidy from the District of Columbia government. The attraction of new, upper income residents will generate significant disposable income for support District of Columbia retail, entertainment and cultural activities.

The investment will further reinforce and strengthen the Watergate area in support of further reinvestment into the Kennedy Center. These goals and objectives will be met without adversely impacting other properties. The hotel demand formally served on site will be transferred to other hotels. This transferred demand will help to ameliorate the vast fluctuation in demand which may take place with the recent opening of the Convention Center and the anticipated construction of a large number of convention oriented hotels. The demand formally captured by the Watergate Hotel will serve to help fill hotel rooms when major conventions are not taking place.

The development of high-quality condominiums with no required public sector assistance will help serve as a precedent for developing high-quality residential uses which can contribute significantly to the economic well-being of the District of Columbia, the quality of life of District of Columbia residents, and the enhancement of the urban fabric.

The construction of the project will generate new jobs and payroll for District of Columbia residents. The operational period of the project will create a sustainable development with long-term jobs, payroll, retail expenditure and tax benefits to District of Columbia. The significant infusion of new residents and their income will in turn create new jobs and economic spin off far greater than those now generated by the relatively low income jobs at the existing hotel. At the same time the jobs and lodging activities which now occur at the Watergate will likely still be retained by the District of Columbia, captured an existing hotel facilities which would have their occupancy and economic viability further enhanced.

In summary, conversion of the existing Watergate Hotel to high-quality condominium use will meet the District of Columbia's economic development and housing objectives. The project will contribute substantively to the tax revenues of the District of Columbia both during the construction and long-term and sustainable operational period of this development.

Methodology

Economic and Fiscal Impact Analysis

The following "bullet points" present key elements of our methodology for developing job, payroll, expenditure and tax revenue estimates for the economic and fiscal impact analyses.

- We utilized information provided to us by Monument Residential for each of the project's use, including hotel, condominium, retail, and parking. This includes:

  1/ The Watergate Hotel property information (Eastdil)

  2/ The Watergate Hotel income statement ending December 2002 (The Watergate Hotel)

  3/ The Watergate Hotel parking department income statement ending December 2002 (Swissotel Washington)

  4/ Watergate condominium project development budget (Monument Residential)

  5/ Watergate condominium project full occupancy operating budget (Monument Residential)

  6/ Watergate condominium project parking count (Monument Residential)

  7/ Application for Tax Increment Financing (Valhal Corporation)

  Employment estimates (by use) were made by applying industry standards to the baseline information where applicable.

- Employee totals and wages per job classification for each use (hotel, apartment, restaurant, and parking) were provided by Monument Residential. FTE indicates "full-time equivalent", working 2,080 hours annually. Specifically, Swissotel Washington provided employee totals and wages for the hotel, parking garage (wages only), restaurant. Monument Residential provided employee totals and wages for condominium staffing. BBP Associates estimated retail and health club employee totals and wages.

- Residential totals for condominium project provided by Monument Residential.

- In calculating expenditure impacts, disposable income was 85 percent of personal income for 2002 (Bureau of Economic Analysis) and consumption expenditures was 95 percent of disposable income for 2002 (Bureau of Economic Analysis).

- The Bureau of Economic Analysis' RIMS II model was the source for the final demand output and income multipliers by industry sector for the Capitol Metro area and were utilized to estimate indirect employment and income effects. The multipliers are based on

the 1992 benchmark input-output accounts for the U.S. economy and 1997 regional data. RIMS II multipliers enable effective planning for public and private sector projects and programs at state and local levels. These regional input-output multipliers, which account for interindustry relationships within regions, are useful tools for conducting regional economic impact analysis.

The Washington, DC-MD-VA Region 2 data used for this analysis include the following areas: District of Columbia; Anne Arundel County, MD; Frederick County, MD; Montgomery County, MD; Prince George's County, MD; Arlington County, VA; Loudoun County, VA; Alexandria, VA; Fairfax, Fairfax City + Falls Church, VA; and Prince William, Manassas + Manassas Park, VA.

- Current personal property, sales, income, franchise, and real property tax rates were obtained from the District's Office of Tax and Revenue website, the Washington DC Marketing Center website, and the Washington, DC Chamber of Commerce website.

- In calculating individual income tax revenues, we assumed that 35 percent of construction workers resided in the District; and 55 percent of parking employees, 60 percent of retail employees, 55 percent of hotel employees, 55 percent of condominium employees, and 67 percent of condominium residents were District residents. This is based on an analysis of other projects within the District of Columbia, discussions with brokers and developers familiar with similar projects, and our analysis of the tenancy of likely occupants of a luxury condominium project within the District of Columbia. We assumed one standard deduction of $2,000 and one personal exemption of $1,370.

- Total current property taxes collected from subject site provided to us by Monument Residential. Rates for property tax are for fiscal year 2003, information obtained from District Office of Finance and Revenue.

- Personal property values estimated by BBP Associates. We estimated 75 percent of these values provided would be assessable. This adjusted value was then taxed at the City's rate of $3.40 per $100 of assessed value.

- Spin off sales taxes estimates for work related impacts during renovation period estimated at $500 annually per employee X sales tax rate at 5.75 percent. Spin off sales tax impacts for construction workers residing in District calculated by assuming 35 percent of all workers reside in District and that 50 percent of their retail expenditures are in District.

- Spin off sales estimates during operation for condominium residents calculated by assuming 50 percent of their retail expenditures made in the District. Spin off sales tax impacts for employees working in project estimated at $500 per employee annually. Spin off for employees who reside in the District estimated by determining the number of employees who reside in the District (55 percent of parking employees, 60 percent of retail employees, 55 percent of hotel employees, 55 percent of condominium employees) and assuming 50 percent of their retail expenditures are in the District.

- Hotel spin off sales tax estimates assumes 20 percent off site daily spending for retail/entertainment and 30 percent off site daily spending for restaurant. Assumes 55 percent of off site spending occurs in the District.

Appendix

Watergate Hotel

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Watergate Condominium Project

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Table B-20 Estimated Corporate Franchise Tax Impacts – Annual Operations
Table B-21 Estimated Personal Property Tax Impacts – Annual Operations

Table A-1
Watergate Hotel

Project Overview

Project Statistics		
Year Constructed	1967	
Hotel Rooms	250	
Restaurant (Jeffrey's)		Provides seating for 91 and is open for breakfast, lunch, and dinner
Retail		
Zahira's hair salon	1,050	Square Feet
Gift shop	200	Square Feet
Full Service Health Club	12,421	Square Feet
Parking (Valet Only)	75	Spaces

Source Notes

Sources: Basile Baumann Prost & Associates, Monument Residential

Table A-2
Summary of Estimated Economic and Fiscal Impacts to District of Columbia
Annual Operation (2003 Dollars)

Economic Impacts (1/)			
	Direct	Indirect	**Total**
Jobs (FTE)	228	122	**350**
Payroll	$6,650,628	$4,155,195	**$10,805,823**
Consumer Expenditures in District	$5,370,382		**$5,370,382**

Fiscal Impacts (Direct Only)	
Income Tax	$234,021
Franchise Tax	$41,603
Real Property Tax	$622,618
Sales Tax	$2,264,645
hotel room	*$1,602,781*
other	*$661,863*
Personal Property Tax	$85,820
Total	$3,248,706

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live or as to where employees make consumer expenditures

Source: Basile Baumann Prost & Associates

Table A-3
Watergate Hotel Revenue (1/)
2003 Dollars

	2000	2001	2002	Average (2000-2002)	Average (2000-2002) in 2003 Dollars (3/)
Rooms	250	250	250	250	
Occupied Room Nights	55,480	57,488	62,701	58,556	
Available Room Nights	91,250	91,250	91,250	91,250	
Occupancy	60.8%	63.0%	68.7%	64.2%	
Average Daily Rate	$198.20	$188.37	$178.93	$188.50	$194.16
Revenue PAR	$120.51	$118.67	$123.47	$120.88	$124.51
Revenue					
Rooms	$11,034,107	$10,908,042	$11,218,845	$11,053,665	$11,385,275
Food & Beverage	$5,013,277	$5,305,843	$5,138,390	$5,152,503	$5,307,078
Minor Operating Departments	$1,030,704	$908,028	$661,256	$866,663	$892,663
Rental and Other Income (Net) (2/)	$512,782	$391,695	$385,601	$430,026	$442,927
Total Revenue	**$17,590,870**	**$17,513,608**	**$17,404,092**	**$17,502,857**	**$18,027,942**

Source Notes
1/ All figures provided by Monument Realty, LLC
2/ Includes lease payments for Zahira hair salon ($1,550 per month or $18,600 annually), gift shop ($500 per month or $6,000 annually), revenue from business center, etc.
3/ Estimated in 2003 dollars by increasing by inflation rate of 3 percent

Source: Monument Residential, Basile Baumann Prost & Associates

Table A-4
Watergate Hotel Parking Revenue and Selected Expenses
2003 Dollars

	2002	In 2003 Dollars (1/)
Revenue		
Valet	$353,785	$364,399
Adjustments	($22,441)	($23,114)
Total Revenue	**$331,344**	**$341,284**
Expenses		
Site Salaries & Wages	$139,780	$143,973
Payroll Incentives	$0	$0
P/R Taxes & Benefits at 29.5%	$41,235	$42,472
Total Payroll & Benefits	**$181,015**	**$186,445**

Source Notes
1/ Estimated in 2003 dollars by increasing by inflation rate of 3 percent

Sources: Monument Residential, Swissotel Washington, Parking Department

Table A-5
Health Club Revenue
2003 Dollars

	2003
Health Club	
Total Leasable Units (SF)	12,421
Net Leasable Units (SF)	12,421
Revenue Per Unit (1/)	$200.00
Potential Gross Income	**$2,484,200**

Source Notes

1/ Gross revenue estimates based at $200 per square foot on a triple net basis based on comparable health clubs per *ULI Dollars and Cents of Shopping Centers, 2002*

Source: Basile Baumann Prost & Associates

Table A-6
Preliminary Evaluation of Economic Impact
Watergate Hotel - Hotel

Annual Employment Estimate Worksheet
2003 Dollars

Hotel		
Job Classification	No. of Employees (FTE) (2/)	Total Annual Wages
Food and Beverage	44	$1,212,994
Housekeeping	51	$1,377,886
Banquet	21	$516,033
Administration & General	14	$686,693
Maintenance	8	$326,779
Sales & Marketing	8	$389,547
Room Service	9	$169,374
Security	8	$230,668
F/O	17	$389,020
Restaurant	20	$467,828
Subtotal	**200**	**$5,766,822**
Total Weighted Average Per Hour		**$13.86**

Source Notes

1/ Annual wages provided by Watergate Hotel via Monument Realty, increased by 3 percent inflation rate to 2003 dollars

2/ FTE indicates "full-time equivalent", working 2,080 hours annually

Sources: Basile Baumann Prost & Associates, Watergate Hotel, Monume

Table A-7
Preliminary Evaluation of Economic Impact
Watergate Hotel - Parking Garage

Annual Employment Estimate Worksheet
2003 Dollars

Parking						
Job Classification	Days per Year	Hours per Day	Total Hours	Total FTE	Hourly Wage	Total Annual Wages
Attendents (1/)	365	24	8,760	4.2	$21.28	$186,445
Subtotal			8,760	4		$186,445
Total Weighted Wage Average Per Hour						$21.28

Source Notes
1/ Valet parking is open 24 hours per day, 365 days per year

Sources: Basile Baumann Prost & Associates, Swissotel Washington, Parking Department, Monumer

Table A-8
Preliminary Evaluation of Economic Impact
Watergate Hotel - Retail

Annual Employment Estimate Worksheet
2003 Dollars

Retail						
Job Classification	Days per Year	Hours per Day	No. of FTE (1/)	Total Hours	Hourly Wage	Total Annual Wages
Zahira hair salon	260	8	2	4,160	$15.00	$62,400
Gift shop	365	12	2	4,380	$12.00	$52,560
Subtotal			4	8,540	27	$114,960
Total Weighted Wage Average Per Hour						$13.46

Source Notes

1/ Estimated number of full-time employees provided by Monument Realty
Zahira is open 5 days a week at an average of 8 hours per day (closed Sunday and Monday)
2/ Hourly wages estimated by BBP Associates, based on comparable jobs in District

Sources: Basile Baumann Prost & Associates, Monument Residential

Table A-9
Preliminary Evaluation of Economic Impact
Watergate Hotel - Health Club

Annual Employment Estimate Worksheet
2003 Dollars

Health Club							
Job Classification	Days per Year	Hours per Day (1/)	No. of FTE (2/)	Total Hours	Hourly Wage	Average Annual Salary	Total Annual Wages
Staff	360	15	20	108,000	$14.00	$29,120	$1,512,000
Subtotal			20	108,000			$1,512,000
Total Weighted Wage Average Per Hour							$14.00

Source Notes
1/ Based on daily hours from 6 am to 9 pm, or 15 hours daily, excluding holidays
2/ FTE indicates "full-time equivalent", working 2080 hours annually
3/ Hourly wages estimated by BBP Associates

Sources: Basile Baumann Prost & Associates, Monument Residential

Table A-10
Preliminary Evaluation of Economic Impact
Watergate Hotel - Hotel

Employment and Expenditure Impacts: Annual Operations
2003 Dollars

1. Estimated Annual Earnings Impacts - Permanent Employment

Factor	Total FTE	Average Earnings/Hr. (1/)	Annual Earnings
Hotel	200	$13.86	$5,766,822

2. Expenditure Impacts

Total Earnings	Disposable Earnings (2/)	Consumption Expenditures (3/)
$5,766,822	$4,901,799	$4,656,709

3. Total Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Hotel	200	1.5685	113.7	313.7

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Hotel	$5,766,822	1.6282	$3,622,718	$9,389,540

Source Notes

1/ Weighted average for all employees (includes restaurant employees)
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis RIMS II Model
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector (hotels),
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector (hotels), RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table A-11
Preliminary Evaluation of Economic Impact
Watergate Hotel - Parking Garage

Employment and Expenditure Impacts: Annual Operations
2002

1. Estimated Annual Earnings Impacts - Permanent Employment

Factor	Total FTE	Average Earnings/Hr. (1/)	Total Annual Earnings
Parking	4	$21.28	$186,445

2. Expenditure Impacts

Total Earnings	Disposable Earnings (2/)	Consumption Expenditures (3/)
$186,445	$158,479	$150,555

3. Total Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Parking	4	1.3614	1.5	5.7

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Parking	$186,445	1.6473	$120,686	$307,132

Source Notes

1/ Weighted average for all employees
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector (automobile parking), RIMS II Model
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector (automobile parking), RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table A-12
Preliminary Evaluation of Economic Impact
Watergate Hotel - Retail

Employment and Expenditure Impacts: Annual Operations
2003 Dollars

1. Estimated Annual Earnings Impacts - Permanent Employment

Factor	Total FTE	Average Earnings/Hr. (1/)	Annual Earnings
Retail	4	$13.46	$114,960

2. Expenditure Impacts

Total Earnings	Disposable Earnings (2/)	Consumption Expenditures (3/)
$114,960	$97,716	$92,830

3. Total Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Retail	4	1.2717	1.1	5.2

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Retail	$114,960	1.5905	$67,884	$182,844

Source Notes

1/ Weighted average for all employees
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector, RIMS II Model
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector, RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table A-13
Preliminary Evaluation of Economic Impact
Watergate Hotel - Health Club

Employment and Expenditure Impacts: Annual Operations
2003 Dollars

1. Estimated Annual Earnings Impacts - Permanent Employment

Factor	Total FTE	Average Earnings/Hr. (1/)	Annual Earnings
Health Club	20	$14.00	$582,400

2. Expenditure Impacts

Total Earnings	Disposable Earnings (2/)	Consumption Expenditures (3/)
$582,400	$495,040	$470,288

3. Total Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Health Club	20	1.2717	5.4	25.4

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Health Club	$582,400	1.5905	$343,907	$926,307

Source Notes

1/ Weighted average for all employees
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector, RIMS II Model
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector, RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table A-14
Preliminary Evaluation of Economic Impact
Watergate Hotel - Project

Income Tax Receipts - Operations
2003 Dollars

Use	BASELINE Estimated Number of FTE Jobs	Weighted Average Wage/Hour (1/)	Estimated Annual Wages Per FTE Job (2/)	Assumed Standard Deductions Per Filer (3/)	Estimated Individual Taxable Income (4/)	BASELINE Realized Taxes DISTRICT (5/) (6/)
Hotel	200	$13.86	$28,834	$3,370	$25,464	$202,084
Parking	4	$21.28	$44,270	$3,370	$40,900	$7,116
Retail	4	$13.46	$28,000	$3,370	$24,630	$4,361
Health Club	20	$14.00	$29,120	$3,370	$25,750	$20,460
Total	228					$234,021

Source Notes

1/ See Table A-10, Table A-11, Table A-12, and Table A-13
2/ Annual wages for a full-time job are estimated by multiplying average wage by 2,080 hours
3/ Assumes one Standard Deduction of $2,000, One Personal Exemption of $1,370
4/ Taxable income taken as Estimated Annual Wages - Assumed Standard Deductions
5/ Income taxes for these taxable income ranges are estimated at the following rates: $600 + 8% of taxable income > $10,000 and $1,400 + 9.5% of taxable income > $20,000
6/ Assumes 55% parking employees, 60% retail employees, 55% hotel employees, 60% health club employees live in the District of Columbia (based on industry standards within District of Columbia)

Sources: Basile Baumann Prost & Associates, DC Office of Finance and Revenue

Table A-15
Preliminary Evaluation of Economic Impact
Watergate Hotel - Project

Real Property Tax Impacts: Annual Operations
2003 Dollars

Assumptions	
Assessment Ratio/MV	100%

Use	Estimated Assessed Value	Taxable Value	District Tax Rate per $100 (2/)	District Taxes
Hotel (1/)	$33,655,000	$33,655,000	$1.85	$622,618
Total	$33,655,000	$33,655,000		$622,618

Source Notes

1/ Estimated property taxes for Watergate Hotel in 2003 provided by Monument Realty; includes hotel, parking, retail, restaurant and health club space

2/ Rates are for fiscal year 2003 for District; information obtained from District Office of the Chief Financial Officer

Sources: Basile Baumann Prost & Associates, District Office of the Chief Financial Officer, Monument Residential

Table A-16
Preliminary Evaluation of Economic Impact
Watergate Hotel - Project

Direct Sales Tax Impacts: Annual Operations
2003 Dollars

Inputs	District Tax Rates
Sales Tax Rate	5.75%
Parking Tax Rate	12.00%
Room Tax	14.50%
Restaurant Tax Rate	10.00%
Telephone Markup Fee Tax	5.75%

Annual Operations		
Use	Total Taxable Sales (1/)	Total Tax Revenues: District
Hotel Rooms	$11,053,665	$1,602,781
Hotel F&B (restaurants and bars) (1/)	$2,251,977	$225,198
Hotel Telephone (2/)	$86,666	$4,983
Retail - Zahira (4/)	$315,000	$18,113
Retail - Gift shop (5/)	$60,000	$3,450
Parking	$353,785	$42,454
Health Club (6/)	$0	$0
Subtotal	$14,121,092	$1,896,979

Hotel Guests	
Total Estimated On Site Sales (7/)	$17,502,857
Estimated Hotel Patrons Annually	76,123
Total Average Daily Spending of Patrons (8/)	$348
Less Daily Hotel Expenses by Patrons	$192
Additional Spending - Off Site	$156
20% Off Site Daily Spending - Retail/Entertainment (9/)	$31
Estimate Off-Site Spending in District of Columbia (10/)	$1,307,899
Estimated District Retail Sales Tax Revenue (11/)	$75,204
30% Off Site Daily Spending - Restaurant (9/)	$47
Estimate Off-Site Spending District of Columbia (10/)	$1,961,848
Estimated District Restaurant Sales Tax Revenue (12/)	$196,185
Subtotal	$271,389

Health Club Guests	
Number of Health Club Members (13/)	500
Estimated Number of Visits per Member per Year (14/)	96
Total Number of Visits Per Year	48,000
Estimated Spending of Members Off Site Per Visit (15/)	$96,000
Estimated Off-Site Spending in District of Columbia (Retail)(16/)	$19,200
Estimated Off-Site Spending District of Columbia (Restaurant)(17/)	$28,800
Estimated District Retail Sales Tax Revenue	$3,984
Subtotal	$3,984

Total Direct Sales Tax Revenue to District		$2,172,352

Source Notes
1/ Hotel food and beverage gross income for restaurants and bars (from Watergate Hotel)
2/ Hotel telephone gross income estimated at 10 percent of minor departmental income for hotel
3/ Jeffrey's restaurant sales in 2002 were $1.4 million (food revenues) and $343,000 (beverage revenues)
4/ Zahira retail sales estimated at $300 per square feet (X 1,050 square feet)
5/ Gift shop retail sales estimated at $300 per square feet (X 200 square feet)
6/ Presently all health club services, including membership, personal trainers, etc., are tax exempt; District Mayor is proposing to eliminate this tax exemption for health club memberships
7/ Includes gross room revenues and miscellaneous income
8/ Based on International Association of Convention and Visitors Bureau (IACVB) data as reported in the "Analysis for the Proposed Washington Convention Center" prepared by Coopers and Lybrand
9/ Estimated percent based on IACVB data
10/ Assumes 55% of off-site spending occurs in the District; based on industry standards for the District
11/ Uses retail sales tax rate of 5.75%
12/ Uses restaurant tax rate of 10%
13/ Membership information provided by Monument Residential
14/ Based on industry standards of 2 visits per week per member
15/ Each member spends an estimated $2 per visit off site; based on industry standards in District
16/ Assumed 20 percent of off site spending is for retail/entertainment
17/ Assumed 30 percent of off site spending is for restaurant

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table A-17
Preliminary Evaluation of Economic Impact
Watergate Hotel - Project

Spin Off Sales Tax Impacts: 2003 Dollars
Employees (Work Related and Residentially Related)

Work Related Impacts - Employees (1/)	
Employees	FTE
Hotel	200
Parking	4
Retail	4
Health Club	20
Total	**228**
Retail Expenditure Per Employee Per Year in DC	$500
Total Retail Expenditure	$114,159
Sales Tax Rate	5.75%
Estimated Spin Off District Sales Tax Revenue	$6,564

Residential Related Impacts - Employees (2/)							
	FTE	Total Consumption Expenditures	Percent District Residents	Number of District Residents	Consumption Expenditures for District Residents	Percent Retail Expenditures in District	Total Retail Sales
Hotel	200	$4,656,709	55%	110	$2,561,190	50%	$1,280,595
Parking	4	$150,555	55%	2	$82,805	50%	$41,403
Retail	4	$92,830	60%	2	$55,698	50%	$27,849
Health Club	20	$470,288	60%	12	$282,173	50%	$141,086
Total	**228**	**5,370,382**		**127**	**2,981,866**		**1,490,933**
				Sales Tax Rate			5.75%
				Estimated District Sales Tax Revenue			$85,729

Source Notes

1/) Represents tax revenue to the District from retail sales made by employees during the business day; expenditure amounts based on relevant spending amounts in District

2/) Represents tax revenue to the District from retail sales made by employees who live in the District; expenditure amounts based on relevant spending amounts in District; assumes 50 percent of retail expenditures made in District

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table A-18
Preliminary Evaluation of Economic Impact
Watergate Hotel - Project

Estimated Corporate Franchise Tax Impacts: Annual Operations
2003 Dollars

	Estimated Total Taxable Income: District (1/)		Corporate Income Tax Rate: District	Estimated Franchise Taxes: District
Hotel	$360,559		9.975%	$35,966
Parking	$6,826		9.975%	$681
Health Club	$49,684		9.975%	$4,956
TOTALS	$417,069			$41,603

Source Notes
1/ Assumed to be 2 percent of gross revenues, based on industry standards

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table A-19
Preliminary Evaluation of Economic Impact
Watergate Hotel - Project

Annual Personal Property Tax Impacts: Annual Operations
2003 Dollars

	Annual Operations
Total Estimated Project Real Property Value (1/)	$33,655,000
Assumed Ratio of Real Property to Personal Property (2/)	10.0%
Estimated Personal Property Value	$3,365,500
Adjusted Estimate--Personal Property Assessable (3/)	$2,524,125
Tax Rate for Personal Property (4/)	$3.40
Total Personal Property Taxes	$85,820

Source Notes
1/ Based on assessed value of property and improvements, 2003
2/ Based on ratio of estimated real property tax collections to personal property tax collections -- D.C. Office of Finance and Revenue
3/ 75% of personal property considered assessable (accounts for depreciation)
4/ Per $100 of assessed value

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table B-1
Proposed Development Cost for Renovation - Watergate Condominium Project (1/)
2003 Dollars

Sellable SF	190,008
No. of Units	147
Average Unit (Square Feet)	1,293

	Total	$/Unit	$/SF
Hard Costs (2/)	$13,781,540	$93,752	$72.53
Soft Costs (3/)	$3,073,622	$20,909	$16.18
Financing Costs (4/)	$4,209,610	$28,637	$22.15
Marketing Costs	$500,000	$3,401	$2.63
Land Cost (5/)	$57,547,500	$391,480	$302.87
Total Project Cost	**$79,112,273**	**$538,179**	**$416.36**

Source Notes

1/ All project costs provided by Monument Realty
2/ Hard costs include demolition, GMP, security, testing, inspection, and quality control
3/ Soft costs include architecture & engineering, design, legal, permits & fees, insurance, taxes, and contingen
4/ Financing costs include fees, loan recordation and settlement costs, and debt service
5/ Land costs include land building purchase, settlement, and feasibility studies

Source: Monument Residential

Table B-3
Summary of Estimated Economic and Fiscal Impacts to District of Columbia
Annual Operations (2003 Dollars)

Economic Impacts (1/)			
	Direct	Indirect	**Total**
Jobs (FTE)	41	412	**453**
Payroll	$1,333,921	$10,246,110	**$11,580,031**
Residents Earnings	$37,935,555		**$37,935,555**
Consumer Expenditures in District	$31,710,102		**$31,710,102**

Fiscal Impacts (Direct Only)	
Income Tax	$2,036,050
Franchise Tax	$7,948
Real Property Tax	$1,010,777
Sales Tax	$1,061,572
Personal Property Tax	$6,464
Total	$4,122,812

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live
2/ Includes jobs created from residential expenditures

Sources: Basile Baumann Prost & Associates

Table B-2
Summary of Estimated Economic and Fiscal Impacts to District of Columbia
Renovation Period (2003 Dollars)

Economic Impacts (1/)			
	Direct	Indirect	**Total**
Jobs (FTE)	56	52	**108**
Payroll	$3,206,459	$2,746,973	**$5,953,432**
Material Purchases (regional)	$4,203,370		**$4,203,370**
Consumer Expenditure	$2,589,216		**$2,589,216**

Fiscal Impacts	
Income Tax (2/)	$118,814
Real Property Tax	$248,201
Sales Tax	$42,033
Permits and Fees	$50,000
TOTAL	$459,049

Source Notes
1/ Total estimated jobs and payroll do not differentiate as to where employees live
2/ Assumes 35% pay income taxes in District of Columbia

Sources: Basile Baumann Prost & Associates

Table B-4
Condominium Revenue and Expenses
2003 Dollars

Condominium Statistics	
Sellable SF	190,008
Units	147
Average Size (Square Feet)	1,293

Revenue		
Average Selling Price	$96,904,080	at $510 / SF
Parking Spaces	$3,500,000	$25,000 per space X 140 spaces
Total Revenue	**$100,404,080**	

Operating Expenses (1/)			
Common Operating Expenses			
Salaries	$475,000	$3,231/Unit	$2.50/SF
Administration	$28,100	$191/Unit	$0.15/SF
Management Fee	$40,000	$272/Unit	$0.21/SF
Maintenance	$263,524	$1,793/Unit	$1.39/SF
Insurance (Common Area)	$45,000	$306/Unit	$0.24/SF
Utilities	$934,281	$6,356/Unit	$4.92/SF
Reserves	$182,617	$1,242/Unit	$0.96/SF
Subtotal	**$1,968,522**	**$13,391/Unit**	**$10.36/SF**
Unit Taxes			
Taxes	$930,281	$6,328/Unit	$4.90/SF
Subtotal	**$930,281**	**$6,328/Unit**	**$4.90/SF**
Total Operating Expenses	**$2,898,803**	**$19,720**	**$15.26**

Source Notes
1/ Operating expense estimates provided by Monument Realty

Source: Monument Residential

Table B-6
Health Club Gross Income
2003 Dollars

		2003
Total Leasable Units (SF)		12,421
Net Leasable Units (SF)		12,421
Revenue Per Unit (1/)		$200.00
Gross Income		**$2,484,200**

Source Notes

1/ Gross revenue estimates based at $200 per square foot on a triple net basis based on comparable health clubs per *ULI Dollars and Cents of Shopping Centers, 2002*

Table B-5
Restaurant Gross Income
2003 Dollars

		2003
Total Leasable Units (SF)		3,000
Net Leasable Units (SF)		3,000
Revenue Per Unit (1/)		$500
Gross Income		**$1,500,000**

Source Notes

1/ Gross revenue estimates based at $500 per square foot on a triple net basis based on comparable restaurants in District

Table B-7
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Residential

Economic, Employment and Expenditure Impacts: Renovation
2003 Dollars

Project Cost (Construction) (1/)	$13,781,540

1. Estimated Earnings Impacts

Type of Labor	Construction Value	Labor Hours per $1,000 (2/)	Total Hours	Total FTE Jobs	Average Earnings/Hr. (3/)	Total Annual Earnings:FTE Jobs
Construction	$13,781,540	8.1	111,630	56	$27.53	$3,206,459

2. Total Economic Impact

Output ($)	Output Multiplier (4/)	Indirect and Induced Economic Impact	Total Economic Impact
$13,781,540	1.7676	$10,578,710	$24,360,250

3. Expenditure Impacts

Total Earnings	Disposable Earnings (5/)	Consumption Expenditures (6/)
$3,206,459	$2,725,490	$2,589,216

4. Total Construction Period Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (7/)	Indirect Employment Impact	Total Employment Impact (8/)
Construction Labor	56.0	1.9366	52.4	108.4

5. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (9/)	Indirect Earnings Impact	Total Earnings Impact (10/)
Construction Labor	$3,206,459	1.8567	$2,746,973	$5,953,432

6. Material Purchases

Type of Purchase	Per $1,000 Const. Cost	Expenditure
Regionally Purchased	$305	$4,203,370
Purchased Out of Region	$105	$1,447,062
Total Material Purchases		$5,650,431
Percentage Total Purchases		74%

SOURCE NOTES

1/ Total construction cost provided by Monument Residential. Values based on hard construction costs only.
Excludes soft costs such as contingency, land value, permits, design fees, finance costs, legal, etc.
2/ 1993 Ratios--Urban Land Institute
3/ 2001 Architects, Engineers & Contractors Guide to Construction Costs - 60 Metropolitan Areas, Weighted Index
4/ 1997 Capital Metro Output Multiplier for Construction Sector (other new construction), RIMS II Model, Bureau of Economic Analysis
5/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
6/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
7/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Construction Sector, RIMS II Model
8/ Direct, Indirect and Inducted Employment
9/ 1997 Capital Metro Earnings Multiplier for Construction Sector, RIMS II Model
10/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics, Urban Land Institute

Table B-8
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Residential

Annual Employment Estimate Worksheet
2003 Dollars

Supervision and Maintenance				
Job Classification	Total Hours	Total FTE (1/)	Average Hourly Wage (2/)	Total Annual Wages
Manager	2,080	1	$40.38	$84,000
Engineer	2,080	1	$34.62	$72,000
Desk Clerks	10,400	5	$20.19	$210,000
Doorman and Porter	4,160	2	$24.52	$102,000
Total	**18,720**	**9**		**$468,000**
Total Weighted Average Per Hour				**$25.00**

Residential			
	Average Household Income (3/)	Number Of Units	Total Annual Income
Residents	$258,065	147	$37,935,555
Subtotal		**147**	**$37,935,555**

SOURCE NOTES
1/ FTE indicates "full-time equivalent", working 2080 hours annually.
2/ Average hourly wages for condominium staffing provided by Monument Realty, 2002 dollars
3/ Based on average assessed value per condo of $645,161 divided by household income multiplier of 2.5

Sources: Basile Baumann Prost & Associates, Monument Residential

Table B-9
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Retail (Restaurant)

Annual Employment Estimate Worksheet
2003 Dollars

Restaurant Size	3,000	Square feet
Employees		

Retail (Restaurant)			
Job Classification	Number of Employees (1/)	Annual Salary (2/)	Total Annual Wages
Waiter	5	$13,925	$69,625
Busser	3	$19,974	$59,922
Manager	1	$40,000	$40,000
Chef	1	$63,000	$63,000
Cook	1	$31,000	$31,000
Hostess	1	$19,974	$19,974
Subtotal	12		$283,521
Total Weighted Wage Averager Per Hour			$11.36

SOURCE NOTES

1/ Number of employees estimated by BBP Associates, based on figures used for existing restaurant in hotel

2/ Annual salaries based on existing restaurant in hotel

Sources: Basile Baumann Prost & Associates, Monument Residential

Table B-10
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Health Club

Annual Employment Estimate Worksheet
2003 Dollars

Health Club							
Job Classification	Days per Year	Hours per Day (1/)	No. of FTE (2/)	Total Hours	Hourly Wage	Average Annual Salary	Total Annual Wages
Staff	360	15	20	108,000	$14.00	$29,120	$1,512,000
Subtotal			20	108,000			$1,512,000
Total Weighted Wage Average Per Hour							$14.00

Source Notes
1/ Based on daily hours from 6 am to 9 pm, or 15 hours daily, closed on holidays
2/ FTE indicates "full-time equivalent", working 2080 hours annually
3/ Hourly wages estimated by BBP Associates, based on industry standards

Sources: Basile Baumann Prost & Associates, Monument Residential

Table B-11
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Residential

Employment and Expenditure Impacts: Annual Operations
2003 Dollars

1. Estimated Annual Earnings Impacts - Permanent Employment/Residents

Factor	Total FTE/Units	Average Earnings/Hr. / HH Income (1/)	Total Annual Earnings / HH Income
Condo staffing	9	$25.00	$468,000
Residents	147	$258,065	$37,935,555

2. Expenditure Impacts

Output Type	Total Annual Earnings / HH Income	Disposable Earnings HH Income (2/)	Consumption Expenditures (3/)
Condo staffing	$468,000	$397,800	$377,910
Residents	$37,935,555	$32,245,222	$30,632,961

3. Total Employment/Resident Impacts

Output Type	Total Annual Earnings / HH Income	Total FTE Jobs/Units	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Condo staffing	$468,000	9	1.1868	1.7	10.7
Residents	$37,935,555	147	10.6	402	402

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Condo staffing	$468,000	1.3983	$186,404	$654,404
Residents	$37,935,555	0.2517	$9,548,379	$9,548,379

SOURCE NOTES

1/ Weighted average for all employees and residents
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector (services to dwellings and other buildings, households), RIMS II Model
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector (services to dwellings and other buildings, households), RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table B-12
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Restaurant

Employment and Expenditure Impacts: Annual Operations
2003 Dollars

1. Estimated Annual Earnings Impacts - Permanent Employment

Factor	Planned Sq.Ft	Total FTE	Average Earnings/Hr. (1/)	Annual Earnings
Retail (Restaurant)	3,000	12	$11.36	$283,521

2. Expenditure Impacts

Total Earnings	Disposable Earnings (2/)	Consumption Expenditures (3/)
$283,521	$240,993	$228,943

3. Total Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Retail (Restaurant)	12	1.2717	3.3	15.3

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Retail (Restaurant)	$283,521	1.5905	$167,419	$450,940

SOURCE NOTES

1/ Weighted average for all employees
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector RIMS II Model
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector, RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table B-13
Preliminary Evaluation of Economic Impact
Watergate Condominium Project - Health Club

Employment and Expenditure Impacts: Annual Operations
2003 Dollars

1. Estimated Annual Earnings Impacts - Permanent Employment

Factor	Total FTE	Average Earnings/Hr. (1/)	Annual Earnings
Retail	20	$14.00	$582,400

2. Expenditure Impacts

Total Earnings	Disposable Earnings (2/)	Consumption Expenditures (3/)
$582,400	$495,040	$470,288

3. Total Employment Impacts

Output Type	Total FTE Jobs	Employment Multiplier (4/)	Indirect Employment Impact	Total Employment Impact (5/)
Retail	20	1.2717	5.4	25.4

4. Total Earnings Impacts

Output Type	Total Annual Earnings	Earnings Multiplier (6/)	Indirect Earnings Impact	Total Earnings Impact (7/)
Retail	$582,400	1.5905	$343,907	$926,307

SOURCE NOTES

1/ Weighted average for all employees
2/ Disposable Income was 85% of Personal Income for 2002, Bureau of Economic Analysis
3/ Consumption Expenditures was 95% of Disposable Income for 2002, Bureau of Economic Analysis
4/ 1997 Capital Metro Employment Multiplier Estimates Per $1 Million Income for Services Sector RIMS II Model
5/ Direct, Indirect and Inducted Employment
6/ 1997 Capital Metro Earnings Multiplier for Services Sector, RIMS II Model
7/ Direct, Indirect, and Induced Earnings

Sources: Basile Baumann Prost & Associates, Bureau of Economic Analysis, Bureau of Labor Statistics

Table B-14
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Income Tax Receipts - Renovation
2003 Dollars

Period/Worker Category	BASELINE Estimated Number of FTE Jobs	Average Wage/Hour (1/)	Estimated Annual Wages Per FTE Job (2/)	Assumed Standard Deductions Per Filer (3/)	Estimated Individual Taxable Income (4/)	Total Taxable Income	BASELINE Realized Taxes DISTRICT (5/) (6/)
Construction Workers (7/)	56	$27.53	$57,258	$3,370	$53,888	$3,017,739	$80,577
Architecture & Engineering (8/)						$500,000	$16,625
Civil Engineering (8/)						$25,000	$831
Other Consultants (8/)						$75,000	$2,494
Surveys and Subdivision (8/)						$25,000	$831
Legal & Accounting (8/)						$250,000	$8,313
Miscellaneous Admin (8/)						$25,000	$831
Marketing (8/)						$250,000	$8,313
Total	56					4,167,739	118,814

SOURCE NOTES

1/ See Table A-1
2/ Annual wages for a full-time job are estimated by multiplying average wage by 2080 hours
3/ Assumes one Standard Deduction of $2,000, One Personal Exemption of $1,370
4/ Taxable income taken as Estimated Annual Wages - Assumed Standard Deductions
5/ Income taxes for these taxable income ranges are estimated at the following rates: $600 + 8% of taxable income > $10,000 and $1,400 + 9.5% of taxable income > $20,000
6/ Assumes 35% construction workers live in the District of Columbia; based on industry standards within District
7/ Includes all development costs for condominiums, restaurant, and health club
8/ Includes labor income from renovation that is taxable at District rate of 9.5 percent, assumes 35 percent of this income is from District residents

Sources: Basile Baumann Prost & Associates, DC Office of Finance and Revenue

Table B-15
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Income Tax Receipts - Operations
2003 Dollars

Period/Worker Category	BASELINE Estimated Number of FTE Jobs	Average Wage/Hour (1/)	Estimated Annual Wages Per FTE / Income Per Unit (2/)	Assumed Standard Deductions Per Filer (3/)	Estimated Individual Taxable Income (4/)	BASELINE Realized Taxes DISTRICT (5/) (6/)
Residential (condo staff)	9	$25.00	$52,000	$3,370	$48,630	$18,267
Residential (occupants)	147		$258,065	$3,370	$254,695	$1,987,095
Retail (restaurant)	12	$11.36	$23,627	$3,370	$20,257	$10,228
Health Club	20	$14.00	$29,120	$3,370	$25,750	$20,460
Total	32					$2,036,050

SOURCE NOTES

1/ See Table A-5, Table A-6, Table A-7, and Table A-8
2/ Annual wages for a full-time job are estimated by multiplying average wage by 2,080 hours
3/ Assumes one Standard Deduction of $2,000, One Personal Exemption of $1,370
4/ Taxable income taken as Estimated Annual Wages - Assumed Standard Deductions
5/ Income taxes for these taxable income ranges are estimated at the following rates: $600 + 8% of taxable income > $10,000 and $1,400 + 9.5% of taxable income > $20,000
6/ Assumes 55% parking employees, 60% retail employees, 55% hotel employees, 55% residential employees (condo staff) and 66% of condominium occupants are residents of the District of Columbia; based on industry standards for District

Sources: Basile Baumann Prost & Associates, DC Office of Finance and Revenue

Table B-16
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Real Property Tax Impacts: Renovations and Annual Operations
2003 Dollars

Assumptions	
Assessment Ratio/MV	100%

Renovation

Use		Taxable Value (4/)	District Tax Rate per $100 (3/)	District Taxes (1/)
Project		$17,888,380	$1.85	$248,201
Total				$248,201

Operation

Use	Estimated Assessed Value (2/)	Taxable Value	District Tax Rate per $100 (3/)	District Taxes
Residential	$100,404,080	$100,404,080	$0.96	$963,879
Restaurant	$975,000	$975,000	$1.85	$18,038
Health Club	$1,560,000	$1,560,000	$1.85	$28,860
Total	$100,404,080	$100,404,080		$1,010,777

SOURCE NOTES

1/ Based on $2,684 real property tax per unit X 147 units, provided by Monument Realty
2/ Residential estimated assessed value based on average selling price of $510 square feet X 147 units + 140 parking spaces X $25,000 per space; provided by Monument Realty
3/ Rates are for fiscal year 2003 for District; information obtained from District Office of the Chief Financial Officer
4/ Based on residual land value only of project over a nine month renovation period

Sources: Basile Baumann Prost & Associates, DC Office of the Chief Financial Officer, Monument Residential

Table B-17
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Direct Sales Tax Impacts: Renovation and Annual Operations
2003 Dollars

Inputs	District Tax Rates
Sales Tax Rate	5.75%
Parking Tax Rate	12.00%
Restaurant Tax Rate	10.00%

Renovation (2003)		
	Direct Expenditures	Estimated District Sales Tax Revenues (2/)
Regional Material Purchases (1/)	$4,203,370	$24,169

Annual Operations (2005)		
Occupants - Condominiums		
Number of Households		*147*
Household Consumption Expenditures		*$30,632,961*
Percent Spin Off Retail Expenditures in District		*50%*
Total Retail Expenditures in District		$15,316,480
Sales Tax Rate		5.75%
Subtotal		$880,698
Use	Total Taxable Sales (3/)	Total Tax Revenues District
Retail (restaurant)	$1,500,000	$150,000
Health Club (4/)	$0	$0
Subtotal	$1,500,000	$150,000
Estimated Direct Sales Tax Revenue to District		$1,030,698

SOURCE NOTES

1/ Regional Purchases are taken, per national averages, to represent 25% of contract construction work, of which 10% is estimated to be made in t
2/ Utilizes 5.75% sales tax
3/ Total taxable sales based on gross income estimates
4/ Presently all health club services, including membership, personal trainers, etc., are tax exempt;
District Mayor is proposing to eliminate this tax exemption for health club memberships

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table B-18
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Spin Off Sales Tax Impacts: Renovation
2003 Dollars

Work Related Impacts - Construction Workers	
	FTE
Construction Workers	56
Total	56
Retail Expenditure Per Employee Per Year in DC	$500
Total Retail Expenditure	$28,000
Sales Tax Rate	5.75%
Estimated Spin Off District Sales Tax Revenue	$1,610

Residential Related Impacts - Construction Workers							
	FTE	Total Consumption Expenditures	Percent District Residents	Number of District Residents	Consumption Expenditures for District Residents	Percent Retail Expenditures in District	Total Retail Sales
Total Project	56	$2,589,216	35%	20	$906,225	50%	$453,113
Total	56	$2,589,216		20	$906,225		$453,113
			Sales Tax Rate				5.75%
			Preliminary District Sales Tax Revenue				**$26,054**
			Less $500 per DC resident (to avoid double counting)				$9,800
			Estimated Spin Off District Sales Tax Revenue				$16,254

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table B-19
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Spin Off Sales Tax Impacts: Annual Operations
2003 Dollars

Work Related Impacts - Employees	
Employees	FTE
Residential (condo staffing)	9
Retail (restaurant)	12
Health Club	12
Total	33
Retail Expenditure Per Employee Per Year in DC	$500
Total Retail Expenditure	$16,500
Sales Tax Rate	5.75%
Estimated Spin Off District Sales Tax Revenue	$949

Residential Related Impacts - Employees							
	FTE	Total Consumption Expenditures	Percent District Residents	Number of District Residents	Consumption Expenditures for District Residents	Percent Retail Expenditures in District	Total Retail Sales
Residential (condo staffing)	9	$377,910	55%	5	$207,851	50%	$103,925
Retail (restaurant)	12	$228,943	60%	7	$137,366	50%	$68,683
Health Club	20	$470,288	60%	12	$282,173	50%	$141,086
Total	32	$699,231		19	$419,539		$209,769
				Sales Tax Rate			5.75%
				Estimated Spin Off District Sales Tax Revenue			$12,062

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table B-20
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Estimated Corporate Franchise Tax Impacts: Annual Operations
2003 Dollars

	Estimated Total Taxable Income: District (1/)	Corporate Income Tax Rate: District	Estimated Franchise Taxes: District
Restaurant	$30,000	9.975%	$2,993
Health Club	$49,684	9.975%	$4,956
Total	$79,684		$7,948

SOURCE NOTES
1/ Assumed to be 2 percent of gross revenues

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue

Table B-21
Preliminary Evaluation of Economic Impact
Watergate Condominium Project

Annual Personal Property Tax Impacts: Annual Operations
2003 Dollars

	Annual Operations
Total Estimated Project Real Property Value (1/)	$2,535,000
Assumed Ratio of Real Property to Personal Property (2/)	10.0%
Estimated Personal Property Value	$253,500
Adjusted Estimate--Personal Property Assessable (3/)	$190,125
Tax Rate for Personal Property (4/)	$3.40
Total Personal Property Taxes	$6,464

SOURCE NOTES

1/ Based on assessed value of property and improvements of the restaurant and health club for 2003; condominiums are not assessed personal property tax

2/ Based on ratio of estimated real property tax collections to personal property tax collections -- D.C. Office of Finance and Revenue

3/ 75% of personal property considered assessable (accounts for depreciation)

4/ Per $100 of assessed value

Sources: Basile Baumann Prost & Associates, Monument Residential, DC Office of Finance and Revenue