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MEMORANDUM

April 14, 2005

To: Christine Shiker, Holland & Knight

From: Jim Prost, Basile Baumann Prost & Associates, Inc
Chris Yake, Basile Baumann Prost & Associates, Inc.

Re: Supplemental Economic Report – Florida Rock PUD

The following is an addendum prepared specifically in response to a request by the Zoning Commission for additional comparative information as to the difference between the economic benefits generated by a matter-of-right project versus the economic benefits generated as a result of the proposed Florida Rock PUD. Please contact us at (410) 266-7800 if you have any questions.

Economic Benefits

Development of the Florida Rock property at 100 Potomac Avenue, SE will generate varying economic benefits to the District depending on the allowable development. The summary table below compares the projected quantifiable annual economic benefits of the proposed Florida Rock PUD compared to development of that property as a matter-of-right. Additional quantifiable and non-quantifiable benefits are presented later in this memorandum.

The proposed PUD project comprises approximately 1.1 million square feet of gross floor area (see Table S-1 below) that will include approximately 603,000 square feet gross floor area of office, approximately 442,000 square feet gross floor area of residential (hotel/apartment), and approximately 39,000 square feet gross floor area of neighborhood supporting retail.

The assumed matter-of-right scenario is based on a floor area ratio (FAR) of 2.0 for residential use (i.e. apartments, hotel) and 2.0 FAR commercial use (i.e. office, retail), as permitted by the Capital Gateway Overlay District (CG) as applied to the W-2 zone district. Based on the site area, the assumed matter-of-right scenario would include up to 1 million square feet gross floor area of development with a maximum of 506,000 square feet gross floor area of commercial and a maximum of 506,000 square feet gross floor area of residential.

Table S-1
Summary of Estimated Gross Floor Area Square Footage by Use
Florida Rock PUD & Matter-of-Right Comparison
Build Out

	PUD	Matter-of-Right
Office	602,896	466,502
Residential (Apartments/Hotel)	442,070	506,000
Retail	39,498	39,498
TOTAL	1,084,464	1,012,000

Tables 1 and 2 compare the estimated economic and fiscal impacts projected for the property at 100 Potomac Avenue, SE, as developed under the Florida Rock PUD and a matter-of-right scenario.

Table 1
Comparison of Estimated Economic Impacts
Florida Rock PUD & Matter-of-Right Development
Annual Operations at Build Out (2005 Dollars)

Economic Impacts*	PUD			Matter-of-Right		
	Direct	Indirect**	Total	Direct	Indirect**	Total
Jobs (FTE)	3,224	3,004	6,228	2,556	2,352	4,908
Households	160		160	183	0	183
Payroll	\$213,705,201	\$154,700,213	\$368,405,414	\$166,838,595	\$120,531,340	\$287,369,936
Household Earnings	\$17,646,911		\$17,646,911	\$20,198,914	\$0	\$20,198,914
Consumer Expenditures	\$197,806,055		\$197,806,055	\$159,699,215	\$0	\$159,699,215

Source Notes

* Total estimated jobs and payroll do not differentiate as to where employees live or as to where employees make consumer expenditures

** Indirect jobs impact includes spin-off jobs created as a result of new households in District, office, apartment staffing, retail and parking spin-off jobs; does not specify the location of these jobs

Sources: Basile Baumann Prost & Associates, Florida Rock Properties, Inc.

Table 2
Comparison of Estimated Fiscal Impacts
Florida Rock PUD & Matter-of-Right Development
Annual Operations at Build Out (2005 Dollars)

Annual Fiscal Impacts to District	PUD	Matter-of-Right
Income Tax	\$6,871,115	\$6,086,779
Real Property Tax	\$5,876,473	\$5,202,298
Direct Sales Tax (on-site)	\$2,490,299	\$2,666,645
Indirect Sales Tax (off-site in District)	\$2,620,821	\$2,326,035
Corporate Franchise Tax	\$681,728	\$543,492
Personal Property Tax	\$810,000	\$717,074
Total	\$19,350,437	\$17,542,323

Sources: Basile Baumann Prost & Associates, Florida Rock Properties, Inc.

With a larger allocation of office space, the Florida Rock PUD project generates 1,320 or 27 percent more jobs than the matter-of-right scenario. Similarly, the PUD yields \$81 million or 28 percent more in annual payroll than the matter-of-right scenario.

The fiscal impact of the matter-of-right scenario is \$17.5 million in sustainable annual tax revenue (\$6 million in annual income tax, \$5.2 million in real property tax, \$5 million in retail sales tax, \$717,000 in personal property tax, \$543,000 in corporate franchise tax).

The related fiscal impact of the Florida Rock PUD will total approximately \$19.4 million annually (\$6.9 million in annual income tax, \$5.9 million in annual real property tax, \$5.1 million in retail sales tax each year, \$810,000 in personal property tax, \$682,000 in corporate franchise tax). This is \$1.8 million or 10 percent more than the matter-of-right scenario, excluding the quantifiable and non-quantifiable benefits of the PUD amenity package as discussed in the following paragraphs.

Table S-2
Change in Economic and Fiscal Impacts
PUD & Matter-of-Right - Florida Rock Properties (100 Potomac Avenue)
Build Out

Category	PUD	Matter-of-Right	Change	Percent Change
Permanent Jobs (Direct/Indirect)	6,228	4,908	1,320	26.9%
Payroll	\$368,405,414	\$287,369,936	\$81,035,479	28.2%
Taxes	\$19,350,437	\$17,542,323	\$1,808,114	10.3%

Other Additional Benefits of PUD

The Florida Rock PUD project at 100 Potomac Avenue, SE will provide a number of additional benefits to the District of Columbia over and above the matter-of-right development. This includes but is not limited to enhanced quality of life, environmental services (e.g. bio-filtration system), project amenities, and economic opportunities beyond those quantified above. The project will also provide initial development and serve as a catalyst in the area of the proposed Washington Nationals baseball stadium site. Overall, the investment will further reinforce and strengthen the Southeast neighborhood making it a better place to work, visit and live, by introducing new quality office space, a full service hotel, retail and housing opportunities to the area.

Other benefits include:

- **PUD project amenities** with an estimated design, construction, and maintenance value of \$4.3 million (see Table S-3 below).

Table S-3
Summary of Estimated Project Amenity Values
(2004 constant dollars)*
100 Potomac Avenue, SE PUD - Florida Rock Properties
Build Out

Amenity	Estimated Value
Reservation 247 redevelopment*	\$1,657,000
Open space renovation*	\$1,420,000
Workforce housing**	\$740,000
Pedestrian/bicycle path	\$275,000
Water taxi dock	\$220,000
Total	\$4,312,000

Source: Florida Rock Properties

* Includes design, construction, and 5-year maintenance costs

** Value represents the net present value of 9,600 square feet gross floor area restricted to workforce housing for a 20-year period

- The Florida Rock PUD project will **support the District's Anacostia Waterfront Initiative (AWI)** to help reunite the capital city economically, physically and socially by re-centering its growth along the Anacostia River and providing high quality mixed use development.
- The **construction and permanent employment aspects** of the project are designed to ensure the social and economic benefits derived from the revitalized waterfront will be shared by existing neighborhoods and residents living proximate to the river.
- An **open space plan** that includes:
 - Extensively landscaped esplanade (average depth of 97 feet) for the full length of the PUD site's frontage along the Anacostia Waterfront

- 60 foot wide **landscaped pedestrian and limited access vehicular way**, serving as a visual extension of Half Street, SE providing direct pedestrian access to the waterfront esplanade
 - 40 foot wide **pedestrian allée** with retail shop opportunities, leading pedestrians from the Half Street Extension at Potomac Avenue directly down to the waterfront esplanade.
- **Architectural and site planning features** including a finished building façade on the portion of the project fronting on the Frederick Douglass Bridge and enhanced and terraced landscaping plan for the Waterfront Esplanade and entries from the public right of way of Potomac Avenue, SE to the Waterfront Esplanade.
- The project helps achieve the Comprehensive Plan's objective of **increasing the District's share of regional employment opportunities** and necessary economic growth by creating over 6,200 direct and indirect job opportunities.
- The mixed use design of the project will **introduce a "living" neighborhood** which enhances activity in the neighborhood throughout the day and evening. The project incorporates several critical elements of pedestrian friendly design, introduces a sense of community, provides significant additional amenities, and reduces the need for any extensive infrastructure investment.