

**Economic and Fiscal Impact Analysis
of the Proposed
Abdo New York Avenue Development**

**Prepared for
Abdo New York, LLC**

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Abdo New York, LLC (Abdo) is proposing to develop a major new neighborhood on Square 4268, bounded by New York Avenue, Bladensburg Road and Montana Avenue, N.E. As input to the Zoning Commission's consideration of the project's application for rezoning, Abdo has asked Bay Area Economics to estimate and document the project's potential fiscal and economic benefits, including job creation and tax revenues to the District.

Development Program

As currently envisioned, the project would include 3.5 million gross square feet of condominiums and retail space built around a high-amenity open space. Though the project's design and unit count has not yet been finalized, this analysis assumes that it will include 3,415 condominiums, 148,000 net square feet of retail space and a 40,000 square-foot recreation facility. The retail space to be developed along New York Avenue, N.E., is expected to feature a supermarket, a drugstore and a series of small to mid-sized retailers and restaurants. The site design calls for a 3.0-acre park at the center of the block surrounded by eight buildings rising to 10 stories. Underground parking will support the complex. Total development costs are estimated at \$1.08 billion (constant 2006 dollars).

Summarized in the following table, the condominiums are assumed to include 32 percent efficiency units, 49 percent one-bedroom units and 19 percent two-bedroom units, ranging in price from \$265,000 to \$451,000. Eight percent of the residential gross square footage is committed to workforce housing affordable to households making 80 percent of the area median family income (AMI) or less. Those units will range in price from \$190,000 to \$272,700.

Table 1: Condominium Development Program

	<u>Efficiency</u>	<u>One Bedroom</u>	<u>Two Bedrooms</u>	<u>Total/ Average</u>
Average Unit Size (Sq. Ft.)	595	860	1,060	813
Market Rate				
Number of Units	1,005	1,546	591	3,142
Price per Sq. Ft.	\$445	\$435	\$425	\$435
Price	\$265,000	\$374,000	\$451,000	\$354,000
Affordable (80 Percent of AMI)				
Number of Units	88	134	51	273
Price per Sq. Ft.	\$320	\$260	\$257	\$273
Price	\$190,421	\$223,320	\$272,663	\$222,000

Jobs Created

The project will create an estimated 7,120 one-year full-time construction jobs during its build-out over a period of perhaps eight to ten years. This new employment will support 2,426 “indirect jobs” in businesses that support the construction and the construction workers.

As importantly, the on-going operations of the development will employ an estimated 281 retail workers and 68 building maintenance and engineering workers. These employees will themselves, in turn, support an additional 34 “spin-off” jobs in the District as they spend their paychecks for rent, groceries, transportation, clothing and the other necessities of life. The U.S. Bureau of Economic Analysis estimates that every 10 retail jobs in the District of Columbia supports another 1.105 jobs in other District businesses and organizations.

This job potential compares with the existing low-density auto uses currently located on the site. The roughly 30 existing businesses provide only about 100 jobs.

Table 2: Jobs Created by Abdo New York Avenue Development

Project Component	Net Sq. Ft.	Direct Jobs (FTEs)	Spin-Off Jobs	Total Jobs (FTEs)
Operations				
Retail	148,000	281	31	312
Residential	2,776,000	68	3	71
Total Jobs in Operations	2,924,000	349	34	383
Construction Period (Full-Time Equivalent)		7,120	2,426	9,546

Note: Construction jobs are calculated as one-year full-time equivalent jobs.

Sources: Abdo Development; U.S. Bureau of Economic Analysis; BAE, 2006.

Taxes Generated

The New York Avenue development will generate \$61.3 million in tax revenues for the District government during the construction period. This includes sales and use taxes on construction materials, property taxes during the construction period, and income and sales taxes paid by construction workers employed in the project. One-half of the construction workers are expected to be District residents, and the remaining half will spend money in the District for food, drinks and other retail goods. Initial transfer of the property to the developers and then sale of the individual condominiums will generate \$27.7 million in recordation and transfer taxes (expressed in constant 2006 dollars).

At build-out, the New York Avenue development will generate \$43.2 million in annual revenues, as compared with the current \$286,000 in property taxes. It will be home to an estimated 3,313 households.

Based on the incomes required to qualify for mortgages, the market-rate households are expected to average \$100,000 in income. Many households will have higher incomes and spend less than 30 percent of their income for housing. The households occupying the 273 affordable workforce units will average \$56,900 in income, based on 80 percent of the AMI of \$90,300 for a family of four.

These households will pay District property taxes, income taxes and sales taxes on their retail purchases within the District boundaries but outside the project. These on-going taxes will total \$36.9 million annually (constant 2006 dollars) given current tax rates. Given the tendency of homeowners to move every seven years on average, resales of the project condominiums will generate a continuing stream of recordation and transfer taxes. Based on 15-percent annual turnover, these taxes will total \$3.7 million per year.

The project's retailers will pay an additional \$0.6 million in annual real property taxes as well as \$1.5 million in annual sales taxes. Project employees represent another source of tax revenues. One-half are expected to live within the city. Employee income and sales taxes will total \$448,000 annually at full build-out. The appendix tables summarize the model's inputs and assumptions.

Table 3: District Government Revenues from Abdo New York Avenue Development at Build-Out

One-Time Revenue

Real Property Tax During Construction	\$ 356,000
Sales Tax on Construction Materials	21,960,000
Sales Tax Paid by Construction Workers	948,000
Income Tax Paid by Construction Workers	10,278,000
Recordation Tax	13,219,000
Transfer Tax	14,518,000
Total One-Time Revenues	\$ 61,279,000

Annual On-Going Revenues

Real Property Tax	\$ 9,549,000
Sales Tax Paid by Project Retailers	1,516,000
Sales Tax Paid by Project Residents	1,085,000
Sales Tax Paid by Project Employees	20,000
Income Tax Paid by Project Residents	26,910,000
Income Tax Paid by Project Employees	428,000
Recordation Tax on Condo Resales	1,742,000
Transfer Tax on Condo Resales	1,935,000
Total Annual On-Going Revenues	\$ 43,185,000

Note: Revenues in constant 2006 dollars based on Fiscal Year 2006 tax rates.

Source: Bay Area Economics, 2006.

Alternative Use

In the event the property is not rezoned, the current zoning (C-M-1) would allow matter-of-right development for retail uses. With standard retail parking requirements of five spaces per 1,000 square feet of building space, the site would support development of 240,000 square feet of single-story retail space. The retail operations would support 456 jobs. Retail construction would generate \$2.1 million in construction-period tax revenues. The annual on-going revenues generated by such a retail facility would total \$4.7 million at build-out. That represents only 11 percent of the potential revenues that would be generated by the proposed Abdo development. Foregoing the condominium development would cause the loss of \$38.5 million in potential annual revenues from residents' property, income and sales taxes as well as recordation and transfer taxes from condominium resales.

Table 4: District Government Revenues from Build-Out of Site for Retail Center with Surface Parking

One-Time Revenue		
Real Property Tax During Construction	\$	356,000
Sales Tax on Construction Materials		690,000
Sales Tax Paid by Construction Workers		30,000
Income Tax Paid by Construction Workers		323,000
Recordation Tax		547,000
Transfer Tax		170,000
Total One-Time Revenues	\$	2,116,000
Annual On-Going Revenues		
Real Property Tax	\$	1,149,000
Sales Tax Paid by Project Retailers		2,980,000
Sales Tax Paid by Project Residents		-
Sales Tax Paid by Project Employees		26,000
Income Tax Paid by Project Residents		-
Income Tax Paid by Project Employees		550,000
Recordation Tax on Condo Resales		-
Transfer Tax on Condo Resales		-
Total Annual On-Going Revenues	\$	4,705,000

Note: Revenues in constant 2006 dollars based on Fiscal Year 2006 tax rates.

Source: Bay Area Economics, 2006.