



2014 OCT -3 PM 4:35
OFFICE OF THE
SECRETARY

VINCENT C. GRAY
MAYOR

OCT - 3 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Chairman Mendelson:

Enclosed for consideration by the Council is a resolution entitled the "McMillan – Residential Multifamily Parcels Disposition Approval Resolution of 2014"

This resolution will approve the disposition of a portion of the District owned real property located at 2501 1st Street, N.W., and known as the McMillan Sand Filtration Site ("Property") pursuant to D.C. Official Code §10-801.

The District purchased the Property from the Federal Government in 1987 for \$9.3 million with the intention of creating a world class redevelopment. In July of 2006, the National Capital Revitalization Corporation ("NCRC"), issued a solicitation for a Land Development Partner. In July 2007, Vision McMillan Partners, LLC ("VMP") was selected as the development team. The Office of the Deputy Mayor for Planning and Economic Development assumed control of the Property in 2007 and received support to have VMP serve as both the master and vertical developer.

Since 2007, approximately 200 meetings have been held in the community to discuss the redevelopment plans for the site, including the Masterplan, building designs, traffic management, stormwater management, preservation, and public amenities. The culmination of the community engagement has been the development of an extraordinary plan for the Property that includes approximately (a) 566,930 square feet for residential multifamily (b) 52,920 square feet of retail ("Multi-Family Parcel"). Other components of the Project will be developed into approximately (a) 1,030,000 square feet of healthcare facilities (b) 41,250 square feet of retail (c) 50,000 square feet of parks, landscaping or open area, and (d) 350,000 square feet devoted to residential townhomes.

Additionally, a significant portion of the Property will be retained by the District of Columbia Government and the proposed uses will include approximately 17,500 square feet of gross floor

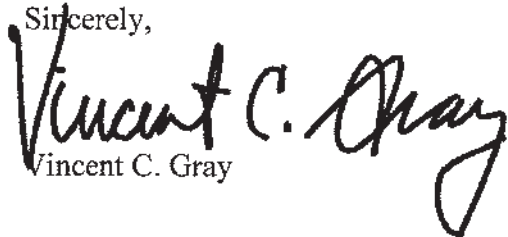
area devoted to a community center and a major feature of the site is an extensive amount of open space: approximately 444,056 square feet of land area devoted to parks and landscaped areas.

Finally, the redevelopment will preserve the North and South Service Courts, including all 20 sand storage bins, all four regulator houses, at least one sand washer, eleven filter bed portals and extended portions of the service court walls, and the preservation of approximately two acres of underground filterbeds, Cells 14 and 28. The redevelopment will re-establish the Olmsted Walk around the perimeter of the Property.

Approval of this resolution will allow for the disposition of the Multi-Family Parcel that will transform this long vacant Property into a first-rate amenity for the District.

As always, I am available to discuss any questions you may have regarding this resolution. I look forward to prompt and favorable consideration of this resolution.

Sincerely,

A handwritten signature in black ink that reads "Vincent C. Gray". The signature is written in a cursive, flowing style. The first name "Vincent" is written in a larger, more prominent script, followed by "C." and "Gray". The signature is positioned to the right of the typed name "Vincent C. Gray".

Vincent C. Gray


Chairman Phil Mendelson
at the request of the Mayor

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A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To approve the disposition of District-owned real property located at 2501 First Street, N.W., formerly the McMillan Sand Filtration Site.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the “McMillan – Residential Multifamily Parcels Disposition Approval Resolution of 2014”.

Sec. 2. Definitions.

For the purposes of this resolution, the term:

(1) “CBE Agreement” means an agreement governing certain obligations of the Purchaser or the Developer under the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.01 *et seq.*) (“CBE Act”), including the equity and development participation requirements set forth in section 2349a of the CBE Act (D.C. Official Code § 2-218.49a).

(2) “Certified Business Enterprise” means a business enterprise or joint venture certified pursuant to the Small, Local and Disadvantaged Business Enterprise

1 Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33;
2 D.C. Official Code § 2-218.01 *et seq.*).

3 (3) “First Source Agreement” means an agreement with the District governing
4 certain obligations of the Purchaser or the Developer pursuant to section 4 of the First
5 Source Employment Agreement Act of 1984, effective June 29, 1984 (D.C. Law 5-93;
6 D.C. Official Code § 2-219.03), and Mayor’s Order 83-265 (November 9, 1983)
7 regarding job creation and employment generated as a result of the construction on the
8 Property.

9 (5) “Multi-Family Parcel” means the area that includes approximately
10 162,638 square feet of land located in the McMillan Sand Filtration Site and is planned
11 for residential and retail development, as may be further defined by the Mayor.

12 (4) “McMillan Sand Filtration Site” means the real property located at 2501
13 First Street, N.W., known for tax and assessment purposes as Lot 0800 in Square 3128,
14 and consists of approximately 1,075, 496 square feet of land as shown in the documents
15 submitted to the Council with this resolution.

16 (6) “Purchaser” means the Developer, its successor, or one of its affiliates or
17 assignees approved by the Mayor.

18 Sec. 3. Findings.

19 (a) The Developer of the McMillan Sand Filtration Site will be Vision McMillan
20 Partners, LLC, a District of Columbia limited liability company with a business address
21 of 4800 Hampden Lane, Suite 300, Bethesda, MD 20814 and comprised of Trammel
22 Crow Company, with a business address of 1055 Thomas Jefferson Street, N.W., Suite
23 600, Washington, D.C., 20007, EYA, with a business address of 4800 Hampden Lane,

1 Suite 300, Bethesda, MD, 20814, and JAIR LYNCH Development Partners, with a
2 business address of 1508 U Street, N.W., Washington, D.C., 20009 (the “Developer”).

3 (b) The McMillan Sand Filtration Site is located at 2501 First Street, N.W.

4 (c) The intended use of the McMillan Sand Filtration Site (the “Project”) is a
5 mixed- use redevelopment and will include the Multi-family Parcel which will
6 developed into approximately (a) 566,930 square feet for residential multifamily housing,
7 and (b) 52,920 square feet to be used for retail and any other ancillary uses allowed under
8 applicable law. Other components of the Project will be developed into approximately
9 (a) 1,030,000 square feet of healthcare facilities, (b) 41,250 square feet of additional
10 retail space, (c) 50,000 square feet of open space and landscaped areas, and (d) 350,000
11 square feet devoted to residential townhomes. Additionally, a portion of the McMillan
12 Sand Filtration Site will be retained by the District of Columbia Government, as
13 determined by the Mayor, and the proposed uses will include approximately 17,500
14 square feet of gross floor area devoted to a community center and approximately 444,056
15 square feet of land area devoted to parks and landscaped areas

16 (d) The Project will contain affordable housing as described in the term sheet
17 submitted with this resolution.

18 (e) The Purchaser will enter into an agreement that shall require the Lessee to,
19 at a minimum, contract with Certified Business Enterprises for at least 35% of the
20 contract dollar volume of the Project, and shall require at least 20% equity and 20%
21 development participation of Certified Business Enterprises.

22 (f) The Purchaser will enter into a First Source Agreement with the District
23 that shall govern certain obligation of the Lessee pursuant to D.C. Official Code § 2-

1 219.03 and Mayor’s Order 83-265 (November 9, 1983) regarding job creation and
2 employment as a result of the construction on the Property.

3 (g) Pursuant to An Act Authorizing the sale of certain real estate in the
4 District of Columbia no longer required for public purposes (“Act”), approved August 5,
5 1939 (53 Stat. 1211; D.C. Official Code § 10-801 *et seq.*), the proposed method of
6 disposition is a public or private sale to the bidder providing the most benefit to the
7 District under D.C. Official Code § 10-801(b)(8)(F).

8 (h) All documents that are submitted with this resolution pursuant to D.C.
9 Official Code § 10-801(b-1) shall be consistent with the executed Memorandum of
10 Understanding or term sheet transmitted to the Council pursuant to D.C. Official Code §
11 10-801(b-1)(2).

12 Sec. 4. Approval of disposition.

13 (a) Pursuant to the Act the Mayor transmitted to the Council a request for
14 approval of the disposition of the Multi-Family Parcel to the Purchaser.

15 (b) The Council approves the disposition of the Multi-Family Parcel.

16 Sec. 5. Fiscal impact statement.

17 The Council adopts the fiscal impact statement in the committee report as the
18 fiscal impact statement required by section 602 (c)(3) of the District of Columbia Home
19 Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02
20 (c)(3)).

21 Sec. 5. Transmittal of resolution.

22 The Secretary to the Council shall transmit a copy of this resolution, upon its
23 adoption, to the Mayor.

1 Sec. 6. Effective date.

2 This resolution shall take effect immediately.

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Attorney General

Legal Counsel Division



MEMORANDUM

TO: Ayesha Abassi
Legal Affairs and Policy Specialist
Executive Office of the Mayor

FROM: Janet M. Robins
Deputy Attorney General
Legal Counsel Division

DATE: October 3, 2014

SUBJECT: Legal Sufficiency Review of Proposed Resolution, "McMillan – Residential
Multifamily Parcels Disposition Approval Resolution of 2014"
(AE 14-623)

This is to Certify that this Office has reviewed the above-referenced proposed resolution and found it to be legally sufficient. If you have any questions in this regard, please do not hesitate to call me at 724-5524.



Janet M. Robins

**DISPOSITION ANALYSIS
IN SUPPORT OF DISPOSITION OF REAL PROPERTY**

Project Name: McMillan Sand Filtration Site
Property Description: Square 3128, Lot 800; 2501 1st Street, NW in Washington, D.C. (the "Property")
Size of Property: 1,075,496 Square Feet (24.69 Acres), of which approximately 162,638 Square Feet will be disposed
Zoning of Property: Unzoned
Ward: Ward 5
Proposed Purchaser: Vision McMillan Partners (Trammell Crow Company, EYA, Jair Lynch Development Partners)

General Description of Development Program:

The McMillan Sand Filtration site is presently one contiguous lot totaling approximately 1,075,496 Square Feet (24.69 Acres). Subject to a Planned Unit Development (PUD) approval by the District of Columbia Zoning Commission, there will be 7 distinct components for the Development Program of the McMillan Sand Filtration Site, which will include approximately 2,058,600 square feet of gross floor area, or an aggregate floor area ratio ("FAR") of approximately 1.91. The proposed uses will include approximately 1,030,000 square feet of gross floor area devoted to healthcare facilities; approximately 94,170 square feet of gross floor area devoted to retail uses, including approximately 52,920 square feet intended to be a full-service grocery store; approximately 566,930 square feet of gross floor area devoted to multi-family residential units and 350,000 square feet devoted to residential row houses. Additionally, a significant portion of the site will be retained by the District of Columbia Government and the proposed uses will include approximately 17,500 square feet of gross floor area devoted to a community center and a major feature of the site is an extensive amount of open space: approximately 444,056 square feet of land area devoted to parks, landscaping and open areas.

Description of Parcels to be Disposed:

Parcel 2 and Parcel 4, which is approximately 162,638 Square Feet of land, will include approximately 566,930 square feet of gross floor area devoted to multi-family residential units and approximately 52,920 square feet of gross floor area devoted to retail uses.

1. Proposed Method of Disposition. DC Official Code § 10-801(b)(8).

A private sale providing the most benefit to the District in accordance DC Official Code § 10-801(b)(8)(F).

2. Description of efforts to dispose of Property for direct "public benefit" as described on specific government plan adopted by the Mayor or Council (e.g. Community

Development Plan, the Comprehensive Plan, the Strategic Neighborhood Plan, or the Comprehensive Housing Strategy Plan). DC Official Code § 10-801(a-2).

a. Public Benefits Requested in Solicitation.

As part of the Comprehensive Plan, McMillan was envisioned to be redeveloped from its current industrial use into a mixed-use, mixed-income project. The development program for the Site will be defined by a Planned Unit Development (PUD). The potential uses for the McMillan Site may include affordable, workforce and market-rate residential options, recreation and open space, civic and cultural amenities and light commercial uses, such as retail, hospitality and office uses. Most importantly, these uses will respect and incorporate the historic nature of the Site.

Community stakeholders expressed the following six revitalization goals for the re-use of the McMillan Site. These goals were developed during a series of workshops and charrettes facilitated by the D.C. Office of Planning in 2000.

Provide Open Space

- Publicly accessible for passive and active uses
- Strategically located to preserve existing views from the Site

Preserve, Adaptively Reuse Site Features

- Maintain courtyards as prominent connections to the adjacent Reservoir site
- Preserve stable cells for historic purposes
- Develop a mixed-use program
- Restore and incorporate the McMillan Fountain

Creativity

- Create “outside the box” designs and architecture
- Incorporate a monument, memorial and/or museum
- Explore the theme of advances in industrial technology

Mitigate Neighborhood Impacts

- Coordinate area-wide planning and development efforts
- Create architectural designs compatible with that of the surrounding neighborhoods and the Site’s historic character

- Encourage renovation of abandoned dwellings
- Enhance transportation options for the area; reduce noise, traffic and parking impacts

Feasibility

- Maximize revenue-producing opportunities on the private and not-for-profit components of the development

Responsiveness to Community Needs and Concerns

- Develop a program that would appeal to a diverse population of people

b. Describe any Public Benefits in proposed Developer's Development Plan.

Listed below are the numerous and significant public benefits proposed in the Development Plan.

Affordable Housing. At least 20% of the total housing units will be affordable to households making between 50% and 80% of area median income (AMI). There will be a mix of both affordable rental and affordable home ownership opportunities including:

- 85 rental units will be set aside as affordable senior housing (55 years of age or older) for households earning between 50% and 60% of AMI;
- 9 rowhomes will be available for purchase to households earning no more than 50% of AMI;
- 13 rowhomes will be available for purchase to households earning no more than 80% of AMI;
- Approximately 25 apartment units in Phase 2 will be set aside for households earning up to 80% of AMI.

Employment. The project will create 3,000 construction and 3,200 permanent jobs with an implementation plan developed to specifically target unemployed residents of Ward 1 and 5. The general contractors, once selected, shall coordinate training, job fairs and apprenticeship opportunities with construction trade organizations or with healthcare facility and other organizations to maximize participation by District residents in the training and apprenticeship opportunities in the project. The Developer has committed meeting all First Source and CBE requirements for District residents as well as to contribute \$1M to a partnership with the workforce development staff of the Community Foundation of the National Capital Region to ensure that DC residents who are ready, willing and able get connected to job training and career paths provide development at McMillan.

Parks and Recreation. The Development Plan provides over 12 acres of open, recreational space, including an 8-acre public Central Park, the largest new public park in the District of Columbia; the restoration of the North and South Service

Courts, including the preserved historic regulator houses, sand storage silos and sand washers. Additionally, there will be over two additional acres of open space in total including Cell 14, Healing Gardens and the Olmsted Walk. The Park will include covered seating areas with durable, high quality picnic tables and benches, an outdoor amphitheater, a children's playground, a "spray-ground," an outdoor adult fitness area, a pond and open lawns for casual sports. The Development Plan shall provide all related streetscape improvements and street furniture, including lighting, benches, trash receptacles, and bicycle racks. Furthermore, a high-quality public Community Center with 25-meter pool, multi-purpose recreational facilities, gallery space and connection to preserved underground Cell 28.

Neighborhood-serving Retail and Local Small Business Development. Over 80,000 square feet of neighborhood-serving retail, likely including a full service Grocery Store, will greatly contribute to an area that has been sorely lacking these resources. Space and funds have been set aside for local start-up businesses to incubate at McMillan. Unprecedented CBE participation both in terms of equity and contracting opportunities make this a unique project in the amount of public benefits that will accrue once finalized.

Additional Community Amenities. The Developer has committed additional community benefits and amenities totaling \$5 million. These funds will support:

- **Scholarships** for community residents to pursue higher education, training or job-related certification, encouraging "legacy" careers paths such as civil engineering, landscape architecture, or on-site jobs in the medical field, with a preference for Ward 1 and 5 residents, to the extent permitted by law (\$300,000);
- Organizations whose mission includes **workforce development**, to create true "career paths" for District residents through readiness, training and placement in on-site or other employment opportunities, and which have a demonstrated track record for successful job placement and retention of District residents (\$700,000);
- Facilitating **business start-ups** in the project including grants to qualified entrepreneurs, technical assistance and tenant improvements (\$225,000);
- **D.C. Public Schools** for Science, Technology, Engineering and Math ("STEM") programs at Dunbar High School (\$50,000), McKinley Technical High School (\$50,000) and Langley Educational Campus (\$25,000);
- **Local jobs in the Park** such that over a 10-year period the project association will hire high-school age residents and senior residents to provide guided tours of the McMillan site highlighting the preserved historic resources(\$500,000);
- **Park programming** such that over a 10-year period the project association will create a community market, outdoor cafe, and space for art installations between the South Service Court and South Park, and to activate the South Service Court and existing elements, such as regulator houses for small business incubators, silos as hanging gardens, water features and observation points (\$750,000);

- **Neighborhood beautification** including signage, trees, plants and fencing for tree boxes in Bates area(\$50,000), Hanover area(\$50,000), Bloomingdale(\$100,000), Eckington(\$100,000), Edgewood(\$100,000), and Stronghold(\$100,000);
- **Facade improvement funds** to North Capitol Main Street for grants to be awarded to storefronts located on North Capitol Street, N.E., and N.W., between Channing Street and New York Avenue (\$150,000); and

c. Public Uses included in proposed Developer’s Development Plan (such as public parks, construction of roads, sidewalks, and other public amenities).

Aside from the numerous public benefits stated above, the Development Plan will provide:

Urban Design and Public Space. The Development Plan, rooted in the Master Plan crafted by Perkins Eastman DC, will provide all the necessary public infrastructure to support the development, including new streets, alleys, sidewalks, bike paths; historic and commemorative signage throughout the site to create a “walking museum” of preserved buildings and views; and all related utilities.

The Developer will establish a project association or business improvement district for the project that will be responsible for the maintenance and improvements of the roadways, alleys, bicycle paths, historic walks, sidewalks, parks, and signage within the site boundaries. Additionally, the project association will contribute to funding for programming and staging events on site for the benefit of the public.

Historic Preservation. The Development Plan will retain and rehabilitate and renovate the North and South Service Courts, including all 20 sand storage bins, all four regulator houses, at least one sand washer, eleven filter bed portals and extended portions of the service court walls, and the preservation of approximately two acres of underground filterbeds, Cells 14 and 28. The plan shall re-establish the Olmsted Walk around the perimeter of the site.

Transportation Benefits. The Development Plan will create a multi-modal transit hub that accommodates transit services, such as the Metrobus, Circulator Bus, and the future Streetcar, and provides simple connections to Capital Bikeshare, including 80 new docks. The plan will provide short- and long-term bicycle storage and changing facilities, privately run shuttles, and on- and off-street parking facilities.

Parks and Recreation. The Development Plan provides over 12 acres of open, recreational space, including an 8-acre public Central Park, the largest new public park in the District of Columbia; the restoration of the North and South Service Courts, including the preserved historic regulator houses, sand storage silos and sand washers. Additionally, there will be over two additional acres of open space in total including Cell 14, Healing Gardens and the Olmsted Walk. The Park will include

covered seating areas with durable, high quality picnic tables and benches, an outdoor amphitheater, a children's playground, a "spray-ground," an outdoor adult fitness area, a pond and open lawns for casual sports. The Development Plan shall provide all related streetscape improvements and street furniture, including lighting, benches, trash receptacles, and bicycle racks. Furthermore, a high-quality public Community Center with 25-meter pool, multi-purpose recreational facilities, gallery space and connection to preserved underground Cell 28.

3. The chosen method of disposition, and how competition was maximized. DC Official Code § 10-801(b-1)(1)(A).

a. Description of solicitation process (include form of solicitation, how solicitation was advertised).

In March 2006, Mayor Anthony Williams announced the transfer of the 25-acre McMillan Sand Filtration site to the National Capital Revitalization Corporation (NCRC). NCRC President and CEO, Anthony Freeman said the corporation will develop the property in phases, respecting its historic character, and use community input as a baseline for the plan. In July of 2006, the National Capital Revitalization Corporation (NCRC) issued a solicitation for Land Development Partner. The following distribution channels were used:

- AAREP
- DC Building Industry Association
- Urban Land Institute
- International Economic Development Council
- American Planning Association
- DC Economic Development Partnership

Additionally, the solicitation was sent to 83 commercial developers, environmental firms, businesses, elected officials, and community members including:

- Linda W. Cropp, Chairman - At-Large
- Carol Schwartz, At-Large
- David A. Catania, At-Large
- Phil Mendelson, At-Large
- Kwame Brown, At-Large
- Jim Graham, Ward One
- Jack Evans, Ward Two
- Kathleen Patterson, Ward Three
- Adrian Fenty, Ward Four
- Vincent Orange, Ward Five
- Sharon Ambrose, Ward Six
- Vincent Gray, Ward Seven

- Marion Barry, Ward Eight
- Rep. Eleanor Holmes Norton
- James E. Barry, Bates Street Civic Association
- Cleopatra Jones, Bloomingdale Civic Association
- Myla Moss, LeDroit Park Civic Association
- Rob Miller, Chief of Staff - Linda Cropp
- Anita Bonds, Chief of Staff - Kwame Brown
- Thorn Pozen, Chief of Staff - Adrian Fenty
- Derek Cooper, Chief of Staff - Vincent Orange
- Marge Francese, Chief of Staff - Sharon Ambrose
- Linda Greene, Chief of Staff - Marion Barry
- Mayor Anthony Williams
- Robert Bobb, City Administrator, Deputy Mayor for Ops
- Alfreda Davis, Chief of Staff - Anthony Williams
- Stanley Jackson, Deputy Mayor for Planning & Econ. Dev
- Barbara Lang, CEO - DC Chamber of Commerce

- b. *Please describe the competitive bid process, including number of responses. Please also summarize each qualified bidder for the property. If no competitive process was followed, please explain why not, and how the developer was chosen and all key terms of the arrangement.*

After the issuance, the competitive bid process that followed included:

August 2006: Pre-Submittal Meeting and Site Tour

Aug - Sep 2006: Questions & Clarifications Period

September 2006: Solicitation Responses Due – Five Received From:

1. Horning Brothers
2. KSI Services
3. McMillan Center Partners (led by EastBanc/Federal Development)
4. Vision McMillan Partners (led by EYA)
5. Republic Family of Companies (led by Republic Land Development)

October-December 2006: First Review of Responses

November 2006-February 2007: Formation of McMillan Community Advisory Group (MAG). The MAG is created to be a representative group of civic associations, ANC commissioners, residents, and the McMillan Park Committee. There are 15 voting seats and several non-voting seats.

December 2006: One-on-One Interviews with Respondents

December-January 2007: Second Review of Responses and Consolidation of Interview, Results and Feedback

January 2007: Four Teams Selected for the Short List:

1. KSI Services
2. McMillan Center Partners (led by EastBanc/Federal Development)
3. Vision McMillan Partners (led by EYA)
4. Republic Family of Companies (led by Republic Land Development)

January-April 2007: Third Review of Responses, Requests for Additional Information

April 2007: KSI Services Withdraws Itself from Consideration, Three Teams Remain:

1. McMillan Center Partners (led by EastBanc/Federal Development)
2. Vision McMillan Partners (led by EYA)
3. Republic Family of Companies (led by Republic Land Development)

May 2007: Teams and Community Interactions

1. Three Teams Present Their Submittals to the McMillan Community
2. Three Teams Lead Tours of Their Projects

May-June 2007: Final Review of Responses

June 2007: MAG Submits Recommendation

July 2007: Vision McMillan Partners is selected as the Development Team.

Late 2007: NCRC is dissolved and the District, acting through Deputy Mayor's Office for Planning and Economic Development, assumes control of the McMillan Site. The District does not have the capacity of desire to assume master development and vertical development responsibilities in the same manner as originally envisioned by NCRC. Because NCRC, the District and the community carefully vetted VMP for vertical development capability during the solicitation process, the District also includes the vertical development responsibility as a part of the arrangement with VMP.

Before the adjustment, the District reaches out to the community, through the MAG, to discuss VMP serving as both the master and vertical developer. The MAG is supportive of this concept. Development Team and DMPED Negotiate and Execute Term Sheet.

December 2007: The District, the MAG, and VMP execute a Community Letter of Commitment outlining VMP's responsibilities which include vertical development. The MAG's execution of this commitment is a clear indication of both its awareness and its agreement with this decision.

Since, VMP and the District have been actively engaged with the community in creating a concept for a world-class, viable redevelopment.

c. Please describe any public hearings on the potential disposition and any public comment received during the public hearings.

Prior to and during the solicitation period, there were 20 documented outreach efforts by NCRC, including:

1.	Monday, May 08	McMillan Park Committee (First Meeting)
2.	Tuesday, May 09	Rev. James Coleman, All Nations Baptist Church
3.	Tuesday, May 16	Rev. Livingston, Pastor, Mt. Bethel Baptist Church
4.	Wednesday, May 17	Nate Matthews, ANC 1B10
5.	Monday, May 22	Hallie Burton, Brookland Civic Association
6.	Wednesday, May 24	Scott Roberts, Bloomingdale Civic Association
7.	Thursday, June 01	ANC 1B
8.	Thursday, June 08	Tour of McMillan Site, DC Government Employees
9.	Monday, June 19	Bloomingdale Civic Association
10.	Wednesday, June 21	Myla Moss
11.	Wednesday, June 28	McMillan Community Meeting at Catholic U
12.	Monday, July 10	Bates Area Civic Association
13.	Tuesday, July 25	Meeting with Councilmember Orange's Office
14.	Tuesday, August 08	ANC 5C Meeting
15.	Friday, September 08	McMillan Park Committee (Second Meeting)
16.	Thursday, September 14	Rhode Island Ecumenical Association
17.	Tuesday, September 19	ANC 5C Meeting
18.	Thursday, September 21	PSA 501 Meeting
19.	Friday, September 29	Two (2) Community Tours of McMillan Site
20.	Saturday, October 07	Brookland Day Festival

After Vision McMillan Partners, LLC was selected as the development team; there have been approximately 200 meetings to discuss the redevelopment plans for the site. These community outreach and engagement efforts began when the project was competitively bid in 2006 and continue through the present efforts in 2014 for a total of 198 public meetings, presentations, workshops, salons and other forums. This total includes 80 meetings from 2012 to the present during the entitlement process covering the Masterplan, building designs and forum focused specifically on key community concerns of traffic management, stormwater management, preservation and public amenities.

Members of the Development team attended the DMPED-sponsored hearing regarding the surplus issues to listen. Although the majority of speakers believed they should oppose the idea

of surplus, the speakers continually requested the key elements included in the Development plan: park space, a pool, a splash park, affordable housing and local serving retail.

The Developer's outreach efforts also include surveys of community members wherein consistently over 90% of respondents answer YES, they want the site redeveloped and re-opened for public use (97% on paper surveys at a VMP hosted community open house; 91% via online survey). Of the respondents that we know have seen a presentation of the plan, the average satisfaction with the plan was rated a 3.82 (1 - low, 5 - high). In addition, many respondents (33% on paper surveys and 52% via online survey) list "Nothing happening and the site remaining fenced off" as one of their top three concerns. The other two top concerns are Historic Preservation (42% paper, 42% online) and Traffic management (63% paper, 50% online).

As the project progresses through the entitlement phase, regularly scheduled community meetings are attended by Vision McMillan Partners to discuss the redevelopment.

4. **The manner in which economic factors were weighted and evaluated, including estimates of the monetary benefits and costs to the District that will result from the disposition. The benefits shall include revenues, fees, and other payments to the District, as well as the creation of jobs. DC Official Code § 10-801(b-1)(1)(B).**
 - a. *Identify all relevant costs, including property value for the subject and surrounding property, cost of potential rehabilitation, current and / or past cost for upkeep on the property.*

An independent appraisal completed by Valbridge Property Advisors, Lipman Frizzell & Mitchell LLC in October of 2013. The "Improved" opinion of value at \$72,850,000 is based on the hypothetical condition that the subject property is subdivided and ready for development. The "As Is" opinion of value is negative \$3,650,000 and is based on the extraordinary assumption that PUD approval will be obtained permitting the proposed mixed-use development and that total costs to subdivide the property and make it ready for development will not exceed \$76,500,000.

Currently, the property is vacant and, therefore, does not provide a revenue stream to the District. The site itself contains a trapezoidal footprint defined by First Street, NW, to the west, Michigan Avenue, NW, to the north, North Capitol Street to the east, and Channing Street, NW, to the south. The McMillan Site features two paved service courts that divide the site into a tripartite configuration of expansive open spaces. These grassy open spaces correspond to the roofs of the twenty filter beds that have been covered by a layer of fill. To construct these filter beds, the site's topography was re-graded, and an extensive campaign of cut and fill created an artificial topography that rises approximately sixteen feet above the level of Channing Street to the south and is depressed approximately ten feet from the level of Michigan Avenue to the north. The paved service courts are depressed approximately five feet into this plateau and are bounded to the north and south by the parapet walls of the subterranean filter beds. These walls function as retaining walls for the fill that covers the roofs of the filter beds. Each filter bed is accessed from

the service courts by an arched portal, and a mound in the fill behind each portal corresponds to the subterranean path of a ramp that leads from the portal and endpoint five feet above the floor of its corresponding filter bed. Within each service court, the sand bins, sand washers, and regulator houses are arranged in a single east-west line. There is a total of twenty sand bins (one for each filter bed), four regulator houses, and twelve sand washers. The roofs of the filter beds are accessed from the service courts by several ramps and stairs. Ramps and stairs also connect the roofs of the filter beds and the service courts to the adjacent roads at five locations. The roofs of the filter beds present as expansive open spaces, but contain approximately 2,100 circular manholes that were designed to provide light and air to the filter beds below. A chemical filtration plant was built west of First Street between 1981 and 1985 and introduced modern construction on the site.

As a result, the property does not presently present a potential rehabilitation opportunity for the District.

b. Describe potential revenue that could be derived from the property and how it was maximized in selected disposition method.

Planned redevelopment of the Property would allow the District to derive both disposition and long-term tax revenue from the Property. DMPED has not attempted to determine the cost of potential rehabilitation of the Property because the Property consists of vacant lots constructed for an obsolete use. Furthermore, because the Property has been vacant and unutilized, the Property is not generating any revenue, and the only cost to the District related to the Property has been for routine maintenance and security as part of the DMPED's asset management program.

According to Vision McMillan Partners analysis from 2010 planned redevelopment of the Property would generate the following for the District:

Jobs:

- Temporary Construction Jobs (per developer): 3,034 jobs
- Temporary Construction Jobs for DC Residents (per developer): 1,214
- Permanent Medical Office Jobs (per developer): 3,081 jobs
- Permanent Medical Office Jobs for DC Residents (per developer): 1,078 jobs
- Permanent Retail Jobs (per developer): 190 jobs
- Permanent Retail Jobs for DC Residents (per developer): 162

Tax Revenue (per developer):

REVENUES		
Real Property Tax	\$ 457,282,100.00	38.65%
Personal Property Tax	\$ 8,931,800.00	0.75%
Sales Tax	\$ 72,031,500.00	6.09%
Meals Tax	\$ 13,745,600.00	1.16%
Deed Recordation/Transfer Tax	\$ 14,272,000.00	1.21%
Income Tax	\$ 413,986,900.00	34.99%
Parking Tax	\$ 735,400.00	0.06%
<u>Miscellaneous Revenues</u>	<u>\$ 202,069,700.00</u>	<u>17.08%</u>
TOTAL	\$ 1,183,055,000.00	100.00%
EXPENDITURES		
Misc./Non-Educational Operating Expenditures	\$ 141,279,300.00	45.68%
Capital Expenditures	\$ 97,898,000.00	31.65%
<u>Educational Expenditures</u>	<u>\$ 70,106,500.00</u>	<u>22.67%</u>
TOTAL	\$ 309,283,800.00	100.00%

5. Please describe all disposition methods considered and provide a narrative of the proposed disposition method that contains comparisons to the other methods and shows why the proposed method was more beneficial for the District than the others in the areas of return on investment, subsidies required, revenues paid to the District, and any other relevant category, or why it is being proposed despite it being less beneficial to the District in any of the measured categories. DC Official Code § 10-801(b-1)(1)(C).

The District is disposing, through fee simple sale, only those portions of the McMillan site on which commercial development will take place. It is not disposing of Parcels 6, 7 and 8, which includes the planned Park in the southern third of the site, the historic service courts that run through the site and Cell 14. Additionally, disposition of other parcels in conjunction with Parcels 2 and 4 within the Property are designated for housing, retail, and office uses; and utilize mechanisms to ensure that the District will receive market value for its land, is the only viable approach to ensuring the project will progress and deliver the benefits projected. Specifically, the disposition land value can be used to offset and subsidize important public benefits that will be delivered on the disposed parcels, such as affordable housing and community serving retail. The result will be little or no additional District subsidy needed to subsidize these uses. In addition, the disposition approach adds significant revenue to the District's general fund and serves as an offset to the significant investment that the District will make in infrastructure, parks, and preservation for the

project. A ground lease approach was evaluated as an alternative for all parcels that are to be disposed. The parcels that include for-sale housing cannot be sold on ground-leased land and ground leases result in significant financing challenges for Parcels 2 and 4, and the remaining parcels that are to be disposed and offer rental housing or office uses. Because of the value to be generated by the parcels subsidize critical, community oriented uses; and because of the funds that the District will invest in the infrastructure, parks and preservation it can be offset by the disposition revenue; and because fee simple disposition allows greater flexibility for projects to be privately financed and move forward expeditiously, thereby generating tax revenue for the City on currently vacant, untaxed land, the District is pursuing a fee simple disposition of Parcels 2 and 4 within the Property as detailed in the Land Development and Disposition Agreements.

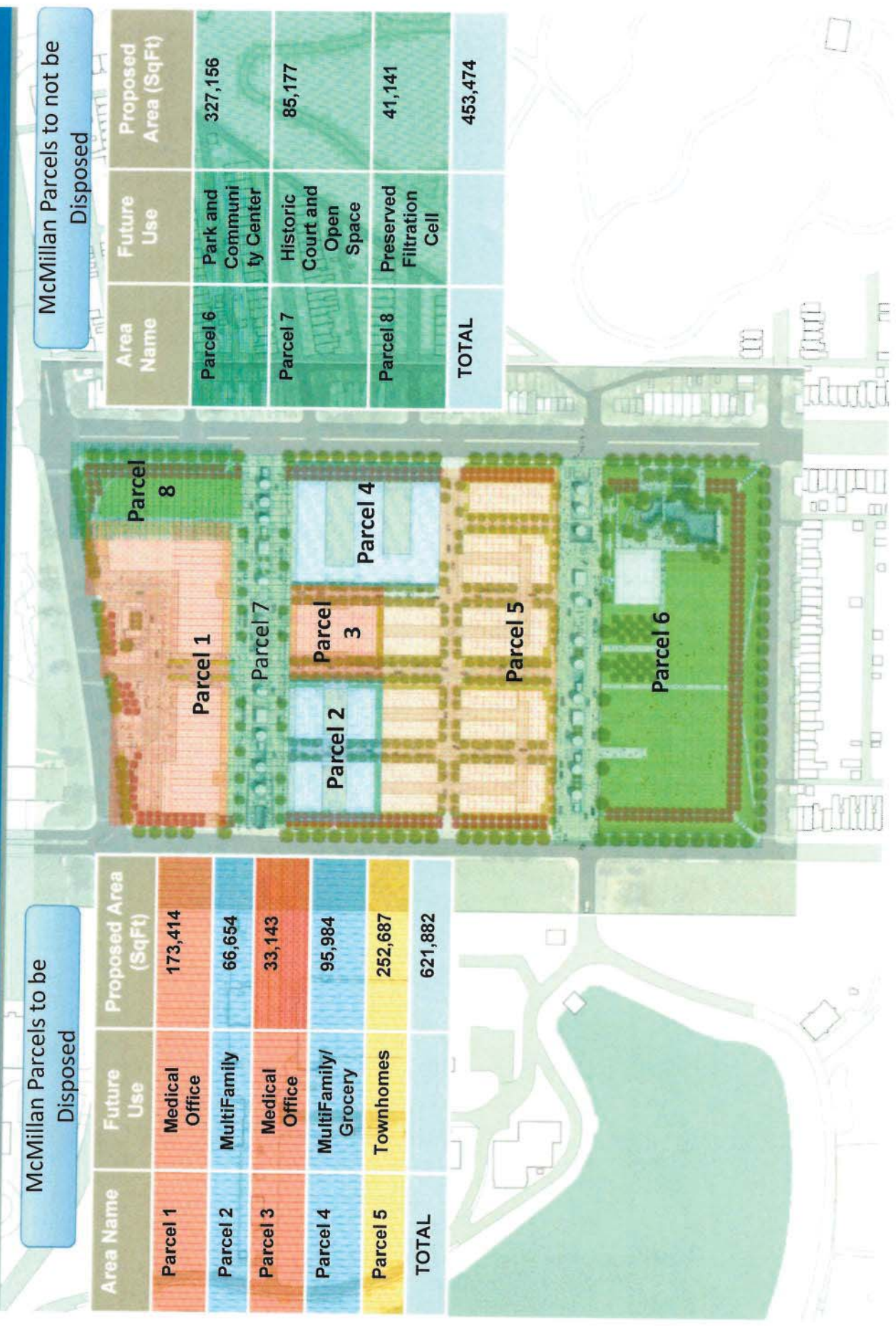
McMillan Proposed Parcels

McMillan Parcels to be Disposed

Area Name	Future Use	Proposed Area (SqFt)
Parcel 1	Medical Office	173,414
Parcel 2	MultiFamily	66,654
Parcel 3	Medical Office	33,143
Parcel 4	MultiFamily/ Grocery	95,984
Parcel 5	Townhomes	252,687
TOTAL		621,882

McMillan Parcels to not be Disposed

Area Name	Future Use	Proposed Area (SqFt)
Parcel 6	Park and Community Center	327,156
Parcel 7	Historic Court and Open Space	85,177
Parcel 8	Preserved Filtration Cell	41,141
TOTAL		453,474



TERM SHEET
Disposition of the McMillan Sand Filtration Site
Commercial (Multi-family) Parcels

Date	October 2, 2014
Seller	District of Columbia ("District"), acting by and through the Office of the Deputy Mayor for Planning and Economic Development ("DMPED").
Buyer	Vision McMillan Partners, LLC ("VMP" or "Developer"), a joint venture comprised of MCMILLAN ASSOCIATES LLC ("EYA"), TC MIDATLANTIC DEVELOPMENT IV, INC ("TC"), and LDP MCMILLAN LAND ACQUIRER, LLC ("JLDP").
Real Property	A portion (the "Multifamily Parcels") of the twenty-five (25) acre parcel of real property situated on North Capitol Street, Washington, D.C. and known for tax and assessment purposes as Lot 0800 in Square 3128 (the "Property"), together with appropriate set-backs and appurtenances deemed necessary to construct the Development Program.
Land Disposition Agreement	All of the terms and conditions of the sale and purchase of the Multifamily Parcels will be governed by the terms of a Land Disposition Agreement (the "LDA") to be negotiated and entered into by District and Developer.
Finished Pad	Subject to the terms of the LDA, DMPED will prepare and construct Finished Pads (as defined in the LDA) on the Multifamily Parcels prior to conveyance of the Multifamily Parcels to Developer for Fair Market Value (as defined below).
Method of Disposition	The Property will be conveyed in fee by District to Developer pursuant to D.C. Official Code § 10-801(b)(8)(F).
Conditions of Closing	In addition to the other District standard conditions of closing of sale pursuant to the LDA, District's obligation to convey the Property is conditioned upon: <ul style="list-style-type: none"> • Developer having obtained financing and equity to fund 100% of the development costs for the Development Program for the applicable Phase • The Developer having provided the District development and completion guaranties pursuant to the LDA for the Development Program for the applicable Phase • The District having satisfied its obligations concerning the Horizontal Development work in accordance with the terms of the LDA
Development Program	The Development Program will consist of multi-family buildings with first floor retail in accordance with a planned unit development ("PUD") order issued by the Zoning Commission.
Affordable Housing	District and Developer agree that a minimum of 20% of the residential units to be developed as a part of the Development Program will be affordable dwelling units ("ADUs"). This will include a senior affordable housing component with ADUs set aside for senior housing (55 years of age or older) for households earning between 50% and 60% of AMI. The non-senior ADUs will be set aside for households earning up to 80% AMI.
Green Building	Developer shall construct the Development Program development in accordance with the

Requirements	<i>Green Building Act of 2006, D.C. Official Code § 6-1451.01, et seq. (2014 Supp.), as amended.</i>
Schedule of Performance	<p>Following is the Schedule of Performance with estimated dates, which may be amended and extended with the approval of DMPED, or otherwise upon an event of force majeure:</p> <ul style="list-style-type: none"> ■ Phase 1 Closing: 90 days after completion of the portion of the Horizontal Development required as a condition of Closing as outlined in the LDA ■ Commence Phase 1 Construction: 30 days after Phase 1 Closing ■ Completion of Phase 1: 48 months after Phase 1 Closing ■ Phase 2 Closing: 48 months after Phase 1 Closing, but prior to the expiration of the Extension Resolution ■ Commence Phase 2 Construction: 30 days after Phase 2 Closing ■ Completion of Phase 2: 48 months after Phase 2 Closing
Post Closing Requirements	Developer shall be bound by the Affordable Housing Covenant and the Construction and Use Covenant, the forms of which shall be attached to the LDA.
Project Completion	Developer will provide a completion guaranty for the construction of the Development Program, the form of which will be attached to the LDA.
CBE Agreement	<p>Developer's CBE Agreement reflects that Developer's 20% CBE developer/equity requirement has been satisfied through JLDP's ownership position in Developer and its role as a prime developer for the multi-family portion of the McMillan project.</p> <p>The CBE Agreement also reflects that Developer's 35% CBE contracting requirement will be satisfied through the CBE contractor participation achieved only on the Development Program which is a portion of the overall McMillan project.</p>
Fair Market Value	<p>As consideration for the transfer of the Multifamily Parcels, Developer shall pay to District fair market value. Fair market value will be determined by a return on cost ("ROC") calculation and an agreed upon minimum ROC.</p> <p>The formula outlined above will be memorialized in the LDA and the purchase price will be paid in cash to the District at Closing for each Phase.</p>
First Source Requirements	The Developer has entered into a First Source Agreement with the Department of Employment Services that shall govern certain obligations of the Developer pursuant to D.C. Official Code § 2-219.03, as amended, and Mayor's Order 83-265 (November 9, 1983) regarding job creation and employment generated as a result of the construction on the Property.

INTENTION AND LIMITATIONS OF THIS TERM SHEET

1. The Developer and DMPED acknowledge that they have prepared and signed this Term Sheet for the sole purpose of obtaining the approval of the Council of the District of Columbia (the "Council") pursuant to D.C. Official Code § 10-801. Developer acknowledges that DMPED's negotiation of the LDA and this Term Sheet, DMPED's signature on this Term Sheet, and submission of this Term Sheet and supporting documents to the Council shall not bind the District to execute the LDA or to convey the Multifamily Parcels to the Developer. Developer further acknowledges that, notwithstanding Council authorizing the conveyance of the Multifamily Parcels, the District has no obligation to do so absent the District and the Developer duly executing the LDA and satisfaction of the conditions contained therein. In the event DMPED or the Mayor determine, in their sole and absolute discretion, to withhold submission of this Term Sheet and supporting documents to the Council or to otherwise decline to secure Council authorization for the conveyance, DMPED may terminate negotiations with the Developer and the District shall not be responsible for the Developer's costs and expenses incurred in relation to the Development Program, except as otherwise provided in the Exclusive Rights Agreement between Developer and DMPED.

2. Developer acknowledges that all approvals required of the Council will be granted or withheld in the sole and absolute discretion of the Council and that, absent Council approval under D.C. Official Code § 10-801 (2014 Supp.), DMPED has no authority to convey the Multifamily Parcels to the Developer. The Developer acknowledges that it is entering into this Term Sheet prior to obtaining all necessary Council approvals. Developer agrees it is proceeding at its sole risk and expense, in the absence of such approvals and execution of the LDA Developer shall have no recourse whatsoever against the District.

3. Developer and DMPED agree that upon receipt of all necessary Council approvals under D.C. Official Code § 10-801 (2014 Supp.), Developer and DMPED shall finalize and execute an LDA governing all of the terms and conditions of the purchase and sale of the Multifamily Parcels. Until Developer and DMPED enter into the binding LDA, both Developer and DMPED reserve the right to proceed with the purchase and sale in their sole and absolute discretion. Upon the execution of the LDA, Developer and DMPED shall proceed in accordance with the terms of the LDA; provided, however, that Developer and DMPED acknowledge and agree that any substantive change in the terms set forth in this Term Sheet shall be subject to further Council review and approval in accordance with D.C. Official Code § 10-801(b-1)(6).

IN WITNESS WHEREOF, DMPED and Developer have caused this Term Sheet, dated October 2, 2014 to be executed and attested by their respective duly authorized representatives.

DISTRICT:

DISTRICT OF COLUMBIA, by and through the
Office of the Deputy Mayor for Planning
and Economic Development

By: _____

M. Jeffery Miller,
Interim Deputy Mayor for Planning
and Economic Development

DEVELOPER:

Vision McMillan Partners, LLC,
a District of Columbia limited liability company,

By: LDP McMillan Land Acquirer, LLC,
a Delaware limited liability company,
its Member

By: LDP Acquisitions, LLC,
a Delaware limited liability company,
its Sole Member

By: LDP Holdings, LLC,
a Delaware limited liability company,
its Manager

By: _____

Jair K. Lynch, President

IN WITNESS WHEREOF, DMPED and Developer have caused this Term Sheet, dated October 2, 2014 to be executed and attested by their respective duly authorized representatives.

DISTRICT:

DISTRICT OF COLUMBIA, by and through the Office of the Deputy Mayor for Planning and Economic Development

By: 

M. Jeffrey Miller,
Interim Deputy Mayor for Planning
and Economic Development

DEVELOPER:

VISION MCMILLAN PARTNERS LLC, a District of Columbia limited liability company

By: LDP McMillan Land Acquirer, LLC,
a Delaware limited liability company,

By: LDP Acquisitions, LLC,
a Delaware limited liability company,
its Sole Member

By: LDP Holdings, LLC,
a Delaware limited liability company,
its Manager

By: _____
Jair K. Lynch, President

Additional Documents are available in LIMS for your review.



Valbridge

PROPERTY ADVISORS

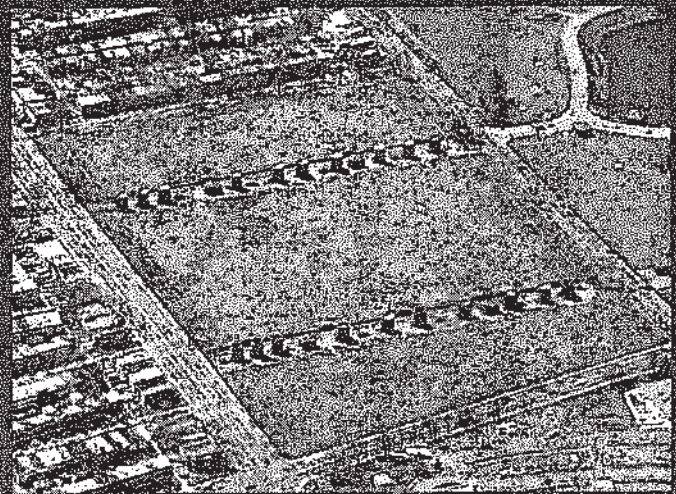
Lipman Frizzell & Mitchell LLC

Self-Contained Appraisal Report

McMillan Sand Filtration Site

2501 1st Street, NW

Washington, D.C. 20001



FOR
Government of the District of Columbia
Office of the Deputy Mayor for Planning
& Economic Development

Mr. Shiv Newaldass

Project Manager

1350 Pennsylvania Avenue, NW, Suite 317

Washington, D.C. 20004

Valbridge Property Advisors |
Lipman Frizzell & Mitchell LLC

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6240 Old Dobbin Lane, Suite 140
Columbia, Maryland 21045
410.423.2300
410.423.2410 fax

valbridge.com

Valbridge Job No.
MD01-13-0376



Valbridge

PROPERTY ADVISORS

Lipman Frizzell & Mitchell LLC

October 21, 2013

Mr. Shiv Newaldass
Project Manager
Government of the District of Columbia
Office of the Deputy Mayor
for Planning & Economic Development
1350 Pennsylvania Avenue, NW, Suite 317
Washington, D.C. 20004

RE: Self-Contained Appraisal Report
McMillan Sand Filtration Site
2501 1st Street, NW
Washington, D.C. 20001

Dear Mr. Newaldass:

In accordance with your request, we have prepared a real property appraisal of the above-referenced property, presented in a self-contained appraisal report format. This appraisal report sets forth the data gathered, the techniques employed, and the reasoning leading to our value opinions.

The property is located at 2501 1st Street, NW in Washington, D.C. The subject is further identified as Square 3128, Lot 800. The site measures approximately 24.7 acres or 1,075,350 sq.ft. The property formerly served as an industrial sand filtration water treatment facility and is improved with 4 regulator houses, 20 sand bins, 12 sand washers, and 20 underground filtration cells that are unused and in poor condition. The property is planned for development with 160 townhouses, 425 multi-family units with a 50,000 sq.ft. grocery store on the first floor, 1,054,000 sq.ft. of healthcare facilities, 30,000 sq.ft. of first floor retail, a 17,000 sq.ft. community center, a 6-acre park, and 4 acres of open space.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA); the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client.

The Government of the District of Columbia is the client in this assignment and is the sole intended user of the appraisal and report. The intended use is to assist the client in financial decisions concerning the subject property. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report. See Extraordinary Assumption and Hypothetical Condition statements.

Based on the analysis contained in the following report, our value conclusions involving the subject property are summarized as follows:


VALUE CONCLUSIONS

	"As Is"	"Improved" ¹
Date of Value:	October 1, 2013	October 1, 2013
Multi-Family Value:	N/A	\$19,000,000
Healthcare Value:	N/A	\$47,800,000
Townhouses Value:	N/A	\$6,050,000
Total Market Value:	(\$3,650,000)	\$72,850,000

At your request, we have valued the subject property "As Is" and as "Improved". The "Improved" opinion of value at \$72,850,000 is based on the hypothetical condition that the subject property is subdivided and ready for development. The "As Is" opinion of value at negative \$3,650,000 is based on the extraordinary assumption that PUD approval will be obtained permitting the proposed mixed-use development and that total costs to subdivide the property and make it ready for development will not exceed \$76,500,000.

This letter of transmittal must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,
 Valbridge Property Advisors
 LIPMAN FRIZZELL & MITCHELL LLC



Ryland L. Mitchell III, CRE, MAI
 Senior Managing Director
 Certified General Real Estate Appraiser
 District of Columbia License #GA10020
 rmitchell@valbridge.com



F. Ford Dennis, Jr.
 Senior Appraiser
 fdennis@valbridge.com

¹ The "Improved" values represent a hypothetical condition because the subject property was not subdivided and ready for development as of the effective date of appraisal. Our value is also based on the extraordinary assumption that the proposed PUD will be obtained.

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Introduction

Summary of Findings

The subject property consists of a single parcel of land totaling 24.7 acres occupying the city blocks formed by Michigan Avenue and North Capitol, Channing, and 1st Streets in Northwest Washington, D.C. The site is improved with regulator houses, sand bins, and sand washers above ground and underground filtration cells. The subject property is planned for redevelopment with 1,054,000 sq.ft. of healthcare facilities, 425 multi-family units with a 50,000 sq.ft. grocery store on the first floor, 160 townhouses, 30,000 sq.ft. of first floor retail, a 17,000 sq.ft. community center, a 6-acre park and 4 acres of open space. Based on our investigations and analyses, it is our opinion that the market values for the subject property are as follows:

VALUE CONCLUSIONS

	"As Is"	"Improved"
Multi-Family Value:	N/A	\$19,000,000
Healthcare Value:	N/A	\$47,800,000
Townhouses Value:	N/A	\$6,050,000
Total Market Value:	(\$3,650,000)	\$72,850,000

The value of the grocery store and retail are included in the value of the multi-family and healthcare components. The community center, park, and open space are public amenities that do not have market values.

Statement of Assumptions & Limiting Conditions

This appraisal is subject to the following limiting conditions:

The legal description – if furnished us – is assumed to be correct.

No responsibility is assumed for matters legal in character, nor is any opinion rendered by us to title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.

The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.

Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.

The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.

¹ The "Improved" values represent a hypothetical condition because the subject property was not subdivided and ready for development as of the effective date of appraisal. Our value is also based on the extraordinary assumption that the proposed PUD will be obtained.

Unless expressly specified in this Agreement, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Lipman Frizzell & Mitchell LLC is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.

The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.

The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Lipman Frizzell & Mitchell LLC. Valbridge Property Advisors, Inc. has not been engaged to provide this report, does not provide valuation services, and has taken no part in the preparation of this report.

Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

No claim is intended to be expressed for matters of expertise which would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Lipman Frizzell & Mitchell LLC and Client. The appraiser assumes no liability for unauthorized use of the appraisal report by a third party.

This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

The value opinion provided herein is subject to any and all predications set forth in this report.

If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable unless otherwise noted in this report.

Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

If the appraisal is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to

use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

Unless otherwise stated in this report, the existence of hazardous material, was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicted on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.

Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

All disputes shall be settled by binding arbitration in accordance with then then-existing commercial arbitration rules of the American Arbitration Association (the "AAA").

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Scope of Appraisal

The scope of appraisal includes all steps taken in the development of the appraisal. This includes 1) the extent to which the subject property is identified, 2) the extent to which the subject property is inspected, 3) the type and extent of data researched, 4) the type and extent of analysis applied, and the type of appraisal report prepared. These items are discussed as follows:

Extent to Which the Property Is Identified

- Legal Characteristics
The subject was legally identified via tax assessment records
- Economic Characteristics
Economic characteristics of the subject property were identified via comparison to properties with similar locational and physical characteristics.
- Physical Characteristics
The subject was physically identified via primarily an exterior inspection. We made a limited interior inspection of two underground cells from their entrances.

Extent to Which the Property Is Inspected

We inspected portions of the subject on October 1, 2013 and did not perform a physical measurement of the improvements.

Type and Extent of the Data Researched

We researched and analyzed: 1) market area data, 2) property-specific, market-analysis data, 3) zoning and land-use data, and 4) current data on comparable listings and sales in the competitive market area.

Type and Extent of Analysis Applied

The subject site has improvements that do not contribute to an overall value that exceeds the land value. We observed surrounding land use trends, the condition of the improvements, demand for the subject property, and relative legal limitations in concluding a highest and best use. We then valued the subject based on the highest and best use conclusion, relying on the sales comparison approach and land residual analysis.

Type of Appraisal and Report Option

This is a Self-Contained Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice.

Purpose of Appraisal

The purpose of this report is to develop an opinion of the subject property's "As Is Value" and "Improved Value" i.e. its value as if subdivided and ready for development with the individual components of the proposed mixed-use project.

Summary of Appraisal Problem

The property being appraised consists of a single parcel of land totaling 24.7 acres located in Northwest Washington, D.C. The parcel is improved with regulator houses, sand bins, sand washers, and underground filtration cells in poor to fair condition. The property is to be valued as is and as if subdivided and ready for development with the individual components of the proposed mixed-use project. The property is planned for development with 160 townhouses, 425 multi-family units with a 50,000 sq.ft. grocery store on the first floor, 1,054,000 sq.ft. of healthcare facilities, 30,000 sq.ft. of first floor retail, a 17,000 sq.ft. community center, a 6-acre park, and 4 acres of open space.

Approaches to Value

There are three of the traditional approaches to estimating real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

The cost approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or when the improvements are so specialized that there is little or no sales data from comparable properties.

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

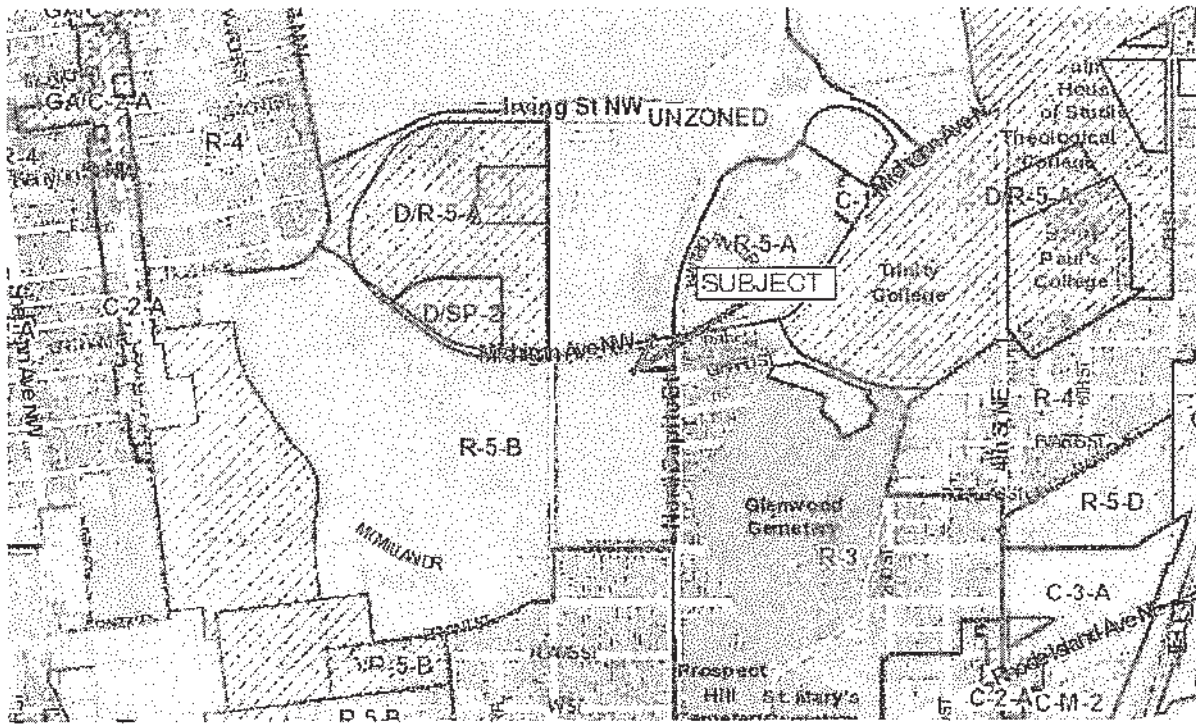
The income capitalization approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

The assignment requires the valuation of the subject property as is and as if vacant land ready for development with a specific mixed-use development. Primary analysis employed the sales comparison approach. A residual land value analysis was developed for components of the mixed-use development for which adequate comparables were not available to fully develop a sales comparison approach. The residual land analysis incorporates the cost and income capitalization approaches.

Zoning & Other Land Use Regulations

ZONING MAP

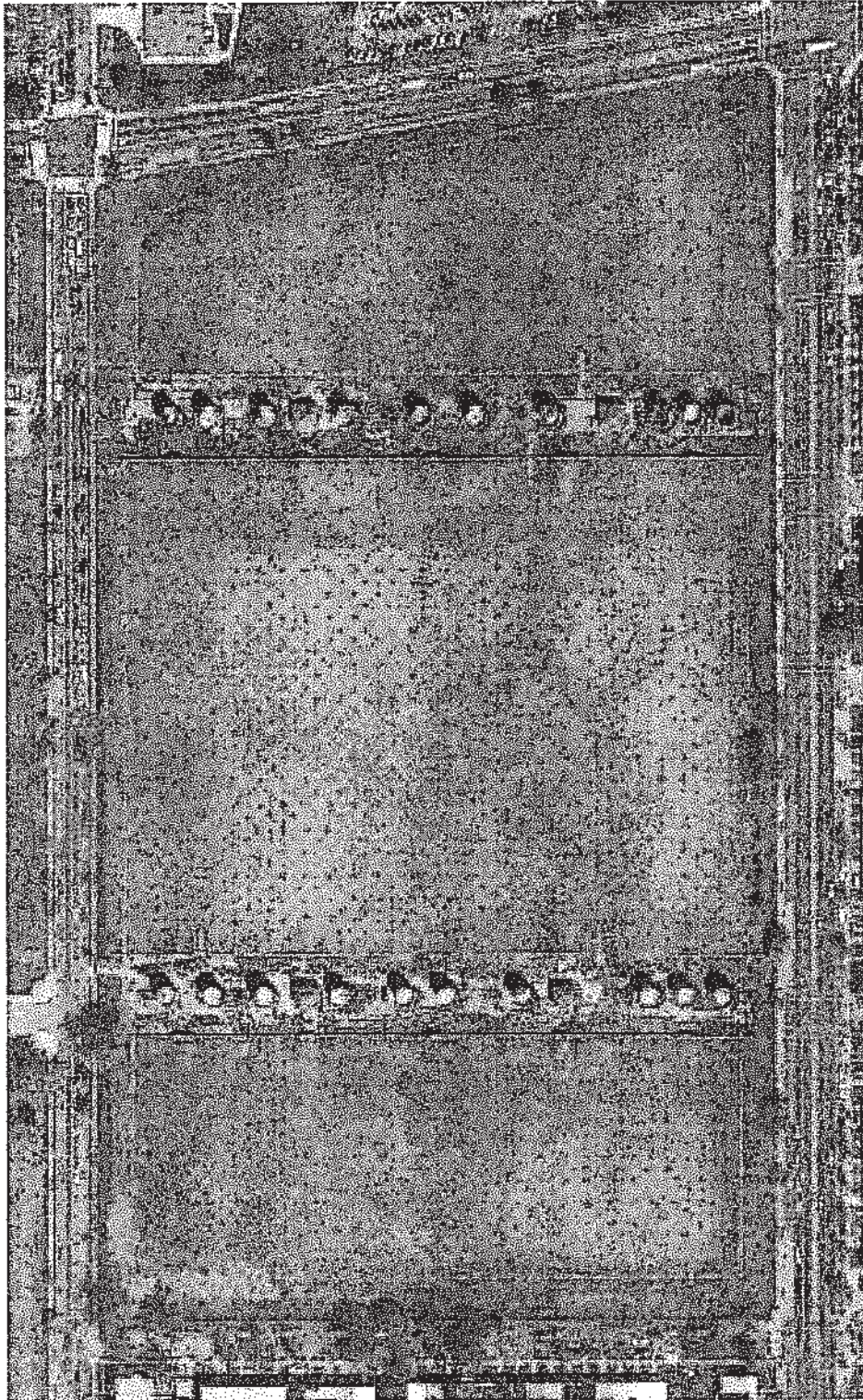


According to the District of Columbia zoning map, the subject property is zoned R-5-B. However, city officials and others familiar with the subject property state that it is unzoned. The developers of the subject propose to obtain a planned unit development (PUD) for the property that would conform to the specifics of the planned redevelopment. The current timetable is for PUD application in November 2013 and a written Zoning Commission order in September 2014.

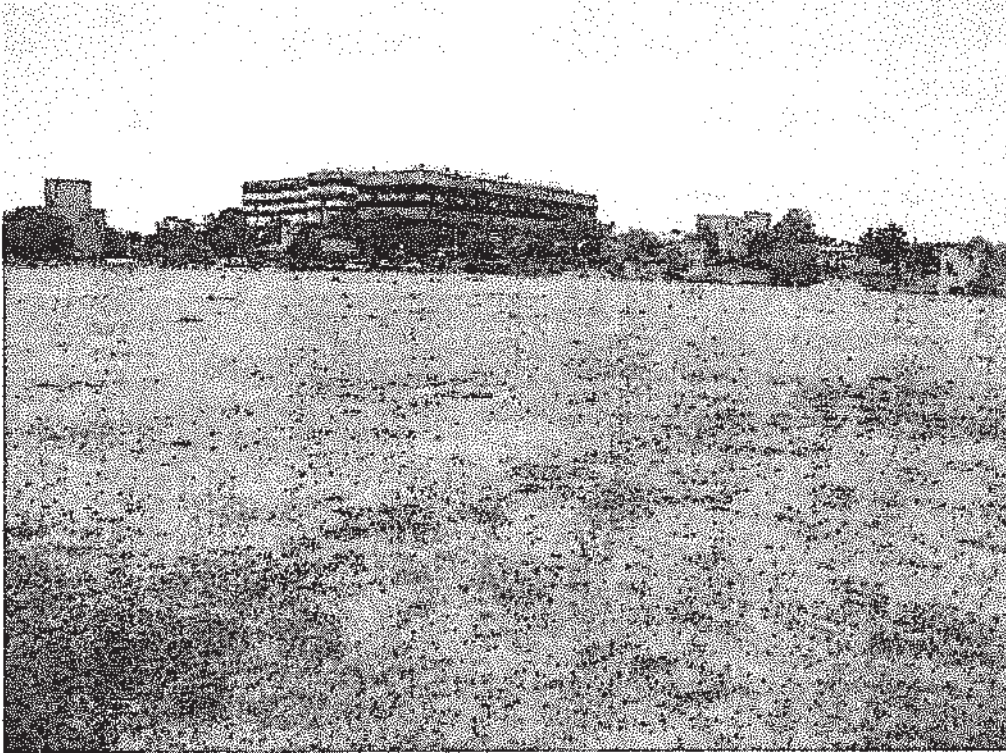
According to a representative of the District of Columbia, the property is encumbered by a deed restriction that requires development of the site be subject to oversight by the District of Columbia Historic Preservation Review Board (HPRB).

The District of Columbia HPRB designated the subject property a Historic Landmark in 1991. The subject property has also been nominated for placement on the National Register of Historic Places.

AERIAL VIEW OF SUBJECT PROPERTY



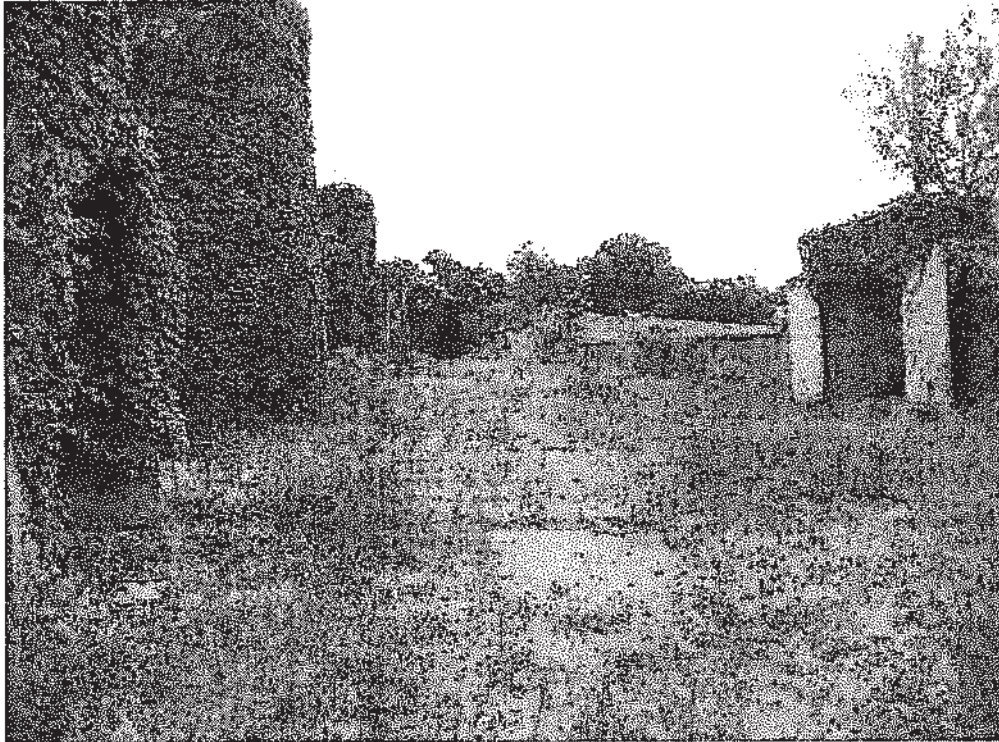
VIEW OF SUBJECT PROPERTY LOOKING NORTHWEST



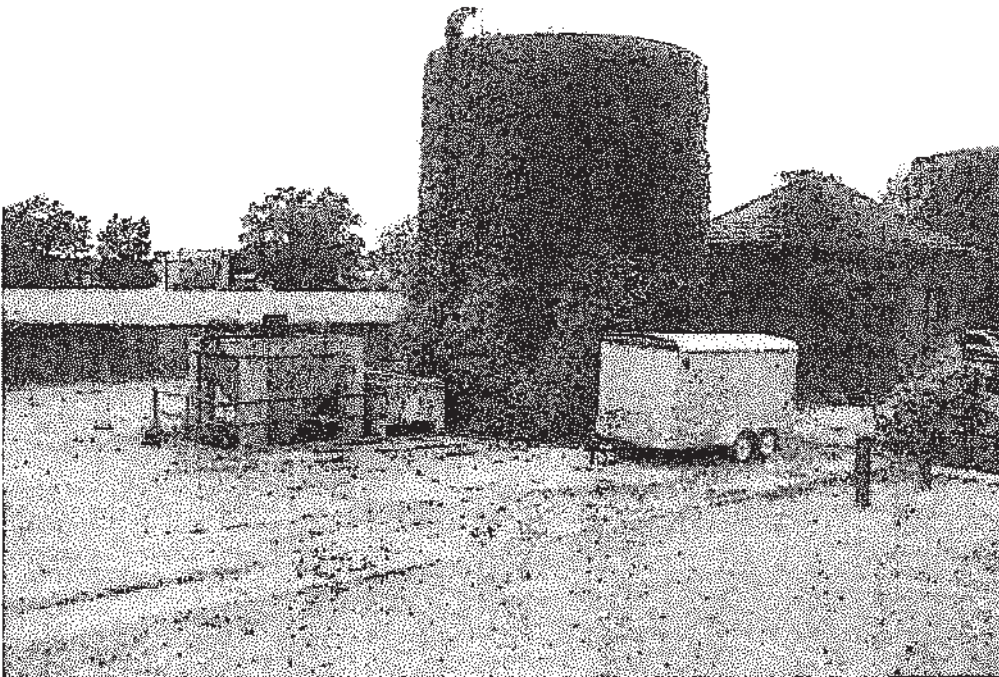
VIEW OF SUBJECT PROPERTY LOOKING SOUTHWEST



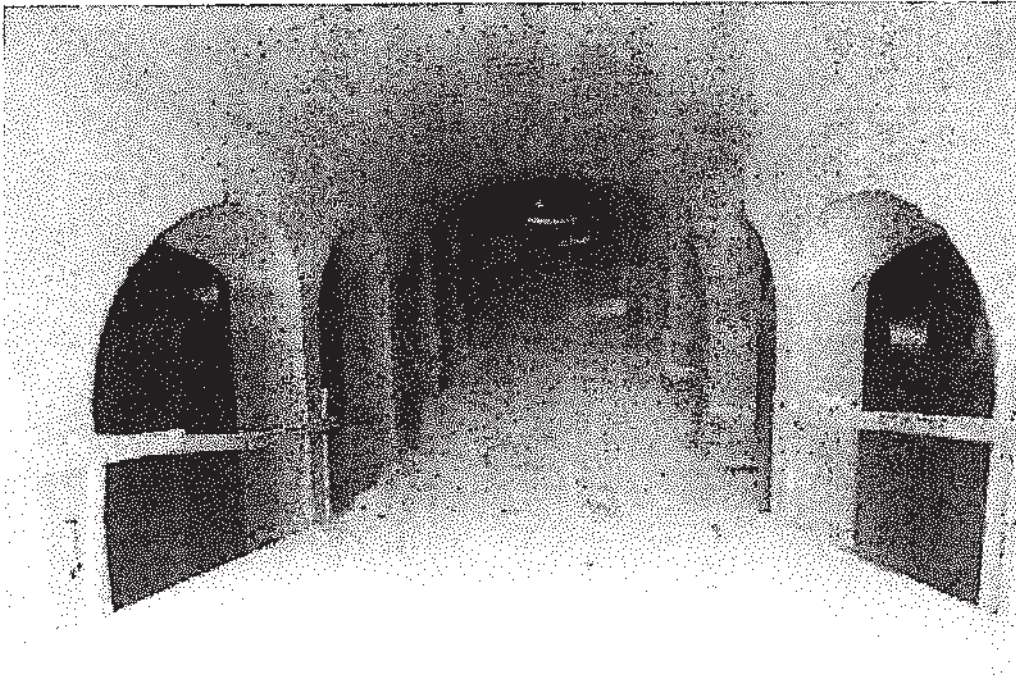
VIEW OF SERVICE COURT



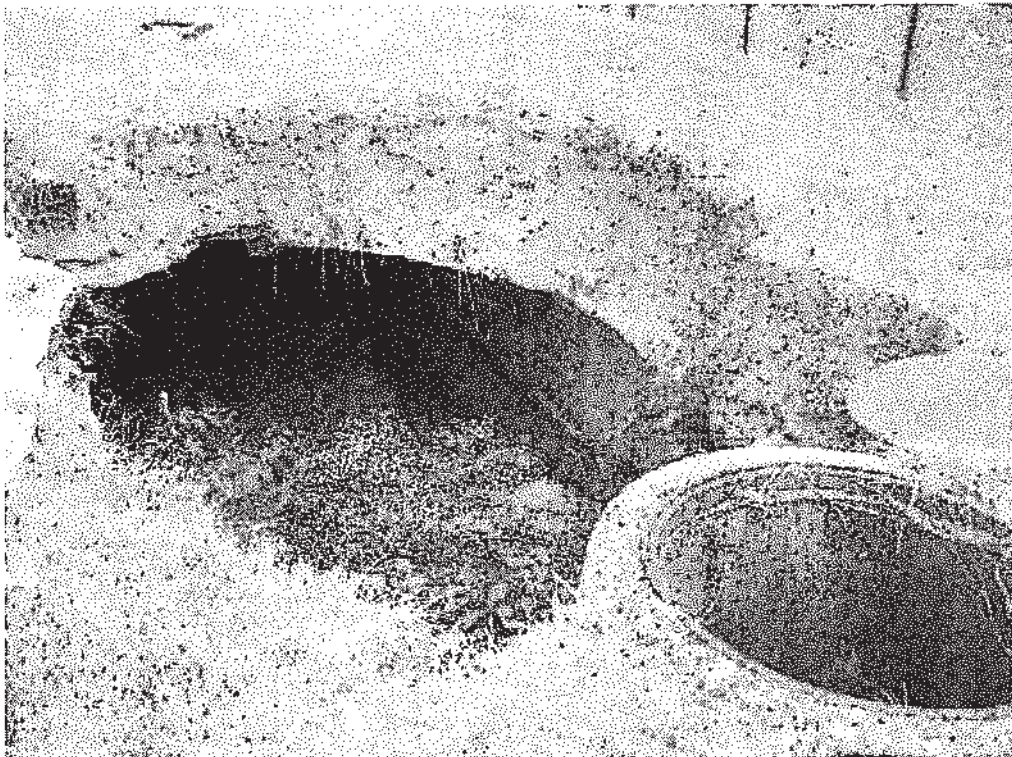
VIEW OF SAND WASHER, SAND BIN & REGULATOR HOUSE



INTERIOR VIEW OF UNDERGROUND FILTRATION CELL




VIEW OF COLLAPSED UNDERGROUND FILTRATION CELL



Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person/people signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, Ryland L. Mitchell III, CRE, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.



Ryland L. Mitchell III, CRE, MAI
Certified General Real Estate Appraiser
District of Columbia License No.: GA10020

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
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12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, F. Ford Dennis, Jr. have completed the standards and ethics education requirement for Practicing Affiliates of the Appraisal Institute.



F. Ford Dennis, Jr.

Summary of Salient Facts & Conclusions

Property Name:	McMillan Sand Filtration Site
Address:	2501 1st Street, NW Washington, D.C. 20001
Parcel Number:	Square 3128, Lot 800
Property Rights Appraised:	Fee simple
Zoning:	Unzoned
Site Size:	24.7 acres (1,075,350 square feet)
Existing Improvements	
Property Type:	Former sand filtration water treatment facility
Gross Building Area:	N/A
Year Built:	1905
Condition:	Poor to fair
Extraordinary Assumptions:	A PUD permitting the proposed mixed-use development will be obtained.
Hypothetical Conditions:	The "Improved" values assume the subject property is subdivided and ready for development as of the effective date of appraisal.
Highest and Best Use	
As Vacant:	Proposed mixed-use development
As Improved:	Redevelopment with the proposed mixed-use project utilizing government subsidies
Date of Inspection:	October 1, 2013
Date of Report Preparation:	October 21, 2013

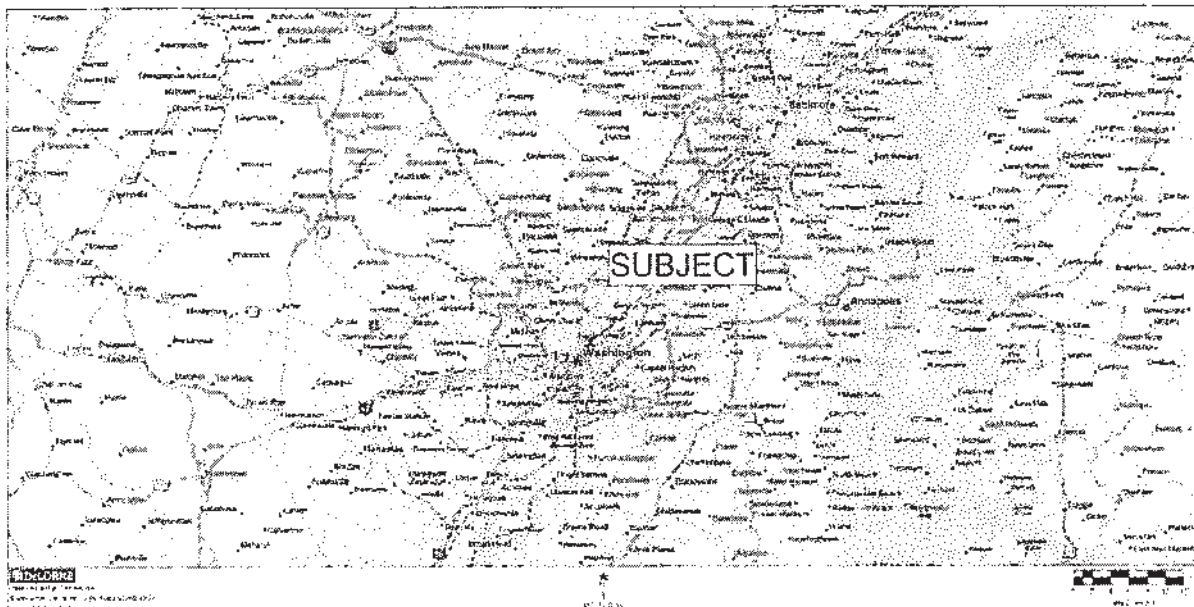
VALUE INDICATIONS & CONCLUDED VALUES

	As Is	Multi-Family	Healthcare	Townhouses	Total
Cost Approach	N/A	N/A	N/A	N/A	N/A
Sales Comparison Approach	N/A	\$19,100,000	\$48,330,000	\$6,050,000	N/A
Income Approach	N/A	N/A	N/A	N/A	N/A
Residual Land Value Analysis	N/A	\$18,680,000	\$47,180,000	N/A	N/A
Market Value	(\$3,650,000)	\$19,000,000	\$47,800,000	\$6,050,000	\$72,850,000

Washington, D.C. Metropolitan Area

The subject property is located in the Washington, D.C. Metropolitan Area. The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA) includes: Calvert, Charles, Frederick, Montgomery and Prince George's Counties in Maryland; Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford and Warren Counties, and the Cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas and Manassas Park, located in Northern Virginia; Jefferson County, in West Virginia; and the District of Columbia.

REGIONAL MAP



Population, Income & Employment

The Washington MSA's population grew by an average annual rate of 1.5% between 1990 (4,122,259) and 2000 (4,796,183), according to the U.S. Census Bureau. The population for the MSA had an average annual change of 1.6% and a total change of 16.9% from 2002 to 2012. In 2012, the MSA had an estimated population of 5,860,342, an increase of 1.5% over 2011, at 5,771,213. The Washington MSA's population is projected to increase to 6,262,527 in 2020 and 6,918,541 in 2030, according to reports from the Metropolitan Washington Council of Governments Cooperative Forecast 8.1, the Maryland Department of Planning and the Virginia Employment Commission. A summary of population history and forecast for the Washington Metropolitan MSA is shown on the following page.

HISTORICAL AND PROJECTED POPULATION

	Average Annual Growth Rates						
	2002	2012	2002-2012	2020	2012-2020	2030	2020-2030
WASHINGTON, D.C. MSA	5,014,571	5,860,342	1.6%	6,262,527	0.8%	6,918,541	1.0%
Washington, D.C.	573,158	632,323	0.99%	676,326	0.84%	722,763	0.67%

Sources: U.S. Census Bureau, Population Division: 2002 & 2012: Release Date: March 2013; 2020 & 2030: Metropolitan Washington Council of Governments Cooperative Forecasts 8.1, July 2012.

In 2012, the Washington, D.C. MSA had an estimated average annual labor force of 3,182,006, with an average unemployment rate of 5.6%, compared to an average rate of 8.9% for the District of Columbia, 6.8% for Maryland, 5.9% for Virginia, 7.3% for West Virginia and the U.S. average unemployment rate of 8.1%. A summary of labor force data for the MSA and unemployment rates for the States of Maryland and West Virginia, the Commonwealth of Virginia, the District of Columbia and the U.S., from 2002 to 2012, is shown below.

AVERAGE ANNUAL LABOR FORCE AND UNEMPLOYMENT RATES SUMMARY

Washington, D.C. MSA		D.C.	Maryland	Virginia	West VA	U.S.
Year	Labor Force	Rate	Rate	Rate	Rate	Rate
2002	2,749,469	4.0%	6.7%	4.5%	4.2%	5.8%
2003	2,780,248	3.9%	7.0%	4.5%	4.1%	6.0%
2004	2,833,955	3.7%	7.5%	4.3%	3.7%	5.5%
2005	2,903,238	3.4%	6.5%	4.1%	3.5%	4.9%
2006	2,962,332	3.1%	5.7%	3.8%	3.0%	4.5%
2007	2,973,242	2.9%	5.5%	3.4%	3.1%	4.6%
2008	3,045,734 *	3.7%	6.6%	4.3%	4.0%	5.8%
2009	3,054,881 *	6.2%	9.7%	7.4%	6.9%	7.6%
2010	3,097,490 *	6.4%	10.0%	7.8%	7.1%	8.4%
2011	3,146,870 **	6.0%	10.1%	7.3%	6.4%	7.8%
2012	3,182,006 **	5.6%	8.9%	6.8%	5.9%	7.3%

Sources: U.S. Department of Labor, Bureau of Labor Statistics. *Reflects adjustment to new state totals. ** Reflects revised inputs, reestimation and adjustment to new state control totals.

In July 2013, the Washington, D.C. MSA had an estimated labor force of 3,254,312, with an unemployment rate of 5.7%, compared to a rate of 9.0% for the District of Columbia, 7.0% for Maryland, 5.8% for Virginia, 6.2% for West Virginia and the U.S. unemployment rate of 7.4%.

The early 1990s produced a depressed economic environment for the Metropolitan area with cutbacks in employment by the Federal Government, the area's largest employer. This was followed by corporate mergers and layoffs in the mid-1990s. By the late 1990s the economy had improved and private sector hiring was strong, with low unemployment and resurgence in demand for commercial development. During 2002, the economy in the Metropolitan area was stagnant with low mortgage interest rates responsible for a strong housing market. By 2005, a strong seller's market developed for both residential and commercial real estate that began to slow down by year end, as interest rates rose. Sales activity in the housing market declined in 2006 through 2009, while commercial activity remained relatively stable.

According to reports from the U.S. Census Bureau, the estimated median household income for the Washington, D.C. MSA increased from \$62,736 in 2001 to \$83,583 in 2011, an average annual increase of 2.9% and a total change of 33.2%. The MSA's 2011 median income was 2.4% higher than the 2010 median income of \$81,647. Median income for the MSA was 34.6% higher than the District of Columbia's median household income of \$62,087, 19.3% higher than Maryland's income of \$70,075, 35.1% higher than Virginia's income of \$61,877 and 116.6% higher than West Virginia's median household income of \$38,587. A chart showing the median household income for the Washington, D.C. MSA from 2001 to 2011 is shown below.

MEDIAN HOUSEHOLD INCOME

Year	Income	Annual % Change	Total % Change
2001	\$62,736	-	-
2002	\$64,588	3.0%	3.0%
2003	\$66,273	2.6%	5.6%
2004	\$68,330	3.1%	8.9%
2005	\$71,013	3.9%	13.2%
2006	\$76,929	8.3%	22.6%
2007	\$80,086	4.1%	27.7%
2008	\$81,696	2.0%	30.2%
2009	\$82,470	0.9%	31.5%
2010	\$81,647	-1.0%	30.1%
2011	\$83,583	2.4%	33.2%
Average Annual % Change		2.9%	

Source: U.S. Census Bureau

Housing

The residential market in the Washington Metropolitan area was extremely active during the first half of this decade, although home sales began to slow in 2006 and pricing began to decline since that time. The extreme expansion experienced between 2000 and 2005 ended and the market is in the process of finding equilibrium.

According to reports from the Metropolitan Regional Information Systems, Inc. (MRIS), in 2011, the average home sale price in the MSA was \$327,008, an increase of 0.45% over 2010, at \$325,537. During the same period, the number of units sold in the MSA went from 67,780 in 2010 to 64,413 in 2011, a decrease of 5.0%. The largest decreases in average home sale price occurred in Charles County, MD, at 10.1%, followed by Prince George's County, MD, at 9.8%. The highest increases in average home sale price occurred in Manassas City, VA at 8.8% followed by Falls Church, VA, at 4.9%.

In 2012, the average home sale price in the MSA was \$347,026, an increase of 6.1% over 2011, at \$327,008. The number of units sold in the MSA went from 64,413 in 2011 to 68,044 in 2012, an increase of 5.6%. The chart below illustrates average home sale prices in the MSA for Maryland counties, Virginia counties and cities, Jefferson County, West Virginia and the District of Columbia, from 2008 to 2012.

AVERAGE ANNUAL HOME SALE PRICES

	2008	2009	% Change	2010	% Change	2011	% Change	2012	% Change
Maryland Counties									
Calvert County	\$349,261	\$324,081	-7.2%	\$307,886	-5.0%	\$308,588	0.2%	\$310,030	0.5%
Charles County	\$313,658	\$273,693	-12.7%	\$257,677	-5.9%	\$231,596	-10.1%	\$239,249	3.3%
Frederick County	\$306,223	\$265,563	-13.3%	\$262,445	-1.2%	\$252,473	-3.8%	\$267,285	5.9%
Montgomery County	\$503,965	\$434,297	-13.8%	\$441,492	1.7%	\$451,479	2.3%	\$465,597	3.1%
Prince George's County	\$292,534	\$231,284	-20.9%	\$201,193	-13.0%	\$181,547	-9.8%	\$190,274	4.8%
District of Columbia									
	\$538,697	\$484,990	-10.0%	\$505,854	4.3%	\$517,797	2.4%	\$552,271	6.7%
Virginia Counties									
Arlington County	\$534,540	\$519,564	-2.8%	\$541,665	4.3%	\$557,853	3.0%	\$574,670	3.0%
Clarke County	\$367,051	\$336,623	-8.3%	\$288,100	-14.4%	\$275,065	-4.5%	\$321,098	16.7%
Fairfax County	\$445,291	\$417,111	-6.3%	\$457,174	9.6%	\$471,317	3.1%	\$492,480	4.5%
Fauquier County	\$364,019	\$325,372	-10.6%	\$326,294	0.3%	\$330,574	1.3%	\$356,452	7.8%
Loudoun County	\$400,696	\$373,275	-6.8%	\$403,656	8.1%	\$418,120	3.6%	\$431,003	3.1%
Prince William County	\$263,108	\$237,624	-9.7%	\$276,881	16.5%	\$284,173	2.6%	\$305,330	7.4%
Spotsylvania County	\$262,411	\$222,433	-15.2%	\$218,697	-1.7%	\$212,717	-2.7%	\$220,587	3.7%
Stafford County	\$294,768	\$244,852	-16.9%	\$258,950	5.8%	\$249,554	-3.6%	\$270,174	8.3%
Warren County	\$220,266	\$169,174	-23.2%	\$160,006	-5.4%	\$152,608	-4.6%	\$171,991	12.7%
Virginia Cities									
Alexandria City	\$469,194	\$428,538	-8.7%	\$453,979	5.9%	\$469,664	3.5%	\$486,908	3.7%
Fairfax City	\$423,902	\$373,090	-12.0%	\$425,957	14.2%	\$425,954	0.0%	\$458,562	7.7%
Falls Church City	\$627,354	\$563,635	-10.2%	\$562,565	-0.2%	\$590,176	4.9%	\$614,982	4.2%
Fredericksburg City	\$303,469	\$243,364	-19.8%	\$244,011	0.3%	\$238,712	-2.2%	\$266,525	11.7%
Manassas City	\$173,663	\$156,996	-9.6%	\$183,656	17.0%	\$199,737	8.8%	\$226,626	13.5%
Manassas Park City	\$179,181	\$157,903	-11.9%	\$198,777	25.9%	\$195,151	-1.8%	\$225,384	15.5%
West Virginia County									
Jefferson County	\$250,787	\$199,432	-20.5%	\$184,906	-7.3%	\$179,327	-3.0%	\$187,087	4.3%
MSA AVERAGE PRICE									
	\$358,365	\$317,404	-11.4%	\$325,537	2.6%	\$327,008	0.5%	\$347,026	6.1%

Source: Metropolitan Regional Information Systems, Inc.-MLS Resale Data. Figures above include average prices of single-family detached/attached homes and condominium units sold.

In July 2013, the average home sale price in the MSA was \$390,642, an increase of 10.4% over July 2012, at \$353,849. The number of units sold in the MSA went from 6,246 in July 2012 to 7,659 in July 2013, an increase of 22.6%.

Residential construction activity decreased between 2002 and 2009. The Washington, D.C. MSA issued new residential building permits for 22,404 dwelling units in 2012, an increase of 14.0% over 2011, at 19,657 units, according to reports from the State of the Cities Data Systems (SOCDS). Of those permits issued in 2012, 10,980 were for single family units, an increase of 13.9% over 2011, at 9,644 single family units. During the same period, the MSA issued multi-family permits for 11,424 units, an increase of 14.1% over 2011, at 10,013 multi-family units. A chart showing the number of units for permits issued from 2002 to 2012 in the Washington, D.C. MSA is shown on the following page.

RESIDENTIAL BUILDING PERMITS

Year	Number of Units			2002 - 2012	
	Single-Family	Multi-Family	Total	Annual % Change	Total % Change
2002	27,947	10,619	38,566	-	-
2003	27,986	7,861	35,847	-7.1%	-7.1%
2004	26,940	11,084	38,024	6.1%	-1.4%
2005	25,918	10,858	36,776	-3.3%	-4.6%
2006	18,471	9,487	27,958	-24.0%	-27.5%
2007	14,551	7,908	22,459	-19.7%	-41.8%
2008	9,321	4,411	13,732	-38.9%	-64.4%
2009	8,954	3,375	12,329	-10.2%	-68.0%
2010	9,488	3,577	13,065	6.0%	-66.1%
2011	9,644	10,013	19,657	50.5%	-49.0%
2012	10,980	11,424	22,404	14.0%	-41.9%

Source: HUD USER Policy Development and Research Information Service, State of the Cities Data Systems (SOCDS).

Commercial/Industrial Markets

In first quarter 2012, reports from Jones Lang LaSalle indicate a continuing trend of depression in leasing velocity in the Washington, D.C. region. The federal government has continued to face budgetary issues, which affect leasing activity by federal agencies and government contractors. Political discord and gridlock has depressed leasing activity and restricted economic growth in Washington, D.C. However, select media, technology and higher education employers have added to their payrolls and expanded throughout the region according to Jones Lang LaSalle.

The federal government is the largest employer and generates substantial influence on office demand in the Metro D.C. region. After expanding office space by more than 5.0 million square feet in 2010, the federal government pulled back in 2011 by cancelling over 3.0 million square feet of federal requirements across the region.

The stalled state of leasing activity in the Metro D.C. market is expected to be prolonged by the inability of Congress to agree on a long-term federal budget. Tenants that are dependent on the activities of the federal government are expected to remain on the sidelines while they wait for more clarity in regard to the future prospects for their businesses. Cautious and defensive leasing positions by tenants will make renewals and consolidations prevalent. Tenants across industry sectors are expected to use caution in their approach to real estate decisions in the foreseeable future.

In second quarter 2013, the MSA had 475.7 million square feet of office RBA, with a vacancy rate of 13.8%, according to reports from CoStar. Industrial/Flex RBA in the MSA totaled 231.7 million square feet, with a vacancy rate of 11.2%. The MSA had retail space totaling 254.4 million square feet, with a vacancy rate of 5.1%. The Washington, D.C. MSA had a total combined RBA of 961.8 million square feet, with an overall vacancy rate of 10.9%. The MSA's RBA for office, industrial/flex, retail and combined space and vacancy rates for fourth quarters 2007 through 2012 and second quarter 2013 are shown in the chart on the following page.

COMMERCIAL RBA AND VACANCY RATES

Year/Qtr.	Total RBA	Vacancy Rates
Office		
2013 2Q	475,747,682	13.8%
2012 4Q	474,588,288	13.6%
2011 4Q	471,430,876	13.3%
2010 4Q	468,699,507	13.2%
2009 4Q	463,913,562	13.5%
2008 4Q	456,268,530	12.0%
2007 4Q	446,274,761	10.4%
Industrial/Flex		
2013 2Q	231,680,893	11.2%
2012 4Q	230,900,273	11.1%
2011 4Q	229,664,236	12.0%
2010 4Q	228,452,217	12.5%
2009 4Q	227,842,426	12.8%
2008 4Q	225,896,830	10.9%
2007 4Q	221,518,750	9.1%
Retail		
2013 2Q	254,392,897	5.1%
2012 4Q	253,847,475	5.0%
2011 4Q	252,327,710	5.0%
2010 4Q	250,777,146	5.1%
2009 4Q	248,796,094	5.6%
2008 4Q	246,020,845	4.6%
2007 4Q	240,245,751	3.7%
Combined		
2013 2Q	961,821,472	10.9%
2012 4Q	959,336,036	10.7%
2011 4Q	953,422,822	10.8%
2010 4Q	947,928,870	10.9%
2009 4Q	940,552,082	11.2%
2008 4Q	928,186,205	9.8%
2007 4Q	908,039,262	8.3%

Source: CoStar

Transportation/Accessibility

The Washington Metropolitan Area's highway network is extensive and provides access to points in all directions. In suburban Maryland, major arteries include I-70, I-270, I-495, I-95; U.S. Routes. 50/301, 1, 29, 40; Md. Routes 355, 97, 650, 108, 450, 214, 4, 5; and many heavily traveled county roads. This highway system serves to connect the Washington Metropolitan Area with the Maryland cities of Baltimore, Annapolis, and Frederick. In northern Virginia, major arteries include I-66, I-495, I-95; U. S. Routes 1, 29, 50; Virginia Routes 123, 7, 236, 28; and many heavily traveled county roads. This highway system in northern Virginia links the Washington Metropolitan Area with the cities of Winchester, Charlottesville, Fredericksburg and Richmond.

An 18.8-mile Inter County Connector (I-200) toll road has been completed from I-270/I-370 to I-95 (Contracts A-C), which greatly eases east/west travel linking Prince George's and Montgomery Counties, according to reports from the Maryland Department of Transportation. The limited access highway begins from the west at I-270/I-370 in Montgomery County, MD and will eventually end at US 1 in Prince George's County, MD.

The ICC is a limited access toll facility that has been constructed in the following sequence:

- A. I-270/I-370 to MD 97** - 7.2 mainline miles of six-lane highway (opened February 2011).
- B. MD 97 to US 29** - 6.9 mainline miles of six-lane highway (opened November 2011).
- C. US 29 to I-95** - 3.8 mainline miles of six-lane highway (opened November 2011).

Elements of the two remaining segments (Contracts D/E) have been modified and combined and are scheduled for completion in the spring of 2014.

- D./E.** Contract D/E Modified will consist of a reduced length of collector-distributor road along I-95 and will include the extension of the ICC from the eastern terminus of Contract C to an at-grade intersection at Virginia Manor Road. The Contract will also include an option to construct the ICC/Virginia Manor Road interchange and extend the ICC to US 1 (.9 mainline miles).

The area is also served by excellent rail service and three major airports: Baltimore/Washington International Thurgood Marshall Airport (BWI); Ronald Reagan Washington National Airport; and Washington Dulles International Airport.

The Metro area also has access to the Helen Delich Bentley Port of Baltimore which comprises one of the largest foreign tonnage ports in the U.S. Located at Dundalk, Curtis Bay, Locust Point and Canton Yards; the Port is a significant economic engine for the region. Currently, the Port moves more than 40 million tons of bulk and container cargo, according to reports from the Port of Baltimore. Because of its strategic Mid-Atlantic location, inland setting and 50-foot channel, the Port is one of America's top container terminals. It is a leading U.S. automobile and break-bulk port with six public terminals and a state-of-the-art Intermodal Container Transfer Facility and is ranked as one of the nation's top, and the East Coast's number one, "Ro/Ro" (roll-on/roll-off) ports.

The metropolitan area is served by METRO, a rapid rail subway system which is operated by the Washington Metropolitan Area Transit Authority (WMATA) and which also operates extensive bus services. Metro rail serves to connect suburban areas of Maryland and Virginia with the District of Columbia. Regional commuters also have access to the Virginia Rail Express, MARC (Maryland Rail Commuter), and Amtrak trains.

The Great Recession

In late 2007, financial markets began to deteriorate from a period of rapid growth in real estate prices and economic activity during the 2000's. What followed was a deep and unprecedented global economic recession, which has come to be known as The Great Recession. Real estate markets in particular have been profoundly affected by this recession in comparison to past recessions.

One of the most destructive legacies of The Great Recession has been the nationwide erosion in home prices following dramatic increases in the mid-2000's which were fueled by easy credit and speculation. In the Washington, D.C. MSA, the average home sale price increased from \$194,362 in 2000 to \$438,554 in 2006, or 125.6%. By 2012, it averaged \$347,026, a decrease of 20.9% from the high. Residential building permits decreased from a peak of 38,566 in 2002 to 13,065 in 2010, a decrease of 66.1%. In 2012, building permits increased by 14.0% over 2011, to 22,404, but still down 41.9% from the high.

In addition, the effects of The Great Recession can be found in unemployment, which, in the Washington, D.C. MSA, averaged 3.5% annually between 2002 and 2008, with a high of 4.0% in 2002 and a low of 2.9% in 2007. In 2009, unemployment jumped to 6.2% and to 6.4% in 2010. In 2011, the unemployment rate in the MSA decreased to 6.0% then decreased again in 2012 to 5.6%. Median household income in the MSA increased by 8.3% in 2006 then slowed to an increase of 2.4% in 2011. Vacancy rates have also increased for all commercial property types since 2006.

The duration and far reaching impact of The Great Recession has been unprecedented as have been measures in monetary and fiscal policy undertaken by the U.S. Government to combat the ongoing problems. The Federal Reserve has lowered the Federal Funds Target Rate to a range of 0 to 0.25%, the lowest rate since December of 2008 and over \$5 trillion has been added to the nation's debt since January of 2008. Standard & Poor's Ratings Services revised its outlook on the U.S. long-term rating from AAA to AA+ to reflect future concerns regarding the ability of the U.S. Government to fulfill its obligations with increased debt loads, without a major change in policy.

Conclusions

During the last three years, the Washington, D.C. MSA has shown signs of stabilization. In 2011, the MSA's average home sale price increased by 0.45% and by 2.6% in 2010, after decreases of 14.8% in 2008 and 11.4% in 2009. In 2012, the average home sale price in the MSA increased by 6.1%. The average unemployment rate decreased in 2011 and 2012, after increasing unemployment in 2009 and 2010. These recent signs of stabilization indicate the process of recovery may be beginning, however, the future outlook remains uncertain.

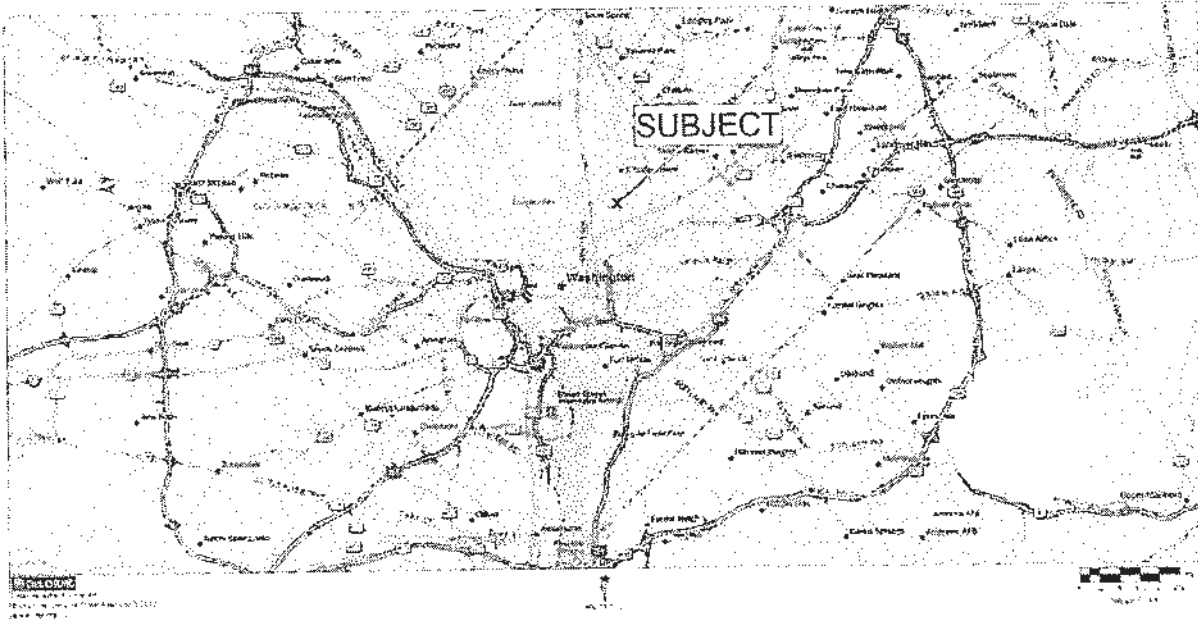
The Washington, D.C. MSA's economic base will continue to be a positive influence as it recovers in the years to come. Economic growth may not again reach the pace set in the mid-2000's, however, the MSA's favorable demographic trends and location will assist in stabilizing and, ultimately, growing its economy.

Washington, D.C.

Location

The subject property is located in Washington, D.C. The District of Columbia is at the center of the Washington metropolitan area. It is surrounded by suburban areas of Maryland and Virginia. Washington, D.C. is the capital of the United States and the seat of our nation's government.

CITY MAP



Population

The U.S. Census Bureau estimated the District of Columbia's 2000 population at 572,086, which showed an average annual decrease of 1.21% from 1980, at 638,432. In 2012, the District had an estimated population of 632,323, an increase of 2.2% over 2011, at 619,020. The District experienced an average annual increase in population of 0.99% and a total increase of 10.3% from 2002 to 2012. According to the *Round 8.1 Cooperative Forecast*, published by the Metropolitan Washington Council of Governments (MWCOC), the District's population is projected to increase to 676,326 in 2020 and 722,763 in 2030. A summary of population history and forecast is shown below.

HISTORICAL AND PROJECTED POPULATION

	Average Annual Growth Rates						
	2002	2012	2002-2012	2020	2012-2020	2030	2020-2030
WASHINGTON, D.C. MSA	5,014,571	5,860,342	1.6%	6,262,527	0.8%	6,918,541	1.0%
Washington, D.C.	573,158	632,323	0.99%	676,326	0.84%	722,763	0.67%

Sources: U.S. Census Bureau, Population Division: 2002 & 2012: Release Date: March 2013; 2020 & 2030: Metropolitan Washington Council of Governments Cooperative Forecasts 8.1, July 2012.

Employment

Extensive employment by the Federal Government exists in the Washington area with much of this activity within the District of Columbia. A summary of the District's labor market, broken down by industry, is shown below.

SUMMARY OF EMPLOYMENT

	Annual 2011	Annual 2012	2011-2012 % Change	July ** 2013	2012-2013 % Change
Civilian Labor Force*	348.1	361.6	3.9%	375.8	3.9%
Employment*	312.9	329.3	5.2%	342.0	3.9%
Unemployment*	35.2	32.3	-8.2%	33.8	4.6%
Unemployment Rate*	10.1%	8.9%	-11.7%	9.0%	0.7%
Federal & Local Government	247.2	242.6	-1.9%	234.5	-3.3%
Natural Resources, Mining & Construction	12.1	13.5	11.6%	13.3	-1.5%
Manufacturing*	1.1	1.0	-9.1%	0.9	-10.0%
Trade, Transportation & Utilities	27.4	27.8	1.5%	27.0	-2.9%
Information	18.3	17.3	-5.5%	16.6	-4.0%
Financial Activities	27.6	28.1	1.8%	29.0	3.2%
Professional & Business Services	150.5	153.1	1.7%	157.0	2.5%
Educational & Health Services	112.8	114.6	1.6%	116.4	1.6%
Leisure & Hospitality	62.4	65.3	4.6%	67.6	3.5%
Other Services	67.0	68.0	1.5%	68.8	1.2%
Total Wage and Salary Employment	726.4	731.3	0.7%	731.1	0.0%

* Not Seasonally Adjusted

Figures in Thousand

Source: D.C. Dept. of Employment Services (DOES), Office of Labor Market Research and Information in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics. ** Monthly Figures (July 2013)

In July 2013, the estimated civilian labor force for residents of the District of Columbia was 375,780, with an unemployment rate of 9.0% (not seasonally adjusted), compared to a rate of 7.0% for the State of Maryland, 5.8% for the Commonwealth of Virginia, and the U.S. unemployment rate of 7.4% (seasonally adjusted). Within the District of Columbia, total employment of both residents and commuters was an estimated average of 733,800 workers in 2012. Of the total workers in the District, government employment accounts for 32% of the work force with the remaining 68% in the private sector.

Of the Top 20 private sector employers in the District, education and healthcare top the list. Educational, medical and medical insurance institutions comprise 14 of the 20 largest private sector employers and account for 70% of the jobs in the Top 20, according to the District of Columbia Department of Employment Services. Listed on the following page are the Top 20 private sector employers in the District of Columbia.

TOP TWENTY PRIVATE SECTOR EMPLOYERS

ORGANIZATIONS*	
1. Howard University	11. The Washington Post
2. Georgetown University	12. Corporate Advisory Board
3. George Washington University	13. Catholic University of America
4. Washington Hospital Center	14. Sibley Memorial Hospital
5. Children's National Medical Center	15. Marriott Hotel Services
6. Fannie Mae	16. George Washington University Hospital
7. Georgetown University Hospital	17. American National Red Cross
8. American University	18. Admiral Security
9. Providence Hospital	19. Hyatt Regency
10. Howard University Hospital	20. Safeway, Inc.

Source: Based on data from the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program.

*Ranked by size of workforce.

Income

According to reports from the U.S. Census Bureau, the median household income for the District of Columbia increased from \$41,112 in 2001, to \$62,087 in 2011, an average annual increase of 4.2% and a total change of 51.0%. The District's median household income was 25.7% lower than the Washington, D.C. MSA's median income of \$83,583. A chart showing the median income for Washington, D.C. from 2001 to 2011 is shown below.

MEDIAN HOUSEHOLD INCOME

Year	Income	Annual % Change	Total % Change
2001	\$41,112	-	-
2002	\$40,617	-1.2%	-1.2%
2003	\$43,215	6.4%	5.1%
2004	\$46,211	6.9%	12.4%
2005	\$48,078	4.0%	16.9%
2006	\$51,746	7.6%	25.9%
2007	\$54,812	5.9%	33.3%
2008	\$58,553	6.8%	42.4%
2009	\$58,906	0.6%	43.3%
2010	\$60,729	3.1%	47.7%
2011	\$62,087	2.2%	51.0%
Average Annual % Change		4.2%	

Source: U.S. Census Bureau

Assessable Tax Base

The assessable tax base is affected by physical growth, economic conditions and market pricing. The District's fiscal year is from October 1st to September 30th. In fiscal years 1999 through 2001, the District used a triennial assessment system. Properties in the District were divided into three assessment groups, called triennial groups (or tri-groups). Each tri-group represented approximately a third of the total value of taxable real property in the District. Annual decreases in assessed value were immediately realized under the triennial assessment system, while annual increases in assessed value were phased in over a three-year period. This reduced the instability of year-to-year growth rates by significantly limiting annual growth assessment increases.

In FY 2012 (as of the District of Columbia's FY 2012 CAFR), the District of Columbia had a tax base of \$146.502 billion, an increase of 5.2% over 2011, at \$139.288 billion. The District of Columbia has experienced an average annual increase of 10.8% and a cumulative change of 178.9% from 2002 to 2012, as set forth in the chart below.

ASSESSABLE TAX BASE

Fiscal Year*	Tax Base (In \$Billions)	Annual % Change	Cumulative Change
2002	\$52.522	-	-
2003	\$58.064	10.6%	10.6%
2004	\$66.454	14.5%	26.5%
2005	\$86.888	30.7%	65.4%
2006	\$98.491	13.4%	87.5%
2007	\$124.875	26.8%	137.8%
2008	\$142.958	14.5%	172.2%
2009	\$153.040	7.1%	191.4%
2010	\$150.117	-1.9%	185.8%
2011	\$139.288	-7.2%	165.2%
2012	\$146.502	5.2%	178.9%
Average Annual % Change		10.8%	

Source: Office of Tax and Revenue - District of Columbia.

* For Tax Years ending September 30th.

Retail Sales

According to financial reports from the District of Columbia's Office of Tax and Revenue, the District had taxable retail sales of \$12.610 billion in 2012, an increase of 7.8% over 2011, at \$11.697 billion. The District has experienced an average annual increase in sales of 5.4% and a cumulative change of 68.5% from 2002 to 2012, as shown in the following chart.

RETAIL SALES

Fiscal Year*	Retail Sales (In \$Billions)	Annual % Change	Cumulative Change
2002	\$7.485	-	-
2003	\$7.683	2.6%	2.6%
2004	\$8.343	8.6%	11.5%
2005	\$10.487	25.7%	40.1%
2006	\$10.051	-4.2%	34.3%
2007	\$9.971	-0.8%	33.2%
2008	\$11.048	10.8%	47.6%
2009	\$10.198	-7.7%	36.2%
2010	\$11.191	9.7%	49.5%
2011	\$11.697	4.5%	56.3%
2012	\$12.610	7.8%	68.5%
Average Annual % Change		5.4%	

Source: DC Office of Research & Analysis; District of Columbia FY 2012 CAFR.

* For Tax Years ending September 30th.

Housing

According to reports from Metropolitan Regional Information Systems, Inc. (MRIS), the average home sale price in the District in 2012 was \$552,271, an increase of 6.7% over 2011, at \$517,797. The number of units sold in the District went from 6,460 in 2011 to 6,905 in 2012, an increase of 6.9%. Historical changes in average sale price and number of units sold from 2002 to 2012 are shown in the chart below.

AVERAGE HOME SALE PRICES AND UNITS SOLD

Year	Units Sold	% Change	Avg. Price	% Change
2002	8,141	--	\$347,781	--
2003	8,568	5.2%	\$381,690	9.8%
2004	9,005	5.1%	\$448,778	17.6%
2005	9,100	1.1%	\$534,646	19.1%
2006	7,721	-15.2%	\$528,719	-1.1%
2007	7,415	-4.0%	\$538,418	1.8%
2008	5,569	-24.9%	\$538,697	0.1%
2009	6,438	15.6%	\$484,990	-10.0%
2010	6,593	2.4%	\$505,854	4.3%
2011	6,460	-2.0%	\$517,797	2.4%
2012	6,905	6.9%	\$552,271	6.7%

Source: Metropolitan Regional Information Systems, Inc. (MRIS)

In July 2013, the average home sale price in the District was \$631,617, an increase of 11.1% over July 2012, at \$568,686. The number of units sold in the District went from 632 in July 2012 to 779 in July 2013, an increase of 23.3%.

According to reports from the U.S. Census Bureau, in 2012, the District of Columbia issued new residential building permits for 3,823 dwelling units (including multi-family), a decrease of 17.1% from 2011, at 4,612 units. Of those permits issued in 2012, 271 were for single-family units, an increase of 19.4% over 2011, at 227 single-family units. During the same period, multi-family permits were issued in the District for 3,552 units, a decrease of 19.0% from 2011, at 4,385 units.

The dollar value of all new residential building permits issued in the District in 2012 was \$471.5 million, a decrease of 22.6% from 2011, at \$609.4 million. A chart showing the number of units and construction costs for building permits issued in the District of Columbia from 2002 to 2012 is shown on the following page.

RESIDENTIAL BUILDING PERMITS

Year	Number of Units				Construction Costs (\$millions)			
	Single-Family	Multi-Family	Total	Annual % Change	Single-Family	Multi-Family	Total	Annual % Change
2002	383	1,208	1,591	--	\$48.3	\$72.3	\$120.6	--
2003	152	1,275	1,427	-10.3%	\$18.5	\$77.2	\$95.7	-20.6%
2004	226	1,710	1,936	35.7%	\$22.2	\$203.1	\$225.2	135.3%
2005	125	2,735	2,860	47.7%	\$18.3	\$209.9	\$228.1	1.3%
2006	126	1,979	2,105	-26.4%	\$20.4	\$279.2	\$299.5	31.3%
2007	576	1,334	1,910	-9.3%	\$79.4	\$137.5	\$216.8	-27.6%
2008	248	288	536	-71.9%	\$40.9	\$26.2	\$67.1	-69.0%
2009	151	975	1,126	110.1%	\$27.7	\$103.8	\$131.5	95.9%
2010	177	562	739	-34.4%	\$30.7	\$74.7	\$105.5	-19.8%
2011	227	4,385	4,612	524.1%	\$44.7	\$564.6	\$609.4	477.8%
2012	271	3,552	3,823	-17.1%	\$48.8	\$422.7	\$471.5	-22.6%

Source: U.S.Census Bureau

Commercial/Industrial Markets

The Washington, D.C. market continued to experience an extended period of flat demand in the first quarter of 2012, with large leasing activity dominated by renewals, according to a recent report released by Jones Lang LaSalle. This trend was largely due to federal budgetary paralysis and electoral uncertainty, which reduced confidence among private sector tenants and capped growth in the market.

The technology sector, which has appeared immune to the changing nature of the government, has begun to make a comeback in the first quarter. Major Law firms have also increased their demand for space, which signifies an upcoming wave of lease expirations. The expirations, coupled with the limited pipeline of new construction, should help the market head back towards equilibrium, according to Jones Lang LaSalle.

In second quarter 2013, CoStar reported the District's existing office RBA totaled 150.9 million square feet, with a vacancy rate of 10.0%. Industrial/flex space in the District totaled 12.6 million square feet, with a vacancy rate of 7.3% and retail space totaled 21.3 million square feet, with a vacancy rate of 4.9%. The District of Columbia had a total combined RBA of 184.8 million square feet, with an overall vacancy rate of 9.2%.

The District of Columbia's RBA for office, industrial/flex, retail and combined space and vacancy rates for fourth quarters 2007 through 2012 and second quarter 2013 are shown in the following chart.

COMMERCIAL RBA AND VACANCY RATES

Year/Qtr.	Total RBA	Vacancy Rates
Office		
2013 2Q	150,919,556	10.0%
2012 4Q	150,426,871	9.9%
2011 4Q	149,897,319	10.7%
2010 4Q	148,762,313	11.1%
2009 4Q	146,153,230	11.8%
2008 4Q	142,675,929	9.4%
2007 4Q	141,003,933	8.7%
Industrial/Flex		
2013 2Q	12,601,497	7.3%
2012 4Q	12,601,497	6.6%
2011 4Q	12,601,497	9.4%
2010 4Q	12,601,497	8.5%
2009 4Q	12,601,497	8.0%
2008 4Q	12,601,497	6.0%
2007 4Q	12,601,497	5.2%
Retail		
2013 2Q	21,288,720	4.9%
2012 4Q	21,229,768	4.9%
2011 4Q	20,933,415	4.8%
2010 4Q	20,926,493	5.6%
2009 4Q	20,828,183	6.2%
2008 4Q	20,763,345	4.6%
2007 4Q	20,123,031	6.3%
Combined		
2013 2Q	184,809,773	9.2%
2012 4Q	184,258,136	9.1%
2011 4Q	183,432,231	9.9%
2010 4Q	182,290,303	10.3%
2009 4Q	179,582,910	10.9%
2008 4Q	176,040,771	8.6%
2007 4Q	173,728,461	8.2%

Source: CoStar

Transportation

The District of Columbia Metropolitan Region has three major Northern Virginia interstates (I-95, I-66 and I-395) and two Suburban Maryland highways (I-270 and Route 50), as well as the Maryland portion of I-95, I-70, I-295, and the Capital Beltway, I-495.

Residents and commuters have access to the Greater Washington's METRO rail system which is the second-most utilized subway system in the nation. The District is also served by the MARC commuter trains, the VRE (Virginia Railway Express), and Amtrak.

Three major airports serve the Washington, D.C. area. They include, Baltimore/Washington International Thurgood Marshall Airport, Washington Dulles International Airport, and Ronald Reagan Washington National Airport.

The Great Recession

One of the most destructive legacies of The Great Recession has been the nationwide erosion in home prices following dramatic increases in the mid-2000's which were fueled by easy credit and speculation. In the District of Columbia, the average home sale price increased from \$250,516 in 2000 to \$538,697 in 2008, or 115.0%. In 2012, it averaged \$552,271, an increase of 2.5% over the previous high. Residential building permit values decreased from a peak of \$299.5 million in 2006 to \$105.5 million in 2010, a decrease of 64.8%. However, the District experienced a dramatic increase of 477.8% in building permit values in 2011 (\$609.4 million). In 2012, building permit values decreased by 22.6% to \$471.5 million.

The District of Columbia, unlike many other DC metro areas, generated growing retail sales throughout the decade (with some decreases occurring in 2001, 2006 and 2009), growing from \$7.367 billion in 2001 to \$11.697 billion in 2011, a cumulative increase of 58.78%.

In addition, the effects of The Great Recession can be found in unemployment, which, in the District, averaged 6.5% annually between 2002 and 2008, with a high of 7.5% in 2004 and a low of 5.5% in 2007. In 2009, unemployment jumped to 9.7% then increased to 10.0% in 2010 and 10.1% in 2011. In 2012, the unemployment rate decreased to 8.9%.

Median household income in the District increased by 7.6% in 2006 then slowed to an increase of 2.2% in 2011. The District of Columbia's assessable tax base decreased from \$153.0 billion in 2009 to \$150.1 billion in 2010, after steady increases since 2000. Vacancy rates have also increased for nearly all commercial property types since 2006.

Conclusions

In the Washington area, and the District of Columbia in particular, there is extensive employment by the Federal Government. The District continues to be the location of choice for many professional associations, trade associations, and major law/accounting firms in order to enjoy proximity to major Federal Government agencies, as well as elected/appointed officials. Washington, D.C. is unique in that a substantial portion of its prime real estate is owned by the Federal Government, thus limiting its tax base.

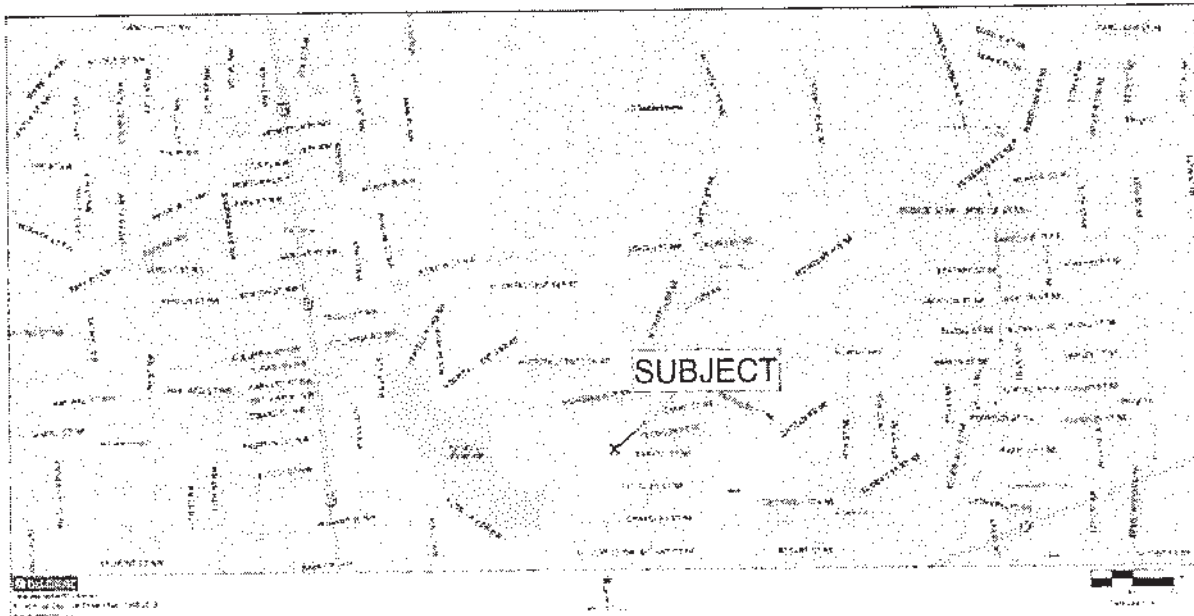
During the last two years, the District of Columbia has shown some signs of stabilization. The District experienced an increase of 2.4% in its average home sale price in 2011, after a decrease of nearly 10.0% in 2009. In 2012, the average home sale price in the District increased by 6.7%. Retail sales increased in 2010 through 2012, after decreases in 2001, 2006 and 2009. Building permits increased substantially in 2011, after a decrease in 2010, then decreased again in 2012. The average unemployment rate increased from 2009 through 2011, but decreased in 2012. These recent signs of stabilization indicate the process of recovery may be beginning, however, the future outlook remains uncertain.

The District of Columbia's proximity to the Washington MSA and Baltimore and its economic base will continue to be a positive influence as it recovers in the years to come. Economic growth may not again reach the pace set in the mid-2000's, however, the District's favorable demographic trends and location will assist in stabilizing its economy.

Neighborhood Analysis

The subject property is located in an area that lies between existing defined neighborhoods. The subject property is situated east of Brookland and Edgewood, west of Pleasant Plains, and immediately north of Bloomingdale in Ward 5.

NEIGHBORHOOD MAP



The subject property lies in Zip Code 20001, an area that extends west from North Capitol Street to 11th Street and south from Irving Street to the National Mall. U.S. Census data indicates a 2010 population in this zip code of 38,755 persons which is an increase of 16.9% over the 2000 population of 33,149 persons. ESRI estimated a 2012 population of 41,181 persons which is projected to increase by 9.0% to 44,894 persons by 2017. Households increased 39% to 16,639 in 2010 from 11,974 in 2000 and were estimated at 17,871 in 2012 with a projected increase of 11.3% to 19,898 by 2017. Average household size in 2012 was reported at 2.30 persons. Median household income for residents in this zip code in 2012 was estimated at \$37,840 which is less than the median household income of \$59,100 for the District of Columbia and \$50,157 for the nation.

The surrounding neighborhood is predominantly residential in character with older rowhouses, single-family detached dwellings, and apartment buildings. However, a significant portion of the neighborhood is devoted to institutional uses, particularly health care facilities. These include the subject, Washington Hospital Center, Veterans Administration Hospital, Children's National Medical Center, National Rehabilitation Hospital, and Providence Hospital. A major land user in this neighborhood is Catholic University of America which boasts a 193-acre campus located between North Capitol Street and Metro's Red Line. Other institutional uses include Rock Creek Cemetery, U.S. National Cemetery, Trinity Washington University, Howard University School of Divinity, Glenwood Cemetery, Prospect Hill Cemetery, and Saint Mary's Cemetery.

Commercial development is generally absent for the immediate area and can be found to the west along Georgia Avenue and to the south along Rhode Island Avenue. Commercial buildings are typically older, one-to-three story retail structures, oriented to serving the needs of local residents.

Recent development activity in the area has generally been centered around Metro stations. Urban Atlantic completed a 274-unit apartment building known as Rhode Island Row in mid-2012 at the Rhode Island Metro Station. At the Brookland Metro Station, Abdo Development, Bozzuto, and Catholic University are developing four multi-family buildings containing a total of 718 units, 45 townhomes, 83,000 sq.ft. of retail, 20,000 sq.ft. of amenity space, and 850 parking spaces on nine acres of land owned by the university along Michigan Avenue, NE and Monroe Street, NE. To the east at 901 Monroe Street, NE, Menkiti Group is planning 212 multi-family units with 13,000 sq.ft. of retail. Near the Georgia Avenue-Petworth Metro Station, the Neighborhood Development Corporation constructed a 69-unit affordable apartment building in 2013 known as 32 Thirty-Two Apartments while the Landex Corporation developed an 83-unit apartment project in 2012 known as the Avenue. At the Shaw-Howard University Metro Station, Ellis Development Group just completed a mixed-use project known as Progression Place with office, retail, and a 206-unit apartment known as Seventh Flats.

At the Fort Totten Metro Station, the JBG Companies and Lowe Enterprises are constructing a mixed-use project at Riggs Road, NE and South Dakota Avenue, NE to be known as Fort Totten Square that will consist of 350 residential units and 130,000 sq.ft. of retail including a Walmart. Also planned for development along South Dakota Avenue, NE is the Cafritz Foundation's Art Place at Fort Totten project. This development is proposed for 929 residential units, 305,000 sq.ft. of retail including a grocery store, a 47,000 sq.ft. children's museum, and 170,000 sq.ft. of cultural and public uses in six buildings on 16.5 acres of land.

Just north of the subject property along Irving Street, a portion the Armed Forces Retirement Home is proposed for redevelopment with 4.3 million sq.ft. of multi-family, retail, medical office, and office uses. This redevelopment is still in the planning stage with no developer attached to the project as of yet.

North Capitol Street and Michigan Avenue are the major commuter arteries that run through the area. North Capitol Street extends south from New Hampshire Avenue to Capitol Hill while Michigan Avenue extends west from the Maryland border to Georgia Avenue. Public transportation is provided by the Washington Metropolitan Area Transit Authority (WMATA) in the form of bus service throughout the neighborhood. While the subject property is located between the Georgia Avenue-Petworth, Shaw-Howard University, U Street-African American Civil War Memorial-Cardozo, and Brookland-Catholic University Metro Stations, it is not within walking distance of any of them.

The area is served by public water and sewer, electricity and telephone service. The District of Columbia provides public water and sewer. Electricity is provided by Potomac Electric Power Company (PEPCO) and gas is provided by Washington Gas.

In summary, the subject is located in a well-established neighborhood in upper northeast Washington, D.C. It has convenient access to major transportation routes and is characterized by residential and institutional development. Population and household statistics indicate rapid growth. In terms of income, the area is less affluent than the District of Columbia as a whole as well as the rest of the nation. Based on current efforts by the U.S. General Services Administration, the District of Columbia Government, and private developers to revitalize this neighborhood, significant new residential and commercial development is anticipated in the near future.

Subject Property

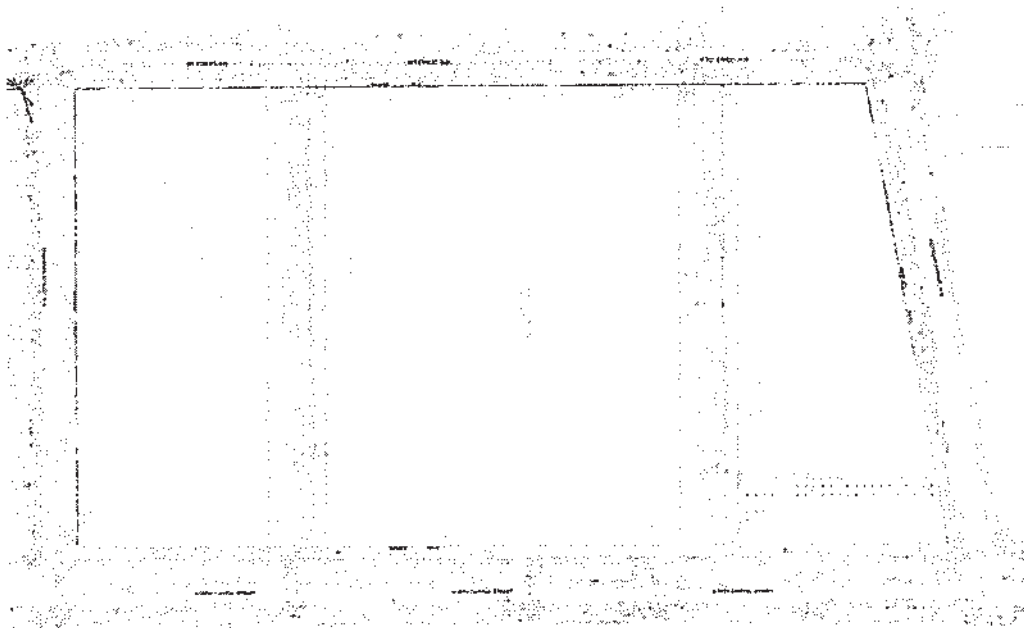
Legal Description

The subject property consists of a single parcel of land located between Michigan Avenue, North Capitol, Channing, and 1st Streets in Northwest Washington, D.C. The parcel is identified as Lot 800 of Square 3128 in the tax assessment records of the District of Columbia. The subject property has a street address of 2501 1st Street, NW. The parcel is under the ownership of the District of Columbia.

Property Data

The following description is based on our property inspection, assessor records, and information provided by the client.

SURVEY



General Data

Location:	Washington, D.C.
Street Address:	2501 1st Street, NW
Parcel Numbers:	Square 3128, Lot 800

Adjacent Land Uses

North:	VA Medical Center
South:	Rowhouses
East:	Rowhouses
West:	McMillan Reservoir facility

Physical Characteristics

Site Area: 1,075,350 sq.ft.; or 24.7 acres
 Shape: Roughly rectangular
 Topography: Level although surrounding streets slope down from north to south and from west to east causing the northwest portion of the site to be below street grade and the rest of the site to rise above street grade.
 Parcel Type: City blocks

Access

	Primary Streets	Secondary Streets
Street Name:	North Capitol & Michigan Avenue	1 st & Channing Streets
Street Type:	Commercial	Residential
Curb Cuts:	One	One
Alley Access:	No	No
Signalized Intersections:	Yes	Yes

Site Improvements

Off-Site Improvements: Concrete curbs, gutters, sidewalks, and streetlights
 Utilities: Electric, gas, water, sewer, and telephone
 On-Site Improvements: 4 brick regulator houses, 20 concrete sand bins, 12 concrete sand washers, and 20 concrete underground filtration cells, metal manholes, concrete retainer walls and doorways, concrete walkways, and chain link fencing

Other Site Conditions

Flood Zone Data: Located in Zone X, an area determined to be outside the 0.2% annual chance floodplain on FIRM# 1100010017C.
 Soils: No information provided; assumed to be adequate
 Environmental Issues: Information from the developer indicated that a Phase I environmental site assessment showed no environmental issues.
 Easements & Encroachments: No information provided; assumed to not exist or have no impact on property's value

Site Ratings

Location: Average
 Size, Shape, and Topography: Good
 Access: Average
 Exposure: Good
 Site Improvements: Fair to poor
 Overall Site Rating: Poor due to costs required to create a buildable site

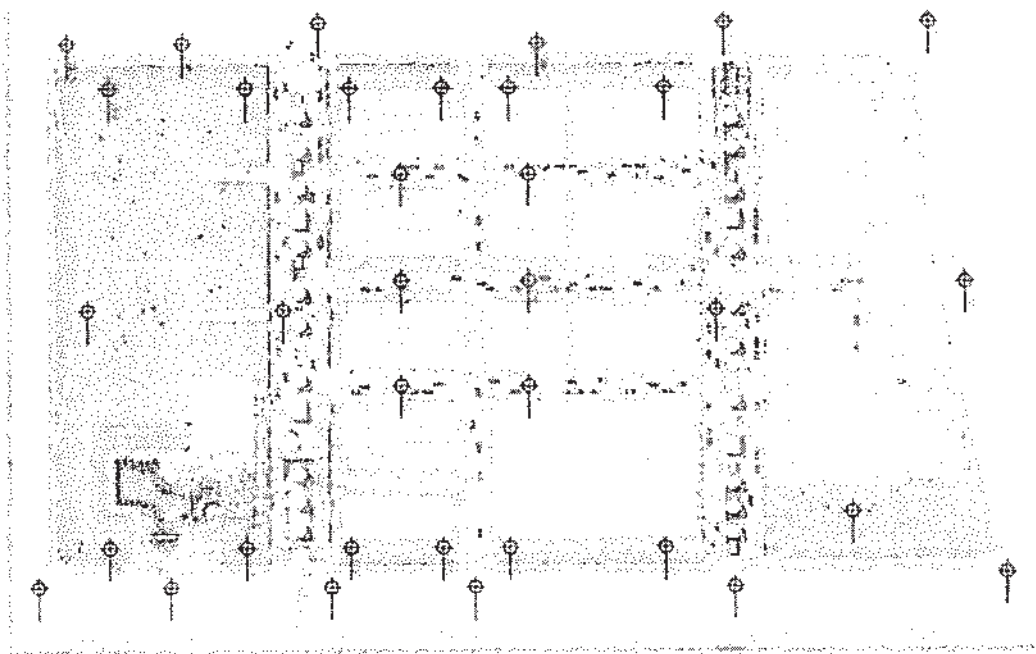
Analysis/Comments on Site:

The subject property appears to be a large, open, grass covered tract of land covered with 2,000± manholes and segmented on its northern and southern halves by a pair of roads supporting a row of concrete silos and other marginal structures that are in fair to average condition. However, under approximately 85% of the site are 20 underground cells that are 15± feet in height and 40,000 sq.ft. each. The cells vary in condition from poor to average with a few that have collapsed. The existing improvements are functionally obsolete and cannot support the use for which they were intended. Moreover, because the underground filtration cells are constructed of unreinforced concrete, the land above them is incapable of supporting future building improvements. In order for the site to become developable, the cells have to be demolished, excavated, and replaced with fill dirt.

Proposed Development:

The subject property is planned for redevelopment with 1,054,000 sq.ft. of healthcare facilities, 425 multi-family units with a 50,000 sq.ft. grocery store on the first floor, 160 townhouses, 30,000 sq.ft. of first floor retail, a 17,000 sq.ft. community center, a 6-acre park and 4 acres of open space. The healthcare facilities are to be located on the northern and middle portions of the site, the grocery store is to be located on the first floor of the multi-family building which will be located on the eastern side of the middle portion of the site, and the townhouses will be located on the remainder of the middle of the site. The retail will be located on the ground floors of the multi-family building and the healthcare buildings. The community center and the 6-acre park will be located on the southern portion of the site along with a stormwater management pond while the open space will be located on various portions of the property.

SITE PLAN



As part of the development, the HPRB requires that all 20 sand bins, all 4 regulator houses, one sand washer, 12 underground filter cell doorways, portions of the retaining walls, and two underground filters cells be preserved.

The District of Columbia Water and Sewer Authority (WASA) is using the northeastern most underground filtration cell of the property for stormwater storage. This use is planned to continue through 2022. Additionally, WASA plans to construct an underground tunnel that will travel through the southwesternmost underground filtration cell between March 2014 and March 2016 and use the adjacent cell as a staging area.

According to the developer, the estimated costs for converting the subject property into a buildable site that is subdivided and ready for development with the planned mixed-use project are as follows:

Public Infrastructure	\$14,600,000
Finished Pads	\$17,700,000
Historic Preservation	\$21,700,000
Parks and Open Space	\$12,800,000
Soft Costs/Other	<u>\$9,700,000</u>
	\$76,500,000

Highest and Best Use

The Highest and Best Use of a property is the reasonably probable and legal use of vacant land or an improved property that is: physically possible, appropriately supported, financially feasible, and that results in the highest value.

Improved properties may have a highest and best use that is different than the existing use. The existing use will generally continue however, until land value exceeds the total value of the property in its existing use plus demolition costs.

Analysis of Highest and Best Use as if Vacant

In determining the highest and best use of the property as though vacant, we focus on: 1) the existing use, 2) a projected development, 3) a subdivision, 4) an assemblage, or 5) holding the land as an investment.

Legally Permissible:

A threshold of highest and best use is what is legally permissible. This analysis considers private restrictions, existing zoning, likely zoning, building codes, historic district controls, urban renewal ordinances, and other encumbrances because they may preclude many potential uses. The subject property is reportedly unzoned and therefore cannot be developed until zoning is obtained. A representative of the developer indicated that a PUD will be obtained that will permit the proposed development of the site. Our analysis employs the extraordinary assumption that a PUD allowing the proposed uses, unit counts, densities, and other details of the planned development will be granted.

Physically Possible:

Multiple factors affect the uses with which the land may be developed. The subject property as if vacant has adequate size, shape, topography, and access to utilities and public roads to support a variety of development including the proposed mixed-use project.

Financially Feasible:

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment. All uses that yield a positive return are financially feasible. Feasibility is tested through a cost/benefit analysis or through direct market observation. Based on recent and planned development in the subject's area, all of the proposed uses for the subject property are appropriately supported.

Maximally Productive:

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use of the subject property as if vacant is the proposed mixed-use development.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant, as analyzed in the previous section, is the proposed mixed-use development with healthcare facilities, multi-family, grocery, retail, townhouses, community center, and public space.

Analysis of Highest and Best Use As Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: 1) continuation of the existing use, 2) modification of the existing use, or 3) demolition and redevelopment of the land.

Continuation of Existing Use

Retaining the improvements as existing does not meet the tests for physical possibility, legal permissibility, and financial feasibility. The improvements are unused and functionally obsolete.

Conversion/Modification

Conversion of the improvements to another use does not meet the tests for physical possibility and legal permissibility. The existing improvements were specifically constructed for a singular purpose and cannot be converted or modified to support another use.

Demolition

The subject is improved with unused structures in poor to average condition that do not contribute value to the site. However, the legal and physical requirements for demolishing the improvements and preparing the land for redevelopment are substantial and significantly exceed the value of the site as if vacant and ready for development. Consequently, redevelopment of the subject property is financially unfeasible without government subsidies.

Interim Use

There are many instances where highest and best use will likely change in the foreseeable future. The use of a property until it can be put to its terminal highest and best use is its interim use. Interim uses are thus current highest and best uses that are anticipated to change in the foreseeable future. Examples of these interim uses include farms, parking lots, and old buildings. The subject property is currently unused which is considered an interim situation.

Excess Land

Many parcels of land are too large for their principal highest and best uses. Such land parcels may have, in effect, two highest and best uses – the use for the improved portion and another use for the remaining, or excess, land. If excess land exists, it is valued separately within this report. The property does not have excess land.

Conclusion Of Highest And Best Use As Improved

The highest and best use of the subject property, as improved, is redevelopment with the proposed mixed-use development with healthcare facilities, multi-family, grocery, retail, townhouses, community center, and public space utilizing government subsidies.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property are developers and residential builders.

Value Estimates

MULTI-FAMILY WITH GROCERY AND FIRST FLOOR RETAIL

A portion of the subject property is planned for development with a 425-unit multi-family building with a 50,000 sq.ft. grocery store and an unspecified amount of inline retail on the first floor. The multi-family units are to consist of studios, one-bedroom, and two-bedroom units. Our analysis assumes 10,000 sq.ft. of inline retail will be included in the multi-family building. Ten percent or 43 of the apartment units are to be affordable at 50%/80% of average median income (AMI). Our analysis assumes a relatively even split between 50% and 80% AMI units.

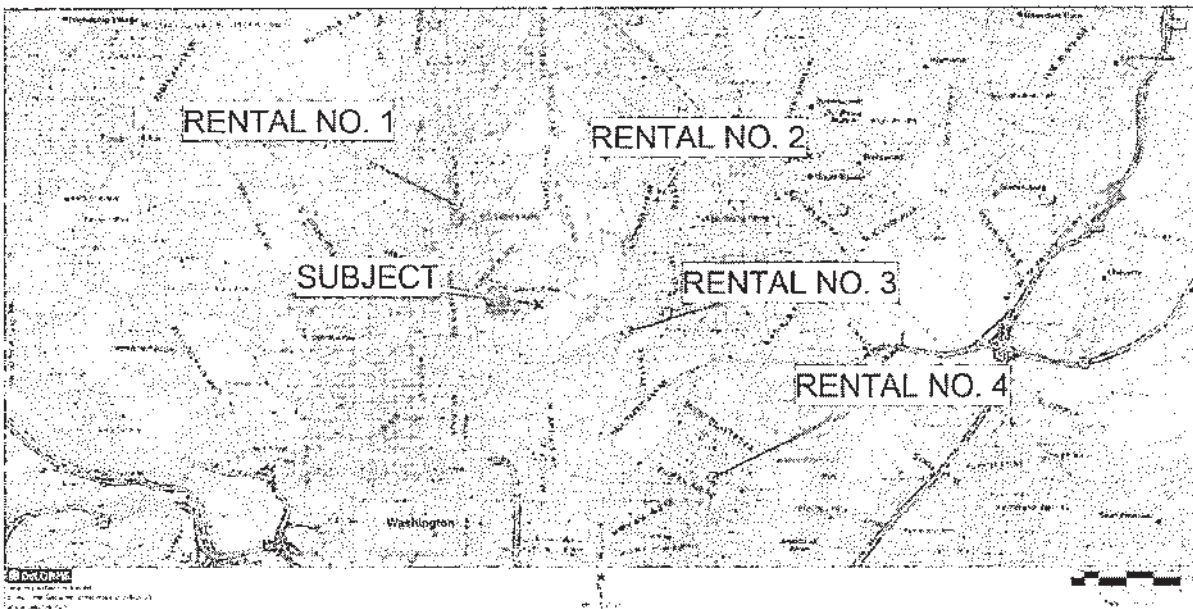
Residual Land Value Analysis

A residual land value analysis is developed by determining the value of a property as if it was presently in existence and deducting the costs required to construct and lease such a development to derive a value of the underlying land. This analysis is detailed below.

Estimate of Apartment Rental Income

In estimating market rent for the subject's apartment component, advertised monthly rents for recently developed apartment properties in surrounding and similar neighborhoods were analyzed. The rental rates represent the average monthly rent for studio, one-bedroom, and two-bedroom units at the comparable properties assuming a similar number of unit types. A map and brief summary chart of the comparable rents is presented below and on the following page.

COMPARABLE MARKET RATE APARTMENT RENTAL MAP



COMPARABLE MARKET RATE APARTMENT RENTS

No.	Location	Year Built	Units	Average Rent/Month
1	Griffin Apartments	2011	49	\$1,878
2	Brookland Works	2013	152	\$2,192
3	Rhode Island Row	2012	274	\$2,210
4	Fiat at Atlas	2012	216	\$2,017

Comparable Nos. 1, 2, and 3 require downward adjustment for their proximity to Metro stations. Comparable No. 1 requires slight upward adjustment for its inferior age. Based on the comparables, an average market rent of \$2,000/month is estimated for the subject's market rate studio, one-bedroom, and two-bedroom apartment units. Novogradac & Company LLP is an accounting and consulting firm with expertise in affordable housing and community development. Utilizing Novogradac & Company's Rent & Income Limit Calculator, an average rent of \$900/month is estimated for the subject's affordable studio, one-bedroom, and two bedroom units at 50% AMI and \$1,530/month at 80% AMI. The rental rates are net of utilities which will be paid by the tenants. Application of our estimate of market and affordable rents results in the following gross potential apartment rental income:

GROSS POTENTIAL APARTMENT RENTAL INCOME

Unit Type	Average Monthly Rent	Units	Monthly Total	Annual Total
Market Rate	\$2,000	382	\$764,000	\$9,168,000
80% AMI	\$1,530	21	\$32,130	\$385,560
50% AMI	\$900	22	\$19,800	\$237,600
Total		425	\$815,930	\$9,791,160

Estimate of Grocery Rental Income

In estimating market rent for the subject's grocery component, rental rates for grocery stores in the Baltimore-Washington Metropolitan area were analyzed. Unfortunately, we were unable to gather any rental information for grocery stores within the District of Columbia. A brief summary chart of the comparable rents is presented below.

COMPARABLE GROCERY RENTS

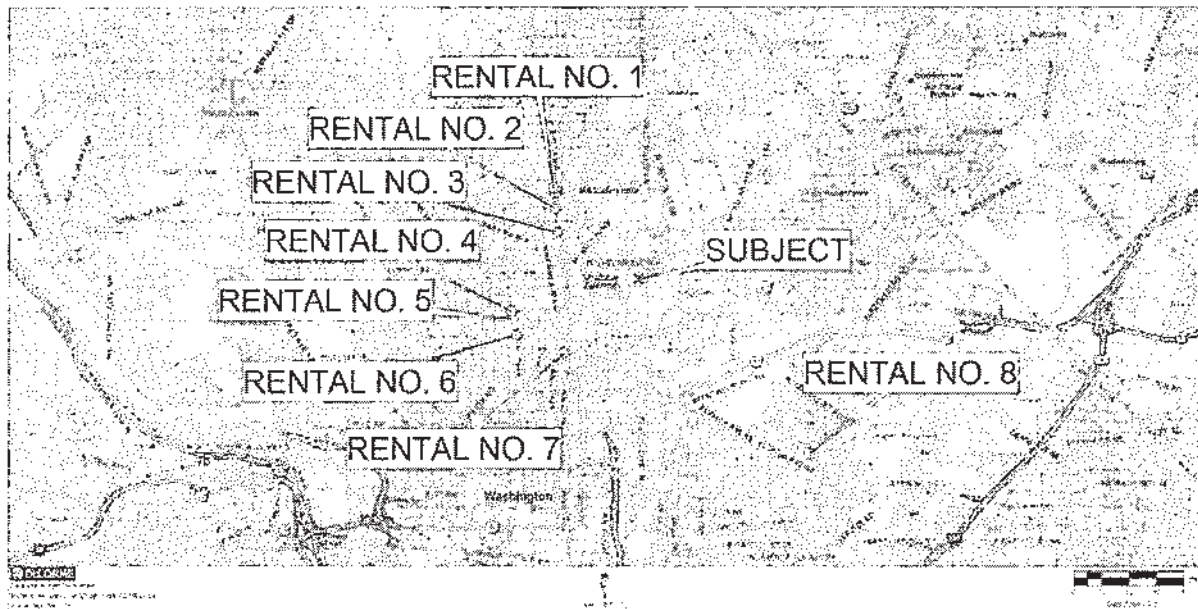
No.	Tenant	Location	Lease Date	Sq.Ft. Leased	Exp. Basis	\$/Sq.Ft.
1	Shop Rite	Glen Burnie, MD	May-10	85,610	NNN	\$6.50
2	Price Rite	Woodlawn, MD	Feb-11	36,360	NNN	\$7.25
3	Price Rite	District Heights, MD	Jan-12	47,527	NNN	\$7.17
4	Food Lion	Glen Burnie, MD	Jan-10	37,981	NNN	\$10.21
5	Super G Mart	Alexandria, VA	Jan-13	38,168	NNN	\$7.50
6	Harris Teeter	Potomac, MD	Aug-13	48,019	NNN	\$20.00
7	Confidential	Confidential, MD	Jun-12	46,203	NNN	\$8.75

In comparison to the subject, all of the comparables require upward adjustment for age/condition as none of them are located in new projects. Comparable No. 6 requires downward adjustment for its superior location. After analysis of the comparables, a market rent of \$10.00/sq.ft. triple net is estimated for the subject's proposed grocery space. Applying this rate to the estimated 50,000 sq.ft. of retail space results in annual rental income of \$500,000.

Estimate of Retail Rental Income

In estimating market rent for the subject's retail component, asking rents for retail space in recently developed apartment properties in surrounding and similar neighborhoods were analyzed. A map and brief summary chart of the comparable rents is presented below.

COMPARABLE RETAIL RENTAL MAP



COMPARABLE RETAIL RENTS

No.	Location	Year Built	Sq.Ft.	Exp. Basis	\$/Sq.Ft.
1	Park Place DC	2009	3,828	NNN	\$42.00
2	The Avenue	2012	2,388	NNN	\$35.00
3	32 Thirty-Two Apartments	2013	1,500	NNN	\$30.00 - \$50.00
4	View 14	2009	9,039	NNN	\$26.20
5	14W Apartments	2013	1,400	NNN	\$40.62
6	The Ellington	2003	2,300	NNN	\$40.00
7	Seventh Flats at Progression Place	2013	2,100	NNN	\$42.00
8	Flats at Atlas	2012	4,250	NNN	\$35.00

In comparison to the subject, all of the comparables require downward adjustment for their superior locations along commercial corridors. Comparable Nos. 1, 5, 6, and 7 require further adjustment for their proximity to Metro stations. Upward adjustment is required to Comparable No. 4 for the larger size of the space. After analysis of the comparables, a market rent of \$30.00/sq.ft. triple net is estimated for the subject's proposed retail space. Applying this rate to the estimated 10,000 sq.ft. of retail space results in annual rental income of \$300,000.

Recoveries

The estimate of grocery store and retail rent is based on a triple net lease with the tenant reimbursing the landlord for their pro-rata share of real estate taxes and operating expenses. Based on our estimate of total operating expenses, recoveries for the grocery and retail space are projected at \$10.00/sq.ft. or \$600,000.

Other Income

Other income consists of application fees, late fees, pet fees, and forfeited security deposits associated with the apartment units of the proposed development. Based on the chart of comparable apartment operating expenses presented in a following section, other apartment income is projected at \$1,000/unit or \$425,000. Parking for the apartments, grocery, and retail is assumed to be free.

Total Gross Potential Income

Adding rental income, recoveries, and other income produces a total gross potential income for the subject property of \$11,616,160.

Vacancy & Collection Loss Allowance

From the total gross potential income, a stabilized vacancy and collection loss allowance is deducted. The Pricewaterhouse Cooper's 3rd Quarter 2013 Real Estate Investor Survey (PwC) indicates that market participants are typically using vacancy and collection loss allowances of 3.0% to 10.0% for apartment properties in the Mid-Atlantic region. Data from CoStar indicates a vacancy rate of 5.1% for all apartment properties in the District of Columbia and 5.8% for all apartment properties in the District built between 2000 and 2012. The chart of comparable operating expenses on the following page indicates a vacancy and collection loss range for apartments of 3.2% to 15.6% with the high end reflecting a property that has struggled with lease-up. Ignoring this comparable, a vacancy and collection allowance for the subject's apartment rental income of 5.0% is estimated. The estimates of other income are based on the actual operating history of comparable properties and therefore already account for vacancy and collection loss. Therefore, that income is excluded from the vacancy and credit loss allowance.

Assuming that the grocery store space will be leased to a national or regional supermarket chain, a 5.0% vacancy and collection allowance would seem appropriate. Data from CoStar indicates a vacancy rate of 5.0% for all retail in the District of Columbia. Based on this data, a vacancy and collection loss allowance of 5.0% is applied to the subject's retail space.

Applying the stabilized vacancy and collection loss allowances to the apartment, grocery, and retail rental incomes and recoveries produces a deduction of \$559,558. Subtracting the vacancy and collection loss from the total gross potential income produces a stabilized estimate of effective gross income (EGI) of \$11,056,602.

Estimate of Operating Expenses

From the effective gross income must be subtracted the expenses associated with operating the subject property. The chart of comparable operating expenses below indicates a range of 30.6% to 51.2% of EGI or \$6,732/unit to \$15,904/unit for apartments.

APARTMENT OPERATING EXPENSES

	Washington, D.C.		Washington, D.C.		Arlington, VA		Alexandria, VA		IREM 2013	
	800		308		241		317		Conventional Apts.	
	1970		2008		2005		2003		Washington, D.C.	
Expense Year	2012		2010		2009		2008		Elevator Buildings	
INCOME	\$/Unit	%	\$/Unit	%	\$/Unit	%	\$/Unit	%	\$/Unit	%
Rental Income	\$25,582	76.1%	\$20,616	79.7%			\$21,525	91.4%	\$22,584	88.9%
Parking Income	\$5,137	15.3%	n/a				\$165	0.7%	\$813	3.2%
Other Income	\$368	1.1%	\$1,202	4.6%			\$1,105	4.7%	\$891	3.5%
Effective Gross Income	\$31,087		\$21,818		\$22,986		\$22,795		\$24,288	
Vacancy & Collection Loss	\$2,520	7.5%	\$4,034	15.6%			\$745	3.2%	\$1,124	4.4%
Gross Potential Income	\$33,607	100.0%	\$25,852	100.0%			\$23,540	100.0%	\$25,412	100.0%
EXPENSES										
Advertising	n/a		\$286	1.3%	\$211	0.9%	\$177	0.8%	n/a	
Management	\$913	2.9%	\$554	2.5%	n/a		\$663	2.9%	\$790	3.3%
Administrative	\$1,076	3.5%	\$448	2.1%	\$638	2.8%	\$354	1.6%	\$937	3.9%
Utilities	\$2,576	8.3%	\$959	4.4%	\$923	4.0%	\$591	2.6%	\$1,103	4.5%
Exterminating	n/a		\$45	0.2%	\$5	0.0%	\$33	0.1%		incl. in R/M
Trash Removal	\$239	0.8%	\$99	0.5%	\$49	0.2%	\$62	0.3%		incl. in R/M
Payroll & Taxes	\$3,307	10.6%	\$1,669	7.6%	\$2,164	9.4%	\$1,292	5.7%	\$2,704	11.1%
Insurance	\$386	1.2%	\$353	1.6%	\$194	0.8%	\$173	0.8%	\$280	1.2%
Repairs & Maintenance	\$5,720	18.4%	\$1,063	4.9%	\$1,177	5.1%	\$631	2.8%	\$1,837	7.6%
Grounds Expenses	n/a		\$82	0.4%	\$3	0.0%	\$153	0.7%	\$82	0.3%
Real Estate Taxes	\$1,687	5.4%	\$1,174	5.4%	\$2,887	12.6%	\$2,848	12.5%	\$1,659	6.8%
TOTAL	\$15,904	51.2%	\$6,732	30.9%	\$8,251	35.9%	\$6,977	30.6%	\$9,392	38.7%

The high end of the range reflects an older property with higher repairs and maintenance costs and utilities paid by the landlord. Based on the comparables, total expenses for the subject's apartment space is estimated at 37% of apartment EGI or \$8,894/unit. This estimate does not include reserves. The PriceWaterhouse Coopers 3rd Quarter 2013 Real Estate Investor Survey indicates that market participants in the Mid-Atlantic region are typically using capital reserve allowances of \$150/unit to \$350/unit in their valuations of apartments. Our analysis projects a reserve allowance of \$150/unit which reflects the fact the property will be newly constructed. Adding this estimate results in a total operating expense for the subject's apartment component of \$9,044/unit or \$3,843,729.

Operating expense for the grocery and retail spaces are estimated at \$10.00/sq.ft. or \$600,000. Adding operating expenses for the apartment, grocery, and retail results in total operating expenses of \$4,443,729.

Net Operating Income

Subtracting total operating expenses of \$4,443,729 from effective gross income results in a stabilized net operating income of \$6,612,873. A forecast of stabilized income and expenses is presented on the following page.

Direct Capitalization

In capitalizing the stabilized net operating income, a capitalization rate that is appropriate for this type of property must be selected. Data from various sales were reviewed and it was found that overall rates generally range from 4.0% to 5.0% depending on the quantity, quality and durability of the income stream. The chart below summarizes overall rates from recent apartment sales in the District of Columbia.

SUMMARY OF MARKET-DERIVED APARTMENT CAPITALIZATION RATES

No.	Property	City	Date	Units	\$/Unit	OAR	
1	14W Apartments	Washington, D.C.	Apr-13	231	\$475,758	4.98%	
2	909 Capitol Yards	Washington, D.C.	Dec-12	237	\$402,646	4.71%	
3	Allegro	Washington, D.C.	Oct-12	297	\$434,512	4.80%	
4	Mass Court Apartments	Washington, D.C.	Aug-12	371	\$455,526	4.22%	
5	3333 Wisconsin	Washington, D.C.	May-12	100	\$363,000	5.00%	
6	70 Capitol Yards	Washington, D.C.	Apr-12	448	\$369,853	4.85%	
7	100 Capitol Yards	Washington, D.C.	Apr-12	114	\$381,622	4.79%	
						Minimum	4.22%
						Maximum	5.00%
						Average	4.76%

Based on this data, a capitalization rate of 5.00% is considered appropriate for the subject's apartment component. Applying this overall rate results in a value conclusion for the subject's apartment component as if complete and stabilized of \$132,300,000, rounded. The value of \$311,294/unit falls below the range indicated in the chart, but reflects the subject's anticipated lower rents due to its inferior location.

Development Costs

In order to derive a land value, the costs associated with developing and leasing the subject's apartment component to stabilized occupancy must be deducted from the market value as if complete and stabilized.

First, an entrepreneurial incentive allowance must be subtracted. Data from properties we have appraised indicate entrepreneurial incentive ranging from 8% to 22%. An entrepreneurial incentive of 12% or \$14,175,000 is estimated.

The subject's apartment component is to be developed with 425 units. No information was provided on the planned square footage, number of stories, building frame, exterior wall composition, elevators, mechanical systems, or parking. Based on an analysis of recently developed apartment properties, a gross building area of 1,000 sq.ft. per unit or 425,000 sq.ft. is estimated for the subject's apartment section. This estimate includes a leasing office, common areas, and amenities such as a fitness center and a business center. To this figure is added the 50,000 sq.ft. grocery store and 10,000 sq.ft. of retail for a total gross building area above grade for the apartment portion of 485,000 sq.ft. Additionally, two levels of underground parking totaling 145,000 sq.ft. is estimated based on parking requirements of one space per two dwelling units, five spaces per 1,000 sq.ft. of retail, 150 for the grocery store, and an estimated 350 sq.ft. per parking space.

The Marshall Valuation Service (MVS) is a computerized cost service which requires input as to the property's quality, construction features and similar items. The MVS indicates direct construction costs of \$79,331,022 for a 425,000 sq.ft. apartment building, a 50,000 sq.ft. grocery store, and 10,000 sq.ft. of retail with two levels of underground parking totaling 145,000 sq.ft. This figure equates to \$186,661/unit based on the subject's planned 425 units. Listed below are construction costs for recently completed apartment properties in the District of Columbia.

APARTMENT CONSTRUCTION COSTS

	Washington, D.C.		Washington, D.C.		Washington, D.C.		Washington, D.C.	
	2008		2010		2011		2011	
Building Type	Mid-rise with retail		High-rise w/o retail		Mid-rise with grocery		Mid-rise with retail	
<u>DIRECT COSTS</u>	\$	\$/Unit	\$	\$/Unit	\$	\$/Unit	\$	\$/Unit
Total Direct Costs	\$39,278,965	\$127,529	\$66,374,803	\$170,192	\$41,177,046	\$191,521	\$45,591,000	\$150,465
<u>INDIRECT COSTS</u>								
Total Indirect Costs	\$11,764,954	\$38,198	\$20,483,000	\$52,521	\$11,271,424	\$52,425	\$17,702,000	\$58,422
Indirects, as % of Direct		29.95%		30.66%		27.37%		38.83%
TOTAL DEVELOPMENT COSTS	\$51,043,919	\$165,727	\$86,857,803	\$222,712	\$52,448,470	\$243,946	\$63,293,000	\$208,888

Direct construction costs range from \$127,529/unit to \$191,521/unit at the comparable properties. The low end of the range represents the oldest data and the high end reflects a property seeking LEED certification. The MVS estimate falls within the range. Based on this information, a direct construction cost of \$180,000/unit or \$76,500,000 is estimated. Finally, indirect costs of 30% of direct costs or \$22,950,000 are subtracted. Subtracting all development costs leaves a remaining land value for the subject property of \$18,680,000, rounded. This value is equivalent to \$43,953/unit.

The following chart summarizes the calculations:

APARTMENT RESIDUAL LAND VALUE ANALYSIS SUMMARY

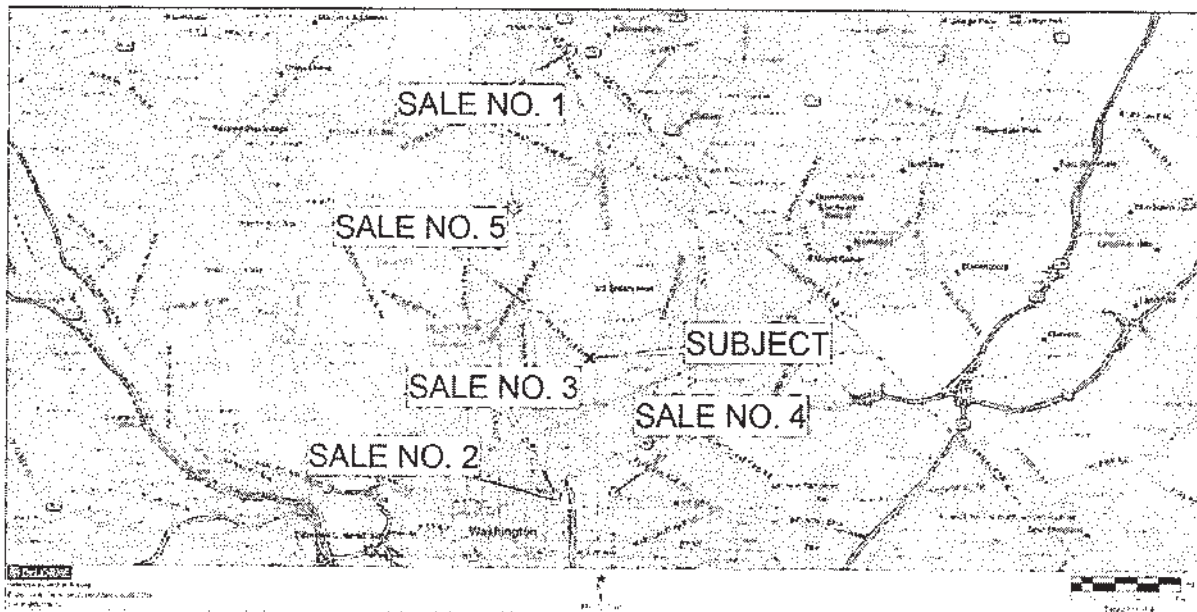
	\$	\$/Unit
Rental Income - Apartments	\$9,791,160	\$23,038
Rental Income - Grocery	\$500,000	\$10
Rental Income - Retail	\$300,000	\$30
Recoveries	\$600,000	\$10
Other Income	<u>\$425,000</u>	<u>\$1,000</u>
Gross Potential Income	\$11,616,160	\$27,332
Less: Vacancy & Collection Loss	<u>\$559,558</u>	<u>\$1,317</u>
Effective Gross Income	\$11,056,602	\$26,016
Less: Expenses - Apartments	\$3,843,729	\$9,044
Less: Expenses - Grocery & Retail	<u>\$600,000</u>	<u>\$10</u>
Total Expenses	\$4,443,729	\$10,456
Net Operating Income	\$6,612,873	\$15,560
Capitalization Rate	5.00%	
Improved Value	\$132,300,000	\$311,294
Less: Entrepreneurial Incentive	\$14,175,000	\$33,353
Less: Direct Costs	\$76,500,000	\$180,000
Less: Indirect Costs	<u>\$22,950,000</u>	<u>\$54,000</u>
Land Value	\$18,675,000	\$43,941
	Rounded	\$18,680,000
		\$43,953

Sales Comparison Approach

This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. In the sales comparison approach, an opinion of market value is developed by analyzing closed sales, listings, or pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

Five sales were used in the analysis, as these sales are judged to be the most useful in developing an opinion of the market value of the subject's multi-family with grocery and first floor retail portion. These sales are summarized in the following table, followed by a location map. Next are our comparable sales sheets which discuss the comparables and our adjustments.

COMPARABLE SALES MAP



COMPARABLE SALES SUMMARY

No.	Location	Date	Price	Units	Unadjusted \$/Unit
1	247 -249 Carroll Street, NW	May-12	\$7,375,000	156	\$47,276
2	443 -459 I Street, NW	Apr-11	\$12,000,000	174	\$68,966
3	450 K Street, NE	Jun-11	\$15,000,000	233	\$64,378
4	100 K Street, NE	Aug-11	\$14,695,800	206	\$71,339
5	3506 -3512 Georgia Avenue, NW	Dec-10	\$4,000,000	83	\$48,193

Land Sale No. 1

LS 19342

Location: 247 -249 Carroll Street, NW
 Washington, D.C. 20012
 Square 3353, Lots 11, 12 & 50

Transaction Information:

Date:	May 2012
Consideration:	\$7,375,000
Grantor:	235 Carroll Inc. & Social Service Properties LLC
Grantee:	FCP Takoma Central LLC
Deed Reference:	Instr. No. 5000
Marketing Time:	N/A
Confirmation:	CoStar/tax assessment records/deed
Financing:	N/A

Site Information:

Land Area:	1.263 acres;	54,999 sq.ft.
Zoning:	TK/C-2-A	
Proposed Use:	Apartments with first floor retail	
No. of Units:	156	apts.
Density (ratio):	123.5	apts./acre
Utilities:	Available	

Unit Prices:

Price/Acre:	\$5,839,272
Price/Sq.Ft.:	\$134.09
Price/Unit:	\$47,275.64

Property Description:

Three, contiguous parcels of land located in the northwest quadrant of the intersection of Carroll and Maple Streets. NW. The site was cleared, level, and paved at date of sale.

Remarks:

The property represents an assemblage of a 34,999 sq.ft. parcel purchased from one of the sellers in January 2012 for \$4,375,000 and two 10,000 sq.ft. parcels purchased from the other seller in May 2012 for \$3,000,000. The first seller purchased the property in November 2005 for \$2,300,000 for development with a four-story residential condominium building with underground parking. The buyer purchased the property for development with a 137,498 sq.ft., 156-unit apartment project with first floor retail to be constructed in two phases over 2012 with completion in late 2013 at a total cost of \$36 million.

Land Sale No. 2

LS 19553

Location: 443 -459 I Street, NW
 Washington, D.C. 20001
 Square 516, Lots 812 -815

Transaction Information:

Date:	April 2011
Consideration:	\$12,000,000
Grantor:	WSD-459 Eye Street LLC, India Co. & Eye Street Assoc.
Grantee:	EQR-Eye Street LLC
Deed Reference:	Instr. No. 49310 -12
Marketing Time:	6.8 years
Confirmation:	Listing Broker/CoStar/Published Reports
Financing:	N/A

Site Information:

Land Area:	0.473 acres;	20,614 sq.ft.
Zoning:	DD/C-2-C	
Proposed Use:	Apartments	
No. of Units:	174	units
Density (ratio):	367.9	units/acre
Utilities:	Available	

Unit Prices:

Price/Acre:	\$25,369,979
Price/Sq.Ft.:	\$582.13
Price/Unit:	\$68,965.52

Property Description:

Five contiguous parcels of land located on the north side of I Street, NW between 4th and 5th Streets, NW. The parcels are improved with a two-story industrial building totaling 19,000 sq.ft. built in 1915, a single-story retail building totaling 8,503 sq.ft. built in 1949, a three-story office building totaling 3,090 sq.ft., and a three-story dwelling totaling 2,280 sq.ft. both built in the 1880's.

Remarks:

The property was purchased for redevelopment with an 11-story apartment building totaling 173,225 sq.ft. with 174 units, 2,300 sq.ft. of retail, and four levels of underground parking. The industrial building, office, and dwelling are designated as historic and will be incorporated into the new development. One of the sellers in this transaction is Walnut Street Development who had approvals to develop the site with a 162-unit residential project totaling 155,000 sq.ft. at date of sale. The buyer is Equity Residential.

Land Sale No. 3

LS 19280

Location: 450 K Street, NW
 Washington, D.C. 20001
 Square 0516, Lot 0061

Transaction Information:

Date:	June 2011
Consideration:	\$15,000,000
Grantor:	Jemal's K Street Lot LLC
Grantee:	450 K LLC
Deed Reference:	Instr. No. 68637
Marketing Time:	N/A
Confirmation:	Representative of Grantee
Financing:	All cash sale

Site Information:

Land Area:	0.480 acres;	20,926 sq.ft.
Zoning:	DD/C-2-C	
Proposed Use:	Apartments	
No. of Units:	233	apts.
Density (ratio):	485.4	apts./acre
Utilities:	All available	

Unit Prices:

Price/Acre:	\$31,250,000
Price/Sq.Ft.:	\$716.81
Price/Unit:	\$64,377.68

Property Description:

This property is located on the south side of K Street in the middle of the block between 4th and 5th Streets in Northwest Washington. At date of sale, the site was level and asphalt paved providing surface parking. The site has an estimated 122 ft. of frontage on the south side of K Street and a depth of approximately 170 feet to its border with an alley in the middle of the block.

Remarks:

This property is located in the Mt. Vernon Triangle neighborhood and is proposed for development with a 13 story apartment building expected to start construction in early 2012. The building is to contain 233 apartments, of which 85% will be studios with about 675 sq.ft. each. The building is also to contain 7,000 sq.ft. of ground floor retail space. The project will include a courtyard and a rooftop common area. The grantee, Kettler, was previously a development partner in the project who then acquired this property from Douglas Development Corporation. This property had most development approvals in place at date of sale and had been under contract since October 2010.

Land Sale No. 4

LS 19218

Location: 100 K Street, NE
 Washington, D.C. 20002
 Square 713, Lot 50

Transaction Information:

Date: August 2011
Consideration: \$14,695,800
Grantor: W2007 100 K Street Realty
Grantee: Archstone Near Northeast LLC
Deed Reference: Instr. No. 88655
Marketing Time: N/A
Confirmation: Broker
Financing: N/A

Site Information: **Land Area:** 0.459 acres; 20,000 sq.ft.
Zoning: C-3-C
Proposed Use: Apartment Building
No. of Units: 206 units
Density (ratio): 448.8 units/acre
Utilities: All Available

Unit Prices: **Price/Acre:** \$32,016,993
Price/Sq.Ft.: \$734.79
Price/Unit: \$71,338.83

Property Description:

Property comprises a 20,000 square foot parcel of land located at 100 K Street NE, in the northeast quadrant of the intersection of 1st Street NE and K Street NE, just north of Union Station in Washington, D.C. This site is roughly rectangular with 160 feet of frontage on K Street and 96 feet on 1st Street. The land is level and slightly above street grade, bordering railroad/Metro tracks to the east.

Remarks:

The seller, J Street Development, purchased the site in July 2007 for \$14,500,000 and planned to develop a 200,000 square foot office building. The seller was marketing it to prospective tenants but needed a lease for at least half the building's office space to start construction and was unable to find a tenant that would take that much space. Based on the zoning, the FAR was 6.5, which allows 130,000 sq.ft. of gross building area, but J Street had purchased an additional 70,000 sq.ft. in TDRs. The buyer plans to construct a 206-unit apartment building with an average unit size of 1,000 square feet.

Land Sale No. 5

LS 18763

Location: 3506 -3512 Georgia Avenue, NW & 714 Newton Place, NW
 Washington, D.C. 20010
 Square 2895, Lots 825, 826, 830 & 831

Transaction Information:

Date: December 2010
Consideration: \$4,000,000
Grantor: Central Union Mission
Grantee: PMDP GA, LLC
Deed Reference: Instr. No. 113498
Marketing Time: N/A
Confirmation: Representative of Grantor
Financing: All cash

Site Information:

Land Area: 0.426 acres; 18,552 sq.ft.
Zoning: GA/C-3-A
Proposed Use: Apartments w/retail
No. of Units: 83 units
Density (ratio): 194.8 units/acre
Utilities: All Available

Unit Prices:

Price/Acre: \$9,389,671
Price/Sq.Ft.: \$215.61
Price/Unit: \$48,192.77

Property Description:

This site was improved with three small vacant buildings (a car wash, corner store, and 4-unit apartment) which did not add value to the land. The land has a level topography and the vacant buildings were demolished at the expense of the grantee. This property is located in Northwest Washington, south of the intersection of Georgia Avenue and New Hampshire Avenue and west of the U.S. Soldiers and Airmen Home/Golf Course.

Remarks:

Central Union Mission acquired this property in three transactions occurring in October 2006 and July 2007 for \$3,400,000. Central Union Mission had planned to build a new homeless shelter on the assembled site, but did not do so as a result of strong neighborhood opposition. In January 2010, the Landex Corporation entered into an agreement to purchase the property for \$4,000,000. The buyer pursued approvals to develop the site with a 90,000 sq.ft., seven-story, mixed-use building to include 83 residential units and 2,315± sq.ft. of retail space, plus one level of underground parking. This building is to be called Park Morton. The property can be developed to a maximum FAR of 4.0 with a residential use by right and obtained an additional 20% of bonus density for the proposed development. The proposed development is for 74,208 sq.ft.

Sales Comparison Analysis

The sales were analyzed and adjustments made for differences in the elements of comparison listed below. The comparable sales are adjusted to the subject: if the comparable sale was superior to the subject, a negative adjustment was applied to the comparable sale. A positive adjustment to the comparable property applied if it was inferior to the subject. A summary of the elements of comparison follow.

Transaction Adjustments

Transaction adjustments include 1) real property rights conveyed, 2) financing terms, 3) conditions of sale, 4) market conditions. These items are applied prior to the application of property adjustments, and are discussed as follows:

Real Property Rights Conveyed

Before a comparable sale property can be used in the Sales Comparison Approach, we must first ensure that the sale price of the comparable property applies to property rights that are similar to those being appraised. In the case of the subject property, a fee simple interest is being appraised. All of the sales should reflect a similar interest or an adjustment would be required for this element of comparison. No adjustments are required for property rights conveyed.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. All of the sales used should involve typical market terms by which the sellers received cash or its equivalent and the buyers tendered typical down payments and obtained conventional financing at market terms for the balance. If otherwise, an adjustment would be required for this element of comparison. No adjustments are required for financing terms.

Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price which usually reflects the upper limit of value. All of the comparable sales should involve typical conditions for closed transactions, or an adjustment would be required for this element of comparison. No adjustments are made for conditions of sale.

Market Conditions

Market conditions may change between the time of sale of a comparable property and the date of the appraisal of the subject property. Changes in market conditions may be caused by inflation, deflation, fluctuations in supply and demand, or other factors. Market conditions that change over time create the need for an adjustment. If market conditions have changed, an adjustment would be required for this element of comparison. In comparison to the subject, all of the comparables require upward adjustment for improvements in market conditions subsequent to the dates of sale.

Property Adjustments

Property adjustments are usually expressed qualitatively as percentages that reflect the increase or decrease in value attributable to the various characteristics of the property. These adjustments are applied after the application of transaction adjustments, and are discussed as follows:

Locational Characteristics

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors. All of the comparables are adjusted downward for their proximity to Metro stations.

Physical Characteristics

If the physical characteristics of a comparable property and the subject property differ, each of the differences may require comparison and adjustment to the comparable. The most notable physical differences for comparable sales in this market include size, shape, topography, and condition. Comparable Sale No. 2 is adjusted upward for the existing historic improvements that cannot be demolished.

Other

Aside from locational and physical characteristics, there are numerous other points of differences between properties that may have an impact on their value. All of the comparables require downward adjustment for the subject's grocery component which commands a lower rent per square foot than apartments and first floor in-line retail.

Summary of Adjustments

Based on the preceding comparative analysis, adjustments to the comparable sales are summarized on the following table. These adjustments are based on our best judgment and experience in the appraisal of similar properties.

SUMMARY OF COMPARABLE MULTIFAMILY LAND SALES AND ADJUSTMENTS

No.	Location	Date	Zone	Price	Proposed Units	Upadjusted \$/Unit	Transaction Adjustments	Transaction Adj. \$/Unit	Location/Visibility	Phys. Char.	Other	Composite Adjustment	Adjusted \$/Unit
1	247-249 Carroll Street, NW	May-12	TK-C-2-A	\$7,375,000	156	\$47,276	5.0%	\$49,639	+10.0%	0.0%	+10.0%	-16.0%	\$39,712
2	443-459 I Street, NW	Apr-11	DD-C-2-C	\$12,000,000	174	\$68,966	10.0%	\$75,867	-30.0%	5.0%	-10.0%	-28.5%	\$49,310
3	450 K Street, NE	Jun-11	DD-C-2-C	\$15,000,000	233	\$64,378	10.0%	\$70,815	-30.0%	0.0%	-10.0%	-34.0%	\$42,489
4	189 K Street, NE	Aug-11	C-3-C	\$14,635,800	206	\$71,339	5.0%	\$74,906	-30.0%	-0.0%	-10.0%	-37.0%	\$44,943
5	3506-3512 Georgia Avenue, NW	Dec-10	GA-C-3-A	\$4,000,000	83	\$48,183	15.0%	\$55,422	-5.0%	0.0%	-10.0%	-2.3%	\$47,108
S	2501 1st Street, NW	Oct-13	FUD		425	\$47,276						Minimum	\$39,712
						\$71,339						Maximum	\$49,310
						\$60,030						Average	\$44,713

Conclusion

The comparable sales were adjusted based on pertinent elements of comparison as discussed earlier and summarized in the preceding adjustment grid. The final adjusted sale prices reflect a range from \$39,712/unit to \$49,310/unit. The unit value of \$43,953/unit derived by residual land analysis falls within this range. Based on the sales comparison approach, a unit value of \$45,000/unit is estimated for the subject's apartment land. Applying this unit value to the subject's proposed 425 apartment units results in a market value for the subject's apartment, first floor grocery, and first floor retail of \$19,100,000, rounded.

HEALTHCARE FACILITIES WITH FIRST FLOOR RETAIL

A portion of the subject property is planned for development with 1,054,000 sq.ft. of healthcare facilities in two or more buildings and an unspecified amount of inline retail on the first floor. The healthcare buildings are expected to contain a range of hospital-related uses including patient care, medical research, and administrative space. Our analysis assumes the remaining 20,000 sq.ft. of inline retail will be included in the healthcare buildings.

Residual Land Value Analysis

A residual land value analysis for the subject's healthcare facilities is detailed in the following paragraphs.

Estimate of Rental Income

In estimating market rent for the subject's healthcare component, rental information for hospitals and similar medical facilities were sought. Unfortunately, hospitals and similar medical facilities in the Baltimore-Washington region are typically owner-occupied and therefore limited lease information could be found. In Baltimore City, a build-to-suit office/laboratory building totaling 234,000 sq.ft. is being developed for the Maryland Department of Health and Mental Hygiene at 1770 Ashland Avenue. The lease is for a 20-year term with a rental rate of \$65.38/sq.ft. on a full service basis. Assuming \$20.00/sq.ft. in real estate taxes and operating expenses, a triple net equivalent of \$45.38/sq.ft. is estimated.

Due to the lack of local leases, rental information for hospitals in other regions of the country were reviewed. Listed below is a chart summarizing leases for hospitals nationwide.

NATIONAL HOSPITAL LEASES

No.	Location	Year Built	Sq.Ft. Leased	Exp. Basis	\$/Sq.Ft.	
1	775 Fleishman Way, Carson City, NV	1968	154,622	NNN	\$15.00	
2	2500 N. Tenaya Way, Las Vegas, NV	1999	45,870	NNN	\$47.09	
3	2304 State Highway, Bedford, TX	2010	65,000	NNN	\$41.90	
4	20180 Chasewood Park Drive, Houston, TX	2012	65,000	NNN	\$48.62	
5	18939 McKay Drive, Humble, TX	2012	55,650	NNN	\$39.96	
6	4302 Princeton Street, Lubbock, TX	2007	86,317	NNN	\$26.25	
7	2001 Hermann Drive, Houston, TX	1950	108,912	NNN	\$34.00	
8	403 Treeline Park, San Antonio, TX	2005	50,360	NNN	\$25.96	
9	5601 Warren Parkway, Frisco, TX	2001	149,534	NNN	\$44.50	
10	231 S. Collins Road, Sunnyvale, TX	2009	117,715	NNN	\$49.27	
					Min.	\$15.00
					Max.	\$49.27
					Avg.	\$37.26

The chart indicates a range of \$15.00/sq.ft. to \$49.27/sq.ft. with an average of \$37.26/sq.ft. on a triple net basis. The properties developed over the past five years indicate a range of \$39.96/sq.ft. to \$49.27/sq.ft. with an average of \$44.94/sq.ft., triple net.

Based on the Maryland Department of Health and Mental Hygiene lease and the national hospital leases, a market rent of \$45.00/sq.ft. triple net is estimated. Applying this rental rate to the 1,054,000 sq.ft. of healthcare space results in a rental income of \$48,330,000.

Estimate of Retail Rental Income

A market rent of \$30.00/sq.ft. triple net was previously estimated for the subject's proposed retail space. Applying this rental rate to the healthcare facilities' 20,000 sq.ft. of first floor retail space results in annual rental income of \$600,000.

Recoveries

The estimate of healthcare and retail space rent is based on a triple net lease with the tenant reimbursing the landlord for their pro-rata share of real estate taxes and operating expenses. Based on our estimate of stabilized operating expenses, recoveries for the healthcare buildings are estimated at \$20.00/sq.ft. or \$21,080,000. Recoveries for the retail space were previously projected at \$10.00/sq.ft. or \$200,000.

Total Gross Potential Income

Adding rental income and recoveries produces a total gross potential income for the subject property of \$69,310,000. Parking for the healthcare facilities and retail is assumed to be included in their rents.

Vacancy & Collection Loss Allowance

From the total gross potential income, a stabilized vacancy and collection loss allowance is deducted. The PwC survey indicates market participants are typically using vacancy and collection loss allowances of 1.0% to 7.0% for Washington, D.C. office properties. Because the healthcare facilities will likely be leased by one or more prominent institutional users, a minimal vacancy and collection loss allowance of 3.0% is estimated. A 5% vacancy and collection loss allowance was previously determined for the retail space. Applying the stabilized vacancy and collection loss allowances to the healthcare and retail rental incomes and recoveries produces a deduction of \$2,095,300. Subtracting the vacancy and collection loss from the total gross potential income produces a stabilized estimate of effective gross income (EGI) of \$67,214,700.

Estimate of Operating Expenses

From the effective gross income must be subtracted the expenses associated with operating the subject property. The chart of office operating expenses indicates a range of \$17.49/sq.ft. to \$21.33/sq.ft.

OFFICE OPERATING EXPENSES

	Washington, D.C.		Washington, D.C.		Washington, D.C.		Washington, D.C.	
	253,131	189,230	189,230	772,801	389,127	389,127	772,801	772,801
Leasable Sq.Ft.	253,131	189,230	189,230	772,801	389,127	389,127	772,801	772,801
Year Built	2009	1981	1981	1989	1992	1992	1989	1989
Expense Year	2012	2012	2012	2012	2012	2012	2012	2012
	\$	\$/Sq.Ft.	\$	\$/Sq.Ft.	\$	\$/Sq.Ft.	\$	\$/Sq.Ft.
Real Estate Taxes	\$2,119,887	\$8.37	\$1,525,347	\$8.06	\$3,745,175	\$4.85	\$3,444,250	\$8.85
Insurance	80,623	\$0.32	71,677	\$0.38	255,063	\$0.33	173,281	\$0.45
Utilities	730,392	\$2.89	502,748	\$2.66	2,611,226	\$3.38	926,447	\$2.38
Repairs & Maintenance	1,464,978	\$5.79	1,020,810	\$5.39	5,292,194	\$6.85	2,452,998	\$6.30
Management	522,941	\$2.07	208,023	\$1.10	914,678	\$1.18	709,418	\$1.82
Administrative	280,902	\$1.11	137,038	\$0.72	699,701	\$0.91	434,111	\$1.12
Miscellaneous	129,077	\$0.51	32,200	\$0.17	0	\$0.00	160,107	\$0.41
Total	\$5,328,800	\$21.05	\$3,497,843	\$18.48	\$13,518,037	\$17.49	\$8,300,612	\$21.33

Based on the comparables, total operating expenses for the subject's healthcare space is estimated at \$20.00/sq.ft. or \$21,080,000. Operating expense for the retail space was previously estimated at \$10.00/sq.ft. or \$200,000. Adding operating expenses for the healthcare and retail spaces results in total operating expenses of \$21,280,000.

Net Operating Income

Subtracting total operating expenses of \$21,280,000 from effective gross income results in a stabilized net operating income of \$45,934,700.

Direct Capitalization

In capitalizing the stabilized net operating income, a capitalization rate that is appropriate for this type of property must be selected. Data from various sales were reviewed and it was found that overall rates generally range from 6.5% to 10.0%. The chart below summarizes overall rates from recent healthcare facility sales nationwide.

SUMMARY OF MARKET-DERIVED HEALTHCARE CAPITALIZATION RATES

No.	Property	Location	Date	Sq.Ft.	\$/Sq.Ft.	DAR
1	St. Mary's Regional Medical Center	Reno, NV	Sep-12	748,305	\$107	9.00%
2	Reliant Northwest Houston Hospital	Houston, TX	May-12	65,000	\$486	9.93%
3	Kindred Rehabilitation Hospital	Humble, TX	May-12	55,650	\$500	8.00%
4	Christus Santa Rosa Hospital	San Antonio, TX	Dec-11	106,889	\$409	6.63%
5	Houston Physician's Hospital	Webster, TX	Nov-11	91,005	\$324	7.41%
6	Reliant Rehabilitation Hospital	Bedford, TX	Oct-11	65,000	\$497	8.39%
7	Carson Tahoe Specialty Medical Plaza	Carson City, NV	Sep-11	154,622	\$188	8.00%
8	Complex Care Hospital at Tenaya	Las Vegas, NV	Aug-11	45,870	\$523	9.00%
9	St Luke's Patients Medical Center	Pasadena, TX	Oct-10	117,000	\$342	8.54%
					Minimum	6.63%
					Maximum	9.93%
					Average	8.32%

Given the strength of the District of Columbia real estate market, a capitalization rate at the low end of the range would seem appropriate. The chart on the following page provides reported capitalization rates from sales of stabilized office properties in the District of Columbia since 2012.

SUMMARY OF MARKET-DERIVED OFFICE CAPITALIZATION RATES

No.	Property	Location	Date	Sq.Ft.	\$/Sq.Ft.	OAR	
1	2000 L Street, NW	Washington, D.C.	Sep-13	411,165	\$467	5.60%	
2	2121 Ward Court, NW	Washington, D.C.	Sep-13	60,000	\$442	7.00%	
3	700 14th Street, NW	Washington, D.C.	Aug-13	224,558	\$882	4.70%	
4	810 N. Capitol Street, NE	Washington, D.C.	Aug-13	87,883	\$609	6.10%	
5	1301 New York Avenue, NW	Washington, D.C.	Aug-13	201,281	\$671	5.30%	
6	3000 & 3050 K Street, NW	Washington, D.C.	Jul-13	561,135	\$665	5.60%	
7	701 13th Street, NW	Washington, D.C.	Jul-13	421,235	\$730	5.50%	
8	1200 19th Street, NW	Washington, D.C.	Jun-13	334,175	\$886	4.40%	
9	1400 New York Avenue, NW	Washington, D.C.	Mar-13	171,920	\$634	5.10%	
10	701 8th Street, NW	Washington, D.C.	Feb-13	134,448	\$733	4.90%	
11	2175 K Street, NW	Washington, D.C.	Dec-12	136,389	\$633	5.50%	
12	820 1st Street, NE	Washington, D.C.	Oct-12	298,533	\$358	7.40%	
13	1900 M Street, NW	Washington, D.C.	Oct-12	120,816	\$455	5.80%	
14	975 F Street, NW	Washington, D.C.	Aug-12	178,200	\$681	6.30%	
15	409 3rd Street, NW	Washington, D.C.	Jul-12	420,122	\$476	6.60%	
16	607 14th Street, NW	Washington, D.C.	Jul-12	270,158	\$590	5.50%	
17	600 14th Street, NW	Washington, D.C.	Jun-12	248,495	\$797	4.90%	
18	1233 20th Street, NW	Washington, D.C.	Jun-12	154,584	\$419	6.50%	
19	1776 Massachusetts Avenue, NW	Washington, D.C.	May-12	96,012	\$474	5.30%	
20	1776 Massachusetts Avenue, NW	Washington, D.C.	May-12	96,012	\$474	5.30%	
21	1776 I Street, NW	Washington, D.C.	Mar-12	225,666	\$531	6.28%	
22	801 9th Street, NW	Washington, D.C.	Feb-12	236,054	\$625	4.68%	
23	1920 N Street, NW	Washington, D.C.	Jan-12	114,005	\$398	6.30%	
						Minimum	4.40%
						Maximum	7.40%
						Average	5.68%

The office capitalization rates range from 4.40% to 7.40% with the only two sales at 7.0% or above reflecting a building at which the buyer planned major renovations to the property after the sale and a small Class B office that is 67% leased to local tenants with the remainder leased to the USPS.

While the proposed healthcare facilities will be more specialized than general office properties and will be located in an inferior, non-Metro accessible area of the District, they will represent newly constructed, build-to-suit properties presumably on long-term, triple net leases to creditworthy institutional users. As such, a capitalization rate range of 6.5% to 7.5% was applied to the forecasted income for the healthcare component. Applying this range of overall rates results in value conclusions for the subject's healthcare component as if complete and stabilized of \$612,500,000 to \$706,700,000.

Development Costs

In order to derive a land value, the costs associated with developing and leasing the subject's healthcare component to stabilized occupancy must be deducted from the market values as if complete and stabilized.

First, an entrepreneurial incentive allowance must be subtracted. An entrepreneurial incentive of 10% or \$55,681,818 to \$64,245,455 is estimated.

The subject's healthcare component is to be developed with 1,054,000 sq.ft. of healthcare space and we have estimated 20,000 sq.ft. of first floor retail. Preliminary plans show five buildings with height limits of up to 110 ft. and 130 ft. No information was provided on the number of stories or the buildings' framing, exterior wall composition, elevators, mechanical systems, or parking. Our analysis includes three levels of underground parking totaling 260,000 sq.ft. based on 650 parking spaces for the healthcare space, 100 parking spaces for the retail, and an estimated 450 sq.ft. per parking space.

The MVS indicates direct construction costs of \$422,584,993 for 1,054,000 sq.ft. of hospital improvements and 20,000 sq.ft. of retail with three levels of underground parking totaling 260,000 sq.ft. This figure equates to \$393.47/sq.ft. based on 1,074,000 sq.ft. of above grade improvements. To this estimate is added indirect costs of 30% of direct costs for a total construction cost of \$549,360,491 or \$511.51/sq.ft. The chart below summarizes total construction costs for hospital facilities around the country.

HOSPITAL CONSTRUCTION COSTS

No.	Property	Location	Sq.Ft.	\$/Sq.Ft.
1	Mercy Medical Center	Merced, CA	267,000	\$618
2	Orange Regional Medical Center	Middletown, NY	621,000	\$433
3	Parkland Memorial Hospital	Dallas, TX	2,500,000	\$520
4	Seton Hospital	Austin, TX	480,000	\$615
5	William P. Clements Jr. University Hospital	Dallas, TX	1,300,000	\$615
6	Massachusetts DMH Psychiatric Hospital	Worcester, MA	428,000	\$706
7	University of Iowa Children's Hospital	Iowa City, IA	480,000	\$545
8	Baylor All Saints Medical Center's Andrews Women's Hospital	Fort Worth, TX	190,000	\$502
9	The Heart Hospital at Baylor Plano	Plano, TX	216,000	\$491
			Minimum	\$433
			Maximum	\$706
			Average	\$560

Our estimate of \$511.51/sq.ft. falls within the range. Subtracting all development costs leaves a remaining land value range for the subject property of \$7,460,000 to \$93,090,000, rounded. The following chart summarizes the calculations:

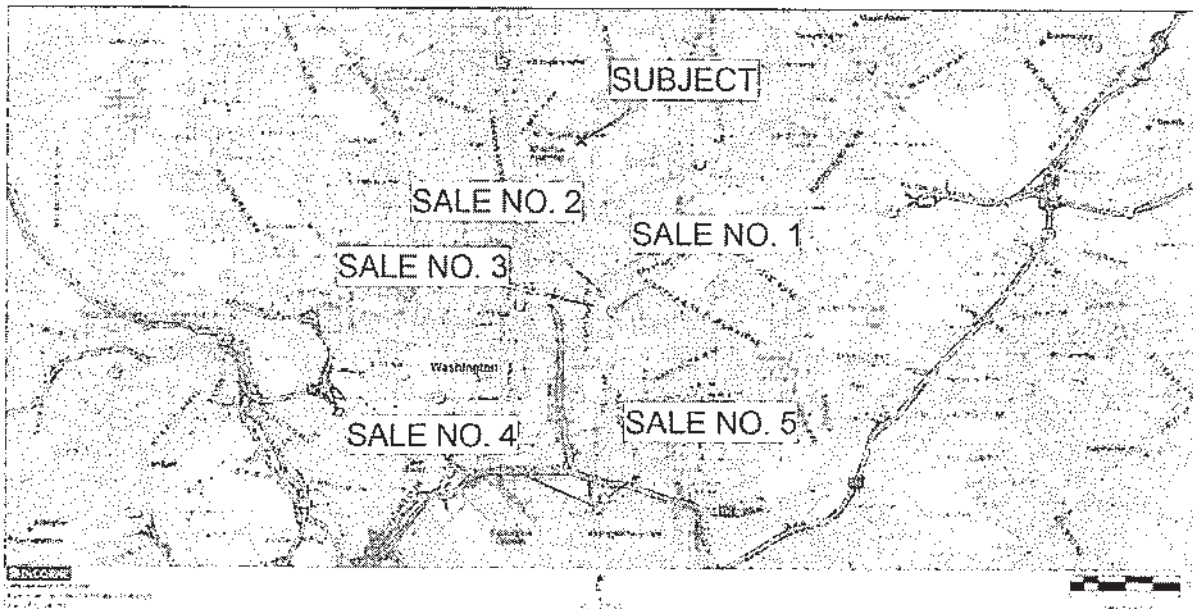
HEALTHCARE RESIDUAL LAND VALUE ANALYSIS SUMMARY

	6.50%	6.75%	7.00%	7.25%	7.50%
Rental Income - Healthcare	\$47,430,000	\$47,430,000	\$47,430,000	\$47,430,000	\$47,430,000
Rental Income - Retail	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Recoveries - Healthcare	\$21,080,000	\$21,080,000	\$21,080,000	\$21,080,000	\$21,080,000
Recoveries - Retail	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Gross Potential Income	\$69,310,000	\$69,310,000	\$69,310,000	\$69,310,000	\$69,310,000
Less: Vacancy & Collection Loss - Healthcare	\$2,055,300	\$2,055,300	\$2,055,300	\$2,055,300	\$2,055,300
Less: Vacancy & Collection Loss - Retail	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Effective Gross Income	\$67,214,700	\$67,214,700	\$67,214,700	\$67,214,700	\$67,214,700
Less: Expenses - Healthcare	\$21,080,000	\$21,080,000	\$21,080,000	\$21,080,000	\$21,080,000
Less: Expenses - Retail	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Total Expenses	\$21,280,000	\$21,280,000	\$21,280,000	\$21,280,000	\$21,280,000
Net Operating Income	\$45,934,700	\$45,934,700	\$45,934,700	\$45,934,700	\$45,934,700
Capitalization Rate	6.50%	6.75%	7.00%	7.25%	7.50%
Improved Value	\$706,700,000	\$680,500,000	\$656,200,000	\$633,600,000	\$612,500,000
Less: Entrepreneurial Incentive	\$64,245,455	\$61,863,636	\$59,654,545	\$57,600,000	\$55,681,818
Less: Direct Costs	\$422,584,993	\$422,584,993	\$422,584,993	\$422,584,993	\$422,584,993
Less: Indirect Costs	\$126,775,498	\$126,775,498	\$126,775,498	\$126,775,498	\$126,775,498
Land Value	\$93,094,055	\$69,275,873	\$47,184,964	\$26,639,509	\$7,457,691
	Rounded	\$93,090,000	\$69,280,000	\$47,180,000	\$26,640,000

The land values are equivalent to \$6.95 to \$86.68/FAR (i.e. sq.ft. of improvements). Selecting the middle of the range, a value of \$47,180,000 or \$43.93/FAR is estimated for the subject's healthcare component by the residual land value analysis.

Sales Comparison Approach

Five sales of land purchased for office development were used in the analysis, as these sales are judged to be the most useful in developing an opinion of the market value of the subject's healthcare component. These sales are summarized in the following table, followed by a location map. Next are our comparable sales sheets which discuss the comparables and our adjustments.

COMPARABLE SALES MAP


COMPARABLE SALES SUMMARY

No.	Location	Date	Price	Sq.Ft.	Unadjusted \$/Sq.Ft.
1	1005 1st Street, NE	Aug-11	\$46,748,000	712,000	\$65.66
2	1200 1st Street, NE	Jan-11	\$41,725,000	589,000	\$70.84
3	1111 N. Capitol Street, NE	Jul-08	\$41,250,000	525,000	\$78.57
4	1015 -1017 Half Street, SE	Jul-07	\$41,500,000	400,000	\$103.75
5	99 I Street, SE	Apr-07	\$69,378,000	850,000	\$81.62

Land Sale No. 1

LS 19250

Location: 1005 First Street, NE
 Washington, D.C. 20002
 Square 713, Lot 53

Transaction Information:

Date: August 2011
Consideration: \$46,748,000
Grantor: First Group PLC (Greyhound)
Grantee: FP Perseus 53 713 LLC First Potomac DC Holdings
Deed Reference: Instr. No. 82053
Marketing Time: N/A
Confirmation: DC Newsletter, Washington Business Journal
Financing: None indicated

Site Information:

Land Area: 1.635 acres; 71,217 sq.ft.
Zoning: C-3-C
Proposed Use: Mixed use office/retail complex
Building Size: 712,000 gross sq.ft.
Density (ratio): 10.0:1 FAR (Floor Area Ratio)
Utilities: Available

Unit Prices:

Price/Acre: \$28,592,049
Price/Sq.Ft.: \$656.42
Price/Unit: \$65.66

Property Description:

This property is in use as a Greyhound Bus Terminal that was improved at date of sale. These improvements are proposed by the new owners to be demolished prior to redevelopment with a mixed-use complex to be comprised mostly of office space with a major retail component. By rights, improvements up to 712,000 sq.ft. and 130 ft. high or a 10.0 FAR is permitted at this property. There are no plans presently in place. This property is located at the southeast corner of First and L Streets, NE and is two blocks south of the New York Avenue Metro station.

Remarks:

This property is being leased back to FirstGroup PLC, Greyhound's parent company, who will continue to use it as a bus terminal until Greyhound's relocation to Union Station is complete. U.S. Transportation Department and Union Station Redevelopment Corp. announced the relocation deal on August 1, 2011. The lease is triple net for a term of 10 years with termination rights after the second year providing a 6.5% return on the initial purchase price. This lease additionally allows time for the grantee (First Potomac REIT/Perseus Realty) to start looking for architectural firms to begin development plans.

Land Sale No. 2

LS 19259

Location:	1200 1st Street, NE Washington, DC 20002 Square 672, Lots 850 & 851		
Transaction Information:	Date:	January 2011	
	Consideration:	\$41,725,000	
	Grantor:	AP-VN Capitol Plaza II and III, LLC	
	Grantee:	SCD Capitol Plaza, LLC	
	Deed Reference:	Instr. No. 8355	
	Marketing Time:	N/A	
	Confirmation:	CoStar, DC Newsletter	
	Financing:	Cash	
Site Information:	Land Area:	1.460 acres;	63,790 sq.ft.
	Zoning:	C-3-C	
	Proposed Use:	Office development	
	Building Size:	589,000 gross sq.ft.	
	Density (ratio):	9.23 :1 FAR (Floor Area Ratio)	
	Utilities:	Available	
Unit Prices:	Price/Acre:	\$28,578,767	
	Price/Sq.Ft.:	\$654.10	
	Price/Unit:	\$70.84	

Property Description:

This property consists of part of the proposed office building complex to be known as Capitol Plaza. The first of the three buildings in this project, Capitol Plaza I, was constructed in 2007 at the northwest corner of 1st and M Streets and contains 291,838 sq.ft. of Class A office space. This transaction represents the land capable of supporting the two remaining buildings that can be constructed at this project. Included as part of this transaction was not only the land on which these two office buildings can be built, but also all plans and permits for that development. This land is on the northern side of M Street, west of 1st Street and east of North Capitol Street in the middle of the block. The land is primarily open, level, and at grade with its M Street frontage that extends north to also have frontage on the southern side of Patterson Street being a mid block property. Currently used as a surface parking lot.

Remarks:

Site is entitled for a total of 589,000 sq.ft. of office development, to be known as Capitol Plaza II and III. This property previously sold in May 2007 for \$44,842,950 (\$76.13/FAR), which included all plans and permits for development.

Land Sale No. 3

LS 17797

Location:	1111 N. Capitol Street, NE Washington, DC 20002 Square 673, Lot 837		
Transaction Information:	Date:	July 2008	
	Consideration:	\$41,250,000	
	Grantor:	WB/BFP North Capitol Street LLC	
	Grantee:	National Public Radio Inc.	
	Deed Reference:	Instr. No. 80747	
	Marketing Time:	N/A	
	Confirmation:	Tax assessment records; public records	
	Financing:	N/A	
Site Information:	Land Area:	1.560 acres;	67,811 sq.ft.
	Zoning:	C-3-C	
	Proposed Use:	Office Building	
	Building Size:	525,000 gross sq.ft.	
	Density (ratio):	7.74:1 FAR (Floor Area Ratio)	
	Utilities:	All available	
Unit Prices:	Price/Acre:	\$26,442,308	
	Price/Sq.Ft.:	\$608.31	
	Price/Unit:	\$78.57	

Property Description:

Rectangular shaped parcel of land located on the east side of N. Capitol Street, NE, between L and Pierce Streets, NE. The property is improved with a four-story, concrete warehouse building totaling 165,000 sq.ft. that was constructed in 1927 for the C&P Telephone Co. The property was designated a District of Columbia historic landmark in 2006 and placed on the National Register of Historic Places in 2007.

Remarks:

The property was acquired by the seller, J Street Development, in 2005. Based on the property's C-3-C zoning, the site can be developed with 440,772 sq.ft. However, the site is located in a transferrable development rights (TDR) receiving zone and after purchasing TDR's, the seller obtained approval for development of the site with a 12-story office building totaling 525,000 sq.ft. The site was acquired by National Public Radio (NPR) for development of a 10-story headquarters building totaling 450,000 sq.ft. This building will incorporate 78,000 sq.ft. of the existing historic improvements. NPR purchased this property at roughly the same time it sold its existing building at 635 Massachusetts Avenue, NW to Boston Properties for redevelopment. As part of that sale agreement, Boston Properties is to act as the developer for NPR's new building on this site. In the interim, NPR will lease back their existing building until 2012, when this building should be delivered.

Land Sale No. 4

LS 17169

Location: 1015-1017 Half Street SE
 Washington, D.C. 20003
 Square 697, Lots 13-14, 39-41, 44, 812-815

Transaction Information:

Date: July 2007
Consideration: \$41,500,000
Grantor: Capitol Gateway, LLC
Grantee: Half Street SE, LLC (Opus East)
Deed Reference: 200792133-5
Marketing Time: N/A
Confirmation: Representative of Grantee
Financing: N/A

Site Information:

Land Area: 1.049 acres; 45,689 sq.ft.
Zoning: C-3-C
Proposed Use: 400,000 Sq.Ft. Office Building
Building Size: 400,000 sq.ft.
Density (ratio): 8.75:1 FAR (Floor Area Ratio)
Utilities: All Available

Unit Prices:

Price/Acre: \$39,561,487
Price/Sq.Ft.: \$908.31
Price/Unit: \$103.75

Property Description:

Irregularly shaped property located in the northwest quadrant of the intersection between Half Street and L Street SE near the Navy Yard Metro Station. The property consists of 10 separate contiguous lots with improvements that were being razed at the time of sale. The seller had done considerable work in the permitting process, including creating conceptual plans for the office construction prior to the sale. The proposed improvements consists of a 10-story office building comprising a total of approximately 400,000 sq.ft. of space with first floor retail and three levels of underground parking.

Remarks:

The total purchase price was \$41,500,000, with \$39 million allocated to the real estate and the remaining \$2.5 million allocated as additional funds for the plans and permits. The buyer is revising the initial plans, but keeping the overall concept the same. The buyer estimates that approximately \$100,000 is still needed in demolition work on the property.

Land Sale No. 5

LS 17867

Location: 99 I Street, SE
 Washington, D.C. 20003
 Square 696, Lots 13, 19, 20 and 21

Transaction Information:

Date: April 2007
Consideration: \$69,378,000
Grantor: Square 696 LLC and Turkey Town Associates LLC
Grantee: 99 I Street SE, LP
Deed Reference: Instr. No. 50813/50815
Marketing Time: N/A
Confirmation: Representative of Grantor
Financing: Line of Credit

Site Information:

Land Area: 1.707 acres; 74,375 sq.ft.
Zoning: C-3-C
Proposed Use: Office development
Building Size: 850,000 gross sq.ft.
Density (ratio): 11.4:1 FAR (Floor Area Ratio)
Utilities: Available

Unit Prices:

Price/Acre: \$40,643,234
Price/Sq.Ft.: \$932.81
Price/Unit: \$81.62

Property Description:

This rectangular shaped property occupies the entire block bounded by I, K, Half and 1st Streets in Southeast D.C. Improvements to the property at date of sale were of an interim nature adding no value to the land. This block has a level topography that is at street grade with its street frontages.

Remarks:

The grantee in this transaction is DRI Development Services which is a subsidiary of Transwestern Corporation and their partner Jamestown Properties of Atlanta, Georgia. This transaction represented an assemblage with the Pedas Family owning three of the four lots in the block totaling 54,775 sq.ft. and the remaining 19,600 sq.ft. representing the fourth lot was owned by Potomac Development Corporation. Proposed development of this property is to be with office space to include ground floor retail which is anticipated to be built in four phases starting in 2009 and ending in 2012. Additional costs will be required to demolish existing improvements. Development potential under existing zoning was at a 6.5 FAR, however, the site is in a TDR receiving area and the purchase price included TDR's which increase maximum development potential to 850,000 sq.ft. of improvements.

Sales Comparison Analysis

The sales were analyzed and adjustments made for differences in the elements of comparison listed below. A summary of the elements of comparison follow.

Transaction Adjustments

Transaction adjustments are discussed as follows:

Real Property Rights Conveyed

No adjustments are required for property rights conveyed.

Financing Terms

No adjustments are required for financing terms.

Conditions of Sale

No adjustments are made for conditions of sale.

Market Conditions

In comparison to the subject, Comparable Sale Nos. 1, 2, and 3 require upward adjustment for improvements in market conditions subsequent to the dates of sale and Comparable Sale Nos. 4 and 5 require downward adjustment for decline in market conditions after the sale.

Property Adjustments

Property adjustments are discussed as follows:

Locational Characteristics

All of the comparables are adjusted downward for their proximity to Metro stations and superior locations.

Physical Characteristics

Comparable Sale No. 3 is adjusted upward for the existing historic improvements that cannot be demolished.

Other

Comparable Sale No. 1 requires downward adjustment for the lease in place that provides income offsetting carrying costs during the development planning process and Comparable Sale Nos. 2 and 4 require downward adjustment for the plans and permits included with the sales.

Summary of Adjustments

Based on the preceding comparative analysis, adjustments to the comparable sales are summarized on the following table. These adjustments are based on our best judgment and experience in the appraisal of similar properties.

SUMMARY OF COMPARABLE OFFICE LAND SALES AND ADJUSTMENTS

No.	Location	Date	Zoning	Price	Proposed Sq.Ft.	Unadjusted \$/Sq.Ft.	Transaction Adjustments	Transaction Adj. \$/Sq.Ft.	Location/Marketability	Phys. Cont.	Other	Composite Adjustment	Adjusted \$/Sq.Ft.
1	1005 1st Street, NE	Aug-11	C-3-C	\$46,748,000	712,000	\$65.66	10.0%	\$72.22	-35.0%	0.0%	-5.0%	-34.0%	\$43.33
2	1200 1st Street, NE	Jan-11	C-3-C	\$41,725,000	589,000	\$70.84	10.0%	\$77.92	-35.0%	0.0%	-5.0%	-34.0%	\$46.75
3	1111 1/2 Capitol Street, NE	Jul-08	C-3-C	\$41,250,000	525,000	\$78.57	45.0%	\$90.36	-35.0%	5.0%	0.0%	-19.5%	\$62.25
4	1015 - 1017 Half Street, SE	Jul-07	C-3-C	\$41,500,000	400,000	\$103.75	-10.0%	\$93.38	-30.0%	0.0%	-5.0%	-41.5%	\$60.69
5	901 Street, SE	Apr-07	C-3-C	\$69,378,000	850,000	\$81.62	-10.0%	\$73.45	-30.0%	0.0%	0.0%	-37.0%	\$51.47
S	2501 1st Street, NW	Oct-13	PUD		1,074,000	\$65.95						Minimum	\$43.33
						\$103.75						Maximum	\$62.25
						\$86.09						Average	\$53.09

Conclusion

The final adjusted sale prices reflect a range from \$43.33/FAR to \$63.25/FAR. The unit value of \$43.93/FAR derived by applying a 7.0% capitalization rate to the forecasted net operating income in the residual land analysis falls within the final adjusted sales range. Based on the sales comparison approach, a unit value of \$45.00/FAR is estimated for the subject's healthcare land. Applying this unit value to the subject's proposed 1,074,000 sq.ft. of healthcare and retail space results in a market value for the subject's healthcare component of \$48,330,000, rounded.

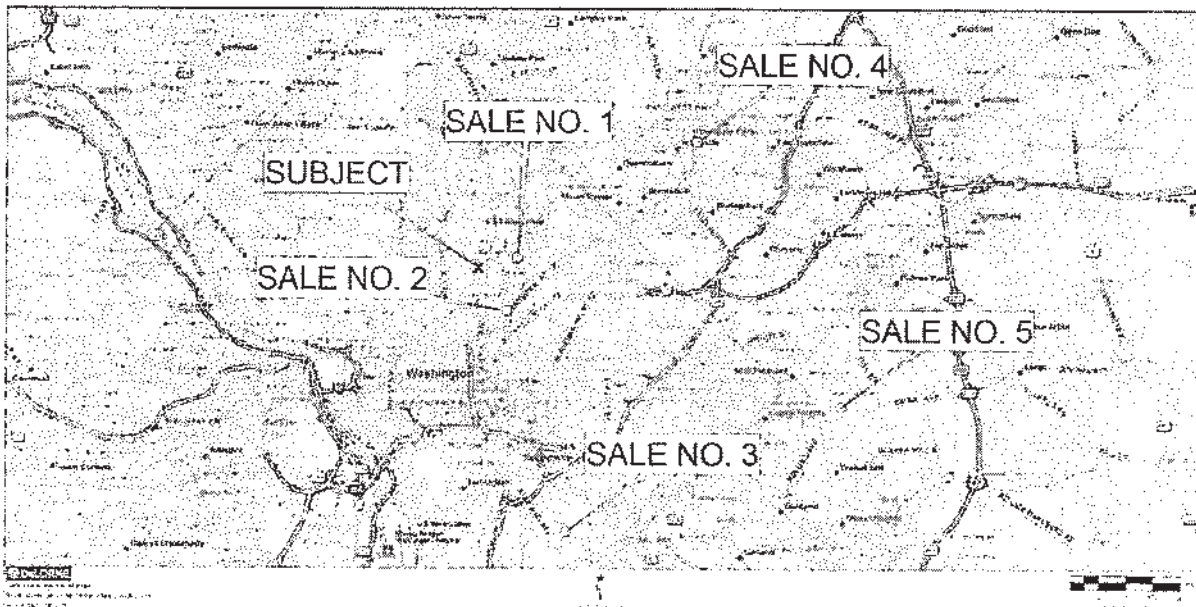
TOWNHOUSES

A portion of the subject property is planned for development with 160 townhouses. Ten percent or 16 of the townhouses are to be affordable at 50%/80% of average median income (AMI).

Sales Comparison Approach

Five sales were used in the analysis, as these sales are judged to be the most useful in developing an opinion of the market value of the subject property. These sales are summarized in the following table, followed by a location map. Next are our comparable sales sheets which discuss the comparables and our adjustments.

COMPARABLE SALES MAP



COMPARABLE SALES SUMMARY

No.	Location	Date	Price	No. of Lots	Unadjusted \$/Lot
1	2820 -2899 Chancellor's Way, NE	Sep-12	\$2,560,000	64	\$40,000
2	219 Randolph Place, NE	Sep-12	\$765,000	8	\$95,625
3	N/s Gainesville Street, SE	Nov-11	\$350,000	16	\$21,875
4	5706 46th Place	Apr-11	\$16,571,000	168	\$98,637
5	Cindy Lane & Central Avenue	Sep-10	\$1,920,000	96	\$20,000

Land Sale No. 1

LS 20163

Location:	2820 -2899 Chancellor's Way, NE Washington, D.C. 20017 Square 3648, Lots 917 -952, 954 -980 & 1056 -1058		
Transaction Information:	Date:	September 2012	
	Consideration:	\$2,560,000	
	Grantor:	The Missionary Society of St. Paul the Apostle	
	Grantee:	SP Associates III LLC	
	Deed Reference:	Instr. No. 97702	
	Marketing Time:	N/A	
	Confirmation:	Representative of Grantee	
	Financing:	\$15.4 million from Manufacturers & Traders Trust Company	
Site Information:	Land Area:	2.610 acres;	113,692 sq.ft.
	Zoning:	R-5-B (PUD)	
	Proposed Use:	Townhouses	
	No. of Units:	64	lots
	Density (ratio):	24.5	lots/acre
	Utilities:	Available	
Unit Prices:	Price/Acre:	\$980,843	
	Price/Sq.Ft.:	\$22.52	
	Price/Unit:	\$40,000.00	

Property Description:

Recorded townhouse lots located between 4th and 7th Street, NE on the southern portion of the campus of St. Paul's College. The property consisted of level, open, grass-covered land at date of sale.

Remarks:

The lots comprise the third phase of EYA's Chancellor's Row townhouse subdivision. The buyer was responsible for subdivision of the site into townhouse lots, development approvals, and site work. In addition to the purchase price, the seller receives 25% to 35% of sale revenue above set triggers. Average base sales price for the subdivision is \$682,000.

Land Sale No. 2

LS 20055

Location: 219 Randolph Place, NE
 Washington, D.C. 20002
 Square 3573, Lots 0078 & 0081

Transaction Information:

Date: September 2012
Consideration: \$765,000
Grantor: 3rd & Randolph LLC
Grantee: 215 Randolph St LLC
Deed Reference: Instr. No. 100556
Marketing Time: Unknown
Confirmation: Grantor
Financing: \$2,240,884 from John Marshall Bank

Site Information: **Land Area:** 0.280 acres; 12,197 sq.ft.
Zoning: R4
Proposed Use: Stacked townhouses
No. of Units: 8 units
Density (ratio): 28.6 units/acre
Utilities: All available

Unit Prices: **Price/Acre:** \$2,732,143
Price/Sq.Ft.: \$62.72
Price/Unit: \$95,625.00

Property Description:

This is the sale of four long, narrow, contiguous lots located in the middle of the block on the north side of Randolph Street NE. At date of sale, the lots were cleared and vacant being at grade with its street frontage and having a few trees at its rear border that access an alley off of 3rd Street to the east.

Remarks:

The Grantor stated the Grantee planned to build four stacked townhouses yielding 8 total units. This property is on the south side of Randolph Place, north of R Street, between 3rd Street to the east and 2nd Street to the west. John Marshall Bank provided development financing. Property was resold in September 2013 for \$1,4830,000 for development with a multi-family building.

Land Sale No. 3

LS 18693

Location:	N/s Gainesville Street, SE Washington, D.C. 20020 Square 5830, Lot 60		
Transaction Information:	Date:	November 2011	
	Consideration:	\$350,000	
	Grantor:	J. Finley Wilson Memorial Lodge, Inc.	
	Grantee:	Stanton View Development LLC	
	Deed Reference:	Instr. No. 118536	
	Marketing Time:	5 months	
	Confirmation:	Representative of the Grantee	
	Financing:	\$3,150,000 from Capital Bank	
Site Information:	Land Area:	1.060 acres;	46,174 sq.ft.
	Zoning:	R-3	
	Proposed Use:	Townhouses	
	No. of Units:	16	lots
	Density (ratio):	15.1	lots/acre
	Utilities:	All available	
Unit Prices:	Price/Acre:	\$330,189	
	Price/Sq.Ft.:	\$7.58	
	Price/Unit:	\$21,875.00	

Property Description:

This is the purchase of land that had been improved with two story and basement, brick, apartment buildings that were demolished. The land is level with street frontage having a few scattered trees at the sidewalks and is adjacent single family detached dwelling. This property occupies the northeast quadrant of Gainesville and 16th Streets.

Remarks:

This land was purchased for development as part of a townhouse apartment community to be known as Stanton View. The townhouses are to be three levels with ground floor built-in garage. This sale follows a contract that was agreed to in December 2010. Capital Bank provided development financing.



Land Sale No. 4

LS 20164

Location: 5706 46th Place
Hyattsville, Prince George's County, Maryland 20781
Tax Map 42, Grid C4, Lots 1 - 168

Transaction Information:
Date: April 2011
Consideration: \$16,571,000
Grantor: LH East Associates, LP
Grantee: Pulte Home Corp.
Deed Reference: 32644/558
Marketing Time: N/A
Confirmation: Representative of Grantor
Financing: N/A

Site Information: **Land Area:** 2.777 acres; 120,960 sq.ft.
Zoning: M-U-I
Proposed Use: Townhouses
No. of Units: 168 lots
Density (ratio): 60.5 lots/acre
Utilities: Available

Unit Prices: **Price/Acre:** \$5,967,231
Price/Sq.Ft.: \$137.00
Price/Unit: \$98,636.90

Property Description:

Development site located along 46th Place east of Baltimore Avenue (U.S. Route 1) in the City of Hyattsville. Property was cleared and graded prior to sale.

Remarks:

Takedown of finished townhouse lots in the East Village section of the Arts District Hyattsville development. In addition to the purchase price, the seller receives 20% of sales revenue above set triggers. The buyer subsequently defaulted on the last 61 lots.

Land Sale No. 5

LS 19416

Location: Cindy Lane and Central Avenue
Capitol Heights, Prince George's County, Maryland 20743
Tax Map 66, Grid D-4, Parcel C

Transaction Information:

Date:	September 2010
Consideration:	\$1,920,000
Grantor:	Village at Peppermill, LLC
Grantee:	K. Hovnanian Homes of Maryland, LLC
Deed Reference:	31987/513
Marketing Time:	N/A
Confirmation:	Representative of Grantee
Financing:	None recorded

Site Information:

Land Area:	17.910 acres;	780,160 sq.ft.
Zoning:	R-T/D-D-O	
Proposed Use:	Townhouse development	
No. of Units:	96	lots
Density (ratio):	5.4	lots/acre
Utilities:	All available	

Unit Prices:

Price/Acre:	\$107,203
Price/Sq.Ft.:	\$2.46
Price/Unit:	\$20,000.00

Property Description:

Raw parcel of land at the northwest corner of Cindy Lane and Central Avenue. The property is mostly wooded, with a rolling topography. The property required some minor demolition and required some excess dirt to be removed (at a cost of "a couple hundred thousand dollars") and water line extension of about 500 ft. to mitigate water pressure problems. Otherwise, the development costs were considered "typical".

Remarks:

The seller obtained detailed site plan approval for 96 townhouse lots. Hovnanian placed the property under contract three to six months prior to settlement. Home sales began in late 2011 at \$255,000 to \$300,000.

Sales Comparison Analysis

The sales were analyzed and adjustments made for differences in the elements of comparison listed below. A summary of the elements of comparison follow.

Transaction Adjustments

Transaction adjustments are discussed as follows:

Real Property Rights Conveyed

No adjustments are required for property rights conveyed.

Financing Terms

No adjustments are required for financing terms.

Conditions of Sale

No adjustments are made for conditions of sale.

Market Conditions

In comparison to the subject, all of the comparables require upward adjustment for improvements in market conditions subsequent to the dates of sale.

Property Adjustments

Property adjustments are discussed as follows:

Locational Characteristics

Comparable Sale No. 1 requires downward adjustment for its proximity to a Metro station. Comparable Sale Nos. 3 and 5 require significant upward adjustment for their inferior locations.

Physical Characteristics

Comparable Sale Nos. 2 and 3 require downward adjustment for their significantly fewer number of lots. Comparable Sale Nos. 2 and 4 require downward adjustment for the cost to get them to their finished condition.

Other

Comparable Sale Nos. 1 and 4 require upward adjustment for the additional payments of percentage of sales revenue to the sellers.

Summary of Adjustments

Based on the preceding comparative analysis, adjustments to the comparable sales are summarized on the following table. These adjustments are based on our best judgment and experience in the appraisal of similar properties.

SUMMARY OF COMPARABLE LAND SALES AND ADJUSTMENTS

No.	Location	Date	Zoning	Price	No. of Lots	Unadjusted S/lot	Transaction Adjustments	Transaction Adj./S/lot	Location Variability	Size	Popul Change	Other	Composite Adjustment	Adjusted S/lot
1	2820 -2899 Chancellor's Way N/E	Sep-12	R-5-B	\$2,560,000	64	\$40,000	10.0%	\$44,000	-10.0%	0.0%	0.0%	5.0%	4.5%	\$41,800
2	219 Randolph Place NE	Sep-12	R-4	\$765,000	8	\$95,625	10.0%	\$105,180	0.0%	-10.0%	-50.0%	0.0%	-56.0%	\$42,875
3	1/6 Gamassile Street, SE	Nov-11	R-3	\$350,000	16	\$21,875	20.0%	\$26,250	100.0%	-10.0%	0.0%	0.0%	128.0%	\$49,875
4	5705 48th Place	Apr-11	M-U-1	\$18,571,000	168	\$99,637	20.0%	\$118,264	0.0%	0.0%	-50.0%	5.0%	-34.0%	\$65,100
5	Cindy Lane & Central Avenue	Sep-10	R-17D-D-O	\$1,920,000	96	\$20,000	25.0%	\$25,000	100.0%	0.0%	0.0%	0.0%	150.0%	\$50,000
				\$20,000									Minimum	\$41,800
	S. 2501 1st Street, NW	Oct-13	PUD	\$66,637	160								Maximum	\$66,637
				\$56,227									Average	\$49,779

Conclusion

The final adjusted sale prices reflect a range from \$41,800/lot to \$65,100/lot. The most weight was placed on Comparable Sale Nos. 1 and 2 because they are located closest to the subject and are the most recent sales. Based on the sales comparison approach, a preliminary unit value of \$42,000/lot is estimated.

Market participants typically attribute little or no value to affordable lots. It is our opinion that in the case of the subject, the affordable lots have no value. Applying the market-rate unit value of \$42,000/lot to the subject's 144 market-rate lots results in a market value for the subject's townhouse component of \$6,050,000, rounded.

SUBJECT PROPERTY AS IS

Adding the "improved" values of the apartment, healthcare, and townhouse components of the planned mixed-use project indicates an "improved" value for the subject property of \$72,850,000. In order to derive the market value of the subject property as is, the cost to transform the subject property into a buildable site that is subdivided and ready for development with the planned mixed-use project must be deducted. This cost has been estimated by the developers of the project at \$76,500,000. Subtracting this cost results in a land value of negative \$3,650,000.

Correlation & Final Value Estimate

Summary of Value Conclusions

The indicated value from the sale comparison approaches and residual land value analyses and our concluded values for the subject property are summarized in the following table.

VALUE INDICATIONS & CONCLUDED VALUES

	As Is	Multi-Family	Healthcare	Townhouses	Total
Cost Approach	N/A	N/A	N/A	N/A	N/A
Sales Comparison Approach	N/A	\$19,100,000	\$48,330,000	\$6,050,000	N/A
Income Capitalization Approach	N/A	N/A	N/A	N/A	N/A
Residual Land Value Analysis	N/A	\$18,680,000	\$47,180,000	N/A	N/A
Market Value Conclusion	(\$3,650,000)	\$19,000,000	\$47,800,000	\$6,050,000	\$72,850,000

General Exhibits & Addenda

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core

and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building

Common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5% for a full tenant to as high as 15% or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated

among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

Contributory Value

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

Disposition Value

The most probable price that a specified interest in real property is likely to bring under the following conditions:

- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

1) The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TI's). (Dictionary)

EPDM

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property

typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

Exposure Time

1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

Floor Common Area

Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

Going Concern Value

- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

Gross Building Area

The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50% or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expense in income-producing properties when less than 100% occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that

results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Industrial Gross Lease

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Dictionary)

(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value

The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

Leasehold Interest

The tenant's possessory interest created by a lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TI's). (Dictionary)

Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary)

Master Lease

A lease in which the fee owners leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such

effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Substantial Completion

Generally used in reference to the construction of tenant improvements (TI's). The tenant's premises are typically deemed to be substantially completed when all of the TI's for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net leases, or fully net lease. (Dictionary)

(The market definition of a triple net leases varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas on a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

10/18/2013

Summary Report

Page: 1

Estimate Number : 744
 Property Owner : Vision McMillan Farmers
 Property Address : 2501 1st Street NE
 Property City : Washington
 State/Province : DC
 ZIP/Postal Code : 20001
 Building Name : McMillan Apartments

Section 1

Occupancy	<u>Class</u>	<u>Height</u>	<u>Rank</u>
100% Apartment	Fireproof structural steel frame	10.00	3.0
Total Area	: 425,000		
Number of Stories (Section)	: 8.00		
Shape	: 1.00		

Components	<u>Units/%</u>	<u>Other</u>
Exterior Walls:		
Brick with Block Back-up	100%	
HVAC (Heating):		
Heat Pump	100%	
Elevators:		
Passenger #	2	Stops : 11
Passenger #	1	Stops : 9
Freight Power #	1	Stops : 9
Sprinklers:		
Wet Sprinklers	100%	
Miscellaneous:		
Fire Alarm System	425,000	

Basement	<u>Type</u>	<u>Area</u>	<u>Depth</u>	<u>Rank</u>
Underground Pkg Structure	Unfinished	145,000	10.00	
Number of Levels	: 2.00			
Shape	: 2.00			

Basement Components	<u>Units/%</u>	<u>Other</u>
Sprinklers:		
Dry Sprinklers	100%	

Section 2

Occupancy	<u>Class</u>	<u>Height</u>	<u>Rank</u>
100% Supermarket	Fireproof structural steel frame	18.00	3.0
Total Area	: 50,000		
Number of Stories (Section)	: 1.00		
Shape	: 2.00		

Components	<u>Units/%</u>	<u>Other</u>
Exterior Walls:		
Brick with Block Back-up	100%	
HVAC (Heating):		
Package Unit	100%	

Cost Data by Marshall & Swift

10/18/2013

Summary Report

Page: 2

 Estimate Number : 744
 ZIP/Postal Code : 26001

Wet Sprinklers 100%

Section 3

Occupancy	Class	Height	Rank
100% Retail Store	Fireproof structural steel frame	12.00	3.0
Total Area	: 10,000		
Number of Stories (Section)	: 1.00		
Shape	: 2.00		

Components	Units/%	Other
Exterior Walls:		
Brick with Block Back-up	100%	
HVAC (Heating):		
Heat Pump	100%	
Sprinklers:		
Wet Sprinklers	100%	

Cost as of 10/2013

	Units/%	Cost	Total
Basic Structure			
Base Cost	485,000	106.95	51,870,830
Exterior Walls	485,000	22.89	11,101,650
Heating & Cooling	485,000	9.81	4,756,550
Elevators	4	280,530.50	1,122,122
Sprinklers	485,000	2.34	1,135,000
Fire Alarm System	425,000	2.07	879,750
Basic Structure Cost	485,000	146.12	70,865,922
Basement			
Unfinished Basement	145,000	55.18	8,001,100
Sprinklers	145,000	3.20	464,000
Building Cost New	485,000	163.57	79,331,022

Cost Data by Marshall & Swift

10/21/2013

Summary Report

Page: 1

Estimate Number : 755
 Property Owner : Vision McMillan Partners
 Property Address : 2501 1st Street NW
 Property City : Washington
 State/Province : DC
 ZIP/Postal Code : 20001

Section 1

Occupancy	<u>Class</u>	<u>Height</u>	<u>Rank</u>
100% Hospital	Fireproof structural steel frame	12.00	3.5
Total Area	: 1,054,000		
Number of Stories (Section)	: 9.00		
Shape	: 2.00		

Components	<u>Units/%</u>	<u>Other</u>
Exterior Walls:		
Curtain-Metal with Glass Panels	100%	
HVAC (Heating):		
Warmed and Cooled Air	100%	
Elevators:		
Passenger #	10	Stops : 9
Passenger #	6	Stops : 12
Freight Power #	4	Stops : 9
Sprinklers:		
Wet Sprinklers	100%	
Miscellaneous:		
Fire Alarm System	1,054,000	

Basement	<u>Type</u>	<u>Area</u>	<u>Depth</u>	<u>Rank</u>
Underground Pkng Structure	Unfinished	260,000	10.00	
Number of Levels	: 3.00			
Shape	: 2.00			

Basement Components	<u>Units/%</u>	<u>Other</u>
Sprinklers:		
Dry Sprinklers	100%	

Section 2

Occupancy	<u>Class</u>	<u>Height</u>	<u>Rank</u>
100% Retail Store	Fireproof structural steel frame	12.00	3.0
Total Area	: 20,000		
Number of Stories (Section)	: 1.00		
Shape	: 2.00		

Components	<u>Units/%</u>	<u>Other</u>
Exterior Walls:		
Brick with Block Back-up	100%	
HVAC (Heating):		
Heat Pump	100%	
Sprinklers:		

Cost Data by Marshall & Swift

10/21/2013

Summary Report

Page: 2

Estimate Number : 755
ZIP/Postal Code : 20001

Wet Sprinklers 100%

Cost as of 10/2013

	Units/%	Cost	Total
Basic Structure			
Base Cost	1,074,000	311.03	334,044,760
Exterior Walls	1,074,000	41.06	44,102,740
Heating & Cooling	1,074,000	17.29	18,569,640
Elevators	20	325,329.65	6,506,593
Sprinklers	1,074,000	2.27	2,434,960
Fire Alarm System	1,054,000	2.25	2,371,505
Basic Structure Cost	1,074,000	379.92	408,030,193
Basement			
Unfinished Basement	260,000	53.03	13,787,800
Sprinklers	260,000	2.85	767,000
Building Cost New	1,074,000	393.47	422,584,993

Cost Data by Marshall & Swift

Qualifications of Ryland L. Mitchell III, CRE, MAI -Senior Managing Director
Valbridge Property Advisors | Lipman Frizzell & Mitchell LLC

Member

Member (CRE): American Society of Real Estate Counselors
Member (MAI): Appraisal Institute
Certified General Real Estate Appraiser: State of Maryland
Certified General Real Property Appraiser: District of Columbia
Certified General Real Estate Appraiser: Commonwealth of Virginia



Education

Bachelor of Science Degree in Business Administration, University of Richmond, 1965
Graduate School majoring in Real Estate, University of Florida, 1969-70

Teaching

Instructor: for basic Real Estate Appraisal Course, University of Baltimore, 1976-80
Instructor: for Maryland Assessment Officers School, 1977-86
Instructor: for GRI Courses of Maryland Association of Realtors, 1978-86
Instructor: for AIREA Condemnation/Litigation Course in Baltimore, Maryland, 1979-80 and at American University, 1983
Instructor: for AIREA Course entitled "Real Estate Appraisal Principles" at University of Minnesota, 1980 and at American University, 1981-90 and 1993-94

Experience

Associate Appraiser: McCurdy-Lipman & Associates, 1970-77
Partner: Lipman Frizzell & Mitchell LLC, 1977 to present
Actively engaged in appraising since 1970 and counseling since 1977

Assignments include counseling and valuation of commercial, industrial, residential and special purpose properties, as well as unimproved land; real estate tax assessment analysis; and market/feasibility studies primarily in the State of Maryland, Commonwealth of Virginia, and Washington, D.C. metropolitan area.

Qualified as Expert Witness Before the Courts of:

U.S. District Court of Maryland, Federal Bankruptcy Courts, Maryland Tax Court, Superior Court of the District of Columbia, and Circuit Court in various Maryland Counties

Qualifications of F. Ford Dennis, Jr.
Senior Appraiser
Valbridge Property Advisors | Lipman Frizzell & Mitchell LLC

Independent Valuations for a Variable World

State Certifications

State of Maryland

Education

Master of Business
Administration
Robert H. Smith School of
Business
University of Maryland, College
Park

Bachelor of Arts - Economics
University of Maryland, College
Park

Contact Details

410-423-2344 (p)
410-423-2345 (f)
fdennis@valbridge.com
Valbridge Property Advisors |
Lipman Frizzell & Mitchell LLC
6240 Old Dobbins Lane
Suite 140
Columbia, MD 21045
www.valbridge.com

Appraisal Institute & Related Courses:

Appraisal Institute – Analyzing Distressed Real Estate
Appraisal Institute – Business Practices and Ethics
Appraisal Institute – Advanced Income Capitalization
Appraisal Institute – Advanced Sales Comparison & Cost
Approaches
Appraisal Institute – General Report Writing and Case Studies
Appraisal Institute – Appraisal Principles
Appraisal Institute – Basic Appraisal Procedures
Appraisal Institute – 7 Hour USPAP updates

Experience:

Senior Appraiser

ValbridgePropertyAdvisors|Lipman Frizzell & Mitchell, LLC (2013-
Present)

Associate Appraiser

Lipman Frizzell & Mitchell LLC (1998-2013)

Appraisal/valuation and consulting assignments include: industrial buildings; retail buildings and shopping centers; office buildings; mixed-use properties; and special purpose properties including schools and churches; net-leased assets; residential subdivisions; apartment buildings; and vacant industrial, commercial and residential land. Assignments have been concentrated in the Baltimore/Washington Metropolitan Areas, including Delaware and Northern Virginia.

Teaching/Instructor Assignments:

Guest lecturer – Colvin Institute of Real Estate Development – School of Architecture, Planning & Preservation at the University of Maryland, College Park

Information on Valbridge Property Advisors

Valbridge covers the U.S. from coast to coast, and is one of the Top 3 national commercial real estate valuation and advisory services firms based on:

- Total number of MAIs (145 on staff)
- Total number of office locations (59 across the U.S.)
- Total number of staff (600 strong)

Valbridge is owned by our local office leaders. Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.

Valbridge services all property types, including:

- Office
- Industrial
- Retail
- Apartments/multifamily/senior living
- Lodging/hospitality/recreational
- Land
- Special-purpose properties

Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk- property engagements. Specialty services include:

- Portfolio valuation
- REO/foreclosure evaluation
- Real estate market and feasibility analysis
- Property and lease comparables, including lease review
- Due diligence
- Property tax assessment and appeal-support services
- Valuations and analysis of property under eminent domain proceedings
- Valuations of property for financial reporting, including goodwill impairment, impairment or disposal of long-lived assets, fair value and leasehold valuations
- Valuation of property for insurance, estate planning and trusteeship, including fractional interest valuation for gifting and IRS purposes
- Cost segregation studies
- Litigation support, including expert witness testimony
- Business and partnership valuation and advisory services, including partial interests

Independent Valuation for a Variable World

Office Locations

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714-738-4371 fax

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Grainger, Inc.
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801-492-1420 fax

1100 East 6600 South, Ste. 201
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MD01-13-0376

**2501 1ST STREET, NW
Washington, D.C. 20001**

**For: Mr. Shiv Newaldass
Government of the District of Columbia**

October 21, 2013

RLM/FFD

McMillan
Sources and Uses of Funds

SOURCES OF FUNDS

District Funds	\$	51,200,000
Debt	\$	399,600,000
Pad Sales	\$	27,100,000
Reinvested Sales Revenue (Rowhouses)	\$	6,900,000
LIHTC Proceeds	\$	4,800,000
Institutional Equity	\$	225,500,000
Sponsor Equity	\$	3,800,000
Development Fee - Deferred Portion	\$	<u>1,100,000</u>
TOTAL SOURCES OF FUNDS	\$	720,000,000

USES OF FUNDS

Land Costs		
Acquisition	\$	<u>27,100,000</u>
Total Land Costs	\$	27,100,000
Hard Costs		
Land and Site Improvements	\$	65,300,000
Vertical Construction	\$	437,400,000
Hard Cost Contingency	\$	<u>40,700,000</u>
Total Hard Costs	\$	543,400,000
Soft Costs		
Design and Consultants	\$	32,300,000
Permits, Taxes and Legal	\$	27,900,000
Development Fee	\$	24,300,000
Project Contingency	\$	2,800,000
Community Benefits	\$	5,000,000
Marketing and Commissions	\$	<u>27,400,000</u>
Total Soft Costs	\$	119,700,000
Financing Costs		
Financing Fees	\$	12,500,000
Interest Carry	\$	16,500,000
Financing Contingency and Reserves	\$	<u>800,000</u>
Total Financing Costs	\$	29,800,000
TOTAL USES OF FUNDS	\$	720,000,000

LAND DISPOSITION AND DEVELOPMENT AGREEMENT

by and between the

DISTRICT OF COLUMBIA

and

VISION MCMILLAN PARTNERS, LLC

for the

MCMILLAN SAND FILTRATION SITE

Dated _____, 2014

SCHEDULES:

Schedule 2.1(a)	Phase 1 Concept Plan
Schedule 2.1(b)	Phase 2 Concept Plan
Schedule 2.2(a)	Phase 1 Property
Schedule 2.2(b)	Phase 2 Property
Schedule 3.2	Purchase Price Schedule
Schedule 4.1.1	Deposit Schedule
Schedule 4.2.4	Developer's Approved Guarantors
Schedule 5.1	Initial Project Funding and Financing Plan
Schedule 5.2.1	Initial Project Budget
Schedule 6.1.1	Additional Soil Testing
Schedule 6.6	Underground Storage Tank Identification
Schedule 6.10.3	Permitted Exceptions
Schedule 9.2	Details of Property Work
Schedule 9.4	Details of Public Infrastructure
Schedule 9.5	Details of Public Amenities
Schedule 10.2.2	Developer Entities

EXHIBITS:

Exhibit A	Legal Description
Exhibit B	Affordable Housing Covenant
Exhibit C	CBE Agreement
Exhibit D	Form of Construction Covenant
Exhibit E	Schedule of Performance
Exhibit F	First Source Agreement
Exhibit G	Form of Special Warranty Deed
Exhibit H	Form of Vertical Development Completion Guaranty
Exhibit I	Form of Letter of Credit
Exhibit J	Escrow Agreement

LAND DISPOSITION AND DEVELOPMENT AGREEMENT

THIS LAND DISPOSITION AND DEVELOPMENT AGREEMENT (this “**Agreement**”) is made and entered into as of the ___ day of _____, 2014 (“**Effective Date**”), by and between the **DISTRICT OF COLUMBIA**, a municipal corporation, acting by and through the Deputy Mayor for Planning and Economic Development (the “**District**”) pursuant to delegation by Mayor’s Order _____, with an address of John A. Wilson Building, 1350 Pennsylvania Avenue, N.W., Suite 317, Washington, DC 20004, and **VISION MCMILLAN PARTNERS, L.L.C.**, a District of Columbia limited liability company (“**Developer**”), with an address of c/o EYA, 4800 Hampden Lane, Suite 300, Bethesda, MD 20814, and c/o Trammell Crow Company, 1015 Thomas Jefferson Street, NW, Suite 600, Washington, DC 20007.

RECITALS

R-1. District owns that twenty-five (25) acre parcel of real property, known as the McMillan Sand Filtration Site and situated on North Capitol Street, Washington, D.C. and known for tax and assessment purposes as Lot 0800 in Square 3128 (the “**McMillan Site**”) and further described on the legal description attached hereto as Exhibit A.

R-2. District is engaged in pre-development activities, including the planning, zoning and development entitlement process, for the construction of a mixed-use development on the McMillan Site. The proposed mixed-use development will contain residential (including affordable housing), retail and office uses, while also retaining a portion of the McMillan Site as a public park.

R-3. Accordingly, by this Agreement, District desires to convey the fee interest in a portion of the McMillan Site, defined herein as the Property, to Developer to construct two (2) mixed-use residential and retail buildings, together with related improvements, pursuant to the provisions of applicable federal and local laws and the terms and conditions contained herein. The Residential Units shall include a number of ADUs (as herein defined), as provided herein. The disposition and development of the other portions of the McMillan Site not contained within the Property will be the subject of separate disposition agreements between Developer and District.

R-4. Finding that the Property was no longer required by the District of Columbia for public purposes, the Council of the District of Columbia (“**Council**”) approved the disposition of the Property to Developer on _____, pursuant to the _____, Resolution No. _____, (the “**Resolution**”), and an extension to the Resolution approved on _____, pursuant to the _____, Resolution No. _____, (the “**Extension Resolution**”), subject to the terms and conditions set forth therein and incorporated herein by this reference.

R-5. The Property has a unique and special importance and history to District. Accordingly, this Agreement makes particular provision to assure the excellence and integrity of the design, construction, management and control necessary and appropriate for a true first class urban destination.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, District and Developer do hereby agree as follows, to wit:

ARTICLE 1 - DEFINITIONS

For the purposes of this Agreement, the following capitalized terms shall have the meanings ascribed to them below and, unless the context clearly indicates otherwise, shall include the plural as well as the singular:

Acceptable Bank: means a commercial bank with an office located in the Washington, D.C. metropolitan area that has a credit rating with respect to certificates of deposit, short term deposits or commercial paper of at least Aa3 (or equivalent) by Moody's Investor Service, Inc., or at least AA- (or equivalent) by Standard & Poor's Corporation.

Acceptable Letter of Credit: has the meaning given in Section 4.1.4.

Additional Deposit: has the meaning given in Section 4.1.2.

Additional LDAs: means those Land Disposition Agreements of on or about even date herewith between Developer and District for the disposition and development of the other portions of the McMillan Site not contained within the Property.

Additional Soil Testing: has the meaning given in Section 6.1.1 of this Agreement.

ADU: means an affordable dwelling unit to be developed and constructed as part of the Project in accordance with the Affordable Housing Minimum and the Affordable Housing Covenants.

Affiliate: means with respect to any Person ("first Person"), other than any Person which is an entity publicly traded on any recognized exchange or is a fund in which the investors have no control over the day to day operations thereof, (i) any other Person directly or indirectly Controlling, Controlled by, or under common Control with such first Person, (ii) any officer, director, general partner, manager, member or trustee of such first Person, or (iii) any officer, director, general partner, manager, member or trustee of any Person described in clauses (i) or (ii) of this sentence.

Affordable Housing Covenant: means a covenant agreement between District and Developer with respect to the rental residential component of the Project in the form attached hereto as Exhibit B, which, as applicable, shall be recorded in the Land Records, as the same may be amended from time to time.

Affordable Housing Minimum: means the greater of 20% of the total number Residential Units constructed as part of the Project to be used as ADUs or of the number of ADUs required by Zoning Approvals.

Affordable Unit Index: is an index of the ADUs contained in the Project, that identifies: (i) the

location of each ADU within each Building; (ii) the approximate square footage and number of bedrooms of each ADU and a schematic drawing showing the layout of the unit; (iii) the total number of ADUs; (iv) the total number of Residential Units; and (v) floor plans showing the location of each Residential Unit.

Agreement: has the meaning given in the Preamble.

Approved Guarantor: has the meaning set forth in Section 4.2.4.

Approved Mortgage: has the meaning set forth in Section 8.1.3.

Approved Mortgagee: has the meaning set forth in Section 8.1.3.

Architect: means the architect retained by Developer and designated as the “architect of record” for the Project or a Project Phase. In all cases, the Architect must be licensed to practice architecture in the City of Washington, DC.

Building: means a building and its associated improvements constructed as part of the Project.

Business Days: means Monday through Friday, inclusive, other than holidays recognized by the District government.

CBE Agreement: means that certain CBE Utilization and Participation Agreement attached hereto as Exhibit C.

CBE Requirement: means the requirements imposed on Developer set forth in and subject to the CBE Agreement.

Certificate of Final Completion: has the meaning given in the Construction Covenant.

Certified Business Enterprise (“CBE”): means an enterprise certified pursuant to the Small, Local and Disadvantaged Business Enterprise Development and Assistance Act of 2005, as amended (D.C. Law 16-33; D.C. Official Code §§ 2-218.01 *et seq.*).

Closing: has the meaning given in Section 7.1.

Closing Date: has the meaning given in Section 7.1.

Commencement of Construction or Commence Construction: means the time at which Developer has (a) executed one or more Construction Contracts for the Project or the applicable Project Phase as to which construction work is commencing, (b) given its Contractor notice to proceed with footings, sheeting and shoring under such Construction Contract, and (c) obtained all Permits required to commence construction of such footings, sheeting and shoring.

Completion of Construction: has the meaning given in the Construction Covenant.

Concept Plans: are the plans attached hereto as Schedule 2.1(a) and Schedule 2.1(b).

Confidential Information: has the meaning given in Section 17.30.1.

Construction Contract: means a contract with a Contractor for the construction of the Project or a Project Phase.

Construction Covenant: means a covenant agreement among District and Developer in the form attached hereto as Exhibit D.

Construction Plans and Specifications: means detailed architectural drawings and specifications for all aspects of the applicable Project Phase, which shall be prepared and signed by the Architect. Construction Plans and Specifications shall be used to (i) obtain the Permits, (ii) obtain detailed cost estimates, and (iii) solicit and receive construction bids, and must at a minimum provide sufficient details to achieve such purposes.

Construction Schedule: has the meaning given in Section 8.1.6.

Contractor: means a general contractor for the Project or any portion thereof.

Control: means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a Person, whether through ownership of voting securities, membership interests or partnership interests, by contract or otherwise, or the power to elect at least fifty percent (50%) of, as applicable, the directors, managers, managing partners or Persons exercising similar authority with respect to the subject Person. The terms “Control,” “Controlling,” “Controlled by” or “under common Control with” shall have meanings correlative thereto.

Council: is defined in the Recitals.

DCFOIA: has the meaning given in Section 17.30.

DCMR: means the District of Columbia Municipal Regulations.

Deposit: has the meaning given in Section 4.1.

Developer: has the meaning given in the Preamble.

Developer’s Agents: means Developer’s agents, employees, consultants, contractors, attorneys and representatives.

Development Plan: has the meaning given in Section 8.1.1.

Development Site: means an individual parcel on the Property (including the below grade area under such portion of the Property), where a Building will be constructed by Developer as part of the Project.

District: has the meaning given in the Preamble.

DOES: means the District Department of Employment Services or any successor agency.

DSLBD: means the District Department of Small and Local Business Development or any successor agency.

Effective Date: means the date of full execution and delivery of this Agreement, which date shall be inserted by District on the first page hereof.

Environmental Law: means any federal or District law, ordinance, rule, regulation, requirement, code, resolution, order or decree (including consent decrees and administrative and executive orders) in effect on the date of this Agreement which regulates the use, generation, handling, storage, treatment, transportation, decontamination, clean-up, removal, encapsulation, enclosure, abatement or disposal of any Hazardous Material or Permitted Material, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Sections 2601, et seq., the Clean Water Act, 33 U.S.C. Sections 1251 et seq., their District analogs, and any other applicable federal or District statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material or Permitted Material.

Equity Commitment: means the commitment of Developer to provide equity for the Project pursuant to Section 8.1.3.

ERA: means that certain Exclusive Rights Agreement dated as of April 23, 2010 between District and Developer with respect to the McMillan Site.

Event of Default: has the meaning given in Section 15.1.

Extension Period: has the meaning given in Section 11.3.1.

Extension Resolution: is defined in the Recitals.

Final Development Plan: has meaning given in Section 8.1.1.

Final Project Budget: has the meaning given in Section 5.2.3.

Final Project Funding and Financing Plan: has the meaning given in Section 5.1.

Financing Documents: has the meaning given in Section 8.1.4.

Finished Pad: has the meaning given in Section 9.2.

First Source Agreement: means that certain First Source and Workforce Development Employment Agreement between Developer and DOES, a copy of which is attached hereto as Exhibit F.

Force Majeure: means an act or event, including, as applicable, an act of God, act of the public enemy, fire, earthquake, flood, explosion, war, invasion, insurrection, riot, mob violence, sabotage, terrorism, inability to procure or a general shortage of labor, equipment, facilities, materials, or supplies in the open market, failure or unavailability of transportation, strike, lockout, actions of labor unions, a taking by eminent domain, requisitions and laws or orders of government or civil, military, or naval authorities, governmental delays, or any other cause

(including but not limited to a delay by a Party other than the Party seeking the extension) whether similar or dissimilar to the foregoing, that is not within the reasonable control of the Party seeking the extension or any of its Primary Parties, so long as such act or event, in each case, (i) is not due to the fault or negligence of such Party or any of its Primary Parties, (ii) is not reasonably foreseeable and avoidable with reasonable efforts by such Party or any of its Primary Parties, and (iii) results in a delay in performance by such Party, but specifically excluding (A) shortage or unavailability of funds or financial condition and (B) changes in market conditions such that construction of the Project as contemplated by this Agreement and the Final Development Plan is no longer practicable under the circumstances.

GFA: means “gross floor area” as that term is defined in the District of Columbia Zoning Regulations, 11 DCMR § 199.1.

Governmental Authority: means any and all federal or District governmental or quasi-governmental municipal corporation, board, agency, authority, department or body having jurisdiction over all or any portion of the Property or the Project or Developer.

Green Building Act: has the meaning given in Section 9.8.

Guaranty(ies): means the Vertical Development Completion Guaranty and any permitted substitutions or replacements of any of the foregoing.

Guarantor Submissions: has the meaning given in Section 4.2.4.

Hazardous Materials: means any flammable, explosive, radioactive or reactive materials, any asbestos (whether friable or non-friable, but excluding naturally occurring asbestos), any pollutants, contaminants or other hazardous, dangerous or toxic chemicals, materials or substances, any petroleum products or substances or compounds containing petroleum products, including gasoline, diesel fuel and oil, any polychlorinated biphenyls or substances or compounds containing polychlorinated biphenyls, medical waste, or toxic mold or fungi, and any other material or substance defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic materials,” “contamination,” and/or “pollution” within the meaning of any Environmental Law, other than Permitted Materials.

Horizontal Development: has the meaning given in Section 9.1.

Horizontal Development Budget: has the meaning set forth in Section 5.2.4.

Horizontal Development Funds: has the meaning set forth in Section 9.3.

Indemnified Party and Indemnified Parties: have the meanings given them in Section 12.4.

Initial Project Budget: has the meaning given in Section 5.2.1.

Initial Project Funding and Financing Plan: has the meaning given in Section 5.1.

Institutional Lender: means a lender or investor that is not a Prohibited Person, and is: (i) a commercial bank, investment bank, investment company, savings and loan association, trust

company or national banking association, acting for its own account and/or as agent for one or more Institutional Lender(s); (ii) a finance company principally engaged in the origination of commercial mortgage loans or any financing-related subsidiary of a Fortune 500 company; (iii) an insurance company, acting for its own account or for special accounts maintained by it or as agent or manager or advisor for other entities covered by any of clauses (i)-(x) hereof; (iv) a public employees' pension or retirement system; (v) a pension, retirement, or profit sharing, or commingled trust or fund for which any bank, trust company, national banking association or investment adviser registered under the Investment Advisors Act of 1940, as amended, is acting as trustee or agent; (vi) a real estate investment trust (or umbrella partnership or other entity of which a real estate investment trust is the majority owner), real estate mortgage investment conduit, hedge fund, private equity fund or securitization trust or similar investment entity; (vii) any federal, state, or District agency regularly making, purchasing or guaranteeing mortgage loans, or any governmental agency supervising the investment of public funds; (viii) a profit-sharing or commingled trust or fund, the majority of equity investors in which are pension funds; (ix) any entity of any kind actively engaged in commercial real estate financing and having total assets (on the date when its interest in the Project, or any portion thereof, is obtained) of at least \$200,000,000; (x) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (or an institution substantially similar to the foregoing), provided that such entity (a) has total assets (in name or under management) in excess of \$200,000,000 and capital/statutory surplus or shareholders' equity in excess of \$250,000,000, and (b) is regularly engaged in the business of making or owning commercial real estate loans or operating commercial mortgage properties; (xi) a corporation, other entity or joint venture that is a wholly owned subsidiary or combination of one or more of the foregoing entities (including, without limitation, any of the foregoing entities described in clauses (i) through (x) when acting as trustee or manager for other lender(s) or investor(s), whether or not such other lender(s) or investor(s) are themselves Institutional Lenders (but provided that such other lender(s) or investor(s) are not Prohibited Persons); or (xii) such other lender or equity investor approved by District, which approval shall not be unreasonably withheld or conditioned, provided that such other lender or equity investor is at the time of making the loan or investment of a type which is then customarily used as an investor or lender on projects like the portion of the Project for which the proceeds of such loan or equity investment are to be used.

Interim Project Budget: has the meaning given in Section 5.2.2.

Interest in the Project: means a leasehold, subleasehold or fee interest in the Project, in any portion thereof or in any Building or other improvement constructed on any portion of the Project.

Key Member: means LDP Holdings LLC.

Land Records: means the land records of the District of Columbia Recorder of Deeds.

Laws: means all applicable local, state and federal laws, ordinances, rules, codes, regulations, resolutions, executive orders and standards, including, without limitation, Environmental Laws, zoning requirements, building codes and all laws relating to accessibility for persons with disabilities.

LDA Deposit: has the meaning given in Section 4.1.1.

Loan Commitment: has the meaning given in Section 8.1.3.

Material Change: means (i) a change in the construction and development work provided for in the Final Development Plan that would require Developer to obtain a modification, waiver or amendment to the Zoning Approvals; (ii) any change in size or design from the Final Development Plan substantially affecting the general appearance of the Buildings in the Project; (iii) any changes in exterior finishing materials substantially affecting architectural appearance from those shown and specified in the Final Development Plan; (iv) any substantial change in landscape planning and design or changes in size or quality of exterior pavement, exterior lighting and other exterior site features from the Final Development Plan not permitted by the Zoning Approvals; (v) any change that affects the number of ADUs; and (vi) any reduction in the level of interior finish from the Final Development Plan as it relates to the ADUs not permitted by the Affordable Housing Covenant.

Material Permit: means any of the following: (a) any permit the application for which is inconsistent with, or would require a modification to, the Zoning Approvals; (b) any permit required from the Board of Zoning Adjustment or the Zoning Commission under Title 11 DCMR; (c) any application or approval for any public street or alley closing required for the Project; any other permit or application which the regulatory authority or entity issuing the permit specifically requires be signed or certified by the District as the fee owner of the Property; and (e) any amendments or modifications to any of the foregoing.

Member: means any Person with an ownership interest in Developer.

McMillan Site: has the meaning given in the Recitals.

Outside Closing Date: has the meaning given in Section 7.1.

Parties: means the collective reference to Developer and District.

Permits: means all demolition, site, building, and other permits, approvals, licenses and/or rights required or necessary to construct a Building.

Permitted Exceptions: has the meaning given in Section 6.10.3.

Permitted Materials: means any materials or substances regulated by Environmental Laws that are reasonably and customarily used during construction or use of a project similar to the Project, provided that same are used, handled and stored in compliance with all applicable Environmental Laws.

Permitted Transfers: has the meaning given in Section 13.4.

Person: means any individual, or any corporation, limited liability company, trust, partnership, association or other entity.

Phase 1: has the meaning given in Section 2.2.

Phase 1 Property: has the meaning given in Section 2.2.

Phase 2: has the meaning given in Section 2.2.

Phase 2 Property: has the meaning given in Section 2.2.

Pre-Vertical Development Work: means (i) the development of the metes and bounds legal description of each Development Site and (ii) the subdivision of each Development Site into a separate tax and record lot.

Prohibited Person: means any Person who or which (a) has been convicted of a felony for one or more of the following: (i) fraud, (ii) intentional misappropriation of funds, (iii) bribery, (iv) perjury, (v) conspiracy to commit a crime, (vi) making false statements to a government agency, (vii) improperly influencing a government official, and (viii) extortion; (b) could be debarred if the standards applied in Title 27, Section 2213 of the DCMR were applied to such Person's failure to satisfy a contractual obligation to District; (c) is on the District's list of debarred, suspended or ineligible Persons; or (d) is a Restricted Person.

Project: means the development and construction of Phase 1 and Phase 2, including the Pre-Vertical Development Work, in accordance with this Agreement, the Final Development Plan, the Related Agreements, the Zoning Approvals and Laws, but excludes the Horizontal Development.

Project Costs: means all customary costs that are for or related to planning, design, development, renovation or construction of the Project and the performance of the obligations of Developer under this Agreement and the Related Agreements, and shall include all hard costs (including, without limitation, costs of labor and materials) and all soft costs (including, without limitation, financing costs, interest costs, costs of completion bonds where applicable, title insurance, Permits and licenses, the costs incurred in connection with the retention of architects, engineers, consultants, surveyors, development fees and attorneys and construction escrows), and contingencies.

Project Phase: shall mean either Phase 1 or Phase 2, as applicable.

Property: has the meaning given in Section 2.2.

Property Work: means the work that is set forth in Section 9.2.

Public Amenities: has the meaning given in Section 9.5.

Public Infrastructure: has the meaning given in Section 9.4.

Purchase Price: has the meaning given in Section 3.2.

Purchase Price Schedule: means the schedule setting forth the Purchase Price for each Project Phase, attached hereto as Schedule 3.2.

Related Agreements: means, collectively, any of the following to which Developer is a party:

the Construction Covenant, the Special Warranty Deeds, the CBE Agreement, and the First Source Agreement.

Release: means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment (including the abandonment or discharge of barrels, containers and other receptacles containing any Hazardous Materials or Permitted Materials).

Residential Unit: means an individual residential unit constructed as part of the Project.

Resolution: is defined in the Recitals.

Restricted Person: has the meaning given in Section 10.2.12(2).

Retail Plan: has the meaning given in Section 8.1.1.

Review Period: has the meaning given in Section 8.3.1.

Schedule of Performance: means that schedule of performance attached hereto as Exhibit E, which has been approved by District as of the Effective Date, setting forth the timelines for milestones in the design, development, construction, and completion of the Project (including a construction timeline in customary form), together with the dates for submission of documentation for the Project required under this Agreement, which schedule shall be attached to the Development Plan for the Project and to the Construction Covenant, as such Schedule of Performance may be amended from time to time by agreement of the Parties. The Schedule of Performance shall be subject to events of Force Majeure. In the case of work to be performed by Developer, delays caused by District in completing the Horizontal Development shall result in a day-for-day delay in the dates set forth in the Schedule of Performance.

Second Notice: means that notice given by Developer to District in accordance with Section 8.3.3 herein. Any Second Notice shall: (a) be labeled, in bold, 18 point font, as a "SECOND AND FINAL NOTICE"; (b) contain the following statement: "A FAILURE TO RESPOND TO THIS NOTICE WITHIN TEN BUSINESS DAYS SHALL CONSTITUTE APPROVAL OF THE [NAME OF SUBMISSION ORIGINALLY SUBMITTED ON (DATE OF DELIVERY OF SUCH SUBMISSION)]"; and (c) be delivered in the manner prescribed in Article 16, in an envelope conspicuously labeled "SECOND AND FINAL NOTICE".

Settlement Agent: means the Title Company.

Submission Approval/Disapproval Notice: has the meaning given in Section 8.3.1.

Special Warranty Deed: a deed in the form attached hereto as Exhibit G.

Studies: has the meaning given in Section 6.1.1.

Study Period: has the meaning given it in Section 6.1.1.

Submissions: means those certain additional plans, specifications and other documents and other

matters identified in Article 8 and required of Developer by District in order to develop, construct and finance the Project.

Surveys: has the meaning given in Section 6.10.2.

Title Company: means Terra Nova Title and Settlement, as agent acting on behalf of First American Title Insurance Company, or such other nationally recognized title company acceptable to Developer and District.

Title Commitments: has the meaning given in Section 6.10.1.

Transfer: means any sale, assignment, conveyance, ground lease, trust, power, encumbrance or other transfer (whether voluntary, involuntary or by operation of law) of this Agreement, a portion of the Project, any Related Agreement, or any Buildings or other improvements constructed on the Property, or of any portion of or interest in any of the foregoing, or any contract or agreement to do any of the same. As used in this Agreement, solely as to Developer, a Transfer shall also be deemed to have occurred if: (i) in a single transaction or a series of transactions (including without limitation, increased capitalization, merger with another entity, combination with another entity, or other amendments, issuance of additional or new stock, partnership interests or membership interests, reclassification thereof or otherwise), (ii) there is a change in Control of Developer from that existing as of the Effective Date, or (iii) the CBE Requirement is no longer satisfied. Notwithstanding the foregoing, the following shall not constitute a Transfer: (a) any sale, assignment, conveyance, lease, trust, power, encumbrance or other transfer of the shares of stock in a publicly traded corporation, (b) any dilution of interests in Developer as a result of the admission of, and the preferred equity contributions from, an Institutional Lender as a non-managing member or limited partner with rights typical of institutional investors, (c) any dilution of a Member's interest in Developer as a result of the admission of a non-managing member or limited partner necessary to satisfy the CBE Requirement, and (d) any change in Control of Developer, which change is caused by the bankruptcy of such Person or death or disability of an individual, provided, that Developer promptly provides notice of such transfer to District and identifies a substitute interest holder that is not a Prohibited Person, which substitute interest holder shall be subject to the approval of District, which approval shall not be unreasonably withheld, conditioned or delayed. Further, the term Transfer as used in this Agreement shall not include any transfer of ownership interest in areas of the Property being dedicated as common areas and being transferred to a property owners' association for the joint ownership and maintenance thereof.

Vertical Development Completion Guaranty: means an unconditional guaranty in the form attached hereto as Exhibit H of the Vertical Development Construction Obligations for the Project.

Vertical Development Construction Obligations: means (A) the full and complete performance, prior to the expiration of all applicable notice and cure periods, of all of Developer's agreements, obligations and covenants to (i) construct, complete and pay for each Project Phase when and as required by the Schedule of Performance, subject to events of Force Majeure, (ii) remove from each Development Site (or portion thereof) all liens and claims of lien arising from the performance of the obligations described in the preceding clause (i), and (iii)

pay in full all amounts due to any Contractor, subcontractor, or materialman who is engaged at any time in work or supplying materials for the construction of a Project Phase, in each case in accordance with this Agreement, the Construction Covenant, the Zoning Approvals, all Laws, the Final Development Plan and the final Construction Plans and Specifications; and (B) such related payment, performance and indemnity obligations as set forth in the Vertical Development Completion Guaranty.

Zoning Approvals: Any and all zoning, land use, planning, subdivision, historic preservation and similar consents and approvals of any Governmental Authority (including, to the extent applicable, the Office of Planning, the Zoning Commission, the Board of Zoning Adjustment, the Commission of Fine Arts and the National Capital Planning Commission) that may be required under Law to construct the Project, including without limitation, any large tract review, planned unit development, rezoning, text amendment, variance, approvals for public street and alley closures and special exception.

ARTICLE 2 - DESCRIPTION OF PROJECT

2.1 Project. Pursuant to the Concept Plans for Phase 1 and Phase 2, attached hereto as Schedule 2.1(a) and Schedule 2.2(b) (collectively, the “**Concept Plans**”), the Project consists of the development of two (2) mixed-use residential and retail Buildings.

2.2 Phases. The Project shall be completed in two (2) Project Phases. “**Phase 1**” shall consist of the development of one (1) mixed-use residential and retail Building on the Development Site within the “**Phase 1 Property**”, which is further described and shown on Schedule 2.2(a) attached hereto. “**Phase 2**” shall consist of the development of one (1) mixed-use residential and retail Building on the Development Site within the “**Phase 2 Property**”, which is further described and shown on Schedule 2.2(b) attached hereto. Collectively, the Phase 1 Property and Phase 2 Property shall constitute the “**Property**”.

2.3 Affordable Housing. As contemplated in Section 9.6.3 and the Affordable Housing Covenants, the Project shall contain an affordable housing component that is no less than the Affordable Housing Minimum.

ARTICLE 3 - CONVEYANCE; PURCHASE PRICE

3.1 Conveyance. At Closing for each Project Phase, the Property shall be conveyed in fee simple to Developer by Special Warranty Deed. The District shall execute a separate Special Warranty Deed for each Project Phase in the form attached hereto as Exhibit G (“**Special Warranty Deed**” and collectively, the “**Special Warranty Deeds**”).

3.2 Purchase Price. The purchase price payable by Developer to District for each Project Phase shall be determined in accordance with the Purchase Price Schedule attached hereto as Schedule 3.2 (the “**Purchase Price**”). The Purchase Price shall be payable in immediately available funds to District at Closing on each Project Phase.

ARTICLE 4 - DEPOSITS AND GUARANTIES

4.1 Deposit. The LDA Deposit and Additional Deposit are collectively referred to herein as the “**Deposit.**” The Deposit shall be in the form of one or more Acceptable Letters of Credit which shall be divisible by Project Phase. Subject to the remaining terms of this Agreement, the Deposit shall be security for the performance by Developer of all of Developer’s obligations, covenants, conditions and agreements with respect to each Project Phase under this Agreement.

4.1.1 LDA Deposit. Upon execution of this Agreement, Developer shall deliver to District an Acceptable Letter of Credit, which shall be in the amounts and be allocated to the Project Phases as set forth on the Deposit Schedule attached hereto as Schedule 4.1.1 (the “**LDA Deposit**”).

4.1.2 Additional Deposit. Upon Commencement of the Property Work on a Project Phase by the District, Developer shall deliver to District an Acceptable Letter of Credit, which shall be in the amounts and be allocated to the Project Phases as set forth on the Deposit Schedule (the “**Additional Deposit**”).

4.1.3 Return of Deposit. Upon issuance of a Certificate of Final Completion, the applicable LDA Deposit and Additional Deposit for that Project Phase shall be returned to the Developer.

4.1.4 Acceptable Letters of Credit. Each letter of credit delivered by Developer to District pursuant to this Section 4.1 shall be in the form attached hereto as Exhibit I, provided that each such letter of credit shall be: (a) issued by an Acceptable Bank for the account of Developer; (b) made payable to District; (c) payable at sight upon presentment of the original thereof to a Washington, D.C. metropolitan area branch or office of the issuer (or such other branch or office of the issuer as may be reasonably acceptable to District) of a simple sight draft stating only that District is permitted to make such draw on the letter of credit under the terms of this Agreement and setting forth the amount that District is drawing; (d) of a term not less than one (1) year; and (e) at least thirty (30) days prior to the then-current expiration date of such letter of credit, either (1) renewed (or automatically and unconditionally extended) from time to time until the earlier of one year from its then expiration date or the ninetieth (90th) day after the issuance of the Phase 1 Certificate of Final Completion and/or the Phase 2 Certificate of Final Completion, as applicable, or (2) replaced by Developer with another letter of credit meeting the requirements of this Section. A letter of credit satisfying all of the requirements set forth above shall be an “**Acceptable Letter of Credit.**” Developer agrees that if District uses, applies or retains any part of the Deposit in accordance with this Agreement, within ten (10) Business Days following District’s draw on the Acceptable Letter of Credit, Developer shall replenish the Deposit to the amount then required under the terms of this Agreement.

4.2 Guaranties.

4.2.1 Vertical Development Completion Guaranty. Developer shall deliver to District, at Closing, from the Approved Guarantor(s), a Vertical Development Completion Guaranty with respect to each Project Phase.

4.2.2 District Remedies and Approved Guarantor’s Obligations. In the event Developer fails to perform any of the Vertical Development Construction Obligations on or

before the times such matters are required to be done (subject to any applicable notice or cure periods), District shall have the rights set forth in the applicable Vertical Development Completion Guaranty.

4.2.3 Release of Guaranties. Upon the issuance of a Certificate of Final Completion for a Project Phase, the applicable Approved Guarantor shall be deemed automatically released by District from all obligations arising under the applicable Vertical Development Completion Guaranty with respect to such Project Phase, provided that at such time there shall be (i) no outstanding Vertical Development Construction Obligations remaining unsatisfied with respect to such Project Phase, and (ii) no Event of Default under this Agreement or the Construction Covenant shall exist with respect to such Project Phase. Notwithstanding the provisions above, no release of an Approved Guarantor shall relieve such Approved Guarantor from its obligations arising under any other Project Phase.

4.2.4 Approved Guarantors. Each guaranty required by this Section 4.2 shall be from one or more Persons approved by District in District's sole discretion (each an "Approved Guarantor"), which approval shall include District's determination as to whether such Person has sufficient net worth and liquidity to satisfy its obligations under the Vertical Development Completion Guaranty, taking into account all relevant factors, including, without limitation, such Person's obligations under other guaranties and the other contingent obligations of such Person; provided, however, an Approved Guarantor shall not be a Prohibited Person. Notwithstanding the foregoing, District acknowledges that the Persons listed on Schedule 4.2.4 may serve as Approved Guarantors for the purposes of delivering each of the Guaranties required to be delivered at Closing by Developer to District pursuant to this Agreement. In connection with the submission of any proposed guarantor for approval by District, the applicable Person shall provide to District the current financial statements and balance sheets, profit and loss statements, cash flow statements and other financial reports and other financial information of such proposed guarantor as District may reasonably request, together with a summary of such proposed guarantor's other non-contingent guaranty obligations and the other contingent obligations of such proposed guarantor (in each case, certified by such proposed guarantor or an officer of such proposed guarantor as being true, correct and complete) (collectively, the "Guarantor Submissions"). Notwithstanding the foregoing, in the event any approved guarantor is a publicly traded entity, Guarantor Submissions for such Person shall be limited to publicly available filings then on record with the United States Securities and Exchange Commission. In the event District reasonably determines and so notifies Developer that there has been a material adverse change in any Approved Guarantor's financial condition, Developer shall, (1) if such determination is made at or after the Closing and notice is given, no later than ninety (90) days following written demand of District, provide a replacement Approved Guarantor; and, (2) if such determination is made by District prior to Closing and notice given, Developer shall prior to Closing and as a condition precedent to District's obligation to proceed to Closing hereunder, provide a replacement Approved Guarantor. No later than thirty (30) days prior to the date an Approved Guarantor must deliver a guaranty to District in accordance with this Agreement or any Related Agreement, such Approved Guarantor shall submit to District updated Guarantor Submissions.

ARTICLE 5 - PROJECT FUNDING AND FINANCING PLAN; BUDGETS

5.1 Project Funding and Financing. Developer has prepared an initial plan describing the sources and uses of funds for the Project based upon the Concept Plan (including the sources and uses of public and private funds to be invested in the Project), which plan is attached as Schedule 5.1 (the “**Initial Project Funding and Financing Plan**”). In connection with Developer’s submission of Developer’s proposed final version of the Development Plan to District for District’s approval, Developer shall submit to District an updated Initial Project Funding and Financing Plan, which after approval by District shall be the “**Final Project Funding and Financing Plan**”.

5.2 Budgets.

5.2.1 Initial Budget. Developer has determined an initial budget for the Project based upon the Concept Plan (the “**Initial Project Budget**”), which Initial Project Budget sets forth a cost itemization based on current best estimates of all Project Costs (direct and indirect) by item and shall include a breakdown of costs by Project Phase. The Initial Project Budget is set forth on Schedule 5.2.1, and shall be refined by Developer as the Development Plan is developed.

5.2.2 Interim Budget. In connection with the submission of the Development Plan, Developer shall submit to District an updated and revised Initial Project Budget prepared by Developer specifying all Project Costs (direct and indirect), and Developer’s best estimate of the amount thereof, including (a) the costs of all labor, materials, and services necessary for the construction of the Project, and (b) all other expenses anticipated by Developer incident to the Project (including, without limitation, anticipated interest on all financing, taxes and insurance costs) and the construction thereof. The updated and revised budget to be prepared by the Developer pursuant to the terms hereof shall be the “**Interim Project Budget**”. Such budget shall include a breakdown of cost by Project Phase.

5.2.3 Final Budget. In no event later than the fifth (5th) day following the date on which Developer obtains all of the Permits necessary to Commence Construction, Developer shall submit for District’s approval, a final revision of the Interim Project Budget prepared by Developer setting forth the final projected Project Costs by item with respect to the development of the Project (such revised budget being the “**Final Project Budget**”). The Final Project Budget shall be a final revision of the Interim Project Budget to reflect all changes that are necessary to account for the costs of changes made to all Submissions since the initial submission of the Interim Project Budget. The Final Project Budget shall include the budget for each Project Phase. Developer shall update the Final Project Budget (or certify that there are no changes to the Final Project Budget as of such date) in a final statement delivered at Closing. Each such proposed update shall be deemed an amendment to the Final Project Budget. As used herein, the term “Final Project Budget” shall include any such changes.

5.2.4 Horizontal Development Budget. The District has determined an initial budget for the Horizontal Development (the “**Horizontal Development Budget**”), which Horizontal Development Budget sets forth a cost itemization based on current best estimates of all costs (direct and indirect) by item and by element (i.e., Property Work, Public Infrastructure and Public Amenities) for the Horizontal Development, which will be promptly provided to Developer when it has been prepared. The District shall update the Horizontal Development Budget periodically and shall provide updates to Developer upon request. The term “Horizontal

Development Budget” shall include any updates thereto.

ARTICLE 6 - RIGHT OF INSPECTION; CONDITION OF PROPERTY; TITLE

6.1 Feasibility Studies; Access to Property.

6.1.1 Studies. Developer acknowledges that within one hundred and twenty (120) days after the Effective Date (the “**Study Period**”), it shall perform any physical surveys, soil tests, environmental studies, engineering tests, and such other tests, studies, and investigations as Developer has deemed necessary or desirable (collectively, “**Studies**”) to evaluate the Property and the ability to develop same in accordance with this Agreement, using experts of its own choosing and to otherwise access the Property for the purposes of performing such Studies as it deems necessary or appropriate. In the event Developer determines during the Study Period that the Property is not suitable for the Developer’s purposes, then Developer shall have the right, at any time on or prior to final day of the Study Period, to terminate this Agreement by written notice to District, upon which the Deposit shall be immediately returned to Developer, this Agreement shall terminate, and neither party shall have any further right or obligation hereunder other than Developer’s indemnities pursuant to this Article 6 which shall survive such termination. Prior to Closing, District shall permit Developer and Developer’s Agents to continue to have access to the Property at reasonable times for the purpose of performing all such tests and studies. Developer shall provide District with copies of all Studies (and any additional tests or studies) and shall cause the Person preparing same to include District as a party to whom same are certified (or shall provide reliance letters in favor of District from such Person).

Not later than ____ days after the Effective Date, District will cause to be undertaken the additional soil borings and tests on the Property identified on Schedule 6.1.1 attached hereto (the “**Additional Soil Testing**”). Subject to Section 6.7, District agrees to promptly provide Developer with a copy of the results of those tests. Promptly following receipt of the reports reflecting the Additional Soil testing, District shall determine whether District believes that the cost of the Property Work necessary to achieve Finished Pad status pursuant to Schedule 9.2 will increase by more than fifteen percent (15%) based upon the results of the Additional Soil Testing, and provide written notice thereof to Developer within thirty (30) days of the District’s receipt of the Additional Soil Testing results, together with a summary of any anticipated action by the District under Section 6.4.

6.1.2 Entries on Property. Developer understands and agrees that all entries onto the Property in connection with the Studies shall be conducted upon at least twenty-four (24) hours’ prior notice to District and at such reasonable times as may be agreed by District, Developer, and at District’s option, in the presence of one or more representatives of District. All Studies shall be conducted at Developer’s sole cost and expense. No entries on to the Property shall unreasonably interfere with the use of the Property by District or disrupt District’s activities on the Property, nor shall Developer’s entries damage the Property in any material respect. No tests or inspections shall be invasive in any material respect (unless Developer obtains District’s prior consent, which consent shall not be unreasonably withheld, conditioned or delayed). All tests and studies shall be conducted in accordance with standards customarily employed in the industry and in compliance with all Laws. Following each entry by Developer and Developer’s Agents on the Property, Developer shall restore any conditions changed by Developer or such

Persons at the Property to a condition which is as near to its original condition as existed prior to any such entries. Notwithstanding anything to the contrary in this Agreement, the foregoing obligation to restore the Property shall survive any termination of this Agreement unless Closing shall occur in accordance with the provisions of this Agreement. District shall reasonably cooperate with Developer in its inspections of the Property but shall not be obligated to incur any liability or expense in connection therewith.

6.1.3 Confidentiality. Developer covenants and agrees that Developer shall (and Developer shall direct Developer's Agents to) keep confidential all non-public information obtained by Developer (pursuant to the Studies or otherwise) as to the condition of the Property; provided, however, that Developer may disclose such information (i) to its Members, Developer's Agents, and Developer's potential lenders and investors so long as Developer directs such parties to maintain such information as confidential and (ii) as it may be legally required so to do. Developer's foregoing obligation of confidentiality shall survive any termination of this Agreement.

6.2 Intentionally Deleted.

6.3 Access to Property and Insurance.

6.3.1 Indemnification. Developer hereby indemnifies the Indemnified Parties and holds the Indemnified Parties harmless and shall defend the Indemnified Parties (with counsel reasonably satisfactory to District) from and against any and all losses, liabilities, damages, costs, expenses (including reasonable attorneys' fees and court costs), mechanics' liens, claims and judgments actually incurred or suffered by or claimed against any Indemnified Party arising out of or resulting from any Studies or other activities at the Property conducted by Developer or Developer's Agents and not resulting from the negligence or willful misconduct of any Indemnified Party. Notwithstanding anything to the contrary in this Agreement, such obligation to indemnify and hold harmless the Indemnified Parties shall survive Closing or any termination of this Agreement. Further notwithstanding the foregoing, such obligation to indemnify shall not include the mere discovery of existing conditions.

6.3.2 Insurance. Developer shall, at least twenty-four (24) hours prior to any entry onto the Property for the purpose of conducting its Studies and other investigations of the Property, provide District with evidence reasonably satisfactory to District showing that Developer and Developer's Agents who are to enter upon the Property are adequately covered by policies of insurance issued by a carrier reasonably acceptable to District insuring District (and such of District's advisors and property managers identified by District from time to time for such purpose) against any and all liability arising out of Developer's or Developer's Agents' entry (including, without limitation, any loss or damage to the Property, with coverage in the amount of not less than \$5,000,000 per occurrence). Developer agrees that it will cause any such person accessing the Property to be covered by not less than \$5,000,000 liability insurance insuring all activity and conduct of such person while exercising such right of access. Developer hereby represents and warrants that it carries not less than \$5,000,000 general liability insurance with a contractual liability endorsement which insures its indemnity obligations under this Agreement, and which names District as an additional insureds thereunder.

6.4 Increases in Property Work Costs; Remediation Costs.

(a) If the District's costs of completing the Property Work before Closing exceeds or is expected to exceed more than 115% of the costs budgeted therefor in Horizontal Development Budget, the District shall have the option, by written notice to Developer given within sixty (60) days of Closing, to terminate this Agreement upon which the entirety of the Deposit shall be returned to Developer and neither party shall have any further right or obligation hereunder. Notwithstanding the foregoing, in the event the District provides the foregoing termination notice and Developer, within thirty (30) days thereafter notifies District that it will elect to nevertheless proceed to Closing irrespective that any Property Work described herein for the applicable Project Phase shall not be completed prior to the Closing for such Project Phase, then the District's termination notice shall be void and the parties shall proceed hereunder to Closing in accordance with the remaining terms of this Agreement (including the applicable terms of Section 9.3 below). In furtherance of the foregoing, should Developer proceed to Closing as aforesaid notwithstanding that any Property Work remains incomplete, Developer shall have the right to perform any then-incomplete Property Work upon written notice given to District, in which event District shall cooperate fully with Developer to assign any contracts or other agreements, approvals, permits or other documents or instruments necessary to effectuate the foregoing right of self performance.

(b) After Closing, Developer shall pay all costs and expenses (including, without limitation, attorneys' fees and court costs) resulting from any and all environmental conditions caused by Developer on the Property; provided, however, that Developer shall not be responsible for losses, costs, claims, damages, liabilities or causes of action (including, without limitation, attorneys' fees and court costs) incurred or suffered by any Indemnified Party to the extent same arises from the negligence or willful misconduct of any Indemnified Party and further shall not be responsible for losses, costs, claims, damages, liabilities or causes of action (including, without limitation, attorneys' fees and court costs) incurred or suffered by any Indemnified Party to the extent same exists as of the date hereof.

6.5 Soil Characteristics. Pursuant to D.C. Official Code § 42-608(b), but not as a representation or warranty for which District shall have any liability hereunder, Developer is hereby advised by District that the characteristic of the soil of the Property as described by the Soil Conservation Service of the United States Department of Agriculture in the Soil Survey of the District published in 1976, as the same may be amended from time to time, and as shown on the Soil Maps of the District at the back of that publication, is _____. For further information, Developer can contact a soil testing laboratory, the District Department of Environmental Services (District Department of the Environment) or the Soil Conservation Service of the United States Department of Agriculture.

6.6 Underground Storage Tanks. In accordance with the requirements of the D.C. Underground Storage Tank Management Act of 1990, as amended by the District Underground Storage Tank Management Act of 1990 Amendment Act of 1992, D.C. Official Code §§ 8-113.01, et seq (2001) and the D.C. Underground Storage Tank Regulations, 20 DCMR Chapters 55-67, and 70, but not as a representation or warranty for which District shall have any liability hereunder, District hereby informs Developer that, to the best of the District's knowledge, except as set forth on Schedule 6.6, no underground storage tank has ever been removed from the

Property during the period of time District has owned the Property, no underground storage tanks are currently located on or under the Property, and District does not know of any prior use of the Property which suggests that underground storage tanks may be or have been used on the Property. Information pertaining to underground storage tanks and underground storage tank removals of which the D.C. Government has received notification is on file with the District Department of the Environment, Underground Storage Tank Branch, 1200 First St., 5th Floor, Washington, DC 20002, telephone (202) 535-2600.

6.7 No Reliance on Documents. Except as set forth in Section 10.1, District makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information delivered by District to Developer in connection with the transactions contemplated hereby. Developer acknowledges and agrees that all materials, data and information delivered by District to Developer in connection with the transactions contemplated hereby are provided to Developer as a convenience only and that any reliance on or use of such materials, data or information by Developer shall be at the sole risk of Developer. Without limiting the generality of the foregoing provisions, Developer acknowledges and agrees that (a) any environmental or other report with respect to the Property which is delivered by District to Developer shall be for general informational purposes only, (b) Developer shall not have any right to rely on any such report delivered by District to Developer (except to the extent permitted by the Person that prepared such report), but rather will rely on its own inspections and investigations of the Property and any reports commissioned by Developer with respect thereto, and (c) neither District nor the Person that prepared any such report delivered by District to Developer shall have any liability to Developer for any inaccuracy in or omission from any such report.

6.8 DISCLAIMERS; "AS IS". EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN SECTION 10.1 OF THIS AGREEMENT, AS MAY BE SET FORTH IN ANY DOCUMENT DELIVERED BY DISTRICT AT CLOSING, AND EXCEPT WITH RESPECT TO THE PROPERTY WORK REQUIRED TO BE UNDERTAKEN BY DISTRICT PURSUANT TO THE TERMS HEREOF, IT IS UNDERSTOOD AND AGREED THAT DISTRICT IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, WITH RESPECT TO THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OR REPRESENTATIONS AS TO HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, ZONING (OTHER THAN WITH RESPECT TO DISTRICT'S OBLIGATION TO OBTAIN THE ZONING APPROVALS HEREUNDER), TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITION NOT CAUSED BY DISTRICT DURING THE PERFORMANCE OF THE PROPERTY WORK, UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH LAWS, THE TRUTH, ACCURACY OR COMPLETENESS OF ANY DOCUMENTS OR OTHER INFORMATION PERTAINING TO THE PROPERTY (OTHER THAN AS SET FORTH IN SECTION 10.1), THE STATUS OF ANY LITIGATION OR OTHER MATTER (OTHER THAN AS SET FORTH IN SECTION 10.1.5), OR ANY OTHER INFORMATION PROVIDED BY OR ON BEHALF OF DISTRICT TO DEVELOPER, OR ANY OTHER MATTER OR THING REGARDING THE PROPERTY. DEVELOPER ACKNOWLEDGES AND AGREES THAT UPON CLOSING DISTRICT SHALL CONVEY TO DEVELOPER AND DEVELOPER SHALL ACCEPT THE PROPERTY "AS IS, WHERE

IS, WITH ALL FAULTS". DEVELOPER IS ADVISED THAT MOLD AND/OR OTHER MICROSCOPIC ORGANISMS MAY EXIST AT THE PROPERTY AND THAT MOLD AND/OR OTHER MICROSCOPIC ORGANISMS MAY CAUSE PHYSICAL INJURIES, INCLUDING, WITHOUT LIMITATION, ALLERGIC REACTIONS, RESPIRATORY REACTIONS OR OTHER PROBLEMS, PARTICULARLY IN PERSONS WITH IMMUNE SYSTEM PROBLEMS, YOUNG CHILDREN AND ELDERLY PERSONS. OTHER THAN THE EXPRESS REPRESENTATIONS MADE BY DISTRICT IN SECTION 10.1, DEVELOPER HAS NOT RELIED AND WILL NOT RELY ON, AND DISTRICT IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESSED OR IMPLIED WARRANTIES, GUARANTIES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY OR RELATING THERETO MADE OR FURNISHED BY DISTRICT, ANY MANAGER OF THE PROPERTY, OR ANY AGENT REPRESENTING OR PURPORTING TO REPRESENT DISTRICT, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING. DEVELOPER REPRESENTS TO DISTRICT THAT DEVELOPER HAS CONDUCTED SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS DEVELOPER DEEMS NECESSARY TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NONEXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY MOLD, FUNGI, VIRAL OR BACTERIAL MATTER, HAZARDOUS MATERIALS OR TOXIC SUBSTANCES ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF DISTRICT OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO. DEVELOPER SHALL ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING BUT NOT LIMITED TO, ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS (INCLUDING MOLD, FUNGI, VIRAL OR BACTERIAL MATTER, HAZARDOUS MATERIALS OR TOXIC SUBSTANCES THAT MAY NOT HAVE BEEN REVEALED BY DEVELOPER'S INVESTIGATIONS, AND DEVELOPER, UPON CLOSING, SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED DISTRICT FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH DEVELOPER MIGHT HAVE ASSERTED OR ALLEGED AGAINST DISTRICT AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT DEFECTS OR PHYSICAL CONDITIONS (EXCLUDING ANY DEFECTS IN THE PROPERTY WORK REQUIRED TO BE UNDERTAKEN AND COMPLETED BY THE DISTRICT HEREUNDER), VIOLATIONS OF ANY LAWS (INCLUDING, WITHOUT LIMITATION, ANY ENVIRONMENTAL LAWS) AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES OR MATTERS REGARDING THE PROPERTY; PROVIDED, HOWEVER, THAT THE FOREGOING SHALL NOT SERVE TO RELIEVE DISTRICT FROM LIABILITY FOR A BREACH OF ITS OBLIGATIONS UNDER THIS AGREEMENT OR ANY RELATED AGREEMENT. DEVELOPER AGREES THAT SHOULD ANY CLEANUP, REMEDIATION OR REMOVAL OF MOLD, FUNGI, VIRAL OR OTHER BACTERIAL MATTER, HAZARDOUS MATERIALS OR TOXIC SUBSTANCES OR OTHER ENVIRONMENTAL CONDITIONS ON THE PROPERTY BE REQUIRED FROM AND AFTER THE CLOSING,

OR EARLIER IF CAUSED BY DEVELOPER, SUCH CLEAN-UP, REMOVAL OR REMEDIATION SHALL BE THE RESPONSIBILITY OF AND SHALL BE PERFORMED AT THE SOLE COST AND EXPENSE OF DEVELOPER.

6.9 Survival of Disclaimers. District and Developer agree that the provisions of Section 6.8 shall survive Closing forever.

6.10 Title.

6.10.1 Title Examination; Commitment for Title Insurance. During the Study Period Developer shall obtain from the Title Company, at Developer's expense, ALTA title insurance commitments (the "**Title Commitments**") covering portions of the Property, showing all matters affecting title thereto.

6.10.2 Survey. Developer is responsible for securing any and all surveys and engineering studies, at its sole cost and expense, as needed (i) for the Title Company to issue the title insurance policies required under this Agreement, (ii) to complete the Development Plan, (iii) to delineate the boundaries of each Development Site (including the creation of the legal descriptions to identify such areas), and (iv) as otherwise required to consummate the transactions contemplated by this Agreement and to develop the Project as described herein (collectively, the "**Surveys**"). Developer shall provide District with complete and accurate copies of all Surveys and shall cause the surveyor (or other Person preparing same) to include District and Title Company as parties to whom same are certified.

6.10.3 Permitted Exceptions. Title to the Property shall be investigated by Developer during the Study Period and in the event Developer does not terminate this Agreement as of the expiration of the Study Period, the status of title existing as of the date of Developer's Title Commitments shall be deemed acceptable. The Property shall be conveyed to Developer subject only to the following matters (the "**Permitted Exceptions**"):

- (1) the lien of all ad valorem real estate taxes and assessments not yet due and payable as of the date of Closing, subject to adjustment as herein provided;
- (2) Laws (including, without limitation, all building and zoning laws, ordinances, codes and regulations), whether existing or proposed, now or hereafter in effect relating to the Property;
- (3) items shown on the Surveys;
- (4) encroachments, overlaps, boundary disputes, or other matters existing as of the effective date of this Agreement and shown on the Surveys or which could be discovered by an ordinary inspection of the Property;
- (5) the terms and conditions of this Agreement and the Related Agreements (to the extent intended pursuant to the terms hereof to be recorded in the Land Records);
- (6) the easements, licenses and other rights reserved or to be reserved by District at Closing pursuant to this Agreement and the Related Agreements and any other

documents described in this Agreement that are to be recorded in the Land Records pursuant to the terms of this Agreement;

(7) any easements, rights-of-way, exceptions, and other matters requested by Developer or District in writing, in each case subject to the approval of the non-requesting party, which approval shall not be unreasonably withheld, conditioned or delayed, and required in order to develop the Property in accordance with this Agreement (including those required to obtain necessary governmental approval of such development);

(8) all matters, whether or not of record, that arise out of the actions of Developer or Developer's Agents; and

(9) those matters set forth on Schedule 6.10.3.

6.11 Additional Title Matters.

6.11.1 Pre-Closing "Gap" Title Defects. Developer may, at or prior to Closing, notify District in writing of any objections (other than Permitted Exceptions) to title first raised by the Title Company or the surveyor between (a) the date which is the later of (1) the effective date of the applicable Title Commitment referred to above or (2) the Effective Date, and (b) the Closing Date. With respect to any objections to title set forth in such notice, District shall have the right, but not the obligation, to cure such objections, unless such objections are (i) monetary liens or encumbrances, or (ii) other encumbrances created by or at the direction of District, in either of which event District shall be obligated to cause the removal thereof at or prior to the Closing Date. Within ten (10) Business Days after receipt of Developer's notice of objections, District shall notify Developer in writing whether District elects to attempt to cure such objections. If District fails to timely give Developer such notice of election, then unless the same are matters which the District is obligated to cure as set forth above, District shall be deemed to have elected not to attempt to cure such matters. If District elects to attempt to cure such matters, District shall have until the Closing Date to attempt to remove, satisfy or cure the same, and District shall use reasonable efforts to attempt to remove, satisfy or cure such matters (but without any obligation to incur any cost or expense). For this purpose District shall be entitled to a reasonable adjournment of Closing if additional time is reasonably required, but in no event shall the adjournment exceed sixty (60) days after the Closing Date (but in no event later than the Outside Closing Date). If District elects not to cure any objections specified in Developer's notice, or if District is unable to effect a cure prior to Closing (or any date to which Closing has been adjourned), Developer shall have, within five (5) Business Days of notice thereof, the following options: (i) to accept a conveyance of, and develop in accordance with this Agreement, the Property subject to the Permitted Exceptions, specifically including any matter objected to by Developer which District is unwilling or unable to cure, or (ii) to terminate this Agreement by sending notice thereof to District, and upon delivery of such notice of termination, this Agreement shall terminate and the Deposit shall be returned to Developer, and thereafter neither Party hereto shall have any further rights, obligations or liabilities hereunder except to the extent that any right, obligation or liability set forth herein expressly survives termination of this Agreement. If District is deemed to have elected not to cure, Developer shall, within five (5) Business Days notify District in writing whether Developer shall elect to accept conveyance

under clause (i) or to terminate this Agreement under clause (ii). In the event Developer does not so timely notify District within such five (5) Business Day period, then Developer shall be deemed to have elected to terminate this Agreement under clause (ii) above.

6.11.2 District Actions. From and after the Effective Date, and so long as this Agreement is in full force and effect, District shall not enter into, grant, create or amend any easement, covenant or other encumbrance or other exception to title or other agreement restricting the use or development of the Property or portion thereof that would survive beyond the Closing Date, in each case without the approval of Developer, which approval shall not be unreasonably withheld, conditioned or delayed.

6.12 Title to be Conveyed. At Closing, District shall convey to Developer insurable (however District shall have no obligation to provide or obtain such insurance) and marketable title to the Property subject only to the terms of this Agreement, and otherwise subject only to the Permitted Exceptions.

6.13 Required Title Policies. At Closing, Developer shall obtain an ALTA extended coverage title insurance policy issued by the Title Company, in an amount designated by Developer and satisfactory to the Title Company, insuring that the estate in the Property is vested in Developer subject only to the Permitted Exceptions, and with such endorsements as may be reasonably requested by Developer, all at the sole cost and expense of Developer.

6.14 Risk of Loss. No casualty prior to Closing to all or any portion of the existing improvements on the Property shall excuse Developer from its obligation to proceed to Closing hereunder, but Developer shall have no obligation to rebuild or restore any such existing improvements.

6.15 Condemnation.

6.15.1 Notice. If, prior to Closing, any condemnation or eminent domain proceedings shall be commenced by any competent public authority against the Property, District shall promptly give Developer notice thereof.

6.15.2 Total Taking Prior to Closing. In the event of a taking of the entire Property prior to Closing, District shall release the Deposit to Developer, this Agreement shall terminate, the Parties shall be released from any and all obligations hereunder, District shall reimburse Developer for all third party costs, fees and expenses incurred in connection with the Property, including but not limited to engineering, architectural, legal and other fees and expenses and all other costs incurred in investigating, planning and preparing to acquire the Property, and District shall have the right to any and all condemnation proceeds.

6.15.3 Partial Taking Prior to Closing. In the event of a partial taking of any portion of the Property prior to Closing, Developer shall determine in good faith whether the development of the Property remains physically and economically feasible. If the Developer reasonably determines that the development of the Property is no longer feasible, whether physically or economically, as a result of such condemnation, Developer shall provide notice thereof to District, this Agreement shall terminate, District shall release the Deposit to Developer, and the Parties shall be released from any further liability or obligation hereunder,

except as expressly provided otherwise herein. In such event, District shall have the right to any and all condemnation proceeds. If the Developer determines that the development of the Property remains economically and physically feasible, then the Parties shall be deemed to have elected to proceed to Closing, and Developer shall have the right to any and all condemnation proceeds. In the event that within forty-five (45) days after the date of receipt by Developer of notice of such condemnation the Developer has not provided District notice that it has determined, in accordance with the foregoing provisions, to elect to terminate or proceed to Closing hereunder, such failure shall be deemed the Developer's election to terminate this Agreement.

ARTICLE 7 - CLOSING

7.1 Closing Date. Developer and District shall each diligently pursue performance of all covenants hereof and satisfaction of all conditions precedent to Closing required to be performed by it hereunder. The consummation of the transfer of the Property to Developer as contemplated herein ("**Closing**") shall be held on at such place in the City of Washington, DC as mutually agreed by the Parties, on a date designated by the Parties (the "**Closing Date**"). Notwithstanding any provisions in this Agreement to the contrary, in no event shall Closing be held later than the date stated as the "**Outside Closing Date**" in the Schedule of Performance, time being of the essence but in all events subject to events of Force Majeure.

7.2 Closing Phases. It is contemplated by this Agreement that District will convey the Phase 1 Property and Phase 2 Property in two (2) Closings. Accordingly, the deliveries at Closing, set forth below, shall refer to all required documents and other deliveries for the applicable Project Phase. As contemplated in the Schedule of Performance, it is anticipated that the Closing for the Phase 1 Property will occur within three (3) months of the District's completion of the Horizontal Development applicable to the Phase 1 and the Outside Closing Date for the Phase 2 Property be forty-eight months (48) after the Effective Date, but in no event shall the Outside Closing Date extend beyond the expiration of the Resolution and Extension Resolution.

7.3 Deliveries at Closing.

7.3.1 District's Deliveries. At Closing, subject to the terms and conditions of this Agreement, District shall, with respect to the Project Phase then being sold and transferred, execute, notarize and deliver, as applicable, to Settlement Agent:

- (1) the Special Warranty Deed;
- (2) the Construction Covenant;
- (3) a certificate, duly executed by District, stating that all of District's representations and warranties set forth herein are true and correct in all material respects as of and as if made on the date of Closing;
- (4) subject to the terms of Section 9.3, evidence of completion of the Finished Pad(s) applicable to that Project Phase;

(5) any and all other deliveries required from District on the date of Closing under this Agreement or the Related Agreements and such other documents and instruments as are customary and as may be reasonably requested by Developer or Settlement Agent (and reasonably acceptable to District) to effectuate the transactions contemplated by this Agreement; provided, however that District shall not be required to deliver a “gap” indemnity or any other indemnity to the Title Company or any other Person;

(6) evidence of completion of the Public Amenities applicable to that Project Phase described on Schedule 9.4;

(7) evidence of completion of the Public Infrastructure applicable to that Project Phase described on Schedule 9.5; and

(8) the Affordable Housing Covenant.

7.3.2 Developer’s Deliveries. At Closing, subject to the terms and conditions of this Agreement, Developer shall, with respect to the Project Phase then being sold and transferred, execute, notarize and deliver, as applicable, to Settlement Agent:

(1) the Affordable Housing Covenant

(2) the Construction Covenant;

(3) the Financing Documents;

(4) the Vertical Development Completion Guaranty fully executed by one or more Approved Guarantors and effective as of Closing;

(5) evidence of completion of the Pre-Vertical Development Work;

(6) a certification of Developer’s representations and warranties executed by Developer stating that all of Developer’s representations and warranties set forth herein are true and correct in all material respects as of and as if made on the date of Closing;

(7) copies of all submissions and applications for Material Permits, certified by Developer to be true, accurate and complete;

(8) copies of all Permits then received by Developer (with remaining Permits to be delivered to the District as received subsequent to Closing);

(9) a certified fully executed copy of any amendments to the CBE Agreement entered into prior to Closing;

(10) a certified fully executed copy of any amendments to the First Source Agreement entered into prior to Closing;

(11) satisfactory evidence of insurance policies in the amounts, and with such insurance companies, as required by the Construction Covenant;

(12) the following documents evidencing the due organization and authority of Developer to enter into, join and consummate this Agreement and the transactions contemplated herein:

(a) the organizational documents and a current certificate of good standing issued by District;

(b) authorizing resolutions, in form and content satisfactory to District, demonstrating the authority of Developer and of the Person executing each document on behalf of Developer in connection with this Agreement and development of the Project;

(c) a certificate executed by the Developer stating that there has been no material adverse change in the financial statements of Developer delivered to District as of the Effective Date;

(d) if requested by District, an opinion of counsel that Developer is validly organized, existing and in good standing in, and is authorized to do business in, District, that Developer has the full authority and legal right to carry out the terms of this Agreement and the documents to be recorded in the Land Records, that Developer has taken all actions to authorize the execution, delivery, and performance of said documents and any other document relating thereto in accordance with their respective terms, that none of the aforesaid actions, undertakings, or agreements violate any restriction, term, condition, or provision of the organizational documents of Developer or any contract or agreement to which Developer is a party or by which it is bound;

(13) with respect to each Approved Guarantor delivering a Guaranty required to be delivered pursuant to this Section 7.3.2, any Guarantor Submissions of such Approved Guarantor that may be reasonably requested by District, and, for any such Approved Guarantor that is not a natural person, the following documents evidencing the due organization and authority of such Approved Guarantor to enter into, join and consummate the applicable Guaranty and the transactions contemplated therein:

(a) the organizational documents and a current certificate of good standing issued by the state of formation of such Approved Guarantor;

(b) authorizing resolutions, in form and content satisfactory to District, demonstrating the authority of the Approved Guarantor and of the Person executing such Guaranty on behalf of such Approved Guarantor;

(c) if requested by District, an opinion of counsel that such Approved Guarantor is validly organized, existing and in good standing in its state of formation, that such Approved Guarantor has the full authority and legal right to carry out the terms of the applicable Guaranty, that such Approved Guarantor has taken all actions to authorize the execution, delivery, and performance of such Approved Guaranty, that none of the aforesaid actions, undertakings, or agreements violate any restriction, term, condition, or provision of the organizational documents of such Approved Guarantor or any contract or agreement to which such Approved Guarantor is a party or by

which it is bound; and

(14) any and all other deliveries required from Developer on the date of Closing under this Agreement or the Related Agreements and such other documents and instruments as are customary and as may be reasonably requested by District or Settlement Agent (and reasonably acceptable to Developer) to effectuate the transactions contemplated by this Agreement.

7.4 Recordation of Closing Documents and Closing Costs.

7.4.1 Recordation. Contemporaneously with Closing for each Project Phase, Developer shall cause Settlement Agent to file for recordation among the Land Records, at no cost to District:

- (1) the Special Warranty Deed;
- (2) the Affordable Housing Covenant;
- (3) the Construction Covenant;
- (4) the Financing Documents, to the extent same are required to be recorded pursuant to the terms thereof; and
- (5) any documents required to be recorded at or prior to Closing pursuant to the terms of the Related Agreements.

7.4.2 Costs. At Closing, Developer shall pay all of the following costs: (1) the title searches; (2) title insurance premiums and endorsement charges for title insurance purchased by Developer or its lenders; (3) any survey costs; (4) as applicable, District Real Estate Deed Recordation Tax on the Special Warranty Deeds; (5) as applicable, costs of recording of the documents specified in Section 7.4.1; (6) all Settlement Agent's fees; and (7) all other usual closing costs customarily appearing on a settlement statement.

7.5 Apportionment of Taxes. Any real property taxes or assessments which have been paid or are payable on the Development Site(s) shall be apportioned between District and Developer as of the Closing so that Developer shall bear that portion of such charges which accrue on and after Closing. If the amount of the current taxes on the Development Site(s) is not ascertainable on the date of Closing, the apportionment between District and Developer shall be based on the amount of the most recently ascertainable taxes (provided that the valuation therefore for which Developer is obligated shall be not more than the applicable Purchase Price), but such apportionment shall be subject to final adjustment within thirty (30) days after the date the actual amount of such current taxes is ascertained. Notwithstanding the foregoing, the Parties hereby understand and acknowledge that District is exempt from the payment of real property taxes pursuant to the laws of the District and that District is therefore exempt from any obligations hereunder of District to pay real property taxes or assessments.

7.6 Apportionment of Other Costs and Expenses. All utilities, maintenance charges and other operating expenses incurred in connection with the ownership, management and operation

of the Development Site(s) shall be paid or shall be apportioned between District and Developer so that Developer shall bear that portion of such charges which accrue on and after the date of Closing and District (or other Person that may be liable therefor) shall bear that portion of such charges which accrue before such date of Closing.

ARTICLE 8 - SUBMISSIONS

8.1 Plans, Drawings and Specifications.

8.1.1 Development Plan. No later than the date provided in the Schedule of Performance, Developer shall submit to District a proposed plan for the Project, which plan shall include the proposed design and detailed plans for developing each Project Phase (the “**Development Plan**”). The Development Plan shall be created based upon a refinement of the Concept Plans as a result of the Zoning Approvals process. In addition, the Development Plan must be consistent with this Agreement (including, without limitation, the obligations set forth in Article 9 and the applicable provisions of the Related Agreements). The Development Plan shall be subject to District’s review and approval, which approval shall be in District’s sole and absolute discretion, provided, however, that the Review Period for District’s review of the Development Plan shall not commence until Developer shall have provided District with notice that each of the components of the Development Plan have been submitted to District for District’s approval. The Development Plan shall include the following components:

- (1) Construction Plans and Specifications showing the following:
 - (a) the location and GFA of each Building to be constructed;
 - (b) building height and massing;
 - (c) the amount and location of parking facilities; and
 - (d) the plan for access and egress of vehicular, bike and pedestrian access and egress to and from the Property and to and from each Development Site.
- (2) the design guidelines for the Project with an acceptable level of detail for each Building;
- (3) the plan for addressing any requirements of the Historic Preservation Review Board of the District of Columbia, or the Mayor’s agent pursuant thereto;
- (4) Developer’s Construction Schedule, which must be consistent with the outside dates set forth on the Schedule of Performance;
- (5) Developer’s retail marketing plan and retail strategy, which shall include Developer’s commercially reasonable efforts to secure a grocery store as a retail tenant (the “**Retail Plan**”);
- (6) Developer’s plan for managing the Project;

- (7) the Final Project Funding and Financing Plan as required by Section 5.1;
- (8) the Interim Project Budget as required by Section 5.2.2; and
- (9) the Affordable Unit Index.

In addition to the foregoing items, Developer shall provide to District such other items as may be reasonably requested by District to facilitate its review and approval of (and comments on) the Development Plan. The Development Plan approved by the District pursuant to Section 8.3 shall be the “**Final Development Plan**”.

8.1.2 Permit Applications; Final Permits.

(a) Within five (5) Business Days following Developer’s (i) submission of any final application for any Material Permit to the applicable Governmental Authority, and (ii) receipt of any Material Permit issued by any Governmental Authority, Developer shall deliver a copy of such final application or Material Permit to District. Upon District’s reasonable request, Developer shall provide District with copies of all Permits that are not Material Permits.

(b) Prior to Commencement of Construction for a Project Phase, Developer shall submit to District for informational purposes only a copy of the Permits required for Commencement of Construction for such Project Phase.

8.1.3 Funding Commitments. Prior to Commencement of Construction for a Project Phase, Developer shall provide to District bona fide commitment(s) for the: (i) funding from an Institutional Lender of the Project Costs of such Project Phase and payment of interest during the construction period (pursuant to the Final Project Budget); and (ii) equity funding to cover the difference between the funding provided under clause (i) above and the Final Project Budget, if any. The commitment described in clause (i) above is referred to herein collectively as the “**Loan Commitment**”. The commitment described in clause (ii) hereof is referred to herein as the “**Equity Commitment**”. The Loan Commitment and Equity Commitment must demonstrate that Developer has adequate funds or will have adequate funds upon the funding of the Loan Commitment and Equity Commitment to complete the Project Phase to which such Loan Commitment and Equity Commitment pertain, and that such funds are committed to the Project Costs of such Project Phase as set forth in the Final Project Budget. Such Loan Commitment and Equity Commitment shall not contain any provisions requiring acts of Developer prohibited herein or in the Related Agreements or prohibiting acts of Developer required herein or in the Related Agreements, and shall be certified by Developer to be true, correct and complete copies thereof. The Loan Commitment and Equity Commitment shall be subject only to reasonable market standard conditions to funding. Developer shall endeavor in good faith to timely perform any and all conditions to funding of the Loan Commitment and Equity Commitment in accordance with their terms. The Institutional Lender under such Loan Commitment shall be referred to in this Agreement as an “**Approved Mortgagee**” and such mortgage shall be referred to in this Agreement as an “**Approved Mortgage.**”

8.1.4 Loan Documents. Prior to Commencement of Construction of a Project Phase, Developer shall provide to District, (i) the proposed loan documents evidencing Developer’s

construction financing in accordance with the Loan Commitments for such Project Phase, which must satisfy the requirements for financing set forth in the Construction Covenant, (ii) the proposed agreements evidencing the equity funding in accordance with the Equity Commitment for such Project Phase, and (iii) a statement detailing the disbursement of the proceeds of Developer's proposed financing and funding. The documents described in the foregoing sentence shall be collectively referred to herein as the "**Financing Documents.**"

8.1.5 Professionals; Contracts with Professionals; Other Contracts.

(a) Developer shall not knowingly retain, hire or maintain the retention of any Prohibited Person as a design consultant, contractor or other consultant in connection with the Project. Upon District's reasonable request, Developer shall provide to District the contracts or proposed contracts with the Architect, Contractor(s), subcontractors, landscape architects, master planners, designers, engineers (including, without limitation, design, marine and infrastructure engineers) or traffic consultants for the Project or any portion thereof not otherwise required to be provided to District pursuant to the foregoing provisions of this section.

(b) Any Person that Developer proposes for any of the following shall be subject to District's approval, which approval shall be in accordance with Section 8.3: (i) all community outreach consultants retained in connection with any Property Work or Public Infrastructure work undertaken by Developer for and in the place of the District hereunder; and (ii) any replacement of any of the foregoing. Each such Submission to District shall include such information regarding the experience and technical qualifications as may be reasonably requested by District to enable District to evaluate such Person. No Prohibited Person shall be engaged by Developer to perform any service or provide any goods and materials or perform any work with respect to the Project.

8.1.6 Construction Schedule. Developer shall provide a schedule for construction of the Project (the "**Construction Schedule**"). The Construction Schedule shall be submitted to District along with Developer's Development Plan Submission pursuant to Section 8.1.1. With each submission to District of an amended Interim Project Budget pursuant to Section 5.2.2, and with each submission of an updated Final Project Budget (or certification that there have been no changes to the Final Project Budget) pursuant to Section 5.2.3, Developer shall submit to District an updated Construction Schedule.

8.1.7 Press Releases Marketing, Signage and Promotional Materials.

(1) The District (without cost to the District) shall be identified where the Developer's name ("**DEVELOPER**" or other like or derivative nomenclature identifying the "master developer" of the McMillan Site) or logo is used on construction signage installed by Developer at the Property. District shall have the right to approve all copies of above described signs which use the District's name, logo, or like identifiers, which shall be a Submission for purposes of Section 8.3 and subject to the District's Review Period. Expressly excluded from this provision are publications or marketing materials specifically designed by Developer to recruit prospective lessees, tenants, buyers, investors, lenders, and/or financial institutions.

(2) Subject to the other provisions of this Section 8.1.7, Final Development Plan,

Zoning Approvals and Laws, Developer shall have discretion over signage, advertising, sponsorship, branding and marketing of the Project, including, but not limited to, tenant identification, promotion of the Project and similar activities (whether revenue producing or otherwise). Prior to Closing, Developer shall have the right to install customary signage at the Property in a location, size and content acceptable to District in its sole but reasonable discretion, subject to Section 6.3.1. All signage installed by Developer shall be installed, maintained and updated from time to time at the sole cost and expense of Developer or as otherwise provided in the Related Agreements. In addition to Property signage, District shall reasonably cooperate with Developer, at no cost or expense to District, to assist Developer in securing such signage rights as may be available off the Property to enhance the identification, direction, nature and extent of the Project.

(3) District shall not acquire any right or interest in proprietary materials or intellectual property owned or used by Developer or Developer's Project professionals or Project contractors, including but not limited to trademarks and trade names.

(4) Developer shall use good faith efforts to coordinate with District all press releases concerning the McMillan Site prepared by Developer. District shall timely respond to any request from Developer for approval of any such press release(s) and in no event shall any press releases requiring District's approval be made unless such approval has been obtained.

8.2 Timing of Submissions. Each Submission shall be made by Developer to District at the time (if any) specified for such Submission in this Agreement or by the date set forth on the Schedule of Performance.

8.3 Scope of District Review and Approval of Developer's Submissions. Each Submission (and each component of a Submission) requiring District's approval shall be reviewed and approved by District in accordance with the procedures set forth in this Section 8.3.

8.3.1 District Review Period. District shall complete its review of the applicable Submission within fifteen (15) Business Days of receipt of a Submission unless otherwise stated in this Agreement (the "**Review Period**") and, within such Review Period, notify Developer in writing (the "**Submission Approval/Disapproval Notice**") as to whether the District approves or disapproves of such submission; provided, however, that in the event the District disapproves any Submission, it shall set forth in its disapproval notice the reasons for such disapproval, as well as specific details of any proposed changes reasonably requested by the District. With respect to the Development Plan, the Review Period shall commence following District's receipt of all components of the Development Plan (i.e., each of the items listed in Section 8.1.1). With respect to any other Submission containing multiple components, or if a Submission is dependent upon the approval of another Submission (e.g., if the review of a Permit application is dependent upon the approval of Construction Plans and Specifications), District may disapprove such Submission if all such components have not been received or such other Submissions have not been previously approved.

8.3.2 Approvals in Writing. Except as provided in the following sentence, all approvals required pursuant to Article 8 or elsewhere in this Agreement must be in writing

(which may for such purposes include electronic delivery via facsimile or e-mail).

8.3.3 Second Notice/Deemed Approval. Notwithstanding anything the contrary contained herein, in the event (x) District fails to provide Developer with a Submission Approval/Disapproval Notice prior to expiration of the applicable Review Period and (y) Developer desires to pursue deemed approval of the applicable Submission pursuant to this Section 8.3.3, the Developer shall notify District, in writing, of District's failure to respond by delivering to District a Second Notice. Failure of the District to issue a Submission Approval/Disapproval Notice within 10 Business Days of the District's receipt of the Second Notice shall constitute and shall be deemed to be District approval of the applicable Submission, except that under no circumstances shall Developer's Submissions under Sections 8.1.1(5), (6) and (9) be deemed approved by the District pursuant to the provisions described in this Section 8.3.3, it being acknowledged that written approval from the District shall be required for Submissions under Sections 8.1.1(5), (6) and (9). Notwithstanding the above, any Construction Schedule submitted by Developer, which is not consistent with the Schedule of Performance shall be deemed disapproved in the event the District fails to timely issue a Submission Approval/Disapproval Notice following its receipt of a Second Notice. Further notwithstanding the foregoing or anything to the contrary contained herein, in the event the District fails to respond to Developer's Submissions under Section 8.1.1(5), (6) and/or (9) within 10 Business Days after its receipt of a Second Notice, the then-remaining dates set forth in the Construction Schedule and Schedule of Performance shall be extended on a day-for-day basis for any delay in the Project caused thereby.

8.3.4 No Representation. District's review and approval of any Submission (including, without limitation, the Construction Plans and Specifications) and any changes thereto is not and shall not be construed as a representation or other assurance that such Submission complies with the Zoning Approvals or any building codes, regulations or standards, including, without limitation, building, engineering and structural design, or any other Laws. District shall incur no liability by reason of its review of any Submissions and is reviewing such Submissions solely for the purpose of protecting its own interests under this Agreement.

8.4 Changes to Approved Submissions. No Material Change to any approved Submission may be made without District's prior approval, which approval shall not be unreasonably withheld or conditioned.

8.5 Government Required Changes. Notwithstanding any other provision of this Agreement, District acknowledges and agrees that District shall not withhold its approval of any elements of a proposed Submission or proposed changes to a Submission which are required by any Governmental Authority (but not changes to other Submissions that are ancillary to such required changes); provided however, that (i) District shall have been afforded a reasonable opportunity to discuss such element of or change to a Submission with the Governmental Authority requiring such element or change and with the Architect, and (ii) the Architect shall have reasonably cooperated with District and such Governmental Authority in seeking such reasonable modifications of the required element or change as District shall reasonably deem necessary or desirable. Developer and District each agree to use diligent, good faith efforts to resolve District's approval of such elements or changes, and District's request for reasonable modifications to such required elements or changes shall be made as soon as reasonably possible

and in no event later than the applicable Review Period for such Submission. Developer shall promptly notify District in writing of any changes to a Submission required by a Governmental Authority whether before or during construction.

8.6 Progress Meetings/Consultation. During the preparation of the Submissions described in this Article 8, District's staff and Developer shall hold no less than quarterly progress meetings as appropriate considering the progress of such Submissions, to coordinate the preparation of, submission to, and review of such Submissions by District. With respect to all Submissions and revisions of Submissions, District's staff and Developer shall communicate and consult informally as frequently as is necessary so as to assist in Developer's preparation of, and District's review of, the formal submittal of such Submissions or revisions of Submissions to District.

ARTICLE 9 - DEVELOPMENT OF PROPERTY AND CONSTRUCTION OF PROJECT

9.1 District's Obligations. Subject at all times to Section 17.19 of this Agreement, District is responsible for the Property Work, the Public Infrastructure, and the Public Amenities in accordance with this Agreement, the Final Development Plan, the Zoning Approvals and all Laws (collectively, the "**Horizontal Development**"). Except as set forth in Sections 6.4(a) and 9.3, all Horizontal Development described herein shall be completed prior to the Closing for the applicable Project Phase.

9.2 Property Work. All of the work and services listed on Schedule 9.2, which are necessary to permit and prepare a Development Site for the construction of a Building shall be known as the "**Property Work**". Completion of the Property Work shall render each Development Site a "**Finished Pad**".

9.3 Property Work Funds. Notwithstanding Section 9.1 above, if and to the extent that any Property Work described herein for any applicable Project Phase shall not be completed prior to the Closing for such Project Phase and Developer elects to proceed to Closing pursuant to Section 6.4(a), Developer shall deposit the Purchase Price into an account with the Title Company, which the Title Company shall hold in escrow and disburse (together with any other funds previously delivered to Title Company pursuant to this Agreement, and/or any Horizontal Development Funds delivered to Title Company pursuant to any Additional LDAs (collectively the "**Horizontal Development Funds**")) pursuant to the Escrow Agreement attached hereto as Exhibit J.

9.4 Public Infrastructure. District shall develop and construct all public infrastructure and public improvements on the Property, including all public streets, alleys, sidewalks, bike paths, curbs, related utilities and all Property Work necessary for the construction of the foregoing (collectively, the "**Public Infrastructure**"). The Public Infrastructure shall include the items listed on Schedule 9.4 attached hereto.

9.5 Public Amenities. District shall develop and construct parks, and other public spaces and amenities, including all promenades, parks, related utilities and landscaping, community spaces

or other community amenities and/or cultural resources and all Property Work necessary for the construction of the foregoing (collectively, the “**Public Amenities**”). The Public Amenities shall include the items listed on Schedule 9.5 attached hereto. The District’s responsibility to construct and maintain the Public Amenities shall not extend onto any part of the Development Sites.

9.6 Developer’s Obligations.

9.6.1 Developer’s Obligation Generally. As additional consideration for District conveying the Property to Developer, Developer hereby agrees to develop and construct the Project, and use, maintain and operate the Property (including the improvements to be constructed on the Property), in accordance with the Final Development Plan, the final Construction Plans and Specifications, this Agreement, the Related Agreements, as applicable, the Zoning Approvals and Laws and in a diligent manner in accordance with prevailing industry standards. The cost of developing and constructing the Project shall be borne solely by Developer. Any Transfer shall be subject to the terms of Article 13.

9.6.2 District Cooperation. District shall reasonably cooperate with Developer as reasonably necessary, and to the extent permitted by Laws, from time to time in connection with Developer’s pursuit of the Permits for the Project, including by executing applications and providing such documentation in District’s possession necessary to obtain the Permits. The District shall appoint a single officer or other individual to act as its day-to-day single point of communication for all matters arising with respect to the administration of this Agreement, which such officer or other individual shall be responsible for coordinating the fulfillment of District’s obligations hereunder (e.g., arranging for District’s approval of Submissions and other matters required to be approved by District herein), and Developer may direct its inquiries and other matters regarding District’s responsibilities and rights under this Agreement to such appointed officer or other individual. The District may change any such appointed officer or other individual from time to time and District shall give prompt notice of any such change to Developer.

9.6.3 Affordable Housing. Developer shall satisfy the requirements set forth in the Affordable Housing Covenants, including, without limitation, the development, construction, and lease of the ADUs required to be constructed pursuant to the Affordable Housing Covenants, which must at least satisfy the Affordable Housing Minimum.

9.6.4 Management Entity. Developer will create a management entity (e.g. a common area association) to maintain, manage, operate, repair and replace the Public Infrastructure, Public Amenities and other portions of the McMillan Site subject to public access easements, at the sole cost and expense of such management entity. Developer and each tenant, subtenant, owner or other occupant of any portion of the McMillan Site shall be required to contribute to such management entity pursuant to the terms and conditions contained in such entity’s governing documents; provided, however, in no event shall a lessee of a Residential Unit be required to make any such contribution directly.

9.7 Parking. At a minimum, the parking on the Property shall include all parking required to

meet the Zoning Approvals for the uses developed within the Property.

9.8 Sustainable Development. Developer shall design, develop and construct the Project and all portions thereof in a manner that is environmentally sustainable and in compliance with the applicable provisions of the Green Building Act of 2006, D.C. Official Code §§ 6-1451.01 *et seq.*, as amended, and the regulations promulgated thereunder (the “**Green Building Act**”).

9.9 Period of Construction. The Project shall be constructed within the times set forth on the Schedule of Performance. In no event shall Developer achieve Commencement of Construction on a Project Phase later than thirty (30) days after the Closing Date and Developer shall thereafter diligently pursue completion of the Project in accordance with the Schedule of Performance, such that Developer shall achieve Completion of Construction by the outside date set forth on the Schedule of Performance.

9.10 Inspection of Site. After Closing, District reserves for itself and its employees and agents the right to enter the Property from time to time upon reasonable prior notice to Developer, which notice shall include, where applicable, District’s intent to cure any existing default that remains uncured after applicable notice and cure periods for the purpose of (i) performing inspections in connection with the development and construction of the Project, including the conformance of the Project to the Final Development Plan, (ii) curing any default of such Person that remains uncured after applicable notice and cure periods as set forth in Article 15. Developer waives any claim that it may have against District arising out of entry upon the Property for the purposes set forth in (i) and (ii) above, resulting from causes other than negligence or willful misconduct of District, its employees or agents. Any inspection of the Project or access to the Property by District hereunder shall not be deemed an approval, warranty or other certification as to the compliance of the Project with any Permits, building codes, regulations or standards, or other Laws.

9.11 Construction Manager. District shall have the right to utilize a construction manager or other consultants of District’s choosing at District’s sole cost, risk and expense, to assist District in the review of the Submissions and inspection of the development and construction of the Project and all components thereof, and Developer shall reasonably cooperate with such construction manager and other consultants at no out-of-pocket expense or obligation or liability to such Person.

9.12 Pre-Construction Use and Condition. After Closing, Developer may use the Property for any purpose directly related to the construction, marketing or sale of the Project including, staging areas, temporary facilities for the construction of the Project, and temporary parking facilities.

9.13 Developer’s Obligation to Obtain Permits. Developer shall have the sole responsibility, at Developer’s sole cost and expense, but with District’s cooperation to the extent set forth in this Agreement, for obtaining all Permits related to the Project and shall make application therefor directly to the applicable Governmental Authority. Prior to Closing, District shall, upon request by Developer, execute applications for Permits, as fee owner of the Property, to the extent required by the applicable Governmental Authority, at no cost, expense, obligation or liability to District. District shall execute any such application at the time District approves

such application pursuant to Section 8.3, provided that Developer indicates in its request for approval of such application that District's execution thereof is a requirement of the applicable Governmental Authority. In no event shall Developer commence development, construction or renovation of all or any portion of the Property until Developer shall have obtained all Permits required for such work. Developer shall submit its application for Permits to the applicable Governmental Authority within a period of time that Developer reasonably believes in good faith is sufficient to allow issuance of such Permits prior to the date necessary to avoid the delay of the Commencement of Construction for a Project Phase) (including, if applicable, sufficient time to permit District's review and approval of such application in accordance with the applicable provisions of Section 8.3). From and after the date of Developer's submission of an application for a Permit, Developer shall diligently prosecute such application until receipt of the Permit.

9.14 Retention of Plans, Working Drawings, Specifications.

Promptly upon Completion of Construction of a Project Phase, Developer shall deliver to District, at Developer's sole cost and expense, a complete, electronic set of "as-built" drawings (including all field notations and corrections) for such Project Phase. For a period of no less than three (3) years from the date of the Completion of Construction of the applicable Project Phase, Developer shall retain in its records a copy of all design materials with regard to the Project Phase, including plans, working drawings, and contract specifications prepared by (or for) Developer, or prepared for or used as a basis for, the submission of the final Construction Plans and Specifications to District or otherwise used by Developer for the development and construction of the Project. Copies of such materials shall be available to District upon its request during such period.

9.15 Joining in Petitions. Upon reasonable request of Developer from time to time, District shall subscribe to, and join with, Developer, as applicable, to the extent necessary, in any petition or proceeding required (i) for the closing, vacating, dedication, and/or change of grade of any street, alley or other public right-of-way within or fronting or abutting on, or adjacent to, the Property in connection with the Project, and (ii) any rezoning and Permits necessary for the development and construction of the Project as contemplated by this Agreement and the Final Development Plan, and shall execute any necessary waiver or other document in respect to the foregoing; provided however, that (a) Developer shall consult in good faith with District regarding the appropriateness of any and all such actions prior to undertaking same, and (b) such closing or vacating of any street, alley or other public right-of-way shall cause the least disruption to adjoining property owners and the Final Development Plan as possible.

ARTICLE 10 - REPRESENTATIONS AND WARRANTIES

10.1 Representations and Warranties of District. District hereby represents and warrants to Developer as follows:

10.1.1 Execution, Delivery and Performance. District (i) has all requisite right, power and authority to execute and deliver this Agreement and to perform its obligations thereunder and under the Related Agreements to be signed by District at Closing and (ii) subject to the provisions of Section 17.19, has taken all necessary action to authorize the execution, delivery and performance of this Agreement. District has the authority to convey the Property to

Developer as provided in this Agreement. This Agreement has been duly executed and delivered by District, and constitutes the legal, valid and binding obligation of District, enforceable against it in accordance with its terms. The Person signing this Agreement on behalf of District is authorized to do so.

10.1.2 No Violation. The execution, delivery and performance by District of this Agreement and the transactions contemplated hereby and the performance by District of its obligations hereunder will not violate any of the terms, conditions or provisions of (i) any judgment, order, injunction, decree, regulation or ruling of any court or other Governmental Authority, or Law to which District is subject or (ii) any agreement or contract to which District is a party or to which it is subject.

10.1.3 No Consent. No consent or authorization of, or filing with, any Person (including any Governmental Authority), which has not been obtained, is required in connection with the execution, delivery and performance of this Agreement by District.

10.1.4 No Brokers. District has not dealt with any agent, broker or other similar Person in connection with the transfer of the interests in the Property.

10.1.5 Litigation. There is no litigation, arbitration, administrative proceeding or other similar proceeding pending against District which relates to the Property, this Agreement, or any of the Related Agreements.

10.1.6 Leases. To District's actual knowledge, there are no leases with respect to the Property between District and any other Person.

10.2 Representations and Warranties of Developer. Developer hereby covenants, represents and warrants to District as follows:

10.2.1 Due Formation. Developer is a limited liability company, duly formed and validly existing and in good standing and has full power and authority under the laws of the District to conduct the business in which it is now engaged.

10.2.2 Organization and Members. Attached as Schedule 10.2.2 is a true, accurate and complete organizational structure chart of Developer, including all Members and their respective ownership interests in Developer.

10.2.3 Power and Authority. Developer has the full right, power and authority to acquire its interests in the Property as provided in this Agreement and to carry out Developer's obligations hereunder and under all Related Agreements, and all requisite action necessary to authorize Developer to enter into this Agreement and to carry out its obligations hereunder have been taken. The person signing this Agreement on behalf of Developer is authorized to do so.

10.2.4 No Consents. No consent or authorization of, or filing with, any Person (including any Governmental Authority), which has not been obtained, is required in connection with the execution, delivery and performance of this Agreement by Developer.

10.2.5 Execution, Delivery and Performance. The execution, delivery, and

performance of this Agreement by Developer and the transactions contemplated hereby and the performance by Developer of its obligations hereunder do not violate any of the terms, conditions or provisions of (i) Developer's organizational documents, (ii) any judgment, order, injunction, decree, regulation or ruling of any court or other Governmental Authority, or Law to which Developer is subject, or (iii) any agreement or contract to which Developer is a party or to which it is subject. This Agreement has been duly executed and delivered by Developer, and constitutes the legal, valid and binding obligation of Developer, enforceable against Developer in accordance with its terms.

10.2.6 No Brokers. Developer has not dealt with any agent or broker in connection with the transfer of interests in the Property to Developer as provided herein.

10.2.7 No Litigation. There is no litigation, arbitration, administrative proceeding or other similar proceeding pending or threatened in writing against Developer which, if decided adversely to Developer, (i) would impair Developer's ability to enter into and perform its obligations under this Agreement or (ii) would materially adversely affect the financial condition or operations of Developer.

10.2.8 No Speculation. The purchase of the Property by Developer, and Developer's other undertakings pursuant to this Agreement are and will be used for the purpose of developing the Project, and not for speculation in land holding or any other purpose.

10.2.9 No Bankruptcy. Neither Developer nor any of its' Members are the subject debtor under any federal, state or local bankruptcy or insolvency proceeding, or any other proceeding for dissolution, liquidation or winding up of its assets.

10.2.10 Financial Statements. The financial statements of Developer submitted to District are complete and accurate as of the dates thereof. There has been no material adverse change in the financial condition of Developer since the date of such financial statements.

10.2.11 No Tax Exemption. In no event shall Developer, or any of its employees, Contractors, Architect, subcontractors, agents, servants, beneficial owner of Developer, or any Member, partner, or principal of any beneficial owner of Developer assert for its own benefit, or attempt to assert, an exemption (including from sales taxes) or immunity available to District, if any, on the basis of the District's involvement in the transaction contemplated by this Agreement.

10.2.12 Anti-Money Laundering; Anti-Terrorism.

(a) Neither Developer nor any of its Members or Affiliates have engaged in any dealings or transactions (i) in contravention of the applicable anti-money laundering laws, regulations or orders, including without limitation, money laundering prohibitions, if any, set forth in the Bank Secrecy Act (12 U.S.C. §§ 1818(s), 1829(b) and 1951-1959 and 31 U.S.C. §§ 5311-5330), the USA Patriot Act of 2001, Pub. L. No. 107-56, and the sanction regulations promulgated pursuant thereto by U.S. Treasury Department Office of Foreign Assets Control, (ii) in contravention of Executive Order No. 13224 dated September 24, 2001 issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), as may be amended or

supplemented from time to time, (iii) in contravention of the provisions set forth in 31 C.F.R. Part 103, the Trading with the Enemy Act, 50 U.S.C. Appx. §§ 1 et seq. or the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., or (iv) is named in the Annex to the Anti-Terrorism Order or any terrorist list published and maintained by the Federal Bureau of Investigation and/or the U.S. Department of Homeland Security, as may exist from time to time.

(b) Neither Developer nor any of its Members or Affiliates (a) are conducting any business or engaging in any transaction with any Person appearing on the list maintained by the U.S. Treasury Department's Office of Foreign Assets Control located at 31 C.F.R., Chapter V, Appendix A, or are named in the Annex to the Anti-Terrorism Order or any terrorist list published and maintained by the Federal Bureau of Investigation and/or the U.S. Department of Homeland Security, as may exist from time to time, or (b) are a Person described in Section I of the Anti-Terrorism Order (a "**Restricted Person**").

10.3 Restatement. The representations and warranties of District and Developer set forth in Section 10.1 and Section 10.2 are true as of the Effective Date and, as a condition to Closing, shall be updated and restated as of Closing. Developer and District shall disclose in writing to the other any change to their respective representations and warranties set forth in Section 10.1 and Section 10.2 promptly after the Party giving such representation and warranty becomes aware thereof.

ARTICLE 11 - CONDITIONS TO CLOSING

11.1 Conditions Precedent to Developer's Obligation to Close. The obligations of Developer to purchase the Property and develop the Project (or the applicable portion or Project Phase) shall be subject to the following conditions precedent:

(a) District Performance. District shall have performed all material obligations hereunder required to be performed by District on or prior to the Closing Date for the applicable Project Phase.

(b) Representations and Warranties. The representations and warranties made by District in Section 10.1 of this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date.

(c) Agreement in Effect. This Agreement shall not have been previously terminated pursuant to any other provision hereof.

(d) Title. Insurable and marketable title to the Property shall be vested of record and in fact in District and subject only to the Permitted Exceptions.

(e) Delivery and Performance. District shall have delivered (or caused to be delivered) all of the items required to be delivered to Developer pursuant to the terms of this Agreement, including those provided for in Section 7.3.1, and District shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by District as of the date of Closing for the applicable Project Phase.

(f) Finished Pads. Subject to the provisions of Sections 6.4(a) and 9.3, District shall have completed all of the Property Work necessary to deliver the Finished Pad(s) for the applicable Project Phase.

(g) No Injunctions. There shall exist no order of any court that is binding upon Developer or District that prohibits Developer or District from consummating Closing under this Agreement or the performance of such party's respective obligations under this Agreement or any of the Related Agreements.

11.2 Conditions Precedent to District's Obligations to Close. The obligations of District to convey the Property (or the portion applicable to a Project Phase) shall be subject to the following conditions precedent:

(a) Developer Performance. Developer shall have performed all material obligations hereunder required to be performed by Developer on or prior to the Closing Date.

(b) Representations and Warranties. The representations and warranties made by Developer in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date.

(c) Agreement in Effect. This Agreement shall not have been previously terminated pursuant to any other provision hereof.

(d) Development Plan. The Development Plan for the Project shall have been provided by Developer to District, and approved by District in accordance with Section 8.3.

(e) Construction Plans and Specifications. Developer shall have provided to District, and District shall have approved all Construction Plans and Specifications in accordance with Section 8.3.

(f) Funding and Financing Plan. The Project Funding and Financing Plan shall have been provided by Developer to District and District shall have approved such Project Funding and Financing Plan in accordance with Section 5.1.

(g) Final Project Budget. District shall have approved such Final Project Budget in accordance with Section 5.2.5.

(h) Loan Commitments, Financing Commitments and Financing Documents.

(1) The Loan Commitments and the Equity Commitments for the financing to construct the Project Phase shall have been provided by Developer to District, and District shall have approved such Loan Commitments and Financing Commitments and same shall be in full force and effect.

(2) The final Financing Documents for the financing necessary to construct the Project Phase shall have been provided by Developer to District, and District shall have approved such final Financing Documents.

(3) All conditions to initial funding under the Loan Commitments and Financing Documents for the Development Site(s) being conveyed shall have been fully satisfied, and there shall be no default, or event which with the passage of time or giving of notice or both would become a default, by any party under the Loan Commitments or Financing Documents.

(i) Commencement. Developer shall be ready, willing and able to acquire the Property and to Commence Construction by the date set forth on the Schedule of Performance.

(j) Certificates of Insurance. Developer shall have furnished to District certificates of insurance or duplicate originals of insurance policies required of Developer pursuant to this Agreement and the Construction Covenant.

(k) Evidence of Authority. Developer shall have provided satisfactory evidence of its authority to purchase the Property and to perform its obligations under this Agreement.

(l) Related Agreements. Each of the Related Agreements shall have been fully executed and delivered by all parties thereto, all conditions to Closing set forth in the Related Agreements shall have been satisfied in all material respects, and Developer and such other parties shall each have performed all of their material obligations required to be performed at or before the Closing (if any) under the Related Agreements.

(m) No Defaults. There shall be no existing Event of Default of Developer under this Agreement or any Related Agreement.

(n) Delivery and Performance. Developer shall have delivered (or caused to be delivered) all of the items required to be delivered to District at or prior to Closing pursuant to the terms of this Agreement, including, those provided for in Section 7.3.2.

(o) Approved Guarantors. Each of the representations and warranties of each Approved Guarantor providing any of the guaranties referred to in Section 7.3.2 set forth in such guaranties shall be true and correct in all material respects on and as of the Closing Date and there shall be no default, or event with notice or the passage of time, or both, would constitute a default by any Approved Guarantor under any of such guaranties.

(p) Financial Condition. There shall have occurred no material adverse change in the financial condition of Developer and the condition to Closing with respect to the Approved Guarantor as set forth in Section 4.2.4 has been satisfied.

(o) No Injunctions. There shall exist no order of any court that is binding upon Developer or District that prohibits Developer or District from consummating Closing under this Agreement or the performance of such Party's respective obligations under this Agreement or any of the Related Agreements.

(q) Submissions. Developer shall have submitted all Submissions required to be provided to District as of Closing pursuant to Article 8.

(r) Pre-Vertical Development Work. Developer shall have completed the Pre-

Vertical Development Work and provided evidence of the same.

11.3 Failure of a Condition.

11.3.1 Failure of a Condition to Developer's Obligation to Close. If all of the conditions to Closing set forth above in Section 11.1 have not been satisfied by the Closing Date, provided the same is not the result of Developer's failure to diligently pursue the satisfaction of such conditions or to perform any obligation of Developer hereunder, Developer shall have the option, at its sole discretion, to: (i) waive any such condition set forth in Section 11.1 and proceed to Closing hereunder without a reduction of either Party's obligations hereunder and subject to the provisions of Sections 6.4(a) and 9.3; (ii) terminate this Agreement by notice to District given on or before the Closing Date, whereby District will release the Deposit and the Parties shall be released from any further liability or obligation hereunder except those that expressly survive termination of this Agreement and without waiving any breach by either Party occurring prior to termination; or (iii) extend the Closing Date to permit District to satisfy any unsatisfied condition(s) to Closing set forth in Section 11.1, but in no event shall such extension be in excess of the earlier to occur of (1) ninety (90) days following the Closing Date, or (2) the twentieth (20th) day preceding the Outside Closing Date (the "**Extension Period**"). Notwithstanding the foregoing, in the event all of the conditions to Closing set forth above in Section 11.1 above have not been satisfied by the Closing Date, District may, at its sole option, extend the Closing Date for the period of time necessary to satisfy such unsatisfied condition(s), but in no event shall such extension be beyond the Extension Period. In the event Developer proceeds under clause (iii) above or District extends the Closing Date as aforesaid, Closing shall occur within thirty (30) days after the conditions precedent set forth in Section 11.1 have been fully satisfied, but if any of such conditions precedent have not been satisfied by the end of the Extension Period, Developer may again proceed under clause (i), (ii) or (iv) above; provided, however, that in no event may any election by Developer pursuant to clause (i) result in a Closing after the Outside Closing Date.

11.3.2 Failure of a Condition to District's Obligation to Close. If all of the conditions to Closing set forth above in Section 11.2 have not been satisfied by the Closing Date, provided the same is not the result of District's failure to perform any obligation of District hereunder, District shall have the option, at its sole discretion, to: (i) waive such condition and proceed to Closing hereunder without a reduction of either Party's obligations hereunder; (ii) extend the Closing Date to permit Developer to satisfy such unsatisfied condition(s) to Closing, but in no event shall such extension be in excess of the Extension Period; or (iii) terminate this Agreement and retain the Deposit, whereupon the Parties shall be released from any further liability or obligation hereunder except those that expressly survive termination of this Agreement and without waiving any breach by either Party occurring prior to termination; or (iv) in the event such failure of a condition to Closing constitutes (or is the result of) an Event of Default, pursue any and all remedies available under Section 15.3. Notwithstanding the foregoing, in the event all of the conditions to Closing set forth above in Section 11.2 above have not been satisfied by the Closing Date, Developer may, at its sole option, extend the Closing Date for the period of time necessary to satisfy such unsatisfied condition(s), but in no event shall such extension be beyond the Extension Period. In the event District proceeds under clause (ii), Closing shall occur within thirty (30) days after the conditions precedent set forth in Section 11.2 have been fully satisfied, but if any of such conditions precedent have not been satisfied by the end of the

Extension Period, District may again proceed under clause (i), (iii) or (iv) above; provided, however, that in no event may any election by District pursuant to clause (i) result in a Closing after the Outside Closing Date.

11.3.3 Conditions Pertaining to District Approval. Notwithstanding the foregoing, if the conditions to Closing set forth above in Section 11.2 have not been satisfied because of the District's failure to perform any obligation of District hereunder or the failure of the District to approve any of the matters described in Sections 11.2(d), (e), (f), (g) and/or (h) despite the good faith, reasonable efforts of Developer and the District to agree upon the same, then the District shall only have all rights and remedies described in clauses (i) and (ii) of the first sentence of Section 11.3.2. If, in that instance, the District elects to proceed under said clause (ii) and such conditions precedent have not been satisfied by the end of the Extension Period, then either Party may terminate this Agreement upon written notice to the other Party given at any time prior to satisfaction of such conditions precedent, whereupon the Parties shall be released from any further liability or obligation hereunder except those that expressly survive termination of this Agreement and without waiving any breach by either Party occurring prior to termination. If the Agreement is terminated by either Party pursuant to this Section 11.3.3, the District shall release the Deposit to Developer.

ARTICLE 12 - COVENANTS AND RESTRICTIONS

12.1 Covenants Running With the Land.

12.1.1 General. The Parties hereby acknowledge that it is intended and agreed that the agreements and covenants of Developer provided in this Agreement shall be covenants running with the land, and shall be binding on Developer and its successors, assigns and any other Person obtaining an ownership interest in the Property and the Buildings and other improvements constructed thereon, for the benefit and in favor of, and enforceable by, District, for the time periods specified in this Agreement and the Related Agreements, but in no event beyond the issuance of the Certificate of Final Completion for the applicable Project Phase (except for such matters that expressly survive by their terms).

12.1.2 Covenant to be Recorded. In furtherance of the foregoing, at Closing the Construction Covenant shall be recorded in the Land Records and each Special Warranty Deed shall reflect that they are subject and subordinate to such covenant.

12.2 Developer's Covenant and Indemnification Regarding Compliance with Environmental Laws. Subject to District's obligations pursuant to Section 9.2, Developer hereby covenants that, at its sole cost and expense, it shall comply with all provisions of Environmental Laws applicable to the Property and all uses, improvements and appurtenances of and to the Property, and shall perform all investigations, removal, remedial actions, cleanup and abatement, corrective action or other remediation that may be required pursuant to any Environmental Law, and the District and its officers, agents and employees shall have no responsibility or liability with respect thereto. Developer shall indemnify, defend and hold the District and its officers, directors, agents and employees (individually, an "**Indemnified Party**")

and collectively, the “**Indemnified Parties**”) harmless from and against any and all actual losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in any manner relating to (i) Developer’s violation of any Environmental Law, or (ii) any Release or threatened Release of a Hazardous Material, or any condition of pollution, contamination or Hazardous Material-related nuisance on, under or from the Property, first occurring after the Closing; provided however, that the foregoing indemnity shall not apply to any losses, costs, claims, damages, liabilities and causes of action (including reasonable attorneys’ fees and court costs) to the extent arising solely from the negligence or willful misconduct of any Indemnified Party.

12.3 Nondiscrimination Covenant. Developer shall not discriminate upon the basis of race, color, religion, sex, national origin, ethnicity, sexual orientation, or any other factor that would constitute a violation of the D.C. Human Rights Act or any other Laws, in the development and construction of the Project. Developer shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, or any other factor that would constitute a violation of the D.C. Human Rights Act or other Laws.

ARTICLE 13 - TRANSFER AND ASSIGNMENT

13.1 Reliance of District on Developer. Developer hereby recognizes and acknowledges that: (i) the Project is important to the general welfare of the community in which the Property is located; (ii) a Transfer is for practical purposes a transfer of this Agreement and the Development Site(s) and the Buildings and improvements constructed thereon; (iii) the qualifications and identity of Developer are of particular concern to the community and District; and (iv) District is entering into this Agreement with Developer because of the qualifications and identity of Developer, and in so entering into this Agreement, is willing to accept and rely on the obligations of Developer for the faithful performance of all of Developer’s undertakings and covenants in this Agreement and the Related Agreements.

13.2 Transfer Prior to Issuance of Certificates of Completion. For, among other things, the reasons set forth in Section 13.1 above, Developer represents, warrants, covenants and agrees, for itself and its successors and assigns, that prior to District’s issuance of a Certificate of Final Completion for a Project Phase, Developer shall not make or create, or suffer to be made or created, any Transfer of the Development Site(s) (or any portion thereof) within that Project Phase, without the prior approval of District. District’s approval of a Transfer (other than a Permitted Transfer under Section 13.4) may be withheld in its sole and absolute discretion.

13.3 Transfer after Issuance of Certification of Completion. Notwithstanding any other provision of this Article 13, after the issuance of a Certificate of Final Completion for a Project Phase, Developer may Transfer the Development Site(s) (or any portion thereof) within that Project Phase without the prior consent of District. Developer agrees to provide prompt notice to District of any such Transfer to the extent required in the Related Agreements.

13.4 Permitted Transfers. Nothing contained in this Article 13 shall prohibit or limit any of

the following: (i) Developer's creation of an Approved Mortgage or any foreclosure sale or deed-in-lieu of foreclosure resulting from an Approved Mortgage's exercise of its rights under an Approved Mortgage all in accordance with the requirements governing such creation or foreclosure as set forth in the Construction Covenant or any other Related Agreement with respect thereto; (ii) any pledge of the ownership interests in Developer or other Person to an Institutional Lender, or any foreclosure of such ownership interests resulting from an Institutional Lender's exercise of its rights with respect to such pledge; (iii) assignment of Developer's interest in the Agreement to (x) an entity that is Controlled by the Key Member or (y) if the Key Member certifies to the District that it will not proceed to Closing, an entity Controlled by either or both of the "Key Members" identified under the Additional LDAs; (iv) transfer Developer's interest in the Agreement or the Project to one or more joint ventures, limited liability companies or other entities, created for the purpose of holding fee or leasehold title to all or a portion of the Project in which the partners, members or other owners comprise, directly or indirectly, Developer or its Affiliates and the party or parties making additional equity contributions, and in which Developer or its Affiliates serves as general partner, managing member or equivalent subject to the rights of such equity investors to designate a replacement general partner, managing member or equivalent upon specified events such as in the event of a default by Developer (or Developer's Affiliate) in such capacity; provided that such joint venture or other entity is Controlled by Key Member and the party(ies) making equity contributions are Institutional Lenders; (v) the sublease of space in the Project to third party tenants, so long as such lease complies with this Agreement, and the applicable provisions of the Related Agreements; (vi) the granting of utility and similar easements required in connection with the development of the Property pursuant to the Final Development Plan; or (vii) Transfers to an owner's association or similar management entity of those portions of the Property that will be owned and/or maintained by the same. Each of the foregoing Transfers permitted under this Section 13.4 are "**Permitted Transfers**"; provided, however, that with respect to the Transfers described in clause (iv) above, such Transfers shall only constitute "Permitted Transfers" if, immediately after giving effect thereto, the transferee is either: (x) an entity for which Key Member is responsible for day-to-day management and whose ownership interests are Controlled by an Institutional Lender and/or Key Member; or (y) any entity Controlled by Key Member. In addition, any mechanics', materialmen's or other involuntary lien that is bonded over, or insured against, or that is released in each case within the applicable notice and cure period under this Agreement or the Construction Covenant shall not be prohibited.

13.5 No Release. In the absence of specific written agreement by District to the contrary, no Transfer, or approval by District thereof, shall be deemed to relieve Developer, or any other Person bound in any way by this Agreement or the Related Agreements, from any of its obligations under this Agreement or the Related Agreements (including the CBE Requirement) or deprive District of any of its rights and remedies under this Agreement or the Related Agreements.

13.6 Enforceability. Developer hereby acknowledges and agrees that the restrictions on Transfer pursuant to this Article 13 do not constitute an unreasonable restraint on Developer's right to transfer or otherwise alienate any portion of the Property. Developer hereby waives any and all claims, challenges and objections that may exist with respect to the enforceability of the restrictions on Transfer contained in the Agreement, including any claim that such restrictions on Transfer constitute an unreasonable restraint on alienation.

ARTICLE 14 - [RESERVED]

ARTICLE 15 - DEFAULTS AND REMEDIES

15.1 Default by Developer. Each of the following shall constitute an “Event of Default” by Developer (or its successor or assign) under this Agreement:

- (1) Developer shall fail to pay or cause to be paid any amount required to be paid by it under this Agreement or replenishment of the Deposit if and when required by Section 4.1.4, and such default shall continue for ten (10) Business Days after notice from District specifying such default;
- (2) If Developer shall default in the observance or performance of any term, covenant or condition of this Agreement (other than the payment of any amount required to be paid by Developer pursuant to this Agreement) on Developer’s part to be observed or performed (other than the Events of Default expressly set forth below) and Developer shall fail to remedy such default within thirty (30) days after written notice by District (which notice shall specify the nature of such default and that such default must be cured within the time period set forth in this Section 15.1(2)), or if such a default is of such a nature that it cannot reasonably be remedied within such thirty (30) day period (but is otherwise susceptible to cure), then Developer shall have such additional period of time as may be reasonably necessary to cure such default, but in no event more than an additional one hundred eighty (180) days, provided that Developer commences the cure within such original thirty (30) day period and thereafter diligently pursues and completes such cure;
- (3) Developer shall admit in writing its inability to pay its debts as they mature or shall file a petition in bankruptcy or insolvency or for reorganization under any bankruptcy act, or shall voluntarily take advantage of any such act by answer or otherwise;
- (4) Developer shall be adjudicated bankrupt or insolvent by any court;
- (5) Involuntary proceedings under any bankruptcy law, insolvency act or similar law for the relief of debtors shall be instituted against Developer, or a receiver or trustee shall be appointed for all or substantially all of the property of Developer, and such proceedings shall not be dismissed or the receivership or trusteeship vacated within ninety (90) days after the institution of appointment;
- (6) Developer shall make an assignment for the benefit of creditors or Developer shall petition for composition of debts under any law authorizing the composition of debts or reorganization of Developer;
- (7) Developer shall fail to obtain or maintain in effect any insurance required of it under this Agreement, or pay any insurance premiums, as and when the same become due and payable, or fails to reinstate, maintain and provide evidence to District of the insurance required to be obtained or maintained by Developer, its Architect, or its

Contractors or subcontractors under this Agreement;

(8) Developer makes any Transfer in violation of the terms of this Agreement;

(9) An event of default occurs under a Related Agreement that is not cured within the notice and cure period set forth in such Related Agreement;

(10) The failure of any representations or warranties of Developer set forth in Section 10.2 to be true at the Closing in all material respects;

(11) Any failure of an Approved Guarantor to perform under a Guaranty, beyond any applicable notice and cure period;

(12) The failure of Developer to meet any outside date set forth on the Schedule of Performance; provided, however, that a failure of Developer to meet any outside date on any component of the Schedule of Performance shall be subject to the notice and cure provisions set forth in Section 15.1(2); or

(13) The failure of Developer to Commence Construction on any Project Phase by the outside date set forth on the Schedule of Performance.

15.2 Limitation Regarding Cure Periods. Notwithstanding any notice and cure period set forth in Section 15.1, in the event of a default prior to Closing, such notice and cure periods shall not extend the Outside Closing Date and shall terminate on such Outside Closing Date (and in no event shall any such notice and cure periods extend the Closing beyond the Outside Closing Date).

15.3 District Remedies in the Event of Default by Developer Prior to Closing. If an Event of Default by Developer occurs prior to Closing, District shall have the following remedies, at District's sole election: (a) District may terminate this Agreement and retain the Deposit as liquidated damages; and (b) District may pursue any and all other remedies available at law and/or in equity, including (without limitation) injunctive relief; excluding any claim for consequential or other special damages.

15.4 District Remedies in the Event of Default by Developer Subsequent to Closing. If an Event of Default by Developer occurs subsequent to Closing, District shall have the remedies for such Event of Default only as to the specific Project Phase as to which the applicable Event of Default occurred, as and to the extent applicable, as provided in the Guaranties or under any other Related Agreement.

15.5 No Waiver by Delay. Notwithstanding anything to the contrary contained herein, any delay by District or Developer in instituting or prosecuting any actions or proceedings with respect to a default by Developer or District hereunder or in asserting its rights or pursuing its remedies under this section or otherwise, the Guaranties, any Related Agreement or any other right or remedy available under law or in equity, shall not operate as a waiver of such rights or to deprive District or Developer of or limit such rights in any way (it being the intent of this provision that neither District nor Developer shall not be constrained by waiver, laches, or otherwise in the exercise of such remedies). Any waiver by District or Developer hereunder

must be made in writing. Any waiver in fact made by District or Developer with respect to any specific default by the other Party under this section shall not be considered or treated as a waiver of District or Developer with respect to any other defaults by the other Party or with respect to the particular default except to the extent specifically waived in writing.

15.6 Rights and Remedies Cumulative. The rights and remedies of District and Developer under this Agreement, the Guaranties and the Related Agreements, whether provided by law, in equity, or by the terms of this Agreement, the Guaranties or any Related Agreement, shall be cumulative, and the exercise by District or Developer of any one or more of such remedies shall not preclude the exercise of any other remedies for the same such default or breach.

15.7 No Consequential or Punitive Damages. Notwithstanding the provisions of this Article 15 or anything in this Agreement to the contrary, in no event shall District or Developer be liable for any consequential, punitive or special damages; provided, however, that this section shall not be deemed to preclude or prevent the collection of any fees or monetary penalties expressly provided for in this Agreement or any Related Agreement.

15.8 Attorneys' Fees. In the event District prevails in any legal action or proceeding to enforce the terms of this Agreement, District shall be entitled to recover from Developer the reasonable attorneys' fees and costs incurred by District in such action or proceeding.

ARTICLE 16 - NOTICES

Any notices to be given under this Agreement shall be in writing and delivered by certified mail, postage pre-paid, or by hand or by private, reputable overnight commercial courier service, at the following addresses:

To District:

District of Columbia
Office of the Deputy Mayor for Planning and Economic Development
1350 Pennsylvania Avenue, NW, Suite 317
Washington, DC 20004
Attn: Project Manager- McMillan

With a copy to:

Office of the Attorney General for the District of Columbia
441 4th Street, NW, Suite 1010S
Washington, DC 20001
Attn: Deputy Attorney General, Commercial Division

To Developer:

Vision McMillan Partners, LLC
c/o LDP Holdings LLC
1508 U Street, NW

Washington, DC 20009
Attn: Jair K. Lynch

With a copy to:

Michael S. Long PLLC
2111 Wilson Boulevard, Suite 700
Arlington, VA 22201
Attn: Michael S. Long, Esq.

And a copy to:

Rogers Yogodzinski LLP
1129 20th Street, NW, Suite 300
Washington, DC 20036
Attn: Edward M. Rogers, Esq.

Notices which shall be served in the manner aforesaid shall be deemed to have been received for all purposes hereunder at the time such notice shall have been: (i) if hand delivered to a party against receipted copy, when the copy of the notice is receipted; (ii) if given by nationally recognized overnight delivery service, on the next business day after the notice is deposited with the overnight delivery service; or (iii) if given by certified mail, return receipt requested, postage prepaid, on the date of actual delivery or refusal thereof. If notice is tendered under the terms of this Agreement and is refused by the intended recipient of the notice, the notice shall nonetheless be considered to have been received and shall be effective as of the date provided in this Agreement.

ARTICLE 17 - MISCELLANEOUS

17.1 Term of this Agreement. The term of this Agreement will be from the Effective Date until the earlier of (i) termination in accordance with the terms and conditions contained herein and (ii) issuance of the Phase 1 Certificate of Final Completion and the Phase 2 Certificate of Final Completion, except for those terms and conditions herein that expressly survive.

17.2 Information as to Members; Maintenance of Separate Books and Accounts. Developer agrees that until issuance of the Phase 1 Certificate of Final Completion and the Phase 2 Certificate of Final Completion: (a) Developer shall, at such time or times as District may reasonably request, furnish District with a complete statement, certified by a managing member of Developer as being true, accurate and complete, setting forth the identity of the members of Developer and their respective percentage interest in Developer; and (b) Developer shall keep books and accounts of its operations and transactions relating to the Project separate and distinct from any other property or business enterprise owned or operated by Developer (or any Member or Affiliate).

17.3 Party in Position of Surety with Respect to Obligations. Developer, for itself and its

successors and assigns and for all other persons who are or who shall become, whether by express or implied assumption or otherwise, liable upon or subject to any obligation or burden under this Agreement, hereby waives, to the fullest extent permitted by law and equity, any and all claims or defenses otherwise available on the grounds of its (or their) being or having become a person in the position of surety, whether real, personal, or otherwise or whether by agreement or operation of law, including, without limitation any and all claims and defenses based upon extension of time, indulgence or modification of this Agreement.

17.4 Force Majeure. Notwithstanding any other provision in this Agreement or the Related Agreements, neither District nor Developer, as the case may be, nor any successor-in-interest, shall be considered in breach of, or default in, its obligations under this Agreement or Related Agreement, including, without limitation, the obligations with respect to the preparation of the Property for development or the beginning and completion of construction of any Project Phase, progress in respect thereto, or compliance with the Schedule of Performance, in the event of delay in the performance of such obligations due to any Force Majeure. It is the purpose and intent of this provision that, in the event of the occurrence of any such Force Majeure event, the time or times for performance of the obligations of District or of Developer shall be extended for the period of the Force Majeure, provided however, that (i) the Party seeking the benefit of this Section 17.4 promptly notifies the other Party of the existence of such Force Majeure event after it becomes aware of such Force Majeure event, which notice shall include such Party's estimate of the length of the delay that will be caused by such Force Majeure event and the actions such Party is taking to minimize such delay, (ii) in the case of a delay in obtaining Permits, Developer must have filed complete applications for such Permits by the time set forth on the Schedule of Performance and hired or otherwise designated an expeditor to monitor and expedite the permit process (unless the same is not the responsibility of Developer hereunder), and (iii) the party seeking the delay must take commercially reasonable actions to minimize the delay. If either party requests any extension on the date of completion of any obligation hereunder due to Force Majeure, it shall be the responsibility of such party to reasonably demonstrate that the delay was caused specifically by a delay of a critical path item of such obligation. In addition to the foregoing, if a Force Majeure event causes one Party to delay its activities hereunder, the other Party whose activities are to follow such initially delayed activity, shall also be deemed to have suffered a Force Majeure event and the date by which such Party is obligated to satisfy its applicable activities shall be delayed for such amount of time as may be reasonably necessary as a result of such delay

17.5 Estoppel Certificates. The Parties hereto shall, from time to time, within twenty (20) Business Days of request in writing of the other Party, without additional consideration, execute and deliver an estoppel certificate consisting of statements, if true (and if not true, setting forth the true state of facts as the Party delivering the estoppel certificate views them), that (i) this Agreement and the Related Agreements are in full force and effect; (ii) this Agreement and the Related Agreements have not been modified or amended (or if they have, a list of the amendments); and (iii) to such Party's knowledge, the Party requesting the estoppel certificate is not then in default under this Agreement or any Related Agreement.

17.6 Representative not Individually Liable. No Person other than the Parties to this Agreement, and the permitted assignees of such Parties, shall have any liability or obligation under this Agreement. Without limiting the generality of the foregoing, (i) Developer agrees that

no employee, official, consultant, contractor, agent or attorney engaged by District in connection with this Agreement or the transactions contemplated by this Agreement shall have any liability or obligation to Developer under this Agreement and (ii) District agrees that no Member, employee, consultant, contractor, agent or attorney engaged by Developer in connection with this Agreement or the transactions contemplated by this Agreement shall have any liability or obligation to District under this Agreement. Nothing in this Section 17.6 shall be deemed to preclude the liability of any Person for such Person's own fraudulent acts.

17.7 Provisions Not Merged. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring title to any portion of the Property from District to Developer or any successor-in-interest, and any such deed shall not be deemed to affect or impair the provisions and covenants of the Agreement; however, notwithstanding any other provision of this Agreement, the provisions of the Construction Covenant, Special Warranty Deeds and any other documents specified as such by the mutual agreement of the Parties shall supersede the provisions of this Agreement to the extent of any inconsistencies.

17.8 Titles of Articles and Sections. Titles and captions of the several parts, articles and sections of this Agreement are inserted for convenient reference only and shall be disregarded in construing or interpreting Agreement provisions.

17.9 Singular and Plural Usage; Gender. Whenever the sense of this Agreement so requires, the use herein of the singular number shall be deemed to include the plural; the masculine gender shall be deemed to include the feminine or neuter gender; and the neuter gender shall be deemed to include the masculine or feminine gender.

17.10 Applicable Law; Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the District of Columbia, without reference to the conflicts of laws provisions thereof. Any suit, action, proceeding or claim relating to this Agreement or the Related Agreements or the transactions contemplated by this Agreement shall be brought exclusively in the United States District Court for the District or the Superior Court for the District, and District and Developer agree that such courts are the most convenient forum for resolution of any such action and further agree to submit the jurisdiction of such courts and waive any right to object to venue in such courts.

17.11 Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties and supersedes all prior agreements and understandings related to the subject matter hereof, including, without limitation, the ERA. All Schedules and Exhibits hereto are incorporated herein by reference regardless of whether so stated.

17.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall together constitute one and the same instrument.

17.13 Time of Performance. All dates for performance (including cure) shall expire at 5:00 p.m. (Eastern Time) on the performance or cure date. A performance date which falls on a day that is not a Business Day is automatically extended to the next Business Day.

17.14 Successors and Assigns. This Agreement shall be binding upon and, subject to the provisions of Article 13, shall inure to the benefit of, the successors and assigns of District and

Developer and where the term “**Developer**” or “**District**” is used in this Agreement, it shall mean and include their respective successors and assigns.

17.15 Third Party Beneficiary. No Person shall be a third party beneficiary of this Agreement.

17.16 WAIVER OF JURY TRIAL. ALL SIGNATORIES HERETO HEREBY, AND ALL PERSONS ACCEPTING AN INTEREST IN THE PROJECT THEREBY, WAIVE THE RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

17.17 Further Assurances. Each party agrees to execute and deliver to the other Party such additional documents and instruments as the other Party reasonably may request in order to fully carry out the purposes and intent of this Agreement.

17.18 Modifications and Amendments. None of the terms or provisions of this Agreement may be changed, waived, modified or terminated except by an instrument in writing executed by the Party or Parties against which enforcement of the change, waiver, modification or termination is asserted. None of the terms or provisions of this Agreement shall be deemed to have been abrogated or waived by reason of any failure or refusal to enforce the same.

17.19 Anti-Deficiency. Developer acknowledges that District is not authorized to make any obligation in advance or in the absence of lawfully available appropriations and that District’s authority to make such obligations is and shall remain subject to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349, 1350, and 1351; (ii) D.C. Official Code Section 47-105; (iii) the District Anti-Deficiency Act, D.C. Official Code §§ 47-355.01–355.08, as the foregoing statutes may be amended from time to time; and (iv) Section 446 of the District Home Rule Act.

17.20 Submission of Agreement. The submission by either Party to the other of this Agreement in unsigned form shall be deemed to be a submission solely for the other Party’s consideration and not for acceptance and execution. Such submission shall have no binding force and effect, shall not constitute an option, and shall not confer any rights upon the recipient or impose any obligations upon the submitting Party, irrespective of any reliance thereon, change of position or partial performance.

17.21 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provisions shall be fully severable; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

17.22 Time of the Essence. Time is of the essence with respect to all matters set forth in this Agreement. For all deadlines set forth in this Agreement the standard of performance of the party required to meet such deadlines shall be strict adherence and not reasonable adherence.

17.23 No Partnership. Nothing contained herein shall be deemed or construed by the parties hereto or any third party as creating the relationship of principal and agent or of partnership or of joint venture between Developer and District, it being understood and agreed that neither the method of computation of any participation nor any other provision contained herein, nor any acts of the parties hereto shall be deemed to create any such relationship.

17.24 Interest. In the event Developer fails to timely pay to or reimburse District any amounts due District pursuant to this Agreement, or if District advances any amounts to pay or satisfy any obligations of Developer under this Agreement (including, without limitation in curing any default of Developer), such amounts shall accrue interest at the rate of eleven percent (11%) per annum (or the highest rate permitted by law, if less) from the date such amount was due to District or expended by District until paid or reimbursed by Developer to District.

17.25 Release. As additional consideration for District's entry into this Agreement, Developer does hereby release and forever discharge District and its respective agents, servants, employees, directors, officers, attorneys, parents, Affiliates, subsidiaries, successors and assigns and all persons, firms, corporations, and organizations, if any, acting on their behalf, of and from all damage, loss, claims, demands, liabilities, obligations, actions and causes of action whatsoever which Developer may now have or claim to have as of the Effective Date, whether presently known or unknown, of every nature and extent whatsoever on account of or in any way touching, relating to, concerning, arising out of or founded upon District's treatment of Developer's responses to District's Request for Expressions of Interest, the ERA, any documents executed in connection therewith (including any term sheets, business terms, letters of intent or memoranda of understanding) or any hearings held, notices given, representations made or deemed made, or decisions made in connection therewith, of any kind heretofore sustained, or that may arise as a consequence of the dealings between the parties up to and including the Effective Date. The agreement and covenant on the part of Developer under this Section 17.25 is contractual and not a mere recital, and the Parties to this Agreement acknowledge and agree that no liability whatsoever is admitted on the part of any Party.

17.26 No Construction against Drafter. This Agreement has been negotiated and prepared by District and Developer and their respective attorneys and, should any provision of this Agreement require judicial interpretation, the court interpreting or construing such provision shall not apply the rule of construction that a document is to be construed more strictly against one party.

17.27 District Liability. Any review, analysis, examination, investigation or approval or consent by District pursuant to the terms of this Agreement or otherwise in connection with the Project or the Property is solely for the benefit of District and shall not be relied upon or construed by Developer or any other Person as acceptance by District of any responsibility or liability therefor as to completeness or sufficiency thereof for any particular purpose or compliance with any Laws or other governmental requirements. In furtherance of the foregoing, the grant of consent or approval by District under this Agreement shall be intended solely to satisfy District's rights under this Agreement and for no other purposes and shall not be binding upon any particular District or other Governmental Authority having jurisdiction over any aspect of the Project, the Property or any portion thereof.

17.28 Limited Recourse to District. Subject to the additional limitations set forth in Section 17.19, any damages and claims against District shall be limited to the value of its interests in the Property and under this Agreement, including any reversionary interest in the improvements constructed on the Property and to all sums payable or paid to District under this Agreement.

17.29 District Approvals. All approvals or consents required to be obtained from District pursuant to this Agreement or any Related Agreement shall only be effective if in writing. In no event shall any alleged oral approval or consent of any matter or item be binding on District.

17.30 Confidentiality. The following provisions are applicable to requests filed under the District of Columbia Freedom of Information Act of 1976, as amended (D.C. Official Code §§ 2-531, et seq.) and the regulations promulgated thereunder (“**DCFOIA**”) or any similar Law for information regarding this Agreement or any communications, documents, agreements, information or records with respect to this Agreement:

17.30.1 Non-Disclosure. Communications, documents, agreements, information and records that qualify as “**Confidential Information**” under DCFOIA or other Law provided to District by Developer under or pursuant to this Agreement shall be maintained by District as confidential, and District shall not disclose such information to any Persons other than the appropriate attorneys, accountants, underwriters, financial advisors, construction consultants, bond insurers, rating agencies, auditors and employees of District.

17.30.2 Requests for Disclosure. As required by the terms of this Agreement, Developer shall provide to District certain documentation and information on a strictly confidential basis. District acknowledges and agrees that Developer will be considered as “submitter” of such documentation and information for purposes of the DCFOIA. Accordingly, if a Person files a request under the DCFOIA or any similar Law for any such documentation or information (solely for purposes of this Section, a “Request”), District shall promptly notify Developer of the Request and allow Developer five (5) Business Days prior to the disclosure of such documentation or information (solely for purposes of this Section, the “Requested Information”) within which to object to District to the disclosure of any of the Requested Information. If, following receipt of Developer’s objection to the release of the Requested Information, District determines that the Requested Information is exempt from disclosure pursuant to the DCFOIA or other Law, District shall assert such exemption from disclosure and decline to provide such information. If, following receipt of Developer’s objection to the release of the Requested Information, District reasonably determines that the information sought by the Request is not exempt from disclosure pursuant to the DCFOIA or other Law, District shall promptly notify Developer of such determination, and shall refrain from making such disclosure for not less than five (5) Business Days following notice to Developer in order to afford Developer an opportunity to seek an injunction or other appropriate remedy.

17.30.3 Notice. Developer shall endeavor to clearly mark each page of all documents which Developer wishes to designate as Confidential Information “**Confidential Trade Secret Information, Contact Developer Before Any Disclosure**”.

17.30.4 Certain Required Disclosures. Nothing in this Agreement shall limit or restrict District from disclosing, to the extent required by Law, any information, communication,

or record to the United States Congress, the Council of the District of Columbia, the District of Columbia Inspector General or the District of Columbia Auditor.

17.31 Generally Applicable District Law. Developer acknowledges that (i) nothing set forth in this Agreement exempts the Project or any portion thereof from generally applicable laws and regulations in effect from time to time in the City of Washington, DC, (ii) execution of this Agreement by District is not binding upon, and does not affect the jurisdiction of or the exercise of police or regulatory power by, District agencies, including independent agencies of the District in the lawful exercise of their authority and (iii) no approval (or deemed approval) provided by District as a contract party to this Agreement shall in any way bind or be considered to be an approval by any District agency or independent agency (including the Zoning Commission and the Board of Zoning Adjustment) acting in its capacity as a Governmental Authority (and not as a contract party to this Agreement).

17.32 Fees of the Office of the Attorney General. For purposes of any provision of this Agreement where Developer is obligated to pay or reimburse District's attorneys' fees and expenses, in the event District is represented by the Office of the Attorney General for the District, reasonable attorneys' fees shall be calculated based on the then applicable hourly rates established in the most current Adjusted Laffey Matrix prepared by the Civil Division of the United States Attorney's Office for the District of Columbia and the number of hours employees of the Office of the Attorney General for the District of Columbia prepared for or participated in any such litigation.

17.33 Laws. Any reference to a specific Law in this Agreement shall mean such Law as it may be amended, supplemented or replaced, except as the context otherwise may require.

[Remainder of this page intentionally blank. Signatures follow.]

COUNCIL DRAFT

IN TESTIMONY WHEREOF, District and Developer have caused these presents to be signed on their behalf as of the Effective Date.

District:

APPROVED AS TO LEGAL
SUFFICIENCY

DISTRICT OF COLUMBIA,
by and through the Office of the Deputy Mayor for
Planning and Economic Development

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Developer:

VISION MCMILLAN PARTNERS, LLC, a District
of Columbia limited liability company

By: LDP McMillan Land Acquirer, LLC,
a Delaware limited liability company,
its Member

By: LDP Acquisitions, LLC,
a Delaware limited liability company,
its Sole Member

By: LDP Holdings, LLC,
a Delaware limited liability company,
its Manager

WITNESS

By: _____

By: _____

Name: _____

Name: Jair K. Lynch

Title: _____

Title: President

Schedule 2.1 A

Schedule 2.1 Concept Plan – Land Use



Health Care – Medical Office Buildings



Residential - Multi Family Buildings



Residential - Row Houses

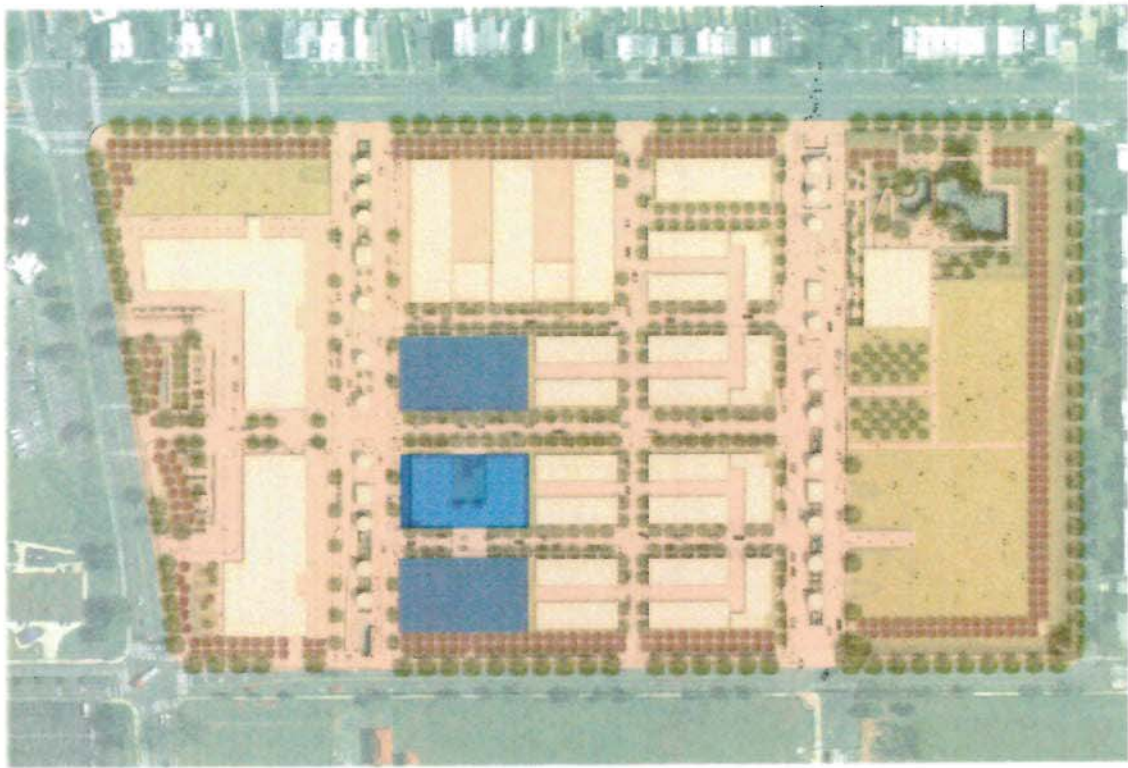


Civic – Community Center



Retail Frontage

Schedule 2.2: Development Site – Phases



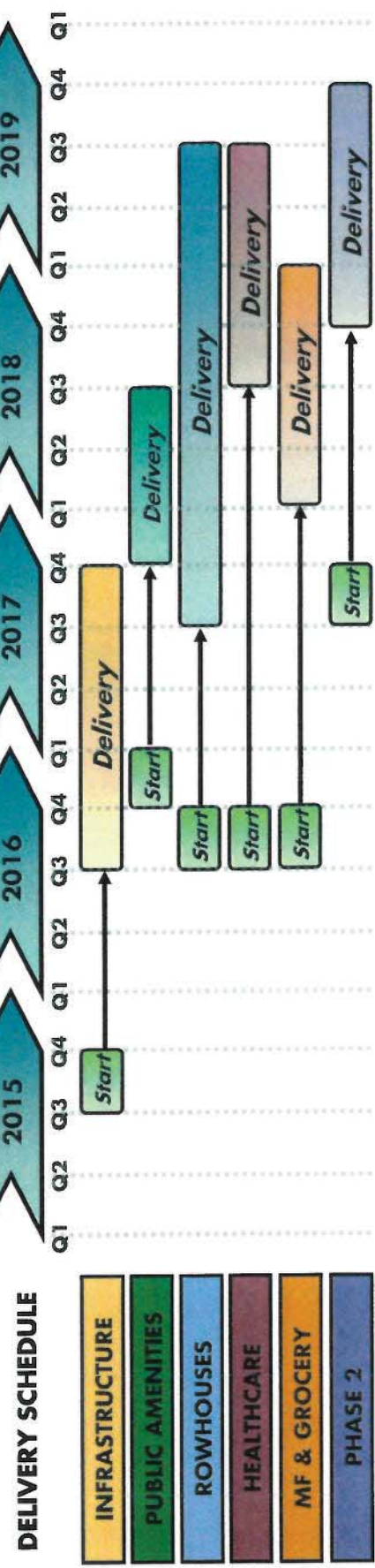
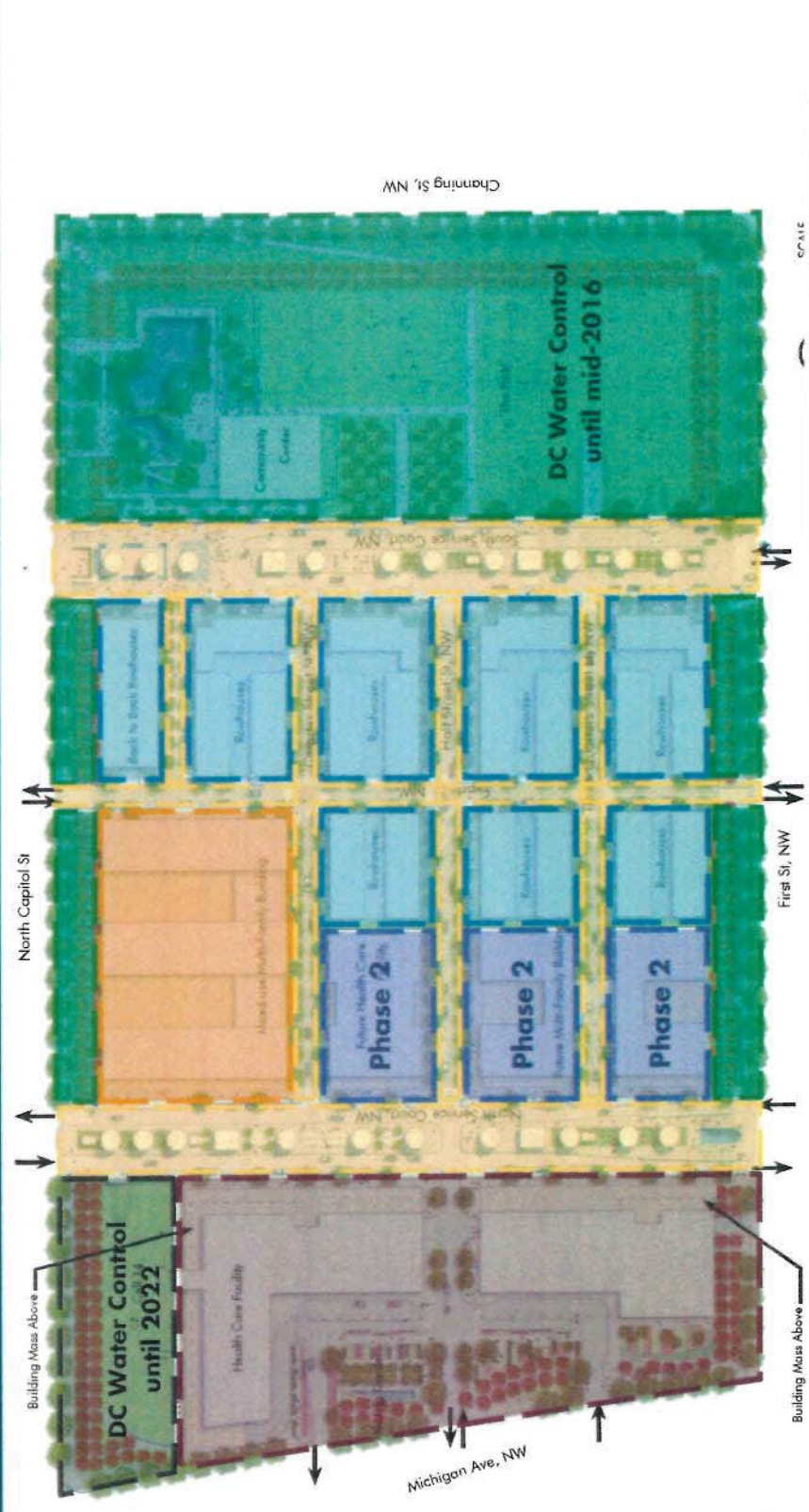
Phase 1 -
Stage 1 and Stage 2 Consolidated PUD
Parcels 1, 4, 5, 6, 7, 8 & 9

Phase 2
Separate Stage 2 filing at a later date
Parcels 2 & 3



Schedule 2.2.B

CONSTRUCTION PHASING PLAN



Multifamily

Purchase Price Schedule

Number of Units: approximately 450 - 550 units

Purchase Price Methodology

- The purchase price will be determined by a formula which will not be calculated until six months (or less) prior to the commencement of vertical construction.
- The purchase price will be based on the then current fair market value as determined by a Return on Cost ("**ROC**") calculation.
 - ROC for these purposes is defined as the projected Net Operating Income ("**NOI**") for the project divided by Total Development Costs ("**TDC**") for the project.
- The NOI will be supported by the market study prepared for and submitted to sources of debt financing, for instance the Federal Housing Administration (FHA). The NOI analysis will be based upon relevant market data including current and recent transactions of comparable projects and product types.
- The TDC will be supported by contracts and/or proposals from vendors involved in the project including the initial Guaranteed Maximum Price cost from the general contractor ("iGMP"). Complete construction documents and an iGMP are required as part of the FHA financing and will likely be part of the determination of the Fair Market Value ("FMV").
- The District and JLDP agree to assume a 6% hard cost contingency and a 6% soft cost contingency as part of TDC.
- JLDP will serve as the development manager for the project and will cap its assumed development fee at 5% as part of TDC.
- The purchase price for the land will be equal to the highest possible land value which can be entered into the ROC calculation and results in the Minimum ROC. Minimum ROC is defined as follows:
 - Projected Exit Cap Rate + Acceptable Spread = Minimum ROC
- The agreed upon Projected Exit Cap will be based upon historical transaction data and research compiled by real estate experts with experience in these asset classes.
 - The agreed upon Acceptable Spread is 200 basis points.

The formula detailed above will be memorialized in the LDA and the purchase price will be paid in cash to the District at Closing.

Option(s) to Change the Development Program:

JLDP may exercise, at its sole discretion, the option to convert a parcel to a condominium community ("**Condominium Option**") in the event the condo market has rebounded, favorable financing is available prior to the anticipated project start date, and the condominium land FMV is greater than the rental land FMV. The District, in its sole discretion, may reject the Condominium Option, if and only if, the condominium land FMV is lower than the rental land FMV.

JLDP shall make this determination within a reasonable time period prior to commencement of vertical construction. This time period will be defined within the LDA.

This determination will be based on JLDP's assessment of forward-looking market conditions including, but not limited to, availability of financing prior to the anticipated project start date and the difference between condominium use residual land value and apartment use residual land value, at the expected time of delivery of the project. JLDP's assessment also will be corroborated by market data from considered experts in this asset class.

Purchase Price Methodology (Condominium Use):

In the event JLDP elects to convert the parcel to a condominium community, JLDP will present to the District an Initial Base Sales Plan, which shall include assumptions of expected sales price and expected sales pace and shall be supported by a market study prepared for sources of debt financing.

The sales analysis will be based upon market data including absorption rates, pre-sale conditions as well as current and recent transactions of comparable projects and product types.

The District also will be entitled to 10% of any increases to the expected sales prices of condominium units (as defined in the Initial Base Sales Plan) net of certain costs that will be defined in the LDA. These additional land value proceeds will be paid to the District in full at the settlement of each unit.

Deposit Schedule

LDA Deposit: Five percent (5%) of the total Purchase Price for each respective Phase 1 and Phase 2 parcel. An example of the LDA Deposit calculation is included in the table below based on an estimated Purchase Price for each respective Phase 1 and Phase 2 parcel.

The amount of the LDA Deposit will be adjusted if the Purchase Price estimate changes.

	Building	Est. Land Value	Est. Initial Deposit (5%)
Phase 1	Parcel 4 – Multifamily w/ Grocery	\$1,000,000	\$50,000
Phase 2	Parcel 4 – Multifamily w/ retail	\$4,000,000	\$200,000

NOTE: - As outlined in the LDA, the District and VMP (or one of its Key Members) may elect to have VMP (or one of its Key Members) perform the portions of the Horizontal Development work required to prepare any or all of the parcels indicated above.

In the event such an election is made for a parcel, both the Initial Deposit and Additional Deposit amounts will be reduced by an amount commensurate to the value of the work performed by VMP (as verified and agreed to by the District).

An example of this adjustment calculation is included below:

	Land Value	Cost of Work Performed	Initial Deposit (5%)
Original Deposit	\$4,000,000		\$200,000
Reduction		<\$2,000,000>	<\$100,000>
Adjusted Deposit			\$100,000

Additional Deposit: Fifteen percent (15%) of the Purchase Price for the respective Phase 1 or Phase 2 parcel upon which the District has commenced the Property Work. Below is an example of the Additional Deposit calculations. The actual Additional Deposit will be calculated for each respective Phase 1 or Phase 2 parcel based on the actual Purchase Price at the commencement of Property Work for the respective parcel.

	Building	Est. Land Value	Est. Additional Deposit (15%)
Phase 1	Parcel 4 – Multifamily w/ Grocery	\$1,000,000	\$150,000
Phase 2	Parcel 4 – Multifamily w/ retail	\$4,000,000	\$600,000

NOTE: - As outlined in the LDA, the District and VMP (or one of its Key Members) may elect to have VMP (or one of its Key Members) perform the portions of the Horizontal Development work required to prepare any or all of the parcels indicated above.

In the event such an election is made for a parcel, both the Initial Deposit and Additional Deposit amounts will be reduced by an amount commensurate to the value of the work performed by VMP (as verified and agreed to by the District).

An example of this adjustment calculation is included below:

	Land Value	Cost of Work Performed	Initial Deposit (5%)
Original Deposit	\$4,000,000		\$200,000
Reduction		<\$2,000,000>	<\$100,000>
Adjusted Deposit			\$100,000

Schedule 4.2.4**Developer's Approved Guarantors**

Developer	Project-Specific Entity	Approve Guarantor
EYA	McMillan Associates, LLC	EYA Development LLC
JAIR LYNCH Development Partners	LDP McMillan Land Acquirer, LLC	LDP Holdings, LLC
Trammell Crow Company	TC MidAtlantic Development IV, INC.	CBRE, Inc.

**Exhibit E
Multifamily
Schedule of Performance**

Following is the Schedule of Performance with estimated dates, which may be amended and extended with the approval of DMPED, or otherwise upon an event of force majeure:

- Phase 1 Closing: 90 days after completion of Horizontal Development
- Commence Phase 1 Construction: 30 days after Phase 1 Closing
- Completion of Phase 1: Not more than 15 years following Closing
- Phase 2 Closing: 48 months after Phase 1 Closing
- Commence Phase 2 Construction: 30 days after Phase 2 Closing
- Completion of Phase 2: Not more than 15 years following Closing

The Community Benefits Agreement (if applicable)

[Not Applicable]

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Employment Services

VINCENT C. GRAY
MAYOR



F. THOMAS LUPARELLO
ACTING DIRECTOR

June 24, 2014

Shiv Newaldass
Project Manager
Deputy Mayor for Planning and Economic Development
1350 Pennsylvania Avenue, NW, Suite 317
Washington, DC.20004

Dear Mr. Newaldass:

Enclosed is your copy of the signed First Source Employment Agreement between the D.C. Department of Employment Services (DOES) and Vision McMillan Partners, LLC. Please note that the enclosed First Source Agreement reflects legislative changes to the First Source Program which took effect on February 24, 2012. Under the terms of the Agreement, you are required to use DOES as the first source to fill all new jobs created as a result of Project: McMillan Redevelopment. The new provisions still require that 51% of all new hires be District residents on government contracts between \$300,000 and \$5 million. In addition, each construction project receiving government assistance totaling \$5 million or more is required to have the following percentage of hours worked by DC residents on those projects; 20% of journey worker hours; 60% of apprentice hours; 51% of skilled laborer hours; 70% of common laborer hours. Further, District residents registered in programs approved by the District of Columbia Apprenticeship Council shall work 35% of all apprenticeship hours worked in connection with the Project or 60% where applicable.

You should post your job vacancies to the Department of Employment Services' Virtual One-Stop (VOS) at www.dcnetworks.org. Please contact DeCarlo Washington at (202) 698-5772 to receive assistance with identifying qualified District residents for placement.

The First Source Program has implemented an electronic compliance database which will provide a more efficient way for employers to enter and track their monthly First Source data. If you have any questions regarding the Monthly Compliance Reporting Database, please contact DeCarlo Washington at (202) 698-5772.

Sincerely,

Handwritten signature of Drew Hubbard in black ink.

Drew Hubbard
Associate Director
First Source Program

Enclosure



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
FIRST SOURCE EMPLOYMENT AGREEMENT FOR
CONSTRUCTION PROJECTS ONLY**



GOVERNMENT-ASSISTED PROJECT/CONTRACT INFORMATION

CONTRACT/SOLICITATION NUMBER: N/A
 DISTRICT CONTRACTING AGENCY: DMPED
 CONTRACTING OFFICER: Shiv Newaldass
 TELEPHONE NUMBER: _____
 TOTAL CONTRACT AMOUNT: TBD
 EMPLOYER CONTRACT AMOUNT: TBD
 PROJECT NAME: McMillan Redevelopment
 PROJECT ADDRESS: North Capitol Street, Michigan Ave NW, 1st Street NW, Channing St NW
 CITY: Washington STATE: DC ZIP CODE: _____
 PROJECT START DATE: 2015 PROJECT END DATE: 2019
 EMPLOYER START DATE: 2015 EMPLOYER END DATE: 2019

EMPLOYER INFORMATION

EMPLOYER NAME: Vision McMillan Partners, LLC
 EMPLOYER ADDRESS: 1055 Thomas Jefferson St NW Suite 600
 CITY: Washington STATE: DC ZIP CODE: 20007
 TELEPHONE NUMBER: 202.337.1025 FEDERAL IDENTIFICATION NO.: _____
 CONTACT PERSON: Adam C. Weers
 TITLE: Authorized Representative
 E-MAIL: aweers@trammellcrow.com TELEPHONE NUMBER: 202.337.1025
 LOCAL, SMALL, DISADVANTAGED BUSINESS ENTERPRISE (LSDBE) CERTIFICATION
 NUMBER: N/A
 D.C. APPRENTICESHIP COUNCIL REGISTRATION NUMBER: N/A
 ARE YOU A SUBCONTRACTOR YES NO IF YES, NAME OF PRIME
 CONTRACTOR: N/A

This First Source Employment Agreement (Agreement), in accordance with Workforce Intermediary Establishment and Reform of the First Source Amendment Act of 2011 (D.C. Official Code §§ 2-219.01 – 2.219.05), and relevant provisions of the Apprenticeship Requirements Amendment Act of 2004 (D.C. Official Code § 2-219.03 and § 32-1431) for recruitment, referral, and placement of District of Columbia residents, is between the District of Columbia Department of Employment Services, (DOES) and EMPLOYER. Pursuant to this Agreement, the EMPLOYER shall use DOES as its first source for recruitment, referral, and placement of new hires or employees for all jobs created by the Government Assisted Project or Contract (Project). The EMPLOYER shall meet the hiring or hours worked percentage requirements for all jobs created by the Project as outlined below in Section VII. The EMPLOYER shall ensure that District of Columbia residents (DC residents) registered in programs approved by the District of Columbia Apprenticeship Council shall work 35% (or 60% where applicable) of all apprenticeship hours worked in connection with the Project.

I. DEFINITIONS

The following definitions shall govern the terms used in this Agreement.

- A. **Apprentice** means a worker who is employed to learn an apprenticeable occupation under the terms and conditions of approved apprenticeship standards.
- B. **Beneficiary** means:
 - 1. The signatory to a contract executed by the Mayor which involves any District of

Columbia government funds, or funds which, in accordance with a federal grant or otherwise, the District government administers and which details the number and description of all jobs created by a government-assisted project or contract for which the beneficiary is required to use the First Source Register;

2. A recipient of a District government economic development action including contracts, grants, loans, tax abatements, land transfers for redevelopment, or tax increment financing that results in a financial benefit of \$300,000 or more from an agency, commission, instrumentality, or other entity of the District government, including a financial or banking institution which serves as the repository for \$1 million or more of District of Columbia funds.
 3. A retail or commercial tenant that is a direct recipient of a District government economic development action, including contracts, grants, loans, tax abatements, land transfers for public redevelopment, or tax increment financing in excess of \$300,000.
- C. **Contracting Agency** means any District of Columbia agency that awarded a government assisted project or contract totaling \$300,000 or more.
- D. **Direct labor costs** means all costs, including wages and benefits, associated with the hiring and employment of personnel assigned to a process in which payroll expenses are traced to the units of output and are included in the cost of goods sold.
- E. **EMPLOYER** means any entity awarded a government assisted project or contract totaling \$300,000 or more.
- F. **First Source Employer Portal** means the website consisting of a connected group of static and dynamic (functional) pages and forms on the World Wide Web accessible by Uniform Resource Locator (URL) and maintained by DOES to provide information and reporting functionality to EMPLOYERS.
- G. **First Source Register** means the DOES Automated Applicant Files, which consists of the names of DC residents registered with DOES.
- H. **Good faith effort** means an EMPLOYER has exhausted all reasonable means to comply with any affirmative action, hiring, or contractual goal(s) pursuant to the First Source law and Agreement.
- I. **Government-assisted project or contract (Project)** means any construction or non-construction project or contract receiving funds or resources from the District of Columbia, or funds or resources which, in accordance with a federal grant or otherwise, the District of Columbia government administers, including contracts, grants, loans, tax abatements or exemptions, land transfers, land disposition and development agreements, tax increment financing, or any combination thereof, that is valued at \$300,000 or more.
- J. **Hard to employ** means a District of Columbia resident who is confirmed by DOES as:
1. An ex-offender who has been released from prison within the last 10 years;
 2. A participant of the Temporary Assistance for Needy Families program;
 3. A participant of the Supplemental Nutrition Assistance Program;
 4. Living with a permanent disability verified by the Social Security Administration or

- District vocational rehabilitation program;
5. Unemployed for 6 months or more in the last 12-month period;
 6. Homeless;
 7. A participant or graduate of the Transitional Employment Program established by § 32-1331; or
 8. An individual who qualified for inclusion in the Work Opportunity Tax Credit Program as certified by the Department of Employment Services.
- K. **Indirect labor costs** means all costs, including wages and benefits, that are part of operating expenses and are associated with the hiring and employment of personnel assigned to tasks other than producing products.
- L. **Jobs** means any union and non-union managerial, nonmanagerial, professional, nonprofessional, technical or nontechnical position including: clerical and sales occupations, service occupations, processing occupations, machine trade occupations, bench work occupations, structural work occupations, agricultural, fishery, forestry, and related occupations, and any other occupations as the Department of Employment Services may identify in the Dictionary of Occupational Titles, United States Department of Labor.
- M. **Journeyman** means a worker who has attained a level of skill, abilities and competencies recognized within an industry as having mastered the skills and competencies required for the occupation.
- N. **Revised Employment Plan** means a document prepared and submitted by the EMPLOYER that includes the following:
1. A projection of the total number of hours to be worked on the project or contract by trade;
 2. A projection of the total number of journey worker hours, by trade, to be worked on the project or contract and the total number of journey worker hours, by trade, to be worked by DC residents;
 3. A projection of the total number of apprentice hours, by trade, to be worked on the project or contract and the total number of apprentice hours, by trade, to be worked by DC residents;
 4. A projection of the total number of skilled laborer hours, by trade, to be worked on the project or contract and the total number of skilled laborer hours, by trade, to be worked by DC residents;
 5. A projection of the total number of common laborer hours to be worked on the project or contract and the total number of common laborer hours to be worked by DC residents;
 6. A timetable outlining the total hours worked by trade over the life of the project or contract and an associated hiring schedule;
 7. Descriptions of the skill requirements by job title or position, including industry-recognized certifications required for the different positions;

8. A strategy to fill the hours required to be worked by DC residents pursuant to this paragraph, including a component on communicating these requirements to contractors and subcontractors and a component on potential community outreach partnerships with the University of the District of Columbia, the University of the District of Columbia Community College, the Department of Employment Services, Jointly Funded Apprenticeship Programs, the District of Columbia Workforce Intermediary, or other government-approved, community-based job training providers;
 9. A remediation strategy to ameliorate any problems associated with meeting these hiring requirements, including any problems encountered with contractors and subcontractors;
 10. The designation of a senior official from the general contractor who will be responsible for implementing the hiring and reporting requirements;
 11. Descriptions of the health and retirement benefits that will be provided to DC residents working on the project or contract;
 12. A strategy to ensure that District residents who work on the project or contract receive ongoing employment and training opportunities after they complete work on the job for which they were initially hired and a review of past practices in continuing to employ DC residents from one project or contract to the next;
 13. A strategy to hire graduates of District of Columbia Public Schools, District of Columbia public charter schools, and community-based job training providers, and hard-to-employ residents; and
 14. A disclosure of past compliance with the Workforce Act and the Davis-Bacon Act, where applicable, and the bidder or offeror's general DC resident hiring practices on projects or contracts completed within the last 2 years.
- O. **Tier Subcontractor** means any contractor selected by the primary subcontractor to perform portion(s) or all work related to the trade or occupation area(s) on a contract or project subject to this First Source Agreement.
- P. **Washington Metropolitan Statistical Area** means the District of Columbia; Virginia Cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park; the Virginia Counties of Arlington, Clarke, Fairfax, Fauquier, Loudon, Prince William, Spotsylvania, Stafford, and Warren; the Maryland Counties of Calvert, Charles, Frederick, Montgomery and Prince Georges; and the West Virginia County of Jefferson.
- Q. **Workforce Intermediary Pilot Program** means the intermediary between employers and training providers to provide employers with qualified DC resident job applicants. See DC Official Code § 2-219.04b.

II. GENERAL TERMS

- A. Subject to the terms and conditions set forth herein, DOES will receive the Agreement from the Contracting Agency no less than 7 calendar days in advance of the Project start date. No work associated with the relevant Project can begin until the Agreement has been accepted by DOES.
- B. The EMPLOYER will require all Project contractors and Project subcontractors with contracts or subcontracts totaling \$300,000 or more to enter into an Agreement with DOES.

- C. DOES will provide recruitment, referral, and placement services to the EMPLOYER, subject to the limitations in this Agreement.
- D. This Agreement will take effect when signed by the parties below and will be fully effective through the duration, any extension or modification of the Project and until such time as construction is complete and a certificate of occupancy is issued.
- E. DOES and the EMPLOYER agree that, for purposes of this Agreement, new hires and jobs created for the Project (both union and nonunion) include all of EMPLOYER'S job openings and vacancies in the Washington Metropolitan Statistical Area created for the Project as a result of internal promotions, terminations, and expansions of the EMPLOYER'S workforce, as a result of this Project, including loans, lease agreements, zoning applications, bonds, bids, and contracts.
- F. This Agreement includes apprentices as defined in D.C. Official Code §§ 32-1401- 1431.
- G. DOES will make every effort to work within the terms of all collective bargaining agreements to which the EMPLOYER is a party. The EMPLOYER will provide DOES with written documentation that the EMPLOYER has provided the representative of any collective bargaining unit involved with this Project a copy of this Agreement and has requested comments or objections. If the representative has any comments or objections, the EMPLOYER will promptly provide them to DOES.
- H. The EMPLOYER who contracts with the District of Columbia government to perform construction, renovation work, or information technology work with a single contract, or cumulative contracts, of at least \$500,000, let within a 12-month period will be required to register an apprenticeship program with the District of Columbia Apprenticeship Council as required by DC Code 32-1431.
- I. If, during the term of this Agreement, the EMPLOYER should transfer possession of all or a portion of its business concerns affected by this Agreement to any other party by lease, sale, assignment, merger, or otherwise this First Source Agreement shall remain in full force and effect and transferee shall remain subject to all provisions herein. In addition, the EMPLOYER as a condition of transfer shall:
 - 1. Notify the party taking possession of the existence of this EMPLOYER'S First Source Employment Agreement.
 - 2. Notify DOES within 7 business days of the transfer. This notice will include the name of the party taking possession and the name and telephone of that party's representative.
- J. The EMPLOYER and DOES may mutually agree to modify this Agreement. Any modification shall be in writing, signed by the EMPLOYER and DOES and attached to the original Agreement.
- K. To the extent that this Agreement is in conflict with any federal labor laws or governmental regulations, the federal laws or regulations shall prevail.

III. TRAINING

- A. DOES and the EMPLOYER may agree to develop skills training and on-the-job training programs as approved by DOES; the training specifications and cost for such training will be mutually agreed upon by the EMPLOYER and DOES and will be set forth in a separate

Training Agreement.

IV. RECRUITMENT

- A. The EMPLOYER will complete the attached Revised Employment Plan that will include the information outlined in Section I.N., above.
- B. The EMPLOYER will post all job vacancies with the Job Bank Services of DOES at <http://does.dc.gov> within 7 days of executing the Agreement. Should you need assistance posting job vacancies, please contact Job Bank Services at (202) 698-6001.
- C. The EMPLOYER will notify DOES of all new jobs created for the Project within at least 7 business days (Monday - Friday) of the EMPLOYERS' identification/creation of the new jobs. The Notice of New Job Creation shall include the number of employees needed by job title, qualifications and specific skills required to perform the job, hiring date, rate of pay, hours of work, duration of employment, and a description of the work to be performed. This must be done before using any other referral source.
- D. Job openings to be filled by internal promotion from the EMPLOYER'S current workforce shall be reported to DOES for placement and referral, if the job is newly created. EMPLOYER shall provide DOES a Notice of New Job Creation that details such promotions in accordance with Section IV.C.
- E. The EMPLOYER will submit to DOES, prior to commencing work on the Project, a list of Current Employees that includes the name, social security number, and residency status of all current employees, including apprentices, trainees, and laid-off workers who will be employed on the Project. All EMPLOYER information reviewed or gathered, including social security numbers, as a result of DOES' monitoring and enforcement activities will be held confidential in accordance with all District and federal confidentiality and privacy laws and used only for the purposes that it was reviewed or gathered.

V. REFERRAL

- A. DOES will screen applicants through carefully planned recruitment and training events and provide the EMPLOYER with a list of qualified applicants according to the number of employees needed by job title, qualifications and specific skills required to perform the job, hiring date, rate of pay, hours of work, duration of employment, and a description of the work to be performed as supplied by the EMPLOYER in its Notice set forth above in Section IV.C.
- B. DOES will notify the EMPLOYER of the number of applicants DOES will refer, prior to the anticipated hiring dates.

VI. PLACEMENT

- A. EMPLOYER shall in good faith, use reasonable efforts to select its new hires or employees from among the qualified applicants referred by DOES. All hiring decisions are made by the EMPLOYER.
- B. In the event that DOES is unable to refer qualified applicants meeting the EMPLOYER'S established qualifications, within 7 business days (Monday - Friday) from the date of notification from the EMPLOYER, the EMPLOYER will be free to directly fill remaining positions for which no qualified applicants have been referred. The EMPLOYER will still be required to meet the hiring or hours worked percentages for all jobs created by the Project.
- C. After the EMPLOYER has selected its employees, DOES is not responsible for the

- G. EMPLOYER can "double count" hours for the "hard to employ" up to 15% of total hours worked by DC Residents.
- H. For construction Projects that are not subject to Davis-Bacon law in which certified payroll records do not exist, EMPLOYER must submit monthly documents of workers employed on the Project to DOES, including DC residents and all employment classifications of hours worked.
- I. EMPLOYER may also be required to provide verification of hours worked or hiring percentages of DC residents, such as internal payroll records for construction Projects that are not subject to Davis-Bacon.
- J. Monthly, EMPLOYER must submit weekly certified payrolls from all subcontractors at any tier working on the Project to the Contracting Agency. EMPLOYER is also required to make payroll records available to DOES as a part of compliance monitoring, upon request at job sites.

VIII. FINAL REPORT AND GOOD FAITH EFFORTS

- A. With the submission of the final request for payment from the Contracting Agency, the EMPLOYER shall:
 - 1. Document in a report to DOES its compliance with the hiring or hours worked percentage requirements for all jobs created by the Project and the percentages of DC residents employed in all Trade Classifications, for each area of the Project; or
 - 2. Submit to DOES a request for a waiver of the hiring or hours worked percentage requirements for all jobs created by the Project that will include the following documentation:
 - a. Documentation supporting EMPLOYER'S good faith effort to comply;
 - b. Referrals provided by DOES and other referral sources; and
 - c. Advertisement of job openings listed with DOES and other referral sources.
- B. DOES may waive the hiring or hours worked percentage requirements for all jobs created by the Project, and/or the required percentages of DC residents in all Trade Classifications areas on the Project, if DOES finds that:
 - 1. EMPLOYER demonstrated a good faith effort to comply, as set forth in Section C, below; or
 - 2. EMPLOYER is located outside the Washington Metropolitan Statistical Area and none of the contract work is performed inside the Washington Metropolitan Statistical Area.
 - 3. EMPLOYER entered into a special workforce development training or placement arrangement with DOES or with the District of Columbia Workforce Intermediary; or
 - 4. DOES certified that there are insufficient numbers of DC residents in the labor market possessing the skills required by the EMPLOYER for the positions created as a result of the Project. No failure by Employer to request a waiver under any other provision hereunder shall be considered relevant to a requested waiver under this Subsection.
- C. DOES shall consider documentation of the following when making a determination of a good-faith effort to comply:

1. Whether the EMPLOYER posted the jobs on the DOES job website for a minimum of 10 calendar days;
2. Whether the EMPLOYER advertised each job opening in a District newspaper with city-wide circulation for a minimum of 7 calendar days;
3. Whether the EMPLOYER advertised each job opening in special interest publications and on special interest media for a minimum of 7 calendar days;
4. Whether the EMPLOYER hosted informational/recruiting or hiring fairs;
5. Whether the EMPLOYER contacted churches, unions, and/or additional Workforce Development Organizations;
6. Whether the EMPLOYER interviewed employable candidates;
7. Whether the EMPLOYER created or participated in a workforce development program approved by DOES;
8. Whether the EMPLOYER created or participated in a workforce development program approved by the District of Columbia Workforce Intermediary;
9. Whether the EMPLOYER substantially complied with the relevant monthly reporting requirements set forth in this section;
10. Whether the EMPLOYER has submitted and substantially complied with its most recent employment plan that has been approved by DOES; and
11. Any additional documented efforts.

IX. MONITORING


- A. DOES is the District agency authorized to monitor and enforce the requirements of the Workforce Intermediary Establishment and Reform of the First Source Amendment Act of 2011 (D.C. Official Code §§ 2-219.01 – 2-219.05), and relevant provisions of the Apprenticeship Requirements Amendment Act of 2004 (D.C. Official Code § 2-219.03 and § 32-1431). As a part of monitoring and enforcement, DOES may require and EMPLOYER shall grant access to Project sites, employees, and documents.
- B. EMPLOYER'S noncompliance with the provisions of this Agreement may result in the imposition of penalties.
- C. All EMPLOYER information reviewed or gathered, including social security numbers, as a result of DOES' monitoring and enforcement activities will be held confidential in accordance with all District and federal confidentiality and privacy laws and used only for the purposes that it was reviewed or gathered.
- D. DOES shall monitor all Projects as authorized by law. DOES will:
 1. Review all contract controls to determine if Prime Contractors and Subcontractors are subject to DC Law 14-24.
 2. Notify stakeholders and company officials and establish meetings to provide technical assistance involving the First Source Process.

3. Make regular construction site visits to determine if the Prime or Subcontractors' workforce is in concurrence with the submitted Agreement and Monthly Compliance Reports.
4. Inspect and copy certified payroll, personnel records and any other records or information necessary to ensure the required workforce utilization is in compliance with the First Source Law.
5. Conduct desk reviews of *Monthly Compliance Reports*.
6. Educate EMPLOYERS about additional services offered by DOES, such as On-the-Job training programs and tax incentives for EMPLOYERS who hire from certain categories.
7. Monitor and complete statistical reports that identify the overall project, contractor, and sub contractors' hiring or hours worked percentages.
8. Provide formal notification of non-compliance with the required hiring or hours worked percentages, or any alleged breach of the First Source Law to all contracting agencies, and stakeholders. *(Please note: EMPLOYERS are granted 30 days to correct any alleged deficiencies stated in the notification.)*

X. PENALTIES

- A. Willful breach of the Agreement by the EMPLOYER, failure to submit the Contract Compliance Reports, deliberate submission of falsified data or failure to reach specific hiring or hours worked requirements may result in DOES imposing a fine of 5% of the total amount of the direct and indirect labor costs of the contract for the positions created by EMPLOYER. Fines will also include additional prorated fines of 1/8 of 1% of total contract amount for not reaching specific hiring or hours worked requirements. Prime Contractors who choose to report all hiring or hours worked percentages cumulatively (overall construction project) will be penalized, if hiring or hours worked percentage requirements are not met.
- B. EMPLOYERS who have been found in violation 2 times or more over a 10 year period may be debarred and/or deemed ineligible for consideration for Projects for a period of 5 years.
- C. Appeals of violations or fines are to be filed with the Contract Appeals Board.

I hereby certify that I have the authority to bind the EMPLOYER to this Agreement.

By: 

EMPLOYER Senior Official

Vision McMillan Partners, LLC

Name of Company

1055 Thomas Jefferson St NW Suite 600

Washington, DC 20007

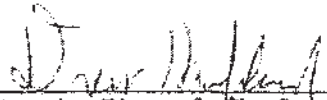
Address

202.337.1025

Telephone

aweers@trammellcrow.com

Email



Associate Director for First Source

Department of Employment Services

4058 Minnesota Avenue, NE

Third Floor

Washington, DC 20019

202-698-6284

firstsource@dc.gov

6/23/14
Date

Date: November 4, 2013
To: Department of Employment Services
Subject: First Source Employment Agreement for the McMillan
Redevelopment
From: Vision McMillan Partners

In conjunction with the upcoming LDA and Surplus/Disposition hearings for the redevelopment of the former McMillan Sand Filtration property, Vision McMillan Partners ("VMP"), the developer of the McMillan project, has been asked to enter into a First Source Agreement with respect to the private developments that will be constructed on the portions of McMillan which will be sold by the District to VMP.

Prior to selling land parcels to VMP, the District will entitle the property and complete certain land development and infrastructure work, after which it will sell the land in question to VMP at fair market value. The highly complex and lengthy entitlements process required for McMillan, which includes the Historic Preservation Review Board, Mayor's Agent, and Zoning Commission, has not yet been completed. Similarly, the building design and permitting process, which will begin subsequent to the completion of the entitlements process, has not yet commenced and thus, construction activity at McMillan is not anticipated to commence until 2015.

Given the significant amount of time still remaining before construction start, much of the specific information regarding the contracting and construction of the private developments which will be subject to the executed First Source Agreement is not currently available. Upon selecting general contractors and finalizing the construction plans for each anticipated development, VMP will have its contractors enter into a First Source Agreement (identical to the form of First Source Agreement executed by VMP) which includes specific contract amounts and employment plans for each respective vertical development project.

Thomas, Carlos (DOES)

From: Graham, Anetta (DOES)
Sent: Monday, June 23, 2014 12:07 PM
To: Thomas, Carlos (DOES)
Subject: FW: McMillan-First Source Executed
Attachments: McMillan_First Source Agreement.pdf; McMillan_First Source Agreement Exhibit A_FINAL.doc

Anetta Graham

Supervisor, First Source Program
Department of Employment Services
4058 Minnesota Avenue, NE
Third Floor
Washington, DC 20019
(202)698-3757 Direct
anetta.graham@dc.gov
www.does.dc.gov

From: Hubbard, Drew (DOES)
Sent: Monday, June 23, 2014 11:50 AM
To: Graham, Anetta (DOES)
Subject: FW: McMillan-First Source Executed

Drew Hubbard
Associate Director, Employer Services
First Source - Office of Apprenticeship Information & Training - Business Services Group
Department of Employment Services
4058 Minnesota Avenue, NE
Third Floor
Washington, DC 20019
Phone: (202) 698-6006 Fax: (202) 698-5646
Drew.Hubbard@dc.gov
www.does.dc.gov



From: Weers, Adam @ Washington DC [mailto:AWeers@trammellcrow.com]
Sent: Monday, June 23, 2014 11:33 AM
To: Hubbard, Drew (DOES)
Cc: Newaldass, Shiv (EOM)
Subject: RE: McMillan-First Source Executed

**CERTIFIED BUSINESS ENTERPRISE
UTILIZATION AND PARTICIPATION AGREEMENT**

THIS CERTIFIED BUSINESS ENTERPRISE UTILIZATION AND PARTICIPATION AGREEMENT (this “Agreement”) is made by and between the **DISTRICT OF COLUMBIA** (the “District”), a municipal corporation acting by and through the **DISTRICT OF COLUMBIA DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT** (“DSLBD”) and **Vision McMillan Partners LLC**, a District of Columbia limited liability company, or its designees, successors or assigns (the “Developer”).

RECITALS

A. Pursuant to three (3) Land Disposition and Development Agreements to be entered between the Developer and the District, by and through the Deputy Mayor for Planning and Economic Development (“DMPED”), the District owns that twenty-five (25) acre parcel of real property, known as the McMillan Sand Filtration Site and situated on North Capitol Street, NW, Washington, D.C. and known for tax and assessment purposes as Lot 0800 in Square 3128 (the “**McMillan Site**”), the District intends to convey the fee interest in a portion of the McMillan Site to Developer to provide for the development of the McMillan Site anticipated to contain a mix of uses including residential (with affordable housing), retail and healthcare uses, while also retaining a portion of the site as a public park (the “Project”).

B. The Developer and DMPED intend to enter into three (3) separate Land Disposition and Development Agreements each representing a “Phase”, one related to the planned for-sale townhome residential uses, one for the planned multi-family residential uses (and related retail), and one for the healthcare uses (and related retail). Each Land Disposition and Development Agreement will correspond to an individual member of the Developer and a Phase and is referred to herein collectively as “Land Disposition and Development Agreement”.

C. Pursuant to the Land Disposition and Development Agreement, the Developer covenants that it has executed and will comply in all respects with this Agreement.

D. Capitalized terms not defined herein shall have the meaning assigned to them in the Land Disposition and Development Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, the receipt and adequacy of which is hereby acknowledged by both parties hereto, DSLBD and the Developer agree, as follows:

**ARTICLE I
UTILIZATION OF CERTIFIED BUSINESS ENTERPRISES**

Section 1.1 CBE Utilization. Developer, on its behalf and/or on behalf of its successors and assigns (if any), shall hire and contract with Certified Business Enterprises certified pursuant to the Small, Local and Disadvantaged Business Enterprise Development and Assistance Act of 2005, as amended (the “Act”) (D.C. Law 16-33; D.C. Official Code § 2-218.01 *et seq.*) (each a “CBE”) in connection with the predevelopment and development phases of the Project,

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including, but not limited to, design, professional and technical services, construction management and trade work, development, renovation and suppliers. Developer shall expend funds contracting and procuring goods and services from CBEs in an amount equivalent to *no less than* thirty-five percent (35%) of the adjusted development budget (“Adjusted Development Budget” or “Adjusted Budget”) detailed in Attachment 1 (the “CBE Minimum Expenditure”). The Adjusted Development Budget is **\$540,484,706**. The CBE Minimum Expenditure is therefore **\$189,169,647**.

Section 1.2 Time Period. Developer shall achieve its CBE Minimum Expenditure no later than ninety (90) days after the issuance of a final Certificate of Occupancy by the District for the final Phase of the Project (“Expenditure Period”). If within six (6) years of the execution of this Agreement the Developer has not achieved the CBE Minimum Expenditure and has not obtained a final Certificate of Occupancy for the final Phase of the Project, the Developer shall meet with DSLBD to provide a status of the Project as related to this Agreement.

Section 1.3 Adjustments to the Total Development Budget or CBE Minimum Expenditure. If the Total Development Budget or the CBE Minimum Expenditure increases or decreases by an amount greater than 5%, within ten (10) business days Developer shall submit to DSLBD to review and determine if there is a greater than 5% adjustment to the Adjusted Development Budget or the CBE Minimum Expenditure (“Adjustment”). The CBE Minimum Expenditure and Contingent Contributions (if applicable as defined herein) shall be automatically increased in the case of an increase or decreased in the case of a decrease, by an identical percentage of the Adjustment. A modified Attachment 1, approved by DSLBD, shall become a part of this Agreement and be provided to the Developer and ODCA. The Total Development Budget outlined in Attachment 1 for each Phase of the Project is preliminary and will change as the Project moves through the entitlement process and the true cost of construction is determined. Thus a modified Attachment 1 will be submitted by Developer in accordance with this Section 1.3.

Section 1.4 Capacity Building Incentives. Developer acknowledges that a priority of the District of Columbia is to assist local businesses in developing greater capacity, technical capabilities and valuable experience, especially in areas of development and construction related services. To that end, the parties agree that Developer will have the right to earn and receive certain incentives for engaging in activities that are likely to create opportunities for CBEs generally, and to facilitate capacity building for Disadvantaged Business Enterprises as defined in the Act (each a “DBE”) in particular. Such incentives when earned by Developer will be applied by DSLBD to reduce Developer’s CBE utilization requirements set forth in Section 1.1 of this Agreement.

(a) The Developer may devise a list of professional services, trade specialties, or other vocational areas in which CBEs either lack capacity, lack depth, or in which such firms traditionally do not participate as prime contractors in construction projects of this nature and size (each, a “Target Sector”), and submit the list to DSLBD for approval before or simultaneously with the execution of this Agreement. CBEs identified on the list shall not be eligible for a bonus, as described in paragraphs (1) and (2) below (“Reporting Bonus”), unless the list is approved by DSLBD. Any such list submitted and approved by DSLBD shall be attached hereto as Attachment 2 and made a part of this Agreement.

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- (1) For every dollar expended with a *DBE* for services that fall *within* a Target Sector, Developer shall receive credit for \$1.50 against the CBE Minimum Expenditure. For example, a \$100,000 contract award paid to a DBE for services that fall within a Target Sector would be counted as \$150,000 by DSLBD when measuring Developer’s performance against the CBE Minimum Expenditure.
- (2) For every dollar expended with a *CBE* that is not a DBE for services that fall *within* a Target Sector, Developer shall receive credit for \$1.25 against the CBE Minimum Expenditure. For example, a \$100,000 contract award paid to a CBE for services that fall within a Target Sector would be counted as \$125,000 by DSLBD when measuring Developer’s performance against the CBE Minimum Expenditure.
- (3) For every dollar expended with a *DBE* for services *not* included in a Target Sector, Developer shall receive a credit for \$1.25 against the CBE Minimum Expenditure. For example, a \$100,000 contract award paid to a DBE for services not included in a Target Sector would be counted as \$125,000 by DSLBD when measuring Developer’s performance against the CBE Minimum Expenditure.

(b) Every contract, purchase or task order (as applicable) issued by Developer to CBE firms, either directly or indirectly, which Developer believes should qualify for the Reporting Bonus shall be subject to review and approval by the Director of DSLBD (the “Director”) to ensure that the scope of work is properly characterized within a Target Sector. The Reporting Bonus will not be credited to Developer unless the Director approves the specific procurement, provided, however, that a negative determination will not preclude Developer from receiving standard credit (either 1:1 or 1.25:1, as applicable) for the expenditure as set forth herein.

(c) The parties may mutually agree in writing to additional incentives that may be earned by Developer for instituting additional capacity building initiatives for CBEs (*e.g.*, pay without delay programs; establishment of strategic partnerships or mentor-protégé initiatives). In particular, Developer is encouraged to work with its general contractors and/or construction managers to develop more flexible criteria for pre-qualifying CBEs for the Project. The modified pre-qualification criteria should consider the size and economic wherewithal usually present in small contractors as well as insurance and bonding requirements. Developer is also highly encouraged to establish CBE set-asides for certain procurements that will restrict bidders to those bid packages.

**ARTICLE II
CBE OUTREACH AND RECRUITMENT REPORTS**

Section 2.1 Identification of CBEs and Outreach Efforts. Developer shall utilize the resources of DSLBD, including the *CBE Business Center* found on DSLBD’s website (<http://dslbd.dc.gov>). In particular, Developer shall publish all contracting opportunities for this Project within the CBE Business Center’s Business Opportunities area. Developer shall use the CBE Company Directory as the primary source for identifying CBEs. The primary contact regarding CBE referrals shall be the Director or such other DSLBD representative as the Director may designate. Developer may

use other resources to identify individuals or businesses that could qualify as CBEs and is encouraged to refer any such firms to DSLBD’s Certification unit for certification. Throughout the Expenditure Period, Developer or its general contractor/construction manager may (as set forth in Section 4.1) periodically publish notices in any one of the following newspapers primarily serving the District of Columbia: *The Current Newspapers*, *The Washington Informer*, the *Washington Afro-American*, *Common Denominator*, *Washington Blade*, *Asian Fortune* and *El Tiempo Latino* (or if any of them should cease to exist, their successor, and if there is no successor, in another newspaper of general circulation) to inform CBEs, and entities that could qualify as CBEs, about the business opportunities in connection with the Project . In the event that Developer develops a website for the Project, other than a marketing website targeted towards tenants and potential buyers or renters of the townhome or multifamily residences, such website shall (i) advertise upcoming bid packages, (ii) present instructions on how to bid, and (iii) directly link to DSLBD’s website.

ARTICLE III INFORMATION SUBMISSIONS AND REPORTING

Section 3.1 CBE Utilization Plans. Developer shall submit or require its general contractor to submit a CBE utilization plan to DSLBD for approval before or simultaneously with the execution of this Agreement, which plans shall be automatically incorporated and made a part of this Agreement as Attachment 3 following approval by DSLBD (each, a “Utilization Plan”). Each Utilization Plan shall list all of the projected procurement items, quantities and estimated costs, bid opening and closing dates, and start-up and completion dates. This plan should indicate whether any items will be bid without restriction in the open market, or limited to CBEs. Developer may not deviate materially from the steps and actions set forth in each Utilization Plan without notifying the Director. For ease of monitoring, Developer agrees to work with DSLBD to implement procedures for it or its general contractor to submit Utilization Plans electronically through the DSLBD compliance administration database, as applicable and to the Office of the District of Columbia Auditor (“ODCA”).

Section 3.2 Quarterly Reports.

(a) Throughout the Expenditure Period, regardless of whether the CBE Minimum Expenditure is achieved before the end of the Expenditure Period, Developer will submit quarterly contracting and subcontracting expenditure reports (“Quarterly Reports”) for the Project which identify:

- (i) those contracts where the party providing services, goods or materials was a CBE, including the name of the company and the amount of the contract;
- (ii) the nature of the contract including a description of the goods procured or the services contracted for;
- (iii) the amount actually paid by Developer to the CBE under such contract that quarter and to date;
- (iv) the CBE certification number issued by DSLBD;

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- (v) the work performed by vendors/contractors in Target Sector(s) and relevant multipliers; and
- (vi) the percentage of overall development expenditures which were to CBEs.

(b) The Quarterly Reports shall be submitted to DSLBD and ODCA no later than thirty (30) days after the end of each calendar-year quarter. The Quarterly Reports shall be submitted on a form provided by DSLBD (a prototype of this form is included as Attachment 4). However, DSLBD reserves the right to amend this form.

(c) Companies that may be eligible for certification, but are not yet certified, or whose certification is pending before DSLBD **shall not be included in the Quarterly Reports unless and until the company is certified by DSLBD as a CBE.**

(i) In order to obtain credit towards the CBE Minimum Expenditure requirement, a contractor/ subcontractor that is utilized by the Developer must have an active CBE certification **at the time the goods or services are provided (contract/ subcontract performed) and at the time payment is made to the contractor/ subcontractor.** **CREDIT WILL ONLY BE GIVEN FOR THE PORTION OF THE CONTRACT/ SUBCONTRACT PERFORMED BY A CBE USING THEIR OWN ORGANIZATION AND RESOURCES.**

(ii) The Developer will **not** receive credit towards the CBE Minimum Expenditure if the Developer's utilized contractor/ subcontractor:

- (1) is not certified by DSLBD as a CBE at the time the goods or services are provided (contract/ subcontract performed) and at the time payment is made to the contractor/ subcontractor;
- (2) has a pending application before DSLBD seeking CBE certification;
- (3) has an expired CBE certification;
- (4) has a CBE certification application that DSLBD denied; or
- (5) has a CBE certification that has been revoked by DSLBD.

(iii) CBE certification is valid for **two years**. If not renewed, the CBE certification will expire. To determine whether a contractor/ subcontractor has a valid and/or current CBE certification, before goods/ services are provided and payment made, Developer may check the DSLBD website:
<http://lsdbe.dslbd.dc.gov/public/certification/search.aspx>

(d) Developer must require every CBE that it contracts or subcontracts with to maintain its CBE certification through the term of and final payment of the contract/ subcontract. If Developer pays a contractor/ subcontractor that is not certified as a CBE for goods/ services provided when the contractor/ subcontractor was not a CBE, those payments will **not** be applied towards the

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CBE Minimum Expenditure requirement and the expenditures shall **not** be included on the Quarterly Report.

(e) Concurrently with the submission of the Quarterly Reports, Developer shall also submit vendor verification forms (each, a “Vendor Verification Form”) substantially in the form of Attachment 5 for each expenditure listed in the Quarterly Report.

(f) Once the CBE Minimum Expenditure has been achieved, the subsequent Quarterly Reports shall contain the caption “CBE MINIMUM EXPENDITURE ACHIEVED.” Additionally, the final Quarterly Report shall contain the caption “FINAL QUARTERLY REPORT” and be accompanied by a copy of the final Certificate of Occupancy issued by the District.

Section 3.3 Mandatory Reporting Requirements Meeting. Within ten (10) business days of executing this Agreement, the Developer and ODCA shall meet to discuss the reporting requirements during the Expenditure Period. In the event ODCA is unavailable to meet within 10 business days, Developer and ODCA shall meet on the earliest mutually agreeable day. The individuals identified below respectively are the reporting point of contacts for the Developer and ODCA.

Adam C. Weers
Vision McMillan Partners LLC
c/o Trammell Crow Company, LLC
1055 Thomas Jefferson St NW, Suite 600
Washington, DC 20007

Lorin Randal
Vision McMillan Partners LLC
c/o EYA LLC
4800 Hampden Lane
Suite 300
Bethesda, MD 20814

Anthony Startt
Vision McMillan Partners LLC
c/o Lynch Development Advisors LLC
1508 U Street, NW
Washington, D.C. 20009

Sophie Kamal
Financial Auditor
Office of the District of Columbia Auditor
717 14th ST NW, Suite 900
Washington, DC 20005
202- 727- 8998
Sophie.Kamal@dc.gov

**ARTICLE IV
GENERAL CONTRACTORS AND CONSTRUCTION MANAGERS**

Section 4.1 Adherence to CBE Minimum Expenditure. For each construction component of the Project, Developer shall require in its contractual agreements with the general contractor and/or construction manager for the development project, as applicable, (the “General Contractor”), that the General Contractor comply with the relevant obligations and responsibilities of Developer contained in this Agreement with respect to achieving the applicable CBE Minimum Expenditure. In the event that the Developer and General Contractor have already entered a contractual agreement prior to the execution of this Agreement, the Developer shall work with the General Contractor to assure that the General Contractor will assist the Developer in achieving the applicable CBE Minimum Expenditure. Developer further agrees to inform the General Contractor and subcontractors of the other obligations and requirements applicable to Developer under this Agreement. Developer shall inform the General Contractor that non-compliance with this Agreement may negatively impact future opportunities with the District for the Developer and the General Contractor respectively. Specifically, Developer will require in its contractual agreement with its General Contractor (“GC”), or if the Developer and GC have already entered a contractual agreement prior to the execution of this Agreement work with its GC, to achieve the following actions in any employment or contracting efforts, in connection with the Project, undertaken after the effective date of this Agreement:

- (i) The GC may publish a public notice in one newspaper whose primary circulation is in the District of Columbia (*e.g. Afro American, Washington Informer, El Tiempo Latino, Asian Fortune, The Current Newspapers, etc.*), for the purpose of soliciting bids for products or services being sought for construction and renovation projects and will allow a reasonable time (*e.g., no less than 20 business days*) for all bidders to respond to the invitations or requests for bids.
- (ii) The GC will contact DSLBD to obtain a current listing of all CBEs qualified to bid on procurements as they arise and will make full use of the CBE Business Center found at <http://dslbd.dc.gov> for listing opportunities and for subcontracting compliance monitoring.
- (iii) The GC will provide a CBE bidder, that is not the low bidder, an opportunity to provide its final best offer before contract award provided the CBE bid price is among the top 3 bidders.
- (iv) The GC will not require that CBEs provide bonding on contracts with a dollar value less than \$100,000, provided that in lieu of bonding the GC may accept a job specific certificate of insurance.
- (v) The GC will include in all contracts and subcontracts to CBEs, a process for alternative dispute resolution. This process shall afford an opportunity for CBEs to submit documentation of work performed and invoices regarding requests for payments. Included in the contract shall be a mutually agreed upon provision for mediation (to be conducted by DSLBD) or arbitration in accordance with the rules

of the American Arbitration Association.

- (vi) The GC and subcontractors shall strictly adhere to their contractual obligations to pay all subcontractors in accordance with the contractually agreed upon schedule for payments. In the event that there is a delay in payment to the general contractor, the GC is to immediately notify the subcontractor and advise as to the date on which payment can be expected.
- (vii) The GC commits to pay all CBEs, within fifteen (15) days following the GC's receipt of a payment which includes funds for such subcontractors, from the Developer. Developer also agrees to establish a procedure for giving notice to the subcontractors of the Developer's payment to the GC.
- (viii) The GC commits to verify a contractor/ subcontractor's CBE certification status prior to entering a contract/ subcontract with, accepting goods or services from, and making payment to a contractor/ subcontractor, in accordance with Article III of this Agreement.

ARTICLE V EQUITY PARTICIPATION AND DEVELOPMENT PARTICIPATION

Section 5.1 CBE Equity Participation and Development Participation Requirements:

- (i) **Minimum CBE Equity Participation and Development Participation Requirements.** Developer acknowledges and agrees that Certified Business Enterprises as defined in Section 2302 of the Act, D.C. Official Code § 2-218.02, ("CBEs") shall receive no less than twenty percent (20%) in sponsor Developer equity participation, intended to be contributed by the non-institutional investors or by the private developer, ("Equity Participation") and no less than twenty percent (20%) in development participation ("Development Participation") in the Project, in accordance with Section 2349a of the Act, D.C. Official Code § 2-218.49a. Although each Phase is included when determining the 20% CBE Equity and Development Participation requirements as required by this Article V, the twenty percent (20%) CBE Equity and Development Participation may be achieved through participation in certain Phases of the Project, but not necessarily in every Phase of the Project, so long as the overall 20% is achieved;
- (ii) **Pari Passu Returns for CBE Equity Participant(s).** Developer agrees that the CBE Equity Participant(s) shall receive a return on investment in the Project that is pari passu with all other sources of sponsor Developer equity. In addition, if CBE Equity Participant(s) elect to contribute additional capital to the Project, they will receive the same returns as Developer with respect to such additional capital. However, a CBE Equity Participant's equity interests shall not be diluted over the course of the Project, including for failure to contribute additional capital;

- (iii) **CBE Equity Participation maintained for duration of Project.** Developer agrees that the CBE Equity Participation shall be maintained for the duration of the Project. Culmination of the Project shall be measured by the issuance of a certificate of occupancy in accordance with the Expenditure Period as defined in Section 1.2 herein;
- (iv) **CBE Equity Participant’s Risk Commensurate with Equity Position.** The CBE Equity Participant(s) shall not bear financial or execution requirements that are disproportionate with its equity position in the Project;
- (v) **Management Control and Approval Rights.** Equity Participant(s) and Development Participant(s) shall have management control and approval rights in line with their equity positions; and
- (vi) **Representing the entity to the public.** Equity Participant(s) and Development Participant(s) shall be consistently included in representing the entity to the public (e.g., through joint naming, advertising, branding, etc.).

Section 5.2 Sweat Equity Contribution. No more than 25% of the total 20% equity participation requirement (“equal to 5%”) set forth in Section 5.1 of this Section may be met by a CBE providing development services in lieu of a cash equity investment that will be compensated by the Developer in the future at a date certain (“sweat equity contribution”). The Developer and the CBE shall sign, and provide to the DSLBD, a service agreement describing the following:

- (i) A detailed description of the scope of work that the CBE will perform;
- (ii) The dollar amount that the CBE will be compensated for its services and the amount the CBE is forgoing as an investment in the Project;
- (iii) The date or time period when the CBE will receive compensation;
- (iv) The return, if any, the CBE will receive on its sweat equity contribution; and
- (v) An explanation of when the CBE will receive its return as compared to other team members or investors.

Section 5.3 CBE Inclusion, Recognition, Access and Involvement. Developer acknowledges that a priority of the District is to ensure that CBE partners on development projects are granted and encouraged to maintain active involvement in all phases of the development effort, from initial-pre-development activities through development completion and ongoing asset management. To assist CBE partners in gaining the skills necessary to participate in larger development efforts, Developer agrees to provide all CBE partners full and open access to information utilized in project execution, including, for example, market studies, financial analyses, project plans and schedules, third-party consultant reports, etc. Developer agrees to consistently represent and include CBE partners of Developer as team members through such

CBE AGREEMENT – Master McMillan Project

actions as joint naming (if applicable), advertising, and branding opportunities that incorporate CBE partners. CBE partners of Developer shall not be precluded from selling services back to Developer. The CBE partners shall participate in budget, schedule, and strategy meetings. CBE partners may also participate in the negotiation of development agreements, creating a site plan, managing design development, hiring and managing consultants, seeking and securing zoning and entitlements, developing and monitoring budgets, apply for and securing financing, performing due diligence, marketing and sales of all units, and any other tasks necessary to the development and construction of the Project.

Section 5.4 No Changes in CBE Equity Participation and Development Participation.

- (i) Once the selection of Equity Participant(s) and Development Participant(s) in the Project have been approved by DSLBD, there can be no change in the Equity Participation and Development Participation and no dilution of the participants' Equity Participation and Development Participation without the express written consent of the Director; and
- (ii) Once DSLBD has approved the determination of returns for Equity Participant(s) in the Project, the determination of returns for Equity Participant(s) shall not be materially altered or adjusted from that previously presented to DSLBD without the Director's express written consent.

Section 5.5 Closing Requirements for CBE Equity Participation and Development Participation.

- (i) The closing documents executed in connection with the Project shall contain provisions indicating there can be no change of the CBE Equity Participation and Development Participation, no dilution of a participants' Equity Participation and Development Participation, and no material alteration of the determination of returns for the CBE Equity Participant(s) without the Director's express written consent;
- (ii) The closing documents shall expressly covenant and agree that DSLBD shall have third-party beneficiary rights to enforce the provisions, for and in its own right;
- (iii) The agreements and covenants in the closing documents shall run in favor of DSLBD for the entire period during which the agreements and covenants shall be in force and effect, without regard to whether the District was or is an owner of any land or interest therein or in favor of which the agreements and covenants relate;
- (iv) DSLBD shall have the right, in the event of a breach of the agreement or covenant in the closing documents, to exercise all the rights and remedies, and to maintain any actions or suits, at law or in equity, or other proceedings to enforce the curing of the breach of agreement or covenant to which it may be entitled; and

Section 5.6 CBE Equity Participation and Development Participation Restrictive Covenant.

- (i) If there is a transfer of title to any District-owned land that will become part of the Project, DSLBD may require a restrictive covenant be filed on the land requiring compliance with the Equity Participation and Development Participation requirements of the Act;
- (ii) A restrictive covenant requiring compliance with the Equity Participation and Development Participation shall run with the land and otherwise remain in effect until released by DSLBD following the completion of construction and of the issuance of certificates of occupancy for the Project. A release of the restrictive covenant shall be executed by DSLBD only after either the Developer and the Equity Participant(s) and Development Participant(s) submit a sworn certification together with documentation demonstrating to the satisfaction of DSLBD that, or DSLBD otherwise determines that:
 - (a) The CBE Development Participant(s) received at least 20% of the development fees for the Project based on the final development expenditures for such Project; and
 - (b) The CBE Equity Participant(s) maintained at least a 20% ownership interest in the sponsor Developer equity in the Project throughout its development.

Section 5.7 CBE Equity Participation and Development Participation Reports. Developers must submit quarterly reports to DSLBD and ODCA regarding the fulfillment of the Equity Participation and Development Participation Program requirements on such forms that may be determined by DSLBD. The reports shall be submitted in accordance with Section 3.2 of this Agreement and shall include information regarding:

- (i) Changes in ownership interest of the owners/partners;
- (ii) Additions or deletions of an owner/partner;
- (iii) Changes in the legal status of an existing owner/partner;
- (iv) Changes in the percentage of revenue distribution to an owner/partner;
- (v) A description of team member activities; and
- (vi) The amount of development fees paid to each team member, participant, partner, or owner.

Section 5.8 Article V of this Agreement Controls.

- (i) Article V of this Agreement is incorporated by reference and made a part of the Operating Agreement or any other similar agreement between the Developer and the undersigned CBE Equity Participant(s) and Development Participant(s).
- (ii) To the extent that Article V of this Agreement shall be deemed to be inconsistent with any terms or conditions of the Operating Agreement or any other similar agreement or any exhibits or attachments thereto between the Developer and the undersigned CBE Equity Participant(s) and Development Participant(s), the terms of Article V of this Agreement shall govern.

As it relates to or affects the CBE Equity Participant(s) and Development Participant(s), neither the Operating Agreement or any other similar agreement between the Developer and the undersigned CBE Equity Participant(s) and Development Participant(s), nor this Agreement shall be amended to decreased the participation percentage to less than 20% as mandated by D.C. Official Code § 2-218.49a.

Section 5.9 Equity Participation Unmet. If the Developer is unable to meet the 20% Equity Participation requirement, including sweat equity contribution and cash equity investment, the Developer shall pay to the District the outstanding cash equity amount as a fee in lieu of the unmet Equity Participation requirement.

ARTICLE VI CONTINGENT CONTRIBUTIONS

Section 6.1 Contingent Contributions for Failure to Meet CBE Minimum Expenditure. At the end of the Expenditure Period as defined herein, DSLBD shall measure the percentage difference between the CBE Minimum Expenditure and Developer’s actual CBE expenditures. If Developer’s actual CBE expenditures are less than the CBE Minimum Expenditure, DSLBD shall identify the percentage difference (the “Shortfall”). If Developer fails to meet its CBE Minimum Expenditure as provided in Section 1.2 herein, Developer shall make the following payments, each a (“Contingent Contribution”), which shall be paid to the District of Columbia in the time and in a manner to be determined by DSLBD. The Contingent Contributions shall be based on twenty-five percent (25%) of the CBE Minimum Expenditure (the “Contribution Fund”). The Contribution Fund is therefore **\$47,292,412**.

- (i) If the Shortfall is more than 50% of the CBE Minimum Expenditure, Developer shall make a Contingent Contribution of one hundred percent (100%) of the Contribution Fund. For example, if at the conclusion of the Project, the Shortfall is 60%, Developer shall make a Contingent Contribution of **\$47,292,412**.
- (ii) If the Shortfall is between 10% and 50% of the CBE Minimum Expenditure, Developer shall make a Contingent Contribution that is the percentage of the Contribution Fund that is equal to the Shortfall. For example, if the Shortfall is 20%, the Developer shall make a Contingent Contribution of 20% of the Contribution Fund, *i.e.*, **\$9,458,482**.

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- (iii) If the Shortfall is less than 10% of the CBE Minimum Expenditure, and Developer has taken all actions reasonably necessary (as reasonably determined by DSLBD based on Developer’s reports and other verifiable evidence) to achieve the CBE Minimum Expenditure, the Developer shall not be required to make a Contingent Contribution. The Developer may meet its burden to demonstrate it has taken all actions reasonably necessary to achieve its CBE Minimum Expenditure by (1) fulfilling all CBE outreach and recruitment efforts identified in Article II of this Agreement; (2) complying with Article IV of this Agreement; (3) providing evidence of the General Contractors’ compliance with the commitments set forth in Article IV of this Agreement, and (4) by taking the following actions, among other things¹:
- a. In connection with the preparation of future bid packages, if any, develop a list of media outlets that target CBEs and *potential* CBEs hereafter referred to as “Target Audience” based on D.C. certification criteria;
 - b. During the initial construction of the Project, place advertisements in media outlets that address the Target Audience on a regular basis (*i.e.*, each time a new bid package is sent out) and advertise the programmatic activities established pursuant to the Agreement on an as needed basis;
 - c. Fax and/or email new procurement opportunity alerts to targeted CBEs according to trade category;
 - d. In connection with the preparation of future bid packages, if any, develop a list of academic institutions, business and community organizations that represent the Target Audience so that they may provide updated information on available opportunities to their constituents;
 - e. Make presentations and conduct pre-bid conferences advising of contracting opportunities for the Target Audience either one-on-one or through targeted business organizations;
 - f. Provide up to ten (10) sets, in the aggregate, of free plans and specifications related to the particular bid for business organizations representing Target Audiences upon request;
 - g. Commit to promoting opportunities for joint ventures between non-CBE and CBE firms to further grow CBEs and increase contract participation.
- (iv) If the Shortfall is less than 10% of the CBE Minimum Expenditure, but Developer has *not* taken all actions reasonably necessary (as reasonably determined by DSLBD based on Developer’s reports and other verifiable evidence) to achieve the CBE Minimum Expenditure, Developer shall make a Contingent Contribution that is the percentage of the Contribution Fund that is equal to the Shortfall. For

¹ See Attachment 6 for a list of suggested outreach activities.

example, if the Shortfall is 5%, the Developer shall make a Contingent Contribution of 5% of the Contribution Fund, *i.e.*, \$2,364,621.

In the event a CBE hired as part of the Project goes out of business or otherwise cannot perform in accordance with customary and acceptable standards for the relevant industry, the Developer may identify and hire a substitute CBE capable of performing in accordance with customary and acceptable standards for the relevant industry. If the Developer cannot identify and hire a substitute CBE, the Developer may request in writing that the Director identify a list of substitute CBEs capable of performing in accordance with customary and acceptable standards for the relevant industry (“Request”). Only if, within ten (10) business days after receiving the Request, the Director fails to send written notice to the Developer identifying a list of substitute CBEs to perform the work (and the Developer determines for an amount no greater than 5% above the remaining balance of the original CBE contracted amount) may the Developer contract with a non-CBE to perform the work, provided that the non-CBE contracted amount shall not exceed the balance of the original CBE contracted amount by greater than 5% (“Approved Deduction”), and the Approved Deduction shall be deducted from the CBE Minimum Expenditure.

Section 6.2 Failure to Meet Equity and Development Participation Requirements. Failure to comply with the equity and development participation requirements of Article V of this Agreement shall constitute a material breach of this Agreement and of the Land Disposition and Development Agreement.

Section 6.3 Other Remedies. Failure to make any required Contingent Contribution in the time and manner specified by DSLBD shall be a material breach of this Agreement. In the event that the Developer breaches any of its obligations under this Agreement, in addition to the remedies stated herein, DSLBD does not waive its right to seek any other remedy against the Developer, the general contractor of the Project and any manager of the Project that might otherwise be available at law or in equity, including specific performance.

Section 6.4 Waiver of Contingent Contributions. Any Contingent Contribution required under this Section may be rescinded or modified by the Director upon consideration of the totality of the circumstances affecting such noncompliance.

ARTICLE VII MISCELLANEOUS

Section 7.1 Primary Contact. The Director, or his or her designee, shall be the primary point of contact for Developer for the purposes of collecting or providing information, or carrying out any of the activities under this Agreement. The Director and a representative of the Developer with contracting and/or hiring authority shall meet regularly.

Section 7.2 Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to either party shall be deemed to have been received when personally delivered or transmitted by telecopy or facsimile transmission (which shall be immediately confirmed by telephone and shall be followed by mailing an original of the same within 24 hours after such transmission) or 72 hours following deposit of the same in any United States Post Office, registered or certified mail, postage prepaid, addressed as follows:

CBE AGREEMENT – Master McMillan Project

To DSLBD: Department of Small and Local Business Development
441 4th Street, N.W., Suite 850 North
Washington, DC 20001
Attention: Director
Tel: (202) 727-3900
Fax: (202) 724-3786

and Office of the Deputy Mayor for Planning and Economic
Development Government of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 317
Washington, DC 20004
Attention: Deputy Mayor for Planning and Economic
Development
Tel: (202) 727-6365
Fax: (202) 727-6703

With a copy to: Office of the Attorney General
John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 407
Washington, DC 20004
Attention: Attorney General
Tel: (202) 724-3400
Fax: (202) 347-8922

To ODCA: Office of the District of Columbia Auditor
717 14th ST NW, Suite 900
Washington, DC 20005
Attention: District of Columbia Auditor
202-727-3600

To Developer: Vision McMillan Partners LLC
c/o Trammell Crow Company, LLC
1055 Thomas Jefferson St NW, Suite 600
Washington, D.C. 20007
Attention: Adam C. Weers
Tel: 202.337.1025
Fax 202.337.7365

Vision McMillan Partners LLC
c/o Lynch Development Advisors LLC
1508 U Street, NW
Washington, D.C. 20009
Attention: Anthony Startt
Tel: 202.462.1092

CBE AGREEMENT – Master McMillan Project

Vision McMillan Partners LLC
c/o EYA LLC
4800 Hampden Lane, Suite 300
Bethesda, MD 20814
Attention: Brian Allen Jackson
Tel: 301.634.8600
Fax 310.634.8601

Each party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

Section 7.3 Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent possible.

Section 7.4 Successors and Assigns.

- (i) This Agreement shall be binding upon and inure to the benefit of any permitted successors and assigns of the parties hereto. This Agreement shall not be assigned by the Developer without the prior written consent of the DSLBD, which consent shall not be unreasonably withheld or delayed. In connection with any such consent of DSLBD, DSLBD may condition its consent upon the acceptability of the financial condition of the proposed assignee, upon the assignee's express assumption of all obligations of the Developer hereunder or upon any other reasonable factor which DSLBD deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the scope of the rights and obligations assigned and shall not be effective until approved by the DSLBD. DSLBD shall have no right to assign this Agreement except to another District agency.
- (ii) DSLBD hereby acknowledges and agrees that Developer may assign all its right, title and interest in the 35% CBE subcontracting component in one or more of the Phases of the Project to another entity, which may include one of the current members of the Developer entity, that will develop the improvements to be constructed for the particular Phase being assigned. Upon the occurrence of such an assignment, all of Developer's obligations under this Agreement with respect to the 35% CBE subcontracting component of the particular Phase being assigned shall become the obligations of the assignee, including the obligations contained in Article VI of this Agreement - Contingent Contributions for Failure to Meet CBE Minimum Expenditure - relative to the particular Phase being assigned, and Developer shall simultaneously be deemed released from such obligations; except that the Equity and Development Participation requirements of Article V of this Agreement shall not be assigned. Attached hereto is a form sample Partial Assignment and Assumption of Certified Business Enterprise Utilization and Participation Agreement which DSLBD reserves the right to amend this form sample.

Section 7.5 Amendment; Waiver. This Agreement may be amended from time to time by written supplement hereto and executed by DSLBD and Developer. Any obligations hereunder may not be waived, except by written instrument signed by the party to be bound by such waiver. No failure or delay of either party in the exercise of any right given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified herein for exercise of such right, or satisfaction of such condition, has expired) shall constitute a waiver of any other or further right nor shall any single or partial exercise of any right preclude other or further exercise thereof or any other right. The waiver of any breach hereunder shall not be deemed to be a waiver of any other or any subsequent breach hereof.

Section 7.6 Governing Law. This Agreement shall be governed by the laws of the District of Columbia.

Section 7.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 7.8 Entire Agreement. All previous negotiations and understandings between the parties hereto or their respective agents and employees with respect to the transactions set forth herein are merged into this Agreement, and this Agreement alone fully and completely expresses the parties' rights, duties and obligations with respect to its subject matter.

Section 7.9 Captions, Gender, Number and Language of Inclusion. The captions are inserted in this Agreement only for convenience of reference and do not define, limit or describe the scope or intent of any provisions of this Agreement. Unless the context clearly requires otherwise, the singular includes the plural, and vice versa, and the masculine, feminine and neuter adjectives include one another. As used in this Agreement, the word "including" shall mean "including but not limited to".

Section 7.10 Attachments. The following exhibits shall be deemed incorporated into this Agreement in their entirety:

- Attachment 1: CBE Minimum Expenditure*
- Attachment 2: Target Sector List*
- Attachment 3: Utilization Plan*
- Attachment 4: CBE Reports*
- Attachment 5: Vendor Verification Forms*
- Attachment 6: Suggested Outreach Activities*

*Equity Participation and Development Participation Quarterly Report
Attachment*

*Sample Partial Assignment and Assumption of Certified Business Enterprise
Utilization and Participation Agreement*

Section 7.11 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives.

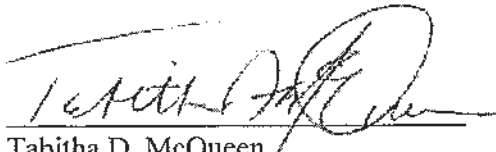
CBE AGREEMENT – Master McMillan Project

Section 7.12 Recitals. The Recitals set forth on the first page are incorporated by reference and made a part of this Agreement.

Signatures to follow.

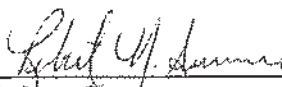
CBE AGREEMENT – Master McMillan Project

Approved as to legal sufficiency for the District of Columbia Department of Small and Local Business Development:

By: 
Tabitha D. McQueen
General Counsel, DSLBD

AGREED TO AND EXECUTED THIS 30th DAY OF September 2014

DISTRICT OF COLUMBIA DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT

By: 
Robert Summers
Director

CBE AGREEMENT – Master McMillan Project

DEVELOPER, Vision McMillan Partners LLC, a District of Columbia limited liability company

BY: TC MidAtlantic Development IV Inc., a Delaware corporation, Its Authorized Representative

BY: _____
Adam C. Weers
Authorized Representative
TC MidAtlantic Development IV Inc.

**ACKNOWLEDGED AND AGREED TO, AS TO ARTICLE V, BY CBE
DEVELOPMENT PARTICIPANT(S):**

By:

**Jair K. Lynch, Authorized Representative
Lynch Development Advisors LLC
20% Development Participant
CBE # LSDR66246042016**

ACKNOWLEDGED AND AGREED TO, AS TO ARTICLE V, BY CBE EQUITY PARTICIPANT(S):

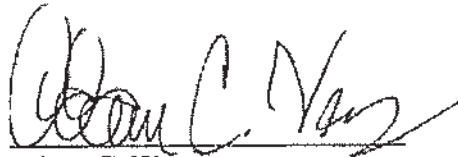
By:

**Jair K. Lynch, Authorized Representative
JLC EM Investor LLC
20% Equity Participant
CBE # LSR52577092016**

CBE AGREEMENT – Master McMillan Project

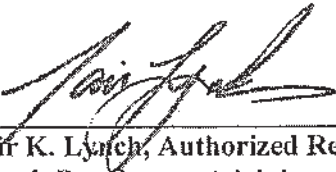
DEVELOPER, Vision McMillan Partners LLC, a District of Columbia limited liability company

BY: TC MidAtlantic Development IV Inc., a Delaware corporation, Its Authorized Representative

BY: 
Adam C. Weers
Authorized Representative
TC MidAtlantic Development IV Inc.

CBE AGREEMENT – Master McMillan Project

ACKNOWLEDGED AND AGREED TO, AS TO ARTICLE V, BY CBE
DEVELOPMENT PARTICIPANT(S):

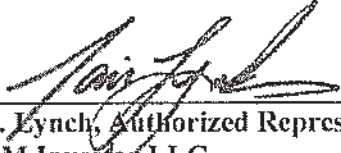
By: 

Jarr K. Lynch, Authorized Representative
Lynch Development Advisors LLC
20% Development Participant
CBE # LSDR66246042016

CBE AGREEMENT – Master McMillan Project

ACKNOWLEDGED AND AGREED TO, AS TO ARTICLE V, BY CBE EQUITY PARTICIPANT(S):

By:



Jair K. Lynch, Authorized Representative
JLC EM Investor LLC
20% Equity Participant
CBE # LSR52577092016

COMPLIANCE REPORTING INSTRUCTIONS FOR PRIVATE DEVELOPMENTS

(Revised 3/12/14)

Entities or individuals (hereinafter “Developer”) who enter into a Certified Business Enterprise Utilization (and Participation) Agreement (“CBE Agreement”) with the Department of Small and Local Business Development (“DSLBD”) must submit quarterly reports to both DSLBD and the District of Columbia Office of the Auditor (“ODCA”) together with additional supporting documentation to DSLBD.

The CBE Agreement outlines reporting requirements for private developments. If the Developer fails to comply with the reporting requirements, penalties may be imposed as outlined in the CBE Agreement. The Developer should meet with its financial officer and/or general contractor when completing the quarterly reports. The Developer is required to meet with ODCA ten (10) days after the CBE Agreement is entered; and is encouraged to meet separately with DSLBD’s compliance specialist if there are questions about DSLBD reporting requirements. Below is a quarterly report guide; all reports for each quarter should be submitted together as one packet.

Report Due	CBE Agreement Template Provided	Frequency	Report Must Be Submitted to:	Period Covered	Due Date
Quarter 1	Attachment 4 ¹ ; E & D Participation*	Quarterly	DSLBD & ODCA	1/1 to 3/31	April 30 th
Quarter 2	Attachment 4; E & D Participation*	Quarterly	DSLBD & ODCA	4/1 to 6/30	July 31 st
Quarter 3	Attachment 4; E & D Participation*	Quarterly	DSLBD & ODCA	7/1 to 9/30	October 30 th
Quarter 4	Attachment 4; E & D Participation*	Quarterly	DSLBD & ODCA	10/1 to 12/31	January 31 st
Vendor Verification Forms	Attachment 5	Quarterly	DSLBD Only	See above periods covered	With each quarterly report submission.
Narrative Description of Outreach Efforts to CBE Firms	Attachment 6 ²	Quarterly	DSLBD Only	See above periods covered	With each quarterly report submission

Completing Vendor Verification Forms- (VVF) (Attachment 5):

The VVF must be completed by each company that subcontracts *directly* with the general contractor or prime (“1st Tier Subcontractor”). The 1st Tier Subcontractor shall list on each VVF each additional subcontractor under the contract and list all joint ventures (JV), including if the 1st Tier Subcontractor is a JV. If any JVs are 1st Tier Subcontractors or additional subcontractors, credit towards the CBE Minimum Expenditure will only be given for the portion of work performed by (and the portion of the money paid to) the CBE companies, not all monies paid to the CBE JV. (All JVs must also be noted on each Attachment 4 indicating only the work performed by CBE companies, not the CBE JV.)

Submitting Compliance Reports to DSLBD and ODCA:

Each quarterly report should be emailed to DSLBD at Compliance.Enforcement@dc.gov or jacarl.melton@dc.gov; and ODCA at csbe.compliance@dc.gov. The compliance contact for DSLBD is Jacarl Melton, (202) 727-3900 and for ODCA Sophie Kamal, (202) 727-3600.

Request for a Project Completion Letter:

Once the project has been completed as defined in the CBE Agreement, a written request to close out the project from being monitored by DSLBD and for final CBE Minimum Expenditure calculation may be submitted to jacarl.melton@dc.gov. The word ‘FINAL’ must be noted on the last packet submitted with such written request.

¹ Attachment 4 is a Microsoft Excel Workbook with three spreadsheets that must be completed.

² State if ‘no outreach activities’ for a quarter; and provide a written narrative explaining why.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT

Seal of the District of Columbia
Vision McMillan Partners, L.L.C.
North Capitol Street and Michigan Avenue N.W.
SQUARE 3128
WASHINGTON, D.C.

Attachment 1 9/26/2014

PROJECT OVERVIEW

Project Name: McMillan Townhomes
Project Owner/Sponsor: Vision McMillan Partners, LLC
Developer & Managing Member: McMillan Multi-Family Vision McMillan Partners, L.L.C.
Local Ownership Partners: Vision McMillan Partners, LLC
Lead Architect: Lessard Design
Civil Engineer: Bowman Consulting
Landscape Architect: Nelson Byrd Woltz
Traffic Planner: Geneva Slade
Zoning Consultant: Holland & Knight
Advisory Neighborhood Commission (ANC): ANC SE
Project Location: N Capitol and Michigan Ave NW, Washington, DC 20002

McMillan - Healthcare Exec
Vision McMillan Partners, L.L.C.
Transwell Croy Company
1655 Thomas Jefferson, NW Suite 600 Washington, DC 20007

n/a
Shalem Brances Associates
Bowman Consulting
Nelson Byrd Woltz
Geneva Slade
Holland & Knight
ANC SE
N Capitol and Michigan Ave NW, Washington, DC 20002

PRELIMINARY BUDGET ESTIMATE OF DEVELOPMENT COSTS

SOURCES OF FUNDS

	For Sale Townhome Residential Phase	Multi-Family Residential & Retail Phase	Healthcare & Retail Phase	Total
Construtions/Permanent Loan	\$ 56,923,339	\$ 73,791,357	\$ 268,895,923	\$ 399,610,619
Low-Income Housing Tax Credit Equity	\$ -	\$ 4,837,238	\$ -	\$ 4,837,238
Institutional Equity	\$ 6,087,300	\$ 39,518,362	\$ 179,263,949	\$ 224,869,611
Sponsor Equity	\$ 1,521,825	\$ 2,079,913	\$ -	\$ 3,601,738
Deferred Development Fee	\$ -	\$ 1,051,587	\$ -	\$ 1,051,587
Reinvested Sales Revenue	\$ 6,893,105	\$ -	\$ -	\$ 6,893,105
Total Sources of Funds:	\$ 71,425,569	\$ 121,278,457	\$ 448,159,872	\$ 640,863,898

USES OF FUNDS - SUMMARY

Total Budget	\$ 624,281,236	100.00%
Exclusions	\$ 83,796,530	13.42%
Adjusted Budget	\$ 540,484,706	86.58%
CBE Minimum Expenditure	\$ 189,169,647	35.00% of the adjusted budget.

USES OF FUNDS

Acquisition	For Sale Townhome Residential Phase	Multi-Family Residential & Retail Phase	Healthcare & Retail Phase	Programs	Adjusted Budget	Justification Requested For Facilities
Land	\$ 9,776,636	\$ 6,409,468	\$ 17,928,000	\$ 34,114,104	\$ -	Purchase Price, no contracting opportunity - DOES NOT include any costs paid to real estate agent, attorney, title company, etc.
Site improvements	\$ 7,500,000	\$ 1,616,939	\$ 18,375,928	\$ 27,542,867	\$ -	
Vertical construction	\$ 29,762,980	\$ 83,992,410	\$ 276,285,712	\$ 390,041,103	\$ 390,041,103	

Hard Cost Contingency	\$	2,580,936	\$	5,398,171	\$	31,482,545	\$	39,461,652	\$	39,461,652
Soft Costs										
Design and Consultants	\$	3,070,000	\$	5,578,323	\$	16,077,571	\$	24,725,894	\$	24,725,894
Legal and Administrative	\$	1,137,838	\$	800,000	\$	7,994,293	\$	9,932,132	\$	9,932,132
Taxes, Permits and Fees	\$	3,591,228	\$	1,536,673	\$	8,218,480	\$	13,346,381	\$	13,346,381
Development Fee	\$	1,766,735	\$	6,414,650	\$	13,162,321	\$	21,343,706	\$	21,343,706
Project Contingency										
Community Benefits	\$	1,000,000	\$	680,924	\$	850,000	\$	1,530,924	\$	1,530,924
Marketing and Commissions	\$	2,054,964	\$	2,258,741	\$	23,123,648	\$	27,437,353	\$	27,437,353
Financing										
Financing Fees	\$	683,080	\$	2,859,744	\$	8,933,631	\$	12,476,455	\$	12,476,455
Interest Carry	\$	3,542,514	\$	3,811,569	\$	9,149,189	\$	16,503,272	\$	16,503,272
Financing Contingency and Reserves	\$		\$	825,394	\$		\$	825,394	\$	825,394
Subtotals	\$	66,516,911	\$	123,683,007	\$	434,081,318	\$	624,281,236	\$	83,796,530
										\$ 540,484,706

Total Project Budget	\$	624,281,236
Total Exclusions	\$	83,796,530
Adjusted Budget	\$	540,484,706
CBE Minimum Expenditure	\$	189,169,647
Contingent Contribution - 25% of CBE Minimum	\$	47,292,412
Section 6 1(i) contribution example	\$	47,292,412
Section 6 1(ii) contribution example	\$	9,458,482
Section 6 1(iii) contribution example	\$	2,364,621

Robert Summers

Approved by Robert Summers, Director, Department of Small and Local Business Development

Date: September 30, 2014

Attachment 2

Target Sector List

INSTRUCTIONS

To be included on the Target Sector List, the trade, service, or function must be necessary for the specific project. Thus, the budget allocation for each trade, service, function or area submitted to be included on the Target Sector List must be provided for each request. In addition, it must be asserted, and verified by DSLBD, that no Certified Business Enterprise (“CBE”) is able to perform the required service or function based on lack of capacity, lack of depth or because such firms traditionally do not participate as prime contractors in construction projects of the nature and size of this Project.

On page one, please provide a proposed list of trades, services or functions that the Developer believes that no CBE is able to perform, based on lack of capacity, lack of depth or because such firms traditionally do not participate as prime contractors in construction projects of the nature and size of this Project.

On page two, please provide a narrative description outlining the justification for asserting that no CBE is able to perform the required service or function based on lack of capacity, lack of depth or because such firms traditionally do not participate as prime contractors in construction projects of the nature and size of this Project .

Also on page two, please explain the efforts made in identifying that the trade, service, or function should properly be included on the Target Sector List. Efforts may include, but are not limited to, searching the DSLBD database, communications with other developers in an effort to identify specific CBEs, holding pre-bid conferences, working with DSLBD staff to identify CBEs, etc.

**NO SUBMISSION FOR THE
MASTER MCMILLAN
PROJECT**

Submitted by: _____
(Name of Developer)

Date: _____

Approved by: _____
Robert Summers, Director (DSLBD)

Date: _____

Attachment 2

Target Sector List

(Narrative Description)

**NO SUBMISSION FOR
THE MASTER
MCMILLAN PROJECT**

Submitted by:

(Name of Developer)

Date: _____

Approved by:

Robert Summers, Director (DSLBD)

Date: _____

CBE Utilization Plan

PROJECTED PROCUREMENT ITEMS (1)	ESTIMATED VALUE (2)	BID OPENING (3)	BID CLOSING (4)	STARTUP (5)	COMPLETION (6)	RESTRICTED OR OPEN (7)
ACQUISITION						
Land	\$ -					
Site improvements	\$ 27,542,867	May-16	Sep-16	Oct-16	May-18	Open
Vertical construction	\$ 390,041,103	May-16	Sep-16	Oct-16	May-18	Open
Hard Cost Contingency	\$ 39,461,652	May-16	Sep-16	Oct-16	May-18	Open
SOFT COSTS						
Design and Consultants	\$ 24,725,894	May-16	Sep-16	Oct-16	May-18	Open
Legal and Administrative	\$ 9,932,132	May-16	Sep-16	Oct-16	May-18	Open
Taxes, Permits and Fees	\$ -					
Development Fee	\$ 21,343,706	completed				
Project Contingency						
Community Benefits						
Marketing and Commissions						
FINANCING						
Financing Fees	\$ -					
Interest Carry	\$ -					
Financing Contingency and Reserves	\$ -					
Totals	\$ 540,484,706					
TOTALS	\$ 540,484,706					

NOTES:

- (1) The list above is for example purposes only. The column should contain the procurement items as reflected in the Adjusted Budget column in the approved Attachment 1. Do not include amounts from the 'Exclusions' column of the approved Attachment 1.
- (2) This column should reflect the dollar value for each procurement item as reflected in the approved Attachment 1.
- (3) This column should reflect the date bidding will open for each procurement item. (If the actual date(s) are unknown, enter the estimated date).
- (4) This column should reflect the date bidding will close for each procurement item. (If the actual date(s) are unknown, enter the estimated date).
- (5) This column should reflect the date work will begin for each procurement item. (If the actual date(s) are unknown, enter the estimated date).
- (6) This column should reflect the date work will be completed for each procurement item.
- (7) This column should reflect whether the bidding will be restricted to CBEs only or open to CBEs and non-CBEs.
- (8) This column should reflect the estimated dollar value (including Reporting Bonus, if any) for each procurement that will be awarded to CBEs. When totaled, this column must meet or exceed the CBE Minimum Expenditure.

CBE Utilization Plan

CBE CONTRACT AWARDS (8)	
\$	9,640,003
\$	136,514,386
\$	13,811,578
\$	8,654,063
\$	3,476,246
\$	7,470,297
\$	-
\$	9,603,073
\$	-
\$	189,169,647
\$	189,169,647



VENDOR VERIFICATION FORM (“VVF”)

Calendar Year: Select

Quarter: Select

PART I. Private Development Project and Agency Contract (“Project”) Details:

Name: _____ (✓ one) is the Prime Contractor or Developer or General Contractor

Project: (✓ one)

- District Agency Contract: District Agency _____ & Contract # _____
 Private Development Project (Project Name): _____

Subcontract # / Name: _____

(✓ one) CBE Subcontractor or CBE Lower Tier Subcontractor

PART II. CBE Subcontractor & Lower Tier Subcontractor Details:

Company _____ is a (✓ all that apply) small business enterprise (SBE) certified business enterprise (CBE) disadvantaged business enterprise (DBE) (“CBE Company”), subcontractor that performed services or provided products to _____, which is Select on the Select tier for the Project. The CBE Company’s CBE certification is active and the number is _____.

PART III. CBE Company’s Subcontracts to Lower Tier CBE or Non-CBE Companies: (✓ one)

- a. CBE Company provided 100% of all services and/or products provided for the Entire Project using its own organization and resources, and did not subcontract any portion to a lower tier subcontractor. (Skip to Part V.)
- b. CBE Company provided 100% of all services and/or products provided for the Entire Subcontract using its own organization and resources, and did not subcontract any portion to a lower tier subcontractor. (Skip to Part V.)
- c. CBE Company **subcontracted a portion of the Subcontract** to a lower tier subcontractor. (List every CBE and non-CBE lower tier subcontractor. *Credit will only be given for the portion of the contract/ subcontract performed by a CBE using their own organization and resources.*)

Lower Tier Subcontractor	Lower Tier Subcontractor is: SBE, CBE, DBE or Non-CBE	Total Amount of Lower Tier Subcontract	Amount Paid to Lower Tier Subcontractor This Quarter	Detailed Description of lower tier subcontractor’s scope of work	CBE Certification Number	Did Lower Tier Subcontractor listed further Subcontract (if yes, must have VVF for all other lower tier CBE subcontracts)
1.	Select	\$	\$			Select
2.	Select	\$	\$			Select
3.	Select	\$	\$			Select
4.	Select	\$	\$			Select

PART IV: CBE Subcontracting CREDIT:

A VVF for each CBE listed in Part III c. is provided with this VVF: (✓ one)

YES or Previously Provided on _____ Date - Proceed;
 NO - **STOP THIS VVF WILL NOT BE ACCEPTED, AND NO CREDIT GIVEN, UNTIL VVFs FOR ALL CBEs LISTED IN PART III c. ARE PROVIDED!**

CBE Subcontracting Credit will only be assessed for the portion of services & goods provided by each CBE Company AND each CBE Lower Tier Subcontractor **USING ITS OWN ORGANIZATION AND RESOURCES.**

PART V: Provide DETAILED Description of Scope of Work Provided by CBE Company:

The CBE Company provided the following scope of work/ products **using its own organization and resources** : _____. The subcontract work began on _____ date and is scheduled to be completed on _____ date. The total amount of the subcontract = \$_____ (amount should include all change orders); the total amount subcontracted to CBE lower tier subcontractors = \$_____ (amount should include all change orders). CBE Company paid total of \$ _____ to date for portion of subcontract performed with its own organization and resources; remaining amount to be paid to the CBE Company for portion of subcontract performed with its own organization and resources is \$ _____.

ACKNOWLEDGEMENT

I declare, certify, verify, attest or state under penalty of perjury that the information contained in this Vendor Verification Form, and any supporting documents submitted, are true and correct to the best of my knowledge and belief. I further declare, certify, verify, attest or state under penalty of perjury that I have the authority and specific knowledge of the goods and services provided under each subcontract contained in this Vendor Verification Form. I understand that pursuant to D.C. Official Code § 22-2402, any person convicted of perjury shall be fined not more than \$5,000 or imprisoned for not more than 10 years, or both. I understand that any false or fraudulent statement contained in this Vendor Verification Form may be grounds for revocation of my CBE registration pursuant to D.C. Official Code § 2-218.63. I also understand that failure to complete this Vendor Verification Form properly will result in no credit towards the SBE and CBE Subcontracting Requirements. Further, a Prime Contractor, General Contractor, Developer, CBE, or Certified Joint Venture that fails to comply with the requirements of the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005 (D.C. Law 16-33) (the "Act") and of the CBE Agreement, shall be subject to penalties as outlined in the Act and the CBE Agreement.

NOTARIZATION

The undersigned, as a duly authorized representative of _____, CBE Company, swears or affirms that the statements made herein are true and correct.

Signature: _____ Title: _____

Print Name: _____ Date: _____

District of Columbia (or State/Commonwealth of _____); to wit:

Signed and sworn to or affirmed before me on this _____ day of _____,

_____, by _____, who is well known to me or has been sufficiently verified as the person who executed the foregoing affidavit and who acknowledged the same to be his/her free act and deed.

Notary signature: _____
(Seal)

My commission expires: _____

ATTACHMENT 6

DOCUMENTATION OF ADDITIONAL OUTREACH EFFORTS

The general contractor "GC" may submit the following written documentation of its certified business enterprise "CBE" outreach and involvement efforts:

- (a) A listing of specific work scopes on a trade specific basis identified by the GC in which there are subcontracting opportunities for CBEs;
- (b) Copies of written solicitations used to solicit CBEs for these subcontracting opportunities;
- (c) A description of the GC's attempts to personally contact the solicited CBEs including the names, addresses, dates and telephone numbers of the CBEs contacted, a description of the information provided to the CBEs regarding plans, specifications and anticipated schedules for the work to be performed, and the responses of the CBEs to the solicitation;
- (d) In the event CBE subcontractors are found to be unavailable, the GC must request a written Statement of CBE Unavailability from the DSLBD;
- (e) A description of the GC's efforts to seek waiver of bonding requirements for CBEs, if bonding is required;
- (f) A copy of the GC's request for reduction in or partial release of retainage for CBE;
- (g) A copy of the contract between the prime contractor and each CBE subcontractor if a contract is executed between the District and the prime Contractor.

