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**RE: Columbia Place (Square 369), Washington, DC
Economic Impact Overview (\$2014)**

Bolan Smart Associates has been asked to provide an overview of the economic impact to the District of Columbia of constructing the approximate 543,000 sf hotel and residential Columbia Place redevelopment.

A. Direct Annual District Tax Revenue (\$2014) The principal direct tax revenues to the District of Columbia resulting from the completion of this project total approximately \$14.60 million per year (calculated in \$2014). The primary components, as summarized in Table 1, are estimated to include:

- 1) \$4.92 million per year in real estate taxes (See Tables 3-5);
- 2) \$6.02 million in hotel use related taxes, derived from \$24.58 million in room revenues and \$2.78 in limited food & beverage service and other revenues associated with the combined 501 room (377 room Courtyard and 124 room Residence Inn) hotels (See Table 3);
- 3) \$1.70 million in hotel guest retail related taxes attributable to \$17.37 million in annual off-site taxable retail sales (See Table 3);
- 4) \$0.38 million in parking taxes from a 161 space commercial parking component (See Table 3);
- 5) \$0.03 million in non-project hotel guest or resident related retail taxes attributable to \$0.73 million in on-site taxable retail sales derived from 1,626 sf of general retail space (See Table 4);
- 6) \$0.03 million per year in hotel and retail employment related sales tax revenues, attributable to \$0.43 million in employee generated annual taxable sales (\$50 per week in retail expenditures per employee) (See Tables 3-4).
- 7) \$1.12 million per year in DC resident income taxes derived from the development of 199 residential units (See Table 5);
- 8) \$0.29 million per year in DC resident retail sales tax revenues, attributable to \$7.68 million in DC based taxable sales (See Table 5); and
- 9) \$0.12 million in DC resident related use taxes and fees (residential building operations, resident DMV fees, utility and telecommunications fees, etc.) (See Table 5).

B. Employment and Economic Activity Benefits As summarized in Table 2, a total of 170 full time equivalent jobs are estimated to be located at the subject development, including 150 hotel jobs, 6 retail related jobs, plus a number of parking support jobs. This level of employment is responsible for approximately \$7.00 million (average \$40,000+ annual income) in annual District based payroll. Assuming that District residents hold 35% of the jobs, totaling 60 DC resident jobs, the annual direct payroll going to District residents is over \$2.40 million, responsible for approximately \$0.14 million in annual District of Columbia income and other DC employed resident related taxes.

C. One-time Development Related Revenues The combination of permits and recordation fees associated with the proposed development are projected to generate approximately \$3.50 million of direct District of Columbia tax revenues consequent from the initial development effort. Combined with \$1.12 million in estimated total construction period DC resident taxes and over \$2.65 million in estimated sales tax collected by the District on construction materials, this produces a total one-time tax District project direct revenue impact in excess of \$7.0 million.

One-time District Fees (2015 to 2017)

building permits / inspections / other fees	\$400,000
deed recordation (1)	<u>\$3,100,000</u>
total District one-time fees	\$3,500,000

(1) initial land transfer and mortgage recordation

Construction Employment and Related DC Resident Tax Revenue (See Table 2)

Approximately 450 full time construction (hard cost) jobs are projected to be created as part of a 24 month construction period. Assuming that District residents hold at least 25% of all construction related jobs, totaling approximately 113 DC resident jobs, the annual direct payroll going to District residents during the project development period would be in the range of \$14.00 million, responsible for over \$1.12 million in total construction period District of Columbia income and other DC employed resident related taxes.

Construction Materials Sales Tax Revenue

\$140,000,000 construction cost x 55% materials cost x 60% DC taxed at 5.75% sales tax rate, realizing \$2,650,000 in one-time construction materials DC sales tax. (Note 5% of construction cost is allocated to fund employer paid labor benefits.)

D. Other Impacts In addition to the enhanced urban place and neighborhood environment benefits of completing the subject project at this major infill development location, substantial off-site economic impacts can also be anticipated. In particular, the completion of Columbia Place will directly complement the success of the new DC Convention Center Hotel, the Convention Center, and other nearby recent DC ventures, including the CityCenterDC redevelopment.

**Table 1 - Combined Land Uses - Columbia Place
ECONOMIC IMPACT SUMMARY - \$2014**

Direct Annual District Tax Revenue					
1) Real Estate Tax	<i>see Tables</i> T3: # 6-10 T4: # 6-10 T5: # 6-10	hotel retail rental apartments total	<i>taxable value</i> \$225,450,000 \$813,000 \$87,635,514 \$313,898,514	<i>square feet</i> 329,630 1,626 212,000 543,256	<i>DC RE tax</i> \$4,158,825 \$15,041 \$744,902 \$4,918,767
2) Hotel Related Tax Revenue	<i>see Tables</i> T3: # 15 T3: # 16-17 T3: # 18-21	room tax other guest direct expenses corporate / other taxes	<i>taxable sales</i> \$24,576,253 \$2,779,548 \$27,355,801	<i>DC related tax</i> \$4,760,593 \$222,364 \$1,035,278	\$6,018,235
3) Hotel Guest Retail Expenditures	<i>see Table</i> T3: # 24-28	restaurant / other retail total	<i>total potential taxable sales</i> \$17,372,175 \$17,372,175	<i>DC retail related tax</i> \$1,698,130 \$1,698,130	
4) Parking Tax	<i>see Table</i> T3: # 29-31	hotel total	<i>taxable revenues</i> \$2,115,540 \$2,115,540	<i>DC parking tax</i> \$380,797 \$380,797	
5) Retail Space Direct Tax (non-real estate)	<i>see Table</i> T4: # 12-20	general retail total	<i>taxable sales</i> \$731,700 \$731,700	<i>DC retail related tax</i> \$26,316 \$26,316	
6) Employee Related Sales Tax Revenue	<i>see Tables</i> T3: # 32-33 T4: # 21-22	hotel retail total	<i>taxable sales</i> \$411,710 \$15,373 \$427,083	<i>DC retail related tax</i> \$32,937 \$1,230 \$34,167	
7) DC Resident Income Tax	<i>see Table</i> T5: # 11-19	rental apartments total	<i>total potential</i> \$1,476,250 \$1,476,250	<i>DC income tax</i> \$1,121,950 \$1,121,950	
8) DC Resident Retail Expenditures	<i>see Table</i> T5: # 20-22	rental apartments total	<i>total potential taxable sales</i> \$7,678,012 \$7,678,012	<i>DC retail related tax</i> \$287,925 \$287,925	
9) Other DC Resident Related Taxes / Fees	<i>see Table</i> T5: # 23	rental apartments total		<i>DC related tax</i> \$115,170 \$115,170	
Total Direct Annual DC Tax Revenue					\$14,601,458
10) Total Direct Annual Tax Revenue By Use	<i>see Tables</i> T3: # 34 T4: # 23 T5: # 26	hotel retail rental apartments		<i>DC taxes</i> \$12,288,924 \$42,586 \$2,269,948	
Total Direct Annual DC Tax Revenue					\$14,601,458

**Table 2 - Combined Land Uses - Columbia Place
ECONOMIC IMPACT SUMMARY - \$2014**

See Tables 3-5, lines 6-10

1) Project Related Residents	<u>total</u>	<u>DC residents</u>						
rental apartments	<u>306</u>	80%	<u>244</u>					
total	306		244					
2) Project Employment (FTE jobs)	<u>DC jobs</u>	<u>DC residents</u>	<u>income</u>	<u>total income</u>	<u>avg. total tax (a)</u>	<u>off-site</u>	<u>total DC tax</u>	
hotel	150	35%	53	\$40,000	\$2,104,200	6.0%	\$2,400	98%
retail	6	35%	2	\$40,000	\$82,778	6.0%	\$2,400	98%
parking	8	35%	3	\$40,000	\$112,700	6.0%	\$2,400	98%
Residential (one job / 35 units)	6	35%	2	<u>\$60,000</u>	<u>\$120,600</u>	<u>8.0%</u>	<u>\$4,800</u>	<u>98%</u>
Total Permanent FTE Jobs	170		60	\$40,676	\$2,420,278	6.0%	\$2,431	
Temporary Construction FTE Jobs (b)	<u>452</u>	25%	<u>113</u>	\$62,000	\$14,003,000	8.0%	\$4,960	100%
Total FTE Jobs	622		172		(over 2.0 yrs)		(per job/yr)	(over 2.0 yrs)

(a) Combined income and other DC taxes paid by local residents, including real property taxes on residences, local sales taxes and fees.

(b) Construction employment: \$140,000,000 construction cost x 40% direct labor divided by \$62,000 average annual income, equalling 903 person years divided by 24 months for project completion, realizing an annual average of 452 full time equivalent construction jobs.

Table 3 - Hotels
Columbia Place
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2014

Project Description		Direct Project Full Time Employment (a)	
1) Hotel Rooms	377 rooms (Courtyard)		
2)	<u>124</u> rooms (Residence Inn)		
3)	501 total rooms	0.30 jobs / room	150 jobs
4) Parking	161 spaces	20 spaces / job	8 jobs
5)			158 total jobs
Real Estate Tax			
6) General Real Estate Value (combined hotels)		\$450,000	\$225,450,000
7) Parking (included above)			<u>NA</u>
8) Total Taxable Real Estate Value (assessment)		\$450,000	\$225,450,000
9) Real Estate Taxes (1.65% rate on first \$3.0M of value x2)		1.85% commercial tax rate	\$33,539 <u>\$4,158,825</u>
10) Total Real Estate Tax Revenue			<u>\$33,539</u> \$4,158,825
Hotel Direct Tax Revenues			
11) Room Nights		one room	total rooms
12) Room Revenue (Courtyard)	76.0% occupancy	277	138,977
13) Room Revenue (Residence Inn)	\$235 average daily rate	\$65,189	\$24,576,253
14) Total Room Revenue	\$240 average daily rate	\$66,576	\$8,255,424
15) Transient Accommodations Tax			<u>\$32,831,677</u>
16) Other Hotel Expenditures (limited service food & beverage, etc.)	14.50% incl. 4.45% conv center rate	\$9,502	\$4,760,593
17) Other Hotel Guest Sales Tax	\$20 per occupied room night	<u>\$5,548</u>	<u>\$2,779,548</u>
18) DC Corporate Tax	8.0% tax rate (mostly food & bev)	\$444	\$222,364
19) Business Personal Property	9.975% on 4% profit on gross	\$284	\$142,089
20) Business Personal Property Tax	\$20,000 FF&E per room	<u>\$20,000</u>	<u>\$10,020,000</u>
21) Other Operating Taxes and Fees (b)	\$3.40 per \$100 value > \$50Kx2	\$673	\$337,280
22) Total Direct Use Related Taxes (lines 15,17,18,20,21)	\$4.00 per room night	<u>\$1,110</u>	<u>\$555,910</u>
23) Hotel DC Tax Capture		<u>\$12,012</u>	<u>\$6,018,235</u>
Restaurant / Other Retail Guest Tax Revenues			
24) Taxable DC Sales Outside of Subject Hotels	100.0% not exempt	\$12,012	\$6,018,235
25) DC Average Applicable Sales Tax			
26) Other Retail Related Taxes and Fees (c)			
27) Total Restaurant / Other Retail Related Taxes (lines 25,26)			
28) Restaurant / Other Retail DC Tax Capture			
Parking			
29) Parking Income		one room	total rooms
30)	\$125 per occupied room night	\$34,675	\$17,372,175
31) DC Parking Revenue Tax	8.5% (mostly food & beverage)	<u>\$2,947</u>	<u>\$1,476,635</u>
	15.0% of sales tax	<u>\$442</u>	<u>\$221,495</u>
		<u>\$3,389</u>	<u>\$1,698,130</u>
	100.0% not exempt	\$3,389	\$1,698,130
Employee Related Sales Tax Revenue			
32) FTE Employee Retail Expenditures Subject to Sales Tax		one space	total spaces
33) Employee Related Sales Tax	\$36.00 per space per day	\$13,140	\$2,115,540
	\$13,140 per space per year	\$2,365	<u>\$380,797</u>
	18.0% of gross revenue		
		one job	total jobs
	\$50.00 per FTE per week	<u>\$2,600</u>	<u>\$411,710</u>
	8.0% (mostly meals)	\$266	<u>\$32,937</u>
Total Direct Annual Tax Revenue			
34)		one room	total rooms
		\$24,529	\$12,288,924

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week.
- (b) Hotel operations purchases, utility and telecommunications fees, other business license fees and charges.
- (c) DC corporate tax, business personal property tax, other business purchase and license fees and charges.

**Table 4 - Retail (outleased in hotel component)
Columbia Place**
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2014

Project Description

1) General Retail	1,626 sf
2) Restaurant	0 sf
3) Total Retail	1,626 sf (gla)
4) Parking	0 spaces
5)	

Direct Project Full Time Employment (a)

275 sf / job	6 jobs
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Real Estate Tax

6) General Retail Real Estate Value	\$500.00	\$813,000
8) Parking (included in hotel)		NA
9) Total Taxable Real Estate Value (assessment)	\$500.00	\$813,000
10) Real Estate Tax Revenue	\$9.25	\$15,041
11) Total Real Estate Tax Revenue	\$9.25	\$15,041

General Retail Direct Tax Revenues

12) Taxable Sales (adjusted for 0% vacancy)	\$450 per sf	\$450.00	\$731,700
13) DC Average Applicable Sales Tax	6.00%	\$27.00	\$43,902
14) Sales Tax	50.0% net of on-site consumers	\$13.50	\$21,951
15) DC Corporate Tax	9.975% on 4% profit on gross	\$1.80	\$2,919
16) Business Personal Property	\$70.00 FF&E per sf	\$70.00	\$113,820
17) Business Personal Property Tax (b)	\$3.40 per \$100 > \$50Kx2	\$0.29	\$470
18) Other Operating Taxes and Fees (c)	\$0.60 per sf	\$0.60	\$976
19) Total General Retail Related Taxes (lines 14,15,17,18)		\$16.18	\$26,316
20) General Retail Related DC Tax Capture	100.0% net DC sales	\$16.18	\$26,316

Employee Related Sales Tax Revenue

21) FTE Employee Retail Expenditures Subject to Sales Tax	\$50.00 per FTE per week	\$2,600	\$15,373
22) Employee Related Sales Tax	8.0% (mostly meals)	\$208	\$1,230

Total Direct Annual Tax Revenue

23)

Building / Parking	
one sf	total sf
\$500.00	\$813,000
	NA
100.00% of assessment	\$813,000
1.85% commercial tax rate	\$9.25
	\$15,041
	\$15,041
one sf	total sf
\$450 per sf	\$731,700
6.00%	\$43,902
50.0% net of on-site consumers	\$21,951
9.975% on 4% profit on gross	\$2,919
\$70.00 FF&E per sf	\$113,820
\$3.40 per \$100 > \$50Kx2	\$470
\$0.60 per sf	\$976
	\$26,316
100.0% net DC sales	\$26,316
one job	total jobs
\$50.00 per FTE per week	\$15,373
8.0% (mostly meals)	\$1,230
one sf	total sf
\$26.19	\$42,586

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week.
- (b) \$50k exemption per business.
- (c) Operations purchases, utility and telecommunications fees, other business license fees and charges.

Table 5 - Rental Apartments
Columbia Place
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2014

Project Description

1) Total Apartments	201 units
2) Market Rate Component	100%
3) Market Rate Apartments	201 units
4) Average Apartment Size	<u>876</u> sf (net rentable area)
5) Apartment RSF	176,081 sf 212,000 gsf

Project Related DC Residents

1.6 persons / unit
<u>191</u> occupied units
306 total residents
<u>100.0%</u> net residents
306 DC residents

Real Estate Tax

- 6) Apartment Real Estate Value
- 7) Parking (included above)
- 8) Real Estate Assessment
- 9) Residential Real Estate Tax
- 10) **Total Real Estate Tax Revenue**

Residential Direct Tax Revenues

- 11) Monthly Rent (including parking)
- 12) Minimum Required Gross Household Income
- 13) Taxable Income
- 14) Initial DC Income Tax
- 15) Additional DC Income Tax
- 16) Total Potential DC Income Taxes
- 17) Income Taxes Adjusted for Average Occupancy
- 18) Potential DC Residents
- 19) Income Tax Revenue Adjusted for Resident Status
- 20) New Resident Retail Expenditures Subject to Sales Tax
- 21) District of Columbia Resident Sales Capture
- 22) DC Average Applicable Sales Tax(a)
- 23) Other Resident Related Use Taxes and Fees (b)
- 24) Personal Property Tax (not applicable)
- 25) **Total Residential Direct Tax Revenues** (lines 19,22,23)

Parking (tax not applicable on residential parking)

Total Direct Annual Tax Revenue

- 26)

Building / Parking		
	one sf	total sf
	\$553.00	\$97,372,793
		<u>NA</u>
90.0% of value	\$498.00	\$87,635,514
0.85% residential tax rate	\$4.23	<u>\$744,902</u>
		\$744,902
	one unit	total units
\$3.75 per sf	\$3,285	\$660,304
300.0% multiple of rent	\$118,263	\$23,770,935
85.0% of gross	\$100,524	\$20,205,295
\$40,000 of initial taxable income	\$2,200	\$442,200
8.5% DC tax rate over initial	<u>\$5,145</u>	<u>\$1,034,050</u>
	\$7,345	\$1,476,250
95.0% occupancy	\$6,977	\$1,402,438
80.0% of residents pay income taxes	<u>\$5,582</u>	<u>\$1,121,950</u>
100.0% residents	\$5,582	\$1,121,950
40.0% of taxable income	\$38,199	\$7,678,012
50.0% of expenditures	<u>\$19,100</u>	<u>\$3,839,006</u>
7.5% blend of categories	\$1,432	\$287,925
0.6% of taxable income	\$573	\$115,170
		<u>NA</u>
	\$7,587	\$1,525,046
	one unit	total units
	\$11,293	\$2,269,948

Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.