

1336 8th Street, N.W. ("8th & O Streets, N.W.")

2015 SEP 17 PM 1:53

OFFICE OF THE
SECRETARY



Disposition Resolution Legislative Package

DISPOSITION ANALYSIS
IN SUPPORT OF DISPOSITION OF REAL PROPERTY

2015 SEP 17 PM 1:53
OFFICE OF THE
SECRETARY

Project Name: 8th & O Streets, N.W.
Property Description: Square 0399, Lot 0068; known as 1336 8th Street, N.W. (the "Property")
Size of Property: 13,306 Square Feet
Zoning of Property: C-2-A
Ward: Ward 6
Proposed Purchaser: 1336 8th Street SPE LLC (consisting of members of Roadside Development, LLC and Dantes Partners), or its permitted successors/assigns (the "Developer")

Description of Development Program:

The proposed Development Program will consist of a mixed-use project containing (i) approximately 73,000 square feet of residential development (approximately 76 units), including at least 30% of the units (approximately 23 units) reserved as affordable at the designated Area Median Income (AMI) levels (ii) approximately 5,400 square feet of ground floor retail space, including approximately 1,500 square feet allocated as community/parish hall space for Immaculate Conception Church and (iii) an underground parking garage with approximately 25 parking spaces in addition to at least 25 nearby, off-site parking spaces provided as replacement parking for the surface parking being displaced from the Property as a result of the proposed project. The Development Program is noted in some instances as approximate because the proposed project will be subject to review by the District's Historic Preservation Review Board and the Zoning Commission, thru which certain revisions to the proposed design and layout of the project are subject to change.

Portions of the approved Concept Plan for the project depicting the Property and the proposed site plan and development summary for the Property are attached hereto as Attachment 1.

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

A public or private sale to the bidder providing the most benefit to the District. 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).

The Office of the Deputy Mayor for Planning and Economic Development (DMPED) carefully evaluated the Property and the proposed development program to ensure that it reflects and

maximizes the District's economic development and land use goals and provides substantial "public benefit" as set forth by specific government plans and policies.

The District of Columbia Comprehensive Plan and Future Land Use Map designate the Property for a mixed-use Medium Density Residential/Medium Density Commercial land use category. Further, the Property is designated as part of a Neighborhood Commercial Center area in the Generalized Policy Map, encouraging a change in use of the Property from its current institutional/vacant nature to a denser, mixed-use commercial use. The Comprehensive Plan specifically calls for continuous ground floor retail uses along O Street N.W. between 7th and 9th Streets, N.W. so as to help create a successful business corridor and that attracts and retains visitors, residents and businesses. Specifically Policy NNW-2.1.5 of the Near Northwest Area Element of the Comprehensive Plan states:

"Locate retail development within the Shaw/Convention Center Area in a manner that best serves residents, creates the best environment for businesses to succeed, and uses land already zoned for commercial uses. Continuous ground floor retail uses should be encouraged along sections of 7th and 9th Street as designated in the 2005 Strategic Development Plan to create a traditional pedestrian-oriented Main Street pattern and establish a unique identity for the community. These corridors should attract convention-goers, residents, and visitors and should include both new and existing businesses."

This policy element is reinforced by Action NNW-2.1.E and NNW-2.1.F which state, in summary, that O Street between 7th and 9th Streets should "require ground floor retail in new development" and that former NCRC properties in this area should be developed with "mixed use projects containing ground floor retail and upper story housing".

a. Public Benefits Requested in Solicitation.

In accordance with the District of Columbia Comprehensive Plan, as discussed above, as well as other District economic and land use goals and objectives, DMPED issued a Request for Proposals ("RFP") that solicited development proposals that met or exceeded those goals. Specifically, DMPED solicited proposals that maximized the transit-oriented nature of the Property and complied with specific Comprehensive Plan Recommendations.

Subsequent to initial issuance and response to the RFP, the Council of the District of Columbia passed the "Disposition of District Land for Affordable Housing Amendment Act of 2013" (D.C. Act 20-485 (November 27, 2014)) requiring 30 percent of all multi-family units that are part of a District disposition and development project be offered as affordable housing units at specified AMI levels. As a result, DMPED carefully reviewed and revisited these requirements as applicable to the development of the Property and ensured that the RFP responses and selected developer fully complied with these requirements and thereby offers significant public benefit in the form of long-term affordable housing units.

In addition to these key land use and affordability goals and benefits, the RFP further solicited proposals that complied with established transportation, public space, sustainability, First Source hiring and Certified Business Entity participation goals. Further, specific to the Property,

DMPED solicited proposals that provided solutions to the displaced parking and other useable space that will result from development.

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

The Developer's proposal for developing the Property, as negotiated between the Developer and DMPED, meets and exceeds the public benefits requested as part of the RFP, which include:

Land Use. As stated, the proposed Development Program will consist of a mixed-use project containing (i) approximately 76 residential units, (ii) approximately 5,400 square feet of ground floor retail space, and (iii) an underground parking garage with approximately 25 parking spaces. This proposed mixed-use program furthers the land use planning and real estate development goals stated in the District's Comprehensive Plan by maximizing transit-oriented development and enhancing this corridor's ground floor retail presence and continuity.

In addition, the proposed project's height, massing and design has been carefully developed so as to provide high quality architecture that respects the historic character of the immediate area and appropriately steps down along the 8th Street, N.W. residential block. As noted above, because the proposed project is within the Shaw Historic District and because the project seeks density appropriate for its location, the project will be subject to both Historic Preservation Review Board and Zoning Commission review for architectural compatibility and general compliance with District land use objectives.

Housing Affordability. In full compliance with "Disposition of District Land for Affordable Housing Amendment Act of 2013", the proposed Development Plan includes 30% of the residential units in the project as affordable units. This equates to approximately 23 units split between the 50% and 80% AMI levels. Further, consistent with goals expressed by the local community, the plan is to develop the units as for-sale units, thereby creating long-term opportunities for affordable homeownership.

Parking. In addition to providing underground on-site parking, as part of the Developer's proposal, twenty-five (25) parking spaces will be provided at no cost to the Immaculate Conception Church ("ICC") (located across the street from the Property) as replacement parking for displacement of the current surface parking lot on the Property. This was a public benefit that was specifically requested as part of the RFP. The replacement parking will be provided during the construction phase and long-term as no cost to ICC.

Community Space. The proposed project includes 1,500 square feet of community and parish hall space to be programmed and used by ICC. This benefit was also requested as part of the RFP in recognition of certain space loss as a result of the redevelopment of the Property. This space will be provided to ICC and no cost and ICC will both utilize this space and manage use by other community organizations.

Economic Development. The proposed development of the Property achieved numerous public benefits related to economic development. First, development of the Property transitions a vacant, non-contributing parcel into a mixed-use project that builds on and connects to other

nearby development projects. Development of the Property is estimated to create approximately 185 construction jobs, 17 full-time jobs and result in approximately One Million Dollars (\$1,000,000) in annual tax revenues to the District. Developer is committed to compliance with District First Source hiring requirements and CBE equity and development participation requirements and these executed agreements are included in the submission to Council.

Retail Contribution. In conjunction with the proposed project and development of the Property, Developer will make a contribution of One Hundred Thousand Dollars (\$100,000) to a retail promotion fund for the Shaw neighborhood. That fund will be utilized to promote, market and attract retail activity in the area. DMPED will work the Developer, Shaw Main Street and other community stakeholders to determine the appropriate structure and uses for these funds.

Recreation Contribution. In conjunction with the proposed project and the development of the Property, the Developer will make a contribution of Twenty Five Thousand Dollars (\$25,000) to be used for programming, support and/or improvements to the Kennedy Recreation Center located at 1401 7th Street, N.W. The Developer and DMPED will work with the Department of Parks and Recreation to determine the appropriate structure and uses for these funds.

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

The numerous public benefits of the proposed Development Plan are outlined above. Regarding "public uses", the Development Plan proposes an urban mixed-use development that is appropriate for its location and is, therefore, essentially built out to the private lot lines. That being said, the Development Plan contains certain public improvements which include (i) enhanced "streetscaping" consistent with the surrounding streetscape at "City Market at O" and including special pavers and planting, (ii) 1,500 square feet of community space to be programmed and used by ICC, a local religious institution and (iii) maintenance and upgrading of the mid-block public alley that connects O Street NW to N Street NW and services properties in between.

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

The chosen method of disposition is as a public or private sale to the bidder providing the most benefit to the District. DC Official Code § 10-801(b)(8)(F).

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

DMPED conducted a thorough solicitation process in order to select a developer to develop the Property. After detailed inter-agency coordination between DMPED, Office of Planning and other agency partners, the RFP was issued on December 13, 2013. The RFP was advertised via the DMPED website, email lists and through the media/press. Prior to release, DMPED also held a pre-solicitation event where numerous of upcoming opportunities were advertised and presented to the development community.

Subsequent to release of the RFP, on January 9, 2014, DMPED held a pre-response conference to discuss the opportunity and conduct a site tour with all interested parties. Over 40 people attended this conference. RFP responses were due on March 5, 2014.

- 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.**

DMPED received eight (8) responses to the RFP, six (6) of which were deemed responsive. The six (6) responsive bidders were:

- A&R Development Company
- Four Points LLC/Warrenton Group
- Madison Investments/Audubon Enterprises
- Orr Partners
- Pounds/Taurus Development
- Roadside Development/Dantes Partners

Five of the six respondents proposed mixed-use projects that require Zoning Commission review and approval, while only one proposed a by-right development, which did not maximize the potential development envelope. Each response contained different approaches to development and architecture.

After receiving the RFP responses, DMPED convened a selection panel consisting of representatives from DMPED and OP to review all proposals. The selection panel conducted in-depth interviews with each respondent and on June 3, 2014 created a "short list" of four (4) development teams to move on the next step of presenting to the community and preparing Best and Final Offers ("BAFOs"). BAFOs were requested from the respondents on July 11, 2014 and were due on July 31, 2014. Upon receipt of the BAFOs, the selection panel reconvened to review in detail and after careful deliberation and consideration of all relevant factors, the Developer was selected on September 2, 2014.

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

Numerous public meetings and hearings have been conducted regarding the potential disposition and development of the Property. During the RFP process, DMPED met with representatives of the community and other stakeholders including ANC 6E, Immaculate Conception Church, Scripture Cathedral Church and other neighborhood groups and individuals. On June 30, 2014, the shortlisted RFP respondents made detailed presentations to the community. On July 1, 2014, those same respondents made detailed presentation as the regular ANC 6E meeting. On May 18, 2015, DMPED and the Developer met and presented to the Central Shaw Neighborhood Association. On June 16, 2015, DMPED conducted a Property surplus hearing at which is also discussed and presented plans for development of the Property.

Comments received have been largely supportive and positive. Community members prioritized architecture, scale and massing of the proposed project while also maximizing the transit-oriented nature of the Property and providing for replacement parking. Many people also expressed desire for local hiring and jobs and praised the Developer for past efforts along these lines. A full transcript of the June 16, 2015 meeting is included with the accompanying surplus resolution package.

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 on July 8, 2015, which appraised the Property at a value of Six Million One Hundred Ninety Thousand Dollars (\$6,190,000). This valuation was based on adjustments to comparable sales, but does not account for specific Property conditions such as (i) zoning, entitlement and historic preservation requirements/costs, (ii) levels of affordable housing required by the District, or (ii) costs of site development, including parking relocation requirements.

DMPED has undertaken detailed analysis of these Property specific development conditions and costs in determining the negotiated purchase price of One Million Dollars (\$1,000,000) for the Property. Specifically, DMPED analyzed and considered the costs and development financial gap created by the requirements for fully entitling the Property for the proposed development program, provision of 30% affordable housing on the Property and the provision of no-cost relocation parking and parish hall space for ICC. A more detailed analysis of how DMPED arrived at the negotiated purchase price is as follows:

Appraised Value	\$6,190,000	Based on adjusted comparable sale analysis
Cost of Affordable Housing	\$4,400,000	Based on cost of production gap analysis for units above/beyond IZ requirements and in compliance with "Disposition of District Land for Affordable Housing Amendment Act of 2013"
Cost of Replacement Parking	\$1,500,000	Based on cost to provide long-term parking at no cost to users
Cost of Community Space	\$950,000	Based on cost to provide long-term community space at no cost to users
Other Contributions	\$125,000	Based on direct community contributions
Residual Land Value	(\$785,000)	

Based on this analysis, there is actually a negative land value to the Property. However, the Developer agreed to the purchase price based on taking the risk that the ultimately entitled

Property that allows for the full Development Program will produce enough revenue to justify its investment and meet its threshold development returns required to undertake the project and attract sufficient equity (approximately 15% IRR).

A copy of Developer's proposed sources and uses for the development of Property is included with this submission package and detailed the total development cost and the plan for funding those costs.

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

The proposed disposition and development of the Property will allow the District to derive land sale proceeds, deed transfer and recordation taxes. The Property has heretofore been under-utilized and is not generating any revenue by virtue of its current use despite the value of the underlying land.

With respect to land sale proceeds, the District will receive One Million Dollars (\$1,000,000) at closing on the Property. The amount of these proceeds was based on development financing and economic considerations, as discussed above. Because the project is proposed to contain for-sale residential units, the District will also receive ongoing transfer and recordation taxes whenever units are sold in the future.

The proposed Development Program is projected to generate the following additional revenues and economic benefits for the District.

Jobs:

- Temporary Construction Jobs (per Developer): 185
- Permanent Jobs (per Developer): 17
- Total Minimum Jobs for DC Residents (per First Source requirements): 101

Tax Revenues:

- Approximately \$1M annually at stabilization inclusive of real property taxes, sales and use taxes and other business-related taxes (per Developer)
- All construction period related taxes and revenues

Additional Community Benefit Proceeds

- \$100,000 retail promotion and marketing contribution
- \$25,000 recreation programming and improvement contribution

- 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).

For purposes of redevelopment, the primary options available and considered for disposition were via fee simple or ground lease. DMPED carefully considered these options in light of upfront capital needs, development feasibility and long-term project feasibility. DMPED determined that because the project (i) is proposed to be a for-sale residential project and (ii) requires up front capital investment in relocating existing surface parking, the most feasible disposition method to facilitate project viability and financeability was to negotiate a fee simple disposition for cash proceeds at closing. Specifically, negotiating a fee simple sale with cash at closing allows for optimal financeability of both the development project and subsequent residential unit sales and also provides a basis of land value proceeds that can be utilized to solve site development issues.