

DISPOSITION ANALYSIS
IN SUPPORT OF DISPOSITION OF REAL PROPERTY

Project Name: 965 Florida Avenue NW
Property Description: Lot 1102; Square 2873 (the "Property")
Size of Property: 63,418 square feet
Zoning of Property: CR
Ward: Ward 1
Proposed Purchaser: Sherman Avenue LLC (the "Developer")

General Description of Development Program:

Subject to PUD approval, the proposed development is a major mixed-use project that will include approximately 350 residential units, a market or grocery store, funding to support local retail businesses, funding for a business incubator in partnership with a local university, approximately 309 below-grade parking spaces, and a new street on the northern edge of the property connecting Sherman Avenue to 9th Street NW to improve circulation. The Development Plan, subject to approval of a Planned Unit Development (PUD), contemplates approximately 105 units of affordable rental or for sale housing, or 30% of the total number of units. The units will be a mix of studio, one bedroom and two bedroom apartments.

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

The Property will be conveyed as a fee simple sale by District to Developer pursuant to D.C. 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 and Term Sheet.

The District is committed to maximizing community benefits for its residents. In view of this commitment, the solicitation issued for the Property requested that respondents' proposals include:

- A high-density, mixed-use development;
- A residential rental or condominium component, including an affordable housing component to meet requirements under District law;
- Employment and business opportunities for local residents and businesses;
- Opportunities for District neighborhood-based businesses to participate in the project;

- A public right of way along the northern border of the Site to facilitate the east-west connection between Sherman Avenue/Florida Avenue as contemplated under the DUKE Small Area Plan, approved by Council in 2005;
- Agreement to enter into a First Source Agreement with the Department of Employment Services (DOES);
- Complying with the District of Columbia's Green Building Act of 2006 and the Stormwater Management Program;
- Providing contracting opportunities for Certified Business Enterprises ("CBEs") through executing a CBE Utilization and Participation Agreement.

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

The Development Plan will consist of approximately 350 residential units including a mix of studio, one-bedroom and two-bedroom units. The project will comply with the Disposition of District Land for Affordable Housing Amendment Act of 2014. The current Development Plan assumes the project will include approximately 105 rental affordable units. Under this scenario, 25% of the affordable units will be reserved for households with an Annual Household Income of less than or equal to 30% Area Median Income (AMI), and 75% of the affordable units will be reserved for households with an Annual Household Income between 30% AMI and 50% AMI.

The Developer may elect to make a portion of the units for sale with District approval, in which case, the purchase price may be increased. For the portion of units that are for sale, half of the affordable units shall be reserved for households with an Annual Household Income more than 30% AMI and less than or equal to 50% AMI, and half of the affordable units shall be reserved for households with an Annual Household Income between 50% AMI and 80% AMI.

The Developer will submit the project to the Zoning Commission for a Planned Unit Development (PUD) approval and has agreed to provide several other community benefits in addition to affordable housing. Per a request of the community, the project will include a market or grocery store on the ground floor. The Developer will provide funds to subsidize locally-owned retail businesses through a fund for retail rent or mortgage subsidy. The Developer will also provide funds to support a business incubator in partnership with a local university. Lastly, in conformance with the DUKE Small Area Plan, the Developer will construct a new street available for public use that will connect Sherman Avenue to 9th Street NW.

Construction of the building is expected to create 330 construction jobs and 270 permanent jobs. The grocery store will also activate the area and provide more healthy food options for surrounding residents and Howard University students and employees. Further, the Developer includes CBE partner, Ellis Development Group, which will earn 35% of the value of contracts under this project.

Lastly, the Developer has agreed to fund a \$200,000 Community Development Grant to support non-profit organizations providing employment training and skill development; provide

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\$156,250 for a Local Retailers Assistance Program; and provide \$187,500 for the provision of a Business Incubator Program.

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

Currently, the Property is an unused surface parking lot. The proposed development will activate an underutilized parcel. The redevelopment will increase daytime activity, provide healthy food options to the neighborhood, and create a safer, more inviting streetscape.

One way that the project will accomplish this is by providing a new street that will be available for public use on the northern border of the site to connect Sherman Avenue to 9th Street NW. In keeping with the goals of the Duke Small Area Plan and Howard University's 2011 Campus Master Plan, this new street will improve east-west circulation. When Howard University redevelops its parcel to the east, it will further connect this street to Georgia Avenue, improving the connectivity between Sherman Avenue and Georgia Avenue.

In addition to activating a barren stretch of Sherman Avenue, the Developer has agreed to allocate 10% of the parcel, or approximately 6,355 sf, for ground-level open space.

3. The chosen method of disposition, and how competition was maximized. DC Official Code § 10-801(b)(8)(F).

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

The Office of the Deputy Mayor for Planning and Economic Development ("DMPED") issued a Request for Proposals (RFP) on November 16, 2012 and respondents were given until February 12, 2013 to respond. The solicitation was posted on the website of DMPED to provide for an open, transparent, and competitive process.

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.

The District received two offers with the experience and capability of creating unique urban-infill projects. An outline of the solicitation process is below:

- Solicitation issued – November 16, 2012
- Deadline for Proposals – February 12, 2013 (2 proposals received)
 - MRP/Ellis Development Group
 - The JBG Companies, Gragg & Assoc., and Moddie Turay Company
- Deadline for Best and Final Offers (BAFOs) – June 10, 2013

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- Development Team selected – July 30, 2013

Upon an intensive review of the proposals, the Development Selection Panel met and compared the two proposals, invited the teams in for interviews, and reached out to the ANC and community for feedback. The teams met with community representatives during the winter and spring of 2013.

The JBG/Gragg/MTC team proposed combining the District's parcel with an adjacent parcel owned by JBG. Across both parcels, JBG proposed a mixed-use building with a ground-level grocery store, 525 residential units including 80 affordable units between 30 -80% AMI, and a \$100,000 local retailer assistance program. The MRP/Ellis team's response to the solicitation included a mixed-use building with a ground-level food market, 361 residential units including 65 affordable units between 30 – 80% AMI, a Business Incubator space in partnership with Howard University Business School, a set-aside for local retail, and a \$200,000 community grant.

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

Between December 2012 and December 2014, DMPED, the development teams, and the selected development team, met with the community numerous times regarding the disposition of the Property. After the selection of MRP, the community expressed a strong preference for a project that included a full-service grocery store instead of the food market concept that MRP had proposed in its response to the solicitation. To that end, MRP and DMPED sought a development plan that would include a full-service grocery store.

The Public Surplus Hearing was conducted on December 1st, 2014. At the Public Surplus Hearing, comments were generally supportive of the disposition and focused on expediting the process to get the project completed.

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 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.

Morris E James and Associates completed an independent appraisal of the property that concluded the as-is market value of the land to be \$27,587,000 or \$72.50 per FAR foot. This value assumes that the highest and best use of the site is a mixed-use multifamily and ground-floor retail building built per by-right zoning. The appraisal used a comparable sales analysis and provided property values for similar surrounding assets between \$64.45-74.37 per FAR foot.

The appraiser was asked to include two additional development scenarios. The first scenario was based on MRP's Best and Final Offer development plan that included 361 residential units, 65

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affordable units, 40,000 sf of retail, a local retail set-aside, and the new street connection. Under this scenario, the appraisal concluded a market value of \$21,562,000.

The second scenario updated MRP's development plan to comply with the Disposition of District Land for Affordable Housing Act of 2014. This scenario included approximately 353 total residential units, of which 107 would be affordable at 30% of AMI and 50% of AMI, 40,000 square feet of retail, 309 below grade parking spaces, and additional community benefits. Under this scenario, the appraiser concluded a market value of \$7,466,000.

The Developer provided a detailed development cost budget that indicates total development costs of \$99,720,594. The District reviewed the budget in detail and concurs with this cost estimate. The appraiser calculated total development costs at \$92,835,000 using an estimate of \$250/sf. The District determined that the difference between the appraiser's valuation and the accepted purchase price is based on the difference in cost assumptions.

Further, the District has agreed to share in the cost of soil remediation. Of the \$1,400,000 purchase price, \$1,000,000 will be placed in an escrow account to fund environmental costs.

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

The Property will be conveyed as a fee simple sale, pursuant to D.C. Official Code § 10-801(b)(8)(F), by District to Developer for \$1,400,000. The project is estimated to generate \$14.7M in new property taxes to the District over ten years from the start of construction through post stabilization.

- 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).**

DMPED considered (i) a ground lease structure and (ii) fee simple transfer. Both of the BAFO responses proposed a fee simple sale. After evaluating both disposition options and reviewing the BAFO responses, a fee simple sale was determined to be the most beneficial approach.

Under a fee simple transfer, the District will receive a purchase price of \$1,400,000. Fee simple disposition will make it easier for the developer to obtain financing for the project, which will reduce the costs of development. As a result, the purchase price increases under a fee simple disposition. The solicitation respondents were not asked to provide a purchase price under a ground lease scenario.