

DISPOSITION ANALYSIS
IN SUPPORT OF DISPOSITION OF REAL PROPERTY

Project Name: The West End Parcels
Property Description: Lot 0836, Square 37, 1101-1111 24th St., NW
Lot 0837, Square 37, 2301 L St., NW
Lot 0822, Square 50, 2225 M St., NW,
(collectively, the “Property”)

Size of Property: Lot 0836, Square 37 – 15,950 Square Feet
Lot 0837, Square 37 – 18,948 Square Feet
Lot 0822, Square 50 – 16,260 Square Feet

Zoning of Property: Lot 0836, Square 37 – R-5-B
Lot 0837, Square 37 – R-5-B
Lot 0822, Square 50 – CR

Ward: Ward 2

Proposed Purchaser: EastBanc W.D.C Partners, LLC (“Developer”), which includes EastBanc, Inc., The Warrenton Group, Dantes Partners, and LS Caldwell & Associates

General Description of Development Program:

Developer intends to construct, in and on the Property, reserved air rights and Developer-owned property: (a) a new West End Library (estimated to contain approximately 20,000 gross square feet); (b) a new Fire Station (estimated to contain approximately 16,000 gross square feet); (c) retail space (estimated to contain approximately 9,600 gross square feet); (d) a residential condominium building (estimated to contain approximately 223,000 gross square feet in approximately 153 units); (e) up to 52 affordable housing rental units with all such units at or below 60% AMI, conditioned on the availability of Project generated tax funds; and (f) below-grade parking necessary to support the project. The Development Program is subject to the terms of the approved PUD.

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

A public or private sale to the bidder providing the most benefit to the District. DC 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 Code § 10-801(a-2).

a. Public Benefits Requested in Solicitation.

The Property is in a prime location for redevelopment and there are very few vacant sites in the neighborhood. The overall concept and vision for the Property will integrate with and enhance the surrounding neighborhood. The solicitation was structured such that all respondents were strongly encouraged to engage stakeholders and members of the local community who might be affected by the development of the Property to have meaningful involvement in the development process.

The solicitation requested that the respondents' proposals include state of the art, modern replacements for both the West End Library and West End Fire Station within a mixed-use residential development. The solicitation further requested affordable housing to be included in the residential development mix targeting households that make 60% or below of AMI. The proposed development program is also consistent with the District's Council-approved Comprehensive Plan.

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

The Developer's proposed plan includes constructing a new, modern library and state of the art fire station along with approximately 52 affordable residential rental units reserved for households with incomes at or below 60% of the Area Median Income ("AMI").

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

In addition to the library, fire station and affordable housing, this development would eliminate approximately 75% of the remaining major vacant lots in the West End, resulting in less dead street wall and an increase in safety, cleanliness, and street activity. The proposed Development Plan would activate the streetscape and improve pedestrian experience in the neighborhood.

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

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") organized a community meeting on the planned re-development for the West End parcels on January 29, 2009. A Request for Proposals ("RFP") was then issued by DMPED on July 16, 2009, followed shortly by the Pre-Offer Conference during the week of August 4, 2009. With two respondents, a community meeting was convened on December 17, 2009 to allow for the

development teams to present their designs to the West End community and so the community members could provide comments and questions. Of the two respondents, DMPED selected the Developer as the winning team on March 10, 2010 and Land Disposition Agreement terms are currently being finalized. Most recently, DMPED and the Developer attended the ANC-2A May monthly meeting to update the community leadership and residents on the status of the project.

DMPED advertised the solicitation through a variety of methods: posting on DMPED website, distribution to DMPED newsletter recipients, notification to all impacted ANCs and through local press coverage of the release of the solicitation.

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 RFP process was utilized in order to generate highly creative and responsive proposals within a competitive process. Two responsive proposals were received. The process schedule was as follows:

- Pre-solicitation Community Meeting – January 29, 2009
- RFP Issued – July 16, 2009
- Pre-bidders conference – August 4, 2009
- Deadline for Proposals – October 30, 2009 (2 proposals received)
- Community Meeting on Proposals – December 17, 2009
- Developer Selection – March 10, 2010

As noted above, DMPED received proposals from two teams. However, one of the teams, Toll Brothers, Inc., only proposed to redevelop Square 37. EastBanc proposed to redevelop both Square 37 and Square 50 and was in control of parcels adjacent to Square 37 that, when combined with the District's Square 37 parcel, would maximize overall value to the District. DMPED selected EastBanc's proposal in March 2010. In terms of the Development Plan, the team's proposal reflects a strong sensitivity to the needs of the District and the West End community.

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

Prior to the RFP being issued, DMPED met with the community on January 29, 2009 to discuss the planned redevelopment of the West End Parcels. After the proposals were received both responding development teams made presentations at a community meeting held on December 17, 2009. After a power point presentation, each responded to community questions.

Over the past year, the District has been keeping the West End Community up-to-date on the progress of the solicitation and negotiation process through periodic meetings with its Development Committee and updates at full ANC meetings. A public roundtable to discuss the Property's surplus/disposition is scheduled to take place on June 16th, 2010.

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)(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 Morris E. James concluded the as-is market value of the Square 37 parcels to be \$ 12,215,000 and the Square 50 parcel to be \$17,803,000. These values assume as-is, by-right development free from any affordability restrictions.

Given the Property's condition and need for cost-prohibitive rehabilitation of the public facilities, DMPED determined that the economic benefits could be maximized by reactivating the Property through disposition to a private entity by leveraging the value of the Property to not only construct modern, replacement facilities but also introduce additional housing stock to the neighborhood.

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. The District is able to maximize revenue through a fee simple disposition of the Property, less the air rights needed to construct the public improvements, because it allows the Developer to combine its own adjacent parcel with the Square 37 parcel. In this case taxes on the future development would be captured and used to offset a portion of the cost associated with delivering the affordable residential rental units.

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 Code § 10-801(b-1)(C).

In order for the District to realize enough value to cover the costs associated with delivering a new library and fire station, high-end for-sale residential had to be built on one or both sites (both proposals contemplated for-sale residential on Square 37). The for-sale residential product will create ongoing property taxes for the District from future condominium owners.

Because of the type of improvement that will be developed, a fee-simple disposition was the only structure that made sense as it would allow EastBanc to combine its adjacent parcel with the District's and maximize the value associated with the Property. This structure results in the District capturing enough value to develop both the library and fire station. Taxes from the Property are also maximized through this structure, some of which will then be captured and used to develop affordable housing and may potentially be utilized to fund a portion of the ongoing maintenance of the public facilities.