

# L'ENFANT SQUARE

(Pennsylvania Avenue & Minnesota Avenue)

**DRAFT**

# Aerial Map





# Regulatory Requirements



## Parking

### **Office - General**

In excess of 2,000 SF, 1 space for each additional 600 SF of gross floor area and cellar floor area

### **Retail or service establishment except gasoline service station and repair garage**

In excess of 3,000 SF, 1 space for each additional 300 SF of gross floor area and cellar floor area

## Zoning

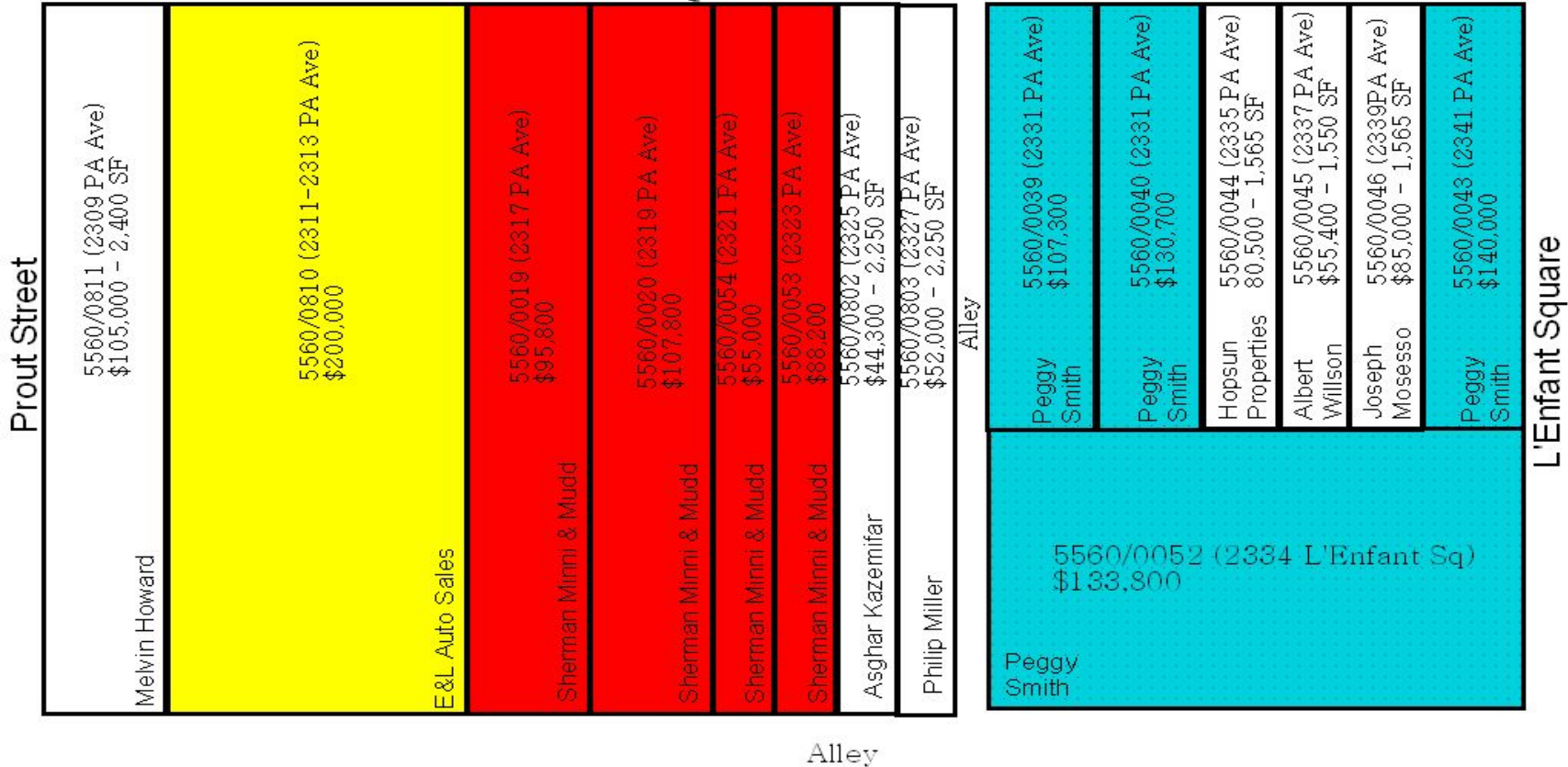
### **C-2-A**

Permits matter-of-right low density development, including office, retail, and all kinds of residential uses to a maximum lot occupancy of 60% for residential use, a maximum FAR of 2.5 for residential use and 1.5 FAR for other permitted uses, and a maximum height of fifty (50) feet

# Parcel Layout



## Pennsylvania Avenue



### Majority Owners

E&L Auto Sales  
11,100 SF - 22%

Sherman, Minni & Mudd  
13,500k SF - 26%  
(For Sale - \$1.5 MM)

Peggy Smith  
14,820 SF - 29%

## Development Scenarios

Three of the scenarios (1A, 2A, & 3A) are only first floor retail. The remaining scenarios (1B, 2B, & 3B) are first floor retail with second story office.

- Scenario 1A & 1B contemplate the 12,000 SF retail minimum proposed in the Bolan Smart Study.
- Scenario 2A & 2B contemplate a development covering the larger part of the parcel up to but not including the alley.
- Scenario 3A&3B contemplate a development utilizing the entire targeted parcel.

# Assumptions

## **Bolan Smart Study**

- Demand for 27,800 SF retail for convenience and shopper goods
- Demand for 12,000 SF restaurant space
- “...no less than 12,000 square feet of new – or newly rehabilitated space – should be delivered at one time.”

## • **Hard Construction Costs**

- First Floor (Retail) = \$95/SF
- Second Floor (Office) = \$85/SF
- \* Based on average construction cost from RS Means

## • **Rents**

- Retail \$20/SF
- Office \$18/SF
- \* Based on comparable rents East of the River

## • **Vacancy Rate**

- First Year = 15%
- After first year = 5% -- (Aggressive Vacancy Rate)

## • **Projected Development Value (PDV) = $\frac{\text{Year(2) Net Operating Income}}{11\% \text{ Capitalization Rate}}$**

## • **GAP = TDC-PDV**

## • **Alley Closing (Scenario 3 A&B)**

# Development Program Summary



		Scenario 1a	Scenario 1b	Scenario 2a	Scenario 2b	Scenario 3a	Scenario 3b
Retail	SF	13,020	13,020	17,720	14,960	29,470	24,650
Office (2nd Story)	SF	-	13,020	-	14,960	-	24,650
Parking	#	33	52	49	61	88	110
	SF	7,425	11,508	10,908	13,664	19,614	24,434
Total Development (bldg footprint & parking)	SF	20,445	24,528	28,628	28,624	49,084	49,084
Acquisition - SF	SF	22,500	27,000	31,500	31,500	54,000	54,000
Acquisition Cost		\$ 1,370,101	\$ 1,692,211	\$ 1,921,774	\$ 1,921,774	\$ 3,649,861	\$ 3,649,861
Development Cost		\$ 2,654,605	\$ 4,159,899	\$ 3,607,054	\$ 4,777,926	\$ 6,023,481	\$ 7,924,640
TDC		\$ 4,024,706	\$ 5,852,109	\$ 5,528,828	\$ 6,699,699	\$ 9,673,342	\$ 11,574,502
Projected Development Value		\$ 2,212,335	\$ 4,236,353	\$ 3,010,950	\$ 4,867,576	\$ 5,007,489	\$ 8,020,438
Gap		\$ 1,812,371	\$ 1,615,756	\$ 2,517,878	\$ 1,832,123	\$ 4,665,853	\$ 3,554,064

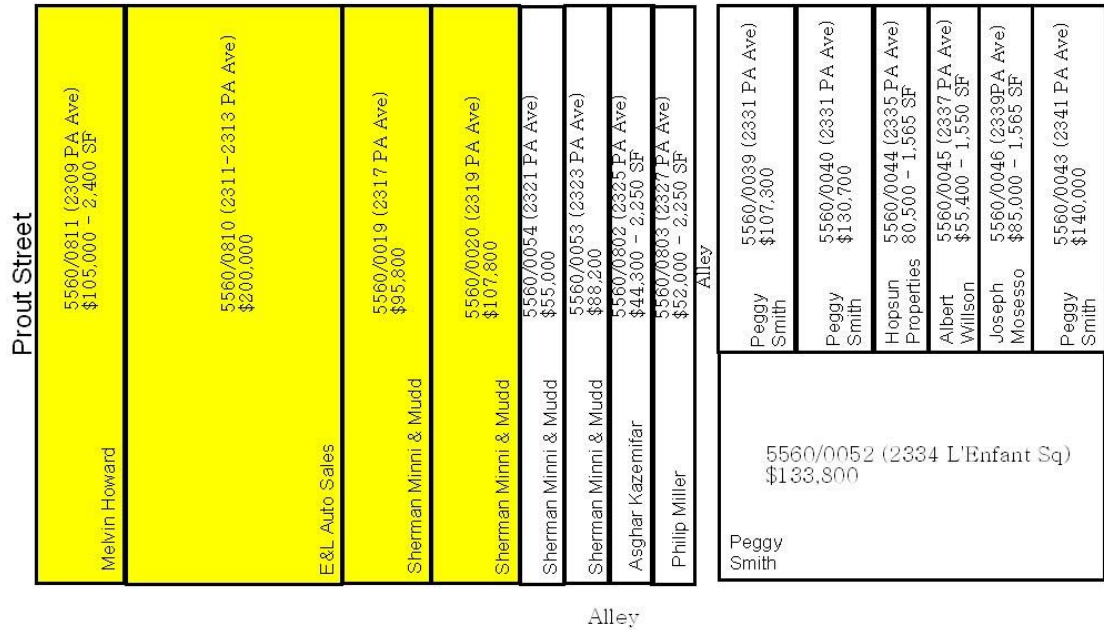
# Scenario 1 A



Retail	SF	13,020
Office (2nd Story)	SF	-
Parking	#	33
	SF	7,425
<b>Total Development (bldg footprint &amp; parking)</b>	<b>SF</b>	<b>20,445</b>
Acquisition - SF	SF	22,500
Acquisition Cost**	\$	1,370,101
Development Cost	\$	2,654,605
TDC	\$	4,024,706
Projected Development Value	\$	2,212,335
Gap	\$	1,812,371



## Pennsylvania Avenue



### SCENARIO 1A

\*2003 DC Tax Assessed Value

Land/SF	\$	61
GAP/SF	\$	81
Yr (2) Developer Return		17.6%
IRR @ Yr (6) after Refi or Sale		13.5%

\*\*2003 DC tax assessed values does not represent market value. Acquisition costs reflect estimates of market value.

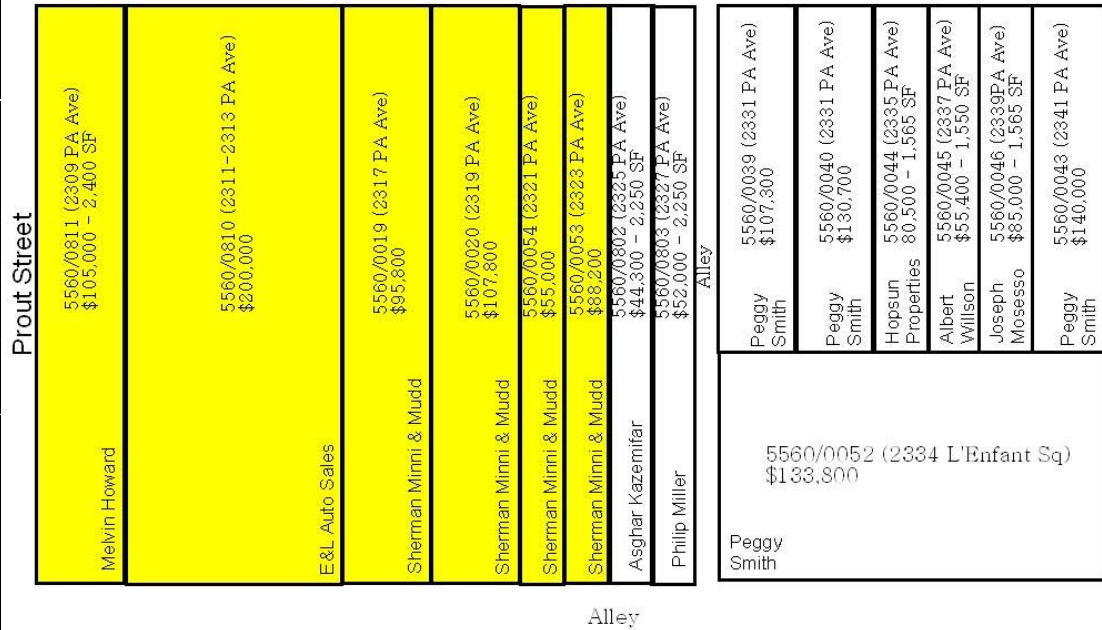
# Scenario 1 B



Retail	SF	13,020
Office (2nd Story)	SF	13,020
Parking	#	52
	SF	11,508
<b>Total Development (bldg footprint &amp; parking)</b>	<b>SF</b>	<b>24,528</b>
Acquisition - SF	SF	27,000
Acquisition Cost**	\$	1,692,211
Development Cost	\$	4,159,899
TDC	\$	5,852,109
Projected Development Value	\$	4,236,353
Gap	\$	1,615,756



## Pennsylvania Avenue



### SCENARIO 1B

\*2003 DC Tax Assessed Value

Land/SF	\$	63
GAP/SF	\$	60
Yr (2) Developer Return		17.9%
IRR @ Yr (6) after Refi or Sale		13.9%

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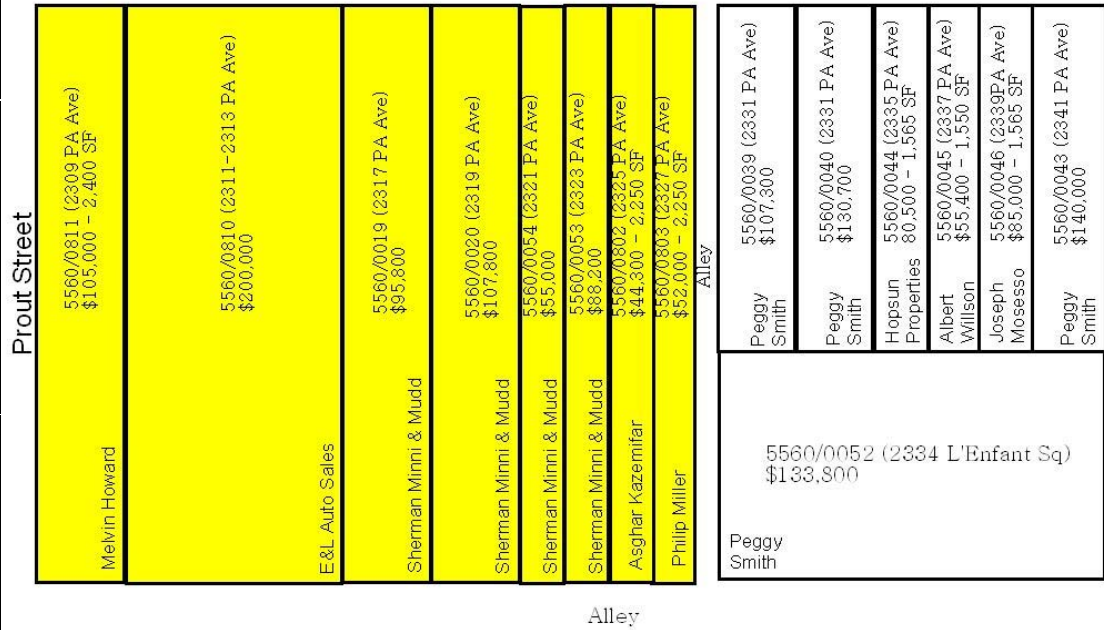
# Scenario 2 A



Retail	SF	17,720
Office (2nd Story)	SF	-
Parking	#	49
	SF	10,908
<b>Total Development (bldg footprint &amp; parking)</b>	<b>SF</b>	<b>28,628</b>
Acquisition - SF	SF	31,500
Acquisition Cost**	\$	1,921,774
Development Cost	\$	3,607,054
TDC	\$	5,528,828
Projected Development Value	\$	3,010,950
Gap	\$	2,517,878



## Pennsylvania Avenue



### SCENARIO 2 A&B

\*2003 DC Tax Assessed Value

Land/SF	\$	61
GAP/SF	\$	80
Yr (2) Developer Return		17.6%
IRR @ Yr (6) after Refi or Sale		13.5%

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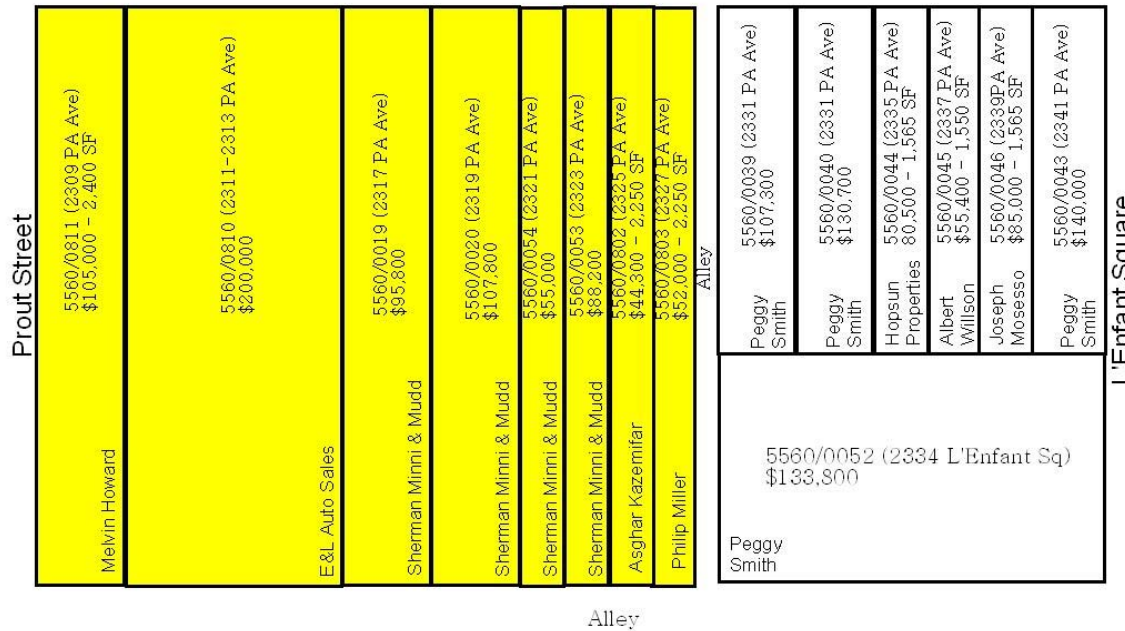
# Scenario 2 B



Retail	SF	14,960
Office (2nd Story)	SF	14,960
Parking	#	61
	SF	13,664
<b>Total Development (bldg footprint &amp; parking)</b>	<b>SF</b>	<b>28,624</b>
Acquisition - SF	SF	31,500
Acquisition Cost**	\$	1,921,774
Development Cost	\$	4,777,926
TDC	\$	6,699,699
Projected Development Value	\$	4,867,576
Gap	\$	1,832,123



## Pennsylvania Avenue



### SCENARIO 2 A&B

\*2003 DC Tax Assessed Value

Land/SF	\$	61
GAP/SF	\$	58
Yr (2) Developer Return		17.9%
IRR @ Yr (6) after Refi or Sale		13.9%

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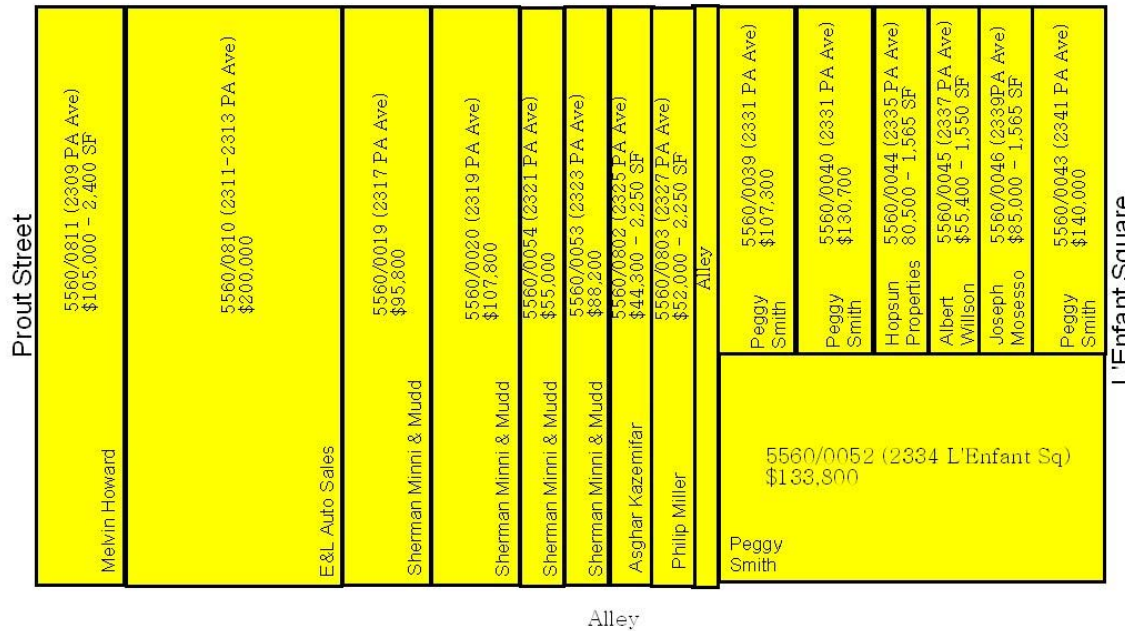
# Scenario 3 A



Retail	SF	29,470
Office (2nd Story)	SF	-
Parking	#	88
	SF	19,614
<b>Total Development (bldg footprint &amp; parking)</b>	<b>SF</b>	<b>49,084</b>
Acquisition - SF	SF	54,000
Acquisition Cost**	\$	3,649,861
Development Cost	\$	6,023,481
TDC	\$	9,673,342
Projected Development Value	\$	5,007,489
Gap	\$	4,665,853



## Pennsylvania Avenue



### SCENARIO 3A&B

\*2003 DC Tax Assessed Value

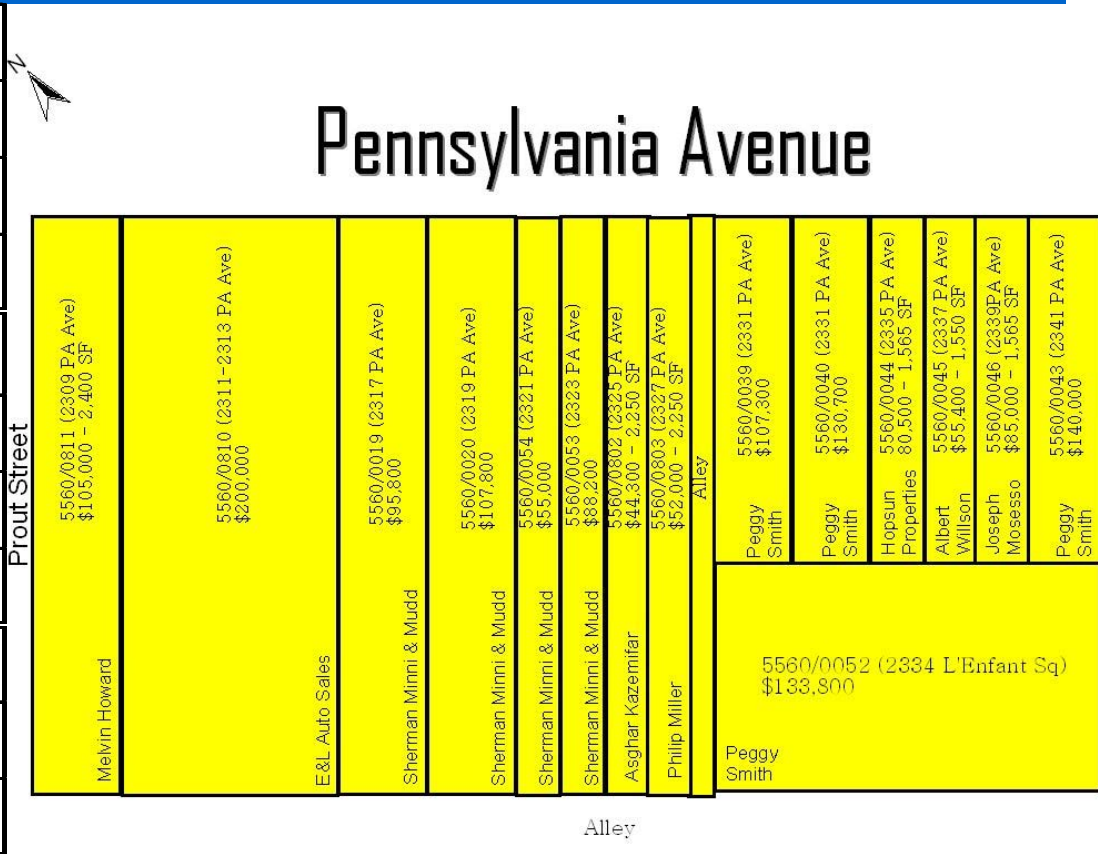
Land/SF	\$	68
GAP/SF	\$	86
Yr (2) Developer Return		17.6%
IRR @ Yr (6) after Refi or Sale		13.5%

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# Scenario 3 B



Retail	SF	24,650
Office (2nd Story)	SF	24,650
Parking	#	110
	SF	24,434
<b>Total Development (bldg footprint &amp; parking)</b>	<b>SF</b>	<b>49,084</b>
Acquisition - SF	SF	54,000
Acquisition Cost**	\$	3,649,861
Development Cost	\$	7,924,640
TDC	\$	11,574,502
Projected Development Value	\$	8,020,438
Gap	\$	3,554,064



## SCENARIO 3A&B

\*2003 DC Tax Assessed Value

Land/SF	\$	68
GAP/SF	\$	66
Yr (2) Developer Return		17.9%
IRR @ Yr (6) after Refi or Sale		13.9%

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# Potential Risks/Exposures

- Leasing
- Historic
- Significant Subsidy
- Review by Federal Entities
  - NCPC
  - National Park Services
- Environmental Site Contamination
- Traffic – Major Roadway
  - Attractiveness to Retailers

## Next Steps

1. Rent Research
  - Retail
  - Office
2. Specific Market Research
  - Retail Tenants
  - Office Tenants
3. Research Incremental Tax and Revenue Implications for the District
4. Research Tenant Relocation Costs
5. Refine Assumptions
  - Appraisal (Land Acquisition Cost)
  - Construction Costs
  - Survey
  - Miscellaneous