

Market Analysis
for the
Gateway Arts District
and the
Town Center

Prepared for:
City of Mount Rainier, Maryland

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I. Introduction

The City of Mount Rainier requested a market study of the Gateway Arts District and Town Center opportunities with three initial sub-areas from Eastern Avenue to 33rd Street to better inform its on-going economic development efforts. As part of the Gateway Arts District, the City of Mount Rainier has continued to pursue its arts vision of the future. The improved downtown business district, currently anchored by artist housing projects and the connection to Hyattsville's arts district create an impressive start to a successful endeavor.

Arts and cultural districts depend on sufficient market support, an existing base of community artists, arts-related activities, and private and public community assistance to endure tough economic times. In the current environment, other arts and cultural districts in the regional area and throughout the nation strive to survive.

The PES consultant team, which includes Green Door Advisors, has extensive experience in many redevelopment efforts within Prince George's County, the District of Columbia, regionally and nationally and has a familiarity with the project area, political concerns, and existing conditions. The team worked with the District of Columbia's Office of the Deputy Mayor of Planning and Economic Development (DMPED) office along Rhode Island Avenue in preparing the Great Streets Initiative Strategic Development Plan for Rhode Island Avenue, NE.

For this analysis, Green Door Advisors (GDA) evaluated the residential market potential for new residential (for-sale and rental) housing to be located within the defined boundaries of the Town Center to spur revitalization of Mount Rainier and this district. The residential market study analyzes the overall market opportunity for condominium and apartment housing primarily along the Route 1 corridor. In addition, it provides a detailed look at the current and projected demographics of the defined primary market areas and makes recommendations for potential development opportunities based upon these findings.

Partners for Economic Solutions focused on the question of supportable commercial development along the Rhode Island Avenue corridor. This work began with a review of the demographics in the immediate neighborhood and market subareas, with an emphasis on understanding the market across jurisdictional boundaries. This analysis assessed the existing commercial environment, the performance of comparable commercial establishments and shopping patterns, and office occupancy patterns to determine the potential for retail and office development. It recommends the scale and type of new retail and office development that might occur along the corridor with particular interest in arts-related users.

It is important to note that the market analysis conclusions are based on the best available information at the time of publication. This relies on a variety of local, region and national sources and reflects trends in the current market conditions. These economic conditions and the regulatory environment could change and significantly impact the overall feasibility conclusions of this report.

The conclusions for the market analysis led to suggested development programs for new development on three separate sites within the City of Mount Rainier. Illustrative financial analyses measure the financial feasibility of new development and estimate the potential need for funding to close the gap between the project costs and the amount that the private sector would be willing to invest.

II. Existing Conditions

The consultant team reviewed the previously completed studies, developer submittals and all relevant documents in order to understand the framework for the area. Fortunately, the consultant team recently completed work for the District of Columbia along Rhode Island Avenue, providing an invaluable understanding of the local market conditions.

SWOT Analysis

After a series of stakeholder interviews and meetings with the City administration, the consultant team prepared a review of the existing strengths, weaknesses, opportunities and threats within the City of Mount Rainier. The following matrix illustrates the results from this analysis and the narrative below further details our conclusions.

Many of Mount Rainier's positive attributes reflect the advantages of being "a hidden gem." Despite its position as a DC Gateway, the City kept its historic building fabric and supported long-term retail tenants, because its isolation kept the development community at bay. The Mount Rainier arts community attracts many destination customers attracted to the area from well beyond the immediate vicinity. Joe's Movement Emporium hosts more than six public performances each year and is open seven days a week with performance classes for all ages. GLUT, a local health food co-op, with a long-term presence in the community attracts costumers from a broad area. The City and the business community will be able to build on the strengths of this existing customer base, the historic fabric, high levels of automobile traffic and stable residential base by capitalizing on the opportunities highlighted in the matrix. These opportunities include assisting local merchants (with clean & safe programming and façade upgrades); redeveloping key vacant buildings and parcels in prominent locations; and marketing the gateway location. Perhaps the most noticeable weakness along the Rhode Island Avenue corridor is the vacant and underutilized sites, which give the appearance of a deteriorating commercial environment. As Mount Rainier's real estate options expand, the community will be well served by an honest understanding of its weaknesses and threats. Conversely, it must also act as "caretaker" of existing strengths and "booster" of potential opportunities.

	Strengths	Weaknesses	Opportunities	Threats
Physical	<p>Pedestrian scale</p> <p>Historic fabric</p> <p>Existing buildings offer affordable space</p> <p>Historic gas station</p> <p>Continuous streetwall along southeast side of Rhode Island Avenue</p>	<p>Vacant buildings and sites</p> <p>Limited green space</p> <p>Building signage/appearance</p> <p>Limited off-street parking</p> <p>Obsolete retail buildings</p> <p>Land assembly challenges</p> <p>Lack of streetscape appropriate to a major gateway</p>	<p>Complete RI gateway streetscape</p> <p>Improve signage and building façades</p> <p>Rehabilitate existing vacant buildings</p> <p>Assemble and redevelop vacant sites</p> <p>Install public art to establish places</p> <p>Construct new library / meeting facility</p> <p>Invest in public parking</p> <p>Improve "Artway South" link</p> <p>Increase residential density</p>	<p>Inadequate reinvestment in buildings</p> <p>Low rents constrain ability to reinvest</p> <p>Unrealistic expectations as to property values block redevelopment</p> <p>Resistance to assembling properties</p> <p>Large parcels of land still available in nearby communities</p>
Operational	<p>Attraction of existing clients to expand experience in Mt. Rainier</p> <p>Existing funds to Business Association from City business license fees</p> <p>Completed Artscape building is an example of how Mt. Rainier can accomplish ambitious projects</p>	<p>Lack of facilities for bus passengers</p> <p>Police substation conveys a sense of "danger" whether or not one is present</p> <p>Ground-level vacancies in ArtScape building</p>	<p>Seek Main Street designation</p> <p>Fund part-time litter pickup/cleaning</p> <p>Retenant ArtScape retail</p> <p>Provide technical assistance to businesses</p> <p>Assist businesses in joint promotions capitalizing on "Buy Local" movement</p> <p>Revise MUTC zoning & extend its reach</p> <p>Provide financial assistance to businesses improving their buildings</p>	<p>Ongoing momentum of Hyattsville's Main Street draws tenants and spending away</p> <p>Poorly maintained sidewalks and storefronts send a message that no one is paying attention</p>
Location / Access	<p>Proximity to University of Maryland & Catholic University</p> <p>Gateway location</p> <p>Easy auto access on major thoroughfare</p> <p>Proximity to DC</p> <p>Good bus service, proximity to Metro</p> <p>Lack of direct access to I-395 & I-295 protects area from highway-oriented development</p>	<p>Distance from I-495 & I-295 makes it difficult to attract arts patrons, visitors, and customers from outside the immediate area</p> <p>Local traffic congestion along secondary commuter routes</p> <p>Active bus stop across from City Hall blocks visibility to one of the most prominent retail cores</p>	<p>Incorporate median signage, possible changes in lane widths, and sidewalk plantings to signal a Main Street environment to passing traffic</p> <p>Market the small-town environment with urban access and amenities</p> <p>Encourage retail that caters to bus ridership and commuter traffic</p>	<p>Oversupply of retail space inappropriate for this market</p> <p>Encroachment from nearby neighborhoods could present Mt. Rainier with a gentrification issue.</p>
Business Base	<p>Businesses with established clientele base</p> <p>Anchors –GLUT, Joe's Movement Emporium, Dar Es Salaam</p> <p>Library, City Hall, USPS</p> <p>Gateway Arts District</p> <p>ArtScape Lofts and retailers</p> <p>Health/wellness cluster</p> <p>Entrepreneurial base</p> <p>Anacostia Trails Heritage Area</p>	<p>Limited variety/diversity of offerings</p> <p>Few restaurants</p> <p>Redundancy – too many of the same kinds of stores (e.g., liquor)</p> <p>Unstaffed business association</p> <p>Some undercapitalized and inexperienced retailers</p> <p>Available arts retail space greatly exceeds demand</p>	<p>Potential new tenants may include:</p> <p>Restaurant/café</p> <p>Antiques/furniture</p> <p>Organic/environmentally-conscious retail and services</p> <p>Bank</p> <p>Encourage basic retail amenities and services for the nearby resident population</p>	<p>Crime/perception of an unsafe environment, greatly complicates retail leasing efforts</p> <p>Lower density housing limits the concentration of the customer base</p> <p>Moderate incomes</p> <p>Competition from nearby retail centers will continue to draw expenditures and new tenants</p> <p>Vacancies and pattern of retail failures deter new, potential tenants</p>

Business Inventory

National data providers typically profile area businesses with basic information. ESRI, a national data provider estimated the total number of businesses within an area that extends beyond the city boundaries. This estimate suggested that more than one-quarter of the stores in the Mount Rainier area are auto-related businesses.

Greater Mount Rainier Retail Businesses by Category		
Retail Category	Total Businesses	
	Number	Percent
Food & Beverage	28	18%
Grocery	14	9%
Personal Care	5	3%
Clothing & Shoes	14	9%
Jewelry	1	1%
Auto-Related Parts, Service & Sales	43	27%
Furniture	8	5%
Electronics & Appliances	4	3%
Building Materials, Lawn and Garden	20	13%
Gasoline	11	7%
Liquor	9	6%
	157	100%

Source: ESRI; Partners for Economic Solutions, 2009.

In addition to information from ESRI, Maryland Property View provides information based on government records and assessment information that details all existing property ownership within the city. A review of these two data sources helped to create a more detailed inventory of existing businesses.

The retail environment in Mount Rainier is divided between two types of retail locations: older, typically smaller sites occupied by local retailers and new, “boutique” spaces intended for arts-related tenants. Currently, each format is experiencing a considerable amount of vacancy.

Area Developments

The consultant team reviewed the Prince George’s County Development Approval Management System (DAMS) to identify all proposed and planned development projects. As one of the historic older communities close to the District line, much of the land has been developed and there are not many opportunities for new development. The list of projects on the Prince George’s DAMS system indicates only a few small scale projects of upgrades to the local shopping center.

Along the 3400 block of Rhode Island Avenue, one property owner expressed interest in redevelopment of his site and the two vacant lots adjacent. This developer’s plans for

residential infill development may work well with the conclusions for the residential market analysis and should be further encouraged.

III. Residential Market Analysis

Rental Housing Market

Rental Demographics

We defined the primary market area (PMA) from which the majority of demand will emanate; the primary market areas for rental units and for-sale units are slightly different. This is substantially due to the fact that consumers are often more willing to make neighborhood changes for ownership opportunities. The Rental PMA map is illustrated in Figure 1 (the Town Center is highlighted in red). The rental primary market area (PMA) spans portions of Prince George's County and DC, representing the area from which the majority of renters in Mount Rainier will emanate. The Rental PMA is comprised of census tracts and includes Maryland towns of Brentwood, Bladensburg, Hyattsville, and DC neighborhoods of Brookland, Woodridge and Fort Lincoln.

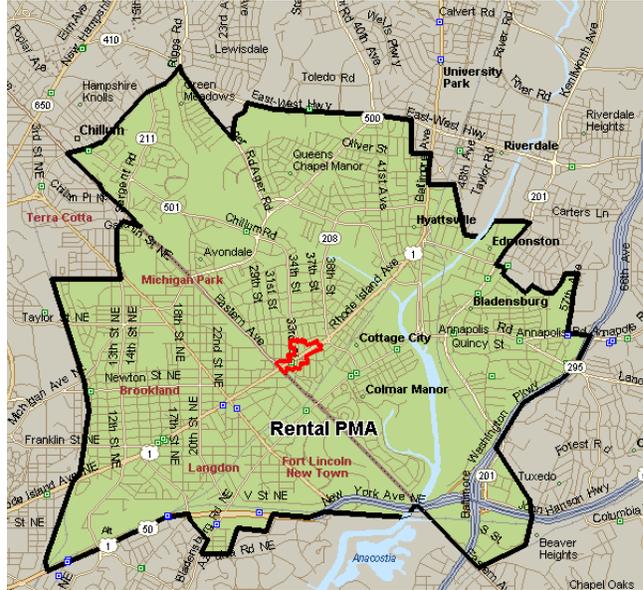


Figure 1: Primary Rental Market Area

Claritas demographic projections indicate slight household and population decline through 2013, although local MWCOG data reflects projected slight population growth over this time period. We believe that household growth will remain relatively static within the PMA over the next five years with the potential continuation of regional trends of smaller household sizes. Thirty-five percent of households in 2008 in the Rental PMA were between the ages of 24 and 44, and 50 percent of households earned incomes that range from

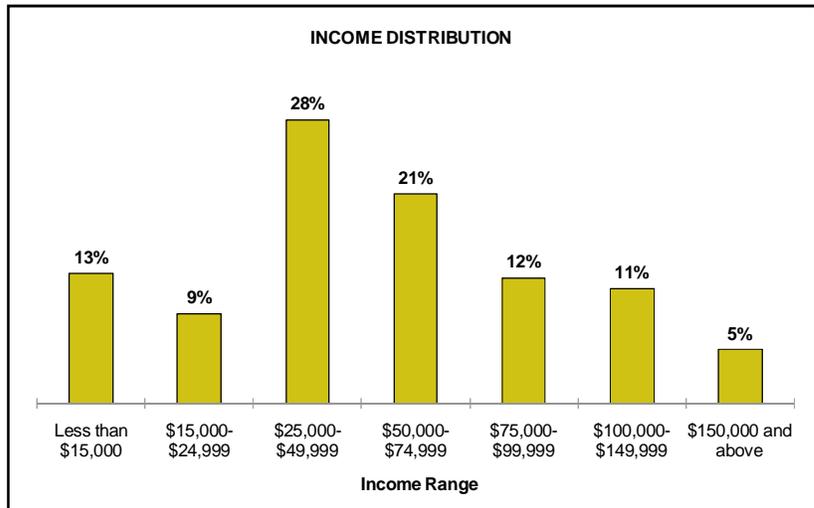


Figure 2: Rental Market Income Distribution

\$35,000 to \$100,000 annually, representing a strong base of demand for future new multifamily development that would appeal to this key renter demographic. Based upon projections for the next five years, the portion of households earning over \$75,000 annually

will increase from 2008 to 2013, as will the number of householders over the age of 55. A breakdown of household incomes among households under age 45 demonstrates that a large portion of these households earns under \$50,000 annually, particularly for households under age 35.

Rental Market Context

Prince George's County has historically achieved higher average effective rents for Class A garden apartments than the District and saw a significant spike in effective rents in 2007. Although there was a spike in vacancy for these properties in Prince George's County in 2008 to over 9 percent, the overall vacancy rate is still within the healthy range for a market. Within the DC Metro area, there has been a steady increase in effective rents and in vacancy rates for Class B properties (garden style and high-rise) since 2005. This indicates that the Class B apartment market in the DC metro region has remained healthy, with vacancy rates less than 6 percent, despite the recent economic downturn. In the first quarter of 2009, the average effective rental rate for Class A garden apartments in Prince George's County is \$1,450 with a vacancy rate just over 9 percent. For these Class A garden apartment properties, concessions as a percent of asking rent increased significantly in 2007 and 2008 from under 4 percent to 9 percent, while the number of units absorbed in new projects per month decreased from 15 to 8 in the same time period. This trend indicates difficulty in lease-up for new projects and potential over supply, although the first quarter of 2009 demonstrated a slight reduction in vacancy. An increase in the lease-up pace of new projects provides a hopeful sign that the local market is starting to gain traction again.

The historical pipeline for apartments in the DC metro region was concentrated in Northern Virginia, particularly since 2006. Within Suburban Maryland, Prince George's County's supply pipeline has comprised between 40 and 50 percent of Suburban Maryland's total future supply since 2004.

Comparable Properties

To understand the subject property's positioning within the current marketplace, we examined comparable properties' rent structure, unit sizes, and occupancy. We reviewed the following rental properties:

- Renaissance Square Artist Housing
- HIP Artist Housing
- Mount Rainier Artist Lofts
- Washington Overlook at Ft. Lincoln
- Mosaic at Metro
- Kaywood Gardens
- Fort Totten Station

The competitive supply of rental projects includes a wide range of projects, concentrated primarily around Metro stations and along Rhode Island Avenue/Route 1. The for-rent residential supply within Mount Rainier is comprised primarily of older garden-style apartment buildings, many spanning several blocks with multiple buildings and at lower price points than those for newer projects at metro-accessible locations. Two newer artist housing projects provide diversity within the local market and offer high quality product at rents affordable to households at 40 to 60 percent of area median income (AMI). The HIP (Housing Initiative Partnership) artist housing on 33rd Street in Mount Rainier is a rehab project that was completed in 2003 and offers affordable units with green design features and studio space. Similarly, the Mount Rainier Artist Lofts are

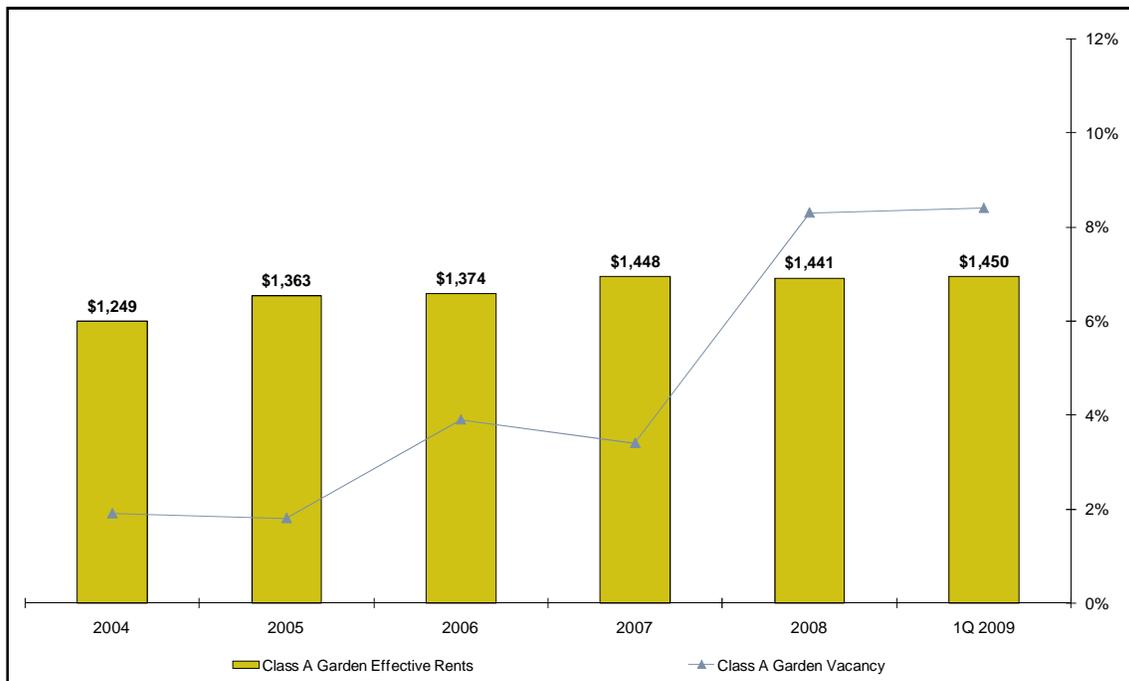


Figure 3: Class A Garden Apartment Rents and Vacancies

located along Rhode Island Avenue in a mixed-use building, offering energy-efficient features and affordable rents and arts-related retail space on the ground floor. Renaissance Square Artists Housing in Hyattsville also offers green design features and shared studio, practice, and gallery space for tenants in exchange for arts-related community service from tenants. These projects demonstrate the growing demand for affordable artist housing that offers studio space and other features and amenities unique to artists, at rental rates that are affordable to artists. There are also a number of older, large scale rental communities, including Kaywood Gardens, that provide affordable rental options between \$1.20 and \$1.55 per square foot and provide the bulk of supply in the market area.

Finally, there are a number of newer Metro-accessible rental projects in the region including the Mosaic at Metro, Fort Totten Station and Gables at Takoma Park; Gables at Takoma Park is a LEED-certified property. These developments command market rents ranging from \$1.60 to \$2.60 per square foot. Located adjacent to, or within walking distance

of, a Metro station has enabled these projects to achieve rents slightly higher than the general market.

Rental Demand Analysis

A statistical demand analysis indicates support for new, modestly priced rental apartment units in the subject area. The chart provides a snapshot of total annual demand, and a detailed version of the demand model can be found in the Appendix. Several household factors were considered when determining demand including the percent of current renters, those likely to turnover in the next year, those who choose to stay in the PMA and those households that will be moving into the PMA in the next year. The demand model supports the majority of units be priced in the range between \$750 and \$1,500 per month and appeal to

households earning between \$30,000 and \$75,000 annually.

Based upon the depth of demand approximately 60 to 65 units of new high quality rental units are anticipated to be able to be absorbed annually within the Town Center.

Monthly Affordable Rent Range	\$750 \$1,000	\$1,000 \$1,250	\$1,250 \$1,500	\$1,500 \$1,875	TOTAL
% of Income Spent on Housing	30%	30%	30%	30%	
Household Income	\$30,000 \$40,000	\$40,000 \$50,000	\$50,000 \$60,000	\$60,000 \$75,000	Total
Total Households ²	3,267	3,345	2,607	3,294	23,410
Existing Owner Annual Household Turnover					
<i>Former Owner HHs</i>	40	45	17	30	186
Existing Renter Annual Household Turnover					
<i>Remain Renter HHs</i>	397	326	320	310	2,153
New Household Growth⁵					
<i>Total New Renter HHs</i>	0	0	2	0	57
Total PMA Demand Potential	437	372	340	340	2,396
% Demand from outside PMA	10%	10%	5%	5%	
% Choose New	10%	15%	15%	20%	
% Choose Subject Area	25%	25%	25%	25%	
Total Demand	12	15	13	18	59

For-Sale Housing

For-Sale Demographics

The for-sale primary market area (PMA) is slightly larger than the rental PMA, including Chillum, University Park, and a larger portion of Northeast DC. Similar to the rental PMA, Claritas projects continued slight household and population decline through 2013, although MWCOG data reflects projected population growth over this time period. Again, we believe static growth is the most likely trend for the for-sale PMA. Thirty-seven percent of households in 2008 in the Rental PMA were between the ages of 24 and 44, and 51 percent of households' incomes ranged from \$35,000 to \$100,000 annually. Claritas projects that the portion of household earning over \$100,000 annually will increase from 2008 to 2013, as will the number of householders over the age of 55. A breakdown of annual income for households under 45 years old is similar to the breakdown for the Rental PMA, with a majority of households under age 34 earning less than \$50,000 annually.

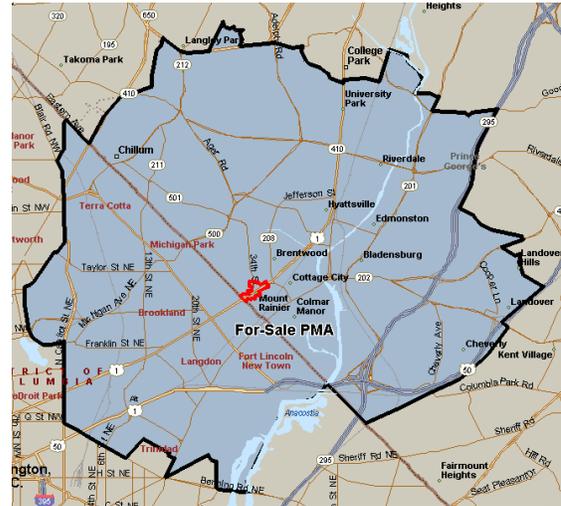


Figure 4: For Sale Primary Market Area

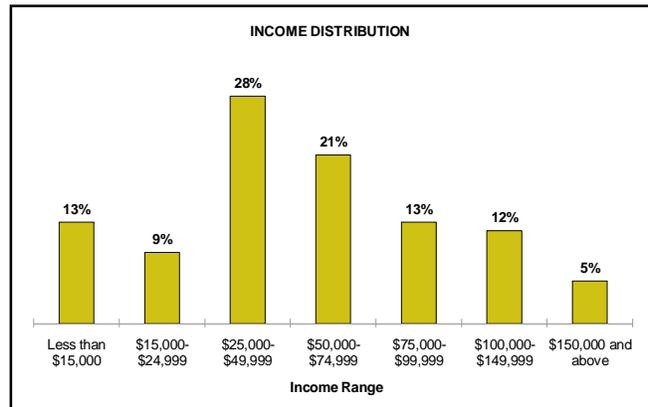


Figure 5: For Sale Market Area Income Distribution

For-Sale Market Context

Throughout 2007 and 2008, Prince George's County has fairly consistently had more building permit activity than the District, although the District has typically shown more activity in multi-family permits as a percent of total permits than Prince George's County.

New condo sales have been declining in the region since 2006 across the DC Metro region. New condo sales in Prince George's County on average represent approximately 40 percent of new condo sales within suburban Maryland. Sales in Prince George's County as a percent of Suburban Maryland's sales reached a peak in 3Q 2007 at 83% and have since declined to 27 percent at the end of 2008. As other suburban Maryland submarkets, such

as Bethesda and Rockville, are built-out, it can be expected that condo sales in Prince George's County will continue to be a significant share. Prince George's condo resales have historically remained fairly steady around 10 percent of the DC Metro Area's condo resales, with a decline to 6 percent in 2008. Condo resale prices in Prince George's County have grown in recent years as its mixed-use Metro-accessible cores have become more established, closing the gap between prices in Prince George's County and the rest of the metro area.

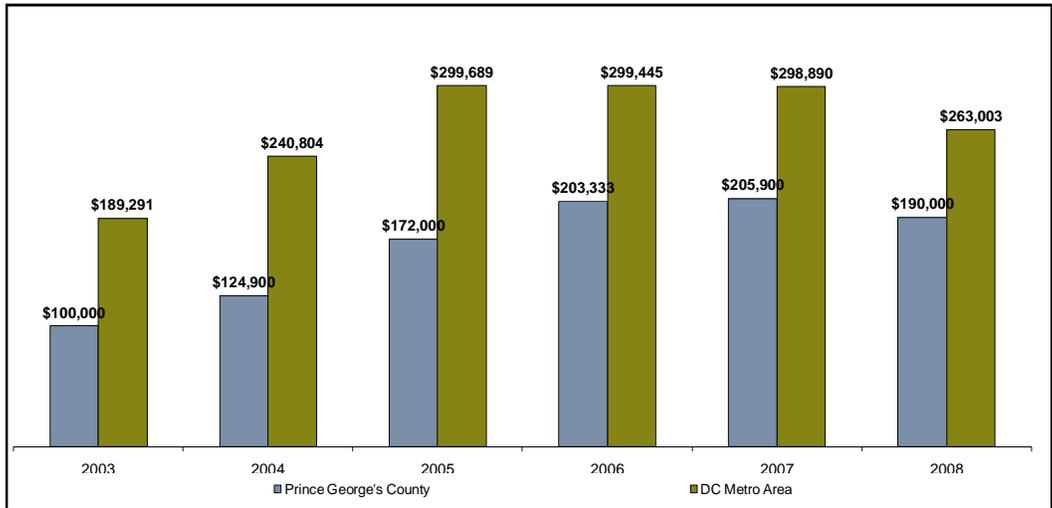


Figure 6: Condo Pricing Prince Georges County vs. Metro Area

Almost 30 percent of the current and future condo supply pipeline within DC Suburban Maryland is in Prince George's County, with the County accounting for more than half of the units planned with probable sales in the next 36 months. Overall, the condominium pipeline in Prince George's County has declined from over 13,000 to under 6,500, with a significant decline in units with planned long-term delivery.

Comparable Properties

There is little comparable for-sale product in the market, particularly as many projects in the pipeline have been stalled or were converted to apartments.

- EYA Arts District
- University Town Center – One Independence Plaza
- Fairmont Condos
- Dakota Crossing at Fort Lincoln

The existing competitive supply includes two condo projects at University Town Center, a low-rise condo conversion project along Eastern Avenue, townhomes in the Dakota Crossing mixed-use development in Fort Lincoln, DC, and the Arts District Hyattsville project. The first phase of EYA's Arts District Hyattsville is near completion with townhomes and live-

work units currently for-sale. The live-work units include retail space along Route 1 and living space above; a few arts-related uses have occupied the live-work spaces, including an art gallery and a glass-blowing shop. The Arts District Hyattsville differs significantly from the rental artist housing in Mount Rainier, as it offers market-rate housing and retail space as opposed to true artist lofts and studio space at an affordable price point. Dakota Crossing is in the last phase of its 209 garage townhomes and has attracted young and growing families, many looking to “move-up” from smaller condominium living in the heart of DC to larger single family attached homes.

Demand Analysis

The estimated annual demand analysis for for-sale units takes into account household turnover, new household growth, preference for new development, and a subject area capture for a number of household income brackets. The annual demand for new for-sale product in the Mount Rainier Town Center area is 20 units, with demand coming households earning between \$50,000 and \$100,000.

		Income:	\$30,000	\$40,000	\$50,000	\$60,000	\$75,000	\$100,000	
			\$40,000	\$50,000	\$60,000	\$75,000	\$100,000		
Interest Rate	6.00%								
Taxes, PMI, Insur.	2.00%	Home Price:	\$143,098	\$174,897	\$187,390	\$224,868	\$281,085		
Assumed APR	8.00%		\$174,897	\$187,390	\$224,868	\$281,085	\$381,594		
% Income Spent on Housing			35%	30%	30%	30%	30%		
SOURCES OF DEMAND		Down Payment:	10%	10%	10%	10%	12%		TOTAL
Total Households ²			3,267	3,345	2,607	3,294	3,541		23,410
Existing Owner Household Annual Turnover									
<i>Remaining Owners in Turnover</i>			94	106	69	119	120		698
Existing Renter Household Annual Turnover									
<i>Former Renter HHs</i>			34	36	36	42	32		232
New Household Growth, 2008-2013 ³									
<i>Total New Owner HHs</i>			0	0	2	0	30		289
Total PMA Demand Potential			129	142	107	161	183		1,220
% Demand from Outside PMA			10%	15%	15%	20%	25%		
% Choose New			15%	15%	20%	20%	25%		
% Choose Subject Site			10%	10%	12%	15%	10%		
Total Demand			2	2	3	6	6		19

Figure 7: Primary Market Area Demand Projections

Planned and Proposed Residential Projects

The existing supply pipeline includes a number of condo projects and the completion of the large-scale townhome project in Fort Lincoln, in addition to the ArtSpace and Dance Place project planned to be affordable live/work artist units in Brookland, with shared gallery and studio space similar to the model of affordable artist housing that has proved successful in Mount Rainier and Hyattsville. More detailed listing of planned projects may be found in the Appendix.

IV. Commercial Market Analysis

The commercial market relies on a different grouping of customers depending on the type of commercial use. As such, our analysis reviewed those demographic trends that represent the commercial consumers in the local area.

Commercial Market Context

This demographic analysis while similar to the context for the residential market relies on a slightly different primary market area. (see map) The primary market area (PMA) is slightly smaller than the rental PMA, including the following Maryland Census Tracts: 4400, 4600, 4700, 4800 and DC Census Tracts: 9000, 9101, and 9400. This represents the area from which the majority of retail customers reside. However, the analysis also considered inflow from residents outside this area: destination-oriented customers drawn to a specific store or type of store; and inflow from commuter traffic, both bus-oriented and vehicular.



Figure 8: Commercial Primary Market Area

Mount Rainier's population has stabilized with projections from the MWCOG for growth over the next five years. This reflects the uptick in demand for more affordable locations with good access to transit and close proximity to employment centers. The surrounding school system provides a good option for families with young children and the mix of residential rentals and smaller single family homes attracts residents. Population within the PMA and two surrounding jurisdictions will gain only slightly. The PMA's growth is projected at 0.5 percent as compared to the much faster growth of 3 percent in Prince George's County and 6 percent in the District of Columbia. The population within the PMA is evenly distributed among age groups, with more large families than DC.

Table 1. Population, Age Distribution, Households by Type and Mobility, 2008

	Mt. Rainier PMA		DC		Prince George's		Metro Area	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Population Trends								
1990	25,732		606,900		723,104		4,122,914	
2000	25,367		572,059		801,515		4,796,183	
2008	25,505		589,366		855,212		5,469,330	
1990-2008 Change	(227)	-0.9%	(17,534)	-2.9%	132,108	18.3%	1,346,416	32.7%
1990-2000 Change	(365)	-1.4%	(34,841)	-5.7%	78,411	10.8%	673,269	16.3%
2000-2008 Change	138	0.5%	17,307	3.0%	53,697	6.7%	673,147	14.0%
Population by Age (2008)	25,505		589,366		855,212		5,469,330	
Under 20 Years	6,085	23.9%	138,862	23.6%	244,482	28.6%	1,501,041	27.4%
20 to 24 Years	1,873	7.3%	50,781	8.6%	64,896	7.6%	349,349	6.4%
25 to 34 Years	3,288	12.9%	97,578	16.6%	119,376	14.0%	748,460	13.7%
35 to 44 Years	3,407	13.4%	83,267	14.1%	127,765	14.9%	868,821	15.9%
45 to 54 Years	3,733	14.6%	81,995	13.9%	126,608	14.8%	847,219	15.5%
55 to 64 Years	3,058	12.0%	64,615	11.0%	92,284	10.8%	611,642	11.2%
65 to 74 Years	1,875	7.4%	35,561	6.0%	46,483	5.4%	293,659	5.4%
75 to 84 Years	1,471	5.8%	24,848	4.2%	24,382	2.9%	174,517	3.2%
85 Years and Over	715	2.8%	11,859	2.0%	8,936	1.0%	74,622	1.4%
Median Age	39.7		35.9		34.9		36.6	
Households (2008)	10,380		260,214		304,383		2,043,529	
Average Household Size	2.41		2.13		2.75		2.63	
Residence One Year Ago (2000)			576,545		821,691		5,185,319	
Same House			458,055	79.4%	686,844	83.6%	4,332,540	83.6%
Different House in the US			110,592	19.2%	128,201	15.6%	791,317	15.3%
Same County			59,295	10.3%	73,927	9.0%	382,673	7.4%
Different County in Same State			-	0.0%	20,677	2.5%	173,034	3.3%
Different State			51,297	8.9%	33,597	4.1%	235,610	4.5%
Abroad			7,898	1.4%	6,646	0.8%	61,462	1.2%

Note: Metro Area includes all those jurisdictions within the Washington DC-MD-VA-WV Primary Metropolitan Statistical Area
 Source: ESRI, 2009; Partners for Economic Solutions, 2009.

The median household income in the primary market area is less than Prince George's County and the District of Columbia, reflecting the lower density in Mount Rainier and the less affluent residential base. Overall, the median household income for the Mount Rainier PMA was \$46,956 based on 2008 ESRI estimates, compared to \$69,540 in Prince George's county. Prince George's County had almost double the percent of households (26.4 percent) with incomes of \$100,000 or more than in the PMA (13.5 percent), compared to 23.1 percent of all District of Columbia households. Additionally, only 6.5 percent of Prince George's County households had incomes less than \$15,000 compared to 15.7 percent in the PMA.

Figure 9. Median Household Income, 2007

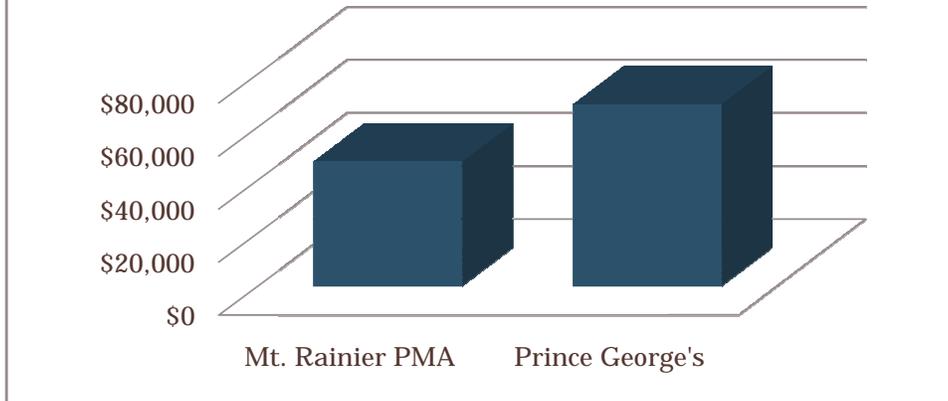


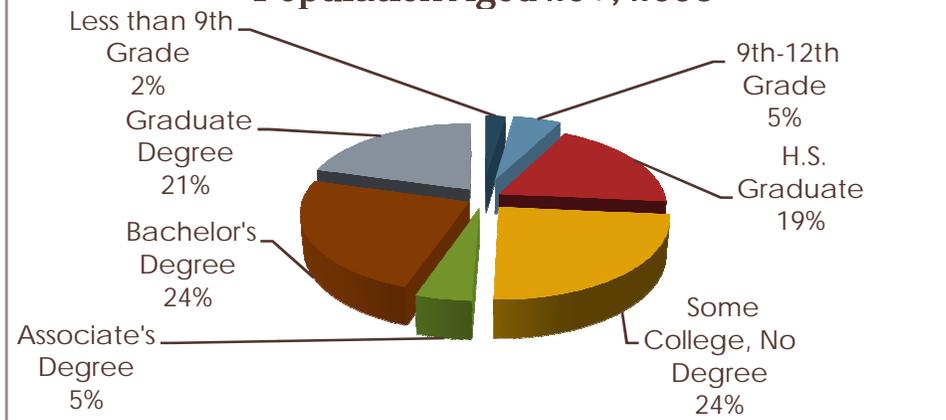
Table 2. Household Incomes, 2008

	Mt. Rainier PMA		DC		Prince George's		Metro Area	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Household Income, Total Households (2008)	10,380	100%	260,205	100%	304,383	100%	2,043,519	100%
Less than \$10,000	1,115	10.7%	30,941	11.9%	12,982	4.3%	84,382	4.1%
\$10,000 to \$14,999	521	5.0%	12,323	4.7%	6,802	2.2%	38,746	1.9%
\$15,000 to \$24,999	1,014	9.8%	23,187	8.9%	15,640	5.1%	91,107	4.5%
\$25,000 to \$34,999	1,111	10.7%	23,590	9.1%	23,851	7.8%	116,562	5.7%
\$35,000 to \$49,999	1,772	17.1%	36,877	14.2%	43,949	14.4%	212,978	10.4%
\$50,000 to \$74,999	2,051	19.8%	43,100	16.6%	62,597	20.6%	346,643	17.0%
\$75,000 to \$99,999	1,394	13.4%	30,184	11.6%	58,351	19.2%	340,241	16.6%
\$100,000 to \$149,999	1,010	9.7%	29,333	11.3%	53,340	17.5%	454,617	22.2%
\$150,000 to \$199,999	245	2.4%	14,420	5.5%	15,713	5.2%	165,352	8.1%
\$200,000 or More	147	1.4%	16,250	6.2%	11,158	3.7%	192,891	9.4%
Median Household Income	\$46,956		\$51,465		\$68,540		\$82,846	
Mean Household Income	\$58,386		\$79,814		\$81,931		\$109,780	

Source: ESRI, 2009; American Community Survey, 2009; Partners for Economic Solutions, 2009.

Contrasting the lower density and median household incomes for the City of Mount Rainier's PMA is the strength of educational attainment for these residents. Only seven percent of the total population over the age of 25 has not graduated from high school. The large majority of these PMA residents received degrees from institutions of higher education, including 24 percent with bachelor's degrees and 21 percent with more advanced graduate degrees.

Figure 10. Educational Attainment, Mt. Rainier Primary Market Area Population Aged 25+, 2008



Review of Existing Commercial Market

The current development along the Rhode Island Avenue corridor in Mount Rainier continues to tap the high number of vehicles that travel along the road. Unfortunately, the surrounding residential neighborhood lacks the density necessary to support substantial retail. The current health of the businesses based along the corridor provides profitable returns for property owners with liquor stores, carry out food and service based retail operations (tax services, salons, etc.). The success of the existing businesses constrains the pressure and opportunity for redevelopment as property owners see higher returns from continuing to rent existing buildings rather than tearing down and replacing those buildings with larger new structures. The commercial market for office development remains consistent with neighborhood-serving offices dominated by medical office space and tax preparation along with construction or industrial-related office users.

Office

Comparatively, larger corporate office users (e.g., lawyers, architects, engineers, developers, consultants and other professional services firms) look for business park locations and/or Class A office buildings with prominent locations and transportation corridors, state-of-the-art building systems and high quality standard finishes. Additional factors that Class A office tenants consider are good access to support services and retail, the proximity of luxury housing for executives, the presence of a skilled labor force and the quality of neighboring office space. These aspects play a substantial role in determining an area's competitiveness and demand for new office space. The corridor's office market lacks the unique assets necessary to compete with downtown Washington and suburban office space in Prince George's County. The corridor has no identifiable office core with easy pedestrian access to support services and facilities. As a result of these competitive disadvantages, the City of Mount Rainier provides Class B or Class C office space primarily, relying heavily on businesses that serve the local population.

The area's existing office market indicates consistent local demand for neighborhood-serving and industry-related office users in need of more affordable office space near their clients. The majority of the existing office space consists of Class B or C properties with standard and flex office space along Rhode Island Avenue. The majority of these spaces consists of small, aged structures, with approximately 20 percent in converted single-family homes, along Perry and 34th streets. Rents range from an average of \$8 to \$10 per square foot, triple net with lease terms of one year. This compares to an average of \$42.00 per square foot for Class A office space in Downtown D.C. These office tenants depend on good access to their primary clients) and are often more price sensitive than larger corporations. They typically seek Class B office space and tend to remain at these locations for long periods of time. Accordingly, a limited number of the office spaces in the Market Area experienced vacancies. Low vacancy rates combined with lower-than-average lease rates often mean that the office supply is limited and consists of obsolete office space.

Still needed are the types of office space suited to businesses that serve local community needs, such as dentists, real estate agents, tax preparation offices, etc. The stability of neighboring submarkets highlights the area's ability to attract a small amount of additional office tenants willing to locate above retail operations.

Interestingly, newly renovated artist studio space along the corridor tends to command the highest rents for commercial space. The artist studios above the Mount Rainier Post Office rent space for \$10 per square foot without dedicated parking. The EZ Storage facility in Brentwood offers first-floor studio space with dedicated rear parking, which is fully leased. In total this building has 10,000 square feet of ground floor commercial space of which 5,400 is occupied by artist studios, while the remaining 4,500 square feet remain vacant.

Retail

The collection of Census Tracts composing the Market Area represents the trade area from which new retailers will most likely draw 80 to 90 percent of their customers.

Within the market study boundary there are two main business nodes with service-oriented businesses that draw their customers from local residents and commuters. The majority of these retail uses serve the local population, including grocery store (GLUT), take-out food operations, personal services such as hair and nail salons, auto repair and variety stores. The highest concentration of retail space occurs along Rhode Island Avenue from Eastern Avenue on the southern end to 35th Street on the northern tip and along 34th Street. Unfortunately, a large portion of the existing commercial space is not designed to fit the needs of modern retailers and service providers.

The City of Mount Rainier provided information on existing business using records from the business license fee required for all commercial businesses.

The existing retail environment in Mount Rainier is characterized by retail along Rhode Island Avenue and 34th Street. The majority of the stores consist of small, narrow retail

Store Category	Total Space (Square Feet)	Percent
Food & Drink	62,876	19%
Grocery	31,970	10%
Clothing & Shoes - Variety/ Thrift Stores	97,808	30%
Personal Care	38,906	12%
Health & Wellness	7,306	2%
Financial Services	500	0%
Jewelry	-	0%
Automobile Services	60,282	19%
Furniture		0%
Fine Arts	10,000	3%
Antiques Collectibles	2,000	1%
Electronics & Appliances	-	0%
Building Materials, Lawn & Garden	-	0%
Gasoline	-	0%
Liquor	4,300	1%
Other Services	8,328	3%
	324,276	

Sources: City of Mount Rainier; MD Property View; PES, 2009.

spaces, dominated by variety stores, eating and drinking establishments, and auto-related service.

The potential performance of new retailers in Mount Rainier depends on the city's ability to compete for and "capture" the expenditures of trade area residents and to attract "inflow" from residents of other areas (including area employees and visitors).

Competitive Framework

To better understand the competitive retail environment surrounding Mount Rainier, the consultant team examined both the retail inventory based on the city's existing business license inventory and the existing supply of shopping centers within the primary market area.

Consumer spending within Mount Rainier's primary trade area is dispersed to centers that compete with Mount Rainier's downtown retail. Neighborhood centers (e.g., The Shops at Queen's Chillum) and regional centers (e.g., The Mall at Prince George's) include the City of Mount Rainier as part of their respective trade areas. Leakage of Mount Rainier's spending to these shopping venues is an expected and normal condition of any retail market.

From this perspective, it becomes apparent that Mount Rainier is situated unfortunately within local and regional markets. Balanced between shopping opportunities in each direction, downtown retailers face competition from over 1.7 million square feet of tenants that can offer surface parking, safety, variety, national brands, and often, lower costs.

Name / Address	Distance (miles)	Type	Stores	GLA w/ Anchors	Average Lease Rate (\$/SF)	Occup.	Year Opened (Renovated)	Anchor
Avondale Shopping Center Michigan Avenue NE	1.11	Neighborhood		32,784	n/a	\$0.97	n/a	collection of small shops
Queen's - Chillum Shopping Center 3100-3130 Queens Chapel Road	0.59	Neighborhood	15	91,822	n/a	100.0%	1955 (1986)	Giant (40k), CVS (10k),
Chillum Road Shopping Center 2441 Chillum Rd	0.74	Neighborhood	10	61,403	n/a	100.0%	1965 (1992)	Shopper's Food Warehouse (30k)
Ports Towns Shopping Center 3831 Bladensburg Road	0.85	Neighborhood	13	53,000	\$15-20	n/a	1987	CVS, Shopper's Food Warehouse, IHOP
Rhode Island Place/ Brentwood Road 901 Rhode Island Ave, NE	2.4	Community	11	253,537	\$30.00+	96.1%	2002	Home Depot (118k), Giant Food (70k)
Rhode Island Avenue Shopping Center 514-660 Rhode Island Ave, NE	2.75	Community	18	192,000	\$24-29	100.0%	1987	Safeway, Nat'l Wholesale Liquidators (106k), CVS
University Town Center 6505 Belcrest Rd	1.98	Community		360,000	up to \$35.00	n/a	n/a	Safeway (57k)
The Mall at Prince George's 3500 East West Highway	1.79	Super Regional	126	840,908	\$12-75	99.3%	1959 (2004)	Macy's (195k), JCPenney (148k), Office Depot (20k), Old Navy (24k); Target (136k)

Sources: Shopping Center Directory; PES, 2009.

Mount Rainier's retailers face limited parking options, small locations, customer concerns about crime, and disparate parcel ownerships that complicate efforts to operate as a single district. Several notable tenants, including GLUT and the health and wellness boutique offerings, have prospered despite these obstacles. For most other existing and potential retailers, the obstacles are too numerous and too high to create a thriving business. PMA households' incomes and typical consumer expenditure patterns indicate a total potential spending of \$208.9 million per year, including:

- \$79.8 million for convenience goods, typically purchased close to home (groceries, other food and beverages, drugstore items)
- \$41.9 million for food away from home
- \$87.2 million for shoppers goods (types of merchandise typically sold in department stores: general merchandise; apparel; furniture and furnishings; sporting goods, music and books; electronics and household appliances (GAFO)).

Table 5. Mt. Rainier Primary Market Area Spending Patterns		
	Study Area Consumer Spending	
Retail Category	Amount	Percent
Personal Service / Convenience		
Health and personal care stores	\$ 15,464,306	7.4%
Grocery stores	\$ 55,264,028	26.4%
Specialty food stores	\$ 3,841,786	1.8%
Beer, wine and liquor stores	\$ 5,231,714	2.5%
	\$ 79,801,834	38.2%
Food Establishments		
Food away from home	\$ 41,945,988	20.1%
GAFO (General Merchandise, Apparel, Furnishings & Other Miscellaneous Retail)		
Apparel and accessories	\$ 23,122,679	11.1%
Furniture and furnishings	\$ 13,647,635	6.5%
General merchandise	\$ 25,066,853	12.0%
Other retail	\$ 25,356,575	12.1%
	\$ 87,193,743	41.7%
Total Non-Auto Retail Spending	\$ 208,941,564	100.0%
Source: ESRI; Partners for Economic Solutions, 2009.		

The initiative to construct ground-level space for arts-related tenants has contributed to the struggles of Mount Rainier’s commercial area. With a median household income of approximately \$46,956, the primary trade area cannot support small-scale, specialty tenants as they require higher sales volumes. Additionally, these retailers are most likely to sell items that are considered “luxury purchases.” These expenditures are small among households with incomes of less than \$50,000.

Although a portion of the existing retail strategy is targeted at visitors to the arts activities, there are not enough patrons currently to support the amount of space allocated. The number of arts attendees and arts-space occupants, as well as the frequency of events, has the ability to support approximately 230 square feet of retail space. This amount is too small to justify even a modest café, let alone several retailers that would compete with each other for the spending that the arts community attracts. Successful operation of a café will depend on capturing some of the commuters traveling along Rhode Island avenue to supplement the walk-in and arts-related market.

An estimate of retail leakage by ESRI indicates that much of the retail spending flows outside the Town Center to the nearby shopping centers and neighborhoods. While this table suggests that significant leakage occurs, Mount Rainier Town Center and Rhode Island Avenue Corridor are not well equipped to compete with nearby shopping centers for that demand.

Table 6. Mt Rainier Comparison of Current Retail Demand and Sales

Retail Category	Retail Demand	Estimated Retail Sales	Estimated Retail Leakage¹
Personal Service / Convenience			
Health and personal care stores	\$ 15,464,306	\$ 6,947,596	\$ 8,516,710
Grocery stores	\$ 55,264,028	\$ 25,167,344	\$ 30,096,684
Specialty food stores	\$ 3,841,786	\$ 3,095,116	\$ 746,670
Beer, wine and liquor stores	\$ 5,231,714	\$ 9,638,172	\$ (4,406,459)
	\$ 79,801,834	\$ 44,848,228	\$ 34,953,606
Food Establishments			
Food away from home	\$ 41,945,988	\$ 45,346,350	\$ (3,400,362)
GAFO (General Merchandise, Apparel, Furnishings & Other Miscellaneous Retail)			
Apparel and accessories	\$ 23,122,679	\$ 2,544,943	\$ 20,577,736
Furniture and furnishings	\$ 13,647,635	\$ 10,173,670	\$ 3,473,965
General merchandise	\$ 25,066,853	\$ 18,251,117	\$ 6,815,736
Other retail	\$ 25,356,575	\$ 3,733,713	\$ 21,622,862
	\$ 87,193,743	\$ 34,703,443	\$ 52,490,300
Total Non-Auto Retail Spending	\$ 208,941,564	\$ 124,898,021	\$ 84,043,543

Note: ¹Negative leakage indicates that existing stores draw from a larger market area or that there is an over-supply of stores in that category.
Sources: ESRI, Inc.; PES, 2009.

Hotel

A number of hotels are located along New York Avenue/ Route 50, clustered around the Beltway (I-495) at Route 1, near College Park and near I-295/ Baltimore-Washington Parkway. These mid-range hotels exhibit rates ranging from \$79 to \$99 per night for a standard single room to \$139 to \$200 for a standard double room. In general, the closer the hotel's proximity to the Nation's capital, the higher the rates charged. Many close-in hotels offer larger suites with kitchenettes for approximately \$170 to \$240 per night. Many of these hotels are suburban in nature with no more than five stories and free on-site surface parking. Each offers a variety of amenities from pools, saunas, fitness centers, Internet access, business libraries, room/housekeeping service and lounges.

Table 7. Area Hotels, 2009					
Name/Address	Rooms	Floors	Room Type	Room Rates	Comments/Amenities
Holiday Inn Express 1917 Bladensburg Road NE Washington, DC		5	1 King Suite 1 Queen 2 Double	\$239 - \$269 \$199 - \$239 \$189 - \$209	indoor pool, free high-speed internet, cont'l bkfst meeting room, A/C Public Areas, Safety Deposit Box available at Front Desk
Comfort Inn 1600 New York Ave NE Washington, DC 20002 (202) 832-3200	134	7	1 King 1 Queen	\$189 - \$199 \$159 - \$169	wireless high-speed Internet access, exercise room, microwave, refrigerator, coffee maker in room
Howard Johnson Inn - Cheverly 5811 Annapolis Road/ Rt 295 & Rt 50 Cheverly, MD, 20784 301-779-7700		5	1 Queen 2 Double	\$99 - \$99 \$109 - \$109	outdoor pool, free high-speed internet, cont'l bkfst meeting room Iron/Ironing Boards, cable, AM/FM Clock/Radio,
Howard Johnson Inn 600 New York Avenue Washington, DC 202-546-9200	53	2	1 King 1 Queen 2 Double 1 Double	\$148 - \$155 \$119 - \$124 \$109 - \$147 \$137	free high-speed internet, cont'l bkfst, pets allowed, outdoor pool, refrigerator, coffee maker in room Iron/Ironing Boards, cable, AM/FM Clock/Radio,
Comfort Inn Capitol Gateway 6205 Annapolis Road Hyattsville, MD 301.322.6000	88	5	1 King 1 Queen 2 Double	\$99 - \$119 \$99 - \$119 \$99	Computer hook-up, exercise room, hi-speed access Iron/Ironing Boards, cable, AM/FM Clock/Radio,
Econo Lodge 7411 New Hampshire Avenue Takoma Park, MD 301.439.3003	53		1 King 1 Queen 2 Double	\$99 - \$119 \$89 - \$99 \$79	Iron/Ironing Boards, cable, AM/FM Clock/Radio, free high-speed internet, cont'l bkfst, outdoor pool,
Inn & Conference Center (UMD) 3501 Univeristy Blvd E Adelphi, MD 20783 301-985-7300	237	5	1 King Bed 2 Queen Beds 1 Queen Bed	\$249 \$219 - \$249 \$199 - \$219	24-hour concierge, non-smoking rooms, cable, alarm clock, iron/ironing board, refrigerator fitness center, business center, meeting rooms
Quality Inn & Suites 7200 Baltimore Blvd College Park, MD 20740 301-276-1000		5	1 King Bed 1 Queen Bed 2 Double Beds	\$84 - \$150 \$74 - \$129 \$79 - \$170	24-hr Concierge, free local calls, non-smoking rooms, handicapped accessible rooms, data ports, Iron/Ironing Boards, cable, AM/FM Clock/Radio, meeting rooms, exercise facility
Clarion Inn 8601 Baltimore Blvd College Park, MD 20740 301-474-2800	118	2	1 King Bed 2 Double Beds	\$119 - \$149 \$99 - \$119	24-hr Concierge, free local calls, non-smoking rooms, handicapped accessible rooms, indoor pool, data ports, Iron/Ironing Boards, cable, AM/FM Clock/Radio, meeting rooms, guest laundry, sauna, exercise facility
Comfort Inn & Suites 9020 Baltimore Ave College Park, MD 20740 301-441-8110		6	1 King Bed 2 Double Beds	\$120 - \$150 \$110 - \$110	24-hr Concierge, free local calls, non-smoking rooms, handicapped accessible rooms, data ports, Iron/Ironing Boards, cable, AM/FM Clock/Radio, meeting rooms, exercise facility

Sources: Internet and Phone Interviews: PES, 2009.

Commercial Market Conclusions

Unfortunately, the lack of density in the city and surrounding neighborhoods limits the potential for a dramatic increase in retail or commercial office offerings in the short-term. A long-term view of the opportunity sites with a significant increase in residential density suggests this outlook may change.

With the development of a new office building and supportive parking along the Rhode Island Avenue corridor, the market could support additional office space up to 15,000 square feet. This new office space would need an additional use and possible subsidy to reduce the high cost of construction due to the limited potential for a sufficient revenue stream with current rental rates between \$12 and \$15 per square foot.

Comparing these consumer spending estimates of supportable retail development with an estimate of the current inventory of Mount Rainier businesses allows identification of potential opportunities for new retail development. These estimates of new supportable development assume that competitive sites appropriate to each type of use could be developed. Clearly, that is not the case within Mount Rainier and adjustments must be considered.

A successful retail strategy for Mount Rainier begins with the primary trade area. These residents and workers have unmet retail demand in the Grocery Stores, Health and Personal Care Stores, and General Merchandise categories. In total, this would support up to 15,000 square feet of new retail development or the reconfiguration of space along Rhode Island Avenue and consolidation of operations currently on 34th Street.

Today, the study area does not offer satisfactory locations for these types of tenants. An appropriate retail site for a grocery store, drugstore or general store in Mount Rainier would offer more than 5,000 square feet of space, adjacent parking, off-street loading, and unobstructed visibility. It would also be situated along or near major pedestrian and vehicular routes.

Our analysis concludes that the area would be able to support several types of niche retailers. Based on review of the supportable square feet of retail and service space and an understanding of the limited supply of potential development and redevelopment sites in the study area, the key retail opportunities include a new sit-down restaurant or café that could capture pass-through traffic or draw from a larger area based on unique branding; a drugstore; a service operation for electronics such as cell phones; and a variety store that offers goods and services sought by different local ethnic groups.

New residential development will increase the demand for these same types of retail options and further support new retail.

Given the location of Mount Rainier on the outskirts of downtown Washington and not immediately adjacent or visible from the Beltway, it would not be an ideal location for a national chain hotel. The preponderance of competitive hotels with a variety of service options and price points reduces the feasibility of adding another standard chain hotel in Mount Rainier. However, a boutique arts-themed inn or Bed & Breakfast with up to 12 or 15 rooms might make sense in the long term.

V. Financial Feasibility

Essentially, financial feasibility analysis compares the cost of development to the private investment that can be justified by the future proceeds from development. Developers and investors decide whether to build based on whether those potential returns will be sufficient to cover their costs and generate a profit that compensates them for the risks associated with real estate development. When the costs exceed the justified investment, the project requires “gap” financing to fund costs that the project’s income and private investment will not support. Often, the gap results from the high cost of construction, the need for expensive parking solutions (e.g., parking garages), and the difference between the rents that local businesses and/or low-income and workforce households can pay and the rents required to fund the project.

Methodology

PES created financial feasibility tests with static pro formas for each of the product types supportable based on the market analysis. These financials represent a calculation of construction cost, potential future income, required rate of return and the potential feasibility gap. Hard costs for construction were based on a review of area developments and based on industry standards. Soft cost calculations include typical fees associated with development such as permit fees, construction loan interest and architectural fees.

The financial analysis reflects conceptual development programs. The *pro formas* will need to be revised as the objectives and requirements are refined. Changes in market conditions or cost assumptions as set forth in this document will also affect the validity of our findings.

Development Program

The consultant team prepared a market overview for the area to determine appropriate inputs for expected sales prices, lease rates and occupancy levels – the key factors affecting future project revenues. The following three options for developments programs were tested for financial feasibility:

Table 8. Mount Rainier Development Alternatives			
Type of Development			Size (units/SF)
Alternative A			
Residential	Rental	Apartments	40
Commercial	Retail	Ground Level	3,500
Alternative B			
Commercial	Office		18,000
Commercial	Retail	Ground Level	1,500
Alternative C			
Residential	For-Sale	Condominiums	18

Sources: GDA; PES, 2009.

Market conditions had several important implications for the development program, including:

- Significant office development would require an institutional or government user as no independent market demand exists beyond neighborhood-serving office demand for medical offices. Development Alternative B calls for creating large blocks of office space in newly constructed office buildings or rehabilitated / adapted existing buildings.
- Residential development should include a mix of various types of condos and apartments along Rhode Island Avenue. The financial analysis tests both for-sale and rental housing, within a mixed-use project with some retail on the ground level to address the continuity of the Rhode Island Avenue commercial corridor and existing zoning.

Total development costs are impacted by the recent rise in construction costs and other relatively modest changes in material costs, labor rates, building code requirements, parking requirements, and other factors. The findings from the pro forma analysis described in this report are subject to change based on these factors, as well as alterations to the suggested development program that may arise from market, policy, or other objectives.

A variety of pioneering and standard product types were considered appropriate for the City of Mount Rainier. To maintain reasonable and lower development costs, all product types are wood-frame or wood-frame above reinforced concrete construction. Building codes typically allow wood-frame structures to reach four stories in height (with wood-frame structures on top of a reinforced concrete first floor going up to five stories). Above this height, building codes as well as building technologies require the use of reinforced concrete or steel-frame structures, which is a more expensive type of construction – easily 30 percent or more than wood-frame. Since rents and sale prices are determined by market conditions, not building type, it is often the case that the cost of additional floors increases construction costs much more rapidly than revenues. This may make a project not feasible. This effect has been noted in conversations with local developers, as well as other developers of multi-family housing operating in many other areas of the U.S.

The prototypical, primarily wood-frame, construction types analyzed under the financial feasibility analysis include: a mixed-use four-story building with ground level retail and multi-family residential above; a two-story medical office building with 1,500 square feet of retail on the frontage; and a two-story condominium project with 18 units. These prototype projects were formulated in order to reflect the range in residential product offerings, unmet retail needs for the community and account for the opportunity to take advantage of topographical advantages with podium parking.

Table 10 shows the results for the detailed financial feasibility tests with two options for the rental apartments. These two options include one 40-unit building with 20 percent of the units affordable to households at 50 percent of the Area Median Income (AMI). The

other option contains only market-rate units and cannot access Low-Income Housing Tax Credit funds. (See Appendix C for financial pro formas.)

Table 9. Mount Rainier Financial Analysis Conclusions			
Type of Development	Size (Units/SF)	Residual Land Value	Development Costs
Alternative A			
Residential - Rental Apartments	40	\$ (111,800)	\$ 8,891,000
Rental Apartments Affordable	40	\$ (1,130,086)	\$ 8,873,000
Retail- Ground Level	3,500	\$ 5,375	\$ 298,200
Alternative B			
Commercial- Office	18,000	\$ (2,189,000)	\$ 4,926,000
Retail- Ground Level	1,500		
Alternative C			
Residential - Condominiums	18	\$ 311,055	\$ 5,088,000
Notes: Apartments are either market rate or affordable with market rate for Option A. Residual land value represents the amount available to purchase the land. Sources: GDA; PES, 2009.			

Unfortunately, only the condominium project provides a financially feasible result at this time. Under this scenario the land owner could anticipate a modest price for the land. The other projects do not represent feasible options in the current market place. Investor expectations for a reasonable rate of return require a public sector investment beyond the value of the land to balance the high cost of construction for the apartments and commercial space in the projects above. Additional levels of subsidy may be required which could include the demolition and removal of existing structures.

Appendix Tables

Exhibit I-1

**MARKET FINDINGS
PRINCE GEORGE'S COUNTY, MD & WASHINGTON, D.C.
APRIL 2009**

DEMOGRAPHICS

- The Mount Rainier area has experienced little population or household growth in recent years, but is located in close proximity to several mixed-use cores that are emerging in Prince George's County, including Hyattsville and College Park.
- The estimated 2008 median household income within the rental and for-sale primary market areas is just over \$50,000, and is projected to increase to over \$57,000 by 2013.

FOR-RENT RESIDENTIAL

- The effective rental rates for class A garden apartments in Prince George's County have remained higher than those for the DC metro region as a whole
- While vacancy rates in Prince George's County increased in 2008, it has held steady at around 8% in the first quarter of 2009. The first quarter of 2009 also showed concessions as a % of face rent decreasing slightly and the number of new units absorbed per project increased to 12 units per month.
- A majority of the for-rent residential supply in the local market is comprised of older garden-style product, in addition to new affordable

FOR-SALE RESIDENTIAL

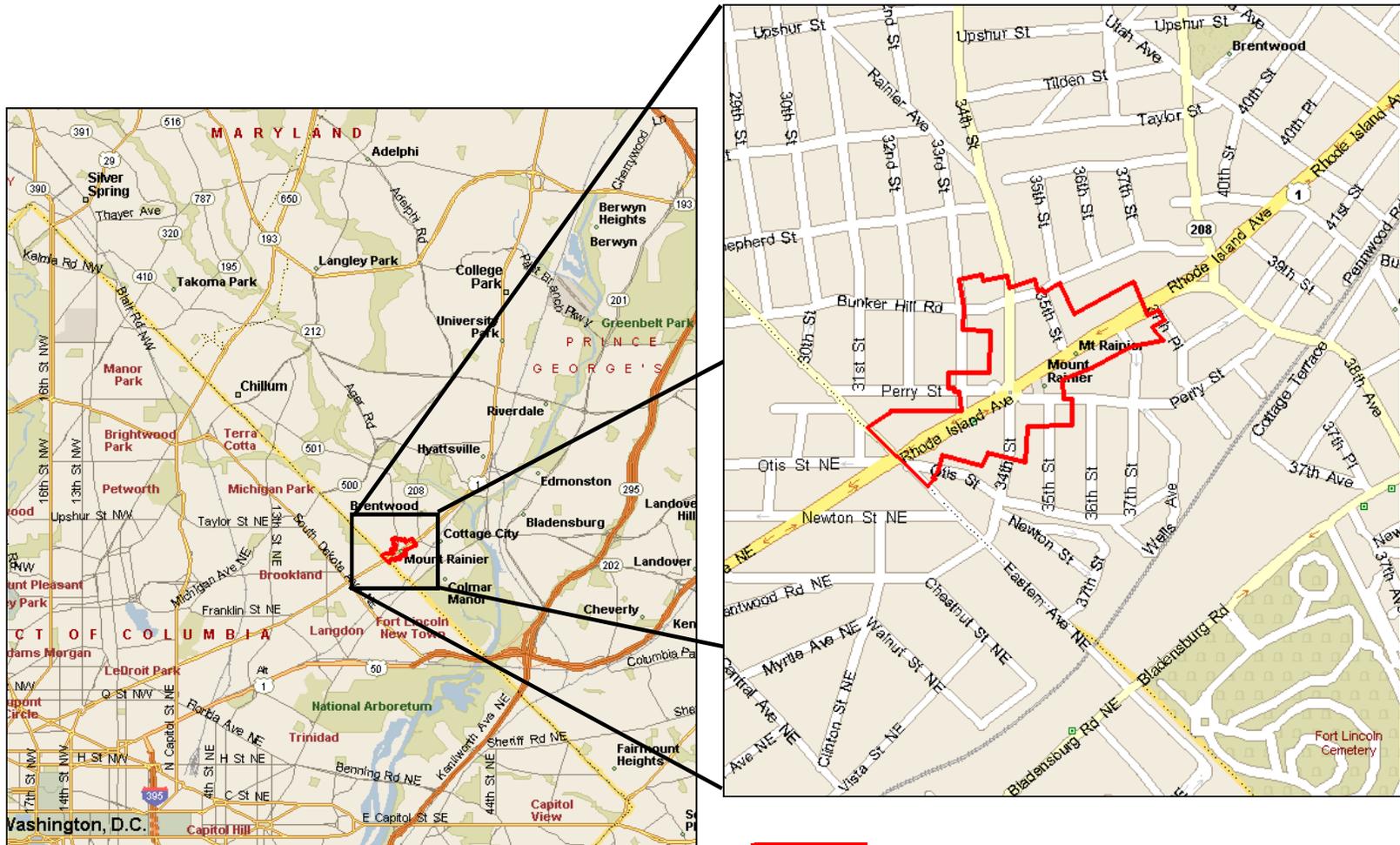
- Overall new condo sales have decreased since 2007 throughout the DC metro area, and the number of new condo units in the supply pipeline have declined since 2006
- The supply pipeline within Prince George's County is primarily comprised of units with planned long-term delivery, with approximately 650 unsold units in actively marketing projects and approximately 2,500 units with probable sales in 36 months at the end of 2008.
- Arts District Hyattsville, a project currently selling, includes townhomes and live-work units with retail on the ground floor along Route 1 and residential space above. Other for-sale projects in the local market include two condo buildings at the University Town Center and Fairmont Condos, a conversion projects that has been selling since 2005.

PLANNED & PROPOSED

- There are a number of planned and proposed condominium projects in the local market, included the condos associated with the Arts District Hyattsville, the Pointe at Cheverly Condos at the Cheverly metro station, and the Willowbrook Condos in NE DC
- The ArtSpace & Dance Place rental project planned for NE DC will include affordable live/work rental units with gallery and studio space, continuing the trend of adding affordable live/work and artist space to the local market

Exhibit I-2

SUBJECT SITE CONTEXT MAP
MOUNT RAINIER TOWN CENTER
APRIL 2009

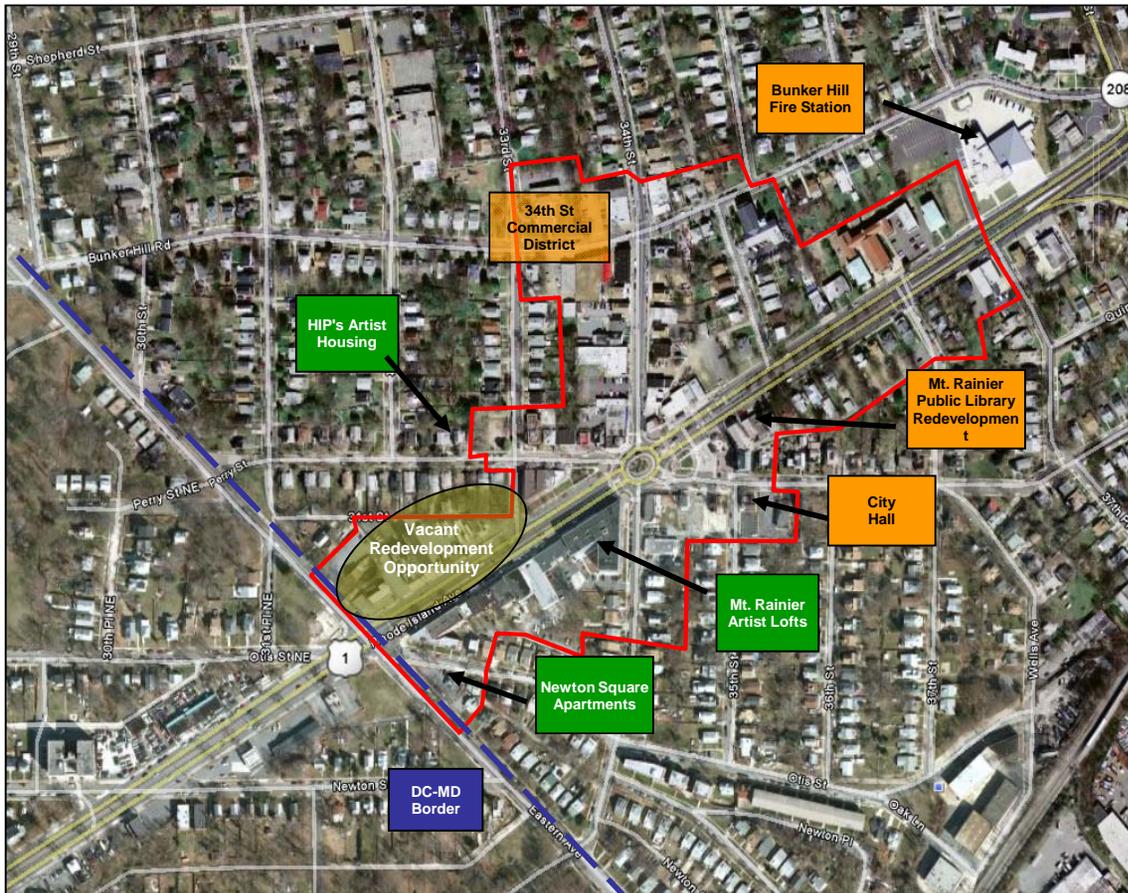


Note: Boundaries are approximate and are not exact.

SOURCE: Mount Rainier Town Center Urban Renewal Plan, June 2004

Exhibit I-3

**SUBJECT SITE AND SURROUNDING LAND USES
MOUNT RAINIER TOWN CENTER
APRIL 2009**



- The Mount Rainier Town Center area is located along Rhode Island Avenue in Prince George's County, just over the MD/DC border

- Existing residential development in and around the Town Center area includes older single-family detached housing stock, older low-rise apartments, and newer mid-rise artist housing

- Several properties along Rhode Island Avenue are city-owned, including vacant and underdeveloped sites

- The uses in the DC neighborhoods adjacent to the DC/MD border are primarily vacant, auto-related uses and a carry-out liquor store, although Rhode Island Avenue NE in DC is currently undergoing the Great Streets master planning process

Exhibit III-7

**SURVEY OF SELECT FOR-RENT RESIDENTIAL DEVELOPMENTS
WASHINGTON, D.C. & PRINCE GEORGE'S COUNTY, MD**

MAP KEY	PROJECT LOCATION DEVELOPER	TYPE	YEAR OPENED	TOTAL UNITS	OCC.	UNIT TYPE	UNITS BY TYPE	UNIT MIX	UNIT PRICE RANGE	UNIT SIZE RANGE	\$ /SF	% of AMI
APARTMENTS												
1	Renaissance Square Artists Housing 4307 Jefferson Street Hyattsville, MD 20781 HIP (Housing Initiative Partnership, Inc.)	3-4 Story New Const.	Late 2008?	44		TOTAL	0	NA				60% or less
						1B/1b		NA	\$319 - \$319	800 - 800	\$0.40 - \$0.40	
						2B/1b		NA	\$843 - \$843	1,100 - 1,100	\$0.77 - \$0.77	
2	HIP Artists' Housing 3801 33rd street Mt. Rainier, MD HIP (Housing Initiative Partnership, Inc.)	3 Story Rehab	2003	12		TOTAL	12	100%	\$475	624	\$0.77	50% or less 1 person HH: \$26k max 2 person HH: \$30k max
						1B/1b	12	100%	\$475 - \$475	574 - 673	\$0.71 - \$0.83	
3	Mount Rainier Artist Lofts 3311 Rhode Island Avenue Mount Rainier, MD 20712 Artspace USA	4 Story New Const.	2005	44	100%	TOTAL	0			1,600	NA	50% limit 30% of income
									-	800 - 2,400		
									-	-		
4	Washington Overlook at Ft. Lincoln 3502 Commodore Joshua Bar Washington, D.C. 20018 (202)832-5150		1978	158	94%	TOTAL	158	100%	\$1,529	1,031	\$1.50	
						1B/1b	35	22%	\$1,275 - \$1,320	780 - 780	\$1.63 - \$1.69	
						2B/2b	115	73%	\$1,460 - \$1,699	1025 - 1143	\$1.42 - \$1.49	
						3B/2b	8	5%	\$1,825 - \$1,825	1,360 - 1,360	\$1.34 - \$1.34	

Exhibit III-7

**SELECT FOR RENT RESIDENTIAL DEVELOPMENTS
WASHINGTON, D.C. & PRINCE GEORGE'S COUNTY, MD**

PROJECT LOCATION MAP KEY DEVELOPER	FEATURES AND AMENITIES	PROJECT TOTAL DEVELOPMENT COSTS	PUBLIC SUBSIDY OR PARTNERSHIP?	COMMENTS
APARTMENTS				
1 Renaissance Square Artists Housing 4307 Jefferson Street Hyattsville, MD 20781 HIP (Housing Initiative Partnership, Inc.)	Green design, high-ventilation workroom, computer room w & graphic arts software, music & dance practice rooms, 3,000 SF shared studio space, gallery/community space, two green roof gardens, extra storage, exercise facilities, parking, garbage disposal, breakfast bar, energy efficient windows, walk-in closets, controlled access	\$7.8M	Developed by HIP, a county CHDO \$950k in gap financing from HOME Financed primarily by 9% LIHTC	Utilities not included Rent is subsidized in exchange for approx. 10 hours of volunteer work per week (teaching art to local children)
2 HIP Artists' Housing 3801 33rd street Mt. Rainier, MD HIP (Housing Initiative Partnership, Inc.)	Green design features, bioretention landscaping, tankless hot water heaters, green roof, bathroom tile made of recycle windshields, maple cabinetry, hardwood floors, rooftop deck on-street parking, new construction of studio extensions with concrete slab floors	\$1.83 million (\$152k/unit) TDC including \$245k cost for land and existing building	Loan from MD DHCD, HOME funds loan, grants from State of MD, MD Dept of Environment, PEPCO, FHLB of Atlanta, etc.	The County Dept. of Environmental Resources installed a bioretention pond on-site. Tenants must profile 48 hours per year of arts-related community service.
3 Mount Rainier Artist Lofts 3311 Rhode Island Avenue Mount Rainier, MD 20712 Artspace USA	High ceilings, large windows, energy-efficient features	\$12 million	Partnership between Artspace USA Gateway Community Dev't Corp., County Redevelopment Auth., MD DHCD, and Apollo Housing Capital, LLC. LIHTC Project.	Project includes 7,000 SF of commercial space on the ground floor. Retail space includes Atmosphere Café, H&F Fine Arts, and Strictly Business/ Alpha Omega
4 Washington Overlook at Ft. Lincoln 3502 Commodore Joshua Bar Washington, D.C. 20018 (202)832-5150	Pool, tennis courts, on-site laundry, parking, limited access entry, playground, carpet, window unit AC, dishwasher		LIHTC Project	Only one resident uses a housing voucher

Exhibit III-7

**SURVEY OF SELECT FOR-RENT RESIDENTIAL DEVELOPMENTS
WASHINGTON, D.C. & PRINCE GEORGE'S COUNTY, MD**

MAP KEY	PROJECT LOCATION DEVELOPER	TYPE	YEAR OPENED	TOTAL UNITS	OCC.	UNIT TYPE	UNITS BY TYPE	UNIT MIX	UNIT PRICE RANGE	UNIT SIZE RANGE	\$ /SF	% of AMI
6	Mosaic at Metro 6210 Belcrest Road Hyattsville, MD http://equitymgmt.com/queensmanor.cfm 866-915-3217	MR New Const.	2009	260	NA	TOTAL	0	NA	\$1,771	984	\$1.90	
						Studio	NA	NA	\$1,325 - \$1,325	504 - 504	\$2.63 - \$2.63	
						1B/1b	NA	NA	\$1,340 - \$1,480	643 - 784	\$1.89 - \$2.08	
						1B/1b + L	NA	NA	\$1,745 - \$1,785	949 - 971	\$1.84 - \$1.84	
						2B/2b	NA	NA	\$1,820 - \$1,985	1,040 - 1,159	\$1.71 - \$1.75	
						2B/2b + L	NA	NA	\$2,075 - \$2,075	1,266 - 1,266	\$1.64 - \$1.64	
3B/2b	NA	NA	\$2,150 - \$2,150	1,361 - 1,361	\$1.58 - \$1.58							
7	Keywood Gardens 4101 Kaywood Place Mount Rainier, MD 20712 866-560-9088	Garden 2-3 Story	1939	916	97%	TOTAL	0	NA	\$929	673	\$1.40	
						Studio	NA	NA	\$791 - \$791	510 - 525	\$1.51 - \$1.55	
						1B/1b	NA	NA	\$862 - \$942	615 - 690	\$1.37 - \$1.40	
						2B/2b	NA	NA	\$1,070 - \$1,115	790 - 910	\$1.23 - \$1.35	
8	Fort Totten Station 5210 3rd St. NE Washington, D.C. (888)204-4343	Garden 4 Story	2007	308	68%	TOTAL	308	100%	\$1,705	823	\$2.09	
						Studio	9	3%	\$1,188 - \$1,565	562 - 771	\$2.03 - \$2.11	
						1B/1b	97	31%	\$1,319 - \$2,000	576 - 987	\$2.03 - \$2.29	
						1B/1b+den	76	25%	\$1,609 - \$1,890	752 - 877	\$2.14 - \$2.16	
						2B/2b	126	41%	\$1,820 - \$2,250	946 - 1,109	\$1.92 - \$2.03	
9	Gables Takoma Park 7035 Blair Road NW Washington, D.C. 202-652-0180	New Const. 3 Story	9/2008	145	95%	TOTAL	145	NA	\$2,342	993	\$2.45	
						Studio	NA	NA	\$1,525 - \$1,720	536 - 589	\$2.85 - \$2.92	
						1B/1b	NA	NA	\$1,740 - \$2,260	711 - 960	\$2.35 - \$2.45	
						2B/2b	NA	NA	\$2,085 - \$2,715	872 - 1,230	\$2.21 - \$2.39	
						2B/2.5b + S	NA	NA	\$3,345 - \$3,345	1,521 - 1,521	\$2.20 - \$2.20	

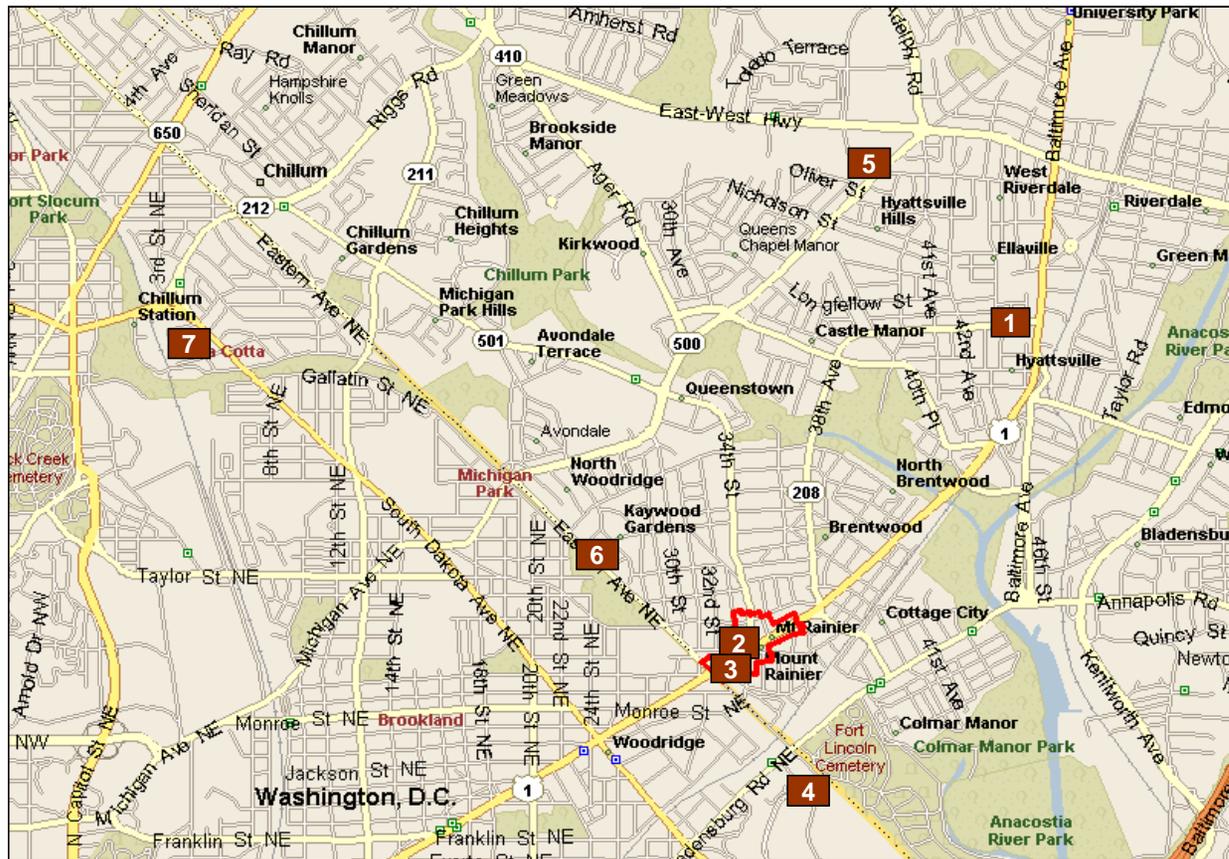
Exhibit III-7

**SELECT FOR RENT RESIDENTIAL DEVELOPMENTS
WASHINGTON, D.C. & PRINCE GEORGE'S COUNTY, MD**

PROJECT LOCATION MAP KEY DEVELOPER	FEATURES AND AMENITIES	PROJECT TOTAL DEVELOPMENT COSTS	PUBLIC SUBSIDY OR PARTNERSHIP?	COMMENTS
6 Mosaic at Metro 6210 Belcrest Road Hyattsville, MD http://equitymgmt.com/queensmanor.cfm	Game room, business center, clubhouse, corporate units available, extra storage, fitness center w/ cardio theater, garage/covered parking, gated entrance, media room, outdoor picnic area, package service, pet friendly, pool, 9ft ceilings, AC, dishwasher, garden tub, gourmet kitchen w/ breakfast bar or room, island kitchens, linen closets, private patio/balcony, hardwood floors, ceramic tile, vaulted ceilings, W/D in unit, carpeting, GE appliances, select loft floor	Not Available	N/A	\$200-\$250 deposit Currently offering 6 weeks free rent
7 Kaywood Gardens 4101 Kaywood Place Mount Rainier, MD 20712 866-560-9088	Fitness center, laundry facilities, playground, wall-to-wall carpet, parquet floors available, AC, ceiling fans, disposal	Not Available	N/A	10% active military discount 12 and 6 month leases available \$200 deposit
8 Fort Totten Station 5210 3rd St. NE Washington, D.C. (888)204-4343	Clubroom, business center, fitness center, free parking, pool, concierge services	\$58M	N/A	N/A
9 Gables Takoma Park 7035 Blair Road NW Washington, D.C. 202-652-0180	Granite kitchen & bath countertops, stainless steel appliances, ceramic tile baths, W/D, patios and balconies in select units, registered LEED certification, roof-top terraces, cyber-café, garage parking, juice bar, coffee station Renters attracted to green features & LEED status	\$32.4M	N/A	The only units not leased are 3 two-bed room plus study units, two studios, and two-one bedroom units.

Exhibit III-6

MAP OF SELECTED FOR-RENT RESIDENTIAL PROJECTS
WASHINGTON, D.C. & PRINCE GEORGE'S COUNTY, MD



- ACTIVELY LEASING**
- 1** Renaissance Square Artists Housing
 - 2** HIP Artists' Housing
 - 3** Mount Rainier Artist Lofts
 - 4** Washington Overlook at Ft. Lincoln
 - 5** Mosaic at Metro
 - 6** Kaywood Gardens
 - 7** Fort Totten Station
 - Mount Rainier Town Center Area

Exhibit I-4

**CITY OWNED PROPERTIES
MOUNT RAINIER TOWN CENTER
APRIL 2009**



Source: Partners for Economic Solutions (PES), City of Mount Rainier

Input Assumptions for Stick Built Construction					
	Rental	Condo	Retail	Office	
Developer Return	9%	9%	9%	0	of total costs
Vacancy and Collection Loss	5%	n/a	5%	7%	% of revenues
Building Efficiency (Leaseable/Gross S.F.)	85%	82%	90%	90%	percent
Parking Requirements and Fees					
Parking Spaces (Ratios)	0.5	0.5			per unit or 1,000 SF
Monthly Parking Fees	\$100	\$100	\$0	\$100	per space
Development Cost Assumptions					
Off-Site Improvements	\$100,000	\$0	\$0	\$0	lump sum
Site Preparation & Improvements	\$4.00	\$4.00	\$4.00	\$4.00	per g.s.f.
Hard Costs (Include General Conditions)	\$160.00	\$165.00	\$130.00	\$150.00	per g.s.f.
Parking Costs (Assume Surface Parking)	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	per space
Parking Costs (Assume Podium Parking)	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00	per space
Architecture & Engineering	6%	6%	6%	6%	% of hard costs
Legal, Accounting, Insurance	1%	1%	1%	1%	% of hard costs
Development Permit/ Building Fees	1%	1%	1%	1%	% of hard costs
Project Contingency	5%	5%	5%	5%	% of total costs
Carry Costs - real estate taxes during construction, etc.	3%	3%	3%	3%	% of total costs
Soft Costs as Share of Hard Costs	16%	16%	16%	16%	% of hard costs
Developer Fee (Rental @15% for LIHTC only)	15%	15%	5%	5%	% of non-land costs
Operating Costs (Excluding Tenant Utilities)	\$4,000		\$2.00	\$8.00	per unit / per s.f.
Replacement Reserves	\$300				per unit
Construction Financing Costs					
Interest Rate	7.22%	7.50%	7.50%	7.50%	of total loan
Period of Initial Loan	16	16	16	16	months
Initial Construction Loan Fee (points)	1.50%	1.50%	2.00%	2.00%	of total loan
Average Balance	55%	55%	55%	55%	of total loan
Loan To Value Ratio	40%	40%	40%	40%	
Interest Cost and Points	3.00%	3.00%	3.00%	3.00%	of total costs
Capitalization Rate	7.00%	7.00%	8.50%	8.00%	
Permanent Financing					
Interest Rate	5.97%	6.47%	6.47%	6.47%	of total loan
Term	30	30	30	30	years
Mortgage Constant	-7.203%	-7.594%	-7.594%	-7.594%	
Debt Coverage Ratio	115%	115%	115%	115%	of debt service
Deferred Developer Fee	3%	3%	3%	3%	of total cost

Notes: Interest rates reflect the U.S. Treasury rate for the same term plus the addition of basis points to reflect risk.

Source: Partners for Economic Solutions, 2009.

Mount Rainier Affordable Rental Apartments, Alternative A

Characteristics of Project		Square Feet	Mix	Units	Rents	
Base Project Size (Units)	40	1BR/1BA	713	20%	6	\$1,350
Site Size (acres)	1.50	2BR/2BA	888	55%	18	\$1,650
Project Density (DU/AC)	27	2BR/2BA/DEN	1,088	25%	8	\$1,985
FAR	0.65	2 BR Below Mrkt Rate Unit	888	100%	8	\$804
Market Rate Units	32	Total Rentable Square Feet	36,050			
Below Market Rate Units	8	Common Area	6,350			
Parking Ratio (spaces per unit)	1.0	Total Residential	42,400			
Parking Spaces	40	Average Unit Size (square feet)	901			
Monthly Parking Rate	\$100	Operating Expense per unit	\$4,000			
Development Costs		Mortgage Bond Financing				
Unit Construction Cost	\$6,784,000	Bond Interest Rate	5.97%			
Site Improvement Costs	\$261,000					
Parking Construction Cost	\$640,000	Term (years)	30			
Soft Costs	\$1,188,000	Bond Financing Amount	\$6,649,000			
<i>Total Development Costs</i>	\$8,873,000	Debt Coverage Ratio	115%			
<i>Total Development Costs/Unit</i>	\$222,000	Annual Debt Service	\$506,800			
Low-Income Housing Tax Credits (4%)						
Eligible (Non-Land) Costs	\$8,873,000					
Applicable Fraction	19.7%					
Percent Credit	3.50%					
Maximum Allowable Credit	\$61,200					
LIHTC Years	10					
Total LIHTC	\$612,000					
LIHTC Pricing as Percent of Value	90%					
LIHTC Equity	\$551,000					
Development Feasibility						
Gross Potential Rent (100% Occupancy)	\$769,300	Return on TDC	6.6%			
Vacancy Rate	5.0%	Annual Debt Service	\$506,800			
Gross Scheduled Rent	\$730,800	Deferred Developer Fee (3% of costs)	\$266,000			
Operating Expenses	\$160,000	Additional Required Subsidy	\$1,407,000			
Replacement Reserves	\$12,000	Required Subsidy per Unit	\$35,175			
Net Operating Income	\$582,800	Capitalized Value	\$8,325,714			
		Land Residual Value	-\$1,130,086			

NOTES: Bond Financing amount excludes issuance and credit enhancement costs. Required Subsidy includes development costs less LIHTC bond financing and deferred developer fee

Source: Partners for Economic Solutions, 2009.

Mount Rainier Market-Rate Rental Apartments, Alternative A

Characteristics of Project			Square Feet	Mix	Units	Rents
Base Project Size (Units)	40	1BR/1BA	713	20%	8	\$1,350
Site Size (acres)	1.50	2BR/2BA	888	55%	22	\$1,650
Project Density (DU/AC)	27	2BR/2BA/DEN	1,088	25%	10	\$1,985
FAR	0.65	2 BR Below Mrkt Rate Unit	888	100%	0	\$804
Market Rate Units	40	Total Rentable Square Feet	36,100			
Below Market Rate Units	0	Common Area	6,400			
Parking Ratio (spaces per unit)	1.00	Total Residential	42,500			
Parking Spaces	40	Average Unit Size (square feet)	903			
Monthly Parking Rate	\$100	Operating Expense per unit	\$4,000			
Development Costs		Construction Financing Costs				
Unit Construction Cost	\$6,800,000					
Site Improvement Costs	\$261,000	Construction Loan	\$3,556,000			
Parking Construction Cost	\$640,000	Interest Rate	7.22%			
Soft Costs	\$1,190,000	Period of Initial Loan (months)	16			
<i>Total Development Costs</i>	\$8,891,000	Initial Construction Loan Fee (points)	1.5%			
<i>Total Development Costs/Unit</i>	\$222,000	Average Outstanding Balance	55%			
Stabilized Income		Development Feasibility				
Gross Potential Rent (100% Occupancy)	\$851,400	Net Operating Income	\$660,800			
Vacancy Rate	5.0%	Return on TDC	7.4%			
Gross Scheduled Rent	\$808,800	Capitalized Value	\$9,440,000			
Operating Expenses	\$160,000	Land Residual Value	-\$111,800			
Replacement Reserves	\$12,000					

Source: Partners for Economic Solutions, 2009.

Mount Rainier Office with Ground-Level Retail, Alternative B			
Characteristics of Project		Rents	
GFA Square Footage	18,000	Office Rent per Rentable SF (Full Service)	\$24.00
Net Square Footage	16,200	Retail Rent per Rentable SF (Triple Net)	\$18.00
Office	14,700	Parking (monthly rate per space)	\$100.00
Retail	1,500	Parking Ratio per 1,000 Gross S.F.	3.50
Office Operating Expenses	\$8.00	Parking Spaces	63
Retail Operating Expenses	\$2.00		
Development Costs		Construction Financing Inputs	
Office Tenant Improvements per Rentable SF	\$25	Construction Loan	\$1,913,000
Retail Tenant Improvements per Rentable SF	\$20	Interest Rate	7.5%
Site Preparation, Off-Site Improvements	\$72,000	Period of Initial Loan (months)	16
Base Construction Cost	\$2,700,000	Initial Construction Loan Fee (points)	2.0%
Parking Construction	\$1,008,000	Average Outstanding Balance	55.0%
Tenant Improvements	\$398,000		
Soft Costs	\$605,000		
Financing Costs		Value Stabilized Income	
Interest on Construction Loan	\$105,000	Gross Potential Rent (100% Occupancy)	\$386,100
Points on Construction Loan	\$38,000	Vacancy Rate	7.0%
Total Development Costs	\$4,926,000	Gross Collected Rent	\$359,000
Total Development Costs/per SF	\$274	Operating Expenses	\$121,000
		Net Operating Income	\$238,000
		Return as % of Development Costs	4.8%
		Capitalized Value	\$2,975,000
		Land Residual Value	-\$2,189,000
Source: Partners for Economic Solutions, 2009.			

Mount Rainier Market-Rate Condominiums, Alternative C

Characteristics of Project			Square Feet	Mix	Units	Prices
Base Project Size (Units)	18	2BR/2BA	950	40%	7	\$335,900
Site Size (acres)	1.50	2BR/2BA/DEN	1,150	50%	9	\$402,000
Project Density (DU/AC)	12	3BR/2.5 BA	1,250	10%	2	\$432,500
FAR	0.36	2 BR Below Mrkt Rate Unit	1,150	100%	0	\$254,800
Market Rate Units	18	Total Rentable Square Feet	19,500			
Below Market Rate Units	0	Common Area	4,300			
Parking Ratio (spaces per unit)	1.00	Total Residential	23,800			
Parking Spaces	18	Average Unit Size (square feet)	1,080			
Parking Sales Price	\$0					
Development Costs		Development Feasibility				
Unit Construction Cost	\$3,927,000	Gross Sales Revenue	\$6,834,300			
Site Improvement Costs	\$261,000	Less Cost of Sales	6.0%			
Parking Construction Cost	\$234,000	Net Sales Revenue	\$6,424,200			
Soft Costs	\$666,000					
<i>Total Development Costs</i>	\$5,088,000	Project Return (Net Rev-Dev Costs)	\$1,336,200			
<i>Total Development Costs/Unit</i>	\$282,667	Required Return (15% of Sales)	\$1,025,145			
		Residual Land Value	\$311,055			

Notes: Current market conditions restrict the ability to sell parking spaces separately from the residential unit.

Source: Partners for Economic Solutions, 2009.

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