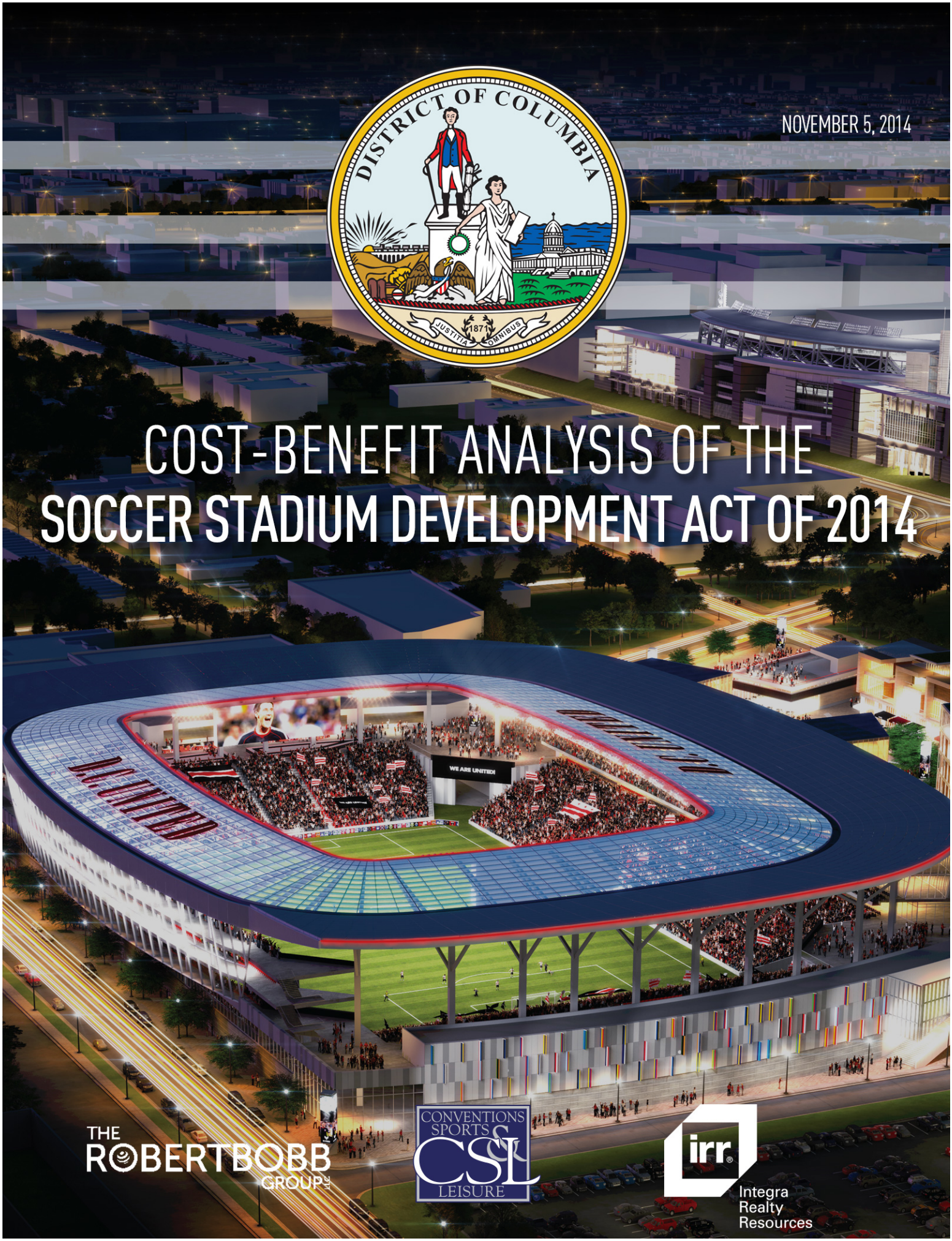
NOVEMBER 5, 2014

COST-BENEFIT ANALYSIS OF THE SOCCER STADIUM DEVELOPMENT ACT OF 2014



THE ROBERTBOBB GROUP

CONVENTIONS SPORTS & LEISURE

Integra Realty Resources

November 5, 2014

The Honorable Phil Mendelson
Chairman - Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Suite 504
Washington, DC 20004

Dear Chairman Mendelson:

Conventions, Sports & Leisure International ("CSL"), Integra Realty Resources ("IRR") and The Robert Bobb Group ("RBG") are pleased to present this report regarding a cost-benefit analysis of the proposed land exchanges and development projects related to the District of Columbia Soccer Stadium Development Act of 2014.

The information contained in this report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and other factors, including certain information the District has provided. All information provided to us by others was not audited or verified, and was assumed to be correct. Because the procedures were limited, we express no opinion or assurances of any kind on the achievability of any estimated information contained herein and this report should not be relied upon for that purpose. Furthermore, there will be differences between estimated and actual results. This is because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We sincerely appreciate the opportunity to assist you with this project and would be pleased to be of further assistance in the interpretation and application of the study.

Very truly yours,

CSL International

CSL International

Conventions, Sports & Leisure International
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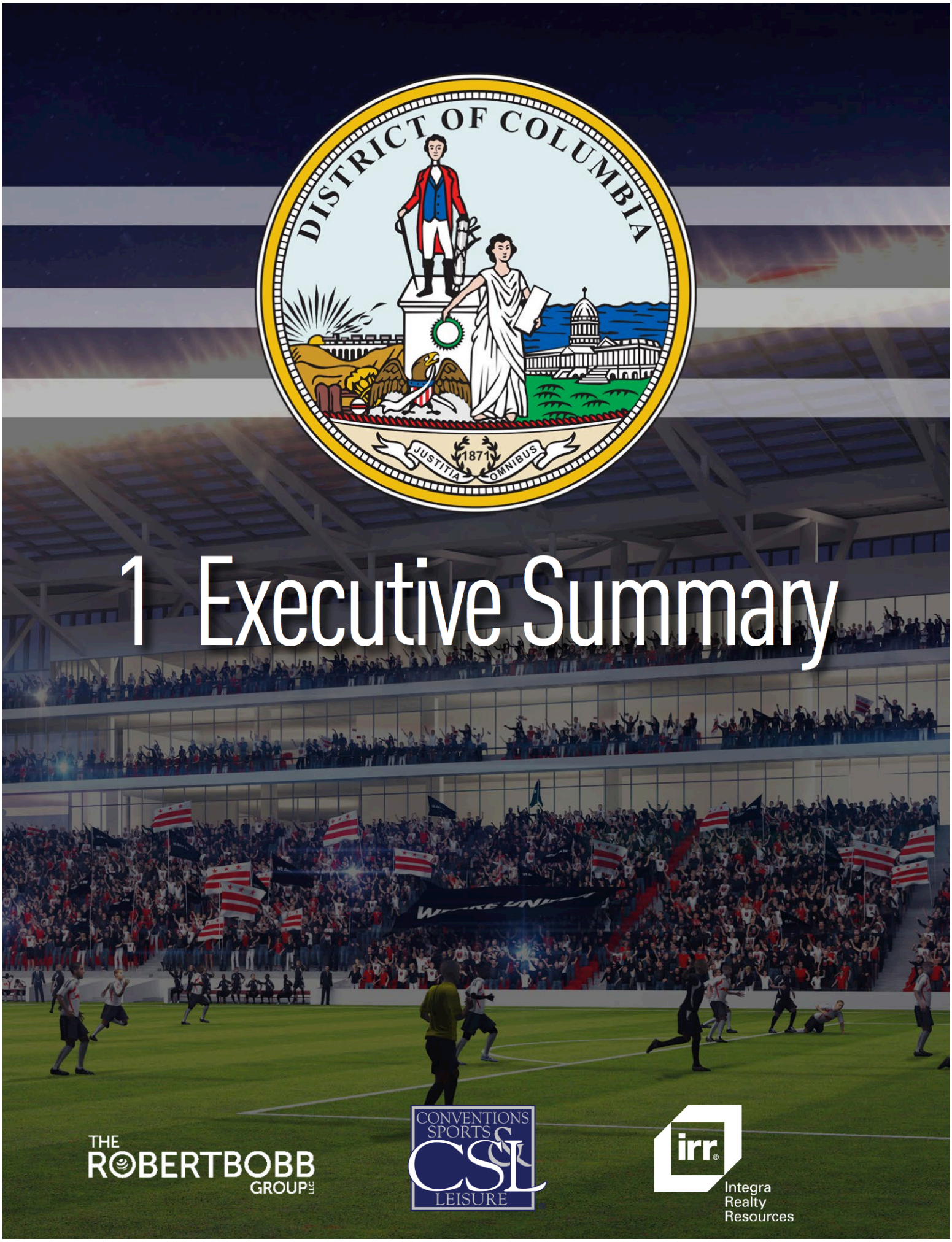

1 Executive Summary

THE ROBERTBOBB GROUP LLC

CONVENTIONS SPORTS & LEISURE CSL

irr Integra Realty Resources

1. Executive Summary

On May 23, 2014, Mayor Vincent Gray submitted the District of Columbia Soccer Stadium Development Act of 2014 ("Stadium Act") to the Council of the District of Columbia ("Council") for approval. The Stadium Act would authorize a series of transactions that would result in construction of a new soccer-specific stadium on Buzzard Point and redevelopment of the Frank D. Reeves Center property at 14th and U Streets, NW, ("Reeves Center"). The Mayor has indicated that the primary purpose of the transactions is to spur economic development along the Anacostia River and create jobs and economic opportunity for District residents.

Within the Stadium Act, a series of land exchanges are proposed whereby the District of Columbia would acquire property on Buzzard Point and enter into a ground lease with D.C. United. The team would use the property to construct a soccer-specific stadium and additional ancillary development (currently envisioned to be a hotel) that would enhance the game-day experience. The stadium could host D.C. United home games, exhibition soccer games, concerts and other community events.

The Stadium Act also calls for the Reeves Center to be exchanged with Akridge, a local real estate developer. Akridge would lease the building back to the District for three years before demolishing the facility and redeveloping the site as a mixed-use property including office, retail, housing, parking and a farmers market. Finally, the Stadium Act calls for District property at 1st and K Streets NW to be exchanged with Pepco, a public utility supplier, to develop a new substation.

Though it is not addressed in the Stadium Act, it is expected that the District would enter into an agreement for development of a new municipal center in Anacostia. Many of the agencies in the Reeves Center would be relocated to the new municipal center. The table below summarizes the proposed transactions.

Proposed Stadium Act Land Transactions

	Properties							
	Akridge SWLH Parcel	Pepco Parcels	Ein Rollingwood Parcel	Super Salvage Parcel	District Parcels			
Parties	Buzzard Point - Stadium Site					Reeves Center	1st & K St. NW	Anacostia Center
District	Buy	Buy	Buy	Buy	Own	Sell/Leaseback	Sell	Sell/Leaseback
D.C. United	Lease							
Akridge	Sell					Buy		
Pepco		Sell					Buy	
Ein			Sell					
Super Salvage				Sell				
Private Developer								Buy

1. Executive Summary

The Council engaged Conventions, Sports and Leisure International ("CSL"), Integra Realty Resources ("IRR") and The Robert Bobb Group ("RBG") to provide an independent evaluation of the transactions outlined in the Stadium Act. CSL, IRR and RBG compared the proposed stadium development and lease agreement(s) to current Major League Soccer ("MLS") stadium scenarios, estimated team and new stadium financial operations, performed an independent economic and fiscal benefit analysis to compare to estimates presented in the Stadium Act, validated the proposed land exchanges and assessed potential risks the District could be subject to under the terms of the legislation.

Key findings of the evaluation include:

1) The proposed stadium, which is estimated to cost $286.7 million, would be the most expensive MLS stadium to date, but the cost will be shared with D.C. United. It is estimated that the District's contribution will be $131.1 million, or 46 percent of the cost.

2) The proposed agreements overvalue property to be acquired for the stadium by at least $19.4 million and undervalue the Reeves Center by $11.2 million. After a committed contribution of $4.9 million from D.C. United and Akridge, the net overpayment is estimated to be approximately $25.7 million. Using eminent domain to acquire these properties could result in lower acquisition prices, but there are also costs associated with the condemnation process.

3) The Stadium Act would authorize sales and real estate tax breaks worth a net present value ("NPV") of approximately $50 million.

4) The net new direct, indirect and induced spending created in the District is estimated to be a combined NPV of $2.6 billion over the period of 2015 through 2046. This level of combined net new spending is estimated to support 1,683 new full-time equivalent jobs (FTEs), including both full and part-time jobs. These new jobs will generate personal earnings of an estimated NPV of $1.3 billion over the period of 2015 through 2046.

5) Estimated net fiscal benefits of the Stadium Act over a 32-year period are positive. It is anticipated that benefits would exceed costs by approximately $38 million ($109.4 million when including the proceeds from land exchanges).

6) The Stadium Act is expected to accelerate the future pace of development within Buzzard Point. Absent the stadium development, no significant development is anticipated for 8 to 10 years at minimum.

7) Potential risks associated with the proposed transactions include:

   a. If the Council or a District Agency materially alters the May 23, 2014 Land Exchange Agreement between the District and SWLH, there may be a renegotiation of the Exchange Agreement or potential termination of the Soccer Stadium Development Transaction.

   b. The actual cost of the District's preconstruction infrastructure obligations may exceed the $150.0 million development cost cap.

   c. The District could expend $150.0 million to fulfill its land acquisition and pre-construction infrastructure obligations and subsequently D.C. United fails to construct the stadium and/or hotel at Buzzard Point.

   d. There is the potential risk of non-performance by the developer or inability to secure financing. At this time, D.C. United has not provided plans for securing the necessary financing to build the stadium or ancillary development pieces. The District will have committed most or all of its investment before the team needs to secure financing.

   e. There is also uncertainty surrounding the source of funding, development, design, occupancy, schedule and costs for the new municipal center in the Anacostia Gateway.

   f. Not enough information has been provided thus far to determine the extent of environmental remediation costs.

   g. There is uncertainty regarding funding for future stadium renovation and improvements. As a stadium approaches its 10 – 15 year anniversary, it is not uncommon for stadium ownership to seek public financing for facility renovations, modifications, or upgrades.

   h. There are risks associated with property tax and financial projections. DC Stadium, LLC could seek a property tax exemption or discounted property assessment value on the stadium thereby eliminating or substantially reducing property taxes paid to the District after the lapse of proposed real estate tax abatements.

   i. The financial performance of D.C. United and the Buzzard Point Stadium could be less than projected due to a prolonged downturn in the economy, poor business practices, poor on-field performance, or other conditions that could result in lower attendance and revenues that would lessen the estimated net benefits to the District.

The remainder of this executive summary provides further details of comparable stadium funding and lease terms, estimated economic and fiscal benefits of the Stadium Act and a validation of the land exchanges proposed within the legislation.

STADIUM FUNDING AND LEASE TERMS

At $286.7 million, the Buzzard Point Stadium would be the most expensive soccer-specific stadium development in MLS history. The average comparable MLS soccer-specific stadium cost is $160.0 million (2017 dollars and adjusted to the D.C. marketplace). The higher costs associated with the Buzzard Point Stadium are driven, in large part, by comparatively higher land acquisition, remediation, and horizontal development costs and quality of stadium construction.
The development of Buzzard Point Stadium is envisioned to be a public-private partnership. The District is expected to contribute 46 percent ($131.1 million) of total costs, for land acquisition, remediation and horizontal construction, while the private sector is expected to provide 54 percent (or $155.6 million) of total costs, for land and vertical stadium construction.

The percentage mix of public and private funding for the Buzzard Point Stadium is consistent with the average MLS soccer-specific stadium development. Among the 15 other soccer-specific stadiums in MLS, the public sector funded an average of 44 percent and the private sector funded an average of 56 percent of development costs.

Overall, the public-private partnership as it relates to funding participation and lease terms associated with Buzzard Point Stadium is reasonable relative to other MLS soccer-specific stadium developments. However, the higher relative development costs associated with the Buzzard Point Stadium project require both the team and District to invest more than average. The District's $131.1 million contribution to the project would rank third highest among collective public contributions toward MLS stadium projects, and the private sector's planned investment of $155.6 million would rank second highest.

TEAM AND STADIUM OPERATIONS

The table on the following page summarizes the estimated operating revenues and expenses associated with D.C. United and the proposed Buzzard Point Stadium during the first six years of operations plus the 10th, 20th and 30th years of operations. The selected years are presented for report presentation purposes only and a full-detailed financial model estimating revenues, expenses and net profit (losses) for each of the 30 years associated with the initial term of the land lease between D.C. United and the District underlies this analysis.

As depicted, the team and stadium revenues generated by D.C. United and Buzzard Point Stadium are estimated to be approximately $27.5 million in 2017 dollars (year 1), increasing to $66.0 million in year 30 of the lease agreement.

Without sales and property tax abatements, the combined net operating income of D.C. United and Buzzard Point Stadium before debt is estimated to be approximately $900,000 operating loss in year 1 (2017), turning profitable before debt in year six (2022) with income before debt increasing to $6.7 million in year 30 (2046).

Estimated D.C. United Operating Income
DC United & Buzzard Point Stadium
($ millions)

Year	Operating Revenues	Operating Expenses Without Tax Breaks	Income From Operations Before Tax Breaks	Impact of Tax Breaks	Income From Operations After Tax Breaks	Estimated Annual Debt Service	Debt Coverage Ratio
1 - 2017	$27.5	$28.4	($0.9)	$5.4	$4.6	($3.9)	1.18
2 - 2018	$28.3	$29.2	($0.9)	$5.7	$4.7	($3.9)	1.23
3 - 2019	$29.1	$29.6	($0.5)	$5.7	$5.2	($3.9)	1.34
4 - 2020	$30.0	$30.3	($0.3)	$5.7	$5.4	($3.9)	1.39
5 - 2021	$30.9	$31.1	($0.1)	$5.7	$5.6	($3.9)	1.45
10 - 2026	$35.8	$33.6	$2.3	$4.1	$6.4	($3.9)	1.65
20 - 2036	$49.2	$45.0	$4.2	$1.3	$5.4	($3.9)	1.40
30 - 2046	$66.0	$59.3	$6.7	$0.0	$6.7	($3.9)	1.73

Note: Assumes $60 million in 30-year debt at 5% interest, amortized monthly.

Without the abatements, it would become much more difficult for D.C. United to obtain any significant level of long-term stadium debt secured by team/stadium revenues to fund a portion of its Buzzard Point Stadium development cost obligation. As the exhibit depicts, the debt service payments would exceed available operating income by $4.8 million in year 1 (2017) assuming $60 million in stadium debt. Without the abatements, the team/stadium operating revenue is not expected to cover debt payments until year 19 (2035) under a $60 million debt scenario.

The net present value of the tax abatements provided to D.C. United over the 30-year lease period are estimated to total approximately $50 million, consisting of about $43 million in property tax abatements and $7 million in sales tax abatements.

ECONOMIC AND FISCAL BENEFITS

Economic and fiscal benefits were estimated over the stadium's construction period and 30-year lease term. As depicted below, the net new direct, indirect and induced spending created in the District is estimated to be a combined $2.6 billion in 2015 net present value dollars for the period of 2015 through 2046. These benefits include both one-time construction benefits as well as the on-going annual recurring benefits associated with the soccer stadium, a new hotel adjacent to the stadium, the Reeves Center redevelopment and a new municipal center in Anacostia.

This level of combined net new spending is estimated to support 1,683 new full-time equivalent jobs (FTEs), including both full and part-time jobs. The jobs include both short-term jobs created during construction as well as more permanent jobs created from the on-going operations of the various facilities contemplated within the Stadium Act. These new jobs are estimated to generate personal earnings of $1.3 billion in 2015 net present value dollars from 2015 through 2046.

Fiscal benefits and land proceeds to the District are estimated to total $365.2 million in net present value dollars from 2015 through 2046. The benefits include net proceeds from the land exchange and net new revenues generated to the District from sales, personal income, property and business taxes as well as ticket fees. The benefits include tax revenues that accrue from direct, indirect and induced economic activity within the District.

SUMMARY OF ECONOMIC AND FISCAL BENEFITS
Soccer Stadium Development Act of 2014
Net Present Value ($ in millions)

	Buzzard Point		Redeveloped Reeves Center	New Municipal Center	Total
	Stadium	Hotel			
ECONOMIC BENEFITS:					
Direct Spending	$875.1	$366.1	$699.1	$149.2	**$2,089.6**
Total Output (1)	$1,130.5	$453.7	$824.4	$192.8	**$2,601.5**
Jobs (2)	803	256	454	170	**1,683**
Earnings	$674.5	$196.6	$332.2	$119.2	**$1,322.5**
FISCAL BENEFITS:					
Sales Taxes (3)	$59.3	$40.9	$26.6	$4.3	**$131.1**
Personal Income Taxes	$20.9	$6.1	$19.5	$3.7	**$50.2**
Property Taxes	$16.8	$22.4	$57.6	-	**$96.8**
Business Franchise Taxes	$2.8	$1.1	$1.9	$0.2	**$6.1**
Ticket Fees	$9.7	-	-	-	**$9.7**
Total Fiscal Benefits	$109.5	$70.5	$105.6	$8.2	**$293.8**
Land Exchange Proceeds (4)					**$71.4**
Total Fiscal Benefits and Land Proceeds					**$365.2**

(1) Includes direct, indirect and induced spending.
(2) Represents full-time equivalent jobs, consisting of both full-time and part-time jobs.
(3) Sales taxes for stadium and hotel are net of sales tax abatements but include 14.5% hotel tax revenue.
(4) Includes $55.6 MM from Reeves Center Exchange with Akridge and $15.8 MM from 1st & K Exchange with Pepco.
Note: Net Present Value (NPV) calculated using a 4% discount rate.

These fiscal benefits and land proceeds serve as the basis for assessing the overall cost-benefit of the Stadium Act to the District. The table below outlines the total estimated cost and net benefits to the District in 2015 net present value dollars for the period of

2015 through 2046. For comparison purposes, the City Administrator's cost-benefit analysis has been included, as well as a scenario in which the District reaches its $150 million contribution cap.

As depicted, it is estimated that the implementation of the Stadium Act could result in a positive net benefit to the District of $38 million ($109.4 million if the land exchange proceeds are included) in net present value 2015 dollars. Total net present value benefits are calculated with a 4.0 percent discount rate, which is consistent with the City Administrator's analysis and reasonable given the 32-year horizon of the investment and historically low interest rates at the time of this analysis.

FISCAL COST-BENEFIT SUMMARY
Soccer Stadium Act of 2014
District of Columbia
2015 Net Present Value Dollars
($ in millions)

District Costs	City Administrator's Analysis	District at $131.1 MM Contribution	District at $150 MM Cap Contribution
Soccer Stadium:			
Site Acquisition	$84.9	$83.9	$83.9
Site Preparation - Capped	$34.6	$45.6	$66.1
Capped Subtotal - Soccer Stadium	$119.5	$129.4	$150.0
Site Preparation - Uncapped	n/a	$1.6 [1]	$1.6 [1]
Reeves Relocation: [2]			
Short Term Lease Payment	$15.1	$20.6	$20.6
DC Net Relocation	$10.7	$8.1	$8.1
DDoT Traffic Center Relocation	$3.6	$6.6	$6.6
Other [3]	n/a	$5.3	$5.3
Subtotal - Reeves Relocation	$29.4	$40.6	$40.6
New Municipal Center:			
Lease	$64.2 [4]	$84.2 [5]	$84.2 [5]
TOTAL COSTS	**$213.0**	**$255.9**	**$276.4**
Net New District Benefits [6] [7]			
Buzzard Point Stadium	$204.0	$109.5	$109.7
Buzzard Point Hotel	$85.0	$70.5	$70.5
Reeves Center Redevelopment	$85.0	$105.6	$105.6
New Municipal Center	$11.0	$8.2	$8.2
TOTAL BENEFITS	**$385.0**	**$293.8**	**$294.0**
NET BENEFIT TO DISTRICT	**$172.0**	**$38.0**	**$17.6**
Land Exchange Proceeds [8]	$71.4	$71.4	$71.4
NET BENEFIT TO DISTRICT (incl. Land Exchange Proceeds)	**$243.4**	**$109.4**	**$89.0**

[1] Estimated workforce incentive program included in the Development Agreement
[2] Excludes potential lease termination costs
[3] Includes parking garage revenue loss, employee relocation and other lease space
[4] Assumes $70 million development and includes a $2 million Transfer Tax that is to be paid by the private sector and deducted from the other two scenarios
[5] Annual lease rate at 6.5 percent of $106.2 million development cost net of cost savings from current Reeves to New Municipal Center
[6] Net present value of incremental fiscal impacts (tax revenues) from 2015 to 2046
[7] Stadium and hotel fiscal impacts are net of sales tax abatements but include 14.5% hotel room sales tax; deduct current property taxes paid on the respective parcels; and, the Stadium includes potential PEPCO (1st & K) property taxes based on the land value of $15.8 million
[8] Includes $55.6 MM from Reeves Center Exchange with Akridge and $15.8 MM from 1st & K Exchange with Pepco.

VALIDATION OF LAND EXCHANGE

The proposed transactions were reviewed to determine if the negotiated prices for the parcels are consistent with market values as of July 25, 2013 (immediately preceding the official announcement of the proposed development), as if vacant and free of environmental issues. It is our opinion that the proposed transactions vary from market value by at least $25 million. The District would receive $11.2 million less than market price for the Reeves Center and pay $19.4 million more than market price for the Buzzard Point properties. The Buzzard Point overpayment would increase if the District incurs additional costs for environmental remediation and cleanup. Not enough information has been provided at this time to sufficiently quantify these costs. Akridge and D.C. United have contributed $4.9 million to offset some of the overpayment, as shown below.

Net Gain/Loss to Market Value

Property	Negotiated Price	Market Value	Advantage (Disadvantage) to the District
Reeves Center	$55,585,000	$66,800,000	($11,215,000)
1st & K St. NW	$15,800,000	$15,800,000	$0
Akridge Parcel	$21,100,000	$21,100,000	$0
Pepco Parcels [1]	$45,500,000	$37,200,000	($8,300,000)
Super Salvage Parcel	$17,147,840	$9,900,000	($7,247,840)
Ein/Rollingwood Parcel	$10,500,920	$6,600,000	($3,900,920)
			($30,663,760)
Akridge and D.C. United Contribution			$4,944,155
			($25,719,605)

[1] Negotiated price includes estimated relocation costs

The Akridge property exchange is based on sound land values, but the agreed upon exchange basis for the Reeves Center deducts for demolition expenses while not recognizing the positive contribution the building makes in the context of the agreed upon leaseback to the District. The leaseback more than offsets the demolition cost. The net result is an $11.3 million gap between the market value and negotiated price.

The Pepco property exchange is also based on land values that are relatively sound, assuming the properties are vacant and free of environmental issues. The $8.3 million gap between market value and negotiated price results primarily from the District's agreement to pay for relocation of Pepco infrastructure. A normal market buyer would not reimburse Pepco for the cost of relocating utility infrastructure, or they would

deduct these payments from the price they would be willing to pay for the property. However, it should be noted that if the Pepco property were to be acquired through eminent domain, the District would be obligated to provide relocation assistance.

Finally, the Ein/Rollingwood property was valued at $6.6 million, as improved if free of environmental issues, and the Super Salvage property was valued at $9.9 million, as if vacant and free of environmental issues. In fact, the Super Salvage property is not vacant, and the extent of environmental contamination is not currently known. However, the District has a right to terminate the Letters of Intent to purchase the properties if the environmental remediation costs exceed 5 to 7.5 percent of the purchase price. At present, the negotiated price for these properties is at least $11.1 million more than market value. Using eminent domain to acquire these properties could result in lower acquisition prices, but there is also considerable time, cost, and risk associated with the condemnation process.

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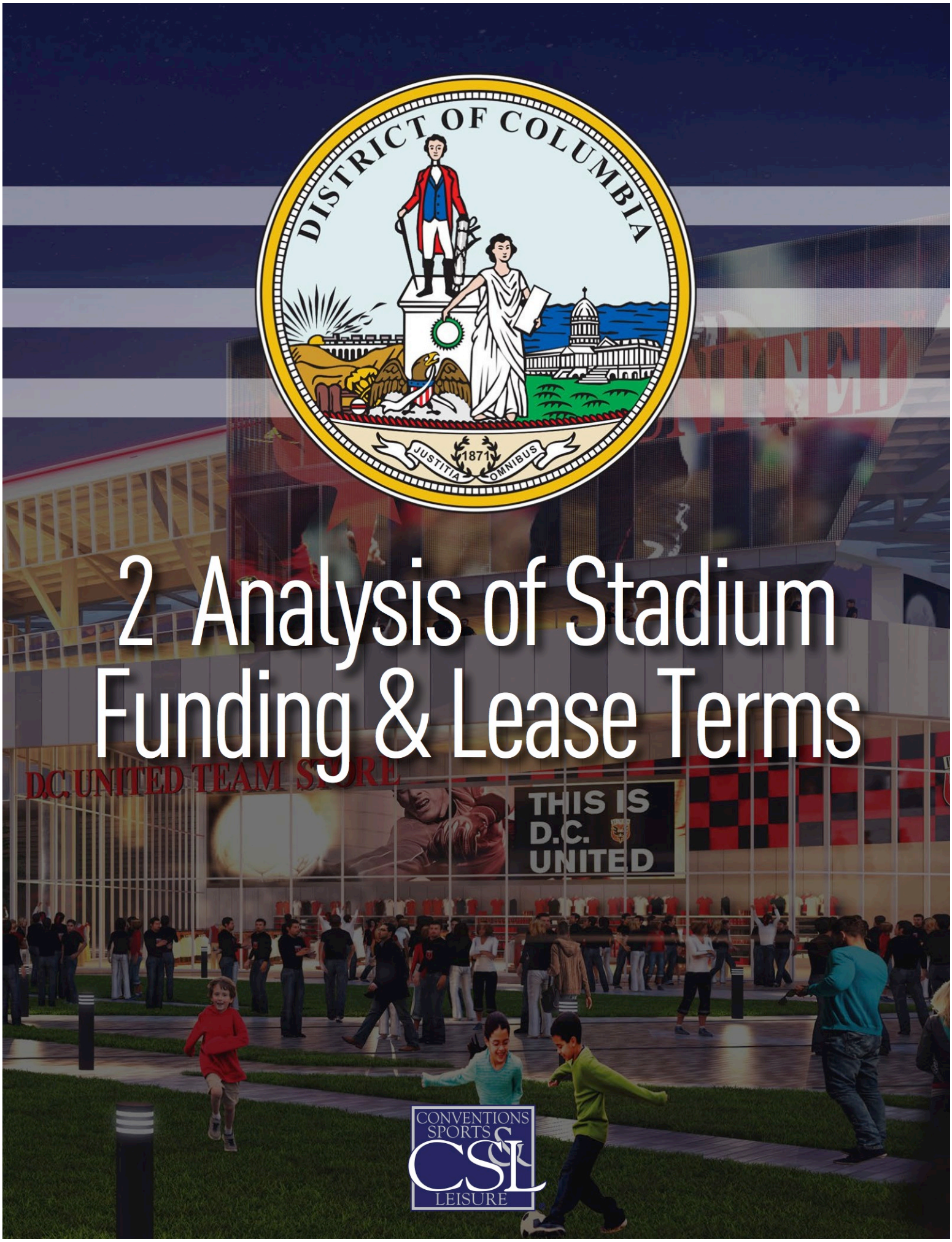
This executive summary highlights the key findings from a report assessing the potential cost-benefit of the Stadium Act. The analysis is designed to assist the Council in making informed decisions and the full report should be read in its entirety to obtain the background, methods and assumptions underlying the findings.



2 Analysis of Stadium Funding & Lease Terms

CONVENTIONS SPORTS & LEISURE

2. Analysis of Stadium Funding & Lease Terms

INTRODUCTION

The purpose of this section of the Cost-Benefit Analysis of the Soccer Stadium Development Act of 2014 ("Stadium Act") is to compare the public-private funding participation and lease terms of the proposed Buzzard Point Stadium to other Major League Soccer ("MLS") stadiums to determine if the key elements of the Buzzard Point Stadium deal are reasonable.

In order to compare the Buzzard Point Stadium funding and lease terms, detailed information regarding the total project costs, funding sources and lease terms were compiled, summarized and analyzed for comparable MLS stadiums. Comparable MLS stadiums were identified as being new or renovated soccer-specific stadiums where an MLS team is the primary tenant and economic driver for the venue. The following table summarizes the process used to identify comparable MLS stadiums.

IDENTIFICATION OF COMPARABLE STADIUMS
New or Renovated Soccer-Specific MLS Stadiums

Number of Current & Expansion MLS Teams (1)	22
Number of Stadiums (2)	21
Less: Non-Soccer Specific Stadiums (3)	(6)
New or Renovated Soccer-Specific Stadiums	15

(1) Includes four MLS expansion teams that have recently been announced but have not begun play or completed their stadiums, including teams in Atlanta, Miami, New York and Orlando. Excludes the Chivas which suspended operations after the 2014 season.

(2) Excludes Miami because the expansion team's stadium situation is unknown at this time.

(3) Excludes RFK Stadium as well as stadiums in Atlanta, New England, New York, Seattle, and Vancouver. Each of these MLS teams play, or will play, in a non soccer-specific venue that was designed to host NFL, MLB or CFL teams.

There are 22 teams in MLS, including four announced expansion franchises, which play (or will play) in 21 stadiums throughout the United States and Canada (the recently announced expansion Miami franchise has been excluded since its stadium situation is unknown at this time). Additionally and for purposes of this analysis, teams that serve as tenants in large stadiums (50,000+ seats) in which the programming, economics and funding models are driven by National Football League ("NFL") tenants, Major League Baseball ("MLB"), Canadian Football League ("CFL") tenants, or other dynamics have been excluded from this comparison.

As a result, there are 15 new or renovated soccer-specific stadiums that can be deemed to serve as appropriate comparisons to the proposed Buzzard Point Stadium in Washington D.C.

The following table depicts the teams and soccer-specific stadiums that comprise the comparative funding and lease analysis contained in this report.

COMPARABLE STADIUMS
New or Renovated Soccer-Specific MLS Stadiums

Team	Stadium	Year Opened
D.C. United	**Buzzard Point Stadium**	**est. 2017**
Orlando City SC	Orlando City Stadium	est. 2016
San Jose Earthquakes	San Jose Earthquakes Stadium	est. 2015
Houston Dynamo	BBVA Compass Stadium	2012
Montreal Impact	Saputo Stadium	2008/2012 (1)
Sporting KC	Sporting Park	2011
Portland Timbers	Providence Park	1926/2011 (2)
Philadelphia Union	PPL Park	2010
Red Bull New York	Red Bull Arena	2010
Real Salt Lake	Rio Tinto Stadium	2008
Colorado Rapids	Dick's Sporting Goods Park	2007
Toronto FC	BMO Field	2007
Chicago Fire	Toyota Park	2006
FC Dallas	Toyota Stadium	2005
Los Angeles Galaxy	StubHub Center	2003
Columbus Crew	Crew Stadium	1999

(1) Venue opened in 2008 and underwent a renovation and expansion in 2012 to accommodate an MLS team.
(2) Venue opened in 1926 and has undergone various renovations. The 2011 renovation was completed in order to accommodate a new MLS expansion team.

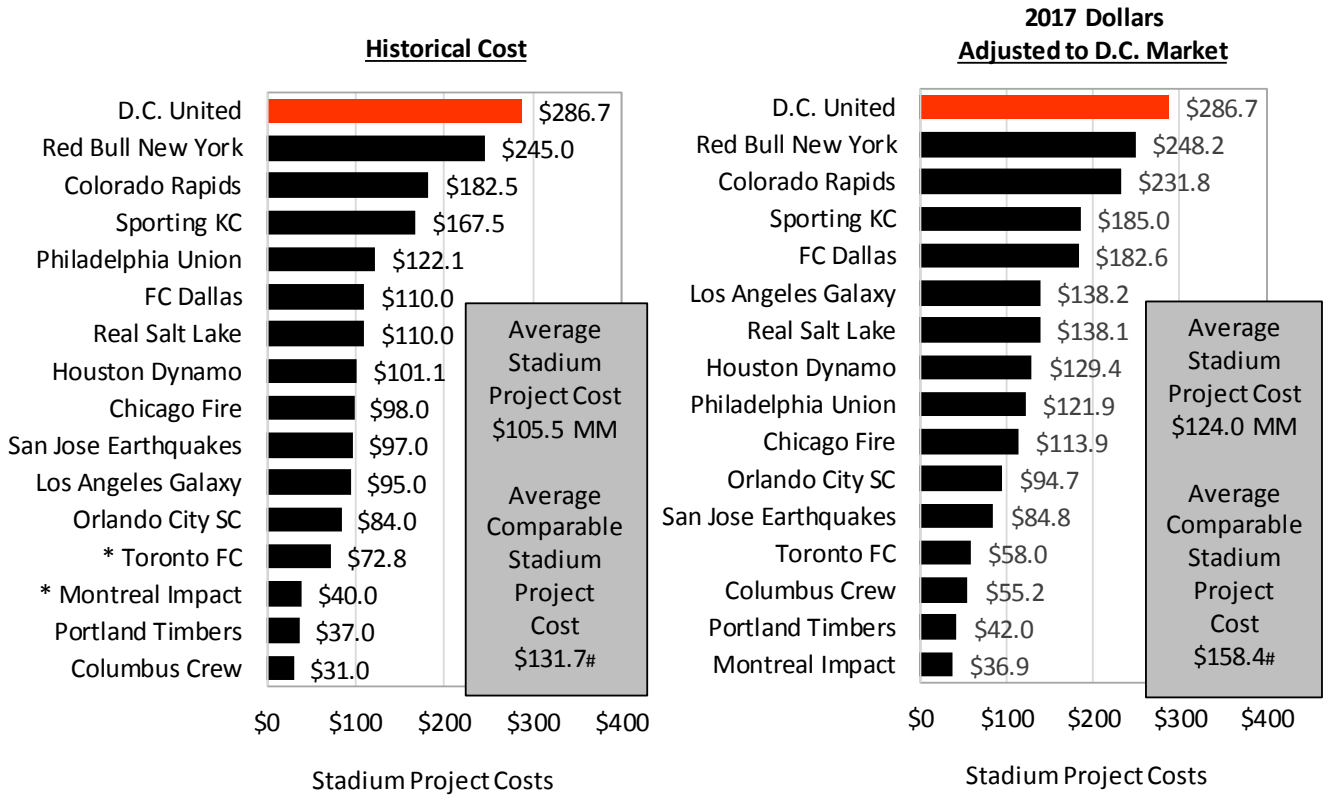
STADIUM DEVELOPMENT COST COMPARISON

Based on the latest project information available, the proposed Buzzard Point Stadium is estimated to cost $286.7 million to develop and is expected to open in time for the 2017 MLS season. The cost is estimated to consist of $136.0 million in land acquisition, remediation and horizontal site development costs (provided by the OCFO's office) and $150.7 million for the vertical stadium development costs (provided by D.C. United).

2. Analysis of Stadium Funding & Lease Terms

The following table provides a comparative summary of the total projects costs associated with soccer-specific MLS stadiums, both from a historical cost perspective as well as the estimated cost to develop other soccer-specific MLS stadiums in the District in 2017 dollars.

COMPARISON OF STADIUM DEVELOPMENT COSTS
New or Renovated Soccer-Specific MLS Stadiums
($ in millions)



* Canadian dollars

Average excludes Columbus/San Jose/Toronto (steel construction) and Montreal/Portland (renovations).

Note: Costs were adjusted to the D.C. marketplace using RS Means to adjust for location and ENR to adjust for time. Orlando and San Jose costs are estimates as construction has not yet been completed.

On a historical basis, the development costs of new or renovated soccer-specific stadiums have ranged considerably from $31 million for Crew Stadium in Columbus, Ohio (opened in 1999) to $245 million for Red Bull Arena in Harrison, New Jersey (opened in 2010). The average historical soccer-specific MLS stadium development cost is approximately $106 million for all soccer-specific stadium projects (including renovations and less expensive steel construction projects) and approximately $132 million for comparable stadiums. As illustrated above, the Buzzard Point Stadium would be the most expensive soccer-specific stadium development in MLS history.

It should be noted that the wide range of costs associated with MLS stadium developments are impacted by a variety of factors including but not limited land acquisition and infrastructure costs, the size of the stadium, quality of the stadium, scope of stadium project (i.e. youth fields, parking, etc.), construction type (new versus renovated), local market conditions and time period of construction.

In order to compare the stadium development costs of the Buzzard Point Stadium with other MLS stadiums on a more apples-to-apples basis, the historical stadium development costs for each MLS soccer-specific stadium was escalated to 2017 dollars based on cost indices provided by Engineering New-Record ("ENR") and adjusted to the cost of construction in the District of Columbia using the RS Means (Reed Construction Data) market cost indices.

Based on these adjustments for time and place, the average of all MLS soccer-specific stadium developments would cost approximately $124 million in the District of Columbia in 2017 and the average comparable new MLS stadium development would cost approximately $158 million.

The higher costs associated with the Buzzard Point Stadium are driven, in large part, by comparatively higher land acquisition, remediation and horizontal development costs and the quality of stadium construction.

PUBLIC-PRIVATE FUNDING PARTICIPATION COMPARISON

Funding of Buzzard Point Stadium development costs is envisioned to be a public-private partnership. It is anticipated that the District would contribute $131.1 million, or 45.7 percent of total costs, for land acquisition, remediation and horizontal construction, while the private sector is envisioned to provide $155.6 million, or 54.3 percent of total costs, for land and vertical stadium construction. The District's potential investment would be capped at a maximum of $150 million if actual land acquisition, remediation or horizontal develop costs are higher than estimated. This cap excludes costs associated with the Workforce Improvement Program and sidewalk improvements from Metro stations to the site.

The following table summarizes the mix of public and private funding for Buzzard Point Stadium relative to other MLS soccer-specific stadiums.

2. Analysis of Stadium Funding & Lease Terms

COMPARISON OF PUBLIC-PRIVATE FUNDING PARTICIPATION
New or Renovated Soccer-Specific Stadiums
($ in millions)

Stadium	Team	Year Opened	Total Project Costs	Funding Allocation Amount Public	Funding Allocation Amount Private	Funding Allocation Percentage Public	Funding Allocation Percentage Private
Sporting Park	Sporting KC	2011	$167.5	$147.0	$20.5	87.8%	12.2%
Dick's Sporting Goods Park	Colorado Rapids	2007	$182.5	$150.4	$32.15	82.4%	17.6%
BMO Field *	Toronto FC	2007	$72.8	$54.8	$18.0	75.3%	24.7%
PPL Park	Philadelphia Union	2010	$122.1	$73.0	$49.1	59.8%	40.2%
Saputo Stadium *	Montreal Impact	2008/2012	$40.0	$23.0	$17.0	57.5%	42.5%
Toyota Park	Chicago Fire	2006	$98.0	$54.7	$43.3	55.8%	44.2%
Orlando City Stadium	Orlando City SC	2016	$84.0	$44.0	$40.0	52.4%	47.6%
Toyota Stadium	FC Dallas	2005	$110.0	$55.0	$55.0	50.0%	50.0%
Buzzard Point Stadium (capped District cost)	**D.C. United**	**2017**	**$307.3**	**$151.7** (1)	**$155.6**	**49.4%**	**50.6%**
Buzzard Point Stadium (estimated District cost)	**D.C. United**	**2017**	**$286.7**	**$131.1**	**$155.6**	**45.7%**	**54.3%**
BBVA Compass Stadium	Houston Dynamo	2012	$101.1	$40.6	$60.5	40.2%	59.8%
Rio Tinto Stadium	Real Salt Lake	2008	$110.0	$45.0	$65.0	40.9%	59.1%
Red Bull Arena	Red Bull New York	2010	$245.0	$85.0	$160.0	34.7%	65.3%
Providence Park	Portland Timbers	1926/2011	$37.0	$11.9	$25.1	32.2%	67.8%
San Jose Earthquakes Stadium	San Jose Earthquakes	2015	$97.0	$0.0	$97.0	0.0%	100.0%
StubHub Center	LA Galaxy	2003	$95.0	$0.0	$95.0	0.0%	100.0%
Crew Stadium	Columbus Crew	1999	$31.0	$0.0	$31.0	0.0%	100.0%
AVERAGE (excluding D.C.)		**2008**	**$106.2**	**$52.3**	**$53.9**	**44.6%**	**55.4%**

Higher Public Participation Percentage

Lower Public Participation Percentage

* Canadian dollars.

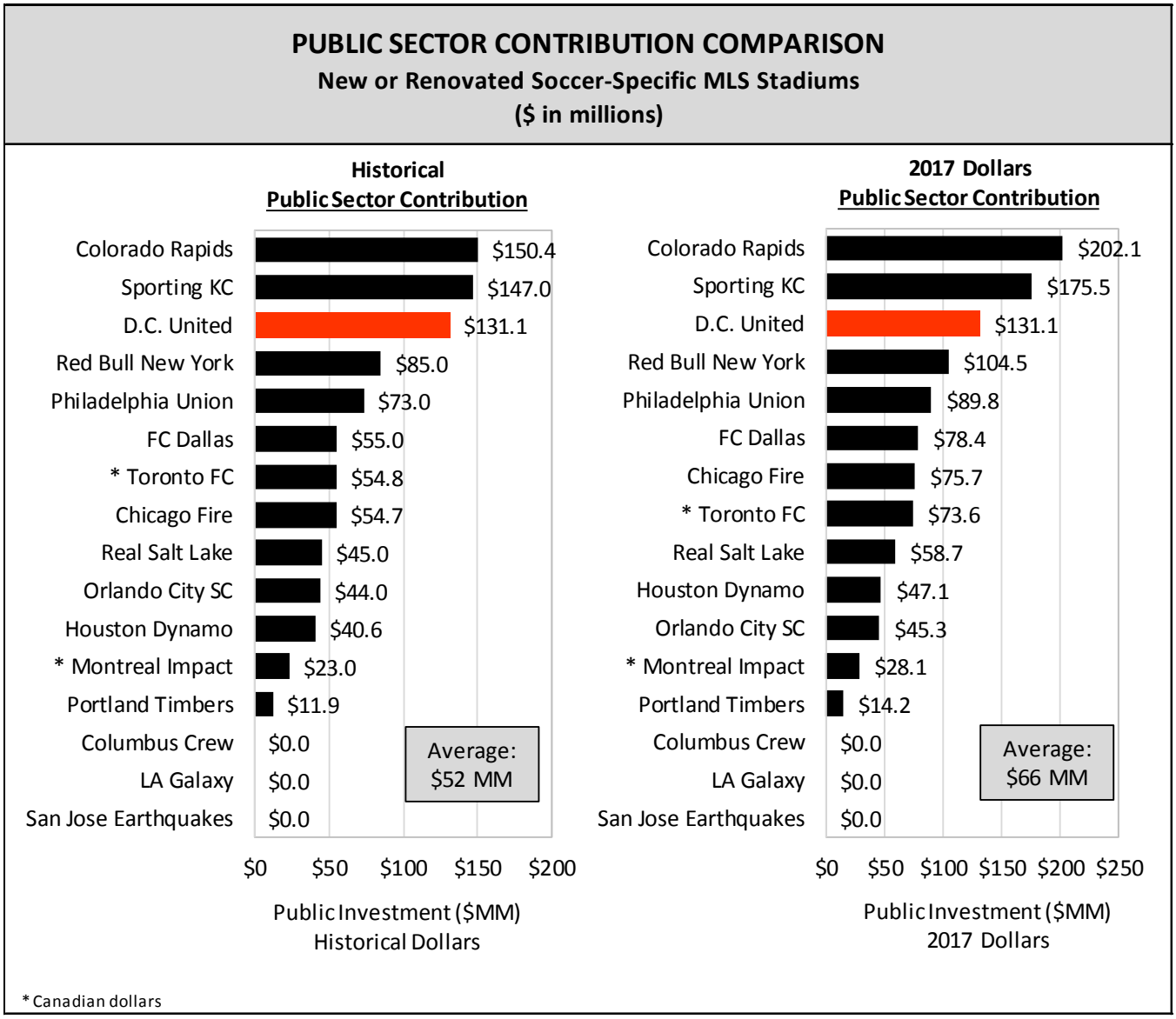
(1) Includes the $150 million capped costs plus $1.7 million in uncapped costs related to the Workforce Incentive Program and sidewalk improvements.

Note: Sorted by public participation percentage.

As depicted, the percentage mix of public and private funding anticipated for Buzzard Point Stadium is relatively consistent with the average MLS soccer-specific stadium. Specifically, the District is anticipated to fund 45.7 percent of Buzzard Point Stadium development costs. In comparison, the public sector has funded an average of 44.6 percent of development costs associated with other MLS stadiums.

Assuming a scenario in which the District reaches its contribution cap due to cost overruns on land acquisition, remediation and/or horizontal development and the private sector's investment remains constant at $155.6 million, the percentage of public funding for Buzzard Point Stadium would increase to 49.4 percent of total project costs, but would still rank in the mid-range of the percentage of public-private funding for comparable MLS soccer-specific stadiums.

The following graph provides a comparative summary of the dollar amount of public sector contributions towards MLS soccer-specific stadium developments.

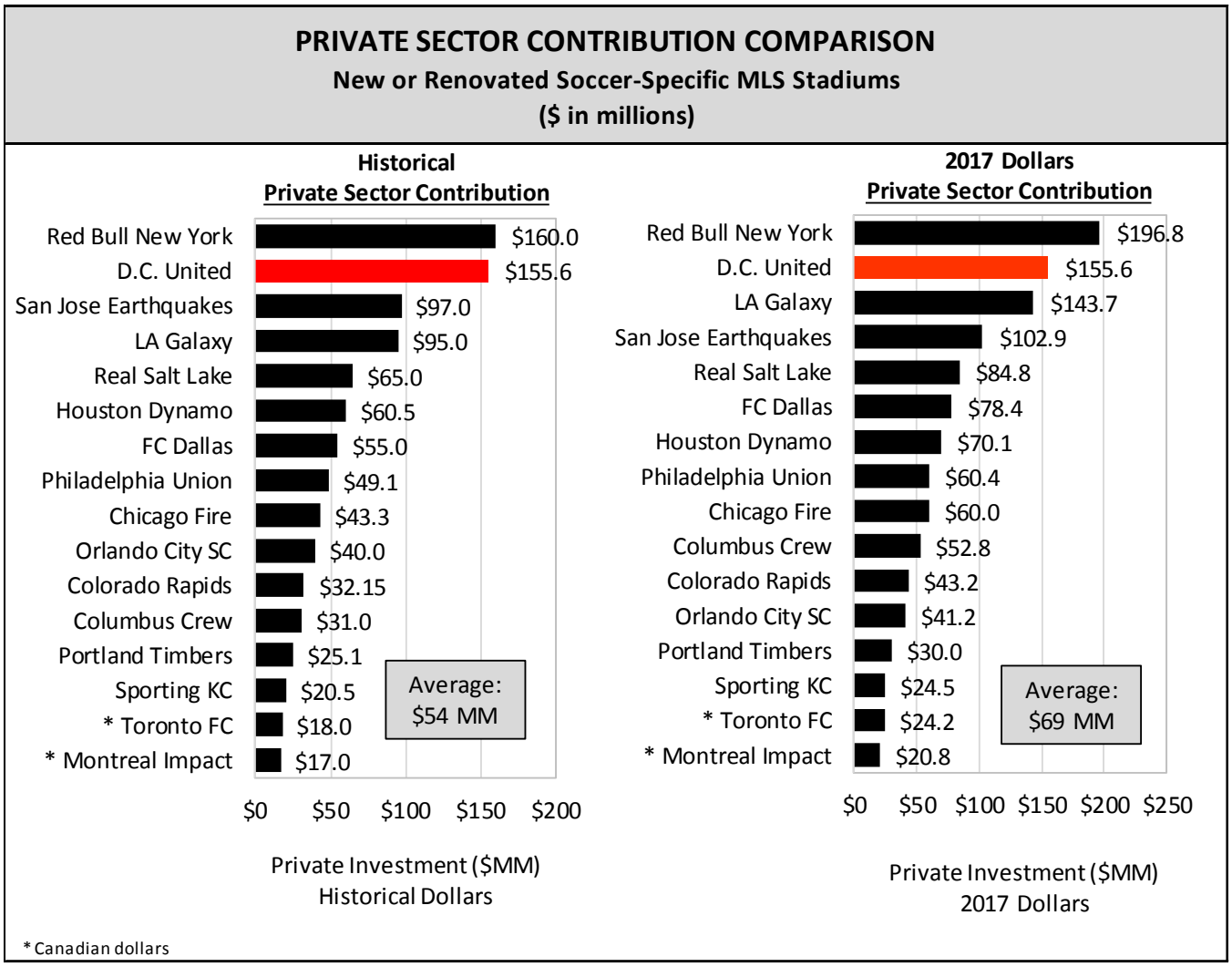


As depicted, the public sector contributed funding in 12 out of the 15 other soccer-specific stadium developments in MLS. The District's estimated $131.1 million contribution would rank third highest among public contributions behind stadium developments for the Colorado Rapids and Sporting KC. The average public sector contribution was $52 million in historical dollars and $66 million in estimated 2017 dollars (the year Buzzard Point Stadium is anticipated to be completed), assuming three percent annual escalation.

It is worth noting that the District is undertaking public sector funding contribution for Buzzard Point Stadium without the assistance of other public entities. In comparison, the public sector contributions in other MLS soccer-specific stadiums were shared among multiple public entities (city, county, state or federal governments) in the majority of cases. Public funding from a single governmental entity occurred in soccer-

specific stadium projects for the Chicago Fire, Colorado Rapids, Montreal Impact and Portland Timbers.

While the District's investment in the Buzzard Point Stadium would be among the highest nominal dollar contributions towards the development of an MLS soccer-specific stadium, the same is true with the private sector's investment in Buzzard Point Stadium. The following graph summarizes the private sector contributions towards MLS soccer-specific stadium developments, both in terms of historical dollars and estimated 2017 dollars.



The private sector (i.e. MLS team and, in limited cases, other private entities) has contributed towards the funding of every MLS soccer-specific stadium development, including three projects (out of 15) in which the private sector funded the entire stadium development cost (two are in California which historically has provided little or no public funding for sports venues).

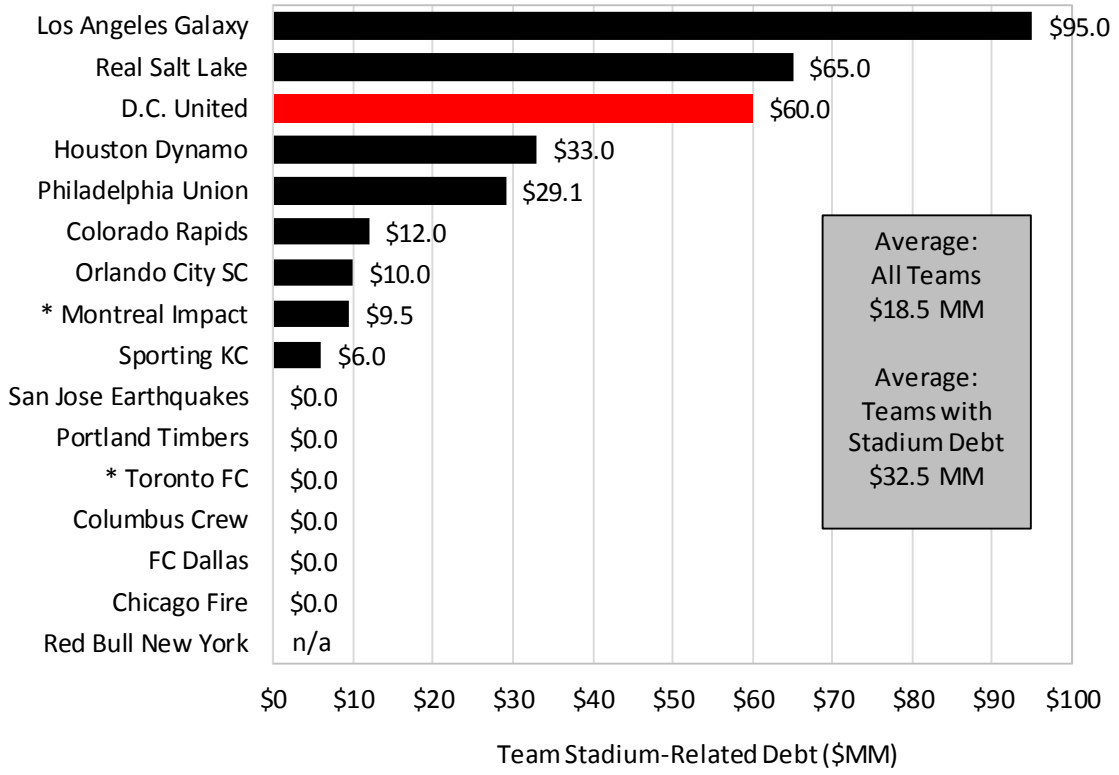
2. Analysis of Stadium Funding & Lease Terms

Overall, the private sector's potential investment of $155.6 million ($150.7 million towards Buzzard Point Stadium by D.C. United and $4.9 million towards land by the team and Akridge) would rank second most among private sector contributions toward soccer-specific stadium developments in MLS. The average private sector contribution was $54 million in historical dollars and $69 million in estimated 2017 dollars, assuming three percent annual escalation.

Team contributions toward stadium development have come in the form of debt and equity. Based on discussions with D.C. United management, the team is currently contemplating its $153.2 million contribution (excludes Akridge's $2.4 million share of land contribution) to be derived from $93.2 million in equity contributions and $60 million in debt secured by stadium and team revenues.

The following table summarizes the amount of debt other MLS teams have undertaken in funding soccer-specific stadium developments, compared to that envisioned by D.C. United management.

TEAM STADIUM-RELATED DEBT
New or Renovated Soccer-Specific MLS Stadiums
($ in millions)



* Canadian dollars

n/a = not available.

2. Analysis of Stadium Funding & Lease Terms

Excluding D.C. United, approximately 43 percent of MLS teams funded their stadium contributions without incurring debt (or having payment obligations on public sector issued debt). For those teams that have stadium debt obligations (57 percent), the amount of debt obligations ranged from $6.0 million to $95 million, averaging $33 million. The amount of team debt obligation is impacted by a variety of factors including ownership's willingness to contribute equity, the anticipated economics of team/stadium operations and other factors.

The amount of debt anticipated to be issued by D.C. United will ultimately be determined by the financing entity. An analysis of D.C. United's ability to meet stadium debt payments is presented in *Section 3. Projected Financial Operations – D.C. United & Buzzard Point Stadium*.

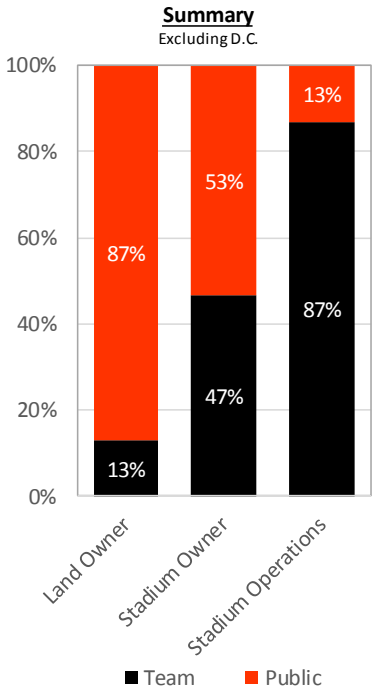
STADIUM OWNERSHIP AND MANAGEMENT COMPARISON

It is envisioned that the District will own the Buzzard Point land and lease it to D.C. United, who will construct and own Buzzard Point Stadium and be responsible for its day-to-day management. The following table summarizes the entities that own and manage other comparable soccer-specific MLS stadiums.

STADIUM OWNERSHIP & MANAGEMENT
New or Renovated Soccer-Specific Stadiums

Stadium	Team	Year Opened	Land Owner	Stadium Owner	Stadium Management
Buzzard Point Stadium	**D.C. United**	**est. 2017**	**District**	**Team**	**Team**
Orlando City Stadium	Orlando City SC	est. 2015	City	City	City
San Jose Earthquakes Stadium	San Jose Earthquakes	est. 2015	Team	Team	Team
BBVA Compass Stadium	Houston Dynamo	2012	City	Auth.	Team
Saputo Stadium	Montreal Impact	2008/2012	OIB	Team	Team
Sporting Park	Sporting KC	2011	Team	Team	Team
Providence Park	Portland Timbers	1926/2011	City	City	Team
PPL Park	Philadelphia Union	2010	County	County	Team
Red Bull Arena	Red Bull New York	2010	Town	Team	Team
Dick's Sporting Goods Park	Colorado Rapids	2007	City	City	Team
BMO Field	Toronto FC	2007	City	City	Team
Rio Tinto Stadium	Real Salt Lake	2008	RDA	Team	Team
Toyota Park	Chicago Fire	2006	Village	Village	Village
Toyota Stadium	FC Dallas	2005	City	City	Team
StubHub Center	LA Galaxy	2003	CSUDH	Team	Team
Crew Stadium	Columbus Crew	1999	Comm.	Team	Team

Note: Sorted by year opened.

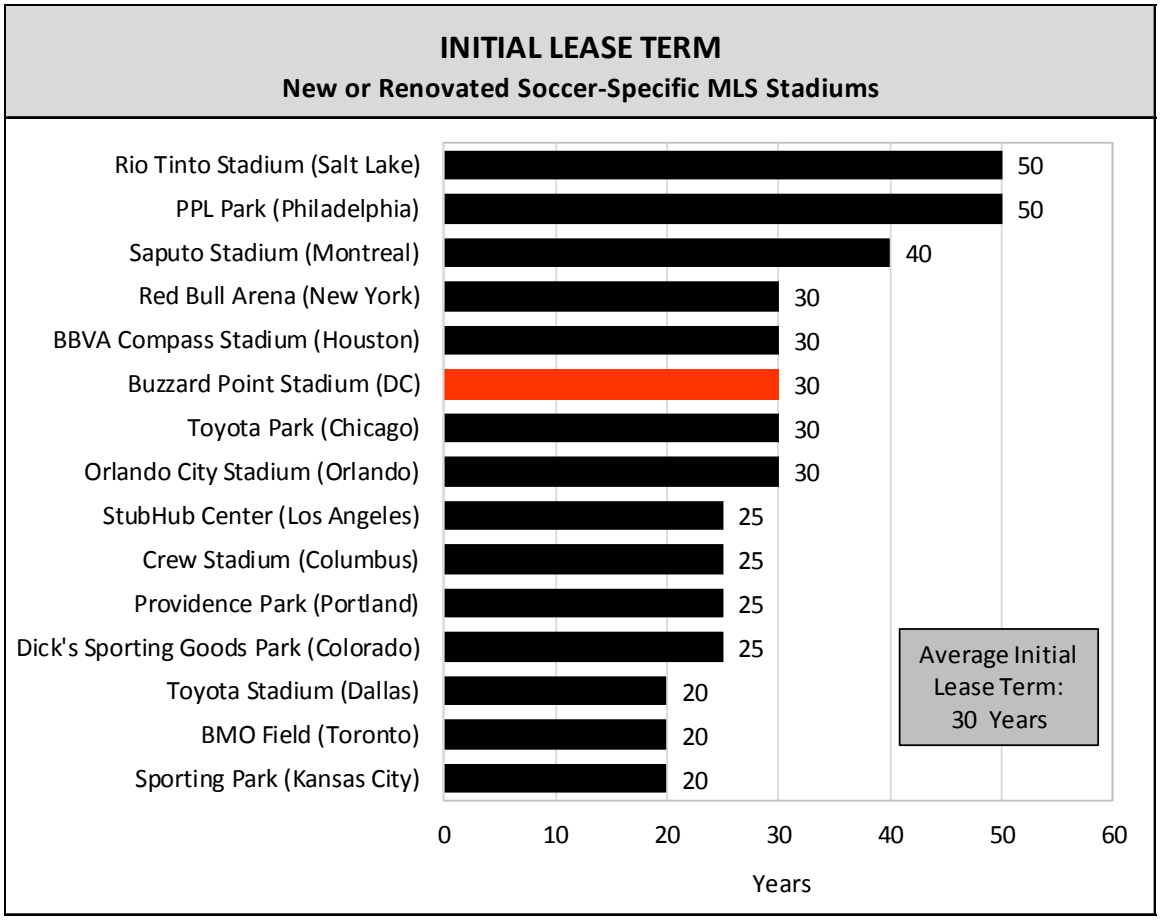


Overall, the public sector owns the land on which MLS soccer-specific stadiums are located in 87 percent of cases and the team owns the land in the remaining 13 percent of cases. Stadium ownership is mixed, with the team owning the stadium in 47 percent of the cases and the public sector owning the stadium in 53 percent of the cases. In all but two cases (Chicago and Orlando), the MLS team is responsible for the day-to-day management of the stadium.

LEASE TERM COMPARISON

Beyond the initial funding of stadium development costs, it is important to understand the on-going obligations and financial relationship between the public and private sector as it relates to operating and maintaining the stadium.

The District and D.C. United entered into a 30-year land lease for the stadium site with three (3) five-year extension options. The table on the following page summarizes the initial term of the lease between the public sector and MLS team for 14 of the 15 MLS soccer-specific stadiums (the San Jose Earthquakes own the stadium/land and therefore do not have a lease agreement with a public sector entity).



2. Analysis of Stadium Funding & Lease Terms

The initial lease terms for soccer-specific MLS stadiums range from 20 years to 50 years and averages 30 years. In virtually every case, comparable MLS leases provide for the option to extend the lease for one or more additional renewal periods.

With respect to the Buzzard Point Stadium lease, D.C. United will control stadium operations and receive all revenues and pay all stadium operating expenses, game-day expenses and capital repairs. D.C. United will pay the District rent in the amount of $1.00 annually plus $2.00 per ticket sold, excluding community events, in years 11 through 30 of the lease agreement. The $2.00 fee per sold seat will increase annually with changes in the Consumer Price Index ("CPI") in years 22 through 30.

The following two pages provide tables containing a detailed comparison of the key lease terms (i.e. rent and revenue/expense sharing) associated with each MLS soccer-specific stadium.

In most cases, leases associated with soccer-specific MLS stadiums generally provide that the team receives all revenues and pays all operating expenses while paying the public sector rent each year.

In certain limited cases, the public sector receives significant revenue sharing but also faces significant operating risk exposure. For example, the Village of Bridgeview (Illinois) receives a share of tickets, concessions, merchandise, premium seating, sponsorships and naming rights revenue from the Chicago Fire but issued general obligation bond debt to construct the stadium and uses these revenue sharing proceeds to pay a portion of the stadium bonds. The stadium revenues shared with the Village have proven insufficient to meet the Village's debt obligation, requiring the Village to increase property taxes to generate additional funds to make debt payments.

Another example of a lease with more revenue sharing with the public sector is the lease agreement between Toronto FC and the City of Toronto. The City of Toronto receives an annual rent payment and shares in the proceeds from tickets, concessions, novelties, parking, premium seating and sponsorships. However, while the team operates the stadium and pays expenses, the City shares in any operating losses or profits from stadium operations.

PROPERTY TAXES

While the District will own the stadium land, D.C. United will lease the land and construct and own Buzzard Point Stadium. Under these conditions, property taxes will be owed by D.C. United, but will be abated 100 percent in years 1 through 5 of the lease, abated 75 percent in years 6 through 10, abated 50 percent in years 11 through 15, and abated 25 percent in years 16 through 20. No property tax abatements would be provided in years 21 through 30 of the initial lease term.

2. Analysis of Stadium Funding & Lease Terms

MLS LEASE TERMS

New or Renovated Soccer-Specific Stadiums

	D.C. United	Chicago Fire	Colorado Rapids	Columbus Crew	FC Dallas	Houston Dynamo	Orlando City FC	Sporting KC	LA Galaxy
Initial Lease Term:	30 yrs.	30 yrs.	25 yrs.	25 yrs.	20 yrs.	30 yrs.	30 yrs.	20 yrs.	25 yrs.
Rent Paid to Public Sector:	$1 per year annually plus $2 per ticket sold beginning in year 11, adjusted for CPI each year beginning in year 22.	$300,000 annually	$1 per year, plus $1.2 MM annually for 10 years to repay $12 MM City bonds	$50,000 annually, adjusted for CPI every 3 years	$100,000 [2] annually	$65,000 annually	$550,000 annually increasing 2.5% annually	$545,455 annually from 2010-21 as repayment for $6 MM land purchase	$250,000 annually for first 4 years
Team Revenue Allocation:									
Ticket Sales	100.0%	92.0%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0% [6]
Concessions	100.0%	50.0%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Merchandise	100.0%	22.5%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Parking	100.0%	50.0%	0.0%	70.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0% [6]
Private Suites	100.0%	30.0%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Club Seats	100.0%	30.0%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Sponsorships	100.0%	30.0%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Naming rights	100.0%	30.0%	100.0%	100.0%	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Team Expense Allocation:									
Stadium Expenses	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%
Game Day Expenses	100.0%	100.0%	100.0%	100.0% [1]	100.0%	100.0%	100.0% [4]	100.0%	100.0%
Capital Repairs	100.0%	0.0%	100.0%	100.0%	100.0%	[3]	100.0% [5]	100.0%	100.0%

[1] Commission pays parking operations costs.

[2] Rent increases to $200k per year during the first 20-year extension option. Rent would be mutually determined if the lease is extended for second 20-year option.

[3] Team deposits $100k annually in capital reserve account in years 1-10; $200k annually in years 11-20 and $425k annually in years 21-30. The City is responsible for any capital improvement funds

[4] Team retains all game day revenues and pays all game day expenses. City retains all revenues from other events and pays all other non-team expenses.

[5] Facility Fee of $2 per ticket for all events is deposited into a Capital Reserve account

[6] CSUDH received approximately $450,000 from AEG in 2013/14 from its share of parking and admission taxes.

MLS LEASE TERMS - CONT'D

New or Renovated Soccer-Specific Stadiums

	Montreal Impact	New York Red Bulls	Philadelphia Union	Portland Timbers	Real Salt Lake	San Jose Earthquakes	Toronto FC	Typical MLS Lease
Initial Lease Term:	40 yrs.	30 yrs.	50 yrs.	25 yrs.	50 yrs.	n/a	20 yrs.	30 yrs.
Rent Paid to Public Sector:	Nominal	$150,000 annually	$500,000 annual PILOT payment, decreases to $150,000 from 2015-60	$875,000 during first 7 years only, increasing $25,000 per year	$1 per year	None	None - City pays the team $200,000 annually to manage the stadium	$175,000 annually
Team Revenue Allocation:								
Ticket Sales	100.0%	100.0% (1)	100.0%	100.0% (2)	100.0%	100.0%	93.0%	100%
Concessions	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	25.0%	100%
Merchandise	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	85.0%	100%
Parking	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	33.3%	100%
Private Suites	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	45.0%	100%
Club Seats	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	45.0%	100%
Sponsorships	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	82.5%	100%
Naming rights	100.0%	100.0% (1)	100.0%	100.0%	100.0%	100.0%	100.0%	100%
Team Expense Allocation:								
Stadium Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0% (3)	100%
Game Day Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%
Capital Repairs	100.0%	100.0%	100.0%	Variable	100.0%	100.0%	0.0% (4)	100%

(1) HRA has the right to use the stadium for up to 4 civic events per year. The Red Bulls receive 50% of net revenues from these civic events.

(2) Team pays City 7 percent of ticket sales with a minimum $612,500 guaranteed annually. This payment applies to the first seven years of the lease only. The fee is in addition to the stated ticket price.

(3) In the event of a stadium operating losses, the teams pays the first $250,000 in losses and shares equally thereafter with the City. The team and City share equally in stadium operating profits.

(4) Funded in the amount of $400k annually from stadium operations. City and team share in any stadium operating losses beyond the first $250,000 which is the responsibility of the team.

2. Analysis of Stadium Funding & Lease Terms

The following table summarizes the property tax information associated other MLS teams compared to D.C. United under the terms of the Stadium Act. The information contained in the table indicates whether the team is subject to property taxes, if property tax abatements are provided and an estimate of property tax obligations.

PROPERTY TAX COMPARISON
New or Renovated Soccer-Specific Stadiums
($ in millions)

Team	Team Subject to Property Taxes	Property Tax Abatements	Estimated Annual Property Taxes	NPV of 30-Year Property Tax Obligations
D.C. United (without abatement)	Yes	No	(1) (2)	$83.6
D.C. United (with abatement)	Yes	Yes	(1) (2)	$40.4
Red Bull New York	Yes	No	$1.40	$24.2
San Jose Earthquakes	Yes	No	$1.19	$20.6
Sporting KC	Yes	No	$1.17	$20.2
Real Salt Lake	Yes	No	$0.88	$15.2
Philadelphia Union	No (3)	n/a (4)	$0.14 (5)	$4.2
Columbus Crew	No (3)	n/a	$0.17	$2.9
Colorado Rapids	Yes	No	$0.10 (6)	$1.7
FC Dallas	Yes	No	$0.07 (6)	$1.3
Chicago Fire	No	--	$0.00	$0.0
Toronto FC	No	--	$0.00	$0.0
Orlando City SC	No	--	$0.00	$0.0
Houston Dynamo	No	--	$0.00	$0.0
Portland Timbers	No	--	$0.00	$0.0
LA Galaxy	No	--	$0.00	$0.0
Montreal Impact	n/a	n/a	n/a	n/a
AVERAGE ALL (excluding D.C.)			**$0.37**	**$6.4**
AVERAGE SUBJECT TO STADIUM PROPERTY TAX (excluding D.C.) (7)			**$1.16**	**$20.1**

(1) Assessed value based on straight-line depreciation of the stadium structure over 39 years and land value estimates based on a 15 percent increase in the first year of stadium operations and then 3.4 percent annually thereafter. A capital investment of $11.3 million by D.C. United is assumed in year 15 which increases the stadium's estimated assessed value.

(2) Actual amount varies depending of the amount or property tax abatement and the assessed value of the stadium and land each year.

(3) No property taxes are assessed, but the team make a PILOT (Payment in Lieu of Taxes) payment.

(4) While no property taxes are due, the annual PILOT payment is reduced from $500,000 to $150,000 beginning in year six of the lease.

(5) Estimated annual amount based on $500,000 annual PILOT payment in first five years, reduced to $150,000 annually thereafter.

(6) Property tax is based only on the value of a parking lot in Dallas and team offices in Colorado.

(7) Excludes teams that make PILOT payments (Columbus and Philadelphia) and those that pay taxes on other portions of the stadium site only (Dallas and Colorado).

n/a - not available.

Note: Sorted by 30-year NPV of property tax obligation. NPV discount rate is 4.0%.

As depicted, eight out of 15 other MLS teams pay some level of property taxes (or, in the case of the Philadelphia Union and the Columbus Crew, a Payment in Lieu of Taxes).

It should be noted that MLS teams that pay the lowest amount of property taxes are not assessed property taxes on the stadium, but rather on other smaller components of the stadium site. In the case of FC Dallas, the team pays property taxes on the stadium parking lots only ($74,000 annual tax bill on an assessed value of $3.3 million – this value is capped at $4.0 million during the term of the lease). The Colorado Rapids do not pay property taxes on the stadium, but rather possessory interest taxes on the office space occupied by the team.

Only four MLS teams pay stadium property taxes based on the value of the stadium and land including Real Salt Lake, Sporting KC, Red Bull New York and the San Jose Earthquakes (estimated herein because the San Jose stadium is under construction). The average property tax bill for these teams is approximately $1.2 million annually with a 30-year net present value property tax obligation of approximately $20 million. In comparison, the net present value of the estimated property tax obligation of D.C. United is estimated to be $40 million for Buzzard Point Stadium, the highest of amount of any MLS team despite the property tax abatements to be provided by the District. Without the property tax abatements, the net present value of D.C. United's property tax obligations is estimated to be $84 million, approximately 13 times more than the average MLS team (inclusive of those teams that do not pay property taxes) and approximately four (4) times the average of MLS teams that pay stadium property taxes.

While there are no known property tax abatements associated with other MLS stadiums, the Philadelphia Union, which operates the stadium but does not own the land or stadium, pays PILOT payments (Payment in Lieu of Taxes) of $500,000 annually for the first five (5) years of stadium operations and at which time the annual payment decreases to $150,000 annually in the remaining years of the lease.

It is important to note that the estimates of D.C. United's property tax obligation assume a straight-line depreciation of the stadium structure over 39 years and increasing land valuation based on a 15 percent increase through 2019 and 3.4 percent annual growth thereafter based on historical District assessed valuation growth, per the OCFO's office. The property tax analysis also assumes a capital investment in the stadium by D.C. United at the mid-point of the 30 years lease in the amount of $11.3 million which is anticipated to increase the stadium's assessed value upon the occurrence of the capital investment.

The use of the straight-line stadium depreciation valuation method was used as a conservative measure of estimating future property tax revenues considering that most sports venue valuations do not approach their original construction cost and that many teams appeal their assessed valuations to seek lower valuations.

TICKET SALES TAXES / SURCHARGES

According to the Stadium Act, the District's 5.75 percent sales tax on tickets will be 100 percent abated during the first five (5) years of Buzzard Point Stadium operations and 50 percent abated during years 6 (six) through 10. Full sales taxes will be due beginning in year 11 of Buzzard Point Stadium operations.

In addition to sales taxes, D.C. United will also be responsible for paying a fee of $2.00 per ticket sold in addition to sales taxes on tickets beginning in year 11 of the lease. Specifically, D.C. United will be required to pay the District $2.00 per ticket sold for all events at Buzzard Point Stadium, excluding community events. This fee increases annually for changes in CPI beginning in year 22 of the lease.

The table on the right provides a comparison of the sales taxes and ticket surcharges that are applicable for MLS teams playing in soccer-specific stadiums, including an estimate of the net present value of ticket tax and surcharge obligations over a 30-year period for MLS games, excluding other stadium events. The net present value calculation utilized common ticket revenue and attendance assumptions for each team (the same assumptions used to estimate the potential financial operations of D.C. United presented in Section 3 of this report).

TICKET SALES TAX/SURCHARGE COMPARISON
New or Renovated Soccer-Specific Stadiums
(NPV in $ millions)

	Sales Tax	Ticket Surcharge	NPV of 30-Year Ticket Tax Obligations
Real Salt Lake	6.85%	$3/tix	$34.5
Montreal Impact	14.975%	none	$35.0
Sporting KC	9.875%	$1/tix+1%	$32.6
Toronto FC	13.00%	none	$30.9
Orlando City SC	6.50%	$2/tix	$27.9
LA Galaxy	9.00%	$1/tix	$27.9
D.C. United (without abatement)	5.75%	$2/tix (2)	$25.3
Colorado Rapids	9.25%	none	$22.7
Chicago Fire	9.00%	none	$22.2
San Jose Earthquakes	8.75%	none	$21.6
D.C. United (with abatement)	5.75% (1)	$2/tix (2)	$21.0
FC Dallas	8.25%	none	$20.5
Houston Dynamo	8.25%	none	$20.5
Portland Timbers	0.00%	7.00%	$18.8
Columbus Crew	7.50%	none	$18.7
Red Bull New York	7.00%	none	$17.6
Philadelphia Union	6.00%	none	$15.2
AVERAGE (excluding D.C.)	**8.28%**	**none**	**$24.4**

(1) Sales taxes are abated 100% in years 1 through 5 and 50% abated in years 6 through 10. No sales tax abatements apply in years 11 through 30.
(2) A $2.00 per ticket sold charge begins in year 11. This fee increases annually for changes in the consumer price index beginning in year 21 of the lease.

Note: Sorted by 30-year NPV of property tax obligation. NPV discount rate is 4.0%.

As depicted, sales taxes on tickets range from 0.0 percent (Portland) to 14.975 percent (Montreal), averaging 8.28 percent. The 5.75 percent District sales tax on tickets ranks

second lowest among the MLS teams compared herein. It should be noted that no other MLS team receives a sales tax abatement.

Five out of 15 other MLS teams assess a ticket surcharge, generally ranging from $1 to $3 per ticket and/or one percent to seven percent of ticket sales.

In order to provide a comparative analysis of D.C. United's anticipated ticket sales tax and surcharge obligations, the net present value of the combined ticket sales tax and surcharge for each MLS team playing in soccer-specific stadiums was estimated using common revenue assumptions for each team (the same revenue assumptions used in Section 3 of this report to independently estimate D.C. United's potential financial operations in Buzzard Point Stadium) and the unique taxing structure in each comparative MLS market.

Overall, the 30-year net present value of ticket sales tax and surcharge obligations for D.C. United are estimated to approximate $21.0 million, ranking 10th highest among the 16 teams compared herein and less than the league average estimate of $24.4 million based on common revenue drivers in terms of attendance and ticket price for each team. Without abatements, D.C. United's net present value of sales taxes and surcharges on tickets is estimated to approximate $25.3 million, which would rank seventh highest among the 16 teams analyzed herein or about three percent above the average.

The 30-year net present value of sales tax abatements provided by the District to D.C. United on ticket sales are estimated to approximate $4.3 million.

OTHER SALES TAXES

The Stadium Act also provides for abatement of District sales taxes on food and beverages, merchandise sales and parking at Buzzard Point. The District sales taxes on food and beverages and merchandise will be 100 percent abated during the first five (5) years of Buzzard Point Stadium operations and 50 percent abated during years 6 (six) through 10. Full sales taxes will be due beginning in year 11 of the Buzzard Point Stadium operations. These abatements are site-specific to Buzzard Point and do not apply to off-site parking or other off-site taxable transactions that may result from the presence of D.C. United and the Buzzard Point Stadium.

The table on the following page provides a comparison of the sales taxes that are applicable for food and beverage, merchandise, and parking for other MLS teams playing in soccer-specific stadiums, including an estimate of the net present value of other sales tax obligations over a 30-year period, using common revenue assumptions for each team and the tax structure specific to each MLS team.

OTHER SALES TAX COMPARISON
New or Renovated Soccer-Specific Stadiums
($ in millions)

Food & Beverages	Tax Rate	Merchandise	Tax Rate	Parking	Tax Rate	NPV of Other Tax Obligations	30 Year NPV
Montreal Impact	14.975%	Montreal Impact	14.975%	D.C. United	18.00%	Montreal Impact	$18.2
Toronto FC	13.00%	Toronto FC	13.00%	Montreal Impact	14.975%	Toronto FC	$15.0
D.C. United	10.00% (1)	Sporting KC	9.875%	Sporting KC	9.875%	Sporting KC	$12.6
Sporting KC	9.875%	Colorado Rapids	9.25%	LA Galaxy	9.00%	D.C. United - without abatements	$12.0
Colorado Rapids	9.25%	LA Galaxy	9.00%	San Jose Earthquakes	8.75%	LA Galaxy	$11.5
LA Galaxy	9.00%	Chicago Fire	9.00%	FC Dallas	8.25%	San Jose Earthquakes	$11.2
Chicago Fire	9.00%	San Jose Earthquakes	8.75%	Houston Dynamo	8.25%	Colorado Rapids	$11.0
San Jose Earthquakes	8.75%	FC Dallas	8.25%	Columbus Crew	7.50%	FC Dallas	$10.7
FC Dallas	8.25%	Houston Dynamo	8.25%	Red Bull New York	7.00%	Houston Dynamo	$10.7
Houston Dynamo	8.25%	Columbus Crew	7.50%	Orlando City SC	6.50%	Columbus Crew	$9.8
Columbus Crew	7.50%	Red Bull New York	7.00%	Philadelphia Union	6.00%	D.C. United - with abatements	$9.3
Red Bull New York	7.00%	Real Salt Lake	6.85%	Chicago Fire	6.00%	Red Bull New York	$9.1
Real Salt Lake	6.85%	Orlando City SC	6.50%	Toronto FC	0.00%	Orlando City SC	$8.5
Orlando City SC	6.50%	Philadelphia Union	6.00%	Colorado Rapids	0.00%	Real Salt Lake	$8.3
Philadelphia Union	6.00%	D.C. United	5.75% (1)	Real Salt Lake	0.00%	Philadelphia Union	$7.9
Portland Timbers	0.00%	Portland Timbers	0.00%	Portland Timbers	0.00%	Chicago Fire	$7.9
						Portland Timbers	$0.0
AVERAGE (excluding D.C.)	**8.28%**	**AVERAGE** (excluding D.C.)	**8.28%**	**AVERAGE** (excluding D.C.)	**6.14%**	**AVERAGE** (excluding D.C.)	**$10.2**

(1) Taxes are abated 100% in years 1 through 5 and 50% abated in years 6 through 10. No sales tax abatements apply in years 11 through 30.

Note: Sorted by 30-year NPV tax obligation estimate based on common revenue drivers. NPV discount rate is 4.0%.

As depicted, the District's sales tax rate on food, beverages and parking are among the highest in MLS while the District's tax rate on merchandise sales is among the lowest in MLS.

Overall, the 30-year net present value of food and beverage, merchandise and parking sales tax obligations for D.C. United are estimated to approximately $9.3 million, ranking 10th highest among 16 teams compared herein and is slightly lower than the league average estimate of $10.2 million. Without abatements, D.C. United's net present value of sales tax obligations on food, beverages, merchandise and parking is estimated to approximately $12.0 million, ranking fourth highest or 18 percent above the average.

CONCLUSIONS

Overall, it appears that the public-private partnership (including funding participation and lease terms) associated with the Buzzard Point Stadium development is reasonable relative to other MLS soccer-specific stadium developments.

Specifically, the percentage of public sector participation in the Buzzard Point Stadium development cost is consistent with the average percentage of public participation in other soccer-specific MLS stadium developments. However, the dollar amount of public

investment in the Buzzard Point Stadium would be among the highest in MLS due primarily to the higher costs associated with stadium development at the Buzzard Point site. The same is true with the private sector's (i.e. D.C. United) investment in the Buzzard Point Stadium.

D.C. United would bear the operating and maintenance risk associated with Buzzard Point Stadium, paying the District rent and receiving all stadium revenues and paying all stadium expenses including the funding of a capital reserve. This is consistent with the typical MLS soccer-specific stadium lease deal.

The property and sales tax abatements that would be provided to D.C. United under the terms of the lease agreement with the District would be unique in MLS, but do not provide D.C. United with a revenue advantage over its peer MLS teams. Even with property tax abatements, D.C. United's property tax burden is estimated to be the highest among MLS teams. D.C. United's sales tax and ticket surcharge is estimated to be comparable to league average after factoring in the effect of sales tax abatements.

It should be noted that it is possible that D.C. United would relocate outside the District (and very possibly to another metropolitan area altogether) if a stadium is not constructed at Buzzard Point. Should this occur, it is possible that the District would be unable to negotiate a similar level of public-private funding participation for a new stadium for a replacement MLS team given the likely competition among various markets for the limited number of MLS franchises. Other notable markets seeking MLS franchises include, but are not limited to Las Vegas, Minneapolis, Oklahoma City, Sacramento, San Antonio, and St. Louis, among others.

Should the Buzzard Point Stadium not materialize and D.C United relocate, the District would be in direct competition with these other markets to attract another MLS franchise should the District desire another MLS team. The ability to attract another team will be based, in large part, on the development of a new stadium and the amount of investment that an MLS franchise would be required to make in the new stadium relative to the required stadium investment the team would need to make in other markets vying for MLS teams.

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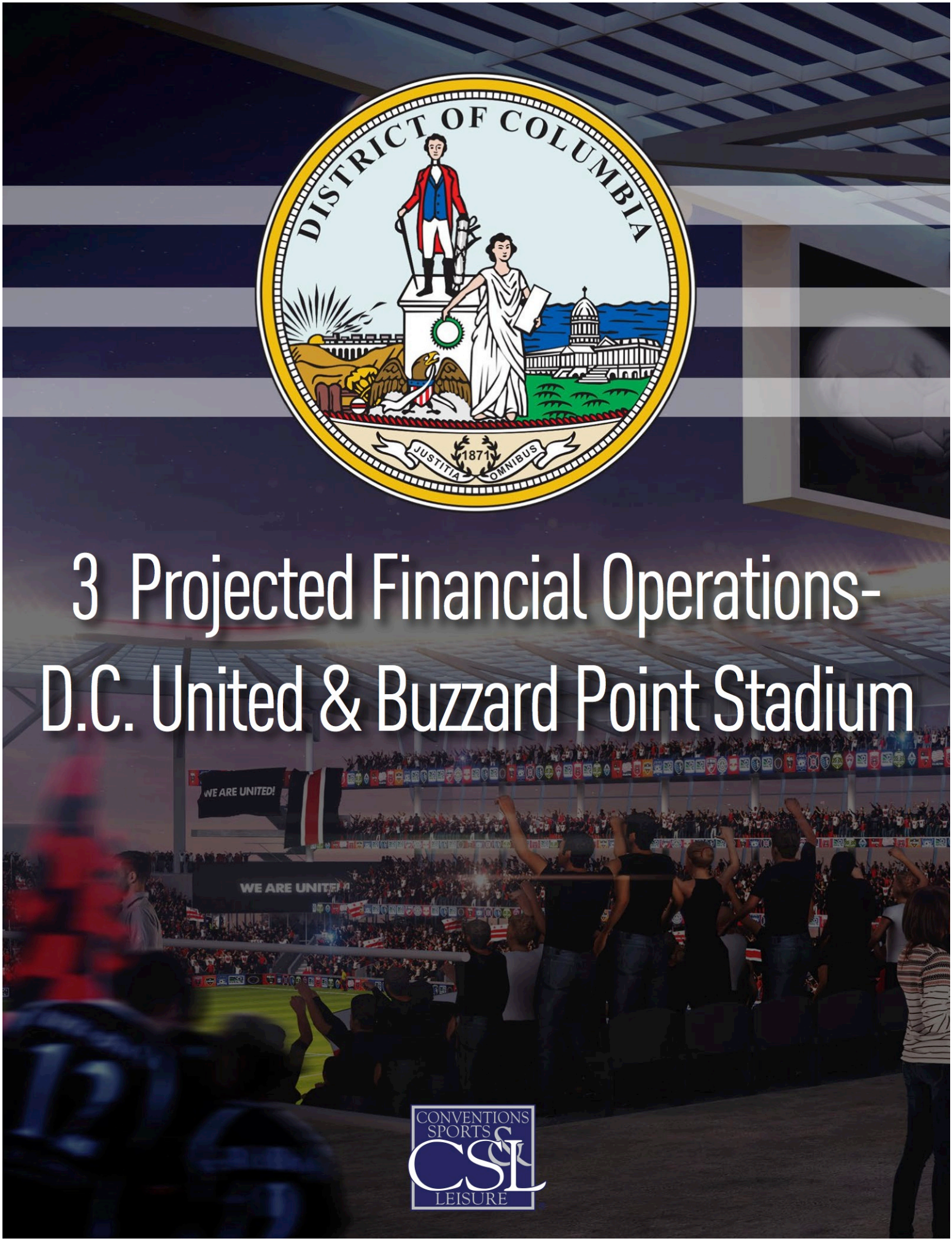
This section provided a high-level summary of public-private funding participation and lease terms associated with MLS teams. Information in Appendix A provides further details of the specific costs, funding sources and lease terms underlying the information contained in this section.

3 Projected Financial Operations- D.C. United & Buzzard Point Stadium



CONVENTIONS SPORTS & LEISURE

3. Projected Financial Operations - D.C. United & Buzzard Point Stadium

INTRODUCTION

D.C. United has played its home games at the Robert F. Kennedy Memorial Stadium ("RFK Stadium") since its inaugural Major League Soccer ("MLS") season in 1996.

Opened in 1961, the 53-year old RFK Stadium was originally designed as a multi-sport venue to host football, baseball, soccer and other events. Through the years, the venue has hosted the NFL Washington Redskins, MLB Washington Senators, MLB Washington Nationals and a variety of other sporting events including World Cup soccer matches, college football bowl games and other events. RFK Stadium is owned and operated by Events DC (a quasi-public organization affiliated with the District government) under a long-term lease from the National Park Service, which owns the land.

The 45,596-seat RFK Stadium is among the oldest and largest venues in MLS and does not provide D.C. United with an appropriate venue to ensure the team's long-term viability in the District of Columbia. A soccer-specific stadium with a more intimate seating capacity with the latest fan amenities and revenue generation capabilities is desired by the team in order for it to achieve a sustainable level of financial operations. Under current conditions at RFK Stadium and its limited revenue generation capabilities, D.C. United operates at a substantial loss that has ranged from $7 million to $10 million per year recently.

The purpose of this section of the Cost-Benefit Analysis of the Soccer Stadium Development Act of 2014 ("Stadium Act") is to present an independent assessment of the anticipated financial operations of D.C. United playing in Buzzard Point Stadium. This financial analysis was undertaken to provide the Council of the District of Columbia ("Council") with a clear understanding of the potential financial impact that a new stadium would likely have on the operations of D.C. United and their long-term viability in the marketplace, including its ability to meet stadium debt obligations and assess the need for various tax abatements provided in the Stadium Act.

The assumptions used in this analysis are based on key terms of the Stadium Act, our knowledge of the D.C. marketplace, our knowledge of MLS league operations, the financial results from comparable MLS teams/soccer stadiums, and general discussions with D.C. United management.

This presentation is designed to assist the Council in understanding the financial attributes of D.C. United and the proposed Buzzard Point Stadium and cannot be considered to be a presentation of actual future results. Accordingly, this analysis may not be useful for any other purpose. The assumptions disclosed herein are not all inclusive, but are those deemed to be significant. There will likely be differences between estimated and actual results, and these differences could be material.

SOCCER STADIUM DEVELOPMENT ACT OF 2014

The financial analysis prepared herein as part of the Cost-Benefit Analysis reflects the terms of the Stadium Act.

Based on current estimates, Buzzard Point Stadium is estimated to cost $286.7 million to develop. The District is anticipated to spend $131.1 million to acquire, remediate and complete horizontal development of the stadium site through a combination of net proceeds from land swaps and funds from the District's capital budget. The remaining $155.6 million is anticipated to be provided by D.C. United ($153.2 million) and Akridge ($2.4 million) through a combination of debt, equity and land contributions.

Based on discussions with D.C. United management, it is currently contemplated that team ownership would provide approximately $2.5 million in an upfront land contribution (Akridge would provide $2.4 million in an upfront land contribution), approximately $90.7 million in upfront D.C. United owner equity and approximately $60 million in long-term debt secured by team and stadium revenues. The debt and equity structure may change as project planning continues.

The District will own the land while D.C. United will own Buzzard Point Stadium. The District and D.C. United will enter into a 30-year land lease agreement with three five-year extension options. Key terms of the lease agreement include:

- D.C. United will operate Buzzard Point Stadium and retain all revenues (subject to any league or third party revenue sharing agreements) and pay all expenses related to stadium operations including the funding of a capital reserve.

- D.C. United will pay the District $1.00 per year in base rent as well as $2.00 per ticket sold (excluding community events) in years 11 through 21 of the lease and $2.00 per ticket sold adjusted annually for changes in the Consumer Price Index ("CPI") from years 22 through 30.

- The District will provide sales tax abatements to D.C. United. Specifically, for years one through five of the lease, D.C. United will pay no sales taxes. For years six through 10, D.C. United will pay 50 percent of sales taxes to the District. D.C. United will pay full sales taxes after year 10 of the lease.

- The District will provide property tax abatements to D.C. United. Specifically, D.C. United will pay no property taxes in years one through five of the lease, 25 percent of property taxes in years six through 10, 50 percent of property taxes in years 11 through 15, 75 percent of property taxes in years 16 through 20 and 100 percent of property taxes in years 21 and beyond.

- Should D.C. United be sold prior to April 1, 2019, the District is entitled to 15 percent of the franchise value appreciation.

ESTIMATED STADIUM UTILIZATION

The planned Buzzard Point Stadium will serve as the home venue for D.C United, including pre-season, regular season and playoff games. Additionally, Buzzard Point Stadium is anticipated to host a variety of other events comparable to those hosted at other MLS stadiums throughout the country, including U.S. National Team matches, international soccer matches, concerts and other community events.

The table to the right summarizes the estimated event and attendance levels for Buzzard Point Stadium based on the historical event activity at other MLS stadiums, discussions with D.C. United management and our knowledge of the local market.

ESTIMATED UTILIZATION
Buzzard Point Stadium

Events	Events	Average Paid Attendance	Annual Paid Attendance
D.C. United:			
Regular Season	17	17,500	297,500
Special Games	1	16,000	16,000
CONCACAF/U.S. Open Cup	4	14,000	56,000
Playoffs	1	19,500	19,500
Subtotal - D.C. United	**23**	**16,913**	**389,000**
Other Events:			
U.S. National Team	2	19,000	38,000
International Soccer	3	18,000	54,000
Concerts	3	20,000	60,000
Community Events	5	4,000	20,000
Subtotal - Other Events	**13**	**13,231**	**172,000**
TOTAL	**36**	**15,583**	**561,000**

As depicted, it is anticipated that Buzzard Point Stadium would host 36 events each year and attract 561,000 paid attendees. These utilization estimates serve as a foundation in estimating the revenues and expenses anticipated to be associated with D.C. United and the new Buzzard Point Stadium.

The remainder of this section presents a summary of the stadium revenues and expenses including a description of key assumptions. The financial analysis was prepared for the initial 30-year lease term, assuming the first year of Buzzard Point Stadium operations would be in 2017.

OPERATING REVENUE PROJECTIONS

D.C. United will operate Buzzard Point Stadium and will receive all revenues from D.C. United games and other stadium events, subject to any third party revenue sharing agreements with MLS, various stadium service providers (concessionaire, parking, etc.) and promoters of other stadium events. As a result, an assessment of the potential financial operations of D.C. United in Buzzard Point Stadium includes an assessment of both team-related revenues and stadium-related revenues.

Revenue projections are based on the historical operations of D.C. United, our knowledge of the historical operations of other MLS teams playing in new soccer-specific stadiums, our knowledge of sports stadiums and the D.C. marketplace, and general discussions with MLS and D.C. United management.

Team Revenues

Team revenues typically include ticket sales, general concessions, premium concessions, merchandise, parking, team sponsorships, broadcasting, youth development and ticket rebates derived primarily from D.C. United matches (regular season, playoffs and special games), and general team operations.

Ticket Sales

Ticket sales are a critical revenue source for MLS teams and are often one of their largest revenue sources. Ticket sales include a combination of full and partial season tickets, group sales and individual game ticket sales for various seating areas within a stadium including general admission seating, reserved seating, group areas, club seats and luxury suites, among others.

Team ticket sales are calculated as a function of the estimated number of D.C. United matches, estimated paid attendance and average ticket prices anticipated to be charged in Buzzard Point Stadium. Key assumptions were developed based on a review of MLS league data and local market conditions.

The table on the following page summarizes the ticket revenue estimated to be generated to D.C. United in Buzzard Point Stadium in 2017.

3. Projected Financial Operations - D.C. United & Buzzard Point Stadium

TICKET SALES
D.C. United Games

	Regular Season	Special Games	CONCACAF/ U.S. Cup	Playoffs	ALL EVENTS
Events	17	1	4	1	23
Average Paid Attendance:					
General Admission	15,700	14,200	13,050	17,630	15,258
Club Seats	1,400	1,400	750	1,450	1,289
Suites	400	400	200	420	366
Total Paid Attendance per Game	17,500	16,000	14,000	19,500	16,913
Average Ticket Price: (1)					
General Admission	$30.00	$30.00	$20.00	$30.00	$28.51
Club Seats	$50.00	$50.00	$50.00	$50.00	$50.00
Suites	$50.00	$50.00	$50.00	$50.00	$50.00
Gross Ticket Sales	$9,537,000	$516,000	$1,234,000	$622,400	$11,909,400
D.C. United Share	68.8% (2)	100.0%	100.0%	68.8% (2)	73.4%
D.C. United Ticket Revenue	**$6,560,915**	**$516,000**	**$1,234,000**	**$428,176**	**$8,739,091**

(1) Inclusive of applicable sales taxes and ticket fees.
(2) D.C. United retains 66.7 percent of ticket sales and the MLS league office receives 33.3 percent for league games, net of ticket taxes. This percentage represents the effective percentage retained by D.C. United including local sales taxes.

Overall, it is estimated that D.C. United would play an average of 23 matches per year in Buzzard Point Stadium including a variety of competitions such as regular season matches, special matches, CONCACAF/Cup matches and playoff matches. Average paid attendance is expected to range considerably based on the type of game and opponent with average paid attendance estimated to range from 14,000 per game for CONCACAF/U.S. Cup matches to 19,500 for D.C. United playoff matches. Total annual paid attendance at D.C. United matches is estimated to be 389,000, or about 16,913 per game. In comparison, the average MLS paid attendance was 16,159 in 2013. The top third of MLS teams averaged 21,693 paid attendees per game in 2013.

The average general admission ticket price is anticipated to range from $20.00 to $28.00 per game, depending on the type of match. Within these average ticket price estimates there are a variety of price points depending on the seat location within the stadium and type of ticket (season, individual, group, etc.). The average club seat and suite ticket prices are estimated to be $50.00 per game, excluding premiums.

The overall weighted average ticket price for D.C. United games is estimated to be $30.62 in 2017. In comparison, the median MLS ticket price was $25.60 in 2013, or approximately $28.80 in estimated 2017 dollars (three percent annual inflation). The top third of MLS teams had an average ticket price of $28.00 in 2013, or approximately $31.60 in 2017 dollars (three percent annual inflation).

Based on these assumptions, D.C. United is estimated to generate $8.7 million in ticket sales, net of MLS league share, for D.C. United games in 2017. It should be noted that this estimate is inclusive of sales taxes that are retained by the team until the

abatements lapse. D.C. United ticket sales are anticipated to increase three (3) percent annually based on increases in ticket pricing with the exception of the 11th year of operations when it is anticipated ticket prices will increase by an addition $2.00 to absorb the additional rental fee due to the District.

General Concessions

General concessions revenue consists of food and beverage sales during D.C. United games at permanent and portable concession stands on the main concourse as well service in the general seating bowl from in-seat vendors.

General concessions are calculated as a function of the estimated number of D.C. United matches, estimated turnstile (or actual) attendance, average general concessions spending per capita and the general concession commissions expected to be received by D.C. United in Buzzard Point Stadium. Key assumptions were developed based on a review of MLS league data, historical D.C. United operations, local market conditions and our knowledge of MLS and sports venue food and beverage operations. The following table summarizes the general concessions revenue estimated to be generated by D.C. United events in Buzzard Point Stadium in 2017.

GENERAL CONCESSIONS
D.C. United Games

	Regular Season	Special Games	CONCACAF/ U.S. Cup	Playoffs	ALL EVENTS
Events	17	1	4	1	23
Average G.A. Paid Attendance	15,700	14,200	13,050	17,630	15,258
Turnstile Attendance as % of Paid	90.0%	90.0%	95.0%	97.5%	91%
Average G.A. Turnstile Attendance	14,130	12,780	12,398	17,189	13,903
Average G.A. Spending Per Capita (1)	$12.00	$12.00	$13.50	$13.50	$12.31
Gross General Concession Sales	$2,882,520	$153,360	$669,465	$232,055	$3,937,400
D.C. United Commission	45.0%	45.0%	45.0%	45.0%	45.0%
D.C. United Concessions Revenue	**$1,297,134**	**$69,012**	**$301,259**	**$104,425**	**$1,771,830**

(1) Includes sales tax.

Based on knowledge of other MLS teams, turnstile attendance was estimated at 90 percent to 97.5 percent of paid attendance depending on the type of match and represents an estimate of the actual attendance at the stadium. Turnstile attendance reflects the net effect of paid and complimentary tickets issued and no shows.

The average general concessions per capita spending is estimated to range from $12.00 to $13.50 in 2017, depending on the type of D.C. United match. In comparison, the median MLS concession per capita spending was $9.50 in 2013, or approximately $10.70 in estimated 2017 dollars (three percent annual inflation). The top third of MLS teams had an average concession per capita spending of $12.60 in 2013, or approximately $14.20 in 2017 dollars (assuming three percent annual inflation).

It is anticipated that D.C. United will outsource food and beverage operations to a national sport venue concessionaire and will receive an agreed-upon commission based on a percentage of gross sales. Based on comparable stadium concessionaire agreements, it is assumed the D.C. United would receive a commission equal to 45 percent of gross general concession sales.

Based on these assumptions, D.C. United is estimated to generate approximately $1.8 million in general concessions revenue from D.C. United games. It should be noted that this estimate is inclusive of sales taxes that are retained by the team until the abatements lapse. General concessions revenue is projected to increase three (3) percent per year based on increases in food and beverage pricing.

Premium Concessions

Premium concessions consist of food and beverage sales during D.C. United games to areas dedicated to suite and club seat patrons. Premium concessions are calculated as a function of the estimated number of D.C. United matches, estimated paid/turnstile attendance associated with suites and club seats, average concessions spending per capita and the concessions commissions expected to be received by D.C. United in Buzzard Point Stadium.

The following table summarizes the premium concessions revenue estimated to be generated by D.C. United events in Buzzard Point Stadium in 2017.

PREMIUM CONCESSIONS
D.C. United Games

	Regular Season	Special Games	CONCACAF/ U.S. Cup	Playoffs	ALL EVENTS
Suites:					
Events	17	1	4	1	23
Average Paid Attendance	400	400	200	420	366
Turnstile Attendance as % of Paid	90.0%	90.0%	95.0%	97.5%	91%
Average Turnstile Attendance	360	360	190	410	333
Average Spending Per Capita (1)	$50.00	$50.00	$50.00	$50.00	$50.00
Gross Suite Concessions Sales	$306,000	$18,000	$38,000	$20,475	$382,475
D.C. United Commission	25.0%	25.0%	25.0%	25.0%	25.0%
Subtotal - Suite Concessions	**$76,500**	**$4,500**	**$9,500**	**$5,119**	**$95,619**
Club Seats:					
Events	17	1	4	1	23
Average Paid Attendance	1,400	1,400	750	1,450	1,289
Turnstile Attendance as % of Paid	90.0%	90.0%	95.0%	97.5%	91%
Average Turnstile Attendance	1,260	1,260	713	1,414	1,171
Average Spending Per Capita (1)	$20.00	$20.00	$20.00	$20.00	$20.14
Gross Suite Concessions Sales	$428,400	$25,200	$60,000	$29,000	$542,600
D.C. United Commission	35.0%	35.0%	35.0%	35.0%	35.0%
Subtotal - Club Seat Concessions	**$149,940**	**$8,820**	**$21,000**	**$10,150**	**$189,910**
TOTAL PREMIUM CONCESSIONS					**$285,529**

(1) Includes sales tax.

Key assumptions included an average food and beverage spending of $50.00 per person for suite patrons and $20.00 per person for club seat patrons with commissions ranging from 25 percent of gross sales for suite concessions and 35 percent of gross sales for club seat concessions.

Based on these assumptions, D.C. United is estimated to generate approximately $286,000 in 2017 in net premium concessions revenue from suites and club seats during D.C. United matches. It should be noted that this estimate is inclusive of sales taxes that are retained by the team until the abatements lapse. Premium concessions revenue is projected to increase three (3) percent per year based on increases in food and beverage pricing.

Merchandise

D.C. United merchandise revenue includes the sale of jerseys, shirts, jackets, scarves, hats, balls, game-day programs and other miscellaneous souvenir items during D.C. United games as well as online sales and non-game day team store sales at Buzzard Point Stadium.

Game-day merchandise revenue is calculated as a function of the estimated number of D.C. United matches, estimated turnstile (or actual) attendance, and average merchandise spending per capita, net of the cost of sales. Online sales and non-game day team store sales are based on historical D.C. United data and a review of league-wide MLS team data.

The table on the following page summarizes the merchandise revenue estimated to be generated to D.C. United events in Buzzard Point Stadium in 2017.

As depicted in the table, gross in-game merchandise spending per capita is estimated to range from $3.25 to $4.00 per turnstile attendee. In comparison, the average MLS merchandise per capita spending was $2.70 in 2013, or approximately $3.05 in estimated 2017 dollars (assuming three percent annual inflation). The top third of MLS teams had average merchandise per capita spending of $3.70 in 2013, or approximately $4.10 in 2017 dollars (assuming three percent annual inflation).

Based on the anticipated number of D.C. United games and anticipated turnstile attendance, it is estimated that $1.2 million in gross merchandise sales could be generated, resulting in approximately $354,000 in net revenues after deducting the cost of sales.

MERCHANDISE
D.C. United Games and Team / Online Store

	Regular Season	Special Games	CONCACAF/ U.S. Cup	Playoffs	ALL EVENTS
Game-Day Sales:					
Events	17	1	4	1	23
Average Turnstile Attendance	15,750	14,400	13,300	19,013	15,407
Average Spending Per Capita (1)	$3.25	$3.25	$3.50	$4.00	$3.33
Gross Merchandise Sales	$870,188	$46,800	$186,200	$76,050	$1,179,238
D.C. United Share	30.0%	30.0%	30.0%	30.0%	30.0%
D.C. United Merchandise Revenue	**$261,056**	**$14,040**	**$55,860**	**$22,815**	**$353,771**
Online Sales:					
Gross Sales					$250,000
Cost of Sales					45.0%
Net Sales					**$137,500**
Non-Game Day Team Store Sales:					
Gross Sales					$250,000
Cost of Sales					45.0%
Net Sales					**$137,500**
TOTAL TEAM MERCHANDISE REVENUE					**$628,771**

(1) Includes sales tax.

In addition to game day merchandise sales, it is estimated that D.C. United could generate approximately $137,500 in net revenues from online sales through the team's website as well as another $137,500 in net revenues from team store sales on non-game days.

Overall, it is estimated that D.C. United could generate a combined $630,000 in net merchandise revenues at Buzzard Point Stadium and through online sales. It should be noted that this estimate is inclusive of applicable sales taxes that are retained by the team until the abatements lapse. Merchandise revenue is projected to increase three (3) percent per year thereafter based on increases in sales prices.

Parking

There is anticipated to be limited parking constructed on the Buzzard Point Stadium site (200 to 300 spaces) that will be under the direct control of D.C. United. These spaces are anticipated to be used primarily for players, team personnel and premium seat patrons and are not anticipated to generate revenue to D.C. United or Buzzard Point Stadium.

Public transportation is envisioned to be enhanced throughout the District and especially in the Buzzard Point and South Capitol Bridge area as a result of Buzzard Point Stadium development. Based on discussions with District officials and the history of

Nationals Park, it is estimated that 40 percent of fans will arrive at Buzzard Point Stadium via the Metro, taxi or by foot and, as a result, will not require parking spaces.

It is anticipated that the remaining stadium attendees will arrive by car, averaging an industry standard of 3.0 people per car. In the event public transit initiatives are not met or are underutilized, limited parking spaces at the stadium and in the immediate area could negatively impact event attendance.

For purposes of this analysis and based on discussions with D.C. United management, it is anticipated that D.C. United will negotiate financial arrangements with existing parking lot owners to secure 1,000 parking spaces within a reasonable walking distance of Buzzard Point Stadium. The table below presents the estimated net annual parking revenue that could be generated to D.C. United from D.C. United matches.

PARKING
D.C. United Games

	Regular Season	Special Games	CONCACAF/ U.S. Cup	Playoffs	ALL EVENTS
Events	17	1	4	1	23
Average G.A. Turnstile Attendance	14,130	12,780	12,398	17,189	13,903
Arriving via Public Transit or Foot	40%	40%	40%	40%	40%
Turnstile Attendance Arriving by Car	8,478	7,668	7,439	10,314	8,342
Average People per Car	3	3	3	3	3
Parking Demand per Event	2,826	2,556	2,480	3,438	2,781
Parking Spaces Under Stadium Control	1,000	1,000	1,000	1,000	1,000
Parking Charge per Car:					
Gross Parking Charge (1)	$20.00	$20.00	$20.00	$20.00	$20.00
Less: Lot Owner Share	$8.00	$8.00	$8.00	$8.00	$8.00
Net Parking Charge	$12.00	$12.00	$12.00	$12.00	$12.00
Net Parking Revenue	$204,000	$12,000	$48,000	$12,000	$276,000
D.C. United Share	70.0%	70.0%	70.0%	70.0%	70.0%
D.C. United Parking Revenue	**$142,800**	**$8,400**	**$33,600**	**$8,400**	**$193,200**

(1) Includes sales tax.

Based on parking charges for Nationals games and other large-scale events in the District, it is assumed that parking charges for D.C. United games will approximate $20 per car (increasing $3 every five years). Based on discussions with D.C. United management, the team anticipates negotiating financial arrangements with nearby lot owners that will guarantee the lot owner $8.00 per parked car. D.C. United is estimated to retain the remaining 70 percent of net parking revenue from D.C. United games, with 30 percent allocated to the lot owners (in addition to the $8.00 guarantee per spot sold).

Based on these assumptions, it is estimated that D.C. United could receive approximately $193,000 in net parking revenue annually associated with D.C. United matches in 2017. Parking revenues generated to D.C. United are anticipated to increase every five years in connection with assumed periodic parking price increases.

It is important to note that the parking revenues estimated herein are inclusive of an 18 percent District sales tax. The parking revenues would not be subject to the sales tax abatement in the Stadium Act because these revenue-generating parking spaces would not be located on the Buzzard Point site.

Team Sponsorships

Team sponsorships often comprise one of the largest revenue sources for an MLS team. Team sponsorship revenues include jersey sponsorships and other team sponsorships, excluding stadium naming rights, stadium founding partners and other stadium sponsors.

Currently, D.C. United has a jersey sponsorship deal with Leidos under a three-year agreement that is worth approximately $3.0 million per year. Previous to the Leidos jersey sponsorship, D.C. United's jersey was sponsored by Volkswagen under a five-year agreement worth $2.8 million annually. The current jersey deal exceeds the MLS league average of $2.3 million, but is below the top third of MLS jersey sponsorships of $3.8 million.

Other team sponsorships include the sale of a variety of sponsorship and advertising opportunities associated with D.C. United including being the exclusive official supplier or provider of the team in industries such as banking, beverages, financial, medical, etc. as well as in-game promotions, advertising in game-day programs, advertising on the team's website, etc.

Based on the historical team sponsorship levels of D.C. United and a review of sponsorship revenue generated by other MLS teams, it is estimated that D.C. United could generate approximately $5.6 million in team sponsorship revenues net of fulfillment and MLS league share. Team sponsorship revenue is estimated to increase three (3) percent annually.

Team sponsorship projections are comprised of a $3.0 million gross jersey sponsorship that is anticipated to net $2.5

TEAM SPONSORSHIPS D.C. United	
Jersey Sponsorship:	
Gross Annual Revenue	$3,000,000
Less: Suite Value	($55,000)
Less: Fulfillment Costs	($294,500)
Less: League Share	($200,000)
Net Revenue	$2,450,500
Other Team Sponsorships:	
Gross Annual Revenue	$3,500,000
Less: Fulfillment Costs	($350,000)
Net Revenue	$3,150,000
TOTAL	**$5,600,500**

million to D.C. United after deducting the value of a suite that would be provided to the sponsor (and accounted for in the suite revenue projections), fulfillment costs of 10 percent (net of the suite value) and an MLS league share of $200,000, a flat amount that each team owes the league annually for each jersey sponsorship deal.

Additionally, team sponsorship projections also include $3.5 million in gross sponsorships less 10 percent in fulfillment costs, resulting in a net other team sponsorships of approximately $3.2 million.

Broadcasting

MLS has various broadcast agreements and the league office retains the revenues generated from national media deals. Each MLS team controls their local media rights and retains any revenues generated therefrom and pays associated expenses.

Broadcasting revenue consists of revenue generated from rights fees (radio and television) or in-house productions. Various expenses are associated with local broadcasts including production costs, talent and general and administrative. Production costs can vary considerably based on the agreement with the local broadcast partner and whether or not production is in high definition.

Most MLS teams incur more expenses than revenues associated with local broadcasts. According to MLS representatives, the revenue generated from local broadcasting is substantially offset by the cost incurred to broadcast away games. The average MLS team incurs a net cost of approximately $300,000 annually for local broadcasts, while the top third MLS teams average a net surplus of over $600,000 annually.

For purposes of this analysis, it is estimated that D.C. United would generate a net loss of approximately $150,000 from local broadcasting. Broadcasting revenue (expense) is estimated to increase three (3) percent annually.

Youth Development

Established in 2004, D.C. United's Academy trains over 1,400 youth soccer players each year. The Academy includes an U-23 NPLS team, three U.S. Development Academy teams, three Pre-Academy teams, and various annual camps and training opportunities.

Based on discussions with D.C. United management, youth development revenues are estimated to approximate $775,000 and are based on historical youth development revenues and expected future growth of the Academy program. Youth development revenue is estimated to increase three (3) percent annually.

Ticket Rebates

It is expected that D.C. United would utilize a third party ticket seller, such as Ticketmaster, to handle a portion of ticket sales for D.C. United events. The ticket seller generally collects a convenience charge on each ticket sold, a portion of which is typically rebated to the team or host venue.

The table below presents a summary of the estimated ticket rebates that could be generated to D.C. United in a new Buzzard Point Stadium in 2017.

TICKETING REBATES
D.C. United Games

	Regular Season	Special Games	CONCACAF/ U.S. Cup	Playoffs	ALL EVENTS
Events	17	1	4	1	23
Average Paid Attendance	17,500	16,000	14,000	19,500	16,913
% Tickets Sold by TM	10%	10%	10%	10%	10%
TM Fees per Ticket	$5.00	$5.00	$5.00	$5.00	$5.00
Total Ticketing Fees	$148,750	$8,000	$28,000	$9,750	$194,500
D.C. United Rebate	50.0%	50.0%	50.0%	50.0%	50.0%
Team Ticketing Rebates	**$74,375**	**$4,000**	**$14,000**	**$4,875**	**$97,250**

As depicted, It is estimated that a third party ticket seller would sell approximately 10 percent of D.C. United tickets (remaining ticket sales would be handled directly by D.C. United through its ticket sales staff and stadium box office), with an average convenience charge of $5.00 per ticket. It is estimated that D.C. United would be rebated 50 percent of total convenience fee charges for D.C. United matches, resulting in approximately $97,000 in ticketing rebates each year. Ticketing rebate revenues are estimated to increase three (3) percent annually.

Stadium Revenues

Stadium revenues include event rent, suites, club seats, naming rights, sponsorships, general concessions, premium concessions, merchandise, parking and ticketing rebates generated from other (non D.C. United) stadium events.

Event Rent

In addition to hosting D.C. United games, Buzzard Point Stadium is expected to host a variety of other soccer games, concerts and community events. These events (with the

exception of community events) are anticipated to pay a flat rental fee to host events at Buzzard Point Stadium.

The table below summarizes the number and type of other events (in addition to D.C. United matches) expected to be hosted at Buzzard Point Stadium and the anticipated rental charges per event.

EVENT RENT
Other Stadium Events

	National Team Matches	Inter-National Matches	Concerts	Community Events	ALL EVENTS
Annual Events	2	3	3	5	13
Average Rent per Event	$50,000	$50,000	$50,000	$0	$30,769
Total Annual Rent	**$100,000**	**$150,000**	**$150,000**	**$0**	**$400,000**

Overall, it is estimated that Buzzard Point Stadium would host 13 events in addition to D.C. United matches on an annual basis. These events include U.S. National Team (men's or women's) matches, international soccer matches, concerts and community events.

It is anticipated that community events (i.e. high school sports, lacrosse, religious services and other such events) would utilize Buzzard Point Stadium rent-free per the lease agreement between the District and D.C. United, while other events would pay an average rental fee of $50,000 per event based on the typical rental fees charged at other MLS stadiums and in the D.C. marketplace. While the analysis herein assumes a flat rental fee per event for simplicity, stadium rent can be based on a flat fee or percentage of ticket sales and may require D.C. United to share a portion of the risk on events co-promoted with outside parties.

Overall, it is estimated that Buzzard Point Stadium could generate a total of $400,000 annually in event rental income in 2017, increase three (3) percent annually. In comparison, other MLS stadiums generated a median rental income of $400,000 in 2012, or an estimated $460,000 in 2017 dollars (assuming three percent annual inflation). Rental income of the top third of MLS stadiums averaged $1.0 million in 2012, or an estimated $1.2 million in 2017 dollars (assuming three percent annual inflation).

It should be noted that it is assumed that rent for other events will be increased beyond inflationary adjustments of the base rent in year 11 through the end of the lease in order to pass through to other events the additional $2.00 rent per ticket sold that will be due to the District.

Suites

Based on discussions with D.C. United, the Buzzard Point Stadium design includes 24 suites (20 seats each), totaling 480 suite seats. The suite program at other soccer-specific MLS stadiums consists of an average of 32 suites (ranging from 18 to 53 suites) with an average price of $43,800 (ranging considerably by team from $15,000 to $88,000 per suite) in 2014 dollars at other soccer-specific MLS stadiums. The average MLS suite price is projected to be $48,000 in 2017 (assuming three percent annual inflation).

Based on discussions with D.C. United management, it is envisioned that three (3) suites will be non-revenue suites with the remaining 21 suites available for sale.

Based on MLS premium seating benchmark data, discussions with D.C. United management and our knowledge of the D.C. market, the table on the right summarizes the suite revenue estimated for Buzzard Point Stadium.

SUITES
Buzzard Point Stadium

Inventory	24
Less: Non-Revenue Suites	3
Inventory for Sale	21
Percentage Sold	95%
Number Sold	20
Total Annual Price (1)	$55,000
Less: Tickets	$18,000
Net Annual Premium	$37,000
Total Annual Premiums	$740,000
Plus: Event Sales (2)	$562,000
Total Annual Suite Revenue	**$1,302,000**

(1) Price includes D.C. United season and special games.
(2) Revenue generated from suites sales for other events. Suite prices are $3,000 per event for suite lessees and $5,000 for others.

Based on the anticipated suite inventory at Buzzard Point Stadium, suite pricing at other MLS stadiums and cost of living considerations in D.C., it is estimated that suites could be sold for an average price of $55,000 annually including tickets to all D.C. United regular season and special games. It is estimated that 95 percent of available suites would be sold (20 of 21 suites). The net suite premium after deducting the value of tickets ($50 per seat, each suite seats 20 people), the net annual premium is estimated to be $37,000 per suite, resulting in total annual suite premiums of $740,000 for D.C. United regular and special games.

It is anticipated that suite holders would have the first right to purchase suite tickets to other events hosted at Buzzard Point Stadium for an average price of $3,000 per event. Should a suite holder elect not to purchase suite tickets to other events hosted at Buzzard Point Stadium, it is anticipated that the suite would be offered publicly at a per event price of $5,000 per suite. It is estimated that an additional $562,000 could be generated from event suite sales, resulting in estimated total annual suite revenue of $1.3 million in 2017, increasing three (3) percent annually based on increases in suite prices.

Club Seats

The Buzzard Point Stadium design includes 1,500 club seats. The club seat program at other soccer-specific MLS stadiums consists of an average of 1,100 club seats (ranging from 208 to 1,500 club seats) with an average club seat price of $1,700 (ranging from $540 to $3,750 per club seat) in 2014 dollars at other soccer-specific MLS stadiums. The average MLS club seat price is projected to be approximately $1,860 in 2017 (assuming three percent annual inflation).

Based on MLS club seat benchmark data, discussions with D.C. United management and our knowledge of the D.C. and MLS premium seating market, the table below summarizes the estimated club seat revenue for Buzzard Point Stadium.

Based on the anticipated club seat inventory at Buzzard Point Stadium, club seat pricing at other MLS stadiums and cost of living considerations in D.C., it is estimated that club seats could be sold for an average price of $2,000 annually including tickets and food/beverages to all D.C. United regular season and special games. It is estimated that 93 percent of available club seats would be sold (1,400 of 1,500 club seats). The net club seat premium after deducting the value of tickets ($50 per seat per game) and food and beverage ($20 per seat per game), the net annual premium is estimated to be $740 per club seat, resulting in annual club seat premiums of $1.1 million from D.C. United regular and special games.

CLUB SEATS Buzzard Point Stadium	
Inventory	1,500
Percentage Sold	93%
Number Sold	1,400
Total Annual Price (1)	$2,000
Less: Tickets	$900
Less: F&B	$360
Net Annual Premium	$740
Total Annual Premiums	$1,036,000
Plus: Event Sales (2)	$289,250
Total Annual Club Seat Revenue	**$1,325,250**

(1) Price includes D.C. United season and special games.
(2) Revenue generated from club seat sales for other events. Club seat prices range from $100 to $150 per event.

Club seats would be available for sale for other stadium events and are estimated to be sold for per game prices of $100 to $150 per event including tickets and food and beverages. It is estimated that an additional $289,000 could be generated from club seat sales for other events, resulting in estimated annual club seat revenue of $1.3 million in 2017, increasing three (3) percent annually based on increases in club seat prices.

General Concessions

General concessions revenue consists of food and beverage sales during other stadium events (non D.C. United games) at permanent and portable concession stands as well as service in the general seating bowl from in-seat vendors.

Key assumptions used to estimate general concessions for other stadium events include the number of other events, turnstile (or actual) attendance, average general concessions spending per capita and the general concessions commissions expected to be received by Buzzard Point Stadium. Assumptions were developed based on a review of other MLS stadiums, our knowledge of stadium food and beverage operations, stadium design and local market conditions.

The following table summarizes the general concessions revenue estimated to be generated in Buzzard Point Stadium in 2017 by other stadium events (non-D.C. United events).

GENERAL CONCESSIONS
Other Stadium Events

	National Team Matches	Inter-National Matches	Concerts	Community Events	ALL EVENTS
Events	2	3	3	5	13
Average G.A. Paid Attendance	17,400	16,970	18,020	4,000	12,290
Turnstile Attendance as % of Paid	95.0%	95.0%	95.0%	95.0%	95%
Average G.A. Turnstile Attendance	16,530	16,122	17,119	3,800	11,676
Average G.A. Spending Per Capita (1)	$13.50	$13.50	$15.00	$7.50	$13.26
Gross General Concession Sales	$446,310	$652,921	$770,355	$142,500	$2,012,086
Stadium Commission	45.0%	45.0%	45.0%	45.0%	45.0%
Stadium Concessions Revenue	**$200,840**	**$293,814**	**$346,660**	**$64,125**	**$905,439**

(1) Includes sales tax.

Overall, it is estimated that a new Buzzard Point Stadium would generate approximately $905,000 in net general concessions revenue in 2017 from other stadium events based on per capita spending ranging from $7.50 to $15.00 depending on the event and a 45 percent commission on gross sales. General concessions revenue is estimated to increase three (3) percent annually based on increases in concession prices.

Premium Concessions

Stadium premium concessions consist of food and beverage sales during other stadium events (other than D.C. United matches) in suite and club lounge areas. Premium concessions are calculated as a function of the estimated number of other stadium events, turnstile (or actual) attendance associated with suites and club seats, premium concessions spending per capita and the premium concessions commissions expected to be received by Buzzard Point Stadium.

The following table summarizes the premium concessions revenue estimated to be generated to D.C. United from other events anticipated to be hosted at Buzzard Point Stadium in 2017.

PREMIUM CONCESSIONS
Other Stadium Events

	National Team Matches	Inter-National Matches	Concerts	Community Events	ALL EVENTS
Suites:					
Events	2	3	3	5	13
Average Paid Attendance	400	280	400	0	218
Turnstile Attendance as % of Paid	95.0%	95.0%	95.0%	95.0%	95%
Average Turnstile Attendance	380	266	380	0	208
Average Spending Per Capita (1)	$50.00	$50.00	$50.00	$50.00	$50.00
Gross Suite Concession Sales	$38,000	$39,900	$57,000	$0	$134,900
Stadium Commission	25.0%	25.0%	25.0%	25.0%	25.0%
Subtotal - Suite Concessions	**$9,500**	**$9,975**	**$14,250**	**$0**	**$33,725**
Club Seats:					
Events	2	3	3	5	13
Average Paid Attendance	1,200	750	1,250	0	646
Turnstile Attendance as % of Paid	95.0%	95.0%	95.0%	95.0%	95%
Average Turnstile Attendance	1,140	713	1,188	0	614
Average Spending Per Capita (1)	$20.00	$20.00	$20.00	$20.00	$20.00
Gross Club Seat Concession Sales	$45,600	$42,750	$71,250	$0	$159,600
Stadium Commission	35.0%	35.0%	35.0%	35.0%	35.0%
Subtotal - Club Seat Concessions	**$15,960**	**$14,963**	**$24,938**	**$0**	**$55,860**
TOTAL PREMIUM CONCESSIONS					**$89,585**

(1) Includes sales tax.

As depicted, net stadium premium concessions revenue generated to Buzzard Point Stadium from other stadium events (non-D.C. United events) is estimated to approximate $90,000 in 2017, increasing three (3) percent annually based on increases in concession pricing.

Merchandise

Stadium merchandise revenue includes the sale of items such as jerseys, shirts, hats, souvenirs and other miscellaneous souvenir items during other stadium events (other than D.C. United matches).

Event-day stadium merchandise revenue is calculated as a function of the estimated number of other stadium events, turnstile (or actual) attendance, merchandise spending per capita, and the cost of sales and are based on the operations of comparable MLS stadiums throughout the country.

The following table summarizes the stadium merchandise revenue estimated to be generated by other stadium events (non-D.C. United events) in Buzzard Point Stadium in 2017.

MERCHANDISE
Other Stadium Events

	National Team Matches	Inter-National Matches	Concerts	Community Events	ALL EVENTS
Events	2	3	3	5	13
Average Turnstile Attendance	18,050	17,100	18,687	3,800	12,497
Average Spending Per Capita (1)	$4.00	$4.00	$8.00	$0.00	$4.91
Gross Merchandise Sales	$144,400	$205,200	$448,476	$0	$798,076
Stadium Share	15.0%	15.0%	10.0%	0.0%	12.2%
Stadium Merchandise Revenue	**$21,660**	**$30,780**	**$44,848**	**$0**	**$97,288**

(1) Includes sales tax.

Other stadium event merchandise spending is estimated to range from $4.00 to $8.00 per turnstile attendee with the exception of community events. Based on the anticipated number of other stadium events and expected turnstile attendance, it is estimated that $798,000 in gross merchandise sales could be generated, resulting in approximately $97,000 in net revenues after deducting the cost of sales in 2017, increasing three (3) percent annually based on increases in merchandise prices.

Parking

Based on discussions with District officials and the history of Nationals Park, it is estimated that 40 percent of fans will arrive at Buzzard Point Stadium via the Metro, taxi or by foot. The remaining stadium attendees are anticipated to arrive by car.

For purposes of this analysis, it is anticipated that D.C. United will negotiate financial arrangements with existing parking lot owners in the area to secure 1,000 parking spaces within a reasonable walking distance of Buzzard Point Stadium.

The table on the following page summarizes the estimated net annual parking revenue that could be generated by other stadium events (other than D.C. United matches).

PARKING
Other Stadium Events

	National Team Matches	Inter-National Matches	Concerts	Community Events	ALL EVENTS
Events	2	3	3	5	13
Average G.A. Turnstile Attendance	16,530	16,122	17,119	3,800	11,676
Arriving via Public Transit or Foot	40%	40%	40%	40%	40%
Turnstile Attendance Arriving by Car	9,918	9,673	10,271	2,280	7,005
Average People per Car	3	3	3	3	3
Parking Demand per Event	3,306	3,224	3,424	760	4,169
Parking Spaces Under Stadium Control	1,000	1,000	1,000	1,000	1,000
Parking Charge per Car:					
Gross Parking Charge (1)	$25.00	$25.00	$25.00	$15.00	$15.00
Less: Lot Owner Share	$8.00	$8.00	$8.00	$8.00	$8.00
Net Parking Charge	$17.00	$17.00	$17.00	$7.00	$7.00
Net Parking Revenue	$34,000	$51,000	$51,000	$26,600	$162,600
Stadium Share	70.0%	70.0%	70.0%	70.0%	70.0%
Stadium Parking Revenue	**$23,800**	**$35,700**	**$35,700**	**$18,620**	**$113,820**

(1) Includes sales tax.

Based on parking charges for Nationals games and other events in the District, it is assumed that parking charges for other stadium events will range from $15 to $25 per car, depending on the event. Based on discussions with D.C. United management, the team anticipates negotiating financial arrangements with lot owners that will guarantee the lot owner $8.00 per parked car. The stadium is estimated to retain the remaining 70 percent of net parking revenue for other stadium events.

Based on these assumptions, it is estimated that Buzzard Point Stadium could receive approximately $114,000 in parking revenue in 2017, increasing thereafter based on periodic increases in parking charges.

Stadium Sponsorships

Stadium sponsorships often comprise one of the largest revenue sources for an MLS stadium. Stadium sponsorships typically include revenue generated from the sale of stadium naming rights and founding partners.

The table on the following page summarizes the stadium sponsorships estimated to be generated in Buzzard Point Stadium in 2017.

It is anticipated that D.C. United could secure a corporate naming rights partner for Buzzard Point Stadium that could generate approximately $2.5 million in gross revenues and $2.2 million annually in net revenues after deducting the value of a suite and fulfillment costs.

STADIUM SPONSORSHIPS Buzzard Point Stadium	
Naming Rights:	
Gross Annual Revenue	$2,500,000
Less: Suite Value	($55,000)
Less: Fulfillment Costs	($244,500)
Net Revenue	$2,200,500
Founding Partners:	
Number of Partners	6
Average Revenue per Partner	$500,000
Gross Annual Revenue	$3,000,000
Less: Fulfillment Costs	($300,000)
Net Revenue	$2,700,000
TOTAL	**$4,900,500**

In comparison, the median gross revenue generated from other MLS stadium naming rights deals was $1.8 million in 2013, or approximately $2.1 million in estimated 2017 dollars (three percent annual inflation). The top third of MLS stadiums reported average naming rights revenue of $2.7 million in 2013, or approximately $3.0 million in 2017 dollars (three percent annual inflation).

In addition to stadium naming rights, it is anticipated that D.C. United would create a stadium founder sponsorship program similar to other MLS stadiums. A total of six (6) founding partners are anticipated to be secured at average gross revenue per founding partner of $500,000. Gross annual founding partner revenue is estimated to be $3.0 million with net founding partner revenue estimated to be $2.7 million (after the deduction of fulfilment costs) in 2017.

Collectively, Buzzard Point Stadium is estimated to generate approximately $4.9 million in annual net stadium sponsorship revenue in 2017, increasing three (3) percent annually.

Ticket Rebates

A third party ticket seller, such as Ticketmaster, is also expected to handle a portion of ticket sales for other stadium events. The table on the following page presents a summary of the estimated ticket rebates that could be generated from other events hosted at Buzzard Point Stadium.

TICKETING REBATES Other Stadium Events	National Team Matches	Inter-National Matches	Concerts	Community Events	ALL EVENTS
Events	2	3	3	5	13
Average Paid Attendance	19,000	18,000	20,000	4,000	13,231
% Tickets Sold by TM	65%	40%	75%	0%	53%
TM Fees per Ticket	$5.50	$5.50	$8.00	$0.00	$6.73
Total Ticketing Fees	$135,850	$118,800	$360,000	$0	$614,650
Stadium Share	50.0%	50.0%	70.0%	0.0%	61.7%
Stadium Ticketing Rebates	**$67,925**	**$59,400**	**$252,000**	**$0**	**$379,325**

A third party ticket seller is estimated to sell 40 percent to 75 percent of other stadium event tickets, depending on the event and excluding community events. Average convenience charges are estimated to range from $5.50 to $8.00 per ticket. It is estimated that Buzzard Point Stadium would be rebated 50 to 70 percent of total convenience fee charges for other stadium events, resulting in approximately $379,000 in ticketing rebates in 2017, increasing three (3) percent annually.

OPERATING EXPENSE PROJECTIONS

D.C. United will own Buzzard Point Stadium and will be responsible for the day-to-day management of the venue, paying all operating expenses and funding a capital reserve.

Team operating expense estimates are based on a review of D.C. United's historical team operating expenses and historical operating expenses for other MLS teams playing in new soccer-specific stadiums adjusted to 2017 dollars and cost of living in D.C. Buzzard Point Stadium operating expense estimates are based on historical stadium expenses incurred by other MLS teams operating new soccer-specific stadiums and adjusted to the D.C. marketplace for cost of living and 2017 dollars.

Team Expenses

Team expenses consist of expenditures related to the operation of D.C. United, including general and administrative, team operations, advertising and marketing, ticket sales, communications, corporate sales, youth development, ticket services, merchandise, rent, taxes and league subsidies.

The table on the following page summarizes the estimated team operating expenses for D.C. United playing in Buzzard Point Stadium in 2017.

It is anticipated that total team operating expenses would approximate $16.2 million in 2017. This level of expenditures is approximately 30 percent more than current D.C. United expenditures and is reflective of increases for 2017 dollars as well as increases necessary to achieve revenue projections.

Team operations expenses comprise the largest anticipated expense category for D.C. United and include costs associated with coaching staff salaries, team travel (pre-season, regular season and post season), training, development, relocation and other expenses. It also includes Designated Player expenses (non-Designated Player expenses are paid by MLS while Designated Player expenses are the responsibility of the team's investor-operator above a certain player cap threshold). In general, MLS pays player salaries under a single-entity league concept, but local investor-operators can elect to sign Designated Player(s), usually a marque domestic or international player(s) above and beyond the league salary cap and at their own expense.

TEAM OPERATING EXPENSES
D.C. United

General & Administrative	$1,900,000
Team Operations	$5,800,000
Advertising & Marketing	$1,250,000
Ticket Sales	$1,500,000
Communications	$550,000
Corporate Sales	$1,000,000
Youth Development	$1,750,000
Ticket Services	$300,000
Merchandise	$325,000
Stadium Rent	$1
Taxes	$46,834 (1)
League Subsidy	$1,750,000
TOTAL	**$16,171,835**

(1) Represents only sales taxes associated with off-site parking in 2017 due to on-site tax abatements. Tax expenses are projected to increase substantially in future years as on-site tax abatements are phased out.

It should be noted that the MLS has historically made an annual capital call to each team to subsidize league operations. In 2017, this league subsidy is projected to be $1.75 million per team based on discussions with MLS officials. However, this capital call is expected to be eliminated within several years as increased league-wide television, sponsorship and ticket revenues are projected to outweigh the operating expenses of the League office. At that time, excess League revenue will be used to enhance the level of play on the field.

Team expenses (with the exception of the league subsidy which is anticipated to be eliminated in the coming years) are anticipated to increase three (3) percent annually. Taxes are expected to increase considerably in future years as sales tax and property tax abatements are phased out.

Stadium Expenses

Stadium expenses include the anticipated cost to operate Buzzard Point Stadium. Stadium operating revenues typically include general and administrative, operations,

utilities, insurance, sales and marketing, client services, ticketing, event services and other such expenses. Additionally, the funding of a capital reserve to fund future major capital expenditures has been estimated assuming a beginning annual deposit equal to 0.5 percent of the approximate $150 million stadium construction costs, or about $750,000 in 2017.

STADIUM OPERATING EXPENSES Buzzard Point Stadium	
General & Administrative	$1,650,000
Operations	$1,250,000
Utilities	$1,150,000
Insurance - Property	$225,000
Insurance - Liability/Bus. Interrupt.	$270,000
Sales & Marketing	$450,000
Client Services	$375,000
Ticketing	$330,000
Event Services	$200,000
Other	$100,000
Capital Reserve	$750,000
TOTAL	**$6,750,000**

The table on the right summarizes the estimated Buzzard Point Stadium annual operating expenses. Overall, it is estimated that stadium operating expenses, including capital reserve funding, will approximate $6.8 million per year. The largest expense items include general and administrative at $1.7 million, operations at $1.3 million and utilities at $1.2 million.

The stadium operating expense estimates are based on an analysis of the historical operating expenses incurred at other MLS stadiums and adjusted to the D.C. marketplace for cost of living considerations and 2017 dollars. Stadium operating expenses are estimated to increase three (3) percent annually.

TEAM/STADIUM OPERATING PRO FORMA

The table on the following page summarizes the estimated operating revenues and expenses associated with D.C. United and the proposed Buzzard Point Stadium during the first five years of operations plus the 10th, 20th and 30th years of operations. The selected years are presented for report presentation purposes only and a full-detailed financial model estimating revenues, expenses and net profit (losses) for each of the 30 years associated with the initial term of the land lease between D.C. United and the District underlies this analysis.

As depicted, the team and stadium revenues generated by D.C. United and Buzzard Point Stadium are estimated to be approximately $27.5 million in 2017 dollars (year 1), increasing to $30.9 million in year 5, and $66.0 million in year 30 of the lease agreement.

OPERATING PROFORMA

D.C. United / Buzzard Point Stadium

	1 2017	2 2018	3 2019	4 2020	5 2021	10 2026	20 2036	30 2046
REVENUES								
D.C. United								
Ticket Sales	$8,739,091	$9,001,264	$9,271,301	$9,549,440	$9,835,924	$11,402,531	$16,102,049	$21,609,353
General Concessions	$1,771,830	$1,824,985	$1,879,734	$1,936,126	$1,994,210	$2,311,836	$3,106,915	$4,175,433
Premium Concessions	$303,169	$312,264	$321,632	$331,281	$341,219	$395,566	$531,608	$714,437
Merchandise	$628,771	$647,634	$667,063	$687,075	$707,688	$820,404	$1,102,554	$1,481,741
Parking	$193,200	$193,200	$193,200	$193,200	$193,200	$193,200	$193,200	$193,200
Sponsorship/Advertising	$5,600,500	$5,774,515	$5,953,750	$6,138,363	$6,328,514	$7,368,337	$9,971,212	$13,469,258
Youth Development	$775,000	$798,250	$822,198	$846,863	$872,269	$1,011,199	$1,358,967	$1,826,338
TM Rebates	$97,250	$100,168	$103,173	$106,268	$109,456	$126,889	$170,528	$229,176
Broadcasting	($150,000)	($154,500)	($159,135)	($163,909)	($168,826)	($195,716)	($263,026)	($353,485)
Subtotal - D.C. United	$17,958,811	$18,497,779	$19,052,916	$19,624,708	$20,213,653	$23,434,247	$32,274,007	$43,345,452
Stadium								
Rent	$400,000	$412,000	$424,360	$437,091	$450,204	$521,909	$1,005,402	$1,339,277
Suites	$1,302,000	$1,341,060	$1,381,292	$1,422,731	$1,465,412	$1,698,815	$2,283,065	$3,068,248
Club Seats	$1,325,250	$1,365,008	$1,405,958	$1,448,136	$1,491,581	$1,729,151	$2,323,834	$3,123,038
Sponsorship/Advertising	$4,900,500	$5,047,515	$5,198,940	$5,354,909	$5,515,556	$6,394,041	$8,593,056	$11,548,349
General Concessions	$905,439	$932,602	$960,580	$989,397	$1,019,079	$1,181,392	$1,587,692	$2,133,725
Premium Concessions	$92,525	$95,301	$98,160	$101,105	$104,138	$120,724	$162,243	$218,041
Merchandise	$97,288	$100,206	$103,212	$106,309	$109,498	$126,938	$170,594	$229,265
Parking	$113,820	$113,820	$113,820	$113,820	$113,820	$113,820	$113,820	$113,820
TM Rebates	$379,325	$390,705	$402,426	$414,499	$426,934	$494,933	$665,149	$893,904
Subtotal - Stadium	$9,516,146	$9,798,216	$10,088,748	$10,387,996	$10,696,221	$12,381,723	$16,904,856	$22,667,669
TOTAL REVENUES	**$27,474,957**	**$28,295,995**	**$29,141,664**	**$30,012,704**	**$30,909,874**	**$35,815,970**	**$49,178,863**	**$66,013,121**
EXPENSES								
Team Operations	$16,171,835	$16,603,085	$16,797,272	$17,254,785	$17,726,024	$20,639,858	$31,914,966	$43,403,278
Stadium Operations	$6,750,000	$6,952,500	$7,161,075	$7,375,907	$7,597,184	$8,807,219	$11,836,166	$15,906,817
TOTAL EXPENSES	**$22,921,835**	**$23,555,585**	**$23,958,347**	**$24,630,692**	**$25,323,208**	**$29,447,077**	**$43,751,132**	**$59,310,095**
NET INCOME (LOSS) BEFORE DEBT	**$4,553,122**	**$4,740,410**	**$5,183,317**	**$5,382,011**	**$5,586,666**	**$6,368,893**	**$5,427,731**	**$6,703,026**

Combined team and stadium operating expenses are estimated to total $22.9 million in 2017 dollars (year 1), increasing to $25.3 million in year 5, and $59.3 million in year 30.

The combined operations of D.C. United and Buzzard Point Stadium are estimated to generate a net operating income before stadium debt of approximately $4.6 million in 2017 (year 1), $5.6 million in year 5 and $6.7 million in year 30. Based on these projections, the D.C. United franchise is anticipated to improve its financial operations considerably from its most recent years of operations at RFK Stadium, where the team is losing a reported $7 and $10 million annually.

DEBT SERVICE ANALYSIS

In order to assess D.C. United's ability to meet potential debt payments associated with stadium construction funding, a debt service analysis was undertaken. For purposes of this analysis, two debt scenarios were assumed. In both scenarios, income from operations before debt is inclusive of sales and real estate tax abatements in the proposed years.

The first debt scenario assumes that D.C. United secures $60 million in long-term debt to fund a portion of their stadium construction obligations with the remaining $93.2 million coming from equity/land contribution. This scenario mirrors the team's current debt/equity plan for the development of Buzzard Point Stadium. The second scenario assumes that D.C. United provides more upfront equity and undertakes less debt. In the second debt scenario, it is assumed that D.C. United would secure $40 million in long-term debt to fund a portion of its stadium development cost obligation, which is slightly above but more consistent with the MLS average team stadium debt.

As shown in the table on the following page, under the $60 million team debt scenario, it is projected that D.C. United and the Buzzard Point Stadium will generate sufficient revenues to meet debt service obligations each year. The team's debt coverage ratio is projected to be 1.18 in Year 1 (2017) and varies throughout the 30 year term, ranging from a low of 1.05 (the 6st year of operations when property tax abatements decrease to 75 percent and 50 percent of sales taxes are due on applicable stadium revenues) to 1.73 (the 30th year of operations).

Based on these projections and debt coverage levels, it is likely that a lender would require D.C. United's ownership group to personally guarantee the stadium loan or provide more upfront equity. Most lenders would likely require a minimum debt coverage of 1.5 to 2.0 throughout the term of indebtedness if the debt were secured by stadium and team operations only. The debt coverage under the $40 million stadium debt scenario improves significantly, beginning with debt coverage of 1.77 in year 1, ranging from a low of 1.57 in year 21 (2037) to a high of 2.60 in year 10 (2026).

STADIUM DEBT SERVICE ANALYSIS
DC United & Buzzard Point Stadium

		$60 MM Debt $93.2 MM Equity			$40 MM Debt $113.2 MM Equity		
Year	Income From Operations Before Debt	Annual Debt Service	Income After Debt	Debt Coverage Ratio	Annual Debt Service	Income After Debt	Debt Coverage Ratio
2017	$4,553,122	($3,865,000)	$688,122	1.18	($2,577,000)	$1,976,122	1.77
2018	$4,740,410	($3,865,000)	$875,410	1.23	($2,577,000)	$2,163,410	1.84
2019	$5,183,317	($3,865,000)	$1,318,317	1.34	($2,577,000)	$2,606,317	2.01
2020	$5,382,011	($3,865,000)	$1,517,011	1.39	($2,577,000)	$2,805,011	2.09
2021	$5,586,666	($3,865,000)	$1,721,666	1.45	($2,577,000)	$3,009,666	2.17
2022	$4,042,818	($3,865,000)	$177,818	1.05	($2,577,000)	$1,465,818	1.57
2023	$4,241,167	($3,865,000)	$376,167	1.10	($2,577,000)	$1,664,167	1.65
2024	$4,444,856	($3,865,000)	$579,856	1.15	($2,577,000)	$1,867,856	1.72
2025	$6,154,044	($3,865,000)	$2,289,044	1.59	($2,577,000)	$3,577,044	2.39
2026	$6,368,893	($3,865,000)	$2,503,893	1.65	($2,577,000)	$3,791,893	2.47
2027	$4,774,283	($3,865,000)	$909,283	1.24	($2,577,000)	$2,197,283	1.85
2028	$4,977,295	($3,865,000)	$1,112,295	1.29	($2,577,000)	$2,400,295	1.93
2029	$5,185,151	($3,865,000)	$1,320,151	1.34	($2,577,000)	$2,608,151	2.01
2030	$5,397,989	($3,865,000)	$1,532,989	1.40	($2,577,000)	$2,820,989	2.09
2031	$5,511,891	($3,865,000)	$1,646,891	1.43	($2,577,000)	$2,934,891	2.14
2032	$4,500,168	($3,865,000)	$635,168	1.16	($2,577,000)	$1,923,168	1.75
2033	$4,724,873	($3,865,000)	$859,873	1.22	($2,577,000)	$2,147,873	1.83
2034	$4,954,280	($3,865,000)	$1,089,280	1.28	($2,577,000)	$2,377,280	1.92
2035	$5,188,522	($3,865,000)	$1,323,522	1.34	($2,577,000)	$2,611,522	2.01
2036	$5,427,731	($3,865,000)	$1,562,731	1.40	($2,577,000)	$2,850,731	2.11
2037	$4,392,196	($3,865,000)	$527,196	1.14	($2,577,000)	$1,815,196	1.70
2038	$4,630,431	($3,865,000)	$765,431	1.20	($2,577,000)	$2,053,431	1.80
2039	$4,873,021	($3,865,000)	$1,008,021	1.26	($2,577,000)	$2,296,021	1.89
2040	$5,120,080	($3,865,000)	$1,255,080	1.32	($2,577,000)	$2,543,080	1.99
2041	$5,371,724	($3,865,000)	$1,506,724	1.39	($2,577,000)	$2,794,724	2.08
2042	$5,628,073	($3,865,000)	$1,763,073	1.46	($2,577,000)	$3,051,073	2.18
2043	$5,889,251	($3,865,000)	$2,024,251	1.52	($2,577,000)	$3,312,251	2.29
2044	$6,155,382	($3,865,000)	$2,290,382	1.59	($2,577,000)	$3,578,382	2.39
2045	$6,426,596	($3,865,000)	$2,561,596	1.66	($2,577,000)	$3,849,596	2.49
2046	$6,703,026	($3,865,000)	$2,838,026	1.73	($2,577,000)	$4,126,026	2.60

Under either debt scenario, the operations of D.C. United will be significantly enhanced, allowing the team to improve its financial operations over is current situation at RFK Stadium and support some level of debt that can be used to fund a portion of its stadium development contribution.

TAX ABATEMENT ANALYSIS

A key component of the Stadium Act is sales and property tax abatements that are provided by the District to D.C. United. In order to assess the impact of these abatements on team/stadium operations, the following table summarizes the impacts to net operating income before and after debt service if there were no tax abatements provided.

TAX ABATEMENT ANALYSIS
D.C. United and Buzzard Point Stadium
($ in millions)

		Less: Tax Abatement Benefits			$60 MM Debt $94.9 MM Equity			$40 MM Debt $113.2 MM Equity		
Year	Income From Operations Before Debt	Estimated Sales Tax Abatement	Estimated Property Tax Abatement	Income From Operations Without Abatement	Annual Debt Service	Income After Debt	Debt Coverage Ratio	Annual Debt Service	Income After Debt	Debt Coverage Ratio
2017	$4,553,122	$1,009,919	$4,435,719	($892,515)	($3,865,000)	($4,757,515)	-0.23	($2,577,000)	($3,469,515)	-0.35
2018	$4,740,410	$1,040,216	$4,612,437	($912,243)	($3,865,000)	($4,777,243)	-0.24	($2,577,000)	($3,489,243)	-0.35
2019	$5,183,317	$1,071,423	$4,605,664	($493,770)	($3,865,000)	($4,358,770)	-0.13	($2,577,000)	($3,070,770)	-0.19
2020	$5,382,011	$1,103,566	$4,601,091	($322,645)	($3,865,000)	($4,187,645)	-0.08	($2,577,000)	($2,899,645)	-0.13
2021	$5,586,666	$1,136,672	$4,598,792	($148,799)	($3,865,000)	($4,013,799)	-0.04	($2,577,000)	($2,725,799)	-0.06
2022	$4,042,818	$565,841	$3,449,134	$27,842	($3,865,000)	($3,837,158)	0.01	($2,577,000)	($2,549,158)	0.01
2023	$4,241,167	$582,817	$3,450,998	$207,353	($3,865,000)	($3,657,647)	0.05	($2,577,000)	($2,369,647)	0.08
2024	$4,444,856	$600,301	$3,454,747	$389,809	($3,865,000)	($3,475,191)	0.10	($2,577,000)	($2,187,191)	0.15
2025	$6,154,044	$618,310	$3,460,446	$2,075,288	($3,865,000)	($1,789,712)	0.54	($2,577,000)	($501,712)	0.81
2026	$6,368,893	$636,859	$3,468,161	$2,263,872	($3,865,000)	($1,601,128)	0.59	($2,577,000)	($313,128)	0.88
2027	$4,774,283	$0	$2,318,641	$2,455,643	($3,865,000)	($1,409,357)	0.64	($2,577,000)	($121,357)	0.95
2028	$4,977,295	$0	$2,326,611	$2,650,684	($3,865,000)	($1,214,316)	0.69	($2,577,000)	$73,684	1.03
2029	$5,185,151	$0	$2,336,067	$2,849,083	($3,865,000)	($1,015,917)	0.74	($2,577,000)	$272,083	1.11
2030	$5,397,989	$0	$2,347,060	$3,050,929	($3,865,000)	($814,071)	0.79	($2,577,000)	$473,929	1.18
2031	$5,511,891	$0	$2,463,704	$3,048,187	($3,865,000)	($816,813)	0.79	($2,577,000)	$471,187	1.18
2032	$4,500,168	$0	$1,237,630	$3,262,538	($3,865,000)	($602,462)	0.84	($2,577,000)	$685,538	1.27
2033	$4,724,873	$0	$1,244,257	$3,480,616	($3,865,000)	($384,384)	0.90	($2,577,000)	$903,616	1.35
2034	$4,954,280	$0	$1,251,762	$3,702,518	($3,865,000)	($162,482)	0.96	($2,577,000)	$1,125,518	1.44
2035	$5,188,522	$0	$1,260,175	$3,928,347	($3,865,000)	$63,347	1.02	($2,577,000)	$1,351,347	1.52
2036	$5,427,731	$0	$1,269,528	$4,158,204	($3,865,000)	$293,204	1.08	($2,577,000)	$1,581,204	1.61
2037	$4,392,196	$0	$0	$4,392,196	($3,865,000)	$527,196	1.14	($2,577,000)	$1,815,196	1.70
2038	$4,630,431	$0	$0	$4,630,431	($3,865,000)	$765,431	1.20	($2,577,000)	$2,053,431	1.80
2039	$4,873,021	$0	$0	$4,873,021	($3,865,000)	$1,008,021	1.26	($2,577,000)	$2,296,021	1.89
2040	$5,120,080	$0	$0	$5,120,080	($3,865,000)	$1,255,080	1.32	($2,577,000)	$2,543,080	1.99
2041	$5,371,724	$0	$0	$5,371,724	($3,865,000)	$1,506,724	1.39	($2,577,000)	$2,794,724	2.08
2042	$5,628,073	$0	$0	$5,628,073	($3,865,000)	$1,763,073	1.46	($2,577,000)	$3,051,073	2.18
2043	$5,889,251	$0	$0	$5,889,251	($3,865,000)	$2,024,251	1.52	($2,577,000)	$3,312,251	2.29
2044	$6,155,382	$0	$0	$6,155,382	($3,865,000)	$2,290,382	1.59	($2,577,000)	$3,578,382	2.39
2045	$6,426,596	$0	$0	$6,426,596	($3,865,000)	$2,561,596	1.66	($2,577,000)	$3,849,596	2.49
2046	$6,703,026	$0	$0	$6,703,026	($3,865,000)	$2,838,026	1.73	($2,577,000)	$4,126,026	2.60
TOTAL	$156,529,269	$8,365,924	$58,192,624	$89,970,721	($115,950,000)	($25,979,279)	-1.35	($77,310,000)	$12,660,721	0.75
NPV	$88,692,337	$6,956,275	$43,164,527	$38,571,535	($66,833,709)	($28,262,173)	n/a	($44,561,570)	($5,990,035)	n/a

Notes: - Debt is assumed to be financed over 30 years at 5% interest with monthly payments.
- A discount rate of 4% is used to calculate net present value (NPV)

As depicted in the previous exhibit, without sales and property tax abatements the combined net operating income of D.C. United and Buzzard Point Stadium before debt is estimated to be a $892,000 operating loss in year 1 (2017), turning profitable before debt in year six (2022) with income before debt increasing to $6.7 million in year 30 (2046).

Without the abatements, it would become much more difficult for D.C. United to obtain any significant level of long-term stadium debt secured by team/stadium revenues to fund a portion of its Buzzard Point Stadium development cost obligation. As the exhibit depicts, the debt service payments would exceed available operating income by $4.8 million in year 1 (2017) assuming $60 million in stadium debt and by $3.5 million in year 1 (2017) assuming $40 million in stadium debt. Without the abatements, the team/stadium operating revenue is not expected to cover debt payments until year 19 (2035) under the $60 million debt scenario and year 12 (2028) under the $40 million debt scenario.

The net present value of the tax abatements provided to D.C. United are estimated to total approximately $50 million, consisting of about $43 million in property tax abatements and $7 million in sales tax abatements.

FRANCHISE VALUE APPRECIATION ESTIMATE

The agreement between the District and D.C. United includes a Franchise Appreciation Recapture Clause that is designed to discourage team ownership from selling the team prior to April 1, 2019.

The Franchise Appreciation Recapture Clause provides that if the team is sold before April 1, 2019, the District is entitled to 15 percent of the appreciated value of the franchise due to its enhanced financial operations associated with Buzzard Point Stadium.

In order to estimate the potential appreciation in D.C. United value, a commonly accepted valuation method was applied using revenue multiples from other recent MLS franchise transactions.

Under this valuation method, other MLS franchise transaction revenue multiples (which is the transaction price divided by the team's revenue in the year of transaction) are applied to the estimated revenues associated with D.C. United and Buzzard Point Stadium. This method assumes that the recent sale of similar assets is the best indication of the subject asset's value.

3. Projected Financial Operations - D.C. United & Buzzard Point Stadium

The table on the following page summarizes the revenue multiples associated with three recent MLS franchise transitions of controlling interest (including the most recent transaction involving D.C. United in 2012).

RECENT MLS FRANCHISE TRANSACTIONS
Revenue Multiple
($ Millions)

Year	Team	Percent Purchased	Purchase Price	Operating Revenue	Revenue Multiple
2013	Columbus Crew (1)	100%	$68.0	$7.7	8.8x
2013	Real Salt Lake (2)	100%	$50.0	$10.9	4.6x
2012	DC United	100%	$61.0	$9.0	6.8x
AVERAGE					**6.7x**

(1) Purchase price represents 100 percent ownership stake in franchise and stadium.

(2) Dell Loy Hansen purchased 49 percent of the franchise in 2009 and purchased the remaining 51 percent and Rio Tinto Stadium in 2013

As depicted above, the revenue multiples in recent MLS transactions ranged from 4.6 times revenue for Real Salt Lake to 8.8 times revenue for the Columbus Crew, averaging 6.7 times revenue.

The following table depicts the estimated value of D.C. United through 2019 based on the average revenue multiple associated with recent MLS transactions.

ESTIMATED FRANCHISE APPRECIATION RECAPTURE VALUE
D.C. United and Buzzard Point Stadium
($ Millions)

Year	D.C. United Revenue	Comparable Revenue Multiple	Estimated D.C. United Value	2012 D.C. United Purchase Price	Estimated Franchise Appreciation	15 Percent District Share
2015	-	-	$120.0 (1)	$66.7	$53.3	$8.0
2016	-	-	$130.0 (1)	$68.7	$61.3	$9.2
2017	$27.5	6.7x	$184.1	$70.7	$113.4	$17.0
2018	$28.3	6.7x	$189.6	$72.8	$116.7	$17.5
2019	$29.1	6.7x	$195.2	$75.0	$120.2	$18.0

(1) Estimated value is discounted to account for operating losses at RFK stadium during stadium development and the potential risks facing the team with construction delays and/or cost overruns on vertical stadium construction.

As depicted, it is estimated that D.C. United's value could range from $120 million to $130 million after the stadium agreement is executed, but before stadium construction

is complete. The estimated value during the stadium development period is discounted from the potential future once the stadium is complete to account for operating losses expected to be incurred at RFK Stadium and the potential risk associated with construction delays and/or cost overruns on vertical stadium construction.

Once the stadium is complete, the team value is anticipated to increase to $184 million, increasing to $195 million by 2019. Based on the 2012 transaction price for D.C. United of $61 million, the appreciation in franchise value during the first five years of the stadium agreement is estimated to range from $53 to $61 million during stadium construction to $113 to $120 million after stadium opening.

Should the franchise be sold before April 1, 2019, the District would be entitled to 15 percent of the appreciated value, estimated to range from approximately $8.0 million to $18.0 million, depending on the year sold. New ownership would be contractually obligated to play D.C. United home games at Buzzard Point Stadium throught the term of the lease.

The estimated franchise value presented herein does not constitute an official appraisal of the team, but rather is intended to provide a frame-of-magnitude estimate to District officials regarding the potential value of the Franchise Appreciation Recapture Clause in the lease with D.C. United. An official appraisal of the team would likely be required to determine the specific values should the team be sold before April 1, 2019.

D.C. UNITED ESTIMATED RETURN ON STADIUM INVESTMENT

It is expected that the new Buzzard Point Stadium will enhance the revenue-generating ability of D.C. United and will also positively impact the value of the franchise. The table on the following page summarizes the estimated debt-leveraged internal rate of return ("IRR") for D.C. United assuming investment horizons of 3, 5, 10, 20 and 30 years. For purposes on this anlaysis, it is assumed the franchise is sold at the end of the assumed investment horizons of 3, 5, 10, 20 and 30 years.

Under each of these investment horizon periods, it is anticipated that team ownership will realize income from operations after debt as well as franchise appreciation if the team is sold, less franchise appreciation recapture by the District if the team is sold before April 1, 2019 and less any outstanding principal on stadium debt at the time of franchise sale.

ESTIMATED RETURN ON INVESTMENT
D.C. United
($ Millions)

	*Team Sold After 3 Years	Team Sold After 5 Years	Team Sold After 10 Years	Team Sold After 20 Years	Team Sold After 30 Years
Estimated D.C. United Rate of Return - IRR	**-20.2%**	**-3.5%**	**1.8%**	**4.2%**	**4.5%**
Cash Investment	($93.15)	($93.15)	($93.15)	($93.15)	($93.15)
2017	$0.7	$0.7	$0.7	$0.7	$0.7
2018	$0.9	$0.9	$0.9	$0.9	$0.9
2019	$46.2	$1.3	$1.3	$1.3	$1.3
2020	--	$1.5	$1.5	$1.5	$1.5
2021	--	$74.04	$1.7	$1.7	$1.7
2022	--	--	$0.2	$0.2	$0.2
2023	--	--	$0.4	$0.4	$0.4
2024	--	--	$0.6	$0.6	$0.6
2025	--	--	$2.3	$2.3	$2.3
2026	--	--	$101.3	$2.5	$2.5
2027	--	--	--	$0.9	$0.9
2028	--	--	--	$1.1	$1.1
2029	--	--	--	$1.3	$1.3
2030	--	--	--	$1.5	$1.5
2031	--	--	--	$1.6	$1.6
2032	--	--	--	$0.6	$0.6
2033	--	--	--	$0.9	$0.9
2034	--	--	--	$1.1	$1.1
2035	--	--	--	$1.3	$1.3
2036	--	--	--	$176.5	$1.6
2037	--	--	--	--	$0.5
2038	--	--	--	--	$0.8
2039	--	--	--	--	$1.0
2040	--	--	--	--	$1.3
2041	--	--	--	--	$1.5
2042	--	--	--	--	$1.8
2043	--	--	--	--	$2.0
2044	--	--	--	--	$2.3
2045	--	--	--	--	$2.6
2046	--	--	--	--	$278.5

* Reflects if D.C. United and Buzzard Point Stadium were sold before April 1, 2019 when the District would receive 15 percent of franchise appreciation value from the 2012 sale.

As depicted, it is anticipated that D.C. United's internal rate of return on its $93.15 million stadium equity investment will be -20.2 percent if the team and stadium are sold in 2019 before the franchise appreciation recapture clause expires, -3.5 percent if the team and stadium are sold at the end of year 5 (2021), 1.8 percent if the team and stadium are sold at the end of year 10 (2026), 4.2 percent if the team and stadium are sold at the end of 20 years (2036) and approximately 4.5 percent if the team and stadium are sold at the end of 30 years (2046). It is important to note that the return on investment analysis herein is inclusive of the positive benefits that property and sales tax abatements are anticipated to have on D.C. United's net income.

4 Economic & Fiscal Impact Analysis

CONVENTIONS SPORTS & LEISURE

4. Economic and Fiscal Impact Analysis

INTRODUCTION

The purpose of this section of the Cost-Benefit Analysis of the Soccer Stadium Development Act of 2014 ("Stadium Act") is to present an independent assessment of the potential economic and fiscal impacts that could be generated to the District of Columbia ("District") from both one-time construction and on-going annual operations of the various projects associated with the Stadium Act, including an estimate of the District's net benefit.

The following provides a brief overview of the various projects that are expected to result from the transactions included in the Stadium Act and serve as the basis for the economic and fiscal impacts presented herein:

Buzzard Point Stadium

Discussions with D.C. United indicate that the $286.7 million Buzzard Point stadium is envisioned to seat approximately 20,000 fans for D.C. United games and host a variety of other events including U.S. Men's and Women's National Team games, international soccer matches, concerts and community events. Construction is anticipated to begin in November 2015 and conclude in February 2017 in time for D.C. United to play its 2017 season in the new stadium.

Buzzard Point Hotel

As indicated in the City Administrator's ("CA") analysis and confirmed with team representatives, D.C. United's ownership group intends to develop a $45 million, 200-room hotel at Buzzard Point adjacent to the stadium. It should be noted that legislation outlines that ancillary development construction is to commence when "substantial development" has been achieved on the stadium. However, this analysis conservatively assumes that construction of the hotel would not begin until January 2020 with completion anticipated by June 2021. This is consistent with the development timing assumed in the CA cost-benefit analysis.

Reeves Center Redevelopment

A new mixed-used development is anticipated to be constructed at the site of the current Frank D. Reeves Center at the intersection of 14th Street and U Street. Akridge, a local D.C. real estate developer, intends to purchase the Reeves Center and the underlying land from the District to develop a $176 million mixed-use building which will include 50,000 square feet of retail space, 100,000 square feet of office space, 375,000 square feet of residential space including 500 residential units (448 market rate units and 52 affordable housing units) and 332 on-site parking spaces for resident and public use. These building

program assumptions represent an executed amendment to the Akridge exchange agreement submitted to the CA on October 7, 2014.

New Municipal Center

Although a specific destination for displaced Reeves Center municipal employees is not addressed in the legislation referenced in the Stadium Act, the CA analysis indicates that the District and the Department of General Services ("DGS") envision a new municipal center to be constructed on District-owned land at the intersection of Martin Luther King, Jr. Avenue and Good Hope Road. The new development is anticipated to provide approximately 200,000 square feet of more efficient office space for District employees. To develop the municipal center, District land is anticipated to be sold to a private developer who will construct the $106.2 million municipal center, a cost estimate provided by the Office of the Chief Financial Officer ("OCFO"). The municipal center is anticipated to accommodate 850 municipal employees, 15,000 square feet of retail space and 300 parking spaces. Construction is expected to commence in January 2017 and be completed by June 2018. The District will lease the office space from the developer.

As described above, the developments related to the Stadium Act are expected to result in $625.4 million in new construction activity in the District, excluding any potential induced development that may result beyond the specific project outlined herein.

The remainder of this analysis summarizes the estimated economic and fiscal impacts anticipated to be associated with the Stadium Act, including an estimate of the District's potential net benefits.

METHODOLOGY

The quantifiable benefits of projects that are expected to result from the Stadium Act can be characterized in terms of economic and fiscal impacts. Economic impacts are conveyed through measures of direct spending, total output, personal earnings and employment.

Direct Spending

Direct spending represents the initial primary spending that would occur as a result of the construction and operations the stadium, hotel, Reeves Center redevelopment and new municipal center. Direct spending generally occurs in three ways:

- ***Construction Spending*** – Construction materials, supplies, labor, professional fees and other soft cost spending will be generated during the planning and construction of the various projects. The construction-related impacts are based on a combination of development costs estimated in the Stadium Act and cost estimates provided by the OCFO.

- ***Facility Operations Spending*** – Operations spending associated with Buzzard Point Stadium and D.C. United will include tickets, concessions, merchandise and parking sales to patrons attending events at the stadium. The operations of the stadium and team would also generate direct spending through premium seating, naming rights, sponsorships and other sources. The Buzzard Point hotel would generate direct spending on rooms, food and beverage and other guest spending. The Reeves Center redevelopment would generate spending from retail patrons, office workers, residents and parking. The new municipal center would generate spending related to retail shopping, retail employee spending and office rent paid by the District.

- ***Ancillary Community Spending*** - Direct spending will also be generated off-site but within the District by stadium patrons, event personnel, hotel guests, housing residents, retail patrons and others. Ancillary community spending will likely include spending on lodging, food and beverages, retail, entertainment, transportation and other items in connection with the various elements of the projects that are part of the Stadium Act.

The graphic on the following page illustrates the primary sources of direct spending anticipated to be associated with the one-time construction and on-going annual operations of projects envisioned as part of the Stadium Act.

DIRECT SPENDING SOURCES

Construction Spending

- Materials
- Supplies
- Labor
- Professional Fees

Operations Spending

Facility Spending:

- Ticket Sales
- Premium Seats
- Food & Beverage
- Merchandise
- Sponsorship
- Parking
- Retail Sales
- Housing/Office Rents

Ancillary Community Spending:

- Lodging
- Restaurants
- Bars
- Service
- Retail
- Entertainment
- Transit
- Other

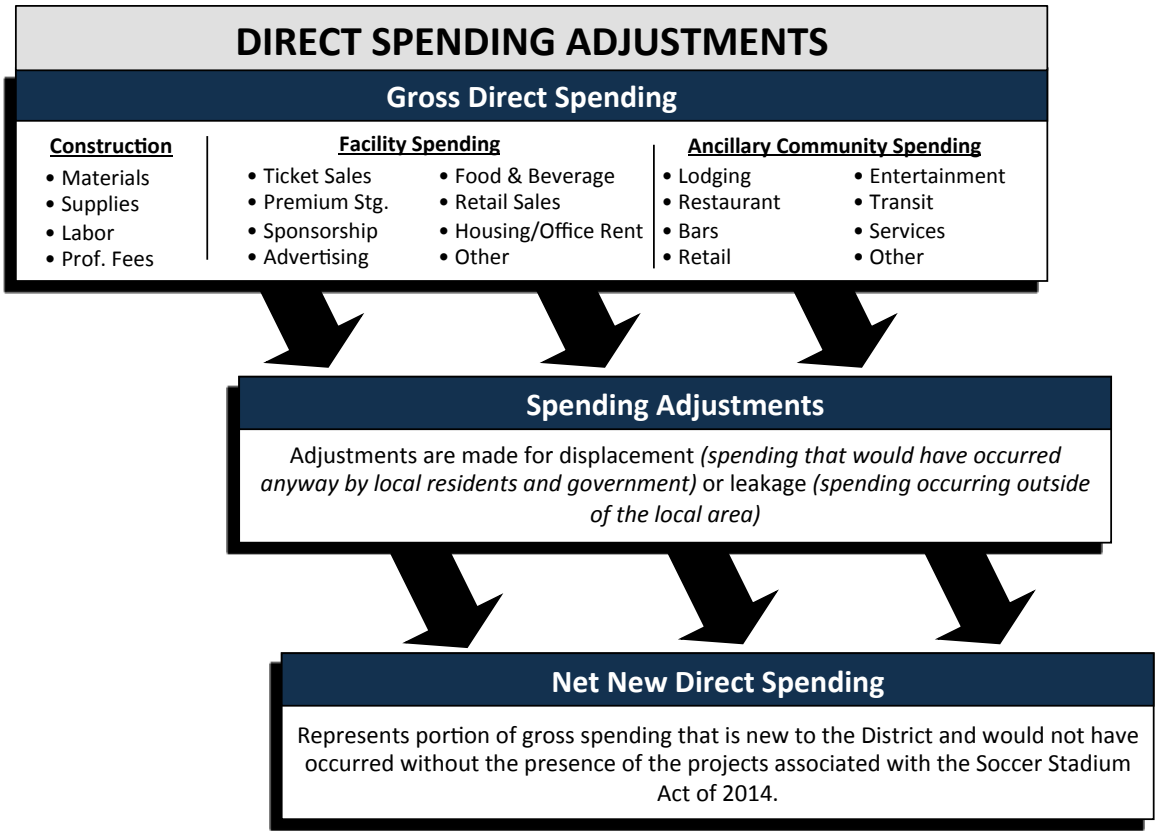
Gross direct spending would flow to various economic entities, including the stadium, hotel operators, retail businesses, real estate landlords, service providers, and other entities. However, some of the spending that occurs in connection with the ongoing operations of the various projects would not fully impact the District's economy. As such, adjustments must be made to gross direct spending to reflect only the amount of direct spending associated with the various Stadium Act projects that is considered *net new* to the economy. These adjustments include:

- *Leakage* – Leakage represents the portion of gross spending estimated to occur outside the District. Immediate leakage occurs when initial direct expenditures occur outside the District, such as an out-of-town fan that patronizes a hotel or restaurant located in Northern Virginia. Leakage also occurs when initial local spending is used immediately to pay for non-local goods, services, etc. Examples of this type of secondary leakage include ticket sales allocated to non-local promoters or artists, or concessionaire profits retained by companies based outside of the District.

- *Displacement* – Displacement refers to spending that would have likely still occurred in the local market without the presence of the proposed projects that are envisioned to be a part of the Stadium Act. Examples of displaced spending would include spending by District residents in connection with their attendance at Buzzard Point Stadium that would have been spent within the District anyway

on other items (i.e. movies, restaurants, shopping, etc.) if they did not patronize Buzzard Point Stadium. Another example of displaced spending would be the spending associated with office workers at the new municipal center whose spending already occurs in the District at the current Reeves Center. The concept of displacement is oftentimes referred to as the substitution effect. It should be noted that while D.C. United currently operates in the District at RFK Stadium, it is assumed as part of this analysis that D.C. United and its associated economic and fiscal impacts would leave the District for another community if a new stadium is not constructed at Buzzard Point.

As illustrated in the graphic below, the flow of gross direct spending is adjusted to reflect only the spending that is estimated to be net new to the District. The resulting spending after all adjustments, as summarized above, is referred to throughout the remainder of this analysis as net new direct spending.



Multiplier Effects

Economic impacts are further increased through re-spending of initial direct spending. The total impact is estimated by applying an economic multiplier to initial direct spending to account for the total economic impact. The total output multiplier is used to estimate the aggregate total spending that takes place beginning with direct spending and continuing through each successive round of re-spending. Successive rounds of re-

spending are generally discussed in terms of their indirect and induced effects on the area economy. Each is discussed in more detail as follows:

Indirect effects consist of the re-spending of the initial or direct expenditures. These indirect impacts extend further as the dollars constituting the direct expenditures continue to change hands. This process, in principle, could continue indefinitely. However, recipients of these expenditures may spend all or part of it on goods and services outside the District, put part of these earnings into savings or pay taxes. This spending halts the process of subsequent expenditure flows and does not generate additional spending or impact within the District after a period of time. This progression is termed leakage, as previously described, and reduces the overall economic impact.

Indirect impacts occur in a number of areas including the following:

- wholesale industry as purchases of food and merchandise products are made;
- transportation industry as the products are shipped from purchaser to buyer;
- manufacturing industry as products used to service the venue, vendors and others are produced;
- utility industry as the power to produce goods and services is consumed; and,
- other such industries.

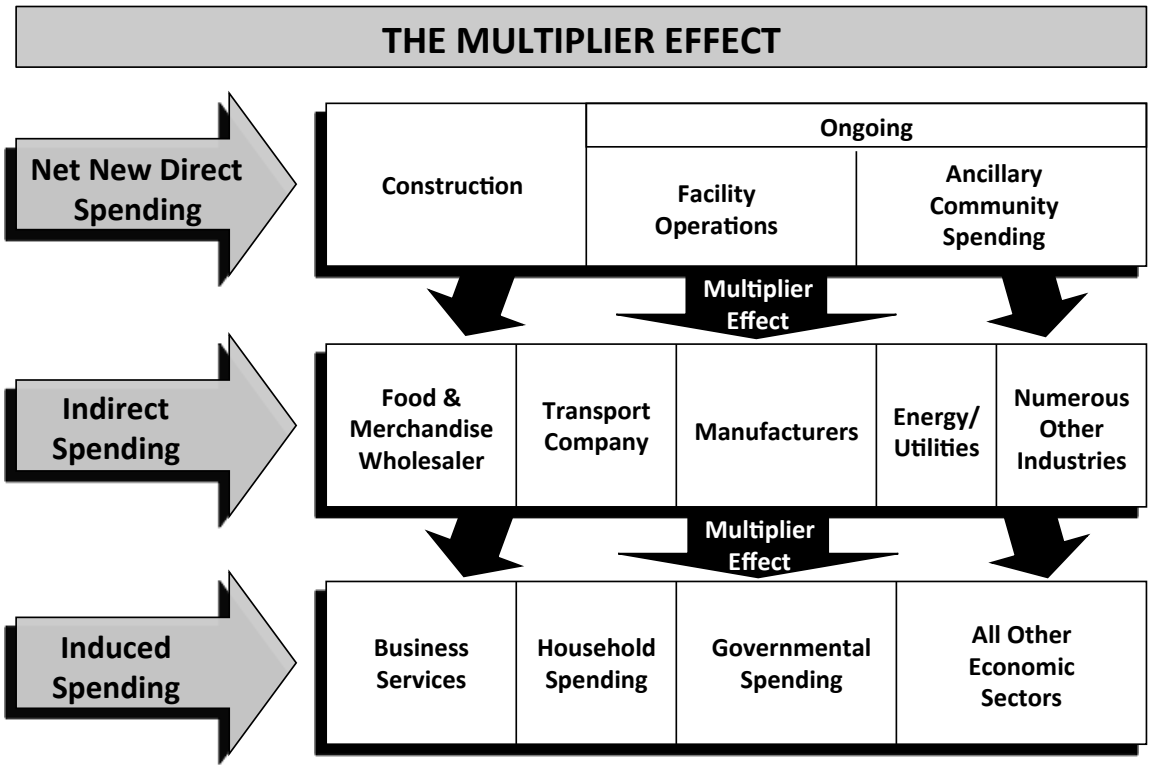
Induced effects consist of the positive changes in spending, employment, earnings and tax collections generated by personal income associated with the construction and operation of the stadium, hotel, Reeves Center redevelopment and new municipal center. Specifically, as the economic impact process continues, wages and salaries are earned, increased employment and population are generated, and spending occurs in virtually all business, household and governmental sectors. This represents the induced spending impacts generated by direct expenditures.

Indirect and induced effects are calculated by applying the appropriate multipliers to the net new direct spending estimates. The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure.

Generally, an area which is capable of producing a wide range of goods and services within its borders will have high multipliers, a positive correlation existing between the self-sufficiency of an area's economy and the higher probability of re-spending occurring

within the region. If a high proportion of the expenditures must be imported from another geographical region, lower multipliers will result.

The graphic below illustrates the flow of direct spending through the successive rounds of re-spending including indirect and induced effect.



The multiplier estimates used in this analysis are based on the IMPLAN system. IMPLAN, which stands for Impact Analyses and Planning, is a computer software package that consists of procedures for estimating local input-output models and associated databases. Input-output models are a technique for quantifying interactions between firms, industries and social institutions within a local economy.

IMPLAN was originally developed by the U.S. Forest Service in cooperation with the Federal Emergency Management Agency and the U.S. Department of the Interior's Bureau of Land Management to assist in land and resource management planning. Since 1993, the IMPLAN system has been developed under exclusive rights by the Minnesota IMPLAN Group, Inc. which licenses and distributes the software to users. Currently, there are thousands of licensed users in the United States including universities, government agencies and private companies.

The economic data for IMPLAN comes from the system of national accounts for the United States based on data collected by the U. S. Department of Commerce, the U.S. Bureau of Labor Statistics and other federal and state government agencies. Data is

collected for 440 distinct producing industry sectors of the national economy corresponding to the Standard Industrial Categories (SICs).

Industry sectors are classified on the basis of the primary commodity or service produced. Corresponding data sets are also produced for each county and zip code in the United States, allowing analyses at both the city and county level and for geographic aggregations such as clusters of contiguous cities, counties, individual states or groups of states.

Data provided for each industry sector includes outputs and inputs from other sectors; value added, employment, wages and business taxes paid; imports and exports; final demand by households and government; capital investment; business inventories; marketing margins; and inflation factors (deflators). This data is provided both for the 440 producing sectors at the national level and for the corresponding sectors at the local level. Data on the technological mix of inputs and levels of transactions between producing sectors is taken from detailed input-output tables of the national economy. National and local level data are the basis for IMPLAN calculations of input-output tables and multipliers for geographic areas. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a local economic area.

The multiplier effects estimated in this analysis include:

- ***Total Output*** represents the total direct, indirect, and induced spending effects generated by the stadium, hotel, Reeves Center redevelopment and the new municipal center. Total output is calculated by multiplying the appropriate total output industry multiplier by the estimated net new direct spending within each industry.

- ***Employment*** is expressed in terms of total full-time equivalent jobs (FTEs) and includes both full and part-time jobs. Employment is calculated by dividing the appropriate employment multiplier by one million and then multiplying by the estimated direct spending within each industry. Because new jobs are not generally created as a result of inflation, it is necessary to deflate projected spending in future years before applying the jobs multiplier.

- ***Personal Earnings*** represent the wages and salaries earned by employees of businesses impacted by the stadium, hotel, Reeves Center redevelopment and the new municipal center. Personal earnings are calculated by multiplying the appropriate personal earnings industry multiplier by the estimated direct spending within each industry.

The multipliers utilized for the purposes of this analysis and specific to the District's economy are shown on the following page.

IMPLAN Earnings Multipliers by Location

Industry	Total Output Multiplier	Personal Earnings Multiplier	Employment Multiplier
Construction - Non Residential	1.29543	0.59230	7.57040
Construction - Mixed Use	1.28510	0.51582	7.02726
Transit & Ground Transportation	1.22549	0.69604	15.47817
Retail Stores	1.18995	0.56770	17.45950
Residential Housing	1.12812	0.27486	4.92680
Office	1.34977	0.95849	9.96246
Spectator Sports	1.37316	1.05718	13.69040
Amusement & Recreation (Entertainment)	1.24740	0.70426	16.46303
Hotels & Motels	1.27536	0.49778	8.13093
Food Services & Drinking Places	1.22989	0.58585	14.72884
Other Personal Services	1.33637	0.49083	10.56402

Notes: Total output and personal earnings multipliers are applied to direct spending within each industry. Employment multiplier is divided by 1 million and applied to direct spending within each industry.

Fiscal Benefits

In addition to the potential economic benefits generated from projects associated with the Stadium Act, the District is also expected to realize incremental tax revenues. The sources of tax revenue focused on in this report are outlined below:

- **Sales taxes** in the District are assessed at various rates depending on the type of purchase. The general sales and use tax rate is 5.75 percent; the parking sales tax rate is 18.0 percent; the food and beverage sales tax rate is 10.0 percent; and, the hotel sales tax rate is 14.5 percent. To determine the total sales taxes generated by the various projects in the Stadium Act, the applicable sales tax rates were applied to the corresponding taxable net new revenues generated during construction and recurring operations. Ticket, merchandise and food/beverage sales during stadium events and food/beverage and retail sales at the hotel on event days, per the lease agreement, will be subject to phased sales tax abatements. Sales taxes will be 100 percent abated in years 1 through 5 of the lease and 50 percent abated in years 6 through 10 of the lease. Full sales taxes will be owed by D.C. United beginning in year 11 of the lease.

- **Personal income taxes** are estimated based on the total earnings generated by net new direct, indirect and induced jobs created by the various Stadium Act projects. The total net new earnings estimate is applied to the effective income tax rate, which has been estimated at 3.1 percent based on the ratio of historical gross personal earnings and historical income tax collections in

the District. The effective rate used within this analysis was derived from the Estimated Fiscal Impact of Subtitle VII (B) – Tax Revision Commission Implementation Amendment Act of 2014 for fiscal years 2015 to 2018, as estimated by the Office of Revenue Analysis at the time of this analysis.

- **Business franchise taxes** are estimated based on the total net new economic output (direct, indirect and induced spending) generated by the various projects as part of the Stadium Act. The total net new output estimate is applied to the effective business franchise tax rate, which has been estimated at 0.25 percent based on the ratio of Gross District Product and historical business franchise tax collections in the District. The effective rate used within this analysis was derived from the Estimated Fiscal Impact of Subtitle VII (B) – Tax Revision Commission Implementation Amendment Act of 2014 for fiscal years 2015 to 2018 as estimated by the Office of Revenue Analysis at the time of this analysis.

- **Property taxes** are estimated for the stadium, hotel and Reeves Center redevelopment. The stadium, per the lease agreement, will be subject to property tax abatements. Stadium property taxes will be 100 percent abated in years 1 through 5 of the lease, 75 percent abated in years 6 through 10 of the lease, 50 percent abated in years 11 to 15 of the lease and 25 percent abated in years 16 through 20 of the lease. Full property taxes will be owed by D.C. United beginning in year 21 of the lease. The assessed value of the stadium is based on a straight-line depreciation of the stadium asset over 39 years. The stadium land value is assumed to increase 15 percent per year through 2019, increasing 3.4 percent annually thereafter.

  The hotel and Reeves Center redevelopment will be fully subject to property taxes when the legislation is approved and land possession is granted. Property taxes on the land at the Reeves Center redevelopment will be assessed upon substantial completion of the new development, anticipated to be 2020. The land for the new municipal center site will be sold to a private developer and subject to property taxes, however, property taxes generated from the new municipal center are not presented in this analysis since the District will be responsible for the property tax bill which will generate a net neutral tax impact.

- **Ticket fees** will be assessed by the District at $2.00 per ticket sold for all stadium events, except community events, starting in the tenth year of the lease agreement. Beginning in the 22nd year of the lease, the $2.00 will increase annually according to adjustments to the Consumer Price Index ("CPI") through the end of the initial 30-year lease term.

In preparing estimates of fiscal benefits, tax revenues attributable to the direct, indirect and induced spending generated by the various developments were estimated. Tax revenue estimates are based on current applicable tax rates.

BUZZARD POINT STADIUM BENEFITS

Buzzard Point Stadium is envisioned to seat approximately 20,000 fans for D.C. United games and host a variety of other events including U.S. Men's and Women's National Team games, international soccer matches, concerts and community events.

Key assumptions used to estimate the net new economic and fiscal benefits of Buzzard Point Stadium include:

Construction Assumptions:

- Total development costs of Buzzard Point Stadium are estimated to be $286.7 million, consisting $136 in land acquisition, remediation and horizontal construction development costs and $150.7 million in vertical stadium development costs. Approximately $192.7 million of the $286.7 million (total cost less the land value) will generate economic and fiscal activity.

- The stadium is anticipated to have a 16-month construction schedule, anticipated to begin in November 2015 and conclude in February 2017.

- It is estimated that 50 percent of labor expenditures will occur in the District (per the Stadium Act requirement). Additionally, it is estimated that 20 percent of soft cost and 10 percent of material spending will occur in the District based on discussions with construction industry executives familiar with the D.C. construction marketplace and sport venue construction.

- Based on these adjustments, it is estimated that $48.2 million in net

BUZZARD POINT STADIUM
Construction Spending Adjustments

Construction Total		
$192,692,585		
Labor	**Materials**	**Soft Costs**
33%	50%	17%
$64,111,654	$96,167,481	$32,413,450
Spent in D.C.	**Spent in D.C.**	**Spent in D.C.**
50%	10%	20%
$32,055,827	$9,616,748	$6,482,690
Total Spent Locally		
25%		
$48,155,265		

new construction spending will occur within the District out of the gross $286.7 million total development costs (about 17 percent).

Operations Assumptions:

- Buzzard Point Stadium is estimated to host 36 events annually and attract a paid attendance of 561,000 and a turnstile (actual) attendance of 516,822 factoring in anticipated no shows.

- Total gross in-stadium and team revenues are estimated to approximate $46.7 million in 2017 and includes third party revenue that are not reflected in the pro forma estimates presented in Section 3 of this report. Such revenues included in gross spending and not included in the pro forma estimates in Section 3 include MLS league share of ticket sales, ticket sales for third-party events, cost of goods sold for concessions, merchandise and parking, etc.

- In order to estimate net new in-stadium and team spending, an analysis was conducted on both the origination of revenues (counted only revenues generated from sources outside the District) and the initial round of team and stadium expenditures (excluded expenditures that immediately leave the area such as a portion of player salaries who do not reside in D.C. year round or concession cost of sales that are derived from outside the District in the form of food or beverages not produced within the District or concession employees that reside outside the District). Overall, it is estimated that 44 percent of gross in-stadium and team spending would be net new to the District after accounting for displacement and leakage, resulting in an estimated net new in-stadium and team direct spending of $17.4 million (compared to gross estimated spending of $46.7 million) as shown below.

BUZZARD POINT STADIUM
Summary of Projected Revenues - 2017

In-Stadium Revenues	
Ticket Revenue	$17,876,431
Sponsorship & Advertising	$11,890,000
Concessions	$6,570,782
Other Team Revenues	$3,725,000
Suites & Club Seats	$3,168,000
Merchandise	$2,616,254
Parking	$888,041
Total Gross In-Stadium Revenues	**$46,734,509**
Estimated Events/Attendance New to District	85%
New Revenue to District	$39,538,725
Estimated Spending Occurring in District	44%
Net New Spending in District	**$17,435,022**

Note: Presented in 2017 dollars; 85% adjustment assumed if Stadium is not developed, D.C. United would relocate out of the District to find a long-term stadium solution

- In addition to in-stadium and team spending, it is anticipated that the District will realize new economic activity from ancillary community spending outside the stadium from stadium patrons and visiting team/event personnel. Based on a combination of historical ticket buyer zip code reports from D.C. United and the results of previous fan intercept surveys conducted at other MLS team games in other markets, it is estimated that 19 percent of attendees will be District residents, 69 percent will be non-District resident day trippers and 12 percent will be non-District resident overnight visitors.

- Based on previous fan-spending surveys completed in other markets adjusted to D.C. marketplace, per capita ancillary community spending is estimated to be $23.00 for District residents, $25.00 for non-District resident day trippers and $185.00 for non-District resident overnight visitors during their entire stay in D.C. Net new ancillary community spending was adjusted to exclude spending by District residents. Approximately 80 percent of ancillary community spending by visiting fans and teams/event personnel in connection with stadium events is estimated to occur within the District.

- Overall, it is estimated that $34.5 million in net new direct spending associated with D.C. United and Buzzard Point Stadium operations will occur within the District out of an estimated $70 million in gross total direct spending. This represents an overall adjustment of approximately 51 percent from gross to net new direct spending. The chart on the following page two pages present in-facility spending, out-of-facility spending and the cumulative net new spending within the District.

Based on these key assumptions, the *net economic and fiscal benefits* of Buzzard Point Stadium were estimated and are presented on pages 68 and 69. The estimates include the annual benefits *generated from construction and operations* through the year 2046 as well as cumulative and 2015 net present value totals. Fiscal benefits shown are net of sales and real estate tax abatements during operations but include parking sales tax the team is responsible for; reflect that construction materials are taxable; and, derive personal income taxes during construction and operations from an effective tax rate of 3.1 percent of personal earnings.

BUZZARD POINT STADIUM
Summary of Projected Revenues - 2017

Out-of-Stadium Revenues				
Attendance Origination				
D.C. Residents				19%
Outside of D.C.				81%
Total Annual Turnstile Attendance				516,822
Annual Non-Local Attendance				419,961
Annual Overnight Attendees				62,994
Annual Visiting Team/Event Personnel				992
Spending Assumptions				
Out of Town Attendees (per capita)	D.C. Residents	Visiting Event Personnel	Day Tripper	Overnighter [1]
Lodging	$0.00	$172.00	$0.00	$60.00
Food and Beverage	$8.00	$34.00	$10.00	$50.00
Shopping	$7.00	$5.00	$6.00	$30.00
Entertainment	$3.00	$0.00	$3.00	$30.00
Transportation	$4.00	$20.00	$4.00	$10.00
Other	$1.00	$5.00	$2.00	$5.00
Total	$23.00	$236.00	$25.00	$185.00
Gross Direct Spending -- Out-of-Facility				
Lodging				$4,161,214
Food and Beverage				$7,626,367
Shopping				$4,752,240
Entertainment				$3,212,563
Transportation				$2,469,294
Other				$1,090,864
Total Gross Out-of-Facility Revenues				**$23,312,542**
Estimated Spending Occurring in District [2]				73%
Net New Direct Spending -- Out-of-Facility				
Lodging				$3,405,284
Food and Beverage				$5,468,858
Shopping				$3,238,829
Entertainment				$2,368,579
Transportation				$1,699,346
Other				$836,653
Total Net New Out-of-Facility Revenues				**$17,017,549**

Cumulative	
In-Facility Spending	$17,435,022
Out-of-Facility Spending	$17,017,549
Total Net New Direct Spending	**$34,452,571**

Note: Presented in 2017 dollars

[1] Spending during their entire stay

[2] Excludes D.C. resident spending and adjusts for leakage and displacement

BUZZARD POINT STADIUM
Net New Economic Benefits
($ in millions)

	Spending			Jobs			Earnings		
Year	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total
2015	$6.0	$1.8	$7.8	34	11	44	$2.6	$0.9	$3.6
2016	$36.1	$10.7	$46.8	196	62	258	$15.8	$5.6	$21.4
* 2017	$40.5	$11.8	$52.2	414	71	485	$24.3	$5.9	$30.2
2018	$35.5	$10.3	$45.8	382	61	443	$22.4	$5.1	$27.5
2019	$36.6	$10.6	$47.2	382	61	444	$23.1	$5.3	$28.3
2020	$37.7	$10.9	$48.6	382	61	444	$23.8	$5.4	$29.2
2021	$38.9	$11.3	$50.2	383	62	445	$24.5	$5.6	$30.1
2022	$40.6	$11.8	$52.4	388	63	451	$25.7	$5.9	$31.6
2023	$41.8	$12.2	$54.0	388	63	451	$26.5	$6.0	$32.5
2024	$43.1	$12.5	$55.6	388	63	450	$27.2	$6.2	$33.5
2025	$44.5	$12.9	$57.4	389	63	452	$28.2	$6.4	$34.6
2026	$45.9	$13.3	$59.2	389	63	452	$29.1	$6.6	$35.7
2027	$48.4	$14.1	$62.5	398	65	463	$30.8	$7.0	$37.8
2028	$49.8	$14.5	$64.3	398	65	463	$31.7	$7.2	$38.9
2029	$51.2	$15.0	$66.2	398	65	462	$32.6	$7.5	$40.1
2030	$52.7	$15.4	$68.1	397	65	462	$33.5	$7.7	$41.2
2031	$57.2	$16.7	$73.9	408	68	475	$35.8	$8.3	$44.2
2032	$56.4	$16.5	$72.9	401	65	466	$36.0	$8.2	$44.2
2033	$58.0	$17.0	$75.0	400	65	465	$37.0	$8.5	$45.4
2034	$59.7	$17.5	$77.2	400	65	465	$38.1	$8.7	$46.8
2035	$61.4	$18.0	$79.4	399	65	464	$39.2	$9.0	$48.1
2036	$63.3	$18.5	$81.8	400	65	465	$40.4	$9.2	$49.6
2037	$65.6	$19.2	$84.8	402	66	468	$41.9	$9.6	$51.5
2038	$67.5	$19.8	$87.3	402	66	467	$43.1	$9.9	$53.0
2039	$69.5	$20.3	$89.9	401	65	467	$44.4	$10.1	$54.5
2040	$71.6	$20.9	$92.5	401	65	467	$45.7	$10.4	$56.1
2041	$73.7	$21.6	$95.3	401	65	467	$47.0	$10.8	$57.8
2042	$75.9	$22.2	$98.1	401	65	467	$48.4	$11.1	$59.5
2043	$78.1	$22.9	$101.0	401	65	466	$49.8	$11.4	$61.2
2044	$80.4	$23.5	$104.0	401	65	466	$51.3	$11.7	$63.0
2045	$82.8	$24.2	$107.0	400	65	466	$52.8	$12.1	$64.9
2046	$85.3	$25.0	$110.3	401	65	466	$54.4	$12.4	$66.9
ONE-TIME CONSTRUCTION (18 Months From 2015-2017)									
Total	$48.2	$14.2	$62.4	262	82	344	$21.1	$7.5	$28.5
2015 NPV	$44.5	$13.2	$57.7	N/A	N/A	N/A	$19.5	$6.9	$26.4
RECURRING OPERATIONS (30 Years From 2017-2046)									
Total	$1,707.7	$498.6	$2,206.3	395	64	460	$1,085.9	$248.4	$1,334.3
2015 NPV	$830.6	$242.2	$1,072.8	N/A	N/A	N/A	$527.4	$120.7	$648.1
TOTAL IMPACTS - 32 YEARS (32 Years From 2015-2046)									
Total	$1,755.9	$512.8	$2,268.7	657	146	803	$1,106.9	$255.9	$1,362.8
2015 NPV	$875.1	$255.4	$1,130.5	N/A	N/A	N/A	$546.9	$127.6	$674.5
TOTAL IMPACTS - FIRST 10 YEARS ONLY (2015-2025)									
Total	$401.2	$116.7	$517.9	364	99	463	$244.0	$58.4	$302.5
2015 NPV	$311.9	$90.8	$402.7	N/A	N/A	N/A	$188.3	$45.5	$233.8

Notes: - Construction period from September 2015 to February 2017.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes two months of construction period operations spending, jobs and personal earnings

BUZZARD POINT STADIUM
Net New Fiscal Benefits
($ in millions)

Year	Sales	Personal Income	Property	Business Franchise	Ticket Fees	Total
2015	$0.09	$0.11	-$1.10	$0.02	$0.00	-$0.88
2016	$0.53	$0.66	-$1.10	$0.12	$0.00	$0.21
* 2017	$1.81	$0.94	-$1.10	$0.13	$0.00	$1.78
2018	$1.77	$0.85	-$1.10	$0.11	$0.00	$1.64
2019	$1.82	$0.88	-$1.10	$0.12	$0.00	$1.72
2020	$1.87	$0.90	-$1.10	$0.12	$0.00	$1.80
2021	$1.94	$0.93	-$1.10	$0.13	$0.00	$1.90
2022	$2.64	$0.98	$0.05	$0.13	$0.00	$3.81
2023	$2.72	$1.01	$0.05	$0.13	$0.00	$3.91
2024	$2.80	$1.04	$0.05	$0.14	$0.00	$4.03
2025	$2.88	$1.07	$0.06	$0.14	$0.00	$4.15
2026	$2.97	$1.11	$0.06	$0.15	$0.00	$4.29
2027	$3.81	$1.17	$1.22	$0.16	$1.08	$7.44
2028	$3.92	$1.21	$1.23	$0.16	$1.08	$7.60
2029	$4.03	$1.24	$1.24	$0.17	$1.08	$7.76
2030	$4.15	$1.28	$1.25	$0.17	$1.08	$7.93
2031	$4.33	$1.37	$1.37	$0.18	$1.08	$8.33
2032	$4.41	$1.37	$2.62	$0.18	$1.08	$9.66
2033	$4.54	$1.41	$2.64	$0.19	$1.08	$9.86
2034	$4.67	$1.45	$2.66	$0.19	$1.08	$10.06
2035	$4.81	$1.49	$2.68	$0.20	$1.08	$10.26
2036	$4.96	$1.54	$2.71	$0.20	$1.08	$10.50
2037	$5.11	$1.60	$4.02	$0.21	$1.08	$12.02
2038	$5.26	$1.64	$4.07	$0.22	$1.11	$12.30
2039	$5.41	$1.69	$4.12	$0.22	$1.15	$12.59
2040	$5.57	$1.74	$4.17	$0.23	$1.18	$12.89
2041	$5.74	$1.79	$4.23	$0.24	$1.22	$13.22
2042	$5.91	$1.84	$4.29	$0.25	$1.25	$13.55
2043	$6.09	$1.90	$4.36	$0.25	$1.29	$13.89
2044	$6.26	$1.95	$4.43	$0.26	$1.33	$14.24
2045	$6.44	$2.01	$4.51	$0.27	$1.37	$14.60
2046	$6.64	$2.07	$4.59	$0.28	$1.41	$15.00
ONE-TIME CONSTRUCTION (18 Months From 2015-2017)						
Total	$0.70	$0.88	-$3.29	$0.16	$0.00	-$1.55
2015 NPV	$0.65	$0.82	-$3.05	$0.14	$0.00	-$1.43
RECURRING OPERATIONS (30 Years From 2017-2046)						
Total	$125.23	$41.36	$57.17	$5.52	$23.22	$252.50
2015 NPV	$58.67	$20.09	$19.81	$2.68	$9.69	$110.95
TOTAL (32 Years From 2015-2046)						
Total	$125.93	$42.25	$53.88	$5.67	$23.22	$250.95
2015 NPV	$59.32	$20.91	$16.77	$2.83	$9.69	$109.51
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015 - 2025)						
Total	$20.87	$9.38	-$7.47	$1.29	$0.00	$24.07
2015 NPV	$15.75	$7.25	-$6.44	$1.01	$0.00	$17.57

Notes: - Construction period from September 2015 to February 2017.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes two months of construction period operations spending, jobs and personal earnings

The net present value of new direct, indirect and induced spending associated with the construction and operations of Buzzard Point Stadium from 2015 through 2046 is estimated to approximate $1.1 billion in 2015 dollars.

It is estimated that this level of net new spending in the District associated with Buzzard Point Stadium could support 344 new FTEs during construction and an average of 460 FTEs during operations. These new full and part-time jobs are estimated to generate a net present value of $674.5 million in personal earnings in 2015 dollars.

In addition to the economic benefits anticipated to be generated by the construction and operations of Buzzard Point Stadium, the District will also benefit from increased tax revenues. The net present value of new fiscal benefits anticipated to be generated to the District from 2015 through 2046 is estimated to approximate $109.5 million in 2015 dollars.

These net new tax benefits are net of real estate and sales abatements and current property taxes generated by Buzzard Point land parcels. However, the analysis does include the estimated incremental property taxes anticipated to be generated at the PEPCO site based on the land value alone because the scope of the improvement value on the PEPCO site is unknown at this time.

It is important to note that D.C. United has been pursuing a new stadium for several years. If a new stadium is not constructed in the District, it is likely that D.C. United would relocate to another market that provides an appropriate long-term stadium solution.

D.C. United currently plays its home games at RFK Stadium under a year-to-year lease. Based on recent historical operations of D.C. United at RFK Stadium, it is estimated that D.C. United's current annual net new economic and fiscal benefits on the District approximate the following:

Direct Spending:	$18 to $20 MM
Total Output:	$23 to $25 MM
Total Jobs:	235 to 250 FTEs
Total Personal Earnings:	$14 to $16 MM
Total Fiscal Benefits:	$1.4 to $1.6 MM

Because it is likely that D.C United would relocate to another market if a new stadium is not developed in the District, the current economic and fiscal benefits of D.C. United operating at RFK Stadium have not been deducted from the net new estimates for Buzzard Point Stadium.

BUZZARD POINT HOTEL BENEFITS

D.C. United's ownership group intends to develop a 200-room hotel adjacent to Buzzard Point Stadium. Key assumptions used to estimate the net new economic and fiscal benefits of the Buzzard Point hotel include:

Construction Assumptions:

- Total development costs of Buzzard Point hotel are estimated to be $45 million.
- The Buzzard Point hotel will have an 18-month construction schedule, anticipated to begin in January 2020 (approximately three years after the stadium opens) and will be completed by June 2021.
- Based on discussions with construction industry executives familiar with the D.C. construction marketplace, it is conservatively estimated that 15 percent of labor costs, 20 percent of soft costs and 10 percent of materials spending will occur within the District or be allocated to District residents.
- Based on these adjustments, it is estimated that $4.1 million in net new construction spending will occur within the District out of the gross $45 million total development costs (about nine percent).

Operations Assumptions:

- Estimated to begin operations in July 2021, the Buzzard Point hotel will have 200 rooms. It is estimated the hotel will achieve an occupancy rate of 67 percent with an average daily room rate of $246 in 2021.
- Additional hotel spending by guests is estimated at 25 percent of the room rate for food and beverage items and five percent of the room rate for other spending (internet, business services, parking, toiletries, etc.)
- Hotel guests will generate ancillary spending outside the hotel. It is estimated that hotel guests will spend an average of $75 per room night with 85 percent of that spending occurring within the District. This spending is anticipated to be related to transit, dining, entertainment, parking, general services, retail and other expenditures.
- Overall, it is estimated that $10.5 million in net new direct spending associated with the Buzzard Point hotel will occur within the District in its

first half year of operations in 2021, increasing to $21.7 million in its first full year of operations in 2022. The chart below presents spending adjustments made from gross to net new spending within the District.

BUZZARD POINT HOTEL Summary of Net New Projected Revenues	
Hotel Room Rate Revenue	$12,391,545
Shopping	$9,296,460
Food and Beverage	$3,813,214
Total Gross Revenues	**$25,501,219**
Estimated Spending Occurring in District	85%
Net New Spending in District	**$21,676,036**

Note: Presented in 2022 dollars; first year of stabilized operations

Based these assumptions, *the net economic and fiscal benefits* of the Buzzard Point hotel were estimated and are presented in the tables on the following two pages. The estimates include the annual benefits *generated from construction and operations* through the year 2046 as well as cumulative and 2015 net present value totals.

As depicted in the table on the next page, the net present value of new direct, indirect and induced spending associated the construction and operations of the planned Buzzard Point hotel from 2015 through 2046 is estimated to approximate $454 million in 2015 dollars.

This level of new hotel-related spending in the District could support 37 new FTEs during construction and an average of 218 new FTEs during operations. These new full and part-time jobs are estimated to generate a net present value of $197 million in personal earning in 2015 dollars.

In addition to the economic benefits anticipated to be generated by the construction and operations of the Buzzard Point hotel, the District will also benefit from increased tax revenues. The net present value of new fiscal benefits anticipated to be generated to the District from 2015 through 2046 is estimated to approximate $71 million in 2015 dollars.

BUZZARD POINT HOTEL
Net New Economic Benefits
($ in millions)

	Spending			Jobs			Earnings		
Year	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total
2015	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2016	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2017	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2018	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2019	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2020	$3.9	$1.2	$5.1	19	6	25	$1.7	$0.6	$2.3
* 2021	$12.5	$3.1	$15.6	104	16	120	$5.3	$1.5	$6.8
2022	$21.7	$5.1	$26.8	189	25	214	$9.2	$2.4	$11.6
2023	$22.3	$5.3	$27.6	189	25	214	$9.5	$2.5	$12.0
2024	$23.0	$5.5	$28.5	189	25	214	$9.8	$2.6	$12.3
2025	$23.7	$5.6	$29.3	189	25	214	$10.0	$2.7	$12.7
2026	$24.4	$5.8	$30.2	189	25	214	$10.3	$2.7	$13.1
2027	$25.1	$6.0	$31.1	189	25	214	$10.7	$2.8	$13.5
2028	$25.9	$6.1	$32.0	189	25	214	$11.0	$2.9	$13.9
2029	$26.7	$6.3	$33.0	189	25	214	$11.3	$3.0	$14.3
2030	$27.5	$6.5	$34.0	189	25	214	$11.6	$3.1	$14.7
2031	$28.3	$6.7	$35.0	189	25	214	$12.0	$3.2	$15.2
2032	$29.1	$6.9	$36.0	189	25	214	$12.4	$3.3	$15.6
2033	$30.0	$7.1	$37.1	189	25	214	$12.7	$3.4	$16.1
2034	$30.9	$7.3	$38.2	189	25	214	$13.1	$3.5	$16.6
2035	$31.8	$7.6	$39.4	189	25	214	$13.5	$3.6	$17.1
2036	$32.8	$7.8	$40.6	189	25	214	$13.9	$3.7	$17.6
2037	$33.8	$8.0	$41.8	189	25	214	$14.3	$3.8	$18.1
2038	$34.8	$8.3	$43.0	189	25	214	$14.8	$3.9	$18.7
2039	$35.8	$8.5	$44.3	189	25	214	$15.2	$4.0	$19.2
2040	$36.9	$8.8	$45.7	189	25	214	$15.6	$4.1	$19.8
2041	$38.0	$9.0	$47.0	189	25	214	$16.1	$4.3	$20.4
2042	$39.1	$9.3	$48.4	189	25	214	$16.6	$4.4	$21.0
2043	$40.3	$9.6	$49.9	189	25	214	$17.1	$4.5	$21.6
2044	$41.5	$9.9	$51.4	189	25	214	$17.6	$4.7	$22.3
2045	$42.8	$10.2	$52.9	189	25	214	$18.1	$4.8	$22.9
2046	$44.1	$10.5	$54.5	189	25	214	$18.7	$5.0	$23.6
ONE-TIME CONSTRUCTION (18 Months During 2020-2021)									
Total	$5.9	$1.8	$7.7	28	9	37	$2.6	$0.9	$3.5
2015 NPV	$4.6	$1.4	$6.0	N/A	N/A	N/A	$2.0	$0.7	$2.7
RECURRING OPERATIONS (26 Years From 2021-2046)									
Total	$800.8	$190.7	$991.5	193	26	218	$339.6	$90.0	$429.6
2015 NPV	$361.5	$86.3	$447.7	N/A	N/A	N/A	$153.3	$40.6	$193.9
TOTAL (32 Years From 2015-2046)									
Total	$806.8	$192.5	$999.2	221	35	256	$342.2	$90.9	$433.1
2015 NPV	$366.1	$87.6	$453.7	N/A	N/A	N/A	$155.3	$41.3	$196.6
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015-2025)									
Total	$107.1	$25.8	$132.9	50	12	62	$45.5	$12.3	$57.8
2015 NPV	$75.1	$18.1	$93.2	N/A	N/A	N/A	$31.9	$8.6	$40.5

Notes: - Construction period from January 2020 to June 2021.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes six months of construction period operations spending, jobs and personal earnings

BUZZARD POINT HOTEL
Net New Fiscal Benefits
($ in millions)

Year	Sales	Personal Income	Property	Business Franchise	Total
2015	$0.00	$0.00	-$0.04	$0.00	-$0.04
2016	$0.00	$0.00	$0.01	$0.00	$0.01
2017	$0.00	$0.00	$0.08	$0.00	$0.08
2018	$0.00	$0.00	$0.17	$0.00	$0.17
2019	$0.00	$0.00	$0.19	$0.00	$0.19
2020	$1.38	$0.07	$0.21	$0.01	$1.68
* 2021	$1.85	$0.21	$0.82	$0.04	$2.92
2022	$2.35	$0.36	$1.13	$0.07	$3.91
2023	$2.42	$0.37	$1.20	$0.07	$4.06
2024	$2.49	$0.38	$1.27	$0.07	$4.22
2025	$2.57	$0.39	$1.35	$0.07	$4.38
2026	$2.64	$0.41	$1.42	$0.08	$4.55
2027	$2.74	$0.42	$1.51	$0.08	$4.74
2028	$2.82	$0.43	$1.59	$0.08	$4.92
2029	$2.90	$0.44	$1.68	$0.08	$5.11
2030	$2.99	$0.46	$1.77	$0.08	$5.30
2031	$3.08	$0.47	$1.87	$0.09	$5.51
2032	$3.17	$0.48	$1.90	$0.09	$5.65
2033	$3.27	$0.50	$1.94	$0.09	$5.79
2034	$3.36	$0.51	$1.97	$0.10	$5.95
2035	$3.47	$0.53	$2.01	$0.10	$6.10
2036	$3.57	$0.55	$2.05	$0.10	$6.26
2037	$3.68	$0.56	$2.09	$0.10	$6.43
2038	$3.79	$0.58	$2.13	$0.11	$6.60
2039	$3.90	$0.60	$2.17	$0.11	$6.78
2040	$4.02	$0.61	$2.21	$0.11	$6.96
2041	$4.14	$0.63	$2.26	$0.12	$7.15
2042	$4.26	$0.65	$2.30	$0.12	$7.34
2043	$4.39	$0.67	$2.35	$0.12	$7.54
2044	$4.52	$0.69	$2.40	$0.13	$7.74
2045	$4.66	$0.71	$2.45	$0.13	$7.95
2046	$4.80	$0.73	$2.51	$0.14	$8.17
ONE-TIME CONSTRUCTION (18 Months During 2020-2021)					
Total	$2.09	$0.11	$1.03	$0.02	$3.25
2015 NPV	$1.63	$0.09	$0.82	$0.01	$2.55
RECURRING OPERATIONS (26 Years From 2021-2046)					
Total	$87.12	$13.32	$47.93	$2.48	$150.84
2015 NPV	$39.31	$6.01	$21.54	$1.12	$67.98
TOTAL (32 Years From 2015-2046)					
Total	$89.22	$13.43	$48.95	$2.50	$154.09
2015 NPV	$40.94	$6.10	$22.36	$1.13	$70.53
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015 - 2025)					
Total	$13.06	$1.79	$6.39	$0.33	$21.57
2015 NPV	$9.27	$1.26	$4.53	$0.23	$15.29

Notes: - Construction period from January 2020 to June 2021.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes six months of construction period operations spending, jobs and personal earnings

REEVES CENTER REDEVELOPMENT BENEFITS

A new mixed-used development is anticipated to be constructed at the site of the current Frank D. Reeves Center at the intersection of 14th Street and U Street which will include retail space, office space, housing and parking. These building program assumptions represent an executed amendment to the Akridge exchange agreement submitted to the CA on October 7, 2014. Key assumptions used to estimate the net new economic and fiscal benefits associated with the Reeves Center redevelopment include:

Construction Assumptions:

- Total development costs are anticipated to be $176 million.
- The Reeves Center redevelopment is envisioned to have an 18-month construction schedule, anticipated to begin in January 2020 and completed by June 2021.
- Based on discussions with construction industry executives familiar with the D.C. construction marketplace, it is conservatively estimated that 15 percent of labor costs, 20 percent of soft costs and 10 percent of materials spending will occur within the District or be allocated to District residents.
- Based on these adjustments, it is estimated that $23.1 million in net new construction spending will occur within the District out of the gross $176 million total development costs (about 13 percent).

Operations Assumptions:

- Estimated to begin operations in July 2021, the Reeves Center redevelopment is anticipated to consist of 55,000 square feet of retail space that is assumed to be 95 percent leased. Sales per square foot are estimated to be $448 in 2021, increasing three percent thereafter. Retail employees are estimated to spend an average of approximately $7.00 (in 2021) per day in the District on food, beverages, retail, services and other miscellaneous items.
- It is anticipated that office space will comprise 100,000 square feet and will be 95 percent leased based on absorption rates at comparable office developments in the area. The full service rent per square foot is estimated to be approximately $50.00 in 2021, increasing 3 percent thereafter. Office employees are estimated to spend an average of approximately $7.00 (in 2021) per day in the District on food, beverages, retail, services and other miscellaneous items.

- Based on discussions with Akridge, it is estimated that there will be 448 market rate housing units (comprising approximately 750 square feet each) that are anticipated to be 95 percent occupied with an average rent per square foot of $3.40, increasing three percent per year thereafter.

- To determine the affordable housing rent rates, project specific adjustments were made to the District's median gross income ("AMI") as determined by the United States Department of Housing and Urban Development ("HUD"). Based on current Inclusionary Zoning requirements, residential units are divided where 95 percent of the units are priced per month at a proportion of 80 percent AMI and five percent of the units are priced at 50 percent AMI. Assuming a market standard monthly utility expense of $150, a weighted average monthly rent per square foot of $2.05 has been utilized for the affordable housing units, increasing annually at three percent thereafter. Affordable housing units will comprise 52 of the 500 units (approximately 750 square feet per unit) that are anticipated to be 95 percent leased.

- Based on a total of 332 parking spaces, it is estimated that 65 percent will be reserved for residents and 35 percent will be available for public use. The annual parking fee for residents is estimated to be $2,150 in 2021 dollars and the average daily parking rate for transient parking is estimated to be $21.50.

- Overall, it is estimated that $20.8 million in net new direct spending associated with the Reeves Center redevelopment operations will occur within the District in its first half year of operations in 2021, increasing to $40.8 million in its first full year of operations in 2022. The chart below presents spending adjustments made from gross to net new spending within the District.

REEVES CENTER REDEVELOPMENT
Summary of Net New Projected Revenues

Shopping	$26,860,979
Residential	$17,165,941
Office	$4,907,197
Food and Beverage	$3,666,805
Parking	$1,574,265
Total Gross Revenues	**$54,175,187**
Estimated Spending Occurring in District	75%
Net New Spending in District	**$40,743,235**

Note: Presented in 2022 dollars; first year of stabilized operations

REEVES CENTER REDEVELOPMENT
Net New Economic Benefits
($ in millions)

	Spending			Jobs			Earnings		
Year	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total
2015	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2016	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2017	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2018	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2019	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2020	$15.3	$4.4	$19.6	66	24	90	$0.6	$7.3	$7.9
* 2021	$28.6	$5.9	$34.6	214	31	245	$8.6	$5.5	$14.1
2022	$40.7	$7.2	$47.9	339	35	374	$15.9	$3.4	$19.3
2023	$42.0	$7.4	$49.4	339	35	375	$16.4	$3.5	$19.9
2024	$43.3	$7.6	$50.9	339	35	375	$16.9	$3.6	$20.5
2025	$44.6	$7.9	$52.4	339	35	375	$17.4	$3.7	$21.1
2026	$45.9	$8.1	$54.0	339	35	375	$17.9	$3.8	$21.8
2027	$47.3	$8.3	$55.6	339	35	375	$18.5	$4.0	$22.4
2028	$48.7	$8.6	$57.3	339	35	375	$19.0	$4.1	$23.1
2029	$50.2	$8.8	$59.0	339	35	375	$19.6	$4.2	$23.8
2030	$51.7	$9.1	$60.8	339	35	375	$20.2	$4.3	$24.5
2031	$53.2	$9.4	$62.6	339	35	375	$20.8	$4.5	$25.2
2032	$54.8	$9.7	$64.5	339	35	375	$21.4	$4.6	$26.0
2033	$56.5	$10.0	$66.4	339	35	375	$22.0	$4.7	$26.8
2034	$58.2	$10.3	$68.4	339	35	375	$22.7	$4.9	$27.6
2035	$59.9	$10.6	$70.5	339	35	375	$23.4	$5.0	$28.4
2036	$61.7	$10.9	$72.6	339	35	375	$24.1	$5.2	$29.2
2037	$63.6	$11.2	$74.8	339	35	375	$24.8	$5.3	$30.1
2038	$65.5	$11.5	$77.0	339	35	375	$25.6	$5.5	$31.0
2039	$67.4	$11.9	$79.3	339	35	375	$26.3	$5.6	$32.0
2040	$69.5	$12.2	$81.7	339	35	375	$27.1	$5.8	$32.9
2041	$71.5	$12.6	$84.2	339	35	375	$27.9	$6.0	$33.9
2042	$73.7	$13.0	$86.7	339	35	375	$28.8	$6.2	$34.9
2043	$75.9	$13.4	$89.3	339	35	375	$29.6	$6.4	$36.0
2044	$78.2	$13.8	$92.0	339	35	375	$30.5	$6.5	$37.1
2045	$80.5	$14.2	$94.7	339	35	375	$31.4	$6.7	$38.2
2046	$82.9	$14.6	$97.6	339	35	375	$32.4	$6.9	$39.3
ONE-TIME CONSTRUCTION (18 Months During 2020-2021)									
Total	$23.1	$6.6	$29.7	98	36	135	$0.9	$11.1	$11.9
2015 NPV	$18.1	$5.1	$23.2	N/A	N/A	N/A	$0.7	$8.6	$9.3
RECURRING OPERATIONS (26 Years From 2021-2046)									
Total	$1,508.3	$266.0	$1,774.3	289	30	319	$588.8	$126.2	$715.0
2015 NPV	$681.1	$120.1	$801.2	N/A	N/A	N/A	$265.9	$57.0	$322.9
TOTAL (32 Years From 2015-2046)									
Total	$1,531.4	$272.6	$1,804.0	387	66	454	$589.7	$137.3	$727.0
2015 NPV	$699.1	$125.3	$824.4	N/A	N/A	N/A	$266.6	$65.6	$332.2
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015-2025)									
Total	$214.5	$40.4	$254.9	138	41	179	$75.7	$27.1	$102.8
2015 NPV	$151.3	$28.7	$180.0	N/A	N/A	N/A	$52.8	$19.8	$72.6

Notes: - Construction period from January 2020 to June 2021.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes six months of construction period operations spending, jobs and personal earnings

REEVES CENTER REDEVELOPMENT
Net New Fiscal Benefits
($ in millions)

Year	Sales	Personal Income	Property	Business Franchise	Total
2015	$0.00	$0.00	$0.63	$0.00	$0.63
2016	$0.00	$0.00	$0.65	$0.00	$0.65
2017	$0.00	$0.00	$0.67	$0.00	$0.67
2018	$0.00	$0.00	$0.69	$0.00	$0.69
2019	$0.00	$0.00	$0.72	$0.00	$0.72
2020	$0.92	$0.24	$2.14	$0.05	$3.36
* 2021	$1.34	$0.70	$2.76	$0.08	$4.89
2022	$1.52	$1.15	$2.91	$0.11	$5.69
2023	$1.57	$1.19	$3.06	$0.12	$5.93
2024	$1.61	$1.22	$3.23	$0.12	$6.18
2025	$1.66	$1.26	$3.40	$0.12	$6.44
2026	$1.71	$1.30	$3.58	$0.13	$6.72
2027	$1.76	$1.34	$3.77	$0.13	$7.00
2028	$1.82	$1.38	$3.97	$0.13	$7.30
2029	$1.87	$1.42	$4.19	$0.14	$7.61
2030	$1.93	$1.46	$4.41	$0.14	$7.94
2031	$1.98	$1.50	$4.65	$0.15	$8.29
2032	$2.04	$1.55	$4.69	$0.15	$8.43
2033	$2.11	$1.60	$4.73	$0.15	$8.58
2034	$2.17	$1.64	$4.77	$0.16	$8.74
2035	$2.23	$1.69	$4.81	$0.16	$8.90
2036	$2.30	$1.74	$4.85	$0.17	$9.06
2037	$2.37	$1.80	$4.89	$0.17	$9.23
2038	$2.44	$1.85	$4.94	$0.18	$9.40
2039	$2.51	$1.90	$4.98	$0.18	$9.59
2040	$2.59	$1.96	$5.03	$0.19	$9.77
2041	$2.67	$2.02	$5.08	$0.20	$9.96
2042	$2.75	$2.08	$5.13	$0.20	$10.16
2043	$2.83	$2.14	$5.18	$0.21	$10.36
2044	$2.91	$2.21	$5.24	$0.21	$10.57
2045	$3.00	$2.27	$5.29	$0.22	$10.79
2046	$3.09	$2.34	$5.35	$0.23	$11.01
ONE-TIME CONSTRUCTION (18 Months During 2020-2021)					
Total	$1.64	$0.28	$6.87	$0.06	$8.84
2015 NPV	$1.27	$0.22	$5.71	$0.04	$7.25
RECURRING OPERATIONS (26 Years From 2021-2046)					
Total	$56.08	$42.68	$113.52	$4.15	$216.42
2015 NPV	$25.28	$19.30	$51.91	$1.88	$98.37
TOTAL (32 Years From 2015-2046)					
Total	$57.72	$42.96	$120.39	$4.20	$225.27
2015 NPV	$26.55	$19.52	$57.63	$1.92	$105.62
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015 - 2025)					
Total	$8.63	$5.77	$20.85	$0.60	$35.85
2015 NPV	$6.13	$4.05	$15.43	$0.42	$26.03

Notes: - Construction period from January 2020 to June 2021.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes six months of construction period operations spending, jobs and personal earnings

The net economic and fiscal benefits of the Reeves Center redevelopment were estimated and are presented in the tables on the following two pages. The estimates include the annual benefits *generated from construction and operations* through the year 2046 as well as cumulative and 2015 net present value totals.

As depicted in the table on the next page, the net present value of new direct, indirect and induced spending associated the construction and operations of the Reeves Center redevelopment project from 2015 through 2046 is estimated to approximate $824 million in 2015 dollars.

This level of Reeves Center redevelopment spending in the District could support 135 new FTEs during construction and an average of 319 new FTEs during operations. These new full and part-time jobs are estimated to generate a net present value of $332 million in personal earning in 2015 dollars.

In addition to the economic benefits anticipated to be generated by the construction and operations of the Reeves Center redevelopment, the District will also benefit from increased tax revenues. The net present value of new fiscal benefits anticipated to be generated to the District from 2015 through 2046 is estimated to approximate $106 million in 2015 dollars.

NEW MUNICIPAL CENTER BENEFITS

A new municipal center is anticipated to be constructed on District-owned land along the Anacostia River at the intersection of Martin Luther King, Jr. Avenue and Good Hope Road in Ward 8 to replace the Reeves Center. The development will also include retail and parking. Key assumptions used to estimate the net new economic and fiscal benefits of the new municipal center include:

Construction Assumptions:

- Total development costs of mixed-use development are estimated to be $106.2 million, as provided by the OCFO.
- The new municipal center is envisioned to have an 18-month construction schedule, anticipated to begin in January 2017 and completed by June 2018.
- Based on discussions with construction industry executives familiar with the D.C. construction marketplace, it is conservatively estimated that 15 percent of labor costs, 20 percent of soft costs and 10 percent of materials spending will occur within the District or be allocated to District residents.

- Based on these adjustments, it is estimated that $14.1 million in net new direct construction spending will occur within the District out of the gross $106.2 million total development costs (about 13 percent).

Operations Assumptions:

- The District will occupy the new municipal center as a tenant under a triple net lease with an anticipated rental rate of approximately $8.9 million per year (OCFO estimate). This figure represents lease payments to occupy the space, property taxes on the land and improvement value and ongoing capital expenditures and maintenance expenses. Within this analysis, the property tax component (approximately $2.0 million per year) and the annual savings the District accrues by moving to the new municipal center have been deducted out of the estimated District costs.

- It is assumed that the operations benefits associated with government employees in the new municipal center represents entirely displaced spending (spending that would have occurred anyway due to their current presence in the District), and as a result no net new spending is estimated for the portion of the new municipal center operations related to government operations.

- Sales per square foot in the new municipal center retail component are estimated to be $410 in 2018, increasing three percent thereafter. Retail employees are estimated to spend an average of $6.50 per day on food, beverages, retail, services and other miscellaneous items in the immediate area.

- It is estimated that 65 percent of the parking garage will be used by District employees and will not generate net new revenue to the District. The remaining 35 percent will be 80 percent utilized at an average daily rate of approximately $6.60 per space.

- Overall, it is estimated that $4.0 million in net new direct spending in 2018 (half year) and $8.6 million in 2019 (first full year) associated with the new municipal center will occur within the District as shown to the right.

MUNICIPAL CENTER
Summary of Net New Projected Revenues

Office Rent*	$6,092,359
Retail	$5,974,778
Parking	$172,541
Food and Beverage	$47,979
Total Gross Revenues	**$12,287,657**
Estimated Spending Occurring in District	70%
Net New Spending in District	**$8,639,494**

Note: Presented in 2019 dollars; first year of stabilized operations

* Rent received by landlord, excludes District employee spending

NEW MUNICIPAL CENTER
Net New Economic Benefits
($ in millions)

	Spending			Jobs			Earnings		
Year	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total
2015	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2016	$0.0	$0.0	$0.0	0	0	0	$0.0	$0.0	$0.0
2017	$9.4	$2.8	$12.1	49	16	65	$4.1	$1.5	$5.5
* 2018	$8.7	$2.6	$11.2	61	14	75	$4.8	$1.4	$6.1
2019	$8.6	$2.6	$11.3	76	15	90	$6.0	$1.4	$7.3
2020	$8.7	$2.6	$11.3	74	14	89	$6.0	$1.4	$7.4
2021	$8.7	$2.7	$11.4	73	14	87	$6.0	$1.4	$7.4
2022	$8.8	$2.7	$11.5	72	14	85	$6.0	$1.4	$7.4
2023	$8.9	$2.7	$11.5	71	13	84	$6.0	$1.4	$7.4
2024	$8.9	$2.7	$11.6	69	13	82	$6.1	$1.4	$7.5
2025	$9.0	$2.7	$11.7	68	13	81	$6.1	$1.4	$7.5
2026	$9.0	$2.7	$11.7	67	12	79	$6.1	$1.4	$7.5
2027	$9.1	$2.7	$11.8	66	12	78	$6.1	$1.4	$7.5
2028	$9.2	$2.7	$11.9	65	12	77	$6.2	$1.4	$7.6
2029	$9.2	$2.7	$12.0	64	11	75	$6.2	$1.4	$7.6
2030	$9.3	$2.7	$12.0	63	11	74	$6.2	$1.4	$7.6
2031	$9.4	$2.7	$12.1	62	11	73	$6.2	$1.4	$7.7
2032	$9.5	$2.7	$12.2	61	10	72	$6.2	$1.4	$7.7
2033	$9.5	$2.8	$12.3	60	10	70	$6.3	$1.4	$7.7
2034	$9.6	$2.8	$12.4	59	10	69	$6.3	$1.4	$7.8
2035	$9.7	$2.8	$12.5	58	10	68	$6.3	$1.5	$7.8
2036	$9.8	$2.8	$12.6	58	9	67	$6.4	$1.5	$7.8
2037	$9.9	$2.8	$12.7	57	9	66	$6.4	$1.5	$7.9
2038	$9.9	$2.8	$12.8	56	9	65	$6.4	$1.5	$7.9
2039	$10.0	$2.8	$12.9	55	9	64	$6.4	$1.5	$7.9
2040	$10.1	$2.8	$13.0	55	8	63	$6.5	$1.5	$8.0
2041	$10.2	$2.8	$13.1	54	8	62	$6.5	$1.5	$8.0
2042	$10.3	$2.9	$13.2	53	8	61	$6.5	$1.5	$8.1
2043	$10.4	$2.9	$13.3	53	8	60	$6.6	$1.5	$8.1
2044	$10.5	$2.9	$13.4	52	8	59	$6.6	$1.5	$8.1
2045	$10.6	$2.9	$13.5	51	7	59	$6.7	$1.5	$8.2
2046	$10.8	$2.9	$13.7	51	7	58	$6.7	$1.5	$8.2
ONE-TIME CONSTRUCTION (18 Months During 2017-2018)									
Total	$14.1	$4.2	$18.2	73	23	96	$6.1	$2.2	$8.3
2015 NPV	$12.3	$3.6	$16.0	N/A	N/A	N/A	$5.4	$1.9	$7.3
RECURRING OPERATIONS (28 Years From 2018-2046)									
Total	$271.8	$78.4	$350.2	63	11	74	$178.8	$41.1	$219.9
2015 NPV	$136.9	$39.9	$176.8	N/A	N/A	N/A	$90.9	$20.9	$111.9
TOTAL (32 Years From 2018-2046)									
Total	$285.9	$82.5	$368.4	136	34	170	$184.9	$43.3	$228.2
2015 NPV	$149.2	$43.6	$192.8	N/A	N/A	N/A	$96.3	$22.8	$119.2
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015-2025)									
Total	$79.6	$24.0	$103.6	89	26	115	$51.1	$12.5	$63.6
2015 NPV	$60.8	$18.3	$79.2	N/A	N/A	N/A	$38.6	$9.6	$48.2

Notes: - Construction period from January January 2017 to June 2018.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes six months of construction period operations spending, jobs and personal earnings

NEW MUNICIPAL CENTER
Net New Fiscal Benefits
($ in millions)

Year	Sales	Personal Income	Business Franchise	Total
2015	$0.00	$0.00	$0.00	$0.00
2016	$0.00	$0.00	$0.00	$0.00
2017	$0.57	$0.17	$0.03	$0.77
* 2018	$0.38	$0.19	$0.02	$0.59
2019	$0.17	$0.23	$0.01	$0.40
2020	$0.17	$0.23	$0.01	$0.41
2021	$0.18	$0.23	$0.01	$0.42
2022	$0.19	$0.23	$0.01	$0.42
2023	$0.19	$0.23	$0.01	$0.43
2024	$0.20	$0.23	$0.01	$0.44
2025	$0.20	$0.23	$0.01	$0.44
2026	$0.21	$0.23	$0.01	$0.45
2027	$0.21	$0.23	$0.01	$0.46
2028	$0.22	$0.23	$0.01	$0.47
2029	$0.23	$0.24	$0.01	$0.47
2030	$0.23	$0.24	$0.01	$0.48
2031	$0.24	$0.24	$0.01	$0.49
2032	$0.25	$0.24	$0.01	$0.50
2033	$0.26	$0.24	$0.01	$0.51
2034	$0.26	$0.24	$0.01	$0.52
2035	$0.27	$0.24	$0.01	$0.53
2036	$0.28	$0.24	$0.01	$0.54
2037	$0.29	$0.24	$0.01	$0.55
2038	$0.30	$0.24	$0.01	$0.56
2039	$0.31	$0.25	$0.01	$0.57
2040	$0.32	$0.25	$0.01	$0.58
2041	$0.32	$0.25	$0.01	$0.59
2042	$0.33	$0.25	$0.02	$0.60
2043	$0.34	$0.25	$0.02	$0.61
2044	$0.35	$0.25	$0.02	$0.62
2045	$0.37	$0.25	$0.02	$0.64
2046	$0.38	$0.26	$0.02	$0.65
ONE-TIME CONSTRUCTION (18 Months During 2017-2018)				
Total	$0.85	$0.26	$0.05	$1.16
2015 NPV	$0.75	$0.23	$0.04	$1.01
RECURRING OPERATIONS (28 Years From 2018-2046)				
Total	$7.37	$6.82	$0.33	$14.52
2015 NPV	$3.52	$3.47	$0.16	$7.14
TOTAL (32 Years From 2018-2046)				
Total	$8.22	$7.07	$0.38	$15.68
2015 NPV	$4.26	$3.69	$0.20	$8.15
CONSTRUCTION AND OPERATIONS - 10 YEAR (2015 - 2025)				
Total	$2.25	$1.97	$0.11	$4.32
2015 NPV	$1.78	$1.49	$0.09	$3.36

Notes: - Construction period from January January 2017 to June 2018.
- Net Present Value (NPV) calculated using a 4% discount rate.
* Includes six months of construction period operations spending, jobs and personal earnings

The net present value of new direct, indirect and induced spending associated with the construction and operations of the new municipal center from 2015 through 2046 is estimated to approximate $193 million in 2015 dollars.

This level of new municipal center spending in the District could support 96 new FTEs during construction and an average of 74 new FTEs during operations. These new full and part-time jobs are estimated to generate a net present value of $119 million in personal earning in 2015 dollars.

The net present value of new fiscal benefits anticipated to be generated by the new municipal center to the District from 2015 through 2046 is estimated to approximate $8 million in 2015 dollars.

COMBINED ECONOMIC AND FISCAL BENEFITS

The table on the following page summarizes the estimated net present value benefits associated with the various projects described in this section.

As depicted in the table, the net new direct, indirect and induced spending created in the District is estimated to be a combined $2.6 billion in 2015 net present value dollars for the period of 2015 through 2046. These benefits include both one-time construction benefits as well as the on-going annual recurring benefits associated with Buzzard Point Stadium, the Buzzard Point hotel, the Reeves Center Redevelopment and the new municipal center.

This level of combined net new spending is estimated to support 1,683 new full-time equivalent jobs (FTEs), including both full and part-time jobs. The jobs include both short-term jobs created during construction as well as more permanent jobs created from the on-going operations of the various facilities contemplated within the Stadium Act. These new jobs are estimated to generate personal earnings of $1.3 billion in 2015 net present value dollars from 2015 through 2046.

SUMMARY OF ECONOMIC AND FISCAL BENEFITS
Soccer Stadium Development Act of 2014
Net Present Value ($ in millions)

	Buzzard Point		Redeveloped	New	
	Stadium	Hotel	Reeves Center	Municipal Center	Total
ECONOMIC BENEFITS:					
Direct Spending	$875.1	$366.1	$699.1	$149.2	**$2,089.6**
Total Output (1)	$1,130.5	$453.7	$824.4	$192.8	**$2,601.5**
Jobs (2)	803	256	454	170	**1,683**
Earnings	$674.5	$196.6	$332.2	$119.2	**$1,322.5**
FISCAL BENEFITS:					
Sales Taxes (3)	$59.3	$40.9	$26.6	$4.3	**$131.1**
Personal Income Taxes	$20.9	$6.1	$19.5	$3.7	**$50.2**
Property Taxes	$16.8	$22.4	$57.6	-	**$96.8**
Business Franchise Taxes	$2.8	$1.1	$1.9	$0.2	**$6.1**
Ticket Fees	$9.7	-	-	-	**$9.7**
Total Fiscal Benefits	$109.5	$70.5	$105.6	$8.2	**$293.8**
Land Exchange Proceeds (4)					**$71.4**
Total Fiscal Benefits and Land Proceeds					**$365.2**

(1) Includes direct, indirect and induced spending.
(2) Represents full-time equivalent jobs, consisting of both full-time and part-time jobs.
(3) Sales taxes for stadium and hotel are net of sales tax abatements but include 14.5% hotel tax revenue.
(4) Includes $55.6 MM from Reeves Center Exchange with Akridge and $15.8 MM from 1st & K Exchange with Pepco.
Note: Net Present Value (NPV) calculated using a 4% discount rate.

Fiscal benefits and land proceeds to the District are estimated to total $365.2 million in net present value dollars from 2015 through 2046. The benefits include net proceeds from the land exchange and net new revenues generated to the District from sales, personal income, property and business taxes as well as ticket fees. The benefits include tax revenues that accrue from direct, indirect and induced economic activity within the District.

RETURN ON INVESTMENT

The fiscal benefits and land proceeds serve as the basis for assessing the overall cost-benefit of the Stadium Act to the District. The table on the following page outlines the total estimated cost and net benefits to the District in 2015 net present value dollars for the period of 2015 through 2046. For comparison purposes, the City Administrator's cost-benefit analysis has been included, as well as a scenario in which the District reaches its $150 million contribution cap.

FISCAL COST-BENEFIT SUMMARY
Soccer Stadium Act of 2014
District of Columbia
2015 Net Present Value Dollars
($ in millions)

District Costs	City Administrator's Analysis	District at $131.1 MM Contribution	District at $150 MM Cap Contribution
Soccer Stadium:			
Site Acquisition	$84.9	$83.9	$83.9
Site Preparation - Capped	$34.6	$45.6	$66.1
Capped Subtotal - Soccer Stadium	$119.5	$129.4	$150.0
Site Preparation - Uncapped	n/a	$1.6 [1]	$1.6 [1]
Reeves Relocation: [2]			
Short Term Lease Payment	$15.1	$20.6	$20.6
DC Net Relocation	$10.7	$8.1	$8.1
DDoT Traffic Center Relocation	$3.6	$6.6	$6.6
Other [3]	n/a	$5.3	$5.3
Subtotal - Reeves Relocation	$29.4	$40.6	$40.6
New Municipal Center:			
Lease	$64.2 [4]	$84.2 [5]	$84.2 [5]
TOTAL COSTS	**$213.0**	**$255.9**	**$276.4**
Net New District Benefits [6] [7]			
Buzzard Point Stadium	$204.0	$109.5	$109.7
Buzzard Point Hotel	$85.0	$70.5	$70.5
Reeves Center Redevelopment	$85.0	$105.6	$105.6
New Municipal Center	$11.0	$8.2	$8.2
TOTAL BENEFITS	**$385.0**	**$293.8**	**$294.0**
NET BENEFIT TO DISTRICT	**$172.0**	**$38.0**	**$17.6**
Land Exchange Proceeds [8]	$71.4	$71.4	$71.4
NET BENEFIT TO DISTRICT (incl. Land Exchange Proceeds)	**$243.4**	**$109.4**	**$89.0**

[1] Estimated workforce incentive program included in the Development Agreement
[2] Excludes potential lease termination costs
[3] Includes parking garage revenue loss, employee relocation and other lease space
[4] Assumes $70 million development and includes a $2 million Transfer Tax that is to be paid by the private sector and deducted from the other two scenarios
[5] Annual lease rate at 6.5 percent of $106.2 million development cost net of cost savings from current Reeves to New Municipal Center
[6] Net present value of incremental fiscal impacts (tax revenues) from 2015 to 2046
[7] Stadium and hotel fiscal impacts are net of sales tax abatements but include 14.5% hotel room sales tax; deduct current property taxes paid on the respective parcels; and, the Stadium includes potential PEPCO (1st & K) property taxes based on the land value of $15.8 million
[8] Includes $55.6 MM from Reeves Center Exchange with Akridge and $15.8 MM from 1st & K Exchange with Pepco.

As depicted, it is estimated that the implementation of the Stadium Act could result in a positive net fiscal benefit to the District of $38 million ($109.4 million when including land exchange proceeds) in net present value 2015 dollars. Total net present value benefits are calculated with a 4.0 percent discount rate, which is consistent with the City Administrator's analysis and reasonable given the 32-year horizon of the investment and historically low interest rates at the time of this analysis.

It is important to note that the net benefits estimated herein do not include any potential additional net benefits that could be generated to the District by additional commercial development that could be spurred by the various new developments associated with the Stadium Act. Further, the impacts presented herein are measured through 2046 (the end of the initial 30-year lease term with D.C. United) and do not include impacts beyond this timeframe that could be realized with up to three 5-year lease extension options and/or continued operations of the various developments beyond 2046.

While the District's net benefits from the Stadium Act are anticipated to be positive, it is important to note the estimated net benefits are lower than the $172 million in net benefits previously estimated by the CA's office.

The primary differences in the estimates of net benefits between this report and the CA's analysis can be attributed to a $42.9 million increase in estimated District costs and a $134 million reduction in estimated benefits. However, by including the proceeds from the land exchange of $71.4 million, which has been earmarked for use in the stadium land assembly, the net benefit to the District would increase to $109.4 million in 2015 net present value dollars over a period from 2015 to 2046.

District costs for the soccer stadium and Reeves Center relocation used in this analysis were provided by the OCFO based on new information and further analysis completed after the CA's analysis. Increased costs for the new municipal center lease are based on increased cost estimates to develop the new facility (increased from $70 million in CA's analysis to $106.2 million in this analysis).

The differences in the District benefit estimates, excluding the inclusion of the land exchange proceeds, can be attributed primarily to benefit estimates for Buzzard Point Stadium. The analysis herein employs a more conservative approach with primary differences attributed, in part, to property tax estimates and personal income tax estimates. The stadium property tax estimates in this analysis assume straight-line depreciation of the stadium structure versus an annual escalation of the value of the completed stadium used in the CA analysis. Income tax estimates in this analysis are based on an effective income tax rate of 3.1 percent, while the CA's analysis appears to apply the top income tax rate of 8.5 percent to all estimated personal earnings.

SENSITIVITY ANALYSIS

To demonstrate how potential deviations from the proposed development costs, timing and other factors can change the net benefits discussed above, a sensitivity analysis was performed on the stadium, hotel and new municipal center projects to quantify the impact on the net benefit to the District.

Buzzard Point Stadium

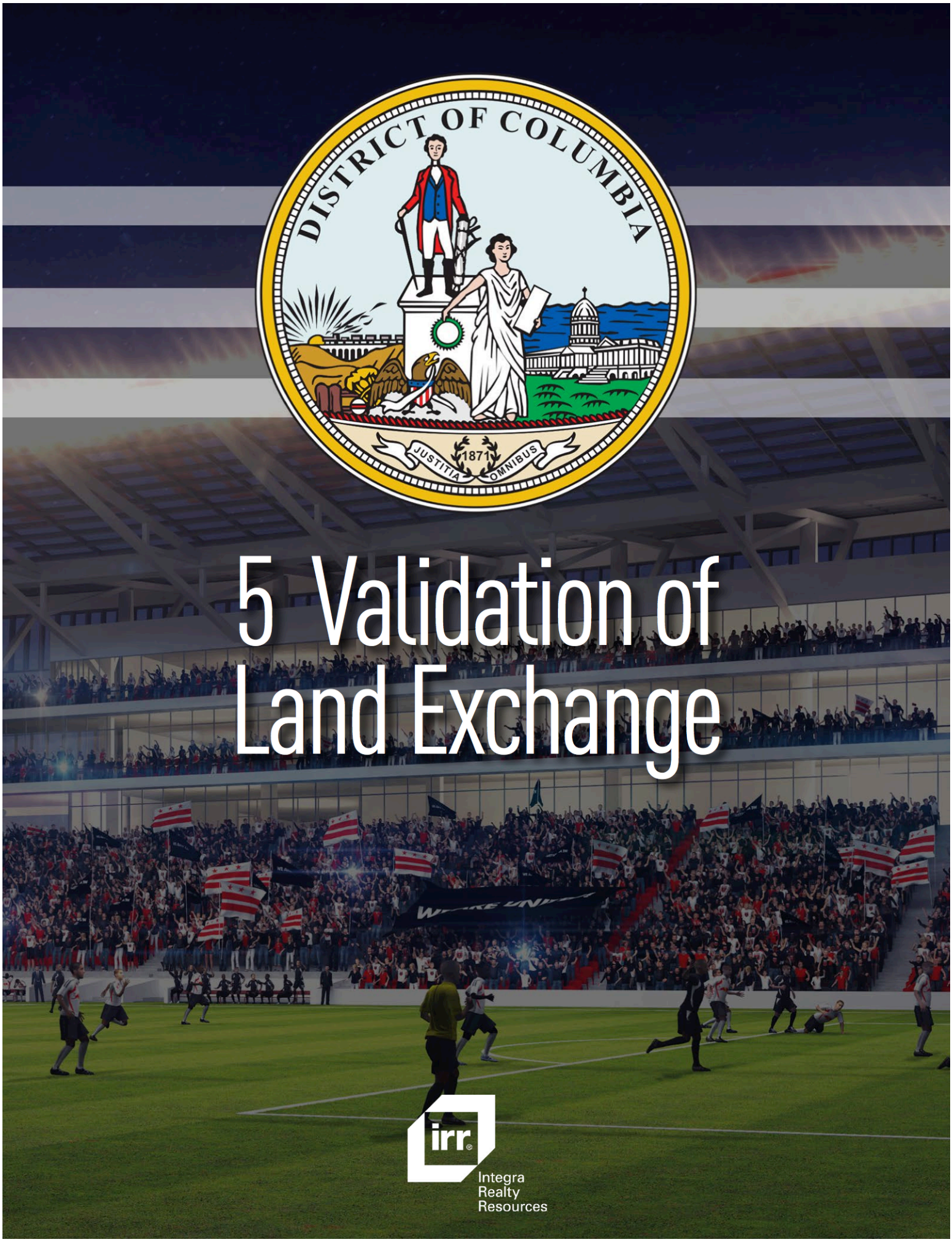
If the District experienced higher costs than expected related to the horizontal development obligations of the stadium, the net benefit could be reduced by up to $20.4 million resulting in a net benefit of only $17.6 million to the District if actual stadium development costs meet the $150 million investment cap.

Hotel

The Development Agreement indicates that ancillary development construction is to commence when "substantial development" has been achieved on the stadium. However, market conditions and delayed development timing in the CA analysis show that construction of a hotel project of the scope described herein could be more feasible to begin in January 2020 and completed by June 2021. For the purposes of this sensitivity analysis, a scenario was developed where construction was delayed an additional five years and would begin in 2025. As a result of this delay, the net benefit to the District could decrease by $9.9 million over the same time horizon.

New Municipal Center

According to an executed amendment to the Akridge exchange agreement submitted to the CA on October 7, 2014, should the District employees not vacate the current Reeves Center in accordance with the identified Reeves relocation schedule, the District could execute an extension option with Akridge that would require a 15 percent premium on the rent payment during the first six months of the overrun and then a 50 percent premium thereafter. For purposes of this sensitivity analysis, a scenario has been developed where the District employees would not move into the new municipal center until 2020, and the short term lease payment shown on page 86 would increase from $20.6 million to $40.7 million in 2015 net present value dollars due to the premiums paid. Overall, this delay could potentially decrease the net benefit to the District by approximately $13.2 million.

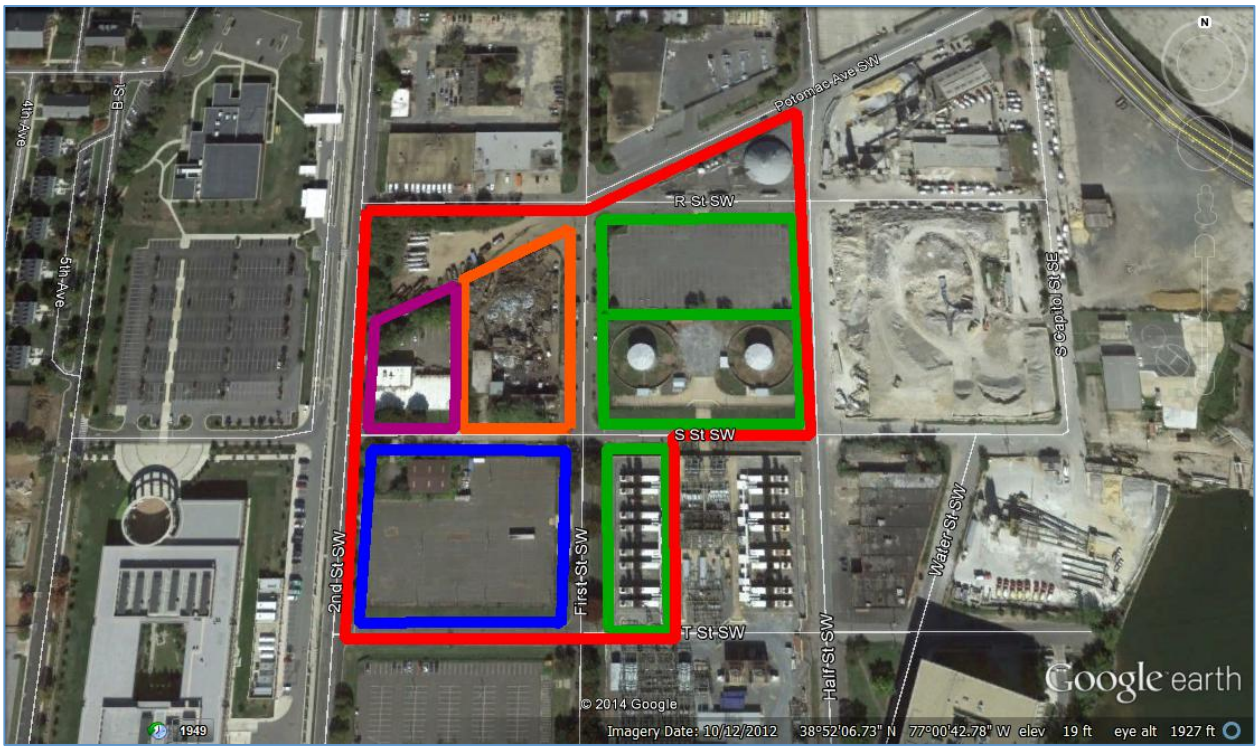


5 Validation of Land Exchange

Integra Realty Resources

INTRODUCTION

The proposed transaction would include the District of Columbia assembling the site of the stadium in Buzzard Point; this site will then be leased to DC United for a period of 30 years. The District has entered into agreements (in the form of Letters of Intent) to acquire the six privately owned properties that would make up the stadium site from their respective owners.



Red = Stadium Site; Blue = Akridge; Green = Pepco; Orange = Super Salvage; Purple = Rollingwood

Two of the sites would be acquired through a straightforward cash purchase, while the others are structured as property swaps. In the case of the proposed swaps, the owner of the less-valuable property would compensate the other party for the difference in value between the properties in cash. The stipulated values that serve as the basis for determining the amount of the additional cash payments were established by appraisals or mutual agreement between the parties (as stipulated in the respective Letters of Intent).

This section of the report presents our analysis of the market value of each of the properties involved, relative to the terms of the proposed transactions. This includes a presentation of value opinions developed by IRR in the course of completing the appraisal and appraisal review process described in the Validation Process discussion that follows. The appraisals and appraisal reviews that serve as the basis of these opinions are presented in the appendices of this report.

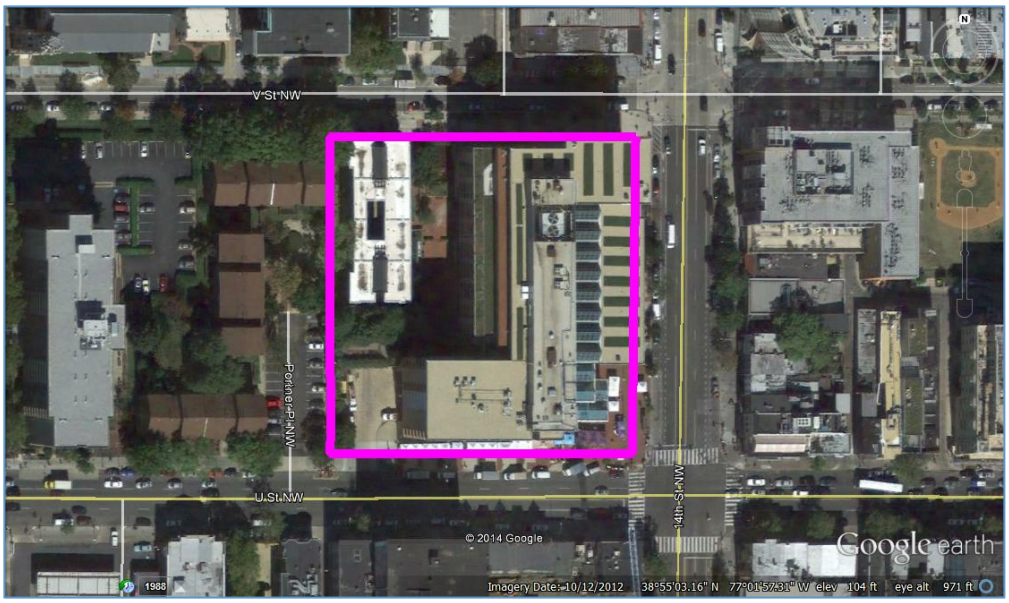
OVERVIEW OF PROPOSED REAL ESTATE TRANSACTIONS

Akridge/Reeves Exchange

Akridge, a DC-based real estate firm, owns 8.82 acres of land in Buzzard Point under the name "SW Land Holder, LLC." They purchased this property, which spans the equivalent of four city blocks, for approximately $75 million in August 2005. This entire property remains essentially vacant nine years later, but for a parking lot and a small metal warehouse building. The northernmost block of the Akridge holdings in Buzzard Point (Square 607, measuring 2.05 acres) would be part of the stadium site.

Validation of Land Exchange

The pending agreement calls for the District to acquire this site in exchange for the Frank D. Reeves Municipal Center (more commonly known simply as the "Reeves Center"). The Reeves Center was built in 1986, and was intended to serve as an impetus for investment and development in the then-struggling U Street/Logan Circle area. Since that time, the surrounding neighborhood has transformed into one of DC's most vibrant and desirable residential neighborhoods, widely known for its array of dining and nightlife areas. The Reeves Center sits on a 2.24-acre site at the northwest corner of 14th & U Streets NW, and is widely perceived by the market as a prime target for residential/mixed use redevelopment.



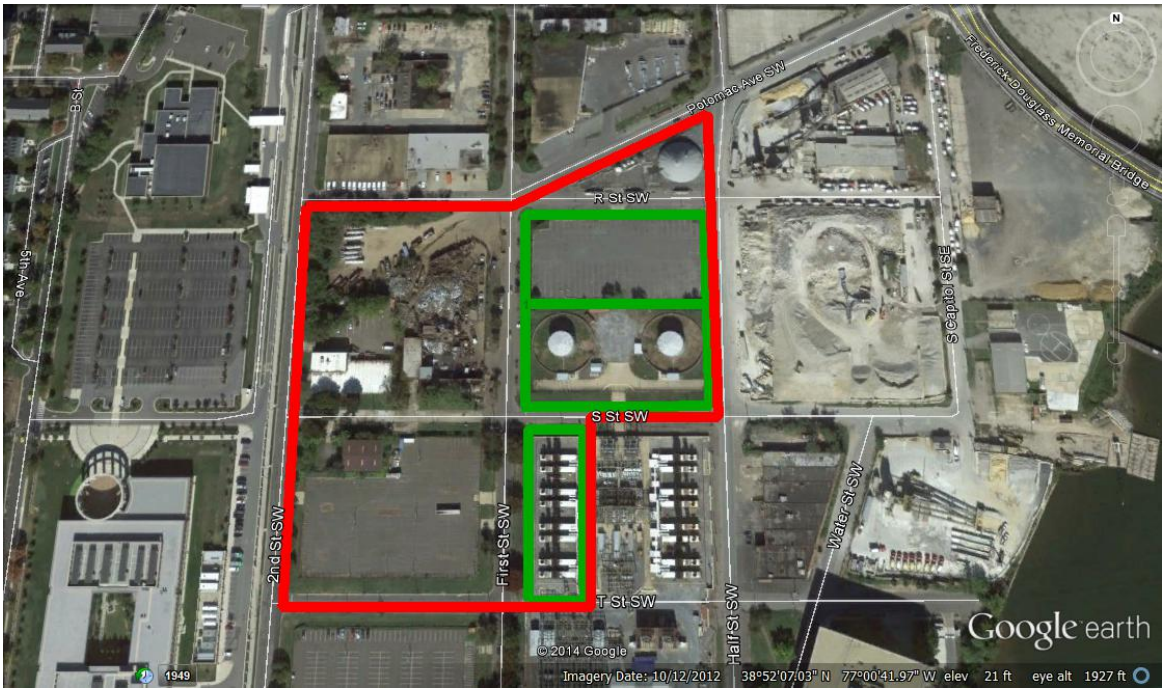
To establish values that would serve as the basis for the exchange of these properties, a panel of three appraisers was convened. Akridge and the District each selected an appraiser to sit on the panel, and these two appraisers jointly appointed a third appraiser. The panel conducted an appraisal of both sites, based on a value date of July 25, 2013. This was the date of the official announcement of the proposed stadium deal (representing the signing of a public-private partnership term sheet by the District and DC United). The parties to the proposed exchange agreed on this date as the valuation basis in order to eliminate or reduce the impact of the announcement on market conditions and property values in Buzzard Point and the surrounding neighborhoods.

Based on the conclusions of the appraisals, the District and Akridge entered into an Exchange Agreement in May 2014, whereby the properties would be exchanged, and Akridge would pay the District an additional $34.485 million (based on the difference in the concluded value of the two properties).

The Exchange Agreement also calls for the District to lease back the Reeves Center for three years from the closing date (date of exchange) at a lease rate of $5,668,923 per year, plus all operating expenses (taxes, utilities, maintenance, etc.) associated with the Reeves Center. The Exchange Agreement has since been amended to incorporate certain changes to the transaction structure, as well as providing the District with a termination and extension options for the leaseback of the Reeves Center and obligating the developer to certain use and design provisions.

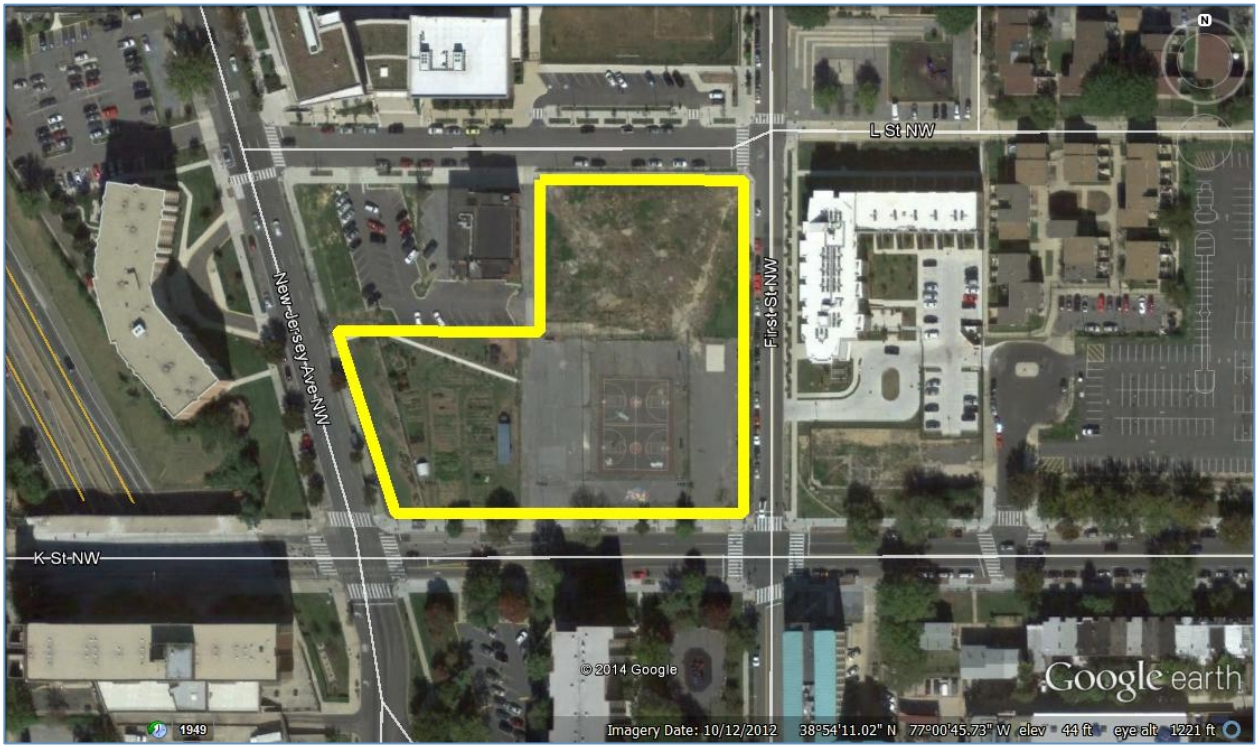
Pepco Exchange

Pepco Holdings owns 12.66 acres of land in Buzzard Point, which houses Pepco's Buzzard Point Power Plant building, as well as a substation and distribution and generation facilities. The power plant, located at the south end of the site, has been decommissioned, but the substation remains in use. The northernmost block of the Pepco-owned land (Square 661, measuring 2.88 acres) and the western third of the next block to the south (part of Square 665, measuring 0.71 acres) would be part of the stadium site.



According to the District / Pepco Soccer Stadium Letter of Intent dated December 27, 2013, the parties stipulated at the outset that the value of the Pepco-owned Buzzard Point land to be exchanged was $40 million (with no specific date attached to that value estimate/allocation). The District agreed to continue working with Pepco to identify one or more District-owned sites "suitable" for Pepco's needs. The parties eventually identified a DC-owned property located at the northwest corner of 1st and K Streets NW. This property comprises the majority of the block bounded by 1st Street, New Jersey Avenue, K and L Streets NW, and is currently vacant.

Pepco reports that new development in the Mount Vernon/Convention Center and NoMa areas necessitates a new substation in the vicinity, hence their interest in the site.



Pursuant to the terms of the Letter of Intent, this site was then appraised by a panel of three appraisers. The District and Pepco each appointed an appraiser, with these appraisers then appointing a third appraiser. The panel concluded to a then-current (April 18, 2014) market value for this site at $15.8 million. Accordingly, the proposed exchange would include a District payment to Pepco $24.2 million, the difference between the appraised value of the DC-owned site and the agreed-upon value of the Pepco property.

In addition to the $24.2 million payment reflecting the land value differential, the District would also pay Pepco $1 million to remove the combustion turbines located on the property, grant certain easements to Pepco, and reimburse Pepco for the estimated costs of relocating the western distribution duct bank and associated feeders. Pepco has since estimated these relocation costs at $4 million to $5.5 million. (This amount would be in addition to the fixed $1 million payment for turbine removal)

Super Salvage Property

Super Salvage, Inc. owns a 0.96-acre site in Buzzard Point that comprises roughly the eastern half of the block bounded by Potomac Avenue, 1st, 2nd and S Streets SW. This site (Square 65, Lot 802) is currently in active use as a salvage yard, and has been for a number of years.

The District has executed a Letter of Intent with Super Salvage, Inc. (dated July 21, 2014) to purchase this property for $17,147,840.

Rollingwood Property

Rollingwood Real Estate, LLC owns a 0.59-acre property located immediately west of the Super Salvage site. Rollingwood bought the property in February 2011 for $2,175,000. The site is improved with a warehouse building that is currently leased to Alta Bicycle Share Inc. (Capital Bikeshare).

The District has executed a Letter of Intent with Rollingwood Real Estate, LLC (dated June 15, 2014) to purchase this property for $10,500,920.

VALIDATION PROCESS

It is our opinion that an assessment of the reasonableness of the terms of the proposed exchanges and acquisitions necessitates that all of the properties be evaluated based as of the same date, and that all of the valuations should reflect (at least as a starting point) the same set of assumptions.

With regards to the effective date of value, our research indicates that after the July 2013 announcement there was an increase in transaction activity and land pricing in the surrounding area (particularly in the Capitol Riverfront neighborhood). Discussions with brokers and developers active in the market confirmed that the formal announcement of the stadium proposal had a significant positive impact on the market, and in particular on the marketability of sites located south and west of Nationals Park. We recognize that the possibility of a soccer stadium development in Buzzard Point was known to the market prior to the formal announcement of the agreement with DC United. Nonetheless, all available evidence suggests that the July 25, 2013 announcement was the event that transformed the stadium development (in the minds of market participants) from a *possibility* on an indeterminate timeline to a *probability* in the very near future.

Public land acquisitions, including condemnation/eminent domain proceedings, typically attempt to exclude the market impact of a proposed project from the valuation of properties proposed to be acquired to accommodate/support said project (this concept is known as the "scope of project rule"). The exclusion of project-based effects on property values can be addressed in one of two ways. The first option is to value the relevant properties as of a current date, but attempt to adjust or exclude data post-dating the project announcement. The second is to value the properties as of the announcement date, using only market data from before that date. Based on our market research, we concluded that it was would be unnecessarily speculative to attempt to develop opinions of the current values of properties in the Buzzard Point area under the counterfactual assumption that the stadium announcement had never occurred, because the announcement has had a broad and deep influence on the market that cannot be undone by assuming it away. We have therefore valued all of the properties involved in the proposed swaps and acquisitions as of July 25, 2013, as we believe this is the only practicable basis for valuing the properties absent the impact of the proposed stadium development deal.

We have also valued all of the properties as if vacant (unimproved) and free and clear of environmental hazards/contamination. The properties are valued as if vacant because most of the properties are in fact unimproved; even in the case of the improved properties, the vast majority of market value is attributable to land value. The value impact of improvements that are located on the properties, whether positive or negative, is applied as an adjustment to the "as if vacant" value where there is sufficient information to do so. All properties are valued as if free and clear of environmental issues because there is insufficient documentation of environmental conditions that may exist on the properties and reliable estimates of the cost of any necessary remediation were not made available.

The team recognizes that the District's obligation to address environmental issues on these sites could be substantial, which constitutes a significant risk. We are aware that the Letters of Intent between the District and two of the property owners (Rollingwood Real Estate LLC and Super Salvage Inc.) include caps on the District's financial obligations to perform environmental cleanup or remediation activities (set as a percentage of the contract purchase price in each agreement). However, if it is determined that environmental costs may exceed these caps, the only recourse for the District, as laid out in the respective LOIs, is the right to terminate the purchase agreement(s). Once the District has acquired title to these properties, the seller's obligations to provide aid or assistance in remediation are effectively extinguished.

We requested copies of all appraisals that had been performed on the properties involved. IRR has completed a formal appraisal review of all of the appraisals provided, copies of which are presented in the appendices of this report. For some properties, IRR concluded that the conclusions presented in an existing appraisal were credible for establishing the value of the subject property per the defined scope of work (market value as of July 25, 2013, as if vacant and free of environmental issues). In these cases, IRR has adopted these opinions as their own, and performed subsequent analyses as necessary to address the impact of improvements, leases, etc. on market value.

In other cases, IRR concluded that none of the appraisals provided were reliable for establishing the value of the property based on the defined parameters. IRR has performed a new, independent appraisal of each of these properties. In the course of our research, IRR has personally inspected all of the properties involved and all relevant sale comparable sites.

PROPERTY VALUATIONS

This section summarizes our value conclusions for all of the properties that would be included in the proposed acquisitions and exchanges, as well as the reasoning behind these conclusions.

Reeves Center

Two appraisals of the Reeves Center were provided for our review. The first appraisal was prepared by the aforementioned panel of appraisers (convened as the "Land Value Panel") that was tasked with establishing the value of both the Reeves Center and the Akridge-owned site in Buzzard Point for which the Reeves Center was proposed to be exchanged. The Panel's appraisal, dated December 11, 2013, reports the market value of the property "as if vacant" as of July 25, 2013, and is therefore a retrospective value opinion. This value opinion, at $60,260,000, represents the consensus opinion of the Panel.

The second appraisal was prepared by Joseph J. Blake and Associates, who were engaged by the Office of the Chief Financial Officer (OCFO) of the District of Columbia. This appraisal report, dated February 21, 2014, sought to establish a current, rather than retrospective, market value of the property, with an effective date of January 30, 2014. The Blake appraisal concludes to an "as if vacant" value of $73,600,000.

Both appraisals are in agreement that the highest and best use of the property as if vacant is the development of multifamily housing up to the maximum density allowed on the site under current zoning. The appraisals differ slightly on the total buildable square footage (524,000 square feet in the Land Value Panel Appraisal and 525,936 square feet in the Blake appraisal), but this difference is not material to the overall value. Both appraisals also agree that the existing Reeves Center building does not make a positive contribution to the value of the property (unless a leaseback by the District is assumed), and the improvements should therefore be demolished to maximize the value of the site. However, the Land Value Panel concluded that the value of the underlying land is $115 per buildable square foot, while Blake concluded to a value of $140 per buildable square foot.

IRR has completed a USPAP-compliant review of both of these appraisals, and it is our opinion that the Land Value Panel opinion of the site as if vacant is the most credible. Despite the differences in the effective value date, it is our opinion that the effective date is only part of the reason for the disagreement in value. The primary source of disagreement is the selection and treatment of the comparable sales used in the two appraisals.

The Blake appraisal considers five comparable sales, but only two are located in the immediate neighborhood. Of these, one is not a closed sale but a contract that was pending as of the effective date. This comparable, located at 14th and Wallach, was subject to approvals that allowed for development without providing on-site parking, and this factor was not reported or adjusted for. The development potential of this site, at less than 60,000 square feet, is also much smaller than the subject site. We believe that the downward adjustment applied for the size of the site is insufficient because of the strong likelihood that a multifamily building of less than 60 units would be developed as condominiums.

The other neighborhood sale included in the Blake appraisal, located on Florida Avenue between 7th and 9th Streets NW, was analyzed based on a buildable square footage that appears to have been calculated incorrectly, resulting in an erroneously higher value indication. Specifically, the FAR figure cited in the appraisal does not include inclusionary zoning bonus density or the 0.5 density bonus available in the ARTS overlay zone for properties that provide 3.0 FAR toward residential use. At the maximum 4.2 FAR cited in the Inclusionary Zoning section of the ARTS overlay regulations (11-1909), this sale would reflect a price per FAR of $86.00, not the $116.52 utilized by Blake. The actual zoning application later filed on this site, as well as the approval order later granted, states the maximum FAR at 5.0, which would reduce the sale price per FAR square foot even further. Meanwhile, the Land Value Panel appraisal analyzes this sale (correctly, in our view) based on the entire assemblage, which includes the August 2011 sale from WMATA to JBG analyzed by Blake as well as subsequent acquisitions from adjoining property owners. The Panel's analysis of the overall assemblage concludes that the total price paid reflects $81.28 per square foot. IRR's analysis of this sale (at $81.53 per square foot) differs very slightly from the Panel's, but this is not material to the overall value conclusions.

The other comparable sites cited by Blake are either judged to be of limited applicability or subject to incomplete analysis. These include a sale of a small site in Adams Morgan that will be developed with low-rise condominiums, an allocated value from a larger mixed-use sale on Wisconsin Avenue in Glover Park, and the Toll Brothers acquisition of a multifamily site in the Capitol Riverfront neighborhood. Regarding this last sale, we disagree with Blake's method of analysis. When Toll acquired this site, they also negotiated an option to buy an adjacent site from the same owner, which was exercised only six months later. These sales are therefore most accurately characterized as a single transaction. In addition, the buildable capacity of this site was analyzed based on the zoned FAR, but the site reportedly transferred with Transferable Development Rights (TDRs) in place that allowed for building at a considerably higher capacity. It is our opinion that the actual value indication from the overall transaction is more accurately stated at approximately $50 to $55 per buildable square foot, not the $90.56 figure used in the Blake analysis. The Land Value Panel included this sale in their appraisal as well, and analyzed it based on the (correct) indicator of $54.54 per FAR square foot.

Notably, the Land Value Panel analysis also considered the sale of the site of The Louis, a new multifamily (with retail) development located directly across U Street from the Reeves Center.

We have concluded that the Panel's opinion of the value of the land underlying the Reeves Center is well-supported and highly credible, and concur with their "as if vacant" value opinion.

Leaseback Adjustment

Given the proposed structure of the transaction whereby Akridge would acquire the Reeves Center subject to a 3-year leaseback, as well as the District's clear need to maintain the use of the existing improvements until replacement facilities can be identified/constructed, we have concluded that the scope of our review should be expanded to include developing an opinion of the value impact of the proposed post-sale leaseback. This factor was not considered in the Land Value Panel appraisal, as it was not a part of their defined scope of work.

The proposed 3-year leaseback would be at a rental rate of $18.63 per rentable square foot ($5,668,923) annually, with the District responsible for paying all operating expenses during the lease period. This arrangement would provide for a meaningful benefit to Akridge relative to acquiring the property as a vacant building, as it provides for a significant income stream and eliminates certain carrying costs (e.g. real estate taxes) while the planning and approval process is completed. However, if the beneficial impact of the improvements is considered, we must also consider the costs of demolishing the improvements at the end of the lease term so the site can be redeveloped.

The accompanying appraisal review (Reeves Center – LVP Appraisal) includes an analysis of the projected lease income, demolition costs, and eventual realization of the underlying land value, modeled in a discounted cash flow analysis, which indicates that the retrospective market value of the property as improved and subject to the proposed

leaseback is $66.8 million (as of July 25, 2013). We therefore conclude that the net benefit to Akridge of acquiring the site as-is and subject to the proposed leaseback, relative to the value of the site as if vacant, is $6,540,000.

The value of the property subject to the leaseback arrangement incorporates three components:

1. the present value of the lease income,
2. the present value of the future demolition expense, and
3. the present value of the future reversion (i.e. post-demolition "capture" of the as-if-vacant value of the site).

Applying present value discounting to these three value components separately allows for an approximation of the impact of each. The present value of the income from the leaseback is $14.7 million (positive). The present value of the future demolition cost is $4.1 million (negative).

Finally, while the as-if-vacant value of the property is projected to grow over time, the rate of projected value growth is lower than the 7.5% discount rate necessary to account for risk and carrying costs. As a result, the present value of the future reversion ($56,200,000) is *$4,060,000 lower* than the land value as of the effective date ($60,260,000). This figure represents the impact on value of a buyer having to delay redevelopment until the lease expires.

As shown below, these components sum to $6,540,000.

Reeves Center Leaseback Analysis	
Present Value Component	
Lease Income	$14,700,000
Demolition	-$4,100,000
Development Delay	-$4,060,000
Net Impact of Leaseback	**$6,540,000**

Akridge Buzzard Point Site (SW Land Holder, LLC)

As noted, the Land Value Panel appraised both of the properties that are part of the Akridge/Reeves swap as of the same retrospective value date (July 25, 2013). The Panel valued the Akridge site at $21.1 million, with the value representing the consensus opinion of the Panel. No demolition expenses are incorporated in this value, rendering it effectively an "as if vacant" value opinion. The Panel's opinion also makes no deduction for environmental conditions, and is therefore equivalent to an "as if clean" value.

The Panel, operating from the standpoint of a retrospective (pre-announcement) market analysis, makes several significant conclusions in the course of their market, site and highest and best use analyses. First, that "new development at Buzzard Point will not occur until after projects on the remaining land in the Capitol Waterfront area east of South Capitol Street near completion." Second, that the site's CR/CG zoning designation permits development at a floor area ratio (FAR) density of 8.2 after accounting for Inclusionary Zoning (IZ) bonus density. Finally, that while feasibility of residential use could be as much as eight to ten years away, several factors could shorten this holding period, such as the new South Capitol Street bridge construction.

The Panel proceeds to value the site by analyzing four comparable sales that indicate a value range from $11 to $52 per FAR square foot. While the indicated range is fairly wide, this is to be expected given the lack of recent sales of large parcels in Buzzard Point. The Panel's analysis of these transactions is sound, and they ultimately conclude to a value of $28.83 per FAR square foot (based on a blend of market-rate and affordable buildable square footage at $30 and $15 each, respectively). We have concluded that the panel's opinion of value is reasonable, and adopted it as our own.

Other Buzzard Point Appraisals

We note that the OCFO engaged Joseph J. Blake and Associates to appraise all six of the Buzzard Point sites proposed to be acquired by the District, including the Akridge site appraised by the Land Value Panel. The resulting appraisal, dated February 21, 2014, valued all six Buzzard Point sites in a single appraisal (with a separate value allocated to each site), and explicitly invoked the hypothetical condition that all of the sites are vacant, and free and clear of environmental issues. Significantly, all of the properties were valued as of the then-current date of January 22, 2014. The purpose of the Blake appraisal was simply to establish the market value of the properties (as if vacant and free of environmental issues), *not* to determine the market value of the properties *absent the impact of the proposed Stadium Act*. Therefore, the scope of work did not involve the exclusion of post-announcement market data or any other measures to exclude this impact. As discussed, it is our opinion that these impacts are significant. The scope of work employed in the Blake appraisal was appropriate *in context,* given the stated purpose of the appraisal. Nonetheless, it is our opinion that the conclusions of this appraisal cannot be relied upon for the wholly different purpose at hand: as a basis for establishing the market value of the property absent the impact of the Stadium Act.

As noted, we believe that the Land Value Panel's appraisal of the Akridge property is reliable for purposes of this analysis. For the remainder of the Buzzard Point sites, we have concluded that there are no existing appraisals that are deemed sufficiently reliable for purposes of this study. Accordingly, IRR has prepared an appraisal of the remaining Buzzard Point sites proposed to be acquired by the District.

Pepco Buzzard Point Property

Our conclusions as to the highest and best use of the Pepco-owned Buzzard Point sites are very similar to the Land Value Panel's conclusions related to the Akridge site. Namely, that the sites can support development at an 8.2 FAR density, and that development may not be feasible for as much as 10 years. We have applied a somewhat different valuation methodology than the Land Value Panel brought to bear on the Akridge site, however. We have compared the subject site to four comparable sites with *immediate* (or at least very near-term) potential development feasibility. The comparable sites indicate an unadjusted range from $25 to $66 per square foot, and after analysis we conclude that the Pepco Buzzard Point land would have a value of $45 per buildable square foot *if development were feasible today*.

This hypothetical value is then converted to an actual present value at a yield/discount rate reflective of land investment return requirements over three possible holding periods: five, eight and ten years. As a test of the reasonableness of the results of these holding period calculations, we interviewed several brokers and developers familiar with the market, and also analyzed other speculative investment land purchases as a point of comparison.
We ultimately concluded to a value of $29 per buildable square foot (FAR), resulting in an opinion of the hypothetical retrospective market value of these properties at $37.2 million as of July 25, 2013, as if vacant and free of environmental issues.

Ein/Rollingwood Property

The Rollingwood Real Estate property is also located in the Buzzard Point neighborhood, and in our opinion has the same highest and best use "as if vacant" as we concluded for the Pepco property: to hold the site for future multifamily development at an 8.2 FAR, with a potential holding period of as much as ten years. Because the highest and best uses are equivalent, we apply essentially the same analysis as described above, and concluded to a unit value of $29 per buildable square foot (FAR).

We did consider the possibility that the small size of the site could potentially result in a per-square-foot price premium. However, our discussions with market participants suggested that the impact of size on value would not necessarily reflect an inverse relationship between size and unit price. Small size can be advantageous in that carrying costs are lower and smaller projects can be financed and developed all at once rather than in phases. In addition, there is a deeper pool of potential buyers for smaller sites due to the lower going-in cost basis. At the same time, the modest scale limits the amount of control the owner would have over the

neighborhood-level development process. Ownership of a larger, more prominent parcel in Buzzard Point (such as the Pepco or Akridge sites) would have some distinct advantages in comparison to a smaller lot at the western end of Potomac Avenue. We therefore concluded that no premium for the small size of the property is necessary.

It is therefore our opinion that the hypothetical retrospective market value of the property as of July 25, 2013 was $6.1 million, if the site were vacant and free of environmental issues.

In point of fact, the site is improved and leased to Alta Bicycle Share Inc. (Capital Bikeshare). This lease expires in June 2017, and while the tenant has an option to renew for another five years at that point, the landlord has the ability to rescind that option unilaterally. At that point, the expectation would be that the improvements would be demolished so that the site could be redeveloped. The presence of the lease enhances the value of the property by a non-trivial amount by providing a positive income stream during the holding period that is more than sufficient to offset the demolition costs that come into play when the property is evaluated "as improved." We have valued the property as improved by adding the net income stream from the lease into the present value holding analysis that we applied to the vacant land, and concluded to an "as improved" retrospective market value of $6.6 million as of June 25, 2013, if the site were free of environmental issues.

Super Salvage Property

Unsurprisingly, the property owned by Super Salvage Inc. was concluded to have an equivalent "as if vacant" highest and best use as the adjacent Rollingwood property. The confluence of issues related to site size, prominence and control issues was considered, and again it was our conclusion that these factors were essentially offsetting, resulting in the same unit value conclusion ($29 per FAR square foot). It is therefore our opinion that the hypothetical retrospective market value of this property as of July 25, 2013 was $9.9 million, if the site were vacant and free of environmental issues.

The property is in fact improved with a concrete building that appears to function as a warehouse of some type. The site was also observed to be an active salvage yard/junk yard, and was playing host to a very large accumulation of debris of unknown origin. We were not able to inspect the property, and do not have documentation of the size of the improvements. Moreover, the costs of clearing debris from the site could be very substantial. Based on the available information, we are unable to reliably estimate the cost of demolishing the improvements or clearing the site. These "unknown" factors constitute an additional but unquantifiable risk to a buyer of the property "as is."

1st & K NW

We were provided with two appraisals of the District-owned site at 1st and K Streets NW that is proposed to be traded with Pepco in exchange for a portion of their Buzzard Point holdings. One of these was prepared pursuant to the aforementioned DC/Pepco Letter of Intent, which

laid out a procedure for appointing a panel of appraisers to value the site. The appraisal by the panel (not to be confused with the aforementioned Land Value Panel, as only one member sat on both panels) concluded to a value of $15.8 million as of April 18, 2014, assuming no environmental impairment. In addition to this environmental assumption, the appraisal assumes the achievability of re-zoning for conformance with the Comprehensive Plan. It is our opinion that the assumption with regard to zoning is imminently reasonable and well supported, and would in fact be representative of the expectations of a typical purchaser; thus, no extraordinary assumption is necessary. Similarly, there is no reason to presume environmental contamination on the property based on its use history, rendering this extraordinary assumption unnecessary.

The bulk of this appraisal is devoted to the issue of zoning and highest and best use, which is appropriate given the complex issues at hand. The site is split zoned, and current zoning is not consistent with the Comprehensive Plan. The appraisal makes a compelling and well-supported case that re-zoning the site for higher-density development would be consistent with the comprehensive plan and is achievable, but would require about a year to complete. The property analysis concludes with a thoughtful and well-reasoned explication of the many factors impacting the subject property, aptly characterizing the nature of the property as "ambiguous" due to its location outside the immediate influence of the nearest established or emerging demand nodes (NoMa, Mount Vernon, etc.) and the predominance of non-market-rate housing in the immediately surrounding blocks. These factors make Class A development unlikely in the near term. The appraisal ultimately concludes that Class B/workforce housing is the highest and best use of the site because it is immediately feasible, and applies a downward adjustment for this factor to the value indicated by comparable land sales (which are all Class A-oriented).

It is our opinion that this analytical process described is reasonable and credible. Accordingly, we find the panel's value conclusion credible, have no substantive disagreements with either their methodology or conclusions, and adopt the panel's opinion of the value of the property as of April 18, 2014 as our own. Furthermore, the information and analysis contained in the panel's appraisal are sufficient to support the conclusion that the value of the property would not have been materially different as of July 25, 2013. Only one of the sales used in the panel's appraisal post-dates the retrospective value date, and was given little weight by the panel. More importantly, the Class B orientation of the property and its large size suggest that any value increases over the intervening nine months would have been negligible.

We were also provided with an appraisal of the 1st & K property by Joseph J. Blake & Associates (engaged by the OCFO). This appraisal, dated August 27, 2014, concludes to a market value of $16.5 million as of July 8, 2014. While this value conclusion only differs from the panel's opinion by $700,000 (less than 5%), the two appraisals reached substantially different conclusions as to the highest and best use of the site. The Blake appraisal does not give any consideration to the density increase available under the property's Comprehensive Plan designation. In addition, while this appraisal acknowledges some of the location factors that negatively impact the property's value, the selection of comparable sales and the highest and

best use analysis do not adequately account for these factors. We are therefore unable to endorse the Blake value opinion of the 1st & K site.

CONCLUSION: TRANSACTION BENCHMARKING

In this section, we compare our market value conclusions to the agreed-upon terms of the proposed swaps and acquisitions. For each proposed transaction/parcel, we begin with the concluded market value as if vacant (and free and of environmental issues). We then apply adjustments as we deem appropriate to recognize any positive or negative value contribution made by the improvements in place.

Akridge/Reeves Swap

The Exchange Agreement between SW Land Holder LLC (Akridge) and the District stipulates that Akridge will acquire title to the Reeves Center, subject to a 3-year leaseback to the District. In exchange, the District will receive the identified Akridge property in Buzzard Point, plus $34.385 million in cash.

Akridge Swap Analysis

Property	IRR Concluded Value[1]	Adjustments	Adjusted Value
Reeves Center	$60,260,000	$14,700,000 [2]	
		-$4,100,000 [3]	
		-$4,060,000 [4]	
			$66,800,000
SW Land Holder Site	$21,100,000		$21,100,000
		Differential	($45,700,000)
		Plus: Akridge Cash	$34,485,000
		Net Differential	($11,215,000)
		Less:	Environmental (Unknown)

1. Market value as if vacant and free of environmental issues as of July 25, 2013
2. Present value of leaseback income
3. Present value of future demolition costs
4. Value impact of delaying redevelopment to end of lease term

The cash payment from Akridge was based on the Land Value Panel's opinion of the value of the property as if vacant ($60.26 million), with which we concur. However, the agreed-upon cash payment incorporates an adjustment of $4.675 million for demolition costs (identified as the "demolition credit"), which is subtracted from the "as if vacant" value to yield a swap basis of $55.585 million. While we believe that the Panel's estimate of demolition costs is

reasonable, our supplemental analysis indicates that the proposed leaseback of the property by the District provides a net enhancement of $6.54 million to the value of the property; even after demolition costs at the end of the leaseback are included.

As a result, we conclude that the proposed terms represent a net loss to the District, relative to a fair market value exchange, of approximately $11.2 million, plus the (unknown) costs to the District of performing environmental remediation of the acquired site.

We are aware that Akridge has agreed to contribute $2,444,155 to the District, in addition to the agreed-upon swap payment of $34.485 million. The stated purpose of this payment is to offset a portion of the District's land acquisition costs in assembling the stadium site. Accordingly, we have treated this payment as an offset to the overall cost of the stadium site acquisition, rather than as an adjustment to the Reeves Center swap.

Exchange Agreement Amendment

We have also reviewed an Amendment to Exchange Agreement between the District and SW Land Holder LLC, dated October 7, 2014. This agreement makes a number of alterations and modifications to the structure of the proposed transaction. Our review of this amendment identified three changes to the proposed terms that could *potentially* impact the value of the property.

1. The amendment grants the District an option to terminate the lease any time after the end of the first lease year, with 12 months' notice. In our opinion, this termination option is unlikely to impact value, as the option would be very unlikely to be exercised (due to the District's practical constraints with regard to timing of construction of replacement facilities).

2. The amendment also provides the District with the option to renew the lease for an additional 6 months at 115% of the previous rental rate. In the original agreement, the District's option to continue occupancy beyond the three-year term was limited to a provision for holdover rent at 150% of the previous rental rate. The extension option rent could therefore represent a slight downside to Akridge relative to holdover rent. However, post-term occupancy under either arrangement is a benefit to Akridge relative to the District vacating at the end of the three-year term, because continued occupancy by the District at either rental rate would enhance the present value of the property relative to surrender at the end of the base term. Our discount rate selection in the Reeves Center leaseback analysis is intended to consider the potential upside to the buyer/landlord that would result from extended occupancy. The slight reduction in potential rental income (relative to holdover rent) during the 6 month renewal period (if the option were to be exercised) is a relatively modest sum (<$1 million) after discounting. Moreover, a typical purchaser would not explicitly assume that additional rental income would be received beyond

the base term. We therefore conclude that this provision does not have a substantial impact on value.

3. Finally, the amendment imposes several design and use requirements on the future redevelopment of the site. The most notable is a requirement that the new development include at least 100,000 square feet of "Commercial Space." This requirement defines "Commercial Space" broadly, including retail, office, and hotel uses. The agreement also allows the developer to convert the Commercial Space to residential use if tenants cannot be located within two years, and permits the Commercial Space to be built in a separate, later phase from the residential improvements. Considering the scale of the proposed development, the rapidly evolving nature of the U Street market area, and the substantial latitude granted to the developer with regard to use and timing, no value impact is anticipated from this provision. The other design and use provisions require that redevelopment of the site provide 3,000 square feet of space for community use (including a weekly farmer's market), achieve LEED Silver certification for the building core and shell, and involve the community in the design process. A developer acquiring any property of the scale and prominence of the Reeves site would consider requirements of this nature to be "par for the course" and would not require or expect any explicit pricing discount for these provisions.

Pepco Swap

The Letter of Intent between Pepco and the District stipulates that the District will acquire 156,463 square feet of Pepco-owned land in Buzzard Point. In exchange, Pepco will receive title to a vacant District-owned site at 1st & K Streets NW, as well as $24.2 million in cash. The amount of the cash payment is based on the differential between the appraised value of 1st & K and the value of the Pepco site as stipulated in the Letter of Intent, at $40 million.

The panel of appraisers engaged to establish the basis for the 1st & K site concluded to a market value of $15.8 million as of April 2014. We concur with this value opinion, and furthermore consider that same figure to be representative of the market value of the site as of the earlier value date that we are benchmarking all of the proposed transactions against.

Our valuation of the Pepco site as if vacant, at $37.2 million, is also reasonably consistent with the $40 million land value stipulated in the Letter of Intent.

The terms of the Letter of Intent also require the District to pay Pepco $1 million to remove the combustion turbines located on the site, grant certain easements, and reimburse Pepco for the estimated costs of relocating "the western distribution duct bank and associated feeders." Pepco has since estimated these relocation costs at $4 million to $5.5 million. In the table that follows, we have estimated these costs at $4.5 million based on discussions with the Office of the Chief Financial Officer. It is important to note that while the District's $1 million reimbursement to Pepco for turbine removal is essentially "capped," the District's obligations

to reimburse Pepco for the duct bank relocation will be based on actual costs, which could be greater than the $4.5 million estimate utilized here.

Pepco Swap Analysis

Property	IRR Concluded Value[1]	Adjustment	Adjusted Value
Pepco Buzzard Point	$37,200,000		$37,200,000
1st & K	$15,800,000		$15,800,000
		Differential	$21,400,000
		Less: District Cash	($24,200,000)
		Less: Turbine Removal	($1,000,000)
		Less: Duct Relocation	($4,500,000)
		Net Differential:	($8,300,000)
		Less:	Environmental (Unknown)

1. Market value as if vacant and free of environmental issues as of July 25, 2013

As discussed, we believe that the proposed transaction would be reasonably representative of a fair exchange, if not for the substantial relocation and remediation expenses that the District is taking on in the bargain. With the District responsible for all of these costs, the gap between the proposed deal and a market-based exchange widens considerably, to approximately $8.3 million, plus the (unknown) costs to the District of performing environmental remediation of the acquired site, and any overruns in duct bank relocation costs beyond the $4.5 million estimate.

We recognize that this matter is complicated by Pepco's status as a utility provider and their complex relationship with the District of Columbia, as well as the likelihood that eventual revitalization of Buzzard Point will at some point require relocation of some of the area's Pepco facilities. As a result, the question of which of these costs represent true costs of the proposed deal, as opposed to costs that would be occurred in whole or in part by the District in the long run, is a question of public policy that is beyond the scope of this exercise. We have evaluated the proposed transaction relative to a market-based transaction. If a private buyer were negotiating a purchase of the Pepco site, any excess costs imposed on such a buyer (such as an obligation to pay for relocation of existing improvements) would be deducted from the purchase price at the outset, and our analysis recognizes this fact.

Ein/Rollingwood Acquisition

The Letter of Intent between the District and Rollingwood Real Estate, LLC calls for a payment by the District of $10,500,920.

Ein/Rollingwood Acquisition				
Property	IRR Concluded Value[1]	Adjustment		Adjusted Value
Rollingwood Site	$6,100,000		$500,000 [2]	$6,600,000
		LOI Price		($10,500,920)
		Differential		($3,900,920)
		Less:		Environmental (Unknown)

1. Market value as if vacant and free of environmental issues as of July 25, 2013
2. IRR opinion of net impact of improvement/lease value less demolition

The currently proposed purchase price is approximately $4.4 million higher than our opinion of the fee simple market value of the property as if vacant and $3.9 million higher than our opinion of the leased fee market value of the property as improved, before considering the (unknown) costs to the District of performing environmental remediation of the acquired site.

We note that Akridge and DC United have committed to making monetary contributions to the District that are intended to defray the cost of assembling the stadium site. The impact of these payments on the overall transaction cost is addressed in the Overall Transaction Summary section that follows.

Super Salvage

The Letter of Intent between the District and Super Salvage Inc. calls for a payment by the District of $17,147,840 to acquire the property.

Super Salvage Acquisition			
Property	IRR Concluded Value[1]	Adjustment	Adjusted Value
Super Salvage Site	$9,900,000		$9,900,000
		LOI Price	($17,147,840)
		Differential	($7,247,840)
		Less:	Environmental (Unknown)
		Less:	Removal of Debris & Improvements

1. Market value as if vacant and free of environmental issues as of July 25, 2013

The currently proposed purchase price for the Super Salvage property is approximately $7.25 million higher than our opinion of the market value of the property as if vacant, before considering the (unknown) costs to the District of removing debris and improvements and performing environmental remediation of the acquired site.

We note again that Akridge and DC United have committed to making monetary contributions to the District that are intended to defray the cost of assembling the stadium site. The impact of these payments on the overall transaction cost is addressed in the Overall Transaction Summary section below.

Overall Transaction Summary

The combined net gain (loss) relative to our opinion of the market value of the properties is recapitulated below.

Gain/Loss to Market Value Summary		
Component		Net Differential Before Environmental
Reeves/Akridge Swap		($11,215,000)
Pepco Swap		($8,300,000)
Ein/Rollingwood		($3,900,920)
Super Salvage		($7,247,840)
	Total Net Differential	($30,663,760)
	Less:	Environmental on all BP sites
	Less:	Clearing Super Salvage site

It is our opinion that the terms of the acquisition agreements in place represent a net "overpayment" of at least $30 million, relative to the market value of the sites in their current state. This figure requires further upward adjustment for the District's additional obligations in the form of environmental remediation/cleanup of all of the acquired Buzzard Point sites, as well as the cost of clearing structures and materials/debris from the Super Salvage site. We have not been provided sufficient information to quantify these costs.

Akridge (SW Land Holder LLC) The proposed exchange and development agreements include provisions to partially defray the District's acquisition costs. Per the Development Agreement between the District and DC Stadium LLC (DC United), DC United will pay the District $2.5 million upon commencement of stadium construction. Akridge (SW Land Holder LLC) has also agreed to pay the District an additional $2,444,155 as a supplement to their $34,485,000 payment for the Reeves Center. Both of these contributions are explicitly intended to offset the District's cost of assembling the stadium site. This reduces the "overpayment" on the part of the District by $4.944 million.

Net Gain/Loss to Market Value Summary			
Component	Swap/Acquisition Basis	IRR Value Opinion[1]	Net Differential Before Environmental
Reeves	$55,585,000	$66,800,000 *	($11,215,000)
Akridge Buzzard Point	$21,100,000	$21,100,000	$0
1st & K NW	$15,800,000	$15,800,000	$0
Pepco Buzzard Point	$45,500,000 [2]	$37,200,000	($8,300,000)
Ein/Rollingwood	$10,500,920	$6,600,000 *	($3,900,920)
Super Salvage	$17,147,840	$9,900,000	($7,247,840)
		Total Differential	($30,663,760)
		DC United Contribution	$2,500,000
		Akridge Contribution	$2,444,155
		Net Differential after Contributions	($25,719,605)
		Less:	Environmental on all BP sites
		Less:	Clearing Super Salvage site

1. Market value as if vacant and free of environmental issues as of July 25, 2013, except as noted by *
2. Includes $5.5 million in estimated DC payments to Pepco for infrastructure removal/relocation
* Value incorporates contribution of improvements and current/proposed leases

We recognize that this reduced figure ($25.7 million, plus cleanup/removal as noted) is still a substantial sum, even in the context of the proposed stadium development project. However, the identification and quantification of these "overpayments" does not, in and of itself, argue that a decision to consummate the proposed transactions would be ill-advised as a matter of public policy, nor do our value opinions suggest that a public assembly of the stadium site could be achieved at a cost equivalent to the sum of the values. The invocation of eminent domain by a condemning authority typically involves expenditures well in excess of market value in order to acquire title once legal and other professional costs are considered, to say nothing of the time and risk involved in the condemnation process.

The following chart presents a further summary of the proposed acquisition and dispositions, in comparison to our value opinions, showing the differential between these figures as a percentage of value.

Price/Value Analysis				
Property	Valuation[1]	Price/Swap Basis	Differential	Percentage of Value
District Assets				
Reeves Center	$66,800,000 *	$55,585,000	-$11,215,000	-16.8%
1st & K NW	$15,800,000	$15,800,000	$0	0.0%
Total Dispositions	$82,600,000	$71,385,000	-$11,215,000	-13.6%
Proposed Acquisitions				
Akridge (SW Land Holder)	$21,100,000	$21,100,000	$0	0.0%
Pepco Buzzard Point	$37,200,000	$45,500,000 [2]	$8,300,000	22.3%
Ein/Rollingwood	$6,600,000 *	$10,500,920	$3,900,920	59.1%
Super Salvage	$9,900,000	$17,147,840	$7,247,840	73.2%
Total Acquisitions	$74,800,000	$94,248,760	$19,448,760	26.0%
Less: DC Stadium LLC Contribution		-$2,500,000		
Less: SW Land Holder LLC Contribution		-$2,444,155		
Net Acquisition	$74,800,000	$89,304,605	$14,504,605	19.4%

1. Market value as if vacant and free of environmental issues as of July 25, 2013, except as noted by *
2. Includes $5.5 million in estimated infrastructure removal/relocation payments to Pepco
* Value incorporates contribution of improvements and current/proposed leases

This analysis indicates that the assets that would be disposed of by the District are being undervalued (per the terms of the proposed transactions) by approximately 13.6%, while the properties to be acquired are being overvalued by approximately 26%. After incorporating the contributions from DC Stadium LLC (DC United) and SW Land Holder LLC (Akridge), the District's overpayment for the sites to be acquired is reduced to 19.4% of the total value of the properties to be acquired.

Surrounding Area Impacts

In evaluating the proposed land exchanges and stadium site development as a matter of public policy, the D.C. Council has also requested that we opine as to the likely course of future development activity in the areas of the District that would be impacted by the Stadium Act.

Spurred Development – Buzzard Point

We have reviewed testimony from the June 26, 2014 testimony of Mr. Allen Lew, the City Administrator, which noted that the construction of the Verizon Center (1997) and Nationals Park (2008) were associated with very significant amounts of new development in the immediately surrounding neighborhood. Specifically, almost 2 million square feet of new space was completed within a quarter-mile of the Verizon Center between 1997 and 1999. The area around Nationals Park, meanwhile, saw about 2.4 million square feet of new development

between 2006 and 2008 (contemporaneous with construction and opening). Property values and development activity in these areas have continued to grow over time.

While these figures are impressive, and clearly reflect rapid growth in these neighborhoods, they must be viewed in context. In attempting to draw lessons or make predictions as to the future of Buzzard Point from these examples, two lines of inquiry are particular relevant. First, to what extent was the observed increase in development in Chinatown and the Ballpark area contingent on the Verizon Center and Nationals Park being built (i.e. does association imply causation)? Second, how applicable are these examples to the proposed soccer stadium development in Buzzard Point?

To address the question of causation, we first conducted a District-wide search for notable counterexamples, in the form of major neighborhood-level development booms (>2 million square feet delivered in a 3-year period) not associated with a sports venue or similar public investment. Our research identified two notable such example: the emergence of the NoMa submarket as a major office (and increasingly, mixed-use) hub, and the development of CityCenterDC.

NoMa experienced 3 million square feet of new development (space deliveries) within a quarter-mile radius between 2008 and 2010. (In fact, multiple 3-year windows within this area saw more than 2.5 million square feet in completions). However, the reader should bear in mind that while the explosive growth in NoMa was not driven by a high-profile entertainment venue, it did not occur in a vacuum. Although planning for a revitalization of this area began in the 1990s, the major catalyst was the 2004 opening of a new Metro station at New York Avenue. Institutional anchors (including both directly and indirectly government-funded development) proved particularly important. The first major delivery in NoMa was the ATF headquarters building, and the Department of Justice's 2008 announcement that it would lease 500,000 square feet at Two Constitution Square gave the area a significant boost at the outset of a major wave of expansion.

The recently completed CityCenterDC comprises 2 million square feet of new space on about five city blocks on the site of the former convention center. The planned demolition of the convention center was announced in 1990, but did not actually take place until 2004. Planning for redevelopment had begun in earnest several years prior, and continued through master plan approval in 2006. Groundbreaking for CityCenterDC finally occurred in 2010. Notably, the project was privately funded, and will feature no government tenancies.

The absence of other such examples should be, to some degree, unsurprising. Very few areas of the District have featured a combination of high-density zoning and significant development opportunities (in the form of a concentration of vacant or underutilized land). The influx of development around the Verizon Center was reflective of a unique set of circumstances that had left large portions of downtown deteriorating and underutilized: namely a long-term trend of falling population and weak private sector demand, which were in the nascent stages of reversal stemming from a host of factors. The more recent example of rapid and concentrated

downtown development at this scale, CityCenterDC, was able to take advantage of a multi-block cleared site in the middle of downtown, leveraging the existing base of demand, transportation infrastructure, etc. Both of these cases are considered to be of limited applicability for predicting the impact of the proposed stadium at Buzzard Point.

The cases of NoMa and the Ballpark area are considered much more relevant due to their location in peripheral areas without an existing base of demand. However, both of these success stories were able to leverage multiple external demand generators. The development of NoMa was driven by plans to open a new Metro station in an area dominated by low-value land uses, and has been successful in large part due to historically strong office market demand during the first major wave of construction. The successful revitalization of the area around Nationals Park also took advantage of an existing Metro station, a large inventory of vacant or underutilized land, and (crucially) the proximity of a major demand driver: the Southeast Federal Center. The Southeast Federal Center includes the USDOT's 1.35 million square foot headquarters, completed in 2007. Contracting activity related to federal activity at this facility and the Navy Yard have been a primary source of the office demand that predated (and to some extent made possible) the residential and mixed-use focused development currently predominating in this neighborhood.

Buzzard Point is in some ways similar to the pre-revitalization NoMa and Ballpark areas: it is located within 1.5 miles of the Washington CBD, is zoned for high-density development, and features a large amount of vacant or severely underutilized land. In fact, Buzzard Point is one of only a few areas of Washington, DC that could potentially support in excess of 5 million square feet of highly concentrated new development (based on current planning policy).

At the same time, Buzzard Point faces several notable disadvantages. Metro access, while within walking distance, is considerably inferior to any of the "development boom" examples noted. The base of in-place institutional demand is also fairly weak. Notably, the U.S. Coast Guard has relocated from Buzzard Point to Saint Elizabeth's, and while their primary facility has recently been re-occupied by the Navy, the current lease reportedly expires in 2015 and the future of the 1.1 million square feet of office space at the southern end of Buzzard Point is unclear. Meanwhile, Fort McNair and its occupants (including the National Defense University) are likely to remain in Buzzard Point indefinitely, but the orientation of the Fort McNair campus is largely inward facing, and historically it has not been a significant demand driver.

Finally, it is important to consider the fact that, to the extent the Verizon Center and Nationals Park were instrumental in the revitalization of their respective neighborhoods, the demand-generating properties of these facilities are superior to what would be expected from an MLS stadium. The Verizon Center, as a multi-use sport and entertainment venue, hosts an average of 220 events per year, and has capacity for 18,277 patrons. Nationals Park seats 41,888, and the Nationals play 81 home games per year. These venues therefore have a theoretical annual capacity of 4 million and 3.4 million event-goers, respectively. The proposed DC United stadium, meanwhile, is projected to host approximately 36 events per year, for a theoretical annual capacity of 720,000 event-goers.

Based on this analysis, it is our opinion that, with or without the proposed stadium development, Buzzard Point is highly unlikely to repeat the rapid, large-scale development boom associated with the Verizon Center or Nationals Park redevelopment (i.e. multiple millions of square feet of new development within a 3 or 5 year timeframe). Nonetheless, redevelopment of Buzzard Point into a high-density urban neighborhood (as envisioned in the Buzzard Point Urban Design Framework Summary) is likely to occur *at some point* in the future. Such large-scale redevelopment will almost certainly require substantial public infrastructure investment to become a reality, and the development of the proposed stadium would provide an impetus to accomplish much of this work, especially in the crucial "gateway" area along Potomac Avenue SW, in the course of completing horizontal development (including utility relocations).

If the Stadium Act is approved and development of the stadium proceeds as planned, it is our opinion that reasonable near-term development forecasts within Buzzard Point would be on the order of 300,000 to 700,000 square feet (likely in 2 to 4 building projects), on a five to seven year development horizon. The majority of this envisioned new construction would likely take place in the immediate vicinity of the stadium (at the north end of the neighborhood). Other than the expected development of a hotel on the identified ancillary development site, most other development during this timeframe would most likely be residential, with some supporting retail at the street level. Timing of viability of office development is very uncertain at this time, and will most likely require a large institutional office user (potentially governmental) to activate.

In the absence of the Stadium Act, it is our expectation (and the expectation of real estate market participants) that no significant new development in Buzzard Point would take place for at least 8 to 10 years. Buzzard Point is, as noted, has inferior transit access compared to the nearby Capitol Riverfront and Southwest Waterfront neighborhoods, and is therefore unlikely to generate developer interest until both of these neighborhoods are approaching full build-out. Even then, a substantial public investment in neighborhood infrastructure (in addition to the planned reconfiguration of South Capitol Street, the construction of the new Frederick Douglas Memorial Bridge, and further improvements to waterfront connectivity).

Other Impacted Areas

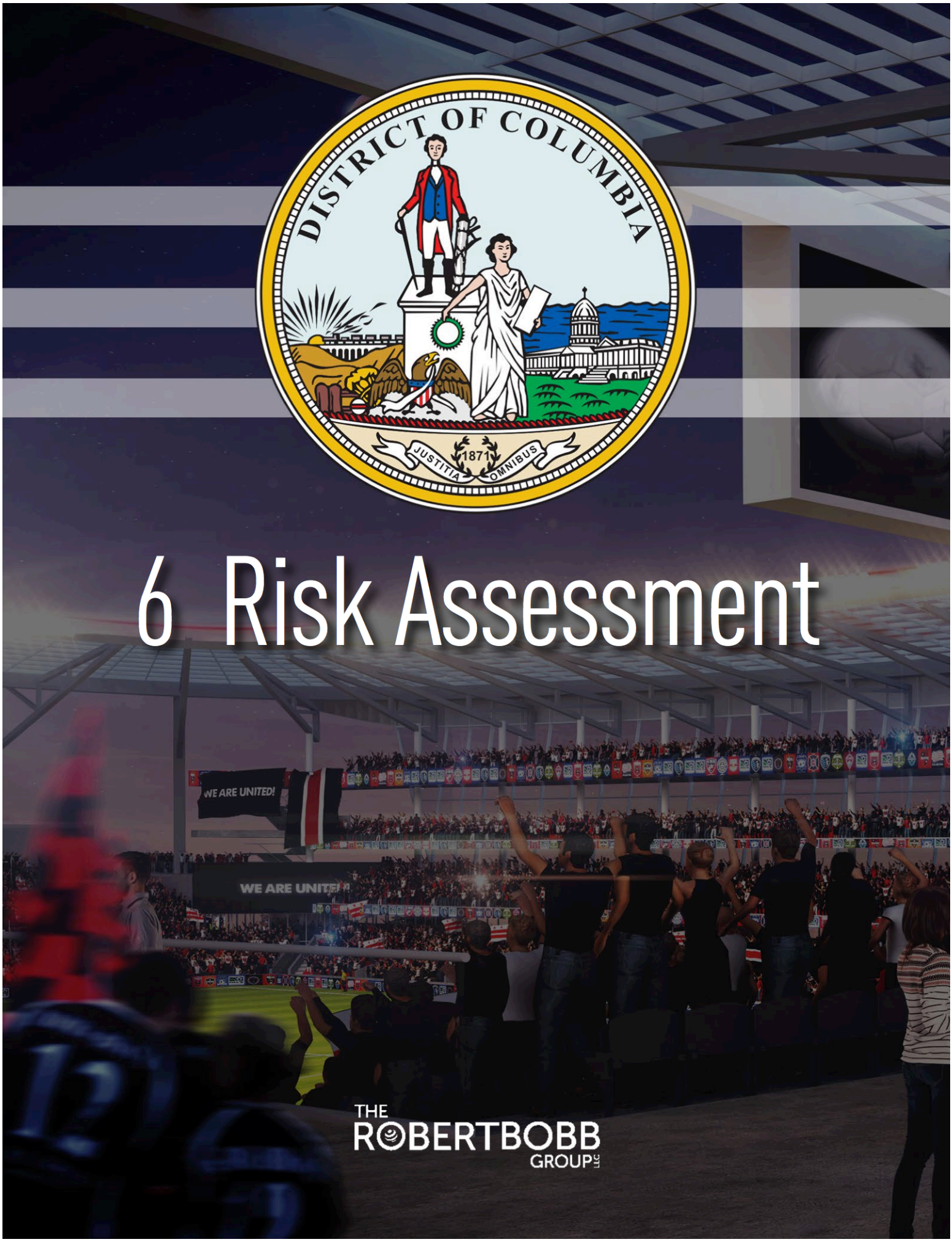
New Municipal Center

The Stadium Act would entail the District disposing of the Reeves Center at 14th and U Streets NW and relocating to a new municipal center to be built at the gateway to Historic Anacostia. It is our opinion that such a development, modeled after the success of the Reeves Center in contributing to the revitalization of the U Street neighborhood, would have a significant beneficial impact on the surrounding area. New development in this area is not currently financially feasible at prevailing market rents, nor is it likely to be for the foreseeable future absent the injection of new demand and capital into the area. The construction and operation

of a new municipal center in this location would bring a significant number of workers into the area on a daily basis, boosting demand for retail in the near term such that renovation of existing retail properties, and/or renewed occupancy of vacant storefronts, is likely to become feasible on a limited basis. The other anticipated near-term impact of the proposed relocation would be that the presence of a major institutional office user would likely make financing for (construction, renovation, and/or business development) more readily attainable. Some level of spillover office demand from organizations desiring proximity to the District is also anticipated, though not likely at rents that would justify new construction. In the longer term, new development of market-rate multifamily housing in and around Anacostia is expected to become financially feasible, with or without the municipal center, given the neighborhood's good transit access, accessibility to employment centers, and historic building stock). However, construction of the proposed municipal center would be expected to accelerate this process significantly.

Reeves Center

Akridge proposes to demolish the existing Reeves Center once the District completes the move into the new municipal center (expected to take place in three years). At that point, the site is expected to be redeveloped with a mix of multifamily and commercial use. The intersection of 14th and U Streets is already one of the most vibrant and active in the city, and has been the epicenter of a wave of development activity since the mid-2000s. The only anticipated neighborhood-level negative impact of redeveloping the site would be a mild reduction in the daytime population of the area relative to the status quo. While this could negatively impact daytime demand for certain retail shops and restaurants in the area, these effects are expected to be exceedingly marginal. First, 100,000 square feet (and potentially as much as 200,000 square feet) of the new development would be non-residential, which would effectively replace a significant amount of the lost office square footage. Second, the 1,000 daytime workers displaced from the local market would be replaced by residents (likely 600+, assuming 400+ units and an average household size of 1.5). The retail dollars expended by these new residents in the immediate would be expected to be significantly greater than the lost spending attributable to the Reeves Center, as people generally spend the vast majority of their disposable income in close proximity to their homes. Finally, we note that while a multifamily redevelopment of the Reeves Center site would be of a decidedly upscale orientation, 40+ Inclusionary Zoning units would be created, and increasing the supply of housing in a highly desirable neighborhood should, at the margin, reduce (or, more likely slow the growth of) market rents in the area.



6 Risk Assessment

THE ROBERTBOBB GROUP LLC

6. Risk Assessment

INTRODUCTION

Conventions, Sports & Leisure International ("CSL") and The Robert Bobb Group ("RBG") were retained by the Council of the District of Columbia to provide a comprehensive cost benefit analysis and economic evaluation of all of the transactions proposed in the District of Columbia Soccer Stadium Development Act of 2014 ("The Act") that would result in the construction of a new soccer stadium in Washington D.C. A critical component of the evaluation is the identification of potential risks to the District of Columbia ("District") as it relates to its participation in the soccer stadium development.

This section summarizes RBG's research, identification and analysis of the potential financial and political risks to the District in the fulfillment of its obligations as described in The Act and within the District's investment cap of $150 million dollars. Pursuant to the Act, the District is the horizontal developer thereby assuming the cost of site assemblage and preconstruction infrastructure preparation for the proposed stadium and ancillary development sites.

The assemblage of the stadium site will require the exchange of two District owned properties, the Frank Reeves Municipal Center and parcels located at 1st and K Streets NW with SW Landholder ("Akridge") and PEPCO respectively. To complete the stadium site assemblage the District is required to purchase Super Salvage and Rollingwood Real Estate. The City currently estimates its total site assemblage gross cost at $88.7 million dollars.

The Act requires the District to finance all of the preconstruction infrastructure site preparation which includes environmental remediation, utility relocations, demolition, soil excavation and all cost relating to preparing the Stadium site for construction. The District currently estimates its cost for preconstruction infrastructure preparation at $34.6 million dollars. In contrast, the OCFO estimates these costs to be $45.7 million. Both are estimates and there is not enough available information to determine the actual costs at this point.

The remainder of this section is intended to assist the Council in understanding the associated potential risks and impact to the District and the Soccer Stadium Development as currently presented in The Act. In order to thoroughly identify and evaluate the potential risks RBG comprehensively reviewed and analyzed all of the relevant documents including but not limited to the Development Agreement, Ground Lease, Exchange Agreements and subsequent Amendment, PEPCO Letter of Intent, The Act, a summary of the District's Chief Financial Officer Fiscal Impact Statement, the appraisals used by the District to negotiate the Stadium Site assemblage and the Preliminary Cost Estimates for the Stadium Site preconstruction infrastructure costs prepared by McKissack and McKissack.

In addition the team conducted extensive interviews with representatives from the Office of the City Administrator, the Office of the Chief Financial Officer and Events DC who were engaged in or had relevant information required for the analysis of the soccer stadium transaction.

As a result of its comprehensive analysis of the stadium transactions and its Principals' intimate experience as public officials who worked on the development of Washington's two major sports facilities, the Verizon Sports and Entertainment Center and the Washington National's MLB Stadium, RBG has identified and categorized potential risks to the City based on its knowledge of the risks associated with public/private stadium transactions that include the following:

1. **The Council of the District of Columbia, or a District Agency will materially alter the May 23, 2014 Land Exchange Agreement between the District and SWLH resulting in a renegotiation of the existing Agreement or potential termination of the Soccer Stadium Development Transaction as currently proposed**

2. **The Actual Cost of the District's Preconstruction Infrastructure Obligations Will Exceed Its Stated $150 million Dollar Development Cap**

3. **The District Expends $150 Million Dollars to Fulfill Its Land Acquisition and Preconstruction Infrastructure Obligations and Subsequently the DC United Fails to Construct the Soccer Stadium**

4. **Timing of the District's and Private Developers' Funding Obligations and Milestone Dates do not favorably align for the District under the Current Agreements.**

5. **Non-performance of Stadium Developer**

6. **Uncertainty surrounding the source of funding, design, development, and occupancy schedule for the proposed New Government Center in Anacostia.**

7. **DC Stadium LLC will seek a permanent Property Tax Exemption or a significant Discounted Property Assessment Value on the Stadium thereby eliminating or substantially reducing property taxes paid to the District.**

It should be noted that the information in this section is based on estimates and assumptions developed from research, knowledge of complex public private development and also information provided by the District and its contractors. Information provided by others has not been verified or audited and in some cases assumed to be correct. This analysis was based on all of the available information at the time of the evaluation. ***However, RBG has concluded there is insufficient documentation of the analysis of the existing environmental conditions and estimated***

cost to remediate the parcels in Buzzard Point that will be assembled for the stadium site, which is a major potential risk to the District.

RISK CATEGORY #1: The District City Council or a District Agency will materially alter the May 23, 2014 Land Exchange Agreement between the District and SWLH resulting in a renegotiation of the existing Exchange Agreement or potential termination of the Soccer Stadium Development Transaction as currently proposed.

On October 7, 2014 the above referenced Land Exchange Agreement between SWLH and the District was amended ("Amendment") to permit SWLH to renegotiate the Exchange Agreement if in its sole discretion it determines that the District City Council or any District Agency has placed conditions, restrictions or requirements on their approvals that materially impacts the Exchange Agreement.

The Amendment further requires the District to renegotiate in good faith with SWLH to preserve SWLH's expectations pursuant to the Exchange Agreement. If SWLH and District are unable to renegotiate the Exchange Agreement the Soccer Stadium Transaction could be terminated.

RISK CATEGORY #2: The Actual Cost of the District's Preconstruction Infrastructure Obligations will exceed the $150 Million Development Cost Cap.

Pursuant to the Development Agreement between the District and DC Soccer, LLC ("DC United"), the District is financially responsible for assuming the environmental remediation of the parcels in Buzzard Point, which form the site for the stadium.

Two of the parcels (The Ein and Super Salvage sites) have cost caps thereby limiting the District's cleanup cost to 5% and 7.5% of the parcel purchase prices, respectively. In the event the actual cost exceeded the District's cap, the seller would be required to pay the additional cost or could potentially cancel the sales transaction. Under the current Agreement, the District does not have cost caps limiting its cleanup cost of the two larger parcels owned by PEPCO and SW Land Holder, LLC ("SWLH").

The actual cost for the relocation of PEPCO'S Distribution Duct Bank and associated feeders, and the removal of the combustion turbines exceeds cost estimates;

- Pursuant to a Letter of Intent with PEPCO dated December 27, 2013 ("PEPCO LOI"); the District is required to relocate a PEPCO Distribution Duct Bank and the associated feeders at an estimated cost of $4.5 Million.
- Under the same PEPCO LOI, the District is required to remove multiple combustion turbines at an estimated cost of $1 Million.
- The estimated costs for the potential relocation or design around solution for the PEPCO high voltage lines described in the Agreement are currently unknown and is therefore an unquantifiable risk at this time;

- Pursuant to the current PEPCO LOI, and as part of its Preconstruction Infrastructure Obligations, the District is required to pay all costs associated with relocating the PEPCO high voltage power lines that run across the proposed stadium footprint. Estimated costs for relocation range from nominal amounts to $100 Million.
- The Stadium Developer is exploring the option of designing the proposed stadium around the PEPCO high voltage lines. Under the current agreement however, the District would be responsible for the partial cost of any material modifications to the stadium that were necessary to accommodate the stadium design around the high voltage lines. This cost will ultimately be predicated upon completion of the stadium design.

The Cost Estimates provided by the District for its Pre-Construction Infrastructure Obligations may have been generated without sufficient site data:

- The Site Preparation costs estimates that were prepared by the District for the stadium and ancillary development footprint were completed on May 15, 2014, which was before access had been granted to two of the four parcels (Ein and Super Salvage);
- There was insufficient data provided by the District or the Seller to confirm/verify the accuracy of the estimated site preparation cost particularly when the development footprint includes an electrical power site, and a salvage/scrap site;
- The District may be required to provide additional funding and exceed its predevelopment construction cap to fulfill its obligation under the Agreement or alternatively decide to terminate the entire project transaction;
- As currently structured, the Agreement has the District committing a substantial portion of its $150 Million acquisition and pre-construction infrastructure contribution to the project early in the development process. If the District spends a substantial portion or all of its $150 Million during these early phases without fully completing its site preparation obligations, there are numerous opportunities in which the Developer is still permitted to terminate or exit the transaction.

Excessive community benefits package requests will impact the District's $150 Million Cap:

- In similar projects of this nature and magnitude, the District has historically provided/funded a series of community benefits, which are sometimes very substantial for the surrounding neighborhood. Any community benefits packages will be funded or sourced from the $150 Million cap.

Pursuant to the Development Agreement, the Stadium Developer can "exit" the Transaction in the event it's stadium construction costs exceed 110% of the approved stadium project cost:

- This "exit clause" potentially exposes the District to any major cost overruns on the project.

RISK CATEGORY #3: District Expends $150 Million to Fulfill its Land Acquisition and Preconstruction Infrastructure Obligations and Subsequently the Developer Fails to Construct the Soccer Stadium

Pursuant to the current Agreement, the District must fund and complete all of its obligations by December 31, 2016 while the Developer is required to provide a substantially completed stadium ready for operation by March 1, 2018.

RISK CATEGORY #4: Timing of the District's and the Private Developer's Funding Obligations and Milestone Dates do not favorably align for the District

Below is a chart that identifies the risk to the District if it fails to meet the following milestones:

Milestone	Risk to District
June 15, 2015: Reeves Center repurchase deadline	
March 31, 2015: District must have Site Control of Land.	**Developer** has right to terminate agreement.
April 15, 2015: Feasibility Studies and any study undertaken by developer that reasonably demonstrates that stadium cannot be constructed for less than 110% of Projected Stadium Budget.	**Developer** may terminate the agreement.
June 1, 2015: Mutual agreement on solution to either relocate or design around PEPCO High Voltage Lines.	**Either party** may terminate agreement.
March 1, 2016: District must have completed Construction Infrastructure Obligations; demolished the Demolition Structure; and Completed the Voluntary Clean-up Plan.	District shall pay or shall cause Convention Center Authority to waive RFK facility fee for DC Soccer until District obligation completed. **Developer** may also decide to terminate agreement.
December 31, 2016: District must have completed Construction Infrastructure Obligations.	**Either party** may terminate agreement.

Additionally:

- Pursuant to the May 23, 2014 Exchange Agreement between SWLH and the District, SWLH may close on the transfer of the District-owned Reeves Center as early as 30 days after the passing of the District of Columbia Soccer Stadium

Development Act of 2014. This suggests that the transfer of the Reeves Center is not contingent upon the fulfillment of any obligation toward construction of the Stadium and therefore could transfer from the District to SWLH regardless of whether the soccer stadium is ever constructed.

- The October 7, 2014 Amendment to the Land Exchange Agreement permits the District to repurchase the Reeves Center from SWLH contingent upon a termination of the ground lease/transaction between DC Stadium LLC and the District occurring prior to June 15, 2015. Despite the Amendment, if the termination is not prior to June 15, 2015 the District will not be able to repurchase the Reeves Center regardless of whether the Stadium is ever constructed.
- Similarly, pursuant to the PEPCO LOI, the District-owned properties at 1st and K may also be transferred from the District to PEPCO as early as 30 days after passage of the Soccer Stadium Act.

RISK CATEGORY #5: Non Performance of the Stadium Developer

It has not been determined nor demonstrated whether DC Stadium LLC has the ability to finance the construction of a New Stadium and the proposed ancillary development.

Pursuant to the Agreement the District's Liquidated Damages (Penal Sum) against the Stadium Developer for failure to provide a substantially completed Stadium is limited to $5 Million and receipt of that amount is contingent upon Developer showing that it has spent in excess of $4.5 Million in Construction cost on the Stadium. Potentially the District may not receive any liquidated damages after spending all of its $150 Million on the Stadium Project.

RISK CATEGORY #6: Uncertainty surrounding the source of funding, design, development, and occupancy schedule for the proposed New Government Center in Anacostia

Pursuant to the May 23, 2014 Exchange Agreement between the District and SWLH, the District would be required to lease back from SWLH the space within the Reeves Center for a period of 3 years which is the timeframe contemplated for completing the New Government Center in Anacostia. Currently, there has not been a determination of the funding source or cost estimates for the proposed Center. There is also no schedule for the development, relocation and occupancy of the New Government Center. These unknowns subject the District to construction risk (delays from the entitlement process to actual relocation) and the obvious financial risks to the District associated with failing to complete and occupy the new center within 3 years.

Originally the lease back provision within the Exchange Agreement requires the District to pay to SWLH a premium of 150% of the existing rent for any District occupancy of the Reeves Center that extends beyond the three-year leaseback term.

Pursuant to the October 7, 2014 Amendment to the Land Exchange Agreement, the leaseback term has been extended by 6 months at 115% of base rate.

RISK CATEGORY #7: Funding future stadium renovation and improvements

As a stadium approaches its 10 – 15 year anniversary, it is not uncommon for stadium ownership to seek public financing for facility renovations, modifications, or upgrades. This potential risk would need to be integrated into the 30-year cost-benefit analysis.

RISK CATEGORY #8: DC Stadium LLC will seek a permanent Property Tax Exemption or a significant Discounted Property Assessment Value on the Stadium thereby eliminating or substantially reducing property taxes paid to the District.

As currently structured in its Ground Lease with the District, DC Stadium, LLC the Soccer Stadium Developer is required to pay Real Estate Taxes on the Stadium Land to the District on a phased in basis during the Term as set forth below:

Rent Year	Obligation to Pay Real Estate Taxes
Prior to the first Rent Year	0% of Assessed Value
Rent Years 1 – 5	0% of Assessed Value
Rent Years 6 – 10	25% of Assessed Value
Rent Years 11 – 15	50% of Assessed Value
Rent Years 16 – 20	75% of Assessed Value
Rent Years 21 – end of Term	100% of Assessed Value

This would make the DC Soccer Stadium the only major Sports complex from which the District would derive any property tax as opposed to the Nationals Park which is owned by the District and the Verizon Center which received a total exemption from property taxes 10 years after construction. There is a high probability that at some point the DC Stadium LLC would seek a permanent property tax exemption or alternatively a reduction in the assessed value of the Stadium Land placing property taxes paid to the District at risk of elimination or significant reduction.

Appendix A

MLS Stadium Development & Lease Case Studies

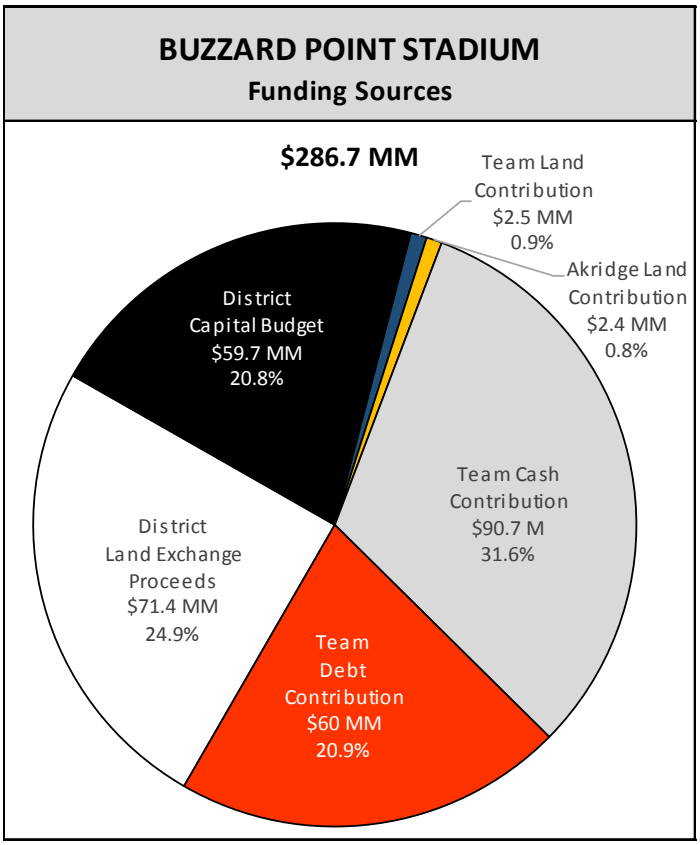
CONVENTIONS SPORTS & LEISURE

BUZZARD POINT STADIUM
D.C. UNITED

Estimated Year Opening:	2017
Estimated Project Costs:	$286.7 MM
Funding Sources:	
Public:	45.7%
Private:	54.3%
Stadium Owner:	D.C. United
Stadium Operator:	D.C. United

Anticipated to be completed in time for the 2017 MLS season, Buzzard Point Stadium is anticipated to cost $286.7 million to develop.

The public sector will be responsible for land acquisition, remediation and horizontal development at a total estimated cost of $131.1 million, or 45.7 percent of total estimated stadium project costs. The District of Columbia will provide $59.7 million from its capital budget and $71.4 million in net proceeds from land exchanges. It should be noted that the District's investment in land, remediation and infrastructure is capped at $150 million.



The private sector is anticipated to contribute $155.6 million, or 54.3 percent of total stadium project costs. Private funding is anticipated to come from $4.9 million in land contributions (D.C. United and Akridge), $90.7 million in team equity contributions and $60 million in D.C. United debt financing to be repaid through team and stadium revenues.

BUZZARD POINT STADIUM
D.C. UNITED

D.C. United and the District of Columbia will enter into a 30-year lease with three 5-year extension options. D.C. United will pay the District $1.00 per year in base rent as well as $2.00 per ticket sold in years 11 through 20 of the lease and $2.00 per ticket sold (excluding community events) adjusted for changes in the Consumer Price Index from years 22 through 30.

Other lease terms include sales and property tax abatements. For years 1 through 5 of the lease, D.C. United will pay no sales tax on day-of-game revenues. For years 6 through 10, D.C. United will pay 50 percent of sales taxes to the District. D.C. United will pay full sales tax after year 10 of the lease. D.C. United will pay no property tax in years 1 through 5 of the lease, 25 percent in years 6 through 10, 50 percent in years 11 through 15, 75 percent in years 16 through 20, and 100 percent in years 21 and beyond. The team is entitled to all revenues generated by the stadium and responsible for all expenses.

Buzzard Point Stadium
Lease Summary

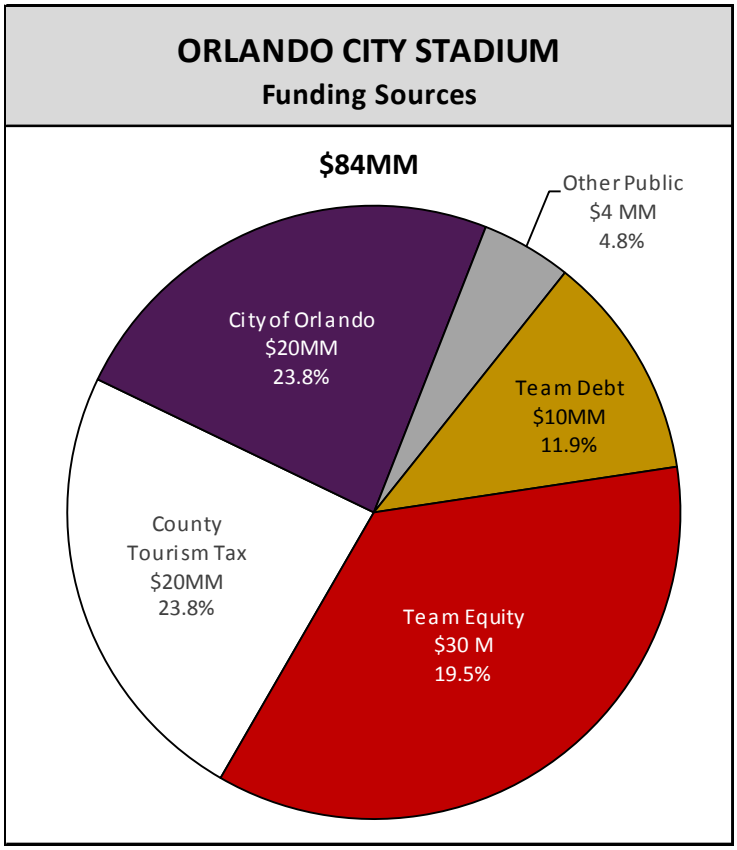
Initial Term:	30 years	
Rent:	Team pays District $1 per year plus $2.00 per ticket sold in years 11 to 30, CPI adjusted beginning in year 22.	
	Team	District
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

Also included in the lease is a Franchise Appreciation Recapture Clause. If the team is sold within five years of the commencement of the lease agreement, the District is entitled to 15 percent of franchise appreciation. The District and D.C. United have also agreed that 51 percent of stadium jobs will go to District residents, 50 percent of development contracts will go to CBE Businesses, 35 percent to small businesses, and 20 percent to disadvantaged business enterprises and 35 percent of stadium operation contracts will go to CBE businesses. The District will provide police protection for all stadium events at D.C. United's cost.

Estimated Year Opening:	2016
Estimated Project Costs:	$84 MM
Funding Sources:	
Public:	52.4%
Private:	47.6%
Stadium Owner:	City of Orlando
Stadium Operator:	Orlando City SC

Anticipated to be completed in time for the 2016 MLS season, the 19,500-seat Orlando City Stadium is anticipated to cost $84 million to develop.

The public sector is responsible for contributing $44 million, or 52.4 percent of total estimated stadium project costs. Public sector contributions include $20 million from the City of Orlando, $20 million from the County tourism tax and $4 million from various other public jurisdiction including $2 million from Seminole County.



The private sector is anticipated to contribute $40 million, or 47.6 percent of total stadium project costs. Private funding is provided by the Team via $30 million in owner equity contributions and $10 million in long-term debt issued by the City of Orlando but repaid with annual payments of $675,000 over 25 years from the team.

ORLANDO CITY STADIUM
ORLANDO CITY SOCCER CLUB

The City of Orlando will own the land and the stadium and will manage the day-to-day operations of the stadium through a 30-year lease with one 5-year extension option. Orlando City SC will pay the City an annual administrative expense fee of $550,000 per year, increasing 2.5 percent annually plus the lesser of 25 percent of the annual general administrative fee directly charged by the City to the City's Orlando Venues Department or the amount of the fee directly allocated to Orlando City Stadium.

Other lease terms include a Facility Fee dedicated to a Capital Reserve account funded through a $2.00 tax on all tickets to events at the stadium. The team retains all revenues and pays all expenses affiliated with team events, while the City retains all revenues and pays all expenses affiliated with all other events.

Orlando City Stadium
Lease Summary

Initial Term:	30 years	
Rent:	Team pays and Administrative expense of $550,000 per year to City increasing 2.5% annually	
	Team	City
Revenue Allocation[1]:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	0.0%	100.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs [2]	100.0%	0.0%

(1) Team retains all game day revenues and pays all game day expenses for MLS games. City retains all revenues from other events and pays all other non-team expenses.

(2) Facility Fee of $2 per ticket for all events is deposited into a Capital Reserve account

Because the stadium is owned and operated by the City, the team has not property tax obligation. The team is required to pay a 6.5 percent sales tax on tickets, concessions, merchandise and parking sales.

NEW SAN JOSE EARTHQUAKES STADIUM

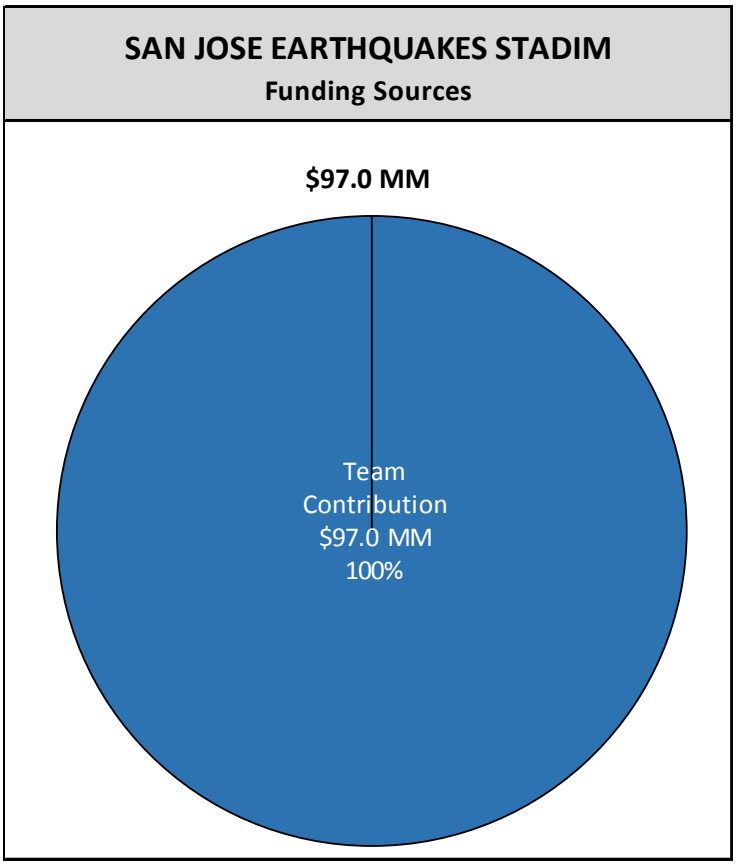
SAN JOSE EARTHQUAKES

Estimated Year Opening:	2015
Estimated Project Costs:	$97.0 MM
Funding Sources:	
Public:	0%
Private:	100%
Stadium Owner:	San Jose Earthquakes
Stadium Operator:	San Jose Earthquakes

The San Jose Earthquakes will move into their new stadium beginning with the 2015 MLS season. The privately funded stadium will contain 18,000 seats and cost an estimated $97.0 million ($90 million stadium and $7 million land).

The City of San Jose assisted the Earthquakes by ensuring that the land price for the 14 acres on which the stadium will sit was sold at an industrial rate of $11.50 per square foot in 2009. Total cost for the land was approximately $7.0 million.

After purchasing the land for a new stadium from the City of San Jose, the San Jose Earthquakes will privately fund, own and operate the venue. Team ownership's contribution towards the stadium development cost is in the form of owner's equity (no debt).



NEW SAN JOSE EARTHQUAKES STADIUM
SAN JOSE EARTHQUAKES

There is no management or lease agreement between the Team and City. The Earthquakes receive all revenue and pays all stadium, game day and capital repair expenses.

Because the stadium and land will be privately owned, the Earthquakes will be required to pay property taxes upon completion of the stadium in 2015. It is estimated that the Earthquakes annual property tax obligation will approximate $1.2 million annually.

In addition to property taxes, ticket sales, concessions, merchandise and parking will be subject to an 8.75 percent sales tax rate. No additional ticket taxes or surcharges will apply.

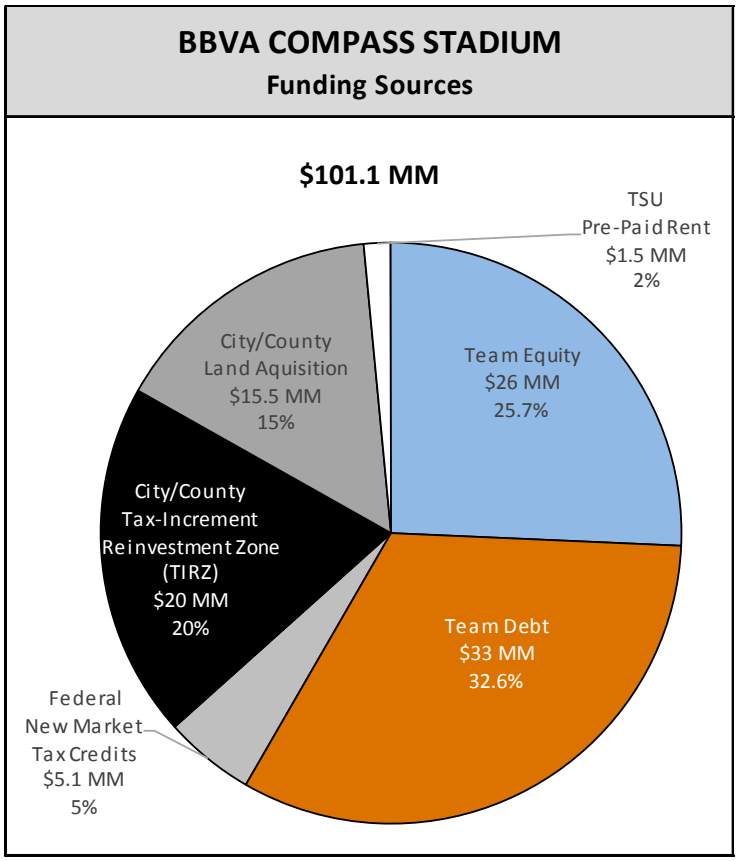
San Jose Earthquakes Stadium Lease Summary		
Initial Term:		Not applicable
Rent:		Not applicable
	Team	City
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

BBVA COMPASS STADIUM
HOUSTON DYNAMO

Year Opened:	2012
Project Costs:	$101.1 MM
Funding Sources:	
Public:	40.2%
Private:	59.8%
Stadium Owner:	Harris County-Houston Sports Authority
Stadium Operator:	AEG (Team)

Opened in 2012, the 22,039-seat BBVA Compass Stadium cost a total of $101.1 million to develop. The venue is owned by the Harris County-Houston Sports Authority and operated by AEG, owner of the Houston Dynamo.

Public sector funding accounted for $40.6 million, or 40.2 percent, of total project costs. Public funding included $15.5 million in land acquisition (the cost of which was split equally between the City and County), $20 million in City tax-increment reinvestment zone (TIRZ) bonds secured by incremental City and County property taxes (the County returns 65 percent and the City return 5 percent of incremental property tax revenues) and $5.1 million in Federal New Market Tax Credits.



Private funding comprised $60.5 million, or 59.8 percent, of project costs. Private funding came from $33 million in team debt secured though team/stadium revenues, $26 million in upfront team equity and $1.5 million in pre-paid rents from Texas Southern University. TSU's football team will serve as an additional tenant in the building for 30 years.

BBVA COMPASS STADIUM
HOUSTON DYNAMO

Signed in 2011, the 30-year lease on BBVA Compass Stadium requires the Houston Dynamo pay $65,000 per year in annual rent, while contributing $100,000 per year to the capital improvement fund in years 1 to 10, $200,000 per year in years 11 to 20, and $425,000 per year in years 21 to 30. The team receives all revenue from the stadium and is responsible for all stadium operations, game-day and capital repair expenses. The team is exempt from paying property taxes.

The lease between the Dynamo and the Harris County-Houston Sports Authority also includes relocation and home game requirement terms. In the event the team is relocated during the terms of the lease, it is required to pay $1M per year for each remaining full year on the lease, plus a pro-rated fee for each partial year remaining.

The team can play five home games outside of the stadium provided each home game is reasonably expected to sell 30,000 tickets and each home game is played in Harris County. Two of the five home games can be played outside of the County provided that the opponent is not another MLS franchise. If the team plays other home games outside of the stadium outside of the previous conditions, they are required to pay a $250,000 fee to the County and Houston Sports Authority.

BBVA Compass Stadium
Lease Summary

Initial Term:		30 years
Rent:		Team pays City $65,000 rent annually
	Team	City
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	(1)	(1)

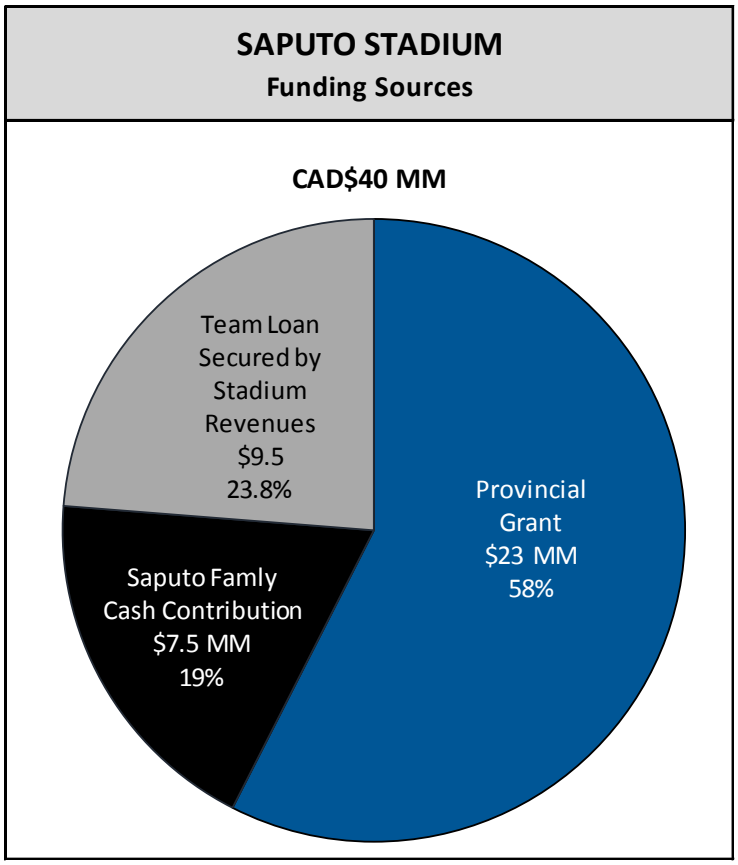
(1) Team deposits $100k annually in years 1-10; $200k annually in years 11-20 and $425k annually in years 21-30. The City is responsible for any capital expenditures incurred beyond team contribution.

The Dynamo are not assessed property taxes on the stadium because the stadium and land is owned by the public sector. However, the stadium's ticket, concessions, merchandise and parking sales are subject to an 8.25 percent sales tax.

SAPUTO STADIUM
MONTREAL IMPACT

Year Opened:	2008 / 2012
Project Costs:	CAD$40 MM
Funding Sources:	
Public:	57.5%
Private:	42.5%
Stadium Owner:	Saputo, Inc. (Team Owner)
Stadium Operator:	Montreal Impact

Originally opened in 2008 as a 13,034-seat stadium at a cost of CAD$17 million, Saputo Stadium was expanded to 20,521 seats at a cost of CAD$23 million in 2012, bringing the total investment in the stadium to CAD$40 million. Overall, total stadium funding comprised 57.5 percent public funds and 42.5 percent private funds when considering the 2008 and 2012 projects together.



The initial CAD$17 million stadium development costs were funded by a $7.5 million cash contribution from the Saputo family, owners of the Montreal Impact, as well as a CAD$9.5, 25-year loan secured by stadium revenues and guaranteed by the Saputo family.

The 2012 stadium expansion to accommodate MLS (team competed in NASL before moving to MLS) cost CAD$23 million and was funded by a grant from the Province of Quebec.

SAPUTO STADIUM
MONTREAL IMPACT

Located in Montreal, Saputo Stadium was built on the former practice track and field at Olympic Park, site of the 1976 Summer Olympics. In addition to the stadium, the development includes the team's administrative headquarters, two indoor training fields and one outdoor practice field.

The Regie des Installations Olympiques (The Olympic Installations Board – "OIB"), the provincial government agency that runs Olympic Park, contributed the land for the facility (1.6 million square feet in Olympic Park) through a 40 year emphyteutic lease (a lease vehicle commonly used in Quebec government owned properties whereby the lessee must improve the property with construction). The terms of the lease are nominal and the land and control of the stadium reverts to Olympic Park at the end of the lease.

Saputo Stadium
Lease Summary

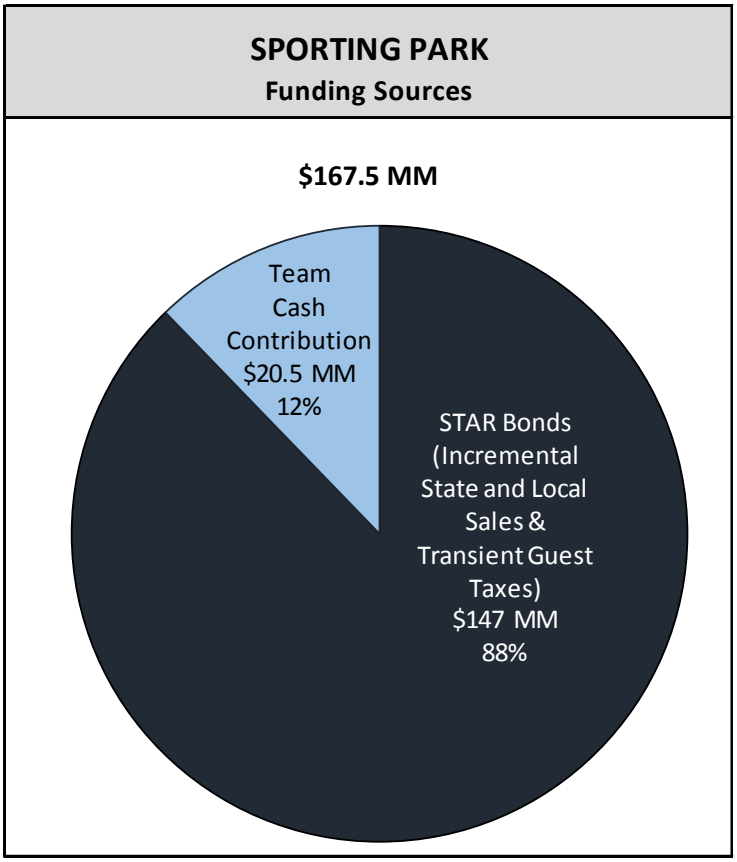
	Team	City
Initial Term:		40 years
Rent:		Nominal
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

The stadium is privately owned and operated by Saputo, Inc., owner of the MLS Montreal Impact. The team retains all revenues generated at the stadium and is responsible for all stadium operating expenses, game-day expenses and capital repairs.

Ticket, concession, merchandise and parking sales are subject to a 14.975 percent sales tax.

Year Opened:	2011
Project Costs:	$167.5 MM
Funding Sources:	
Public:	88%
Private:	12%
Stadium Owner:	Kansas Unified Development LLC (Team)
Stadium Operator:	Kansas Unified Development LLC (Team)

The $167.5 million, 18,467-seat Sporting Park ($161.5 million stadium and $6 million land) opened in 2011. In addition to the stadium, team ownership agreed to develop 18 tournament fields in Wyandotte County Park to host national level soccer competitions, three recreational fields and a 600,000 square foot office campus to be occupied by Cerner Corporation, which has ties to team ownership. These costs are in addition to the stadium costs noted herein.



The public sector contributed 88 percent of stadium development costs through $147 million in Sales Tax Revenue Bonds (STAR Bonds) backed by sales tax and transient room taxes in the 1,500 acre Village West mixed-use district.

The team provided the remaining $20.5 million in projecting funding through a $14.5 million upfront contribution and $6 million in land acquisition paid back over 10 years.

SPORTING PARK
SPORTING KC

Sporting Park is privately owned and operated by Kansas Unified Development, LLC, which is affiliated with Sporting KC ownership. As a result, the team retains all revenues and pays all expenses associated with Sporting Park operations.

Sporting KC pays the Unified Government an annual payment of $545,455 over the first 11 years of stadium operations (2010 through 2021) as repayment for the cost of the land on which the stadium sits. Additionally, a 1.0 percent ticket tax that is dedicated to parking lot/structure improvements is assessed on all tickets sold to Sporting KC events.

Sporting KC pays property taxes on Sporting Park in the amount of $1.2 million annually. The team is disputing the stadium valuation in an effort to reduce its property tax burden.

Sporting Park
Lease Summary

Initial Term:		20 years
Rent:		Team pays UG $545,455 annually from 2010 to 2021 for cost of land.
	Team	Unified Gov't
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

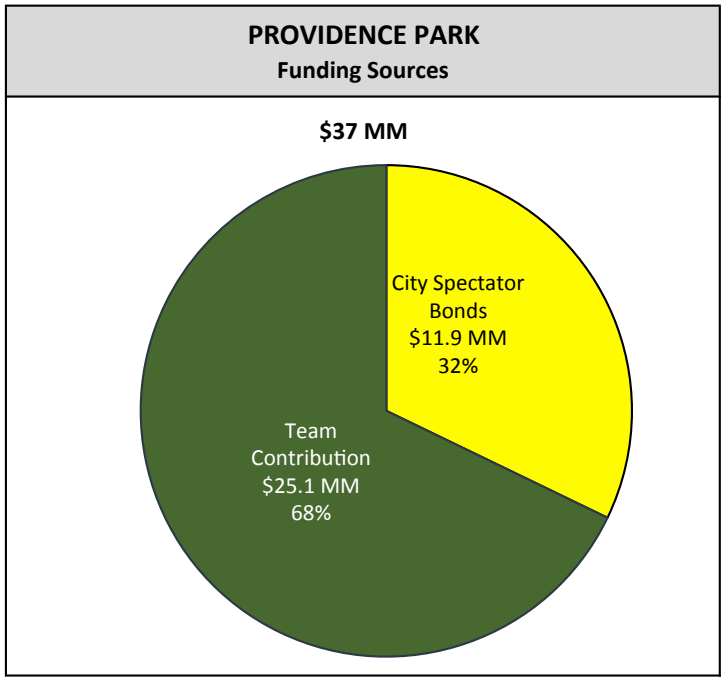
In addition to property taxes, Sporting KC pays a 9.875 percent sales tax on ticket, concession, merchandise and parking sales. Additionally, Sporting KC pays a $1.00 ticket surcharge plus one percent of ticket sales in addition to the sales taxes.

PROVIDENCE PARK

PORTLAND TIMBERS

Year Opened:	2011
Project Costs:	$37 MM
Funding Sources:	
Public:	32.1%
Private:	67.9%
Stadium Owner:	City of Portland
Stadium Operator:	Peregrine Sports, LLC (Team)

Originally built in 1926, Providence Park underwent $37 million in renovations to convert the former minor league baseball stadium into a soccer-specific venue and the new home for the MLS Portland Timbers. Previously, in 2001 the baseball venue underwent a $38 million renovation which added suites, made ADA and seismic upgrades and improved restrooms and concessions. These costs are not included herein, but it should be noted the most recent renovation to accommodate MLS would have cost substantially more without the 2001 upgrades.



The public sector funded $11.9 million, or 32.1 percent, of project costs associated with stadium renovation. The City contributed monies from the Spectator Fund bonds which is a self-supporting enterprise fund set up by the City that collects seven percent of ticket revenues from Rose Quarter and Memorial Coliseum tickets sold and all city-owned Rose Quarter parking revenue. All bonds issued by the Spectator Fund are backed by the City's general fund.

The Timbers contributed the remaining $25.1 million, or 67.9 percent, of project funding including an initial $19.1 million contribution and $6 million in cost overruns. The team has the ability to recover the present value of $1 million in overruns through the waiver

of rent and usage fees during a three year extension on the 25-year lease of the stadium. The City of Portland owns Providence Park and the team operates the stadium under the lease agreement.

The team pays $875,000 in rent, which increases $25,000 per year through the first seven years of the lease. The City also receives a seven percent user fee on tickets sold, with a minimum annual guarantee of $612,500, escalating each year thereafter for the first seven years of the lease. Additionally, the team agreed to pay $50,000 per year to the City for construction and maintenance of youth fields in Portland for the first five years of the lease agreement.

Providence Park
Lease Summary

Initial Term:	25 years	
Rent:	Team pays City $875,000 in rent annually for first 7 years, escalating $25,000 per year	
	Team	City
Revenue Allocation:		
Ticket Sales	100.0%	0.0% (1)
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	Variable	Variable

(1) Team pays City 7% user fee on tickets sold during first 7 years of lease, with minimum annual guarantee of $612,500. This fee is in addition to the stated ticket price.

During the terms of the agreement, the team is responsible for stadium and game day expenses. The City is responsible for structural repairs to the stadium (foundation, roof, exterior walls, etc.) and $100,000 per year towards turf maintenance, escalated at three percent per year. The team is responsible for installing a grass field for single events or permanently, should it be required.

In addition to the initial 25-year operating term, the lease agreement between the team and the City has a 3-year extension option that can be exercised by the team under two scenarios. First, if the team funds cost overruns for Providence Park, the expenses can be offset by rent payment and the City's ticket share revenue during the extension. Second, if the team funds cost overruns for Providence Park, the team can decide to extend the lease for three years without rent payment or ticket revenue sharing to allow a recovery of up to $1 million.

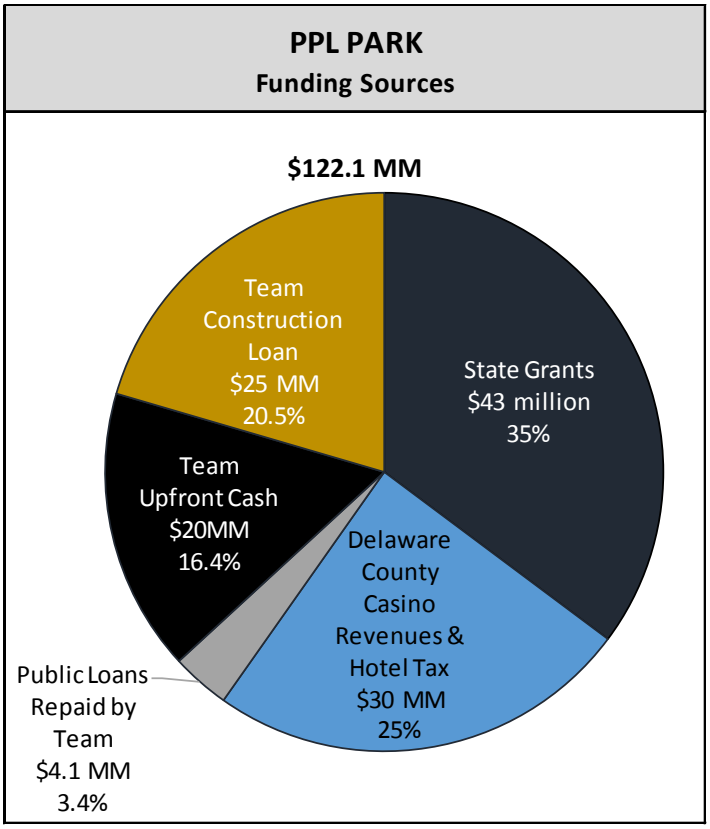
PPL PARK
PHILADELPHIA UNION

Project Costs:	$122.1 MM
Funding Sources:	
Public:	59.8%
Private:	40.2%
Stadium Owner:	Delaware County
Stadium Operator:	Keystone Sports & Entertainment (Team)

Opened in 2010, PPL Park is an 18,500-seat soccer stadium located in Chester City, Pennsylvania. The $122.1 million venue is owned by Delaware County and operated by Keystone Sports & Entertainment, owner of the MLS Philadelphia Union.

Public funding for the stadium comprised 59.8 percent of total project costs and included a $43 million in various non-recourse State grants and $30 million from Delaware County revenue bonds back by casino revenues and, later, hotel tax revenues. Hotel taxes were recently increased to fund the County's obligation due to insufficient casino revenues.

Private funding accounted for 40.2 percent of total project costs and came in the form of a $20 million upfront cash contribution by team ownership, a $25 million team construction loan secured by team/stadium revenues and $4.1 million in public loans that are being repaid by the team.



PPL PARK
PHILADELPHIA UNION

PPL Park is owned by Delaware County and operated by the Philadelphia Union under a 50-year lease agreement.

The team pays the County an annual PILOT (Payment In Lieu of Taxes) of $500,000 per year from 2010 through 2014, decreasing to $150,000 per year from 2015 through 2060.

In addition to PILOT payments, the team pays a 6.0 percent sales tax on ticket, concession, merchandise and parking sales.

The team retains all stadium revenues and pays all stadium, game-day and capital repair expenses.

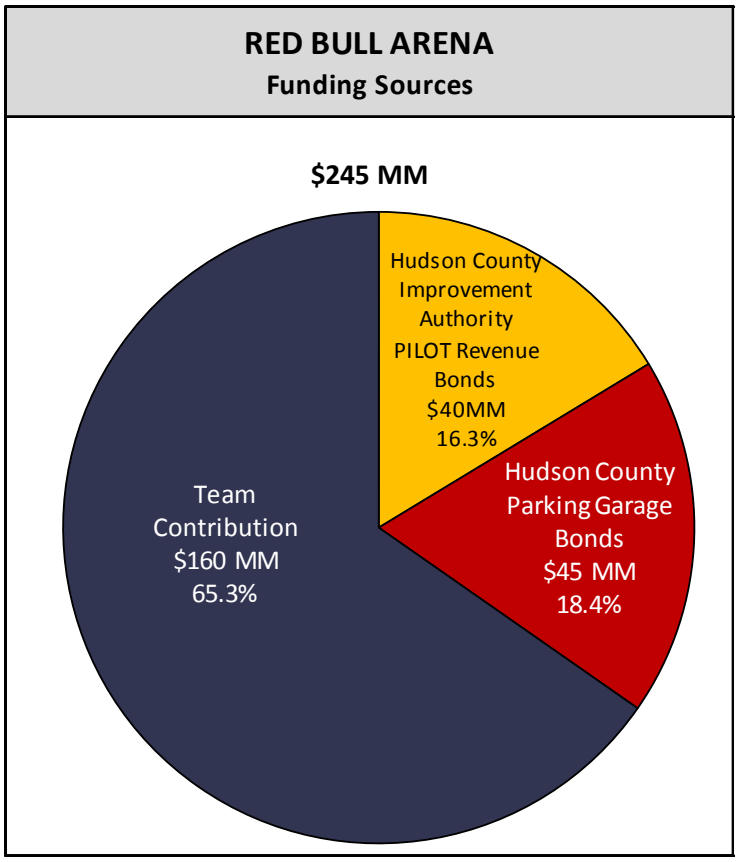
PPL Park
Lease Summary

Initial Term:	50 years	
Rent:	Team makes $500,000 annual PILOT payment to County, decreases to $150,000 from 2015-60	
	Team	County
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

RED BULL ARENA
NEW YORK RED BULLS

Year Opened:	2010
Project Costs:	$245 MM
Funding Sources:	
Public:	34.7%
Private:	65.3%
Stadium Owner:	Stadium –NY Red Bulls / Land – Town
Stadium Operator:	NY Red Bulls

Opened in 2010, the 25,000-seat Red Bull Arena was developed at a cost of $245 million ($160 million stadium, $40 million land acquisition/remediation and $45 million parking garage).



Public sector funding accounted for $85 million, or 34.7 percent, of project costs. Public funding included $40 million in Hudson County Improvement Authority revenue bonds to be repaid by future payment in lieu of tax receipts on future development (guaranteed by the City of Harrison) and $45 million in Hudson County Improvement Authority bonds to construct a 1,440 space parking garage (guaranteed by Hudson County).

Private sector funding accounted for $160 million, or 65.3 percent, of total project costs and was derived entirely from the Red Bull New York.

The Harrison Redevelopment Agency (HRA) owns the land on which the stadium sits, while New York Red Bulls owns the stadium. HRA leases the land to the Hudson County Improvement Authority (Authority). The Authority, in turn, subleases the land to the team through a 30-year lease agreement that includes four 5-year extension options.

The team pays $150,000 in rent per year to the Authority and is entitled to all revenues and responsible for all expenses related to the stadium. The team is also responsible for capital improvements to the venue.

The HRA has the right to use the stadium for up to four (4) civic events per year provided it does not conflict with Red Bulls games or other events scheduled by the team. The Red Bulls receive 50 percent of net revenues from these civic events.

The team filed a lawsuit against the HRA and Authority regarding property taxes assessed on the venue. The team claimed the lease agreement exempted them from paying property taxes. The court ruled against the team. Annual property taxes approximate $1.4 million.

Red Bull Arena
Lease Summary

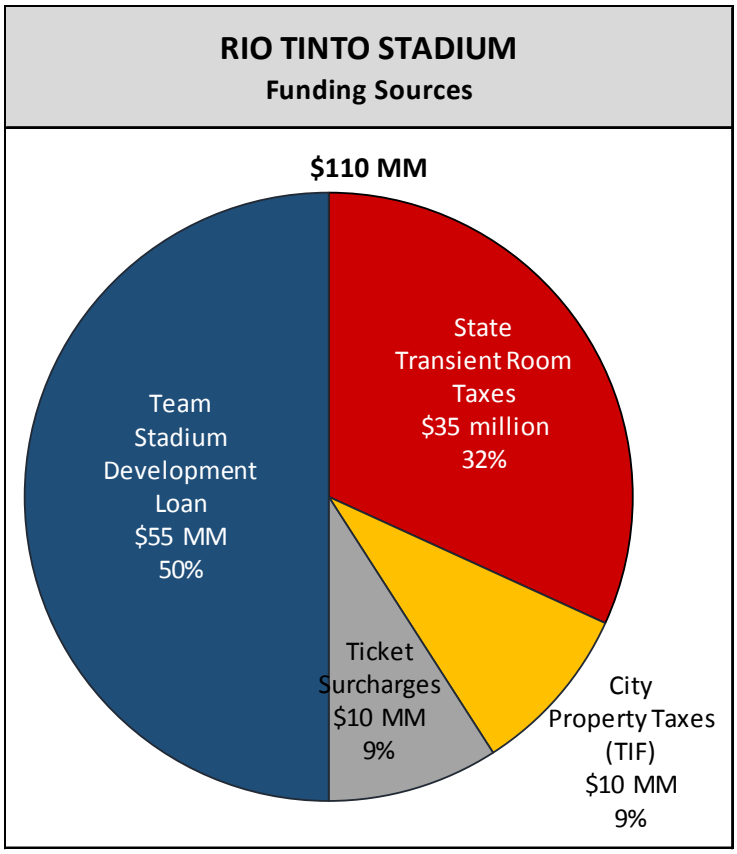
Initial Term:		30 years
Rent:		Team pays the Town of Harrison $150,000 per year
	Team	Town
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

In addition to property taxes, the Red Bulls pay a 7.0 percent sales tax on tickets, concessions, merchandise and parking sales. The Red Bulls are not assessed any additional ticket taxes or surcharges.

Year Opened:	2008
Project Costs:	$110 MM
Funding Sources:	
Public:	40.9%
Private:	59.1%
Stadium Owner:	Real Salt Lake
Stadium Operator:	Real Salt Lake

Opened in 2008, the 20,000-seat Rio Tinto Stadium cost $110 million to develop.

The public sector contributed 40.9 percent of stadium development costs for land acquisition and infrastructure costs. Public sector contributions included $35 million from the State of Utah backed by a 4.25 percent transient room tax that was set to expire but was extended for the stadium project and $10 million from the City of Sandy Community Development Area bonds backed by incremental property taxes.



Private funding for stadium development costs included a $65 million contribution from Real Salt Lake. The team secured a $10 million loan secured by a ticket surcharge and a $55 million stadium development loan secured by team and stadium revenues.

RIO TINTO STADIUM
REAL SALT LAKE

The Redevelopment Agency of Sandy owns the land underneath the stadium and parking facilities, while Real Salt Lake owns the stadium. The team pays the Redevelopment Agency $1.00 per year to lease the land for 50 years. There is an option to extend the lease for an additional 10 years.

The team receives all revenues generated at the stadium and pays for all stadium, game day and capital repairs expenses. The team is also required to pay all applicable property and sales taxes associated with the stadium.

Real Salt Lake's annual property tax obligation is approximately $881,000. Additionally, ticket, concessions, merchandise and parking sales are subject to a 6.85 percent sales tax and there is a $3.00 surcharge per ticket sold.

Rio Tinto Park
Lease Summary

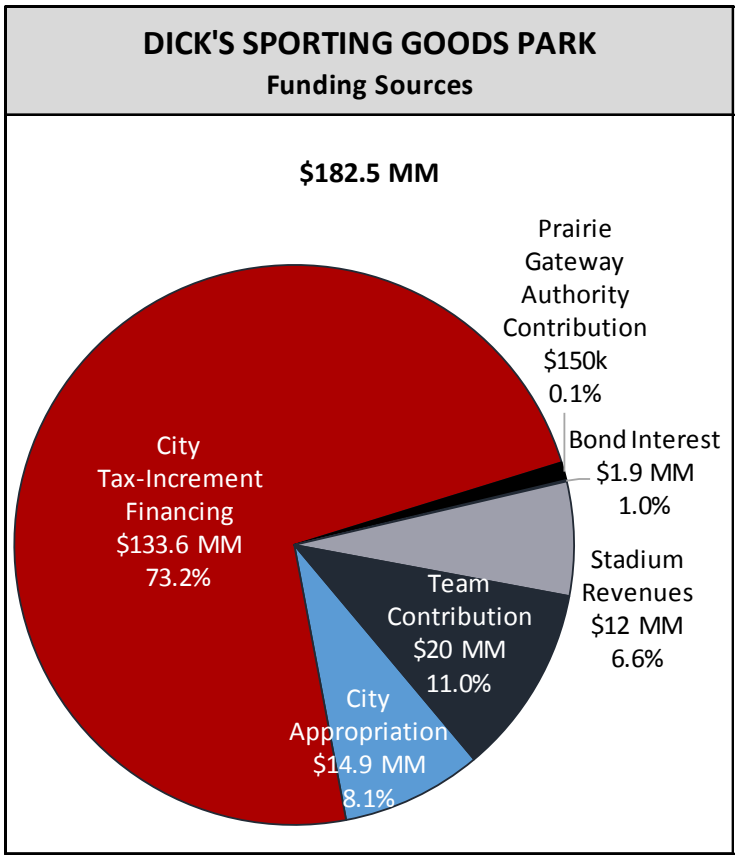
Initial Term:		50 years
Rent:		Team pays the Redevelopment Agency $1 per year
	Team	Redev. Agency
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

DICK'S SPORTING GOODS PARK

COLORADO RAPIDS

Year Opened:	2007
Project Costs:	$182.5 MM
Funding Sources:	
Public:	82.4%
Private:	17.6%
Stadium Owner:	Commerce City
Stadium Operator:	Kroenke Sports Enterprises (Team)

Opened in 2007, Dick's Sporting Goods Park includes an 18,458-seat stadium and 24 soccer fields. Total development costs were $182.5 million ($95.4 million infrastructure, $71.2 million stadium and $15.9 million soccer fields).



Public sector funding accounted for $150.4 million, or 82.4 percent, of project costs. Public funding included $133.6 million in tax-increment financing, a $14.9 City appropriation and $1.9 million in bond interest income.

Private sector funding accounted for $32 million, or 17.6 percent, of total project costs, including a $20 million equity contribution from Kroenke Sports and $12 million in City-issued bonds that being are repaid by the team.

DICK'S SPORTING GOODS PARK
COLORADO RAPIDS

Commerce City owns the land and stadium, while the team operates the stadium and soccer field complex through a 25-year management agreement. The agreement has five 5-year renewal options.

KSE pays $1.00 per year in base rent, while receiving all venue revenues, except parking, and paying all stadium, game-day and capital repair expenses. The City receives all parking revenue.

Additional rent payments from KSE include using stadium revenues to back $12 million of the City bonds issued for the project. Additional rent payments are not to exceed $1.2 million per year. At the end of the lease agreement, KSE has the option to purchase the stadium and stadium land for $1. Additionally, KSE will have the option to purchase the youth fields for a price to be determined. If the lease agreement is terminated early, KSE shall pay an $800,000 fee to the City.

Dick's Sporting Goods Park
Lease Summary

Initial Term:		25 years
Rent:		Team pays City $1.00 in rent annually plus up to $1.2 million annually to repay City bonds
	Team	City
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	0.0%	100.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

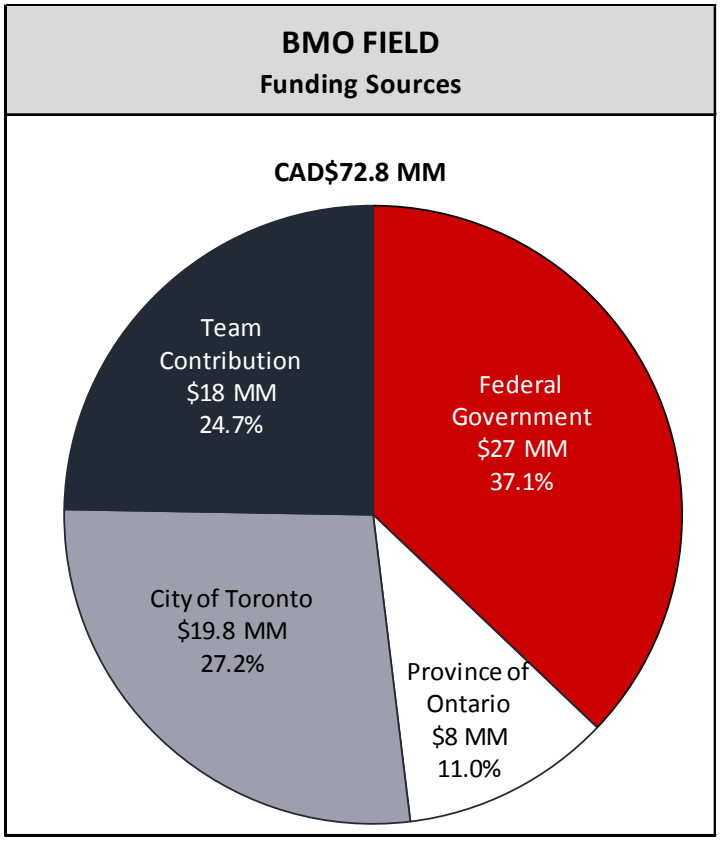
Dick's Sporting Goods Park anchors the 917-acre Prairie Gateway site that is a public-private partnership between KSE and Commerce City. The site includes the new Commerce City municipal hall, new visitors' center for the Rocky Mountain Arsenal Wildlife Refuge and offices for the U.S. Fish and Wildlife Service. KSE has the first right to develop ancillary businesses. It is anticipated that a hotel, big box retail, and additional restaurants will be constructed as part of the Victory Crossing Development.

Appendix A

BMO FIELD
TORONTO FC

Year Opened:	2007
Project Costs:	CAD$72.8 MM
Funding Sources:	
Public:	75.3%
Private:	24.7%
Stadium Owner:	City of Toronto
Stadium Operator:	Maple Leaf Sports & Entertainment (Team)

Opened in 2007, the 21,566-seat BMO Field is home to Toronto FC. The total cost to develop the stadium was CAD$72.8 million (CAD$62.8 million stadium and CAD$10 million land).



The public sector contributed CAD$54.8 million towards stadium development, or about 75.3 percent of total project costs. Public funding included CAD$27 million from the Federal Government, CAD$19.8 million from the City of Toronto (inclusive of land contribution valued at CAD$10 million), and CAD$8 million from the Province of Ontario.

Maple Leaf Sports and Entertainment Limited (MLSE), owner of Toronto FC, contributed a total of CAD$18 million towards stadium project costs, inclusive of CAD$10 million for the stadium naming rights for the duration of the 20-year management agreement. The team subsequently sold those rights to the Bank of Montreal for CAD$27 million over 10 years. MLSE was responsible for any construction cost overruns.

BMO Field is owned by the City of Toronto and operated by Toronto FC under a 20-year license and management agreement. The City is responsible for the stadium operating budget and pays the team $200,000 annually to manage the stadium on behalf of the City. The City receives a portion of various stadium revenues to cover stadium operating expenses. Specifically, the team pays the City 7 percent of ticket sales, 75 percent of concessions, 15 percent of merchandise, 66 percent of parking, 55 percent of premium seating and 17.5 percent of advertising/sponsorships (excluding naming rights). The agreement calls for a $400,000 per year contribution (adjusted by CPI annually from year six onward) from stadium operations to a capital reserve account held by the City.

BMO Field
Lease Summary

Initial Term:		20 years
Rent:		City pays Team $200,000 annually to manage stadium
	Team	City
Revenue Allocation:		
Ticket Sales	93.0%	7.0%
Concessions	25.0%	75.0%
Merchandise	85.0%	15.0%
Parking	33.3%	66.7%
Private Suites	45.0%	55.0%
Club Seats	45.0%	55.0%
Sponsorships	82.5%	17.5%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	0.0%	100.0% (1)
Game Day Expenses	100.0%	0.0%
Capital Repairs	0.0%	100.0% (2)

(1) In event of stadium operating losses, the team pays the first $250,000 in losses. Once that amount has been spent, any remaining stadium operating losses during the term of the lease are split equally between the team and City. The team and City share equally in any stadium operating profits.
(2) Funded in the amount of $400k annually from stadium operations, which is the responsibility of the City unless there are operating losses. Operating losses are shared between the City and team.

The City faces risk in that if stadium operating costs exceed revenues, then 50 percent of the operating deficits and any shortfalls in the capital funding must be funded by the City. MLSE provided a no-time, non-revolving fund of $250,000 to address operating shortfalls in the first instance. However, once the $250,000 fund is depleted remaining operating shortfalls are to be funded equally by MLSE and the City. Toronto FC and the City share equally any stadium revenue in excess of operating expenses each year.

The City has the right to use the stadium for any other available dates other than Toronto FC and FIFA games. The City also entered into an agreement with the Canadian Soccer Association for the stadium to serve as the home for Canada's international soccer teams and be used annually on a cost recovery basis only for the City, CNE, World's Fair and Olympics (subject to use for regularly scheduled MLS and FIFA games) and for other public events. CNEA has the right to use the stadium (subject to use for

regularly-scheduled major league soccer games and FIFA games) during the 18-day CNE period.

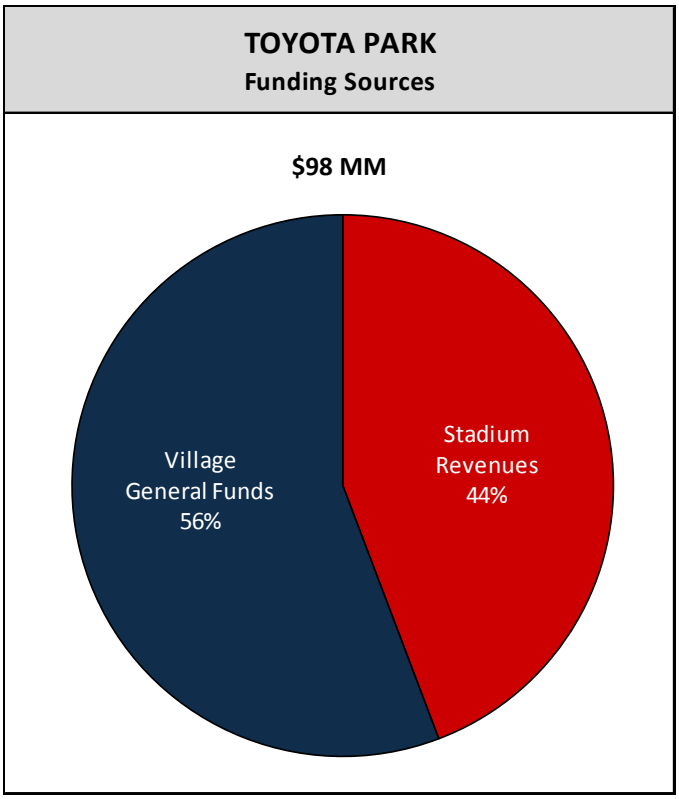
Because the stadium and land is owned by the City, Toronto FC has not property tax obligations associated with BMO Field. The team pays a 13.0 percent sales tax on tickets, concessions, merchandise and parking. No other ticket taxes or surcharges apply.

It was recently announced that BMO Field is scheduled to undergo a $120 million expansion project, which will extend the license and management agreement on the stadium ten years through 2037. Under the amended license, Toronto FC will no longer pay the City rent and share various revenues, but rather will provide the City with a Guaranteed Annual Payment of $963,000 and 66 percent of parking revenues for the venue. Toronto FC will be entitled to all other revenues and responsible for all expenses.

TOYOTA PARK
CHICAGO FIRE

Year Opened:	2006
Project Costs:	$98 MM
Funding Sources:	
Public:	55.8%
Private:	44.2%
Stadium Owner:	Village of Bridgeview
Stadium Operator:	Village of Bridgeview

Opened in 2006, Toyota Park is a $98 million, 60-acre complex that is located in the Chicago suburb of Bridgeview, Illinois and is home to the MLS Chicago Fire. The stadium has a soccer capacity of 20,000 seats.



The Village of Bridgeview issued a total of $134 million in taxable general obligations bonds in 2005 of which a portion were used to finance the construction of the $98 million stadium and the remaining portion was used for other purposes. At the time of financing, repayment of the stadium bonds were envisioned to come entirely from private revenue sources generated to the Village from stadium lease payments including rent and a share of ticket sales, concessions, merchandise, parking, premium seating, sponsorships and naming rights.

Stadium debt service payments approximate $8.2 million annually over 30 years and are the responsibility of the Village. Each year since the stadium opened, the stadium revenues generated to the Village have not been sufficient to cover stadium debt service payments, requiring the Village to use its own funds to meet debt service payments. The amount of shortfall has grown from $1.7 million in 2007 to $6.5 million in 2010, the latest year for which audited financial information was available from the Village. The Village has increased its property tax millage rate to cover the shortfall.

Toyota Park is owned and operated by the Village of Bridgeview. The Chicago Fire serve as a tenant in the stadium under a 30-year lease agreement, which commenced in 2005.

The Chicago Fire pay the Village annual rent in the amount of $300,000. Additionally, the team and Village share various stadium revenues. Specifically, the team pays the Village eight percent of ticket sales, 50 percent of concessions, 77.5 percent of merchandise, 50 percent of parking and 70 percent of sponsorships and naming rights.

Toyota Park
Lease Summary

Initial Term:		30 years
Rent:		*Team pays Village $300,0000 annually*
	Team	Village
Revenue Allocation:		
Ticket Sales	92.0%	8.0%
Concessions	50.0%	50.0%
Merchandise	22.5%	77.5%
Parking	50.0%	50.0%
Private Suites	30.0%	70.0%
Club Seats	30.0%	70.0%
Sponsorships	30.0%	70.0%
Naming rights	30.0%	70.0%
Expense Allocation:		
Stadium Expenses	0.0%	100.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	0.0%	100.0%

The Village has the exclusive rights to sell all premium seats in the stadium and shares 30 percent with the team. The team has the right to sell any remaining unsold premium seats. The team is responsible for setting the price of non-premium seats. Non-premium tickets are sold at the stadium box office, which is operated by Village employees. The team is responsible for operating expenses of the box office.

The Village is responsible for stadium operating expenses and capital reserve funding while the team is responsible for game-day expenses associated with its home games.

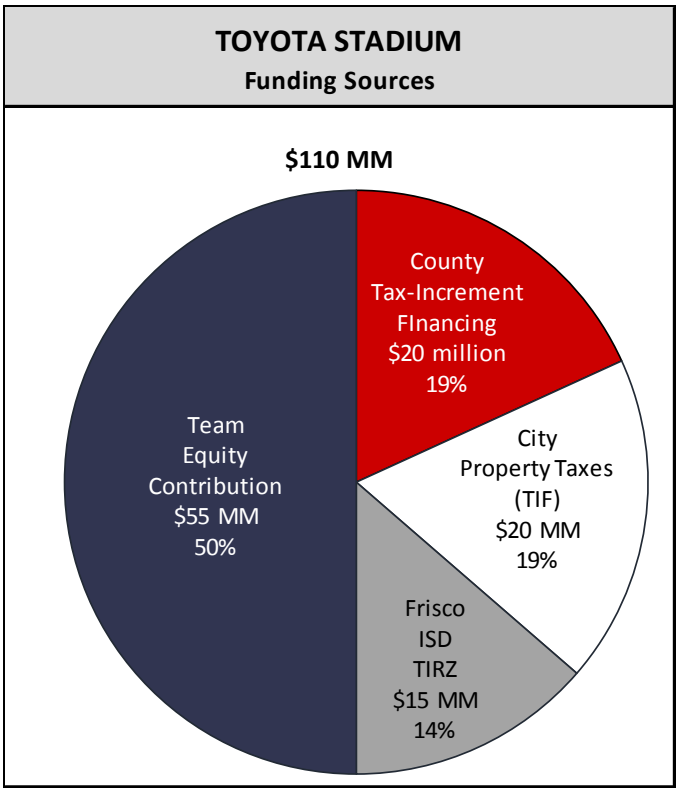
Because the Village owns the land and stadium, the team does not have a property tax obligation. The team pays a 9.0 percent sales tax on tickets, concessions and merchandise and a 6.0 percent sales tax on parking. No additional ticket taxes or surcharges apply.

TOYOTA STADIUM
FC DALLAS

Year Opened:	2005
Project Costs:	$110 MM
Funding Sources:	
Public:	50.0%
Private:	50.0%
Stadium Owner:	City of Frisco
Stadium Operator:	Hunt Sports Group (Team)

Opened in 2005, the 20,500-seat Toyota Stadium and 17-field Toyota Soccer Park were developed at a cost of $110 million ($55 million stadium, $22 million land, $20 million soccer fields, and $13 million parking).

Public sector funding accounted for 50 percent of project costs, including a $20 million contribution each from Collin County and the City of Frisco via tax-increment financing (TIF), and $15 million from the Frisco Independent School District from school bond proceeds backed by property taxes. The school district originally had budgeted $17.5 million to build its own stadium, but elected to partner on the development of Toyota Stadium in exchange for use of the stadium.



Private funding accounted for 50 percent of development costs. Specifically, the Hunt Sports Group contributed $55 million in cash (no debt) towards the project. The initial stadium complex budget was $65 million and HSG agreed to contribute $10 million in equity. The increase in stadium complex development costs were absorbed by HSG. The added costs were due to additional land cost, change orders and cost overruns.

Toyota Stadium is owned by the City of Frisco and operated by Hunt Sports Group, owner of FC Dallas, under a 20-year lease agreement with options for two 20-year extensions.

The team retains all revenues and pays all expenses associated with operating the stadium. The team pays the City rent in the amount of $100,000 annually throughout the term of the initial 20-year lease and would pay $200,000 annually during the first 20-year extension term. The rent to be paid during a second extension term would be mutually determined by the City and team. Lease payments for the venue are deposited into a Trust Account to be used for capital expenditures.

The City is authorized to use the stadium and soccer fields at no charge for up to two non-ticketed events per year. The Frisco Independent School District is authorized to use the stadium for high school home football games on Thursday and Friday nights, post-season football games and for high school graduation ceremonies. The City and FISD are responsible for direct costs of these events.

The team pays no property taxes on the stadium or soccer fields, but is required to pay property taxes on the parking facilities, which has a capped assessed value of $4 million per year. The team's annual property tax bill is approximately $75,000.

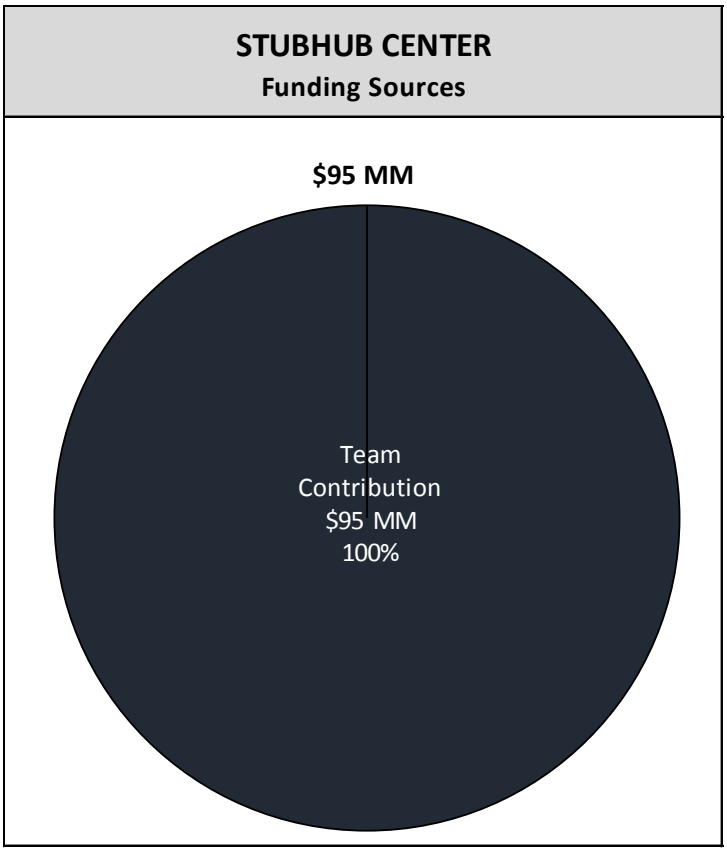
Toyota Stadium
Lease Summary

Initial Term:		20 years
Rent:		Team pays City $100,000 in rent annually
	Team	City
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	0.0%	100.0%

In addition to nominal property taxes, the team and stadium operations are subject to an 8.25 percent sales tax on ticket, concession, merchandise and parking sales. No other ticket taxes or surcharges apply.

Year Opened:	2003
Project Costs:	$95 MM
Funding Sources:	
Public:	0%
Private:	100%
Stadium Owner:	Anschutz Entertainment Group (Team)
Stadium Operator:	Anschutz Entertainment Group (Team)

Opened in 2003, the 27,000-seat StubHub Center was developed at a cost of $95 million. The StubHub Center is part of a 125-acre development on the campus of California State University, Dominguez Hills (CSUDH) in Carson, California. In addition to the 27,000-seat soccer stadium, the StubHub Center includes a 2,450-seat velodrome, an 8,000-seat tennis stadium and an outdoor track and field facility that has 2,000 permanent seats and is expandable to 20,000. Project costs associated with the entire development was $150 million, of which the stadium was $95 million.



Anschutz Entertainment Group (owner of the LA Galaxy) funded the entire stadium development costs while CSUDH provided campus land for the project.

CSUDH leases the land on which the StubHub Center and other facilities are located under a 25-year lease agreement. AEG owns the stadium and other venues.

AEG retains all revenues and pays all expenses affiliated with the StubHub Center and other venues. AEG agreed to provide $1.0 million (payable in four annual $250,000 installments) to the CSUDH Foundation. In addition, AEG shares parking and gate receipt (2 percent) revenues with CSUDH. In the 2013/14 budget, CSUDH budgeted to receive $450,000 from AEG from its share of parking and gate receipts.

AEG is not accessed property taxes on the stadium because it is located on the camps of a public university. Ticket sales are not subject to a sales tax, but is subject to a $1.00 surcharge per ticket. Concessions, merchandise and parking sales are subject to a 9.0 percent sales tax.

StubHub Center
Lease Summary

Initial Term:		25 years
Rent:		AEG provided $1 million ($250,000 annual for 4 years) to CSUDH Foundation
	Team	CSUDH
Revenue Allocation:		
Ticket Sales	100.0%	0.0% (1)
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	100.0%	0.0% (1)
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	0.0%
Capital Repairs	100.0%	0.0%

(1) CSUDH receives approximately $450,000 from AEGO in 2013/14 from its share of parking and admissions taxes.

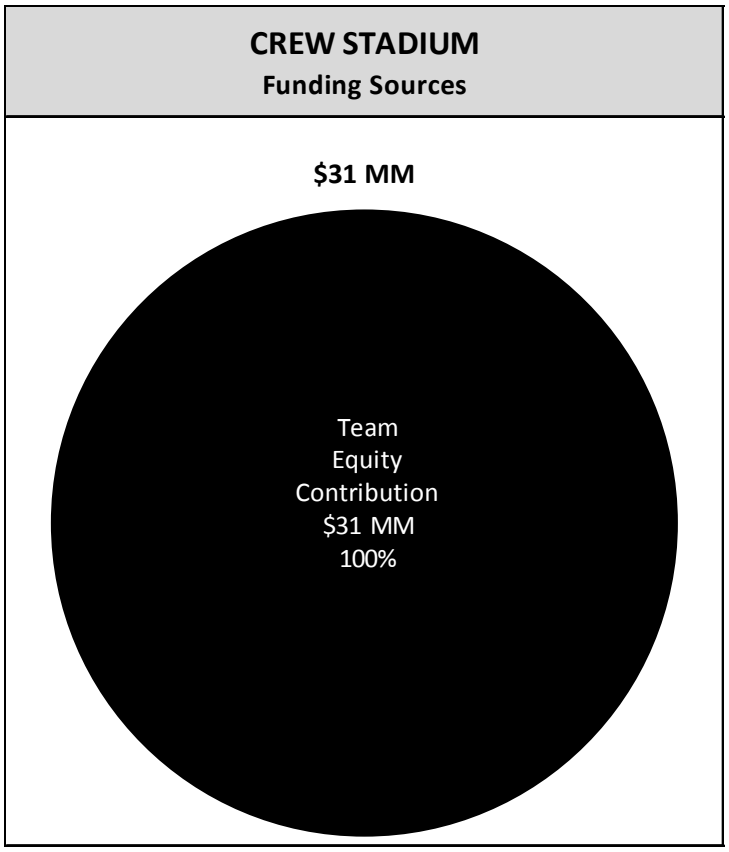
As part of the deal. AEG refurbished the school's baseball and softball fields.

COLUMBUS CREW STADIUM

COLUMBUS CREW

Year Opened:	1999
Project Costs:	$31 MM
Funding Sources:	
Public:	0%
Private:	100%
Stadium Owner:	Precourt Sports Ventures (Team)
Stadium Operator:	Precourt Sports Ventures (Team)

Opened in 1999, the $31 million, 22,485-seat Crew Stadium was the first soccer specific stadium development in MLS. The stadium is owned and operated by Precourt Sports Ventures, the owner of the Columbus Crew. The stadium is located on the State Fairgrounds on property owned by the Ohio Exposition Commission.



Hunt Sports Group, the original owners of the Columbus Crew franchise until 2013, privately funded the construction of the stadium through upfront equity (no debt). The only public sector contribution came in the form of $388,000 spent on the relocation of utilities.

The team has invested an additional $10 million into the stadium since its original construction.

COLUMBUS CREW STADIUM

COLUMBUS CREW

There is a 25-year land lease between the team and the Ohio Exposition Commission that commenced in 1999 and expires in 2024. There is an option to renew the lease for another 25 years.

The team is required to pay the Ohio Exposition Commission annual rent in the amount of $50,000 in years one through three of the lease. The rent payment is adjusted every three years thereafter based on changes in the Consumer Price Index. Current annual rent payments approximate $56,000. In addition, the team pays the Ohio Exposition Commission 30 percent of gross parking revenues with the Ohio Exposition Commission responsible for paying all parking operations costs. The team retains all other revenues and pays all other expenses associated with operating the stadium.

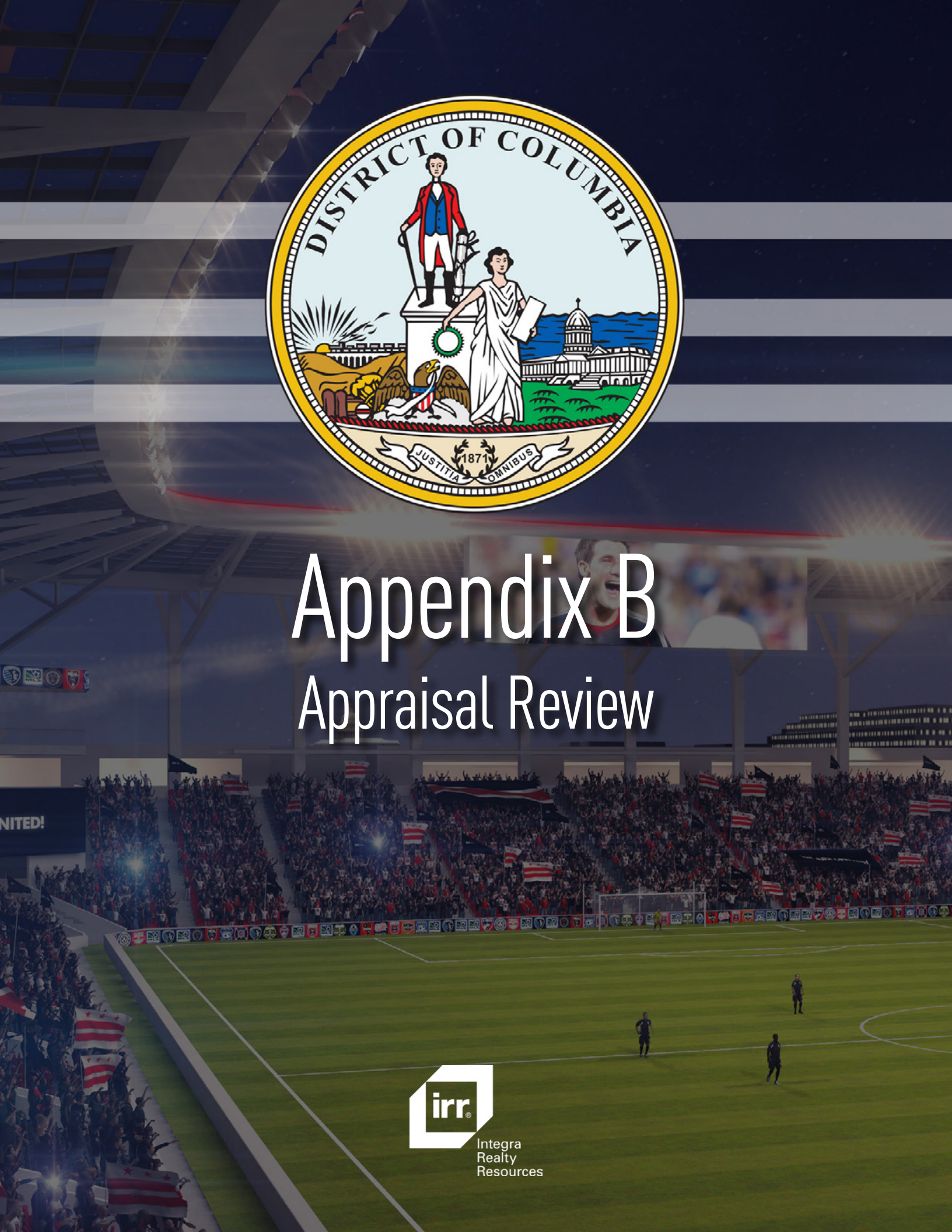
Crew Stadium
Lease Summary

Initial Term:		25 years
Rent:		Team pays Commission annual rent of $50,000, adj. for CPI every 3 years
	Team	Commission
Revenue Allocation:		
Ticket Sales	100.0%	0.0%
Concessions	100.0%	0.0%
Merchandise	100.0%	0.0%
Parking	70.0%	30.0%
Private Suites	100.0%	0.0%
Club Seats	100.0%	0.0%
Sponsorships	100.0%	0.0%
Naming rights	100.0%	0.0%
Expense Allocation:		
Stadium Expenses	100.0%	0.0%
Game Day Expenses	100.0%	(1)
Capital Repairs	100.0%	0.0%

(1) City pays parking operations cost.

During the first seven years of the lease, the team paid property taxes of approximately $700,000 per year. Since this time, the team has negotiated a lower property tax assessment and pays annual property taxes approximating $165,000 per year.

Ticket, concession, merchandise and parking sales are subject to a 7.5 percent sales tax. No other ticket taxes or surcharges apply.



Appendix B

Appraisal Review

Integra
Realty
Resources

Integra Realty Resources
Washington, DC

Review of an Appraisal of:

1st & K Streets NW
Vacant Land
1000 1st St. NW
Washington, District of Columbia 20001

Appraisal Prepared by:
Richard R. Harps, MAI; Ryland L. Mitchell III, CRE, MAI; & Richard L. Parli, MAI
(Acting as a panel of appraisers)

Review Prepared For:
Council of the District of Columbia

Effective Date of Review:
September 25, 2014

Report Format:
Appraisal Review Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

Integra Realty Resources
Washington, DC

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T 301.586.9320
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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Appraisal Review
1st & K Streets NW
1000 1st St. NW
Washington, District of Columbia 20001
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying review of the referenced appraisal. The purpose of the review is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The appraisal review has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed Stadium Act. The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal review is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on our review, as summarized in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, we concur with the opinion of the market value of the subject property as if vacant as of April 18, 2014 expressed in the appraisal under review. We have concluded that all of the items in the appraisal that are relevant to this value conclusion are credible, and thereby incorporate all of these items into the development of our opinion of value by means of an extraordinary

assumption. We therefore adopt the panel's opinion as our own. Furthermore, it is our opinion that the data provided in the report is sufficient to support the conclusion that the market value of the subject property as of July 25,2013 would not have been materially different from the April 2014 value.

Accordingly, our value opinions follow:

Reviewer Opinion of Value			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Market Value	Fee Simple	June 25, 2013	$15,800,000
Retrospective Market Value	Fee Simple	April 18, 2014	$15,800,000

These value conclusions are subject to the following Extraordinary Assumptions and Hypothetical Conditions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinions of value therefore incorporate these items into the development of these opinions value by means of an extraordinary assumption.

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

Respectfully submitted,

Integra Realty Resources - Washington, DC

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Summary of Salient Facts and Conclusions of Appraisal Under Review

Property Name	1st & K Streets NW
Address	1000 1st St. NW Washington, District of Columbia 20024
Property Type	Land
Owner of Record	District of Columbia
Tax ID	Square 559, Lot 82
Land Area	2.17 acres; 94,656 SF
Zoning Designation	C-2-A & R-4 (Split); current zoning inconsistent with Comprehensive Plan
Highest and Best Use	Re-zoning per Comprehensive Plan, followed by Class B multifamily development
Exposure Time; Marketing Period	less than 12 months; less than 12 months
Effective Date of the Appraisal	April 18, 2014
Date of the Appraisal Report	June 25, 2014
Property Interest Appraised	Fee Simple

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As If Vacant	Fee Simple	April 18, 2014	$15,800,000

General Information

Identification of Appraisal Under Review

The appraisal report under review was prepared by three appraisers convened as a panel to value the subject property. The members of the Panel were Richard R. Haps, MAI; Ryland L. Mitchell III, CRE, MAI; and Richard L. Parli, MAI. The appraisal report is dated June 25, 2014. The clients were the District of Columbia government and Pepco Holdings. The purpose of the appraisal was to establish an opinion of the market value of the fee simple interest in the subject land as of April 18, 2014. The intended use of the report was to assist the District and Pepco in establishing the value of the property pursuant to a proposed exchange of properties between these two parties.

Identification of Subject of Appraisal Under Review

The subject of the appraisal under review is a parcel of land located in the Northwest quadrants of Washington, DC. The property has primary frontage on the north side of K Street NW and has frontage on three streets. The site is area is 2.17 acres, or 94,656 square feet, and there are no improvements on the property. Current zoning is split between R-4 and C-2-A designations. This zoning designation is inconsistent with the District's adopted Comprehensive Plan, which calls for development at considerably higher density.

Property Identification	
Property Name	1st & K Streets NW
Address	1000 1st St. NW
	Washington, District of Columbia 20001
Tax ID	Square 559, Lot 82

Purpose of the Review

The purpose of the appraisal is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia, pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the “Stadium Act”).

This review seeks to determine whether the appraisal under review utilized appropriate data and analysis, whether the opinions and conclusions are credible, and reasons for any disagreement. Additionally, given the intended use of the appraisal (see below), we have extended the analysis to include the development of an opinion of the market value of the property as of July 25, 2013. The conclusions of this analysis represents a separate opinion of value by Integra Realty Resources – Washington, DC, as permitted under USPAP Standard Rule 3-3(c)(iii).

Intended Use and User

The intended use of the appraisal review is to aid our client in evaluating the proposed Stadium Act as a matter of public policy. The client and intended user is the Council of the District of Columbia. Integra Realty Resources – Washington, DC (“IRR”) has been engaged as part of a consulting team led by CSL International, and also including The Robert Bobb Group. Accordingly, this review is also

intended to be used by the other members of our team in the preparation of a cost-benefit analysis of the Stadium Act. The appraisal review is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Date of Review

The effective date of our review is September 25, 2014. The date of this review report is September 30, 2014. The effective date of the reviewer opinions of value expressed in this report are July 25, 2013 and April 18, 2014. The appraisal review is valid only as of the stated effective date or dates.

Current Ownership

The owner of record of the property that is the subject of the appraisal report under review is District of Columbia.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Applicable Requirements

This appraisal review is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the client's familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on August 14, 2014 that included visual observation of the property from adjacent roads, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period (i.e. earlier effective value dates). In addition, we have personally inspected all of the comparables utilized in the appraisal. Our scope of work also included additional research into the comparable sales used in the report, in the event that there were significant discrepancies between the sale information reported and other available data sources or appraisals. The opinions of value expressed within this review were developed in compliance with USPAP Standard 1.

Appraisal Overview

Identification of the Property and Ownership History

The appraisal presents an adequate description of the property by reference to the subject's tax parcel identification (Square and Lot) and address. The potential land exchange is not discussed in this section, but the appraisal notes (in the Intended Use description) that the property may be part of a land swap. In any event, the appraisal was intended to be the basis for setting the value of the subject in the exchange, thus it was not possible for the appraiser to analyze the terms of the proposed exchange relative to the value conclusion.

Market Analysis

The appraisal presents a brief but thorough overview of economic conditions impacting the District of Columbia and the surrounding region, as well as factors influencing the subject's immediate neighborhood (demographics, land use, etc.). This analysis concludes that the neighborhood "is expected to continue its growth/revitalization, and the subject property is well positioned to benefit from this stability."

Land Description and Analysis (Property Productivity Analysis)

The report provides a detailed description of the site. The appraisers note that the value conclusions are predicated on an environmentally clean property, and cite this as an extraordinary assumption. As there is no reason to suspect environmental contamination (based on use history, etc.), it is our opinion that an extraordinary assumption to this effect is not necessary. Nonetheless, the disclosure of extraordinary assumptions used in the appraisal is, in our opinion, not sufficiently prominent.

The bulk of the analysis is devoted to the issue of zoning, which is appropriate given the complex issues at hand. The appraisal notes the split zoning of the site, and as well as the fact that the current zoning is not consistent with the Comprehensive Plan. The appraisal makes a compelling and well-supported case that re-zoning the site to a mix of C-2-A and C-2-C zoning would be consistent with the comprehensive plan and is achievable, but would require about a year to complete. The report also undertakes a well-founded analysis of the total FAR that could be developed under these new zoning designations and the impact of Inclusionary Zoning (IZ) requirements. The appraisal includes an extraordinary assumption that the "valuation assumes rezoning… as discussed herein…" In our opinion, this does not necessitate an extraordinary assumption, as the probability of successful re-zoning is well supported and the valuation considers the costs and time required to achieve it. Nonetheless, the disclosure of extraordinary assumptions used in the appraisal is, in our opinion, not sufficiently prominent.

The property analysis concludes with a thoughtful and well-reasoned explication of the many factors impacting the subject property, aptly characterizing the nature of the property as "ambiguous." The property is located between several established or emerging commercial or mixed-use corridors, but is not recognized by the market as being part of any of these higher-profile areas (NoMa, Mount Vernon, etc.). Given the surrounding land uses and lack of a notable locational amenity, a significant part of the (large) pipeline of proposed Class A properties in more desirable locations would most likely have to be developed first, before this site would be of interest to the development community as a possible

Class A building site. The appraisal presents a compelling argument that this is likely to take approximately five years (until 2019) to occur.

Highest and Best Use

The panel undertook a multi-part highest and best use analysis, testing the financial feasibility of three possible scenarios: development under current zoning, re-zoning for Class A multifamily development, and re-zoning for Class B multifamily development. The panel ultimately concludes that given the lengthy holding period before Class A development would be feasible (as well as the location/market issues noted), Class B development would be maximally productive. This analysis is supported by a discounted cash flow (DCF) analysis, and incorporates adequate allowances for the costs and risks involved.

Valuation Methodology

As appraisers, we usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach. Because the property is unimproved, the cost and income approaches are judged inapplicable, and thus only the sales comparison approach is utilized. This methodology is considered standard appraisal practice in such cases and is considered appropriate and reasonable. The appraisal does apply a DCF analysis (a technique normally associated with the income approach) to recognize the costs and time associated with re-zoning, which is appropriate in this case.

Sales Comparison Approach (Land)

The panel considered six sales for comparison to the subject. Most date to 2012, with one sale from April 2013 and one from December 2013. Half of the sales are from the Capitol Riverfront neighborhood, while the other half are drawn from the area along the H Street NE corridor. These locations are considered a good source of comparables for the subject due to the emerging (though comparatively more established) nature of these submarkets.

The sales indicate a relatively narrow range of values (from $44.86 to $64.48 per FAR square foot), even without the application of quantitative adjustments. The panel applied a qualitative ranking analysis to the sales, and concludes that the subject would fall at the lower end of the range, at $45 per square foot *if Class A development on the site was currently feasible*.

Because there has been no recent development of Class B multifamily buildings in the market area, all of the comparable sites were purchased for Class A development. The panel therefore applies a 15% downward adjustment to the $45 per FAR figure to reflect the lower returns to the land associated with a Class B project, which was previously concluded to be the highest and best use. This adjustment is supported by a review of rent differentials between Class A and Class B buildings. We considered the possibility that such an adjustment based on rent differentials might not accurately reflect differences in residual values between Class A and Class B development, and developed several “test case” projections to check the reasonableness of this adjustment in light of differences in construction costs, capitalization rates, etc. associated with Class B vs. Class A properties. Our supplemental analysis concluded that the 15% adjustment applied is in fact reasonable.

Finally, the panel applied a final downward adjustment to reflect the costs of re-zoning, as well as the associated time (estimated at a year) and risk. These adjustments ($500,000 in costs and a 15% discount rate (applied for one year) are reasonable.

The panel ultimately concludes to an overall value of $15,800,000 (rounded).

It is our opinion that this analytical process described is reasonable and credible. Accordingly, we find the panel's value conclusion credible, and have no substantive disagreements with either their methodology or conclusions.

Reviewer Opinion of Value

Our review of the appraisal concludes that the analyses applied are appropriate and well-supported, and that the panel's conclusion of the market value of the subject property is credible. Furthermore, all of the data presented in the report is judged to be credible. Accordingly, we adopt the panel's opinion of the market value of the property as if vacant as of the effective (retrospective) value date as our own. Our value opinion conclusion incorporates the information presented in the appraisal under review by means of an extraordinary assumption.

Finally, we note that this review is intended to be used in the context of a cost-benefit analysis of the proposed Stadium Act being prepared for the Council of the District of Columbia by a consulting team of which IRR – Washington, DC is a part. As part of the scope of work of that larger assignment, which includes the analysis and comparison of the market values of a number of properties, we have concluded that all of the properties involved should be benchmarked to the same date: July 25, 2013. In our opinion, the information and analysis contained in the appraisal under review are sufficient to support the development of an opinion of the retrospective market value of the subject property as of this date. Only one of the sales used in the analysis post-dates this retrospective value date, and was given little weight in the analysis. Furthermore, no quantitative adjustments for time/market conditions were applied. Finally, the subject's location outside of the corridors/neighborhoods of primary developer interest, as well as its large size, would have made it less susceptible to the significant land price increases that we observed during the 2012-2014 period, which was most evident in the market for small sites in established, highly desirable submarkets.

Based on the foregoing, our value opinions follow:

Reviewer Opinion of Value

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Market Value	Fee Simple	June 25, 2013	$15,800,000
Retrospective Market Value	Fee Simple	April 18, 2014	$15,800,000

Extraordinary Assumptions and Hypothetical Conditions
The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.
1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinions of value therefore incorporate these items into the development of these opinions value by means of an extraordinary assumption.

Exposure and Marketing Times

The appraisal under review concluded that based on market conditions in the District of Columbia as of the date of value, the probable exposure time would be four to six months, and we concur with this opinion. Accordingly, based on the concluded market values stated previously, it is our opinion that the probable exposure and marketing times are as follows:

Exposure Time and Marketing Period	
Exposure Time (Months)	less than 12
Marketing Period (Months)	less than 12

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. Our compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. Our analyses, opinions, and conclusions were developed, and this review report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
10. Patrick C. Kerr, MAI, FRICS, SRA and Samuel D. Sherwood made a personal inspection of the subject of the work under review.
11. No one provided significant appraisal or appraisal review assistance to the persons signing this certification.
12. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

13. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal review and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report. Note that references to "the property" and similar terms are intended to refer to the property that is the subject of the work under review.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal review and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal review is inherently subjective and any value conclusions contained therein represent our opinion as to the value of the property that is the subject of the appraisal under review.
2. The conclusions stated in our appraisal review apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal review, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal review assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative

purposes only and should not be considered to be scaled accurately for size. The appraisal review covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal review.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal review report shall be considered only in its entirety. No part of the appraisal review report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal review report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

14. The current purchasing power of the dollar is the basis for the values stated in the appraisal review; we have assumed that no extreme fluctuations in economic cycles will occur.

15. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

16. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

18. The appraisal review report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

19. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal review report cannot be considered as an environmental assessment of the subject property.

20. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

21. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

22. The appraisal review report and any value conclusions contained therein assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

23. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal review was fraudulent or prepared with intentional misconduct. It is further

acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal review report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

24. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal review for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal review report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal review report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal review report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

27. The appraisal review is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinions of value therefore incorporate these items into the development of these opinions value by means of an extraordinary assumption.

Integra Realty Resources
Washington, DC

Review of an Appraisal of:

SW Land Holder, LLC Property
Vacant Land
1900 1st Street SW
Washington, District of Columbia 20024

Appraisal Prepared by:
Land Value Panel

Review Prepared For:
Council of the District of Columbia

Effective Date of Review:
September 25, 2014

Report Format:
Appraisal Review Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

Integra Realty Resources
Washington, DC

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T 301.586.9320
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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Appraisal Review
SW Land Holder, LLC Property
1900 1st Street SW
Washington, District of Columbia 20024
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying review of the referenced appraisal. The purpose of the review is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The appraisal review has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed Stadium Act. The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal review is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on our review, as summarized in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, we concur with the opinion of the market value of the subject property as if vacant as of July 25, 2013 expressed in the appraisal under review. We have concluded that all of the items in the appraisal that are relevant to this value conclusion are credible, and thereby incorporate all of these items into the development of our opinion of value by means of an extraordinary

assumption. Accordingly, we adopt the panel's opinion of the retrospective market value of the subject property as of the effective date as our own opinion of the retrospective hypothetical market value as if vacant.

Reviewer Opinion of Value

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value As If Vacant	Fee Simple	June 25, 2013	$21,100,000

These value conclusions are subject to the following Extraordinary Assumptions and Hypothetical Conditions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinion of value therefore incorporates these items into the development of our opinion of value by means of an extraordinary assumption.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Our opinion of value is based on the hypothetical condition that the subject property was vacant and free of environmental issues as of the effective value date.

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

Respectfully submitted,

Integra Realty Resources - Washington, DC

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The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

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Summary of Salient Facts and Conclusions of Appraisal Under Review

Property Name	SW Land Holder, LLC Property
Address	1900 1st Street SW Washington, District of Columbia 20024
Property Type	Land
Owner of Record	SW Land Holder, LLC
Tax ID	Square 607, Lot 13
Land Area	2.05 acres; 89,251 SF
Zoning Designation	CG/CR, Commercial-Residential, Capitol Gateway Overlay
Highest and Best Use	Holding for future multifamily development
Exposure Time; Marketing Period	9 to 12 months; 9 to 12 months
Effective Date of the Appraisal	June 25, 2013
Date of the Appraisal Report	January 21, 2014
Property Interest Appraised	Fee Simple

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Market Value	Fee Simple	June 25, 2013	$21,100,000

General Information

Identification of Appraisal Under Review

The appraisal report under review was prepared by three appraisers, convened as the "Land Value Panel." The members of the Panel were Oakleigh J. Thorne, MAI, CRE; Richard R. Haps, MAI, CRE; and Mark A. Chaney, MAI, MRICS. The appraisal report is dated January 21, 2014, and the clients were representatives of the District of Columbia and Akridge (who controls the subject property ownership entity SW Land Holder, LLC). The purpose of the appraisal was to establish an opinion of the retrospective market value of the fee simple interest in the subject land as of July 25, 2013. The intended use of the report was to assist the District and Akridge in establishing the value of the property pursuant to a proposed exchange of properties between these two parties.

Identification of Subject of Appraisal Under Review

The subject of the appraisal under review is a parcel of land located in the Buzzard Point area of Washington, DC. The property comprises an entire block (Square 607) having a land area of 2.05 acres, or 89,251 square feet. The property was minimally improved (with a small warehouse building) as of the effective date, but the improvements were deemed to have no contributory value and the appraisal essentially treats the property as if vacant. The site is zoned CG/CR (Commercial-Residential, Capitol Gateway Overlay), which permits a variety of uses including multifamily and commercial use.

Property Identification	
Property Name	SW Land Holder, LLC Property
Address	1900 1st Street SW
	Washington, District of Columbia 20024
Tax ID	Square 607, Lot 13

Purpose of the Review

The purpose of the review is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia, pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). This review seeks to determine whether the appraisal under review utilized appropriate data and analysis, whether the opinions and conclusions are credible, and reasons for any disagreement.

Intended Use and User

The intended use of the appraisal review is to aid our client in evaluating the proposed Soccer Stadium Act as a matter of public policy. The client and intended user is the Council of the District of Columbia. Integra Realty Resources – Washington, DC ("IRR") has been engaged as part of a consulting team led by CSL International, and also including The Robert Bobb Group. Accordingly, this review is also intended to be used by the other members of our team in the preparation of a cost-benefit analysis off the Stadium Act. The appraisal review is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting

team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Date of Review

The effective date of our review is September 25, 2014. The date of this review report is September 30, 2014. The effective date of the reviewers' opinion of value expressed in this report is July 25, 2013. The appraisal review is valid only as of the stated effective date or dates.

Current Ownership

The owner of record of the property that is the subject of the appraisal report under review is SW Land Holder, LLC.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Applicable Requirements

This appraisal review is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on September 8, 2014 that included visual observation of the property from adjacent roads, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period. In addition, we have personally inspected all of the comparables utilized in the appraisal. Our scope of work also included additional research into the comparable sales used in the report, in the event that there were significant discrepancies between the sale information reported and other available data sources or appraisals. The opinions of value expressed within this review were developed in compliance with USPAP Standard 1.

Appraisal Overview

Identification of the Property and Ownership History

The appraisal presents an adequate description of the property by reference to the subject's tax parcel identification (Square and Lot) and address. The appraisal describes the circumstances and consideration of the current owner's acquisition of the subject property. The potential land exchange is not discussed in this section, but the appraisal notes elsewhere that the property may be part of a land exchange. In any event, the appraisal was intended to be the basis for setting the value of the subject in the exchange, thus it was not possible for the appraiser to analyze the terms of the proposed exchange relative to the value conclusion.

The appraisal also indicates that the entirety of the subject property was leased to the National Park Service for $6,500 per month. However, this lease may be terminated by either party at any time and for any reason. Accordingly, the subject is valued in fee simple.

Market Analysis

The appraisal presents a brief but thorough overview of conditions in the immediate market area, describing the ongoing successful revitalization of the surrounding neighborhoods, as well as the lack of development activity within Buzzard Point and challenges associated with developing the area. Surrounding land use patterns and ownership are described as well. The panel concludes that "new development at Buzzard Point will not occur until after projects on the remaining land in the Capitol Waterfront area east of South Capitol Street near completion." This conclusion is well-supported, and we concur with the panel's assessment.

Land Description and Analysis

The report provides a brief identification and description of the site, noting the frontage on four streets, as well as the possibility of environmental issues. The relevant zoning regulations are also summarized, and the panel's conclusion that the site could accommodate 731,858 square feet of FAR building area (an FAR of 8.2) if vacant is well-supported.

Improvements Description and Analysis

The report notes the presence of a metal frame warehouse, which the panel assumes would be demolished prior to redevelopment. Demolition costs are not addressed, but given the improvement size and construction type it is the reviewer's opinion that these costs would be nominal (on the order of 0.1%) relative to the overall property value.

Highest and Best Use

As If Vacant

The panel concludes that the highest and best use of the site would be the development of a multifamily use up to the available FAR envelope under zoning (731,900± square feet). Office use and hotel use were also considered as alternatives, but convincingly deemed infeasible. The report states that feasibility of residential use could be as much as eight to ten years away, but describes several factors that may shorten this holding period, such as the new South Capitol Street bridge construction.

Given that the site is minimally improved, a separate discussion of the highest and best use of the property as improved was not presented.

Valuation Methodology

As appraisers, we usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach. The panel concluded that the improvements do not contribute (either positively or negatively) to the market value of the property. The appraisal therefore treats the property as if vacant, with no adjustments for demolition, etc., which appears reasonable given the truly minimal nature of the existing improvements. The cost and income approaches are judged inapplicable in such a valuation, and thus only the sales comparison approach is utilized. This methodology is considered standard appraisal practice in such cases and is considered appropriate and reasonable.

Sales Comparison Approach (Land)

The panel considered four sales for comparison to the subject. These included two sales of essentially "development ready" sites in the Capitol Riverfront neighborhood (Sales 1 and 2), which receive slight adjustments for market conditions and then ranked (qualitatively) as superior to the subject, setting a price ceiling in the $44 to $53 per FAR square foot range. Sale 3 is located at the Southwest Waterfront; after a moderate market conditions adjustment to $27.70 per FAR square foot this sale is deemed about equal to the subject overall on a qualitative basis. Sale 4 is located in Buzzard Point and indicated a much lower price point, at less than $12 per FAR square foot. However, this sale is judged to be significantly inferior due to the site's small size and lack of full square control (with control of the square shared with the adjacent salvage yard) and is given the least weight.

The panel placed primary weight on Sales 2 and 3, which reflected a range of $27.70 to $44.09 prior to qualitative considerations, and concluded to a value of $30 per FAR square foot of market-rate improvements. Square footage that would be required to function as affordable housing is valued at half this amount, or $15 per FAR square foot. This adjustment reflects the panel's judgment, consistent with the market's view, that affordable housing required under the inclusionary zoning regulations for high-density zones is financially feasible to construct and allows for a positive, though limited, return to the underlying land. The practice of bifurcating market-rate and affordable FAR square footage in land pricing, while not universally applied, is sometimes cited by multifamily land brokers in this market and is judged to be reasonable.

Blending these two value indications, the panel ultimately concludes to an overall value of $21,100,000 (rounded), or $28.83 per FAR square foot.

It is our opinion that this analytical process described is reasonable and credible, especially given the lack of recent, truly comparable (i.e. large parcel) land sales in Buzzard Point. Accordingly, we find the panel's value conclusion credible, and have no substantive disagreements with either their methodology or conclusions.

Reviewer Opinion of Value

Our review of the appraisal concludes that the analyses applied are appropriate and well-supported, and that the panel's conclusion of the retrospective market value of the subject property as if vacant is credible. Furthermore, all of the data presented in the report is judged to be credible. Accordingly, we adopt the panel's opinion of the market value of the property as if vacant as of the effective (retrospective) value date as our own. Our value opinion conclusion incorporates the information presented in the appraisal under review by means of an extraordinary assumption.

Based on the foregoing, our value opinion follows:

Reviewer Opinion of Value

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value As If Vacant	Fee Simple	June 25, 2013	$21,100,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinion of value therefore incorporates these items into the development of our opinion of value by means of an extraordinary assumption.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Our opinion of value is based on the hypothetical condition that the subject property was vacant and free of environmental issues as of the effective value date.

Exposure and Marketing Times

The appraisal under review concluded that based on market conditions in the District of Columbia as of the date of value, the probable exposure time would be four to six months, and we concur with this opinion. Accordingly, based on the concluded market values stated previously, it is our opinion that the probable exposure and marketing times are as follows:

Exposure Time and Marketing Period

Exposure Time (Months)	9 to 12
Marketing Period (Months)	9 to 12

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. Our compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. Our analyses, opinions, and conclusions were developed, and this review report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
10. Patrick C. Kerr, MAI, FRICS, SRA and Samuel D. Sherwood made a personal inspection of the subject of the work under review.
11. No one provided significant appraisal or appraisal review assistance to the persons signing this certification.
12. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

13. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal review and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report. Note that references to "the property" and similar terms are intended to refer to the property that is the subject of the work under review.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal review and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal review is inherently subjective and any value conclusions contained therein represent our opinion as to the value of the property that is the subject of the appraisal under review.
2. The conclusions stated in our appraisal review apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal review, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal review assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative

purposes only and should not be considered to be scaled accurately for size. The appraisal review covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal review.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal review report shall be considered only in its entirety. No part of the appraisal review report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal review report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

14. The current purchasing power of the dollar is the basis for the values stated in the appraisal review; we have assumed that no extreme fluctuations in economic cycles will occur.

15. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

16. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

18. The appraisal review report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

19. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal review report cannot be considered as an environmental assessment of the subject property.

20. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

21. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

22. The appraisal review report and any value conclusions contained therein assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

23. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal review was fraudulent or prepared with intentional misconduct. It is further

acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal review report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

24. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal review for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal review report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal review report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal review report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

27. The appraisal review is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinion of value therefore incorporates these items into the development of our opinion of value by means of an extraordinary assumption.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Our opinion of value is based on the hypothetical condition that the subject property was vacant and free of environmental issues as of the effective value date.

Integra Realty Resources
Washington, DC

Review of an Appraisal of:

Buzzard Point Properties
Vacant Land
Multiple Address in SW
Washington, District of Columbia 20024

Appraisal Prepared by:
Thomas J. Shields, MAI, Joseph Blake and Associates, Inc.

Review Prepared For:
Council of the District of Columbia

Effective Date of Review:
September 25, 2014

Report Format:
Appraisal Review Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Appraisal Review
Buzzard Point Properties
Multiple Address in SW
Washington, District of Columbia 20024
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying review of the referenced appraisal. The purpose of the review is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The appraisal review has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed Stadium Act. The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal review is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning,

and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Our review determined that given differences in the purpose and scope of work of the appraisal under review and the assignment at hand, we are unable to endorse the value opinions presented *for the intended use of this review assignment.*

Respectfully submitted,

Integra Realty Resources - Washington, DC

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Summary of Salient Facts and Conclusions of Appraisal Under Review

Property Name	Buzzard Point Properties
Address	Multiple Address in SW Washington, District of Columbia 20024
Property Type	Land
Owner of Record	See Land Area and Ownership Summary Square
Tax ID	607, Lot 13, Square 605, Lot 7, Square 605, Lot 802, Square 661, Lot 805, Square 661, Lot 804, and Part of Square 665, Lot 24
Land Area	8.96 acres; 390,351 SF
Zoning Designation	CG/CR, Commercial-Residential, Capitol Gateway Overlay
Highest and Best Use	Multifamily development
Exposure Time; Marketing Period	less than 6 months; less than 6 months
Date of the Appraisal Report	February 14, 2014

Value Conclusion (Sum of Parcel Values)

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As If Vacant, Cleared and Free of Environmental Issues	Fee Simple	January 22, 2014	$122,700,000

Value Conclusions by Parcel

Parcel Name	Interest Appraised	Date of Value	Value Conclusion
Square 607, Lot 13	Fee Simple	January 22, 2014	$27,800,000
Square 605, Lot 7	Fee Simple	January 22, 2014	$9,500,000
Square 605, Lot 802	Fee Simple	January 22, 2014	$14,400,000
Square 661, Lot 805	Fee Simple	January 22, 2014	$17,500,000
Square 661, Lot 804	Fee Simple	January 22, 2014	$21,600,000
Part of Square 665, Lot 24	Fee Simple	January 22, 2014	$31,900,000

General Information

Identification of Appraisal Under Review

The appraisal report under review was prepared by Thomas J. Shields, MAI, of Joseph J. Blake and Associates, Inc. The appraisal report is dated February 14, 2014, and the client was the Office of the Chief Financial Officer of the District of Columbia. The purpose of the appraisal was to establish an opinion of the market value of the fee simple interest in the subject properties as of the (essentially then-current) effective date, January 22, 2014. The intended use of the report was to assist the client in evaluating the asset "for internal purposes."

Identification of Subject of Appraisal Under Review

The subjects of the appraisal are six legally defined parcels within the Buzzard Point neighborhood of Washington, DC, comprising a total land area of 8.96 acres. Some of the properties are improved and/or presumed to be impacted by environmental issues, but are valued under the hypothetical condition that all of the properties were vacant and free of environmental issues as of the effective date.

Property Identification	
Property Name	Buzzard Point Properties
Address	Multiple Address in SW Washington, District of Columbia 20024
Tax ID	Square 607, Lot 13, Square 605, Lot 7, Square 605, Lot 802, Square 661, Lot 805, Square 661, Lot 804, and Part of Square 665, Lot 24

A summary of the size of each property and the current ownership of each is presented below:

Land Area and Ownership Summary

Tax ID	Ownership	SF	Acres
Square 607, Lot 13	SW Land Holder LLC	89,251	2.05
Square 605, Lot 7	Rollingwood Real Estate LLC	25,612	0.59
Square 605, Lot 802	Super Salvage Inc.	41,824	0.96
Square 661, Lot 805	Pepco	56,297	1.29
Square 661, Lot 804	Pepco	69,366	1.59
Part of Square 665, Lot 24	Pepco	108,001	2.48
Total		390,351	8.96

The appraisal notes that only one of the subject properties (Square 607, Lot 13) changed ownership within the three-year period preceding the effective value date. The appraisal notes the February 7, 2011 sale of this property for consideration of $2,175,000 but does not note the seller of attempt to analyze this sale or detail why such an analysis was deemed impossible or inapplicable, as required by USPAP Standard 2-2(a)(viii).

Purpose of the Review

The purpose of the appraisal is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be acquired by the District of Columbia, pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The official public announcement of the proposed stadium development is believed to have had a significant impact on land pricing in the surrounding market area. We have therefore concluded that for purposes of establishing the market value of the properties *absent the impact of the proposed legislation*, market values should be analyzed as of a retrospective value date immediately preceding the announcement: July 25, 2013.

This review seeks to determine whether the data, analysis and conclusions presented in the appraisal under review constitute a credible and reliable basis for establishing the market value of the subject properties as of this retrospective date.

Intended Use and User

The intended use of the appraisal review is to aid our client in evaluating the proposed Soccer Stadium Act as a matter of public policy. The client and intended user is the Council of the District of Columbia. Integra Realty Resources – Washington, DC ("IRR") has been engaged as part of a consulting team led by CSL International, and also including The Robert Bobb Group. Accordingly, this review is also intended to be used by the other members of our team in the preparation of a cost-benefit analysis off the Stadium Act. The appraisal review is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Date of Review

The effective date of our review is September 25, 2014. The date of this review report is September 30, 2014. The appraisal review is valid only as of the stated effective date or dates.

Applicable Requirements

This appraisal review is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review

briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an inspection of the property on August 14, 2014 that included visual observation of the property from public roadways/rights of way, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period.

As noted, the intended use of this review is to determine whether the conclusions presented are a reliable basis for establishing the market value of the properties *absent the impact of the proposed Stadium Act*. Our review of the appraisal provided noted at the outset that the effective date of this appraisal is January 22, 2014. Furthermore, a review of the scope of work indicated that the appraiser was not asked and therefore did not attempt to disregard the potential impact of the announcement of the proposed stadium project on area property values and market conditions. It is our opinion that these impacts are significant. As a result of these initial findings, we have limited the scope of this review to a review of the subject property description, effective date(s) of value, purpose, intended use/user, and scope of work.

Review Conclusions

The purpose of our review of the appraisal provided was to establish whether the conclusions of the appraisal were reliable for purposes of establishing the market value of the subject properties (as if vacant) as of July 25, 2013. Our review therefore began with a review of the effective date(s) of value and scope of work, purpose, and intended use and user of the report under review. We noted at the outset that the purpose of the appraisal under review was to establish a then-current value as of early 2014, and that the purpose of the appraisal was to establish the market value of the property, *not* that market value of the property absent the impact of the proposed Stadium Act. Therefore, the scope of work did not include the exclusion of post-announcement market data or any other measures to exclude any such impact. This was appropriate in the context of the appraisal under review given its stated purpose. Nonetheless, it is our opinion that the conclusions of this cannot be relied upon for the wholly different purpose at hand: as a basis for establishing the market value of the property absent the impact of the Stadium Act.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. Our compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. Our analyses, opinions, and conclusions were developed, and this review report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
10. Patrick C. Kerr, MAI, FRICS, SRA and Samuel D. Sherwood made a personal inspection of the subject of the work under review.
11. No one provided significant appraisal or appraisal review assistance to the persons signing this certification.
12. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

13. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal review and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report. Note that references to "the property" and similar terms are intended to refer to the property that is the subject of the work under review.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal review and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal review is inherently subjective and any value conclusions contained therein represent our opinion as to the value of the property that is the subject of the appraisal under review.
2. The conclusions stated in our appraisal review apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal review, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal review assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative

purposes only and should not be considered to be scaled accurately for size. The appraisal review covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal review.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal review report shall be considered only in its entirety. No part of the appraisal review report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal review report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

14. The current purchasing power of the dollar is the basis for the values stated in the appraisal review; we have assumed that no extreme fluctuations in economic cycles will occur.

15. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

16. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

18. The appraisal review report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

19. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal review report cannot be considered as an environmental assessment of the subject property.

20. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

21. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

22. The appraisal review report and any value conclusions contained therein assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

23. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal review was fraudulent or prepared with intentional misconduct. It is further

acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal review report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

24. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal review for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal review report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal review report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal review report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

Integra Realty Resources
Washington, DC

Appraisal of Real Property

Ein/Rollingwood Property
Industrial Property
1714 2nd St. SW
Washington, District of Columbia 20024

Prepared For:
Council of the District of Columbia

Effective Date of the Appraisal:
July 25, 2013

Report Format:
Appraisal Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Market Value Appraisal
Ein/Rollingwood Property
1714 2nd St. SW
Washington, District of Columbia 20024
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the retrospective hypothetical market value of the fee simple interest in the property as if vacant (i.e. land value) and the retrospective hypothetical market value of the leased fee interest in the property as improved, as of July 25, 2013

The appraisal has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value as If Vacant Retrospective	Fee Simple	July 25, 2013	$6,100,000
Hypothetical Market Value as Improved	Leased Fee	July 25, 2013	$6,600,000

The appraisal is subject to the following extraordinary assumptions or hypothetical conditions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Both of the value opinions contained in this appraisal make the hypothetical assumption that as of the (retrospective) value date the subject property was free and clear of any environmental issues.
2. Our appraisal of the property "as if vacant" makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant (unimproved). This opinion is intended to reflect the value of the land only, and does not consider the positive contribution to value of the existing improvements and the lease of the property to Alta Bicycle Share Inc.

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Concise Summary Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

Respectfully submitted,

Integra Realty Resources - Washington, DC

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The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

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Summary of Salient Facts and Conclusions

Property Name	Ein/Rollingwood Property
Address	1714 2nd St. SW Washington, District of Columbia 20024
Property Type	Industrial - Office/Warehouse
Owner of Record	Rollingwood Real Estate LLC
Tax ID	Square 605, Lot 7
Land Area	0.59 acres; 25,612 SF
Gross Building Area	14,870 SF
Rentable Area	14,870 SF
Percent Leased	100%
Year Built	1972
Zoning Designation	CG/CR, Commercial-Residential, Capitol Gateway Overlay
Highest and Best Use - As if Vacant	Multifamily or mixed use
Highest and Best Use - As Improved	Interim continued operation as single-tenant industrial use, followed by redevelopment
Exposure Time; Marketing Period	12 months; 12 months
Date of the Report	September 30, 2014

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value as If Vacant	Fee Simple	July 25, 2013	$6,100,000
Retrospective Hypothetical Market Value as Improved	Leased Fee	July 25, 2013	$6,600,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Both of the value opinions contained in this appraisal make the hypothetical assumption that as of the (retrospective) value date the subject property was free and clear of any environmental issues.
2. Our appraisal of the property "as if vacant" makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant (unimproved). This opinion is intended to reflect the value of the land only, and does not consider the positive contribution to value of the existing improvements and the lease of the property to Alta Bicycle Share Inc.

General Information

Identification of Subject

The subject is an existing industrial property containing 14,870 square feet of rentable area. The improvements were constructed in 1972 and are 100% leased to Alta Bicycle Share as of the effective appraisal date. The site area is 0.59 acres or 25,612 square feet. The property is zoned CG/CR (Commercial-Residential, Capitol Gateway Overlay), which permits residential, commercial, recreational and light industrial uses.

Property Identification	
Property Name	Ein/Rollingwood Property
Address	1714 2nd St. SW
	Washington, District of Columbia 20024
Tax ID	Square 605, Lot 7

Land Area Summary

Tax ID	Address	SF	Acres
Square 605, Lot 7	1st St. SW	25,612	0.59

Source: District of Columbia Tax Records

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the retrospective hypothetical market value as if vacant of the fee simple interest in the property as of the effective date of the appraisal, July 25, 2013. We have also developed an opinion of the retrospective hypothetical market value of the leased fee interest in the property as improved. The date of the report is September 30, 2014. The appraisal is valid only as of the stated effective date or dates.

Current Ownership and Sales History

The owner of record is Rollingwood Real Estate LLC (hereafter "Rollingwood"). This party acquired the property on February 28, 2011 for a price of $2,175,000, as recorded in document number 2011-016719 of the District of Columbia public records. The seller was Enrique C. Lyon. Subsequent to the acquisition, Rollingwood owner undertook a renovation of the property, which included replacing/repairing of the roof, HVAC system, doors, doors, and miscellaneous other items. The new owner also secured a tenant to occupy the entire property for a base term of five years, with a five-year renewal option (which may be rescinded by the landlord).

We recognize that both of our value opinions are considerably higher than the price of this sale, which occurred about 29 months prior to this appraisal's effective (retrospective) date. However, market conditions in early 2011 were generally unfavorable to speculative land investment. The property had originally been marketed at an asking price of $4.5 million, and traded at a steep discount against that figure. The revitalization of development activity in nearby submarkets in the intervening period significantly enhanced the desirability of Buzzard Point as a medium-term investment/development

play. We also note that while Rollingwood ultimately secured a tenant for the property after performing repairs to the improvements, the prospects for acquiring *any* tenant were limited. As a result, the improvements would have had little contributory value at the time of purchase, as they were vacant and in need of repairs.

To the best of our knowledge, no other sale or transfer of ownership has occurred within the past three years.

As of the effective (retrospective) date of this appraisal, the property was not subject to an agreement of sale or option to buy, nor is it listed for sale. Subsequent to the effective date, Rollingwood Real Estate, LLC. and the District of Columbia have entered into an agreement in the form of a letter of intent (dated June 15, 2014), under which the District will acquire the subject property. The agreed-upon price is $10,500,920. Closing is to occur within 60 days of passage of the *District of Columbia Soccer Stadium Development Act of 2014* (or substantially similar legislation. The agreement also stipulates that the District has the right to terminate the agreement if third-party studies completed during due diligence determine that the cost of curing environmental issues exceed 5% of the purchase price, or that there are title issues impacting value, if Rollingwood is unwilling or unable to cure these issues. The agreement may also be terminated by either party if the aforementioned Soccer Stadium Development Act "has not been passed by the Council by December 31, 2015" and will automatically be terminated "if the Council does not pass the Soccer Stadium Act." We note that this letter of intent is silent with respect to treatment of the existing lease.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Intended Use and User

The intended use of the appraisal is for evaluation of a proposed land exchange and development agreement of which this property is proposed to be a part. The client and intended user is the Council of the District of Columbia, and other intended users are the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group. The appraisal is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Concise Summary Format. This type of report has less depth and detail than an Appraisal Report – Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Comparison of Report Formats in the Addenda.

Prior Services

We have previously appraised the property that is the subject of this report for another client within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on August 14, 2014 that included visual observation of the property from public roadways/rights of way, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period. In addition, we have personally inspected all of the comparables utilized in our analysis.

We identified the subject through tax records and other documentation provided by the client, and assembled information about the characteristics of the property that are relevant to the value of the

fee simple property rights being appraised and the intended use of the appraisal. In addition, we were provided with the following previous appraisals of the subject property, which contained market data and factual information about the subject:

- *Appraisal of Six Contiguous Parcels within Buzzard Point*, Joseph J. Blake & Associates, Inc., dated February 21, 2014, effective date January 22, 2014

- *Appraisal Report – Property of Rollingwood Real Estate LLC*, Parli Appraisal, Inc., dated April 26, 2014, effective date April 9, 2014

While we have not *relied* on the analysis and conclusions of this previous appraisal work performed by other firms in developing our opinions of value, due to differences in the scope of work, purpose and intended use, we have considered the factual information presented therein. Note that this appraisal report *is not* a review of the referenced appraisals.

Other elements of scope are discussed in the individual sections of the report.

Valuation Methodology

The methodology employed in this assignment is summarized as follows.

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

The **sales comparison approach** is the most reliable valuation method for the subject due to the following:

- There is a somewhat active market for properties similar to the subject, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The **income approach** is not applicable to the subject because:

- As if vacant, the property would be unlikely to generate significant rental income.
- As improved, the property generates income from a lease to Alta Bicycle Share, but this use of the property is not consistent with the highest and best use upon expiration of this lease. The income from the lease makes only a nominal contribution to the value of the property as improved. We do, however, apply income approach techniques (specifically, a discounted cash flow analysis) to quantify the contributory value of the lease in place.

The **cost approach** is not applicable to the subject considering the following:

- The cost approach is not applicable to a valuation of the property as if vacant.
- As improved, the improvements are not consistent with the highest and best use of the property.

Market Analysis

Our client is in possession of multiple appraisals of sites within Buzzard Point that are proposed to be part of an assemblage to accommodate a new DC United soccer stadium. We have reviewed the market overviews presented in these appraisals and have concluded that they present a thorough and accurate overview of area development trends, land use patterns, and economic conditions impacting the local real estate market. Accordingly, we have not presented detailed regional, neighborhood and market area analyses such as would be typical of a "Self Contained" or comprehensive appraisal report. Instead, we present here a limited overview of the most relevant factors impacting the value of the subject property as of the effective (retrospective) value date.

Access and Linkages

Primary access to the market area is provided by the Southeast/Southwest Freeway and South Capitol Street, which extends south over the Anacostia River to the Anacostia Freeway (I-295) via the Frederick Douglass Memorial Bridge. Overall, vehicular access is average. DDOT plans call for a reconfiguration of the South Capitol Street/Potomac Avenue interchange into a traffic oval, which would significantly improve the vehicular accessibility of Buzzard Point.

The nearest Metro stations serving Buzzard Point area are located along M Street. The Navy Yard-Ballpark station is approximately 1.0 mile northeast, and the Waterfront station is approximately 0.7 miles to the northwest. The closest Metrobus stop is located several blocks north, at the corner of 2nd and P Street SW. The local market perceives public transportation as good compared to other market areas in the region, but access to Metro and Metrobus is inferior to the Southwest Waterfront and Capitol Riverfront neighborhoods.

Demand Generators

Major employers in Buzzard Point include the U.S. Coast Guard, Fort McNair, and National Defense University. However, the Coast Guard, which occupies over 1 million square feet in two office buildings located at the southeast part of the Buzzard Point peninsula, began vacating both of these buildings in 2013 to move into their newly constructed headquarters buildings on the St. Elizabeth's campus. These buildings will "go dark" in the near future. Meanwhile, Fort McNair and National Defense University are significant employment centers, but activities on these campuses are almost entirely self-contained and have minimal impact on the surrounding neighborhood.

The primary employment center in the area is in the Capitol Riverfront neighborhood, which is home to the Washington Navy Yard and the U.S. DOT's 2.1 million square foot headquarters. In addition to on-site employment at these facilities, the proximity to these federal departments drives additional office demand from contractors and other associated businesses. Total office employment in the Capitol Riverfront neighborhood is estimated by the BID at 32,000.

Also of note is Waterfront Station, located at the Waterfront Metro. This project includes a new Safeway grocery store and a number of DC government offices. Continued development activity along the Southwest Waterfront, discussed below, is also expected to have positive spillover effects in the subject neighborhood.

Area Demographics

Surrounding Area Demographics

2013 Estimates	0.25-Mile Radius	0.5-Mile Radius	1-Mile Radius	District of Columbia	Washington DC, MSA
Population 2010	889	5,287	15,637	601,723	5,582,170
Population 2013	921	5,563	16,801	637,231	5,828,935
Population 2018	989	6,089	18,737	700,339	6,214,887
Compound % Change 2010-2013	0.3%	0.4%	0.6%	0.4%	0.3%
Compound % Change 2013-2018	1.4%	1.8%	2.2%	1.9%	1.3%
Households 2010	387	2,919	8,933	266,707	2,074,730
Households 2013	401	3,094	9,643	284,867	2,167,514
Households 2018	432	3,419	10,798	316,416	2,316,855
Compound % Change 2010-2013	0.3%	0.4%	0.6%	0.5%	0.3%
Compound % Change 2013-2018	1.5%	2.0%	2.3%	2.1%	1.3%
Median Household Income 2013	$47,099	$65,435	$67,451	$62,958	$87,308
Average Household Size	2.3	1.8	1.7	2.1	2.6
College Graduate %	41%	53%	60%	50%	47%
Median Age	30	43	37	35	37
Owner Occupied %	15%	49%	34%	42%	64%
Renter Occupied %	85%	51%	66%	58%	36%
Median Owner Occupied Housing Value	$279,165	$259,075	$285,367	$391,145	$337,411
Median Year Structure Built	1963	1965	1966	1951	1978
Avg. Travel Time to Work in Min.	35	33	30	33	37

Source: Claritas

As shown above, the immediately surrounding area has a limited population base for an urban area. Population and household growth since 2010 has been quite limited, but is projected to accelerate over the coming five years. Median household incomes within half-mile and one-mile radii are similar to those in the District of Columbia as a whole, but income levels in the immediate vicinity (quarter-mile radius) are considerably lower. Over 1,100 households are expected to move into the area within a mile of the subject over the next five years, but this study area takes in most of the area south of the Southeast/Southwest Freeway, including most of the Capitol Riverfront neighborhood.

Land Use

The character of the Buzzard Point area is best characterized as transitional, with a mix of urban and industrial elements, as well as institutional land uses. Excluding Fort McNair, only about 75% of the land in the area is developed, and many of the current uses are of a low-intensity nature and/or are not conducive to encouraging urban development as envisioned in the District's land use plans.

Development Activity and Trends

As noted, our appraisal is retrospective in nature, and seeks to establish the value of the subject property as of July 2013, before the proposed DC United stadium deal had been announced. To orient our analysis to this timeframe, we present below excerpts from IRR appraisals prepared during the first half of 2013 that describe development activity in the market area.

"During the last five years, multiple emerging districts have evolved in the Southwest and Southeast quadrants of Washington, DC, north of the Anacostia River. Portions of these areas are now

considered priority redevelopment areas. These include the Southwest Waterfront (The Wharf and Waterfront Station) and the M Street Corridor, also known as Capitol Riverfront (Ball Park District and Navy Yard). These areas are located north and northeast of the subject, respectively. According to the Capitol Riverfront Business Improvement District (BID), more than 1.2 million square feet of office, retail, residential and hotel space are under construction in the BID, with an additional 23 million square feet planned.

Capitol Riverfront

"Anchored by the Navy Yard employment area and by Nationals Park, [Capitol Riverfront is] a major visitor and entertainment destination. These definitive anchors are catalyzing new office, residential, and retail uses. Two key areas of mixed use development are Half Street, the entertainment gateway to the Ballpark, and The Yards, a 42-acre site that blends adaptive uses of historic buildings with new construction and a riverfront park.

"The Capitol Riverfront is already home to a mixed-use community of over 35,000 daytime employees in 7.2 million square feet of office associated with the Washington Navy Yard and the U.S. Department of Transportation. Housing includes 2,760 residential units located in various apartments, condos, co-ops, and townhouses with an estimated residential population of over 3,800 people. Additionally, the area features a 204-room Courtyard by Marriott, the 41,000 seat Nationals Park baseball stadium, and a continuous one mile river front trail from Diamond Teague Park to the 11th Street bridges.

"The Capitol Riverfront has benefited from significant public and private sector investments. The neighborhood has seen over $1 billion in public investment that has leveraged over $2 billion of private sector investment. The table below details a development summary for the area [as of Q1 2013]:

Estimated Delivery	Office Sq. Ft.	Retail Sq. Ft.	Residential Units	Hotel Rooms	Total Sq. Ft.	Estimated Total Cost
Existing/Completed	7,238,040	187,129	2,760	204	11,728,493	$2.7 billion
Under Construction	29,350	144,850	494	0	703,200	$538 million
Planned	8,004,780	566,137	6,606	1,051	24,473,872*	$6.3 billion
Totals	15,272,170	898,116	9,860	1,255	36,905,565*	$9.5 billion

"

Looking purely at capital expended as of early 2013 ($3.2± billion) relative to total estimated construction costs for planned projects ($9.5 billion) suggests that the Capitol Riverfront neighborhood was approximately 1/3 of the way to build-out. This funding was somewhat unevenly distributed by use, as existing office inventory represented nearly half of the planned total, while less than 20% of the planned hotel inventory had been built. Residential development (including under-construction inventory) stood at exactly 33% of the planned total. Meanwhile, retail construction had surged as new multifamily uses had begun to support a critical mass of residents.

A wave of investment in the Capitol Riverfront had occurred concurrent with the construction and completion of Nationals Park (2006-2008). However, the onset of the financial crisis and subsequent recession caused construction activity to stall out during 2009-2011, and there were only two new multifamily completions between 2010 and 2013 (Foundry Lofts and Camden South Capitol). Construction activity began surging in 2013: five new multifamily buildings are expected to be

completed by the end of 2015, with four more delivering in 2016. (All nine of these buildings are under construction as of Q3 2014). The general scale of this development pipeline was known to the market as of July 2013, and will represent a near-doubling of the multifamily inventory in Capitol Riverfront. These figures suggest that by year-end 2016 nearly 2/3 of the planned residential development of this neighborhood will have been completed.

The Wharf/Southwest Waterfront

"Redevelopment plans for the Southwest Waterfront are geared around three main objectives: redevelopment of Waterside Mall, re-opening of 4th Street, and reconnection of the Southwest community to the National Mall. The largest project slated for development in the Southwest Waterfront is known as The Wharf, a planned $2 billion mixed-use development located on 27 acres along the Washington Channel, just south of the National Mall. The project is slated for development of 560 residential dwelling units, a 600-key hotel, 840,000 square feet of office, 335,000 square feet of retail, a cultural center, 2,500 underground parking spaces, and between 400 and 500 marina slips. Groundbreaking is anticipated for late 2013 and Phase I is projected to open in 2015. [Note that these start dates, as many suspected at the time, eventually slipped; Phase I is scheduled for a 2016 opening.]

"Meanwhile, Waterfront Station is currently being developed as a mixed-use urban center near the Waterfront Metrorail station. Upon completion, the total project will include seven new buildings totaling over 2 million square feet, including Class-A office space, new residential units and neighborhood-oriented retail. The project features a retail oriented streetscape along the newly re-opened 4th Street. Construction of Waterfront Station is being implemented in several phases. Phase 1 is complete. Phase 2 is the development of over 500 residential units [adaptive re-use of an office building] by Urban Atlantic, with delivery anticipated for mid-2013. Phases 3 and 4 are planned for the future development of residential and office parcels owned by Forest City Washington, Vornado/Charles E. Smith, and Bresler & Reiner."

Buzzard Point

"In November of 2009 a Planning Assistance Team produced a document titled "Alternative Futures: Final Recommendations" for Buzzard Point, which is located in the blocks southwest of the subject. The document highlighted a number of possible physical changes, including:

- The creation of the DC streetcar network, which is planned to include a streetcar along M Street (5 to 10 years from now).
- The reconfiguration of the DC waterfront including the Riverwalk designed to provide continuous access to the Anacostia and Potomac River banks (2 to 5 years from now).
- The reconfiguration of South Capitol Street and the construction of the new Frederick Douglas Memorial Bridge (5 to 10 years from now).
- The relocation of the Coast Guard headquarters to the St. Elizabeth's site across the Anacostia River (2 to 4 years from now).

The document notes that change will not come quickly to the Buzzard Point area and market conditions are far from conducive to redevelopment, a situation likely to persist at least for the next three to five years."

Sports & Entertainment District @ Buzzard Point

"According to media reports, a planned Sports & Entertainment District at Buzzard Point would include a new soccer stadium for DC United. The stadium would be bordered by T Street to the south, 2nd Street to the west, Half Street to the east and Potomac Avenue and R Street to the north. The stadium would have team offices, a club venue, underground parking, a public plaza, shopping and a ticketing center—and a theater would line Half Street SW. Discussions about this project are ongoing."

Note that the preceding paragraph is excerpted from an IRR report dated April 2013, indicating that while the proposed soccer stadium development deal had not been officially announced and the details of the deal, the market was aware that such a move was a possibility.

Multifamily Market

While the subject's zoning permits a wide variety of uses, residential (multifamily) use permits the greatest density and is the only use that is considered reasonably likely to be financially feasible for the foreseeable future. The subject is located in the Capitol Hill/Southwest multifamily submarket (as defined by *REIS, Inc.*, a recognized source). Supply and demand indicators as of the retrospective value date are summarized as follows.

Capitol Hill/Southwest Submarket

Year	Quarter	Inventory (Units)	Completions (Units)	Vacancy %	Absorption (Units)	Effective Rental Rate	% Change
2004	Annual	6,585	0	4.3%	-125	$1,087	1.2%
2005	Annual	6,585	0	2.8%	99	$1,077	-0.9%
2006	Annual	6,327	0	4.2%	-340	$1,130	4.9%
2007	Annual	6,327	0	1.8%	152	$1,226	8.5%
2008	Annual	7,287	960	7.2%	549	$1,362	11.1%
2009	Annual	7,524	237	8.3%	138	$1,389	2.0%
2010	Annual	7,524	0	7.0%	97	$1,460	5.1%
2011	Annual	7,631	107	6.8%	115	$1,490	2.0%
2012	Annual	7,631	0	4.3%	191	$1,525	2.3%
2013	2	7,772	141	4.9%	88	$1,543	

Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

The following analysis is taken from an IRR report prepared for a property in the Capitol Riverfront neighborhood in June 2013:

"The submarket vacancy rate increased substantially from 2008 to 2009, but has since fallen significantly. Additional completions may cause intermittent spikes in the vacancy rate, but the overall rate is likely to remain in the 5% range for the foreseeable future. Absorption in the [first] quarter reflects the fastest annualized absorption pace since 2008.

"The average effective rental rate has been increasing since 2006, and this trend is also expected to continue for the foreseeable future due to the increasing desirability of this submarket.

"Overall, market conditions are strengthening. However, there is significant concern about the ability of the metro-wide apartment market to absorb the large planned supply pipeline while maintaining rental rate growth.

"At present, three apartment buildings are currently under construction in the subject neighborhood:

- Twelve12 4th Street – 218 units at 4th & M SE
- Camden South Capitol – 264 units at South Capitol and O SE
- Waterside Metro Lofts – 500 units at 4th & M SW

"Camden South Capitol is currently in pre-leasing and is expected to be completed this summer. The other projects are likely to deliver in 2014, with Waterside delivering in two phases. At the current annualized absorption pace of 384 units per year, the market would be well-positioned to absorb this new inventory of 982 units in less than three years, which would be consistent with a lease-up pace for these projects consistent with strong market conditions.

"Based on this information, it appears that the market is likely to remain in balance for the foreseeable future. However, the pipeline of planned inventory in the submarket is over 1,200 units…"

"The demographic projections from *Claritas* presented previously, while of somewhat limited reliability when dealing with a small, rapidly changing study area, provide general support for this level of planned construction over a five-year period. However, the timing of [future] projects could have a significant impact on overall market conditions. *REIS* also reports that an additional 2,000+ units are currently proposed in this submarket, representing additional supply/competition risk and suggesting that the submarket is likely to remain highly competitive for the foreseeable future.

"Nonetheless, conditions are considered moderately favorable to new development [in the Capitol Riverfront area], provided that land pricing and construction costs provide a sufficient cushion against the risk associated with the future competitive environment. The Southeast and Southwest waterfronts are undergoing a period of rapid change, and the competitive stature of the area is rising quickly, both in terms of desirability to renters and investor/developer interest."

This June 2013 market analysis indicates that developer interest in multifamily and mixed-use sites in the Capitol Riverfront neighborhood was strengthening as of July 2013, which has since been borne out by subsequent events including the commencement of construction on a significant number of new projects in the area.

However, a roughly contemporaneous (December 2012) IRR appraisal of a property in Buzzard Point noted that "there has been limited redevelopment in the [Buzzard Point area]. We project that the revitalization in the adjoining submarkets will expand outward to the… Buzzard Point area. This

process is expected to take place over a longer time frame than core Capitol Riverfront/Southwest locations… While the [Buzzard Point] area is not currently desirable for immediate development, we believe the current zoning regulations and the limited availability of large blocks of vacant land will lead developers to the neighborhood looking for large scale development opportunities. We believe development land values in the neighborhood will 'catch up' to sale prices of current transactions in superior areas of the Capitol Riverfront/Southwest submarket within 10 years."

The expectation that mixed-use development in Buzzard Point would be viable within 10 years was based on discussions with brokers, developers and investors active in the Washington, DC multifamily market. The *Claritas* data presented indicates that approximately 1,100 net new households were expected to enter the Capitol Riverfront/Southwest submarket by 2018. This compares to an under-construction pipeline of just under 1,000 units, plus a planned inventory of over 1,200 units. In other words, as of mid-2013, the potential five-year supply in the market was roughly twice the demand projected from demographic data. While developers expected the market to significantly outperform historically-derived household growth projections, the additional 2,000 proposed units tracked by *REIS* suggested a submarket development pipeline that would take at least ten years to be fully absorbed.

Land Description

Land Description	
Land Area	0.59 acres; 25,612 SF
Source of Land Area	District of Columbia Tax Records
Shape	Quadrilateral; regular configuration occupying western half of block bounded by 2nd, 1st, and S Streets SW and the Potomac Avenue SW right-of-way. We note that the current operation of the neighboring property appears to encroach onto the Potomac Avenue ROW.
Corner	Yes
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	Environmental conditions presumed to exist; valuation assumes no environmental issues (hypothetical)
Ground Stability	No problems reported or observed
Flood Area Panel Number	1100010057C
Date	September 27, 2010
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No
Zoning; Other Regulations	
Zoning Jurisdiction	District of Columbia
Zoning Designation	CG/CR
Description	Commercial-Residential, Capitol Gateway Overlay
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Residential, commercial, recreational and light industrial
Minimum Lot Area	None prescribed
Maximum Building Height	90', 100' with IZ
Maximum Site Coverage	100% for non-residential use; 80% for residential use increases to 90% with IZ
Maximum Floor Area Ratio	6.0 base density, 3.0 maximum non-residential use; 1.2 FAR Inclusionary Zoning bonus and 1.0 residential use bonus available
Parking Requirement	1 space per 3 residential units; commercial requirements vary
Other Land Use Regulations	Comprehensive plan calls for high-density commercial and residential use
Utilities	
Service	Provider
Water	DC Water
Sewer	DC Water
Electricity	Pepco
Natural Gas	Washington Gas
Local Phone	Verizon

We were not provided a title report to review; however, we are not aware of any easements, encumbrances, or restrictions that would adversely affect value.

Based on the maximum floor area ratio (FAR) under zoning (8.2, utilizing all residential bonuses), it appears that 210,018 square feet of building area could be developed on the site if it were vacant.

Sites in this market area are generally developed to their maximum potential under zoning and are priced on this basis.

Improvements Description

Improvements Description	
Name of Property	Ein/Rollingwood Property
General Property Type	Industrial
Property Sub Type	Office/Warehouse
Occupancy Type	Single Tenant
Percent Leased	100%
Number of Tenants	1
Number of Buildings	1
Stories	2 (partial second story)
Construction Class	B
Construction Type	Reinforced concrete frame
Construction Quality	Average
Condition	Average
Gross Building Area (SF)	14,870
Rentable Area (SF)	14,870
Land Area (SF)	25,612
Floor Area Ratio (RA/Land SF)	0.58
Floor Area Ratio (GBA/Land SF)	0.58
Building Area Source	Lease
Year Built	1972
Actual Age (Yrs.)	41
Estimated Effective Age (Yrs.)	20
Estimated Economic Life (Yrs.)	45
Remaining Economic Life (Yrs.)	25
Number of Parking Spaces	25
Parking Type	Surface
Parking Spaces/1,000 SF GBA	1.68

Rent Roll

Tenant	SF	Lease Start	Lease End	Term (Mos.)	Lease Type	Contract Rent	Contract Rent/SF
Alta Bicycle Share Inc.	14,870	6/15/2012	6/15/2017	60	Base Stop	$214,425	$14.42
Total/Average*	14,870					$214,425	$14.42
Vacant SF	0	0%					
Leased SF	14,870	100%					

*Average contract rent is based on leased square feet.

Lease Synopsis

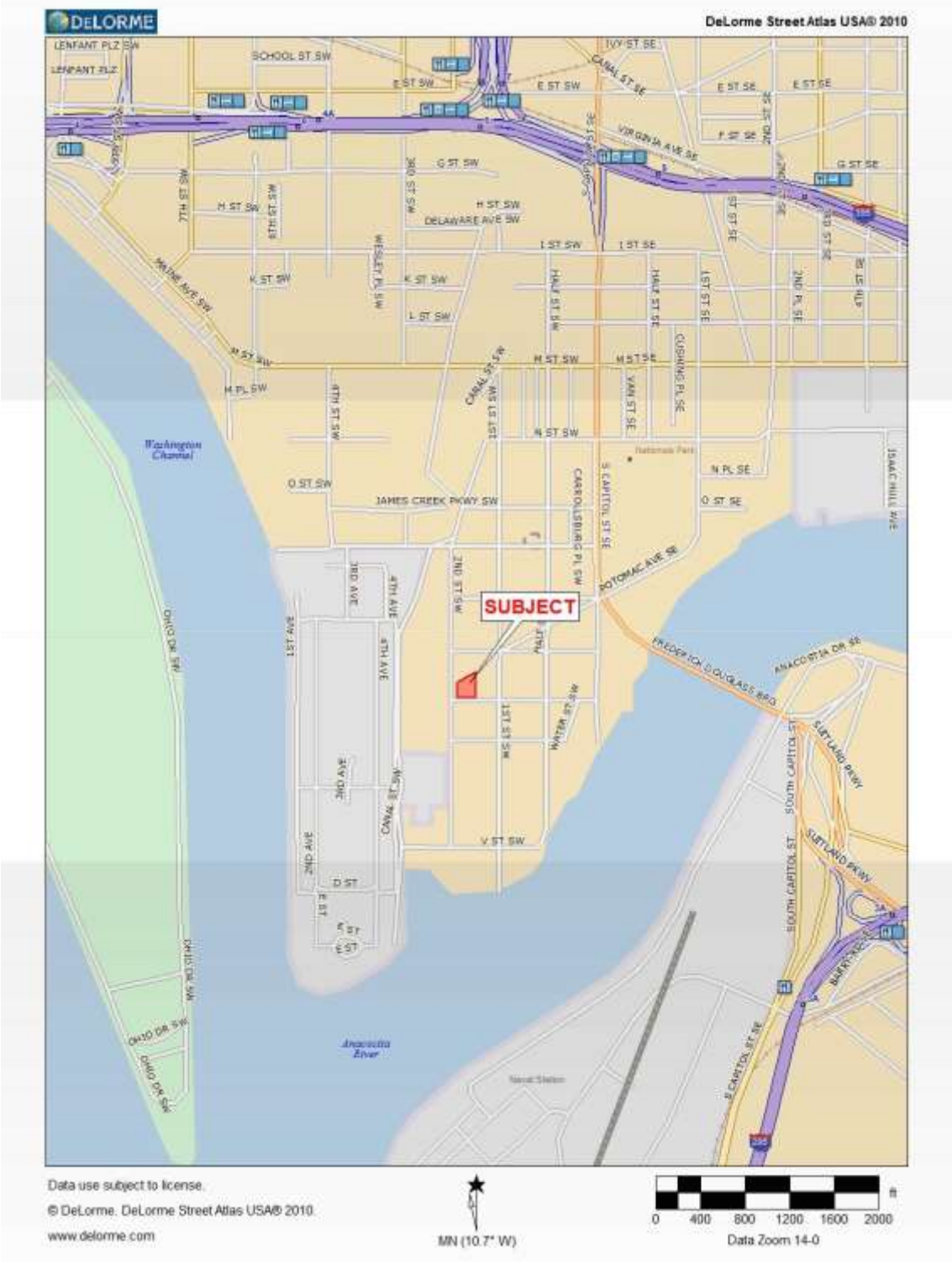
Lessor:	Rollingwood Real Estate LLC
Lessee:	Alta Bicycle Share Inc.
Leased SF	14,870
Lease Type	Base Stop
Tenant Paid Expenses	Utilities, maintenance, non-structural repairs, increases over base year real estate taxes and insurance
Owner Paid Expenses	Structural repairs, base year taxes and insurance
Commencement:	6/15/2012
Expiration:	6/15/2017
Term:	60 months or 5.0 years
Remaining Term:	47 months or 3.9 years

Base Rent & Escalations	Period	Months	PSF/Yr	Annual Rent
Base Term	6/15/2012 - 6/14/2013	1 - 12	$14.00	$208,180
Base Term	6/15/2013 - 6/14/2014	13 - 24	$14.42	$214,425
Base Term	6/15/2014 - 6/14/2015	25 - 36	$14.85	$220,858
Base Term	6/15/2015 - 6/14/2016	37 - 48	$15.30	$227,484
Base Term	6/15/2016 - 6/14/2017	49 - 60	$15.76	$234,308
Option Term	6/15/2017 - 6/14/2018	61 - 72	$16.23	$241,338
Option Term	6/15/2018 - 6/14/2019	73 - 84	$16.72	$248,578
Option Term	6/15/2019 - 6/14/2020	85 - 96	$17.22	$256,035
Option Term	6/15/2020 - 6/14/2021	97 - 108	$17.73	$263,716
Option Term	6/15/2021 - 6/14/2022	109 - 120	$18.27	$271,628

Current Rent	$214,425
Projected Rent - First Forecast Year	$214,425

Comments: Landlord may rescind renewal option by written notice not later than 210 days prior to expiration of base lease term (i.e. November 17, 2016)

Surrounding Area Map



Real Estate Taxes

Real estate taxes and assessments for the current tax year are shown in the following table. Based on our opinion of market value for the subject, the assessed value appears reasonable.

Taxes and Assessments - 2015

	Assessed Value			Taxes and Assessments	
Tax ID	Land	Improvements	Total	Tax Rate	Ad Valorem Taxes
Square 605, Lot 7	$3,000,000		$3,000,000	1.65%	$49,500
	$7,246,880	$11,140	$7,258,020	1.85%	$134,273
	$10,246,880	$11,140	$10,258,020		$183,773

Highest and Best Use

As If Vacant

The highest and best use of the subject as if vacant is to hold the property for future development of a multifamily or mixed use. This opinion is supported as follows:

- The only permitted use under zoning that is consistent with prevailing development patterns in the area is multifamily or mixed use.
- There are no physical limitations that would prohibit development of a multifamily or mixed use on the site.
- Development of a multifamily or mixed use is not financially feasible at the current time. Recent development activity in core areas of the Capitol Riverfront and Southwest submarkets has been significant, and accelerated markedly during 2012-2013 after experiencing a slowdown in the wake of the 2008-2009 recession. However, there has been no significant development activity in the Buzzard Point area. We conclude that there is limited demand for new development in the immediate area at the present time, and a newly constructed multifamily or mixed use would not have a value commensurate with its cost. Nevertheless, we project that the revitalization in nearby submarkets will eventually expand outward into the Buzzard Point area. While the subject's directly surrounding area is not currently desirable for immediate development, we believe that current zoning regulations and the limited availability of large blocks of vacant land elsewhere will lead developers to the neighborhood looking for large scale development opportunities as infill land inventory diminishes. Accordingly, we expect property values to rise to a level that will justify the cost of new construction in the future. Thus, we anticipate that, in time, multifamily or mixed development will become financially feasible.
- Holding the property for future multifamily or mixed development is the maximally productive use of the property as there is no reasonably probable use of the site that would generate a higher residual land value.

As Improved

The property is currently 100% leased to a single tenant. However, the capitalized value of the net income from the lease (capitalized at 8%) would equate to a land value of less than $10 per potential building square foot, which is substantially lower than our opinion of the value of the property as if vacant. However, development is not currently feasible, and the lease encumbers the property through June 2017, effectively prohibiting demolition and redevelopment until that date. The tenant has an option to renew the lease for an additional five years (through June 2022), but the landlord may rescind this option at his sole discretion.

The valuation analysis to follow indicates that a typical buyer would expect that development feasibility would be a rapidly approaching reality as the base lease term nears expiration. Accordingly, we conclude that the highest and best use of the property as improved is to hold the property for future development, with the expectation of rescinding the extension option and demolishing the improvements for redevelopment at expiration of the base lease term.

We note that as vacant or as improved, the most probable buyer is a developer.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

While we rely on the sales comparison approach, we also employ a discounted cash flow (typically employed in the income approach) in our valuation. The sales comparison approach is developed to derive a hypothetical market value of the property as if it were feasible to develop as of the effective value date. Because an extended holding period will be required prior to feasibility, we apply present value discounting to reflect the necessary return on investment during the holding period. Similarly, we use a discounted cash flow to estimate the contributory value of the lease in place.

Land Valuation

To develop an opinion of the subject's land value, we use the sales comparison approach. Our search for comparable sales focused on transactions within the following parameters:

- Location: Buzzard Point, Capitol Riverfront, Southwest Waterfront
- Size: Development capacity > 150,000 square feet
- Use: Multifamily/mixed-use development
- Transaction Date: 2011 to present

In our opinion, there is insufficient comparable sale data in the local market that would reflect the prices paid for land that is not imminently developable. We therefore focused our research on identifying comparable sales in the market area that were intended for near-term development.

We researched and assembled data for the most relevant sales, and confirmed the arms-length nature of the sales with parties to the transaction or secondary sources. We have analyzed the sales on a price per potential building square foot (FAR), as this is the unit of comparison most commonly cited in the marketplace. The most relevant sales are summarized and analyzed on the following pages.

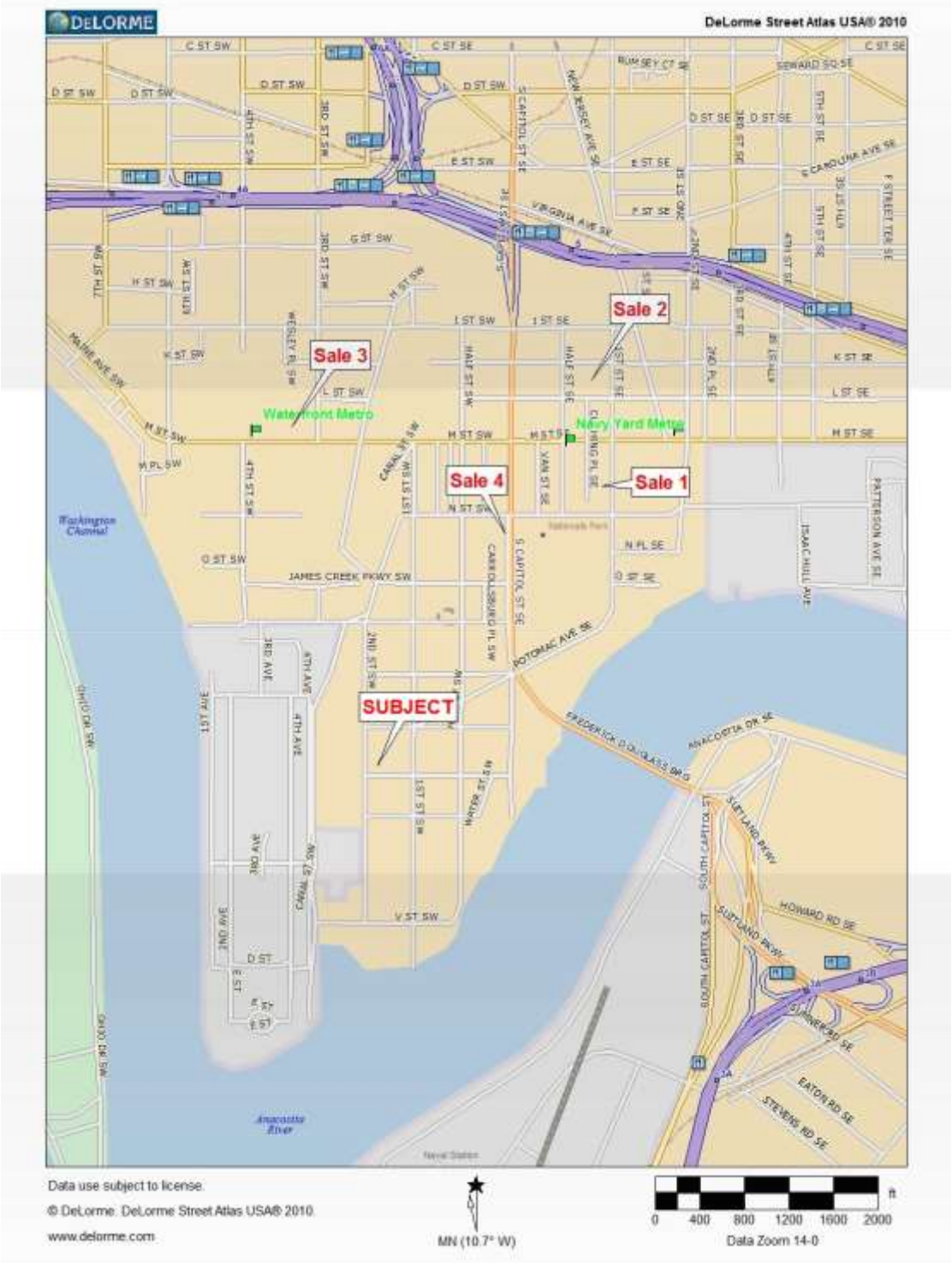
Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Bldg. SF; FAR	Zoning	$/SF Bldg. (FAR)	$/SF Land
1	Square 701 - Grosvenor Site 1st St. SE Washington DC	Oct-12 Closed	$25,810,742	53,653 1.23	422,000 7.87	CR/CG	$61.16	$481.07
	Comments: This transaction represents Grosvenor's purchase of an assemblage of parcels for mixed-use residential, retail and hotel development. The seller was the Willco Companies, who had been assembling land in this neighborhood since the 1940s and working through the entitlement process since the mid-2000s. They ultimately elected to sell this site to Grosvenor, and an adjacent site to Skanska, in two simultaneous transactions. The Grosvenor and Skanska projects were planned and approved as a single project, but each entity will develop and control its portion of the site. Approvals had not been fully finalized at the time of sale but the project had support of the ANC and ultimately received zoning approvals the following month (November 2012). The approved plans call for 661,000 square feet of total development, with 224,000 square feet of office use and approximately 15,000 square feet of retail use allocated to Skanska's development site, leaving 422,000 square feet of building capacity for Grosvenor's property.							
2	Toll Brothers Sites 1025 1st St. NE Washington DC	Apr-12 Closed	$30,500,000	55,381 1.27	553,810 10.00	C-3-C	$55.07	$550.73
	Comments: This record represents Toll Brothers' acquisition of two contiguous sites in separate transactions (April 2012 and October 2012) from a single seller. The sale price for the second piece was negotiated as an option with the first purchase. The buyer plans to construct a new high-end residential project on the property in two phases. The seller was the Cohen Companies, who developed the Velocity condos on an adjacent property and had planned these two additional sites as sister buildings for the Velocity, but were approached by Toll Brotheres with an unsolicited offer. The first Toll acquisition had underground infrastructure (parking and utilities) in place from the original Velocity development; the contributory value of the garage is estimated at $8 million. The property is in the Capitol South TDR receiving zone and transferred with TDRs in place that allowed for development up to a 10.0 FAR.							
3	Sky House 1150 4th St. SW Washington DC	Feb-11 Closed	$13,000,000	58,330 1.34	460,000 7.89	C-3-C	$28.26	$222.87
	Comments: Urban Atlantic and JBG purchased these two 12-story office buildings located near the Waterfront Metro station in early 2011. The buildings were subsequently gut-renovated for residential use as 530 apartment units at a budgeted cost of approximately $120 million ($261/SF). The development retained the existing 280-space underground garage on the site, with an estimated contributory value of $8.4 million ($25,000 per space, considering depreciation). Approvals were in place pursuant to the Waterfront PUD (approved in 2003), and required that 20% of the building area be designated as affordable housing.							
4	South Capitol Site (Listing) 1315 South Capitol St. Washington DC	Active Listing	$15,000,000	31,498 0.72	226,786 7.20	C-2-C/CG	$66.14	$476.22
	Comments: This is an active listing of a site fronting on South Capitol Street across from Nationals Park. The site is zoned C-2-C and is located in the Capitol Gateway overlay, allowing for development at a 7.2 FAR (including IZ bonus density). The site is advertised for apartment or hotel development and had been actively marketed for more than 2 years as of July 2013.							
	Subject Ein/Rollingwood Property			25,612 0.59	210,018 8.20	CR/CG		

Analysis of Comparable Land Sales

No.	Name/Address	Acres; Land SF; Bldg. SF (FAR)	Zoning	Sale Date; Status	Effective Sale Price	$/Bldg. SF	Overall Adjustment Applied	Adjustment Comments
	Subject Ein/Rollingwood Property 1714 2nd St. SW Washington DC	0.59 25,612 210,018	CG/CR	7/25/2013 Retrospective				Note: all three closed sales require upward adjustment for improving market conditions through value date.
1	Square 701 - Grosvenor Site 1st St. SE Washington DC	1.23 53,653 422,000	CR/CG	Oct-12 Closed	$25,810,742	$61.16	Down	Significantly superior location near Navy Yard/Ballpark, slightly superior entitlement status (approved PUD)
2	Toll Brothers Sites 1025 1st St. NE Washington DC	1.27 55,381 553,810	C-3-C	Apr-12 Closed	$30,500,000	$55.07	Down	Significantly superior location near Navy Yard/Ballpark, superior entitlement status (approval pre-dating IZ requirements)
3	Sky House 1150 4th St. SW Washington DC	1.34 58,330 460,000	C-3-C	Feb-11 Closed	$13,000,000	$28.26	Up	Superior location (Waterfront Metro), but significant upward adjustment required for high affordable housing requirement per PUD approvals. Re-use of existing building requires additional upward adjustment for high cost and inferior market appeal.
4	South Capitol Site (Listing) 1315 South Capitol St. Washington DC	0.72 31,498 226,786	C-2-C/CG	Active Listing	$15,000,000	$66.14	Down	Property on the market for more than 2 years suggests asking price is above-market and requires downward adjustment. Location (west side of South Capitol) is inferior to comparables 1 and 2 but still superior to subject.
Range of Unadjusted Prices per Bldg. SF		$28.26 - $66.14						
Indicated Value per Bldg. SF		$29						

Comparable Land Sales Map



Land Value Conclusion – As If Feasible

We place primary emphasis on Sales 1 and 2, as these two sales are considered strongly indicative of prevailing pricing (as of the effective date) for multifamily development land in the nearby Capitol Riverfront neighborhood. However, even with the assumption that development on the subject site were currently feasible, the value ceiling indicated by these sales ($55-$61 per square foot) requires a downward adjustment in the 20% to 30% range for superior location/access and entitlement status, suggesting an "as if feasible" value for the subject site of approximately **$45.00 per buildable square foot (FAR)**. Similarly, the listing of 1315 South Capitol Street, at $66 per FAR, requires a discount for its location (which is superior to the subject, but inferior to Sales 1 and 2) as well as the fact that its extended exposure time suggests that the asking price is above what the market will bear. Meanwhile, the Sky House sale sets a low end value indication of $28 per FAR. While this location is moderately superior to the subject (due to Metro proximity), the affordable housing requirement associated with the approvals in place requires a significant upward adjustment, as does the fact that this is an adaptive re-use of existing office buildings. The reported cost of converting these mid-20th century office towers to residential use is equal to or greater than new construction costs, and the functional utility and market appeal of the renovated buildings will be inferior to purpose-built multifamily buildings.

Land Value Conclusion – Current Value

The preceding analysis reflects our opinion of the value of the subject site as if development were feasible – in other words, assuming that the Capitol Riverfront and Southwest Waterfront neighborhoods were approaching full build-out, such that spillover demand from these areas would make mixed-use (most likely residential with some retail) development in Buzzard Point viable. Other factors considered that are expected to make development feasible in the medium term include the planned DDOT reconfiguration of South Capitol Street and the construction of the new Frederick Douglas Memorial Bridge, further improvements to waterfront connectivity, and possible expansion of the DC Streetcar network. We note that our analysis explicitly excludes consideration of the beneficial impact of the proposed DC United stadium on the Buzzard Point neighborhood.

As discussed in the preceding market analysis, it is our opinion that a land holding period of 8 to 10 years may well be necessary before Buzzard Point is a viable redevelopment target. Nonetheless, developers are optimistic by nature, and the opportunity to acquire a relatively small site in an area that is poised for eventual revitalization would be perceived as an attractive proposition.

The following discounted cash flow analysis presents a range of possible outcomes, reflecting development viability either 5, 8 or 10 years from the effective value date. Our analysis assumes annual increases in general land pricing of 3% a year (escalation factor), which is consistent with typical investor expectations. The prospective future sale price is discounted to present value at a rate of 15.0% annually, based on a survey of brokers and developers as to land investment return requirements. We have not deducted an allowance for the cost of sale at viability, as the most likely buyer of the property as of the effective value date would be a developer, rather than a land investor/speculator.

Land Hold Analysis

$/SF FAR As If Feasible	$45.00									
IRR Requirement	15.0%									
Escalation Factor	3.0%									
Year	1	2	3	4	5	6	7	8	9	10
Land Value ($/SF FAR)	$45.00	$46.35	$47.74	$49.17	$50.65	$52.17	$53.73	$55.34	$57.00	$58.71
Net Proceeds	$45.00	$46.35	$47.74	$49.17	$50.65	$52.17	$53.73	$55.34	$57.00	$58.71
PV Factor	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	0.3269	0.2843
Net Present Value ($/SF					$28.96			$20.81		$16.69

The resulting present value indications range from $28.96 per FAR square foot (assuming viability in five years) to $16.69 per FAR square foot (assuming viability in ten years).

As stated, it is our opinion that the likely buyer would be operating at the optimistic end of this range of assumptions, indicating that the value based on a five-year hold is most indicative of the market value of the property. As support for this proposition, we have examined several sales of properties that were purchased by developers who intended to hold the sites for some time prior to development. These transactions are summarized below.

Summary of Supplemental Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Bldg. SF; FAR	Zoning	$/SF Bldg. (FAR)	$/SF Land
1	350 Morse Street 350 Morse St. NE Washington DC	Jun-13 Closed	$14,500,000	67,405 1.55	438,133 6.50	C-M-1	$33.10	$215.12
	Comments: This property is located on the western edge of the Florida Avenue Market, a wholesale/industrial area that is undergoing a transformation toward mixed-use development. The site is zoned C-M-1, which allows for a 3.0 FAR and prohibits residential use. However, an adjacent site has been approved for a C-3-C PUD development at an 8.0 FAR (10 stories, retail and residential), while another nearby site had been PUD approved at an FAR of 7.7 (though this was later reduced to 5.0). This was a trustee's sale pursuant to a bankruptcy by the previous owner; a back-up bid by another party was entered at $14.2 million. The property is improved with a warehouse/distribution building, which was only 15% occupied at the time of sale; the improvements reportedly had little impact on the sale price.							
2	Akridge Buzzard Point Land 101 V St. SW. Washington DC	Aug-05 Closed	$75,113,527	384,051 8.82	2,650,000 6.90	CG/C-R	$28.34	$195.58
	Comments: This large development site in Buzzard Point occupies the equivalent of four city blocks, running from S to V Street SW between 1st and 2nd Streets. It was purchased from Pepco by Akridge in 2005 as a speculative investment, to hold for future development. Representatives of Akridge indicated that they had no specific plans for the site, but had access to patient capital and felt comfortable making a long-term play at an acquisition basis of less than $30 per potential square foot based on an expected development yield of 2.6 to 2.7 million square feet under then-current zoning. The site has since been re-zoned to C-R/CG.							

Neither of these transactions is considered directly comparable to the subject. The location of Sale 1, while analogous in some respects, is a different market area that has some superior features compared to Buzzard Point. In addition, this was a bankruptcy trustee's sale and may represent a distressed or forced-sale value. Sale 2 is located in Buzzard Point, but took place nearly a decade ago. These sales do, however, support our contention that even sites that are not suitable for imminent development can command pricing well above the levels that would be associated with the 10-year land holding discount modeled above.

In the course of our research, we also spoke with several brokers who have been involved in the marketing and/or sale of large-scale mixed-use development parcels in DC market. To ensure candid responses, we assured them that their responses would remain confidential. While opinions varied, the consensus was that *absent the proposed DC United stadium deal*, market pricing for sites in Buzzard Point would range from $20 to $30 per FAR square foot, depending on parcel size and location (with Metro proximity, exposure/visibility, and view potential cited as the most relevant location factors).

The impact of size on value would not necessarily reflect an inverse relationship between size and unit price. Small size can be advantageous in that carrying costs are lower and a project can be financed and developed all at once rather than in phases. In addition, there is a deeper pool of potential buyers for smaller sites due to the lower going-in cost basis. At the same time, the modest scale limits the amount of control the owner would have over the neighborhood-level development process. Ownership of a larger, more prominent parcel in Buzzard Point would have some distinct advantages in comparison to a small lot next to a salvage yard at the dead end of the Potomac Avenue right-of-way.

Based on this information, and considering the particular characteristics of the subject site, we conclude to an "as if vacant and free of environmental issues" market value of **$29.00 per buildable square foot (FAR)**.

Land Value Conclusion	
Indicated Value per Building Square Foot	$29.00
Building Square Feet	210,018
Indicated Value	$6,090,534
Rounded	$6,100,000

Valuation As Improved

To value the subject property as improved, we employ the same five-year discounted cash flow analysis as in the preceding section, but also include the cash flow associated with the base term of the lease to Alta Bicycle Share, which expires in June 2017 (year 4 of our analysis).

Lease Income

Our projection of interim income from the lease is based on the terms of the existing lease. Because the property owner is liable for base-year tax and insurance expenses, we subtract the subject's actual 2012 tax year liabilities ($53,942), along with a $0.20 per square foot allowance for typical industrial property insurance costs ($3,000±). The indicated carrying expense of $57,000± is rounded up to $60,000 to account for management overhead.

Present Value Discounting

The income associated with the lease reflects a return on contractually guaranteed income, rather than prospective income from a future land reversion. Accordingly, the lower risk associated with the lease income would require a lesser discount/yield rate. We have discounted the lease income stream at 9% based on investor survey data.

Demolition

The "as if vacant" analysis assumes that the property is already vacant as of the value date. In valuing the property as improved, we must also subtract the cost of demolishing the existing improvements prior to redevelopment. Marshall Valuation Service cost data indicates that costs to demolish a concrete framed building range from $6.69 to $9.20 per square foot. Given expected cost inflation through the prospective demolition date and the small size of the building, as well as generally higher construction costs in the District of Columbia, we estimate demolition costs at $10.00 per square foot ($148,700).

All other assumptions remain unchanged from the 5-year land hold analysis presented previously. The discounted cash flow model is shown below.

Hold with Interim Income Analysis

$/SF FAR As If Feasible	$45.00				
IRR Requirement - Income	9.0%				
IRR Requirement - Land	15.0%				
Escalation Factor	3.0%				
Year	1	2	3	4	5
Land Value ($/SF FAR)	$45.00	$46.35	$47.74	$49.17	$50.65
Land Value (Total)	$9,450,828	$9,734,353	$10,026,383	$10,327,175	$10,636,990
Less: Demolition					($148,700)
Realized Land Value					$10,488,290
Land PV Factor	1.0000	0.8696	0.7561	0.6575	0.5718
Land Reversion PV					$5,996,714
Base Rent	$214,425	$220,858	$227,484	$234,308	
Expenses	($60,000)	($60,000)	($60,000)	($60,000)	
Net Lease Income	$154,425	$160,858	$167,484	$174,308	$0
Lease Income PV Factor	1.0000	0.9174	0.8417	0.7722	0.7084
Income Stream PV	$154,425	$147,576	$140,968	$134,598	$0
Total Net Present Value	$6,574,282				
Rounded	$6,600,000				

Reconciliation and Conclusion of Value

The values indicated by our analyses are as follows:

Summary of Value Indications

	Retrospective Hypothetical Market Value as If Vacant	Retrospective Hypothetical Market Value as Improved
Cost Approach	Not Used	Not Used
Sales Comparison Approach	$6,100,000	$6,600,000
Income Capitalization Approach	Not Used	Not Used
Reconciled	$6,100,000	$6,600,000

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value as If Vacant	Fee Simple	July 25, 2013	$6,100,000
Retrospective Hypothetical Market Value as Improved	Leased Fee	July 25, 2013	$6,600,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Both of the value opinions contained in this appraisal make the hypothetical assumption that as of the (retrospective) value date the subject property was free and clear of any environmental issues.
2. Our appraisal of the property "as if vacant" makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant (unimproved). This opinion is intended to reflect the value of the land only, and does not consider the positive contribution to value of the existing improvements and the lease of the property to Alta Bicycle Share Inc.

Exposure and Marketing Times

Based on the concluded market value stated previously, it is our opinion that the probable exposure and marketing times are as follows:

Exposure Time and Marketing Period

Exposure Time (Months)	12
Marketing Period (Months)	12

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously appraised the property that is the subject of this report for another client within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Patrick C. Kerr, MAI, FRICS, SRA, made a personal inspection of the property that is the subject of this report. Samuel D. Sherwood has personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged

that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Both of the value opinions contained in this appraisal make the hypothetical assumption that as of the (retrospective) value date the subject property was free and clear of any environmental issues.
2. Our appraisal of the property "as if vacant" makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant (unimproved). This opinion is intended to reflect the value of the land only, and does not consider the positive contribution to value of the existing improvements and the lease of the property to Alta Bicycle Share Inc.

Integra Realty Resources
Washington, DC

Appraisal of Real Property

Pepco Buzzard Point
Industrial Property
1st Street SW
Washington, District of Columbia 20024

Prepared For:
Council of the District of Columbia

Effective Date of the Appraisal:
July 25, 2013

Report Format:
Appraisal Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Market Value Appraisal
Pepco Buzzard Point
1st Street SW
Washington, District of Columbia 20024
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the retrospective hypothetical market value of the fee simple interest in the property as of July 25, 2013.

The appraisal has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value	Fee Simple	July 25, 2013	$37,200,000

The appraisal is subject to the following extraordinary assumptions or hypothetical conditions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.
2. The property described in this appraisal as "Part of Suqare 665, Lot 24" has not been legally subdivided from the larger parcel. This appraisal makes the hypothetical assumption that the property has in fact been legally subdivided from the larger parcel, which would be necessary before the property could be sold.

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Concise Summary Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

Respectfully submitted,

Integra Realty Resources - Washington, DC

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The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

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Summary of Salient Facts and Conclusions

Property Name	Pepco Buzzard Point
Address	1st Street SW
	Washington, District of Columbia 20024
Property Type	Industrial
Owner of Record	Potomac Electric Power Company Square
Tax ID	661, Lot 804, Square 661, Lot 805, and Part of
Land Area	3.59 acres; 156,463 SF
Zoning Designation	CG/CR, Commercial-Residential, Capitol Gateway Overlay
Highest and Best Use - As if Vacant	Multifamily or mixed use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	July 25, 2013
Date of the Report	September 30, 2014
Property Interest Appraised	Fee Simple
Market Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	$37,200,000
Income Capitalization Approach	Not Used
Market Value Conclusion	$37,200,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.
2. The property described in this appraisal as "Part of Suqare 665, Lot 24" has not been legally subdivided from the larger parcel. This appraisal makes the hypothetical assumption that the property has in fact been legally subdivided from the larger parcel, which would be necessary before the property could be sold.

General Information

Identification of Subject

The subject is currently in use as a Pepco facility, and is improved with structures and equipment providing for electricity generation and distribution, but is appraised as if vacant. This site comprises the entirety of one city block and the western third of another, and has a total area of 5.36 acres or 233,664 square feet. The property is zoned CG/CR, Commercial-Residential, Capitol Gateway Overlay, which permits residential, commercial, recreational and light industrial uses.

Property Identification	
Property Name	Pepco Buzzard Point
Address	1st Street SW Washington, District of Columbia 20024
Tax ID	Square 661, Lot 804, Square 661, Lot 805, and Part of Square 665, Lot 24

Land Area Summary

Tax ID	Address	SF	Acres
Square 661, Lot 804	1st St. SW	56,297	1.29
Square 661, Lot 805	1st St. SW	69,366	1.59
Part of Square 665, Lot 24	1930 1st St. SW	30,800	0.71
Total		156,463	3.59

1. Square 665 Lot 24 has a total area of 425,891 square feet. The portion of this lot that is the subject of this appraisal measures 108,001 square feet based on information provided by the District of Columbia

Source: District of Columbia Tax Records

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the retrospective hypothetical market value of the fee simple interest in the property as of the effective date of the appraisal, July 25, 2013. The date of the report is September 30, 2014. The appraisal is valid only as of the stated effective date or dates.

Current Ownership and Sales History

The owner of record is Potomac Electric Power Company (Pepco). To the best of our knowledge, no sale or transfer of ownership has occurred within the past three years.

As of the effective (retrospective) date of this appraisal, the property was not subject to an agreement of sale or option to buy, nor is it listed for sale. Subsequent to the effective date, Pepco and the District of Columbia have entered into an agreement in the form of a letter of intent (dated December 27, 2013), under which the District will acquire the subject property. The agreed-upon price/value for the subject land is $40 million, subject to numerous conditions including Pepco's removal and/or relocation of various infrastructure and improvements located on the property (for which the District will compensate Pepco) and the District granting certain easements to Pepco.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Intended Use and User

The intended use of the appraisal is for evaluation of a proposed land exchange and development agreement of which this property is proposed to be a part. The client and intended user is the Council of the District of Columbia, and other intended users are the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group. The appraisal is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to

the Integra Realty Resources internal standards for an Appraisal Report – Concise Summary Format. This type of report has less depth and detail than an Appraisal Report – Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Comparison of Report Formats in the Addenda.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on August 14, 2014 that included visual observation of the property from public roadways/rights of way, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period. In addition, we have personally inspected all of the comparables utilized in our analysis.

We identified the subject through tax records and other documentation provided by the client, and assembled information about the characteristics of the property that are relevant to the value of the fee simple property rights being appraised and the intended use of the appraisal. In addition, we were provided with the following previous appraisal of the subject property, which contained market data and factual information about the subject:

- *Appraisal of Six Contiguous Parcels within Buzzard Point*, Joseph J. Blake & Associates, Inc., dated February 21, 2014, effective date January 22,2014

While we have not *relied* on the analysis and conclusions of this previous appraisal work performed by other firms in developing our opinions of value, due to differences in the scope of work, purpose and intended use, we have considered the factual information presented therein. Note that this appraisal report *is not* a review of the referenced appraisal.

Other elements of scope are discussed in the individual sections of the report.

Valuation Methodology

The methodology employed in this assignment is summarized as follows.

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

The **sales comparison approach** is the most reliable valuation method for the subject due to the following:

- There is a somewhat active market for properties similar to the subject, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The **income approach** is not applicable to the subject because:

- The property is unlikely to generate significant rental income in its current state.

The **cost approach** is not applicable to the subject considering the following:

- The scope of work is limited to a valuation of the property as if vacant.

Market Analysis

Our client is in possession of multiple appraisals of sites within Buzzard Point that are proposed to be part of an assemblage to accommodate a new DC United soccer stadium. We have reviewed the market overviews presented in these appraisals and have concluded that they present a thorough and accurate overview of area development trends, land use patterns, and economic conditions impacting the local real estate market. Accordingly, we have not presented detailed regional, neighborhood and market area analyses such as would be typical of a "Self Contained" or comprehensive appraisal report. Instead, we present here a limited overview of the most relevant factors impacting the value of the subject property as of the effective (retrospective) value date.

Access and Linkages

Primary access to the market area is provided by the Southeast/Southwest Freeway and South Capitol Street, which extends south over the Anacostia River to the Anacostia Freeway (I-295) via the Frederick Douglass Memorial Bridge. Overall, vehicular access is average. DDOT plans call for a reconfiguration of the South Capitol Street/Potomac Avenue interchange into a traffic oval, which would significantly improve the vehicular accessibility of Buzzard Point.

The nearest Metro stations serving Buzzard Point area are located along M Street. The Navy Yard-Ballpark station is approximately 1.0 mile northeast, and the Waterfront station is approximately 0.7 miles to the northwest. The closest Metrobus stop is located several blocks north, at the corner of 2nd and P Street SW. The local market perceives public transportation as good compared to other market areas in the region, but access to Metro and Metrobus is inferior to the Southwest Waterfront and Capitol Riverfront neighborhoods.

Demand Generators

Major employers in Buzzard Point include the U.S. Coast Guard, Fort McNair, and National Defense University. However, the Coast Guard, which occupies over 1 million square feet in two office buildings located at the southeast part of the Buzzard Point peninsula, began vacating both of these buildings in 2013 to move into their newly constructed headquarters buildings on the St. Elizabeth's campus. These buildings will "go dark" in the near future. Meanwhile, Fort McNair and National Defense University are significant employment centers, but activities on these campuses are almost entirely self-contained and have minimal impact on the surrounding neighborhood.

The primary employment center in the area is in the Capitol Riverfront neighborhood, which is home to the Washington Navy Yard and the U.S. DOT's 2.1 million square foot headquarters. In addition to on-site employment at these facilities, the proximity to these federal departments drives additional office demand from contractors and other associated businesses. Total office employment in the Capitol Riverfront neighborhood is estimated by the BID at 32,000.

Also of note is Waterfront Station, located at the Waterfront Metro. This project includes a new Safeway grocery store and a number of DC government offices. Continued development activity along the Southwest Waterfront, discussed below, is also expected to have positive spillover effects in the subject neighborhood.

Area Demographics

Surrounding Area Demographics

2013 Estimates	0.25-Mile Radius	0.5-Mile Radius	1-Mile Radius	District of Columbia	Washington DC, MSA
Population 2010	889	5,287	15,637	601,723	5,582,170
Population 2013	921	5,563	16,801	637,231	5,828,935
Population 2018	989	6,089	18,737	700,339	6,214,887
Compound % Change 2010-2013	0.3%	0.4%	0.6%	0.4%	0.3%
Compound % Change 2013-2018	1.4%	1.8%	2.2%	1.9%	1.3%
Households 2010	387	2,919	8,933	266,707	2,074,730
Households 2013	401	3,094	9,643	284,867	2,167,514
Households 2018	432	3,419	10,798	316,416	2,316,855
Compound % Change 2010-2013	0.3%	0.4%	0.6%	0.5%	0.3%
Compound % Change 2013-2018	1.5%	2.0%	2.3%	2.1%	1.3%
Median Household Income 2013	$47,099	$65,435	$67,451	$62,958	$87,308
Average Household Size	2.3	1.8	1.7	2.1	2.6
College Graduate %	41%	53%	60%	50%	47%
Median Age	30	43	37	35	37
Owner Occupied %	15%	49%	34%	42%	64%
Renter Occupied %	85%	51%	66%	58%	36%
Median Owner Occupied Housing Value	$279,165	$259,075	$285,367	$391,145	$337,411
Median Year Structure Built	1963	1965	1966	1951	1978
Avg. Travel Time to Work in Min.	35	33	30	33	37

Source: Claritas

As shown above, the immediately surrounding area has a limited population base for an urban area. Population and household growth since 2010 has been quite limited, but is projected to accelerate over the coming five years. Median household incomes within half-mile and one-mile radii are similar to those in the District of Columbia as a whole, but income levels in the immediate vicinity (quarter-mile radius) are considerably lower. Over 1,100 households are expected to move into the area within a mile of the subject over the next five years, but this study area takes in most of the area south of the Southeast/Southwest Freeway, including most of the Capitol Riverfront neighborhood.

Land Use

The character of the Buzzard Point area is best characterized as transitional, with a mix of urban and industrial elements, as well as institutional land uses. Excluding Fort McNair, only about 75% of the land in the area is developed, and many of the current uses are of a low-intensity nature and/or are not conducive to encouraging urban development as envisioned in the District's land use plans.

Development Activity and Trends

As noted, our appraisal is retrospective in nature, and seeks to establish the value of the subject property as of July 2013, before the proposed DC United stadium deal had been announced. To orient our analysis to this timeframe, we present below excerpts from IRR appraisals prepared during the first half of 2013 that describe development activity in the market area.

"During the last five years, multiple emerging districts have evolved in the Southwest and Southeast quadrants of Washington, DC, north of the Anacostia River. Portions of these areas are now

considered priority redevelopment areas. These include the Southwest Waterfront (The Wharf and Waterfront Station) and the M Street Corridor, also known as Capitol Riverfront (Ball Park District and Navy Yard). These areas are located north and northeast of the subject, respectively. According to the Capitol Riverfront Business Improvement District (BID), more than 1.2 million square feet of office, retail, residential and hotel space are under construction in the BID, with an additional 23 million square feet planned.

Capitol Riverfront

"Anchored by the Navy Yard employment area and by Nationals Park, [Capitol Riverfront is] a major visitor and entertainment destination. These definitive anchors are catalyzing new office, residential, and retail uses. Two key areas of mixed use development are Half Street, the entertainment gateway to the Ballpark, and The Yards, a 42-acre site that blends adaptive uses of historic buildings with new construction and a riverfront park.

"The Capitol Riverfront is already home to a mixed-use community of over 35,000 daytime employees in 7.2 million square feet of office associated with the Washington Navy Yard and the U.S. Department of Transportation. Housing includes 2,760 residential units located in various apartments, condos, co-ops, and townhouses with an estimated residential population of over 3,800 people. Additionally, the area features a 204-room Courtyard by Marriott, the 41,000 seat Nationals Park baseball stadium, and a continuous one mile river front trail from Diamond Teague Park to the 11th Street bridges.

"The Capitol Riverfront has benefited from significant public and private sector investments. The neighborhood has seen over $1 billion in public investment that has leveraged over $2 billion of private sector investment. The table below details a development summary for the area [as of Q1 2013]:

Estimated Delivery	Office Sq. Ft.	Retail Sq. Ft.	Residential Units	Hotel Rooms	Total Sq. Ft.	Estimated Total Cost
Existing/Completed	7,238,040	187,129	2,760	204	11,728,493	$2.7 billion
Under Construction	29,350	144,850	494	0	703,200	$538 million
Planned	8,004,780	566,137	6,606	1,051	24,473,872*	$6.3 billion
Totals	15,272,170	898,116	9,860	1,255	36,905,565*	$9.5 billion

"

Looking purely at capital expended as of early 2013 ($3.2± billion) relative to total estimated construction costs for planned projects ($9.5 billion) suggests that the Capitol Riverfront neighborhood was approximately 1/3 of the way to build-out. This funding was somewhat unevenly distributed by use, as existing office inventory represented nearly half of the planned total, while less than 20% of the planned hotel inventory had been built. Residential development (including under-construction inventory) stood at exactly 33% of the planned total. Meanwhile, retail construction had surged as new multifamily uses had begun to support a critical mass of residents.

A wave of investment in the Capitol Riverfront had occurred concurrent with the construction and completion of Nationals Park (2006-2008). However, the onset of the financial crisis and subsequent recession caused construction activity to stall out during 2009-2011, and there were only two new multifamily completions between 2010 and 2013 (Foundry Lofts and Camden South Capitol). Construction activity began surging in 2013: five new multifamily buildings are expected to be

completed by the end of 2015, with four more delivering in 2016. (All nine of these buildings are under construction as of Q3 2014). The general scale of this development pipeline was known to the market as of July 2013, and will represent a near-doubling of the multifamily inventory in Capitol Riverfront. These figures suggest that by year-end 2016 nearly 2/3 of the planned residential development of this neighborhood will have been completed.

The Wharf/Southwest Waterfront

"Redevelopment plans for the Southwest Waterfront are geared around three main objectives: redevelopment of Waterside Mall, re-opening of 4th Street, and reconnection of the Southwest community to the National Mall. The largest project slated for development in the Southwest Waterfront is known as The Wharf, a planned $2 billion mixed-use development located on 27 acres along the Washington Channel, just south of the National Mall. The project is slated for development of 560 residential dwelling units, a 600-key hotel, 840,000 square feet of office, 335,000 square feet of retail, a cultural center, 2,500 underground parking spaces, and between 400 and 500 marina slips. Groundbreaking is anticipated for late 2013 and Phase I is projected to open in 2015. [Note that these start dates, as many suspected at the time, eventually slipped; Phase I is scheduled for a 2016 opening.]

"Meanwhile, Waterfront Station is currently being developed as a mixed-use urban center near the Waterfront Metrorail station. Upon completion, the total project will include seven new buildings totaling over 2 million square feet, including Class-A office space, new residential units and neighborhood-oriented retail. The project features a retail oriented streetscape along the newly re-opened 4th Street. Construction of Waterfront Station is being implemented in several phases. Phase 1 is complete. Phase 2 is the development of over 500 residential units [adaptive re-use of an office building] by Urban Atlantic, with delivery anticipated for mid-2013. Phases 3 and 4 are planned for the future development of residential and office parcels owned by Forest City Washington, Vornado/Charles E. Smith, and Bresler & Reiner."

Buzzard Point

"In November of 2009 a Planning Assistance Team produced a document titled "Alternative Futures: Final Recommendations" for Buzzard Point, which is located in the blocks southwest of the subject. The document highlighted a number of possible physical changes, including:

- The creation of the DC streetcar network, which is planned to include a streetcar along M Street (5 to 10 years from now).
- The reconfiguration of the DC waterfront including the Riverwalk designed to provide continuous access to the Anacostia and Potomac River banks (2 to 5 years from now).
- The reconfiguration of South Capitol Street and the construction of the new Frederick Douglas Memorial Bridge (5 to 10 years from now).
- The relocation of the Coast Guard headquarters to the St. Elizabeth's site across the Anacostia River (2 to 4 years from now).

The document notes that change will not come quickly to the Buzzard Point area and market conditions are far from conducive to redevelopment, a situation likely to persist at least for the next three to five years."

Sports & Entertainment District @ Buzzard Point

"According to media reports, a planned Sports & Entertainment District at Buzzard Point would include a new soccer stadium for DC United. The stadium would be bordered by T Street to the south, 2nd Street to the west, Half Street to the east and Potomac Avenue and R Street to the north. The stadium would have team offices, a club venue, underground parking, a public plaza, shopping and a ticketing center—and a theater would line Half Street SW. Discussions about this project are ongoing."

Note that the preceding paragraph is excerpted from an IRR report dated April 2013, indicating that while the proposed soccer stadium development deal had not been officially announced and the details of the deal, the market was aware that such a move was a possibility.

Multifamily Market

While the subject's zoning permits a wide variety of uses, residential (multifamily) use permits the greatest density and is the only use that is considered reasonably likely to be financially feasible for the foreseeable future. The subject is located in the Capitol Hill/Southwest multifamily submarket (as defined by *REIS, Inc.*, a recognized source). Supply and demand indicators as of the retrospective value date are summarized as follows.

Capitol Hill/Southwest Submarket

Year	Quarter	Inventory (Units)	Completions (Units)	Vacancy %	Absorption (Units)	Effective Rental Rate	% Change
2004	Annual	6,585	0	4.3%	-125	$1,087	1.2%
2005	Annual	6,585	0	2.8%	99	$1,077	-0.9%
2006	Annual	6,327	0	4.2%	-340	$1,130	4.9%
2007	Annual	6,327	0	1.8%	152	$1,226	8.5%
2008	Annual	7,287	960	7.2%	549	$1,362	11.1%
2009	Annual	7,524	237	8.3%	138	$1,389	2.0%
2010	Annual	7,524	0	7.0%	97	$1,460	5.1%
2011	Annual	7,631	107	6.8%	115	$1,490	2.0%
2012	Annual	7,631	0	4.3%	191	$1,525	2.3%
2013	2	7,772	141	4.9%	88	$1,543	

Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

The following analysis is taken from an IRR report prepared for a property in the Capitol Riverfront neighborhood in June 2013:

"The submarket vacancy rate increased substantially from 2008 to 2009, but has since fallen significantly. Additional completions may cause intermittent spikes in the vacancy rate, but the overall rate is likely to remain in the 5% range for the foreseeable future. Absorption in the [first] quarter reflects the fastest annualized absorption pace since 2008.

"The average effective rental rate has been increasing since 2006, and this trend is also expected to continue for the foreseeable future due to the increasing desirability of this submarket.

"Overall, market conditions are strengthening. However, there is significant concern about the ability of the metro-wide apartment market to absorb the large planned supply pipeline while maintaining rental rate growth.

"At present, three apartment buildings are currently under construction in the subject neighborhood:

- Twelve12 4th Street – 218 units at 4th & M SE
- Camden South Capitol – 264 units at South Capitol and O SE
- Waterside Metro Lofts – 500 units at 4th & M SW

"Camden South Capitol is currently in pre-leasing and is expected to be completed this summer. The other projects are likely to deliver in 2014, with Waterside delivering in two phases. At the current annualized absorption pace of 384 units per year, the market would be well-positioned to absorb this new inventory of 982 units in less than three years, which would be consistent with a lease-up pace for these projects consistent with strong market conditions.

"Based on this information, it appears that the market is likely to remain in balance for the foreseeable future. However, the pipeline of planned inventory in the submarket is over 1,200 units…"

"The demographic projections from *Claritas* presented previously, while of somewhat limited reliability when dealing with a small, rapidly changing study area, provide general support for this level of planned construction over a five-year period. However, the timing of [future] projects could have a significant impact on overall market conditions. *REIS* also reports that an additional 2,000+ units are currently proposed in this submarket, representing additional supply/competition risk and suggesting that the submarket is likely to remain highly competitive for the foreseeable future.

"Nonetheless, conditions are considered moderately favorable to new development [in the Capitol Riverfront area], provided that land pricing and construction costs provide a sufficient cushion against the risk associated with the future competitive environment. The Southeast and Southwest waterfronts are undergoing a period of rapid change, and the competitive stature of the area is rising quickly, both in terms of desirability to renters and investor/developer interest."

This June 2013 market analysis indicates that developer interest in multifamily and mixed-use sites in the Capitol Riverfront neighborhood was strengthening as of July 2013, which has since been borne out by subsequent events including the commencement of construction on a significant number of new projects in the area.

However, a roughly contemporaneous (December 2012) IRR appraisal of a property in Buzzard Point noted that "there has been limited redevelopment in the [Buzzard Point area]. We project that the revitalization in the adjoining submarkets will expand outward to the… Buzzard Point area. This

process is expected to take place over a longer time frame than core Capitol Riverfront/Southwest locations… While the [Buzzard Point] area is not currently desirable for immediate development, we believe the current zoning regulations and the limited availability of large blocks of vacant land will lead developers to the neighborhood looking for large scale development opportunities. We believe development land values in the neighborhood will 'catch up' to sale prices of current transactions in superior areas of the Capitol Riverfront/Southwest submarket within 10 years."

The expectation that mixed-use development in Buzzard Point would be viable within 10 years was based on discussions with brokers, developers and investors active in the Washington, DC multifamily market. The *Claritas* data presented indicates that approximately 1,100 net new households were expected to enter the Capitol Riverfront/Southwest submarket by 2018. This compares to an under-construction pipeline of just under 1,000 units, plus a planned inventory of over 1,200 units. In other words, as of mid-2013, the potential five-year supply in the market was roughly twice the demand projected from demographic data. While developers expected the market to significantly outperform historically-derived household growth projections, the additional 2,000 proposed units tracked by *REIS* suggested a submarket development pipeline that would take at least ten years to be fully absorbed.

Land Description

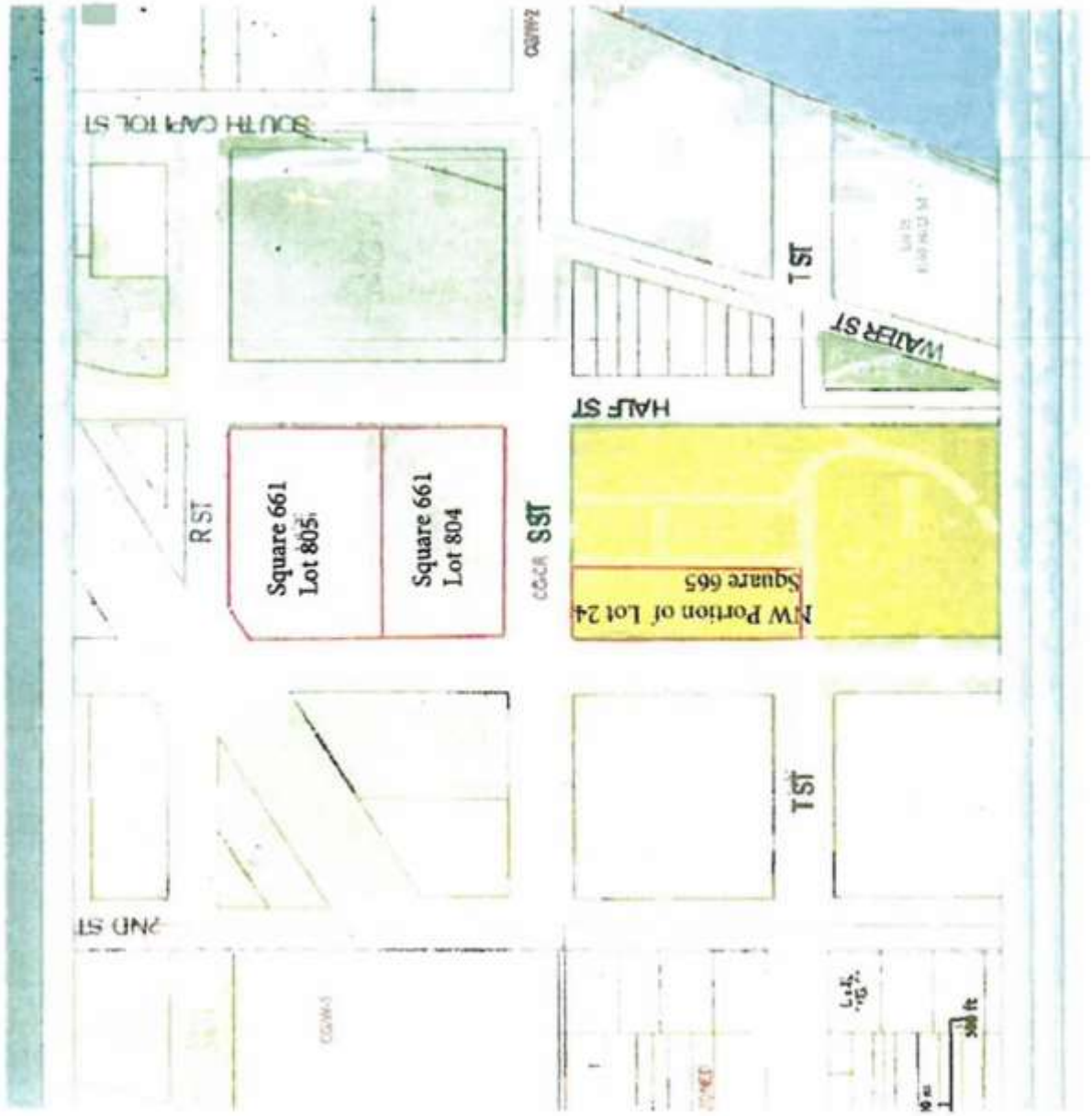
Land Description	
Land Area	3.59 acres; 156,463 SF
Source of Land Area	District of Columbia Tax Records
Shape	Two rectangular parcels bisected by S Street SW
Corner	Yes - multiple (1 full block, and the northwest corner of the block to the south)
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed
Flood Area Panel Number	1100010057C
Date	September 27, 2010
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No
Zoning; Other Regulations	
Zoning Jurisdiction	District of Columbia
Zoning Designation	CG/CR
Description	Commercial-Residential, Capitol Gateway Overlay
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Residential, commercial, recreational and light industrial
Minimum Lot Area	None prescribed
Maximum Building Height	90', 100' with IZ
Maximum Site Coverage	100% for non-residential use; 80% for residential use increases to 90% with IZ
Maximum Floor Area Ratio	6.0 base density, 3.0 maximum non-residential use; 1.2 FAR Inclusionary Zoning bonus and 1.0 residential use bonus available
Parking Requirement	1 space per 3 residential units; commercial requirements vary
Utilities	
Service	Provider
Water	DC Water
Sewer	DC Water
Electricity	Pepco
Natural Gas	Washington Gas
Local Phone	Verizon

We were not provided a title report to review; however, we are not aware of any easements, encumbrances, or restrictions that would adversely affect value.

Based on the maximum floor area ratio (FAR) under zoning (8.2, utilizing all residential bonuses), it appears that 1,282,997 square feet of building area could be developed on the site if it were vacant. Sites in this market area are generally developed to their maximum potential under zoning and are priced on this basis.

Parcel Illustration

(Exhibit A-1 from Pepco/DC Letter of Intent)



Surrounding Area Map

Real Estate Taxes

Real estate taxes and assessments for the current tax year are shown in the following table. Based on our opinion of market value for the subject, the assessed value appears reasonable.

Taxes and Assessments - 2015

	Assessed Value			Taxes and Assessments	
Tax ID	Land	Improvements	Total	Tax Rate	Ad Valorem Taxes
Square 661, Lot 804	$3,000,000		$3,000,000	1.65%	$49,500
	$10,792,770	$1,000	$10,793,770	1.85%	$199,685
Square 661, Lot 805	$3,000,000		$3,000,000	1.65%	$49,500
	$13,994,760	$10,000	$14,004,760	1.85%	$259,088
Square 665, Lot 24	$3,000,000		$3,000,000	1.65%	$49,500
(Prorated)	$4,546,000.36	$5,244	$4,551,245	1.85%	$84,198
	$38,333,530	$16,244	$38,349,775		$691,471

Highest and Best Use

The highest and best use of the subject as if vacant is to hold the property for future development of a multifamily or mixed use. This opinion is supported as follows:

- The only permitted use under zoning that is consistent with prevailing development patterns in the area is multifamily or mixed use.
- There are no physical limitations that would prohibit development of a multifamily or mixed use on the site.
- Development of a multifamily or mixed use is not financially feasible at the current time. Recent development activity in core areas of the Capitol Riverfront and Southwest submarkets has been significant, and accelerated markedly during 2012-2013 after experiencing a slowdown in the wake of the 2008-2009 recession. However, there has been no significant development activity in the Buzzard Point area. We conclude that there is limited demand for new development in the immediate area at the present time, and a newly constructed multifamily or mixed use would not have a value commensurate with its cost. Nevertheless, we project that the revitalization in nearby submarkets will eventually expand outward into the Buzzard Point area. While the subject's directly surrounding area is not currently desirable for immediate development, we believe that current zoning regulations and the limited availability of large blocks of vacant land elsewhere will lead developers to the neighborhood looking for large scale development opportunities as infill land inventory diminishes. Accordingly, we expect property values to rise to a level that will justify the cost of new construction in the future. Thus, we anticipate that, in time, multifamily or mixed development will become financially feasible.
- Holding the property for future multifamily or mixed development is the maximally productive use of the property as there is no reasonably probable use of the site that would generate a higher residual land value.

The most probable buyer is a developer.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

While we rely on the sales comparison approach, we also employ a discounted cash flow (typically employed in the income approach) in our valuation. The sales comparison approach is developed to derive a hypothetical market value of the property as if it were feasible to develop as of the effective value date. Because an extended holding period will be required prior to feasibility, we apply present value discounting to reflect the necessary return on investment during the holding period.

Land Valuation

To develop an opinion of the subject's land value, we use the sales comparison approach. Our search for comparable sales focused on transactions within the following parameters:

- Location: Buzzard Point, Capitol Riverfront, Southwest Waterfront
- Size: Development capacity > 150,000 square feet
- Use: Multifamily/mixed-use development
- Transaction Date: 2011 to present

In our opinion, there is insufficient comparable sale data in the local market that would reflect the prices paid for land that is not imminently developable. We therefore focused our research on identifying comparable sales in the market area that were intended for near-term development.

We researched and assembled data for the most relevant sales, and confirmed the arms-length nature of the sales with parties to the transaction or secondary sources. We have analyzed the sales on a price per potential building square foot (FAR), as this is the unit of comparison most commonly cited in the marketplace. The most relevant sales are summarized and analyzed on the following pages.

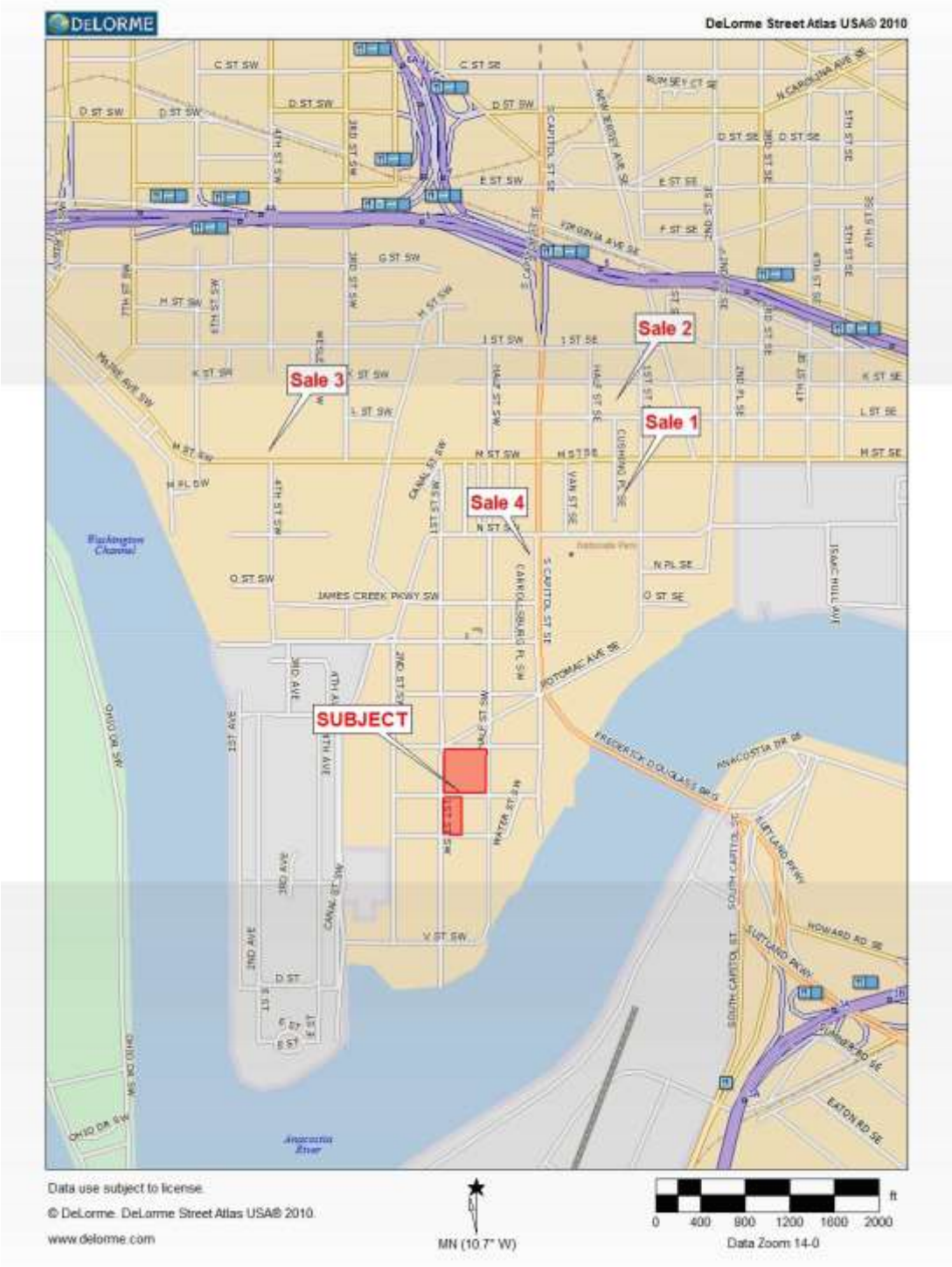
Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Bldg. SF; FAR	Zoning	$/SF Bldg. (FAR)	$/SF Land
1	Square 701 - Grosvenor Site 1st St. SE Washington DC	Oct-12 Closed	$25,810,742	53,653 1.23	422,000 7.87	CR/CG	$61.16	$481.07
	Comments: This transaction represents Grosvenor's purchase of an assemblage of parcels for mixed-use residential, retail and hotel development. The seller was the Willco Companies, who had been assembling land in this neighborhood since the 1940s and working through the entitlement process since the mid-2000s. They ultimately elected to sell this site to Grosvenor, and an adjacent site to Skanska, in two simultaneous transactions. The Grosvenor and Skanska projects were planned and approved as a single project, but each entity will develop and control its portion of the site. Approvals had not been fully finalized at the time of sale but the project had support of the ANC and ultimately received zoning approvals the following month (November 2012). The approved plans call for 661,000 square feet of total development, with 224,000 square feet of office use and approximately 15,000 square feet of retail use allocated to Skanska's development site, leaving 422,000 square feet of building capacity for Grosvenor's property.							
2	Toll Brothers Sites 1025 1st St. NE Washington DC	Apr-12 Closed	$30,500,000	55,381 1.27	553,810 10.00	C-3-C	$55.07	$550.73
	Comments: This record represents Toll Brothers' acquisition of two contiguous sites in separate transactions (April 2012 and October 2012) from a single seller. The sale price for the second piece was negotiated as an option with the first purchase. The buyer plans to construct a new high-end residential project on the property in two phases. The seller was the Cohen Companies, who developed the Velocity condos on an adjacent property and had planned these two additional sites as sister buildings for the Velocity, but were approached by Toll Brotheres with an unsolicited offer. The first Toll acquisition had underground infrastructure (parking and utilities) in place from the original Velocity development; the contributory value of the garage is estimated at $8 million. The property is in the Capitol South TDR receiving zone and transferred with TDRs in place that allowed for development up to a 10.0 FAR.							
3	Sky House 1150 4th St. SW Washington DC	Feb-11 Closed	$11,500,000	58,330 1.34	460,000 7.89	C-3-C	$25.00	$197.15
	Comments: Urban Atlantic and JBG purchased these two 12-story office buildings located near the Waterfront Metro station in early 2011. The buildings were subsequently gut-renovated for residential use as 530 apartment units at a budgeted cost of approximately $120 million ($261/SF). The development retained the existing 280-space underground garage on the site, with an estimated contributory value of $8.4 million ($30,000 per space). Approvals were in place pursuant to the Waterfront PUD (approved in 2003), and required that 20% of the building area be designated as affordable housing.							
4	South Capitol Site (Listing) 1315 South Capitol St. Washington DC	Active Listing	$15,000,000	31,498 0.72	226,786 7.20	C-2-C/CG	$66.14	$476.22
	Comments: This is an active listing of a site fronting on South Capitol Street across from Nationals Park. The site is zoned C-2-C and is located in the Capitol Gateway overlay, allowing for development at a 7.2 FAR (including IZ bonus density). The site is advertised for apartment or hotel development and had been actively marketed for more than 2 years as of July 2013.							
	Subject Pepco Buzzard Point			156,463 3.59	1,282,997 8.20	CR/CG		

Analysis of Comparable Land Sales

No.	Name/Address	Acres; Land SF; Bldg. SF (FAR)	Zoning	Sale Date; Status	Effective Sale Price	$/Bldg. SF	Overall Adjustment Applied	Adjustment Comments
	Subject Pepco Buzzard Point 1st Street SW Washington DC	3.59 156,463 1,282,997	CG/CR	7/25/2013 Retrospective				Note: all three closed sales require upward adjustment for improving market conditions through value date.
1	Square 701 - Grosvenor Site 1st St. SE Washington DC	1.23 53,653 422,000	CR/CG	Oct-12 Closed	$25,810,742	$61.16	Down	Significantly superior location near Navy Yard/Ballpark, slightly superior entitlement status (approved PUD)
2	Toll Brothers Sites 1025 1st St. NE Washington DC	1.27 55,381 553,810	C-3-C	Apr-12 Closed	$30,500,000	$55.07	Down	Significantly superior location near Navy Yard/Ballpark, superior entitlement status (approval pre-dating IZ requirements)
3	Sky House 1150 4th St. SW Washington DC	1.34 58,330 460,000	C-3-C	Feb-11 Closed	$11,500,000	$25.00	Up	Superior location (Waterfront Metro), but significant upward adjustment required for high affordable housing requirement per PUD approvals. Re-use of existing building requires additional upward adjustment for high cost and inferior market appeal.
4	South Capitol Site (Listing) 1315 South Capitol St. Washington DC	0.72 31,498 226,786	C-2-C/CG	Active Listing	$15,000,000	$66.14	Down	Property on the market for more than 2 years suggests asking price is above-market and requires downward adjustment. Location (west side of South Capitol) is inferior to comparables 1 and 2 but still superior to subject.
Range of Unadjusted Prices per Bldg. SF		$25.00 - $66.14						
Indicated Value per Bldg. SF		$29						

Comparable Land Sales Map



Land Value Conclusion – As If Feasible

We place primary emphasis on Sales 1 and 2, as these two sales are considered strongly indicative of prevailing pricing (as of the effective date) for multifamily development land in the nearby Capitol Riverfront neighborhood. However, even with the assumption that development on the subject site were currently feasible, the value ceiling indicated by these sales ($55-$61 per square foot) requires a downward adjustment in the 20% to 30% range for superior location/access and entitlement status, suggesting an "as if feasible" value for the subject site of approximately $45.00 **per buildable square foot (FAR)**. Similarly, the listing of 1315 South Capitol Street, at $66 per FAR, requires a discount for its location (which is superior to the subject, but inferior to Sales 1 and 2) as well as the fact that its extended exposure time suggests that the asking price is above what the market will bear. Meanwhile, the Sky House sale sets a low end value indication of $28 per FAR. While this location is moderately superior to the subject (due to Metro proximity), the affordable housing requirement associated with the approvals in place requires a significant upward adjustment, as does the fact that this is an adaptive re-use of existing office buildings. The reported cost of converting these mid-20th century office towers to residential use is equal to or greater than new construction costs, and the functional utility and market appeal of the renovated buildings will be inferior to purpose-built multifamily buildings.

Note on Size Treatment of Multiple Parcels

The subject property comprises three separate tax parcels (one of which is a section of a larger tax parcel that is assumed to have been subsidized from the larger parcel). The question naturally arises as to whether these parcels should be evaluated as a single parcel with a development capacity of nearly 1.3 million square feet, or as two (or three) smaller parcels valued individually. Our analysis addresses this question based on the standard typically applied in appraisals performed for condemnation and other public acquisitions, namely that multiple sites should be evaluated as a single property when they meet the following criteria:

- Unity of land (physical contiguity)
- Unity of ownership
- Unity of use

In this case, we note that while all three lots share the same ownership and highest and best use, the two lots in Square 661 are physically separated from Square 665 by S Street SW. In considering size adjustments (both to conclude to an "as if feasible" unit value and in the discounting analysis in the following section), we therefore treat the Square 661 lots as a 125,663 square foot property with a development potential of just over 1 million square feet, and the Square 665 lot as a 30,800 square foot property with 252,560 square feet of building capacity. While the Square 661 property has a considerably greater development capacity, it is also more prominent and constitutes a full block. These positive attributes offset the discount that might otherwise be associated this property's larger size. It is therefore our opinion that the same unit value is applicable to the entirety of the subject property's land area.

Land Value Conclusion – Current Value

The preceding analysis reflects our opinion of the value of the subject site as if development were feasible – in other words, assuming that the Capitol Riverfront and Southwest Waterfront neighborhoods were approaching full build-out, such that spillover demand from these areas would make mixed-use (most likely residential with some retail) development in Buzzard Point viable. Other factors considered that are expected to make development feasible in the medium term include the planned DDOT reconfiguration of South Capitol Street and the construction of the new Frederick Douglas Memorial Bridge, further improvements to waterfront connectivity, and possible expansion of the DC Streetcar network. We note that our analysis explicitly excludes consideration of the beneficial impact of the proposed DC United stadium on the Buzzard Point neighborhood.

As discussed in the preceding market analysis, it is our opinion that a land holding period of 8 to 10 years may well be necessary before Buzzard Point is a viable redevelopment target. Nonetheless, developers are optimistic by nature, and the opportunity to acquire a site of significant size in an area poised for redevelopment would be perceived as an attractive proposition to a number of potential buyers. Such a move could give a developer sufficient control and scale to accelerate this timeframe through a combination of price competitiveness, unique amenities, branding, etc.

The following discounted cash flow analysis presents a range of possible outcomes, reflecting development viability either 5, 8 or 10 years from the effective value date. Our analysis assumes annual increases in general land pricing of 3% a year (escalation factor), which is consistent with typical investor expectations. The prospective future sale price is discounted to present value at a rate of 15.0% annually, based on a survey of brokers and developers as to land investment return requirements. We have not deducted an allowance for the cost of sale at viability, as the most likely buyer of the property as of the effective value date would be a developer, rather than a land investor/speculator.

Land Hold Analysis

$/SF FAR As If Feasible	$45.00									
IRR Requirement	15.0%									
Escalation Factor	3.0%									
Cost of Sale	0.0%									
Year	1	2	3	4	5	6	7	8	9	10
Discount Period	0	1	2	3	4	5	6	7	8	9
Land Value ($/SF FAR)	$45.00	$46.35	$47.74	$49.17	$50.65	$52.17	$53.73	$55.34	$57.00	$58.71
Cost of Sale	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net Proceeds	$45.00	$46.35	$47.74	$49.17	$50.65	$52.17	$53.73	$55.34	$57.00	$58.71
PV Factor	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	0.3269	0.2843
Net Present Value ($/SF					$28.96			$20.81		$16.69

The resulting present value indications range from $28.96 per FAR square foot (assuming viability in five years) to $16.69 per FAR square foot (assuming viability in ten years).

As stated, it is our opinion that the likely buyer would be operating at the optimistic end of this range of assumptions, indicating that the value based on a five-year hold is most indicative of the market value of the property. As support for this proposition, we have examined several sales of properties that were purchased by developers who intended to hold the sites for some time prior to development. These transactions are summarized below.

Summary of Supplemental Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Bldg. SF; FAR	Zoning	$/SF Bldg. (FAR)	$/SF Land
1	350 Morse Street 350 Morse St. NE Washington DC	Jun-13 Closed	$14,500,000	67,405 1.55	438,133 6.50	C-M-1	$33.10	$215.12
	Comments: This property is located on the western edge of the Florida Avenue Market, a wholesale/industrial area that is undergoing a transformation toward mixed-use development. The site is zoned C-M-1, which allows for a 3.0 FAR and prohibits residential use. However, an adjacent site has been approved for a C-3-C PUD development at an 8.0 FAR (10 stories, retail and residential), while another nearby site had been PUD approved at an FAR of 7.7 (though this was later reduced to 5.0). This was a trustee's sale pursuant to a bankruptcy by the previous owner; a back-up bid by another party was entered at $14.2 million. The property is improved with a warehouse/distribution building, which was only 15% occupied at the time of sale; the improvements reportedly had little impact on the sale price.							
2	Akridge Buzzard Point Land 101 V St. SW. Washington DC	Aug-05 Closed	$75,113,527	384,051 8.82	2,650,000 6.90	CG/C-R	$28.34	$195.58
	Comments: This large development site in Buzzard Point occupies the equivalent of four city blocks, running from S to V Street SW between 1st and 2nd Streets. It was purchased from Pepco by Akridge in 2005 as a speculative investment, to hold for future development. Representatives of Akridge indicated that they had no specific plans for the site, but had access to patient capital and felt comfortable making a long-term play at an acquisition basis of less than $30 per potential square foot based on an expected development yield of 2.6 to 2.7 million square feet under then-current zoning. The site has since been re-zoned to C-R/CG.							

Neither of these transactions is considered directly comparable to the subject. The location of Sale 1, while analogous in some respects, is a different market area that has some superior features compared to Buzzard Point. In addition, this was a bankruptcy trustee's sale and may represent a distressed or forced-sale value. Sale 2 is located in Buzzard Point, but took place nearly a decade ago. These sales do, however, support our contention that even very large sites that are not suitable for imminent development can command pricing well above the levels that would be associated with the 10-year land holding discount modeled above.

In the course of our research, we also spoke with several brokers who have been involved in the marketing and/or sale of large-scale mixed-use development parcels in DC market. To ensure candid responses, we assured them that their responses would remain confidential. While opinions varied, the consensus was that *absent the proposed DC United stadium deal*, market pricing for sites in Buzzard Point would range from $20 to $30 per FAR square foot, depending on parcel size and location (with Metro proximity, exposure/visibility, and view potential cited as the most relevant location factors). As noted, adjustments for size would not necessarily reflect a straightforward "bulk discount" for larger parcels because large parcels (especially full blocks) would be desirable.

Based on this information, and considering the particular characteristics of the subject sites, we conclude to an "as if vacant and free of environmental issues" market value of **$29.00 per buildable square foot (FAR)**.

Land Value Conclusion	
Indicated Value per Building Square Foot	$29.00
Building Square Feet	1,282,997
Indicated Value	$37,206,901
Rounded	$37,200,000

Reconciliation and Conclusion of Value

The values indicated by our analyses are as follows:

Summary of Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	$37,200,000
Income Capitalization Approach	Not Used
Reconciled	$37,200,000

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value	Fee Simple	July 25, 2013	$37,200,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.
2. The property described in this appraisal as "Part of Suqare 665, Lot 24" has not been legally subdivided from the larger parcel. This appraisal makes the hypothetical assumption that the property has in fact been legally subdivided from the larger parcel, which would be necessary before the property could be sold.

Exposure and Marketing Times

Based on the concluded market value stated previously, it is our opinion that the probable exposure and marketing times are as follows:

Exposure Time and Marketing Period	
Exposure Time (Months)	12
Marketing Period (Months)	12

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Patrick C. Kerr, MAI, FRICS, SRA, made a personal inspection of the property that is the subject of this report. Samuel D. Sherwood has personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged

that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.
2. The property described in this appraisal as "Part of Suqare 665, Lot 24" has not been legally subdivided from the larger parcel. This appraisal makes the hypothetical assumption that the property has in fact been legally subdivided from the larger parcel, which would be necessary before the property could be sold.

Integra Realty Resources
Washington, DC

Review of an Appraisal of: Frank

D. Reeves Municipal Center
Office Property 2000
14th Street NW
Washington, District of Columbia 20009

Appraisal Prepared by:
Land Value Panel

Review Prepared For:
Council of the District of Columbia

Effective Date of Review:
September 25, 2014

Report Format:
Appraisal Review Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Appraisal Review
Frank D. Reeves Municipal Center
2000 14th Street NW
Washington, District of Columbia 20009
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying review of the referenced appraisal. The purpose of the review is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The appraisal review has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed Stadium Act. The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal review is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

Standard Rule 3-3(c) of USPAP permits a review appraiser to extend to a reviewer's development process the items in the work under review that the reviewer concludes are credible by means of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with the appropriate appraisal standards, as applicable, to produce credible assignment results. Based on our review, as summarized in the accompanying report, and subject to the

definitions, assumptions, and limiting conditions expressed in the report, we concur with the opinion of the market value of the subject property as if vacant as of July 25, 2013 expressed in the appraisal under review. We have concluded that all of the items in the appraisal that are relevant to this value conclusion are credible, and thereby incorporate all of these items into the development of our opinion of value by means of an extraordinary assumption. Accordingly, we adopt the appraisal's opinion of the market value of the subject property as if vacant as of the effective date as our own.

We have also undertaken a supplementary analysis, summarized in the accompanying report, of the impact of a proposed leaseback of the subject property by the District of Columbia on the value of the property. This analysis incorporates the aforementioned conclusion of the market value of the property as if vacant. Accordingly, our value opinions follow:

Reviewer Opinion of Value

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Hypothetical Retrospective Market Value As If Vacant Retrospective	Fee Simple	July 25, 2013	$60,260,000
Market Value Subject to Leaseback	Leased Fee	July 25, 2013	$66,800,000

These value conclusions are subject to the following Extraordinary Assumptions and Hypothetical Conditions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinions of value therefore incorporates these items into the development of our opinions of value by means of an extraordinary assumption.
2. Our opinion of the market value of the property subject to the proposed leaseback assumes that, simultaneous with a sale of the subject property, the District of Columbia would execute a net lease of the subject property with the buyer at the terms contained in Addendum F of the Exhange Agreement between the District of Columbia and SW Land Holder LLC, dated May 23, 2014.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Our opinion of the market value of the property as if vacant supposes that as of the (retrospective) effective date of value, the subject property was vacant (with the exception of the air rights parcel described herein).

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format,

The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Respectfully submitted,

Integra Realty Resources - Washington, DC

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The Honorable Phil Mendelson
Council of the District of Columbia
September 30, 2014

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Summary of Salient Facts and Conclusions of Appraisal Under Review

Property Name	Frank D. Reeves Municipal Center
Address	2000 14th Street NW Washington, District of Columbia 20009
Property Type	Office
Owner of Record	District of Columbia
Tax ID	Square 204, Lot 844
Land Area	2.24 acres; 97,600 SF
Gross Building Area	308,500 SF
Rentable Area	308,500 SF
Percent Leased	Assumed vacant per scope/instructions
Year Built	1986
Zoning Designation	ARTS/CR & R-5-B, Commercial-Residential (ARTS Overlay) & Moderate-Density Residential
Highest and Best Use - As if Vacant	Multifamily development
Highest and Best Use - As Improved	Demolition of improvements and multifamily redevelopment
Exposure Time; Marketing Period	4 to 6 months; 4 to 6 months
Effective Date of the Appraisal	July 25, 2013
Date of the Appraisal Report	December 11, 2013
Property Interest Appraised	Fee Simple

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Market Value, Assumed Vacant and Cleared	Fee Simple	July 25, 2013	$60,260,000

General Information

Identification of Appraisal Under Review

The appraisal report under review was prepared by three appraisers, convened as the "Land Value Panel." The members of the Panel were Oakleigh J. Thorne, MAI, CRE; Richard R. Haps, MAI, CRE; and Mark A. Chaney, MAI, MRICS. The appraisal report is dated December 11, 2013, and the clients were representatives of the District of Columbia and Akridge. The purpose of the appraisal was to establish an opinion of the retrospective market value of the fee simple interest* in the subject property as of July 25, 2013. The intended use of the report was to assist the District and Akridge in establishing the value of the property under various scenarios pursuant to a proposed exchange of properties between these two parties. The appraisal reports several different retrospective values, beginning with the value of the site as if vacant. The other values reported reflect the calculation of various credits (for demolition costs and possible labor premium adjustments) as requested by the clients.

*As stated in the appraisal "Throughout the report, the Panel uses the term fee simple estate. The Panel recognizes that Lot 844's property rights are divided; however, future redevelopment of the lot will not interfere with any of the leaseholder's rights, and the existing apartment building's mass (FAR) occupying the air rights has been accounted for in the Panel's determination of FAR for the 84,536 square feet of land owned in fee." This review adopts this same convention with reference to describing the property rights appraised.

Identification of Subject of Appraisal Under Review

The subject of the appraisal is an existing office property containing 308,500 square feet of rentable area. The improvements were constructed in 1986 and were primarily owner-occupied by the District of Columbia as of the effective appraisal date, with the exception of several retail storefronts that were leased to third-party tenants. The site area is 2.24 acres or 97,600 square feet.

Property Identification	
Property Name	Frank D. Reeves Municipal Center
Address	2000 14th Street NW
	Washington, District of Columbia 20009
Tax ID	Square 204, Lot 844

Purpose of the Review

The purpose of the appraisal is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia, pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act").

This review seeks to determine whether the appraisal under review utilized appropriate data and analysis, whether the opinions and conclusions are credible, and reasons for any disagreement. Additionally, given the intended use of the appraisal (see below), we have extended the analysis to address the impact of the proposed leaseback of the subject property to the District of Columbia on

the market value of the property. The conclusion(s) of this analysis represents a separate opinion of value by Integra Realty Resources – Washington, DC, as permitted under USPAP Standard Rule 3-3(c)(iii).

Intended Use and User

The intended use of the appraisal review is to aid our client in evaluating the proposed Soccer Stadium Act as a matter of public policy. The client and intended user is the Council of the District of Columbia. Integra Realty Resources – Washington, DC ("IRR") has been engaged as part of a consulting team led by CSL International, and also including The Robert Bobb Group. Accordingly, this review is also intended to be used by the other members of our team in the preparation of a cost-benefit analysis off the Stadium Act. The appraisal review is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Date of Review

The effective date of our review is September 25, 2014. The date of this review report is September 30, 2014. The effective date of the reviewer opinion(s) of value expressed in this report is July 25, 2013. The appraisal review is valid only as of the stated effective date or dates.

Current Ownership

The owner of record of the property that is the subject of the appraisal report under review is District of Columbia.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Applicable Requirements

This appraisal review is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on September 8, 2014 that included visual observation of typical office areas, mechanical rooms, circulation/atrium areas, the roof, and the underground garage, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period. In addition, we have personally inspected all of the comparables utilized in the appraisal. Our scope of work also included additional research into the comparable sales used in the report, in the event that there were significant discrepancies between the sale information reported and other available data sources or appraisals.

Finally, we determined that given the intended use of the report, it was appropriate to include our own opinion of value, incorporating an analysis of the impact of the proposed leaseback of the subject property to the District of Columbia on the market value of the property. The conclusion of this leaseback analysis represents a separate opinion of value by Integra Realty Resources – Washington, DC, as permitted under USPAP Standard Rule 3-3(c)(iii). This value opinion is premised on the extraordinary assumption that, subsequent to a sale of the subject property, the property would be leased back by the District of Columbia under the terms contained in the Exchange Agreement between the District of Columbia and SW Land Holder LLC, dated May 23, 2014. The opinions of value expressed within this review were developed in compliance with USPAP Standard 1.

Appraisal Overview

Identification of the Property and Ownership History

The appraisal presents an adequate description of the property by reference to the subject's tax parcel identification (Square and Lot) and address. The appraisal notes that a portion of the site had been subdivided as a separate air-rights parcel and leased to a third party on a long-term basis for nominal rent. Other than the reduction in the subject site's development potential, no impacts on value are noted due to the length of the lease (through October 2085) and nominal lease payments ($1 a year). We concur with this assessment.

No recent transfers are noted in the ownership history. The appraisal does note that the property may be part of a land exchange, but as the appraisal was intended to be the basis for setting the value of the subject in the exchange, it was not possible for the appraiser to analyze the terms of the proposed exchange relative to the value conclusion.

Market Analysis

The appraisal presents a brief but thorough overview of conditions in the immediate market area, noting the area's rapid revitalization since the 1990s, and presenting an overview of recent, under construction, and proposed multifamily development projects in the area. Strong demand for multifamily use is noted, despite a significant pipeline of near-term supply additions. An office market analysis is presented, including statistics for the broader Uptown (i.e. outside the downtown core) and East End submarkets. Soft conditions in the office market are noted, as is the status of the Reeves Center as a "land use anomaly" within a neighborhood known as a residential, retail and nightlife destination. The appraisal concludes that demand prospects for continued office use of the subject are very limited given its size, location, age, and design (intended for District government occupancy and not well-suited for federal agency or private-sector use.

Land Description and Analysis

The report provides a brief and straightforward description of the site, noting the air, light and view amenities associated with a large corner site. The bulk of the site analysis relates to the site's development potential under zoning regulations, which are complicated by the property's split zoning, inclusionary zoning requirements, and the diminution in available air rights due to the existing air rights building. The panel's conclusion that the site could accommodate 524,000 square feet of FAR building area if vacant is well-supported.

Improvements Description and Analysis

The description of the subject building is also brief and straightforward. The stated building size of 308,500 square feet (rentable) is not sourced, but is consistent with the rentable area cited in the subsequently executed Exchange Agreement (referenced previously), at 304,290 square feet. The report notes and supports various reasons why the structure is "not suitable for private sector entities," along with the building's lack of suitability for federal agency occupancy noted in the office market analysis. Possible scenarios for continued or alternative use of the property as improved are discussed in detail in the highest and best use analysis.

Highest and Best Use

As If Vacant

The panel concludes that the highest and best use of the site would be the development of a multifamily use up to the available FAR envelope under zoning (524,000 square feet). The report states that office use was considered as an alternative, but was deemed atypical of the submarket due to its isolation from establish office submarket (and, by implication, financially infeasible). Although quantitative calculation of infeasibility was not presented, presentation of such an analysis is not considered necessary for this conclusion to be credible given the market's clear preference for multifamily development in this location. The report notes that while market conditions remained "supportive of new development" as of the appraisal date, there is a risk that the market could be experiencing an oversupply of units by the time construction of a new building on the site were completed. While not explicitly stated in the "as if vacant" analysis, the conclusion of the highest and best use as improved analysis implies that the multifamily development stated as the highest and best use of the site would include ground-floor retail use.

As Improved

The panel evaluated a number of options for continued use or adaptive re-use of the existing improvements. The report states that the financial feasibility of adaptive re-use as a residential property and renovation for continued office use were tested. While the details of these analyses are not presented in the report, the appraisal correctly notes that both either option would require significant expenditures and result in a building substantially smaller than what could be built on the site if it were vacant. The case for office use is further undermined by the building's location, its large size, and generally soft conditions in the office market that are expected to persist. The panel moves on to the prospect of demolishing the existing improvements for multifamily redevelopment that maximizes the site and makes a compelling case that this course of action would be financially feasible.

Valuation Methodology

As appraisers, we usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach. Because the panel concluded that the improvements do not make a positive contribution to the market value of the property, the appraisal treats the property as if vacant, with adjustments for demolition, etc. applied to the concluded "as if vacant" value. The cost and income approaches are judged inapplicable in such a valuation, and thus only the sales comparison approach is utilized. This methodology is considered standard appraisal practice in such cases and is considered appropriate and reasonable.

Sales Comparison Approach (Land)

The panel considered four sales for comparison to the subject. Notably, these sales include JBG's acquisitions of two large multifamily development sites in the market area, including one located directly across the street from the subject (The Louis, Sale 4 in the analysis). This sale is somewhat dated (two years prior to the effective value date) but is adjusted upward significantly (7% per year) for improving market conditions since the sale date. Rent growth in the submarket had actually been

considerably lower, at 4.9% over the entire period from Q2 2011 to Q2 2013, based on REIS Class A asking rent data. Given that capitalization rates were generally stable during this period while construction costs increased, this adjustment is considered more than sufficient to account for changes in market conditions. We note that the panel derived their adjustment for market conditions from an analysis of condominium unit price trends.

The other JBG sale used in the analysis (Sale 3), the Hatton/Shay project at 9th & U Street, is dated from August 2011 in the report. However, the panel's analysis of this sale (correctly, in our opinion) analyzes the price and FAR yield not merely on the basis of JBG's acquisition of the primary parcels from WMATA in August 2011 but also includes the subsequent acquisitions of three adjoining lots over a period running from October 2012 through July 2013. Nonetheless, the market conditions adjustment (at 7% per year) is applied against the earliest sale in the assemblage, which again is considered more than sufficient to account for improving market conditions (including the more recent revitalization of the east end of the U Street corridor).

The quantitative adjustments applied to these sales (for market conditions as noted, along with minor upward adjustments for inferior property rights) result in a value range of $97.12 (Shay/Hatton) to $138.01 (The Louis) per FAR square foot. The remaining analysis of these sales is qualitative in nature. The Shay sale is noted as being inferior in all significant respects except for the smaller scale of the proposed development. The Louis' site features are noted as being slightly inferior, but more than offset by the smaller scale of the project.

Sale 1 is nearly contemporaneous with the effective date of the appraisal, having transferred in Mayr 2013. Other than a *very* slight upward adjustment for market conditions, the only quantitative adjustment applied is a slight upward adjustment for the compliance issues associated with preserving an existing historic structure on the site. These quantitative adjustments result in an adjusted value indication of $122.12 per FAR square foot. However, this property is considerably smaller than the subject site, with a zoned building capacity of only 24,000 square feet. Such a small building would likely only yield 20 to 30 residential units, suggesting that condominium sales rather than rental apartment operation may be maximally productive. Condominium use is generally considered feasible for unit counts of less than 60± units, and tends to produce considerably higher returns than rental operation for projects in this size range. Notwithstanding the noted superior features of the subject site, the adjustment for this difference in size (described, correctly, as "significantly superior") would be more than offsetting, suggesting that the adjusted price of $122.12 per FAR square foot represents an absolute ceiling on the value of the subject.

We note that Sale 2 in the analysis is, correctly, given the least weight, as this is a sale of a site in the Capitol Riverfront neighborhood – considered markedly inferior to the subject's location. The only significant similarity to the subject is the size of the proposed development. The indicated value from this sale, at $55.63 per square foot (before consideration of "significantly inferior" location and site feature attributes), provides some indication that the value discount for a project of this sale (500,000+ square feet) may be significant, further reinforcing the proposition that Sale 1 sets a ceiling on value.

The panel ultimately concludes to a unit value of $115 per FAR square foot, resulting in a retrospective value conclusion of $60,260,000 (as if vacant). The panel's quantitative adjustment resulted in a

relatively narrow range of values (excluding Sale 2), and the panel's decision to rely on a ranking approach is reasonable and appropriate. Accordingly, we find the panel's value conclusion highly credible, and have no substantive disagreements with either their methodology or conclusions.

Reviewer Opinion of Value

Our review of the appraisal concludes that the analyses applied are appropriate and well-supported, and that the panel's conclusion of the retrospective market value of the subject property as if vacant is highly credible. Accordingly, we adopt the panel's opinion of the market value of the property as if vacant as of the effective (retrospective) value date as our own.

Given the intended use of this review, the consulting team of which Integra Realty Resources – Washington, DC is a part has concluded that it is appropriate to expand on our opinion of the value of the property as if vacant, to include consideration of the actual mechanics of the proposed transaction: namely, that the District of Columbia would lease back the entirety of the property from the buyer for a period of three years.

The leaseback arrangement would provide a meaningful benefit to the buyer relative to acquiring the property as a vacant building, by providing a significant income stream while completing the design and engineering process, securing entitlements, and applying for demolition and building permits. Accordingly, a valuation of the property as-is (and subject to the proposed leaseback) as of the retrospective value date should consider the benefit of this income stream, as well as the cost of demolition at the end of the leaseback period so that the "as if vacant" value of the land can be realized and the site can be redeveloped consistent with the highest and best use.

To assess the impact of the leaseback arrangement on the property's market value, we utilize a discounted cash flow analysis.

Net Income

The terms of the proposed leaseback are described in Addendum F of the Exchange Agreement between the District of Columbia and SW Land Holder, LLC (an Akridge-controlled entity) dated May 23, 2014. The District would pay rent of $5,668,923 annually ($18.63 per square foot against a rentable area of 304,290 square feet. The lease would be a net lease, with the tenant (the District) responsible for all operating expenses associated with the property, including real estate taxes. Accordingly, income under the leaseback agreement is projected based on the agreed-upon rental rate, with no offsets or deductions for expenses, vacancy, etc.

Demolition Costs

The Land Value Panel appraisal applied a net demolition expense (without labor premiums) of $4.675 million to their "as if vacant" value opinion. This figure was based on a demolition and removal budget for the subject property prepared by Clark Construction, which indicated a cost of $5.3 million. The panel adjusted this amount downward to account for labor premium adjustments included in this figure, as well as the fact that the comparable land sales required varying levels of demolition and site preparation expense (though much less than would be associated with demolishing the Reeves Center). Some level of demolition expense is therefore implicit in the "as if vacant" value conclusion. It is our opinion that the $4.675 million figure is credible, and we therefore adopt this estimate of

demolition costs for use in this analysis. To recognize expected increases in construction costs, we inflate this figure by 2.5% per year through the projected date of demolition (3 years hence).

Land Reversion

At the end of the leaseback period, the "as if vacant" land value will be realized, but we recognize that real estate price levels are expected to increase in the interim. The panel's appraisal applied a market conditions adjustment of 7% per year to the comparable sales, which we judged to be reasonable, but we also recognize that land price increases are expected to be less rapid in the medium term due to widespread concerns about the size of the supply pipeline in the multifamily market, including in the subject's immediate neighborhood. We therefore project an escalation of the concluded "as if vacant" value at 5% per year over the three-year leaseback period.

Present Value Discounting

The projected cash flows (income from the lease, followed by a land reversion less demolition) must be discounted to recognize the time-value of money, reflecting an appropriate yield rate on a substantial capital outlay with a three-year holding period. The Q2 2013 PwC Real Estate Investor Survey indicates a range of IRR requirements for development land ranging from 10% to 25%, averaging 18.9%. However, these types of return requirements reflect substantially riskier land investments, such as office park or residential subdivision development. Given the subject's location in a highly desirable market area, as well as the interim income stream, the risks associated with the holding period are much less, with the major risk being the possibility that land pricing may not increase as fast as projected, rather than that land pricing would decline or demand would fail to materialize. We also note that the income stream from the District leaseback would be considered a very sound, low-risk element of the investment.

The referenced PwC investor survey cites a range of discount rates for Washington, DC office properties ranging from 6.25% to 8.75%, with an average of 7.33%. In our opinion, a slight premium to the average rate from this survey is sufficient to account for the risk associated with the land hold component of the investment, given the District's status as a credit tenant. We therefore apply a discount rate of 7.5% to the projected cash flows. The discounted cash flow model based on the preceding assumptions is presented below, and results in a value indication of **$66.8 million**.

Year	1	2	3
Lease Income	$5,668,923	$5,668,923	$5,668,923
Land Value Realization			$69,758,483
Demolition Expense			-$5,034,464
Cash Flow	$5,668,923	$5,668,923	$70,392,942
Present Value Factor	0.9302	0.8653	0.8050
Cash Flow PV	$5,273,416	$4,905,504	$56,663,542
Net Present Value	$66,842,462		
Rounded	$66,800,000		

Reconciliation and Conclusion of Value

Our review of the appraisal concludes that the analyses applied by the Land Value Panel are appropriate and well-supported, and that the panel's conclusion of the retrospective market value of the subject property as if vacant is highly credible. Accordingly, we adopt the panel's opinion of the market value of the property as if vacant as of the effective (retrospective) value date as our own.

Pursuant to the intended use of this appraisal review, we have also completed a supplementary analysis of the impact of the proposed leaseback on the retrospective market value of the property as improved. This analysis incorporates the information presented in the appraisal under review by means of an extraordinary assumption, as well as our concurring opinion of the retrospective market value of the subject property as if vacant.

Based on the foregoing, our value opinions follow:

Reviewer Opinion of Value

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Hypothetical Retrospective Market Value As If Vacant	Fee Simple	July 25, 2013	$60,260,000
Retrospective Market Value Subject to Leaseback	Leased Fee	July 25, 2013	$66,800,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinions of value therefore incorporates these items into the development of our opinions of value by means of an extraordinary assumption.
2. Our opinion of the market value of the property subject to the proposed leaseback assumes that, simultaneous with a sale of the subject property, the District of Columbia would execute a net lease of the subject property with the buyer at the terms contained in Addendum F of the Exhange Agreement between the District of Columbia and SW Land Holder LLC, dated May 23, 2014.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Our opinion of the market value of the property as if vacant supposes that as of the (retrospective) effective date of value, the subject property was vacant (with the exception of the air rights parcel described herein).

Exposure and Marketing Times

The appraisal under review concluded that based on market conditions in the District of Columbia as of the date of value, the probable exposure time would be four to six months, and we concur with this

opinion. Accordingly, based on the concluded market values stated previously, it is our opinion that the probable exposure and marketing times are as follows:

Exposure Time and Marketing Period	
Exposure Time (Months)	4 to 6
Marketing Period (Months)	4 to 6

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. Our compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. Our analyses, opinions, and conclusions were developed, and this review report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
10. Patrick C. Kerr, MAI, FRICS, SRA and Samuel D. Sherwood made a personal inspection of the subject of the work under review.
11. Significant real property appraisal assistance was provided by Samuel D. Sherwood, who has not signed this certification.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal review and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report. Note that references to "the property" and similar terms are intended to refer to the property that is the subject of the work under review.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal review and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal review is inherently subjective and any value conclusions contained therein represent our opinion as to the value of the property that is the subject of the appraisal under review.
2. The conclusions stated in our appraisal review apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal review, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal review assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative

purposes only and should not be considered to be scaled accurately for size. The appraisal review covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal review.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal review report shall be considered only in its entirety. No part of the appraisal review report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal review report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

14. The current purchasing power of the dollar is the basis for the values stated in the appraisal review; we have assumed that no extreme fluctuations in economic cycles will occur.

15. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

16. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

18. The appraisal review report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

19. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal review report cannot be considered as an environmental assessment of the subject property.

20. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

21. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

22. The appraisal review report and any value conclusions contained therein assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

23. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal review was fraudulent or prepared with intentional misconduct. It is further

acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal review report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

24. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal review for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal review report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal review report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal review report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

27. The appraisal review is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our review of the appraisal that is the subject of this report concludes that all of the data and analysis contained in the appraisal that are relevant to the market value of the land as if vacant are credible. Our opinions of value therefore incorporates these items into the development of our opinions of value by means of an extraordinary assumption.
2. Our opinion of the market value of the property subject to the proposed leaseback assumes that, simultaneous with a sale of the subject property, the District of Columbia would execute a net lease of the subject property with the buyer at the terms contained in Addendum F of the Exhange Agreement between the District of Columbia and SW Land Holder LLC, dated May 23, 2014.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. Our opinion of the market value of the property as if vacant supposes that as of the (retrospective) effective date of value, the subject property was vacant (with the exception of the air rights parcel described herein).

Integra Realty Resources
Washington, DC

Review of an Appraisal of: Frank

D. Reeves Municipal Center
Office Property 2000
14th Street NW
Washington, District of Columbia 20009

Appraisal Prepared by:
Thomas J. Shields, MAI, Joseph Blake and Associates, Inc.

Review Prepared For:
Council of the District of Columbia

Effective Date of Review:
September 25, 2014

Report Format:
Appraisal Review Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Appraisal Review
Frank D. Reeves Municipal Center
2000 14th Street NW
Washington, District of Columbia 20009
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

Integra Realty Resources – Washington, DC is pleased to submit the accompanying review of the referenced appraisal. The purpose of the review is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The appraisal review has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed Stadium Act. The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal review is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning,

and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Based on the analysis summarized in the accompanying appraisal review, we are unable to endorse the value opinions presented in the appraisal under review for the intended use.

Respectfully submitted,

Integra Realty Resources - Washington, DC

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Summary of Salient Facts and Conclusions of Appraisal Under Review

Property Name	Frank D. Reeves Municipal Center
Address	2000 14th Street NW Washington, District of Columbia 20009
Property Type	Office
Owner of Record	District of Columbia
Tax ID	Square 204, Lot 844
Land Area	2.24 acres; 97,600 SF
Gross Building Area	474,680 SF
Rentable Area	379,250 SF
Percent Leased	Assumed vacant per scope/instructions
Year Built	1986
Zoning Designation	ARTS/CR & R-5-B, Commercial-Residential (ARTS Overlay) & Moderate-Density Residential
Highest and Best Use - As if Vacant	Multifamily development
Highest and Best Use - As Improved	Demolition of improvements and multifamily redevelopment
Exposure Time; Marketing Period	4 to 6 months; 4 to 6 months
Effective Date of the Appraisal	July 25, 2013
Date of the Appraisal Report	December 11, 2013
Property Interest Appraised	Fee Simple

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	January 30, 2014	$69,400,000
Market Value Assuming Leaseback	Leased Fee	January 31, 2014	$75,600,000

General Information

Identification of Appraisal Under Review

The appraisal report under review was prepared by Thomas J. Shields, MAI, of Joseph J. Blake and Associates, Inc. The appraisal report is dated February 21, 2014, and the client was the Office of the Chief Financial Officer of the District of Columbia. The purpose of the appraisal was to establish an opinion of the market value of the fee simple interest* in the subject property as of the (essentially current) effective date, stated in various locations of the report as being January 14, 2014, January 30, 2014, and January 31, 2014. The appraiser also included an opinion of the market value of the property assuming a three-year leaseback from the District of Columbia. The intended use of the report was to assist the client in evaluating the asset "for internal purposes."

*The appraisal identifies the interest appraised as a fee simple estate. We note that the property rights are divided due to the presence of an apartment building constructed within an air rights leasehold. There is no explicit discussion of the potential value impact of this arrangement in the appraisal, with the exception that the subject's FAR development potential is reduced by the previously committed FAR, estimated at 36,420 square feet.

Identification of Subject of Appraisal Under Review

The subject of the appraisal is described as an existing office property containing 379,250 square feet of rentable area. The improvements were constructed in 1986 and were primarily owner-occupied by the District of Columbia as of the effective appraisal date, with the exception of several retail storefronts that were leased to third-party tenants. The site area is 2.24 acres or 97,600 square feet. The appraiser notes that he was not provided confirmation of the subject's building size, and relied on the best available information.

Property Identification	
Property Name	Frank D. Reeves Municipal Center
Address	2000 14th Street NW
	Washington, District of Columbia 20009
Tax ID	Square 204, Lot 844

Purpose of the Review

The purpose of the appraisal is to develop an opinion of the validity of the conclusions of the appraisal under review, for purposes of establishing the market value of property proposed to be disposed of by the District of Columbia, pursuant to the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act").

This review seeks to determine whether the appraisal under review utilized appropriate data and analysis, whether the opinions and conclusions are credible, and reasons for any disagreement.

Intended Use and User

The intended use of the appraisal review is to aid our client in evaluating the proposed Soccer Stadium Act as a matter of public policy. The client and intended user is the Council of the District of Columbia.

Integra Realty Resources – Washington, DC ("IRR") has been engaged as part of a consulting team led by CSL International, and also including The Robert Bobb Group. Accordingly, this review is also intended to be used by the other members of our team in the preparation of a cost-benefit analysis off the Stadium Act. The appraisal review is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Date of Review

The effective date of our review is September 25, 2014. The date of this review report is September 30, 2014. The appraisal review is valid only as of the stated effective date or dates.

Current Ownership

The owner of record of the property that is the subject of the appraisal report under review is District of Columbia.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Applicable Requirements

This appraisal review is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;

- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Review Report option of Standards Rule 3-5 of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Review Report depending on the intended use and intended users of the appraisal, we have presented our analysis and conclusions in a concise format, which is appropriate given the clients familiarity with the appraisal under review, as well as that appraisal's subject. Accordingly, our review briefly summarizes the data, reasoning, and analyses used in the appraisal review process. Additional supporting documentation is retained in our work file.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on September 8, 2014 that included visual observation of typical office areas, mechanical rooms, circulation/atrium areas, the roof, and the underground garage, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period. In addition, we have personally inspected all of the comparables utilized in the appraisal. Our scope of work also included additional research into the comparable sales used in the report, in the event that there were significant discrepancies between the sale information reported and other available data sources or appraisals.

Appraisal Overview

Identification of the Property and Ownership History

The appraisal presents an adequate identification of the property by reference to the subject's tax parcel identification (Square and Lot) and address. The appraisal does not address the divided ownership interest in the property created by the air rights leasehold arrangement, except insofar as the presence of existing improvements within the air rights reduces the as if vacant buildable square footage of the site.

No recent transfers are noted in the ownership history. The appraisal does note that the property may be part of a land exchange, but does not reference the proposed terms of the exchange. These terms may not have been available as of the report date, and would have been of somewhat limited relevance to the valuation in any event, as the terms of the exchange were based on appraisals rather than negotiated in the open market.

Market Analysis

The appraisal presents a voluminous analysis of the surrounding area, beginning at the regional/MSA level and working down to the neighborhood level, including an analysis of conditions in the office and multifamily markets.

Land Description and Analysis

The report provides a brief and straightforward description of the site. A separate zoning analysis analyzes the site's development potential under zoning regulations, which are complicated by the property's split zoning, inclusionary zoning requirements, and the diminution in available air rights due to the existing air rights building. The panel's conclusion that the site could accommodate 525,936 square feet of FAR building area if vacant is well-supported.

Improvements Description and Analysis

The description of the subject building is also brief and straightforward. The stated building sizes of 379,250 square feet (rentable) and 479,767 are not sourced, but the report had previously stated that documentation of building size was unavailable and the appraiser had relied upon "the best available information." Documentation that has since been made available to Integra Realty Resources indicates that the building measures 304,290 square feet under ANSI/BOMA measurement standards.

The report describes the finishes, quality and condition of the building as consistent with "similar class" or "Class B" space. However, the report does not address the functional utility of the improvements.

Highest and Best Use

The appraiser appears to conclude that the highest and best use of the site would be the development of a multifamily use up to the available FAR envelope under zoning (525,936 square feet). The appraiser states that office rents in the Uptown submarket area generally below cost feasibility levels.

The appraiser also concluded that based on the analysis of a discounted cash flow (DCF) analysis, the improvements do not enhance the value of the property.

Valuation Methodology

As appraisers, we usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The appraiser developed the income capitalization approach (DCF only) to determine whether the improvements contribute to the value of the property, both assuming the property were vacant and assuming a 3-year leaseback. The appraiser then applies the sales comparison approach to value the land as if vacant, and makes a deduction for demolition costs to reach as "as is" value. The impact of the proposed leaseback (assuming demolition and redevelopment after the leaseback) is also analyzed by means of a secondary DCF. The appraiser ultimately concludes that the improvements do not make a positive contribution to the market value of the property, whether leased back for three years or not.

Income Approach (As Improved)

The income approach is developed in considerable detail, and uses essentially sound methodology. The analysis applied appears appropriate, and the conclusions are well-supported. However, the conclusions of this analysis are essentially irrelevant to the overall valuation, except insofar as they support the contention that the highest and best use of the property is to demolish the improvements and redevelop the site.

Sales Comparison Approach (Land)

The appraiser considers five comparable land sales. However, it is our opinion that there are significant issues regarding the selection and treatment of the comparables that undermine the reliability of the analysis.

Only two of the comparables are located in the immediate neighborhood. Sale 1 is a contract that was pending as of the effective date. This comparable, located at 14th and Wallach NW, was subject to approvals that allowed for development without providing on-site parking, and this factor was not reported or adjusted for. In addition, the development potential of this site, at less than 60,000 square feet, is also much smaller than the subject site. We believe that the downward adjustment applied for the size of the site is insufficient because of the strong likelihood that a multifamily building of less than 60 units would be developed as condominiums.

The other neighborhood sale (Sale 5), located on Florida Avenue between 7th and 9th Streets NW, was analyzed based on a buildable square footage that appears to have been calculated incorrectly, resulting in an erroneously higher value indication. The FAR figure cited in the appraisal is does not include inclusionary zoning bonus density or the 0.5 density bonus available in the ARTS overlay zone for properties that provide 3.0 FAR toward residential use. At the maximum 4.2 FAR cited in the Inclusionary Zoning section of the ARTS overlay regulations (11-1909), this sale would reflect a price per FAR of $86.00, not the $116.52 utilized. We are also aware of subsequent purchases of adjacent lots that were eventually combined by the buyer (JBG) into an overall assemblage. The total sale prices of all of these purchases ($19,750,000) divided by the FAR stipulated in the zoning approval for

the eventual improvements (maximum 5.0) represents $81.53 per potential FAR square foot. Under either method, it is our opinion that the appraiser's analysis significantly overstates the sale price on an FAR basis.

The other comparables cited are also judged to be of limited applicability or subject to incomplete analysis. Sale 2 is a sale of a small site in Adams Morgan that will be developed with low-rise condominiums. The lower cost of construction associated with an FAR limit of 2.16, combined with the higher land returns to a small-scale condominium development make comparability questionable. Sale 3 is an allocated value from a larger mixed-use sale on Wisconsin Avenue in Glover Park. Allocations are generally considered to be of lesser reliability than actual sales. The small scale of the proposed development, and its location in a completely different submarket (with extremely high barriers to entry) are also significant issues.

Sale 4 is the Toll Brothers acquisition of a multifamily site in the Capitol Riverfront neighborhood. Regarding this last sale, we disagree with Blake's method of analysis. When Toll acquired this site, they also negotiated an option to buy an adjacent site from the same owner, which was exercised only six months later. These sales are therefore most accurately characterized as a single transaction. In addition, the buildable capacity of this site was analyzed based on the zoned FAR, but the site reportedly transferred with Transferable Development Rights (TDRs) in place that allowed for building at a considerably higher capacity. This information indicates that the actual pricing reflected by the overall transaction is more accurately stated at $50 to $55 per buildable square foot, not the $90.56 figure used in the Blake analysis.

The appraiser ultimately concludes to a unit value of $140 per FAR square foot, resulting in a value conclusion of $73,600,000 (as if vacant). Due to the significant issues noted with regard to the selection and treatment of the comparables, it is our opinion that this conclusion is inadequately supported.

Review Conclusions

Our review of the appraisal concludes that the identified issues with regard to the selection and treatment of comparable sales are significant and undermine the credibility of the land value conclusion. As a result, the as-improved value opinions that flow from this conclusion (market value, and market value assuming a 3-year leaseback) are also insufficiently credible for reliance per the intended use of this review, and we cannot endorse either of these value opinions.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. Our compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. Our analyses, opinions, and conclusions were developed, and this review report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
10. Patrick C. Kerr, MAI, FRICS, SRA and Samuel D. Sherwood made a personal inspection of the subject of the work under review.
11. No one provided significant appraisal or appraisal review assistance to the persons signing this certification.
12. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

13. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal review and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report. Note that references to "the property" and similar terms are intended to refer to the property that is the subject of the work under review.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal review and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal review is inherently subjective and any value conclusions contained therein represent our opinion as to the value of the property that is the subject of the appraisal under review.
2. The conclusions stated in our appraisal review apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal review, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal review assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative

purposes only and should not be considered to be scaled accurately for size. The appraisal review covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal review.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal review report shall be considered only in its entirety. No part of the appraisal review report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal review report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

14. The current purchasing power of the dollar is the basis for the values stated in the appraisal review; we have assumed that no extreme fluctuations in economic cycles will occur.

15. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

16. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

18. The appraisal review report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

19. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal review report cannot be considered as an environmental assessment of the subject property.

20. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

21. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

22. The appraisal review report and any value conclusions contained therein assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

23. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal review was fraudulent or prepared with intentional misconduct. It is further

acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal review report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

24. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal review for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal review report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal review report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal review report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

Integra Realty Resources
Washington, DC

Appraisal of Real Property

Super Salvage
Industrial Property
1711 1st St. SW
Washington, District of Columbia 20024

Prepared For:
Council of the District of Columbia

Effective Date of the Appraisal:
July 25, 2013

Report Format:
Appraisal Report – Concise Summary Format

IRR - Washington, DC
File Number: 141-2014-0352

Integra Realty Resources
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September 30, 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

SUBJECT: Market Value Appraisal
Super Salvage
1711 1st St. SW
Washington, District of Columbia 20024
IRR - Washington, DC File No. 141-2014-0352

Dear Mr. Chairman:

DRAFT
For Discussion Purposes Only Subject to Change

Integra Realty Resources – Washington, DC is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the retrospective hypothetical market value of the fee simple interest in the property as of July 25, 2013.

The appraisal review has been performed as part of our work with the team engaged by the Council of the District of Columbia to perform a cost-benefit analysis of the proposed District of Columbia Soccer Stadium Development Act of 2014 (hereafter the "Stadium Act"). The team is led by CSL International, and also includes The Robert Bobb Group and Integra Realty Resources – Washington, DC.

The appraisal is intended to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value	Fee Simple	July 25, 2013	$9,900,000

The appraisal is subject to the following extraordinary assumptions or hypothetical conditions.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Concise Summary Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

Respectfully submitted,

Integra Realty Resources - Washington, DC

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Summary of Salient Facts and Conclusions

Property Name	Super Salvage
Address	1711 1st St. SW Washington, District of Columbia 20024
Property Type	Industrial
Owner of Record	Super Salvage Inc.
Tax ID	Square 605, Lot 802
Land Area	0.96 acres; 41,824 SF
Zoning Designation	CG/CR, Commercial-Residential, Capitol Gateway Overlay
Highest and Best Use - As if Vacant	Multifamily or mixed use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	July 25, 2013
Date of the Report	September 30, 2014
Property Interest Appraised	Fee Simple
Market Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	$9,900,000
Income Capitalization Approach	Not Used
Market Value Conclusion	$9,900,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.

General Information

Identification of Subject

The subject is currently in use as a salvage operation, but is appraised as if vacant. The site has an area of 0.96 acres or 41,824 square feet, and is zoned CG/CR (Commercial-Residential, Capitol Gateway Overlay), which permits residential, commercial, recreational and light industrial uses.

Property Identification	
Property Name	Super Salvage
Address	1711 1st St. SW
	Washington, District of Columbia 20024
Tax ID	Square 605, Lot 802

Land Area Summary

Tax ID	Address	SF	Acres
Square 605, Lot 802	1st St. SW	41,824	0.96

Source: District of Columbia Tax Records

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the retrospective hypothetical market value of the fee simple interest in the property as of the effective date of the appraisal, July 25, 2013. The date of the report is September 30, 2014. The appraisal is valid only as of the stated effective date or dates.

Current Ownership and Sales History

The owner of record is Super Salvage Inc. To the best of our knowledge, no sale or transfer of ownership has occurred within the past three years.

As of the effective (retrospective) date of this appraisal, the property was not subject to an agreement of sale or option to buy, nor is it listed for sale. Subsequent to the effective date, Super Salvage Inc. and the District of Columbia have entered into an agreement in the form of a letter of intent (dated July 21, 2014), under which the District will acquire the subject property. The agreed-upon price is $17,147,840. Closing is to occur within 60 days of passage of the *District of Columbia Soccer Stadium Development Act of 2014* (or substantially similar legislation), but not before June 2, 2015. Super Salvage would be permitted to maintain occupancy at no rental charge for up to 3 months after closing. The agreement also stipulates that the District has the right to terminate the agreement if third-party studies completed during due diligence determine that the cost of curing environmental issues exceed 7.5% of the purchase price, or that there are title issues impacting value, if Super Salvage is unwilling or unable to cure these issues. The agreement may also be terminated by either party if the aforementioned Soccer Stadium Development Act “has not been passed by the Council by December 31, 2015” and will automatically be terminated “if the Council does not pass the Soccer Stadium Act.”

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Intended Use and User

The intended use of the appraisal is for evaluation of a proposed land exchange and development agreement of which this property is proposed to be a part. The client and intended user is the Council of the District of Columbia, and other intended users are the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group. The appraisal is not intended for any other use or user. No party or parties other than the Council of the District of Columbia and the other members of the consulting team engaged by the DC Council, namely CSL International and The Robert Bobb Group may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to

the Integra Realty Resources internal standards for an Appraisal Report – Concise Summary Format. This type of report has less depth and detail than an Appraisal Report – Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Comparison of Report Formats in the Addenda.

Prior Services

We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Patrick C. Kerr, MAI, FRICS, SRA, and Samuel D. Sherwood conducted an on-site inspection of the property on August 14, 2014 that included visual observation of the property from public roadways/rights of way, as well as observations of the surrounding neighborhood and market area. We note that, as appraisers, we were also familiar with the surrounding area as of the retrospective value date by virtue of having performed other appraisals in this market area during the relevant time period. In addition, we have personally inspected all of the comparables utilized in our analysis.

We identified the subject through tax records and other documentation provided by the client, and assembled information about the characteristics of the property that are relevant to the value of the fee simple property rights being appraised and the intended use of the appraisal. In addition, we were provided with the following previous appraisal of the subject property, which contained market data and factual information about the subject:

- *Appraisal of Six Contiguous Parcels within Buzzard Point*, Joseph J. Blake & Associates, Inc., dated February 21, 2014, effective date January 22, 2014

While we have not *relied* on the analysis and conclusions of this previous appraisal work performed by other firms in developing our opinions of value, due to differences in the scope of work, purpose and intended use, we have considered the factual information presented therein. Note that this appraisal report *is not* a review of the referenced appraisal.

Other elements of scope are discussed in the individual sections of the report.

Valuation Methodology

The methodology employed in this assignment is summarized as follows.

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

The **sales comparison approach** is the most reliable valuation method for the subject due to the following:

- There is a somewhat active market for properties similar to the subject, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The **income approach** is not applicable to the subject because:

- The property is unlikely to generate significant rental income in its current state.

The **cost approach** is not applicable to the subject considering the following:

- The scope of work is limited to a valuation of the property as if vacant.

Market Analysis

Our client is in possession of multiple appraisals of sites within Buzzard Point that are proposed to be part of an assemblage to accommodate a new DC United soccer stadium. We have reviewed the market overviews presented in these appraisals and have concluded that they present a thorough and accurate overview of area development trends, land use patterns, and economic conditions impacting the local real estate market. Accordingly, we have not presented detailed regional, neighborhood and market area analyses such as would be typical of a "Self Contained" or comprehensive appraisal report. Instead, we present here a limited overview of the most relevant factors impacting the value of the subject property as of the effective (retrospective) value date.

Access and Linkages

Primary access to the market area is provided by the Southeast/Southwest Freeway and South Capitol Street, which extends south over the Anacostia River to the Anacostia Freeway (I-295) via the Frederick Douglass Memorial Bridge. Overall, vehicular access is average. DDOT plans call for a reconfiguration of the South Capitol Street/Potomac Avenue interchange into a traffic oval, which would significantly improve the vehicular accessibility of Buzzard Point.

The nearest Metro stations serving Buzzard Point area are located along M Street. The Navy Yard-Ballpark station is approximately 1.0 mile northeast, and the Waterfront station is approximately 0.7 miles to the northwest. The closest Metrobus stop is located several blocks north, at the corner of 2nd and P Street SW. The local market perceives public transportation as good compared to other market areas in the region, but access to Metro and Metrobus is inferior to the Southwest Waterfront and Capitol Riverfront neighborhoods.

Demand Generators

Major employers in Buzzard Point include the U.S. Coast Guard, Fort McNair, and National Defense University. However, the Coast Guard, which occupies over 1 million square feet in two office buildings located at the southeast part of the Buzzard Point peninsula, began vacating both of these buildings in 2013 to move into their newly constructed headquarters buildings on the St. Elizabeth's campus. These buildings will "go dark" in the near future. Meanwhile, Fort McNair and National Defense University are significant employment centers, but activities on these campuses are almost entirely self-contained and have minimal impact on the surrounding neighborhood.

The primary employment center in the area is in the Capitol Riverfront neighborhood, which is home to the Washington Navy Yard and the U.S. DOT's 2.1 million square foot headquarters. In addition to on-site employment at these facilities, the proximity to these federal departments drives additional office demand from contractors and other associated businesses. Total office employment in the Capitol Riverfront neighborhood is estimated by the BID at 32,000.

Also of note is Waterfront Station, located at the Waterfront Metro. This project includes a new Safeway grocery store and a number of DC government offices. Continued development activity along the Southwest Waterfront, discussed below, is also expected to have positive spillover effects in the subject neighborhood.

Area Demographics

Surrounding Area Demographics

2013 Estimates	0.25-Mile Radius	0.5-Mile Radius	1-Mile Radius	District of Columbia	Washington DC, MSA
Population 2010	889	5,287	15,637	601,723	5,582,170
Population 2013	921	5,563	16,801	637,231	5,828,935
Population 2018	989	6,089	18,737	700,339	6,214,887
Compound % Change 2010-2013	0.3%	0.4%	0.6%	0.4%	0.3%
Compound % Change 2013-2018	1.4%	1.8%	2.2%	1.9%	1.3%
Households 2010	387	2,919	8,933	266,707	2,074,730
Households 2013	401	3,094	9,643	284,867	2,167,514
Households 2018	432	3,419	10,798	316,416	2,316,855
Compound % Change 2010-2013	0.3%	0.4%	0.6%	0.5%	0.3%
Compound % Change 2013-2018	1.5%	2.0%	2.3%	2.1%	1.3%
Median Household Income 2013	$47,099	$65,435	$67,451	$62,958	$87,308
Average Household Size	2.3	1.8	1.7	2.1	2.6
College Graduate %	41%	53%	60%	50%	47%
Median Age	30	43	37	35	37
Owner Occupied %	15%	49%	34%	42%	64%
Renter Occupied %	85%	51%	66%	58%	36%
Median Owner Occupied Housing Value	$279,165	$259,075	$285,367	$391,145	$337,411
Median Year Structure Built	1963	1965	1966	1951	1978
Avg. Travel Time to Work in Min.	35	33	30	33	37

Source: Claritas

As shown above, the immediately surrounding area has a limited population base for an urban area. Population and household growth since 2010 has been quite limited, but is projected to accelerate over the coming five years. Median household incomes within half-mile and one-mile radii are similar to those in the District of Columbia as a whole, but income levels in the immediate vicinity (quarter-mile radius) are considerably lower. Over 1,100 households are expected to move into the area within a mile of the subject over the next five years, but this study area takes in most of the area south of the Southeast/Southwest Freeway, including most of the Capitol Riverfront neighborhood.

Land Use

The character of the Buzzard Point area is best characterized as transitional, with a mix of urban and industrial elements, as well as institutional land uses. Excluding Fort McNair, only about 75% of the land in the area is developed, and many of the current uses are of a low-intensity nature and/or are not conducive to encouraging urban development as envisioned in the District's land use plans.

Development Activity and Trends

As noted, our appraisal is retrospective in nature, and seeks to establish the value of the subject property as of July 2013, before the proposed DC United stadium deal had been announced. To orient our analysis to this timeframe, we present below excerpts from IRR appraisals prepared during the first half of 2013 that describe development activity in the market area.

"During the last five years, multiple emerging districts have evolved in the Southwest and Southeast quadrants of Washington, DC, north of the Anacostia River. Portions of these areas are now

considered priority redevelopment areas. These include the Southwest Waterfront (The Wharf and Waterfront Station) and the M Street Corridor, also known as Capitol Riverfront (Ball Park District and Navy Yard). These areas are located north and northeast of the subject, respectively. According to the Capitol Riverfront Business Improvement District (BID), more than 1.2 million square feet of office, retail, residential and hotel space are under construction in the BID, with an additional 23 million square feet planned.

Capitol Riverfront

"Anchored by the Navy Yard employment area and by Nationals Park, [Capitol Riverfront is] a major visitor and entertainment destination. These definitive anchors are catalyzing new office, residential, and retail uses. Two key areas of mixed use development are Half Street, the entertainment gateway to the Ballpark, and The Yards, a 42-acre site that blends adaptive uses of historic buildings with new construction and a riverfront park.

"The Capitol Riverfront is already home to a mixed-use community of over 35,000 daytime employees in 7.2 million square feet of office associated with the Washington Navy Yard and the U.S. Department of Transportation. Housing includes 2,760 residential units located in various apartments, condos, co-ops, and townhouses with an estimated residential population of over 3,800 people. Additionally, the area features a 204-room Courtyard by Marriott, the 41,000 seat Nationals Park baseball stadium, and a continuous one mile river front trail from Diamond Teague Park to the 11th Street bridges.

"The Capitol Riverfront has benefited from significant public and private sector investments. The neighborhood has seen over $1 billion in public investment that has leveraged over $2 billion of private sector investment. The table below details a development summary for the area [as of Q1 2013]:

Estimated Delivery	Office Sq. Ft.	Retail Sq. Ft.	Residential Units	Hotel Rooms	Total Sq. Ft.	Estimated Total Cost
Existing/Completed	7,238,040	187,129	2,760	204	11,728,493	$2.7 billion
Under Construction	29,350	144,850	494	0	703,200	$538 million
Planned	8,004,780	566,137	6,606	1,051	24,473,872*	$6.3 billion
Totals	15,272,170	898,116	9,860	1,255	36,905,565*	$9.5 billion

"

Looking purely at capital expended as of early 2013 ($3.2± billion) relative to total estimated construction costs for planned projects ($9.5 billion) suggests that the Capitol Riverfront neighborhood was approximately 1/3 of the way to build-out. This funding was somewhat unevenly distributed by use, as existing office inventory represented nearly half of the planned total, while less than 20% of the planned hotel inventory had been built. Residential development (including under-construction inventory) stood at exactly 33% of the planned total. Meanwhile, retail construction had surged as new multifamily uses had begun to support a critical mass of residents.

A wave of investment in the Capitol Riverfront had occurred concurrent with the construction and completion of Nationals Park (2006-2008). However, the onset of the financial crisis and subsequent recession caused construction activity to stall out during 2009-2011, and there were only two new multifamily completions between 2010 and 2013 (Foundry Lofts and Camden South Capitol). Construction activity began surging in 2013: five new multifamily buildings are expected to be

completed by the end of 2015, with four more delivering in 2016. (All nine of these buildings are under construction as of Q3 2014). The general scale of this development pipeline was known to the market as of July 2013, and will represent a near-doubling of the multifamily inventory in Capitol Riverfront. These figures suggest that by year-end 2016 nearly 2/3 of the planned residential development of this neighborhood will have been completed.

The Wharf/Southwest Waterfront

"Redevelopment plans for the Southwest Waterfront are geared around three main objectives: redevelopment of Waterside Mall, re-opening of 4th Street, and reconnection of the Southwest community to the National Mall. The largest project slated for development in the Southwest Waterfront is known as The Wharf, a planned $2 billion mixed-use development located on 27 acres along the Washington Channel, just south of the National Mall. The project is slated for development of 560 residential dwelling units, a 600-key hotel, 840,000 square feet of office, 335,000 square feet of retail, a cultural center, 2,500 underground parking spaces, and between 400 and 500 marina slips. Groundbreaking is anticipated for late 2013 and Phase I is projected to open in 2015. [Note that these start dates, as many suspected at the time, eventually slipped; Phase I is scheduled for a 2016 opening.]

"Meanwhile, Waterfront Station is currently being developed as a mixed-use urban center near the Waterfront Metrorail station. Upon completion, the total project will include seven new buildings totaling over 2 million square feet, including Class-A office space, new residential units and neighborhood-oriented retail. The project features a retail oriented streetscape along the newly re-opened 4th Street. Construction of Waterfront Station is being implemented in several phases. Phase 1 is complete. Phase 2 is the development of over 500 residential units [adaptive re-use of an office building] by Urban Atlantic, with delivery anticipated for mid-2013. Phases 3 and 4 are planned for the future development of residential and office parcels owned by Forest City Washington, Vornado/Charles E. Smith, and Bresler & Reiner."

Buzzard Point

"In November of 2009 a Planning Assistance Team produced a document titled "Alternative Futures: Final Recommendations" for Buzzard Point, which is located in the blocks southwest of the subject. The document highlighted a number of possible physical changes, including:

- The creation of the DC streetcar network, which is planned to include a streetcar along M Street (5 to 10 years from now).
- The reconfiguration of the DC waterfront including the Riverwalk designed to provide continuous access to the Anacostia and Potomac River banks (2 to 5 years from now).
- The reconfiguration of South Capitol Street and the construction of the new Frederick Douglas Memorial Bridge (5 to 10 years from now).
- The relocation of the Coast Guard headquarters to the St. Elizabeth's site across the Anacostia River (2 to 4 years from now).

The document notes that change will not come quickly to the Buzzard Point area and market conditions are far from conducive to redevelopment, a situation likely to persist at least for the next three to five years."

Sports & Entertainment District @ Buzzard Point

"According to media reports, a planned Sports & Entertainment District at Buzzard Point would include a new soccer stadium for DC United. The stadium would be bordered by T Street to the south, 2nd Street to the west, Half Street to the east and Potomac Avenue and R Street to the north. The stadium would have team offices, a club venue, underground parking, a public plaza, shopping and a ticketing center—and a theater would line Half Street SW. Discussions about this project are ongoing."

Note that the preceding paragraph is excerpted from an IRR report dated April 2013, indicating that while the proposed soccer stadium development deal had not been officially announced and the details of the deal, the market was aware that such a move was a possibility.

Multifamily Market

While the subject's zoning permits a wide variety of uses, residential (multifamily) use permits the greatest density and is the only use that is considered reasonably likely to be financially feasible for the foreseeable future. The subject is located in the Capitol Hill/Southwest multifamily submarket (as defined by *REIS, Inc.*, a recognized source). Supply and demand indicators as of the retrospective value date are summarized as follows.

Capitol Hill/Southwest Submarket

Year	Quarter	Inventory (Units)	Completions (Units)	Vacancy %	Absorption (Units)	Effective Rental Rate	% Change
2004	Annual	6,585	0	4.3%	-125	$1,087	1.2%
2005	Annual	6,585	0	2.8%	99	$1,077	-0.9%
2006	Annual	6,327	0	4.2%	-340	$1,130	4.9%
2007	Annual	6,327	0	1.8%	152	$1,226	8.5%
2008	Annual	7,287	960	7.2%	549	$1,362	11.1%
2009	Annual	7,524	237	8.3%	138	$1,389	2.0%
2010	Annual	7,524	0	7.0%	97	$1,460	5.1%
2011	Annual	7,631	107	6.8%	115	$1,490	2.0%
2012	Annual	7,631	0	4.3%	191	$1,525	2.3%
2013	2	7,772	141	4.9%	88	$1,543	

Source: REIS, Inc.; compiled by Integra Realty Resources, Inc.

The following analysis is taken from an IRR report prepared for a property in the Capitol Riverfront neighborhood in June 2013:

"The submarket vacancy rate increased substantially from 2008 to 2009, but has since fallen significantly. Additional completions may cause intermittent spikes in the vacancy rate, but the overall rate is likely to remain in the 5% range for the foreseeable future. Absorption in the [first] quarter reflects the fastest annualized absorption pace since 2008.

"The average effective rental rate has been increasing since 2006, and this trend is also expected to continue for the foreseeable future due to the increasing desirability of this submarket.

"Overall, market conditions are strengthening. However, there is significant concern about the ability of the metro-wide apartment market to absorb the large planned supply pipeline while maintaining rental rate growth.

"At present, three apartment buildings are currently under construction in the subject neighborhood:

- Twelve12 4th Street – 218 units at 4th & M SE
- Camden South Capitol – 264 units at South Capitol and O SE
- Waterside Metro Lofts – 500 units at 4th & M SW

"Camden South Capitol is currently in pre-leasing and is expected to be completed this summer. The other projects are likely to deliver in 2014, with Waterside delivering in two phases. At the current annualized absorption pace of 384 units per year, the market would be well-positioned to absorb this new inventory of 982 units in less than three years, which would be consistent with a lease-up pace for these projects consistent with strong market conditions.

"Based on this information, it appears that the market is likely to remain in balance for the foreseeable future. However, the pipeline of planned inventory in the submarket is over 1,200 units…

"The demographic projections from *Claritas* presented previously, while of somewhat limited reliability when dealing with a small, rapidly changing study area, provide general support for this level of planned construction over a five-year period. However, the timing of [future] projects could have a significant impact on overall market conditions. *REIS* also reports that an additional 2,000+ units are currently proposed in this submarket, representing additional supply/competition risk and suggesting that the submarket is likely to remain highly competitive for the foreseeable future.

"Nonetheless, conditions are considered moderately favorable to new development [in the Capitol Riverfront area], provided that land pricing and construction costs provide a sufficient cushion against the risk associated with the future competitive environment. The Southeast and Southwest waterfronts are undergoing a period of rapid change, and the competitive stature of the area is rising quickly, both in terms of desirability to renters and investor/developer interest."

This June 2013 market analysis indicates that developer interest in multifamily and mixed-use sites in the Capitol Riverfront neighborhood was strengthening as of July 2013, which has since been borne out by subsequent events including the commencement of construction on a significant number of new projects in the area.

However, a roughly contemporaneous (December 2012) IRR appraisal of a property in Buzzard Point noted that "there has been limited redevelopment in the [Buzzard Point area]. We project that the revitalization in the adjoining submarkets will expand outward to the… Buzzard Point area. This process is expected to take place over a longer time frame than core Capitol Riverfront/Southwest

locations… While the [Buzzard Point] area is not currently desirable for immediate development, we believe the current zoning regulations and the limited availability of large blocks of vacant land will lead developers to the neighborhood looking for large scale development opportunities. We believe development land values in the neighborhood will 'catch up' to sale prices of current transactions in superior areas of the Capitol Riverfront/Southwest submarket within 10 years."

The expectation that mixed-use development in Buzzard Point would be viable within 10 years was based on discussions with brokers, developers and investors active in the Washington, DC multifamily market. The *Claritas* data presented indicates that approximately 1,100 net new households were expected to enter the Capitol Riverfront/Southwest submarket by 2018. This compares to an under-construction pipeline of just under 1,000 units, plus a planned inventory of over 1,200 units. In other words, as of mid-2013, the potential five-year supply in the market was roughly twice the demand projected from demographic data. While developers expected the market to significantly outperform historically-derived household growth projections, the additional 2,000 proposed units tracked by *REIS* suggested a submarket development pipeline that would take at least ten years to be fully absorbed.

Land Description

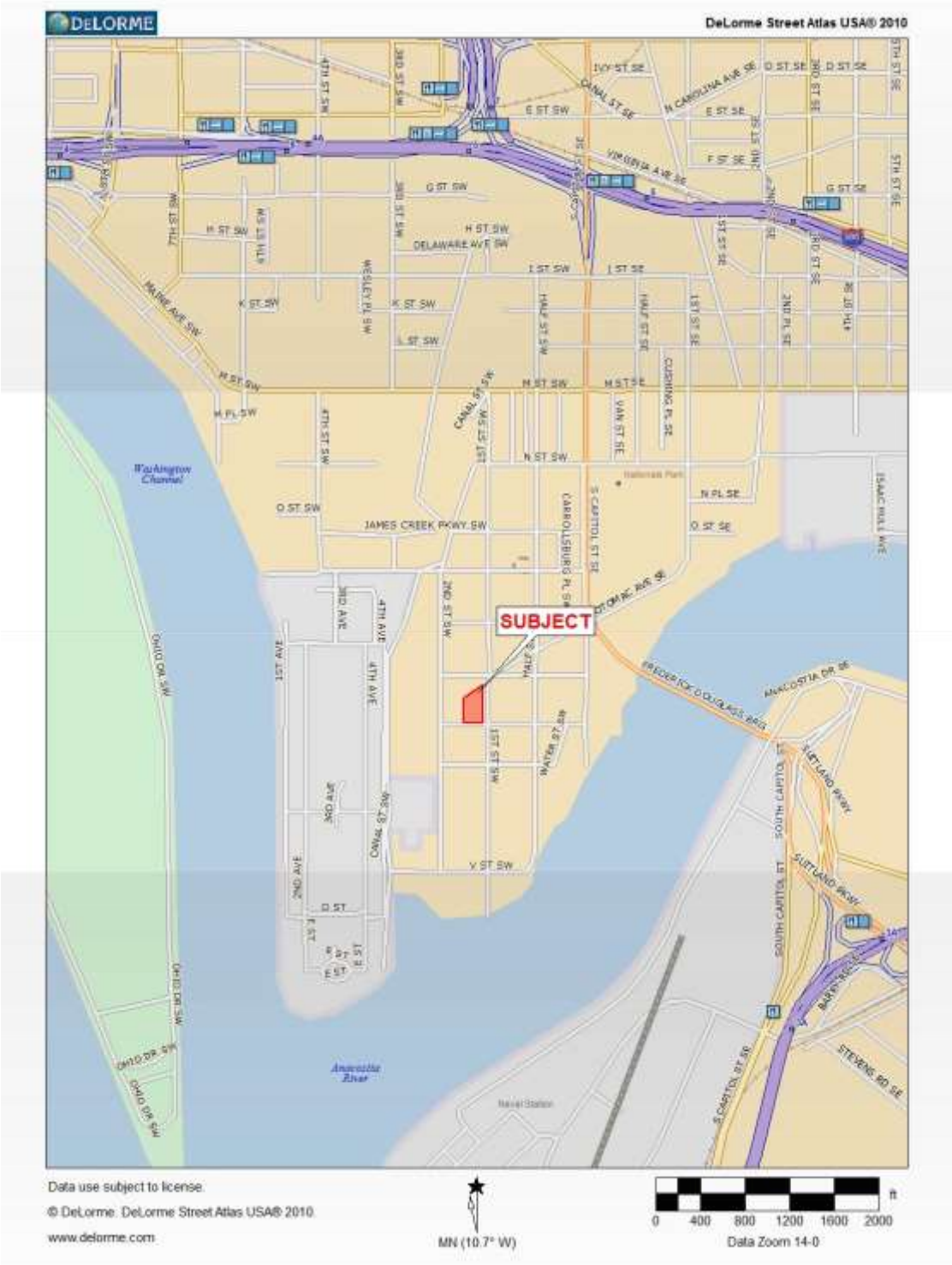
Land Description	
Land Area	0.96 acres; 41,824 SF
Source of Land Area	District of Columbia Tax Records
Shape	Quadrilateral; regular configuration occupying eastern half of block bounded by 2nd, 1st, and S Streets SW and the Potomac Avenue SW right-of-way. We note that the current operation of the subject property appears to encroach onto the Potomac Avenue ROW.
Corner	Yes
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	Environmental conditions presumed to exist; valuation assumes no environmental issues (hypothetical)
Ground Stability	No problems reported or observed
Flood Area Panel Number	1100010057C
Date	September 27, 2010
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No
Zoning; Other Regulations	
Zoning Jurisdiction	District of Columbia
Zoning Designation	CG/CR
Description	Commercial-Residential, Capitol Gateway Overlay
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Residential, commercial, recreational and light industrial
Minimum Lot Area	None prescribed
Maximum Building Height	90', 100' with IZ
Maximum Site Coverage	100% for non-residential use; 80% for residential use increases to 90% with IZ
Maximum Floor Area Ratio	6.0 base density, 3.0 maximum non-residential use; 1.2 FAR Inclusionary Zoning bonus andd 1.0 residential use bonus available
Parking Requirement	1 space per 3 residential units; commercial requirements vary
Other Land Use Regulations	Comprehensive plan calls for high-density commercial and residential use
Utilities	
Service	Provider
Water	DC Water
Sewer	DC Water
Electricity	Pepco
Natural Gas	Washington Gas
Local Phone	Verizon

We were not provided a title report to review; however, we are not aware of any easements, encumbrances, or restrictions that would adversely affect value.

Based on the maximum floor area ratio (FAR) under zoning (8.2, utilizing all residential bonuses), it appears that 342,957 square feet of building area could be developed on the site if it were vacant.

Sites in this market area are generally developed to their maximum potential under zoning and are priced on this basis.

Surrounding Area Map



Real Estate Taxes

Real estate taxes and assessments for the current tax year are shown in the following table. Based on our opinion of market value for the subject, the assessed value appears reasonable.

Taxes and Assessments - 2015

	Assessed Value			Taxes and Assessments	
Tax ID	Land	Improvements	Total	Tax Rate	Ad Valorem Taxes
Square 605, Lot 802	$3,000,000		$3,000,000	1.65%	$49,500
	$7,246,880	$11,140	$7,258,020	1.85%	$134,273
	$10,246,880	$11,140	$10,258,020		$183,773

Highest and Best Use

The highest and best use of the subject as if vacant is to hold the property for future development of a multifamily or mixed use. This opinion is supported as follows:

- The only permitted use under zoning that is consistent with prevailing development patterns in the area is multifamily or mixed use.
- There are no physical limitations that would prohibit development of a multifamily or mixed use on the site.
- Development of a multifamily or mixed use is not financially feasible at the current time. Recent development activity in core areas of the Capitol Riverfront and Southwest submarkets has been significant, and accelerated markedly during 2012-2013 after experiencing a slowdown in the wake of the 2008-2009 recession. However, there has been no significant development activity in the Buzzard Point area. We conclude that there is limited demand for new development in the immediate area at the present time, and a newly constructed multifamily or mixed use would not have a value commensurate with its cost. Nevertheless, we project that the revitalization in nearby submarkets will eventually expand outward into the Buzzard Point area. While the subject's directly surrounding area is not currently desirable for immediate development, we believe that current zoning regulations and the limited availability of large blocks of vacant land elsewhere will lead developers to the neighborhood looking for large scale development opportunities as infill land inventory diminishes. Accordingly, we expect property values to rise to a level that will justify the cost of new construction in the future. Thus, we anticipate that, in time, multifamily or mixed development will become financially feasible.
- Holding the property for future multifamily or mixed development is the maximally productive use of the property as there is no reasonably probable use of the site that would generate a higher residual land value.

The most probable buyer is a developer.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

While we rely on the sales comparison approach, we also employ a discounted cash flow (typically employed in the income approach) in our valuation. The sales comparison approach is developed to derive a hypothetical market value of the property as if it were feasible to develop as of the effective value date. Because an extended holding period will be required prior to feasibility, we apply present value discounting to reflect the necessary return on investment during the holding period.

Land Valuation

To develop an opinion of the subject's land value, we use the sales comparison approach. Our search for comparable sales focused on transactions within the following parameters:

- Location: Buzzard Point, Capitol Riverfront, Southwest Waterfront
- Size: Development capacity > 150,000 square feet
- Use: Multifamily/mixed-use development
- Transaction Date: 2011 to present

In our opinion, there is insufficient comparable sale data in the local market that would reflect the prices paid for land that is not imminently developable. We therefore focused our research on identifying comparable sales in the market area that were intended for near-term development.

We researched and assembled data for the most relevant sales, and confirmed the arms-length nature of the sales with parties to the transaction or secondary sources. We have analyzed the sales on a price per potential building square foot (FAR), as this is the unit of comparison most commonly cited in the marketplace. The most relevant sales are summarized and analyzed on the following pages.

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Bldg. SF; FAR	Zoning	$/SF Bldg. (FAR)	$/SF Land
1	Square 701 - Grosvenor Site 1st St. SE Washington DC	Oct-12 Closed	$25,810,742	53,653 1.23	422,000 7.87	CR/CG	$61.16	$481.07
	Comments: This transaction represents Grosvenor's purchase of an assemblage of parcels for mixed-use residential, retail and hotel development. The seller was the Willco Companies, who had been assembling land in this neighborhood since the 1940s and working through the entitlement process since the mid-2000s. They ultimately elected to sell this site to Grosvenor, and an adjacent site to Skanska, in two simultaneous transactions. The Grosvenor and Skanska projects were planned and approved as a single project, but each entity will develop and control its portion of the site. Approvals had not been fully finalized at the time of sale but the project had support of the ANC and ultimately received zoning approvals the following month (November 2012). The approved plans call for 661,000 square feet of total development, with 224,000 square feet of office use and approximately 15,000 square feet of retail use allocated to Skanska's development site, leaving 422,000 square feet of building capacity for Grosvenor's property.							
2	Toll Brothers Sites 1025 1st St. NE Washington DC	Apr-12 Closed	$30,500,000	55,381 1.27	553,810 10.00	C-3-C	$55.07	$550.73
	Comments: This record represents Toll Brothers' acquisition of two contiguous sites in separate transactions (April 2012 and October 2012) from a single seller. The sale price for the second piece was negotiated as an option with the first purchase. The buyer plans to construct a new high-end residential project on the property in two phases. The seller was the Cohen Companies, who developed the Velocity condos on an adjacent property and had planned these two additional sites as sister buildings for the Velocity, but were approached by Toll Brotheres with an unsolicited offer. The first Toll acquisition had underground infrastructure (parking and utilities) in place from the original Velocity development; the contributory value of the garage is estimated at $8 million. The property is in the Capitol South TDR receiving zone and transferred with TDRs in place that allowed for development up to a 10.0 FAR.							
3	Sky House 1150 4th St. SW Washington DC	Feb-11 Closed	$13,000,000	58,330 1.34	460,000 7.89	C-3-C	$28.26	$222.87
	Comments: Urban Atlantic and JBG purchased these two 12-story office buildings located near the Waterfront Metro station in early 2011. The buildings were subsequently gut-renovated for residential use as 530 apartment units at a budgeted cost of approximately $120 million ($261/SF). The development retained the existing 280-space underground garage on the site, with an estimated contributory value of $8.4 million ($25,000 per space, considering depreciation). Approvals were in place pursuant to the Waterfront PUD (approved in 2003), and required that 20% of the building area be designated as affordable housing.							
4	South Capitol Site (Listing) 1315 South Capitol St. Washington DC	Active Listing	$15,000,000	31,498 0.72	226,786 7.20	C-2-C/CG	$66.14	$476.22
	Comments: This is an active listing of a site fronting on South Capitol Street across from Nationals Park. The site is zoned C-2-C and is located in the Capitol Gateway overlay, allowing for development at a 7.2 FAR (including IZ bonus density). The site is advertised for apartment or hotel development and had been actively marketed for more than 2 years as of July 2013.							
	Subject Super Salvage			41,824 0.96	342,957 8.20	CR/CG		

Analysis of Comparable Land Sales

No.	Name/Address	Acres; Land SF; Bldg. SF (FAR)	Zoning	Sale Date; Status	Effective Sale Price	$/Bldg. SF	Overall Adjustment Applied	Adjustment Comments
	Subject Super Salvage 1711 1st St. SW Washington DC	0.96 41,824 342,957	CG/CR	7/25/2013 Retrospective				Note: all three closed sales require upward adjustment for improving market conditions through value date.
1	Square 701 - Grosvenor Site 1st St. SE Washington DC	1.23 53,653 422,000	CR/CG	Oct-12 Closed	$25,810,742	$61.16	Down	Significantly superior location near Navy Yard/Ballpark, slightly superior entitlement status (approved PUD)
2	Toll Brothers Sites 1025 1st St. NE Washington DC	1.27 55,381 553,810	C-3-C	Apr-12 Closed	$30,500,000	$55.07	Down	Significantly superior location near Navy Yard/Ballpark, superior entitlement status (approval pre-dating IZ requirements)
3	Sky House 1150 4th St. SW Washington DC	1.34 58,330 460,000	C-3-C	Feb-11 Closed	$13,000,000	$28.26	Up	Superior location (Waterfront Metro), but significant upward adjustment required for high affordable housing requirement per PUD approvals. Re-use of existing building requires additional upward adjustment for high cost and inferior market appeal.
4	South Capitol Site (Listing) 1315 South Capitol St. Washington DC	0.72 31,498 226,786	C-2-C/CG	Active Listing	$15,000,000	$66.14	Down	Property on the market for more than 2 years suggests asking price is above-market and requires downward adjustment. Location (west side of South Capitol) is inferior to comparables 1 and 2 but still superior to subject.
Range of Unadjusted Prices per Bldg. SF		$28.26 - $66.14						
Indicated Value per Bldg. SF		$29						

Comparable Land Sales Map

Land Value Conclusion – As If Feasible

We place primary emphasis on Sales 1 and 2, as these two sales are considered strongly indicative of prevailing pricing (as of the effective date) for multifamily development land in the nearby Capitol Riverfront neighborhood. However, even with the assumption that development on the subject site were currently feasible, the value ceiling indicated by these sales ($55-$61 per square foot) requires a downward adjustment in the 20% to 30% range for superior location/access and entitlement status, suggesting an "as if feasible" value for the subject site of approximately **$45.00 per buildable square foot (FAR)**. Similarly, the listing of 1315 South Capitol Street, at $66 per FAR, requires a discount for its location (which is superior to the subject, but inferior to Sales 1 and 2) as well as the fact that its extended exposure time suggests that the asking price is above what the market will bear. Meanwhile, the Sky House sale sets a low end value indication of $28 per FAR. While this location is moderately superior to the subject (due to Metro proximity), the affordable housing requirement associated with the approvals in place requires a significant upward adjustment, as does the fact that this is an adaptive re-use of existing office buildings. The reported cost of converting these mid-20th century office towers to residential use is equal to or greater than new construction costs, and the functional utility and market appeal of the renovated buildings will be inferior to purpose-built multifamily buildings.

Land Value Conclusion – Current Value

The preceding analysis reflects our opinion of the value of the subject site as if development were feasible – in other words, assuming that the Capitol Riverfront and Southwest Waterfront neighborhoods were approaching full build-out, such that spillover demand from these areas would make mixed-use (most likely residential with some retail) development in Buzzard Point viable. Other factors considered that are expected to make development feasible in the medium term include the planned DDOT reconfiguration of South Capitol Street and the construction of the new Frederick Douglas Memorial Bridge, further improvements to waterfront connectivity, and possible expansion of the DC Streetcar network. We note that our analysis explicitly excludes consideration of the beneficial impact of the proposed DC United stadium on the Buzzard Point neighborhood.

As discussed in the preceding market analysis, it is our opinion that a land holding period of 8 to 10 years may well be necessary before Buzzard Point is a viable redevelopment target. Nonetheless, developers are optimistic by nature, and the opportunity to acquire a development site in an area that is poised for eventual revitalization would be perceived as an attractive proposition.

The following discounted cash flow analysis presents a range of possible outcomes, reflecting development viability either 5, 8 or 10 years from the effective value date. Our analysis assumes annual increases in general land pricing of 3% a year (escalation factor), which is consistent with typical investor expectations. The prospective future sale price is discounted to present value at a rate of 15.0% annually, based on a survey of brokers and developers as to land investment return requirements. We have not deducted an allowance for the cost of sale at viability, as the most likely buyer of the property as of the effective value date would be a developer, rather than a land investor/speculator.

Land Hold Analysis

$/SF FAR As If Feasible	$45.00									
IRR Requirement	15.0%									
Escalation Factor	3.0%									
Year	1	2	3	4	5	6	7	8	9	10
Land Value ($/SF FAR)	$45.00	$46.35	$47.74	$49.17	$50.65	$52.17	$53.73	$55.34	$57.00	$58.71
Net Proceeds	$45.00	$46.35	$47.74	$49.17	$50.65	$52.17	$53.73	$55.34	$57.00	$58.71
PV Factor	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	0.3269	0.2843
Net Present Value ($/SF					$28.96			$20.81		$16.69

The resulting present value indications range from $28.96 per FAR square foot (assuming viability in five years) to $16.69 per FAR square foot (assuming viability in ten years).

As stated, it is our opinion that the likely buyer would be operating at the optimistic end of this range of assumptions, indicating that the value based on a five-year hold is most indicative of the market value of the property. As support for this proposition, we have examined several sales of properties that were purchased by developers who intended to hold the sites for some time prior to development. These transactions are summarized below.

Summary of Supplemental Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Bldg. SF; FAR	Zoning	$/SF Bldg. (FAR)	$/SF Land
1	350 Morse Street 350 Morse St. NE Washington DC	Jun-13 Closed	$14,500,000	67,405 1.55	438,133 6.50	C-M-1	$33.10	$215.12
	Comments: This property is located on the western edge of the Florida Avenue Market, a wholesale/industrial area that is undergoing a transformation toward mixed-use development. The site is zoned C-M-1, which allows for a 3.0 FAR and prohibits residential use. However, an adjacent site has been approved for a C-3-C PUD development at an 8.0 FAR (10 stories, retail and residential), while another nearby site had been PUD approved at an FAR of 7.7 (though this was later reduced to 5.0). This was a trustee's sale pursuant to a bankruptcy by the previous owner; a back-up bid by another party was entered at $14.2 million. The property is improved with a warehouse/distribution building, which was only 15% occupied at the time of sale; the improvements reportedly had little impact on the sale price.							
2	Akridge Buzzard Point Land 101 V St. SW. Washington DC	Aug-05 Closed	$75,113,527	384,051 8.82	2,650,000 6.90	CG/C-R	$28.34	$195.58
	Comments: This large development site in Buzzard Point occupies the equivalent of four city blocks, running from S to V Street SW between 1st and 2nd Streets. It was purchased from Pepco by Akridge in 2005 as a speculative investment, to hold for future development. Representatives of Akridge indicated that they had no specific plans for the site, but had access to patient capital and felt comfortable making a long-term play at an acquisition basis of less than $30 per potential square foot based on an expected development yield of 2.6 to 2.7 million square feet under then-current zoning. The site has since been re-zoned to C-R/CG.							

Neither of these transactions is considered directly comparable to the subject. The location of Sale 1, while analogous in some respects, is a different market area that has some superior features compared to Buzzard Point. In addition, this was a bankruptcy trustee's sale and may represent a distressed or forced-sale value. Sale 2 is located in Buzzard Point, but took place nearly a decade ago. These sales do, however, support our contention that even very large sites that are not suitable for imminent development can command pricing well above the levels that would be associated with the 10-year land holding discount modeled above.

In the course of our research, we also spoke with several brokers who have been involved in the marketing and/or sale of large-scale mixed-use development parcels in DC market. To ensure candid responses, we assured them that their responses would remain confidential. While opinions varied, the consensus was that *absent the proposed DC United stadium deal*, market pricing for sites in Buzzard Point would range from $20 to $30 per FAR square foot, depending on parcel size and location (with Metro proximity, exposure/visibility, and view potential cited as the most relevant location factors).

The impact of size on value would not necessarily reflect an inverse relationship between size and unit price. Small size can be advantageous in that carrying costs are lower and a project in the contemplated size range (less than 350,000 square feet) can be financed and developed all at once rather than in phases. In addition, there is a deeper pool of potential buyers for smaller sites due to the lower going-in cost basis. At the same time, the modest scale limits the amount of control the owner would have over the neighborhood-level development process. Ownership of a larger, more prominent parcel in Buzzard Point would have some distinct advantages in comparison to a smaller lot at the western end of Potomac Avenue.

Based on this information, and considering the particular characteristics of the subject site, we conclude to an "as if vacant and free of environmental issues" market value of **$29.00 per buildable square foot (FAR)**.

Land Value Conclusion	
Indicated Value per Building Square Foot	$29.00
Building Square Feet	342,957
Indicated Value	$9,945,747
Rounded	$9,900,000

Reconciliation and Conclusion of Value

The values indicated by our analyses are as follows:

Summary of Value Indications	
Cost Approach	Not Used
Sales Comparison Approach	$9,900,000
Income Capitalization Approach	Not Used
Reconciled	$9,900,000

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Hypothetical Market Value	Fee Simple	July 25, 2013	$9,900,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.

Exposure and Marketing Times

Based on the concluded market value stated previously, it is our opinion that the probable exposure and marketing times are as follows:

Exposure Time and Marketing Period	
Exposure Time (Months)	12
Marketing Period (Months)	12

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Patrick C. Kerr, MAI, FRICS, SRA, made a personal inspection of the property that is the subject of this report. Samuel D. Sherwood has personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Patrick C. Kerr, MAI, FRICS, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Samuel D. Sherwood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Patrick C. Kerr, MAI, FRICS, SRA
Senior Managing Director
Certified General Real Estate Appraiser
Washington, DC Certificate # GA10274

Samuel D. Sherwood
Senior Analyst
Certified General Real Estate Appraiser
Washington, DC Certificate # GA12136

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during

the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Washington, DC, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Washington, DC is not a building or environmental inspector. Integra Washington, DC does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged

that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Washington, DC, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. This appraisal makes the hypothetical assumption that as of the (retrospective) value date the subject property was vacant, and was free and clear of any environmental issues.

Appendix C

THE ROBERTBOBB GROUP LLC

ARTICLE IX

ARTICLE XIV
TERMINATION FOR REASONS OTHER THAN AN EVENT OF DEFAULT

14.1 Scheduled Termination. Other than the obligations, if any, of Developer or the District that expressly survive termination of this Agreement, this Agreement shall automatically terminate and be of no further force and effect on the date that the Stadium is Substantially Complete, and the District and Developer shall each execute such documents as may be reasonably required to evidence such termination. The operation of the Stadium and the Land shall be governed by the terms and conditions of the Ground Lease.

14.2 Failure to Achieve Outside Performance Dates.

a) In accordance with the terms and conditions of this Agreement, the following tasks and objectives are to be achieved within the timeframes specified below, subject to Unavoidable Delay (unless otherwise indicated herein) (the "Outside Performance Dates"):

1. The District shall have Site Control of the Land by March 31, 2015 in accordance with Section 3.1 (a);
2. The Parties shall mutually agree by June l, 2015 on (A) a development option addressing the Pepco High Voltage Lines in accordance with Section 5.4 and (B) a Voluntary Clean-Up Plan pursuant to Section 6.2(a);
3. The District shall have (A) accomplished the District's Pre- Construction Infrastructure Obligations in accordance with Section 3.1, (B) demolished the Demolition Structure in accordance with Section 6.2(a), and (C) completed the Voluntary Clean- Up Plan in accordance with Section 6.2(a) by March 1, 2016;
4. Developer shall have advanced the design of the Stadium to at least the development design drawings level by March 1, 2016, in accordance with Section 7.2(f);
5. Developer shall have obtained the Land Use Approvals by March 1
6. 2016, in accordance with Section 7.5(d);
7. Developer shall have entered into a definitive Construction
8. Contract for the Stadium by July 1, 2016 in accordance with Section 7.4(a); and
9. The Stadium shall be Substantially Complete and ready for commercial operation by March 1, 2018 in accordance with Section 8.9(a).

b) If the District fails to accomplish the obligation specified in Sections 3.1(a) and 14.2(a)(l) to have Site Control of the Land by March 31, 2015, Developer shall have the right to terminate this Agreement by providing written notice to the District prior to the District accomplishing this obligation.

c) In the event that the Feasibility Studies and any studies undertaken by Developer reasonably evidence to Developer that the Stadium cannot be constructed for less

d) than 110% of the Projected Stadium Budget, Developer shall have the right prior to April 15, 2015 to terminate this Agreement in accordance with Section 6.1.

e) (d) If the Parties have not mutually agreed by June 1, 2015 on (I) a development option addressing the Pepco High Voltage Lines in accordance with Section 5.4 and (ii) a Voluntary Clean-Up Plan in accordance with Section 6.2(a), either Party shall have the right to terminate this Agreement by providing written notice to the other;

f) (e) If the District fails to accomplish the District's Pre-Construction Infrastructure Obligations, by March 1, 2016, the District shall pay or shall cause the Washington Convention and Sports Authority to waive the Facility Fee currently being paid by DC Soccer for its use of Robert F. Kennedy Memorial Stadium until the Di strict Pre- Construction infrastructure Obligations have been accomplished or until Developer has terminated this Agreement in accordance with Section 14.2(e). This amount shall not be subject to the District's Development Cost Cap.

g) (f) If the District fails to accomplish the District's Pre-Construction Infrastructure Obligations by December 31, 2016, the District and Developer shall each have the right to terminate this Agreement by providing written notice to the other Party prior to the District accomplishing these obligations. 14.2(a)(4)-(6) by March 1, 2018, the District and the Developer shall each have the right to terminate this Agreement by providing written notice to the other prior to Developer accomplishing these obligations, provided that if the Developer is proceeding in good faith and using Best Commercially Reasonable Business Efforts to accomplish all such obligations, the District shall not terminate this Agreement.

h) (g) If Developer fails to accomplish the obligation specified in section 14.2(a)(4)-(6) by March 1, 2018, the District and the Developer shall each have the right to terminate this Agreement by providing written notice to the other prior to Developer accomplishing these obligations, provided that if the Developer is proceeding in good faith and using Best Commercially Reasonable Business Efforts to accomplish all such obligations, the District shall not terminate this Agreement.

i) If Developer fails to make good faith efforts to accomplish the obligations specified in Section 14.2(a)(4)-(6) and the Developer fails to remedy such failure within six (6) months of receiving notice of such failure from the District, the District shall have the right to terminate this Agreement by providing written notice to Developer prior to Developer accomplishing these obligations

j) If the District has accomplished the District's Preconstruction Infrastructure Obligations in accordance with Section 3, demolished the Demolition Structures in accordance with Section 6.2(a) and completed the Voluntary Clean-Up Plan in accordance with Section 6.2(a) by March 1, 2016, but the Stadium is not Substantially Complete by March 31, 2021, the District shall, subject to the Intercreditor Agreement, be entitled to terminate the Ground Lease and to recover

from Developer as liquidated damages an amount equal l to Five Million Dollars ($5,000,000.00) (the "Penal Sum"); provided, however, the District shall not be entitled to recover the foregoing liquidated damages from Developer if Developer demonstrates that either (a) Developer has spent at least Four Million Five Hundred Thousand Dollars ($4,500,000) in construction costs (taking into consideration its out-of-pocket hard costs and half of its soft costs paid to third parties) related to the Stadium, or (b) DC Soccer has suffered an operating loss of Eighteen Million Dollars ($18,00,000) or more during the time period between July 25, 2014 and March 31, 2021. The District shall, subject to the Intercreditor Agreement, be entitled to realize on the Performance Assurance to pay the Penal Sum.

14.3 Effect of Termination. If this Agreement terminates pursuant to Section 14.1 or Section 14.2, the Parties shall have no further rights or obligations hereunder or under the Ground Lease (or the "No-Relocation Covenant" defined in the Ground Lease), except those rights or obligations that by the express terms survive termination of this Agreement, and no action, claim or demand may be based on any term or provision of this Agreement or under the Ground Lease (or the "No-Relocation Covenant" defined in the Ground Lease), other than those provisions expressly provided to survive such termination.

14.4 District Failure to Perform. In the event the District fails to perform any of its obligations under this Agreement (including failure by reason of non-appropriation) and the Developer expends money to perform such obligations, and if the Developer has not terminated this Agreement and the Ground Lease in accordance with Section 14.3 above, the Developer shall be entitled to recoup such amounts, together with interest on the un-recouped amount(s) from time to time at an annual compound rate of ten percent (I0%) by offset against Additional Rent otherwise payable under the Ground Lease, in accordance with Section 5.2 of the Ground Lease.

ARTICLE 7

7.1 **Closing Date**. Closing shall occur on the thirtieth (30th) day following Council Approval, or such later date as SWLH and the District may agree or as otherwise set forth in this Agreement.

7.2 **Closing**. Closing shall take place in the office of the Title Company. The District and SWLH shall cooperate to affect Closing through an escrow with the Title Company.

7.3 **SWLH's Closing Deliveries**. On or before the Closing Date, SWLH shall deliver to the Title Company (executed and notarized, as appropriate) the following:

a) A special warranty deed transferring the SWLH Property to the District (or its designee) in the form attached hereto as Exhibit B ("SWLH Deed");
b) Amount; immediately available funds in an amount equal to the Additional
c) Immediately available funds in an amount equal to the Option Amount, should SWLH elect to acquire the CLD Option provided for in Section 5.11;
d) A bill of sale in the form attached hereto as Exhibit D conveying to the District all Personal Prope1ty associated with the SWLH Land and the Improvements located thereon;