Fiscal and Economic Impact Analysis: Proposed Redevelopment of Walter Reed Army Medical Center

Prepared for:

Walter Reed Local Redevelopment Authority

March 30, 2012

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Executive Summary

Project Background

In May 2005, the Defense Base Closure and Realignment Commission ("BRAC") recommended moving the functions then housed at the Walter Reed Army Medical Center ("WRAMC") in Washington, DC to the campus of the National Naval Medical Center in Bethesda, Maryland. A 62.5 acre portion of the WRAMC was identified as surplus property by the federal government and made available to a local redevelopment authority in 2010. The District of Columbia Government formed a local redevelopment authority (the "LRA") to apply for a conveyance of the 62.5 acre portion of the WRAMC site from the Department of the US Army ("Army").

In 2010, a Fiscal and Economic Impact Analysis ("Impact Analysis") was commissioned as a part of a larger reuse and feasibility study for the 62.5 acre portion of the WRAMC site on behalf of the LRA. In 2011, following the conclusion of that study, a different portion of the WRAMC site (67.5 acres) became available to the LRA. This report is an updated Impact Analysis reflecting the new development program associated with the current 67.5-acre site.

Economic and Fiscal Impact Analysis Overview

This Impact Analysis is intended to assess the gross benefit to the District of Columbia resulting from the development of a program proposed by the Reuse planning team. This assessment is based on the preferred development program presented in the Reuse Plan, and is current as of March 23, 2012. Any subsequent changes to the development program are not accounted for in this analysis.

The proposed development program reflects the assumption that three "demand drivers" will exist that will increase overall site demand for residential, retail, and office space. These demand drivers include accelerated timing for operational streetcar service by the year 2015, and the attraction of both a destination retail anchor and a large corporate, academic, or medical anchor tenant in Building 1. Accounting for these assumptions, the "Preferred Program" contains nearly 3.1 million square feet of development, in four phases that last five years each. Approximately a quarter of the development program consists of the reuse of existing buildings. Residential, retail, office, institutional, educational and creative uses are present in the proposed development plan.

This economic and fiscal benefits assessment provides three key pieces of data for understanding the benefits to the District of implementing the proposed development program for Walter Reed. These three data points are: (i) number of new jobs and residents generated; (ii) total wages associated with the new jobs and new residents; and (iii) projected new gross revenues to the District from taxes (for purposes of this analysis, these revenues do not take into account associated costs that may be incurred by the District, such as providing services to new residents and employees at the subject site). The data for jobs, residents and wages are referred to as the Economic Impacts from the project. The gross new revenue to the District is referred to as the Fiscal Impact of the project.

Each of the three findings is calculated for two different time periods: (i) construction; and (ii) a stabilized operating year. The construction period represents one-time benefits to the District from construction activity. The operating period is analyzed for a completely built out and stabilized development program. Operating impacts are projected to repeat each year after stabilization of the project.

Economic Impact Summary

Table 1

Economic Benefits to the District of Columbia from the Proposed Walter Reed Development Program	
Construction Jobs (Total Project)[1]	2,300
Total Construction Wages	$125,236,000
Total Annual Employment for Stabilized Project[2]	3,460
Annual Wages for Stabilized Project	$217,376,000
New Households	1,890
New Residents	3,990

[1] This estimate corresponds to full-time employment and is based on an assumption of 20 years of construction.

[2] The projected stabilized annual employment for the redeveloped site only accounts for jobs on the 67.5 acre LRA portion of the site. The estimated stabilized employment does not reflect jobs on the GSA portions of the site.

The proposed development program will generate approximately 115 jobs per year during the construction period and about 3,460 permanent jobs during operations, after stabilization. Approximately $125 million in total wages during construction and $217 million in total annual wages after stabilization can be attributed to the proposed project. Additionally, the 1,890 new residential units will result in approximately 3,990 new residents in the District.

Fiscal Impact Summary

The gross fiscal impact during the construction period is approximately $4.2 million[1] of new revenue to the District, while the gross fiscal impact during operations (after stabilization) is approximately $30.4 million annually.

Table 1

Gross Impacts	
Total Revenue During Construction	$4,153,000
Total New Annual Revenues During Operations	$30,418,000

[1] During the construction period there are revenues created through income tax and corporate taxes, but there are no associated costs to the city. Because the city does not incur expenses related to construction, gross revenues during the construction period are equal to net revenues.

Revenue: Sources of revenue during the operating period include the following:

- Property taxes
- Sales taxes
- Personal property taxes
- Alcohol sales taxes
- Total gross receipts tax
- Income taxes from new residents
- Income taxes from new employees
- Corporate and unincorporated business taxes
- Total other taxes (as reported in the FY 2011 budget)
- Total non-tax revenue (as reported in the FY 2011 budget)

It is important to note that revenue projections are gross, not net, and do not reflect projections of the potential expenses to the District of Columbia for providing services to new residents and employees at the subject site. Accordingly, the new revenue projected in this report should not be considered the underwrite-able new income to the District for any possible bond or financing mechanism.

Introduction

Background

In May 2005, the Defense Base Closure and Realignment Commission ("BRAC") recommended moving the functions currently housed at the Walter Reed Army Medical Center ("WRAMC") in Washington, DC to the current campus of the National Naval Medical Center in Bethesda, Maryland. A 62.5 acre portion of the WRAMC was identified as surplus property by the federal government and made available to a local redevelopment authority ("LRA"). The District of Columbia Government formed an LRA to apply for a conveyance of the 62.5 acre portion of the WRAMC site from the Department of the US Army ("Army").

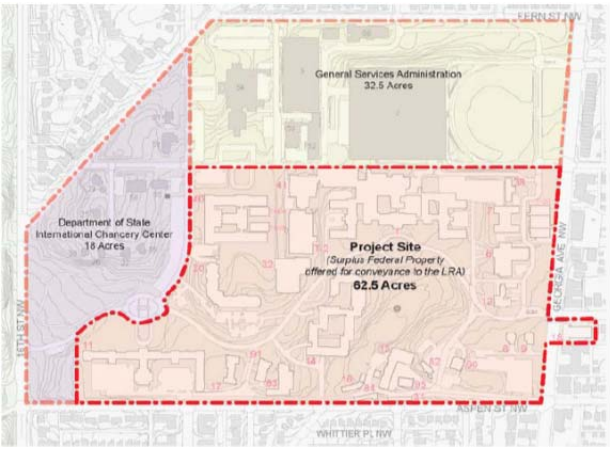
The District of Columbia Office of the Deputy Mayor for Planning and Economic Development ("ODMPED") commissioned a comprehensive planning effort to prepare a redevelopment or reuse plan for the WRAMC site in May, 2010. This plan was completed in October 2010 and was intended for submission to the Army in application for conveyance of the surplus 62.5 acres at Walter Reed.

Subsequent to the completion of the first Reuse Plan, the US General Services Administration (GSA) withdrew their application to the Army for a 32.5-acre portion of the Walter Reed site. The withdrawal of GSA's claim at Walter Reed created an opportunity for the District's LRA to apply for a different division of land at the site. The District's LRA has now applied for a 67.5-acre portion of the Walter Reed site. The difference in the site area available to the District in 2010 and the site area available to the District in 2011 is illustrated by three site diagrams on the following page.

A Reuse Plan for the new 67.5-acre site was developed and submitted to Council in March 2012. This Fiscal and Economic Impact Analysis ("Impact Analysis") accompanies a separate Market Study and feasibility analysis to help inform the final Reuse Plan.

[Background Continues on the Next Page]

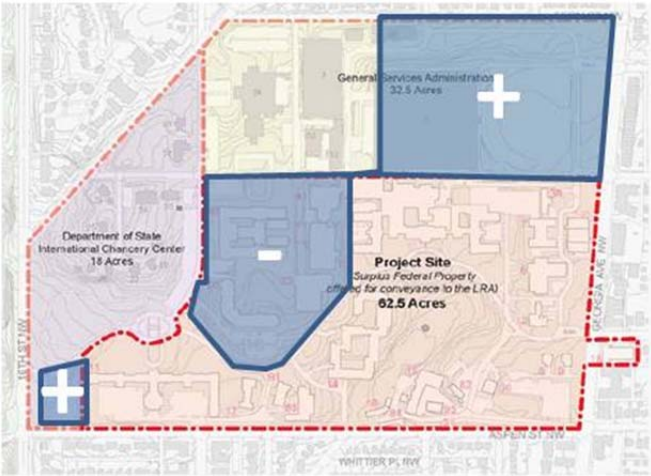
Illustration of Changes to the LRA Walter Reed Site between 2010 and 2011



<u>2010</u> Walter Reed Site Division between the District of Columbia, GSA and the US Department of State.

<u>2011</u> Walter Reed Site Division between the District of Columbia and the US Department of State.

Sites Changes Between 2010 and 2011



The blue areas show the changes in available land between the 2010 site and the 2011 sites. Blue areas marked with a "+" sign have been added to the District's 2010 allocation to create the 2011 site. Blue areas marked with a "-" sign were removed from the District's 2010 allocation and are no longer a part of the District's allocation of land. Areas removed from the District's 2010 allocation (marked with a "-") are currently reserved for the Department of State.

Proposed Development Program

The proposed development program includes 3.1 million square feet of space developed over the course of four phases, each anticipated to last five years. The development program includes nearly the full gamut of potential uses. A little over three quarters of the program is comprised of new buildings, with renovations to existing buildings accounting for the remaining space. The following table summarizes the development program by phase. The initial phases are driven by uses with existing market potential, and the opportunity to activate the edges of the site along Georgia Avenue and Aspen Street. Later phases seek to leverage the momentum and brand of development in earlier phases to incorporate institutional and educational uses to fill in the central part of the site.

Table 2

Development Program Components by Phase

	Phase 1A (2013-14)	Phase 1B (2014-17)	Phase 2 (2018-22)	Phase 3 (2023-27)	Phase 4 (2028-32)	Growth Area (TBD)
Townhomes		X				
Multifamily Residential		X	X	X	X	
Retail		X	X	X		X
Office		X	X	X		X
Creative/Other Use	X	X			X	
Residential NOI Use[1]	X					
Office NOI Use[1]	X					
Education NOI Use[1]	X					

[1] A use shown in this table or referenced in this analysis as a "NOI" refers to uses operated by not-for-profit entities that have applied for use of property at Walter Reed by providing a "Notice of Intent" to apply for a public benefits conveyance of the requested property. Each such applicant is called a "NOI" user throughout this analysis and each use or unit controlled or operated by a NOI user is called a NOI unit or a "[product type] NOI use."

The table on the following page summarizes the square footage allocated to each use in the development program. Residential development is the dominant single use and represents 61% of the square footage of the total development program. The projected residential program includes market-rate townhomes, market-rate multifamily units, and additional multifamily units to be provided by a NOI user.

The residential program, as identified in the Tables 3 and 4, includes 90 townhomes, 1,700 multifamily units, and 100 NOI units. In all, residential uses combine for 1.9 million square feet.

Office uses occupy the second most square-footage in the development program, or 618,000 square feet. This includes 116,000 of medical office space to be occupied by a NOI user, 403,000 of Non-NOI office space to be occupied before the completion of the four development phases, and an additional

99,000 square feet of space in the "growth area buildings." The office space in the growth area is not currently supported by demand projections, and will be occupied by an unspecified user or users at some point in the future.

There is over 270,000 square feet of retail space in the development program, including 100,000 square feet targeted for a destination retail anchor and 65,000 square feet of "growth area" retail space targeted for a expansion space for the destination anchor or location of one or more additional destination anchor retail tenants. The "growth area" retail space will likely become occupied once the site location becomes an established shopping destination that draws increased retail demand. The remainder of the retail program is designed to provide neighborhood-serving products while also allowing for the development of a significant amount of restaurant space.

Education uses are slated to occupy nearly 149,000 square feet and an additional 175,000 square feet of "creative/other space" is dedicated to flexible, creative users. These spaces may include uses such as artist studios and gallery spaces, and for the purposes of this Impact Analysis they are conservatively assumed to be non-profit uses, which generate lower levels of revenue for the District than commercial uses.

Table 3

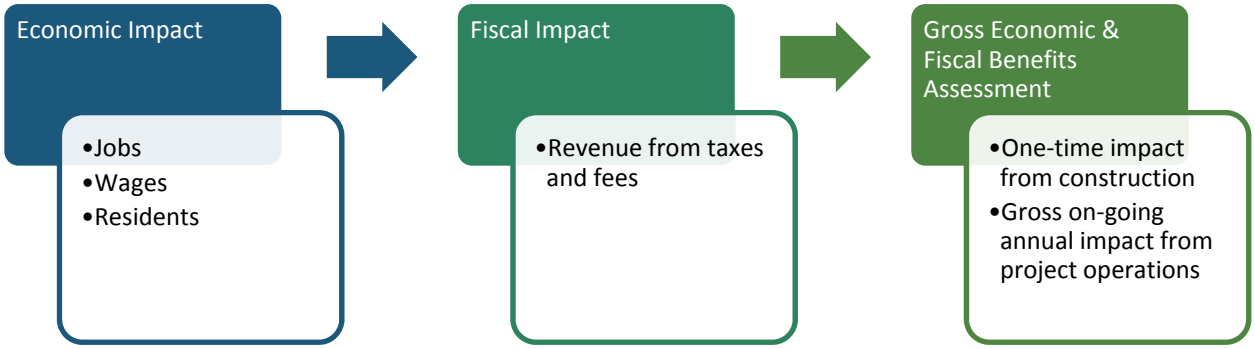
Square Feet of Proposed Development by Use	
Townhomes	271,000
Multifamily Residential	1,535,000
Retail	207,000
Office	403,000
Creative/Other Uses	175,000
Residential NOI	77,000
Office NOI	116,000
Education NOI	149,000
Total	3,098,000

Methodology

General Overview of Methodology

This economic and fiscal benefits assessment provides three key pieces of data for understanding the return to the District from implementing the proposed development program for Walter Reed. These three data points are: (i) number of new jobs and residents generated; (ii) total wages associated with the new jobs and new residents; and (iii) projected new revenues to the District from taxes as a result of the new development (gross revenue).[2] The data for jobs and wages are referred to as the Economic Impacts from the project. The gross new revenue to the District is referred to as the Fiscal Impact of the project.

Each of the three findings is calculated for two different time periods: (i) construction; and (ii) a stabilized operating year. The differences between the two time periods of analysis are discussed below and in the following diagram.



Construction and Operating Period Designations

Fiscal impacts were calculated for both a construction period and an operating period. Construction impacts were calculated for the entire construction period, while operating period impacts are all calculated and presented as an annual amount. Operating impacts are presented for the "stabilized" development program only. The "stabilized" program is the fully built out and operational proposed development program. The implication for presenting operating impacts for a “stabilized” program is that there may be years prior to completion of the project in which operating impacts are less than the numbers presented for the stabilized program. The income and expenses associated with the project may be projected to repeat each year after the project is completed and operational.

[2] Revenue projections are gross, not net, and do not reflect projections of the potential expenses to the District of Columbia for providing services to new residents and employees at the subject site. Accordingly, the projected new revenue in this report should not be considered the underwrite-able new income to the District for any possible bond or financing mechanism.

Additional Assumptions

It is very important to note that all analyses contained in this report were conducted using constant 2012 dollars. No accounting for inflation is included in these analyses. This approach was necessary to compare stabilized years that occur in different time frames and to provide a general basis for discussing and comparing outputs.

The revenues for the project were calculated for each building in the development program. This allows for a building-by-building comparison, if desired, and allows for building-level changes in the development program to be quickly incorporated into the impact analysis and financial model.

A number of assumptions used in the impact model are discussed in the revenue calculations sections below. However, for a full listing of assumptions used in this analysis, please refer to Appendix A at the end of this report.

Economic Impacts: Job and Wage Calculation Methodology

The scope of the economic impact analysis was limited to the *direct impacts* of new jobs, new wages and new residents onsite. These jobs and wages stem from the construction and operation of each land use and employment and tax revenues generated from the construction of on-site infrastructure. This analysis excludes related impacts to the development referred to as indirect and induced impacts. Indirect and induced impacts refer to economic impacts that occur outside of the immediate development program and require the use of an input-output model for their estimates. For example, indirect and induced impact analysis would estimate the retail jobs created at off-site locations by the spending by new District residents living on the Walter Reed site.

Jobs – The total number of construction workers was calculated using the output of an IMPLAN econometric model, which estimated the total employment during construction within a subset of industry sectors. On average, there are 2.99 full-time equivalents per $1 million of project cost. Job creation associated with the stabilized operating program is based on the number of jobs created per 1,000 square feet of development for various uses. These data come from a variety of sources including Urban Land Institute data, and HR&A and Mosaic experience on past projects.

Wages – Wages are based on average wages by industry as reported by the Bureau of Labor Statistics. These figures were modified as necessary to reflect the unique nature of certain development program components. For example, the listed sales and marketing average wage had to be modified to account for the relatively modest wages expected from retail related jobs. This was accomplished by using a weighted average of sales clerk, cashier and retail manager BLS wages, with more weight given to the more numerous, and lower paid, clerk and cashier wages.

Residents – The new number of residents was calculated by multiplying the number of new residential units projected for development in the program by the average household size in the District of Columbia as reported by the US Census Bureau. The District has an average household size of 2.11 people.

Fiscal Impacts: Revenue Calculation Methodology

On-going revenue generated from the proposed project includes property tax, income tax, sales tax, corporate and unincorporated business tax and "other revenue." Other revenue includes all additional revenue sources rolled into one category to simplify analysis.

During the construction period the two sources of revenue are income taxes and corporate taxes. Sales taxes were not included as a revenue source for this Fiscal Impact Analysis. After discussions with the Office of District of Columbia Auditor and DC Department of Small and Local Business Development, we determined that no precedent exists in the District of Columbia mandating that a specific percentage of materials be purchased in DC, and that it is likely most or all materials will be purchased outside the District. Property tax income is also excluded from the construction period analysis. Property taxes are calculated using the property's value. Projecting the value of the property during construction would require an analysis of the District's assessment process and a specific implementation plan that were not covered in the scope of this study.

The methodologies used to calculate each revenue stream are discussed below.

Gross Revenue Assumptions

All revenues represent potential *new* income for the District of Columbia from reuse of the Walter Reed site. Due to the federal ownership of the site (the federal government does not pay property taxes to the District), the only current revenue generated to the District from the site is assumed to be income tax. All other tax revenues associated with the development program are expected to be new revenue to the District. The operations of WRAMC are being relocated locally to Bethesda, Maryland and it is assumed that District residents working at WRAMC will retain their jobs and continue to pay income tax as District residents. Therefore, no loss of income tax revenue due to the relocation of the WRAMC is projected in this analysis. All income tax associated with the development program is considered new revenue.

Operating Period Revenue Calculations

- **Property Tax** – Property tax revenues were calculated by applying DC property tax rates to anticipated market values for programmed uses. It is important to note that some of the proposed uses do not generate property tax, namely education and NOI uses, parking and infrastructure.

- **Income Tax**

    - Income tax from new residents was calculated by applying DC tax rates to an anticipated average household wage ($82K). The resulting tax per household was multiplied by the number of new households in the development program.

      The $82,000 per year average household wage was calculated by averaging the wages by profession reported by the Bureau of Labor Statistics and multiplying this average by

the number of household members who will be working, based on District of Columbia employment averages. This anticipated household income is higher than both the DC average and the average for a one-mile radius around the Walter Reed Site. While the range of household incomes accommodated on site will include modest incomes, we expect higher than average incomes based on anticipated average pricing of residential units in the development program.

  - Income tax from new employees was calculated for each employment-generating use to account for differences in wages. Average wages were used for each industry. Total potential income taxes from new employees were multiplied by 0.28, or 28**%**, the average proportion of District of Columbia employees who reside in the District, to arrive at total income taxes captured by DC from new employees. The average proportion of DC resident employees we used for analysis purposes (28%) is appropriate for a site with easy proximity to suburban Maryland that has historically employed a below-average proportion of DC residents, yet has significant new residential uses proposed on-site.

- **Sales Tax** – Using Urban Land Institute data and professional experience, Mosaic first estimated the sales per square feet for general retail, food service and supermarket uses. Next, we determined the proportion of total sales attributable to general goods, food and beverage, and non-taxable items. Prepared food and beverage sales are taxed at 10% while general goods are taxed at 6%.

- **Corporate and Unincorporated Business Taxes** – Corporate and unincorporated business taxes were estimated using a ratio of total DC corporate and unincorporated business taxes to total DC commercial property value. The resulting $3.16 per $1,000 of commercial property value was applied to the anticipated market value of corporate-tax-generating commercial space in the proposed development program.

- **Other Revenue** – Additional revenue items including personal property tax, alcohol sales tax, total gross receipts taxes, total other taxes and total non-tax revenue sources were calculated for the proposed project using average revenue per employee and average revenue per resident.

Construction Period Revenue Calculations

- **Income Tax Captured from Construction Wages** – Income taxes were calculated during the construction period using an average construction wage, as reported by the Bureau of Labor Statistics. The total number of construction workers was calculated using the output of an IMPLAN econometric model, which estimated the total employment during construction as 2.99 workers per $1 million of project cost. Applying District of Columbia income tax rates to the average wage resulted in the average income tax per employee. The average tax was then multiplied by the total number of construction employees to calculate total potential income tax

revenue. Finally, total potential revenue was multiplied by the average proportion of workers residing in the District, 28%, to calculate the total income tax from construction captured by DC. This tax revenue is for the construction period as a whole.

- **Corporate Taxes Captured by DC During Construction** – These corporate taxes were calculated by applying corporate tax rates to a percentage of total development costs. Per local and small business contracting requirements from previous projects and discussions with the Office of the District of Columbia Auditor and DC Department of Small and Local Business Development, we assume the required 35% local business requirement will result in an actual capture of 35% of potential corporate taxes for the project. The corporate tax rates and capture rate were applied to seven percent of total project costs, the anticipated project profit margin.

- **Sales Tax on Construction Materials Captured by DC** – After discussions with the Office of District of Columbia Auditor and DC Department of Small and Local Business Development, we determined that (i) no precedent exists in the District of Columbia mandating that a specific percentage of materials be purchased in DC, and (ii) it is likely most or all materials will be purchased outside the District. Therefore, we are not projecting sales tax revenue from the purchase of construction materials during the construction period.

- **Property Tax --** Property tax income is excluded from the construction period analysis. Property taxes are calculated using the property's value. Projecting the value of the property during construction would require an analysis of the District's assessment process that is beyond the scope of this study. In addition, needed information about the specific implementation plan is not yet available.

Infrastructure and Parking Impacts

Traditional buildings and land uses are not the only source of revenues to the District of Columbia from the development program. The implementation of on-site infrastructure will have a significant impact on the fiscal and employment benefits that will affect the District. Infrastructure uses and costs on the Walter Reed site will include structured parking, street reconstruction, streetscaping, basic utilities, building demolition, open space, and environmental remediation. Infrastructure development will occur at each development phase, and will combine to cost nearly $80,000,000. These costs do not include potential future investment in streetcar infrastructure on the site or development of a new cogeneration or trigeneration plant on the site.

Impact Analysis Findings

Economic Impacts

Overall, the project is a significant jobs generator and should serve as the catalyst for additional business development in close proximity to the WRAMC site. During the construction period approximately 2,300 full-time jobs will be created and a total of approximately $125 million in wages will be paid to construction workers.

Direct economic impacts from operations in a stabilized year include nearly 3,500 jobs and approximately 1,900 new households. Indirect and induced benefits were not calculated within the scope of work for this analysis, and could multiply the economic impact shown here.

Table 4

Economic Benefits to the District of Columbia from the Proposed Walter Reed Development Program	
Construction Jobs (Total Project)[1]	2,300
Total Construction Wages	$125,236,000
Total Annual Employment for Stabilized Project[2]	3,460
Annual Wages for Stabilized Project	$217,376,000
New Households	1,890
New Residents	3,990

[1] This estimate corresponds to full-time employment and is based on an assumption of 20 years of construction.

[2] The projected stabilized annual employment for the redeveloped site only accounts for jobs on the 67.5 acre LRA portion of the site. The estimated stabilized employment does not reflect jobs on the Department of State portions of the site.

Fiscal Impacts: Revenue

Revenue Overview

Revenues are calculated on an annual basis for the operating period, upon stabilization, and for the construction period as a whole. As shown in the table below, revenues from construction are limited, representing approximately $4.1 million over the entire development period. Operating revenues, on the other hand, top $30.4 million annually in 2012 dollars.

Table 5

Total Revenue	
Total Revenue from Construction	**$4,153,000**
Annual Revenue from Operations (at stabilization)	**$30,418,000**

Construction Period Revenue

Analyzing revenue sources during the construction period reveals that approximately half of revenue generated comes from income tax on construction wages, with the remaining revenue generated by corporate taxes.

Table 6

Total Revenue During Construction - Detailed	
Income Tax Captured By DC from Construction Wages	$2,204,000
Sales Tax on Construction Materials Captured by DC	$0
Corporate Taxes Captured by DC During Construction	$1,949,000
Total Revenue During Construction	**$4,153,000**

Operating Period Revenue

During the operating period the sources of revenue become much more complex. Income tax is generated by both residents and employees on-site. Property and sales tax collections begin, and both are collected at several different rates. Corporate and unincorporated business taxes continue to be collected. Finally, other, miscellaneous revenues add a significant boost to total revenue generation. A total of approximately $30.4 million is collected annually at stabilization. A breakout of each type of revenue is shown in the table on the following page.

Table 7

Annual Revenue During Operations - Detailed	
Income Tax Captured in DC from New Emp.	$4,098,000
Income Tax Captured in DC from New Households	$10,946,000
New Property Tax Revenue	$5,122,000
Sales Tax Revenue	$5,291,000
Total Corporate and Unincorporated Business Tax	$286,000
Total Other Revenue	$5,287,000
Total New Annual Revenue	**$30,418,000**

Gross Revenue by Development Phase

Annual revenues to the District of Columbia increase markedly in Phases 1B through 3 reflecting the construction of a majority of the program's residential, retail, and office uses.

Table 9

Fiscal Impact by Phase - Detailed

Operating Period Annual Impacts

	Phase 1A	Phase 1B	Phase 2	Phase 3	Phase 4	Project Total[3]
Annual Property Tax	$0	$1,786,000	$1,627,000	$1,508,000	$201,000	$5,122,000
Annual Sales Tax	$0	$708,000	$4,055,000	$528,000	$0	$5,291,000
Annual Income Tax	$1,451,000	$3,456,000	$5,157,000	$3,527,000	$841,000	$14,432,000
Annual Other Revenue	$441,000	$1,332,000	$1,931,000	$1,277,000	$307,000	$5,288,000
Annual Business Tax	$0	$65,000	$95,000	$127,000	$0	$287,000
Total Revenue Per Phase	**1,892,000**	**7,347,000**	**12,865,000**	**6,967,000**	**1,349,000**	**30,418,000**
Total Cumulative Revenue	**1,892,000**	**9,239,000**	**22,104,000**	**29,070,000**	**30,418,000**	**30,418,000**

Construction Period Total Impacts

	Phase 1A	Phase 1B	Phase 2	Phase 3	Phase 4	Project Total[4]
Total Property Tax	N/A	N/A	N/A	N/A	N/A	N/A
Total Sales Tax	$0	$0	$0	$0	$0	$0
Total Corporate Tax	$162,000	$567,000	$589,000	$398,000	$138,000	$1,854,000
Total Income Tax	$184,000	$642,000	$666,000	$450,000	$156,000	$2,098,000
Total Revenue	**$505,000**	**$1,209,000**	**$1,255,000**	**$848,000**	**$294,000**	**$4,153,000**

[3] Excluding growth area land uses.
[4] Ibid.

Conclusions

The proposed development program for the Walter Reed Army Medical Center site will provide approximately $4.2 million in gross revenues to the District of Columbia during construction and will generate gross revenues of approximately $30.4 million annually[5], in 2012 dollars, upon project stabilization. Additionally, the project will generate about 2,300 full-time jobs during construction and will support about 3,460 permanent jobs upon completion. The site will be home to 1,890 new households and 3,990 new residents, and will provide a mixture of retail, residential, office, creative and educational uses within a development program that will incorporate both the existing campus setting and surrounding neighborhoods into the final site plan. It is important to note that the overall benefit to the community cannot be captured merely in economic and fiscal impact projections. The economic and fiscal impacts projected to be generated by the redevelopment of Walter Reed should be considered as only one of many criteria to be evaluated when assessing this unique opportunity.

[5] Revenue projections are gross, not net, and do not reflect projections of the potential expenses to the District of Columbia for providing services to new residents and employees at the subject site. This projected new revenue should not be considered the underwrite-able new income to the District for any possible bond or financing mechanism.

Appendix A - Assumptions

Property Tax Assumptions		Data Source
Property Tax Rate Residential (per $100)	$0.85	DC Office of the Chief Financial Officer, 2012
Property Tax Residential Exemption for Owner-Occupied	$67,500	DC Office of the Chief Financial Officer, 2012
Property Tax Rate Commercial, First $3,000,000 (per $100)	$1.65	DC Office of the Chief Financial Officer, 2012
Property Tax Rate Commercial, Amount Over $3,000,000 (per $100)	$1.85	DC Office of the Chief Financial Officer, 2012
Income Tax Assumptions		
Percentage of New Employees Residing in District	28%	Census 2000 County to County Worker Flow Files
Income Tax Rate - First $10,000	4.00%	DC Office of the Chief Financial Officer, 2012
Income Tax Rate - $10,000 to $40,000	6.00%	DC Office of the Chief Financial Officer, 2012
Income Tax Rate - Over $40,000	8.50%	DC Office of the Chief Financial Officer, 2012
Average Household Size for Project	2.11	U.S. Census Bureau, 2012
Total Employed in DC	303,500	DC Department of Employment Services, 2012
Percentage of Total Population Employed	50%	Mosaic calculation - based on population and employment statistics
Employed Persons per Household - Project	1.12	Mosaic calculation
Average Salary for All Professions in DC According to BLS	$73,440	U.S. Bureau of Labor Statistics, 2012
Projected Average Household Income - New Residents	$82,252	Mosaic calculation using BLS average and average household size
Retail Sales Assumptions		
Percentage of Retail Selling General Goods	70.00%	Mosaic estimate based on past project experience
Percentage of Retail Selling Prepared Food and Beverage	30.00%	Mosaic estimate based on past project experience
Percentage of Supermarket Sales that are General Goods	20.00%	Mosaic assumption
Percentage of Supermarket Sales that are Prepared Food and Beverage	10.00%	Mosaic assumption
Sales Tax Rate - General Goods	6.00%	DC Office of the Chief Financial Officer, 2012
Sales Tax Rate - Restaurant Meals and Liquor	10.00%	DC Office of the Chief Financial Officer, 2012
Sales Per Square Foot General Retail	$325	Mosaic estimate based on ULI Dollars and Cents of Shopping Centers and local knowledge
Sales Per Square Foot Food Service	$400	Mosaic estimate based on ULI Dollars and Cents of Shopping Centers and local knowledge
Sales Per Square Foot Supermarket	$500	Mosaic estimate based on ULI Dollars and Cents of Shopping Centers and local knowledge

Other Revenue Assumptions		
Existing Tax Revenue Lost Due to WRAMC relocation	$0	Development team assumption
Note: "other revenue" includes personal property tax, alcohol sales tax, cigarette sales tax, total gross receipts taxes, total other taxes and total non-tax revenue sources		
Total Other Revenue in FY 2011 Budget	$883,269,000	FY 2011 Budget
Percentage of Other Revenue Generated by Residents	74.77%	Mosaic FTE Calculation
Percentage of Other Revenue Generated by Businesses / Employees	25.23%	Mosaic FTE Calculation
DC Residential Population	603,000	U.S. Census Bureau
Total Employees Working in DC	710,700	U.S. Bureau of Labor Statistics
Other Revenue Generated Per New Resident	$1,098	Mosaic calculation
Other Revenue Generated Per New Employee	$314	Mosaic calculation
Corporate and Unincorporated Business Tax Revenue in FY 2011 Budget	$368,254,000	FY 2011 Budget
Corporate and U.B. Tax Revenue per $1,000 of Commercial Property Value	$3.16	FY 2011 Budget and DC Parcel File, Mosaic calc.
Construction Period Assumptions		
Number of Construction Employees Per $1M Total Development Costs	2.99	HR&A calculation using IMPLAN model
Total Full Time Construction Employees Per Job Year	0.97	Mosaic calculation using IMPLAN wage and salary definitions
Materials Costs as a Percentage of Total Development Costs	55%	Development Team assumption
Percentage of Materials Purchased in DC*	0%	Mosaic assumption (subject to change)
Percentage of Firms Working on Project with Headquarters in DC*	35%	Mosaic assumption (subject to change)
Average Construction Wages	$52,600	U.S. Bureau of Labor Statistics
Percentage of Construction Workers Residing in DC	28%	Census 2000 County to County Worker Flow Files
Taxable Corporate Income as a Percentage of Total Development Costs	7%	Mosaic assumption (subject to change)
Corporate Tax Rate	9.975%	DC Office of the Chief Financial Officer

*Percentage of materials purchased in DC and percentage of firms working on project with headquarters in DC total anticipated local subcontracting requirement (35%), as required by Department of Local Small Business Development