Summary

• At 8.0 FAR for DEMO there is a possible value shortfall, estimated not to exceed $5.0M to $10.0M

• Apex redevelopment costs include tenant relocation and provision of PL Station related structures

• Possible shortfall offset achieved through coordinated block-wide planning, construction and operations

• MC real estate tax increase and other econ multipliers are likely from accelerated larger new Apex building(s)
Scenarios

KEEP Existing Apex (near-term)
- MTA funds PL related improvements inside current right-of-way tunnel (2016)
- MC pays for new Red Line southern entrance
- possible building redevelopment longer-term

DEMOLITION 2015 / new Apex
- Apex ownership delivers new PL Station structure
- MTA and MC pay for station improvements
- MC pays for replacement CCT
Public Cost Differentials

KEEP Existing Apex Building
   – $80M Red Line connection (MC paid)
   – no CCT
   – Elm Street partial closure (2+ yrs)

DEMO / New Development
   – $70M Red Line connection (MC paid)
   – $15M / $30M CCT (MC paid)
   – Wisconsin Ave. partial closure (1 yr)
Private Sector Considerations

KEEP Valuation (2013 assessed value $44M)
  – existing 170,000 sf building circa 1992 (1.54 FAR)
  – unused buildable area, if available or achievable

DEMO Valuation (land without current building)
  – potential 550,000 sf @ existing 5.0 FAR
  – potential 880,000 sf @ illustrative 8.0 FAR

DEMO value minus KEEP value = econ decision
Land Value Variables

1. Buildable square footage permitted
2. Projected timing of market for new construction
3. Price for immediately marketable building area
4. Hold price (disc. value) of future to-be-built FAR
5. Building footprint / massing factors (optimal use)
6. Costs of accommodating the Purple Line
7. Possible value enhancements of a better PL Station
Net Land Value per FAR

Future (2025)

$ / FAR

Mkt Value

Relocation Deduct

PL Cost

Net Value
Development Phasing Land Values

KEEP FAR Land Valuation (2015)

- current built sf value (170,000 sf) $100 per FAR

- value of future unbuilt sf (380,000 sf) $48 per FAR
  \[10\% \text{ annual disc. from 2025}\]

- value of hypothetical unbuilt sf (330,000 sf) $20 per FAR
  \[20\% \text{ annual disc. from 2025}\]
Development Phasing Land Values

DEMO FAR Land Valuation (2015)

- current buildable sf value (550,000 sf) $105 per FAR
- value of future unbuilt sf (330,000 sf) $50 per FAR
  \((10\% \text{ annual disc. from 2025})\)
- value of hypothetical unbuilt sf not applicable
# Redevelopment Value Deducts

<table>
<thead>
<tr>
<th>Category</th>
<th>KEEP</th>
<th>DEMOLITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Start / Phasing</td>
<td>2025+</td>
<td>2016+</td>
</tr>
<tr>
<td>Foundations</td>
<td>&gt; 35% challenged</td>
<td>new</td>
</tr>
<tr>
<td>Parking</td>
<td>&lt; 60% footprint</td>
<td>95% footprint</td>
</tr>
<tr>
<td>Existing Users Relocation</td>
<td>not applicable</td>
<td>major expense</td>
</tr>
<tr>
<td>Other Apex Ownership Costs</td>
<td>not applicable</td>
<td>not considered</td>
</tr>
<tr>
<td>Removal of Existing Building</td>
<td>similar</td>
<td>similar</td>
</tr>
<tr>
<td>PL Station Superstructure</td>
<td>existing</td>
<td>needs replacement</td>
</tr>
<tr>
<td>PL Emergency Vent Stack</td>
<td>no impact / off-site</td>
<td>to be added inside bldg</td>
</tr>
<tr>
<td>Red Line Surface Ventilation</td>
<td>existing</td>
<td>needs replacement</td>
</tr>
<tr>
<td>CCT Through Building</td>
<td>not planned/existing walkway</td>
<td>to be added inside bldg</td>
</tr>
<tr>
<td>New Bldg Extra Construction Costs</td>
<td>substantial</td>
<td>minor</td>
</tr>
</tbody>
</table>
Redevelopment Value Deducts

KEEP Deducts = $10.0M+/-
- extra costs in future of redeveloping around station

DEMO Deducts = $25.0M+/-
- existing users relocation
- owner cost of providing structure for PL station
- other extra construction costs compared to redevelopment without a PL station
Illustrative Net Valuations

KEEP Valuation @ 5.0 FAR

- current building value (2014): $45M (170,000 sf built)
- unused FAR @ 5.0 FAR: $20M (380,000 FAR in 2025)
- PL Station cost deducts: ($10M)+/-
- **Total**: $55M +/-

KEEP Valuation @ 8.0 Hypothetical FAR

- current building value (2014): $45M (170,000 sf built)
- unused FAR @ 5.0 FAR: $20M (380,000 FAR in 2025)
- hypothetical additional 3.0 FAR: $5M (330,000 FAR in 2025)
- PL Station cost deducts: ($10M)+/-
- **Total**: $60M +/-
Illustrative Net Valuations

DEMO Valuation @ 5.0 FAR

FAR @ 5.0 FAR
PL Station cost deducts

$60M (550,000 FAR 2016+)
($25M)+/-

Total
$35M +/-

DEMO Valuation @ 8.0 FAR

FAR @ 5.0 FAR
unused FAR @ 3.0 FAR
PL Station cost deducts

$60M (550,000 FAR 2016+)
$15M (330,000 FAR 2025)
($25M)+/-

Total
$50M +/-
## KEEP vs. DEMO Comparisons

### DEMO Valuation @ 8.0 FAR

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEMO @ 8.0 FAR</td>
<td>$50M +/-</td>
</tr>
<tr>
<td>KEEP @ Current Bldg</td>
<td>$45M +/-</td>
</tr>
<tr>
<td><strong>Difference / Gap</strong></td>
<td><strong>$5M +/-</strong></td>
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<td>$55M +/-</td>
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<tr>
<td><strong>Difference / Gap</strong></td>
<td><strong>($5M) +/-</strong></td>
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<tr>
<td>KEEP @ Hypo 8.0 FAR</td>
<td>$60M +/-</td>
</tr>
<tr>
<td><strong>Difference / Gap</strong></td>
<td><strong>($10M) +/-</strong></td>
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</table>
Economic Gap Considerations

Apex Ownership Benefits From Redevelopment

– possibility of obtaining more FAR / avoiding the future uncertainties
– accelerated future redevelopment value
– avoids living through PL Station construction
– updating of their (ASHP) occupied space
Economic Gap Considerations

Consolidated Block Planning & Development

– design, construction and operational synergies

Other Possible Offsets / Public Benefits

– triple+ current MC taxes from new bldg

– enhanced neighborhood econ activity and property values
Study Limitations

• No possible cost premiums added for fast tracking DEMO scenario for 2014 / 2015 resolve

• Non-real estate related costs of current Apex ownership not considered

• Process and costs of obtaining needed replacement easements not considered

• All estimates are based on publicly available information and represent a range of possible cost scenarios
Public Benefits

• See MNCPPC report
KEEP Site Plan
DEMO Site Plan
Stakeholders

- MTA
- MC (Council / MNCCPC / DED / etc.)
- WMATA
- Apex ownership (ASHPharmacists)
- Apex Tenants
- Neighborhood residents, businesses and patrons