

Appraisal of the
3401 13th Street SE
Washington, DC 20032

Prepared For:

Mrs. Cynthia Eagle
Answer Title/District of Columbia
10 G Street NE Suite 460
Washington, DC 20002

Prepared By:

Accurate Appraisals
551 Park Road
Washington, DC 20010

Accurate Appraisals

551 Park Road NW
Washington, DC 20010
Phone 202-722-1370

August 15, 2014

Mrs. Cynthia Eagle
Answer Title/District of Columbia
10 G Street NE Suite 510
Washington, DC 20002

Regarding: 3401 13th Street SE

Mrs. Cynthia Eagle:

Accurate Appraisals has performed an appraisal of the subject property, in consideration of all relevant valuation techniques. The data, analysis and conclusions resulting in the market value estimate are described in the attached appraisal report, which is presented in a summary format.

The subject property is an unimproved, corner lot located at the intersection of 13th Street SE and Congress Street SE. Based on the public records the subject has a land area of 17,594 SF.

The purpose of this appraisal assignment is to estimate the fair market value of the fee simple interest in the subject property.

In performing this assignment, the appraiser has contemplated the actions of the market and has concluded to an estimate of market value in consideration of current economic indicators extracted from the marketplace. Our study consisted of a personal inspection of the property and a comprehensive investigation into the competitive marketplace for similar assets. All relevant factors, as they relate to value, were examined in consideration of the current economic environment.

This report is presented in a summary format as established in Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. The report has been prepared in conformity with, and subject to, the appraisal guidelines of the Code of Professional Ethics and Standards of Conduct of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.

Page Two

Mrs. Hope D. Lawery
Answer Title/District of Columbia

Regarding: 3401 13th Street SE

Based upon my findings, it is my opinion that the market value of the fee simple interest in the subject property identified as **3401 13th Street SE Washington, DC**, in its "as is" condition, as of July 25, 2014, is:

FOUR HUNDRED FORTY THOUSAND DOLLARS
\$440,000

The attached appraisal report describes the data and analysis, which serves as the basis for our value conclusion. Separation of the signature pages from the balance of this report is inappropriate.

Respectfully submitted,



E. Michael Jordan
Principal

District of Columbia - Certified General Real Estate Appraiser #11349

PHOTOGRAPHS OF SUBJECT PROPERTY



FRONT VIEW



CORNER VIEW



STREET VIEW



APARTMENT COMPLEX ACROSS FROM SUBJECT

TABLE OF CONTENTS

SECTION I - INTRODUCTION

Certificate of Value	2
Basic Assumptions and Limiting Conditions	4

SECTION II - GENERAL INFORMATION

Identification of the Property	8
Purpose of the Appraisal	8
Scope of Work and Intended Use	8
Relevant Valuation Dates	8
History of Ownership	9
Property Rights Appraised and Relevant Definitions	9
Neighborhood Analysis	10
Market Analysis	14
Description of the Site	16
Zoning	17
Real Estate Assessments and Taxes	17
Highest and Best Analysis	18

SECTION III - VALUATION OF THE PROPERTY

Appraisal Process	20
Income Capitalization Approach	Not Applicable
Sales Comparison Approach	21
Cost Approach	Not Applicable
Final Reconciliation	26

SECTION IV - ADDENDA

Engagement Letter	
Qualifications of the Appraisers	

I, E Michael Jordan, certify that I have personally inspected the subject property. I have considered all of the pertinent facts affecting the value thereof. Also, I certify that all market data accumulated from various sources pertaining to the final value estimate has been, where possible, personally examined and verified as to details, motivation, and validity.

Additionally, I certify that:

- **The statements of fact contained in this report are true and correct.**
- **The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.**
- **I previously performed an appraisal of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.**
- **I have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.**
- **I have no bias with respect to the property that is the subject of this report, or to the parties involved in this assignment.**
- **My engagement was not contingent upon developing or reporting predetermined results.**
- **My 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 related to the intended use of appraisal.**
- **My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.**
- **I have made a personal inspection of the property that is the subject of this report.**
- **No one else assisted the appraiser in performing the formal inspection of the subject property.**

Additionally, I certify that:

- **I am competent to perform this appraisal based upon past experience appraising similar commercial properties throughout the Baltimore-Washington area.**
- **That the appraisal report conforms to the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA").**
- **That this Certificate of Value is only valid when accompanied by the attached Basic Assumptions and Limiting Conditions.**
- **Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative.**

This report has been made in conformity with, and subject to, the minimum requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute (AI) as adopted by the Appraisal Standards Board of the Appraisal Foundation.

CERTIFICATION

3

I hold the necessary state certification to appraise the subject property in conjunction with federally related transactions.

Based upon my findings, it is my opinion that the market value of the fee simple interest in the subject property identified as **3401 13th Street SE Washington, DC**, in its "as is" condition, as of July 25, 2014, is:

FOUR HUNDRED FORTY THOUSAND DOLLARS
\$440,000

Presentation of this signature page from the balance of our report is not an appropriate use of the document.

Accurate Appraisals



E. Michael Jordan

Principal

District of Columbia - Certified General Real Estate Appraiser #11349

This appraisal report is subject to the underlying assumptions and limiting conditions qualifying the information contained in this report as follows.

This appraisal is based on the national and local economic conditions, purchasing power of money, and financing rates prevailing on the effective date of valuation.

The valuation estimate and market or feasibility conclusions apply only to the property specifically identified and described in this report.

By reason of the purpose of this appraisal, and the function of the report herein set forth, the value reported is only applicable to the property rights appraised and the appraisal report should not be used for any other purpose.

Information and data contained in this report, although obtained from public records and other reliable sources and, where possible, carefully checked by the appraiser, are accepted as satisfactory evidence upon which rests the final estimate of property value. Information identified as being furnished or prepared by others is believed to be reliable, but no responsibility for its accuracy is assumed. We have relied upon historical operating statements, rent ceilings, a rent roll and other financial data that was provided by the borrower, onsite property manager and our client.

No responsibility beyond reason is assumed for matters of a legal nature, whether existing or pending. Title to the property is assumed to be good and marketable unless otherwise stated.

It is assumed that all information known to the client and relative to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens, or other encumbrances affecting the use of the property. The property is being appraised free and clear of any or all liens or encumbrances unless otherwise stated.

Ownership and management are assumed to be competent and in responsible hands.

The appraisers have made no legal survey nor have they commissioned one to be prepared; therefore, reference to a sketch, plat, diagram, or previous survey appearing in this report is only for the purpose of the reader to visualize the property.

The appraisers are not engineers, and any references to physical property characteristics in terms of quality, condition, cost, suitability, soil conditions, flood risk, obsolescence, etc., are strictly related to their economic impact on the property. No liability is assumed for any engineering-related issues.

The appraisers have not been furnished with soil or subsoil tests. In the absence of soil boring tests, it is assumed that there are no unusual subsoil conditions or, if any do exist, they can be or have been corrected through the use of modern construction techniques at a reasonable cost.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report. The existence of potentially hazardous materials used in construction or maintenance of the building, such as the presence of urea formaldehyde foam insulation, asbestos, and/or existence of toxic waste, which may or may not be present on the property, has not been considered. The valuation is subject to change if any such potentially hazardous materials were detected by a qualified expert in these areas. The appraisers reserve the rights to modify this valuation if so warranted.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the report. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

The valuation contained in this report does not include any cost to cure (if necessary) limitations in the improvements that do not satisfy the Americans with Disabilities Act of 1990 (P.L. 101-336). The appraisers were not made aware of any such deficiencies (unless stated in this report) and are not experts in the field of detecting their presence or estimating the costs to cure pre-existing, non-conforming structures.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisals and are invalid if so used.

If the subject of this report is a proposed building or project, the appraisers reserve the right to: (A) review finalized plans; (B) require a current on-site inspection prior to release of funds; and (C) recertify the previously reported value.

Neither all nor part of the contents of this report, especially any conclusions as to value, the identity of the appraisers, the firm with which they are connected, any reference to the Appraisal Institute or the MAI or SRA designations, shall be reproduced for dissemination to the public through advertising, public relations, news, or sales media, or any other public means of communication without the prior consent and written approval of the appraisers.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute and has been prepared with the intention of conforming with the reporting standards of the Office of the Comptroller of the Currency, and the Uniform Standards of Professional Practice, except that the Departure Provision shall not apply.

The appraisers, by reason of this appraisal, shall not be required to give testimony as an expert witness in any legal hearing or before any court of law unless justly and fairly compensated for such services.

Possession of this report or a copy thereof does not imply right of publication, nor use for any purpose by any other than the person to whom it is addressed, without the written consent of the authors.

I have relied upon information obtained from the property owner in making certain decisions that relate to the valuation of the property. It is assumed that the information provided is correct, as this was relied upon in the appraisal process.

I have predicated our estimate of market value on a sale involving cash, or financial arrangements equivalent to cash (i.e. market rate financing). Market evidence indicates that the property will likely be acquired through the use of financing.

Any separation of the signature pages from the balance of our report invalidates the conclusion.

SECTION II - GENERAL INFORMATION

Identification of the Subject Property

The subject property is identified in the District of Columbia land records as Lot 0802 on Square 5936.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the as is market value of the fee simple interest in the subject property in it's "as is" condition, as of a current date.

Scope of Work and Intended Use of the Appraisal

The intended use of the appraisal is to assist my client, Answer Title/District of Columbia, in evaluating the asset for internal management purposes.

The appraisal process was initiated with an inspection of the subject property, which occurred on July 25, 2014. During this process, the appraiser walked the perimeter of the entire site. In addition to the inspection, the appraiser obtained property specific information from public records, and information obtained from the contact person.

General economic data such as population, income, households, employment, etc., was gathered from governmental sources and through secondary sources, such as the Regional Multiple Listing and CoStar. Other information such as taxes, ownership history and zoning was provided by governmental and private sources. The property specific data is analyzed in consideration of the overall economic conditions and investment parameters for similar properties in the market area.

Because the subject property is an unimproved site that is not encumbered with a ground lease agreement, the Sales Comparison Approach is the only applicable valuation procedure. The Cost Approach and Income Capitalization Approach are not applicable in the land valuation analysis and were not considered.

Market data used in this report was obtained through a variety of sources, including: interviews with commercial real estate brokers, leasing agents and property managers, assessment and land records from the various local jurisdictions, loopnet, the Regional MLS and Costar/Comps. The sales data included herein was confirmed through our conversations with market participants that were involved in the various transactions and the most relevant sales were employed in a comparison to the subject property, wherein adjustments are applied to reflect variances between the subject property and comparables. The adjusted indications are then reconciled to extract an indication of market value for the subject property.

Upon completion of the applicable valuation techniques, the value indications are weighted based on their relevance to the appraisal problem and the quality of the data available. The appraiser then concludes to an estimate of market value in consideration of the relevant approaches.

Valuation Dates

The effective date of the appraisal is the date of our most recent inspection, which occurred on July 25, 2014. The date of report reflects the time period during which I worked on the assignment. This transpired between July 25, 2014 and August 15, 2014.

History of Ownership

Based on a review of the deeds, the District of Columbia is the current owner of the subject property. Based on a review of the deed, there have not been any transfers involving the subject property in the past five years.

Property Rights Appraised and Relevant Definitions

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Market Value²: means 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:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) 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.

Plottage³: the increment of value created when two or more sites are combined to produce greater utility.

¹ Appraisal Institute, Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 2002), 140.

² Dictionary of Real Estate Appraisal, 222.

³ Dictionary of Real Estate Appraisal, 269.

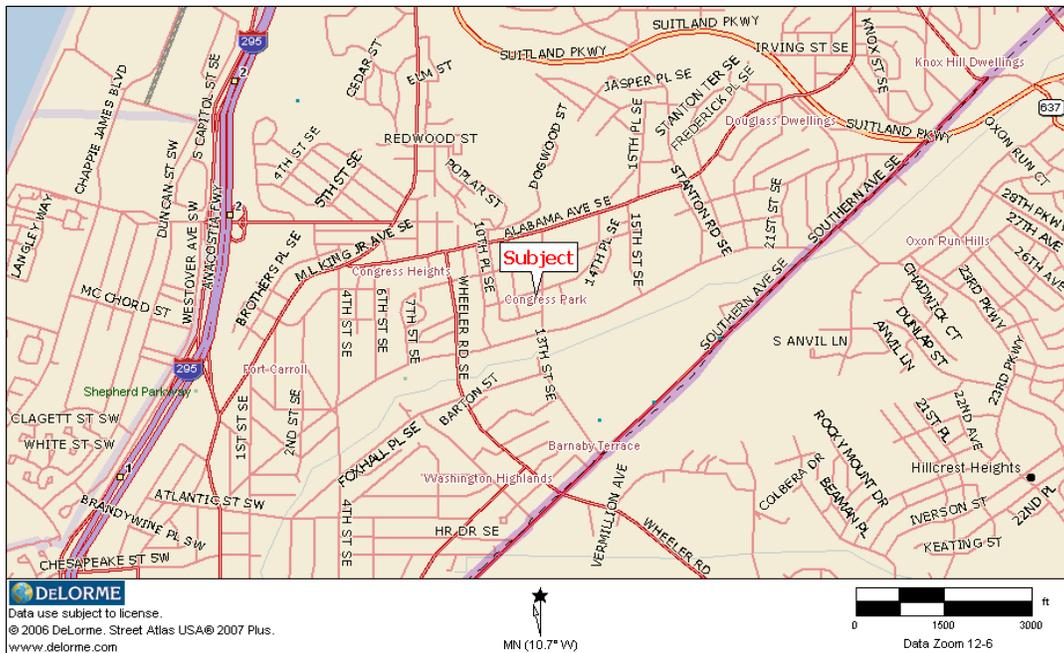
**SECTION III - DESCRIPTION, ANALYSIS,
AND
CONCLUSIONS**

In the Dictionary of Real Estate Appraisal, 4th Edition, a neighborhood is defined as “a group of complimentary land uses; a congruous grouping of inhabitants, buildings or business enterprise”. The goal of this analysis is to define the relevant governmental, environmental, economic and social factors that most directly influence the value of the subject property.

Regional Economic conditions as well as employment and population shifts impact the valuation of property in the District of Columbia. However, due the subject’s small size, the more relevant exterior influences are exerted on a local or neighborhood level.

The subject property is located within the Randle Heights/Congress Heights neighborhood of the southeast quadrant Washington, DC. The neighborhood is approximately 5.28 miles or 10 minutes southeast of the Washington D.C. central business district. The neighborhood is defined as the area south of Suitland Parkway, north of Mississippi Avenue SE, west Southern Avenue SE and east of MLK Jr Avenue SE. The following maps illustrate the subject’s location in the region and neighborhood.





Governmental Influences

The primary government influence on real property in the subject's neighborhood is exerted by the District of Columbia. The District controls real estate assessment and taxation, planning and zoning, police service, fire and rescue services, education and judicial process.

Environmental Influences

With regard to environmental influences, the relevant characteristics relate to development patterns and access.

Development Patterns:

The subject property is located within an urban residential district. The subject is a corner lot with frontage along 13th Street SE and Congress Street SE, which are relatively quiet residential streets. The land surrounding the property is developed with an even mix of apartment buildings and single family duplexes. Single family duplex homes are south, west and north of the subject. An 83-Unit apartment complex known as The Park Vista is directly east of the subject property. The surround properties appear fully occupied and well maintained.

The largest land uses within the neighborhood include the 350 acre Saint Elizabeths Hospital east campus and Bolling Air Force Base. The Saint Elizabeth campus is currently being redeveloped and will contain the new headquarters for the U.S. Department of Homeland Security. This new development is projected to bring approximately 14,000 new employees to the neighborhood. In addition, the U.S. Coast Guard's new 1.2 million square feet headquarters is under construction and expected to open in 2014, bringing 3,700 new employees to the area.

The neighborhood has also experienced some of the District's newest residential construction and renovations over the past ten years. Since 2001, 30 development projects valued at more than \$1 billion have been completed, including 2,975 residential units and 114,000 square feet of retail space.

Access and Exposure:

The neighborhood provides good access to public transportation, shopping and employment centers and major thoroughfares. The subject property is within close proximity to a grocery anchored neighborhood shopping center and the Congress Heights Metro Train Station. The following chart illustrates linkages and access for the subject property.

	Distance to Subject
Bus Service	3 Blocks
Public Train Station	5 Blocks
Schools	2.00 mile radius
Grocery Anchored Shopping Center	5 Blocks
Interstate 295	3.00 miles
Bolling Air Force Base	3.00 miles
Washington DC Central Business District	5.00 miles

Population/Social/Economic Trends

To gain a better understanding of the social and economic characteristics among residents in the subject's neighborhood, we considered statistical information pertaining to residents in a one and three mile radius from the subject property. This data was obtained through M&S Connect (Marshall and Swift), which uses data supplied from Applied Demographic Solutions.

	1.00 mile	3.00 mile
2010 Population	32,961	181,969
2013 Population	33,279	185,230
2018 Population (projection)	12,217	195,929
Projected Change 2013-2018	1.12% annually	1.13% annually
2013 Households	12,217	77,564
2013 Average Household Size	2.64 persons	2.29 persons
2013 Per Capita Income	\$19,318	\$29,287
2013 Median Household Income	\$35,140	\$46,512
2013 Average Household Income	\$51,370	\$69,118
2013 Households by Income		
% Households < \$25,000	37.0%	26.0%
% Households \$25,000-\$50,000	28.6%	26.8%
% Households \$50,000-\$75,000	14.6%	17.2%
% Households \$75,000-\$100,000	7.3%	10.2%
% Households \$100,000-\$150,000	7.7%	11.5%
% Households \$150,000+	4.7%	8.3%
2013 Housing		
Owner Occupied Housing Units	26.9%	34.8%
Renter Occupied Housing Units	73.1%	65.2%

These demographics encompass the subject’s defined neighborhood. The data suggests a stable population base. The average household income within a 1- mile radius of the subject is \$51,370, compared to the \$97,935 for entire District of Columbia. These numbers suggest that the neighborhood residents have below average income levels. In terms of housing costs, I examined information gathered through the multiple listing services (MRIS) and found that from July 20, 2013 to July 20, 2014 net sales prices for single-family homes within a 1-mile radius of the subject ranged from \$76,100 to \$490,000 with an average of \$195,826 and a median of \$205,836.

District of Columbia Employment

The following chart summarizes employment and un-employment trends in the District of Columbia over the past years.

DISTRICT OF COLUMBIA EMPLOYMENT				
Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
YTD 2014	369,466	342,274	27,192	7.4%
2013	373,576	341,755	31,821	8.5%
2012	358,279	324,915	33,364	9.3%
2011	349,658	314,794	34,864	10.0%
2010	345,299	309,884	35,415	10.3%
2009	333,400	303,617	29,783	8.9%
2008	332,478	313,293	19,185	5.8%

Source: LAUS and Bureau of Labor Statistics

The 2010 unemployment rate of 10.3% was the highest rate the District has experienced over the past years. There has been some recent improvement as the unemployment rate decreased to 7.4% as of January 2014.

Conclusion:

The subject property is located within an urban residential district that provides good access to shopping and employment centers, public transportation, schools and major roadways. There neighborhood had been in a period of revitalization. The revitalization slowed with the downturn in the economy but there are still major development projects under construction that could have a positive impact on real estate values over the next few years.

MARKET ANALYSIS

The subject property is an unimproved site zoned for residential development. This section identifies and discusses market conditions impacting residential zoned sites in the market area. The subject is within the Randle Heights neighborhood. However, the relevant market area is defined to include all District of Columbia neighborhoods that are east of the Anacostia River.

Residential Land Sales

In the course of completing this assignment, I have researched recent land sales within the east of the Anacostia River market area. Similar to the subject property, these sales involve sites that are zoned for residential development. The following chart is a list of recent residential land sales.

Location	Sale Date	Zoning	Sale Price	Land Area SF	Price/SF
50 th Street NE Washington, DC 20019	7/2014	R-4 Residential Single Family	\$100,000	6,593	\$15.17
3 rd Street SE Washington, DC 20032	7/2014	R-2-Residential Single Family	\$120,000	26,341	\$4.56
Trenton Street SE Washington, DC 20032	5/2014	R-2-Residential Single Family	\$110,000	9,648	\$11.40
4005 Anacostia Ave NE Washington, DC 20019	5/2014	R-1-B Residential Single Family	\$125,000	11,572	\$10.80
1675 W Street SE Washington, DC 20020	4/2014	R-3 Residential Single Family	\$75,000	6,400 SF	\$11.72
45 th Street NE Washington, DC 20019	4/2014	R-2 Residential Single Family	\$180,000	16,739	\$10.75
Brothers Place SE Washington, DC 20032	3/2014	R-2 Residential Single Family	\$50,000	5,250	\$9.52
Good Hope Road SE Washington, DC 20020	2/2014	C-2-A Commercial Mixed Use	\$263,520	8,784	\$29.97
23 46 th Street SE Washington, DC 20019	1/2014	R-5-A Residential Single & Multi	\$160,000	8,936	\$17.91
2510 High Street SE Washington, DC 20020	1/2014	R-3 Residential Single Family	\$62,000	3,135	\$19.78
3736 Horner Place SE Washington, DC	1/2014	R-2-Residential Single Family	\$249,000	21,300	\$11.69
1127 46 th Street SE Washington, DC 20019	6/2013	R-1-B Residential Single Family	\$65,000	6,050	\$10.74
4905 Sheriff Road NE Washington DC 20019	4/2013	R-4 Residential Single & Multi	\$40,000	3,856	\$10.37
1516 Good Hope Rd SE Washington, DC 20020	2/2013	C-2-A Commercial Mixed Use	\$250,000	5,541	\$45.12
304-320 St. Louis Street SE Washington, DC	2/2013	R-5-A Residential Single & Multi	\$533,490	41,241 SF	\$12.94
2610 Stanton Road SE Washington, DC 20020	1/2012	R-5-A Residential Single & Multi	\$370,000	17,151	\$21.57
Morris Rd & Talbert Rd SE Washington, DC	12/2011	R-4 Residential Single Family	\$1,000,000	50,965	\$19.62
722 50 th Street NE Washington, DC 20019	12/2010	R-5-D Residential Single & Multi	\$110,000	3,057 SF	\$35.98
729 50 th Street NE Washington, DC 20019	12/2010	R-5-D Residential Single & Multi	\$245,000	6,000 SF	\$40.83
					Low \$4.56
					High \$45.12
					Avg. \$18.44
					Median \$12.94

The above-cited sales involve sites that might be a suitable alternative acquisition in comparison to the subject. The sale prices range from \$4.56 per SF to \$45.12 per SF with an average of \$18.44 per SF and a median of \$12.94 per SF. The factors that influence the sales prices include zoning, approved permits, projected development cost, utility, frontage, size and location. The properties that are within zoning districts that allow for higher development density and properties with approved building permits have sales prices at the high end of the market range.

Estimates for Exposure and Marketing Time

The estimated marketing period is a prediction of how long it should take to sell the subject property at the indicated market value/price level, in the period immediately following the effective date of sale. The exposure time estimate is intended to reflect the estimated marketing period, which should be anticipated for the subject property to sell at the estimated market value level, prior to a hypothetical sale on the effective date of appraisal. These predictions are a function of both price and time. For instance, a property could be listed at an unreasonable price 18 months if the price is then dropped to a reasonable level, which results in a sale of the property six months later, the extracted marketing time would be six months, rather than two years. Recent sales of residential land in the submarket required marketing periods from 1 to 1,812 days with an average of 284 days and a median of 117. Market evidence suggests that the subject property should sell in 12-18 months, assuming market oriented pricing and professional marketing.

Conclusion

According to brokers in the market, there is strong demand and limited supply of affordable housing units within the District of Columbia. This demand for affordable housing has generated moderate demand for land available for new residential construction.

DESCRIPTION OF THE SITE

The following description of the subject property was compiled through an inspection of the property and from a review of tax maps and plats.

Description of the Site

The following chart illustrates the size, shape, topography flood plain and census tract of the subject property. The subject is identified as **lot 0802 on Square 5936**.

Size	Shape	Topography	Terrain	Census Tract
17,594 SF	Rectangular	Level	Cleared Grassy	0074.04

The subject is an unimproved, corner lot, situated at the southwest corner of the intersection of 13th Street SE and Congress Street SE. The lot has frontage on 13th Street and Congress Street. It abuts a single family duplex home at the north side and a vacant lot on the west side. According to a representative from the District of Columbia planning department all utilities are available to the site.

The subject is identified on the FEMA Flood insurance rate map (FEMA-FIRM) number 1100010076C, dated September 27, 2010. Based on this source, the property is outside of the 100 year flood zone.

Conclusion:

The subject property is an undeveloped, rectangular shaped site that has good frontage, access and visibility along a quiet residential street. It can support a wide array of development options.

ZONING

The subject property is within the General Residential (R-5-A) Zoning District. The R-5-A district permits matter-of-right development of single-family residential uses (including detached, semi-detached, row dwellings, and flats), churches and public schools. With the approval of the Board of Zoning Adjustment, new residential development of low density residential uses including row houses, flats and apartments to a maximum lot occupancy of 40%, 60% for churches and public schools; a maximum floor area ratio (FAR) of 0.9, and a maximum height of three (3) stories/forty (40) feet. Conversion of existing buildings to flat or apartment uses is permitted as a matter of right provided all other provisions of the zoning regulations are complied with.

REAL ESTATE ASSESSMENTS AND TAXES

The subject is identified in the District of Columbia land records as **lots 0802 on Square 5936**. The District of Columbia is also the current owner of the subject properties.

The District of Columbia has an annual assessment program where all real property is reassessed at 100% of the estimated fair market value as of January 1 of each year. The subject's 2014 assessment value is \$527,820 or \$30.00/SF.

The tax year for the District of Columbia extends from January 1 through December 31 and the annual tax liability is calculated by multiplying a tax rate by the assessed value. The current tax rate is \$0.85/\$100 of assessed value for residential properties. Since the District of Columbia owns the subject property it does not have a current tax liability. However, the following chart illustrates the subject's 2014 projected assessment value and tax liability.

	2014
Land Assessment Value	\$527,820
Improvements Assessment Value	\$0
Total Combined Assessment Value	\$527,820
Tax Rate per \$100 assessed	\$0.85
Projected 2014 Tax Liability	\$4,486

Conclusion:

The subject's current assessment value of \$527,820 or \$30.00/SF is slightly higher than most of the recent sale prices and listings for similar residential zoned sites within the District of Columbia. It is my opinion that an assessment appeal would be required if the subject were held under private ownership.

Highest and best use may be defined as:

"That reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."¹

In arriving at the highest and best use of the subject property, it was necessary to carefully examine the area in which the property is located and the actions of the market, past, present and future. The highest and best use of a property generally sets the parameters within which that property is evaluated.

To fulfill the highest and best use four criteria should be considered. It must be: (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive. Typically, this criteria should be considered in relation to the subject property under both the "*as improved*" and "*as if vacant*" scenarios.

Physically Possible

The subject property is an undeveloped, rectangular shaped site that has good frontage, access and visibility along a main commuter roadway. It can physically support a wide array of development options.

Legally Permissible

In terms of legal uses, the primary legal constraint relates to zoning. The subject property has a single family residential zoning classification that also permits public and special purpose uses such as churches, schools and child development centers. With the approval of the Board of Zoning adjustment, a multi-family or apartment building is also permitted.

Financial Feasible

Based on the application of the land residual technique, single family residential, special purpose and multifamily uses are financially feasible.

Maximally Productive

There is a strong demand for affordable housing units within the District of Columbia. The immediate neighborhood has below average household income levels and 75.1% of the housing units are renter occupied. Therefore, residential rental development is the maximally productive use of the site.

Conclusion:

The highest and best use of the subject is residential rental development at the maximum density.

¹ Appraisal Institute, *The Appraisal Of Real Estate*, 11th Edition, 1996, Page 45.

**SECTION III - VALUATION OF
THE PROPERTY**

The purpose of this appraisal is to determine the market value of the subject property in accordance with commonly accepted valuation procedures. The valuation process is a systematic procedure employed to provide the answer to a client's question about real property value. There are three traditional approaches involved in the valuation of real property: the Income Capitalization Approach, the Sales Comparison Approach, and the Cost Approach.

The Income Capitalization Approach "consists of methods, techniques and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e. the monetary benefits of income and reversion) and convert these benefits into an indication of present value." This analysis is typically performed through direct capitalization, wherein a stabilized income stream is capitalized at a market-oriented rate to derive a value indication ($\text{Net Income} / \text{Capitalization Rate} = \text{Value}$). Another technique is the discounted cash flow analysis, where the anticipated income stream and reversion of a property are projected through an anticipated holding period and then correlated to a present value indication through the application of a market-oriented discount rate (IRR).

In the Sales Comparison Approach, "market value is estimated by comparing the subject property to similar properties that have recently sold, are listed for sale or under contract. A major premise of the Sales Comparison Approach is that the market value of the property is directly related to the prices of comparable, competitive properties." By comparing recent sale data extracted from the marketplace to the subject property, the appraiser applies adjustments to the comparable data to derive a market value indication relative to the subject property.

When performing the Cost Approach, the appraiser "estimates the cost to construct a reproduction or replacement of the existing structure and site improvements (including direct costs, indirect costs and entrepreneurial profit), then deducts all accrued depreciation in the property being appraised from the reproduction or replacement cost of the structure." The results provide an estimate of the depreciated building value, which is then added to the land value in order to obtain a value indication through the Cost Approach. This technique is most applicable with newer properties in areas with a significant amount of similar, available sites.

In each approach, the most important source of data is the marketplace for comparable and competing properties. This applies not only to comparable sales, but also to the determination of rent levels, vacancy rates, expenses and capitalization rates, as well as the estimation of construction costs, accrued depreciation and remaining economic life. At the conclusion, the value indicators are correlated into a final value estimate in consideration of the type of property being appraised and the adequacy of the market data.

Because the subject property is an unimproved site that is not encumbered with a ground lease agreement, the Sales Comparison Approach is the only applicable valuation procedure. The Cost Approach and Income Capitalization Approach are not applicable in the land valuation analysis and were not considered.

The Sales Comparison Approach involves a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy. This market data provides good evidence of value because it represents the actions of users and investors.

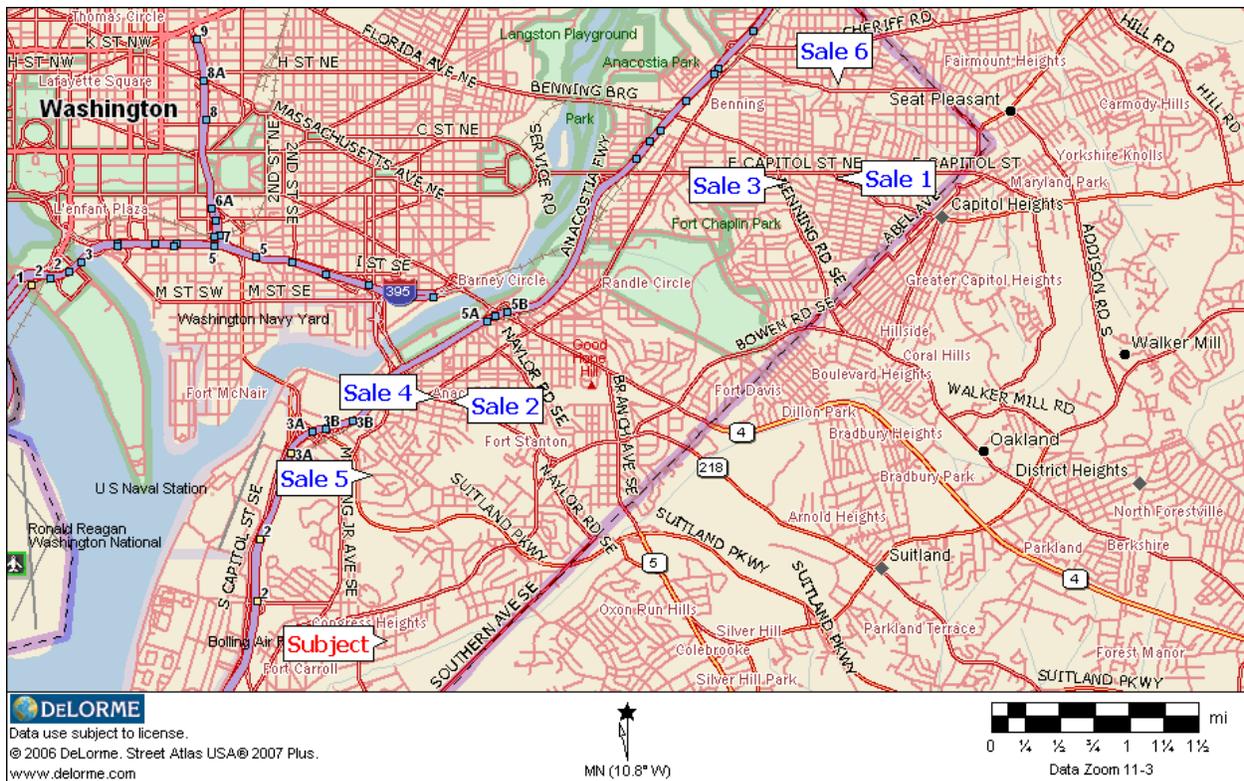
The Sales Comparison Approach is based on the principle of substitution, which states that a prudent buyer will not pay more to buy a property than it will cost to buy a comparable substitute property. This process recognizes that the typical buyer will compare asking prices and work through the most advantageous acquisition. In the Sales Comparison Approach, the appraisers are observers of the buyer's actions. The buyer is comparing those properties which constitute the market for a given type and class.

Analysis of Comparable Sales

I have conducted an extensive search for sales of comparable properties in the subject's market area. The sales selected for direct comparison to the subject property are summarized in the chart on the following page. A map illustrating their location relative to the subject property and photographs of the comparable sales follow the chart.

Comparable Land Sales

Property Identification	Description	Zoning Permits	Sale Date: Sale Price	Site Size SF	Price /SF
1.) 50 th Street NE Washington, DC 20019 Lot 87 Square 5179	Unimproved Cleared Land Rectangular shape Level Topography	R-4 Residential Single & Multi No Permits	07/2017 \$100,000	6,593	\$15.17
2.) Good Hope Road SE Washington, DC 20020 Lot 0890 Square 5765	Paved Lot Rectangular shape Level Topography	C-2-A Commercial Mixed Use No Permits	02/2014 \$263,250	8,784	\$29.97
3.) 23 46 th Street SE Washington, DC 20019 Lot 0004 Square 5346	Unimproved Cleared Land Rectangular shape Level Topography	R-5-A Residential Single & Multi No Permits	01/2014 \$160,000	8,936	\$17.91
4.) 1516 Good Hope Rd SE Washington, DC 20020 Lot 12,13,806 Square 5606	Unimproved Cleared Land Rectangular shape Level Topography	C-2-A Commercial Mixed Use 12-Unit Apt. Permit	02/2013 \$250,000	5,541	\$45.12
5.) 2610 Stanton Road SE Washington, DC 20020 Lot 1076 Square 5869	Unimproved Cleared Land Rectangular shape Sloping Topography	R-5-A Residential Single & Multi No Permits	01/2012 \$370,000	17,151	\$21.57
6.) 729 50 th Street NE Washington, DC 20019 Lot 18 Square 5179	Unimproved Cleared Land Rectangular shape Level Topography	R-5-D Residential Single & Multi 20-Unit Apt Permit	12/2010 \$245,000	6,000	\$40.83



PHOTOGRAPHS OF COMPARABLE SALES



COMPARABLE SALE 1



COMPARABLE SALE 2



COMPARABLE SALE 3



COMPARABLE SALE 4



COMPARABLE SALE 5



COMPARABLE SALE 6

The previously cited sales reflect the most recent, comparable transactions. These sales involving similar-quality residential zoned sites located within the east of the Anacostia market area. To correlate the sales to reflect a market value indication for the subject property, the data must be denominated to an appropriate unit of comparison, and then analyzed in relation to the subject property. This analysis is performed on the basis of dollars/SF of land area.

Initial Adjustment Criteria

Initially, adjustments are considered for factors such as financing, property rights conveyed, conditions of sale and changes in market conditions. In this instance, no adjustments are warranted for these factors.

Primary Adjustment Criteria

The primary adjustment criteria are zoning, approved permits, physical characteristics, and visibility/access.

Zoning

In terms of zoning, the subject is within the R-5-A zoning district. This zoning district is permits single family dwellings and allows for multi-family buildings if approved by the zoning adjustment board. Comparable 3 and 5 are similar to the subject and do not require adjustments. Because comparable 2 and 4 are within zoning districts that allow for both residential and commercial development they are superior to the subject in terms of development potential and require downward zoning adjustments. Comparable 6 is within a zoning district that allows for a higher development density warranting a downward zoning adjustment. Comparable 1 is within a zoning district that allows for a lower development density warranting an upward zoning adjustment.

Permits

Comparable 4 sold with an approved permit for a 12-unit apartment building. Comparable 6 sold with an approved permit for a 20-unit apartment building. Therefore, significant downward adjustments are applied to these sales.

Access/Visibility

Because the subject is within five blocks of a metro train station and a neighborhood shopping plaza, it is superior to comparable sales 1, 6 and 5.

SALES COMPARISON APPROACH

In order to quantify the adjustments, I have presented the following adjustment grid below.

Sale Number	1	2	3	4	5	6
Sale Price \$/SF-Land Area	\$15.17	\$29.97	\$17.91	\$45.12	\$21.57	\$40.83
Financing	0	0	0	0	0	0
Conditions of Sale	0	0	0	0	0	0
Market Conditions	0	0	0	0	0	0
Property Rights Conveyed	0	0	0	0	0	0
Adjusted Sale Price	0	0	0	0	0	0
Location	0	0	0	0	0	0
Access/Visibility	+10%	0	0	0	+10%	+10%
Physical Characteristics/Shape	0	0	0	0	0	0
Zoning	+10%	-15%	0	-15%	0	-10%
Permits Entitlements	0	0	0	-20%	0	-20%
Economic Characteristics	0	0	0	0	0	0
Size	0	0	0	0	0	0
Total Adjustment	+20%	-15%	0%	-35%	+10%	-20%
Adjusted Indication	\$18.20	\$25.47	\$17.91	\$29.33	\$23.72	\$32.66

After adjustment, the comparable land sales suggest a range in unit pricing from \$17.91/SF and \$32.66/SF, with an average of \$24.54/SF. The subject is most similar to comparable 5. Considering all of the data and analysis, a value conclusion of **\$25.00/SF** is applied to the subject property.

Conclusion:

Based on the data and analysis, I reconcile market value for the subject site, in "as is" condition, at \$25/SF, or \$325,000. The calculation is summarized as follows:

Market Value Estimate "As Is"

Square Footage Land	Market Value/SF	Value Indication
17,594 SF	\$25/SF	\$439,850
Rounded		\$440,000

Based on the Sales Comparison Approach, market value for the subject site in "as is" condition, as of July 25, 2014, is estimated at:

FOUR HUNDRED FORTY THOUSAND DOLLARS
\$440,000

The appraiser has considered the traditional approaches in the estimation of the subject property.

INDICATED VALUE BY APPROACHES:

Income Capitalization Approach:	Not Applicable
Sales Comparison Approach:	\$440,000
Cost Approach:	Not Applicable
Market Value Conclusion:	\$440,000

In the valuation of the subject property *“as is”*, the most applicable valuation technique is the Sales Comparison Approach. The Cost Approach and Income Capitalization Approach are not applicable in the land valuation analysis and were not considered.

Based upon our findings, market value of the fee simple estate in the subject property, in its *“as is”* condition, as of 25th day of July 2014, is estimated at:

FOUR HUNDRED FORTY THOUSAND DOLLARS
\$440,000

SECTION IV - ADDENDA

ENGAGEMENT LETTER

ENGAGEMENT LETTER

Date July 17, 2014
Client Answer Title/DC Department of Housing and Communit
Address 10 G Street, NE Suite 510, Washington, DC 20002

RE: Appraisal of 3401 13th Street SE

Dear Cynthia Eagle,

Pursuant to your request, we are happy to submit a proposal for the appraisal of the property located at 3401 13th St SE, Washington, DC 20032

The appraisal shall be prepared for Answer Title/DC Department of Housing and Communit and is for the sole and exclusive use of Answer Title/DC Department of Housing and Communit. We request that you seek our written authorization before releasing the report to any other party.

The assignment will be to formulate an opinion of market value for the property. The legal property appraised would be the Fee Simple interest. The property will be valued as of the date of inspection

The appraisal will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice. Attached to this letter you will find a copy of our Statement of Limiting Conditions and Appraiser`s Certification which are attached to all appraisals prepared by this office. Please review and initial each attached page and return the executed copy to us indicating your acceptance and approval of our Limiting Conditions and Appraiser`s Certification.

The estimated completion date of the appraisal is August 15, 2014. We can only complete the appraisal by this date if we receive from you in a timely manner any relevant information needed for the preparation of the report. In order to complete this appraisal, the following information will be needed:

We will furnish you with 1 PDF copies of the appraisal report. Our fee for this appraisal will be \$ 1,500.00. This fee does does not include the cost of certain expenses that may be incurred in the preparation of the report. If expenses are not included, a bill for these expenses will be provided to you upon completion of the report.

- A retainer in the amount of \$ _____ must be paid to this office before we can commence the preparation of this report.
- A bill for the \$ 1,500.00 appraisal fee will be presented and immediate payment will be requested at the time the report is completed.
- A bill for the appraisal fee of \$ _____ along with any other expenses incurred will be presented to you along with the completed report.

We will proceed with the preparation of this appraisal upon receipt of a signed copy of this letter and an initialed copy of the Statement of Limiting Conditions and Appraiser`s Certification. If you have any questions about anything contained in this letter or in any of the attachments, please give us a call.

Sincerely,


Engagement Letter Accepted:

(client signature) (date)

QUALIFICATIONS OF THE APPRAISER

QUALIFICATIONS OF E. MICHAEL JORDAN

E. Michael Jordan is the Principal of the real estate appraisal and consultation firm Accurate Appraisals located at 551 Park Road N.W., Washington, D.C. 20010.

SERVICES PROVIDED

Accurate Appraisals provides real estate valuation and consultation services for all commercial and residential property types located within the Washington DC-Baltimore Metropolitan area. We prepare narrative and Fannie Mae form reports that are clear concise and coherent. Our due diligence and quality control program ensures accurate, timely and consistent appraisal services.

STATE CERTIFICATIONS AND AFFILIATIONS

District of Columbia, General Appraiser #GA10943
Maryland, Certified General Appraiser #11349
Virginia, Certified General Appraiser #4001 015540
Candidate for Designation Appraisal Institute
FHA Approved Appraiser

EDUCATION:

Bachelor of Arts Degree in Business Administration-Accounting May 1994
Morehouse College Atlanta, Georgia

APPRAISAL EDUCATION:

Appraisal Principles - Appraisal Institute Appraisal
Procedures - Appraisal Institute
Basic Income Capitalization - Appraisal Institute
General Applications - Appraisal Institute
Apartment Appraisal - Appraisal Institute
General Appraiser Report Writing and Case Studies - Appraisal Institute
General Market Analysis Highest and Best Use – Appraisal Institute
Real Estate Finance Statistics and Valuation Modeling - Appraisal Institute
Evaluating Commercial Construction – Appraisal Institute
Business Practices and Ethics – Appraisal Institute
FHA and the Appraisal Process - Appraisal Institute
Standards of Professional Practice - Appraisal Institute
Argus Training - Discounted Cash Flow Consulting & Services

EXPERIENCE:

Accurate Appraisals Washington DC Real Estate Appraiser
(July 2006-Present)

EXPERIENCE (continued):

Joseph J. Blake & Associates, Inc. Washington DC
Commercial Real Estate Appraiser (September 2000– June 2006)

Lerner Corporation, Maryland
Property Manager and Lease Administrator (August 1997- August 2000)

Turner Construction, Virginia
Cost Engineer (February 1994- July 1997)

CLIENT LIST:

M&T Bank
BB&T Bank
KEB NY Financial Corporation
Answer Title
District of Columbia
Interbay Funding
Streetlinks Lender Solutions

Copy of Appraisers Certification

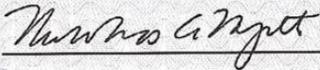
GOVERNMENT OF THE DISTRICT OF COLUMBIA 

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
Occupational and Professional Licensing Administration

Appraiser Board
certifies that
EDWARD M JORDAN
ACCURATE APPRAISALS
551 PARK ROAD
WASHINGTON DC 20010



*has met all the requirements prescribed
by law and regulations and is hereby licensed as a(n):*
Certified General Appraiser
License Number: GA10943
Issue Date: 01-30-2006
Expiration Date: 02-29-2016



Director, Department of Consumer and Regulatory Affairs

