

## PROJECT NARRATIVE

### PROJECT OVERVIEW

Banc of America Community Development Corporation and Banneker Ventures, LLC is in the process of forming a joint venture, The Jazz @ Florida Avenue, LLC (the “**Owner**”), to develop The Jazz @ Florida Avenue (the “**Project**”), a mixed-use community consisting of 153,770 gross square feet of new construction residential and retail space ideally situated in the Ward 1 neighborhood of Shaw. Located along three adjacent parcels on the 700 and 800 blocks of Florida Avenue, NW (the “**Site**”), the proposed development will create an active and vibrant retail and residential community and serve to further the redevelopment of the Florida Avenue/U Street corridor. The development is the culmination of careful analysis, neighborhood engagement and the team’s desire to create a distinctive development that brings more affordable housing units to the neighborhood, encourages transit use, and respects the rich history of its location.

The Owner was awarded the development rights to the Site in March 2008 by the Washington Metropolitan Area Transit Authority (“**WMATA**”). In June 2008, WMATA’s Board of Directors approved a Term Sheet between WMATA and the Owner covering the material terms of the development rights, which includes a 60-year lease. A full joint development agreement and ground lease is expected to be approved by WMATA’s Board of Directors at the July 2009 meeting of the Board.

Shortly after being awarded the Site, the Owner came to material terms with the adjacent land owners to purchase two parcels along 9th Street, NW, totaling approximately 7,720 ground square feet (the “**Adjacent Sites**”). Collectively, the WMATA Site and the Adjacent Sites total 36,612 ground square feet.

The Project will include three adjacent buildings, featuring a total of 124 apartments and 20,000 square feet of ground floor retail. The Project will also feature one level of below-grade parking in each building, containing a total of 61 parking spaces, as well as public plazas fronting 8th and 9th Streets, NW and Florida Avenue, NW. The development will be a mixed-income project where at least 20% of the total residential units will be affordable at 50% of area median income. The balance of the units will be marketed as workforce housing. The residential units will be professionally managed by Kettler Management, one of the largest and most experienced management companies in the Mid-Atlantic. The unique floor plans and stylistic finishes include 9 foot ceilings, in-unit laundry, granite countertops, and ceramic kitchen tiles.

The Project's centralized location presents inherent advantages that are sure to contribute to the overall success of the development. With the Shaw submarket's strong demographics, major urban retailers have begun to move to the market, including CVS (adjacent to the Project), Wachovia Bank (one-half block east), Giant Food (five blocks south), Whole Foods (nine blocks southwest), and Starbucks (two within four blocks of the Project). In addition to benefiting from an excellent retail location, the Project is ideal for Howard graduate and professional school students and young professionals as it has easy access to Howard University (1 block north), and is within walking distance of the Howard-Shaw Metro Rail Station as well as several city bus lines.

In 2008, the Owner applied for tax increment financing ("TIF") from the District of Columbia Office of the Deputy Mayor for Planning and Economic Development ("DMPED") to assist with construction of the Project. The Owner has been tentatively awarded this financing and is currently in final negotiations with DMPED to receive \$7 million in the form of a Promissory Note to help pay for costs associated with infrastructure, parking and the retail component of the Project. Under this Note, the District will make bi-annual payments to the Owner based upon the amount the Project generates in annual sales tax income and real property taxes, minus the base tax revenues that the Project Site generated prior to construction of the Project, and minus those portions of taxes pledged to the District's General Obligation Debt. Payments will cease once the Note reaches its maturity. The Owner has also secured a commitment from Capmark, Inc., to provide a first trust loan for the Project in the amount of \$20.1M, insured by the Department of Housing and Urban Development ("HUD") under the provisions of Section 220 pursuant to the National Housing Act as amended and the Regulations now in effect. The HUD Loan will be underwritten based upon the projected net operating incomes of both the residential and retail components.

#### DEVELOPMENT HIGHLIGHTS

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- **Mixed-Use Development** – True mixed-use development with 20,000 square feet of ground floor retail. With strong demographics, the increasing density of the neighborhood, and retail demand, retailers are competing to gain a foothold in this soon-to-be dense submarket populated with young and affluent professionals.
- **Mixed-Income Development** – The Project's residential program helps to meet the continued need for high quality housing suitable for young professionals and families looking to remain in the District of Columbia (the "**District**"). The program will include 26 units of affordable housing, demonstrating the Owner's commitment to creating opportunities for families at all incomes while meeting the community and local

jurisdiction policy goals of integrating affordable housing in neighborhoods that are undergoing rapid gentrification.

- **Targeted Geographic Areas** – The Project is located in two Targeted Geographic Areas as designated by the District: 1) the targeted Great Streets corridor of 7<sup>th</sup> Street and Georgia Avenue, NW; and, 2) the Neighborhood Investment Fund targeted area of Shaw. With its unique location, the Project’s impact will immediately fulfill the government’s desire to improve the surrounding neighborhoods and provide a much-needed economic stimulus to the immediate area.
- **Prominent Thoroughfare at Three Intersections in Shaw Submarket** – The Project represents one of the last major infill development opportunities at the intersection of three major thoroughfares (7<sup>th</sup> Street, NW, Florida Avenue, NW and 9<sup>th</sup> Street, NW), just eight blocks north of downtown Washington.
- **Proximity to Howard University** – The Project is located within blocks of Howard University Hospital and its main campus which boasts a student, faculty and staff population of over 15,000 people.
- **Neighborhood Amenities** – The Project’s neighborhood is well-known as a destination for nightlife and dining. Retail within the immediate area includes a CVS, two Starbucks and Wachovia Bank. Popular bars and restaurants include Busboys & Poets, Marvin, Crème Café and Lounge, and the world-renowned Ben’s Chili Bowl.
- **Accessibility to Mass Transit** – The Project is located one block from the Howard-Shaw Metro Rail Station (Green Line), which offers residents direct access to downtown Washington (two stops away). The Project is also located at one of the busiest intersections in Washington, DC (7th Street/Georgia Avenue, NW and Florida Avenue, NW). Additionally, the Project is located at one of the few stops serving the Rapid Bus Line from downtown Silver Spring to downtown Washington along Georgia Avenue, NW and 7th Street, NW. Finally, the Project will be home to one of the future stops along the trolley system that will travel along both Georgia Avenue/7th Street, NW and Florida Avenue, NW.

## LOCATION SUMMARY

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Located in the heart of the historic Shaw neighborhood, just eight blocks north of downtown, the Project is resides in one of Washington’s most celebrated neighborhoods. The Project Site is ideal for residential development as it builds upon the rich character of the Shaw

neighborhood with its wealth of schools, parks, and retail plus the close proximity to Howard University and downtown Washington, DC. As a result the Shaw neighborhood is popular with students, young professionals and families of all sizes. In addition to popular local amenities, the Project Site offers excellent access through the city along 7th Street, NW, which is the longest commercial corridor in Washington, DC.

The Project Site is bounded by Florida Avenue, NW, to the north; 7<sup>th</sup> Street/Georgia Avenue, NW, to the east; T Street, NW, to the south; and, 9<sup>th</sup> Street, NW, to the west. The surrounding neighborhoods include a mix of older single-family residences, newer condominium buildings, and a small amount of residential apartment buildings.

The Project is located one block north of the Howard-Shaw Metro Station (Green Line), and two stops from the Chinatown/Gallery Place Metro Station which is a connection point for all of the Metro Trains. The I-395 Expressway, located one and one-half miles directly south, connects to the heart of downtown DC, Northern Virginia, and Ronald Reagan Washington National Airport, which is 15 minutes from the Project.

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#### PROGRAM SUMMARY

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The Project will entail three newly constructed buildings, each including residential apartment units and retail space. A graceful sequence of new distinct glass and brick buildings will give a rich and varied texture to the 7th Street/Florida Avenue/U Street urban fabric. Each of the buildings will have four stories of residential units, with 40 units, 32 units, and 52 units respectively. The Project will include a mix of studio, junior one bedroom, one bedroom, and two bedroom units. The variety of unit types and their efficient and modest sizes will appeal to a wide variety of residents. The development will include 26 residential units for incomes at or below 50% of the Area Median Income (“**AMI**”) consisting of 5 studios, 13 one bedrooms and 8 two bedrooms. Each building will have private residential courtyards located over the retail which will provide enjoyable outdoor recreation space for the residents. Residents will have access to below-grade controlled-access parking garages in each building, which will have a total of 61 parking spaces. The retail space, consisting of 20,000 total square feet, will be spread out on the ground floor of each building.

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#### TRANSIT-ORIENTED DEVELOPMENT

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Transit Oriented Development is a strategy designed to maximize access to public transportation, helping to accommodate new growth and create compact, vibrant neighborhood centers within walking distance of transit. The Project includes many principles

of Transit Oriented Development. The Site is within a ½ mile proximity to two Metro stations as well as several city bus lines, encouraging the use of public transportation over vehicles. The Project meets the by right density desired for the area and makes use of the infrastructure of the existing neighborhood. The public realm and building design provide pedestrian and bicycle access and connectivity to the existing street network with elements such as wide sidewalks, adequate lighting, street trees, and sidewalk cafes. A variety of transit options will be promoted to the residents, such as bicycle parking, ride share boards, and car sharing programs.

### MIX OF USES AND ACTIVE STREETScape

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The Project also provides a mix of uses, with both residential and retail components that support pedestrian activity at many times during the day. This approach creates a safer street environment as well as allowing people to live, work, and play in the neighborhood. Approximately 20,000 square feet of neighborhood serving retail will be provided in a continuous stretch along Florida Avenue, NW. Projections beyond the building face in the forms of awnings, canopies, and individual retail signage as well as ground floor transparency into the retail will create a dynamic and vibrant streetscape. Taking advantage of the wide sidewalks along 8th Street, NW, the Project seeks to create an outdoor café seating zone which will activate the street and create a retail “destination” feel.

### ZONING AND ARCHITECTURAL CHARACTER

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The Project meets the by right density desired for the area and makes use of the infrastructure of the existing neighborhood. The proposed development will be built to the by-right zoning height of 70 feet and will not exceed the maximum FAR of 4.5, complicit with the zoning requirements for its ARTS/C-2-B designation. The relatively small scale and footprints of the Project parcels will allow them to blend into the existing character of the historic neighborhood which has the more fragmented and idiosyncratic massing of a place that has evolved over time. The Project will have distinctive architectural expressions for each of the buildings, which will complement the variety found in the existing neighborhood and provide separate identities for each residential address. The facades will be primarily masonry and glass and will relate to surrounding architecture through scale and rhythm. The residential entrances are located on the south ends of each of the buildings, helping to transition from the active public retail on Florida Avenue, NW to the residential townhouse community to the south.

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## MARKET ANALYSIS

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Washington, DC remains one of the top-performing residential markets in the nation. Increasingly difficult lending standards, combined with hesitation to purchase have increased demand in the apartment market. As a result, the vacancy rate for Washington, DC remains low (4.1%) compared to the national rate (5.9%).

The Project is favorably located on one of the last large infill development sites in the Shaw neighborhood. Over the past few years, a number of new residential and retail developments have been introduced within a mile of the Project and which have been received favorably. In an effort to better understand the demand and supply considerations of building in the Shaw submarket, Kettler Management, our Property Manager, conducted a market study in April 2009 (“**Market Study**”) (see Attachment A).

The Market Study found that our target market includes a mix of low to lower-income, foreign language speaking urbanites and mid to upper-scale urban singles in their 20s to mid-40s with college degrees and who are renters by choice, as well as college students from Howard University. There are no scheduled projects that will be set to deliver at the end of 2011, so concerns of oversaturation in the immediate Shaw submarket will be minimal. To remain competitive with existing apartment complexes the Project will offer modern amenities such as fitness center, club room/lounge with Wi-Fi connectivity, and condo/boutique finishes.

The Market Study also looked at 9 comparable properties in the District and provided comparisons of unit mix and sizes, rents, amenities, etc. The Market Study indicated that asking rents of model competitor projects such as The Ellington, located at 1031 U Street, NW, and The Hudson/Desoto, located at 1425 P Street, NW, included studio rents at \$1,775, one bedroom rents between \$2,179- \$2,335, one bedroom with den rents between \$2,771-3,123, and two bedroom rents around \$3,636. In an effort to appeal to a broader spectrum of potential renters and satisfy public affordable housing objectives in an increasingly gentrified market, we are committed to retaining at least 20% of the overall Project at affordable levels for individuals with incomes at or below 50% AMI. To this end, the affordable unit rents will include studio rents at \$768 one bedroom rents as low as \$768, and two bedroom rents at \$933. The rents on our market rate units will also be competitively priced compared to other Class A properties in the area with studio rents starting at \$1,550, junior one bedroom rents at between \$1,825 and \$1,880, one bedroom rents at \$2,115, and two bedroom rents set between \$2,500 and \$2,985.

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## DEVELOPMENT TEAM INFORMATION

### Banc of America Community Development Corporation

Banc of America Community Development Corporation (“**BACDC**”) is a wholly owned subsidiary of Bank of America. In addition to its broad equity investment capabilities, BACDC includes a real estate development practice that is dedicated to the revitalization of urban communities. BACDC’s Real Estate Development practice is the first, largest, and most productive community real estate development entity among financial institutions in the United States, and is one of the largest producers of high-impact community redevelopment projects in the country. BACDC currently has active development projects in 7 major cities and has successfully developed and rehabilitated more than 32,000 affordable and mixed-income housing units.

BACDC focuses on projects which act as catalysts for revitalization to both increase affordable and mixed-income housing and to attract additional investment to urban communities. BACDC is an innovative source of equity, concept, design, marketing and project management for residential and mixed-use developments in American cities. With 30 years of experience in community redevelopment projects and the financial backing of Bank of America, BACDC is a proven, capable developer for complex, challenging projects ranging from acquisition rehabilitation to new construction.

BACDC prefers to accomplish development through partnerships, and consistently partners with community-based development corporations (CDCs), public redevelopment and housing agencies, and for profit developers. BACDC is particularly experienced with public/private partnerships. Further, BACDC has an outstanding track record securing public finance, subsidy, entitlements, and other development tools required for affordable housing and redevelopment. BACDC has obtained tax credit and bond financing in 9 states and the District.

Many of its developments have received awards of excellence and national recognition from various national and regional entities including the United States Department of Housing & Urban Development, the Urban Land Institute, the National Association of Local Housing Finance Agencies, Fannie Mae Maxwell Award, NAHB Pillars of the Industry Award and numerous other state and local entities. Further, BACDC has proven its ability to structure complex financing transactions that include significant public support, including various state, local and federal grants, subordinated loans and property tax instruments. The overall financing capability of BACDC leverages these sources to their maximum effect in making complex transactions work.

BACDC’s recent projects in the Washington, DC region include:

- Cedar Heights (Washington, DC) – 134 units substantially rehabilitated with the build-out of a new Leasing Office and Community Space.
- Courts of Camp Springs (Suitland, Maryland) – 414 units substantially renovated along with construction of a new stand alone Leasing Office and Community Center (2,700 sq. ft.).
- Meadowbrook Run (Washington, DC) – 259 units acquired and renovated.
- Washington View (Washington, DC) – 353 units comprehensively rehabilitated with adjoining development.
- Overlook Condominiums (Washington, DC) – 77 condominiums for first time, affordable and moderate income homebuyers in the Hillsdale neighborhood adjacent to downtown Anacostia.
- Townes at Hillsdale (Washington, DC) – 66 for-sale moderately priced townhouses in the Hillsdale neighborhood adjacent to downtown Anacostia.
- Centerpoint (Baltimore, MD) – full block redevelopment, consisting of nine historic buildings built from 1820 to 1900 and three new buildings with a total development containing 392 rental units, 35,000 square feet of retail space and a 415-space structure parking garage.

### Banneker Ventures, LLC

Banneker Ventures, LLC (“**Banneker**”) is a District of Columbia diversified real estate firm that specializes in developing mixed-income residential, mixed-use and public-use projects in the urban core of Washington, DC and suburban Maryland. The firm focuses its resources and experience on transforming urban neighborhoods throughout the Washington, DC metropolitan area. Working closely with property owners, neighborhood residents, and local governments, Banneker creates innovative combinations of housing, retail, public use and commercial spaces that support and advance positive community oriented values.

Banneker offers three main services: real estate development, construction management, and real estate advisory. Our Development Division specializes in infill, mixed-income, multi-family and mixed-use projects in the urban cores of Washington, DC and Maryland. Our Construction Management Division specializes in serving as owner representative for public use projects, such as or public schools, libraries, or recreation centers. Our Advisory Division provides public and private clients with a range of advisory services, such as developing and recommending

financial structures for the development or disposition of assets; developing economic impact studies; performing detailed local market and sub-market studies; and performing architectural and community based planning services.

The following is a brief overview of some of the projects that Banneker has worked on or is currently working on:

- Northwest One Development (Washington, DC) – Located three blocks north of Union Station, Northwest One is the first “New Community” in the District. The project includes more than \$700M in capital investments, which will result in the development of 1,630 residential units, 300,000 sq. ft. of office space and 40,000 sq. ft. of neighborhood oriented retail space. Banneker is the co-lead developer with three other local development firms and its interest represents \$140M in the project. The project will begin delivering in 2016.
- Pattern Shop Lofts (Washington, DC) – Pattern Shop Lofts is a \$57M adaptive-use re-use project and includes 170 mixed-income apartments, 55 interior parking spaces, and 9,000 square feet of street level retail space. The project is part of a \$3B, thirty building development near the Washington Nationals Stadium in the new Baseball District of Washington, DC. Banneker serves as the Development Manager for Forest City Washington, the publicly-traded development firm based in Cleveland, Ohio. The project will deliver in 2011.
- The Residences @ Thayer Avenue (Silver Spring, MD) – The Residences is a \$19M new construction residential project which will result in 52 residential units and 37 covered parking spaces. It is the first boutique apartment building built in downtown Silver Spring in decades. It is conveniently located across the street from Safeway Grocery Store, 2 blocks south of Whole Foods and 3 blocks east of the Silver Spring Metro Station. The project will deliver in 2011.
- Walker Jones Education Facility (Washington, DC) – Located in the Northwest One neighborhood of the District, the Walker Jones Education Facility is a \$50M, 125,000 square feet, multi-use, pre-k through 8 school, recreation center and library facility. Banneker serves as co-program manager of this first-of-its kind public-use facility in the District. It is being built on an accelerated schedule and will deliver in August 2009.
- Deanwood Community Center (Washington, DC) – Located in the Historic Deanwood neighborhood of the District, this project is a \$32M, 63,000 square feet new construction co-location facility including a recreation center, aquatic center, library and

early child care center. Banneker serves as co-program manager of this first new public facility built in Deanwood in years. The project will deliver in 2010.

#### ARCHITECT

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Torti Gallas and Partners, Inc. (“**Torti**”) is a national firm with a substantial Washington presence. Torti has been awarded 65 national awards in the last fifteen years and has developed a globally recognized expertise in mixed-use, mixed-income urban infill projects. It has designed some of the most breathtaking transit oriented developments in the District, including: The Ellington, located at 1301 U Street, NW; Park Triangle, located at 1375 Kenyon Street, NW; and, Kenyon Square, located at 1390 Kenyon Street, NW.

#### GENERAL CONTRACTOR

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Bozzuto Construction’s (“**Bozzuto**”) portfolio encompasses more than 19,000 multifamily housing units in areas throughout the Mid-Atlantic region, with particular expertise in mixed-use developments and new residential apartment construction. Bozzuto has a proven track record of delivering timely, under budget construction projects throughout the Washington, DC region. Additionally, we expect Bozzuto to meet or exceed the District’s Small and Local Business Development contracting requirements for this Project.

#### PROPOSED MANAGEMENT AGENT

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Kettler Management (“**Kettler**”) has a long track record of managing mixed-income communities throughout the Washington, DC metropolitan area. Kettler currently provides management services to over 12,000 apartment communities throughout Virginia, Maryland, and the District, including 26 affordable projects. Kettler has vast experience with managing all types of apartment communities and continues to maintain skilled employees by offering extensive in-house training, including classes on Fair Housing, Tax Credit Compliance, and Sales & Marketing training.

#### PARTICIPATION OF LOCAL SMALL DISADVANTAGED BUSINESS ENTERPRISES

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BACDC and Banneker are committed to utilizing District certified Local Small Disadvantaged Business Enterprises (“**LSDBE**”) in the development and construction of this Project. As a co-Developer of the Project, Banneker has the unique advantage of being an LSDBE certified company. Recognizing the importance of supporting the growth and development of LSDBEs,

Banneker and BACDC will remain focused on ensuring that LSDBE participation in the Project will exceed the 35% requirement. This goal is consistent with BACDC's track record of meeting and exceeding its small- and minority-business contracting goals. BACDC tracked Minority and Women's Business Enterprise (W/MBE) participation in the amount of \$30.4 million for the \$100 million Centerpoint mixed-use, transit-oriented development project in Baltimore. In the District, BACDC achieved 38% LSDBE participation in construction contracting at Meadowbrook Run (a 259-unit, affordable-housing revitalization project), more than 60% at Overlook Condominiums (a 77-unit, affordable-condominium project), and is on track to meet or exceed 35% LSDBE participation at Finsbury Square (a 134-unit, affordable-housing revitalization project).

This same approach will be used to ensure that this Project provides equal access and opportunity to all interested Washington, DC-based LSDBEs. To that end we have enlisted the engineering services of Liberty Engineering and Design, PLLC to provide civil engineering services, as well as Indigo Engineering Group, LLC to provide MEP services. Both companies are based in the District and LSDBE certified (See Exhibit P). As we transition into the construction phase, BACDC and Banneker will continue to actively seek qualified and certified minority- and woman-owned business to provide products and services for the Project in furtherance of these policy goals, thus enhancing the economic vitality of the city.

## COMMUNITY REVITALIZATION INFORMATION

This Project is part of the District of Columbia's Uptown Cultural District Plan for Greater Shaw/U Street (the "**Duke Plan**"), a District of Columbia Office of Planning Master Plan for the development of a cultural destination district within the Shaw/U Street neighborhood through the promotion of retail, entertainment, arts and cultural uses along the corridor. The Project will be developed on two city blocks in the heart of the Duke Plan and on three parcels owned by WMATA that have been specifically identified for redevelopment as part of the Duke Plan. This Project would be one of the first projects in the Duke Plan with construction scheduled to start in 2010. We believe that it would ultimately serve as a catalyst for further development in the Shaw/U Street neighborhood. Moreover, the Project is located in the District's Great Streets Corridor of 7<sup>th</sup> Street and Georgia Avenue, NW, one of several corridors in the District which have been targeted for retail development.

The vast majority of the Project Site is composed of three WMATA-owned parcels that have been vacant lots for many years, which have only served to magnify the blighted appearance of the neighborhood. The Project's urban design seeks to repair this eroded fabric by re-establishing the street edge and creating a vital mixed-use destination. This development will immediately transform the vacant parcels by injecting 124 new residential rental units and 20,000 square feet of retail over two city blocks. The retail component of the Project will connect with the existing retail along U Street, NW, and 9<sup>th</sup> Street, NW, extending the retail corridor farther to the east to serve the greater Shaw community. The retail strategy will build upon and complement the visions of the Duke Plan for the area as an arts and entertainment district with active restaurants, shopping and music/theatre venues.

In furtherance of its community revitalization efforts, the Owner has designed a comprehensive plan -- The Local, Small Business and Disadvantaged Enterprise and Employment Opportunities Plan -- for District of Columbia and Shaw/Ward 1 residents and businesses to ensure that District residents are recruited and hired throughout all phases of the Project. To this end, the Owner will execute a First Source Hiring Agreement with the District of Columbia Department of Employment Services (the "**DOES**") to make certain that the Project maximizes the number of District residents hired during all phases of the Project. The Owner is committed to ensuring that at least 51% of all new hires for the Project are District residents. Finally, with over 20,000 square feet of ground floor retail, this Project will generate numerous retail job opportunities, which future Project tenants/employers working in partnership with the DOES First Source Program can fill with residents of the Shaw/U Street neighborhood. Additionally, the retail design of the Project will encourage unique, locally-owned retail establishments that will cater

to the needs of the local community and result in direct job creation for residents of the surrounding community.

#### LOCAL SUPPORT

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In the pursuit and planning of this Project, we have met with individuals, organizations and businesses from Shaw, LeDroit Park and the U Street corridor. Ms. Myla Moss, Commissioner of Advisory Neighborhood Commission (“**ANC**”) 1B01, the affected ANC where the Site is located, has voiced her support of our Project as demonstrated by her letter included as part of Exhibit R. We are committed to continuing to engender true community dialogue and input throughout the development process to ensure that the Project is reflective of the community’s desires for this site.