

**Appraisal of the**  
**2327-2339 Skyland Terrace SE**  
**Washington, DC 20020**

**Prepared For:**

Mrs. Cynthia Eagle  
**Answer Title/District of Columbia**  
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**Prepared By:**

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September 17, 2014

Mrs. Cynthia Eagle

**Answer Title/District of Columbia**

10 G Street NE Suite 510  
Washington, DC 20002

*Regarding: 2327-2339 Skyland Terrace SE Washington, DC 20020*

Mrs. Cynthia Eagle:

Accurate Appraisals has prepared an appraisal of the above referenced property, in consideration of all applicable valuation techniques. The data, analysis and conclusions that correlate to our value opinion are described in the attached appraisal report.

The subject property consists of 7 unimproved, contiguous lots that have an aggregate land area of approximately 19,932 SF. The lots range in size from 2,423 SF to 3,873 SF with an average of 2,847 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 appraisal has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). The analysis, opinions and conclusions were also developed and prepared in accordance with regulations issued by the Office of Thrift Supervision including Title XI of the Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA).

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Mrs. Cynthia Eagle

**Answer Title/District of Columbia**

*Regarding: 2327-2339 Skyland Terrace SE Washington, DC 20020*

Based upon my findings, it is my opinion that the market value of the fee simple interest in the subject property identified as **2327-2339 Skyland Terrace SE Washington, DC**, in its "*as is*" condition, as of September 15, 2014, is:

**TWO HUNDRED FORTY FIVE THOUSAND DOLLARS**  
**\$245,000**

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**

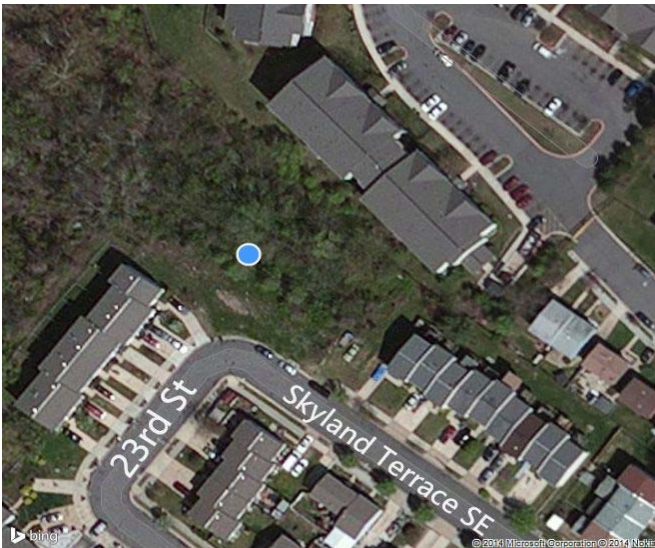
## PHOTOGRAPHS OF SUBJECT PROPERTY



**FRONT VIEW**



**STREET VIEW**



**AERIAL VIEW**



**ADJACENT TOWNHOMES**



**ADJACENT TOWNHOMES**



**STREET VIEW**

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## CERTIFICATION

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**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 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 with research, in performing the formal inspection of the subject property and in preparation of the report.

**Additionally, I certify that:**

- I am competent to perform this appraisal based upon past experience appraising similar commercial properties throughout the Baltimore-Washington area.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.

I, Edward Michael Jordan, hold the necessary certification in the District of Columbia to appraise the subject property in conjunction with federally related transactions. As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Candidate for Designation.

## CERTIFICATION

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The report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). The analysis, opinions and conclusions were also developed and prepared in accordance with regulations issued by the Office of Thrift Supervision including Title XI of the Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA). In addition, we have considered the requirements of M&T Bank.

Based upon my findings, it is my opinion that the market value of the fee simple interest in the subject property identified as **2327-2339 Skyland Terrace SE Washington, DC**, in its "as is" condition, as of September 15, 2014, is:

**TWO HUNDRED FORTY FIVE THOUSAND DOLLARS**  
**\$245,000**

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 Lots 0341, 0342, 0343, 0344, 0345, 0346, and 0347 on Square 5740.

**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 September 15, 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 consists of unimproved lots that are not encumbered with a ground lease agreements, 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 September 15, 2014. The date of report reflects the time period during which I worked on the assignment. This transpired between September 15, 2014 and September 23, 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.<sup>1</sup>

**Market Value**<sup>2</sup>: 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.

**Plottage**<sup>3</sup>: the increment of value created when two or more sites are combined to produce greater utility.

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

<sup>2</sup> Dictionary of Real Estate Appraisal, 222.

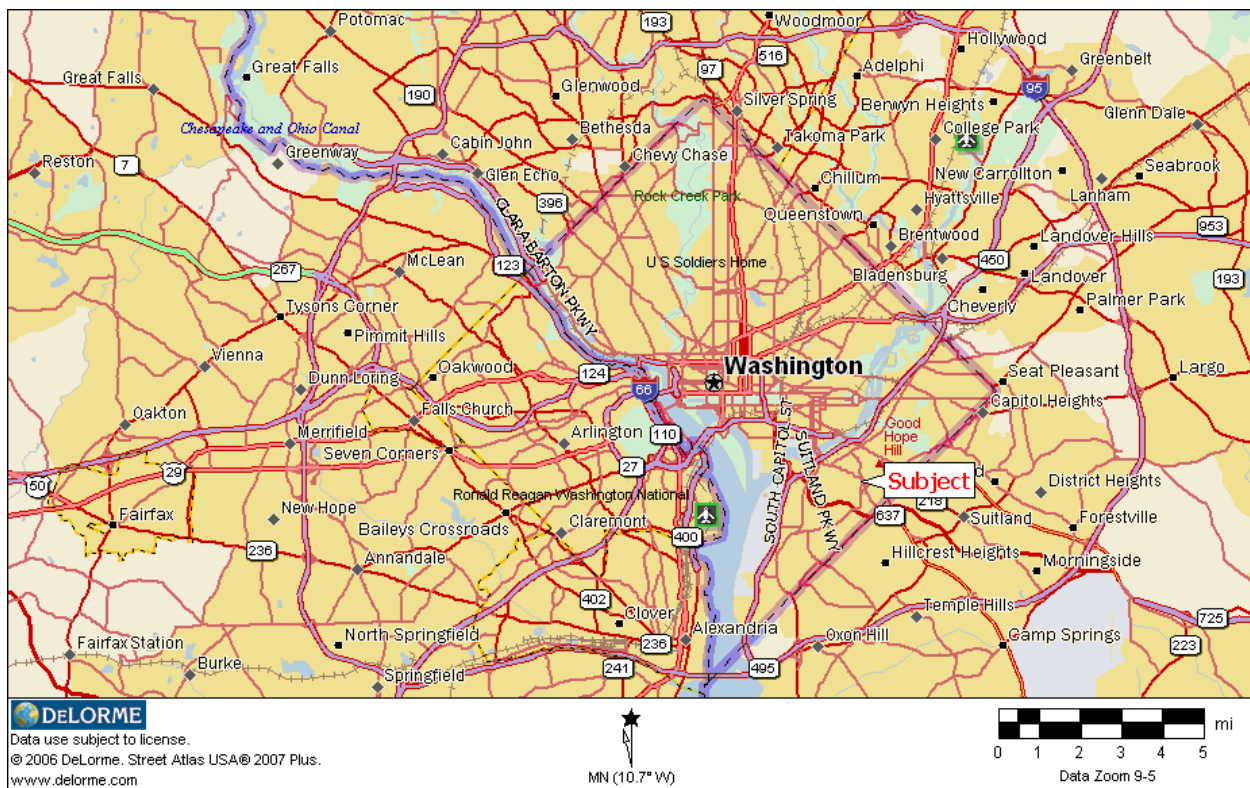
<sup>3</sup> Dictionary of Real Estate Appraisal, 269.

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

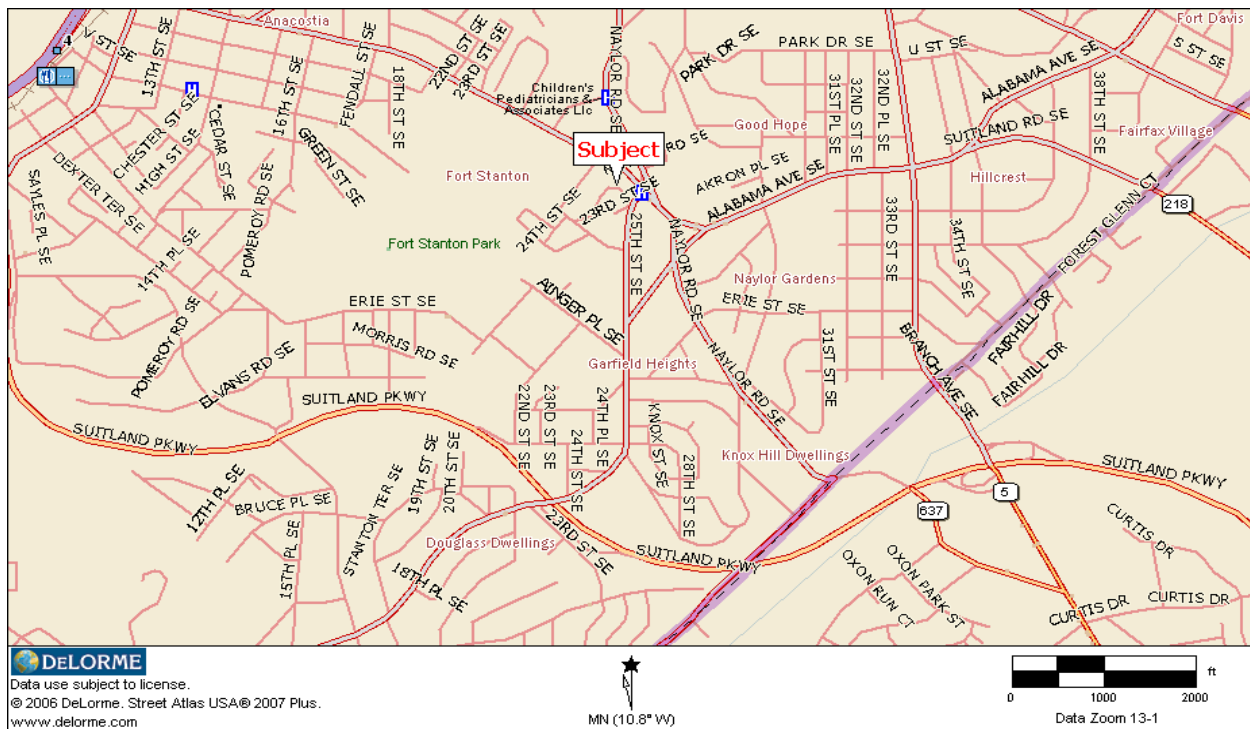
In the Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, a neighborhood is defined as “a group of complimentary land uses; a congruous grouping of inhabitants, buildings or business enterprise”. The goal of this analysis is to define the relevant governmental, environmental, economic and social 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 Garfield Heights neighborhood of the southeast quadrant Washington, DC. The neighborhood is approximately 4.65 miles or 13 minutes southeast of the Washington D.C. central business district and is defined as the area south of Good Hope Road SE, north of Suitland Parkway SE, west of Naylor Road SE and east of Fort Stanton Park. The following maps illustrate the subject’s location within the area 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 that is mostly developed with apartment properties with a few areas of townhomes and single family detached houses. The subject is situated along Skyland Terrace, which is a relatively quiet residential street developed with single family townhomes. Single family townhomes are directly across from and adjacent to the subject property. The townhomes were constructed during the early 1990's and currently appear to be in average condition. A 176-Unit apartment complex known as Woodmont Crossing is directly north 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 following chart illustrates linkages and access for the subject property.

	Distance to Subject
Bus Service	3 Blocks
Public Train Station	2.04 miles
Schools	2.00 mile radius
Grocery Anchored Shopping Center	0 .68 miles
Interstate 295	2.05 miles
Bolling Air Force Base	3.00 miles
Washington DC Central Business District	4.65 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	39,586	227,495
2013 Population	40,311	231,649
2018 Population (projection)	43,132	245,841
<b>Projected Change 2013-2018</b>	<b>1.36% annually</b>	<b>1.20% annually</b>
2013 Households	16,493	99,665
2013 Average Household Size	2.39 persons	2.25 persons
2013 Per Capita Income	\$21,465	\$32,344
2013 Median Household Income	\$35,517	\$48,640
2013 Average Household Income	\$51,933	\$74,719
2013 Households by Income		
% Households < \$25,000	35.6%	26.2%
% Households \$25,000-\$50,000	30.9%	24.8%
% Households \$50,000-\$75,000	14.3%	16.9%
% Households \$75,000-\$100,000	8.5%	9.9%
% Households \$100,000-\$150,000	7.0%	11.8%
% Households \$150,000+	3.8%	10.4%
2013 Housing		
Owner Occupied Housing Units	26.8%	37.5%
Renter Occupied Housing Units	73.2%	62.5%

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 \$51,933, 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 September 20, 2012 to September 20, 2014 net sales prices for single-family homes within the Garfield Heights neighborhood ranged from \$119,500 to \$330,000 with an average of \$228,667 and a median of \$252,750. The neighborhood has a relatively high percentage of renter occupied housing units at 73.2%.

District of Columbia Employment

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

<b>DISTRICT OF COLUMBIA EMPLOYMENT</b>				
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

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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 <sup>th</sup> Street NE Washington, DC 20019	7/2014	R-4 Residential Single Family	\$100,000	6,593	\$15.17
3 <sup>rd</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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
Call Place SE Washington, DC 20019	9/2013	R-3 Residential Single Family	\$180,000	14,664	\$12.28
1127 46 <sup>th</sup> 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 <sup>th</sup> Street NE Washington, DC 20019	12/2010	R-5-D Residential Single & Multi	\$110,000	3,057 SF	\$35.98
729 50 <sup>th</sup> 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

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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 subject property consists of 7 unimproved, contiguous lots that have an aggregate land area of approximately 19,932 SF. The lots range in size from 2,423 SF to 3,873 SF with an average of 2,847 SF. The subject is identified in the District of Columbia land records as Lots 0341, 0342, 0343, 0344, 0345, 0346, and 0347 on Square 5740.

The following chart illustrates the size, shape, topography flood plain and census tract of the subject property.

Subject Lot	Size	Shape	Topography	Terrain	Census Tract
0341	3,873 SF	Irregular	Downward Slope	Grass Woods	0075.02
0342	2,785 SF	Irregular	Downward Slope	Grass Woods	0075.02
0343	2,716 SF	Irregular	Downward Slope	Grass Woods	0075.02
0344	2,481 SF	Rectangular	Downward Slope	Grass Woods	0075.02
0345	2,423 SF	Rectangular	Downward Slope	Grass Woods	0075.02
0346	2,423 SF	Rectangular	Downward Slope	Grass Woods	0075.02
0347	3,231 SF	Rectangular	Downward Slope	Grass Woods	0075.02
<b>Total</b>	<b>19,932 SF</b>				

The subject lots have frontage along Skyland Terrace. Single family townhomes that were constructed in 1992 are directly across from and adjacent to the subject property. A 174-unit apartment complex that was constructed in 2002 abuts the subjects at the rear. 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 has good frontage, access and visibility along a quiet residential street. Based on the size, shape, topography and adjacent uses, the subject can support residential townhouse development.

**ZONING**

The subject is within the R-3 Zoning District. The R-3 District Permits matter-of-right development of single-family residential uses (including detached, semi-detached, and row dwellings), churches and public schools with a minimum lot width of 20 feet and a minimum lot area of 2,000 square feet for row dwellings, 30 feet and 3,000 square feet for single-family semi-detached dwellings, 40 feet and 4,000 square feet for all other structures and 120 feet and 9,000 square feet for schools, a maximum lot occupancy of 60% for row dwellings, churches and schools, 20% for public recreation and community centers, and 40% for all other structures, and a maximum height of three (3) stories/forty (40) feet (60 feet for churches and schools and 45 feet for public recreation and community centers). Rear yard requirement is twenty (20) feet.

**REAL ESTATE ASSESSMENTS AND TAXES**

The subject is identified in the District of Columbia land records as Lots 0341, 0342, 0343, 0344, 0345, 0346, and 0347 on Square 5740. 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 combined 2014 assessment value is \$912,950 or \$45.80/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 combined 2014 assessment value and projected tax liability.

<b>Subject Lot</b>		<b>2014</b>
0341	Land Assessment Value	\$174,590
0342	Land Assessment Value	\$127,470
0343	Land Assessment Value	\$124,420
0344	Land Assessment Value	\$114,030
0345	Land Assessment Value	\$111,430
0346	Land Assessment Value	\$111,430
0347	Land assessment Value	\$146,980
	<b>Total Combined Assessment Value</b>	<b>\$912,950</b>
	Tax Rate per \$100 assessed	\$0.85
	<b>Projected 2014 Tax Liability</b>	<b>\$7,760</b>

**Conclusion:**

The subject's current assessment value of \$912,950 or \$45.80/SF is 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."<sup>1</sup>

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 consists of 7 unimproved, contiguous lots that have an aggregate land area of approximately 19,932 SF. The lots range in size from 2,423 SF to 3,873 SF with an average of 2,847 SF. The subject 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.

**Financial Feasible**

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

**Maximally Productive**

There is a strong demand for affordable housing units within the District of Columbia. The subject is situated among residential townhomes. Therefore, residential townhouse development is the maximally productive use of the site.

**Conclusion:**

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

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<sup>1</sup> 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.

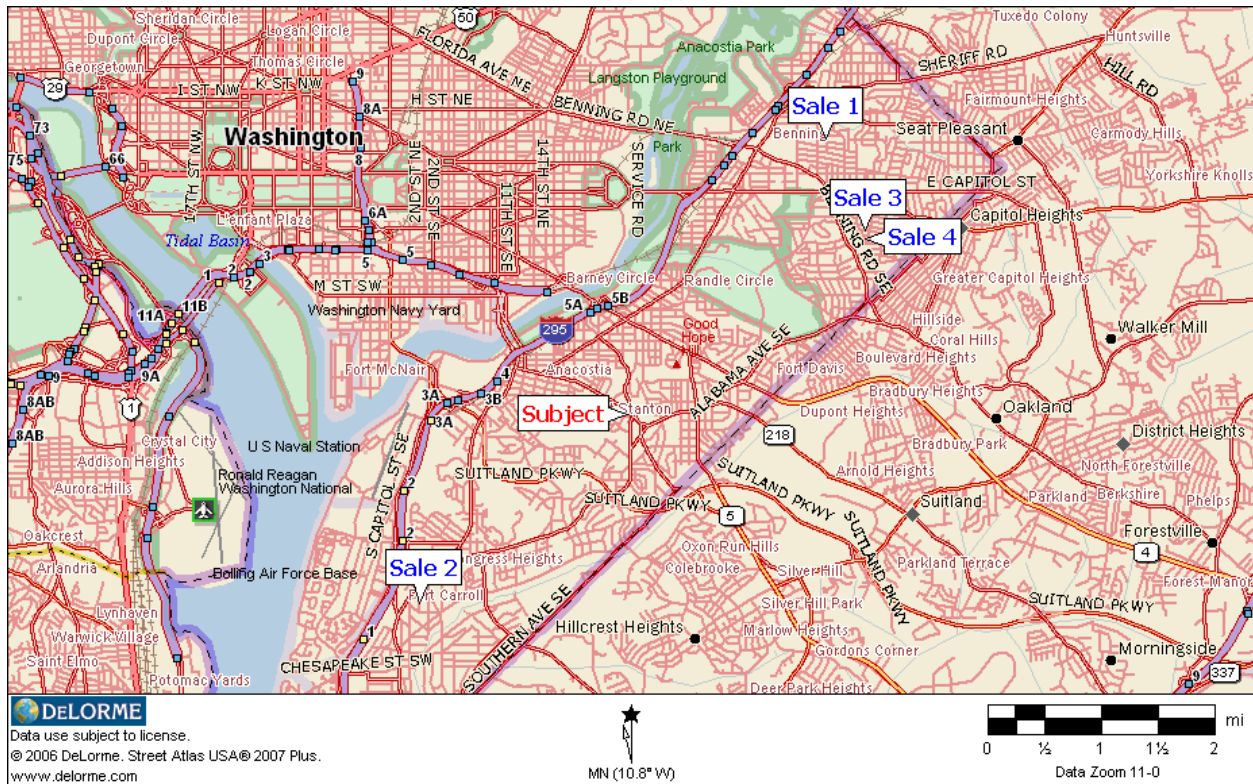
The Sales Comparison Approach is based on the principle of substitution, which states that a prudent buyer will not pay more to buy a property than it will cost to buy a comparable substitute property. This process recognizes that the typical buyer will compare asking prices and work through the most 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.) 45 <sup>th</sup> Street NE Washington, DC 20019 Lot 1, 17,18,19 Sq. 5131	4 unimproved, contiguous Lots	R-2 Residential Single Family No Permits	04/2014 \$180,000	16,739	\$10.75
2.) 3736 Horner Pl SE Washington, DC 20032 Lot 15,16,809 Sq. 6093	3 unimproved, contiguous Lots	R-2 Residential Single Family No Permits	01/2014 \$249,000	21,300	\$11.69
3.) Call Place SE Washington, DC 20019 Lot 10,19-24 Sq. 5337	7 unimproved, contiguous lots	R-3 Residential Single Family No Permits	09/2013 \$180,000	14,664	\$12.28
4.) 304-320 St Louis St SE Washington, DC 20019 Lot 36,37,43,44 Sq. 5336	4 unimproved, contiguous Lots	R-5-A Residential Single Family No Permits	02/2013 \$533,490	41,221	\$12.94



## PHOTOGRAPHS OF COMPARABLE SALES



### SALE 1

**SALE 2****SALE 3**

## SALE 4

The previously cited sales are similar to the subject as they consist of unimproved, contiguous lots that can be sold separately or as a combined site. 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, physical characteristics, and visibility/access.

**Zoning**

The subject is within the R-3 zoning district, which permits development of single family housing units. Comparable 4 is within the R-5-A zoning district, which permits single family dwellings and allows for multi-family buildings if approved by the zoning adjustment board. As a result, comparable sale 4 is considered superior to the subject in terms of permitted uses and requires a downward adjustment. Comparable 1 and 2 are zoned R-2, which has a lower allowable density than the subject. Therefore, comp 1 and 2 require upward adjustments.

**Size**

Typically, larger lots have lower per square foot rates and vice versa. Because the subject is significantly smaller than the comparable 4, I applied upward size adjustment to comp 4 to equate then to the subject.

**Access/Visibility**

Because comparable sale 1 is within closer proximity to a metro train station, it is superior to the subject in terms of access and requires downward adjustment.



## SALES COMPARISON APPROACH

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

Sale Number	1	2	3	4
<b>Sale Price \$/SF-Land Area</b>	<b>\$10.75</b>	<b>\$11.69</b>	<b>\$12.28</b>	<b>\$12.94</b>
Financing	0	0	0	0
Conditions of Sale	0	0	0	0
Market Conditions	0	0	0	0
Property Rights Conveyed	0	0	0	0
<b>Adjusted Sale Price</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Location	0	0	0	0
Access/Visibility	-5%	0	0	0
Physical Characteristics/Shape	0	0	0	0
Zoning	+5%	+5%	0	-15%
Permits Entitlements	0	0	0	0
Economic Characteristics	0	0	0	0
Size	0	0	0	+10%
<b>Total Adjustment</b>	<b>0%</b>	<b>+5%</b>	<b>0%</b>	<b>-5%</b>
<b>Adjusted Indication</b>	<b>\$10.75</b>	<b>\$12.27</b>	<b>\$12.28</b>	<b>\$12.29</b>

After adjustment, the comparable land sales suggest a range in unit pricing from \$10.75/SF and \$12.29/SF, with an average of \$11.90/SF. The subject is most similar to comparable 3. Considering all of the data and analysis, a value conclusion of **\$12.30/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 \$12.30/SF, or \$245,000. The calculation is summarized as follows:

### Market Value Estimate "As Is"

Square Footage Land	Market Value/SF	Value Indication
19,932 SF	\$12.30/SF	\$245,164
<b>Rounded</b>		<b>\$245,000</b>

Based on the Sales Comparison Approach, market value for the subject site in "as is" condition, as of September 15, 2014, is estimated at:

**TWO HUNDRED FORTY FIVE THOUSAND DOLLARS**  
**\$245,000**

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:	\$245,000
Cost Approach:	Not Applicable
<b>Market Value Conclusion:</b>	<b>\$245,000</b>

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 15<sup>th</sup> day of September 2014, is estimated at:

**TWO HUNDRED FORTY FIVE THOUSAND DOLLARS**  
**\$245,000**

## **SECTION IV - ADDENDA**

## 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

*Theresa C. Ngjet*  
\_\_\_\_\_  
Director, Department of Consumer and Regulatory Affairs

