

Bulldog Development: 5345 Sheriff Road Feasibility Study

Prepared by Michael Horwitz
Under the supervision of Professor Marcus Ervin

Course: RDEV690
The University of Maryland – College Park
Spring 2018



PALS - Partnership for Action Learning in Sustainability
An initiative of the National Center for Smart Growth

Gerrit Knaap, NCSG Executive Director
Uri Avin, PALS Director

Contents

Background, Demographics and Economic Drivers.....2

Market Analysis7

Site Details and Proposed Uses.....12

Design and Environmental14

Regulatory, Zoning, and Public Approval22

Construction Cost and Schedule26

Marketing and Management29

Financial Analysis35

Background, Demographics and Economic Drivers



Figure 1. Fairmount Heights in the Washington Region

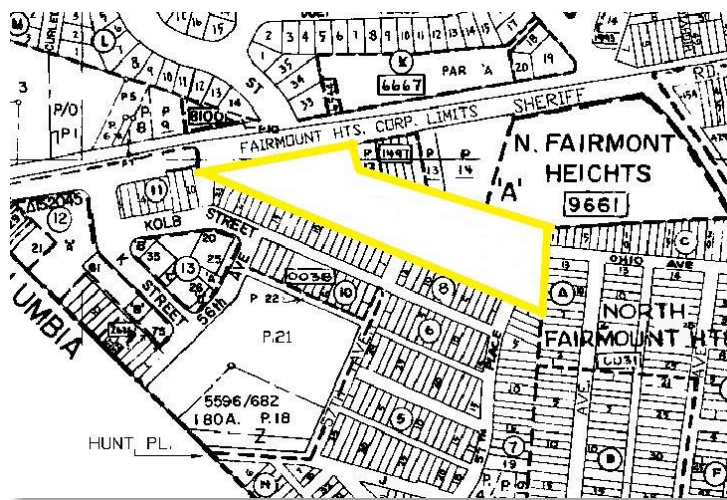


Figure 2. Plat Map of Site

Fairmount Heights is a small town on the edge of Prince George's County, Maryland at the Washington D.C. line. Fairmount Heights was incorporated in 1935. The .27-square mile town is one of the oldest majority African-American populated communities in Prince George's County. As such, Fairmount Heights has numerous historic sites as identified by the Maryland-National Capital Park and Planning

Commission, including historic homes. In 2011, the entire town of Fairmount Heights was added to the National Register of Historic Places. While many of the historic sites are homes, Fairmount Heights is well known in the real estate development world for being home to architect William Sidney Pittman.



Figure 3. Historic Home in Fairmount Heights

Fairmount Heights today is primarily a residential town filled with bungalow style homes and a number of churches. However, the town’s northern border, along Sheriff Road, is lined with commercial businesses. These businesses—fast food, gas stations, and bail bonds—are set up in aging warehouses and retail storefronts.



Figure 4. Existing Commercial Neighborhood



Figure 5 Existing Retail on Sheriff Road

As of the 2010 Census, the population of Fairmount Heights is 1,494 and the U.S. Census Bureau estimated that in 2017 the population would be 1,567. While that is only a five percent population growth, it is a significant turnaround from the previous decade when Fairmount Heights lost one percent of its population between 2000 and 2010. Fairmount Heights continues to be majority African American population. Nearly 88 percent of the residents identify as Black as their only race. Hispanic is eight percent while every other race is less than one percent.

Fairmount Heights is also home to an older population compared to the region at large. The median resident age for Fairmount Heights is 42, compared to Washington D.C.'s median age of 33.

Estimated Area Median Income (AMI) for Fairmount Heights is approximately \$59,000. Nearly 17 percent of residents are unemployed and close to ten percent are living below the poverty line.

There are few, if any, significant employers in Fairmount Heights. (Significant employers are those that employ many residents or have an established presence in the region.) The average commute for residents is 30 minutes. Within one mile of the Sheriff Road site there are an estimated 480 businesses, with many employees working in the healthcare and social assistance industry. To the west, in Washington D.C.'s Deanwood neighborhood, the Deanwood Rehabilitation Center is a prominent employer.

Most of the commercial properties in Fairmount Heights are industrial warehouse properties. These warehouses are distribution centers for regional and national food companies. Some of the major tenants include Whole Foods, Keany Produce, and Gold

Crust Baking Company. While these commercial tenants are nearby, they don't generate a high level of employment for Fairmount Heights residents.

Within one mile of the Sheriff Road site, there are 135 multifamily properties. Vacancy rates have risen modestly over the last three years from 3.5 percent to 5.8 percent, mostly due to aging housing stock and newer developments in nearby neighborhoods.

| Property Name/Address | Rating | Yr Built | Property Size | | Asking Rent Per Month Per Unit | | | | Rent/SF |
|--|--------|----------|---------------|-------------|--------------------------------|---------|---------|---------|---------|
| | | | Units | Avg Unit SF | Studio | 1 Bed | 2 Bed | 3 Bed | |
| 1 EastBrooke at Beulah Cro... 323 62nd St NE | ★★★★★ | 2015 | 39 | 686 | - | \$1,192 | \$1,410 | \$1,630 | \$2.05 |
| 2 The Grove at Parkside 600 Kenilworth Ter NE | ★★★★★ | 2016 | 186 | 763 | \$1,068 | \$1,121 | \$1,328 | \$1,521 | \$1.65 |
| 3 Park 7 4020 Minnesota Ave NE | ★★★★★ | 2014 | 377 | 809 | \$930 | \$1,158 | \$1,388 | \$1,625 | \$1.56 |
| 4 St. Stephens 4000 Benning Rd NE | ★★★★★ | 2017 | 71 | 685 | - | \$953 | \$1,146 | - | \$1.45 |
| 5 The Nannie Helen at 4800 4800 Nannie Helen Burro... | ★★★★★ | 2013 | 70 | 903 | - | \$971 | \$1,322 | \$1,462 | \$1.38 |
| 6 Victory Square Senior Ap... 600 Barnes St NE | ★★★★★ | 2012 | 97 | 768 | - | \$830 | \$964 | - | \$1.15 |
| 7 Deanwood Hills 5201 Hayes St NE | ★★★★★ | 2018 | 150 | - | - | - | - | - | - |

Figure 6. List of Competitive Residential Properties

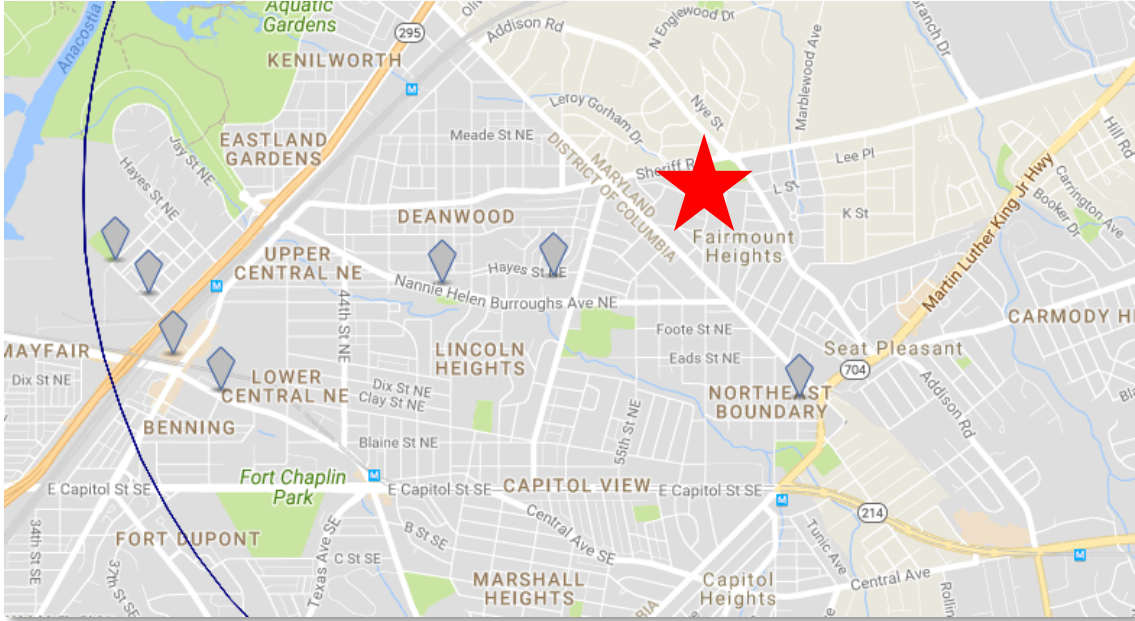


Figure 7. Map of New Competition

Asking rents are continuing to rise; average rent per square foot has risen from \$1.35 in 2013 to nearly \$1.83 today. This increase could reflect the new inventory in the nearby neighborhood of Deanwood. Since 2016, two projects totaling 250 units have been built in the area. These two projects—The Grove at Parkside and St. Stephens—are currently the closest competition to the proposed project. In addition to these two, another 350 units are expected in Deanwood by the end of 2018 in the developments Deanwood Hills and Benning and East Capitol.

Market Analysis

Fairmount Heights is approximately one-quarter square mile. As such, a larger market area is needed to understand the neighborhood’s commercial real estate performance. Specifically, with the lack of multifamily developments in Fairmount Heights, the surrounding neighborhoods of Deanwood, Capitol Heights, and Seat Pleasant will be used to monitor competition, track multifamily performance, and understand how receptive the community will be toward new supply in the marketplace.

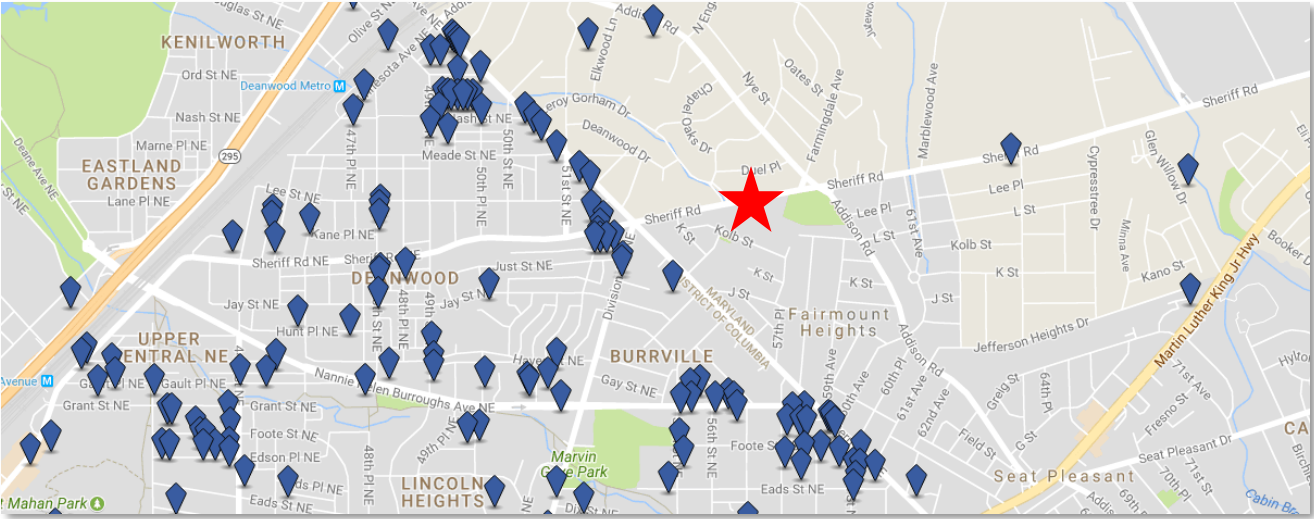


Figure 8. Surrounding Multifamily

5345 Sheriff Road is located at the star shown on Figure 8. Each pin indicates a multifamily property. However, many of these properties are between six and 15 units. Furthermore, much of the area’s multifamily inventory is older stock. Properties here were mostly built before 1970. To accurately target the main competition for 5345 Sheriff Road, it is important to isolate properties of similar size, age, and quality.

The competition changes when targeting Class A multifamily properties constructed since 2010 with at least 35 units.

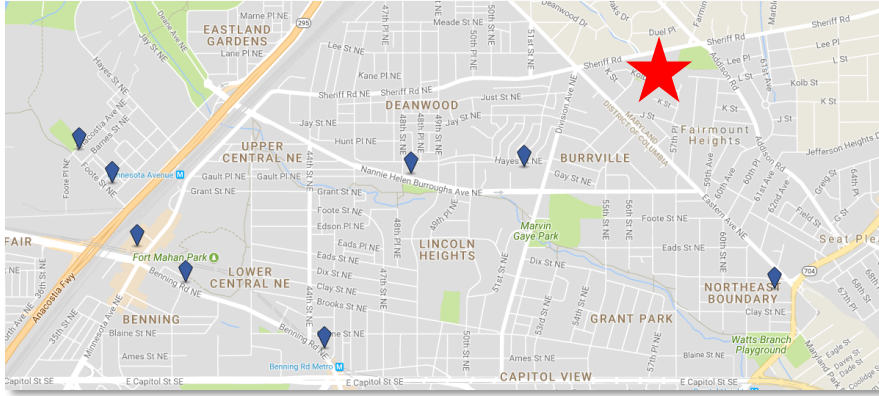


Figure 9. Surrounding Competition










| | | |
|--|---|---|
|  <p>1 EastBrooke at Beulah 323 62nd St NE 39 Units / - Stories Rent/SF \$2.05, Vacancy 5.1% Owner: - ★★★★★</p> |  <p>2 The Grove at Parkside 600 Kenilworth Ter NE 186 Units / 6 Stories Rent/SF \$1.65, Vacancy 5.9% Owner: Gilbane Development Com... ★★★★★</p> |  <p>3 Park 7 4020 Minnesota Ave NE 377 Units / 4 Stories Rent/SF \$1.56, Vacancy 6.4% Owner: District of Columbia ★★★★★</p> |
|  <p>4 St. Stephens 4000 Benning Rd NE 71 Units / 4 Stories Rent/SF \$1.45, Vacancy 5.6% Owner: - ★★★★★</p> |  <p>5 The Nannie Helen at 4800 4800 Nannie Helen Burroughs Ave... 70 Units / 5 Stories Rent/SF \$1.39, Vacancy 10.0% Owner: A Wash and Associates ★★★★★</p> |  <p>6 Benning Road 4228 Benning Rd NE 38 Units / 3 Stories Rent/SF \$1.36, Vacancy 7.9% Owner: Keller Associates, Inc. ★★★★★</p> |
|  <p>7 Victory Square Senior 600 Barnes St NE 97 Units / 4 Stories Rent/SF \$1.14, Vacancy 3.1% Owner: Victory Housing ★★★★★</p> |  <p>8 Deanwood Hills 5201 Hayes St NE 150 Units / 4 Stories Rent/SF -, Vacancy - Owner: District of Columbia ★★★★★</p> |  <p>9 Benning and East Capitol 4430 Benning Rd 202 Units / 7 Stories Rent/SF -, Vacancy - Owner: SOME, Inc. ★★★★★</p> |

Figure 10. Competition in Grid Form

The last two listed, Deanwood Hills and Benning and East Capitol, are still under construction but are due to deliver by the middle and end of 2018, respectively. These

eight properties are the closest competition for any new multifamily development in Fairmount Heights.

Despite new construction within the last few years, rents continue to rise, backed by strong absorption numbers. As seen in Figure 11, absorption of units that were constructed within a three-year window have continued to rise since 2012. In 2017, nearly 400 units were absorbed from deliveries between 2014-2017, and 2018 absorption is already approaching 100 units.

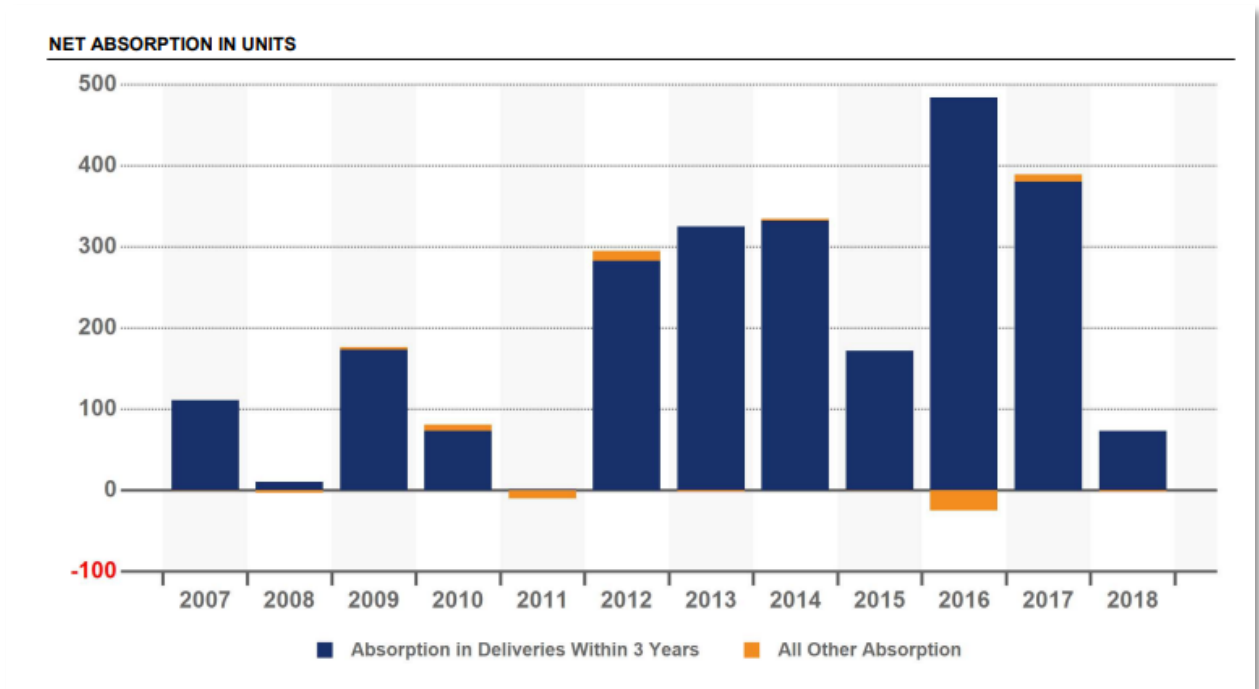


Figure 11. Absorption of Recently Delivered Units

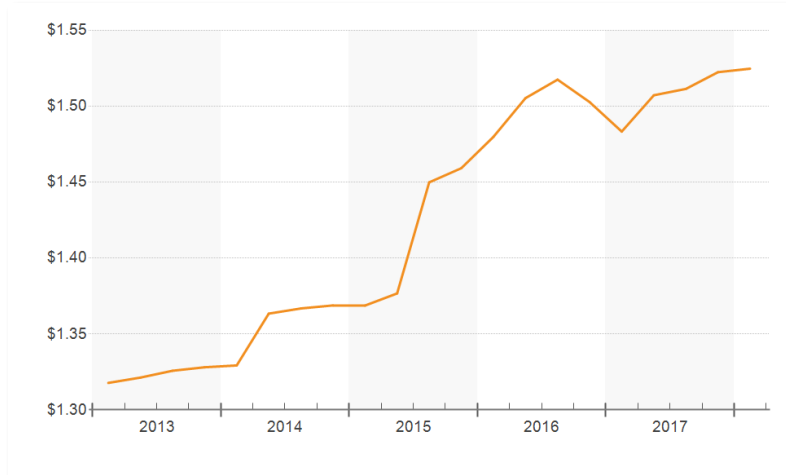


Figure 12. Blending Asking Rent of Comparison Set

Figure 12 shows the average rent in similar, recently delivered apartment buildings. Furthermore, the speed of leasing has been very healthy. As seen in Figure 13, these competitors have been able to reach stabilized occupancy within 9 to 12 months of delivery.

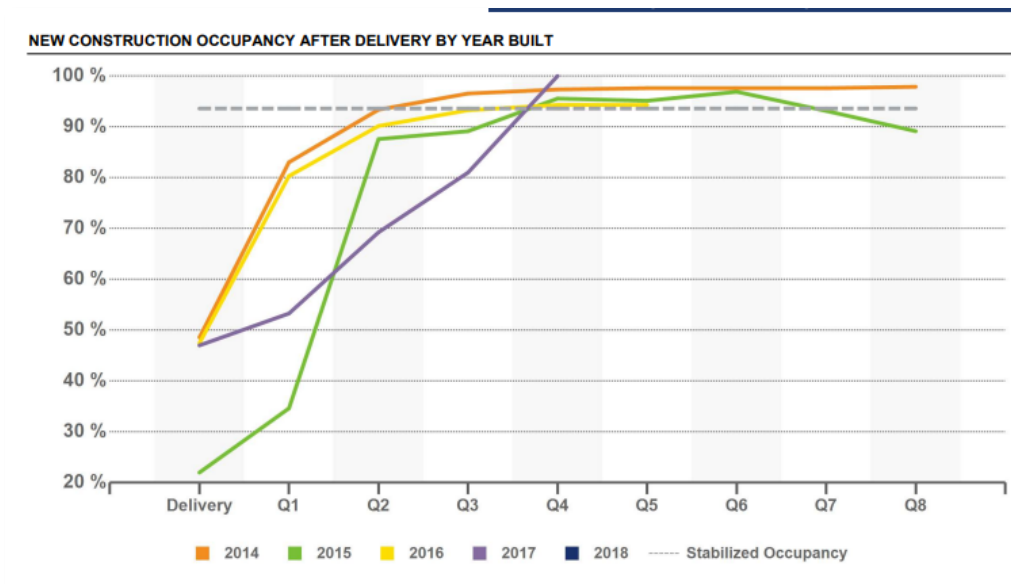


Figure 13. Stabilization Speed by Year Built

Regarding future demand in the area, the population of the Lower Northeast submarket, which covers Fairmount Heights and neighboring Deanwood, has grown by 18 percent since 2010. At that rate, it is one of the ten fastest growing submarkets in the Washington D.C. metro area. Focusing on the Sheriff Road site more closely, within one mile of the site, population growth since the 2010 Census has increased 12.5 percent and it is expected to grow 7.1 percent between now and 2022.

The population increase is spurred by gentrification of neighborhoods like Shaw, H Street, and the Capitol Riverfront, which make the eastern sections of Washington D.C. and border neighborhoods like Fairmount Heights prime for an opportunity to develop high quality inventory, as well as serve those that have been priced out of living in downtown Washington D.C.

Site Details and Proposed Uses

The proposed development is located at 5345 Sheriff Road. The site is 4.4 acres and currently zoned M-U-I, or Mixed-Use-Infill. The proposed development will be 114 multifamily units, with 5,000 square feet for a culinary arts school and 2,200 square feet for a corner store.

46 of the 114 units will be priced at 50 percent of the regional AMI to meet Low Income Housing Tax Credit standards. The remaining 68 units will be priced at market rates. The culinary arts school will be in association with the Prince George's County Community College and the corner store will be leased to a local business to provide residents and community members with an opportunity to conveniently buy household and kitchen needs. The structure of the commercial space is highlighted in a following section.

The development will consist of three buildings. One building will face Sheriff Road, while the other two will be deeper into the site. All buildings will be three-story, garden-style walk-ups.



Figure 14. Proposed Development Part 1



Figure 15. Proposed Development Part 2



Figure 16. Site Plan

The development will include bike paths throughout the site to connect residents from the residential neighborhood next to the site. To support the parking requirement, surface level parking will be provided behind the main building and a two-story structured parking deck will be built toward the back of the site.



Figure 17. Rendering of the Corner Store's Interior

Design and Environment

Any new development in Fairmount Heights, especially a greenfield site like 5345 Sheriff Road, should be expected to fit within the fabric of the neighborhood. The design elements used for new development must speak to the community's character, respect the historic landscape, and breathe new life into the community. This approach may seem like common sense for respectful developers, but after speaking with community members, and reading the Prince George's County Sub Region 4 Master Plan—which encompasses Fairmount Heights—it appears that previous developers, and land buyers have ignored the needs of the earth, the people, and the lasting impact their decisions have on the larger community. This section explores the design elements, environmental impacts, and the social and public benefits behind the creation of this new development at 5345 Sheriff Road.

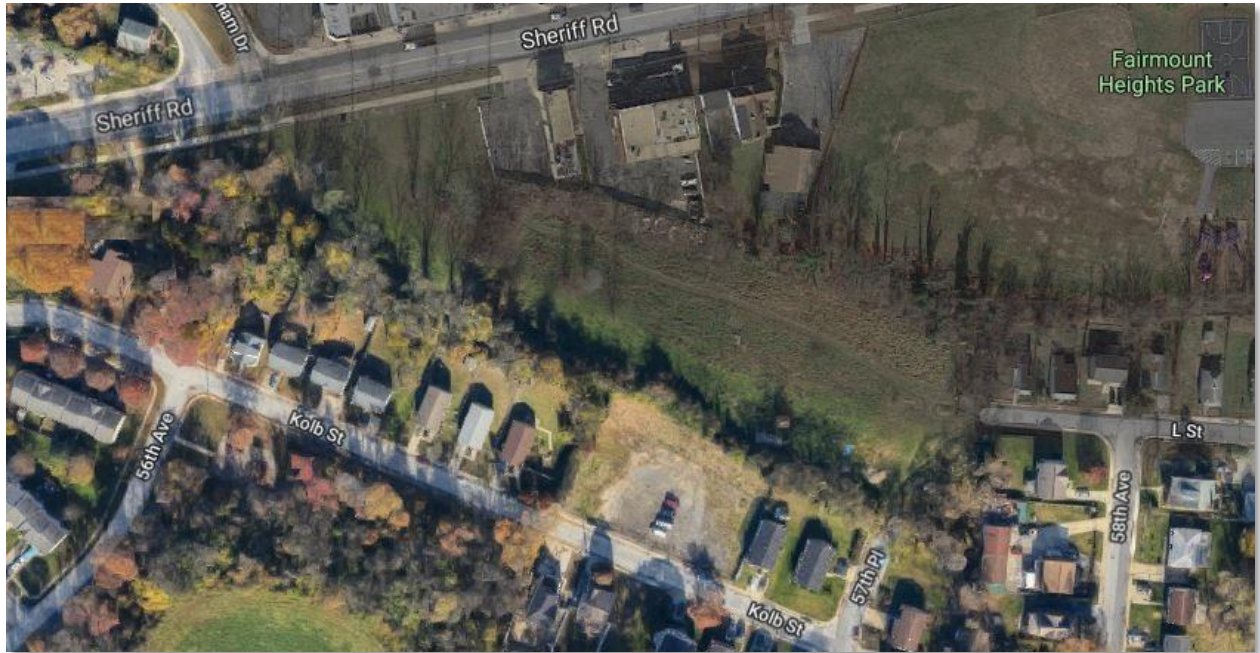


Figure 18. Aerial View of Site

Design

One of the cornerstones of Prince George’s County’s Master Plan for Fairmount Heights is, “to enhance the quality and character of the existing community.”

Specifically, Zone 2 covers Fairmount Heights and the site at 5345 Sheriff Road.

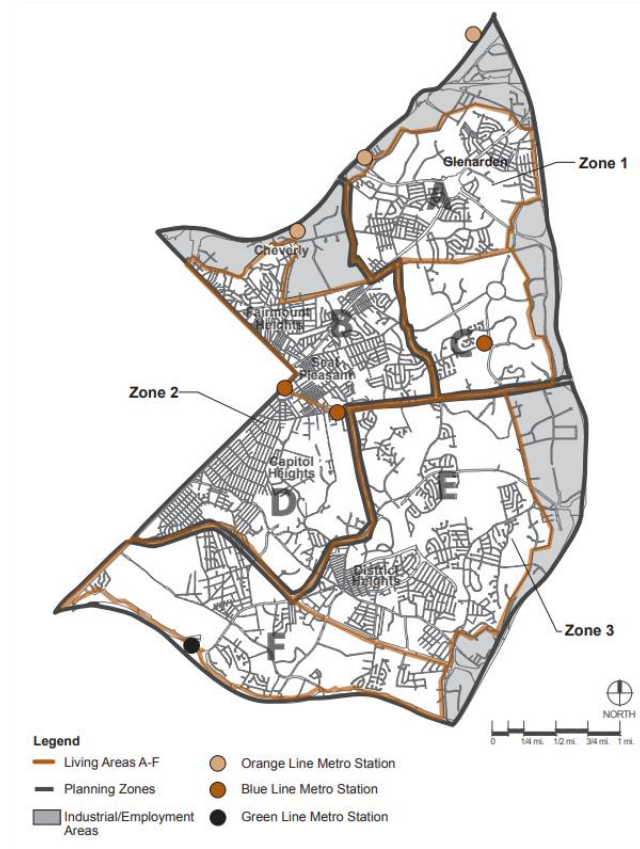


Figure 19. Zones for Sub Region 4 in the Prince George's County Master Plan

Zone 2 in Sub Region 4 requests certain the design features from new development. First, the design for the site must arrange public and private space to deter crime. Additionally, the design must introduce an environmental framework that will encourage future development and naturally lead to new development throughout the community.

To accomplish these goals and to meet the desires of the residents, development on the site is positioned to spur commercial growth along Sheriff Road and community cohesion toward L Street and 57th Place.

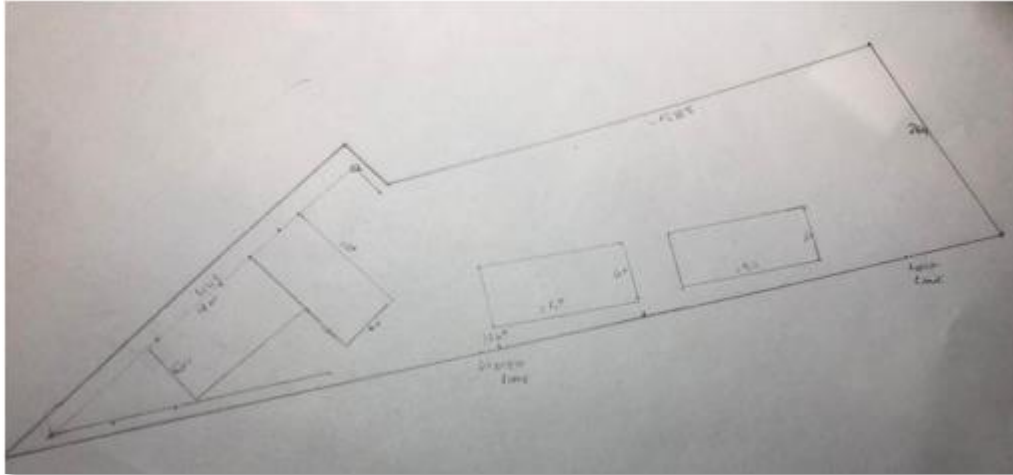


Figure 20. Initial Site Plan

The portion of the development on the far left of Figure 20 faces the business corridor of Sheriff Road and on the ground floor will include the culinary arts school and community store. Above the commercial space will be residential apartments with a mix of low-income and market-rate units.

The design for the commercial space is inspired by conversations with members of the Fairmount Heights community. As residents and community leaders expressed their desires for amenities, a central theme emerged. The residents of Fairmount Heights longed for walkable streets and corner stores where they could pick up household essentials, purchase groceries, or even congregate. To provide the community with the stores they seek, retail design must resemble traditional markets and general stores. After all, Fairmount Heights was built at the turn of the 20th century. To illustrate what this commercial space might look like, the architectural inspiration comes from early and mid-century stores, with a modern update, creating space that

invites community members walking from the neighborhood, but also shows commuters on Sheriff Road that Fairmount Heights is not a place worth speeding by.

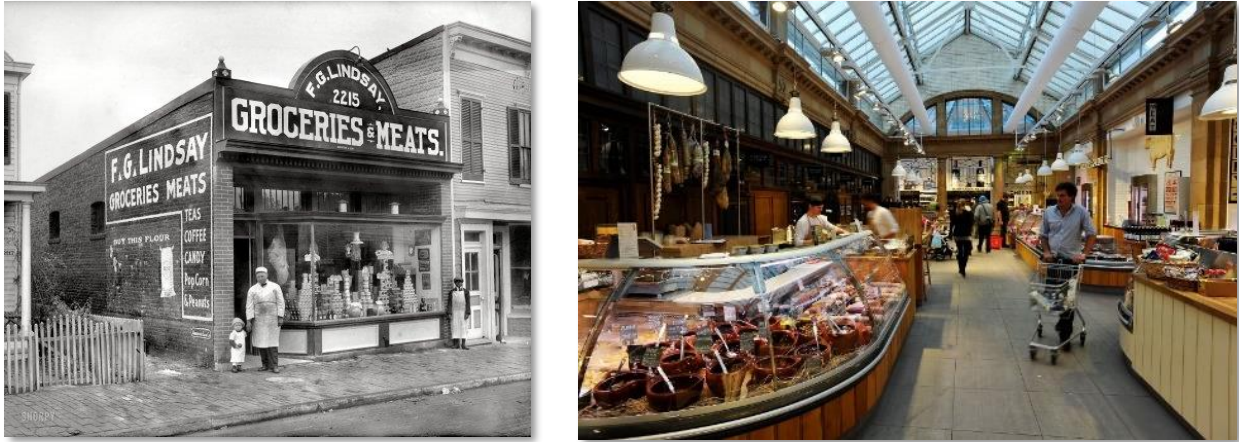


Figure 21. Precedent Images for Corner Store

Regarding the residential and public space deeper in the site, it was important to not overwhelm the community with high towers. High rises, and even mid-rise multifamily units would not honor the historic design and the culture in Fairmount Heights. The homes in Fairmount Heights are of mostly older stock but have unique characters, having been designed by architect William Sidney Pittman.

The homes typically sit on narrow lots and have tall peaked roofs with roomy front porches. It is important to maintain this style while also attracting newer residents who will want to remain in the community after renting. The following photos are traditional Fairmount Heights homes, historic sites, and the design inspiration for the development at 5345 Sheriff Road.



Figure 22. Historic Homes in Fairmount Heights

Finally, the commuter trail that will connect J Street to the newly established corner store and culinary arts school must pay special tribute to the town's historic nature. Deep in the town's heart is a monument to the World War II veterans Fairmount Heights.



Figure 23. World War 2 Memorial in Fairmount Heights

The commuter path from the western J Street to the eastern Sheriff Road will be constructed with similar stone and slate that make up the centerpiece of the town.

Environment

Some of the key environmental goals in the Prince George's County's Sub Region 4 Master Plan regarding Fairmount Heights include minimizing the need for motor vehicle trips; promoting sidewalks, trails, and bikeways for pedestrians; and incentivizing new buildings to achieve LEED silver rating or higher. As it pertains to 5345 Sheriff Road, these goals will be achieved by minimizing car dependency and increasing foot traffic.

Implementing walking and bike paths to connect Sheriff Road and J Street will not only encourage new residents to walk to neighbor's homes, but will also invite residents who might otherwise drive to local destinations. The addition of the community store will invite more foot traffic from the community.

As for on-site environmental challenges, there appears to be litter and general waste disposal from the public. There does not appear to be any excessive dumping beyond wrappers, plastic bags, and bottles. Furthermore, the County has not designated the site as having environmental contaminations, and it's not in any danger of flood damage. However, the site has been designated in the 'poorly drained' drainage class. To combat this, rain runoff management will be a priority when redeveloping the site.

Social and Public Benefits

Redevelopment at 5345 Sheriff Road will help restore Fairmount Heights to the interconnected community it once was. In the town charrette, participants recalled a time when one could walk to any house on the block to borrow a cup of sugar or flour.

One resident even said, “by the end of the trip, you were basically cooking someone else’s pie.”

This project is targeted at reconnecting the neighborhood and providing residents with resources to help them thrive. The culinary arts school and community store will provide residents across the neighborhood a place to congregate, shop, and learn. The mixed-income housing will provide new residents an opportunity to move into the neighborhood and invest time and energy in the town. The garden-style apartments will keep eyes on the street and provide the residents with an intimate, yet welcoming setting complete with balconies, porches, and plenty of windows. Figure 24 shows the design concept for the garden-style walk-up to be built.



Figure 24. Inspiration for Garden-style Walk-up Apartments

The unit balconies are styled after the front porches throughout the neighborhood and meant to encourage residents to sit on their front porches and look out for each other. The pitched roofs are in the style of William Sidney Pittman’s historic homes seen on almost every block. Excluding the paved lots and the palm trees, this rendering is an inspiration for the social and public benefit the development will bring to the community.

The project will welcome the new residents, while also educating them on the history their neighboring community buildings.

Zoning Obligations, Regulatory Review and Public Approvals

To successfully launch 5345 Sheriff Road, a few steps are required to ensure timely approvals on zoning, site usage, permitting, and financing. This section highlights the steps necessary to ensure that the entire project progresses properly. It discusses the zoning obligations and County and governing jurisdictions review process, then the obligations for securing state allocated Low Income Housing Tax Credits.

Zoning Obligations

Development on 5345 Sheriff Road is guided by a combination of zoning codes and overlay zones that identify and restrict potential development. The zoning code dictates the compatible uses for the site, while the overlay zones define requirements for a more holistic regional view—that is, boundaries and rules for the site as it fits with a larger plan for the region and the County.

5345 Sheriff Road is zoned Mixed-Use Infill (M-U-I). According to Prince George's County, M-U-I is designated in key areas to promote Smart Growth principles that will create new connected community environments with a mix of commercial, residential, recreational and open space. When identifying the M-U-I development capacity, restrictions, and regulations, Prince George's County refers potential developers to the Development District Overlay Zone. But the regulations and use table for M-U-I are not clearly defined.

Section 27-546.18 states:

“the regulations governing location, setbacks, size, height, lot density, and other dimensional requirements in the M-U-I Zone are as follow...R-18 Zone regulations apply to all uses in residential...Multifamily residential densities up to 48 units per acre are permitted. When an owner proposes a mix of residential and commercial uses on a single lot or parcel...the site plan as approved shall set out the regulations to be followed”

As highlighted, the M-U-I requirements and restrictions aren't clearly set out. Furthermore, in June 2017, the County Planning Department released a discussion paper expressing their concern over the language's effectiveness and clarity for M-U-I zoning.

They comment:

“The level of change needed for M-U-I Zone to meet the County Council's threshold of better procedures for the use thereof and make it more effective to achieve County policies are such that the fundamental nature of the zone would be reshaped.”

And they go on to say:

“the uses in the M-U-I Zone are controlled by extraordinarily confusing text provisions. Staff cannot be sure anyone truly understands what uses are permitted in this zone... The M-U-I use table, is literally maintained by a single staff person in the Planning Department and provided upon when the M-U-I Zone is envisioned in a new/ongoing Sectional Map Amendment.”

Regulatory Review

Despite the County's lack of detail and the frustration expressed by its Planning Department, new developments need to follow a certain procedure for approved development. 5345 Sheriff Road, in the Subregion 4 Master Plan area, is subject to a plat review that makes the developer aware of land features and to ensure public facilities are available.

The platting process helps the County and developers determine the adequacy of public uses for the new development, including roads, water, sewer, electric lines, as well as policing, fire and rescue resources, and local schools.

The next step is site plan review, based on preliminary designs, landscaping, and architectural style. It is important that the site plan is based on master plan guidelines. Specifically, this review helps determine if parking, green space, loading, lighting and streetscape amenities are appropriately calculated. It also requires a public hearing on the site plan within 70 days of its acceptance. Anyone may speak on the proposed development.

After detailed site plans are approved, building materials, landscaping, and measurements, the building permitting must be reviewed and approved. When applying for building permits from the Department of Environmental Resources, local agencies such as the Department of Public Works, Health Department, and the Maryland-National Capital Park and Planning Commission will be called on to ensure conformity in their areas.

Finally, preservation and landscape compliance measures that incorporate conservation plans into the development are addressed. Woodland Conservation and Tree Preservation Ordinances are a part of the Zoning Ordinance and involve a review of tree protection during the construction process.

Tax Credits

To ensure a timely development schedule, it is critical to secure financing at the proper time. In this case, the application for state Low Income Housing Tax Credits must be delivered, reviewed, and accepted to warrant a seamless development process. This development will pursue a nine percent competitive tax credit, which requires submitting a complete application, then a review to ensure the proposed development meets the specified Threshold Criteria. Scoring is out of 199 points. This

project achieved a mock score of 179, and could certainly compete with other proposed developments.

| MARYLAND LIHTC SCORE | Total | My Score |
|-------------------------------------|------------|------------|
| Capacity of Development Team | 74 | 59 |
| Dev Team Exp | 42 | 33 |
| Deductions | (10) | 0 |
| Dev Financial Capacity | 18 | 12 |
| Non Profits | 14 | 14 |
| Community Context | 16 | 16 |
| Community Impact | 16 | 16 |
| Communities of Opp | 16 | |
| Defined Planning Areas | 12 | |
| Transit Oriented | 8 | 8 |
| Public Purpose | 49 | 34 |
| Income Targeting | 15 | 8 |
| Targeted Populations | 10 | 6 |
| Family Housing | 8 | 8 |
| Tenant Services | 8 | 8 |
| Mixed Income Housing | 4 | 4 |
| Additional Incentives | 4 | |
| Leveraging | 21 | 21 |
| Direct Leveraging | 11 | 11 |
| Operating Subsidies | 10 | 10 |
| Construction Cost Incentives | (8) | |
| Development Quality | 31 | 31 |
| Green Features | 12 | 12 |
| Energy and Water | 6 | 6 |
| Durability | 13 | 13 |
| State Bonus | | 10 |
| Total | 199 | 179 |

If accepted, the Community Development Administration of the state's Department of Housing and Community Development will receive its allocation of tax credits or a reservation letter. A reservation letter allows developers to delay the allocation of Tax Credits to fit with the planned construction schedule. Once accepted,

the developer must begin the proposed development within a year of allocation or reservation.

The Threshold Criteria for the state to be awarded Low Income Housing Tax Credits involves a scored application, as described in the state's Qualified Allocation Plan. Points are scored on site location, area housing needs, development characteristics, financing sponsor details (equity partners), tenant populations with special housing needs, energy efficiency, and architectural style.

There are a few elements needed to carefully plan and deliver a new development without stalling the project. Many of the steps required for the Low Income Housing Tax Credit allocation rely on approval and acceptance of the County's site plan. An application for tax credit allocation must be ready for submission to ensure the allocation lines up with building permit approval.

For the project at 5345 Sheriff Road, the first hurdle will be winning approval for the proposed site plan and development. When the site plan is approved and building permits are being reviewed, is when application for tax credits should begin. While the allocation of tax credits occurs semi-annually, it is important to coordinate submissions for site review and permitting with the state's deadlines.

Construction Costs and Schedule

Determining a development's construction costs requires a developer to consider the hard costs of construction and the soft costs that help facilitate the construction process. This section reviews the factors that make up hard construction costs for this mixed-income, mixed-use development, including the project's size, size of the parking

structure, the quality of materials, and the costs of landscape design and construction to meet community and County standards.

Size and Materials

Estimating time and materials is based on the development's size and shape. The development at 5345 Sheriff Road is approximately 97,000 square feet, with total square footage divided into three buildings with a variety of uses. One building will have ground floor retail and a commercial kitchen with two stories of residential above. The other two buildings will be exclusively residential and three stories.

To accurately price materials, it is important to communicate with the architect and the general contractor on the allowable materials set by the County and where those materials can be placed. For the development at 5345 Sheriff Road, Prince George's County Subregion 4 Master Plan dictates what and where the material can be used and how much of it is allowed.

As stated in the Master Plan, primary building facades shall be faced with quality materials such as brick, natural stone, concrete, or cementitious clapboard siding. Synthetic stucco, aluminum, and vinyl siding may not be a dominant building material. However, they may be used on sides facades not facing streets.

The key element that for the construction cost figures is that the two multifamily buildings in the middle of the site will not face any street. The only street-facing building will be the mixed-use building on Sheriff Road. These different allowed materials as well as the different finishes between the affordable units and the market-rate units, changes pricing per unit. General contractors estimate \$180 per square foot for market rate

space and \$130 per square foot for affordable rate space. These estimates result in a construction costs nearing \$16.5 million.

Parking requirements for the site are indicated in the County zoning code. This development will meet the requirement for 123 spaces with a combination of surface and structured parking. With estimates for structured parking at \$19,700 per space, according to Carl Walker Parking, a leading parking subcontractor, the approximate parking costs would total approximately \$2.4 million.

Landscape Design Costs

A significant component of the development costs will be the construction and maintenance of the green space that will help connect the community and achieve the County goals to increase walking, biking and non-motor vehicle forms of transportation. Elements in the public green space include a dog park, a picnic area, and a playground. Each of these items has their own costs and own maintenance budget.

According to a 2015 North Carolina State University study, the cost of bike and walking trails could be estimated at \$30,000. Constructing the dog park would be approximately \$10,000. The playground at the site's front green would be the most expensive at \$500,000. The picnic area would be estimated at \$25,000. Additionally, ongoing maintenance must be factored in to keep the green space up-to-date—estimated \$15,000 a year, or \$300,000 over 20 years of ownership. In total, the landscape construction and maintenance would cost \$865,000.

Construction Schedule

Construction schedules should be estimated with a general contractor or subcontractor for the timing of each task and a general sense of construction time based on region and property style.

According to a 2016 survey from the National Association of Home Builders and the US Census Bureau, multifamily buildings with the number of units proposed at Sheriff Road are completed in nearly 15 months from approval to finished product. On average, two of the 15 months are spent gathering authorization to start, specifically the permitting process. This process can certainly be completed at the same time as the landscaping for the green space to ensure an efficient use of time.

5345 Sheriff Road has plenty of potential for development. The County's requirements coupled with the overdue community needs require a budget that includes parking, open green space, and mixed-use residential and commercial space. With a construction budget of more than \$20 million, financing options will need to use grants and credits for environmental sustainability, landscape commitment, and affordable housing.

Marketing and Management

The proposed mixed-income community at 5345 Sheriff Road will provide new housing and green space to an aging town, it will also bring vital resources to new residents and to the surrounding citizens of Fairmount Heights. The section explains the youth programs the project will provide, the effect on education and job skills, health and wellness, the transportation services, and the security the new development will

provide. This section concludes with a marketing plan designed to attract new residents to the area.

Youth Programs and Development

One of the primary uses at 5345 Sheriff Road will be a small culinary arts school, created in partnership with the Prince George's County Community College's culinary arts program. The benefits for education and job skills are detailed in subsequent subsections. An added benefit of this space is that it can be used for after-school programs and weekend education seminars. The inspiration for this space was the Easton Public Market Kitchen in Easton, MD. While the kitchen in Easton is far smaller than the space provided in Fairmount Heights, the core objectives are the same. The culinary arts school in Fairmount Heights will host after-school cooking classes for students throughout the neighborhood, not just those who live in the development. Furthermore, weekend programs will provide working families with an educational resource for their children. The goal of the public kitchen is to improve food-related education for the next generation.



Figure 25. Interior Concept for Culinary Arts School



Figure 26. Interior Concept #2 for Culinary Arts School

Education and Job Skills

The culinary arts school space will be the primary focus of the development, facing Sheriff Road. It will provide students with the skills and credentials to earn required industry certifications in food preparation, baking, cooking, and presentation. The employment benefits of a culinary arts school extend beyond educating new workers. It will also provide employment opportunities for instructors and will work with food sourced from local farms. The culinary arts school fits within the County's mission to provide educational opportunities beyond higher education to the citizens of Prince George's County.

Health and Wellness

A local food market will be incorporated into the development. It will be located next to the culinary arts school on the first floor of the main building facing Sheriff Road. The market will provide the community with everyday essentials that cannot be found in the surrounding area—sugar, flour, fruits, vegetables, eggs and vegetables as well as household needs like soap, napkins, dishtowels and laundry detergent. The inspiration for this store came from a local community member who commented on that the lack of accessible stores prevented anyone from walking to get everyday goods as they once

could. According to the residents, in the 1950s and 1960s, Fairmount Heights had several corner stores all within walking distance that helped connect the community. While this is only one store, the addition of a healthy food corner store will hopefully inspire future developers and neighboring owners to revitalize their buildings.

As shown on the proposed site plan, the development at Sheriff Road will also provide green space for the community to gather and play. It will host outdoor fitness programs and the playground will provide children with an area that is safe, away from heavy traffic, and well lit.

Transportation

5345 Sheriff Road is challenged by its distance to mass transportation outlets. The site is approximately one mile from the Deanwood Metro Station to the west and the Cheverly Metro Station to the north. However, Sheriff Road has a proposed bike path to help facilitate green transportation.

Working from the site's strengths, the new development will implement a walking and bike path throughout the site to help connect residents traveling north-south. These paths support the County's and the community's goals to reduce car dependence.

Furthermore, the management staff will provide free rush-hour shuttle service to nearby Metro station for residents. This will help attract younger residents who may not have a car but are looking for transit efficient locations to live.

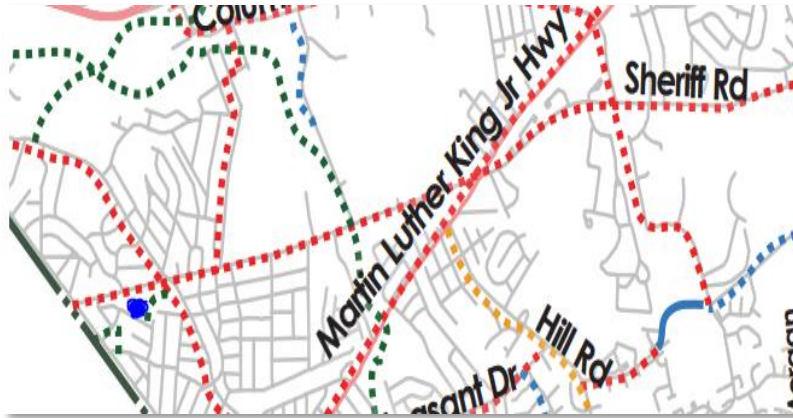


Figure 26. Proposed Bike Path thru Fairmount Heights

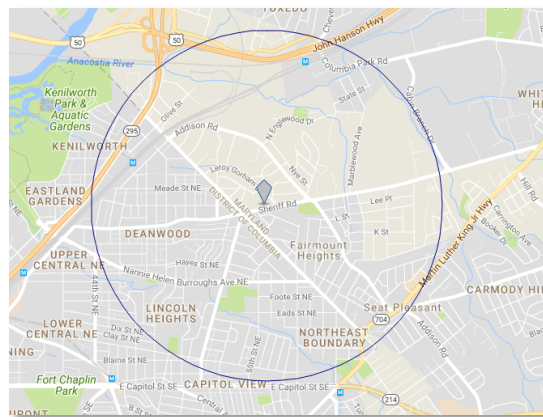


Figure 27. One-Mile Radius from Site; Metro Proximity

Safety and Security

Safety and security are hugely important for a new development to help establish trust and loyalty with the community. Community safety is addressed in the technology used to gain access into the residences, and is a primary driver in building and site design. The design of the residential component was inspired by the community's historic homes that have large front porches where residents act as eyes on the street. Additionally, the residential buildings in the middle of the site were placed on the south side, facing north to give residents views of the bike path, walking path, playground, and dog park from their balconies and windows.

For individual residences, key fobs will be implemented for residents to enter the building and their homes. Security cameras in the common spaces will ensure safety for the residents.

Marketing

Marketing for the development will create an extensive online presence as well as local advertising at Metro stations, schools, and shopping centers. In addition, creative methods will be used to attract families and single residents to the community. Promotional offers for culinary education classes will be offered to the first market rate leases. Additionally, students at nearby community colleges and universities will be provided promotional offers if they are admitted to any of the culinary arts programs hosted on site.

New developments, especially ones that cater to an eclectic mix of residents, must provide a high quality of life to those living at the development, and those in the surrounding community. At 5345 Sheriff Road, amenities and programs will be implemented to increase the area's health, wellness, education, job skills, security and transportation network.

Financial Analysis

The vision for 5345 Sheriff Road began as a mixed-use, mixed-income development to reenergize the town of Fairmount Heights and bring the community back together after decades of neglect. The initial vision involved three buildings of varying sizes and shapes to house commercial uses, and market-rate and low-income housing units.

Financial feasibility is the driving force that will dictate if the development will work. With so many pieces incorporated in the development, there were numerous iterations of size, shape, and scale of the buildings. Additionally, financial variables affect the development's financial feasibility. This section explores the evolution of the development's shape and size, as well as financial variables that could affect the feasibility of the development.

Evolution of Shape and Size

5345 Sheriff Road is approximately 4.4 acres of open land adjacent to an underperforming commercial center. While the zoning allows for a high number of units, the only way an appropriate number of buildings would fit on the site is if they were well spaced apart and of relatively low density. The site's shape ultimately led to long rectangular buildings that could be moved laterally but would be difficult to rotate. Ultimately, in combination with a detailed market study, 114 units are expected to be the number of units that can be built on the site.

To maximize revenue, the first breakdown of low-income housing units versus market-rate units was 20 percent/80 percent, respectively. This ratio yielded only 23

low-income units and resulted in tax credits just below \$1 million, at the nine percent application rate. Not only would this application be uncompetitive compared to other developments, there was a roughly \$6 million gap in the development’s budget based on the total financing sources.

Adjusting the ratio of low-income units to market-rate units to a 41 percent/59 percent ratio, respectively and increased the total number of units, which doubled the number of low-income units to 47. This ratio significantly reduced the financing gap and increased the number of Low Income Housing Tax Credits. The value of the tax credits, assuming one dollar per credit, resulted in just over \$8.6 million. The increase of market rent units also reduced construction costs for the entire development. Market-rate units are built at \$180 per unit, and the low-income units are built at \$129 per unit. The increased price for the market rate units helps afford equal finishes and features between the unit types. Ultimately, the increase of tax credits and the reduction of construction costs reduced the gap to roughly \$1.5 million.

All else being equal, the financial gap was reduced to approximately \$385,000. That gap was filled in by developer equity in the site to equalize the sources and uses of funds.

| Number of Low Income Units | Financing Gap: Sources and Uses |
|----------------------------|---------------------------------|
| 23 or 20% | \$4,107,664 |
| 46 or 40% | \$654,348* |

Potential Threats to Financing

The three key indicators reviewed here to determine financial feasibility are adjustments in interest rates, Low Income Housing Tax Credit pricing, and construction costs.

| LIHTC Price | Total Tax Credits | Int. Rate | Loan Amount | \$/SF Cnstrct | Total Cost |
|----------------|-------------------|---------------|--------------|---------------|--------------|
| \$.90 | \$7,627,641 | 4.25%* | \$18,060,379 | \$170 | \$16,757,556 |
| \$.95 | \$8,051,399 | 4.5% | \$17,442,236 | \$180* | \$17,227,056 |
| \$1.00* | \$8,475,157 | 4.75% | \$16,856,949 | \$190 | \$17,696,556 |
| \$1.05 | \$8,898,914 | 5.0% | \$16,302,410 | \$200 | \$18,116,056 |

As detailed in the charts above, the range of pricing and interest rates reflect the impact of the total number of Low Income Housing Tax Credits, the total tax-exempt loan amount, and total construction costs if the price per square foot for residential units increases or decreases.

The current assumptions used include a \$1 per tax credit price, a 4.25 percent interest rate and a \$180 per square foot for the market rate residential units. As such, the gap in financing would be nearly \$385,000. Interest rate adjustments would cause the largest impact in financing capability, while construction pricing may be the most likely to change. One or more of these factors may occur during the completion of this development. To reflect the potential return for the developer’s equity stake in the site, the chart below shows three levels of entry for the developer.

Identifying potential investors for the tax credits is important as well. PNC Bank, Eagle Bank, and Wells Fargo are three institutions that have been active lenders in multifamily assets in the area over the last three years.

| Developers Equity in the Development | Internal Rate of Return |
|--------------------------------------|-------------------------|
| \$654,348* | 28.3% |
| \$1,000,000 | 19.14% |
| \$1,500,000 | 12.23% |

With any real estate development, countless problems can jeopardize the desired outcome, from permitting and community approval, to landscape treatment, to financial sector disruptions that influence a project’s financing structure.

While this section only covered three critical areas that could affect the development’s financial structure, it is important to take a conservative approach to all phases, which allows investors and equity partners to understand the best- and worst-case scenarios for returns. Furthermore, after a required 15-year hold period, our strategy will be to re-syndicate and apply for four percent tax credits to renovate the structure and continue to hold the asset for another 15 years.