MARKET FEASIBILITY STUDY

Fletcher Johnson School Site
4650 Benning Road SE, Washington DC

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Submitted to the D.C. Department of General Services
and the Office of the Deputy Mayor for Education

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EXECUTIVE SUMMARY

This report provides a summary of findings on the opportunities and constraints for rehabilitation or redevelopment of the Fletcher Johnson School site, located at 4650 Benning Road, S.E. The D.C. Government ultimately seeks the successful redevelopment of the Fletcher Johnson School Site in a way that first and foremost supports an education function, is economically and financially feasible, and maximizes benefits to residents of Ward 7. In order to achieve these aims, this assessment identified market opportunities and constraints, and tested an "indicative" pro forma financial return from reuse and redevelopment. However, an important caveat to these findings is that a full market analysis was not conducted that would forecast the specific potential uses for the site.

Market Opportunities

The right of first offer for any reuse proposal of Fletcher Johnson will be provided to a charter school per DC Code § 38-1802.09. The overarching goal of the redevelopment of Fletcher Johnson is that any redevelopment must provide for an education function. The education function can be of any grades or combination of grades from Pre-K - 12 or adult education. Due to the size of the site and its improvements, an assessment of development in addition to the education function that must be present was performed.

The assessment determined that the site is most competitive as a location for residential development as well as for arts, artisanal (maker) and community uses. In particular, residential development of land would provide an opportunity for single-family cottages, senior apartments, and other affordable and market-rate "low-maintenance" housing as part of a lifestyle community. Such housing could appeal to empty nesters, Millennials, and artists from within the community and elsewhere.

As part of the "packaging" of the site, there may also be opportunities for reuse of a portion of the 302,000 square-foot school building for shared "maker space" (housing small-batch craft production, IT and web-based companies, and emerging entrepreneurs). While portions of the building may find a use, there is also the likelihood that a portion of the building could be demolished to expand opportunities for redevelopment of the site.

Opportunities also exist for use as a community hub and arts space with fine artist studios, performance venue (e.g., the auditorium), dance or music studio space, and training spaces. Ultimately, the school building might also be competitive for reuse as a school or other single-purpose institution because of its existing design, capacity, and location.

The competitiveness of the site was also examined for other uses. While the market opportunities for office development are increasing in areas east of the Anacostia River, this site was not determined to be the most competitive location for near-term multi-tenant office development. That being said, there are always opportunities for "drop-in" institutional or single-purpose office users. Similarly, the site is not among the most competitive for retail development, in part because of the topography but also location of the site.

Financial Returns

The financial pro forma was conducted based on the findings of the opportunities assessment, rather than on a full market analysis. As such, the pro forma findings can only provide a general indication of financial returns, based on a number of assumptions. This assessment found that the redevelopment of portions of the site for residential uses may not be financially viable unless housing could be constructed at prices high enough to generate an attractive return to a developer. Redevelopment of a portion of the school building may be possible for contract or transfer to a non-profit or for-profit operator of maker spaces, artist studios and performance venues at low market rents. Integration of more education space would result in higher returns, so long as the rental rate is acceptable to an education user.

INTRODUCTION

The D.C. Government ultimately seeks the successful redevelopment of the Fletcher Johnson School Site in a way that supports an education function, is economically and financially feasible, and maximizes benefits to residents of Ward 7. The Request for Proposals seeks to determine the market and financial feasibility of redevelopment of the Fletcher Johnson site in light of existing encumbrances, community preferences, and required education use.

This report provides a Market "Opportunities and Constraints Analysis" which assessed existing site and market conditions, and examined the site's relative positioning for various uses within the broader market context. A conceptual redevelopment mix is identified based on this Opportunities and Constraints Analysis and on input provided from the community on their preferences.

Caveat

Normally, the questions posed for reuse would require a detailed Market Analysis to forecast the economic potentials for various uses at the site as a basis for recommending a redevelopment program. The financial feasibility of that program would then be tested through an operating cash flow model and Financial Feasibility Analysis. Further, based on the requirements of the RFP, it would then be important to determine if and how the proposed redevelopment program would "maximize benefits to the Ward 7 community at large." Often, the benefits of the project could be explained, at least in part, by quantifying them (e.g., number of jobs that might be created that would be available to Ward 7 residents). Of course, there are also non-quantifiable benefits relating to quality of place, quality of life, etc., which are equally important to residents of the community.

Full market analyses, financial feasibility assessments and economic impact analyses were not conducted at this stage of the redevelopment process. It is recommended that the District Government ensure that a winning bidder or development partner conduct the necessary due diligence and clearly indicate the market support and financial viability (including the necessary resources) for the project, as well as the socio-economic benefits that would accrue to the community.

Section 1. SITE ANALYSIS

Field reconnaissance was conducted and the overall physical conditions and marketability of the site for various uses were assessed based on location, transportation access and exposure, community preferences, surrounding uses and historical context, among other factors. Based on these inputs, the list of prospective market-based uses for the site was narrowed down for further review.

Historical Background

The Fletcher Johnson School served the community as a hub for Pre-K through 12th Grade education from 1978 until its closure in 2007. The school was named in honor of Evelyn B. Fletcher, who worked in the D.C. Public Schools for nearly 50 years, as well as for Dr. Philip T. Johnson, an orthopedist and teacher active in civic and community affairs.[1] The school was unique for accommodating students enrolled in all grades, thus, providing exposure and role models to younger students. The school still holds many memories for residents of East of the River (EOTR) communities and for the school's alumni worldwide.

Location

The Site is located at 4650 Benning Road, Southeast in Washington, D.C. The Site is generally bounded by Benning Road (west), C Street (north), St. Louis Street (east), and a fence where 46th Street would extend across Benning (south). The site is situated in the Marshall Heights neighborhood but is also located adjacent to Fort Dupont and Capitol View, east of the Anacostia River and Capitol Hill. The Site is located just over four miles east from the United States Capitol and 2.5 miles east of RFK Stadium. The Site is less than one mile west of the Maryland State Line.

Access and Exposure

Benning Road is the primary arterial linking the site north-west to East Capitol Street and the Anacostia Freeway. Benning continues across the Anacostia River until it intersects with Bladensburg Road and Maryland Avenue to become H Street, Northeast. The H Street Corridor extends west towards I-395 through NOMA into Downtown D.C. Benning Road also extends south and east from the site into Coral Hills, Maryland, where it intersects with Marlboro Pike. Marlboro Pike, in turn, runs parallel with Pennsylvania Avenue east towards the Capitol Beltway.

Thanks to Benning Road, the site has good north-south access and exposure. However, the site lacks similar direct east-west access. The closest east-west arterial access is provided at East Capitol Street, about four blocks north of the Site. East Capitol extends west to the U.S. Capitol and east into Maryland, where it becomes State Route 214 (Central Avenue) towards the Beltway and into Largo, Mitchellville, Bowie and other suburbs in Prince George's County. Thus, while not direct accessible to an east-west corridor, the site does have relatively easy access via East Capitol Street.

Local Access

[1] Blair Gately, for the *Washington Post*, April 20, 1978: "Fletcher-Johnson School Dedicated."

Currently, the site has direct access from two locations—Benning Road (across from 46th Street SE) into the school's parking lot and St. Louis Street, SE up to the school's tennis courts and playing fields. There is a traffic light located at the Benning Road entrance, which helps make ingress and egress much easier than it otherwise might be. Surrounding the site, the street patterns can be confusing, since they diverge somewhat from the typical grid pattern that normally represents the District street plan. For example, D Street and E Street could almost connect, if their paths were drawn directly through the site. 46th Street SE is a curved street that runs both north-south and east-west, and then dead-ends at Benning Road. G Street also curves south after it crosses over Benning Road and becomes Fitch Street, SE. Kimi Gray Court forms a semi-circle with two ends that become E and F Streets, SE.

Traffic and Exposure

Recent Benning Road traffic counts near the Site are not readily available. Based on traffic counts conducted prior to and included in 2010 traffic maps, DC DOT data seem to indicate that traffic averaged about 22,100 vehicles per day (AADT) on Benning Road. However, those numbers may no longer be accurate. According to 2015 traffic maps, Benning Road carried 17,200 vehicles per day just north of East Capitol Street.

As for nearby streets, the 2015 maps indicate AADT of 3,800 on Fitch / G Street, SE near Benning Road and 28,100 on East Capitol Street near Benning Road. For perspective, the Anacostia Freeway carried an average of about 125,000 vehicles in 2015. In general, traffic is light on neighborhood streets surrounding the site. Only Benning Road carries substantial commuter traffic past the site on a daily basis.

As a result, most of the site's traffic exposure is concentrated along Benning Road. The site has substantial frontage along Benning Road, but a good share of the existing school building lacks exposure because of the steep grade and the 70-foot elevation of the building on the site. Similarly, the site offers frontage along C Street which is largely un-utilized because of the steep grade and elevation of the site. The Fletcher Johnson School was apparently constructed on graded land at the top of a hill and, therefore, it sits on a plateau with steep sides.

Meanwhile the back of the site along St. Louis Street is forested or otherwise fenced from adjacent housing. A rear entrance at St. Louis and D Streets appears to have been closed to traffic. Ground-level exposure is maximized at the corner of 46th and Benning, at the entrance to the site's existing parking lot. A steep flight of stairs provides pedestrian access to the school building from Benning Road, not far from the parking lot.

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Public Transit

The site is served by Metrobus service, with a covered bus stop located near the steps on Benning between C Street and 46th Street. Four blocks (or an **11-minute** walk) away from the site is the Benning Road Metrorail station, located at Benning and Central/East Capitol Street. Benning Road Metro Station serves passengers on the Blue and Silver Lines. Blue and Silver provide service to Downtown D.C. and Northern Virginia, as well as east towards Addison Road and Largo Town Center. According to WMATA records, the station has daily ridership of 2,474, down 27.2% from a high of 3,399 in 2010. It is not clear why ridership at this station fell at a faster rate than the system as a whole. WMATA system-wide Metrorail ridership fell by 14.7% over the same period. While located in the general vicinity of a Metro station, it might be difficult to market this site as a "Metro-related" site, because of the distance between the site and the Metro station and because of the lack of development sites connecting the two.

Existing Use & Physical Conditions

The school building offers approximately 302,000 square feet of institutional space in one massive building that includes classrooms, auditorium, cafeteria, gymnasium, kitchen, training rooms, administrative offices, and other spaces. The basement area is about 10,000 square feet, with direct access to the parking lot. A 40,000 square-foot ground floor houses the auditorium, which has seating capacity for 1,000. The 80,000 square-foot 1st floor houses the gym, classrooms, cafeteria and kitchens. The 80,000 square-foot 2nd floor and 90,000 square-foot 3rd floor primarily house classroom and laboratory space.

The building was built in 1977, during a period in architecture known as "brutalist" in its design standards. The building is constructed from heavy concrete slab, with some recessed ridging. Windows on upper floors, while actually quite sizeable, appear from the street as horizontal linear slits. Interior spaces are generally heavy and institutional in character, although large open spaces in the library and stairwell provide welcome relief.

The building itself has been vacant for some years and interior spaces are littered with debris. Windows are broken and there is glass and electrical wiring strewn across the hallways. Systems have been turned off or decommissioned, although Verizon continues to use the roof of the building under a lease agreement for its transmission antennae. Thieves have consistently entered the building to strip remaining wiring and systems. Despite the outdated and clunky architecture, litter, and broken windows, the building is in generally good structural condition. It would seem difficult and costly to completely demolition the massive concrete structure.

Despite its massive size, the building only occupies an estimated 20% or less of the 664,839 square-foot (15.26-acre) site. Also located on-site is a parking lot (entered at the light at Benning and 46th), which can accommodate approximately 75 cars. Behind the building (on the "Front" facing C Street) are playing fields, basketball courts, and tennis courts forming the "Fletcher Johnson Recreation Center." At present, the playing fields are leased by KIPP DC's Benning Campus (a charter school located across Benning Road from Fletcher Johnson). Basketball and tennis courts are apparently open to the general public, and neighborhood children are seen using them. Aside from the recreation facilities and school building, the remainder of the site is generally undeveloped due to its steep grade and is covered in lawn or forest.

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Surrounding Uses

The site is generally surrounded by residential neighborhoods, largely built out with low- and mid-rise apartment buildings. There is very little commercial activity or mixed-use within these neighborhoods, which are fairly under-served for retail and commercial activity. Most of the area's commercial use is concentrated four blocks from the site at the intersection of East Capitol Street and Benning Road. Therefore, access to most neighborhood commercial requires either a vehicle or a 4+ block walk.

Situated across Benning Road from the site is the Benning Road Housing Cooperative, several smaller apartment buildings, and the KIPP DC Benning Road charter school campus. Further south and east is the Dollar Plus Food Store while southwest of the site is Woodlawn Cemetery and several apartment buildings. Some of these apartments have been converted to condominium. Adjacent to and south of the site along Benning Road are the Hampton East Apartments. Across C Street are the Copeland Manor Apartments, while the Nalle Elementary School is located further down at C and 50th Street, SE. Four townhouse units are under construction further east on C Street past 50th.

A vacant site owned by DHCD is located across from the Fletcher Johnson School Site on St. Louis Street. Further east along Call Street is a townhouse development, small apartment buildings and vacant lots. The Woodson Heights Apartments are located at Call and 50th Street. Bedford Falls Apartments are located just south on 50th. F Street and Drake are lined with a multitude of low-rise apartment buildings. In fact, much of the surrounding neighborhood is characterized by rows of low- and mid-rise apartment buildings. There is a large vacant lot at the south-east corner of Benning and F Street.

Further north-west of the site are the Bass Circle Apartments, Gospel Ark Temple, and the commercial district located at Benning and East Capitol Street. Continuing north and west is the much larger Minnesota Avenue commercial district at Benning and Minnesota. To the south is the Coral Hills commercial district,

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located at Benning Road and Marlboro Pike.

Perceptions

Southeast D.C. has long contended with perceptions of higher rates of crime and poverty, compared with other parts of the District including Northeast. Those perceptions are changing slowly, and the real estate development pressures that have contributed to gentrification throughout the District have been slower to push into Benning Road and parts of Southeast. The large number of affordable and Section 8 rental housing developments in surrounding neighborhoods no doubt contribute to perceptions of the area has having a high concentration of poverty. That being said, these neighborhoods are also relatively stable and there is pride of place, despite the low degree of homeownership. There is also a residual amount of community pride associated with the former Fletcher Johnson School, a neighborhood school that educated thousands of children from pre-K through high school over several decades.

Community Preferences

A community engagement process including meetings with community residents has generated the following Top 5 Priorities/Principles for Fletcher Johnson reuse, listed in order below:

1. **Adult education or workforce development program** *(i.e., adult public charter, community college or university programs)*
2. Ward 7 **residents' involvement** in the design and delivery of programming at Fletcher Johnson
3. **Cultural hub** that supports community-centered programs such as arts, music, and dance
4. Use that provides access to **healthcare**
5. **Commercial/retail space** (i.e., restaurant, grocery, business incubator)

The market assessment summarized in this report has considered retail, health/medical office, and audience support venues as possible "commercial" uses among others for the school building and site. "Non-commercial" uses like education, workforce development, and non-profit cultural use are considered within the framework of the required education component of the project.

Contracts and Encumbrances

There are several existing leases for use of the facilities at the site. KIPP DC has a lease for use of the playing fields and Verizon leases access to utility space and an antennae on top of the building However, neither of these leases presents a constraint for potential users, since the leases have a close-off clause that allows the District to cancel the leases with proper notification. The right of first offer for the reuse of the property must be provided to charter schools or charter school incubators per DC Code § 38-1802.09. Therefore, this report has considered several alternatives for reuse that include a range in scale of educational components.

Section 2. EXISTING MARKET CONDITIONS

Existing market conditions were assessed to provide context for rehabilitation and redevelopment of the site. Focus was given to housing, office, retail, and other markets that define the parameters for redevelopment or reuse of the Fletcher Johnson site. It is also important to understand the current development context, in terms of large real estate projects planned, proposed, or under construction in East of the River (EOTR) in the District.

Current EOTR Development Projects

The following sample illustrates the diversity of projects planned or under development east of the Anacostia River (EOTR). Many of these projects are mixed-use and are, therefore, relevant to several different markets and to reuse or redevelopment of the Fletcher Johnson Site. Much of the proposed development would be concentrated in Anacostia, but a significant amount of development has also occurred or is planned in the Congress Heights area. Not included below are public space investments like the proposed 11th Street Bridge project, which would potentially help leverage redevelopment.

- **Conway Center.** This project, located at the Benning Road Metro Station, is still under construction. This 320,000 square-foot project includes 110 affordable apartments, 92-unit rooming house, a medical and dental health center, a trade school for 140 students and general office space. Non-profit SOME (So Others Might Eat) is developing the project.

- **P3 Brownstone Collection**. Prosperity Park Collections is marketing sites at G Street SE and Benning Road (just one block from the site) for its P3 Brownstone Collection. Prosperity Park would construct new, 4,000 square-foot 4-bedroom luxury garage townhouses priced at nearly $500,000.

- **Curtis/Four Points**. A mixed-use development at the Anacostia Metro Station and riverfront is underway, to include 1.1 million square feet of office and retail space, and up to 500 residential units. In the first phase, a warehouse at 2235 Shannon has been repurposed as an 82,000 square-foot LEED-certified office building to house the D.C. Lottery and Taxicab Commission. When developed, the additional office space would be of particular interest to contractors serving the Coast Guard and the Department of Homeland Security at St. Elizabeths.

- **Poplar Point**. The 130-acre Poplar Point development in Anacostia will include up to 4,100 residential units, 1.2 million square feet of office space, two 300-room hotels, and about 465,000 square feet of retail space on Howard Road SE between I-295 and South Capitol Street SE.

- **MLK Gateway**, located at 1201-1215 Good Hope Road and 1909 MLK, will feature 28,500 square feet of commercial office space, 22,000 square feet of retail (including a fresh food market and health facilities). Enlightened, Inc., an information technology and management consulting firm, is relocating its headquarters and developing a technology incubator in and near this space. The headquarters move will bring 150 jobs to Anacostia and the incubator will provide mentorship, training, and development for local firms.

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- **Reunion Square** (at MLK and W Street SE) is planned to include 855,000 square feet of office space, 165,000 square feet of retail (including a movie theater), and up to 500 residential units. However, court battles have delayed the project.

- **2255 MLK** is a new mixed-use building with 71 residential units (14 market rate, remainder at 60% of AMI) and six artist live-work units.

- **2001-2027 MLK** will include 131 residential units, the Anacostia Playhouse, and office/commercial. 2204-2206 MLK is slated for mixed-use apartments, office, and commercial use.

- **Maple View Flats** are proposed at 2228 to 2252 MLK with 132 affordable (60% AMI) apartments atop 16,500 square feet of retail.

- **Peebles Site**. Peebles is planning workforce housing located at 2100 Martin Luther King Avenue, S.E.

- **Congress Heights Town Center**, planned at the Congress Heights Metro Station, would include 236,000 square feet of office space, 200 housing units, and 26,000 square feet of retail.

- **St. Elizabeths East** is planned to be redeveloped with 700,000 square feet of commercial space, 450,000 square feet of innovation space, 1,300 residential units (including townhouses, apartments and mixed-use including 47,000 square feet of retail), and a sports and entertainment complex. Historic buildings at the site are to be refurbished to house the Department of Homeland Security.

- **Barry Farm Redevelopment** has been proposed to include demolition of 432 apartments and construction of 1,400 mixed-income residential units (apartments, condos, townhouses), 55,000 square feet of retail/commercial, and a possible central park.

- **2200-2210 Hunter Place**. MANNA has proposed development of 2200-2210 Hunter Place SE with 12 affordable townhouses.

- **1708 Good Hope Road** will include 62 age-restricted affordable units.

- **Skyland Town Center**. The 18.5-acre Skyland Town Center is proposed at the intersection of Naylor, Good Hope and Alabama Avenue. The project would include 476 residential units and 340,000 square feet of retail (excluding the Wal-Mart that pulled out of the project).

- **Ainger Place Apartments** is slated to include 76 affordable and transitional units at 2412 Ainger Place.

- **1713 28th Place SE**. Habitat for Humanity is constructing 14 townhouses at 1713 28th Place SE.

- **Deanwood Hills** is part of the redevelopment of public housing at Lincoln Heights and Richardson Dwellings. The project includes 150 affordable units including 50 set aside for former residents.

- **Weinberg Commons** is a new affordable and transitional "sustainable" housing complex with 36 units at Southern and Benning Road.

- **East of the Capitol Condominiums**. Expansion planned for existing condominium development at 4940 A Street, S.E.

Housing

Existing rental and for-sale housing market conditions were assessed within the context of the redevelopment or reuse of the Fletcher Johnson Site. The site is generally considered as part of the EOTR housing sub-market including areas east of the Anacostia River within the District of Columbia.

Rental Market

The District of Columbia has always proven to be a strong rental market due to constantly growing demand generated by the federal government and the various entities that serve, lobby, contract with, or advocate to it. Rental demand has accelerated in the last 15 years or so as crime and other deterrents have diminished and the overall quality of life has improved for District residents. Demographics have also supported increased demand for rental and for-sale housing in the city, with many Millennials and Baby Boomers sharing a preference for walk-able, urban living. Young "DINKs" (dual-income households with no kids) and "Empty Nesters" (whose kids have grown and left home) prioritize lifestyle factors in their housing choice. Improved conditions, including a lower crime rate, have helped D.C. and other cities re-capture some of this demand away from suburban locations. Rental vacancy has fallen to just about 5.2% despite significant multi-family housing development in recent years. Just since 2015, vacancy has fallen more than one percent, from 6.3%. While demand has remained strong, rents are starting to strain from some over-supply at higher price levels. D.C. rent growth has fallen below national averages during six of the last eight quarters (and median rents actually fell in the 4th quarter of 2016). There is some concern about the balance in supply and demand going forward.

Sub-Market. The site is located in what is considered the Anacostia/Northeast D.C. Apartment Sub-Market (even though the site is technically located in neither Anacostia nor Northeast D.C.). This sub-market includes all of the District of Columbia east of the Anacostia River as well as areas generally east of New York Avenue and north of Downtown D.C. (such as Ivy City, Trinidad, and adjoining neighborhoods). (See map, below).

Map. Rental Sub-Market

Source: REIS, Inc.

Inventory and Supply. According to data supplied by REIS, this sub-market has a total inventory of about 24,750 rental apartment units, up by 2,870 or 13.1% since 2012. Despite the growth in supply, the overall rental stock is relatively old, with 53% built before 1970. Growth remains relatively slow: the sub-market growth rate lagged behind that of the District as a whole for six of the last eight quarters. Absorption has generally held equal with construction, but exceeded construction during the last several quarters.

Interestingly, there was very little added to the rental stock between 1970 and 2010, but nearly 37% of the rental units in the area were built since 2010. Several public housing developments were converted to “mixed-income” communities through the HOPE VI program in the 1990s or early 2000s. Glenncrest, located at 51st and G Streets SE and formerly known as 230-unit Eastgate Gardens, was redeveloped in 2004 into 150 for-sale mixed-income units, 61 replacement rentals, and a 100-unit senior building (Triangle View).

Based on a review of U.S. Bureau of the Census data relating to the age of the housing stock, rental housing in this area is either very old (60+ years) or very new (5 years or less). The residential development boom has moved east of the river to Anacostia, Deanwood, and other EOTR neighborhoods. Not far from the site, the 4-story Park 7 Apartments at Minnesota & Benning has 376 units and ground-floor retail space constructed in 2014. This relatively new development offers amenities including a business center, clubhouse, courtyard, fitness center, playground and others. Income-restricted units range in price from $850 to $1,374 for 466 to 1,374 square-foot units. While the property is relatively new, there appear to be ongoing complaints on management and upkeep of the property.

Vacancy. There are about 1,340 vacant units in the sub-market, yielding a vacancy rate of 5.4%. This vacancy is only slightly higher than targets set in the below rental pro forma. But the occupancy levels are even more impressive, given that the rental stock in this sub-market is relatively old. Within Zip Code 20019, vacancy has held a direct correlation with supply. When the number of units on the market increased in the past year, occupancy rates fell. But as the new units were absorbed, occupancy has increased once again.

Table 1.	**RENTAL TRENDS, ANACOSTIA/NORTHEAST SUB-MARKET, 2012-2017**			
Year	**Eff. Rent**	**DU Added**	**Vac Rate**	**Absorption**
2012	$ 942	1,668	5.5%	1,602
2013	$ 995	808	6.0%	650
2014	$ 1,023	1,036	4.7%	1,294
2015	$ 1,056	380	3.6%	615
2016	$ 1,063	602	5.2%	202
2017 1/	$ 1,075	164	5.4%	(112)
2012-2017	**14.1%**	**4,658**	**-1.8%**	**4,251**
Sources:	REIS and Randall Gross / Development Economics.			

Rent. Effective rents have increased each year since 2012 by an average of about 2.82%. While not exceptionally high, such rent growth does indicate some steady upward pressure on prices. As of 1st quarter 2017, rents within this sub-market average $1,075. Rents within the sub-market are only about 60 to 67% of those in the District as a whole, suggesting relative affordability that is attractive to an increasing share of the workforce. Given the area's proximity to Downtown D.C. and Capitol Hill, East of the River is becoming more competitive as a residential location.

Table 2.	**RENT COMPARISONS, SUB-MARKET VERSUS DISTRICT, 2017**			
Factor	**Studio**	**1BR**	**2BR**	**3BR**
Rent				
District	$ 1,408	$ 1,676	$ 2,084	$ 2,292
Sub-Market	$ 945	$ 1,050	$ 1,267	$ 1,393
Rent PSF				
District	$ 2.90	$ 2.29	$ 2.07	$ 1.97
Sub-Market	$ 1.82	$ 1.54	$ 1.40	$ 1.33
Source:	REIS			

For-Sale Housing

The Washington, D.C. housing market has remained relatively strong with no significant drop in prices even during the stagnant period from July 2005 through January 2012 that included the global financial crisis and a deep national recession. The number of sales peaked at 3,000 per month in July 2005 and has generally remained below 2,000 since that time. But median housing prices have continued to escalate, rising 57.1% since July 2012 to an all-time high of $581,250 in July 2017 (based on MRIS and Trulia data). Supply of for-sale housing failed to keep up with

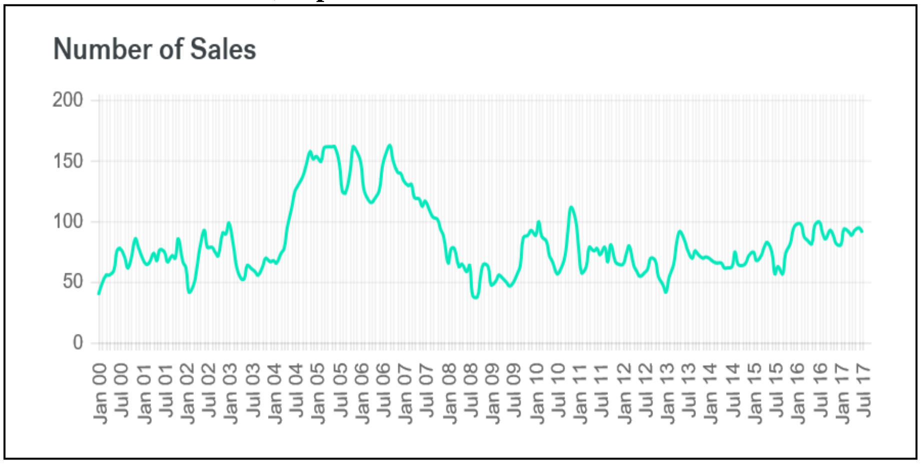
rising demand, so prices continued to escalate. The financial crisis that triggered regulatory reform also restricted financing for condominium projects, which has impacted D.C.'s for-sale development pipeline. Pressures on the for-sale market are beginning to ease, with prices increasing by a relatively modest 6.4% from July 2016-July 2017.

EOTR. The East of the River (EOTR) housing market has traditionally lagged behind other parts of the District, with an aging housing stock and lower prices-per-square-foot. However, EOTR has seen increasing price escalation and development pressure since the end of the last recession. Portions of the area including Marshall Heights and surrounding neighborhoods were among the first to experience the wave of double-digit rapid price escalations, starting in 2012. According to MRIS data, EOTR median home sale prices are now generally higher than counterparts further east in suburban Prince George's County.

Market drivers in this area are fairly diverse, with about an equal mix of move-ups/move-downs from within EOTR and West of the River (WOTR), as well as job-related relocations. "Move-ups" include young professionals and first-time buyers moving up from apartments to purchase housing, or people moving from smaller to larger homes; while "move-downs" generally include widows and widowers, divorcees, empty nesters, or others moving from a larger home to a smaller one. Traditionally, the area has provided "workforce" housing for D.C.'s police and firefighters, teachers, office support administrators, tradesmen, and others with vital service to the District's government agencies and businesses. Increasingly, however, the market is also being driven by young professionals and families looking for an affordable starter homes for purchase to move up from rental housing. Either way, many of the area's homebuyers work in Downtown D.C. and Capitol Hill, both of which are easily accessible via Metrorail or car from Marshall Heights and surrounding neighborhoods. Some buyers also see Marshall Heights and other EOTR neighborhoods as being accessible to the Baltimore-Washington corridor.

Sales Trends**.** Within EOTR neighborhoods in Zip Code 20019 (including the site and areas north and east of the river within the District), the number of sales has increased slightly over time, on average. Those sales averaged about 75 per month in the early 2000s and increased to about 90 per month today, an increase of about 20%. However, sales had peaked at about 150 per month for much of the period between January 2004 to July 2006, before falling during the financial crisis and recession.

Chart 1. Sales Trends, Zip Code 20019

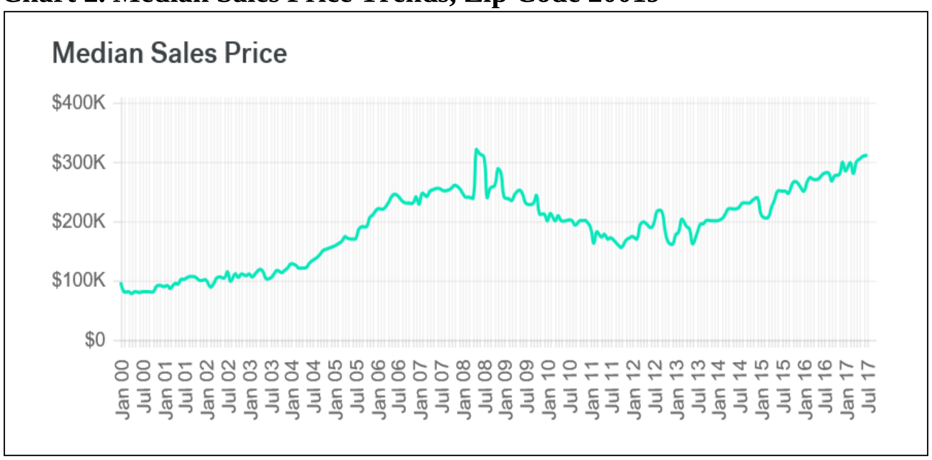


Sources: MRIS and Trulia

While the number of sales has gradually increased, it may be constrained by the lack of market-rate product (especially new homes) for sale east of the river (given the number of units listed through MRIS and captured by Trulia).

Price Trends. Within Zip Code 20019, which includes the site and areas to the north and east of the Anacostia River, single-family home sales prices have been increasing since 2012, consistent with a long-term trend starting in the early 2000s.

Chart 2. Median Sales Price Trends, Zip Code 20019



Sources: MRIS and Trulia

Median home prices were at only $95,000 in this area in 2000, but increased by almost 160% in just 7 years to a peak of about $246,000 before falling due to the constraints of the global financial crisis and national recession. Prices fell by 35% before the recovery that began in 2012 and has continued through 2017. Since 2012, median prices in 20019 have increased by $140,500 or nearly 83%. The following table details single-family sales and pricing trends for the area from 2013 through July 2017.

Table 3.	HOUSING SALES TRENDS, ZIP CODE 20019, 2013-2017		
Year	**# Sales**	**Med Price**	**Change**
2013	846	$ 188,859	
2014	786	$ 221,669	17.4%
2015	867	$ 239,481	8.0%
2016	1,077	$ 273,425	14.2%
2017 1/	1,077	$ 298,314	9.1%
Change	**231**	**$ 109,454**	
Percent	**27.3%**	**58.0%**	
1/	Annualized based on data through July, 2017.		
Sources:	MRIS and Randall Gross / Development Economics.		

Over the last five years, the number of sales within this area has increased by 27.3% and the median sale price increased by 58.0%. June 2017, was the first time that median prices in this EOTR area had exceeded $300,000. The lack of available supply may have helped accelerate the increase in prices in recent months. Prices have increased most rapidly for 2-bedroom units (37% year-over-year), followed by 3-bedrooms (23%).

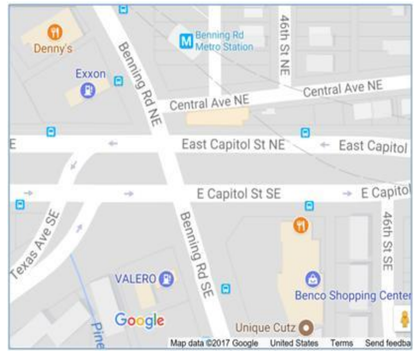
Retail

The Washington-area's combination of strong employment growth, high education levels and high incomes has long-contributed to the region's reputation as a solid retail market. While Georgetown and the Wisconsin Avenue Corridor remain important retail locations, Downtown retail has gradually rebounded from a period of decline. The strongest retail growth has occurred in previously under-served areas of the city, like the 14th Street Corridor, U Street, Chinatown/East and Southwest D.C. Restaurants have certainly contributed to the revitalization of the city's commercial districts, but grocery stores, home furnishings, and other categories have also grown. Despite the overall shift, retail has lagged behind in East of the River neighborhoods.

While occupancy is generally good in places like Minnesota & Benning, landlords have not secured higher-value and higher-rent tenants. Retail options in the area are a heavy mix of wig shops, check cashing places, dollar stores, cell phone suppliers, and liquor stores. Regardless of income levels, there is a need for diversification of the retail mix, with enhanced opportunities for neighborhood shopping to meet the needs of existing residents. Certainly, the introduction of new office and housing development in Anacostia, Congress Heights and other areas east of the river will contribute to the market base and enhance opportunities for retail. Several of the existing relevant commercial nodes are described below.

Benning Road Metro

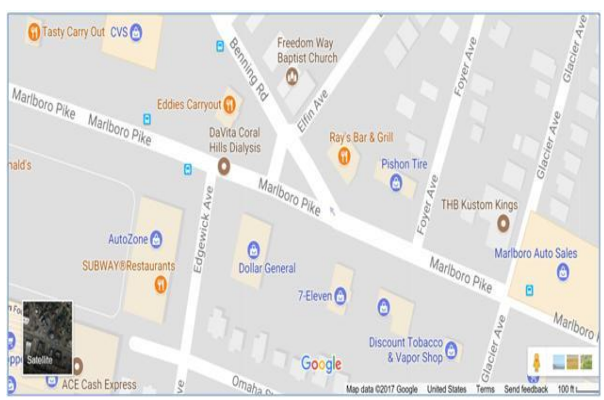
The Benning Road Metro area is the closest commercial node to the site, just four blocks away. Several commercial uses are clustered around the node, which is undergoing a transformation with the development of the mixed-use SOME (Conway Center) project.



Among the uses at this node are a 7-11, Exxon gas station, Denny's (under renovation), the former Shrimp Boat, a donut shop, D.C. Department of Motor Vehicles (DMV), Valero gas station, and dental offices. The 20,000 square-foot Benco Shopping Center, located between East Capitol Street and A Street SE, on Benning Road, represents the main retail hub at this location. Tenants in this center include Ken's Beauty, Globe Liquor, Subway, Dollar Discount, Yum's, America's Best Wings, a dry cleaners, Laundromat, and wig shop. Altogether, there is an estimated 35,000 square feet of primarily convenience retail space at this node. A smaller convenience node is located further east near Benning Road and H Street SE, with an estimated 6,000 square feet in carry out, liquor and other convenience uses. Closer to the site at 4837 Benning Road is the Dollar Plus Food Store, a convenience grocery store.

Marlboro Pike Corridor (Capitol Heights)

The Capitol Heights commercial node located at Marlboro Pike and Benning Road has an estimated 200,000 square feet of retail/commercial space, including the 86,500 sq. ft. Coral Hills Shopping Center.



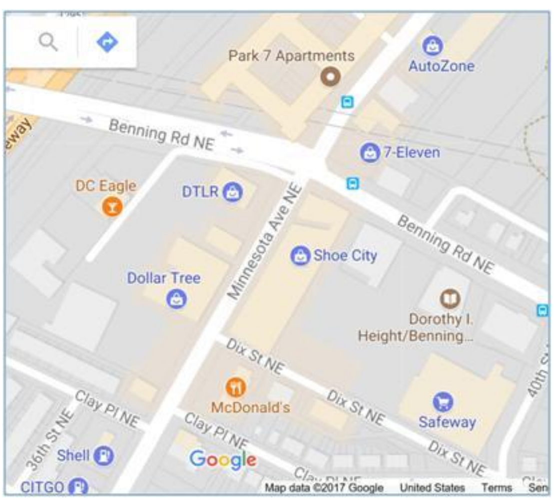
Coral Hills is anchored by a Shoppers Food & Pharmacy, with line tenants including Family Dollar, Subway, and Davita Dialysis. About 9% of the retail space in the node is currently vacant, although a large share of that space is in a church-owned center dedicated to charitable causes. In general, the retail mix in Marlboro Pike is heavily oriented to discount merchandise (Dollar General, Family Dollar), liquor stores (7, including a "drive-in" liquor business), personal services (8 barber and beauty salons), and electronics (Metro PCS, T-Mobile). The node also has a large number of automotive supply (Auto Zone) or repair shops.

Minnesota & Benning ("Downtown Ward 7")

The Minnesota Avenue commercial district is located along Minnesota Avenue between Grant Street and East Capitol Street. The district is relatively constrained by rail lines on the north and Fort Mahan Park on the south, although some commercial activity has extended north and south of Minnesota Avenue near Clay Street. The district has historically served the commercial needs of a large portion of Northeast Washington. The Senator Theater was once an entertainment and cultural hub for the community but is now used to house a beauty supply store. This commercial district has been recently nicknamed "Downtown Ward 7" by some business people as a marketing tag line. However, local residents know the district simply as "Minnesota Avenue."

Minnesota Avenue has excellent road access via East Capitol Street and Benning Road, although Benning is often jammed with traffic backed up over the bridge from near Northeast. Minnesota Avenue itself provides east-west through traffic, connecting Southeast Washington through to Addison Road in Prince George's County, Maryland. Minnesota also provides an alternative to busy Kenilworth Avenue (Anacostia Freeway). While there is no direct exposure from the freeway, traffic can access Minnesota Avenue at several places near the commercial district.

Minnesota Avenue also benefits from very good transit access, with a Metro station and several bus routes located near the heart of the district. There is significant pedestrian activity, with crowds at peak work commuter and school hours. School children are an important part of the existing pedestrian mix and shopping public in Minnesota Avenue.



Minnesota Avenue has a total estimated commercial (retail and office) inventory of about 275,000 square feet. The heart of the district includes commercial buildings (including the cinema) that are built to the street, providing the feel of an urban shopping district. However, there are also several suburban-style shopping centers and surface parking lots that break up the district. East River Park Shopping Center is located near the intersection of Minnesota and Benning, but is situated behind several older commercial buildings. That center is anchored by a Safeway supermarket. The Discount Mart center, located at the southern end of the district, is oriented more to discount merchandise. A third shopping center, located at the northern end of the district, is a small strip center with a pharmacy and other convenience uses. Thus, despite having the "feel" of an urban shopping district, Minnesota Avenue has three suburban-style shopping centers that account for more than one-half of the existing retail space in this node.

More than one-half of the Minnesota Avenue district's space is in retail use. Aside from the convenience and discount merchandise in the shopping centers, the district's businesses generally include shoe stores, carry-out food, gas and liquor stores. In addition, there are a few discount apparel, nail salon, beauty supply, and auto supply stores. In general, the district is oriented to discount and convenience goods.

Vacancy is extremely low, at less than 3.0%. New retail space developed in 2014 as part of the Park 7 residential/mixed-use project is about 93% leased and includes several clothing stores, a café, and other uses. The extremely low vacancy relates to the limited supply of good-quality retail buildings and demand for business space. Many of the buildings (e.g., the Senator Theater) were not constructed to accommodate their current retail uses. There has been some retail in-fill which is out of character with the older commercial buildings. A health facility is fronted on Minnesota Avenue by a sea of parking. Pedestrian safety can be a concern at main intersections. Despite all of these design problems, the area still functions somewhat as a busy, pedestrian-oriented commercial district.

Downtown Anacostia

Downtown Anacostia (MLK Avenue and Good Hope Road) has a small active retail inventory, with an estimated 52,000 square feet of active retail use. Much of that retail is in carry-out food, convenience uses, and personal services. There is significantly more office use in Anacostia, including ground-floor spaces. That being said, there is a significant amount of underutilized commercial space and substantial retail/commercial development planned for the area.

Office

The District has over 143 million square feet of office space, largely concentrated (70%) within the Downtown-area (CBD, NOMA, and East End). Much of this massive office node serves the needs of lawyers, contractors, research institutions, non-profits, lobbying firms, and others engaged in the work of the nation's capital city. Perhaps the fastest-growing office sub-market in D.C. is the Southwest node, with nearly 12.0 million square feet, much of which has been constructed relatively recently. While there are several large office corridors and concentrations in the city (e.g., Georgetown, West End, etc), there has traditionally been only limited, local-serving office use east of the river. In fact, commercial brokers had not even defined an office sub-market for areas east of the river because there has been such a relatively small inventory of leasable office space in Northeast or Southeast Washington (outside of Capitol Hill). That situation has been changing as office construction spills over the Anacostia River from Southwest D.C. and as the District invested in community-based agency offices near Metro stations east of the river.

Overall Market Indicators

Office construction outside of the traditional core Downtown/Georgetown markets, coupled with the impacts of sequestration and recession, has relieved some of the market pressure (and reduced annual rent spikes) in those central markets. Meanwhile, primary tenants like law firms have sought more efficient space in new buildings, leaving some over-hang in the traditional core. Some of the older office buildings in Downtown D.C. have been converted to residential use.

Despite slower overall market growth since the recession, about 6.5 million square feet of office space is currently under construction in the District. Of this amount, about 1.0 million square feet could be delivered in 2017, another 3.8 million in 2018, and. 1.7 million in 2019. This pipeline is larger than the total inventory supported by some large markets around the country. Absorption was only about 721,000 square feet for all of 2016, according to data supplied by Avison Young. Absorption fell into negative territory this year, declining by about 353,000 square feet so far in 2017, according to data supplied by Colliers International (or by 100,000 square feet according to Avison Young). This has occurred at the same time that substantial new office space has been delivered to the market. Vacancy has risen from about 10.5% in 2015 to 11.3% in 1st Quarter 2017, with about 16.1 million square feet of vacant space on the market. Vacancy is highest in the Capitol Riverfront area, with more than 23% of space unoccupied. Rents have continued to increase, approaching $55.00 per square foot on average in the District (compared to $51 in 2014). The highest rents are in the East End (nearly $60) while the lowest rents are in Uptown ($43 per foot).

East of the River Office Activity

As noted above, most of the large brokerage houses have not tracked office space located east of the Anacostia River in the District. Much of the existing office space is found in commercial corridors such as Minnesota Avenue or in nodes like downtown Anacostia. Office use is largely confined to medical clinics and dental offices, consumer lending companies, and some professional services (e.g., lawyers). D.C. Government established a policy several years ago of locating District offices as anchors in various neighborhoods throughout the city. The Minnesota/Benning Node is home to the Department of Human Services (DHS) while the Benning Metro node has an office of the District's Department of Motor Vehicles (DMV), located several blocks from the site. The D.C. Department of Housing and Community Development (DHCD) has new offices Downtown Anacostia. These local government offices serve as anchors that help spin-off or enhance the clustering of associated uses in surrounding areas. For example, the Minnesota/Benning Node has a number of health-related clinics, pharmacies and other uses. As noted above, there is significant office development planned or underway east of the river, but much of that development is concentrated in Anacostia, across from the Southwest waterfront. Outside of that area, office development EOTR is negligible and rents are relatively low.

Minnesota & Benning. This node has an estimated 40,000 square feet of commercial office use (not including government offices). About 75% of this space is in health care service uses like clinics, dental offices, and others. The other offices space is occupied by a few law and other professional services offices.

Benning Metro. Other than District DMV offices, there is relatively little office space at Benning Metro, the closest commercial node to the site. However, the new Conway Center (SOME) will include medical and dental clinics and some associated office space.

Downtown Anacostia. Downtown Anacostia serves as a growing office node, with several government agencies headquartered there. There is about 400,000 square feet of existing office space in a mix of small townhouses and commercial storefronts, large but aging office buildings like the Anacostia Professional Building (86,100 square feet) and 2101 Martin Luther King (84,500 square feet) as well as modern new buildings like 2235 Shannon Place (82,000 square feet). Tenants include a mix of medical & dental services, professional services, financial services, and the government agencies noted previously. Co-working spaces operated by HIVE and a new HIVE 2.0 offer 5,000 square feet of shared space for small businesses.

As noted previously, there is a substantial amount of office space planned or under construction in the Anacostia area, thanks to its proximity to the growing office node across the river in Capitol Riverfront and Southwest D.C. At least 5 projects will contain a total of more than 3.0 million square feet of office space excluding the Department of Homeland Security and 450,000 square feet of planned "innovation space."

Other Commercial Uses

There is a requirement that education uses be integrated into the reuse of the site. Other than education, there are other types of uses for which reuse of institutional buildings and sites lend themselves. Among these are co-working and maker spaces as well as audience support venues, discussed below. While there may be some limited opportunities for storage or industrial use on the site, consideration of these uses was restricted by the potential for impacts on surrounding residential neighborhoods, site constraints (e.g., topography) and the opportunity for higher and better uses. That being said, "industrial" uses are considered within the context of maker space and other small-batch work spaces that might be used by small businesses, entrepreneurs, artists and artisans (craftsmen).

Co-Working and Maker Spaces

There are a growing number of co-working and maker spaces throughout D.C., offering an opportunity for shared space and reduced operating costs for artists and artisans, inventors, and small entrepreneurs to sustain their craft and develop new products. Reuse of existing institutional buildings often lends itself to such shared space opportunities. Traditional co-working spaces have been offered by WeWork, HIVE, REGUS, and others using a shared office format with conference rooms and café settings, social space and other networking amenities.

Maker spaces, a somewhat newer phenomenon in D.C., are where craftsmen, tinkerers, entrepreneurs, inventors, and others use not only shared space but also specialized equipment for developing products, finishing craft work, or producing works of fine art. Often there is an education or training component, so in some respects these entities come closer to the definition of an "incubator." The area's maker spaces include Catylator Makerspace (Silver Spring), the D.C. Fashion Incubator (Downtown), Digital Commons (Downtown), Fab Lab (several locations), Lookout (Northwest), Locale (Northeast), and others. Some of the spaces are housed in small townhouse facilities with 2,000 square feet, while others command reuse of institutional buildings with 30,000 to 50,000 square feet or more space.

Audience Support & Meeting Venues

Large institutional buildings and sites also lend themselves to audience support uses. Washington certainly has its share of theaters, museums, sporting venues, event facilities, and other audience support venues. Projects like the Lincoln Theater, Howard Theater and others have helped strengthen revitalization of the U Street Corridor and create destination market drivers. Anacostia has its new Anacostia Playhouse and other cultural venues. But in general, EOTR neighborhoods lack the venues that have helped anchor neighborhoods in Northwest and other parts of D.C. A scan of EOTR event venues brings up only a handful, such as Uniontown Bar & Grill, Gateway DC, Chateau, Pin Points Theater, Inner City Collaborative Community Center, and THEARC. The latter (Town Hall Education Arts & Recreation Campus) operates as an 110,000 square-foot combined cultural, meeting, and recreational services campus serving Ward 8. However, few others in the area would qualify as a true audience destination driver or meeting venue, although they do provide amenity value such as community space and recreation facilities for area residents.

Section 3. MARKET OPPORTUNITIES & CONSTRAINTS

This section identifies market opportunities and constraints for various land and building uses, based on the site analysis and assessment of existing market conditions, as well as on a baseline demographic analysis. This opportunities assessment considers the community's preferences including retail space, community meeting space, small business incubator space, as well as other market-based uses.

Office

Opportunities and constraints for office use or redevelopment at the site were considered within the context of the office market and the site analysis, as summarized earlier in this report. In addition, basic economic trends and forecasts were considered as market drivers. A summary of the economic assessment, along with an indication of opportunities and challenges for office use, is provided below.

Assessment of Key Market Drivers

For office and work space uses, employment projections within key industries (including government) in the District of Columbia were considered as a primary factor driving demand. This opportunity assessment does not forecast market-area demand, nor does it consider development potential at the site within the competitive framework. Rather, this assessment provides context and identifies opportunities within the existing context.

Overall Employment Trends. D.C.-based employment is a crucial indicator and driver for the demand for office space within this market. Washington's economy is clearly exceptional because of its dependence on the Federal Government for its economic health. Not only does government employment dominate the city's economy directly (with almost 133,000 jobs or 20% of all jobs[2]), but also indirectly through contractors, suppliers, services, and various entities representing interests before the Federal Government. For example, the largest private sector represented in the District is professional, scientific and technical services (with nearly 110,000 jobs or 17% of the job base). Law firms, research organizations, and entities representing special interest groups comprise a large portion of this sector in Washington. Other firms engaged in administrative services like processing and back office administration include a multitude of service businesses working under federal contracts. Many long-time residents of EOTR neighborhoods have been employed with the federal or D.C. Government, or have worked in the administrative services sector or for various contractors and others working for the federal government.

Since the end of the recession, from 2010 through 2014, D.C. added about 41,200 jobs or 6.6%. This growth translates into the addition of about 4,100 jobs per year, yielding an annual growth rate of 0.7%. That growth has been fairly well-distributed among several key sectors including education, accommodation & foodservice, and health & social services. Other growth sectors include administrative services, construction, arts & entertainment, and others.

[2] Including about 22,000 jobs with the Government of the District of Columbia.

Table 4.	AT-PLACE EMPLOYMENT TRENDS, WASHINGTON, D.C., 2010-2014			
			Annual Growth	
Sector	**2010**	**2014**	**Number**	**Percent**
Construction	10,253	14,186	393	3.8%
Manufacturing	4,690	4,361	(33)	-0.7%
Wholesale Trade	4,697	5,000	30	0.6%
Retail Trade	19,250	21,462	221	1.1%
Transport/Warehousing	6,870	6,915	5	0.1%
Utilities	2,196	2,164	(3)	-0.1%
Information	20,403	18,619	(178)	-0.9%
Finance/Insurance	16,211	17,665	145	0.9%
Real Estate	10,168	12,267	210	2.1%
Prof Services	107,639	**109,793**	215	0.2%
Mgt Services	2,371	2,288	(8)	-0.4%
Admin Services	41,382	46,840	546	1.3%
Education	**49,769**	**59,094**	**933**	**1.9%**
Health Services	**62,198**	**69,281**	**708**	**1.1%**
Arts/Entertain/Recreation	9,199	12,439	324	3.5%
Accommodation/FS	**54,762**	**62,617**	**786**	**1.4%**
Other Services/SE	64,420	64,929	51	0.1%
Government	135,046	132,790	(226)	-0.2%
TOTAL	**621,524**	**662,710**	**4,119**	**0.7%**
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			

While many sectors have increased employment in the District since the recession, there are several that have seen a decrease in jobs. Among these are manufacturing and utilities, both of which are constrained by the lack of available and affordable industrial land in the District. Information services is a large sector in Washington (as the base for many news outlets and other information services), but changing technologies are reducing employment in this sector nationwide, especially in print media. While Washington is the nation's center for government, it has played a relatively minor role as a location for corporate offices or holding companies. This role appears to be declining further, with the loss in management services employment. Perhaps most important is the decrease in government employment, primarily in federal agencies. The District's dependence on this sector is crucial to the health of the city's markets and East of the River is no exception.

Zip Code 20019 Employment Trends. Within the area surrounding the site, the Census Bureau estimated at-place employment (meaning employment by place-of-work) at approximately 6,000 in 2014. This number is up by 1,835 or 44% since 2010, a rapid increase in employment for such a short period. That being said, the total number of jobs is so low that the actions of one or two employers can significantly impact on the employment base.

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Table 5.	AT-PLACE EMPLOYMENT TRENDS, ZIP CODE 20019, 2010-2014			
			Annual Growth	
Sector	**2010**	**2014**	**Number**	**Percent**
Construction	351	288	(6)	-1.8%
Manufacturing	96	60	(4)	-3.8%
Wholesale Trade	256	176	(8)	-3.1%
Retail Trade	570	343	(23)	-4.0%
Transport/Warehousing	24	27	0	1.3%
Utilities	638	652	1	0.2%
Information	6	7	0	1.7%
Finance/Insurance	65	29	(4)	-5.5%
Real Estate	226	194	(3)	-1.4%
Prof Services	303	206	(10)	-3.2%
Mgt Services	11	10	(0)	-0.9%
Admin Services	143	223	8	5.6%
Education	**289**	**1,074**	**79**	**27.2%**
Health Services	**566**	**1,592**	**103**	**18.1%**
Arts/Entertain/Recreation	39	57	2	4.6%
Accommodation/FS	324	339	2	0.5%
Other Services	267	265	(0)	-0.1%
Government	**-**	**466**	**47**	**N/A**
TOTAL	**4,174**	**6,008**	**183**	**4.4%**
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			

In fact, most sectors actually lost employment within Zip Code 20019 since 2010. Significant numbers of jobs were lost in retail and professional, scientific, and technical services. Growth was really driven by just three sectors: education, health & social services, and government. Several health care facilities have opened in the area along with public charter schools like KIPP DC (which is now one of 20019's largest single employment generators, after the large commercial node at Minnesota & Benning). Meanwhile, the District has implemented its policy of locating its agency offices within neighborhoods, so several offices like DHS and others have opened in the last few years east of the river. Thus, this area went from having no government employment base to almost 500 jobs primarily in local government.

Commutation Patterns. About 29% of Washington's workers actually live in the District of Columbia, according to 2014 data collected by the Census Bureau. Others are commuting from Northern Virginia (especially Arlington and Alexandria), or from Suburban Maryland (Silver Spring, Bethesda, Waldorf and Bowie, in particular). Among working residents of zip code 20019, nearly two-thirds work at jobs within the District of Columbia. Only about 7% of residents work in the main employment nodes in Northern Virginia (i.e., Arlington, Alexandria, Tysons Corner) and 4.4% work at major nodes in Maryland (i.e., Bethesda, Silver Spring, Baltimore).

Overall Employment Forecasts. The following table summarizes employment forecasts for Washington, D.C. through 2024, annualized by sector.

Table 6.	AT-PLACE EMPLOYMENT PROJECTIONS, WASHINGTON, D.C., 2014-2024			
			Annual Growth	
Sector	**2014**	**2024**	**Number**	**Percent**
Construction	14,186	15,931	174	1.23%
Manufacturing	4,361	4,069	(29)	-0.67%
Wholesale Trade	5,000	5,420	42	0.84%
Retail Trade	21,462	23,179	172	0.80%
Transport/Warehousing	6,915	7,703	79	1.14%
Utilities	2,164	1,969	(19)	-0.90%
Information	18,619	19,662	104	0.56%
Finance/Insurance	17,665	19,025	136	0.77%
Real Estate	12,267	14,794	253	2.06%
Prof Services	**109,793**	**124,505**	1,471	**1.34%**
Mgt Services	2,288	2,382	9	0.41%
Admin Services	46,840	50,821	398	0.85%
Education	59,094	63,703	461	0.78%
Health Services	**69,281**	**81,613**	1,233	**1.78%**
Arts/Entertain/Recreation	12,439	13,210	77	0.62%
Accommodation/FS	62,617	67,188	457	0.73%
Other Services/SE	64,929	66,877	195	0.30%
Government	132,790	128,275	(451)	-0.34%
TOTAL	**662,710**	**710,327**	**4,762**	**0.7%**
Sources:	D.C. Department of Employment Services, Office of Labor Market Research & Information; U.S. Bureau of the Census; and Randall Gross / Development Economics.			

The District is expected to add about 4,760 jobs per year through 2024. This annual increase reflects a rate of growth that is nearly identical to the rate of job growth experienced by the District since 2010. There would only be a slight shift in growth patterns among various sectors and industries that comprise the employment base. For example, while manufacturing and utility employment is expected to continue to decrease, management services employment is now expected to increase. Still disturbing is the likely average decrease of about 450 Federal Government jobs per year. Given the current political climate, it is likely that this decrease could accelerate, at least in the next several years. It is unclear whether this decrease could represent a shift from public to private sector contract positions, in which case the net result would only be nominal net change in the District's real estate economy. A shift to private contracting could enhance demand for private office space while also reducing federal lease requirements.

Office Employment-Related Demand. Most pertinent to the question of office demand is the expected shift in office-based employment. Unlike many other markets, the District's economy is overwhelmingly influenced by firms operating out of traditional office buildings. So,

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the overall change in employment is representative to a large extent of the shift in demand for office space. A somewhat more detailed analysis indicates that the District is set to gain about 10,000 to 11,000 office-based jobs within selected sectors over the next 5 to 6 years. The largest share of that growth will be in professional, scientific, and technical services, which will add 6,600 to 7,000 office-using workers. It is also possible that the District will lose about 1,200 office-using government jobs over the next several years.

Table 7. OFFICE EMPLOYMENT AND OFFICE DEMAND IN SELECTED SECTORS, WASHINGTON, D.C. 2024

Sector	Total Growth	Office Share	SF/Emp	Sq. Feet
Construction	1,047	153	130	19,871
Finance/Ins & RE	816	482	225	108,340
Prof , Tech Services	8,827	6,621	265	1,754,437
Information Services	626	425	150	63,811
Admin/Mgt Services	2,445	1,516	175	265,296
Health Services	7,399	1,628	145	236,035
Education	2,766	498	130	64,715
Public Administration	(2,709)	(1,150)	190	(218,488)
TOTAL (2024)	**21,217**	**10,172**		**2,294,018**
Per Year	*3,536*	*1,695*		*382,336*
Sources	D.C. Department of Employment Services, Office of Labor Market Research & Information; BOMA; New York City Economic Development Corporation; and Randall Gross / Development Economics.			

Based on average measures of office space utilization, it is likely that this growth in office employment would generate demand for about 2.3 to 2.5 million square feet of office space within the District of Columbia, or 380,000 to 500,000 square feet per year. This growth does not account for office demand generated by other sectors of the local economy, or by move-ups, replacement, and other factors impacting demand. Nor does this number represent a definitive forecast, since absorption and other factors would be considered as part of a market analysis. But, it does provide some indication of overall scale.

These numbers also point to a potential issue, with more than 6.1 million square feet recently or currently in the pipeline in the District. Absorption numbers in the previous 5 quarters have not borne out support for this amount of new construction. Rather, they are consistent with the forecasts provided herein, for annual absorption in the 380,000 to 500,000 square foot range, at least in the near term. Of course, the completion of new buildings will have an absorption effect on the market, allowing the District to attract new business that it may not otherwise have accommodated, especially if rents begin to fall to reflect an "overhang" in supply. Lower rents would likely have a positive impact on absorption.

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Opportunities and Constraints

The site analysis examined the overall "marketability" of the site for office space. This information, coupled with analysis of key market drivers and employment-based demand factors, provide context for identifying opportunities and constraints for use of the site for offices.

Challenges. In general, the site is less-competitive for office use than many other areas within the District, including areas like Anacostia that are located east of the river. Exposure and visibility are relatively low, further exasperated by the steep topography of the site. The site lacks direct access to a Metrorail node with substantial for-profit private development (although the Benning Road Metro station is located within walking distance) and there is little existing office/commercial activity nearby to support integration of and visibility for new office uses. Many businesses will prefer to be located near other businesses, so the lack of business activity at this location presents a challenge for marketing and business recruitment.

Office brokerages covering the D.C. market fail to even identify areas east of the river as an office sub-market with opportunities for tenants seeking space. As indicated by the attention paid to Downtown Anacostia, office development continues to "hug" the shores of the Anacostia River, with limited development interest expressed "inland" into other EOTR neighborhoods.

Overall market conditions are also not very supportive of extensive office use at this site, at least in the short-term. District-wide office conditions may be approaching an "over-hang" in supply within prime markets. Some older office buildings in traditional markets like Downtown are being converted to residential use. Demand for office space will continue to grow in coming years, but slower absorption patterns and stagnating federal employment on top of the generous supply and peaking rents suggest that the potential for office development in underserved and uncharted District markets would be untenable. Even when there is a healthy balance of supply and demand, competitive rents are necessary to drive development (and reuse) feasibility.

Opportunities. That being said, there are existing and potential new users for affordable, safe, and convenient office space in the Benning Road Corridor. Expansion of health, education, and local government resources into EOTR neighborhoods has already helped spin-off demand for professional and administrative support services. Both the Minnesota Avenue and Downtown Anacostia commercial nodes have a growing base of health-related clinics, dental offices, and professional services. One segment that is growing in the area is arts, entertainment, and recreational services. There may be opportunities to capture demand for non-profit and for-profit services relating to arts and other organizations by establishing and branding the site for arts and artisanal services.

Also on the affordable end of the office market, there are always opportunities for recruiting small entrepreneurs, including tech firms and contractors who would not otherwise find space in the District or with relatively easy access to Downtown and Capitol Hill. The Fletcher Johnson School building lends itself to opportunities for affordable, shared work spaces. Removable walls and large floor-spaces can theoretically be converted to open floor plans and shared facilities.

Shared office and work spaces are increasingly popular throughout the District and beyond, because of the cost advantages that they offer for smaller firms and those without the need for office overheads. The work environment is changing and office design is once again shifting back to open space plans and co-working environments that offer social and community space. The line between office and maker (small batch manufacturing) space is also increasingly blurred, with companies like WeWork build out space to accommodate a variety of users including manufacturing, technology developers, professional designers, artists, craftsmen/artisans, and traditional office users. In an age when manufacturers design and produce their product on electronic 3-D printers, the line between office and production is further blurred. Opportunities for maker space are explored later in this section.

Housing

Opportunities and constraints for housing reuse or redevelopment at the site were considered within the market context summarized earlier in this report, along with an assessment of basic demographic trends and forecasts within the market area. A summary of the demographic assessment along with an indication of opportunities and challenges is provided below.

Assessment of Key Market Drivers

As another input to this opportunities and constraints analysis, basic demographic and economic trends and forecasts were reviewed as they relate to the prospective market uses. Again, as stated in the Caveat for this report, market potentials for site redevelopment or reuse within the competitive context were not determined as part of this assessment. Opportunities were identified based on existing conditions, site marketability and overall demographic and economic trends.

Housing Market Area Definition. For the purposes of this opportunities assessment, a baseline Housing Market Area was defined for examining demographic factors impacting housing demand. This baseline focused on a primary market driven by demand generated from within EOTR neighborhoods and from/to other parts of the District of Columbia. Relocations to the region constitute another important driver for market-area demand. As noted earlier, a high share of EOTR residents work within the District, especially in traditional office and retail nodes in Downtown, Capitol Hill, and Georgetown. So, access to employment is a key component of market demand in this area. A more detailed housing market analysis would forecast demand among well-defined housing sub-markets, employment and mobility-driven markets, and demographic niches, among other factors.

Basic Demographic Trends and Forecasts. The EOTR market area has a population base of about 157,000, representing about 23% of the District's total population. EOTR population increased by about 1.7% per year between 2010 and 2017. While this represents fairly robust growth (especially compared to declining population in previous decades), it is still significantly lower than the overall average of 2.1% per year for the District of Columbia overall. Similarly, EOTR households increased by 1.9% per year, as compared with a District-wide increase of 2.5% annually.

Household incomes average about $50,700 in the EOTR market area, or just 44% of the District-wide average of $114,100. And EOTR median income is $35,600 or just 48.5% of the District's $73,400 average. The EOTR has long held a reputation as the location of Washington's poorest neighborhoods and home to a significant concentration of low-income and affordable housing.

Table 8.	DEMOGRAPHIC TRENDS AND FORECASTS, FLETCHER JOHNSON SITE HOUSING MARKET AREA, 2010-2022				
Trade Area/ Factor	**2010**	**2017**	**2022**	**2010-17 Ann Chg**	**2017-22 Ann Chg**
District of Columbia					
Population	601,723	690,945	725,882	12,746	6,987
Households	266,707	312,546	330,735	6,548	3,638
Ave HH Inc	$ 100,172	$114,087	$115,672	$ 1,988	$ 1,585
Median Inc	$ 63,879	$ 73,371	$ 74,462	$ 1,356	$ 1,090
East of the River					
Population	140,006	156,669	163,991	2,380	1,464
Households	55,894	63,258	66,566	1,052	662
Ave HH Inc	$ 49,816	$ 50,657	$ 50,743	$ 120	$ 86
Median Inc	$ 37,602	$ 35,596	$ 35,406	$ (287)	$ (190)
Note:	Income expressed in constant 2016 dollars.				
Sources:	Environics Analytics and Randall Gross / Development Economics.				

The income disparity between EOTR neighborhoods and the rest of the District has been growing, since the EOTR average income has barely increased in real (constant dollar) terms since 2010 while overall average income increased by about 2.0% per year. Median incomes in EOTR areas have actually fallen in real dollars since 2010, by about 0.8% per year.

The overall population and household growth is expected to slow in both the District and EOTR neighborhoods specifically over the next five years. EOTR neighborhoods are expected to add about 1,500 people and 670 households per year over the next five years, while the District as a whole is expected to add about 7,000 people per year and 3,600 households. The addition of 3,310 households in EOTR still suggests that there will continue to be increasing demand for housing in the area. And, as escalating prices make housing less affordable in more affluent parts of the District, EOTR neighborhoods will become more attractive for both buyers and renters. Slower income growth will compound the affordability gap and help to increase housing opportunities in non-core markets.

Other Demographic Factors. Other demographic factors were examined, including age, mobility, education levels, and others. Some areas east of the river are very stable, with a relatively high percentage of householders living in the area for decades. This is especially true for neighborhoods like Penn Branch (west of 46th Street), parts of Capitol View, and other communities with single-family housing. Areas along Benning Road have a higher number of rentals and multi-family dwellings that tend to have more recent residents and higher mobility rates. As noted earlier, a very high percentage of residents work in D.C., with only about one-third working in either suburban Virginia or Maryland.

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Table 9.	POPULATION PROJECTIONS BY AGE COHORT, EOTR, 2017-2022			
			2017-2022 Change	
Age Cohort	**2017**	**2022**	**Number**	**Percent**
Age 0 - 4	156,669	163,991	7,322	4.7%
Age 5 - 9	15,026	14,778	-248	-1.7%
Age 10 - 14	**12,136**	**13,747**	**1,611**	**13.3%**
Age 15 - 17	**10,130**	**12,116**	**1,986**	**19.6%**
Age 18 - 20	6,544	6,463	-81	-1.2%
Age 21 - 24	6,400	5,934	-466	-7.3%
Age 25 - 34	9,572	7,851	-1,721	-18.0%
Age 35 - 44	25,017	25,605	588	2.4%
Age 45 - 54	**18,628**	**20,529**	**1,901**	**10.2%**
Age 55 - 64	17,875	17,479	-396	-2.2%
Age 65 - 74	17,824	18,314	490	2.7%
Age 75 - 84	**10,593**	**13,191**	**2,598**	**24.5%**
Age 85+	**5,053**	**6,069**	**1,016**	**20.1%**
Age 18+	*1,871*	*1,915*	*44*	*2.4%*
Age 21+	*112,833*	*116,887*	*4,054*	*3.6%*
Age 65+	*106,433*	*110,953*	*4,520*	*4.2%*
Total	**311,467**	**326,067**	**14,600**	**4.7%**
Sources:	Claritas, Inc. and Randall Gross / Development Economics.			

Age will also play an important role in determining housing demand. Groups like the "Baby Boom" generation have long driven demand for housing at various life stages. Now, as that group enters their senior years, they will once again influence the scale, scope and type of housing that is required. By 2022, for example, people aged 75 and over will be among the fastest-growing population segments. Within this market, seniors over age 75 will account for roughly 25% of overall population growth. Youth between ages 10 and 17 will also account for a large portion of population growth, but they will not represent a significant driver in the housing market. So, the role of seniors in driving housing demand will be magnified beyond their share of the population.

Based on data on education levels among adults (from the U.S. Bureau of the Census), Penn Branch, Capitol View, and Central Northeast neighborhoods tend to have householders who have achieved high levels of education. Higher levels of education are accompanied by higher incomes and more homeownership.

Opportunities and Constraints

Again, the site analysis examined the overall marketability of the site for development of housing and other uses. An assessment of existing market conditions along with the demographic analysis provide further context for use of the site for housing. Key challenges and opportunities are summarized below.

Challenges. EOTR neighborhoods have long battled a negative image associated with higher rates of poverty and perceptions of crime. While Census Bureau data indicate that these neighborhoods still have among the lowest incomes in the District, crime has become less of a deterrent to investment as inner-city crime rates have fallen. The rapid escalation in both rents and home prices throughout much of the District enhances perceptions of EOTR neighborhoods as offering affordable prices with proximity to Downtown and Capitol Hill. This trend creates opportunities for housing development in EOTR neighborhoods.

Much of the residential use surrounding the site is in aging multi-family apartment buildings and row houses, although there has been some limited infill and redevelopment nearby. The age, outdated design and outmoded single-use format of the neighborhoods in the area does not appeal to those seeking mixed-use and amenity-rich communities. Many of the apartments as well as single-family homes are well-maintained but some homebuyers shy away from investing in neighborhoods with a plethora of rental property.

While the site is located within a 10- to 12-minute walk from Benning Road Metro Station, market-rate renters and homebuyers might feel somewhat isolated from the major hubs of commercial activity. The Minnesota & Benning commercial district is just over one-mile away from the site, or about a 5 to 10-minute drive. Still these districts only provide a modicum of shopping opportunities, concentrated in convenience and discount merchandise. The rapidly-gentrifying H Street Corridor and Hechinger Mall provide the broader spectrum of retail goods, services, and restaurants, but that corridor is located 15 minutes' drive from the site. Efforts to revitalize and enhance nearby commercial nodes will continue to improve the marketability of housing in the area.

Overall housing market conditions are also in flux. Demand will grow more slowly in the District in coming years, as both employment and demographic growth are slower than in recent years. Uncertainty about Federal Government spending and direct employment will impact the District's housing market. According to data supplied by REIS, Inc., overbuilding of rental apartments at the District's upper price ranges may have created some drag on apartment investment, and it is likely that increasing concessions will reduce interest in less-desirable rental locations.

The issue of over-supply is less apparent in the for-sale market, where prices continue to rise due to a lack of new single-family construction. Few locations in the District can accommodate new market-rate single-family housing development. So, those sites that do have capacity are increasingly rare and marketable. Still, concerns about safety, schools, and amenity value are paramount in marketing sites for single-family investment outside of the central core and affluent neighborhoods.

Opportunities. In the absence of all or a portion of the 300,000 square-foot school building, the Fletcher Johnson Site lends itself to new housing development. A mix of single- and perhaps multi-family mixed-income housing might be appropriate at this site, assuming it is supportable in the market. Without conducting a housing market analysis to forecast the potential market for housing at the site, it is uncertain to what extent the market could support housing. However, the site's location on top of a "plateau" makes it particularly suitable for housing for seniors and empty nesters if loaded with amenity value including arts & recreation facilities (e.g., tennis courts, walking trails, classroom space) with security gates. Demographics suggest that the aging baby boom generation is already driving demand for smaller single-family housing units on less land, and many will want a one-floor dwelling (or ground-floor master suite) as they age in place.

Based on interviews with residential brokers working in this market, "patio" homes and other "low-maintenance" housing styles would be attractive to empty nester residents of EOTR and nearby suburban Maryland as they move down into smaller homes but want to stay in the area. Brokers also suggest that such housing might also be attractive to young families who are moving up from renting in the area or relocating for work. Unlike other single-family housing, the site provides a unique opportunity to differentiate itself from the typical D.C. townhouse-style development pattern and provide a niche product not as prevalent in this market. Like any housing market, there is likely to be diversity of preferences for the type of housing desired by different people at different points in their life cycle. A multi-family senior housing development may also be appropriate as part of the mix. Churches and other institutions are often seeking sites for this type of housing development to accommodate the needs of parishioners. As noted above, demographic data seem to indicate that the aging Baby Boomers will continue to drive a significant share of demand in the market. That being said, a housing market analysis would need to be conducted to determine the economic potential for housing seniors and others in the market.

There will also be continued need for affordable housing in the District, and integrating workforce and affordable units (for example, 60% of AMI) would be appropriate at this location, especially if there is a market or need to accommodate seniors and working-age residents. In order not to overwhelm the community with another concentration of affordable housing, the overall mix of housing might be weighted towards market-rate units. More detailed demographic forecasts and income analysis would be required as part of a market analysis to support the site's potential within the competitive market for this type of community.

Retail

As with office and housing uses, the opportunities and challenges for retail use or redevelopment at the site were considered within the framework of the site's overall marketability (based on the site analysis), the retail market context, and demographic drivers within the retail trade area. Findings from the demographic assessment and identification of overall opportunities and constraints are discussed below.

Assessment of Key Market Drivers

An assessment of demographic trends and forecasts helps provide some additional context to the discussion of retail opportunities and constraints at the site. This opportunities assessment identifies some key existing demographic issues as well as gaps in the existing market base. However, a full retail market analysis would be needed to forecast the economic potential for the site, in terms of the supportable sales and square footage for each specific type of retail category (e.g. supermarket, children's apparel stores, etc) at the site within the competitive context.

Retail Trade Area Definition. For retail/commercial uses, a trade area demographic analysis focused on households within a 5-10-minute walk (a "Walking" Trade Area within a 0.5 to 1.0 mile distance that would primarily support convenience uses at the site), as well as areas extending south and east along Benning Road into Prince George's County, Maryland (a "Driving" Trade Area).

Basic Demographic Trends and Forecasts. The convenience trade area that extends up to about a 15- to 20-minute walk from the site has a substantial population base of about 11,300 people and 5,100 households. This area has seen some modest population and household growth since 2010. This area has added about 174 people and 90 households per year. This number is logical given that there has been some new single-family attached (townhouse) construction and rehabilitation of existing homes and apartment buildings.

Table 10.	DEMOGRAPHIC TRENDS AND FORECASTS, FLETCHER JOHNSON SITE TRADE AREAS, 2010-2022				
Trade Area/ Factor	**2010**	**2017**	**2022**	**2010-17 Ann Chg**	**2017-22 Ann Chg**
Walking TA					
Population	10,039	11,257	11,808	174	110
Households	4,486	5,120	5,415	91	59
HH Income	$ 49,814	$ 50,655	$ 50,741	$ 120	$ 17
Driving TA					
Population	33,775	36,698	38,118	418	284
Households	13,094	14,402	15,051	187	130
HH Income	$ 56,594	$ 57,550	$ 57,532	$ 137	$ (4)
Sources:	Environics Analytics and Randall Gross / Development Economics.				

Incomes within this area are on par with those throughout the EOTR area, at around $50,700. Like households and population, incomes have increased only modestly in real terms since 2010 and the end of the recession.

The "driving" trade area extends much further south and east into Maryland, and includes about three times as many people and households as the area within walking distance of the site. Growth in this area has also been relatively modest, adding about 420 people and 190 households per year. Household incomes are slightly higher in this broader trade area than in neighborhoods closer to the site, but growth has been equally modest, at just 0.2% per year in real terms.

Both areas are expected to see continued, but even slower, growth over the next five years, according to demographic projections generated by Claritas for Environics Analytics. The convenience trade area will add about 60 households per year, while the larger area will add about 130 per year. Incomes within this larger area will remain fairly static.

Basic Gap Analysis. A basic "gap analysis" was run using sales projections generated by Claritas. Again, this type of analysis does not represent a full market study that would forecast site potential within the competitive framework. It only provides an indicative model for comparing spending capacity with existing sales within the trade areas. This gap analysis found that the immediate (walking) trade area has an "over-supply" of convenience food stores, grocery stores, specialty food, and liquor stores. The gap analysis also identified an oversupply of beauty supply stores, shoe stores, and certain foodservice operations. In all other categories, however, and in the broader driving trade area as a whole, the analysis suggests that there is capacity for

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supporting more retail sales in the current market. The gap for GAFO (general merchandise, apparel, furniture, other) is significant, with an opportunity gap of about $31.3 million in the current walk-able area and $105.3 million in the broader trade area.

Opportunities and Constraints

Retail is dependent, to some degree, on the marketability of other uses at the site including housing or employment-generating uses like office. If the site proves to be marketable for one or more of these other uses, it could help create ancillary demand for retail, regardless of the broader market conditions or potentials within the trade area. But within the market framework, challenges and opportunities are identified below.

Challenges. The lack of visibility, access, and exposure at this site is even more challenging for retail uses than for the marketing of office space. While Benning Road does generate fair traffic counts, the site's elevation reduces visibility and access to buildings located at its apex. There are "elevated" retail sites in D.C., but they tend to have higher traffic counts than Benning Road. For example, Costco in Fort Lincoln benefits from access to New York Avenue's 120,000 vehicles per day. Home Depot Plaza has access to 40,000 AADT on Rhode Island Avenue (plus another 11,000 on Brentwood Road). These numbers compare with perhaps 17,000 AADT at the site on Benning Road. Certainly large billboards and highway-type signs could be installed to direct consumers to the higher elevations, but a developer would have to win the support of residents for highway-style signage and increased traffic in what is largely a residential neighborhood. If street-level pads could be created, then there may be more opportunity to broaden exposure for potential retail uses. But even if pad sites could be created at street level, retail uses at this location would be in competition with those in the retail nodes at Benning Road Metro Station, Minnesota and Benning, and Marlboro Pike, among others.

Another challenge to the site is that cross streets such as C, D, and 46th do not extend both east and west of Benning Road, so they do not provide maximum traffic exposure and accessibility to east-west markets. There is no "100% corner" where access is maximized from four directions. The site is, therefore, dependent on Benning Road for its exposure. As such, this would not be considered a "destination" retail site because of its dependency on north-south market access and lack of east-west market accessibility.

There is some demographic growth within the trade area, but incomes and buying power are lower than in many other parts of the region. There is an apparent "gap" in the existing supply for certain goods and services within the trade area, but consumer expenditure potential is relatively low. A "gap" of $103 million might support 400,000+ square feet of retail space, but there is plenty of competition for retail development within and outside of the trade area. There is over 1.5 million square feet of competitive retail space already planned or proposed in Anacostia and other East of the River neighborhoods.

Opportunities. As noted above, development of the site for housing or employment-generating uses would potentially generate some demand for site-serving or ancillary retail. Certainly, there is the opportunity to establish a small convenience node at Benning and C, or Benning and 46th, if street-level pad sites could be created to accommodate such uses. Ideally, whatever retail/convenience use might be developed at street level would complement and help market the "top" of the site. In other words, just having convenience uses like gas stations or take-outs does not help in branding and marketing the site for its highest and best use.

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But, development of an attractive convenience food store in tandem with other complimentary uses (hair salon, café, etc) could help in marketing and branding more substantial uses on the site. Since there is an existing food store located nearby, it may be appropriate to work with the operator of that store to ensure that new opportunities are created to capture a broader market. A retail market analysis could determine the potential for specific types and scale of retail uses at the site, within this competitive framework.

Other Uses

As noted earlier, the school building lends itself to certain shared spaces and audience support uses. The opportunities and constraints for these uses are explored further below.

Co-Working and Maker Space

Maker spaces like Catylator Makerspace (located in Silver Spring) offer not only work space, but also access to programming, training services, expensive equipment and technologies (like 3-D printers, laser cutters, software, computers, etc), events, and a networking community. Maker spaces often work on a membership model that allows for shared use of facilities and equipment. Certain optional services require additional fees-for-service. The concept of maker space differs somewhat from shared office spaces, where the facility works on a more traditional rent model and includes meeting rooms, telecomm equipment, and certain amenities. The concept also differs from traditional incubators, which are focused on providing free or affordable space, venture capital/financing, and direct training services to build companies from the ground up. Incubators are more typically operated and subsidized by institutions.

The school building is particularly suited to a maker space model because of the solid construction yet ability to create open space plans and utilize existing facilities. Being located within a 10- to 12-minute walk of Metro, with significant workable space, may be attractive to potential maker space and shared office operators who might contract for use of the space. A challenge would be the location east of the river, which is not the prime location for professional office users but may be more attractive for artisanal and craft markers, artists and others who need low-cost space and shared facilities near affordable housing.

Audience Support Venues

The opportunity for audience support venues including art performance spaces and meeting venues, is generated in part by the school building's existing facilities and potential adaptability. Facilities like the auditorium, dance studio, and classroom spaces provide opportunities for practice and performance venues as well as for meeting space. While there are some other community-based facilities in the area that offer some of these venues, there is the possibility that a broader need exists for housing arts and other professional and community-based organizations.

Conceptual Redevelopment Program Scenarios

Three program concept scenarios were developed to indicate a possible mix of uses for buildings and land at the Fletcher Johnson School site. The scenarios were prescribed by D.C. Government to include, respectively, 50,000 square feet, 100,000 square feet, and 150,000 square feet of education use.

In all three cases, the broad concept is for development of a mixed-use community associated with the arts, artisans, and makers. In all three scenarios, a portion of the school building would be operated by a maker-space contractor or non-profit membership organization. Education use could be integrated into the arts venue/maker model (such as for training purposes) or operate independently as a separate entity. Portions of the school building would be demolished for mixed-income housing geared possibly to empty nesters as well as artisans. Ultimately, the site would be branded and marketed to young artisans and professionals as a fairly self-contained, mixed-use artisan live-work community and also marketed to key growing demographic niches (noted earlier) like empty nesters. Based on information supplied by Washington Project for the Arts and other arts organizations, there are waiting lists for artist space throughout D.C. As noted earlier, there are several growing demographic niches like empty nesters that are likely to drive opportunities in the housing market. The arts component is important not just because of the market opportunity but also because it could become part of the brand identity and amenity value associated with the site. Ultimately, however, the market was not tested for this concept, and a full market analysis is recommended to forecast the potentials, supported by demographic analysis.

It is assumed that the effort to accommodate 150,000 square feet of dedicated education space would result in less land available for housing. If so, then residual land might be developed for live-work space in lieu of housing geared to empty nesters. It should be noted as a caveat, that an architect and planner would need to be consulted to determine whether, in fact, any or all of the following program concepts could be accommodated in the building or on site as envisioned.

Scenario 1: 50,000 SF Education Component

School Building: Arts, Education, and Maker Community

- Shared Spaces (estimated 80,000-120,000 square feet)
    - Education (50,000sf, discreet or shared as training facilities)
    - Fine/Arts Venue: Auditorium, dance studio, studios, classrooms
    - Maker Space: Classrooms, shared open-plan space
    - Meeting Space: Classrooms, auditorium, shared open-plan space

Remaining 182,000sf to 222,000sf demolished for housing development.

Site/Land: Mixed-income housing "arts & maker" community geared to seniors, empty nesters, artisans, artists, and young families.

- Senior apartments
- Patio/artisan home community
- Live-work spaces
- Recreational/community facilities

Scenario 2: 100,000 Education Component

School Building: Arts, Education, and Maker Community

- Shared Spaces (estimated 130,000-170,000 square feet)
    - Education (100,000sf, discreet or shared as training facilities)
    - Arts Venue: Auditorium, dance studio, senior center, classrooms

  - Maker Space: Classrooms, shared open-plan space
  - Meeting Space: Classrooms, auditorium, shared open-plan space

Remaining 132,000sf to 172,000sf demolished for housing development.

Site/Land: Mixed-income housing "arts & maker" community geared to seniors, empty nesters, artisans, artists, and young families.

- Senior apartments
- Patio/artisan home community
- Live-work spaces
- Recreational/community facilities

Scenario 3: 150,000 SF Education Component

School Building: Arts, Education, and Maker Community

- Shared Spaces (estimated 180,000-220,000 square feet)
  - Education (150,000sf, discreet or shared with the following)
  - Arts Venue: Auditorium, dance studio, senior center, classrooms
  - Maker Space: Classrooms, shared open-plan space
  - Meeting Space: Classrooms, auditorium, shared open-plan space

Remaining 82,000sf to 122,000sf demolished for live-work units and/or recreation facilities

Site/Land: Affordable "arts & maker" community geared to artisans, artists, and others.

- Live-work spaces
- Recreational/community facilities

Section 4. FINANCIAL ASSESSMENT

A high-level static redevelopment pro forma analysis was conducted to test the general financial viability of the scenarios presented in the previous section of this report. Several financing approaches are recommended based on this indicative assessment. A full financial feasibility assessment (i.e., multi-year cash flow analysis yielding development returns) should be conducted, based on a market analysis, to determine the financial sustainability or returns from the scenarios discussed above.

Program Summary

The following table summarizes a possible program concept for each of the three scenarios.

CONCEPTUAL PROGRAM		
Existing Building	**302,000**	**Square Feet**
	Low Range	**High Range**
Scenario 1		
Shared (SF)	80,000	120,000
Education	**50,000**	
Studios	15,000	20,000
Maker	15,000	50,000
Demolition	*182,000*	*222,000*
Housing (DU)		
Apartment	80	100
Single-Family	50	70
Artist Housing	10	12
Rec/Comm (SF)	5,000	
Scenario 2		
Shared (SF)	130,000	170,000
Education	**100,000**	
Studios	15,000	20,000
Maker	15,000	50,000
Demolition	*132,000*	*172,000*
Housing (DU)		
Apartment	60	80
Single-Family	40	60
Artist Housing	8	12
Rec/Com (SF)	4,000	
Scenario 3		
Shared (SF)	180,000	220,000
Education	**150,000**	
Studios	15,000	20,000
Maker	15,000	50,000
Demolition	*82,000*	*122,000*
Housing (DU)		
Artist Housing	12	20
Rec/Comm (SF)	4,000	

Each of the three scenarios would include the requisite education space, whether an institutional use (like a school) or a component of other shared uses (such as training space that is

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also part of an arts or maker program). Each scenario also includes the shared space integrated into the existing building, with 80,000 to 120,000 square feet in Scenario 1 (including 50,000 square feet of education space), 130,000 to 170,000 square feet in Scenario 2 (including 100,000 square feet of education space), and 180,000 to 220,000 square feet in Scenario 3 (including 150,000 square feet of education space). Thus, the amount of shared space remains constant except for the education component.

Aside from education uses, the shared space would be sub-divided into two distinct components that may share some ancillary facilities (like meeting, certain collaboration spaces, and kitchen) but are otherwise separated:

A) Arts Space component including artist studios and performance spaces (including the auditorium and practice rooms, classrooms and open floor plan space); and
B) Maker Space with shared work space and equipment, collaboration space, and meeting rooms.

These two types of functions would be separated because fine artists and makers (which might include technology developers, small batch manufacturers, designers, and craftsmen) have different needs and communities. That being said, there is the opportunity for collaboration space which can be shared between them.

Unused or less-viable portions of the school building would be demolished in all three scenarios to accommodate a housing program on the site. The housing program probably differs for each scenario, depending on the residual land available for development after demolition. Only a more detailed market analysis, along with architectural assessments and land planning, would be able to assert with some certainty an appropriate development program. However, it can be assumed that the site development program would shrink as more of the building is used for educational purposes, leaving less land for new development.

As noted in the table, Scenarios 1 and 2 call for a mix of market-rate and affordable housing types, including apartments (or senior housing), single-family (e.g., patio) homes or other low-maintenance housing, and small cottages or affordable housing to accommodate artists. Scenario 3 assumes less opportunity for land development, again due to the use of the school building for education purposes, with residual land built with the artist housing/cottages. All three scenarios envision some shared recreation and community use on the site as an amenity for residents, artists, and workers alike. On-site surface parking would be supplied to accommodate the parking needs of residents, workers, and visitors.

Scenario 1

The baseline cash-on-cash returns from the land development program as envisioned in Scenario 1 were tested through a simple pro forma analysis. This analysis assumes that a private developer would bid for the portion of residual property generated following demolition of a portion of the building, plus existing undeveloped land not associated with the building. The master developer would create pads and develop the three housing products for sale. While the land portion of the project is separated from the building, the two portions should be developed and marketed in a collaborative fashion in order to maximize the identity and develop common market niches.

The pro forma assessment of Scenario 1 found that partial building reuse could be profitable, depending on rehabilitation costs. However, the land development pro forma found that the development of the property for the housing portion of the program would generate a negative cash-on-cost return, even if the land were given at no charge to a developer. In general, costs for new construction could overwhelm the revenue stream generated by a mix of affordable and market-rate housing at this site.

SCENARIO 1: LAND

Development Cost	Factor/SF	Low ($M)	High ($M)	**Project Revenue**	Price/Unit	Low ($M)	High ($M)
Land	$ -	$ -	$ -	Apartments	$ 220,000	$ 17.6	$ 22.0
Demolition	$ 3.00	$ 0.5	$ 0.7	Single-Family	$ 290,000	$ 14.5	$ 20.3
Site Prep	$ 4.00	$ 1.39	$ 1.57	Cottage	$ 275,000	$ 2.8	$ 3.3
Hard Costs						$ 34.9	$ 45.6
Senior	$135.00	$ 10.8	$ 13.5	Construction		$ 45.8	$ 60.8
Patio	$180.00	$ 18.9	$ 26.5	Commissions	6.0%	$ 2.7	$ 3.6
Artist/Cottage	$125.00	$ 2.3	$ 2.7	Closing Cost	1.5%	$ 0.7	$ 0.9
Parking Cost/Space	$ 6,000	$ 0.6	$ 0.8	Total Cost		$ 49.3	$ 65.4
A&E	6.0%	$ 1.9	$ 2.6				
Legal, Acct, Ins	1.0%	$ 0.3	$ 0.4	Profit		$ (14.4)	$ (19.8)
Management	2.5%	$ 0.8	$ 1.1				
Overheads/Fees	2.5%	$ 0.8	$ 1.1	Profit+Mgt & Overhead		$ (12.8)	$ (17.7)
Carrying Cost/Int	3.5%	$ 1.1	$ 1.5				
Contingency	5.0%	$ 1.6	$ 2.1	**Return**		**-26.0%**	**-27.0%**
Soft Costs	15.0%	$ 4.8	$ 6.4				
TOTAL		$ 45.8	$ 60.8				

As shown above, negative returns would be generated by a housing program with a moderate average-priced senior living, patio, and cottage home product. The deficit would likely require the District to further subsidize development or housing prices to generate a basic cash-on-cost return to the developer.

Building reuse as envisioned in Scenario 1 was also tested. Again, the building would be redeveloped separately but collaboratively with the housing portion. It is assumed that the building would be taken by a master lease or sale arrangement. Either way, a portion of the building would be demolished to enhance the housing site as possible. The remaining portions of the building, especially those areas closest to Benning Road, such as the auditorium, studios, and classrooms would be refurbished and rehabilitated as two shared spaces as conceptualized above – an arts venue/studio space and a maker facility with shared meeting and/or collaboration space.

The building reuse pro forma suggests that, at relatively low $175 per square foot total renovation costs (a minimum estimate based on discussions with school maintenance personnel, best practices, and pro forma soft costs), reuse of the building would generate a sufficient return based on the residual value to warrant private investment. Residual sale values of $3.4 million to $5.7 million could be generated if the market supports the conceptual lease rates and rehabilitation costs aren't too much higher than the $80-85 range. Even then, the project could generate a modest cash-on-cash return of 12-16% and there may be viable options for public-private partnership that reduce the risk to the developer. If income stream is the ultimate objective, then there may possibilities that support the long-term investment and operating cost

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for the facility. However, gross rehabilitation costs are likely to be higher than $175 per foot, thereby reducing the long-term returns and the viability of reuse.

SCENARIO 1-BUILDING			
Rehabilitation Costs	Factor/SF	Low ($M)	High ($M)
Site Prep	$ 4.00	$ 0.2	$ 0.2
Hard Costs	$ 80.00	$ 6.4	$ 9.6
Parking Cost/Space	$ 6,000	$ 0.3	$ 0.5
A&E	6.0%	$ 0.4	$ 0.6
Legal, Acct, Ins	1.0%	$ 0.1	$ 0.1
Management	2.5%	$ 0.2	$ 0.2
Overheads/Fees	2.5%	$ 0.2	$ 0.2
Carrying Cost/Int	3.5%	$ 0.2	$ 0.3
Contingency	5.0%	$ 0.3	$ 0.5
Soft Costs	10.0%	$ 1.0	$ 1.4
TOTAL		$ 9.2	$ 13.7
Rental Income	Rate	Net Rental Income	
Education	$ 18.50	$ 0.7	$ 0.7
Art Studio Space	$ 12.00	$ 0.1	$ 0.2
Maker Space	$ 20.00	$ 0.2	$ 0.8
Total		$ 1.1	$ 1.7
Financing			
Loan (@80%)		$ 7.1	$ 10.5
Equity		$ 1.8	$ 2.6
Annual Debt Service		$ (0.5)	$ (0.7)
Cash Flow After DS		$ 0.6	$ 1.0
Cash-on-Cash Return		**35.4%**	**37.6%**
Income & Value			
Gross Income		$ 1.1	$ 1.7
Vacancy Factor		$ 1.1	$ 1.6
CAM, Taxes, Ins (NNN)		-	-
NOI		$ 1.1	$ 1.6
Value (Cap Rate)	**8.5%**	**$ 12.6**	**$ 19.4**
Net Proceeds @ Sale		**$ 3.4**	**$ 5.7**

Scenario 2

The results of Scenario 2 are similar to those in Scenario 1, since the land development program is still dependent on a combination of high construction costs and relatively low housing sales revenues. In this case, project cash-on-cost returns do not warrant the investment unless there is some subsidy or incentive for promoting development of the site. But if a housing developer were able to identify a higher-value, market-rate housing product that would generate higher sales absorption and revenues, then the project could yield sufficient returns to make it viable as an investment opportunity.

SCENARIO 2 - LAND

Development Cost	Factor/SF	Low ($M)	High ($M)	**Project Revenue**	Price/Unit	Low ($M)	High ($M)
Land	$ -	$ -	$ -	Senior	$ 220,000	$ 13.2	$ 17.6
Demolition	$ 3.00	$ 0.4	$ 0.5	Patio	$ 290,000	$ 11.6	$ 17.4
Site Prep	$ 4.00	$ 1.22	$ 1.05	Cottage	$ 275,000	$ 2.2	$ 3.3
Hard Costs						$ 27.0	$ 38.3
Senior	$135.00	$ 8.1	$ 10.8	Construction		$ 36.0	$ 51.3
Patio	$180.00	$ 15.1	$ 22.7	Commissions	6.0%	$ 2.2	$ 3.1
Artist/Cottage	$125.00	$ 1.8	$ 2.7	Closing Cost	1.5%	$ 0.5	$ 0.8
Parking Cost/Space	$ 6,000	$ 0.5	$ 0.7	Total Cost		$ 38.7	$ 55.1
A&E	6.0%	$ 1.5	$ 2.2				
Legal, Acct, Ins	1.0%	$ 0.3	$ 0.4	Profit		$ (11.7)	$ (16.8)
Management	2.5%	$ 0.6	$ 0.9				
Overheads/Fees	2.5%	$ 0.6	$ 0.9	Profit+Mgt & Overhead		$ (10.4)	$ (15.0)
Carrying Cost/Int	3.5%	$ 0.9	$ 1.3				
Contingency	5.0%	$ 1.3	$ 1.8	**Return**		**-27.0%**	**-27.2%**
Soft Costs	15.0%	$ 3.8	$ 5.4				
TOTAL		$ 36.0	$ 51.3				

The building reuse portion of Scenario 2 generated even higher returns than did Scenario 1, with net proceeds at sale of $6.6 to $9.0 million under fairly conservative risk assumptions (8.5-9.0% Cap Rate). The project would also yield a healthy cash-on-cash return for investors. Again, there are many assumptions underlying this performance, not the least of which is the relatively low cost of rehabilitation, coupled with the lease-up of the space at below-market but still viable rates of $12-$20 per square foot on a Triple Net basis.

The assumption is that an operator would work under a master lease agreement or purchase for the uses indicated. Sensitivity analysis might determine the break-even point for rents and occupancy, as well as for rehabilitation costs, which could help determine possible ranges for negotiation purposes. Ultimately, an architect would need to examine the building to determine whether the rehabilitation costs are reasonable or provide a more logical range for consideration. The findings from the building rehabilitation pro forma are summarized in the table that follows.

SCENARIO 2-BUILDING			
Rehabilitation Costs	Factor/SF	Low ($M)	High ($M)
Site Prep	4.00	$ 0.2	$ 0.2
Hard Costs	80.00	$ 10.4	$ 13.6
Parking Cost/Space	6,000	$ 0.5	$ 0.7
A&E	6.0%	$ 0.6	$ 0.8
Legal, Acct, Ins	1.0%	$ 0.1	$ 0.1
Management	2.5%	$ 0.3	$ 0.3
Overheads/Fees	2.5%	$ 0.3	$ 0.3
Carrying Cost/Int	3.5%	$ 0.4	$ 0.5
Contingency	5.0%	$ 0.5	$ 0.7
Soft Costs	10.0%	$ 1.0	$ 1.4
TOTAL		$ 14.3	$ 18.6
Rental Income	Rate	Net Rental Income	
Education	18.50	$ 1.5	$ 1.5
Art Studio Space	12.00	$ 0.1	$ 0.2
Maker Space	20.00	$ 0.2	$ 0.8
Total		$ 1.9	$ 2.5
Financing			
Loan (@80%)		$ 11.0	$ 14.3
Equity		$ 2.7	$ 3.6
Annual Debt Service		$ (0.8)	$ (1.0)
Cash Flow After DS		$ 1.1	$ 1.5
Cash-on-Cash Return		**39.7%**	**40.8%**
Income & Value			
Gross Income		$ 1.9	$ 2.5
Vacancy Factor		$ 1.8	$ 2.3
CAM, Taxes, Ins (NNN)		-	-
NOI		$ 1.8	$ 2.3
Value (Cap Rate)	**8.5%**	**$ 20.8**	**$ 27.6**
Net Proceeds @ Sale		**$ 6.6**	**$ 9.0**

Scenario 3

Scenario 3 produces a slightly better but still non-viable return for development of the land associated with the school property. There is less development on the site and, therefore, lower development cost, but revenues are also lower. So, overall, the project would generate a negative cash-on-cost return. The land development pro forma is summarized on the following page.

SCENARIO 3 - LAND

Development Cost	Factor/SF	Low ($M)	High ($M)	**Project Revenue**	Price/Unit	Low ($M)	High ($M)
Land	$ -	$ -	$ -	Senior	$ 220,000	$ -	$ -
Demolition	$ 3.00	$ 0.2	$ 0.4	Patio	$ 290,000	$ -	$ -
Site Prep	$ 4.00	$ 0.35	$ 0.52	Cottage	$ 275,000	$ 3.3	$ 5.5
Hard Costs						$ 3.3	$ 5.5
Senior	$135.00	$ -	$ -	Construction		$ 4.5	$ 7.4
Patio	$180.00	$ -	$ -	Commissions	6.0%	$ 0.3	$ 0.4
Artist/Cottage	$125.00	$ 2.7	$ 4.5	Closing Cost	1.5%	$ 0.1	$ 0.1
Parking Cost/Space	$ 6,000	$ 0.1	$ 0.1	Total Cost		$ 4.8	$ 8.0
A&E	6.0%	$ 0.2	$ 0.3				
Legal, Acct, Ins	1.0%	$ 0.2	$ 0.3	Profit		$ (1.5)	$ (2.5)
Management	2.5%	$ 0.2	$ 0.3				
Overheads/Fees	2.5%	$ 0.2	$ 0.3	Profit+Mgt & Overhead		$ (1.2)	$ (1.9)
Carrying Cost/Int	3.5%	$ 0.2	$ 0.3				
Contingency	5.0%	$ 0.2	$ 0.3	**Return**		**-25.1%**	**-24.1%**
Soft Costs	15.0%	$ 0.2	$ 0.3				
TOTAL		$ 4.5	$ 7.4				

Scenario 3 generates a higher return from reuse of the building than do Scenarios 1 or 2, mainly because the rental income is maximized. Clearly, as with the other scenarios, there is an assumption that demand exists for the space at the lease rates indicated herein. The assumption that the auditorium would be leased (occasionally) along with arts and studio space may not prove to be valid, especially if the auditorium is used primarily as an amenity to attract users or as a community venue. But importantly, it is assumed that, even if the auditorium is leased for occasional private events, it would be made available for community use during most of the year. There is also the assumption that total rehabilitation costs would range from $175, thereby minimizing cost and debt service. Because the pro forma yields net proceeds of $9.4 million to almost $12.0 million, there could be some flexibility built into the model that allows for a cushion should there be serious deficiencies in the occupancy, rent, and rehabilitation cost assumptions.

There are also several alternatives to the scenarios presented herein, whereby operators take more of the building for maker, meeting, arts, education, or studio space and nothing is demolished. Alternatively, one institutional user might require the entire building, in which case the rental income may be averaged out to a lower rate to attract a single-user. There may be improvements required to the building (above and beyond rehabilitation), such as by tearing down walls to create space that is better-suited to open–plan work or collaboration space. Such efforts would by necessity increase costs. Thus, there are multiple iterations on the concepts for rehabilitation. The pro forma building reuse findings from Scenario 3 are summarized on the following page.

SCENARIO 3-BUILDING			
Rehabilitation Costs	Factor/SF	Low ($M)	High ($M)
Site Prep	$ 4.00	$ 0.2	$ 0.2
Hard Costs	$ 80.00	$ 14.4	$ 17.6
Parking Cost/Space	$ 6,000	$ 0.7	$ 0.9
A&E	6.0%	$ 0.9	$ 1.1
Legal, Acct, Ins	1.0%	$ 0.1	$ 0.2
Management	2.5%	$ 0.4	$ 0.4
Overheads/Fees	2.5%	$ 0.4	$ 0.4
Carrying Cost/Int	3.5%	$ 0.5	$ 0.6
Contingency	5.0%	$ 0.7	$ 0.9
Soft Costs	10.0%	$ 1.4	$ 1.8
TOTAL		$ 19.7	$ 24.0
Rental Income	Rate	Net Rental Income	
Education	$ 18.50	$ 2.2	$ 2.2
Art Studio Space	$ 12.00	$ 0.1	$ 0.2
Maker Space	$ 20.00	$ 0.2	$ 0.8
Total		$ 2.6	$ 3.2
Financing			
Loan (@80%)		$ 15.2	$ 18.5
Equity		$ 3.8	$ 4.6
Annual Debt Service		$ (1.1)	$ (1.3)
Cash Flow After DS		$ 1.5	$ 1.9
Cash-on-Cash Return		**40.5%**	**41.3%**
Income & Value			
Gross Income		$ 2.6	$ 3.2
Vacancy Factor		$ 2.5	$ 3.1
CAM, Taxes, Ins (NNN)		-	-
NOI		$ 2.5	$ 3.1
Value (Cap Rate)	**8.5%**	**$ 29.1**	**$ 35.9**
Net Proceeds @ Sale		**$ 9.4**	**$ 11.9**

Initial Recommendation

Based on the requirement for education use, site analysis, existing market conditions, demographic and economic analyses, and on the financial pro forma assessments, it would appear that options for reuse of the building for art studios, performance space, maker space, and institutional education uses may be viable if not profitable. Artisans are a growing employment sector in the Washington area and according to Washington Project for the Arts, there are several hundred fine artists looking for affordable studio and living space in the District in any given year and, finding none, relocate to other places in Maryland and Virginia or beyond. Washington is losing some of its fine artists due to these affordability issues. Some similar issues face the burgeoning number of small technology firms, small batch manufacturers, crafts and artisanal makers who are driving demand for "maker space" packaged by operators like WeWork. Of course, the scope and scale of these market opportunities have not been tested through a market analysis that would generate detailed information on both users and competitive locations, as well as the growth and potential depth of the market.

Nevertheless, many cities are working to provide space for makers and artists. The Brooklyn Navy Yard in New York (operated by the New York City Department of Economic Development) has successfully integrated artist and maker spaces into the reuse of its buildings, many of which have not benefited from much capital reinvestment. Rather, many of these buildings provide very basic work space for artists and artisans, artisanal manufacturers and small tech companies.

The Fletcher Johnson School site lends itself to a mix of uses that do not require significant exposure or visibility, like retail, and to uses that do not need to be a part of a large employment node like office space. What the target users need is affordable work space in the District, within walking distance of a Metro station and relatively affordable housing. Being slightly isolated from a residential neighborhood or part of an "enclave" helps those artists and makers who need space to drill, sculpt, and produce their output. Certainly, having site amenities and a coffee shop nearby (or on-site) would help in marketing and promoting the space to the target users.

The opportunities identified here also coincide with some of the community residents' expressed desire for arts facilities and venues, and with an attachment to the building and the memories it still holds for many residents. Certainly, the building could use a façade "facelift;" and having artists and artisans directly involved in the project, including rehabilitation of the building, can certainly help.

Ultimately, it is recommended that the District consider a public-private partnership model that allows for private operators such as a maker space and studio operator to rehabilitate and fit-out the building space for the type of users that they can recruit, manage, and service.