

**COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
COMMITTEE REPORT**

1350 Pennsylvania Avenue, NW, Washington, DC 20004

DRAFT

TO: All Councilmembers

FROM: Chairman Phil Mendelson
Committee of the Whole

DATE: July 14, 2015

SUBJECT: Report on PR 21-176, “Draper School Lease Approval Resolution of 2015”

The Committee of the Whole, to which PR 21-176, “Draper School Lease Approval Resolution of 2015” was referred, reports favorably thereon and recommends approval by the Council.

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I. BACKGROUND AND NEED

The purpose of Proposed Resolution PR 21-176, “Draper School Lease Approval Resolution of 2015,” is to allow the Department of General Services (DGS) to enter into a new lease with Achievement Preparatory Academy Public Charter School, Inc. (Achievement Prep) for real estate located at 908 Wahler Place, S.E., most commonly known as the Draper School (Lot 0801, Square 5926).

Zoned as R-5-A with 59,290 square feet of building space and 206,222 square feet of land space, the property at 908 Wahler Place S.E. has not been used by the District since 2008. Used as a school by District of Columbia Public Schools (DCPS), the property was closed in 2008 due to low enrollment, and the District entered into a lease agreement with the Charter School Incubator Initiative (CSII) in 2010. The CSII is a public, non-profit partnership between the Office of the State Superintendent of Education and Building Hope designed to “establish

new schools that could not otherwise find and afford a school building.”¹ Specifically, CSII allows new schools that have not yet had the ability to grow their enrollment, and thus cannot afford the lease generally associated with a large school building, the opportunity to grow over a few years with the goal that the school will be able to take over responsibility for the property once it has had time to establish itself within the District.² Such is the case with Achievement Prep. Opened in 2008, Achievement Prep originally sought space through the CSII and has been the sole occupant at 908 Wahler Place S.E. since 2012. Given its immense growth over the last seven years, the school is now prepared to exercise its right of first offer to lease the property from the District for a period greater than twenty years, and is thus seeking to lease the property for 30 years with an additional possible option of 25 years.

Achievement Prep has become a highly sought after Tier 1 public charter school in the District. Serving students primarily from Ward 8 and in grades K-8, Achievement Prep students demonstrated a math proficiency of 81% and a 60% reading proficiency during the 2013-2014 school year. The District average, on the other hand, was 55% proficiency in math and 50% proficiency in reading. Moreover, given Achievement Prep’s success, the school has outgrown its current space on Wahler Place, and thus has two campuses right now in the District – one for its middle school on Wahler Place and another for its elementary school, also located in Ward 8.

In order to consolidate all of its students at one location, Achievement Prep proposes to renovate and upgrade the current District property under the proposed lease. Specifically, the school will construct a 50,000 square foot addition for its middle school, as well as renovate the current Draper School, to suit the needs of its elementary school students. Such renovations will cost the school \$34 million, which it is financing through private loans and without any additional financial assistance from the District. In exchange for these upgrades and physical enhancements, the District will provide Achievement Prep with a one-for-one rent abatement up to one million dollars annually to offset the school’s investment in the property over the life of the initial lease agreement. Thus, while the annual rent for the property has been valued at \$777,000, it is expected that Achievement Prep’s rent will be abated over the initial 30-year lease term since the cost of improvements are valued at approximately \$34 million.

Statutory Requirements

Because the proposed lease with Achievement Prep is for a period greater than twenty years, the statutory requirements in D.C. Official Code §10-801 mandate a prescribed set of steps that must be taken for the lease of the property. Specifically, pursuant to D.C. Official Code §§ 10-801(b) and (b-1), if the Council determines that real property is no longer required for public purposes, the Mayor shall transmit a proposed resolution that shall be accompanied by a number

¹ Medema testimony – July 6, 2015 public hearing.

² *Id.*

of documents, including: (1) an analysis of the economic factors that were considered in proposing the disposition of the real property; (2) the value of the property as prepared by an independent appraiser; (3) the major business terms of the transaction; (4) a finding that the developer will enter into an agreement that shall require the developer to, at a minimum, contract with Certified Business Enterprises for at least 35 percent of the contract dollar volume of the project; and (5) a finding that the developer will enter into a First Source Agreement with the District. The lessee has agreed to requirements (4) and (5); below is a summary of requirements (1), (2), and (3).

(1) Economic Factors

Method of Disposition: PR21-176 proposes to lease the property at 908 Wahler Place S.E. to Achievement Prep for a period of 30 years with an option for an additional 25 years. In order to carry forth with this disposition, the Council must also declare this property to be surplus. Currently, PR21-175, the “Draper School Surplus Declaration Resolution of 2015,” is pending before the Council. The Committee on Transportation and the Environment marked up PR21-175 on July 7, 2015, and it is expected that the Council will approve this proposed resolution at its July 14, 2015 additional legislative meeting.

Monetary Costs and Benefits to the District: Under the proposed lease, Achievement Prep will make a \$34 million investment into the property, enhancing the building space on the property and expanding the uses of the property so that residents residing near and around the school will be able to take advantage of common spaces, such as the gymnasium being constructed by the school. Such renovations are being done without District funds, although the school will receive an annual rent abatement for each million dollars that the school spends to improve the property over the initial lease term. Given that the initial lease term is only 30 years and the expected investment into the property by Achievement Prep will be \$34 million, it is expected that Achievement Prep’s rent will be abated throughout the life of the initial lease. Overall, this lease is in the District’s best interest, as it will retain ownership of a renovated property, but will not be responsible for the facility’s maintenance, operation, or capital repair costs, as Achievement Prep will be responsible for those throughout the life of the lease.

Other Disposition Methods Considered: Other disposition methods do not provide the same value to the District as will be obtained through the long-term lease with Achievement Prep. The 30-year lease will allow the District to retain ownership of the property, which will be vastly improved, without the annual maintenance generally involved for District-owned buildings.

(2) Appraisal

An independent appraisal was completed by Morris E. James and Associates on December 5, 2014. The “Fair Market Rental Value” of the property in an “as is” condition was valued at \$777,000 annually. While appraisers typically assess the fair market rental value through a

comparative analysis of appraised property that have similar features and uses as the subject property and are in comparative neighborhoods, very little data existed to allow for such a comparison, especially since all properties eligible for school rental are owned by the District. Thus, the appraisers used the property residual method, in which the appraisers applied the “market derived rates of returns to the established land and building components to derive an estimate of the property’s Fair Market Rental Value.”³ Based on this analysis, the appraisers arrived at the annual rent rate of \$777,000.

(3) Major Business Terms

The lease is for a period of 30 years with an annual rent rate of \$777,000. However, the rent may be abated up to 100 percent through investments made to renovate of the property. The lessee is expected to spend \$34 million to renovate the facility; each year of the lease, up to \$1 million of that amount may be used to offset the rent. Therefore, the Committee expects that the actual rent paid will be \$0.

II. LEGISLATIVE CHRONOLOGY

May 29, 2015	PR 21-176, the “Draper School Lease Approval Resolution of 2015” is introduced by Chairman Mendelson, at the request of the Mayor. Companion legislation PR 21-175, the “Draper School Surplus Declaration Resolution of 2015,” is also introduced on this date.
June 2, 2015	PR 21-176 is “read” at a legislative meeting; on this date the referral of the PR to the Committee of the Whole is official and the 90-day period for Council review begins. If this measure is not acted upon by the Council before December 11, 2015, PR 21-176 will be deemed disapproved.
June 12, 2015	Notice of Intent to Act on PR 21-176 is published in the <i>District of Columbia Register</i> .
June 19, 2015	Notice of a Public Hearing on PR 21-176 is published in the <i>District of Columbia Register</i> .
July 6, 2015	The Committee of the Whole holds a public hearing on PR 21-176, jointly with the Committee on Transportation and the Environment on PR 21-175, as well.

³ See appraisal analysis attached to the introduced version of PR 21-176.

July 14, 2015 The Committee of the Whole marks-up PR 21-176.

III. POSITION OF THE EXECUTIVE

PR 21-176 was submitted to the Council by the Executive. J. Forest Hayes, Associate Director of the Portfolio Division, Department of General Services, testified on behalf of the Executive in support of PR 21-176 at the July 6, 2015 public hearing. Mr. Hayes described the proposed renovations and improvements being made to the property by Achievement Prep and noted that the proposed lease with Achievement Prep was in the best interest of the District and would bring physical revitalization to existing District property.

IV. COMMENTS OF ADVISORY NEIGHBORHOOD COMMISSIONS

The Committee received no testimony or comments from any Advisory Neighborhood Commission.

V. SUMMARY OF TESTIMONY

The Committee of the Whole held a public hearing on PR 21-176 on Monday, July 6, 2015. The testimony summarized below is from that hearing. A copy of this testimony is attached to this report.

Shantelle Wright, Founder and CEO, Achievement Prep, testified in support of PR 21-176. Ms. Wright noted that Achievement Prep has become a Tier 1 public charter school and that the school has worked to make the property at 908 Wahler Place S.E. its home. Additionally, Ms. Wright provided details about the proposed renovations to the property and noted that such renovations will allow Achievement Prep to serve an additional 300 students once they are completed.

Mark Medema, Director, Building Hope, testified in support of PR 21-176. Mr. Medema described the Charter School Incubator Initiative (CSII), a partnership between Building Hope and the Office of the State Superintendent of Education, and noted that approval of the disposition to Achievement Prep keeps with the original intent of the CSII.

J. Forest Hayes, Associate Director of the Portfolio Division, Department of General Services, testified on behalf of the Executive. His testimony is summarized in Section III above.

The Committee received no testimony or comments in opposition to PR 21-176.

VI. IMPACT ON EXISTING LAW

Proposed Resolution 21-176, the “Draper School Lease Approval Resolution of 2015,” does not amend existing law. Rather, it authorizes the Mayor to lease for a period of greater than 20 years District land that is no longer required for public purposes, pursuant to D.C. Official Code §§ 10-801(b) and (b-1).

VII. FISCAL IMPACT

The attached May 12, 2015 fiscal impact statement (FIS) from the District’s Chief Financial Officer states that funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. The FIS does note that while the lease contemplates an annual rent of \$777,000, Achievement Prep is expected to offset such rent with each million that it spends on construction and leasehold acquisition costs for the entirety of the initial lease term.

VIII. SECTION-BY-SECTION ANALYSIS

<u>Section 1</u>	States the short title of PR 21-176.
<u>Section 2</u>	Provides various definitions for the purposes of this resolution, including the definition for “CBE agreement,” “certified business enterprise,” and “first source agreement.” It also notes that the “lessee” is defined as Achievement Preparatory Academy Public Charter School, Inc. and that the property is defined as 908 Wahler Place, S.E., lot 0801 in square 5926.
<u>Section 3</u>	Puts forth the approval of the disposition
<i>Subsection (a)</i>	Indicates that pursuant to D.C. Official Code §§ 10-801(b) and (b-1), the Mayor transmits a request to the Council to authorize a lease of the property located at 908 Wahler Place, S.E.
<i>Subsection (b)</i>	States that lease will be for a period of more than twenty years.
<i>Subsection (c)</i>	Notes that the disposition is expected to follow certain terms, including the expectation that Achievement Prep will redevelop the property in accordance with plans approved by the District and that the property will

be used as an educational facility. Additionally, Achievement Prep shall enter into a CBE agreement with the District, as well as a first source agreement.

Subsection (d) Finds that the property is not required for public purposes.

Subsection (e) Provides that the Mayor's analysis of economic and other policy factors justifies the lease of the property.

Subsection (f) Requires that all documents submitted with the resolution be consistent with the executed term sheet transmitted to the Council pursuant to D.C. Official Code § 10-801(b-1)(2).

Subsection (g) Approves the disposition of the property.

Section 4 Indicates that a copy of the resolution will be transmitted, upon its adoption, to the Mayor, the Department of General Services, and the Chief Financial Officer.

Section 5 Adopts the Fiscal Impact Statement.

Section 6 Provides that PR 21-176 shall take effect immediately.

IX. COMMITTEE ACTION

X. ATTACHMENTS

1. PR 21-176 as introduced.
2. Written Testimony.
3. Fiscal Impact Statement for PR 21-176.
4. Legal Sufficiency Determination for PR 21-176.
5. Committee Print for PR 21-176.



2015 MAY 29 AM 10:31
OFFICE OF THE
SECRETARY

MURIEL BOWSER
MAYOR

MAY 29 2015

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Dear Chairman Mendelson:

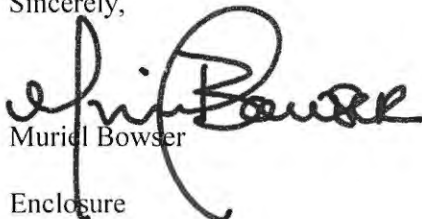
Enclosed for consideration and approval by the Council, pursuant to authority conferred by D.C. Official Code §10-801, is the *Draper School Surplus Declaration Resolution of 2015* and the *Draper School Lease Approval Resolution of 2015*. The Resolutions authorize the Department of General Services to enter into a new ground lease for real estate located at 908 Wahler Place, SE, most commonly known as The Draper School and more specifically designated for tax and assessment purposes as Square 0801 in Lot 5926 (the "Property").

The District has not used this Property as a District of Columbia public school since prior to 2008. At that time the Property was leased to the Charter School Incubator Initiative ("CSII"). CSII has occupied the Property since 2008. That lease expired on August 19, 2013. CSII entered into a new lease with the District on September 1, 2010, which expires on 2028, specifically to incubate new charter schools. Achievement Preparatory Academy Public Charter School, Inc. ("Achievement Prep") was one of the schools occupying the incubator and now has the capacity to lease the entire Property. The Property is improved with one building containing approximately 59,290 square feet of gross building area.

Achievement Prep exercised its right of first offer to the Department of General Services to negotiate a new long term ground lease in consideration of completely renovating and remodeling the existing school building without any District funds. This ground lease will benefit parents and children in the District.

I urge the Council to take prompt and favorable action on these proposed resolutions. If you have any questions, please contact Jonathan Kayne, Interim Director of DGS, at (202) 727-2800.

Sincerely,


Muriel Bowser

Enclosure



Chairman Phil Mendelson
at the request of the Mayor

A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Chairman Phil Mendelson, at the request of the Mayor, introduced the following resolution, which was referred to the Committee on _____.

To approve the disposition of District-owned real property located at 908 Wahler Place, SE, in Washington, D.C, most commonly known as the Draper School and more specifically designated for tax and assessment purposes as Square 801, Lot 5926.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That
this resolution may be cited as the "Draper School Lease Approval Resolution of 2015".

Sec. 2. Definitions

For the purposes of this resolution, the term:

(a) "CBE Agreement" means an agreement with the District governing certain obligations of the Lessee or the developer of the Property under the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.01 *et seq.* ("CBE Act")), including the equity and development participation requirements set forth in section 2349a of the CBE Act (D.C. Official Code § 2-218.49a).

(b) "Certified business enterprise" means a business enterprise or joint venture certified pursuant to the CBE Act.

36 (c) “First Source Agreement” means an agreement with the District
37 governing certain obligations of the Lessee or any developer of the Property pursuant to
38 section 4 of the First Source Employment Agreement Act of 1984, effective June 29,
39 1984 (D.C. Law 5-93; D.C. Official Code § 2-219.03, and Mayor’s Order 83-265
40 (November 9, 1983)), regarding job creation and employment generated as a result of the
41 construction on the Property.

42 (d) “Lessee” means Achievement Preparatory Academy, Inc., a
43 District of Columbia non-profit corporation or its successor.

44 (e) “Property” at 908 Wahler Place, SE in Washington, D.C, most
45 commonly known as the Draper School and more specifically designated for tax and
46 assessment purposes as Square 0801, Lot 5926.

47 Sec. 3. Approval of Disposition

48 (a) Pursuant to subsections 1(b) and (b-1) of an Act Authorizing the sale of
49 certain real estate in the District of Columbia no longer required for public purposes (the
50 “Act”), approved August 5, 1939 (53 Stat. 1211; D.C. Official Code §10-801(b) and (b-
51 1)), the Mayor transmitted to the Council a request for Council to authorize a lease of the
52 Property to the Lessee.

53 (b) The proposed disposition would occur through a negotiated ground lease
54 of greater than twenty (20) years to the Lessee, whose primary address is 908 Wahler
55 Place, SE, Washington, DC 20032.

56 (c) The proposed disposition is expected to include the following terms and
57 conditions, in addition to such other terms and conditions as the Mayor deems necessary
58 or appropriate:

59 (1) The Lessee shall redevelop the Property in accordance with plans
60 approved by the District and shall use the Property primarily as an educational facility.

61 (2) The Lessee will enter into a CBE Agreement with the District.
62 The CBE Agreement will require the Lessee to contract with certified business
63 enterprises for at least 35% of the contract dollar volume of the redevelopment of the
64 Property, if any, and if possible, will require at least 20% equity and development
65 participation of local, small and disadvantaged business enterprises.

66 (3) The Lessee will enter into a First Source Agreement with the
67 District.

68 (d) The Council finds that the Property is not required for public purposes.

69 (e) The Council finds that the Mayor's analysis of economic and other policy
70 factors supporting the disposition of the Property justifies the lease proposed by the
71 Mayor.

72 (f) All documents submitted with this resolution shall be consistent with the
73 executed term sheet transmitted to the Council pursuant to section 1(b-1)(2) of the Act
74 (D.C. Official Code §10-801 (b-1)(2)).

75 (g) The Council approves the disposition of the Property.

76 Sec 4. Transmittal

77 The Secretary to the Council shall transmit a copy of this resolution, upon its
78 adoption, to the Office of the Mayor, the Department of General Services and the Chief
79 Financial Officer.

80 Sec. 5. Fiscal Impact Statement.

81 The Council adopts the fiscal impact statement in the committee report as the

82 fiscal impact statement required by section 602(c)(3) of the District of Columbia Home
83 Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-
84 206.02(c)(3)).

85 Sec. 6. Effective Date.

86 This resolution shall take effect immediately.

87

DISTRICT OF COLUMBIA

Office of Tax and Revenue
1101 4th Street SW steW600
Collection Division
Washington, DC 20024



OFFICE OF TAX AND REVENUE TAX VERIFICATION RESPONSE

REQUESTOR: REGINA PAYTON

AGENCY: DGS

VENDOR NAME: ACHIEVEMENT PREPARATORY ACADEMY INC FEIN: 20-8156566

TO BE COMPLETED BY THE OFFICE OF TAX & REVENUE

- ☒ The prospective contractor is in compliance with the filing and payment requirements of the District of Columbia tax laws.
- ☐ The prospective contractor/individual is not liable for the tax filing requirements of the District of Columbia.
- ☐ The prospective contractor is not in compliance with the tax filing and payment requirements of the District of Columbia Tax Law. The contractor may obtain details of the tax deficiency and make arrangements to correct this by contacting the Revenue Officer whose signature appears below.
- ☐ The prospective contractor has recently been registered with the District of Columbia and has not incurred any liabilities so far.
- ☐ Our records indicate that the prospective contractor is not registered to do business in the District of Columbia. Please contact the Office of Tax and Revenue, Customer Service Office at (202) 727-4829 to request a form FR-500 (Combined Registration Application) which must be fully completed and submitted to the address indicated on the form *Office of Tax and Revenue, PO Box 470 Washington, DC 20044-0470* or register online at: https://www.taxpayerservicecenter.com/FR500_Instructions.jsp.


Theresa D. Hiding
Collections Manager

5/13/2015
Date


Carolyn Powell
Senior Revenue Officer

(202) 442-6588
Telephone Number

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Employment Services

MURIEL BOWSER
MAYOR



DEBORAH A. CARROLL
ACTING DIRECTOR

LABOR STANDARDS BUREAU

MEMORANDUM

TO: Regina H. Payton
Realty Specialist, OPM

FROM: Mohammed R. Sheikh *MRS*
Deputy Director

DATE: February 11, 2015

SUBJECT: DOES Certification for Outstanding Workers' Compensation Obligations

This is in response to your inquiry, dated February 4, 2015, concerning the entity known as Achievement Preparatory Academy, Inc., FEIN: 20-8156566.

There are no outstanding workers' compensation obligations for this entity.

Should you have any questions, please contact me on (202) 671-1555 or via email.

Thank you for the opportunity to be of service.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF EMPLOYMENT SERVICES
Office of Unemployment Compensation/Tax Division



REVISED

TAX VERIFICATION RESPONSE - DOES

CONTRACT SPECIALIST: REGINA PAYTON

AGENCY: DGS

VENDOR NAME: ACHIEVEMENT PREPARATORY ACADEMY

D.C.DOES SUI ACCOUNT #: 160162

FEDERAL ID #: 208158566

TO BE COMPLETED BY THE DEPARTMENT OF EMPLOYMENT SERVICES TAX DIVISION

THE DEPARTMENT OF EMPLOYMENT SERVICES CERTIFIES THAT:

☒ The prospective Contractor is "IN COMPLIANCE" with the tax filing and payment requirements of the District of Columbia Unemployment Tax Laws or is in compliance with an established payment plan.

☐ The prospective Contractor is "NOT IN COMPLIANCE" with the tax filing and payment requirements of the District of Columbia Unemployment Tax Laws. The Contractor may obtain details of the tax deficiency and make arrangements to correct this deficiency by contacting the tax enforcement officer whose name and telephone number follow:

Tax Enforcement Officer: Doris Artis

Phone #: (202) 741-8693

Comments

SIGNATURE

Associate Director, Office of Unemployment Compensation

TITLE

4/9/2015

DATE

(202)-698-3702

TELEPHONE/FAX NUMBER

This response/certification is valid for 90 days from the date specified above.

ATT: Compliance Officer

Office of Unemployment Compensation - Tax Division - 4058 Minnesota Avenue, NE, Washington, DC 20019

For more information, please go to the DOES Web Site at <http://www.does.dc.gov/>

Tax Verification Response - DOES

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Rev: 4/2015

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Attorney General



Legal Counsel Division

MEMORANDUM

TO: Lolita S. Alston
Director
Office of Legislative Support

FROM: Janet M. Robins
Deputy Attorney General
Legal Counsel Division

DATE: May 12, 2015

SUBJECT: Legal Sufficiency Review of the "Draper School Lease Approval Resolution of 2015"
and the "Draper School Surplus Declaration Resolution of 2015"
(AE-15-291)

This is to Certify that this Office has reviewed the above-referenced legislation and that we have found it to be legally sufficient. If you have any questions in this regard, please do not hesitate to call me at 724-5524.

A handwritten signature in cursive script, appearing to read "JMR/g. Parker", is written over a horizontal line.

Janet M. Robins

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES**



ECONOMIC ANALYSIS

Project Name:	The Draper School
Property Description:	908 Wahler Place, S.E. also known as "Draper School" in Washington, D.C., known for tax and assessment purposes as Square 5926 in Lot 0801 (the "Property")
Size of Property:	Land Area – 206,222 square feet or 4.73 acres of land area. Building Area – 59,290 square feet
Assessed Value:	\$9,810,800 (2013 land & improvements)
Zoning of Property:	R-5-A
Ward:	8

Introduction

This analysis of economic factors is hereby submitted to the Council for the District of Columbia for the proposed disposition of the Draper School, located at 908 Wahler Place, S.E. and known for tax and assessment purposes as Square 5926 Lot 0801 (the "Property").

The Draper School (the "Property") is a closed DC public school. The Property consists of 59,290 square feet of building and 206,222 square feet of land space. The Property is a single tax parcel of R-5-A zoned land.

The Property has not been used by DC Public Schools (DCPS) since 2008. The Property was closed by DCPS because of low enrollment. Pursuant to the vision that was included in the 2010 Ground Lease Agreement between the District of Columbia and the Charter School Incubator Initiative ("CSII"), Achievement Prep Academy ("Achievement Prep") now plans to undertake the redevelopment of the site to renovation and construct of a new approximately 50,000 square foot facility. Prior to closing, DCPS created a collaboration agreement between CSII, Achievement Prep to share the Property. Achievement Prep decided to exercise its Right of First Offer ("ROFO") for a long term lease of the Property. Achievement Prep has remained in the Property as the sole occupant and has been operating in the Property since 2010.

The Property is zoned R-5-A, Permits matter-of-right development of single-family residential uses for detached and semi-detached dwellings and, with the approval of the Board of Zoning Adjustment, new residential development of low density residential uses including row houses, flats, and apartments to a maximum lot occupancy of 40%, 60%

for churches and public schools, and 20% for public recreation and community centers; a maximum floor area ratio (FAR) of 0.9, and a maximum height of three (3) stories/forty (40) feet (90 feet for schools, 60 feet for churches, and 45 feet for public recreation and community centers). Rear yard requirements are twenty (20) feet, side yard requirements are not less than eight (8) feet.

Method of Disposition

The proposed disposition is a ground lease for a term of thirty (30) years, with one (1) twenty-five (25) year renewal option. This term directly adheres to the requirements of D.C. Official Code § 38-1802.09 (2007 Supp.) (Commonly referred to as the Landrieu Act). The base rent of the proposed lease shall be at a rate of \$13.00 per rentable square foot (annual base rent \$777,000) of the Draper School building, escalated at a 2% annual rate. This represents "Fair Market Value" as determined in accordance with an appraisal performed as required by the Landrieu Act. Additionally, for each one million dollars (\$1,000,000.00) that Achievement Prep spends in construction costs for approved capital alterations to the Premises during the term of the lease, Achievement Prep shall be entitled to twelve (12) consecutive calendar months of abatement to the annual base rent. In no event, however, shall the abatement be more than three hundred sixty (360) months during the term of the lease. This method of disposition arises out of the terms negotiated with Achievement Prep.

Under this lease agreement Achievement Prep will be required to execute and deliver to the District a First Source Agreement with the Department of Employment Services and a CBE Agreement with the Department of Small, Local and Disadvantaged Business Enterprise. Achievement Prep agrees to be bound by and perform in all material respects in accordance with such First Source Agreement and CBE Agreement.

The long-term ground lease was selected as the proposed disposition method and is the most beneficial method of disposition for the District because: 1) it allows the District to retain ownership of the Property while shifting all responsibility for maintenance, operations and capital repairs to the Proposed Lessee; and 2) it permits the District to impose restrictions on use and development and most expeditiously regain possession of the Property in the event of non-compliance. Other disposition methods, including transferring title, would not provide these benefits because the District would not retain any legal interest in the Property.

Economic and Social Benefits to be Realized through Disposition

Several economic and social benefits will be realized through this proposed ground lease. The first economic factor is that there is no District use for the site. The Draper School is surplus to the District. The District has not used the Property as a District of Columbia traditional public school since 2008. Since that time no other agency use has been identified for the building.

The first economic benefit is the defrayed cost to District of renovating the Draper School. Achievement Prep will redevelop and redesign the Property. The proposed redevelopment of the Property will renovate and maintain the entire site. The District of Columbia will have no financial obligations toward the operation or maintenance of the improvements. Through this transaction the District will be able to save these funds going forward.

In addition to defraying the cost of renovation, the District will also recognize a savings in the current operating and utility costs of the Draper School. In 2015, \$37,368 was budgeted for Draper School utilities and operating costs. The budgeted 2014 costs for the Draper School was \$280,066. If the Proposed transaction is approved, this will be a direct cost savings to the District.

Achievement Prep will redevelop the site without District funds; their projected budget is currently at \$34 million and delivery by summer of 2016. Achievement Prep plans to redevelop the site to construct a new approximately 50,000 square foot facility to accommodate their middle school and fully renovate the existing building to accommodate their elementary school. The project will be constructed to LEED Gold standards meeting enhanced storm water management features while simultaneously adhering to the Green Building, First Source and CBE requirements. In addition to defraying the cost of renovating the Draper School, this ground lease will allow the District to receive a savings from the current maintenance and utility costs of the Property.

Achievement Prep at the Draper School will serve approximately 960 students in Pre-K through 8th grade. Achievement Prep's academic program rests upon a rigorous Common Core standards-based curriculum focused on English language arts, mathematics, science, and social studies/history, and is designed to dramatically accelerate the learning of its scholars. Achievement Prep scholars take double periods of English language arts and math instruction. To supplement its internally-created, standards-based curriculum, Achievement Prep uses curricular resources that have proven success in other excellent schools serving a similar population of students.

In addition, Achievement Prep has built a structured intervention or enrichment tutoring period into the daily schedule. Teachers review data on a weekly basis in a collaborative setting in order to form class rosters and instructional plans that meet 100% of scholars where they are. This period, called Results, allows an opportunity for scholars to receive remediation or extension based on current data points. Results also provide teachers with the regular time and space to implement data-driven action plans.

In conclusion, the decision to ground lease the Property to Achievement Prep was predicated on the following economic considerations: (1) The Property is surplus; (2) a ground lease of the Property provides the most economic benefit and flexibility to the District; (3) the inefficiency and cost to renovate the Property; (4) modern design and restoration of the Property at no cost to the District. The District has determined that the highest and best use for the Property is to preserve its historic integrity and to use the

Property as a public charter school servicing the District early education, grade and middle school populations.

Conclusion

In forwarding this Analysis of Economic Factors to the Council, the Mayor has concluded that: 1) the subject property is surplus to the needs of the District government, 2) the ground lease of the subject property is in the best interests of the District of Columbia, and 3) the specific economic and social benefits of the lease outweigh the benefits of retaining this property in the District's inventory. For all these reasons, the Mayor recommends the disposition of this property in accordance with the terms of the Letter of Intent submitted herewith.

APPRAISAL

OF

**THE DRAPER SCHOOL
SQUARE 5926, LOT 801
908 WAHLER PLACE, SE
WASHINGTON, DC**

("FAIR MARKET RENTAL VALUE – "AS IS" CONDITION)

VALUATION AS OF:

December 5, 2014

PREPARED FOR:

**DEPARTMENT OF GENERAL SERVICES
GOVERNMENT OF THE DISTRICT OF COLUMBIA
ATTN: MR. IKENNA UDEJIOFOR
REALTY SPECIALIST
2000 14TH STREET, NW
8TH FLOOR
WASHINGTON, DC 20002**

PREPARED BY:

**MORRIS E. JAMES & ASSOCIATES
1234 MASSACHUSETTS AVENUE, NW, SUITE #128
WASHINGTON, DC 20005**

December 12, 2014

Department of General Services
District of Columbia Government
2000 14th Street, NW
8th Floor
Washington, DC 20001

Attn: Mr. Ikenna Udejiofor
Project Manager

Re: Appraisal
The Draper School
Square 5926, Lot 801
908 Wahler Place, SE
Washington, DC

Dear Mr. Udejiofor:

In compliance with your request, we have completed our appraisal of the captioned property to conform to guidelines as described in the "Statement of Work" provided by your agency. Consistent with instructional guidelines as provided, the appraisal assignment is to estimate the Fair Market Rental Value of the appraised property in the "As Is" i.e. present state of condition. Valuation instructions specify the preparation of a Summary Appraisal Report as prescribed by the Uniform Standards of Professional Appraisal Practice (USPAP).

The Draper School is a three-story/two-story/one-story and basement brick educational building. The building was erected circa 1953-1955 for elementary school usage. Based upon dimensions abstracted from building floor plans, the building contains approximately 59,290 square feet of Gross Building Area with approximately 48,286 square feet of Gross Finished Area (Above Grade) with 30 classrooms and a multi-purpose room/auditorium. There is a full cafeteria in the basement. The facility was modernized/remodeled in 2009 and is utilized by the Achievement Preparatory Academy

According to public records, the lot contains a total land area of 206,222 square feet or approximately 4.73 acres of land area. The property is zoned R-5-A and is located in the Congress Heights neighborhood of "Far" Southeast Washington, District of Columbia.

Mr. Ikenna Udejiofor
Page Two
December 12, 2014

On the basis of the inclusive analysis, the Fair Market Rental Value of the appraised property in the "As Is" Condition on a "Net" rental basis, as of December 5, 2014, the effective date of the appraisal, is:

\$ 777,000 Per Annum

Enclosed is our appraisal and accompanying photographs and graphics. Thank you for requesting our services.

Respectfully submitted,

Lindell B. Younger
Certified General Real Property Appraiser
District of Columbia, License #10057

Morris E. James, A.S.A.
Certified General Real Property Appraiser
District of Columbia License #10022

I. THE APPRAISAL PREMISE

PROPERTY IDENTIFICATION

The appraised property is legally identified as Lot 801 in Square 5926, located at 908 Wahler Place, SE Washington, District of Columbia. The Draper School property is improved with a three-story and basement/two-story/one-story brick school building containing approximately 59,290 square feet of Gross Building Area.

"The Draper School Site" contains a total land area of 206,222 square feet (4.73 acres), zoned R-5-A, located in the Congress Heights neighborhood of Southeast Washington.

EFFECTIVE DATE OF VALUATION

The effective date of valuation as, of which this appraisal shall apply, is December 5, 2014.

PURPOSE OF APPRAISAL

The purpose of the appraisal, in this instance is to estimate the Fair Market Rental Value of the appraised property in its "as is" state of condition. Based upon the Scope of Work provided by representatives of the District of Columbia's Department of General Services (DGS), the appraisal shall serve as a guide for proposed leasing of the subject property. The client in this assignment is the District of Columbia Government and the intended users are the client, applicable government entities and users deemed necessary by the client including but not limited to public charter schools.

"Market Value" Defined: The term "market value" as defined by the Uniform Standards of Professional Appraisal Practice as "the most probable price which a property should bring, in a competitive and open market under all conditions requisite to a fair sale (rental), the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus".

"Implicit in this definition is consummation of a sale (rental) as of a specified date and passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interest;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and,
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

"Fair Market Rental Value" Defined: Synonymous with GSA Terminology - Contract for Appraisal Services (Form 1241-D): "The Annual Monetary amount reasonably expectable for the right to the agreed use of real and related personal property as established by competition in the rental market. If market information is unavailable, it is the annual amount which will amortize the value of the remaining capital investment, plus a fair rate of interest return during the remaining useful life of the rented property".

CURRENT OWNERSHIP

According to public records, ownership of the subject property is vested in the name of the District of Columbia Government. There has been no sale of the property during the past three (3) years.

SCOPE OF THE APPRAISAL

In the development of the appraisal for this assignment, the Appraisers have conducted an on-site inspection of the subject parcel and the building improvements and an extensive review of Area, Neighborhood and Zoning Data relative to the subject property. Building data on file at the District of Columbia's Department of Tax and Revenue was obtained to corroborate specific physical data regarding the improvements. The subject report represents a Summary Appraisal Report as prescribed by the Uniform Standards of Professional Appraisal Practice (USPAP). An interior inspection of the facility was conducted on December 5, 2014.

As outlined in the Improvements Description section to follow, the current improvements are nearing the end of its economic life providing a minority contributory value. Attributable to the building condition and "special purpose" use, our research revealed virtually no contemporary sales of educational facilities in the last 4-5 years. There were limited contemporary leases of school facilities to directly compare the subject to in the establishment of the Fair Market Rental Value.

The Fair Market Rental Value for the subject parcel is established principally by the Property Residual Method, which is outlined in the Method of Appraisal section of this report. We have however provided a general overview of the leasing market for a number of former public schools and special purpose properties that provide a general guide to empirical data provided by this unique leasing market. The Appraisers note there is no conclusive value finding from the market due to the huge concessions the District of Columbia grants to charter/private school users whereby all capital expenditures basically offset the rent paid by the users.

II. AREA AND NEIGHBORHOOD OVERVIEW

Washington, District of Columbia, the Nation's Capital, is the 'hub' of the Greater Washington Metropolitan Area, serving as the center of Federal Government and national/international business community for the region. The District of Columbia is bounded by the state of Maryland on the northwest, northeast, and southeast and the Potomac River on the south. In support of the Federal and local governments within the Washington Metropolitan area, private business entities provide contract goods and services. Tourism, retail and wholesale trades, diplomatic and legal/trade organizations and printing and food services are also significant to the city's economy.

The District of Columbia experienced a continuous and dramatic decline in population during the period between the late 1970's and early 2000's; a period that exhibited a pronounced drop in the working, middle-class population. An overall population decrease of approximately 25 percent was reflected during this period decreasing the population to approximately 540,000 persons. Resulting was city demographics to encompass an affluent upper class; a vastly reduced middle class and an underclass that continued to grow. However, it is noted that this depopulation trend slowed dramatically during the latter part of the 1990's and has slowly increased since the early 2000 era. According to the US Census Bureau, the 2012 Population Estimate for the District of Columbia is 632,000 persons representing an increase of approximately 60,000 residents since 2000.

The District of Columbia has clearly shed the pattern of a declining city exemplified by the exodus of citizens and financial instability of the 1980's through 2000. The revenue raising capacity of the city is at an all time high, being reflected in record real estate, business and sales tax and personal income tax. Despite the reduction of a large segment of the middle-class population of the city during that period, the per capita income in the District of Columbia remained among the highest of large urban areas in the country. As indicated by the city's increasing population and the burgeoning residential and commercial development throughout most sectors of the city, the District of Columbia has been one of the more financially stable metropolitan areas in the nation with surpluses achieved over the past five years. The District's favorable financial picture has improved the city's municipal bond rating and allowed billions of dollars of investments in new or renovated schools, roads and bridges and massive urban renewal projects. Almost all of the city's public high schools have been renovated or replaced with new facilities such as the new Dunbar, Ballou and Woodson schools.

Washington, DC, is the center and economic base of the affluent Greater Washington Metropolitan area, ideally located between the industrial Northeast and the growing southeast. The city is served by a modern Metro rail system that functionally serves differing geographical

areas of the city, extending into suburban Maryland and Virginia. Three major airports and twenty major airlines serve the city and the metropolitan area, as well as six major railroads. Four major interstate highways including I-495 (Capital Beltway), I-66, I-95/I-395 and I-295 assure easy access to other metropolitan areas. Washington, DC is historically recognized as the Federal Government town, the Capital City of the United States. However, the city can no longer be viewed in that isolated perspective, but rather a city with a focus on expanding hi-tech operational centers catering to the Federal Government and the military. Also contributing to its emergence and revitalization is an expansive private office center, major universities with teaching hospitals, cultural centers and embassies.

Notwithstanding, the broad socio-economic and fiscal problems the city has faced over the past two decades, the District of Columbia has historically ranked as one of the top ten cities in the United States. The District of Columbia has historically been one of the premier business/office building locations with vacancy rates among the lowest and rental rates among the highest in the nation. According to recent publications, the District records the lowest vacancy rate of any major office market in the country reporting a 9.5 % vacancy at year end. The City had the highest average rents in the region with a reported average of \$ 55.00 per square foot, with "trophy" buildings in the East End reporting rents of \$55-\$60 per square foot.

During the period from 2001 to August of 2011, there were a total of 1,349 development projects in the city comprising a total of 268,887,006 square feet of building area. The District of Columbia has a current office building inventory of approximately 124 Million square feet with approximately 2.3 Million square feet of office space under construction (Development Report 2013/2014 edition Washington). This development boom consists of numerous signature projects in various sectors of the city including the East End Convention Center and Venison Center area, the Southwest Waterfront and Navy Yard/Ballpark Area, the Columbia Heights Metro Station Area and the NOMA area of "in-city Northeast Washington.

The District of Columbia, the Nation's Capital, is in the midst of a major renaissance with visible progress along several fronts since 1997-1998, to include a greater financial commitment of major programs and long-standing debt obligations by the Federal Government, the City's fiscal solvency, declines in crime rates in most major categories, the institution of tax incentives to spur home ownership and business development and an increase in home sales and residential property values during this period. These factors have stemmed the exodus of middle-class, taxpaying citizenry from the District of Columbia.

Development & revitalization is also reflected in the residential neighborhoods throughout the city, with record sales activity reported since 2000. Property values have generally doubled in most neighborhoods during this period. The revitalization of “in-city” areas such as Shaw, Logan Circle East and Columbia Heights has been well documented, as existing dwellings are being purchased, prices and renovated and land prices soared to record levels. Market demand is strong in the older stable neighborhoods of Northwest/Northeast Washington as shorter than “norm” marketing periods are experienced, with recorded sales prices being consistent with asking prices. Renewed interest is likewise being exhibited in the southeast and northeast sectors of the city where housing prices are still attractive to first time homebuyers and middle class residents.

The District of Columbia economy, while insulated to a degree by the presence of the Federal Government, experienced the effect of the economic downturn in the national economy and the financial markets during the 2007-2010 period. New projects were hampered by the inability to gain financing and numerous condominium projects have been reverted to a rental status. We note, however, that this value contraction and market slowdown during that period was not as dramatic in the District of Columbia as experienced in the abutting jurisdictions and outer suburbs. In fact, the closer to the District proper there was a less dramatic decrease in housing prices from the robust 2000-2006 period. The District's stability buttressed the District from the massive foreclosure and housing bubble experienced nationally and in neighboring jurisdictions of Maryland and Northern Virginia. The result of this was a city postured for the development renaissance the city is now experiencing.

This residential renaissance is reflective of the renewed confidence in the District and the various programs/tax incentives being offered to first time home buyers in the city and the aggressive efforts in general, being made by the District's Department of Housing and Community Development and the DC Housing Authority in ridding the city of non-suitable housing. According to Development Activity, an annual report of real estate development activity published by the DC Marketing Center, since January of 2001, 58,210 units of new or renovated residential housing has been completed (or planned) in the city. Residential (apartment) vacancy rates are reported by various publications in the 4% range. While property values contracted during the economic downturn, values stabilized and began to increase during the past four years. The District remains highly competitive relative to suburban districts and national markets. The single-family housing market is experiencing resurgence with well priced properties selling in the 30-45 day range. The biggest dilemma now facing city officials is the ability to provide affordable housing for its shrinking low and middle income residents.

The multi-family (rental) housing market, particularly in moderate income locations, has not experienced the contraction in rental rates or values similarly experienced in the single-family housing market and upscale condominium market. This factor is directly attributable to a number of factors, mainly the government influence through programs such as the LIHTC, Section 8, below market financing and the modest pricing levels impacting economies of scale. These programs create an insulated market which tends to stabilize development risk and prices.

NEIGHBORHOOD OVERVIEW

The appraised property is located in the Washington Highland section of the Congress Heights District of "Far" Southeast Washington, District of Columbia. The boundaries of the Congress Heights neighborhood are generally defined as follows:

- (A) South - Southern Avenue (DC/P.G. County Maryland Boundary Line);
- (B) West - Interstate 295;
- (C) North - Suitland Parkway;
- (D) East - 13th Street, SE

The land zoning/development character is typical throughout the Congress Heights District consisting principally with low-density (garden-style) apartment buildings, flats and "pockets" of single-family residential dwellings. Land zoning within the Congress Heights neighborhood is almost exclusively R-5-A with a scattering of commercially zoned "pockets" along Wheeler Road, South Capitol Street, Alabama Avenue, Martin L. King Jr. Avenue and Southern Avenue.

There are several notable large apartment complexes within the subject neighborhood to include Southern Hills --a 250 (+) unit garden-style complex located at 4200-4300 Fourth Street, S.E.; Chesapeake Terrace and Atlantic Gardens - 174 & 93 unit garden-style complexes located between Fourth and Sixth Streets; Livingston Manor -a 300 unit garden-style complex bordered by Livingston Road and Third Street and the Jeffrey Gardens Complex -a 275 unit complex bordered by Chesapeake Street, Barnaby Street, Sixth and Seventh Streets, S.E. Numerous public housing complexes are located within the Washington Highlands neighborhood such as the Valley Green complex, which has been demolished and redeveloped with lower density townhouse/duplex-type dwellings. The Highland Dwellings - a 208 unit (two-story) multiple building complex located along Atlantic Street and Wheeler Road, S.E. is in the initial stages of a massive \$42,000,000 redevelopment which will transform this blighted and socially troubled neighborhood project.

In the main, these projects were all redeveloped during the mid-late 1980's at the height of the local real estate boom and relied heavily upon government subsidy either in the form of low interest rate financing and tenant based rental assistance programs. Market rental rates for these projects are generally below the rentals received under the subsidy programs such as Section 8, TAP etc.

Attributable to the neighborhood's zoning and location, single-family residential development is limited. Single-family residential development has historically been confined to townhouse development north of the subject (between Wheeler Road and Thirteenth Street) and "pockets" of semi-detached dwellings along Chesapeake Street, Atlantic Street Brandywine Street and other secondary arteries. There has been two (2) recent townhouse projects which have had a positive impact on the Washington Highlands Neighborhood; namely, the recent development of the Walter Washington Estates - a 141 unit townhome project at Southern Avenue and Bellview Street; Oxon Creek Townhomes - a 210 unit townhome project along

Mississippi and Southern Avenues. In addition, the Wheeler Creek Townhome project, along Wheeler Road, was completed during the 2005 era. Other signature recent developments in the immediate neighborhood includes the Village of Parklands(a 5 complex residential apartment project and the accompanying new commercial project on the old Camp Simms Site), the Henson Ridge Townhome and apartment complex comprising a total of 600 units, the Overlook at Oxen Run a 12-story new workforce and senior development containing 316 units.

The subject neighborhood is located centrally to the Old Anacostia section of Congress Heights, one of the older more established neighborhoods within the Congress Heights District. This area, generally construed to include the neighborhood in and around Saint Elizabeth's Hospital westward beyond Portland Street and southward to Alabama Avenue, is developed with dwellings constructed around the 1930-1940 era. Most of the neighborhood commercial businesses are found within this area along the Martin Luther King Avenue and South Capitol Street.

Neighborhood maintenance characteristics are considered to be fair to average and housing styles and types homogeneous. Some of the neighborhood housing stock is old, dilapidated and vacant, and in need of repair or razing. Long neglected and overlooked, the subject southeast neighborhood is undergoing a renaissance with local and federal assistance to upgrade and revitalize communities with new and planned residential development. Recently constructed or planned residential and commercial developments have fostered the elimination of some blighted areas, and generally upgraded the subject and adjoining neighborhoods. The closing and demolition of older public housing projects, and the redevelopment into single family townhouse units has reduced high concentrations of lower income residents, crime and blight. The revitalization has begun to attract more middle income families to the area, and is expected to elevate neighborhood maintenance and improve the delivery of municipal services.

Private and public enterprises have joined to enhance the revitalization of the subject neighborhood. Major projects in the Barry Farms and abutting Congress Heights neighborhood include the massive residential development along Suitland Road, Stanton Road, Sayles Place; the Henson Ridge Project abutting the subject property, the Camp Simms commercial development with the new Giant Food Store and the relocation of Homeland Security to the Saint Elizabeth's Campus. Continued revitalization of Martin Luther King Avenue and the development of the Poplar Point area will further spur redevelopment of the area.

In summary, the Congress Heights neighborhood is a low/low-middle income sector of the City, which serves as a viable community for "first-time" home buyers. As enumerated, the neighborhood has made significant strides with respect to redevelopment as noted by projects like Camp Simms, Saint Elizabeth's, the Arc, the Village of Parklands and Henson Ridge. The neighborhood is still in dire need of competitive commercial facilities to provide shopping and retail facilities for the neighborhood residents. A concerted effort is also needed to eliminate the blight and negative socio-economic factors impacting the corridor. Continued investment in educational assets and the addressing of socio-economic issues is needed to improve the quality of life for the neighborhoods residents.

III. PROPERTY OVERVIEW AND DESCRIPTIVE ANALYSIS

DISCUSSION OF ZONING

The appraised property is located in the R-5-A zoning district, a low-density residential zoning category wherein the predominant usage is for row townhouse development and to a lesser degree garden style apartment buildings. Newly constructed buildings in the R-5-A zoning district are limited to a height of three(3) stories or forty (40) feet. Lot occupancy is restricted to 60 percent of the Gross Lot Area and the maximum permitted FAR (Floor-Area-Ratio) is .90 (90 percent of the lot area).

Attendant land uses within the R-5-A zoning category (as a matter of right) include child development centers, rooming houses or boarding houses, hospitals, clinics/sanitariums, schools, churches, private clubs, lodges, and museums or art galleries. Commercial development is not permitted in the R-5-A zoning district except as an adjunct to a residential usage.

REAL ESTATE ASSESSMENT AND TAXES

Real property is assessed annually for tax purposes by the District of Columbia Assessor's Office at 100 percent (100%) estimated "Fair Market Value". The subject property is classified for taxation purposes as a Class II, i.e. commercial property which would be taxed at the rate of \$ 1.65 per \$100.00 assessed valuation for the first \$3,000,000 and \$ 1.85 per \$100.00 assessed valuation above the initial \$3,000,000. However, as a government-owned parcel, the subject property is exempt from real property taxation. The Tax Year 2015 Assessment(s) for the appraised property, covering the period from October 1, 2014 to September 30, 2015, is as follows:

<u>LAND ASSESSMENT</u>	<u>IMPROVEMENT ASSESSMENT</u>	<u>TOTAL ASSESSMENT</u>	<u>ANNUAL TAXES</u>
\$ 4,640,000	\$ 5,170,800	\$ 9,810,800	-----

PROPERTY DESCRIPTION

THE SITE

Lot 801 in Square 5926 is a slightly irregular-shaped site with frontage along Wahler Place, 9TH Street and Wheeler Road. According to public records, the lot contains a total land area of 206,222 square feet or approximately 4.73 acres of land area. The frontages located along the respective streets are as follows:

Wahler Place -	260 feet
9th Street -	465.20 feet
Wheeler Road	503 feet

Wahler Place, which serves as the main entrance the school, is a 60-foot wide street with a two-way bound traffic pattern. Wheeler Road is a main east-west artery 90 foot wide right-of-ways with a dual east-west traffic patterns. Wheeler Road links Alabama Avenue with Southern Avenue.

The site is generally level and on grade with all of the fronting streets. On-site improvements include an asphalt paved service road accessed from Wahler Street that leads to the rear parking lot. There is a roughly paved parking area to the rear of the gym and a roughly paved playground area. There is a grass field to the rear of the parking lot with an approximate 6'-high chain link fence around the perimeter of the parcel. All public utilities, i.e., municipal sewer and water, electricity, natural gas and telephone service are available to the site.

THE IMPROVEMENTS

The “Draper School” is a three-story /two-story/one-story and basement, free standing, brick educational facility constructed circa 1953-1955. Based upon dimensions abstracted from floor plans and data obtained from DCPS, the building contains approximately 59,290 square feet of Gross Building Area with approximately 48,286 square feet of Gross Finished Area (Above Grade) with 30 classrooms and a multi-purpose room/auditorium. There is a full cafeteria in the basement. The facility was modernized/remodeled in 2009 and is utilized by the Achievement Preparatory Academy.

The building is a brick and reinforced concrete construction and has a flat-metal asphalt roof, with aluminum galvanized gutters and downspouts. There are aluminum double-hung windows in place throughout the building; fire resistant, hollow metal doors are in place at all building entries. All windows at the basement and first floor levels have been covered with metal security grates. There are thru-window air conditioning units in each classroom. Added security is provided by high-intensity security lights located along the roof perimeter on each side of the building. The building design reflects construction features and functional obsolescence of its era, i.e. expansive load bearing walls, 13-foot high ceilings, expansive wide corridors and 15 foot wide stairwells.

The main entrance to the building is via the center of the building off of Wahler Street with a secondary entrance from the west side parking lot. There are secondary entrances to both the Multi-Purpose Room/Auditorium and the East Wing (in the rear of the building). The general floor plan includes classrooms, administrative offices, the auditorium with balcony, and the gymnasium/multi-purpose room. Boys and girls restrooms are located in each wing of every floor with ancillary offices, teachers lounge and specialty classrooms. A more in-depth description of the building layout is presented under the headings to follow.

BUILDING LAYOUT

First Floor:

19,129 square feet

Entrance Lobby, Administrative Office with Principal’s Office, Assistant Principal’s office. Storage Rooms, Nine (9) Classrooms, Health Suite, Boys and Girls Bathrooms & Auditorium

Note: Classrooms include a refurbished science lab with sinks and equipment. The auditorium/multi-purpose room comprises approx. 5,374 square feet; extends to a height of approximately 25 feet.

Second Floor:

15,355 square feet

10 Classrooms, Boys and Girls Bathrooms, Teachers Lounge with bathroom and storage rooms.

Third Floor: **13,802 square feet**

11 Classrooms, Boys and Girls Bathrooms, Storage Room, Resource Room

Note: Classrooms include two small-sized specialty classrooms.

Basement: **11,004 square feet**

Cafeteria with kitchen area, Boys and Girls Bathrooms, Health Suite and Auxiliary Office, General Storage and Maintenance Office/Area

Boiler Room is located in the south wing. The heating equipment consists of dual gas-fired boilers, distributing radiant heat. Only one of the boilers were operational at the time of inspection.

Basic building interior finish includes durable block tile-covered floors, painted block hallways and acoustical tile ceilings with overhead fluorescent lighting. Typically, rooms utilized as offices have carpeted floors and interior partitioning. Interior finish varies throughout the building consisting of commercial grade tile flooring (over), plaster walls, acoustical tile ceilings, painted brick and block walls (basement) and fluorescent lighting. The Auditorium is finished with plaster and tile floors. Bathroom finish consists principally of ceramic tile and tile wainscoting and plaster walls and ceilings. The classrooms have fire resistant metal doors and interior windows that allow for viewing from the hallway. In aggregate the facility has 30 classrooms including the specialty classrooms such as computer labs, science lab, converted offices and the library.

OVERALL BUILDING CONDITION/ USAGE

The Draper School is structurally sound reflecting a reinforced concrete superstructure. The facility has been completely remodeled with new acoustical tile ceiling, painting throughout, carpet in the offices and general cleanup and modernization. In general, the overall condition of the facility is rated as Average/Average (+).

HIGHEST AND BEST USE

The term “highest and best use”, as applied in Real Property Valuation, is generally conceived to construe that “reasonable and probable” usage that supports the highest, present, property value, as of the effective date of the appraisal. Alternatively, highest and best use may be defined as “that use, from among reasonably probable and (legal) alternative uses that will produce the greatest net return of the land over a predictable period of time”.

Consistent with generally accepted appraisal methodology, the highest and best use of the property is established under two (2) distinct concepts, i.e., evaluation as if vacant (or unimproved), and as currently improved. From the conducted analysis, the estimated market value of the subject property is established predicated upon a property usage that yields the highest present property value.

HIGHEST AND BEST USE - “AS IF VACANT”

The Draper School property contains 206,222 square feet or approximately 4.73 acres of land area, located within the boundaries of the R-5-A zoning district. The predominant land use in the R-5-A district is for row townhouse development.

Considering the property’s location and zoning, the highest and best use of the “Draper School Site”- as though vacant, is for construction of a single-family row townhouse residential project. Under a hypothetical development scenario, the “typical” dwelling unit would be of three-story/two-story and English basement design, to contain approx. 750 square feet per floor with a total of 1,500 to 2,500 square feet per dwelling.

HIGHEST AND BEST USE - “AS IMPROVED”

The Draper School, to contain a total of approximately 59,000 square feet of Gross Building Area, is considered to be in Average/Average (+) condition. As developed, the Draper School reflects a developed density (FAR) of approximately .25, significantly less than the typical project within the R-5-A zoning district. However, the school provides on-site parking and a large landscaped playground integral to school/recreational type usage. Recognizing the “in-use” development density of the site, the existing improvements optimize the utility of the land. The building was modernized in 2009/2010 and provides a significant contribution to the value of the property.

Considering the building condition and location, the most present usage is clearly consistent with the highest and best use of the subject property.

IV. VALUATION SECTION

THE APPRAISAL ASSIGNMENT

Valuation guidelines dictated by representative of the District of Columbia's Department of General Services (DGS) requires an Estimation of the Fair Market Rental Value of the subject property in its current, "as is" state of condition. The assignment dictates appraisal of the facility for continued usage as an educational facility which infers retention of the existing improvements.

METHOD OF APPRAISAL

The value estimates, applicable to the Draper School, are predicated upon the highest and best property use as established in the preceding section of this report. The Draper School is a moderately size elementary containing approximately 59,000 square foot (+) re conducive to multiple tenancy or a joint venture operation.

The valuation assignment requires an estimate of the Fair Market Rental Value of the "Draper School" in its "as is" state of condition. Typically, the Fair Market Rental Value is established through a Comparative Analysis of the appraised property with properties that have been leased in the subject or comparable neighborhoods having similar physical features and uses. Our review of the applicable Special-Purpose leasing market revealed limited market data to formulate a supportable opinion of the property's Fair Market Rental Value by the Comparative Approach. This factor is attributable principally to the limited pool of such properties coupled with the generally "poor" condition of the appraised property in it's "as is" state of condition. Essentially, the only properties eligible for school rental are controlled by the city government. We have reviewed rental data within the public school systems portfolio, as well as, contacted other district officials regarding "special purpose" leases. While there are existing leases in place within several surplus buildings, the parameters and indicated square foot lease rates are typically "below market" and are inconclusive barometers of economic rent. We have provided a synopsis of several leases of larger school facilities for informational purposes.

In the absence of quantifiable market data, the Appraisers have developed the Fair Market Rental Value estimate by application of the Property Residual Method. This approach entails the application of market derived rates of returns to the established land & building components to derive an estimate of the property's Fair Market Rental Value. We have however provided a general overview of the leasing market for a number of former public schools and special purpose properties that provide a general guide to empirical data provided by this unique leasing market.

An in-depth description of the valuation methodology employed and our subsequent opinion of the market value estimates are presented under the valuation headings to follow.

(A) FAIR MARKET VALUATION – PROPERTY RESIDUAL METHOD

The principal market value estimates applicable in this analysis is the Property Residual Method, due principally to the dearth of compelling “arms length” market rental data of similar-sized properties. This approach entails (initially) establishment of the Market Value of the property and the subsequent application of a return rate to the asset to derive the Fair Market Rental Value. As a “special-use “ property, not openly traded on the market, the Market Value of the Draper School is established by application of the Cost Approach. The Return Rate will be established predicated upon return rates for competing financial instruments recognizing an appropriate adjustment for risk, management and illiquidity. The analysis by the Cost Approach will follow with the evaluation of the underlying land predicated upon the highest and best use-as if vacant.

MARKET VALUE ESTIMATE - COST APPROACH

(A) MARKET VALUE ESTIMATE – “As Is”

The Market Value Estimate for the appraised parcel, as previously stipulated, is established by application of the Sales comparison or Market Data Approach. Summarizing pertinent site data for the site, the subject property contains 206,222 square feet or approximately 4.73 acres of land area, located within the boundaries of the R-5-A zoning district. The predominant land use in the R-5-A district is for row townhouse development. Optimum usage of the parcel is concluded to be development of a low density apartment house project as permitted in the R-5- A zone.

In extension of the Sales Comparison Approach, the Appraisers have conducted an extensive review of the low density residential land markets within the Congress Heights, Barry Farms/Anacostia, Randall Heights, and comparable locations of Southeast/Northeast Washington. Our study covered the preceding 2-3 year period prior to the effective date of valuation and focused on the R-5-A zone which allows low-density residential townhouse development, the conceived optimum land use for the subject parcel.

Based upon our review of the applicable residential land markets, we have identified five (5) sales of vacant sites (or improved sites wherein the preponderance of value is vested in the land) for consideration by the Market Data Approach. We have also included two (2) listings in the abutting Barry Farms neighborhood. Considering the size and physical attributes of the parcel, direct comparability is not afforded the sales for application of a quantitative comparative analysis. The sales, with applicable adjustments applied, however, provide a reasonably valid indicator of the value for the subject parcel. The Appraisers note that there were numerous land conveyances within the immediate neighborhood which were not included in the sale listing due to utility factors/development potential and zoning.

In the Comparable Sales Listing to follow, an in-depth profile of the selected sales is provided. With the subject property being basically “raw land” and recognizing the subjectivity involved in projecting the developable units for the comparable sales, the unit of comparison most applicable in this assignment is the price paid “Per Square Foot of Land Area”. A generalized “Comparative Analysis” and subsequent opinion of the value for the subject parcel is presented following the Comparable Sales Listing.

COMPARABLE SALES LISTING

Sale # 1

Property Address: 2500 Block of Raynaulds Place, SE
2900 Block of Langston Place, SE
2800 Block of Bruce Place, SE

Legal Description: Square 5742, Lot 147, 150, 151, 154, 805, 806, 809, 810, 817 & 819

Date of Sale: July 7, 2014

Sales Price: \$ 3,350,000

Grantee: CA Washington 2335 RPSE LLC

Land Area: 167,053 square feet (3.84 acres); zoned R-2

Comments:

The site is comprised of 10 lots located along Raynaulds Place, Bruce Place and Langston Place. Two of the lots are improved with single-family dwellings; however, the highest and best use is for development as a single-family residential project with the adjacent lots. The site has approximately 515 feet of frontage along Raynaulds Place, 182 feet along Langston Place and approximately 200 feet along Bruce Place, SE . The site is principally vacant and overgrown with foliage and young trees. All public utilities, i.e. municipal sewer and water, electricity, natural gas and telephone service are available to the site.

Sales Price Per Square Foot of Land Area: **\$ 20.05**

Sale # 2

Property Address: 2604 & 2610 Stanton Road, NE

Legal Description: Square 5869, Lot 1076 & 1077

Date of Sale: February 1, 2012

Sales Price: \$ 370,000

Grantee: Stanton Road SE LLC

Land Area: 3,875 square feet (Lot 1076)
13,276 square feet (Lot 1077)

17,151 square feet; zoned R-5-A

Comments: The site is slightly above grade comprising approximately 170 feet of frontage along the north side of Stanton Road extending to a depth of approximately 100 feet. The site is located near the major apartment development along Sheridan Road.

Sales Price Per Square Foot of Land Area: **\$ 21.57**

Sale # 3

Location: 2500 Block -High Street, SE

Legal Description: Square 5808, Lots 97, 98 & 99

Sales Price: \$ 125,000

Sales Date: March 30, 2010

Grantee: High Street LLC

Land Area: 6,294 square feet (2,098 square feet -each lot); zoned R-3

Comments: The site is a rectangular shaped parcel with three contiguous lots frontage of 60 feet along High Street and extending to a depth of approximately 100 feet. The site is basically level and on street grade and is cleared for development.

Sales Price Per Square Foot of Land Area: \$ 19.86

Sale # 4

Property Address: 2500 Block of Alabama Avenue, SE

Legal Description: Square 5730, Lot 15, 17, 19, 21, 23 & 913

Date of Sale: January 23, 2012

Sales Price: \$ 555,000

Grantee: Visions of Victory LLC

Land Area: 18,843 square feet; zoned R-5-A

Comments:

The site is comprised of six (6) vacant lots comprising 12,000 square feet (2,000 square feet per lot) and Lot 913 improved with an old walkup apartment containing 6,843. The site has approximately 180 feet of frontage along Alabama Avenue near 25th Street. The site is basically level and on grade with Alabama Avenue, a dual-laned transportation artery. All public utilities, i.e. municipal sewer and water, electricity, natural gas and telephone service are available to the site.

Sales Price Per Square Foot of Land Area:

\$ 29.45

Sale # 5

Location: 2352-2360 High Street, SE

Legal Description: Square 5799, Lot 976

Sales Price: \$ 918,000

Sales Date: November 3, 2012

Grantee: District of Columbia

Land Area: 34,934 square feet; zoned R-5-A

Comments: The site is a rectangular shaped parcel with frontage of 200 feet along the west side of 22nd Street and extending to a depth of approximately 175 feet. The site is located at the junction with Maple Street and is located on one of the highest elevations in the Anacostia neighborhood affording views of Northwest DC. The property has been in default for real property taxes and was improved with three physically/functionally obsolete walkup apartment buildings.

Sales Price Per Square Foot of Land Area: \$ 26.27

LAND VALUATION SUMMARY

The selected sales are the most recent conveyances of medium to small residential zoned lots within the Randall Heights, Anacostia, Barry Farms and comparable neighborhoods of Northeast and Southeast Washington. The comparables, which are considered to have varying degrees of comparability to the subject parcel, reflect (unit) land values to range from \$ 19.86 to \$ 30.00 per square foot of land area. As is applicable in development of the Sales Comparison Approach, adjustment factors are considered to recognize basis value contributing differences between the subject parcels and the comparable sales.

Adjustment factors as applied in this analysis reflect the Appraiser's value judgments with respect to the factors as outlined heretofore. Application of "paired - set" type adjustments as applied in traditional valuation analysis is unrealistic due to the diversity of the sale properties and the inability to derive incremental value differences for the respective factors. The applicable adjustments are summarized as follows:

- (A) Location - to recognize the general inferiority/superiority of the compared location with the comparable.
- (B) Site Utility - adjustments based upon development potential attributable to configuration, topography, size, zoning and site costs.

Our generalized analysis of the sale properties and the subsequent adjustments are presented in the sections to follow.

COMPARABLE ADJUSTMENT SUMMARY

Sale #1 is a superior located parcel with three (3) street frontage. The sale sold at the unit rate of \$ 20.05 per square foot of land area. The site location is slightly superior. Site is comparable to the subject from a utility standpoint. An overall downward adjustment of 15 % is applied to the sale.

INDICATED UNIT VALUE: \$ 20.05 per sq.ft. x .85 = \$ 17.04 per sq.ft.

Sale # 2, located at 2604 & 2610 Stanton Road, NE, is 17,151 square foot site that sold for \$ 21.57 per square foot. Location is superior to the subject parcel. The site has inferior utility. An downward adjustment of 25 % applied in this instance.

INDICATED UNIT VALUE: \$ 21.57 per sq.ft. x .75 = \$ 16.18 per sq.ft.

Sale # 3 located in the 2500 Block of High Street, SE, is a 6,298 square foot site that sold for \$ 19.86 per square foot. The comparable's location is inferior to the subject. The site is a smaller parcel superior to the subject to the subject in terms of size but inferior with respect to overall utility. An upward adjustment of 20 % applied in this instance.

INDICATED UNIT VALUE: \$ 19.86 per sq. ft. x .80 = \$ 15.89 per sq.ft

Sale # 4 located in the 2500 Block of Alabama Avenue, SE, is a 18,834 square foot site that sold for \$ 29.45 per square foot. The comparable's location is vastly superior and the property has superior utility. A downward adjustment of 40 percent is considered appropriate.

INDICATED UNIT VALUE: \$ 29.45 per sq. ft x .60 = \$ 17.67 per sq. ft.

Sale # 5 located in the 2300 Block of High Street, SE, is a 34,934 square foot site that sold for \$ 26.27 per square foot. The comparable's location is slightly superior and the property has superior utility. An adjustment for site demolition is applicable. A downward adjustment of 25 percent is considered appropriate.

INDICATED UNIT VALUE: \$ 26.27 per sq. ft x .75 = \$ 19.70 per sq. ft.

LAND VALUATION CONCLUSION

The "adjusted" unit value estimates reflected by the comparable sales reflect a range of \$ 15.89 to \$ 19.70 per square foot of land area or an average of \$ 17.30 per square foot of land area. The sales have varying degrees of comparability to the subject and are afforded varying weight in this analysis. Thus, we conclude a unit land rate applicable to the subject property of \$ 17.30 per square foot of land area.

According to public records, the subject property contains 206,222 square feet of land area. Thus, on the basis of our analysis, the estimated market value of the subject property in the "as is" state of condition, as of December 5, 2014, the effective date of the appraisal, is as follows:

$$206,222 \text{ square feet} \times \$ 17.30 \text{ per sq. ft.} = \$ 3,567,641$$

ROUNDED: \$ 3,609,000

PROPERTY VALUATION

THE COST APPROACH

The Cost Approach, as applied in real property valuation, is based upon the basic premise that a willing purchaser would generally pay no more for property than the cost of replacing an equal "substitute" having similar utility as the subject. This approach is particularly applicable when the property under appraisal is improved with a special-purpose property, or when the property under appraisal is improved with new, or relatively new improvements considered to be reflective of the optimum site usage.

The Replacement Cost (New) of the subject building is derived through the application of cost figures as published by the Marshall Valuation Service Cost Guide and a review of cost data from schools recently constructed/renovated in the District of Columbia.

City records indicates that initial cost estimates for new construction ranged from approximately \$200 to \$250 per square foot for construction costs (exclusive of FFE). The higher per square foot rate is exhibited for middle and high schools where there is greater requirement for gymnasiums, auditoriums, labs and enhanced technology. The city estimates appear above market and are tempered by costs as reflected by recognized valuation cost guides. Considering the facilities of the subject property, a unit rate of \$ 200 per square foot is estimated for the Replacement Cost of the subject property. The gymnasium and auditorium which has little interior partitioning but extra height, is priced at \$ 150.00 per square foot of floor area. The finished basement levels are priced at 80 % of the established rate for the multi-purpose rooms or \$ 120.00 per square foot. A height index multiplier of 1.10 is applicable to the established "base" rates for the auditorium/gymnasium.

The Marshall and Swift valuation "guide" is an up-to-date-industry cost estimation manual published by the Marshall and Swift Publication Company. The cost figures as published are based on actual construction cost figures and estimates as collected on properties similar in design and construction quality as compared to the property under appraisal. The final cost of the building or structure(s) reflects "hard and soft" expenditures.

The classification for the subject property is located in Section 18 of the Marshall Valuation Guide. This section outlines the specifications for schools and indicated price "per square foot" for building having applicable and standard design(s) for this type property. The Draper School is classified for cost purposes as a "Average/Good", Class "C" middle/junior high school. Based upon our review of costs by this guide, the indicated costs from the new school construction estimates are aptly supported.

In deriving the Building Value Contribution for the subject property, building depreciation must be recognized to reflect both physical and functional depreciation. In this case, the building was modernized approximately five (5) years ago and is considered to be in Average/Average (+) condition.. However, there is a degree of functional obsolescence due to the age of the facility and the inability to "cure" all forms of depreciation through the renovation effort. A modified version of the Age-Life Method is used to estimate depreciation which considers both functional and physical obsolescence.

Referencing the Improvements Description section of this report, the subject improvements have been substantially rehabilitated and are in a "competitive" state of condition. The buildings projected economic life, predicated upon its construction quality, is estimated to be 40 years with a Remaining Economic Life of 25 years.

IMPROVEMENT (AREA) SUMMARY

Gross Finished Area (Exclusive of Auditorium & Gymnasium)	42,912 SF
Gross Finished Area –Multi-purpose room	= 5,374 SF
Basement Area (Cafeteria & Multi-Purpose Classrooms)	= 11,004 SF

ESTIMATED REPLACEMENT COST (NEW)

Gross Finished Area (Exclusive of Auditorium & Gymnasium)	
42,912 SF x \$ 200.00 per square foot	= \$ 8,582,400
Gross Finished Area – Multi-Purpose Room/Auditorium	
5,374 SF x \$ 150 per square foot x 1.10 (extra hgt.)	= \$ 886,710
Basement	
11,004 SF x \$ 120.00 per square foot	= <u>\$ 1,320,480</u>
<u>Estimated Replacement Cost (New)</u>	= \$ 10,789,590
Add: Finance Costs, Concessions, etc. @ 12.5 %	+ <u>1,348,699</u>

TOTAL COST ESTIMATE **\$ 12,138,289**

Less: Accrued Depreciation

Estimated Economic Life, New: 40 Years w/25 Years Economic Life

15 years/40 Years = 37.5 %

Estimated Physical Depreciation: \$ 12,138,289 x .375 = - 4,551,858

Depreciated Value of Improvements = **\$ 7,586,841**

Add: Site Improvements (Fencing, paving & playground area) + 125,000

Estimated Depreciated Improvements Value = **\$ 7,711,841**

SAY: \$ 7,712,000

VALUATION ESTIMATE - Cost Approach

Referencing the Land Valuation section of this report, the Appraisers have concluded a land value estimate for the subject property of \$ 3,609,000. In the preceding analysis, the depreciated value of the improvements was estimated to be \$ 7,712,000.

Thus, on the basis of the inclusive analysis, the estimated Market Value of the Draper School Property in the "as is" state of condition by application of the Cost Approach, as of December 5, 2014, the effective date of the appraisal, is as follows:

Land	\$ 3,609,000
Improvements	\$ <u>7,712,000</u>
<u>TOTAL PROPERTY VALUE</u>	<u>\$ 11,321,000</u>

FAIR MARKET RENTAL VALUE

Consistent with the Fair Market Rental Value definition as referenced, i.e. "in the absence of market information", the Fair (annual) Market Rental Value is estimated based upon the return as would be (typically) required to amortize the capital improvements, such being the return of the wasting asset i.e. the building. This methodology is generically referenced as a Straight Line Capitalization, Property Residual Method.

Under ideal market conditions, the Fair Market Rental Value of the Draper School would be established through market comparison with similar properties that have recently been leased in the open market. However, as previously stated, our research failed to identify the existence of comparable "Special-Purpose" properties, under an existing lease, which could be realistically compared to the subject property. This factor is attributable to the limited pool of "special-purpose" properties (being marketed for leasing purposes) and the existing condition of the subject property. As stated by District of Columbia officials, the proposed leasing arrangement for the subject property would encompass a 25 year lease with an equal option period.

APPLICABLE RETURN RATE

In establishment of the return rate applicable to the appraised property, the Appraiser's have referenced the financial market as a barometer for analyzing current yields for long-term instruments, i.e., the land with the building capitalization rate being predicated on a projected short term building economic life.

To establish rate of return applicable to the land, we have considered the application of long term bond rates as the most valid point of reference in establishment of the appropriate discount rate applicable to the underlying land. As of the effective date of valuation, the 30 Year US Treasury Bond Rate, a safe long term rate, was approximately 3.0 percent. To effectively apply the US Treasury Bond Rate as the Applicable return rate (Land), we have adjusted the rate 250 basis points, or 2.50 percent to reflect risk, illiquidity and management. Thus, the applicable rate of return for the underlying land is $3.0\% + 2.50\% = 5.5\%$.

Referencing the Property Valuation section, Cost Approach, the estimated Fair Market Value of the underlying land is \$ 3,609,000 with \$ 7,712,000 attributable to the building improvements. The building improvements are estimated to have a remaining economic life of 25 years. Applying a straight-line recapture rate (for the building), the calculated recapture rate applicable to the improvements-based the projected 25-year remaining economic life is thus, 1 divided by 25, or .04 or 4%. In addition, a return on the improvements of 3.50 % is considered appropriate consistent with return rates realized for alternate long term investments. Thus, the return rate applicable to the building component is project at the rate of $.040 (4\%) + .35 (4.50\%)$, or .0750, i.e., 7.50 %.

On the basis of the foregoing analysis, the estimated Fair (Annual) Market Rental Value of the Draper School property in the "As Is" state of condition, on an Un-serviced "Net" basis, as of December 5, 2014, the effective date of valuation, is as follows:

	<u>Est. Value</u>		<u>Return Rate</u>		<u>Annual Rental</u>
Land	\$ 3,609,000	x	.0550	=	\$ 198,495
Improvements	\$ 7,712,000	x	.0750	=	<u>\$ 578,400</u>
<u>Estimated Fair Annual Rental Value "As Is"</u> (Net i.e. unserviced basis)					= \$ 776,895
ROUNDED					= <u>\$ 777,000</u>

(B) MARKET RENTAL OVERVIEW

Our review of the applicable educational and Special-Purpose leasing market revealed virtually limited market data to formulate a supportable opinion of the property's Fair Market Rental Value by the Comparative Approach. This factor is attributable principally to the limited pool of such properties coupled with the general condition of the appraised property in its "as is" state of condition. We have obtained the rent roll for a number of the District of Columbia's Surplus Public Schools, as well as, interviewed market participants and educational officials with respect to rent parameters that are considered upon leasing of the prospective schools.

The charter school industry created a demand for surplus public schools or large properties with open floor plans that could be configured for classroom usage. As stated in the Area and Neighborhood section of the report, there are currently approximately 53 charter schools in the District of Columbia with in excess of 35,000 students. The charter schools now provide strong competition for students to DCPS, which is projecting total enrollment of approximately 45,000 students. Charter schools are granted public subsidy of approximately \$2,800 for facilities with other grants available to defray real estate/facility costs. A key player in the charter school industry is Building Hope, a non-profit organization that provides a host of services to charter schools and start-up charters including real estate technical services, financing, incubator and leasing opportunities. Building Hope has purportedly partnered with the District of Columbia's Office of the State Superintendent of Education to provide facilities that can be leased to start-up charter schools.

The Appraisers have been obtained data for several large schools, which are leased by DCPS to charter school entities. The leases are older leases and considered below market. We have also conducted an extensive review of the portfolio of lease in the District of Columbia Public Charter School Board. Several leases of larger school properties (with excess land for playground area) have been recently negotiated such as the Rabaut, Taft and Birney schools; however, these leases are of a significant size as to enhance their comparability in this analysis.

MARKET RENTAL SUMMARY

The school lease comparables presented in the Addenda of this report provide a general overview of the charter school leasing market. Analysis and application of the leases in a formal Comparative Analysis is problematic with respect to comparison with the property under appraisal. The properties under DCPS/Government control typically reflect below market rentals of schools requiring substantial rehabilitation to be raised to a 'competitive' and the commercial leases.

With the Draper School being in an average/average (+) condition i.e. "competitive" state of condition, the respective lease comparables would need to be adjusted upward significantly for condition. As stated, there were numerous additional leases of schools in Poor condition but due to condition and the significant concessions granted to the charter schools, the rental income generated is offset by the amortization of the tenant improvements and other subsidies. Generally, considering adjustments for condition, the leases would support a rental rate in the range of \$ 13.00 to \$14.00 per square foot of Gross Building Area, consistent with our findings by the Property Residual Method.

Respectfully submitted,

Lindell B. Younger
Certified General Real Property Appraiser
D.C. License #10057

Morris E. James, A.S.A.
Certified General Real Property Appraiser
D.C. License #10022

December 15, 2014

Office of Finance and Resource Management
District of Columbia Government
441 4th Street, NW
Suite 890N
Washington, DC 20001

c/o Mr. Ikenna Udejiofor
Project Manager

STATEMENT FOR SERVICES (Invoice – MEJ 16)

Re: Appraisal
The Draper School
Square 5926, Lot 801
908 Wahler Place, SE
PO510167 –Draper School Appraisal **\$ 4,950.00**

Respectfully submitted,

Morris E. James, A.S.A.
Certified General Real Property Appraiser
D.C. License #10022

SCHOOL LEASE LISTING

SCHOOL LEASE LISTING

Lease Comparable # 1

2120 13th Street, NW

The Meridian Public Charter School leases the captioned property identified as the Harrison School. The lease was consummated in October of 2011 and is for a 25 year period with a 25 year option. The initial lease year was at the rate of \$ 450,000 per annum or \$14.08 per with a 2 % escalation clause. The Harrison Elementary School is a two-story and english basement brick facility containing a Gross Building Area of approximately 49,218 square feet. The structure is elongated in configuration and is comprised of three wings with an interconnecting center hallway. According to public records, the original, i.e. north wing, was constructed circa 1890 and the south additions were constructed circa 1933. Due to the extensive space loss and functional obsolescence, gross rental area is estimated to be 36,675 square feet. The building was in poor condition at the time of lease and is being renovated for the forthcoming school year.

Base Rental Rate:

\$ 12.25 per square foot

Lease Comparable # 2

4470 "Q" Street, NW

The Lab School is leasing the property under a lease assumption from the Rock Creek International School. The 10-year lease agreement consummated in January of 2010 for an annual sum of \$ 166,725. The property, formerly the old Hardy School, is leased by the District of Columbia Government (through a sublet agreement with the original tenant). The property comprises 49,853 square feet of land with the building containing approximately 16,000 square feet (gross finished area). The lease reflects a graduated rental of 3 % per annum on an "Unserviced". The current lease rate is \$173,400.69 per annum. Additional improvements have been conducted by the Lab School total \$1,300,000 (+).

Base Rental Rate:

\$ 10.85 per square foot

Lease Comparable # 3

330 21st Street, NE

The Thea Bowman Preparatory Academy Public Charter School consummated a 5 year lease with a 3 year option on the facility known as the St. Benedict the Moor School. The lease commenced on July 31, 2009 for the initial space comprising 11,606 square feet. In year 3 of the lease, the tenant will add 4,588 square feet of expansion space reflecting a total leased area of 16,194 square feet. The facility has an on-site paved parking lot and a "shared" meeting room known as the Imperial Room. The tenant is responsible for all utilities and interior maintenance with the landlord responsible for exterior maintenance and mechanical equipment. The initial annual lease is \$213,500 per annum increasing to \$313,500 in Year 3 (adding the expansion space) increasing to \$322,592 for Years 4-5. The space was leased in a "competitive" state of condition. The lease also provided for the use of personal property (construed to be school equipment) and the use of the Imperial (meeting) room at no additional cost.

Base Rental Rate:

\$ 18.40 per square foot

Lease Comparable # 4**2501 Martin Luther King Avenue, SE**

The Charter School Incubator Initiative leases the captioned property identified as the Birney School. The lease was consummated in September of 2011 and is for a 20 year period with a 20 year option. The initial lease year was at the rate of \$ 733,000 per annum or \$9.40 per with a 2 % escalation clause. The Birney Elementary School is a three-story and english basement brick facility containing a Gross Building Area of approximately 78,000 square feet. The building was in fair condition at the time of lease with approximately half of the building being un-renovated. The lease provides for rent credits for approved tenant work.

Base Rental Rate:**\$ 9.40 per square foot****Lease Comparable # 5****100 Peabody Street, NW**

The Capital City Charter School leases the captioned property identified as the Rabaut School. The lease was consummated in September of 2011 and is for a 20 year period with a 20 year option. The initial lease year was at the rate of \$ 1,496,000 per annum or \$ 8.90 per square foot with a 2 % escalation clause. The Rabaut School is improved with a three-story/two-story/one-story, brick, educational building erected circa 1968, containing approximately 168,000 square feet of Gross Building Area. According to public records, the lot contains a total land area of 297,283 square feet or approximately 6.82 acres of land area. The property is zoned R-1-B and is located in the Chillum neighborhood of Northwest Washington, District of Columbia. The lease provides for rent credits for approved tenant work.

Base Rental Rate:**\$ 8.90 per square foot**



January 7, 2015

VIA ELECTRONIC MAIL

Mr. Jonathan Kayne
Interim Director
Department of General Services
District of Columbia

RE: Draper – 908 Wahler Place SE

Dear Mr. Kayne:

Pursuant to Section 2, Subsection b, of the Comprehensive Planning and Utilization of School Facilities Amendment Act of 2014, Achievement Preparatory Academy, Inc. ("APA") is exercising its first offer to lease that certain real property located at 908 Wahler Place SE, Washington, D.C., commonly known as the Draper School ("Draper").

APA is an existing tenant that is a public charter school that has occupied Draper continuously since 2008. APA occupied substantially all of the building for four years and has occupied all of the property since 2012.

Pursuant to the vision and intent that was included in the Ground Lease Agreement between the District of Columbia and the Charter School Incubator Initiative, APA now plans to undertake the redevelopment of the site to construct a new approximately 50,000 square foot facility to accommodate our middle school and fully renovate the existing building to accommodate our elementary school. The project budget is currently at \$34 million and we plan on breaking ground on the new construction in January, 2015 with delivery of the entire project in the summer, 2016. Upon completion APA will occupy approximately 98,000 square feet with 960 students in preK-8. The project will be constructed to LEED Gold standards meeting the enhanced storm water management feature to meet the current regulations. We are seeking long-term control of Draper to facilitate the financing of the redevelopment project.

We have finished Design Development and are starting Construction Documents. The foundation to grade permit was submitted on October 31 and we have recently applied for a new construction building permit. We are using school equity to cover project costs until the financing is closed. Plans and specifications are currently being provided to your staff for review, comments, and approval.

We are seeking standard lease terms for former District of Columbia Public School buildings that include an initial 25 year term with a 25 year option renewal extension. As mandated by the Landrieu Act, the rent shall be set using a third party appraisal and we will ask for a dollar for dollar rent credit for the total project costs including the costs of the improvements (excluding furniture, fixtures and equipment) and all other "hard" and "soft" project costs incurred. Given the size of this project, the anticipated total rent credits will exceed the total rent due under the lease for the first 25 years. Since our anticipated tax exempt bond financing is expected to have a term of 30 years, we are requesting that the rent credits continue for a period of 30 years, that is, for another 5 years after the expiration of the initial 25-year lease term. Please note that that would still leave unused approximately \$2 million in potentially available rent credits that could have been available for lease years after the 30th, but we are not requesting any use of those excess rent credits.

ACHIEVEMENT PREP

As you may know, APA is a Tier 1 school that outperforms all other schools in Ward 8 and our scholars perform competitively with students in more affluent neighborhoods – we have truly closed the achievement gap!

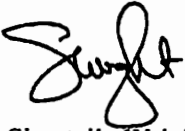
We look forward to working with the Department of General Services to secure long-term site control (our preference being a new direct lease with DGS to replace the existing Incubator Ground Lease Agreement and Use Agreement) to facilitate the redevelopment moving forward and providing our scholars with a high-quality facility to match their academic outcomes.

We are working with Building Hope to provide the expertise and project management services to address the site control and financing. Please do not hesitate to contact Tom Porter at 202-457-1990 or via email at tporter@bhope.org with regard to the disposition process. Your counsel may also contact our attorney, Jerry Levine, at 202-496-3479 (email jerry@levinelawdc.com).

Our team would be happy to meet with you and your staff at your convenience to discuss these matters.

Thanks in advance for your assistance in this matter.

Sincerely,



Shantelle Wright
Founder and CEO

cc: Tom Porter
Jerry Levine

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES**



April 29, 2015

Shantelle Wright,
Founder and Head of School
Achievement Preparatory Academy, Inc.
908 Wahler Place, SE
Washington, DC 20032

**Re: Letter of Intent (LOI) for the lease of land and improvements
thereon located at 908 Wahler Place, SE, Washington DC,
commonly known as "Draper School"**

Dear Ms. Wright:

The purpose of this Letter of Intent is to propose the terms and conditions under which the District of Columbia would enter into a lease for the Premises (defined below).

LANDLORD:

The District of Columbia, a municipal corporation, acting by and through its Department of General Services ("**District**").

TENANT:

Achievement Preparatory Academy, Inc., a non-profit District of Columbia public charter school corporation ("**Tenant**").

PREMISES:

That certain real property and the improvements located thereon, including an existing building consisting of approximately 54,800 square feet of floor area as well as a new building to be constructed consisting of approximately 50,000 square feet of floor area (collectively, the "**Buildings**"), located at 908 Wahler Place, SE, known for tax purposes as Lot 5926 in Square 0801, and commonly known as the Draper School ("**Premises**"). Should tenant desire to increase, expand or extend the square footage of the Building, by adding approximately 50,000 square feet to the School Building ("**Additional Space**") such Additional Space may be added as part of Tenant's Work, so long as it is approved by the District in advance as more detailed in the Lease.

DELIVERY OF PREMISES:

As-Is, where-is, with all faults, to be delivered at the Lease Commencement Date.

USE:

The Premises shall be used solely for: (i) the operation of a public charter school established pursuant to D.C. Official Code §38-1800.01.01 through §38-1802.15, to include pre-kindergarten through grade 8 programs, and related administrative uses; (ii) the operation of a District of Columbia Public School; (iii) on an incidental basis, any ancillary use related to or connected with such public charter school use as approved in advance by Landlord and/or (iv) any other educational purposes in the event of any permitted assignment of the Lease or sublease of the Premises under the terms and provisions of the Lease ("Permitted Use").

LEASE COMMENCEMENT DATE:

The date of full execution of: (i) the Lease; and (ii) a Termination Agreement between the District and the Charter School Incubator Initiative for the Premises.

RENT COMMENCEMENT DATE:

The Rent Commencement Date for the existing Premises is the Lease Commencement Date. If Tenant adds an additional building to the Premises, then the Rent Commencement Date for that additional building will be on the earlier of the following dates: (x) the date upon which Tenant initially opens the additional building to the public for its Permitted Use; or (y) the date upon which Tenant's Work relating to the additional building is complete, subject to so-called "punch list" items; provided, however, in no event shall the Rent Commencement Date for the additional building occur later than 18 months following the Lease Commencement Date.

LEASE TERM:

Thirty (30) years beginning on the Rent Commencement Date. There will be one optional renewal term as set forth below.

OPTIONAL RENEWAL LEASE TERM:

One (1) twenty-five (25) year optional renewal term ("Option Term") exercisable by Tenant upon twelve (12) months' prior written notice to the District, provided Tenant is not in default of the Lease beyond any applicable notice and cure periods at the time of such exercise and at the commencement of such renewal term. Base Rent after year 30 of the initial lease term and for the Option Term shall be adjusted to Fair Market Value per appraisal method to be set forth in the Lease.

ANNUAL BASE RENT:

Commencing on the Rent Commencement Date, the Annual Base Rent for the existing Premises shall be the sum of \$777,000 (which represents "Fair Market Value" as determined in accordance with an appraisal performed as required by the Landrieu Act). On the first anniversary of the Rent Commencement Date and on each anniversary thereafter, the then-current Annual Base Rent shall be increased by two percent (2%). Annual Base Rent shall be payable in monthly installments and subject to adjustment and credit as hereinafter provided ("Rental Credits" below). Any additions to the Premises will incur additional Annual Base Rent based upon Fair Market Value.

OPERATING EXPENSES AND REAL ESTATE TAXES:

The Rent due and payable under the Lease shall be absolutely net to the District, so that the Lease shall yield to District the Base Rent specified above (subject to application of the rental credits discussed herein), and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Premises shall be paid by Tenant (including without limitation real estate and possessory taxes assessed against the Premises, water and sewer use fees, insurance premiums, utility expenses, and any and all costs of operating, maintaining and repairing all or any portion of the Premises, except as otherwise expressly set forth herein).

INSURANCE:

Tenant is required to maintain insurance (including, without limitation, general liability and property damage or "all risks" insurance) with respect to the Premises in the types and amounts set forth more particularly in the Lease in accordance with standard provisions for such insurance in DGS leases. Such insurance shall cover the entirety of the Premises and any improvements thereon and name District as an additional insured/loss payee, as the case maybe.

RENTAL CREDITS:

Provided that Tenant is not in default of the Lease beyond applicable notice and cure periods, for each One Million Dollars (\$1,000,000) Tenant incurs for (i) Construction Costs for Capital Alterations as part of Tenant's Work and (ii) Leasehold Acquisitions Costs, Tenant shall be entitled to twelve (12) consecutive calendar months of abatement/credit of Annual Base Rent (the "Rent Credit"). Tenant's "Construction Costs" shall mean the actual and reasonable construction costs (including both hard and soft costs but specifically excluding the costs of purchasing and/or installing Tenant's property, such as by way of example furniture, furnishings and moveable fixtures and equipment) incurred by Tenant in performing Capital Alterations and Improvements to the Premises. The term "Capital Alterations" shall mean any alterations, additions, renovations, improvements or installations in or to the Premises (excluding Tenant's property, such as by way of example movable furniture, furnishing, fixtures and equipment) which are considered capital improvements under generally accepted accounting principles. The term

“Leasehold Acquisitions Costs” shall mean any funds paid to the previous tenant, Charter School Incubator Initiative, by Tenant to reimburse Charter School Incubator Initiative for approved Capital Alterations made by or on behalf of the Charter School Incubator Initiative at the Premises during the term of its lease.

In the event that after completion of Tenant’s Work, Tenant makes or causes to be made at any time or times any Capital Alterations (which cost is in excess of \$1,000,000.00 individually or in the aggregate every five years) to the Premises, then provided that Tenant is not in Default under the Lease and Landlord and Tenant have agreed to the scope, schedule and budget of such Capital Alterations in accordance with the procedures to be set forth in the Lease, Tenant shall be entitled to a credit against Annual Base Rent in an amount equal to Tenant’s actual construction costs of such Capital Alterations incurred by Tenant in performing such Capital Alterations, including both hard and soft costs, (the **“Additional Rent Credit”**). Tenant shall be entitled to apply the full amount of the Additional Rent Credit, on a dollar-for-dollar basis, against the full amount of each installment of Annual Base Rent, as the same becomes due and payable, until the entire Additional Rent Credit has been so applied. The Additional Rent Credit may be taken and applied, subject to the foregoing, each time Capital Alterations are made during the Term (including any Option Terms). Each Additional Rent Credit shall be available in addition to the aforesaid Rent Credit and any other rent credits and/or adjustments, all of which may overlap. The term **“Capital Alterations”** shall mean any alterations, additions, renovations, improvements or installations in or to the Premises (excluding Tenant’s property, such as by way of example movable furniture, furnishing, fixtures and equipment) which are considered capital improvements under generally accepted accounting principles.

Rent Credit and Additional Rent Credit shall be available for the benefit of Tenant throughout the initial 30-year lease term.

SUBLEASE AND ASSIGNMENT:

Tenant shall not assign, transfer or mortgage any or all of Tenant’s rights or interests under this Lease or sublease any or all of the Premises (**“Transfer”**) without District’s prior written consent which consent District may withhold in its sole and absolute discretion; provided, however, Tenant may, upon District’s prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned, Transfer the Lease to (i) a District of Columbia Public School; (ii) a public charter school with a charter in effect and established pursuant to D.C. Official Code §§ 38-1800.01 through 38-1802.15 or an entity controlled by such public charter school; (iii) any other entity that will use the Premises for secondary or post-secondary educational purposes; (iv) a subsidiary, affiliate, parent or other entity to Tenant which controls, is controlled by, or is under common control with, Tenant; (v) a successor entity to Tenant resulting from merger, consolidation, non-bankruptcy reorganization, or government action; or (vi) a purchaser of all or any significant portion of Tenant’s ownership interests or assets. Notwithstanding the foregoing, in no event shall the District’s consent be required in connection with any Transfer to an Approved Mortgagee (the definition of an Approved

Mortgagee and the terms and conditions under which Tenant may enter into a leasehold mortgage shall be set forth in the Lease).

INITIAL IMPROVEMENTS:

Tenant shall remodel, renovate, refurbish and construct/develop the Premises, including the making of all improvements, alterations and changes to the Premises necessary to place same in accordance with code and to enable Tenant to properly use the Premises for the purposes set forth in this Lease, all of such improvements hereinafter referred to as "Tenant's Work". All of Tenant's Work shall be performed by Tenant in accordance with detailed plans and specifications, to be prepared by Tenant's architect and provided to District in one (1) set of blue line plans and a cad disk, including Tenant's material sample board, all of which shall be submitted to District on or before the plan submittal dates set forth in the Schedule (defined below), for District's written approval (as to both to design and materials) which approval shall not be unreasonably withheld, conditioned or delayed.

Tenant shall submit to District a proposed scope of work for Tenant's Work setting forth in detail the work to be performed ("Scope"), together with an estimated schedule ("Schedule") and estimated budget ("Budget"), which Scope, Schedule and Budget shall be attached as an Exhibit to the Lease and may be modified at any time or times only with District's prior written consent, which consent shall not unreasonably withheld, conditioned or delayed. The Budget shall be adjusted upon a final accounting of Actual Construction Costs for the Tenant's Work, based upon paid invoices and other evidence of the costs and expenses incurred by Tenant with respect thereto and the abatement provided above shall be adjusted as applicable to reflect the final accounting.

Tenant shall perform and complete Tenant's Work in accordance the timelines and dates set forth in the Schedule. Subject to force majeure and any actual delays caused by the District or its agents, employees and contractors, if Tenant, in accordance with the Schedule, (i) fails to timely commence Tenant's Work, (ii) fails to diligently pursue completion of Tenant's Work or (iii) fails to complete Tenant's Work, Tenant shall be deemed to be in default under the Lease.

CONTINUOUS OPERATION:

Tenant shall operate the entire Premises for the Permitted Use continuously and uninterrupted during the Term, subject to periods of closure due to force majeure, Premises remodeling and such other periods of closure and hours of operation as may be consistent with Tenant's standard school calendar (details to be addressed in the Lease).

CBE REQUIREMENTS:

Tenant will enter into an agreement with the District prior to Council Approval that shall require the Tenant to, at a minimum, contract with Certified Business Enterprises for at least thirty five percent (35%) of the contract dollar volume of the project and shall

require at least twenty percent (20%) equity and twenty percent (20%) development participation of Certified Business Enterprises.

GREEN BUILDING REQUIREMENTS:

Tenant shall comply with Title 6, Chapter 14A of the D.C. Official Code entitled *Green Building Requirements*.

FIRST SOURCE REQUIREMENTS:

Tenant shall execute a First Source Agreement with the Department of Employment Services in a form mutually acceptable to the parties thereto.

ANTI-DEFICIENCY:

All financial obligations of the District under this letter of intent, if any, or any subsequent agreement entered into by the parties are and shall remain subject to the provisions of (i) the federal Anti-Deficiency Act (31 U.S.C. §§ 1341, 1342, 1349-1351, 1511-1519 and D.C. Official Code §§ 1-206.02(e) and § 47-105 (2001)), (ii) the District of Columbia Anti-Deficiency Act (D.C. Official Code §§ 47-355.01 et seq. (2006 Supp.); and (iii) § 446 of the District of Columbia Home Rule Act (D.C. Official Code § 1-204.46 (2006 Supp.)), each as may be amended from time to time.

AUTHORITY:

Execution of this Lease or any other agreement between the parties is subject to authorization by the Council of the District of Columbia pursuant to D.C. Official Code § 10-801 (2001) ("Council Approval").

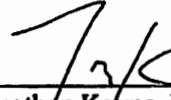
NON-BINDING PROVISIONS:

Notwithstanding any other provision of this letter, this letter constitutes a general, non-binding letter of intent and is not intended to, and does not create a legal, binding commitment or obligation on the part of the parties or any of their affiliates to pursue the transaction contemplated by this letter or any other transaction. It is understood that none of the parties hereto shall be legally bound to the other by reason of this letter nor shall any rights, liabilities or obligations (including the obligation to negotiate in good faith) arise as a result of this letter of intent or any other written or oral communications between the parties. It is further understood that the only binding agreement would be the Lease, subject in all events to prior Council Approval.

[Signature page follows]

If the above terms are acceptable to you, please sign this letter where indicated below and return an executed copy to me for presentation to and execution by the District.

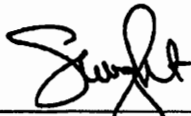
Sincerely,



Jonathan Kayne, Interim Director
Department of General Services

AGREED AND ACCEPTED:

Achievement Preparatory Academy, Inc.



By: _____
Name: Shantelle Wright
Title: Founder and Chief Executive Officer
Date: 3/18/15

Good morning. My name is Shantelle Wright and I am the Founder and CEO of Achievement Prep. I am honored to be here today.

Achievement Prep is a Tier one public charter school network proudly located in Ward 8. We currently have two campuses in the Ward, serving over 650 scholars in grades kindergarten through eight. We opened our doors in 2008 with the goal and focus on being a neighborhood school that would focus on and serve the children and families east of the Anacostia River.

- 100% of our scholars are minority, primarily African American,
- over 85% live in the Ward,
- 87% qualify for free or reduced lunch and
- 100% of them are brilliant and have the potential to change the world.

Since opening our doors in 2008 our scholars have been among the highest performing students in the city, often outperforming their peers in more affluent areas. Achievement Prep has been recognized a top Tier 1 school by the DC Public Charter School Board since the inception of the Performance Management Framework. Our school has received numerous accolades and awards for its performance, but the greatest award to our school will be a permanent home.

We have been in the former Draper building since 2008. We have made the corner of Wahler Place and 9th Street our home. We know the community and the community knows us. We are excited and proud to redevelop the site to house a educational campus that will eventually serve almost 1,000 scholars starting in pre-school going through 8th grade. We will develop the site to house 21st century state of the art buildings that are reflective of the grace and beauty of our scholars and the surrounding community. A redeveloped campus where learning can take place in a safe and structured environment. What this project will also do is allow us to bring to this community an additional 300 high quality seats.

The education environment in Ward 8 makes a direct and compelling case for increasing the seats at a high-performing school like Achievement Prep. In March 2012, former Mayor Vincent Gray released a study commissioned by the then Deputy Mayor for Education and conducted by the Public Policy and Research Department of the IFF, an expert in school quality issues. This study, *Quality Schools: Every Child, Every School, Every Neighborhood* (the “IFF report”), analyzed the geography of school quality across the District of Columbia as divided into 39 neighborhood clusters determined by the DC Office of Planning. The IFF report concluded that Achievement Prep’s primary geographic focus, clusters 38 and 39 in Ward 8, has the highest need in the city for additional quality seats (in terms of K-8 service) out of all 39 clusters.

The IFF report noted that:

- In this area, only 6% of the seats for grades K-8 are in Tier 1 schools (including Achievement Prep).
- There is a demand for 3,695 DCPS seats and a demand for 2,602 PCS seats in these clusters.
- There is an overall demand for 6,297 seats (K-8) in the area, and a service gap of 5,921 seats within Achievement Prep’s current location and overall geographic focus, which means that there were only 376 high quality seats in the area including Achievement Prep’s enrollment of 138 at the time of the study.
- Achievement Prep is the highest performing school already located in this high-need area and intends to remain in its community going forward. The Draper redevelopment will solidify our presence.

- The IFF report, in its concluding recommendations, suggests adding seats to high-performing schools, improving Tier-2 schools, and closing selected Tier-4 schools rather than attempting to attract new charter schools, which have no specific Ward 8 experience, to the clusters.

So today I humbly ask the Council to approve the lease of the former Draper site to Achievement Prep. This request is not about me, it's not about any of the organizations that have contributed and made this possible. It is about the children and families who we have the distinct honor to serve each and every day. It is about a community that has been written up, written about and in many ways written off in so many negative ways, but deserves and desires what is going to happen on that site. A edifice that will be a symbol of the quality and gems that exist in this neighborhood. Our scholars, the vast majority of whom come from these surrounding neighborhoods, come to us, many 2, 3, sometime 4 grade levels behind but they work tirelessly and prove that when given access and opportunity, they too can excel.

The redevelopment of the site represents the hard work of many who desired to see a different educational reality in this ward, on this block.

So on behalf of my community, on behalf of the Achievement Prep Board of Trustees, on behalf of my awesome team and my scholars and my families, I thank you for your consideration and your time today.

Mr. Chairman and fellow Council members,

Good morning, my name is Mark Medema and I am a Director at Building Hope.

Building Hope and The Charter School Incubator Initiative are extremely proud of this day. It is the next step in the successful journey of Achievement Prep, a school which has accomplished much in its first seven years. Not only is it a Tier 1 school, but it is a school receiving national recognition as an example of what quality education looks like. It has attracted over 650 students and families to its two Ward 8 locations and has more students on the waitlist.

We wholeheartedly support the Council approving the disposition of the long term lease at the Draper property to the school. This is in keeping with the original purpose of the Incubator Initiative. The Incubator was created through a unique public, non-profit partnership between the Office of the State Superintendent of Education and Building Hope, a local non-profit community lender. The purpose of the Incubator was to help establish new schools that could not otherwise find and afford a school building. Many new schools start with a small enrollment as they establish themselves and build their culture. This growth model makes it challenging to afford a large school building. The Incubator allows one or more schools to start in a large building and grow into it over time.

This partnership leverages the unique assets of the OSSE including funding from federal grant programs, and the technical expertise of Building Hope, a local non-profit that provides free technical assistance to all charter school organizations to find facility solutions. The Department of General Services and the office of the Deputy Mayor of Education have also provided valuable assistance and guidance to this program.

We are proud to have worked with Achievement Prep since 2007 when they were first approved and

began the search for a facility in Ward 8. Now that the school has a full enrollment and a sound financial position, it makes sense for the school to take control and manage its own facility. We have been proud to help them manage the \$30MM construction which is taking shape.

The disposition of the lease allows the Incubator to recycle its funding to create new Incubators for future schools and continue to serve the 8,000 children on wait lists in the District. It would be challenging to finance new schools if our capital was still tied up in Achievement Prep's facility. For example, the Incubator helped start a DC Prep campus in Ward 7 in 2008. Last year, it transferred the lease rights to the property to the school and recycled its funds. With these recycled funds, we are working with Monument Academy, a school focused on working with foster care children at the former Gibbs site.

This model has worked well over time. Since 2007, the Incubator has helped create 26 new schools in 13 buildings, including 9 former DCPS facilities that have been successfully leased to us through the efforts of collaborative efforts of DGS, the DME, and DCPS. These new schools are providing a quality education to over 7,000 students in the District of Columbia in Wards 1,2, 4, 5, 6, 7, and 8. As former DCPS facilities, these buildings are equally dispersed throughout the District and limit the odds that a charter school will be right next to a current DCPS school.

With your vote to approve the disposition to Achievement Prep, you will not only help the school grow and continue to provide a top quality education to hundreds of students in Ward 8, but you will also be supporting a program that has a long lasting impact and is providing a quality education to thousands of students across the District.

Thank you for your consideration.



Government of the District of Columbia



Department of General Services

J. Forest Hayes

Associate Director, Portfolio Division

Department of General Services

Roundtable on PR21-175, the “Draper School Surplus Declaration Resolution of 2015” and PR21-176, the “Draper School Lease Approval Resolution of 2015”

Council of the District of Columbia

The Honorable Phil Mendelson, Council Chairman

Committee of the Whole

Committee on Transportation and the Environment

The Honorable Mary M. Cheh, Committee Chair

July 6, 2015

10:30 am

Room 412

John A. Wilson Building

1350 Pennsylvania Avenue, NW

Washington, DC 20004

Introduction

Good morning Chairpersons Cheh and Mendelson, and members and staff of the Committee on Transportation and the Environment and the Committee of the Whole. I am Forest Hayes, Associate Director of Portfolio for the Department of General Services (or DGS). Today I am pleased to testify on PR21-175, the “Draper School Surplus Declaration Resolution of 2015,” and PR21-176, the “Draper School Lease Approval Resolution of 2015.”

Draper School – Achievement Preparatory Academy Public Charter School

The Draper School, located at 908 Wahler Place, Southeast, has not been used by the District of Columbia Public Schools since prior to 2008 due to low enrollment. The property was leased in 2010 to the Charter School Incubator Initiative for a term of 20 years. As Achievement Preparatory Academy Public Charter School (Achievement Prep) has been the sole occupant of the property since 2012, the school has decided to exercise its Right of First Offer for a long-term lease on the property. Under Law 20-114, the “Comprehensive Planning and Utilization of School Facilities Amendment Act of 2014,” a right of first offer shall be given to an eligible entity, with first preference to any existing public charter school tenant.

Per DC Official Code section 10-801, DGS held a public meeting to solicit community input on the surplus designation and long-term ground lease proposal for the Draper School on April 30, 2015. The Landrieu Act further provides public charter schools a right of first offer on former school buildings for which the District no longer has an educational need or public purpose.

The proposed disposition method is a ground lease of 30 years, with a 25-year option, to Achievement Prep. Since the school has operated in the building it has grown its program to nearly 400 students utilizing all 3 stories of the school. The annual base rent is \$777,000 per year, with an annual increase of 2 percent. This represents fair market rent as determined through an independent appraiser. If the disposition is approved, the school plans to redevelop the site with a \$34 million budget to LEED Gold standards by Summer 2016; the 30-year initial lease reflects the school’s need to amortize the improvements. The renovated property will be used for its elementary school program, while the school would construct a 50,000 square foot addition for its middle school program. For each \$1 million of approved capital alterations to the facility, the school would receive twelve consecutive months of rent abatement.

Achievement Prep’s renovation of the property will adhere to relevant First Source, Green Building and Certified Business Enterprise (CBE) requirements. Ground leasing the school to Achievement Prep allows the District to:

- Retain ownership of a renovated property while relinquishing responsibility for the facility’s maintenance, operations, and capital repairs, and
- Retain a Tier 1 educational facility in Ward 8, with an expected increase in enrollment to 960 students from Pre-K through the eighth grade.

Conclusion

DGS believes that the proposed lessee for the Draper School will provide a high-quality educational program to its students while providing much needed physical revitalization to an existing District property. Thank you for the opportunity to testify, and I am happy to answer any of your questions.

July 6, 2015

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia
1350 Pennsylvania Ave NW, Suite 410
Washington, DC 20004

Dear Chairman Mendelson,

I am writing to ask for your support in approving the disposition of the long-term lease at the former Draper School to Achievement Preparatory Academy Public Charter School.

Achievement Preparatory Public Charter Schools are an extraordinary network of public charter schools in Ward 8, serving 615 students in grades K-8. Achievement Prep's Middle School campus has been rated Tier 1 on PCSB's Performance Management Framework (PMF) each of the years it has been eligible to be rated. The same students are 80.6% economically disadvantaged and 17% students with special needs, both of which exceed the District average.

Achievement Prep's results speak for themselves. In SY 13-14, 81% of the students at Achievement Preparatory Academy PCS Middle School were proficient or advanced in Math (compared to the District average of 55%) while 60% were proficient or advanced in Reading (compared to the District average of 50%). Achievement Prep's economically disadvantaged students had virtually identical achievement rates, with 80% proficient or advanced in Math and 58% proficient in Reading. Those rates exceed the District average for economically disadvantaged students by 22 and 16 percentage points respectively. Without a doubt, Achievement Prep Public Charter Schools are providing a transformational education for their students and families.

Many public charter schools in DC continue to struggle to find suitable facilities for their students. For example, 38 public charter schools continue to lease 38 private buildings, spending millions of public dollars on high private rents. At the same time, more than 1.7 million square feet of unused city-owned buildings remain unavailable to public charter schools. Approving this disposition ensures that one more high-performing public charter school can feel secure in having a long-term facilities solution for its students and families.

Approving this long-term lease is a prime example of the result envisioned when the incubator initiative was established through a unique public, non-profit partnership between the Office of the State Superintendent of Education and Building Hope, a local non-profit community lender. The purpose of the Incubator was to help newly approved public charter schools find

an affordable school building. Many schools face modest enrollment and high start-up costs as they seek to establish themselves and build a school culture, both of which make it difficult to afford a large building. The Incubator allows schools to grow into a building over time and sets schools on the path toward success.

Now that Achievement Prep PCS has established itself as a high-performing public charter school operator, and a national model for quality education regardless of socioeconomic status, it is time for the school to take full control and manage its own facility.

Thank you for bringing this disposition to a vote and for your continued support for high quality public charter school education in the District. If you have additional questions, please contact Josh Henderson, PCSB Government Relations Liaison, at 202-328-2701.

Sincerely,

A handwritten signature in dark ink, appearing to be 'SP' with a stylized flourish.

Scott Pearson

CC:

Councilmember Mary Cheh
Councilmember David Grosso
Councilmember LaRuby May

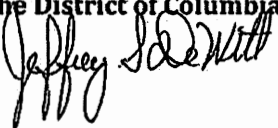
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: May 12, 2015

SUBJECT: Fiscal Impact Statement – Draper School Lease Approval Resolution of 2015

REFERENCE: Draft Resolution as shared with the Office of Revenue Analysis on May 12, 2015

Conclusion

Funds are sufficient in the FY 2015 budget and the proposed FY 2016 through FY 2019 budget and financial plan to implement the resolution.

Background

The resolution approves the property disposition and a thirty year lease between the District and Achievement Preparatory Academy (APA) to operate a public charter school in the Draper School.¹ The lease term will coincide with the term of the tax-exempt bond financing secured by APA to make significant school modernization improvements and expand the school by approximately 50,000 square feet. APA expects to spend \$34 million on the project.

APA began occupying two floors of the Draper School in 2008 as part of the Charter School Incubator Initiative (CSII). CSII is a partnership between the Office of the State Superintendent of Education and Building Hope, a non-profit in support of charter schools.² CSII's main objective is to identify a D.C. Public School facility a charter school can co-locate or take over when the facility is no longer needed for public use.

The Draper School is being declared as surplus property by the Draper School Surplus Declaration Resolution of 2015.

¹ Located at 908 Wahler Place, S.E. and known for tax assessment purposes as Square 801, Lot 5926.

² For details, see <http://www.buildinghope.org/>.

The Honorable Phil Mendelson

FIS: "Draper School Lease Approval Resolution of 2015," Draft Resolution as shared with the Office of Revenue Analysis on May 12, 2015

Financial Plan Impact

Funds are sufficient in the FY 2015 budget and the proposed FY 2016 through FY 2019 budget and financial plan to implement the resolution. There are no costs associated with the property disposition or the thirty year lease with APA. APA currently occupies the Draper School location and has offset all previous rent payments with building improvement allowances. While the rent payments in the proposed lease are \$777,000³ annually, APA is expected to fully offset the rent with each \$1 million it spends on construction and leasehold acquisition costs for the duration of the initial lease term.

³ Increasing 2 percent annually.

10 A PROPOSED RESOLUTION

11
12 21-176
13
14

15 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
16
17 _____
18
19

20 To approve the disposition of District-owned real property located at 908 Wahler Place,
21 SE, in Washington, D.C, most commonly known as the Draper School and more
22 specifically designated for tax and assessment purposes as Lot 0801 in Square
23 5926.
24

25 RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That
26 this resolution may be cited as the “Draper School Lease Approval Resolution of 2015”.

27 Sec. 2. Definitions

28 For the purposes of this resolution, the term:

29 (a) “CBE Agreement” means an agreement with the District governing certain
30 obligations of the Lessee or the developer of the Property under the Small, Local, and
31 Disadvantaged Business Enterprise Development and Assistance Act of 2005, effective
32 October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.01 *et seq.*) (“CBE Act”),
33 including the equity and development participation requirements set forth in section
34 2349a of the CBE Act (D.C. Official Code § 2-218.49a).

35 (b) “Certified business enterprise” means a business enterprise or joint venture

1 certified pursuant to the CBE Act.

2 (c) "First Source Agreement" means an agreement with the District governing
3 certain obligations of the Lessee or any developer of the Property pursuant to section 4 of
4 the First Source Employment Agreement Act of 1984, effective June 29, 1984 (D.C. Law
5 5-93; D.C. Official Code § 2-219.03), and Mayor's Order 83-265 (November 9, 1983),
6 regarding job creation and employment generated as a result of the construction on the
7 Property.

8 (d) "Lessee" means Achievement Preparatory Academy, Inc., a District of
9 Columbia non-profit corporation or its successor.

10 (e) "Property" means the property at 908 Wahler Place, SE in Washington, D.C.,
11 most commonly known as the Draper School and more specifically designated for tax
12 and assessment purposes as Lot 0801, Square 5926.

13 Sec. 3. Approval of Disposition

14 (a) Pursuant to subsections 1(b) and (b-1) of an Act Authorizing the sale of
15 certain real estate in the District of Columbia no longer required for public purposes,
16 approved August 5, 1939 (53 Stat. 1211; D.C. Official Code §10-801(b) and (b-1))
17 ("Act"), the Mayor transmitted to the Council a request for Council to authorize a lease of
18 the Property to the Lessee.

19 (b) The proposed disposition would occur through a negotiated ground lease of
20 greater than 20 years to the Lessee, whose primary address is 908 Wahler Place, SE,
21 Washington, DC 20032.

22 (c) The proposed disposition is expected to include the following terms and
23 conditions, in addition to such other terms and conditions as the Mayor deems necessary

1 or appropriate:

2 (1) The Lessee shall redevelop the Property in accordance with plans
3 approved by the District and shall use the Property primarily as an educational facility.

4 (2) The Lessee will enter into a CBE Agreement with the District. The
5 CBE Agreement will require the Lessee to contract with certified business enterprises for
6 at least 35% of the contract dollar volume of the redevelopment of the Property, if any,
7 and if possible, will require at least 20% equity and development participation of local,
8 small and disadvantaged business enterprises.

9 (3) The Lessee will enter into a First Source Agreement with the District.

10 (d) The Council finds that the Property is not required for public purposes.

11 (e) The Council finds that the Mayor's analysis of economic and other policy
12 factors supporting the disposition of the Property justifies the lease proposed by the
13 Mayor.

14 (f) All documents executed in accordance with this resolution shall be consistent
15 with the executed term sheet transmitted to the Council pursuant to section 1(b-1)(2) of
16 the Act (D.C. Official Code §10-801 (b-1)(2)).

17 (g) The Council approves the disposition of the Property.

18 Sec. 4. Transmittal

19 The Council shall transmit a copy of this resolution, upon its adoption, to the
20 Office of the Mayor, the Department of General Services, and the Chief Financial
21 Officer.

22 Sec. 5. Fiscal Impact Statement.

23 The Council adopts the fiscal impact statement in the committee report as the

1 fiscal impact statement required by section 602(c)(3) of the District of Columbia Home
2 Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-
3 206.02(c)(3)).

4 Sec. 6. Effective Date.

5 This resolution shall take effect immediately.