

## Memorandum

DATE: November 10, 2014  
TO: Vision McMillan Partners  
FROM: Leonard Bogorad, Managing Director, RCLCO  
SUBJECT: Review of Green Door Advisors Fiscal and Economic Impact Analysis

RCLCO (Robert Charles Lesser & Co.) was retained to review *McMillan Redevelopment Fiscal & Economic Impact Analysis: Revised Program*, dated June 2011, prepared by Green Door Advisors (GDA).

RCLCO has extensive experience conducting fiscal and economic impact analyses for public and private sector clients, and has worked on such projects as DC USA, future development in the NoMa area and the area near the ballpark, Downtown Silver Spring, and National Harbor.

### Fiscal Benefits of the McMillan Redevelopment

RCLCO reviewed the GDA analysis and concluded that it was very well done and used the same approach that RCLCO has used in conducting analyses for the District government, Montgomery County, Loudoun County, and numerous private developments. Our review indicates that the planned development would generate an exceptional level of total revenues and net fiscal benefit to the District.

Although we have not updated the GDA study to reflect current District budget and tax rate assumptions, we did examine whether the impact would be different with the somewhat revised current development program. We found that the changes to the development program would not have a material impact on the very positive results in the GDA study, and would probably result in an even more positive fiscal impact.

Furthermore, because home prices and construction costs have increased beyond the rate of inflation since 2011, if anything a study conducted today would likely find even more positive fiscal impacts due to higher real property taxes and construction worker income taxes.

Some opponents of the development have argued that the planned medical office space might end up being exempt from real property taxes. We are not aware of any impending legislation that would make the office space on the site exempt from real property taxes. Nevertheless, we modified the GDA analysis to make the extreme, entirely hypothetical assumption that all of the office space would be exempt from real property taxes, and this reduced total revenues to the District over the next 30 years by 29.9%, which would still make the development exceptionally positive to the District with gross revenues over 30 years of over \$825 million.

### Jobs Created by the McMillan Redevelopment

We also reviewed the GDA approach to estimation of construction and permanent employees, and we concluded that the approach was correct. Therefore, we found that the conclusions that the planned development would generate approximately 3,000 construction jobs on a full-time equivalent basis, and over 3,200 permanent employees, are reasonable. If anything, the revised higher office development cost

estimates that were provided to us by the Trammell Crow Company would lead us to conclude that even more construction jobs will be created than GDA estimated.

With respect to the impact of the development on permanent employment, the planned development offers the exceptional opportunity to complement the nearby hospitals in a way that sites elsewhere in the city could not. Healthcare is one of the most important industries in the city, and it is very important to take advantage of a site that is so proximate to hospitals to generate additional economic activity. Furthermore, providing over 3,200 new permanent jobs in Ward 5 is exceptionally valuable given that as of September 2014, 5,588 residents of Ward 5 were unemployed, representing an unemployment rate of 12.2% that is much higher than the 7.8% rate for the District as a whole.

## **Summary**

In summary, there is no doubt that the planned development would generate exceptional fiscal, economic, and employment benefits for the District, taking advantage of its proximity to a unique concentration of medical institutions. Providing thousands of jobs in a ward with unusually high unemployment will also provide particularly valuable benefits to District residents.