Valuation of Possessory Interest

(A Case Study of the District of Columbia)

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This write-up is a presentation at the 82nd annual International Conference of the IAAO in Tampa, Florida.

I. Abstract

Estimating the value of a divided interest in a property is generally a challenge, even to a seasoned appraiser. When a non-taxable entity grants an exclusive use of all or part of its tax exempted property to a private entity, taxable possessory interest is created.

Federal, State or municipality typically enter into an agreement with private taxable entities to encourage development that would otherwise be financially tasking for the government. These developments are mostly beneficial to the communities in terms of employment, government revenue generation and accelerated community development.

The atypical agreement creating the legal structure or framework of possessory interest in the District of Columbia has created challenges to the validity of the assessed value of this interest which has manifested in lengthy appeals or litigation. In the District taxable possessory interest are created by the legal agreement between an exempt entity and the for-profit [non-exempt] entity. These agreements usually are structured like a typical lease agreement but, certain provisions of the agreement may be atypical, especially when it pertains to other benefits accruing to the public from such agreement. There are instances government entity will agree to less than market ground rent as an incentive for a developer to build on government owned land. When this is the case, the validity of the estimated value of possessory interest is usually challenged by taxpayer, when taxing jurisdiction value is different from taxpayer's estimate of value for the same interest.

This paper explains valuation of *taxable* possessory interest with emphasis on the general and localized challenges and experience relating to the valuation of possessory interest in the District of Columbia.

II. Introduction

Possessory interest valuation is basically estimation of value of an existing lease in an otherwise exempt property. This unique real property interest has no industry acceptable standard of analysis. Different jurisdictions have attempted to solve possessory interest valuation questions in their own unique way.

Possessory interest taxation in the District of Columbia became law in 2000. In some states taxation of possessory interest has been a long practice while, in many others it's a new phenomenon. The state of California has instituted possessory interest taxation dating back to the 1800s. Washington DC like many other jurisdictions is following California's lead on this. The purpose of the possessory interest taxes is to equalize what a typical private tenant (lessee) will pay to a private owner (lessor/landlord) in additional to their contract rent, in the form of real property taxes collected and remitted to the government in return for public services and benefits provided by government like, schools, seasonal snow removal, infrastructure provision, fire, police protection etc.

District of Columbia Official Code § 47-1005.01 established the assessment and taxation of possessory interest. Assessment of properties in the District of Columbia is at 100% of its estimated market value. Possessory interest like any other interest that is values for taxation purposes should be assessed at 100% of its estimated market value in the District of Columbia. While the purpose of this paper is not to examine the legal meaning of the interest for tax assessment; possessory interest is mainly valuation of an existing lease in an otherwise exempt property.

Nationwide, the biggest landowner is the government. Most government land or real estate is usually exempt from taxation since government activities are not-for-profit activities and government are not entity subject to tax. When government (non-taxable entity) grant the use of its real estate either for occupation or control, to another person or entity that use the real estate in a manner the result in profit for such person or entity, taxable possessory interest is created. Possessory interest therefore, must be durable, independent and its benefit to the possessor must be more valuable than its benefit to the public.

Interests valued in possessory interest may include the lease of the real estate; permitted use of the real estate and; improvements on the land in cases of land lease (ground rent).

III. Requirements for taxable possessory interest

The summary of the District of Columbia Official Code §47-1005.01, is that for a possessory interest to be taxable, its use by taxable entity must be independent, durable, exclusive, continuous and used for private benefits.

1. Independent: the possessor or holder must have the authority and ability to exercise control of the demised property independent of the public owner to the extent limited by the agreement (lease, agreement and permit), regulations and applicable Laws in the jurisdiction of the of the public owner.

2. Exclusive use: the possessor or holder must have the ability to exclude others, by having sole possession, occupancy or use of real property. The exclusiveness may not be diminished by alternative uses, like concurrent use, multiple uses and alternative use.

3. Private benefit: the possessor or holder should have the right and opportunity to make a profit or earn economic benefit, through the direct use, the reassignment of use and from the amenities available pursuant to the possession. The fact remains that a profit is not necessary, but economic benefit is an essential criteria.

4. Continuous use: there must be evidence of recurrent use for the duration of possession or the term of any such lease, agreement and permit.

IV. Common Examples of Possessory Interests in Washington DC

- Private for profit leasing of Government buildings

- Long-term land lease to private developers for the development of residential housing schemes, commercial and special purpose developments (Charter Schools, Stadium, Market and Convention Center etc.) that promotes neighborhood growth and benefit low income residents.
- Long and short term use of public facilities or space such as parks, marina, boat slips, waterfront piers etc.
- Private retail tenants or food concessionaire within Government buildings through the lease or permit use of common area and/or amenities within.
- The installation of bill boards, cell towers and other equipment or fixtures on a Government property.

V. Sample of Possessory Interest Properties

Historic Howard Theatre NW Washington D.C. before 2012

Historic Howard Theater after renovation [top & bottom pictures]

The Howard Theatre is a historic theater, located at 620 T Street, Northwest, Washington, D.C. Opened in 1910, it was added to the National Register of Historic Places in 1974.

Howard Theater Restoration, Inc. a 501 (c)(3) nonprofit organization partnered with the District of Columbia in 2011 to restore Howard Theater. The goal of the partnership was reguvinating the once vibrant theatre.

After the $29 million renovation and a 32-year hiatus Howard Theater re-opened in 2012.

Convention Hotel, NW Washington D.C – During Renovation 2013

The Marriott Marquis Washington DC, the $520 million Washington Convention Center headquarters hotel,

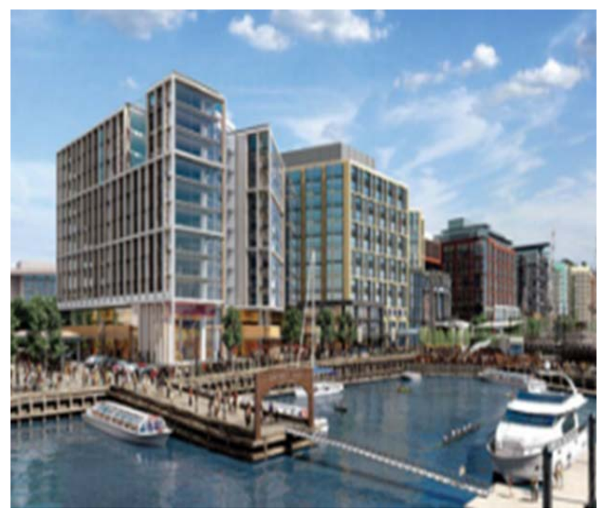
opened on May 1, 2014. The 1,175-room hotel has 100,000 square feet of meeting and assembly space, including a 30,000 square foot grand ballroom, and five separate, publicly accessible retail and restaurant outlets on the ground floor. Located across the street from the Washington Convention Center, the hotel is one of only five Marriott Marquis properties in the country. It is the largest hotel in Washington DC and serves as the centerpiece of continued economic revitalization of the historic Shaw neighborhood.

Convention Hotel, NW Washington D.C –After renovation 2015

The Wharf is a $2 billion mixed-use development that is underway on the Washington DC waterfront. The project is one of the region's largest redevelopment opportunities and will transform the underutilized Southwest Waterfront into an urban destination that mixes maritime activity and commerce with culture and housing within easy walking distance to the National Mall. Construction on The Wharf began in the first quarter of 2014. The first phase is projected to open in 2017. This is going to be an amazing project to watch in the coming years.

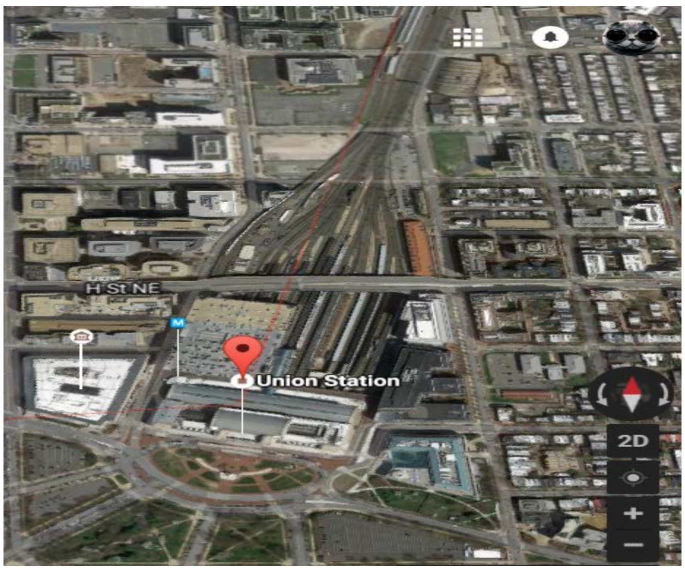
The Wharf site is comprised of 24 acres, with a total of 3.2 million square feet of buildable area along one mile of the historic Washington Channel. The development plan includes building new mixed –use development like restaurants, shops, condominiums, hotels, high-quality entertainment venues, marinas, a waterfront park, and an expanded riverfront promenade with public access to the water. The waterfront area will be bike and pedestrian-friendly and is expected to become a commercial anchor for the community and those who visit Washington DC's monuments and museums.

The Wharf -Southwest DC Waterfront 2014



The Wharf - Southwest DC Waterfront, future Phase I & 2 completions in 2018

Union Station – 2015



Aerial View of Union Station - 2015

Union Station Proposed Future Redevelopment above rail track

Union Station is a major train station, transportation hub, and leisure destination in Washington, D.C. Opened in 1907, Amtrak's headquarters and the railroad's second-busiest station, with annual ridership of over 5 million.

Union Station is a federal property exempted from DC's property tax, but required by D.C law to pay P.I.T. The validity of the Possessory Interest was challenged in D.C Superior Court by the Management Company and some of the large commercial tenants/users in the busy food court and numerous other retail stores.

The P.I.T settlement was reached between D.C Government and the Union Station Management. Burnham Place a Developer in 2012 proposed a 3-million square-foot mixed used development built above Union Station's rail yard, providing direct access into a newly expanded and improved station facility. This proposed future mixed-use development will include: 1.5 million square feet of office space, 1,300 plus residential units, 500 hotel rooms and 100,000 square feet of retail.

Hyatt Place Hotel site in SW Washington, DC during construction

Newly finished Hyatt Place Hotel SW DC

The Hyatt Place Hotel is a 214-room hotel built on D.C Government land, and as part of the possessory interest lease agreement mandated to build/house a new DC Fire Station 13. The hotel opened for business in 2015.

VI. Possessory Interest and Property Taxes

The District of Columbia like most other jurisdiction or State law typically exempts public government agencies and certain non-government non-profit entities (churches etc.) exemption from real property taxes, but this law ensures the private for profit entities who are in possession must pay taxes for the possessory interest.

The private possessor or holder are most time bewildered by the fact that they pay rent to the government or its agency, and subsequently asked to pay possessory Interest taxes.

The Owner (Lessor/Landlord) contract rent typically includes provision for real property taxes in Gross Leases for offices spaces, while the Possessory Interest is charged directly to the Tenant (Lessee) in Net Leases (Triple Net) for retails and industrial space or buildings.

VII. Factors That Affect the Value of Possessory Interest

The forces that influence value such as Social, Economic, Physical/Environmental and Government have impact on the value of possessory interest. Interactions of these forces create tangible value, even for possessory interest. These forces also influence government decisions because of the weight they are given in the estimation of value of taxable possessory interest. Government and private tenant anticipation and deliberation affect the final arrangement which in turn affects the possessory interest value in the following manner:

- Lease and permits details as it relates to duration and renewal terms etc.
- Third party (Bank, Financier) perception of the arrangement.
- The proposed use type (residential, office, retails) and utilization level.
- Typical and actual occupancy level.
- Availability of funds by both parties to undertake capital improvement.

VIII. Techniques of Valuing Possessory Interest

Possessory interest valuation employs the three traditional approaches to value, similar to valuation of conventional interest in real estate. These approaches are:

1. Sales Comparison.
2. Cost Approach.
3. Income Approach.

These approaches are modified to accommodate the limited duration of a taxable possessory interest for the fact that a portion of the fee simple interest in those rights, the reversionary interest, is retained by the property owner and remains nontaxable. The three approaches are further applicable in taxable possessory interest as follows:

- Sales Comparison Approach - Direct and Indirect Method.
- Income Approach – Direct and Indirect Method.
- Cost Approach – Hybrid

A taxable possessory interest may be valued using the sales comparison or income approach "direct methods". In direct method, the appraiser directly estimates the present value of the rights held by the possessor over the reasonably anticipated term of possession. Sales and income approach "indirect methods" typically involves the appraiser estimating the value of the fee simple rights in the taxable possessory interest [as if it were owned outright] and, then subtracting the estimated present value of the non-taxable reversionary [remainder interest] rights retained by the public owner to estimate the value of the taxable possessory interest.

The choices of the direct and indirect methods are only available while using both sales comparison and income approaches in analyzing available market data. The cost approach is a hybrid in the sense that the improvements are valued on the basis of depreciated replacement cost, while the land or site is valued using, direct or indirect methods.

Sales Comparison Approach - Direct Method:

With the Sales Comparison Approach-direct method, the appraiser uses the sale price of the subject taxable possessory interest and/or the sale price of one or more comparable taxable possessory interests to derive a value indicator. The method involves the following steps:

The PI value is the addition the following components:

- Sale price of the similar possessory interests reasonably close to the effective date of value
- Present worth of unpaid future contract rent for the remaining term of possession
- Present worth of any other obligations assumed by the buyer less the present worth of any benefit to buyer.

Example 1

Sales Comparison Approach – Direct Method

Subject taxable possessory interest: the right to possess a 1-story brick building with Gross Building Area of 1200sf within the U.S Botanical Garden in Washington DC.

Pertinent Information:

- Sale price of Comparable: $150,000 (cash)
- Date of appraisal :1/1/2016
- Sale date 7/1/2014
- Reasonably anticipated term of possession: 10 years [remaining]
- Annual contract land rent: $1,800
- Payment at end of period
- Total allowable expenses: $204 per year - expenses paid by the public owner: 3% management, $150 per year ground and tree maintenance;
- Assumptions-market data shows comparable building increased about 2.5% per year since the sale

date; thus a $10,000 as market conditions adjustment. Comparable sale location is inferior to subject (+10% adjustment). The physical condition of subject is superior (-10%)

- Capitalization (discount) rate used to discount future contract rent, exclusive of property taxes: 8% (unloaded, possessor pays taxes.)

Solution:

		Adjustments	
Comparable Sale Price			$150,000
	Market Condition	$10,000	
	Market Location	$15,000	
	Physical Structure/Condition	($15,000)	
	Net Adjustment:		$10,000
Adjusted Sales Price			$160,000
Subtract:	Present Value of the Contract Rent		
	[$1800 less $204 = $1596/yr. for 10 yrs @ 8%]		$1,596
	PV Factor [6.71008]		x 6.71008
			$10,709
	Indicated Value of Subject.		**$149,290**

Sales Comparison Approach - Indirect Method:

In the Sales Comparison Approach-indirect comparison method, the appraiser derives a value indicator using the estimated value of the subject taxable possessory interest as if it were owned in fee and then subtracts the estimated present value of the nontaxable reversionary interest.

The value using comparative sale – indirect method is simply the **fee simple value - PV of the Reversion**

Example 2

Sales Comparison Approach – Indirect Method

Subject taxable possessory interest: the right to possess a 1-story 3,000sf GBA special purpose building for use as Day care Center within DC.

Pertinent Information:

- Estimated value as if owned in fee simple: $800,000.

- Subject value estimated is obtained by adopting the comparable sales using unit- in-place/square foot method or the comparative unit method (applying the sale price per unit).
- Remaining lease term: 20 years from the effective date of valuation
- Estimated value of the reversion: $1,311,000.
- Anticipated term of possession: 20-years
- Assumptions
- Land and improvements annual appreciation rate of 2.5% per year, compounded, over the term of possession = equal ($800,000 x 1.638616 [FV$1/20yrs/2.5%] = $1,311,000).
- Capitalization, or discount, rate, used to discount the reversionary value, exclusive of property taxes: 8%

Solution:

Fee Simple Value Estimate			$800,000
Less:	Reversion	$1,311,000	
	PV[$1; 20yrs @ 8%] Factor	x 0.21455	($281,275)
Estimated Possessory Interest Value			**$518,725**

Income Approach

The income approach is more reliable for the valuation of taxable possessory interests because of the quantity and quality of available data for market/economic rents and typical expenses incurred by the public owner. The income approach is based on the principle of anticipation. It is widely used and accepted approach to valuing taxable possessory interest.

Income Approach – Direct Method

The direct method is deemed the most reliable and accepted variation of the Income Approach to valuing taxable Possessory Interest. Income approach "direct method" capitalized either net rental income or net operating income. The net rental income is the estimated market/economic rent less all allowable expenses paid by the owner (with deduction for management expense excluded) and the net operating incomes is market/economic rent less all allowable expenses paid by the owner (with deduction for management expense included) for the subject taxable possessory. The significant point here is that the amount and type of allowed expenses to be deducted depends on the structure of the lease or agreement that creates the taxable possessory interest.

The capitalization of the economic net income for the duration of possession ensure the appraiser captures only those rights held by the tenant (possessor) and exclude any non-taxable rights retained by the public owner. When the rent paid is unknown or non-market (below or above market), the appraiser must determine or estimate the economic/market rent in order to accurately value the rights in possession.

Example 3

Income Approach – Direct Method

Subject is a taxable possessory interest of the 38,000 square feet land parcel leased by DC Government for the construction and operation of a Convention Hotel by a private for profit entity.

Pertinent information from lease agreement:

- $25,000 annual contract rent (paid monthly; non-market)
- 30 years possession period
- 1-option renewal for 10 years
- Market (economic) rent of $300,000 per annum (analysis of six privately owned lands leases comparable within 2 years of effective date
- Allowable expenses: 5%
- 8% Capitalization (discount) rate, exclusive of property taxes:

  Assumption: Payment made at the end of the each period.

Solution:

Estimated Value of PI		
Market (annual) Rent		$300,000
Less: allowable expenses @ 5%		($15,000)
Net Income		$285,000
PV [$1{PMT}; 40yrs @ 8%]	11.92461	x 11.92461
Indicated Value		**$3,398,514**

Income Approach - Indirect Method

Indirect methods of income approach and sales comparison approach both first determine the fees simple value estimate of the taxable possessory interest property. Market level NOI is capitalized to estimate fee simple value in the income approach indirect method. The income approach-indirect method involves the two steps which are listed below:

1. Estimating the subject taxable possessory interest fee simple value using the direct capitalization or yield capitalization
2. Subtracting the estimated present value of the non-taxable reversionary interest retained by the public owner as if held fee simple.

Example 4

Income Approach – Indirect Method

Subject taxable possessory interest: the right to possess a 1-story 3,000sf GBA special purpose building used as Day Care Center in DC.

Pertinent Information:

- Estimated fee simple value using market rent & direct capitalization: $825,000.
- Subject comprises land and improvements (1-story building)
- Remaining lease term: 20 years from the effective date of valuation
- Estimated value of the reversion: $1,352,000.

- Anticipated term of possession: 20-years

Assumptions

Land and improvements annual appreciation rate of 2.5% per year, compounded, over the term of possession= ($825,000 x 1.638616 [FV$1/20yrs/2.5%] = $1,352,000).

Capitalization, or discount, rate, used to discount the reversionary value, exclusive of property taxes: 8%.

Solution:

Fee Simple [Direct Cap of NOI] Value		$825,000
Less: PV of Reversion:	$1,325,000	
PV[$1; 20yrs @ 8%] Factor	x 0.21455	($284,279)
Estimated Possessory Interest Value		**$540,721**

Challenges of taxable possessory interest valuation --Washington, DC Assessor Experience

The problems experienced to date by the DC Assessment Office relating to valuation of Possessory Interest can be classified into legal and technical.

Legal Challenge:

1. Possessory Interest Taxes (PIT) is typically assessed on unsecured tax roll, as the property rights extended to private tenants/user can be revoked, but the rent payment is hard or almost impossible to collect, because this government owned properties cannot be used as security to satisfy delinquencies by these private for profit tenants/users.

2. Most lease agreement done has provision for sublease or reassignment, but typically no provision to forward any sublease agreement or sub-lessee information to the assessor.

3. No Provision currently in DC law to foreclose on non-paying private tenants for non-payment of

possessory interest taxes; especially on Federal Government owned facilities or properties in the District of Columbia.

4. No legal provision or authority for assessor for unfettered access to inspect secured Federal owned facilities/properties, to verify changes in property use or users. (Senate building with restaurants).

5. No legal bidding provision for most Federal Government agencies and some District of Columbia Government agencies lease mandating payment of Possessory Interest Taxes (PIT).

6. Legal interpretation of whom or what is subject to PIT is typically made by legal counsel and not the Assessor (management agreement, permit and license).

Technical Challenge:

1. Limited personnel in the Assessor's office to monitor changes to use or user(s) of this government owned and privately used facilities.

2. Data collection and analysis for possessory interest is typically not structured for quick and easy annual updates using analytical tool like Microsoft Excel.

3. No formal central database to collect, hold and share pertinent lease agreement documents or possessory interest information regarding rent and expense that can be referenced or used by the Assessor and other Government agencies drafting new leases.

4. Most executed leases are typically at non-market rent (example $1 for 99 years on a 2.5 acres land parcel).

5. Income or revenue and expense information of concessionaires are typically not available to Assessor, because no existing law mandate it.

6. No industry wide established formal training or course on how to value possessory interest

7. Lease language, term and provision sometimes pose a great challenge to valuing PIT, example - 90 days lease termination clause is sometimes interpreted by appellants, as limiting the possessory interest or leasehold interest.

Overview and analysis of sample Possessory interest properties/leases [Case Study]

Case Study #1: Wharf Project and Southwest Waterfront

Background/History

This Sample possessory interest property in the District of Columbia came about after the launch in 2000 of the Anacostia Waterfront Initiative, comprising 20 plus different Federal and District agencies that hold land or jurisdiction along the Anacostia River.

The District engaged residents to outline a shared vision for revitalizing the river and its waterfront, with a comprehensive vision outline in the Anacostia Waterfront Framework Plan was approved by the DC. Council in 2003 and Anacostia Waterfront Corporation (AWC) created and charged with the management of this plan

In, 2006, the AWC issued a Request for Expressions of Interest ("RFEI") for the redevelopment of the 23 acres of publicly owned land and adjacent riparian areas along the Southwest Waterfront (DC Wharf). The RFEI allowed qualified and experienced local, national, and international developers propose a large-scale mixed-use development comprising of retail, residential apartment and condo, hotel, office and Public Park along the DC Southwest Waterfront. The AWC selected Hoffman-Struever team as the master developer for the public/private development in 2006.

Overview/Pertinent lease information:

- The project (The Wharf) was approved by Congress before it could commence.

- About 90% of land area originally owned by the Federal Government.

- This Public/Private partnership between DC Government (Lessor) and PN Hoffman & Madison Marquette (Lessee).

- The Wharf development completion estimated cost/ budget is $2.3 Billion.

- The Term of the lease is 99 years.

- The Ground Rent for the 23-acres waterfront land was estimated at $250 million, granting Possessory Interest and Riparian Rights to private-for-profit entity (Lessee).

- DC government to provide between $160 to $180 million grant to finance the public infrastructures like piers, dock, marina, road, lighting and park included in this redevelopment.

- The Wharf redevelopment plan is a world-class mixed-use community along one mile of prime waterfront real estate with more than 50-acres of water in Southwest Washington, DC.

- The proposed 3.2 million square feet of buildable area development is expected to transform the SW Waterfront into one of the most exciting, urban waterfront environments in the world.

- The Wharf development will be a unique blend of residential, entertainment, retail, hotel, commercial and landscaped open space associated with thriving and vibrant waterfront communities.

- The Phase I and Phase II of "The Wharf" includes the redevelopment of a 200-year-old historic Fish Market and adjoining land.

- Other development in "The Wharf" [to be completed in two phases] are:

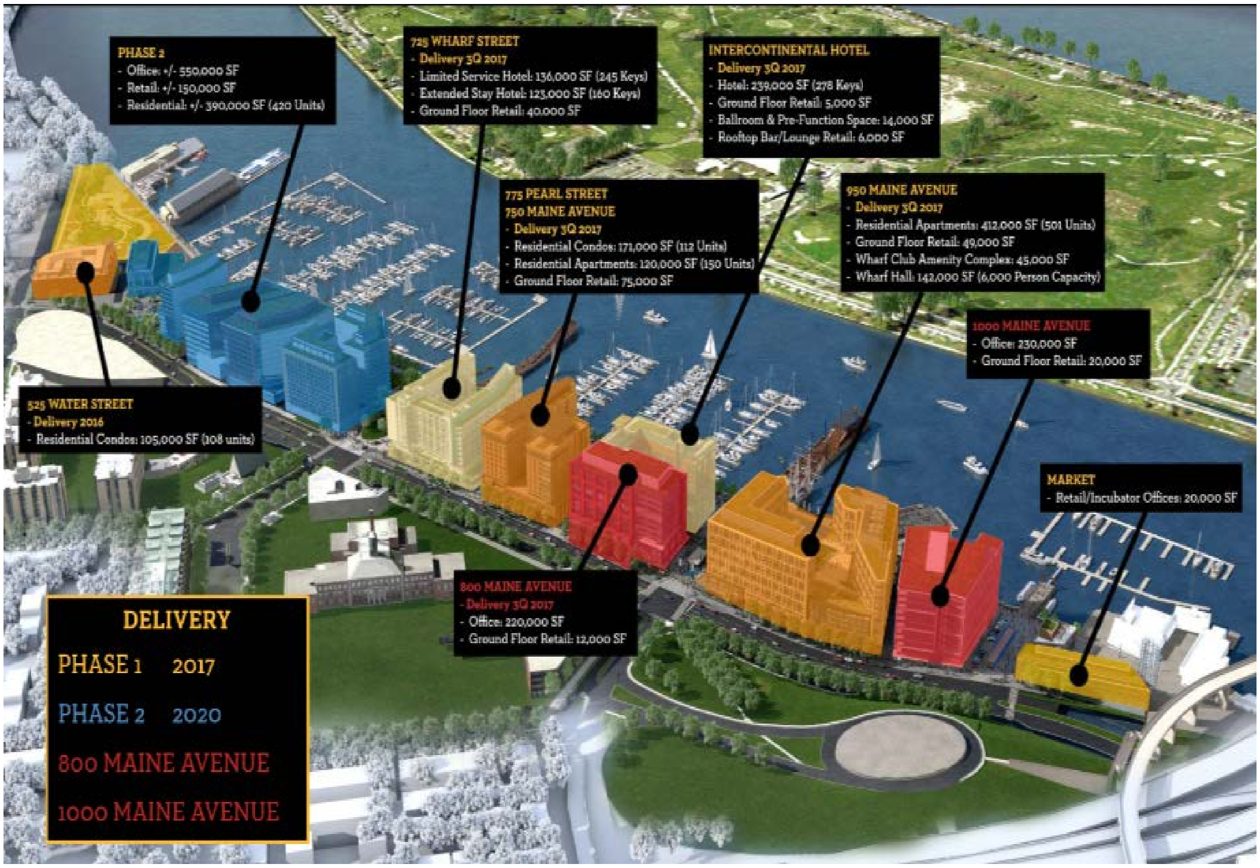
Apartments	948 Units
Condominium	240 Units
Hotel	680 Keys
Office	915,000sf
Retail	330,000sf
Marina	450 Slips
Parking	965 spaces
Visitor Center	
Public Park	

View before proposed development

Location map of proposed development

Benefits of "The Wharf" Development to the District of Columbia

- 135 Affordable Units residence reserved for families or individual:
- 72 Workforce Units
- Income from 5,000 new permanent jobs (at completion)
- Full-time Employment of 650-1,000 construction workers
- Apprenticeship programs for contracts over $500,000, with 51% participation for residents
- Provision of $1,000,000 in funding to support the formation, creation, and operation of a Workforce Intermediary.
- All buildings to be certified LEED-Silver or above
- LEED-Gold Neighborhood Development project



Proposed building development in phases

Rendering of proposed development on the banks of Washington Channel

Perspective [approach elevations] rendering of proposed development

Rendering of the aerial view of proposed development

Case Study #2: Trump Hotel DC

Old Post Office building undergoing conversion to Trump Hotel

Background/History

This second sample possessory interest property is an historic landmark in Washington DC known as the old Post Office Pavilion. It is currently being transformed to a 499,247sf, 262-suite luxury hotel with 39,000sf meeting room, 13,000sf grand ballroom, retail, spa and museum.

The Trump Organization was selected by the U.S. General Services Administration (GSA) through a competitive bidding process. Trump Organization retained the Architect of Record "WDG" for the renovation and alteration project. This redevelopment project involves close collaboration with the National Capital Planning Commission, U.S. Commission of Fine Arts, and DC Historic Preservation Office, Advisory Council on Historic Preservation, National Park Service, DC Government and the GSA for a successful and careful preservation and rehabilitation of each of the Old Post Office building's historic elements.

The greatest assets of the building are its iconic exterior facade, interior cortile, and soaring clock tower. The building rehabilitation upon completion will have expansive banquet facilities; ballroom and meeting spaces; spa; world-class restaurants; cafes; bar; lounge; indoor and outdoor gardens. A curated museum and exhibition gallery are planned to record and celebrate the Old Post Office building's long and fascinating history.

Overview of pertinent lease information:

- The property is "The Trump Hotel DC" located on 1100 Pennsylvania Avenue, Washington DC.

- Redevelopment commenced mid-2014 to convert the Old Post Office into a 263-Room hotel for an estimated cost of $200 million according to the Trump Organization as reported by some local and national news media.

- Tenant is Trump Old Post Office LLC

- Landlord is General Services Administration on behalf of the Federal Government.

- Lease initial term is 60-years with two 20-years renewal options.

- The commencement date of Lease is August 5, 2013

- The Premises was delivered "As-Is" physical condition, with Tenant securing construction loan to do the alteration/renovation.

- Deutsche Bank provided a $170 million construction loan to the Joint venture of the Trump Organization and Colony Capital for the conversion work (Source: Commercial Observer.com).

- Lease Agreement provides for payment of Annual Base Rent and Percentage Rent in accordance to specific provision of lease and exhibits.

- Lease Agreements provides for assignment and transfer of Lease by both Tenant and Landlord.

- A Minimum Hold Period clause, prohibiting Tenant's from reassigning lease during this period.

- Lease mandate continuous and uninterrupted occupancy of premise during the lease term.

- Lease provide for Early Termination, Permit Termination Event and Delivery Termination Event (both detailed in Lease). Tenant can be exercised this clause if exclusive possession is not provided amongst other condition.

- Lease language provided for public access to the Clock Tower Space, and maintenance and repairs work to be paid by the Landlord.

- Some specific information about lease and property assessment are omitted or not disclosed, because of ongoing litigation and DC law prohibiting public disclosure of this financial information.

News on Trump Hotel, D.C.

- Washington Post newspaper of July 27, 2016 reported Donald Trump's friend and Joint Venture partner "Colony Capital" to exit the Trump Hotel DC deal.

- The Politico newspaper reported that Donald Trump's lawyers filed suit against the D.C. government on June 30th, 2016 challenging the nearly $1.7 million tax bill.

- Last year, the DC assessment Office initially valued the Possessory Interest (PI) for $98 million, and was reduced to about $91 million after first level appeal. The DC Real Property Tax Assessment Appeal Commission (RPTAC) last fall sustained the City Assessor's assessment.

- The Trump Organization received about $40 million tax break last year for its ongoing renovation of the Old Post Office into a luxury hotel, according to a report released by Senator James Lankford.

- The $40 million tax break is based on the Federal Historic Tax Credit program overseen by the National Park Service and Internal Revenue Service with the guidance of state historic preservation offices. The program allows developers to recoup 20 percent of their costs in fixing up certified historic structures.

Rendering of new lobby at Proposed Trump Hotel, DC

Rendering of banquet room at proposed Trump Hotel, DC

Rendering of Meeting room at proposed Trump Hotel, DC

Rendering of hotel room at proposed Trump Hotel, DC

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