

## **Background (Informal Prospectus)**

### **re: 233 12th Street SE (Mott's Market Bldg.)**

A number of neighbors on Walter Street have expressed disappointment at seeing the closure of Mott's Market. It has truly been a neighborhood institution and an invaluable community asset. It is one of the many intangibles (e.g., street lights, streetscape stewardship, tree canopy, social cohesion, etc.) that make Walter Street such a special place.<sup>1</sup> What most neighbors fear is that a new buyer may not continue to use or rent the ground floor as corner retail (and specifically, a corner market).

To prevent such an outcome, we believe the best solution is to buy the building. At a listing price of \$1.25 million, that prospect is beyond the reach of most of us. However, many have indicated an interest in contributing to a group ownership model (as a consortium/LLC) if we are able to pull something together. So that's what this is... a neighborhood effort to try to save one of the last vestiges of corner retail on the hill and a beloved asset to Walter Street, 12<sup>th</sup> Street, and Gessford Court residents (as well as many beyond).

---

#### **First... and most importantly... time is of the essence**

The property is scheduled to go onto the market on Friday, March 25<sup>th</sup>, and it is anticipated that the buyer will receive a number of offers within the first few days as there appears to be substantial interest in the property. (It has already been shown a number of times before formally going onto the market).

So... please read more about the building and opportunity here... and **contact either Noah Bopp (202-680-3264), Al Cho (914-467-8076) or Scott Davis (202-731-3452) no later than this Sunday evening (March 27<sup>th</sup>) if you are legitimately interested.** We will plan to have a meeting with everyone interested on Monday evening (March 28<sup>th</sup>) at 8:00 pm (location TBD) to discuss in anticipation of making an offer (potentially that evening).

#### **What is the goal here and what are the expectations?**

The goal is to preserve the use of the building (at least the ground floor) as a corner market, if possible (or other allowable corner retail use if renting as a market/grocery proves to be financially unviable). The other primary goal is to break even on the financial venture (i.e., not lose money).<sup>2</sup>

So... to manage expectations... the primary goal is not to maximize revenue simply as an investment property. That said, this clearly would be an investment property and decisions will be made to maximize revenue toward achieving the primary goal (i.e., continuing the presence of a corner market). If the investment breaks even, great. If it makes money... bonus, even better.

#### **How much is needed in total?**

See the financial model later in this document. The listing price for the building is approx. \$1.25 M. With added renovation costs and financial closing/transaction costs, the goal is to amass about \$420,000 for the capital investment. This number is based on a 20% down payment, with about \$140,000 for renovation, associated closing costs, and carrying costs for up to six months until rent revenues come in. (Note: the model assumes 25% down payment to be conservative).

#### **How much is needed from me?**

If we are able to do this, it will be a big lift and need to be done relatively quickly – and not everyone has a ton of cash laying around (well... hopefully nobody). The current/prevailing thinking is that this be done in increments of

---

<sup>1</sup> This intangible value is, nonetheless, a real financial value that we see reflected in the price and speed with which houses sell and rent (the product of increased demand on limited supply).

<sup>2</sup> Not losing money in this sense does not include the time value of money. It simply means that building revenues (rent) are enough to cover all associated expenses (mortgage, taxes, insurance, maintenance, etc.).

ownership shares of \$10,000 each. However, those that can afford it are encouraged to participate with multiple shares if they wish (i.e., \$20K, \$30K). The goal is to hit \$420,000. This can be done with fewer members at higher ownership shares, more members at lower ownership shares, or any combination in between. There are no preferences as to any balance, the goal is to get there with however many folks it takes.

#### **What is the ownership consortium and how would it work?**

A lawyer will draft up incorporation papers for a Limited Liability Corporation (LLC). Each investor would be a member of the LLC in accordance with their proportional share of investment. For management and decision-making purposes, the LLC members would elect an executive committee that would be authorized to make decisions and execute transactions on behalf of the LLC. Specific rules and procedures have not been established but would be informed by all co-owners collectively.

#### **If I put my money in, how do I get it out?**

This is a very important element to managing expectations. Buy-in should be considered a long-term investment. The goal is to retain the use of the building as a corner market in perpetuity. An ownership share/stake can relatively easily be transferred to another individual. However, liquidating that share comes with additional challenges.

First, the LLC would need to establish a process/method for assessing current valuation (which can be done and shouldn't be a significant barrier). Secondly, the owner wishing to liquidate the share would need to find a buyer. It is possible that the share being liquidated could be absorbed (i.e., purchased) by the remaining members of the consortium, but there is no guarantee that other members of the consortium will buy all or a portion of the share seeking to be liquidated. This is not a public good being sold on the open market. It is a private interest and it would be the seller's responsibility to secure a buyer. If a buyer or buyers can be identified, sale and transfer of the ownership share can be handled by a lawyer.

#### **Why do we think our bid will be successful?**

The owners of the building (Hyun K Choi and Y H Kim) purchased the building in 2008 and are the initial owners and operators of Mott's Market. (They later kept the building but transferred the market operation to the Kim Family, who just vacated). The owners have a special appreciation for the building and the market operation and we are hoping that the prospect of the neighborhood coalescing to keep a market operating will appeal to them. That said, there are many investors that are likely interested in the property and the sentimental value we are hoping for may not be able to compete with that.

#### **Why do we think another market can be successful if Mott's closed?**

While the Kim Family did vacate the building due to the property being sold, they have shared that their primary reason for closing was that it was not financially working out for them. This does present a degree of caution to the intention of continuing to operate the space as a market. However, the business model that Mott's Market was operating under, while appreciated by us all, was dated and not fully capturing the value of its market demographic. An important assumption behind this investment is that another market owner can occupy the space with a financially viable business model.

#### **How much does the building need to take in to cover expenses?**

Using conservative estimates, rent revenue of about \$6,000 per month would need to be received between the upstairs apartment unit and the ground floor retail space. The listing broker has informed us that rent for Mott's Market was \$2,100/month when it closed and began at \$1,900/month about ten years ago. We believe this rent was below market and that following renovation the space could potentially rent for between \$3,000 to \$3,500/month.

The upstairs apartment is relatively large (2 br/1ba) and was renting for \$1,900/month, an amount that has remained unchanged since 2012. This too is below market rent and, following renovation, this space can potentially expect between \$2,500 to \$3,000/month.

## Have we run any financials?

Yes. Very simple financial model, courtesy of Al Cho of 226 12<sup>th</sup> St.

### Business Case Assumptions

Walter Street LLC

#### Revenue

##### Residential Unit

Monthly rental - initial year	\$2,500
Inflation - year over year	2%
Months occupied per year	11.0

##### Commercial Unit

Monthly rental - initial year	\$3,500
Inflation - year over year	2%
Months occupied per year	12.0

#### Costs

##### Mortgage

Purchase price	\$1,250,000	dollars
Down payment	25%	percent
Loan amount	\$ 937,500.00	dollars
Interest rate, 30-year fixed	4.50%	percent
Loan life	30.00	years
Payments per year	12.00	payments/year
Total payments	360.00	payments
<b>Mortgage</b>	<b>(\$4,750.17)</b>	dollars/month

##### Taxes

Purchase price	\$1,250,000	dollars
Annual increase in assessed value	2%	percent
Tax rate	0.85%	percent
Payment rate	12.00	payments per year
<b>Tax payments</b>	<b>(\$885.42)</b>	dollars/month

##### Insurance

Annual insurance policy	\$ 1,200.00	dollars
Payment rate	12.00	payments per year
<b>Insurance payments</b>	<b>(\$100.00)</b>	dollars/month
Insurance inflation	2%	percent

##### PITI

<b>(\$5,735.59)</b>	dollars / month
---------------------	-----------------

#### Appreciation and Depreciation

##### Property Appreciation

2%
----

##### Depreciation

Cost Basis	\$800,000	dollars
Depreciation Period	30	years
Annual Depreciation	\$26,666.67	dollars
Tax Rate	25%	percent

##### Capital Investments

Up-front renovation	\$140,000	dollars (one-time)
Maintenance capex	\$200	dollars/month
Up-front vacancy	6	months

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Exit
Initial Investment	\$	(486,913.55)																	
Down Payment	\$	(312,500.00)																	
Up-Front Capex	\$	(140,000.00)																	
Mortgage during vacancy	\$	(34,413.55)																	
Rental Income	\$	-	\$ 69,500	\$ 70,890	\$ 72,308	\$ 73,754	\$ 75,229	\$ 76,734	\$ 78,268	\$ 79,834	\$ 81,430	\$ 83,059	\$ 84,720	\$ 86,415	\$ 88,143	\$ 89,906	\$ 91,704	\$ 93,538	
Residential unit	\$	-	\$ 27,500	\$ 28,050	\$ 28,611	\$ 29,183	\$ 29,767	\$ 30,362	\$ 30,969	\$ 31,589	\$ 32,221	\$ 32,865	\$ 33,522	\$ 34,193	\$ 34,877	\$ 35,574	\$ 36,286	\$ 37,011	
Commercial unit	\$	-	\$ 42,000	\$ 42,840	\$ 43,697	\$ 44,571	\$ 45,462	\$ 46,371	\$ 47,299	\$ 48,245	\$ 49,210	\$ 50,194	\$ 51,198	\$ 52,222	\$ 53,266	\$ 54,331	\$ 55,418	\$ 56,526	
Mortgage Expense	\$	(69,064)	\$ (69,280)	\$ (69,501)	\$ (69,727)	\$ (69,957)	\$ (70,192)	\$ (70,431)	\$ (70,675)	\$ (70,924)	\$ (71,178)	\$ (71,437)	\$ (71,691)	\$ (71,951)	\$ (72,206)	\$ (72,466)	\$ (72,726)	\$ (72,981)	
Principal and interest	\$	(57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	\$ (57,002)	
Property Taxes	\$	(10,838)	\$ (11,054)	\$ (11,275)	\$ (11,501)	\$ (11,731)	\$ (11,965)	\$ (12,205)	\$ (12,449)	\$ (12,698)	\$ (12,952)	\$ (13,211)	\$ (13,475)	\$ (13,745)	\$ (14,019)	\$ (14,299)	\$ (14,586)	\$ (14,880)	
Insurance	\$	(1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	\$ (1,224)	
Tax Savings from Depreciation	\$	6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	
Terminal Value																			\$1,715,982.13
Cash Flows	\$	(486,913.55)	\$ 7,103	\$ 8,276	\$ 9,473	\$ 10,694	\$ 11,939	\$ 13,209	\$ 14,504	\$ 15,825	\$ 17,173	\$ 18,548	\$ 19,950	\$ 21,380	\$ 22,839	\$ 24,327	\$ 25,844	\$ 1,743,375	
Internal Rate of Return		10%																	

## Do we have a broker?

Yes. Carlos Garcia of ENG Garcia Properties, 202-290-1313, [carlos@enggarcia.com](mailto:carlos@enggarcia.com). Carlos works with mixed-use properties and also has leads on financing this type of thing. We also have a lawyer lined up.

## How will we get a loan?

Once forming an LLC, the LLC executive committee will seek financing from a local community bank. This is the kind of story we anticipate they would like to have in their portfolio.

## If I'm interested, when will I need to commit financially?

A relatively small amount may be needed as earnest money to secure the offer, but this can be discussed. The LLC would otherwise need all cash in hand (i.e., in the LLC's bank account) prior to closing (i.e., within 30 days). So... no need to write a check right away. You have a few weeks.

The following information is from city public websites:

The following information is from city public websites:

<b>233 12TH STREET SE</b>	
<b>SSL (Square, Suffix &amp; Lot)</b>	0990 0820
Lot type	tax lot
Ward	Ward 6
ANC	ANC 6B
SMD	SMD 6B05
Neighborhood Cluster	Cluster 26
Police District	First Police District
Police Service Area	PSA 107
Voting Precinct	Precinct 88
Zoning	<a href="#">RF-1</a>
2010 census tract	US.11
2010 census block group	0
2010 census block	0010

<b>Tax lot</b>	<b>0990 0820</b>
Premises	233 12TH ST SE WASHINGTON DC 20003-1401
Owner	CHOI, HYUN K
and	KIM, Y H
	233 12TH ST SE WASHINGTON DC 20003-1401
Use	Store-Misc
Land area	2350 square feet
Tax rate	n/a
This property is coded as mixed use	
This property has a split tax rate	
<i>Current assessment (2022)</i>	
land	\$460,650
improvements	\$248,720
total	\$709,370
<i>Proposed assessment (2023)</i>	
land	\$460,650
improvements	\$191,500
total	\$652,150

Download 

[HIDE DETAILS](#)

Items per page: 10      1 - 1 / 1      |<   <   >   >|

Address :	Unit :	SSL :	ID :	Type :	Date Issued :	Completion Status :	Date :	
233 12TH ST SE, Washington, DC		0990 0820	CO0800364	Certificate of Occupancy	2008/09/25	Completed	2008/09/25	SHOW DETAILS
233 12TH ST SE, WASHINGTON, DC 20003-1401		SSL	CO162067	Certificate of Occupancy	2008/03/13	Completed		HIDE DETAILS
<p><b>Detailed Description:</b></p> <p><b>Owner Name:</b> KIM Y H</p> <p><b>Applicant:</b></p>								
Task :	Review Status :	Comments :					Status Date :	
Zoning Review	Approved No Inspection	this is a converted record. the legacy system did not maintain if an inspection was required. the status of approved no inspection is assumed in order to complete the workflow. it is possible that an inspection was required.					2008/08/08	
Issue Permit	Permit Issued						2008/03/13	
Issue Permit	Permit Issued						2008/03/13	
Application Review	In-Process						1900/01/01	

233 12TH STREET SE

Download

Business Licenses										
Keyword search										
Address :	Unit :	SSL :	License # :	License Status :	Category :	First Name :	Last Name :	Corporate Name :	Corporate File # :	
233 12TH ST SE		0990 0820	68007094	Active	Patent Medicine			CHO'S FAMILY MARKET INC		SHOW DETAILS
233 12TH ST SE		0990 0820	68007095	Active	Cigarette Retail			CHO'S FAMILY MARKET INC		SHOW DETAILS
233 12TH ST SE		0990 0820	68007093	Active	Grocery Store			CHO'S FAMILY MARKET INC		SHOW DETAILS



Government of the District of Columbia  
Office of the Chief Financial Officer  
Office of Tax and Revenue

1101 4<sup>th</sup> Street, SW  
Washington, DC 20024

Date of Notice: February 15, 2022

Notice Number: L0006942763

**PROPERTY TAX BILL**

Square	Suffix	Lot	Property Address				Bill Year	Assessment
0990		0820	233 12TH ST SE				2022	\$709,370
Description			Class	Tax	Penalty	Interest	Credit	Total
2022 First Half Tax			MU	\$4,434.14	\$0.00	\$0.00	\$0.00	\$4,434.14
<b>Total</b>				<b>\$4,434.14</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
<b>Amount Due By March 31, 2022</b>								<b>\$4,434.14</b>

**Additional Information** (Please see reverse side for important information.)

- Real Property Tax is based on the Taxable Assessment of \$709,370.00 at a mixed rate. Estimated annual tax amount \$8,868.27.
- Mixed Use: 49.98% Residential 50.02% Commercial.
- 16% of your Tax Year 2022 Real Property Tax is used to pay the General Obligation Bonds debt service requirement.
- Your real property is **NOT** receiving Homestead Deduction/Senior/Disabled Tax Relief.

**Forecasted Amounts for Late Payments**

<b>If paid by:</b>	<b>Apr 1, 2022</b>	<b>Amount Due</b>	<b>\$4,944.06</b>	<b>If paid by:</b>	<b>Jun 1, 2022</b>	<b>Amount Due</b>	<b>\$5,077.08</b>
<b>If paid by:</b>	<b>May 1, 2022</b>	<b>Amount Due</b>	<b>\$5,010.57</b>	<b>If paid by:</b>	<b>Jul 1, 2022</b>	<b>Amount Due</b>	<b>\$5,143.59</b>

Tax Summary **Tax History** Billing History Payment History

<b>Current Year</b>				Help
<b>2022 First Half</b>				
Description	Amount	Balance		
Real Property Tax	\$4,434.14	\$4,434.14		

<b>Past Years</b>				
<b>2021</b>				
Description	Amount	Balance		
Real Property Tax	\$8,897.52	\$0.00		
Real Property Payments/Credits	(\$8,897.52)	\$0.00		
Public Space Rental Fee (720-001506753)	\$79.04	\$0.00		
Public Space Payments/Credits (720-001506753)	(\$79.04)	\$0.00		

The following pages are from the Listing Broker:



---

233 12th Street, SE  
Washington, DC 20003

## INFORMATION ABOUT PROPERTY

Sq: 0990 Lot: 0820

Zone District - [RF-1](#)

### **Capitol Hill Historic District**

Zoned: Use Code: 042 - Store-Miscellaneous

Neighborhood: 039 - Old City 1

Sub-Neighborhood: M

Ward: 6

Appraiser: Steven Clark

Tax Classification: 2 – Commercial

Interior SF: 2,613

Land area: 2,350 sqft / 0.05 AC

Tax records do not show there is a basement, however, there is a basement with interior access and front exterior access (cellar doors), concrete floors with approx. 6'8" ceilings that cover approximately 50% of the footprint.

**233 12Th St SE, Washington, DC 20003-1401****Tax ID 0990//0820****Summary Information**

Owner:	Hyun K Choi & E H Kim	Property Class:	Commercial
Owner Address:	233 12th St SE	Annual Tax:	\$8,897
Owner City State:	Washington Dc	Book:	0
Owner Zip+4:	20003-1401	Page:	0
Owner Carrier Rt:	C004	Tax Record Updated:	03/03/22

**Geographic Information**

County:	Washington, DC	Lot:	820
Municipality:	Washington Dc	Qual Code:	Average
High Sch Dist:	District Of Columbia Public Schools	Legal Subdivision:	Old City 1
Tax ID:	0990//0820		
Tax Map:	039-M		
Tax ID Alt:	0990//0820		
Block:	0990		
City Council Dist:	6		

**Assessment & Tax Information**

Tax Year:	2021	Annual Tax:	\$8,897	Taxable Total Asmt:	\$709,370
Municipal Tax:	\$8,897	Taxable Land Asmt:	\$460,650		
Asmt As Of:	2021	Taxable Bldg Asmt:	\$248,720		
		Exempt Class:	NA		
		Mult. Class:	Y		
		Class Code:	042		

**Lot Characteristics**

Sq Ft:	2,350
Acres:	0.0500

**Building Characteristics**

Total SQFT:	2,613	Exterior:	Other	Year Built:	1900
Stories:	2.00	Stories Desc:	2		
Fireplace Total:	0	Elec:	Yes		
		Property Class	042		
		Code:			
Sec 1 Construction:	Brick	Sec 1 Area:		Sec 1 Story Type:	

**Codes & Descriptions**

Use Type:	Store - Misc.
-----------	---------------



Mott's Market  
CHO'S FAMILY MARKET, INC.  
233 12TH ST SE

License Number : ABRA-080006  
License Class: Retail - Grocery B  
Issue Date: October 01, 2020



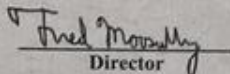
### Settlement Agreement

### Hours of Operation

	Operation	Sales
Sunday:	8 am - 8 pm	9 am - 8 pm
Monday:	8 am - 9 pm	9 am - 9 pm
Tuesday:	8 am - 9 pm	9 am - 9 pm
Wednesday:	8 am - 9 pm	9 am - 9 pm
Thursday:	8 am - 9 pm	9 am - 9 pm
Friday:	8 am - 9 pm	9 am - 9 pm
Saturday:	8 am - 9 pm	9 am - 9 pm

Expiration Date: 09/30/2023

**You will be billed annually for any balance due.**

  
Director

THE LAW REQUIRES THIS LICENSE TO BE POSTED IN A CONSPICUOUS PLACE ON THE PREMISES

014396





COLD BEER & WINE  
**MOTT'S MARKET**

**OPEN**

233

WELCOME TO  
MOTT'S MARKET  
**ATM**  
INSIDE

**PLAY HERE  
TODAY!**  
POWER  
MEGA  
MALL























