

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: NOV 30 2004

SUBJECT: Fiscal Impact Statement (Addendum): "Ballpark Omnibus Financing and Revenue Act of 2004"

REFERENCE: Bill 15-1028, Proposed Amendment in the Nature of a Substitute

Conclusion

Funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the Ballpark Omnibus Financing and Revenue Act of 2004, as marked up by the Committee on Finance and Revenue and the Committee on Economic Development and to be submitted to the Committee of the Whole as an Amendment in the Nature of a Substitute. However, some amendments will impact the General Fund budget in the future — the extent of this impact is not fully measurable at this time.

Background

A number of changes and additions to the "Ballpark Omnibus Financing and Revenue Act of 2004" have been proposed in the Amendment in the Nature of a Substitute ("Amendment").

The proposed legislation restructures the Ballpark Fee schedule, starting the lowest fee-payer level at \$4 million instead of \$3 million, altering the payment amounts of the remaining categories, and adding three new fee-payer levels and assigning liabilities to them. Under the amended legislation, the fee schedule ranges from \$6,500 at the low end to \$48,000 at the top level. The legislation also eliminates the bond cap of \$500 million for the baseball stadium and replaces it with a cap of \$531 million.

In addition, the Amendment would require the Mayor to acquire the stadium site and convey it to the Anacostia Waterfront Corporation for the use of the Sports and Entertainment Commission (SEC) to meet its responsibilities under this legislation. The Amendment also would require that if the site is determined to be unavailable or infeasible for completion of the ballpark on or prior to March 1, 2008 based on the funding authority provided in Title I, any designated alternative site, including the site for RFK Stadium, that meets completion criteria, shall be selected. If the alternative site is not within the Anacostia Waterfront, the alternative site would be conveyed directly to the SEC. The proposed legislation would also require the design and construction of the stadium to meet energy efficiency and conservation standards as defined by the U.S. Green Building Council.

Title II of the bill would establish a new special revenue fund within the General Fund to be called the "Community Benefit Fund." The Fund would receive initial funding of up to \$30 million to be identified by the Mayor and certified by the Chief Financial Officer. The legislation also creates a DC Ballpark TIF Area from which real property and sales tax increment revenues shall be paid into the Community Benefit Fund. In addition, the bill authorizes the Chief Financial Officer to utilize excess revenues in the Ballpark Revenue Fund to issue up to \$45 million in revenue bonds for the new Community Benefit Fund.

The bill also authorizes up to \$450 million of bonds to be issued, of which up to \$400 million shall be used for Community Benefit Fund projects and \$50 million for infrastructure improvements in the DC Ballpark TIF Area. Debt service on these bonds is to be paid from revenues in the Community Benefit Fund.

The legislation specifies that the Community Benefit Fund is to be used for community area priorities including recreation centers, libraries, small business development incentives, job training and readiness programs, school athletic facilities and such other projects that the Mayor may determine to be of benefit to any area of the District. The bill further specifies that, subject to appropriation, the following expenditures shall be made from the Fund:

- (1) \$5 million to the Department of Parks and Recreation for a Learning and Sports Center;
- (2) \$5 million for school-based athletics (allocated to SEC and expended based on a needs assessment by DCPS);
- (3) \$5 million for projects located within Ward 6;
- (4) \$5 million for projects located within Ward 7;
- (5) \$2 million for equipment and supplies at McKinley Technology High School;
- (6) \$10 million for feasibility and planning studies for the National Capital Medical Center;
and
- (7) 10 percent of the bond revenue for commercial development in specified areas, including the Good Hope Road, South Capitol Street, Martin Luther King Jr. Avenue, and Minnesota Avenue corridors.

The legislation would also require that appropriations requests for expenditures from the Fund be based on a community investment plan developed with input from Advisory Neighborhood Commissions.

In addition to the above changes, the proposed legislation would require District agency contracts related to the Ballpark to comply with the District's local, small and disadvantaged business enterprise, voluntary apprentices and First Source Employment requirements. The legislation also requires that broadcast media rights agreements will be encouraged to be entered into with local and disadvantaged business enterprises.

Financial Plan Impacts

The proposed amendments to the legislation will affect the General Fund budget during the financial planning period, FY 2005 through FY 2008. However, the full extent of all of these impacts is only partially measurable at this time.

Community Benefit Fund – The bill requires the Mayor to identify \$30 million that may be transferred to the Community Benefit Fund upon enactment of this legislation. This will require reprogramming funds from existing activities or reserves.

Authorization of \$45 million bond issuance to fund Community Benefit Fund purposes – The source of funding for debt service payments on the \$45 million bond issuance will be the excess revenues from the Ballpark Revenue Fund (BRF). The target date for the bond issuance is expected to be at the same time that bonds are issued for the stadium. The CFO estimates that a bond issuance of approximately \$55 million will net \$45 million for the Community Benefit Fund, an amount which requires approximately \$3-\$3.5 million in debt service. Since the source of the bond issuance is the excess revenue from the Ballpark Revenue Fund, the amount of funds available to support debt service will depend on the sales tax revenue at the Ballpark, which depends on the number of fans that come to the game, and that in turn depends on the success of the team.

Credit enhancement – The \$45 million bond issuance would need credit enhancements in order to attract investors. Such enhancements could be available from the Downtown TIF area. These funds would have to be included in the General Fund Budget and would total about \$3 million annually.

Impact of a new TIF area on the General Fund – To the extent that there are additional revenues generated in a new TIF area, these funds will no longer be available to the General Fund. At this point, the extent of available new dollars is not known nor is it known when these new dollars might be available.

OTR Administration – The Office of Tax and Revenue (OTR) will need additional legislative authority to require sales taxpayers doing business within any tax increment finance district in the city to file taxes electronically and to impose penalties for non-compliance with this requirement. The District currently imposes this requirement for existing TIF districts. OTR is able to administer this requirement with existing resources, but will require additional funds and staff to convert the sales tax filing and accounting systems to take into account a larger TIF area. We do not have an estimate of the cost at this time.

In summary, funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the Ballpark Omnibus Financing and Revenue Act of 2004 Amendment in the Nature of a Substitute, as proposed by the Committee on Finance and Revenue and the Committee on Economic Development. However, some provisions, such as those affecting credit enhancements and OTR administrative costs, or those which could result in planning and construction delays, may create future impacts on the budget. The extent of these impacts is not measurable at this time.

This fiscal impact statement supplements the fiscal impact statement on this bill dated October 27, 2004.