

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



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** MAR 28 2008

**SUBJECT:** Fiscal Impact Statement: "I-395 Air Rights Fund Amendment Act of 2008"

**REFERENCE:** Unnumbered Draft<sup>1</sup>

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**Conclusion**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation.

**Background**

On July 10, 2007 the Council passed the "Center Leg Freeway (Interstate 395) Fee and Air Rights Disposition Emergency Approval Resolution of 2007". That legislation authorized the disposition of land and air rights for a payment to the District of not less than \$30 million. The proposed legislation authorizes such developer payment to be deposited in the Economic Development Special Account managed by the Deputy Mayor for Planning and Economic Development (DMPED).

The proposed legislation further allocates funds received to repay, first, the District Department of Transportation in an amount sufficient to repay to or on behalf of the Federal Highway Administration the Federal share of funds associated with the acquisition of the property; and second, the Office of the Chief Technology Officer or Office of Property Management in an amount sufficient to pay for the relocation of the District's Shared Computer Center from the Property. Third, funds shall be available to DMPED to provide financial assistance for the construction and preservation of affordable housing over I-395. Finally, the balance of funds may be used by DMPED for other projects.

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<sup>1</sup> Draft provided to the OCFO from DMPED on March 13<sup>th</sup>, 2008.

The legislation exempts the development from paying vault rent. This exemption will reduce revenues that would otherwise go to the General Fund, but the foregone revenues do not occur within the FY 2008 through FY 2011 budget and financial period. Vault rent is payable only after the development is complete, and no vaults are expected on the site until 2014.

The bill also authorizes the exchange or conveyance of property for highway ramps which are either relocated or removed. For those which are relocated, the Mayor is authorized to convey the property at the ramp's old location to the developer in exchange for property at the ramp's new location. For those highway ramps which are removed, the Mayor is authorized to sell the property which contained the former ramp to the Developer for an amount determined by an appraisal process as defined in the land disposition agreement (LDA). Because the LDA's appraisal process (as currently drafted) does not require multiple appraisals to validate the value, the District may not have assurances that the price paid is equal to the fair market value of the property.

Finally the bill authorizes the relocation of the Shared Computer Center, which sits within the development area, and certifies that the developer and equity partners are LSDBEs.

### **Financial Plan Impact**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation. After the plan period, there will be foregone revenues because of the exemptions from paying vault rent.