MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Fitzroy Lee
Interim Chief Financial Officer

DATE: May 17, 2021


REFERENCE: Draft bill provided to the Office of Revenue Analysis on May 5, 2021

Conclusion

Funds are sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill.

Background

The bill authorizes the Mayor to dispose of the property known as the Wilkinson School, located at 2330 Pomeroy Road, S.E.1, to D.C. Preparatory Academy (“D.C. Prep”) via a 25-year lease with a 25-year extension option. The building is currently occupied by the Department of Employment Services’ D.C. Infrastructure Academy, which will relocate to Spingarn High School in 2024.

The Department of General Services (DGS) intends to enter into a lease with D.C. Prep, which will renovate the school in two phases. Rent will commence upon completion of the first phase of renovations but no later than 18 months after signing.2 Construction for phase two will begin when D.C. Infrastructure Academy vacates and rent for the second phase will commence when that renovation is completed. However, D.C. Prep will be entitled to a full rent credit for construction costs, provided at least $7.5 million in construction costs have been incurred. The cost of construction is expected to exceed the estimated rent payments in the first 25 years. So, D.C. Prep is unlikely to owe any rent during the initial term of the lease.

1 For real property taxation and assessment purposes as Square 5828, Lot 0806.
2 The proposed rent is $6.78 per square foot, escalating 2 percent each year.
Financial Plan Impact

Funds are sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. Because no rent is currently being collected on the property, and D.C. Prep will be responsible for construction and operation of the property during the lease term, there is no cost to the District. Additionally, the Department of General Services fiscal year 2021 through fiscal year 2026 capital budget allocates $40 million to the renovation of Spingarn High School for use by the D.C. Infrastructure Academy.\(^3\)

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\(^3\) See Project No. SNTRC – DC Infrastructure Academy in the capital budget for Agency AM0.