

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:** June 14, 2010

**SUBJECT:** Fiscal Impact Statement – “West End Parcels Disposition Approval Resolution of 2010”

**REFERENCE:** Draft Resolution as shared with the OCFO on June 11, 2010– No Number Available

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**Conclusion**

Funds are sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution based on the terms of the draft land disposition agreement, which continues to be negotiated. The proposed disposition of property would result in a reduction of District real property assets of approximately \$30 million.<sup>1</sup> Since assets are not included in the budget and financial plan, the disposition of the property will have no direct fiscal impact on the District’s budget and financial plan.

However, the ability for the District to execute the proposed land disposition agreement (LDA) is dependant upon Council approval of separate omnibus legislation providing the project Developer, among other things, tax relief. Given that the terms of the LDA are predicated upon this condition, the District will, at a later date, be required to dedicate additional resources to the development project. Based on the estimated construction schedule, these resources would need to be budgeted and appropriated during the FY 2011 through FY 2014 budget and financial planning period. If Council does not approve omnibus legislation providing additional funding for the development project, or if the funding is not identified, the District and the Developer have the option of waiving one of the District-mandated requirements in the LDA or terminating it.

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<sup>1</sup> A third party appraisal was conducted by an appraiser hired by the Office of the Deputy Mayor for Planning and Economic Development to estimate the Fair Market Value of the property in its “As Is” *i.e.* present state of condition.

## Background

The proposed legislation would authorize the Mayor to dispose of a portion the following District-owned properties:

- Square 0037, Lot 0836 commonly known as the West End Library located at 1101 – 1111 24<sup>th</sup> Street, N.W. The property, approximately 15,950 square feet, contains the existing West End Library, an operational building with approximately 19,060 Gross Square Feet (GSF);
- Square 0037, Lot 0837 commonly known as the Metropolitan Police Stations Special Operations Branch located at 2301 L Street, N.W. The property, approximately 18,948 square feet, contains the Metropolitan Police Station's Special Operations Branch, an operation building with approximately 11,624 GSF; and
- Square 50, Lot 822 commonly known as the West End Fire Station located at 2225 M Street, N.W. The property, approximately 16,260 square feet, contains the existing West End Fire Station, an operation building with approximately 16,549 GSF.

The Mayor intends to sell the air rights above the aforementioned properties to EastBanc, LLC<sup>2</sup> ("Developer"), a District of Columbia limited liability company, less the air rights necessary to construct a new library and fire station to replace the existing West End Library and Fire Station. The Mayor will reserve such easements, covenants, and other property rights needed to support the operation of a new library and fire station. The total appraised value of the properties is \$30,018,000.

According to the draft LDA,<sup>3</sup> the properties would be redeveloped by the Developer and the Developer would combine the two District-owned parcels on Square 37 with an adjacent parcel (Square 37 Lot 855) currently owned by the Developer to build a single mixed-use building containing a new West End Library (20,000 GSF) and retail (9,600 GSF) on the ground floor, and approximately 150 units of for-sale residential condominiums (223,000 GSF) above.

The District-owned parcel on Square 50 will be redeveloped to include a new West End Fire Station and approximately 52 units of affordable rental housing (51,000 GSF) for individuals earning 60 percent or less of the Area Median Income.

According to DMPED, the estimated development schedule is as follows:

- Submission and approval of the developer's planned Unit Development (PUD) application to the Zoning Commission is expected by January 2012.
- Closing on the properties is expected on July 2012.

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<sup>2</sup> A joint venture with W.D.C. Partners, LLC, Inc., the Warrenton Group, L.S. Caldwell & Associates, Inc. and EastBanc, Inc. East Banc, Inc. was chosen through a competitive bid process initiated by the Office of the Deputy Mayor for Planning and Economic Development.

<sup>3</sup> Draft Land Disposition Agreement (LDA) between the District of Columbia and the Developer is not final and cannot be finalized until the land disposition is approved by the Council. Therefore the terms of the draft LDA reviewed by the OCFO could change after Council approval.

- Construction is expected to begin September 2012.
- Construction is expected to be completed by October 2014.

The sale price of the property from the District to the developer continues to be negotiated and has not been included in the legislation. Based on the terms of the draft LDA, the total amount of the purchase price will be used towards the design, development, and construction of the new library and fire station, and if any balance remains, to subsidize the affordable housing units. According to the draft term sheet, the estimated amount needed for development of the new library and fire station is approximately \$18.9 million.

The Developer estimates the total budget for the project to be approximately \$149 million. According to the draft LDA, the Developer will seek additional financing from the District; per the terms of the draft LDA and Term Sheet the Developer will seek, through omnibus legislation at a later date, \$9.1 million Payment In Lieu Of Taxes (PILOT), DC Housing Finance Agency Tax Exempt Bonds and other additional financing necessary for the construction of the affordable housing.

Additionally, according to the draft LDA, the ability to close on the disposition is dependant on Council's approval of omnibus legislation that would:

- Exempt the developer from the District's procurement laws and regulations in the construction;
- Exempt the Project from transfer and recordation taxes and property taxes during the construction period;
- Provide a tax relief mechanism that would place all or a portion of the real estate and sales tax revenue generated by the property into a special account to used to secure and repay any bond or note issued to finance the construction of the affordable housing and/or the new fire station, and to pay for on-going maintenance of the new library and fire station;
- Require the Mayor to budget and appropriate funds for the design, development and construction of the new library and fire station to be included on the first supplemental or annual budget submitted after the execution of the LDA which the Mayor deems practicable; and
- Provide funding for the construction of the affordable housing component of the project through DC Housing Finance Agency Tax Exempt Bonds, PILOT, and other assistance if necessary.

### **Financial Plan Impact**

Funds are sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution. The proposed resolution would result in a reduction of District assets of approximately \$30,018,000. Since assets are not included in the budget and financial plan, the sale of the property will have no direct fiscal impact on the District's budget and financial plan.

However, the ability for the District to execute the proposed land disposition agreement (LDA) is dependant upon Council approval of separate legislation providing the project Developer, among other things, tax relief. Given that the terms of the agreement are predicated upon this condition, the District will, at a later date, be required to dedicate additional resources to the project. Based on the estimated construction schedule, these resources would need to be budgeted and appropriated for during the FY 2011 through FY 2014 budget and financial planning period, as construction is expected to commence in 2012. If the Council does not approve omnibus legislation providing additional funding for the Project, the District and the Developer have the option of waiving one of the District-mandated requirements in the LDA, such as the affordable housing requirement, or terminating the LDA.