


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



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

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

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: September 5, 2017

SUBJECT: Fiscal Impact Statement – Jackson School Disposition and Lease Approval Act of 2017

REFERENCE: Draft Bill as shared with the Office of Revenue Analysis on July 20, 2017

Conclusion

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill.

The lessee will pay approximately \$322,000 annually in rent that will be deposited into the District's Local Fund unless capital expenditures in excess of \$400,000 trigger a rental credit. The Jackson School disposition will reduce District assets by \$5.9 million,¹ but assets are not a part of the District's budget and financial plan, and their loss is not a fiscal impact.

Background

The bill declares as surplus property the Jackson School located at 3050 R Street, N.W.² and disposes of the property to the Jackson Art Center through a twenty-year ground lease. The Jackson Art Center³ is a non-profit community of artists that has occupied the Jackson School since 2001 under shorter-term leases.

The Jackson Art Center will pay rent of \$322,000 annually,⁴ but the District will provide a credit against rental payments for capital investments that are made to the Jackson School. The Jackson Art Center will receive the credit on a dollar-for-dollar basis only if its capital expenditures exceed \$400,000 during any consecutive five-year period of the lease.

¹ The 2018 proposed tax assessment for Square 1282, Lot 840 (\$5,917,090).

² Known for tax assessment purposes as Square 1282, Lot 840.

³ http://www.jacksonartcenter.com/The_Jackson_Art_Center/Welcome.html

⁴ The annual rent payment will be increased by 2 percent annually.

The Honorable Phil Mendelson

FIS: "Jackson School Disposition and Lease Approval Act of 2017," Draft Bill as shared with the Office of Revenue Analysis on July 20, 2017

If it redevelops the property, the Jackson Art Center must sign a First Source Agreement⁵ with the District and use Certified Business Enterprises for at least 35 percent of the contract dollar volume of the project, 20 percent of the project's equity financing, and 20 percent of the dollar volume of non-construction development activities⁶. Any development of the project must also comply with the District's green building requirements.⁷

Financial Plan Impact

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. The Jackson Art Center will pay annual rent of \$322,000 which will be deposited into the District's Local Fund. If the Jackson Art Center exceeds \$400,000 in capital expenditures to improve the building in any consecutive five-year period, the District will give it a dollar-for-dollar credit against rent payments. At this time, the Jackson Art Center has not set its projected capital expenditures and it is unknown if or when it will exceed the expenditure threshold to begin receiving the credit.

The District currently leases the Jackson School to the Jackson Art Center for approximately \$150,000 annually. Those payments are held in escrow to support maintenance at the school. The current lease will expire on June 30, 2018 or upon the execution of the proposed twenty-year ground lease.

The Jackson School disposition will reduce District assets by \$5.9 million, but assets are not a part of the District's budget and financial plan, and their loss is not a fiscal impact.

⁵ First Source Employment Agreement Act of 1984, effective June 29, 1985 (D.C. Law 5-93; D.C. Official Code § 2-219.03).

⁶ D.C. Official Code § 2-218.49a.

⁷ Green Building Act of 2006, effective March 8, 2007 (D.C. Law 16-234; D.C. Official Code § 6-1451.01 et seq.).