

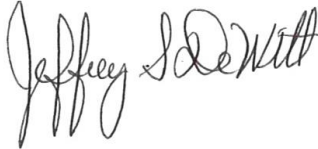
Government of the District of Columbia
Office of the Chief Financial Officer



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: March 20, 2018

SUBJECT: Fiscal Impact Statement – Waterfront Station II Disposition Approval Resolution of 2018

REFERENCE: Proposed Resolution 22-629, Draft Committee Print as shared with the Office of Revenue Analysis on March 9, 2018

Conclusion

Funds are sufficient in the fiscal year 2018 budget and the proposed fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the proposed resolution.

The developer will lease the property under a 99-year ground lease, paying the District \$100,000 at closing¹ and making annual rent payments beginning when the developer receives the building's certificate of occupancy. The developer will pay approximately \$111,000 in annual rent payments, but they will phase-in and their timing is uncertain.

Background

The proposed resolution approves the District's disposition of approximately 59,000 square feet of vacant land located at 1000 4th Street, S.W.² to WFS2 LLC.³ The developer is planning an approximately 443-unit residential apartment project that includes 20,000 square feet of retail, a cultural space, and parking. Since the developer is benefitting from the disposition of a District property, it must comply with the District's affordable housing requirements⁴ and will make

¹ This will be paid by drawing down on a \$50,000 letter of credit and a \$50,000 cash payment.

² Known for assessment and taxation purposes as Square 542, Lot 822.

³ WFS2 LLC is comprised of PN Hoffman & Associates, Inc. and AHC, Inc.

⁴ Disposition of District Land for Affordable Housing Amendment Act of 2014, effective March 10, 2015 (D.C. Law 20-193; D.C. Official Code § 10-801).

approximately 132 of the units available to eligible tenants.⁵ The developer will lease the property under a 99-year ground lease and will secure \$50,000 through a letter of credit upon execution of the Land Disposition and Development Agreement (LDDA), \$50,000 at closing, and an annual base rent amount of \$111,375.⁶ The rent payments will commence when the developer receives the certificate of occupancy for the building and will begin at 25 percent of the base rent amount in the first year of occupancy, 50 percent in the second year, 75 percent in the third year, and then the full amount beginning in the fourth year of occupancy.⁷

The developer must sign a First Source Agreement⁸ 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 activities.⁹

This District will declare the property as surplus property through the accompanying Waterfront Station II Surplus Declaration and Approval Resolution of 2018.

Financial Plan Impact

Funds are sufficient in the fiscal year 2018 budget and the proposed fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the proposed resolution. The developer will secure \$50,000 through a letter of credit upon the execution of the LDDA, which the District will draw down on at closing,¹⁰ and will pay \$50,000 cash at closing. Closing is expected in the first half of fiscal year 2020. The developer will also pay annual base rent of \$111,375, but this amount will be phased-in over the first four years after the developer receives a certificate of occupancy for the building. If the project moves forward on the proposed timeline, rent payments could begin in fiscal year 2022, but the timing of those payments is uncertain at this time. The two \$50,000 payments and the ongoing lease payments will be deposited into the District's Local Fund.

⁵ Half of the affordable units will be affordable to individuals and families between 30 percent and 50 percent of the area median income and half will be affordable at or below 30 percent of the area median income. This ratio will shift after the first fifty years of the lease as outlined in the Land Disposition and Development Agreement's Affordable Housing Plan.

⁶ The base rent amount will increase by 7.5 percent on the 5th anniversary of the building reaching 95 percent occupancy and then an additional 7.5 percent on every subsequent 20th anniversary of the initial rent escalation.

⁷ Rent payments will be approximately \$28,000 in year one, \$56,000 in year two, and \$84,000 in year three.

⁸ First Source Employment Agreement Act of 1984, effective June 29, 1985 (D.C. Law 5-93; D.C. Official Code § 2-219.03).

⁹ Small, Local and Disadvantaged Business Enterprise Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.49a).

¹⁰ The letter of credit must be secured within thirty days of Council's approval of this resolution.