

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: June 29, 2015

SUBJECT: Fiscal Impact Statement – Omnibus Soccer Stadium Contracts Approval Resolution of 2015

REFERENCE: PR21-210, draft committee print shared with the Office of Revenue Analysis on June 14, 2015

Conclusion

Funds are sufficient in the fiscal year 2015 budget and the proposed fiscal years 2016 through 2019 budget and financial plan to implement the proposed resolution.

Background

In December of 2014, the District enacted legislation to support the construction of a 20,000-seat soccer stadium for the D.C. United soccer team at Buzzard Point.¹ The legislation required that the District will provide the land (Squares 603S, 605, 607, 611N, 661, and parts of 665) and be responsible for the site preparation and the associated infrastructure work. D.C. United will be responsible for the construction and the operating of the Stadium.

The resolution approves agreements the Mayor submitted to the Council. These are:

- Three Purchase and Sale Agreements between the District and respectively Super Salvage, Inc. (for \$15,861,752), Rollingwood Real Estate, LLC (for \$10,325,920), and the Potomac Electric Power Company (for \$39,345,788) for the real property that will be the soccer stadium site at Buzzard Point;
- Purchase and Sale Agreement between the District and the Potomac Electric Power Company for \$15,800,000 for District property located at the intersection of 1st and K

¹ District of Columbia Soccer Stadium Development Act of 2014, effective March 11, 2015 (D.C. Law 20-233; 62 DCR 438).

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Streets, N.W. The Potomac Electric Power Company will relocate its facilities from Buzzard Point to this building so it can transfer its land in Buzzard Point to the District.

- Amended and Restated Development and Ground Lease agreements between the District and D.C. United that regulates the ownership, site preparation, construction, and taxation of the stadium.

Financial Plan Impact

Funds are sufficient in the fiscal year 2015 budget and the proposed fiscal years 2016 through 2019 budget and financial plan to implement the resolution. The Chief Financial Officer released the fiscal impact statement on the original legislation on December 17, 2014.² The agreements approved by the proposed resolution are generally in line with the financial structure considered in that fiscal impact statement.

The following substantive changes are worth mentioning:

First, the agreements—original and revised— permit the Team to terminate the deal if its cost to construct the stadium is expected to increase by more than 10 percent of the \$150 million estimated cost. The revised development agreement alters the timeline for when the Team must act on this right in relation to when the District must purchase the land. Under the terms, D.C. United must exercise its termination right by September 15, 2015 and the District must purchase the land by September 30. This new timeline reduces the risks the District faced under the original agreement, which allowed the Team to terminate *after* the District purchased the land.

Second, the Team previously agreed to provide a \$2.5 million contribution towards the cost of land purchase. Under the revised agreement the Council is considering for approval, it could spread this contribution over the term of its lease, which is 30 years. While this change reduces the value of the Team's contribution, it does not have a fiscal impact. This is because the original fiscal impact analysis did not include the \$2.5 million commitment as a resource

Third, the revised agreement secures an additional contribution from the Team in case there is a cost overrun on land acquisition. The Team would pay for half of any land cost increases up to \$7.5 million (this is half of a ten percent cost increase, which would be \$15 million; the District would pay the other half). The Team will also spread this contribution over the term of its lease.

Fourth, the original legislation dedicates the \$15.8 million the District will receive for the 1st and K Street property to the project. The fiscal analysis did not include this amount as a resource since the District and the Potomac Electric Power Company were still in negotiations. The District can use the resources to cover other costs such as operating costs that fell outside of the financial plan when the original legislation was passed, but the District must address now.

² REVISED Fiscal Impact Statement for Bill 20-895, District of Columbia Soccer Stadium Development Act of 2014 can be found at here: http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/Revised%20FIS%20-%20B20-805%20%20District%20of%20Columbia%20Soccer%20Stadium%20Development%20Act%20of%202014.pdf

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Finally, the agreements now specify that the stadium will hold at least 17,000 spectators. The stadium had always been described as a 20,000-seat facility, but size was never specified in the original development agreement.

Other risks identified in the original fiscal impact statement remain unchanged: We still do not know with certainty the condemnation costs for the Akridge lot and no new information is available on the environmental remediation costs. The current funding plan for the stadium sets aside \$12 million for cost contingencies,³ however, if court-ordered condemnation payments, environmental costs, and other legal costs exceed the resources set aside for the project, the District must absorb the costs by cutting its budget elsewhere or by raising the required revenue.

³ This amount is comparable to standard contingency amounts put aside for large infrastructure projects. It includes \$5 million for unknown or unidentified costs, and \$1.25 million for engineering contingencies (25 percent of \$5 million set aside for that reason). The remainder \$5.76 million is a catchall 20 percent contingency over all costs.