

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Kwame R. Brown
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: June 28, 2011

SUBJECT: Fiscal Impact Statement – “Scott Montgomery Disposition Approval
Emergency Resolution of 2011”

REFERENCE: Draft Legislation, no bill number

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed resolution. The proposed disposition would reduce the value of District real property assets by approximately \$15,733,400;¹ but because assets are not included in the budget and financial plan, the proposed resolution does not have a fiscal impact.

Background

The proposed resolution would authorize the Mayor to execute a lease for a District-owned property located at 421 P Street, NW, commonly known as the Scott Montgomery Elementary School, and legally known as Lot 163 in Square 510. The Mayor intends to lease the property to KIPP DC (“Tenant”), a District of Columbia non-profit corporation, for 35 years, for the operation of a public charter school,² with one optional 15-year renewal term.

The assessed value of the property is \$15,733,400. The disposition of this property is not an outright sale, but a long-term lease, which grants a possessory interest to the Tenant. According to Office of Public Education Facilities Modernization, the Annual Base Rent is \$810,000 throughout the initial 35-year term of the lease.³ In this initial term, the Tenant could take advantage of a rent

¹ FY 2011 Proposed Tax Assessed Value according to OTR’s Real Property Tax Database, accessed June 24, 2011. <https://www.taxpayerservicecenter.com>

² See District of Columbia School Reform Act of 1995, effective April 26, 1996 (Pub. L. 104-134, § 2001, D.C. Official Code § 38-1800.01 *et seq.*).

³ The rentable space is approximately 89,000 square feet of building area on 147,315 square feet of land.

The Honorable Kwame R. Brown

FIS: DRAFT "Scott Montgomery Disposition Approval Emergency Resolution of 2011" shared with the OCFO on June 24, 2011

credit adjustment up to the full amount of the lease payments, but not to exceed the value of the Tenant's actual construction costs for the redevelopment of the property, additional alterations as approved by the District, and any environmental remediation costs incurred by the Tenant. If exercised, the rent will be adjusted to 90 percent of the fair market value in the 15-year option term, with a 2 percent increase each year.

The Tenant is also required to enter into an agreement with the Mayor to contract with Certified Business Enterprises (CBEs) and a "First Source Agreement" with the District requiring it to hire certain levels of District residents for new jobs created as a result of construction on the property.

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed resolution. The proposed resolution would approve the disposition of District-owned real property. This disposition would reduce the value of the total assets held by the District by approximately \$15,733,400, but because assets are not included in the budget and financial plan, the proposed resolution does not have a direct fiscal impact.