

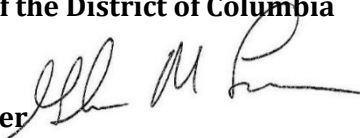
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

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

FROM: Glen Lee
Chief Financial Officer 

DATE: November 28, 2022

SUBJECT: Fiscal Impact Statement – Eastern Branch Boys and Girls Club
Disposition Approval Resolution of 2022

REFERENCE: Resolution 24-839, Draft Approval Resolution as provided to the Office
of Revenue Analysis on October 27, 2022

Conclusion

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the proposed resolution.

The resolution approves the disposition of the old Eastern Branch Boys and Girls Club for private development. The developer will pay the District \$1.00 at closing through a fee simple transaction.

The District used tax-exempt bond proceeds for the purchase of the Eastern Branch Boys and Girls Club; therefore, the Chief Financial Officer's general counsel reviewed the disposition of the property to ensure compliance with Internal Revenue Service (I.R.S.) rules related to private business use for tax-exempt bond proceeds. The review indicated that any tax-exempt capital expenditures on the property were de minimis (falling under the five percent I.R.S. allowance per bond issuance).

Background

In 2018, the Council declared as surplus property¹ District-owned property located at 261 17th Street, S.E.² The property, which formerly housed the Eastern Branch Boys and Girls Club, was concurrently

¹ Eastern Branch Boys and Girls Club Surplus Declaration and Approval Resolution of 2018, effective December 4, 2018 (Resolution 22-675; 65 DCR 13448).

² Known for assessment and tax purposes as Square 1088, Lot 802.

The Honorable Phil Mendelson

FIS: Resolution 24-839, "Eastern Branch Boys and Girls Club Disposition Approval Resolution of 2022," Draft Approval Resolution as provided to the Office of Revenue Analysis on October 27, 2022

approved for disposition to Capitol Hill Cohousing, LLC.³ The authority to dispose of the property to Capitol Hill Cohousing, LLC expired in December 2020.

The proposed resolution approves a disposition of the property to a new developer, Morningstar Community Development, LLC, through a fee simple transaction for \$1.00. The new developer plans to construct thirty-five residential units and 2,500 square feet of community-use space. Five of the residential units will be affordable at or below 50 percent of Area Median Income, six of the units will be affordable at or below 80 percent of Area Median Income, and the remainder will be market-rate units.⁴

The developer 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 activities.

Financial Plan Impact

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the proposed resolution. The Deputy Mayor for Planning and Economic Development has two years to close on the property with the developer and Morningstar Community Development, LLC will pay \$1.00 to the District at that time.

The District used approximately \$9.6 million in proceeds from tax-exempt bonds for the purchase of the Eastern Branch Boys and Girls Club property. If tax-exempt bond proceeds remain outstanding on a property, I.R.S. rules limit the bond issuer's ability to transfer the space to a private business. However, the bond issuer may transfer the property if the aggregate amount of bond expenditures related to the subject property, plus any other properties that have been sold or transferred for private use, is less than five percent of the total bond issuance. In this case, the aggregate tax-exempt expenditures on bonds related to the Eastern Branch Boys and Girls Club are de minimis. Thus, in accordance with I.R.S. rules, the District is not required to take any bond related action, such as bond defeasement, before transferring the property.

The disposition will reduce District capital assets, but assets are not included in the budget and financial plan and their loss does not have is not a fiscal impact.

³ Eastern Branch Boys and Girls Club Disposition Approval Resolution of 2018, effective December 4, 2018 (Resolution 22-676; 65 DCR 13727).

⁴ Because the developer is benefiting from the disposition of public property, it must comply with the 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).

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