

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



2006 OCT 20 AM 9:05

CHAIRMAN CROPP

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: OCT 19 2006

SUBJECT: Fiscal Impact Statement: "National Capital Revitalization Corporation Land Transfer Clarification Amendment Act of 2006"

REFERENCE: Bill 16-902 As Introduced

Conclusion

Funds are sufficient in the proposed FY 2007 budget and FY 2007-FY 2010 budget and financial plan to implement the National Capital Revitalization Corporation Land Transfer Clarification Amendment Act of 2006.

The legislation, however, would cause a shortfall in revenues that would require the National Capital Revitalization Corporation/RLA Revitalization Corporation (NCRC/RLARC) to reduce expenses by \$250,000. The proposed bill would also require NCRC/RLARC to cut approximately \$7 million in projects from its \$40 million budget for the FY 2007 Consolidated Annual Action Plan for Community Development Block Grant (CDBG) activities.

In addition, the assessed value of the Southwest Waterfront Parcels to be transferred to AWC is approximately \$80 million. The assessed value of the McMillan Reservoir to be transferred to NCRC/RLARC is unknown, but the parcel is encumbered with significant environmental and historic preservation issues, making it unlikely to be equal in value to the Southwest Waterfront Parcels.

Background

The legislation would authorize the Mayor to transfer the fee simple title to the Southwest Waterfront Parcels from NCRC/RLARC to the Anacostia Waterfront Corporation (AWC). The

bill conditions the transfer on the simultaneous transfer by the Mayor of the fee simple title to the McMillan Reservoir to NCRC/RLARC. Although the proposed bill does not authorize the transfer of NCRC/RLARC's leasehold interest in the Southwest Waterfront Parcels, it is our understanding that the legislation will be amended to include this transfer to AWC.

The 2007 Preliminary Assessed Value of the Southwest Waterfront Parcels is \$80,367,800. Although there are no appraisals for the majority of the parcels, the parcels at 600 Water Street, SW and 800 Water Street, SW have recently been appraised for \$65.6 million. The McMillan Reservoir property has not been assessed or appraised, as it has not yet been assigned a square and lot number. However, the parcel is encumbered with significant environmental and historic preservation issues, making it unlikely to be equal in value to the Southwest Waterfront Parcels.

The proposed bill repeals three sections of The National Capital Revitalization Corporation Act of 1998 (Act). These sections require the transfer of the Southwest Waterfront Parcels to be conditioned upon the execution of a Memorandum of Understanding (MOU) between NCRC/RLARC and the District. These sections of the Act also allow NCRC/RLARC to retain \$25 million in additional CDBG Program Income that would otherwise be paid to the Department of Housing and Community Development (DHCD).

The amendment to the Act to repeal the section allowing for the retention of \$25 million in CDBG Program Income would require NCRC/RLARC to cut approximately \$7 million in projects from its \$40 million budget for the FY 2007 Consolidated Annual Action Plan.

The transfer of the Southwest Waterfront Parcels without any corresponding payments from AWC would reduce NCRC/RLARC's operating income. The shortfall in revenues from the Southwest Waterfront Parcels would require NCRC/RLARC to reduce expenses by approximately \$250,000.

It is also important to note that NCRC/RLARC currently has an outstanding loan on a portion of the Southwest Waterfront property, which is paid from the net operating income of the Hogates Property and the Gangplank Marina. The net revenues from the lease on the Hogates Property and the Gangplank Marina are sufficient to pay the annual debt service on the loan. If the fee simple title and leasehold interest in the Hogates Property and the Gangplank Marina are transferred to AWC, the debt on the property must also be refinanced by AWC.

Finally, NCRC/RLARC is currently named in the CASCO litigation regarding the Gangplank Marina. The suit was originally brought against the District of Columbia Redevelopment Land Agency (DCRLA), and was later broadened to include NCRC/RLARC. Once the Southwest Waterfront Parcels are transferred, AWC will have to assume a portion of the legal expenses of the defense of the litigation. Neither NCRC/RLARC nor AWC have sufficient funds to settle the litigation, and it is likely that the District will be required to pay for the settlement of the case at some point in the future.

Financial Plan Impact

Because the proposed bill would transfer District assets from one independent District instrumentality to another independent District instrumentality, it has no direct impact on the District's proposed FY 2007 budget and FY 2007-2010 budget and financial plan. However, as outlined above, the legislation may have an impact on the budgets of NCRC/RLARC and AWC.