

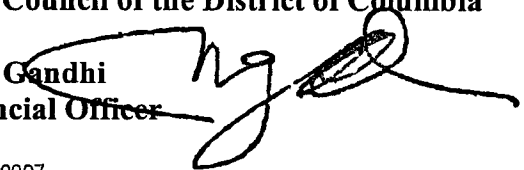
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: DEC 11 2007

SUBJECT: Fiscal Impact Statement: "Disposition and Redevelopment of District-Owned Real Property in Square 441 Approval Act of 2007"

REFERENCE: Bill 17-453 Committee Print

Conclusion

Funds are sufficient in the FY 2008 through 2011 budget and financial plan to implement the provisions of the proposed legislation. The legislation will result in a decline in net assets of the District of approximately \$835,000, which does not affect the budget and financial plan.

Background

The proposed legislation authorizes a disposition of District-owned portions of square 441 in accordance with a draft Land Disposition Agreement (LDA), and a Tax Increment Finance (TIF) bond of up to \$8 million. The TIF and other District subsidies support the District's efforts to bring Radio One back into the District. The overall subsidy package of up to \$22.3 million to the Broadcast Center One Project will also provide affordable housing and retail opportunities, and create parking spaces that support the Howard Theatre.

The LDA provides that Broadcast Center One will pay \$5,730,000 for the District property. A May 11, 2007 appraisal performed by M&B Appraisal group valued the property being disposed of at \$6,656,000. According to that appraisal, restrictions imposed by the District on the project reduce the fair market value to \$5,730,000 for the land. Because the Developer is not paying the full market value of the property, this transfer will result in a decline in net assets of the District of \$835,000. This reduction in value does not impact the Budget and Financial Plan because the value of assets is not part of the Budget and Financial Plan.

The draft LDA describes the terms of the TIF Note, which will be issued as a 15-year note to the Developer for \$6.418 million. The Broadcast Center One Project is located within the Downtown TIF area. Tax increment generated from the Downtown TIF is already pledged to pay debt

service on the Gallery Place and Madarin TIF bonds, should tax increment from the projects themselves be insufficient to pay those bonds. Therefore, a Radio One TIF bond would have to be subordinate to this first pledge. The CFO has completed an analysis on this project and the proposed project will support a subordinated TIF note to the Developer of \$6.418 million.

Revisions to the legislation submitted by the Deputy Mayor for Planning and Economic Development and the Office of the Chief Financial Officer, which would have included specific definitions of "Development Costs" and "TIF Note" were not included in the Committee Print.

Financial Plan Impact

Funds are sufficient in the FY 2008 through 2011 budget and financial plan to implement the provisions of the proposed bill, which does not affect the budget and financial plan.