

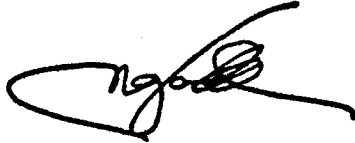
**Government of the District of Columbia
Office of the Chief Financial Officer**



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: December 16, 2008

SUBJECT: Fiscal Impact Statement: "District/Washington Metropolitan Area
Transit Authority Southeastern Bus Garage Land Swap Emergency
Approval Resolution of 2008"

REFERENCE: Draft Resolution – No Bill Number

Conclusion

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation.

The proposed resolution would approve the disposition of real property currently owned by the District in exchange for the transfer of cash and real property currently owned by WMATA. The legislation clearly identifies the total square feet of property that the District will transfer to WMATA; however, the proposed resolution does not identify the total square feet of property that WMATA must transfer to the District. It is therefore not possible to state that the value of the assets that WMATA will ultimately transfer to the District will be equal in value to the value of the assets that the resolution authorizes the District to transfer to WMATA. However, because assets are not included in the District's budget and financial plan, a reduction in the value of District assets would have no direct fiscal impact on the District's budget and financial plan.

Background

The proposed legislation would approve the disposition of parcels of land to the Washington Metropolitan Area Transit Authority (WMATA) including:

- A portion of Parcel 253, Lot 26 (not to exceed 725,000 square feet)
- A portion of Square 5868S, Lot 802 (not to exceed 100,000 square feet, excluding subsurface, utility, and access easements)
- A portion of Square 5914, Lot 806 (not to exceed not to exceed 15,000 square feet, excluding subsurface, utility, and access easements)

Because real property values are assessed on a lot basis and only a portion of the lots will be transferred to WMATA, the Office of the Chief Financial Officer (OCFO) cannot determine the assessed value of the parcels to be transferred to WMATA.

According to an appraisal prepared for WMATA in conjunction with the Office of Property Management, in September 2008, the appraised value of the portion of Parcel 253, Lot 26 is between \$7.7 million and \$8.4 million (with an average of \$8.05 million). According to appraisal memos prepared by WMATA in 2003, the value of the portion of Square 5868S, Lot 802 to be transferred was \$398,250 and the value of the portion of Square 5914, Lot 806 to be transferred was \$200 (a nominal value because it is an underground easement). According to this documentation, the total value of the real property to be transferred to WMATA is approximately \$8.45 million (see Table 1).

In exchange for the disposition of the parcels to WMATA, the legislation states that WMATA would (1) transfer real property to the District, (2) retire or forgive debt owed by the District to WMATA, and (3) make a cash payment to the District of \$400,000. The proposed resolution states that WMATA will dispose of all or portions of the following real property:

- Parcel 124, Lots 174-175
- Square 3184, Lots 822-823
- Square 5860, Lots 839, 897, 906, 908, 910, 948, 952, 1034-1035, 1038
- Square 5861, Lots 88, 914, 918, 920, 965, 967, 969, 971, 973, 975, 977, 984-985
- Square 5868, Lots 147-150

According to information provided by the Office of the Deputy Mayor for Planning and Economic Development (DMPED), WMATA plans to dispose of the entire lots listed above for Parcel 124 and Squares 5860 and 5868. The 2009 assessed values for the lots in these parcels and squares are approximately \$3.70 million, \$2.10 million, and \$350,000, respectively, for a total of approximately \$6.15 million. According to appraisals prepared by or for WMATA for the lots in these parcels and squares, the property is valued at approximately \$2.89 million (see Table 1).

Also, according to information provided by DMPED, WMATA plans to dispose of portions of the lots listed in Squares 3184 and 5861. Because real property values are assessed on a lot basis and only a portion of the lots will be transferred to the District, the OCFO cannot determine the assessed value of these parcels to be transferred to the District. According to appraisals prepared

by or for WMATA for these portions of lots, the property is valued at approximately \$3.70 million (see Table 1).

Although the legislation states that WMATA will dispose of all or a portion of the real property listed above, the proposed resolution does not identify the total square feet of property that WMATA must transfer to the District. As a result, it is possible that the total square feet of property that WMATA ultimately transfers will be less than what is currently outlined by DMPED. It is therefore not possible to state whether the value of the assets that WMATA will ultimately transfer to the District is equal to the value of the assets that the resolution authorizes the District to transfer to WMATA.

TABLE 1

WMATA/DISTRICT EXCHANGE LIST As of 12/15/08								
Owner	Parcels/Squares/Lots	Lot	WMATA Land Area (SF)*	District Land Area (SF)	Method of Valuation	Appraised Value (WMATA parcels)	Appraised Value (District parcels)	Assessed Value
DC	Portion of Parcel 253, 26			maximum of 725,000	Contract appraisal for WMATA & OPM		\$8,050,000	not available
DC	Portion of Square 5868S, Lot 802			maximum of 160,000	WMATA appraisal		\$396,250	not available
DC	Portion of Square 5914, Lot 806			maximum of 15,000	WMATA appraisal		\$200	not available
*WMATA Land Areas were provided by DMPED and are subject to change.								

In addition to the transfer of real property from WMATA to the District, the proposed resolution states that would WMATA to retire or forgive debt owed by the District to WMATA. Specifically, the proposed resolution states that WMATA would retire or forgive debt related to the following projects:

- Metro Center Hotel. This debt claim is from a 1986 land purchase agreement between the District Department of Housing and Community Development (DHCD) and WMATA. According to WMATA, the District still owes interest and partial payment for the cost of the appraiser's fees in the amount of \$167,879.
- 7th Street, S.W., Bridge. This debt claim is from a 1972 cooperative agreement between WMATA, the District of Columbia Department of Highways and Traffic (DHT), and the

District of Columbia Redevelopment Land Agency (RLA) to allocate costs for the design and construction of the Penn Central Railroad Bridge at 7th Street, S.W. The bridge construction was included in the contract to build the L'Enfant Plaza Metrorail station. The contract work for the bridge was completed and the contractor was paid in full by WMATA. WMATA claims that it bore all excess costs beyond the engineer's estimate and requested the District's reimbursement for its share of the overrun, which WMATA estimates to be \$900,000. However, it is the OCFO's determination that the District is not in debt for this project.¹

- Benning Road Bridges. This debt claim is from bridge work on Benning Road over Kingman Lake and the Anacostia River, which was completed in 2003. WMATA claims that the District owes \$150,000 for cost overruns on the two bridge projects. However, it is the OCFO's determination that the District is not in debt for this project.²

Finally, the proposed resolution states that WMATA would make a cash payment to the District of \$400,000. According to a draft Exchange Agreement between the District and WMATA, this payment will be used by the District Department of Transportation for road improvements in DC Village.

Financial Plan Impact

Funds are sufficient in the FY 2009 budget and the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The proposed resolution would approve the disposition of real property currently owned by the District in exchange for cash and real property currently owned by WMATA.

The legislation clearly identifies the total square feet of property that the District will transfer to WMATA; however, the proposed resolution does not identify the total square feet of property that WMATA must transfer to the District. It is therefore not possible to state that the value of the assets that WMATA will ultimately transfer to the District will be equal in value to the assets that the resolution authorizes the District to transfer to WMATA. However, because assets are not included in the District's budget and financial plan, a reduction in the value of District assets would have no direct fiscal impact on the District's budget and financial plan.

¹ In communication to the ORA, the Office of Financial Operations and Systems (OFOS) noted that, "On May 28, 1980 Corporation Counsel issued a legal opinion which stated "...no appropriations whatever were requested by the District Government or made by Congress for the 7th Street Bridge Project. The District's entire participation was limited to the federal grant funds received by the Federal Highway Administration. Moreover, WMATA was well aware of the absence of any District appropriated funds for the project. Therefore, the January 6, 1972 contract created no legal obligation on the part of the District to pay any funds other than those grant funds received from the Federal Highway Administration."

² In communication to the ORA, OFOS noted that, "according to Nafici Ardeshir, Deputy Chief Engineer, DDOT, the District does not owe WMATA anything for work performed at the Benning Road Bridge over Kingman Lake, or Benning Road Bridge over Anacostia River."