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

Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

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

FROM: **Jeffrey S. DeWitt**
Chief Financial Officer

DATE: **December 19, 2016**

SUBJECT: **Fiscal Impact Statement – Bruce Monroe Disposition Approval Resolution of 2016**

REFERENCE: **Proposed Resolution 21-909, Draft Committee Print as shared with the Office of Revenue Analysis on December 14, 2016**

Conclusion

Funds are sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the proposed resolution. The District expended municipal bond proceeds for temporary structures on the property, but it will remove them prior to the property disposition. This absolves the District of any I.R.S private activity use issues associated with disposing of District properties where municipal bond proceeds have been expended and the bonds are still outstanding.

The District will receive a nominal annual rent payment of $1 over the term of a 99-year lease. The disposition will also reduce District assets by approximately $8.9 million, but assets are not included in the District's budget and financial plan and their loss is not a fiscal impact.

Background

The proposed resolution approves the disposition of approximately 77,000 square feet of the property located at 3012 Georgia Avenue, N.W.[1] to Park View Community Partners, LLC. The location is the former site of the Bruce Monroe Elementary School.[2] A public park and surface parking lot currently occupy the property. The developer will lease the property from the District through a 99-year ground lease with a nominal lease payment of $1 annually. The developer will construct a 76-unit senior residential building, a 189-unit residential building, eight single-family townhomes, and up to 5,000 square feet of commercial or community use space.

[1] Known for taxation and assessment purposes as Lot 849 in Square 2890. The entire property is approximately 122,000 square feet.
[2] The school was closed at the end of the 2007-2008 school year and was demolished in 2009.

The developer will benefit from the disposition of District property and therefore must meet various affordable housing requirements.[3] The developer must provide the greater of two-thirds of all residential units or the amount designated through the planned unit development process as affordable units. The developer must designate at least 90 of the affordable units as replacement units for individuals and families who were relocated from the Park Morton public housing complex, while the rest will be affordable for residents earning up to 60 percent of the area median income.

The developer must sign a First Source Agreement with the District[4] 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.[5]

The Bruce Monroe Surplus Declaration and Approval Resolution of 2016 will declare the property as surplus.

Financial Plan Impact

Funds are sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the proposed resolution. The District will receive a nominal annual rent payment of $1 over the term of the 99-year lease.

The District expended tax-exempt bond proceeds for the temporary structures on the property after the school was demolished. I.R.S. rules severely restrict private business use of a public space or the transferring or selling of a public space to private entities if tax-exempt bond proceeds have been used to develop or repair the public space and the bonds are still outstanding. To comply with I.R.S. rules, the government issuer must pay off these bonds according to the initial borrowing terms, retire or refund these bonds, or remove any structures associated with the municipal bond expenditures before the lease or sale to a private party can occur. In this case, the District plans to remove the structures. The District can absorb the costs associated with the structure removals within existing resources.

The disposition will also reduce District assets by approximately $8.9 million, but assets are not included in the District's budget and financial plan.

[3] Disposition of District Land for Affordable Housing Amendment Act of 2013, effective November 27, 2014 (D.C. Law 20-193; D.C. Official Code § 10-801(a-3)).
[4] Pursuant to D.C. Official Code § 2-219.03.
[5] Pursuant to D.C. Official Code § 2-218.49a.