


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: June 27, 2019

SUBJECT: Fiscal Impact Statement – MLK Gateway Term Sheet Amendment
Emergency Approval Resolution of 2019

REFERENCE: Draft Proposed Resolution as shared with the Office of Revenue
Analysis on June 25, 2019

Conclusion

Funds are sufficient in the fiscal year 2019 budget and the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the proposed resolution.

Background

The District approved¹ the disposition of various District-owned properties known as the MLK Gateway near the intersection of Martin Luther King, Jr. Avenue, S.E.² and Good Hope Road, S.E.³ to MLK Gateway Partners LLC.⁴ MLK Gateway Partners LLC will construct commercial retail and office buildings on the properties. The terms of the disposition include a 50-year ground lease with a 49-year extension option and an annual rent of \$23,448.⁵

¹ MLK Gateway Disposition Approval Resolution of 2017, effective December 5, 2017 (Resolution 22-310; 65 DCR 33).

² These properties are located at 1909, 1911, and 1913 Martin Luther King Jr., Avenue, S.E. and are known for tax and assessment purposes as Square 5770, Lot 829.

³ These properties are located at 1201-1215 Good Hope Road, S.E. and are known for tax and assessment purposes as Square 5769, Lots 847, 864, 866, 867, and 1017.

⁴ MLK Gateway Partners LLC is comprised of The Menkiti Group and Enlightened, Inc.

⁵ These payments will begin on the fourth anniversary of the closing date and escalate 3 percent annually. There is also a \$4.5 million payment to the District if the developer does not exercise the option.

The Honorable Phil Mendelson

FIS: "MLK Gateway Term Sheet Amendment Emergency Approval Resolution of 2019," Draft Proposed Resolution as shared with the Office of Revenue Analysis on June 25, 2019

The proposed resolution amends the original disposition terms and distinguishes between the property located along Martin Luther King, Jr. Avenue, S.E. (MLK Property) and those located along Good Hope Road, S.E. (GHR Property). The MLK Property will now be disposed through a fee simple sale for \$200,000. The GHR Property will continue to be leased under a 50-year ground lease with a 49-year extension option, however, the new annual rent will be \$1 annually with no required payment if the developer elects not to exercise its option.

Financial Plan Impact

Funds are sufficient in the fiscal year 2019 budget and the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the proposed resolution. There are no costs associated with the term sheet amendments. The District will deposit the \$200,000 sale proceeds and the lease payments into the District's Local Fund. The disposition of both properties is expected to occur before the end of 2019.