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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Kwame R. Brown**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: **June 15, 2011**

SUBJECT: **Fiscal Impact Statement – "Harrison School Disposition Approval Resolution of 2011"**

REFERENCE: **Draft Legislation, no bill number**

Conclusion

Funds are sufficient in the FY 2011 budget and the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed resolution. The proposed disposition of this property would reduce District real property assets by approximately $5,165,800.[1] Since assets are not included in the budget and financial plan, the disposition of the property through a long term lease will have no direct fiscal impact on the District's budget and financial plan.

Background

The proposed resolution would authorize the Mayor to execute a lease for a District-owned property located at 2120 13th Street, NW, commonly known as the Harrison School and legally known as Square 0235 and Lot 0814. The Mayor intends to lease the property to the Meridian Public Charter School ("Tenant"), a District of Columbia non-profit corporation, for 25 years with one optional 25-year renewal term for the operation of a public charter school.[2]

The assessed value of the property is $5,165,800. The disposition of this property is not an outright sale, but a long-term lease, which grants a possessory interest to the Tenant. The Department of Real Estate Services (DRES) chose the Tenant through a competitive bid.

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[1] FY 2011 Proposed Tax Assessed Value according to OTR's Real Property Tax Database, accessed June 9, 2011. https://www.taxpayerservicecenter.com

[2] See District of Columbia School Reform Act of 1995, effective April 26, 1996 (Pub. L. 104-134, § 2001, D.C. Official Code § 38-1800.01 *et seq.*)

According to DRES, the Annual Base Rent is $450,000 throughout the initial 25 term of the lease and will be adjusted to fair market value for the 25 year option term.[3] Starting Year 1 and through Year 15 of the lease, the lease payments would be subject to a rent credit adjustment up to the full amount of the lease payments and not to exceed the value of the Tenant's actual construction costs. Any remaining construction costs not applied as a rent credit during this period would be amortized over Year 16 through Year 25 of the lease.

The Tenant is also required to enter into an agreement with the Mayor to contract with Certified Business Enterprises (CBE) for at least 35 percent of the contract dollar volume of the project, and to require at least 20 percent equity and 20 percent development participation of CBEs. Additionally, the Tenant is required to meet the District Green Building Requirements and enter into a "First Source Agreement" with the District requiring it to hire certain levels of District residents for new jobs created as a result of construction on the property.

Financial Plan Impact

Funds are sufficient in the FY 2011 budget and the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed resolution. The proposed resolution would approve the disposition of District-owned real property currently owned by the District. This disposition would reduce the value of the total assets held by the District by approximately $5,165,800, but because assets are not included in the budget and financial plan, the proposed resolution does not have a direct fiscal impact on the District's budget and financial plan.

[3] The rentable space is approximately 48,900 square feet of building area.