

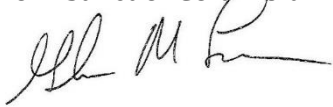
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

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

FROM: Glen Lee
Chief Financial Officer 

DATE: November 14, 2022

SUBJECT: Fiscal Impact Statement – Hill East Phase II Bundle 2 Surplus
Declaration and Disposition Approval Act of 2022

REFERENCE: Bill 24-1033, Draft Committee Print as provided to the Office of
Revenue Analysis on November 3, 2022

Conclusion

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill.

The bill approves the disposition of three District-owned parcels for private development. The developer will pay the District \$1.00 in a fee-simple transaction for one of the parcels and will lease the other two parcels for \$1.00 annually under a 99-year ground lease.

Background

The bill declares as surplus and disposes for private development three parcels, plus adjacent street parcels, located in the Hill East development at 1900 Massachusetts Avenue, S.E. The approximately 275,000 square feet area of land, known as Parcels C, E, and H, is currently vacant and is not needed for public purposes. The District will dispose of the parcels to R13 Community Partners LLC¹ (Developer). The Developer will construct four mixed-use buildings and a hotel on Parcel C that will include over 1,000 residential units, 115 co-living bedrooms, 150 hotel rooms, and nearly 60,000 square feet of retail space combined. The Developer will develop Parcel E as a public park. The Developer will construct townhomes and a condominium building on Parcel H for a total of approximately 126 residential units. The Developer currently plans for approximately 700 of the

¹ R13 Community Partners is a joint venture among Frontier Development & Hospitality Group LLC, H2 Design Build and Broughton Construction Inc, A. Walsh & Associates Inc., and U Street Parking, Inc.

The Honorable Phil Mendelson

FIS: Bill 24-1033, "Hill East Phase II Bundle 2 Surplus Declaration and Disposition Approval Act of 2022,"
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residential units and 35 co-living bedrooms across all three parcels to be made available as affordable units.² The Developer will also build out the street parcels surrounding the parcels that are planned for development, including roadways and sidewalks.

The District will dispose of Parcel H to the Developer through a fee simple transaction where the Developer will pay the District \$1.00 at closing. The Developer will lease Parcels C and E from the District under a 99-year ground lease at a rate of \$1.00 annually.

The Developer must sign a First Source Agreement³ with the District 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.

Financial Plan Impact

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. There are no costs associated with the surplus property declaration or the disposition agreement.

The Developer will pay the District \$1.00 in a fee simple transaction for Parcel H; while the Developer will lease Parcels C and E for \$1.00 annually under a 99-year ground lease. The proceeds from these transactions will be deposited in the Deputy Mayor for Planning and Economic Development's Economic Development Special Account.⁴

² Because the Developer is benefiting from the disposition of public property, it must comply with the Disposition of District Land for Affordable Housing Amendment Act of 2014, effective March 10, 2015 (D.C. Law 20-193; D.C. Official Code § 10-801).

³ First Source Employment Agreement Act of 1984, effective June 29, 1985 (D.C. Law 5-93; D.C. Official Code § 2-219.03).

⁴ National Capital Revitalization Corporation and Anacostia Waterfront Corporation Reorganization Act of 2008, effective March 26, 2008 (D.C. Law 17-138; D.C. Official Code § 2-1225.21).