

PUBLIC HEARING ON

Bill 17-0834

Southwest Waterfront Disposition Revised Approval Resolution of 2008

Before the

Committee on Workforce Development and Government Operations

Council of the District of Columbia

Councilmember Carol Schwartz, Chairman

July 7, 2008

2:00 PM

John A. Wilson Building, Room ---



Testimony of

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Government of the District of Columbia

Good morning, Chairman Schwartz, and members of the Committee on Workforce Development and Government Operations. I am John Ross, Senior Advisor to the Chief Financial Officer for Economic Development Finance. I am pleased to testify today on Bill 17-0591, the Southwest Waterfront Disposition Revised Approval Resolution of 2008.

The proposed resolution authorizes the disposition of certain real property interests (including fee simple rights, leaseholds, water rights and air rights) pursuant to a negotiated disposition agreement with the Developer, which sets out the general terms of the disposition. The FY 2008 assessed value of the land and piers to be transferred as part of this disposition is approximately \$98 million.

The legislation authorizes transfer of approximately 16 acres of the 23 acre Southwest Waterfront site. The legislation also requires the Mayor to seek to close and dispose of streets and alleys related to the site. Additional legislation would address the street closings as well as the temporary and permanent disposition of street and alley parcels.

Through a bill currently before Council, the District would also contribute the approximately \$198 million to the project through a TIF and PILOT financing. This,

in addition to the transfer of real property rights, would bring the total subsidy to this project to approximately \$296 million.

The proposed land disposition agreement (LDA) states the land cannot be transferred until the leasehold issues have been resolved. Based on information received, the condemnation value of the leaseholds pursuant to the current leases is approximately \$24 million. The approximate negotiated cost to the project to accommodate current leaseholders on the site is over \$70 million. Therefore, the cost of requiring the Developer to negotiate with current leaseholders rather than the District condemning the leases prior to transfer is approximately \$46 million. This is included in the current project budget.

The OCFO strongly supports the development of Southwest Waterfront. This is an important opportunity to revitalize a large, underutilized urban parcel and to enhance the other development projects along and near the river in Southeast and Southwest. We have been and will continue to work with the Mayor and the Council to support a development that contributes to the long-term revitalization of this greatly underutilized part of the city, in a manner that is fiscally prudent for the city.

Fiscal Impact

While this transfer would result in a reduction of District assets of approximately \$98 million, a transfer of real property from the District to a private entity has no direct impact on the District's budget and financial plan, because assets are not part of the District's operating budget.

Risks

There are a couple of risks in approving a transfer of the land at this time.

First, Council would be approving a disposition before the land disposition agreement (or LDA) has been finalized and before the District has full control of the land. Much of the Southwest Waterfront land is encumbered by long-term leases. The transaction contemplates resolving current leaseholder issues through negotiations between the Developer and the current leaseholders. Those negotiations are not yet complete. Council approval of a disposition prior to the District's resolution of current leasehold issues adds a potential risk of future unforeseen costs and/or delays in the project.

Second, the Southwest Waterfront Parcels were originally purchased by the District through the Urban Renewal program at HUD. While the Urban Renewal program no longer exists, former Urban Renewal properties are covered by various requirements of the Community Development Block Grant (CDBG) program. Any revenue generated from the lease or disposition of the property will be considered CDBG program

income. Further, the OCFO has not received definitive information that the District has no other obligations to HUD, financial or otherwise, related to the site.

Thank you for this opportunity to comment. I would be glad to answer any questions you may have.