

**PUBLIC HEARING ON
“NATIONAL CAPITAL REVITALIZATION
CORPORATION LAND TRANSFER CLARIFICATION
ACT OF 2006”**

**Before the
Committee on Economic Development
Council of the District of Columbia**

The Honorable Sharon Ambrose, Chairperson

**October 20, 2006, 10:00 a.m.
Room 410
John A. Wilson Building**



**Testimony of
John Ross
Senior Advisor and Director of Economic Development Finance
Office of the Chief Financial Officer**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairperson Ambrose and members of the Committee on Economic Development. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify for the OCFO on a proposed bill that would authorize the transfer of the Southwest Waterfront parcels from the National Capital Revitalization Corporation/RLA Revitalization Corporation (NCRC/RLARC) to the Anacostia Waterfront Corporation (AWC), and the transfer of the McMillan Reservoir from the District to NCRC/RLARC.

The legislation would authorize the Mayor to transfer the fee simple title to the Southwest Waterfront parcels from NCRC/RLARC to AWC. The bill conditions the transfer on the simultaneous transfer by the Mayor of the fee simple title to the McMillan Reservoir to NCRC/RLARC. Although the proposed bill does not authorize the transfer of NCRC/RLARC's leasehold interest in the Southwest Waterfront parcels, it is the OCFO's understanding that the legislation will be amended to include this transfer to AWC.

The proposed bill repeals three sections of The National Capital Revitalization Corporation Act of 1998 (Act). These sections require the transfer of the Southwest Waterfront parcels to be conditioned upon the execution of a memorandum of understanding (MOU) between NCRC/RLARC and the District. These sections also allow NCRC/RLARC to retain \$25 million in additional CDBG program income that would otherwise be paid to the Department of Housing and Community Development.

Impact of Proposed Legislation

The assessed value of the property to be transferred to AWC is approximately \$80 million. The assessed value of the property to be transferred to NCRC/RLARC is unknown, but the parcel is encumbered with significant environmental and historic preservation issues, making it unlikely to be equal in value to the Southwest Waterfront parcels.

The amendment to the Act to repeal the section allowing for the retention of \$25 million in CDBG program income would require NCRC/RLARC to cut approximately \$7 million in projects from its \$40 million budget for the FY 2007 Consolidated Annual Action Plan.

The transfer of the Southwest Waterfront parcels without any corresponding payments from AWC would reduce NCRC/RLARC's operating income. The shortfall in revenues from the Southwest Waterfront parcels would require NCRC/RLARC to reduce expenses by \$250,000.

Other Points to Note

It is also important to note that NCRC/RLARC currently has an outstanding loan on a portion of the Southwest Waterfront property, which must be ratified by the Council. The debt service on the loan is paid from the net operating income of the Hogates property and the Gangplank Marina. The net revenues from the lease on the Hogates property and the Gangplank Marina are sufficient to pay the annual debt service on the loan. If the fee simple title and leasehold interest in the Hogates property and the Gangplank Marina are transferred to AWC, the debt on the property must be refinanced by AWC.

In addition, NCRC/RLARC is currently named in the CASCO litigation regarding the Gangplank Marina. The suit was originally brought against the District of Columbia Redevelopment Land Agency (DCRLA), and was later broadened to include NCRC/RLARC. If the Southwest Waterfront parcels are transferred, AWC will have to assume a portion of the legal expenses of the defense of the litigation. Neither NCRC/RLARC nor AWC have sufficient funds to settle the litigation, and it is likely that the District will be required to pay for the settlement of the case at some point in the future.

Conclusion

Because the proposed bill would transfer District assets from one independent District instrumentality to another independent District instrumentality, it would have no direct impact on the District's proposed FY 2007-2010 budget and financial plan.

Thank you for the opportunity to testify. This concludes my testimony, and I am happy to answer any questions you have at this time.