

PUBLIC OVERSIGHT ROUNDTABLE ON

**The Costs and Benefits of Bill 20-805,
the “District of Columbia Soccer Stadium Development Act of 2014”**

**Before the
Committee of the Whole
Chairman Phil Mendelson**

on

**Wednesday, November 5, 2014
12:00 p.m., Council Chamber, John A. Wilson Building**



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Key Cost Assumptions

- Costs are based on current structure of deal as negotiated (costs could change if deal is altered)
 - ▶ Land is valued at purchase price reflected in negotiated agreements
 - ▶ Land cost is net of swaps and contributions (i.e. \$39.4 million received from Akridge and DC United is used to offset other deal costs)
- Value of sales tax abatement is based on estimate of stadium revenues provided by Team
- Abated sales taxes on ancillary development portion of the site are not included in this analysis
- Value of deed & recordation tax exemption includes transactions related to ancillary development portion of site that are estimated to occur in 2019 and 2023
- Costs for site preparation, relocation, and lease payments were obtained from relevant agencies (e.g., DDOT, OCTO, DGS) and utility companies (e.g., Pepco, DC Water, Verizon)
- Estimated environmental cost is the average of National's Park remediation and McKissack estimate

District Cost Summary

- The total cost of the project as currently proposed is \$324.4 million
- In order to implement the proposed legislation, the District must identify \$73.6 million in capital and \$59.9 million in operating funds during the financial plan period

Table 1: Summary of New Soccer Stadium Costs to District (*dollars in millions*)

	FY 2015	FY 2016	FY 2017	FY 2018	Financial Plan Total	Total District Cost Through FY 2036
Capital expenditures (net of swaps and contributions)	\$63.2	\$5.3	\$5.1	\$0	\$73.6	\$73.6
Operating expenditures and revenue reductions	12.4	12.4	17.1	18.0	59.9	250.8
Total Capital and Operating Costs	\$75.6	\$17.7	\$22.2	\$18.0	\$133.4	\$324.4

District Land Costs

- Land is valued at purchase price reflected in negotiated agreements
- Land cost is net of swaps and contributions (i.e. \$39.4 million received from Akridge and DC United is used to offset other capital costs)
- The District must identify approximately \$12.5 million in capital funds to complete land acquisition

Table 2: Land Costs of New Soccer Stadium Site to District (*dollars in millions*)

Property Acquired	Location	Negotiated Value Paid	Property Disposed in Swap	Negotiated Value Received	Cash Due to (Due from) District
Akridge parcel	Buzzard Point	(\$21.1)	Reeves Center	\$55.6	\$34.5
Pepco parcels	Buzzard Point	(40.0) ¹	1st & K St, NW	15.8	(24.2)
Rollingwood parcel	Buzzard Point	(10.5)	N/A	N/A	(5.6) ²
Super Salvage parcel	Buzzard Point	(17.1)	N/A	N/A	(17.1)
TOTAL		(\$88.7)		\$71.4	(\$12.5) ³

¹ Cost for turbine removal (\$1.0 million) reflected in site preparation estimate.

² DC United and Akridge contributions (\$2.4 million each) applied towards the cost of the Rollingwood parcel.

³ Any difference between sum of the rows and total shown is due to rounding.

Table 3: District Cost Details (dollars in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	Financial Plan Total	Total District Cost Through FY 2036
1 <u>Capital Expenditures</u>						
2 Land Purchases (net of swaps and contributions per Land agreements)	\$12.5	\$0.0	\$0.0	\$0.0	\$12.5	\$12.5
3 Site Preparation & Infrastructure						
4 Pepco Combustion Turbines Removal	1.0	0	0	0	1.0	1.0
5 Pepco Distribution Duct Bank/Feeders Relocation	4.5	0	0	0	4.5	4.5
6 Demolition	0.7	0	0	0	0.7	0.7
7 Environmental Remediation	6.3	0	0	0	6.3	6.3
8 Utilities	9.4	0	0	0	9.4	9.4
9 Salt Dome Relocation	3.1	0	0	0	3.1	3.1
10 Roads/Sidewalks/Signals and Signage	8.6	0	0	0	8.6	8.6
11 Unidentified Infrastructure and Contingencies	12.0	0	0	0	12.0	12.0
12 Sidewalk Improvements from Metro to Site	0	0.2	0	0	0.2	0.2
13 DC Net Relocation (off-site)	2.8	2.8	2.8	0	8.4	8.4
14 DDOT Traffic Center Relocation (off-site)	2.3	2.3	2.3	0	6.9	6.9
15 Capital Budget Subtotal	63.2	5.3	5.1	0.0	73.6	73.6
16 <u>Operating Expenditures</u>						
17 Office Space Lease Obligations						
18 Reeves Center Lease Payments	5.7	5.7	5.7	0	17.1	17.1
19 Reeves Center Property Taxes during lease period	1.4	1.4	1.5	0	4.3	4.3
20 Other Lease Space	0	0	0	1.0	1.0	14.1
21 Anacostia Office Lease Payments & Property Taxes	0	0	0	8.9	8.9	122.5
22 Other District Costs						
23 Reeves Center Employee Relocation	0	0	3.7	0	3.7	3.7
24 Public Safety Costs (at stadium)	0	0	0.2	0.2	0.4	2.5
25 Payments to Developers - Workforce Incentive Program (at stadium)	0	1.5	0	0	1.5	1.5
26 <u>Operating Revenue Reductions</u>						
27 Real Property Tax Abatement	1.3	1.4	4.4	5.1	12.2	59.3
28 Deed & Recordation Tax Exemption	2.8	2.4	0	0	5.2	5.7
29 Sales Tax Abatement	0	0	1.6	1.6	3.2	10.1
30 Waiver of Permitting Fees	1.2	0	0	0.1	1.3	1.3
31 Reeves Center Parking Garage Revenue Loss	0	0	0	0.9	0.9	7.7
32 Reeves Center Tenant Payments Revenue Loss	0	0	0	0.2	0.2	1.0
33 Operating Budget Subtotal	12.4	12.4	17.1	18.0	59.9	250.8
34 <i>Total Capital and Operating Costs (net of swaps and contributions)</i>	<i>\$75.6</i>	<i>\$17.7</i>	<i>\$22.2</i>	<i>\$18.0</i>	<i>\$133.5</i>	<i>\$324.4</i>

Tax Abatement Financial Analysis

Purpose: To determine whether or not the Team needs the proposed abatements to continue District operations under the terms of the agreements

Estimated Value of Abatements: The abatements would result in foregone District tax revenues of \$20.6 million during the financial plan period

Table 4: Tax Abatement Cost to District (dollars in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	Financial Plan Total	Total District Cost Through FY 2036
Sales Tax Abatement	\$0.0	\$0.0	\$1.6	\$1.6	\$3.2	\$10.1
Real Property/Possessory Interest Tax Abatement	1.3	1.4	4.4	5.1	12.2	59.3
Deed Recordation/Transfer Tax Exemption	2.8	2.4	0.0	0.0	5.2	5.7
Total	\$4.1	\$3.8	\$6.0	\$6.7	\$20.6	\$75.1

Conclusion: The OCFO finds the proposed abatements are not necessary for the Team to continue District operations under the terms of the agreements

- ▶ DC United has historically lost between \$4-5 million per year
- ▶ Despite these losses, the Team doubled in value between 2007 and 2012 (estimates by Forbes Magazine)
- ▶ In that same period, Teams with new stadiums more than tripled in value (estimates by Forbes Magazine)
- ▶ The Team is unlikely to be able to secure financing based solely on stadium operating revenues, with or without the abatements