

**Council of the District of Columbia
Committee on Finance and Revenue
DRAFT Committee Report**

1350 Pennsylvania Avenue, N.W., Washington, D.C. 20004

To: All Councilmembers

From: Jack Evans, Chairman
Committee on Finance and Revenue

Date: December __, 2007

Subject: Report on Bill 17-292, the “Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Amendment Act of 2007”.

The Committee on Finance and Revenue reports **favorably** on Bill 17-292, the “Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Amendment Act of 2007”, and recommends its approval by the Council of the District of Columbia.

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I. BACKGROUND, PURPOSE AND EFFECT

On July 6, 2007, Chairman Gray, at the request of the Mayor, introduced Bill 17-292, the “Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Amendment Act of 2007”. A public hearing was held on the bill on September 26, 2007.

Bill 17-292, the “Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Amendment Act of 2007”, contains technical clarifications to D.C. Law 16-244, the PILOT Authorization Increase and Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Act of 2006, recommended by the Mayor with respect to the issuance of these revenue bonds, an increases the potential borrowing costs from \$44.23 to \$55 million due to

potentially increased borrowing costs.

II. LEGISLATIVE HISTORY

- July 6, 2007 Bill 17-292 is introduced by Chairman Gray at the request of the Mayor.
- July 12, 2007 Bill 17-292 is referred to the Committee on Finance and Revenue.
- July 27, 2007 Notice of Intent to Act on New Legislation for Bill 17-292 is published in the *D.C. Register*.¹
- August 10, 2007 Public Hearing Notice for Bill 17-292 is published in the *D.C. Register*.
- September 26, 2007 The Committee on Finance and Revenue holds a public hearing on Bill 17-292, and other matters.
- December __, 2007 The Committee on Finance and Revenue meets to consider and vote on Bill 17-292, and other matters.

III. SUMMARY OF TESTIMONY

A public hearing on Bill 17-292, and other matters, was held on Sept. 26, 2007 beginning at approximately 10:50 a.m. Chairman Jack Evans and Councilmember Tommy Wells were in attendance. Councilmember Evans presented his opening statement on Bill 17-292, the “Arthur Capper/Carrollsbury Public Improvements Revenue Bonds Approval Amendment Act of 2007”:

“This legislation was introduced by Chairman Vincent Gray at the request of Mayor Fenty, and contains technical clarifications to D.C. Law 16-244, the PILOT Authorization Increase and Arthur Capper/Carrollsbury Public Improvements Revenue Bonds Approval Act of 2006, recommended by the Mayor with respect to the issuance of these revenue bonds. We will have testimony from the Administration on this matter.”

Larry Dwyer, Director of the Office of Planning and Development, D.C. Housing Authority testified in support of the legislation. Mr. Dwyer stated the Arthur Capper Carrollsbury project is located in southeast in Ward 6, and is bounded by the SE/SW Freeway, M Street SE, and 3rd and 8th Streets, SE. He indicated that in 2002 the Housing Authority received a Hope VI federal grant for \$34.9 million. He stated that at the time “Capper was a severely blighted neighborhood with an overconcentration of poverty and crime. The units themselves were obsolete and unmanageable”. He stated their Hope VI proposal called for the demolition of the existing 707 unit community called Arthur Capper Carrollsbury and replacing that with a mixed income/mixed use community consisting of rental and homeownership units affordable to households of all incomes. He stated the development plans also included development of

1 D.C. Register page 007204.

commercial and retail uses. He stated “a hallmark of this development is the replacement of every one of the 707 public housing units within the footprint of the Capper site.”

He stated since the time of the grant award, this area has and is undergoing tremendous redevelopment, with the construction of the new ballpark, the relocation of the US Department of Transportation headquarters, and other construction of office and residential buildings, and the recent creation of the Capitol Riverfront BID. Mr. Dwyer described the extensive community planning effort which went into the design of the project. He stated that to date “we have built a beautiful 162 unit senior building that was fully occupied in December 2006, and completed a 139 unit workforce housing rental building that will be fully occupied by the end of the year.” He also stated they have been doing extensive infrastructure work to support the new development as well as the District’s various underground systems. He stated that in January 2008 they will commence construction of the 1st phase of the townhomes component which will produce 160 new rental and for-sale units. He indicated that “as you may have read in the newspapers or seen in the local news, the demand for these units are so high that many applicants for the market rate homes camped out in front of the sales trailer for weeks in order to be selected”.

Mr. Dwyer stated the Capper Pilot the Council approved in 2006 “will fund the balance of the infrastructure in this area including underground utilities, new streets and sidewalks, landscaping, new street lighting and other community benefits.” Mr. Dwyer stated he thought the amendments in the proposed legislation were technical in nature, and recommended increasing the potential borrowing to \$55 million in order to account for what could likely be increased borrowing costs associated with the project.

Konrad Schlater, Office of the Deputy Mayor for Planning and Economic Development, testified in support of the legislation. He recounted the scope of the development project, which would be a one-for-one replacement of the previous 707 public housing units, approximately 940 townhomes at both market rate and workforce homeownership, and 732,000 square feet of office building space and 50,000 square feet of retail. Mr. Schlater stated the legislation was need to allow for “flexibility in finance in the most fiscally responsible manner, including modifications to conform to tax-exempt bond issuance requirements”. He stated the legislation (1) clarifies the uses of PILOT funds and the PILOT payments will be equal to real property taxes, to allow for the tax exempt-bond issuance; (2) amends the 2006 Act to be a stand-alone PILOT but retains that the Capper PILOT Note counts against the PILOT Bond Act cap; (3) adds option of pay as you go, meaning that funds can be spent as PILOT payments are being made; (4) clarifies the applicable square and lot information and revenue collection; (5) clarifies that the existing privately owned townhouses will not be included in the PILOT area; and (6) clarifies the District will retain equivalent of real property taxes for the currently taxable lots consistent with District practice. He stated the legislation “also modifies the total authorized PILOT amount from \$40.2 million to \$44.2 million” although he also noted “DCHA may ask this Committee to increase the amount further to account for increased financing costs; however net amount available for project costs would remain the same.” Mr. Schlater concluded by stating that the Council should act expeditiously to approve the legislation so infrastructure work can commence and “this long awaited project can be completed.”

The public hearing adjourned at 11:55 a.m.

IV. FISCAL IMPACT

The Chief Financial Officer's September 26, 2007 fiscal impact statement, which pertains to the bill as introduced, states that "funds are not sufficient in the proposed FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed bill. The proposed bill will have a negative fiscal impact on the proposed FY 2008-FY2011 budget and financial plan of approximately \$745,000. Changing the definition of "PILOT increment payments" to ensure that taxes currently reflected in the revenue estimate are allocated to the General Fund would make the fiscal effect neutral". This impact is about \$137,000 in FY 2008, \$170,000 in FY 2009, \$203,000 in FY 2010 and \$235,000 in FY 2011.

The Office of the Deputy Mayor for Planning and Economic Development has suggested changes to the legislation, which have been incorporated into the committee print of the legislation, and as such, the Committee has requested a revised fiscal impact statement from the Chief Financial Officer.

V. SECTION-BY-SECTION ANALYSIS

Title I - Financing

Section 101 amends the PILOT Authorization Increase and Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Act of 2006 (D.C. Law 16-244; 54 DCR 609) to amend or add various definitions, in particular to refine the definition of the Capper/Carrollsborg PILOT Area and to add the definition of "development costs". It further amends the previous findings to increase the potential bond issuance amount to \$55 million, from \$44.23 million, due to potential increased financing costs, which can include up to \$18.3 million in financing costs (up from \$7.5 million) and \$36.7 million in development and improvements (which is unchanged from previous legislation). The section also creates a Capper/Carrollsborg PILOT fund into which PILOT funds are to be paid. These funds are to be used to pay the various expenses associated with the bonds for the project. Any funds in excess of the amount needed to pay the bonds, in general, shall be transferred to the General Fund.

Section 102 amends the District of Columbia Housing Authority Act of 1999 (D.C. Law 13-150; D.C. Official Code § 6-201 et seq.) to clarify the scope of improvements associated with the project, refine the meaning of development costs, and make this law consistent with our usual bonding requirements.

Title II – Exemption from Taxation

Section 201 amends Title 47 of the D.C. Official Code to clarify that real property subject to the PILOT payment mechanism would not also pay D.C. real property taxes, and that the PILOT period is defined as thirty years commencing on April 1, 2007.

Section 202 updates a reference in the District of Columbia Deed Recordation Tax Act (76 Stat. 11; D.C. Official Code § 42-1102(3)).

Title III – Fiscal impact statement.

Section 301 is the fiscal impact statement of the legislation.

Title IV – Effective date.

Section 401 is the effective date clause.

VI. IMPACT ON EXISTING LAW

Bill 17-292 amends existing law as described above in the "Section By Section Analysis" of the legislation.

VII. COMMITTEE ACTION

The Committee on Finance and Revenue convened at ___ p.m. on December ___, 2007, to consider and vote on Bill 17-292 and other matters. Chairman Evans recognized the presence of a quorum, consisting of himself and Councilmembers _____.

Chairman Evans made brief opening remarks regarding the bill.

Chairman Evans then moved Bill 17-292, with leave for the Committee staff to make technical and conforming amendments.

The members voted as follows:

Report on Bill 17-292

Committee Print on Bill 17-292

Chairman Evans
Councilmember Barry
Councilmember Brown
Councilmember Catania
Councilmember Graham

Thus, the bill and accompanying report were passed by the Committee with ___ votes in support, ___ votes against, and ___ Member absent.

The committee meeting adjourned at ___ p.m.

VIII. ATTACHMENTS

- A. Bill 17-292 as introduced.
- B. Committee Print of Bill 17-292.
- C. Chief Financial Officers September 26, 2007 fiscal impact statement.
- D. Public hearing notice for Bill 17-292.
- E. Witness list and copies of testimony from the September 26, 2007 public hearing on Bill 17-292.