

DC UNITED SOCCER LEGISLATION



KEY BENEFITS

The Economy – Over \$2.3 Billion of New Economic Activity Where It's Needed

- Revitalizes Buzzard Point with a Sports and Entertainment District between Nationals Ballpark and the new DC United Stadium.
- Builds upon the District's positive investment in Nationals Ballpark and South Capitol Street that is good for business.
- Builds a modern municipal center on District-owned land in Ward 8, at the corner of MLK Boulevard and Good Hope Road.
- Relocates the economic stimulus of the Reeves Center to serve as a community anchor in a new location, just as the existing Reeves Center did for the U Street neighborhood.

Jobs - 2,471 New Jobs Focused on District Residents and Businesses

- Including a Project Labor Agreement (PLA) with local labor groups that prioritizes District workers and businesses first.
- Creates thousands of new jobs for District workers, including 715 sustainable, permanent positions.
- Relocates District employees to a more functional and efficient New Reeves Center in Ward 8, while turning the Old Reeves property into a tax revenue-producing and vibrant mixed-use site in the U Street neighborhood.

THE BOTTOM LINE

- The Net Present Value of the 30-year fiscal impact of the project is **\$385M** - the cost of the project is **\$120M**.
- This project is good for the District of Columbia budget and bottom line, even after capped District costs.
- The Financial Benefits Far Outweigh the Costs.

DC UNITED SOCCER STADIUM DEAL

ECONOMIC IMPACT

	Development Period	Annual Basis	30-Year Fiscal Impact
Economic Activity	\$244.2M	\$84.5M	
Permanent Jobs	1,756	715	
Cumulative Fiscal Benefits over 30 years (NPV)			\$385.0M

Note: this represents the full economic impact of the three-project legislation.

DISTRICT COSTS

Land Assembly	\$84.9M
Horizontal Development	\$34.6M
Total District Contribution	\$119.5M

MAJOR GROUND LEASE TERMS

Term	30 Years
Extension Options	Three 5 - year extension options
Base Rent	\$1.00 / Year
Additional Rent	\$2.00 / Ticket

Additional Rent: DC United will pay the District \$2.00 for each ticket sold in years 11 through 20 of the lease term, and \$2.00 per ticket ad justed for CPI for each ticket sold in years 21 through the end of the term of the lease.

Sales Tax Phase-in: DC United will pay no sales taxes on day-of-game revenues for years 1 through 5, and 50% for years 6 through 10. After year 10, all sales are subject to sales tax. There will be no phase-in for sales tax on ancillary development parcels.

Real Estate Phase-In: DC United will pay no real estate taxes in years 1 through 5, 25% in years 6 through 10, 50% in years 11 through 15, 75% in years 16 through 20, and 100% in years 21 and beyond. There will be no phase-in for real estate taxes on ancillary development parcels.

Franchise Appreciation Recapture: If the team is sold within 5 years of the execution of the transaction, the District is entitled to a payment equal to 15% of the franchise sale price, less DC United's basis value.

Economic Inclusion:

51% of Stadium jobs go to District Residents
 50% of all development related contracts go to CBE Businesses, 35% to small, and 20% to disadvantaged business enterprises
 35% of all stadium operation contracts go to CBE Businesses

LAND ACQUISITIONS

Owner	FAR	Value/FAR	Site Value	Valuation Method
Akridge	731,858 sf	\$28.83	\$21.1M	3-Appraiser
Mark Ein	210,018 sf	\$50.00	\$10.5M	Negotiated
Super Salvage	342,957 sf	\$50.00	\$17.1M	Negotiated
Pepco	1,282,997 sf	\$31.96	\$41.0M	2014 Tax Assessment
			\$89.7M	
		Less: DCU / Akridge Contribution	\$(4.9M)	
		Net District Land Assemblage Costs	\$84.9M	

Land Dispositions

Property	Value	Valuation Method
2000 14th Street NW	\$55.6M	3-Appraiser
1st & K Street NW	\$15.8M	3-Appraiser
	\$71.4M	

2000 14TH STREET REDEVELOPMENT

LAND EXCHANGE ACCOMPLISHES MULTIPLE DISTRICT GOALS

Limits cash and protects the debt cap: The land exchange agreements allow the District to fund its \$120 million commitment to the Stadium utilizing only \$48 million in cash, and minimizing the impact to the debt cap. The District is applying the substantial profits it has earned at the Reeves Center to a new economic engine in Ward 6.

Reeves Center: The Reeves Center was selected by the District for several reasons:

- 1. Functionally Obsolete & Expensive to Operate:** The current facility is highly inefficient, expensive to operate, and in need of substantial capital improvements due to the age of the facility. Many of the building systems are approaching or have passed the end of their design lives.
- 2. Underutilized District Asset:** The current zoning envelop allows for almost 525,000 square feet of development on the property. The current Reeves Center is only 304,000 square feet. Every recent appraisal of the property concluded that the property is more valuable without the building than with it.
- 3. Good Timing:** The Reeves Center has successfully contributed to the revitalization of the U Street corridor, transforming it into one of the most vibrant neighborhoods in the City. Selling the property now will allow the District to realize a substantial profit upon sale.
- 4. Fiscal Impact:** By selling the Reeves Center land to Akridge, this valuable District asset is returned to the District tax rolls. Akridge plans to almost double the density on the site and create an engaging mixed use project that will generate a net present value of \$85 million in tax revenue over the next 30 years.

1st & K Street NW Parcel:

- 1. Reliable Power Supply:** Pepco is in need of a new substation in the Mount Vernon Square neighborhood to accommodate power distribution to the new development in the surrounding area. There are very few sites available to accommodate this requirement, and this sale helps provide reliable power supply to District residents while reducing the cash needs of the project.

THREE - APPRAISER VALUATION

In an effort to provide as transparent, open and fair a transaction as possible, the District and Akridge agreed to a 3-Appraiser valuation process that allowed a panel of appraisers to establish the values of both the Reeves Center property and the Buzzard Point property. Each appraiser had over twenty years of appraisal experience in the District and had participated in valuations such as this many times. The panel was required to provide consensus opinions of value for both sites, and those valuations form the basis of the economic agreement between Akridge and the District.

Appraisal Results: After studying all relevant data, the appraisers valued the Reeves site at \$60M (less demo costs) and the Akridge Buzzard Point site at \$21M. The net contribution of cash from Akridge to the District is \$37M.

CFO Appraisal Results: The CFO's office conducted its own independent valuation by hiring another appraiser to establish a value for both the Reeves Center and the Buzzard Point sites. The CFO's appraiser established marginally higher values for both sites - \$69 million for the Reeves Center and \$99 million for the Buzzard Point sites. While the CFO's \$69 million valuation of the Reeves Center is \$13 million higher, the CFO's valuation of the Buzzard Point sites is \$14 million higher. With respect to the Akridge Buzzard Point site, the CFO's appraiser valued it at \$27 million, which would result in a \$42 million difference between the Reeves Center and the Akridge Buzzard Point site.

NEW REEVES CENTER

New Reeves Building – Ward 8 – MLK and Good Hope Rd.

• **Key Drivers:** A new municipal center will be built to serve as an anchor and economic catalyst to the MLK Boulevard and Good Hope Road neighborhood in the way the existing Reeves Center served the U Street neighborhood. The building will be built on a vacant site currently owned by the District, adjacent to the existing DHCD headquarters.

• **The building** – the current development plan assumes a 200,000 sq ft, LEED certified development project that would house 800 District employees. Because of the inefficiencies of the existing Reeves building, the District will be able to house the same number of employees in 30% less space.

• **The expected deal** – The District expects to occupy the building through a competitively bid sale- leaseback process. Under such an approach, the District will sell the land, provide detailed specs for a new building, and enter into a 20-year lease agreement with a selected developer. This process would not trigger any new debt for the building and will utilize the efficiency of the private sector constructing and financing the new building.

SOURCES + USES OF CAPITAL

USES OF CAPITAL

Land Acquisition Costs

Square	Lot	Owner	Site Size (SF)	By Right Envelope (SF)	Value/FAR	Site Value
607	13	Akridge	89,251	731,858	\$28.83	\$21,100,000
605	7	Mark Ein	25,612	210,018	\$50.00	\$10,500,920
605	802	Super Salvage	41,824	342,857	\$50.00	\$17,147,840
661	Multi	Pepco	156,463	1,282,997	\$31.96	\$41,000,000
			313,150	2,567,830	\$34.95	\$89,748,760
		Less: DC United/Akridge Land Assembly Contribution:			(\$1.90)	(\$4,888,310)
		Net District Land Acquisition Costs:			\$33.05	\$84,860,450

Site Preparation Costs

Budget Item	Cost
Site Infrastructure	\$14,740,990
Utility Relocation	\$6,343,750
Infrastructure Allowance	\$7,750,000
Contingency (20%)	\$5,766,948
Site Preparation Costs:	\$34,601,688

Total Horizontal Development Costs

\$119,462,138

Note: The nominal acquisition price for the Ein and Super Salvage parcels is \$50 per FAR foot. The acquisition contributions made by Akridge and DC United of \$4,883,310 render the district's acquisition cost \$41.17 per FAR foot. The District will retain ownership of the land at the end of the term of the ground lease. If the land appreciates in value similar to what the land around the Verizon Center has over the past 30 years, then the Buzzard Point land will be worth over \$683 million at the end of the ground lease.

SOURCES OF CAPITAL

Land Exchange Proceeds

Reeves Center Exchange with Akridge ^(d)	\$55,600,000
1st & K Exchange with Pepco	\$15,800,000
Subtotal	<u>\$71,400,000</u>

Capital Budget

\$48,062,138

Total Horizontal Development Funding

\$119,462,138