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United States General Accounting Office
Washington, DC 20548

March 23, 2001

The Honorable Mike DeWine
Chairman
The Honorable Mary Landrieu
Ranking Member
Subcommittee on the District
of Columbia
Committee on Appropriations
United States Senate

The Honorable Joe Knollenberg
Chairman
The Honorable Chaka Fattah
Ranking Minority Member
Subcommittee on the District
of Columbia
Committee on Appropriations
House of Representatives

Subject: District of Columbia: National Museum of American Music

The conference report accompanying the District of Columbia Appropriations Act of Fiscal Year 2001 directed us to review the National Museum of American Music (NMAM) proposal targeted for the current Convention Center site in downtown Washington, D.C., and to provide certain information to the Appropriations Committees by April 1, 2001. The NMAM proposal is in the conceptual stage and the Mayor's office has not yet decided on how to use the current Convention Center site once the new Convention Center is ready. Therefore, as agreed with your staff, we obtained information on the status of the NMAM proposal and the decision process of the Convention Center Redevelopment Task Force as well as information currently available related to the four questions in the conference report.

On March 1, 2001, we briefed the staff of both of your Subcommittees on the results of our review. Your staff asked us to provide additional information about the use of the \$300,000 appropriation for the needs and design study for the proposed NMAM. We have incorporated this information in the briefing slides enclosed with this letter. Also, we agreed to monitor the ongoing events related to the NMAM proposal until the District makes a decision and to keep your offices informed of any major developments.

We are sending copies of this letter to Senator George V. Voinovich, Senator Richard J. Durbin, Representative Constance A. Morella, and Representative Eleanor Holmes Norton in their capacities as Chair or Ranking Member of Senate and House Committees and Subcommittees. This letter will also be available on GAO's home page at <http://www.gao.gov>.

If you have any questions, please contact me at (202) 512-9450 or by e-mail at steinhoffj@gao.gov or Jeanette Franzel, Acting Director, at (202) 512-9471, or by e-mail at franzelj@gao.gov. Key contributors to this letter were Ronald L. King, Keith A. Thompson, Anne M. Hilleary, Wendy Wierzbicki, Arkelga L. Braxton, and Louis Fernheimer.

A handwritten signature in black ink that reads "Jeffrey C. Steinhoff". The signature is written in a cursive style with a large, looping initial "J".

Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance

Enclosure

Enclosure

March 1, 2001, Briefing on the National Museum of American Music



Financial Management and Assurance Team

District of Columbia Government Issues: National
Museum of American Music

Briefing for the Staff of the
Senate Committee on Appropriations, Subcommittee on the
District of Columbia
House Committee on Appropriations, Subcommittee on the
District of Columbia
March 1, 2001

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Introduction/Objectives

- The Conference Report accompanying the District's Fiscal Year 2001 Appropriations Act (Public Law 106-522) directs GAO to review the National Museum of American Music (NMAM) proposal and report to the Appropriations Committees by April 1, 2001, on the information contained in the proposal related to:
 - the total estimated project costs;
 - all potential funding sources;
 - whether the proposed project is suited for the site of the current Convention Center; and
 - whether the NMAM proposal constitutes the highest and best use of the property at issue.



Modified Objectives

- Because the NMAM proposal is in the conceptual stage and the Mayor's office has not yet reached a decision on the use of the Convention Center site, currently, only limited information is available to address the four questions.
- Accordingly, as agreed to by the Subcommittees' staff, the objectives of our review have been modified as follows.
- Provide an update on the status of the NMAM proposal, which includes:
 - information on the timing of the Mayor's decision process related to the NMAM proposal and other proposals submitted for consideration and
 - summary level information about the total cost of the Federal City Council (FCC) proposal for the NMAM and how the \$300,000 appropriated by the Congress for the proposal was used.



Modified Objectives

- Provide information on the Convention Center Redevelopment Task Force (Mayor's task force) including descriptions of:
 - the Mayor's task force that was established to study the potential uses and make recommendations for redevelopment of the Convention Center site;
 - the level of communication and coordination between the task force and District officials; and
 - the points of agreement and disagreement between the FCC, the task force, and District officials related to the NMAM proposal and other proposals.

- Provide any available information on the four questions presented in the conference report for Public Law 106-522.



Scope and Methodology

- In order to meet the above objectives, we
 - interviewed officials from the FCC, the District's Office of Planning, the Convention Center Redevelopment Task Force, the Library of Congress, the Smithsonian Institution, the Washington Metropolitan Area Transit Authority (WMATA), and the Kennedy Center and
 - reviewed the NMAM proposal and analyzed other related documents including FCC meeting minutes, newsletters, memorandums, cost schedules, and information received from the task force.
- We conducted our work from November 2000 through February 2001 in accordance with generally accepted government auditing standards.



Scope and Methodology

- We did not perform any independent analysis of the information contained in the NMAM proposal.
- We requested comments on a draft of these briefing slides from officials of the D.C. Office of Planning and the FCC. These comments are discussed in the last section of this briefing.



Background

- The fiscal year 1999 District Appropriations Act (Public Law 105-277) provided the FCC with \$300,000 to perform a needs and design study for the proposed NMAM.
- The FCC is a non-profit and non-partisan organization dedicated to the improvement of the Nation's Capital. FCC was established in 1954 and is composed of and financed by 150 business, professional, educational, and civic leaders.
- The Mayor established the Convention Center Redevelopment Task Force in July 2000 to develop a plan to maximize the potential use of the existing Convention Center site.



Results in Brief

- The FCC proposal is currently in the conceptual stage.
- The FCC proposal anticipates that the NMAM will be located at the existing Convention Center site and that it will be part of a major mixed-use complex that includes retail, entertainment, and performance venues.
- The key elements of the FCC's overall proposal include not only the NMAM but also a large public plaza; a performing arts theater; a headquarters convention hotel; retail, dining, and entertainment facilities; and parking. The key elements of the NMAM component include 75,000 square feet of exhibit space, two performance venues, a museum shop, food and beverage facilities, and a public school with a music and arts centered curriculum.



Results in Brief

- FCC hired a consultant to develop an econometric model used to estimate project costs and forecast revenue.
- The total estimated cost for the FCC's mixed-use proposal is \$1.1 billion, with \$172.5 million attributed to the music museum. Additionally, the proposal shows that the District would receive annual land rent of \$13 million, equivalent to a 7-percent return on the estimated land value of \$183 million. Under the FCC's proposal, \$42 million of infrastructure costs would be covered by public funding sources.
- The D.C. Office of Planning published the Downtown Action Agenda (DAA) in November 2000, and the DAA lists three underlying goals for developing the District's downtown.
- Separately, the Mayor established a task force to develop a three-phase plan for determining the maximum potential use of the Convention Center site.



Results in Brief

- District and task force representatives estimate that a final decision for their recommended use of the existing Convention Center site could be made between September 2001 and December 2001. Officials from the District's Office of Planning have indicated that this timetable is dependent upon the disposition method selected. They are still in the process of determining the best use for the site.
- The Mayor's task force has not yet considered any specific proposals, including the FCC's NMAM proposal for use of the existing Convention Center site.
- The task force is currently developing a process to both solicit and evaluate independently generated proposals for the site. This process will provide the opportunity for substantive discussions between the FCC and the Mayor's task force.



Results in Brief

- The FCC spent the \$300,000 federal appropriation on project management services provided by the Smithsonian Institution.
- Information currently available to address the four questions posed in the conference report is included in a subsequent section of this briefing.
- The FCC and the D.C. Office of Planning generally agreed with the contents of our briefing slides.



FCC Proposal

- On July 8, 1998, the leaders of the Smithsonian Institution and the Library of Congress joined with FCC officials to announce plans to explore the feasibility of developing the NMAM. They were seeking a suitable location to display the musical archives and memorabilia, musical instruments, scores and parts, recordings, and other music related collections currently owned by the federal government.
- Subsequent to the July 1998 announcement, the John F. Kennedy Center for the Performing Arts joined the project, hoping to develop a major performing arts theater downtown.



FCC Proposal

- FCC officials stated that the FCC established an affiliation program with the Smithsonian in the form of a Memorandum of Understanding (MOU) under which the FCC will seek funding to carry out studies to determine the feasibility of developing the NMAM and identify specific objects and artifacts that the Smithsonian can loan to the NMAM under separate loan agreements.
- Library of Congress (LOC) officials stated that LOC made a formal arrangement with the FCC in the form of an MOU that describes their working relationship and legally outlines LOC's role in the Music Museum.
- The Smithsonian and the LOC have committed to provide the NMAM with artifacts and items from music collections owned by the federal government that have an estimated value of \$500 million.



FCC Proposal

- FCC staff, the Smithsonian, and the LOC organized 7 planning meetings called “charrettes” that involved over 150 musicians, composers, music industry figures, educators, museum professionals, designers, historians, developers, retailers, and government officials. As a result of the charrette process, the FCC proposed that:
 - the Museum be part of a major mixed-use complex that includes performance venues, retail and entertainment uses, dining facilities, a major performance center, and a music and arts public school and
 - the current Convention Center site could be an ideal location for this mixed-use complex because it is large enough to accommodate the Museum as well as the other components included in the FCC’s mixed-use concept.



FCC Proposal

- The key elements of the FCC's mixed-use concept are the NMAM, a large public plaza that would function as an outdoor extension of the museum, and a major 3,300-seat performing arts theater. Other key elements are as follows:
 - 250,000 square feet of convention center expansion space located underground at the existing Convention Center site connected to the new Convention Center via a pedestrian tunnel;
 - a headquarters convention hotel with approximately 1,500 rooms;
 - a theme hotel with approximately 600 rooms or a building with 600 housing units; and
 - 150,000 square feet of retail, entertainment, and dining facilities and 2,000 parking spaces.



FCC Proposal

- The design concept envisions the NMAM to be approximately 250,000 square feet. The key elements of the NMAM are:
 - 75,000 square feet of exhibit space and 600 seat and 200 seat performance venues and
 - a museum shop, food and beverage facilities, and a District public school for 300 students with a music and arts curriculum.
- FCC hired a consultant to perform a development economics and fiscal benefits study for its mixed use concept, including the NMAM.
- The proposal identified four categories of costs: infrastructure, cultural components, commercial uses, and Convention Center expansion.



FCC Proposal

- The total estimated cost of the mixed-use complex included in the proposal is \$1.1 billion, with a contingency rate of 12 percent for cost overruns and unanticipated costs.
- Infrastructure costs of \$42 million were designated as being covered by public funding sources.
- The District would receive annual land rent of \$13 million, which is equivalent to a 7-percent return on the land which FCC's consultant valued at \$183 million.



FCC Use of Appropriation and Other Funding

- FCC expended the \$300,000 federal appropriation on project management services provided by the Smithsonian Institution. This included salary and related benefits costs for a senior level staff person and administrative support staff for a 2-year period.¹ Also, FCC received \$653,993 of in-kind services, which included the numerous hours that members spent at planning sessions and architectural services provided on a pro-bono basis.
- The \$385,000 of private funding was spent as follows:
 - \$97,926 was spent on additional project management services provided by the Smithsonian and
 - the remaining \$287,074 was spent on general and administrative expenses, rent, phone, travel, and other consulting services that included a charrette facilitator, architectural and design services, financial analysis, and a government relations specialist. (See table 1.)

¹Services provided were based on an agreement established between the Smithsonian Institution and FCC.



FCC Use of Appropriation and Other Funding

Table 1: Cost of Proposal by Type of Funding

<u>Funding/Expense</u>	<u>Federal appropriation</u>	<u>Contribution</u>	<u>In-Kind</u>	<u>Total</u>
Funds provided	\$ 300,000	\$ 385,000	\$ 653,993	\$ 1,338,993
Expenses:				
Project management services	300,000	97,926		397,926
Architectural and design services		123,789		123,789
Charrette facilitator		21,100		21,100
Financial analysis		28,139		28,139
Government relations specialist		22,875		22,875
In-kind services			653,993	653,993
Rent, phone, and travel		46,400		46,400
Overhead: general and admin.		44,771		44,771
Total	<u>\$300,000</u>	<u>\$385,000</u>	<u>\$653,993</u>	<u>\$1,338,993</u>

Source: The financial information was provided by the FCC.
 Amounts are unaudited



Downtown Action Agenda

- The District's Office of Planning published the Downtown Action Agenda (DAA) in November 2000. It has three underlying goals:
 - refine the vision of a vibrant, mixed-use "living" downtown;
 - establish direction for new growth to include emerging districts to the east of downtown and improve links to other city neighborhoods;
and
 - identify strategic actions to be taken by public and private sectors to maximize their collective resources and sustain downtown's current economic momentum.
- The D.C. Office of Planning is the lead District agency for decision-making on the existing Convention Center site redevelopment, which is part of the surrounding downtown area to be developed.



Downtown Action Agenda

- According to the DAA, one of the key strategies is to capitalize on key opportunity sites. The DAA notes that the existing Convention Center site is a key site and offers a special opportunity to complete the vision of a “living” downtown. The DAA noted that the site has the potential to
 - create a great civic space;
 - maximize downtown housing;
 - create a destination to enjoy and celebrate downtown;
 - complement and complete the retail/entertainment focus at Gallery Place; and
 - create a gateway for the new Convention Center.



Convention Center Redevelopment Task Force

- In conjunction with the recommendation in the draft² DAA regarding future use of the existing Convention Center site, the Mayor established the Convention Center Redevelopment Task Force (Mayor's task force) in July 2000. The task force is organized by the DC Office of Planning and is comprised of business and community leaders. Its mission is to:
 - recommend a set of uses and a redevelopment plan that make the Convention Center site a major contributor to the District's "living" downtown by bringing life to the city 18 hours a day;
 - build the District's tax base and help secure its financial foundation and meet its housing, commercial, and cultural goals;
 - diversify the District's economic base by attracting new uses to the city and contribute to the life and health of the neighborhoods; and

²The final DAA was officially published in November 2000.



Convention Center Redevelopment Task Force

- assist the District in becoming a great urban place with world class architecture and public spaces.
- The following objectives were developed to achieve the Mayor's task force mission:
 - study the potential uses for the Convention Center site and recommend the best possible redevelopment to maximize its potential as a contributor to the "living" downtown, the neighborhoods, and the city's fiscal health and
 - recommend an appropriate redevelopment process to best implement the recommended development use.



Convention Center Redevelopment Task Force

- The Mayor's task force is comprised of 52 members representing the
 - Office of Management and Budget,
 - D.C. Office of Planning,
 - D.C. Office of the Mayor,
 - D.C. Office of the Deputy Mayor for Planning and Economic Development,
 - D.C. City Council,
 - D.C. Chamber of Commerce,
 - D.C. Commission on the Arts,
 - Washington Metropolitan Area Transportation Authority (WMATA),
 - Washington Convention Center Authority, and
 - FCC and other private organizations.

- The District's Office of Planning and task force representatives anticipate that between September 2001 and December 2001, a decision could be made on a recommendation for how the existing Convention Center site should be redeveloped. Officials from the District's Office of Planning have indicated that this timetable is dependent upon the disposition method selected.



Convention Center Redevelopment Task Force

- Until a decision is made regarding the recommended uses for the site, the District does not recommend that any public funds be expended for the development of site specific plans or design studies for the existing Convention Center site.
- The task force has not yet considered any specific proposals, including the NMAM, for redevelopment of the existing Convention Center site. The NMAM is one of many cultural and entertainment facilities that may be considered for the site.
- The D.C. Office of Planning hired a consulting team to assess the city's development needs for the site, define the re-development opportunities and options for the site, and analyze the economic and social impacts of the various options.



Convention Center Redevelopment Task Force

- According to the task force and the D.C. Planning Office, the consulting team is developing a three-phase plan as follows:
 - Phase I consists of identifying potential uses of the existing Convention Center site;
 - Phase II consists of implementing the identified uses, preparing the site plan, and determining the best development entity for overseeing the project.
 - Phase III is contingent on the successful completion of phases I and II. It will consist of the development entity executing the redevelopment plan in conjunction with the District's Office of Planning. (See table 2.)
- The task force is currently developing a process to solicit and evaluate independently generated proposals for the existing Convention Center site. Once this process is developed, the opportunity will exist for substantive discussions between the FCC and the Mayor's task force.



Three-Phase Plan

Table 2: Three-Phase Plan for Site Utilization

Redevelopment plan- Existing Convention Center site			
Phases	Phase I	Phase II	Phase III ^a
Time frames	Anticipated to end March 2001.	Anticipated April 2001 through September 2001 or December 2001.	Anticipated January 2002 through March 2003.
Objectives/Actions	To identify potential uses for the existing Convention Center site.	Identifying uses, preparing the site plan, and determining the best development entity to oversee the project.	The development entity will execute the redevelopment plan in conjunction with the D.C. Office of Planning.
Decisions/Conclusions	1. A headquarters hotel should be developed but preferably not on the existing Convention Center site. 2. 400 to 1,000 residential housing units should be included on the site. 3. A main attraction that will draw at least 3 million people a year should be included on the site. 4. A public open space that is controlled by the District should be included on the site. 5. A smaller hotel should be included on the site. 6. Underground uses include parking, additional exhibit space for the new Convention Center, and a metro yard.	1. Decide where the headquarters hotel will be located. 2. Decide whether additional exhibit space is needed and its location. 3. Determine whether WMA TA will want to build a metro station underground on the site. 4. Determine what main attraction will be located on the site. 5. Prepare a small area plan that will include traffic patterns, parking, and design guidelines for the area around the site. 6. Decide on what type of development entity will be established and how the land will be transferred to this entity.	1. The entity sends out request for proposals to the development community, reviews responses, and selects a contractor. 2. The task force would phase out during this period. 3. The entity would develop cost estimates, identify funding sources, and estimate revenue for the city.
Issues/Products	The D. C. Office of Planning will issue a report identifying these uses to the Mayor and the Task Force in March 2001.	1. Present the site uses, small area plan, and the type of development entity needed to the City Council. 2. The City Council will prepare a statute to allow the Mayor to establish this entity and transfer ownership of the land.	Not Applicable.
^a Phase III is a proposed phase and is contingent on successful completion of phases I and II. Details are very limited at this time. Source: D.C. Office of Planning			



Convention Center Redevelopment Task Force

- The D.C. Office of Planning representative told us that the decision on whether to include the NMAM on the existing Convention Center site could be made by the end of phase II. Such a decision will depend on the Music Museum's suitability to the site and the proposal's demonstration of its ability to secure financing and other support.
- The District has been approached by a number of interested parties with various ideas regarding redevelopment of this site. These include a science museum, music museum, new location for the Martin Luther King library, and a major performing arts center. FCC's NMAM proposal is the only formal proposal the District has received.
- Task force representatives stated that they support the concept of a music museum in the District. They further indicated that if the museum were not included on the site, the District Office of Planning would help the FCC identify another city location for the NMAM.



**Information Currently Available on the
Four Questions in Conference Report**

1. What are the total cost estimates?

- FCC total estimated project costs of the mixed-use complex are \$1.1 billion with a 12 percent contingency rate for cost overruns and unanticipated costs. Since construction could not begin until March 2003 at the earliest, which is when the new Convention Center is slated to open, this figure will likely change. The FCC's NMAM proposal is site specific and may have to be substantially modified if the NMAM is located on other than the existing Convention Center site.

2. What are the potential funding sources?

- The FCC's consultant identified the following potential sources of funding for the \$1.1 billion of estimated costs for the mixed-use complex:



**Information Currently Available on the
Four Questions in Conference Report**

- Unallocated infrastructure costs are estimated at \$42 million and would be covered by public funding sources.
- Commercial development costs are estimated at \$564 million and would be paid by private investment.
- Cultural development costs are estimated at \$362 million and include the NMAM's costs, which are estimated at \$172.5 million. FCC envisioned that these costs would be covered by currently undefined sources it characterized as sponsor contributions.
- Convention Center expansion development costs are estimated at \$129 million and would be covered by currently undefined sources characterized as sponsor contributions.



**Information Currently Available on the
Four Questions in Conference Report**

3. Is the proposed NMAM suited for the current Convention Center site?

- As previously noted, the Mayor has established a task force to study the potential uses for the Convention Center site and to recommend the best uses of the site. The task force has a three-phase plan to determine the best use for the site and estimates that most major decisions about the specific use of the site will be made between September 2001 and December 2001.

4. Does the NMAM proposal constitute the highest and best use of the Convention Center site?

- As previously stated, the D.C. Office of Planning and the Mayor's task force are currently implementing a redevelopment plan to determine the highest and best use of the Convention Center site.



Agency Comments

- The FCC and the D.C. Office of Planning generally agreed with the contents of our briefing slides. We have incorporated their comments as appropriate throughout the briefing slides.