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July 26, 1995

The Honorable Thomas M. Davis III
Chairman, Subcommittee on the
District of Columbia
Committee on Government Reform
and Oversight
House of Representatives

Dear Mr. Chairman:

This letter responds to your request for a status report updating our July 12, 1995, testimony¹ on the proposed new sports arena project in the District of Columbia. Specifically, you requested an update on (1) the predevelopment project costs, (2) the status of the proposals to finance the costs, and (3) the revenues from the new Arena Tax.

PREDEVELOPMENT PROJECT COSTS

There have been no changes to the District's estimated predevelopment costs for the sports arena project discussed in our testimony. As shown in the enclosure to this letter, the District's estimated costs for the project still total \$56.3 million. Events and circumstances may occur, however, to change these cost estimates. For example, the final cost for the connection of the Gallery Place Metrorail Station to the sports arena could change after the design plans are completed. In addition, if the District receives approval for a \$15 million Capital Assistance Grant under the provisions of the Intermodal Surface Transportation Act of 1991² to finance the construction costs of the Metrorail connection, the District would lower its financing requirements by about \$10.8 million.

¹District of Columbia: Status of Sports Arena and Convention Center Projects (GAO/T-AIMD-95-189, July 12, 1995).

²Public Law 102-240, 105 Stat. 2090 (Dec. 18, 1991) authorizes the Secretary of Transportation to make grants or loans to assist states and local public bodies and agencies to finance the acquisition, construction, reconstruction, and improvement of facilities and equipment for use, by operation or lease, in mass transportation service in urban areas.

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GAO/AIMD-95-209R Sports Arena

FINANCING PROPOSALS

To finance the predevelopment costs of the sports arena project, the District, through the Redevelopment Land Agency (RLA), is currently evaluating two proposals. The first is a July 21, 1995, proposal from NationsBank and Crestar Bank to provide a \$53 million loan. The second is a July 24, 1995, proposal from Morgan Stanley & Co., which would issue a combination of tax-exempt and taxable bonds. A meeting was held yesterday with the RLA Board, other District officials, and representatives from the banks and Morgan Stanley & Co. to discuss the two proposals. The RLA Board plans to make a decision shortly.

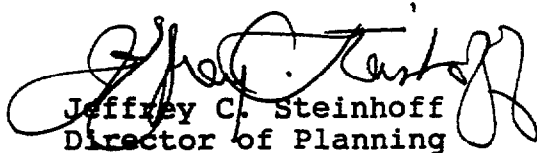
ARENA TAX REVENUES

As of July 24, 1995, the District reported that it had collected approximately \$7.8 million from the Arena Tax, which included about 22,000 returns filed. This is an increase of \$0.6 million since July 11, 1995. We will continue to monitor the collections of this tax to determine if it generates the \$9 million per year in revenues that the District estimated. Approximately 12,000 returns have not yet been filed, and the District's Department of Finance and Revenue plans to send out second notices in mid-August.

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As requested, we will keep you posted on the above matters, and others that may arise as the sports arena project progresses. If you have any questions, please call me at (202) 512-9450 or Charles W. Culkin, Jr., Assistant Director, at (202) 512-9486.

Sincerely yours,


Jeffrey C. Steinhoff
Director of Planning
and Reporting

Enclosure

THE DISTRICT OF COLUMBIA'S ESTIMATED PREDEVELOPMENT COSTS
FOR THE SPORTS ARENA PROJECT

Predevelopment costs	Original budget	Revised budget
Land acquisition		
Appraisal/purchase price		\$30,107,913
Appraisal fees		33,500
Total	\$28,000,000	30,141,413
Metrorail connection		
Construction costs for station entrance/exit and mezzanine	\$7,000,000	\$13,499,788
Relocation of District employees		
Lease commitments and rent advances		1,985,907
Lease appraisals and space consultants		70,000
Leasehold improvements		972,370
Furniture and equipment move		638,123
Telecommunications equipment move		875,133
Total	\$7,000,000	\$4,541,533
Building demolition, utility relocation, legal and environmental consultants, and bank fees		
Building demolition		1,393,401
Utility relocations		3,439,740
Business relocation		25,000
Legal, environmental and other consultants		1,816,302
National Capital Development Corporation reimbursement		294,318
Bank fees and costs		1,161,250
Total	\$11,000,000	\$8,130,011
Total Predevelopment Costs	\$53,000,000	\$56,312,745

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