



VINCENT C. GRAY  
MAYOR

MAY 23 2014

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W.  
Suite 504  
Washington, DC 20004

**Reference: District of Columbia Soccer Stadium Development Act of 2014**

Dear Chairman Mendelson:

I am pleased to submit proposed legislation and supporting documents necessary to authorize the Government of the District of Columbia to proceed with development of new soccer stadium on Buzzard Point. As we announced last summer, the transaction has been structured similar to that which was used with Verizon Center and contemplates that the District will act as a horizontal developer – that is to say we will acquire the land and groundlease it to DC United. We will also be required to undertake limited infrastructure obligations (i.e. constructing new roads and sidewalks surrounding the soccer stadium and relocating certain utilities running through the site). DC United, in turn, will be required to design and construct the new soccer stadium and out-buildings and will bear the risk of cost overruns of such construction.

In order to make this transaction economically viable for DC United, we have negotiated phase-ins of both the sales and real estate taxes associated with the stadium site. We believe, however, that in the long-run this transaction will result in a net increase in those taxes as the new soccer stadium will allow DC United to grow its fan and sales base over what is possible at RFK Stadium which is both antiquated and ill-suited to serve as a soccer stadium and will also put the land associated with the Reeves Municipal Center back on the District's tax rolls. The expected tax value of the redevelopment at the Reeves site is more than 4 times the current tax value of the land that we will be acquiring at Buzzard Point. In addition, beginning in the 11<sup>th</sup> year of the lease, in addition to payment of full sales taxes, the District will receive \$2 for every ticket sold at the stadium (\$2 plus CPI escalator beginning the 21<sup>st</sup> year of the lease).

From my perspective as Mayor, the primary purpose for this transaction is not to construct a soccer stadium, but rather to spur economic development along the Anacostia River and to create jobs and economic opportunity for District residents. In approving this transaction, the District will receive the following benefits:

- ***Continue Investment along the Anacostia Waterfront.*** For more than ten years, the District has been undertaking a strategic investment in the Anacostia Waterfront. We are now reaping the rewards of this effort as new and vibrant neighborhoods are developing around Nationals Ballpark and east of South Capitol Street. The soccer stadium will bring this development west of South Capitol Street and on to Buzzard Point – an area of land that has essentially been fallow for more than two decades. The proposed soccer stadium, when combined with the replacement of the South Capitol Street Bridge and Nationals Park, will spur development of the area between Nationals Park and the redevelopment of the Southwest Waterfront and will serve as the final catalyst for what is certain to become one of the most vibrant and sustainable sports and retail districts in America.
- ***Reinvest our Profit from the Reeves Center.*** Roughly 30 years ago, the District undertook a similar effort when it invested in the Fourteenth Street corridor. Our predecessor made a bold investment at the corner of Fourteenth and U Streets and built the Reeves Municipal Center. That building was the first major investment in that area and helped spark the creation of the vibrant neighborhoods growing along U and Fourteenth Street. The Reeves Center has served us well, but it is near the end of its useful life and it is time for the District to “take its profit” from that transaction. My proposal is to use the value of the land at the Reeves Center to acquire the majority of the soccer stadium site. This accomplishes two things: first, it allows us to spur development at Buzzard Point without compromising the debt cap, and second it will put the Reeves Center land back on the District’s tax rolls. That land is some of the most valuable land in the District of Columbia and at present it is untaxed.
- ***Invest in Anacostia.*** As part of this transaction, we will construct a new “Reeves Center” in Anacostia at the corner of MLK and Good Hope Road. This land is already owned by the District and we hope the placement of a major government center at that site will spur much needed investment and bring jobs to Anacostia.
- ***Jobs for District Residents.*** We have included stringent provisions in the transaction documents that will bring jobs to District residents and businesses. Specifically, (i) for the construction of the Stadium, at least 60% of apprentice hours by trade shall be performed by District residents, at least 51% of the skilled laborer hours by trade shall be performed by District residents; and at least 70% of common laborer hours shall be performed by District resident; (ii) once the Stadium is operational, (i) 51% of Stadium jobs (ticket takers, guest services, ushers, food service, etc.) will go to District residents; (ii) 50% of all development related contracts (i.e. design, construction, etc.) will be awarded to CBE businesses with 35% to small and 20% to disadvantaged business enterprises; and (iii) 35% of all stadium operation contracts (i.e. janitorial, food service, security, etc.) will be awarded to CBE businesses.

- ***Economic Benefits.*** Over 30 years, this project will generate (on a net present value basis) \$72 million in sales and use taxes at the new stadium and (again on net present value basis) more than \$151 million total tax revenue to the District. (Note that these figures do not include substantial amounts of new tax revenue that will be generated by the redevelopment of the Reeves Center site.) In addition, the new stadium will generate \$50 million a year in new economic activity and support nearly \$14 million a year in payroll which equates to 446 full-time jobs in the District of Columbia.

I appreciate that it has taken longer than we originally anticipated to negotiate this transaction, but I instructed our team to get the best deal for the District and its residents and the resulting negotiations were extensive. Rest assured that we insisted upon – and got – the best deal for the District and we are pleased to present it to the Council for approval.

We are prepared to answer any questions that you may have and look forward to presenting the merits of this transaction at the appropriate hearings. Given the importance of this transaction to the District and its economy, we ask that you schedule the necessary hearings as quickly as possible and prior to the summer recess.

Sincerely,

A handwritten signature in black ink that reads "Vincent C. Gray". The signature is written in a cursive style with a large, sweeping "V" and "G".

Vincent C. Gray

Enclosures: District of Columbia Soccer Stadium Development Act of 2014  
Development Agreement w/ DC United  
Groundlease w/ DC United  
Exchange Agreement w/ Akridge  
Letter of Intent w/ Pepco

Copy: All Councilmembers  
Allen Y. Lew, City Administrator

1  
2 Chairman Phil Mendelson  
3 At the request of the Mayor  
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7 A BILL  
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12 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA  
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18 To approve the exchange agreement for the real property in Lot 13, Square 607 and Lot 844,  
19 Square 204, to authorize the Mayor to assemble the soccer stadium site including through  
20 the use of eminent domain; to approve the ground lease of the soccer stadium site, to  
21 approve the development agreement for the construction of a new soccer stadium; to  
22 authorize the actions of the District required by these agreements including street and  
23 alley closings, environmental remediation, and expenditures of funds; to authorize an  
24 underground airspace lease in addition to vault permits in connection with the  
25 development of the soccer stadium site; to amend the Robert F. Kennedy Memorial  
26 Stadium and District of Columbia National Guard Armory Public Safety Act to make it  
27 applicable to the soccer stadium; to amend Title 25 of the District of Columbia Code to  
28 provide for licenses to be issued to the soccer stadium; to amend Chapter 20 of Title 47  
29 of the District of Columbia Official Code to abate from tax charges for admission to  
30 public events conducted at the new soccer stadium site, as well as to abate sales of or  
31 charges for certain other food, drink and tangible personal property associated with the  
32 game day experience; to amend Chapter 46 of Title 47 of the District of Columbia  
33 Official Code to provide a real property tax and possessory interest tax abatement for the  
34 soccer stadium site; and to exempt the transfer of the stadium site from the taxes imposed  
35 by section 42-1103 and section 47-903.  
36

37 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this  
38 act may be cited as the “District of Columbia Soccer Stadium Development Act of 2014”.

39 Sec. 2. Findings.

40 The Council finds that:

1 (1) The development of a new, state-of-the-art, LEED certified outdoor soccer stadium at  
2 Buzzard Point will leverage other District investments such as the South Capital Street Bridge  
3 project, the parking facilities for Nationals Park and the streetcar project, to accelerate and  
4 promote economic vitality in the Buzzard Point and Capitol Riverfront neighborhoods as well as  
5 enhance economic development in the District of Columbia.

6 (2) In order for the development of the new soccer stadium to proceed, it is necessary for  
7 the District to acquire certain parcels of land that are part of the site of the new soccer stadium  
8 development and to lease to DC Stadium LLC, the developer of the soccer stadium, the various  
9 parcels of land on which the soccer stadium and ancillary developments will be constructed.

10 (3) The assemblage of properties within the soccer stadium site is necessary to allow for  
11 the development of the soccer stadium and its ancillary developments and is a municipal use that  
12 serves many public purposes and is in the interest of, and for the benefit of, the citizens of the  
13 District of Columbia.

14 Sec. 3. Assemblage of Soccer Stadium Site.

15 (a) Notwithstanding any other provision of law, including but not limited to An Act  
16 Authorizing the sale of certain real estate in the District of Columbia no longer required for  
17 public purposes, approved August 5, 1939 (53 Stat. 1211; D.C. Official Code § 10-801), the  
18 Council approves (i) the exchange agreement between the District of Columbia and SW Land  
19 Holder, LLC dated as of May 23, 2014 for the real property in Lot 13, Square 607 and Lot 844,  
20 Square 204, and (ii) the acquisition of any of squares 605, 607, and 661 and the northwestern  
21 portion of Square 665 at a cost, when aggregated with the valuation ascribed in the exchange  
22 agreement to Lot 13 in Square 607, not to exceed Ninety Million Dollars (\$90,000,000.00).

1 (b) The Mayor may exercise eminent domain in accordance with the procedures set forth  
2 in subchapter II of Chapter 13 of Title 16 of the District of Columbia Official Code to acquire  
3 properties in the soccer stadium site on which to construct and develop the soccer stadium and its  
4 ancillary developments.

5 (c) The term "Soccer Stadium Site" means the real property currently described as  
6 squares 603S, 605, 607, 611N and 661, additional real property located in square 665 as more  
7 specifically described prior to the implementation of the Act, and all public alleys and streets to  
8 be closed within these squares.

9 Sec. 4. Approval of Transaction Documents.

10 (a) Notwithstanding any other provision of law, including but not limited to An Act  
11 Authorizing the sale of certain real estate in the District of Columbia no longer required for  
12 public purposes, approved August 5, 1939 (53 Stat. 1211; D.C. Official Code § 10-801), the  
13 Council approves the lease of the Soccer Stadium Site to DC Stadium LLC on the terms and  
14 conditions set forth in the ground lease dated as of May 23, 2014 between the District of  
15 Columbia and DC Stadium LLC.

16 (b) Pursuant to section 451 of the District of Columbia Home Rule Act, approved  
17 December 24, 1973 (87 Stat. 803; D.C. Official Code § 1-204.51), and notwithstanding section  
18 202 of the District of Columbia Procurement Practices Reform Act of 2010, effective April 8,  
19 2011 (D.C. Law 18-371; D.C. Official Code § 2-352.02), the Council approves the development  
20 agreement dated as of May 23, 2014 by and among the District of Columbia and DC Stadium  
21 LLC by which the District will assemble the Soccer Stadium Site and undertake the obligations  
22 set forth therein, as both a multiyear contract and a contract involving expenditures in excess of  
23 \$1 million during a 12-month period.

1 (c) Notwithstanding any other provision of law, the Mayor is authorized to undertake the  
2 actions of the District contemplated under the (i) exchange agreement approved in subsection  
3 3(a), (ii) the ground lease approved in subsection 4(a), and (iii) the development agreement  
4 approved in subsection 4(b) and to expend funds for the purposes set forth therein.

5 Sec. 5. The Robert F. Kennedy Memorial Stadium and District of Columbia National  
6 Guard Armory Public Safety Act, effective November 3, 1977 (D.C. Law 2-37; D.C. Official  
7 Code § 3-341 et seq.), is amended as follows:

8 (a) Section 3a (D.C. Official Code § 3-342.01) is amended as follows:

9 (1) By striking the existing language and inserting the phrase “As used in this  
10 subchapter, the term:” in its place.

11 (2) New subsections (1) and (2) are added to read as follows:

12 “(1) “Baseball Stadium” shall have the same meaning as that provided for the term  
13 “Ballpark” in D.C. Official Code § 47-2002.05(a)(1)(A).

14 (2) “Soccer Stadium” means a soccer stadium constructed after October 1, 2014 on a site  
15 bounded by 2nd Street, S.W., T Street, S.W., Half Street, S.W., Potomac Avenue, S.W., and R  
16 Street, S.W.”

17 (b) Section 4 (D.C. Official Code § 3-343) is amended by striking the phrase “Baseball  
18 Stadium,” and inserting the phrase “Baseball Stadium, the Soccer Stadium,” in its place.

19 (c) Section 4a (D.C. Official Code § 3-343.01) is amended as follows:

20 (1) Subsection (a) is amended by striking the phrase “or the Baseball Stadium”  
21 and inserting the phrase “, the Baseball Stadium or the Soccer Stadium” in its place.

22 (2) Subsection (b) is amended as follows:

23 (A) Strike the word “or” at the end of paragraph (1A).

1 (B) A new paragraph (1B) is added to read as follows:

2 “(1B) Any person duly authorized or licensed by the owner or operator of the  
3 Soccer Stadium to possess, sell, give away, transport, or store alcoholic beverages or containers  
4 within any portion of the Soccer Stadium or to any employee or agent acting for any such duly  
5 authorized or licensed person; or”.

6 (d) Section 4b (D.C. Official Code § 3-343.02) is amended as follows:

7 (1) Subsection (c) is amended by striking the phrase “or the Baseball Stadium”  
8 and inserting “, the Baseball Stadium or the Soccer Stadium” in its place and redesignated as  
9 subsection (d).

10 (2) A new subsection (c) is added to read as follows:

11 “(c) Unless expressly authorized by the owner or operator of the Soccer Stadium, or their  
12 duly authorized agents, no person shall at any time enter onto any portion of the playing field  
13 within the Soccer Stadium.”

14 Sec. 6. Title 25 of the District of Columbia Official Code is amended as follows:

15 (a) Section 25-101 is amended by redesignating paragraph (48A) as (48B) and adding a  
16 new paragraph (48A) to read as follows:

17 “(48A) “Soccer Stadium” shall have the meaning set in D.C. Official Code § 3-343.01.”

18 (b) Section 25-114 is amended as follows:

19 (1) Subsection (a) is amended by striking the phrase “DC Arena” and inserting the  
20 phrase “DC Arena and the Soccer Stadium” in its place.

21 (2) A new subsection (c) is added to read as follows:



1                   “(c)(1) Upon application by an applicant as set forth in Chapter 4 of Title  
2 25, the Board shall issue one or more retailer's licenses, class Arena C/X, to the owner and  
3 operator of the Soccer Stadium.

4                   “(2) At the option of the owner and operator of the Soccer Stadium, the  
5 licenses may be issued to concessionaires and tenants of the Soccer Stadium, as may be  
6 requested from time to time by the owner and operator of the Soccer Stadium.

7                   “(3) Licenses may be canceled by the Board if the owner and operator  
8 ceases to own and operate the Soccer Stadium.

9                   “(4) If the owner and operator of the Soccer Stadium assigns its interest in  
10 the Soccer Stadium, the Board shall transfer the licenses to the owner and operator's assignee,  
11 upon application under Chapter 4 and approval by the Board.”.

12                   (3) Subsection (d) is amended by deleting the phrase “DC Arena” and inserting  
13 “DC Arena, the Soccer Stadium” in its place.

14                   (4) Subsection (e) is amended by deleting the phrase “DC Arena” and inserting  
15 “DC Arena and the Soccer Stadium” in its place.

16                   (c) Section 25-505 is amended by deleting the phrase “DC Arena” and inserting “DC  
17 Arena and the Soccer Stadium” in its place.

18                   (d) Section 25-1003 is amended by:

19                   (1) deleting the phrase “DC Arena” and inserting “DC Arena or the Soccer  
20 Stadium” in its place.

21                   (2) deleting the phrase “lessee or its” and inserting “lessee, the owner and  
22 operator of the Soccer Stadium or either of their” in its place.

23                   Sec. 7. Authority for vault space permit or airspace lease.

1 Notwithstanding any other provision of law, the Mayor may issue a permit or airspace  
2 lease to DC Stadium LLC, or its designee, for vault space or airspace adjacent to the Soccer  
3 Stadium Site, having a term as may be determined by the Mayor, and at no additional rent or fee,  
4 except as may be otherwise determined by the Mayor, but otherwise in accordance with the  
5 District of Columbia Public Space Rental Act, approved October 17, 1968 (82 Stat. 1156; D.C.  
6 Official Code § 10-1101.01 et seq.), and the District of Columbia Public Space Utilization Act,  
7 approved October 17, 1968 (82 Stat. 1166; D.C. Official Code § 10-1121.01 et seq.), as  
8 applicable.

9 Sec. 8. Title 47 of the District of Columbia Official Code is amended as follows:

10 (a) Section 2001 is amended as follows:

11 (1) A new section 47-2001(r-2) is added to read as follows:

12 “(r-2) “Soccer Stadium” shall have the meaning set in D.C. Official Code § 3-  
13 342.01.”

14 (2) A new section 47-2001(r-3) is added to read as follows:

15 “(r-3) “Soccer Stadium Site” means Squares 603S, 605, 607, 611N and 661,  
16 additional real property located in square 665 as more specifically described prior to the  
17 implementation of this section, and all public alleys and streets to be closed within these  
18 squares.”

19 (b) Section 47-2005 is amended as follows:

20 (1) Section 47-2005(35) is amended by striking the word “and” at the end thereof;

21 (2) Section 47-2005(36) is amended by striking the period at the end thereof and  
22 inserting the phrase “; and” in its place.

1                   (3) Section 47-2005 is amended by adding a new subsection (37) to read as  
2 follows:

3                   “(37) (1) The Soccer Stadium Gross Receipts that includes all of the legal sales of  
4 or charges for (A) the right or privilege or permission to enter, or evidence of the right or  
5 privilege or permission to enter, the Soccer Stadium (whether by ticket, season ticket,  
6 subscription, license or otherwise) and (B) the Game Day Experience, that are made by a vendor  
7 that is licensed to be at and physically present at, and delivery occurs to the purchaser of such  
8 food, drink or tangible personal property on the Soccer Stadium Site (excluding online sales  
9 (other than online sales shipped from the Soccer Stadium by the operator of the Major League  
10 Soccer team operating out of the Soccer Stadium of team, MLS or soccer-related merchandise)  
11 unless the item or ticket is acquired or redeemed at the Soccer Stadium Site or on the Adjacent  
12 Development Site as part of a Game Day Experience), beginning with the sales tax period  
13 during which the final certificate of occupancy authorizing stadium use is issued for the Soccer  
14 Stadium (as defined in section 47-2001(r-2)) and the four (4) subsequent sales tax years;  
15 provided that (2) the Soccer Stadium Gross Receipts described in (1) above will be taxed at one  
16 half of the sales tax rate then in effect from the first sales tax period beginning in the sixth sales  
17 tax year after the final certificate of occupancy authorizing stadium use is issued for the Soccer  
18 Stadium (as defined in section 47-2001(r-2)) to the last sales tax period ending in the fourth (4th)  
19 succeeding sales tax year; and provided further, (3) unless otherwise provided for in this title,  
20 none of the Soccer Stadium Gross Receipts will be exempt for any sales tax after the tenth sales  
21 tax year after the final certificate of occupancy authorizing stadium use is issued for the Soccer  
22 Stadium (as defined in section 47-2001(r-2)). For purposes of this section: The Game Day  
23 Experience means: food, drink or other tangible personal property sold at retail establishments

1 within the Soccer Stadium Site, which shall include, but not limited to, retail establishments such  
2 as bars, restaurants and team stores and stores selling primarily merchandise generally oriented  
3 to tourists such as shirts, mugs, flags and similar items displaying the logos of the District,  
4 WMATA or other such non-sports related items that are otherwise taxable under this chapter.

5 (b-1) Section 47-2206 is amended as follows:(1) Section 47-2206(3) is  
6 amended by striking the word “and” at the end thereof;

7 (2) Section 47-2206(4) is amended by striking the period at the end thereof and  
8 inserting the phrase “; and” in its place.

9 (3) Section 47-2206 is amended by adding a new subsection (5) to read as  
10 follows:

11 “(5) sales or charges described and for the use tax periods enumerated as sales tax periods  
12 in subsection 47-2005(37).”

13

14 (c) Chapter 46 is amended as follows:

15 (1) The table of contents is amended by adding a new section designation to read  
16 as follows:

17 “47-46\_\_ . Soccer Stadium”

18 (2) A new section 47-46\_\_ is added to read as follows:

19 “47-46\_\_ Soccer Stadium.

20 “(a) The real property taxes imposed under chapter 8 of this title and the  
21 possessory interest tax imposed under section 47-1005.01 on that portion of the Soccer Stadium  
22 Site, as defined in section 47-2001(r-3), on which the Soccer Stadium, as defined in section 47-  
23 2001(r-2), is constructed, shall be abated as follows:

1                   “(1) Beginning on the date that the District acquires title to each portion  
2 of the site on which the Soccer Stadium is constructed through the fifth lease year after the  
3 certificate of occupancy for the Soccer Stadium is issued, all real property taxes and possessory  
4 interest taxes for each such year shall be abated;

5                   “(2) For lease years 6 through 10, real property taxes and possessory  
6 interest taxes in excess of 25% of the taxes otherwise due for each such year shall be abated;

7                   “(3) For lease years 11 through 15, real property taxes and possessory  
8 interest taxes in excess of 50% of the taxes otherwise due for each such year shall be abated;

9                   “(4) For lease years 16 through 20, real property taxes and possessory  
10 interest taxes in excess of 75% of the taxes otherwise due for each such year shall be abated;

11                   “(5) Beginning with the 21st lease year and for each lease year thereafter,  
12 the real property taxes and possessory interest taxes otherwise due for each such year shall not be  
13 abated under this section.

14                   “(b) The abatement provided by subsection (a) for any real property tax year may  
15 be allocated between half tax years at the discretion of the Office of Tax and Revenue.

16                   “(c) The abatement provided under this section shall be in addition to, and not in  
17 lieu of, any other tax relief or assistance from any other source applicable to the Soccer Stadium.

18                   “(d) The abatement provided under subsection (a) shall terminate at the end of the  
19 half tax year during which the Soccer Stadium ceases to be used as a stadium by a major league  
20 soccer team.”.

21                   (d) All transfers of real property in the Soccer Stadium Site while the ground lease  
22 authorized by section 4(a) is in effect, shall be exempt from the taxes imposed by section 303 of

1 the District of Columbia Deed Recordation Tax Act of 1962, approved March 2, 1962 (76 Stat.  
2 11; D.C. Official Code § 42-1103); and section 47-903.

3 (e) Except with respect to sales of or charges pursuant to 47-2005(37)(A), the exemption  
4 provided under subsection 8(b) shall apply beginning with the first day following the issuance of  
5 the final certificate of occupancy authorizing use of the Soccer Stadium for professional soccer  
6 matches.

7 (f) The exemption provided under subsections 8(b) and 8(d) shall expire on the  
8 termination of the ground lease authorized by section 4(a).

9 (g) This section 8 shall apply upon the inclusion of its fiscal effect in an approved budget  
10 and financial plan, as certified by the Chief Financial Officer to the Budget Director of the  
11 Council in a certification published by the Council in the District of Columbia Register.

12 Sec. 9. Fiscal impact statement.

13 The Council adopts the fiscal impact statement in the committee report as the fiscal  
14 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,  
15 approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206(c)(3)).

16 Sec. 10. Effective date.

17 This act shall take effect following approval by the Mayor (or in the event of veto by the  
18 Mayor, action by the Council to override the veto), a 30-day period of Congressional review as  
19 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December  
20 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1), and publication in the District of  
21 Columbia Register.