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Econsult was retained by the District of Columbia to estimate the potential fiscal impact of the proposed New York Avenue Metro station on property owners located immediately surrounding the proposed facility (the “Project area”), and the entire District of Columbia, in order to assist the District with its negotiations with the Property Owners.

First, an estimate of the “net economic benefit” of the Project to the District was provided; second, estimates of the benefits of the Project to the Owners were analyzed; and, third certain aspects of the proposed assessment financing agreement, such as a proposed credit, and structuring alternatives and cost comparisons were included.

A computer model was constructed to measure the net economic benefit to the District of the proposed New York Avenue Station under certain assumptions. In addition, the model produces cash flow scenarios that measure the expected taxes generated to the District minus expected costs of the project including revenue loss and financing costs. The scenarios were developed under three different projected environments: Optimistic, Most Likely and Pessimistic.

We concluded that there are likely to be significant, positive impacts in the project area, and positive, though relatively small, impacts on the economy of the District as a whole. We believe that significant, positive impacts are likely on values of affected commercial property owners and much more moderate positive impacts on the value of residential property owners. We have also found that these private benefits can be (and often are) “captured” as fiscal benefits by the government in the form of an assessment agreement and other mechanisms to help the government pay for the improvements. The District also has additional options to Value Capture the benefit of the proposed Project by a wider audience. The absence of a proposed credit to the Property Owners does not create “double taxation.”

To the extent that the Property Owners are not willing to accept an assessment structure that provides the District with an expected net economic benefit, the District may want to consider using additional sources funding to “Value Capture” its proposed transit investment. These “Value Capture” funding sources will reduce the District payment obligations (or increase its sources of funds) and increase the net economic benefit to the District. Furthermore, these structures such as a transfer surtax, development impact fees and others may provide the District the opportunity the encourage types of development DC policy maker seek in the affected area [and provide the District funds for additional infrastructure investment in the Project area].