The District's Dime
Going Beyond the Budget Book

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Understanding the DC United Land Swap

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One of the more confusing aspects of the proposed deal between DC United and the District is the mayor's plan to use a series of land swaps to assemble the land needed to build the soccer stadium in Southwest. The District's Dime is here to shed some light on how a land swap works and its relevance to a new soccer stadium.

The initial term sheet poses the arrangement as a 50-50 split in costs between the city and the Major League Soccer team, with the District pitching in $100 million for land and $50 million for infrastructure, and DC United building a stadium of up to 25,000 seats, estimated to cost $150 million. Putting aside whether this overall scheme is a fair deal for District – a topic we will return to in future weeks – the approach to obtaining land raises important concerns about transparency and whether the District would be getting the best value for the assets it will be trading away.

Here is what is proposed: The District would acquire four parcels of land in Southwest, estimated to be worth $100 million, and then lease the land to the team for just $1 per year. The four parcels would be obtained by trading DC-owned land. In the highest-profile swap, the District would trade the Frank Reeves Municipal Center, at the hot corner of 14th and U Streets NW, to the DC developer Akridge for approximately two acres at Buzzard Point. The District would then build a new government center in Ward 8 to replace the Reeves Center. The city would round up another few acres by helping relocate Pepco, which operates an electrical substation across 1st Street SW. The city would also swap for land currently used as a scrap yard and another piece of land owned by venture capitalist Mark Ein.

District officials note that the trades would be based on appraisals of the market value of land. If any swap is uneven, the recipient of the more valuable land would pay the other side in cash to cover the difference.

District officials say this approach is advantageous for two reasons. First, it limits the need to spend or borrow cash directly. This is important because the District already is very close to its legally imposed debt limit. Second, this District would dispose of real estate assets that have become very valuable. The Reeves Center is no longer needed to bolster U Street's economic activity. By selling it, the District can promote more private development along U Street and relocate government employees to a part of the city in need of economic development.

While the land swap may create some benefits, the deals are very complicated and may have hidden costs. These costs need to be made clearer to DC residents and the following concerns need to be addressed:

- **The land swaps need to be transparent in value and process**. The land should be exchanged for its full market value. Yet, there is some risk in a land swap, with the city eager to obtain the

Southwest land, that the District may not get the best possible deal. A complicated land swap also runs the risk of obscuring the true costs to the city.

- **District officials need to explain why the city shouldn't sell properties such as the Reeves Center to the highest bidder, outside of the stadium deal.** While redeveloping District-owned land presents benefits, there is no required connection between this redevelopment and the stadium. It is not clear why stadium land acquisition has to happen through swaps. The District could sell the Reeves Center and other valuable properties to the highest bidder and then use the proceeds to buy stadium land. As reported in the Washington Post, a 2011 report by the District's Chief Financial Officer estimated the 500,000 square foot building could be worth up to $186 million.

The District's Dime will continue unpacking the DC United Deal next week.