

## **Minutes of Meeting of the Cleveland Park Citizens Association**

**Meeting Date: November 6, 2004**

**Location: Cleveland Park Library**

President George Idelson called the meeting to order at 10:35 am. 27 persons signed the attendance sheet; 18 were Cleveland Park residents; 12 were members. The President stated that minutes of last meeting were not available, due to the secretary's absence.

### **I. Main Program "Do We Need a New Baseball Stadium?"**

The President stated that today's program reflected a major CPCA goal for this year -- to involve Cleveland Park residents with broader city issues. He noted the timeliness of this subject: a city council vote on the Mayor's proposal expected next week, mounting opposition by varied community groups, and the morning paper's news of a substitute proposal by the Council Chairwoman.

Three speakers provided differing views on the stadium proposal.

**Steve Green, Special Assistant to the Mayor for Planning and Economic Development**, presented the Mayor's proposal. He stressed its broader benefits to the city, beyond bringing back baseball. He called the stadium project a needed spur for economic development and revenue the city needs to provide essential services, as well as an exciting plan to revitalize a blighted and underused area of the city.

Such economic development is essential for DC, Green said, because its basic financial imbalance is different from other cities. The dominant federal presence and many tax-exempt institutions preclude tax revenue from much of DC's land area. Congress also has barred the city from taxing income of people who work, but don't live here -- as do many other cities. Yet the city needs revenue to provide necessary services: police, fire, streets and other infrastructure, as well as schools, libraries, human services, etc. .

The only way to obtain needed revenue is to get more tax-paying residents and develop more attractive retail, so people will shop and pay sales taxes in the city, rather than -- as now -- giving much tax revenue to the suburbs. The proposed stadium will be an entertainment center, bringing significant sales-tax revenues to DC.

The Anacostia waterfront location helps achieve this goal, because it will supplement, speed up and expand development now starting and planned for this area: e.g. the Navy Yard, relocation of Fannie Mae headquarters, DOT Headquarters, the Southeast Federal Center and other new offices and housing. The stadium project is consistent with the Office of Planning 's overall Southeast plan for mixed uses and development of South Capitol Street as an appropriate grand boulevard entrance to the nation's capital.

The stadium is projected to bring DC \$24-30 million annually in new tax revenue and to generate up to \$48 million in new economic activity in the city, including hotel, restaurant and other visitor spending. While it will bring jobs -- about 3500 initially in construction, and thousands more from hotel, restaurant and other services for visitors attending ball games, it is not proposed primarily as a job creator.

The new team will temporarily play at RFK Stadium, but that outdated facility cannot be remodeled to meet current legal and market standards. Even if a new stadium were built there, site limitations rule out other needed revenue generators.

Green said the stadium financing plan would not use any existing city revenues. The revised plan adds new revenue for a \$400 million community development fund for libraries, school programs, parks, recreation and other services. Highlights of the financing plan:

- The city will issue bonds for the stadium and related development costs of \$440 million.
- The bonds will be repaid from 3 sources: annual \$5.5 million owner lease payments to the city (rising with inflation); \$11-\$12 million anticipated revenue from on-site sales taxes, (tickets, parking concessions, merchandise) and \$26 million from a gross receipts tax on DC businesses with incomes above \$4 million. The majority of these are partnerships -- LLC's, and attorneys who now pay no tax to DC and whose income primarily comes from outside the city.
- The new team will be required to hire DC residents as 51% of employees, and make a minimum of 50% of its contracts with District-based companies.

**Ed Lazere, Executive Director D.C. Fiscal Policy Institute; Co-Chairman, "No DC Taxes for Baseball" Coalition.**

Mr. Lazere strongly disputed economic arguments for the proposed Stadium. He called it a great deal for the “ruthless” baseball industry, but a bad deal that would create dangerous financial risk, rather than economic benefit for the city. He cited statistics showing that other cities’ baseball stadiums did not bring expected new revenue, with costs outrunning revenues, and widespread agreement by economists supporting this view. Among his charges:

- The city has underestimated the stadium’s cost: the DC Chief Financial Officer now says it will be \$530,000; others estimate even more;
- The \$5.5 million annual payment from the team to the city provides only 14% of the cost; 85% comes from public financing and any cost overrun must be paid by the city;
- All infrastructure costs will be borne by the city;
- 100% of revenues -- ticket sales plus revenue from other activities in the stadium (restaurants, stores) – go to the team;
- DC gets use of stadium for its own events only 12 days a year, and half of these days are likely to be in weather unsuitable for outdoor events.
- The requirement that the team establish a charitable fund for community benefits is vague; there is no dollar commitment; only a provision to contribute \$1 for each attendee over 2.5 million. If attendance is low, this could be meaningless.

The “No DC Taxes for Baseball” coalition wants a stadium proposal that costs the city less, and gives the city more access to potential revenue, e.g. more days for city-sponsored events.

**Marge Maceda, President of the Southwest Neighborhood**, said the organization’s mission was to “improve the quality of life for SW residents.” Its newspaper is distributed free to 10,000 residents; it has an active website and sponsors youth activities, including baseball and scholarships. The Assembly voted to support the stadium, in contrast to the ANC, which voted to oppose it. The Assembly saw benefits to the neighborhood, such as the jobs commitment, refurbishing schools and recreation sites and a free summer camp. It also saw the stadium as a needed component for Anacostia waterfront development and creation of a grand gateway to the nation’s capital.

## II. Questions and Answers

**Q. (to Mr. Green). Won’t businesses just pass on the cost of the new gross receipts tax to their DC customers?**

A. Only very large companies would pay the tax – those with \$4 million or more gross receipts. Most are large law firms and personal service firms that now pay no DC tax, and whose clients and customers are mainly outside the city. There are 1500-1700 such firms, less than 10% of DC businesses. He doubted PEPCO would pass on costs to customers, seeing the expense as “de minimus” for the large utility.

**Q. (to Mr. Lazere) What can we as citizens do to express concern about all revenues going to the stadium owners’? How can we affect the Council’s decision?**

A. Linda Cropp’s proposal has changed the dynamic. Send messages to Kathy Patterson, Phil Mendelson and Carol Schwarz.

**Q. (from Brian Lederer, Chairman, Ward 3 Democratic Committee to Mr. Green)**

**What was the Council’s participation in stadium negotiations? If Linda Cropp participated and approved the proposal, how can she have any credibility when she now flip flops and proposes another site?**

A. (Mr. Green) There were consultations with Chairwoman Cropp and Councilman Evans; she did agree to the Anacostia site. She now proposes RFK as less costly and because DC already has this site, but the Federal government, not DC, owns this land. Her proposal would involve much renegotiation. The National Park Service owns the site; serious environmental problems exist, requiring a 2-yr. environmental review and costs of up to \$20 million. The city would have to spend more than \$200 million to tear down the existing stadium, and more than \$260 million to build a new stadium. RFK could not provide the benefits of the Anacostia site for wider neighborhood development. Also, the National Park Service and GSA do not want commercial development in the area.

**Q. (to Mr. Lazere). If you say that the stadium proposal won’t spur broader economic development needed to overcome our lack of other tax sources, what are your positive proposals ?**

A. We should cut back DC financing below \$550 million, and the city should only be responsible for a fixed amount of the cost. If there are cost overruns, the team, not the city, should be responsible.

Lazere defended Cropp's changed proposal, saying that she represents the citizenry, and had heard strong opposition to the Mayor's proposal from business and residents.

**Q. (to Green). Why was your \$440 million cost estimate below the \$530 million estimate of the City CFO and other higher projections?**

A. The CFO has projected additional infrastructure improvement that might be needed for Metro, streets, etc. His estimate essentially is a worst case scenario; all of these costs may not be necessary. Our estimate was realistically based on other stadium construction costs, plus 10%, plus an added \$20 million contingency fund and an additional \$60 million contingency fund for related infrastructure improvements.

Several audience members questioned whether the stadium really is needed to spur revitalization in view of significant development already in process and planned. For example, it was noted that Fannie Mae's many employees, alone, would generate considerable retail development.

Green replied that the Stadium would greatly speed development that might not otherwise occur for many years. He cited the impact of the MCI Center on rapid downtown development. Maceda added that businesses are coming to the area because they believe they will get revenue from the Stadium project.

Others questioned the city's contention that the stadium would bring significant new entertainment revenue, citing studies in other cities showing entertainment dollars spent on baseball tend to be taken from other sources of entertainment. Green emphasized the difference for DC because it is projected that two-thirds of baseball attendees would come from outside the city – bringing new money here. Any reduction in other entertainment spending would affect other jurisdictions, not the city.

Mr. Idelson asked if Stadium project planners had considered the National Capital Planning Commission (NCPC) overall "legacy" plan for development of South Capitol Street. Green said the Stadium is consistent with the NCPC plan for South Capitol Street as a grand avenue, and creating "destination" activity along the river. However, there is disagreement with NCPC's concept of isolated monuments for this area rather than more mixed uses, including more housing and retail..

Pat Elwood, a member of the NCPC, suggested that we should not underestimate the great psychological boost, as well as financial boost that a baseball team and stadium would give to the surrounding neighborhood and the city. She pointed to the impact of the Convention Center as well as the MCI Center in spurring growth of new business and a lively downtown.

Mr. Idelson asked whether the baseball project might be a mistaken investment in an older dream, in a sport which is dying, compared to the growth of soccer, basketball, etc.

An audience member countered that baseball is enjoying a national resurgence. Major League attendance is up. DC has 15 baseball leagues that are tremendously excited about the return of a team to DC. The team will provide tickets for youngsters and otherwise assist promoting baseball in the city. (A press release from an umbrella group of DC area baseball coaches described a major new "game plan" to work with the city, the new team and with businesses. to improve youth baseball/softball programs, bringing greater opportunities and life skills to the city's disadvantaged children.)

### **III. Adjournment**

The meeting was adjourned at 12:15 pm.

Respectfully submitted,  
Evelyn Idelson and George Idelson