

GAO

Report to the Chairman, Subcommittee
on the District of Columbia, Committee
on Government Reform and Oversight,
House of Representatives

November 1997

DISTRICT OF COLUMBIA

Status of the Sports Arena





**United States
General Accounting Office
Washington, D.C. 20548**

**Accounting and Information
Management Division**

B-275392

November 14, 1997

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:

You requested that we monitor and periodically report on the progress of the sports arena project in the District of Columbia. This report, our sixth¹ on this issue, discusses the project's predevelopment costs, revenue collections, and construction status.

Results in Brief

As of October 7, 1997, the District estimated total predevelopment expenditures to be about \$58.5 million, a net increase of about \$2.7 million over its October 18, 1996, estimate, as reported in our December 1996 report. The increase is largely attributed to the extended time frames for soil remediation efforts, which in turn compressed construction schedules. The subsequent negotiated settlement with the sports arena contractor on behalf of the subcontractors was to compensate them for premium labor rates to get back on construction schedule and to cover additional material costs.

The District's \$61.9 million in available funds for predevelopment costs for the sports arena appears to be sufficient to meet estimated expenditures. As of October 7, 1997, almost all of the predevelopment activities had been completed, and the District had spent about \$56.7 million, with an additional \$1.8 million budgeted for activities that will soon be completed, leaving approximately \$3.3 million to pay unanticipated expenses or to redeem term bonds prior to their redemption dates. The only known potential risk to the District's sports arena budget is the price for property taken in a condemnation action, which is to be settled through court action scheduled for December 1, 1997. The difference between the funds on deposit with the courts to pay for the property and the owner's most recent asking price is \$3.35 million.

¹District of Columbia: Status of Sports Arena Project ([GAO/AIMD-94-192](#), September 15, 1994); District of Columbia: Status of Sports Arena and Convention Center Projects ([GAO/T-AIMD-95-189](#), July 12, 1995); Sports Arena ([GAO/AIMD-95-209R](#), July 26, 1995); Sports Arena ([GAO/AIMD-96-43R](#), February 21, 1996); and Status of the Sports Arena ([GAO/AIMD-97-19](#), December 31, 1996).

Collections from the dedicated Arena Tax have been more than sufficient to pay principal and interest of about \$5.9 million annually on the bonds issued to finance the predevelopment expenses. For each of the past 2 years, collections have exceeded \$9 million, and it appears that 1997 collections will also exceed \$9 million. An analysis performed by the District's lead underwriter of the Sports Arena Special Tax Revenue Bonds shows that if future year dedicated tax collections remain in the \$9 million range, and if revenues from the ground lease of the sports arena and existing debt service reserve funds were used, the bonds could be paid off in 2002, well before the last scheduled maturity date in 2010. The analysis also revealed that the District would save about \$15.6 million in interest costs if the bonds were redeemed in 2002.

The sports arena is expected to be completed and available for use on December 2, 1997, 3 months behind the originally scheduled date of September 1, 1997.

Background

The District of Columbia government, acting through the Mayor, the District's Redevelopment Land Agency (RLA),² and the District of Columbia Arena, L.P. (DCALP)—a limited partnership formed by the owner of the Washington Wizards³ and the Washington Capitals—agreed that DCALP would build a sports arena (estimated to cost about \$175 million) and that the District would be responsible for financing certain predevelopment costs.

The District agreed to be responsible for the following predevelopment costs:

- acquiring land, including the purchase of property not then owned by the District;⁴
- connecting the Gallery Place Metrorail station to the sports arena;

²The District of Columbia Redevelopment Land Agency was created and established as an instrumentality of the District of Columbia government pursuant to the District of Columbia Redevelopment Land Act, 60 Stat. 793, August 2, 1946 (D.C. Code Ann. sec. 5-801 et seq.), as amended (the "RLA Act"). The purpose of RLA is to protect and promote the welfare of residents of the District through the acquisition and assembly of real property and the lease of such property for redevelopment.

³Formerly known as the Washington Bullets.

⁴The District has acquired two properties needed for the arena, and one was acquired through condemnation proceedings. However, according to the District's Project Manager for the sports arena, the purchase price of the property acquired in condemnation will be determined by pending legal proceedings scheduled for December 1, 1997.

- relocating District employees from two buildings on the site to other locations; and
- demolishing buildings, remediating soil,⁵ relocating utilities, and securing all regulatory approvals necessary for construction of the sports arena.

The Omnibus Budget Support Act of 1994 (Arena Tax Act),⁶ as amended, provides for a Public Safety Fee (Arena Tax) to be levied on businesses located in the District based upon the annual gross receipts of such businesses. The Arena Tax is due on or before June 15 of each year. The Arena Tax Act provides that if on or before December 1 of each year, the Mayor estimates that the Arena Tax revenue is less than \$9 million, the Mayor is required to raise the Arena Tax rates to provide for an estimated revenue of not greater than \$9 million. The Arena Tax Act also authorized RLA to pledge the Arena Tax as security to repay loans to finance predevelopment activities. The Arena Tax was first levied in fiscal year 1995 and mostly used to fund predevelopment activities. In subsequent years, the Arena Tax was used to pay principal and interest (debt service) on the bonds as required by the bond resolution.⁷

To initially finance the predevelopment costs of the sports arena, \$2.5 million was advanced by the District's Sports Commission.⁸ The funds were provided with the understanding that they would be repaid from the proceeds of a loan the District would secure. In August 1995, the District received a \$53 million loan commitment (line of credit) from a consortium of banks. In January 1996, RLA issued about \$60 million in revenue bonds backed by the Arena Tax and paid off the \$36.6 million portion of the line of credit used.

The funds originally available to pay the arena's predevelopment costs and to establish a debt service reserve totaled \$66.6 million. These funds consisted of (1) \$57.4 million⁹ in net bond proceeds (after financing costs) from the sale of RLA Revenue Bonds in January 1996 and (2) about \$9.1 million in 1995 tax collections from the dedicated Arena Tax. Of the

⁵Remediating the soil encompasses any and all corrective action taken to clean up a site in order to meet District or federal standards for soil quality.

⁶D.C. Code Ann. secs. 47-2751 through 47-2753 (1996 Supp.).

⁷The bond resolution authorizes the issuance of bonds to pay for the predevelopment costs of the arena project. It sets forth the terms, rights, and obligations of the RLA, bondholders, and trustees.

⁸The Sports Commission is a business enterprise fund established by the District to promote sports activities within the District of Columbia.

⁹Of the approximately \$60 million in bond proceeds, \$2.6 million was used to cover various fees associated with the bond sale.

\$66.6 million then available, \$11 million was placed in two reserves. A mandatory \$5 million capital reserve, which was required by the bond resolution, was established to pay for any insufficiency in the project fund. A reserve of about \$6 million was established for debt service.

Objectives, Scope, and Methodology

Our objectives were to determine the status of the sports arena project's (1) predevelopment costs, (2) revenue collections, and (3) construction status.

To determine the status of expenditures for predevelopment activities for the sports arena, we interviewed District officials on the Arena Task Force, the District's Sports Commission and Corporation Counsel, the Office of the D.C. Treasurer, and the Office of Tax and Revenue. We also met with trustees for the bonds and lockbox (into which dedicated taxes are deposited). In addition, we discussed the construction progress of the arena and Metrorail connection with officials from DCALP and the Washington Metropolitan Area Transit Authority (WMATA).

We statistically selected a sample of expenditures for review. Our sample was drawn from payments made from the funds provided by the District's Sports Commission, the loan from the consortium of banks, the 1995 Arena Tax collections, and the net proceeds from the sale of the bonds. The sample was comprised of 56 expenditure items, which, at the time of our audit, represented 92 percent of the total funds spent. We reviewed each sampled expenditure item to determine whether it was made within the terms of the contract or invoice amounts, it had been approved for payment by a District official, and the funds had actually been disbursed.

We did not audit the reported taxes collected and deposited for the sports arena project. Therefore, we did not determine if the District government accurately identified the universe of taxpayers or reported all dedicated taxes¹⁰ for this project. However, we reviewed the lockbox procedures that were established to collect the dedicated taxes, and we also reviewed monthly statements provided by the lockbox trustee to determine the amount of taxes collected and placed in escrow. In addition, we reviewed the District's lead underwriter's assumptions pertaining to the early redemption of the term bonds. Our review was built on previous work,¹¹

¹⁰The District does not perform a separate audit of the sports arena tax. This tax is audited as part of the District's comprehensive annual financial statements audit.

¹¹See footnote 1 of this report.

and we conducted our review from February 1997 through October 1997 in accordance with generally accepted government auditing standards.

Predevelopment Project Costs

Since our last report,¹² predevelopment cost estimates have increased from \$55.8 million to about \$58.5 million, or by a net amount of \$2.7 million (4.8 percent). The District's predevelopment activities consist of four major categories: (1) acquiring land, (2) demolishing two buildings, remediating soil, relocating utilities, and using consultants to secure regulatory approvals, (3) relocating District employees, and (4) constructing the Metrorail connection. The District has completed almost all of its predevelopment activities and has spent \$56.7 million, or about 97 percent, of the estimated total expenditures. Table 1 shows the District's total predevelopment activities financed for the sports arena project.

¹²Status of the Sports Arena (GAO/AIMD-97-19, December 31, 1996), which reported predevelopment cost estimates as of October 18, 1996.

Table 1: The District of Columbia's Predevelopment Activities Financed for the Sports Arena Project

(Dollars in thousands)

Predevelopment activities	Budget as of October 18, 1996	Expenditures ^a as of October 7, 1997	Increase (decrease) since October 18, 1996, budget
Land acquisition			
Appraisal/purchase price	\$34,268	\$34,268 ^b	\$0
Appraisal fee	50	0	(50)
Total	\$34,318	\$34,268	(\$50)
Metrorail connection			
Construction costs	\$19,360	\$19,000	(\$360)
Less: Capital Assistance Grant (after \$3 million District cost)	(12,000)	(12,000)	0
Less: WMATA contribution	(2,360)	(2,000)	360
Less: DCALP contribution	(2,000)	(2,000)	0
Total	\$3,000	\$3,000	0
Relocation of District Employees			
Lease commitments	\$1,922	\$1,868	(\$54)
Lease appraisals and space consultants	70	2	(68)
Leasehold improvements	1,344	1,006	(338)
Furniture and equipment move	638	546	(92)
Telecommunication equipment move	875	623	(252)
Total	\$4,849	\$4,045	(\$804)
Building demolition, soil remediation, relocation: legal, environmental, and consultant fees			
Building demolition	\$1,000	\$916	(\$84)
Soil remediation	3,521	8,266	4,745 ^c
Less: Far East Trade Center Associates, L.P. contribution for soil remediation	(569)	(569)	0
Utility relocation	2,770	3,379	609
Business relocation	25	0	(25)
Legal, environmental, and consultant fees	2,533	2,693	160
D.C. Sports Commission reimbursement	302	324	22
Total	\$9,582	\$15,009	\$5,427

(continued)

(Dollars in thousands)

Predevelopment activities	Budget as of October 18, 1996	Expenditures ^a as of October 7, 1997	Increase (decrease) since October 18, 1996, budget
Bank costs			
Bank fees	\$1,315	\$1,922	\$607
Total	\$1,315	\$1,922	\$607
Bond issuance costs	\$0	\$307	\$307
Total	\$0	\$307	\$307
Reserves for unanticipated increases	\$2,750	0	(\$2,750)
Total costs financed by the District	\$55,814	\$58,551	\$2,737

^aIncludes \$56.7 million of actual cash disbursements and \$1.8 million budgeted for activities that will soon be completed.

^bIncludes the \$5.25 million that was deposited in escrow with the Superior Court of the District of Columbia.

^cRepresents \$4 million in negotiated settlement with the developer and about \$700,000 for removal of concrete abutments, etc.

Land Acquisition

As shown in table 1, land acquisition has represented over half of total predevelopment costs and remains the only known potential risk to the District's predevelopment budget for the arena project. While the District acquired two pieces of property for the sports arena site, the price of one piece of property has not yet been determined. The District had two appraisals performed on the land in question. The first appraisal reflects a value of \$5.25 million, and the second appraisal a value of \$6.56 million. The owner has an appraisal showing a value of \$10.6 million, and the owner's last requested price was \$8.6 million. The District invoked its powers of eminent domain to secure title to the property and deposited \$5.25 million with the D.C. Superior Court, which is \$3.35 million less than the owner's last requested price. According to the District's project manager, a trial to determine the value of the land is scheduled for December 1, 1997.

Metrorail Connection

The Metrorail connection to the sports arena is almost complete. According to WMATA officials, the Metro station will be ready for an unofficial opening on November 15, 1997. During the period between the unofficial opening and the official opening on December 2, 1997, WMATA will be finalizing its work, such as installing permanent lights and

handrails at the Metrorail station. In addition, according to WMATA officials, the work on the Metrorail connection is currently within the budget of \$19 million, of which the District has contributed \$3 million. WMATA officials do not foresee any additional needs that would require additional funding by the District.

Soil Remediation and Related Activities

As shown in table 1, expenditures for building demolition, soil remediation, and relocation of utilities have increased from the projected \$9.6 million reported in our December 1996 report to about \$15 million, an increase of \$5.4 million, or about 56 percent. The significant increase in expenditures in this category is primarily a result of a negotiated settlement related to delays in construction activities due to extended time frames for soil remediation efforts. The actual cost for soil remediation (\$3.5 million) has not increased since our last report.

The majority of the increase in spending (\$4 million) was paid to DCALP—the developer. DCALP, on behalf of its subcontractors, had claimed losses arising from construction delays. According to DCALP, subcontractors had to pay additional premium labor rates to get back on schedule, and additional materials were also required. DCALP claimed that under the terms of the ground lease, the District was responsible for these costs. As part of its settlement, the District has obtained a legal agreement, intended to preclude the developer from prevailing in any further claims for losses arising from soil remediation efforts. In our last report,¹³ we had mentioned that the District’s Deputy Corporation Counsel stated that the District would take legal action against the alleged source of the contaminants if it does not receive compensation. However, as of October 21, 1997, the District had not determined the amount or presented a claim to the alleged source of the contaminants.

The \$4 million was paid out of the project fund following a transfer of that amount from the Mandatory Capital Reserve Fund. The Mandatory Capital Reserve Fund was initially established with \$5 million, as required by the bond resolution, to cover any insufficiency in the project fund. The Mandatory Capital Reserve Fund currently has a balance of about \$1 million. The bond resolution requires that any funds in excess of \$1 million in the Mandatory Capital Reserve Fund as of September 1, 1997, that are not required to be used to finance any portion of the project be transferred to the Redemption Fund and be used to redeem term bonds on November 1, 1997. In addition, any balance remaining in the Mandatory

¹³See footnote 1 of this report.

Capital Reserve Fund on September 1, 1998, should be transferred to the Redemption Fund and be used to redeem bonds on November 1, 1998.

In addition, the District requested and RLA modified the original bond resolution in August 1997 to maintain funding in the project fund to be used for predevelopment expenses after September 1, 1997.

All activities associated with soil remediation efforts have not been fully completed. The District's project manager for the sports arena has recently included in the expenditure estimates an additional \$700,000 for the removal of concrete structures below the surface and remediation of the soil, if necessary, on a parcel of land¹⁴ transferred to WMATA. The District believes that it has budgeted sufficient funds to remove the concrete structures.¹⁵ The District stated that based on preliminary work, the soil is not contaminated. The project manager of the sports arena fund stated that the District is hiring a contractor to perform further examination of this parcel of land.

Relocation of District Employees

The activities related to the relocation of District employees are almost complete. As shown in table 1, as of October 7, 1997, total expenditures for these activities is expected to be about \$4 million, which is \$804,000 less than what was estimated about a year ago. According to the project manager of the sports arena fund, leasehold improvements relating to installing computer workstations will soon be completed and will cost \$338,000 less than the amount anticipated. In addition, spending on the telecommunication equipment move will cost \$252,000 less than originally anticipated since it was determined that the cost was not solely associated with the employees affected by the move but with work that was performed on other District buildings.

Sources of Revenues for Predevelopment Costs

Table 2 shows total receipts of about \$61.9 million available as of September 30, 1997, to fund predevelopment costs. Through that date, the District had earned about \$1.3 million in interest from the bond proceeds. However, we have excluded \$371,000 in funds that we believe the sports arena project fund should not have received from the District's General Fund for sports arena predevelopment costs. In our last report, we stated

¹⁴This parcel of land is 8,080 square feet and is adjacent to the arena site, which is 218,435 square feet.

¹⁵Based on the land disposition agreement between the District, WMATA, and Far East Trade Center Associates, L.P., the District is solely responsible for the payment of all work related to the demolition, removal, and environmental cleanup, if required, of the land transferred to WMATA.

that all of the leasehold improvement costs associated with the relocated employees should have been paid from the District's sports arena project fund rather than from the District's appropriated funds because this activity was an allowable cost for the sports arena project. We had informed the District's Chief Financial Officer of this matter, and he had agreed to recoup the money from the sports arena project fund. However, as of October 7, 1997, the funds had not yet been returned to the District's General Fund. The project manager of the arena project fund contends that this amount should be borne by the District since it was not factored into the original predevelopment activities budget. We disagree. These costs were precipitated by the relocation action to allow arena construction and, accordingly, were an allowable cost of the sports arena project.

Table 2: Predevelopment Funds for the Sports Arena Project as of September 30, 1997

Sources of Receipts	
Net proceeds from bond sale ^a	\$57,436,001
Less: Mandatory debt service reserve	(5,995,000)
1995 Dedicated Arena Tax collections ^b	9,149,036
Total funds for predevelopment expenses	\$60,590,037
Interest earned on funds held in trust	
Interest earned on bank loan funds ^c	376,265
Interest earned on project funds ^d	400,905
Interest earned on capital reserve funds ^e	424,842
Interest earned on Metrorail funds ^f	91,606
Total interest earned	\$1,293,618
Funds Received from D.C. Department of Administrative Services	371,530
Less: Allowable project expenses to be refunded to the District's General Fund	(371,530)
Total funds available for predevelopment expenses	\$61,883,655
Less: Expenditures as of 10/7/97 (see table 1)	(58,551,000)
Total predevelopment funds still available	\$3,332,655

^aIncludes \$5 million of mandatory capital reserve funds.

^bTotal 1995 collection was about \$9.3 million, and \$119,000 was used for debt service.

^cRepresents interest earned on borrowings from the August 1995 loan RLA secured from a consortium of banks to pay for predevelopment expenses.

^dRepresents interest earned on funds held by FMB Trust (bond trustee) and dedicated for project expenses.

^eRepresents interest earned on the \$5 million of bond proceeds reserved to cover any insufficiency in the project fund.

^fRepresents interest earned on the District's contribution (\$3 million) to the capital assistance grant awarded for the Metrorail connection.

Dedicated Tax Revenue Collections and Other Revenues

As of September 30, 1997, collections for the 1997 Arena Tax had totaled about \$9 million and were sufficient to meet 1997 principal and interest payments (about \$5.9 million annually) on the bonds issued to finance the predevelopment expenses. The District forecasts Arena Tax collections of \$9 million for each year that the bonds are outstanding. For 1995 and 1996,

the trustees for the lockbox collected Arena Tax revenues of about \$9.3 million and \$9.6 million, respectively. Based on an analysis performed by the District's lead underwriter for the Sports Arena Special Tax Revenue Bonds, if future Arena Tax collections remain in the \$9 million range, and if revenues from the ground lease of the arena and the \$6 million in the debt service reserve, including interest earnings, are used, the bonds could be paid off in 2002, well before the 2010 maturity date of the longest term bonds.

The approximately \$9 million in dedicated tax revenues collected as of September 30, 1997, compares favorably with 1995 and 1996 collections; therefore, it is likely that collections will also exceed \$9 million in 1997. As was done in previous years, taxpayers were instructed to send their payments to a lockbox under the control of bank trustees. We verified that these funds were transferred to the trustee for the bonds and placed in accounts for principal and interest payments.

The combined total of \$18.6 million in dedicated tax revenues collected for 1996 and 1997 is being used to pay principal and interest on the sports arena bonds. The District's Sports Arena Special Tax Revenue Bonds are comprised of about \$15.4 million in serial bonds, which have stated maturity dates from 1996 to 2000, and \$44.5 million of term bonds with stated maturity dates from 2001 to 2010. As of November 30, 1996, the District had paid principal and interest of \$5.8 million on its serial bonds. The bond resolution requires that any additional tax collected over the amount needed to pay debt service on bonds be placed in a super sinker fund¹⁶ and be used to redeem term bonds earlier than their due dates.¹⁷ The serial bonds cannot be redeemed earlier than their stated maturity dates.

According to the bond trustees, on May 1, 1997, about \$2.5 million of term bonds had been redeemed, and interest of about \$1.6 million had been paid. Of the \$18.6 million collected in dedicated tax revenues as of

¹⁶The type of fund that permits early redemption of term bonds is commonly referred to as a super sinker fund.

¹⁷Based on Section 603, Special Mandatory Redemption, of the bond resolution, the bonds maturing on November 1, 2010, are subject to special mandatory redemption at a price of par, plus accrued interest to the redemption date, in part, by lot, prior to their stated maturity on (1) any principal installment date or interest payment date on and after November 1, 1996, from excess revenues on deposit in the redemption account of the debt service fund, (2) November 1, 1997, from moneys in excess of \$1 million on deposit, if any, in the Mandatory Capital Reserve Fund as of September 1, 1997, (3) November 1, 1998, from moneys on deposit, if any, in the Mandatory Capital Reserve Fund as of September 1, 1998, and (4) November 1, 1997, from moneys, if any, remaining in the Project Fund as of September 1, 1997. As stated previously, the bond resolution was modified in August 1997 so that money in the project fund could be used for predevelopment expenditures.

September 30, 1997, the District has used about \$9.9 million for debt service, leaving about \$8.7 million in the debt service fund. In addition, according to the bond trustee, as of September 30, 1997, the District had approximately \$6.5 million, including about \$500,000 in interest earnings, in the debt service reserve fund.

The District will soon begin to generate additional revenue from the lease of the sports arena land, which will also be used to pay debt service on the bonds. Pursuant to the terms of a ground lease dated December 29, 1995, the District and the RLA have agreed to lease to DCALP, the land upon which the arena is constructed for 30 years with the option to extend the lease for two 10-year periods. DCALP will make annual payments in quarterly installments to RLA, upon issuance of a certificate of occupancy. Based on the terms of the ground lease, for the next 6 years, the District will receive \$300,000 annually and is expected to receive a total of about \$24 million for the 30-year lease period.

The District's lead underwriter on the Sports Arena Special Tax Revenue Bonds has performed an analysis¹⁸ that shows that if future collections of dedicated tax revenues remain about the same as past collections, and if revenues from the ground lease of the arena and from the debt service reserve fund were used, the bonds could be paid off in the year 2002, 8 years before the last scheduled maturity date. In addition, the analysis revealed that the District would save about \$15.6 million in interest costs from early redemption of the term bonds at their par value.

Construction Status

According to the Chief Operating Officer of DCALP, the arena is scheduled for an unofficial opening on November 15, 1997 and the majority of the work will be completed at that time. The arena is expected to be completed and available for its intended use on December 2, 1997, about 3 months later than the originally scheduled date of September 1, 1997.

District's Comments and Our Evaluation

We requested comments on a draft of this letter from the Mayor of the District of Columbia. The Mayor provided us with comments that are reprinted in appendix I. With regard to the District presenting a claim to the alleged source of the contaminants, the Mayor stated that the Office of the Corporation Counsel is in the process of determining how to proceed with legal action.

¹⁸"District of Columbia Redevelopment Land Agency Sports Arena Special Tax Revenue Bonds Summary Transaction," prepared by Merrill Lynch on January 9, 1996.

We are sending copies of this report to the Ranking Minority Member of your Subcommittee and to the the Chairmen and Ranking Minority Members of the Senate and House Committees on Appropriations and their subcommittees on the District of Columbia and the Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia, Senate Committee on Governmental Affairs. Major contributors to this report are listed in appendix II. If you or your staff need further information, please contact me at (202) 512-4476.

Sincerely yours,

A handwritten signature in black ink, reading "Gloria L. Jarmon". The signature is written in a cursive style with a large initial "G".

Gloria L. Jarmon
Director, Civil Audits

Comments From the District of Columbia

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



THE DISTRICT OF COLUMBIA
WASHINGTON, D.C. 20001

MARION BARRY JR
MAYOR

NOV 07 1997

Mr. Gene L. Dodaro
Assistant Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

We have reviewed your draft report on the status of the Sports Arena (MCI Center) as submitted with your letter of November 5, 1997. It would appear that the said report, including the footnotes accompanying "Table 1: The District of Columbia's Pre-Development Activities Financed for the Sports Arena Project" (pages 9, 10 and 11) reflect budget obligations and expenditures as of October 7, 1997.

Please be advised that the Office of the Corporation Counsel is, in fact, reviewing files, reports and other information to determine how to proceed with legal action against the alleged source of the contaminants removed from the Arena site.

We look forward to the completion and opening of this outstanding and successful project and appreciate the General Accounting Office's review and monitoring of the financing, pre-development and construction activities.

Sincerely,


Marion Barry, Jr.
Mayor

See comment 1.

The following is GAO's comment on the letter from the Mayor of the District of Columbia dated November 7, 1997.

GAO Comment

1. The Mayor's assumption is correct. Table 1 contains both budget obligation and expenditure amounts.

Major Contributors to This Report

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