

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL**



**ATTORNEY GENERAL
BRIAN L. SCHWALB**

March 18, 2024

Abby Blomstrom, Executive Vice President and General Counsel
Monumental Sports & Entertainment
601 F Street, NW
Washington, DC 20004

Dear Ms. Blomstrom:

I am responding to your February 15 letter to Mayor Bowser, copied to Chairman Mendelson. In that letter, you state that “it is in MSE’s best interests to pursue relocation to the Potomac Yard site in Virginia” and that you “believe MSE’s proposed arena move to Virginia does not violate or breach the provisions of the various agreements connected to the matter.” As a third-generation Washingtonian and a lifelong Bullets/Wizards and Capitals fan, I sincerely hope Monumental Sports & Entertainment (MSE) will reconsider whether a move to Virginia would truly be in its best interests. I write to you today, however, not in my personal capacity as a Washington sports fan, but as the elected, independent Attorney General of the District of Columbia, charged by statute with the conduct of all law business of the District. In that capacity, I am advising you that the District does not agree with your legal conclusion that MSE’s proposed arena move to Virginia does not violate or breach its legal obligations to the District.

The District and MSE have had an excellent, mutually beneficial partnership for nearly three decades. By taking advantage of the District’s exceptional amenities, the prime location of Capital One Arena (Arena), and tens of millions of dollars in District-furnished tax abatements, below-market rents, and public financing, MSE has enjoyed extraordinary financial success. With the revitalization of the Chinatown corridor that Mr. Pollin and then Mr. Leonsis helped spur, including the addition of office buildings, residential housing, restaurants and retail businesses, the District has benefited immensely, too.

MSE has every reason to continue this partnership rather than pursuing plans to relocate to Virginia. In addition to MSE’s long, prosperous relationship with the District, there is the District’s recent financial commitment of \$500 million in public financing to renovate the Arena. There is the Wizards’ and Capitals’ valuable, long-time brand association with the District. There is the incomparable energy downtown generates and the excitement MSE’s customers experience when they attend games, shows and concerts in the heart of the District. There is the proven, existing capacity of the Gallery Place Metro station, traffic routes, and garage parking to accommodate fans and concert goers. There are the significant uncertainties associated with trying to relocate to Virginia. And there are the considerable costs associated with relocation—tens of millions of

dollars for an already cash-strapped WMATA to expand the Potomac Yard station, traffic congestion in Alexandria worse than it already is, and a \$2 billion price tag (including \$800 million from MSE and \$100 million from the City of Alexandria), to name a few.

For its part, the District is fully committed to maintaining, building upon, and strengthening its relationship with MSE. As noted, after making several different proposals, the District authorized \$500 million in public financing to renovate the Arena, very close to MSE's opening request of \$600 million. The Mayor and Chairman have made clear that that offer remains on the table. Additionally, District residents overwhelmingly have expressed their loyalty and admiration for the teams and their fervent hope that MSE will continue to call the District home. For these reasons, the Mayor, Chairman, and I welcome your invitation to meet. We believe, however, that the purpose of the meeting should not be to discuss ending MSE's partnership with the District, but rather to resume exploring an agreement to keep the Wizards and Capitals in our great city through at least 2047. Such an agreement is not only in the best interests of the District and, we believe, MSE, but also what the lawful, authorized terms of MSE's ground lease with the District require. Compliance with MSE's legal obligations to the District is another compelling reason for MSE to recommit to keeping the Wizards and Capitals here.

Your letter recognizes that, among its contributions to MSE over the years, the District publicly financed extensive improvements to the Arena in 2007, just 10 years after the Arena opened. In July 2007, the District enacted legislation that gave DC Arena LP (DCALP) \$50 million to renovate the Arena. Those funds were raised through municipal bonds. The Council expressly conditioned that public financing on DCALP's commitment to extend the original ground lease for an additional 20 years, thereby ensuring the District and its taxpayers that the Wizards and the Capitals would continue to play their home games at the Arena through 2047. The July 2007 legislation did *not* authorize DCALP to extinguish or revoke the lease extensions upon prepayment of the outstanding bond debt at some unknown time in the future. Nor did any DCALP representative or District official suggest such a possibility during the legislative process. On the contrary, they all agreed on the public record that, in exchange for the \$50 million in public financing, DCALP would exercise the two 10-year lease extensions—full stop. And that made sense: allowing DCALP to terminate the lease extensions would have permitted it to retract the consideration it provided for the \$50 million in taxpayer-backed financing it requested and received. That consideration included not only the lease extensions themselves, but also, as your letter acknowledges, the promise of excess sales tax revenues that would revert to the District for the additional 20 years of the lease, from 2028 through 2047.

Notwithstanding the plain language and clear intent of the July 2007 legislation, provisions in subsequent agreements executed in December 2007 purport to allow DCALP to revoke the lease extensions at any time by paying the District the money needed to satisfy the outstanding bond debt. Because those provisions illegally exceeded what the 2007 legislation authorized, they are

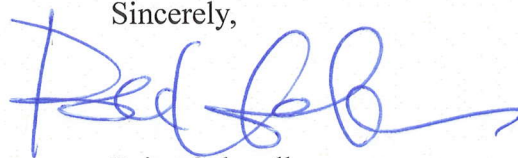
ultra vires, void *ab initio*, and unenforceable. Under the valid and enforceable terms of the 2007 legislation and agreements, MSE is obligated to keep the Wizards and Capitals at the Arena through 2047.

Additionally, in negotiating a preliminary agreement with Virginia, MSE has broken other promises to the District. MSE's October 12, 2017 agreement with the District for the Entertainment and Sports Arena (ESA) in Congress Heights provides that, if MSE intends to relocate the Wizards or Capitals from Capital One Arena, MSE must (1) notify the District of its intent, (2) negotiate exclusively and in good faith with the District for a period of six months, (3) refrain from negotiating with anyone else during that exclusive negotiation period, (4) following the exclusive negotiation period, if it intends to enter into any agreement with a third party to move the teams outside the District, give the District written notice of the material terms of the agreement, and (5) give the District 90 days to make a competing offer. MSE's negotiations with Virginia violated these contractual provisions.

In addressing the legal assertions in your February 15 letter, I recognize that MSE has not attempted to revoke the lease extension options it exercised for the Arena in 2007, that it may never do so, and that, accordingly, debate about potential legal claims – which this letter is not intended to address exhaustively – may be premature and unnecessary. The District hopes it to stay that way. To be clear, the District very much prefers *not* to pursue any potential claims against MSE. It remains committed to maintaining and growing its partnership with MSE and to keeping the Wizards and Capitals at the Arena until the end of the existing lease term in 2047, if not beyond. It is in that spirit that the District urges MSE to re-engage with District officials around a mutually beneficial arrangement that advances the long term interests of both the District and MSE.

The Mayor, Chairman Mendelson, and I look forward to discussing the potential path forward with you, Mr. Leonsis, and your colleagues. Please email Chief Deputy Attorney General Seth Rosenthal at seth.rosenthal@dc.gov, or call him at 202-890-9274, to arrange a time to meet.

Sincerely,



Brian Schwalb
Attorney General

cc: Mayor Muriel Bowser
Chairman Phil Mendelson
Tony Pierce, Esq.