

June 20, 2002

Council of the District of Columbia

PUBLIC HEARING ON BILL 14-466, "MANDARIN ORIENTAL HOTEL PROJECT TAX DEFERRAL ACT OF 2001"

**Testimony of John Ross, Chief of Operations, Office of Research and Analysis,
before the Committee on Finance and Revenue**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. My name is John Ross. I am chief of operations in the Office of Research and Analysis. I am here today to testify on behalf of the Office of the Chief Financial Officer (OCFO) on Bill 14-466, the "Mandarin Oriental Hotel Project Tax Deferral Act of 2001."

The Council approved Act 14-227, the "Mandarin Oriental Hotel Project Tax Deferral Emergency Act of 2001," on Dec. 18, 2001, and Act 14-320, the "Mandarin Oriental Hotel Project Tax Deferral Temporary Act of 2001", on the same date.

Bill 14-466 was introduced on Dec. 17, 2001, and assigned to committee. This legislation makes permanent a \$4 million tax deferral to reduce the cost of construction for the Mandarin Oriental Hotel. The cost of the legislation is \$2 million over each of the next two years, or \$4 million in total. The tax deferral is in addition to the \$46 million the District is providing for this development through tax increment financing. The total cost of the project is \$143.5 million.

Taxes to be deferred during the period of construction include the real property recordation and transfer tax; real property tax; sales tax on construction materials, furniture fixtures and equipment; and certain construction period fees. The taxes will be paid at the end of 20 years or when the hotel is sold.

We will continue to monitor construction progress to be certain that the project is on schedule and on budget. We are pleased to report that the project is on track at this time. The project is to be completed in early 2004.

I will be pleased to answer any question you may have on this legislation.