

PUBLIC HEARING

ON

**PR 15-473, "TAX INCREMENT REVENUE BONDS
1000 K, LLC PROJECT APPROVAL RESOLUTION OF
2003"**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia
The Honorable Jack Evans, Chairman**

**November 17, 2003; 10:00 a.m.
Room 120, John A. Wilson Building**



**Testimony of
John P. Ross
Chief of Operations
Office of Research and Analysis**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am John Ross, chief of operations for the Office of Research and Analysis in the Office of the Chief Financial Officer (OCFO). I am pleased to be here today to testify on Proposed Resolution 15-473, the "Tax Increment Revenue Bonds 1000 K, LLC Project Approval Resolution of 2003."

1000 K LLC plans to develop a 383-room, upscale Embassy Suites hotel at 10th and K Streets, NW, two blocks from the new convention center. The project also will include a parking garage with approximately 165 parking spaces.

The OCFO certified this project for Tax Increment Financing (TIF) on October 3, 2003. In making this determination, the OCFO carefully evaluated the project's financial feasibility, its potential impact on District tax collections, other potential sources of project financing, and whether the project required a TIF allocation to proceed. The project has the support of Deputy Mayor Price and meets planning requirements. The OCFO believes that providing TIF financing for this project is in the best financial interest of the District.

The total cost of the project is about \$96 million. This will be paid for with an equity contribution of about \$35 million; \$3.5 million in "key" money from Hilton; about \$46.5 million in debt; and \$11 million in the form of a Tax Increment Finance note. The use of a TIF note, rather than TIF bonds, means that District funds will not go into the project until the hotel has opened and is generating tax dollars. The interest rate on the TIF note has been capped at five percent.

The project is anticipated both to increase tax revenue to the city and to provide adequate incremental tax revenue to pay debt service on the TIF note. Our independent consultant, ARD Government Finance Group, estimated that the project would result in about \$2.5 million in additional tax revenue in the first year of operation, with the incremental tax revenue rising to about \$3.4 million after 10 years. It is anticipated that there will be sufficient incremental tax revenue to pay debt service on the note.

We are pleased to have been able to certify the 1000 K, LLC project, the fifth TIF project to be certified.

This concludes my testimony. I would be happy to answer any questions you may have.

###