

PUBLIC HEARING ON

**“New Convention Center Hotel Omnibus Financing and
Development Amendment Act of 2007”**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia
The Honorable Jack Evans, Chairman
-and the-
Committee on Economic Development
Council of the District of Columbia
The Honorable Kwame Brown, Chairman**

**November 15, 2007, 10:00 a.m.
Room 120, John A. Wilson Building**



**Testimony of
John P. Ross
Senior Advisor and Director of Economic Development Finance
Office of the Chief Financial Officer**

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

Good morning, Chairmen Brown and Evans and Members of the Committees on Economic Development and Finance and Revenue. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify for the Office of the Chief Financial Officer on the New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2007.

The proposed bill amends the New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2006 in the following ways:

1. Reduces the scope of the development by decreasing the minimum number of rooms in the hotel from 1,200 to 1,100.
2. Reduces the scope of the development to include only the hotel, not an expansion of the convention center.
3. Reduces the site for the hotel development to include only certain properties in square 370.
4. Revises the provisions of the leases of parcels owned by the District and the WCCA.
5. Gives Marriott an option to acquire the parcels owned by the District and the WCCA.
6. Exempts squares and lots from deed and recordation tax.

The legislation does not amend the amount of TIF debt that can be issued for the project. The District is still authorized to issue \$134 million of net TIF debt and \$187 million gross TIF debt. Estimates from an external financial advisor indicate that available sales and property tax from the footprint of the hotel will likely be sufficient to pay the debt service on the bonds. In addition, the WCCA will pledge its residual revenue stream from dedicated taxes to pay any unexpected shortfalls in debt service on the TIF bonds.

The hotel development requires a land swap between the District and a private owner. The private owner has agreed to the land swap in order to facilitate the District's plans for the development of the hotel to move forward.

The proposed exemption of this parcel from deed transfer and recordation taxes does impact the District's budget or financial plan.

Deed transfer and recordation taxes are calculated based on the value that a property owner pays for a parcel or on the assessed value of the parcel. In this case, the value is based on the property that is being given up. The 2008 assessed value of the

parcel to be given up by the private owner is approximately \$75.9 million. Since the legislation exempts the private owner from paying deed transfer on the parcel given up and recordation taxes on the parcel received, the District of Columbia will forego approximately \$2.2 million in FY 2008.

The proposed exemption of the parcels on the Convention Center Hotel site from deed transfer and recordation taxes also has a fiscal impact. Because these parcels are owned by the District and by the Washington Convention Center Authority, they would not be subject to deed transfer tax when they are leased to the hotel owner. However, the hotel owner would be required to pay recordation taxes on full value of the property subject to the 99 year-lease. The 2008 assessed value of the Convention Center Hotel site is approximately \$105.5 million, which would result in a recordation tax of approximately \$1.5 million.

In addition, the legislation does not place a time limit on the exemption from deed transfer and recordation taxes. As a result, the District will continue to forego revenues if the swapped parcel is sold or the leased parcels are transferred at any point in the future.

Thank you for the opportunity to testify. This concludes my testimony and I am happy to answer any questions you have at this time.