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HEADLINE: District of Columbia: Hotel Project Stands to Gain in City's Second TIF Deal

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BODY:

The District of Columbia's second-ever tax increment financing deal will benefit developers of the Mandarin Oriental Hotel and the city's economy as a whole, officials say.

The $24 million in tax-exempt TIF bonds and $5 million in taxable TIF bonds for the $121 million hotel project are expected to be sold next month. The Mandarin, to be built in southwest Washington's waterfront area, will be a full-service, 400-room luxury hotel with 33,000 square feet of meeting and banquet space, employing 500 people.

Carole L. Brown, a senior vice president at Lehman Brothers, the issue's lead underwriter, said she expects the bonds to be unrated. However, she added that it was too early in the offering process to provide other details. PaineWebber Inc. and Siebert Brandford Shank & Co. will be co-managers on the negotiated deal, said Dionne C. Williams, a spokeswoman for district chief financial officer Valerie Holt.

The deal is good for the district because it requires the developer to hire district residents and to construct improvements to spruce up the general appearance of the "extremely ugly" waterfront, said Gerry Widdicombe, a senior staffer in the office of the deputy mayor for planning and economic development.

Holt's office forecasts that over the first five-year period of operations, the net fiscal impact on the district will be a positive $7.7 million. Richard Raphael, an analyst with Fitch IBCA Inc., said the deal sounds promising, assuming the district does not have to provide overly large subsidies to put the currently unused property on the tax rolls.

The District Council approved the TIF bonds March 7. The bonds are backed by future local sales taxes generated by the project, making the district a de facto partner with project developer, the Portals Hotel Site.

This is the district's second TIF deal: the first involved $64 million in unrated tax-exempt bonds for the $195-million Gallery Place project, a downtown entertainment, retail, and housing complex. That deal was approved in February, and the bonds are to be sold later this month.