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Dallas Bond Deal for Statler Hotel Rehab Being Probed by SEC.

The Dallas Morning News has been digging into an unusual bond deal being used to help underwrite the Statler Hotel redevelopment in downtown Dallas, a massive improvement project that includes a building the News will soon call home.

At issue: The sale in 2016 of \$26.5 million in municipal bonds backed by future tax incentives that the city of Dallas granted to the developer.

DMN reporters Miles Moffeit and Terry Langford have unearthed that officials with the Securities and Exchange Commission are questioning “at least four people involved in the \$230 million renovation of the historic hotel and adjoining former library.”

From the Dallas Morning News:

One focus of the SEC inquiry is the sale last year of \$26.5 million in municipal bonds backed by future tax incentives that the city of Dallas granted to the developer under what’s called tax-increment financing. Cities use such deals to lure developers to build in specific areas with little economic growth.

Under these programs, any increases in property-tax collections in these zones are rebated to developers over time and up to a certain limit — \$46.5 million in the case of the Statler project.

Rather than wait to collect these tax payments over decades, Centurion decided to raise money immediately by selling bonds that in the future would be paid off by the tax rebates.

The IRS ruled last month that the bonds do not qualify for the tax exemption that investors were promised. The agency did not explain its reasoning, but Mike Culler, a public-finance tax lawyer for Squire Patton Boggs, said the deal probably failed to show a benefit to the public.

The Wisconsin agency that was behind the bond sale said it has appealed the IRS decision.

This hasn’t been the first time that the News has put a spotlight on the project.

The Statler Hotel redevelopment budget, which has risen 50 percent over the past three years, is built on several government programs and hefty tax incentives, according to the Dallas paper.

And earlier this year, Moffeit and Langford [reported](#) on the IRS probing aspects of the project’s financing.

The new complex will include boutique shopping, fine dining, business offices, and hotel rooms, according to the Statler Hotel website. The Dallas Morning News will rent the old library building, which is part of the development as well as a national historic site.

The Texas Monitor

By Trent Seibert – August 18, 2017

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