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IRS Opens Probe Into Financing for Statler Redevelopment.

The Internal Revenue Service is investigating a deal that raised millions of dollars for the redevelopment of the Statler Hotel and Dallas Central Library, according to lawyers involved in the financing.

The *Dallas Morning News* recently signed a lease agreement to move into the old library building once it has been renovated. The library and 19-story hotel are on Commerce Street across from the Main Street Garden Park.

The IRS is examining a complex financing that raised $26.5 million for the $221 million project. Mehrdad Moayedi, a real estate developer known for building residential communities in North Texas, is spearheading the project though Commerce Statler Development LLC.

The financing to help pay for the redevelopment involved tax-exempt bonds, which are regulated by the IRS.

The bonds were sold by an agency in Wisconsin and were backed by future tax grants to the project from the city of Dallas. Local experts called that structure unusual when it was announced in August.

Lawyers involved in the tax-exempt bond sale published a notice Monday telling investors that the IRS is examining the deal because of concerns "that the debt issuance may fail one or more provisions" of the tax code. The notice said the concerns may have been raised by "external sources."

The agency did not respond to requests for comment Monday night.

The Public Finance Authority in Wisconsin "believes the bonds complied with all applicable provisions of the Internal Revenue Code," according to the law firm that posted the disclosure, Orrick, Herring & Sutcliffe. The firm declined to comment to *The News*.

The city of Dallas approved the bond sale based on the future payout of the tax incentives.

Moayedi's spokeswoman referred questions about the IRS inquiry to Kirk Wilson, a financial consultant for the project. Noting that the developer has not received any information directly from the agency, he said that the IRS is simply asking for more information in a routine audit.

The bonds are backed by so-called tax-increment financing, in which the city promises to give developers tax breaks over time for developing in designated areas. City representatives did not immediately respond to requests for comment.

The Dallas Morning News

by Terri Langford

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