

Introduction and first reading: January 11, 2022
Public hearing: January 22, 2022
Second reading and enactment: January 22, 2022

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to adopt the Tourism Development Plan developed in conjunction with the Virginia Tourism Authority's, d/b/a the Virginia Tourism Corporation (VTC), Tourism Development Financing Program (TDFP), endorse a proposed tourism project at 699 Prince Street which entitles the project to gap financing derived from certain state and local tax revenues, approve a performance agreement related to the proposed tourism project, and authorize other actions consistent with the TDFP as outlined in the Code of Virginia Section 58.1-3851.1.

Summary

Virginia Code § 58.1-3851.1 was enacted in 2011, to provide entitlements to authorized tourism projects to receive certain state and local tax credits and deductions and certain regulatory flexibility only offered within a designated Tourism Zone. In consideration of a proposed luxury hotel by J. River 699 Prince Street, LLC at 699 Prince Street and 114 South Washington Street in historic Old Town Alexandria, the City must endorse several aspects of the project prior to the developer receiving any entitlements under this section of the state code.

Sponsor

None

Staff

Stephanie Landrum, President & CEO, Alexandria Economic Development Partnership
Christina Mindrup, Vice President, Real Estate, Alexandria Economic Development Partnership
Joanna Anderson, City Attorney
Christina Zechman Brown, Deputy City Attorney
David Lanier, Assistant City Attorney
Emily Baker, Deputy City Manager
Julian Gonsalves, Assistant City Manager for Public-Private Partnerships
Kendel Taylor, Director of Finance
Kevin Greenlief, Assistant Director - Revenue Division, Department of Finance

Authority

§ 58.1-3851.1, Code of Virginia (1950), as amended

Estimated Costs of Implementation

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None

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

Exhibit A – Performance Agreement

Exhibit B – Tourism Development Plan

Exhibit C - Chart Explaining How the TDFP Gap Financing Program Works

ORDINANCE NO. _____

AN ORDINANCE to adopt the Tourism Development Plan developed in conjunction with the Virginia Tourism Authority's, d/b/a the Virginia Tourism Corporation (VTC), Tourism Development Financing Program (TDFP), endorse a proposed tourism project at 699 Prince Street and 114 South Washington Street which entitles the project to gap financing derived from certain state and local tax revenues, approve a performance agreement related to the proposed tourism project, and authorize other actions consistent with the TDFP as outlined in the Code of Virginia Section 58.1-3851.1.

WHEREAS, in 2011, the Virginia General Assembly passed legislation enacting a TDFP under the purview of the VTC, which entitles an authorized tourism project to receive certain state and local tax revenues from the tourism project as outlined in the Code of Virginia Article 10, Chapter 38, Subtitle III, Title 58.1; and

WHEREAS, the City of Alexandria established a Tourism Zone identified as Ordinance Number _____ on January 22, 2022 in accordance with the Code of Virginia Section 58.1-3851 as a mechanism to strengthen and expand tourism-related businesses and attractions so as to create jobs, increase investment, promote local heritage, attract out-of-town visitors, and strengthen the city's unique sense of place; and

WHEREAS, the Alexandria Economic Development Partnership (AEDP) has presented for preliminary approval to the VTC a development plan, entitled Tourism Development Plan, as required by the Code of Virginia Section 58.1-3851.1, a copy of which is attached hereto as Exhibit "A", and

WHEREAS, the city currently lacks any hotel entities in the luxury category to accommodate both business and tourism related travelers; and

WHEREAS, J. River 699 Prince Street, LLC (Developer) has proposed spending approximately \$69.6 million to construct a 134-room boutique hotel operated by Aparium Hotel Group, LLC, located at 699 Prince Street and 114 South Washington Street in historic Old Town Alexandria (Hotel Project); and

WHEREAS, this Hotel Project will be a comprehensive renovation of a former historic hotel, currently existing as an office building; and

WHEREAS, the Developer has identified a plan of finance for the Hotel Project which includes private debt and equity financing along with other funds totaling at least 70% of the cost of the project, leaving a financing gap of no more than 30%; and

WHEREAS, the Developer will submit an application requesting gap financing assistance and proof thereof; and

WHEREAS, the city has reviewed the proposed Hotel Project and finds the project will enhance the city's commercial tax base, historic preservation of one of the city's first hotels,

1 increase employment, and fill the void of luxury hotel lodging to support the growing need for
2 tourism and business related lodging; and
3

4 WHEREAS, under the Commonwealth of Virginia's TDFP, eligible projects are entitled
5 to receive one percent (1%) each of the State and Local share of Sales Tax Revenues generated
6 from the Hotel Project, together with a five percent (5%) access fee to be paid by the Developer,
7 for the purpose of paying the principal and interest on the gap financing which would complete
8 the plan of finance for the Hotel Project and incent the full Hotel Project implementation; and
9

10 WHEREAS, to meet the requirements of Code of Virginia Section 58.1-3851.1, the city,
11 along with the AEDP, will be required to enter into a performance agreement with the
12 Developer; now therefore,
13

14 THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:
15

16 Section 1. The Tourism Development Plan submitted to the VTC is adopted
17 pursuant to the Code of Virginia Section 58.1-3851.1.
18

19 Section 2. The Hotel Project is an eligible project for the purposes of the Code of
20 Virginia Section 58.1-3851.1 and accordingly, the Council finds the Hotel Project fills a void
21 identified in the City's Tourism Development Plan.
22

23 Section 3. That subject to the approval and certification of the State Comptroller
24 of the Commonwealth of Virginia, and conditioned upon the execution of a performance
25 agreement between the Developer, AEDP, and the City, the Council hereby designates to the
26 Hotel Project an amount equal to the revenues generated by one percent (1%) of local sales and
27 use tax generated by transactions taking place on the premises of the Hotel Project. Subject to the
28 appropriation of such funds, Council directs those funds to the AEDP to be applied to the
29 payment of principal and interest on the qualified gap financing for the Hotel Project for the
30 duration and purposes set forth in the Code of Virginia Section 58.1-3851.1.
31

32 Section 4. The Tax Commissioner shall certify the amount of the entitled sales
33 tax revenues to the Comptroller, who shall remit such revenues to the city. Upon collection of a
34 quarterly remittance of revenues by the Commonwealth and of the access fee, as that term is
35 defined by the Code of Virginia Section 58.1-3851.1, by the Developer, the city will remit such
36 amounts to the AEDP as required by the Code of Virginia Section 58.1-3851.1. No payments
37 herein shall be made until a performance agreement exists between the Developer and AEDP.
38

39 Section 5. In the event that the total amount of sales tax entitlement and the
40 access fee exceeds any annual debt service on the qualified gap financing, such excess shall be
41 paid to the principal of the loan until the qualified gap financing is paid in full.
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Section 6. A tourism project that is entitled to and receives revenues pursuant to the Code of Virginia Section 58.1-3851.1 shall not be eligible to receive revenues pursuant to the Code of Virginia Sections 58.1-608.3 and 58.1-3851.2.

Section 7. The City Manager is authorized and directed to take actions consistent with the intent of this ordinance, without limitation, as required by the Code of Virginia Section 58.1-3851.1

Section 8. That this ordinance shall become effective upon the date and at the time of its final passage.

JUSTIN WILSON
Mayor

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