

1 Introduction and first reading:
2 December 10, 2024
3 Public hearing:
4 December 14, 2024
5 Second reading and enactment:
6 December 14, 2024
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9 **INFORMATION ON PROPOSED ORDINANCE**

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11 **Title**

12 AN ORDINANCE to amend and re-ordain Section 3-2-192 (5001 EISENHOWER AVENUE
13 REDEVELOPMENT DISTRICT) of Article M (LEVY AND COLLECTION OF PROPERTY
14 TAXES) of Chapter 2 (TAXATION) of Title 3 (FINANCE, TAXATION, AND
15 PROCUREMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended
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17 **Summary**

18 The proposed ordinance would amend the existing 5001 Eisenhower Avenue Redevelopment
19 District to provide a performance-based partial real estate tax exemption to facilitate the
20 redevelopment of the long-vacant office building at 5001 Eisenhower Avenue. The building,
21 originally constructed for the U.S. Army in 1973, has remained unoccupied since 2003,
22 significantly contributing to Alexandria's office vacancy rate. Due to the unsuccessful attempts to
23 lease the building for office use and changes in the market, the owner is seeking to convert it into
24 residential units, which will be 100% rent-controlled and include affordable and workforce
25 housing rent rates. The proposed City financial participation aims to support this conversion while
26 addressing the need for committed affordable and workforce housing in Alexandria.
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29 **Sponsor**

30 None
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32 **Staff**

33 Jim Parajon, City Manager
34 Bonnie Brown, Deputy City Attorney
35 Julian Gonsalves, Assistant City Manager for Public/Private Partnerships
36 Kevin Greenlief, Assistant Director – Revenue, Department of Finance
37 Stephanie Landrum, President and CEO, Alexandria Economic Development Partnership
38 Helen McIlvaine, Director, Office of Housing
39 Annwyn Milnes, Appraiser Supervisor, Department of Finance
40 Karl Moritz, Director, Department of Planning & Zoning
41 William Bryan Page, Assistant Director - Real Estate, Department of Finance
42 Kendel Taylor, Director, Department of Finance
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44 **Authority**

45 § 2.02(a), Alexandria City Charter

1 § 58.1-3219.4, Code of Virginia

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3 Estimated Costs of Implementation

4 The Office of Housing, Department of Finance, City Attorney's Office, and City Manager's
5 Office will implement the ordinance with existing staff resources.

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

9 Presentation

10 Term Sheet (Exhibit A / Attachment 2)

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ORDINANCE NO. _____

AN ORDINANCE to amend and re-ordain Section 3-2-192 (5001 EISENHOWER AVENUE REDEVELOPMENT DISTRICT) of Article M (LEVY AND COLLECTION OF PROPERTY TAXES) of Chapter 2 (TAXATION) of Title 3 (FINANCE, TAXATION, AND PROCUREMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-192 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended by deleting the text shown in strikethrough and adding the text shown in underline as follows:

(a) District defined. The 5001 Eisenhower Redevelopment District (the "district") is hereby amended and includes on the 9.1 2.77+/- acre area that will be subdivided from the current city tax map 068.04-01-20 068.04-01-05, addressed as 5001 Eisenhower Avenue, to include the office building existing at 5001 Eisenhower Avenue ("Existing Office Building") and adjacent surface parking areas and to be used for residential uses, commercial and community space, and open space, which is more particularly shown as "Lot 701; Conversion Parcel" in section 3-2-192(i). the leasing of office and related facilities.

(1) Pursuant to Section 58.1-3219.4 of the Code of Virginia, as amended, the City of Alexandria ("city") is providing for the partial exemption from taxation of improvements to real estate located within the district. The following subsections establish the criteria for determining whether real estate qualifies for the partial exemption authorized by the Code of Virginia, and places restrictions and conditions on the improvements within the district.

(b) Effective date. The start of the partial property tax exemption in the district will be the first January 1 of the second complete year of operations following completion of the conversion of the Existing Office Building as evidenced by issuance of a temporary or final certificate of occupancy for the entire building. after the first certificate of occupancy for 200,000 square feet of net rentable office space ("initial lease") is granted in the district. In the event that the applicable performance standards described in subsection (e) below are achieved in the first year following the issuance of the first certificate of occupancy, the abatement shall apply to the entire calendar year as though the performance standard was achieved on January 1 of such year. Each The partial property tax exemption in the district shall be in effect for a ~~15-year~~ 25-year period from the start of such partial property tax exemption until December 31 of the ~~fifteenth~~ twenty-fifth year of such partial property tax exemption. ~~However, notwithstanding any other provision of this ordinance, no partial property tax exemption in this District may be in effect after December 31, 2045.~~

1 (c) Tax exemption defined. The partial property tax exemption shall be subject to the following
2 conditions and requirements: partially exempt real estate taxes due for the following:

3 (1) If all requirements in this ordinance and the Performance Agreement
4 described in subsection (e) are met, the city will partially exempt real estate
5 taxes in an amount equal to the increase in assessed value, or percentage
6 thereof, resulting from the construction of improvements to the Existing
7 Office Building, for improvements to the existing office building, up to an
8 annual maximum of \$1,500,000 \$1,099,066 in exempted real estate taxes.
9 The cumulative total of exempted real estate taxes over the 25-year period
10 shall not exceed \$31,250,000 unless such number is permitted to be
11 increased pursuant to the Performance Agreement described in subsection
12 (e) herein. In no circumstance shall the cumulative exempted real estate
13 taxes over the 25-year period exceed \$34.375 million. ;and

14 (2) The exempt amount of real estate taxes on the improvements to the Existing
15 Office Building shall be reduced in annual steps over the 25-year period, as
16 follows:

- 17 (i) Years 1-5: 90% exemption
- 18 (ii) Years 6-10: 80% exemption
- 19 (iii) Years 11-15: 70% exemption
- 20 (iv) Years 16-20: 60% exemption
- 21 (v) Years 21-25: 50% exemption

22 (2) ~~up to 250,000 square feet of related new non-residential structures such as,~~
23 ~~but not limited to, additional office buildings, data centers, meeting~~
24 ~~facilities, parking garage(s), retail facilities, or other functions constructed~~
25 ~~and outfitted to support the office building tenant or tenants, up to an annual~~
26 ~~maximum of \$1,000,000 in exempted real estate taxes. This support~~
27 ~~facilities partial real estate tax exemption is applicable whether or not the~~
28 ~~office building improvement performance standard has been met.~~

29 (2) The annual assessed value of the land component and building component
30 existing as of ~~January 1, 2019~~ the January 1, 2025 in the district, reflecting
31 any increases or decreases in assessed value of said land and existing
32 building component, shall remain fully taxable. ~~The annual assessed value~~
33 ~~of the land component shall also reflect that of a finished developed lot with~~
34 ~~existing improvements.~~

35 (d) Annual assessment. The real estate assessments for all land and buildings within the district
36 shall be determined by the director of real estate assessments, and shall be established at
37 fair full market value using the same principles, procedures, and timing of real estate
38 assessments as that established for other similar taxable real estate in the city. The owner
39 of land and improvements within the district shall have the same rights provided to other
40 owners of and taxable real estate in the city.

41 (e) Performance criteria required. ~~Performance standards required.~~ The tax exemption detailed
42 in this article shall be dependent on the following ~~required performance standards being~~
43 ~~met:~~

1 (1) The city manager is authorized and directed to execute, after approval by
2 the city attorney, and on behalf of the city, a performance agreement
3 ("Performance Agreement"), which shall incorporate substantially the same
4 content as that which is attached as Exhibit A and shall be kept on file in
5 the city manager's office. The city manager may perform other such related
6 acts as may be necessary and appropriate pursuant to the Performance
7 Agreement, including those not specifically recited herein or therein, in
8 consultation with the city attorney.

9 (2) Before any tax exemption is awarded, the owner of the Existing Office
10 Building must comply with all applicable terms and conditions of the
11 Performance Agreement. an office tenant occupancy threshold level of at
12 least 200,000 square feet of net rentable floor area in the existing office
13 building in the district ("required occupancy") must be achieved. If the
14 required conversion of the Existing Office Building occupancy is not
15 achieved in a manner consistent with the Performance Agreement, then no
16 tax exemption shall apply, with and the city shall then fully taxing all land,
17 office building and other improvements in the district. For the purposes of
18 determining whether or not the required occupancy threshold has been met,
19 space leased for or by the federal government or other tenant(s) not able to
20 be occupied by such tenants due to incidents such as fires, earthquakes,
21 hurricanes, or other acts of god shall be considered leased and occupied
22 space in the calculation of the 200,000 net rentable square foot occupancy
23 threshold;

24 (2) ~~Before the tax exemption applicable to the existing office building in (c)(1)~~
25 ~~herein may be awarded, non-residential improvements to the existing office~~
26 ~~building including but not limited to land acquisition costs, hard~~
27 ~~construction costs and usual and customary soft costs in the amount of at~~
28 ~~least \$175,000,000 ("office building improvements") to the existing office~~
29 ~~building and to its interior;~~

30 (f) ~~Before the tax exemption applicable to the non-residential support structures in (c)(2)~~
31 ~~herein shall be awarded, all existing above ground utilities along the frontage of the~~
32 ~~property designated as 5001 Eisenhower Avenue, city tax map 068.04-01-05 shall be~~
33 ~~undergrounded.~~

34 (f)(g) Within 60 days of initially achieving the applicable requirements in this ordinance and
35 Performance Agreement, including issuance of a temporary or final certificate of
36 occupancy for the entire building, any performance standard, the owner of the Existing
37 Office Building ("owner") shall certify to the director of housing finance for the city that
38 such performance standards have has been met with such documentation as may reasonably
39 be required by the director of housing. on a form designated by the director of finance. In
40 ~~the case of the performance standard described in (e)(2) herein, such certification shall~~
41 ~~include a clear breakdown of the costs allocated to improvements to and within the existing~~
42 ~~office building and the costs related new facilities constructed to support the existing office~~
43 ~~building. Upon receipt and review of the owner's certification, the director of housing~~
44 ~~finance shall determine if the applicable performance standards have has been met, after~~

1 consultation with the city manager and city attorney, and the director of housing shall then
2 forward such determination to the director of finance for processing of the tax exemption.
3 The director of finance city manager shall notify the owner in writing of the city's
4 determination of performance standard satisfaction. If no decision or response from the
5 city is received within 30 days after the submission by the owner, then the applicable
6 performance standard shall be deemed to have been achieved, provided that the required
7 occupancy is met.

8 (1) After the initial certification, each year by January 15, the owner shall
9 certify to the director of housing that the performance standards required by
10 the ordinance and Performance Agreement were met during the preceding
11 calendar year. The director of housing may require reasonable
12 documentation from the owner to review the owner's annual certification.
13 By March 1 of each year, the director of housing shall review the owner's
14 certification and forward a determination to the director of finance. The
15 director of finance may extend the review period for the director of housing.

16 ~~(g)(h)~~ Covenant running with the land. The partial exemption of real property in the district shall
17 be considered a covenant that shall run with the land in the district for a period of 25 years
18 from the date of commencement of the partial exemption as defined in Sec. 3-2-192(b).
19 Such partial exemption shall not be reduced by the City Council except as provided in this
20 ordinance and the Performance Agreement. Provided that all ordinance and Performance
21 Agreement requirements remain satisfied, the partial real estate exemption shall not be
22 revoked during the 25-year period and shall control the real estate taxes with respect to this
23 property irrespective of any change in the applicable city code. These terms, conditions
24 and [li]mitations shall not be revoked during the 15-year period of the partial property tax
25 exemption, and shall control the real estate taxes with respect to this property irrespective
26 of any change in the applicable city code.

27 ~~(i)~~ Conditions of applicability of partial tax exemption:

28 ~~(1)~~ In the event that the existing office building or any related structures in the
29 district are sold to the federal government or a federal government related
30 entity prior to 20 years after the effective date of the either of the two
31 potential property tax exemptions detailed in (c)(1) and (c)(2) of this
32 section, then the net present value of the foregone real property taxes which
33 would otherwise have been due to federal government related entity, and
34 the 20 years after the effective date of the property tax exemption, would be
35 due to the city at the time of the sale between the owner of the property and
36 the federal government or a federal government related entity.

37 ~~(2)~~ For the purposes of calculating the net present value of forgone real estate
38 taxes the following shall apply:

39 ~~i.~~ the discount rate utilized in that calculation shall reflect the city's
40 estimated cost of funds utilizing Thomson Municipal Market Data (MMD)
41 for 10-year AAA rated tax exempt general obligation bonds as of either
42 January 1 or July 1 of the calendar year of the sale of the property, and if
43 this MMD information is not available an equivalent measure shall be
44 substituted;

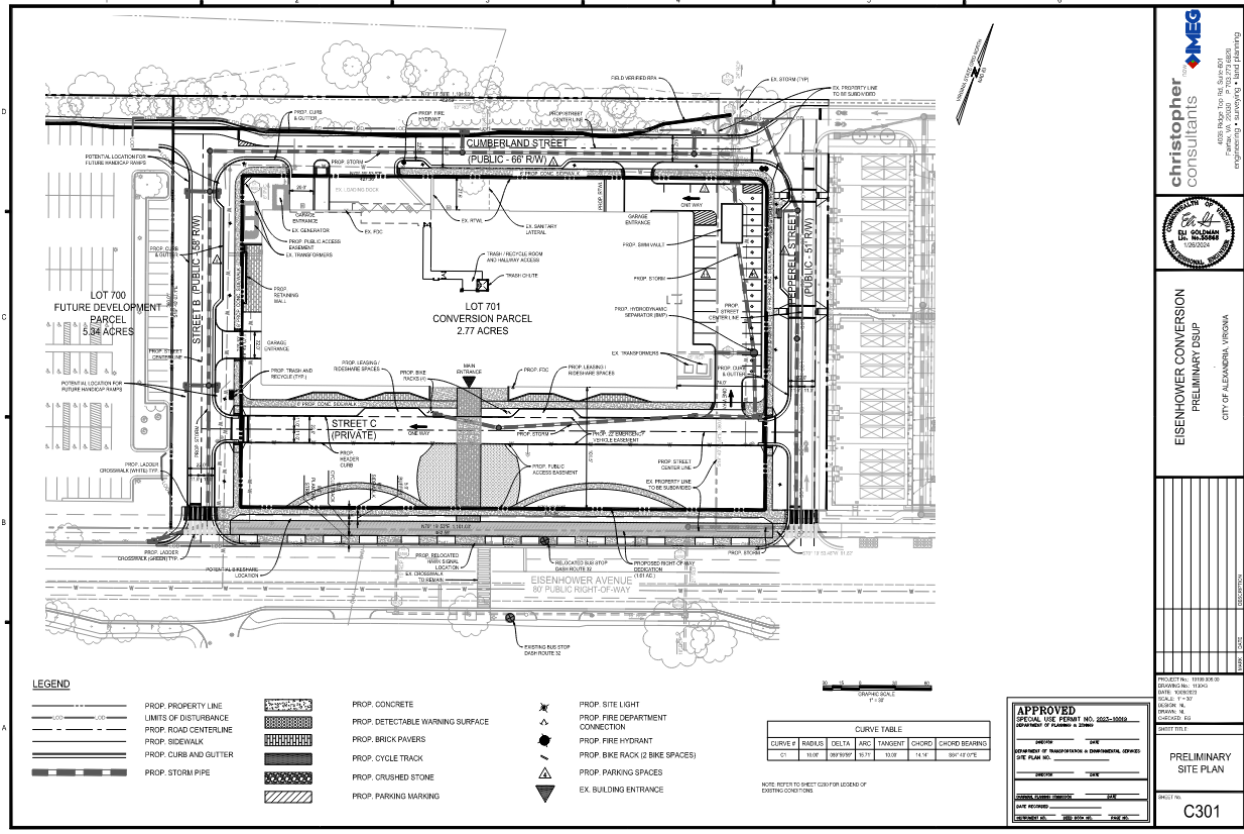
ii. the real estate tax assessment used in the net present value calculation shall reflect the real estate tax assessment as of January 1 of the calendar year of the sale of the property; and

iii. the real estate tax rate used shall reflect the adopted real estate tax rate for the calendar year of the sale of the property, or if the real estate tax rate of the calendar year of the sale has not yet been adopted, then the adopted real estate tax rate for the calendar year prior to the sale of the property shall be used.

In the event that neither of the two potential property tax exemptions detailed in (c)(1) and (c)(2) of this section have started, then this requirement of payment of foregone real estate taxes does not apply.

(h)(j) Nothing in this section or any covenant recorded in the applicable land records shall be construed as limiting the city's power to increase or decrease the city's real property tax rate, or to levy other taxes, fees or charges in the district.

(i) Boundaries of district.



Section 2. That Section 3-2-192 as amended pursuant to Section 1 of this ordinance, be, and the same hereby is, reordained as part of the City of Alexandria City Code.

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Section 3. That this ordinance shall become effective upon the date and at the time of its final passage.

JUSTIN WILSON
Mayor

- Introduction:
- First Reading:
- Publication:
- Public Hearing:
- Second Reading:
- Final Passage: