

ORDINANCE NO. 5226

AN ORDINANCE to amend and reordain Section 3-2-192 (Eisenhower West Victory Center 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 current section 3-2-192 and replacing it with the following:

Sec. 3-2-192 – 5001 Eisenhower Avenue Redevelopment District.

(a) **District Defined:** The 5001 Eisenhower Redevelopment District (the "District") is hereby created on the 9.1-acre area that will be subdivided from the current city tax map 068.04-01-05,5001 Eisenhower Avenue to include the office building existing at 5001 Eisenhower Avenue ("Existing Office Building") and to be used for the leasing of office and related facilities.

(b) **Effective Date:** The start of the partial property tax exemption in the District will be the first January 1 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 partial property tax exemption in the District shall be in effect for a 15-year period from the start of such partial property tax exemption until December 31 of the fifteenth 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.

(c) **Tax Exemption Defined:** The property tax exemption shall partially exempt real estate taxes due for the following:

(1) improvements to the Existing Office Building, up to an annual maximum of \$1,099,066 in exempted real estate taxes; and

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

(3) The annual assessed value of the land component and building component existing as of January 1,

2019 in the District, reflecting any increases or decreases in assessed value of said land and existing building component, shall remain fully taxable. The annual assessed value of the land component shall also reflect that of a finished developed lot with existing improvements.

(d) **Annual Assessment:** The real estate assessments for all land and buildings within the District shall be determined by the director of real estate assessments, and shall be established at fair full market value using the same principles, procedures, and timing of real estate assessments as that established for other similar taxable real estate in the city. The owner of land and improvements within the District shall have the same rights and taxable real estate in the city.

(e) **Performance Standards Required:** The tax exemption detailed in this article shall be dependent on the following required performance standards being met:

(1) Before any tax exemption may be awarded, an office tenant occupancy threshold level of at least 200,000 square feet of net rentable floor area in the Existing Office Building in the District (“Required Occupancy”) must be achieved. If the Required Occupancy is not achieved, then no tax exemption shall apply, with the city then fully taxing all land, office building and other improvements in the district. For the purposes of determining whether or not the Required Occupancy threshold has been met, space leased for or by the federal government or other tenant(s) not able to be occupied by such tenants due to incidents such as fires, earthquakes, hurricanes, or other acts of god shall be considered leased and occupied space in the calculation of the 200,000 net rentable square foot occupancy threshold;

(2) Before the tax exemption applicable to the existing office building in (c)(1) herein may be awarded, non-residential improvements to the Existing Office Building including but not limited to land acquisition costs, hard construction costs and usual and customary soft costs in the amount of at least \$175,000,000 (“Office Building Improvements”) to the Existing Office Building and to its interior;

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

(g) Within 60 days of achieving any performance standard, the owner of the Existing Office Building (“Owner”) shall certify to the Director of Finance for the City such Performance Standard has been met on a form designated by the Director of Finance. In the case of the Performance Standard described in (e)(2) herein, such certification shall include a clear breakdown of the costs allocated to improvements to and within the Existing Office Building and the costs related new facilities constructed to support the Existing Office Building. Upon receipt and review the certification, the Director of Finance shall determine if the applicable Performance Standard has been met, and the City Manager shall notify the Owner in writing of the city's determination of performance standard satisfaction. If no decision or response from the City is received within 30 days after the submission by the Owner, then the applicable performance standard shall be deemed to have been achieved, provided that the Required Occupancy is met.

(h) **Covenant Running with the Land:** The partial exemption of real property in the District shall be considered a covenant that shall run with the land in the District. These terms, conditions and mitations

shall not be revoked during the 15-year period of the partial property tax exemption and shall control the real estate taxes with respect to this property irrespective of any change in the applicable city code.

(i) Conditions of Applicability of Partial Tax Exemption.

(1) In the event that the Existing Office Building or any related structures in the District are sold to the federal government or a federal government related entity prior to 20 years after the Effective Date of the either of the two potential property tax exemptions detailed in (c)(1) and (c)(2) of this Section, then the net present value of the foregone real property taxes which would otherwise have been due to federal government related entity, and the 20 years after the Effective Date of the property tax exemption, would be due to the city at the time of the sale between the owner of the property and the federal government or a federal government related entity.

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

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

(3) 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.

(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.

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.

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

JUSTIN M. WILSON
Mayor

Final Passage: May 18, 2019