



Legislation Details (With Text)

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On agenda: 4/23/2019 **Final action:**
Title: Consideration of a Resolution Authorizing the Issuance of Revenue and Refunding Bonds by the Industrial Development Authority of the City of Alexandria for the Institute for Defense Analyses. [ROLL-CALL VOTE]

Sponsors:

Indexes:

Code sections:

Attachments: 1. 19-1976_Attachment 1 - Proposed Council Resolution, 2. 19-1976_Attachment 2 - Notice and Certification of Public Hearing, 3. 19-1976_Attachment 3 - Resolution of the Industrial Development Authority of the COA, 4. 19-1976_Attachment 4 - Fiscal Impact Statement, 5. 19-1976_After Items

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 17, 2019
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:
Consideration of a Resolution Authorizing the Issuance of Revenue and Refunding Bonds by the Industrial Development Authority of the City of Alexandria for the Institute for Defense Analyses. [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution authorizing: (a) the issuance of revenue and refunding bonds by the Industrial Development Authority of the City of Alexandria (AIDA) in an amount not to exceed \$249.4 million to assist the Institute for Defense Analyses (“the Borrower”), a not-for-profit 501(c)(3) corporation (i) to refinance an existing loan used by the Borrower to purchase land within Land Bay G in Potomac Yard Town Center and (ii) to finance the construction on such land of an office building to be used as a new headquarters facility; and (b) the reissuance of the AIDA’s outstanding Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2015A (the 2015A Bonds) in an amount not to exceed \$57.515 million.

RECOMMENDATION: That City Council receive and adopt the attached Resolution (Attachment 1) as recommended by the AIDA.

BACKGROUND: City Council and the AIDA authorized the issuance of AIDA revenue bonds in 2000 for the purpose of assisting the Borrower in financing costs of acquiring, constructing and equipping a 10-story office building located at 4850 Mark Center Drive in the City of Alexandria, Virginia (“the City”) to serve primarily as office and research space (the Mark Center Drive Building) and again in 2006 for the purpose of assisting the Borrower in financing the acquisition of an approximately 4.14 acre development parcel at 4860 Mark Center Drive in the City and the construction and development of an approximately 3,000 square foot interim tennis court. In 2015, AIDA issued the 2015A Bonds to refund the bonds originally issued to finance and refinance the Borrower’s facilities at Mark Center Drive. The Borrower and the holder of the 2015A Bonds have agreed to certain modifications of the 2015A Bonds and related documents, including adjustments to the bank holder rate period and the interest rate borne by the 2015 Bonds. The modifications are expected to result in a reissuance of the 2015A Bonds for federal income tax purposes requiring action by AIDA and City Council. The principal amount of 2015A Bonds outstanding at present is \$57.515 million.

The Borrower has also acquired, with the proceeds of a taxable loan, land identified as Parcel G-D with a street address of 701 East Glebe Road at Dogue Street in the Potomac Yard development within the City and has requested that AIDA issue revenue bonds in an amount of up to \$249.4 million to assist the Borrower in (a) refinancing the taxable loan and (b) financing (i) the construction on Parcel G-D of a new office building containing approximately 370,000 square feet above grade comprising two six-story towers over a two-story base along with two stories of below grade parking to be used by the Borrower as a headquarters facility, conference center and general office environment (the Potomac Yard Facility), (ii) the purchase of fixtures, equipment and furnishings, together with other related property, and (iii) certain other related expenditures (collectively, the Potomac Yard Project).

The Borrower is the largest private employer in the City. The Borrower currently occupies the Mark Center Drive Building and has signed a letter of intent with the City to lease a majority of that facility for co-location of multiple locations of the City’s Department of Community and Human Services, along with the City’s Health Department, upon the Borrower’s relocation to the Potomac Yard Facility, expected to occur in early 2023.

DISCUSSION: On April 2, 2019, AIDA held a public hearing (Attachment 2) and considered a resolution (Attachment 3) authorizing and approving the issuance of revenue bonds to assist the Borrower in financing and refinancing the Potomac Yard Project and amending and reissuing the 2015A Bonds. Section 147(f) of the Internal Revenue Code requires that the issuance of tax-exempt bonds by AIDA also be approved by City Council, and, therefore, AIDA has requested that City Council approve the bonds to be issued for the Potomac Yard Project.

In addition, the modifications of the 2015A Bonds are expected to cause a deemed current refunding and reissuance of the 2015A Bonds for federal income tax purposes, thus requiring a new public hearing by the AIDA and City Council approval.

FISCAL IMPACT: The AIDA has the authority under State law to issue Industrial Revenue Bonds for certain nonprofit organizations and has done so frequently in the past. An administrative fee is charged to applicants for the bond financing. The fee is used to partially fund the City-approved operating costs of AEDP. The AIDA will receive a substantial fee for this bond application. The Borrower employs 750 employees in the City with an average salary of \$154,000 (Attachment 4). The Borrower’s facilities in the City are subject to real and personal property taxes.

Since these are conduit revenue bonds, the City is not obligated to repay the bonds or the interest on the bonds.

The bonds do not contain any pledge of the City's faith and credit. The obligation rests solely with the Borrower. Under Federal and State law, eligible non-profits such as this organization can avail themselves of tax-exempt financing for financing real property acquisition, if such non-profits finance their projects through public authorities such as the AIDA.

ATTACHMENTS:

Attachment 1 - Proposed Council Resolution

Attachment 2 - Notice and Certification of Public Hearing

Attachment 3 - April 2, 2019 Resolution of the Industrial Development Authority of the
City of Alexandria

Attachment 4 - Fiscal Impact Statement

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director of Finance

Stephanie Landrum, President and CEO, Alexandria Economic Development Partnership, Inc.