



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** NOVEMBER 6, 2013

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** RASHAD M. YOUNG, CITY MANAGER/s/

**DOCKET TITLE:**

Consideration of a Resolution Giving Guidance in Regard to Replacing Foregone Voluntary Affordable Housing Contributions Deriving from the Development of the National Science Foundation Headquarters Building. [ROLL-CALL VOTE]

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**ISSUE:** Consideration of giving guidance in relation to replacing foregone affordable housing contributions.

**RECOMMENDATION:** That Council consider adopting the attached resolution providing guidance to the City Manager to consider, as a priority for funding in future proposed operating budgets, a cumulative increase in the General Fund contribution to the City's Housing Trust Fund of no less than \$500,000 by FY 2017.

**BACKGROUND:** In order to help drive down the rental price of the NSF building to the federal government and to win the regional competition for NSF's new headquarters, an incentive package was developed by the City as part of the negotiations with the developers of the National Science Foundation (NSF) building. This incentive package included a partial real estate tax abatement (\$28.2 million) over the 15-years of the NSF lease, as well as permitting the foregoing by the developer of the NSF building of its planned voluntary affordable housing contribution (\$1.0 million), as well as a contribution to the East Eisenhower Avenue improvement fund (\$0.8 million). These three financial incentives were included in the developer's office lease proposal to the federal government and were key to the decision by NSF to relocate its headquarters to Alexandria. The net benefit to the City over 15 years would be about \$99 million annually added to the City economy including projected net new tax revenues for the City of more than \$55 million over the 15 years of the NSF lease.

During Council's consideration of the developer contribution issue, at Council's October 19, 2013 public hearing on the NSF building development plans, concern was expressed by a number of members of Council about the loss of the \$1.0 million voluntary affordable housing fund contribution from the NSF developer. Staff explained that in developing this incentive package, there were no good choices about what the City could forego in regard to developer fees and contributions, and that over time new development triggered by NSF's

relocation to Alexandria should result in the affordable housing funds being replaced. However, those new affordable housing contribution funds would likely not become available until a year or more after what would have been a fall 2016 (FY 2017) payment of the affordable housing contribution by the NSF developer. It was also noted during Council's discussion that tax revenues generated during construction of NSF would be due to the City, would not be abated, and would exceed the amount of the foregone affordable housing contribution.

At Council's October 19 meeting, it adopted a motion directing the City Manager to bring back to Council a resolution "*that expressed Council's desire to appropriate \$500,000 from tax revenues generated during the construction and initial assessment period of the National Science Foundation (NSF) building for affordable housing*". The requested resolution is attached. The resolution is constructed as guidance to the City Manager to consider as a priority increasing the General Fund's contribution to the Housing Trust Fund by a cumulative total of at least \$500,000 by FY 2017.

This timing would equal or be accelerated from that which would have occurred if the NSF affordable housing contribution would otherwise have been made (i.e., the contribution would have been made in December 2016 which is the projected date of the issuance of the final NSF final certificate of occupancy which would be in FY 2017). This would provide three fiscal years for these monies to be provided. During that time period construction period real estate taxes from the NSF building would be due and collected and would likely exceed \$500,000. Finally, given the practices, restrictions and legal obligations in regard to establishing a budget in advance of any fiscal year, Council can provide general policy guidance in matters like this, but cannot establish a legally binding appropriation at this time, as that can only occur within the framework of the regular budget cycle.

**FISCAL IMPACT:** The fiscal impact of implementing the intent of this resolution would be \$500,000, which would likely occur sometime during the three fiscal years (FY 2015, FY 2016 and FY 2017) where NSF headquarters related construction period real estate taxes would be collected.

**ATTACHMENT:**

Attachment 1 - Guidance resolution

**STAFF:**

Mark Jinks, Deputy City Manager  
Mildrilyn Davis, Office of Housing