



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 16, 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 Refunding Bonds by the American Correctional Association [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution authorizing the issuance of refunding bonds by the Industrial Development Authority of the City of Alexandria (AIDA) in an amount not to exceed \$7.3 million to assist the American Correctional Association (the "Borrower"), a not-for-profit 501(c)(3) corporation to refund all or a portion of the Authority's outstanding Series 2011 Refunding Revenue Bond and refinance an existing loan.

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

BACKGROUND: In 2005, City Council and the AIDA authorized the issuance of AIDA revenue bonds in an amount not to exceed \$7.3 million (the 2006 Bonds) for the purpose of assisting the Borrower in refinancing (a) the previous costs incurred in acquiring, renovating and equipping an office building located at 200-206 North Washington Street, 709 Cameron Street and 711 Cameron Street and the parking lots located at 298 North Columbus Street and 304 North Columbus Street, all in the City of Alexandria, Virginia (collectively, the "Facilities") and (b) certain other costs and expenses incurred by the Borrower in connection with the issuance of such prior obligations. In 2011, AIDA issued revenue bonds in the amount of \$5.13 million (the 2011 Bonds) to refund a portion of the 2006 Bonds. City Council approval was not required for that refunding, as the average maturity of the 2006 Bonds was not extended. In 2011, the Borrower also financed and refinanced certain costs of and improvements to the Facilities with the proceeds of a taxable loan. The Borrower has requested that AIDA issue revenue bonds in an amount not to exceed \$7.3 million for the purposes of refunding the 2011 Bonds and refinancing the taxable loan.

In order to take advantage of federal income tax laws that allow certain qualified non-profit organizations to

avail themselves of tax-exempt bond financing with its low market rates, the AIDA of the City of Alexandria, Virginia provides conduit financing assistance to qualified businesses and organizations wishing to make an investment within the City of Alexandria. A seven-member body appointed by the Alexandria City Council for staggered four-year terms, the AIDA was created by ordinance of the City Council according to the Industrial Development and Revenue Bond Act (Chapter 49, Section 15.2 of the Code of Virginia). The AIDA acts as a conduit, issuing bonds and lending proceeds to 501(c)(3) organizations, small manufacturers and others. The financial markets set interest rates on such bonds below comparable rates for taxable financings because under federal tax law bondholders can exclude interest on the bonds from their gross income when calculating federal income tax liability. The AIDA's bond financing program enables non-profit organizations to purchase real estate and construct and equip facilities in the City. Previous applicants include some of the most active non-profit organizations in Alexandria and generate significant tax revenues and jobs within the City. The AIDA works closely with the Alexandria Economic Development Partnership, Inc. to promote the bond financing program, and all income generated by the AIDA is dedicated to new and ongoing economic development efforts.

DISCUSSION: On January 15, the AIDA held a public hearing (Attachment 2) and considered a resolution (Attachment 3) authorizing and approving the issuance of refunding bonds to assist the American Correctional Association in refunding all or a portion of the outstanding amount of the 2011 Bonds and the taxable loan.

FISCAL IMPACT: The AIDA has the authority under State law to issue Industrial Revenue Bonds for certain non-profit 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 fee of \$5,000 for this refunding application. The American Correctional Association employs 45 employees in the City with an average salary of \$45,000 (Attachment 4). The Association's property has been and will remain subject to City real property taxes and business tangible 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 American Correctional Association. Under long-standing 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 - January 15, 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.