



Legislation Text

File #: 20-0533, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 19, 2020

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 Bonds by the Industrial Development Authority of the City of Alexandria for the Avana Alexandria (now named "Parkstone Alexandria") Project. [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution authorizing the issuance of revenue bonds by the Industrial Development Authority of the City of Alexandria (AIDA) in an amount not to exceed \$16.5 million for assisting in the long-term financing of the Parkstone Alexandria mixed-income apartment community.

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

BACKGROUND: On February 4, 2020, the AIDA passed a resolution (Attachment 3) authorizing the issuance of AIDA revenue bonds in an amount not to exceed \$16,500,000 for the purpose of assisting the AHDC to finance or refinance a portion of the costs incurred in connection with the acquisition and/or rehabilitation of a multi-family residential housing facility consisting of one 16-story building comprising approximately 328,604 rentable square feet containing approximately 326 units, known as Avana Alexandria (now renamed and operating as "Parkstone Alexandria") and located at 3001 Park Center Drive in the City of Alexandria.

The AIDA bond funds will revolve (replace) JBG SMITH Washington Housing Initiative Social Impact Fund monies which acted as initial bridge mezzanine financing for AHDC's purchase. The AIDA bond funds will be purchased by the JBG Smith Washington Housing Initiative Social Impact Fund, which in effect brings lower cost tax exempt funds into the transaction. On December 10, 2019, Alexandria City Council approved an \$8 million City loan as part of funding package for AHDC purchase of the property. In addition to the AIDA bonds and the City loan, other sources for the acquisition included a first trust loan from the Virginia Housing

Development Authority (VHDA) in the amount of \$82.5 million and \$5 million in grants from VHDA's \$75 million Amazon fund commitment. The apartment community will have a mix of income-restricted units, including 40% with rents capped to be affordable at 60% AMI, 35% of units with rents capped to be affordable at 80% of the Area Median Income (AMI), and the balance at market rate. 80% AMI in 2019 was about \$77,000 for a family of four.

DISCUSSION: On February 4, 2020, 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 the Avana Alexandria ("Parkstone Alexandria") project. 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 Avana Alexandria ("Parkstone Alexandria") project.

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 Borrower's project is in the City and is subject to real and personal property taxes. The taxable value of the building is estimated to be \$86 million (Attachment 4). At the City's current real property tax rate, the revenue generated from a building such as this is estimated to be \$0.97 million. The Borrower estimates that they will have regular six full-time employees with an average salary of \$55,000.

Since these are conduit revenue bonds, the City is not obligated to repay either 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.

Repayment of the VHDA first trust, the mezzanine loan (AIDA Bonds) and the City loan will come from net rental revenue generated from the project.

ATTACHMENTS:

Attachment 1 - Proposed Council Resolution

Attachment 2 - Notice and Certification of Public Hearing

Attachment 3 - February 4, 2020 Resolution of the Industrial Development Authority of the
City of Alexandria

Attachment 4 - Fiscal Impact Statement

STAFF:

Kendel Taylor, Director of Finance

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