



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 6, 2023

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER

FROM: KENDEL TAYLOR, INTERIM DEPUTY CITY MANAGER

DOCKET TITLE:

Consideration of a Resolution Authorizing the Re-Issuance of Revenue Bonds by the Industrial Development Authority of the City of Alexandria for Parkstone Alexandria (f/k/a Avana Alexandria) [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution authorizing the re-issuance of revenue bonds by the Industrial Development Authority of the City of Alexandria (AIDA) in an amount not to exceed \$16.5 million to assist Parkstone Alexandria (f/k/a Avana Alexandria, the Borrower), a not-for-profit 501(c)(3) corporation in 1) financing or refinancing a portion of the costs incurred in connection with the acquisition and/or rehabilitation of a multifamily residential rental housing facility and 2) certain other expenditures associated with the foregoing to the extent financeable which may include, without limitation, original issue discount, costs of issuance, capitalized interest, credit enhancement costs, liquidity costs, working capital and a debt service reserve.

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

BACKGROUND: On June 2, 2023, the AIDA passed a resolution (Attachment 4) authorizing the re-issuance of AIDA revenue bonds originally issued in 2020 in an amount not to exceed \$20,000,000 for the purpose of assisting Parkstone Alexandria (f/k/a Avana Alexandria) 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, currently known as Avana Alexandria and located at 3001 Park Center Drive in the City of Alexandria. Parkstone Alexandria and its lender have agreed to certain modifications to the existing 2020 AIDA revenue bonds which must be treated as a "re-issuance" for federal income tax purposes.

DISCUSSION: On June 2, 2023, AIDA held a public hearing (Attachment 3) and considered a resolution (Attachment 4) authorizing and approving the re-issuance of the 2020 revenue bonds to assist the Borrower in modifying the financing of the Parkstone Alexandria project. Section 147(f) of the Internal Revenue Code requires that the re-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 re-issued for the Parkstone Alexandria project.

FISCAL IMPACT: The AIDA has the authority under State law to issue and re-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 facilities in the City are 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 \$0.972 million. The Borrower estimates that they will have regular full time employees with an average salary of \$55,000.

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 - IDA Transmittal letter

Attachment 3 - Notice and Certification of Public Hearing

Attachment 4 - June 2, 2023 Resolution of the Industrial Development Authority of the
City of Alexandria

Attachment 5 - Fiscal Impact Statement

STAFF:

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