

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: RESOLUTION AUTHORIZING THE ISSUANCE OF BONDS BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF ALEXANDRIA FOR THE AMERICAN CORRECTIONAL ASSOCIATION

ISSUE: Resolution authorizing the issuance of bonds by the Industrial Development Authority of the City of Alexandria (AIDA) in an amount up to \$8,000,000 of tax-exempt revenue bonds and up to \$2,500,000 of taxable revenue bonds to assist the American Correctional Association (the "Association") in financing or refinancing several projects within the City of Alexandria.

RECOMMENDATION: That City Council adopt the attached resolution (Attachment 1), as recommended by the AIDA at its meeting on March 29, 2005.

DISCUSSION: On March 29, 2005, the AIDA adopted a Resolution (Attachment 2) authorizing the issuance of up to \$8,000,000 of tax-exempt bonds and up to \$2,500,000 of taxable bonds to assist the American Correctional Association in the financing or refinancing of the Association's acquisition, renovation and equipping of an existing office building located at 206 N. Washington Street, two additional parking lots at 298 and 304 N. Columbus Street and funding the issuance costs, working capital and certain interest payments in connection with the bonds. This acquisition will allow the American Correctional Association to move into the City from Lanham, Maryland.

The American Correctional Association is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The American Correctional Association is the oldest and largest international correctional association in the world. There are several departments within the organization. The Standards and Accreditation Department serves a dual mission of providing services for the Association and the Commission on Accreditation for Corrections. These services include the development and promulgation of new standards, revision of existing standards, coordination of the accreditation process and semi-annual accreditation hearings. The Professional Certification Department's purpose is to advance the overall knowledge level of practitioners in the corrections field and coordinate a national, voluntary method by which individuals can gain recognition as qualified corrections practitioners. The Professional Development Department offers a full range of educational and training opportunities for adult correctional and juvenile justice staff. The Government and Public Affairs Department is responsible for monitoring, tracking and analyzing legislative activity for the

Association and disseminating information to policy-makers, the media and Association members. The Association publishes the *Corrections Today* and *Corrections Compendium*.

The American Correctional Association expects to bring 75 to 80 jobs with an annual payroll of \$3,500,000 to the City of Alexandria when it moves to its new headquarters at 206 N. Washington Street. The Association expects 50 percent of its existing staff will commute or relocate to Alexandria, thus allowing for the creation of 35 to 45 new jobs in the City. The \$2,500,000 in taxable revenue bonds are required under federal tax law to finance the portion of the building which is leased to a private tenant.

FISCAL IMPACT: The AIDA has the authority under State law to issue tax-exempt Industrial Revenue Bonds for certain non-profit organizations such as the American Correctional Association. An administrative fee is charged to applicants for the bond financing. The fee is used to partially fund the operating costs of the Alexandria Economic Development Partnership (AEDP). The AIDA will receive a fee of \$49,750 to issue the 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.

The building being purchased by ACA will be taxable and remain on the City's real estate tax rolls, and will produce annual tax revenues of approximately \$54,500 per year.

ATTACHMENTS:

Attachment 1 - Proposed Council Resolution

Attachment 2 - Resolution of the Industrial Development Authority of the City of Alexandria
Dated March 29, 2005.

Attachment 3 - Fiscal Impact Statement for Proposed Industrial Revenue Bond Financing

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Paula Riley, Executive Director, AEDP

**RESOLUTION OF THE CITY COUNCIL
OF ALEXANDRIA, VIRGINIA**

WHEREAS, the Industrial Development Authority of the City of Alexandria ("Authority") has considered the application of The American Correctional Association ("Association"), an organization which is not organized exclusively for religious purposes and is described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("Code"), requesting the issuance of the Authority's taxable revenue bonds in an amount not to exceed \$2,500,000 and the Authority's tax-exempt revenue bonds in an amount not to exceed \$8,000,000 (collectively, the "Bonds") to assist the Association in: (i) purchasing or refinancing and renovating and equipping of an existing office building located at 206 N. Washington Street, in Alexandria, Virginia, along with two additional parking lots at 298 and 304 Columbus Street, Alexandria (collectively, the "Facility"); and (ii) funding issuance costs, working capital and certain interest payments in connection with the Bonds (collectively, the "Project");

WHEREAS, Section 147(f) of the Code provides that the governmental unit having jurisdiction over the issuer of private activity bonds and over the area in which any facility financed with the proceeds of private activity bonds is located must approve the issuance of the bonds;

WHEREAS, the Authority issues its bonds on behalf of the City of Alexandria, Virginia ("City"); the Facility is located in the City and the City Council of the City (the "Council") constitutes the highest elected governmental unit of the City;

WHEREAS, the Authority has recommended that the Council approve the issuance of the Bonds; and

WHEREAS, a copy of the Authority's resolution approving the issuance of the Bonds, subject to the terms to be agreed upon, a certificate of the public hearing and a Fiscal Impact Statement have been filed with the City.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
ALEXANDRIA, VIRGINIA:**

1. The Council approves the issuance of the Bonds by the Authority for the benefit of Association, as required by Section 147(f) of the Code and Section 15.2-4906 of the Code of Virginia of 1950, as amended ("Virginia Code"), to permit the Authority to assist in the financing and refinancing of the Project.

2. The approval of the issuance of the Bonds does not constitute an endorsement to a prospective purchaser of the Bonds of the creditworthiness of the Facility or Association, and, as required by Section 15.2 – 4909 of the Virginia Code, the Bonds shall provide that neither the City nor the Authority shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto except from the revenues and moneys pledged therefore, and neither the faith and credit nor the taxing power of the

Commonwealth of Virginia nor any political subdivision thereof, including the City and the Authority, shall be pledged thereto.

3. This resolution shall take effect immediately upon its adoption.

Adopted _____, 2005

Mayor
City of Alexandria, Virginia

ATTEST:

City Clerk

Industrial Development Authority of the City of Alexandria

A RESOLUTION SUPPORTING THE ISSUANCE OF UP TO \$8,000,000 OF TAX-EXEMPT REVENUE BONDS AND UP TO \$2,500,000 OF TAXABLE REVENUE BONDS FOR THE BENEFIT OF THE AMERICAN CORRECTIONAL ASSOCIATION

WHEREAS, the Industrial Development Authority of the City of Alexandria (“Authority”) has considered the application of The American Correctional Association (“Association”) requesting the issuance of the Authority’s Revenue Bonds in an amount not to exceed \$8,000,000 of tax-exempt bonds and up to \$2,500,000 of taxable bonds (collectively, the “Bonds”) to assist in the financing of Association’s acquisition or refinancing, renovation and equipping of an existing office building located at 206 N. Washington Street, Alexandria, Virginia along with two additional parking lots at 298 and 304 Columbus Street, Alexandria, Virginia (“Project”) and has held a public hearing thereon on March 29, 2005;

WHEREAS, the Authority is empowered under Title 15.2 of the 1950 Code of Virginia, as amended (the “Act”) to issue its revenue bonds for the purposed of protecting and promoting the safety, health, welfare, convenience and prosperity of the inhabitants of the Commonwealth of Virginia (“Commonwealth”) by assisting in the provision of facilities such as the Project.

WHEREAS, the Internal Revenue Code of 1986, as amended (“Code”) provides that entities such as the Authority may issue tax-exempt bonds for the purposes for which the tax-exempt Bonds are to be issued.

WHEREAS, the Association has represented that the Project will be used as an office building for its headquarters and that at least 70% of its space will be occupied by non-profit organizations.

WHEREAS, such assistance will induce the Association to locate the Project in the City of Alexandria and thereby benefit the inhabitants and the Authority desires to approve the issuance of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF ALEXANDRIA:

- 1) It is hereby found and determined that the acquisition or refinancing, renovation and equipping of the Project will be in the public interest and will protect and promote the health, safety, welfare, convenience and prosperity of the inhabitants of the Commonwealth by assisting in the provisions of facilities for a nonprofit institution in the City of Alexandria, Virginia.
- 2) To induce the Association to locate the Project in the Commonwealth, and particularly in the City, the Authority hereby agrees to assist the Association in financing the acquisition or refinancing, renovation, and equipping of the Project by undertaking the issuance of its tax-exempt revenue bonds in an amount not to exceed \$8,000,000 and its taxable bonds in an amount not to exceed \$2,500,000, both upon terms and conditions mutually agreeable to the Authority and the Association. The Bonds will be issued pursuant to documents satisfactory to the Authority. The Bonds may be issued in one or more series at one time or from time to time. The Bonds will be limited obligations of the Authority payable solely from the funds pledged

therefor, will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or the City of Alexandria, Virginia, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the City of Alexandria, Virginia, will be pledged to the payment of such bonds.

3) It having been represented to the Authority that it is necessary to proceed immediately with the acquisition, planning, renovation and equipping of the Project, the Authority hereby agrees that the Association may proceed with plans for the Project, enter into contracts for land, construction, materials and equipment for the Project, and take such other steps as it may deem appropriate in connection therewith, provided, however, that nothing herein shall be deemed to authorize the Association to obligate the Authority without its consent in each instance to the payment of any monies or the performance of any acts in connection with the Project. The Authority agrees that the Association may be reimbursed from the proceeds of the bonds for all expenditures and costs so incurred by it, provided such expenditures and costs are properly reimbursable under the Act and applicable federal laws.

4) At the request of the Association, the Authority hereby approves the law firm of Reed Smith LLP, Falls Church, Virginia, as Bond Counsel in connection with the issuance of the revenue bonds.

5) All costs and expenses in connection with the financing of the acquisition, construction, renovation and equipping of the Project, including the fees and expenses of Bond Counsel and Authority Counsel, and the Authority's application and administrative fees shall be paid by the Association or, to the extent permitted by applicable law, from the proceeds of the bonds. If for any reason such bonds are not issued, it is understood that all such fees and expenses (except the Authority's administration fees) shall be paid by the Association and that the Authority shall have no responsibility therefor.

6) This Resolution is made expressly contingent upon the approval of the City Counsel of the City of Alexandria, Virginia as required by federal law. Subject to the preceding sentence, in adopting this Resolution the Authority intends to take official action towards the issuance of the revenue bonds within the meaning of regulations issued by the Internal Revenue Service pursuant to Section 103 of the Code.

7) The Authority, by the adoption of this Resolution, hereby recommends that the City Council of the City adopt a resolution, to be prepared by Bond Counsel and reviewed by Authority's Counsel, in accordance with Section 15.1-1378.1B of the Code of Virginia, approving the financing of the Project by the Authority. The proper officers of the Authority shall promptly forward to the City Council of the City a copy of the Association's application, a certified copy of this Resolution, a reasonably detailed summary, to be prepared by Bond Counsel and reviewed by Authority's Counsel, of the comments expressed at the public hearing held by the Authority with respect to the Project and the revenue bonds, and a copy of the Fiscal Impact Statement prepared with respect to the Project in accordance with Section 15.1-1378.2 of the Code of Virginia.

8) This resolution shall take effect immediately upon its adoption.

Adopted by the Industrial Development Authority of the City of Alexandria, this 29th day of March, 2005.

A copy teste:

Ronald F. Simpson, Sr.

Vice Chairman

2

6

FISCAL IMPACT STATEMENT
FOR PROPOSED INDUSTRIAL REVENUE BOND FINANCING

Date: March 29, 2005

To the City Council of the
City of Alexandria, Virginia

Name of Applicant: The American Correctional Association
Facility:

1.	Maximum amount of financing sought	\$ <u>9,100,000</u>
2.	Estimated taxable value of the facility's real property to be constructed in the municipality	\$ <u>10,400,000</u>
3.	Estimated real property tax per year using present tax rates	\$ <u>31,044</u>
4.	Estimated personal property tax per year using present tax rates	\$ <u>6,369</u>
5.	Estimated merchants' capital tax per year using present tax rates	\$ <u>- 0 -</u>
6.	Estimated dollar value per year of goods and services that will be purchased locally	\$ <u>1,808,372</u>
7.	Estimated number of regular employees on year round basis	\$ <u>75-80</u>
8.	Average annual salary per employee	\$ <u>45,000</u>

Vice Donald F. Simpson, Sr.
Chairman, Industrial Development Authority of
the City of Alexandria

If one or more of the above questions do not apply to the facility indicate by writing N/A (not applicable) on the appropriate line.