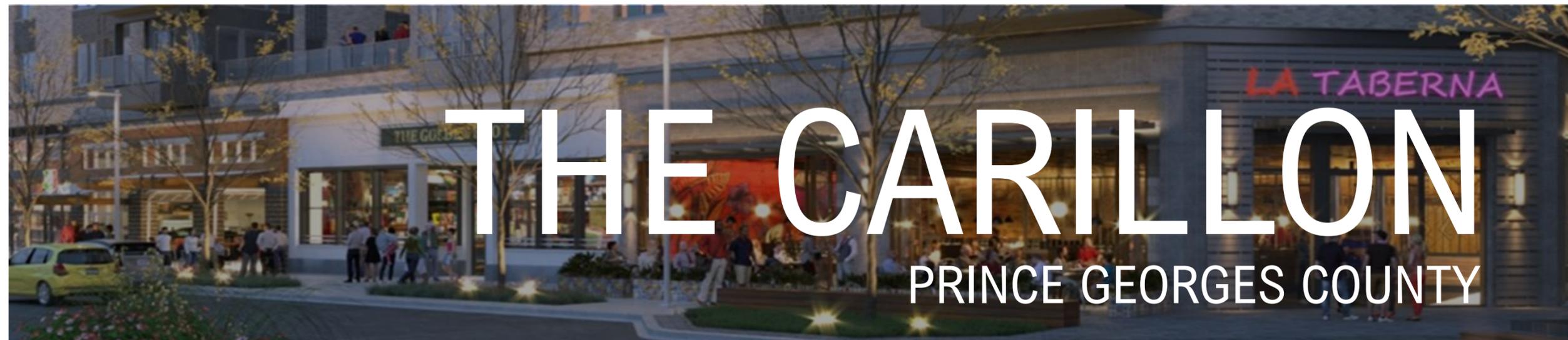


CR-043-2022
PILOT AGREEMENT FOR
THE CARILLON PROJECT

2022 LEGISLATIVE SESSION



Angela D. Alsobrooks
County Executive





Angela Alsobrooks
County Executive



OVERVIEW

BACKGROUND

PROJECT HIGHLIGHTS

IMPACT

PHASING SCHEDULE

PHASE 1

PHASE 2

PILOT STRUCTURE

PILOT "ASK"

PILOT TERMS

REBATE CONDITIONS

MBE

REQUIREMENTS

FISCAL IMPACT

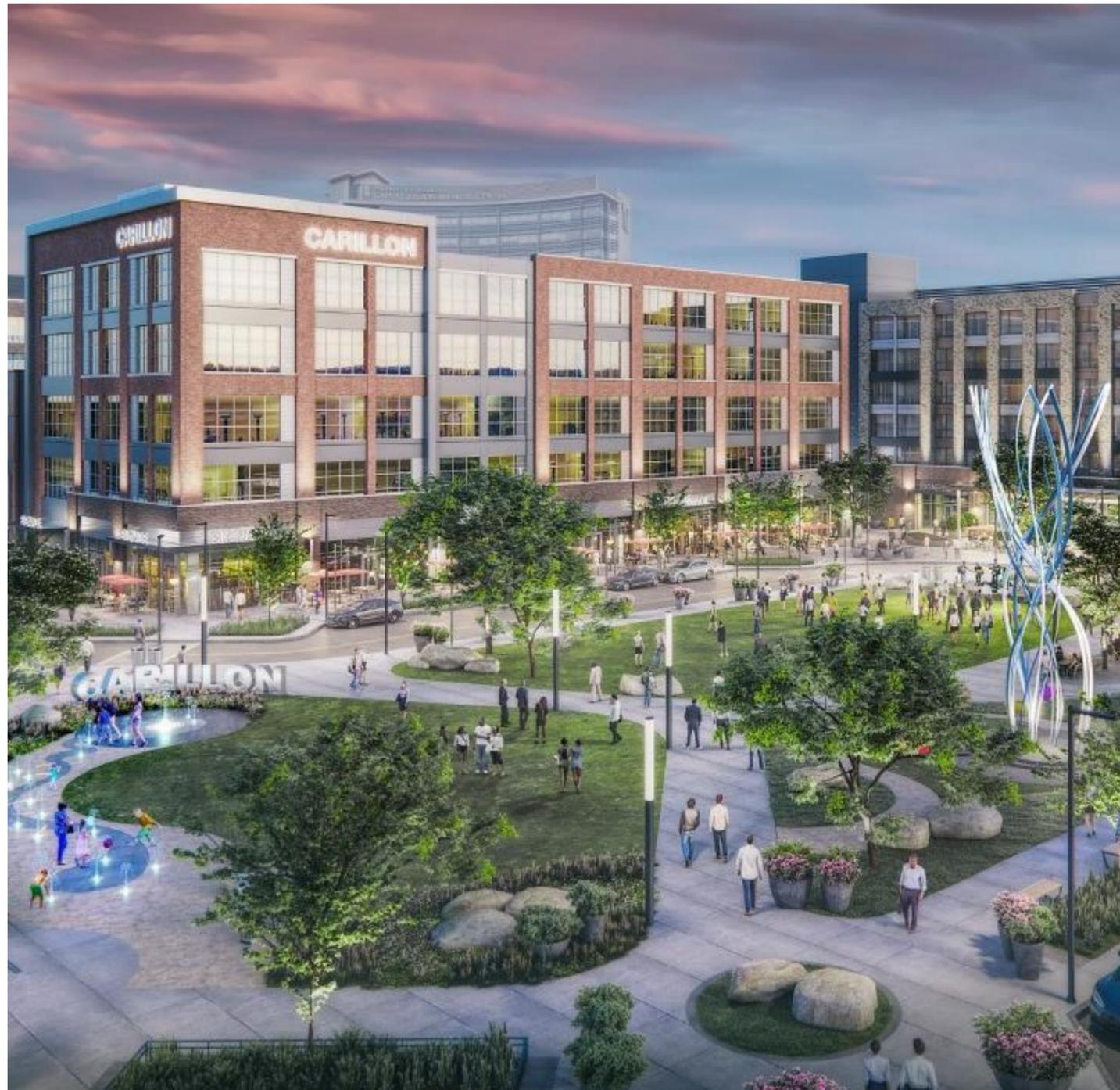
SUMMARY

FISCAL BENEFITS

FISCAL COSTS



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THE CARILLON

- A 2.7 Million square foot mixed-use development encompassing 38 Acres
- Designed and developed by KITE Realty, a top 5 shopping center REIT with a track record of high-quality mixed-use development and ownership

| | | | | |
|-----------------------------|---------------------------------|--------------------------------------------|----------------------------------------|-----------------------------------------|
| RETAIL | MULTI-FAMILY | OFFICE | JOBS | INVESTMENT |
| | | | | |
| 170K | 1,716 | 407K | 1530 | \$1 BILLION |
| SQUARE FEET | UNITS | SQUARE FEET | FTE | DEVELOPMENT |
| ATTAINABLE LUXURY RETAIL | COMPRISED OF 1- 3 UNIT MIXES | MEDICAL AND TRADITIONAL OFFICE SPACE | PERMANENT JOBS AT FULL BUILD-OUT | PRIVATE INVESTMENT AT LARGO METRO |



EXPANDING THE COMMERCIAL TAX BASE THROUGH BLUE LINE TOD

| | |
|------------------------------------|----------------------------------------------------------------------------------|
| NET-NEW COUNTY TAX REVENUES | PROVIDES AN ADDITIONAL \$357M IN NET-NEW COUNTY TAX REVENUES THROUGH 2064 |
| | |
| \$357 M | |

PROVIDES:

- Tangible reality and momentum to the long-term vision of Downtown Largo as the Blue Line Corridor Initiative’s anchor node
- Vital office space and high-quality retail to Largo Metro Station
- Critical clustering and vibrancy around the University of Maryland Capitol Region Medical Center, further unlocking its transformative potential
- Major institutional investment and confidence to Prince George’s County real estate development, key to the future of growing its commercial tax base



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11 PHASES DELIVERING FROM 2023 TO 2034



| PHASE | SUBSTANTIAL COMPLETION | TOTAL PHASE GROSS SF | PRODUCT MIX | | |
|--------------|------------------------|----------------------|--------------------|----------------|----------------|
| | | | MULTI-FAMILY UNITS | RETAIL (SF) | OFFICE (SF) |
| 1 | April 2023 | 131,000 | | 24,000 | 107,000 |
| 2 | December 2024 | 409,950 | 351 Units | 22,600 | |
| 3 | January 2025 | 87,700 | | 23,700 | 64,000 |
| 4 | July 2026 | 112,650 | | 2,300 | 110,350 |
| 5 & 6 | March 2028 | 483,250 | 475 Units | 24,750 | |
| 7 | January 2030 | 217,100 | 190 Units | 34,600 | |
| 8 | August 2031 | 123,250 | 115 Units | 13,000 | |
| 9 | May 2032 | 127,450 | | 1,800 | 125,650 |
| 10 | November 2033 | 254,250 | 250 Units | 14,500 | |
| 11 | December 2034 | 331,450 | 355 Units | 8,500 | |
| TOTAL | | 2,278,050 | 1,716 Units | 169,750 | 407,000 |

PHASE 1

MEDICAL OFFICE & RETAIL

126,073 SF

Substantial Completion Deadline

4/30/2023

- Office
107,000 SF
- Retail
24,000 SF





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PHASE 2

MULTIFAMILY & RETAIL

409,950 SF

Substantial Completion Deadline

12/31/2024

- Multifamily
387,350 SF / 351 Units
- Retail
22,600 SF





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THE “ASK”

□ A 15 Year Tax PILOT equal to the sum of:

- Baseline real property tax
- 25% of incremental real property tax*
- At the end of the PILOT term, property owner pays full real property tax

□ 15 Year Phases:

- MD House bill 434
- Allows 15-year term per phase

* The PILOT agreement applies only to the nominal real property tax rate of \$0.96/\$100 of assessed value as established by Maryland Senate Bill 626 (2000) and not the real property tax rate of \$0.04/\$100 of assessed value dedicated to the local school board.

| HOUSE BILL 434 | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Q2 | 0lr1250 |
| By: Prince George's County Delegation Introduced and read first time: January 23, 2020 Assigned to: Ways and Means | |
| Committee Report: Favorable with amendments House action: Adopted Read second time: March 10, 2020 | |
| CHAPTER _____ | |
| AN ACT concerning Prince George's County – Payment in Lieu of Taxes Agreements – Multiphase Economic Development Projects and Sunset Repeal PG 408-20 | |
| FOR the purpose of authorizing the owner of an economic development project and the governing body of Prince George's County to enter into multiple payment in lieu of taxes agreements for different phases of an economic development project; providing that the term of an agreement may not exceed a certain number of years from the date a certificate of occupancy is first issued for any phase of a project that is covered by an agreement; providing that construction of any phase of a project that is covered by an agreement must commence within a certain period of time after entering into the agreement; providing that all conditions for the financing required for the construction of a phase of a project must be satisfied or waived within a certain period of time after entering into the agreement; <u>requiring that a certain report be submitted to the Prince George's County House and Senate Delegations of the General Assembly in accordance with certain provisions of law</u> ; repealing the termination provision for certain provisions of law authorizing Prince George's County to enter into payment in lieu of taxes agreements for certain economic development projects; and generally relating to payment in lieu of taxes agreements in Prince George's County. | |
| BY repealing and reenacting, with amendments, Article – Tax – Property Section 7-516 | |



COUNTY TERMS

RISK ADJUSTED FOR FRONT END

PERFORMANCE

BACK-END JV FLEXIBILITY

STRONG RETAIL & MBE PROTECTIONS

2034 END DATE

- Require a large upfront and immediate commitment of 500,000 SF
 - **Deadline Phase 1: March 2023**
 - **Deadline Phase 2: December 2024**
- No substantial deviation clauses around initial requirement
- Provide appropriate back-end flexibility for Developer to deliver despite market conditions, to motivate action
- Require substantial ongoing commitment prior to release of PILOT rebates
- Ensure “Best Efforts” on “Affluent Luxury” Retail prospecting
- Require strong MBE participation
- Date certain PILOT end date , # Phases limited to 11



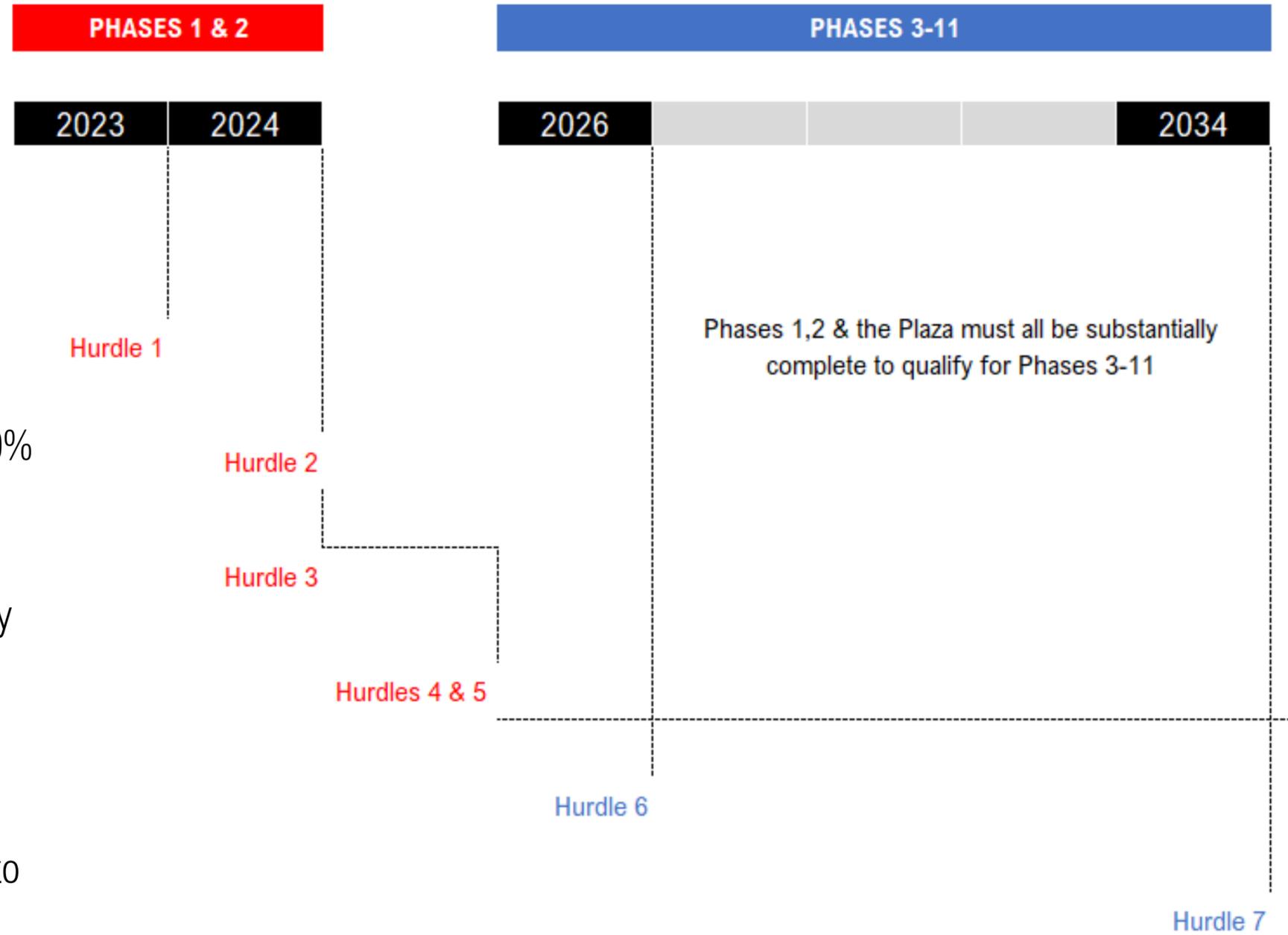
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PHASES 1 & 2: HURDLES

- Hurdle 1: Substantial completion of Phase 1
- Hurdle 2: Substantial completion of Plaza
- Hurdle 3: Substantial completion of Phase 2
- Hurdle 4: Start of “material” vertical construction of Phase 3
- Hurdle 5: Phases 1 & 2 Retail reach a combined lease rate of at least 50%

PHASES 3 – 11: HURDLES

- Hurdle 6: Must submit Conceptual & Detailed Site Plan Review to County prior to 2026 for any remaining PILOTS to qualify
- Hurdle 7: No PILOT shall commence after 2034 unless recession, pandemic, or governmental delays impede developer’s ability to advance development (Pro-rata extensions allowed up to 2039)





35 %

BEST EFFORTS
(\$340.7 M)

25 %

CBBB, CMBE, CBSB & MBE
(\$243.4 M)

20 %

CMBE
(\$194.7 M)

MINIMUM REQUIREMENTS

Applies to total projected building costs, site work costs, and related construction services for all phases of the project (\$973,569,695.00).

- The Parties agree that no less than twenty percent (20%) of the total building costs, site work costs, and related construction services must be allocated to CMBEs
- Eligible costs will be determined as part of the approved MBE Plan by the County's Compliance Manager
- Required quarterly reports with Developer subject to penalty if submitted late
- Failure to comply with minimum CBB, CBSB, CMBE and MBE requirements will result in the NON-RELEASE of PILOT incentive funds to Developer.



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INCREMENTAL FISCAL BENEFITS

| | |
|----------------------------------------------|----------------|
| Real Property Tax (including PILOT, Schools) | \$ 296,600,000 |
| Resident Income Tax | \$ 378,700,000 |

| BENEFIT | |
|---------|--------------------|
| \$ | 675,300,000 |

INCREMENTAL FISCAL COSTS

| | |
|---------------------------------|------------------|
| General Fund Expenditures | \$ (259,800,000) |
| Board of Education Expenditures | \$ (59,000,000) |

| COST | |
|------|----------------------|
| \$ | (318,800,000) |

TOTAL NET NEW TAX REVENUES

Through 2064

| NET NEW TAX | |
|-------------|--------------------|
| \$ | 356,500,000 |

*Hotel, Personal Property, Energy, and Transfer and Recordation Taxes not quantified



\$675M PROJECTED INCREMENTAL FISCAL BENEFIT ASSUMPTIONS

2022-2064

Real Property Taxes (Net New) **\$297M**

- **\$41 million** in PILOT from Phases 1-11 (through 2049)
- **\$241 million** in incremental real property tax revenue following PILOT expiration through 2064
- **\$15 million** in schools-dedicated real property tax

Value to Developer **\$95M**

- The PILOT incentive is projected to be worth approximately **\$95 million** to the developer between 2022 and 2049

Individual Income Tax Revenue (Net New) **\$379M**

- **\$2 million** from one-time jobs related to construction
- **\$85 million** from ongoing jobs at new retail and office locations
- **\$292 million** from new households living in new dwelling units

New households and workers generated

- Approximately 1,630 new households
- Approximately 550 new workers who are also County Residents



\$319M PROJECTED INCREMENTAL FISCAL COST ASSUMPTIONS

2022-2064

Expenditures: New Resident Demand for Services

New residents, including school-aged residents, and workers will require the County to increase expenditures to provide consistent level of services.

This analysis highlights the effects on County General Fund and Board of Education expenditures based on:

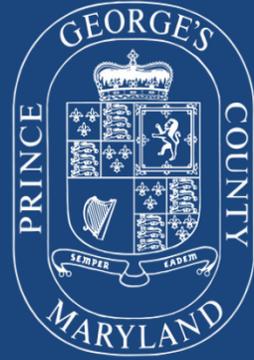
- 2,820 new residents in 1,630 occupied dwelling units, including 160 school-aged students
- 1,530 new workers residing both within and outside Prince George's County

COUNTY GENERAL FUND

(\$297M)

BOARD OF EDUCATION LOCAL SHARE

(\$59M)



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