KARINGTON
SPECIAL TAXING DISTRICT

PRINCE GEORGE'S COUNTY, MARYLAND

SPECIAL TAX REPORT

Prepared By:

MuniCap, Inc.

September 14, 2018

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Purpose of Report

The Karington Special Taxing District (the "District") is being created to facilitate the financing of all or a portion of the costs of public improvements for the District, including costs related to the issuance of the bonds. Bonds are expected to be issued by Prince George's County, Maryland (the "County") to fund the costs of the public improvements for the benefit of property, currently referred to as South Lake, within the District. The bonds will finance the cost of the improvements, issuance costs, the funding of a debt service reserve fund, if one is established, and capitalized interest.

The County will levy a special tax each year to provide funds for the payment of debt service on the bonds, to replenish reserves if needed, cover the cost of administration of the District, and fund other costs related to the bonds. The District is being created, special taxes levied, and bonds issued pursuant to Section 10-269 of the Prince George's County Code, as amended and the Special Taxing District Act, Local Government Article of the Annotated Code of Maryland Sections 21-501 through 21-523 (collectively the "Act"), as amended from time to time. The Act requires special taxes to be levied in a manner that is reasonable. This report explains the reasonable basis of the special taxes levied as described in the "Rate and Method of Apportionment of Special Taxes" for the District.

Description of the Special Taxing District

The District is approximately 381 acres of vacant land, including a public right of way, located in northeastern Prince George's County, Maryland. Situated at the southwestern corner of the intersection of U.S. Route 301 and Maryland Route 214 (Central Avenue), the District is in an area that is proposed to be annexed by The City of Bowie (the "City"). The District is generally bound by Maryland Route 214 (Central Avenue) to the north, U.S. Route 301 to the east, and Collington Branch to the south and to the west. The list of the tax parcels comprising the District is shown below in Table A.

Table A
Tax Parcels Comprising the District

Account Identifier	Owner	Address	Acres
07 3813516	Karington LLC	Karington Center Boulevard	98.06
07 3813524	Karington LLC	Karington Center Boulevard	268.94
Total			**367.00**

A map illustrating the tax parcels comprising the District is attached hereto as Exhibit A.

The property comprising the proposed District is currently raw land zoned as an E-I-A Zone (employment and institutional area) with a modification that allows the property to follow the regulations of the M-X-T (Mixed-Use) Zone. The purpose of this modified E-I-A Zone is to provide for a mix of residential, employment, institutional, retail, and office uses in a manner which will enhance the dominant employment and institutional character of the area by providing a mix of "live, work, and play" uses, while improving the overall quality of employment and institutional centers in the County.

The land use mixture for E-I-A Zones is based upon the M-X-T Zones as defined by Part 10, Division 2, Subdivision 1, Section 27-544 of the Prince George's County Zoning Code as shown below in Table B.

Table B
M-X-T Zone Usage

Total Gross Floor Area	Minimum	Maximum
Residential (at least two different types)	50%	90%
Retail	10%	20%
Office/employment	0%	40%

A list of all permissible uses for the E-I-A Zone, based upon the M-X-T Zone, is shown in the Table of Uses found under Part 10, Division 3, Section 27-547 of the Prince George's County Zoning Code.

An aerial of the current land comprising the District, along with the boundaries of the District, is attached hereto as Exhibit B. A zoning map of the District is attached hereto as Exhibit C.

The proposed development of the property in the District is shown by Table C on the following page. This development is consistent with the corresponding zoning guidelines and land use percentages described above.

<u>Table C</u>
Special Taxing District Proposed Development

Property Type	Units	Area GSF	Rooms
Residential			
For Rent			
Apartments	320	336,000	-
For Sale			
Townhouse	695	1,390,000	-
Single family	320	887,360	-
Sub-total for sale	1,015	2,277,360	
Sub-total residential	1,335	2,613,360	
Commercial			
Hotel	-	234,000	390
Retail			
Grocery anchored center	-	250,000	-
Retail pad	-	130,000	-
Sub-total retail		380,000	
Office	-	220,000	-
Sub-total commercial		834,000	390
Total	**1,335**	**3,447,360**	**390**

A map showing the site plan for the proposed development in the District is attached hereto as Exhibit D.

Proposed Public Improvements

The purpose of the District, the special taxes to be levied in the District, and the special obligation bonds to be issued with respect to the District is to finance all or a part of the costs of the public improvements shown in Table D on the following page.

<u>Table D</u>
Public Improvements

Public Improvements	Total
On-Site Public Improvements	
Park facility, including lake improvements	$9,181,892
Arterial boulevard entrance roads	$8,967,074
Public sewer outfall A	$880,741
Public sewer outfall B	$880,741
Sub-total on-site public improvements	$19,910,448
Off-Site Public Improvements	
Maryland Route 214 & Old Central Avenue improvements	$4,286,188
U.S. Route 301 improvements	$2,294,190
Connector Road	$1,009,174
Sub-total off-site public improvement costs	$7,589,552
Total public improvement costs	**$27,500,000**

Costs may vary from these estimates and the improvements built may be modified from those described herein. A description of these improvements follows:

Park Facilities and Lake Improvements

The park facilities and lake improvements consist of the construction of a large stormwater management facility which will act as the primary means of sediment control and stormwater management for the project, as well as providing for recreational uses. In total, the lake will be centrally located within the development and will be approximately 12 acres of surface area with varying depths. In order to properly manage stormwater, the lake will contain a dam. Costs also include design, engineering, construction management, and a contingency.

Arterial Boulevard Entrance Roads

The arterial boulevard entrance roads will serve as the primary means of travel through the District. These roads will create an internal network linking to smaller streets which will feed the various residential and commercial portions of the project. The main arterial boulevard entrance roads include the cost to construct dual lane entrances at the two main ingress and egress points in the District. The main arterial boulevard costs also include the construction of the road subsurface, water and sewer utilities, as well as stormwater management and the completed road surface. The costs also include sidewalks, a master planned trail, lighting, and landscaping, as well as design, engineering, construction management, and a contingency.

Public Sewer Outfalls A & B

Public Sewer Outfalls A and B are two of the three sewer outfalls required to expand the public sewer service to the project area and to serve the District. Sewer Outfall

A costs include approximately 596’ of 10” sewer with three new manholes connecting to an existing 36” sewer running along the Collington Branch. Sewer Outfall B costs include approximately 288’ of 20” sewer and 675’ of 18” sewer line and four new manholes connecting to the existing 36” sewer line along the Collington Branch. Costs also include design, engineering, construction management, and a contingency.

Maryland Route 214 & Old Central Avenue Improvements

Maryland Route 214 improvements include the costs associated with constructing acceleration and deceleration lanes on Route 214, installing traffic lights and signage, relocating existing poles and utilities, fine grading, paving, landscaping, mobilization, stabilization, and sediment control. Costs also include the widening and lengthening of the westbound left-turn lane on Maryland 214 to Old Central Avenue, the signalization of the Maryland Route 214 and Old Central Ave intersection, and the removal of the high-speed east bound to south bound ramp from Maryland 214 to U.S. Route 301 for a standard right turn lane at the traffic signal. Maryland Route 214 forms the northern boundary of the District.

Old Central Avenue improvements include the costs associated with constructing acceleration and deceleration lanes on Old Central Avenue, along with the corresponding storm drain system, installing traffic lights and signage, relocating existing poles, utilities, natural gas, and fiber optics, fine grading, paving, landscaping, mobilization, stabilization, and sediment control. Old Central Avenue forms the northeastern boundary of the District.

Costs for both include studies, design, engineering, construction management, and a contingency.

The expansion of Maryland Route 214 and Old Central Avenue provide improved ingress and egress from the District to serve residents, visitors and employees of the properties in the District. Pursuant to the approval of Preliminary Plan of Subdivision 4-04035 Karington, adopted by the County Planning Board on February 15, 2018, both the Maryland Route 214 and Old Central Avenue improvements must be constructed as part of the development of the property within the District. As such, the improvements are being constructed for the benefit of the property within the District.

U.S. Route 301 Improvements

U.S. Route 301 improvements include the costs associated with constructing the entrance portion of both acceleration and deceleration lanes and a thru lane on U.S. Route 301, along with the corresponding storm drain system, installing traffic lights and signage, relocating existing poles, utilities, natural gas, and fiber optics, fine grading, paving, adjusting an existing major water main, landscaping, mobilization, stabilization, and sediment control at the entrance to the District. U.S. Route 301 forms the eastern boundary of the District. Costs include studies, design, engineering, construction management, and a contingency.

The expansion of U.S. Route 301 provides improved ingress and egress from the District to serve residents, visitors and employees of the properties in the District. Pursuant to the approval of Preliminary Plan of Subdivision 4-04035 Karington, adopted by the County Planning Board on February 15, 2018, the U.S. Route 301 improvements must be constructed as part of the development of the property within the District. As such the improvements are being constructed for the benefit of the property within the District.

Connector Road

The connector road improvements include the costs to construct a road from the southern portion of the arterial entrance boulevard road and Prince George's Boulevard. Costs include the construction of a two-lane road, including public utilities, sidewalks, and landscaping. The road construction will require a culvert over the existing outfall. Costs also include design, engineering, construction management, and a contingency. The connector road is being constructed for the benefit of the property within the District.

The construction of the connector road provides additional ingress and egress from the District to serve residents, visitors and employees of the properties in the District. Pursuant to the approval of Preliminary Plan of Subdivision 4-04035 Karington, adopted by the County Planning Board on February 15, 2018, the connector road improvement must be constructed as part of the development of the property within the District. As such the improvements are being constructed for the benefit of the property within the District.

The public improvements described above are all provided to meet the needs of the property in the District that results from the proposed development of the property. The public improvements provide road access to, from and within the property in the District, extend the water, sewer, and utilities throughout the District, and construct a stormwater management system that will be necessary for the proposed development of the property.

A map showing the proposed public improvements is attached hereto as Exhibit E.

Projected Issuance of Bonds

Bonds are proposed to be issued by the County to finance the costs of the public improvements described above. Bond proceeds will include the costs of constructing improvements, issuance costs and capitalized interest. Table E, on the following page, illustrates the estimated sources and uses of funds for the issuance of bonds.

<u>Table E</u>
Sources and Uses of Funds

	Total
Sources of funds:	
Total bond proceeds	$31,500,000
Interest earned in the improvement fund	$0
Total sources of funds	**$31,500,000**
Uses of funds:	
Public improvements	$27,500,000
Issuance costs	$972,500
Capitalized interest	$3,027,500
Total uses of funds	**$31,500,000**

The actual par amount of the bonds and the use of funds may vary from these estimates depending on the interest rate on the bonds, the date the bonds are issued, the cost of issuing the bonds, reinvestment rates on bond proceeds, and other factors related to the terms, provisions, and uses of the bonds.

Bond issuance costs include the underwriter's discount, legal fees, financial consulting fees, the cost of studies, the set-up and first year's fee of the trustee, trustee's counsel, County and City expenses, document printing costs and other miscellaneous costs related to the issuance of bonds.

Capitalized interest on the bonds fund the interest on the bonds for up to three years to allow time for the infrastructure improvements and other property in the District to be constructed, for the property to be added to the property tax roll, and property taxes to be collected from the property and applied to the payment of the debt service on the bonds.

The purpose of a reserve fund, if established, is to ensure there are sufficient funds to pay debt service should it be necessary to take action to collect delinquent property taxes. Once the delinquent property taxes are collected, the reserve fund would be replenished with these funds.

Projected Debt Service and Administrative Expenses

A schedule showing projected debt service and administrative expenses is attached to this report as Exhibit F. Bonds are assumed to be issued and repaid over thirty years.

The principal payments on the bonds are structured such that debt service is increasing each year during the amortization period of the bonds. The bonds are assumed to be tax-exempt with an interest rate of six percent per year.

Estimated administrative expenses are included in Exhibit F, which represent County and City costs, including costs of professionals, related to the administration of the District.

Determination of Special Taxes

Special taxes must be levied in a reasonable manner. The reasonable basis for the special taxes levied in the District is based on the following:

(i) the public improvements to be provided by the District provide a special benefit to the property in the District and the special benefit to the property subject to the special taxes exceeds the cost of the special taxes;

(ii) the amount of special taxes to be levied each year is equal to or less than the amount required to repay the bonds issued to finance the public improvements, including any estimated delinquencies and to fund other permitted costs, including replenishment of any debt service reserve fund; and

(iii) special taxes are allocated to parcels within the District in a manner that reasonably represents the benefit each parcel will receive from the improvements to be provided by the District.

<u>Special Benefit</u>

The property in the District will receive a special benefit from the public improvements to be provided as a result of the District. The public infrastructure will provide road access to, from and within the property in the District, extend water, sewer, and utilities through the property in the District, and provide a stormwater management system for the District. These improvements are required for the proposed use of the property as described above and are being provided specifically for this use for the property within the District. Accordingly, the public improvements to be provided as a result of the District provide a special benefit to the property in the District.

The special benefit of the public improvements to be provided as a result of the District will be equal to or greater than the cost of the special taxes levied on the property. The value of special benefit is confirmed by two means. First, the owner of the properties to be subject to special taxes has requested that the County impose special taxes on the property for the purpose of providing the public improvements. It is reasonable to believe the owner is acting in its interest and making this request because the benefit it receives from the public infrastructure improvements exceeds the cost of the special taxes.

Second, the special taxes are being levied to provide improvements that are necessary for the highest and best use of the property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value." (*Dictionary of Real Estate Appraisal, Fourth Edition.*) The four criteria for highest and best use are (i) legal permissibility, (ii) physical possibility, (iii) financial feasibility, and (iv) maximum productivity.

The owner of the property to be subject to special taxes has analyzed various options for the use of the property, taking into consideration the legally permitted uses, the physical constraints of the site, financial parameters and market demand. The owner is understandably interested in maximizing its return on the property. Based on this analysis, the highest and best use of the property, including any costs required for that use, is the proposed uses for the property as described herein. This use of the property will require the public improvements as described herein to be provided as result of the District. Without these improvements, the proposed use of the property would not be physically possible or adequately supported and, as a result, the property could not be put to its highest and best use.

The financing provided by the special tax district is long-term financing and pays interest to the bond holders that is exempt from income taxes, resulting in a lower rate than other available financing on comparable terms. The special taxes also help to make available tax increment financing for the bonds (that is, the bonds will be repaid from the increase in property taxes as well as from special taxes). As a result of these and other advantages, the financing provided by the District is the most beneficial means of financing the public improvements.

In summary, the special taxes result in a special benefit to the property and this special benefit is greater than the special taxes for the following reasons:

1. The public improvements to be provided as a result of the District are required for the highest and best use of the property;

2. The highest and best use of the property is the use of the property that is most valuable (including any costs associated with the use of the property);

3. The financing provided to benefit the District is the most beneficial means of financing the improvements;

4. As a result, the special benefits to the property from the public improvements to be provided as a result of the bond issue will be equal to or greater than the special taxes to be imposed on the property in the District.

<u>Special Taxes Required to Repay the Bonds</u>

As shown on Exhibit F, maximum special taxes are levied in an amount of $2,112,000 for fiscal year 2019-2020 to meet the County's obligation to provide for the payment of debt service on bonds issued to fund the improvements to be provided by the District, including appropriate debt service coverage. The maximum special taxes include debt service coverage of an additional ten percent, which may also be used to replenish the debt service reserve fund, if necessary and if one is established. Special taxes also cover estimated administrative expenses of the district.

The annual debt service is scheduled to increase by two percent each year. As a result, the maximum special tax must also increase by two percent each year.

The actual debt service on the bonds may be less than estimated herein. The "Rate and Method of Apportionment of Special Taxes" provides for the maximum special tax to be reduced based on the actual debt service on the bonds, so that the special taxes actually collected do not exceed the amount necessary to repay the bonds and to pay related administrative expenses.

The maximum special tax on all of the property in the District is set in a manner consistent with the estimate of the annual debt service on the bonds to be issued to finance the public improvements that provide a special benefit, and any required debt service coverage and administrative expenses related to the bonds. Special taxes are therefore set in a reasonable manner.

Allocation of Special Taxes to Parcels

Developed Property

Special taxes are allocated to parcels in the District in a manner to reasonably reflect the benefit property will receive from the improvements to be provided by the District. The benefit received by each parcel of developed property is estimated on the basis of the estimated future value of the property. The purpose of the improvements to be provided by the District is to allow for the development of the property. Estimating the benefit properties will receive from the improvements on the basis of future estimated value is particularly appropriate for improvements intended to provide for the development of the property, as one reason for the development is to increase the value of the property in the District.

For purposes of estimating future value (and therefore benefit), developed property is classified into one of seven categories, defined as rental residential property, for sale A residential property, for sale B residential property, hotel property, retail A property, retail B property, and office property. The average estimated value of property within each class is shown by Table F on the following page.

Special taxes are allocated to property in each class based on the relative estimated future value of property within each class. This calculation is made using equivalent unit factors. The purpose of equivalent unit factors is to equate the benefit of one class to another class. Since benefit is based on estimated future values, the equivalent unit factors are based on the estimated future value of each class. These factors are shown in Table F.

<u>Table F</u>
Land Use Class and
Equivalent Unit Factors

Property Type	Land Use Class	Assessed Value by Classification[1]	Measurement	Equivalent Unit Factor
Apartments	Rental Residential Property	$133,790	Per dwelling unit	0.30
Townhouse	For Sale A Residential Property	$339,138	Per dwelling unit	0.75
Single family	For Sale B Residential Property	$449,549	Per dwelling unit	1.00
Hotel	Hotel Property	$123,588	Per room	0.27
Grocery anchored center	Retail A Property	$310,389	Per 1,000 BSF	0.69
Retail pad	Retail B Property	$464,402	Per 1,000 BSF	1.03
Office	Office Property	$253,455	Per 1,000 BSF	0.56

[1]Based on assessed valuation research completed by MuniCap, Inc. See Exhibit G.

The total number of equivalent units within the project is shown by Table G below.

<u>Table G</u>
Total of Equivalent Units

Land Use Class	Proposed Development	Equivalent Unit Factors	Equivalent Units
	(Dwelling Units)	*(Per Dwelling Unit)*	
Rental Residential Property	320	0.30	96
For Sale A Residential Property	695	0.75	521
For Sale B Residential Property	320	1.00	320
	(Rooms)	*(Per Room)*	
Hotel Property	390	0.27	105
	(BSF)	*(Per 1,000 BSF)*	
Retail A Property	250	0.69	173
Retail B Property	130	1.03	134
Office Property	220	0.56	123
Total			**1,472**

Table H shows the derivation of the special tax per equivalent unit based on the total obligations of the District, as shown in Exhibit F, and the number of equivalent units as shown in Table G.

<u>Table H</u>
Maximum Special Tax
Per Equivalent Units

Maximum special tax (tax year beginning 2019-2020)	$2,112,000
Total equivalent unit factors	1,472
Maximum special tax per equivalent unit factor	**$1,435**

Table I shows the maximum special tax within each land use class based on the special tax per equivalent unit factor shown in Table H and the equivalent unit factor.

Table I
Maximum Special Tax Per Land Use Class
Fiscal Year 2019-2020

Land Use Class	Maximum Special Tax Per EU Factor	Equivalent Unit Factors	Maximum Special Tax Per Unit/ 1,000 BSF/Room
	(Dwelling Units)	*(Per Dwelling Unit)*	
Rental Residential Property	$1,435	0.30	$430
For Sale A Residential Property	$1,435	0.75	$1,076
For Sale B Residential Property	$1,435	1.00	$1,435
	(Rooms)	*(Per Room)*	
Hotel Property	$1,435	0.27	$387
	(BSF)	*(Per 1,000 BSF)*	
Retail A Property	$1,435	0.69	$990
Retail B Property	$1,435	1.03	$1,478
Office Property	$1,435	0.56	$803

Undeveloped Property

The special taxes allocated to undeveloped property are equal to the maximum special taxes for the District less the maximum special taxes on developed property. As shown by the tables above, maximum special tax rates are set for developed property on the basis of the total projected development in the District. Accordingly, the maximum special taxes on undeveloped property are based on the remaining development, which is expected to occur on the undeveloped property. That is, the maximum special taxes on developed property are based on the development on the parcels of developed property. The balance of the development will occur on the parcels of undeveloped property. The balance of the maximum special taxes are also allocated to the parcels of undeveloped property. As a result, maximum special taxes are fairly allocated between developed property and undeveloped property on the basis of the development expected to occur on property within each class.

All of the property within the District is within the same zoning classification. The type of development that will occur on a parcel of undeveloped property may represent any of the classes of developed property. As a result, special taxes are not allocated by class to parcels of undeveloped property and, are instead, allocated on the basis of the area of each parcel. Since each parcel of undeveloped property may be developed with any of the land use classes, allocating special taxes to undeveloped property on the basis of area most fairly allocates the special taxes to parcels of undeveloped property.

Adjusted Maximum Special Tax

Special taxes may be collected from each parcel in the District only up to the adjusted maximum special tax for the parcel. The adjusted maximum special tax is the lesser of (i) the maximum special tax and (ii) the maximum special tax less the County and

City tax increment revenues related to each parcel available to repay the bonds. The County and City tax increment revenues represent the increase in property taxes that results from the development of the property. The real property County and City tax increment will be applied to the repayment of the bonds issued to finance the public improvements to benefit the District. To the extent property produces County and City tax increment revenues and these revenues cover the debt service on the bonds and other permissible costs, the property is contributing its share of the cost of the public improvements through these revenues. The special taxes effectively cover each property's share of the cost of the public improvements not otherwise covered by the property's County and City tax increment revenues.

Summary of Reasonable Basis of the Special Taxes

Special taxes are levied on the taxable property in the District according to the provisions of the "Rate and Method of Apportionment of Special Taxes." The Act requires special taxes to be levied in a manner that is reasonable. This report explains the reasonable basis of the special taxes. The reasonable basis may be summarized as follows:

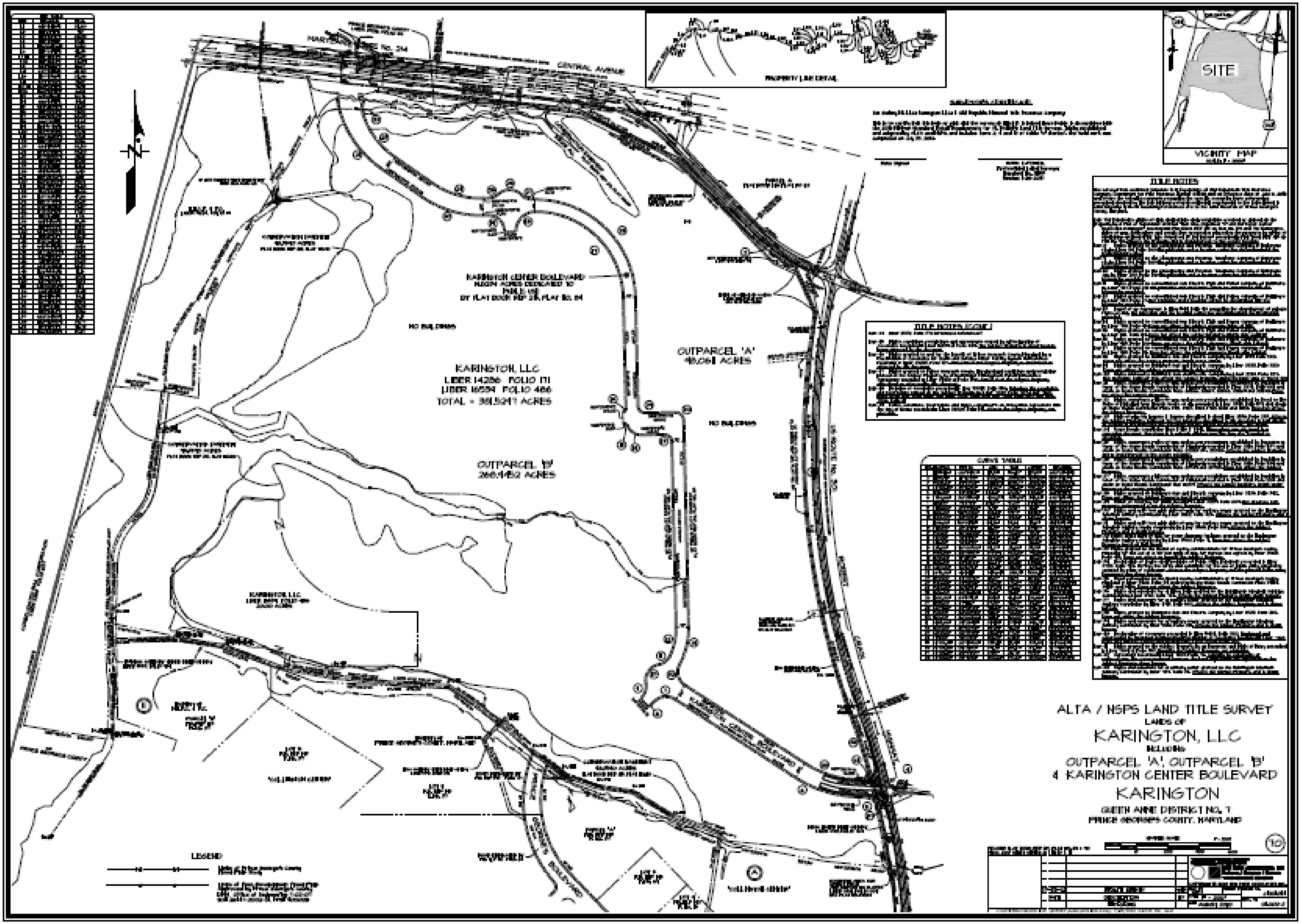
1. The property within the District will receive a special benefit from the public improvements to be provided as a result of the District and this special benefit exceeds the levy of the special taxes;

2. Special taxes levied on all of the property in the District each year are equal to the amount required to pay the debt service on the bonds issued to provide the public improvements, as well as other costs related to the bonds, including administrative expenses and replenishment of any debt service reserve fund, after taking into consideration any savings and other revenues available to repay the bonds; and,

3. Special taxes are allocated to each property within the District in a manner that reasonably reflects the relative benefit each property will receive from the improvements.

For these reasons, the special taxes are levied on the taxable property in the District in a reasonable manner.

<u>Exhibit A</u>
Tax Parcel Map of the Karington Special Taxing District



CENTRAL AVENUE
PROPERTY LINE DETAIL
SITE
VICINITY MAP
TITLE NOTES
TITLE NOTES (CONT.)
CURVE TABLE
KARINGTON CENTER BOULEVARD
NO BUILDINGS
KARINGTON, LLC
LIBER 14286 FOLIO 171
LIBER 16534 FOLIO 466
TOTAL = 381.5217 ACRES
OUTPARCEL 'A'
OUTPARCEL 'B'
NO BUILDINGS
LEGEND
ALTA / NSPS LAND TITLE SURVEY
LANDS OF
KARINGTON, LLC
INCLUDING
OUTPARCEL 'A', OUTPARCEL 'B'
& KARINGTON CENTER BOULEVARD
KARINGTON
QUEEN ANNE DISTRICT NO. 7
PRINCE GEORGE'S COUNTY, MARYLAND
10

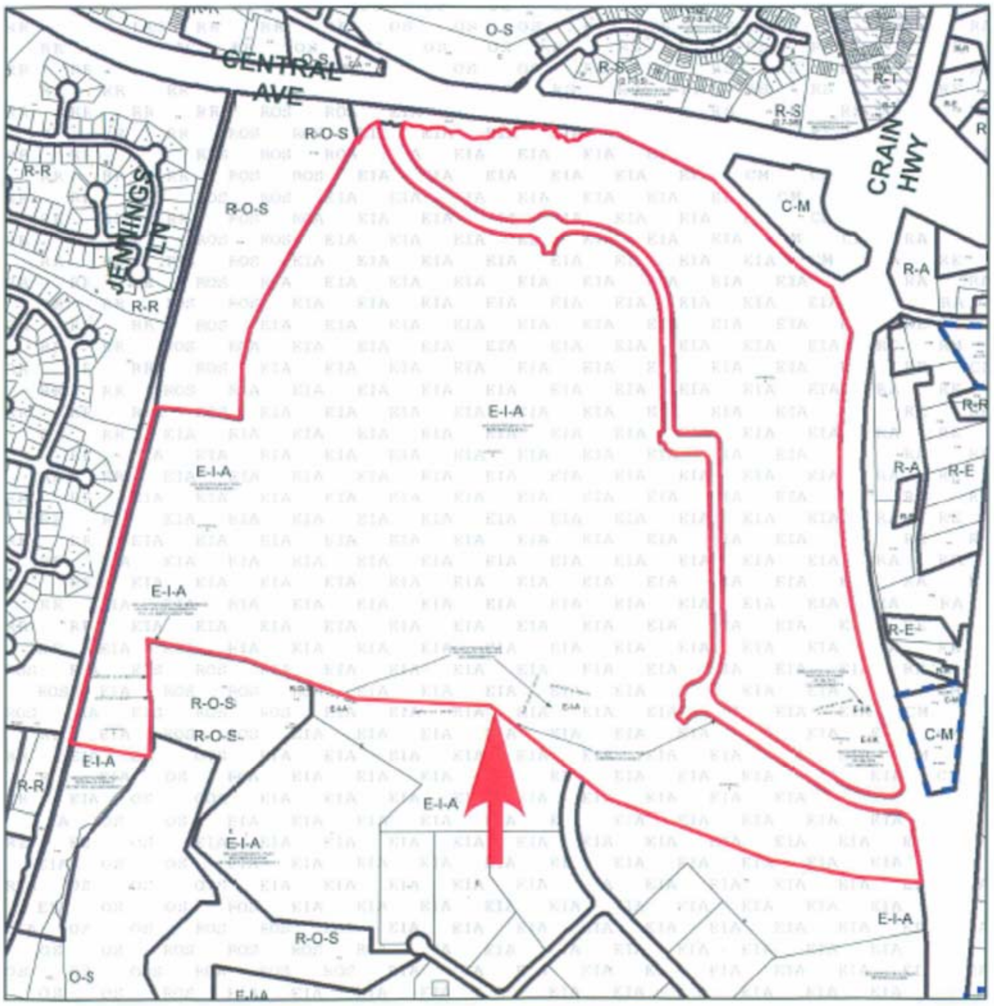
<u>Exhibit B</u>

Karington Current Aerial and Special Taxing District Boundary Map


Paramount Ln
Pinecroft Ln
Penn Manor Ln
Pennsbury Dr
978
Old Central Ave
Commerce Ct
Prince Georges Blvd
301
Trade Zone Ave
Crain Hwy

Exhibit C

Karington Special Taxing District Zoning Map



ZONING SKETCH MAP

APPLICATION NO: ____________

REQUEST: ____________

____

PAZ: ____________

EXISTING ZONE: ____________

PLANNING AREA: 74A

WSSC GRID: 201NE14

TAX MAP: 70

TAX GRID: C3

COUNCIL DISTRICT: 4

0 1,940

Feet

1 inch = 1,000 feet

The Maryland-National Capital Park and Planning Commission
Prince George's County Planning Department
Geographic Information System

Created: July 9, 2014

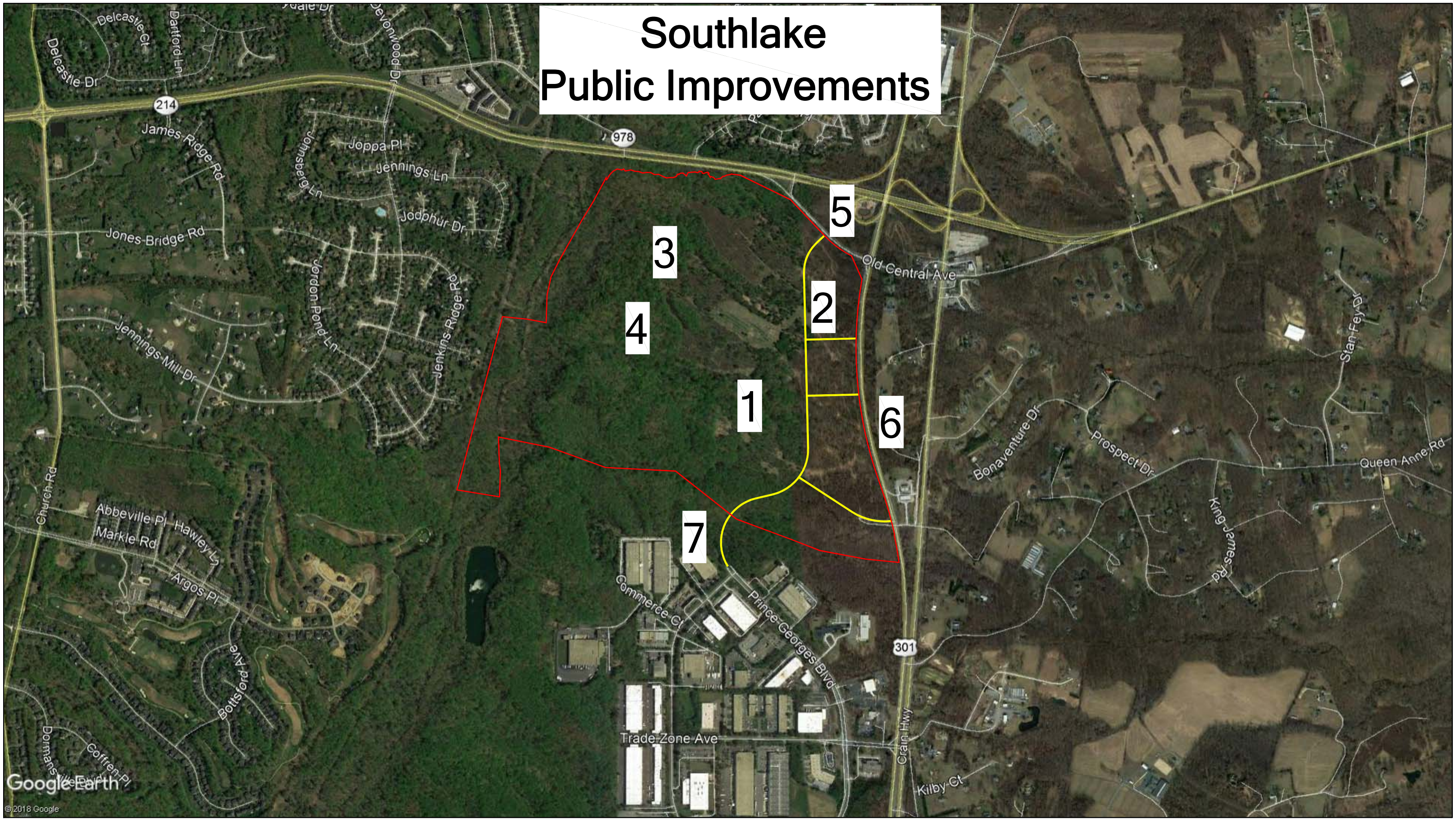
<u>Exhibit D</u>

Karington Special Taxing District Site Plan


Central Ave
214
Central Ave
214
Central Ave
301
Crain Hwy
PLN & Associates
Old Central Ave
Blue Star Memorial Hwy
LAKE
301
Crain Hwy
PROPOSED FIELD (TYP)
COLLINGTON MULTI-FIELD SPORTS COMPLEX
STADIUM FIELD
PRINCE GEOR

Exhibit E
Karington Special Taxing District Public Improvement Map

Southlake Public Improvements



Public Improvements

On-Site Public Improvements

1. *Lake improvements*
2. *Arterial boulevard entrance roads*
3. *Public sewer outfall A*
4. *Public sewer outfall B*

Off-Site Public Improvements

5. *Route 214 & Old Central Ave improvements*
6. *U.S. Route 301 improvements*
7. *Connector Road*

<u>Exhibit F</u>
Calculation of Maximum Special Tax

Exhibit F
Calculation of Maximum Special Taxes

Maximum adjusted gross annual debt service	$1,920,000
Required debt service coverage	110%
Maximum Special Tax (Fiscal Year 2019-2020)	**$2,112,000**

Tax Year Beginning	Total Gross Annual Obligations: Gross Debt Service	District Operations	Total	Increase Factor	Adjusted Gross Annual Obligation	Maximum Special Taxes	Gross Debt Service Coverage
1-Jul-19	$1,890,000	$30,000	$1,920,000	1.00	$1,920,000	$2,112,000	110%
1-Jul-20	$1,890,000	$30,600	$1,920,600	1.02	$1,882,941	$2,154,240	112%
1-Jul-21	$1,890,000	$31,212	$1,921,212	1.04	$1,846,609	$2,197,325	114%
1-Jul-22	$1,950,000	$31,836	$1,981,836	1.06	$1,867,529	$2,241,271	113%
1-Jul-23	$1,989,400	$32,473	$2,021,873	1.08	$1,867,898	$2,286,097	113%
1-Jul-24	$2,029,220	$33,122	$2,062,342	1.10	$1,867,927	$2,331,819	113%
1-Jul-25	$2,069,280	$33,785	$2,103,065	1.13	$1,867,461	$2,378,455	113%
1-Jul-26	$2,111,400	$34,461	$2,145,861	1.15	$1,868,101	$2,426,024	113%
1-Jul-27	$2,153,280	$35,150	$2,188,430	1.17	$1,867,804	$2,474,545	113%
1-Jul-28	$2,196,740	$35,853	$2,232,593	1.20	$1,868,134	$2,524,036	113%
1-Jul-29	$2,240,480	$36,570	$2,277,050	1.22	$1,867,974	$2,574,516	113%
1-Jul-30	$2,285,260	$37,301	$2,322,561	1.24	$1,867,950	$2,626,007	113%
1-Jul-31	$2,330,780	$38,047	$2,368,827	1.27	$1,867,804	$2,678,527	113%
1-Jul-32	$2,377,740	$38,808	$2,416,548	1.29	$1,868,070	$2,732,097	113%
1-Jul-33	$2,424,780	$39,584	$2,464,364	1.32	$1,867,680	$2,786,739	113%
1-Jul-34	$2,473,600	$40,376	$2,513,976	1.35	$1,867,921	$2,842,474	113%
1-Jul-35	$2,522,780	$41,184	$2,563,964	1.37	$1,867,709	$2,899,323	113%
1-Jul-36	$2,572,960	$42,007	$2,614,967	1.40	$1,867,512	$2,957,310	113%
1-Jul-37	$2,624,720	$42,847	$2,667,567	1.43	$1,867,722	$3,016,456	113%
1-Jul-38	$2,677,580	$43,704	$2,721,284	1.46	$1,867,973	$3,076,785	113%
1-Jul-39	$2,731,060	$44,578	$2,775,638	1.49	$1,867,925	$3,138,321	113%
1-Jul-40	$2,785,680	$45,470	$2,831,150	1.52	$1,867,924	$3,201,087	113%
1-Jul-41	$2,840,900	$46,379	$2,887,279	1.55	$1,867,605	$3,265,109	113%
1-Jul-42	$2,898,180	$47,307	$2,945,487	1.58	$1,867,898	$3,330,411	113%
1-Jul-43	$2,955,860	$48,253	$3,004,113	1.61	$1,867,722	$3,397,019	113%
1-Jul-44	$3,015,340	$49,218	$3,064,558	1.64	$1,867,943	$3,464,960	113%
1-Jul-45	$3,075,900	$50,203	$3,126,103	1.67	$1,868,094	$3,534,259	113%
1-Jul-46	$3,136,820	$51,207	$3,188,027	1.71	$1,867,744	$3,604,944	113%
1-Jul-47	$3,199,380	$52,231	$3,251,611	1.74	$1,867,642	$3,677,043	113%
1-Jul-48	$3,263,740	$53,275	$3,317,015	1.78	$1,867,852	$3,750,584	113%
Total	$74,602,860	$1,217,042	$75,819,902			$85,679,783	

MuniCap, Inc. *14-Sep-18*

Exhibit G
Comparison of Valuation Methods

Exhibit G-1

Comparison of Valuation Methods[1]

Property Type	Income Capitalization[2]	Comparables[3]
Residential		
Apartments		
Per Unit	$249,029	$195,255
Per SF	$237	***$127***
Townhouse		
Per Unit	-	$372,015
Per SF	-	**$170**
Single Family		
Per Unit	-	$484,610
Per SF	-	**$162**
Commercial		
Hotel		
Per Room	$102,930	***$123,588***
Per SF	$172	$246
Grocery Anchored Center		
Per SF	$235	***$310***
Retail Pad		
Per SF	$383	***$464***
Office		
Per SF	$265	***$253***

MuniCap, Inc. *10-Sep-18*

[1]Valuation approach chosen for each type of development is underlined and shown in bold and italics.

[2]See Exhibits G-2.a, G-2.b, and G-2.c.

[3]See Exhibits G-3.a and G-3.b.

Exhibit G-2.a

Calculation of Market Value - Income Capitalization (Apartments)

	Apartments
Rent per net SF[1]	$2.05
Net square feet[1]	990
Monthly rent per unit	$2,030
Annual rent per unit	$24,354
Vacancy rate[2]	6.8%
Less: vacancy	($1,656)
Effective rent per unit	$22,698
Expense ratio	24.23%
Less: expenses[1]	($5,500)
Net operating income per unit	$17,198
Capitalization rate[3]	5.16%
Tax rate[3]	1.75%
Fully loaded cap rate[3]	6.91%
Market value per unit	$249,029
Market value per net SF	$251.54
Market value per gross SF	$237.17

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[1]Provided by Chesapeake Realty Partners.

[2]Source: *National Apartment Association 2017 Survey of Operating Income & Expenses in Rental Apartment Communities.* Based on mid & hi rise master metered apartment units.

[3]The Maryland State Department of Assessments and Taxation uses a fully-loaded capitalization rate, which is reflected by adding the real property tax rate to the market capitalization rate. As a result, real property taxes are netted out of the assumed expenses shown above. The cap rate assumes a 5.16% market rate plus real property tax rates of $0.400 (City of Bowie), $0.820 (Prince George's County), $0.112 (State of Maryland), $0.040 (Prince George's County Board of Education), $0.2940 (National Capital Park and Planning Commission), $0.054 (Stormwater/Chesapeake Bay Water Quality) and $0.026 (Washington Suburban Transit Commission) per $100. Market rate represents the mid-Atlantic apartment market average overall cap rate for second quarter 2018 as reported in the *Second Quarter 2018 PriceWaterhouseCoopers Real Estate Investor Survey.* Real property tax rates used represent the rate for fiscal year 2018-2019. Source: *Prince George's County, Maryland Proposed Operating Budget Fiscal Year 2019.*

<u>**Exhibit G-2.b**</u>

Calculation of Market Value - Income Capitalization (Hotel)

	Limited Service
Income Capitalization	
Average daily rate per room[1]	$88.67
Gross annual income	$32,365
Assumed occupancy rate[1]	60.0%
Effective gross income per room	$19,418.73
Assumed expense ratio[2]	51.5%
Less: assumed expenses	($10,001)
Net operating income per room	$9,418.08
Capitalization rate[3]	9.15%
Tax rate[3]	1.75%
Fully loaded cap rate[3]	10.90%
Total estimated value per room	$102,930
Total estimated value per SF	$171.55

MuniCap, Inc. *10-Sep-18*

[1]Average daily rate and occupancy rate represents the rates reported for the national limited-service midscale segment in the *First Quarter 2018 PriceWaterhouseCoopers Real Estate Investor Survey.*

[2]Represents the expense ratio for limited-service, excluding property taxes, as reported in the *STR HOST 2017 U.S. Hotel Operating Statistics Study Report for the Year 2016* .

[3]The Maryland State Department of Assessments and Taxation uses a fully-loaded capitalization rate, which is reflected by adding the real property tax rate to the market capitalization rate. As a result, real property taxes are netted out of the assumed expenses shown above. The cap rate assumes a 9.15% market rate plus real property tax rates of $0.400 (City of Bowie), $0.820 (Prince George's County), $0.112 (State of Maryland), $0.040 (Prince George's County Board of Education), $0.2940 (National Capital Park and Planning Commission), $0.054 (Stormwater/Chesapeake Bay Water Quality) and $0.026 (Washington Suburban Transit Commission) per $100. Market rate represents the national limited-service midscale and economy lodging segment cap rate for first quarter 2018 as reported in the *First Quarter 2018 PriceWaterhouseCoopers Real Estate Investor Survey.* Real property tax rates used represent the rate for fiscal year 2018-2019. Source: *Prince George's County, Maryland Proposed Operating Budget Fiscal Year 2019.*

Exhibit G-2.c
Calculation of Market Value - Income Capitalization (Commercial)

	Grocery Anchored Center	Retail Pad	Office
Income Capitalization Approach			
Annual rent per GSF[1]	$25.00	$38.00	$36.11
Assumed vacancy rate[2]	8.40%	8.40%	13.87%
Less: assumed vacancy	($2.10)	($3.19)	($5.01)
Effective gross income	$22.90	$34.81	$31.10
Assumed expense ratio	17.47%	11.49%	28.94%
Less: assumed expenses[3]	($4.00)	($4.00)	($9.00)
Net operating income	$18.90	$30.81	$22.10
Capitalization rate[4]	6.30%	6.30%	6.58%
Tax rate[4]	1.75%	1.75%	1.75%
Fully loaded capitalization rate[4]	8.05%	8.05%	8.33%
Estimated market value PSF	$234.90	$382.90	$265.45

MuniCap, Inc. *10-Sep-18*

[1]Rents based on similar projects.

[2]Market rate represents the national regional mall market cap rate for second quarter 2018 as reported in the *Second Quarter 2018 PriceWaterhouseCoopers Real Estate Investor Survey*.

[3]Operating expenses based on similar projects.

[4]The Maryland State Department of Assessments and Taxation uses a fully-loaded capitalization rate, which is reflected by adding the real property tax rate to the market capitalization rate. As a result, real property taxes are netted out of the assumed expenses shown above. The cap rate assumes a 6.30% retail market rate and a 6.58% office market rate plus real property tax rates of $0.400 (City of Bowie), $0.820 (Prince George's County), $0.112 (State of Maryland), $0.040 (Prince George's County Board of Education), $0.2940 (National Capital Park and Planning Commission), $0.054 (Stormwater/Chesapeake Bay Water Quality) and $0.026 (Washington Suburban Transit Commission) per $100. Market rate represents the national regional mall market cap rate for second quarter 2018 as reported in the *Second Quarter 2018 PriceWaterhouseCoopers Real Estate Investor Survey.* Market rate represents the national suburban office market cap rate for second quarter 2018 as reported in the *Second Quarter 2018 PriceWaterhouseCoopers Real Estate Investor Survey.* Real property tax rates used represent the rate for fiscal year 2018-2019. Source:*Prince George's County, Maryland Proposed Operating Budget Fiscal Year 2019.*

Exhibit G-3.a

Calculation of Market Value - Comparables (Residential)[1]

Property Type	Account Identifier	Year Built	Address	Municipality	Assessed Value: Land	Assessed Value: Improvement	Assessed Value: Total	Area: GSF	Area: Units	Assessed Value: Per GSF	Assessed Value: Per Unit
Apartments											
Camden Summerfield	18 3713401	-	Warfield Drive	Landover	$2,744,200	$88,260,100	$91,004,300	-	291	-	$312,730
Camden Largo Town Center	13 3097490	-	Zachary Street	Upper Marlboro	$2,056,000	$31,682,800	$33,738,800	228,198	219	$148	$154,058
Emerson at Cherry Lane	10 1064120	2007	14700 4th Street	Laurel	$12,876,300	$63,823,700	$76,700,000	657,100	445	$117	$172,360
Harmony Place	07 5516695	2014	14909 Health Center Drive	Bowie	$2,848,800	$61,462,200	$64,311,000	-	286	-	$224,864
Tapestry Largo Town Center	13 5524890	2015	9300 Lottsford Road	Upper Marlboro	$5,767,300	$42,738,500	$48,505,800	-	318	-	$152,534
Mosaic at Largo Station[2]	13 3937448	2008	8831 Lottsford Road	Upper Marlboro	$47,400	$110,600	$158,000	1,166	1	$136	$158,000
Westchester at Contee Road	10 3742210	2008	7800 Contee Road	Laurel	$13,969,600	$72,730,700	$86,700,300	791,089	451	$110	$192,240
Average value per GSF/Unit					$5,758,514	$51,544,086	$57,302,600	419,388	335	***$127***	$195,255
Townhouse											
Beechtree	03 3869054	2012	15303 Tewkesbury Place	Upper Marlboro	$100,000	$240,100	$340,100	1,956	-	$174	$340,100
Fairwood	07 3916152	2012	4902 Collingtons Bounty Drive	Bowie	$100,000	$248,000	$348,000	2,200	-	$158	$348,000
Fairwood	07 3731296	2013	4901 Collingtons Bounty Drive	Bowie	$125,000	$240,000	$365,000	2,200	-	$166	$365,000
Fairwood	07 3731353	2013	4916 Collingtons Bounty Drive	Bowie	$125,000	$253,300	$378,300	2,200	-	$172	$378,300
Fairwood	07 3731106	2013	4939 Collingtons Bounty Drive	Bowie	$125,000	$253,300	$378,300	2,200	-	$172	$378,300
Fairwood	07 3731015	2013	4957 Collingtons Bounty Drive	Bowie	$125,000	$253,300	$378,300	2,200	-	$172	$378,300
Fairwood	07 3731080	2013	4943 Collingtons Bounty Drive	Bowie	$125,000	$256,100	$381,100	2,200	-	$173	$381,100
Marlboro Ridge	15 3993938	2012	4030 Ranch Road	Upper Marlboro	$125,000	$270,500	$395,500	2,366	-	$167	$395,500
Marlboro Ridge	15 5527698	2015	4402 Thoroughbred Drive	Upper Marlboro	$125,000	$323,600	$448,600	2,568	-	$175	$448,600
Oak Creek	07 3637824	2008	402 Esmond Place	Upper Marlboro	$125,000	$222,800	$347,800	2,018	-	$172	$347,800
Oak Creek	07 3637832	2008	404 Esmond Place	Upper Marlboro	$125,000	$222,800	$347,800	2,018	-	$172	$347,800
Townhouse	07 3916186	2012	4927 Matapeakes Bounty Drive	Bowie	$100,000	$251,100	$351,100	2,200	-	$160	$351,100
Townhouse	07 3731569	2011	4908 Matapeakes Bounty Drive	Bowie	$125,000	$251,300	$376,300	2,198	-	$171	$376,300
Average value per GSF/Unit					$119,231	$252,785	$372,015	2,194		***$170***	$372,015
Single Family											
Beechtree	03 5512573	2012	1800 Fittleworth Terrace	Upper Marlboro	$100,100	$331,500	$431,600	2,833	-	$152	$431,600
Beechtree	03 5502349	2011	1805 Fittleworth Terrace	Upper Marlboro	$100,600	$352,000	$452,600	2,851	-	$159	$452,600
Beechtree	03 5512950	2016	3019 Lake Forest Drive	Upper Marlboro	$100,400	$353,700	$454,100	2,859	-	$159	$454,100
Fairwood	07 3858891	2016	13906 Aberdeens Folly Court	Bowie	$150,800	$356,700	$507,500	3,220	-	$158	$507,500
A4	07 3858958	2017	13909 Aberdeens Folly Court	Bowie	$150,400	$366,900	$517,300	3,252	-	$159	$517,300
Holmhurst	13 3916921	2015	11911 Parallel Road	Bowie	$71,800	$447,200	$519,000	2,820	-	$184	$519,000
Marlboro Riding	11 5565467	2015	9401 Pirouette Street	Upper Marlboro	$100,600	$370,800	$471,400	2,928	-	$161	$471,400
Oak Creek	07 3878717	2015	13300 Mary Bowie Parkway	Upper Marlboro	$150,800	$381,300	$532,100	3,504	-	$152	$532,100
Oak Creek	07 3878709	2016	13302 Mary Bowie Parkway	Upper Marlboro	$150,700	$325,200	$475,900	2,962	-	$161	$475,900
Westphalia	06 5533702	2015	9516 Barton Oaks Court	Upper Marlboro	$100,300	$384,300	$484,600	2,738	-	$177	$484,600
Average value per GSF/Unit					$117,650	$366,960	$484,610	2,997		***$162***	$484,610

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[1]Information illustrated for each property based on information provided by Maryland State Department of Assessments and Taxation. Value chosen for each type of development is underlined and shown in bold and italics.

[2]Condominium conversion project located within the Interstate 495 beltway. Includes 242 total residential units. Value is illustrated on a per unit bases. Assessed value includes the assessed value of the parking garage that is determined to be a part of the complex. Based on discussions held with residential assessors for Prince George's County as appoin Maryland State Department of Assessments and Taxation.

Exhibit G-3.b

Calculation of Market Value - Comparables (Commercial)[1]

Property Type	Account Identifier	Year Built	Address	Municipality	Assessed Value Land	Assessed Value Improvement	Assessed Value Total	Area GSF	Area Rooms	Assessed Value Per GSF	Assessed Value Per Room
Hotel											
TownePlace Suite Bowie Town Center	07 3507308	2005	3700 Town Center Boulevard	Bowie	$5,206,600	$6,783,400	$11,990,000	55,102	119	$218	$100,756
Best Western Plus	21 3761442	2013	8419 Baltimore Avenue	College Park	1,079,900	5,934,400	7,014,300	27,372	50	$256	$140,286
Hampton Inn & Suites	13 4018081	2018	2901 N Campus Way	Lanham/Bowie	2,757,300	10,993,200	13,750,500	52,019	106	$264	$129,722
Average value per GSF/room					$3,014,600	$7,903,667	$10,918,267	44,831	78	***$246***	***$123,588***
Grocery Anchored Center											
Target	13 3672433	2006	10201 Martin Luther King Jr. Highway	Bowie	$3,321,400	$4,574,900	$7,896,300	37,916	-	$208	-
District Heights Shopping Center	06 3811403	2012	5500 Silver Hill Road	District Heights	$4,269,900	$19,784,800	$24,054,700	93,627	-	$257	-
Target	13 3672508	2006	9001 McHugh Drive	Lanham	$12,346,700	$16,970,000	$29,316,700	130,610	-	$224	-
Towne Center at Laurel	10 3098977	2014	14700 Baltimore Avenue	Laurel	$35,126,700	$84,147,600	$119,274,300	384,274	-	***$310***	-
Bowie Town Center	07 3631397	2001	15400 Emerald Way	Bowie	$39,870,400	$34,862,300	$74,732,700	283,176	-	$264	-
Average value per GSF					$18,987,020	$32,067,920	$51,054,940	222,922		$253	
Retail Pad											
McDonalds	20 2210722	2004	9007 Annapolis Road	Hyattsville	$1,241,900	$709,800	$1,951,700	4,166	-	$468	-
CVS	21 3459302	2003	7607 Greenbelt Road	Greenbelt	1,506,700	2,612,600	4,119,300	9,592	-	$429	-
Suntrust Bank	17 1835271	2010	3400 East-west Highway	Hyattsville	$1,083,000	$1,178,700	$2,261,700	4,486	-	$504	-
Chick-fil-A	07 3324100	2000	16503 Ballpark Road	Bowie	$1,539,800	$400,200	$1,940,000	4,259	-	$456	-
Average value per GSF					$1,342,850	$1,225,325	$2,568,175	5,626		***$464***	
Office											
2U Building	20 3432283	2002	7900 Harkins Road	Lanham	$674,300	$79,635,000	$80,309,300	327,240	-	$245	-
M Square Univ of Md Research Park	19 3733771	2010	5850 University Research Court	College Park	$4,197,500	$28,637,900	$32,835,400	123,464	-	$266	-
M Square Univ of Md Research Park	19 3733789	2012	5830 University Research Court	College Park	$4,652,800	$93,836,500	$98,489,300	395,538	-	$249	-
Average value per GSF					$3,174,867	$67,369,800	$70,544,667	282,081		***$253***	

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[1]Information illustrated for each property based on information provided by Maryland State Department of Assessments and Taxation. Value chosen for each type of development is underlined and shown in bold and italics.