

TIF PROPOSAL AND DEVELOPER'S CERTIFICATE
Prince George's County Policy for Tax Increment Financing

South Lake
(formerly known as Karington)

April 11, 2019

NAI The Michael Companies, Inc. and Chesapeake Realty Partners through their affiliates, South Lake Partners LLC and South Lake Infrastructure LLC (collectively, the "**Developer**"), submits this TIF Proposal and Developer's Certificate (this "**TIF Proposal and Developer's Certificate**") for review by the County Council of Prince George's County, Maryland (the "**County Council**").

Background. Pursuant to County Council Resolution CR-73-2016, as amended, the Karington Development District (the "**Development District**") was designated and the Karington Development District Tax Increment Fund (the "Tax Increment Fund") was established, and pursuant to County Council Resolution CR-57-2018, the Karington Special Taxing District (the "**Special Taxing District**," and together with the Development District, the "**Districts**") was designated and the Karington Special Taxing District Fund (the "Special Taxing District Fund") was established, all for the purpose of financing certain public infrastructure (the "**Public Improvements**") to support certain residential, retail, hotel, commercial and office facility development by the Developer through the issuance of special obligation bonds under Sections 12-201 through 12-213, inclusive, of the Economic Development Article of the Annotated Code of Maryland, as amended (the "**Tax Increment Financing Act**"), Section 10-269 of the Prince George's County Code, as amended, and Sections 21-501 through 21-518, inclusive, and Section 21-523 of the Local Government Article of the Annotated Code of Maryland, as amended (the "**Special Taxing District Act**," and together with the Tax Increment Financing Act, the "**Acts**").

Pursuant to County Council Bill CB-74-2018, bonds in an aggregate principal amount not to exceed \$33,000,000, payable solely from amounts levied and deposited in the Tax Increment Fund and the Special Taxing District Fund, were authorized to finance said Public Improvements.

County Council Resolution CR-21-2019 requires that, prior to the sale of the bonds, the County Council must review the TIF proposal and a certificate of the developer that the provisions of CR-21-2019 have been complied with and that the Developer's Minority Business Enterprise Plan (the "MBE Plan") has been approved by the Compliance Manager, in conformance with the MBE Plan Guidelines promulgated by the Compliance Manager, and approve of the same by resolution. This TIF Proposal and Developer's Certificate is provided to permit fulfillment of that requirement.

Development. South Lake Development formerly known as the Karington Development (the "**Project**") is a significant economic and community development project that as currently proposed will encompass approximately 381 acres of land situated at the southwestern corner of the intersection of U.S. Route 301 and Maryland Route 214 (Central Avenue) in an area that was annexed on January 17, 2019 by The City of Bowie.

Upon completion, the Project is currently expected to consist of approximately:

- 1,360 rental and for sale residential units;
- 390 hotel rooms;
- 600,000 square feet of office and retail space;
- Recreational and athletic facilities; and
- An approximately 25 acre park/open space feature, including a lake.

Infrastructure to Be Financed by the TIF. The Public Improvements include, but are not limited to, road improvements to Maryland Route 214, Old Central Avenue and U.S. Route 301, construction of arterial boulevard entrance roads, installation of public sewer outfalls, lake improvements and related construction and installation costs and such other infrastructure improvements within the Districts as may be authorized by the Acts.

Estimated Infrastructure Costs.

Park/lake improvements	\$8,639,500
Arterial boulevard entrance roads	4,708,793
Public sewer outfalls (B and D)	1,616,539
Route 214 and Old Central Avenue improvements	3,475,000
U.S. Route 301 improvements	5,220,000
Connector Road (Ballfield Road)	1,150,000
Soft costs	1,390,168
Contingency	1,300,000
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Total	\$27,500,000

Representations and Covenants Fulfilling CR-21-2019.

1. Be consistent with the County’s General Plan and any Sector Plans, as well as other economic and community development policies, strategies and tools.

The Project is consistent with the Prince George’s County General Plan, as well as other economic and community development policies, strategies and tools. *See* correspondence from Arthur Horne of Shipley & Horne PA describing the Project’s compliance with this requirement, attached as Exhibit A.

2. Generate additional significant revenue for the County.

The Project will generate additional significant revenue for the County based on the fiscal impact analysis provided to the County by MuniCap, Inc. as a part of the Karington Tax Increment Financing Application dated August 30, 2016, as supplemented and amended by materials provided to the County from the Developer (the “TIF Application”).

3. Meet both a short-term and long-term “But-For Test,” which demonstrates that the proposed project or initiative is not feasible without the County’s participation and assistance.

The Project meets both a short-term and long-term “but-for test,” which demonstrates that the Project is not feasible without the County’s participation and assistance based on the quantitative pro forma analysis provided to the County as a part of the TIF Application.

4. Be subject to a “Trigger Mechanism/Look Back Provision,” which, on an ongoing basis, examines a project’s proposed and projected cash flows, profits and other financial information to determine whether and when repayment of the County’s investment is or may be necessary.

As reflected in the term sheet dated August 16, 2018 with the County relating to the issuance of the TIF bonds, the County has determined that Project will be subject to “claw back” provisions related to compliance with the MBE Plan.

5. Where appropriate, be used to help fund the revitalization of an area or community in the County.

Although the Project is not classified formally as a revitalization project, the property at which the Project will be located is currently vacant.

6. MBE Plan showing not less than 5% of the value of the TIF Bonds issued to the developer through either (i) County-based minority business enterprise (CMBE) equity ownership in the entity receiving proceeds of the TIF Bonds, (ii) CMBE ownership or participation equal to 5% of the TIF Bonds issued, or (iii) County minority resident equity ownership or participation equal to 5%, cumulative, of the TIF Bonds issued.

The Developer has agreed to not less than 5% County minority equity participation, cumulative, of the TIF Bonds issued through the commitment of an amount equal to 5% of the value of the TIF bonds issued to the Developer. *See* MBE Plan, attached as Exhibit B. The Developer acknowledges and agrees that the approval of this TIF Proposal in no way approves issuance of the TIF bonds until the County receives documentation showing CMBE, cumulative County minority equity ownership or other acceptable participation equal to 5% of the principal amount of the TIF bonds to be issued and repaid with County tax increment funds and special taxes.

7. MBE Plan to include a goal of 35% for County-based businesses (CBB), CMBEs, County-based small businesses (CBSBs) and MBEs; however, at no time shall the CMBE participation be less than 20% of the available project dollars and the cumulative CBB, CMBE, CSBC and MBE participation be less than 25%.

The Developer has agreed to comply with a goal of 35% for CBB, CMBEs, CBSB and MBE participation with a minimum of 25% of CBB, CMBE, CBSB, and MBE participation and 20% of CMBE Participation. These requirements are memorialized in the MBE Plan, which has been approved by the Compliance Manager. *See* MBE Plan, attached as Exhibit B.

8. Not have an adverse impact on the County’s credit/bond rating.

Based on the fiscal impact analysis of MuniCap, Inc. provided to the County as a part of the TIF Application, the Project will not have an adverse impact on the County’s credit or bond rating.

9. Expand and strengthen employment opportunities with a minimum employment goal of 40% for County residents.

The Project will expand and strengthen employment opportunities with a minimum employment goal of 40% for County residents based on the fiscal impact analysis of MuniCap, Inc. provided to the County as a part of the TIF Application.

10. Expand the County's commercial base.

The Project will expand the County's commercial base. Project is projected to expand the County's commercial base by producing an additional 834,000 square feet of commercial, retail, office and hotel space in the County. As a result, the County's commercial property tax base is expected to increase with annual increases thereafter due to enhanced value and inflation.

11. Use best efforts to afford opportunities for public and private partnerships.

The Project will use best efforts to afford opportunities for public and private partnerships. The Project provides opportunities for public and private partnerships through the collective commitments of the County, the City of Bowie and the Developer to transform an area into a vibrant and energetic commercial retail center.

12. Use best efforts to offer creative and unique opportunities for economic and community development projects and initiatives.

The Developer will use best efforts to offer creative and unique opportunities for economic and community development projects and initiatives. The Project offers creative and unique opportunities for economic and community development from both the private and public sectors through the transformation of the area surrounding the Project into an economic and community hub that provides commercial and office space.

13. Certify to the Compliance Manager, as a condition of receiving assistance, verifying that all construction contractors and subcontractors, of whatever tier, performing work on the assisted project, shall meet the apprenticeship requirements, or submit to the Compliance Manager a request for a partial waiver of such requirement.

The Developer will meet the apprenticeship requirements, or submit a request for a waiver of such requirements, for all construction contractors and subcontractors performing work on the Project.

14. Participate in a Class A Apprenticeship Program for each separate trade or classification in which it employs craft employees and shall continue to participate in such program or programs for the duration of the project, or submit to the Compliance Manager a request for a partial waiver of such requirement.

The Developer will participate in a Class A Apprenticeship Program through its general contractor to the extent practical, or submit a request for a waiver of such requirement, for each trade or classification in which it employs craft employees.

15. Provide to the Compliance Manager with the certification required by paragraph 13 a list of all trades or classifications of craft employees it will employ on the

project and documentation verifying it participates in a Class A Apprenticeship Program for each trade or classification listed, or submit to the Compliance Manager a request for a partial waiver of such requirement.

The Developer will provide the certification required by paragraph 13 and a list of all trades or classifications of craft employees it will employ on the project and documentation verifying such participation, or submit a request for a waiver of such requirement.

[Signature on Following Page]

Incorporation of Representations and Covenants Fulfilling CR-21-2019. Upon issuance of the bonds, each of the “Representations and Covenants Fulfilling CR-21-2019” set forth above shall be deemed incorporated into the development agreement (or other contract) between the Developer and the County with respect to the Project, whether or not expressly addressed by the development agreement (or other contract) and shall be enforceable by the County against the Developer as if set forth in full therein.

SOUTH LAKE PARTNERS LLC

By: 
Name: GARY MICHAEL
Title: Manager

SOUTH LAKE INFRASTRUCTURE LLC

By: 
Name: GARY MICHAEL
Title: Manager

LAW OFFICES
SHIPLEY & HORNE, P.A.

1101 Mercantile Lane, Suite 240
Largo, Maryland 20774
Telephone: (301) 925-1800
Facsimile: (301) 925-1803
www.shpa.com

Russell W. Shipley
Arthur J. Horne, Jr.*
Dennis Whitley, III*
Robert J. Antonetti, Jr.

Bradley S. Farrar
L. Paul Jackson, II*
* Also admitted in the District of Columbia

October 17, 2018

Alan C. Cason, Esq.
McGuireWoods LLP
500 East Pratt Street
Suite 1000
Baltimore, Maryland 21202-3169

**RE: Property of Karington, LLC – Karington Center Boulevard, Upper
Marlboro, MD 20774 (Route 214/Central Avenue), now known as
“Southlake”**

Dear Mr. Cason:

This office represents Karington, LLC, the owner of the above-referenced property. In the past, this representation has included the original zoning, subdivision and all other approvals for the development and construction of this property which began approximately in 2002. We have been asked to render our professional opinion with regard to the compliance of this Mixed-Use Community with all zoning laws and regulations pertaining thereto.

In forming this opinion, we have reviewed the following documents:

- Preliminary Plan of Subdivision #4-04035
- Final Plat #5-06287
- Final Plat #5-06288
- Detailed Site Plan #DSP-05042
- Detailed Site Plan #DSP-05042-02
- Preliminary subdivision plan #4-17027
- Tree Conservation Plan #TCP1-048-02-04
- Tree Conservation Plan #TCP2-126-05-02
- Tree Conservation Plan #TCP2-126-05
- Tree Conservation Plan #TCP2-126-05-01
- Detailed Site Plan #DSP-05042-01
- Tree Conservation Plan #TCP1-048-02-01
- Bowie-Collington-Mitchellville & Vicinity Master Plan (1991)
- Plan Prince George's 2035 Approved General Plan, adopted May 6, 2014
- Prince George's Council Bill CB-013-2002

The project status is as follows:

Conceptual Site Plan approved by Prince George's County Council, sitting as the District Council, and a Preliminary Subdivision Plan also approved by the Prince George's County Planning Board, 2004. A Detailed Site Plan for grading and infrastructure was approved, 2005. Final Subdivision Plan was approved, 2006. Revision to Detailed Site Plan and Woodland Conservation Plan approved, 2008. Stormwater management and sediment control permits approved, 2011. Overall Rough Grading Permit approved and ready for issuance, 2013. Reconsideration of the Preliminary Plans approved in 2017 and 2018.

The property is located in the southwest quadrant of Central Avenue and US 301. The site is bounded on the west by the Collington Branch; to the north by MD 214; to the east by US 301; and to the south by Collington Center, an employment park in the E-I-A Zone.

The property consists of approximately 381.52 acres of land in the E-I-A Zone. The property was formerly known as Collington Corporate Center. It is currently undeveloped and partially wooded. The property owner proposes a mixed-use, planned community including single-family detached homes, townhouses, multifamily, commercial, office, hotel, open space, and a lake. A large 25-open space feature, including a lake and central to the development, is a main focal point of the development. Higher density residential dwelling units, a hotel and restaurants front on the lake to the north, east and south. The lake will also serve as the primary stormwater management facility for the development. The site has vehicular access points from MD 214 and access points from US 301. An alternate master planned trail has been provided along the main central boulevard through the project, with several feeder paths connecting to the development.

Conformance with Area Master Plan and General Plan

Prince George's County General Plan (Plan 2035) defines the Southlake site under the FUTURE LAND USE PLAN SECTION as a "Mixed Use" site.

The subject property was retained in the E-I-A zone by the 2006 Bowie and Vicinity Area Master Plan and Sectional Map Amendment. Both the 2006 Master Plan Map and General Plan Growth Policy Map identify the property for mixed-use development.

Conformance with the Master Plan is required for all Preliminary Plans of subdivision, per Section 24-121:

Sec. 24.121. – Planning and design requirements.

(5) The preliminary plan and final plat shall conform to the area master, including maps and text, unless the Planning Board finds that events have occurred to render the relevant plan recommendations no longer appropriate or the District Council has not imposed the recommended zoning. Notwithstanding any other requirement of this Section, a proposed preliminary plan or final plat of subdivision may be designed to conform with the land use policy recommendations for centers, as approved within the current County general plan, unless the Prince George's County Council, sitting as the District Council has not imposed the recommended zoning.

The Prince George's County Council has approved all Preliminary Plans and Reconsiderations thereof showing compliance.

This firm has also investigated the records of the District Court of Maryland for Prince George's County and there are no zoning or other code violations pending against Karington, LLC, the owner of the subject property. Exclusive original jurisdiction for the prosecution of zoning and other municipal infraction is vested in the District Court of Maryland. See Md. Code Ann. Cts. & Jud. Proc. § 4-401 (v) (2002 Replacement Volume). The firm has also researched the records of the Circuit Court of Maryland for Prince George's County and there are currently no appeals from zoning or other code violations pending against Karington, LLC has also informed us that they have received no such violation citations.

To the best of our knowledge, having researched the Prince George's County Zoning Ordinance, the applicable public record of the Prince George's County District and Circuit Courts, the Prince George's Planning Board and the County Council for Prince George's County and in reliance on that research alone, the construction of a mixed-use development is legally permissible and in compliance with all applicable ordinances and regulations.

We are members of the bar of the State of Maryland and do not hold ourselves out as experts on the law of any other state or jurisdiction. This letter is limited to the specific issues discussed herein and may only be relied upon by our client and the addressee. Satisfactory arrangements have been made for the payment of our fees for legal services, and we will assert no claim or lien by reason of such services against the property or the income from the project.

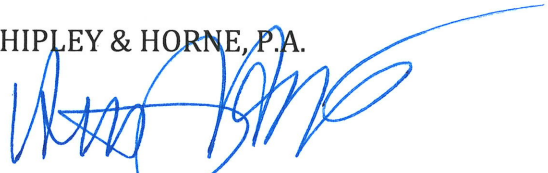
We do not have any financial interest in the project, or the property, other than fees for legal services performed by us, which have been provided for as stated above. We have no undisclosed interest in the subject matter of this opinion.

Finally, we do not undertake to advise you of any changes in the opinion expressed herein resulting from matters that hereinafter might come or be brought to our attention.

October 17, 2018
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Very truly yours,

SHIPLEY & HORNE, P.A.

A handwritten signature in blue ink, appearing to read "Arthur J. Horne, Jr.", with a long, sweeping flourish extending to the right.

Arthur J. Horne, Jr.

AJH:fms

Enclosure