

# PILOT AGREEMENT



Angela Alsobrooks  
County Executive



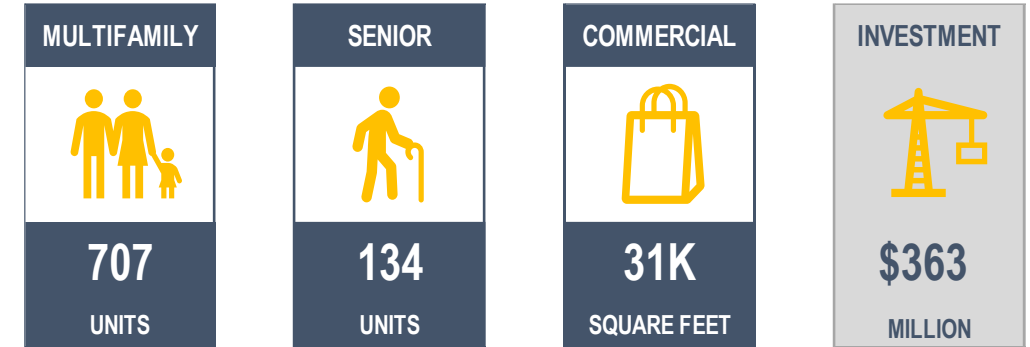
THE  
A TRANSFORMATIVE TOD  
@ SOUTHERN AVE. METRO  
PROMISE

## THE PROMISE

### A TRANSFORMATIVE TOD NEXT TO SOUTHERN AVE METRO

-ACTIVATING A NEW GATEWAY INTO PRINCE GEORGES COUNTY  
AND UNREALIZED POTENTIAL

- 808,000 square foot class “A” mixed-use development
- Located at 1501 Southern Ave. less than a quarter mile from the Green Line Metro, encompassing 15 acres in unincorporated Oxon Hill
- Sustainably designed and developed by Petra, and to be delivered in 4 phases between 2027 – 2030
- 841 residential units of all types, including senior living and over 100 affordable units @ 65% AMI
- Strategic commercial amenities include grocery, retail & day care along a walkable community “main street” bisecting the property into two sides lined with a variety of mixed-use buildings, plazas and parklike open spaces





The Promise will be built with a commitment toward sustainability.

Designed with net zero principles and utilizing off-site construction

Potential Impacts:

- 90% Reduction in construction waste
- 80% Reduction in carbon over traditional construction
- Large-scale rooftop solar arrays

## 4 PHASES DELIVERING FROM 2027 TO 2030

PHASE	SUBSTANTIAL COMPLETION	DEVELOPMENT COMPOSITION						
		TOTAL SF	ACRES	TYPE	UNITS	GSF	PARKING	AMI
1	1/31/2027	156,948	1.67	MULTI-FAMILY	164	156,948	130	65%
2	1/31/2027	254,291	2.62	MULTI-FAMILY	283	240,053	283	
				GROCERY		12,000		
				RETAIL		2,238		
3	1/31/2029	136,459	1.11	SENIOR LIVING	134	127,006	113	
				DAY CARE		9,453		
4	1/31/2030	260,187	1.63	MULTI-FAMILY	260	253,336	210	
				RETAIL		6,851		

807,885

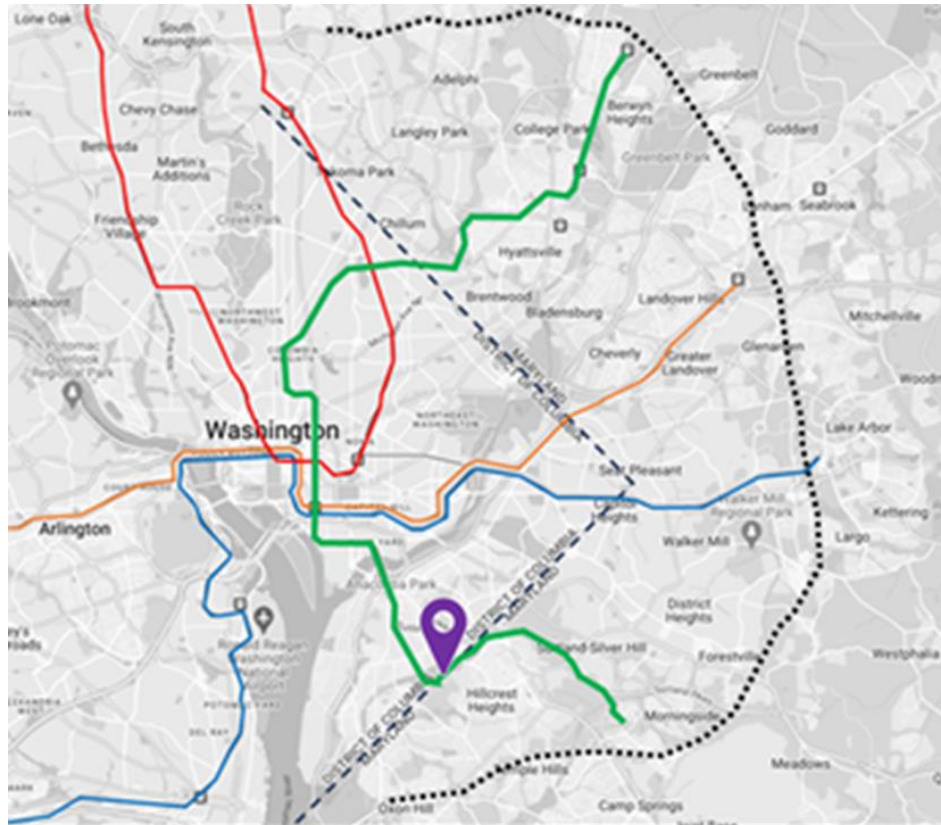
7.03

841

736

MEETING PILOT & COUNTY REQUIREMENT:

## EXPANDING THE COMMERCIAL TAX BASE EQUITABLY THROUGH TOD



THE PROMISE PROVIDES:

- **Tangible reality and momentum** building upon the Blue Line Corridor and TOD strategy, bringing development and revitalization to an area of the County that has lacked significant developer interest and neighborhood serving amenities for nearly 2 decades
- **Vital gateway activation** of the Green Line between emerging areas of DC and submarkets in southwest Prince George's County
- **Significant confidence and market messaging** for Prince George's County real estate development, vital to growing the County's commercial tax base, during a time of significant commercial real estate distress
- **True commitment to County goals** via a transit-oriented, mixed-use development that provides a variety of housing options and provides economic benefit to the area while maintaining important aspects of the surrounding environment



## TOD: SOUTHERN AVENUE METRO

- Transformative TOD: next to the Southern Avenue metro station
- Although adjacent to a Metro Station and in an infill location, **has seen no development in the twenty-two years since construction of the station**
- Green Line Gateway: 1 Metro stop away from DC's Congressional Heights new \$290M mixed-use development and Sports & Entertainment district the site will transform from a large undeveloped parcel into **a new major artery of activity into southwest Prince George's County**
- Petra Development will construct road access to the Development for automobiles, bicycles, and pedestrians as well as utility infrastructure and public amenities such as signalized traffic lights



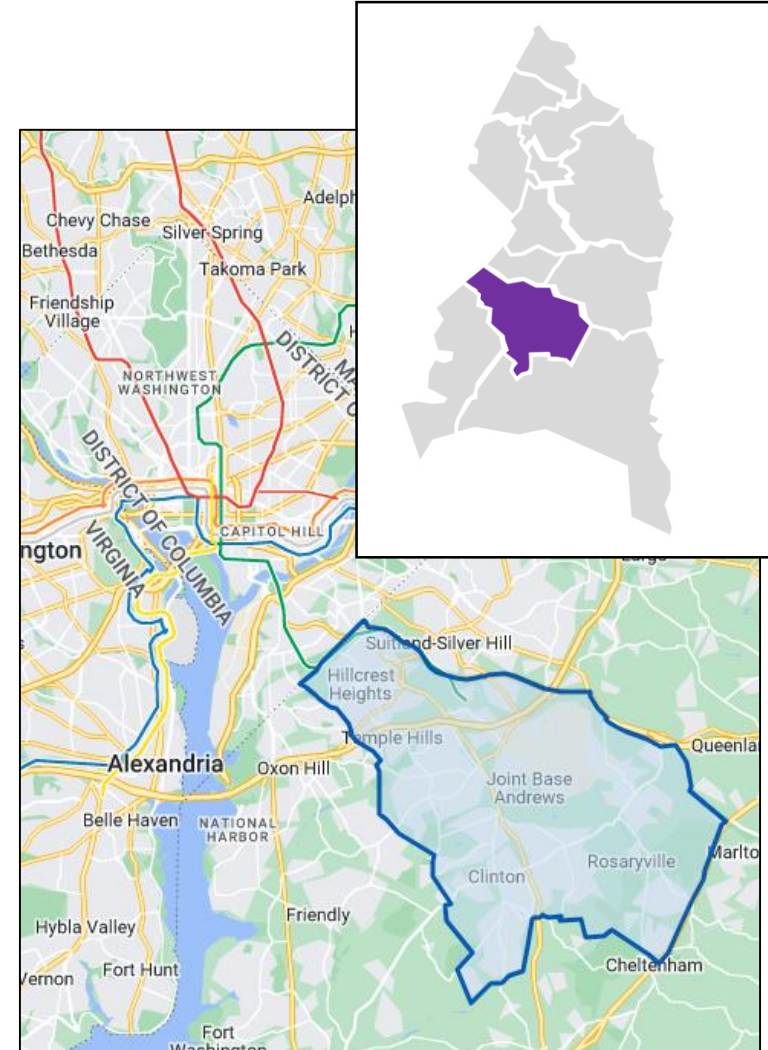
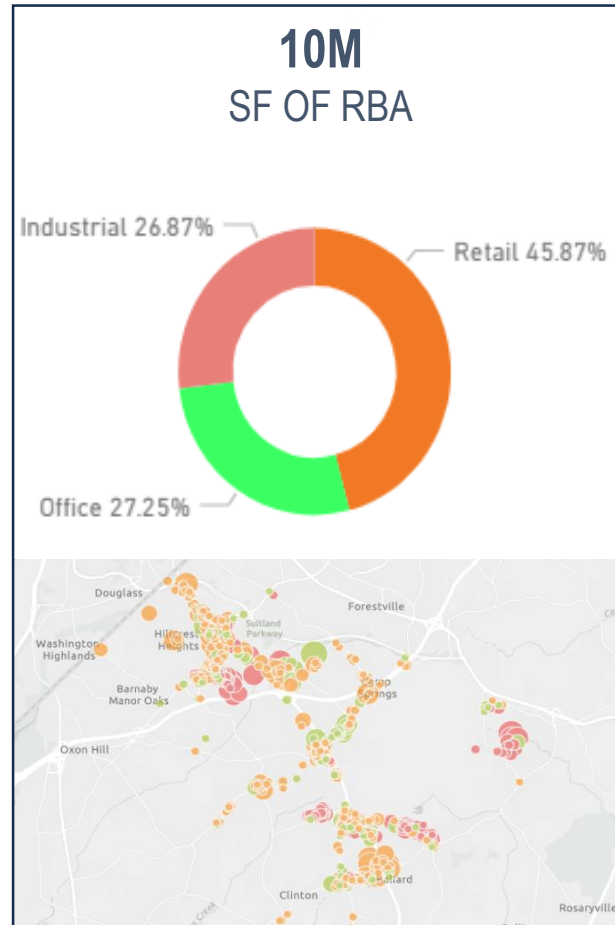


## UNLOCKING THE UNREALIZED POTENTIAL OF BRANCH AVENUE CORRIDOR

**Southern Avenue station presents an unrealized opportunity** to capture a portion of projected regional growth, particularly high-density, transit-oriented development, in addition to activating the Branch Avenue Corridor submarket which it falls within

**Lack of developer investment** along the Green line within the southwest portion of the County failed to leverage its early potential, despite the area along the line experiencing more growth in jobs and households than any other transit line in the WMATA area between 2000 and 2010

**Like the Blue Line Corridor strategy**, activating Southern Ave station through “The Promise” will have ripple effects in leveraging the existing base of nearly 10 million SF of commercial space in the Branch Avenue corridor through placemaking and more intentional transit-oriented development





## THE “ASK”

### ❑ 15 YEAR MULTI-PHASE 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

### ❑ FEE WAIVERS OF:

- Public Safety Impact Fee
- School Facilities Surcharge

\* 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	
<b>Prince George's County - Payment in Lieu of Taxes Agreements - Multiphase Economic Development Projects and Sunset Repeal</b>	
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; 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; 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	

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



**WHY ASSISTANCE IS NEEDED:**

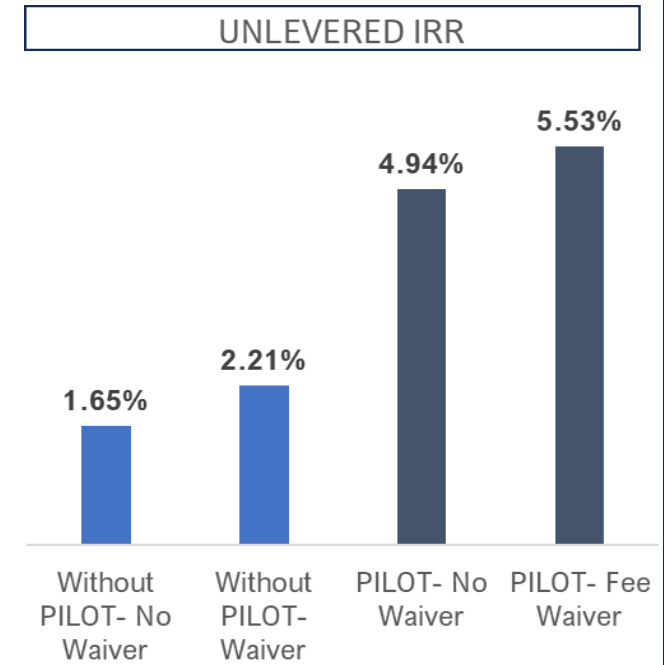
**SIGNIFICANT “UPFRONT” SITE INFRASTRUCTURE COSTS TO BE PAID BY DEVELOPER**

- **Water and Sewer infrastructure** costs will be significant, as there is currently no service to the site, requiring the extension of water & sewer lines to DC
- **Extensive cleanup & preparation** of the site include a complex regrading of steep slopes and building of retaining walls, as well as public amenities such as a new signalized intersection
- **Structured parking** must be partially embedded below grade leading to extensive additional costs
- **Subsidized rent to attract a grocery store** tenant to provide healthy food options to an area of the County designated as a healthy food priority area

**COMMERCIAL REAL ESTATE DOWNTURN MAKES THE COST OF INVESTMENT UNFEASIBLE**

- Commercial real estate is facing a significant downturn in both demand and availability of capital
- In tandem with a sharp rise in interest rates, up nearly 300% on the 10-year bond since January of 2021, Banks are cutting exposure leading to a significant cost for any available funding
- Attracting investor equity and bank financing is nearly impossible for projects taking risk to rejuvenate areas such as the Promise
- **Without the PILOT returns are too low to attract financing & equity,** as unlevered returns are nearly the same as a risk free 10-year treasury

“As final evidence of the extraordinary costs inherent to this Development, this property, although adjacent to a Metro Station and in an infill location, has seen **no development in the twenty-two years** since construction of the station”





## COUNTY TERMS

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### RISK ADJUSTED

#### FOR FRONT END PERFORMANCE

- Requires a large upfront and immediate commitment of 50% of the development

- **Deadline Phase 1 & 2: 2027**



### STRONG PROTECTIONS FROM

#### PRODUCT DEVIATIONS

- No substantial deviation clauses around initial requirement
- Provide appropriate back-end flexibility for Developer to deliver despite market conditions, to motivate action



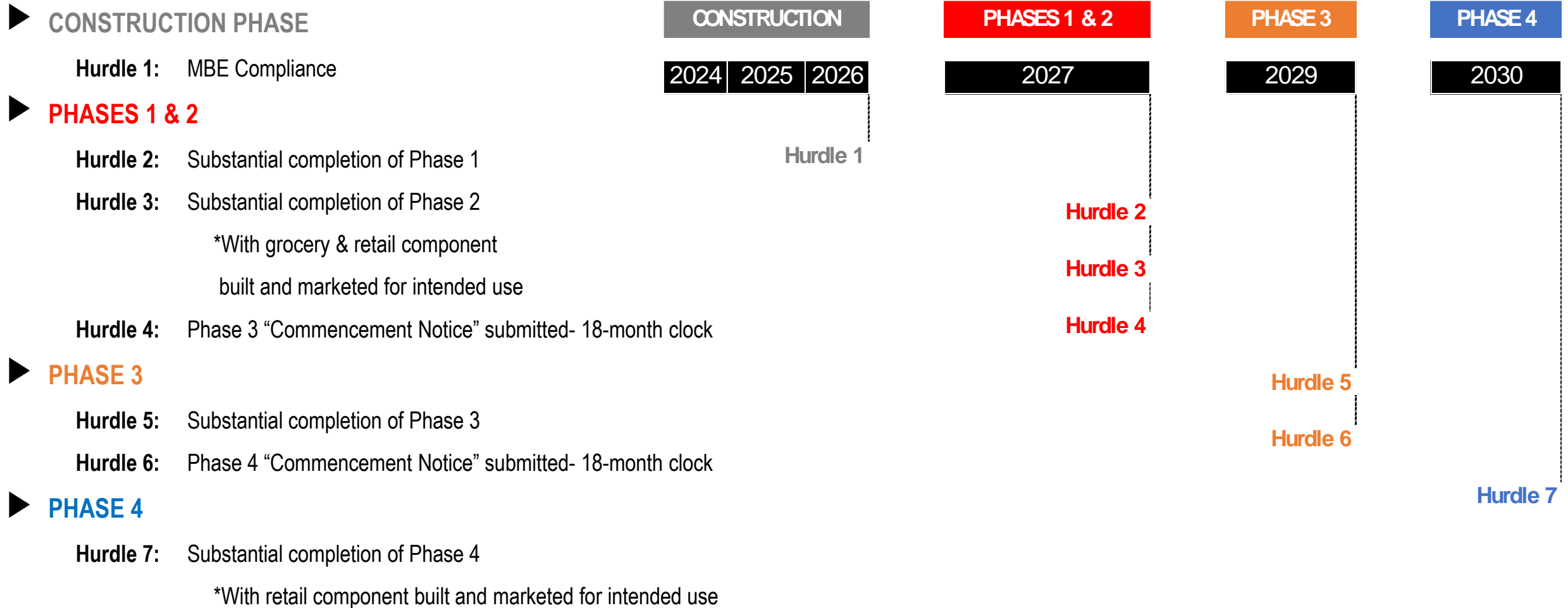
### BACK-END FLEXIBILITY

- Require substantial ongoing commitment prior to release of PILOT rebates
- Require strong MBE participation



### CB-51 MBE AGREEMENT

- # Phases limited to 4





## ANALYZING FISCAL IMPACTS:

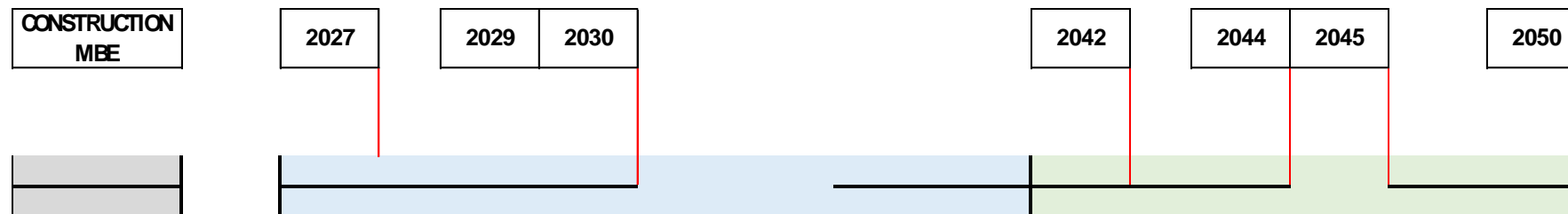
### INCREMENTAL REVENUES AND EXPENDITURES

-NEW RESIDENTS GENERATING TAX REVENUE WILL ALSO DEMAND A CONSISTENT LEVEL OF PUBLIC SERVICE

- 841 New occupied dwelling units
- 1,558 New residents
- Includes 145 school age students
- 61 new workers, 21 of which are County residents

## STUDY PERIOD

Encompasses activity from construction until 5 years after expiration of the last PILOT (2050)





INCREMENTAL  
PROPERTY  
TAXES  
&  
EXPENDITURES

**\$9.84M  
BENEFIT**

	BENEFITS						COSTS	
	REAL PROPERTY			RESIDENT INCOME			COUNTY EXPENDITURES	
	PILOT PHASE	POST PILOT	SCHOOLS	CONSTRUCTION JOBS	ONGOING JOBS	RESIDENTS	GENERAL FUND	BOE LOCAL SHARE
SUBTOTAL	\$10.83M	\$24.9M	\$5.43M	\$0.98M	\$0.9M	\$53.6M	(\$64.4M)	(22.3M)
		\$41.6M			\$54.94M			
TOTAL	<b>\$96.54M</b>						<b>(\$86.7M)</b>	
	NET TAX REVENUES						EXPENDITURES	



- ▶ The Promise will generate more than \$40M in PILOT incremental real property taxes to the County between 2024 and 2050, with an overall net benefit of **\$9.84M**
- ▶ The PILOT incentive is projected to be worth approximately **\$33M** to the developer between 2024 and 2045

30 %

DEVELOPMENT COSTS

20 %

DESIGN COSTS

25 %

CMBE

## MINIMUM REQUIREMENTS

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Applies to total projected building costs, site work costs, and related construction services including design work for all phases of the project

- At least thirty percent (30%) of the Development Costs for Construction (including the design, demolition/site work, and building stages) of the County-Subsidized Project shall be paid to County-Based Small Businesses (CBSB) and/or Locally-Owned and Operated Businesses (LOB)
- At least twenty percent (20%) of design costs if applicable. "Design" includes architectural, engineering, and design work, excluding in-house design costs
- Use Best Efforts to achieve at least twenty-five percent (25%) of the Development Costs for Construction (including the design, demolition/site work and building stages) of the County-Subsidized Project shall be paid to County-Based Minority Business Enterprises

**Failure to comply with minimum CBB, CBSB, CMBE and MBE requirements will result in the NON-RELEASE of PILOT incentive funds to Developer**