

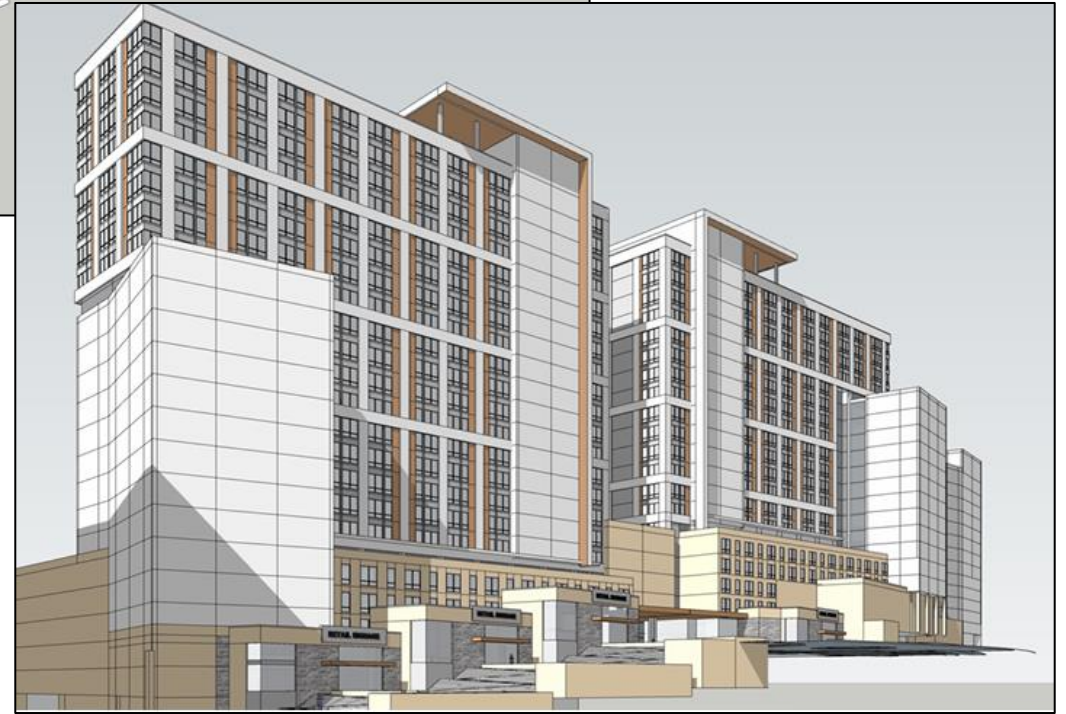
# PILOT AGREEMENT



Angela Alsobrooks  
County Executive



# NATIONAL VIEW



**TRANSFORMATIVE URBAN RENEWAL**  
@ OXON HILL / NATIONAL HARBOR

# PROJECT HIGHLIGHTS



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## NATIONAL VIEW

### GATEWAY ACTIVATION THROUGH URBAN RENEWAL

-ACTIVATING THE COUNTY'S SOUTHERN GATEWAY FOR COMMUNITY DEVELOPMENT

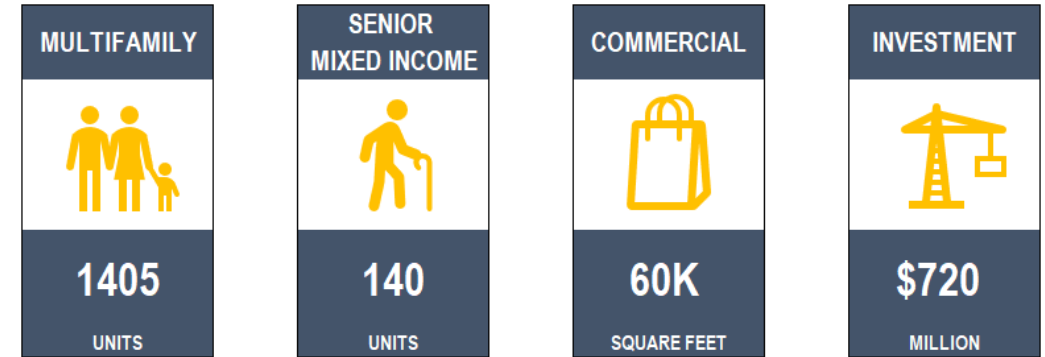
National View represents an opportunity to revitalize a key area of Prince George's County inside and adjacent to the Capital Beltway, through **\$720M of new capital investment**

### LOCATION

- District 8
- The western edge of Forest Heights and adjacent to the Capital Beltway and its interchange with Indian Head Highway (Maryland Route 210)
- Only minutes away from National Harbor, the MGM Hotel and Casino, Washington DC, and Virginia

### DEVELOPMENT

- A 20-acre mixed-use, high density sustainable development within the County's Urban Tier that is designed to create a sense of community
- Approximately 1.5M SF total, including:
  - 60K SF commercial: retail, grocery store, police station and day care
  - 1545 residential units including senior mixed income
  - Over 98% of development parking will be structured parking to allow an urban level of density (1,935 structured parking spaces)



# PHASING SCHEDULE



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

## 6 PHASES DELIVERING FROM 2029 TO 2037

BUILDING	PHASE	PARCEL	SUBSTANTIAL COMPLETION DATE	TYPE	COMPOSITION			GARAGE PARKING SPACES
					PRODUCT	UNITS	GSF	
D	1	4	2029	Residential	MF	195	201,364	*
				Commercial	Day Care		12,774	
							214,138	
E	2	6	2031	Residential	Senior	212	158,679	*
G	2A	5	2031	*Garage (Multi-Phase for D,E & F)				583
C	3	3	2031	Residential	MF	405	389,589	575
				Commercial	Police		1,640	
				Commercial	Retail		13,188	
							404,417	
A	4	1	2034	Residential	MF	220	206,218	312
				Commercial	Retail		2,514	
							208,732	
F	5	7	2034	Residential	Senior Mixed Income	140	102,099	*
B	6	2	2037	Residential	MF	373	343,427	518
				Commercial	Grocery		20,592	
				Commercial	Retail		10,872	
							374,891	
<b>TOTAL DEVELOPMENT</b>						1,545	1,462,956	3

## THE “ASK”

The Development will benefit the County by bringing economic and community activity to a site that was previously undeveloped except for the historic Butler House due to the costs of rezoning and historical review and the difficulties of assembling the land as well as physical site difficulties including steep slopes and required site cleanup.

- ❑ 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:
  - 50% of Public Safety Waiver

HOUSE BILL 434	
Q2	06r1250
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

\* 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.



## WHY ASSISTANCE IS NEEDED:

### 1. SIGNIFICANT “UPFRONT” SITE INFRASTRUCTURE COSTS TO BE PAID BY DEVELOPER... NEARLY \$23M IN SITE WORK OF LAND ALONE

**Water and Sewer infrastructure** costs will be significant, as there is only limited water and sewer to the site. Due to the difficult slopes of the land deep water and sewer line will be required at a substantial cost

**Extensive cleanup & preparation** of the site include a complex regrading of steep slopes and building of retaining walls

**Structured parking** is required due to the narrowness of the site and goal of urban density, and must be partially embedded below grade leading to extensive additional costs

**Road Access** will be constructed by the developer to the Development for automobiles, bicycles and pedestrians

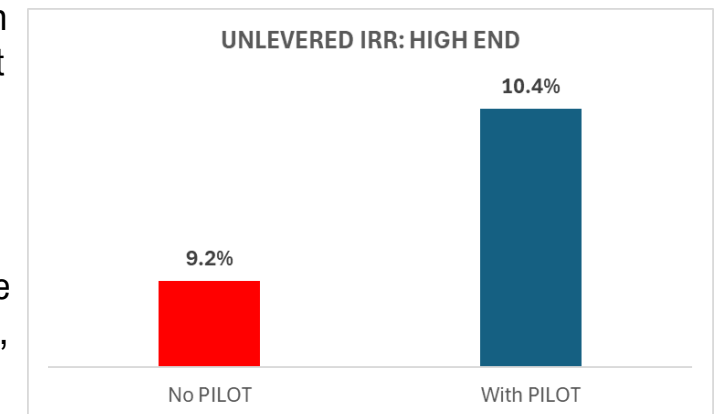
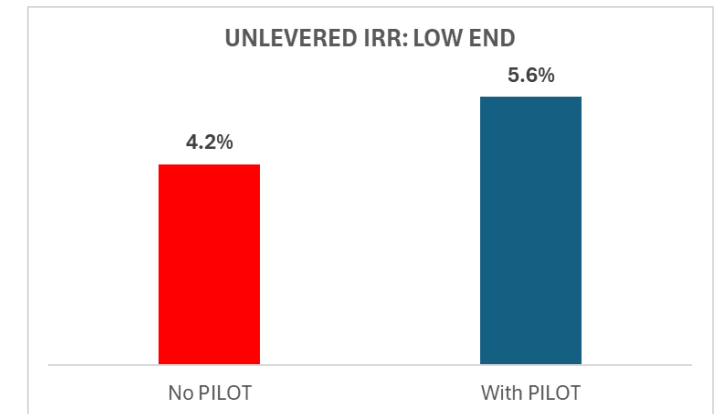
### 2. ECONOMIC CONDITIONS & CAPITAL MARKETS CONTINUE TO CHALLENGE NEW DEVELOPMENT

Underwriting by the developer reflecting current conditions show a return below a standard acceptable threshold to further a project (LOW END)

The County conducted 3<sup>rd</sup> party underwriting to assume returns under more favorable “long term averages” on the economics, and still the project does not result in returns that are unreasonable for a large-scale development (HIGH END)

#### -WHAT THIS MEANS

Developer is taking substantial risk to commence the project in the current economic environment, and the project will likely not proceed without assistance, as even the best-case scenario does not justify the early risk



## COUNTY TERMS

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### RISK ADJUSTED

#### FOR FRONT END PERFORMANCE

- Requires a large upfront and timely commitment of the development

- Deadline Phase 1, 2 & Multi-Phase Garage: 2031



### 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
- # Phases limited to 6



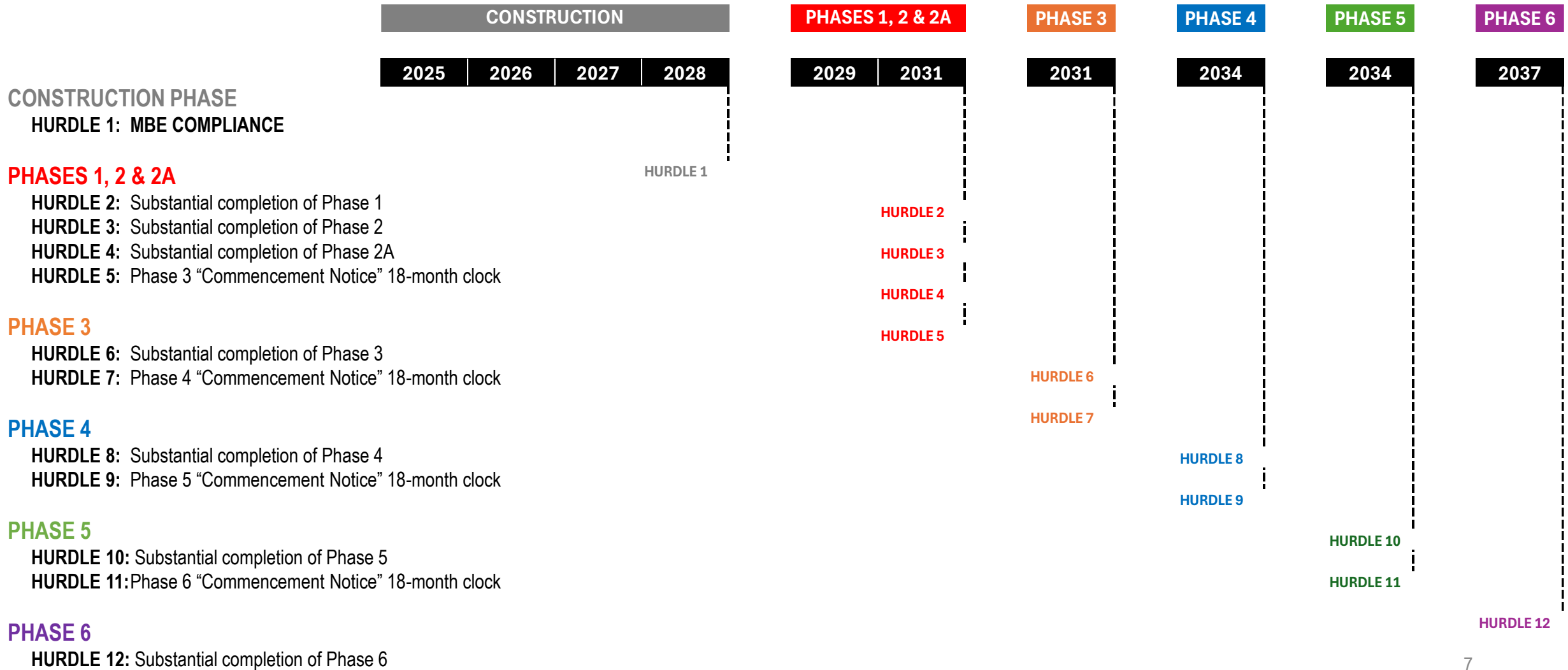
### CB-51 MBE AGREEMENT



# DEAL TERMS: PERFORMANCE HURDLES



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## ANALYZING FISCAL IMPACTS:

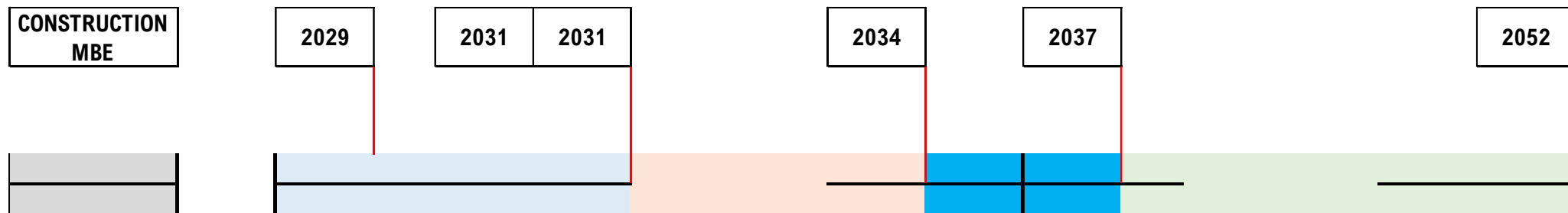
### INCREMENTAL REVENUES AND EXPENDITURES

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

- 1,425 New occupied dwelling units
- 2,495 New residents
- Includes 125 school age students
- 105 new workers, 27 of which are County residents

## STUDY PERIOD

Encompasses activity from construction (2025) until expiration of the last PILOT (2052)





# NET FISCAL BENEFITS SUMMARY



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County Executive

NET  
INCREMENTAL  
TAXES  
&  
EXPENDITURES

**\$94.28M  
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	\$24.530M	\$56.685M	\$7.201M	\$3.207M	\$2.225M	\$141.222M	(\$120.382M)	(20.409M)
		\$88.416M			\$146.654M			
TOTAL	<b>\$235.07M NET BENEFITS</b>						<b>\$(140.79M) NET EXPENDITURES</b>	



- ▶ National View will generate more than \$88M in PILOT incremental real property taxes to the County between 2029 and 2052, with an overall net benefit of **\$94M**
- ▶ With **\$16M** in net fee impact, National View will generate **\$110M**
- ▶ The PILOT incentive is projected to be worth approximately **\$74M** to the developer between 2029 and 2052, and the public safety waiver is worth **\$2.6M**



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

## 30 % DEVELOPMENT COSTS

- 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)

## 20 % DESIGN COSTS

- 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

## 25 % CMBE

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