CR-087-2023

TIF
AGREEMENT

Angela Alsobrooks
County Executive

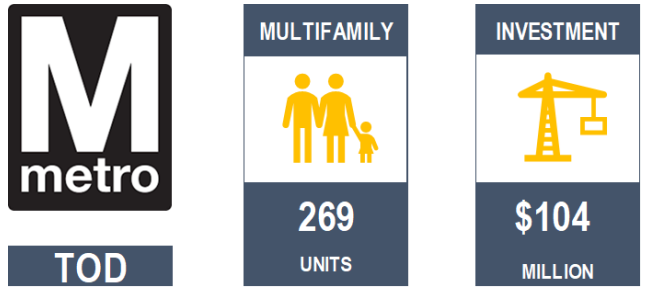
PARCEL “O”

DOWNTOWN LARGO /
MULTIFAMILY
DEVELOPER HELD TIF

PARCEL "O"

Leveraging the momentum of the Blue Line Corridor Strategy & Downtown Largo

- Unique deal structure presents a compelling low risk return-on-investment for the County, by allowing the Developer to leverage a $9M developer-held TIF note to secure financing FOR A $100M investment into downtown Largo
- Approximately 400,000 square foot class "A" Multifamily development
- Located at 9300 Largo Drive, within walking distance to Downtown Largo Metro station
- Designed and developed by Gateway Merchant Banking, a minority developer with significant institutional commercial real estate experience
- 269 residential units of all types, including retail
- Strategic commercial amenities include a true TOD development aesthetic with the parking garage built into the core of the building to not be visible from the exterior, as well as a front entrance and walkway facing the Metro station

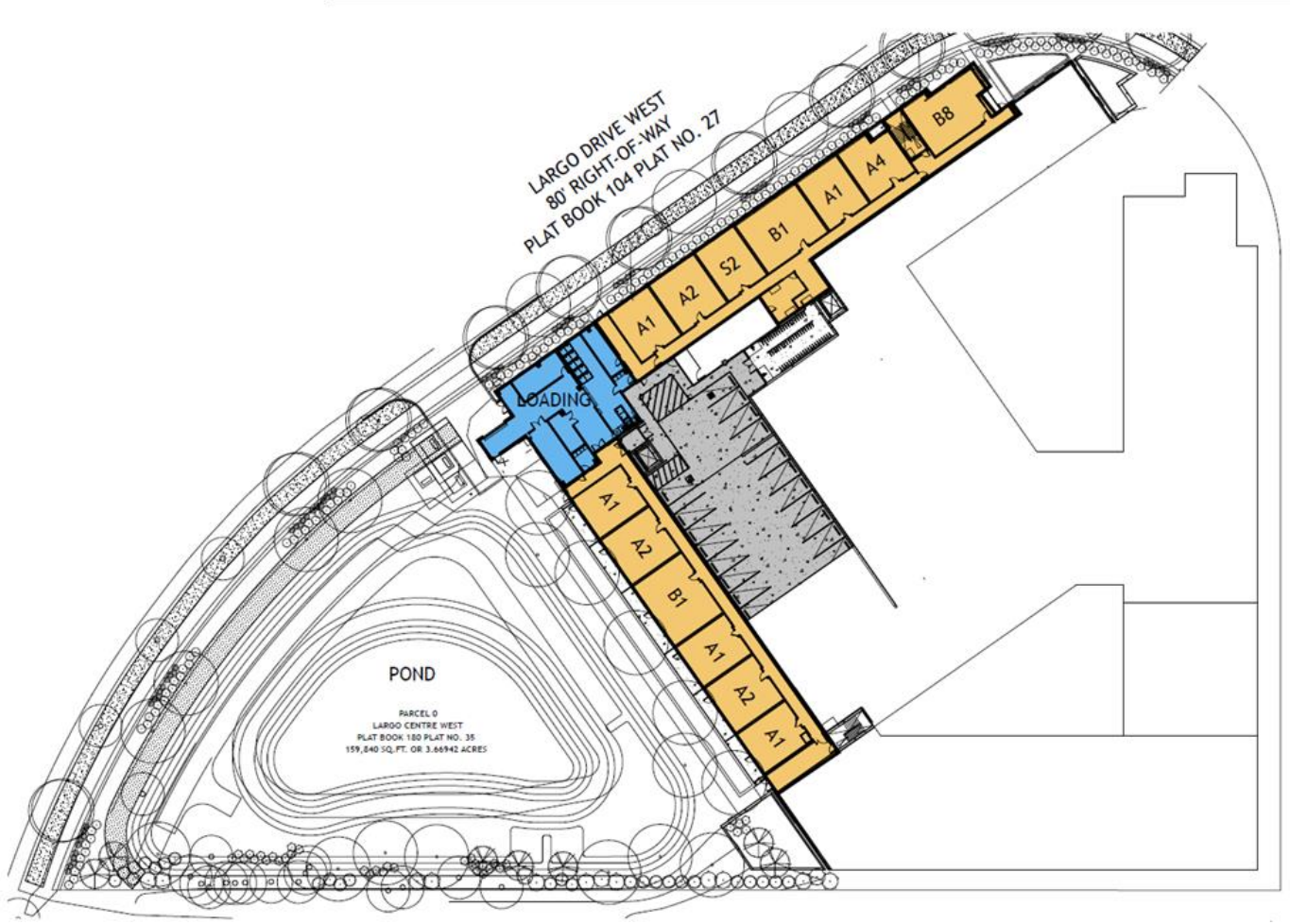


DEVELOPMENT PROGRAM

- 397,994 SF Multifamily
- 269 market-rate apartments
  *(studio, 1-bedroom, and 2-bedroom units)
- 315-space parking garage
- Include 1,270 SF of Retail
- $104 million development budget

PROPOSED PROJECT SCHEDULE

- Construction start – Q4 2024
- Construction completion – Q4 2026



EXPANDING THE COMMERCIAL TAX THROUGH BLUE LINE CORRIDOR TOD

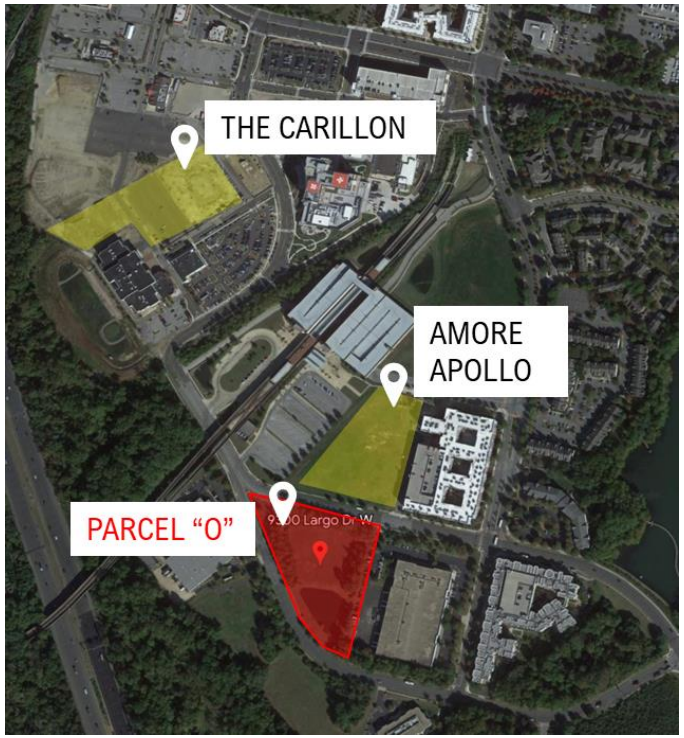
PARCEL "O" PROVIDES:

- Continued tangible momentum of the Blue Line Corridor's success in transforming Downtown Largo as the initiative's anchor node
- One of three exciting projects encompassing nearly 1.5 Million SF of new development in Downtown Largo by 2028
- Critical clustering and vibrancy around the University of Maryland Capitol Region Medical Center, further unlocking its transformative potential
- Significant investment and confidence to Prince George's County real estate development, key to the future of growing its commercial tax base

TRUE TOD: DOWNTOWN LARGO METRO

1.5 MILLION SQUARE FEET BY 2028

- Parcel "O" provides a critical piece of density to the ongoing investment into downtown largo
- It's strategic location across from the Metro allows it to leverage "The Carillon" and upcoming Blue Line Corridor investments including the amateur sports Fieldhouse and Amphitheater, in creating a walkable dense TOD destination
- Parcel "O" will deliver by Q4 of 2026 within a close timeframe to Amore Apollo and The Carillon's residential project. All are Class "A" Multifamily projects over 400K SF with several hundred units. By 2028 The Carillon will have delivered several hundred additional square feet including a hotel , office building, parking garage and 27K SF of retail surrounding a public plaza



THE "ASK"

❑ $9 MILLION DEVELOPER-HELD NOTE (TIF)

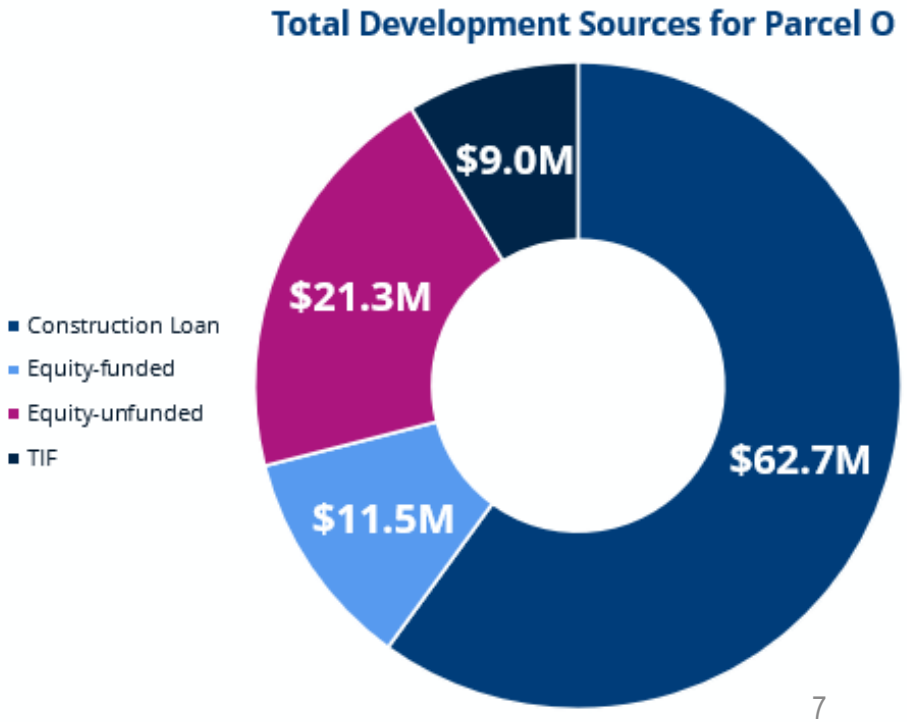
- 0% Interest Rate
- Repaid through 15 annual payments of $600,000 starting once construction is completed from incremental real property tax (estimated to be 3 years after issuance)
- Finances shared infrastructure related to economic development including parking facilities, roadways, and other public infrastructure
- Made possible through the Downtown Largo TIF district

WHY ASSISTANCE IS NEEDED:

COMMERCIAL REAL ESTATE MARKET DOWNTURN & FUNDING CHALLENGES

- 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
- The Parcel O capital stack includes a $63 million senior loan and $42 million equity contribution, of which only $11.5M has been funded
- The key Construction loan from Walker Dunlap is based on a 60% loan-to-cost ratio, leaving $30.3 million in additional equity still required to secure it
- Parcel O's internal rate of return (IRR) of 7.7% has not attracted investment in the Washington, DC and Mid-Atlantic regions for the remaining equity whereas the TIF will result in a more competitive at an 11.1% IRR for attracting investment and securing their construction loan

The entire capital stack below depends on Parcel "O" securing the TIF, as it will enable the deal to attract the remaining $21.3M in unfunded equity to meet the 60% LTC ratio required for the $60M construction loan…
Without the TIF the project will not be feasible



COUNTY TERMS

- ☑ RISK ADJUSTED TO ENSURE PERFORMANCE
- ☑ STRONG PROTECTIONS FROM PRODUCT DEVIATIONS
- ☑ CB-51 MBE AGREEMENT
- ☑

To negate the risk in issuing a TIF developer held-note prior to performance, the County has issued the following terms prior to any first principal payment:

- **Required initial performance by December 2024 to start the clock, including:**
  1) Construction loan closes
  2) Final plan must closely resemble the program proposed in the DSP (total square footage, unit count, unit mix, parking, etc.)
  3) Construction start and first draw on construction loan

- **Required completion of the promised project**
  4) Certificate of Occupancy has been issued for the project

▶ -The County has clarified language encompassing the TIF District and spare incremental revenues by imposing senior and subordinate lien status to the actual associated tax parcels generating a project's incremental revenues

ANALYZING FISCAL IMPACTS:

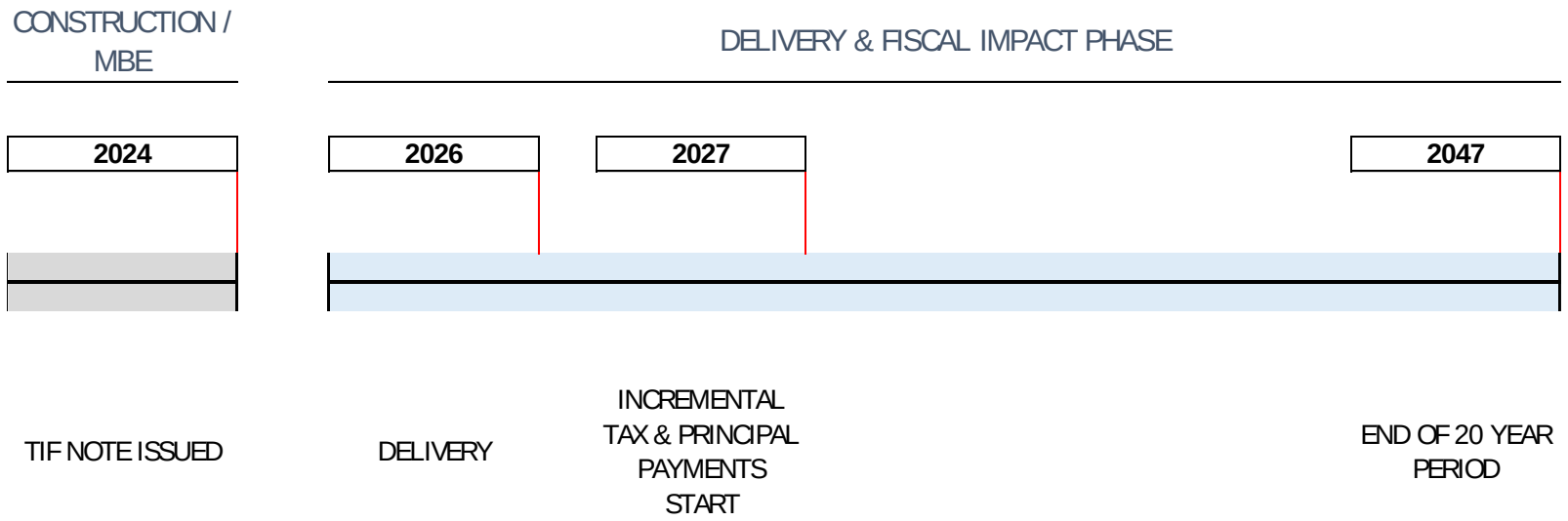
INCREMENTAL REVENUES AND EXPENDITURES

-New residents generating tax revenue will also demand a consistent level of public service

- 255 New occupied dwelling units
- 431 New residents
- Includes 33 school age students

STUDY PERIOD

Encompasses activity from TIF issuance & construction until 5 years after expiration of the TIF note (2047)



NET FISCAL BENEFITS SUMMARY

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County Executive

INCREMENTAL PROPERTY TAXES & EXPENDITURES

$13.27M BENEFIT

	REAL PROPERTY	IMPACT FEES		RESIDENT INCOME		COUNTY EXPENDITURES	
	NET OF TIF	PUBLIC SAFETY	SCHOOL FACILITIES	CONSTRUCTION	RESIDENTS	GENERAL FUND	BOE LOCAL SHARE
	$2M	$0.84M	$2.9M	$0.240	$16.7M	($15.3M)	($4.4M)
SUBTOTAL	$12.29M	$3.74M		$16.94M			
TOTAL	$32.97					($19.7M)	
	NET TAX REVENUES					EXPENDITURES	

- Parcel "O" will generate more than $21M in real property taxes to the County between 2024 and 2050, with an overall net benefit of $13.27M net of the TIF
- The TIF incentive is worth $9M to the developer between 2024 and 2045

30 % DEVELOPMENT COSTS

20 % DESIGN COSTS

25 % CMBE

MINIMUM REQUIREMENTS

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