

# HAMPTON PARK

## UPDATE TO LOCAL AND MINORITY BUSINESS ENTERPRISE PLAN PRINCE GEORGE'S COUNTY, MARYLAND

May 30, 2018



**PROPERTIES INC.**



**HAMPTON PARK**  
**UPDATE TO LOCAL AND MINORITY BUSINESS ENTERPRISE PLAN**  
**EXECUTIVE SUMMARY**

Hampton Park, formerly known as the Gateway at Kingdom Square (the “*Project*”), is a large-scale project for the development of a mixed-use, sustainable community in the heart of Prince George’s County, Maryland (the “*County*”) at the convergence of Route 214 and Interstate 495. The Project is now being shepherded by Velocity Capital LLC (“*Velocity*”), ARC Trust, Inc. (“*ARC Trust*”) and CapHeights Central, LLC (the “*Developer*”), a joint venture between affiliates of Arc Trust and Velocity.

As the developers of the Project, the Developer, Velocity and Arc Trust are committed to the principle that County-based business enterprises (“*CBBs*”), County-based small businesses (“*CBSBs*”), minority business enterprises (“*MBEs*”) and County-based minority business enterprises (“*CMBEs*”) must be afforded the opportunity to participate in the economic transformation of the County created by the Project. To that end, the Developer, Velocity and Arc Trust intend to institute programs designed to:

- provide equity ownership opportunities to CMBEs in all aspects of the Project, including retail, dining, entertainment, residential and office;
- hire and promote qualified County residents in employment positions at the companies which will operate businesses at the Project;
- achieve contracting participation by CBBs, CBSBs, MBEs and CMBEs in the construction, operation and maintenance of the Project; and
- provide opportunities for CBBs, CBSBs, MBEs and CMBEs to provide professional services for the Project.

The Project was previously known as the “Gateway at Kingdom Square” and was to be constructed by the efforts of Velocity and the prior developer Central Gateway CDC. Since the Project’s inception, a County-based minority-owned business, the Sanctuary at Kingdom Square, held a majority equity ownership interest in the Project. The Developer has taken over leadership responsibilities for the development of the Project and will acquire the property and development rights from the Sanctuary at Kingdom Square. These changes have resulted in an updated development plan and a new name for the development – “Hampton Park.” This Update to Local and Minority Business Enterprise Plan updates the existing approved Local and Minority Business Enterprise Plan for the Project.

## HAMPTON PARK

### UPDATE TO LOCAL AND MINORITY BUSINESS ENTERPRISE PLAN

#### **I. Tax Increment Financing Overview**

Prince George's County, Maryland (the "*County*") encourages economic development projects that utilize the support and assistance of the County to promote economic opportunity for the County's citizens, residents and businesses. Pursuant to Resolution CR-76-2010, adopted by the County Council of the County (the "*County Council*") on July 13, 2010, Resolution CR-98-2010, adopted by the County Council on October 26, 2010, and Resolution CR-110-2010 adopted by the County Council on October 26, 2010, the County Council established the Kingdom Square Development District and the Kingdom Square Special Taxing District for the Hampton Park project described herein (the "*Project*") and authorized the issuance of the County's bonds to finance the Project. Resolution CR-98-2010 was amended by Resolution CR-38-2011, adopted by the County Council on July 19, 2011.

The County is now considering the adoption of additional legislation authorizing the issuance of up to \$16 million in special obligation bonds, secured by, among other funding sources, the increase in tax revenues resulting from the Project, and \$10 million in moral obligation bonds (together, the "*Bonds*"), which will enable the Project to proceed. Resolution CR-38-2011 (the "*TIF Criteria Resolution*"), provides the applicable criteria for the proposed tax increment financing project, including participation by local and minority business enterprises. Velocity certified to the County Council on October 25, 2010 that the provisions of the TIF Criteria Resolution were satisfied in relation to the Project and that the County's MBE Compliance Manager (the "*Compliance Manager*"), in conformance with the MBE Plan Guidelines promulgated by the Compliance Manager, had approved a Local and Minority Business Enterprise Plan dated October 25, 2010 (the "*2010 Plan*") relating to the Project. This Update to Local and Minority Business Enterprise Plan (together with the 2010 Plan, this "*MBE Plan*") is submitted as an update to the approved 2010 Plan and to confirm that the Developer, Velocity and Arc Trust commit to work closely with the County and its Compliance Manager to confirm participation by local and minority business enterprises in the Project.

#### **II. Project Overview**

The Project was previously known as the "Gateway at Kingdom Square" and was to be constructed by the prior developer Central Gateway CDC, which remains involved in the Project, and co-developer Velocity. Since the Project's inception, the Sanctuary at Kingdom Square, a local minority-owned business, held a majority equity ownership interest in the Project. The Sanctuary at Kingdom Square owns a portion of the property on which the Project will be built and has entered into a contract of purchase with the Developer to transfer ownership of and development rights for the property. The Developer has taken over leadership responsibilities for the development of the Project and will acquire the property and development rights from the Sanctuary at Kingdom Square. Velocity, a minority-owned and -operated business, has a substantial interest in the Developer and in the Project. Velocity and Arc Trust will serve as co-developers for the Project.

The Project will consist of approximately 367,000 square feet of mixed-use development with a total approximate cost of \$200 million. The Project is expected to include 194 multi-family residential units, a hotel and commercial office and retail space. The Project is currently in pre-development and construction is slated to begin in summer 2018. The first building is expected to be delivered in 2018. The Developer is seeking bids from Costello Construction and other contractors to serve as the primary general contractor for the Project.

The co-developer, ARC Trust, Inc., is a New Jersey domestic profit corporation headquartered in Clifton, New Jersey. Arc Trust acquires, develops and manages real estate throughout the country, with a concentration of properties in the New York, Philadelphia and Washington D.C. metropolitan areas. Arc Trust specializes in retail net lease properties primarily for national tenants, build-to-suit properties developed individually for national tenants, mixed-use projects that combine several uses in one project and urban developments in dense center city locations. Over the past 25 years, Arc Trust and its affiliates have been responsible for the acquisition and development of more than 200 properties with an aggregate value in excess of \$2 billion.

The co-developer, Velocity Capital, LLC, is regionally recognized as a go-to firm for its development and financial expertise. Velocity was established in 2008 as a development and investment management firm with a focus in urban and densely populated suburban markets. The principals of Velocity have nearly four decades of experience in finance, real estate development and management. Velocity's past projects include the acquisition and development of numerous commercial, retail and residential multifamily projects totaling nearly 700 units of new construction in Prince George's County and Washington, D.C. Velocity is a minority-owned and -operated limited liability company headquartered in Capitol Heights, Maryland.

#### **IV. CBB, CBSB, MBE and CMBE Goals and Objectives**

As the developers of the Project, the Developer, Velocity and Arc Trust are committed to the principle that County-based businesses, County-based small businesses, minority business enterprises and County-based minority business enterprises (respectively, and as each is further defined in Part VII of this MBE Plan, "*CBEs*," "*CBBs*," "*MBEs*" and "*CMBEs*") should be afforded the opportunity to participate in the economic transformation of the County created by the Project. While Velocity satisfies the CMBE equity participation requirements of the TIF Criteria Resolution, the Developer, Velocity and Arc Trust plan additionally to implement programs that will be designed to:

- provide equity ownership opportunities to CMBEs in all aspects of the Project, including retail, dining, entertainment, residential and office;
- hire and promote qualified County Residents (as defined in Part VIII of this MBE Plan) in employment positions at the companies which will operate businesses at the Project;
- achieve contracting participation by CBBs/CBSBs/MBEs/LMBEs in construction, operations and maintenance of the Project; and
- provide opportunities for CBBs/CBSBs/MBEs/CMBEs to provide professional services for the Project.

Certification of all CMBEs shall be required, and the selection of qualified CBBs, CBSBs, MBEs and CMBEs shall be made by the Developer, Velocity and Arc Trust in their sole discretion.

#### **A. CMBE Equity Participation**

Since the Project's inception, the Sanctuary at Kingdom Square, a local minority-owned business, held a majority equity ownership interest in the Project. CapHeights Central, an affiliate of the Developer, will acquire the property and development rights from the Sanctuary at Kingdom Square. The co-developer, Velocity, a minority-owned and -operated Maryland limited liability company, is a substantial owner of the Developer pursuant to an operating agreement and will maintain a substantial equity interest in all phases of the Project throughout its duration.

In addition, the Developer, Velocity and Arc Trust will work with the County Economic Development Corporation, the Compliance Manager and other designated County or quasi-County entities to identify CMBE ownership opportunities in all aspects of the Project, including retail, dining, entertainment, residential and office. The Developer, Velocity and Arc Trust will use Best Efforts (as defined in Part VIII of this MBE Plan) to provide the same opportunities listed in the 2010 Plan. Additionally, the Developer, Velocity and Arc Trust will develop an incentives program and offer other measures to attract and create ongoing opportunities for CBB/CBSB/MBE/CMBE franchises, tenants and service companies in retail, dining, entertainment, residential and office as outlined in the 2010 Plan.

#### **B. Employment**

The Developer, Velocity and Arc Trust reaffirm the employment goals outlined in the 2010 Plan.

#### **C. Construction**

The Developer, Velocity and Arc Trust will use their Best Efforts to cause at least thirty percent (35%) of available Project dollars in connection with construction of the Project to be incurred pursuant to contracts with CBBs, CBSBs, MBEs and CMBEs. At a minimum, the Developer will cause twenty-five percent (25%) of such project dollars to be incurred pursuant to contracts with CBBs, CBSBs, MBEs and CMBEs and twenty percent (20%) of such project dollars to be incurred pursuant to contracts with CMBEs. Total CBB/CBSB/MBE/CMBE-applicable hard construction costs relating to Phase 1 of the Project are \$108,230,000, as shown on Exhibit 1, attached hereto, which may be amended by the County's Compliance Manager and the Developer from time to time. The Developer commits to supplementing the Exhibit 1 for future phases of the Project pursuant to amendments to this Plan.

Opportunities for CBB, CBSB, MBE and CMBE participation may include accounting and legal; engineering; bonding and insurance; permit expediting and construction management; site work, including excavating and hauling, concrete and foundations; welding, electrical, plumbing, window and door installation, drywall, painting, carpeting, tiling and interior design; asphalt and landscaping; property and program management; and signage, marketing, maintenance and cleaning.

The Developer will afford the same opportunities to CMBEs, MBEs, CBSBs and CBBs and agrees to abide by the certification requirements for such CMBEs, MBEs, CBSBs and CBBs contained in the 2010 Plan.

#### **V. Administration of the MBE Plan**

Garfield Antonio, Chief Financial Officer of Velocity, will serve as MBE Program Manager and ensure consistent use of the best available contractors to meet the CMBE/MBE/CBSB/CBB participation goals. Mr. Antonio will undertake the same responsibilities as the MBE Program Manager required under the 2010 Plan. Mr. Antonio's office telephone number and email address are as follows: (410) 630-6935, gantonio@velocity-llc.com.

#### **VI. Reporting and Compliance**

The Developer, Velocity and Arc Trust will establish and maintain records to prepare and submit a report to the Compliance Manager, which will identify and assess progress in achieving the goals of this MBE Plan. To commence after the issuance of the Bonds, on the first to occur of January 1, April 1, July 1 or October 1 and every January 1, April 1, July 1 or October 1 thereafter during construction of the Project and annually after the Project opens for business, the Developer, Velocity and Arc Trust shall prepare the Report (as defined in the 2010 Plan). The Developer agrees to include all information in the Report, meet with the County's Compliance Manager and make records available to the County as required by the 2010 Plan.

Failure to submit the Report on a timely basis may, at the discretion of the Compliance Manager, result in a penalty not to exceed \$500 each day such Report is late. Prior to any assessment of fees, the Compliance Manager shall provide written notice of such failure to the MBE Program Manager. The Developer, Velocity and Arc Trust shall be provided a thirty (30) day period to cure such default.

#### **VII. Defaults, Fines and Appeals**

The Developer, Velocity and Arc Trust shall use their Best Efforts to meet the goals set forth herein. In the event the Developer, Velocity and Arc Trust fail to employ Best Efforts as determined by the Compliance Manager in a written notice pursuant to the Compliance Manager's review of the Report, and such failure shall not be cured by the Developer, Velocity and Arc Trust within sixty (60) days after receipt of such notice from the Compliance Manager, then such failure shall be deemed an "Event of Default."

Upon the occurrence of an Event of Default, from the date of issuance and delivery of the Bonds until one (1) year after the completion of the construction of the Project in which the Developer, Velocity and Arc Trust fail to meet the minimum requirements of this MBE Plan, the Developer, Velocity and Arc Trust shall collectively be subject to a maximum fine of \$200,000. Such amount represents compensation for the failure to meet a goal freely approved by the Developer, Velocity and Arc Trust, is a material consideration for the County in issuing the Bonds and is not to be construed as a penalty.

Notwithstanding the foregoing, in the event the Developer, Velocity and Arc Trust dispute a determination by the Compliance Manager of an Event of Default, the Developer, Velocity and Arc

Trust shall have the right to appeal such determination to a panel of neutral mediators. The County shall appoint one member to the panel, and the Developer, Velocity and Arc Trust shall appoint one member of the panel. The third member of the panel shall be jointly agreed upon by the County and the Developer, Velocity and Arc Trust. No penalty may be assessed against the Developer, Velocity and Arc Trust until the Developer, Velocity and Arc Trust have exhausted such appeal. The Developer, Velocity and Arc Trust agree to pay all reasonable expenses incurred by a panel of neutral mediators, but only if the Developer, Velocity and Arc Trust are found by the panel to be in default.

### **VIII. Definitions**

“**Best Efforts**” means actions taken by the Developer in a true and genuine attempt to achieve compliance with and to further the intent and purpose of this MBE Plan, without any design to deceive or defraud Prince George’s County, Maryland or the intended beneficiaries of this MBE Plan or to otherwise undermine the intent of this MBE Plan.

“**County-Based Business (CBB)**” means a business whose principal place of operation, as determined by Prince George’s County, Office of Central Services, is located within the County.

“**County-Based Minority Business Enterprise (CMBE)**” means a MBE or DBE whose principal place of operation, as determined by the Prince George’s County Office of Central Services, is located within the County.

“**County-Based Small Business (CBSB)**” means a business that meets the requirements of Section 10A-161(b) of the Prince George’s County Code and whose application for certification as a County-based small business is approved by the County’s Purchasing Agent.

“**County-Located Business (CLB)**” means a business (subject to verification by the Prince George’s County Office of Central Services), that:

- (a) has a County Office or pays applicable County property taxes; and
- (b) either has at least:
  - (1) five (5) FTE employees in the County Office for full duration of the County Office’s lease,
  - (2) three (3) FTE employees in the County Office, with at least two (2) of the FTE employees being County Residents, for the minimum required duration of the County Office’s lease (as specified in the definition for County Office), or
  - (3) three (3) FTE employees in the County Office, if such business has an ownership interest in the building.

“**Disadvantaged Business Enterprise (DBE)**” means a for profit small business concern that is:

(a) 51% owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51% of the stock is owned by one or more such individuals; and

(b) whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it.

**“Minority Business Enterprise (MBE)”** means:

(a) any entity or business that is at least fifty-one (51%) percentage owned and controlled by one (1) or more Minority Individuals (or, in the case of any publicly-owned corporation, at least fifty one percent (51%) of the stock of which is owned by one (1) or more Minority Individuals) and is managed or operated on a daily basis by one of such individuals; and

(b) either is certified by:

(1) one of the following authorized third party organizations: (A) MDOT, (B) Washington Metropolitan Area Transit Authority, (C) Business Enterprise National Council, (D) Women Business Enterprise National Council, (E) Pan Asian Chamber of Commerce (or any other organization with similar certification authority),

(2) any Federal agency as a MBE, or

(3) the Prince George’s County Office of Central Services as a MBE.

**“Minority Individuals”** means only individuals who are members of the following groups:

- African Americans (Black Americans) which includes persons having origin in any of the Black racial groups of Africa;

- Asian-Pacific Americans, which includes persons whose origins are from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa,

Guam, the US Trust Territories of the Pacific Islands (Republic of Palau), the Commonwealth of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Tuvalu, Nauru, Federated States of Micronesia, or Hong Kong;

- Subcontinent Asian Americans, which includes persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal, or Sri Lanka;

- Hispanic Americans which includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin regardless of race;

- Native American which includes persons who are American Indian, Eskimos and Aleuts, or Native Hawaiians;



- Females, regardless of race, ethnicity or origin; and
- Veterans and Service-Disabled Veterans


[SIGNATURES ON FOLLOWING PAGE]

DELIVERED in Prince George's County, Maryland, this 30th day of May, 2018.

WITNESS:

**CAPHEIGHTS CENTRAL, LLC**

  
\_\_\_\_\_

By:   
\_\_\_\_\_  
Brandon Bellamy  
Manager

**Exhibit 1****Budget**

<b><u>Category</u></b>	<b><u>Hard Construction</u></b> <b><u>Costs</u></b>
Pre-Development Costs	\$2,943,000
Site Work/Off-Site Improvements	\$11,342,000
Office Building Construction	32,000,000
Retail Space Construction	16,717,000
Hotel Construction	8,000,000
<u>Residential Construction</u>	<u>37,228,000</u>
<b>Total</b>	<b>\$108,330,000</b>