

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

Westphalia Town Center

October 5, 2018

Walton Development & Management (USA), Inc. (the “*Developer*”) submits this TIF Proposal and Developer’s Certificate for review by the County Council of Prince George’s County, Maryland.

Background. Pursuant to Resolution CR-77-2016, the Westphalia Town Center Development District (the “*Development District*”) was designated and the Westphalia Town Center Tax Increment Fund was established, and pursuant to Resolution CR-76-2016, the Westphalia Town Center Special Taxing District (the “*Special Taxing District*,” and together with the Development District, the “*Districts*”) was designated and the Westphalia Town Center Special Taxing District Fund was established, all for the purpose of financing certain public roads and related improvements (the “*Public Improvements*”) to support certain retail, commercial, office and residential 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 Council Bill CB-108-2017, as amended by Council Bill CB-50-2018, bonds in an aggregate principal amount of \$42,000,000, 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.

Council Resolution CR-38-2011 requires that, prior to the sale of the bonds, the Council must review the TIF proposal and a certificate of the developer that the provisions of CR-38-2011 have been complied with and that 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. Westphalia Town Center (the “*Project*”) is a significant economic and community development project in the Westphalia region of Prince George’s County. As currently proposed, the Project will encompass approximately 11.57 million square feet of land and be bounded by Maryland Route 4 to the south, Maryland Route 337 to the west, a wooded area to the north and Maryland Route 223 to the east. The Project will be located within two miles of Interstate 495; 12 miles of National Harbor, 15 miles of Washington, D.C.; 16 miles of Ronald Reagan Washington National Airport; 30 miles of Annapolis and 40 miles of Baltimore.

It is anticipated that the development will occur over three or more phases, and upon completion, the Project is currently expected to consist of approximately:

- 3,739 rental and for sale residential units;
- 600 hotel rooms; and
- 5,400,000 square feet of office, retail and warehouse/distribution facility space.

Subsequent to the submission of the Tax Increment Financing Application, dated July 6, 2016 (the “TIF Application”), the plan of development has been expanded to include warehouse/distribution facility space. However, the overall square footage intended for commercial use has remained the same.

Infrastructure to Be Financed by the TIF. The Public Improvements include, but are not limited to, road improvements to Woodyard Road, Melwood Road and Presidential Parkway and related construction costs and such other infrastructure improvements within the Districts as may be authorized by the Acts.

Estimated Infrastructure Costs.

Melwood Road	\$ 1,100,000
Woodyard Road Interchange; MD Route 4/MD Route 223 Intersection	13,400,000
Presidential Parkway	18,200,000
Total	\$32,700,000

The Developer acknowledges that the County is not required to issue TIF bonds in an amount sufficient to pay for all of the estimated infrastructure costs set forth herein.

Terms of Bonds.

Principal Amount of Bonds	Not to exceed \$42,000,000
Estimated Interest Rate	5.5%
Public Offering or Private Placement	Public Offering

Principal Parties and Consultants.

County’s Financial Advisor	Public Advisory Consultants
County’s Bond Counsel	Ballard Spahr LLP
Developer	Walton Development & Management (USA), Inc.
Developer’s Financial Advisor	MuniCap, Inc.
Developer’s Counsel	McGuireWoods LLP

Representations and Covenants Fulfilling CR-38-2011.

1. Be consistent with the County's General Plan and 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 and Westphalia Sector Plan, as well as other economic and community development policies, strategies and tools. *See* correspondence from William Shipp, Esq., describing the Project's compliance with this requirement, attached as Exhibit A. The Developer acknowledges that the proposed warehouse/distribution facility is expected to require additional land use approvals from the County. To the extent that the proposed warehouse/distribution facility use requires any additional land use approvals, the Developer agrees to diligently pursue such approvals.

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 TIF Application. *See* Section IV.B. and the Fiscal Impact Analysis, Appendix B, of the TIF Application, attached as Exhibit B.

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 by MuniCap, Inc. as a part of the TIF Application. *See* Fiscal Impact Analysis, Appendix B, of the TIF Application, attached as Exhibit B.

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.

The Developer agrees that the Project will be subject to a "trigger mechanism/look back provision," which on an ongoing basis, examines the 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.

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

The Project will be used to help fund the revitalization of the Westphalia region of the County. Although the Project is not classified formally as a revitalization project, the Development is promoted by the Sector Plan and General Plan, which recommended the

Westphalia sector for more intensive development and redevelopment. *See* correspondence from William Shipp, Esq., attached as Exhibit A.

6. Local Minority Business Enterprise Equity Participation and MBE Plan.

A. *Provide documentation, prior to any issuance of TIF bonds, showing not less than 5% of the value of the TIF issued to the development through LMBE ownership or participation equal to 5% of the TIF note issued.*

The Developer has agreed to not less than 5% LMBE equity participation through the commitment of an amount equal to 5% of the original principal amount of the TIF bonds) towards the acquisition of 1 or more retail pad sites at the Project site by LMBE investor, The Proctor Group, LLC. The Developer is also actively discussing the possibility of an equity investment by a LMBE investor who has provided equity to another development project in the County. *See* MBE Plan, attached as Exhibit C. 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 that said pads have been or will be acquired by LMBEs through LMBE 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.

B. *Minority Business Enterprise (“MBE”) Plan to include a goal of 30% for local business enterprise (LBE), minority business enterprise (MBE) and local minority business enterprise (LMBE); however, at no time shall the LMBE participation be less than 20% of the available project dollars.*

The Developer has agreed to comply with a goal of 35% for CBB, CBSB, MBE and LMBE participation with a minimum of 25% of CBB, CBSB, MBE and LMBE participation and 20% of LMBE Participation. These requirements are in excess of the requirements of CR-38-2011 and are memorialized in the MBE Plan, which has been approved by the Compliance Manager. *See* MBE Plan, attached as Exhibit C.

7. 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. *See* Section IV.G. and Fiscal Impact Analysis, Appendix B, of the TIF Application, attached as Exhibit B.

8. Expand and strengthen employment opportunities with a minimum employment goal of 30% for County residents.

The Project will expand and strengthen employment opportunities with a minimum employment goal of 30% for County residents based on the fiscal impact analysis of MuniCap, Inc. provided to the County as a part of the TIF Application. *See* Fiscal Impact Analysis, Appendix B, of the TIF Application, attached as Exhibit B.

9. Expand the County's commercial base.

The Project will expand the County's commercial base. Phase 1 of the Project is projected to expand the County's commercial base by producing an additional 306,900 square feet of commercial, retail 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.

10. 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 and the Developer to transform an area into a vibrant and energetic commercial retail center. The issuance of the tax increment financing bonds by the County and the construction of the Public Improvements by the Developer to accomplish much needed road improvements in the area sooner than contemplated by the County's Capital Improvement Program is an excellent example of a public-private partnership.

11. 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 Westphalia sector into an economic and community hub that provides commercial and office space.

12. Certify to the Compliance Manager, as a condition of receive 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.

13. 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.

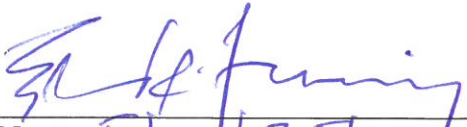
14. Provide to the Compliance Manager with the certification required by paragraph 12 a list of all trades or classifications of craft employees it will employ on the project and documentation verifying it participates in a Class A Apprenticeship Program for each trade or classification listed, or submit to the Compliance Manager a request for a partial waiver of such requirement.

The Developer will provide the certification required by paragraph 12 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-38-2011. Upon issuance of the bonds, each of the “Representations and Covenants Fulfilling CR-38-2011” 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.

**WALTON DEVELOPMENT &
MANAGEMENT (USA), INC.**

By: 
Name: Edward R. Fleming
Title: Vice President