



White Flint Sector Plan Casestudy

INFRASTRUCTURE FUNDING

July 18, 2012



FOUNDATIONS OF OPPORTUNITY





1. FEDERAL REALTY: A CORPORATE HISTORY OF URBAN MIXED-USE DEVELOPMENT

Core Markets

Federal Realty's assets are located primarily in strategic metropolitan markets in the Northeast, Mid-Atlantic, South Florida and California.



Source: Merrill Lynch Research

Active Pedestrian Friendly Streetscapes



Active Pedestrian Friendly Streetscapes Even at Night



Streets as Part of Public Use Space



The Outdoor Living Room



Design & Programming



Community Events



The Front Row



The Front Row



Congressional Plaza Mommy & Me



Rockville Home & Garden Show

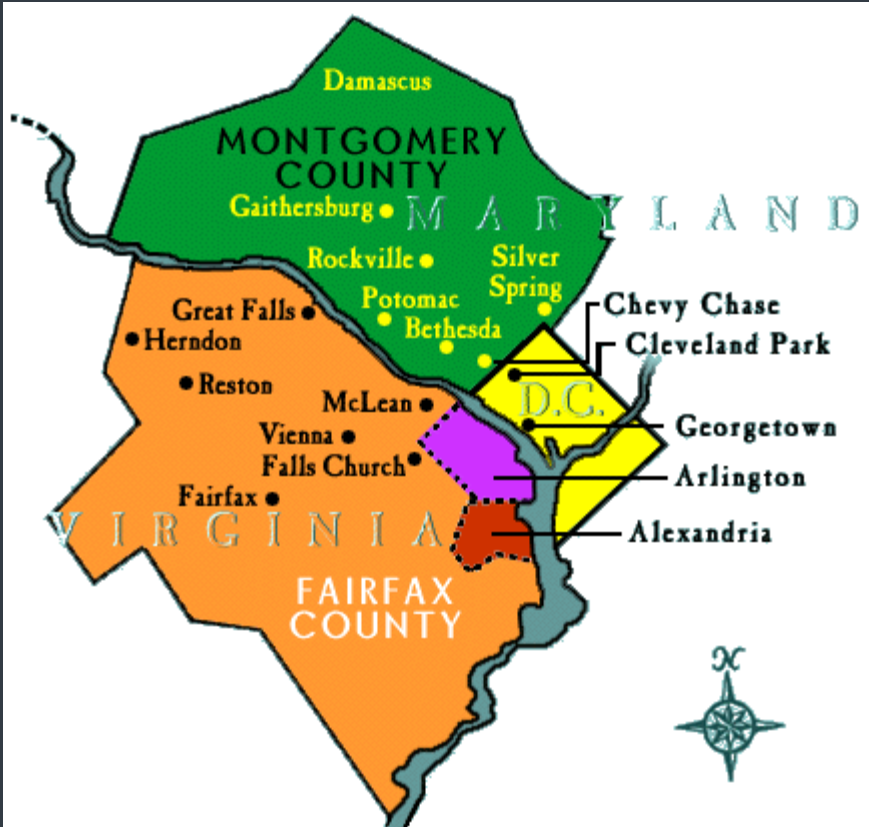


Bethesda Row Arts Festival

2. SECTOR PLAN OVERVIEW

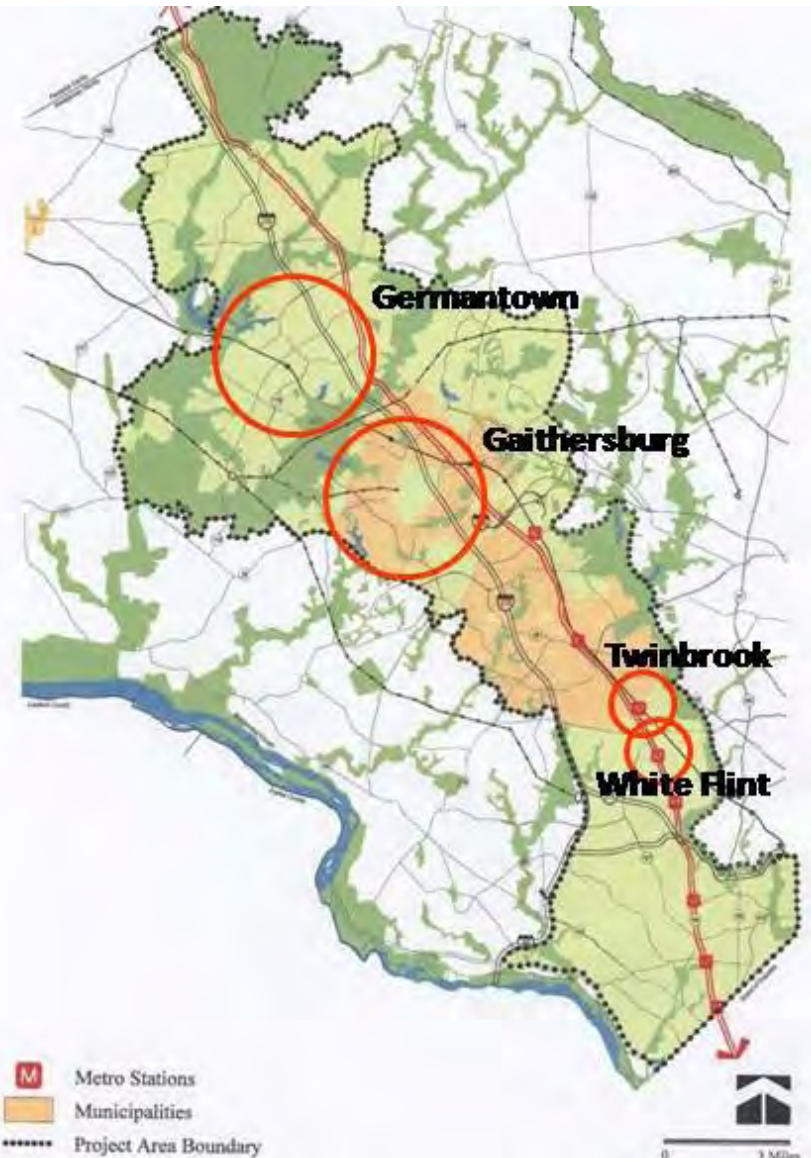
Washington Metropolitan Area

Federal Realty
INVESTMENT TRUST



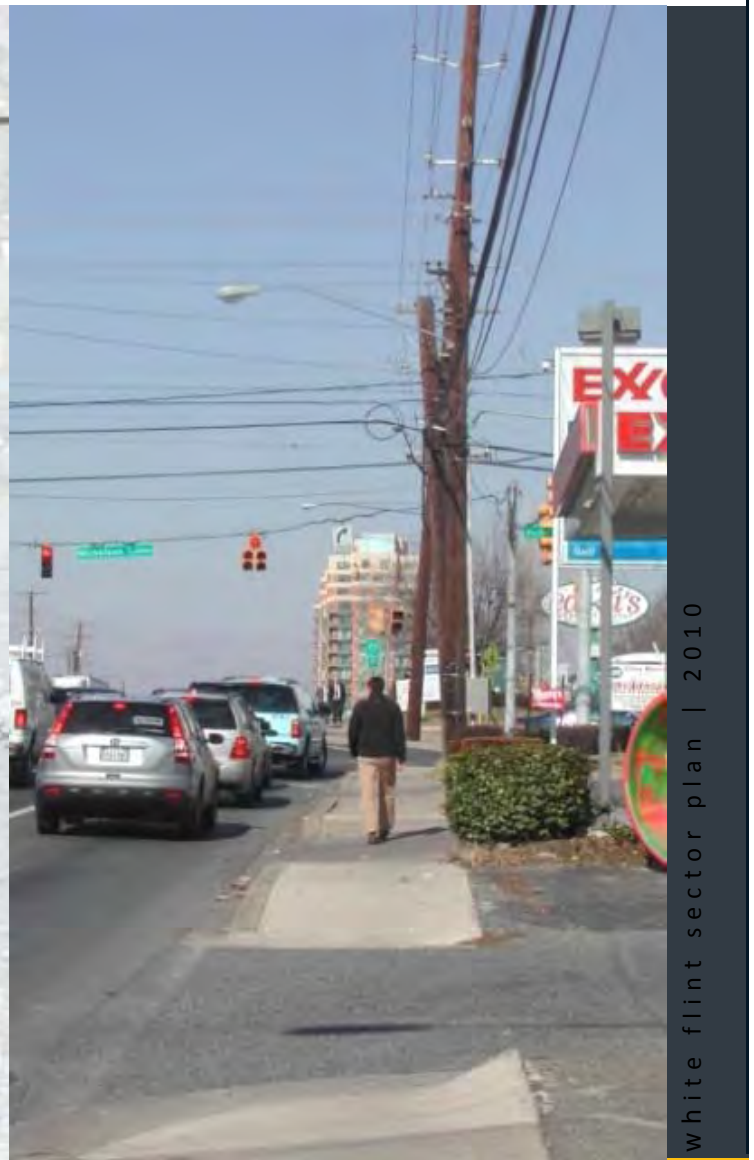
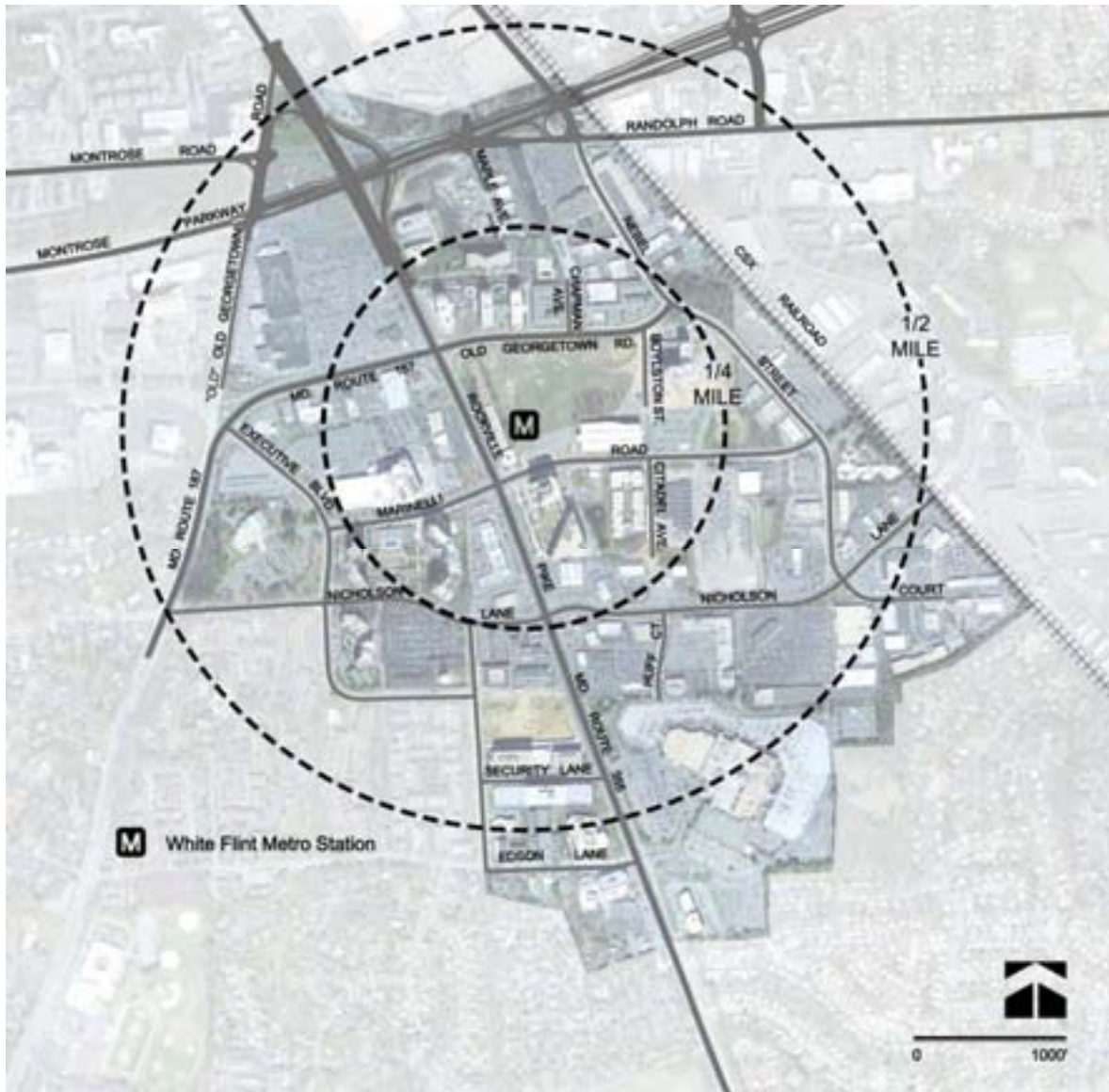
Montgomery County, MD

Federal Realty
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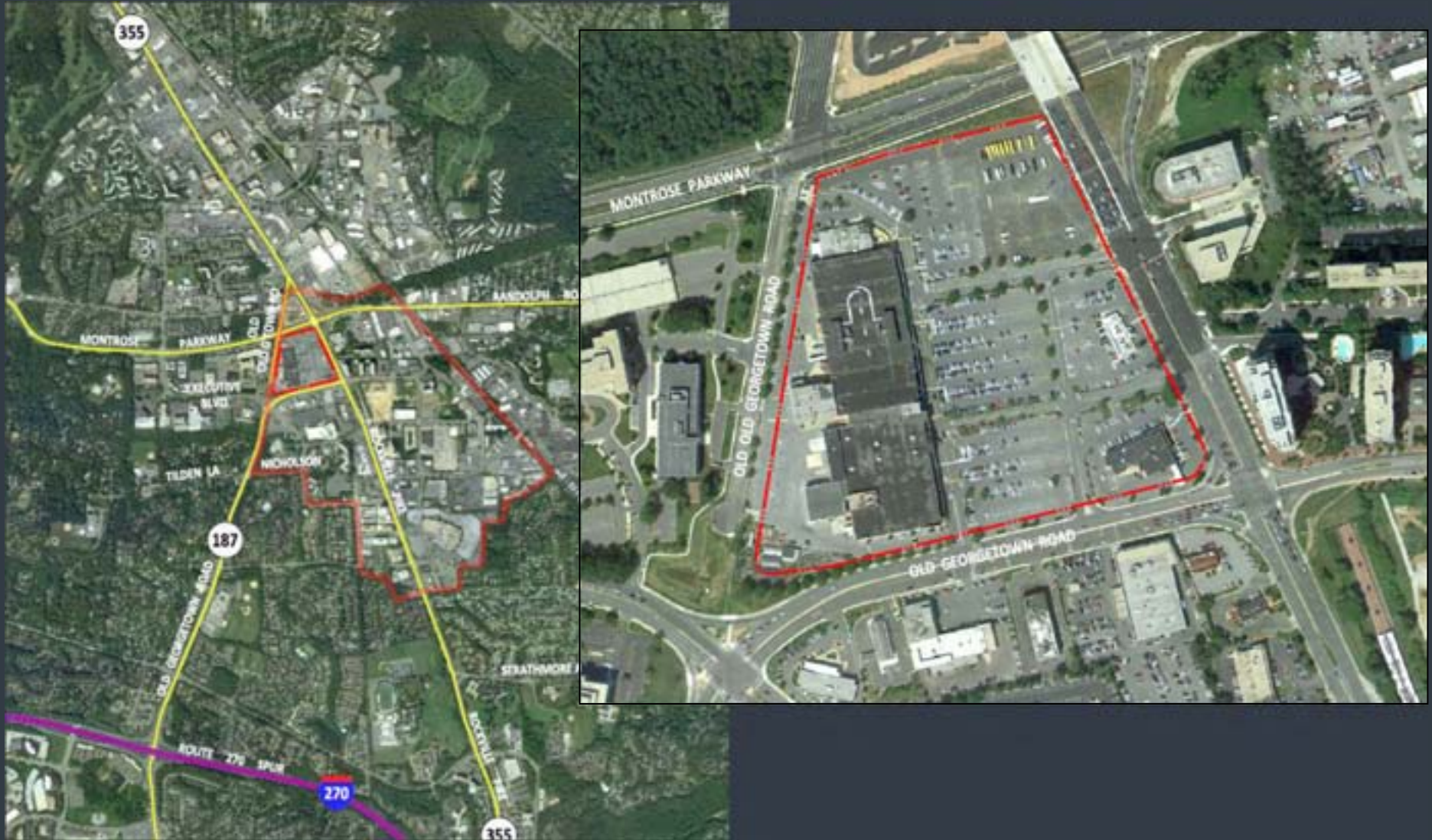
White Flint Sector Plan

Federal Realty
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white flint sector plan | 2010

Existing Pike&Rose



Virgin Forest Land With Large Mature Trees!



White Flint Existing Conditions



Cars Must Beware of
Fast Moving Moms with
Strollers!



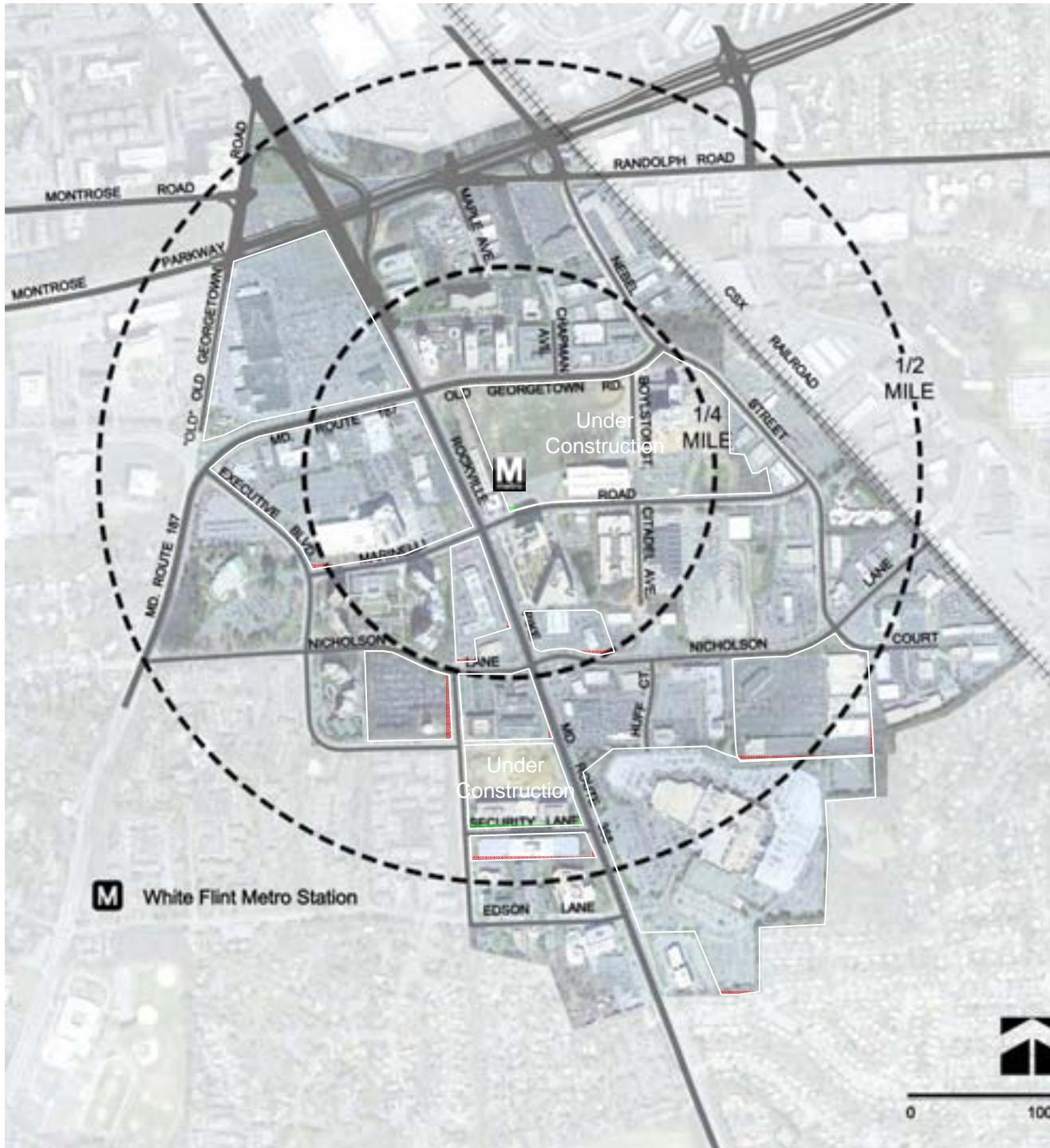
Interesting Place
to Meet for a Chat!



Rockville Pike Today



Advisory Board Asks: Where do we go from here?



The White Flint Partnership

- Combined Properties
- FRIT
- Gables Residential
- Holladay Corporation
- Lerner Enterprises
- The JBG Companies
- The Tower Companies

Non-Partnership Owners

- B.F. Saul
- Fitzgerald
- LCOR
- ProMark
- WRIT

Rockville Pike

What it is...

Ordinary
Anywhere USA
Spread Out
Spontaneous
Contrived
Suburban
Shopping Convenient
Retail Cash Cow
Temporary
Disposable
Impersonal
Car-Focused
Sprawling
Congested
Unmanaged
Cluttered
Ethnic & Unbiased
Transit Accessible
Location



What it isn't...

Memorable
Distinctive
Immersive
Organic
Authentic
Urban
Mixed Use Experienced Based
Prosperity Verses Profitability
Enduring
Sustainable & "Green"
Intimate
Walkable
Defined Edges
Vibrant
Connected
Managed
International & Inclusive
Transit Oriented
Address



Rockville Pike Tomorrow...



White Flint Street Grid: Sparse vs. Dense



Sparse existing road network



10 Additional Lanes East/West
6 Additional Lanes North/South

Source: Glattig Jackson, et al

buildings



propose
d

building

height

and

density

proposed development

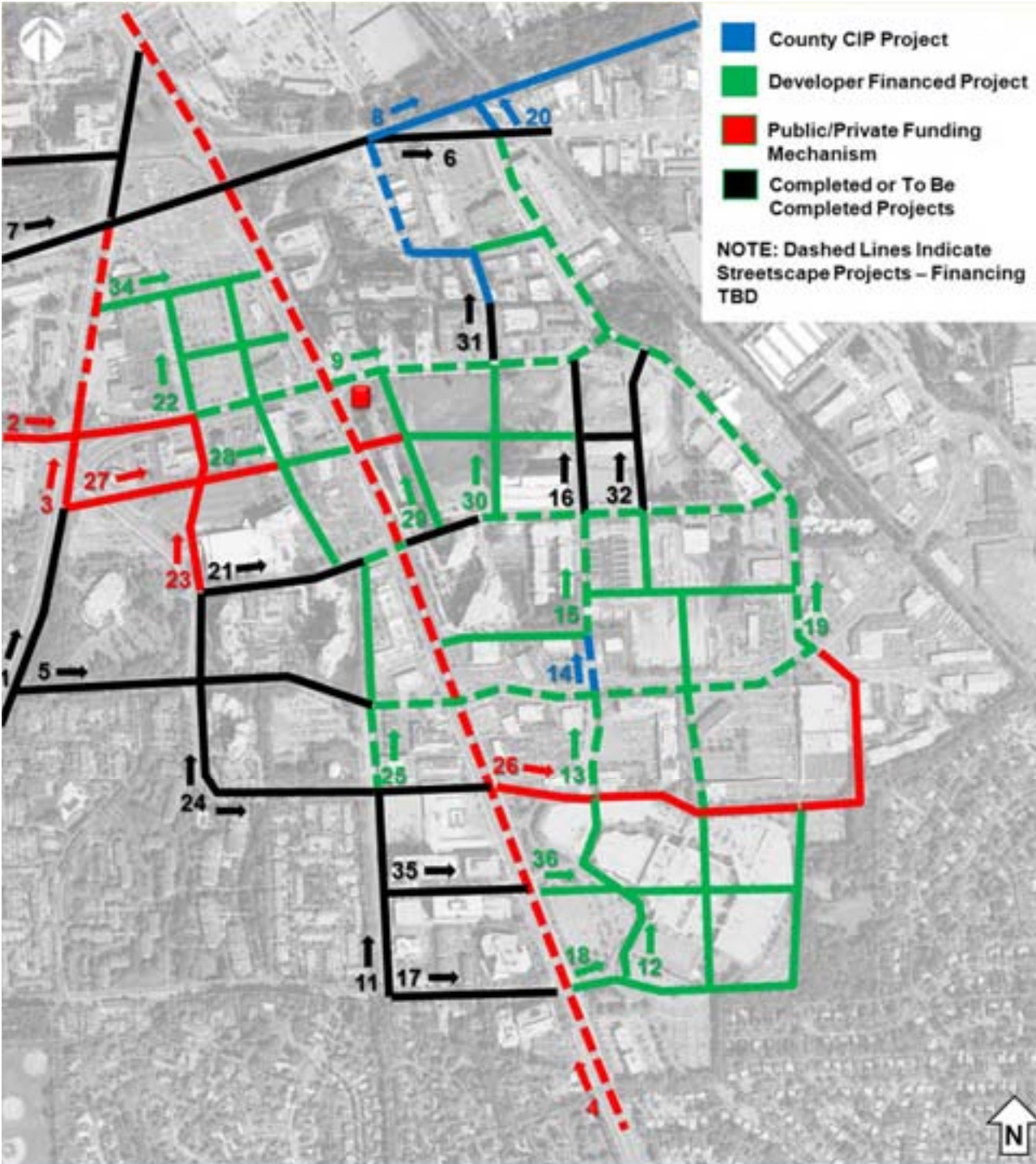
	existing	pipeline (approved/ under construction)	plan recommendation	totals
dwelling units	2,259 dus	2,220 dus	9,800 dus *	14,279 dus
residential square feet	2.7m	2.6 m	11.7 m*	17 m
non- residential square feet (millions)	5.5m	1.79 m	5.69 m	12.9 m

* average dwelling unit size is 1,200 sq.f.

satellite regional
 services center
 library
 recreation center
 civic green
 fire and
 emergency
 services
 police substation
 urban park
 neighborhood
 park
 elementary school
 farmers' market

community facilities





- County CIP Project
- Developer Financed Project
- Public/Private Funding Mechanism
- Completed or To Be Completed Projects

NOTE: Dashed Lines Indicate Streetscape Projects – Financing TBD

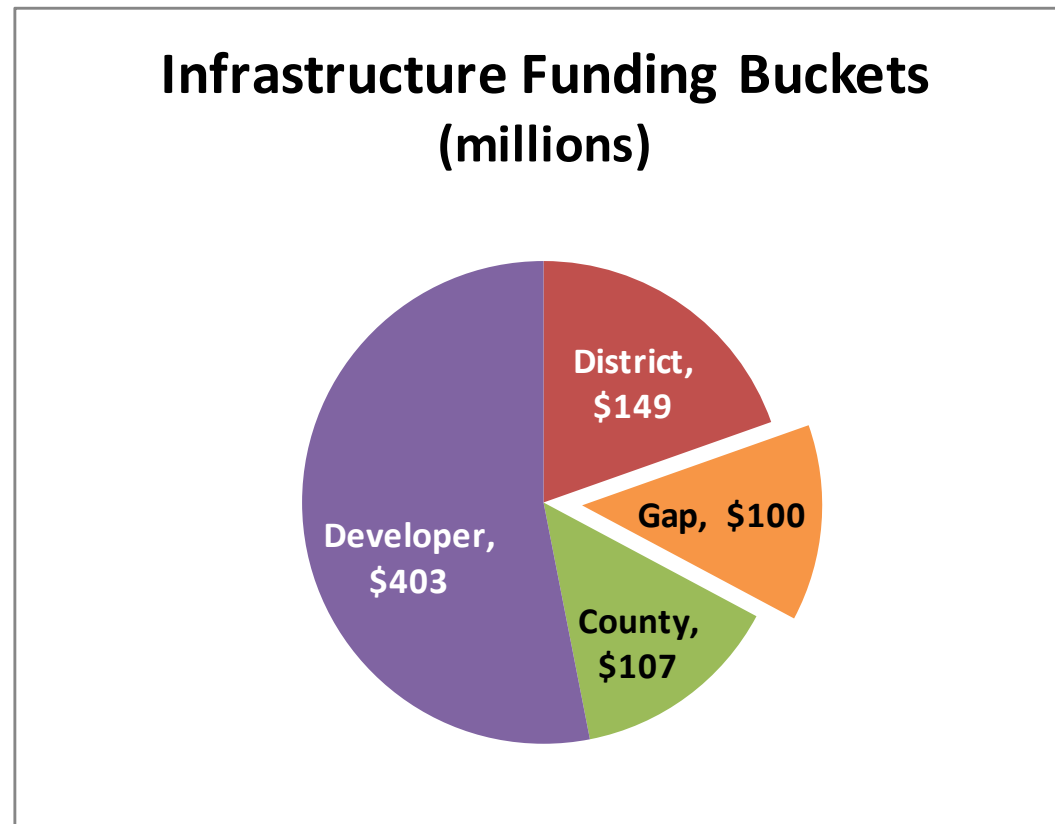


staging

approval per phase	3,000 units 2.0 million	3,000 units 2.0 million sf	3,800 units 1.9 million sf
projects completed in each phase before next phase	executive blvd realign market street streetscape ¼ mile feasibility study for rockville pike 34% non auto mode share evaluate housing goals	complete streetscape ¼ mile market street begin rockville pike reconstruction second metro entrance 42% non-auto mode share evaluate housing goals	complete streetscape outside ¼ mile complete rockville pike 51% non-auto mode share

3. INFRASTRUCTURE FINANCING

\$760 million Total Infrastructure Cost in White

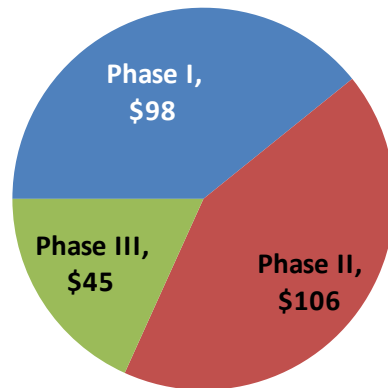


Property Owners Claim: 73% to 86% Funded by Private Sector
County Claims: 53% Funded by the Private Sector

District Costs

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**District Costs by Phase
(millions)**



#	Improvement	WFP Estimate	Complete
1	Rockville Pike (Md 355) - Phase 1	\$5,000,000	2013
2	Reopening of Old Old Georgetown Rd	\$41,100,000	2013
2	Market St & realignment of Executive Blvd	\$32,190,275	2014
3	Executive Blvd Ext (east)	\$19,400,000	2016
3	Nebel Street	\$9,100,000	2020
4	Second entrance to Metro	\$35,000,000	2020
5	Bridge over Metro station	\$2,000,000	2020
1	Rockville Pike (Md 355) - Phase 2	\$45,450,000	2022
6	Nicholson Lane ¹ (streetscape)	\$5,400,000	2024
7	Nebel Street (bike lane)	\$9,200,000	2024
1	Rockville Pike (Md 355) - Phase 3	\$45,450,000	2026
Total		\$249,290,275	2026

Ph I: 1-3
Ph II: 3-5
Ph III: 1

Western Workaround: 1-3
Eastern Workaround: 3-5

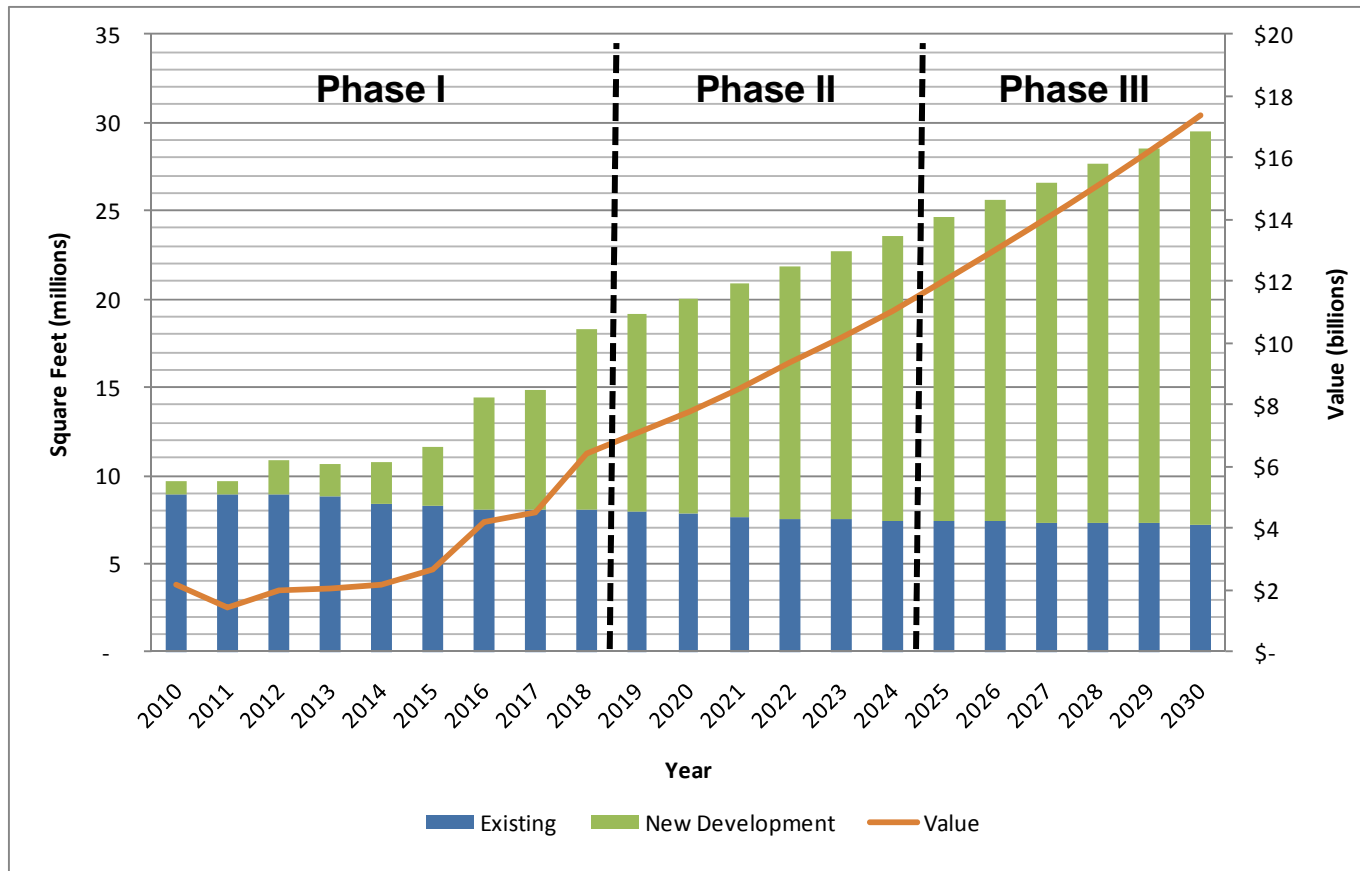
¹ 40% of estimated costs as an allowance to cover 40% of streetscape improvements (assumes remaining 60% covered by private sector)

² Assumes utilities are publicly constructed. If privately constructed, utility work will cost approximately 33% more

Value Creation in White Flint



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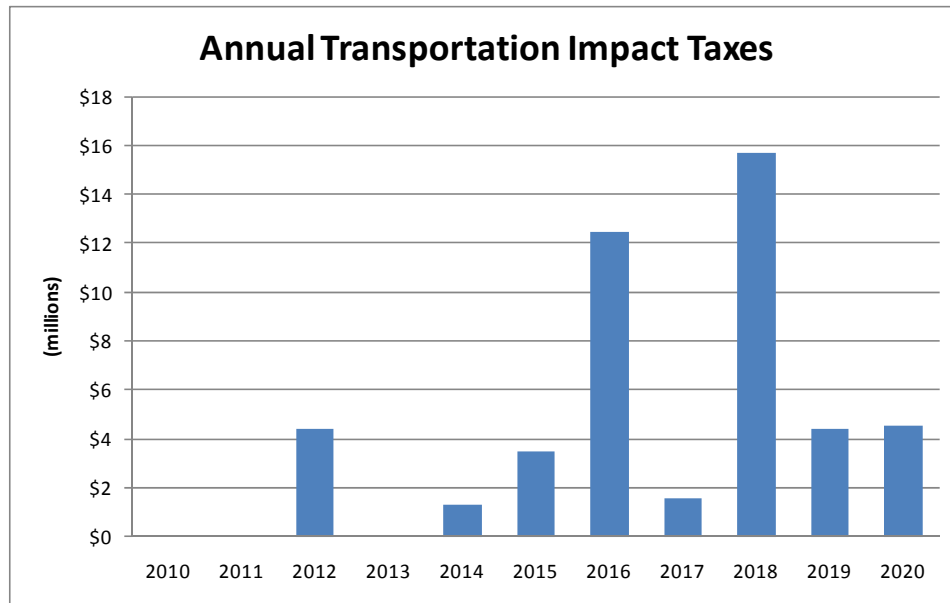


\$6.9 Billion New Property Tax Revenue Generated (PV)
39,000 New Jobs

Why Remove Transportation Impact Taxes

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\$53 million (present value)



In the predictable future through 2020, impact taxes create lumpy cash flow.

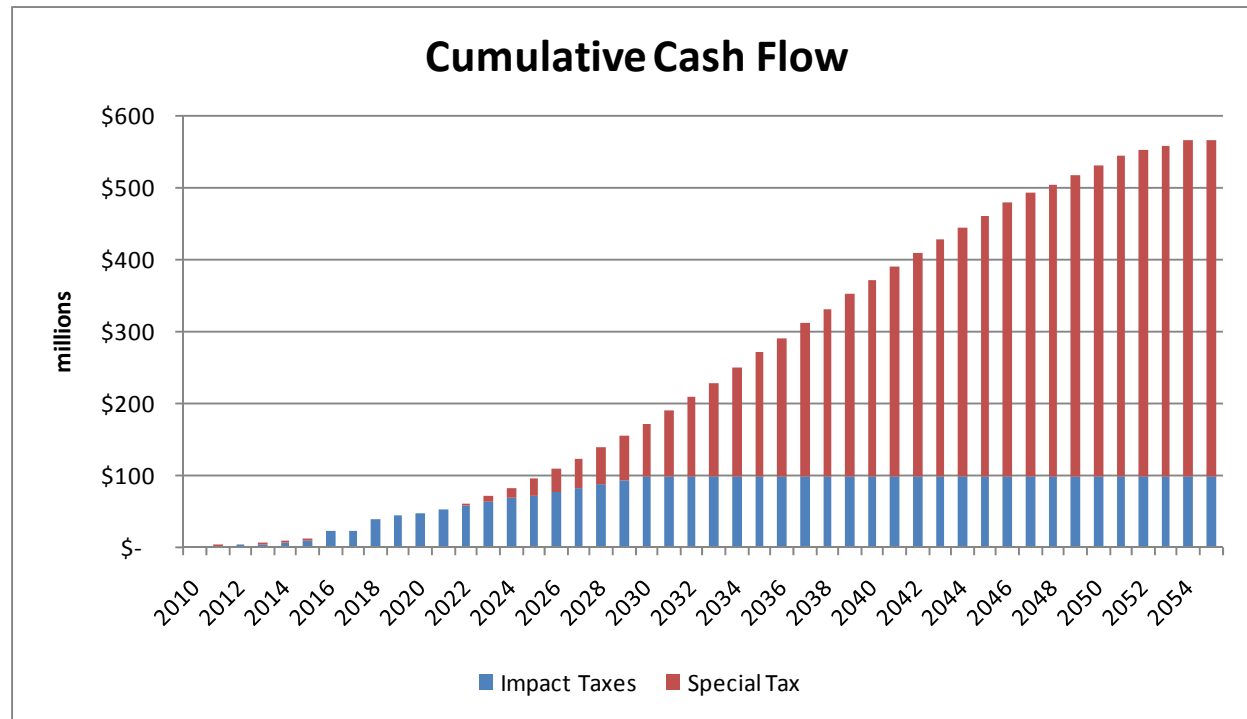
Why transportation impact taxes don't work in White Flint:

1. Expensive up-front payment that deters development and makes projects less competitive compared to Northern VA and DC.
2. Lumpy, not dependable cash flow.
3. Only paid at building permit so infrastructure follows development as opposed to being coordinated with development.
4. If impact taxes are levied in addition to the special taxes, White Flint will be delayed and many projects will not occur at all.

Bonding the Special Tax

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**Special Tax Generates \$154 million (present value)
Nearly 3X the Present Value of Transportation Impact Taxes
Over 5X the Actual Dollars Collected from Impact Taxes**



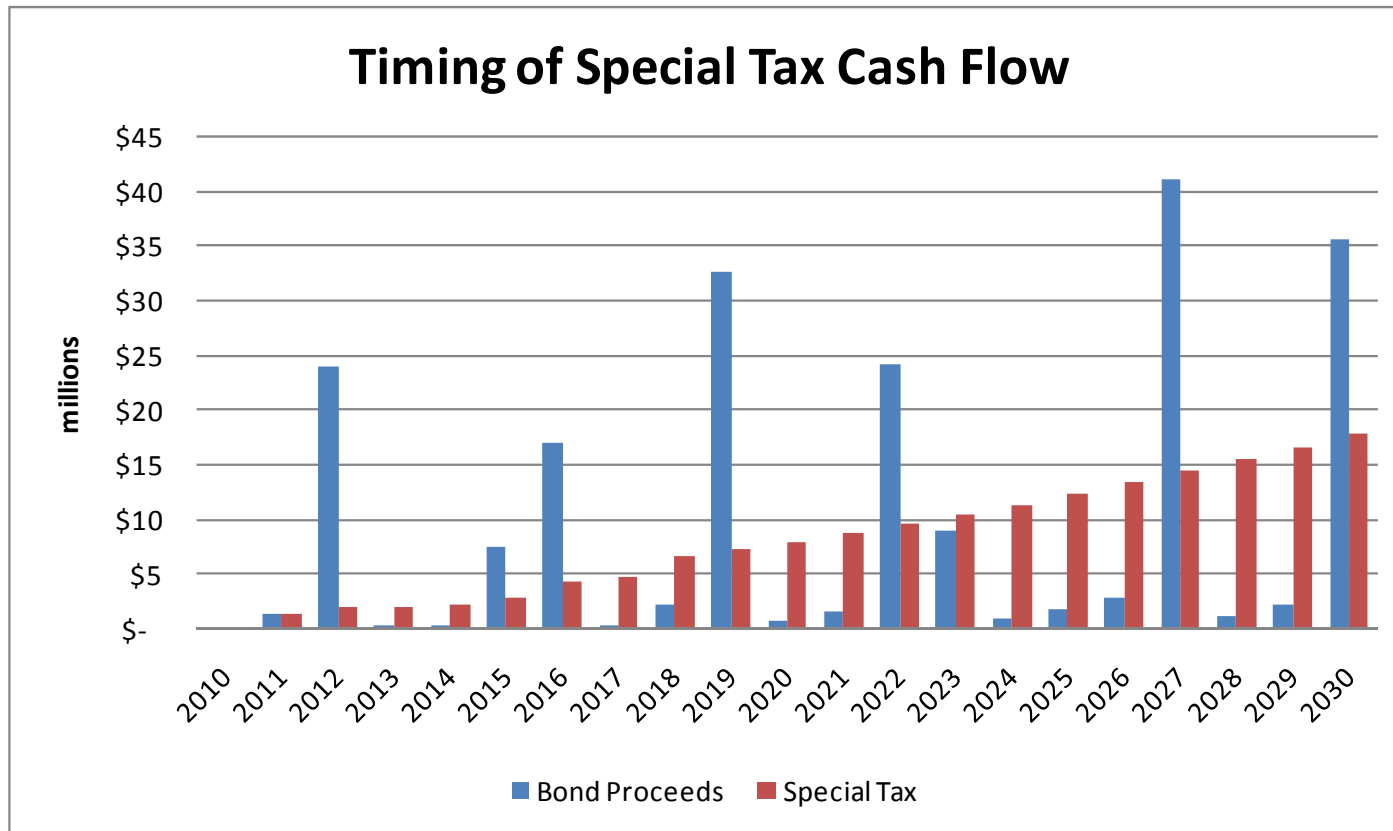
Since special tax is an operating cost paid annually for 25 years
it does not deter investment in Montgomery County

Special Tax Cash Flow



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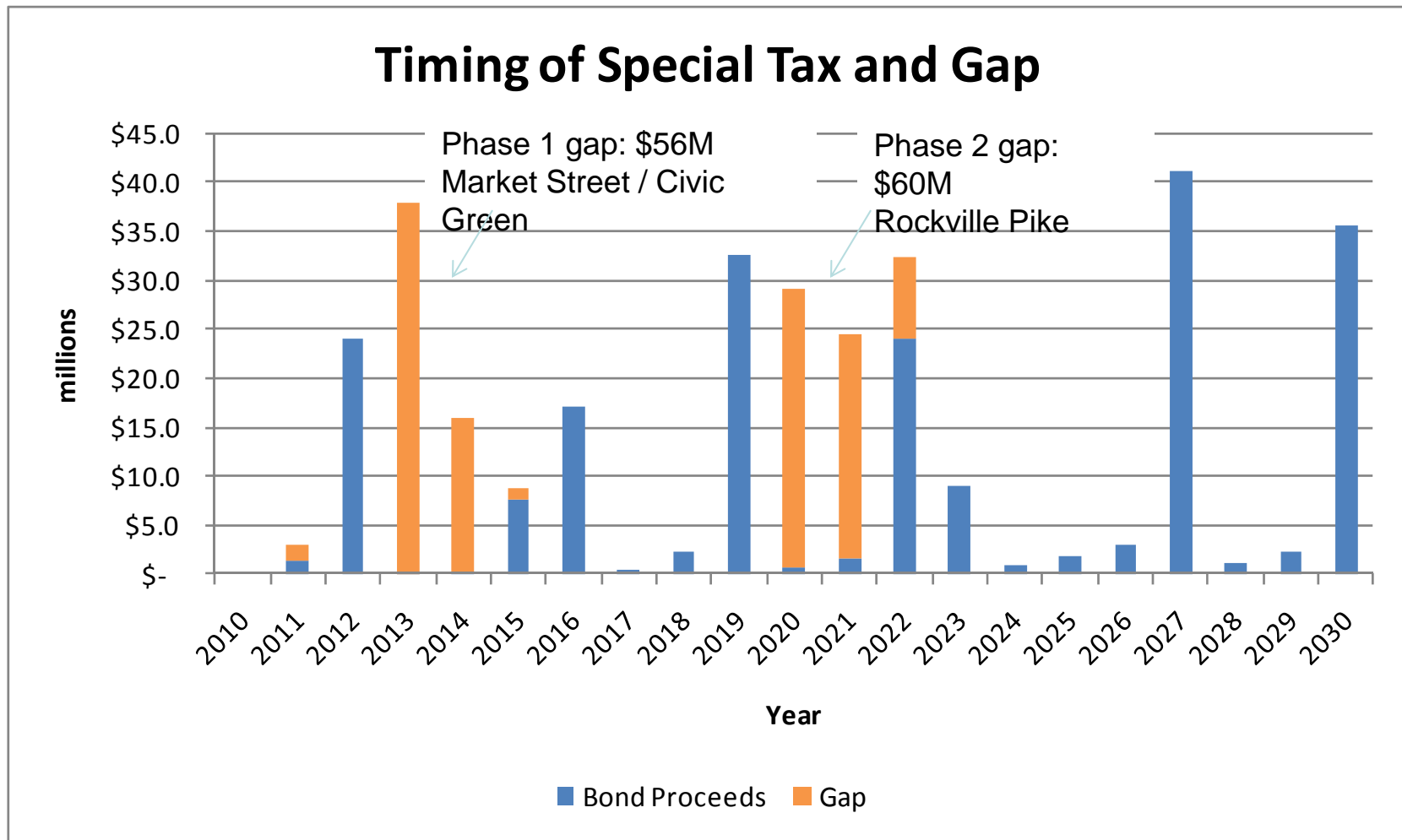
Annual Cash Flows after Bonding the Special Tax



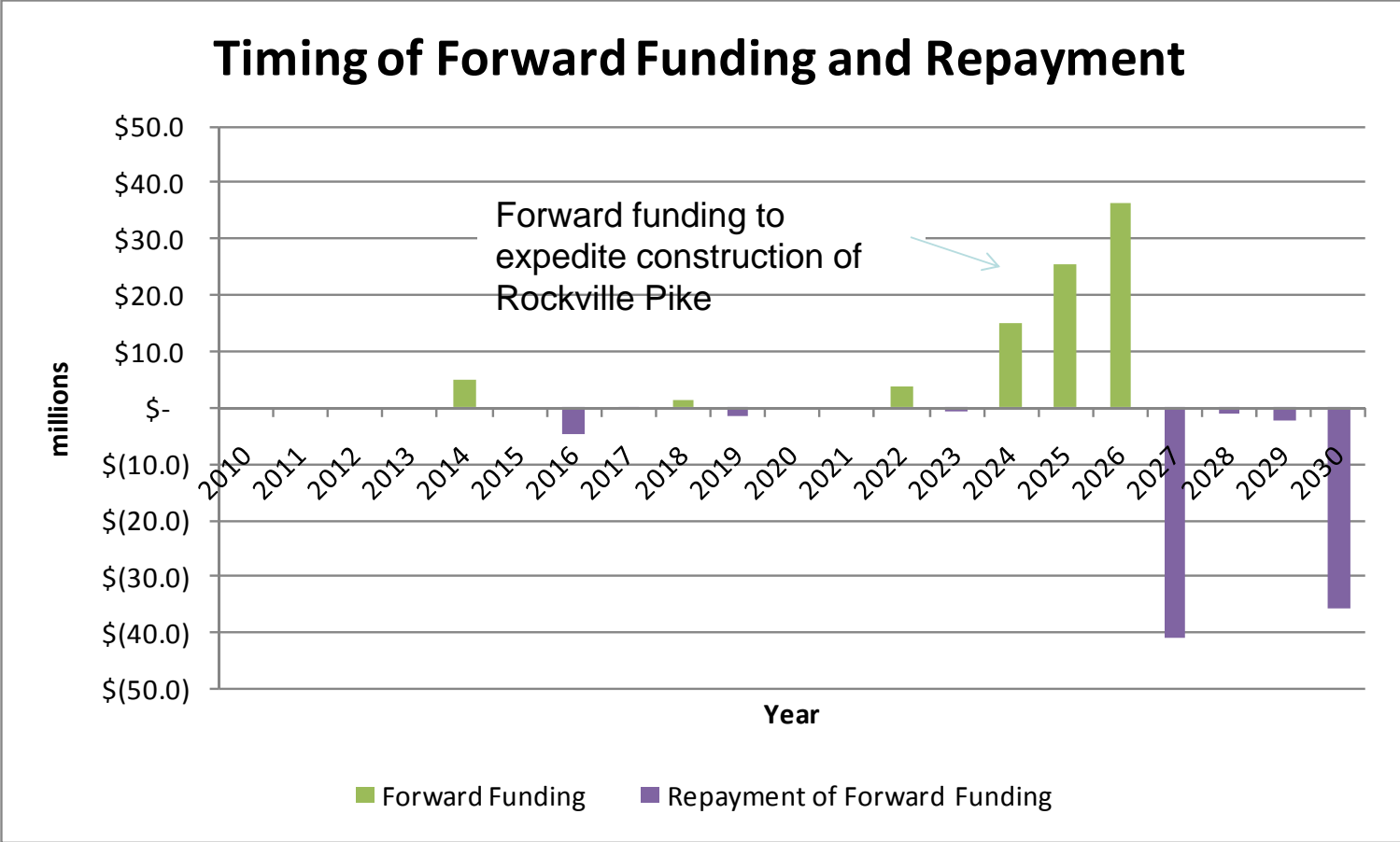
Smooth and predictable cash flow from special tax allows bonding to generate capital earlier to pay for improvements when needed

Timing of Special Tax and Gap

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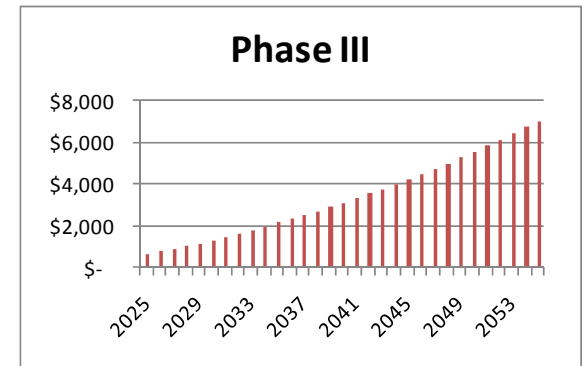
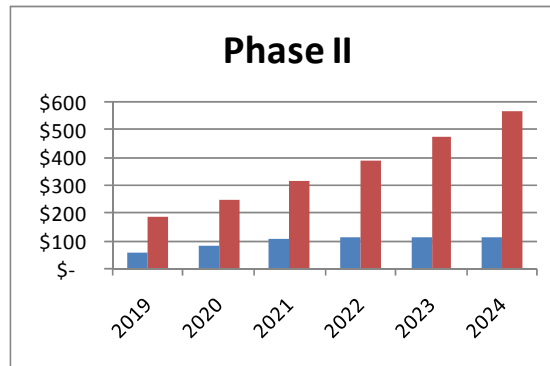
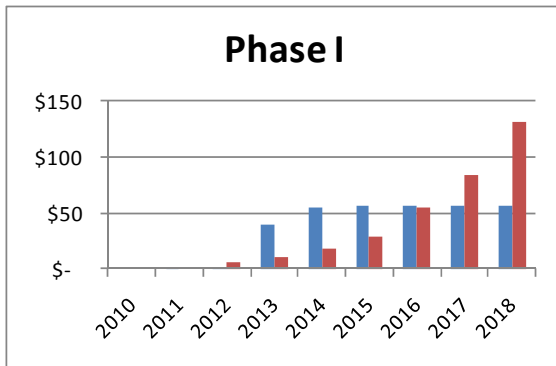
Timing of Forward Funding and Repayment of Forward Funding



County's Return on Investment



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	Phase I	Phase II	Phase III	Total
County Investment	\$56.1 million	\$59.5 million	\$0.0 million	\$115.6 million
New Property Tax Revenue	\$131 million	\$434 million	\$757 million	\$7.0 billion
Return on Investment	234%	729%	Infinite	6,055%

Special Obligation Bonds vs. General Obligation Bonds



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	Special Obligation	General Obligation
Phase I	\$47 million	\$62 million
Phase II	\$50 million	\$67 million
Phase III	\$57 million	\$65 million
Total	\$154 million	\$194 million

General Obligation Bonds Provide More Funding Capacity...

Year	SO Bonds		GO Bonds	
	Interest Rate	DSCR	Interest Rate	DSCR
2010	6.0%	1.25	4.0%	0.00
2014	6.5%	1.25	4.5%	0.00
2020	7.0%	1.25	5.0%	0.00

Financing White Flint



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	BOND 1: 2014	BOND 2: 2016	BOND 3: 2019	BOND 4: 2022	BOND 5: 2027	BOND 6: 2030	Total
Construction cost	\$85.0	\$20.0	\$28.5	\$97.4	\$91.0	\$0.0	\$321.9
Property tax	\$22.7	\$43.1	\$72.9	\$96.0	\$144.2	\$178.3	
10% special tax	\$2.1	\$4.3	\$7.3	\$9.6	\$14.4	\$17.8	
Special tax revenue dedicated to debt service	\$0.0	\$2.3	\$4.3	\$7.3	\$9.6	\$14.4	
Bond proceeds from special tax	\$24.8	\$22.4	\$32.5	\$24.1	\$50.1	\$35.5	\$190.7
Additional cash flow from special tax	\$5.6	\$0.5	\$2.6	\$2.2	\$9.1	\$3.3	\$23.5
Gap	\$55.6	\$0.0	\$0.0	\$62.8	\$31.7	\$0.0	\$150.3
TIF district base property tax	\$14.7	\$14.7	\$14.7	\$14.7	\$14.7	\$14.7	\$14.7
Increase in property tax over base	\$7.9	\$28.4	\$58.1	\$81.3	\$129.5	\$163.6	\$1,424.2
Increase held for TIF debt service	\$4.9	\$0.0	\$0.0	\$5.8	\$3.0	\$0.0	
% of inc. held for TIF	62%	0%	0%	7%	2%	0%	7%
TIF bond proceeds	\$55.6	\$0.0	\$0.0	\$62.8	\$31.7	\$0.0	\$150.3
Gap	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
County General Fund	\$17.7	\$43.1	\$72.9	\$90.2	\$141.2	\$178.3	\$1,720.0

Developer Recommended Options to Fund the Gap

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1. Partnership/Development Agreement: County funds 40% of District infrastructure costs (about \$100M)
2. Move \$100M worth of projects from the District bucket to the County bucket
 - Phase 1: Executive Blvd & Market St (on County conference center property)
 - Phase 2: Metro Entrance
3. Use tax increment financing (TIF) to fund the \$100M gap
4. Use TIF as a backstop to fund if the CIP does not have the capacity when funding is needed

For all 3 options the County can use General Obligation Bonds to close about 40% of the gap (about \$40M of additional funding).

Infrastructure Funding Plan Adopted by County Council:

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- Passage of 2010 State of Maryland Bill 828
 - Allows for creation of Special Taxing Districts without property owner vote
 - Exempts funds from County's tax increase ceiling
- Montgomery County Bill 50-10, Resolution 16-5070: Creation of WF Special Taxing District
 - Authorize ad valorem property taxes to pay for specific projects
 - Tax increase capped at 10% (approximately \$.10/\$100 value)
 - \$210 Million in infrastructure funding to be paid for through the tax
 - Extends life of tax from 25 to 40 years to fund lionshare of the GAP
 - Enables the County to forward fund \$47 Million to jump start infrastructure projects using GO Bonds vs. TIF Funding.
- County agrees to accept responsibility for funding \$147 M in infrastructure projects directly (Metro Entrance)



4. RESULTS ON THE GROUND: FUTURE OF WHITE FLINT

Sketch Plan - First Floor



Program	
Retail	433,900 sf
Office	1,192,346 sf
Residential	1,726,642 sf
	1,544 du
Hotel	90,000 sf
	125 keys
Total	3,442,888 sf
FAR	3.24

Legend

- Retail
- Office
- Residential
- Hotel

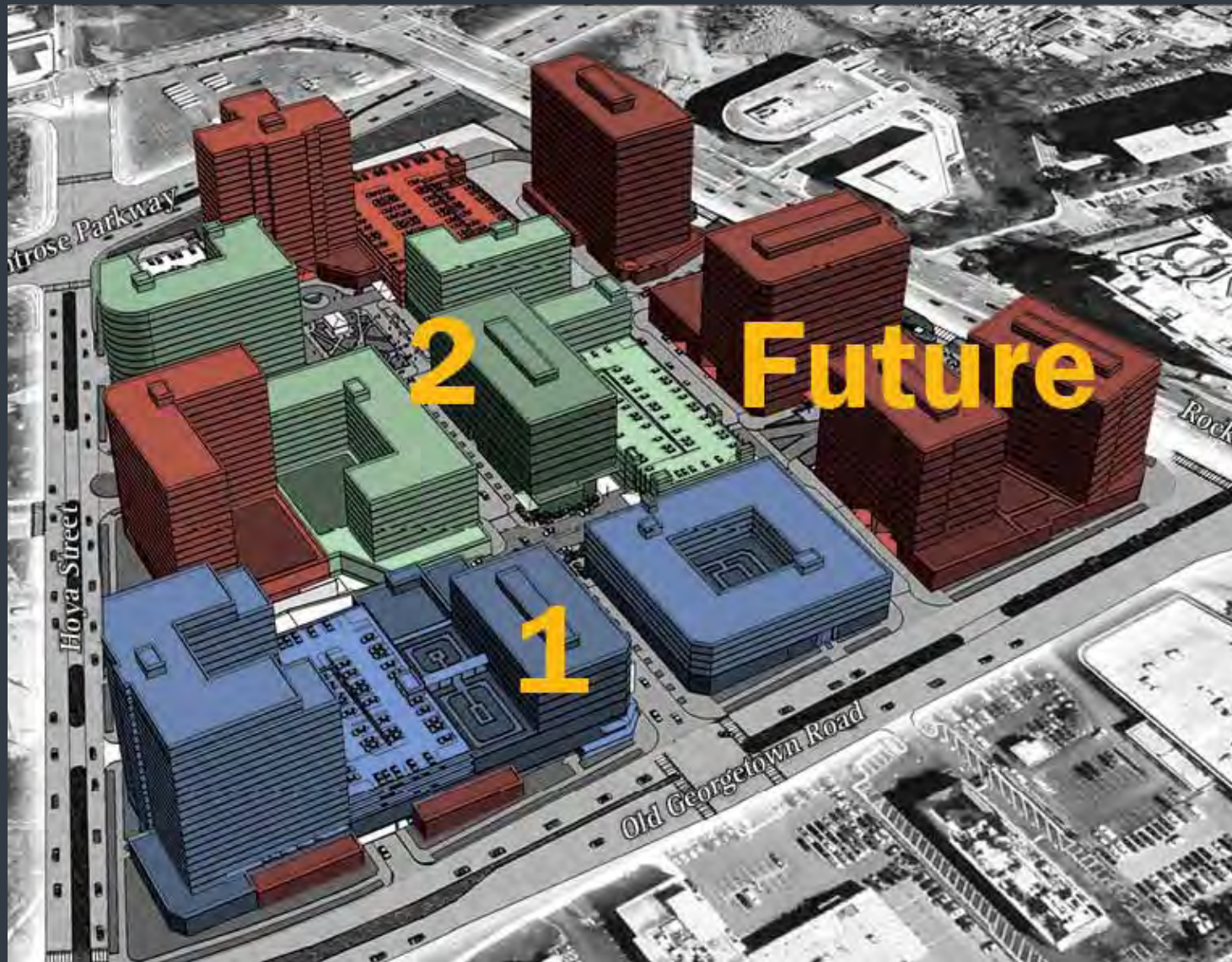
Mixed Use Plan



Program	
Retail	305,200 sf
Office	1,147,188 sf
Residential	1,900,500 sf
	1,725 du
Hotel	90,000 sf
	125 keys
Total	3,442,888 sf

Phase 1 Site Plan – First Floor

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Northwest View – Block 11 Old Georgetown Road & Main Street



Southwest View – Block 11 Main Street Plaza



Northeast View – Block 12

Old Georgetown Road & Main Street



Northeast View – Block 10

Old Georgetown Road & Hoya Street





www.federalrealty.com

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