

BOARD OF SUPERVISORS

Agenda Item

Meeting Date:	November 21, 2017
Title:	Authorize the County Administrator to Advertise a Public Hearing to Consider a Tax Exemption for a Property Associated with a Health Care Clinic to Serve Active Duty and Retired Military and their Families
Department:	County Administration
Staff Contact:	Michael T. Smith, Deputy County Administrator
Board Committee/ Other BACC:	Community and Economic Development Committee (CEDC)
Staff Recommendation:	Approval
Fiscal Impact:	N/A
Time Sensitivity:	Public hearing scheduled for December 19, 2017 to meet federal contract timeline

ATTACHMENTS:

1.	Background Report	4.	Proposed Resolution R17-306
2.	Proposed Resolution R17-293	5.	Draft Service Charge Agreement
3.	Proposed Ordinance O17-43		

<input checked="" type="checkbox"/>	Consent Agenda	<input type="checkbox"/>	Other Business	<input type="checkbox"/>	Unfinished Business
	Discussion		Presentation		Work Session
	New Business		Public Hearing		Add-On

REVIEW:

X	County Administrator	<i>Michael T. Smith for TCF</i>
X	County Attorney (legal review only)	<i>Ryshede M. Miller for C&D</i>
X	Commissioner of the Revenue	<i>[Signature]</i>
X	Finance and Budget	<i>Maria Reese</i>

DISTRICT:	N/A
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BACKGROUND REPORT

Medicorp Properties, Inc. ("MPI") submitted an application to obtain property tax exemption by designation for (i) Tax Map Parcel Nos. 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10; and (ii) approximately 1.492 acres of property identified as George Washington Avenue and an associated turn lane, each identified as such and dedicated for public street purposes pursuant to a "Plat of Subdivision - East Campus Stafford Hospital Center" by Mark D. Goodpasture, dated October 23, 2012, and recorded as Instrument No. 130026573 to be vacated (collectively, the East Campus Parcel) in Stafford County pursuant to Virginia Code § 58.1-3651 and Stafford County Code Sec. 23-14. The exemption would apply to the land and improvements described within this application for the East Campus Parcel.

The East Campus Parcel is part of a larger parcel of land obtained by MPI over ten years ago for the development, construction and operation of Stafford Hospital and other healthcare operations. MPI is a Virginia non-stock corporation whose sole member is Mary Washington Healthcare. Mary Washington Healthcare is a Virginia non-stock corporation that, through its subsidiaries, owns and operates a health system consisting of Stafford Hospital, Mary Washington Hospital, physician office practices, and various other health care facilities. Mary Washington Healthcare and MPI are each exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC), and MPI is a public charity pursuant to IRC Section 509(a)(3) as a supporting organization of Mary Washington Hospital and Stafford Hospital. As such, MPI is primarily organized and operated to own, manage, and maintain real estate associated with Mary Washington Healthcare's operations. This may include, but not be limited to the sale, lease, and development of real estate to third parties for use on the campus of each respective hospital.

MPI initially acquired additional land east of Stafford Hospital, which consists of the East Campus Parcel, for future development and subdivided a portion of the land into ten separate lots. Despite active efforts and marketing by commercial brokerage services, no development or activity has occurred with regards to each of these lots, and MPI is still the fee owner of each. Earlier this year, CRAAssociates, Inc. (CRA) approached MPI about a proposal that it was interested in submitting to the federal government for the development and operation of a new outpatient healthcare facility benefiting military personnel and their beneficiaries, pursuant to a contract that CRA was pursuing with the federal government. This new proposed medical facility (Facility) would be located within the East Campus Parcel. Specifically, CRA and MPI have entered into a ground lease, subject to CRA being awarded a contract with the federal government for the development, construction, ownership, and operation of this Facility, for CRA to construct the Facility, convey it to MPI, and then lease both the land and the Facility from MPI for a term of up to 30 years. In order for the financing of this project to work, MPI and CRA discussed MPI submitting this application for exemption by designation specifically limited to the East Campus Parcel and its use, pursuant to CRA's contract to operate and manage the above-referenced outpatient care facility on behalf of the federal government. Rent received by MPI for its lease of the East Campus Parcel to CRA would not exceed MPI's tax exempt bond financing costs for its Stafford County campus. As a condition to Stafford County recognizing the East Campus Parcel land and improvements as being exempt by designation from property taxation, MPI would agree to notify the County of any changes to its debt service amortization schedule for the Stafford Hospital campus.

MPI agrees to reimburse the County's cost of publishing notice of a public hearing required for considering this application, as required by Virginia Code § 58.1-3651(B). As part of this application, and in consideration for the exemption by designation for the East Campus Parcel, MPI is committed to entering into an agreement with Stafford County, pursuant to Virginia Code § 58.1-3400, to pay a service charge with respect to the East Campus Parcel to the County in consideration of the County's expenditures for furnishing police, fire protection, and other general government services, as described within Virginia Code § 58.1-3401.

Specifically, MPI proposes to pay a service charge, which is a payment in lieu of taxes (PILOT), of \$75,000 per year (with an annual escalation of 2%) for so long as the land and improvements on the East Campus Parcel is tax exempt and are being used in the manner consistent with the uses described in the application. A proposed draft "PILOT Agreement" (Attachment 5) is included in order to memorialize that arrangement.

The following information addresses the specific items required pursuant to Virginia Code Section 58.1-3651 and Stafford Code Sec. 23-14(a). Specifically, the statute requires the County to consider, among other things, the following questions:

1. *Whether the organization is exempt from taxation pursuant to § 501(c) of the Internal Revenue Code of 1954.*

MPI is a Virginia non-stock corporation that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and a public charity pursuant to Section 509(a)(3) of the Internal Revenue Code. MPI is organized and operated for charitable purposes, which includes supporting the charitable mission and purposes of Mary Washington Hospital, Inc. and Stafford Hospital, LLC. To fulfill this mission, MPI owns, manages, and maintains real estate associated with Mary Washington Healthcare's operations. This may include, but not be limited to, the sale, lease, and development of real estate to third parties for use on the campus of each respective hospital. The IRS has determined that Mary Washington Healthcare and its affiliates are tax exempt. MPI is included as a subordinate organization within this group exemption.

2. *Whether a current annual alcoholic beverage license for serving alcoholic beverages has been issued by the Virginia Department of Alcoholic Beverage Control Board to such organization, for use on such property.*

No alcoholic beverage control license has been issued to MPI by the Virginia Alcoholic Beverage Control Board for use on the East Campus Parcel nor is it intended that one will be issued.

3. *Whether any director, officer, or employee of the organization is paid compensation in excess of a reasonable allowance for salaries or other compensation for personal services which such director, officer, or an employee actually renders.*

No director, officer or employee of MPI is paid in excess of reasonable compensation for services actually rendered. Mary Washington Healthcare (on behalf of MPI employees) contracts with Mercer LLC to provide employee compensation, benefit and wage survey information, benchmarks and consulting services to ensure that such compensation and benefits are consistent with ever-changing market values. For certain senior executives with MPI, the Mary Washington Healthcare Executive Compensation Committee works with Yaffe & Company, a firm experienced in structuring executive compensation arrangements for nonprofit healthcare organization, to ensure that the compensation and benefits provide to such individuals are consistent with market values.

4. *Whether any part of the earnings of such organization inures to the benefit of any individual, and whether any significant portion of this services provided by such organization is generated by funds received by donations, contributions, or local, state, or federal grants. As used in this subsection, donations shall include providing personal services or the contribution of in-kind or other material services.*

No part of the earnings of MPI inures to the benefit of any individual. MPI is a Virginia nonstock corporation and has no owners or shareholders. The sole corporate member of MPI is Mary Washington Healthcare, which is also a Virginia nonstock corporation that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code. No significant portion of the services provided by MPI is generated by donations, gifts, grants or contributions.

Rather, MPI's revenue is primarily generated from rental income related to its owned real estate and funding from various affiliates of Mary Washington Healthcare. Mary Washington Healthcare's other true-exempt affiliates do rely on gifts, grants and contributions to help fund their health care operations.

5. *Whether the organization provides services for the common good of the public.*

The organization promotes the availability and convenience of health care services for the general public by making medical office space available and otherwise providing property management services to support Stafford Hospital and certain other healthcare providers in Stafford County. When MPI acquired the land for Stafford Hospital, adjoining vacant land was acquired to help facilitate this purpose. Subject to the award of a federal contract, CRA now intends to develop, construct, maintain and operate an outpatient medical facility on such excess land for active duty and retired military and their families. This new facility will make healthcare services even more readily available, create hundreds of new jobs in Stafford County and have other positive downstream effects on the Stafford County economy.

6. *Whether a substantial part of the activities of the organization involves carrying on propaganda, or otherwise attempting to influence legislation and whether the organization participates in, or intervenes in, any political campaign on behalf of any candidate for public office.*

MPI does not participate in activities to influence legislation and does not participate in any campaigning or political activities whatsoever.

7. *The revenue impact to the locality and its taxpayers of exempting the property.*

The positive revenue impact on Stafford County that results from exempting the East Campus Parcel will be significant. MPI paid \$86,878.50 in total property taxes for 2016 for the East Campus Parcel even though the East Campus Parcel remained undeveloped. As it is undeveloped, no services for the common good or other downstream revenue was generated for the County. Despite MPI's best efforts, the East Campus Parcel has remained undeveloped for approximately ten years.

The planned outpatient medical facility on the East Campus Parcel will provide over 100,000 square feet of medical facility space to provide medical services for active duty and retired military and their families in Stafford County; it plans to employ approximately 250 full-time medical professionals and medical support personnel who have been screened and are highly qualified; it plans to contract with Mary Washington Healthcare for staff and resource sharing in the future; it plans to render medical care to over 28,000 military beneficiaries upon opening and to over 34,000 beneficiaries within five years and it will contract with local suppliers and contractors to help facilitate the operations of the medical facility. The patients, visitors, employees, contractors and suppliers for the new medical facility will each have a positive impact on the Stafford County economy through the purchase of goods and services in Stafford County and the potential relocation of homes and business to the County to support the medical facility.

In addition to this significant downstream economic impact, MPI is willing to enter into an agreement with Stafford County to pay \$75,000 per year, at an annually compounding rate of 2%, during the term of the ground lease as a payment in lieu of property taxes for the East Stafford Parcel and improvements. Therefore, the combination of the positive downstream economic impact and the annual PILOT payment will result in a net positive revenue impact to Stafford County.

Staff reviewed the proposed tax exemption designation application and recommends approval of proposed Resolution R17-293, which authorizes the County Administrator to advertise a public hearing to consider a tax exemption for a property associated with a health care clinic to serve active duty and retired military and their families.

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, George L. Gordon, Jr., Government Center, Stafford, Virginia, on the 21st day of November, 2017:

MEMBERS:

- Paul V. Milde, III, Chairman
- Meg Bohmke, Vice Chairman
- Jack R. Cavalier
- Wendy E. Maurer
- Laura A. Sellers
- Gary F. Snellings
- Robert "Bob" Thomas, Jr.

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

A RESOLUTION AUTHORIZING THE COUNTY ADMINISTRATOR TO ADVERTISE A PUBLIC HEARING TO CONSIDER A TAX EXEMPTION FOR PROPERTY ASSOCIATED WITH A HEALTH CARE CLINIC TO SERVE ACTIVE DUTY AND RETIRED MILITARY AND THEIR FAMILIES

WHEREAS, Medicorp Properties, Inc. (MPI) has submitted an application to obtain property tax exemption by designation for (i) Tax Map Parcels 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10; and (ii) approximately 1.492 acres of land identified as George Washington Avenue and an associated turn lane, each identified as such and dedicated for public street purposes pursuant to a "Plat of Subdivision - East Campus Stafford Hospital Center" by Mark D. Goodpasture dated October 23, 2012, and recorded as Instrument No. 130026573, to be vacated; and

WHEREAS, the parcels and land identified to be tax exempt are owned by MPI; and

WHEREAS, Mary Washington Health Care and it subsidiary MPI are each exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code ("IRC"); and

WHEREAS, MPI plans to rent the land to CRAssociates in order to develop, construct, maintain and operate an outpatient medical facility for active duty and retired military and their families; and

WHEREAS, the application submitted by MPI has been determined to be complete and in compliance with State Code; and

WHEREAS, the Board desires and is required to conduct a public hearing to property as exempt from taxation;

NOW, THEREFORE, BE IT RESOLVED by the Stafford County Board of Supervisors on this the 21st day of November, 2017, that it be and hereby does authorize the County Administrator to advertise a public hearing to consider a tax exemption for property associated with a health care clinic to serve active duty and retired military and their families on tax map parcels 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10, and approximately 1.492 acres of land identified as George Washington Avenue and an associated turn lane, each identified as such and dedicated for public street purposes pursuant to a "Plat of Subdivision - East Campus Stafford Hospital Center" by Mark D. Goodpasture dated October 23, 2012, and recorded as Instrument No. 130026573, to be vacated.

TCF:mts

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

ORDINANCE

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, George L. Gordon, Jr., Government Center, Stafford, Virginia, on the 19th day of December, 2017:

MEMBERS:

- Paul V. Milde, III, Chairman
- Meg Bohmke, Vice Chairman
- Jack R. Cavalier
- Wendy E. Maurer
- Laura A. Sellers
- Gary F. Snellings
- Robert “Bob” Thomas, Jr.

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

AN ORDINANCE TO DESIGNATE TAX MAP PARCEL NOS. 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 AND 39-R-10; AND APPROXIMATELY 1.492 ACRES OF PROPERTY IDENTIFIED AS GEORGE WASHINGTON AVENUE AND AN ASSOCIATED TURN LANE, LOCATED WITHIN THE AQUIA ELECTION DISTRICT, AS TAX EXEMPT WHILE BEING USED FOR A HEALTH CARE CLINIC TO SERVE ACTIVE DUTY AND RETIRED MILITARY AND THEIR FAMILIES

WHEREAS, the Board desires to designate certain properties associated with a health care clinic to serve active duty and retired military and their families as tax exempt; and

WHEREAS, the Board has considered the factors for granting tax exemptions as required by Virginia Code Section 58.1-3651 and Stafford Code Section 23-14(a) and the Board hereby finds as follows:

1. *Whether the organization is exempt from taxation pursuant to § 501(c) of the Internal Revenue Code of 1954.*

MPI is a Virginia nonstock corporation that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and a public charity pursuant to Section 509(a)(3) of the Internal Revenue Code.

2. *Whether a current annual alcoholic beverage license for serving alcoholic beverages has been issued by the Virginia Department of Alcoholic Beverage Control Board to such organization, for use on such property.*

No alcoholic beverage control license has been issued to MPI by the Virginia Alcoholic Beverage Control Board for use on the East Campus Parcel nor is it intended that one will be issued.

3. *Whether any director, officer, or employee of the organization is paid compensation in excess of a reasonable allowance for salaries or other compensation for personal services which such director, officer, or an employee actually renders.*

No director, officer or employee of MPI is paid in excess of reasonable compensation for services actually rendered. Mary Washington Healthcare (on behalf of MPI employees) contracts with Mercer LLC to provide employee compensation, benefit and wage survey information, benchmarks and consulting services to ensure that such compensation and benefits are consistent with ever-changing market values.

4. *Whether any part of the earnings of such organization inures to the benefit of any individual, and whether any significant portion of this services provided by such organization is generated by funds received by donations, contributions, or local, state, or federal grants. As used in this subsection, donations shall include providing personal services or the contribution of in-kind or other material services.*

No part of the earnings of MPI inures to the benefit of any individual. MPI is a Virginia nonstock corporation and has no owners or shareholders.

5. *Whether the organization provides services for the common good of the public.*

The organization promotes the availability and convenience of health care services for the general public by making medical office space available and otherwise providing property management services to support Stafford Hospital and certain other healthcare providers in Stafford County.

6. *Whether a substantial part of the activities of the organization involves carrying on propaganda, or otherwise attempting to influence legislation and whether the organization participates in, or intervenes in, any political campaign on behalf of any candidate for public office.*

MPI does not participate in activities to influence legislation and does not participate in any campaigning or political activities whatsoever.

7. *The revenue impact to the locality and its taxpayers of exempting the property.*

The positive revenue impact on Stafford County that results from exempting the East Campus Parcel will be significant. MPI paid \$86,878.50 in total property taxes

for 2016 for the East Campus Parcel even though the East Campus Parcel remained undeveloped.

; and

WHEREAS, Medicorp Properties Inc. submitted a tax exempt designation application that met all requirements of Virginia Code § 58.1-3651 and County Code Section 23-14;

NOW, THEREFORE, BE IT ORDAINED by the Stafford County Board of Supervisors on this the 19th day of December, 2017, that an exemption from local taxation, which may be revoked in accordance with the provisions of law, be and hereby is granted by the Board of Supervisors pursuant to Section 6(a)(6) of Article X of the Constitution of Virginia and Section 58.1-3651 of the Code of Virginia (1950), as amended, for Tax Map Parcel Nos. 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10; and (ii) approximately 1.492 acres of land identified as George Washington Avenue and an associated turn lane, each identified as such and dedicated for public street purposes pursuant to a "Plat of Subdivision - East Campus Stafford Hospital Center" by Mark D. Goodpasture, dated October 23, 2012, and recorded as Instrument No. 130026573.

BE IT FURTHER ORDAINED that the exemption shall be contingent on the continued use of the property for the development, construction, ownership, and operation of an outpatient healthcare facility benefiting military personnel and their beneficiaries.

TCF:mts

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, George L. Gordon, Jr., Government Center, Stafford, Virginia, on the day of , 2017:

MEMBERS:

- Paul V. Milde, III, Chairman
- Meg Bohmke, Vice Chairman
- Jack R. Cavalier
- Wendy E. Maurer
- Laura A. Sellers
- Gary F. Snellings
- Robert “Bob” Thomas, Jr.

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

A RESOLUTION AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE A SERVICE CHARGE AGREEMENT WITH MEDICORP PROPERTIES, INC., FOR PAYMENTS IN LIEU OF TAXES

WHEREAS, Medicorp Properties, Inc. ("MPI") has received a tax exemption designation for (i) Tax Map Parcels 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10; and (ii) approximately 1.492 acres of land identified as George Washington Avenue and an associated turn lane, each identified as such and dedicated for public street purposes pursuant to a "Plat of Subdivision - East Campus Stafford Hospital Center" by Mark D. Goodpasture dated October 23, 2012, and recorded as Instrument No. 130026573; and

WHEREAS, the parcels identified as tax exempt are owned by MPI; and

WHEREAS, Mary Washington Health Care and it subsidiary MPI are each exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code; and

WHEREAS, MPI has entered into a Ground Lease with CRAAssociates, Inc. (“CRA”) for the MPI Parcel that has a maximum term of thirty (30) years after it commences (“Lease”); and

WHEREAS; Pursuant to the Lease, CRA will develop, construct, manage and maintain a building and other improvements on the MPI Parcel (the "Improvements" and, collectively with the MPI Parcel, the "MPI Property") for the sole purpose of CRA or its assigns to operate and manage an outpatient health care complex for military personnel and their families pursuant to a contractual arrangement, including any applicable amendments or restatements, between CRA or its assigns and the federal government; and

WHEREAS, The County provides and incurs expenses in providing police, fire and other general government services to benefit the MPI Property; and

WHEREAS, the parties desire to memorialize the terms for MPI's payment of an annual service charge paid to the County in lieu of taxes ("PILOT") pursuant to Virginia Code Section 58.1-3400, et. seq., and other applicable law; and

WHEREAS, MPI has offered a Service Charge Agreement (Agreement) which includes an annual service charge by MPI to the County of \$75,000, at an annually compounding rate of 2% to account for inflation and the increase in costs for public services provided by the County;

NOW, THEREFORE, BE IT RESOLVED by the Stafford County Board of Supervisors on this the day of , 2017, that it be and hereby does authorize the County Administrator, or his designee, to execute a Service Charge Agreement for a payment in lieu of taxes for tax map parcels 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10; and 1.492 acres of land identified as George Washington Avenue and an associated turn lane, each identified as such and dedicated for public street purposes pursuant to a "Plat of Subdivision - East Campus Stafford Hospital Center" by Mark D. Goodpasture dated October 23, 2012, and recorded as Instrument No. 130026573; and

BE IT FURTHER RESOLVED that the Service Charge Agreement shall include an annual service charge paid by MPI to the County of \$75,000, at an annually compounding rate of 2%, and any other such additional terms and provisions which are in the best interests of the County.

TCF:mts

SERVICE CHARGE AGREEMENT

This SERVICE CHARGE AGREEMENT (“Agreement”) is made and entered into effective on _____, 2017 (the “Effective Date”), by and between MEDICORP PROPERTIES, INC., a Virginia nonstock corporation (“MPI”), and the COUNTY OF STAFFORD, VIRGINIA, a county government formed under the laws of the Commonwealth of Virginia (the “County”).

RECITALS:

R.1. MPI owns various real property in the County, including approximately 20.6 acres of land currently identified as Tax Map Parcels 39-R-A, 39-R-B, 39-R-C, 39-R-1, 39-R-2, 39-R-3, 39-R-4, 39-R-5, 39-R-6, 39-R-7, 39-R-8, 39-R-9 and 39-R-10 (collectively, the “MPI Parcel”).

R.2. MPI is exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (“IRC”) and its sole corporate member is Mary Washington Healthcare (“MWHC”).

R.3. MPI is organized and operated exclusively for charitable purposes, which include owning, developing, managing and leasing real property for the benefit of and to further the interests of MWHC and its affiliates, which includes but is not limited to, the promotion of health.

R.4. MPI has entered into a Ground Lease with CRAAssociates, Inc. (“CRA”) for the MPI Parcel that has a maximum term of thirty (30) years after it commences (“Lease”).

R.5. Pursuant to the Lease, CRA will develop, construct, manage and maintain a building and other improvements on the MPI Parcel (the “Improvements” and, collectively with the MPI Parcel, the “MPI Property”) for the sole purpose of CRA or its assigns operating and managing an outpatient health care complex on the MPI Parcel for military personnel and their families pursuant to a contractual arrangement, including any applicable amendments or restatements, between CRA or its assigns and the federal government (the “Federal Contract”).

R.6. The Lease is contingent upon CRA entering into the Federal Contract and obtaining various approvals from the County related to the Improvements.

R.7. Upon completion of the Improvements, the Lease requires CRA to convey title to the Improvements to MPI, with CRA having the right to occupy, improve and maintain the MPI Property during the term of the Lease.

R.6. Pursuant to Virginia Code Section 58.1-3651 and Stafford County Code Section 23-13, the County granted MPI property tax exemption by designation on _____, 2017 solely with respect to MPI Property land and improvements.

R.7. The County provides and incurs expenses in providing police, fire and waste disposal services to benefit the MPI Property and the parties desire to memorialize the terms for MPI's payment of an annual fee to the County in lieu of tax ("PILOT") pursuant to Virginia Code Section 58.1-3400 *et. seq.* and other applicable law.

NOW, THEREFORE, for and in consideration of the promises and mutual covenants herein contained and other good and valuable consideration, the receipt and adequacy all of which are forever acknowledged, the parties hereby agree as follows:

1.0 Definitions.

- 1.1 "Annual Fee" means an annual service fee payable by MPI to the County of \$75,000.00 at an annually compounding rate of 2%. By way of illustration, the first payment by MPI to the County under this Agreement will be \$75,000, and the annual payment in the thirtieth year of this Agreement will be \$133,188.35. The parties agree that this escalation reasonably accounts for inflation and the increase in costs for public services provided by the County.
- 1.2 "Effective Date" means _____, 2017.
- 1.3 "Exemption" means the exemption by designation from property taxation (applicable to the MPI Property and future improvements and modifications thereto) that the County has agreed to grant to MPI pursuant to its authority within Virginia Code Section 58.1-3651 and Stafford County Code Section 23-13 as a condition precedent of this Agreement.
- 1.4 "Specified Purpose" means the development, construction, maintenance, management and operation of an outpatient health care complex for military veterans and their families pursuant to the terms of the Federal Contract.

2.0 Term. This Agreement shall commence on the Effective Date and shall continue in effect until the Lease is terminated, the MPI Property is no longer utilized for the Specified Purpose, or thirty years elapse, whichever occurs sooner.

3.0 Obligations of County.

- 3.1 Provide Municipal Services. The County agrees to provide police, fire and other general government services for the MPI Property throughout the term of this Agreement.
- 3.2 Billing of Annual Fee. The County shall bill the Annual Fee to MPI on a semi-annual basis, with such bill being due in accordance with the due dates for real estate taxes in the County.

- 3.3 Effect of Annual Fee Payments. Other than the Annual Fee, the County shall not seek additional payments with respect to the MPI Property for any property taxes, leasehold interest taxes or service charges from MPI or any tenant utilizing the MPI Property for the Specified Purpose during the term of this Agreement. The County shall use best efforts to ensure that no constitutional officers, employees or agents of the County seek any additional payments for such taxes or fees with respect to the MPI Property during the term of this Agreement.
- 3.4 Effect of Exemption – The County recognizes that the Exemption is made in accordance with the applicable laws of the Commonwealth of Virginia and applies, to the extent thereunder, to the MPI Property and including future modifications thereto which are consistent with the Specified Purpose, and the County will not impose any real or personal property taxes with respect to the MPI Property during the term of this Agreement pursuant to such Exemption. The County will not repeal or materially limit or condition the Exemption during the term of this Agreement.

4.0 Obligations of MPI.

- 4.1 Annual Fee. MPI agrees to pay the fixed Annual Fee to the County. MPI will not be directly or indirectly liable for any service or similar fees added to the Annual Fee attributed to the assessment or reassessment of the MPI Property. MPI is not relieved of its obligation to pay the Annual Fee if the County fails to issue a bill pursuant to Section 3.2 at any point during the duration of this Agreement.
- 4.2 Notice of Changes. MPI agrees to promptly notify the County of the termination of the Lease and any material modification or uses of the MPI Property that are inconsistent with the Specified Purposes.

5.0 Reserved Rights of County.

- 5.1 Termination of Exemption. If this Agreement is terminated, such termination shall serve as grounds for termination of the Exemption.
- 5.2 Other Taxes. Except for property taxes for the MPI, the parties expressly agree that this Agreement and the Exemption from taxation herein described shall have no effect whatsoever and shall in no way prejudice the County's right to collect other taxes, which are not attributed to the MPI Property, that may be lawfully due and owing by MPI where no other exemption applies. By way of example, these others taxes include, but are not limited to, meals, sales, merchants' capital, and other taxes associated with a for-profit business on the MPI Property.

6.0 Reserved Rights of MPI. This Agreement does not prejudice the right of MPI to appeal or otherwise dispute or challenge any assessment or reassessment which may occur after the Effective Date of this Agreement to any of its property in the County. However, by entering into this Agreement MPI agrees that the Annual Fee is a reasonable annual service charge for the public services it will be provided by the County for the duration of this Agreement.

7.0 Termination.

7.1 Termination of Exemption. MPI may terminate this Agreement immediately in the event the Exemption is terminated, rescinded, revoked or modified.

7.2 Termination for Uncured Breach. In the event MPI is in breach of any term, condition or covenant within this Agreement, the County may terminate this Agreement immediately in the event MPI fails to cure such breach within thirty (60) days of MPI's receipt of written notification of such breach from the County. In the event the County is in breach of any term, condition or covenant within this Agreement, MPI may terminate this Agreement immediately in the event the County fails to cure such breach within thirty (60) days of the County's receipt of written notification of such breach from MPI.

7.3 Termination or Lease and Specified Purpose. Either party may terminate this Agreement upon written notice to the other party upon both the termination or non-renewal of the Lease and the failure of the MPI Property to be utilized for the Specified Purpose.

8.0 Notice. Notice under this Agreement shall be in writing and shall be deemed given either (i) upon three (3) days after deposit in the mail if sent by certified mail, return receipt requested; or (ii) upon receipt if hand-delivered or submitted by overnight delivery by a nationally recognized overnight courier with a return receipt requested. Notice to the respective parties should be addressed:

If to MPI: MediCorp Properties, Inc.
2300 Fall Hill Avenue, Suite 206
Fredericksburg, VA 22401
Attn: Director

With a copy to: Mary Washington Healthcare
Regulatory Affairs and Risk Management
2300 Fall Hill Avenue, Suite 509
Fredericksburg, VA 22401

If to COUNTY: County of Stafford
1300 Courthouse Road

Stafford, VA 22555
Attention: County Administrator

With a copy to:

County Attorney
County of Stafford
1300 Courthouse Road
Stafford, VA 22555

- 9.0 Severability.** Each paragraph and provision of this Agreement is severable from the entire Agreement. If any provision is declared invalid, the remaining provisions shall nevertheless remain in effect.
- 10.0 Entire Agreement.** This Agreement sets forth all of the promises, agreements, conditions and understandings between the parties respecting the subject matter hereof and supersedes all negotiations, conversations, discussions, correspondence, memoranda and agreements between the parties concerning such subject matter. This Agreement hereby supersedes and serves in full substitution of any and all prior agreements among any of the parties with regard to the subject matter described herein.
- 11.0 Amendment.** No modification, amendment, or attempted waiver of any of the provisions of this Agreement shall be valid unless in writing signed by the County and MPI.
- 12.0 Choice of Law / Choice of Venue.** The parties hereby agree that all provisions of this Agreement shall be construed, governed and enforced in accordance with the laws of the Commonwealth of Virginia. Any disputes arising out of this Agreement shall be heard and tried before the Stafford County Circuit Court.
- 13.0 No Waiver.** No failure or delay on the part of either party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No waiver of or consent to any departure by either party from any provision of this Agreement shall be effective unless signed in writing by the party entitled to the benefit thereof. Any waiver of any provision of this Agreement, and any consent to any departure from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.
- 14.0 Miscellaneous.** This Agreement may be executed and delivered in a number of counterparts each of which, when so executed and delivered, shall be deemed an original and all such counterparts shall together constitute one and the same Agreement. Each recital and exhibit to this Agreement is hereby incorporated by reference into this Agreement. The division of this Agreement into sections and subsections and the use of captions and headings in connection therewith are

solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGE TO FOLLOW.]

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their authorized officers, all as of the date and year first above written.

MPI:

MEDICORP PROPERTIES, INC.

By: _____ Date: _____
Sean T. Barden
Executive Vice President and CFO

COUNTY:

COUNTY OF STAFFORD, VIRGINIA

By: _____ Date: _____
Thomas C. Foley
County Administrator

Approved as to Form:

_____ Date: _____
Charles L. Shumate, Esq.
County Attorney