Perkins Somerset Oldtown Neighborhoods

Supplemental Tax Increment Financing Application

BALTIMORE CITY, MARYLAND

JULY 21, 2020

APPLICANT: DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ADDRESS: 417 East Fayette Street, 14th Floor, Baltimore Maryland, 21202

PHONE: (443) 984-5751

CONTACT: Jalal Greene, Chief Operations Officer

EMAIL: Jalal.greene@baltimorecity.gov

PERKINS SOMERSET OLDTOWN NEIGHBORHOODS SUPPLEMENTAL APPLICATION FOR TAX INCREMENT FINANCING

TABLE OF CONTENTS

I. INTRODUCTION

In 2018, the City of Baltimore Board of Finance reviewed the original tax increment financing ("TIF") application for the Perkins Somerset Oldtown ("PSO") neighborhoods located in the Choice Neighborhood Implementation Planning Area ("CNI Planning Area"). The original TIF application included a preliminary project plan. The Board of Finance granted conceptual approval based on the 2018 application.

This supplemental TIF application provides updates to the project plans that have occurred since the initial conceptual approval. All information not addressed in this supplemental TIF application is substantially consistent with the original TIF application.

This supplemental TIF application represents a plan for the PSO development ("PSO Plan") and additional development ("Additional Development Plan," collectively the "Development Plan") located within the proposed TIF development district ("Development District"). The supplemental application is being submitted so that the Board of Finance may evaluate whether the revised TIF plan remains consistent with the City of Baltimore's TIF policies. A subsequent approval will be required by the Board of Finance for the issuance of this debt.

In accordance with City policy, which requires that a TIF must be proposed by a department of the City for Board of Finance consideration, this supplemental TIF application is being submitted by the Department of Housing and Community Development ("DHCD"). The proposed TIF would provide for the issuance of bonds in the approximate amount of $105,000,000 to finance $76,000,000 of public and infrastructure improvements for the proposed Development. The Development as explained in this application is a priority project for DHCD and the City and important to fulfilling DHCD's mission on behalf of the City.

MERITS OF THE PROJECT

The Development Plan encompasses a 244-acre transformation zone home to 5,939 residents, 89% of which are renters and 60% of which are living in poverty. The zone includes two public housing developments (Perkins and Douglas Homes), the former site of Somerset homes, and area redeveloped under Hope VI (Pleasant View Gardens, Latrobe Homes and Albemarle Square).

The Development Plan area is surrounded by dynamic urban neighborhoods that have experienced tremendous growth in recent years. This growth is expanding inward to Perkins from all sides, providing new employment opportunities in the services, retail, and entertainment sectors.

Given the pressures of gentrification and the broad mix of residents who would like to call PSO home – including existing and potential residents of varying income who seek to live in a vital, urban neighborhood – the housing plan maintains affordability. The Development Plan replaces the existing Perkins units one-for-one, and it includes provisions to ensure the long-term affordability for all other affordable housing units. The PSO Plan supplements affordable housing for existing residents with residences for a range of income levels, creating a vibrant community of new, modern, high-quality, well-designed, mixed-income housing. This new mixed-income housing, along with the proposed neighborhood investments, will serve as the cornerstone for reinvestment in the area, catalyzing new commercial, institutional, and additional residential development along the corridor connecting the Johns Hopkins medical campus to the Baltimore Harbor.

BALTIMORE CITY
DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT

July 27, 2020

Baltimore City Board of Finance
c/o Steve Kraus
200 N. Holiday Street, Room 7
Baltimore, MD 21202

RE: Tax Increment Financing Proposal - Perkins Somerset Oldtown sites
Dear Mr. Kraus:

The Department of Housing and Community Development (DHCD) respectfully submits the attached Supplemental Application for Tax Increment Financing (TIF) related to the Perkins-Somerset-Oldtown Mall Transformation Plan.

The Perkins-Somerset-Oldtown (PSO) project requires City funding for the installation and maintenance of improvements associated with the construction of a new mixed-income, mixed-use community, including the new City Springs school. Total development costs are estimated to be $1,035,160,567, of which approximately $75,000,000 would be financed by the TIF, representing a portion of the costs of the school and public infrastructure associated with the project.

The bond proceeds will be used to assist a joint venture with constructing a multi-phase, mixed-use development within three sites located in the southeast district between the Central Business District, Harbor East and Fells Point, respectively. The project includes a total of 2,172 units: 652 deeply affordable and 546 moderately priced rental units, as well as 974 new market-rate housing, a new public school, new public parks and recreation space, a pedestrian-friendly streetscape and retail space. This is indeed a community-oriented TIF that will integrate pockets of existing low-income residents with the employment centers of greater downtown by delivering amenities and infrastructure improvements to increase access to workforce, human and economic development opportunities.

In order to ensure the success of PSO and in order for the City to realize the significant positive benefits of the project, which are detailed in the supplemental TIF Application, HCD respectfully requests Board of Finance approval of a TIF in an amount not to exceed $105,000,000. The TIF District will include the Housing Authority of Baltimore City's Perkins Homes buildings and former Somerset Homes site, as well as the City's properties in Oldtown Mall.

Baltimore City hired MuniCap, Inc. a Columbia-based municipal advisor specializing in tax increment financing and financial analysis to perform a but-for test and fiscal impact analysis of the proposal. The analysis has been reviewed by HCD Staff and it was determined that the TIF was a necessary financing structure for this project, that it passes the but-for test, and that expected revenues generated by the development exceed the corresponding costs to Baltimore City. The regeneration of PSO is critical to retaining low-income households and attracting additional market-rate residents to the southeast district.

Your favorable consideration of the attached TIF Application is requested, and I look forward to collaborating with you on this endeavor. Please contact me or Jay Greene, HCD Chief of Operations with any concerns or questions: Jalal.Greene@baltimorecity.gov.

Sincerely,

Jalal Greene for Michael Braverman

Michael Braverman
Commissioner

cc: Jay Greene

III. PROJECT INFORMATION

PUBLIC IMPROVEMENTS AND INFRASTRUCTURE

The proposed TIF bonds will provide funds to pay for costs of certain public and infrastructure improvements that will support the Development Plan, including the new K-8 City Springs school. The Development Plan requires approximately $123.5 million in public and infrastructure improvements, of which $76 million is proposed to be funded by the TIF bonds.

Public Improvements

City Springs School

The Development Plan requires the construction of a new school, City Springs School, located proximate to South Central Park, within a five-minute walking distance of all households. The school will host students in grades K-8 with the goal of improving student achievement, increasing parent engagement and attendance, adding high-quality after school programs, and providing support to students transitioning to high school and college.

City Springs School is estimated to cost $54 million.

Parks

The Development Plan will include two new parks, North Central Park and South Central Park, which will be located at the center of the neighborhood, inspiring a sense of community. The parks will feature space for passive and active recreation.

North Central and South Central Parks are estimated to cost $6.5 million.

Infrastructure Improvements

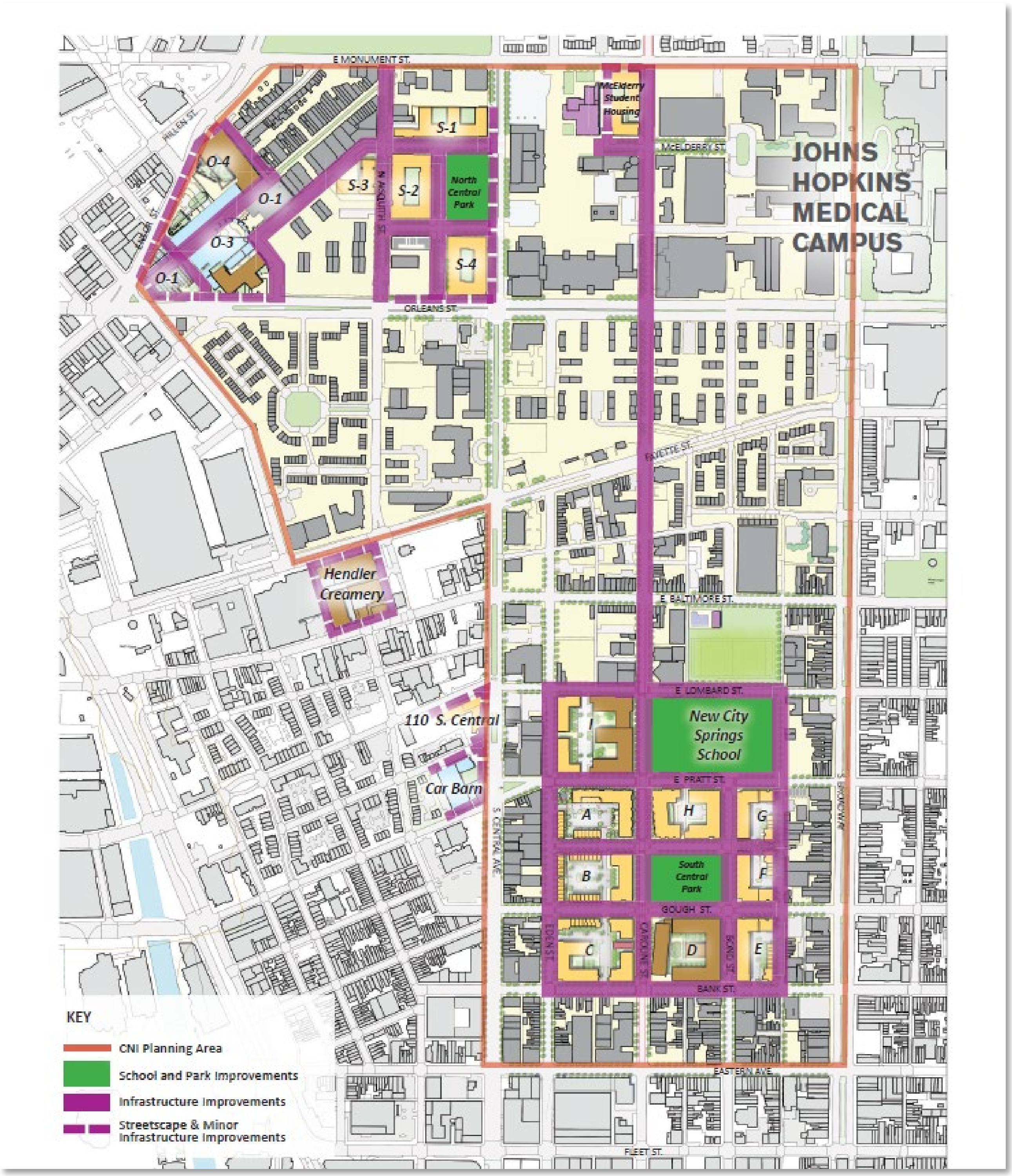
The infrastructure improvements supporting the Development Plan will consist of improving the streetscape of existing streets and adding new streets, including pedestrian walkways and bike paths, streetlighting and signage, as well as water and sewage facilities, storm water management facilities, indoor and outdoor public recreational fields, facilities, pools, public restrooms, shade structures, and comfort stations.

Infrastructure improvements are estimated to cost $63 million.

Exhibit A on the following page illustrates infrastructure improvements expected to occur.

EXHIBIT A

Public Improvement Map



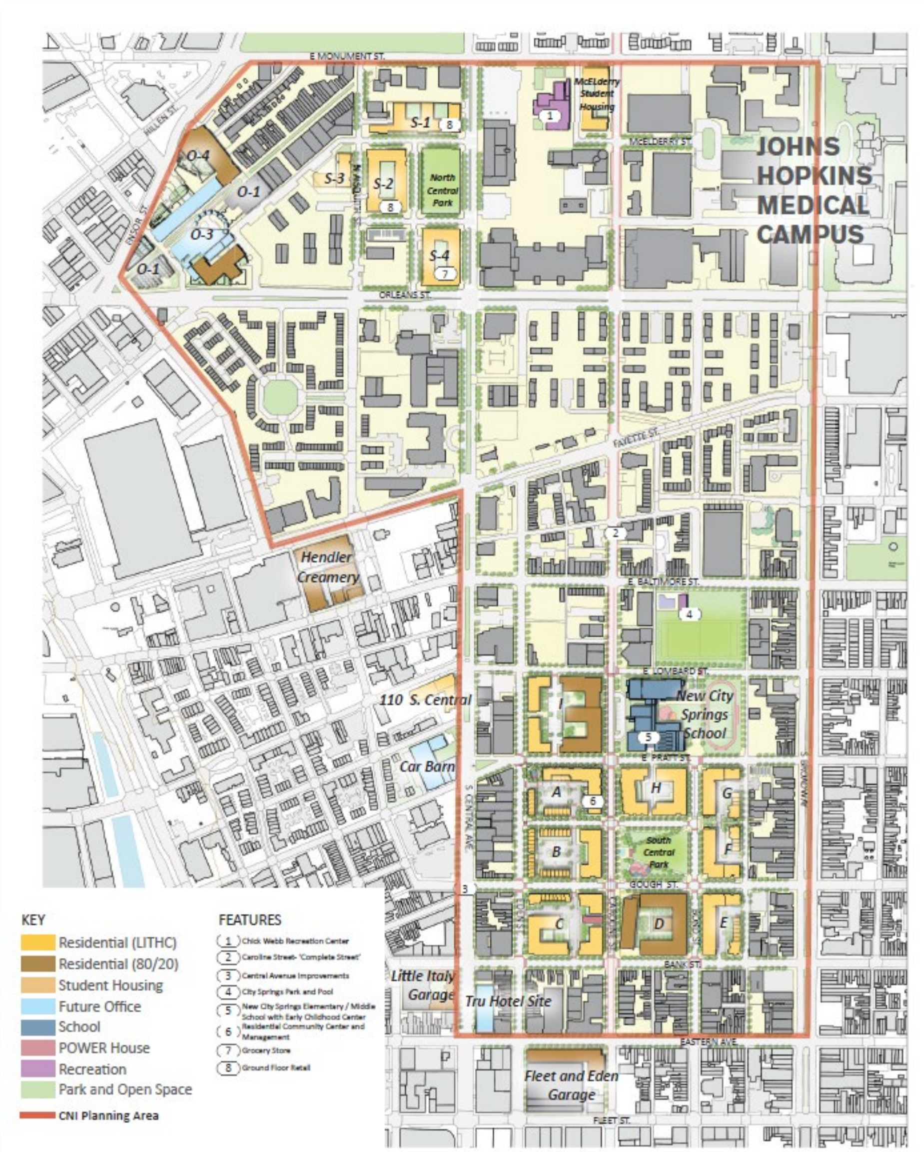
DEVELOPMENT

Development is underway and expected to be delivered over the next five years. The Development Plan consists of the PSO Plan and the Additional Development Plan. The PSO Plan is within the boundaries of the CNI Planning Area and the Additional Development Plan is located within and surrounding the CNI Planning Area.

Exhibit B illustrates development expected to occur.

EXHIBIT B
Site Map

Exhibit A
Public Improvement Map



Residential

PSO Plan

The PSO Plan begins with the redevelopment of Perkins Homes. Built in 1942, Perkins Homes has long outlived its useful life and complete demolition is now necessary. The PSO Plan will replace all 629 units with new, modern housing units. In addition to the Perkins replacement units, 717 additional units will be constructed at Perkins Homes and Somerset for a combined unit total of 1,346. Furthermore, 290 new modern housing units will be constructed at Oldtown over four phases, bringing the total number of units in these communities to 1,636. The units will serve a combination of market rate, affordable (30%-80% AMI) and deeply affordable housing.

Table III-A details expected units included in the PSO Plan.

TABLE III-A
PSO Plan

	Completion	Area		
Property Type	Date	Units	GSF per Unit	GSF
Residential (Perkins and Somerset)				
PILOT				
LIHTC - multi-family[4]				
Multi-family apartments				
Market rate	2025	367	1,213	445,273
80% AMI	2022	33	1,210	39,929
60% AMI	2025	248	1,168	289,584
RAD/PBV	2025	587	1,253	735,363
Sub-total multi-family		1,235		1,510,148
LIHTC - townhouse[4]				
Townhouse				
Market rate	2024	9	1,308	11,774
80% AMI	2022	4	1,344	5,376
60% AMI	2024	17	1,344	22,848
RAD/PBV	2024	31	1,359	42,126
Sub-total townhouse		61		82,125
LIHTC - walkup[4]				
Walkup				
60% AMI	2024	3	1,438	4,313
RAD/PBV	2024	47	1,487	69,903
Sub-total walkup		50		74,215
Sub-total Perkins and Somerset		1,346		1,666,488

Property Type	Completion Date	Area		
		Units	GSF per Unit	GSF
Oldtown				
Multi-family apartments				
Phase 3				
Market rate	2024	26	1,450	37,700
60% AMI	2024	28	1,286	36,000
30% AMI	2024	26	1,286	33,429
Sub-total Phase 3		80		107,129
Phase 2				
Market rate	2024	40	1,450	58,000
80% AMI	2024	40	1,286	51,429
50% AMI	2024	60	1,286	77,143
Sub-total Phase 2		140		186,571
Phases 1 & 4				
Market rate	2022	70	729	51,000
Sub-total Oldtown		290		344,700
Total PSO Housing Plan		**1,636**		**2,011,188**

Additional Development Plan

The Additional Development Plan consists of six multi-family apartment buildings with a combined unit total of 895 units. The units will serve a combination of market rate and affordable (30%-80% AMI) housing.

620 N. Caroline Street

In the block immediately east of Somerset, the development team will develop a mixed use building at 620 N. Caroline Street, the site of City of Baltimore City's soon to be vacant, Eastern Health Clinic. The new building will provide multi-family units targeted towards graduate students, nursing students and medical students at the Johns Hopkins Medical Campus. The building will also include structured parking and ground floor retail.

Hendler Creamery

The former Hendler Creamery site is proposed to be redeveloped as a multi-family building comprised of 168 housing units: 108 units will serve tenants earning between 40% and 80% AMI, while the remaining 60 units will be market rate.

Car Barn

The Car Barn is proposed to be redeveloped as a mixed-use facility comprised of office and retail in the historic structure and multi-family units built in a new structure along Central Avenue.

110 N. Central Avenue

A mixed income multi-family building comprised of 46 units is proposed for the vacant lots at 110 S. Central Avenue.

Table III-B provides a summary of expected units in the Additional Development Plan.

TABLE III-B
Additional Development Plan (Residential)

Property Type	Completion Date	Area		
		Units	GSF per Unit	GSF
Residential				
110 S. Central				
Multi-family apartments				
Market rate	2022	23	910	20,938
60-100% AMI	2022	23	902	20,750
Sub-total 110 S. Central		46		41,688
Hendler				
Multi-family apartments				
Market rate	2023	60	910	54,620
50% AMI	2023	108	910	98,315
Sub-total Hendler		168		152,935
Perkins Blocks D and I				
Multi-family apartments				
Market rate	2025	429	890	381,825
50% AMI	2025	107	907	97,090
Sub-total Perkins Blocks D & I		536		478,915
McElderry 620 S. Caroline				
Multi-family - market				
Student housing	2024	110	915	100,688
Car Barn				
Multi-family apartments				
New construction				
Market rate	2023	35	1,023	35,800
Sub-total		895		810,024

Commercial

The commercial development in the Development Plan is expected to include 116,000 square feet of in-line retail and shopping, 52,000 square feet of space for a grocery store, 46,000 square feet of office space and entrepreneurial incubator hub and a 120-key hotel.

Table III-C provides a summary of expected commercial development.

TABLE III-C
Additional Development Plan (Commercial)

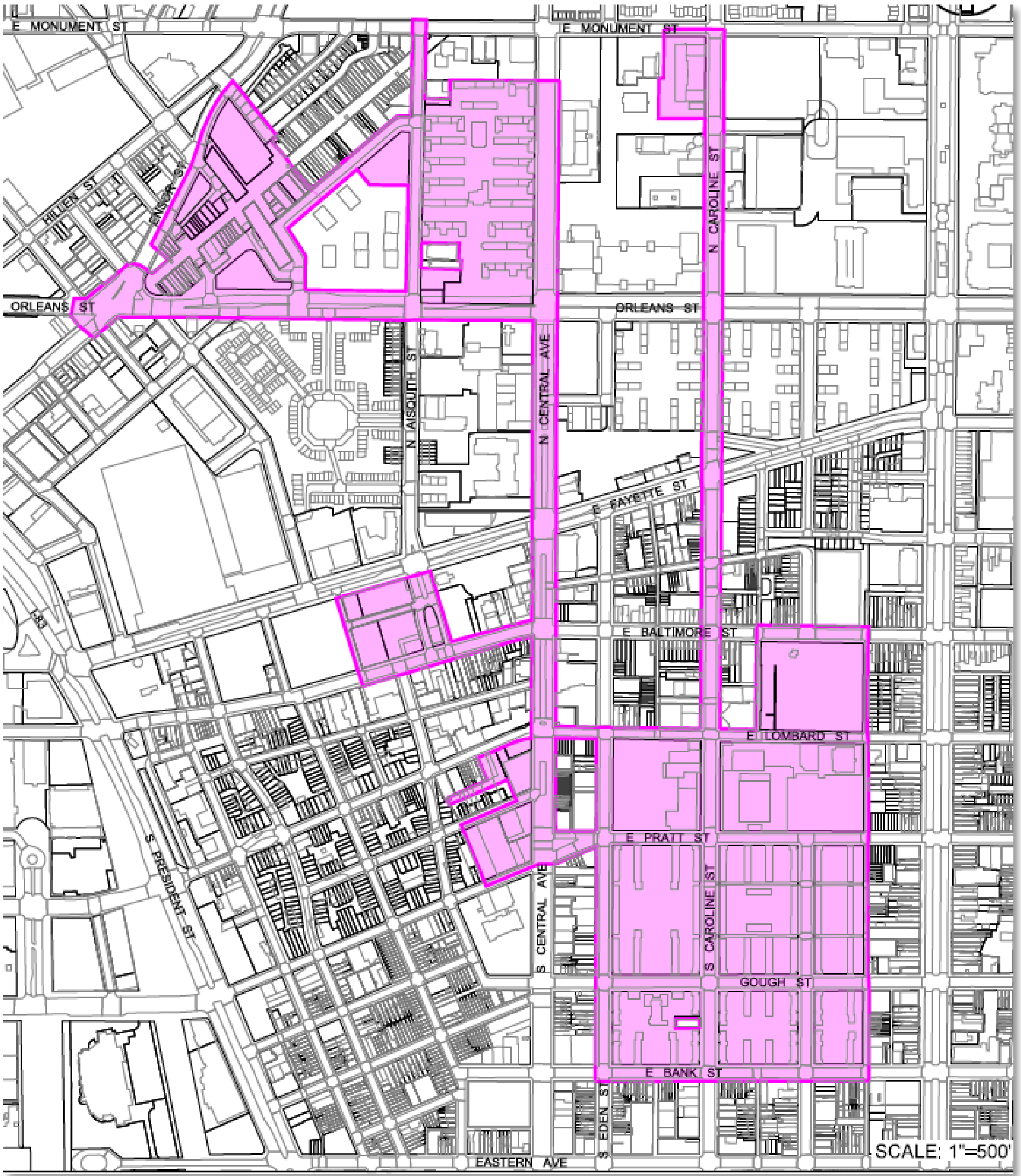
Property Type	Completion Date	Area		
		Units/ Rooms	GSF per Unit	GSF
Commercial				
Grocery	2024	-	-	50,000
Retail	2023	-	-	115,833
Car Barn				
Office	2023	-	-	38,913
Retail	2023	-	-	2,507
Hotel	2024	120	-	-
Office	2022	-	-	7,000
Total		120		214,253

DEVELOPMENT AND SPECIAL TAXING DISTRICTS

Development District

Exhibit C illustrates boundaries of the proposed development district.

EXHIBIT C
Proposed Development District

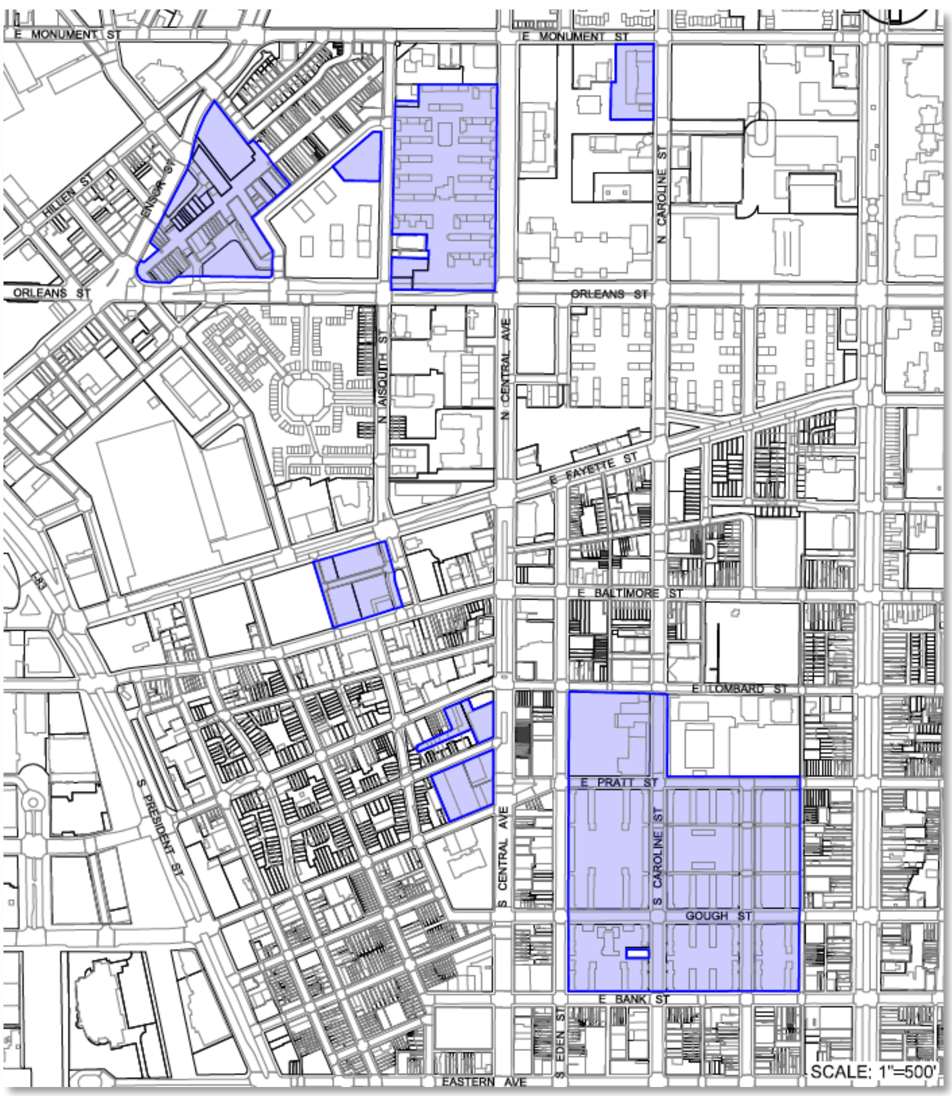


Special Taxing District

The City will have no liability to repay the TIF bonds other than the increased real property taxes. To ensure there are sufficient funds to repay the bonds, a proposed special taxing district is to be created for the purposes of levying and collecting special taxes to cover any shortfalls between debt service and tax increment revenues. The parcels in the special tax district are only those proposed for development. No other properties are included in the special taxing district. Additionally, certain parcels of residential development proposed primarily for low income housing will not be subject to special taxes.

Exhibit D illustrates boundaries of the proposed special taxing district.

EXHIBIT D
Proposed Special Taxing District



IV. PROJECT BONDS FINANCING ANALYSIS AND PRIVATE SECTOR CONTRIBUTION

The proposed plan of finance for the Development Plan includes City contributions in the form of TIF bonds, as well as other City contributions, state and federal tax credits, grants, and private investment. These sources include a $30 million CNI grant from the U.S. Department of Housing and Urban Development (HUD) awarded to HABC and the City to help to fund the Development Plan.

SOURCES AND USES OF FUNDS – TIF BONDS

The enabling legislation authorizes the City to issue TIF bonds up to $105,000,000. Three series of bonds are proposed to be issued generally from 2021 through 2024. The public and infrastructure improvement costs funded by the TIF bonds will support and enable the development as explained in the Development Plan section of this supplemental TIF application.

Table IV-A on the following page provides a summary of the sources and uses of funds for the proposed TIF bonds. The following table, **Table IV-B,** provides a summary of the public and infrastructure improvements.

TABLE IV-A
Sources and Uses of Funds (TIF Bonds)

	Series A Bond Proceeds	Percent	Series B Bond Proceeds	Percent	Series C Bond Proceeds	Percent	Total Bond Proceeds	Percent
Sources of funds:								
Total bond proceeds	$17,554,000	99.90%	$61,268,000	99.90%	$20,676,000	99.90%	$99,498,000	99.90%
Interest earned in the improvement fund	$17,643	0.10%	$63,956	0.10%	$21,272	0.00%	$102,871	0.10%
Total sources of funds	$17,571,643	100.00%	$61,331,956	100.00%	$20,697,272	100.00%	$99,600,871	100.00%
Total uses of funds:								
Public improvements	$13,041,037	74.22%	$47,274,748	77.08%	$15,724,026	75.97%	$76,039,810	76.34%
Capitalized interest	$2,439,949	13.89%	$8,243,070	13.44%	$2,812,052	0.00%	$13,495,071	13.55%
Issuance costs	$500,000	2.85%	$300,000	0.49%	$300,000	1.45%	$1,100,000	1.10%
Underwriter's discount	$131,655	0.75%	$459,510	0.75%	$155,070	0.75%	$746,235	0.75%
Debt service reserve fund	$1,454,255	8.28%	$5,051,348	8.24%	$1,702,423	8.23%	$8,208,026	8.24%
Rounding	$4,746	0.03%	$3,281	0.01%	$3,702	0.00%	$11,729	0.01%
Total uses of funds	$17,571,643	100.00%	$61,331,956	100.00%	$20,697,272	100.00%	$99,600,871	100.00%
Assumptions:								
Maturity		30 years		30 years		30 years		
Interest only		5 years		4 years		3 years		
Amortization		25 years		26 years		27 years		
Coupon rate		4.50%		4.50%		4.50%		
Reinvestment rates:								
Reserve fund		0.25%		0.25%		0.25%		
Improvement fund		0.25%		0.25%		0.25%		
Capitalized interest account		0.25%		0.25%		0.25%		
Date bonds issued		15-Jun-21		15-Jun-22		15-Jun-24		
Dates payments due:								
Interest		December 15 and June 15		December 15 and June 15		December 15 and June 15		
Principal		June 15		June 15		June 15		
Capitalized interest:								
Interest funded through		15-Jun-24		15-Jun-25		15-Jun-27		
Months interest funded		36		36		36		

TABLE IV-B
Public and Infrastructure Improvements

Costs	Development Area: Somerset	Perkins	Oldtown	Additional Development	North Central Park	South Central Park	City Springs School	Total
Acquisition	$0	$0	$0	$0	$0	$0	$0	$0
Construction	$13,273,816	$25,009,092	$12,252,753	$2,807,083	$2,042,964	$3,386,385	$44,933,031	$103,705,124
Environmental	$0	$0	$0	$0	$0	$0	$35,000	$35,000
Architecture & Engineering	$683,090	$2,005,569	$502,815	$390,365	$106,200	$359,500	$2,483,311	$6,530,850
FF&E	$0	$0	$0	$0	$0	$0	$1,123,326	$1,123,326
Historic Consulting	$0	$0	$0	$0	$0	$0	$0	$0
Leasing & Marketing	$0	$0	$0	$0	$0	$0	$21,000	$21,000
Organizational & Professional Costs	$10,000	$10,000	$10,000	$10,000	$5,000	$5,000	$60,000	$110,000
Financing & Settlement Costs	$32,000	$59,000	$32,000	$32,000	$14,000	$14,000	$19,400	$202,400
Carrying Costs	$0	$0	$0	$0	$0	$0	$66,500	$66,500
Fees & Permits (Government & Utility)	$132,738	$250,091	$122,528	$28,071	$20,430	$33,864	$204,848	$792,569
Contingency	$706,582	$1,366,688	$646,005	$163,376	$109,430	$189,937	$2,447,321	$5,629,338
Project Management Time	$460,147	$876,013	$421,983	$117,927	$83,941	$134,661	$1,284,843	$3,379,515
Development Fee	$153,382	$292,004	$140,661	$39,309	$27,980	$44,887	$770,906	$1,469,130
Operating Reserve/Transition Costs	$0	$0	$0	$0	$0	$0	$500,000	$500,000
Total public improvement costs	$15,451,755	$29,868,457	$14,128,744	$3,588,131	$2,409,944	$4,168,234	$53,949,485	$123,564,751
Less: other sources of funds (identified)	($2,103,331)	($6,717,055)	($1,526,109)	($329,555)	($1,500,000)	($2,248,891)	($33,100,000)	($47,524,941)
Costs to be funded by TIF	$13,348,424	$23,151,402	$12,602,635	$3,258,576	$909,944	$1,919,343	$20,849,486	**$76,039,810**

SOURCES AND USES OF FUNDS – TOTAL PUBLIC AND PRIVATE CONTRIBUTION

One of the City's policies regarding the use of TIFs is to use the public investment to leverage other sources of investment to result in greater change for the City's investment. The estimated contribution from other sources of investment related to the Development Plan is $887,084,229.

Table IV-C provides a summary of the sources of funds from the City and private investment.

TABLE IV-C
Sources and Uses of Funds (Public and Private Contribution)

Sources of Funds	Amount	Percent of Total
City Sources:		
TIF proceeds	$76,039,810	7%
City funding	$26,634,307	3%
Baltimore City CIP	$10,995,386	1%
City funds - Home loan and other affordable housing	$31,741,000	3%
Sub-total City sources	$145,410,503	14%
Other/Private Sources:		
Equity	$47,582,979	5%
Tax credit equity	$255,672,304	25%
First mortgage	$445,500,676	43%
State funding	$22,329,555	2%
CNI funding[1]	$16,000,000	2%
State of Maryland DHDC	$50,277,258	5%
Deferred developer fee	$11,584,721	1%
Other local/state funding	$38,136,737	4%
Sub-total Other/Private source	$887,084,229	86%
Total sources of funds	**$1,032,494,732**	**100%**

[1]$14 million of CNI funds are used for HABC's overall administration of the project, supportive services for residents, program evaluation, critical community improvements and residential relocation expenses.

Table IV-D shows for each dollar of City investment, $6.10 of other investment is generated.

TABLE IV-D
Other Investment to City Total Investment

Sources of Funds	Dollar for Dollar Investment
Other Sources of Funds	$887,084,229
City Sources of Funds	$145,410,503
Other to City Investment	$6.10

PROJECTION OF IMPACTS

MuniCap, Inc. estimated the future fiscal impacts of the Development on the City. These impacts are net of the incremental real property taxes required to repay the bonds. While the Development Plan does result in positive fiscal impacts to the City, the primary purpose of this TIF is to provide significant public benefit by replacing the antiquated housing at Perkins, providing a significant number of new affordable housing units, and providing funds to be build a new K-8 public school.

MuniCap used a number of standard industry sources to estimate fiscal impacts to the City, as well as City budget data and information from various City departments. To calculate employment impacts, MuniCap, Inc. used IMPLAN Professional 3.0 software by IMPLAN, LLC. IMPLAN is an industry-accepted economic impact assessment software system with which trained users can create local area *Social Accounting Matrices* and develop *Multiplier Models* that can be used to estimate detailed economic impacts of new firms moving into an area, special events such as conventions or professional sports games, recreation and tourism, military base closures, and many more activities. For the inputs used in developing the models, such as square footage and sales revenue, MuniCap, Inc. relied on a variety of sources, which are noted in the accompanying appendices to this report. Finally, MuniCap, Inc. estimated the number of projected new employees, residents, service population, and students, representing an additional cost to the City for services above those provided to the current service population.

In estimating the population increase, MuniCap, Inc. used per-household occupancy data for each residential property type in the City, including owner occupied and non-owner occupied, published in the US Census Bureau American Community Survey. MuniCap, Inc. estimated new students using information from the Baltimore City Public School System. The analysis took into consideration replacement affordable housing compared to market rate housing that may serve new households.

Impacts during the construction period were calculated based on development budgets and pro forma financial projections supplied by PSO Housing Company and current tax rates for the City.

For the calculation of economic benefits, primarily in the form of increased tax revenue, MuniCap, Inc. applied the actual taxing methodology by multiplying the applicable tax rate by the estimated taxable item in question whenever possible. For instance, real property taxes were estimated by multiplying estimated assessed value by the current applicable real property tax rate. A number of parcels, specifically the LIHTC properties, are assumed to have a PILOT that is based on a percentage of rent. Other revenues calculated in this manner include surplus real property tax increment revenue, personal property tax revenues, energy tax revenues, hotel occupancy tax revenues, personal income tax revenues and recordation tax revenues. In some instances, revenues were estimated on a per capita basis, typically when the revenue source was not in the form of a tax. In other cases, revenues will likely increase as a result from the proposed Development Plan but were excluded, as they represent charges for services that will likely be offset by the cost of providing the services.

To calculate fiscal impacts in the form of additional costs to the City, MuniCap, Inc. consulted with various City personnel from a variety of departments to determine the impact on the City's budget of the proposed development. Additional expenses to the City were estimated pro rata to the cost of providing those services to the current population being served. In cases when a charge for services was eliminated from the estimation of revenues, the corresponding costs for services were also eliminated from the estimation of expenses.

While estimating impacts in future years, MuniCap, Inc. uniformly assumed a net increase in both revenues and expenses of two percent per year. In the case of real property tax revenue, this increase is realized only in the years of reassessment (based on the current triennial reassessment cycle). In all other cases, the increases are on a uniform annual basis. Tax rates are expressed at their level as of the date of this supplemental application.

RESULTS

Employment Impacts

Table V-A provides a summary of temporary construction jobs created as a result of the Development Plan. Temporary construction jobs are expressed on a full-time equivalent basis ("FTE") and represent the equivalent of full-time jobs with a duration of one year. Compensation includes wages, employee benefits, and payroll taxes.

TABLE V-A
Temporary Employment Impacts

	Temporary Jobs from Construction	
	Temporary Jobs	Compensation
Direct impacts	3,058	$296,783,661
Indirect impacts	2,614	$139,322,498
Total temporary impacts	5,672	$436,106,159

Table V-B on the following page provides a summary of projected employment impacts created as a result of the Development Plan. Direct impacts are full-time equivalent permanent jobs at the project; indirect impacts are full-time equivalent jobs created within the City, but not at the project site.

TABLE V-B
Permanent Employment Impacts

	Jobs from Development	
	Permanent Jobs	Annual Compensation
Grocery:		
Direct impacts	114	$4,253,040
Indirect and induced impacts	24	$1,650,050
Retail:		
Direct impacts	390	$11,065,182
Indirect and induced impacts	58	$3,934,709
Car Barn (Office):		
Direct impacts	164	$14,737,716
Indirect and induced impacts	72	$4,992,035
Car Barn (Retail):		
Direct impacts	8	$239,485
Indirect and induced impacts	1	$85,160
Hotel:		
Direct impacts	27	$1,578,318
Indirect and induced impacts	9	$571,387
Office:		
Direct impacts	29	$2,651,020
Indirect and induced impacts	13	$898,017
Total direct impacts	732	$34,524,761
Total indirect and induced impacts	176	$12,131,358
Total permanent jobs from development	909	$46,656,119

Fiscal Impacts

Table V-C on the following page outlines projected fiscal impact for the Development Plan for a period of thirty-six years, ending in fiscal year 2053. The projected net real property tax increment revenues represent tax revenues in excess of the repayment of the TIF bonds. A deficit is projected to occur in Fiscal Years 2027 through 2031 due to the bonds being issued for the City Springs school in the second phase of development; however, the cumulative impacts are positive in every year. **Table V-D** details the annual impacts. The thirty-six-year period reflects the year in which the final series of bonds is expected to mature.

TABLE V-C
Estimated Fiscal Impact (36 Years)

City's Return on Investment	*5.36%*	
	Annual	**36 Years**
Projected City Revenues:		
Real property tax increment revenues	$7,875,137	$283,504,915
Less: TIF debt service paid by property taxes	($4,918,022)	($177,048,778)
Net real property tax increment revenues	$2,957,115	$106,456,137
Special taxes paid by the developer's	$50,764	$1,827,501
Net real property tax increment revenues to the City	$3,007,880	$108,283,666
Personal property tax revenues	$130,386	$4,693,885
Enterprise Zone Tax Credit reimbursement revenues	$0	$0
Energy tax revenues	$103,771	$3,735,757
Hotel occupancy tax revenues	$438,257	$15,777,237
Personal income tax revenues - residents	$2,033,106	$73,191,813
Personal income tax revenues - employee residents	$873,849	$31,458,571
Projected income tax revenues - construction employee residents	$185,184	$6,666,615
Local recordation tax revenues	$108,589	$3,909,200
Additional tax revenues	$468,930	$16,881,486
Projected city tax revenues	$7,349,951	$264,598,230
Projected city expenses	($5,182,379)	($186,565,657)
Net fiscal impact to Baltimore City	$2,167,571	$78,032,573

TABLE V-D
Estimated Fiscal Impact (Annual)

Tax Year Beginning	Total Revenue	Total Expenses	Total Impact to the City of Baltimore	Cumulative Impacts
1-Jul-21	$0	$0	$0	
1-Jul-22	$360,973	($77,801)	$283,172	$283,172
1-Jul-23	$2,874,673	($759,517)	$2,115,156	$2,398,328
1-Jul-24	$6,728,005	($2,704,168)	$4,023,838	$6,422,166
1-Jul-25	$7,356,507	($4,312,666)	$3,043,842	$9,466,007
1-Jul-26	$4,333,582	($5,571,356)	($1,237,774)	$8,228,233
1-Jul-27	$3,860,582	($5,714,450)	($1,853,868)	$6,374,365
1-Jul-28	$3,937,794	($5,803,370)	($1,865,576)	$4,508,789
1-Jul-29	$4,274,747	($5,338,000)	($1,063,253)	$3,445,536
1-Jul-30	$4,635,810	($5,446,197)	($810,387)	$2,635,149
1-Jul-31	$5,577,231	($5,210,299)	$366,933	$3,002,081
1-Jul-32	$5,978,690	($5,316,167)	$662,523	$3,664,605
1-Jul-33	$6,484,832	($5,424,628)	$1,060,204	$4,724,808
1-Jul-34	$6,956,345	($5,535,152)	$1,421,193	$6,146,002
1-Jul-35	$7,716,105	($5,649,194)	$2,066,911	$8,212,913
1-Jul-36	$7,871,153	($5,762,873)	$2,108,281	$10,321,193
1-Jul-37	$8,028,556	($5,878,850)	$2,149,706	$12,470,899
1-Jul-38	$8,190,056	($5,997,180)	$2,192,876	$14,663,775
1-Jul-39	$8,354,353	($6,117,905)	$2,236,448	$16,900,224
1-Jul-40	$8,522,240	($6,241,078)	$2,281,163	$19,181,386
1-Jul-41	$8,693,512	($6,366,747)	$2,326,765	$21,508,151
1-Jul-42	$8,867,010	($6,494,958)	$2,372,053	$23,880,204
1-Jul-43	$9,045,670	($6,625,777)	$2,419,893	$26,300,097
1-Jul-44	$9,226,338	($6,759,241)	$2,467,097	$28,767,194
1-Jul-45	$9,412,044	($6,895,421)	$2,516,624	$31,283,818
1-Jul-46	$9,599,731	($7,034,355)	$2,565,376	$33,849,194
1-Jul-47	$9,793,524	($7,176,122)	$2,617,402	$36,466,596
1-Jul-48	$9,988,415	($7,320,752)	$2,667,663	$39,134,259
1-Jul-49	$10,189,669	($7,468,334)	$2,721,335	$41,855,595
1-Jul-50	$11,848,631	($7,627,512)	$4,221,118	$46,076,713
1-Jul-51	$17,811,856	($7,816,037)	$9,995,820	$56,072,533
1-Jul-52	$18,007,792	($7,973,563)	$10,034,229	$66,106,762
1-Jul-53	$20,071,800	($8,145,989)	$11,925,811	$78,032,573
	$264,598,230	($186,565,657)	$78,032,573	

Limitations

Projecting fiscal and employment impacts is not a precise science. Furthermore, there are different methods of projecting fiscal and employment impacts and different analysts will arrive at different conclusions. The conclusions in this study are not intended to be precise results, but rather, reasonable estimates that provide a general indication of the fiscal and employment impacts to the City from the proposed Development Plan.

VI. But For Test

A critical component of the TIF evaluation is the "but-for" analysis. More specifically, the project must demonstrate that but-for public commitment of tax increment financing, the project would not be economically feasible. The City's TIF policies require an evaluation of each project for which tax increment financing is proposed to confirm that TIF is required for the project to be feasible. The but-for test is evaluated on both quantitative and qualitative factors. The qualitative factors are primarily the significant amount of affordable housing and the construction of a new public K-8 school. These were explained further in the original TIF application and will not be further addressed in this supplemental TIF application.

Quantitative factors involve a review of the proposed plan of finance and the project financial pro forma to confirm Development Plan is not feasible without the investment of City funds with a TIF. The Development Plan is comprised of mixed-income affordable housing, market rate housing and commercial development. This requires a unique but-for analysis, in that the need for public investment is evaluated differently for these different uses.

The feasibility limitation of mixed-income affordable housing is available funds. The cash flow from the housing will go to pay the first mortgage financing, with most remaining cash flow being used to repay subordinate loans from the City and the State. There will be little residual cash flow after repaying this debt. As a result, there is no valuable private residual interest in the property. The equity in the mixed-income housing is repaid from income tax credits, not residual cash flow. The amount of equity is limited by the value of the tax credits. The developer does not invest its own equity, as there is no residual cash flow to provide a return on equity of this type. The developer compensation is from fees earned, a portion of which may be deferred and paid in the future after the payment of the first mortgage, and which are limited by the State and HUD financing provisions. Each financing source is limited, debt financing by the cash flow and debt service coverage, the City and State loans by criteria of these programs, and the tax credit equity by the value of the tax credits. This is the basis of the feasibility of the mixed-income housing: what is the amount of costs that can be paid by the available sources of funds?

The market rate housing and commercial development are expected to provide residual cash flow and value to justify equity investment. The return on the investment must be consistent with market returns; otherwise, the capital will be invested in more competitive projects. The but-for analysis for the market rate and commercial development is evaluated using a standard approach based on the ability of the project to provide an adequate return on the investment required for the project.

QUANTITATIVE BUT FOR ANALYSIS

The PSO Development Plan individual financial pro formas were reviewed in detail as part of the quantitative but for analysis. The list below summarizes the assumptions and items reviewed as part of the analysis:

- Sources and uses of funds for the PSO Development Plan
- Infrastructure costs, including an allocation of the infrastructure costs to the residential and commercial development
- Plan of finance for the various mixed-use housing components, including:
    - Lending requirements
    - Low income housing tax credit funding mechanisms
    - Developer fee assumptions
    - Availability of funding to cover costs with and without public infrastructure
- Plan of finance for the various market rate housing components, including:
    - Availability of debt and equity financing
    - Expected rents, operating expenses, and net operating income
    - Projected return on costs with and without the public infrastructure
- Plan of finance for the commercial component including:
    - Availability of debt and equity financing
    - Expected rents, operating expenses, and net operating income
    - Projected return on costs with and without the public infrastructure

A summary of the overall sources and uses, detailed infrastructure improvements, and gap analysis from the developer's pro forma are described in the following section.

PRO FORMA SUMMARIES

Sources and Uses of Funds

TABLE VI-A
Sources and Uses (Total Project)

Sources of Funds	Amount
City Sources:	
TIF proceeds	$76,039,810
City funding	$26,634,307
Baltimore City CIP	$10,995,386
City funds - Home loan and other affordable housing	$31,741,000
Sub-total City sources	$145,410,503
Other/Private Sources:	
Equity	$47,582,979
Tax credit equity	$255,672,304
First mortgage	$445,500,676
State funding	$22,329,555
CNI funding[1]	$16,000,000
State of Maryland DHDC	$50,277,258
Deferred developer fee	$11,584,721
Other local/state funding	$38,136,737
Sub-total Other/Private source	$887,084,229
Total sources of funds	**$1,032,494,732**
Uses:	
Infrastructure	$123,564,751
Market rate and commercial mixed-use	$391,393,582
Mixed-income housing projects	$517,536,399
Total Uses of Funds	**$1,032,494,732**

Required Public Improvement and Infrastructure Costs

Table VI-B provides a summary of the estimated infrastructure costs for each project.

TABLE VI-B
Total Infrastructure Improvements

Costs	Development Area							
	Somerset	Perkins	Oldtown	Additional Development	North Central Park	South Central Park	City Springs School	Total
Acquisition	$0	$0	$0	$0	$0	$0	$0	$0
Construction	$13,273,816	$25,009,092	$12,252,753	$2,807,083	$2,042,964	$3,386,385	$44,933,031	$103,705,124
Environmental	$0	$0	$0	$0	$0	$0	$35,000	$35,000
Architecture & Engineering	$683,090	$2,005,569	$502,815	$390,365	$106,200	$359,500	$2,483,311	$6,530,850
FF&E	$0	$0	$0	$0	$0	$0	$1,123,326	$1,123,326
Historic Consulting	$0	$0	$0	$0	$0	$0	$0	$0
Leasing & Marketing	$0	$0	$0	$0	$0	$0	$21,000	$21,000
Organizational & Professional Costs	$10,000	$10,000	$10,000	$10,000	$5,000	$5,000	$60,000	$110,000
Financing & Settlement Costs	$32,000	$59,000	$32,000	$32,000	$14,000	$14,000	$19,400	$202,400
Carrying Costs	$0	$0	$0	$0	$0	$0	$66,500	$66,500
Fees & Permits (Government & Utility)	$132,738	$250,091	$122,528	$28,071	$20,430	$33,864	$204,848	$792,569
Contingency	$706,582	$1,366,688	$646,005	$163,376	$109,430	$189,937	$2,447,321	$5,629,338
Project Management Time	$460,147	$876,013	$421,983	$117,927	$83,941	$134,661	$1,284,843	$3,379,515
Development Fee	$153,382	$292,004	$140,661	$39,309	$27,980	$44,887	$770,906	$1,469,130
Operating Reserve/Transition Costs	$0	$0	$0	$0	$0	$0	$500,000	$500,000
Total public improvement costs	$15,451,755	$29,868,457	$14,128,744	$3,588,131	$2,409,944	$4,168,234	$53,949,485	$123,564,751

GAP ANALYSIS

Mixed-Use Housing Pro Forma

The feasibility limitation for mixed-income affordable housing is the availability of funds. The pro formas are evaluated on the ability to attract sufficient funds to cover costs of housing and required infrastructure.

Table VI-C provides a summary of the sources and uses of funds available for each mixed-income affordable housing development and identifies required uses, including public and infrastructure improvements, and estimated funding gap.

TABLE VI-C
Mixed-Income Housing Gap Analysis

Mixed-Income Housing Gap Analysis					
	Perkins	**Somerset**	**Oldtown 2B**	**Oldtown 3B**	**Total**
Sources:					
Loan at 120% debt service coverage	$100,485,000	$52,021,000	$21,921,000	$7,985,000	$182,412,000
Commercial mortgage	$0	$14,720,000	$500,000	$500,000	$15,720,000
Sellers note	$6,534,884	$4,066,799	$0	$0	$10,601,683
Choice funds[1]	$9,095,000	$6,905,000	$0	$0	$16,000,000
State of Maryland funds	$0	$0	$2,500,000	$2,500,000	$5,000,000
DHCD funds	$28,989,871	$22,766,743	$0	$0	$51,756,614
City of Baltimore funds	$25,583,236	$18,111,476	$750,000	$750,000	$45,194,712
Low income housing tax credits	$99,188,680	$73,147,083	$13,500,000	$13,500,000	$199,335,763
Reserves	$725,000	$100,000	$0	$0	$825,000
Deferred fee	$3,750,000	$3,514,780	$845,886	$845,886	$8,956,552
Other	$15,717,753	$17,585,524	$6,551,783	$265,000	$40,120,060
Total	$290,069,424	$212,938,405	$46,568,669	$26,345,886	$575,922,384
Uses:					
Project costs	$290,069,424	$212,938,405	$46,568,669	$26,345,886	$575,922,384
Infrastructure costs	$23,551,265	$17,411,906	$4,835,395	$2,776,464	$48,575,030
Project costs	$313,620,689	$230,350,311	$51,404,064	$29,122,350	$624,497,415
Capacity/Gap	($23,551,265)	($17,411,906)	($4,835,395)	($2,776,464)	($48,575,031)

The uses of funds include $48,575,031 of public infrastructure improvements. This represents the public and infrastructure improvement costs allocated to mixed-income housing units. Costs are allocated based on property served by the infrastructure. For example, roads in Perkins Homes are allocated to the Perkins Homes development. The costs of the City Springs school are allocated to all property on a square foot basis. The balance of the costs is allocated to the market rate and commercial development.

Market Rate Housing and Commercial Development Pro Forma

The feasibility limitation for market rate housing and commercial development is the ability of the project to generate enough residual cash flow to provide an appropriate return on investment. An evaluation of net operating income (NOI) was reviewed to confirm the reasonableness of the operating assumptions.

Table VI-D provides a summary of the projected NOI for each market rate housing project and commercial development.

TABLE VI-D
Market Rate and Commercial Development NOI

Market Rate Housing and Commercial Net Operating Income Analysis											
	Perkins				110	620	Somerset	Oldtown			
	Block D	Block I	Car Barn	Hendler	S. Central	N. Caroline	Grocery	Phase 1 & 4	Phase 2A[1]	Phase 3A	Total
Gross potential income	$6,452,643	$5,618,838	$1,602,612	$2,920,116	$830,423	$4,106,960	$970,000	$2,022,871	$4,305,120	$1,555,300	$30,384,883
Vacancy rate	6%	6%	8%	4%	5%	5%	0%	5%	0%	5%	5%
Less: vacancy	($418,120)	($364,074)	($120,196)	($119,297)	($40,185)	($187,848)	$0	($101,656)	$0	($77,250)	($1,428,627)
Effective gross income	$6,034,523	$5,254,764	$1,482,416	$2,800,819	$790,238	$3,919,112	$970,000	$1,921,215	$4,305,120	$1,478,050	$28,956,256
Expense ratio	40%	40%	29%	37%	47%	25%	20%	39%	59%	28%	39%
Less: operating expenses	($2,554,380)	($2,238,848)	($460,428)	($1,075,200)	($392,100)	($1,007,039)	($194,000)	($790,263)	($2,554,060)	($435,415)	($11,701,732)
NOI at stabilization	$3,480,143	$3,015,916	$1,021,988	$1,725,619	$398,138	$2,912,073	$776,000	$1,130,952	$1,751,061	$1,042,635	$17,254,524

[1]Oldtown Phase 2A includes vacancy in gross potential income.

The projected NOI was compared to the required Development Plan costs to determine the return on cost. The return on cost was evaluated both excluding and including public infrastructure costs. The return on cost was then compared to current market rate thresholds.

Table VI-E provides a summary of the return on cost analysis.

TABLE VI-E
Return on Cost Analysis

Gap Analysis											
	Perkins				110	620	Somerset	Oldtown			
	Block D	Block I	Car Barn	Hendler	S. Central	N. Caroline	Grocery	Phase 1 & 4	Phase 2A	Phase 3A	Total
NOI at stabilization	$3,480,143	$3,015,916	$1,021,988	$1,725,619	$398,138	$2,912,073	$776,000	$1,130,952	$1,751,061	$1,042,635	$17,254,524
Total project construction costs	$70,080,953	$61,576,742	$20,705,001	$54,832,504	$17,464,718	$36,351,162	$14,528,570	$20,964,991	$18,090,000	$17,170,000	$331,764,642
Less: historic tax credits	$0	$0	($4,984,156)	$0	$0	$0	$0	($3,114,725)	$0	$0	($8,098,882)
Net project construction costs	$70,080,953	$61,576,742	$15,720,845	$54,832,504	$17,464,718	$36,351,162	$14,528,570	$17,850,266	$18,090,000	$17,170,000	$323,665,761
Infrastructure costs											$27,464,779
Total commercial costs											$351,130,540
Residential infrastructure costs											$48,575,030
Total costs including residential infrastructure costs											$399,705,571
Threshold return	5.97%	5.97%	6.75%	5.97%	5.97%	6.10%	7.43%	6.71%	7.99%	7.43%	6.45%
Return on cost:											
Exclusive of infrastructure											4.32%
Inclusive of infrastructure											5.33%

The total gap for the project was evaluated to determine if the amount of the TIF request is justifiable and is identified in the table below. The threshold return is based on the required rate of return for the project. The required rate of return for the project results in a gap of $132,026,709, exceeding the requested TIF amount of $76,039,810.

TABLE VI-F
Development Gap Analysis

Development Gap	
Market rate and commercial development:	
NOI	$17,254,524
Threshold return	6.45%
Value	$267,678,861
Development costs:	
Market rate and commercial vertical development	$323,665,761
Market rate and commercial infrastructure development	$27,464,779
Total development costs	$351,130,540
Sub-total development gap	($83,451,679)
Mixed-income infrastructure development costs	($48,575,030)
Total development gap	($132,026,709)