


TJS

<b>FROM</b>	<b>NAME &amp; TITLE</b>	THOMAS J. STOSUR, DIRECTOR	CITY of <b>BALTIMORE</b> <b>MEMO</b>	
	<b>AGENCY NAME &amp; ADDRESS</b>	DEPARTMENT OF PLANNING 417 E. FAYETTE STREET, 8 <sup>th</sup> FLOOR		
	<b>SUBJECT</b>	CITY COUNCIL BILL #12-0066/ PAYMENTS IN LIEU OF TAXES WARD 04, SECTION 10, BLOCK 0620, LOTS 4-51 "LEXINGTON SQUARE"		

DATE:

TO

The Honorable President and  
 Members of the City Council  
 City Hall, Room 400  
 100 N. Holliday Street

May 11, 2012

At its regular meeting of May 10, 2012, the Planning Commission considered City Council Bill #12-0066, for the purpose of authorizing an economic development project to be known as "Lexington Square", in order that the Board of Estimates of Baltimore City (the "Board") may enter into a Payment in Lieu of Taxes Agreement with Lexington Square Partners, LLC, its successors or assigns (the "Developer"), for a project encompassing approximately (i) 296 residential market rate rental units and (ii) a structured parking facility containing approximately 650 parking spaces and related improvements; generally relating to payments in lieu of taxes for the Lexington Square development; and providing for a special effective date.

In its consideration of this Bill, the Planning Commission reviewed the attached staff report, which recommended approval of City Council Bill #12-0066 and adopted the following resolution; eight members being present (eight in favor).

**RESOLVED**, That the Planning Commission concurs with the recommendation of its departmental staff, and recommends that City Council Bill #12-0066 be passed by the City Council.

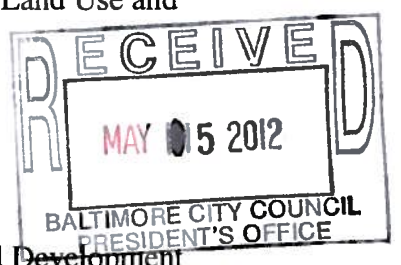
The Planning Commission also strongly recommends that BDC work with the developer on their commitment to engage the developer's contractors, tenants, vendors, etc., to develop an inclusionary plan for providing job opportunities for Baltimore City residents in the design, construction, operation and maintenance of the Lexington Square project.

If you have any questions, please contact Mr. Wolde Ararsa, Division Chief, Land Use and Urban Design Division at 410-396-4488.

TJS/WA

Attachment

- cc: Ms. Kaliope Parthemos, Deputy Chief for Economic and Neighborhood Development
- Ms. Thomasina Hiers, Acting Chief of Staff
- Ms. Angela Gibson, Mayor's Office
- The Honorable Rochelle "Rikki" Spector, Council Rep. to Planning Commission
- Mr. David Tanner, BMZA
- Mr. Geoffrey Veale, Zoning Administration



*favorable*

Mr. Nicholas Blendy, DHCD  
Ms. Barbara Zektick, DOT  
Ms. Elena DiPietro, Law Dept.  
Ms. Kathy Robertson, BDC



*Stephanie Rawlings-Blake*  
Mayor

## PLANNING COMMISSION

*Wilbur E. "Bill" Cunningham, Chairman*

### STAFF REPORT



*Thomas J. Stosur*  
Director

**May 10, 2012**

**REQUEST: City Council Bill #12-0066/ Payments In Lieu of Taxes Ward 04, Section 10, Block 0620, Lots 4-51 "Lexington Square"**

For the purpose of authorizing an economic development project to be known as "Lexington Square", in order that the Board of Estimates of Baltimore City (the "Board") may enter into a Payment in Lieu of Taxes Agreement with Lexington Square Partners, LLC, its successors or assigns (the "Developer"), for a project encompassing approximately (i) 296 residential market rate rental units and (ii) a structured parking facility containing approximately 650 parking spaces and related improvements; generally relating to payments in lieu of taxes for the Lexington Square development; and providing for a special effective date. (Eleventh District)

**RECOMMENDATION:** Approval

**STAFF:** Ivor A. Quashie

**PETITIONER(S):** Baltimore Development Corporation

**OWNER:** Mayor and City Council of Baltimore

#### **SITE/ GENERAL AREA**

##### Site Conditions:

The site is bounded by Fayette Street, Howard Street, Lexington Street and Park Avenue in the Market Center Urban Renewal Area.

General Area: The development site is located within the Westside Initiative area of the central business district in the four square block area known as the "Superblock".

#### **HISTORY**

In January 2007, the Board of Estimates (BOE) approved a Land Disposition Agreement (LDA) between the Mayor and City Council and Lexington Square Partners, LLC (Developer). In December 2011, the BOE approved the Third Amendment to the LDA extending the termination date to April 30, 2012. The Commissioner of Housing and Community Development (Commissioner) extended the termination date for an additional eight (8) month period until December 31, 2012.

## CONFORMITY TO PLANS

The request conforms to the goals and objectives of the Baltimore City Comprehensive Master Plan, specifically:

LIVE Goal 1: Build human and social capital by strengthening neighborhoods.

- Objective 1: Expand Housing Choices for all Residents Strategy 6: Create and preserve mixed-income neighborhoods in Competitive, Emerging and Stable neighborhoods with targeted disposition of City properties.
- Objective 2: Strategically Redevelop Vacant Properties throughout the City;
- Objective 3: Maintain and create safe, clean and healthy neighborhoods. Strategy 1: Implement Crime Prevention through Environmental Design (CPTED) Standards.

LIVE Goal 2: Elevate the design and quality of the City's built environment.

- Objective 1: Improve design quality of Baltimore's built environment.

## ANALYSIS

The Lexington Square Project is a mixed-use project comprising historic preservation and new construction including 296-market rate residential rental units, 217,444 square feet of retail space and a 650-space parking garage.

Lexington Square Partners, LLC consists of the following partners: Lexington Square Developers, LLC comprising ICS Baltimore LLC (Chera); BLDG Baltimore LLC (Goldman); Feil-Baltimore and Nakash-Lexington LLC (Nakash) and HAD Baltimore II, LLC, (Harold A. Dawson Company). The Harold A. Dawson Company is a minority-owned development company from Atlanta, Georgia that partnered with Bank of America on the Centerpoint Project.

The projected project cost is \$152.7 Million. The developer is contributing equity of \$30.963 Million or 20.3% of the project financing and will seek \$8.0 Million and \$7.832 Million in New Market and Historic Tax Credits (federal only), respectively. Sixty-five (65%) of the project will be financed with a \$99.275 Million construction loan. Eighty percent (80%) of the \$152.7 Million project is hard costs, which has been estimated using schematic design drawings. The \$122.346 Million in hard costs reflect new construction building costs predominantly, but there are significant expenditures for historic rehabilitation; parking garage construction and infrastructure; the Landlord's portion of the tenant build-out, and contingency.

The Developer requested a 20-Year PILOT for the residential apartments and its related parking garage. As the result of an analysis undertaken by the Baltimore Development Corporation (BDC), the project's debt service coverage ratios and equity returns would be unacceptable to its lenders and investors based on the projected cash flow of the project. Thus, "but for" the PILOT, this project could not go forth and the City would have to forego the economic benefits as identified below in the report as "Returns During Post Construction."

The 20-Year PILOT is comparable to the 20-year PILOT approved for Centerpoint (2005), Spinnaker Bay (2006), and The Fitzgerald (2010). It is five years longer than the 15-Year

PILOTs for Camden Court Apartments (2005), The Zenith Apartments (2008) and St. James Place Apartments (2009).

Listed below is the chart showing the % of incremental City real estate tax rebated for the requested PILOT:

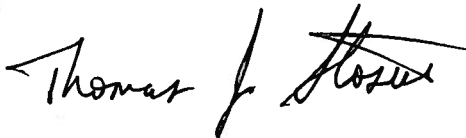
<b>Year 1</b>	95%
<b>Year 2</b>	95%
<b>Year 3</b>	95%
<b>Year 4</b>	95%
<b>Year 5</b>	95%
<b>Year 6</b>	95%
<b>Year 7</b>	95%
<b>Year 8</b>	95%
<b>Year 9</b>	95%
<b>Year 10</b>	95%
<b>Year 11</b>	95%
<b>Year 12</b>	95%
<b>Year 13</b>	95%
<b>Year 14</b>	95%
<b>Year 15</b>	95%
<b>Year 16</b>	80%
<b>Year 17</b>	65%
<b>Year 18</b>	50%
<b>Year 19</b>	35%
<b>Year 20</b>	20%
<b>Year 21</b>	<i>Full Taxes resume</i>
	<i>Residential Apartments/ Garage PILOT</i>

Other aspects of the project will include profit sharing, which will be negotiated as a part of the PILOT Agreement. Also, the Developer will use the Enterprise Zone Tax Credit for the retail portion. Additionally, listed below are the projected benefits that the City will realize as a result of the Lexington Square project:

Returns During Post Construction

- 444 residents; 222 considered incremental.
- \$64,000 average household income.
- 652 Retail Jobs, 70% assumed to be City residents.
- Average Salary \$20,800 of jobs created.
- Piggyback Taxes: \$605,700 (with spin-off).
- Personal Property Taxes: \$510,300 in year one.
- Parking Taxes: \$121,100 (residential parking exempt).
- Energy/Telecom Taxes: \$98,900.
- Total City Taxes in Year 1: \$1,302,500.
- Total City Taxes in Year 5: 1,718,300.
- Total City Taxes in Year 10: \$2,109,200.

Staff has notified the following organizations and stakeholders: Baltimore Chapter of the NAACP, Associated Black Charities, The Urban League of Baltimore, The Baltimore Afro-American Newspaper, The Blacks in Wax Museum, Reginald F. Lewis Museum, Eubie Blake Cultural Center, Frederick Douglas-Isaac Myers Maritime Park and Museum, Meridian Management Group, Inc., Morgan State University - Office of Museums, Downtown Partnership of Baltimore, Inc., Market Center Merchants Association, Midtown Community Benefits District, Mt. Vernon Cultural District, West Lexington Street Merchants Association, and Councilman William Cole, IV representing the 11<sup>th</sup> district.

A handwritten signature in black ink that reads "Thomas J. Stosur". The signature is written in a cursive style with a large, stylized initial "T".

**Thomas J. Stosur**  
**Director**