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MEMORANDUM

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To: Wiliam Cole, President – Baltimore Development Corporation  
Kimberly Clark, Executive Vice President – Baltimore Development Corporation  
From: Steven A. Siegel, Executive Vice President – Sagamore Development Company  
Subject: Port Covington  
Date: March 11, 2016  
CC: Marc Weller, President – Sagamore Development Company

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This memorandum was prepared in response to the request from the Baltimore Development Corporation Project Committee (“the Committee”) regarding a market absorption study for the Port Covington development in support of the Port Covington Tax Increment Financing application currently being evaluated by the Committee.

In April 2015, Sagamore Development Company engaged Dr. Richard Clinch – a nationally renowned and respected economist with Battelle Technology Partnership Practice -- to perform and prepare the attached *Regional Economic, Demographic, Market Analysis and Economic Impact Assessment of the Port Covington Project*. The December 2015 report is attached. Please note that this report is in the process of being updated and reconciled to reflect some recent plan changes, but Dr. Clinch has indicated he believes there will not be any substantive change.

The key findings in the report indicate that cities across the nation are benefiting from major mixed-use, employment-anchored, transformational redevelopment projects that are acting as magnets to attract new businesses and are bringing jobs and residents back to distressed urban communities.

According to Page 7 of the report, “In 2011, the Mayor of Baltimore announced a goal to reverse the City’s long term population decline by attracting 10,000 new households to the City. ***To achieve this goal, both employment and population growth will need to outpace these [State of Maryland] projections, and the development of the Port Covington/Under Armour Headquarters Project as a transformational investment in the City’s future can play a major role in achieving this goal.***”

This project as contemplated will act as a catalyst to stimulate growth through attraction of new businesses to Baltimore.

As indicated on Page 18 of Clinch’s report, “A single innovative firm or grouping of firms can drive the creation of an entire cluster of related industries. Early pioneers in semiconductors drove the creation of Silicon Valley, new life sciences and IT firms drove the creation of Route 128 in Boston, and both New York City and Boston’s Kendall Square are seeing the development of diverse high technology business clusters in downtown areas based on the start-up, growth and attraction of key firms. The experience of states and regions around the nation has demonstrated that the development of entire clusters of related industries can be catalyzed by the start-up or attraction of a single high-growth, innovative firm. In *The New Geography of Jobs*, Moretti describes how Bill Gates and Paul Allen moved Microsoft to their hometown of Seattle, and thereby stimulated that City’s emergence as a high technology center not only through its growth and

development but because “when Microsoft moved to Seattle, the city increased its attractiveness to other high technology companies. Microsoft effectively serves as the anchor of the local high-tech sector and a magnet for other software companies.” Success begets success, and the success of Microsoft attracted workers, entrepreneurs and other businesses to the Seattle region.”

And, on Page 20 Clinch goes on to state that “Finally, the tremendous success of Under Armour has the potential to facilitate the growth of a new industry cluster in the City and region, diversifying the City, region and state’s economy from its traditional reliance on federal employment and contracting.”

In addition to the effect the development will have with regard to attracting new businesses – which will support the retail -- the planned world-class amenities including shops, restaurants, entertainment venues, and parks and open spaces will drive residential demand. Further, there is supporting evidence of population growth and increased interest in living in the City. These drivers will support the demand for and absorption of the planned residential housing at Port Covington.

To this end, Clinch states on Page 75 that “In the area of population growth, a recent report by the Baltimore Neighborhood Indicators Alliance, the Grow Baltimore Brief #1 Understanding Migration in Baltimore City<sup>11</sup> found that “there are some signs that the City’s number of households has been trending upwards” and shows that the City is above the track needed to attain this goal. ***Given both national urban growth trends coupled with the recent performance of the City and ongoing development activity, there is strong reason to expect that Baltimore City can exceed these low projections for population and employment growth and support continued development projects, like Port Covington.***”

The attached report and excerpts above illustrate how the fundamentals of the project and trends in the Baltimore and national economy will drive demand and absorption in all asset classes at Port Covington overall and explains the key principles supporting the viability of the project.

We recognize the importance of understanding and analyzing the demand and absorption aspects of the individual project phases and will commission and provide those studies and other applicable and appropriate issuance-related due diligence reports prior to issuing bonds for each phase of development.

Please refer to the attached report for further detail.