

TJA

<b>FROM</b>	NAME & TITLE	THOMAS J. STOSUR, DIRECTOR
	AGENCY NAME & ADDRESS	DEPARTMENT OF PLANNING 8 <sup>TH</sup> FLOOR, 417 EAST FAYETTE STREET
	SUBJECT	CITY COUNCIL BILL #16-0670/ PORT COVINGTON BOND ISSUANCE

CITY of  
BALTIMORE  
**MEMO**



**TO**

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

DATE: July 18, 2016

At its regular meeting of July 14, 2016, the Planning Commission considered City Council Bill #16-0670, for the purpose of authorizing the issuance of special obligation bonds, Tax Increment Revenues and Special Tax Revenues to the payment of debt service.

In its consideration of this Bill, the Planning Commission reviewed the attached staff report which recommended approval of City Council Bill #16-0670 and adopted the following resolution, eight members being present (seven in favor, one recusal):

RESOLVED, That the Planning Commission concurs with the recommendation of its Departmental staff, and recommends that City Council Bill #16-0670 be approved as recommended in its staff report, and be passed by the City Council.

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. Kaliopé Parthemos, Chief of Staff
- Mr. Colin Tarbert, Deputy Mayor for Economic and Neighborhood Development
- Mr. Leon Pinkett, Assistant Deputy Mayor for Economic and Neighborhood Development
- 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
- Ms. Sharon Daboin, DHCD
- Mr. Patrick Fleming, DOT
- Ms. Elena DiPietro, Law Dept.
- Ms. Melissa Krafchik, PABC
- Ms. Natawna Austin, Council Services
- Mr. William Cole, Baltimore Development Corporation
- Ms. Caroline Paff, Sagamore Development Company



Stephanie Rawlings-Blake  
Mayor

## PLANNING COMMISSION

Wilbur E. "Bill" Cunningham, Chairman

### STAFF REPORT



Thomas J. Stosur  
Director

July 14, 2016

**REQUEST:** City Council Bill #16-0669/ Port Covington Development District  
City Council Bill #16-0670/ Port Covington Bond Issuance  
City Council Bill #16-0671/ Port Covington Special Taxing District

**RECOMMENDATIONS:** Approval of CCB #16-0669, CCB #16-0670 and CCB #16-0671

**STAFF:** Tamara Woods

**PETITIONER:** The Administration (Baltimore Development Corporation)

#### **SITE AREA**

**General Area:** The Port Covington TIF area is on the South Baltimore peninsula. Included in the area is a mix of manufacturing, production and utility uses, as well as several parks. The City's Ferry Bar Park is adjacent to the southwest corner of Port Covington. South Hanover and McComas Streets provide access to East Cromwell Boulevard. Those three streets handle major traffic in all directions and provide access to and from Interstate 95. Just beyond those streets to the north are the South Baltimore and Riverside neighborhoods, with the Locust Point neighborhood to the northeast.

**Site Conditions:** The approximate 260-acre Port Covington TIF area is located at the southwest end of the South Baltimore peninsula along the Middle Branch of the Patapsco River. Port Covington is part of Baltimore's Critical Area; portions of the area fall within Baltimore's 100 Year Floodplain and the Critical Area's 100 Foot Buffer.

#### **HISTORY**

- In January 1985, the Planning Commission approved a Marina Master Plan for Baltimore City.
- Ordinance #87-1075 established the Port Covington Urban Renewal Area.
- On December 3, 1987, the Planning Commission approved a Final Subdivision and Development Plan for Port Covington.
- Ordinance #88-0001 provided the most recent amendment (#2) to the Port Covington Urban Renewal Plan.
- Ordinance #90-0425 established the Port Covington Planned Unit Development for approximately 72 acres of undeveloped land owned by CSX Railroad.
- On November 9, 1995, the Planning Commission approved a revised Final Subdivision Plan for the larger Port Covington tract.

- On January 23, 1997, the Planning Commission approved the Final Subdivision for the CSX property within the Port Covington Planned Unit Development to create a 40.26 acre Parcel A and 14.90 Parcel B for disposition purposes.
- On March 6, 1997, the Planning Commission approved a Minor Amendment to allow two naval vessels to dock on Pier 6 at the Port Covington PUD.
- Ordinance #00-0057 amended the Port Covington PUD to allow development of a “power center” similar to a shopping center, except that stores may be much larger than typical retail stores.
- Ordinance #02-0431 amended the Port Covington PUD Ordinance and added sheets to the Development Plan for the PUD to allow a gasoline or service station as an accessory use to a principal permitted use and include design details for a service station to be added to Area 1.
- On December 4, 2003, the Planning Commission replaced the 1985 Marina Master Plan with the Maritime Master Plan for Baltimore City and adopted that plan. This plan makes specific recommendations for Port Covington, including limiting the number of marina slips to 400.
- On August 13, 2004, the Mayor and City Council approved Ordinance #04-0803 (City Council Bill #04-1343) concerning the construction of structures on piers.
- On September 20, 2007, the Planning Commission approved the Middle Branch Master Plan.
- On October 29, 2015, the Planning Commission approved the South Baltimore Gateway Master Plan.
- On June 23, 2016, the Planning Commission approved the Port Covington Master Plan.

## **CONFORMITY TO PLANS**

This request is compatible with the Comprehensive Master Plan for Baltimore City, specifically:

- LIVE Goal 1 (Build Human and Social Capital by Strengthening Neighborhoods), Objective 5 (Increase the City Population by 10,000 Households);
- LIVE Goal 2 (Elevate the Design and quality of the City’s Built Environment), Objective 3 (Promote Mixed-Use Development to Reinforce Neighborhood Centers and Main Streets)
- EARN Goal 1 (Strengthen Identified Growth Sectors), Objective 1 (Retain and Attract Businesses in all Growth Sectors);
- PLAY Goal 3 (Increase the Health of Baltimore’s Natural Resources and Open Spaces for Recreation and to Improve Water Quality), Objective 2 (Ensure Public Access to the Waterfront).

In addition, the request is compatible with the Port Covington Master Plan, as well as both the South Baltimore Gateway Master Plan and the Middle Branch Master Plan. Among other items, the three plans share the following overarching goals:

- Outline strategies for fostering a community that is economically strong and offers all residents a chance to live healthy lives and build vibrant futures.

- Promote sustainability, innovation and transformative initiatives, including the redevelopment of the Middle Branch Park to be a recreational and environmental amenity for surrounding neighborhoods and the City at large.
- Stress connectivity of all transportation modes to increase access to the area.
- Create Sustainable Communities that invest in human capital.

## **BACKGROUND**

The Port Covington Master Plan proposes to transform the more than 60 properties which represent approximately 260 acres of underutilized industrial land and three miles of waterfront into a dynamic mixed-use community where people can work, live, shop, recreate and enjoy the natural beauty of Baltimore and its waterfront. It is the future home and global headquarters of Under Armour. Currently, Port Covington is an aging, underutilized industrial area. Due to its isolated location and limited road network it is disconnected from the rest of the City, but has tremendous potential to be a thriving, active and inclusive waterfront neighborhood. The proposed redevelopment will lead to thousands of new jobs, new businesses, better transit to jobs, parks, new space for manufacturing, opportunities for innovation and entrepreneurship, and new ways to reach the waterfront. The proposed development envisions:

- A master-planned mixed-use community with approximately 15 million SF of development, including:
  - Approximately 5.5 million SF of office space, including 3.9 million SF for a new Under Armour Global Headquarters campus
  - Over 7,500 residential units
  - Approximately 1.5 million SF of retail space
  - 200+ hotel rooms
  - Approximately 500,000 SF of manufacturing and maker space
  - Approximately 10,000 parking spaces

## **ANALYSIS**

The Port Covington Master Plan is anticipated to take 20 or more years to implement. In order to enable the Port Covington redevelopment, the Baltimore Development Corporation submitted a Tax Increment Financing (TIF) Application on behalf of Sagamore Development Company requesting a TIF from the City for local public infrastructure including streets, sidewalks, utilities, site work, and parks. As a condition to the introduction of TIF legislation in the Baltimore City Council, the Sagamore Development Company entered into three memoranda of understanding (MOUs) with the City setting forth goals for local hiring, supplier diversity, and inclusion of affordable housing in Port Covington.

The three bills now being considered are the required legislation that will work in concert to establish a TIF structure to aid in the development of the Port Covington Redevelopment—specifically to finance publicly owned municipal infrastructure that will support the site’s development. Briefly, TIF is a public financing mechanism by which jurisdictions can dedicate new property tax revenue generated by a private development project within a specific geographic area to finance the construction of public infrastructure in support of that private development. The TIF is calculated based on the level of property tax collected before redevelopment (the “Base Value”) compared to the estimated, post-development new tax revenues (the “Incremental Value”). The difference between the Base and the Incremental Values

and taxes collected as a result of the redevelopment project is the “Tax Increment”. The Tax Increment collected by the jurisdiction is used to repay special obligation bonds which have been to finance the construction of the public infrastructure.

What follows is a brief explanation of each bill:

- City Council Bill #16-0669/ Port Covington Development District  
The Development District simply refers to the geographic area in which the tax increment can be collected and the TIF bond proceeds spent.
  
- City Council Bill #16-0670/ Port Covington Bond Issuance  
This bill authorizes the City to issue special obligation bonds not to exceed the sum of \$660,000,000. This value is based on the approximately \$534,795,000 total estimated cost for public infrastructure improvements, plus issuance costs, administrative expenses and reserves. Additional infrastructure projects are proposed to be funded by a combination of Federal, State, and private funding sources. Schedule I of this bill describes the “Project” and outlines the infrastructure improvements that are proposed to be funded with TIF proceeds. The bill offers more detailed descriptions, but the seven broad categories are:
  1. The design, installation, development, construction or reconstruction, renovation, improvement, realignment of street, road, and bridge improvements to, from, or within the Development District.
  2. The design, installation, development, construction and reconstruction, renovation, improvement and equipping of utilities, and any necessary environmental remediation.
  3. The design, installation, development, construction and reconstruction, renovation, improvement, installation, and equipping of public parks and open spaces.
  4. The cost of purchasing, leasing, or otherwise acquiring land or other property, or an interest in them, in the designated development district area or as necessary for a right-of-way or other easement to or from the development district area.
  5. Site removal, including (without limitation) demolition, site preparation, earthwork, clearing, grading and filling, improvements to the shoreline and in the intertidal zone to stabilize and protect public areas and prevent shoreline erosion, erosion and sediment control, soil cut, infill or removal, capping to protect public areas, and necessary environmental remediation.
  6. Surveys and studies, including (without limitation) designs, plans, drawings, specifications, and estimates of cost and of revenues; and
  7. The acquisition, construction, reconstruction, renovation, design, and development of other related infrastructure improvements as permitted by the Acts that are necessary for the completion of the foregoing for their intended public purposes.
  
- City Council Bill #16-0671/ Port Covington Special Taxing District  
Through this bill, a Special Taxing District is being created in which the properties will be subject to special ad valorem tax to be levied in the event that the collection of the Tax

Increment by the City is insufficient to make principal and interest payments on the TIF bonds. The Special Taxing District lies within but is not synonymous with the Development District. Properties which are included in the Development District but which are excluded from the Special Taxing District include privately-owned properties that are not currently owned or controlled by the Developer. The Special Taxing District is approximately 151 acres.

Public improvements generally refer to the streets, paths, utilities, site work and open space, but a specific list is provided in the "Special Tax Report" (Exhibit 4 to the bill). The list in Table B of the Special Tax Report, which outlines many of the projects expected to be funded by the TIF include such things as the new public streets, parks, the pedestrian/bike swing bridge to Westport, and the pedestrian and bike path under I-95. The project list included in the Special Taxing District bill can be modified. As previously mentioned, the eligible uses for the TIF are actually outlined in City Council Bill 16-0670, the Bond Issuance Bill.

If approved, the TIF legislation would allow for the construction of 17 new streets with 66 intersections, over 40 acres of parks, utilities and site work, pedestrian/bike paths, highway and transit improvements. In analyzing the request at hand, staff has considered the goals set forth in several master plans mentioned above. This TIF would allow for implementation of many projects in the plans and has the potential to generate significant gains, among them new jobs, new residents, new taxes, new public amenities and accessibility to the waterfront. It is anticipated that the Port Covington redevelopment would bring approximately 12,000 new residents to the City, approximately 15,200 new direct and 8,800 new indirect construction jobs and approximately 25,000 direct and 10,000 indirect permanent jobs upon completion. Together, this represents approximately 59,000 new jobs as a result of the Port Covington redevelopment.

Staff also considered information provided by the Baltimore Development Corporation, the Department of Finance and the City's Financial Advisor, MuniCap, Inc. In evaluating the TIF application, the Department of Finance used what is called the "But For" test, which simply means that but for the TIF, the redevelopment is economically infeasible. In this case, the estimated Rate of Return to the Developer without TIF is -1.90%. The Rate of Return with TIF is 9.24%. Such a return is below-average for the market. According to Price Waterhouse Coopers' First Quarter Real Estate Investor Survey report, 15.50% is the average Rate of Return for land development. In addition, there are several safeguards put in place to help with risk mitigation. They include:

- The bonds shall be issued in phases.
- The developer must demonstrate firm funding commitments not only for horizontal construction but also the vertical development before the bonds are issued.
- Each issuance of bonds will have to be approved by both the Board of Estimates and the Board of Finance.
- The City will most likely use a third party issuer for this TIF. This will minimize risk to the City's Bond rating.

In addition, the long-term benefits from this project are expected to be substantial for the City. The Port Covington Project is anticipated to produce significant new tax revenues for the City.

At full build-out, the project is expected to generate an average net fiscal impact of approximately \$41,000,000 per year over the course of the TIF. For these multiple reasons, staff is supportive of the requests.

**COMMUNITY NOTIFICATION**

Notification for this item was done via email to a list of approximately 6,100 recipients, which includes both individuals and organizations. In addition, the following community organizations have been notified of this action: Community of Curtis Bay Association, Concerned Citizens For A Better Brooklyn, Cherry Hill Community Coalition, Westport Neighborhood Association, Lakeland Community Association Partnership, Mt. Winans Community Association, South Baltimore Neighborhood Association, Riverside Neighborhood Association, Sharp-Leadenhall Planning Committee, Inc., Locust Point Civic Association, Inc., Federal Hill Neighborhood Association, Inc, Federal Hill South Neighborhood Association, Sharp-Leadenhall Improvement Association and The Honorable Eric Costello.



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