



**BALTIMORE
HOUSING**

SHEILA DIXON
Mayor

PAUL T. GRAZIANO
Executive Director, HABC
Commissioner, HCDC

MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Karen Randle, Executive Secretary

From: Paul T. Graziano, Commissioner

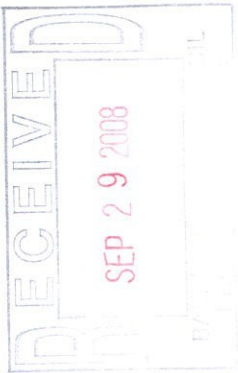
Date: September 25, 2008

Re: **City Council Bill 08-0160 Westport Waterfront Development District**

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 08-0160, which was introduced for the purpose of designating a "development district" to be known as the "Westport Waterfront Development District"; providing for and determining various matters in connection with the establishment of the development district; creating a special, tax increment fund for the development district; allocating certain property taxes to that fund; making certain findings and determinations; providing for a special effective date; and generally providing for matters relating to the designation and operation of the development district and the establishment and use of the special, tax increment fund to provide for the payment by or reimbursement to the City for debt service which the City is obligated to pay or has paid (whether such obligation is general or limited) on any special obligation bonds or notes issued by the City or any "state obligations" issued in connection with the development district, the replenishment of any reserve fund, and the payment of certain expenses and administrative costs related to the operation of the development district.

The Westport project includes the development of approximately 2000 housing units; 3 million sq.ft. of office space; 230,000 sq.ft. of retail space; and 500 hotel rooms encompassing a total of 5.5 million square feet. The developer, Westport Development LLC, has proposed a \$1.7 billion mixed use development, located along the Middle Branch of the Patapsco River adjacent to the Westport community. The company has purchased 42 acres of waterfront property along the west shore of the Middle Branch from Waterview Avenue to just south of Interstate 95. The development team includes Turner Development, The Carlyle Group, and minority partner, Joseph Haskins.

In order to finance certain public infrastructure and site improvements including roads, utilities, and open space, the developer has requested Tax Increment Financing (TIF) from the City in the amount of \$90,000,000 to be issued in two phases. The City Department of Transportation (DOT) has requested an additional \$10,000,000 for off-site transportation improvements and DHCD has requested an additional \$6,350,000 for the creation of affordable housing. The combined request from the developer, DOT, and DHCD total \$106,350,000 net,



\$156,738,971 gross. A City Return Analysis demonstrated that the City investment of \$160 million in gross TIF dollars produces an internal rate of return to the City of 11.03% percent, well in excess of the 'hurdle-rate' of 6% and that, additionally, the vertical project generates close to \$300 million dollars (net present value) in new tax revenue for the City over 20 years.

The developer, BDC and DHCD have negotiated an agreement for affordable housing. The agreement creates a total of 200 affordable units. Of which, 130 are on-site affordable rental units and 70 are for sale affordable housing units in the existing Westport community. DHCD will use \$6,350,000 from the TIF to acquire and renovate the 70 for sale affordable units in the existing Westport community and approximately an additional \$15,000,000 from non-TIF sources to subsidize the 130 on-site affordable rental units. The total amount committed for affordable housing in Westport totals approximately \$21,000,000.

The Department of Housing and Community Development supports the adoption of City Council Bill 08-0160 and defers to the report of the Planning Commission for further comment.

PTG:pmd

cc: Ms. Angela Gibson
Mr. Demaune Millard