

**Memorandum of Understanding – Inclusionary Housing at Port Covington  
(Dated: 04/20/16)**



**BALTIMORE HOUSING**

STEPHANIE BLAWINGS BLAKE  
Mayor

PAUL F. GRAZIANO  
Executive Director, HABC  
Commissioner, HCID

#1 57521  
46-48

**MEMORANDUM**

**TO:** Honorable Mr. President and Members of the Board of Estimates  
**FROM:** Paul F. Graziano, Commissioner  
**DATE:** April 13, 2016  
**SUBJECT:** Memorandum of Understanding – Inclusionary Housing at Port Covington

Dear Mr. President and All Members:

**ACTION REQUESTED OF B.O.E.:**

This Honorable Board’s consideration is requested to approve a Memorandum of Understanding (the “MOU”) between the City of Baltimore and Sagamore Development Company, LLC (“Developer”) specifying the terms and conditions of the Developer’s agreement to provide Inclusionary Housing in the New Port Covington development and to authorize the Commissioner of Housing and Community Development to execute the MOU and take any further actions necessary to implement the provisions of the MOU.

**AMOUNT OF MONEY AND SOURCE:**

**NO CITY FUNDS ARE REQUESTED**

**BACKGROUND/ EXPLANATION:**

The Developer is undertaking the New Port Covington project (the “Project”) in the City of Baltimore. The City Council will consider legislation to issue Tax Increment Financing (“TIF”) bonds to support the Project.

The TIF is considered to be a public subsidy under the City’s Inclusionary Housing Law (the “IH Law”) and triggers a review by the Department of Housing and Community Development. The required DHCD review of the project determined how many, if any, Inclusionary Housing units must be built in conjunction with the development. Based on the provisions of the IH Law in this case, the Housing Commissioner determined that the project is exempt from the requirement to create affordable housing under the IH Law.

However, the Developer supports the policy goals of Inclusionary Housing and has agreed to provide either on-site affordable housing units or contribute money to the City in support of Inclusionary Housing. This MOU sets forth the terms and conditions of the agreement. The following summarizes the key points of the MOU:

- The Affordable Housing goal will be 10% of all on-site residential units.
- Affordable housing is housing to be made available to households whose annual income is less than 80% of Area Median Income for the Baltimore metropolitan region, as established by the United State Department of Housing and Urban Development (hereafter “Affordable Housing”)
- Affordable Housing units will be primarily one, two or three bedroom units (or as otherwise agreed by the parties), of comparable quality and design as other residential housing in the Project and managed in accordance with the same standards as other residential units within the Project.
- Developer will use commercially reasonable efforts to apply for public sources of subsidy for the Affordable Housing including but not limited to Low Income Housing Tax Credits.

**APPROVED FOR FUNDS**  
6.83.  
**APR 14 2016**  
**BUDGET & MGMT. RESEARCH**

**Memorandum of Understanding – Inclusionary Housing at Port Covington**

**April 13, 2016**

**Page 2 of 2**

- The City will make housing program resources available subject to funding availability, approval by the Board of Estimates, and compliance with federal, state and local law programmatic requirements and guidelines for the Affordable Housing.
- The City will support any applications for Low Income Housing Tax Credits or other programs which are competitive and/or require local government support. If the publicly subsidized Affordable Housing units cannot be constructed on a financially reasonable basis, Developer will contribute an amount to the Inclusionary Housing Fund.
- In lieu of and as an offset to the payment to the Fund, the Developer may count the value of any Affordable Housing unit that is not publicly subsidized and provided within the Project (each, a “Developer Subsidized Unit”) as a contribution under this MOU
- Pursuant to this MOU, within six months of the Effective Date, the parties shall negotiate and execute an agreement setting forth the terms under which (a) the Developer will report on the status of residential construction, including Developer Subsidized Units, and (b) the City will monitor and enforce the income and occupancy requirements of the Developer Subsidized Units.

**MBE/WBE PARTICIPATION**

Not applicable

**EMPLOY BALTIMORE**

EB applicable: \_\_\_\_\_ yes;  no

**APPROVED BY THE BOARD OF ESTIMATES**

*Bernice H. Jaylor*

APR 20 2016

CLERK

DATE

**CC: Her Honor, The Mayor**

**Attachment: Memorandum of Understanding**

**Contact: Margaret Webster, Chief of Administration, 410-396-5846**



**MEMORANDUM OF UNDERSTANDING  
REGARDING INCLUSIONARY HOUSING IN PORT COVINGTON**

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is entered into this        day of APR 20 2016 2016 (the "Effective Date"), by and between SAGAMORE DEVELOPMENT COMPANY, LLC, a Maryland limited liability company, its successors or assigns ("Developer") and MAYOR AND CITY COUNCIL OF BALTIMORE, a body corporate and politic and a political subdivision of the State of Maryland, ("City") acting by and through the Department of Housing and Community Development.

**RECITALS**

- A. The Developer, either directly or through affiliates, is or will be developing approximately 250 acres of land located on the South Baltimore peninsula, south of I-95, into a transformative, inclusive and world-class mixed-use, waterfront project, that will include more than 12 million square feet of building development (the "New Port Covington").
- B. The development of New Port Covington is estimated to take between 15 and 20 years to complete, depending on economic market conditions, but over that period is projected to result in (a) more than \$5.5 billion in construction expenditures; (b) \$9.4 billion in construction-related economic activity; (c) 54,000 construction and multiplier jobs supported or created; and, (d) \$402 million in combined state and local government revenues.
- C. At full development, New Port Covington is expected to generate (a) more than \$5.4 billion in economic activity; (b) more than 25,000 jobs supported or created; and (c) more than \$250 million in annual state and local government revenues.
- D. Development of New Port Covington cannot occur without the creation of the necessary infrastructure, such as streets, roads, sidewalks, water lines, sewerage systems, parks and conduits for communication (collectively, "Project Infrastructure"). The cost of Project Infrastructure is estimated at \$1.4 billion, a portion of which will be funding through the use of tax increment financing ("TIF") that will be funded by the future incremental tax revenues generated by New Port Covington.
- E. The issuance of TIF bonds for the Project Infrastructure requires a residential project within Port Covington benefitted by the Project Infrastructure to include affordable housing units pursuant to Article 13, Subtitle 2B of the Baltimore City Code (the "Inclusionary Housing Requirements"). However, pursuant to the Inclusionary Housing Requirements, the Commissioner of Housing has determined that New Port Covington is exempt from the Inclusionary Housing Requirements as indicated in the Department's Memorandum of Determination attached hereto as Exhibit A.
- F. Regardless of the Commissioner's exemption determination, the Developer strongly supports the policy of the City to encourage economic diversity and balanced neighborhoods by promoting the inclusion of housing opportunities for residents with a broad range of incomes. Therefore, the Developer is committed to providing a range of housing types

and options at New Port Covington, and to encouraging and supporting the development of New Port Covington as a mixed-income community for residents at a wide range of income levels.

G. Further, the Developer is broadly committed to diversity and inclusion and espouses the following goals for New Port Covington:

- a) To contribute significantly to Baltimore's economic development by creating jobs and business opportunities for Baltimoreans;
- b) To establish and maintain communication feedback loops that ensure transparency and build trust;
- c) To sponsor job-readiness and entrepreneurial bid-readiness to include more fully diverse groups of workers and community-based contractors;
- d) To facilitate participation among diverse and local vendors and suppliers;
- e) To develop sustainable partnerships with local community members, multilevel governmental agencies, non-profit organizations, service organizations, and other key stakeholders;
- f) To engage all of New Port Covington's development partners and future tenants/owners; and
- g) To include housing opportunities for resident within a broad range of incomes.

Now therefore, the Developer and City agree that it will be a goal for New Port Covington to have ten percent (10%) of all residential units (the "Affordable Goal") be available to households whose annual income is less than 80% of Area Median Income for the Baltimore metropolitan region, as established by the United State Department of Housing and Urban Development (such housing is "Affordable Housing") and will be implemented as follows:

1. Except as provided in Sections 4-6 below, Developer shall provide for ten percent of all residential units constructed within the Port Covington Development District, as defined in the ordinance establishing the development district, to be Affordable Housing.

2. The Affordable Housing shall be (a) primarily one bedroom, two bedroom and three bedroom units, or as otherwise agreed upon by the parties; (b) constructed of comparable quality and design as other residential housing constructed within New Port Covington and (c) be managed in accordance with the same standards as the other residential housing within New Port Covington.

3. Developer shall use commercially reasonable efforts to apply for Low Income Housing Tax Credits ("LIHTC") and other financial support for Affordable Housing to produce Publicly Subsidized Affordable Housing units. Any market studies prepared in connection with pursuing LIHTC shall take into consideration waiting list date compiled by the City. The City shall (a) make housing program resources available, subject to funding availability, approval by

the Board of Estimates, and compliance with federal, state, and local law, programmatic requirements and guidelines, and (b) support any applications by projects within the Port Covington Development District for LIHTCs or other programs which are competitive and/or require local governmental support.

4. If Publicly Subsidized Affordable Housing units cannot be constructed on a financially reasonable basis, Developer shall make a payment to the Inclusionary Housing Offset Fund established by Section 2B-61 of the Inclusionary Housing Requirements (the "Fund"), for each Certificate of Occupancy it obtains for a residential unit in the Project area, within 30 days after each such Certificate of Occupancy is issued by the Department of Housing and Community Development.

a) To the extent the Affordable Goal is achieved within a defined phase of New Port Covington, no further Per Unit Cost payments shall be paid for the development of the remaining units within the phase.

b) To the extent the Affordable Goal is exceeded in a phase, or the offset values exceed the amount payable into the Fund, (i) the excess number of units will be applied in determining the Affordable Goal for the subsequent phase or phases, and (ii) the excess offset values will be applied in determining the payment obligations for the subsequent phase or phases.

5. Payments to the Fund shall be paid per unit (the "Per-Unit Cost") for each unit covered by each Certificate of Occupancy in accordance with the following schedule:

For Units Between	Fee per Unit
1-1000	\$ 3,000.00
1001-2000	\$ 3,400.00
2001-3000	\$ 3,800.00
3001-4000	\$ 4,200.00
4001-5000	\$ 4,600.00
Over 5000	\$ 5,000.00

Upon the completion of each set of 1000 units, the parties agree to "true-up" the calculations required by this MOU, and the Developer shall make any required payments into the Fund at such time.

6. In lieu of and as an offset to the payment of the Per-Unit Cost, the Developer may count the value of any Developer Subsidized Affordable Housing unit provided within the Project (each, a "Developer Subsidized Affordable Housing Unit") as a contribution under this MOU, subject to the following terms and conditions:

a) The offset value of each Developer Subsidized Affordable Housing Unit not utilizing LIHTC shall be computed based on Area Median Income established by the United States Department of Housing and Urban Development in such fiscal year ("AMI") and the projected market rents for such unit based upon the calculation method used to calculate the City's cost to fully offset the financial impact as used in Exhibit A. Rental assistance and other forms of subsidy will be taken into consideration in calculating the offset.

b) Developer Subsidized Affordable Housing Units which are offered for rental at not more than 60% of AMI, whether through the LIHTC program or otherwise, (i) receive a credit per the schedule in Section 5 against the amount required to be paid into the Fund (i.e. each such Developer Subsidized Affordable Housing Unit provided among the first 1000 residential units will reduce, by \$3,000, the amount otherwise payable into the Fund for those first 1000 residential units), (ii) shall apply to the Affordable Goal for the phase under development, and (iii) to the extent in excess of the Affordable Goal, be available to credit to the next phase of development.

c) The Developer Subsidized Affordable Housing Units shall be leased to tenants earning no more than 80% of AMI for a minimum thirty (30) year period of affordability. The Developer shall have the option to shorten the period of affordability no earlier than fifteen (15) years after the date of initial occupancy by a tenant earning no more than 80% of AMI or at the time of sale of any building in which an On-Site Unit is located, whichever is later. The Developer shall pay a cash contribution to the Fund prior to exercising this option. The amount of the cash contribution shall be calculated by pro rating the amount of the original offset value of each On-Site Unit over the number of years remaining of the thirty-year period of affordability.

7. Pursuant to this MOU, within six months of the Effective Date, the parties shall negotiate and execute an agreement setting forth the terms under which (a) the Developer will report on the status of residential construction, including On-Site Units, and (b) the City will monitor and enforce the income and occupancy requirements of the On-Site Units.

8. Any amendment to this MOU must be executed in writing by both parties.

9. This MOU may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

**[Signature Page Follows]**



**BALTIMORE  
HOUSING**

**STEPHANIE RAWLINGS BLAKE**  
Mayor

**PAUL T. GRAZIANO**  
Executive Director  
Commissioner HCD

March 24, 2016

**Michael Pokorny**  
Sagamore Development Company, LLC  
1000 Key Highway East  
Baltimore, Maryland 21230

**Re: Inclusionary Housing for Port Covington**

**Dear Mr. Pokorny:**

**Thank you for submitting development and financing information to Baltimore Housing for the following project:**

**Port Covington  
Baltimore Maryland**

**Based on the material you presented, Baltimore Housing determined that the project is subject to the requirements of Article 13 Subtitle 2B, Inclusionary Housing Requirements. Baltimore Housing conducted a review of the financial information you presented, attached to this letter, and concluded that Inclusionary Housing requirements for this project exceed the allowed threshold amounts identified in Section 2B-21(f)(2)(i). In addition, the cost to provide units exceeds the amount of resources available to Baltimore Housing. The project is therefore exempt from the requirements under Section 2B-21(d)(1).**

**Thank you for your work in Baltimore. If there are any additional questions, please contact Kevin Haberl, Voucher Specialist at 410-396-4203.**

**Sincerely,**

  
**Paul T. Graziano**  
Commissioner  
Baltimore Housing





# Inclusionary Housing Analysis Template

## 4/4/2016

### Global Assumptions

Global Discount Rate	6.00%
AMI Growth Annual	2.00%
Market Rent Growth Annual	3.00%
Lifetime Subsidy Factor (per \$100)	\$ 18,388

### Project Assumptions

Building	
Years until Occupancy	0

### Bedroom and Unit Count

Size	
Efficiency	1088
1-Bedroom	2132
2-Bedroom	1332
3-Bedroom	799
<b>Total</b>	<b>5329</b>

Rents	
Size	
Efficiency	\$ 1,120
1-Bedroom	\$ 1,478
2-Bedroom	\$ 2,240
3-Bedroom	\$ 2,888

### 2015 Income Limits

HUD Defined Baltimore-Towson AMI (Family of 4 @100% AMI)				\$ 89,600	
Unit/HH Size	HH Size Factor	30%	60%	80%	100%
Efficiency/1 Person	70%	\$ 18,800	\$ 37,600	\$ 50,200	\$ 62,700
1-Bed/1.5 Persons	75%	\$ 20,200	\$ 40,300	\$ 53,800	\$ 67,200
2-Bed/3 Persons	90%	\$ 24,200	\$ 48,400	\$ 64,500	\$ 80,600
2+-Bed/4 Persons	100%	\$ 28,900	\$ 53,800	\$ 71,700	\$ 89,600
3-Bed/4.5 Persons	104%	\$ 28,000	\$ 55,900	\$ 74,500	\$ 93,200

Income Limits reflect HUD baseline and HH adjustments but are not limited by national median level as HUD-published incomes are

### 2015 Rent Limits

Calculation of Afford Max Rent = 1/12 x 30% of Max Income by Tier

Size	30%	60%	80%
Efficiency	\$ 470	\$ 940	\$ 1,255
1-Bedroom	\$ 505	\$ 1,008	\$ 1,345
2-Bedroom	\$ 605	\$ 1,210	\$ 1,613
3-Bedroom	\$ 673	\$ 1,345	\$ 1,793

# Summary of Calculations

## Building 9

Total Cost of Full Compliance	\$	184,307,413	Initial Year Dollars
Total Cost of Full Compliance	\$	184,307,413	Current Year Dollars
Number of Units		1057	
Average Cost per Unit	\$	172,734.22	Current Year Dollars

## Inclusionary Housing Calculation

### Building 9

#### Income Limits (Inflated over time)

Size	30% AMI	60% AMI	80% AMI	100%AMI
Efficiency (1 Person)	\$ 18,800	\$ 37,600	\$ 50,200	\$ 62,700
1-Bedroom (1.5 Person)	\$ 20,200	\$ 40,300	\$ 53,800	\$ 67,200
2-Bedroom (3 person)	\$ 24,200	\$ 48,400	\$ 64,500	\$ 80,600
3-Bedroom (4.5 Person)	\$ 28,000	\$ 55,900	\$ 74,500	\$ 93,200

#### Affordability Standards (Inflated over time)

##### Calculation of Affordability at 2B-3(b)(1-4)

Max Rent = 1/12 x 30% of Max Income by Tier

Size	30% AMI	60% AMI	80% AMI	100%AMI
Efficiency	\$ 470	\$ 940	\$ 1,255	\$ 1,568
1-Bedroom	\$ 505	\$ 1,008	\$ 1,345	\$ 1,680
2-Bedroom	\$ 605	\$ 1,210	\$ 1,613	\$ 2,015
3-Bedroom	\$ 700	\$ 1,398	\$ 1,863	\$ 2,330

#### Total Units in Building by Bedroom Size

Req % each Tier	30%	25%	25%	20%	Total
Size	30% AMI	60% AMI	80% AMI	100%AMI	Total
Efficiency	319.8	266.5	266.5	213.2	1066
1-Bedroom	639.8	533	533	426.4	2132
2-Bedroom	399.8	333	333	266.4	1332
3-Bedroom	239.7	199.75	199.75	159.8	799
<b>Total</b>	<b>1598.7</b>	<b>1332.25</b>	<b>1332.25</b>	<b>1066.8</b>	<b>5329</b>

#### Total Required IH Units

Req % of Total	20% Major Public Subsidy				Total
	30% AMI	60% AMI	80% AMI	100%AMI	Total
Efficiency	64	53	53	43	213
1-Bedroom	128	107	107	85	427
2-Bedroom	80	67	67	53	267
3-Bedroom	48	40	40	32	160
<b>Total</b>	<b>320</b>	<b>267</b>	<b>267</b>	<b>213</b>	<b>1067</b>

Unit counts are rounded to produce whole units

#### Project Rents

Size	30% AMI	60% AMI	80% AMI	100%AMI
Efficiency	\$ 1,120	\$ 1,120	\$ 1,120	\$ 1,120
1-Bedroom	\$ 1,478	\$ 1,478	\$ 1,478	\$ 1,478
2-Bedroom	\$ 2,240	\$ 2,240	\$ 2,240	\$ 2,240
3-Bedroom	\$ 2,688	\$ 2,688	\$ 2,688	\$ 2,688

#### Per Unit Subsidy per month - Initial Year

Size	30% AMI	60% AMI	80% AMI	100%AMI
Efficiency	\$ 650	\$ 180	\$ -	\$ -
1-Bedroom	\$ 673	\$ 471	\$ 133	\$ -
2-Bedroom	\$ 1,635	\$ 1,030	\$ 628	\$ 225
3-Bedroom	\$ 1,668	\$ 1,291	\$ 628	\$ 358

**Lifetime Subsidy Per Unit**

Size	30% AMI	60% AMI	90% AMI	100% AMI
Efficiency	\$ 162,138	\$ 65,606	\$ 909	\$ -
1-Bedroom	\$ 237,632	\$ 134,425	\$ 65,107	\$ 10,469
2-Bedroom	\$ 393,081	\$ 268,822	\$ 188,154	\$ 783,488
3-Bedroom	\$ 477,038	\$ 333,780	\$ 238,275	\$ 142,257
<b>Threshold Limit (by Income Tier)</b>	<b>\$ 125,000</b>	<b>\$ 100,000</b>	<b>\$ 50,000</b>	<b>\$ 25,000</b>

Highlighted Cells are OVER threshold limit - SHALL exempt by statute at 28-21(f)(3)

**Total Project Subsidy by Unit Type**

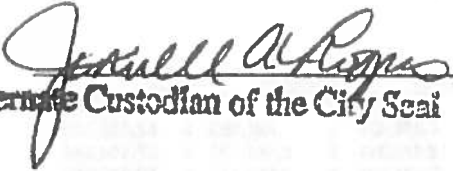
Size	30% AMI	60% AMI	90% AMI	100% AMI	Total
Efficiency	\$ 10,378,854	\$ 3,477,140	\$ 48,203	\$ -	\$ 13,902,198
1-Bedroom	\$ 30,416,884	\$ 14,383,485	\$ 6,888,424	\$ 691,553	\$ 52,668,328
2-Bedroom	\$ 31,449,510	\$ 18,011,087	\$ 12,472,311	\$ 5,484,738	\$ 67,414,844
3-Bedroom	\$ 22,897,810	\$ 13,351,209	\$ 9,531,009	\$ 4,552,217	\$ 50,332,245
<b>Total</b>	<b>\$95,138,058 90</b>	<b>\$49,222,900 70</b>	<b>\$29,017,948 78</b>	<b>\$10,928,508 28</b>	<b>\$ 184,307,413</b>

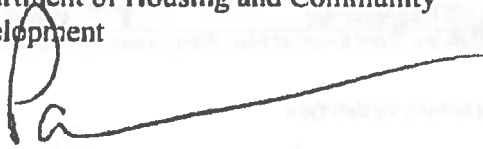
**Total Cost of Full Compliance \$ 184,307,413 Initial Year Dollars**  
**Total Cost of Full Compliance \$ 184,307,413 Current Year Dollars**

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Understanding to be executed as of the day and year first written above.

ATTEST/WITNESS:


THE MAYOR AND CITY COUNCIL OF  
BALTIMORE, acting by and through the  
Department of Housing and Community  
Development


  
\_\_\_\_\_  
Alternate Custodian of the City Seal

By:   
\_\_\_\_\_  
Paul T. Graziano, Commissioner

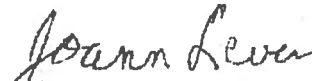
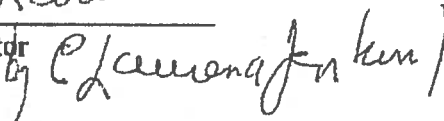
ATTEST/WITNESS:

SAGAMORE DEVELOPMENT COMPANY, LLC


  
\_\_\_\_\_

By:   
\_\_\_\_\_  
Name: Marc Weller  
Title: President

Approved as to form and legal-sufficiency,  
this 14<sup>th</sup> day of April, 2016

By:   
\_\_\_\_\_  
Chief Solicitor  


Approved by the Board of Estimates this \_\_\_\_\_ day of \_\_\_\_\_, 2016

  
\_\_\_\_\_  
Clerk

APR 20 2016