Harbor Point
Application for Tax Increment Financing

I. Transmittal Letter

Please see the attached Transmittal Letter from the Sponsoring Agency.

II. Approval of Coordinating Agency

At its March 28, 2013 meeting, the Baltimore Development Corporation Board of Directors unanimously approved a motion of the full Board to recommend to Mayor Stephanie Rawlings-Blake a TIF in an amount necessary to finance $106,931,276 of public infrastructure in support of the Harbor Point Development project. The City's financial advisor estimates the gross amount of issuance to be between $114 and $120 million. As a result of this recommendation, on April 19, 2013 the Mayor authorized BDC to seek necessary approvals to create the TIF including the following actions:

- Board of Finance Approval and Authorization
- City Council Approval of TIF Legislation Package—targeted for City Council introduction on June 3, 2013.
- Board of Finance and Estimates Approval of Bond Documents
- All other actions reasonably necessary.

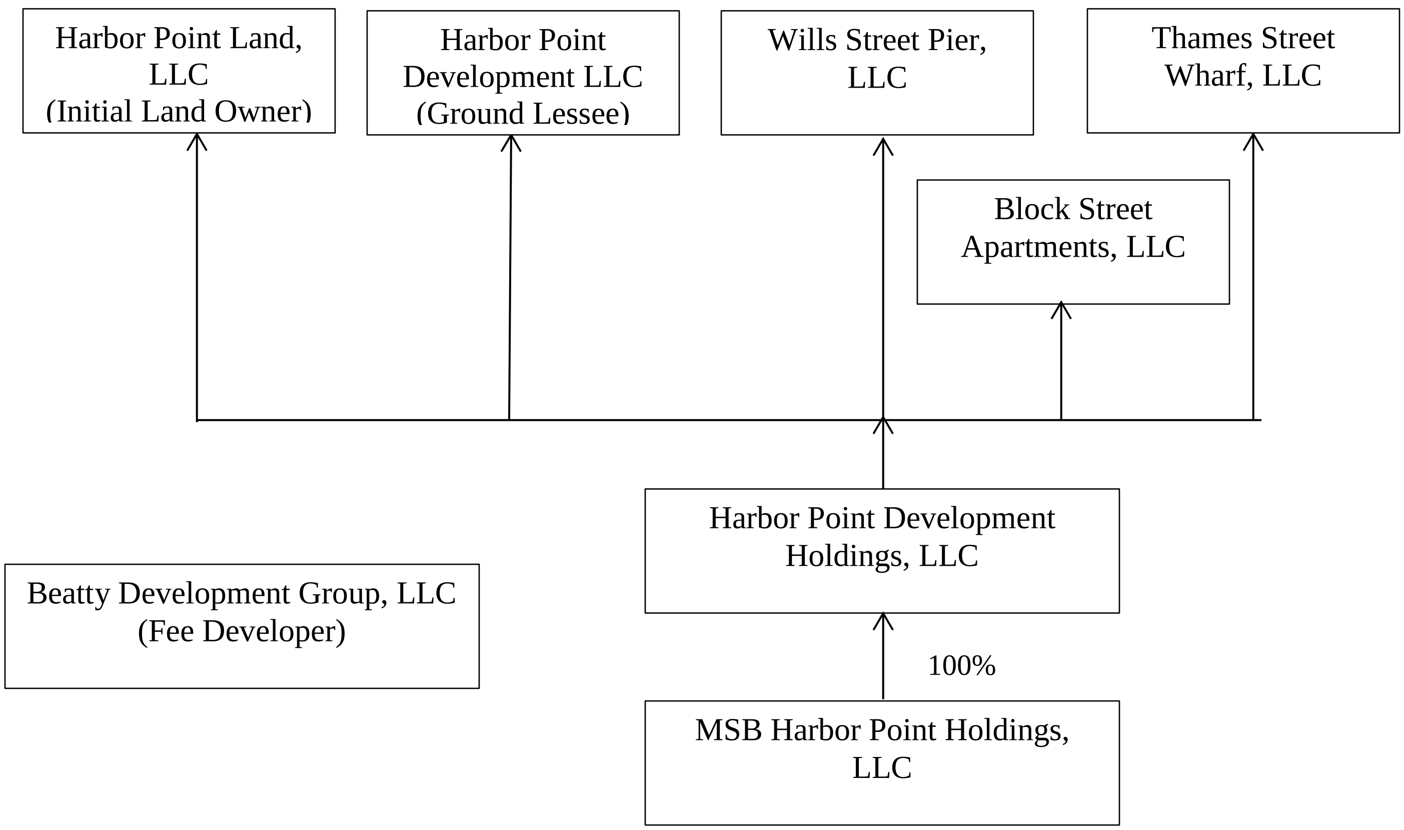
Upon Board of Finance approval and prior to the introduction of TIF legislation, the Developer and BDC intend to enter into a Term Letter specifying the terms and conditions by which both parties will proceed to obtain necessary approvals.

III. Development Team

a. Name of Developer

Harbor Point Development Holdings, LLC, is the Master Developer and is wholly owned by MSB Harbor Point Holdings, LLC. Beatty Development Group, LLC, will act as fee developer to manage and oversee the development of the project for Harbor Point Development Holdings, LLC. Below is an organizational chart showing the entities that make up the ownership.

Harbor Point Development Holdings, LLC



b. Background Information

Resumes of the Principal and other key employees of Beatty Development Group, LLC are attached hereto as exhibits

The following entities have been engaged (thus far) to provide professional services relating to the design and construction of the Harbor Point Public Improvements:

Beatty Development Group, LLC
Beatty Development Group, LLC is a full service real estate development firm that focuses on mixed-use urban development and the creation of neighborhoods. The company was founded in 2013 by Michael S. Beatty. Resumes of principals and key employees are attached as exhibits.

Contractor
Armada Hoffler (AHCC) has been retained by the Developer to provide construction consulting services, pricing and assistance with the design and construction of the infrastructure for the Exelon project. Based in Virginia Beach, Virginia, Armada

Hoffler was founded in 1979 and has constructed all the buildings in Harbor East as well as the first building on Harbor Point.

Master Planner
Ayers / Saint / Gross, Inc. (ASG) is the master plan architect for the entire 27-acre site and was the architect of record for the Thames Street Wharf Office Building completed in 2010. ASG has been providing architectural and planning services since its founding in 1915.

Architect of Record
Beatty, Harvey, Coco, Architects LLP (BHC) has been retained by the Developer as the architect of record for the Exelon Building. Founded in 1880, BHC has provided design services to a wide range of clients for over 125 years and was the architect of record for all the newly constructed buildings in neighboring Harbor East.

Landscape Architect
Mahan Rykiel Associates (MRA) has been retained by the Developer to provide landscape architecture design services for the Central Plaza and to establish a design language for the Harbor Point streetscape. The firm was established in 1983 as a women-owned, landscape architecture, urban design and planning firm.

Civil Engineer
Rummel, Klepper & Kahl (RK&K) has been retained by the Developer to provide civil engineering services for the public improvements. RK&K is a multi-disciplinary consulting engineering firm established in 1921 and headquartered in Baltimore, Maryland. RK&K provides complete civil engineering services throughout the Mid-Atlantic and Southeastern regions of the United States.

Environmental Consultant
Environmental Resources Management (ERM) has been retained by the Developer to manage all environmental aspects of developing Harbor Point. ERM is one of the world's leading providers of environmental consulting services and health and safety with over 135 offices in more than 40 countries.

Geotechnical Engineering
Mueser Rutledge Consulting Engineers (MRCE) has been retained by the Developer to provide geotechnical and foundation design and consulting services. MRCE continues to work with the developer and Honeywell to preserve the structural integrity of the remediation measures while allowing for the successful development of the structures and infrastructure that are planned. MRCE was founded in 1910 in New York and is the first firm in the United States to combine geotechnical specialty with structural foundation design engineering.

Attorneys
Gallagher Evelius & Jones LLP (GEJ) has been engaged by the Developer to assist with land control, entitlements, financing (including TIF financing) and equity investments. GEJ has extensive experience with complex real estate developments.

c. Developer's Experience

The Developer has worked on a number of projects in Fells Point and Harbor East since the first project (Bond Street Wharf) in 2002, as illustrated in Table 1 below. The success of Bond Street Wharf has carried over into multiple projects in Baltimore's Harbor East neighborhood as well as the first phase of Harbor Point. The Developer's most recently completed projects were for financial services firms, Legg Mason and Morgan Stanley as well as the Four Seasons Hotel.

Table 1: Developer's Experience

Project	**Location**	**Type**	**Total Construction Amount**	**Completion Date**
Bond Street Wharf	Fells Point	Class A office	$36 million	Fall 2002
E.J. Codd	Harbor East	Retail/Office	$11 million	Spring 2005
800 Aliceanna	Harbor East	Mixed-use	$240 million	Fall 2007
Legg Mason Tower	Harbor East	Office/Retail	$262 million	Summer 2009
Thames Street Wharf	Harbor Point	Office	$92 million	Summer 2010
Four Seasons	Harbor East	Hotel	$193 million	Fall 2011

IV. Project Information

a. Project Background

Harbor Point is a 27-acre site located in a waterfront location west of Fells Point and just south and east of the growing Harbor East neighborhood. The site is the last substantive undeveloped stretch of land on Baltimore's Inner Harbor. Currently, it is programmed for three million square feet of mixed-use development as allowed by Planned Unit Development (PUD) legislation currently undergoing the City Council approval process. The Project will include new office, shopping, dining, hotel and residential destinations as well as 3,300 structured parking spaces. The site is expected to reach full build out by 2022 (collectively, the "Project"). The Project is being developed by Harbor Point Development Holdings, LLC (the "Developer") The Developer is requesting Tax Increment Financing (TIF) assistance with the Project in the amount of $106,931,276 as further detailed below. The Baltimore Development Corporation (BDC) is the Sponsoring Agency.

<u>Overall Development Program:</u>

Office:	1,638,778 SF
Residential:	913,650 SF; 914 Apartments
Retail:	195,572 SF
Hotel/Condos:	<u>222,000 SF</u>
	2,970,000 SF
Parking:	1,238,675 SF; 3,300 Spaces

b. Existing Property Uses

Today, the existing property uses include the Honeywell monitoring station that allows for Honeywell to keep tabs on the ground water levels inside and outside the barrier wall, the Thames Street Wharf Office Building leased to Morgan Stanley and Johns Hopkins Medicine International, along with surface parking for 715 cars.

c. Site Constraints

Two main factors that explain the high costs to develop this site include:

a. The site currently has no infrastructure to support future development.
b. The site has significant environmental constraints.

Pursuant to a Federally mandated Consent Decree in 1989 between the EPA, Department of Justice, MDE, and Honeywell International Inc., Honeywell dismantled the existing plant and capped the site during the remediation in the 1990’s. This left a “blank slate” for the installation of necessary infrastructure.

In order to construct the streets and public utilities and other public infrastructure, the Developer will have to bring in large quantities of fill to raise the grade of the site. This will allow the utilities to pass above the slurry wall that separates the On-Cap and Off-Cap portions of the site. The Developer will also construct a six-inch concrete cap to be installed above the current multi-media cap and below the clean fill along the length and width of future roadways. This is an extra precaution to alert any future crews working in the streets that they should stop digging.

Other additional costs will include foundation work that is estimated by Mueser Rutledge Consulting Engineers (MRCE) to cost approximately 50% more in labor costs as well as extensive shoring and bridging that will need to be completed before the park spaces can be raised to even out grades with the streets and utilities. Finally, the Developer must have all plans reviewed by the environmental agencies and Honeywell to make sure that they are complying with the Consent Decree and Honeywell construction requirements.

The net effect of the above constraints and restrictions equates to a cost premium for all public infrastructure of approximately 25%

d. Environmental Issues

Formerly home to Allied Signal's (later Honeywell) chrome ore processing facility, the site was the world's largest producer of chrome and chrome chemicals. Environmental investigations in the early- to mid-1980s found significant quantities of chromium migrating from the site into the harbor and groundwater. In 1989, Allied entered into a Consent Decree with the Environmental Protection Agency (EPA) and Maryland Department of the Environment (MDE) to begin dismantlement of the plant and site remediation. The remedy spelled out in the Consent Decree was to create a three-foot wide, 70-foot deep bentonite slurry wall surrounding two-thirds of the site. It is topped with a multi-media cap (the "Cap") consisting of natural materials and an impermeable synthetic liner that was completed in 1999. Monitoring wells and extraction wells were installed at the periphery of the site that allow Honeywell to control ground water flow inward. If ground water levels become too high, Honeywell will then pump from the extraction wells on the inside of the wall keeping the gradient higher on the outside. The Head Maintenance System (HMS), as the system is called, is the responsibility of Honeywell in perpetuity. The Cap covers the western two-thirds of the site.

The remaining one-third of the site is considered "Off-Cap." It was not originally part of the processing facility but was acquired by Honeywell International during the remediation. Even though this portion is considered Off-Cap, it does have a basic soil cap along the waterfront and has been taken through MDE's Voluntary Cleanup Program (VCP).

In 2003, a 99-year ground lease was signed between Harbor Point Development LLC together with Harbor Point Development Holdings, LLC and Honeywell International, Inc. to redevelop the site. As part of that agreement, the Developer agreed to certain controls to assure that the redevelopment of the site would not compromise the remediation measures and HMS system. These site constraints will require the public infrastructure, including all roads and utilities, parks, and promenade, to be elevated above the Cap as to not impact the slurry wall. Studies have been conducted by RK&K over the past 13 years showing how the new site utilities will be installed in clean fill above the current existing Cap or in a manner that will note compromise the existing remediation system. Collectively, the costs of the environmental remediation on the site conducted to date total in excess of $100 million.

e. Project Schedule

The Harbor Point mixed-use development program and estimated timeline are as follows:

Building	Use	Est. Completion	SF
7	Thames Street Wharf Office	Completed 2010	277,000
1	Exelon	2015	656,450
9	Apartments, Retail, Parking	2015	227,375
4	Office, Retail	2017	234,000
8	Apartments, Retail	2017	258,200
5	Office, Parking	2018	225,000
6	Hotel/Residential, Retail	2020	238,350
3	Office, Retail, Parking	2021	263,000
2	Apartments, Retail, Parking	2022	515,000
		Total:	2,970,000

Subject to change based on market conditions, Harbor Point will be constructed in three phases over the next ten years. The first building, the Thames Street Wharf Office Building, was completed in 2010 at a total cost of $107 million and is currently 73% leased.

The infrastructure costs and phasing schedule pursuant to the TIF request are as follows:

Requested Infrastructure Financing		
Dock Street	$ 5,188,602	
Point Street	643,382	
Central Avenue Bridge	10,400,000	(Four Lane)
Wills Street	1,639,512	
Block Street	2,886,328	
Wills Street Extension	2,959,575	
West Park	3,276,197	
Point Park	34,162,224	
Central Square	15,855,006	
Waterfront Park	5,042,932	
Caroline Park	794,889	
Promenade	21,634,628	
Transit Piers	448,001	
Crossroads School Expansion	2,000,000	
	$ 106,931,276	

Table 3: Infrastructure Phasing Plan

Infrastructure	*Phase I*	*Phase II*	*Phase III*
Dock St.	$5,188,602		
Point St.	643,382		
Cent. Ave. Bridge	10,400,000		
Wills St.	1,639,512		
Central Square	15,855,006		
Crossroads School	2,000,000		
Block St.		2,886,328	
Wills St. Extension		2,959,575	
Caroline Park		794,889	
Promenade		5,408,657	16,225,971
West Park			3,276,197
Point Park			34,162,224
Waterfront Park			5,042,932
Transit Piers			448,001
Subtotal	35,726,502	12,049,449	59,155,325
Grand Total			106,931,276

Phase 1

Phase I includes the already constructed 277,035 square foot Thames Street Wharf square Office Building, a new 596,604 square foot office building 88% pre-leased to Exelon that includes 51,542 square feet of retail space and a 352,650 square foot residential apartment, 50,000 square feet of retail and a 1100 car parking garage. The Exelon Building, will start construction in the fall of 2013 with build-out of Exelon's interior space planned for second quarter of 2015. Build-out of all of Phase 1 will be complete by 4th quarter 2015.

Publicly supported TIF improvements in Phase I will include the construction of Dock Street, Point Street, a portion of Wills Street, a four-lane Central Avenue Bridge, the Central Plaza and streetscape improvements along with a $2,000,000 contribution to the Living Classrooms Foundation to build a new school building. (See attached infrastructure estimates for each phase).

Phase 2

Phase 2 includes a 215,000 square foot apartment building that will include 25,100 square feet of ground floor retail, a 206,100 square foot office building with 30,000 square feet of ground floor retail, and a 120,840 square foot office building. The entire second phase is expected to be built-out by 2017.

Publicly supported TIF improvements in the second phase will include the construction of Block Street, the completion of Wills Street to the south, the Caroline pocket park as well as a portion of the public promenade.

Phase 3

The third and final phase includes a 222,000 square foot hotel and/or apartment project with 12,730 square feet of ground floor retail space, a 438,199 square foot office tower with 16,000 square feet of retail and a 346,000 square foot apartment tower with 10,200 square feet of ground floor retail. Construction of this phase is expected to be completed in 2022.

Publicly supported TIF improvements in the final phase include completion of the waterfront promenade, the planned transit pier and all park space including West Park, Waterfront Park, and Point Park.

f. Permits and Governmental Approvals

The pending Harbor Point PUD legislation was introduced to the City Council on February 11, 2013 to replace the current PUD approved in 2004. A Council Committee hearing to consider the legislation has been scheduled for May 22, 2013. It is projected that the legislation will be signed by the Mayor in June 2013. All required City agencies have reviewed the legislation and have registered no objections to date. The Planning Department is proposing amendments to the PUD legislation that the Developer and BDC support. The PUD legislation and the Planning Department's Planning Commission Staff Report recommending Planning Commission approval of the PUD, and evidencing its compliance with the City's land use goals and policies are attached as exhibits.

The Federally mandated Consent Decree requires the Developer to obtain the approval of a Concept Development Plan (CDP) and Detailed Development Plan (DDP) by the EPA, MDE and Honeywell for compliance with the remediation measures. Each phase will then go through the normal City permitting process or Developer's Agreement process in the case of the streets.

Currently, the Developer has an approved CDP for the construction of the Exelon Tower and Phase I TIF-funded infrastructure improvements notated previously.

Additionally, the Project will comply with all City of Baltimore laws and regulations including the PUD, Fells Point Waterfront Urban Renewal Plan, Building and Fire Codes, and each development component of the Project will be reviewed by the City's Urban Design and Architectural Review Panel and approved by the Planning Commission.

g. Evidence of Site Control

The Table 2 below evidences site control of the properties to be included in the TIF Development District. The parcels that are currently under ground lease by Harbor Point Development LLC will be purchased from Honeywell International Inc. in September of 2013 by Harbor Point Land, LLC pursuant to a Contract of Sale between Harbor Point Development LLC and Honeywell International Inc.. The entities that own the land will all by wholly owned by Harbor Point Development Holdings, LLC.

Table 4: Harbor Point Ownership

Harbor Point TIF District Properties (Site Control)				
	Block	Lot	**Owner**	**Lessee & Contract Purchaser**
1000 Wills Street	1815	1	Honeywell International Inc	Harbor Point Development LLC
1300 Thames Street	1825	1	Thames Street Wharf, LLC	N/A
1300 Thames Street	1825	2	Block Street Apartments, LLC	N/A
1300 Thames Street	1825	3	Wills Street Pier, LLC	N/A
900 S. Caroline Street	1817	1	Honeywell International Inc	Harbor Point Development LLC
950 S. Caroline Street	1817	4	Harbor Point Phase II Development, LLC	N/A
SS Philpot Street	1825	3a	Mayor and City Council	Harbor Point Development LLC
Beds of Old Streets	1817	10A	Closed to be conveyed	
Living Classrooms Campus	1816	1	Mayor and City Council	Living Classrooms Foundation
Ferndale Fence	1825	6	Ferndale Fence & Awning Co., Inc.	N/A

h. Preliminary Sources and Uses

The Sources and Uses for the Project are as follows:

Table 5: Sources and Uses:

Sources	*Amount of Funds*	*% of Total Costs*
Debt Financing	$ 644,542,414	63%
Equity	$ 276,232,462	27%
Public Infrastructure	$ 106,931,276	10%
Total	$ 1,027,706,152	100%
Public / Private Leverage	1:9	

Uses	*Amount of Funds*	*% of Total Costs*
Acquisition / Site Work	$ 146,387,975	14%
Hard Costs	$ 579,272,138	56%
Soft Costs	$ 195,114,766	20%
Public Infrastructure	$ 106,931,276	10%
Total	$ 1,027,706,152	100%

It is proposed that TIF bonds will be issued in three phases to coincide with the construction of infrastructure. Below is a table that summarizes the different bond series and specific sections of infrastructure that will be built to coincide with each bond issuance.

Table 6: Infrastructure Costs and Phasing

Infrastructure	*Phase I*	*Phase II*	*Phase III*
Dock St.	$5,188,602		
Point St.	643,382		
Cent. Ave. Bridge	10,400,000		
Wills St.	1,639,512		
Central Square	15,855,006		
Crossroads School	2,000,000		
Block St.		2,886,328	
Wills St. Extension		2,959,575	
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Subtotal	35,726,502	12,049,449	59,155,325
Grand Total			106,931,276

i. Other Public Assistance

In addition to TIF funding for the public portions of the Project, the private portions of the Project are expected to take advantage of Enterprise Zone tax credits for all the commercial buildings. This allows for an 80% credit for the first five years against incremental local real property taxes on the commercial portions of the Project. The credits burn off at 10% per year for the next 5 years reaching 30% in year ten. In year 11 the property will pay 100% tax. The apartment projects on the off-cap will be utilizing Brownfield Tax Credits of between 50% and 70% of their incremental value. The credit is up to ten years in an Enterprise Zone.

The value of the non-discretionary tax assistance for private buildings is estimated by BDC in the following amounts:

- Developer will be entitled to receive the Enterprise Zone Tax Credit valued at $88,383,724. Under current State law, the City will receive a 50% reimbursement of this amount, totaling $44,191,862, which is the net credit amount.
- Developer will be entitled to receive the Brownfields Tax Credit on the Off-Cap portion of the project. The credit would be applied to the remaining tax liability following the application of the EZ credit. The aggregate value of the Brownfields

Tax Credit is $24,469,947. Under current state law the City must reimburse the state 30% of this amount, or $10,487,120 for a total cost to the City of $34,957,067.

j. Evidence of Financing

No Letters of Intent for construction or permanent lending have yet been executed for the Project. Each Project component will be financed separately with a combination of debt and equity. The Developer fully expects that investors will be brought into the Project on a per-building or per-phase basis as needed. Each project within the TIF district may have a different ownership structure depending on the type of project and investors involved. Each project's ownership will be required to accept all of the provisions of the TIF documents including the indenture, funding and profit sharing agreements and will be subject to the Special Tax Petition.

It is the Developer's intention to bring in one or more institutional investors on the Exelon building and subsequent projects at Harbor Point. Anticipated capitalization of each building will be 35% to 50% equity and 50% to 65% debt. Substantially all work outside of the building footprints will ultimately be financed through the TIF, and the most likely scenario involves bridging the TIF privately with a construction loan from one or more local banks. It is the Developer's goal to retain a substantial ownership interest in each building at Harbor Point.

The existing office building, Thames Street Wharf is currently financed with the construction loan used to build the building in 2010. The Developer is currently working to increase occupancy from the current 73% to closer to 90% and will refinance with a permanent loan.

k. Project Maps
  a. Developer Resumes
  b. PUD Legislation
  c. Planning Department PUD Staff Report
  d. Massing Plan Rendering Diagram
  e. Masterplan Diagram
  f. Development Program Diagram
  g. Infrastructure Phasing Plan
  h. TIF Development District Diagram
  i. TIF Special Tax District Diagram
  j. Infrastructure Cost Estimates

l. Other Information

Profit Sharing: The Developer has agreed to Profit Sharing, and BDC is actively negotiating a Profit Sharing Agreement with the Developer consisting of the following terms:

- City will receive 15% of all net profits above a 20% cumulative IRR on all equity invested.
- These terms are subject to final negotiations, to be completed prior to Board of Finance consideration, and prior to introduction of the bills.

V. City Charter and TIF Enabling Act

The City's authority to participate in Tax Increment Financing is derived from the Baltimore City Charter, Article II, Sections 62 and, where Special Tax Districts are also involved, Section 62A. Under the City Charter, the tax increment generated from a designated "Development District" is deposited into a "Special Fund" as provided in Section 62(e).

In December 2010, the City Council approved Ordinance number 10-401, signed by the Mayor on December 30, 2010, which established the Harbor Point Development District, established a Tax Increment Fund, and allocated the incremental real property taxes from within the District to the Tax Increment Fund so that the City would be positioned to issue TIF bonds when the development of Harbor Point was ready to recommence.

By establishing the Development District in 2010, the City was able to "capture" the pre-construction assessed value of the Thames Street Wharf Office Building in order to maximize the amount of increment available in the future for public infrastructure financing.

As stipulated in the Charter, authorized uses of TIF bond proceeds include site acquisition, surveys and studies, the installation of utilities, construction of parks and playgrounds, and other necessary improvements including streets and roads to, from, or within the development district, lighting and other facilities, construction of certain types of buildings, reserves and capitalized interest on bonds, bond issuance costs, structured and surface parking facilities that are either publicly owned or privately owned, but which serve a public purpose, etc.

In each instance, the use of proceeds outlined in this Harbor Point TIF application will be limited to the permitted uses set forth in the Baltimore City Charter, and in the opinion of BDC, the Developer and its attorneys, the City Law Department, and the City's outside bond counsel, all of the items proposed to be TIF-financed in this application are eligible uses pursuant to the City Charter.

VI. Inclusionary Housing

In light of the significant public investment being recommended, and the significant cost to comply with the City's Inclusionary Housing law (estimated by the Department of Housing and Community Development to be $48 million PV) BDC's recommendation does not include funds for Inclusionary Housing.

The TIF will finance an extensive array of public benefits that will be provided by the TIF in lieu of affordable housing units, including:

- All roads and utilities.
- 9.5 acres of new public parks and open space.
- Half-mile of public promenade.
- The expansion of a public charter school.

It is recommended that the City finance all of the public infrastructure required for the site; therefore, no private contribution to infrastructure costs is anticipated from which some portion of Inclusionary Housing might be financeable.

The Inclusionary Housing law requires the City to provide the necessary subsidy for Inclusionary Housing. To BDC's knowledge there are no sources of public capital dollars available to finance compliance with Inclusionary Housing, such as PILOTs or monies available in the City's Affordable Housing Trust Fund. For legal and structural reasons, utilizing the TIF in this instance is not feasible.

VII. Private Sector Contribution

The total project cost for the Harbor Point Project, including the publicly financed infrastructure, is $1,027,706,152. The estimated cost of the public infrastructure to be financed by the TIF is $106,931,276, or roughly ten-percent of the total Project costs. The ratio of private to public funding is approximately 9:1, which is within the 8:1 to 12:1 range recommended by the Board of Finance in its Tax Increment Financing Policy documents.

Table 7: Private Sector Contribution

Building	*Costs*
Exelon Office (Building 1) / Retail	$ 201,803,364
Building 2 Apartments / Retail / Parking	$ 95,872,164
Building 3 Office / Retail / Res / Parking	$ 154,042,555
Building 4 Office / Retail	$ 66,314,693
Building 5 Office / Retail / Residential	$ 51,299,451
Building 6 Hotel / Residential / Retail	$ 69,884,071
Thames Street Wharf Office (7)	$ 103,839,043
Building 8 Residential	$ 56,608,371
Building 9 Residential / Parking	$ 121,111,166
Total	$ 920,774,877

VIII. Advances City's Land Use and Other Goals

The Planned Unit Development will allow for three-million square feet of mixed-use development and requires 9.5 acres of public open space and a half-mile of public promenade along the waterfront. Pursuant to the PUD a temporary promenade along the perimeter of the site will be provided at the completion of the Exelon Building which will include limited temporary landscaping and a 10 foot wide asphalt promenade pathway..

The PUD advances eight of the City's land use, economic development, and public improvement goals as stated in the 2006 Comprehensive Master Plan, Live – Earn – Play – Learn.

a. Build Human and Social Capital by Strengthening Neighborhoods
b. Elevate the Design and Quality of the City's Built Environment
c. Improve Transportation Access and Choice for City Residents
d. Strengthen Identified Growth Sectors
e. Improve Labor Force Participation Rate Among City Residents
f. Improve Access to Jobs and Transportation Linkages between Businesses
g. Improve Night Life, Entertainment, and Recreation Experiences for Residents and Visitors
h. Increase the Attractiveness of Baltimore's Natural Resources and Open Spaces

Harbor Point will strengthen the existing neighborhoods of Fells Point and Harbor East by bringing them together into a cohesive urban fabric.

All buildings will be designed to LEED-Silver standard or equivalent at a minimum and will comply with City Council Ordinance 07-0602 relating to Green Building Requirements, which will elevate the design and quality of the City's built environment.

Transportation access and choice will increase for City residents as a result of the Project. The mixed-use environment that will be created will allow for residents to live, earn, play, and learn in the same neighborhood. It will build on what has been started at Harbor East by increasing the critical mass of people, businesses and shops to create a true 24-hour a day, seven-days-a-week environment. A new four-lane bridge connecting Harbor East to the Harbor Point peninsula will allow for quick access to and from Harbor Point to Harbor East, the CBD and I-83. The new half-mile of promenade around the perimeter of the site will allow pedestrian access to the City's waterfront roughly from Canton Waterfront Park all the way to Locust Point and provide a critical new access point to the water for all City residents in a natural and ecological setting allowing a closer interaction with the waterfront. Currently, the City's promenade system is bifurcated by the undeveloped Harbor Point peninsula which will be rectified by the development of the Project and the TIF-financed public infrastructure.

Harbor Point will strengthen identified growth sectors by building on the Transit-Oriented Development node created by Harbor East. By doing this, it will improve access to jobs by bringing housing and employment centers together with transportation linkages. This will create a critical mass of people and businesses creating a demand for new transit options (i.e., red line, bus rapid transit). By improving the housing stock and location of housing in relation to major employers (Legg Mason, Morgan Stanley, Sylvan, Smith Barney, Exelon) Harbor Point will promote a higher labor force participation rate among City residents. The development will also improve nightlife, recreational experiences and entertainment by combining new ground level retail shops and restaurants with current amenities of Harbor East and Fells Point.

The site will increase the attractiveness of Baltimore's natural resources and open spaces by having a significant amount of open space within a dense urban environment. The site is being designed as buildings sitting among a natural setting of parks. There will be five parks, each with a different feel and character. The largest, a 4.5 acres public park on the point, will give the public enhanced access to the waterfront and create a "crown jewel" for Baltimore prominently located at the entrance to the Inner Harbor. The environment of private high-rise buildings and significant park space will be not unlike Battery Park City in Manhattan by way of comparison. The park will also allow for community events, outdoor concerts, and recreational activities providing much needed green space and a community gathering spot for the City.

The TIF will provide up to $2 million of public funding to enhance and expand the existing Crossroads Public Charter School which is located within the TIF district. The TIF funds will be used by the City to expand the school from its current K-5 format to a K-8 format, and will fund the construction of critical new school facilities necessary to enhance the educational mission of the school.

IX. But For Test

The But-For Test establishes that, but-for public financial assistance the project would not be financially feasible.

There are three main factors that lead to the need for public funding for public infrastructure (as compared to a development site where no public funding might be required):

a. There is currently no infrastructure on the site, and therefore in the absence of public funding the Developer would have to construct all major infrastructure including utilities, roads, sidewalks, sanitary sewer, and other public improvements needed for the project and desired and required by the City.

b. The site's environmental characteristics will add extraordinary additional development costs to the public infrastructure including the following:

   i. Increased foundation costs to preserve the integrity of the Cap, as well as manage any contamination in the soils during construction.
   ii. Fill to raise the elevation of roads and utilities with protective 6" concrete base
   iii. Costs to comply with EPA, MDE, and Honeywell infrastructure construction requirements

c. If the public infrastructure were to be privately financed, the private construction and financing costs would significantly reduce the financial returns to the Developer and its investors and lenders to the point where the project becomes financially infeasible from both the owner and outside investors' standpoint.

Current total project costs are estimated at $1,027,146,592 including public assistance in the amount of $106,931,276 of net TIF proceeds. As detailed in the table below, the Project generates an Internal Rate of Return (IRR) of 12.55% with TIF financing. Without TIF financing, the project generates an IRR of 9%, which would not attract outside investors, and is a return that is prohibitively low to justify the risk and expense of moving forward with the project without TIF assistance.

It is possible that limited components of a smaller scope and scale could be developed without TIF assistance; however, the site could not be developed to the density and in the timeframes established without TIF assistance, and therefore the City would be highly unlikely to realize the significant financial returns to the City that are predicted. In short, with the City's participation in the Project, the City is ensuring that the Project will be constructed in a comprehensive and master-planned manner, will be constructed in as short a time-frame as possible given market conditions, and that all of the extensive public benefits of the project (parks, promenade, schools, roads utilities) will be constructed and built at the same time as the private development components. Without TIF assistance, no such assurances can be made by the Developer or BDC.

Table 8: Comparison of Developer Returns

Comparison of Developer Returns		
	No Public Assistance	**With Public Assistance**
Public Financing	$0	$106,931,276
Private Financing	$1,027,706,153	$920,774,877
IRR	**9.00%**	**12.55%**

X. Public Benefits

The public benefits of the Project, in addition to and including those already outlined, include the following:

- The creation of a new sustainable mixed-use, multi-modal urban neighborhood providing new and enhanced residential, retail, employment, and recreational opportunities for City residents.
- Reuse of a formerly blighted and contaminated waterfront site.
- 9.5 acres of new public open space.
- The first building to be constructed at Harbor Point was the $107 million, 277,000 SF Thames Street Wharf Office Building, also known as the "Morgan Stanley Building," which was completed in 2010. Today, the Thames Street Wharf Office Building is 73% occupied and employs 970 people, including Morgan Stanley and Johns Hopkins Medicine International. Morgan Stanley alone employs 831 people, of which nearly all

are net new jobs to the City and 459 are City residents (55%), with an average salary of $60,000, while Johns Hopkins employs approximately 140 people at that location.

- 3.0 million square feet of attractive land uses (excludes parking)
- Extensive new public space, 5 new public parks including one that is 4.5 acres.
- Currently, Harbor Point represents a major gap in the City's waterfront promenade system. The Project will complete 2000 linear feet of promenade to link Harbor East and Thames Street Wharf, making a critical new connection to the City's waterfront promenade system, and completing the promenade from Canton Waterfront Park to Locust Point.
- 3,300 parking spaces serving adjacent neighborhoods in addition to Harbor Point.
- Expansion and enhancement of an existing public charter school.
- Employment and Residents:

Est. Construction Jobs	4,345
Est. Permanent Jobs	6,661
Est. Residents	2,067

XI. Positive Tax Returns

The following information lists the tax revenues to be derived from the Project and is based on Municap's Fiscal Impact Analysis No. 1-A dated March 5, 2013 prepared for the Department of Finance and BDC, and as supplemented by BDC's own internal analysis.

New Tax Revenue:	
Surplus real property tax**	$ 442,605,094
Payroll tax	$ 343,462,168
Business personal property tax	$ 53,065,468
Enterprise zone tax credit reimbursement	$ 44,191,862
Utility tax	$ 21,249,355
Recordation tax	$ 7,182,267
Additional taxes / revenue	$ 44,408,769
Hotel tax	$ 57,272,422
Hotel tax deduction***	$ (57,272,422)
Total Tax Revenue	$ 956,174,981
State brownfield tax payment	($10,487,120)
City costs (police, fire, maintenance, repair)	($419,845,656)
Net Fiscal Impact	$ 518,759,669
Avg. Per Year (30 years)	$ 17,291,989

*Based on BDC internal analysis and MuniCap, Inc. Fiscal Impact No. 1-A dated March 5, 2013.
* * After bond debt service of $263,145,958 and applicable EZ and Brownfield tax credits.
***Hotel Tax has been deducted from the Net Fiscal Impact to reflect the possibility that hotel occupancy will not grow to keep pace with newly constructed hotel rooms thus resulting in no net new hotel tax.

The current Base Value of the properties is $10,763,500 and current tax revenue derived from the site (prior to the development of the Thames Street Wharf Office Building) totals $244,116. The post-development assessed value of the properties is estimated to be $1.83 billion and the tax revenue to be derived from the site at Project completion is as detailed above.

BDC estimates the Project will generate a 16% Internal Rate of Return to the City based on its investment of $106,931,276, and a NPV of $123,669,842 at a 6% discount rate.

XII. Risks To City

To minimize risks to both the City and the Developer and respond to future market conditions, a three (3) series bond issuance structure and draw schedule has been proposed. Each bond series is sized to the appropriate amount of infrastructure requested for and supported by each development phase and accounts for the City's required debt service coverage. The three net bond series are detailed below:

Table 9: Bond Series

Series A	***Series B***	***Series C***
$35,726,502	$12,049,449	$59,155,325

The Developer is requesting that the TIF bonds be issued by the City and initially privately placed with either the Developer or a lender of the Developer and City's choosing at an interest rate to be negotiated. Initially, the bonds would be drawn down in denominations to be determined as infrastructure work is completed, inspected, and accepted by the City. This structure would limit the size of the bonds to slightly more than the cost of the infrastructure improvements because Capitalized Interest and Debt Service Reserve accounts would not need to be funded. At some future point to be determined, the bonds would be remarketed and resold to bond investors as unrated, tax-exempt development district bonds. At that time, a Debt Service Reserve account would need to be funded. At full draw down and reselling of the bonds, the gross amount of the bond issuance would be approximately $114 to $120 million.

If issued, bond funds would be held by a Trustee of the City's selection. Upon completion of individual infrastructure components and successful inspection by the City, funds would be disbursed by the Trustee to the Developer with appropriate retainage held by City until Project completion. At no time would the Developer have direct access to the bond funds, and the City would not pre-pay for any infrastructure components; we would only "purchase" complete and inspected infrastructure constructed to the City's standards pursuant to a Development and Finance Agreement.

This structure creates significant savings for the City by eliminating the need to finance Capitalized Interest and streamlining infrastructure construction, and has been discussed with the City's Department of Finance and Bond Counsel, both of which supports the proposal subject to negotiation of final terms with the Developer. Under this structure the bonds would not be publicly marketed and sold until significant components of the Project have been completed and are producing positive tax increment for the City, making the bonds a more secure debt instrument for the both the City and investors.

To further address risks to the City, a Special Tax District will be established by a City Council ordinance that will require the Developer and/or other property owners in the Special Tax District to pay a special tax levy if incremental real property taxes were insufficient to service the TIF Bond debt. Special Taxes are projected based on Municaps analysis in its Projection No. 25-B totaling $23,116,416 payable in years one through 10.

XIII. Project Fiscal Analysis

A draft Project Fiscal Analysis was prepared by Municap dated February 28, 2013—Projection No. 25-B—which closely mirrors BDC's TIF recommendation and is the fiscal basis of BDC's recommended TIF. A final Project Fiscal Analysis will be completed by Municap prior to Board of Finance consideration of the TIF Application and will be provided to the Board under separate cover.