

**MEMORANDUM**

**Meeting Minutes of the BDC Project Review and Oversight Committee  
March 9, 2016**

TO: BDC Board of Directors

FROM: William H. Cole, President & CEO

DATE: March 21, 2016

SUBJECT: Project Review and Oversight Committee Minutes – March 9, 2016

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At 12.51 p.m., the Project Committee passed a motion (moved, seconded, and approved unanimously) to close the meeting under that State of Maryland “Open Meetings” Act, Section 10-508 a (6) (current 3-305 (b)(6) of the General Provisions Article) which states that public meetings may be closed in order to “consider the marketing of public securities.” Attached is a copy of the Written Statement for Closing a Meeting under the Open Meetings Act.

Project Committee/Board members attending included: BDC Board Chair Arnold Williams (serving as committee Chair for this project in the closed session), Project Committee Chair Deborah Devan, Colin Tarbert, Henry Raymond, Brian Tracey, Christy Wyskiel, Jeff Fraley, Mike Walton, and Clinton Daly. Consultants to the Committee in attendance included Steve Kraus (Department of Finance), Alan Cason (McGuire Woods, the City’s TIF Bond Counsel), Keenan Rice (Municap), and Lindsay Banner (Municap).

The BDC staff in attendance included: President & CEO William Cole, Kimberly Clark, Nancy Jordan-Howard, Will Beckford, Dan Taylor, Susan Yum, Larysa Salamacha, Karl Bradley, Patrick Terranova, Sally Costello and Renee West.

The Committee discussed the marketing of public securities in respect to one project:

1. Port Covington TIF Request

**Port Covington TIF Request**

TIF Process, Procedures and Costs

Bill Cole explained that Sagamore Development approached BDC approximately six months ago to begin a conversation regarding a request to utilize TIF bonds to fund public infrastructure of the Port Covington project. Municap was then engaged in August by the Baltimore City Department of Finance to conduct an analysis of the request

(analysis is being paid for by the Developer) and in doing so, to render advice in respect to the marketing of municipal public securities. Upon review of Municap's initial analysis of the financial projections for the TIF request, BDC began the process for the TIF request to be reviewed by the Project Committee in preparation for taking it to the BDC Board for consideration.

Keenan Rice (Municap) provided an overview of the TIF structure, explaining that Sagamore is requesting \$535 million in TIF bonds for the horizontal infrastructure, to be issued in phases during the project's 25 year development period. While the bonds are projected for issue over four (4) series, the Developer is requesting upfront authorization of the total TIF amount, citing the need to secure the necessary commitment from Baltimore City in order to obtain State and Federal funding. In its request, the Developer represents that without TIF funding, the State and Federal funding will not be possible.

The question was posed as to how each TIF bond series will be vetted. Rice explained that each level/series of the TIF request would be subject to Board of Finance and Board of Estimates approval, among other public processes, and at such time all lease agreements, the Developer's Agreement, Financing Commitments, and other agreements will be reviewed.

Committee Chair Devan and other Project Committee members asked for clarification on the amount of the TIF request. Rice stated that \$535 million in net bond proceeds is requested for funding construction of the public infrastructure; and the gross bond proceeds amount to approximately \$660 million when accounting for bond issuance fees and a debt service reserve fund.

Committee members asked if different bond terms could be explored, and whether advance refunding of the bonds would be an option if there are larger revenues than originally projected and exceed the debt service on the bonds. Rice advised that the bond terms should be for at least 30 years and that the potential for early retirement of the bonds is a topic for further discussion.

Committee Chair Devan asked whether certain expenses such as an on-site circulator, water taxis and light rail were to be funded as part of the TIF. It was stated that TIF funding would not fund all of these proposed improvements. The Developer has shown a request for state funding for the light rail improvements.

### Developer Returns

Based on Municap's analysis, without the TIF, the developer has an IRR of 1.74 percent and an IRR of 12.59 percent with the TIF. Rice stated that such returns are within an acceptable range, and are approximately the same overall when compared to the developer returns for the Harbor Point TIF.

### City Benefits/Impacts

Committee members asked if the bonds, which are currently sized at 125% debt coverage, are sufficient. Rice stated that this was an appropriate debt coverage ratio and in-line with the underwriting of other TIF requests.

Alan Cason (McGuire Woods) explained that the use a conduit issuer is being explored which would allow a third party to issue bonds on behalf of the City and can be kept separate from the City bond capacity.

The Committee asked how the Enterprise Zone and Brownfields tax credits factor into the TIF. Rice stated that the Port Covington project is eligible for both the EZ and Brownfields tax credits and are incorporated into MuniCap's underwriting. Rice added that the Enterprise Zone tax credit is a valuable marketing tool for the Developer to be able to attract tenants, and stated that in the event there is not enough revenue generated by the vertical development to service the bond payments, there will be a special tax assessed to the Developer that makes up the difference.

The Committee posed questions regarding the City not seeing returns until the end of the 20 year period and whether that is typical. Rice stated that while this is an atypical request in that the return to the City is very back-loaded due to the upfront costs of constructing the horizontal infrastructure, the long-term City returns are favorable. Rice explained that it is complicated to look at the indirect benefits and further stated that the financial impact of the Port Covington project is not the only consideration for moving forward with the TIF. BDC and the City need to decide whether this project will meet their objectives in terms of other considerations such as job creation and desired land uses.

### Cost Breakdown/Market Analysis

Municap was asked where they are in the process of vetting the Developer's numbers, including land sales prices, absorption rates, and construction costs. Rice replied that they are in the process of analyzing market information and vetting construction costs. The committee suggested requesting a market study from the developer to further analyze these matters.

Brian Tracey asked how returns over such a large period of time are vetted. Rice explained that each bond series is evaluated on current projections, but that they will be also be separately evaluated before each issuance. Rice explained that Bond Counsel is in the process of vetting which costs legally qualify for TIF proceeds, and that this analysis could be done in a few weeks once the developer provides information. Rice reiterated when the scope/costs are fully vetted, the City needs to make a policy decision as to decide whether it wants to spend the money to fund the various items.

No matters not authorized under Section 3-305 (b)(6) of the Open Meetings Act was discussed during the closed session.

## **Move to Adjourn**

Chairman Arnold Williams moved to adjourn the meeting and reminded the Committee that the information discussed is confidential and that the materials provided should be stored in secure locations. It was announced that the next Project Committee meeting is scheduled to be held on March 15<sup>th</sup> at BDC at 12:00 noon.

The meeting was adjourned at 1:54pm.

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### References:

Port Covington, City of Baltimore, Maryland, Municap Projection No. 4 dated March 8, 2016  
Port Covington, City of Baltimore, Maryland, Municap Pro Forma Analysis of Full Development dated March 8, 2016.