Northeast Midwest Institute
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Financing the Gateway South Business Park and Baltimore's Middle Branch "Green" Corridor

Background – Northeast-Midwest Institute highlights brownfields projects that can serve as models for replication. In this case Gateway South serves as a model for creative financing in that obstacles and funding shortfalls were overcome through linking local TIF financing to a HUD 108 loan. The project also serves as a model for green/sustainable redevelopment of a brownfields site.

Summary – Gateway South is a planned business park just south of Baltimore's Camden Yards stadium complex and about 1 ½ miles from downtown. The site is 11 acres, lying along the Upper Middle Branch of the Patapsco River. The area is undergoing redevelopment, transitioning from industrial use to mixed office, residential, commercial, and institutional use. The following map summarizes the context.

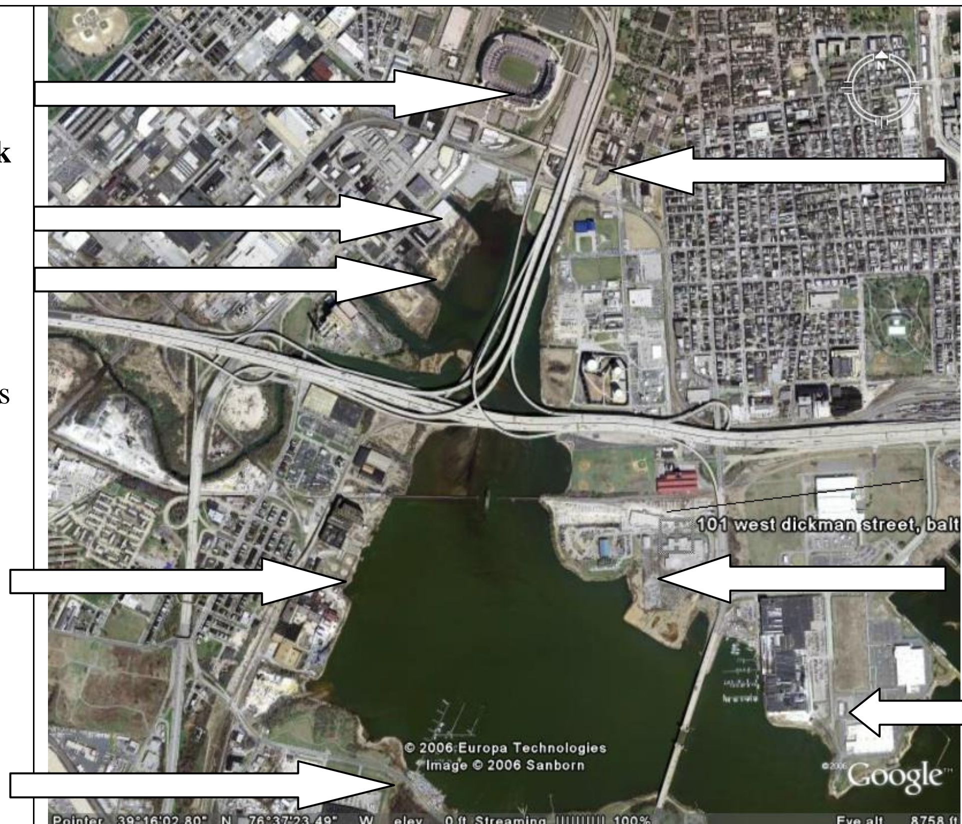
M & T Bank Stadium and light rail station

Gateway South Business Park
- Green business park 650,000 sq ft

Gwynns Falls Trail and wetlands restoration
- Transportation Enhancement and Corps of Engineers funding

Inner Harbor West – LEED Gold
- Up to 3,000 new apartments and condos
- TIF financing for infrastructure proposed

Waterview Overlook
- 77 Condos
- Green bldg tax credit



Sharp-Leadenhall conversions

Aquarium CALC
- $30 million research and conservation center
- Green bldg and wetlands restoration

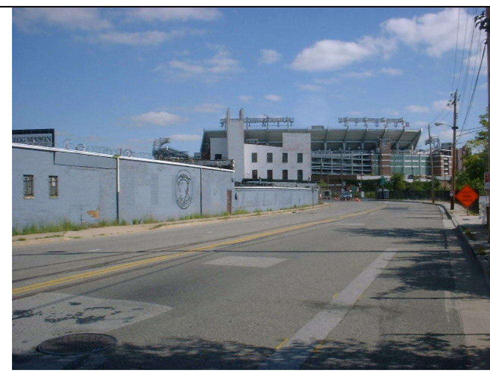
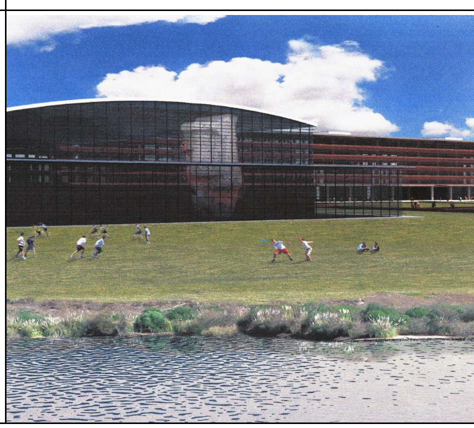
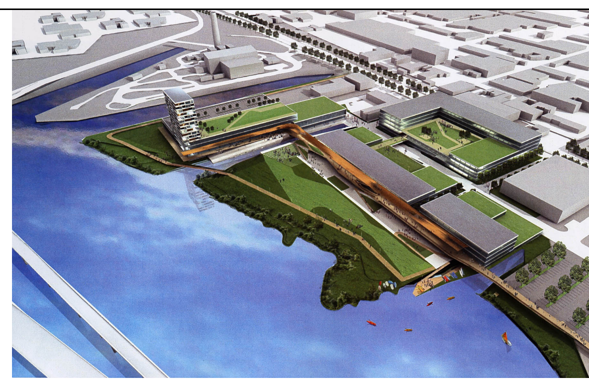
Port Covington Phase II mixed use development

Middle Branch - Green Corridor. The area has attributes that make it ideal for green/sustainable development:

- Gwynns Falls Trail and Greenway almost complete, connecting the area two parks to the west and the Inner Harbor to the north;
- Two wetlands restoration projects;
- Light Rail transit
- Waterfront area being cleaned up

As a result three of the projects listed on the map – Aquarium Center for Aquatic Life and Conservation (CALC), Gateway South, and Waterview Overlook - were planned as green/sustainable development projects. A City Council Green Buildings Task Force has proposed that the entire corridor be designated as a Green Corridor and that all development would have to meet a LEED Silver standard.

Gateway South Business Park

Before		
After		

The site: Directly south of M&T Bank (Ravens) Stadium, 11 acres of long vacant/under-utilized industrial land, bounded generally by Stockholm-Haines-Russell-Middle Branch/Patapsco River. The City of Baltimore passed an Urban Renewal ordinance that authorizes the acquisition of 15 properties in the corridor. Eminent domain was used because of blighting conditions, suspected brownfields issues, and ownership by multiple disinterested parties.

Access: the site is directly adjacent to the Baltimore-Washington Parkway (I-295); I-95 interchange is within ¼ mile.

Planned use. The City's plan involved acquisition (through eminent domain), clearance, cleanup, and redevelopment for a mixed-use development, featuring office space and supportive retail services. Following acquisition (2004-06), the site was offered through an RFP process. The City received six proposals – four were rejected and two are still competing. Both proposals envision about 600,000 square feet of new office space. One proposal also includes a 200,000 sq ft hotel; the other also includes a 200,000 sports-retail complex. Total investment (for either proposal) exceeds $100 million and jobs generated exceed the City's expectation which was a projected 1,500 employees. Both developers committed to meeting a LEED Silver standard for green buildings.

Obstacles to land assembly. Land values in the area were inflated well beyond what was typical of industrial property; so land assembly was too expensive ($16 million) for the City to be able to afford using the usual City bond fund sources. Tax Increment Financing was judged to be feasible, as the plan for the area envisioned a fairly dense high value business park as the re-use. However, using the bond market for a TIF would not work for an acquisition-redevelopment project because TIF bonds cannot be sold until the vertical development is 100% assured, and funding was needed for acquisition activities that would be roughly two years ahead of vertical development.

HUD 108. The solution to this upfront financing dilemma was linking TIF and the HUD 108 Loan Program. Because the ultimate security for a HUD 108 loan is the city's CDBG allocation, HUD views a TIF deal with much more flexibility than the bond market. A HUD 108 loan can be interest-only for several years, an important advantage, given the heavy upfront needs of the project. Most importantly, HUD could issue the loan coinciding with acquisition; rather than coinciding with vertical development.

The risk to CDBG funds was ameliorated by requiring the developers to commit to a special taxing district which would raise real property taxes to cover debt service in the event that the tax increment is insufficient.

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BUDGET ESTIMATE April 26, 2005	**West Baltimore Development District Gateway South and Acme Business Center**				
Sources of Funds					
	HUD 108	**ED Bonds**	**BEDI Grant**	**State Grant**	**Total**
	$ 13,275,000	**$ 5,225,000**	**$ 975,000**	**$ 500,000**	**$ 19,975,000**
Uses of Funds					
Projected Acquisition Sub-Total	$ 7,310,767	$ 2,310,500			$ 10,121,267
Projected Relocation Sub-Total	$ 3,630,500	$ 2,519,500			$ 6,150,000
Site Preparation	$ 894,500				$ 894,500
Implementation Fees					$ -
Personnel	$ 250,000	$ 250,000			$ 500,000
Legal/Accounting*		$ 75,000			$ 75,000
Relocation Consultant Fees		$ 50,000			$ 50,000
Other/Contingency		$ 20,000			$ 20,000
					$ -
Financing/Interim Costs					$ -
Cost of Issuance	$ 100,000				$ 100,000
Capitalized Interest	$ 1,089,233				$ 1,089,233
					$ -
Debt Service Reserve			$ 975,000		$ 975,000
					$ -
Totals by Source	**$ 13,275,000**	**$ 5,225,000**	**$ 975,000**	**$ 500,000**	**$ 19,975,000**

Illustrative TIF projection

	year 11	**year 12**	**year 13**	**year 14**	**year 15**
HUD 108 Debt Service	$ 1,411,833	$ 1,411,833	$ 1,411,833	$ 1,411,833	$ 1,411,833
TIF Revenue projection	$ 2,475,456	$ 2,524,965	$ 2,575,465	$ 2,626,974	$ 2,679,513