

**OLIVER
COMMUNITY
MASTERPLAN
DEALBOOK**

APRIL 2020

**CAPSTONE PROJECT
COLUMBIA UNIVERSITY GRADUATE SCHOOL OF ARCHITECTURE PLANNING AND PRESERVATION
MASTERS OF SCIENCE IN REAL ESTATE DEVELOPMENT**

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Seasoned real estate investment and development professional with experience in retail and multifamily assets.



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Jared Colby Caruthers

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Extensive experience in private equity and real estate project management



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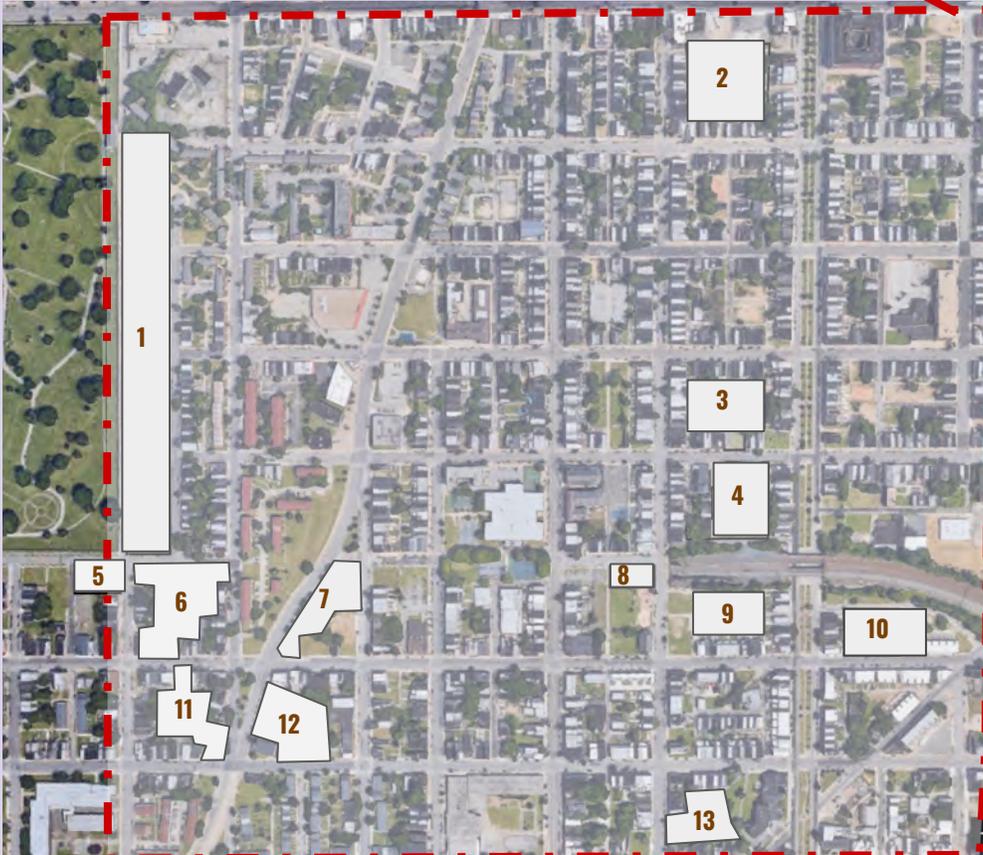
Executive Summary

Baltimore, Maryland



The following development proposal focuses on a cluster of 13 Sites identified as priority development areas by Baltimore City. The City is interested in partnering with developers to rehabilitate large scale areas in distressed neighborhoods where the introduction of strong anchor programming could make revitalization possible.

Oliver Neighborhood



This plan capitalizes on the neighborhood's history of serving working-class families, and seeks to generate synergies between innovative light industrial uses, mixed use developments, workforce housing and affordable homeownership, to promote new economic opportunities and a cohesive neighborhood experience.

Priority Objectives

- + **Promote Affordable Homeownership**
- + **Increase Residential Density**
- + **Generate Local Jobs**
- + **Create Economic Opportunities**
- + **Support Access to Healthy Food**
- + **Support Access to Banking and Financial Services**
- + **Provide Affordable Housing for the Local Workforce**

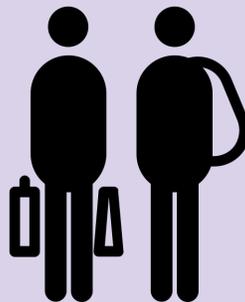
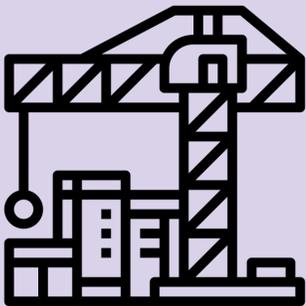


WHY?

Baltimore has been historically disinvested in and local community members deserve the chance to reap the benefits of homeownership equity, economic development, and community stability.

Nearby neighborhoods, including Johnson Square and Greenmount West are beginning to gentrify.

Now is the time to take ownership of this neighborhood, focusing on development without displacement before long-time residents are pushed out of their homes.



History of Disinvestment

Established in 1730, Baltimore became one of the largest industrial cities in the US largely through the manufacturing of chrome, copper and steel. With a peak population of 950,000 residents in 1950, Baltimore was primed for manufacturing during WWII and thriving.

Population declined steadily starting in the 1950s, due to suburbanization and white flight. Federal subsidies including FHA loans and the 1965 Highway Act encouraged suburbanization. Meanwhile, homes in Baltimore City were demolished for highways and public housing, displacing 25,000 families, 85% of them African American.



Deindustrialization, forced displacement, and discriminatory lending damaged the economic and social fabric of Baltimore's neighborhoods. Crime and drug use increased, leading to further disinvestment from developers.

The Oliver Community Master Plan proposes strategies for reinvesting in the community.

Development Without Displacement

Development without Displacement is an approach to supporting neighborhood growth while allowing current residents to benefit from the effects of better job opportunities, increased services, and rising property values.

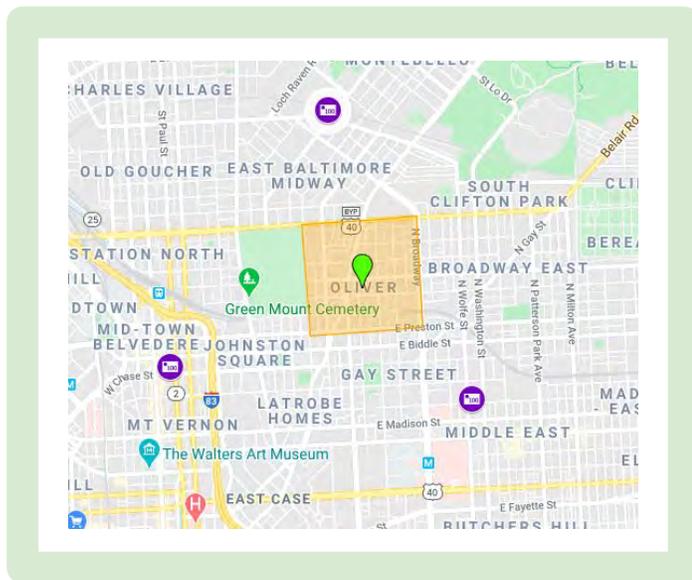
Indicators of such development include: Affordable rental and home-ownership opportunities; improved access to jobs, job growth in sectors that employ current residents and increased access to financial services.



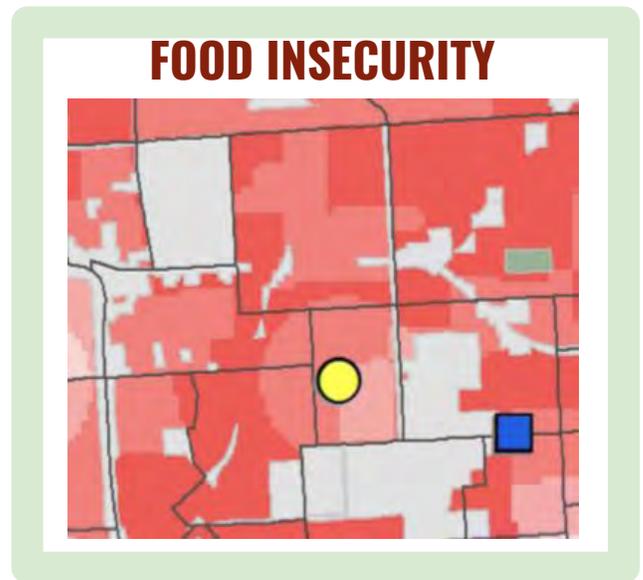
Preston Place, Johnson Square

Market Indicators

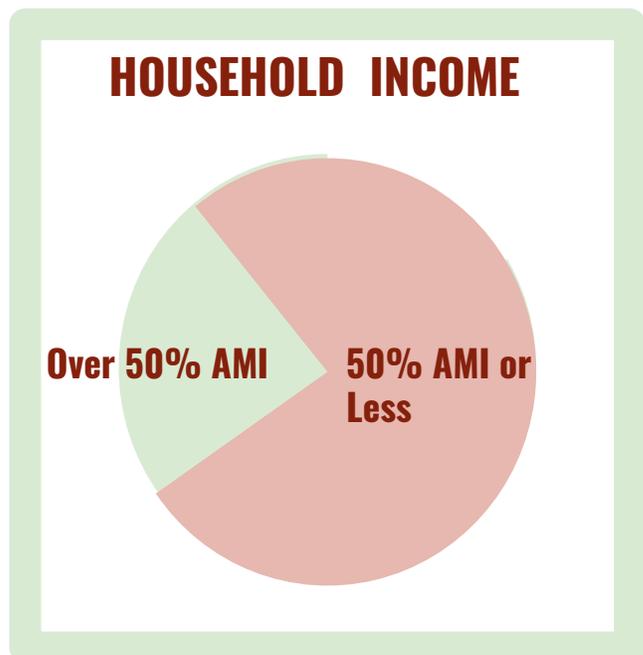
The three closest banks are each approximately 1 mile from Oliver



Oliver residents have to travel 4x the recommended distance in order to access fresh produce



Three-quarters of Oliver Residents make less than half of the Baltimore Area Median Income (AMI).

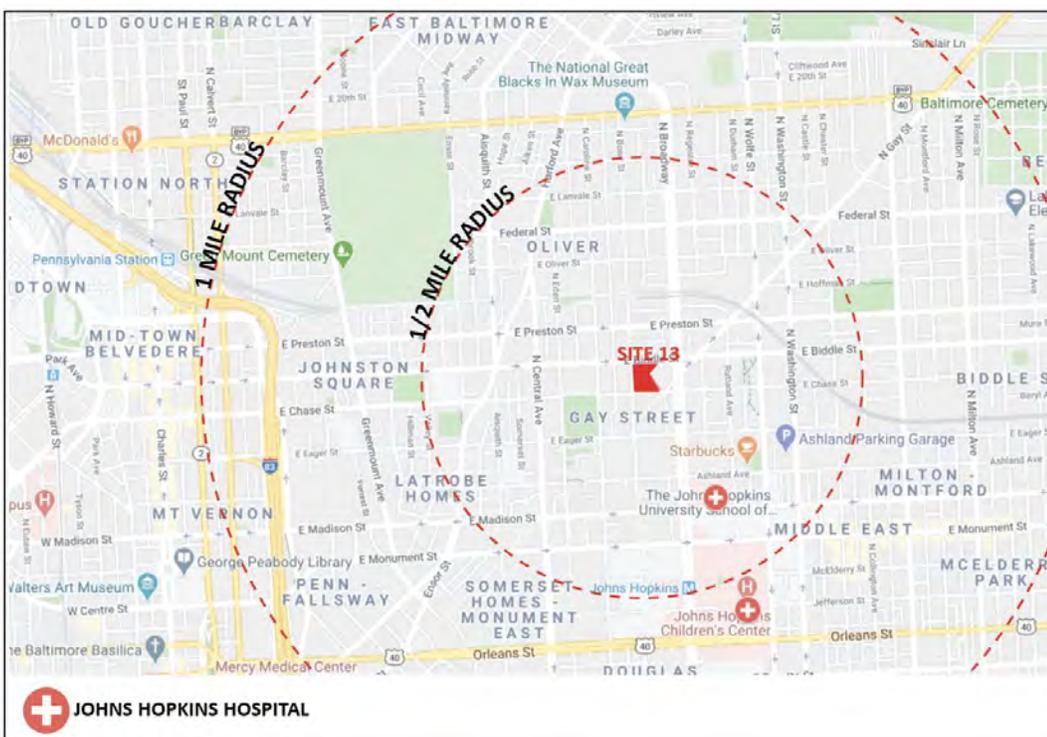
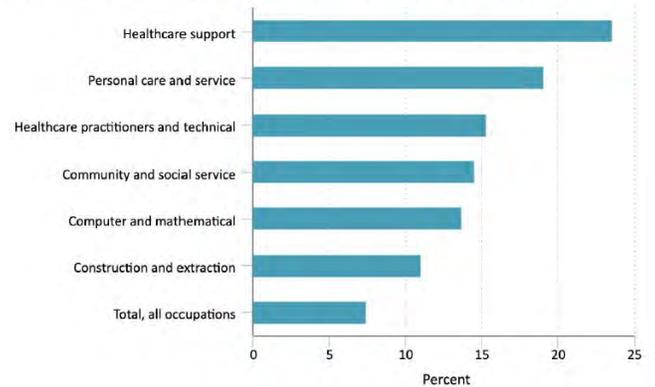


Market Indicators

Between 2006 and 2016, jobs within the health sector grew by 2.8 million nationally, a rate 7 times faster than the rest of the economy. In a ranking of the top 30 growing jobs in healthcare, 4.4 million jobs were at an AMI equivalent to Baltimore City Area Median Income of 80-100% and another 9.9 million at 70% AMI or below. Given the increasing demand for healthcare services, there is a disconnect between salaries and the essential services provided, yet many workers do not qualify for affordable housing developments at AMI's of 80% and below.

Housing for Healthcare Workers aims to reduce the financial burden on Baltimore's essential healthcare workers by filling the gap between affordable housing and market rate housing.

Projected Percent Change, by select occupational groups, 2016-26



Strategic Partners



Baltimore Community Foundation provides funding to Baltimore-based initiatives that increase housing and financial services in underserved areas.



Habitat for Humanity of the Chesapeake supports neighborhood revitalization through the construction of affordable housing and workforce training.



Strong City Baltimore has helped many community focused initiatives with fiscal sponsorship and other capacity-building efforts by providing financial management and strategic supports.



B-More Kitchen provides Baltimore's food entrepreneurs with the space and resources they need to grow their businesses. Culinary incubators support jobs in the community, as well as educational experiences in STEM, finance, marketing, and management.



Johns Hopkins Center for a Livable Future has tested and operated an aquaponic farm in Baltimore for two years. Their findings and lessons learned will be integral for the space planning and construction of a new community led aquaponic development.

Incentive Programs

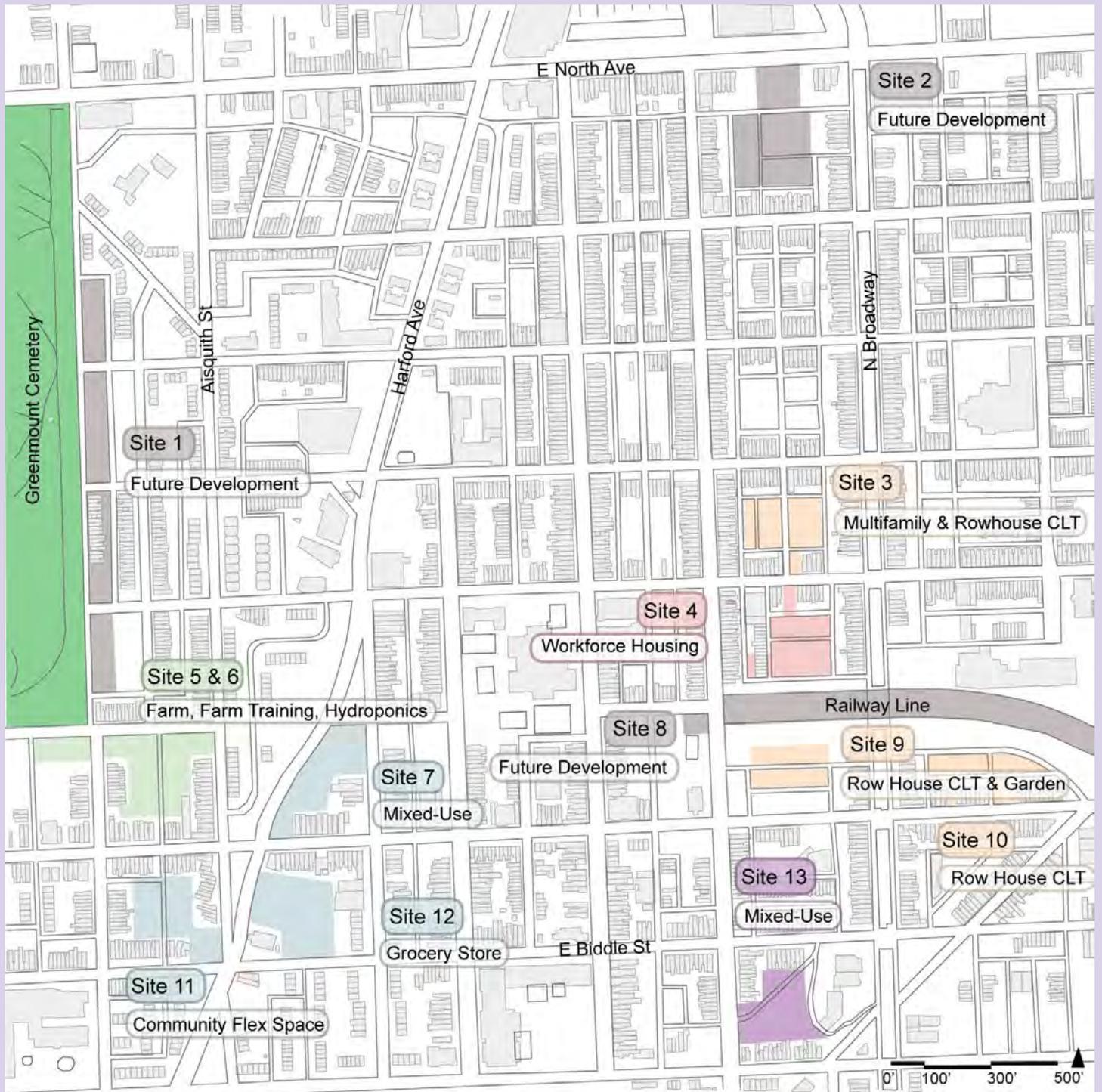
Homeownership Incentives

- 1. Maryland Mortgage Program**
- 2. Baltimore Community Development Block Grant Homeownership Assistance Program**
- 3. Baltimore Direct Homeownership Assistance Program**
- 4. Baltimore City Employee Homeownership Program**
- 5. Baltimore Vacants to Value Booster Program**
- 6. Buying Into Baltimore Program**

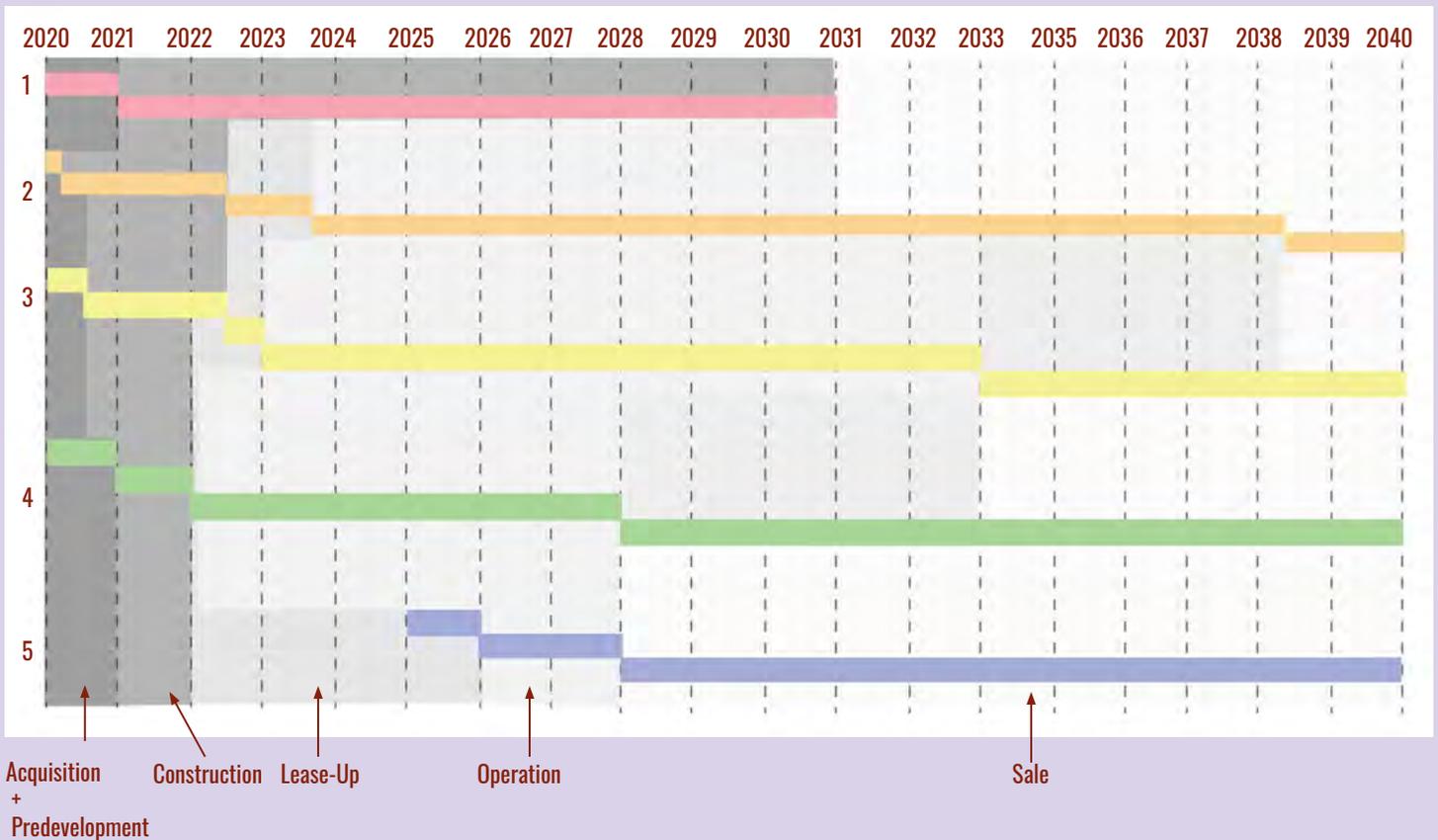
Development Incentives

- 1. Baltimore City Department of Housing & Community Development Community Catalyst Grant**
- 2. Baltimore Community and Economic Development Loan**
- 3. Low Income Housing Tax Credits**
- 4. Baltimore Micro Loan Fund**
- 5. Maryland's Small, Minority and Women-Owned Business Loan Fund**
- 6. Baltimore High Performance Market-Rate Rental Housing Tax Credit**

Neighborhood Map



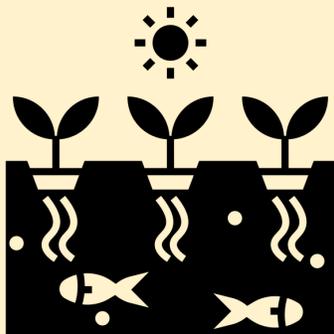
Development Phasing



1. **Community Land Trust**
2. **LIHTC Affordable Multifamily**
3. **Workforce Housing**
4. **Mixed Use/Grocery**
5. **Commercial Activity (Cloud Kitchen)**

Community Aquaponics

Aquaponics is a farming system in which fishes are also farmed alongside crops. The fish waste is used as fertilizer to feed crops necessary nutrients resulting in larger yields. A community aquaponics is proposed on site 12 that will feature a three-story warehouse: 20,000 square feet of aquaponics and 10,000 square feet of workshop/educational studios, community events space, and office space for community development tenants.



Oliver Neighborhood



The Community Aquaponics would be built on Site 11 which is currently mostly comprised of undeveloped land and abandoned row houses.

Plan of action:

- 1) Fundraising and strategic partners.** Organizational donations, grants, and aquaponic partners like Johns Hopkins Center for a Livable Future and Edenworks.
- 2) Assemblage of vacant dilapidated parcels to Site 11.** To maximize investment and surface area for the community aquaponics, landowners will be contacted with interest of an assemblage.
- 3) Entitlement approvals, local community approvals, and city approvals**
- 4) Begin construction**

Existing Site



Current Conditions



Stacking Plan

A community aquaponics warehouse with ground floor offices for local council members, workshop studios, and job training facilities will ensure economic activity will be accessible to local and prospective residents seeking employment.

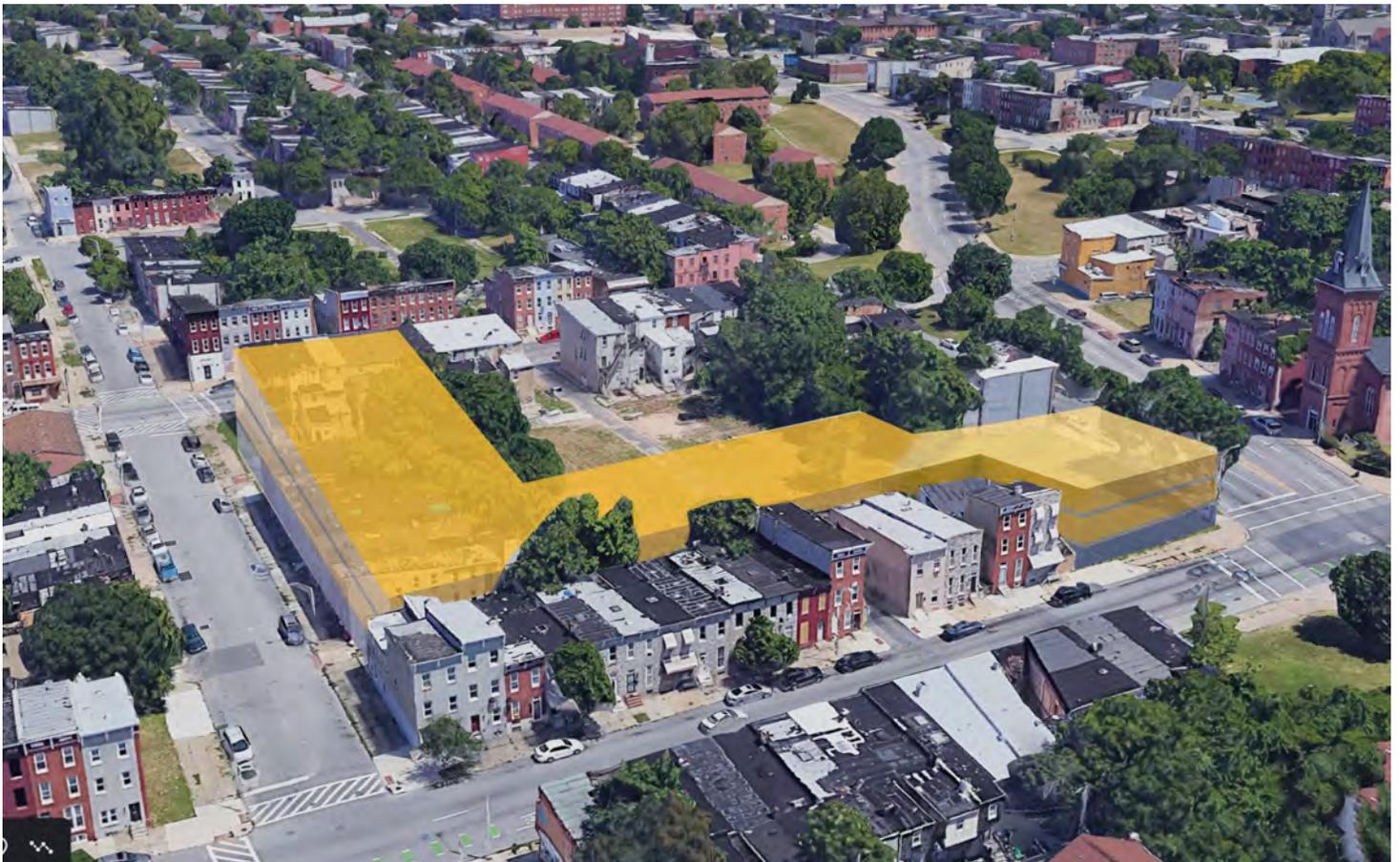
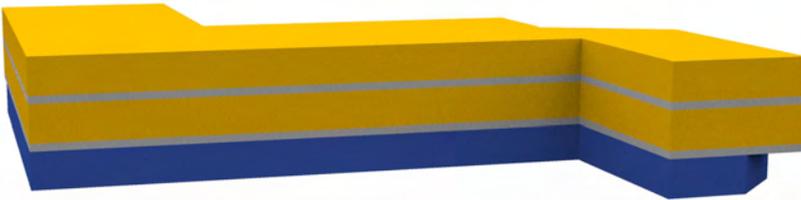


Level 3: 14,229 SF Aquaponic Farm
Fish tanks & growing space

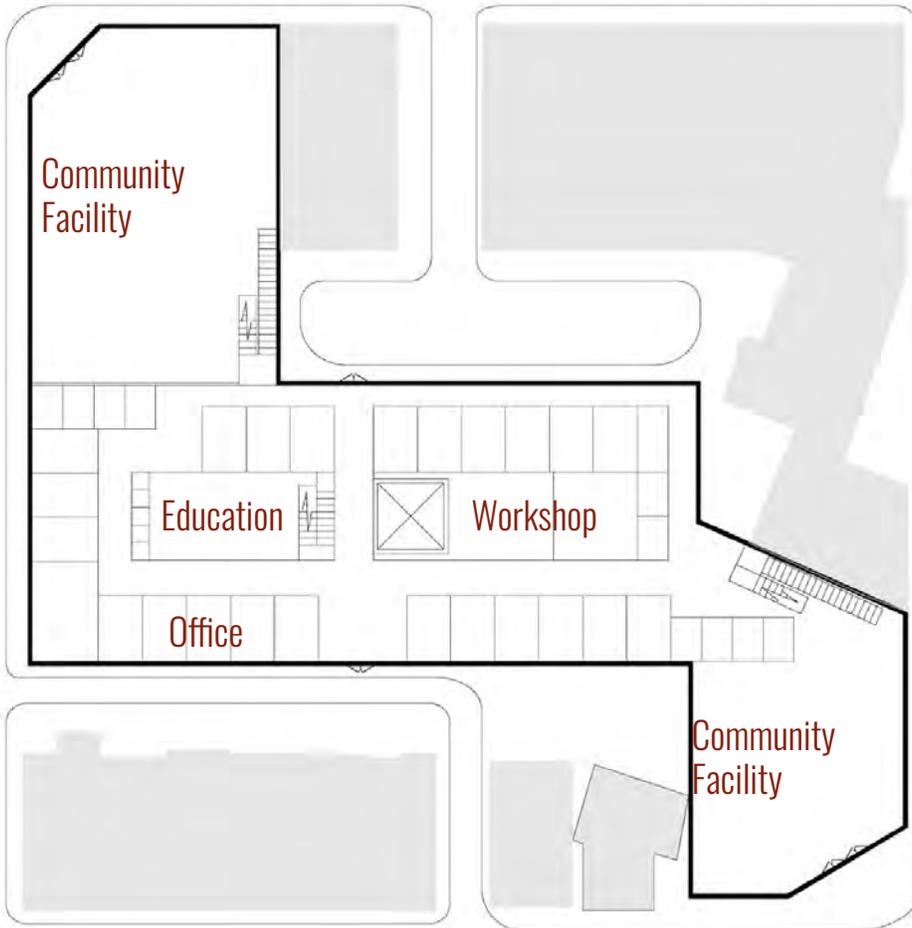
Level 2: 14,229 SF Aquaponic Farm
Farm laboratory, offices & storage

Ground: 13,200 SF Community Facility
Offices & workshop/educational space

Total 41,658 RSF



Ground Level 13,200 SF



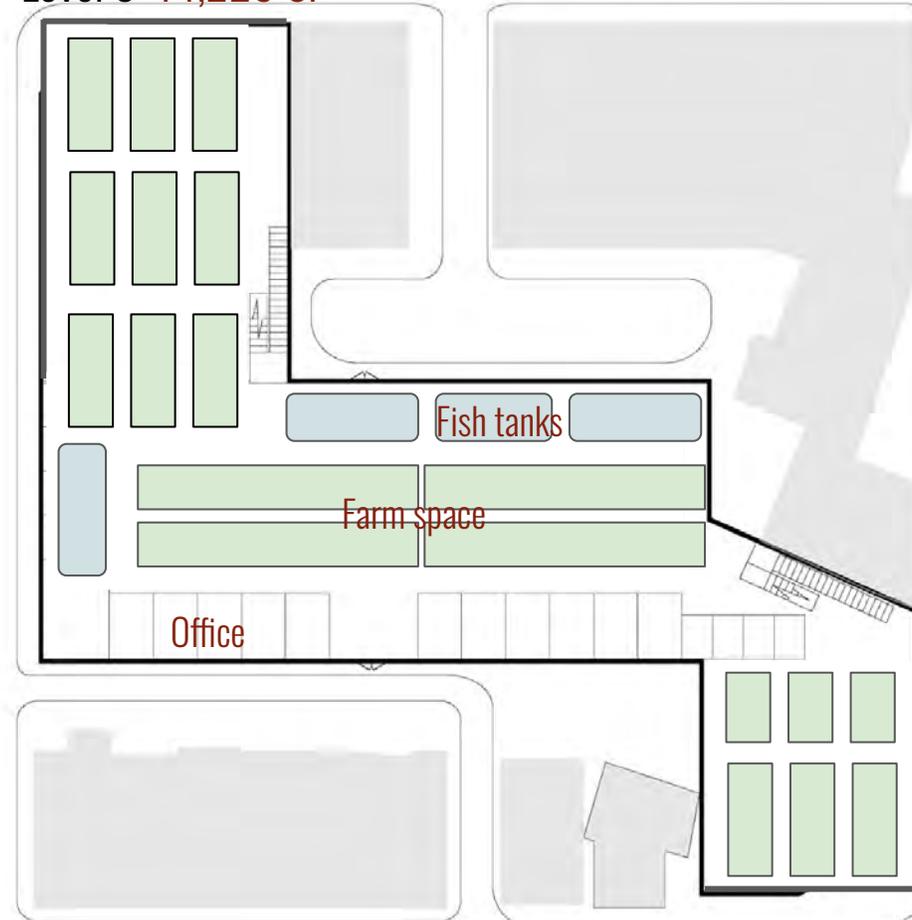
Community Facility

The goal for this community facility is to have residents of Oliver work within Oliver; eliminating the need to make long commutes for work. With educational spaces offer skill sharing opportunities and job training workshops, this facility will help incubate local businesses and train a sizable local workforce.

Community Aquaponic

The goal for a community aquaponic is to create more green jobs that will employ local residents and bring back a sustainable and equitable industry to Oliver.

Level 3 14,229 SF



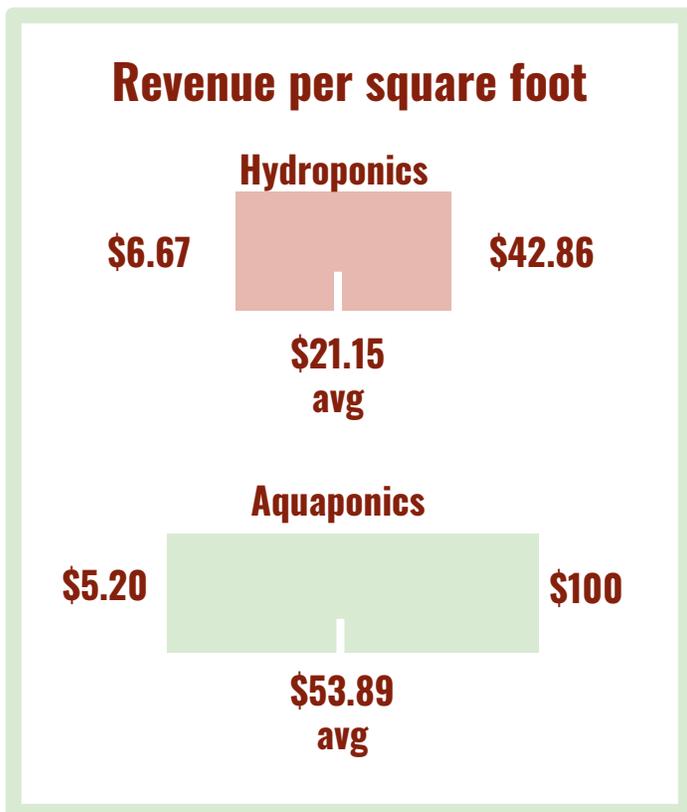
The nearby 34,000 SF creative community accelerator, *OpenWorks* has created 118 jobs and over 55 small businesses, start-ups and non profits.

This mixed-use development aims to create more than 145 jobs by the fourth year of operation.

Market Analysis

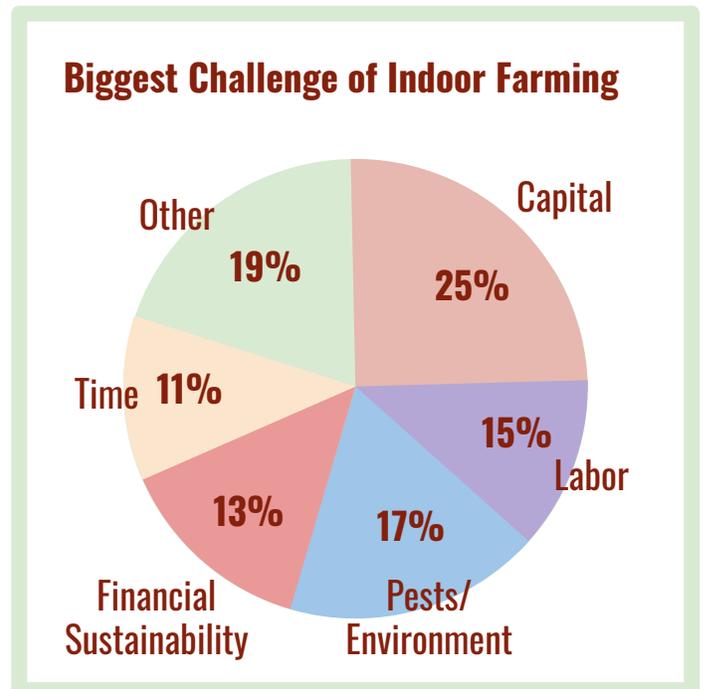
Hydroponics vs. Aquaponics

According to 2007 Agrilyst in the report *State of Indoor Farming* hydroponic farming reported an average revenue of \$21.15 per square foot while aquaponics reported an average revenue of \$53.89 per square foot.



Source: Agrilyst

By expanding the existing urban agriculture industry in Oliver more green jobs will lead to more investment in the community.



Source: Agrilyst

The same study stated that the biggest challenge for indoor farming was

- 1) **Capital** Growers reported challenges with access to capital for capex, expansion and working capital.
- 2) **Building-related** Managing the environment for optimal conditions and keep pests out.

With adequate funds, grants, donations and strategic partnerships, this proposal will ensure that capital for the construction and operation will be available and that efficient, high-tech building maintenance will mitigate building related issues.

SOURCES AND USES

SOURCES		
Construction Loan	\$ 10,428,124.17	50%
Public Grants	\$198,226	3%
Private Donations/Investors	\$3,766,286	48%
Total	\$ 7,929,024	100.00%
USES		
Acquisition Cost	\$44,000	1%
Construction Cost	\$5,544,000	70%
Soft Cost	\$1,108,800	14%
Developer Fee	\$ 532,224	7%
Reserves	\$ 3700,000	9%
Total	\$7,929,024	100.00%

The proposal seeks to apply for funding to support the total development costs and sustain steady cash flow. The goal is to raise 50% of the total development costs from the following (but not limited to) these potential funding partners: Baltimore Community Foundation, East Baltimore Development Inc., The Abell Foundation, The Harry and Jeanette Weinberg Foundation, and Baltimore Development Corporation.

With a steady cash flow and assuming a 7-year hold and payback of the construction loan, this mixed-use development would yield 21% IRR and 2.04x equity multiple. Returns of this proposal will be equity for more community-focused development within the Oliver neighborhood. The sale of this asset in 7 years would be appealing to established commercial hydroponic or aquaponic companies like Aerofarms or Edenworks, which would benefit Oliver in a robust workforce industry.

OPERATING ASSUMPTIONS	
Aquaponics Base Rent	\$11 per square foot
Community Facility Base Rent	\$7.50 per square foot
Rent Growth	3%
Expense Growth	2%
RETURNS ANALYSIS	
Levered Profit	\$4,108,566
Internal Rate of Return	21.08%
Equity Multiple	2.04x

Grocery & Bank

The proposal for Site 12 includes both a stand alone grocer and separate bank branch. 24,000 SF in total, the grocer will count for approximately 21,000 SF while the bank branch will be 3,000 SF.

This proposal addresses the need of food access, as this site is located in a Healthy Food Priority Area (HFPA), bringing fresh and affordable food options to the Oliver Community and surrounding areas. Simultaneously, and while there is no coined term for a lack of bank access, the bank branch at Site 12 will give people living in Oliver access to banking.



Proposal/Objectives

Proposal

- Build 24,000 SF of Class A Retail
- 21,000 SF leased to grocery
- 3,000 SF leased to bank or credit union
- Acquire eight (8) parcels at the corner of Preston Street and Hartford Avenue
- Acquire Suite # 12 from the City of Baltimore
- Possible Grocery Partners: Aldi, Amazon, Lidl, or Walmart Neighborhood Grocery
- Possible Banking Partners: Bank of America, Howard Bank, MECU
- Grocery: In addition to being a traditional grocer strongly promote and encourage curbside pickup and delivery options.

Objectives

- Grocery: Bring healthy and affordable food options to the Oliver Community which is currently designated as a Healthy Food Priority Area (HFPA)
- Banking: Bring a reputable and reliable financial institution that does not support predatory lending practices to a so called “banking desert”
- Cash flow: Money earned from the development fee and cash flow from the property to be used to be put back into the Oliver Community via additional investments or through a community development corporation.

Existing Site



Proposed Building



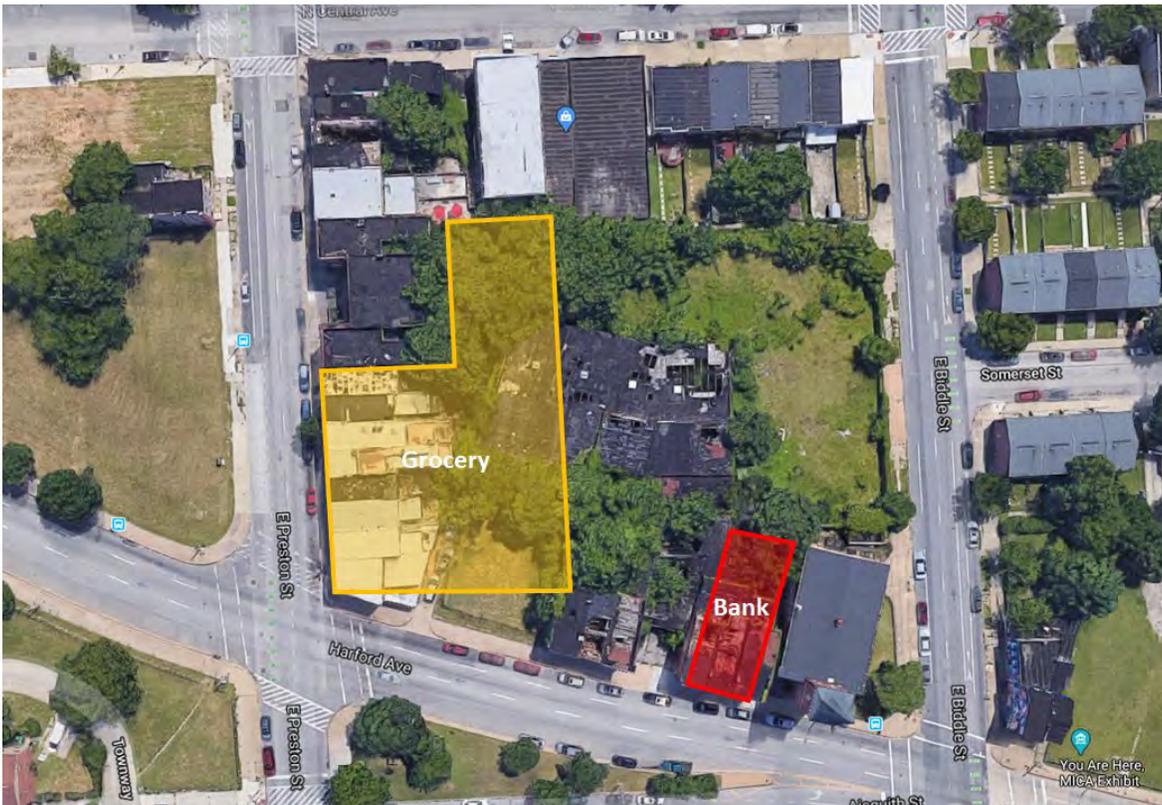
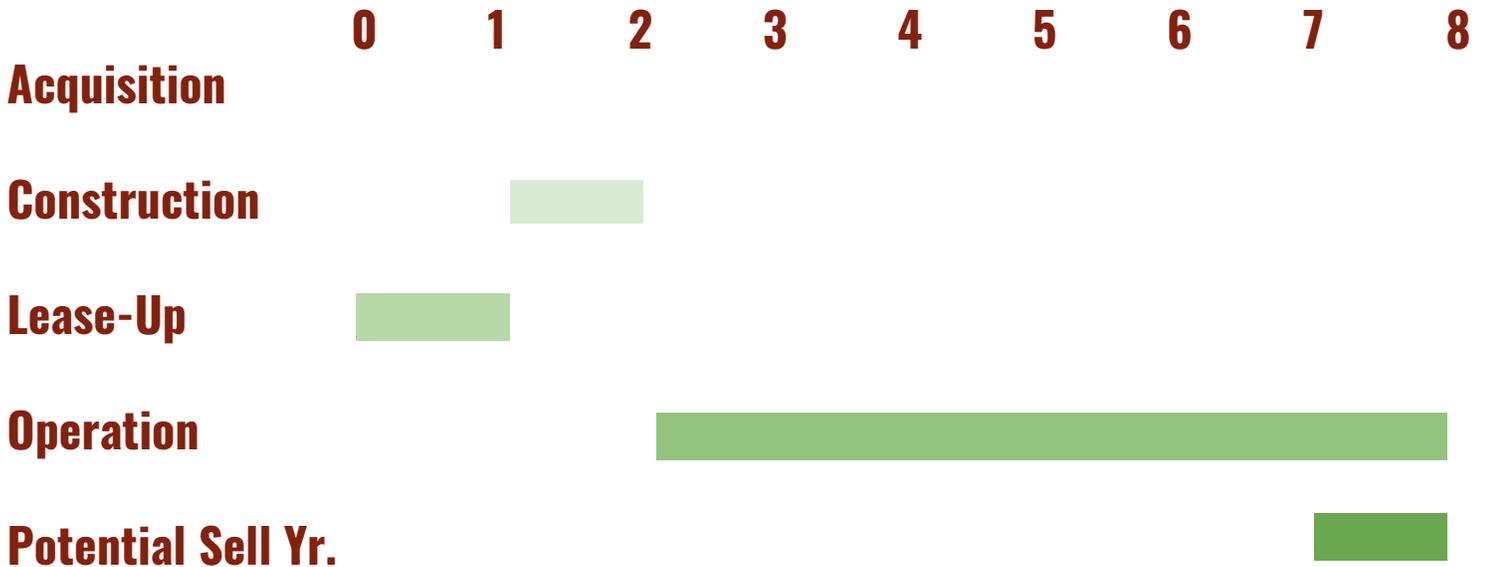


Showing Site # 12 plus additional eight (8) parcels to be acquired

PROJECT SUMMARY

- 24,000 SF of Class A retail space in total
- 21,000 SF leased to a grocer
- 3,000 SF lease to a credit union or banking institution

PROJECT SCHEDULE



Showing Site Layout

Sources & Uses Summary

Sources	
Construction Loan	\$3,459,060.00
Grant Money/Equity	\$3,459,060.00
Investor Equity	\$0.00
Total	\$6,918,120.00

The fundraising strategy seeks organizational donations and grants to minimize the available debt amounts with a priority on sustainable cash flow.

The proposal seeks to apply for funding to support construction costs, pre-development costs, and sustain steady cash flow in order to continue community development for the community masterplan and investment within the Oliver community.

The goal is to raise 50% of the total development costs, while not limited to, but with a focus on, the following potential funding partners: Baltimore Community Foundation, East Baltimore Development Inc., The Abell Foundation, The Harry and Jeanette Weinberg Foundation, and Baltimore Development Corporation.

Uses	
Land Acquisition Cost	\$640,000.00
Construction Hard/Soft Costs	\$4,415,756.00
Upfront Reserves	\$1,200,000.00
Contingency 5%	\$220,788.00
Development Fee	\$441,575.00
Total Uses	\$6,918,120.00



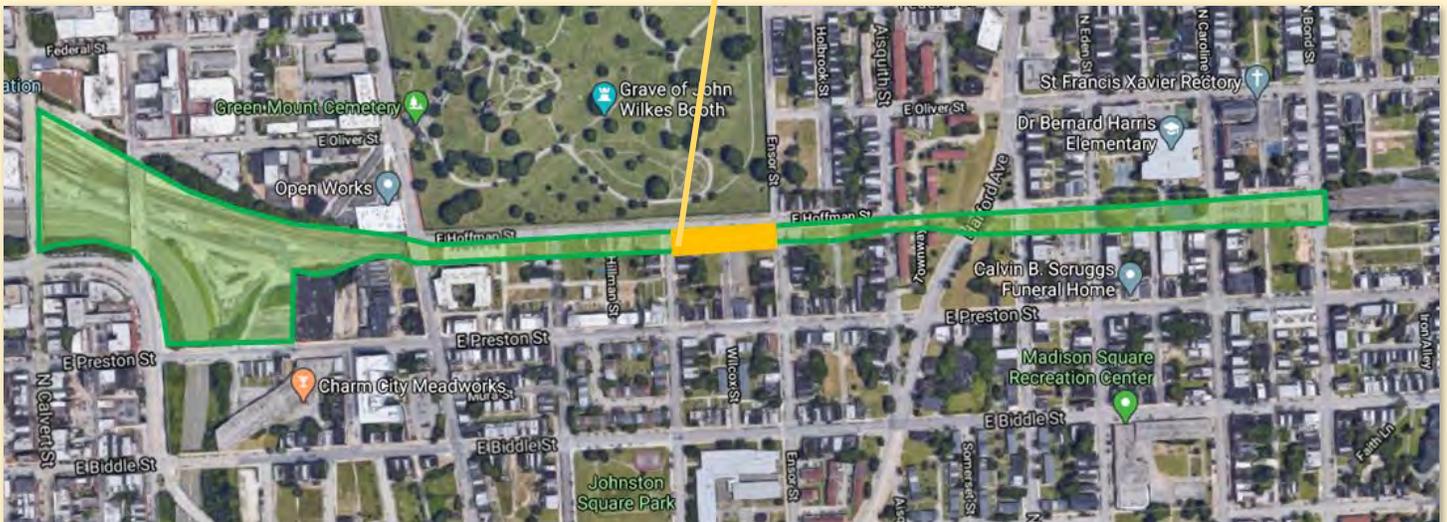
THE ABELL FOUNDATION



Greenway

The Opportunity for Something Bigger...

Sites 5 & 6 are the start of an opportunity for something much bigger. As outlined below from North Bond Street West to Penn Station and lying under Hoffman Street are the tunnels for Amtrak's trains. As a result nothing can be built in the areas directly above. While sites 5 & 6 are just the start they will be preserved in the hope of a larger greenway development which could act as a gateway into the Oliver Community.



Entrepreneurship



In line with the overall concept for economic growth in Oliver, the plan for Site 7 consists of industrial ‘co-working’ in the form of a ‘cloud kitchen’ that will be shared by numerous local brands. This entrepreneurial hub create synergies with neighboring Sites 11 and 12. The combination of food production, food processing, and food retail within a single neighborhood creates a coherent basis for a culinary cluster within Oliver. The concept will support culinary entrepreneurs, while also providing job opportunities to untrained workers.

Proposal

“Cloud kitchens,” also known as virtual kitchens or ghost kitchens, offer access to professional food preparation and cooking facilities for culinary entrepreneurs engaged in delivery and takeaway service. Cloud kitchens provide kitchen equipment and facilities often shared by more than one restaurant brand.

Site 7 in the Oliver Neighborhood is ideally located for the development of a cloud kitchen thanks to its proximity to popular Baltimore food delivery destinations at Johns Hopkins University, Fells Point, Inner Harbor, and the Downtown business district.

Partnership with Baltimore culinary entrepreneurship non-profits will support the creation of new food & beverage businesses by Oliver residents, as well offering culinary vocation training & experience.



Program

Nine professional-grade food preparation and cooking spaces available for rent

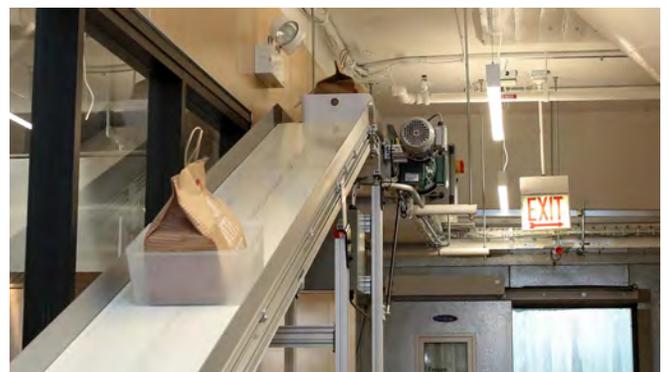
- 1,000 square feet per tenant
- Shared resources including refrigerated storage, on-site facility manager, delivery service coordination, suppliers

On-site food & beverage business incubator

- Culinary business mentoring
- Finance & accounting services
- Employee training

Targeted mix of name-brand restaurants and locally-owned start-ups

- Name-brand restaurants serve as anchor tenants and attract investment
- Kitchen build-outs & delivery provider integration allows culinary concepts to grow with less risk & low upfront investment



SOURCES AND USES

SOURCES		
Baltimore Department of Housing & Community Development Catalyst Grant	\$50,000	2.44%
LP Equity Investment by Institutional Virtual Kitchen Venture Fund	\$700,000	34.15%
Community & Economic Development Loan	\$1,300,000	63.41%
Total	\$2,050,000	100.00%
USES		
Land Transfer, Sitework, & Construction Hard Costs	\$1,035,000	50.49%
Soft Costs, Interest Reserve, & Contingency	\$640,000	31.21%
General Conditions, Construction Management, & Contractor Fee	\$375,000	18.30%
Total	\$2,050,000	100.00%

OUTCOMES	
Projected Jobs Created	60
Companies Attracted & Retained	9
Projected Levered IRR	26.00%
Projected Levered Equity Multiple	2x

The project makes use of public subsidies, and also envisions a 34% private equity investment from an industry-specific venture capital fund. Lasting outcomes include job creation and business attraction.

Workforce Housing



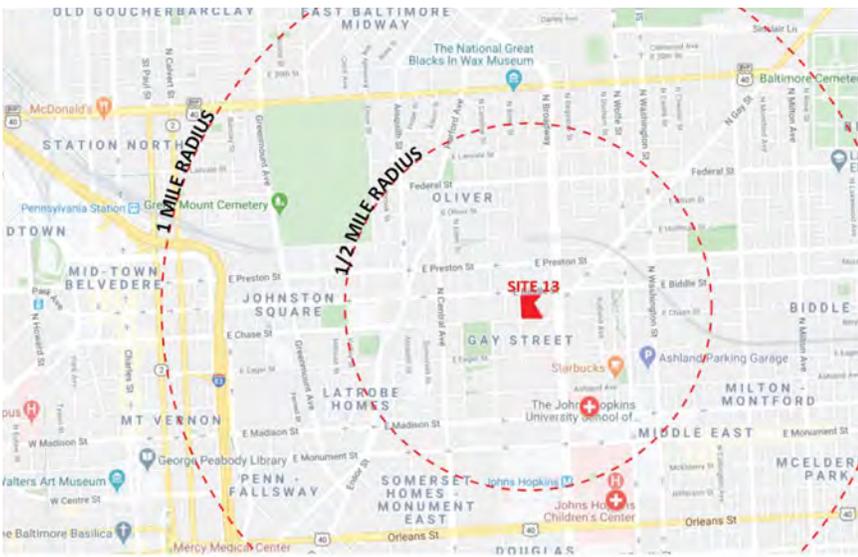
Monument House is a workforce housing project focused on providing affordable housing for workers within the rapidly growing healthcare sector. Between 2006 and 2016, jobs within the health sector grew by 2.8 million nationally, a rate 7 times faster than the rest of the economy. In a ranking of the top 30 growing jobs in healthcare, 4.4 million jobs were at an annual income level equivalent to Baltimore City Area Median Income of 80-100% and another 9.9 million at 70% AMI or below. Given the ever increasing demand for healthcare services, there is clearly a disconnect between salaries and the essential services provided, yet many individuals do not qualify for residence within affordable housing developments at AMI's of 80% and above. This project aims to reduce the financial burden on Baltimore's essential healthcare workers by filling the gap between affordable housing and market rate housing. Monument House aims to redevelop a 1.24 acre urban lot into 88,600 square feet of residential, non-profit commercial, and medically-focused retail space.

Project Goals

1. Providing high-quality affordable housing for healthcare workers with an 80-100% AMI bracket employed by major Baltimore medical institutions and their affiliates in order to create a supportive social and occupational network and reduce rent burden.
2. Build a partnership with the City of Baltimore and the 1199SEIU United Healthcare Workers East, the largest healthcare union in the United States, by providing an opportunity for investment and providing organization space for the Service Employees International Union.
3. Spark revitalization in the surrounding blighted area by attracting development and reinvestment northward, offering essential community amenities, and encouraging a “live near your work” lifestyle.
4. Provide the surrounding community with access to essential healthcare services and medically focused retail, thereby increasing health awareness and providing economic impact via job creation.

FINANCING	
Senior Loan	\$14,091,000
Equity	\$3,740,000
Grants	\$1,557,000

DEAL RETURNS	
Unlevered IRR	4.19%
Levered IRR	10.73%
Peak Equity	\$3,740,000
Profit	\$4,188,768
Equity MOC	2.12



 **JOHNS HOPKINS HOSPITAL**



- East Baltimore Redevelopment Area
- Residential - New/Redeveloped Rowhomes
- Residential - Rowhomes
- Residential - Multifamily
- Residential - Affordable Housing
- Hotel
- Institutional - Johns Hopkins Hospital Buildings
- Institutional - Places of Worship
- Institutional - Schools
- Commercial
- Vacant/Industrial
- Park

Site, Zoning

In the past 5 years, many sites have been completed are highlighted in the map below. Chapel Green (8), Parkview at Ashland Terrace (5), and Ashland Terrace (6) offer affordable housing. The 929 Apartments (7) offer luxury graduate student housing. The Residence Inn by Marriott (9) offers 192 keys and a Starbucks. The close proximity of the proposed development site to this successful redevelopment area demonstrates a likely demand for housing and a higher potential to attract tenants to an area that is showing clear signs of continued investment and improvement.



DEVELOPMENT HIGHLIGHTS

**67,600 SF
Residential
Space**

**16,930 SF
Commercial
Space**

**69
Units**

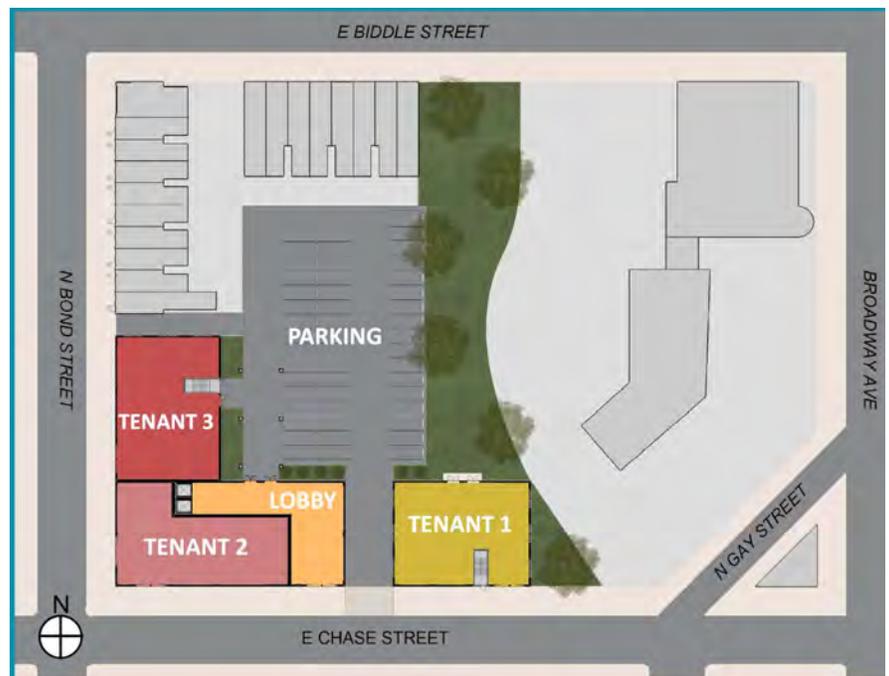
**80-100%
AMI
Rental Rates**

Development Concept & Design

1. Monument House's namesake comes from President John Quincy Adams' 1827 visit to Baltimore, deeming it "The Monumental City" because of its skyline peppered with monuments and churches. The 4-story 88,595 square foot building will provide 72 residential units with 1 bed/1 bath and 2 bed/2 bath options available to maximize flexibility and affordability via roommate rental-share and different AMI tier (80-100%) options for each unit type.
2. The ground floor features one commercial office space at 5,655 square feet, reserved for a non-profit (likely 1199SEIU Offices & Organizing Space), and two retail spaces between 5,400-5,800 square feet featuring a pharmacy and urgent care provider. This tenant mix is meant to support the residential tenants and the surrounding community, and positively impact the local economy by offering essential services via financially credible tenants.
3. The rear yard will offer parking spaces for up to 45 vehicles and landscaped outdoor amenity space for all tenants.



Total SF: 22,148
Tenant 1: Non-Profit 5,655 SF
Tenant 2: Pharmacy 5,428 SF
Tenant 3: Urgent Care 5,850 SF
Lobby: 3,266SF
Parking: 45 Spaces



Residential Units

Unit Type 1 - 1 Bed / 1 Bath
574 SF



Unit Type 2A - 2 Bed / 2 Bath
828 SF



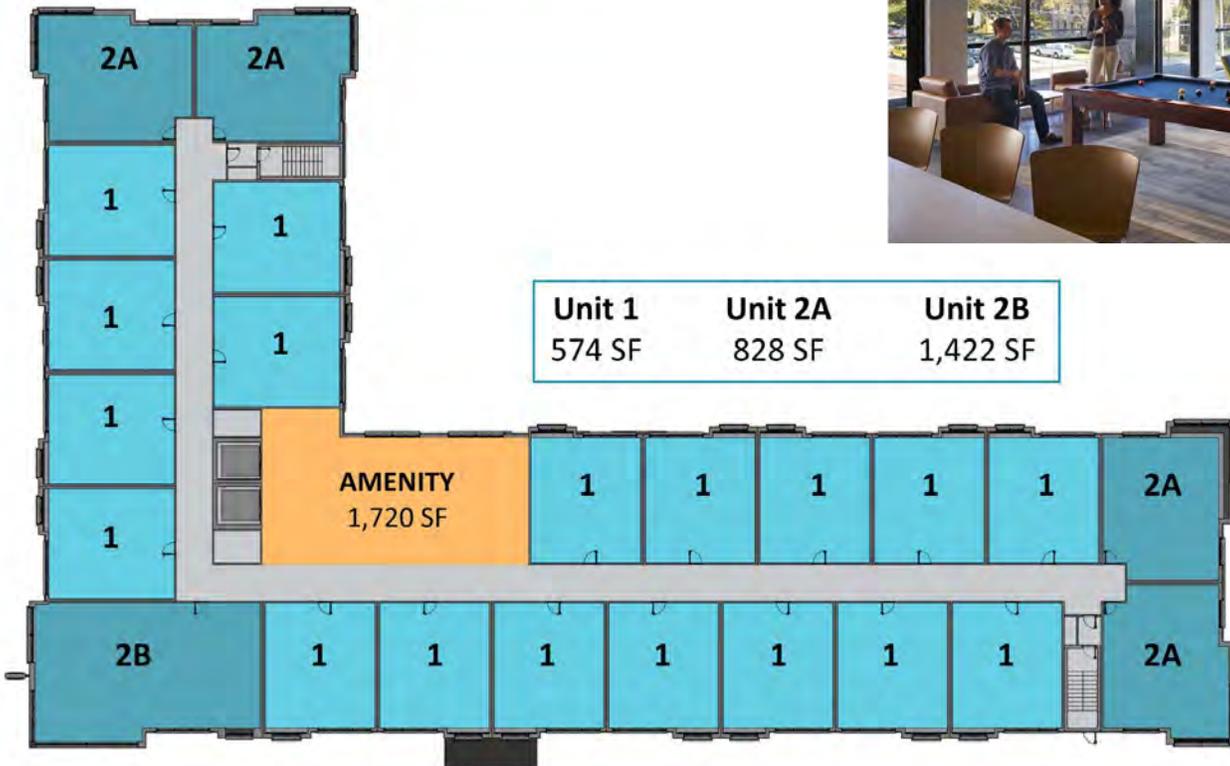
Unit Type 2B - 2 Bed / 2 Bath
1,422 SF



Amenities



Floor Plan: Residential Floors 2-4

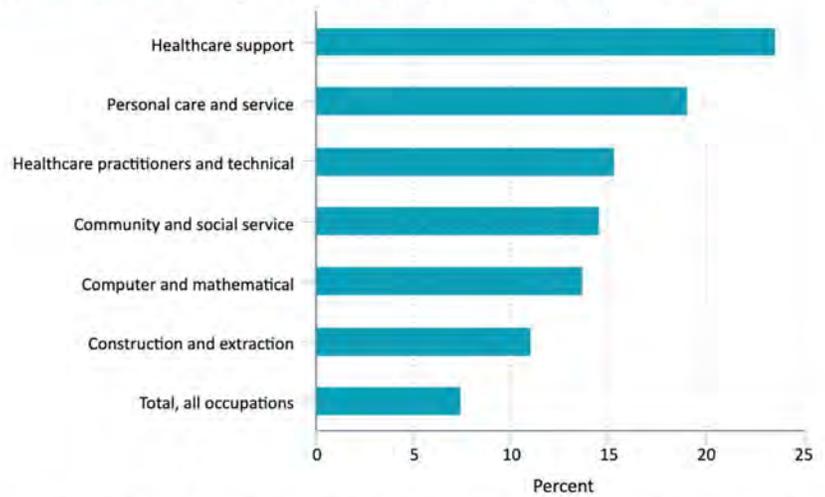


Market Analysis:

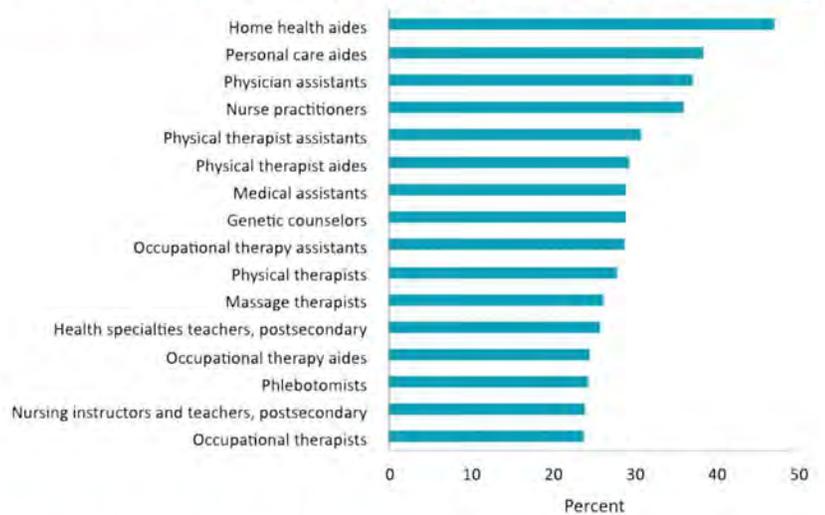
Healthcare as Economic Driver

1. Baltimore Employment Trends: Employment growth stands at an average of 14,400 new jobs per year, with 11,000 jobs added in 2019. The vast majority of added jobs were within the Professional and Business Services (6,000) and Education and Health Services sectors (4,300).
2. National Employment Trends: Historically, health-sector jobs have been some of the fastest growing. Data via the Bureau of Labor Statistics notes that job growth within the health sector played a large role in the national economic recovery from the financial crisis of 2008. Between 2006 and 2016, jobs within the health sector grew by 2.8 million, a growth rate 7 times faster than the rest of the economy.
3. As seen in the BLS graphs, growth of 23.6% is expected in the healthcare support group, with increases in healthcare and related employment and technical healthcare occupations as runners-up at 19.6% and 15.3%.
4. Within a sampling of the top-30 health-sector occupations nationally, 4.4 million jobs fall within an 80-100% Baltimore City income limit, with 9.9 million at 30-79%, demonstrating high potential demand for affordable housing among employees of the health-sector.

Projected Percent Change, by select occupational groups, 2016-26



Healthcare and related occupations, projected employment change



US Bureau of Wage Statistics: May 2019 National Occupational Employment and Wage Statistics

Occupation	Annual Salary	AMI Bracket Based on Baltimore Income Limits	# of U.S. Jobs
Home Health Aide	\$24,060	30%	3,253,000
Certified Nursing Assistant	\$28,530	40%	1,564,200
Nursing Assistant & Orderlies	\$28,530	40%	1,564,200
Pharmacy Technician	\$32,700	40%	420,400
Medical Assistant	\$33,610	50%	686,600
Emergency Medical Technician	\$34,320	50%	262,100
Phlebotomist	\$34,480	50%	125,280
Medical Transcriptionist	\$34,770	50%	58,000
Dental Assistant	\$38,660	50%	346,000
Health Information Technician	\$40,350	50%	215,500
Licensed Practical Nurse	\$44,240	50%	728,900
Surgical Technologist	\$47,300	60%	112,100
Clinical Laboratory Technician	\$52,330	65%	331,700
Occupational Therapy Aide	\$57,620	80%	51,700
Respiratory Therapist	\$60,280	80%	134,000
Radiologic Technologist	\$61,240	85%	250,000
Diagnostic Medical Sonographer	\$67,080	90%	130,700
Registered Nurse	\$71,730	95%	3,059,800
Therapist	\$71,760	100%	591,350
Dental Hygienist	\$74,820	100%	219,800

*AMI Income Limits Based on 2019 2-Person Household

Financing Partners: Grants



The Neighborhood Impact Investment Fund (NIIF) has been identified as a strategic partner for the development of Monument House. NIIF is a mission-driven investment fund dedicated to delivering capital and promoting inclusive, equitable growth in Baltimore's historically disinvested neighborhoods. One form of support the organization offers for such development projects is grants to help pay for pre-development costs. Grants are available for up to \$100,000 per project. It is assumed that a grant of \$57,000 will be provided for the development of Monument House in order to help pay for pre-development costs.



1199SEIU is the largest healthcare union in the United States and the largest local union within the Service Employees International Union. The union represents 450,000 members including registered nurses, medical technicians, medical aides, and other health-sector workers servicing hospitals, nursing homes, homecare programs, clinics, and pharmacies within NY, MA, NJ, FL, MD, and Washington D.C. 1199SEIU will be approached to fund \$1.5 million in equity as a joint venture partner, pair well as a joint venture partner and potential tenant.

Financing Summary

The total required investment for the development is **\$19.38 Million**.

\$14 Million of this total will be financed by a construction loan, **\$1.5 Million** will be provided in the form of an equity grant from 1199SEIU, and an additional **\$57 Thousand** will be supplied by NIIF to help cover predevelopment costs. The remaining **\$3.7 Million** in equity will be supplied 10% by the General Partner and 90% by the Limited Partners. Potential Limited Partners are private equity firms and REITs active in the Baltimore area.

After two years of construction, Monument House will be half occupied in Year 3 and fully stabilized in Year 4. The exit strategy assumes the property will be held until Year 10. Assuming an **exit cap rate of 5.5%**, the property will be disposed of for **\$18.5 Million**. This exit strategy will yield an **unlevered IRR of 4.2%** and **profit of \$6.3 Million**. The levered returns are anticipated to achieve a **10.7% levered IRR, 2.12 MOC, and \$4.18 Million Profit**.



Multifamily Housing

Multifamily housing is a necessary addition to the housing stock in Oliver in order to ensure affordability for a large number of Oliver residents and Baltimore citizens.

The current acquisition price of an unrenovated rowhouse in the Oliver neighborhood varies, but can very likely be around \$45K. More often than not, the prospective buyer must spend additional capital to renovate the home, the cost of which is not covered under a traditional mortgage. As a result, despite the seemingly low valuations in property values, Oliver is inherently not affordable for the majority of residents, whose average income at \$24k per household per year will unlikely be able to support a mortgage let alone pass a credit background check.

The numerous sources of capital available during the construction and operation of a multifamily dwelling offset rents, thereby making them feasible.

Although the Total Development Cost (TDC) is comparable to that of individual rowhomes, the effect of numerous sources of financing and equity including LIHTC, Community Development Block Grant Funds, HOME Funds, and low interest rate mortgages preserve affordability.

Additionally, multifamily dwellings save money for the owner in the long run when one considers taxes, maintenance, and energy costs. If modular construction is employed for certain parts of the building, the building can be built in 25-50% less time.

LIHTC Affordable Housing

The proposal for Site 3 involves twin midblock multifamily buildings comprising of 24 two bedroom and 32 three bedroom dwellings, for a total of 56 units in total.

The project will make use of 9% LIHTC for the first 15 years of construction and operation, after which a pathway to ownership will be offered to tenants at a discounted rate.





LEGEND

- 1 Walk up 2-BR Units
- 2 Townhouse 3-BR Units
- 3 Vehicle Entry
- 4 Parking
- 5 Upper Landscaped Plaza

The axonometric above shows the relation of the twin blocks to rowhomes around. The ground level is largely semi-open parking with columns that support an open 'plateau' that acts as the common area for each building. This space has circulatory elements of the building and creates the feeling of a ground level entry for most units.



Interiors



Interiors



Common space



Parking



Facade



Materiality

PROJECT SUMMARY

- 56 units in total
- 24 two bedroom units of 720 SF each
- 32 three bedroom units of 900 SF each
- 70 parking spaces
- 66,852 SF Total built up area

PROJECT SCHEDULE

YEARS

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

Acquisition

Construction

Lease-Up

Operation

Lease Purchase

DEVELOPMENT BUDGET

Acquisition Cost	\$28	0%
Hard Costs	\$ 10,299,240	75%
Soft Costs	\$ 1,953,485	14%
Developer Fee	\$ 1,225,272	9%
Reserves	\$ 321,490	2.3%
Total	\$13,799,515	100%

Total Development Cost (TDC)
\$13,799,515

TDC per D.U.
\$246,419

SOURCES AND USES

CONSTRUCTION SOURCES		
LIHTC Equity	\$ 6,208,752.57	44.99%
HOME Funds	\$ 1,000,000.00	7.25%
CDBG	\$ 600,000.00	4.35%
HUD 221 (d)(4) Loan	\$ 4,750,000.00	34.42%
Deferred Developer Fee	\$ 975,272.46	7.07%
Deferred Operating Reserve	\$ 265,489.96	1.92%
Total	\$ 13,799,515	100.00%
PERMANENT SOURCES		
LIHTC Equity	\$ 10,428,124.17	75.57%
HOME Funds	\$ 645,629.80	4.68%
HUD 221 (d)(4) Loan	\$ 2,475,761.00	17.94%
Deferred Developer Fee	\$ 250,000.00	1.81%
Total	\$ 13,799,515	100.00%
USES		
Acquisition Cost	\$ 28.00	0.00020%
Construction Cost	\$ 10,299,240.00	74.63%
Soft Cost	\$ 1,953,484.57	14.16%
Developer Fee	\$ 1,225,272.46	8.88%
Reserves	\$ 321,489.96	2.33%
Total	\$ 13,799,515	100.00%

LIHTC EQUITY	
LIHTC Eligible	Y
Applicable Fraction	100%
Acquisition Basis	\$ -
Construction Basis	\$ 13,370,247.03
Qualified Census Tract	Y
Basis Boost	0%
Qualified Basis	\$ 13,370,247.03
9% Credit Percentage	8.21%
Annual Credits	\$ 1,097,697.28
Total Credit Amount	\$ 10,976,972.81
Percentage Syndicated	\$ 10,976,972.81
Syndication Price	\$ 0.95
LIHTC Equity	\$ 10,428,124.17

At 56 units, the development makes use of competitive 9% Federal LIHTC. The project is largely funded by tax credits. The project also makes use of HOME funds and a Community Development Block Grant (CDBG). A HUD 221 (d)(4) loan provides the crucial financing during the construction phase, this is partially paid down on receipt of the remaining LIHTC funds on stabilization.

LEASE PURCHASE

	AMI	Monthly PMT*	PV of Loan	PV Rent Paid	Y15 Purchase	Discounted Purchase	PV of Y15 purchase
Two Bedroom	\$ 22,800.00	\$ 600.00	\$142,313.63	\$ 7,670.00	\$134,643.62	\$126,973.62	\$101,180.68
Three Bedroom	\$ 25,650.00	\$ 650.00	\$154,173.10	\$ 8,563.04	\$145,610.05	\$137,047.01	\$109,458.86

LEASE-PURCHASE EXCHANGE	
Loan Balance Y15	\$1,888,904.89
Date of Mortgage Payoff	6/30/2036

FINANCING TERMS: PURCHASER	
Rate	3%
Term	30

Cumulative Proceeds	\$5,279,077.59
PV of Net Proceeds	\$2,947,533.83
Loan Balance Y15	\$1,888,904.89

The mechanics of the lease-purchase arrangement stem from the prospective homeowner's ability to pay. Starting with a lower base monthly payment, the calculation for estimated price of units at year 15 was calculated. To this value was then applied a discount, as the purchasers have already paid into the project by being tenants.

The present value of this discounted rate was calculated and summed for all units in both blocks of the project. This present value the cumulative proceeds from sale of the units was compared against the loan balance to ensure that the sale would cover the outstanding loan, which indeed it succeeded in doing.

In order to foster homeownership, the city of Baltimore has multiple programs that help aspiring homeowners. One such program is a low interest rate mortgage (about 3%) that is fully amortizing over 30 years. A down payment is

Paid by the city of Baltimore, equal to 3% of the purchase price and is repayable upon resale of the property.

The lease-purchase structure was adopted from a model that has been implemented successfully in Cleveland by the Cleveland Housing Network (CHN). The organization provides a framework for conversion from LIHTC multifamily to homeownership, although it is involved with single family homes that are under the LIHTC program. This makes it somewhat less complex for CHN to calculate loan balances for each individual family.

Community Land Trust

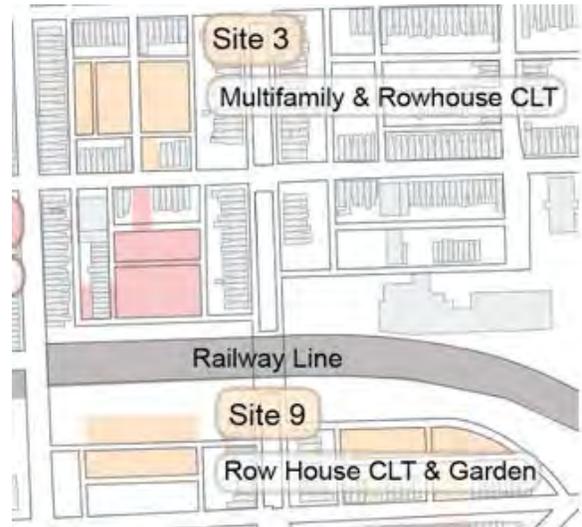
Community Land Trusts are non profit entities that offer long term affordable housing for working class members of the community. CLTs purchase land and lease back the land to homeowners over an extended period of time, typically 99 years. Homeowners own their home and pay a nominal monthly fee to the CLT for the ground lease in conjunction with their mortgage. In order to qualify for a discounted home through this CLT, purchasers must be making at or below 50% of AMI, or \$50,500 for a family of four. Affordability is maintained upon sale, as appreciation is capped at a predetermined rate. This allows working class community members the chance to build equity and live in neighborhoods they might otherwise be displaced from.



Proposal

We propose starting a CLT in Oliver, “The Oliver Neighborhood Initiative” or ONI, in year one funded through Baltimore’s Affordable Housing Trust Fund. The board will be filled with local community members as well as industry leaders.

Partnering with Habitat for Humanity, 65 homes will be built in years 2-10 beginning on lot 10, then 9 and finally on lot 3. Homes will be sold for \$75,000/unit however construction costs are \$210,000/unit, grant funding will be used to make up the delta.



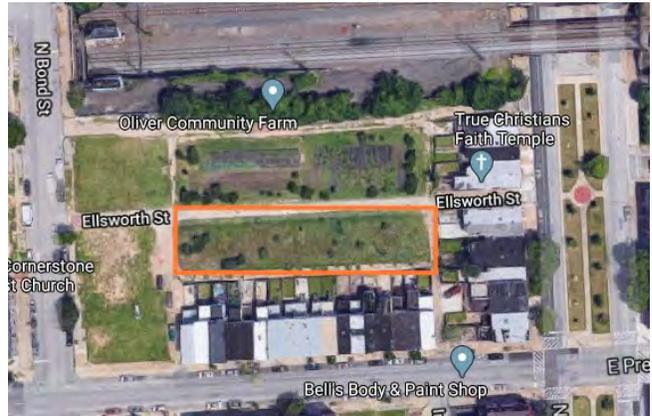
Objectives

- Maintain Historic Character of The Neighborhood Through Design
- Create Long Term Affordable Housing
- Help Community Members Achieve Dreams of Homeownership
- Protect Against Speculative Development and Investment

Site Ten - 52 Rowhouses



Site Nine - 10 Rowhouses



Site Ten (Existing)



Site Three - 3 Rowhouses





Precedent

**City of Lakes Community Land Trust
Minneapolis, Minnesota**

Founded in 2002, this CLT has helped over 200 families purchase homes by providing homeownership support, financial assistance and homebuyer education workshops. Homes are sold to those making at or below 80% AMI.

The above home, a 3 bed 1.5 bath, was recently sold for \$190,000 however market value for the home is \$265,000.

Affordability Equation



Initial appraised value of property	\$120,000
Initial purchase of home	\$90,000
Appraised value of property at resale	\$160,000
Increase in value of property ("appreciation")	\$40,000
Seller's share of appreciation (25%)	\$10,000
Resale Price of Home	\$100,000

Financial Summary

Construction Costs

Hard Costs	
Construction	\$9,750,000
5% Contingency	\$487,500
Soft Costs	
Soft Costs (20%)	\$2,047,500
5% Contingency	\$102,375
Total	\$12,387,375

\$112/sf
Average 1,300 sf home
\$150,000/home

Sources

1. Equity
2. HUD Home Grant
3. Abell Community Development Grant
4. Affordable Housing Trust Fund
5. HUD 221(d)(4) Loan
6. Neighborhood Impact Investment Fund Predevelopment Loan

Development Budget

Acquisition	\$75
Construction	\$12,387,375
Development Fee	\$1,238,738
Total	\$13,626,188

Capital Stack



**OLIVER
COMMUNITY
MASTERPLAN
DEALBOOK**