
Baltimore Project Would Include Largest TIF District in City History.

WASHINGTON – The proposed $6.9 billion Port Covington development project in Baltimore would include the largest tax increment financing district in the city's history and would be financed in part with $660 million of bonds backed by the increased property tax revenues.

The project, proposed by Under Armour CEO Kevin Plank, would include a new global headquarters for the sports apparel company as well as residential and retail facilities within a development district.

A new 50-acre, 3.9 million-square-foot headquarters for Under Armour would serve as the project's anchor, and would be flanked by roughly 11 million square feet of mixed-use development.

The project would be owned by Sagamore Development Company, a Baltimore-based real estate firm founded in 2013 by Plank and developer Marc Weller. Development would take place on Port Covington, a 260-acre industrial area roughly two miles south of downtown Baltimore between I-95 and the Middle Branch of the Patapsco River.

The project would be partly financed by $535 million of increased property tax revenue to be collected within a tax increment financing district. Those funds would go toward the construction of infrastructure, including roads and public spaces. None of the TIF revenues would go toward the Under Armour headquarters.

The total bond cost would be $660 million including issuance costs and other costs not associated with construction, according to Baltimore Deputy Finance Director Stephen Kraus.

Kraus said the bonds would be issued by the city of Baltimore Department of Finance in four-to-five phases over the next 12 years. Construction is expected to be developed in phases over roughly 25 years, according to plans.

The $535 million of expected increased property tax revenue, combined with an additional $349.5 million from the state and $224.2 from the federal government would total almost $1.2 billion in city, state and federal subsidies. Private funding provided by Sagamore is roughly $327.8 million. Of the private and governmental funding of roughly $1.4 billion, $115 million would go toward land acquisition costs, $138 million would go toward site work and $1.2 billion would be used for infrastructure.

The bonds would be paid back by incremental tax revenue generated by the development, as is customary in TIF districts. Tax increment financing secures tax-exempt borrowing by anticipated increases in tax revenues within a defined development district.

The Baltimore Development Corporation, the private nonprofit that grants TIFs for the city, approved the TIF application in March, and it is now before the City Council's Taxation, Finance and Economic Development Committee. The committee has held three hearings regarding the project, but moved a work session originally scheduled for Monday to Sept. 8.

At the time of the application, Baltimore had 14 TIF districts with outstanding debt of $147.2 million.

“One risk is that the developer may not move forward with the development once the tax increment financing district and documents authorizing the issuance of bonds have been approved by the city,” officials wrote in the TIF application. “Provided that is the case, the tax increment financing district would remain in place but the bonds would not be issued and debt would not be incurred.”

According to plans, the first tranche of TIF bonds would be issued in June 2017 for $62 million, followed by a second tranche of $208.3 million in 2018. A third tranche of $169.7 million would be issued in 2023, and a fourth tranche of $218.7 million would be issued in 2028.

The developer would initially purchase the bonds, which are projected to be outstanding between 2046 and 2058.

Proponents claim the project will bring roughly 8,000 jobs to Baltimore and will revitalize a largely vacant three-mile section of waterfront.

“An area essentially cut off from Baltimore’s downtown neighborhoods by the elevated structure of I-95 and the adjacent CSX rail yard will become a dynamic, innovative, mixed-use experience and destination,” officials wrote in the application. “As one of the largest urban revitalization projects in the United States, the redevelopment of Port Covington will provide extraordinary economic growth and job opportunities for both the city and the greater region.”

Mark Pollak, a partner with Ballard Spahr in Baltimore who is serving as counsel for the developers, said project officials hope to have the initial financing occur in early 2017. Pollak, who described the project as “one of the greatest opportunities the city has ever had,” said TIF funding would be phased in over an initial period. He did not comment on what the length of that period may be, and said it was dependent on the growth of Under Armour among other factors.

As among the largest TIF deals in U.S. history, the process could take a while, he said.

“I think everybody recognizes it as a potential transformative project for the city because of the scope,” Pollak said, adding that Baltimore Mayor Stephanie Rawlings-Blake has expressed support for the proposed plan. “Clearly Under Armour has the opportunity to grow in many places and we and the city would hope that they can keep the growth in this city.”

Still, he said there has been discussion in regards to the TIF size and negotiations to provide benefits to other parts of the city.

Some of those concerns have been expressed by Baltimoreans United in Leadership Development (BUILD), which in July called for a TIF agreement to include local hiring mandates of 51% for all future businesses in the TIF district. Should that mandate not be met, BUILD officials said the city should invoke “substantial financial penalties” on the parties responsible.

“BUILD calls on the City Council, Sagamore Development, and Mr. Plank to not agree to any city-wide benefits agreement without the city conducting a comprehensive independent analysis of the deal,” said BUILD co-chair Rev. Andrew Foster Connors. “If after the analysis the city concludes that the costs associated with the development can be managed, then any agreement must treat the city of Baltimore as a ‘first in’ investor.”

Pollak said the cost of the project is $5.5 billion, but rises to $6.9 billion when accounting for infrastructure costs. Estimates have placed Port Covington's assessed value after construction at $2.6 billion.

In addition to the new Under Armour headquarters, the completed Port Covington project as proposed would include: 1.5 million square feet of retail and entertainment space, more than 7,500 rental and for-sale residential units, 500,000 square feet of industrial/light manufacturing space, 200 hotel rooms, 1.5 million square feet of office space, and 41 acres of public parks and waterfront space, according to the TIF application.

BDC president and CEO William Cole said the group's TIF recommendation was contingent on five factors, which are that: returns to the city exceed the city's hurdle rate, a profit-sharing agreement is negotiated, there is federal and state participation in infrastructure, there is no adverse effect on school funding, and there is no adverse effect on the city's bonding capacity.

If and when the proposal clears the City Council's Taxation, Finance and Economic Development Committee, it will then go before the full City Council for consideration.

Under Armour's headquarters is expected to be built over 15-plus years, according to plans. The Baltimore-based company currently has headquarters in the Tide Point neighborhood of Baltimore, where it has been for 18 years.

In January, Under Armour completed a $40 million office space that houses more than 600 employees, marking the first new building to be opened on the Port Covington campus. Plank's Sagamore Development Company has also completed a reuse of a city garage in Port Covington and the construction of the Sagamore Spirit Distillery in the same neighborhood.

The Bond Buyer

By Evan Fallor

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