



—THE MADISON—

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PROJECT SUMMARY

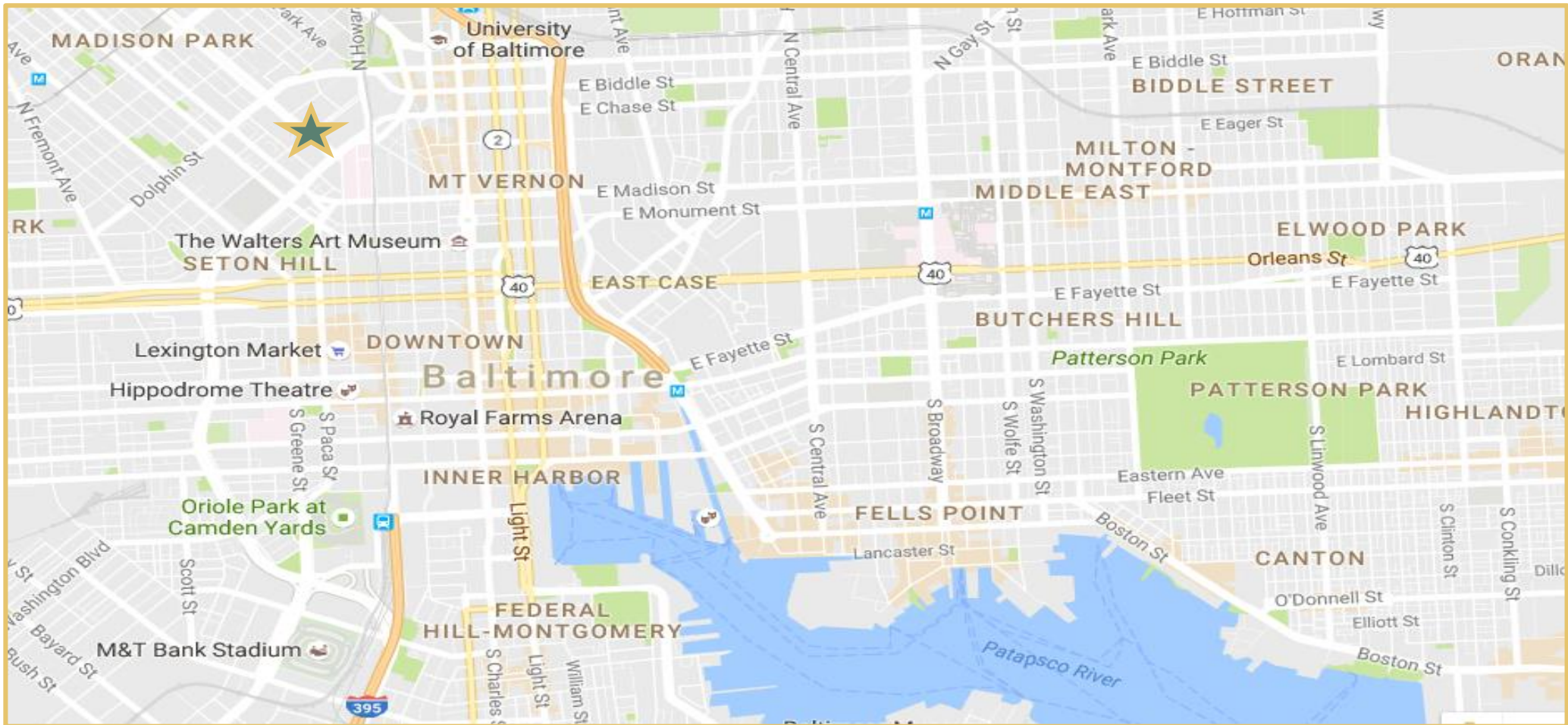
This exciting new mixed-use project with the potential to transform State Center & Midtown Baltimore



Development Summary

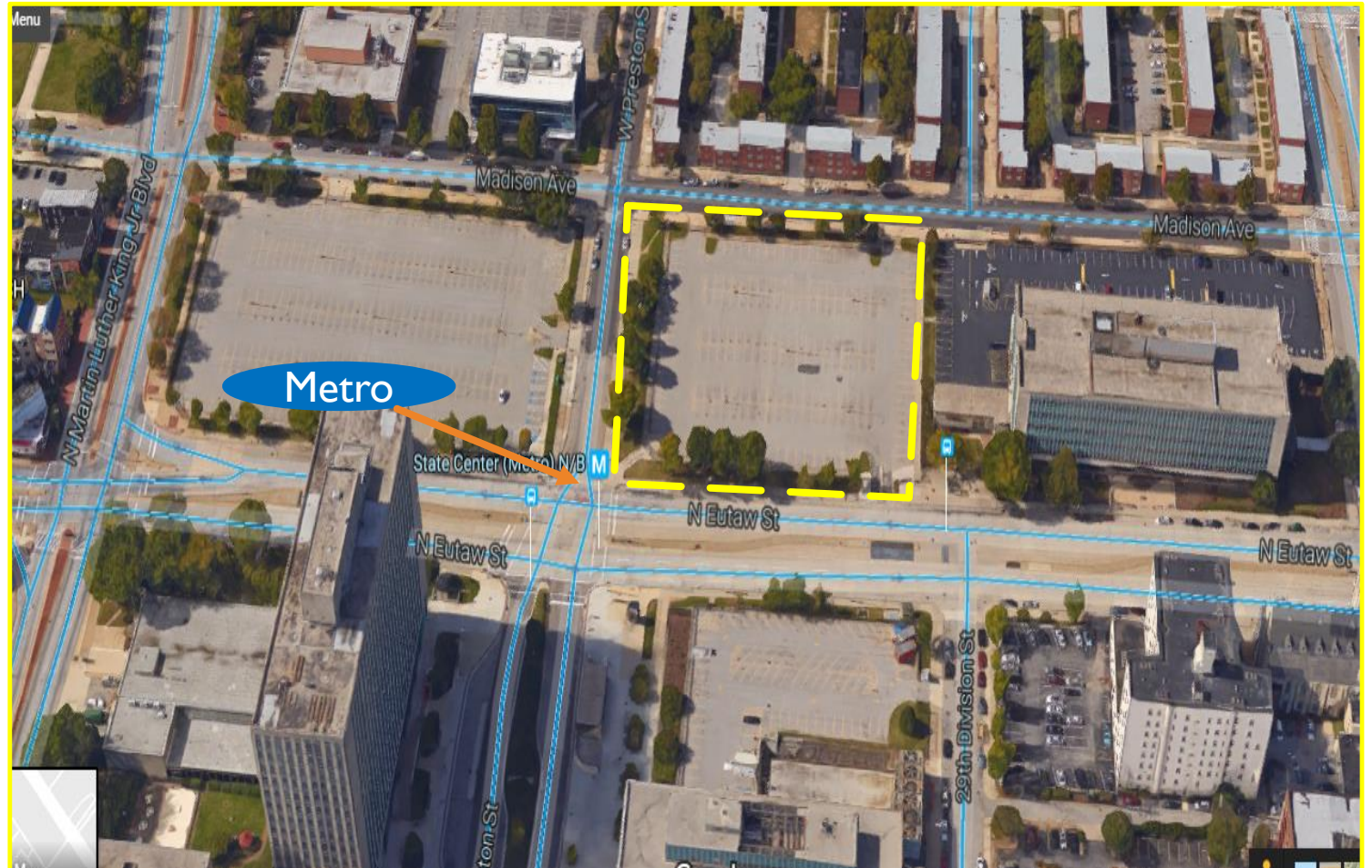
Use	SF	Units	Cost
Residential	230,150	200 Units	\$219,000 per Unit
Retail	44,300		\$191 per SF
Parking	48,000	165 Spots	\$41,000 per Spot
Total SF:	322,240		

SITE LOCATION



SITE LOCATION

- Current Site:
 - Surface Parking Lot
 - State Center Office Complex
- Surrounding Neighborhood:
 - University of Baltimore
 - Arts District
 - MICA Campus
- Accessibility:
 - State Center Metro
 - Less than a mile from historic Penn Station
 - Easy access to 395 & 95



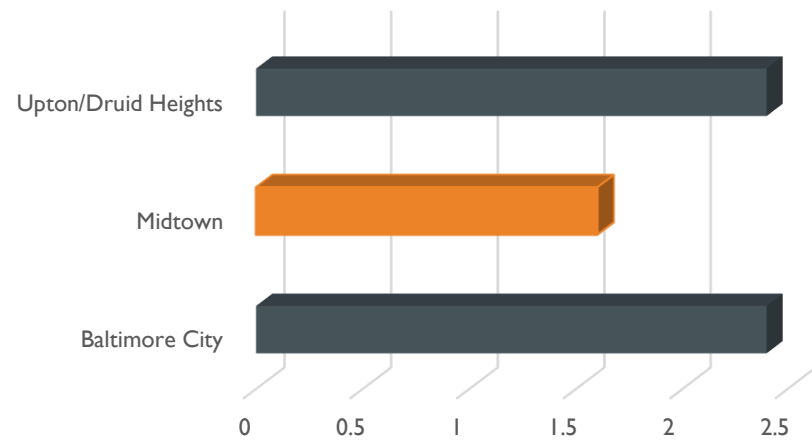
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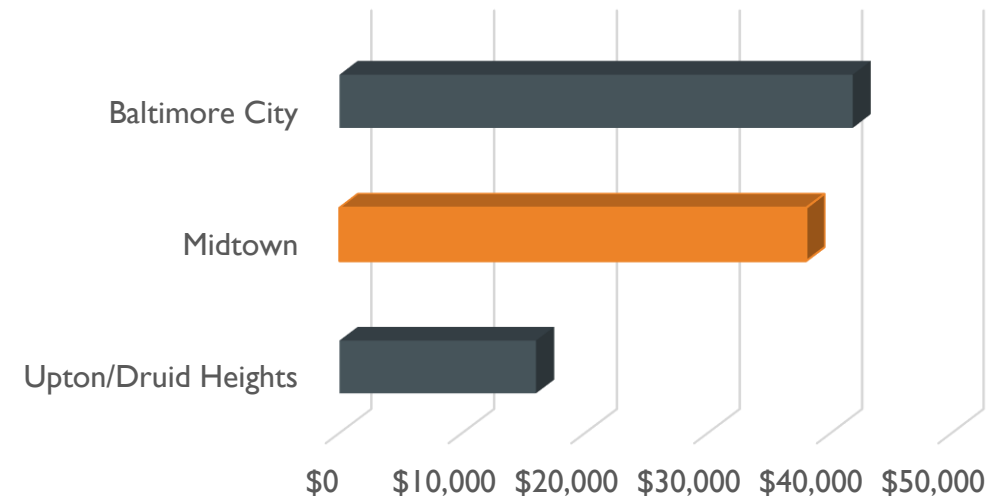
- Madison Park is centrally located between a number of smaller communities
 - Upton
 - Charles North
 - Bolton Hill
 - University of Baltimore
 - Mt. Vernon
- Gateway connecting Mid-town and West Baltimore

DEMOGRAPHICS

Average Household Size



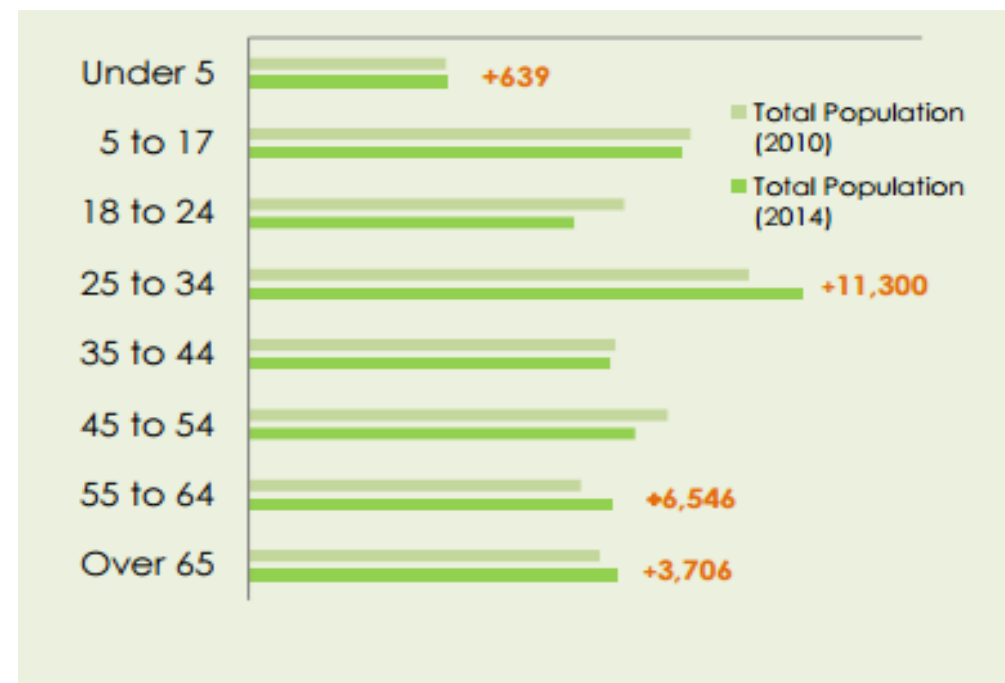
Average Income



DEMOGRAPHICS, CONT'D

- Population grew modestly in 2014 compared to 2010
- Largest growth has been in the 25-34 year old and the 55 to 64 age brackets
- College Educated Millennials are driving Baltimore's growth

Baltimore City Age Distribution 2010 vs 2014



Source: Baltimore Neighborhoods Indicators Alliance

MARKET ANALYSIS

Key Takeaways:

- Broadened radius for comps—limited product within the immediate area
- The Madison product offering competes with similar class A products across Baltimore
- Competitive size and pricing relative to market

Community	Year Built	Rent Rating	Total Units	Studios				One Bedroom Units				Two Bedroom Units			
				Units	Effective Rent(1)	SF	Rent/ SF	Units	Effective Rent(1)	SF	Rent/ SF	Units	Effective Rent(1)	SF	Rent/ SF
The Madison	TBD	A	200	23	\$1,500	550	\$2.73	119	\$1,850	750	\$2.47	58	\$2,325	1050	\$2.23
Spinnaker Bay	2005	A	315	4	\$1,763	524	\$3.36	224	\$1,920	737	\$2.61	78	\$2,705	1,107	\$2.44
Eden	2007	A	280	3	\$1,885	607	\$3.11	209	\$1,793	859	\$2.09	68	\$2,684	1,226	\$2.19
Gallery	1988	A	262	43	\$1,626	861	\$1.89	137	\$2,279	758	\$3.01	82	\$3,528	1,096	\$3.22
St. James Place	1920	B	25	0	\$0	1	\$0.00	21	\$1,152	697	\$1.65	4	\$1,424	975	\$1.46
The Fitzgerald	2010	A	275	30	\$1,713	569	\$3.01	156	\$1,616	807	\$2.00	89	\$2,211	1,085	\$2.04
Summary			1157	80	\$1,397	512	\$2.27	747	\$1,752	772	\$2.27	64	\$2,510	1,098	\$2.27

MARKET ANALYSIS-RETAIL

Tenant Type	Average Rents
Grocery Store	\$12/SF
Coffee Shop	\$30/SF
Restaurant	\$37/SF

THE OPPORTUNITY

- **Housing:** Introduce new market rate residential
- **Retail:** Serve office population and provide services to the neighboring communities
- **Public Benefits:** Create jobs for residents in the local community

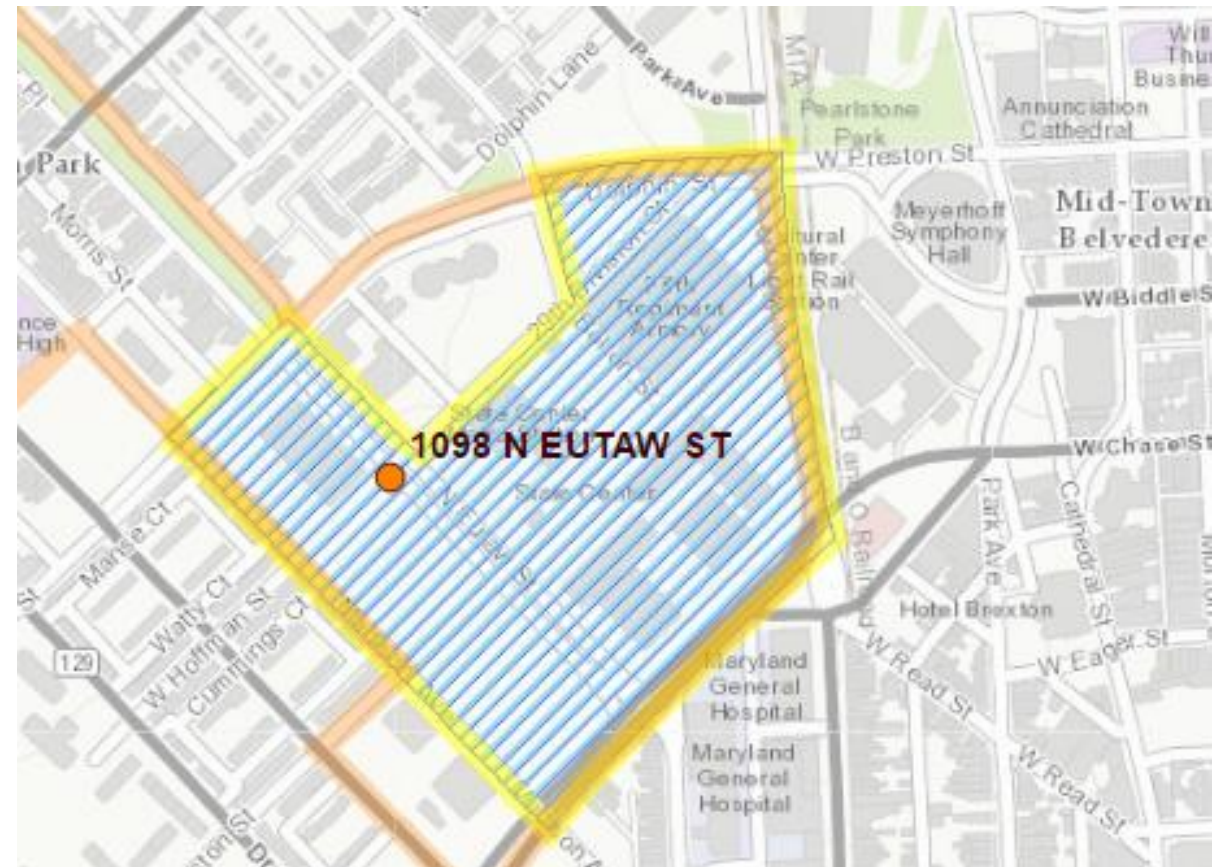
COMMUNITY BENEFITS

- Jobs:
 - First Source Hiring Program to ensure that all jobs (from construction to retail) are sourced first from within the local community
 - Priority to low income residents within the neighboring communities
- Committed to working with State Center Neighborhood Alliance to further refine Community Benefits Agreement

ENTITLEMENTS

- Current Zoning: B-2-4
- Future Zoning: PUD for entire State Center Complex
- Rezoning allows a comprehensive vision for State Center's redevelopment
- 15 month Entitlements process
 - City Council
 - Department of Planning
 - Site Plan Review
 - UDARP Review

Proposed State Center PUD



CONSTRUCTION & SUSTAINABILITY

Construction

- Construction Schedule: 16 Months
- Construction Type:
 - 2 Levels of Podium
 - 5 Floors Stick*

Sustainability

- Built to Leed Silver Standard
- Transit Oriented Community
 - Bike Share Location & Parking
 - State Center Metro Stop
 - Multiple Bus Lines
- Stormwater Management
 - Bioswale on terrace
 - Green roof on terrace
- Green building materials including pervious pavers

* Permitted per IBC 2015 Code

KEY MILESTONES

Acquisition

(4 Months)

Jan 2017

Entitlements

(15 Months)

March 2017

Construction

(16 Months)

April 2018

Pre-Leasing

(4 months)

April 2019

Grand Opening

September
2019

RESIDENTIAL

Unit Type	#	%	Unit Size	Rents/SF	Annual Rents
Studio	23	12%	550	\$2.73	\$414,400
One Bedroom	119	60%	750	\$2.47	\$2,641,800
Two Bedroom	58	29%	1150	\$2.23	\$1,609,200
Total :	200				\$4,665,000

Modern Conveniences

- Controlled Access
- Stainless Steel Appliances
- Hardwood Floors
- In-Unit Washer & Dryer

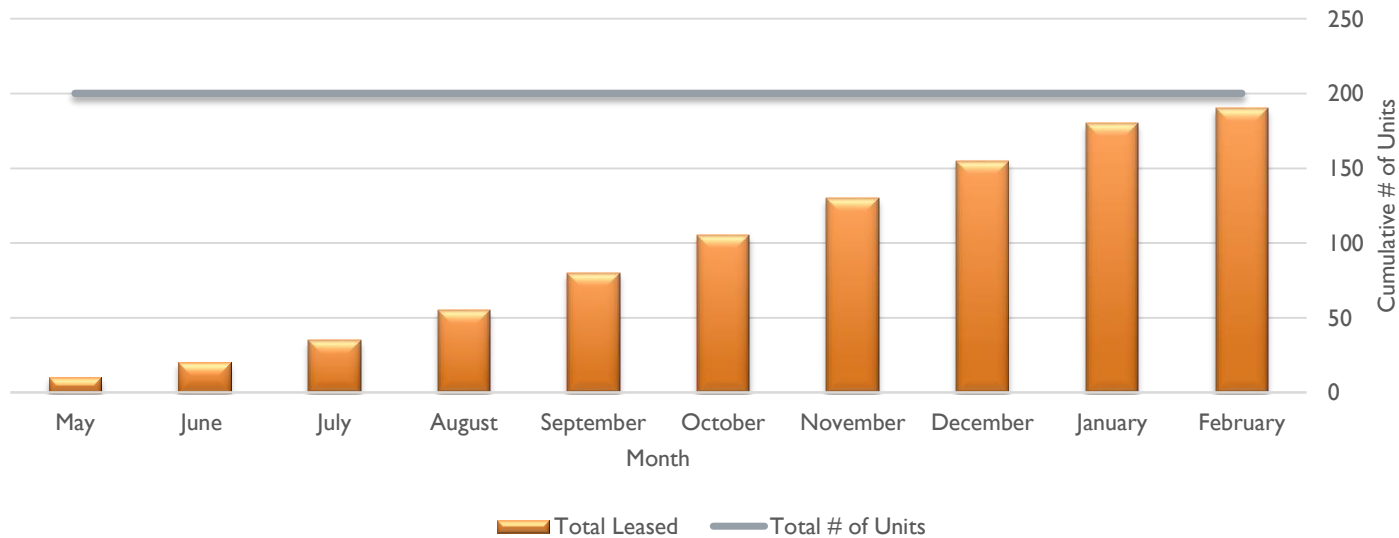
Resident Amenities:

- 24-hour gym with access to resident only courtyard
 - Resident Lounge
- Private courtyard which features green terrace and outdoor kitchen



ABSORPTION

Cumulative Absorption By Month



Key Takeaways

- Project is stabilized by Q1 2020
- Assumes moderate absorption during pre leasing
- 25 units per month after grand opening

RETAIL

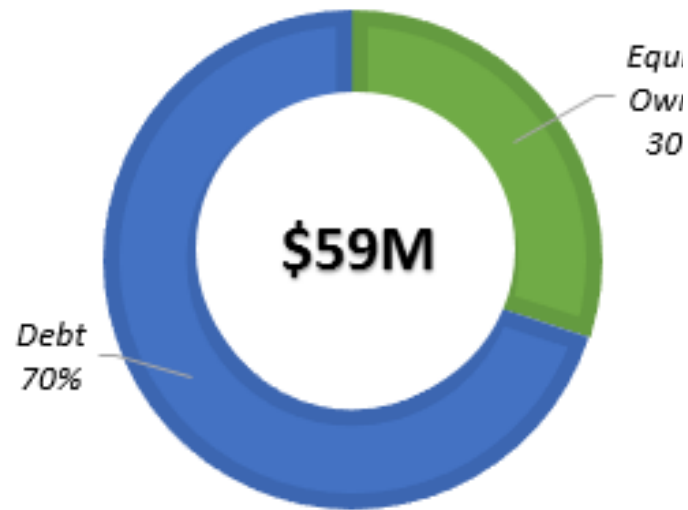
Retail Rents	Sq. Ft.	Rent/SF	Total Annual Rent
Grocery Store	25,000	\$12	\$300,000
Bank	1,900	\$25	\$47,500
Restaurant	4,082	\$35	\$142,870
Coffee Shop	2,000	\$30	\$60,000
Dry Cleaners	2,341	\$25	\$58,525
Merchandise Retail	2,277	\$25	\$56,925
Retail Totals	37,600		\$665,820



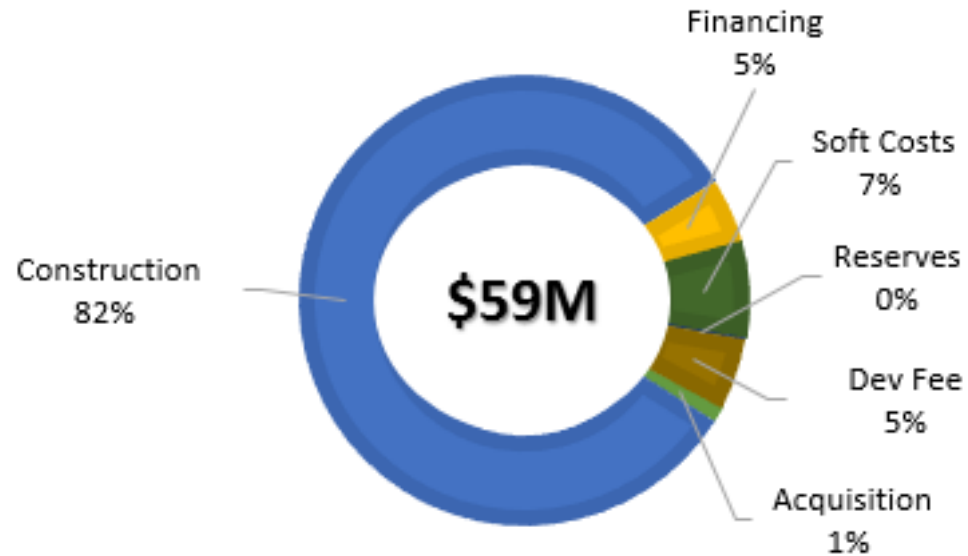
\$40/sf Tenant Improvements

FINANCIAL ANALYSIS

SOURCES



USES



Investor Returns

IRR: 17.70%

Cash on Cash: 8.32%

Return on Costs: 7%

Debt Coverage: 1.53

FINANCING ASSUMPTIONS

Construction Loan	
Construction Cost	\$48,452,275
Construction Period	16 Mths
Rate	5%
Origination Fee	0.50%

Permanent Loan	
LTV	70%
Term (Years)	25
Rate	4.50%
Origination Fee	0.50%

Other Assumptions:

- Project leverages Baltimore's High Performance Tax Credit (80% reduction in years 1-5)
- \$40/SF in Tenant Improvement

FINANCIAL SNAPSHOT

	<u>Year 1</u>	<u>Year 6*</u>	<u>Year 10</u>
Residential Operating Income:	\$4,582, 113	\$5,311,924	\$5,978,618
Residential Expenses	\$1,064,593	\$1,234,155	\$1,389,053
Retail Operating Income:	\$709,755	\$1,008,365	\$1,134,924
Retail Expenses	\$329,079	\$381,493	\$429,374
NOI:	\$4,227,274	\$5,086,134	\$5,724,488
Annual Debt Service:	\$2,754,616	\$2,754,616	\$2,754,616
Cash Flow Before Tax:	\$1,472,658	\$5,086,134	\$5,724,488
DCR:	1.53	1.85	2.08
Cash on Cash	8.32%	13%	17%

* Annual tax credit is reduced to 70% (10% reduction) in year 6. Tax Credit step down of 10% annually through year 10

EXIT STRATEGY

Holding Period	10 Years
Cap Rate	8%
Sales Price	\$73,702,78
Sales Proceeds (After Tax+ Mortgage)	\$14,608,564

Per Retail RSF:	\$388
Per Residential RSF:	\$90

SENSITIVITY ANALYSIS

- Slow Absorption: Vacancy is 43% at the end of the first partial year and averages 30% in year one

Returns (Year 2)	
Leveraged IRR	16.78%
Return on Cost	10%
Cash on Cash	8%
Cash flow	\$1,829,452
DCSR	1.66

- Reduced Rental Rates: Rents were decreased by 8.5% across all residential units types

Returns	Year 1	Year 2
Leveraged IRR	15.25% (after 10yrs)	
Return on Cost	6.4%	7%
Cash on Cash	7%	8%
Cash flow	\$1,132,511	\$1,413,997
DCSR	1.41	1.51



QUESTIONS?

THANK YOU!