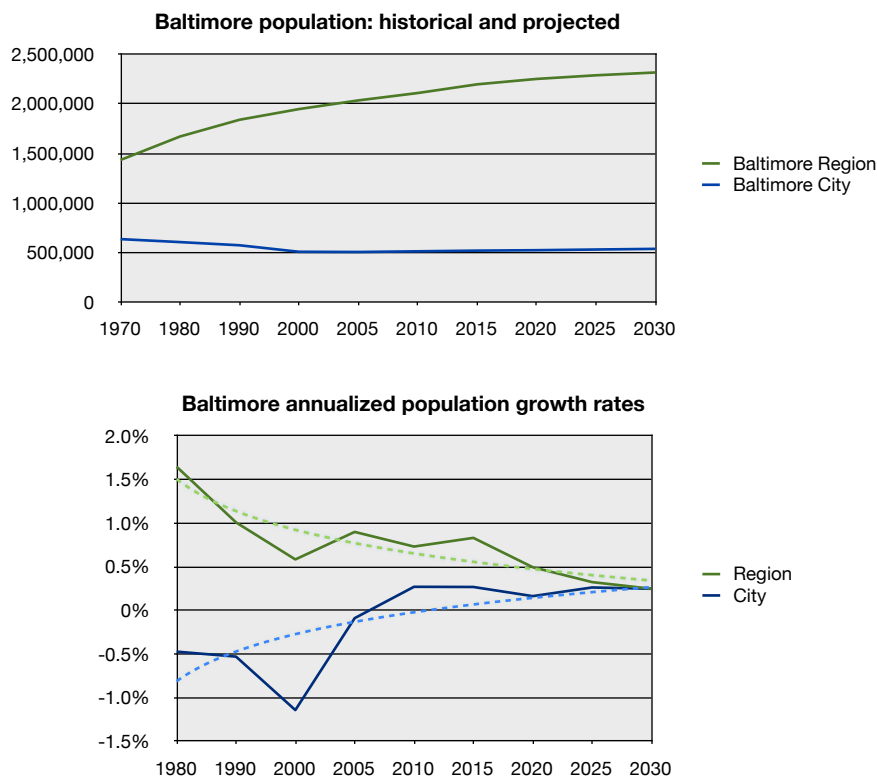


Highlandtown/Greektown TOD

July, 2009

Background Economic Factors

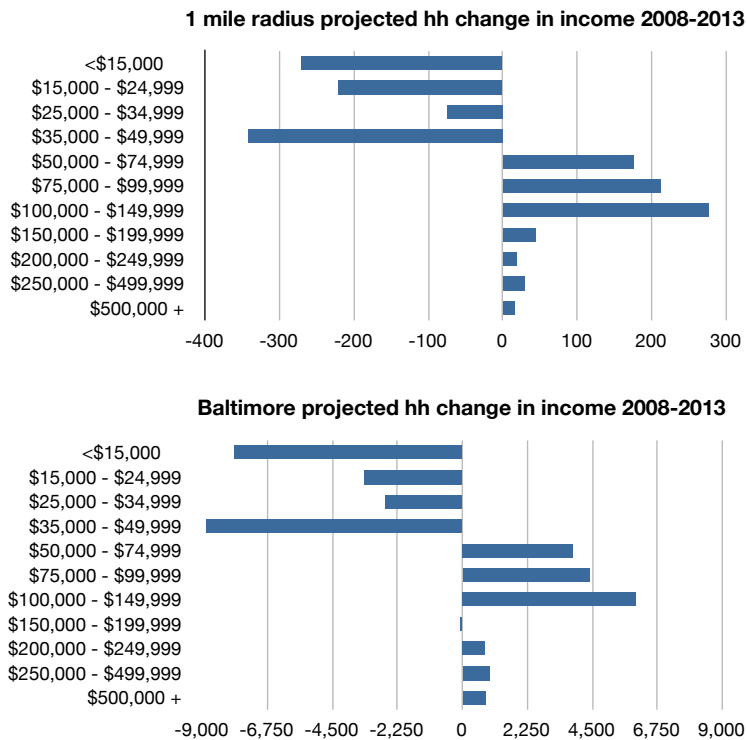
population trends and projections



Source: Maryland Department of Planning; Planning Data Services 2009, US Census & urban advisors ltd.

Baltimore's population appears to have stabilized just above 500,000 although the surrounding area continues to grow. Looking at the annualized rate of change Baltimore is on and projected to continue an upward trend while the rate of growth in the outer regions is slowing. This trend matches the national shift of growth back to cities and towns from the suburbs. Still, the annualized net population change for the city is projected at less than 1/2 percent. It is important to remember that while the population might stay the same, or even decrease, other demographic shifts play a dramatic role as household size decreases (creating more houses per population) and lifestyle preferences evolve.

projected change in income 2008-2013



Source: Maryland Department of Planning; Planning Data Services 2009 & urban advisors ltd.

While both population and number of households are projected to show a net decline over the next five years in Baltimore and the Highlandtown/Greektown station area, there may be a gross increase in middle income households, supporting demand for infill development. At these projected future incomes, households should be able to afford units between \$130,000 and \$280,000. From our interviews, the local land owners and developers seem to understand this market and have already been active developing products targeted to first-time buyers from Canton and young workers. (see lifestyle segmentation below) Consequently, there is not a general concern about where the market for housing will come from, and an understanding of the market advantage a transit station will bring with regards to the desirability for young professionals. In fact, part of this project may need to highlight that while the new households may have higher than existing incomes, they are still middle income folks and expectations of highly increased land value should be considered with out irrational exuberance.

lifestyle segmentation

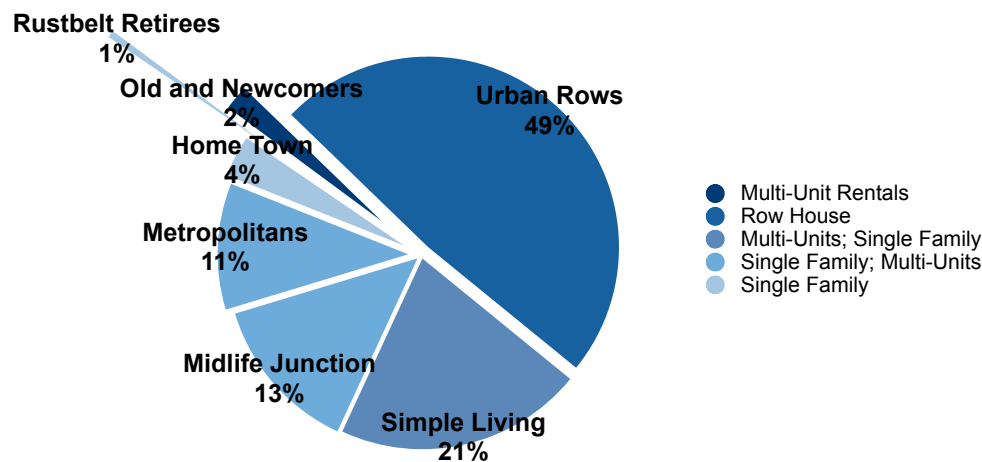
1 mile radius, 2008

1 Mile Radius Lifestyle Segments	2008 Households	%	Housing Type	Household Type	HH Income (2008)	Inflated HH Inc. (2013)	Median Net Worth	Median Home Value
Metropolitans	1,156	10.7%	Single Family; Multi-Units	Singles; Shared	\$62,955	\$71,139	\$122,935	\$213,834
Rustbelt Retirees	65	0.6%	Single Family	MC w/No Kids; Singles	\$51,897	\$58,644	\$126,728	\$127,872
Midlife Junction	1,448	13.4%	Single Family; Multi-Units	Mixed	\$48,263	\$54,537	\$103,255	\$143,816
Old and Newcomers	227	2.1%	Multi-Unit Rentals	Singles; Shared	\$43,827	\$49,525	\$71,820	\$177,368
Urban Rows	5,252	48.6%	Row House	Family Mix	\$33,126	\$37,433	\$39,069	\$91,412
Home Town	378	3.5%	Single Family	Mixed	\$32,820	\$37,086	\$35,236	\$65,820
Simple Living	2,269	21.0%	Multi-Units; Single Family	Singles	\$28,892	\$32,648	\$47,371	\$106,474
Total	10,806	99.9%			37,751	42,658	59,428	115,733

Source: ESRI BIS, & urban advisors ltd.

lifestyle segmentation and housing preferences

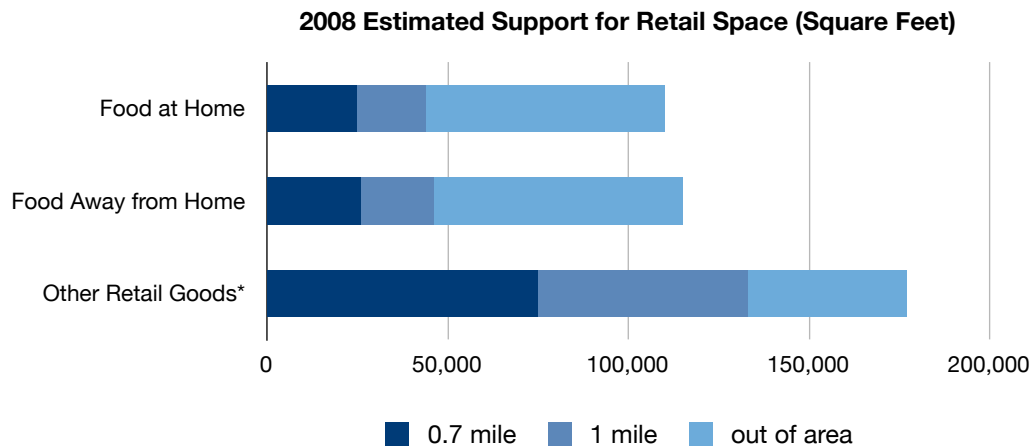
1 mile radius, 2008



Source: ESRI BIS, & urban advisors ltd.

Change in income projections suggest new households will have average incomes over \$50,000. Assuming the lifestyle segments of new residents already are present in the area, the categories likely to produce such change are: “Metropolitans”, “Rustbelt Retirees”, and “Midlife Junction” with some “Old and Newcomers”.

existing support for retail

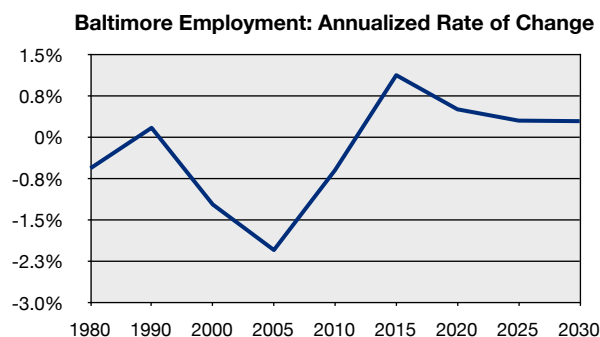
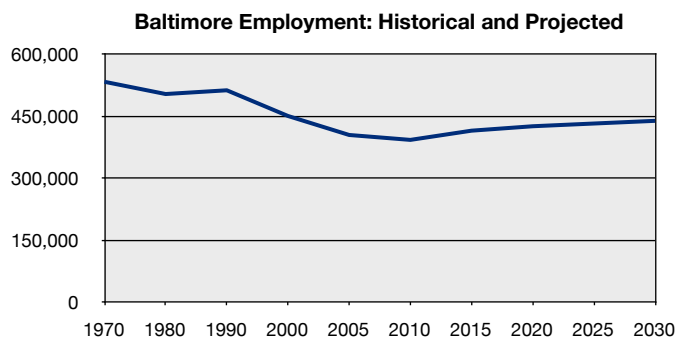


Source: ESRI BIS, Baltimore Department of Planning, Claritas, & urban advisors ltd.

Existing aggregate income and retail spending potential of the study area can be compared to the capture of spending as represented in retail sales. (see Dept. Planning, “SETOD Market Study”, April, 2008) Taking this analysis further, we understand that the existing “food at home” (groceries) and “food away from home” (restaurants, bars and take-away) likely receive over 60% of their sales from outside the 1 mile trade area. With a well kept market in Highlandtown and destination restaurants in Greektown, this may not be surprising although it is well above the general expectation of 40%.

Where one of our concerns with this project is to leverage public investment and planning to support local businesses, it may be important to understand how the businesses are doing on a sales per square foot basis. Our analysis, using expected sales ratios and the existing capture rates, suggests support for approximately 100,000 square feet of food stores, 100,000 square feet of restaurants and bars, and over 150,000 square feet of other retail goods and services. This analysis will need to be revised during the course of the public participation process as we learn more about realistic market expectations. One task for further analysis is to estimate the existing amount of retail space and compare it to the available market support. This will help in forming strategies to support neighborhood businesses.

employment trends and projections



Baltimore is slowly reversing the trend of declining employment over the last thirty years. Like other places in the country, jobs and commercial activity are returning to downtowns. Since 2005, Baltimore's rate of change has been improving. Although the current economic setback will likely effect this region as well, the longer term trends suggest healthy growth over the next twenty years.

As with housing and population, a net number can be misleading. In this case, the seemingly slight change in total employment reflect losses in manufacturing jobs that downplay the strong projected growth of Health Care and Educational Services. These are categories with national growth trends in which Baltimore has particular areas of competence.

Source: Maryland Department of Planning, US BEA, & urban advisors ltd.

NAICS Major Industry	2010-15	2015-20	2020-25	2025-30	Total
Health care and social assistance	5,700	3,500	2,600	2,600	14,400
Educational services	3,800	2,900	2,600	2,400	11,700
Professional and technical services	2,700	1,800	1,600	1,500	7,600
Administrative and waste services	2,600	1,600	1,200	1,100	6,500
Accommodation and food services	1,300	700	400	500	2,900
Other services, except public administration	1,200	600	400	400	2,600
Finance and insurance	1,000	400	100	-100	1,400
Construction	900	400	300	300	1,900
Arts, entertainment, and recreation	600	400	300	300	1,600
Real estate and rental and leasing	600	400	400	300	1,700
Transportation and warehousing	600	200	0	100	900
Retail trade	400	0	-300	-300	-200
Information	200	0	-100	-100	0
Wholesale trade	200	-100	-100	-200	-200
Management of companies and enterprises	100	100	100	0	300
Manufacturing	-1,300	-1,600	-1,600	-1,300	-5,800

Source: Maryland Department of Planning, US BEA, & urban advisors ltd.

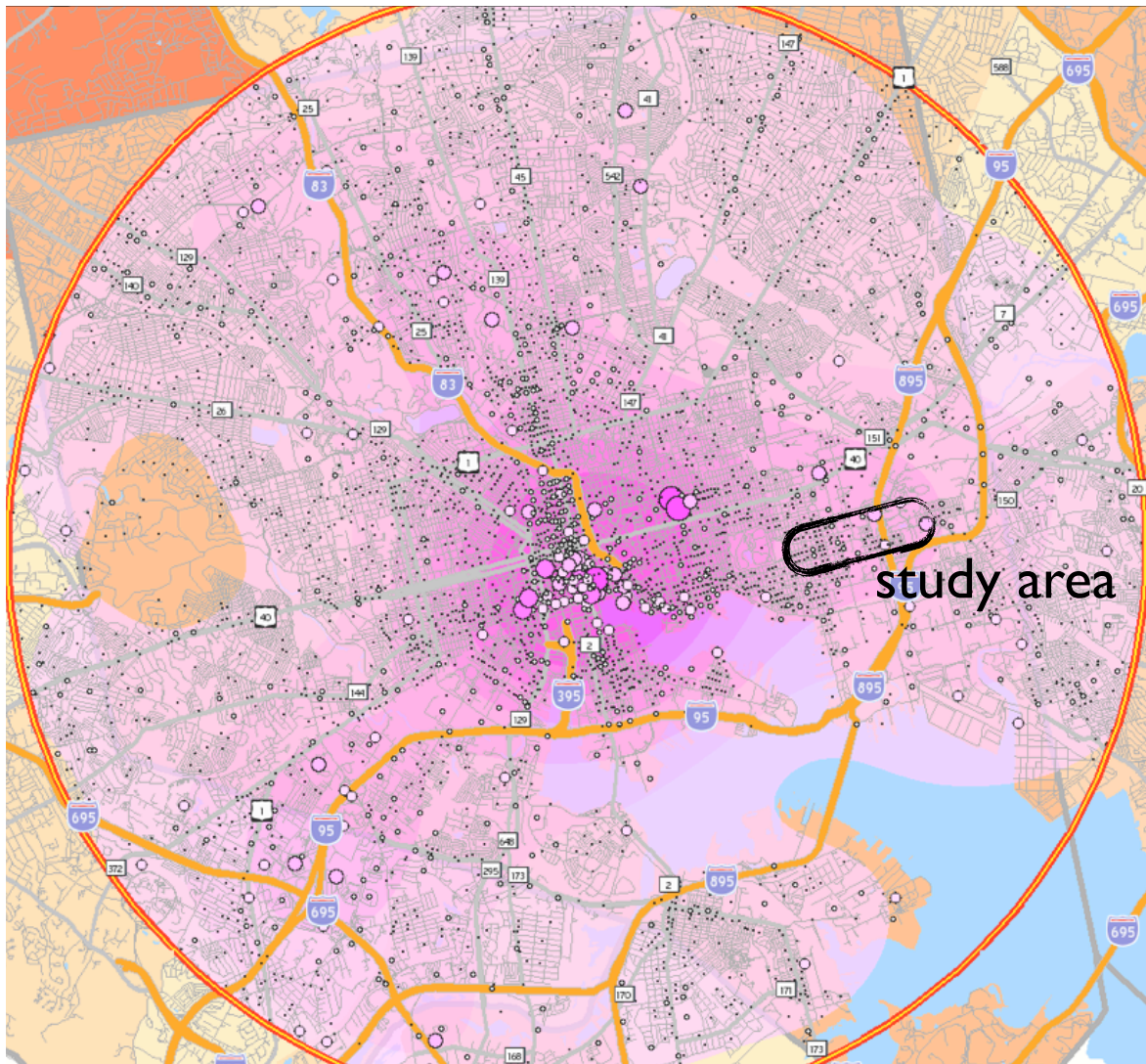
employment space

new space for projected workers (square feet)	Baltimore	
	2020	2030
Office	5,320,000	2,720,000
Medical	4,324,000	2,444,000
Educational	6,030,000	4,500,000
Warehouse	-1,050,000	-3,750,000

Translating city-wide employment projections into square feet of space based on ratios from the 1999 US EIA building survey, identifies the likely demand for new types of space in the city. Our analysis suggests demand for 8 million square feet of new office space and over 6 million square feet of medical space over the next 20 years.

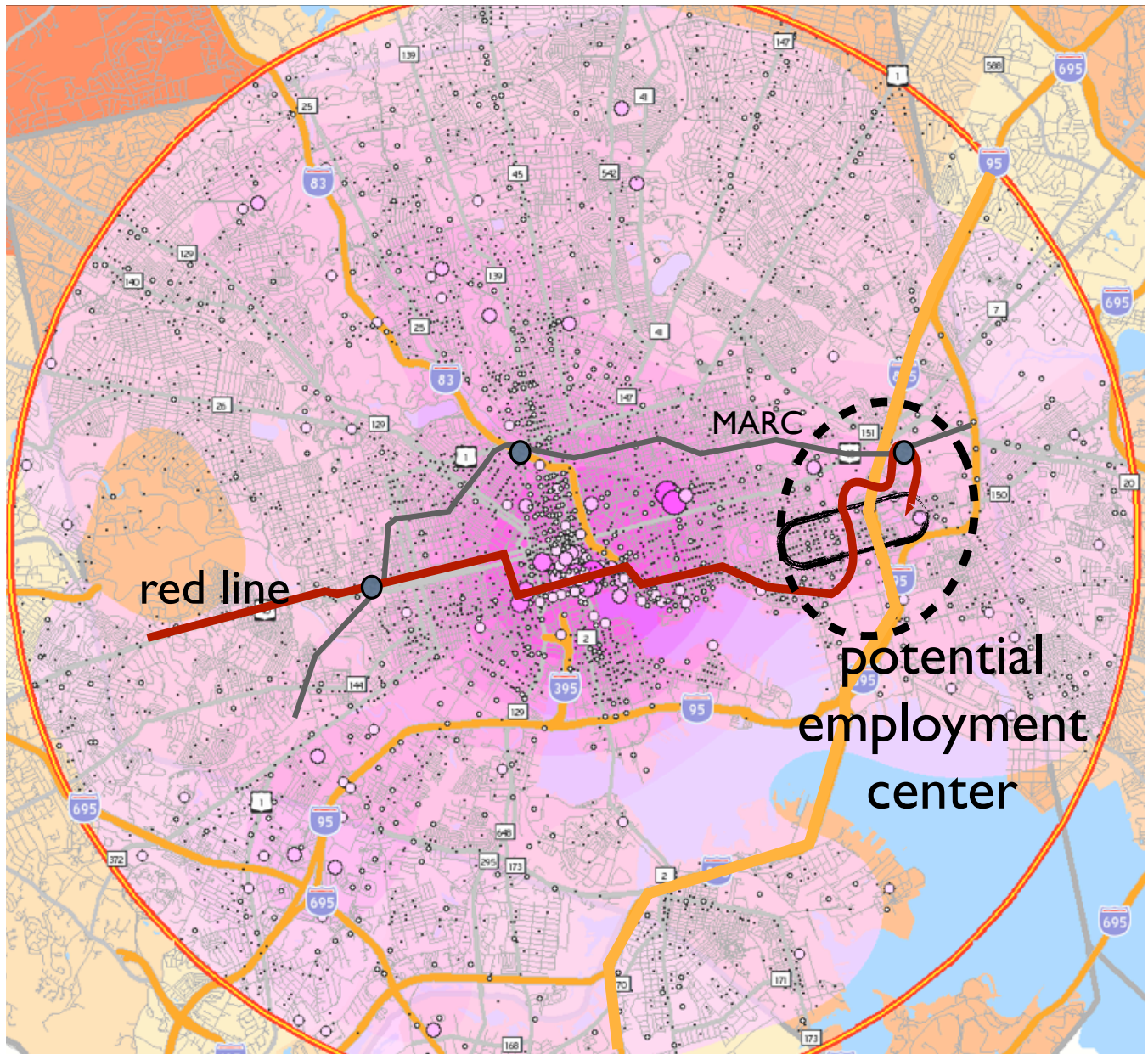
Source: Maryland Department of Planning, US BEA, US Energy Information Administration & urban advisors Ltd.

employment concentration



Source: US Census, Labor Employment Dynamics, & urban advisors Ltd.

Mapping employment concentration in Baltimore shows the high density of jobs around the inner harbor and Johns Hopkins medical facilities. The Bay View center is at the outer ring of employment concentration, but like Johns Hopkins University, represents an employment node. Further consideration of the study area suggests some other regional advantages.



Source: US Census, Labor Employment Dynamics, & urban advisors ltd.

Only a couple of areas in the city have the convergence of: highway access, regional and local rail, large sites for redevelopment, an existing employment node, and urban amenities such as restaurants and retail. This may put the district in an advantageous position for developing into a future employment center, capable of absorbing a large amount of projected demand for office and medical uses, mixed with housing and amenities for employees.

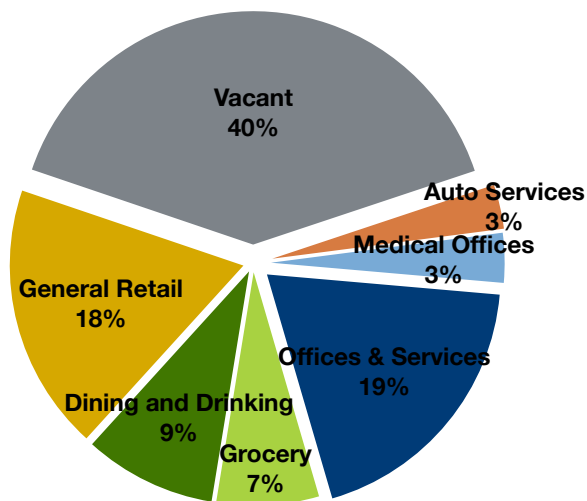
Charrette Findings

Development Program to Support Retail

One of the primary objectives of this project is to understand how the public investment of a transit station can help revive the neighborhood and support existing businesses. Transit, by itself, does not generally provide support for retail. However, it does provide an amenity that is attractive to workforce housing, and can provide a catalyst development for revitalizing a neighborhood. One of the reasons many mainstreets are failing is that they suffer from inadequate local support after years of families moving out and competing development of auto oriented services locating nearby. Infill housing around a transit oriented neighborhood can provide the needed local retail support to revive stagnant business districts.

Existing Support

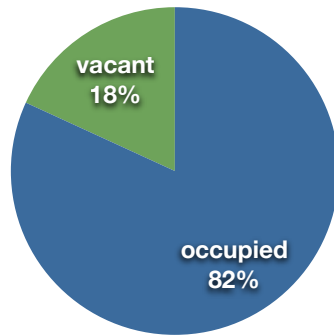
Highlandtown Business Mix by Space



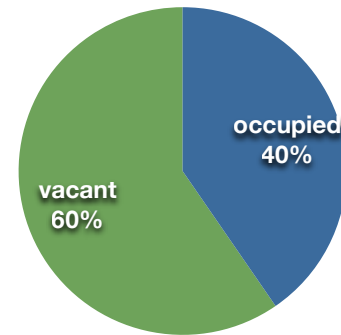
Source: RDBL & Urban Advisors Ltd.

Highlandtown currently has an extraordinary amount of vacant retail space. Likewise, Offices and Services represent an unusually high proportion suggesting the location is not suitable for retail uses.

Eastern Avenue Retail Space (Highlandtown)



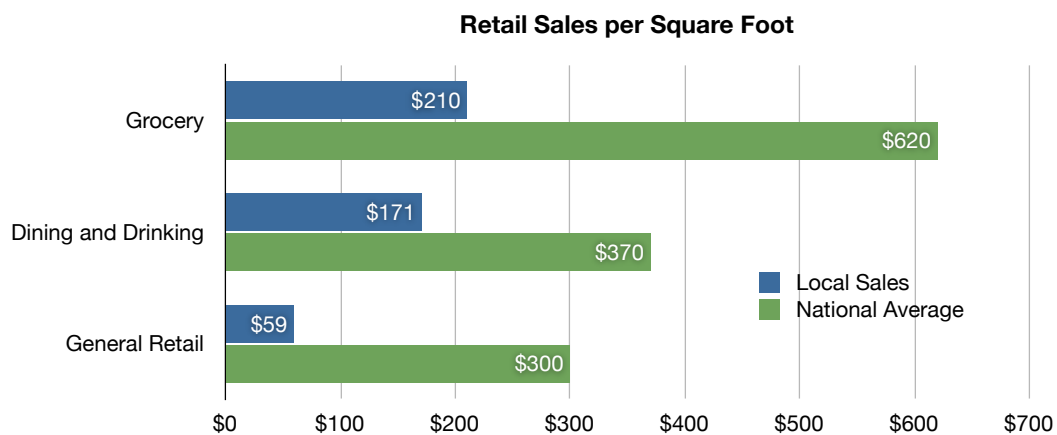
Hidden Neighborhood Retail (Highlandtown)



Source: RDBL & Urban Advisors Ltd.

The space off of Eastern Avenue accounts for much of this vacancy; Eastern Avenue itself only has a vacancy of 18%. There is a long tradition of corner stores in Baltimore, where a small shop served the adjacent blocks and a pub served as a common living room and gathering place for the neighbors. While some of these shops are still viable, and some are cherished fixtures of the neighborhood, many spaces are vacant and not in the best location for new retail uses. Changes in the zoning law that allow existing businesses but prevent new retail uses in these locations seem appropriate for trying to concentrate new uses on the mainstreets. The differences in vacancy dramatically demonstrate how aggregating shops together on a throughway creates a more viable retail destination.

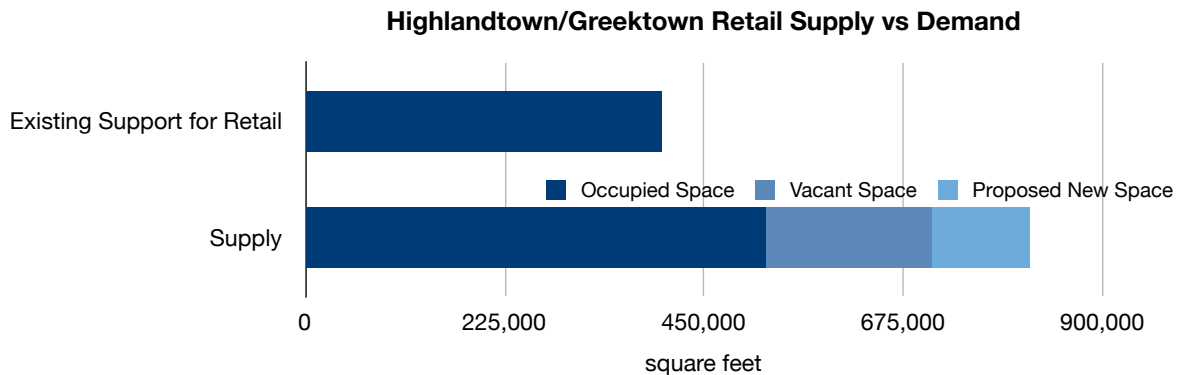
New Retail



Source: RDBL, ESRI BIS, & Urban Advisors Ltd.

Based on estimated sales data for the district and the RDBL inventory of commercial space, our suspicion that local stores are not achieving national sales averages seems to be confirmed. Local shops appear to be achieving only 20% to 40% of average sales per square foot. Part of our objective in this project is to suggest how redevelopment might help local businesses improve their revenues.

At this level of analysis, new retail facilities look like they should be kept to a minimum of "filling in missing teeth" along the corridor, since there is already too much space for the existing market. A typical strategy for corridors facing such difficulties is to try and concentrate the most viable retailers together to create a smaller node of successful businesses, and then infill corridor vacancy as the market develops. This means helping key retailers relocate to the best sites to establish a thriving business community, which will then work to attract other retail uses.



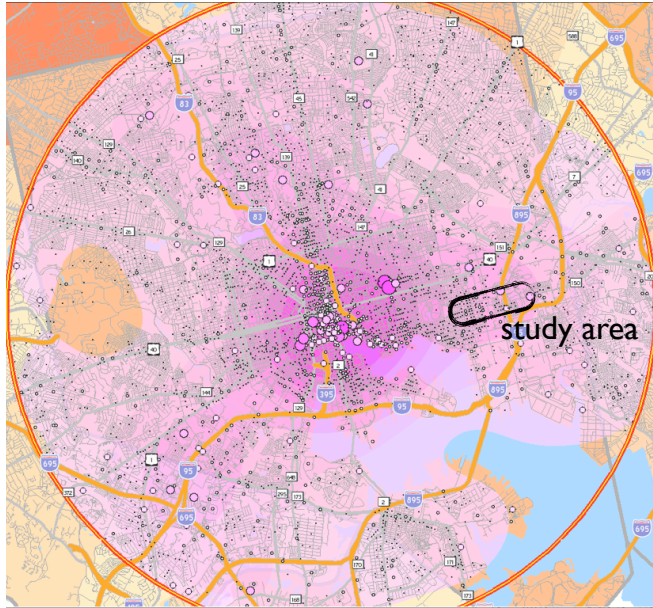
Source: RDBL, ESRI BIS, & Urban Advisors Ltd.

The current supply of space exceeds the existing support based on local household spending potential. Taking the vacant space off of Eastern off the retail market will greatly improve the balance. More importantly, by adding new households to the immediate area, the local spending potential and support for retail can be increased to support the existing supply as well as some small proposed uses adjacent to the station.

Retail Formats

The location of the study area near a major highway interchange may make it an attractive site for more regionally serving, auto oriented retail uses. If these uses are to be accommodated in this area, great care must be taken in the siting and design of such facilities. Most importantly, the street frontage along Eastern Avenue is one of the corridor's competitive assets, allowing a double sided mainstreet configuration. This continuous frontage should not be broken, and the existing parking lots with frontage on Eastern should be gradually filled in with buildings that reconnect the human scale fabric on either side. This is important because gaps and "missing teeth" in a mainstreet can act like black holes, separating the otherwise proximal uses on either side making each side stand alone as separate destinations rather than achieving synergy and market draw as one place. Parking lots should be accessed from side streets to avoid this disruption. Incidentally, blank walls without fenestration, common to auto oriented structures, act in the same way and should not be allowed on the commercial street, but should be located on side streets with easy access and visibility from the freeway.

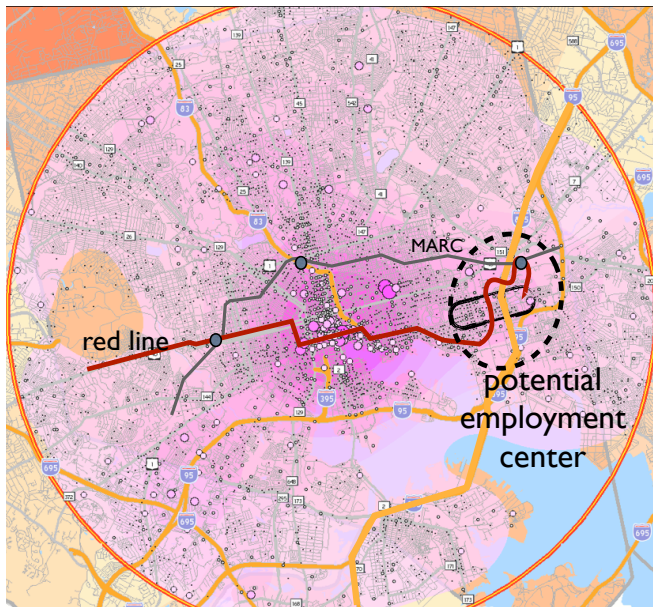
Local Opportunities



The Highlandtown/Greektown study area holds numerous strategic assets for investment. Obviously, there is an existing and stable neighborhood base, as well as some established retail and commercial uses. Also, there is a growing demand for housing in the area, suggesting redevelopment is not constrained by the "chicken and the egg" problem faced in many other places.

On first glance, this study area is outside the downtown employment cluster. On closer inspection, this area is adjacent to Bayview Hospital's campus, about the same distance from downtown as the Johns Hopkins Homewood campus.

Source: US Census, Labor Employment Dynamics, & urban advisors ltd.



Furthermore, this study area is in a corridor adjacent to highway access, and two future rail line stations. While there are only a few such locations in the city, this location has the benefit of large vacant and underutilized land that will be attractive for future employment center development. Where Health Care and Social Assistance and Educational Services top the list of future employment growth in Baltimore, adjacency to the existing Bayview campus will be seen as a particularly valuable asset.

Source: US Census, Labor Employment Dynamics, & urban advisors ltd.

Optimal Mix of Supportable Uses

Support for Eastern Avenue Retail Infill			
Total Existing Storefront Space		824,000	sf
Turnover Vacancy	-5%	-41,000	sf
Office and Non-retail Service Uses	-20%	-164,800	
Vacant Off-Eastern Space		-165,000	sf
Goal for Existing Space Occupancy		453,200	sf
Required Sales @	\$300 /sf	\$135,960,000	
Required Local Support	50%	\$67,980,000	
Existing Average HH Income		\$42,513	
HH Retail Spending	28%	\$12,074	
Local HH Spending Capture	60%	\$7,244	
Existing Households		6,388	households
Existing Support		\$46,276,000	
Required Sales @	\$300 /sf	154,000	sf
Support-Goal Shortage		-299,200	sf
New Required Support		\$21,704,000	
New HH Income		\$60,000	
New HH Retail Spending	28%	\$17,040	
New HH Spending Capture	60%	\$10,224	
Local Housing Goal		2,100	new units
Proposed New Space		110,000	sf
Turnover Vacancy	-5%	-6,000	sf
New Occupied Space		104,000	sf
Required Sales @	\$300 /sf	\$31,200,000	
Required Local Support	55%	\$17,160,000	
New HH to Support Development		1,700	new units
Total Housing Program		3,800	new units

To better support the existing neighborhood retail, we quantified the optimal number of new households. After subtracting the vacant space off of Eastern that will be required to find other, non-retail uses, and subtracting normal turnover vacancy and space occupied by non-retail services, our goal is to support approximately 450,000 square feet of retail. At healthy sales rates of \$300 per square foot, this would require \$68 million in local support. The existing spending potential totals \$46 million, suggesting a gap of \$21 million to support local businesses. At the projected new household income levels of \$60,000 the retail area would require about 2,100 new households to provide healthy local support. If the 100,000 square feet of new retail to fill in gaps in the street are included, another 1,700 households will be needed. This suggests a long term goal for the area of accommodating 3,800 new households within walking distance to Highlandtown/Greektown.

Highlandtown/Greektown Program of New Uses	Boulevard	.7 Mile Radius	Total
Housing Units	970	3,030	4,000
Dwelling Units/Acre	45	45	
Acres	22	67	89
Retail (SF)	20,000	159,000	179,000
Acres	0.6	3.44	4.0
Office / Employment (SF)	37,000	5,029,000	5,066,000
Floor/Area Ratio	0.90	0.90	
Acres	1	128	129
Parks & Public Space	83,000	200,000	283,000
Acres	2	5	6
Total Land (Acres)	25	204	229

Opportunities for redevelopment along the proposed boulevard would alone support 970 units built at 45 units to the buildable acre¹, approximately the density that can be surface parked in an urban configuration. Within the rest of the walkable radius, there is an excess of redevelopable land. Only 67 (out of 204 redevelopable) acres would be required to provide 3,000 new households.

This program leaves space for over 30,000 square feet of employment space along the boulevard adjacent to the station area, and 5 million square feet on the redevelopable lands in the walking radius.

¹ This density assumes mid-rise apartment building formats that can accommodate parking at grade. Where the city has an over supply of row housing and high-rise units are locating along the water with views, mid-rise multi-family structures look like appropriate structures for the area. On a hypothetical acre of developable land a square is just over 200 feet. If a double loaded building requires a 60' depth, the floor plate may require 30% of the site, with 20% left for circulation and open space. This leaves 40% to 50% for surface parking, or 58 to 72 cars per acre. Using the lower number per acre, and a parking ratio in a transit zone of 1.2 suggests a supportable density of 48 units per acre, requiring building heights between 4 and 5 floors. Although the building dimensions require less efficient layouts, this general ratio appears to be scalable down to a 20' by 100' lot, which would require 2.3 units to average 48 units per acre.

Opportunities Created

The design and program of new uses that evolved from this community design charrette create enormous opportunities for revitalizing the neighborhood and enabling infill development. The design feature of the boulevard, first of all, establishes an ideal location for residential development. As noted previously, transit stations do not by themselves attract or support retail, but are attractive to the professional workforce as an amenity. It is the infill of these

	Existing				Proposed			Impacts		
	Area AC	DU	Tax Value	Tax Revenue	DU/AC	DU	New Value	New Units	Created Value	New Tax Revenue
Plaza	1	0	\$400,000	\$1,400	0	0	0	0	0	0
Right of Way	12	2	\$5,100,000	\$90,000	45	430	\$67,400,000	428	\$62,300,000	\$2,000,000
Boulevard	12	10	\$11,600,000	\$248,000	45	540	\$83,900,000	530	\$72,300,000	\$2,300,000
Total	25	12	\$17,100,000	\$339,000	39	970	\$151,300,000	950	\$134,600,000	\$4,300,000

households that can drive neighborhood revitalization. The opportunity to leverage the infrastructure improvements to facilitate such complimentary uses appears to have both tremendous tax and retail impacts. The net tax revenues from improving the boulevard land values by building housing would total \$4.3 million annually when completed. When compared to the estimated right of way tax value of \$5.1 million (generating only \$90,000 currently), this opportunity looks like an efficient investment, and might reasonably be financed through a Tax Increment Financing district.

Highlandtown/Greektown Tax Benefits	Boulevard	.7 Mile Radius	Total Revenues
Housing Units	970	3,030	4,000
Unit Value	\$157,000	\$157,000	
City Tax	\$4,645,000	\$14,509,000	\$19,154,000
Retail (SF)	20,000	159,000	179,000
Value	\$3,714,000	\$29,529,000	
City Tax	\$84,000	\$670,000	\$754,000
Office / Employment (SF)	37,000	5,029,000	5,066,000
Value	\$6,871,000	\$933,957,000	
City Tax	\$156,000	\$21,182,000	\$21,338,000
Parks & Public Space (SF)	83,000	200,000	283,000
Value	0	0	0
City Tax	0	0	0
Total Tax Revenues	\$4,885,000	\$36,361,000	\$41,246,000

The total tax benefits from developing underutilized land are enormous. Obviously when marginal land is put into productive use there is a large tax benefit to the city. In this case, transforming underutilized and vacant land into useful development could account for \$40 million in new tax revenues when build-out is complete. These are the opportunities unlocked by investing in the public infrastructure and improvements as well as changing the development regulations in the area to allow new uses according to the station area plan.

Highlandtown/Greektown Tax Benefits	Boulevard	.7 Mile Radius	Total Revenues
Existing	\$300,000	\$850,000	\$1,150,000
New	\$4,890,000	\$36,400,000	\$41,290,000
Total New Tax Revenues	\$4,590,000	\$35,550,000	\$40,140,000

Policy Recommendations

Besides providing improved market support for the retail corridor, several other policies should be considered.

Sign Tax

We understand that merchants are currently taxed for any "right of way incursion" that include signs, lights, awnings and anything attached to the building. This clearly is an impediment to restoring building facades with elements that enhance the pedestrian environment (and thus retail sales.) If this policy is not revoked, the proceeds should be allocated to public infrastructure improvements and local business support along the corridor.

District Business Tax

There may be a disconnect between the sources and beneficiaries of this tax since it is levied on the businesses rather than the property owners, but seems largely oriented to improving property values. It might be worth while to reallocate the tax to the land owners, who benefit from property improvements and higher rents.

Parking Meters

Since the local businesses are effectively generating city revenues through parking meter fees collected in the area, these revenues should be allocated back to the area for public infrastructure improvements and local business support along the corridor.

Rezoning

We understand that rezoning initiatives are currently underway. Our analysis suggests that it is an appropriate policy to prevent new local retail uses from locating off of Eastern Avenue. Two notable exceptions are on Highland at the intersection with Eastern where the two streets form a destination intersection, and the possibility of auto oriented retail uses off of Eastern adjacent to the freeway. New retail uses should be encouraged (attracted and recruited!) to concentrate on the Eastern Avenue mainstreet, where they will contribute and benefit from the synergy of other retail uses. Reuse of vacant neighborhood retail off of Eastern as non-retail commercial (i.e. offices) may still be appropriate.

Retail Mix

The market study provided by the Department of Planning offers a retail opportunity gap analysis. This analysis can be used by the district to target appropriate and supportable new retail uses that will provide a complimentary mix of merchandise and services. In reviewing this report it is important to recognize that surpluses of sales may indicate areas of competence that residents from other areas travel here to spend money, particularly on the categories of Foodservice, and General Merchandise.

Tax Increment Financing

The benefit of new tax base from developing underutilized land in this area could be substantial. When marginal land is put into more productive use there is a large tax benefit to the city. In this case, transforming underutilized and vacant land into transit oriented development could account for \$40 million annually in new tax revenues when build-out is complete.

Net tax revenues from redevelopment along the six block stretch along Haven Street between Eastern Avenue and O'Donnell Street alone would total \$4.3 million annually when completed. When compared to the estimated right of way tax value of \$5.1 million (generating only \$90,000 currently), this opportunity looks like an efficient public investment, and might reasonably be financed through a Tax Increment Financing (TIF) district.

A TIF district for properties along the proposed transit boulevard and station site could capture the long term change in property value from the assessor's estimate of \$17 million to \$151 million when redevelopment is complete. This would be the archetypal use of a TIF district to fund public improvements that have the potential to revitalize a neighborhood. Bonding on the future tax revenues of the district to generate capital at the start of the project has the drawback that the new tax revenues are already committed, and the City will not be able to include them in the general fund.

As of the drafting of this report, we understand there may be federal money available that would obviate the need for a TIF to pay for the road, rail and station improvements. ...

These are the opportunities unlocked by targeting new public infrastructure that leverage transit investments and changing the development regulations in the area to allow new uses according to the station area plan.