The Heart of the Harbor: Harborplace

Partnership Forum 2019

Meet the Team

Harborplace - Baltimore, MD

Group #2 is composed of young professionals with varying backgrounds and expertise, united through a common goal of improving Baltimore.

Amanda Gluck
Harkins Builders
Introduction

Jessica Heinz
Hord Coplan Macht
Concept Run-Through

George Cavelius
Klein Enterprises
Financials and Schedule

Tom Wohlgemuth
CoStar Group
Financials and Schedule

Katie Bush
KatzAbosch
Closing

A Thriving Cultural Hub

Harborplace - Baltimore, MD

Why Harborplace?

- Harborplace has the opportunity to become the premiere waterfront destination of Baltimore

Goals

- Re-imagine the Inner Harbor for a 21st Century audience
- Improve the aesthetic appearance and function
- Serve as a gateway
- Celebrate the charm of Charm City
- Establish a positive and identifiable image for the site

Context

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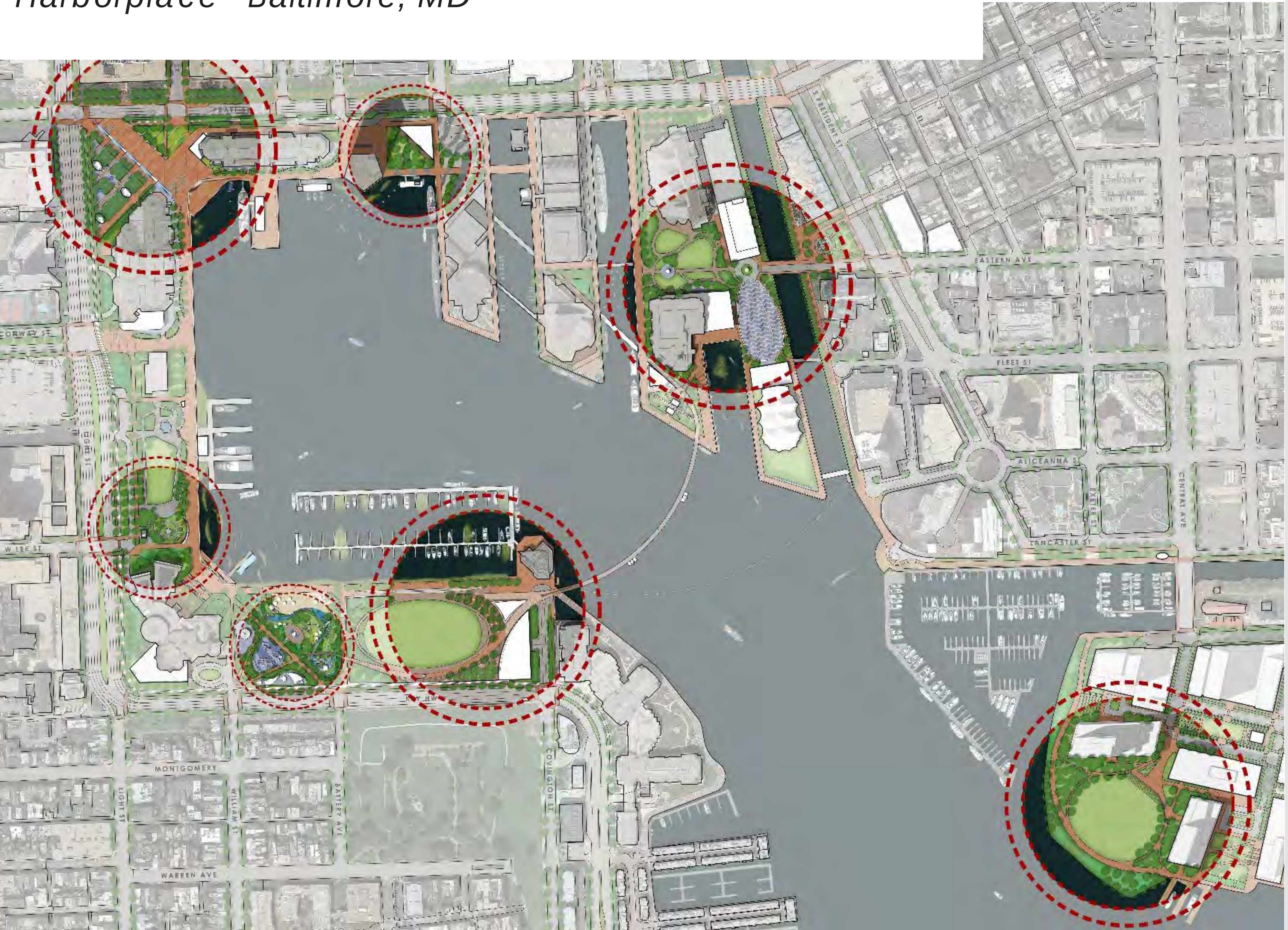

Museums
- Maryland Science Center
- National Aquarium
- Historic Ships
- Baltimore Museum of Industry

Parks
- Rash Field (planned)
  - » Playground
  - » Skate park
  - » Pavilion
  - » Fitness area
  - » Recreational fields/courts
- West Shore Park
- Federal Hill Park

Entertainment Venues
- MECU Pavilion
- Rams Head Live
- Power Plant Live

Retail/Restaurant
- Power Plant Restaurants
- The Gallery Mall
- Harbor East Shopping

Conceptual Diagram

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Goals

- Improved connection to street and to promenade
- Attractions for locals and visitors

Program

- Food Hall
- Maker Space/Art Gallery
- Retail
- Rooftop Restaurant
- Event Space
- Anchor Attraction
- Urban Plazas

McKeldin Square Initiative

- Private-Public Partnership
- Raise private funds to realign light street/or tunnel underground, redesign of Mckeldin Square, and connect McKeldin Square to the site
- Precedents
  - » Fountain Square - Cincinnati, OH
  - » Klyde Warren Park - Dallas, TX
  - » The Bay - Sarasota, FL

Site Plan

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1 Simplified bike path alignment with median and seperate pedestrian zone at curb level

2 Consistent streetscape with street trees and specialty paving

3 Gateway Plaza with iconic vertical element

4 Delineate clear entrances to building

5 Fitness Terrace

6 Move service area away from prominent corner

7 Heart of the City Plaza with shade structures and water feature

8 Boat House

9 Kayak ramp

10 Seatwall steps and Living Shorline down to Harbor

11 Floating wetlands

12 Expanded outdoor dining terrace

13 Simplified pedestrian circulation and expanded SWM planters

14 Enhanced ride share / drop off area

15 Enhanced Crosswalk

Phase 1 Streescape Improvements

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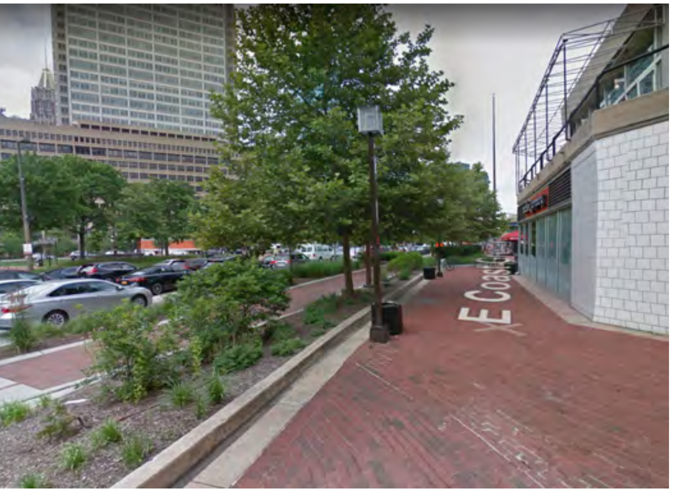

McKeldin Square + Heart of the City Plaza

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Gateway Plaza

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Food Hall, Maker Space, Art Gallery, Retail, Winery

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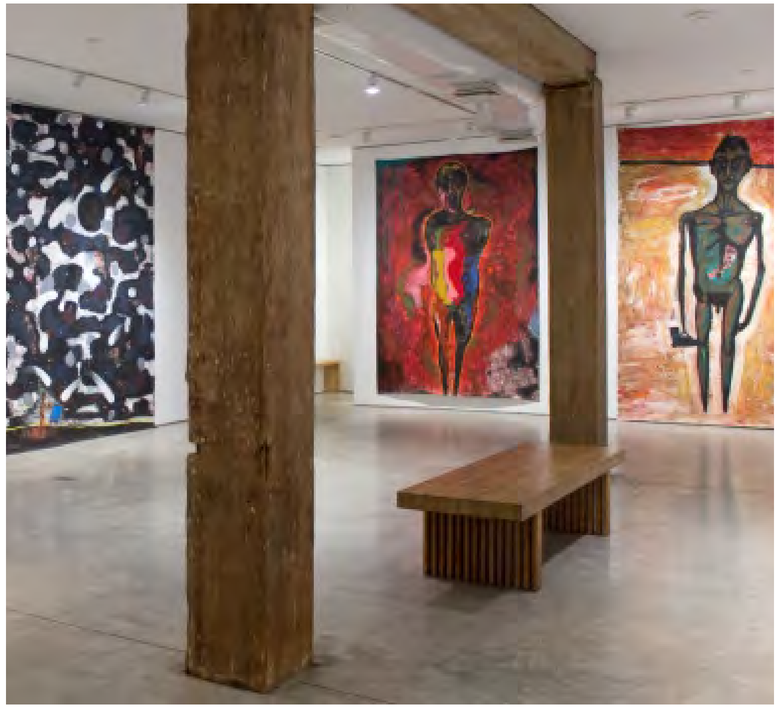
MARYLAND INSTITUTE COLLEGE OF ART MICA

GOETZE'S

OLD BAY SEASONING

BOORDY VINEYARDS

WOODBERRY KITCHEN



Rooftop Restaurant and Event Space

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Anchor Attraction: Sports Museum + Training Center

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JOHNS HOPKINS MEDICINE

UNDER ARMOUR

BALTIMORE RUNNING FESTIVAL

Development Schedule

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		Pre-Construction				Year 1				Year 2		
Task Name	**Duration**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Negotiations	3 months											
Financing/Preleasing	6 months											
Design/Design Review/Permitting for Buildings/Site	18 months											
Phase 1 Construction - Streetscape	3 months											
Phase 2 Construction - Building 1/Site/Plazas	12 months											
Phase 3 Construction - Building 2/Site	12 Months											

Key Milestones-

- Negotiations
- Financing
- Design Phase
- Multi-Phased Construction Approach

Budget

Harborplace - Baltimore, MD

Sources & Uses - Harborplace	% TOTAL	$ TOTAL	$/SF
SOURCES OF FUNDS | TOTAL:	*100.0%*	**$ 99,042,000**	*261.32*
Debt | Construction-to-Perm Financing	*65.0%*	64,377,300	*169.86*
Equity | Initial Capital Contribution	*35.0%*	34,664,700	*91.46*
USES OF FUNDS | TOTAL:	*100.0%*	**$ 99,042,000**	*261.32*
Exisiting Buildings Acquisition Price	*10.1%*	10,000,000	*26.39*
Construction Hard Costs	*57.4%*	56,850,000	*150.00*
Project Soft Costs	*11.5%*	11,370,000	*30.00*
Site Work (Developer Portion)	*1.5%*	1,500,000	*3.96*
Leasing Commissions / Tenant Improvement	*8.9%*	8,850,000	*23.35*
Financing & Carrying Charges	*3.5%*	3,500,000	*9.23*
Contingency & Dev. Fees	*7.0%*	6,972,000	*18.40*

Rent Roll / Assumptions

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Rent Roll - Harborplace

Pratt Street Building (3 Floors)	Leasable SF	Gross Rent Potential $/SF (NNN)	Gross Rent Potential Annualized	Lease Terms & Structure Duration	Lease Terms & Structure Escalations
Urban Winery Concept	20,000	$40.00/SF	$ 800,000	10 Yrs	*3% per annum*
Food Hall	25,000	$40.00/SF	$ 1,000,000	10 Yrs	*3% per annum*
Maker Space	25,000	$25.00/SF	$ 625,000	10 Yrs	*3% per annum*
Other Spec Retail / Art Gallery	25,000	$20.00/SF	$ 500,000	10 Yrs	*3% per annum*
Building Total	**95,000**	**$30.79/SF**	**$ 2,925,000**		

Light Street Building (3-4 Floors)	Leasable SF	Gross Rent Potential $/SF	Gross Rent Potential Annualized	Lease Terms & Structure Duration	Lease Terms & Structure Escalations
Training Center/ Museum	200,000	$20.00/SF	$ 4,000,000	10 Yrs	*3% per annum*
Athletic Pool & Spa	30,000	$30.00/SF	$ 900,000	10 Yrs	*3% per annum*
Athletic Retail	20,000	$20.00/SF	$ 400,000	10 Yrs	*3% per annum*
Event Space	22,000	$25.00/SF	$ 550,000	10 Yrs	*3% per annum*
Rooftop Restaurant	12,000	$50.00/SF	$ 600,000	10 Yrs	*3% per annum*
Building Total	**284,000**	**$22.71/SF**	**$ 6,450,000**		
Project Total	**379,000**	**$24.74/SF**	**$ 9,375,000**		

Assumptions

OPERATING REVENUES	
Inflationary Growth	3.0% per annum
Absorption Period	Partial Lease up Year 2, Full Stabilization in Year 3
Retail Expense Recoveries	80% of Operating Expenses
Vacancy/Credit Loss	5.0% of Potential Gross Income

OPERATING EXPENSES / CAPITAL EXPENDITURES	
Inflationary Growth	3.0% per annum
Ground Rent Paid to City	$1.50/SF based on competitve market pricing
Other Operating Expenses	$8.50/SF based on surveyed market comparables
Tenant Improvements	$25/SF for new leases built into Dev Budget
Leasing Commissions	6.0% fixed on new leases; 3.0% on renewals
Replacement Reserves	Budgeted at $0.15/SF

Pro Forma Cash Flow - Operations

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Group #2 - Harborplace			Construction	Construction / Lease-up	Lease-Up / Stabilization	Operations	Operations	Operations	Operations	Operations	Operations	Disposition	
		t = 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
For the Period Ending		Jan 2021	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025	Dec 2026	Dec 2027	Dec 2028	Dec 2029	Dec 2030	Dec 2031
Rental Revenue													
Potential Base Rent		$ -	-	$ 9,375,000	$ 9,375,000	$ 9,656,250	$ 9,945,938	$ 10,244,316	$ 10,551,645	$ 10,868,194	$ 11,194,240	$ 11,530,067	$ 11,875,970
Less: Absorption & Turnover Vacancy		-	-	$ (4,687,500)	-	-	-	-	-	-	-	-	-
Total Rental Revenue		**-**	**-**	**4,687,500**	**9,375,000**	**9,656,250**	**9,945,938**	**10,244,316**	**10,551,645**	**10,868,194**	**11,194,240**	**11,530,067**	**11,875,970**
$/SF		-	-	*12.37*	*24.74*	*25.48*	*26.24*	*27.03*	*27.84*	*28.68*	*29.54*	*30.42*	*31.34*
Other Revenue													
Retail Expense Recoveries		-	-	1,561,480	3,216,649	3,313,148	3,412,543	3,514,919	3,620,367	3,728,978	3,840,847	3,956,072	4,074,754
Total Other Revenue		**-**	**-**	**1,561,480**	**3,216,649**	**3,313,148**	**3,412,543**	**3,514,919**	**3,620,367**	**3,728,978**	**3,840,847**	**3,956,072**	**4,074,754**
Potential Gross Income		**-**	**-**	**6,248,980**	**12,591,649**	**12,969,398**	**13,358,480**	**13,759,235**	**14,172,012**	**14,597,172**	**15,035,087**	**15,486,140**	**15,950,724**
Less: Vacancy/Credit Loss Allowance		-	-	-	(468,750)	(482,813)	(497,297)	(512,216)	(527,582)	(543,410)	(559,712)	(576,503)	(593,798)
Effective Gross Income		**-**	**-**	**6,248,980**	**12,122,899**	**12,486,586**	**12,861,183**	**13,247,019**	**13,644,429**	**14,053,762**	**14,475,375**	**14,909,636**	**15,356,925**
Operating Expenses	*$/SF*												
Ground Rent Paid to City	*1.59*	-	-	292,778	603,122	621,215	639,852	659,047	678,819	699,183	720,159	741,764	764,016
Other Operating Expenses	*9.02*	-	-	1,659,073	3,417,689	3,520,220	3,625,827	3,734,601	3,846,639	3,962,039	4,080,900	4,203,327	4,329,427
Total Operating Expenses		**-**	**-**	**1,951,850**	**4,020,811**	**4,141,435**	**4,265,678**	**4,393,649**	**4,525,458**	**4,661,222**	**4,801,059**	**4,945,090**	**5,093,443**
Operating Expense Ratio				*31.2%*	*33.2%*	*33.2%*	*33.2%*	*33.2%*	*33.2%*	*33.2%*	*33.2%*	*33.2%*	*33.2%*
$/SF					*10.61*	*10.93*	*11.26*	*11.59*	*11.94*	*12.30*	*12.67*	*13.05*	*13.44*
Net Operating Income		**$ -**	**$ -**	**$ 4,297,130**	**$ 8,102,088**	**$ 8,345,150**	**$ 8,595,505**	**$ 8,853,370**	**$ 9,118,971**	**$ 9,392,540**	**$ 9,674,317**	**$ 9,964,546**	**$ 10,263,482**
Capital Reserves & Escrows													
Tenant Improvements (Initial Lease Up in Dev Budg)		-	-	-	-	-	-	-	-	-	-	-	-
Leasing Commissions (Initial Lease Up in Dev Budg)		-	-	-	-	-	-	-	-	-	-	-	-
Replacement Reserves ($0.15/SF)			-	-	56,850	56,850	56,850	56,850	56,850	56,850	56,850	56,850	56,850
Total Capital Reserves & Escrows			**-**	**-**	**56,850**	**56,850**	**56,850**	**56,850**	**56,850**	**56,850**	**56,850**	**56,850**	**56,850**
Cash Flow Before Debt Service		**(99,042,000)**	**-**	**4,297,130**	**8,045,238**	**8,288,300**	**8,538,655**	**8,796,520**	**9,062,121**	**9,335,690**	**9,617,467**	**9,907,696**	
Unlevered Cash-on-Cash Return (8.51% Avg)				***4.34%***	***8.12%***	***8.37%***	***8.62%***	***8.88%***	***9.15%***	***9.43%***	***9.71%***	***10.00%***	

Pro Forma Cash Flow - Leverage, Disposition, Returns

Harborplace - Baltimore, MD

Group #2 - Harborplace			*Construction*	*Construction / Lease-up*	*Lease-Up / Stabilization*	*Operations*	*Operations*	*Operations*	*Operations*	*Operations*	*Operations*	*Disposition*	
		t = 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**
For the Period Ending		Jan 2021	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025	Dec 2026	Dec 2027	Dec 2028	Dec 2029	Dec 2030	Dec 2031
Debt Financing	*65.0% LTC*	**64,377,300**											
Equity Investment		**34,664,700**											
Debt Service													
Interest-Only Period	**36 mos**	-	-	-	3,218,865	-	-	-	-	-	-	-	-
Interest Reserve Carry through	*24 mos*												
Interest Payments	**5.00%**		-	-	-	3,188,719	3,120,807	3,049,420	2,974,381	2,895,503	2,812,589	2,725,433	-
Principal Payments	**25 Yr AM**		-	-	-	1,327,400	1,395,312	1,466,699	1,541,738	1,620,616	1,703,530	1,790,686	-
Total Debt Service		**-**	**-**	**-**	**3,218,865**	**4,516,119**	**4,516,119**	**4,516,119**	**4,516,119**	**4,516,119**	**4,516,119**	**4,516,119**	
Debt Service Coverage Ratio					*2.50x*	*1.84x*	*1.89x*	*1.95x*	*2.01x*	*2.07x*	*2.13x*	*2.19x*	
Debt Principal Balance O/S		64,377,300	64,377,300	64,377,300	64,377,300	63,049,900	61,654,588	60,187,889	58,646,150	57,025,534	55,322,004	53,531,318	
O/S LTV (based on acq price)		*65.0%*	*65.0%*	*65.0%*	*65.0%*	*63.7%*	*62.3%*	*60.8%*	*59.2%*	*57.6%*	*55.9%*	*54.0%*	
Cash Flow After Debt Service		**(34,664,700)**	**-**	**4,297,130**	**4,826,373**	**3,772,181**	**4,022,536**	**4,280,401**	**4,546,002**	**4,819,571**	**5,101,347**	**5,391,577**	
Levered Cash-on-Cash Return (13.16% Avg)				***12.40%***	***13.92%***	***10.88%***	***11.60%***	***12.35%***	***13.11%***	***13.90%***	***14.72%***	***15.55%***	
Year 10 ***Reversion & Principal Payoff***													
Year 10 Disposition @	**8.0% Cap**											**128,293,530**	
Less: Closing Costs	**3.00%**											(3,848,806)	
Less: Principal Balance O/S		-	-	-	-	-	-	-	-	-	-	(53,531,318)	-
Net Reversion after O/S Debt Payoff												**70,913,407**	
15.59% IRR on LEVERED FREE CASH FLOW		**(34,664,700)**	**-**	**4,297,130**	**4,826,373**	**3,772,181**	**4,022,536**	**4,280,401**	**4,546,002**	**4,819,571**	**5,101,347**	**76,304,983**	
3.23x MOIC | Net Profit =	**$77,305,823**												
Annual Direct Cap Value @	**8.0% Cap**		-	53,714,125	101,276,098	104,314,380	107,443,812	110,667,126	113,987,140	117,406,754	120,928,957	124,556,826	128,293,530
8.76% IRR on UNLEVERED FREE CASH FLOW		**(99,042,000)**	**-**	**4,297,130**	**8,045,238**	**8,288,300**	**8,538,655**	**8,796,520**	**9,062,121**	**9,335,690**	**9,617,467**	**134,352,420**	**-**
2.02x MOIC | Net Profit =	**101,291,542**												

DCF Analysis | Unlevered														
45%	CFBDS | PV	47,249,130	-	-	3,684,096	6,386,569	6,092,148	5,811,265	5,543,300	5,287,661	5,043,783	4,811,128	4,589,180	-
55%	Gross Reversion | PV	57,641,986	-	-	-	-	-	-	-	-	-	-	57,641,986	-
100%	**Unlevered Investment | PV**	**104,891,116**	-	-	3,684,096	6,386,569	6,092,148	5,811,265	5,543,300	5,287,661	5,043,783	4,811,128	62,231,166	-
DCF Analysis | Levered														
44%	CFADS | PV	26,028,840	-	-	3,684,096	3,831,330	2,772,666	2,737,670	2,697,378	2,652,548	2,603,864	2,551,944	2,497,343	-
56%	Net Reversion | PV	32,846,628	-	-	-	-	-	-	-	-	-	-	32,846,628	-
100%	**Levered Investment | PV**	**58,875,469**	-	-	3,684,096	3,831,330	2,772,666	2,737,670	2,697,378	2,652,548	2,603,864	2,551,944	35,343,971	-

Bring the "Heart Back to the Harbor!"