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Mayor Dixon Announced Baltimore Drill-Down Study

Baltimore, MD (October 20, 2008) – Baltimore Mayor Sheila Dixon today released the Baltimore Neighborhood Market DrillDown, a citywide baseline of economic indicators which suggest a larger, stronger, and more stable market than traditional market analyses show, with millions of dollars of untapped buying power. Detailed profiles of thirteen distinct commercial markets reveal additional market strengths in specific areas, including income densities as high as \$854,000 per acre in Reservoir Hill; and home values in Oldtown are estimated at 619% higher than in 2000.

“This study contains the kind of neighborhood-specific data that will allow us to attract investment in more communities,” said Mayor Dixon.

The DrillDown analysis documents the hidden market strengths of urban communities, in many cases validating residents’ intuitions about the capacity of their neighborhood to support retail. The City and its community development partners intend to use the analysis to better market commercial districts in underserved neighborhoods by demonstrating previously unseen strengths in the market.

The study, spearheaded by the Baltimore Development Corporation, in cooperation with the Baltimore City Department of Planning and the Baltimore Neighborhood Indicators Alliance-Jacob France Institute, received generous support from the Annie E. Casey Foundation, Citi Foundation, Enterprise Community Partners, the Maryland Department of Transportation, and the Baltimore Development Corporation.

Citywide Highlights

Market Size

- Baltimore’s population is estimated at 663,717, 6% above the 2007 traditional market estimate and 4% above the City’s 2006 census challenge estimate.

Buying Power

- Average household income is 5% higher than the 2007 traditional market estimate.

- Aggregate household income is \$13.8 billion – \$1.2 billion more than 2007 traditional market estimates.
- Baltimore’s income density of \$265,000 per acre is nearly six times that of the Baltimore-Towson Metropolitan Statistical Area.

Stable, Safer Markets

- The 68% owner occupancy rate by building (a more appropriate measure for urban markets) is 18% greater than the traditional estimate of owner occupancy rate by unit.

Unmet Demand

- An estimated \$217 million in grocery leakage – money spent by City residents on groceries at stores located outside of the City – could support an additional 633,000 square feet of grocery store space.

Shopping Center Transformation Initiative
BaltiMORE to Offer
October 2008

Background:

In many Baltimore City neighborhoods, there are aging shopping centers whose substandard physical condition, poor tenant mix, and overall character are inadequate compared to the stable and/or improving socioeconomic status of households in the surrounding neighborhoods. However, because these centers are financially viable and require only modest capital investment to remain profitable, the owners have little or no monetary incentive to enhance the physical condition, improve the maintenance, and upgrade the tenant mix. Moreover, several owners of shopping center are absentee landlords who live outside the city or region and have no connection to the community. Some have a negative opinion of Baltimore City and the Baltimore City real estate market. In their minds, the tenant mix in their centers meets the needs of the patrons; however, those in the surrounding community, who leave their neighborhoods to shop, disagree.

In the hands of different more positive owners, these shopping centers have the potential to serve as enormous catalytic and transformative opportunities. Quality retail in well designed and maintained shopping centers helps strengthen neighborhoods and improve the overall quality of life for our citizens. The shopping centers would be seen as more of a community asset by encouraging nearby residents to patronize their neighborhood's shops.

Shopping Center Transformation Initiative:

Mayor Dixon has created a pilot program that combines stricter zoning and code enforcement with pre-packaged financial incentives to position distressed shopping centers for redevelopment. Eligible shopping centers must meet certain pre-development criteria, which will be developed by the Planning Department and BDC with input from the City Council over the next 45 days, as well as post-development goals and objectives. The purpose of the Shopping Center Transformation Initiative is to motivate existing owners of targeted shopping centers to sell their property to experienced developers who have a track record in working with surrounding communities to plan for and create high quality retail through innovative public private partnerships. By pre-packaging incentives for the selected properties, the City eliminates certain legislative risks and sends a strong signal to the development community of the City's desire for partnership.

Under the pilot program, the City would select a minimum of two and a maximum of four shopping centers based on the criteria for participation. Subject to City Council approval, the selected shopping centers would be in a position to benefit from the following financial incentives:

- **City Tax Increment Financing.** The keystone incentive would be the creation of a TIF district to include the shopping center without the consent of the existing property owner. This would set the property taxes at the existing low level and send a strong signal to developers that the City would support a public private partnership to improve the property. TIF proceeds, not to exceed \$3 million, can be used to fund utilities, site work, and other public infrastructure, including parking.
- **Pre-Established TIF Investor Pool.** Coupled with the creation of a TIF district, the City would work with lenders and foundations to create a pool of investors that would agree to purchase the TIF note, which is known as a private placement TIF.
- **Infrastructure Improvements.** The City would make up to \$500,000 available for transportation improvements that are eligible under Motor Vehicle Revenue funds program. Funding could be used to meet traffic mitigation requirements among other improvements.
- **Maryland State Community Legacy Funds.** The State of Maryland has reviewed the Shopping Center Transformation Initiative and has encouraged the City to apply for Community Legacy grant funds that could be used as part of the pre-packaged financial incentive. These funds are less restrictive and will be made available to developers to enhance the retail mix and/or write down the cost of construction to help narrow any financing gap.
- **Neighborhood Business Works.** The State could agree to a set-aside funds and fast track review of requests from tenants within the shopping center for low interest, subordinate financing that is provided under the Neighborhood Works program.
- **Office Tenant Improvement Loans.** The Maryland Department of Business and Economic Development would look to support the program by considering assistance for eligible economic development opportunities arising out of each project. Potential assistance would generally be developed based upon the economic need and impact of each eligible opportunity, among other things.
- **Fast Track Permitting.** City would agree to an expedited review of permits and other land use matters.

Preliminary Selection Criteria

Shopping centers that are selected to participate in the pilot would have to meet certain criteria, including, for example:

- In a neighborhood that has undergone a planning process (Small Area Plan, Strategic Neighborhood Action Plan, Main Street, Master Plan) and/or market study.
- Quality and character of the shopping center are inconsistent and lower than the quality of the surrounding neighborhoods. Examples include: Northwood Shopping Center, Washington Village, Edmondson Village.

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