

Port Covington – An Overview

LAI Baltimore Chapter – November, 2016 Annual Meeting

At the Baltimore LAI's Annual Dinner Meeting on November 16th, the Chapter's members and its guests were treated to a remarkable presentation, by Sagamore Development's Caroline Paff, on Port Covington, arguably the most ambitious project ever undertaken by a private developer in the history of Baltimore City.

Port Covington comprises a land assemblage of approximately 236 acres fronting the Patapsco River, just south of Baltimore's Inner Harbor and Federal Hill neighborhoods, as highlighted below:



Caroline began her presentation with a brief bit of history on Under Armour, whose rapid growth compelled Kevin Plank and his team to plan a corporate campus large enough to handle UA's future expansion needs. UA's growth, after its birth in 1996 in the basement of Mr. Plank's grandmother's house, has been explosive. With almost \$5B in sales in 2016, UA's sales have grown by over 20% every quarter for the past 6.5 years (only one of two companies within the S&P 500 to accomplish such rapid growth). Such growth begged the question: "Where do we house this fast growing family?"

After a false start on a Key Highway location, the underutilized waterfront land within Port Covington became the focus. Sagamore Development was formed during the process to be the entity mandated to undertake this challenge. To quote Caroline, "Sagamore Development is NOT Under Armour", and there is a "firewall" between the companies. Once identified as the most compelling location for UA's future headquarters, Sagamore began the task of assembling the peninsula that would become Port Covington. "Twenty six land purchases were negotiated over 18 months to assemble Port Covington – without anyone knowing who was behind the purchases", according to Caroline. In January, 2016, Port Covington "went public" and Sagamore announced its assemblage and its plans for an UA headquarters therein. In the 11 short months from January to November, Sagamore (i) master planned the entire site

through the City's Urban Design & Architectural Review Process ("UDARP"), (ii) negotiated and obtained approval for an enormous TIF to fund a portion of the project's infrastructure, and (ii) obtained a new zoning district just for Port Covington. Incredible progress for a project that is equivalent to approx. ¼ of Baltimore's existing Central Business District in such a compressed period of time.

Ms. Paff and her fellow executives within Sagamore, see Port Covington as "one of Baltimore's Front Porches". That is, one of the first impressions that a visitor to Baltimore encounters, and as such, Sagamore's goal is to make Port Covington a "big, illuminated Welcome Sign" to anyone travelling up I-95 through Baltimore. The project will be easily visible from northbound I-95. This "Welcome Sign" is intended to invite the "best & brightest" to be excited to come to Baltimore and be a part of Port Covington and UA.

Existing Conditions:

At present there are a number of existing, significant employers within Port Covington's boundaries that Sagamore will be cooperating with in the hopes of retaining manufacturing jobs within Baltimore. As Caroline pointed out during her presentation, "Kevin Plank is a manufacturer at heart" and doesn't want to see any manufacturing tenants pushed out of Port Covington. Existing industrial uses include a sizable Locke Insulators plant and The Baltimore Sunpapers plant shown on the satellite view below:



The Locke Insulators plant has been in existence since 1922 and, if forced to relocate, the company would likely move these jobs to another (lower cost) out-of-state location, resulting in the loss of valuable jobs within Baltimore. Therefore, Sagamore will develop around Locke. The Baltimore Sun plant will remain in place during the early phases of Port Covington's development and some years hence, will relocate its printing plant to another Baltimore location (although not old, this existing plant is already experiencing functional obsolescence due to rapid technological advances within the printing industry, making a new, state of the art printing facility a desirable goal for the paper at some point in the not-too-distant future).

Although Port Covington is still very much in a nascent state, UA does already have a significant presence there. Building 37 on the above satellite view was formerly a Sam’s Club store which has been transformed into offices for some of the UA employees who can no longer be squeezed into the Company’s Locus Point location. Another Plank related start up, Sagamore Sprit, is also currently building a whiskey distillery along the eastern portion of Port Covington’s waterfront. Sagamore Rye will be produced and sold from a three building complex on about 5 acres, hoping to restore the long history of rye produced in Baltimore (It’s good stuff, this writer can personally attest!).

City Garage is a former Baltimore City bus garage that has been transformed into an innovators space that Plank hopes will bring more light-manufacturing back to Baltimore. This 140,000 SF building is roughly divided into two halves – (i), a “makers/innovators space” with machines that anyone can get certified on to help them produce and innovate new products, and, (ii), a “UA Lighthouse” project wherein the company has high-tech equipment, robotics, and 3-D printing capabilities designed to help UA innovate apparel & footwear, with the goal of speeding up new product development and reducing supply chain and delivery logistics.



Future Development:

Sagamore envisions developing Port Covington in phases, as follows:

- Phase I: A total of approx. 3M SF, comprised of office (1,035k SF), residential (835k SF), retail (672k SF), hotel (330k SF), and manufacturing (187k SF)
- Phase II: A total of approx. 1.8M SF, comprised primarily of residential (1,464k SF), and retail (159k SF)
- Phase III: A total of approx. 4.2M SF, comprised of primarily office (1.9M SF) and residential (1.9M SF)
- Phase IV: A total of 3.2M SF, comprised primarily of residential (2.5M SF) and office (492k SF)

With a total of up to roughly 20M SF of space, and after an investment of somewhere in the neighborhood \$6 billion in private funds, coupled with \$1.5 billion of public infrastructure, Port Covington will be transformed into a world class, mixed use destination that may look something like this:

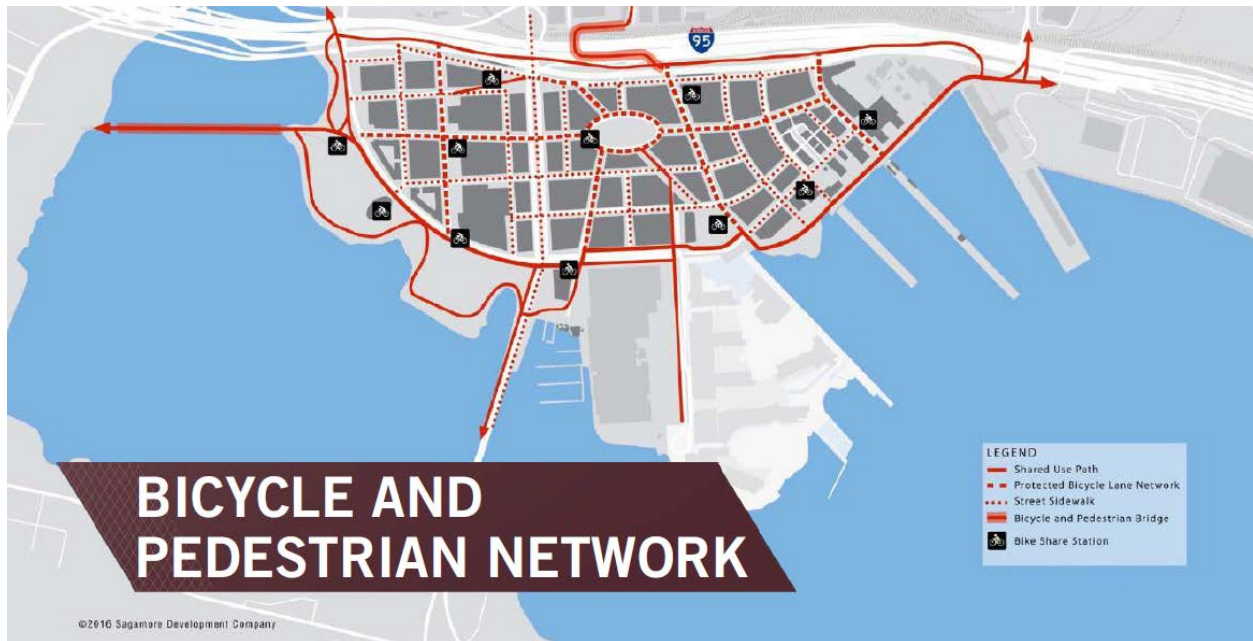


Systems Planning:

Considerable effort has gone into planning the transit and transportation systems for Port Covington. Whereas Baltimore City's current transportation modes consist of approx. 74% car traffic, 19% mass transit and only about 7% walking & biking, Port Covington's goal is to reduce car traffic down to 50% of total transportation modes. Reducing auto traffic to the project is to be achieved by a variety of innovative approaches including:

- Making sure that the streets are safe and inviting to walk. By "pulling" green spaces up from the waterfront (which will be mostly parks) into the urban grid; providing wide sidewalks; providing large shade trees (even though the site will be "capped" as a result of prior contamination), and designing certain streets to provide an "uninterrupted retail experience" for pedestrians, the master plan will provide a confluence of subtle inducements to walk the site.
- Adding two light rail stations on the project's north side, together with Circulator buses that continuously flow through the project on a predictable schedule.
- Adding Water Taxi service to three locations within the project.
- Increased City bus service, north & south, into and out of the project.
- Developing an app for mobile phones that can provide "real-time transit decision data". This could help you make an informed decision as to which transportation mode is least crowded at the moment you are making your travel plan into Port Covington. Light rail crowded or down right now? Maybe a water taxi or bike would be a better option at 8:15 on a Tuesday morning. In addition, "smart signage" with real time traffic information will allow for on-the-fly adjustments to travel plans.

- Adding dedicated bike lanes, together with numerous bike-sharing stations, will make the project convenient to travel on two wheels.



Examples of the innovative approaches being taken by Sagamore to reduce car traffic include:

- Spending its own funds to run shuttles to east & west Baltimore to pick up commuters to Port Covington until public transportation “catches up” with this need. Ms. Paff opined that this could cost Sagamore between \$500,000 to \$750,000/year to run, but the company is committed to making mass transit options available, and so is willing to put its money where its mouth is.
- An innovative vehicle able to run on both rail and roads is being investigated – Sagamore has located a Japanese company with a prototype and is continuing to explore how such a vehicle could add to the project’s accessibility.

Public spaces and Parks will be a significant component of Port Covington, and are being thoughtfully planned as part of the project’s “systems”. Primarily along the waterfront, approximately 42 acres of public parks are envisioned. This “huge commitment” on the part of Sagamore has also been carefully considered, including how the parks will be managed and funded. Funding for maintenance will be borne by the adjacent residents and businesses (through an HOA-like assessment, this writer assumes), but will be performed by the City’s Parks & Recreation Dept. Thus creating jobs for City employees, without the need for increased City taxes.

Giving Back:

Any urban project the size and scope of Port Covington requires a TIF in order to be economically viable given the enormous costs attendant to funding the requisite roads, sewer, water, and other infrastructure needed to support private, vertical development. And in these politically correct times, when the phrase “income inequality” can be used as an all-purpose cudgel to beat back even the most meritorious of projects, it comes as no surprise that a package of incentives was crafted to allow our

political class to support Port Covington's infrastructure needs. A Memorandum of Understanding was crafted and (amazingly) fully negotiated during 2016, that:

- Provides for a \$100 million dollar commitment from Sagamore to benefit the six communities surrounding Port Covington and the City.
- Includes an unprecedented investment in workforce development, education, minority and women owned businesses. This includes the establishment of a Supportive Services Center wherein residents from surrounding communities can get assistance with job skill development, resume creation, and employment searches.
- Includes a provision that 30% of all infrastructure work be performed by City residents. These jobs will pay a minimum of \$24/hour with certified payroll requirements imposed on all contractors.
- Provides for an Inclusionary Zoning requirement wherein 20% of all residential units will be affordable housing. 60% of those units must be within Port Covington, while the remaining 40% can be off-site, in other areas of the City.

The surprising rapidity with which this MOA was negotiated, was no doubt due in large measure to Kevin Plank's long standing philanthropic leanings toward Baltimore City. One of UA's mottos is "When we do well, we can do good". Mr. Plank strongly encourages all UA employees to give back to their communities as he has personally done, most recently by personally funding a new fire station in the City. His willingness to negotiate such a generous MOA with the City of Baltimore can probably be best understood by recalling this quote from Ms. Paff's presentation:

"We are from the City. Of this City. We are going to help create something great in this City"

The massive land assemblage; the intensive, innovative planning; the huge TIF requisite to jumpstarting the infrastructure; the groundbreaking Memorandum of Understanding with the project's surrounding communities – all accomplished in 11 short months – combine to make Port Covington an almost surreal endeavor. But one that appears destined to come to fruition. And the telling of its story by Ms. Paff was nothing short of fascinating. Her lucid, detailed presentation was quite impressive – almost as impressive as Port Covington itself. But then it would be hard to find anything as impressive as this colossal project. It will be fascinating to watch it unfold.