The Oasis at Druid Lake

Jeremiah Battle
Fall 2016
Proposal

- 126 Market-Rate Residential Units
  - Offers Lakefront/Downtown Views
  - Responds to Economic Need
  - Provides High Quality Housing
  - Serves as Neighborhood Re-Investment

- Development Costs- $20.6M
  - Conventional Debt- 70%
  - Developer Equity- 5%
  - Investor Equity- $25%
Location-City Context

- 3.5 miles, 13 minute drive NW of downtown
- Located in Reservoir Hill neighborhood
- Adjacent to Druid Hill Park/Druid Lake
Location - Neighborhood

Reservoir Hill
- Physically Bordered by McCulloh St., W North Ave and I-83
- Surrounding Neighborhoods
  - Bolton Hill
  - Druid Heights
  - Penn North
Location- Site

- Two Vacant Parcels
- 735-745 & 747-757 Druid Park Lake Drive
- Block 3641, Lots 35 and 36
- Currently owned by City of Baltimore
Site- Conditions

- Heavy Traffic along Druid Park Lake Drive
- Lower Grade than Lake
- Vehicular Oriented
Site - Transit Access

- Closest Access is 005 bus
- Penn/North Subway station 0.8 miles from site
- North Ave Light Rail Station 0.9 miles from site
Site- Amenities/Services

- Old Goucher Safeway/CVS 1.1 miles East of site
- Shoppers 1.1 miles West of site
Culture/Recreation

- Maryland Zoo in Baltimore - 1.5 miles from site
- Joseph Myerhoff Symphony Hall - 1.7 miles from site
- Baltimore Museum of Art - 1.6 miles from site
Neighborhood History

Reservoir Hill

- Once one of the city’s most prominent neighborhoods
- Plagued by blight, deterioration, crime in 1960s
- Currently falls within a city-designated re-investment incentive area

Source: http://whitelockfarm.org/about/
Crime

Crime- by Category 2016- Reservoir Hill

Source: Baltimore Police Department
Primary Market Area

- Zip Codes 21201, 21217 and 21211

OASIS at Druid Lake
# Market - Population

## Baltimore City

<table>
<thead>
<tr>
<th>Population</th>
<th>Count</th>
<th>Total Change</th>
<th>Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>620,644</td>
<td>1,627</td>
<td>814</td>
</tr>
<tr>
<td>2014</td>
<td>622,271</td>
<td>1,867</td>
<td>933</td>
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<tr>
<td>2016 proj.</td>
<td>624,138</td>
<td>1,248</td>
<td>624</td>
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<tr>
<td>2018 proj.</td>
<td>625,386</td>
<td>1,356</td>
<td>678</td>
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</table>

## Primary Market Area

<table>
<thead>
<tr>
<th>Count</th>
<th>Total Change</th>
<th>Annual Change</th>
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</thead>
<tbody>
<tr>
<td>72,262</td>
<td>1,620</td>
<td>810</td>
</tr>
<tr>
<td>73,882</td>
<td>1,478</td>
<td>739</td>
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<tr>
<td>75,360</td>
<td>1,356</td>
<td>678</td>
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</table>

## Households

<table>
<thead>
<tr>
<th>Count</th>
<th>Total Change</th>
<th>Annual Change</th>
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</thead>
<tbody>
<tr>
<td>240,630</td>
<td>1,582</td>
<td>791</td>
</tr>
<tr>
<td>242,212</td>
<td>1,211</td>
<td>606</td>
</tr>
<tr>
<td>243,423</td>
<td>974</td>
<td>487</td>
</tr>
<tr>
<td>244,397</td>
<td>705</td>
<td>353</td>
</tr>
<tr>
<td>32,405</td>
<td>648</td>
<td>324</td>
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<tr>
<td>33,053</td>
<td>595</td>
<td>297</td>
</tr>
<tr>
<td>33,648</td>
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<td></td>
</tr>
</tbody>
</table>

Source: 2010-2014 American Community Survey 5-Year Estimates
Market - Age Distribution

- Median Age slightly younger in PMA
- Largest Age Group within PMA are 20-34 year olds

Source: US Census American Fact Finder 2010-2014 estimates
Market- Housing Types

- 70.4% Renter Occupied in PMA as of 2014
- Projected at 71.4% for 2016
PMA- Economic Drivers

All within 2 miles of site:

- Johns Hopkins University & Hospital
- Coppin State University
- University of Baltimore
- Maryland Institute College of Art

- Total of 34,400 students and over 46,340 full time employees
## Comparable Properties

<table>
<thead>
<tr>
<th>Community</th>
<th>Year Built</th>
<th>Vacancy</th>
<th>Type</th>
<th>Total Units</th>
<th>Studio Units</th>
<th>One Bedroom Units</th>
<th>Two Bedroom Units</th>
<th>Avg SF</th>
<th>Avg Rent</th>
<th>Avg Rent/SF</th>
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</thead>
<tbody>
<tr>
<td>Subject</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14</td>
<td>76</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oasis at Druid Lake (Proposed)</td>
<td>N/A</td>
<td>N/A</td>
<td>Mid Rise</td>
<td>126</td>
<td>14</td>
<td>$1,350 600 $2.25</td>
<td>$1,575 825 $1.91</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unit distribution</td>
<td>126</td>
<td>11%</td>
<td>60%</td>
<td>29%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21.50%</td>
<td>76% 11% 62% 28%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remington Row</td>
<td>2016</td>
<td>0.00%</td>
<td>Mid Rise</td>
<td>108</td>
<td>0</td>
<td>$0 $0 N/A</td>
<td>38</td>
<td>$1,919</td>
<td>$1,111</td>
<td>$1.73</td>
</tr>
<tr>
<td>520 Park Avenue</td>
<td>2014</td>
<td>4.10%</td>
<td>Mid Rise</td>
<td>171</td>
<td>12</td>
<td>$1,163 410 $2.84</td>
<td>136</td>
<td>$1,883</td>
<td>$881</td>
<td>$2.14</td>
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<tr>
<td>Landbank Lofts</td>
<td>2010</td>
<td>6.20%</td>
<td>Mid Rise</td>
<td>63</td>
<td>0</td>
<td>$0 $0 N/A</td>
<td>49</td>
<td>$1,592</td>
<td>1,383 $1.15</td>
<td></td>
</tr>
<tr>
<td>ICON Residences at the Rotunda</td>
<td>2016</td>
<td>75.70%</td>
<td>Mid Rise</td>
<td>379</td>
<td>64</td>
<td>$1,413 583 $2.42</td>
<td>191</td>
<td>$1,680</td>
<td>753 $2.23</td>
<td></td>
</tr>
<tr>
<td>Total/Average within Comps</td>
<td>21.50%</td>
<td></td>
<td></td>
<td>721</td>
<td>76</td>
<td>$644 248 $2.59</td>
<td>446</td>
<td>$1,567</td>
<td>892 $1.76</td>
<td></td>
</tr>
</tbody>
</table>

- Subject Unit Mix Ratio in Line with Market
- Avg. Rent/SF slightly higher in base case
Avg. Rent/Avg. SF Ratio

![Chart showing the relationship between average rent and average square feet (SF). The chart compares comparables (blue dots) and a subject (orange dot). The x-axis represents average square feet ranging from 0 to 1600, while the y-axis represents average rent ranging from $1,000 to $2,200.](chart.png)
Regulatory Context

- Current Zoning - R9
- Proposed Zoning - R10 for increased density
- Combination of Two Parcels also Required
Reg. Context- Incentives

- “Vacants to Value”
  - Blight Elimination Initiative
    - RFP
    - Application
    - Community Meetings
- High Performance Market Rate Tax Credit
Unit Mix/Layout

- 14 Studio Units (11%)
  - 600 SF average
- 76 One Bedroom Units (60%)
  - 825 SF Average
- 36 Two Bedroom Units (29%)
  - 1150 SF Average
Amenities

- Controlled Access
- Fitness Center
- Business Center
- Rooftop Lounge
Construction Assumptions

- Construction Type IIIA
  - Max building height 85 ft, five stories, with automatic sprinkler system
- 5 Levels of Stick Frame above concrete podium
- Total Building Size - 135,935 sf
- Estimated Construction Period - 15 Months
Environmental Benefits

- LEED silver per High Performance Tax Credit Requirements
  - Energy Efficient Lighting
  - Low-Flow appliances
  - Green Roof
    - Stormwater runoff reduction
    - Energy Use Reduction
## Development Timeline

<table>
<thead>
<tr>
<th>Project Portion</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due Diligence (Three Months)</td>
<td></td>
</tr>
<tr>
<td>Public Approvals (Three Months)</td>
<td></td>
</tr>
<tr>
<td>Design (Twelve Months)</td>
<td></td>
</tr>
<tr>
<td>Construction (Fifteen Months)</td>
<td></td>
</tr>
<tr>
<td>Lease Up (Four Months)</td>
<td></td>
</tr>
</tbody>
</table>
Financing- Assumptions

- **Development Costs** - $20.6M ($163.7K/unit)
  - $170.8K land acquisition
  - $17.4M Hard Costs
  - $2.1M Soft Costs
  - $25K Year 1 Replacement Reserves
  - $888K Development Fee
Financing - Assumptions

- Escalations
  - GPR - 2%
  - Opex - 3%

- Debt Calculation
  - Lesser of 1.20x DSCR and 75% LTV based on Year 1 NOI
  - 4.50% Interest Rate, 30 Year Amortization
    - 4.75% Interest only during construction
Financing - Sources & Uses

**Sources**
- Debt: 70%
- Investor Equity: 25%
- Developer Equity: 5%

**Total Sources**: $20.6M

**Uses**
- Hard Costs: 84.3%
- Soft Costs: 10.4%
- Reserves: 0.1%
- Dev. Fee: 4.3%
- Land Acq.: 0.8%

**Total Uses**: $20.6M

OASIS at Druid Lake
Operating Budget

**Base Case**
- Year 1 GPR: $2,440,255
- Year 1 Vacancy: 10%
- Opex: $6,240/unit
- NOI Before Reserves/DS: $1,371,322

**Stress Case**
- Year 1 GPR: $2,199,128
- Year 1 Vacancy: 15%
- Opex: $6,240/unit
- NOI Before Reserves/DS: $1,060,083
Cash Flow/DSCR

Base Case
- Year 1 Net Cash Flow: $462K
- Year 1 DSCR: 1.55x
- Average DSCR: 1.81x

Stress Case
- Year 1 Net Cash Flow: $151K
- Year 1 DSCR: 1.20x
- Average DSCR: 1.53x
Financial Returns

**Base Case**
- LIRR: 14.63%
- Proceeds from Sale: $14.73M

**Stress Case**
(Lower Rents, Cap Rate up 50bps)
- LIRR: 10.01%
- Proceeds from Sale: $10.07M
Overall Challenges

- Economic/Social Conditions
  - Crime
  - Neighborhood Disinvestment
  - Walkability
- Lack of Commercial Options/nearby amenities
Opportunities

- Regulatory Incentives
  - Vacants to Value
  - High Performance Tax Credit
- Demand
  - Close to Economic Drivers
- Catalytic Neighborhood Reinvestment