



Maryland Department of Transportation
The Secretary's Office

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Darrell B. Mobley
Deputy Secretary

March 9, 2011

Mr. Michael McGowan
President
Historic Charles Street Association
312 North Charles Street
Baltimore, Maryland 21201

Re: State Center Project Presentation

Dear Mr. McGowan:

Please let me ask that you thank the Board of Directors of the Historic Charles Street Association for inviting Jim Peiffer and me to meet with you regarding the State Center redevelopment project.

As we expressed in our presentation, the redevelopment of State Center will bring hundreds of millions of dollars of private investment into Baltimore, more than a thousand construction jobs, and many new residents to Mid-town while helping to transform a section of Mid-town that has suffered for some time now. Moreover, I want to emphasize again that the project as approved has no impact on the amount of office space that the State occupies either in the Central Business District (CBD) or at State Center. The Maryland Transit Administration will move from the state-owned Schaefer Building at 6 St. Paul into a new building at State Center but will be replaced by another state agency or agencies from State Center at that time. We believe that keeping the State presence unchanged is fair to the CBD and to Mid-town as well as to the nine neighborhoods that surround the State Center site.

I also want to assure you that the approval processes for the project and development team were transparent and lawful. In fact, the project was approved by the State's legislative budget committees and received five separate approvals from the State Board of Public Works, each time after review by the Maryland Attorney General's office. The project has also received the benefit of close review by an informal oversight group that included five State Secretaries, four State legislators who are members of the State budget committees, and the Maryland Stadium Authority, with participation from both the City of Baltimore and the Baltimore Development Corporation. As for the City's oversight, the project's planned unit development ordinance was approved unanimously and enthusiastically by the City's Urban Design and Architectural Review Panel and the City Council. Finally, the project has enjoyed the support of three mayors, two Governors, the Board of Directors of both the Greater Baltimore Committee and the

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Downtown Partnership, the neighborhood organizations representing the nine communities surrounding the site, and environmental groups in the region, including 1,000 Friends of Maryland and the Central Maryland Transportation Alliance.

We believe that the project has received such broad support because it is the product of more than 124 community meetings, 41 City briefings, and 40 State legislative briefings. The State and development team listened at these meetings and did their best to create a project that benefited the State, the City, and the local communities.

Finally, the State retained national consulting firms Jones Lang LaSalle and Bay Area Economics to assist it in negotiating the best possible deal for the State. The State's costs for the project include market rate office rents for new construction and a new shared garage that will be occupied largely by State employees. We believe that the garage is a good investment that will both provide State employees with parking while generating positive cash flow for the State once the bonds are paid off because non-State users will pay market rate parking fees. Moreover, based on extensive analysis, the State concluded that the use of a public private partnership was the most fiscally beneficial option to the State and City for replacing its office space at the site because it put property that currently generates no taxes on the City and State tax rolls while also providing the State with significant ground rent estimated to exceed \$12 million during the first twenty years on parcels that appraised at less than \$2 million. In sum, this is a fiscally responsible project that does not provide unfair subsidies to the developer. In fact, the State's experts have concluded that the development team is accepting a projected financial return at the low end of the market rate largely because the State is a blue chip tenant.

I want to close by reinforcing the fact that phase one of the project includes 15,000 square feet of privately occupied office space, a 35,000 square foot grocery store, and 40,000 square feet of ground floor retail, all to be delivered in 2013 and 2014. We do not believe that this represents a significant competitive threat to the CBD but instead provides Mid-town and the adjacent communities with an opportunity to transform a desolate complex that is a dividing line into a bustling community that brings people together and investment downtown.

We would welcome the opportunity to speak with any of your organization's members who have further questions. Please feel free to contact me at cpatusky@mdot.state.md.us or 410-865-1236.

Thank you again.

Sincerely,



Christopher Patusky
Director, Office of Real Estate