



The Oasis at Druid Lake

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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



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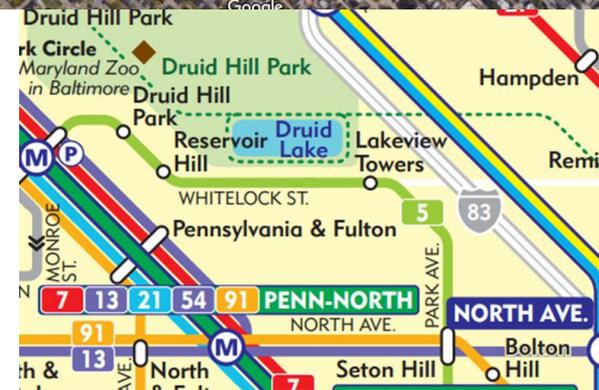
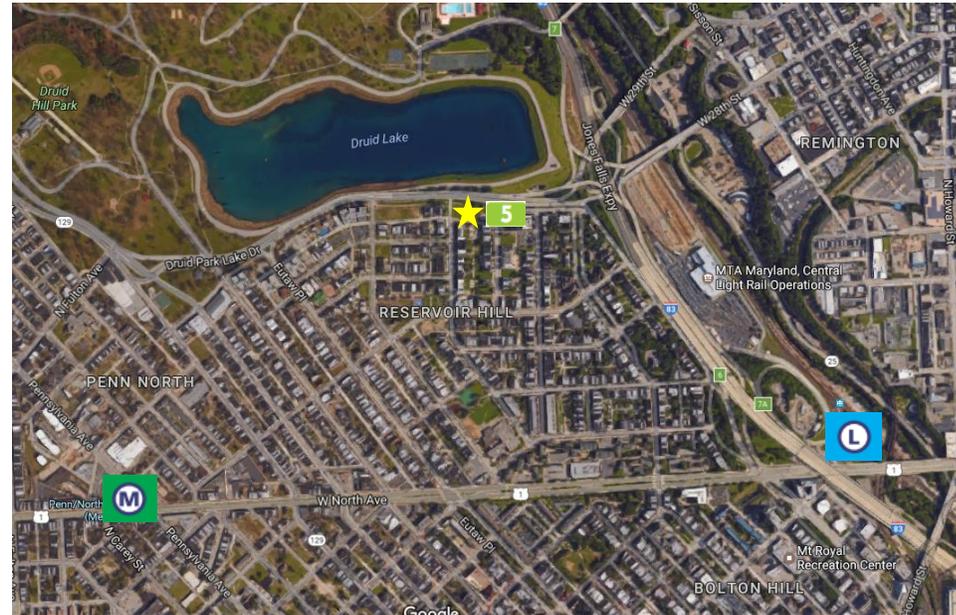
Site- Conditions

- ▶ 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



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Site- Amenities/Services

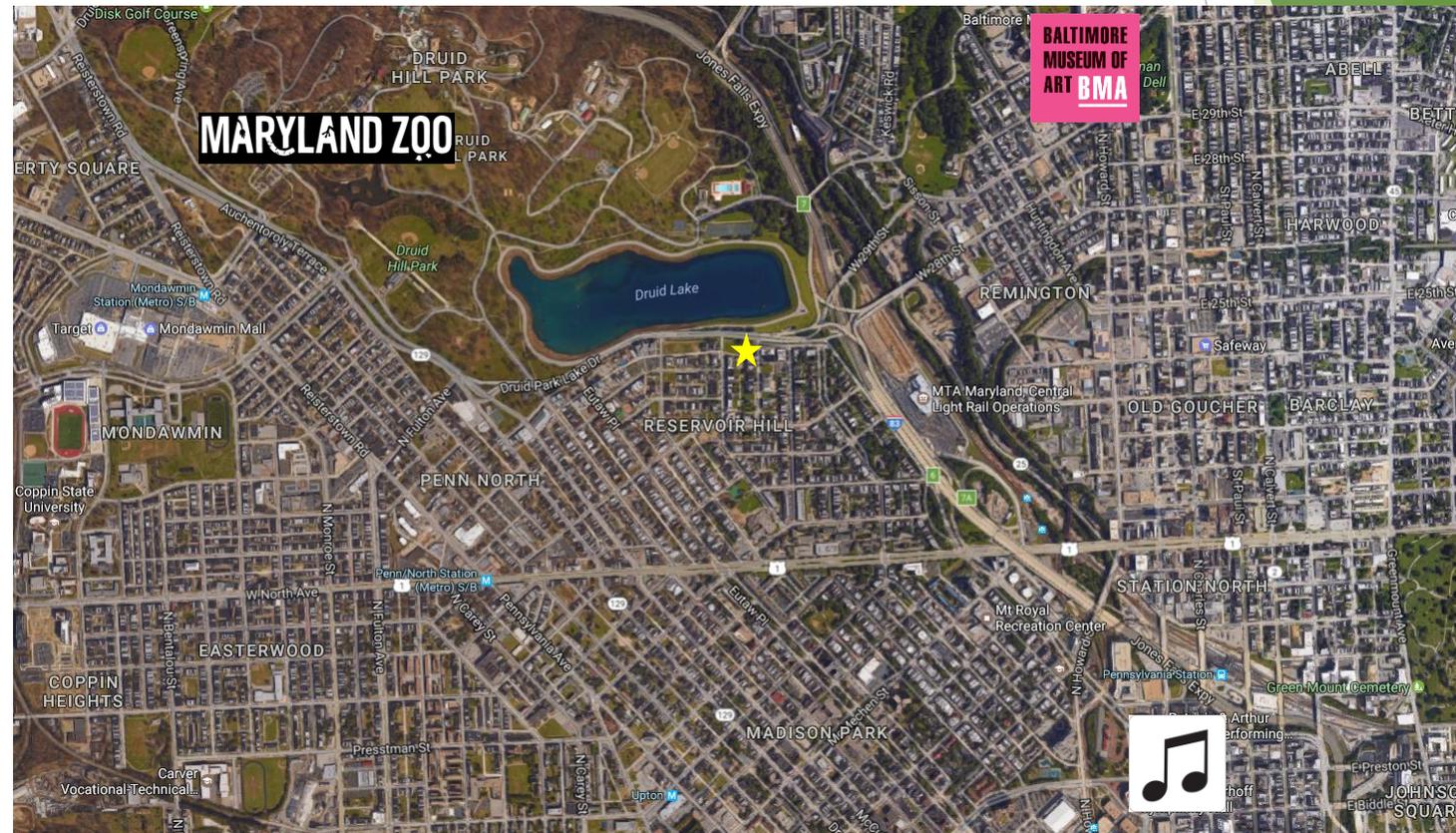
- ▶ Old Goucher Safeway/CVS 1.1 miles East of site
- ▶ Shoppers 1.1 miles West of site



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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



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Neighborhood History

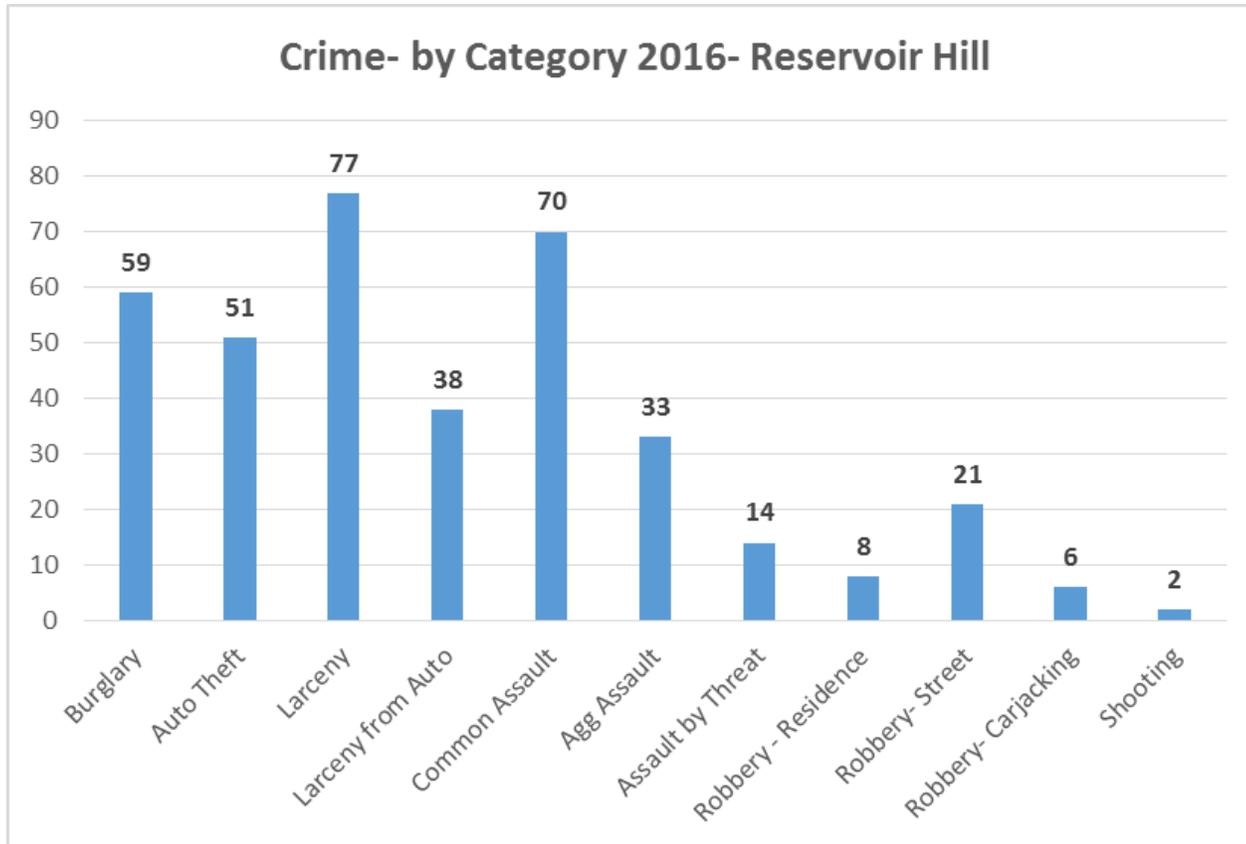
Reservoir Hill

- ▶ 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/>

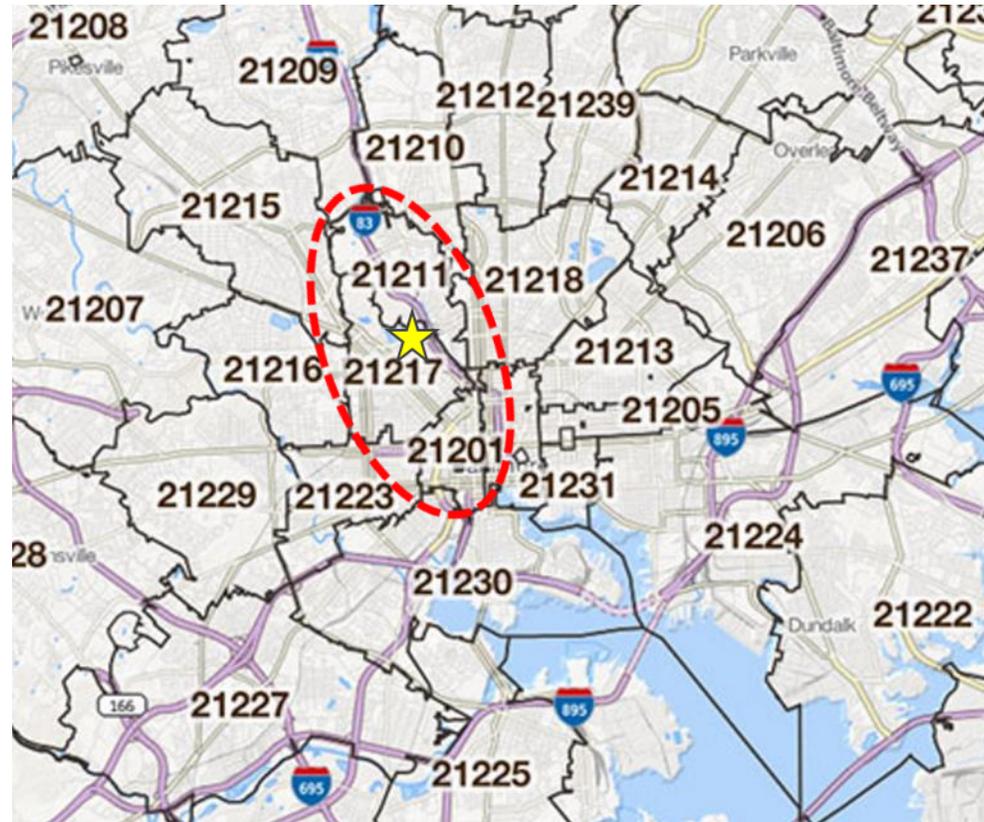
Crime



Source: Baltimore Police Department

Primary Market Area

- ▶ Zip Codes 21201, 21217 and 21211



Market- Population

Baltimore City					
Population	Count	Total Change		Annual Change	
		#	%	#	%
2012	620,644				
2014	622,271	1,627	0.3%	814	0.1%
2016 proj.	624,138	1,867	0.3%	933	0.1%
2018 proj.	625,386	1,248	0.2%	624	0.1%

Households	Count	Total Change		Annual Change	
		#	%	#	%
2012	240,630				
2014	242,212	1,582	0.7%	791	0.3%
2016 proj.	243,423	1,211	0.5%	606	0.3%
2018 proj.	244,397	974	0.4%	487	0.2%

Primary Market Area					
Count	Total Change		Annual Change		
	#	%	#	%	
72,262					
73,882	1,620	2.2%	810	1.1%	
75,360	1,478	2.0%	739	1.0%	
76,716	1,356	1.8%	678	0.9%	

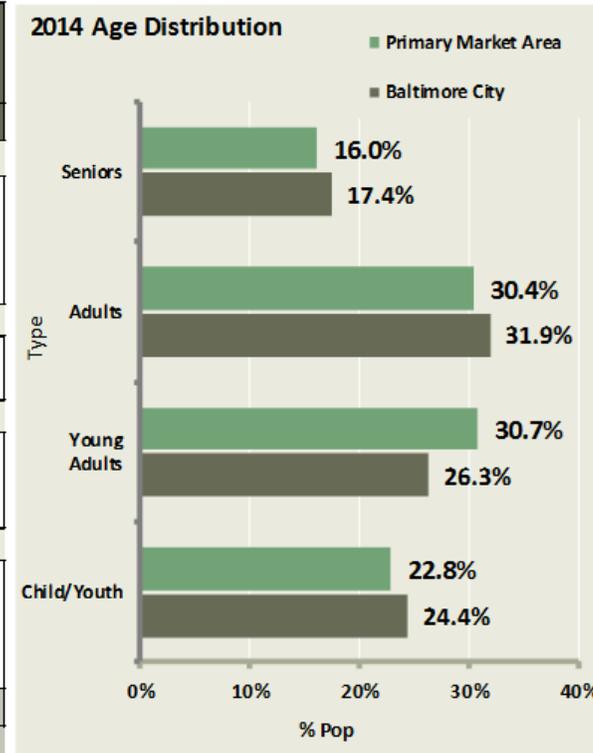
Count	Total Change		Annual Change		
	#	%	#	%	
31,700					
32,405	705	2.2%	353	1.1%	
33,053	648	2.0%	324	1.0%	
33,648	595	1.8%	297	0.9%	

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

	Baltimore City		Primary Market Area	
	#	%	#	%
Children/Youth	151,532	24.4%	16,869	22.8%
Under 5 years	41,685	5.9%	4,516	6.7%
5-9 years	36,044	6.7%	4,138	6.9%
10-14 years	34,133	7.2%	3,890	6.6%
15-19 years	39,670	6.7%	4,325	6.0%
Young Adults	163,731	26.3%	22,717	30.7%
20-24 years	53,765	6.0%	6,702	6.6%
25-34 years	109,966	12.0%	16,015	14.9%
Adults	198,629	31.9%	22,444	30.4%
35-44 years	75,159	13.4%	8,507	14.3%
45-54 years	84,557	15.8%	9,637	14.0%
55-59 years	38,913	9.2%	4,300	8.0%
Seniors	108,379	17.4%	11,852	16.0%
60-64 years	34,228	3.9%	3,299	3.4%
65-74 years	40,720	7.8%	4,620	7.1%
75-84 years	23,926	3.6%	2,541	3.5%
85 and older	9,505	1.8%	1,392	1.9%
TOTAL	622,271	100%	73,882	100%
Median Age	33		32	



Source: US Census American Fact Finder 2010-2014 estimates

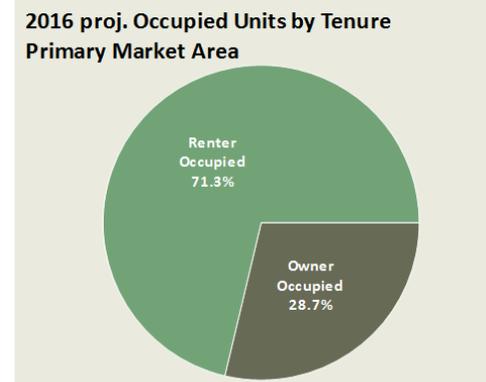
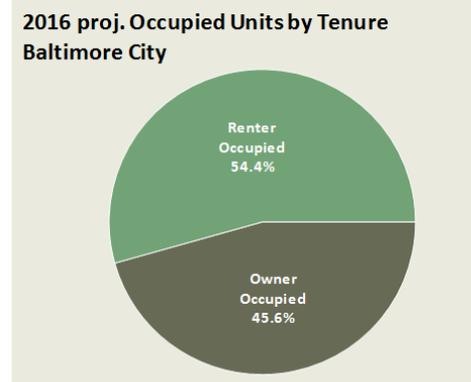
Market- Housing Types

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

Baltimore City Housing Units	2012		2014		2016 proj.		2018 proj.	
	#	%	#	%	#	%	#	%
Owner Occupied	117,500	48.8%	114,407	47.2%	111,314	45.6%	108,221	44.0%
Renter Occupied	123,130	51.2%	127,805	52.8%	132,480	54.3%	137,155	55.9%
Total Occupied	240,630	100%	242,212	100%	243,794	100%	245,376	100%
Vacancy	55,807	18.8%	54,419	18.3%	53,031	17.9%	51,643	17.4%
TOTAL UNITS	296,437		296,631		296,825		297,019	

Primary Market Area Housing Units	2012		2014		2016 proj.		2018 proj.	
	#	%	#	%	#	%	#	%
Owner Occupied	9,688	30.6%	9,594	29.6%	9,500	28.7%	9,406	27.8%
Renter Occupied	22,012	69.4%	22,811	70.4%	23,610	71.3%	24,409	72.2%
Total Occupied	31,700	100%	32,405	100%	33,110	100%	33,815	100%
Total Vacant	9,756	23.5%	9,400	22.5%	9,044	21.5%	8,688	20.4%
TOTAL UNITS	41,456		41,805		42,154		42,503	

Source: 2010-2014 American Community Survey 5-Year Estimates



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



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Comparable Properties

Community	Year Built	Vacancy	Type	Total Units	Studio Units				One Bedroom Units				Two Bedroom Units				Avg SF	Avg Rent	Avg Rent/SF
					Units	Rent(1)	SF	Rent/SF	Units	Rent(1)	SF	Rent/SF	Units	Rent(1)	SF	Rent/SF			
Subject																			
Oasis at Druid Lake (Proposed)	N/A	N/A	Mid Rise	126	14	\$1,350	600	\$2.25	76	\$1,575	825	\$1.91	36	\$1,800	1,150	\$1.57	892	\$1,614	\$1.81
Unit distribution				126	11%				60%				29%						
Comparables																			
Remington Row	2016	0.00%	Mid Rise	108	0	\$0	0	N/A	70	\$1,610	821	\$1.96	38	\$1,919	1,111	\$1.73	923	\$1,719	\$1.86
520 Park Avenue	2014	4.10%	Mid Rise	171	12	\$1,163	410	\$2.84	136	\$1,384	610	\$2.27	23	\$1,883	881	\$2.14	632	\$1,436	\$2.27
Landbank Lofts	2010	6.20%	Mid Rise	63	0	\$0	0	N/A	49	\$1,592	1,383	\$1.15	14	\$1,789	1,857	\$0.96	1488	\$1,636	\$1.10
ICON Residences at the Rotunda	2016	75.70%	Mid Rise	379	64	\$1,413	583	\$2.42	191	\$1,680	753	\$2.23	124	\$2,643	1,178	\$2.24	863	\$1,950	\$2.26
Total/Average within Comps		21.50%		721	76	\$644	248	\$2.59	446	\$1,567	892	\$1.76	199	\$2,059	1,257	\$1.64	925	\$1,605	\$1.74
Unit distribution				721	11%				62%				28%						
% of Total				100%															

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

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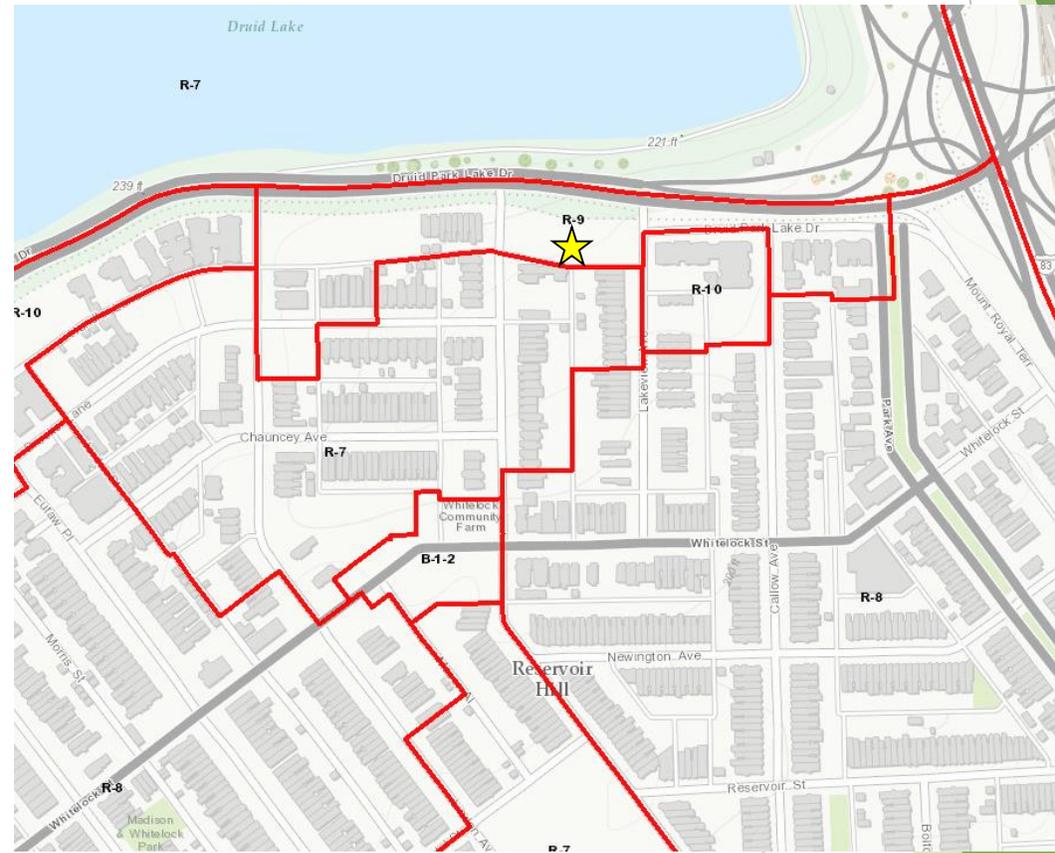
Avg. Rent / Avg. SF Ratio



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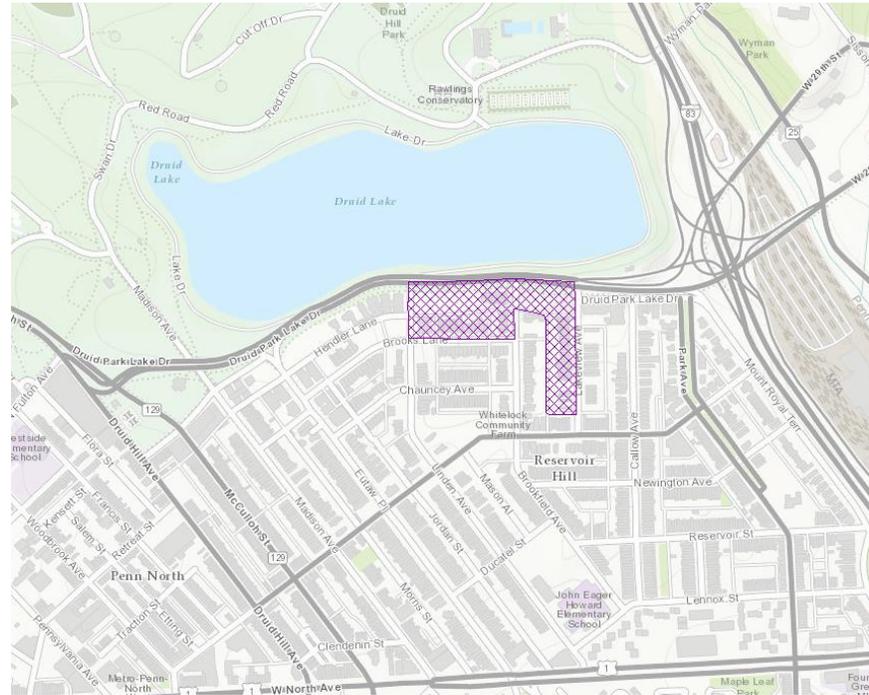
Regulatory Context

- ▶ Current Zoning- R9
 - ▶ Proposed Zoning- R10 for increased density
- ▶ Combination of Two Parcels also Required



Reg. Context- Incentives

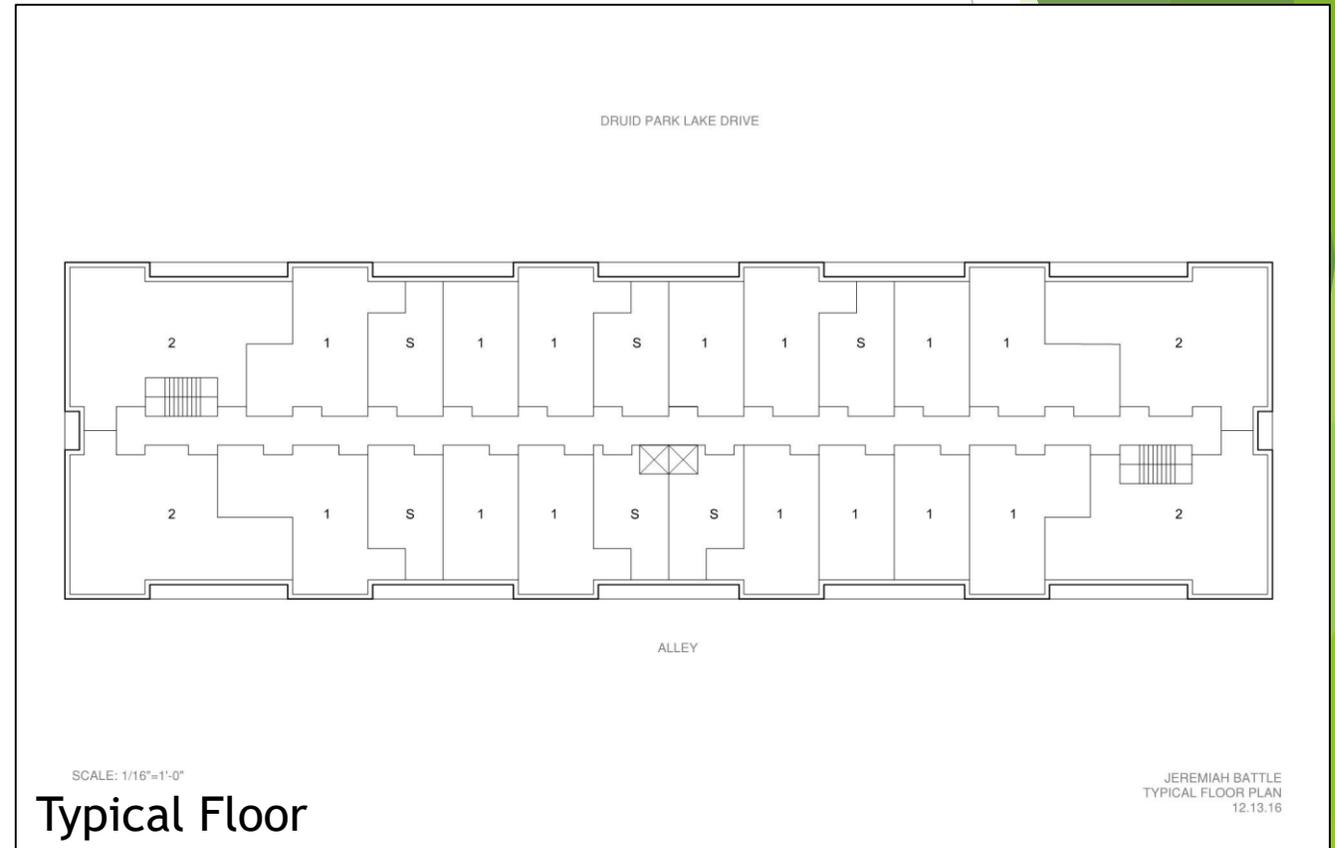
- ▶ “Vacants to Value”
 - ▶ Blight Elimination Initiative
 - ▶ RFP
 - ▶ Application
 - ▶ Community Meetings
 - ▶ High Performance Market Rate Tax Credit



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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

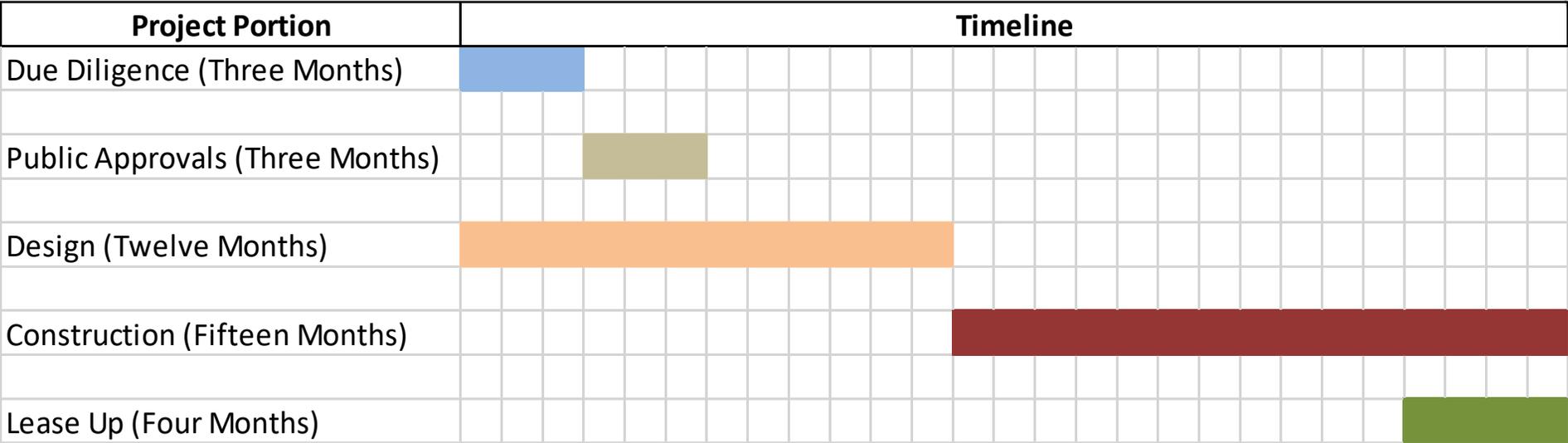
- ▶ Construction Type IIIA
 - ▶ Max building height 85 ft, five stories, with automatic sprinkler system
- ▶ 5 Levels of Stick Frame above concrete podium
- ▶ Total Building Size- 135,935 sf
- ▶ Estimated Construction Period- 15 Months



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



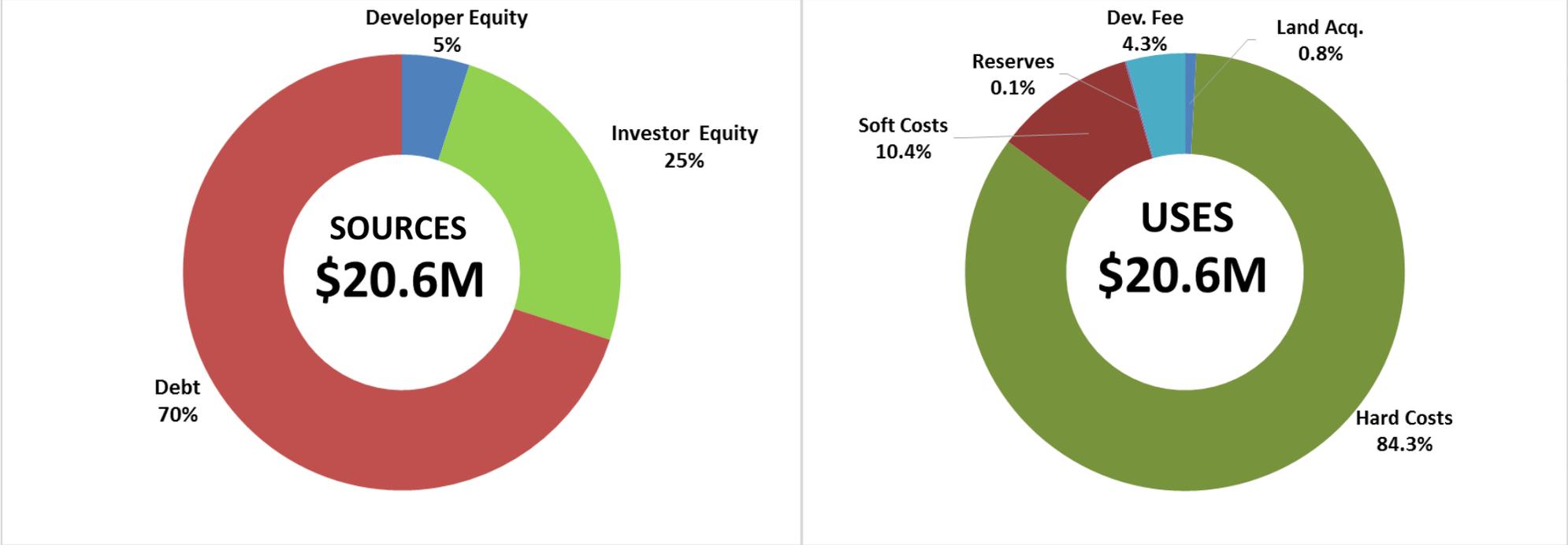
Financing- Assumptions

- ▶ 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



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