

September 2, 2016

Mr. Marc Weller,
President
Sagamore Development, LLC
1000 Key Highway,
Baltimore, MD

Dear Mr. Weller

We write on behalf of the members of PORT3 and Build Up, two grassroots coalitions which represent over 167 labor, housing advocacy, consumer rights, anti-racism, community-based organizations and churches across Baltimore. Our members share a longstanding commitment to Baltimore's workers and residents, and to bridging the socioeconomic and racial divides that have plagued our City for generations.

As you know, PORT3 and Build Up have over the last several months voiced the concerns and demands of our constituents in connection with the proposal by Sagamore Development ("Sagamore") to secure \$660 million in Tax Increment Financing ("TIF") bonds to finance a proposed development at Port Covington. Specifically, PORT3 and Build Up have advocated that, if Sagamore receives the unprecedented public investment it seeks, it must commit to ensuring that the Port Covington development generates good jobs, and fair, affordable housing opportunities for the people of Baltimore. During the last ten days, we engaged in good faith negotiations with Sagamore in hopes of reaching a community benefits agreement on these and related issues.

This letter explains a few of the core reasons why we are unable to accept Sagamore's bottom line offer on affordable housing and workforce development.

Affordable Housing

Sagamore Has Rejected a Meaningful Affordable Housing Mandate

In its April 2016 Memorandum of Understanding with the Mayor, Sagamore agreed to an "affordable housing goal" of setting aside 10% of the 5,300 residences to be built at Port Covington for households with incomes at 80% of the area median. City Council members and the community, at a series of public hearings, expressed significant concern that the non-binding nature of this commitment rendered it virtually meaningless.

PORT3 and Build Up were initially encouraged during negotiations when Sagamore offered to strengthen the MOU's "goal" language into a commitment, but we have since realized that Sagamore's stated commitment exists in name only. **In its best and final offer, Sagamore insisted over the coalitions' strong objections on keeping a gaping loophole within the MOU: although the developer would have a nominal obligation to make 20% of its units affordable, it would be explicitly permitted to buy its way out of such obligation by paying a trivial fee.** Specifically, Sagamore (a) maintained the option of being able to avoid its duty to develop affordable units by paying the City a payment in lieu

equal to about one third of the cost of constructing such units (originally \$30,000-\$50,000 per affordable unit, revised slightly upwards during negotiations to \$40,000-\$60,000 for some units), and simultaneously (b) kept language in the MOU that allows it to claim an offset against those payments in lieu equal to the full cost of constructing affordable units, so long as it constructs *any* such units without receiving additional tax subsidies, even if the number constructed falls far short of the nominal 20% requirement.

The fallout of all this is that, even though Sagamore agreed during negotiations to a “requirement” of 20% affordable housing, the developer and its successors could – consistent with its proposed revisions to the MOU in negotiations – make only about 5% of its proposed 5,320 units affordable to families at 80% of AMI, or roughly \$66,000 for a family of four. Moreover, for the first phases of development, Sagamore could create only a fraction of the promised number of affordable units while paying nothing at all into the payment-in-lieu fund.¹

Thus, Sagamore’s shift from “goal” to “requirement” language – and its increase from a 10% to a 20% set aside - ultimately does not strengthen the force of the MOU when it comes to generating affordable housing at Port Covington, or funds to create it elsewhere.

Sagamore Has Refused to Commit to Creating Housing for those Most in Need

Throughout negotiations, the coalitions emphasized the need to include within the affordable housing set aside a meaningful percentage of units for households whose incomes are at 30% of AMI, equal to \$25,050 for a family of four, just above the federal poverty line. Nearly a quarter of Baltimore City households live in poverty, earning less than this amount. These families struggle daily to find safe, affordable housing, particularly in areas with access to employment opportunities and good schools – the type of area that Port Covington is expected to become. We believe – and we conveyed during negotiations – that to justify its demand for over a half billion dollars in redirected tax revenues for the Port Covington project, Sagamore must commit in a meaningful way to creating housing opportunities for this lowest income population.

By the close of negotiations, Sagamore refused to include any more than 2% of the 5,300 – or 7,500, or 14,000 – residences it expects to construct for households earning 30% of AMI. Even this 2% figure (equal to 106 units out of the 5,300 total originally planned) was contingent the project’s receipt of additional public subsidy in the form of tax credits and project-based Housing Choice Vouchers, a clear indication that Sagamore was unwilling to invest its own considerable anticipated profits (or a portion of the TIF) towards meeting the City’s greatest housing need. Although the coalitions identified an array of resources to offset the cost of building units for the poorest families, Sagamore refused to expand its housing mix.

¹ An example can help illustrate the problem. For its first 1,000 units, Sagamore has pursuant to negotiations agreed to make 20% - or 200 – affordable to households earning 80% AMI or less. If it only developed 50 of the 200 affordable units, it would theoretically have to pay a fee of \$40,000 per unit for the 150 units not constructed, or \$6 million. However, Sagamore would be permitted to offset that fee by the cost of each of the 50 units it did construct, which the MOU calculates at \$172,734. Sagamore’s total offset in this scenario is over \$8 million, and thus it would not have to contribute *any* payment in lieu to the City at all, even though it only made 5% of its units affordable, instead of 20%. Only once the development reaches around 5,000 total units would the payments in lieu exceed the offset that Sagamore could claim if it made only 5% of units affordable.

Sagamore's best offer ultimately designated 85% of its affordable housing set-aside for households with incomes at 60% to 80% of AMI, or \$50,100 to \$66,800 for a family of four, well above the amount that half the City's residents earn. Although the coalitions agree that Port Covington should include housing affordable to households at these levels – including, firefighters, teachers, and others who earn a good living, but cannot afford luxury rent – we cannot countenance the refusal to make a meaningful commitment to those less fortunate.

Good Jobs for Baltimore City Residents

Sagamore Has Made No Commitments In Connection with Non-Construction Jobs on the Project

Sagamore has touted the creation of several thousand retail, hotel, and office jobs – in addition to construction jobs – as one of the primary public benefits of the project. Indeed, these non-construction jobs are the only ones likely to be permanent, yielding sustained, long-term benefit to workers and their families.

We were disappointed, however, that in negotiations with the community coalition, Sagamore refused to discuss wages, benefits, job access, or any other matters related to the non-construction employment. Its best and final offer thus provided no support or protections to the thousands of workers who will be employed on the project for the decades to come while the TIF is in place. Sagamore's final offer made no mention of workplace standards, wages, or benefits related to the vast majority of the thousands of supposed jobs they are touting that will be created by the development. These long term jobs in construction, retail, and the service sector are the most in need of workplace standards and will provide the most long-term benefit to City residents.

Sagamore Has Rejected Any Commitments Related to Permanent and Long-Term Construction Jobs, While Also Constraining Future Organizing Around Such Development

In its final offer to the coalitions, Sagamore refused to offer any concessions related to vertical development, which is where the majority of long-term construction jobs will arise. At the same time, it sought to require workers employed on the short-term infrastructure projects at Port Covington to **permanently waive their First Amendment rights for the lifetime of those projects.** If accepted, Sagamore's proposal would thus preclude any worker engaged in infrastructure improvements from seeking wage or benefits guarantees in connection with any vertical construction opportunities that arise while the infrastructure projects remained ongoing. **Additionally, Sagamore's proposal would prohibit any worker from speaking out on their job conditions, exercising their rights to organize, and their rights to peacefully assemble. Sagamore's proposal essentially takes vertical construction off the negotiating table for the near term, and precludes effective worker organizing in that area in the future.**

Profit Sharing with Baltimore City Taxpayers

Sagamore has refused to discuss or disclose any profit sharing arrangements with community representatives

Entering negotiations, the community coalition requested that Sagamore consider sharing profit with the Baltimore City taxpayers to further construction of affordable housing and community redevelopment.

Sagamore insisted that it had already entered an agreement with the Baltimore Development Corporation, of which the details would remain secret. The coalition has continually pointed to a lack of transparency in the negotiations between Sagamore and city agencies. The secret deal with the BDC leaves us with more unease.

Education Funding for Baltimore City Schools

Sagamore has taken a “Wait and See” approach in regards to loss of state education aid, due to the TIF.

PORT3 and Build Up Baltimore challenged Sagamore to commit to filling any gap in education funding attributed to the TIF, until such time as the State could legislate a correction to the education funding formula. We offered to bring the budget experts from the state to the table to try to accurately predict that loss. We are disappointed that your “last and final offer” included no mention of the education funding loss, or a commitment to mitigating any loss, even as a stop-gap measure.

PORT3 and Build Up entered negotiations with Sagamore in good faith, and offered a variety of creative proposals on the issues of greatest concern to us. As long as both sides continued to meet in good faith, we were willing to stay at the table until we could close the gaps. We are disappointed that Sagamore set an arbitrary deadline and offered us a take it or leave it proposal. We believe Sagamore’s unprecedented ask requires an unprecedented commitment to doing what’s best for the taxpayers of Baltimore. We remain committed to continue our advocacy with the City Council and beyond, to ensure that the public’s investment in this project generates benefits for all of Baltimore.

Sincerely,

Build Up Baltimore

BRIDGE Maryland
CHOICE
AFL-CIO, Baltimore Metro CLC
American Federation of Teachers
UNITE HERE
32BJ SEIU

People Organized for Responsible Transformation, Tax Subsidies and TIFs (PORT3)

Maryland Working Families
Interfaith Worker Justice
Jews United for Justice
Maryland Consumer Rights Coalition
Showing Up for Racial Justice (SURJ)
Baltimore Redevelopment Action Coalition for Empowerment (BRACE)
Communities United
City Advocates in Solidarity with the Homeless
Public Justice Center
ACLU of Maryland
Housing Our Neighbors (HON)