DOWNTOWN COLUMBIA
TAX INCREMENT FINANCING APPLICATION DATA

PART I – APPLICATION FOR CREATION OF TAX INCREMENT FINANCE DISTRICT

1. Provide relevant information on the Applicant's background and development experience.

Applicant's Response:

Applicant, The Howard Research And Development Corporation, is the original petitioner for New Town Zoning and has been the developer of Columbia, Maryland, throughout its 50+ year history. Applicant is a wholly-owned subsidiary of The Howard Hughes Corporation (HHC), which is the Community Developer under the Downtown Columbia Plan and, through its other affiliates, is developing three other master planned communities in Las Vegas (Summerlin) and Houston (Bridgeland and The Woodlands) and mixed-use properties in 16 states from New York to Hawaii.

John DeWolf is Senior Vice President Maryland, Development of HHC. Mr. DeWolf leads the Company's strategic developments in Columbia, Maryland. Under Mr. DeWolf's leadership, the Applicant's affiliates developed the first new residential/retail mixed-use project in Downtown Columbia, The Metropolitan, with similar projects underway on an adjacent parcel, as well as the mixed use project in the newly renovated former Rouse Company Building with Whole Foods Markets and the Columbia Association's Haven on the Lake; and has commenced renovations to make Merriweather Post Pavilion a state-of-the-art outdoor concert venue. Mr. DeWolf has over 30 years of real estate experience, including his work for New York & Company where he oversaw the addition of 225 stores. Mr. DeWolf has held senior positions with New England Development, Woolworth Corporation and The Disney Stores, Inc.

Greg Fitchitt joined HHC as Vice President, Development, in March 2013, working on a variety of assets from Miami to California. In early 2014, Mr. Fitchitt relocated to Maryland to focus on the development of Downtown Columbia. During the prior 15 years, Mr. Fitchitt completed nine shopping center redevelopments as a developer for Westfield, including projects in Washington State, Los Angeles, and San Diego. One of his projects was the first regional shopping center to be awarded a Gold level rating for sustainability by the USGBC under the LEED for Neighborhood Development pilot program. In addition to his professional activities, Mr. Fitchitt has served on the boards of non-profit affordable housing developers in San Diego and Venice, CA, and the San Diego chapter of NAIOP. He currently serves as Chair and President of the Downtown Columbia Partnership, and as a board member of the Howard County Chamber of Commerce.

Ruth U. Hoang joined HHC as Vice President, Development, to guide the residential development planned as part of up to 13 million square feet of mixed-use space in the Development. Ms. Hoang is a seasoned real estate executive with more than 17 years of experience. She specializes in the complete life-cycle development of multi-family communities from site selection to project completion, having been involved in the development of approximately 4,400 units in the mid-Atlantic region. Ms. Hoang previously worked in development for Home Properties, JPI Development and the National Capital Revitalization Corporation. She is a member of ULI, DCBIA, NVBIA and CREW.

Gabriel Chung is Vice President, Development for HHC. With 15 years of development experience, Mr. Chung was part of the development team that secured legislation for the Downtown Columbia Plan in Columbia, Maryland. Mr. Chung structured the Company's joint venture agreement with Kettler for the new development of The Metropolitan Downtown Columbia as well as a second phase residential/retail development. Currently, he is leading the efforts for growing the commercial development program in downtown Columbia, including a 200,000-square-feet Class 'A' office building projected to begin construction in year-end 2015. Prior to joining the Columbia team, Mr. Chung was a development executive at The Woodlands Development Company. Working on the 28,000-acre Woodlands project, he was involved with the planning, financing, developing, and monetizing of the Town Center, totaling in excess of two million square feet of office, retail, and residential products.

2. Provide ownership information on the Applicant.

Applicant's Response:

Applicant is a wholly-owned subsidiary of HHC, a New York Stock Exchange Company headquartered in Dallas, Texas.

3. Provide names, addresses and contact information for the development team, including the engineer, architect, land planner, financial advisors, and attorneys.

Applicant's Response:

Applicant:
The Howard Research And Development Corporation
10221 Wincopin Circle, Suite 300
Columbia, Maryland 21044
Attention: Greg Fitchitt

Development Consultant:
Development Management Group LLC
5045 Dorsey Hall Drive, Suite 204
Ellicott City, Maryland 21042
Attention: Brian J. Spencer

Civil Engineer:
Gutschick, Little & Weber, P.A.
3909 National Drive, Suite 250
Burtonsville Office Park
Burtonsville, Maryland 20866
Attention: Mike Trappen

Project Architects / Land Planners: Design Collective, Inc.
601 East Pratt Street, Suite 300
Baltimore, Maryland 21202
Attention: Cecily Bedwell

Financial Advisor:
CohnReznick
500 East Pratt Street, Suite 200
Baltimore, MD 21202
Attention: Ira Weinstein

JP2 Architects, LLC:
2835 O'Donnell Street, Suite 300
Baltimore, MD 21224
Attention: Jamie Pett

Construction Manager*:
Harvey Cleary Builders
6710A Rockledge Drive, Ste. 430
Bethesda, MD 20617
Attn: Kevin Rogge
[*Crescent Area 1 Office Bldg A and associated garage]

Ecological Engineer:
Biohabitats
2081 Clipper Park Road
Baltimore, Maryland 21211
Attention: Christopher Streb

Construction Manager**:
James G Davis Construction
12530 Parklawn Drive
Rockville, MD 20852
Attn: Dave Kuncheff
[**Crescent Area 3 Retail / Residential / Park / Parking]

Natural Resources Consultant:
Daft-McCune-Walker, Inc.
200 East Pennsylvania Avenue
Towson, Maryland 21286
Attention: Eric J. Chodnicki

Land Use Counsel:
Linowes and Blocher LPP
7200 Wisconsin Avenue
Suite 800
Bethesda, Maryland 20814
Attention: Todd D. Brown, Esq.

<u>Traffic and Parking Consultant</u>:
Wells & Associates
1420 Spring Hill Road, Suite 610
Tysons, Virginia 22102
Attention: Michael J. Workosky

<u>TIF Counsel</u>:
Miles & Stockbridge P.C.
1500 K St. NW
Washington, DC 20005
Attention: John A. Stalfort, Esq.

4. Identify the area of the proposed TIF District by address and Tax Map parcel numbers(s). Include a map outlining the proposed area of the TIF District. Provide current assessments for land and improvements for each parcel.

A map and list of parcel numbers are attached as Exhibit 1.

5. Describe the Development, including identification of uses (i.e., residential, retail, office, etc.), the density of each use and the phasing schedule for the Development.

	Area[1]			
Property Type	Units	Rooms	GSF Per Unit	Gross SF
<u>Residential</u>				
Rental				
MF rental - market rate	2,444	-	1,125	2,748,920
Parcels C&D multi-family (Metropolitan)	817	-	1,090	890,530
MF rental - 80% AMI	113	-	1,075	121,458
MF rental - 60% LIHTC HC Owned	60	-	920	55,200
MF rental - 60% LIHTC PILOT	90	-	920	82,800
MF rental - 30% AMI	114	-	1,048	119,436
For Sale				
Condos	234	-	1,500	351,000
Townhomes	88	-	1,500	132,000
Sub-total residential	3,960			4,501,344
<u>Commercial</u>				
Office	-	-	-	3,429,300
Retail				
Special taxing district retail	-	-	-	160,780
Parcels C & D retail (Metropolitan)	-	-	-	43,821
Sub-total retail				204,601
Restaurant				
Full service	-	-	-	96,468
Fast food service	-	-	-	64,312
Sub-total restaurant				160,780
Hotel	-	250	-	149,100
Civic/recreation	-	-	-	70,000
Sub-total commercial	-	250		4,013,781
Total projected development	**3,960**	**250**		**8,515,125**

[1]Projected development provided by The Howard Research and Development Corporation.

6. Describe the public infrastructure which you propose to fund with the tax increment.

A detailed list of improvements requested to be financed is attached as Exhibit 2.

7. Describe the tangible public benefit to residents outside the TIF District.

The development and successful implementation of the Downtown Columbia Plan will benefit residents by becoming a hub of economic and cultural activity. More than 20,000 jobs will be created, and Howard County will have a desirable downtown destination that will attract both County residents as well as visitors from outside Howard County. See attached *Economic and Fiscal Impact Report for Downtown Columbia* dated 7/26/2015 as prepared by Cohn Reznick.

List all owners of the property proposed to be included in the TIF District. If the Applicant(s) does not hold legal title to the property, describe the Applicant's interest in all property to be included within the TIF District.

A list of parcel numbers, including a list of owners, is attached as Exhibit 1.

A brief description of the parcels, including parcel numbers as shown in the Exhibit 1 map, for which HRD does not hold sole legal title is is follows:

Parcels 26 through 32 comprise the land under the development referred to as "The Metropolitan" and "Parcel C". These parcels are held in Joint Venture entities with Kettler identified as "Parcel D Property, LLC" (the Metropolitan) and Parcel C Property, LLC, respectively. Parcels 16 and 17 are open space parcels owned by the Columbia Association. Parcel 13 is the ground underlying the American City Building. HRD holds a master lease on the building itself, but the fee interest in the land is owned by a third party, Wincopin Associates, LLC. HRD also owns all the land which provides the parking for the building. Parcel 5 is the Sheraton property, owned by Interstate Columbia, LLC. HRD owns the majority of the land which provides the parking for the building.

8. What is the current zoning of the property described in Item No. 4? Will further zoning approvals be required?

The property in the Downtown Columbia Plan Area is currently zoned NT ("New Town") District under Section 125 of the Howard County Zoning Regulations. Pursuant to Section 125, development levels are limited to the following:

Howard County Zoning Code – Maximum Development Levels*

Dwelling units	5,500	Units
Net new office	4,300,000	GFA
Net new hotel	640	Rooms
Net new retail	1,250,000	GFA

*The above development levels shall be in addition to the number of dwelling and gross floor area of nonresidential uses shown on a Site Development Plan approved prior to April 6, 2010.

Source: Howard County Zoning Regulations Section 125, 9.c.

Legislation is currently proposed that would amend the allowable uses for the property in the Downtown Columbia Plan Area. Amendments to Section 125 of the Howard County zoning regulations are contemplated to provide for affordable income units in Downtown Columbia. Upon approval, the Downtown Columbia Plan Area would be subject to minimum and maximum development requirements for the construction of 900 affordable housing units. The table below shows the maximum allowable uses consistent with the proposed legislation.

Proposed Zoning Amendments - Maximum Development Levels

Affordable dwelling units	900	Units
Dwelling units	5,500	Units
Net new office	4,300,000	GFA
Net new hotel	640	Rooms
Net new retail	1,250,000	GFA

Source: Affordable Housing Joint Recommendations Proposal.

9. What other County or state land development approvals will be required for the Development? How many, if any, have been obtained?

Applicant's Response:

Development in Downtown Columbia requires Howard County Council ("County Council") approval of Downtown-Wide Design Guidelines, and Howard County Planning Board ("Planning Board") approval of Final Development Plans and Neighborhood Documents for each Downtown Columbia Neighborhood, and a Site Development Plan for each specific development proposal. The Neighborhood Documents consist of Neighborhood Specific Design Guidelines, a Neighborhood Concept Plan and a Neighborhood Specific Implementation Plan.

The County Council approved the Downtown-Wide Design Guidelines in Resolution No. 138-2010 adopted March 7, 2010.

Site Development Plan approval will be required for all development that has not received SDP approval to date. Additional Final Development Plan approval will also be required for development in the Lakefront and Symphony Overlook Neighborhoods.

In addition to Howard County development plan approvals, development activity in Downtown Columbia requires that developers complete certain environmental restoration projects, including stormwater management retrofit, stream corridor restoration, wetland enhancement, and reforestation and forest restoration, as identified in the Land Framework of the Sustainability Program as referenced in Section 3.1 of the Plan. Certain of these enhancements require a Joint Permit Application with the Maryland Department of the Environment and Corps of Engineers, which are in process.

Approvals to date are included as attached .PDI files in Exhibit 4, including:

- Downtown Columbia Plan
- Downtown Wide Design Guidelines
- Warfield Neighborhood Design Guidelines
- Warfield Neighborhood Implementation Plan
- FDP-DC-Warfield-1
- FDP-DC-Warfield-1A
- SDP-13-007 (Warfield Parcel D)
- SDP-14-024 (Warfield Parcels C-1 and C-2)
- Crescent Neighborhood Design Guidelines
- Crescent Neighborhood Implementation Plan
- Crescent Environmental Permits

- FDP-DC-Crescent-1
- SDP-15-068 (Crescent Areas 1 and 4)
- CEPPA 12 Modification
- F 15-098 Final Road Plans Area 1 (Divided Sky Lane partial)

Additional approvals currently in process include:

- FDP-DC-Crescent-1A (FDP Amendment)
- PES Preliminary Equivalent Sketch (Crescent Area 3)
- Joint Recommendations for Affordable Housing in Downtown Columbia, including:
  - GPA 2016-03 (Amendment to Downtown Columbia Plan and PlanHoward2030)
  - ZRA-170 (Zoning Regulation Amendment)
  - DRRA (Development Rights and Responsibilities Agreement)
- ECP-16-041 (Environmental Concept Plan for Merriweather Drive and Symphony Woods Drive)
- F 15-106 Merriweather Drive Phase I Final Road Plans
- F 16-107 Merriweather Drive Phase II Final Road Plans
- Merriweather Drive Phase III Final Road Plans (no number assigned yet)
- SDP 15-068 Amendment for Two Merriweather (2nd office building) (no number assigned yet)

10. Attach plans or drawings which depict the Development.

Exhibit 5 includes a development map, photos of the existing Metropolitan, and renderings which depict the Development.

11. Is public water and sewer available to serve the proposed Development?

Water and sewer trunk lines exist in Downtown Columbia with adequate capacity for development located outside of the crescent development (parcel 24 as shown in Exhibit 1). The water and sewer mains to serve the crescent development will be installed in conjunction with the construction of Merriweather Drive and the North-South Connector (also known as Symphony Drive).

12. Indicate whether State funding will be needed for the Development or for supporting infrastructure improvements, and if so, whether the Development is located within Howard County's priority funding area (PFA). Will a PFA boundary amendment be required? If so, state the nature and extent of the proposed change.

Applicant's Response:

We anticipate that state funding will be required in connection with certain major transportation improvements contemplated by the Plan, such as new or modified connections to SR29. The Development is located within a PFA as designated by the Maryland Department of Planning; therefore no PFA boundary amendment will be required.

13. Describe how the Development conforms to the County's General Plan and any other relevant County plans (Economic Development Authority Plan, Recreation and Parks Master Plan, etc.).

Applicant's Response:

In 2010 the Howard County Council adopted *The Downtown Columbia Plan, a General Plan Amendment*, as Bill 58-2009 ("Downtown Columbia Plan"). The Downtown Columbia Plan presents a vision for the evolution of Downtown Columbia as Howard County's economic and cultural center and recommends development of approximately 13 Million net new square feet of commercial and residential uses. The Downtown Columbia Plan is the controlling expression of planning policy for Downtown Columbia.

The Downtown Columbia Plan recommends specific policies to guide redevelopment of the suburban town center of Columbia into an urban mixed-use environment. These policies include recommendations for, among other items: (i) establishing interconnected neighborhoods; (ii) providing diverse housing; (iii) establishing Downtown Columbia as a major financial and economic center; (iv) enhancing the role of cultural activities; and (v) providing a balanced multi-modal transportation system served by a connected street network offering route choices, dispersing traffic and providing sufficient capacity to meet user demand as development progresses.

The Downtown Columbia Plan includes specific recommendations for the development of a new street framework, including new major collector roadways in the undeveloped area south of Little Patuxent Parkway referred to as The Crescent. These new major collectors will provide access throughout The Crescent which will be developed with approximately 4.9 Million square feet of new office, retail, hotel, residential and cultural uses. The new roads will also provide alternate access to/from Maryland Route 29 facilitating access to The Crescent and the rest of Downtown Columbia and dispersing traffic on Little Patuxent Parkway, Broken Land Parkway and Governor Warfield Parkway.

The Downtown Columbia Plan provides that "[r]esponsibility for funding and constructing and implementing these improvements and programs will be shared among the private sector, public –private partnerships, Howard County (through the Adequate Public Facilities road excise tax and *tax increment financing*) and/or public sector capital budgets." (emphasis supplied)

Development in Downtown Columbia is required by local zoning regulations to conform to the Downtown Columbia Plan, including the following exhibits that are a part of the plan (Street and Block Plan, Maximum Building Heights Plan, Neighborhoods Plan, Primary Amenity Space Framework Diagram, Street Framework Diagram, Bicycle and Pedestrian Plan and Open Space Preservation Plan. The Howard County Planning Board is required to make a specific finding of conformity in order to approve the Development and any future modification(s) thereto.

By its Decision and Order dated April 16, 2015, the Howard County Planning Board approved the Final Development Plan ("FDP") and Neighborhood Documents for The Crescent. The approved plans include the extension of Hickory Ridge Road east from its intersection with Broken Land Parkway, as well as the major collectors Crescent West and the North-South Connector. The approved FDP also includes Public Roads A, B, C and D.

In its Decision and Order, the Planning Board found the Crescent Neighborhood documents (Neighborhood Concept Plan, Neighborhood Specific Design Guidelines and Neighborhood Specific Implementation Plan) conformed with the Downtown Columbia Plan, including the Street and Block Plan, the Neighborhoods Plan, the Maximum Building Heights Plan, the Primary Amenity Space Framework Diagram, the Street Framework Diagram, the Bicycle and Pedestrian Plan and the Open Space Preservation Plan. The Planning Board also found that the FDP conformed with those approved Neighborhood Documents.

Development of an individual parcel or parcels must also receive Site Development Plan ("SDP") approval from the Planning Board. In order to approve an SDP, the Planning Board must make a finding that the development conforms to the Downtown Columbia Plan and the approved FDP.

In addition, the Development conforms with a watershed management plan known as the *Best Management Practices for Symphony Stream and Lake Kittamqundi Watersheds* that was prepared as a supplement to the Downtown Columbia Plan ("Environmental Plan"). The Environmental Plan was prepared to determine then-existing conditions of environmental resources and to recommend environmental enhancements to these natural features. In accordance with phasing approved by the Howard County Planning Board, HRD has completed

Phase I of the environmental enhancements developed upon the recommendations of the Environmental Plan. The remaining phases of environmental restoration will be completed in accord with the timing approved by the Planning Board and will generally coincide with adjacent land and roadway development by HRD in The Crescent.

The Development also conforms with PlanHoward2030, the most recent Howard County General Plan ("General Plan"). Specifically, the General Plan identifies Downtown Columbia as a Growth and Revitalization Area. The General Plan recommends implementing the Downtown Columbia Plan to create a vibrant mixed-use urban center for Howard County. The General Plan also indicates the County expects future growth and development to be directed to Downtown Columbia (as well as nodes along Rts. 1 and 40). The General Plan further characterizes the Downtown Columbia Plan as setting forth the strategy for transitioning a first-generation, suburban, town center into the County's 21st century urban center. The Development conforms in every respect to these recommendations.

Lastly, the Development also conforms to the 2011 Amendment to the Howard County Water and Sewerage Master Plan. Downtown Columbia is located in the Planned Water Service Area (Existing and Under Construction). Downtown Columbia is also located in the Planned Sewerage Service Area (Existing and Under Construction). There are existing water main facilities located in Little Patuxent Parkway and a water main runs through The Crescent property. Sewer service exists in the main stream valleys that will serve the Development. Extension/realignment of these facilities is required, all in conformance with the Plan and within the existing service areas.

14. Provide information on the number, type and wage scales for the jobs (permanent and temporary) to be created and retained in the TIF District.

Estimated jobs and wages at full build-out, including full time and part time positions are shown in the following table:

Permanent Jobs:	**Jobs[1]**	**Compensation[1]**
Office		
Direct impacts	12,149	$966,786,274
Indirect impacts	6,874	$371,066,095
Retail		
Direct impacts	337	$10,685,412
Indirect impacts	96	$5,864,084
Restaurant		
Direct impacts	1,425	$34,048,360
Indirect impacts	262	$14,651,572
Hotel		
Direct impacts	65	$2,077,045
Indirect impacts	21	$1,163,173
Total direct impacts	13,976	$1,013,597,091
Total indirect impacts	7,253	$392,744,924
Total permanent impacts	21,229	$1,406,342,015

[1]Represents the full time and part time positions as estimated using IMPLAN software by IMPLAN Group, LLC

15. Will the Private Development qualify for any County, State or Federal tax credits?

Applicant's Response:

Certain improvements in the TIF District may be eligible for or result in the availability of certain Federal, State and local tax credits, such as the following:

- A homestead property tax credit against local real property taxes on certain owner-occupied residential property in the District under Section 9-105 of the Tax-Property Article of the Annotated code of Maryland may be applicable

- A homeowners property tax credit for low-income households for owner-occupied residential property in the District under Section 9-104 of the Tax-Property Article of the Annotated Code of Maryland may be applicable

- Low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986 which provides an incentive for the development of affordable rental housing.

- State property tax credits may be available under Sections 9-203 and 9-242 of the Maryland Tax-Property Article in connection with buildings that achieve a LEED silver rating or use solar, geothermal or other qualifying energy conservation devices in connection with the operation of a building.

16. What will be the impact of the TIF District on any existing businesses in the TIF District or in areas in proximity to the TIF District?

Applicant's Response:

The development of new public and private improvements in the TIF District will benefit the existing businesses therein by stimulating additional economic activity and providing more customers and visitors as a result of the increased number of residents, office workers and visitors to Merriweather and the hotel/conference center. Employees of businesses currently located downtown will benefit from improved transportation access, greater parking options, and additional shopping, dining, recreational and cultural choices. These enhancements will make Downtown Columbia a more appealing environment, supporting existing businesses' employee recruitment and retention efforts. As stated in the Downtown Columbia Plan, "The foundation underlying these strategies [to increase economic activity] is the creation of a vibrant mixed-use environment where various economic drivers support each other. …[I]t is the mix of uses that will fuel the economic vitality of the area and enhance the experience and attractiveness of downtown for each user and occupant."

17. Describe any affordable housing components of the Private Development.

Applicant's Response:

The Downtown Columbia Plan currently provides for a Housing Trust Fund, whereby new residential development makes payments which are to be used by the Columbia Downtown Housing Corporation (CDHC) to create affordable housing downtown. At the request of the County, the Applicant is currently in discussions with CDHC and the County about changes to the Downtown Columbia Plan as it relates to affordable housing. Based on those discussions, it is anticipated that the Housing Trust Fund structure will be changed and affordable housing will be included in each new rental residential project moving forward, including a percentage of units targeted to both the low income (30% of Howard County Area Median Income) population and the moderate income (80% of

Howard County Area Median Income) population. Additionally, a number of Low Income Housing Tax Credit (LIHTC) projects, including units targeted at the 50% of Howard County Area Median Income population, are anticipated to be developed through a partnership with the Applicant, CDHC, the County and the County Housing Commission.

18. Provide any other information which supports how the Development meets the Tax Increment Financing Guidelines (the "TIF Guidelines") adopted by the County, specific to the creation of a TIF District.

Applicant's Response:

The TIF Guidelines require that the developer requesting TIF financing has a significant investment at risk in the development relative to the amount of County investment in the public infrastructure funded through the TIF. The total cost of the Private Development is estimated to be $2,340,000,000. The total cost of the public improvements for the Development is estimated to be $170,790,246. The cost of the public improvements to be funded through the TIF is estimated to be $127,684,194. The relative investment of the Applicant to that of the County in the Development is approximately 18.3 to 1.0.

In compliance with the TIF Guidelines, the issuance of the TIF bonds for the Development will not have an adverse impact on the County's credit rating.

PART II – APPLICATION FOR TAX INCREMENT FINANCING

1. Provide relevant information on the Applicant's background and development experience. (Unless provided in Part I).

Provided in Part I.

2. Provide ownership information on the Applicant. (Unless provided in Part I).

Provided in Part I.

3. Provide names, addresses and contact information for the development team, including the engineer, architect, land planner, financial advisors, and attorneys. (Unless provided in Part I).

Provided in Part I.

4. Identify the area of the proposed Development by address and Tax Map parcel numbers(s). Include a map outlining the Development within the existing TIF District. Provide current assessments for land and improvements for each parcel.

A map and list of parcel numbers are attached as Exhibit 1.

5. Describe why the Development will not be economically feasible but for the establishment of a TIF District and how much TIF support is required to make the Development economically feasible, including:

Applicant's Response:

a. Provide information on all other alternative methods of financing that have been explored.

The financial crisis that began in 2008 has significantly changed the criteria for development loans. The public infrastructure necessary for the development of the entire Downtown as envisioned in the Downtown Columbia Plan is very substantial. Even when the public infrastructure is programmed into phases, the amount required up front for each phase is quite large. Despite the Applicant's significant equity investment in the Development, financing for public infrastructure of this magnitude is not available in the current commercial debt market.

b. Provide a pro-forma of all development costs and estimated revenues through the proposed term of the TIF financing.

Applicant has previously provided its pro-forma for the Development to the County and its Financial Advisor under separate cover.

c. Provide an explanation of the circumstances generating the need for TIF financing (as opposed to commercial financing).

See the response to 5.a above.

6. Identify sources, amounts, and status of all debt financing and/or equity funding available to complete the Development. Does the Applicant anticipate the debt to be privately financed by a construction lender or developer or publicly sold?

Applicant's Response:

In addition to the requested TIF financing for a portion of the costs of the public infrastructure, the Applicant intends to explore through its extensive relationships in the private debt and equity markets all possible sources of debt and equity to complete the Development. The Applicant expects to fund such costs through a combination of private construction financing and institutional and Developer-provided equity. Since the requested TIF financing is essential to the economic viability for the Applicant of the Development, the Applicant will be able to approach such potential funding sources once the County Council has approved the requested TIF financing and the contingency of this public support has been removed. The TIF bonds are expected to be sold in a limited public offering to institutional investors.

In addition, state separately the cost(s) associated with the development of the public infrastructure and the Private Development. Identify which costs you propose to fund with the tax increment and the proposed time frame for repaying that obligation. Include how public infrastructure or services not financed by the tax increment will be funded.

Applicant's Response:

Sizing for the total investment contemplated is estimated at \$2.34B, of which public infrastructure is approximately \$171M and private development is \$2.17B, or roughly 93% of total cost. The majority of TIF proceeds would fund public parking structures, with a small portion used to fund roadway network infrastructure. The combined total of TIF funded public improvements would be approximately \$128M. We anticipate the remaining funding sources estimated at \$2.2B to come from developer's cash reserves and traditional project-based debt financing, projected at 65%.

7. **Provide a market study or other financial analysis acceptable to the County supporting the economic feasibility of the Private Development.**

Applicant's Response:

Exhibit 6 includes the *Market Analysis for Development In Downtwn Columbia* prepared for Howard Hughes Corporation dated May 2, 2016.

8. **Identify any proposed tenants of the Development. Have leases been negotiated and signed? What type of lease is contemplated? What are the lease rates?**

Applicant's Response:

In the first phases of development under the Downtown Columbia Plan, numerous commercial leases have been executed, including tenants such as Whole Foods, Haven on the Lake, Corner Bakery, MOD Pizza, Floyd's Barbershop, Petit Louis, Clyde's (renovation), GP Strategies, Enterprise, and others. Leasing in the first new residential building (the Metropolitan) is approximately 50% complete as of June 2015. Lease negotiations are in progress with major office, retail and restaurant tenants for future phases, including Parcel C in the Warfield neighborhood and Areas 1 and 3 in the Crescent. No leases have yet been signed for these future parts of the project. Leases will include office, retail, restaurant, and residential leases. Leases are anticipated to be primarily space leases (as opposed to ground leases) with terms for commercial tenants generally being 5 years or longer, as appropriate to the specific building, tenant and type of use. Lease rates are anticipated to be at the higher end of the Columbia commercial and residential leasing markets.

9. List all entities who will own the property immediately after construction of the public infrastructure is completed.

Applicant's Response:

The Applicant and various single-purpose limited liability companies owned or controlled by HHC or jointly owned or controlled by HHC and one or more unrelated developers or investors; also, as to property currently not owned or controlled by HHC or an affiliate, various third-party property owners.

10. Provide evidence substantiating that the Applicant has sufficient financial resources to obtain the private financing necessary to complete the Development.

Applicant's Response:

The Applicant has extensive relationships with construction financing sources and equity providers, and intends to present evidence of sufficient commitments in the form of commitment letters and/or term sheets from one or more of such capital sources at the appropriate time. In addition, Applicant's parent is a publicly-traded New York Stock Exchange corporation with sufficient capitalization to fund the capital required to complete the Development in conjunction with the proceeds of the TIF bonds.

11. Describe any environmental hazards or contamination on the property.

Applicant's Response:

None known, as to property within the Development that is owned or controlled by the Applicant or its affiliates.

12. Provide any other information which supports how the Development meets the Tax Increment Financing Guidelines (the "TIF Guidelines") adopted by the County specific to the request for Tax Increment Financing.

Applicant's Response:

See Item 19 of Part I

Exhibit 1

Map Number	ACCTID	OWNER NAME	ACRES	2015 Assessed Value[1]
1	1415019891	TOWN CENTER E PARKING LOT	3.93	$0
2	1415019549	HRD HOLDINGS CORPORATION	2.29	$0
3	1415001739	COLUMBIA MALL BUSINESS TRUST	1.21	$2,617,100
4	1415009039	TOWN CENTER E PARKING LOT	1.68	$0
5	1415009047	INTERSTATE COLUMBIA LLC	6.20	$18,505,200
6	1415132353	TOWN CENTER EAST PARKING	0.23	$800
7	1415053860	HRD PARKING DECK BUSINESS TRUST	1.13	$0
8	1415120002	WINCOPIN RESTAURANT BUSINESS TRUST	0.32	$1,407,000
9	1415119993	HRD PARKING DECK BUSINESS TRUST	0.46	$0
10	1415041471	COLUMBIA MALL BUSINESS TRUST	1.58	$1,918,900
11	1415019379	COLUMBIA MALL BUSINESS TRUST	0.26	$108,400
12	1415041498	COLUMBIA MALL BUSINESS TRUST	1.82	$5,016,900
13	1415013745	WINCOPIN ASSOCIATES LLC	0.63	$8,717,700
14	1415019352	ACB PARKING BUSINESS TRUST	2.22	$839,300
15	1415031425	CLOVER ACQUISITIONS LLC	7.29	$20,076,600
16	1415019964	HOWARD RESEARCH AND DEVELOPMENT	9.19	$0
17	1415010967	COLUMBIA ASSOCIATION INC	0.96	$0
18	1415057009	10 CCC LLC	2.40	$8,900,000
19	1415042397	10/20/30 CCC PARKING DECK LLC	2.01	$0
20	1415057440	20 CCC LLC	1.41	$8,870,400
21	1415057459	30 CCC LLC	2.43	$10,864,200
22	1415077964	40 CCC PARKING DECK LLC	1.84	$0
23	1415077972	40 CCC LLC	2.18	$13,732,000
24	1415019921	HOWARD RESEARCH AND DEVELOPMENT	65.28	$6,792,300
25	1415126205	50/60/70 CCC PARKING DECK LLC	6.18	$0
26	1415595518	PARCEL C BUSINESS TRUST	0.22	$0
27	1415595516	PARCEL C BUSINESS TRUST	0.06	$0
28	1415130164	PARCEL D PROPERTY LLC	4.50	$0
29	1415126264	MALL ENTRANCES BUSINESS TRUST	0.85	$351,700
30	1415595159	PARCEL C PROPERTY LLC	2.61	$1,188,900
31	1415595515	PARCEL C PROPERTY LLC	0.47	$0
32	1415130156	PARCEL C PROPERTY LLC	2.36	$1,085,400

Source: Maryland State Department of Assessments and Taxation.

March 10, 2016

Parcel Map and District Boundary

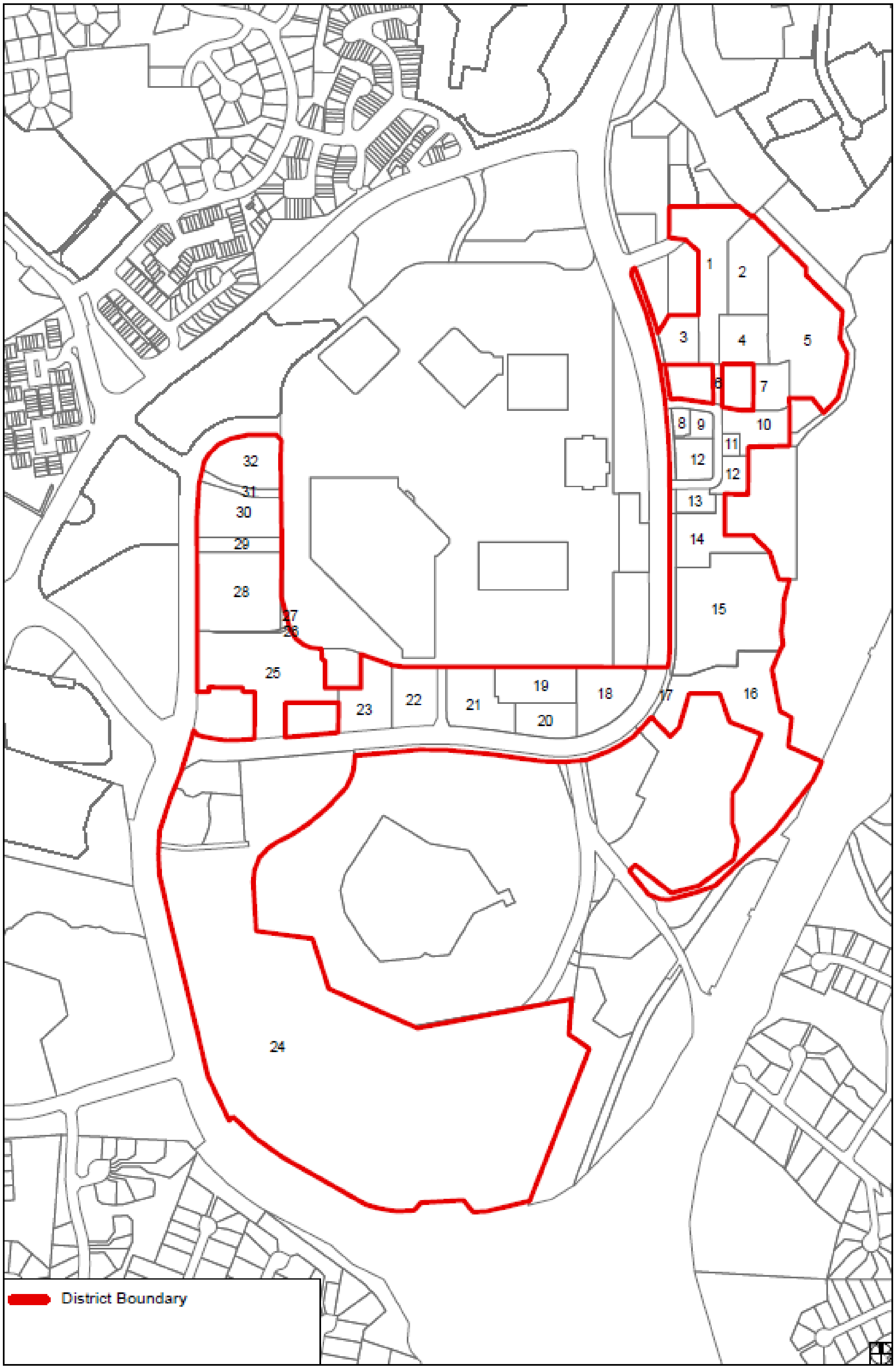

Exhibit 2

- Item	Total Budget	Total Qualified
Roads Segment 1:		
Merriweather Drive (2,076 LF)	$4,228,334	$4,228,334
Sky Lane (732 LF)	$899,599	$0
Hickory Ridge (714 LF)	$571,995	$571,995
Road segment 1 SW Piping, Treatment & Storage	$1,647,907	$1,647,907
Road Segment 1 water & sewer	$3,669,339	$3,669,339
Sub-total segment 1	$11,017,173	$10,117,574
Roads Segment 2:		
Completion of Merriweather Drive, North section	$3,937,008	$3,937,008
Road segment 2 SW Piping, Treatment & Storage (pro rata broken out - need info. from HRD)	$830,277	$830,277
Road Segment 2 water & sewer (pro rata broken out - need info. from HRD)	$1,836,687	$1,836,687
Sub-total segment 2	$6,603,973	$6,603,973
At-grade intersection improvements (multiple intersections)		
Governor Warfield/Twin Rivers	$359,355	$359,355
Little Patuxent/Swift Stream	$267,319	$267,319
Broken Land/Twin Rivers	$199,256	$199,256
Little Patuxent/Merriweather Drive	$499,905	$499,905
Broken Land/Hickory Ridge Signalization	$470,925	$470,925
Maintenance of traffic/nightwork premium	$123,165	$123,165
Physical improvement allowance	$978,075	$978,075
Sub-total intersection improvements	$2,898,000	$2,898,000
Stormwater roadway	$2,412,134	$2,412,134
Roads Segment 3 (Area 3 public roads)	$6,479,135	$0
Dry utilities	$1,181,250	$0
Multi-Use pathway (Crescent)	$1,426,359	$0
Area 3 park	$2,726,390	$0
Area 1 public space	$519,677	$0
Public parking (area 3; garage c3.3) 2,545 spaces	$51,168,911	$51,168,911
Public parking (area 3; garages C3.2 and C3.4) 418 total spaces	$8,404,167	$0
Total District #1	$94,837,170	$73,200,592
Crescent Phase II public parking structure (C-3R1 underground 190 spaces)	$5,787,994	$5,787,994
Crescent Phase II public parking structure (C-3LR4 underground 100 spaces)	$3,046,313	$3,046,313
Road segment 4 (NS Connector/jug handle)	$15,939,000	$15,939,000
Lakefront public parking structure (598 spaces)	$11,780,409	$11,780,409
Symphony Overlook public parking structure (2,000 spaces)	$39,399,360	$39,399,360
Total improvements (all districts)	**$170,790,246**	**$149,153,668**
Less: other sources of funds	**$0**	**($21,469,474)**
Qualified improvements financed by bonds	**$170,790,246**	**$127,684,194**

Exhibit 3

Ecconomic and Fiscal Impact Report for Downtown Columbia as prepared by
Cohn Resznick

Economic and Fiscal Impact Report for Downtown Columbia – 7.26.15

Contact:
Ira Weinstein
Ira.Weinstein@cohnreznick.com
410-783-8328

500 East Pratt Street
Suite 200
Baltimore, Maryland 21202

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EXECUTIVE SUMMARY

Economic Impact of Downtown Columbia Redevelopment

Execution of the Downtown Columbia Plan adopted in 2010 by Howard County will transform the suburban town center into a thriving, truly urban, walkable environment. Its economic benefits will be dramatic and far-reaching not only for Downtown Columbia residents, visitors, employers, and workers, but for the entire county, as well. This Economic Impact study quantifies those economic benefits, which are summarized below.

New Jobs

- Ongoing employment: 31,000 new jobs in technology, health care, cybersecurity, retail, etc.
- During construction: 25,800 total construction related jobs
  1,725 construction related jobs per year

Economic Impact

- During construction: $6.1 billion
- Ongoing, post-construction: $4.1 billion per year

Public Benefits

- Road improvements and additions totaling $46 million
- Improvements to Merriweather Post Pavilion
- Multiple parking garages with 20,000 spaces
- 4,300,000 square feet of commercial space
- 6,600,000 square feet of residential space
- Increased shopping, dining, and lodging options

New Tax Revenue to Howard County

Year	Annual Net New Tax Revenues to Howard County after projected TIF debt service (5 year intervals)	Cumulative Tax Revenue
2015	$0	$0
2020	$ 3 million	$ 7 million
2025	$ 9 million	$33 million
2030	$22 million	$116 million
2035	$25 million	$235 million
2040	$29 million	$373 million
2045	$42 million	$541 million

The remainder of this report documents the study's methodology, assumptions, and detailed estimates of the economic and fiscal impacts of executing the Downtown Columbia Plan.

BACKGROUND AND METHODOLOGY

Howard Hughes Corporation plans to undertake a substantial redevelopment of Downtown Columbia, Maryland, one of the first and most well-established Master-Planned Communities in the United States.

The development of Columbia began in 1963, when James Rouse purchased 14,000 acres in Howard County in order to build a new city. In 1965, the County created a special zoning district for the development, and the first of Columbia's villages began to take shape. By 1985, The Rouse Company was the whole owner of the entity leading Columbia's development. Rouse, which had previously purchased the Howard Hughes Corporation, was purchased by General Growth Properties (GGP) in 2004. Howard Hughes Corporation was spun off from GGP in 2010, and today HHC is the primary development entity for Downtown Columbia.

In 2010, Howard County adopted the Downtown Columbia Plan, an ambitious redevelopment proposal to transform the suburban town center dominated by the mall into a truly urban, walkable environment. Today, Howard Hughes contemplates a significant new era of construction in Downtown Columbia, with more than twelve million square feet of development by the year 2030. This project will require substantial investment in infrastructure, including roads and numerous parking structures. HHC and Howard County are working in partnership to evaluate the feasibility of Tax Increment Financing (TIF) as a tool to help ensure the economic feasibility and sustainability of the plan.

CohnReznick was retained to examine the economic impact of HHC's Downtown Columbia redevelopment proposal. The purpose of the analysis is to estimate the economic activity - including jobs and economic output - of the construction and ongoing operations of the project.

The project consists of 36 parcels to be developed over 15 years into a variety of uses, summarized below.

Table 1. Land Use Summary

Land Use	Square Feet	Units/Keys/Spaces
Residential	6,630,404	5,721
Commercial Office	4,300,000	
Retail	1,174,997	
Hotel	384,000	640
Civic/Cultural	196,450	
Structured Parking		20,396
Total	12,685,851	

Methodology[1]

This study examines the economic impact of the proposed development on Howard County. We utilized the IMPLAN version 3.1 software for economic analysis from IMPLAN Group LLC. By constructing social accounts that describe the structure and function of a specific economy, IMPLAN is used to create a localized model to investigate the consequences of projected economic transactions in a given geographic region. Used by over 2,000 public and private institutions, including numerous Maryland state agencies, IMPLAN is the most widely employed and accepted regional economic analysis software for predicting economic impacts. More detail on IMPLAN can be found in the attached Appendix A.

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Social Accounting Matrices can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region specific Social Accounting Matrices, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy. Direct effects are determined by the event as defined by the user (i.e. a $10 million dollar order is a $10 million dollar direct effect). The indirect effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor and taxes. Finally the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually these leakages will stop the cycle.

In order to prepare this report we created a baseline model for Howard County using 2013 county-level data provided by IMPLAN Group. We then created industry change activities (e.g. construction of an office building or retail center) by inputting the value of those activities as increased output for the appropriate industry sector. These industry change activities were then analyzed in order to generate the estimates for direct, indirect, and induced employment and economic output.

Certain components of the analysis, such as the impact of retail sales and the tax impact of the development, were derived using local sources including the Howard County, Maryland budget for Fiscal Year 2015.
IMPLAN summarizes employment and economic output in terms of direct, indirect, and induced impacts.

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[1] Software description adapted from MIG, Inc.,

Direct Impacts represent the actual jobs or output related to the activity in question, such as the number of construction workers employed on-site.

Indirect Impacts show the change inter-industry transactions, such as the local suppliers that will respond to increased demand caused by the development.

Induced Impacts reflect changes in local spending caused by the increased income earned by the direct and indirectly impacted industries.

This can be illustrated simply by imagining that a construction worker is hired to build a retail center (direct impact), the local lumber yard staffs up in response to the project's demand for wood (indirect impact), and the construction worker takes his family to dinner in a local restaurant (induced impact).

Assumptions

The following information was provided by the developer for use in assessing economic impact. Additional assumptions utilized by CohnReznick are explained in the body of this report.

Construction Costs

Construction costs for commercial structures were estimated at $300 per square foot inclusive of all hard and soft costs (but excluding land). Residential costs were calculated per building and provided by the developer.

Construction of structured parking spaces was estimated at $20,000 per space.

Road construction was estimated to be $46 million over the life of the project.

All costs and impacts are in 2015 dollars.

Development Timing

The project schedule provided by HHC shows development commencing in 2016 and completed in 2030, a 15-year build out. While construction starts and project delivery will occur in different years, for modeling purposes we assumed that the construction cost of each structure will be incurred in the year indicated. Variation in this schedule would not necessarily change the total impacts of the project but could impact the timing of those impacts.

Road construction is assumed to occur in two phases, each lasting two years (2016-2017, 2021-2022). The first phase of road construction will total $30 million. The remaining $16 million will occur in the second phase.

Table 2. Development Timing

Year	Residential	Office	Retail/Rest	Hotel	Civic	Total
2016	0	204,000	9,000	0	0	213,000
2017	0	125,000	5,000	0	0	130,000
2018	856,586	261,000	107,400	0	25,000	1,249,986
2019	981,760	480,600	101,480	180,000	0	1,743,840
2020	352,400	280,000	6,500	0	20,000	658,900
2021	368,160	300,000	22,850	0	0	691,010
2022	234,000	384,150	12,430	102,000	0	732,580
2023	395,158	145,000	0	0	151,450	691,608
2024	425,975	362,050	132,191	0	0	920,216
2025	809,737	261,000	136,191	102,000	0	1,308,928
2026	502,728	353,000	131,191	0	0	986,919
2027	425,975	300,000	140,191	0	0	866,166
2028	425,975	175,000	121,191	0	0	722,166
2029	425,975	400,000	128,191	0	0	954,166
2030	425,975	269,200	121,191	0	0	816,366
Total	6,630,404	4,300,000	1,174,997	384,000	196,450	12,685,851

Commercial Occupancy & Retail Sales

The project will include 1,174,997 square feet of retail space, and 49% of that space (575,749 square feet) is modeled to be restaurants. The remaining space will consist of a variety of retail merchants.

The ratio of leasable space to gross square footage for office and retail is estimated at 90%.

The occupancy rate for commercial office space is estimated at 90%.

The occupancy rate for retail space is estimated at 95%.

Using these assumptions, at build-out the project would yield 3,483,000 square feet of occupied commercial office space, and 1,004,622 square feet of occupied retail space.

Retail sales per square foot are estimated at $500.

In 2015 dollars, annual retail sales for the completed project would total $502,311,218.

Residential Mix & Pricing

The project will include 5,721 residential units. According to our analysis of the parcel distribution, 5,399 units will be rental apartments and 322 units will be for-sale condominiums. The average net saleable/leasable square footage will be 1,300 for the for-sale units and 1,000 square feet for rental units.

Table 3. Residential Program [note changes in project names below]

Building	Name	Total Residential Units	Completion Year
3R1	Area 3 Resi Building 1	313	2018
3R2	Area 3 Resi Building 2	163	2018
3R3	Area 3 Resi Building 3	322	2019
L-B	Lakefront Condos	84	2020
L-E/F	ACB Redevelopment	343	2019
L-H	Shared Pkg Deck / Residential	250	2018
L-L	Ridgely site project	312	2021
L-M	Stacked Townhomes	88	2020
L-N	Residential Condo Project 2	150	2022
3R4	Area 3 Resi Building 4	166	2019
3R5	Area 3 Lib/Resi + Public Pkg	335	2023
4b	Area 4 New Fire Station Site	80	2020
L-O	Lakefront Site 3	312	2023
L-P	Lakefront Site 4	312	2024
M-1	Central Site 1	312	2025
M-2	Central Site 2	312	2026
M-3	Central Site 3	312	2027
M-4	Central Site 4	312	2028
M-5	Central Site 5	281	2029
M-6	Central Site 6	181	2030
EFS	Existing Fire Station Site	220	2020
TOB	Toby's Site	200	2019
LIB	Existing Library Site	300	2025
FTC	Future Transit Center Site	60	2026
Total		5,721	

The average rent per square foot for apartments is $2.50 per square foot ($2,500 per month). The average sale price of condominiums is $520,000.

Civic Uses

The development includes 196,450 square feet of civic uses at buildout. We have included this space in the calculation of construction impacts, but have excluded it from the ongoing economic and fiscal impact analyses. The benefits of this space will be additive to the results of this report.

ECONOMIC IMPACT OF THE DEVELOPMENT

The economic impact of the development includes one-time and on-going (recurring) impacts.

One-Time Economic Impact

The one-time economic impact occurs over the 15-year construction phase. We calculated these impacts in 2015 dollars. The resulting economic impact of the construction phase is summarized below:

Table 4. Total Economic Output: Construction

Use	Direct	Indirect	Induced	Total
Residential	$1,689,695,062	$527,885,722	$543,871,840	$2,761,452,624
Office	$1,290,000,048	$211,412,045	$423,691,494	$1,925,103,587
Retail/Restaurant	$352,499,113	$57,769,423	$115,775,869	$526,044,405
Hotel	$115,200,004	$18,879,587	$37,836,636	$171,916,227
Civic/Cultural	$58,935,002	$9,658,581	$19,356,789	$87,950,372
Parking	$406,740,015	$66,658,710	$133,590,913	$606,989,638
Roads	$46,000,002	$11,092,122	$12,568,421	$69,660,545
TOTAL	$3,959,069,246	$903,356,190	$1,286,691,962	$6,149,117,398
AVG/ANN	$263,937,950	$60,223,746	$85,779,464	$409,941,160

The $4 billion construction project will generate $903 million in indirect and $1.3 billion in induced economic output. This is a total of $6.1 billion in economic output, meaning that every dollar spent on construction generates $1.55 in economic activity (the multiplier).

Table 5. Total Employment: Construction

Use	Direct	Indirect	Induced	Total
Residential	6,601	3,393	1,377	11,372
Office	6,551	657	1,072	8,280
Retail/Restaurant	1,790	179	293	2,262
Hotel	585	59	96	739
Civic/Cultural	299	30	49	378
Parking	2,066	207	337	2,610
Roads	163	37	32	232
TOTAL	18,056	4,562	3,255	25,874
AVG/ANN	1,204	304	217	1,725

The project will generate 18,056 man-years of direct employment over the 15-year project. The average annual direct employment during construction is 1,204 jobs. Including indirect and induced jobs, the project will support 1,725 total jobs per year during construction.

Construction impacts will increase and decrease with the pace of development. Annual impacts over the life of the project are shown below.

Table 6. Total Economic Output by Year: Construction

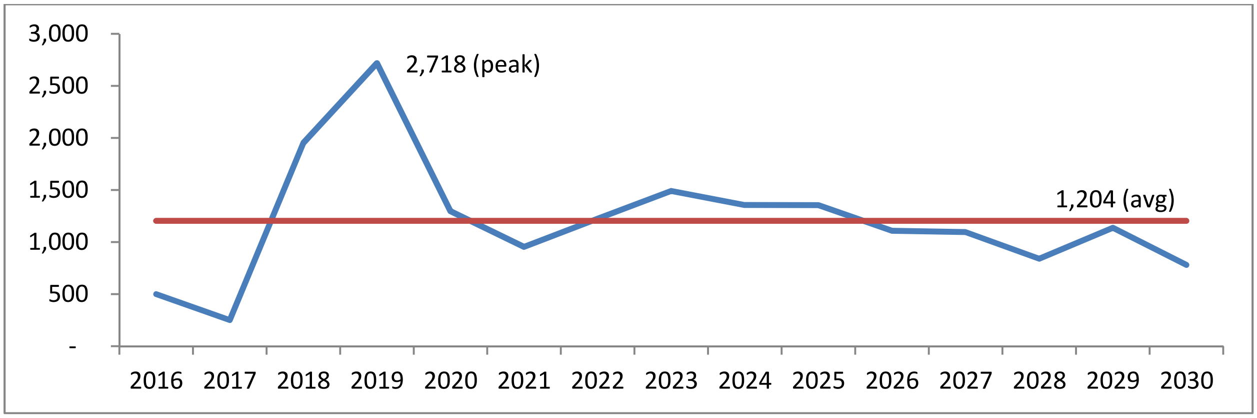
Output by Year	Direct	Indirect	Induced	Total
2016	$102,830,579	$18,011,137	$32,945,737	$153,787,453
2017	$54,000,002	$10,008,523	$16,907,676	$80,916,201
2018	$430,929,026	$100,523,815	$140,213,549	$671,666,391
2019	$605,746,076	$144,688,600	$196,944,994	$947,379,671
2020	$289,026,330	$68,990,937	$93,972,576	$451,989,843
2021	$207,156,020	$45,414,315	$67,117,633	$319,687,968
2022	$259,505,417	$53,470,719	$84,334,546	$397,310,683
2023	$349,426,332	$93,290,685	$113,173,787	$555,890,804
2024	$295,081,322	$66,495,045	$96,115,528	$457,691,895
2025	$301,544,043	$71,963,442	$98,043,207	$471,550,692
2026	$239,774,462	$53,334,094	$78,131,525	$371,240,082
2027	$234,521,168	$50,543,380	$76,491,443	$361,555,991
2028	$184,301,677	$42,307,242	$59,997,463	$286,606,382
2029	$240,901,254	$50,371,899	$78,640,752	$369,913,905
2030	$164,325,539	$33,942,355	$53,661,545	$251,929,439
Total	$3,959,069,246	$903,356,190	$1,286,691,962	$6,149,117,398

Table 7. Total Employment by Year: Construction

Jobs Per Year	Direct	Indirect	Induced	Total
2016	499	57	83	639
2017	251	32	43	326
2018	1,953	521	355	2,828
2019	2,718	767	498	3,983
2020	1,297	365	238	1,900
2021	954	217	170	1,341
2022	1,224	239	213	1,676
2023	1,490	541	286	2,318
2024	1,356	333	243	1,932
2025	1,354	381	248	1,983
2026	1,107	264	198	1,568
2027	1,096	242	194	1,531
2028	841	216	152	1,208
2029	1,138	233	199	1,569
2030	779	154	136	1,069
Total	18,056	4,562	3,255	25,874

Construction employment will peak in 2019 with 2,718 direct construction jobs.

Figure 1. Direct Employment by Year: Construction



Recurring Economic Impact

Once the development is completed, the on-going economic impact will result from wages and other spending by the primary users of the development.

Office

The proposed development will create a substantial employment center that will have a significant impact on the local economy. We estimate that at buildout, nearly 14,000 employees will be working in the project's office component.

Table 8. Office Assumptions

Office Square Footage	4,300,000
Efficiency	90%
Gross Leasable Area (GLA)	3,870,000
Occupancy Rate	90%
Occupied Square Footage	3,483,000
Square Feet per Employee	250
Total Employees	13,932

For modeling purposes, we assumed an even distribution of employment in the sectors / key industries that are being targeted for tenancy. The impacts of this employment will ultimately be generated and in large part captured by the companies that occupy space in the development. Those impacts are summarized below.

Table 9. Total Economic Output:Office (recurring)

Direct	Indirect	Induced	Total	Total Impact/SF
$2,103,560,730	$518,059,544	$756,936,711	$3,378,556,985	$786

Table 10. Total Employment: Office (recurring)

Direct	Indirect	Induced	Total	SF/Dir. Employee
13,932	3,475	5,292	22,699	250

Retail

Retail spending will be a significant ongoing economic impact of the development. The economic impact of retail sales is based on margins as opposed to gross sales, recognizing that the revenue from wholesale purchases is most likely to be recognized outside of Howard County. Margin assumptions are incorporated as part of IMPLAN's trade flow model.

In order to estimate the ongoing retail impact, we developed a hypothetical retail mix to represent the store types that may be found in the development at build out. A more detailed analysis could be completed once the mix of retail store types is solidified.

Table 11. Retail Mix

Store Type	Share of Square Footage
Miscellaneous Retail	15%
General Merchandise	10%
Food & Beverage	11%
Health	5%
Clothing & Accessories	10%
Full Service Restaurants	24%
Limited Service Restaurants	25%

The average sales-per-foot is assumed to be $500. Based on the occupied square footage of 1,004,622, this represents a total of $502,311,218 in retail sales per year at buildout. This level of spending will have a recurring impact of $527.6 million and create 7,100 jobs (direct, indirect, and induced). Outside the scope of this report, retail sales will also generate significant sales taxes for the State of Maryland.

Table 12. Total Economic Output: Retail (recurring)

Direct	Indirect	Induced	Total	Total Impact/SF
$339,507,123	$89,201,508	$98,842,954	$527,551,585	$449

Table 13. Total Employment: Retail (recurring)

Direct	Indirect	Induced	Total	SF/ Dir. Employee
5,902	507	691	7,100	165

Hotel

We estimated the number of employees that would be required to operate the proposed hotels, which will total 640 rooms. We assumed a nightly rate of $200 and an occupancy rate of 70%. This generates annual room revenue of $32,704,000 (or $51,100 per room). Using IMPLAN, we modeled the impacts of this increase in hotel sales in Howard County. The results of that analysis are summarized below.

Table 14. Total Economic Output: Hotel (recurring)

Direct	Indirect	Induced	Total	Total Output/Room
$16,679,541	$4,086,319	$3,622,529	$24,388,389	$81,295

Table 15. Total Employment: Hotel (recurring)

Direct	Indirect	Induced	Total	Direct Jobs/ Occ. Room
160	27	25	213	0.7

Residential

Multifamily rental units will average 1,000 square feet and rent for an average of $2,500 per month ($2.50 per square foot). Assuming a monthly payment of 30% of household income, the average household income of households renting an apartment in the development will be $86,008.

We assume 95% of the 5,399 rental units will be occupied, or 5,129 units. Total income of all rental households in the development will be $467,656,413.

For-sale condominium units will average 1,300 saleable square feet and sell for $520,000 ($400 per square foot). Based on market assumptions and 22% of income spent on housing, the average household income of condominium owners will be $153,176.

We assume that 100% of the 322 for-sale units will be occupied. Total income of all condominium households in the development will be $49,322,523.

Annual income from all households within the development will be $516,978,936. In order to model household expenditures in IMPLAN only income after taxes should be counted. To be conservative we assume that income after taxes is 70% of gross[2], or $361,885,255. A portion of the induced retail spending generated by new households is already accounted for by the retail sales per square foot assumption used to model ongoing retail impacts. We have adjusted the impacts from household spending down 10% to prevent double counting. Household expenditures in this analysis also include rent.

Table 16: Impact of Household Expenditures

Induced Spending	Induced Employment
$232,837,204	1,591

[2] The combined Federal and State effective tax rate for Maryland is 24.3% for households in the relevant tax bracket. Source: Institute on Taxation and Economic Policy; Tax Policy Center of Brookings and the Urban Institute.

FISCAL IMPACT OF THE DEVELOPMENT

As part of our analysis, we were asked to prepare a high-level fiscal impact analysis to estimate the potential tax revenue and associated costs of servicing the development. We recommend that a complete fiscal impact analysis be prepared in order to understand the detailed costs and benefits of the project.

Revenue

The Downtown Columbia development will generate revenue for Howard County and the State of Maryland through a variety of sources. We calculated the revenue to the county from real estate taxes, county income taxes, and hotel occupancy taxes.

Real estate taxes were calculated using the construction value of the structures (including parking) taxed at a rate of $1.014 per $100.

Income taxes are calculated based on 84% of the average income of households in the development multiplied by the county tax rate of 3.2%.

Hotel accommodation taxes are 5% of hotel revenue, which is the portion of the county's hotel tax available to the general fund.

Costs

The following schedule provides an estimate of the county budget and the per-household and per-pupil cost of services. A detailed fiscal impact analysis should be undertaken to appropriately account for the true cost of serving homes and businesses in the development over an extended period of time. Some services are more appropriately calculated as a per capita or per employee cost. Therefore this information is presented for illustrative purposes only.

The Howard County general fund budget for 2015 is just over $1 billion. Non education expenses average $6,085 per household based on 106,142 households in the county. Education costs equal $9,734 per pupil based on September 2014 enrollment of 52,511 students.

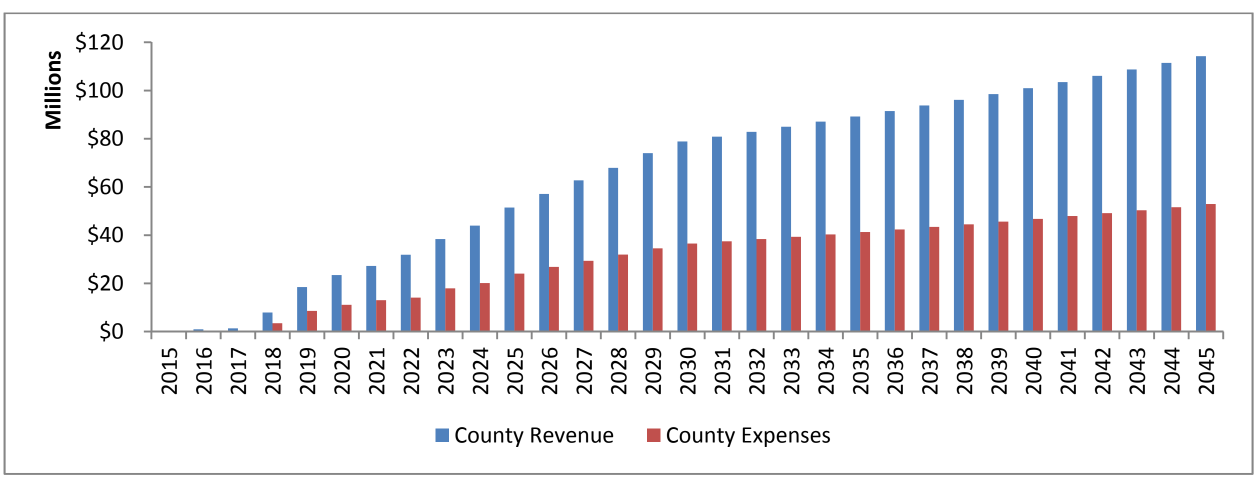
Table 18: Summary of Howard County General Fund Expenditures

County Expenditures	FY 2015 Budget	Per HH	Per Pupil	Adjustment	New
Education	$ 511,143,767		$ 9,734	100%	
Library/Comm Coll	$ 127,785,942	$ 602		100%	$ 602
Public Safety	$ 118,716,133	$ 1,118		90%	$ 1,007
Public Facilities	$ 62,039,818	$ 502		95%	$ 476
Community Services	$ 58,073,435	$ 547		70%	$ 383
Legislative & Judicial	$ 24,400,394	$ 230		95%	$ 218
General Government	$ 25,878,457	$ 244		95%	$ 232
Non-Departmental Expenses	$ 98,512,369	$ 928		95%	$ 882
Total	$ 1,026,550,315	$ 4,171	$ 9,734		$ 3,800

There are 0.49 pupils per household in Howard County. We adjusted this number down to 0.085 pupils per household based on the County's previous analysis of development impacts and the developer's actual pupil generation in other projects. At buildout, this yields 463 total students in the development. We also reduced the county expenditures per household for certain categories as shown above.

The annual net fiscal benefit to the county at various points in the development is in the table below (this includes the impact to revenue and expense of the County net of the debt service on the tax increment financing as currently contemplated). The graph below only reflects the revenue and expenses incremental to the County. Costs and revenue have been escalated at a 2.5% annual rate. Net benefits are discounted at a rate of 6%.

Net Impact				Cumulative	
		In Year	Average Through	Not Discounted	Discounted
Year	10	$9,064,753	$4,108,421	$32,867,370	$18,352,968
Year	20	$25,257,101	$13,051,325	$234,923,846	$73,250,366
Year	30	$41,726,356	$19,318,744	$540,924,828	$94,180,493



PHASE I IMPACTS

We were asked to consider the impact of the project's first phase, commencing in 2016. Phase I includes six years of development between 2016-2021. The total economic impact of this phase is more than $870 million, or $145 million per year during construction. The construction of Phase I will support an average of 613 total construction-related jobs per year.

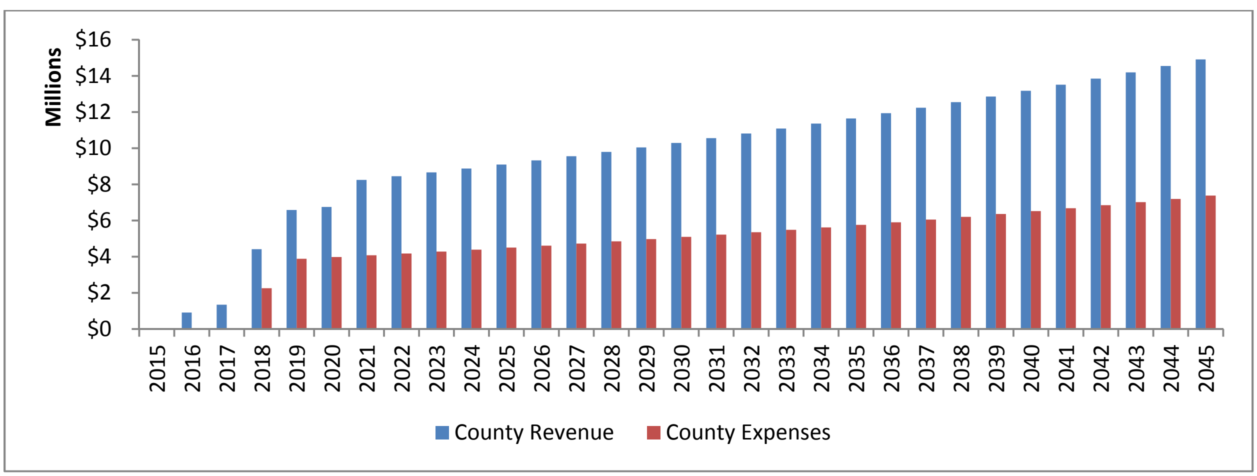
Once operating, the Phase I projects will have an annual economic impact of $601 million and 4,531 jobs, including 2,855 direct jobs.

Table 19: Phase I Economic Impact

Construction	Direct	Indirect	Induced	Total	Per year
Total Output	$ 565,005,021	$ 123,313,280	$ 182,245,340	$ 870,563,641	$ 145,093,940
Employment	2,641	578	461	3,680	613
Operations					
Total Output	$ 354,754,810	$ 88,123,093	$ 157,773,646	$ 600,651,549	
Employment	2,855	578	1,097	4,531	

We also considered the fiscal impact of Phase I using the same methodology applied previously to the entire project. Phase I is expected to generate 65 pupils, and will have annual net fiscal benefits of:

Net Impact				Cumulative	
		In Year	Average Through	Not Discounted	Discounted
Year	10	$4,598,627	$3,178,999	$31,789,993	$17,751,366
Year	20	$5,886,631	$4,229,908	$84,598,167	$26,378,108
Year	30	$7,535,385	$5,073,236	$152,197,095	$26,499,056



CONCLUSIONS

The proposed development will have a substantial impact on the local economy. The one-time economic impact during construction will be approximately **$410 million** and **1,700 jobs per year** including direct, indirect, and induced impacts. Over the 15-year construction period the total economic impact will be more than **$6.1 billion**. Recurring impacts at buildout will include **$4.2 billion** in total output and more than **31,000 permanent jobs**. The economic impact of the project is summarized below.

Table 20: Summary of Economic Impact

Total Output	Direct	Indirect	Induced	Total
Construction (Total)	$3,959,069,246	$903,356,190	$1,286,691,962	$6,149,117,398
Construction (Annual)	$263,937,950	$60,223,746	$85,779,464	$409,941,160
Recurring	$2,459,747,394	$611,347,371	$1,092,239,398	$4,163,334,163

Total Jobs	Direct	Indirect	Induced	Total
Construction (Total)	18,056	4,562	3,255	25,874
Construction (Annual)	1,204	304	217	1,725
Recurring	19,994	4,009	7,600	31,603

APPENDIX A – ABOUT IMPLAN

IMPLAN is a computer software package that allows the analyst to estimate local input-output models and associated databases. IMPLAN is the industry standard for Economic Impact Analysis, and is currently used by hundreds of government agencies, colleges and universities, non-profit organizations, corporations, and business development and community planning organizations, including:

- MD Department of Business & Economics
- MD Department of Natural Resources
- MD Department of Transportation

IMPLAN was originally developed by the U.S. Forest Service in cooperation with the Federal Emergency Management Agency and the U.S. Department of the Interior's Bureau of Land Management to assist in land and resource management planning. Since 1993, the IMPLAN system had been developed under exclusive rights by MIG (formerly the Minnesota IMPLAN Group, Inc.) which licenses and distributes the software to users. In 2011, MIG was purchased by IMPLAN Group LLC. Currently, there are hundreds of licensed users in the United States including universities, government agencies, and private companies.

The economic data for IMPLAN comes from the system of national accounts for the United States based on data collected by the U. S. Department of Commerce, the U.S. Bureau of Labor Statistics, and other federal and state government agencies. Data are collected for 528 distinct producing industry sectors of the national economy corresponding to the Standard Industrial Categories (SICs). Industry sectors are classified on the basis of the primary commodity or service produced. Corresponding data sets are also produced for each county in the United States, allowing analyses at the county level and for geographic aggregations such as clusters of contiguous counties, individual states, or groups of states.

Data provided for each industry sector include outputs and inputs from other sectors, value added, employment, wages and business taxes paid, imports and exports, final demand by households and government, capital investment, business inventories, marketing margins, and inflation factors (deflators). These data are provided both for the 528 producing sectors at the national level and for the corresponding sectors at the county level. Data on the technological mix of inputs and levels of transactions between producing sectors are taken from detailed input-output tables of the national economy. National and county level data are the basis for IMPLAN calculations of input-output tables and multipliers for local areas.

The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a local economic area. Multipliers may be estimated for a single county, for groups of contiguous counties, or for an entire state; they measure total changes in output, income, employment, or value added.

For a particular producing industry, multipliers estimate three components of total change within the local area:

- Direct effects represent the initial change in the industry in question.
- Indirect effects are changes in inter-industry transactions as supplying industries respond to increased demands from the directly affected industries.
- Induced effects reflect changes in local spending that result from income changes in the directly and indirectly affected industry sectors.

Exhibit 4

Site Plan Approval PDFs

To Be Provided Upon Request

Includes 30+ PDF Approval Documents in Excess of 1,200 Pages

Exhibit 5

Development Map, Photos, and Renderings

Special Tax District 3

Parcel S-A	
Office	300,000 sf
Retail/Restaurant	19,000 sf
Privately Financed Garage	1,050 sp
Parcel S-B	
Office	280,000 sf
Parcel S-C	
Office	145,000 sf
Parcel S-D	
Office	400,000 sp
Retail/Restaurant	7,000 sf
Privately Financed Garage	457 sp
Parcel S-E	
Publicly Financed Garage	*2,000 sp*
Residential	*60 units*
Parcel S-F	
Surface Parking	400 sp
Total Program (sf)	**1,195,400 sf**

Special Tax District 2

Parcel L-A	
Surface Parking	284 sp
Parcel L-B	
Residential	84 units
Privately Financed Garage	413 sp
Parcel L-C	
Offcie	20,000 sf
Whole Foods	45,000 sf
Health Center	28,000 sf
Parcel L-E/F	
Residential	330 units
Retail/Restaurant	17,000 sf
Privately Financed Garage	495 sp
Parcel L-G	
Office	36,000 sf
Retail/Restaurant	12,000 sf
Parcel L-H	
Residential	240 units
Retail/Restaurant	16,000 sf
Publicly Financed Garage	*598 sp*
Privately Financed Garage	360 sp
Parcel L-I	
Surface Parking	34 sp
Parcel L-J	
Office	9,868 sf
Retail/Restaurant	10,496 sf
Parcel L-L	
Residential	300 units
Retail/Restaurant	12,850 sf
Privately Financed Garage	450 sp
Parcel L-M	
Townhouses	88 units
Parcel L-N	
Residential	150 units
Privately Financed Garage	375 sp
Total Program (sf)	**1,555,450 sf**

Special Tax District 1

Parcel C-1O1	
Office	204,000 sf
Retail/Restaurant	9,000 sf
Parcel C-1O2	
Office	125,000 sf
Retail/Restaurant	5,000 sf
Parcel C-1G	
Privately Financed Garage*	1,127 sp
Parcel C-1O3	
Office	310,000 sf
Retail/Restaurant	12,800 sf
Privately Financed Garage*	1,010 sp
Parcel C-2O1	
Office	289,000 sf
Parcel C-2O2	
Office	279,000 sf
Retail/Restaurant	10,000 sf
Parcel C-2O3	
Office	287,400 sf
Retail/Restaurant	15,000 sf
Parcel C-2G	
Privately Financed Garage*	2,550 sp
Parcel C-2R1	
Residential	400 units
Privately Financed Garage	600 sp
Parcel C-3R1	
Residential	400 units
Retail/Restaurant	38,000 sf
Privately Financed Garage	600 sp
Publicly Financed Garage (Under Ground)	190 sp
Parcel C-3R2	
Residential	315 units
Retail/Restaurant	57,800 sf
Privately Financed Garage	473 sp
Publicly Financed Garage	109 sp
Parcel C-3R3	
Residential	436 units
Retail/Restaurant	47,600 sf
Privately Financed Garage	654 sp
Publicly Financed Garage	309 sp
Parcel C-3LR4	
Residential	250 units
Hotel	250 keys
Civic	70,000 sf
Privately Financed Garage	600 sp
Publicly Financed Garage (Under Ground)	100 sp
Parcel C-3Park	
Civic/ Recreation	25,000 sf
Retail/Restaurant	6,810 sf
Parcel C-3O1	
Office	323,000 sf
Retail/Restaurant	24,000 sf
Parcel C-3O2	
Office	311,000 sf
Retail/Restaurant	12,000 sf
Parcel C-3G	
Retail/Restaurant	4,700s sf
Publicly Financed Garage	2,545 sp
Parcel C-4O1	
Office	175,000 sf
Retail/Restaurant	7,000 sf
Privately Financed Garage	555 sp
Parcel C-4R1	
Residential	90 units
Privately Financed Garage	135 sp
Total Program (sf)	**4,877,500 sf**

* To be subject to agreement to provide MPP Parking

DESIGNCOLLECTIVE
ARCHITECTURE | PLANNING | INTERIORS

Downtown Columbia TIF District

CONFIDENTIAL
CONCEPTUAL - SUBJECT TO CHANGE

December 09, 2015

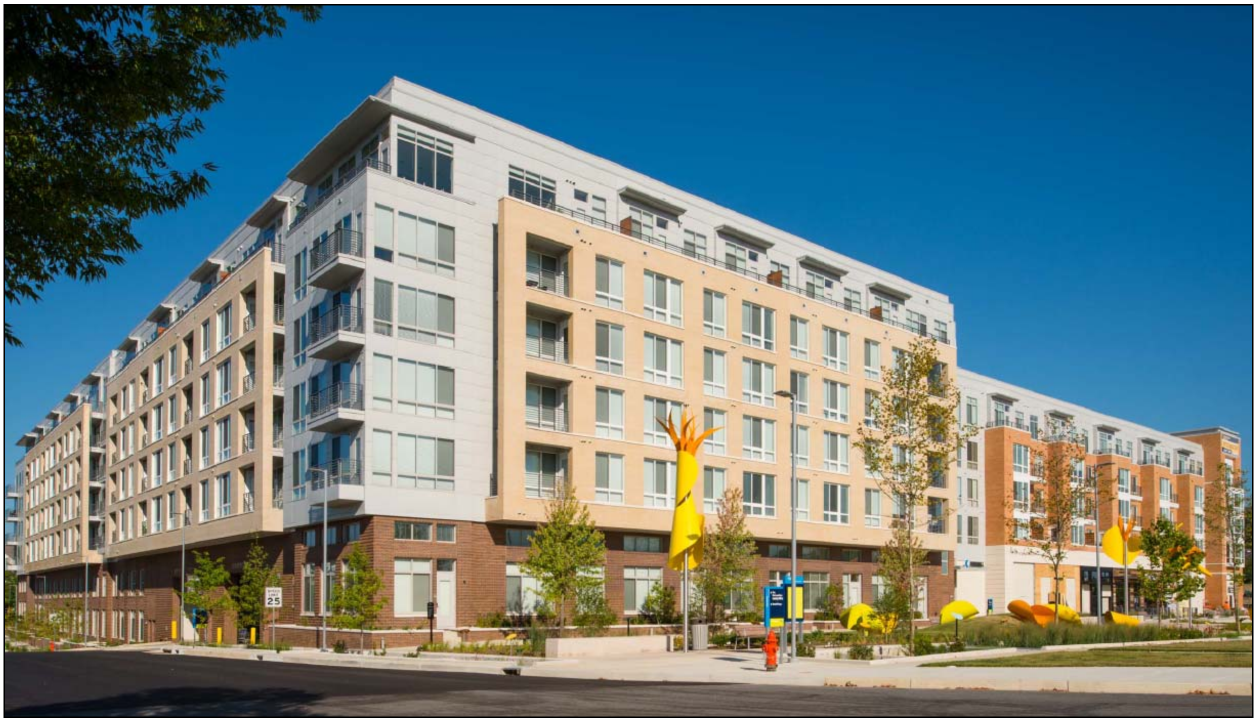


Exhibit 6

RCLCO Market Analysis

Market Analysis for Development In Downtown Columbia

Columbia, MD

Prepared for Howard Hughes Corporation | Columbia, Maryland | May 2, 2016

Contents

Objectives

The Howard Hughes Corporation has been aggressively planning and now implementing development and redevelopment opportunities on land in various parts of Columbia Town Center, RCLCO has provided a supporting role for this planning effort including market feasibility and strategic planning support over the last several years.

RCLCO understands that Howard Hughes is now revisiting this effort and will need to have updated market information.

The objective of this report is to provide a detailed market assessment for office, residential, retail, and hospitality land uses, incorporating current information and taking account of other ongoing development in the county, including a quantification of the depth of demand for these uses, an analysis of current supply and demand conditions affecting the ongoing redevelopment of Columbia Town Center, and a timeline for projected delivery and absorption of new development into the marketplace.

This report was prepared by Erin Talkington, Vice President and Margaret Liddon, Senior Associate under the direction of Adam Ducker, Managing Director.

Key Findings

- Employment growth in Howard County is expected to be robust in the near future, adding 4,000 new jobs annually through 2020 before flattening out to an average of 2,600 new jobs added per year. This rate of growth is consistent with historical patterns of growth in the County.
- Howard County has a strong demographic base of affluent and well-educated households. The distribution of incomes across all age groups skews higher than in neighboring counties or the Baltimore-Washington region overall. This bodes well for residential development as well as for attracting office and retail tenants.

Multifamily Rental

- Until 2014, the Howard County rental apartment market had no new deliveries, resulting in low vacancy and low rental rate growth. This trend has begun to change with proof of The Metropolitan leasing-up at a quick pace of 26 units per month on average at top-of-the-market rents and overall Class A occupancy beginning an upward climb after bottoming out in 4Q 2014.
- Utilizing a segmentation strategy that targets market rate renters, affordable renters, and seniors renters, RCLCO estimates that Downtown Columbia could potentially absorb 2,500 new market rate units, 800 seniors units, and 400 affordable units over a 10 year time period. Based on this absorption schedule, plans to deliver 2,500 market rate rental units over 7 years is reasonable given that large buildings typically have lease-up timeframes that extend beyond the year they deliver.

For-Sale Condo/Townhome

- The for-sale housing market suffered during the Great Recession, but has begun recovering. Sales volumes are still well-below those seen in the peak of the market, but have been steadily increasing, with an average of 3,400 units sold annually, about half of which are condos or townhomes. Average prices for condominiums are growing, hitting $240,000 in 2014, though this pricing is also likely constrained by the lack of new condominium units in the county.
- As the Baby Boomer generation looks to downsize and the Millennial generation looks for entry-level homes, there is a strong opportunity for townhomes and condominium units in Downtown Columbia. RCLCO estimates that Downtown Columbia could absorb 650 for-sale units over the next 10 years, representing a 10% capture rate of market-rate demand in the primary market area (Howard County and western Anne Arundel County). Even at top of market price points, RCLCO expects sufficient demand for new for-sale product based on the high ownership rate in the County and the lack of new high quality product in recent years.

Office

- The office market in Howard County has grown steadily for the last several decades. Howard County has experienced average annual net absorption of roughly 250,000 SF of space over the past 5 years. Vacancy hit 15% in the years following the Recession, but has fallen to 9% in the last year, which has aided strong rental rate growth in both Howard County and Columbia Town Center.
- With the regeneration of Downtown Columbia and the planned residences, restaurants, entertainment, and retail, RCLCO expects that the Howard County market will continue to perform well, and may be able to increasingly capture new office employment growth. Over the next 15 years, RCLCO expects demand for 13.1 million square feet of new office space in Anne Arundel and Howard Counties. With a significant but reflective capture of Howard County demand and attracting some demand expected in Anne Arundel County, RCLCO estimates Downtown Columbia could absorb 3.0 to 3.5 million square feet of new office space over the next 15 years. Annual office absorption is notably inconsistent on a year to year basis, with some exceptionally high years and many stable ones, over time actual absorption will likely converge towards the forecasted average annual.

Key Findings

Retail

- The Columbia retail market is mature and sophisticated, with a natural hierarchy of space (neighborhood, community/big box, and regional mall) that was part of the original vision of the master-plan. The strength of the retail market is evidenced by very low vacancies, especially among power, lifestyle, and regional shopping centers, which sits at less than 1%, and high rents relative to the rest of the market at $40.00 per square foot (NNN). Including other shopping centers, the market is still very healthy and robust, with vacancies under 5% and rents at $18.25 per square foot (NNN).
- Over the next decade, as the number of households is expected to more than double and the daytime employment base is expected to continue to expand within the Town Center assuming Howard Hughes' plans for office and residential development go according to schedule, an additional 500,000 to 550,000 SF of retail should be supportable, both as ground floor retail in mixed-use buildings and as stand alone retail space.
- The ability to deliver high-performing new retail space is intricately linked to the quantity and pace of new residential and office development. New employees and residents will generate substantial demand for new retail space. Conversely, new and exciting retail will only further enhance Columbia's ability to attract new residents and employees. This logic of delivering new, high quality product and a compelling, walkable, and mixed-use environment will likely increase the County's and downtown's potential absorption over the next ten years relative to historical averages.

Hospitality

- The Columbia hotel market is performing well with high occupancies and growing revenue per available room in recent years, Characterized by dated stock, new hotel keys would be a welcome addition to Downtown Columbia, especially with the introduction of new office space and residential units.
- Over the next 10 years, RCLCO estimates that an additional 270-300 upscale rooms can be supported in the Columbia market, filled by a major flag and/or a high-end boutique hotel, such as Renaissance or Hyatt, which are not present in the market today. Additionally, there is demand for limited service hotels with 675-775 additional keys demanded by 2024. These hotels could range from extended stay brands to Midscale limited service flags, such as Four Points by Sheraton or Hyatt House.
- Increasingly, limited service and upscale hotels prefer mixed-use environments. If Columbia Town Center captured 50% of future hotel demand, it could support an additional 500 new keys by 2024.

Economics and Demographics

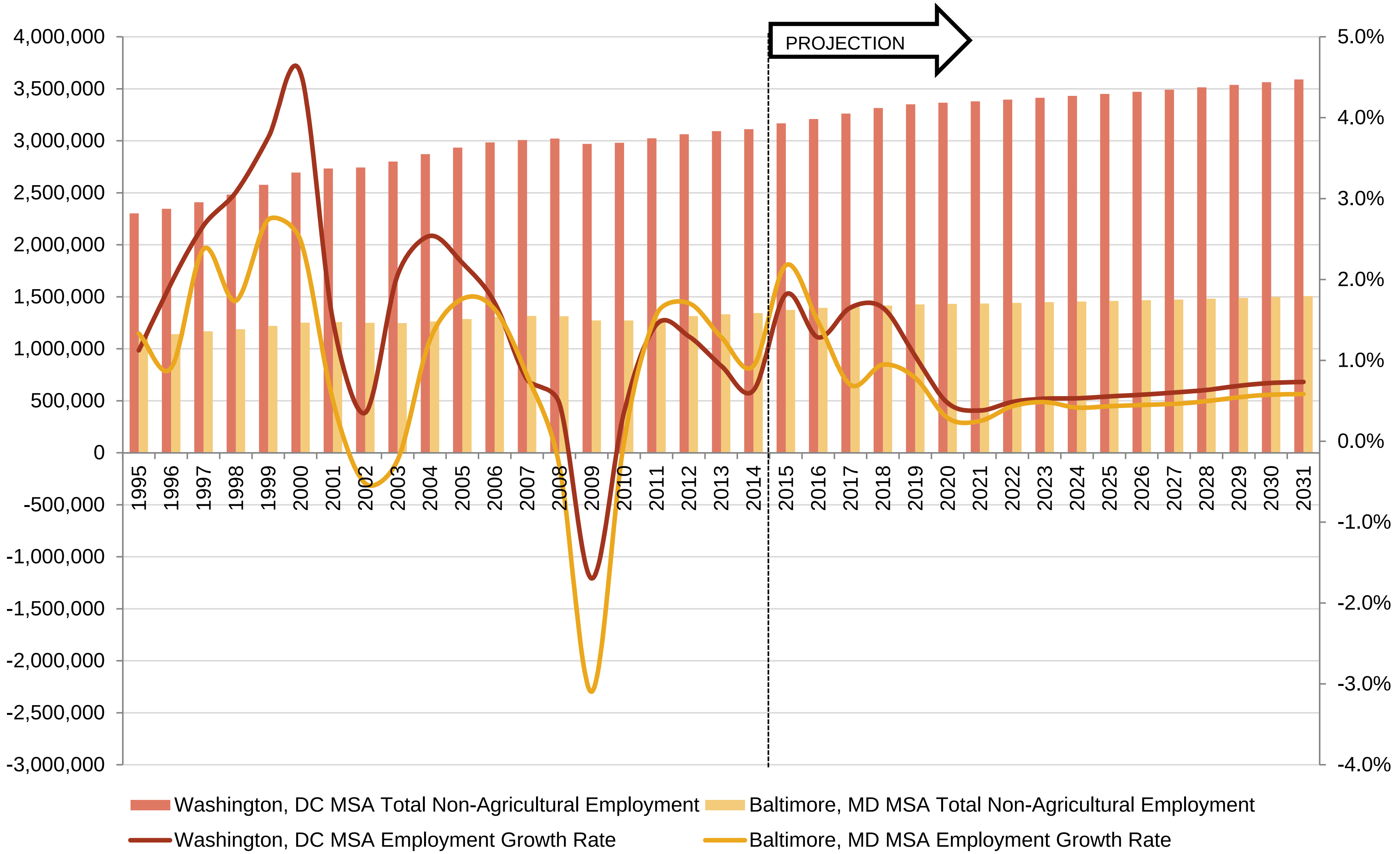
RCLCO

Economics and Demographics – Key Findings

- The Baltimore and Washington MSAs are both projected to see employment growth of 2% annually for the next couple of years, representing roughly 60,000 new jobs each year in the Washington MSA and 30,000 in the Baltimore MSA. Employment growth is expected to moderate at 1% in the years following 2020.
- Employment in both MSAs is strong in office-using industries like Professional Services, Education, and Health; these two sectors make up more than 40% of private employment in both. Historically, Howard County has captured a significant portion of jobs in professional services and healthcare industries, and should continue to do so.
- Employment growth in Howard County is expected to be robust in the near future, adding 4,000 new jobs annually through 2020 before flattening out to an average of 2,600 new jobs added per year. This rate of growth is consistent with historical patterns of growth in the County.
- Howard County's share of Baltimore MSA employment has steadily grown, and will continue to do so in future years. In 1970's and 1980's, the County comprised between 4% and 7% of the MSA's jobs. By 2015, this share of employment grew to 13% and is expected to reach 14.6% by 2030.
- Howard County has a strong demographic base of affluent and well-educated households. The distribution of incomes across all age groups skews higher than in neighboring counties or the Baltimore-Washington region overall. This bodes well for residential development as well as for attracting office and retail tenants.
- Household growth in the City of Columbia and Howard County is expected to be strong from 2015 to 2020, growing at a rate of 1.0% and 1.5% respectively, which is higher than 2010 to 2015 rates.
- Howard County has consistently captured a quarter to a third of MSA household growth, with Columbia capturing a strong percentage of that. This trend is expected to continue in future years, and will be particularly effective with the delivery of new product in Downtown Columbia.
- For younger age groups, Columbia and Howard County have a higher proportion of high-income households than even Montgomery County. These high-income young households are strong demand drivers for rental and for-sale housing. Household growth rate is stronger across all geographies than it was in 2012.

Baltimore-Washington Region Will Add 370,000 New Jobs Over the Next 10 Years Before Growth Is Expected To Moderate

Total Employment and Growth Rate; Baltimore and Washington, D.C. MSAs; 1995-2031

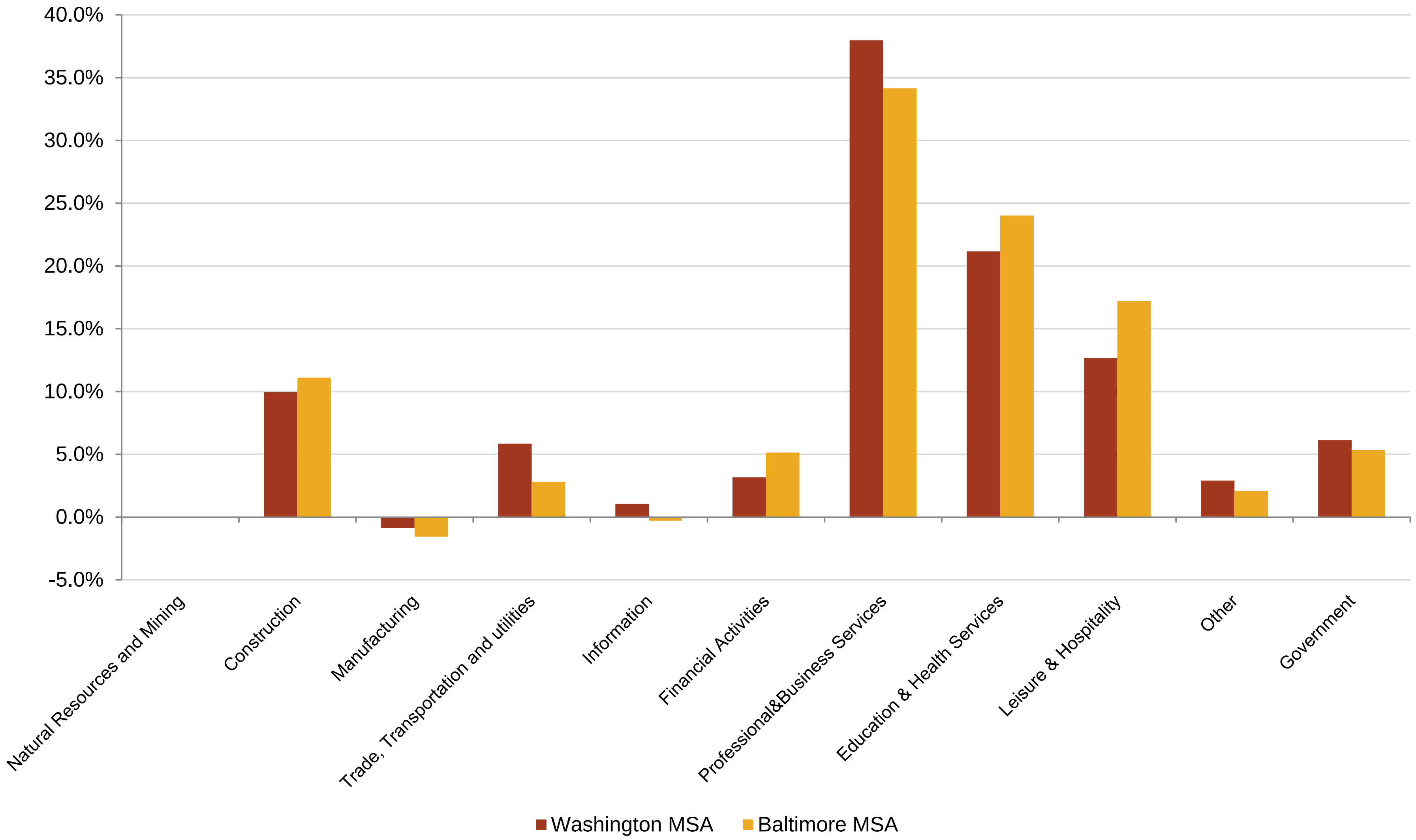


Source: Moody's

RCLCO

Growth Is Expected in Well-Educated and Well-Paid Industries, Aiding Associated Growth in Retail, Office, Residential, & Hospitality Markets

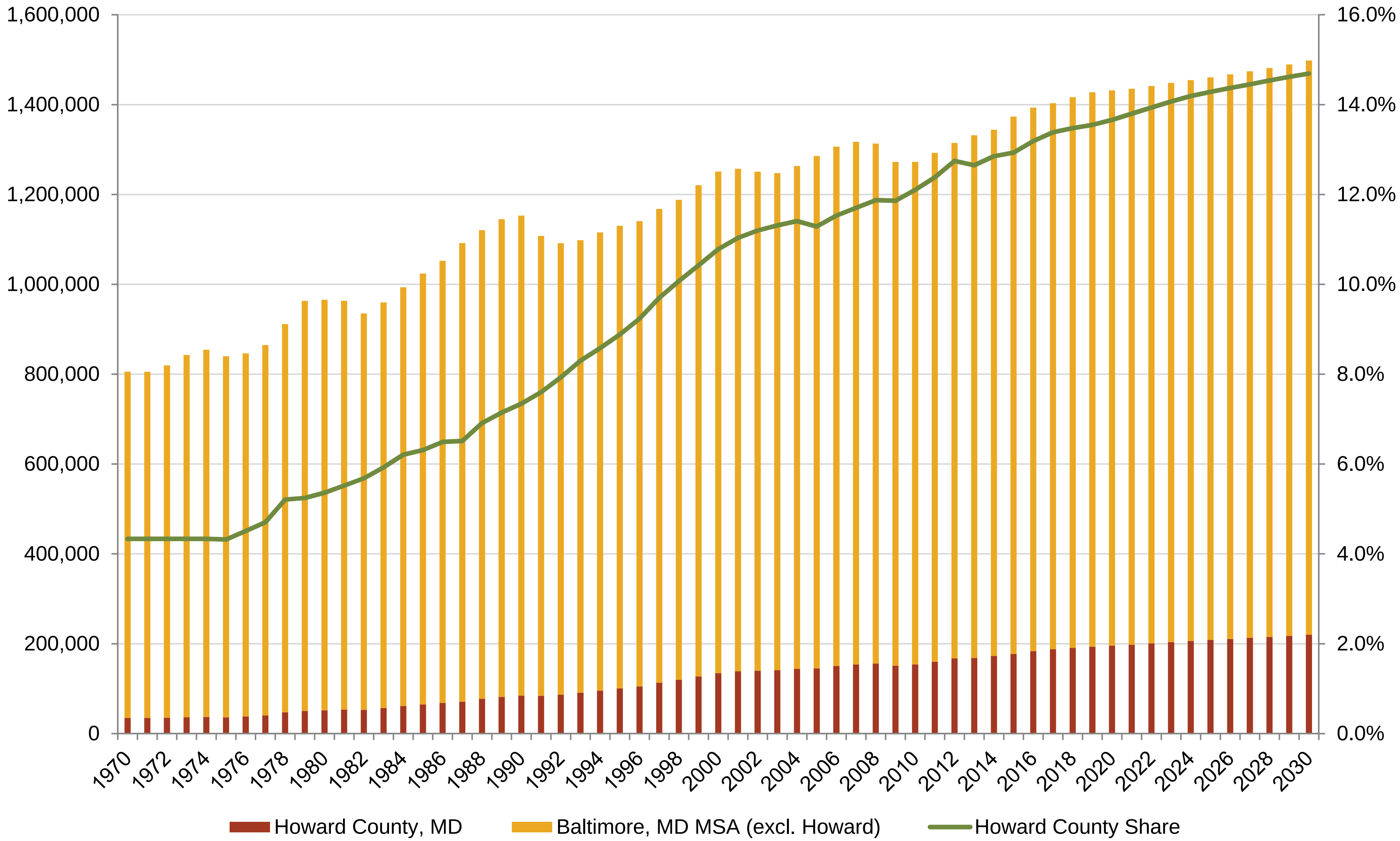
Distribution by Industry of 10-Year Growth; Baltimore and Washington, D.C. MSAs; 2015-2025



Source: Moody's

The Last Four Decades Have Seem Howard County Rapid Expansion of Employment; Expected to Continue Over the Next Decade

Total Employment and Howard County Share; Howard County, MD and Baltimore MSA; 1970-2030

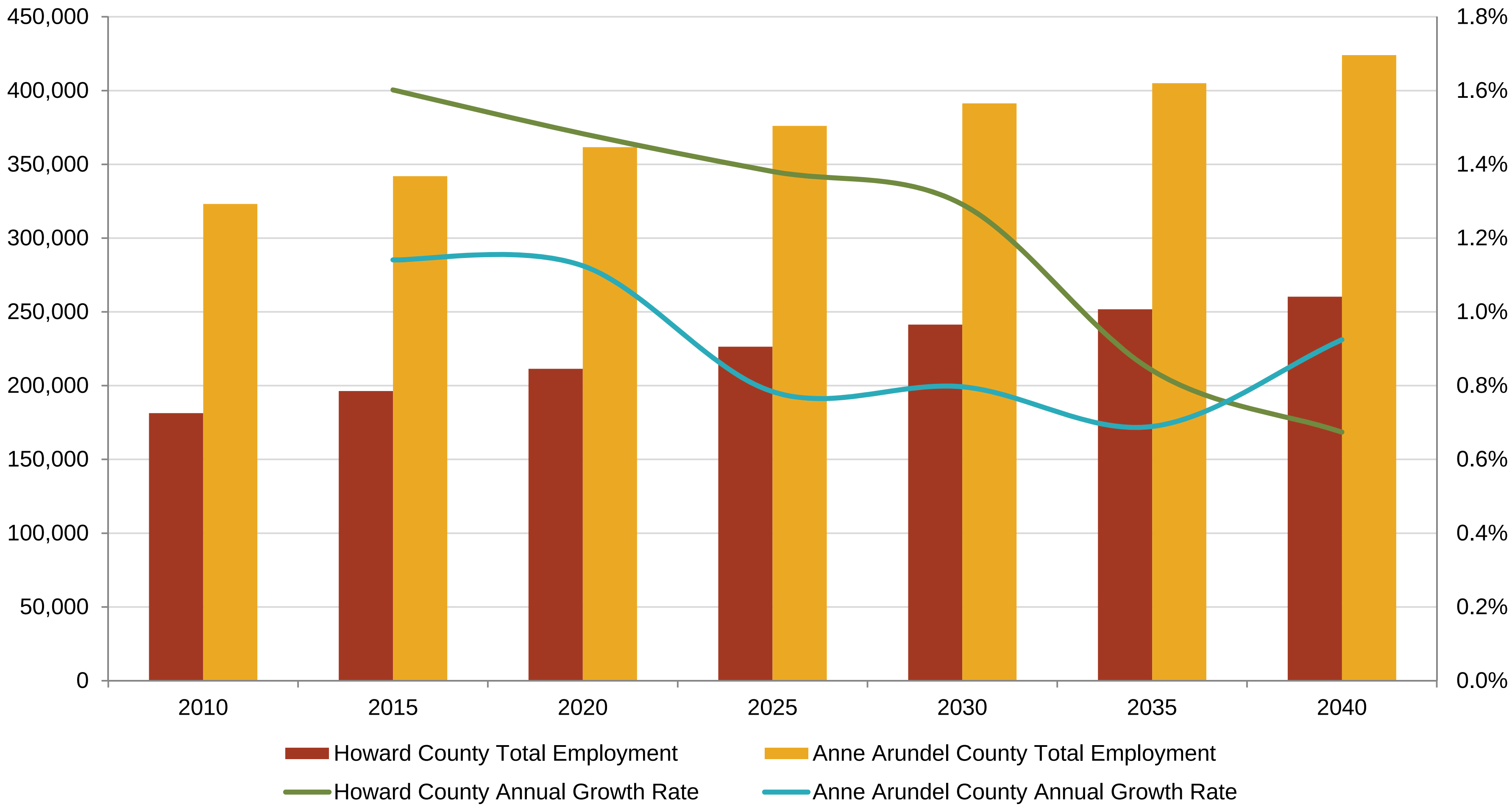


Source: Moody's

Anne Arundel County Has More Employment But Howard County Will See Stronger Growth

- Howard County employment growth of 6,000 new jobs over the next decade, and Anne Arundel will add 6,800 new jobs in the same time period.
- The creation of a live-work-play atmosphere in Downtown Columbia will aid in attracting new employees and residents alike.

Total Employment and Growth Rate, Howard County and Anne Arundel County, MD; 2010-2040

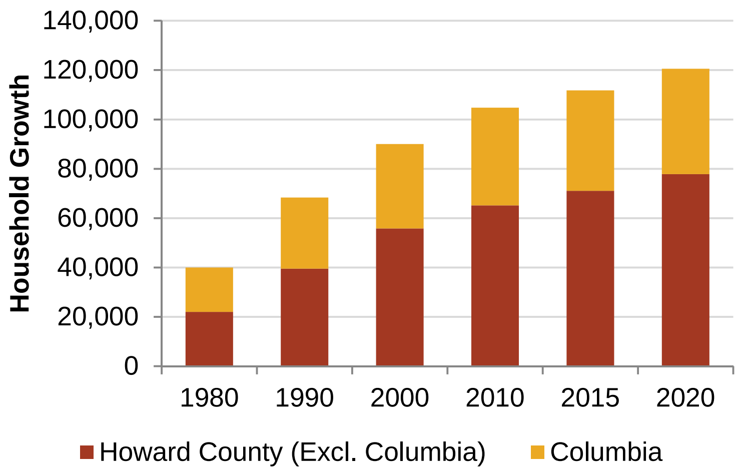


Source: MWCOG

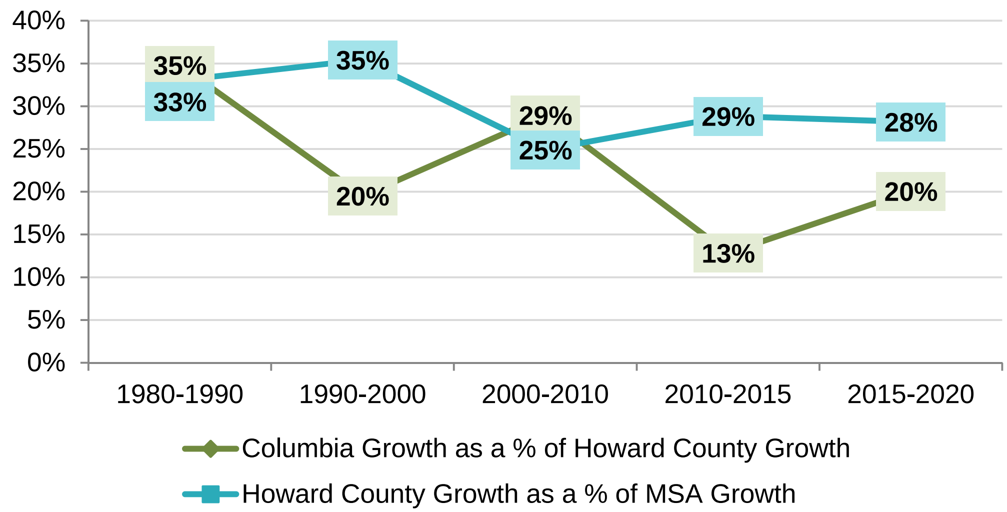
Columbia Has Captured Less of Howard County Growth than in Previous Years, but May Regain It’s Historical Share of Growth

- Howard County is projected to grow by 8,700 household over the next five years. Columbia is expected to capture almost 25% of that growth, adding 2,000 household over the next five years assuming development progresses similarly to the past five years.

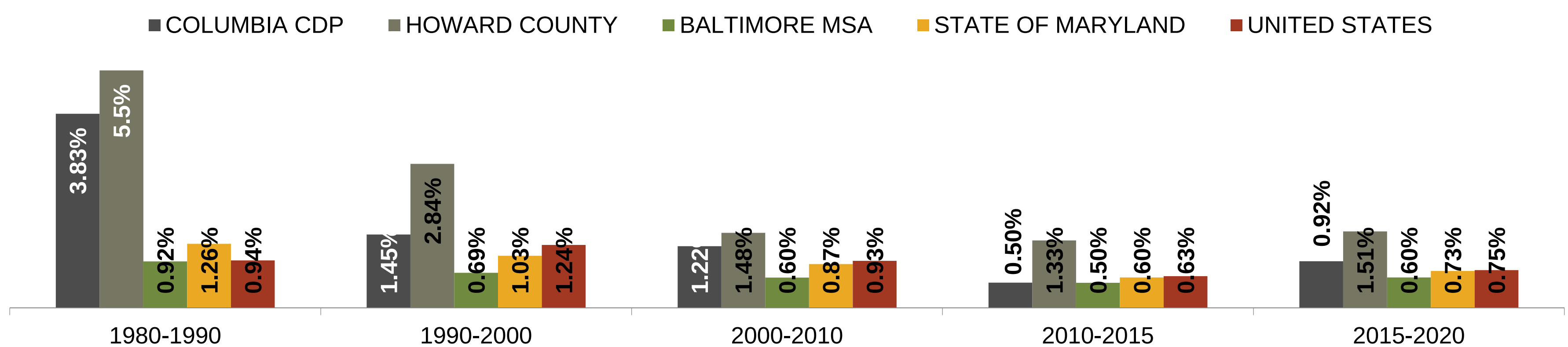
Household Growth, Columbia CDP & Howard County, MD



Capture of Growth, Columbia CDP & Howard County, MD



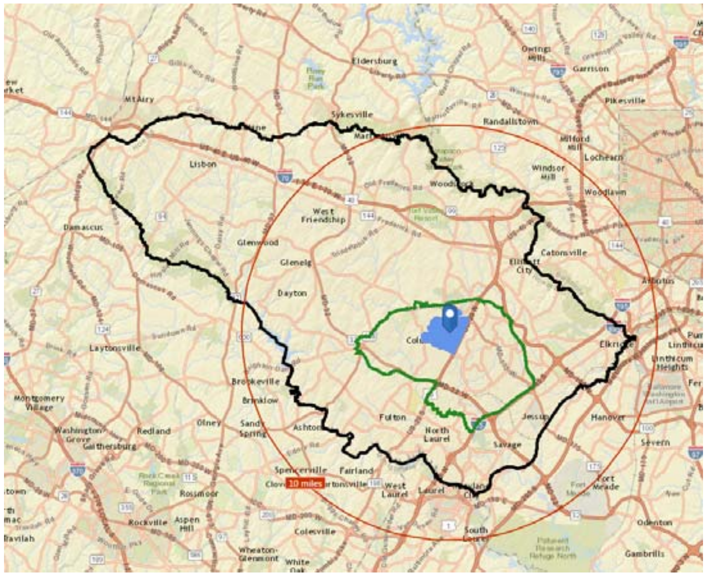
Average Household Growth Rates



Source: Esri

RCLCO

Howard County and Downtown Columbia Have More Growth than the MSA and Maryland in the Past Five Years – A Trend that Will Continue



- City of Columbia
- Howard County
- Columbia Town Center
- Retail Capture Area

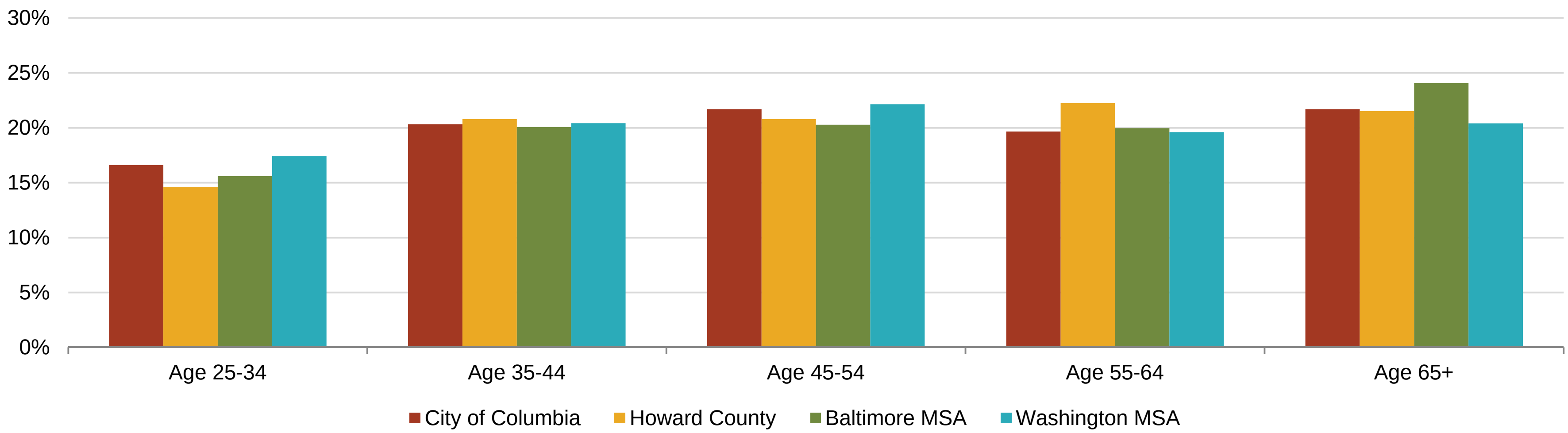
CHARACTERISTIC	COLUMBIA TOWN CENTER	CITY OF COLUMBIA	HOWARD COUNTY	BALTIMORE MSA	MARYLAND
2010 Population	8,360	99,615	287,085	2,710,489	5,773,552
2015 Population	8,791	102,133	306,701	2,778,512	5,949,980
2020 Population	9,388	106,919	330,558	2,863,225	6,170,756
Pop. Growth Rate, 2010-2015	1.0%	0.5%	1.3%	0.5%	0.6%
Pop. Growth Rate, 2015-2020	1.3%	0.9%	1.5%	0.6%	0.7%
2010 Households	4,214	39,562	104,749	1,038,765	2,156,411
2015 Households	4,457	40,707	111,808	1,066,875	2,221,684
2020 Households	4,782	42,733	120,547	1,099,924	2,303,719
Household Growth Rate, 2010-2015	1.1%	0.6%	1.3%	0.5%	0.6%
Household Growth Rate, 2015-2020	1.4%	1.0%	1.5%	0.6%	0.7%
2015 Median Household Income	$82,544	$98,038	$106,707	$68,363	$73,534
2015 Average Household Income	$100,009	$123,592	$140,754	$93,905	$98,361

Source: Esri

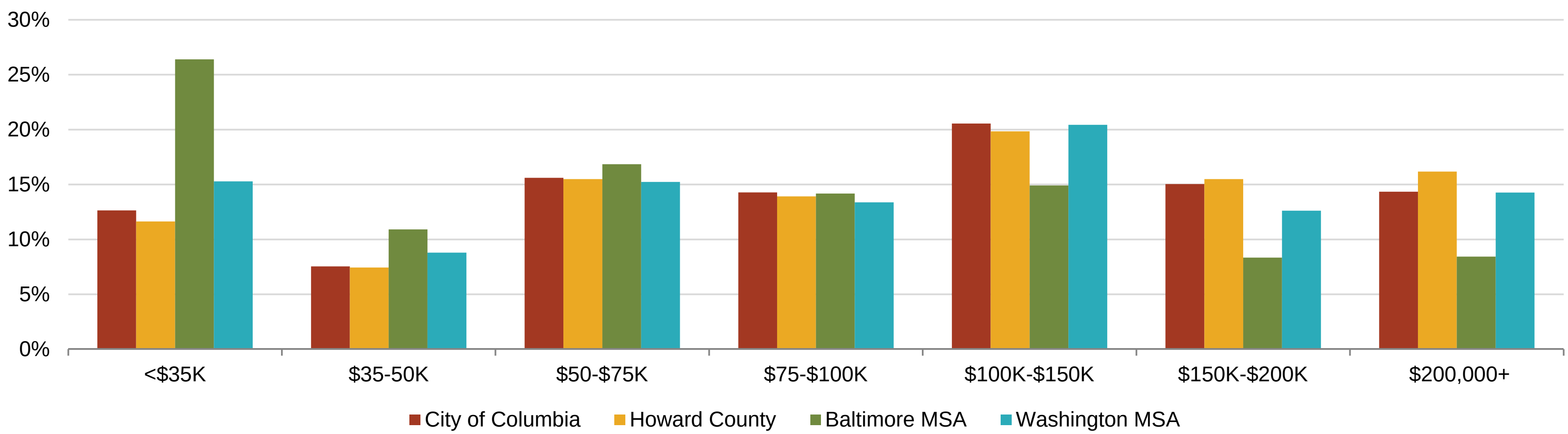
RCLCO

Area Demographics Are Composed of Wealthy Residents with an Even Distribution of Age Ranges

Household Distribution by Age



Household Distribution by Income



Source: Esri

RCLCO

Rental Residential

Rental Apartment Market – Key Findings

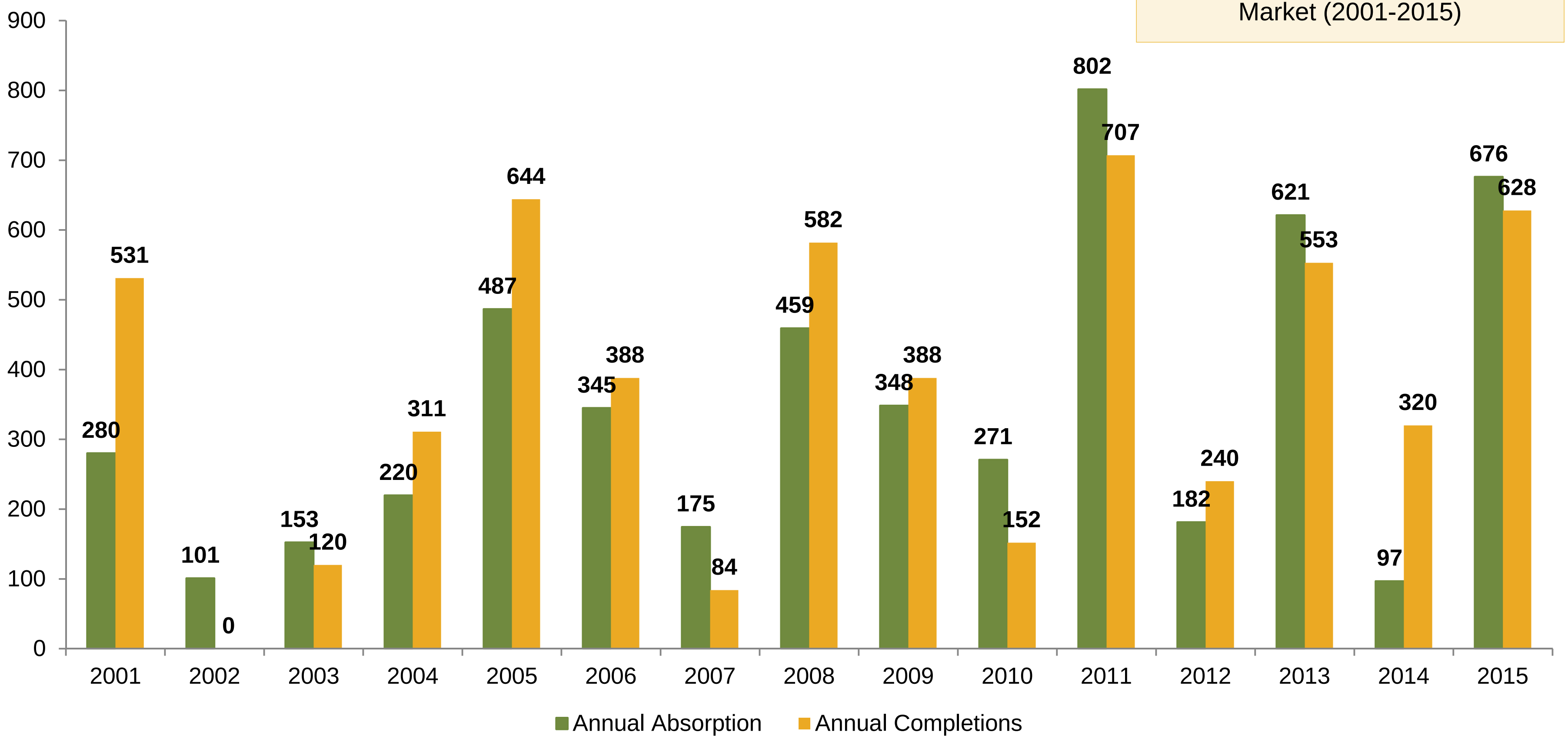
- Howard County, and the City of Columbia specifically, have maintained strong demographics of wealthy young professionals and couples without kids that are affluent and interested in renting. Because of the lack of new, nice product in Howard County, these renters are often living in sub-par buildings paying rents well below their full potential based on their income.
- The Metropolitan in Columbia Town Center delivered in Fall 2014, the first delivery in Downtown Columbia since the early 2000's. The Metropolitan reset top-of-the-market rents at $2.02 per square foot (effective rates as of April 2015), 15% to 30% above the older Downtown Columbia buildings and newer Howard County buildings.
- The Metropolitan has been leasing at a fast rate of 30 to 40 units per month in March and April 2015 after a somewhat slow start. This high lease-up pace indicates enthusiasm for new product in Downtown Columbia, and the potential for higher rental rates.
- The Howard County rental market has seen falling occupancies in Class A and B buildings over the last few years, with an occupancy rate of 94% and 93% respectively as of June 2015.
- Class A rental rates have been variable since 2012. After an upward trend in rental rate growth following 2009, growth peaked in 2012 at 4.0% and experienced negative growth in 2013 before growing by 4.3% in 2014.
- Absorption of new buildings has generally kept pace with completions historically. Howard County saw record deliveries of 1,400 units in 2014 and is still working to absorb that inventory which accounts for the decline in occupancy. New buildings are leasing at a steady pace and should reach occupancy in an appropriate amount of time.
- The variable performance of the Howard County rental market shows trends consistent with low-delivery markets in which Class A buildings lose occupancy to Class B buildings because there is no obvious value that justifies the extra cost of living in an older Class A building. This trend has begun to change with proof of The Metropolitan leasing-up at a quick pace at top-of-the-market rents and overall Class A occupancy beginning an upward climb after bottoming out in 4Q 2014.
- Competitive properties achieve rental rates of $1.36 to $2.02 per square foot in Downtown Columbia, $1.60 to $1.74 per square foot in other areas of Howard County, and $1.71 to $2.29 per square foot at Arundel Preserve.
- Over time, Downtown Columbia should be able to achieve top-of-market rental rates by adding increasingly sophisticated rental product to the inventory that drives rents above and beyond the pace of general rent growth in the marketplace.
- Utilizing a segmentation strategy that targets market rate renters affordable renters, and seniors renters, RCLCO estimates that Downtown Columbia could absorb 2,500 new market rate units, 800 seniors units, and 400 affordable units over a 10 year time period. This product segmentation would support the approximately 3,900 new multifamily units planned to deliver over the next 7 years.

Consistent Net Absorption in Howard County Shows Continued Demand for New Rental Product

- Howard County's slow growth policy dampens the ability for new rental product to be delivered which, therefore, ensures new units will be absorbed due to renters' pent up demand.
- On average since 2001, approximately 348 units are absorbed each year. However, since the recession began in 2008, over 430 units have been absorbed each year.

348: Average annual apartment absorption for Howard County Market (2001-2015)

Howard County Apartment Absorption and Completion; 2001-3Q 2015

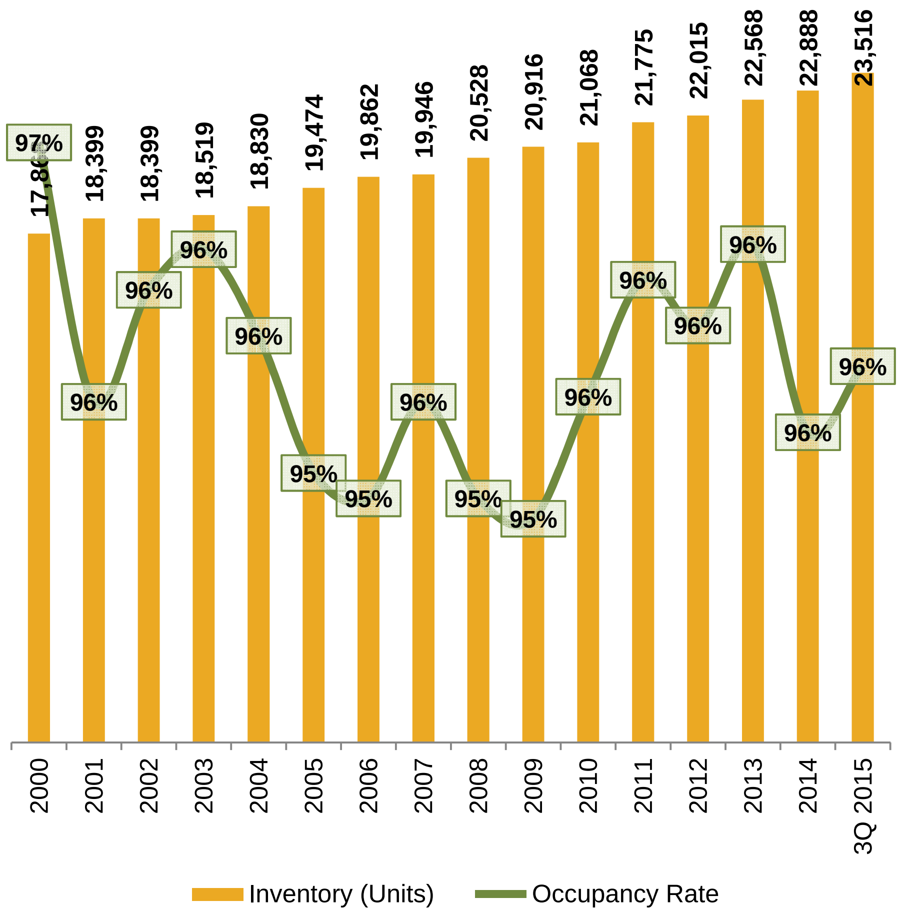


Source: CoStar; RCLCO

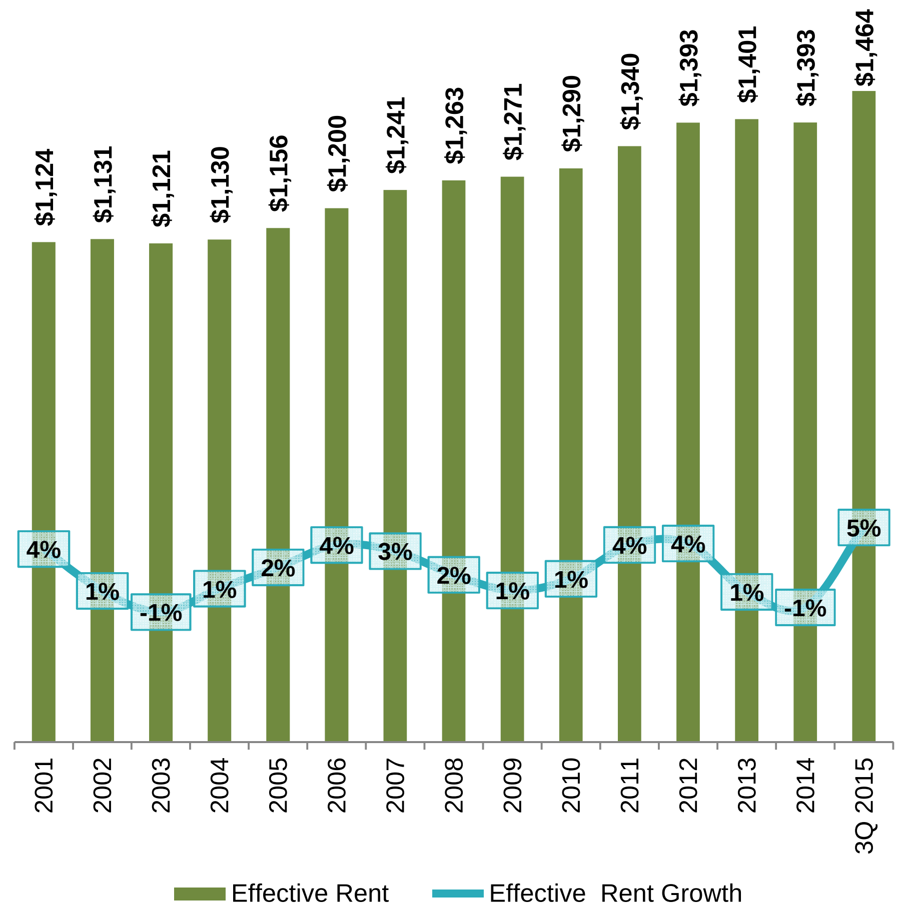
Multifamily Market Conditions – High Occupancy, Continued Rent Growth

- Since 2000, approximately 377 new apartment units have been delivered each year. Due to restrictions on new deliveries, occupancies and, therefore, rents remain high.

Apartment Inventory & Occupancy Trends; Howard County
2000-3Q 2015



Apartment Effective Rents; Howard County
2000-3Q 2015

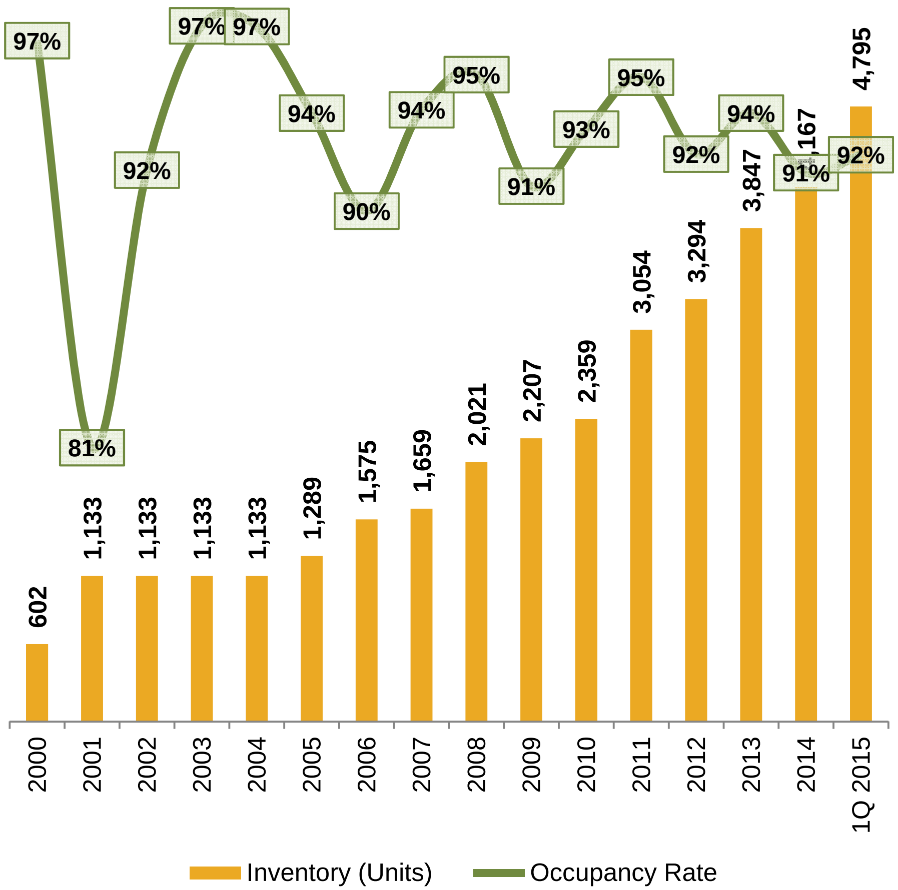


Source: CoStar; RCLCO

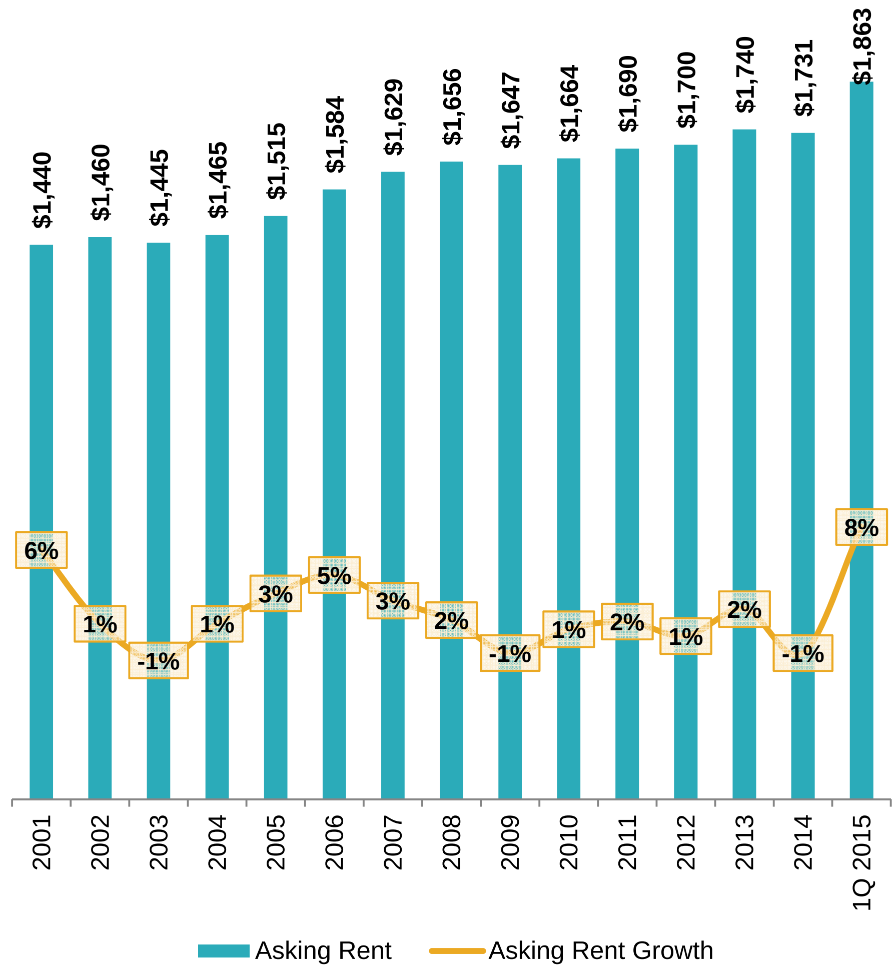
Class A Multifamily Market Conditions – Strong and Steady Growth

- Of the more than 5,600 units that have been delivered since 2000, approximately 70% of these apartments were built in Class A developments.
- The inventory of Class A apartments has nearly doubled since the recession in 2008, which has likely moderated rent increases to 1 to 2% per year.

Class A Apartment Inventory & Occupancy Trends; Howard County; 2000-3Q 2015



Class A Apartment Effective Rents; Howard County; 2000-3Q 2015

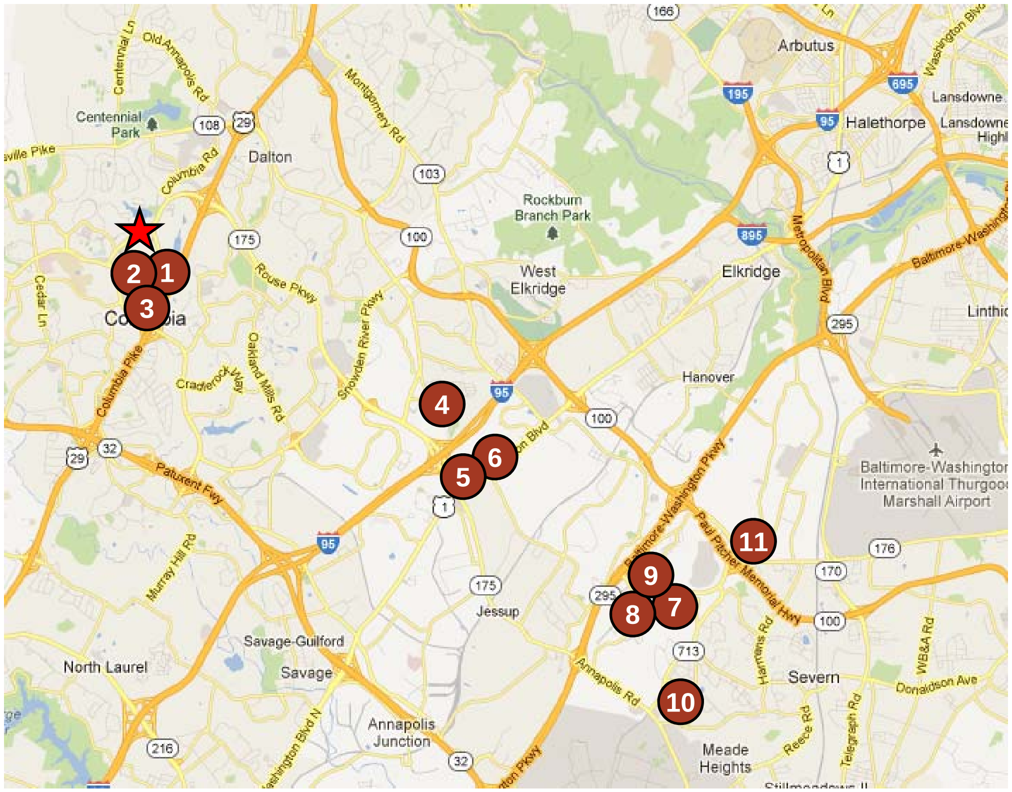


Source: CoStar; RCLCO

New Product Garnering a Significant Premium to Nearby Communities

- The delivery of The Metropolitan Columbia and Palisades at Arundel Preserve put downward pressure on effective rents at nearby communities.
- Communities near Arundel Mills are, on average, achieving higher effective rents than communities near Columbia Town Center.

Summary of Top of Market Rental Properties; 2001-3Q 2015



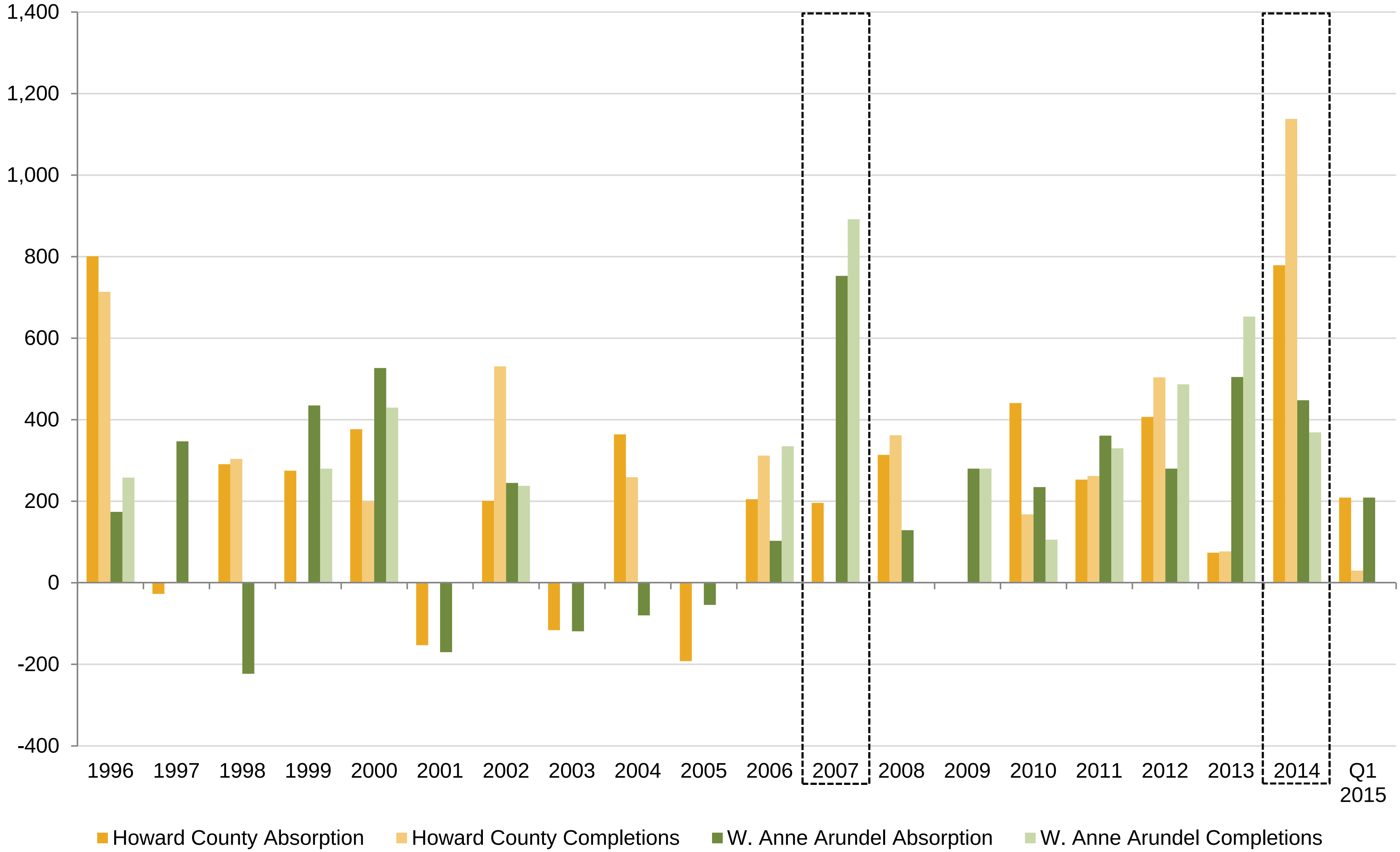
MAP KEY	COMMUNITY	YEAR BUILT	EFF. RENT/SF
1	Columbia Town Center	2002	$1.62
2	Gramercy at Town Center	1997	$1.76
3	The Metropolitan Columbia	2014	$2.08
4	Paragon at Columbia Overlook	2014	$1.76
5	Verde at Howard Square	2013	$1.50
6	Brompton Houston	2013	$1.65
7	Arbors at Arundel Preserve	2007	$1.92
8	Residences at Arundel Preserve	2011	$1.99
9	Palisades at Arundel Preserve	2013	$2.29
10	Serenity Place at Dorsey Ridge	2012	$1.91
11	Villas at Dorsey Ridge	2012	$1.90

★ SUBJECT SITE

Source: Axiometrics; Community Websites; RCLCO

Years of Strong Record Setting Completions Are Not Unprecedented, and Demand Has Generally Kept Pace

Absorption and Completions, Howard County and Western Anne Arundel



Supply Competition Will Be Robust, but a Compelling Downtown and Retail, Office, Residential Development Will Help Attract Demand

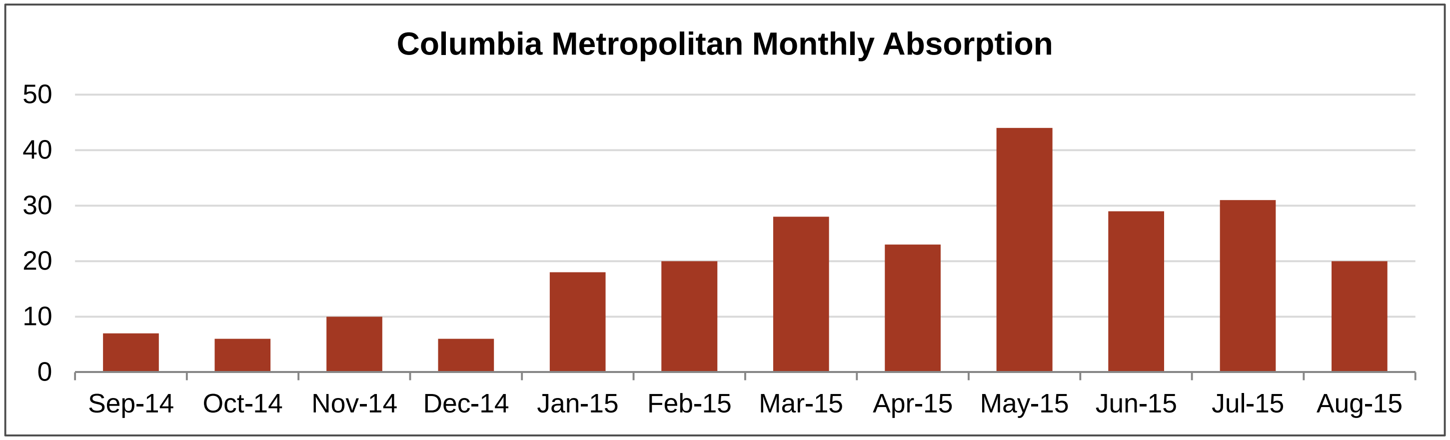
Reis Estimated Near-Term Deliveries by Submarket, Howard and Anne Arundel County

DELIVERIES BY SUBMARKET	Columbia Town Center	Other Columbia	Other Howard County	Arundel Mills	Other Anne Arundel	Total
2014	380	0	0	0	0	**380**
2015	0	0	210	0	0	**210**
2016	160	230	0	0	1,152	**1,542**
2017	0	0	721	364	110	**1,195**
2018	895	0	0	0	700	**1,595**
2019+	0	0	3,126	0	610	**3,736**
Total, 2015-2019+	**1,055**	**230**	**931**	**364**	**1,962**	**4,542**

$\underbrace{\text{Columbia Town Center} + \text{Other Columbia} + \text{Other Howard County} + \text{Arundel Mills}}_{\text{5,706 units}}$

5,706 units

Note: Reis may not include long-term projects with unclear delivery dates in their 2019+ pipeline.



Avg. Annual Absorption of 320 units/year or monthly absorption of 26 units/month which is consistent with Columbia Metropolitan performance

Summary of Market Rate Rental Residential Demand

Howard County & Anne Arundel Total Households, 2015: 322,310

Total Household Growth, 2015-2025: 10,000

TOTAL HOUSEHOLDS

Households with Incomes >$75K	Households with Incomes $35-$75K
198,000 Households	**76,000 Households**

% RENTERS BY AGE GROUP: 8% - 40% | 18% - 69%

RENTAL RATE TRENDS

Total Renters: **36,700**	Total Renters: **26,200**

% RENTERS CHOOSING MULTIFAMILY: 32% - 45% | 38% - 44%

MULTIFAMILY PREFERENCE

Total Multifamily Renters: **14,200**	Total Multifamily Renters: **11,000**

% CHOOSING HOWARD OR WESTERN ANNE ARUNDEL: 69% - 84% | 71% - 87%

PRIMARY MARKET AREA PREFERENCE

Total Primary Market Area Renters: **8,100**	Total Primary Market Area Renters: **8,500**
Net New Annual Demand: **305 Units**	Net New Annual Demand: **205 Units**

1% Obsolescence Rate — 75-85 new units annually

10-YEAR HOWARD & W. ANNE ARUNDEL MULTIFAMILY RENTAL DEMAND: 6,650 UNITS

DOWNTOWN COLUMBIA 35% CAPTURE: 2,330 NEW UNITS

Summary of Seniors Rental Residential Demand

Baltimore-DC Age-Qualified Households, 2015: 283,167

Total Growth, 2015-2025: 100,500

INDEPENDENT LIVING	ASSISTED LIVING
MSA Occupied Inventory: 17,691 units	MSA Occupied Inventory: 9,724 units
10.0 — Inventory to HH Rate	3.7%-4.2% — Inventory to HH Rate
New 10-Yr MSA Demand: 6,300 units	New 10-Yr MSA Demand: 3,450 units
3.4%-3.9% — % Howard County Capture	38%-44% — % Howard County Capture
Howard County Units: 237 units	Howard County Units: 136 units

10-YEAR HOWARD NET NEW SENIORS RENTAL DEMAND: 363 UNITS

ESTIMATED PENT-UP DEMAND FROM LACK OF INVENTORY AS COMPARAED TO SIMILAR REGIONAL COUNTIES: 800-900 UNITS

TOTAL 10-YEAR DEMAND = 1,100 UNITS

Segmentation Strategy Supports Robust Absorption in Downtown Columbia

- Utilizing a segmentation strategy that accounts for 6% increasing to 10% affordable units, a strong segment of seniors rentals, market rate rental units, and condos/SFA, RCLCO estimates that Downtown Columbia can absorb the proposed 3,900 residential units in a 10-year timeframe. The majority of these will be market rate rentals (62%), followed by senior deliveries (27%).
- The annual absorption schedule is aggressive, but multifamily rentals should continue to do well, based on:
    - Regional conditions of household growth,
    - Increasing acceptance and preference of long-term renting, and
    - Increasing tendency to live in multifamily buildings in denser neighborhoods.
- However, an economic downturn should be expected in this timeframe and planned for accordingly. The impact of a downturn may be slower absorption pace, lagging rental rate growth, and high vacancies.
- RCLCO projects that over the next 10-year period, forecasted net absorption will be well-aligned with total demand:

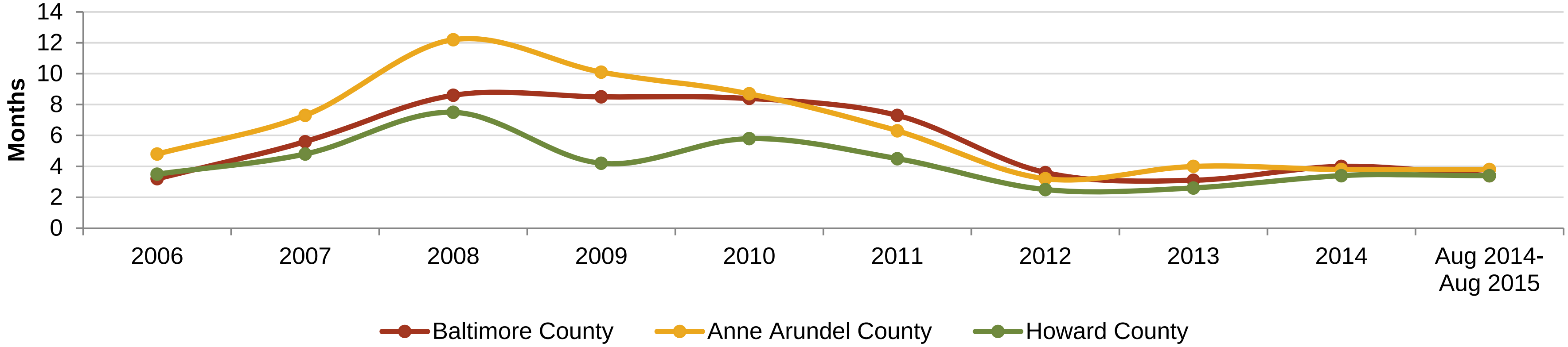
For-Sale Residential

For-Sale Residential Market – Key Findings

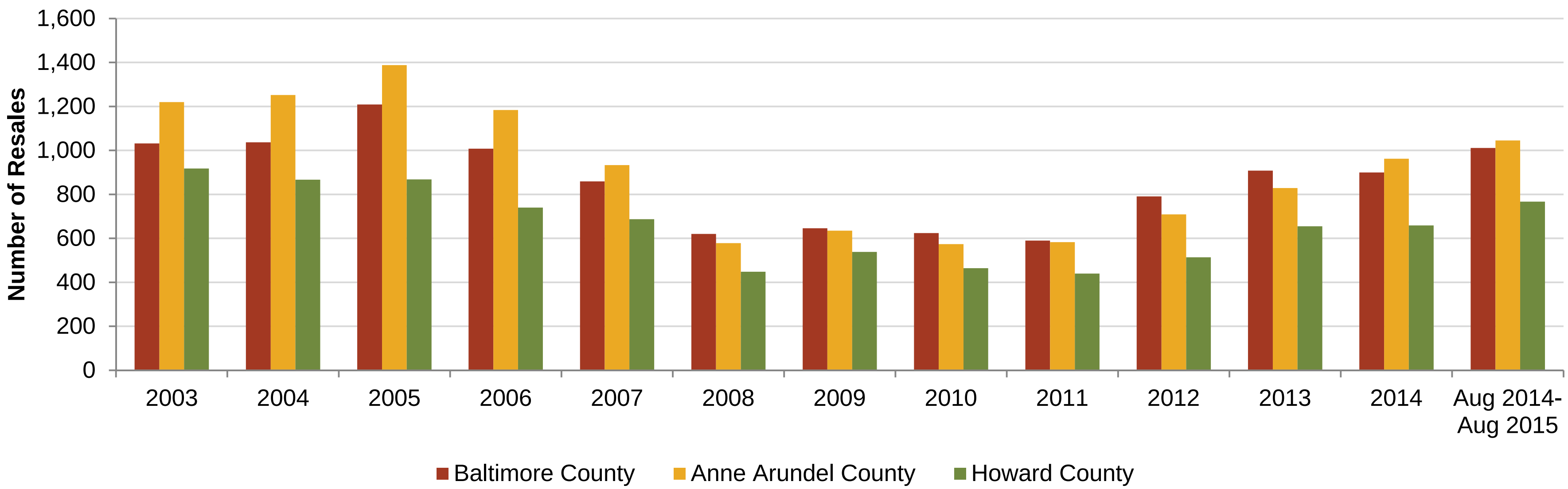
- New for-sale home activity in Howard County has been constrained by the County's slow growth policy, which has been in place for over 20 years following the effective build out of Columbia.
- The housing market suffered during the Great Recession, but has begun recovering. Sales volumes are still well-below those seen in the peak of the market, but have been steadily increasing, with an average of 3,400 units sold annually, about half of which are condos or townhomes.
- Overall pricing power has been constrained in the last year, with no movement seen in the average price of $300,000 from May 2014 to May 2015 for all unit types.
- However, Howard County has seen growth in condominium average prices. As of 2014, average prices were $240,000, which is still shy of the peak price of $264,900 in 2007, though this could partially be due to lack of new inventory. RCLCO expects that the Howard County condominium market is likely constrained by lack of new product as sales volume is rising, pricing is increasing, and there is only three months of inventory on the market. Additional condominium units entering the market will alleviate some of this pressure, and new construction units will reset pricing in the market.
- Permits increased steadily from 2010 to 2013, peaking with 2,267 permits pulled almost half of which were multifamily permits. Permits slowed down for single-family and multifamily building in 2014, though this is likely an expected hiccup after a strong year of deliveries. In 2015, permits are on track to keep pace with permits pulled in 2014.
- Active inventory of single-family detached homes has been decreasing, with 900 units available as compared to 1,050 units available July 2014. Though this is a slight increase from the 734 units available in July 2013, it is likely a sign of new inventory on the market as single-family permits were also high in 2013.
- Active inventory of condominium units has hovered between 75 and 100 units since 2013, a slight decrease from 2011 and 2012. Townhome units have seen a rise in available inventory, from 250 units in the first half of 2014 to 350 units in May 2015. According to Delta Associates, there is just over three months of condominium inventory on the market, a low not seen since prior to 2006.
- As the Baby Boomer generation looks to downsize and the Millennial generation looks for entry-level homes, there is a strong opportunity for townhomes and condominium units in Downtown Columbia. Assuming a moderately conservative capture rate of 10%, RCLCO estimates that Downtown Columbia could absorb 650 for-sale units over the next 10 years.

Quickening Pace of Condominium and Townhome Resales, Consistently Low Inventory

Condominium and Townhome Months of Inventory; Baltimore, Howard, Anne Arundel Counties 2003-August 2015



Condominium and Townhome Resale Volume; Baltimore, Howard, Anne Arundel Counties 2006-August 2015

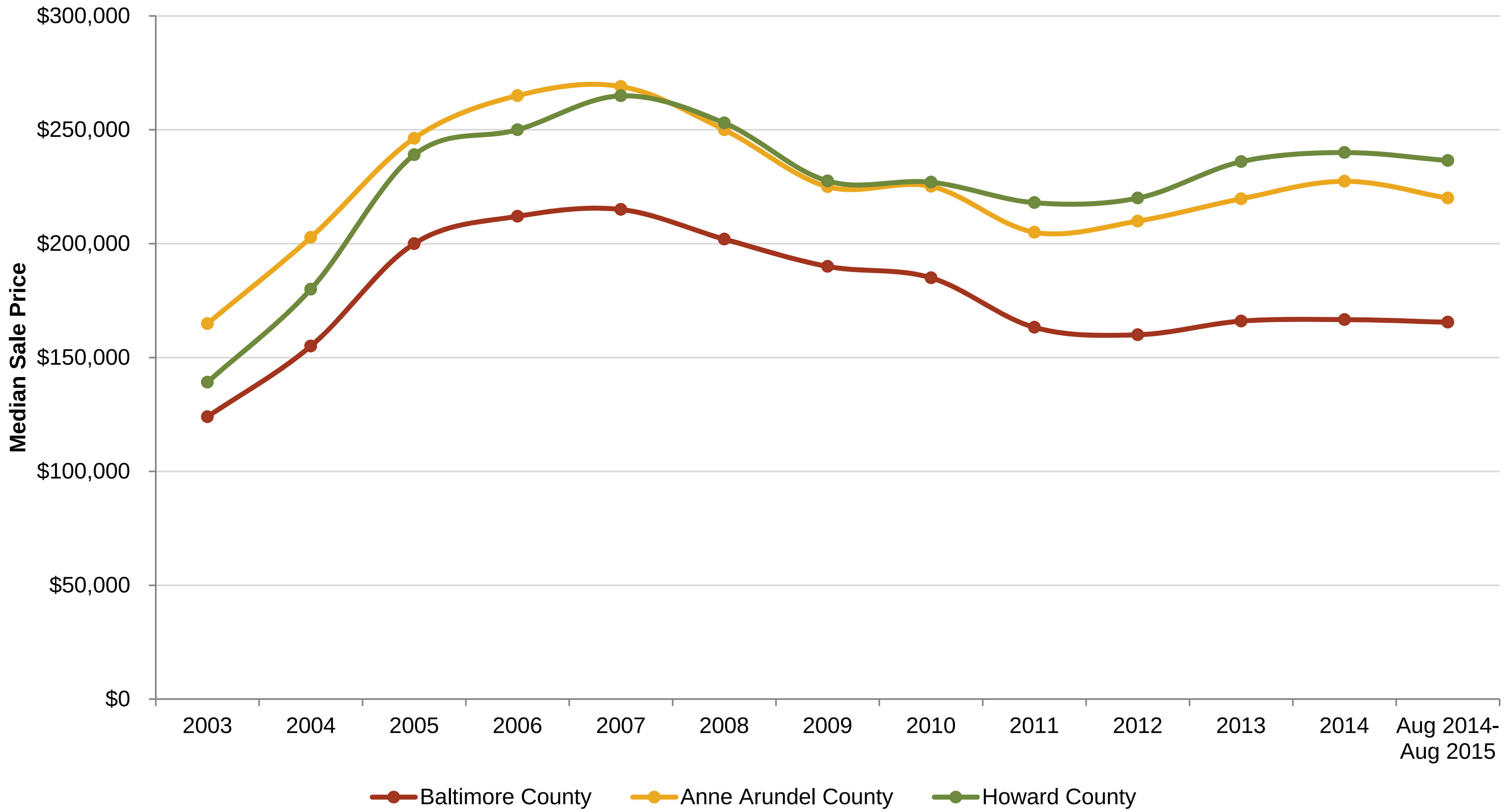


Source: Delta Associates; RCLCO

Rebounding Sales Volumes Have Yet to Translate to Rising Prices

- Condominium and townhome resale price have experienced a moderate recovery since bottoming in 2011 in Anne Arundel and Howard Counties.
- In 2015, the median resale price for these product types was $18,500 higher in Columbia than that of Howard County as a whole.

Median Condominium and Townhome Sales Price; 2003-Aug 2015



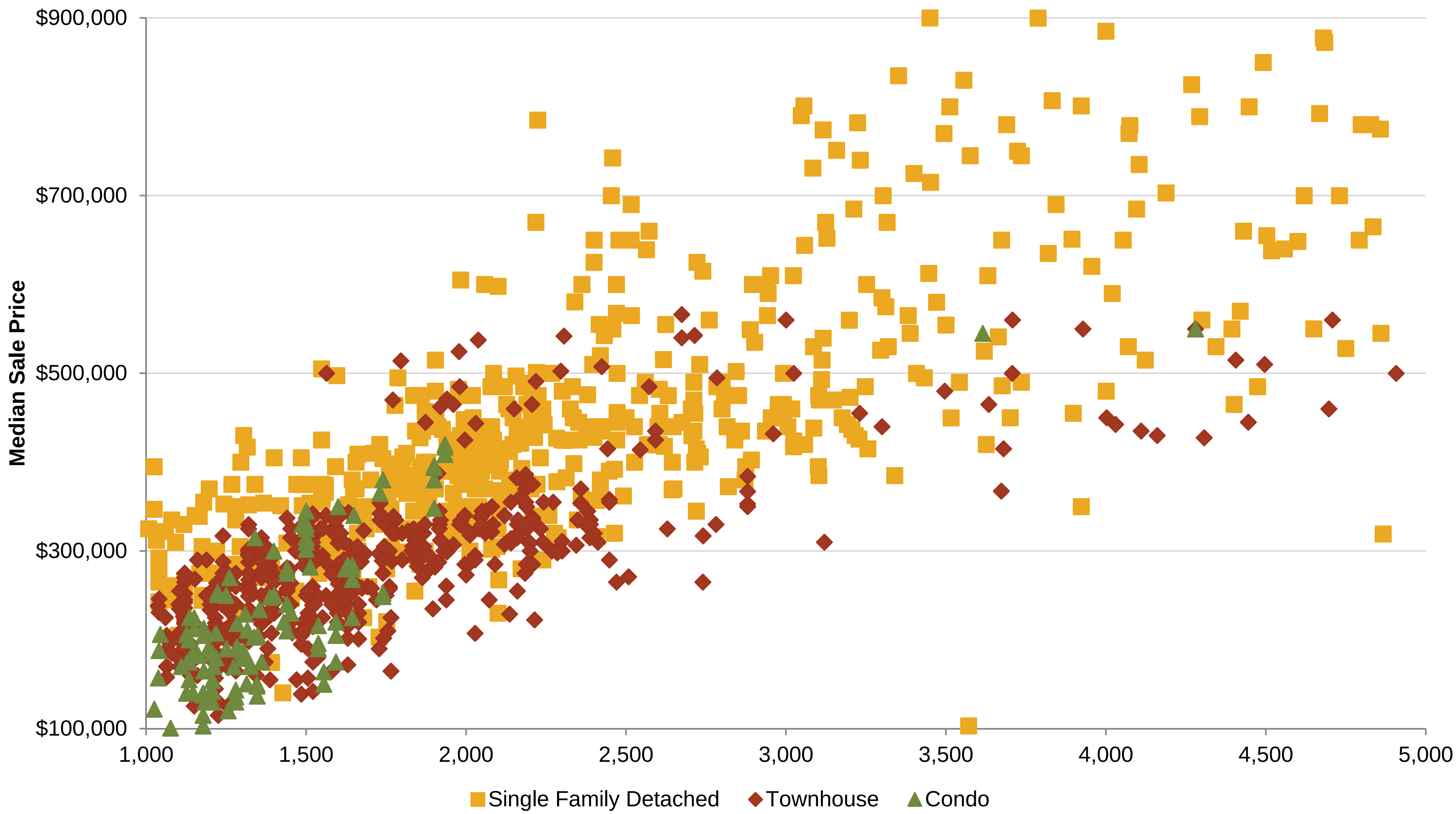
Source: Delta Associates; RCLCO

RCLCO

Townhome and Condominium Price per Square Foot Lower than Single Family Homes

- The median condominium and townhome resale price per square foot, at $164, is lower than that of single family homes ($193 PSF).

Price to Size Comparison of Recent Sales; Columbia, MD, 2015



Source: Redfin; RCLCO

RCLCO

Summary of For-Sale Multifamily/SFA Residential Demand

Howard County & Anne Arundel Total Households, 2015: 322,310

Total Household Growth, 2015-2025: 10,000

	Households with Incomes >$75K		Households with Incomes $35K-$75K
TOTAL HOUSEHOLDS	**Households with Incomes >$75K** **198,000 Households**		**Households with Incomes $35K-$75K** **76,000 Households**
	60%-92%	% OWNERS BY AGE GROUP	31%-82%
OWNERSHIP TRENDS	Total Owners: **162,000**		Total Owners: **49,500**
	17%-43%	% OWNERS CHOOSING MULTIFAMILY/SFA	27%-55%
MULTIFAMILY/SFA PREFERENCE	Total Multifamily/SFA Owners: **37,600**		Total Multifamily/SFA Owners: **17,000**
	72%-87%	% CHOOSING HOWARD OR WESTERN ANNE ARUNDEL	66%-84%
PRIMARY MARKET AREA PREFERENCE	Total Primary Market Area Owners: **25,715**		Total Primary Market Area Owners: **12,400**
	Net New Annual Demand: **315 Units**		Net New Annual Demand: **155 Units**

1% Obsolescence Rate

180 new units annually

10-YEAR HOWARD & W. ANNE ARUNDEL MULTIFAMILY/SFA OWNER DEMAND: 6,500 UNITS

DOWNTOWN COLUMBIA 10% CAPTURE: 650 NEW UNITS

Office Market

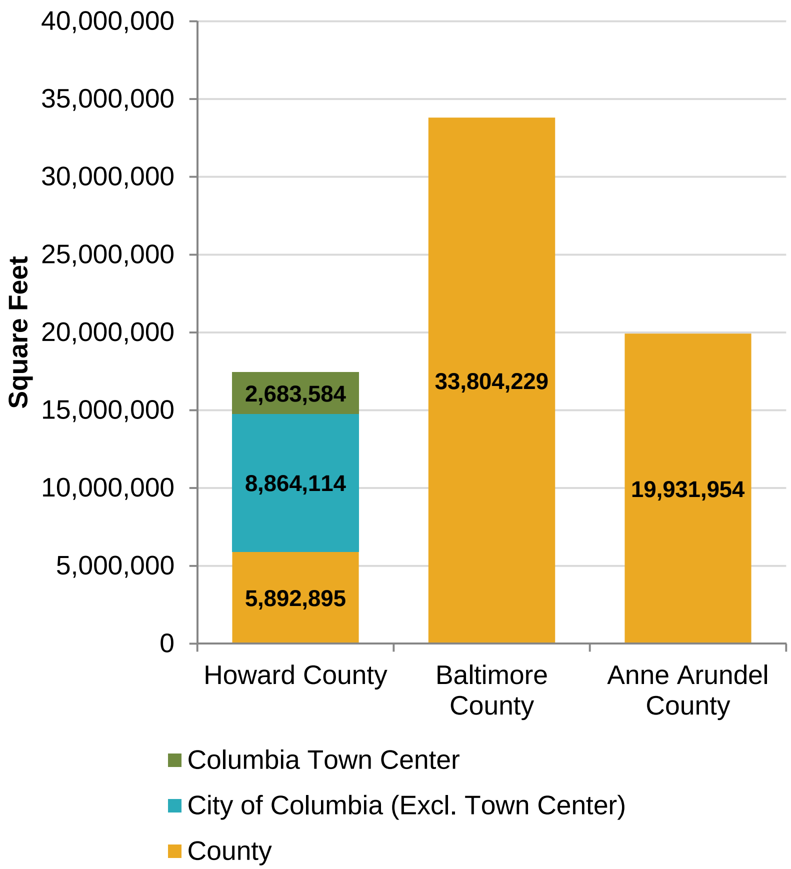
Office Market – Key Findings

- The total competitive office market, Howard, Baltimore, and Anne Arundel Counties, is comprised of 71M square feet of office space. Approximately 17M square feet is located within Howard County.
- Both Howard and Anne Arundel Counties have grown steadily and in relative lock step for the last several decades; Howard County has experienced annual average net absorption of roughly 40,000 SF of space from 2006 to the present day. Vacancy hit 15% in the years following the Recession, but has fallen to just under 10% in the last year, which has aided strong rental rate growth in both Howard County and Columbia Town Center.
- There are new and competitive town center developments which have been successful in attracting defense related, and professional services firms with compelling lease rates (high $20s versus low to mid-$20s in competing business parks, most notably Maple Lawn along 29, 6 miles to the south of Columbia).
  - On a positive note, this points to the potential to successfully attract defense contractors to a non-base adjacent location with the appeal of a pedestrian-oriented setting.
  - On a cautionary note, the competitive market for urban or urban-lite offices settings is becoming more crowded. Maple Lawn, Konterra (now leasing its first building), and Arundel Preserve provide a threat to Columbia Town Center's position as the urban alternative to a generic business park environment.
- With the regeneration of Downtown Columbia and the planned residences, restaurants, entertainment, and retail, RCLCO expects that the Howard County market will continue to perform well, and may be able to increasingly capture new office employment growth.
- Over the next 15 years, RCLCO projects demand for 13.1 million square feet of new office space in Anne Arundel and Howard Counties.
- With an aggressive capture of Howard County demand and attracting some demand expected in Anne Arundel County, RCLCO estimates Downtown Columbia could absorb 3.0 to 3.5 million square feet of new office space over the next 15-17 years.

Howard County Continues to Steadily Grow

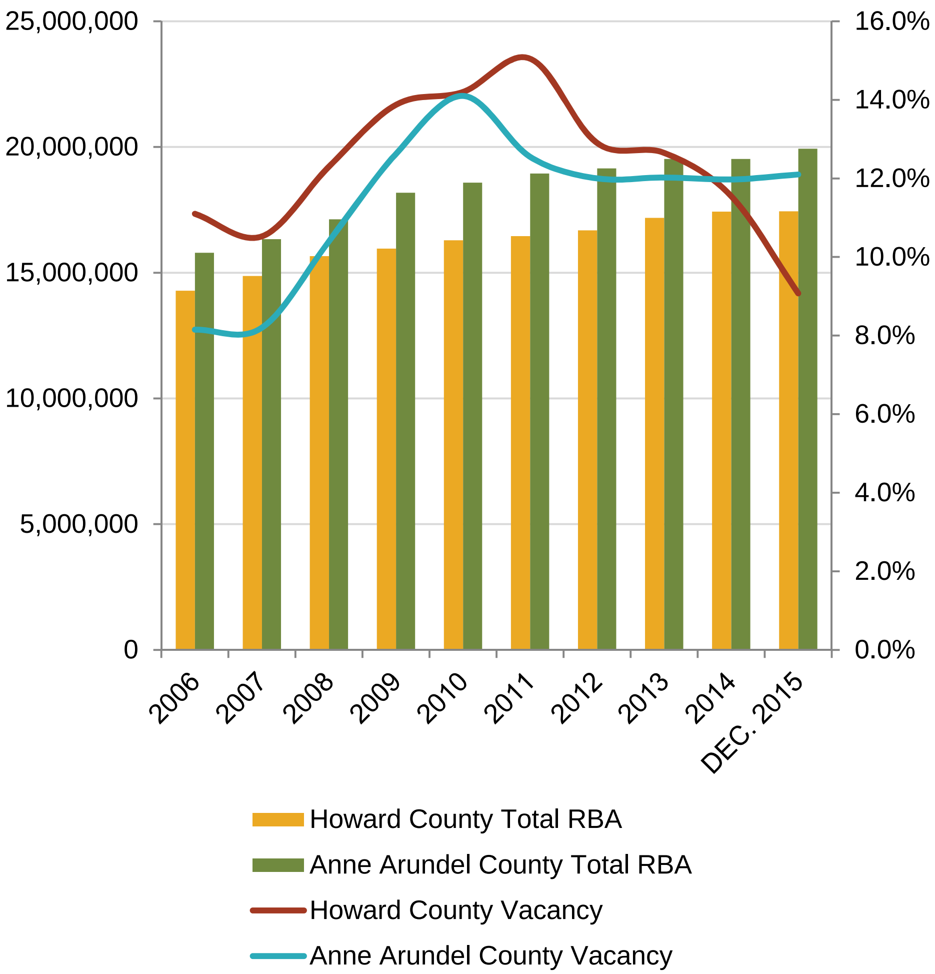
- The Howard County office market has grown at an average annual rate of 1.6% since 2009 whereas Anne Arundel has expanded by 2.2%, on average, per year over the same time period.

Competitive Office Market Inventory 2015



Source: CoStar

Howard and Anne Arundel County Office Inventory, Baltimore; 2006-2015

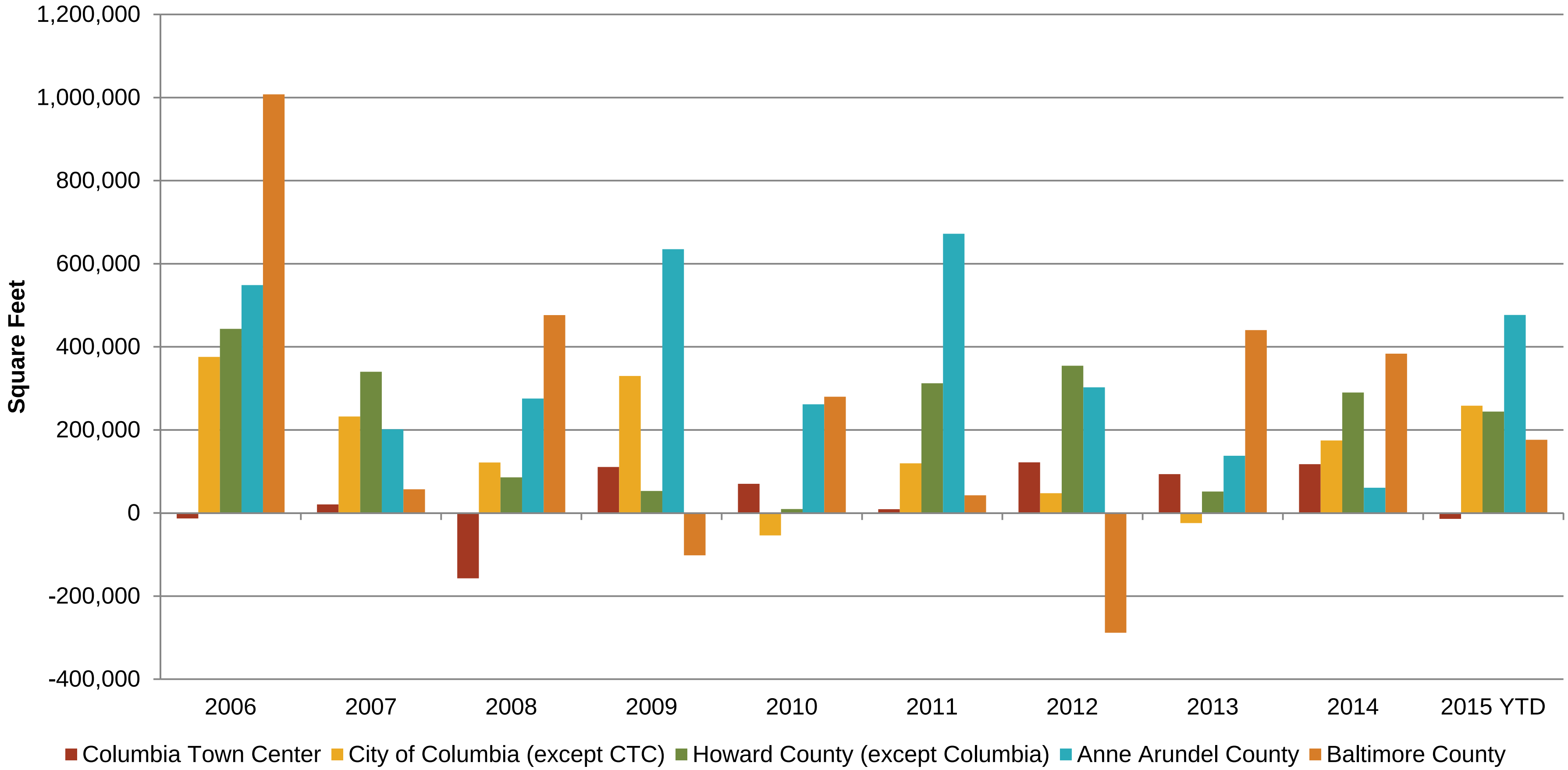


RCLCO

Consistent Absorption in Howard County

- Howard County has experienced strong and consistent net office absorption of 250,000 square feet over the past five years. With the exception of 2013, Columbia has also seen steady net office absorption of 115,000 square feet over the same time period.
- After three strong years of absorption from 2012 to 2014, Columbia Town Center experienced a net loss of 14,000 square feet. While absorption of office space is spotty and vacancies trail up and down, on average, the trailing three or four year average will reflect true conditions. This means that the net loss of 14,000 square feet is not significant given the strong performance 2012-2014.

Competitive Office Market Absorption; 2006-2015

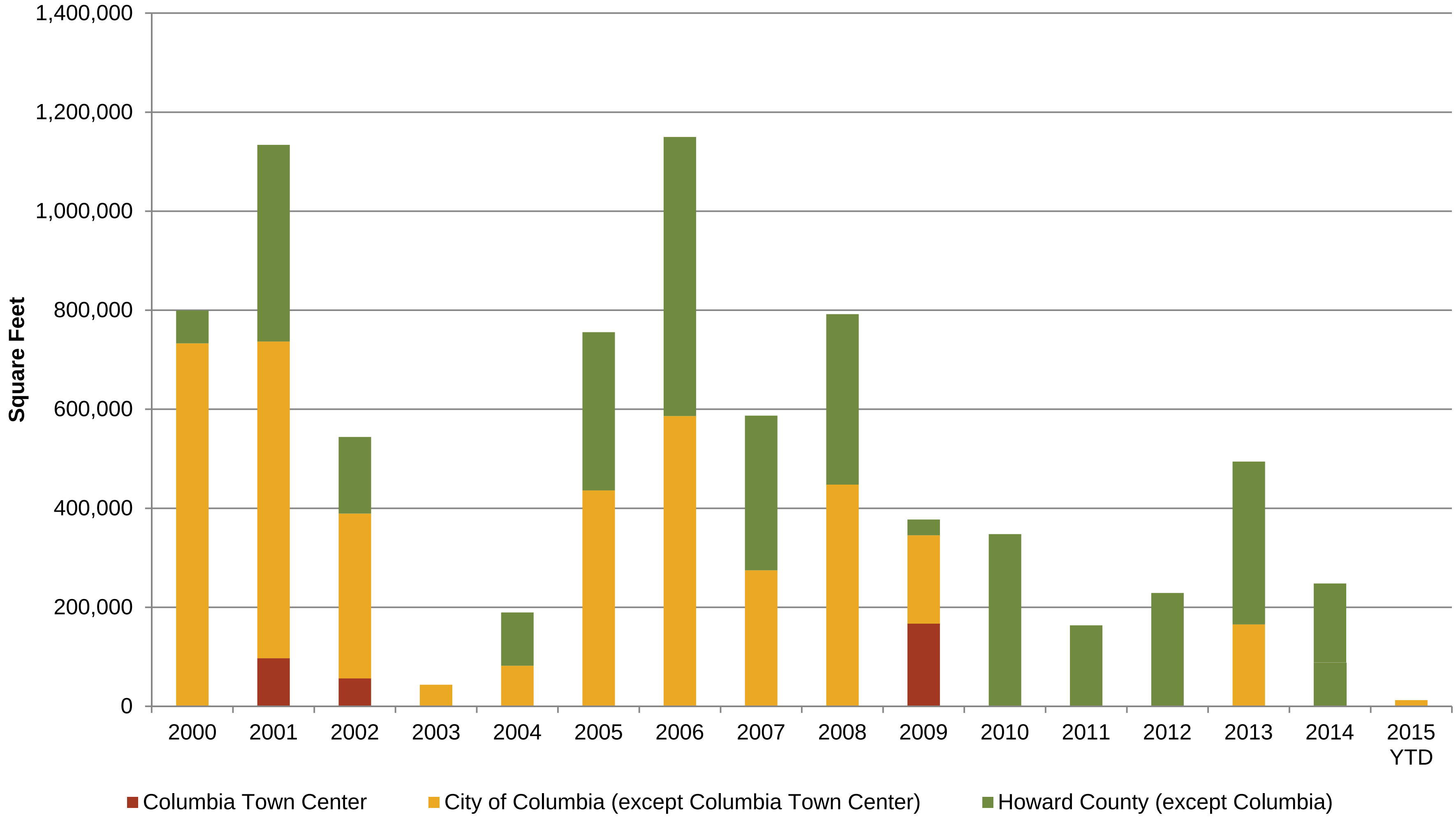


Source: CoStar; RCLCO

New Office Development Remains Subdued Compared to Pre-Recession Activity

- Since the recession, the Howard County office market has added approximately 300,000 square feet of space each year.

Net Office Market Completions; 2000-2015



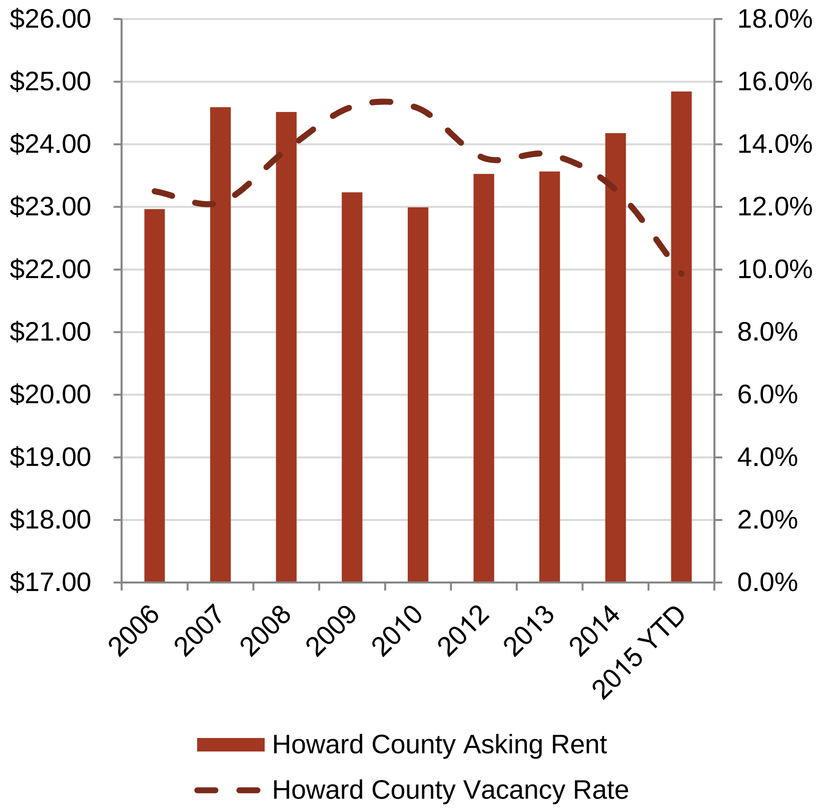
Source: CoStar; RCLCO

RCLCO

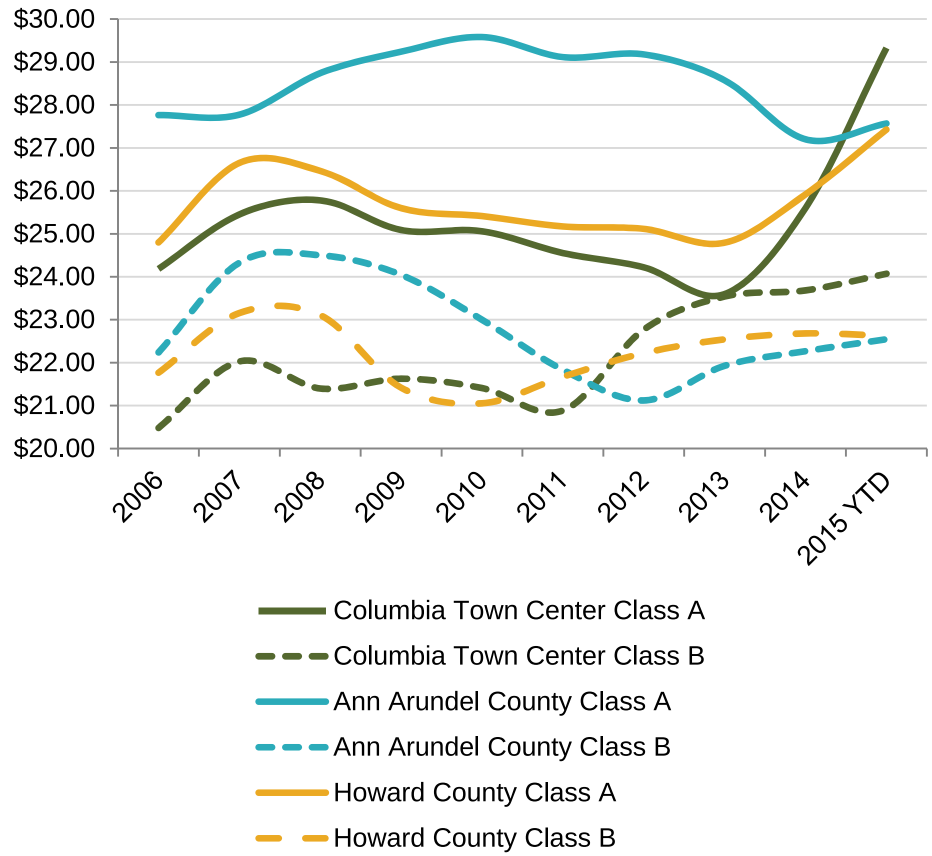
Falling Vacancies Drive Asking Rents Up in Howard County

- Office vacancies in Howard County have fallen to 9% for Class A space and rest at 10% for Class B space, pushing combined rents for available space up to $24.
- Class A asking rents have surpassed pre-recession highs for Columbia Town Center and the rest of Howard County whereas Class A asking rents in Anne Arundel County have softened while office vacancies remain steady at 12%.
- Class A asking rents in Columbia Town Center have surpassed those of Anne Arundel County. However, this is representative of approximately 125K square feet of vacant space.
- Class B asking rents have similarly risen since the recovery, with those in Columbia Town Center surpassing pre-recession highs to $24.

Howard County Office Market Performance 2006-2015



Howard & Anne Arundel County Office Market Performance 2006-2015



Source: CoStar; RCLCO

Office Space Demand

15-YEAR NET NEW GROWTH

Anne Arundel Office Empl. Growth: 12,081

Howard County Office Empl. Growth: 13,756

225 SF **SF per Employee** **225 SF**

Total Demand SF: 2,907,000 SF

Total Demand SF: 3,3065,000 SF

69%-78% Class A&B = 6,066,000 SF

15-YEAR TURNOVER DEMAND

Anne Arundel Office A & B Inventory: 18,500,000 SF

Howard County Office A & B Inventory: 17,100,000 SF

8% **% Turnover Annually** **9%**

15% **% Choose New Class A** **15%**

Total 15-Yr Class A Demand SF: 3,382,000 SF

Total 15-Yr Class A Demand SF: 3,682,000 SF

15-Year Class A = 7,060,000 SF

15-Year Supportable Howard & Anne Arundel County New Class A Office Demand: 13,130,000SF

Source: Esri; RCLCO

Columbia Town Center Capture Sensitivity of Anne Arundel and Howard County Demand

- In order to absorb all of the planned space, Downtown Columbia will have to capture upwards of 30% of Howard County new Class A office demand and 8% of Anne Arundel County's new Class A office space demand. Because the counties lack a truly dynamic, walkable environment today, these captures should be achievable, if aggressive assumptions are used.

CTC 15-Year Planned SF	3,391,676
15-Year AA & Howard Demand	13,130,000
CTC Resulting Capture	26%

Capture of Anne Arundel County	Capture of Howard County							
	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%	45.0%	50.0%
8.0%	1,533,050	1,877,800	2,222,550	2,567,300	2,912,050	3,256,800	3,601,550	3,946,300
10.0%	1,657,750	2,002,500	2,347,250	2,692,000	3,036,750	3,381,500	3,726,250	4,071,000
12.0%	1,782,450	2,127,200	2,471,950	2,816,700	3,161,450	3,506,200	3,850,950	4,195,700
14.0%	1,907,150	2,251,900	2,596,650	2,941,400	3,286,150	3,630,900	3,975,650	4,320,400
16.0%	2,031,850	2,376,600	2,721,350	3,066,100	3,410,850	3,755,600	4,100,350	4,445,100
18.0%	2,156,550	2,501,300	2,846,050	3,190,800	3,535,550	3,880,300	4,225,050	4,569,800
20.0%	2,281,250	2,626,000	2,970,750	3,315,500	3,660,250	4,005,000	4,349,750	4,694,500
22.0%	2,405,950	2,750,700	3,095,450	3,440,200	3,784,950	4,129,700	4,474,450	4,819,200

The 3.4 Million SF of Space Can Be Absorbed in 17 Years

- Annual absorption is often tied to actual deliveries. In order to account the impact of deliveries on absorption, RCLCO moderated the absorption schedule to better align with Howard Hughes' planned deliveries. The current low vacancy rate for office in Howard County allows for movement and absorption in the market, before peaking at 14% in 2024 – a high, but not detrimental rate. While timing is unknowable, there is also the very real possibility of a downturn in the cycle that should be planned for over the course of this schedule.

	RCLCO Statistical Model	Howard Hughes Delivery Schedule		RCLCO Forecasted Absorption Relative to Deliveries			Market Outlook		
Year	Annual Absorption Forecast	Scheduled Deliveries	Cumulative Scheduled Deliveries	Annual Absorption Schedule	Cumulative Net Absorption	5-Year Rolling Average Absorption	Existing Inventory	Vacant Space	Vacancy Rate
2012	-	-	-	122,051			2,595,414	381,526	14.7%
2013	-	-	-	93,670			2,595,414	287,856	11.1%
2014	-	88,170	88,170	117,414			2,683,584	258,612	9.6%
2015	183,850	-	88,170	50,000	50,000	96,000	2,683,584	208,612	7.8%
2016	186,800	206,876	295,046	200,000	250,000	117,000	2,890,460	215,488	7.5%
2017	189,500	-	295,046	150,000	400,000	122,000	2,890,460	65,488	2.3%
2018	185,450	754,400	1,049,446	350,000	750,000	173,000	3,644,860	469,888	12.9%
2019	187,600	-	1,049,446	300,000	1,050,000	210,000	3,644,860	169,888	4.7%
2020	189,850	544,000	1,593,446	250,000	1,300,000	250,000	4,188,860	463,888	11.1%
2021	192,450	279,000	1,872,446	250,000	1,550,000	260,000	4,467,860	492,888	11.0%
2022	195,400	287,400	2,159,846	250,000	1,800,000	280,000	4,755,260	530,288	11.2%
2023	191,550	445,000	2,604,846	250,000	2,050,000	260,000	5,200,260	725,288	13.9%
2024	193,600	175,000	2,779,846	150,000	2,200,000	230,000	5,375,260	750,288	14.0%
2025	195,850	-	2,779,846	150,000	2,350,000	210,000	5,375,260	600,288	11.2%
2026	198,350	-	2,779,846	100,000	2,450,000	180,000	5,375,260	500,288	9.3%
2027	200,950	300,000	3,079,846	200,000	2,650,000	170,000	5,675,260	600,288	10.6%
2028	183,850	-	3,079,846	200,000	2,850,000	160,000	5,675,260	400,288	7.1%
2029	186,800	400,000	3,479,846	250,000	3,100,000	180,000	6,075,260	550,288	9.1%
2030	189,500	-	3,479,846	100,000	3,200,000	170,000	6,075,260	450,288	7.4%
2031			3,479,846	150,000	3,350,000	180,000	6,075,260	300,288	4.9%
2032			3,479,846	41,676	3,391,676	148,000	6,075,260	258,612	4.3%
TOTAL	**3,051,350**	**3,391,676**		**3,391,676**					
2015-2025 Total	**1,908,050**	**2,691,676**		**2,300,000**					
LONG-TERM AVG.	**190,709**	**211,980**		**211,980**					
2015-2025 Average	**190,805**	**269,168**		**230,000**					

Retail Market

Retail Market – Key Findings

- Columbia is a mature and sophisticated retail market, with a natural hierarchy of space (neighborhood, community/big box, and regional mall) that was part of the original vision of the master-plan.
- The strength of the retail market is evidenced by very low vacancies, especially among power, lifestyle, and regional shopping centers, which sits at less than 1%, and high rents relative to the rest of the market at $40.00 per square foot (NNN). Including other shopping centers, the market is still very healthy and robust, with vacancies under 5% and rents at $18.25 per square foot (NNN).
- Columbia Mall is unique among the legacy Rouse assets in that has been routinely updated, expanded, and remained relevant over the last three decades and still remains an economic and lifestyle hub for the County. As in the past, the mall will need to continuously evolve with the increased development and density in Downtown Columbia.
- It appears that Columbia Mall and existing Big Box retail serves much of Howard County's hard and soft goods needs, but there appears to be an unmet demand for additional retail in categories such as grocery stores and beer, wine, and liquor stores. Even with the recent arrival of Whole Foods, this may represent a significant near-term opportunity that could help expand Downtown Columbia's retail offering by nearly 30,000 square feet in the near term.
- The regional mall appears to help drive demand for full-service restaurants in the area. As Downtown Columbia grows and expands, there may be an opportunity to attract several new restaurants (25,000 to 50,000 SF), which would help to strengthen Downtown Columbia's dominance as a dining destination in the County in addition to its prominence as a major fashion and hard goods center. As residential and office buildings are built-out, there will be additional demand for restaurant and retail establishments.
- The evolution of Arundel Mills and the planned development of Konterra (although the achievable retail program and estimated delivery date is uncertain) run the risk of threatening Columbia Mall's trade area or market share, but this near term retail expansion would help defend the mall's position. To date, Arundel Mills has not had a significant adverse impact on Columbia Mall's market share or perception as a high-end retail center as Arundel Mills fills an outlet niche while the Columbia Mall has a traditional mall tenant base.
- Over the next decade, as the number of households is expected to more than double and the daytime employment base is expected to continue to expand within the Town Center assuming Howard Hughes' plans for office and residential development go according to schedule, an additional 500,000 to 550,000 SF of retail should be supportable, both as ground floor retail in mixed-use buildings and as stand alone retail space.

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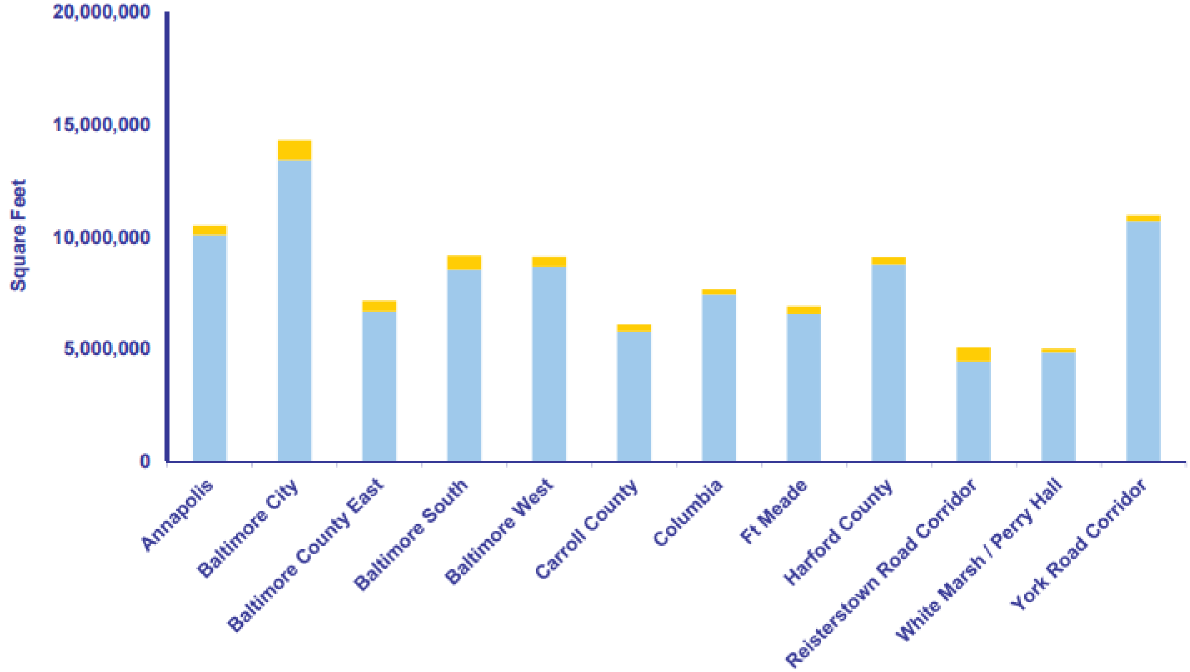
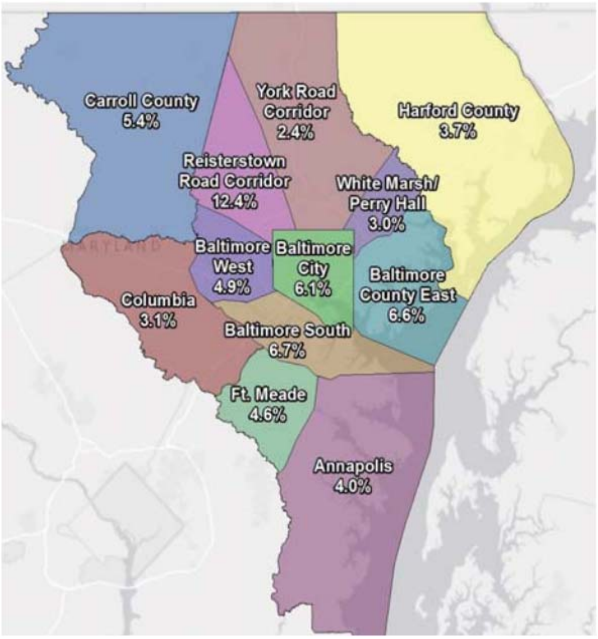
Regional Retail Market Performance – Columbia's 3.1% Vacancy Rate for Retail Among Tightest in Region

Retail Inventory, Baltimore Submarkets; 2015



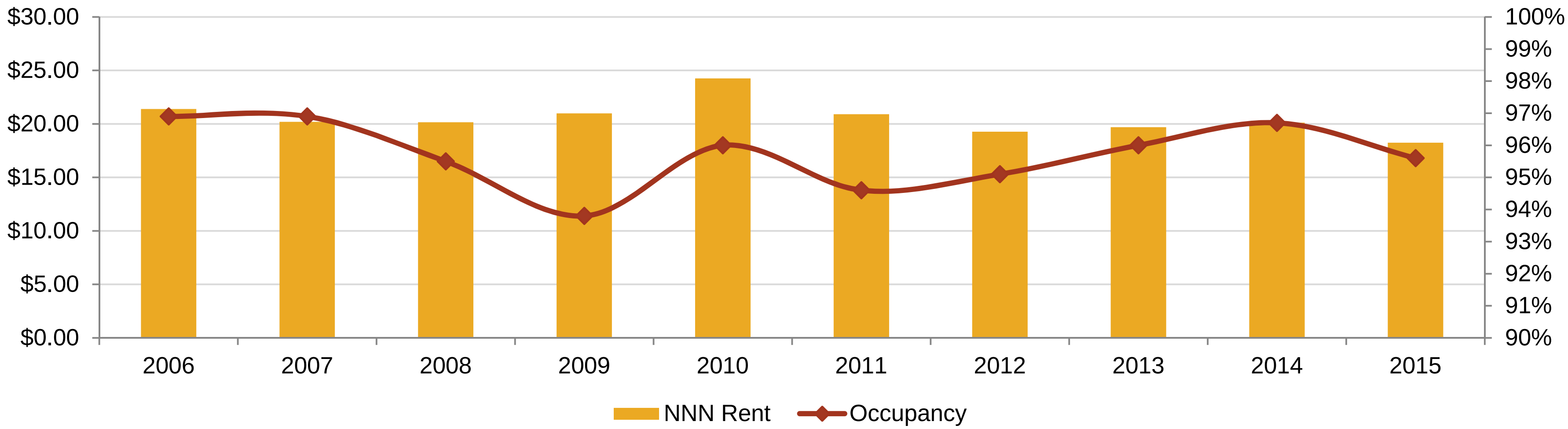
Vacancy by Submarket, Baltimore; 2015



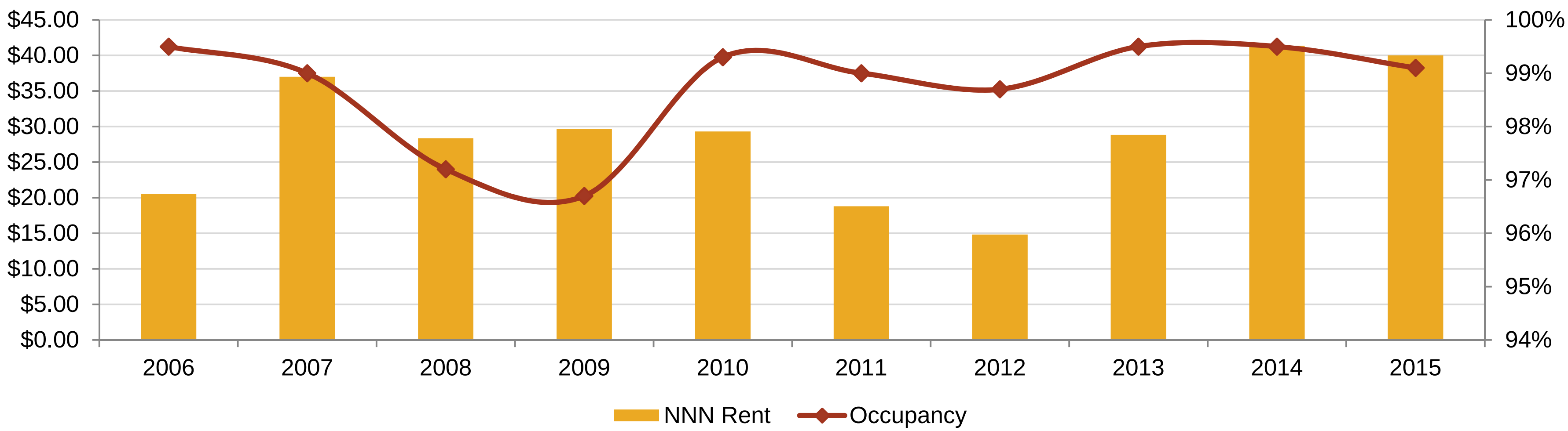
Source: Mackenzie Brokerage

Howard/Carroll Counties Retail Conditions – High Rent Growth in Larger Retail Categories

All Shopping Centers, Retail Rent (NNN) and Occupancy, Howard and Carroll Counties; 2006-2015



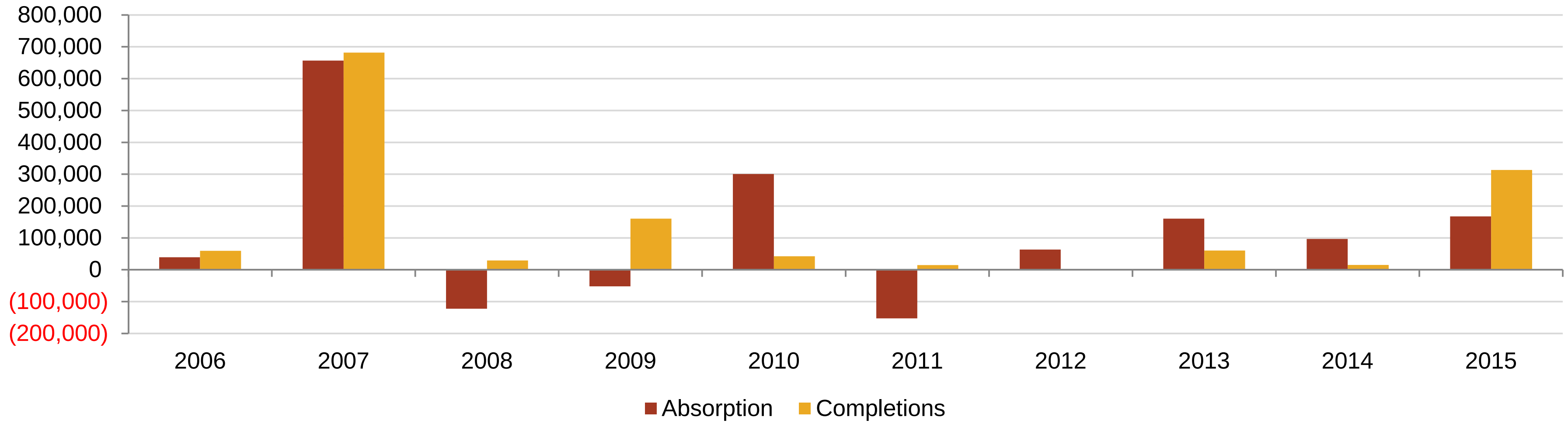
Lifestyle, Power, and Regional Centers, Retail Rent (NNN) and Occupancy, Howard and Carroll Counties; 2006-2015



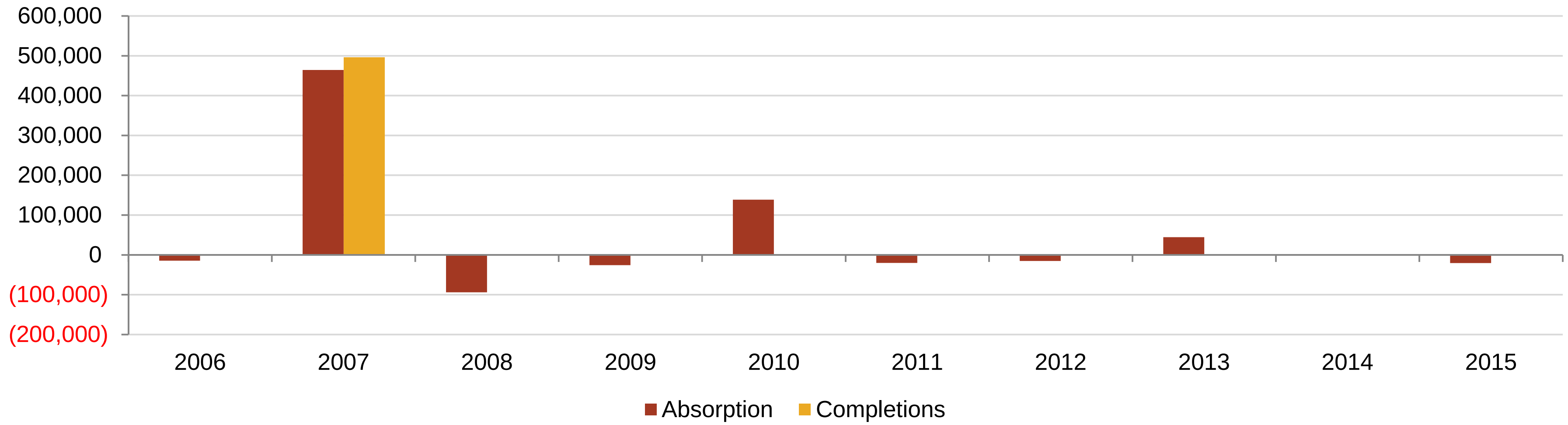
Source: CoStar; RCLCO

Howard/Carroll Counties Retail Conditions – Largest Uptick in Building Since 2007, Negligible Activity in Major Retail Spaces

All Shopping Centers, Net Absorption and Completions, Howard and Carroll Counties; 2006-2015

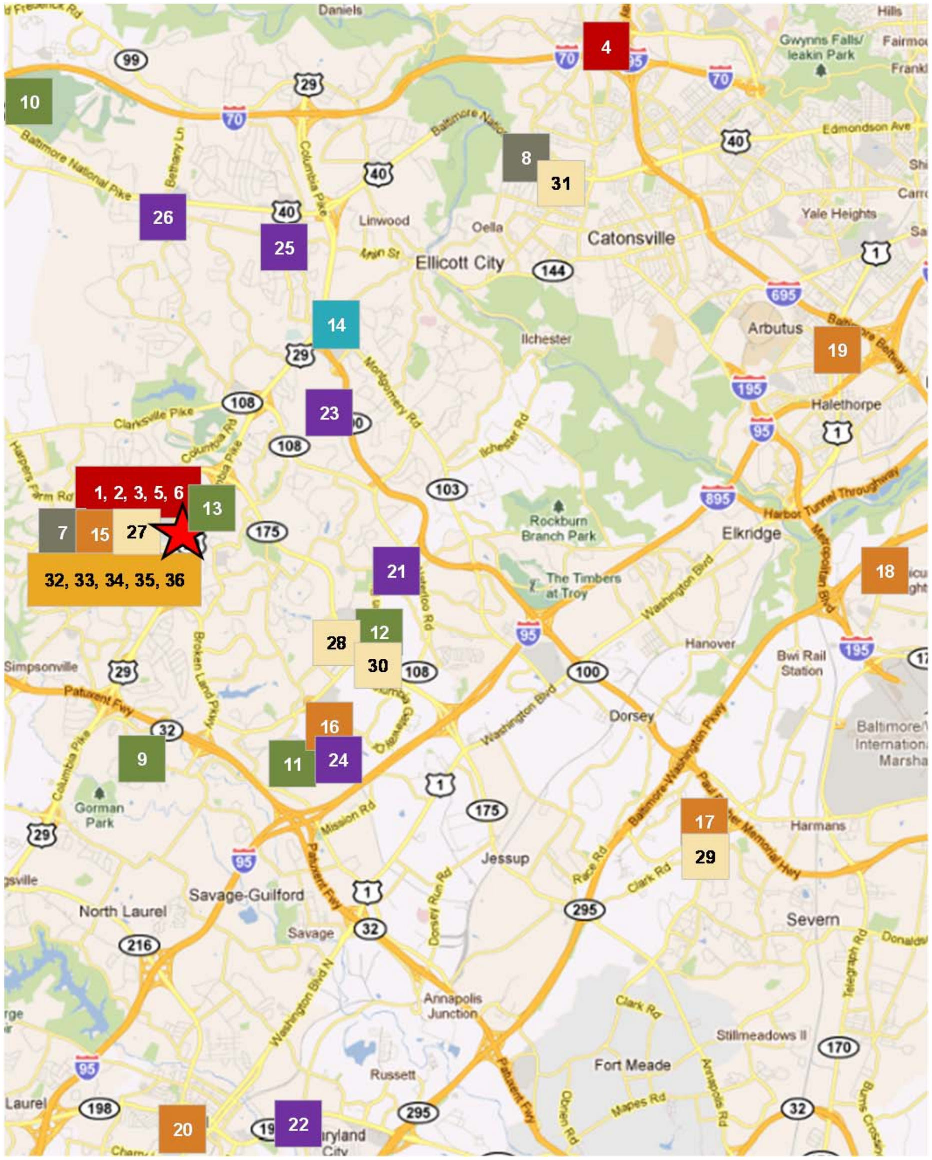


Lifestyle, Power, and Regional Centers, Net Absorption and Completions, Howard and Carroll Counties; 2006-2015Z



Source: CoStar; RCLCO

Competitive Market Retail Tenancies – More Tenants Entering Market Amid Growing Popularity of Arundel Mills



Source: Google Maps; RCLCO

MAP KEY	STORE (DISTANCE TO SUBJECT SITE)
DEPARTMENT STORES	
1	Macy's (0.0 mi)
2	JC Penney (0.0 mi)
3	Sears (0.0 mi)
4	Sears (14.3 mi)
5	Nordstrom (0.0 mi)
6	Lord & Taylor (0.0 mi)
HOME GOODS	
7	Williams Sonoma (0.0 mi)
8	Ethan Allen (9.2 mi)
GROCERY	
9	Harris Teeter (3.0 mi)
10	Harris Teeter (6.1 mi)
11	Wegmans (4.1 mi)
12	Trader Joe's (4 mi)
13	Whole Foods Market (0.0 mi)
BOOK STORES/ENTERTAINMENT	
14	Barnes & Noble (4.9 mi)
MOVIE THEATER	
15	AMC (0.0 mi)
16	United Artists (6.0 mi)
17	Cinemark (13.5 mi)
18	Hoyt Cinemas (17.1 mi)
19	Hollywood Theater (15.6 mi)
20	Regal (8.3 mi)

MAP KEY	STORE (DISTANCE TO SUBJECT SITE)
FITNESS CLUBS	
21	Gold's Gym (4.7 mi)
22	Fitness Evolution (11.9 mi)
23	Colosseum Gym (4.0 mi)
24	Life Time Fitness (6.2 mi)
25	Fitness Together (6.8 mi)
26	Quest Fitness Center (8.4 mi)
RESTAURANTS	
27	PF Chang's (0.0 mi)
28	T.G.I. Friday's (6.0 mi)
29	T.G.I. Friday's (14.3 mi)
30	Applebee's (6.0 mi)
31	Applebee's (9.4 mi)
APPAREL	
32	Banana Republic (0.0 mi)
33	Ann Taylor (0.0 mi)
34	J. Crew (0.0 mi)
35	White House Black Market (0.0 mi)
36	Chico's (0.0 mi)
37	DSW (3.9 mi)

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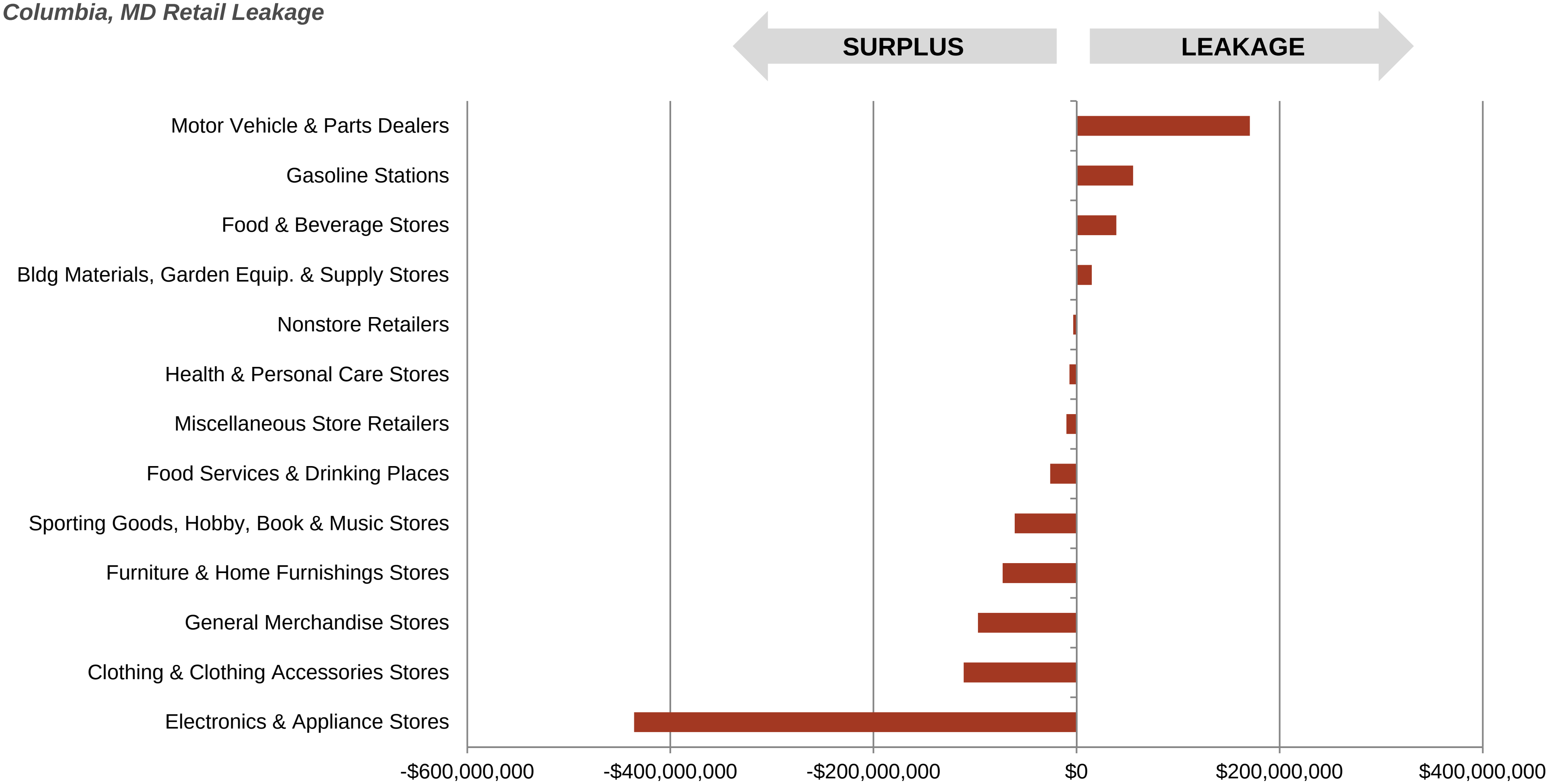
City of Columbia Retail Leakage – Lost Spending Could Support Over 30,000 SF of Non-Automobile Related Retail Today

- Columbia Town Center has a surplus across most retail categories, including general merchandise and electronics categories, indicating that the local market is served and households from outside the Town Center are coming in to shop.
- The City of Columbia (excluding the Town Center) is underserved in select retail categories, and City residents' spending is leaking to both the town center and to other parts of Howard County (which comprises most of the Primary Capture Area).

City of Columbia, MD Retail Leakage



Source: Esri; RCLCO

Retail Market Supply/Demand Context – Town Center Retail Demand Analysis, 2015-2025

TODAY

City of Columbia Resident Spending Leakage: $93M

% OF SPENDING CAPTURED IN COLUMBIA TOWN CENTER

20%

10-YEAR

New Town Center Resident Spending: $247M

0%-60%

% OF SPENDING CAPTURED IN COLUMBIA TOWN CENTER

New Retail Capture Area Resident Spending: $2.1B

0%-15%

% OF SPENDING CAPTURED IN COLUMBIA TOWN CENTER

New Town Center Employee Spending: $81M

20%-70%

Potential Spending Capture in Town Center: $80M

Potential Spending Capture in Town Center: $152M

Potential Spending Capture in Town Center: $35M

Retail Productivity (Sales/SF): $200/SF - $750/SF ($600/SF AVG.)

Retail Productivity: $350/SF - $550/SF

Short Term Town Center Supportable Retail: 30,000 SF

Supportable SF: 150,000

Supportable SF: 300,000

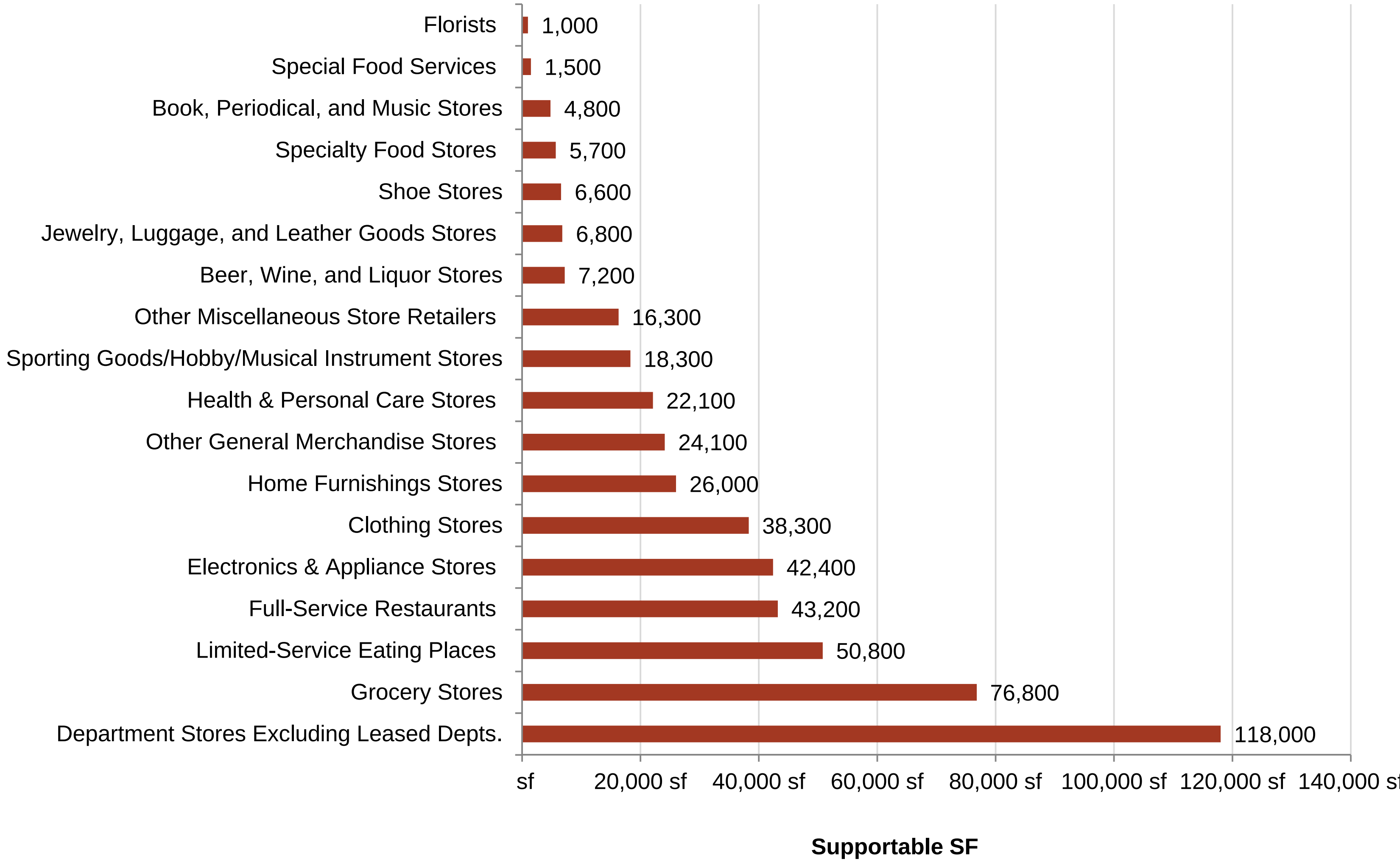
Supportable SF: 78,000

Long Term Supportable Town Center Retail: 528,000SF

Source: Esri; RCLCO

Household and Employment Growth Driven Demand – Additional 510,000 SF of Retail Supportable in Town Center

Supportable Demand for Town Center Retail, Site Capture; 10-Year



Source: Esri; RCLCO

Hospitality Market

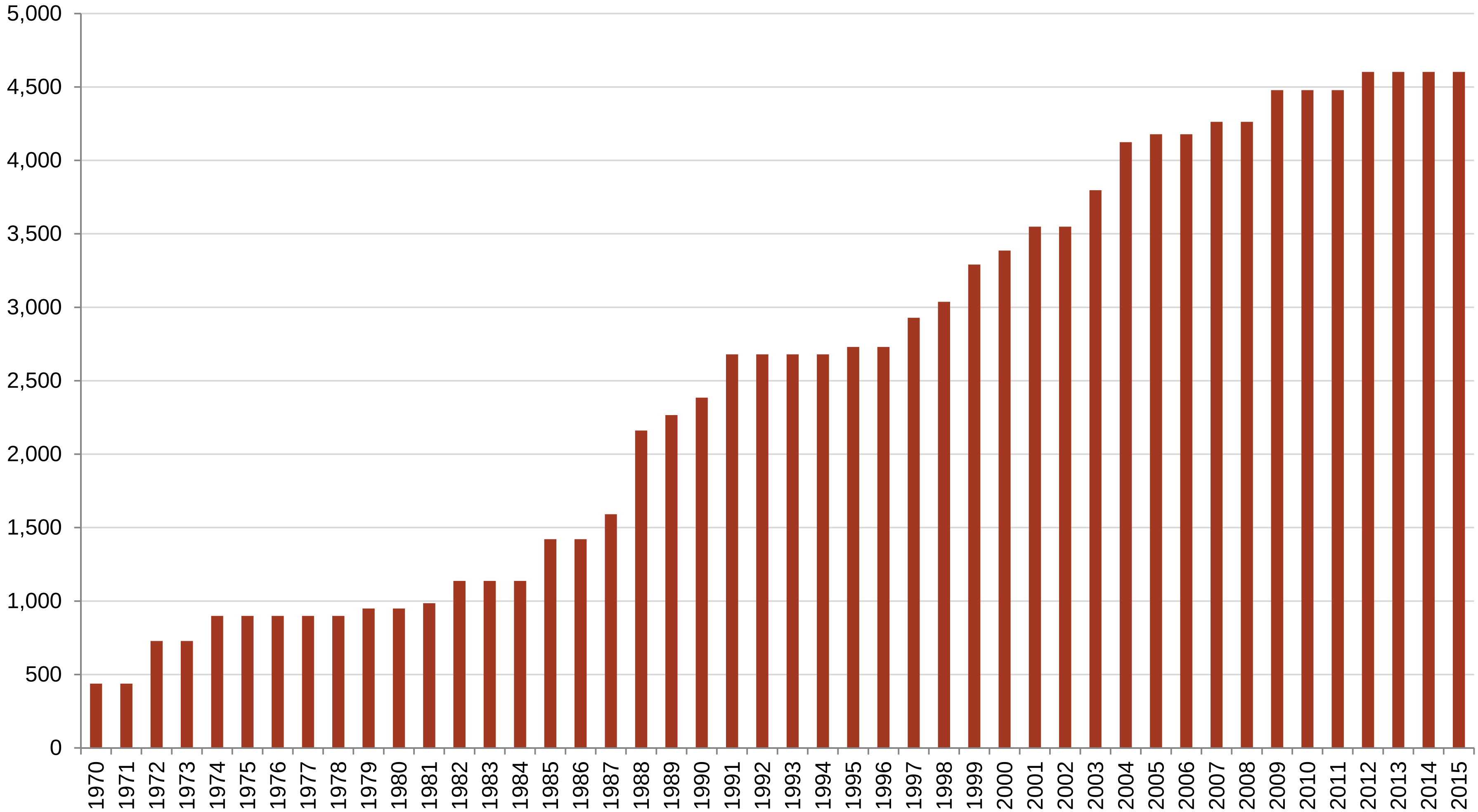
Hotel Market – Key Findings

- The Columbia hotel market now totals approximately 4,500 keys, the vast majority of which were delivered in two building booms in the late 1980s and the early 2000s.
- The Columbia competitive market has seen relatively high but flat occupancy rates since 2010, with rates hovering between 66% and 71% for Upscale hotels and higher. Economy to Upper Midscale hotels have also seen static occupancy levels over the long term, but have experienced a jump in occupancies beginning in 2014, increasing from 60% in 2010 to 70% in 2015.
- After peaking at $132 in 2007, average daily rates (ADR) for full service hotels gradually declined and stabilized from 2009-2013, before rising again to its current level of $123 per night. Revenue per Available Room (RevPAR) for full service properties peaked in 2006, and saw its largest year-over-year decrease from 2008-2009 when it dropped 11%. After bottoming out in 2013 at $75, RevPAR for 2015 reached its highest level since 2007.
- Limited service hotels earn a significant discount to Upscale and Upper Upscale properties. In 2015, this discount was nearly 35%, as the ADR exceeded, albeit only slightly, $80 per night for the first time since 2008. RevPAR for limited service hotels has also seen a strong recovery, but has surpassed pre-Recession levels set in 2006. This past year's RevPAR increased 9% year-over-year to over $56.
- Over the next 10 years, we expect a modest increase in demand for hotel rooms, and we estimate that an additional 270-300 rooms can be supported in the Columbia market. This demand could be filed by a major flag and/or a high-end boutique hotel, such as Renaissance or Hyatt, which are not present in the market today.
- Over the same timeframe, limited service hotels will have a much larger demand, and we estimate that at least one additional hotel could be supported in the market from this class, with 675-775 additional keys demanded by 2024. These hotels could range from extended stay brands to Midscale limited service flags, such as Four Points by Sheraton or Hyatt House.
- The planned 250 key hotel, either limited or full service should be supportable in Downtown Columbia. Increasing daily rates and nightly occupancy indicate room for an additional hotel. Furthermore, Downtown Columbia's plans for office development and residential development will further drive expected demand for hotel keys. A new, fresh product would certainly be welcomed in the environment of aging hotels.

Competitive Hotel Market – Hotel Inventory Growth Trends

- Hotels are typically built in spurts, but there have been no major deliveries in the market since 2012.

Total Hotel Rooms in Competitive Market Area; 1970-2015



Source: STR; RCLCO

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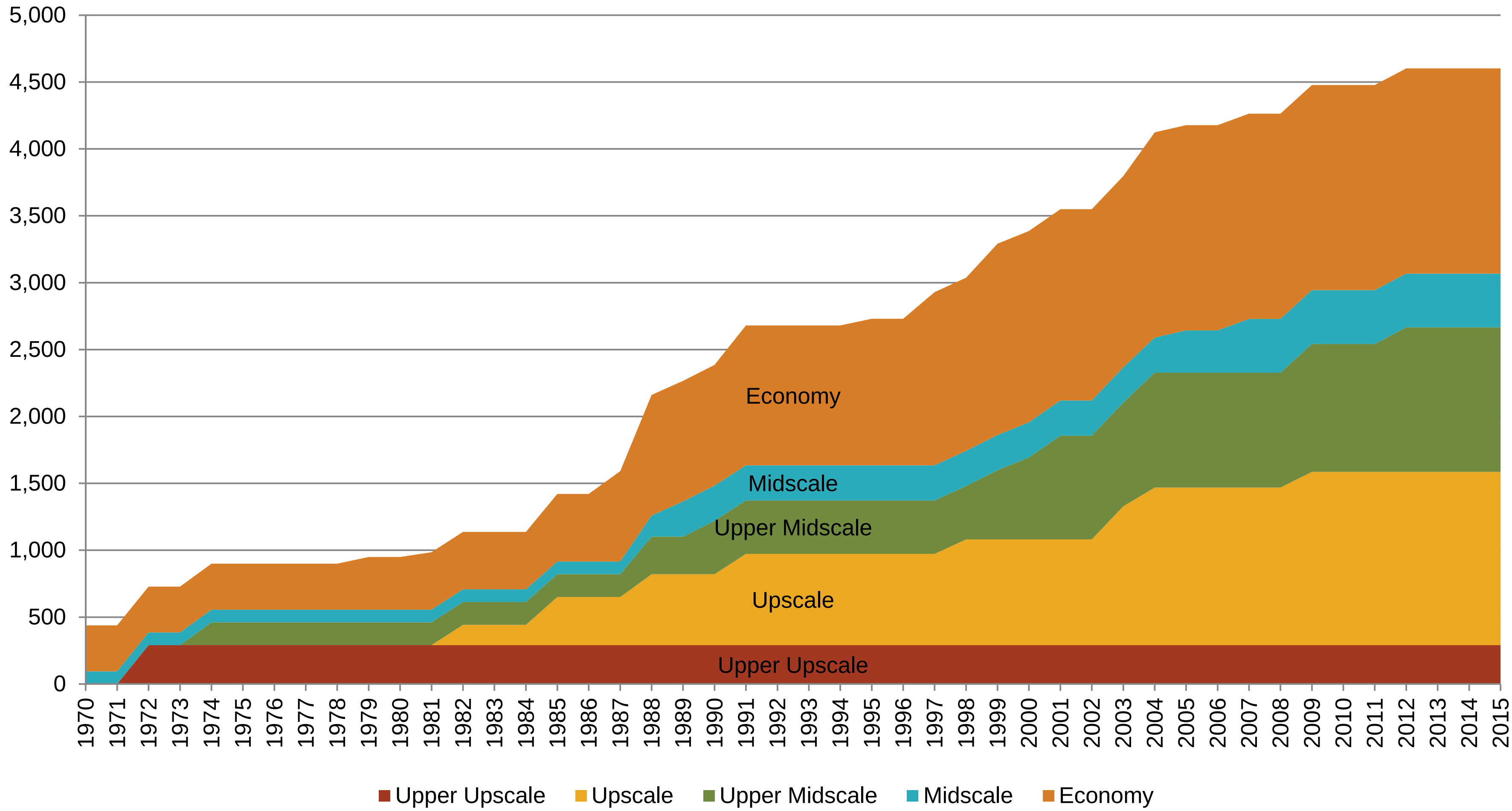
Competitive Hotel Market Inventory – Growth by Chain Scale

- In the last 10 years, economy, upper midscale, and upscale chains experienced the greatest growth and highest market share in the Columbia hotel market.
- Upscale chains grew most dramatically in the last 15 years.

Chain Scale Growth Trends; 1970-2015



Source: STR; RCLCO

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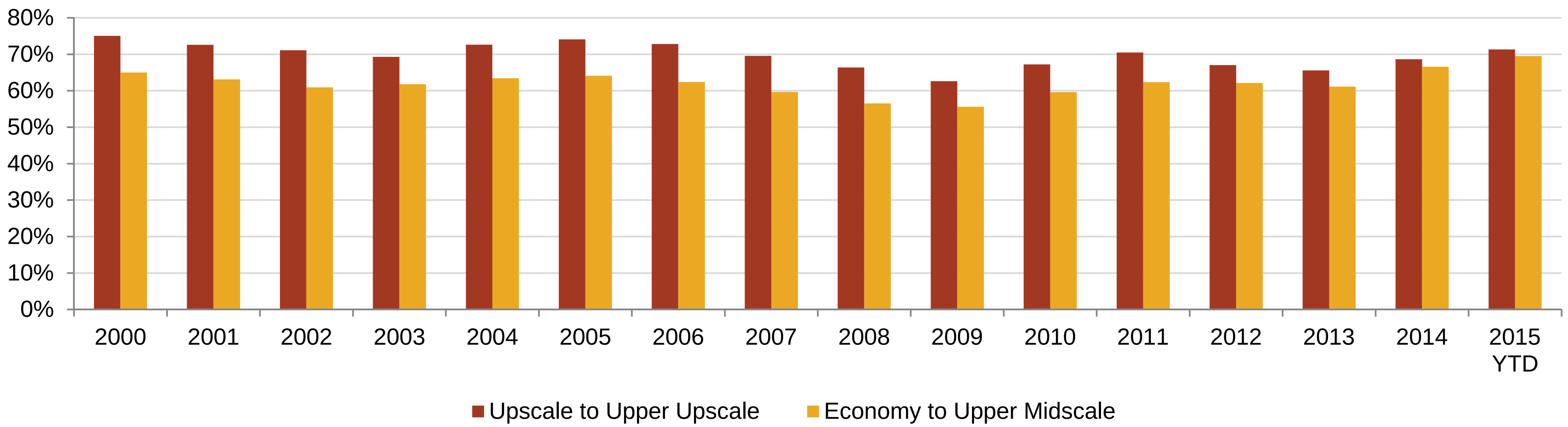
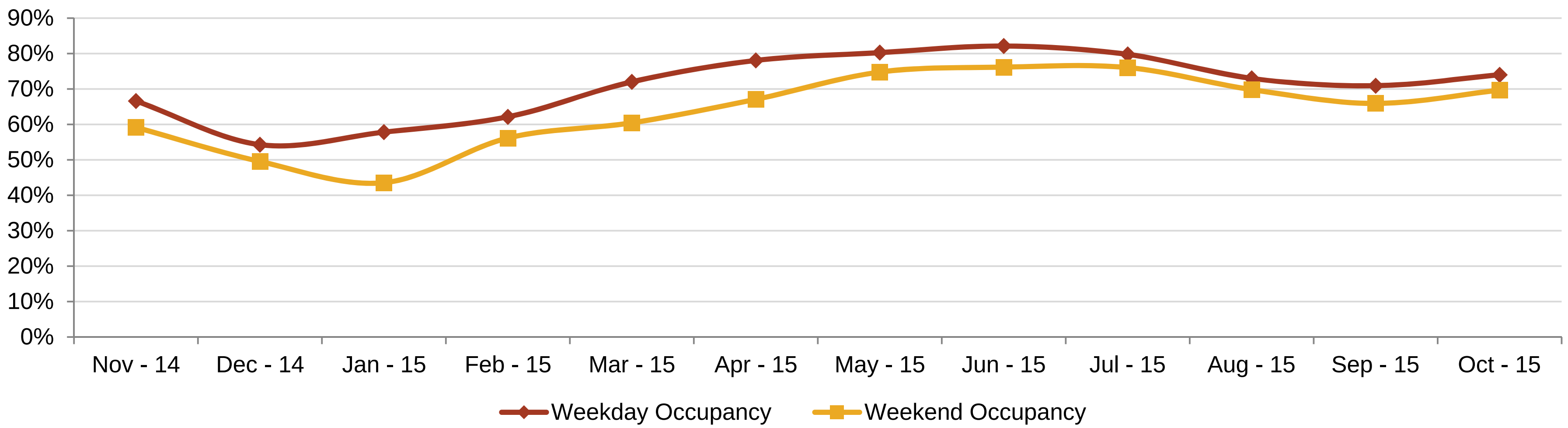
Competitive Hotel Market Inventory – Recovering Overall Occupancy, Higher Weekday Occupancy

Occupancy Rate in Competitive Hotel Market; 2000-2015



Seasonal Occupancy Rate; November 2014-October 2015



Source: STR; RCLCO

Competitive Hotel Market Inventory – Low ADR, but Growing RevPAR

Average Daily Rate in Competitive Hotel Market; 2000-2015

Revenue per Available Room; 2000-2015

Source: STR; RCLCO

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Hospitality Demand Summary

2014 Howard County Competitive Hotel Market Guest Room Supply : 4,602

	Upper and Upper Upscale Hotels		Economy to Upper Midscale Hotels	
EXISTING SUPPLY	**1,325 ROOMS @ 71% OCCUPANCY**		**3,277 ROOMS @ 70% OCCUPANCY**	
	Appropriate Supply @ 68% Occupancy: **1,338**		Appropriate Supply @ 68% Occupancy: **3,205**	
PROJECTED INCREMENTAL 10 YEAR DEMAND	2020 Projected Demand Change *(Conservative):* **8,866**	2020 Projected Demand Change *(Aggressive):* **17,732**	2020 Projected Demand Change *(Conservative):* **50,000**	2020 Projected Demand Change *(Aggressive):* **75,000**
PROJECTED SUPPORTABLE ROOMS	2020 Supportable Supply: **1,372**	2020 Supportable Supply: **1,406**	2020 Supportable Supply: **3,407**	2020 Supportable Supply: **3,507**
10-YR DEMAND FOR NEW HOTEL KEYS	Supportable Room Growth: 268 to 302		Supportable Room Growth: 678 to 779	

Source: STR; RCLCO

Critical Assumptions

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will grow at a stable and moderate rate to 2020 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- Economic, employment, and household growth.
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels.
- The cost of development and construction.
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth).
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers.
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand.
- Major public works projects occur and are completed as planned.

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.

Appendix: Supporting Exhibits

RCLCO
7200 Wisconsin Avenue
11th Floor
Bethesda, MD 20814
Phone: (240) 644-1300
Fax: (240) 644-1311
www.rclco.com