



**Maryland Department of Transportation**  
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Deputy Secretary

July 8, 2011

Mr. Christopher B. Summers  
President  
The Maryland Public Policy Institute  
PO Box 195  
Germantown MD 20875-0195

Dear Mr. Summers:

We are writing on behalf of the Maryland Department of General Services and the Maryland Department of Transportation to request that you withdraw your recently issued report on the State Center Phase I Project (the "Project") because it contains serious misstatements of fact about the Project. It is difficult for us to understand how an organization could seek to produce a credible report on this project without contacting either the state government or the private development team to verify its information.

The MPPI report's analysis overstates the cost of the project to the public while excluding all of the revenues and benefits that would be generated by the project. Therefore, it presents a grossly distorted and factually inaccurate picture of the Project. Even accepting the report's cost methodology, it: (1) double counts the \$15 million tax increment financing amount by including it in the rent cost and as a separate item; (2) inflates the land value from its appraised value of \$1.8 million to an unsubstantiated and unrealistic \$11 million; (3) greatly understates the cost of construction to the private development team; and (4) fails to note that the State's office rent rates are at the low end of what is required to finance new construction. This last point was recently proven out in the Baltimore market by the Social Security Administration's lease back of a similar amount of space for \$39/square foot in a building to be constructed at the Reisterstown Plaza Metro Station.

Even more egregiously, the report excludes all the new revenues that the City and State would receive from the first phase of the project. For example, it does not include the \$40 million in City and State taxes (present value) that would be generated in just the first twenty years of the project, the estimated \$25 million in ground rents (present value over 50 years), and the \$16 million in garage revenues (present value over twenty years). These numbers could be much higher if the project draws

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private investment and development as expected. The report also does not consider the thousands of jobs that will be created and its positive impact on the surrounding area. In summary, the State's independent real estate consulting firms Jones Lang LaSalle and Bay Area Economics concluded that the project as defined represents the best fiscal and economic alternative for redeveloping the site from the taxpayer's perspective.

Significantly, the MPPI report completely fails to note or analyze the flaws inherent in its recommended alternative of relocating the State agencies into existing office buildings. First, such a relocation would turn State Center into a vacant 28-acre blight that would harm the nine surrounding communities, the Symphony, Maryland General Hospital, the Maryland Institute College of Art, the University of Baltimore, and the Cultural Arts District. It would also deny these communities and institutions the benefits of a world-class transit oriented development that was named as one of the seven best urban redevelopment projects in the world by the Congress for New Urbanism in 2010. In addition, since there are insufficient contiguous blocks of space in the city to accommodate the State Agencies, they would either need to be relocated outside of the City or broken up into smaller less efficient units thus harming state governmental operations and increasing costs. Most glaringly, the report fails to note that the relocation option has no offsetting benefits. It does not generate new jobs, taxes, private investment, or new ground rents for the State. The relocation alternative likely would present no real cost benefit to the State but would do serious harm to everyone except the few building owners who receive the State agencies as tenants. In short, the Ehrlich Administration rejected MPPI's proposed alternative in 2005 for good reasons.

Finally, the report makes several misstatements about the project and developer selection process. First, the Request for Qualifications (RFQ) process was "competitive" not noncompetitive. And, the Ehrlich Administration had good reason for choosing in 2005 to employ an RFQ and a public/private partnership vehicle in 2005 rather than the Request for Proposal (RFP) process suggested by the MPPI report. Specifically, RFPs are a feasible option for the development of single purpose government financed and owned building but they are a much less effective vehicle for development of a complex multi-year phased mixed-use public/private project. Moreover, contrary to the reports assertion, the replacement of two of the development team partners was carried out pursuant to a formal process that involved extensive oversight by the legislative budget committees, the Governor's Office, the Treasurer's Office and the Comptroller's Office. This rigorous oversight of the replacement was consistent with the overall transparency of the project which has included more the 270 public meetings and briefings of public officials, several approvals each by the Board of Public Works and legislative budget committees, and close oversight by the Maryland Attorney General's Office.

We welcome questions on the project and so invite your organization to learn more. Please note there is a transparent website at [www.statecenter.org](http://www.statecenter.org) that has been posted for several years and that has extensive information on the project.

Michael A. Gaines, Sr.

Handwritten signature of Michael A. Gaines, Sr. in blue ink.

Assistant Secretary for Real Estate,  
Maryland Department of General Services

Christopher Patusky

Handwritten signature of Christopher Patusky in blue ink.

State Center Project Director  
Maryland Department of Transportation