THE DAILY RECORD

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TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

PART ONE

# A DREAM DERAILED

## The recession, lagging biotech investment and disengaged elected officials have taken a toll on the $1.8 billion project to transform part of East Baltimore


MAXIMILIAN FRANZ

**The progress proclaimed by this sign has been slow in coming to The New East Baltimore project. With plans for a massive biotech park stalled, project leaders are turning to new options to fill the vacant lots near Johns Hopkins Hospital, shown in the background. The sign and the site, shown here in a photograph taken last September, remain unchanged.**

**By Melody Simmons and Joan Jacobson**

The nation's largest urban redevelopment, a projected $1.8 billion effort to transform 88 acres of East Baltimore into a world-class biotech park and idyllic urban community, lies derailed amid vacant lots, boarded houses and unfulfilled dreams a decade after it began.

The effort to give new life to a decaying community behind **Johns Hopkins Hospital** began with unbridled optimism. Then-Mayor Martin O'Malley and civic leaders promised that it would energize the economy and create thousands of permanent jobs.

But a five-month investigation by **The Daily Record** has found that the project, promoted as "America's new model for urban development," is lagging far behind its original timetable. The recession, disengaged elected officials and unexpected difficulty attracting biotech firms have taken their toll.

Meanwhile, an African-American community known as Middle East has been virtually eliminated and its more than 600 residents have been relocated to make room for the development known as The New East Baltimore.

The Daily Record's report on the findings of its investigation, based on more than 50 interviews and examination of dozens of city, state and federal records, begins today. The five-day series is the first comprehensive public examination of the project's finances, leadership, accountability and its record in achieving its original mission.

About $564 million has already been committed to the project, which is spearheaded by the nonprofit **East Baltimore Development Inc.** The public share of that amount is $212.6 million, more than a third of which is from loans that will take three decades for the city to pay off with diverted property taxes.

But the dream of a biotech park has been abandoned, putting the promise of thousands of new jobs in limbo. Public and private sector leaders are scrambling for a new focus for the project, saying it's too big to fail.

"It has got to succeed," said Shale D. Stiller, a Baltimore lawyer and civic leader who is a member of several boards deeply invested in the project. "If it does not succeed, it will be a big blot on Baltimore's future."

See NEW EAST BALTIMORE 9A

AN EXCLUSIVE DAILY RECORD INVESTIGATION

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**Community may lose name**
Residents call it Middle East, but officials say the neighborhood needs to be renamed and "rebranded." 9A

**Unchecked for years**
Not since 2003 has an elected official raised serious questions about public financing of The New East Baltimore project. 12A

**Extra information online**
Go to our website for a narrated slideshow, video interviews with East Baltimore residents, and an interactive timeline and map of the area. Check back throughout the series for additional online content.

TDR ONLINE Log on to our website TheDailyRecord.com

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# New East Baltimore >> EBDI, a nonprofit, was formed to spearhead the project

Continued from **1A**

It also would be a major setback for two of the city's most prestigious and powerful institutions, the **Johns Hopkins University** and the philanthropic **Annie E. Casey Foundation**, which have committed $85.5 million to the project.

Christopher Shea, EBDI's CEO, said he is not worried by the lack of biotech development and housing and is confident the project will take shape successfully.

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**PART ONE**

As evidence, he cited construction of housing for Hopkins graduate students underway now and plans for a new state lab and a state-of-the-art public school.

Part of the effort may be "way behind in some line in the sand [drawn] in 2002, but not behind now in my priorities to successfully resettle the community," Shea said.

### Little public oversight

Dubbed The New East Baltimore by EBDI, the project is the city's most ambitious redevelopment effort since Charles Center-Inner Harbor in the 1960s and '70s. It is larger than Harbor East by 18 acres.

Overseeing this massive undertaking is EBDI, a nonprofit created in 2002 by the city, Johns Hopkins and community leaders.

EBDI was intended to assure the project's progress and continuity through changing mayoral administrations, according to Paul Brophy, former president and co-CEO of the Enterprise Foundation and an early consultant on the project.

Similarly, Charles Center-Inner Harbor was developed through a private corporation, according to Martin L. Millspaugh, its CEO from 1965 to 1985.

EBDI has operated much like a private corporation with little public oversight. Its board of directors, which reads like a Who's Who in Baltimore power circles, has presided over heavy spending on consultants and staff salaries that far exceed those of **Baltimore Development Corp.**, the city's official development arm that is also a nonprofit.

Although the mayor approves the hiring of EBDI's chief executive officer as a matter of protocol, according to former Mayor Sheila A. Dixon, the organization's nonprofit status shields it from much public scrutiny. It was formed without approval of either the **City Council** or the **Board of Estimates**, and it does not have to adhere to city rules in areas such as hiring, competitive bidding and salaries.

The Daily Record's investigation found that The New East Baltimore's public funding is so complex and poorly scrutinized that local elected officials, some of whom serve on EBDI's board, said they had little grasp of the $108.5 million in city funds committed to the project at a time of tax increases, and furloughs and pay cuts for firefighters, police and other city workers.

Dixon told The Daily Record that she did not know the city sold $78 million in bonds to support the project when she was mayor.

Those bonds, known as TIFs, for Tax Increment Financing, represent the project's least obvious long-term costs to taxpayers.

Sold to investors in 2008 and 2009, the bonds financed the purchase and demolition of houses and relocation of occupants. Repayment, which began in 2008, is supposed to come largely from diverted property taxes collected on the developed land that would otherwise go into the city's general fund.

By 2039 the city will have transferred $199 million in property taxes to repay the bonds with interest, according to debt service projections provided to The Daily Record by the city's finance department.

Also, the city will have to repay a

See **NEW EAST BALTIMORE 10A**

## East Baltimore Development Inc.

east baltimore development inc.
Community. Business. Opportunity.

**Founded**
Created in 2002 as a nonprofit.

**Objective**
Charged with the development of the 88-acre site in Middle East and overseeing $564 million in financial commitments of public and private funds to date for the nation's largest urban redevelopment project.

**Staff, salaries and budget**
In seven years, the nonprofit has grown to a staff of 71 with $5.1 million in salaries and a $50 million annual budget.

**Address**
1731 E. Chase St.

**Master developer**
Forest City-New East Baltimore Partnership

**Major contributing organizations**
Johns Hopkins University
Annie E. Casey Foundation
Goldseker Foundation
Harry and Jeanette Weinberg Foundation
Abell Foundation

**CEO**
**Christopher Shea**

**Board of directors**
**Diane Bell-McKoy**, President and chief executive officer, Associated Black Charities
**Anthony Brown**, Lieutenant governor
**Ronald J. Daniels**, Johns Hopkins University president
**Anthony W. Deering**, Rouse Co. Foundation and Exeter Capital chairman
**Judge Ellen M. Heller**, Trustee, Harry and Jeanette Weinberg Foundation
**Earl Linehan**, President, Woodbrook Capital
**Patrick McCarthy**, Annie E. Casey Foundation president
**David Nichols, M.D.**, Johns Hopkins Medicine
**Kaliope Parthemos**, Baltimore deputy mayor for economic and neighborhood development
**Nia Redmond**, community representative
**James S. Riepe**, Senior advisor and retired vice chairman, T. Rowe Price Group
**Maurice D. Walker**, community representative and managing partner, Birch Advisors
**Robert L. Young III**, Brown Capital Management
**Thurman Zollicoffer Jr.**, Whiteford Taylor & Preston LLP

**Ex-officio members**
**Paul T. Graziano**, Baltimore housing commissioner
**Carl Stokes**, City Council
**Warren Branch**, City Council

**Chairman**
**Douglas W. Nelson**, former CEO of Annie E. Casey Foundation

# Renaming Middle East hits a sour note

By JOAN JACOBSON and MELODY SIMMONS

What's in a name?

That's a loaded question if you ask people from Middle East, a community north of **Johns Hopkins Hospital** that is subject to an 88-acre overhaul.

Now the community may be getting a new name.

Middle East needs to be "rebranded," says Andrew Frank, a former deputy mayor who now works as special advisor on economic development to the president of the **Johns Hopkins University**.

"The downturn in the market has given us a time to pause. We need to be smarter about who is likely to live in the neighborhood," said Frank.

A name change does not sit well with some elected officials who represent the area, nor with former residents. They remain unsettled by the city's decision almost 10 years ago to relocate residents, demolish buildings and build a new community.

"What are they going to name it — Upper Canton?" asked Carl Stokes, a city councilman who represents part of the area. "It's Middle East … why do they have to do a marketing study?"

MAXIMILIAN FRANZ

**"I don't like it. Why change it?" asks Donald Gresham in regard to plans to change the name of the community known as Middle East. Gresham chose not to leave Middle East and is one of about 40 residents waiting to move to a newly renovated house there.**

The long-troubled community, once home to both working-class elderly citizens and drug dealers, was named Middle East by its residents in 1978 for its geographic setting the city. Increasing violence there later brought comparisons to its international namesake.

"Paying a consultant to rename East Baltimore is a waste of money," said **City Council** President Bernard C. "Jack" Young, who grew up in the area and was Stokes' predecessor in the 12th District council seat.

"I don't like it. Why change it? It's not anything we have had an ongoing conversation about," said Donald Gresham, one of the most vocal opponents to the project. Gresham chose not to leave Middle East and is one of about 40 residents waiting to move to a newly renovated house there.

A new name, said city housing commissioner Paul T. Graziano, should reflect the positive qualities of the new community.

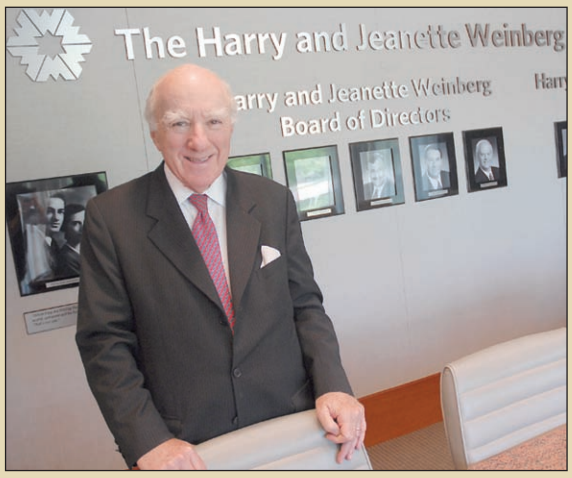
"What should people think of when they think of this community?" asked Graziano, adding that residents "don't live in EBDI."

John T. "Jack" Shannon Jr., the founding CEO of **East Baltimore Development Inc.** who resigned in 2009, isn't so sure a name change is a good idea. He called it "a hot button issue for certain community members."

"It also begs the question: You can call that neighborhood anything, but unless you establish a physical environment and sense of community it's not going to change," said Shannon.

AN EXCLUSIVE DAILY RECORD INVESTIGATION

> It has got to succeed. If it does not succeed, it will be a big blot on Baltimore's future.
>
> **SHALE D. STILLER**
> Baltimore lawyer and civic leader




> Oh my God, it is a living hell for me. I'm the only person on this block. At night, I pray.
>
> **LISA FRANCIS**
> Middle East resident

# New East Baltimore >> Plans for as many as five biotech buildings are not feasible

Continued from **9A**

$21.2 million loan over 15 years from federal Community Development Block Grant funds used to revitalize communities throughout Baltimore. By 2024 the city will have paid $28 million in principal and interest, according to the loans' amortization schedule.

As a nonprofit, EBDI is not audited by the city or state government. Officials at EBDI declined to show The Daily Record its internal audits, saying that it is not required by law to make them public.

Some of the financial information made public by EBDI has been incomplete or inaccurate.

Over the last five years, some EBDI reports have omitted any mention of private investment in the project while others have overstated the current amount of private investment by more than half a billion dollars.

The nonprofit's 2005-2006 annual report displayed a pie chart showing $848 million in investment from private developers, or 86 percent of the total first phase of the project.

But The Daily Record found that by 2010 only $214 million had been invested by private developers, according to figures obtained from EBDI, private developers and private foundations.

The inflated numbers, says John T. "Jack" Shannon Jr., then EBDI's CEO, were actually estimates for future private investment. Shannon said he does not know why that was not stated in the reports.

## Biotech dream fades

Plans for a life sciences park of 1.1 million square feet and as many as five buildings — once the linchpin of The New East Baltimore project — are no longer considered feasible.

One biotech building of 278,145 square feet opened in 2008. That structure, the $100 million John G. Rangos Sr. building, is scheduled to be 80 percent occupied in May when the **Lieber Institute of Brain Development** moves in.

Plans have been scrapped for four more life sciences buildings that were to produce thousands of jobs. A vacant lot reserved for one of those buildings has been turned over to the state for a new **Department of Health and Mental Hygiene** lab that will probably not create many new jobs.

"It's not going to be a biotech park," said Stiller, who served on EBDI's board and is a trustee emeritus of the boards of **Johns Hopkins Medicine**, **Johns Hopkins Health Systems** and Johns Hopkins Hospital.

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"It was because of our inability to attract it. I don't know why it didn't happen. The **University of Maryland** did a very good job across town," Stiller added.

The university's downtown biotech park has 500 employees in 455,000 square feet rented in three buildings, with two more buildings planned with another 295,000 square feet.

In late December, the **University of Maryland BioPark** received $65 million in tax-exempt federal Recovery Zone bonds, stimulus funds that will allow developers to obtain tax-free financing to expand the park.

Meanwhile, as the biotech dream fades in East Baltimore, Johns Hopkins is moving ahead on a 4.6 million-square-foot biotech park in Montgomery County near its Rockville campus.

## Still searching for jobs

Thousands of permanent jobs promised for The New East Baltimore have been slow to materialize.

In the early years EBDI received federal money on the premise that the biotech park would create 1,750 jobs. As recently as 2009, EBDI reported to the federal government that the entire project would eventually generate 6,500 permanent jobs.

Today, more than two years after the lone biotech building opened, 422 employees are there. An EBDI employment official says she does not know how many jobs were created or simply transferred when business tenants moved there.

None of the permanent jobs, though, were created for East

See NEW EAST BALTIMORE 11A

> If in time we can't make that community resemble the vision we had for families and kids and workers there, the city is in trouble.
>
> **DOUGLAS W. NELSON**
> Chairman of the EBDI board

## EBDI Timeline


O'MALLEY

### 2001
**January:** East Baltimore redevelopment project announced by then-Mayor Martin O'Malley.

### 2002
**September:** EBDI incorporated as a 501(c)(3) nonprofit organization.

east baltimore development inc.
Community. Business. Opportunity.

### 2003
**May:** John T. "Jack" Shannon Jr. named CEO.

**July:** Baltimore is awarded a federal loan guarantee of $21.2 million to acquire properties, relocate households and businesses and demolish structures.


SHANNON

### 2004
**March:** Baltimore begins acquisition of 916 properties and begins relocation of 396 households in Phase I.

**December:** Forest City-New East Baltimore Partners selected as master development team.

### 2005-2007
More than $20 million of infrastructure improvements are made to upgrade electricity, technology and water needs for first phase of development.


ASSOCIATED PRESS
**Science scholars at Paul Lawrence Dunbar High School help break ground for the life sciences building.**

### 2006
**April:** Groundbreaking for the first life sciences building.

**November:** Construction begins on a 74-unit senior citizens apartment building.

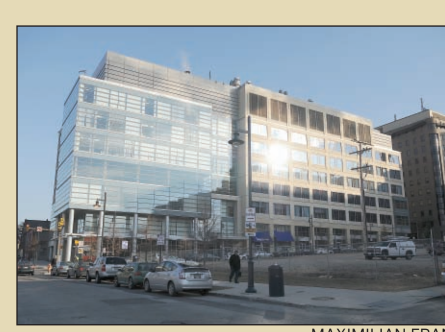
### 2007
**January:** Construction begins on a 78-unit apartment complex that will provide housing for work force families.

**May:** Planning process begins for new school school and family resource center.

### 2008
**January:** TIF approved for acquisition and relocation for school campus area.

**April:** Life sciences building dedicated.

**May:** Senior and work force housing dedicated.


MAXIMILIAN FRANZ
**John G. Rangos Sr. life sciences building.**

### 2009
**February:** Shannon resigns as CEO; replaced by Christopher Shea.

### 2010
**January:** State commits to build $175M lab for the Department of Health and Mental Hygiene.

**September:** Groundbreaking for graduate student housing.


SHEA

**SOURCES:** EBDI,HUD

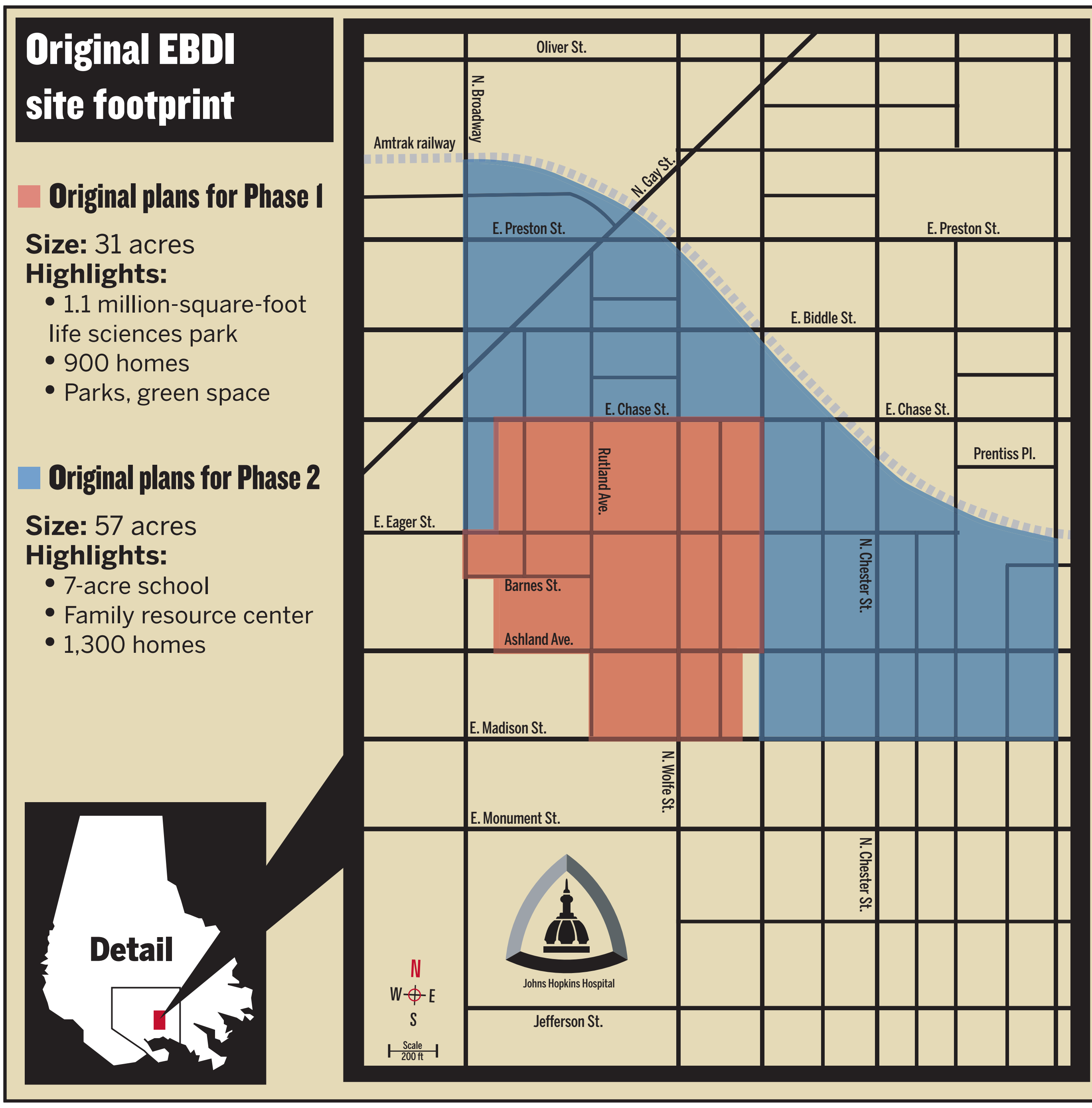
# New East Baltimore >> The future depends on retooling the project's master plan

Continued from 10A

Baltimore residents, as had been promised.

Most of the 2,378 jobs created elsewhere in The New East Baltimore were temporary construction jobs that lasted an average of two months.

Of the total jobs created, 695 have been created on the EBDI staff, at the new **East Baltimore Community School** and at local businesses in health care, customer service, hospitality and tourism, according to a Daily Record analysis of EBDI statistics and interviews with current and former EBDI officials.




## Housing comes slowly

The project began in 2001 with plans to relocate 732 households and clear wide swaths of East Baltimore. So far, 669 houses and other buildings have been demolished and another 700 are ready to come down, many of them long-vacant.

The project has been stymied first by the rise in home prices and later by the recession. In its early years, when EBDI was relocating families, the cost of comparable housing and a grassroots protest by residents and their supporters forced the nonprofit to pay millions more than expected on relocation.

The $21.2 million federal loan was not enough to cover acquisition, relocation and demolition. Instead, EBDI used it almost exclusively for relocation, along with millions of dollars from Casey and Hopkins and $6 million in federal rent subsidies. Another $11 million from the state paid for demolition, according to federal documents.

By the time the ground was cleared in early 2009, the full brunt of the recession had hit. Financing dried up and housing demand waned.

Today, only 37 percent of rental and for-sale homes planned for The New East Baltimore's first phase of 31 acres have been built.

EBDI projected, as recently as May 2008 in a bond offering to investors, that there would be 599 houses completed or under construction by now. But there are only 220, mostly rental apartments for senior citizens and other tenants.

Five of the completed units are upscale condominiums, listed for sale for as much as $320,000. Two have been sold.

In addition, another 40 old row houses are being renovated for people from the original neighborhood.

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## Retooling the plan

Despite the delays in redevelopment, The New East Baltimore has been a destination for planners from Miami, Buffalo, Cleveland, Atlanta, Philadelphia, Birmingham and New Orleans, according to EBDI's 2005-2006 annual report.

"It is being watched around the country" by both philanthropic and academic institutions, urban development expert Paul Brophy said of the project, which he said stands alone nationally in size and scope.

Leaders of the project's inner circle also see its outcome as a reflection on Baltimore.

"If in time we can't make that community resemble the vision we had for families and kids and workers there, the city is in trouble," said Douglas W. Nelson, the Casey Foundation's recently retired CEO who is chairman of the EBDI board.

Most principals associated with the project say its future now depends on the developer's ability to retool the master plan as the grip of the recession remains tight.

Scott Levitan, senior vice president for developer **Forest City-East Baltimore Partnership**, which is overseeing the project, said a Baltimore advertising agency, **Carton Donofrio Partners**, was hired last summer to "rebrand" and rename the community and create a plan to market it to middle-class families and commercial developers.

That plan — which Levitan described as "psychographics and additional market research" — will be ready early this year, he said. He declined to reveal how much Carton Donofrio is being paid and who is paying for it.

"I am not going to discuss it," Levitan said. "It's not public information."

Shea said EBDI has contributed $130,000 toward the Carton Donofrio contract. Forest City is paying the rest of the cost, but Shea said he did not know how much.

Two previous master plans for the project, now in limbo, have cost $1.8 million, according to The Daily Record's analysis.

Levitan said the hope for the new plan is to provide "a full bundle of amenities in the community with more retail and civic space."

See NEW EAST BALTIMORE 12A

## About the series

### Reporters

MELODY SIMMONS

**Melody Simmons** covers development and real estate for The Daily Record. She has been a reporter in Baltimore for more than three decades, focusing on urban and regional issues including development, housing, education and poverty.

A staff writer for The Evening Sun and The Sun for 20 years, she was part of a team that investigated a $60 million no-bid city public housing repair program in 1995 that led to federal audits of the Housing Authority of Baltimore City and the city Department of Housing and Community Development and fraud charges for certain contractors hired by those agencies.

She has covered urban affairs for other local media outlets. At WYPR-FM, she was part of a news team that covered Baltimore neighborhoods and issues, including a 2006 award-winning series on the relocation of residents in Middle East by East Baltimore Development Inc.

She has written as a freelance journalist for People, The New York Times, The Washington Post, Urbanite, Baltimore Magazine and BaltimoreBrew.com.

JOAN JACOBSON

**Joan Jacobson**, a freelance writer, has covered urban affairs in Baltimore for most of her 36-year journalism career. She has written extensively about Baltimore's neighborhoods, including Middle East.

As a reporter for The Evening Sun and The Sun she wrote about the misuse of federal housing and poverty funds by city officials and local nonprofit groups.

During the Baltimore Renaissance of the 1980s, she chronicled how gentrification negatively impacted the poor and enriched housing speculators.

In 1992 she produced an investigative story detailing the loss of tens of millions in unpaid loans given to politically connected developers by City Hall.

Since leaving The Sun in 2002, Jacobson has written for Baltimore Magazine, Urbanite, and BaltimoreBrew.com.

She has also authored several research studies for the Abell Foundation, including one about the dismantling of Baltimore's public housing program.

Jacobson is co-author of "Wised Up," a memoir of a former Baltimore crime boss turned FBI informant.

### Other members of The Daily Record's project team:

Design/Graphics: Todd Zimmerman
Multimedia: Jon Sham
Photography: Rich Dennison, Maximilian Franz
Editing: Wayne Countryman, Tom Linthicum

AN EXCLUSIVE DAILY RECORD INVESTIGATION

# Elected officials short on financial details

By Joan Jacobson and Melody Simmons

Until recently, the last time an elected official raised any serious questions about the public funding of The New East Baltimore project was in 2003, when it was just getting started.

Hattie Harrison, a longtime state delegate from East Baltimore, wrote a letter to city housing commissioner Paul T. Graziano, raising questions about the city's plan to divert money from the popular Community Development Block Grant fund to repay a $21.2 million federal loan.

Diverting about $2 million a year for 15 years to repay the loan with interest could hurt other community projects, Harrison pointed out.

"We believe the further decreases of such funds available to other areas equally in need of redevelopment would be unacceptable," she wrote.

Harrison's request that other funds be used to repay the loan fell on deaf ears. Now, seven years later, that $2 million annual payment seems like small change compared to the $212.6 million in government funds committed to the project.

## Lack of understanding

When **The Daily Record** started its investigation last fall, elected officials who represent The New East Baltimore area could not explain the project's financing, let alone express an opinion about it.

**City Council** member Carl Stokes, who represents a part of the project's western edge, said then that he had yet to educate himself on the financing since rejoining the council in March 2010. He is also a nonvoting member of the **East Baltimore Development Inc.** board of directors.

MAXIMILIAN FRANZ

**'If you ask me anything that happened before my tenure I wouldn't be able to tell you,' says City Council member Warren Branch, a nonvoting member of EBDI's board.**

Since his interview with The Daily Record in October, Stokes has formed a task force to review the city's use of Tax Increment Financing bonds, which are helping to finance The New East Baltimore.

City Council President Bernard C. "Jack" Young, who represented the area for 14 years before taking his current post in February 2010, was unaware of the federal block grant loan and its repayments.

"I have no thoughts because I wasn't aware of it," said Young.

When interviewed last fall, Young said he was unaware that the $78 million in TIF bonds had been sold to support the project. He also did not appear to understand that the bonds will be repaid with property taxes.

Instead, Young said he believed the bonds will be repaid with "the money they get off the sale of properties and rents."

Sheila A. Dixon, the former mayor and City Council president, said she knew the $78 million in TIF bonds was approved for the project, but she did not know they were sold in 2008 and 2009 while she was mayor.

"I didn't know they took out the TIF. When did the TIF get taken out? Are you sure?" she asked a reporter.

State Sen. Nathaniel McFadden, who also represents the area, did not respond to repeated requests for an interview.

Lt. Gov. Anthony Brown, a member of the EBDI board, "has visited the EBDI project no less than eight times for board meetings, tours and other public events. He has had numerous meetings about the project as well," said his spokesman, Mike Raia, in an e-mail.

Brown declined repeated requests for an interview. Raia e-mailed a statement on his behalf last week.

"Our administration supports EBDI and we believe that the public-private partnership has the potential to benefit and revitalize the East Baltimore community," the statement said.

Gov. Martin O'Malley also declined repeated requests for an interview over the past three months.

## 'I can't give you an opinion'

City Council member Warren Branch represents the bulk of the 88 acres known as Middle East that encompasses the project. He calls himself a "freshman" who is "still trying to filter" information about the project since his election in 2007.

Like Stokes, Branch is a nonvoting member of EBDI's board of directors. He said last fall that he had been to only one or two meetings, due to scheduling conflicts. Branch said he sent a representative in his place.

Though Branch said he has raised concerns about local businesses not getting work from the project, he said he had very little understanding of the federal loan or Community Development Block Grants and was unaware of the TIF bonds.

"I can't give you [an] opinion on whatever was done and sold before I came into office. As a freshman, I'm still getting aware of it," said Branch.

"If you ask me anything that happened before my tenure I wouldn't be able to tell you. I'm not responsible for anything that happened before my watch," he said. "Whatever they got that loan for, I don't believe I should be held accountable for."

# New East Baltimore >> Luring middle-class residents with amenities may be the key

Continued from 11A

"We have learned there will need to be, at least for the pioneers, significant incentives to buy," he said. "We have to get over the perception that it's a dangerous area. Perception is 99 percent of the battle."

Now, instead of a massive biotech development, planners are focusing on what kind of affordable homes they can build to lure middle-class residents and how they can attract commercial development, which they hope will include a hotel, a grocery store and restaurants.

EBDI has spent $95,000 on lawyers and other consultants to research, prepare legislation and make budget projections for an East Baltimore Community Benefits District that would charge new homeowners an extra tax to pay for private security and maintenance.

Some of the few remaining residents oppose the district, which has yet to be created, even though they would be exempt from paying the tax.

As new redevelopment plans unfold, many current and former residents, including City Council President Bernard C. "Jack" Young, remain angry that their former neighborhood was demolished.

"They would never have done that in Little Italy, they never would have done it in Greektown. Why did they do it there?" Young asked. "They tore down a whole generation of East Baltimore."

Lisa Francis, who lives in a renovated row house in the 1100 block of McDonogh Street, chose to remain in the community.

"Oh my God, it is a living hell for me," she said of her new life, complicated because she cannot buy homeowner's insurance for less than $1,262 a year because of the blight that surrounds her. "I'm the only person on this block. At night, I pray."

To comment on this series, log on to our website, TheDailyRecord.com.

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TDR ONLINE Log on to our website TheDailyRecord.com

AN EXCLUSIVE DAILY RECORD INVESTIGATION (A day-by-day guide to the series)

### The New East Baltimore

**Today**

The nation's largest urban redevelopment project, stalled without a major biotech component, is struggling to regain momentum and develop a new focus.

Meanwhile, efforts are underway to rename the former African American community leveled to make way for the development.

TOO BIG TO FAIL? BETTING A BILLION ON EAST BALTIMORE

### Finances

**Tuesday**

The financial underpinning of the projected $1.8 billion New East Baltimore development is complex, and many local elected officials don't understand it.

### Development

**Wednesday**

A world-class biotech park, once the linchpin of the project, is no longer considered feasible. What went wrong with biotech and what happened to the promise of thousands of permanent jobs?

### The school

**Thursday**

Plans for a state-of-the-art public school that could bring Johns Hopkins University Nobel laureates into the classrooms are now at the center of the emerging vision for The New East Baltimore project.

### The future

**Friday**

What lies ahead for The New East Baltimore and East Baltimore Development Inc., the nonprofit that is spearheading the project?

## Poe house in danger

Museum needs to replace $80,000 per year it had received from the city. 5A

**'Miranda' warnings**

Suspect's rights violated when detective says conversation is 'between you and me, bud.' 14A


# THE DAILY RECORD

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# THE MUDDLED MONEY TRAIL

MAXIMILIAN FRANZ

**These empty houses in the 2100 block of East Chase Street, some boarded up and some burned out, await demolition in Phase II of the $1.8 billion New East Baltimore project.**

AN EXCLUSIVE DAILY RECORD INVESTIGATION

## No public accounting for $564 million spent by EBDI since 2002

**By Joan Jacobson and Melody Simmons**

**East Baltimore Development Inc**. has spent $6.4 million per acre since 2002 to revitalize a largely vacant chunk of inner city bounded on three sides by slum and blight.

The money has gone to buy homes, demolish buildings, relocate residents and build underground infrastructure for water, sewer, state-of-the-art fiber-optic and electrical systems.

Of the $564.7 million tab so far, $212.6 million has come from the cash-strapped city, state and federal governments, $214.2 million from private developers, $92.5 million from the **Johns Hopkins University**, **the Annie E. Casey Foundation** and other nonprofits, and $45.4 million from investors of federal tax credits.

**TOO BIG TO FAIL?**

BETTING A BILLION ON EAST BALTIMORE

**PART TWO**

And nowhere is there a comprehensive, independent public accounting of the funds and how they have been spent.

A five-month investigation by **The Daily Record** found that large sums have been spent to pay consultants for plans that may never be used, and generous salaries have been paid to the EBDI staff.

The newspaper found an intricate trail of 15 sources of public money for the project. In one case, there was a $3.5 million disagreement between EBDI and the city **Department of Housing and Community Development** about how much money EBDI had spent on infrastructure. The city said $1.8 million; EBDI said $5.3 million.

The amount of private investment in the project was overstated — sometimes significantly — in EBDI public reports. An undated EBDI document written to lure investors inflated the amount of private investment by more than half a billion dollars. The same incorrect figure was included in EBDI's 2005-2006 annual report.

**See FINANCES 9A**

### INSIDE TODAY


**Staff grew in size, cost as recession hit**

The demands of the project forced EBDI to add employees and pay its leaders well, officials say. 9A

**City relies on little-understood bonds**

City economic development officials like Tax Increment Financing bonds because they function like a blank check. 12A


**Extra information online**

Go to our website for a narrated slideshow, video interviews with East Baltimore residents, and an interactive timeline and map of the area. Check back throughout the series for additional online content.

TDR ONLINE Log on to our website **TheDailyRecord.com**

# Police settlements continue to mount

## $200K deal ends trial; another pending for $90K

**By Brendan Kearney**

Brendan.Kearney@TheDailyRecord.com

Continuing a trend that has cost Baltimore several million dollars in recent years, the city is expected to pay out another $290,000 this month to settle another pair of lawsuits alleging police misconduct.

The first case, which settled during trial last week for $200,000, involved allegations that an officer shot an unarmed woman at a Cherry Hill bus stop in October 2008. In the other case — a $90,000 line item on this week's **Board of Estimates** agenda — a Severna Park man claimed a city officer broke his arm while making a drug arrest near the westside McCulloh Homes in April 2009.

Jacqueline Allen, the 47-year-old woman who was shot in the torso on her way to drug treatment, decided to take the city's offer on the second day of trial in **Baltimore City Circuit Court** last Tuesday, according to her attorney, A. Dwight Pettit. He was "very disappointed" because he believed the case was worth millions of dollars.

"You start outlining that appellate process … and people really start thinking about a bird in the hand versus two or three in the bush," he said.

"If there was ever a case I wanted a jury to respond to, it was this one," Pettit said. "It was the perfect storm legally."

Michael Marshall, an attorney with **Schlachman, Belsky & Weiner** P.A who handled the defense in both cases

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# Finances >> Key elected officials pay scant attention to the massive project

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The reports incorrectly stated that private developer outlay for the first 31 acres of the project, known as Phase I, was $848 million, or 86 percent of the project's investment.

The magnitude of private investment "is unique for enterprises of this nature," said the undated document written for investors.

John T. "Jack" Shannon Jr., EBDI's CEO until 2009, said the $848 million figure was actually an estimate by the project's master developer, **Forest City-New East Baltimore Partnership**, of how much private investment would go into the project's first 31 acres when fully built.

The $848 million should have been labeled "projected private development," Shannon said.

In recent years, figures stating the amount of private investment in the project have disappeared from public EBDI reports. The annual reports for 2008 and 2009 contain no monetary figures but rather colorful pie charts showing only percentages of investment by governments and foundations. There is no mention of private investment.

Cynthia Swisher, EBDI's chief financial officer, said private investment figures were omitted because EBDI's former communications director decided to mention only investment generated directly by the nonprofit and not "investments made in privately owned real estate."

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## Audit disagreement

Since its creation in late 2002, EBDI has operated largely independently by virtue of its status as a nonprofit in spearheading the city's biggest urban redevelopment project since the construction of Charles Center-Inner Harbor in the 1960s and '70s.

In interviews that began last fall, The Daily Record found that key elected officials have paid scant attention to the project's finances, despite its magnitude.

Although two members of the **Baltimore City Council** sit on EBDI's board as nonvoting members, the nonprofit is not audited or overseen by City Hall in any formal way. City Comptroller Joan Pratt has no fiscal oversight over EBDI because of its nonprofit status.

City Councilman Carl Stokes recently told The Daily Record that he would call for a public audit of the project.

But Mayor Stephanie Rawlings-Blake said on Monday she sees no need for such an audit.

"I don't think a public audit is anything to run from, but I am sure in accordance with regulations for them as a 501(c)(3) that their financial books have been audited as regularly as they should be," the mayor said.

"I am also confident in the community leaders that have been a part of the EBDI process there. The former head [of the board, Joseph Haskins Jr.], as well as the chair now [Douglas W. Nelson], have very good reputations for their financial acumen as well as integrity."

The city's mayor approves the hiring of EBDI's CEO as a matter of protocol, according to former Mayor Sheila A. Dixon, who approved the hiring of Christopher Shea, the current CEO. Dixon said then-Mayor Martin O'Malley approved the hiring

See FINANCES 10A

# EBDI's top earners surpass those at BDC

By JOAN JACOBSON And MELODY SIMMONS

## A tale of two organizations

### How do salaries differ between EBDI and BDC?

(A listing of the highest-compensated employees from 2008-2009)

**East Baltimore Development Inc. (EBDI)**

| Employee | Salary |
|---|---|
| John T. "Jack" Shannon Jr. (past president and CEO) | $263,065 |
| Cynthia P. Swisher (CFO) | $195,836 |
| Christopher Shea (president and CEO) | $184,565 |
| Jolly Burks (controller) | $124,262 |
| Dennis W. Miller (VP of Real Estate Development) | $118,388 |
| Arlene Conn (senior director of acquisitions & relocation) | $109,279 |
| Paul Weiner (director of engineering) | $108,848 |
| Robert C. Penn (past executive vice president) | $103,634 |
| **Total** | **$1,207,877** |

**Baltimore Development Corp. (BDC)**

| Employee | Salary |
|---|---|
| M.J. "Jay" Brodie (president) | $205,740 |
| Kimberly Clark (executive VP) | $117,561 |
| Jeffrey Pillas (CFO) | $110,101 |
| Irene E. Van Sant (project analysis director) | $109,618 |
| M. Celeste Amato (director of business development) | $108,641 |
| Nancy Jordan-Howard (COO) | $83,015 |
| David P. Adamski (controller/treasurer) | $78,990 |
| Paul J. Coleianne (controller/treasurer) | $47,635 |
| **Total** | **$861,301** |

Source: IRS tax forms for EBDI and BDC

As the nation headed into its worst recession since the Great Depression, staffing and salaries at **East Baltimore Development Inc.** skyrocketed between 2005 and 2009, Internal Revenue Service documents show.

The pay and benefits at the nonprofit increased by 46 percent, from $2.6 million in 2005-2006 to $5.6 million in 2008-2009, when eight employees made more than $100,000 a year. During that time the staff expanded from 43 to 72, according to Cynthia Swisher, EBDI's chief financial officer.

One of EBDI's highest-paid employees is Arlene Conn, head of relocation services and girlfriend of Baltimore's housing commissioner, Paul T. Graziano. His agency pumps millions of dollars into EBDI and he is a nonvoting member of the organization's board of directors. Graziano and EBDI officials say there is no conflict of interest.

EBDI officials say they have trimmed staff as acquisition, relocation and demolition work at the 88-acre site of The New East Baltimore winds down.

Swisher said wages and benefits for 2010 fell to $5.1 million, about 10 percent of the nonprofit's $50 million annual budget. EBDI eliminated five vacant positions and terminated another five employees last year. The EBDI board has not approved a salary increase in two years, she added.

EBDI was formed by the city, the **Johns Hopkins University** and community leaders in 2002 to serve as the developer charged with rejuvenating East Baltimore. The group was formed as a 501(c)(3), a nonprofit organization, so it does not have to adhere to city hiring, procurement or salary rules.

Staff members at the nonprofit, for example, are not affected by recent pay cuts and furloughs that have rankled city workers, including firefighters and police.

EBDI's top salaries are considerably higher than those at the **Baltimore Development Corp.**, the city's development arm, which is also a nonprofit.

In 2008-2009, the most recent year for which tax statements are available, BDC's top eight earners made only 72 percent of the salaries of EBDI's top eight earners.

Total salaries for EBDI's 79 employees who worked at least part of that year came to $5.6 million, while BDC's salary total for its 70 employees was $4.7 million.

That year, EBDI's CEO, John T. "Jack" Shannon Jr., earned $263,065, while BDC's president, M.J. "Jay" Brodie, earned $205,740.

Asked about his organization's salary structure, current EBDI CEO Christopher Shea said, "I think it's high." But "the board approved it," he added.

Shea's salary is $219,399.

"It was a salary structure that I inherited when I came here," said Shea, who became CEO in 2009. "Some people here are better at what they do than anybody else in the country."

Shannon said staff members were hired when the real estate and financial industries "were at a high employment level" and EBDI needed to compete for talent. Salaries increased, he said, to retain employees in such a "high-stress environment."

Graziano also defended EBDI's salaries.

"They have very complicated technical issues they're dealing with and they're paying for competency," he said. "It's a nonprofit but also engaged in a major redevelopment project but far above a scale of typical nonprofit."

Conn owns a house with Graziano, according to property tax records, and lives with him there in Bolton Hill. She heads a relocation staff of 11 employees and received a salary of $109,000 in 2008-2009, tax records show. More recent figures are not available.

Graziano and Shea said there is no conflict of interest between Graziano's position as the city official who oversees millions of dollars that go into The New East Baltimore project and Conn's job administering some of those funds.

"As CEO of this organization I am absolutely comfortable that there is no inappropriate interaction," said Shea.

Referring to Conn, he said, "I have the single most qualified person in this position. I don't see a conflict."

Before Conn was hired, EBDI consulted a lawyer about her personal relationship with the housing commissioner. The attorney, Michael A. Brown, said he wrote an opinion in which he found no conflict of interest.

"I am not a voting member of the [EBDI] board," said Graziano. "I have kept out of any matters [that could involve Conn]."

# Finances >> 'Accurate reporting is to the program's advantage' – Paul Brophy

Continued from 9A

of Shannon, the first CEO.

Paul T. Graziano, the city's housing commissioner and a nonvoting member of the EBDI board, receives monthly reports from EBDI on the project's progress but discards them after reading them, said Cheron Porter, his spokeswoman. But she said Graziano and other city officials are in "regular communication" with EBDI.

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City Council President Bernard C. "Jack" Young held hearings in April 2009 about EBDI's minority hiring and relocation practices. But he and the two council members who now represent the area said they knew next to nothing about the project's public funding when interviewed last fall.

There is also little fiscal oversight at the state level. Although Lt. Gov. Anthony Brown is a member of the EBDI board of directors, state Comptroller Peter W. Franchot and legislative auditors have no fiscal oversight responsibility over EBDI.

EBDI declined to give The Daily Record copies of its internal audits. It is not legally required to make them public because of its nonprofit status.

When asked about the inconsistent and inaccurate public reporting of the project's finances, urban development consultant Paul Brophy said, "I think accurate reporting is to the program's advantage — reporting where the money's coming from and where it's going. I would urge transparency."

Brophy, former president and co-CEO of the **Enterprise Foundation**, was an early consultant to the project before EBDI was formed.

"Nobody ever believed that figure of $848 million anyway," said Raymond A. Winbush, director of the **Institute for Urban Research** at **Morgan State University**. He was an early critic of the project because of the decision to eliminate the community that occupied the redevelopment area.

"Once we asked to see a [breakdown] of that money and they didn't want to show us," he said. "They never gave it to us because they said it was private money and they didn't have to."

## 'A legal and moral obligation'

Public money paid $169 million, or 77 percent, of the $219 million it cost to purchase and demolish properties, relocate residents and build new infrastructure for The New East Baltimore, according to figures provided by EBDI and the city and compiled by The Daily Record.

Relocating 732 households and buying 1,838 properties cost taxpayers $101 million.

The high cost of relocation was due to unprecedented amounts paid to each household. The city and EBDI originally sought to pay less than $50,000 per household, according to former residents and city officials.

But bitter protests by the residents secured payouts of between $150,000 and $265,000 per household, according to federal documents examined by The Daily Record.

Officials at the Annie E. Casey Foundation and EBDI say they paid the higher sums because federal law required it and because it was the socially responsible thing to do.

Shea, EBDI's CEO, said EBDI staff counseled several families after they moved so they would not lose their new homes to foreclosure as the subprime mortgage crisis hit.

Explaining the high relocation payments, former EBDI CEO Shannon said, "We needed to look not where people were today, but on fair-housing laws, where they needed to be. We had families in substandard housing and houses not big enough for their families. So we needed to adjust.

"Keep in mind these individuals did not ask to move. We had a legal and a moral obligation to get this exactly right. If it required more funding and time to do it, then so be it."

## High expenses

EBDI has also spent heavily on consultants, sometimes for plans that were abandoned or shelved, according to The Daily Record's examination of public documents and inquiries to EBDI.

See FINANCES 11A

## Investment in The New East Baltimore as of Jan. 31, 2011

**Public investment:**
A total of $212.6 million from 15 different sources of city, state and federal funds.

**Private investment:**
A total of $214.2 million from 8 sources.

**Foundation investment:**
A total of $92.5 million from Hopkins, Casey, Weinberg, Atlantic Philanthropies and other organizations.

**Federal tax credits:**
A total of $45.4 million from federal sources.

# $564.7 million

| Public investment | Private investment | Foundation investment | Federal tax credits |
|---|---|---|---|
| **$212.6 million** | **$214.2 million** | **$92.5 million** | **$45.4 million** |
| Total of investment funds from 15 public sources | Total of investment funds from private sources | Total of investment funds from foundation sources | Total of investment funds from tax credits |
| **$78 million** (city TIF bonds)<br>**$21.2 million** (HUD 108 loan)<br>**$30.5 million** (city sources: water/wastewater bonds for infrastructure, general funds for infrastructure and demolition, motor vehicle revenue funds, city general obligation bonds for infrastructure)<br>**$5.5 million** (HUD HOME funds)<br>**$6.4 million** (HUD housing vouchers for low-income tenants)<br>**$350,000** (city BDC loan)<br>**$700,000** (federal empowerment zone funds)<br>**$9 million** (federal transportation funds)<br>**$53 million** (state capital funds)<br>**$4 million** (state Sunny Day funds)<br>**$1 million** (mortgage loan for Parkview at Ashland<br>**$3 million** (State rental housing funds for Chapel Green) | **$100 million** (Rangos biotech building)<br>**$18 million** (Forest City- New East Baltimore Partnership, master developer)<br>**$21 million** (Ashland Commons and Parkview at Ashland)<br>**$8 million** (Chapel Green)<br>**$60 million** (Grad student tower)<br>**$1.3 million** (Maryland Institute College of Art building)<br>**$4.5 million** (Johns Hopkins Berman Institute of Bioethics, for restoration of historic police station)<br>**$1.4 million** (Townes at Eager – 5 condos) | **$22 million** Hopkins University<br>**$36.5 million** Casey Foundation **(Does not include $27 million used to invest in TIF)**<br>**$15 million** Weinberg Foundation, to fund the new school<br>**$12 million** Atlantic Philanthropies, to fund health, learning and family services<br>**$7 million** grants from a variety of other sources. | **$42.6 million** New market tax credits purchased by private investors<br>**$2.8 million** Low-income housing tax credits for the two Shelter projects and Chapel Green Parkview at Ashland Ashland Commons |
| $212.6 million Total public funds | $214.2 million Total private funds | $92.5 million Total foundation funds | Total tax credit funds $45.4 million |
| **38%** | **38%** | **16%** | **8%** |
| Percentage of funds from public sources | Percentage of funds from private developers | Percentage of funds from foundations | Percentage of funds from federal tax credits |

**SOURCES:** EBDI, Baltimore Department of Housing and Community Development, Housing Authority of Baltimore City, State of Maryland, U.S. Department of Housing and Urban Development, The Shelter Group developers, Annie E. Casey Foundation, Johns Hopkins University

# Finances >>

## Complex dealings are no surprise, experts say

Continued from 10A

• In 2007 EBDI paid the local architecture firm of **Ziger/Snead** $614,000 for plans to renovate and expand the vacant Elmer A. Henderson Elementary School at 1101 N. Wolfe St. The plans were scrapped after vandals stripped and burned the building, making it unusable, said Shea and Shannon.

• Two master plans have been written since the project began, costing a total of $1.8 million.

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The first, a 2001 plan depicting the project's first phase, was commissioned before EBDI was formed. Prepared by Urban Design Associates of Pittsburgh at a cost of $930,000, the plan promotes 1.5 million to 2 million square feet of biotech space and contains designs and floor plans for several types of homes that have not been built.

The plan was financed by the **Goldseker Foundation**, which paid $790,000, the **Abell Foundation**, which paid $65,000, and the city, which paid $75,000.

A second master plan, from 2006, cost EBDI $825,000 and was created by Sasaki Associates, an architectural and planning firm with offices in Boston and San Francisco. That plan, outlining development for Phase II, is still in draft form but has been shelved because the market for building new housing dried up, said Shea.

Last summer, EBDI and Forest City-New East Baltimore Partnership hired the local advertising firm of **Carton Donofrio** at an undisclosed sum to "rebrand" the community and relaunch the project.

### 'A Third World country'

The complex level of public investment is no surprise to outside experts on public financing or those who have been in charge at The New East Baltimore.

The magnitude of the project, they said, has dictated the many layers of financial wizardry needed to acquire, demolish and begin to rebuild during the recent recession as lenders remain frozen and wary.

"This by no means was seen as an inexpensive project," said Haskins, the former EBDI board chairman. "But we saw it as a project with a lot of future implications for the city and state and potential to become a national model of how to revitalize an area that looked like a Third World country."

Haskins, who is chairman, president and CEO of **Harbor Bank**, was one of the first Baltimore leaders selected by then-Mayor Martin O'Malley to plan the transformation of the Middle East neighborhood. He worked with Shannon, EBDI's first CEO.

"The level of public investment that's required at the outset of these projects will always be substantial at

See FINANCES 12A

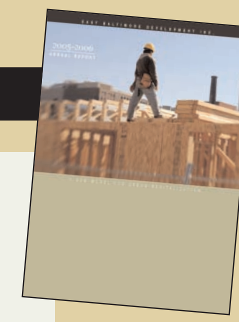
## Inaccurate and incomplete reports

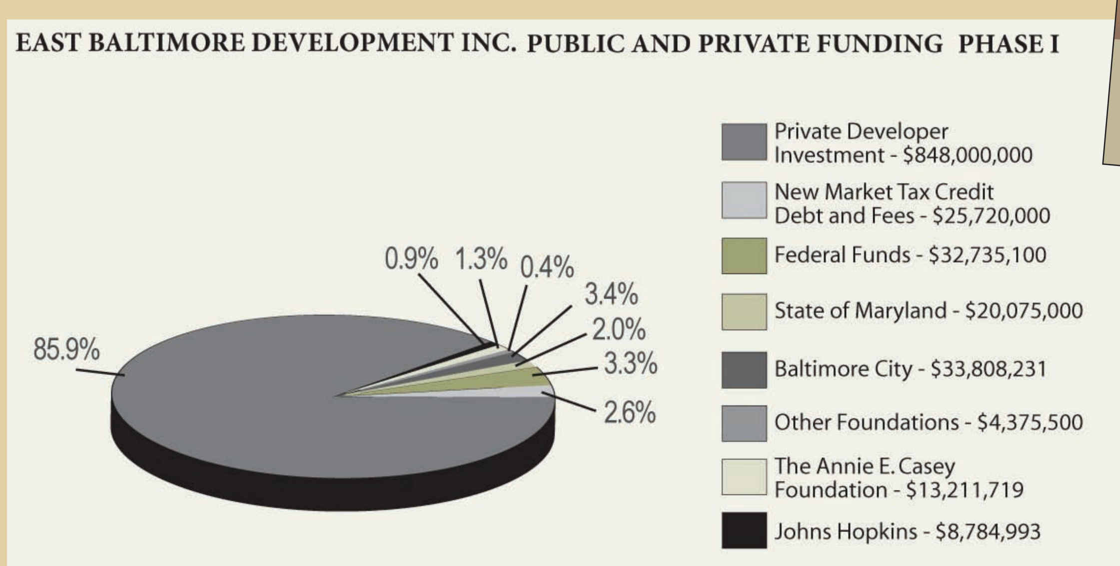
The Daily Record found public reporting of investments in The New East Baltimore has sometimes been inaccurate and incomplete. The pie charts below come from three different EBDI annual reports. The first, from 2005-2006, depicts the East Baltimore project as heavily dependent on private development funds of $848 million for Phase I, or the project's first 31 acres. A similar EBDI "investment report" with the same pie chart touted the project as being noteworthy for "the magnitude of private investment, which is unique for enterprises of this nature."

But this number was only an estimate of the amount of private investment East Baltimore's master developer hoped to lure to the project, said EBDI's former CEO, John T. "Jack" Shannon Jr. The Daily Record's investigation found that today private development investment amounts to $214.2 million.

The other two pie charts, from EBDI reports of 2007-2008 and 2009, omit private development investment – and replace dollar amounts with percentages. The reason for omitting private investment, said Cynthia Swisher, EBDI's Chief Financial Officer, is that a former employee decided only to include money generated directly by EBDI and not by private companies.

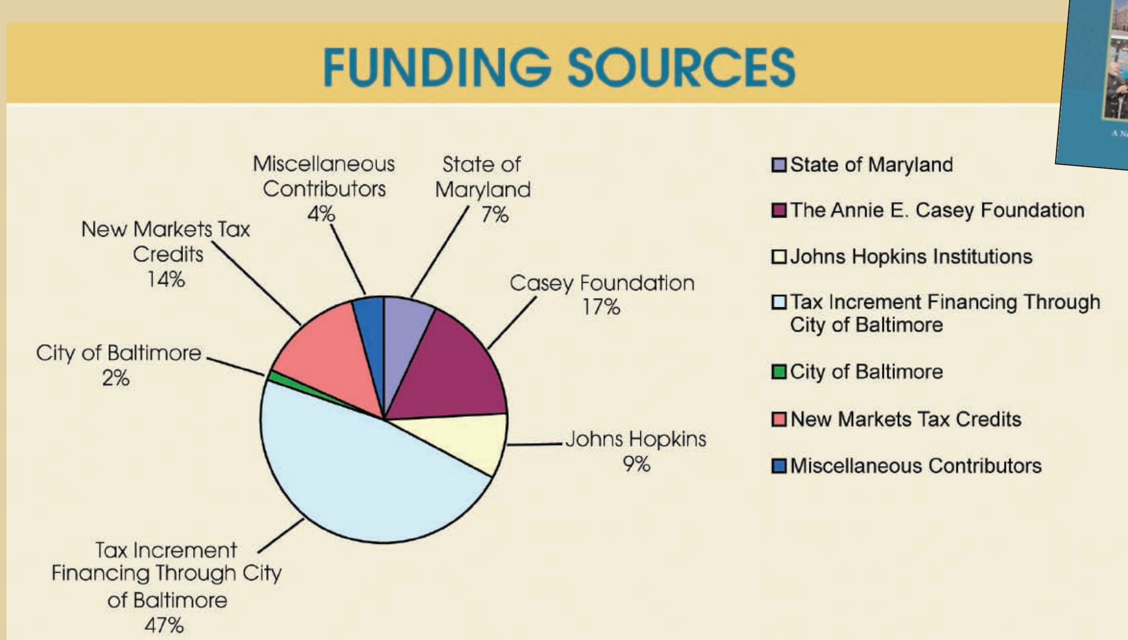
### EBDI 2005-06 Annual Report





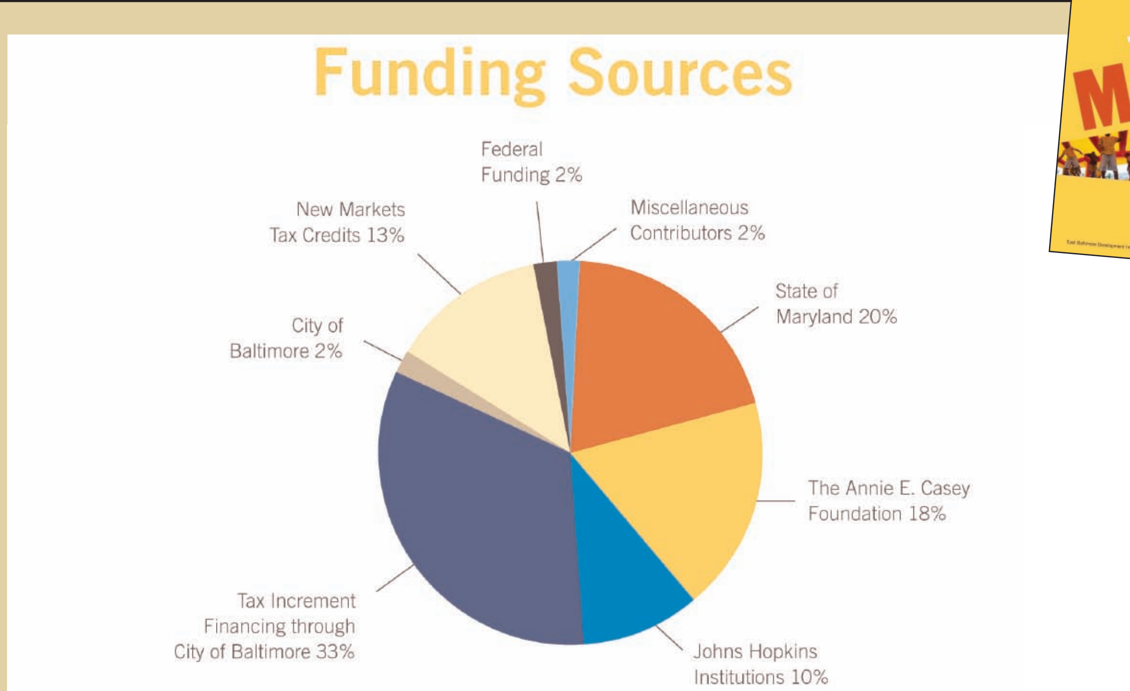

From 2005-2006 annual report: page 14

### EBDI 2007-08 Progress Report


From the 2007-2008 Progress Report: page 6

### EBDI 2009 Annual Report


From the 2009 annual report: page 20

AN EXCLUSIVE DAILY RECORD INVESTIGATION

“

**Nobody ever believed that figure of $848 million anyway.**

**RAYMOND A. WINBUSH**
Director
Institute for Urban Research at Morgan State University

“

**We can’t settle for the status quo.**

**WILLIAM H. COLE IV**
Baltimore City Councilman

# Finances >> Private funds will pay for most of the new development, Shannon says

Continued from 11A

the beginning, compared to the level of private investment,” explained Shannon.

“What EBDI has put together is infrastructure and provided the platform to attract private investment in the neighborhood. The level of public investment will not increase and private investment will,” he said.

Shannon’s comments shed light on why the investments to date are so top- heavy with public funds — tax dollars were largely spent to eliminate the old Middle East community and rebuild infrastructure.

And Brophy notes that the project has heavy upfront support from foundations because of the “social purposes that are in play here” with unprecedented support services for relocated residents.

Private money, Shannon says, largely pays for new development. For example, the project’s lone biotech building cost was paid for with $100 million in private funds.

## It’s ‘ridiculous’

Meanwhile, city taxpayers and their elected officials are staring at a multimillion-dollar commitment in public funds that will last for the next 29 years.

Two of the largest public investments in the project are loans that must be repaid with interest from tax dollars, saddling the city with $227 million in payments. That’s in addition to the $212.6 million already committed.

The largest public investment comes from the sale of $78 million in Tax Increment Financing (TIF) bonds

See FINANCES 13A

# TIFs increasingly fuel city projects

BY MELODY SIMMONS AND JOAN JACOBSON

What is a TIF?

The acronym stands for Tax Increment Financing, a little-understood form of public investment in urban redevelopment now favored by the city of Baltimore.

When City Hall approves a TIF to help finance a new development, bonds are sold to investors. The bonds are to be repaid not with city general funds but with future property taxes from the new development.

This financing mechanism decreases the upfront development costs, but it also decreases the amount of property taxes that flows into city coffers from the new development until the bonds are paid off.

Historically, Baltimore has enticed developers with a variety of tax breaks such as PILOTs (Payments In Lieu Of Taxes) or multimillion-dollar loans as second mortgages that often did not need to be repaid.

But in the current economy, city economic development officials like TIFs because they function like a blank check and can keep development moving even in the depths of recession.

A TIF is often seen as “a kind of free money,” says Joan Youngman, a senior fellow and TIF expert at the Lincoln Institute of Land Policy in Cambridge, Mass.

“This is why they’re often seen as the only game in town and the only feasible and palatable [option] when a tax increase is not popular,” she explained.

## A serious commitment

From the standpoint of the private investor, a TIF is viewed as a signal that the city has made a serious commitment to a project, said Steve Kraus, chief of the city’s **Bureau of Treasury Management**.

MAXIMILIAN FRANZ

**Joseph T. ‘Jody’ Landers III, a member of the City Council’s task force, cautions that TIFs divert tax revenues from the city’s general fund.**

Since May 2003, Baltimore has sold bonds for seven TIFs, Kraus said, totaling $116.1 million. Those TIFs were used for HarborView, Clipper Mill, Mondawmin Mall and Locust Point, among others.

“These projects would not have moved forward without the TIF and they needed more money than a PILOT,” Kraus said.

No bonds have been issued yet for three additional TIF districts created by the **City Council**.

One of those districts is in Harbor Point, on the slice of land between Harbor East and Fells Point where developer and bakery magnate John S. Paterakis hopes to get $150 million in TIF bonds for new construction, according to members of the TIF task force.

Another is at Westport, where developer Patrick Turner envisions a 4.8 million-square-foot mixed-use development on 50 acres along the Patapsco River. It would include office, retail, housing and hotel space and cost $1.5 billion. Turner is expected to seek $160 million in TIF bonds, according to members of the TIF task force.

After the City Council voted to establish the Harbor East TIF district in November, Councilman Carl Stokes formed a task force to review TIF and PILOT financing in light of the city’s budget woes.

At a task force meeting last Tuesday, Kraus said bond rating agencies consider TIF bonds the same as general obligation bonds in calculating a city’s debt load.

Joseph T. “Jody” Landers III, a member of the task force who is executive vice president of the **Greater Baltimore Board of Realtors** and a former city councilman, cautioned that TIFs divert tax revenues from the city’s general fund because the TIF bonds are repaid, often for decades, before full tax revenues are realized from a development.

“Clearly you’re committing tax revenue to a specific project – it is money that doesn’t go into the general fund,” Landers said, agreeing that the impact on the city’s borrowing capacity is also affected by TIF because rating agencies look at combined debt.

## Largely vacant land

The largest TIF issued by the city so far is for The New East Baltimore.

The bonds sold in 2008 and 2009 total $78 million, or more than one-third of the project’s public funding to date.

A debt service schedule obtained by **The Daily Record** from the city’s Bureau of Treasury Management shows that $199 million in property taxes will be diverted to repay holders of the TIF bonds over the next 29 years.

That schedule assumes there will be enough development on the property to generate the taxes to repay the investors. But today The New East Baltimore TIF tax district is largely vacant land.

According to city documents outlining the TIF, the property owner — **East Baltimore Development Inc.** — would be liable for the debt if there is not sufficient property tax revenue to repay it. If the property owner defaulted, the land would revert to the city like any tax delinquent property. But in that case, the bond holders would not get paid.

Youngman, the TIF expert at the Lincoln Institute of Land Policy, said

See TIF 13A

# Finances >> 'The citizens will foot the bill' — City Councilman Carl Stokes

Continued from 12A

to investors that must be repaid with future property taxes diverted from the project's first 31 acres. By the year 2039, Baltimore will have paid $199 million in principal and interest to bond investors.

A $21.2 million loan, called a Section 108 Loan, from the U.S. Department of Housing and Urban Development, is being repaid from Community Development Block Grants.

Those grants, used to renovate houses and upgrade parks, are a dwindling federal resource that is the lifeline to communities throughout the city. By 2024 the city will have repaid $28 million in principal and interest.

Other government funds come from a myriad of sources, including city general funds, motor vehicle revenue funds, city waste water bonds, city general obligation bonds, city public works revenue, state capital funds, state sunny day funds, federal empowerment zone funds, federal rent vouchers, and federal tax credits.

Councilman Stokes, who has created a task force to study TIFs and other development incentives, said it's "ridiculous" for the city to divert property taxes to repay loans.

"It's a lot of money [even] if it returns investments to the citizens," he said last week. "But it won't return investment to citizens. The citizens will foot the bill."

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## AN EXCLUSIVE DAILY RECORD INVESTIGATION (A day-by-day guide to the series)

TOO BIG TO FAIL?
BETTING A BILLION ON EAST BALTIMORE

**New East Baltimore**
**Monday**
The nation's largest urban redevelopment project, stalled without a major biotech component, is struggling to regain momentum and develop a new focus.

**Finances**
**Today**
The financial underpinning of the project-ed $1.8 billion New East Baltimore development is complex, and many local elected officials don't understand it.

**Development**
**Wednesday**
A world-class biotech park, once the linchpin of the project, is no longer considered feasible. What went wrong with biotech and what happened to the promise of thousands of permanent jobs?

**The school**
**Thursday**
Plans for a state-of-the-art public school that could bring Johns Hopkins University Nobel laureates into the classrooms are now at the center of the emerging vision for The New East Baltimore project.

**The future**
**Friday**
What lies ahead for The New East Baltimore and East Baltimore Development Inc., the nonprofit that is spearheading the project?

# TIF >> Baltimore officials are confident the city can meet payments on TIF bonds

Continued from 12A

she is unaware of a municipality anywhere in the country that hasn't collected enough property taxes to repay TIF investors. The institute is currently sponsoring research to see if declining property values in Wisconsin are adversely affecting repayment of TIF bonds.

One of the investors of the Baltimore TIF bonds was the locally-based national philanthropy, the **Annie E. Casey Foundation**, which pumped in $27 million in 2009 when the economy slumped and it became difficult to find traditional investors.

Douglas W. Nelson, Casey's recently retired CEO who is now chairman of EBDI's board, said he realized the risks inherent in getting loan repayments in difficult economic times.

"Of course, if there is no tax increment, the city can't pay us back, and so if we don't have homes … and other enterprises, we'll be in trouble," said Nelson.

"I don't expect the city to default on these bonds," he added, "but I recognize that this is a debt that requires a patient lender because of the time it will take to create the resources to repay the city."

In the meantime, city officials say they are confident there will be enough of a cushion in a reserve fund set aside to aid such repayments to cover expenses in the early years of the bond repayments.

Repayments of the New East Baltimore TIF began in 2008 with interest-only amounts of about $2 million a year. This year payments will be $3.8 million. By the year 2038 annual payments will be $9 million.

"We're going to get what's owed us and the bond holders will get paid," said Kraus, who praised the Casey Foundation for purchasing the bonds when conventional investors would not.


MAXIMILIAN FRANZ

**"… I recognize that this is a debt that requires a patient lender because of the time it will take to create the resources to repay the city," says Douglas W. Nelson, EBDI board chair.**

The city is not liable to repay the bond holders, said Kraus, and if the bonds don't get repaid, it will not affect the city's bond rating. He also noted that no TIF debt in Baltimore has ever gone unpaid.

## Extra precautions

With that in mind, EBDI and the city are taking extra precautions they hope will keep Baltimore's TIF debt repayment record intact.

At the behest of city financial advisors, two recent additions to The New East Baltimore development plan — a $60 million graduate student housing tower owned by the **Johns Hopkins University** and a $175 million state **Department of Health and Mental Hygiene** lab — will be required to make unusual payments in lieu of taxes to make sure each tax-exempt building contributes to the TIF repayments.

"We need to hold fast" to the responsibility to bond investors, said Christopher Shea, EBDI's CEO. "In order to welcome a tax-exempt building to the project," he said, TIF repayments still must be made.

Hopkins will be responsible for a $400,000 annual payment in lieu of taxes, said Cynthia Swisher, EBDI's chief financial officer. The annual amount of the state lab's payment in lieu of taxes has yet to be determined.

## An essential tool?

TIF financing dates to 1952 in California. It became a popular way to finance development projects in the 1980s and 1990s as federal and state funding grew scarce, according to research conducted for the Lincoln Institute of Land Policy, an independent nonprofit organization that studies urban development and land taxation. Today, Wisconsin has more than 1,300 TIF districts, according to the Lincoln Institute

Recent articles in the *Chicago Reader* showed that Chicago has 159 areas where property taxes are redirected to repay TIF investors and finance new development. The *Reader* skeptically called Chicago's TIF program the "shadow budget" because the city attempted to keep confidential the financial plans for half a billion dollars gleaned from TIF districts.

The newspaper also reported last year that Chicago's TIF districts will run deficits in the next few years from declining property taxes.

Local governments tend to like TIFs because they typically don't need voter approval like other bond issues, says Youngman, the Lincoln Institute TIF expert.

When asked if he thinks the average citizen understands the TIF financing mechanism and its implications for the government issuing the bonds, Baltimore City Councilman Carl Stokes said no.

"We don't even understand this," Stokes said, referring to his council colleagues.

Youngman said cited a lawsuit filed in Florida by a man trying to stop a road project. In 2007 the Florida Supreme Court ruled that voters must approve TIFs, then reversed itself a year later after complaints from local governments, Youngman said.

In its reversal, according to the publication State Tax Today, the court wrote that demanding voter approval would "cause serious disruption to the governmental authorities."

Baltimore City Councilman William H. Cole IV says TIFs are an essential development tool for the city.

Cole says he monitors Baltimore's TIF projects as chair of the council's Community Development Subcommittee and as a member of the Taxation, Finance and Economic Development Committee.

Without TIF bonds, says Cole, a project like The New East Baltimore might never get off the ground.

"We can't settle for the status quo," he said.

## IBM looking

CEO Samuel Palmisano says company is always in the market for talent. **3A**

## Fair comment

City Paper defeats club owner's claim of defamation in double-murder coverage. **15A**


# THE DAILY RECORD

**Wednesday, February 2, 2011** Volume 122 | Number 84 **Online at TheDailyRecord.com**


# SEEKING A NEW VISION


MAXIMILIAN FRANZ

**This $60 million tower for Johns Hopkins University graduate student housing is under construction at 929 N. Wolfe St. Scheduled for completion in January 2012, the facility has been added to the original plan for The New East Baltimore.**

AN EXCLUSIVE DAILY RECORD INVESTIGATION

## Biotech lacking, EBDI looks toward mix of housing and development

**By Joan Jacobson and Melody Simmons**

It was a glass-half-full day.

It was a time to celebrate cranes in the air — four of them — towering behind **Johns Hopkins Hospital**, where the stalled $1.8 billion East Baltimore redevelopment project was getting a jump start.

**TOO BIG TO FAIL?**

BETTING A BILLION ON EAST BALTIMORE

**PART THREE**

None of the project's uncertainty was evident at the Sept. 10 groundbreaking for a 20-story graduate student tower with 321 apartments.

None of the public speakers mentioned the vacant fields surrounding the cranes where construction of an expansive biotech park has come to a halt. Or the dozens of acres of grassland that should be filled with hundreds of new homes by now. Or the unsightly streets beyond with 700 boarded-up row houses yet to be razed.

Instead, a pile of hard hats and shiny new shovels awaited the obligatory photo op as **East Baltimore Development Inc.**'s CEO, Christopher Shea, addressed a large crowd:

"Look at us here today in the midst of what is probably the worst recession any of us will ever see … celebrating a $60 million investment. I don't think there is a project like this in the state that is privately funded," he said.

Yet the Great Recession and other factors have taken a heavy toll on the nation's largest urban redevelopment project. Plans for a world-class biotech park — envisioned seven years ago and used to persuade investors to purchase bonds and to get a federal loan in the early years of the project — have been largely shelved.

Now planners are seeking a new vision with a different mix of housing and more commercial development, including a hotel and restaurants as

**See DEVELOPMENT 11A**

### INSIDE TODAY

**Obliterating a community**

Politicians and experts question whether it was necessary to move so many people and demolish so many homes. **12A**

**Neighborhood still awaits jobs**

Funding requests for the project promised thousands of new jobs, but only a fraction of them have been created. **13A**

**Extra information online**

Go to our website for a narrated slideshow, video interviews with East Baltimore residents, and an interactive timeline and interactive map of the area with photos. Check back throughout the series for additional online content.

TDR ONLINE Log on to our website **TheDailyRecord.com**

# Wine bill advocates feeling bubbly

## Opponents still say shipping would hurt Md. stores

**By Nicholas Sohr**
Nicholas.Sohr@TheDailyRecord.com

ANNAPOLIS — Legislation that would allow Marylanders to receive shipments of wine is headed for another tug-of-war between the alcohol industry and consumers who want more choices when choosing their vino.

Some key lawmakers say the bill would hurt in-state liquor stores, distributors and wholesalers, and the powerful liquor lobby is lined up once again to fight the legislation on that point.

MARYLAND GENERAL ASSEMBLY •2011•

Supporters, however, say prospects have improved in 2011 for the perennial Annapolis issue. The twin bills, SB 248 and HB 234, are backed by 84 delegates and 32 senators, majorities in both chambers.

"Something is going to pass this session," said House **Economic Matters Committee** Chairman Del. Dereck E. Davis. "I don't know what. There's two chambers, a lot of opinions."

The effort, backed by majorities in both houses last year as well, fizzled in Davis' committee, failing by one vote. Davis, a Prince George's County Democrat,

**See WINE 4A**


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# Development >> Grad student tower, state lab spur next phase of project

Continued from 1A

well as a state-of-the-art school, to attract middle-class residents.

At the same time, in hopes of keeping the project moving and protecting the public investment of more than $212 million so far, governments and institutions are stepping forward to steer building projects never envisioned in the original plan to the site.

Construction of the Hopkins graduate student housing tower, for instance, began last fall. Also, the state will use a lot once reserved for one of five planned biotech buildings as the site of a $175 million lab for the **Department of Health and Mental Hygiene,** replacing a facility in the state office complex on West Preston Street.

Whatever replaces the biotech vision, said Scott Levitan, senior vice president of the project's developer, **Forest City-New East Baltimore Partnership**, "will be something that does not have all the bells and whistles. The whole world has changed."

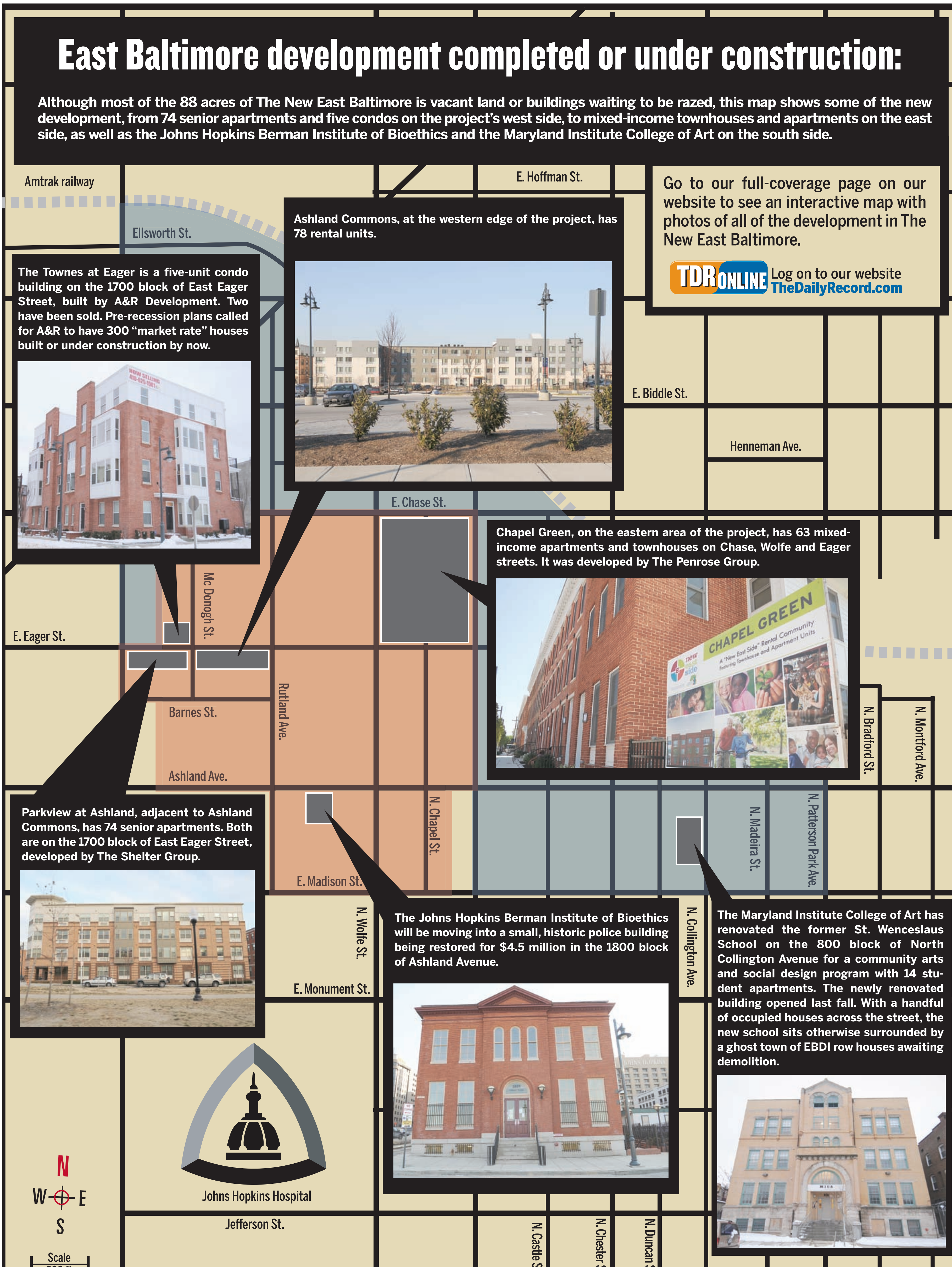
"To be honest, the biotech building is more filled up than I expected," said Douglas W. Nelson, EBDI's board chairman, who noted that he always questioned the potential of a life sciences park.

"Are we ready to build a second major high-tech lab this year? The answer is no. I never believed that the project intended biotech [to be] a home run," he said.

Some who have observed the project since its inception say the shift from biotech is stunning.

"This is a bomb," said Raymond A. Winbush, director of the **Institute for Urban Research** at **Morgan State**

See DEVELOPMENT 12A



# Development >> Biotech was to be project's economic development engine

Continued from 11A

**University**. "Are you trying to tell me they're not putting biotech there?"

Mayor Stephanie Rawlings-Blake said Monday she was unaware that EBDI's plans to build a five-building biotech park at the site had been scrapped.

"I still have a commitment to expand the biotech in that area," the mayor said. "I think we've seen on the west side that biotech development can be successful, and I'm still hopeful we will be able to have a strong biotech presence in the EBDI area."

TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

**PART THREE**

### Biotech dream fades

In 2003, EBDI showed a PowerPoint presentation to business leaders at the **Greater Baltimore Committee**, predicting that East Baltimore would become one of "the world's premier biomedical districts."

The GBC was so enthusiastic that it raised $1 million in startup money from sources like the **T. Rowe Price Foundation** and **Constellation Energy** as a "show of commitment," said GBC President and CEO Donald C. Fry.

The 2008 Tax Increment Financing bond offering from the city to investors predicted rapid-fire development: a second life sciences building of 277,000 square feet by 2011, a third in 2013, an office building in 2014 and one more life sciences lab building in 2015, for a grand total of 1.1 million square feet.

The project was to be an economic development engine creating thou-

See DEVELOPMENT 13A

"The whole world has changed."

**SCOTT LEVITAN**
Senior vice president
Forest City-New East Baltimore Partnership


# Wrecking buildings or lives in Middle East?

By **MELODY SIMMONS and JOAN JACOBSON**

Did they have to destroy the community to save it?

Most of The New East Baltimore's 88 acres remain undeveloped, with only 37 percent of the rental and for-sale homes planned for the first phase actually built.

**East Baltimore Development Inc.** projected, as recently as May 2008 in a bond offering to investors, that there would be 599 houses completed or under construction by now. But there are only 220 residences in four developments, ranging from five condos to 78 apartments, scattered among the vacant lots.

With so much cleared land awaiting development, some question whether it was such a good idea to obliterate the entire Middle East neighborhood rather than demolishing and rebuilding it piecemeal.

Seven hundred thirty-two households have been relocated and 669 buildings demolished so far. Another 700 vacant row houses are ready to come down.

"They don't have a vision," City Councilman Carl Stokes said of EBDI. "Housing is not their primary focus there. Dislocation, not relocation. They were trying to remove people."

"They wanted to remove the people and those buildings and there could be a good case to be made for removing the buildings, but I don't think there's any case to be made to remove citizens," added Stokes, who represents part of the area.

"They should have talked to the citizens to remake the community, but [instead] are using taxpayer money to rebuild."

Raymond A. Winbush, director of the **Institute for Urban Research** at **Morgan State University**, said EBDI could have learned lessons from the redevelopment of Hyde Park in Chicago. There, the community was redeveloped gradually, leaving stable business and homes standing, he said.

Baltimore's philosophy, the professor said, was to "disrupt the whole thing to save it.

"They want it to look like Charles Village," Winbush said of the predominantly white, middle-class North Baltimore neighborhood adjacent to the **Johns Hopkins University**'s Homewood campus. "It ain't gonna happen."

MAXIMILIAN FRANZ

**'Obviously New Orleans was a natural disaster, but the abandonment here was equal to it,' says Paul T. Graziano, Baltimore housing commissioner.**

### 'Ethnic cleansing'

Mindy Fullilove, a research psychiatrist at Columbia University who has studied urban renewal and its impact on local communities, agreed. She said The New East Baltimore project, which she has visited, is an example of "ethnic cleansing, American style."

"It's been done so many times that there's millions of ways to do it," Fullilove said. "When they say 'We have to clear the neighborhood out,' they mean they have to get rid of the people there. Some of what people lose when they move is priceless — connections, friendships, history — and money can't buy those things. Money can't buy you the house your grandmother left you when she came up from the South.

"Once they tear down the house, you can never go back."

**City Council** President Bernard C. "Jack" Young is an example of that. He grew up in Middle East and is still smarting over the demolition of his home turf.

"What if I become mayor? What if I become governor and they want me to show them where I lived? I will have nothing to show them," Young told **The Daily Record**.

### Another New Orleans

But those overseeing the project — including current CEO Christopher Shea, his predecessor, John T. "Jack" Shannon, and Baltimore housing commissioner Paul T. Graziano — say that clearing out the neighborhood was the only way to rebuild wisely.

"We were trying to run a high-speed rail at the same time we were laying the rails right in front of us," Shannon said.

Graziano compares Middle East to New Orleans after Hurricane Katrina.

"There are parallels to New Orleans. Obviously New Orleans was a natural disaster, but the abandonment here was equal to it," said Graziano, who also serves on EBDI's board.

Ronald J. Daniels, president of the Johns Hopkins University, said the challenges of such a massive redevelopment project are daunting and demand extraordinary resources and commitment to change.

"I think if you look at the magnitude of the problems that that community was and is experiencing — crime, poverty, underemployment, low health outcomes — I actually think it behooves the leadership of the city to respond with an ambitious initiative. I don't think we should say it was too much, too fast. There's a real moral imperative here to help this community become strong and healthy," he said.

### Middle East neighborhood demographics

(Household income by occupancy and relocation status, as of Dec. 15, 2010)

| Residents | Low (Less than $10,000) | Working poor ($10,000 to $24,999) | Fragile middle ($25,000 to $49,000) | Middle ($50,000 and above) | Unknown (Income data unknown) | Total |
|---|---|---|---|---|---|---|
| Owners relocating | 17 | 36 | 23 | 9 | 142 | 227 |
| Renters relocating | 85 | 74 | 20 | 7 | 204 | 390 |
| Owners remaining | 4 | 13 | 9 | 0 | 15 | 41 |
| Renters remaining | 11 | 4 | 0 | 0 | 11 | 26 |
| No occupancy status info | 0 | 1 | 0 | 0 | 4 | 5 |
| **Total** | **117** | **128** | **52** | **16** | **376** | **689** |

Source: EBDI

# Development >> UM BioTech Park grew while East Baltimore languished

Continued from 12A

sands of biotech jobs.

Today only one life sciences structure exists — the handsome John C. Rangos Sr. Building on the 800 block of North Wolfe Street, which opened in 2008. The 278,145-square-foot structure, now 69 percent occupied, is scheduled to reach 80 percent occupancy in May when the Lieber Institute for Brain Development moves in.

Levitan, of Forest City-New East Baltimore Partnership, blamed "a sluggish biotech market" for the development's lag.

Across town, however, the **University of Maryland BioTech Park** has experienced considerably more success.

The park opened in 2005 and has surpassed the East Baltimore biotech park with 465,000 square feet leased in three buildings, including 110,000 square feet for the **Maryland Forensic Medical Center**.

Ninety-three percent of those buildings is rented, and two more buildings are planned. Five hundred-fifty employees work there, compared with 422 in the Rangos Building.

TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

PART THREE

Levitan and University of Maryland officials declined to reveal their leasing prices.

But Matthew Seward, senior vice president for **Cassidy Turley** and the leasing agent for the Rangos Building, said that building's pricing has been the subject of much debate. Seward said the base rent at Rangos is $30 per square foot, a cost that escalates with extras and property taxes.

"The building has a bad perception and reputation," Seward said. "There is a perception that the rent is too high. In reality, it is an expensive building. The negative perception is that all of that is not necessary, that they should have built a lower-functioning building to have lower rent."

One biotech startup, **Fyodor Biotechnologies**, chose the UM park over East Baltimore's for economic reasons.

Anne M. Derrick, vice president of Fyodor, said her company decided against the Rangos Building because "of the monthly amount" of rent.

Derrick said both biotech parks "stood out for location and proximity to resources," but the University of Maryland lab was cheaper and already outfitted with cabinets and counters, while the Rangos Building was not.

Fyodor, which is developing a urine test for the diagnosis of malaria, is run by Eddy G. Agbo, chairman and CEO, a former research fellow at the **Johns Hopkins School of Medicine**.

Despite the "sluggish biotech market" cited by Levitan, at least one expert questions why the project leaders are giving up on biotech.

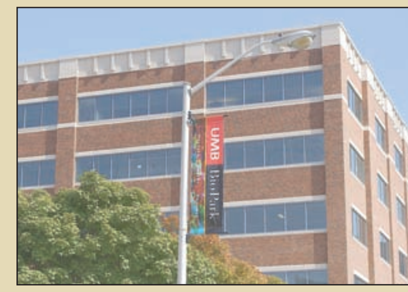
Walt Plosila, a former president of the **Technology Council of Maryland**, is now an independent consultant in Ohio with expertise in biotech projects. He noted the difficulty inherent in building biotech projects in an urban environment.

"Medical research parks emerge from older neighborhoods, so there is a challenge for redevelopment and renewal," said Plosila, who nevertheless wonders why more biotech buildings aren't being planned in East Baltimore.

"Eighty percent leased is pretty good. Why are they acting like they can't do any more of this?" he asked. "Urban research parks that succeed have patience and perseverance."

## A tale of two biotech parks

EBDI Biotech (John G. Rangos Sr. Building)




University of Maryland BioPark

| | EBDI Biotech (John G. Rangos Sr. Building) | University of Maryland BioPark |
|---|---|---|
| Year opened | 2008 | 2005 |
| Number of buildings | 1 | 3 [a] |
| Square feet of structure | 278,145 | 465,000 |
| Percent of space occupied | 69% [b] | 91% [c] |
| Cost of construction | $100M | $135M [d] |
| Number of current employees | 422 | 550 |

[a] 2 privately developed buildings and 1 state building for the Maryland Forensic Medical Center
[b] Scheduled to reach 80% in May when the Lieber Institute for Brain Development moves in
[c] 91% for the private buildings alone, 93% with the Maryland Forensic Medical Center
[d] $135 million ($180 million with the Maryland Forensic Medical Center)

Sources: EBDI, Forest City-New East Baltimore Partnership, University of Maryland BioPark

### 'Bullish' on the future

Now, with only 25 percent of the biotech project built, EBDI and its

See DEVELOPMENT 14A

# Jobs come slowly in New East Baltimore

By JOAN JACOBSON and MELODY SIMMONS

In a desperate neighborhood like Middle East, where unemployment a decade ago was as high as 30 percent and drug dealers worked the corners, the lure of new jobs was a huge selling point in rebuilding the community.

When Baltimore began asking for federal funds in 2003 to tear down homes and relocate residents, city housing officials assured the U.S. Department of Housing and Urban Development that part of a $21.2 million loan would lead to the creation of thousands of jobs in a biotech park just north of **Johns Hopkins Hospital**.

It was a crucial statement because job creation was required to secure the loan.

"A goal for the overall project is creation of 4,000 jobs. Phase I of the Biotech Park (875,000 SF) is projected to create 1,750 jobs," states the application to HUD, signed by Baltimore housing commissioner Paul T. Graziano.

Since then, **East Baltimore Development Inc.**, the nonprofit created in 2002 by the city and the **Johns Hopkins University** to spearhead the demolition and development, has repeatedly predicted that the entire project, totaling 88 acres, will create between 6,000 and 8,000 jobs.

MAXIMILIAN FRANZ

**'There should have been more people from East Baltimore in some of those jobs,' says City Council President Bernard C. 'Jack' Young.**

But the number of jobs created so far falls far below any projections over the years.

### 'Another broken promise'

As recently as July 2009, in an unsuccessful bid for more federal funds, EBDI told HUD that the project would create "6,500 permanent jobs."

No one expected 6,500 permanent jobs to be created by now, and the leaders of The New East Baltimore project have never provided a timeline for job creation.

But nearly three years after the first biotech building opened with 278,000 square feet, there are just 422 employees working there. An EBDI official says she does not know how many of those jobs were new and how many were already part of the businesses that moved into the building.

In addition, says Cheryl Y. Washington, EBDI's senior director of community and human services, biotech jobs that were promised for local residents are not yet available.

"We are working to meet with all the tenants to get a grasp on upcoming and future jobs," she said.

Raymond A. Winbush, director of the **Institute for Urban Research** at **Morgan State University**, has followed the project since the beginning.

He said the lack of biotech jobs is "another broken promise" to former Middle East residents, whom he helped to organize into SMEAC, the Save Middle East Action Committee, a grassroots campaign that has since folded.

"Where are these people who were trained to do that" work?" he asked. "Are they going to be in supermarket or temp jobs now?"

### 'Surpassed our goals'

Elsewhere in the project, EBDI has created jobs for 2,378 people. But 1,683 of them — 71 percent — were temporary construction jobs that averaged two months. Only 256 of those — 15 percent — went to peo-

See JOBS 14A

# Development >> Letter of intent signed with hotel for North Wolfe Street

Continued from 13A

developers are considering buildings with more office space and less lab space, Levitan said.

A letter of intent has been signed with a hotel company for a new structure on North Wolfe Street. Other commercial development not in the master plan is being considered.

The developers have hired a Baltimore advertising agency, **Carton Donofrio**, to "rebrand," rename and promote the project.

EBDI's leaders remain optimistic about the development's potential.

In an opinion article in **The Baltimore Sun** on Nov. 11, Shea and Nelson, EBDI's board chairman, wrote that the development "is making extraordinary progress and remains on track to achieve its goals."

"The collapse of [the] commercial and residential real estate market, combined with the credit crisis, presents a new challenge. This financial tsunami has temporarily slowed the pace of building new and rehabbed homes to attract families of all economic backgrounds into the area," they wrote.

"To be sure, leaders of the project had hoped that more new homes would be in place and occupied by now. But we remain optimistic that this will happen in the next few years as the economy recovers," they added.

Baltimore developer David S. Cordish, who is not involved in the East Baltimore project, believes the location has excellent potential for development.

"It is a tough economy, but I think it [the project] can work. You have 40,000 workers there at the hospital; that's your engine — and you have cleared land," said Cordish.

"As a developer, you look for an anchor that isn't going anywhere. And Hopkins Hospital is the anchor. … You've got to surround it with the right mix and if biotech isn't the right thing, you'll find the right thing. I'd be bullish on it."

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> "... if biotech isn't the right thing, you'll find the right thing. I'd be bullish on it.
>
> **DAVID S. CORDISH**
> Baltimore developer

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**Friday**
What lies ahead for The New East Baltimore and East Baltimore Development Inc., the nonprofit that is spearheading the project?

# Jobs >> EBDI has created 695 jobs in fields including security, education, customer service

Continued from 13A

ple from East Baltimore, according to EBDI's own statistics.

The other 695 jobs created by EBDI include 70 in security work for **Broadway Services** in new buildings, and a variety of permanent positions on EBDI's staff, teachers and staff at the East Baltimore Community School and positions in health care, education, customer service, hospitality and tourism, according to Washington.

Many of these 695 jobs resulted from a joint effort of EBDI and the **Mayor's Office of Employment Development**. Sixty-seven percent, or 468 jobs, went to people from East Baltimore, according to data provided to **The Daily Record** by EBDI.

Although most of the jobs created so far have been temporary, EBDI staff members say they are pleased with the progress they are making.

The **Annie E. Casey Foundation**, which has committed $63.5 million to the overall project, also praises the project's job creation and training efforts.

The foundation's vice president for civic sites and initiatives, Anthony Cipollone, said the Casey staff has offered technical assistance to help create jobs for East Baltimore residents. He praised EBDI for doing "a good job with reaching out to residents."

MAXIMILIAN FRANZ

**Arnold Jolivet, managing director of the Maryland Minority Contractors Association, says the project's approach to construction and demolition job creation 'is not well-thought [out]; it may be somewhat marginal.'**

Although Cipollone noted that the biotech project hasn't created jobs for neighborhood residents, "over 1,000 people have gotten jobs" elsewhere in the community, he said.

"I think the economic inclusion piece has been a huge success story. It has surpassed our goals," he added.

## 'Somewhat marginal'

Others are not so impressed.

**City Council** President Bernard C. "Jack" Young, who grew up in the community, said he has never received answers to questions about the number of people from East Baltimore who work on EBDI's staff.

"Half the people working there have no connections [to East Baltimore]. I wanted a balance," said Young. "There should have been more people from East Baltimore in some of those jobs."

EBDI's records, said Washington, show that the nonprofit has hired 68 people from East Baltimore for its own staff — almost 32 percent out of 214 employees hired since 2003.

Arnold Jolivet, managing director of the **Maryland Minority Contractors Association**, said the project's employment approach for the construction and demolition project "is not well-thought [out]; it may be somewhat marginal."

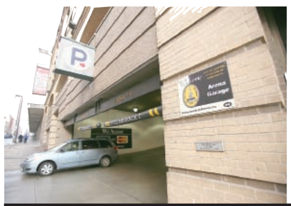
"They are short-term jobs," he said. "They ought to put emphasis on motivating contractors into providing long-term jobs for those residents. It's a result of them not giving long-term thought."

Another piece of the "economic inclusion" mission of the project is the hiring of minority and women contractors, as well as workers who are female and minority.

U.S. Rep. Elijah Cummings, D-Baltimore, will hold a forum at Morgan State University next Tuesday to discuss the minority inclusion goals of the project and their achievement to date.

EBDI's Economic Inclusion report in 2010 shows that of $129 million in construction-related projects, $54 million (or 42 percent) went to minority- and women-owned businesses.

Of the workers hired on those jobs, 57 percent of "employment hours" involved minorities or women, the report said.



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THE DAILY RECORD

Thursday, February 3, 2011 | Volume 122 | Number 85 | Online at TheDailyRecord.com

# THE EDUCATION SOLUTION


MAXIMILIAN FRANZ

**The vacant and vandalized Elmer A. Henderson Elementary School, left, overlooks the three trailers temporarily housing the East Baltimore Community School.**

AN EXCLUSIVE DAILY RECORD INVESTIGATION

## INSIDE TODAY

**Major plans for a new school**
EBDI and Johns Hopkins are working to raise $40 million to replace the neighborhood's now-closed public elementary school.
11A

**Teaching respect and academics**
East Baltimore Community School's principal expresses optimism about working with Hopkins to strengthen the school and its children.
12A

**Extra information online**
Go to our website for a narrated slideshow, video interviews with East Baltimore residents, and an interactive timeline and interactive map of the area with photos. Check back throughout the series for additional online content.

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## EBDI hopes a good school does build a good community

By Melody Simmons and Joan Jacobson

After half a billion dollars of investment, the latest hopes of success for The New East Baltimore project are housed in three humble trailers on what used to be the playground of a now vacant and vandalized city school.

There, 207 students in kindergarten, elementary and middle school grades at the public **East Baltimore Community School** are being touted as symbols of the community's rebirth and held up as examples of the potential for its future economic success.

TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

PART FOUR

Leaders of The New East Baltimore project hope this temporary school in portable classrooms now serving mostly low-income students will eventually become a state-of-the art, seven-acre campus for children of all incomes. They would learn through an unprecedented partnership between the **Johns Hopkins University** and the **Baltimore City Public Schools** that could bring Hopkins' Nobel laureates into the classrooms.

"The existence of the school will enhance our ability to build and sell residential," said Christopher Shea, CEO of the **East Baltimore Development Inc.**, the nonprofit formed to oversee the redevelopment of 88 acres just north of **Johns Hopkins Hospital**.

Shale D. Stiller, an attorney at **DLA Piper**, trustee of **Johns Hopkins Health System**, **Johns Hopkins Medicine** and Johns Hopkins Hospital, and a former EBDI board member, put it more bluntly.

"Unless people are given pretty damn good assurances that a first-rate school is there, they won't move there," he said.

See DEVELOPMENT 11A

## Angelos company owes $1.4M for repairs

### Challenge to mechanic's lien ruling already filed

By Brendan Kearney
Brendan.Kearney@TheDailyRecord.com

A judge in Baltimore has ordered companies related to Baltimore Orioles' owner Peter G. Angelos to pay more than $1.4 million to Graciano Corp., a Pittsburgh-based construction company that renovated an underground parking garage just north of Angelos' law office.

In her Jan. 28 final order in **Baltimore City Circuit Court**, Judge Althea M. Handy established a mechanic's lien and ordered that the six-level garage in the 200 block of North Charles Street be sold unless the defendant companies pay or post a bond by Feb. 25.

But the lawyer representing the Angelos defendants said the property won't be sold. The required $1.6 million bond will be posted, and the judgment will be appealed, said Thomas C. Beach III.

"Don't stand out on Charles Street waiting for the auctioneer because you'll get cold," Beach, of **Whiteford Taylor & Preston** LLP, said Wednesday.

Graciano's lead attorney, on the other hand, said the summary judgment orders in the case were "totally appropriate" and that the construction

See ANGELOS 15A

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# School >> Weinberg Foundation has committed $15 million for construction

Continued from 1A

TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

PART FOUR

With plans to build a world-class biotech park at the site now largely shelved, the new strategy is to highlight the school — with its $65 million price tag — and a new focus on commercial and retail development with the goal of transforming a once-blighted, drug-infested community into a mostly middle-class enclave.

"There is lots of research and data that shows good schools build good communities," said school Principal Cathleene J. Miles.

The Baltimore city government and a phalanx of powerful institutions bankrolling The New East Baltimore project, including Johns Hopkins University and the **Annie E. Casey Foundation**, are betting big money that she's right.

## Mostly private funds

Today, the site of the new school, near Collington Avenue and East Eager Street, lies in the heart of an urban ghost town lined with block after block of vacant row houses scheduled for demolition this year.

Projected to open in 2014, the East Baltimore Community School will be the first school built in the city since 1998. Construction should cost about $40 million in private funds, EBDI and Johns Hopkins officials told **The Daily Record**. EBDI also has committed $25 million in public bond funds to clear the site and relocate residents.

Other costs include:

- A $614,000 design plan by local architects **Ziger/Snead** to convert the former **Elmer A. Henderson Elementary School** into a temporary school. That plan was scrapped after vandals wrecked the building in 2008, Shea said. The old school was to be used for EBDI's offices, as well. Money for the plan came mostly from private funds, but included $50,000 in federal dollars.
- Three portable classrooms were purchased for about $1.6 million, using $1 million in city bond funds and $656,751 from a private foundation that EBDI would not disclose, before the community school opened in September 2009.
- Philadelphia-based consulting firm Foundations Inc. was paid $554,000 to study curriculum options, assist in hiring a principal, write the school's application for charter status and shepherd it through the school system bureaucracy.
- Stipends totaling $75,000 for three architectural firms to compete in a national design contest for the new school. Rogers Marvel Architects of New York was recently selected to design the school. Shea said EBDI is negotiating a contract with the firm.

Last fall, David W. Hornbeck, former Maryland state school superintendent, was brought in to help coordinate academic and social programs and raise the profile of the new school as the community develops. Hornbeck, the senior advisor for children, family and community, would not disclose his salary at EBDI.

Funds to build the school are expected to come largely from private sources, Shea said. He, members of the EBDI board and Johns Hopkins University President Ronald J. Daniels have been aggressively seeking to raise $40 million.

The largest commitment so far has been $15 million from the **Harry and Jeanette Weinberg Foundation**, approved when Stiller was chairman of the foundation's board. Stiller said he was lobbied by Douglas W. Nelson, then head of the Annie E. Casey Foundation and now chair of the EBDI board, for the grant.

Nelson said about $20 million still needs to be raised.

Andrew Frank, special assistant to Daniels at Hopkins and a former Baltimore deputy mayor, said Hopkins has not committed any funds to the school's construction but would help pay for programs once the school opens.

Andres Alonso, CEO of the city school system, said no public funds have been committed to the 110,000-square-foot school's construction. Existing schools have more urgent needs, he said, citing a 2010 American Civil Liberties Union report that showed $2.8 billion is needed to upgrade and repair existing city schools.

Nevertheless, Nelson said he plans to seek public funds for school construction from Alonso and the school board.

"Lots of people lobby me for construction money," Alonso told The Daily Record with a chuckle.

## The school comes first

Why the switch to a school-first strategy?

With the pace of new housing construction running at least 700 units behind schedule, EBDI's Shea said recently that the idea of moving the school ahead of most of the new housing made sense for a new development where a neighborhood called "Badlands" once stood.

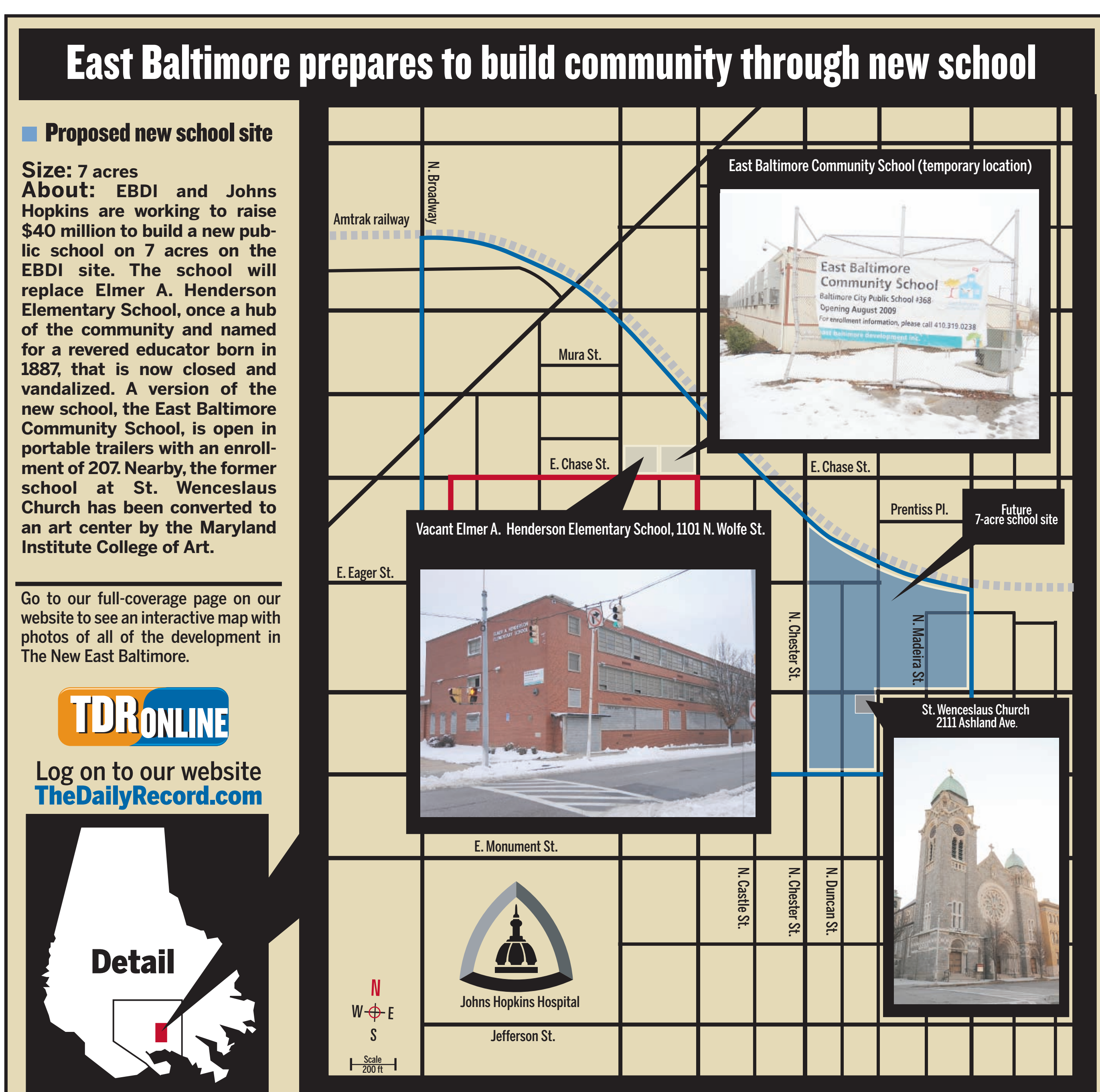
"Is it cart before the horse?" Shea asked. "Do you build residential and people say, 'I won't come here because there's no school'?"

He cited the 20-story tower for Hopkins graduate student housing, now under construction in the 900

See SCHOOL 13A


RICH DENNISON

**'Lots of people lobby me for construction money,' says city schools CEO Andres Alonso. But, he adds, no public funds have been committed to building the school planned for The New East Baltimore.**



# Principal sees hope in a work in progress

By **MELODY SIMMONS and JOAN JACOBSON**

The day was "like Christmas" — optimistic, energetic and full of hope, recalls Cathleene J. Miles.

It was Aug. 31, 2009 and the temporary **East Baltimore Community School** was open for business.

No one was more optimistic, energetic and full of hope that day than Miles. The 53-year-old principal left the prestigious, private **Gilman School** to bring a new style and quality of education to the school now seen as the catalyst for the next phase of the nation's largest urban redevelopment project.

Seventeen months later, Miles believes that the school's budding partnership with the **Johns Hopkins University** is well on the way to creating what they call a "world-class" community school for students of all socioeconomic backgrounds.

"I saw promise," she said, explaining why she took on such a daunting challenge. "But I also saw it would take someone to fight for the promise. In my third round of interviews for the job, I asked, 'Are you for real? Are you really going to do this?' I didn't want to be a part of a political ploy."


MAXIMILIAN FRANZ

**'What the school has to do is create success and build success — to continue to push toward accountability for behaviors in school,' says Principal Cathleene J. Miles.**

## A work in progress

The school's current demographics reflect the Middle East community that was razed to make room for The New East Baltimore project.

Enrollment is 100 percent African-American, and most of the students come from poverty.

Just over 89 percent of the 207 students enrolled this year are on free or reduced meals, the measurement of poverty used by federal school reimbursement data, said city schools spokeswoman Edie House-Foster.

And 74 percent of the students enrolled this year qualify for federal subsidies paid to the school for services such as free tutoring.

The 2009-10 school statistics show fifth-graders struggled academically at East Baltimore Community School. The class failed to meet Adequate Yearly Progress levels, measured annually through standardized tests.

Only the fifth grade was tested last year, Miles said. In March, fifth- and sixth-graders will take Maryland School Assessment tests to gauge literacy, math and science skills.

Miles said she was not fazed by the failure of the fifth-graders to meet AYP levels.

"As a startup small school, it's not uncommon," she said.

Miles said she has worked hard to establish a sense of respect amid academic lessons inside the orderly trailer classrooms decorated with student art.

That is a work in progress, the school's climate survey indicates.

The climate survey is an annual assessment given to parents, students and staff in Baltimore's schools. The survey from 2009 at East Baltimore Community School shows concerns over fighting and "students picking on other students" as well as the presence of gangs.

But 68 percent of the parents responding said, given the option of transferring, their children would continue to attend the school.


MAXIMILIAN FRANZ

**'I think we have a remarkable opportunity because of the nature of the partners to put all the pieces together for the children of this neighborhood,' says David W. Hornbeck.**

One day last fall a fight between two students over a torn homework paper forced Miles to interrupt her schedule for a 45-minute emergency meeting with a parent.

"What the school has to do is create success and build success — to continue to push toward accountability for behaviors in school," she said.

## 'Education is at the center'

The school receives $9,400 per pupil in public funds — the standard allocation for a charter school in Baltimore. Seventeen percent of the enrollment received extra allocations for special education in 2009.

The school was originally planned as a charter school, said Laura Weeldreyer, who recently left her position as deputy chief of staff overseeing charter and contract schools at city school headquarters.

Weeldreyer said charter schools are not allowed to have geographic boundaries. But **East Baltimore Development Inc.** officials said they wanted to limit enrollment to the area near The New East Baltimore and to offspring of former residents, she added.

Andres Alonso, CEO of the Baltimore school system, converted the application to a "contract" that allows them to do so.

"In good faith," Alonso told **The Daily Record**, "we continued the conversation about how could they create a school that would serve their purposes of serving all kinds in a community that was really coming into existence. They were planning for the long run in terms of the community."

Alonso said the school will also be open to children of **Johns Hopkins Hospital** employees who live outside the neighborhood.

The school, which opens at 7 a.m. for activities and breakfast and remains open until 6 p.m. to help accommodate working parents, now serves 27 children or grandchildren of Hopkins hospital employees, Miles said.

Foundations Inc. signed a $554,000 contract with EBDI in late 2007 to help establish the school's curriculum and hire a principal.

"Most charter schools don't spend as much time as we did in engaging the community in the concept of the school," said Julie Stapleton-Carroll, a former consultant for Foundations who now works full time with the firm as director of school services.

"You can throw up a charter school in a year, or you can create a really good school that satisfies the needs of a community," she said.

The school was given "tremendous autonomy" in choosing a curriculum, Alonso said, noting that officials settled on a hands-on, project-based program used in several other Baltimore alternative schools.

In addition, students in middle school grades at the community school benefit from part of a $12 million foundation grant to EBDI for an array of social programs, including after-school activities, and on-site health and mental health services and mentoring.

As the new venture begins to take shape, David W. Hornbeck is nothing but optimistic.

The former Maryland state school superintendent was hired last summer by EBDI to bring academic and social programs together at the new school while the community develops around it.

"In my view, education is at the center of any community that is thriving and vibrant," Hornbeck said. "I think we have a remarkable opportunity because of the nature of the partners to put all the pieces together for the children of this neighborhood."

# School >> Daniels wants showcase for hands-on, mentoring style of learning

Continued from 11A

block of North Wolfe Street, as solid evidence of a changing neighborhood. The tower, slated for completion in January 2012, will house mostly young people, some of them with children, Shea said.

EBDI's annual reports reflect the change in philosophy. Earlier reports show an emphasis on biotech development, while more current reports detail how the school and its potential impact for the project's success are the new centerpiece.

TOO BIG TO FAIL?
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PART FOUR

"With a deep Hopkins involvement in the school, you'll get a good mixed group of people to move in," said Stiller, the trustee emeritus. "It has to be a first-rate public school. If the school doesn't have a deeply imbedded imprint, it won't come through. The timing is incredibly complex."

"I believe the full commitment of Hopkins behind us means it will hold us successful," Miles said.

"It's a financial and moral investment," Daniels said. "These are things that anchor institutions like universities can do."

## 'Trust and confidence'

Daniels wants the school to be a showcase for a hands-on, mentoring style of learning. He plans to enlist Hopkins employees from nursing, education, athletics, the **Center for Talented Youth**, the **Peabody Institute** and even Nobel laureates to mentor and teach there alongside city teachers.

Daniels said the EBDI project was a major focus of his interviews for the Hopkins presidency, which he assumed March 2, 2009. The Hopkins board was focused on his experience as provost at the University of Pennsylvania, Daniels said, in forging the public-private partnership that created a public school in west Philadelphia.

The Sadie Tanner Mossell Alexander University of Pennsylvania Partnership School opened in 2001 and now has 500 students on a modern five-acre campus. It is the centerpiece of a large urban redevelopment project called University City that surrounds the university.

"I take some lessons I had experienced firsthand at Penn, where the university became a galvanizing agent," Daniels said. "When I was recruited to lead Hopkins it was the board of trustees who said to me that they wanted me and the leadership team to contribute to this project. So this was not a flight of fancy by the new president, but one that reflected a deep institutional commitment and aspiration that we would contribute to this. It is one of my biggest priorities."

Daniels said his main focus now is to generate trust among some Middle East residents and former residents who have viewed Hopkins as an interloper.

"To build trust and confidence in the community is the role of Hopkins and represents a real opportunity to unleash the intellectual and moral energy that courses through the veins of Hopkins and the people in the area," he said. "Not to remake the community in Hopkins' image, but to help the community achieve itself."

Daniels said the proximity of the institution to the new school will help solidify the new community that is to be built around it.

"It's our neighborhood," he said of the university's commitment. "This is our backyard, and one of the things I have talked about in the past is our land is contiguous to the [EBDI] campus — and there still is a sense of boundaries. For me, I would like to see a fusion of the two and we can help the residents and community there."

All of that, he said, begins with the school.

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RICH DENNISON

'To build trust and confidence in the community is the role of Hopkins and represents a real opportunity to unleash the intellectual and moral energy that courses through the veins of Hopkins and the people in the area,' says Johns Hopkins University President Ronald J. Daniels.

MAXIMILIAN FRANZ

'The existence of the school will enhance our ability to build and sell residential,' says Christopher Shea, CEO of East Baltimore Development Inc.

AN EXCLUSIVE DAILY RECORD INVESTIGATION (A day-by-day guide to the series)

**New East Baltimore**
**Monday**
The nation's largest urban redevelopment project, stalled without a major biotech component, is struggling to regain momentum and develop a new focus.

**Finances**
**Tuesday**
The financial underpinning of the projected $1.8 billion New East Baltimore development is complex, and many local elected officials don't understand it.

**Development**
**Wednesday**
A world-class biotech park, once the linchpin of the project, is no longer considered feasible. What went wrong with biotech and what happened to the promise of thousands of permanent jobs?

**The school**
**Today**
Plans for a state-of-the-art public school that could bring Johns Hopkins University Nobel laureates into the classrooms are now at the center of the emerging vision for The New East Baltimore project.

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**The future**
**Friday**
What lies ahead for The New East Baltimore and East Baltimore Development Inc., the nonprofit that is spearheading the project?

## Channeling Obama

In State of the State, Gov. O'Malley hits the same themes as the president did last week in the State of the Union.

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## 'Taint team' sought

Prosecutors, Sen. Currie's defense team fight over access to computer files.

4A


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Friday, February 4, 2011 | Volume 122 | Number 86 | Online at TheDailyRecord.com


# AN UNCERTAIN FUTURE

MAXIMILIAN FRANZ

**Christopher Shea, CEO of East Baltimore Development Inc., looks over part of the 88 acres north of Johns Hopkins Hospital that his nonprofit is trying to redevelop in a $1.8 billion project.**

AN EXCLUSIVE DAILY RECORD INVESTIGATION

## Showdown looms over EBDI spending, development work

BY MELODY SIMMONS and JOAN JACOBSON

The New East Baltimore project stands at a crossroads as it enters its second decade.

After $564 million of investment, plans for a world-class biotech park have been shelved. Creation of new housing and new jobs lags far behind schedule.

TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

PART FIVE

Planners working on a new vision for the nation's largest urban redevelopment project now hope that a state-of-the-art public school and more middle-class housing, a hotel, restaurants and stores will be the answer for the 88 acres north of **Johns Hopkins Hospital**.

The stakes are enormous.

"It's going to require all the key leaders in the city to marshal their energies around this project," said Ronald J. Daniels, president of the **Johns Hopkins University**.

"Just given its size and scale and ambitions, it's going to require a whole lot of work to get done," he continued. "It is doable. The commitment is there. There's more to be done, but the bedrock is solid."

Meanwhile, **The Daily Record**'s disclosure that a number of elected officials are unaware of the $1.8 billion project's status, and its finances has prompted calls for action.

**City Council** member Carl Stokes, who represents part of the affected area, said he was angered by the lack of transparency in the expenditure of $212 million in public funds on the project so far. He said he will call for a public audit and hearings at City Hall on the project's progress and finances.

"We're moving toward a fight and showdown with EBDI because we still feel the sting of the relocation," he said, referring to **East Baltimore Development Inc.**'s removal of 732 households from the Middle East com-

See FUTURE 13A


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The public, professors and an EBDI official mentioned in the series have their say about the project and the reporting. 14A

**Editorial**
East Baltimore Development Inc. has committed more than $200 million in public investment with little oversight — a fundamental flaw. 18A

**Extra information online**
Go to our website for a narrated slideshow, video interviews with East Baltimore residents, and an interactive timeline and interactive map of the area with photos. Check back throughout the series for additional online content.

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# Jury awards $170K in police beating case

## City solicitor weighs challenge to verdict

BY BRENDAN KEARNEY
Brendan.Kearney@TheDailyRecord.com

A Baltimore jury has awarded $170,000 to a city man who claimed two police officers arrested him in September 2009 without cause and then punched him several times in the face while he was lying on his back in handcuffs.

The verdict came Wednesday evening after about an hour of deliberation at the end of a two-day trial in **Baltimore City Circuit Court** and represents the latest high-dollar result in a case alleging misconduct by city police.

The jurors decided Officers Marvin Gross and Robert Stokes falsely arrested and imprisoned Salahudeen Abdulaziz and violated his constitutional rights, which amounted to $60,000 in damages for each policeman. They also found Gross liable for battery, resulting in an additional $50,000 in damages. According to one of his attorneys, Abdulaziz, who sometimes works as a mechanic, did not seek economic damages.

The jury did not award punitive damages, however, which plaintiff attorney Bryan A. Levitt called "surprising."

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“We’re moving toward a fight and showdown with EBDI because we still feel the sting of the relocation.

**CARL STOKES**
City Council

“Johns Hopkins’ home base is Baltimore, and I’d hope we would continue to see a strong attention to the city. If not, it’s very disappointing.

**DONALD C. FRY**
Greater Baltimore Committee

# Future >> Hopkins also plans large biotech park in Montgomery County

Continued from **1A**

munity during the last 10 years.

EBDI is the nonprofit established in 2002 by the city, Johns Hopkins and community leaders to oversee the project. Stokes is a nonvoting member of the EBDI board of directors.

Stokes, who grew up in public housing at Latrobe Homes near Hopkins, said the perception that Johns Hopkins sought to push residents out of Middle East “so they can expand their campus” is still strong among current and former residents of the community.

Daniels, the university’s president, said, “We make no apologies for Johns Hopkins’ commitment to working closely with former, existing and future residents to revitalize the community, while honoring the history of East Baltimore.

“EBDI is a partnership with one and only one goal: to create a healthy mixed-use, mixed-income community with access to jobs, a state-of-the-art public school, affordable and market-rate housing, and opportunities for all its residents. Johns Hopkins doesn’t own or control any land within the EBDI district. We are only one of the partners. But we subscribe completely to that goal, and always have. We are confident that it’s a goal that this community can and will achieve.”

## Biotech’s role

The role of biotech in The New East Baltimore’s future is uncertain at best.

Mayor Stephanie Rawlings-Blake said this week she believes the original plans for a massive biotech park are still viable, a view shared by city housing commissioner Paul T. Graziano, a nonvoting EBDI board member who sat next to her during an interview with The Daily Record.

But others associated with the project, including Douglas W. Nelson, chair of the EBDI board and retired CEO of the **Annie E. Casey Foundation**, say a new reality set in following the Great Recession and changes in the biotech industry.

“People tell me that the optimism and exuberance for biotech expansion and growth [in the last] three years has been tempered significantly by the recession and the presence of the realism and potential for immediate expansion of that sector,” Nelson said.

“I thought the biotech thing was a fine idea and I had no quarrel with the enthusiasm folks brought to the biotech dimension,” he added, “but I have never thought the biotech potential was as great as the pre-existing Johns Hopkins potential already there.”

Judy Britz, executive director of the **Maryland Biotechnology Center**, a part of the state **Department of Business and Economic Development**, said the “vision has changed” for biotech in East Baltimore.

Part of the reason, she said, is that leasing costs were too high at the lone life sciences structure, the John G. Rangos Sr. Building. That was a lesson learned “the hard way,” she said.

“Hopkins had one vision as to how they wanted to outfit the facilities, while companies are focused on being lean and mean,” Britz said. “That’s the reality — they [biotech companies] are responding to a natural market demand.

“My understanding is that Rangos is relatively expensive. … I am an entrepreneur myself, I have had two startup companies, and I think everyone acknowledges that cost-consciousness is something everybody has to be aware of, including Hopkins, and I think that is part of their understanding at this point.”

Asked why plans for massive biotech development in East Baltimore have fizzled, Britz said, “I do not know the entire history, except when the picture was conceived, it had certain specifications that in the light of today’s environment need to be adjusted.

“This happened while a few miles away another biotech park [**University of Maryland BioPark**] with slightly competitive pricing was thriving. We also went into one of the greatest recessions, and that prevented [the East Baltimore biotech park] from getting back on track as fast as it might.”

“These are works in progress,” Britz concluded. “I think everyone would acknowledge that the [current] plan was not in the original picture. But we have the seeds of something new.”

TOO BIG TO FAIL?

BETTING A BILLION ON EAST BALTIMORE

**PART FIVE**

Donald C. Fry, president and CEO of the **Greater Baltimore Committee**, says the commitment to a large-scale biotech park in East Baltimore should continue.

“I still think that EBDI and those involved in the project should continue the idea of a biotech park the way it had been planned originally,” Fry said.

Fry said he believes the recession has forced changes to the EBDI project, but he called for Hopkins to remain steadfast in its commitment.

“With all the research at Hopkins, there is potential for spin-off companies,” he said. “There has got to be a continued focus in that area.”

## Room for growth

Most of the 500 life sciences companies operating in Maryland are small startups, but Britz said they attract more than $12 billion annually in federal research dollars. She added that the state has the capacity to attract larger biotech ventures that bring capital for higher-level research such as clinical trials.

That is where there is room for growth, she said.

Hopkins is moving ahead with plans to build a 4.6 million-square-foot biotech park in Montgomery County. The **Montgomery County Council** approved a master plan last fall that includes the Hopkins biotech park on the historic 108-acre Belward Farm site.

Britz said Hopkins is planning to build a “more classic” life sciences park in Montgomery County as opposed to East Baltimore, where the biotech park was to be part of a new urban community and the medical campus.

Andrew Frank, special assistant to the president of Johns Hopkins for economic development, said he was unaware of the Montgomery County project.

“I don’t know anything about plans for Belward,” Frank said. “I can’t speak to that.”

Fry, however, was aware of the Hopkins plans for the huge biotech park in Montgomery County and said he hopes the university’s East Baltimore plan will not suffer as a result of the second one.

“I certainly hope [for] an equal if not greater focus on East Baltimore,” Fry said. “Johns Hopkins’ home base is Baltimore, and I’d hope we would continue to see a strong attention to the city. If not, it’s very disappointing.”

If Hopkins shifts its major biotech focus to Montgomery County, “We’re missing another opportunity for Hopkins to contribute to the business base in Baltimore,” Fry said.

## Future gazing

What will the future look like in The New East Baltimore?

Phase II demolition is expected to begin this spring as 700 more houses are razed, vacating another 57 acres, more than doubling the amount of

See FUTURE 15A

“I can’t look at it from the standpoint of a five-year plan. I look at it from the standpoint of how it’s going to look when I’m dead.

**ELIJAH CUMMINGS**
U.S. Representative

“I have never thought the biotech potential was as great as the pre-existing Johns Hopkins potential already there.

**DOUGLAS W. NELSON**
EBDI Board

AN EXCLUSIVE DAILY RECORD INVESTIGATION

# READER FORUM

## Letters to the editor

I can't thank you enough for your investigative reporting on EBDI. This is some of the best work on a crucial issue that I have seen in recent years in any paper, anywhere. You are exposing a very inefficient — and occasionally corrupt — redevelopment process, and doing it in a way that is accessible to a broad audience. Kudos! I can't wait for the next installments.

**Steve Walters**
**Professor of Economics**
**Loyola University Maryland**

The articles this week on EBDI are fantastic. This is the first investigative reporting that The Daily Record has published to my knowledge. Congratulations on a big hit. You deserve a Pulitzer.

**Deborah Ford**
**Chair, Department of Economics & Finance**
**Merrick School of Business, University of Baltimore**

I am writing in response to the article that appeared in the Feb. 1, 2011 edition of The Daily Record regarding my position at EBDI and my relationship with Housing Commissioner Paul T. Graziano. I question the ethics of the reporter, Melody Simmons, who interviewed me over two years ago and discovered this relationship at that time. Based on all of the facts I disclosed at that time to Ms. Simmons and another colleague of hers at WYPR, none of which are included in The Daily Record article, she chose not to write about the relationship. She also assessed our relocation effort to me in the most glowing terms, expressing her amazement at the amount of work we were doing on behalf of the residents. Interestingly, I was not contacted by her to comment on this most recent article.

I have worked very hard over the last 25 years to develop a career in the affordable housing field. I grew up in a working-class neighborhood of Boston, put myself through college and worked my way through a series of positions at housing authorities and community development agencies in Boston and New York City before coming to EBDI. In my last position in New York City, I worked as a senior policy advisor and one of only four executive staff to the New York City Housing Commissioner in the largest community development agency in the country, with a staff of 2500 and a budget of $1 billion.

I made a decision to relocate to Baltimore for personal reasons in 2004. I came to the attention of Jack Shannon, CEO of EBDI, a small, recently established nonprofit, through a series of referrals, beginning with an interview at the Enterprise Foundation. I chose not to divulge my relationship with the Baltimore Housing Commissioner Paul T. Graziano prior to the interview at EBDI because I wanted to gain an offer based on merit. When an offer came, I immediately divulged the relationship to EBDI and I, not EBDI, suggested that an ethics ruling be obtained. The ruling came as no conflict and I accepted the position as director of acquisition and relocation at a salary of $85,000 per year, a figure that is very much in line with salaries paid to comparable staff at Baltimore Development Corporation and Baltimore Housing and Community Development. Funding by HCD in the form of a $23 million Section 108 loan from HUD for acquisition and relocation had already been approved for the EBDI project before I even interviewed for the position.

After Phase I was completed in 2006, two other employment offers came my way. In the end, I chose to remain at EBDI to complete the second phase of the project because I was committed to the residents, the project and my colleagues. My salary increased commensurate with the offers I had been made.

I am proud of the work of my team and my colleagues at EBDI and I am most proud of the outcomes for hundreds of households who have told us we have transformed their lives. An independent survey of relocated residents showed that over 80 percent were satisfied with their relocation experience, with nearly 50 percent rating it excellent. That is factual and that is also what matters most to me.

**Arlene Conn**
**Senior Director for Acquisition and Relocation, EBDI**

## Posted on our website

The empty space is better than what was there. This city could stand for more open space and greenery. We don't need more empty buildings ANYWHERE.

What this article fails to mention is the bottom dropping out of the market. Money has dried up for everyone, especially development. Guess what, folks? The city is out of money, too. As much as we might want to think otherwise, the big tree out front of City Hall does not have Benjamins for leaves!

So we're left with this quandary — what things can wait? Trash collection? No! Police and fire protection? No! Roadway maintenance? No! So development gets put on the back burner.

Just remember this — it could always be worse. You could live in Detroit.

**Tallichair**

From both sides of the tracks — I was raised up in East Baltimore. That area around the hospital was and still is my home. The way Hopkins and the city of Baltimore went about handling the vast number of vacant homes around the hospital leaves me in fear of losing my apartment.

To get to the point, all areas in East Baltimore that are high in crime ... are not on solid ground. This is from a personal and also business perspective. I am aware that the area around the hospital was indeed becoming an issue, but destroying an historical area, displacing its residents, does not solve the problem, it just makes it someone else's problem.

Do you think by moving drug dealers from East Baltimore it will stop them from selling? No it won't. If cameras in the projects of Baltimore aren't stopping these same dealers, how can moving them be effective? This plan could not and was not put into action to better East Baltimore and or Baltimore City. It was passed to allow Hopkins to grow and expand.

I am going to end my post with this: If this plan is unable to create new jobs, especially as predicted, we are repeating history once again. A prime example would be the infamous highway to nowhere, which separated and displaced a community based on the assumption that there was going to be a huge interstate placed either on Federal Hill or through Fells Point. That highway is now being taken apart.

I feel as though the only time the actions of Johns Hopkins should be justified are when every other alternative had been discussed and this was the final option; in this case it seems like the city of Baltimore failed this one community and took the easy way out.

**Paul Jones III**

As someone with an intimate knowledge of certain aspects of this project, I am amazed at the failure of this article to drill down into some of the root causes of the issues adversely impacting this project's marginal, at best, progress. If not for the power and influence yielded by the Annie E. Casey Foundation and Johns Hopkins in Baltimore, and beyond, there would be a tribunal on the ineptitude of many of the executives past and present, as well as the negligence of EBDI's board and elected officials (Jack Young included).

There is enough blood to go around for all of the hands that have touched this project. Justifying the ridiculously high salaries paid to senior staff, the CEO states that compensation is in proportion to the unique skill sets of staff that can't be found elsewhere. Are you kidding me? If that is the case, then where are the uniquely successful results? Why has there been so much turnover in the leadership of the organization? There are rumors all about Baltimore of lawsuits and shenanigans at EBDI. Is this one of the main reasons for the shift in focus and priorities of this project? What were the causes for some the changes? How did these changes impact the organization/project, good or bad?

I would be very interested in seeing an in-depth analysis of the money invested on creating jobs for the displaced residents in proportion to the money spent to acquire property and displace them. What is the strategy here? How has the strategy changed over the life of the project and the changing economic environment? When questioned on the issue of jobs, the staff person quoted seemed clueless as to the direct impact of the project on job creation. Is everyone over there this clueless? Were any of the residents past benefactors of these jobs or were they just pawns in whole scheme of things? What became of these families?

What is not being said? It seems as if many of the influential people in making the project happen are now running for the hills. It would be great if the taxpayers of this city and state could gain a better understanding of what was driving this shift in focus and priorities, beyond what is being told to us through filtered communication. With the level of public funding dropped into this project, I think citizens have the right of get answers and EBDI has the responsibility of full disclosure.

Now is time to open the books, beyond self-reporting. Are the board meetings open to the public, just as [the Baltimore Development Corp.'s] are? If not, it may be time to shine a light in East Baltimore and move in that direction. That is, of course, unless there's something to hide.

**Goin hard in the paint**

## Social media responses

### Reaction on Facebook and Twitter

Please read so you can understand why we need a change in Baltimore RT @mddailyrecord: Part 2: The muddled money trail. http://ht.ly/3NXFk

**@OtisRolley**

Nice job by @mddailyrecord on Baltimore pols use of TIFs to lavish taxpayer largesse on politically favored developers http://bit.ly/hjK46V

**@MarkNewgent**

@mddailyrecord Lots of issues in East Baltimore. Just wait till u start investigating @Bmore_Bill!

**@PistolPeteWelch**

Where's the money and who is spending it because East Baltimore still looks the same to me.

**Sean Augustus**

Journalistic excellence. The citizens of Baltimore are fortunate that you have undertaken this massive reporting effort.

**Rachel Rabinowitz**


### LET US HEAR FROM YOU

**BY E-MAIL:**
The Daily Record welcomes your letters. Write to us by e-mail at editor@TheDailyRecord.com

**BY POST OFFICE:**
The Daily Record welcomes your letters. Write to Tom Linthicum, Executive Editor, 11 E. Saratoga St., Baltimore, MD 21202.

Please make your comments concise and include your name, address and a telephone number for verification purposes. All letters become the property of The Daily Record, and we reserve the right to edit them.

**BY RESPONDING ONLINE:**
You also may respond online to any of our articles at our website, TheDailyRecord.com, by using the "respond" function at the end of each article.

"We make no apologies for Johns Hopkins' commitment to working closely with former, existing and future residents to revitalize the community, while honoring the history of East Baltimore.

**RONALD J. DANIELS**
Johns Hopkins University

"It hurts to know that we had to move out because of what an institution wanted and our best interests were not at heart.

**LISA WILLIAMS**
Former resident

COURTESY ELIZABETH BARBUSH FROM "MIDDLE EAST BALTIMORE STORIES: IMAGES AND WORDS FROM A DISPLACED COMMUNITY"

# Future >> Mayor explains decision to raze Middle East community

Continued from 13A

vacant land. Plans to build a school and hundreds of new houses are years away.

U.S. Rep. Elijah Cummings, D-Baltimore, said he is not troubled by the slow progress in rebuilding that part of East Baltimore.

Instead of dozens of acres of vacant lots and hundreds of scruffy row houses about to come down, he sees hope in the crane now towering over Wolfe Street, moving steel beams to build a 20-story graduate student tower. And he sees promise in the 220 homes already built.

"I see it as fields of opportunity," Cummings said. "In other cities you're not going to see too many cranes going up. I can't look at it from the standpoint of a five-year plan. I look at it from the standpoint of how it's going to look when I'm dead."

Developer David S. Cordish, who is not involved in the project, said it has great potential to fit into the city's future skyline. But it will take time.

"The neighborhood is still struggling," Cordish said. "But I think people will still live there. It's a question of giving them amenities, giving them something exciting and different.

"People said that Harbor East couldn't work, but you had a big plate, and John Paterakis deserves remarkable credit. He had a vision and he mixed and matched."

Looking back, City Council President Bernard C. "Jack" Young said he wonders about the motive of the city and Johns Hopkins when the decision was made to eliminate the majority of the Middle East community to make way for a biotech park that has been radically downsized.

"Sometimes I wonder, was it all political, taking people out of East Baltimore," said Young, born and raised at 1644 E. Eager St. in the EBDI footprint. "They're voting people. That's a whole group of people gutted out of the district. It almost makes me cry because I know a lot of stuff that was torn down didn't really need to be torn down."

Asked why the old community was eliminated, Mayor Stephanie Rawlings-Blake said, "For many years, there have been efforts to redevelop the massive blight in East Baltimore. … Almost $13 million was spent investing in historic East Baltimore to do a house-by-house rehab of the community. And the pace of that development was insufficient to create transformation.

"It was clear that in order to transform this community, you needed to take the project to scale. It couldn't be done bit by bit. Once that decision was made, we had to figure out how to get there. Part of that investment included public funds. That happened all over the country where you have public investments."

TOO BIG TO FAIL?
BETTING A BILLION ON EAST BALTIMORE
**PART FIVE**

## 'Trust and confidence'

Hopkins may be the community's anchor, but it has a long history of distrust from residents in the surrounding streets.

Lisa Williams, a former resident who lived at 903 N. Wolfe St. and was relocated to Belair-Edison, where she is a homeowner, wept when she talked about her old community.

"I wished it had turned out differently. It hurts to know that we had to move out because of what an institution wanted and our best interests were not at heart," she said.

"I wanted to come back. The intent was, they were going to build housing, affordable housing, but there's nothing to come back to purchase. What is the plan to get the residents to come back?" she asked. "It's going to be Hopkins City. Who are they building it for?"

Raymond A. Winbush, director of the **Institute for Urban Research** at **Morgan State University**, was an early skeptic of the project and worked with the now-disbanded Save Middle East Action Committee on behalf of residents. He blames Hopkins for an undercurrent of suspicion in the black community, which he said began long before the first family was moved out of Middle East.

"This reminds me of that classic scene in 'The Wizard of Oz' when Toto pulls back the curtain and you hear, 'Don't pay attention to the man behind the curtain.' They are the man behind the curtain."

Daniels, Hopkins' president, acknowledges that the university needs "to build trust and confidence in the community" and says he is committed to do exactly that.

Hopkins, he said, "has made a significant financial commitment [totaling $22 million] in cash investment in the area, but the project goes beyond cash and reflects … a moral commitment the university has brought to East Baltimore."

The son of a Toronto developer, Daniels said he has a keen, personal perspective of the East Baltimore development.

When asked in an interview last fall how he envisions the project developing over the next five to 10 years, Daniels said he sees a success story.

"I looked at the entire site some days ago," he said. "The sun was shining and it was a beautiful glorious day, and in my mind's eye, I can see the pedestrian traffic going north and south along the major arteries of Wolfe Street, I can see a grocery store, a community where Hopkins workers, patients, doctors, and students are going back and forth and I can see the kids going to a great K-through-8 school and a sparkling new building.

"It's not hard to imagine for me."

To comment on this series, log on to our website, TheDailyRecord.com.

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TDR ONLINE Log on to our website TheDailyRecord.com

## AN EXCLUSIVE DAILY RECORD INVESTIGATION (A day-by-day guide to the series)

### New East Baltimore

**Monday**

The nation's largest urban redevelopment project, stalled without a major biotech component, is struggling to regain momentum and develop a new focus.


THE DAILY RECORD
A DREAM DERAILED

### Finances

**Tuesday**

The financial underpinning of the projected $1.8 billion New East Baltimore development is complex, and many local elected officials don't understand it.


THE DAILY RECORD
THE MUDDLED MONEY TRAIL
Police settlements continue to mount

### Development

**Wednesday**

A world-class biotech park, once the linchpin of the project, is no longer considered feasible. What went wrong with biotech and what happened to the promise of thousands of permanent jobs?


THE DAILY RECORD
SEEKING A NEW VISION
Wine bill advocates feeling bubbly

### The school

**Thursday**

Plans for a state-of-the-art public school that could bring Johns Hopkins University Nobel laureates into the classrooms are now at the center of the emerging vision for The New East Baltimore project.


THE DAILY RECORD
THE EDUCATION SOLUTION
Angelos company owes $1.4M for repairs

### The future

**Today**

What lies ahead for The New East Baltimore and East Baltimore Development Inc., the nonprofit that is spearheading the project?


THE DAILY RECORD
AN UNCERTAIN FUTURE
Jury awards $170K in police beating case

TOO BIG TO FAIL?
BETTING A BILLION ON EAST BALTIMORE