



**Testimony of Christopher Shea, President and CEO
East Baltimore Development, Inc.**

**The East Baltimore Biotechnology Park
Capital Budget Grant \$2,500,000 (City of Baltimore)**

Honorable Chair and Members of the Committee:

My name is Christopher Shea and I am the President and CEO of East Baltimore Development, Inc., or EBDI. EBDI was formed in 2002 by the City of Baltimore, the State of Maryland, the East Baltimore community, the Johns Hopkins University and Medical Institutions and the Annie E. Casey Foundation as the steward of their combined efforts to revitalize a deeply distressed neighborhood located immediately adjacent to the world's leading medical and life-sciences research campus, the Johns Hopkins Medical Institutions.

The 88-acre redevelopment area has a rich history and committed residents, but it has suffered from years of economic decline and disinvestment. By the time the project began in 2002, nearly four out of five homes were vacant and economic opportunities were scarce.

Today, through its partnership with the State of Maryland, the project is making good on its promise to create a new community for both longtime and new residents and to generate new jobs and business opportunities based on the life-sciences economy anchored at the Johns Hopkins Medical Campus.

As of early 2011, the project has resulted in:

- The acquisition of over 1700 properties and 450 ground rents, providing nearly 50 contiguous acres of development opportunity within Baltimore City;
- The relocation of 720 households without a single lawsuit, resulting in a 350% increase, on average, of family equity wealth for owners and supporting 53 renters to become homeowners;
- The development of the 275,000-square-foot Rangos life sciences building, representing \$100 million in private investment and housing 460 jobs in basic research institutions and bio-tech start-ups;
- The establishment of the Berman Institute of Bioethics in the project area to support advanced scholarship on the ethics of clinical practice, biomedical science, and public health;

- The creation of Maryland Institute College of Art's MICA PLACE, a new community arts-education facility providing vibrant arts opportunities for residents as well as hosting a unique collaboration with researchers at the Bloomberg School of Public Health on health and wellness communications ;
- The construction of 265 units of mixed-income rental and sale housing, all fully occupied;
- The opening of the East Baltimore Community School, a new neighborhood public contract school that is providing high-quality education to current East Baltimore residents while attracting new families to the area;
- The current construction of a 20-story residential tower, financed entirely with private investment, to become home to 570 graduate scientists in the life sciences and their families; and,
- The placement of over 2,900 people in living wage jobs throughout Baltimore by EBDI's workforce development pipeline.

Later this year, the project will see:

- Groundbreaking for the State of Maryland's public health laboratory that will bring 350 bio-medical workers to the project area;
- Groundbreaking for a 1400 space parking structure with ground-floor retail space;
- Completion of design and financing for an incubator to provide affordable laboratory space for start-up life-sciences businesses;
- The opening of retail amenities – restaurants and fresh food stores – to serve residents and workers in the community; and,
- Completion of design for a new privately funded public elementary school to serve children of residents and workers.

A key tenet of the project is ensuring that minority-owned and woman-owned firms undertake a significant share of the work. As of the end of 2010:

- Over \$67 million in contracts have been awarded to minority and women owned businesses; and,
- Minorities and women have accounted for 57 percent of the total employment hours generated on construction sites.

Recent press reports have questioned the progress of the project. A full response by the EBDI Board to those erroneous and irresponsible reports is attached to this testimony, but the facts highlighted above clearly evidence the strong, positive momentum that the project continues to enjoy despite the nation's deepest recession in several generations.

Oversight of the expenditure of the State of Maryland capital funds is comprehensive and transparent. State funds contributed to the project are not spent by EBDI but by the City of Baltimore (although EBDI has been reimbursed twice for infrastructure and acquisition costs incurred at the city's direction). Used almost exclusively for property acquisition by the City, these funds are expended by the City only after two appraisals for each property are commissioned by the Housing Department, independently verified by the Comptroller and approved by the Board of Estimates. Reimbursement from the State is secured only after each acquisition is reviewed by the Maryland Department of General Services and approved by the state's Board of Public Works.

The proposed appropriation for FY 2012 activities at EBDI represents a 50% reduction, or \$2.5 million, from the FY 2011 – FY 2015 Capital Improvement Program, with the FY 2012 reduction proposed to be reinstated in FY 2015. EBDI fully supports this change, as we recognize our responsibility to contribute to the greater fiscal health of the State. FY 2012 through 2015 funds are programmed for demolition, clearance and infrastructure development, and we have aligned our work program to this new funding schedule. In FY 2012, we will reduce our demolition program commensurate with funding.

EBDI is recognized as the largest and most significant urban revitalization project in the nation. Our successes to date, outlined above, have been achieved through an extraordinary partnership with the State of Maryland which has provided the policy leadership and capital support essential for any of the project activities to occur.

On behalf of the City of Baltimore, the East Baltimore community, and EBDI's many partners, I want to convey to the Committee our deep gratitude and sincere appreciation for the past support that the State of Maryland has provided. I also want to express my thanks to Ms. Jody Sprinkle and her colleagues at the Department of Legislative Services for their excellent analysis, support and guidance. I thank you for your continued support, and I look forward to answering any questions that you may have about our work.



east baltimore development inc.

Community. Business. Opportunity.

February 9, 2011

Mr. Tom Linthicum
Executive Editor
The Maryland Daily Record
11 E. Saratoga Street
Baltimore, MD 21202

To the Executive Editor:

We would welcome a fair and accurate examination of East Baltimore Development Inc.'s record in shepherding the New East Side redevelopment project. Regretfully, the Maryland Daily Record's series (Jan. 31-Feb. 4) was neither. The series demonstrated an unfortunate lack of understanding of the facts and a lack of openness to information – provided by some of us and by others you interviewed – that contradicted an apparently preconceived conclusion.

We want to set the record straight.

Derailed? Hardly

Your principal point, asserted from the opening sentence and repeated throughout the series, is that “the nation’s largest urban redevelopment,” EBDI’s New East Side project, “lies derailed amid vacant lots, boarded houses and unfulfilled dreams a decade after it began.”

Derailed? Construction activity within the EBDI planning area this year and next will exceed that of any previous year, including 2008, when the 289,000-square-foot Rangos life sciences laboratory building opened.

A \$60 million 572-bed graduate student housing project now under construction was the largest privately funded construction project to break ground in Baltimore last year. Later this year, Forest City–New East Baltimore Partnership, our master developer, will break ground on the 230,000-square-foot Maryland Public Health Laboratory and a \$30 million, 1,500-space parking garage with street-level retail.

The Berman Institute of Bioethics at Johns Hopkins is nearing completion of its adaptive reuse of an 11,000-square-foot historic police station.

We are especially pleased that the first 39 homeowners in the neighborhood (which already has more than 200 new affordable rental units) will be returning former Middle East residents. They have received funds to move into a newly renovated row home or to renovate their own.

Biotech park shelved? No

You asserted repeatedly that we have abandoned the plan to attract biotechnology employers to the New East Side as one facet of the strategy to revitalize the neighborhood.

That's just not true, as principals of EBDI, Forest City and Johns Hopkins told your reporters repeatedly. To be clear: A biotech park with good jobs has always been and remains an integral component of the mixed-use vision for the New East Side.

Yes, the development strategy has evolved. Any reasonable person would expect a 20-year master plan to evolve, especially when that 20-year path is interrupted by the nation's worst economic downturn since the Great Depression.

Your reporters were told time and again that, in response to changed market conditions, the refined version of the development plan now envisions construction (after the Rangos Building) of smaller buildings. But they were also told that plans still call for the same eventual total life-sciences build out as originally planned. They chose to report instead, with no factual basis and no primary-sourced evidence, that the biotech park had been "shelved" and "abandoned."

The purpose of EBDI

Moreover, the reporters failed to understand that EBDI was never exclusively about just biotech. It was about using biotech development – and other strategic investments – to revitalize a once vibrant neighborhood that had become overwhelmed by poverty, abandoned housing, joblessness, crime and other social maladies.

EBDI and its supporters have also been investing in human capital; in long-term infrastructure; in improved and new schools; in equitable relocation; in health promotion; in retail, commercial, and cultural opportunities; in responsible demolition; in diverse job training; in rehabbed and new residential housing options; and in planning other amenities critical to rebuilding a strong, vibrant mixed-income community.

The Daily Record has – inaccurately and, we believe, irresponsibly – chosen to interpret discussion of EBDI's true goal and its multi-faceted strategy for reaching that goal as somehow a loss of interest or faith in biotechnology as an important economic contributor to the future of East Baltimore.

You have attempted to make the case for this alleged loss of interest by

- * underestimating the extent of biotech progress already achieved,
- * disregarding evidence of an unmistakable continuing commitment to biotech, albeit with timetables and specific developments fitted to current market realities, and
- * virtually ignoring the promise of all the other collateral human, housing, environmental, health and educational foundations that are being laid to create a healthier East Baltimore.

Government oversight

The Daily Record asserts that government oversight of the project has been lacking and that EBDI has not been transparent in its use of public and private funding.

Again, not true.

The project has been scrutinized as much as any other in the city's history. True, its finances are complex, but complexity does not equal impropriety. The project's very successful funding strategy has been fully disclosed. Public funding for the project has been closely watched by the City Finance Department, by the city's bond counsel and financial advisors, at public hearings at the City Council and Board of Estimates, and by the executive staff of then-Mayor Dixon. All of these bodies or individuals were diligent in protecting the public interest.

The city's former and current deputy mayors and Housing Commissioner Paul Graziano attended or attend EBDI board and executive committee meetings. The tax increment financing bond has met all requirements and financial projections for timely repayment.

The state capital funds contributed to the project are not spent by EBDI but by the city (although EBDI has been reimbursed twice for infrastructure and acquisition costs incurred at the city's direction). Used almost exclusively for property acquisition by the city, these funds are expended by the city only after two appraisals for each property are commissioned by the Housing Department, independently verified by the comptroller and approved by the Board of Estimates. Reimbursement from the state is secured only after each acquisition is reviewed by the Maryland Department of General Services and approved by the state's Board of Public Works.

Similarly, all expenditures from the Federal Section 108 loan were made by the city.

The balance of EBDI funding is from private sources, each of which imposes a compliance reporting regime that EBDI has met to the letter.

The public funds contributed to the New East Side project are used exclusively for acquisition, relocation, demolition and infrastructure costs. Private funds are used for administrative, program and core operating expenses. In fact, no publicly sponsored project in Baltimore's storied redevelopment history has leveraged more private dollars than EBDI.

These facts were discussed with your reporters, who nonetheless left them out of your stories.

By the way, EBDI's finances are also scrutinized closely by board members and advisors from the private sector with substantial expertise in finance and investment, including former board chair Joseph Haskins, directors Earl Linehan and Tony Deering, and Burt Sonenstein, vice president of the Annie E. Casey Foundation.

Municipal finance 101

The series reflects a lack of understanding of how tax increment financing works. By reporting that EBDI used TIF funds while the city furloughed workers, the authors insinuate a direct connection between capital and operating funds. None exists.

TIF bonds are repaid from the incremental taxes generated from a project built with TIF proceeds. The tax increment is not diverted from the general fund; in fact, the tax increment only exists because TIF bonds were sold and the proceeds invested in the project.

TIFs are not, as MDR reports, a blank check. The amount of any given TIF is limited by the tax increment, a conservative debt coverage ratio policy, and the city's standard underwriting process, which is designed to provide no more subsidy than necessary. Baltimore's TIF program is more fiscally conservative than most around the country.

You make a misleading comparison between Chicago's 159 TIF districts and Baltimore's seven. Chicago's TIF districts encompass more properties than the projects being funded with TIF proceeds, whereas the Baltimore's TIF districts capture incremental taxes from the actual area of development only.

“Skyrocketing payroll?” More like cost efficiency

Your reporters suggest that EBDI's staff and salaries “skyrocketed” as “the nation headed into its worst recession since the Great Depression.” Evoking images of breadlines and dust storms, the authors suggest fiscal insensitivity and recklessness.

The facts tell a different story. EBDI absorbed staff from agencies already under contract to provide services to the community, so that it could provide the same services more efficiently. These agencies included the Coalition to End Childhood Lead Poisoning (14 family advocate positions) and the Living Classrooms Foundation (six property management positions).

So, although the EBDI payroll increased, the actual cost to provide the services remained essentially unchanged. The positions were simply transferred into EBDI from elsewhere.

EBDI also received an \$11 million grant from Atlantic Philanthropies to provide afterschool services in four local public middle schools and created an initial nine positions to deliver these services. All of these positions were and continue to be funded by private funds secured by EBDI's initiative. This, we think, should have been portrayed as a big win for Baltimore's at-risk school children. Instead, discussion of the Atlantic Philanthropies grant was buried to enhance the false impression that EBDI is fiscally tone deaf.

East side, west side? Apples and oranges

The series makes an apples-and-oranges comparison in asserting that the New East Side project lags behind the University of Maryland BioPark in West Baltimore.

These are two fundamentally different projects. They, in fact, complement each other in the creation of a life-sciences industry in Baltimore.

The New East Side involves the wholesale acquisition of 2,000 properties at market value as precedent to development. The University of Maryland bought a preassembled site from the city for \$1.

The New East Side is an 88-acre site becoming a mixed-use, mixed-income neighborhood. The University of Maryland BioPark is a three-block, 10-acre commercial development.

The New East Side plan purposefully includes mixed-income residential construction, public open space, a public school, a commuter rail station, a grocery store plus workforce development and family advocacy services and the relocation of 750 households. The University of Maryland project has none of these responsibilities or costs.

Tellingly, the Daily Record contradicts itself in viewing a state government building in the University of Maryland BioPark differently from the planned 230,000-square-foot Maryland Public Health Laboratory in the New East Side.

The MPHL, for which – as we noted above – ground will be broken this year, is dismissed as not a real biotech building, yet the Daily Record credits the University of Maryland BioPark with including the State Forensics Lab in its total build-out.

The Daily Record claims MPHL “will not create a lot of jobs;” in fact, the project will bring 350 jobs to East Baltimore. When MPHL opens in 2013, EBDI will have 775 lab and office workers.

Who benefits? The community

The Daily Record asserts that the New East Side has failed to generate economic benefits for the community.

At the risk of repeating ourselves: Not true.

EBDI’s Economic Inclusion Program is second to none in Maryland. EBDI has concluded \$64.1 million in contracts with minority- and women-owned businesses since the project’s inception. That’s 35.3 percent of all contracting in the New East Side project. EBDI’s workforce development program and other efforts have placed more than 2,700 people in jobs, including 738 East Baltimore residents, with living wages averaging just under \$11 an hour.

The project’s benefits to former and existing residents of the community have been very significant. Homeowners (whose houses were worth, on average, \$30,000 in Phase 1 and \$50,000 in Phase 2) received replacement housing benefits averaging \$153,000 and \$175,000 respectively.

Since few had any mortgages to pay off, the relocation benefit represented on average a three- to four-fold increase in family equity wealth.

Fully 57 renters in the community used their relocation benefits to become homeowners, and all of the other relocated renters received either a Section 8 voucher which assures permanent affordability, or five years of rent differential payments.

Today, 95 percent of all relocated households remain stably housed. Only two of the owner households have experienced foreclosure. Three successive independent surveys of relocated residents reveal that over 80 percent of these households were satisfied with the services provided by EBDI. Two thirds of the residents in the most recent survey state that their overall quality of life is better or much better today than before their relocation.

What's in a name?

Your reporters exploited the sensitive subject of a community's name by deliberately distorting the project team's true intentions. In fact, we would share elected officials' concerns about renaming Middle East if anyone actually was proposing to do so. But they are not. Instead, EBDI and FC-NEBP are simply considering names for the redeveloped area, not the Middle East neighborhood as a whole, which is larger than the EBDI footprint. This practice is not new or unusual. Projects such as Albemarle Square in Jonestown, Spicer's Run in Bolton Hill, Broadway Overlook in Washington Hill, and Frankford Estates in Frankford are able to create an identity, while honoring and celebrating the neighborhoods in which they are located. EBDI's board has committed to honor the proud history of East Baltimore and Middle East by supporting the East Baltimore Historical Library, which aspires to work with all age groups within the community to explore how information, art, social movement and political issues flow throughout and within their neighborhoods and the world.

An indefensible comment

It is incomprehensible to us that you would print a comment from an academic – one who has never so much as spoken to any of the EBDI principals, partners or funders – to the effect that EBDI is “ethnic cleansing, American style.”

Without dignifying this smear by devoting unwarranted space to it, let us say simply: “Cleansing” was obviously neither the intent nor the result of the project.

What you didn't report

Your entire series on what has been accomplished – or not – in the New East Side project area is marred and undermined by your failure to describe honestly the conditions that existed in East Baltimore when EBDI was launched.

The clearing of buildings, the relocation of families, the existence today of empty lots, the sense of loss experienced by some are all used by your reporters to suggest an unnecessary, capricious, expensive and Johns Hopkins-driven intrusion into a community that might well have been left peacefully to itself.

But that conclusion can only be sustained by your failure to note what EBDI has been and is intended to fix: a community characterized in 2000 by housing abandonment; the insecurity of those who remained; the absence of employment, enterprise, retail, or tax base in the community; the crime rate; the health status of residents, the lead and environmental risks of what housing remained; the miserable educational outcomes for area children; the depreciation of housing values down to virtually nothing; and the failures of earlier good faith efforts at piecemeal renovation and community building.

We were disheartened by the failure of your series to reflect the depth of the problems EBDI was created to address and the real, substantive and substantial progress that has been made in addressing them.

Disheartened, but not daunted. We, and all the partners in EBDI, are determined to continue. We will not cease our efforts until our partnership with the people of East Baltimore creates a thriving and vital mixed-income community, one that longstanding, newly returned and new residents will be proud to call home.

Sincerely,

Douglas Nelson, Chair, Board of Directors, East Baltimore Development Inc and former President and CEO, The Annie E. Casey Foundation

Joseph Haskins, Jr., Former Board Chair, EBDI, and Chair President and CEO, The Harbor Bank of Maryland.

Diane Bell-McKoy, Director, EBDI and President and Chief Executive Officer, Associated Black Charities

Ronald Daniels, Director, EBDI and President, The Johns Hopkins University

Anthony Deering, Director, EBDI and Chairman of The Rouse Company Foundation and Exeter Capital

The Hon. Ellen Heller, Director, EBDI and Trustee, The Harry and Jeanette Weinberg Foundation

Patrick McCarthy, Director, EBDI and President and CEO, The Annie E. Casey Foundation.

David Nichols, M.D., Director, EBDI and Vice Dean for Education, Johns Hopkins School of Medicine

Nia Redmond, Director, EBDI, Community Representative and Co-Founder, East Baltimore Historical Library

Maurice Walker, Director, EBDI, Community Representative and Managing Partner, Birch Advisors

Robert Young, Director, EBDI and Managing Director, Brown Capital Management

Thurman Zollicoffer, Director, EBDI and Partner, Whiteford, Taylor & Preston, LLP

Christopher Shea, President and CEO, East Baltimore Development, Inc.