

the east  
baltimore  
revitalization  
initiative



INNOVATIVE PHILANTHROPIC FINANCING  
FOR COMMUNITY CHANGE

THE ANNIE E. CASEY FOUNDATION



Prepared for the Annie E. Casey Foundation by Paul Brophy of Brophy & Reilly LLC  
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## THE EAST BALTIMORE REVITALIZATION INITIATIVE

# Innovative Philanthropic Financing for Community Change

### Executive Summary

The East Baltimore Revitalization Initiative is the largest urban redevelopment effort in Baltimore since the successful redevelopment of the Inner Harbor in the 1970s and early 1980s. Launched in 2001, the initiative has confronted a challenge facing many cities in the United States: to reinvigorate the real estate market in neighborhoods hobbled by vacant land and buildings, making them better places for current and future residents. This report focuses specifically on financing strategies that have helped move this ongoing and significant project forward and does not intend to capture the considerable scope and scale of this effort, which continues to develop. It details the important role the Annie E. Casey Foundation played in leveraging its philanthropic resources in innovative ways to bolster this initiative.

The initiative is a complex effort to transform a neighborhood facing considerable economic challenges. The community is located north of the Johns Hopkins Medicine campus, which includes the Johns Hopkins Hospital and the medical, nursing and public health schools, among other institutions. While the Hopkins medical campus is world-renowned, by 2001, much of the area around it had deteriorated over many years, suffering from a lack of investment and social problems such as high crime and unemployment rates. The initiative aims to transform an 88-acre area in this neighborhood into a mixed-income community with new homes, improved schools and safety, new retail outlets, more opportunities for resident engagement and a larger employment base.

Key players in the initiative include Baltimore City and the state of Maryland; Johns Hopkins University and Hospital; East Baltimore Development Inc. (EBDI), a nonprofit created to implement the project; Forest City Science and Technology Group, the master developer for the project; private foundations; and the East Baltimore community itself. Other funders have included the Abell, Goldseker and Harry and Jeanette Weinberg foundations.

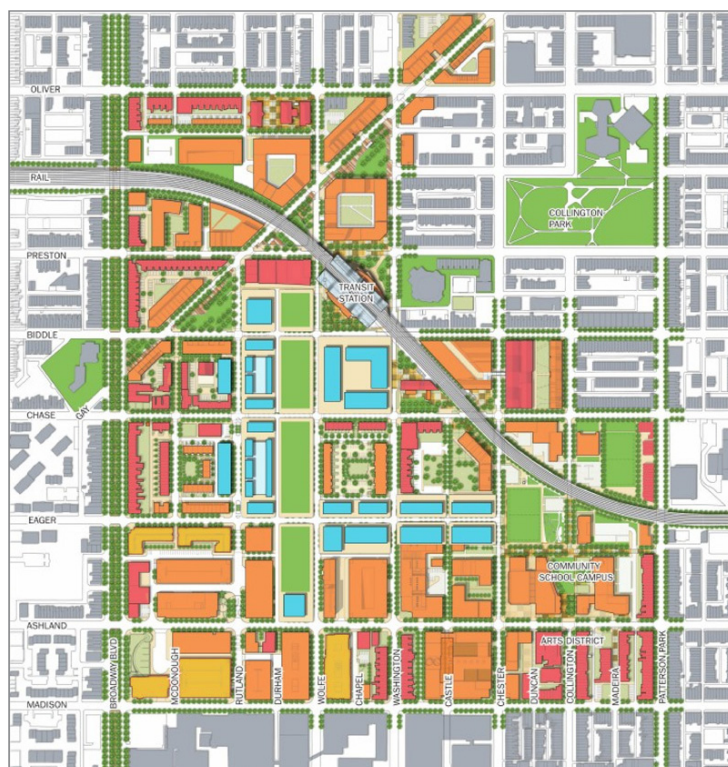
The Annie E. Casey Foundation has played a major role as a financing partner in the initiative, contributing significant grant funding, executive leadership and creative debt and equity financing in excess of \$100 million. This report focuses on the Foundation's program-related investments, which were designed to catalyze and support other debt and equity investments in the project. The first of these program-related investments stemmed from Casey's original commitment of a \$20 million grant, portions of which were used to leverage additional funds through the individual and sometimes collective use of new markets tax credits<sup>1</sup>, tax increment bond financing and innovative philanthropic financing. The financing spawned by this commitment capitalized a new organization charged with implementing the master development plan and promoting the responsible redevelopment of the neighborhood — in addition to supporting the construction of a new school and benefiting low-income residents.

The institutional partnership highlighted in this report has been responsible for generating more than \$400 million in capital for the initiative, which is fueling the redevelopment and revitalization of the East Baltimore area. The initiative has also generated an estimated \$30 million in increased equity for homeowners who had to be relocated, an enormous boost for an extremely low-income community. The success of these financial transactions has been due in large part to the willingness of Casey to use its balance sheet to facilitate financing alternatives.

This report begins with background on the initiative, followed by an overview of transactions that helped finance it and the critical role of innovative financing in complex redevelopment efforts. The final section offers lessons from these transactions for the philanthropic community, local officials, developers and lenders involved in community development.

### Background on the East Baltimore Revitalization Initiative

At the beginning of the 2000s, the Middle East neighborhood was one of the most distressed in Baltimore, as measured by housing and commercial abandonment, crime rates and poverty indicators. The neighborhood had a 70 percent property vacancy rate, which was significantly higher than the citywide average, and exceeded city rates for families below the poverty income level and children eligible for free and reduced-cost lunches.



The 88-acre footprint that is the focus of the East Baltimore Revitalization Initiative.

Despite the efforts of a community-based partnership called the Historic East Baltimore Community Action Coalition (HEBCAC), the neighborhood continued to decline. A community development corporation, HEBCAC focused on rehabbing homes to restore neighborhood vitality, but as soon as it succeeded in rehabbing some vacant homes for occupancy, even more would become vacant. The organization concluded that a more dramatic approach was needed. In 2000, HEBCAC approached city officials about developing a more ambitious plan to clear vacant properties, eliminate blight and create a stronger market for housing in the neighborhood.

Subsequently, an analysis commissioned by the city and paid for by local foundations concluded that a new research park near the Johns Hopkins Medicine complex could be a magnet for biotechnology-focused firms, with the potential to build and occupy up to 2 million square feet of biotechnology — and create demand for market-rate homes.

This combination of reports led then-Mayor Martin O'Malley, Johns Hopkins and the community to engage in a yearlong planning process that produced a redevelopment plan calling for:

- acquisition of most of the land and buildings in an 88-acre area using eminent domain;
- development of a major biotechnology center;
- a relocation process for residents being displaced;
- development of 1,200 units of mixed-income housing, with a goal of providing new homes to new residents and many current residents who would be relocated by the project;
- new job training to prepare local residents for jobs to be located in the neighborhood;
- a new land-use plan and physical infrastructure to make the area attractive to businesses and residents; and
- preservation of certain historic structures in the neighborhood.

As planning occurred, it became clear that a new entity was needed to implement the vision for what had become a massive redevelopment effort. In 2002, the city and other partners created EBDI to manage the final design and implementation of the plan. This new nonprofit was governed by a board appointed by the mayor, Johns Hopkins, the community and the governor.

EBDI's mission was to implement the plan by acquiring and clearing land, relocating residents, providing job-training and placement services and serving as a broker among the many project partners to help reach agreement on strategy and programs.

EBDI developed an initial budget for the project totaling \$1.8 billion and received some early funding commitments, including state funding and federal housing funds allocated through the city of Baltimore. But EBDI and its partners faced the challenge of financing the overall redevelopment initiative and securing adequate funding, including significant private-sector funding to supplement then-available public resources.

## Casey's Focus on Community Development

This year marks the 20th anniversary of the Annie E. Casey Foundation's move from Greenwich, Conn., to Baltimore. Casey's Baltimore roots have resulted in a special and long-term commitment to helping kids and families succeed in a city known for its tenacity, particularly in the face of obstacles. By the time of its move, the Foundation had come to understand the connection between its mission — advancing the well-being of U.S. children in low-income families — and the improvement of low-income neighborhoods. Research indicated that a substantial portion of these children and families lived in high-poverty neighborhoods.<sup>2</sup>

Recognizing this connection influenced Casey's thinking and action. First, the Foundation targeted major neighborhood improvement initiatives in multiple cities to demonstrate the strategies, actions and partnerships needed to improve high-poverty neighborhoods for the benefit of families and children. In doing such work, the Foundation understood that transforming these neighborhoods was a challenging venture.

Second, the Foundation recognized that it would need to prudently use as much of its assets as possible to achieve its mission. As a result, Casey allocated 3 percent of its endowment for social investments — including program-related investments — to produce outcomes consistent with its program goals and earn a financial return. Social investments not only support a program objective but also leverage other funds in ways that grants cannot and strengthen the organization receiving the investment by bolstering its balance sheet and helping it build its own credit capacity.

This social investment strategy created a major opportunity for the Foundation to use its strong balance sheet creatively for the benefit of East Baltimore.

The Foundation had also formed the opinion that one element of improving neighborhoods was to strengthen those areas to the point that private investment could occur. This view would drive Casey's financial commitment in East Baltimore.

It is important to note that the Foundation's strategies in East Baltimore were not originally motivated by the desire to test a hypothesis about the role of housing in advancing improved child and family well-being or neighborhood transformation. Rather, Casey focused on housing and neighborhood transformation in East Baltimore when the already-vulnerable population there faced an acute externally imposed crisis — the loss of their housing and the risk of increased economic vulnerability as a result. The redevelopment plan called for the relocation of 742 households, and Casey was determined to see to it that this relocation was handled in a way that could benefit those required to make new homes. In addition, Casey stressed the importance of resident involvement in the development and implementation of the plan and worked deliberately to see that community voices were heard throughout the process.

Thus, in late 2002, the Foundation joined the initiative to help ensure it was implemented in a manner that protected the interests of the area's low-income residents, taking steps to minimize the negative effects of relocation and create positive opportunities for families living in the project area. This commitment led Casey to use its resources in multiple ways, including traditional grants, more innovative social investments, support for resident engagement, operating support for EBDI, funding for workforce development and economic inclusion efforts on behalf of minority-owned

businesses, technical assistance, deploying Casey staff members to the initiative, support for research and evaluation and having senior leaders serve on the EBDI board. This array of resources supported several specific goals: ensuring a fair and equitable relocation process, engaging community members in shaping the initiative and building a new mixed-income community.

One of the early major efforts by the Foundation, and one that has implications for other major redevelopment efforts, was to develop new protocols for relocation, which provided enhanced financial benefits for those being relocated and hands-on family counseling so that all family members would have an opportunity to benefit from the relocation. Casey made a significant grant commitment to enhance the relocation process and benefits, which was matched by Johns Hopkins University.<sup>4</sup>

As the initiative progressed, Casey staff and senior leadership coordinated a structure for community engagement that provided the primary venue for residents to influence the design and implementation of the relocation plan.

**New Markets Tax Credit/Annie E. Casey Foundation guarantees for land acquisition, demolition, relocation and EBDI operations<sup>3</sup>**

These initial transactions required careful legal analysis and the use of new markets tax credits. They served to build the capacity and financial credit of EBDI and sustain the initiative's momentum.

**FINANCING NEED:** Capital to acquire needed real estate and cover other costs in advance of tax increment financing

**KEY PARTIES:** The Casey Foundation, EBDI, Bank of America and its affiliates, Enterprise Community Investment, PNC Bank and its affiliates and Baltimore City

**AMOUNT:** \$37 million

**FINANCING TERMS:** Interest rates varied in each transaction, largely based on the LIBOR index.

**FINANCING STRUCTURE AND UNDERLYING SECURITY:** Casey pledged UPS stock as collateral, with a commitment from the city of Baltimore to partially repay the Foundation through the issuance of a tax-increment-financing (TIF) bond. In addition, Casey agreed to grant \$20 million to EBDI to retire a portion of the loan. The city assured Casey of the payment of the first New Markets loan guaranteed by the Foundation by the issuance to EBDI of a \$15 million TIF bond. Casey agreed to repay the 2007 New Markets loans, also guaranteed by Casey via a grant to EBDI. According to EBDI, these transactions leveraged approximately \$37 million for the initiative, including approximately \$9 million in equity for EBDI.

**REPAYMENT HISTORY AND STATUS:** Current

Resident input resulted in several major changes and improvements to the relocation plan between 2002 and 2011. For example, community input led to a change to the original decision to limit supplemental relocation benefits to only those households that chose to relocate to another Baltimore neighborhood; they were allowed to use their benefits regardless of where they relocated. Community input also led to other changes that required additional programs and services, including a new mechanism to mitigate the impact of increased property taxes on relocated homeowners. EBDI created the House for a House and Home Repair programs as a result of community engagement, and the programs have enabled 39 households to relocate back to, or remain in, a rehabbed home in the project area.

While Casey played an extremely active role in the initiative, it could not, of course, provide unlimited funding. The Foundation engaged in a two-pronged support strategy. First, it used its commitment to the initiative to attract other foundations and stakeholders to the effort. Second, Casey and EBDI came to the unusual understanding that the best use of Casey's \$20 million grant commitment was not in the form of a grant to EBDI; rather, the two entities agreed to use the \$20 million grant to facilitate the use of new markets tax credits, thereby creating increased availability of funding and strengthening EBDI's balance sheet.

### **Innovative Financing in East Baltimore**

Like most large-scale redevelopment efforts, the East Baltimore initiative required a mix of public financing to set the stage for redevelopment (land acquisition, relocation, public improvements); financing for new and improved community infrastructure (e.g., a new school); and private financing for buildings, including biotechnology research space, homes, apartments and retail space.

In East Baltimore's distressed condition, real estate market realities meant that the development or rehabilitation of buildings was only feasible with a blend of private and nonmarket (public and/or philanthropic) financing.

It was also clear to Casey and the community that a project focused on creating opportunities for residents as well as the improvement of the place also required resources for such things as workforce development and improved access to high-quality educational opportunities.

Given its long time frame, the project also required up-front capital that could be refinanced as the redevelopment proceeded. This is particularly relevant in that a considerable amount of funding for the project was scheduled to come from bond financing secured by the increased real estate tax revenues that the development would generate. Such tax increment financing (TIF) was particularly important.

The initial budget for the project estimated a need for \$100 million in public funding, which did not include a new public school — a critical element added after the initial planning phase.

Several key players had to work together to create a coherent and aggressive approach to innovative financing. These included:

- **EBDI:** As the land developer and entity responsible overall for the initiative, EBDI identified the financing needs and brought creative ideas to the other partners. EBDI was created as an exempt organization



under Section 501(c)(3) of the Internal Revenue Code, which carries clear benefits as some funding — philanthropic and government — is available only to this kind of exempt organization.

- **THE ANNIE E. CASEY FOUNDATION:** As the lead philanthropic institution, Casey was typically the initial partner with EBDI in formulating creative financing ideas for the project.
- **THE STATE OF MARYLAND:** The state was a critical funder of infrastructure and housing, and the project has had the firm commitment from two successive governors from both parties. State funds have been used in various ways, particularly for public improvements.

### **Elmer A. Henderson: A Johns Hopkins Partnership School and the Harry and Jeanette Weinberg Early Childhood Center**

The Johns Hopkins and Morgan State universities committed resources — both funding and staff — to create a strong new school alongside a high-quality early childhood center. Their commitment, as well as the support of many other key partners, resulted in Elmer A. Henderson: A Johns Hopkins Partnership School (Henderson-Hopkins), the first newly constructed school in Baltimore in more than two decades.

Officially opened in early 2014, this state-of-the-art facility is dedicated to providing the very best early, elementary and middle-school education, as well as key support services and resources to families and the community. Henderson-Hopkins and the early childhood center, which is slated to open in summer 2014, were viewed as critical to the initiative — representing a huge stride toward creating a community that connects its residents to real opportunities — and attracted capital from several sources.

**FINANCING NEED:** Capital to build a new elementary school and early learning center

**KEY PARTIES:** The Harry and Jeanette Weinberg Foundation, Johns Hopkins University, state of Maryland, the Casey Foundation, EBDI, Baltimore City, the Harbor Bank of Maryland, other local foundations

**AMOUNT FINANCED:** \$54 million

**FINANCING TERMS:** Combination of grants, new markets tax credits and loans

**FINANCING STRUCTURE AND UNDERLYING SECURITY:** Foundation guarantees and operating pro forma of the school

**REPAYMENT HISTORY AND STATUS:** Current



PHOTO: Albert Vecerka/Esto

- **BALTIMORE CITY:** The project began when Martin O'Malley was mayor and has received strong support from subsequent mayors Sheila Dixon and Stephanie Rawlings-Blake.
- **JOHN HOPKINS UNIVERSITY:** The university and Johns Hopkins Medicine have been essential partners from the outset of the initiative, a reflection of the project's value to the medical campus abutting the redevelopment area and the university's commitment to the surrounding community.
- **PRIVATE LENDERS:** Many of the creative financing transactions involved banks that provided financing both in the form of the extension of credit and equity under the New Markets Tax Credit program.
- **FINANCING INTERMEDIARIES:** Enterprise Community Investment, The Reinvestment Fund and other financing intermediaries were instrumental in delivering expertise and capital via the New Markets Tax Credit program.
- **FOREST CITY SCIENCE AND TECHNOLOGY GROUP:** As the master developer, Forest City was involved with major financing approaches.

### New Financing

By 2003, within a year of its creation, EBDI needed an infusion of capital to carry out some of its basic responsibilities. The initiative could not succeed if it had to wait for annual appropriations from federal, state and local governments. Casey stepped in to help find new financing to bridge the gap.

In three New Markets Tax Credit transactions totaling more than \$50 million, Casey and EBDI used Foundation assets to secure funding streams that resulted in the infusion of more than \$13 million in equity into EBDI. In connection with the first two New Markets Tax Credit financings, which took place in 2005 and 2007, respectively, Enterprise Social Investment Corporation (ESIC, now renamed Enterprise Community Investment), together with Bank of America Community Development Corporation, provided more than \$37 million of financing, consisting of \$28 million in debt repayable with interest only at the end of seven years and \$9 million in equity. In connection with the third New Markets Tax Credit financing, which took place in 2009 to help finance the construction of a new school complex, PNC Bank and its affiliate PNC New Markets Investment Partners provided financing of \$15.7 million, consisting of \$11.1 million in debt repayable with interest only at the end of seven years and \$4.6 million in equity.

Potential tax-credit investors, however, were uncertain of the risks involved in purchasing tax credits for a speculative project and feared the possibility of an EBDI default, in which case the tax credits could potentially lose their value and subject investors to a recapture of tax benefits previously taken, together with interest and penalty on such liabilities. In response, Casey guaranteed the loans as well as EBDI's indemnification of the recapture exposure. In connection with the first such financing, the risk of the Casey repayment guaranty was shared through a participation agreement with other stakeholders in the initiative, including Johns Hopkins. With the 2007 financing, Casey utilized a portion of its existing \$20 million grant commitment to fund East Baltimore Development Foundation Inc., an affiliate of EBDI, which provided the funding for the leveraged lender in that

financing and agreed to facilitate EBDI's advance purchase of a \$20 million TIF bond to be issued by the city.

The proceeds of the first two financings were used to pay for property acquisition, demolition, site preparation, property maintenance and associated staff and interest service expenses in the initiative's 31-acre core area, while the proceeds of the third financing in 2009 were used to partially finance the construction of a new elementary school and early childhood center in the neighborhood.

As mentioned above, Baltimore City intended to issue TIF bonds to support the initiative. TIF bonds are widely used in urban redevelopment. Issuers prospectively set aside the increased portion of the real estate taxes generated by a project (the increment) and borrow against that increment to obtain front-end funds to finance the project. Because incremental tax revenue streams secure repayment of TIF bonds, for a TIF bond issuance and sale to be successful, bond buyers need confidence that the tax increment will materialize.

### Graduate Student Housing Building

This project brings hundreds of new residents into the community, and was designed, in part, to create new energy and activity in the neighborhood. In turn this energy and activity will help generate further housing and retail development for residents with a range of incomes.

**FINANCING NEED:** Capital to finance a new housing facility for Johns Hopkins and other graduate students. This 20-story, 321-unit building sits on land owned by Johns Hopkins and leased to EBDI for 50 years.

**KEY PARTIES:** EBDI, Education Realty Trust, Casey Foundation, PNC, Johns Hopkins, Forest City

**AMOUNT FINANCED:** \$60.7 million

**FINANCING TERMS:** First mortgage loan from PNC, with subordinated debt from Education Realty Trust. Construction phase has a 3.25 percent blended rate.

**FINANCIAL STRUCTURE AND UNDERLYING SECURITY:** Conventional financing with temporary cash escrow funded with loans or recoverable grants by Casey, Forest City and Johns Hopkins.

**REPAYMENT HISTORY AND STATUS:** Current



The initiative was planned when municipal finance markets were strong; however, when the city first attempted to market the TIF bonds, the bond market had deteriorated, and all the TIF bonds could not be sold. Recall that this TIF bond issue was intended, in part, to provide EBDI with sufficient funds to repay the first New Markets Tax Credit financing guaranteed by Casey. Facing this new challenge, Casey stepped in again and bought an additional \$23.6 million in TIF bonds that could not be sold on the market. In all, the city issued both taxable and tax-exempt TIF bonds that totaled more than \$85 million and that are now held by Casey and other investors.<sup>5</sup> In addition to the typical use of TIF bond proceeds to pay for public improvements, proceeds were also used for other project purposes, such as the relocation of residents. The use of tax increment financing to support a relocation effort was unusual, if not unprecedented.

Overall, Casey has invested in excess of \$100 million in the form of loans, guarantees and bond purchases, including, most recently, a \$21.25 million bridge loan for the completion of the new school.

These investments, though significant, represent a portion of the overall project financing. EBDI and its affiliates borrowed about \$117 million through June 30, 2011, and leveraged more than \$300 million in additional funding: roughly \$200 million from public sources, \$90 million in philanthropic support in addition to the support from the Casey Foundation and \$40 million in new markets tax credits.

The early pledges from Casey and the creative way in which these financial transactions were developed were instrumental to EBDI's ability to operate. Additionally, the Foundation's actions did, in fact, lead to projects in the neighborhood becoming creditworthy, allowing the initiative to move forward.

## Lessons Learned

Given the challenges nationally to financing large-scale redevelopment, the innovative financing approaches used in East Baltimore can serve as an important case study for other projects. The project has generated several key lessons that can be useful to philanthropic leaders, local and state government officials and those involved in major redevelopment efforts.

- Innovative financing for large-scale neighborhood improvement efforts should be based on the evolving circumstances of the project and market conditions. As the East Baltimore initiative evolved, so did the financing needs of the project: land acquisition and responsible relocation at first, followed by financing of affordable housing and a new K-8 school and early learning center. The project was also influenced and shaped by the collapse of the real estate market beginning in 2008, which required new strategies for preserving momentum and advancing the initiative's goals. As the project continues to evolve, participants should expect new challenges, as well as additional financing needs, all of which will require creative and collaborative solutions in a persistently challenging financial marketplace.
- Federal and state tax credits and local public financing are critical to projects of this scale. Tax credits and tax-exempt financing were crucial to the initiative. As described above, the New Markets Tax Credit program and Baltimore City's TIF financing were essential; without them, the project would have stalled.

- The backstopping of transactions by a creditworthy institution is critical to the success of this type of innovative financing. Arm's length institutional lenders would not have extended credit to EBDI without the security of strong institutional credit backing up the transaction. The willingness of the Annie E. Casey Foundation to extend its credit in creative ways was critical to each early transaction. Casey's guarantees and its willingness to be a patient investor helped launch the financing and secured the financial strength of EBDI. Casey's financial guarantees and backing strengthened EBDI's balance sheet and bolstered its capacity to market itself as a creditworthy borrower.
- While grants were useful, it was more important that the Foundation became, essentially, a venture capital investor in the initiative. Casey analyzed each transaction to determine the probability of having its capital returned or its guarantee called. However, the financial earnings on the capital were modest. What was more important to Casey was a high return in the form of social impact, an improved neighborhood and improved lives for low-income families and their children.<sup>6</sup> The Foundation sought to protect its exposure and help assure that its goals would be achieved by taking a seat on the board of the entity receiving the capital and having a strong voice in the use of the capital and the overall direction of the initiative.

This approach went well beyond a foundation program-related investment role, which is typically a lender-borrower relationship, but also included access to the Foundation's technical expertise. The Foundation was aggressive in providing assistance to the initiative while substantially limiting its out-of-pocket investments by guarantying credit and credit risks provided by others. It is important to note that the Casey Foundation entered into these financial transactions with the clear understanding that each would require the Foundation to be a long-term, patient credit provider and investor.

- Innovative financing needs to be based on expert financial and legal analysis. Each complex financial transaction in the initiative relied on experts who ensured that transactions were both aggressive and compliant with governing law.
- With a bold, shared vision as a base, participants need to understand each other's motivations and constraints in building partnerships. While the major partners shared the vision for the improved neighborhood, they had to build trust with each other and with the community. Participants in the initiative had to overcome preconceived ideas and understand each party's institutional constraints. Through hard work and imaginative approaches, the participants came to understand each other well and were able to develop inventive financial arrangements. While there was much to discuss and negotiate throughout the process, they did so in good faith and treated one another with respect.

### **East Baltimore Revitalization Initiative Status Report**

Despite coming amid the worst real estate market since the Great Depression, the East Baltimore initiative has made good progress, buttressed by the financing highlighted in this report. To be sure, the initiative is far from complete, but to date it has resulted in:

- a fully occupied 275,000-square-foot research and laboratory building;
- 249 fully occupied mixed-income housing units;
- the successful relocation of 742 households;
- new infrastructure costing more than \$35 million;
- retail amenities;
- a 7-acre, K-8 public school campus, including an early childhood center, community center and historical library;
- a 235,000-square-foot state public health laboratory; and
- a wide range of support services and resources, including job training and leadership development for residents.

The EBDI board has approved a framework plan for the next phase, which includes:

- 1,000,000 additional square feet of life-science and office space;
- 1,200 units of mixed-income housing;
- additional retail space and amenities to serve the community;
- a hotel of up to 194 rooms;
- Eager Park, an 8-acre community green space; and
- an additional \$30 million in infrastructure improvements.

### **The Road Ahead**

The East Baltimore Revitalization Initiative continues to move forward. Progress on creating new mixed-income housing was delayed during the collapse of the housing market, but new construction was underway in 2013. Sustaining housing production and growth remains a challenge.

In addition, EBDI and its partners recognized the need for more retail than originally planned to make the neighborhood successful. Creating the right mix and scale of retail in the neighborhood before all the jobs and homes are in place will be difficult. In response, EBDI and Johns Hopkins have begun providing financial incentives to attract key retailers.

Because the project's components have come out of the ground more slowly than planned, it is essential that EBDI and its partners assure that this initiative is on course and maintains the high standards set for the community. The January 2014 opening of Henderson-Hopkins signals a major and promising step in that direction. During a ribbon-cutting ceremony that drew partners past and present, including Mayor Rawlings-Blake, Gov. O'Malley, Rep. Elijah Cummings and Sen. Barbara Mikulski, one speaker after another heralded the school as more than just a new, world-class facility. They celebrated Henderson-Hopkins as a symbol of hope that would not only change the lives of the young children already learning within its walls but the trajectory of generations to come. This historic moment speaks to the initiative's potential for realizing the goals set forth more than a decade ago — and the great possibilities that still lie ahead for East Baltimore.

## Endnotes

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<sup>1</sup> The New Markets Tax Credit program was established by Congress in 2000 to spur investments into operating businesses and real estate projects located in low-income communities. The program attracts investment capital by permitting individual and corporate investors to receive a tax credit against their federal income tax return over a period of seven years in exchange for making equity investments in specialized financial institutions that in turn make loans to advance the program and qualifying projects. The East Baltimore Revitalization Initiative's project area is located within census tracts that were eligible for the tax credits, based on poverty levels and other economic conditions in the area.

<sup>2</sup> See Sharkey, P. (2009). *Neighborhoods and the black-white mobility gap*. Washington, DC: The Pew Charitable Trusts. Retrieved from [http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Economic\\_Mobility/PEW\\_SHARKEY\\_v12.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Economic_Mobility/PEW_SHARKEY_v12.pdf) and Wilson, William Julius. (1987). *The truly disadvantaged: the inner city, the underclass, and public policy*. Chicago, IL: University of Chicago Press.

<sup>3</sup> More details on this and the other transactions are available in the audited financial statements of EBDI at [http://www.ebdi.org/uploads/reports/WEBEBDI\\_IIFS\\_final.pdf](http://www.ebdi.org/uploads/reports/WEBEBDI_IIFS_final.pdf).

<sup>4</sup> The Annie E. Casey Foundation. (2008). *Responsible redevelopment: relocation road map 1.0*. Baltimore, MD: Author. Retrieved from <http://bit.ly/leFMjlb>

<sup>5</sup> To maintain their tax-exempt status, proceeds of TIF bonds can be used only for certain activities that are eligible for such use under applicable Internal Revenue Service regulations. Because certain elements of the project did not qualify as strictly public use, some of the bonds were issued as taxable bonds. Investors in these bonds pay federal income taxes on the interest paid on the bonds.

<sup>6</sup> The Foundation is working to define "high social return." In the East Baltimore case, it is clear that the vast majority of people who were relocated are in better living situations, that the groundwork has been laid for the creation of a mixed-income community and that the initiative generated many jobs for low-income people.

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