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BALTIMORE NEIGHBORHOOD INVESTMENT FUND SET TO LAUNCH; \$52 MILLION TO BACK BUILDING AND BUSINESS PROJECTS



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A community development corporation is planning a 84 unit apartment building in the Park Heights neighborhood which is the type of project that the new Neighborhood Impact Investment Fund could support. (Kenneth K. Lam, Baltimore Sun video)

<https://www.baltimoresun.com/news/maryland/baltimore-city/bs-md-ci-neighborhood-investment-fund-20181217-story.html>

Baltimore's spending board is set to take the final steps to create a \$52 million fund to back building projects and businesses in city neighborhoods that for decades have struggled to secure investment. Mayor Catherine Pugh said the Neighborhood Impact Investment Fund is the latest initiative backed by her administration to steer money to areas that have been overlooked, even as hotels, offices and apartment towers have risen on Baltimore's waterfront with help from public subsidies.

"Baltimore will be able to see a change," the mayor said in an interview Monday. "It was a choice to focus on these under-invested neighborhoods." The challenges remain monumental. For decades, swaths of the city home to largely African-American communities have been battered by unemployment, drug addiction and violent crime, and are blighted by shoddy housing and abandoned buildings.



Mark Kaufman, the former banker and financial regulator who will be the fund's chief executive, said that those areas have struggled to access capital — for reasons that have to do with racism and not merely economics. "Capital can't solve these problems in and of itself, but if you systematically starve places of capital, they can't succeed either," Kaufman said. "We've had a real problem getting capital into some of these communities. This is an affirmative step to try to do that." Fallout from past racist housing policies continues to shape Baltimore. The city adopted the nation's first residential segregation law in 1910 (it was later overturned by the U.S. Supreme Court). In the middle of the 20th century, federal authorities tagged neighborhoods of African-American residents and those home to new immigrants as risky places to make housing loans, a policy known as redlining that made it hard for such buyers to get mortgages. On Monday, Kaufman visited an abandoned, muddy block of Park Heights Avenue home only to empty lots and vacant houses. But it's where Park Heights Renaissance, a

community development group, plans to soon build an affordable 84-unit apartment block — just the kind of project the impact fund could support.

Marcus Pollock, the director of Park Heights Renaissance, said officials ought to do everything they can to help struggling neighborhoods. “You can see the scope and scale of the disinvestment here,” Pollock said. City officials see the impact fund as part of a growing number of pots of money and government programs designed to aid areas such as Park Heights.

Last week, Pugh signed legislation that would slightly raise taxes on real estate deals to generate revenue for the city’s \$20 million-a-year Affordable Housing Trust Fund. The mayor also cited ongoing support from Gov. Larry Hogan’s Project CORE program, which provides funding for the demolition and rebuilding of vacant blocks, and new federal tax breaks available to investors who support distressed areas called opportunity zones. Councilman John Bullock, the chairman of the Housing and Urban Affairs Committee, said he was hopeful that the city had reached a turning point. “Having resources being targeted at areas that haven’t had it in the past is very much welcome,” said Bullock, who sponsored the affordable housing trust fund legislation. “We’re past the time for it happening.” The Board of Estimates, which is controlled by Pugh, is expected to approve Wednesday a 30-year interest-free loan of \$52 million to the Neighborhood Impact Investment Fund. The money was raised by leasing city-owned parking garages to the Maryland Economic Development Corp. Kaufman said he expects to start making loans in the first half of 2019. He expects the fund to initially back mostly real estate projects, making loans of between \$500,000 and \$2 million. It would also explore ways to support the growth of small businesses.



The fund, which is a private entity, will only be allowed to support projects in the two-thirds of city neighborhoods on the city’s flanks that are home to large numbers of black residents and fall outside of the so-called “White L” that runs through Baltimore’s core and along the waterfront. The city plans to further designate areas of particular focus within the targeted section.

Developers working in those areas struggle to get money from banks or other traditional lenders and are forced to cobble together complicated financing deals that blend government funds and private dollars. But Kaufman said lining up all those sources of funding at the moment a project is ready to go can be difficult and missing a deadline for one grant or government subsidy can knock a deal off track. The idea of the impact fund is that like a government, it can take risks on deals that banks won’t -- but it can move more quickly than traditional government programs. “The goal is to fill gaps,” Kaufman said.

At budget hearings this year, City Council members said they were concerned about how the fund would be held accountable and how its decisions would be made. Bullock said it would be important for the fund to be transparent. “You still have to have the community at the table and that they know what’s happening,” Bullock said. Kaufman will have help running the fund from New York investment firm Forsyth Street Advisors. He will be accountable to a 12-member board, whose initial members were approved by Pugh. The board members have expertise in finance and building projects and include three representatives from city government. The fund will be audited and produce annual reports.

“There is real oversight,” Kaufman said.

The fund will measure its success in terms of how much money it lends; how much other money the fund’s dollars can attract to a deal; job creation, and housing units erected. Kaufman said he’s also interested in looking for ways to determine if the fund’s investments are having indirect effects, saying that he hopes the fund’s backing of a neighborhood will signal to other institutions that it’s a good place to invest.

But seeing results from the programs could take years. The Park Heights apartment project has been in the works for a couple of years and there are still buildings that need to be demolished before construction can begin.

Pugh, at the midpoint of her first term as mayor, said she’s willing to take the long view.

“You have to be willing to look beyond your own existence to change the city,” the mayor said.