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Young inclined to back public housing redevelopment financing

By: Adam Bednar Daily Record Business Writer June 12, 2019

Mayor Bernard C. "Jack" Young said he's considering supporting public financing to bolster an $800 million redevelopment of public housing sites in east Baltimore.

Previously, as City Council president, Young expressed skepticism regarding tax increment financing for rebuilding the Perkins, Somerset and Old Town areas of the city. During his regular press conference on Wednesday, Young said changes to the plans, particularly the inclusion of school construction, means he may reconsider.

"Now that it's going to be a school included in the TIF, and its going to be money set aside for community and training, and those kind of things, I can consider that while the council do what it needs to do … but things are coming into place now that I think it's going to be favorable for me to support the TIF," Young said.

PSO Housing Co. LLC, a joint venture of St. Louis-based McCormack Baron Salazar, plus Beatty Development Group, Henson Development Co. and Mission First Housing Group are pursuing an $800 million redevelopment of Perkins Homes, the former Somerset Courts public housing site and the Old Town Mall site.

That project has already been selected to receive $30 million in U.S. Department of Housing and Urban Development Choice Neighborhoods Initiative Grant funds. Plans for new building on the sites includes a mix of subsidized, affordable and mixed-use apartments along with retail building.

Roughly a month before the federal grant award, PSO Housing Co. submitted an application to the city for for tax increment financing. That type of financing, used for various projects across the city, has received criticism since its been used to provide funds to Beatty Development's Harbor Point project.

Opposition to publicly financing infrastructure benefiting developments reached a peak when the city approved $660 million in tax increment financing in 2016 for work at the $5.5 billion Port Covington redevelopment.

Tax increment financing essentially works by the city floating bonds to cover infrastructure work associated with a project. If all goes as planned the debt is paid off from an increase in property taxes from a designated area benefiting from the infrastructure work.

In the application submitted last summer the developers were seeking roughly $105 million in bond funding to finance $75.2 million in infrastructure improvements.

Baltimore Board of Finance, the Baltimore City Council and the mayor must all approve using the funding mechanism before the city issues any debt on a developer's behalf.

"Well, there hasn't been no request for TIF as of yet, as you know they're still working on the plan, working with community to find out exactly what it is the community wants to see," Young said.

Baltimore's spending board approved a tax deal for one part of the PSO Housing Co. project already. The Board of Estimates, which is controlled by the mayor, approved a 75-year deal for a payment in lieu of taxes, or PILOT, last

week.

Mission First Housing Development Co. and the Henson Development Co., operating as McElderry LLC, requested the payment in lieu of taxes for the $19 million, 1234 McElderry apartments project. The developers propose a four-story building with 104 mixed-income units, 2,600 square feet of ground-floor retail and 88 parking spaces. Plans call for 84 of the units to be reserved for residents making 80% or less of the area median income.

Under that deal, set to take effect July 1, the property owner pays the city 10% of the tenant portion of rent for units built with Low Income Housing Tax Credits. The property owner would pay the city and state 10% of the rent based on a rental schedule established at the start of the agreement for the remaining 34 income-restricted units and the 20 market-rate apartments.

Retail space in the project is subject to full property taxes.