



Photo by Eric Stocklin

here to develop and to own for the long term.”

The city could condemn the Weinberg properties. It has had the power to do so since 1998, when the City Council sanctioned use of eminent domain on the West Side. But the administration of Mayor Martin O’Malley is reticent to wield such authority over the powerful charity.

“Condemnation is the absolute last resort,” said BDC President M.J. “Jay” Brodie.

Stiller said it was shoddy planning on the city’s part to award properties to another developer before making good on its promise.

Brodie, on the other hand, believed that he was speeding the superblock along.

“I don’t need 90 pages of legal documents to tell me they’re going to do something,” he said.

But judging by the current inaction at the superblock, those documents might have come in handy.

Anatomy of a deal

The Weinberg foundation’s role in the superblock dates back to the late 1990s, when the administration of Mayor Kurt L. Schmoke prioritized redeveloping the failing West Side area.

In 1998, the City Council passed legislation allowing the city to seize private property there. In 1999, the city put a host of properties on the bidding block for developers. The Weinberg foundation won the bidding process, and in early 2000 signed an exclusive contract with a city for the superblock project.

But for reasons that remain cloudy, the Weinberg foundation never followed through with its plans for the superblock. It

said Joel Winegarden, vice president of real estate for the foundation. The city could not manage to condemn a number of properties, he said, for reasons that remain unclear.

But by the time the city realized that failure, it was too late. It had already awarded most of the properties south of West Lexington to the New York team after a public bidding process in late 2004. And without the promised swap, the foundation did not want to sell.

The result is an economic and political quagmire that now threatens to swallow progress at the superblock whole.

The New York team cannot move forward without the Weinberg holdings or its cooperation on a joint venture. Meanwhile, the foundation wants control of the entire superblock for a project spearheaded by Baltimore developer The Cordish Co.

“We are not in here to sell,” Winegarden said. “We’re in

Superblock timeline

1998: The City Council passes legislation allowing the city to seize private property in the West Side area

1999: The city puts a host of properties on the bidding block for developers

2000: The Weinberg foundation wins the bidding process and signs an exclusive contract with the city for the superblock project

2003: The Weinberg foundation completes the renovation of the Stewart building, but it remains vacant

2003: The Baltimore Development Corporation (BDC) proposes a land “swap” to the Weinberg foundation to get the superblock going

2005: A group of New York investors wins the bidding process for the re-offered superblock properties

did complete the pricey renovation of the Stewart's building, but allowed it to remain vacant for more than two years until Catholic Relief Services finally agreed to lease the building last year, Brodie said.

Why the city did not force the foundation to fulfill its agreement and develop the rest of the superblock also remains unclear. But, wanting to get the ball rolling in 2004, the BDC proposed the land swap. The option seemed satisfactory to all parties.

"If that had gone through, we would have had a developable piece," Winegarden said. "And it was certainly our intention at the time to go forward with it."

Armed with the foundation's word, the BDC re-offered the superblock properties in late 2004 to anyone interested in creating a new shopping and residential development there. As per the deal with the Weinberg foundation, the block north of West Lexington was not included in that offer.

A group of investors, comprising the Chera, Feil and Goldman families of New York, won the public bidding process in February 2005. That agreement expires at the end of this year.

Yet the impasse with the Weinberg foundation has kept the group from working on the project, Brodie said.

"I haven't seen a specific proposal for the development of the superblock either from the Weinberg foundation or from the Chera group," said Ronald M. Kreitner, director of Westside Renaissance Inc. "It's something that requires the BDC to make some decisions about what can and cannot happen there and structure a process in effect for resolving things."

The former swap agreement is still a possibility, Brodie said.

"We are still negotiating with Mr. Koo," he said, referring to Nam Seo Koo, who owns most of the property adjacent to the Stewart's building.

Koo's attorney, Lisa Harris Jones, declined to comment for this article. But she confirmed that Koo remains in negotiations with the city.

There is also still room for the Weinberg foundation to partner with the New York team. However, Winegarden is unsure how the two groups might come together.

"The negotiations with the city and with the New York group are in the hands of The Cordish Co., who is going to be the developer," Winegarden said.

David Cordish, head of The Cordish Co., did not return phone calls by The Daily Record for comment. Officials with the New York team also did not return phone calls for comment.

But with the city unwilling to take the Weinberg properties, and the foundation unwilling to sell, a resolution seems doubtful at best.

The problem

To critics, the standstill at the superblock illustrates the problems that come with the government's use of eminent domain to fuel economic development.

"Should the city have even entered into the exclusive negotiating agreement with the New York group?" said Baltimore real estate attorney John C. Murphy. "[The city] didn't really have their ducks in a row, did they?"

Murphy represented a collection of businesses in the superblock that sued the BDC for failing to release information about how it chose the New York group as the superblock developer. That case — which would decide whether the BDC is a public entity and therefore subject to the state's public information laws — is still pending before the state's appeals

court.

“I think that the city’s got caught in two things, one is a re-evaluation of the whole rights of property owners with eminent domain,” Murphy said.

Baltimore has long relied upon its power of eminent domain to seize private property for a public use to rejuvenate its depressed economy.

Since the 1950s, Baltimore has experienced a crippling population decline. But in the 1970s, the city used eminent domain to amass properties along Baltimore’s industrial Inner Harbor to create a more vibrant tourist attraction. Today the Inner Harbor is largely a public space, full of museums and shops, where visitors and city dwellers congregate.

City leaders credit the Inner Harbor, and eminent domain, with leading Baltimore to its current economic improvement and repopulation.

“I think there is little question that eminent domain will remain an important part of the economic development tool kit,” said Anirban Basu, an economist with the Sage Policy Group of Baltimore. “This is more true in Baltimore than in most other cities because in Baltimore there is a higher population of underperforming properties in underperforming communities.”

But “underperforming” is a subjective term, said Scott Bullock, a senior attorney with Washington-based Institute for Justice.

“The government should not act as a real estate broker, deciding who is going to win and lose in the real estate market,” Bullock said. “Underutilization is essentially an argument saying, ‘I could come up with a better use for your property than you.’”

“Underutilization” does seem an apt description for the superblock, which is riddled with crumbling buildings and unpopulated by foot traffic.

But Murphy thinks the area would have improved on its own without the threat of condemnation hanging over the properties there.

“There was a severe recession in the 1990s,” which may have justified the use of eminent domain in 1998, Murphy said.

But times have changed. Baltimore property values have skyrocketed in the last five years.

“Now we’re in the greatest real estate market that Baltimore has ever seen,” Muphy said. “It’s incongruous that we’re caught in this set of arrangements that were really devised to get us out of the real estate recession of the early 1990s.”

“We believe that the future is going to be really good and we want to be part of it,” said Jerald Goldfine, one of the superblock property owners involved with Murphy’s lawsuit.

Superblock quick facts

Size: 3.6 acres

Space: Consists of 51 properties

Acquisition: The City Council passed legislation in 1998 authorizing eminent domain to acquire properties in the West Side

Along with the New York team, the BDC last year awarded Goldfine a small role in the superblock. His company, Carmel Realty Associates, was awarded the McCrory's building at 227 W. Lexington St.

But Goldfine wanted to develop a larger portion of the project and has been clamoring to be allowed to do so. He said he is awaiting word from the New York group and the BDC on whether a larger collaboration might be possible.

Another Baltimore company, French Development Co., was also awarded a role in the superblock. French will redevelop

a five-story building.

Goldfine exemplifies the fact that the private market is now interested in the superblock, Murphy said, thereby rendering obsolete the use of eminent domain there.

“Inevitably the use of eminent domain for private development leads to contentious battles with property owners ... and delays the process,” Bullock said.

Other harm

The stalemate is harming investors who bought into the West Side based on the city’s promise that it could deliver at the superblock, said David Hillman, a Virginia-based developer who owns a number of West Side properties.

The president of Southern Management Corp., Hillman is currently working on a more than \$32 million conversion of the former headquarters of Baltimore Gas & Electric Co. The superblock is directly across Liberty Street from the front door of the former office building he is attempting to convert to luxury apartments.

“It’s got me really worried about leasing that BGE building,” Hillman said.

He thinks the city is making a mistake by using eminent domain as a tool to spur development at the superblock.

Eminent domain is “very flawed,” Hillman said. “It’s archaic, it’s out of date, and it’s wrong.”

“The city is in the middle of a boom,” he said. “They ought to get out of the way and let the private money take over.”

Murphy said his clients who own property in the superblock are suffering under the threat of condemnation. He said they might have put money into rehabilitating their properties but do not want to risk the investment knowing that the city has the power to take it.

Brodie agrees with Murphy.

“We owe it to the people who have hung in there over the years waiting for the area to come together,” Brodie said.

But exactly how and when the superblock will “come together” remains to be seen.

Come December, the agreement with the New York team expires. The city can extend the agreement or allow it to expire. Brodie could not say whether the city would have a new set of bidders propose plans for the superblock or try a new tactic: allowing the private market to run its course.

“We haven’t given up on possible conversations,” Brodie said. “We continue to be open to ideas.”
