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Project stall

Housing woes, economy put $1 billion in city development on hold amid rethinking of plans, hopes for better market

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More than $1 billion in development projects - offices, residences, stores and hotels that would change Baltimore's skyline and help to revitalize the city - have stalled in the face of the nationwide housing slump and faltering economy.

The projects, including towers that would be Baltimore's tallest, would swell the tax base and potentially attract new - and well-heeled - city dwellers. But the housing slump has dulled the market for new condominiums and houses, and the subsequent credit crunch has made financing difficult to obtain.

As a result, at least 11 major projects have been recast or are in limbo, waiting out the market. At the Inner Harbor, two sites planned for condominium and hotel skyscrapers are still parking lots. In Charles Village, the neighborhood's first proposed luxury condo building is on hold and likely to switch to apartments. And in Greektown, plans for 1,000 new residences on a gritty lot have been drastically scaled back.

"Some of the big developments are clearly going to be put on hold" from a year or two to a couple of decades, depending on the economy, said Richard Clinch, director of economic development at the University of Baltimore's Jacob France Institute. "I think we're stuck where we are in terms of renewing neighborhoods."

Developer Richard W. Naing had ambitious plans for property he bought in the 300 block of Guilford Ave. and along Holliday, Saratoga and Gay streets, just north of City Hall. He envisioned as many as three 50-story towers filled with apartments, condos and shops, and his RWN Development expected to start razing buildings this year, including the former Hammerjacks nightclub.

But now his plans are on hold.

"We have definitely postponed our development and are feeling out the market until the market comes back," said John Ginnever, executive vice president at RWN in Baltimore. "It would be too hard to get financing and break ground now."

Meanwhile, the company will operate an existing garage on Guilford and has leased the nightclub to a club operator.

The market downturn has already slowed the momentum that would bring new life to decaying or underused areas such as the Guilford Avenue corridor. But experts aren't sure how much it will affect downtown's transformation.

Clinch said he believes that Baltimore will likely suffer less than some other cities because of the underlying strength of the state economy, bolstered by anticipated job growth in government contracting and the biotechnology and health sectors. Development should benefit, too, from an influx of new residents expected from federal base realignment. And in the longer term, urban redevelopment is inevitable as the suburbs, with their restrictive building policies, fill up - as long as city officials make progress in reducing crime and improving schools, he said.

"It doesn't mean development stops tomorrow like it does in other cities," Clinch said. "Baltimore still deserves its reputation as a comeback city."

M.J. "Jay" Brodie, president of the Baltimore Development Corp., said the city is better equipped to weather the downturn than it was during the early 1990s recession. Most projects proposed now are based on sound economic deals rather than on tax breaks, he said. He added that no BDC-involved projects - such as the superblock redevelopment on downtown's west side - have been halted because of a lack of financing.

Still, even during the boom he doubted the viability of some big condominium projects.

"I have never been a big believer in condos in Baltimore," Brodie said. "There's little evidence of successful condos."

It's inevitable that more commercial projects will face delays because of financing, said Martin Luskin, a senior partner at Blank Rome LLP in New York, who heads the law firm's real estate and financial services department.

"Some projects will be stalled either because there is a credit crunch right now or ... the sellout at the end is not as predictable as it might have been in people's minds six months ago," Luskin said. "It makes people nervous about putting up debt dollars or equity dollars."

Some big, long-term projects are continuing on their scheduled timetable, including the mixed-use redevelopment of the Westport waterfront, with the first buildings to get under way next year, and Gateway South, a $200 million office park planned south of M&T Bank Stadium on the Middle Branch waterfront.

Developer Hekemian & Co., which bought the Rotunda retail and office complex on West 40th Street, said it is applying for permits to start building shops, apartments, condominiums, townhouses and a 140-room hotel.

And development driven by universities and hospitals remains strong, including the University of Maryland, Baltimore's biotechnology park on the west side and a Johns Hopkins Hospital-affiliated project on the east side to transform 88 acres into a research park, new businesses and housing.

But other plans have ground to a near halt.

Little is known about the future of a $250 million, 50-story condominium and hotel skyscraper proposed for the former News American newspaper site at 300 E. Pratt St., now a parking lot. Developers UrbanAmerica LP and Doracon LLC purchased the block in mid-2006 and originally planned 300 condos, a 250-room hotel and 40,000 square feet of shops and restaurants. City officials say they haven't heard updates on the project's status, and a representative of UrbanAmerica did not return repeated phone calls.

In downtown's HarborView community, the Pinnacle, a 17-story residential tower expected to be under way last year, is delayed as well. Faced with slow pre-construction sales, HarborView Properties is holding off on building but is actively marketing the 46 condos, priced from $650,000 to $2 million.

"Obviously in the last eight months or so, financing for both developers and the homeowners has become much more difficult," said Frank Wise, vice president of HarborView. "Things are a little slow. ... [But] as soon as the market says go, we're going to pull the trigger."

Development is also braking in neighborhoods outside of downtown.

In Greektown, a developer that had planned more than 1,000 upscale condos, apartments and townhouses on 15 industrial acres is considering scaling back to 234 townhouses over the next couple of years, some on a site originally planned for condominium towers. Another parcel on the property that could accommodate two condo towers is on indefinite hold.

"The market for high-rise condominiums has receded quite a bit, and our thought is that the opportunities to take advantage of the Greektown neighborhood still are there if we revise the format of the housing," said Edward Byrne, senior vice president for planning for the Virginia-based developer, Kettler. The condo site is "a longer-term hold for us than the rest of it. ... From a market standpoint, it will be many years away."

Such circumstances are common in most big cities as financing has dried up, said Stephen R. Blank, a senior fellow for finance with the Washington-based Urban Land Institute.

Developers with stalled projects are "circling the airport, waiting for landing instructions," Blank said. "There's a squeeze going on, and big projects that are more complex are just that much more difficult to do."

Developers are shifting the mix of offices, residences, hotel rooms and shops, said Scott MacIntosh, a senior economist for commercial investment and real estate with the National Association of Realtors in Washington.

Whether a project will ultimately move forward "depends on the liquidity of the developer and what other projects are in the pipeline," he said. "Some are opting to sell the land, and some are opting to sit on it and hope the market turns around, or are looking for a joint-venture partner who has some other purpose for the land."

In Baltimore, developers are not abandoning plans as much as rethinking them.

A project proposed three years ago as a luxury apartment tower at Calvert and Lombard streets was stalled in the slowdown and is now slated to move ahead this year in a new form: two hotels and a smaller residential component.

"The reason it changed was really the market," said developer Mark Sapperstein. "It worked better as mixed use."

Developer ARCWheeler purchased a Light Street parking lot at the Inner Harbor with plans to start site work by mid-2007 on a 59-story glass skyscraper stacked with luxury and loft condos, a boutique hotel, shops and a restaurant. Now, city officials say, the developer is re-evaluating the mix of uses and looking at potential office users to anchor the project. John Voneiff, a partner with ARCWheeler, would say only, "We're doing something."

Farther north, developer Struever Bros. Eccles & Rouse planned the Olmsted in Charles Village as a 12-floor building of luxury condominiums but switched to smaller, more affordable apartments as the market began to slow. Now, a Struever official said, the project is on hold until the developer can secure construction financing and work out additional city financial aid.

The delay has disappointed area merchants.

"I've been really looking forward to the Olmsted opening," said Ryan Berger, who opened a Cold Stone Creamery across the street in June. "We're doing what we can to get by, doing a lot of promotion and not just waiting" for customers.

A 2005 proposal for a 34-story residential tower atop a Metro station at President and East Baltimore streets was revised last summer, with the Cordish Co., the developer, planning to build only half as much. The original proposal, for up to 250 residences, entertainment-oriented retailers and parking, had a completion goal of late 2007.

David S. Cordish, chairman of the Cordish Co., said in an e-mail that the project, on the city-owned, former Port Discovery HiFlyer balloon site, "is a definite go but still [in] process with the city." He said it would be residential, with a boutique hotel possible and a small retail component, but he gave no timetable.

Sanket Patel, managing partner with Front Street Development, said the company still plans to open two hotels at

Fallsway and Front Street in about three years. He added, "There's not that rush to get that project done now. If we open now, we'll struggle. It's better to take our time."

City Councilman Edward L. Reisinger, who has headed the council's land use committee for the past two years, said he had been encouraged by the many proposals to rezone industrial areas for homes. But in his South Baltimore district, he's heard several developers say that they're abandoning or delaying plans.

"It's a concern," Reisinger said. "A number of developments are on the radar screen, but we don't know what will happen because of the market."

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