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From the Baltimore Sun

Brewery district drawing investors

Single buyers go for dozens of properties

By Eric Siegel
Sun reporter

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For years, investors have largely ignored the properties near the old American Brewery in East Baltimore, choosing to buy rundown real estate elsewhere in the city in hopes of capitalizing on appreciating values.

But in recent months, interest has picked up.

A former commercial laundry that has been vacant for nearly a decade has been sold to a Northern Virginia investor who says he wants to turn the nearly block-long building into a bakery or other business.

Separately, two recently created corporations - one composed of a mother and daughter from Baltimore the other headed by an eye doctor in Prince George's County - have purchased a total of more than 80 discounted tax certificates from the city on vacant lots and rowhouses near the brewery and have begun foreclosure proceedings to take control of the properties.

Individual buildings - vacant and occupied - have periodically changed hands in the blocks around the brewery, even as the neighborhood declined. But it has been years since a single buyer has moved to acquire large numbers of properties.

Though two of the little-known investors say they see potential in the long-neglected corner of the eastside, city housing officials are less enthusiastic about what the sales of the laundry building and the certificates represent.

"It's speculative," said Christopher Shea, the city's deputy housing director for development. "In that neighborhood, the churning of the market is not necessarily a good thing. I'd like it to be purposeful.

"I think we're four to five years away from seeing the rebirth of that neighborhood," he said, adding: "You could argue that now's the time to get in. I don't agree."

The blocks around the brewery building - a dominating structure that has been vacant since the early 1970s - were the subject of a series in *The Sun* last year that described life in a community that had lost 60 percent of its population and had been largely bypassed in efforts at renewal.

The city, which has owned the brewery building for 30 years, selected in November 2005 a team that includes prominent local developer Struever Bros. Eccles & Rouse to restore the building as the Baltimore headquarters of Humanim, a state-wide nonprofit social services agency based in Columbia.

The city is counting on the brewery project to spark a revival in the neighborhood. To enhance the project, the city is moving to acquire 200 abandoned properties nearby and also has plans to demolish a block of mostly vacant buildings.

The developers have done some minor stabilization work on the brewery building but are still seeking key financing that will allow them to proceed with the \$33 million project that includes the historic brewhouse and an adjacent bottling plant, according to Cindy Plavier Truitt, chief development officer for Humanim.

The former commercial laundry, which operated as Bugle Rental Services and rented uniforms and washed linens for restaurants and other business, is at 1501 N. Chester St., around the corner from the brewery.

The laundry, which employed about 100 workers, closed in 1998 and donated its building to The Triumph Missionary Baptist Church nearby.

The church had envisioned turning the building into a community center with child care and other services but couldn't find the money, according to the Rev. Pompey Swann, the church's pastor.

With property taxes on the former laundry property of about \$7,000 a year being increasingly burdensome and the church needing repairs on its own building, Triumph put the former laundry up for sale a couple of years ago,

"Keeping up the building was a bit much," Swann said. "We couldn't afford to do that."

The 33,000-square-foot building, which was built in 1920, finally sold late last year for \$350,000.

Under the terms of the sale, the church received \$50,000 in cash and took back a \$300,000 mortgage, payable in five years, records show.

The sales price was higher than the property's assessed value of \$298,000. But it was far below the property's appraised value of nearly \$3 million when it was given to the church nine years ago, in part because of concerns about environmental contamination from cleaning fluids, according to Gerald A. Smith, the church's attorney.

"It was scraping the bottom, price-wise," he said. "It was like a fire sale."

The buyer was Sang Bong Choi of Vienna, Va., who described himself as a contractor and investor with experience in the restaurant and bakery business.

That's why Choi said he'd like to open a bakery on the site, but he added, "I'm open for suggestions."

Choi said in a telephone interview - and records confirm - that he bought a vacant rowhouse five blocks from the former laundry for \$1,100 that he plans to fix up and use as a Baltimore residence.

"I see the potential in the area," he said.

But he acknowledged others do not, saying he has already been turned down for loans by two different banks.

"I think they think it's very risky," he said.

Choi has been in discussions with Sharon Mitchell, who with her daughter Heather Giles is a principal of Verzamel Development, a company incorporated in July.

Mitchell said she and her daughter had previously considered buying the former Bugle building and had an

environmental assessment done on the property with the help of a state grant.

"There are some issues, but they're not overwhelming," she said.

In August, Verzamel bought tax certificates from the city on 53 vacant properties within a four-block radius of the brewery for \$71,000 - an amount roughly equal to the assessed value of the properties but far below the total lien amount, including back taxes and interest, of about \$1.2 million.

Purchase of the certificates gives the company the right to foreclose on the long-tax-delinquent property owners.

Mitchell said she and her daughter want to help a neighborhood congregation build a sanctuary on a block of vacant lots and renovate the other properties.

Though she acknowledged that she and her daughter have no development experience and have yet to line up funding, Mitchell said she believes their background in management and finance will help make their plans a reality.

"You can look at it two ways: It's a depressed area or a depressed market, or it's a wonderful opportunity," she said.

Also last year, in three separate deals that ended in late November, a company called Lifetime Investments bought tax certificates from the city on 47 vacant properties - 34 in the blocks around the brewery and 13 elsewhere in East and West Baltimore. The total price was \$180,000 - again, an amount roughly equal to the assessed value of the properties but a fraction of the total outstanding liens.

Lifetime Investments' principal is Dr. Alexander Nnabue, according to Deputy City Comptroller B. Harriette Taylor, whose office handled the sale of the certificates. The company told city officials it plans to rehab the properties for rental and sale, Taylor said.

Nnabue, who runs the Lifetime Eyecare Center in Mitchellville in Prince George's County, said this month that it was "premature" to talk about his development background or his plans for the properties. He referred to a fax statement sent Jan. 10 by a lawyer for Lifetime Investments that the company "declines to comment on its plans for the properties ... until after ownership is complete."

Taylor acknowledged that there had been "mixed results" from purchasers of tax sale certificates following through on their plans to return the properties to productive use but said the sales themselves had positive benefits.

"We've at least gotten something back to cover [current] taxes and water bills," she said. "Hopefully, if they're proceeding, we'll be getting the properties back on the tax rolls."

The properties whose tax certificates were purchased by Verzamel and Lifetime Investments were not prioritized for the city for acquisition through the Project 5000 program to turn vacant properties into development opportunities because there was no specific revitalization plan for them, said Michael Bainum, assistant city housing commissioner for land resources.

"Apparently, someone is investing some resources to acquire some scattered-site vacants in a sea of vacants," Bainum wrote in a recent e-mail. "In my view, these folks will need deep pockets to privately acquire a critical mass of properties to create a development opportunity on these blocks. Time will tell."

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