

BALTIMORE LAI: Combining Federal and Private Financing to Upgrade Public Housing in Baltimore City

Chapter President Stephen L. Rudow updated members and guests about LAI's Member Survey and the 2014 Land Economic Week-ends in Atlanta and Madrid, encouraging all to respond to survey and join him in Atlanta.

President Rudow welcomed the opportunity to hear details about Baltimore's strategy for using nationally competitive Rental Assistance Demonstration (RAD) Program funds from the U.S. Dept of Housing and Urban Development (HUD). RAD is a pilot program to restructure public housing projects across the country. To brief the members, he introduced Peter Engel, Deputy Commissioner of Project Finance and Development for Baltimore Housing and the Housing Authority of Baltimore City (HABC).



Commissioner Engel characterized his talk as “Is HUD Now A Problem Solver”? He traced the history of public and affordable housing (supply and demand sides) in the U.S. since 1937. The trend from Congress has been to underfund traditional public housing units and they continue to deteriorate. There is an estimated \$25.6 billion shortfall for needed capital repairs for public housing units nationally.

Because of federal budget cuts, no new programs being approved and HUD's recognition of the serious problems with public housing, the Department now is advancing and trying to expand the Rental Assistance Demonstration (RAD) Program. This encourages public housing authorities (PHAs) to use project-based housing choice vouchers – formerly Section 8 - (Demand side) to attract private financing, including debt, which cannot be serviced by public housing funds, and low income housing tax credits, to make necessary capital repairs to public housing developments. In turn, the private developers often act as the owner or property manager of the project. HUD received applications for over 120,000 units nationally in 2013

and but has authority to convert only 60,000 units. HABC, one of six PHAs in Maryland to receive a reservation of RAD authority, will rehabilitate over 4,000 units in twenty-two projects over two years. During 2014, eleven (11) will be underway and the same number in 2015. This represents a little more than one third (1/3) of HABC's portfolio.

HABC currently serves over 20,000 residents in close to 11,000 housing units in properties including 28 family developments, 17 mixed population buildings, 2 senior buildings and scattered sites throughout the City. The average hard-cost rehabilitate need exceeds \$70,000 per dwelling unit. The benefits of RAD are that integrating private financing, housing that that HABC does not have money to fix will be repaired. The housing will remain affordable, and residents' rights remain in the forefront. Since private firms will act as property managers of the projects, a downside is some HABC positions and employees in housing management will be eliminated.

For RAD, HABC strategically selected projects that did not need to be torn down or require major rehab; these include the high rise mixed population (elderly and disabled households) projects and two family projects. Its Request for Qualifications (RFQ) process was unique, resulting in selection of 11 development teams. All developers selected demonstrated a track record of experience with relocation. Working with residents to keep them informed and ensure they are involved in the changes is key.

LAI member and representative of one of the development teams, Jim French, The French Companies, applauded HABC for the unique way it is doing RAD business. All eleven developers, normally in competition, now meet and are learning from one another. This represents a new paradigm in converting public housing. Participating with HABC on RAD represents a new wave of public private partnerships, and Baltimore is in the forefront.



Mr. Engel reminded the audience that Maryland is one of the five richest states in the U.S and the median household income (MHI) in the State is \$73,000. He contrasted that with

Baltimore City's \$40,800 MHI where 23.4 % live in poverty. According to HUD's Fair Market Rent (FMR) for Baltimore and Towson, a household with \$40,000 per year can pay \$1,000 per month for a one (1) bedroom. In public housing, the average annual income is \$10,000, with residents paying a monthly rental of \$230 or no more than 30 Percent of their annual income. With these statistics, he wryly opined that there is no need for housing programs; rather, the need is for wages to increase.

Tara B. Clifford
Scribe

Peter Engel is the Deputy Commissioner of Baltimore Housing for Project Finance and Development. In this capacity, Mr. Engel is responsible for City sponsored and public housing residential development under the auspices of Baltimore Housing, which consists of both the City's Department of Housing and Community Development and the Housing Authority of Baltimore City. Developments generally include housing for a wide range of incomes and use a variety of public and private funding sources.

Prior to joining Baltimore Housing, Mr. Engel was Assistant Director of Real Estate with the Montgomery County Housing Opportunities Commission. At HOC, Mr. Engel developed and supervised the direct development of over 1,450 mixed-income rental units. From 1996 to 2002 Mr. Engel served as the Director of Multifamily Housing for the Maryland Department of Housing and Community Development. He was responsible for all multifamily affordable housing lending activities, compliance monitoring and Section 8 programs.

Previously Mr. Engel was an attorney practicing in both the public and private sectors. From 1991 to 1996 he was an Assistant Attorney General with the State of Maryland, assigned to the Department of Housing and Community Development.

Mr. Engel received a B.S. in physics from the Johns Hopkins University and a J.D. from Harvard Law School.