

## BUSINESS MARYLAND

## DAILY BRIEFING

## CIT says bankruptcy filing still possible despite loan

NEW YORK — CIT Group Inc. said in a regulatory filing Tuesday that it might have to file for bankruptcy protection if not enough bondholders participate in a recently launched debt exchange. The commercial lender offered the grim assessment only a day after major bondholders agreed to provide it with a \$3 billion rescue loan. CIT, one of the nation's largest lenders to small and mid-size businesses, was forced to scramble in recent weeks to line up new funding as it faced mounting liquidity pressure amid upcoming debt maturities and as customers tapped their credit lines. CIT said in the filing with the Securities and Exchange Commission that the new loan might not provide enough relief to cover the liquidity squeeze. CIT said it still needs to pay off about \$7 billion in debt maturing over the next year, including \$1 billion in August. It has launched an offer to repay that \$1 billion in maturing debt at a discount.

— Associated Press

## No bidders for infamous Watergate Hotel

WASHINGTON — The Watergate Hotel, part of the complex made famous by a presidential scandal, failed to attract any bids at auction Tuesday and was taken back by the lender that held the \$40 million note on it. PB Capital Corp. took back the property after the auction opened at \$25 million to a silent room. The lender will now try to find a buyer, said Paul Cooper, vice president of the auction house, Alex Cooper Auctioneers. The former hotel owner, Monument Realty, still wants to transform the Watergate into a luxury hotel with a small residential component, according to Michael Darby, Monument's principal. Opened in 1967, the hotel is one of six buildings in the Watergate complex, which also includes the office building where the 1972 burglary of the Democratic National Committee headquarters occurred — a crime that led to President Richard M. Nixon's resignation. Four of the burglars stayed at the hotel.

— Associated Press

## Bernanke predicts muted economic improvement

WASHINGTON — Despite recent improvements in the economy, Federal Reserve Chairman Ben S. Bernanke raised concerns Tuesday about rising unemployment and foreclosures in the coming months, and he reiterated that the central bank would keep interest rates at "exceptionally low levels for an extended period." In his semiannual report to Congress, Bernanke projected that the U.S. economy would turn the corner in the second half of this year, with growth gradually recovering next year and accelerating in 2011. But he said consumer spending, which accounts for about 70 percent of U.S. gross domestic product, was likely to be constrained by the weak labor market, tight credit and declining home prices. Bernanke said that overall employment would start growing again at year's end or early next year. The nation's jobless rate hit 9.5 percent in June.

— Los Angeles Times

## 1st Mariner loss for quarter at \$2.4 million

By Eileen Ambrose

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1st Mariner Bancorp, parent of Baltimore's largest independent bank, reported Tuesday that it lost \$2.4 million in the second quarter, or 37 cents per share.

That compares with a loss of \$469,000, or 7 cents per share, for the corresponding quarter a year ago.

Despite the steep loss in the second quarter ended June 30, the company noted



KARL MERTON FERRON/BALTIMORE SUN PHOTOS

Local antiques dealers and arts supporters furnished the Inn at Government House on Calvert Street with period pieces. At left is a portrait of Harriet Painter, whose husband, William Painter of the Crown Cork and Seal bottling empire, once owned the house.

## New life for inn

## Developers picked for Baltimore City's Inn at Government House

By Edward Gunts

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Four Marylanders who helped transform Baltimore's historic Bromo Seltzer Tower into artists' studios are exploring plans to restore another city property, the Inn at Government House.

The Baltimore Development Corp. has selected Government House LLC, a team that includes father-and-son developers Martin and Tony Azola of Azola & Associates and philanthropists Sylvia and Eddie Brown, to receive a negotiating privilege that will give them time to come up with plans for redeveloping the three-building complex at 1125 to 1129 N. Calvert St.

The selection comes eight months after the city sought proposals from developers interested in buying or leasing the 21-room inn, considered the city's official guesthouse. "It's an excellent team," said development corporation president M.J. "Jay" Brodie. "We're hopeful that they can find the means to realize the full potential of those buildings."

Martin Azola said that he, his son Tony and the Browns want to build on the restoration work that was completed in the 1980s.

"What a great opportunity," he said during a recent tour of the inn's lavish Victorian-style meeting rooms. "This is ... one of the prettiest buildings in town."

The property opened in 1986 as an inn and hotel management training center. The end building was designed by Charles Carson and owned at one point by William Painter, founder of the Crown Cork and Seal bottling empire. The adjacent buildings were constructed as residences. All three had housed offices of Baltimore's recreation and parks department.

The project was originally called the Urban Inn and cost \$2.5 million. It was controversial because the city, under Mayor William Donald Schaefer, was found to have violated federal rules requiring competitive bidding, and was not allowed to use a \$700,000 federal grant. Local antiques dealers and arts supporters furnished the main rooms with pieces in keeping with the age of the buildings, which date from the late 1800s.

One of the original ideas was to make the inn a place to entertain official city visitors and dignitaries. In recent years, the city has operated it as a bed-and-breakfast and setting for weddings and other events.

When the development corporation requested proposals last year, Darryl Doan, the agency's director of economic devel-



Martin Azola (left, with son Tony) believes the inn can be operated at a profit, but, not having been renovated since the 1980s, "needs a facelift."

opment-east, said officials believed an experienced private operator might be able to run the inn more efficiently. But the city did not receive any proposals that it deemed acceptable.

Eddie Brown heads Brown Capital Management, which has its headquarters one block north. In addition, he and his wife have helped fund projects such as the Brown Center on the Maryland Institute College of Art campus and the Bromo Seltzer Tower. They've created a nonprofit that ranks among the country's leading African-American foundations and charities, according to *Black Enterprise* magazine.

Recent projects by Azola & Associates include the Railway Express building next to Penn Station, the former Ruscombe Mansion at 4901 Springarden Drive and the Bromo Seltzer Tower.

Martin Azola said he considered responding to the city's request for proposals for the inn last fall but did not prepare a bid in time. When he later found out that the city didn't receive any proposals it deemed acceptable, he said, the Azolas and the Browns formed Government House LLC and made an unsolicited offer. The city gave the Azolas and Browns a 120-day study period to refine their plans for the property, a period that is still under way.

Martin Azola said he believes the exterior is in "fairly good shape" and the property can continue to operate as an inn but needs to be upgraded inside to remain competitive.

He noted that because the building was last renovated in the 1980s, many of its systems and fixtures are now dated, including telephones, TV sets and refrigerators in the guest rooms and the lack of wireless Internet service. He said one goal would be to bring the guest rooms up to the level of the common rooms.

"It's now pushing 30 years since it was created, if you will, and aside from the historic furnishings that [interior designers] Bob Berman and Henry Johnson picked out for the corner building, the rooms are tired. ... It needs a facelift."

A lot has changed since the 1980s in the way of hotel amenities, he added. "It just seems logical to have 21 rooms that are the same caliber as the common areas."

According to city officials, the developers are looking at the possibility of creating a restaurant and offices as well as keeping the inn operating.

Unlike the Bromo Seltzer project, which was a nonprofit venture, the inn would be a for-profit business, he added.

The Azolas and Browns have until October to complete their plans for the property and present them to the city. Martin Azola said he isn't sure at this point if they will propose to buy or lease the inn or how much an upgrade might cost. But based on his evaluation so far, he said, he believes the inn can continue to find a market if it's upgraded and positioned correctly.

"Where else can you find anything like this?" he said.