

DOWNTOWN BALTIMORE



**Downtown Denver: A Peer Cities Analysis
URP 5510 – Planning Methods I
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INTRODUCTION

For most of the 20th century, downtown Baltimore was almost exclusively a business district, with very few residential areas and few attributes of a "24-hour city." The Inner Harbor led the urban renaissance in downtown Baltimore, following more than a decade of significant development and investment in area in the 80s and early 90's. This redeveloped, former shipping yard and industrial area is now populated with high rises and mixed residential, office, and commercial uses.

The remainder of downtown, however, was slow to follow. In the mid 1990's, the central business district was suffering from the deterioration of historic buildings and infrastructure and a more than a decade of competition from commercial suburbanization. The disparity between downtown and suburban commercial vacancy rates were among the worst in the nation. The Downtown Partnership of Baltimore (Partnership), which was just then establishing itself as the predominant leader in downtown revitalization, developed the cornerstone 1995 Economic Growth Strategy for downtown. It cited downtown leaders' concern that "confidence in downtown's future was weak" and that "downtown lacked a strong sense of community" (as quoted in "1996") Downtown suffered from a high crime rate and general perception of being run-down and unsafe. These perceptions came despite the fact that downtown, covering less than two percent of the city, generated half of Baltimore's commercial real estate taxes ("1996").

In their first comprehensive analysis of economic generators and indicators in downtown, the Partnership identified government as downtown's predominant employer and diversifying employers and industries as a major goal. The Partnership also set the goal of establishing a "24-hour downtown" with vibrant and economic, commercial, and residential activity ("1997"). Their prescription for much of the deteriorating Class B and C office space was conversion to residential.

Today, downtown Baltimore is experiencing an urban renaissance much like other cities across the nation. The Partnership has addressed many of the "crime and grime" issues and is now able to focus on second tier issues such as streetscape, landscaping, and creating a more walkable downtown. The following provides an overview of the state of downtown Baltimore.

1. DOWNTOWN DEFINITION AND CHARACTERISTICS

“Downtown is no longer a place just for businesses or visitors. It’s a series of thriving neighborhoods with a mix of businesses, stores, homes, students, and things to do unlike anyplace in the region. Downtown has more than 100,000 office workers, making it the leading business center in the region. It’s also the leading cultural center with dozens of museums, visitor attractions, and performing arts venues” (“About Downtown”).

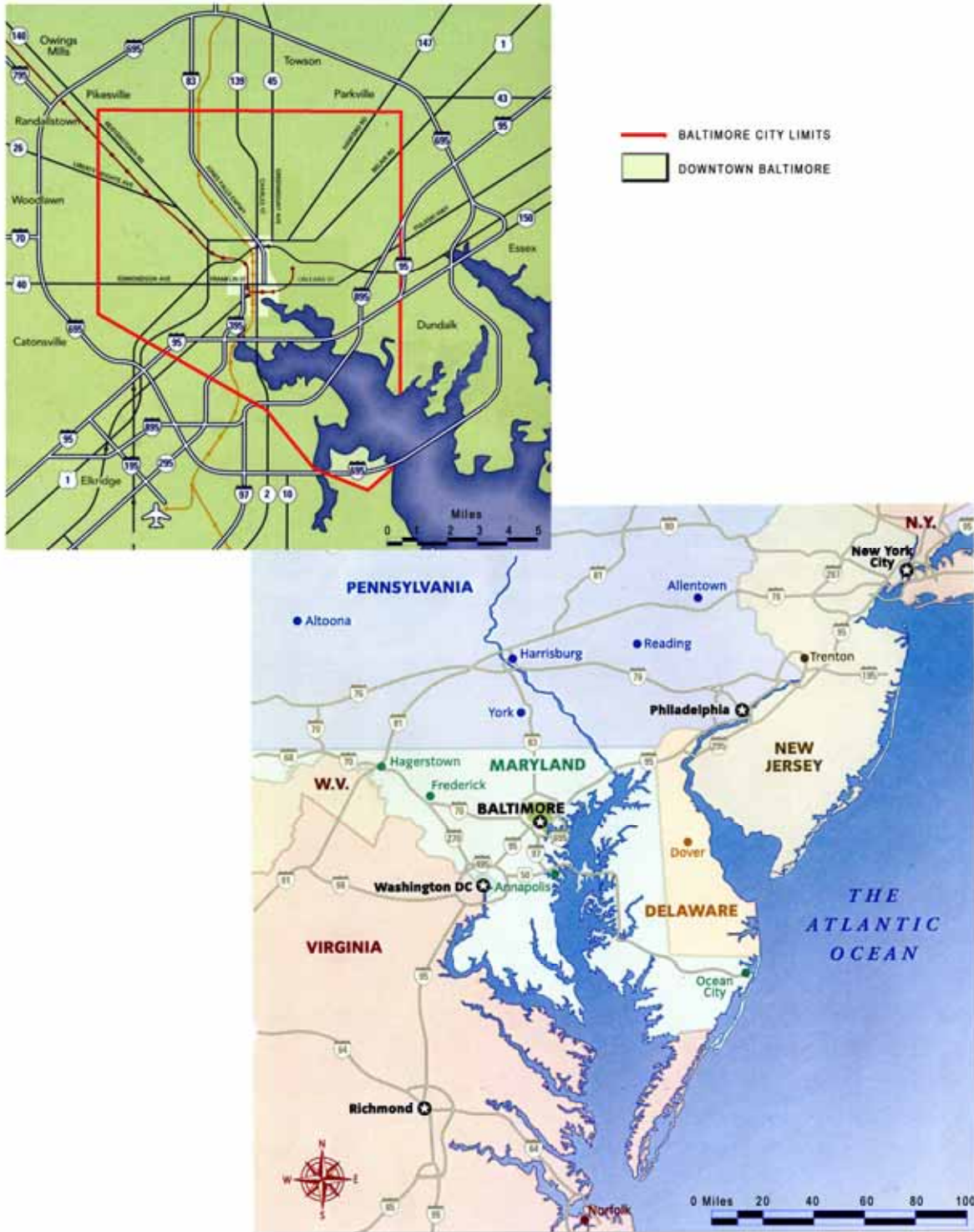
Location

Baltimore is located centrally in the state of Maryland. Baltimore City is in the Chesapeake Bay, with a portion of the downtown on the harbor front. The entire city is situated within the interstate loop that has numerous highways and arterials bisecting the city and into the downtown, which is centrally located within the City. Baltimore City is an independent city, and not associated with Baltimore County. For federal and state governmental and statistical purposes Baltimore City is viewed as a county-level entity. Baltimore City is composed of, approximately 268 neighborhoods. Many communities in Baltimore County, which surrounds Baltimore City like a horseshoe, create the first and second tier rings of suburban development radiating out from the City (Planning Dept).

Baltimore city is located along the populated mid-Atlantic coast with numerous metropolitan areas within a one hundred mile radius, and with New York City within 200 miles. The proximity of Baltimore to these other large metropolitan areas has had an impact on the growth and development of the area. The most notable impact is the merging of the Baltimore and Washington, DC regions, which for a long time were combined for statistical purposes.. The proximity to the Washington, DC metropolitan area presents both benefits and challenges to Baltimore. The recent increase in population and income as well as the increase in the cost of living is influenced heavily by the proximity to Washington, DC. This proximity also influences the retail market and the buying power of the Baltimore area (Comp Plan 57). Despite these specific influences to Baltimore due to the proximity to other metropolitan areas, in particular Washington, DC, the Partnership feels that the influence is not that great in the downtown. The Partnership feels these influences, although they may not all be positive for the members of the community, are understood by the residents and are acknowledge to be beneficial to the downtown (Evitt). These influences will be further discussed in subsequent sections.

Figure 1: Location Map.

Bottom, the relationship of Baltimore to other metropolitan areas along the mid-Atlantic coast line. Top, Downtown Baltimore in relationship to Baltimore city limits.



Other outside issues affecting downtown Baltimore include adjustments occurring with the nearby military bases and the growth and development in other Maryland counties. Many military bases are in the process of either realignment or closure and several bases near Baltimore's downtown will be the net gainers of military personnel as the bases are expanded. An estimated 60,000 people may be headed into the area, to provide for the increase in counter intelligence and bioterrorism personnel requirements (Evitts). The National Security Agency is in Howard County, and positioned between Baltimore and Washington, DC. In addition to this future influx of military personnel, the populations of many of Baltimore's outlying counties are experiencing growth problems. Some of the suburban districts have developed growth boundaries while other counties have nearly exhausted their growth plans, including Howard county (Evitts).

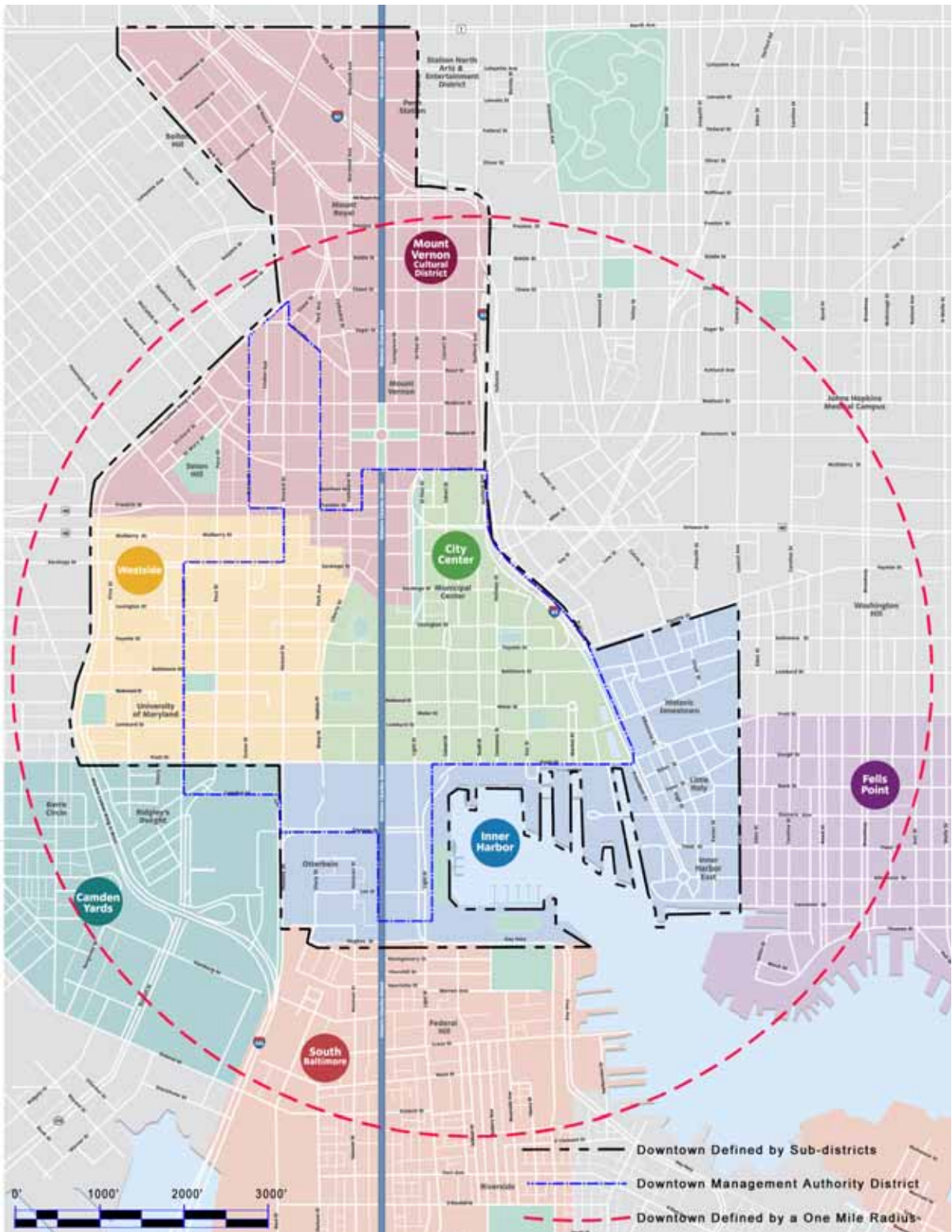
Boundaries

Downtown Baltimore has numerous definitions for its boundary. The boundary as defined by the Partnership in their 2006-2008 report is also in flux. The downtown boundary used for this report will be definitions done by the Partnership. The boundary definitions can be seen on the Boundaries Map as well as the Downtown Management Authority (DMA) district. The DMA district was one of the first definitions of the downtown that expanded beyond just the business district. This 106-block DMA area was set up as a tax incremental finance (TIF) area by statute, which receives money to assist with the financing of the DMA responsibilities. Although the definition of the downtown boundary has changed, the DMA district has remained unchanged (Planning Dept).

The boundary is relatively easy to change along most of the downtown as it is not always defined by the same physical feature, natural or man-made. A portion of the southern and eastern boundaries is the harbor front and a larger portion of the eastern boundary runs parallel to a highway. The other boundaries are defined by a series of different streets and as the Boundary Map shows, the edge of downtown can change every few blocks to a different street. These physical features assist with defining neighborhoods, but that is also in flux. As neighborhoods develop and take on a different character, the neighborhood boundary has adjusted as well ("1996," "2006-08").

Figure 2: Boundary Map.

Different definitions of the downtown displayed to show the similarities and contrasts between the diverse boundaries associated with downtown Baltimore.



The downtown boundary has changed repeatedly for numerous reasons. For purposes of statistical analysis of the downtown, the new areas immediately adjacent to the core, which have taken on more of a downtown function, are now within the downtown boundary. The Partnership has also changed the boundary as they have changed their definition of what is "downtown." This redefining of downtown has expanded the boundary into surrounding neighborhoods that were not quite as vibrant in the past, either as business or cultural areas. In the past few years the Partnership has added additional neighborhoods or areas to the downtown definition including Inner Harbor, and more recently the Station North Arts District, an area now associated with the Mt Vernon district. The Downtown Partnership has learned to make their downtown boundary commensurate with what the populous thinks is downtown.

Over the last ten years the area defined as downtown has almost doubled, from approximately one square mile in 1996 to approximately two square miles today ("1996," "2006-08"). The acreage of downtown Baltimore varies, depending on the boundary used. The four neighborhood district boundary encompasses 1015 acres, whereas the one-mile radial arc boundary is approximately 2010 acres.

Characteristics

The Character Maps show the landmarks and activity areas that are associated with the downtown whether they are physically in the downtown boundary or not. Downtown Baltimore has four distinct sub areas or districts: City Center, Inner Harbor, Westside, and Mt Vernon; each with their own distinct character, charm, and housing styles.

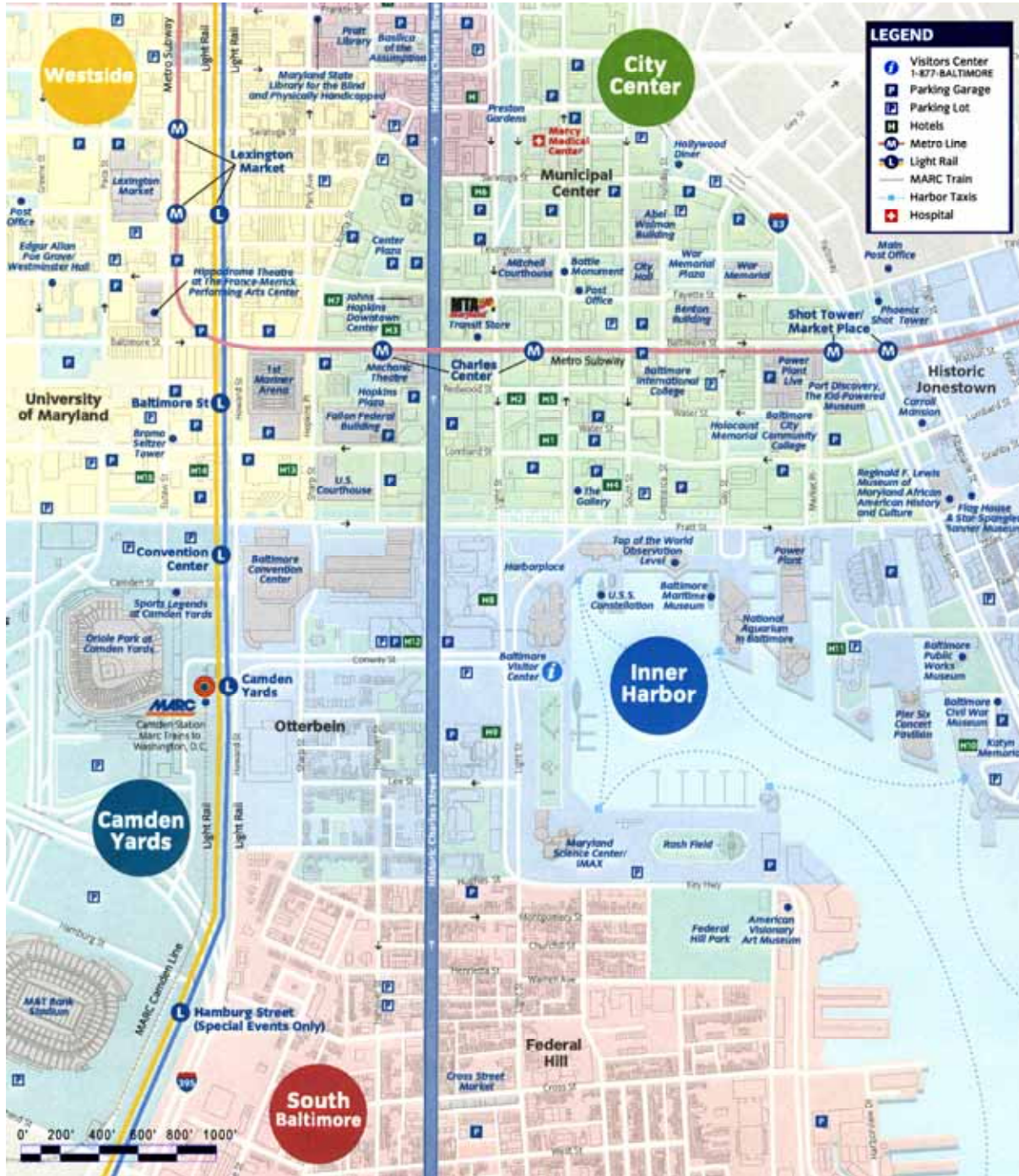
City Center District

City Center is the heart of downtown and encompasses historic Charles Street, Charles Center, Market Place, and the Financial District. In addition to the many businesses and the growing number of apartments here, City Center is home to an increasing number of restaurants, shops, and nightlife offerings. Although it is the region's business center with approximately 100,000 employees, City Center has emerged as one of the most active development spots for residential units which have also been attracting long awaited retail for the area residents. The area is a mix of historical buildings and new buildings and modern architecture.

Figure 3: Characteristics Map, North.



Figure 4: Characteristics Map, South.



Inner Harbor District

For almost two decades, people from around the world have come to the Inner Harbor to visit the National Aquarium, Maryland Science Center, and nearby Camden Yards. Now they are heading there to live in the abundant new condominiums, town homes, and high rise developments with exclusive amenities such as high-end retail stores and world class views of the harbor and beyond. Transportation opportunities are unique to the Inner Harbor, as one can take a kayak or water taxi to work and dinner. Here, a mix of industrial and home architecture forms an exception to the typical Baltimore pattern of geographic segmentation into distinctly residential or commercial-industrial districts.

Westside District

The Westside resurgence is in full swing. A few of the noteworthy items in the area are the stadium for the Orioles, the Hippodrome, and Lexington Market. Long considered Baltimore's Loft District, the Westside is the fastest growing residential neighborhood in downtown. Thousands of professionals live on the Westside in lofts or luxury apartments. So do many of the students who attend the University of Maryland Baltimore. The Westside also offers excellent transportation links to anywhere in the region thanks to the transit lines and the easy access to area highways. Overall, the area has an eclectic feel in both architecture and design and the variety of residents and educational and business campuses in the area.

Mt. Vernon District

Residents of the historic neighborhood love the European feel of Mt Vernon's parks and architecture. They also love living in one of the region's most culturally sophisticated neighborhoods. In addition to many private art galleries, the collections at the Walters Art Museum and Maryland Historical Society are renowned. The Peabody Conservatory is one of the finest musical academies in the world and its students perform at both grand recitals and neighborhood jazz clubs. Nightlife includes First Thursday's concerts at the original Washington Monument, elegant dining in your choice of international cuisine, and plenty of live entertainment ("About Downtown," "Neighborhoods," Planning Dept.).

The area of downtown that has faced the most challenges in the quality of the built environment has been the Westside. The area had a high number of vacant, Class B and C buildings and

had experienced a high rate of disinvestment over the years. Many of the rundown buildings were owned by an eccentric man named Harry Weinburg. Mr. Weinburg had no interest in renovating or investing in the properties and was largely viewed as a slumlord. As Mr. Evitts said, he was certainly “not an active partner in keeping the area healthy and vital.” When Mr. Weinburg passed away, the Harry and Jannett Weinburg Foundation was established. The Foundation began to “develop a conscience” and took an active role in the redevelopment of the area as well as the buildings it owned.

In addition to Mr. Weinburg's neglect of his buildings, the entire neighborhood was populated with many older, mid-sized, Class B and C buildings often with lead paint, asbestos, and/or potential brownfield designation. The Partnership pushed for standardized building codes and safety regulations, targeted government tax breaks and assistance, and worked to educate developers as to how it could be profitable to renovate these buildings. They analyzed and explained how tax credits could be used to defray expenses, educated developers about what was required of them to rehabilitate the buildings, and pushed policy at the statewide level to facilitate the redevelopment process. At the same time, the Partnership implemented a strategy of visible, signature projects in order to spark more widespread redevelopment and investment in downtown neighborhoods. For example, they spearheaded the renovation and restoration of the historic Hippodrome theatre, which served as a symbolic rebirth for the Westside neighborhood. Today the Westside is doing quite well. In fact, the Weinburg Foundation is currently working with the city on a “Superblock” mixed use area which will include a considerable number of market rate rental apartments, new building infill, and historic reuse (Evitts).

Zoning

A zoning map is not available electronically; however one can be purchased from the city's Zoning Department in person with cash or check. Attempts to discuss the downtown zoning with the city of Baltimore Planning Department were fruitless. However, a discussion with the zoning department, which is enforcement only, provided an insight to the city planning and zoning issues. The zoning was last overhauled in the early 1970s with a few modifications since that time. There seems to be a disconnect between the zoning and planning departments as all developments begin with a check-in with the zoning department to verify if they are

appropriately zoned. Often if the zoning department says "yes," the second check-in with the planning department will say "no," which may explain the frustration of developers and the increase in Board of Municipal and Zoning Appeals (Henry and Planning Dept.).

Developments in downtown have occurred predominately under Planned Unit Development (PUD) zoning in order to allow a variety of uses into the industrial zoned areas, which do not include many other uses besides industrial. The large amounts of PUDs that have occurred are infringing on the industrial area of the harbor and have encouraged the planning and zoning department to review the zoning map and create an Industrial Maritime Overlay Zone to protect the important deep water industries along the harbor (Comp Plan, Planning Dept.).

The City of Baltimore Comprehensive Plan was just redone and adopted in June 2006, and includes various planning and zoning recommendations. A few of the recommendations include the immediate need to update a few sections, to begin a total rewrite of the existing code, incorporating the newly proposed transit oriented development overlay zone, a university district overlay zone, mixed-use categories, and a new park zoning classification (Comp Plan 163).

In addition to the city planning department initiatives, the DPO is currently looking into inclusionary zoning. This type of zoning will analyze the degree to which new developments can be encouraged to have sub-market units (affordable housing), which is among their top policy debates in the downtown area (Evitts).

2. POPULATION

Downtown Baltimore has historically had a very small residential population. Population in Baltimore city as whole had been on the decline since the 1970s. The city has lost nearly 50,000 residents since 2000 (US Census). A decade ago, the central business district, with the exception of the towers on Charles Plaza, remained essentially void of residential units.

Apartment units elsewhere downtown were experiencing occupancy rates of 95 percent, however, evidencing a demand for more residential development. ("1997") This was especially true in the "loft district" near the University of Maryland which was in high demand and seeing

increased interest in converting and renovating old buildings to residential according to the 1996 Downtown Baltimore Economic Growth Strategy publication. The Inner Harbor led the residential resurgence of downtown and has seen significant mixed-use development, with ground level retail and apartments and condos above.

Over the last decade, the number of residents in the business district has more than doubled. The Partnership now calls the Central Business District, or CBD area, City Center to better reflect and market this new demographic and economic reality. They estimate that there are currently more than 10,000 residents in City Center.

In response to feedback from commercial brokers and developers that their population and demographic data is inconsistent and insufficient to attract major retailers, the Partnership, the Baltimore Development Corporation, and other city development groups commissioned a major study to clarify their population estimates and support their efforts to market downtown to retailers nationally.

Census figures for the tracts roughly representing the downtown boundaries actually show a population decline of about 600 people from 1900 to 2000. Census track data doesn't reflect downtown proper, however, and so the Partnership has taken to conducting its own research. The Partnership has found, through trial and error, that in real estate jargon downtown population is considered the number of residents within a one-mile radial arc of a central point. As a result, The Partnership is changing their estimates to reflect real estate "language" in order to attract retailers and address their required population thresholds. Most national grocery store chains look for a 30,000 urban population threshold within a one mile radial arc and retailers often look for a 10,000 threshold.

The Partnership considers the population within a one mile radial arc to be 38,000. This area ranks 8th in country in population density, as well as 8th in household income (About Downtown).

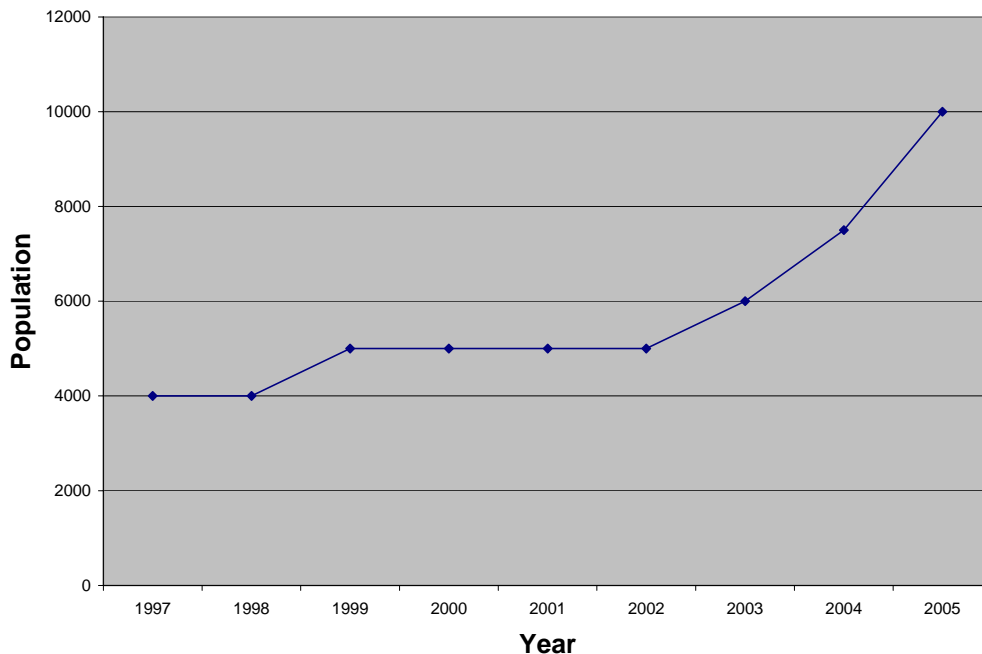
In addition to their residential population, downtown boasts a large and growing number of students, primarily from the University of Maryland. The Partnership estimates that 20,600 students currently live downtown (About Downtown), up from 13,100 in 2003 ("2003").

Those moving downtown are predominantly young, childless professionals and baby boomer retirees, with approximately 65 percent of new residents moving from outside of Baltimore City ("2004"). Downtown residents have an average annual income of \$54,000 and collectively boost the downtown economy with an annual buying power of \$88 million ("2004").

Baltimore is attracting many new residents because it offers a low-cost, urban alternative for DC area commuters. The two heavy rail lines that connect DC and Baltimore are experiencing high ridership on the one hour and ten minute commute.

Policies and programs initiated by the Downtown Partnership of Baltimore helped fuel this downtown population boom. The Partnership formed the Downtown Housing Council in 1997 to support investment in downtown residential development. That year they declared that Downtown Baltimore's most dramatic growth over the next decade must be in boosting the number of residents and visitors.

Figure 5: Downtown Population Growth Estimates



3. DEVELOPMENT

Downtown Baltimore is booming, the skyline is changing, and cranes are commonplace. More than \$1.24 billion in new development was completed in 2004 and 2005, and an additional \$1.36 billion is under construction, with more than \$2.48 billion in new projects on the drawing board. Many see Baltimore as a good value, especially compared to nearby Washington, D.C. There is no shortage of investors, who see a strong market both in the location and in job growth, in addition to national trends encouraging development and investment, including cheap debt, availability of equity, and strong profits in all sectors. Interest rates are not expected to rise for at least two years and the local economy is buffeted by the diversity of jobs in the government, biotechnology, and military. Energy prices are having a positive effect on the downtown area as more people choose to drive less and live closer to their places of work and play.

Downtown investors include REITs, private equity funds, pension funds, insurance companies, national and international investors, as well as local individuals. A recent survey revealed that most investors see land, retail, and hotels as under-priced; Class A office and condos as a solid investment; and rental apartments as assets to sell, notably for condo conversions ("2006-2008"). While this report will discuss the office, hotel, residential, and retail markets, there is no industrial in downtown as most of those areas have been redeveloped into waterfront condos or office since 1997.

Many survey respondents to the 2006-2008 Downtown Development Report imparted that construction costs were the biggest threat to the industry. Costs have gone up across the nation, mostly in materials, largely as a result of Hurricanes Katrina and Rita, but also from rising fuel costs and

<u>City</u>	<u>Index</u>
San Francisco, CA	179.7
Minneapolis, MN	164.6
Chicago, IL	164.4
Rochester, MN	152.8
Kansas City, MO	151.3
St. Louis, MO	149.4
Peoria, IL	146.5
Madison, WI	145.2
Denver, CO	141.1
Baltimore, MD	135.8
Des Moines, IA	133.5
Omaha, NE	132.8
Atlanta, GA	131.7
Phoenix, AZ	128.5
Lincoln, NE	124.1
Dallas, TX	123.7
Cheyenne, WY	118.9

NOTE: A construction cost index number is a percentage ratio of a cost at a stated time to the national average cost of the same item at a base period. The base period used for this index is January 1, 1993. In other words, these index figures represent relative construction factors (or if you prefer, multipliers).

SOURCE: Cost, Planning & Management Int'l Inc. (Indicators extracted from "Blue Chip Economic Indicators," published by Capitol Publications Inc. in Alexandria VA, March 2005)

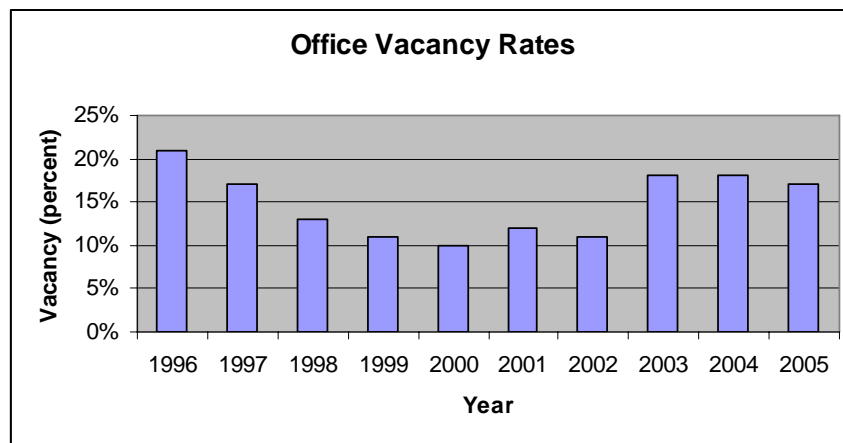
global competition for materials, primarily from China. A 2005 Construction Cost Index put Baltimore at 135.8, slightly lower than Denver at 141.1, and slightly higher than Des Moines at 133.5. In 1999 the Partnership conducted a study of the office market and building costs and at that point construction costs ran \$175 per square foot (PSF) for Class A. Class A office has seen a big run up in costs to \$225 PSF today. Above-ground parking construction costs run \$25,000 per space while below ground run 40,000 per space. Construction costs for rental apartments run \$175 to \$200 per square feet, and condos start at \$200 to \$250 PSF for middle-of-the-road units. Retail construction costs are similar at approximately \$75 PSF.

Office Market

Most office markets across the nation suffered following 9/11, but Baltimore's market remained steady compared to Denver's more dramatic fluxuations. In 1997, Baltimore office vacancy rates were running at 20 percent overall. Class A vacancy rates were 15 percent and Class B rates were 30+ percent. Starting in the late 1990s, vacancy rates began to tighten to single digits in Class A. In the years following 9/11, vacancies never went past 13percent, although vacancies went up in 2003 and 2004 to 18 percent, and have been falling for the past few years. Today rates are in the teens.

Baltimore currently has a strong office market, indicated by low vacancies, high absorption, and many new projects under way. The downtown has a total of 21 million square feet of office space, 270,000 square feet under construction, and the market absorbed about 1.3 million square feet last year. That absorption was 10 percent of the market and about 10 percent new office came online, so that vacancy stabilized at about 12 percent. In addition, approximately 1.9 million square feet was converted from Class B office to residential over the last decade. As for leases, rates have remained fairly flat over the last 8-9 years. Class A leases are now in the mid-20s to \$33/34, while Class B leases are \$14-21 PSF. Downtown Class A buildings are generally banded around Baltimore's waterfront. Class C office rates are now \$10 to 15 PSF. These are full service lease rates so for net lease rates subtract \$8-10 per square foot. The price per square foot also increases \$5 - \$6 if a downtown company pays for employee parking. By comparison, good suburban Baltimore Class A buildings run in 20s and provide free parking, which is why suburban office space has been the downtown's biggest competition for many years (Evitts).

Figure 6: Baltimore Office Vacancy Rates



One significant trend in the downtown market is the tremendous biotech and research segment emerging. The biotech, hospital, life sciences, and medical research segment account for about 6 million SF in downtown. Almost 3 billion in construction in these sectors is underway or about to be underway. Downtown Baltimore is home to two major universities which are the main drivers for the biotech and research industries. Downtown also has four major hospital campuses and many smaller med research institutions that are rapidly expanding. Most hospital buildings were built in the 1960s and 70s to replace hospitals built before WWII that had hit functional obsolescence, and now those are being replaced as well. Now everyone wants private rooms, which also reduces infections, and additional space is needed for expanded pharmacy, lab, and operating areas. Hospitals used to require 1500 square feet per bed and now this figure has increased to 3000 square feet per bed. There have been no net increases in beds, merely in space needs and this is driving a construction boom. New, state of the art facilities also help Baltimore hospitals compete with top research hospitals nationwide when recruiting top doctors (Evitts).

A notable project includes the UMB BioPark at the University of Maryland, a biotechnology and medical research center with medical office and laboratory facilities. According to their website, the facility and parking are built on ten acres of land and include ten buildings containing 1.2 million



square feet of lab and office space, parking garages for 1,600 cars, as well as landscaped parks. It is a \$47 million investment and will create 2,500 jobs and generate \$300 million in capital investment (UMB).

Hotels and Tourism

Baltimore is becoming better known as a destination for tourism and business travel. The hotel sector has had notable success over the past few years and occupancy has stayed in the mid-70 percent range. As of November 2005, the Hotel occupancy was 73 percent. Hotel investment has been hot nationally and Baltimore is no exception. For investors, hotels can perform better than office, retail, and industrial space (Moore). The Hippodrome is a draw, especially from DC, and many people support the new Convention Center Hotel ("2006-2008").

Presently there are 5,800 existing hotel rooms, 1318 under construction, and 750 in planning. These include the Four Seasons Hotel and Residences at Harbor East, adding 200 rooms; the Inn at Camden Yards in the Westside neighborhood, with 126 rooms; Hilton Gardens and Homewood Suites of Harbor East, 191 rooms/151 suites; and Springhill Suites at the City Center, providing 90 rooms. Of note is the city-owned and city-financed Convention Center Hotel adjacent to the new Convention Center, which began construction this year and will be financed with \$300 million in City-backed revenue bonds. When complete in 2008 it will add 756 rooms and be managed by Hilton Hotels. While many people have a concern with the city taking on such a large investment, most support the project as a good thing for the city ("2006-2008")



Convention Center Hotel

Residential Market

There is significant demand for housing in Downtown Baltimore because of the location, changing demographics, and city leadership. The proximity to Washington, DC is a "housing

demand generator," as Baltimore is considered a good value and is within driving distance or a train ride to its more expensive neighbor, DC. According to the 2006-2008 Downtown Development Report, "Since 1999, young singles, married couples with no children, gay couples, and roommates, mostly from suburban Baltimore, have driven the rental market. Over the past few years, empty nesters, retiring baby boomers, and older, childless Gen-X'ers have fueled the luxury rental and for-sale markets" ("2006-2008"). Some of the credit for the success of multifamily developments can go to city leaders who have been willing to support changes necessary to attract developers and residents to their downtowns. As prices rise and properties appreciate, the lack of affordable housing is becoming more of a concern ("2006-2008" 16).

The supply for housing has kept pace with the demand as well as the increasing number of employees downtown ("2005"). Since 2000, developers have added more than 3,000 new housing units to the downtown area, most of which is market-rate rental units. This past year for-sale units outpaced rentals (Dennehy. 37). The 6,150 existing apartment units have occupancy of 96 percent and 21 percent are income restricted. There are 1,231 existing condos and 1,400 more units under construction. Condos, once shunned by buyers and developers alike, are doing well, as are apartment properties. Multi-family residential rentals have gone from \$1 PSF in the most expensive areas on the waterfront to a current market rate rental of about \$2.50 PSF. Some higher end areas come close to \$3 PSF. In non-waterfront areas, rental rates have gone from \$.75 PSF in the last 8-9 years to \$1.50 today. There is now a proposal for a mixed use development that would be the tallest building in Baltimore with 52 stories (Evitts).



One project of note is Spinnaker Bay, a mixed-use development at Harbor East. Even with some of the highest rental rates in the city, it set records in the summer of 2005 for some of the fastest leasing rates on the east coast ("2005"). The building consists of 315 luxury apartments, 32 condos, and 43,000 square feet of retail/restaurant. The now sold out condos, designed with floor-to-

ceiling windows to maximize views, range in floor plans from 1,400 to 4,000 square feet, and initially priced from \$600,000 to \$2.2 million (Dennehy 37).

4. RETAIL

The retail sector of Baltimore is experiencing a resurgence of retail development. A stable employment base, an expanding residential and hotel presence, a commitment by city and industry leaders, as well as some key economic indicators have come together to encourage retail investment. Downtown's unique environment, with its world-renowned Inner Harbor, easy transportation access, and walkability make it an attractive place for locals and tourists to shop. Even national retailers, such as Office depot, Caribou Coffee, BeBe, Best Buy, Filenes, and Urban Outfitters are willing to locate downtown, something they would not have considered even a few years ago. In addition to demographic trends, the success of retail can also be attributed to the willingness of retail to more creatively fit into urban areas (Evitts).

In downtown Baltimore there is 2.1 million square feet of existing retail space with 730,000 under construction as of 2005 ("2006-2008"). The Partnership inventoried existing businesses and found that there are 1400 first-floor businesses, many of which are service oriented such as advertising agencies, accountants, and small law firms, and included 60 new businesses and 25 percent national retailers. The Westside has the majority of businesses, which tend to be small and local, followed by the City Center, Mount Vernon, Inner Harbor, and Station North. While the Inner Harbor has only 16 percent of the total retail, it has a higher concentration of businesses, most of which are national retailers. As in many urban environments, downtown residents would like to see a grocery store, general retailers such as Target, Wal-Mart, or Kohl's, and a hardware store, but that seems unlikely in the near future ("2005")

Baltimore's retail vacancy rate is about 6 percent, compared to 8 percent nationwide (Baltimore Business Journal). As for leases, price per square foot for sales of retail on the harbor front was up to 75-80 PSF triple net. Off of the waterfront, a few years ago \$8 PSF was standard. Much of the dead retail space was converted or replaced with residential and parking facilities. Currently retail runs \$15-25 PSF and has about tripled in downtown neighborhoods over the last 8 to 9 years (Evitts).

In the process of developing a retail strategy and marketing program, Baltimore endeavored to obtain a comprehensive understanding of the national retail marketplace and how Baltimore fits within it. The Retail Market Assessment, completed by McDearman Associates and commissioned by the Partnership, Baltimore Development Corporation, Baltimore City Department of Planning, and the Charles Street Development Corporation, examined Baltimore's demographics against those used by top retailers. According to the Report, there are 8 top-tier U.S. cities for retail (New York, Chicago, San Francisco, Boston, Washington DC, Philadelphia, Portland, and Seattle). Most cities in the top 25 metro areas nationally are struggling to maintain and attract national retail chains. What top retail cities have in common is a large metro area population, high city population density, high daytime employment within a 1-mile and 3-mile radius, high average incomes within a 1-mile radius, high number of households earning \$75,000 in 1-mile radius, at least one large shopping district or mall downtown, good public transportation, and good public safety downtown.

According to the report, Baltimore is on the cusp of being a top retail city, as it is one of the top 25 Metros by population, one of the top 25 Metros per capita income, within the 1-mile radius there is a population of 20,000+, employment of 100,000+, and at least 3,000 households \$75,000 +MIH. Downtown Baltimore is characterized by small, locally owned retail, partly because the existing building footprints are not suited for national retail trends. The City Center has the greatest opportunity to attract high-end national retail. While East Baltimore, West Baltimore, and Mt. Vernon have the greatest populations within a 1-mile radius, these areas do not have the demographic characteristics that attract the attention of national retailers (Retail Story Board).

According to the report, a number of factors are holding Baltimore back. These include demographics that have only recently become attractive to retailers; downtown daytime employment that is well-below top markets; no large, clustered shopping district or mall in or near downtown; lack of adequate space to group retailers together and provide desired footprints and store frontage; stiff competition from



Columbia and wealthy surrounding suburbs; easy access to high-end shopping experiences in New York, Philadelphia, and Washington, D.C.; inadequate and poorly connected public transportation system; the perception of crime; and the lack of comprehensive information on the Baltimore market and how it compares to other cities and suburban markets. Nevertheless, there are reasons to be optimistic about attracting and supporting a strong retail base, as outlined in the Report. These include a top downtown with a dense clustering of residents, businesses, visitors, institutions, sports facilities, and events; a high number of high-income earners in the city center; significant demand for high-end residential units; high hotel occupancy rate with many new hotels in the pipeline; and authenticity of architecture, culture, and diverse neighborhoods that are driving urban renewal (Retail Assessment Summary).

The most visible retail is the renovated Power Plant, located on the Inner Harbor at Pier 5. It opened in summer of 1998 and now features a Barnes & Noble bookstore, Hard Rock Cafe, Gold's Gym, and the first ever ESPN Zone. The ESPN Zone is a two-level, 35,000 square foot sports-themed dining and entertainment complex that resembles a stadium. There is a screening room, games in the Sports Arena, and a sitting area outside where one can relax and view the harbor (Travel Ape).

5. PARKING

Since Baltimore is still largely a commuter city, parking is a very important aspect of downtown. While gridlock is not really an issue, the cost of parking and delays exiting garages is, according to respondents to the 2006-2008 Downtown Development Report survey. There are 2,500 on-street parking spaces and 41,000 off-street spaces (Aydukovic).

The number of people commuting by rail from DC (a one hour and ten minute commute each way) is increasing. As a result, the two heavy rail lines are experiencing high ridership and increasing demand for improvements and expansion in service. The commuter rail service is struggling to find the funds to purchase additional rail cars and as yet has not made any changes due to a shortage of funds.

A group of Baltimore business leaders gathered by the Downtown Partnership of Baltimore recently identified expanding DC/Baltimore rail service as a top priority for the Partnership to address ("2006-2008"). Attracting DC commuters is a high priority for the Partnership and this input may lead to new marketing strategies and development goals.

Other transit-related policy has effected downtown's development. In addition to the two heavy rail lines connecting it with DC, Baltimore's mass transit system includes a one-line subway, one line of surface light rail, and a massive bus system. The bus system is widely used, but almost exclusively by those with few other options. The subway has one line and a ridership of 35,000-40,000 riders per day. The light rail has fairly low ridership. One reason is that transfers between the light rail, subway, and bus systems are not allowed, even when at times they are literally right on top of one another.

The light rail was poorly planned from the beginning according to Bob Aydukovic, the Downtown Partnership of Baltimore's Vice President of Public relations. Delays are caused when cars must wait to pass one another on the section of single track running through dense areas of downtown. A double track was not installed at the outset due to funding constraints. A double rail is in the works now for this area of downtown to try to boost ridership and improve the system.

The Downtown Parking Initiative started in 1997 with the release of a parking study which pinpointed where parking demand was not being met. In 2001 management and development of parking facilities was shifted from the Department of Public Works to the newly created Baltimore City Parking Authority. Construction of new, structured garages continued through this year. The Parking Authority works off of parking fines and revenues, and has bonding authority to fund new garages. They do not advocate for surface parking lots. As Mr. Aydukovic, with the Partnership said, "we have plenty of those."

Parking costs depend on location. In more dense and high demand areas, a monthly permit costs between \$175 and \$200 or \$18 per day. In other areas where the demand is lower and parking facilities are farther from commuters' destinations, costs are as low as \$75 monthly or \$6 to \$8 for the day. The costs generally depend on trip generators around facility. Their

garages have a catchment area of about two blocks, and 3 blocks in areas with high parking demand. Generally users are unwilling to park more than 2 blocks from their destination.

6. POLICIES AND POLITICS

The main political challenge that downtown advocates have faced is the perception that downtown redevelopment and investment comes at the expense of the rest of the city — particularly less wealthy, less well-connected neighborhoods. As a result, City Council members representing other Baltimore neighborhoods have at times impeded or countered downtown development in favor of redevelopment and investment in their own neighborhoods.

It has been a challenge to convince non-downtown city neighborhoods to recognize that downtown benefits everybody. To do this the Partnership tried to research and promote the net benefits of having a vibrant downtown. In their analysis the Partnership found that, as opposed to the common perception, most of the people who work in downtown live downtown. They have tried to show the degree to which downtown is a net importer of jobs and income, and that downtown's success is not an either or situation — downtown and other Baltimore City neighborhoods can both do well. Their research also proves that downtown investment provides a better return for every dollar than investment elsewhere. The current mayor, Martin O'Malley, is a downtown advocate and has helped to change the negative perception of downtown redevelopment. In a boon for downtown, O'Malley won the governor's race on November 7.

Governor-elect O'Malley's recently appointed transition team includes environmental leaders as well as Richard Berndt, O'Malley's finance chief who sits on the Baltimore Development Corporation's board and Jon Laria, president of Live Baltimore, which promotes urban living in Baltimore City. O'Malley and his family live in Northeast Baltimore and have not decided whether they will move to the governor's mansion in Annapolis. O'Malley's wife, Catherine Curry O'Malley, is a district court judge in Baltimore and will most likely keep her job. The governor-elect's Baltimore roots may lead to increased state support for downtown's redevelopment. Democrat William Donald Schaefer was the last Baltimore mayor elected governor in 1986.

Maryland tried to slow sprawl under their previous two-term, Democratic governor who bought up park and farmland to preserve it and curb sprawl. The current Republican governor, Robert L. Ehrlich, has not made smart growth as much of a priority, but many counties have taken the previous governor's lead in implementing land conservation and smart growth policies. Carroll County to the north is experiencing a water shortage, which is limiting its capacity for growth. A housing demand throughout the region is driving downtown residential development as well. Newly elected and veteran leaders face pressing issues such as rapid growth and a housing shortage related to increasing jobs.

A cloud of controversy has surrounded the Baltimore Development Corporation recently and may tarnish their image and hinder their development efforts (Fritze). Maryland's Court of Appeals ruled against Baltimore City on November 3, 2006, deciding that the development corporation must cease its private corporation practices of closed-door meetings and withholding financial records.

The city was sued by nine businesses facing condemnation as part of the west side "superblock" redevelopment, a project strongly supported by the Downtown Partnership of Baltimore as well. The lawyer for the businesses (which include a wig shop) argued that the BDC's selection of a developer for the project was illegal because it was made at a meeting that was not open to the public.

The Baltimore Development Corporation, a nonprofit agency whose board members are appointed by the Mayor, receives as much as 87 percent of its funding from the city. It is responsible for the \$305 million convention center hotel, opening in 2008 as well as the "superblock" redevelopment. It does not have the power of eminent domain. The "superblock" may be delayed if a court decides that the city must redo the developer selection process, this time in public. Many existing business owners within the "superblock" site want to stay. They submitted an alternative "superblock" proposal to the BDC which would have allowed them to stay, but they were prevented from attending any meetings to advocate for their proposal. The court's decision could open the door to challenges to dozens of quasi-public agencies in the state who perform public functions.

As a side note, the "superblock" development is located on the west side, which until recently struggled with a surplus of run-down, underutilized Class B and C buildings. It was in the west side and other historical sections of downtown that the Downtown Partnership of Baltimore focused its Facade Improvement Program (FIP), a program which dramatically improved the aesthetics of downtown. The program initially focused exclusively on small, commercial properties and assisted numerous storefront businesses.

7. COMPARISONS AND DIFFERENCES FROM DOWNTOWN DENVER

Geography dictates the most obvious difference between downtown Baltimore and Denver. Baltimore's Inner Harbor is the focal point of downtown and served as the leader in downtown Baltimore's redevelopment. It provides the main tourist destination as well as the most desirable residential, commercial, and retail location.

Denver lacks such a geographic focus. The view of the mountains provides a desirable amenity, but is not tied to a specific location. Denver has made the most of the South Platte River Park System, yet the area alongside the river has not driven downtown's resurgence.

Both downtowns seem to have evolving boundaries, downtown definitions, and terminology in common. The Downtown Partnership of Baltimore renamed their Central Business District "City Center," which echoes Denver's newly defined "Center City" area. Neither area is the same as the Business Improvement District and both changes seem to be driven by marketing and efforts to promote a "vibrant" downtown image.

Downtown demographics for both cities are very similar. Within a 1-mile radius of its downtown, Baltimore ranks 14th for median household income and 8th among the top 25 metro areas with 3,145 households earning \$75,000 or more annually. These figures make Baltimore's downtown comparable to Washington and Denver (About Downtown page). Residential populations for both downtowns are comparable as well.

Downtown Baltimore's office and commercial sector is also comparable to Denver's, in regards to existing square feet, vacancies, and absorption, but differ in prices. Downtown Denver's CBD

office vacancy rates were at 14.5 percent vacancy compared to Baltimore's at 12 percent. Denver is more affordable at \$18 PSF for leases compared with Baltimore's \$20-34 PSF lease rates. LoDo vacancy rates, on the other hand are at 6 percent. (Frederick Ross)

Both downtowns have similar residential vacancy rates, but Baltimore has much higher average rent per square foot (\$1 PSF in Denver vs. 2.50-\$3/PSF in Baltimore). Demand for downtown residential development is high in both cities, as in many other cities across the country. Both are seeing a high rate of properties converting from apartment to condominium. The hotel sector is hot in both cities, but that is typical as a national trend as well.

While Baltimore's retail vacancy rate is similar to Denver's (at 6 percent, compared to 8 percent nationwide and Denver at 6.8 percent) (Frederick Ross), Baltimore has created a critical mass of retail at the Inner Harbor, a pleasant place to stroll and shop. In contrast, Denver's retail is spread around in pockets, and lacks a natural feature that people would be drawn to — instead, people go shopping at Cherry Creek. While Denver's vacancy seems low it is because there aren't many retailers in the CBD and the vacancy is skewed by the success of restaurants. Nonetheless, Denver is on the cusp, like Baltimore, to be a top retail city, but what will that take? The redevelopment of the Denver Union Station is an opportunity to create a center for mixed use shopping, with a local as well as tourist draw.

SUMMARY

Downtown Baltimore is benefiting from the national urban renaissance trends, but seems to lag slightly behind their peer cities. Baltimore went into the last recession later than the rest of country and was hit harder than rest of country. In the 1990's the city core was heavily affected by global industry trends in which white collar industries, such as investment and legal services — leading industries in downtown — were going through rapid consolidation and acquisition. As a result, downtown Baltimore lost several headquarters and experienced a significant decline in jobs. As the vibrancy and investment opportunities in the suburbs increased, the distrust of downtown grew, fueled in part by subtle racism, and the "crime and grime" perception of downtown. In Baltimore, violence was statistically high per capita, adding to their particular challenge.

The Partnership began to address these issues only ten years ago, and has had a significant impact. As a predominantly commuter city, where mass transit is not heavily used, expanding parking was a first step in reinvigorating downtown. Addressing the deteriorating buildings and street-level infrastructure, as well as the perception of downtown as unsafe and lacking in amenities, was concurrent. Through the Partnership's efforts, 5,000 new parking spaces were created and the Baltimore Parking Authority was established. Downtown has seen success in converting Class B & C buildings into housing with the help of the Partnership's Downtown Housing Initiative. At the same time, the Partnership was continuing its bread and butter Clean and Safe program and Public Safety Guides program.

Even after nearly a decade of residential development in downtown, Baltimore remains very much a commuter city and the downtown population is still relatively low. Inner suburbs and outlying city neighborhoods are struggling and this may cause a resurgence of City Council opposition to downtown projects and investment.

Downtown proponents' current focus is on attracting retail, with the burgeoning residential population as the main draw, and attracting additional residents, building on Baltimore's status as a low-cost, urban alternative for DC commuters. The Partnership, while still struggling to settle on a clear downtown definition and boundary and collect consistent data, has helped downtown near "24-hour city" status.

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