Baltimore’s Inner Harbor: Economic Impact, Importance, and Opportunities for Investment
October 31, 2013
Executive Summary: Baltimore’s Inner Harbor drives substantial economic and fiscal impacts through tourism visitation and local business activity.

2012 INNER HARBOR TOURISM* + BUSINESS ACTIVITY

- **$2.3 B** in Overall Economic Activity
- **21,000** Jobs in the City and State
- **$790 M** in Employee Compensation
- **$102 M** in Annual Tax Revenue to the City and State

Source: Longwoods, 2012; Tourism Economics, 2013; ESRI BAO; IMPLAN; HR&A Analysis. *Does not include local visitors
Introduction
About HR&A

HR&A Advisors, Inc. is an industry leading real estate, economic development, and public policy consulting firm based in New York City, with offices in Washington, DC, and Los Angeles.

The firm has worked with numerous local public agencies, civic organizations, and private sector organizations to support the revitalization of iconic urban waterfronts and public open spaces, ranging from Brooklyn Bridge Park and the High Line to the Toronto Waterfront and Boston’s Rose Kennedy Greenway.

In 2005 HR&A produced a report for Baltimore Waterfront Promenade Committee, “The Baltimore Waterfront Promenade – Parks and Public Spaces,” that helped galvanize increased local attention to the Inner Harbor’s importance and lead to the creation of the Waterfront Partnership of Baltimore (WPB).
About this Project

- HR&A was engaged by the Maryland Economic Development Corporation, with the support of the Waterfront Partnership of Baltimore (WPB), to assess the impact and importance of Baltimore’s Inner Harbor and the high-level potential of improvements to one of its signature areas, Rash Field.

- The purpose of the study is to assist the WPB in describing the impact of the Inner Harbor in compelling, quantifiable terms and in making the case for increased public, private, and philanthropic investment in the Harbor to ensure it remains a strong driver Baltimore and Maryland’s economy.

- The primary basis for the study area and potential Rash Field improvements are concepts contained in the “Inner Harbor 2.0” Master Plan developed by Ayers Saint Gross for the WPB and the Greater Baltimore Committee.
The Study, like Inner Harbor 2.0, focuses on the “original Inner Harbor.”

The area is bounded by President St. to the East, E Pratt St. in the North, Light St. to the West, and the Key Highway to the South: an area of 0.2 square miles.
The Inner Harbor has set a global standard for urban waterfront redevelopment.

**Heritage Award, 2009** Industrial Excellence and Substantial Contributions to the Greater Community’s Well Being for at Least 25 Years

**Top Ten Waterfront Places** Honor Award for Excellence on the Waterfront, 1991

**Prix d’Excellence, 1997** “providing society with the optimal solution to its property needs”

**Citation, 1984** “one of the supreme achievements of large-scale urban design and development in U.S. history”

**Honor Award, 1973**

Source: Wallace Roberts & Todd, American Institute of Architects, and the International Real Estate Foundation
However, the Inner Harbor is beginning to show its age and has suffered from a lack of reinvestment.
Other cities meanwhile have re-invested in recent years in their waterfronts and downtowns, and a similar investment in the Inner Harbor could restore the Inner Harbor’s iconic park status.
These cities have been willing and able to make the public-private investments to keep their public parks vibrant and competitive.

Source: HR&A Advisors

* Projected
The Inner Harbor 2.0 Master Plan sets the stage for a new wave of investment in the Inner Harbor’s future.
Concepts in the Plan for Rash Field have potential to serve as initial, catalytic investments.

Source: Ayers Saint Gross Master Plan
The Impact and Importance of the Inner Harbor
The Inner Harbor remains a major reason people are interested in and visit Baltimore and Maryland.

Source: Google Trends

Google Trends analyzes a portion of Google web searches to compute how many searches have been done for the terms one has entered, relative to the total number of searches done on Google over time.
Tourism is important to the State of Maryland’s economy.

2011 MARYLAND TOURISM

34.4 M VISITORS $14.3 B IN SPENDING

SUPPORTS 130,000 DIRECT JOBS

Source: Maryland Tourism, 2012.
Tourism is an especially important part of Baltimore’s overall economy.

**2012 BALTIMORE TOURISM**

23.3 M VISITORS

$5.05 B IN SPENDING

SUPPORTS

78,000 DIRECT AND INDIRECT JOBS

Roughly 60% of all visitors to Baltimore visit the Inner Harbor — and generate economic activity throughout the City.

**2012 INNER HARBOR TOURISM**

23.3 M BALTIMORE VISITORS  

14 M INNER HARBOR VISITORS

*Does not include local visitors

Source: Longwoods, 2012. & Visit Baltimore Study
Economic activity in the Inner Harbor is driven by this tourism visitation, as well as business activity in the area.

**2012 INNER HARBOR TOURISM**

14 M

INNER HARBOR VISITORS

&

3,000 WORKERS

AT INNER HARBOR BUSINESSES

*Does not include local visitors

Source: Longwoods, 2012 & ESRI BAO
Of those 14 million visitors, the average visitor spends $207 per trip, with $202 spent locally.

HR&A’s analysis of “local spending” in the Inner Harbor excluded Air Transport, bringing the average to $202 per trip.

Summary: Baltimore’s Inner Harbor drives substantial economic and fiscal impacts through tourism visitation and local business activity.

2012 INNER HARBOR TOURISM* + BUSINESS ACTIVITY

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Source: Longwoods, 2012; Tourism Economics, 2013; ESRI BAO; IMPLAN; HR&A Analysis.
**IMPLAN Methodology: Estimate of Economic Impacts**

The IMPLAN model is used to conduct economic impact analyses by leading public and private sector organizations across the United States, including a number of federal and state agencies. IMPLAN traces the pattern of commodity purchases and sales between industries that are associated with each dollar’s worth of a product or service sold to a customer, analyzing interactions among 440 industrial sectors for a specific location, with assumptions about spending that takes place outside of the location. HR&A conducted its analysis with 2011 multipliers for the economy of Baltimore City and the State of Maryland. Multipliers are the total production requirements in the local economy for all goods and services consumed by final users in 2011. This is the most recent data available.

The figure below illustrates the structure of economic impacts produced by the model. Multiplier or spinoff activity is comprised of two components: 1) indirect economic impacts caused by additional business spending stimulated by direct economic spending during construction and operating activities (e.g., supplier business operations) and 2) induced economic impacts stimulated by additional household spending due to wages from the direct and indirect activity.

In addition to overall economic spending, the IMPLAN input-output model also produces estimates of the number of jobs supported and employee compensation. Compensation generated by the IMPLAN input-output model is based on a nationally recognized econometric model, customized for local economic conditions. It includes wage and salary income plus benefits and employer paid taxes.
HR&A estimated the economics impacts of Tourism spending and Inner Harbor employment on Baltimore City and the State of Maryland based on findings regarding visitor spending and motivations documented in previous studies and surveys:

1. A 2013 study by Tourism Economics for The Economic Impact of Tourism in Baltimore, estimates that the typical Baltimore visitor spends $207 per trip on lodging, local transportation, food & beverage, retail, gas stations, air transportation and recreation. This study combines spending across day-trippers and overnight visitors. HR&A counted $202 in local spending (excluding air travel) as inputs in IMPLAN.

2. A recent survey conducted for Visit Baltimore reveals that 60% of all visitors to Baltimore City spend time in the Inner Harbor, and 64% of visitors to Baltimore were motivated to come to Baltimore for discretionary leisure purposes such as a weekend getaway or vacation. The Visit Baltimore study is ongoing, and additional data could result in a different percentage of Baltimore visitors being credited with visiting the Inner Harbor.

3. A separate survey conducted for the National Aquarium in 2012, a major tourist draw in the Inner Harbor, revealed that 88% of Aquarium visitors chose to visit Baltimore primarily to visit to the Aquarium.

4. Based on these factors combined with our discussions with Baltimore tourism professionals and Inner Harbor venue operators, HR&A estimates that approximately 55% (88% of 64%) of the visitor spending by the 14 million visitors to the Inner Harbor is directly attributable to the presence of the Inner Harbor.

In addition to visitor spending, HR&A included non-tourism related employment based in the Inner Harbor based on 2012 Dun & Bradstreet & ESRI data. HR&A included all NAICS employment categories except, Agriculture, Forestry, Fishing and Hunting; Mining; Utilities; and those related to tourism, Retail Trade; Arts, Entertainment and Recreation; and Accommodation and Food Services.

All spending and employment categories were modeled in IMPLAN using their corresponding industry codes. A multi-regional analysis was conducted within IMPLAN to connect the spending directly in Baltimore City to the larger statewide economy and trace the economic impacts of tourism spending and local employment throughout the statewide economy.
Methodology: Approach to Overall Economic Output Attributable to the Inner Harbor.

Tourists:
60% of all visitors to Baltimore visit the Inner Harbor.*

Tourists:
Visitor spending for 55% of the Inner Harbor tourists can be primarily attributed to the Inner Harbor. **

Average visitor spending of Inner Harbor tourists, along with all non-tourism related jobs in the study area were the basis of the IMPLAN approach.

Employees:
Businesses directly in the Inner Harbor employ 3,000 people.***

Employees:
54% of employees work in non-tourism related fields, such as Accounting, Real Estate, and Manufacturing***

The IMPLAN modeling calculates the Direct, Indirect and Induced impacts of the related economic activity.

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* Forthcoming study for Visit Baltimore
** HR&A estimate based on studies for Visit Baltimore and Sage Policy Group
*** ESRI Business Analyst Online
The Economic Strength of the Inner Harbor
As Baltimore’s primary leisure, entertainment, and recreation destination, the Inner Harbor drives Baltimore tourism.
The Inner Harbor is home to many institutions at the core of Baltimore Tourism.

The Maryland Science Center.

The National Aquarium brings thousands of visitors to the Inner Harbor.

Harbor Place provides a blend of food and retail shopping.

Water taxis ferry users around the Inner Harbor.
Inner Harbor-generated tourism spending and on-site business activity drives economic activity throughout Baltimore City and Maryland.

$2.3\text{ B}$

**OVERALL ECONOMIC ACTIVITY**

$1.5\text{ B}$

**DIRECT ECONOMIC ACTIVITY**

IN BALTIMORE CITY

$520\text{ M}$

**SECONDARY ECONOMIC ACTIVITY**

IN BALTIMORE CITY

$250\text{ M}$

**SECONDARY ECONOMIC ACTIVITY**

IN MARYLAND

Source: IMPLAN; HR&A Analysis.
It also supports jobs throughout Baltimore’s and the State’s economies.

21,000
JOBS SUPPORTED BY THE INNER HARBOR

16,000
DIRECT JOBS
IN BALTIMORE CITY

3,500
SECONDARY JOBS
IN BALTIMORE CITY

1,500
SECONDARY JOBS
IN MARYLAND

Source: IMPLAN; HR&A Analysis.
These jobs generate significant compensation.

$790 M

EMPLOYEE COMPENSATION

$540 M
DIRECT COMPENSATION
IN BALTIMORE CITY

$180 M
SECONDARY COMPENSATION
IN BALTIMORE CITY

$70 M
SECONDARY COMPENSATION
IN MARYLAND

Source: IMPLAN; HR&A Analysis.
And Inner Harbor-generated spending generates revenue for the City and State.

$102 \text{ M}

TOTAL REVENUE TO THE CITY AND STATE

$43.3 \text{ M TO BALTIMORE CITY}

$58.7 \text{ M TO MARYLAND}

Source: Baltimore City Budget & Maryland Budget; HR&A Analysis.
Employees who work in the Inner Harbor are not limited to tourism-related jobs.

Companies located in the Inner Harbor employ about 3,000 people.

The Inner Harbor Supports:

54% NON-TOURISM
Commercial Office, Manufacturing & Trade, Human Services, & Other
And
46% TOURISM
Hospitality, Entertainment & Recreation, and Retail

Source: ESRI BAO
Over a third of employees working in the Inner Harbor live in Baltimore City.

Inner Harbor Employees County of Residency

- Baltimore City, 37%
- Baltimore County, 27%
- Anne Arundel County, 8%
- Harford County, 3%
- Howard County, 6%
- Carroll County, 1%
- Other, 18%

Source: US Census, On The Map
Over 1,700 residential units have been completed or are planned near the Inner Harbor since 2007.

Source: Market Research

*Not all units shown on map; buildings of 75 units or more.
Proximity to the Inner Harbor may have attracted residents to downtown Baltimore, even while the rest of the City’s population has declined.

The population within ½ of a mile of the Inner Harbor has increased by 25% between 1990 and 2010 while the same period of time saw a general population loss of 16% in the City of Baltimore.
Residents of the Inner Harbor area have higher incomes than Baltimore City as a whole.

While the average Household Income in Baltimore City has increased between 1990 and 2012, household incomes closer to the Inner Harbor have remained higher than households further away.

Source: ESRI BAO

$\frac{1}{4}$ Mile Radius from Inner Harbor Or 5 Minute Walk

$\frac{1}{2}$ Mile Radius from Inner Harbor Or 10 Minute Walk
Challenges Facing the Inner Harbor
The concepts in Inner Harbor 2.0 should make the Inner Harbor more appealing to local residents, as well as out of town visitors.

Source: Ayers Saint Gross Master Plan
An increase in Inner Harbor tourism, within variations seen in past attendance records, could generate additional economic benefits.

Inner Harbor attendance fluctuated between 4 – 8% during the Great Recession (2006-2009).

+ 8%

VISITORS

1,400 MORE JOBS

$48 M ANNUAL EMPLOYEE COMPENSATION

$3.5 M ANNUAL CITY & STATE REVENUE

Source: ESRI BAO; Tourism Economics 2013; Inner Harbor Coordinator Report; IMPLAN; HR&A Analysis.
Alternatively, a failure to invest in the Inner Harbor could lead to a decrease in Inner Harbor tourism, which could have negative economic impacts.

Inner Harbor attendance fluctuated between 4 – 8% during the Great Recession (2006-2009).

- **8%**
  - VISITORS
  - **-1,400** FEWER JOBS
  - **-$48 M** LOSS IN ANNUAL EMPLOYEE COMPENSATION
  - **-$3.5 M** LOSS IN ANNUAL CITY & STATE REVENUE

Source: ESRI BAO; Tourism Economics 2013; Inner Harbor Coordinator Report; IMPLAN; HR&A Analysis.
Works Cited

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