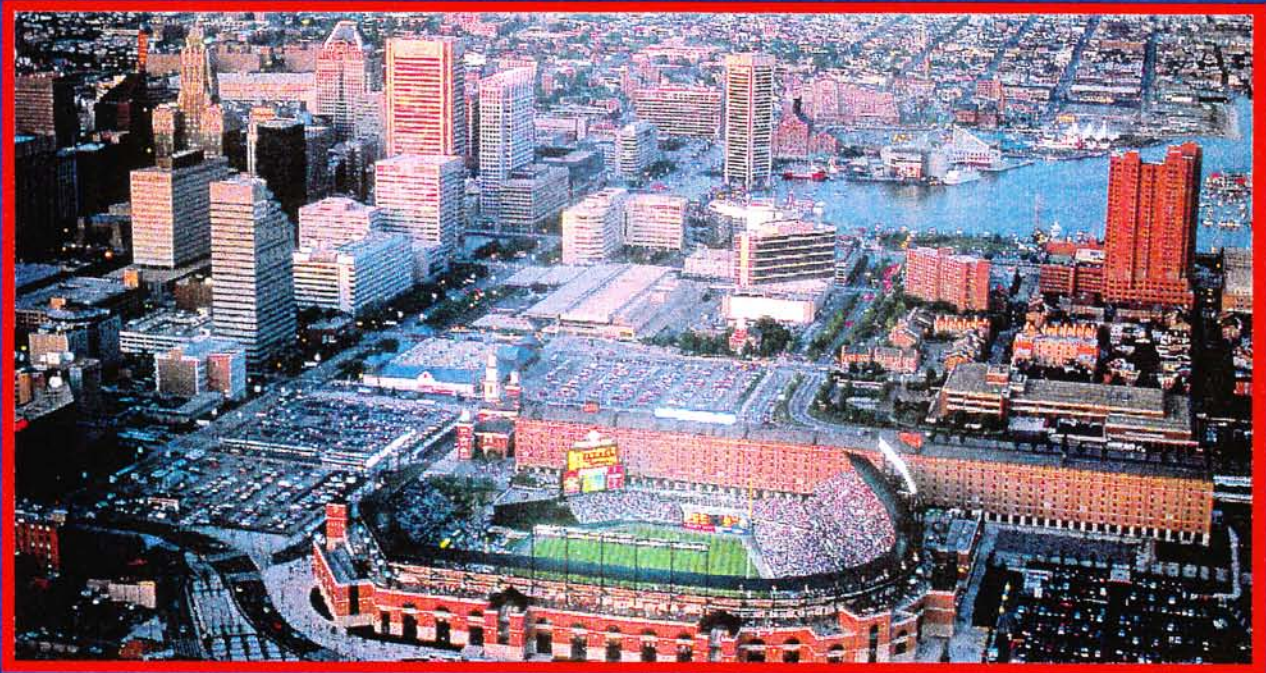


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# A Community Views Its Future

## The Baltimore, Maryland Metropolitan Region

Civic Leaders' Strategies for Economic Prosperity  
and Quality of Life in the 21st Century



A HUD Report on Metropolitan Economic Strategy

U.S. Department of Housing and Urban Development





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U.S. Department of Housing and Urban Development

May 1997



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D.C. 20410-0001

THE SECRETARY

In America today, nearly 80 percent of the population and almost 90 percent of the employment growth is in metropolitan regions. We are individuals and families looking to the future for good jobs and business opportunities, for rising incomes to own homes, for children to get a worthwhile education, for communities to thrive in health and safety. All of us share a common fate in a new metropolitan economy that will determine our nation's prosperity and quality of life in the 21st Century.

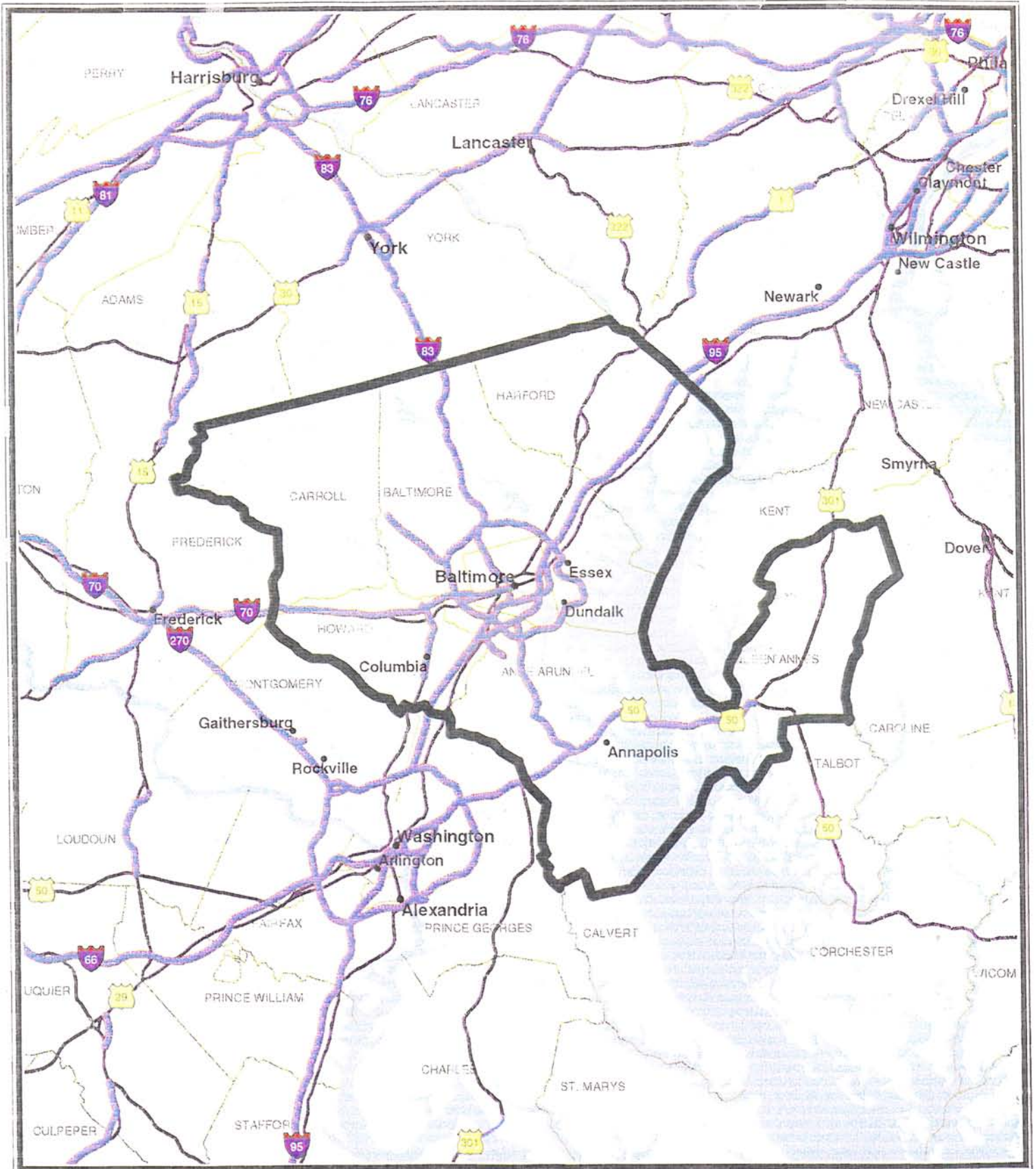
This New Economy -- knowledge and information-based, technology-intensive, and globally oriented -- demands new skills in education, research, and workforce development. To be competitive now requires regional collaboration and innovative leadership: a Metropolitan Economic Strategy for investment in transportation and infrastructure, environmental preservation, and community revitalization.

Our report -- A Community Views Its Future -- is the result of extensive local research and interviews, including my recent visit and meetings with metropolitan leadership. You have told us where you are headed as a region, and how the federal government can be more helpful in serving your present and future needs. We have worked with you to identify metropolitan Baltimore's engines of prosperity: the industry clusters that can create better jobs and business opportunities. In analyzing the competitive clusters, we have drawn from our upcoming nationwide report, America's New Metropolitan Economy: The Key to Prosperity in the 21st Century. This work is part of our "Community 2020" initiative to develop new visions and strategies for empowering communities.

With A Community Views Its Future as a starting point, we can move forward together in partnership -- cities and counties, urban neighborhoods and suburban communities, factories and farms -- to build a stronger future for our children and grandchildren.

A handwritten signature in dark ink, appearing to read "Andrew Cuomo".

# The Baltimore, Maryland Metropolitan Region



MSA Border —————

# Metropolitan Baltimore Economic Strategy

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# Metropolitan Baltimore Economic Strategy

## Overview

Over the last 20 years metropolitan Baltimore has seen the gradual emergence of a new and increasingly diversified regional economy. Together, industry clusters<sup>1</sup> in Health Services, Business and Professional Services, Entertainment and Tourism, and Housing and Construction have grown from barely one-quarter of the region's economy in 1975 to more than one-third of all metropolitan jobs today. These four clusters have expanded to replace the jobs lost in the declining manufacturing industries that once sustained metropolitan Baltimore's reputation as an industrial blue collar region. The reputation lingers, but in reality the process of transition is well advanced. The city and the region have taken advantage of their mid-Atlantic location, world-renowned medical research facilities, and a well-developed waterfront, to offset continuing losses in such traditional manufacturing industries as steel, shipbuilding, automobiles, and defense electronics. Two other fast growing industry subclusters -- Transportation and Trade Services, and Financial Services -- reflect metropolitan Baltimore's economic advantage in diverse business activities ranging from warehousing to investment banking. In addition, among the most rapidly growing segments of the region's industry clusters are home health care services, advertising, commercial sports, securities and commodities, air transportation, and distribution.

Over the same period metropolitan Baltimore has struggled to develop the institutional capacity for regional cooperation in a common effort to generate jobs and economic prosperity. In recent years much has been accomplished. Regional awareness is spreading in city and suburb alike, and a metropolitan economic strategy has begun to emerge. Though coming late to the game, metropolitan Baltimore enjoys an inherent advantage over many other regions in organizing itself for collaborative endeavors. The entire metropolitan region consists of Baltimore City and five county governments: Anne Arundel, Baltimore County, Carroll, Harford, Howard, and Queen Anne's. These five county governments contain few incorporated municipalities, making it somewhat easier to engage in cooperative regional action. However, efforts to unite the region still face many substantial challenges. Scars remain from a long history of city-suburban discord, and recent conflicts over relocation of public housing and low-income renters have reopened old wounds. The strength of the region's commitment to overcoming these obstacles will determine the success or failure of the efforts for metropolitan Baltimore to emerge into the New Economy of the 21st Century -- knowledge and information-based, technology-intensive, and globally oriented -- with its confidence restored and competitive edge sharpened.

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<sup>1</sup> Industry "clusters" are networks of related business firms with common suppliers and shared markets, spanning the business activity chain from research and development to marketing and distribution. These networks operate across an entire metropolitan region, and they export a significant portion of their goods and services to markets in other regions. When fully developed, industry clusters can facilitate faster metropolitan business, employment, and income growth, through dynamic business interaction that reinforces and expands their strengths in the global marketplace. The most competitive clusters enjoy a concentration ratio greater than 1.1 relative to the nation as a whole, meaning their employment concentration is at least 10% higher than the national average for that cluster. Competitive segments of clusters are defined for industries having a concentration ratio greater than 1.1 within a cluster whose overall concentration ratio is less than 1.1.

**Important elements of metropolitan Baltimore's emerging economic strategy include:**

***Developing Life Sciences and Information Technology-Based Industry Clusters:*** The region is building on the strength of its research and educational institutions to facilitate technology transfer and expand industry clusters such as Health Services and Medical Products, especially pharmaceuticals and biotechnology. Also benefiting are clusters in Electronics and Communications, and Business and Professional Services, with a focus on data processing and computer software.

***Expanding Conventions and Tourism:*** The region is using new sports arenas and expanded convention and hotel facilities in downtown Baltimore as well as a wealth of waterfront attractions to draw increased tourism and convention business to the metropolitan area.

***Improving Education and Workforce Development to Support Industry Clusters:*** The State of Maryland has placed a high priority on improving public schools by establishing uniform standards and sharing resources to assist lagging school systems. Within the region, community colleges are moving to the forefront of efforts to provide customized training for businesses and prepare local workers for skilled technology jobs through the new Greater Baltimore Advanced Technology Center. The region's major research universities and medical institutions, such as Johns Hopkins University and the University of Maryland, will play a pivotal role in helping to grow the industry clusters of the New Economy.

***Maintaining Competitive Transportation Infrastructure:*** The Port of Baltimore has undergone major upgrading and should benefit from the next wave of rail consolidation. The impending division of Conrail between CSX and Norfolk Southern offers the prospect of more competition and lower shipping rates for metropolitan Baltimore, which has lost much of its competitive advantage over other Eastern seaboard ports in recent years. In place of rail and the Port, Baltimore-Washington International Airport (BWI) has emerged as the Transportation and Trade Services industry cluster's main engine of new job growth. Currently, BWI is expanding its capacity in an effort to challenge other east coast airports in handling domestic and international air cargo and passenger traffic.

***Marketing the Region:*** Public and private sector leaders from all parts of the region are working together to support the Greater Baltimore Alliance (GBA) with a \$1.5 million annual fund to promote metropolitan Baltimore as a good region to conduct business and invest funds. The GBA will serve as a "one-stop shop" for companies considering locating or expanding in the metropolitan region. A particular focus will be on attracting corporate headquarters. Regional business, government, and civic leaders also are cooperating to implement tax cuts and regulatory reforms, such as fast-track permitting, designed to retain and attract employers.

***Reconnecting Inner City and Inner Suburban Neighborhoods to Regional Prosperity:*** Restoring economic vitality to low-income communities must be a key element of any successful long-term Metropolitan Economic Strategy. The most significant recent effort to reduce concentrated poverty, promote community reinvestment, and move people from welfare to work was the designation of Baltimore City as a federal Empowerment Zone in December 1994. Other major

initiatives include the federal Homeownership Zone in Baltimore, and state Enterprise Zones in the city and older suburban communities.

***Encouraging Community Redevelopment and a More Sustainable Region:*** Regional leaders are supporting efforts at the state and local level to encourage the most efficient use of existing utilities and transportation systems. These efforts include restoring "brownfields" -- hazardous, abandoned industrial sites -- and redeveloping them for new industrial, commercial, and residential uses. Recent state action to promote "smart growth" indicates an increasing recognition that revitalizing older communities and focusing growth on already built-up areas can help reduce the pressures to build costly new infrastructure. Growth management can help avoid environmentally harmful development of outlying land, diminishing valuable open space and farmlands and adds to regional air and water pollution and traffic congestion through accelerating "sprawl."

***Developing cooperation with Metropolitan Washington:*** The metropolitan Baltimore economy is increasingly integrated with the economy of the Washington, D.C. metropolitan region. Recent signs include the merger of Baltimore Gas and Electric (BGE) and the Potomac Electric Power Company (PEPCO) to form Constellation Power.

**Metropolitan leaders report that the federal government can play a strategic role in supporting these regional efforts in the following ways:**

***Support revitalization of older commercial and residential centers:*** Continue programs such as the Empowerment Zones and Homeownership Zones and make similar assistance available to suburban jurisdictions that are experiencing spillover effects from urban distress.

***Provide incentives to local governments for metropolitan economic coordination:*** The federal government should offer incentives to encourage separate jurisdictions within metropolitan regions to cooperate in their economic development activities. An example is the recent HUD grant for Bridges to Work, linking east Baltimore residents to jobs near Baltimore-Washington International Airport in Anne Arundel County.

***Help clean up brownfields:*** The federal government should develop tax and regulatory incentives and provide additional funding to encourage private businesses to clean-up and redevelop brownfields that are scattered throughout the region.

***Support infrastructure investment to develop the Transportation and Trade Services industry cluster and encourage growth in built-up areas:*** The region needs federal funding to complete infrastructure improvements such as dredging the Baltimore Channel, increasing the height of railroad tunnels to permit stacked container rail cars, and creating a high speed commuter rail link to Washington, D.C. throughout the business day. Highway expansion projects should support strategies that encourage development in areas with existing infrastructure.



***Locate health care and other federal agencies in the region:*** Given metropolitan Baltimore's proximity to Washington, the federal government can locate and consolidate federal facilities, particularly those related to health care and biomedical research, to support the region's economic revitalization.

***Ease the conversion of surplus military facilities to other uses:*** The federal government should take advantage of military downsizing in the Baltimore region by locating other federal facilities on unused properties or by working closely with local officials to convert properties to an appropriate private sector use.

***Upgrade federal data collection to reflect the economic changes of recent decades:*** The current system of collecting and reporting employment by Standard Industry Classifications may be missing important new sectors as well as the different types of work that go on within individual reporting units. The federal government can assist local and regional economic development authorities by developing new measures that more accurately reflect modern economic activity.

## **1. What are the engines of the metropolitan regional economy?**

### ***1a. How is the metropolitan economy evolving?***

Historically, metropolitan Baltimore's economy was driven by its well-protected harbor and its location at the top of the Chesapeake Bay, which placed it closer to midwestern population centers than any other east coast port. These geographic advantages made metropolitan Baltimore a natural coastal gateway to the interior of the country, fostering the growth of a major Transportation and Trade Services industry cluster. Strategic location also helped make the region a manufacturing hub, drawing investment in such heavy manufacturing clusters as Industrial Machinery (steel and shipbuilding) and Apparel and Textiles. These in turn fueled the growth of the downtown Financial Services industry cluster alongside a thriving retail trade sector. World War II and the Cold War added a strong aerospace and defense manufacturing component to the region's economic base.

World War II and the decades that followed gave metropolitan Baltimore a clear identity and confidence in its ability to compete and win in the manufacturing based economy of that period. But the economic upheavals of the 1970s and 1980s brought the decline of the heavy industrial sectors that had generated economic growth and high wages for so many of the region's residents. The rise of foreign manufacturers with advantages in both wages and technology rendered much of metropolitan Baltimore's industrial plant uncompetitive, driving unemployment to peaks of 7.4% in 1976 and 9.8% in 1982.

More recently, the end of the Cold War has had a similar impact on the Aerospace and Defense and Electronics and Communications industry clusters, contributing to an unemployment rate of 7.7% at the low point of the last national economic recession in 1992. Indeed, until the 1990s,

metropolitan Baltimore's success at winning federal defense contracts, as well as major federal agency headquarters such as the Social Security Administration and the Health Care Financing Administration, gave the region something of a cushion against hard times and helped maintain job and wage growth even as other industries faltered. This ability to fall back on federal contracts during the lean times of the 1970s and 1980s explains in part the lag in the region's transition to the New Economy. But since the end of the Cold War, metropolitan Baltimore increasingly has looked for new ways to compete more effectively in the global marketplace. The private sector has begun to respond, and the result is increasing diversification and growth in the region's job base.

Another challenge to the region's traditional strengths came in the 1980s in the form of new competition to the Port of Baltimore from more modern facilities closer to the mouth of the Chesapeake Bay in and around Norfolk, Virginia. Rail and trucking deregulation erased much of the competitive advantage of metropolitan Baltimore's proximity to inland markets. The rising costs associated with channel dredging and the inability of the existing rail tunnels to accommodate double-stacked containers have brought still more competitive pressure on an industry that was once the heart of the region's economy.

The contraction of the region's traditional manufacturing and trade industries and their gradual replacement with generally lower wage sectors has resulted in slow growth in jobs, wages, and population that continues to affect metropolitan Baltimore's economy today. Employment growth from 1975 to 1995 was 34.5%, while the national average was 52.3%. The median household income in metropolitan Baltimore was \$45,419 in 1995, much higher than the nation as a whole at \$34,076. But incomes recently have been rising somewhat faster in other regions, posing another competitive challenge for metropolitan Baltimore.

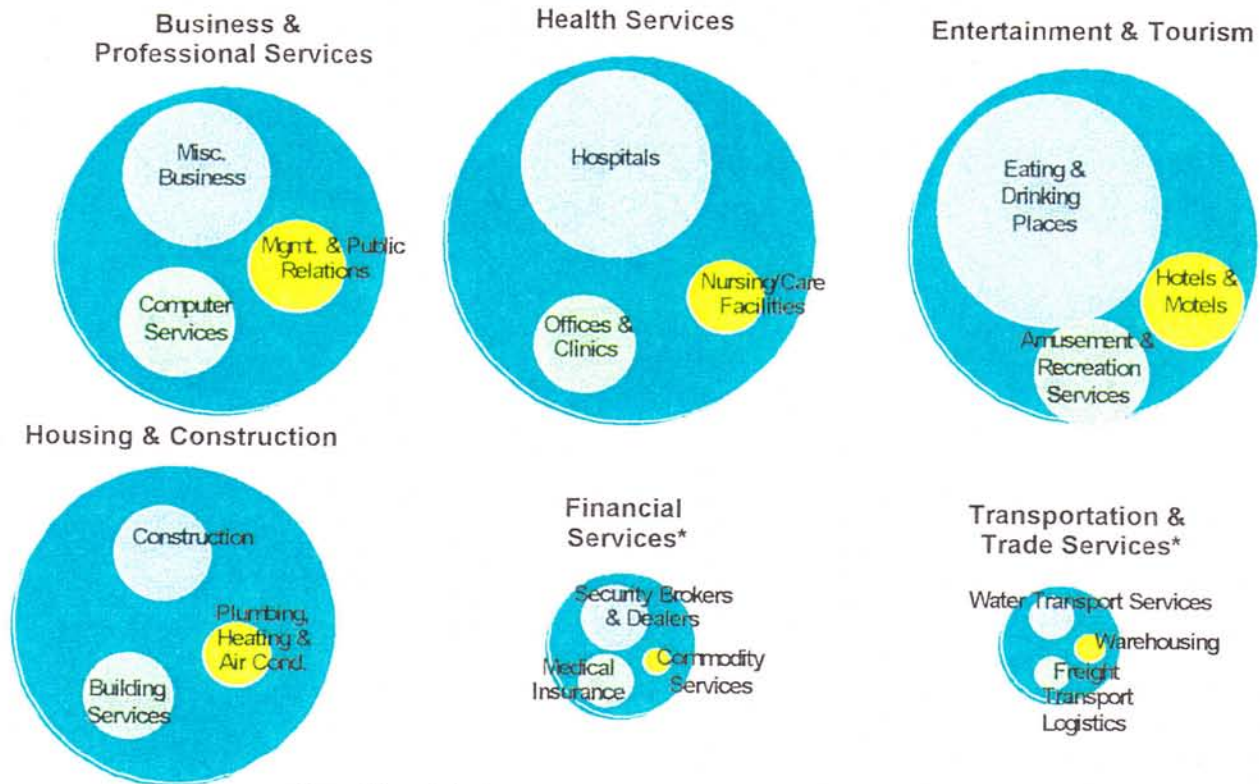
Nonetheless, the same period saw the assertion of industries that had previously maintained a lower profile in the regional economy. First among these was the Health Services cluster that nearly doubled its share of metropolitan employment, growing to 10.5% of the region's jobs by 1995, bolstered by a 2.9% annual employment growth rate from 1991 to 1995. The Entertainment and Tourism cluster also doubled in size, and now accounts for 9% of metropolitan employment. And the Business and Professional Services cluster doubled in size, with 8.3% of the region's jobs in 1995. The Housing and Construction cluster edged up to a 7.9% share of metropolitan employment. In addition, the most competitive sectors of the Financial Services industry cluster, particularly among investment banking and securities firms, mortgage brokers, and health insurance, added jobs at an annual rate of 10.2% over the last two decades. New jobs also are appearing in the Transportation and Trade Services cluster – whose most competitive industries generated new jobs at a rate of 3.5% annually from 1991 through 1995 -- especially around the rapid expansion of air service at BWI and related warehousing and distribution activities. Among the most rapidly growing segments of these industry clusters are home health care services, advertising, commercial sports, securities and commodities, air transportation, and warehousing. Together, the various industry clusters have advanced the transformation of the region's economy and offer the hope of placing metropolitan Baltimore fully in the mainstream of the New Economy, with the type of fast-growing, knowledge and information-based, technology-intensive, globally oriented businesses that are driving America's current wave of prosperity.

Overall, unemployment in metropolitan Baltimore has fallen recently to nearly match the national level, but lagging job growth in the current decade has produced a slower recovery than the U.S. average. From 1992 through 1996, job growth in metropolitan Baltimore averaged 1% annually, less than the national rate of 2.4%. Metropolitan Baltimore's population growth also has lagged behind many of the rapidly growing "Sunbelt" states, posing another competitive economic challenge for the region.



Exhibit 1

*Metropolitan Baltimore's Leading Industry Clusters*



*Note:* Size of circles corresponds to relative employment levels.

\* Includes those industries within the cluster with a high concentration in Metropolitan Baltimore relative to the U.S. average, indicating a competitive advantage.

## 1b. What are the leading industry clusters in the metropolitan region?

**Health Services:** Metropolitan Baltimore is a national and global leader in health care and biomedical research, anchored by the Johns Hopkins Medical Institutions and the University of Maryland Medical Center (UMMC). Johns Hopkins is the nation's number one recipient of federal research funds and the region's top private employer. Metropolitan Baltimore is also home to seven other major hospitals employing over 2,000 people each: Sinai, St. Agnes, Greater Baltimore Medical Center, Union Memorial, Franklin Square, St. Joseph's, and Mercy. This critical mass, together with an aggressive economic development effort, has recently attracted major new life sciences investments, including Dr. Robert Gallo's Institute of Human Virology at the University of Maryland Biotechnology Institute's new \$52 million Medical Biotechnology Center, and UMBI's \$160 million Columbus Center of Marine Biotechnology. Through energetic technology transfer initiatives, university researchers have spun off seven companies from Johns Hopkins, including Nova Pharmaceuticals in the 1980s and Guilford Pharmaceuticals in the 1990s. Also, five companies have spun off from UMMC research. The fastest growing segment of this cluster in recent years is home health care services, where jobs increased 12.5% annually from 1991 to 1995.

In addition to the promise of further job growth in this cluster, the concentration of these medical institutions in and around downtown Baltimore bolsters the City's role as a regional employment center, partially offsetting losses experienced recently in the FIRE (finance, insurance, real estate) and legal services sectors. Overall, the Health Services cluster employed 118,213 people in 1995, 10.5% of the region's non-agricultural workforce. The 154% job growth in Health Services during the 1975-95 period makes it the region's only major cluster to grow faster than the national average growth rate for the cluster. However, more recently metropolitan Baltimore's Health Services job growth has fallen behind the national rate, increasing 2.8% annually from 1991 to 1995, versus 3.6% nationally.

**Business and Professional Services:** Business and Professional Services grew at an annual rate of 3.62% from 1975 to 1995, increasing from 5.5% to 8.3% of all metropolitan employment, reaching a total of 93,514 employees in 1995. Job growth has been somewhat slower in the 1990s, 1.65% annually between 1991 and 1995, versus 2.5% nationally. Containing both the state's capitol and its largest city, the metropolitan region is a center for a wide range of Business and Professional Services, including management, public relations, advertising, real estate, and legal services, research and testing services, and computer and data processing. The fastest growing segment of this cluster in metropolitan Baltimore is advertising, where jobs increased by nearly 7% annually from 1991 to 1995, led by such firms as W.B. Doner, Eisner & Associates, and Gray Kirk/VanSant. Significantly, Piper & Marbury, Miles & Stockbridge, and Venable are among the many local law firms with a presence outside the region, particularly in Washington, D.C., and internationally.

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\* Sector analysis is based in part on research prepared by the Regional Economic Studies Institute of Towson State University.

A region's ability to supply these types of sophisticated business services plays a role in corporate headquarters location decisions. In fact, metropolitan Baltimore is home to such well-known national firms as Alex. Brown, Legg Mason, T. Rowe Price, and USF&G in the city and Black and Decker, McCormick, the Rouse Company, Ryland, Fila International, PHH, and Integrated Health Services in the surrounding suburbs.

**Housing and Construction:** Metropolitan Baltimore's Housing and Construction industry cluster continues to serve the broader region with building, plumbing, electrical, engineering and architectural services. Though down substantially from its peak of over 107,000 jobs in 1989, this cluster still increased by nearly 30,000 jobs from 1975 to 1995, growing at an average annual rate of 1.9% during the past two decades. The region's role as an exporter of real estate development services is strengthened by the presence of the national headquarters of several major firms, including the Ryland Group, NV/Ryan Homes, and the Rouse Company.

Following the construction boom of the 1980s, this cluster experienced a major decline during the recession of 1990-1992, falling 22% to 84,000 jobs in 1992 before rebounding to 89,000 jobs by 1995, 7.9% of the region's total employment. The recession was deepened by a credit crunch brought on by bad real estate debt, the savings and loan industry crisis, and extensive restructuring in Maryland's financial sector. Flat wages have been dampening real estate market demand during the current economic expansion. Demographic trends also may be playing a part in slower growth of residential construction, as the yearly increase in the adult population has fallen by about one-third since the 1980s. While the 1995 employment total was significantly below the 1989 peak year, the Housing and Construction cluster's job growth returned to its longer term trend of 1.9% annual increase from 1992 to 1995.

In commercial and industrial real estate, job growth prospects appear bright, as vacancy rates have fallen substantially throughout the region. Construction of new hotels and warehousing and distribution facilities around the region is taking place at the same time as several major downtown Baltimore development projects, including the new \$224 million Ravens football stadium, the University of Maryland at Baltimore's \$500 million capital expansion, and a 1.2 million square foot, multi-use development planned for Inner Harbor East. The first office building in the \$350 million Inner Harbor East complex was recently completed and is now occupied by Sylvan Learning Systems. The new world headquarters for this leading educational services firm is the first major corporate relocation to downtown Baltimore in two decades. New metropolitan building activity comes at a time when the class A office space occupancy rate in the central business district has risen to 90%, a strong sign of business vitality that may encourage additional office development. At the same time, an excess supply of class B office space presents both a challenge and an opportunity. Some of these buildings can be converted to residential use, while others should be aggressively marketed to businesses and non-profit organizations that find class B space both affordable and appropriate to their needs.

Outside the city, low commercial vacancy rates are prompting new office construction, including some driven by corporate relocations such as the major credit card firm, MBNA Corporation, which is bringing its Mid-Atlantic headquarters and 3,000 jobs to Hunt Valley in north Baltimore County. Hunt Valley is one the region's expanding corporate office centers, including the



national headquarters of Fila International and PHH, and the planned new business campus for Integrated Health Services. Another rapidly expanding regional business center is in north Anne Arundel County, where the growth of Baltimore-Washington International Airport is fueling a nearby construction boom in office and industrial parks, hotels, warehouses and distribution centers in and around the BWI Business District.

**Entertainment and Tourism:** Since 1975, metropolitan Baltimore's Entertainment and Tourism cluster has added more jobs than any other industry cluster except Health Services -- over 51,000 jobs -- and now accounts for 9% of regional employment, compared to 6% two decades ago. Much of this growth is attributable to farsighted investment by state and local authorities in developing major Entertainment and Tourism facilities in downtown Baltimore that attracted 15 million visitors in 1995; in Annapolis, which drew 1.5 million tourists in 1995; and in other metropolitan tourist attractions such as Carroll County Farm Museum, and the historic Hampton Mansion in Baltimore County. Employment growth in Entertainment and Tourism has been a high 3.6% annually from 1975 to 1995, and in the past few years the metropolitan growth rate for this cluster has exceeded the national average. Jobs have grown most rapidly in cluster segments such as motion picture and television production, and commercial sports, both of which contribute to improving the region's image as an attractive destination.

Baltimore's Inner Harbor waterfront area was transformed in the early 1980s into the region's foremost tourist and entertainment location with the construction of the HarborPlace festival market, the Baltimore Convention Center, the National Aquarium, and the Pier 6 Concert Pavilion. Also in the 1980s, the city developed a midtown performing arts district anchored by the renovated Lyric Opera House and the new Meyerhoff Symphony Hall in the vicinity of the Maryland Institute College of Art, which also serves as the venue for the popular Artscape festival held every summer.

The early 1990s brought the expansion of the National Aquarium and the building of Oriole Park at Camden Yards. The new baseball stadium, with its intimate scale and views of downtown Baltimore, quickly became nationally recognized for recapturing the atmosphere of classic baseball stadiums of the past. The city's two nationally known art museums, the Baltimore Museum of Art and the Walters Art Gallery, both added new wings during the 1990s.

Refurbishment of Harborplace and the U.S.S. Constellation will enhance the Inner Harbor waterfront, whose other anchors include the National Aquarium and the Maryland Science Center. The Cordish Company is taking on the difficult challenge of developing the Pier 4 Power Plant into a mixed-use entertainment and retail center that will include the Hard Rock Café, a Barnes and Noble bookstore, and other major attractions. The Columbus Center's Hall of Exploration is expected to draw 400,000 visitors annually. Another promising new downtown venture is Port Discovery, a \$29 million Disney-designed children's museum scheduled to open in 1998 in Market Place, former home of the Fishmarket and the Brokerage entertainment complex. Port Discovery can help strengthen downtown as a museum destination and bring more visitors to two nearby cultural attractions -- the recently opened Visionary Arts Museum and the newly expanded City Life Museums.

The recently completed \$150 million expansion of the Baltimore Convention Center to over 1.2 million square feet now enables the region to compete in the market for conventions of up to 15,000 people. Since the new expansion, convention bookings have more than tripled. Construction of a downtown football stadium for the Baltimore Ravens and the addition of new Inner Harbor attractions are expected to bring even more tourists to the city in the coming years. However, a shortage of hotel space and less extensive marketing than comparable regions have been two key obstacles to further growth in this cluster. Recently, progress has been made with greater commitments of city and state marketing resources, but the Convention Center still lacks a “headquarters” hotel or even a clear plan to build one. These difficulties are reflected in the overall lower concentration of jobs in the region’s Entertainment and Tourism cluster than the national average for this cluster. There is more distance to travel before metropolitan Baltimore has fully exploited its potential as a magnet for conventions and tourism from outside the region.

**Financial Services:** Metropolitan Baltimore is the headquarters of several nationwide investment banking firms that are among the largest employers in the region’s Financial Services industry cluster. These firms have been growing rapidly in the 1990s, generating new jobs at an annual rate of 5.1% from 1991 to 1995.

The region also continues to be the center for commercial and savings bank activities in Maryland, with 17,000 jobs in 1995, down from 23,000 at the peak in 1987. The postwar move to statewide banking made Baltimore the undisputed state banking center. But beginning in the 1980s, interstate banking brought the absorption of local banks by out-of-state financial institutions that have engaged in vigorous downsizing in metropolitan Baltimore. One bright spot however, has been mortgage bankers and brokers, with job growth of 50% between 1991 and 1995.

In the insurance sector, medical services and health insurance have been the biggest producers of new jobs, growing 11.3% annually from 1991 to 1995. However, fire, marine, and casualty insurance, once the employment leader, has lost 5,500 jobs since 1989. Hardest hit has been USF&G, which recently vacated its downtown headquarters, the tallest office building in Maryland, for a corporate campus on the Baltimore City-Baltimore County border.

Now occupying the former USF&G building in downtown Baltimore is Legg Mason, the fast growing investment banking firm. Alex. Brown, the nation’s oldest investment company founded in Baltimore in 1800, T. Rowe Price, and Legg Mason are all experiencing record earnings and employment levels due to the rapidly rising stock market. These Baltimore-based brokerage houses are the leading regional securities and commodities firms in an industry segment that has more than tripled its share of the metropolitan job market since 1975, adding over 6,000 new jobs in the last two decades, nearly one-third of all new jobs in the Financial Services cluster. Just in the four-year period from 1991 to 1995, securities and commodities jobs grew by over 22%. The presence of three leading national investment companies supports the region’s 500 expanding venture capital financed technology-based businesses. In particular, Alex. Brown is the nation’s leading underwriter of venture capital-financed initial public stock offerings. The region has succeeded in retaining these three leading investment banking firms, but their high performance makes them attractive targets for potential corporate takeovers, as demonstrated by Alex.

Brown's recent merger with New York-based Banker's Trust. Also, the continued rapid growth of investment banking depends on the continuation of a strong securities market.

While metropolitan Baltimore's entire Financial Services cluster is not a major net exporter compared to other U.S. regions, securities and commodities, health insurance, mortgage bankers and brokers, and other more competitive segments of the cluster do have greater regional export volume and a faster annual job growth rate of 5.9% from 1991 to 1995, significantly higher than the national average.

**Transportation and Trade Services:** This cluster contains two institutions of critical importance to metropolitan Baltimore's economy: the Port of Baltimore and Baltimore Washington International Airport (BWI). To meet the challenge of a highly competitive marketplace, both have invested heavily in upgrading and expanding their physical capacity in order to serve as major engines of metropolitan growth. While the Port continues to face major obstacles to maintaining or increasing its market share, the airport is rapidly growing as a regional transportation and distribution hub.

The Port of Baltimore lost its major competitive advantage -- proximity to inland markets -- when rail and trucking rates dropped following deregulation in the 1980s. Consolidation of shipping lines has reduced competition and led to concentration of activity in other competing seaports, particularly at Virginia's Norfolk-Hampton Roads ports. The Port of Baltimore has responded to this competition by modernizing its facilities and equipment, improving its labor relations, and upgrading its marketing effort. As a result, the Port of Baltimore has seen significant increases in overall tonnage since 1991. This increase in Port activity helped fuel 5.4% annual job growth in metropolitan Baltimore's freight transportation logistics sector from 1991 to 1995. However, direct employment at the Port decreased during this period, and the Port's total tonnage is now less than New York and Norfolk, though roughly equal to Philadelphia.

Rail linkages to the Port of Baltimore are in a state of flux. The Port is currently served by two rail lines, CSX and Conrail. CSX relocated its corporate headquarters from Baltimore to Jacksonville in the late 1980s, removing over 1,000 jobs from the region and generating concern among business and government leaders about its long-term commitment to maintaining competitive freight rail service in metropolitan Baltimore. Regional concern grew with the threat of CSX gaining a monopoly at the Port by purchasing its only competitor, Conrail. Now the situation has changed, and CSX is currently negotiating with Norfolk Southern to split Conrail between the two companies, with Norfolk Southern agreeing to buy Conrail's Baltimore lines. Rail service to the Port of Baltimore by both CSX and Norfolk Southern may help stimulate competition and lower freight rates, which would be an economic benefit to the Port.

However, deep uncertainties remain over the issues of dredging the shipping channel and double-stacking of containers on railroad freight cars. Periodic dredging is necessary to maintain the shipping channel up the Chesapeake Bay, and larger container ships demand ever deeper channels. But two difficult challenges are how to pay the high cost of dredging and where to put the highly toxic dredge waste material. Similarly, Baltimore's rail tunnels cannot accommodate double-stacked containers, while Norfolk's rail tunnels can. CSX offered to pay for the necessary tunnel



reconstruction work in order to gain Maryland's support for its planned purchase of Conrail's Baltimore lines, but with the emergence of Norfolk Southern as the likely buyer, enlarging and modernizing Baltimore's rail tunnels remains an unresolved challenge to regional competitiveness.

In contrast to the Port, BWI has seen increases in employment as well as volume during the current recovery. The 1994 arrival of Southwest Airlines, a leading low-fare carrier, sparked a 34% rise in passenger traffic that year, though subsequent years have seen more moderate increases. Record volume air service at BWI has put it ahead of Dulles International Airport and not far behind Washington National Airport in terms of total passenger traffic. From 1991 to 1995, air transportation employment in metropolitan Baltimore grew at an annual rate of 5.4%. In addition, air freight has begun to grow recently, with a 19% increase in tonnage in 1996, led by UPS and Burlington. However, BWI's international air service is relatively small and has not been growing significantly. BWI intends to capture a greater share of international air traffic with its new \$130 million international terminal and runway extension, scheduled for completion in late 1997. Even as air traffic continues to grow, however, a major metropolitan economic concern is the uncertain future of US Airways, which has reduced flights at BWI by more than 50% during the 1990s. US Airways is currently considering dropping BWI as a regional hub, pending the outcome of labor union negotiations. On the whole, while metropolitan Baltimore is substantially increasing its domestic air passenger service, it has yet to establish a national competitive advantage in air transportation.

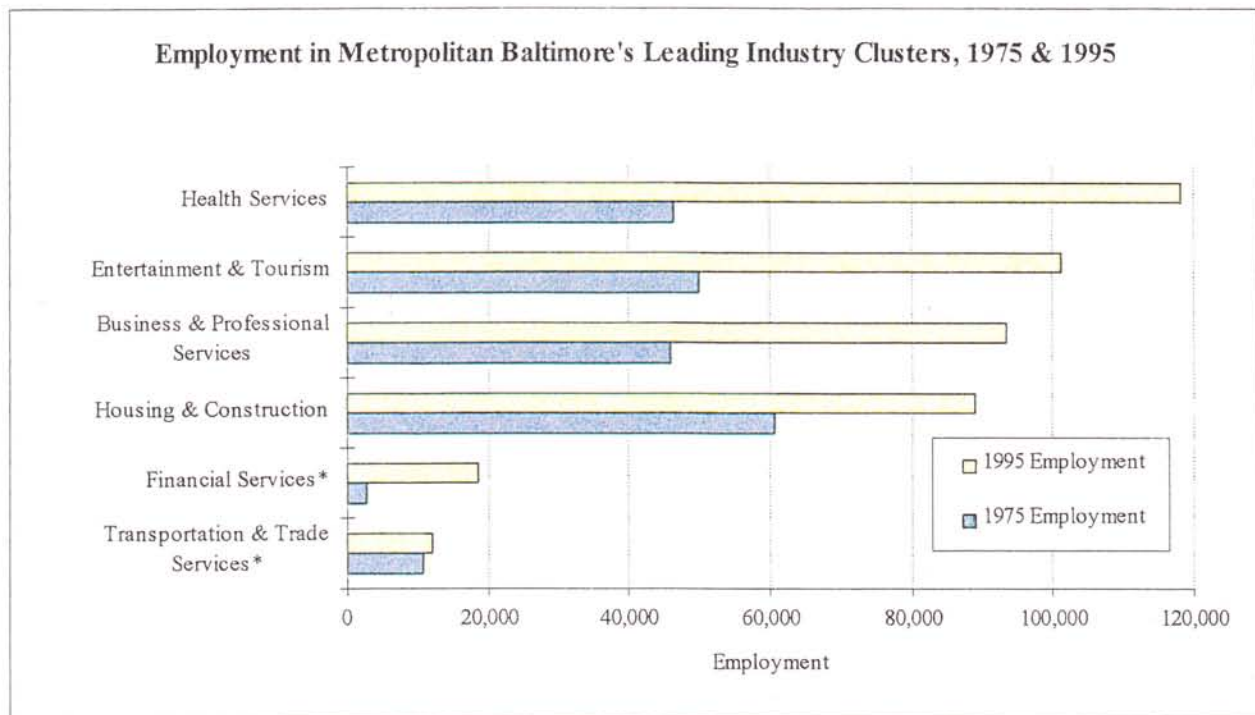
Metropolitan Baltimore's entire Transportation and Trade Services industry cluster has not experienced overall rapid job growth, because the substantial employment gains in air service, warehousing, and freight transportation logistics were somewhat offset by job losses in rail and trucking and at the Port. Together, jobs in the most competitive segments of the cluster grew at a 6.6% annual rate from 1992-1995. This includes warehousing, with job growth of 19% between 1992 and 1995. Indeed, the region's central mid-Atlantic location and excellent transportation infrastructure have fueled a sharp rise in demand for new warehousing and distribution facilities. Plus, BWI Airport's recent success has stimulated burgeoning development of nearby office parks, hotels, and warehouse distribution facilities. Recent major warehousing facilities in metropolitan Baltimore include Rite Aid, Staples, McCormick, Random House, Michelin, Solo, Safeway, and Saks Fifth Avenue, which also brought its telemarketing operation and half of its accounting division to the region. Metropolitan Baltimore's economic development professionals foresee continued substantial growth in regional warehousing and distribution activity.

Exhibit 2

**The Metropolitan Baltimore Region**

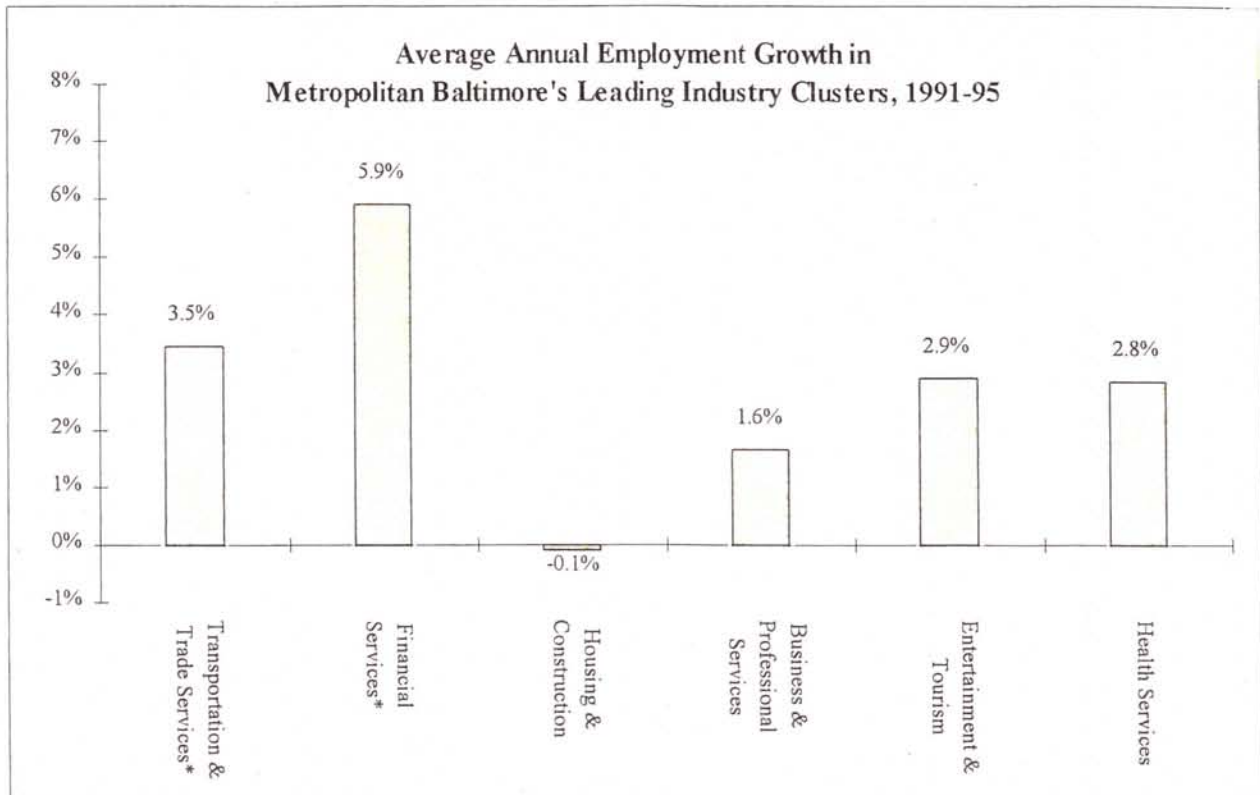
	Baltimore	U.S. Average
Population, 1995	2,469,983	262,755,000
Population Growth 1975-95	13.7%	21.9%
Long-Term Employment Growth, 1975-95	34.5%	52.3%
Long-Term Annual Employment Growth, 1975-95	1.5%	2.1%
Recent Avg. Annual Employment Growth, 1991-96	1%	2.4%
Median Household Income, 1995	\$45,419	\$34,076
Recent Avg. Annual Household Income Growth, 1991-95	0.2%	0.3%

Exhibit 3



\* Includes those industries within the cluster with a high concentration in Metropolitan Baltimore relative to the U.S. average, indicating a competitive advantage.

Exhibit 4



\* Includes those industries within the cluster with a high concentration in Metropolitan Baltimore relative to the U.S. average, indicating a competitive advantage.

Exhibit 5

### Metropolitan Baltimore's Leading Industry Clusters: Selected Indicators

Industry Cluster	Employment 1995	% of MSA Employment 1995	Avg. Annual Employment Change 1991-95	National Avg. Annual Employment Change 1991-95	Average Earnings per Employee 1995	National Average Earnings per Employee 1995	Employment Concentration Relative to U.S. (US avg. = 1)
Health Services	118,213	10.1%	2.8%	3.6%	\$33,542	\$30,382	1.24
Entertainment & Tourism	101,279	9.0%	2.9%	2.6%	\$14,582	\$14,478	<1.1
Business & Professional Services	93,514	8.0%	1.6%	2.5%	\$34,306	\$33,399	1.25
Housing & Construction	88,919	7.6%	-0.1%	0.6%	\$30,784	\$30,738	1.10
Financial Services*	18,595	1.6%	5.9%	5.1%	\$45,409	\$54,752	>1.1
Transportation & Trade Services*	12,108	1.0%	3.5%	3.6%	\$24,441	\$27,737	>1.1

\* Includes those industries within the cluster with a high concentration in Metropolitan Baltimore relative to the U.S. average, indicating a competitive advantage.



## Exhibit 6

**Rapidly Growing Segments of  
Metropolitan Baltimore's Industry Clusters**

Cluster	Segment	Employment 1995	Avg. Annual Employment Change 1991-95	Employment Concentration Relative to U.S. (US avg. = 1)
Health Services	Home health care services	3704	12.5%	0.61
Business and Professional Services	Advertising	2929	6.85%	1.29
Entertainment and Tourism	Motion picture and television production	750	18%	0.38
Entertainment and Tourism	Commercial sports	1287	5.3%	1.31
Financial Services	Mortgage bankers and brokers	2577	10.7%	1.31
Financial Services	Medical service and health insurance	4893	11.3%	1.66
Financial Services	Security brokers & dealers and Security & commodity services	7881	5.1%	1.88
Transportation and Trade Services	Arrangement of freight transport	2756	5.4%	1.71
Transportation and Trade Services	Air transportation, scheduled	5619	5.4%	0.92
Transportation and Trade Services	Public warehousing and storage	1893	5.9% (1992-1995)	1.39

## **1c. Where is economic activity located across the metropolitan region?**

The Baltimore Metropolitan Statistical Area (MSA) consists of Baltimore City and six counties: Baltimore County, which surrounds the city except for its southernmost tip; Harford and Carroll Counties, which border the northern half of Baltimore County to the east and west, respectively; Anne Arundel and Howard Counties, which share the Baltimore-Washington rail and highway corridor to Baltimore's south and southwest, respectively; and Queen Anne's County on the eastern shore of the Chesapeake Bay, which includes suburbs of Annapolis, the region's second largest city.

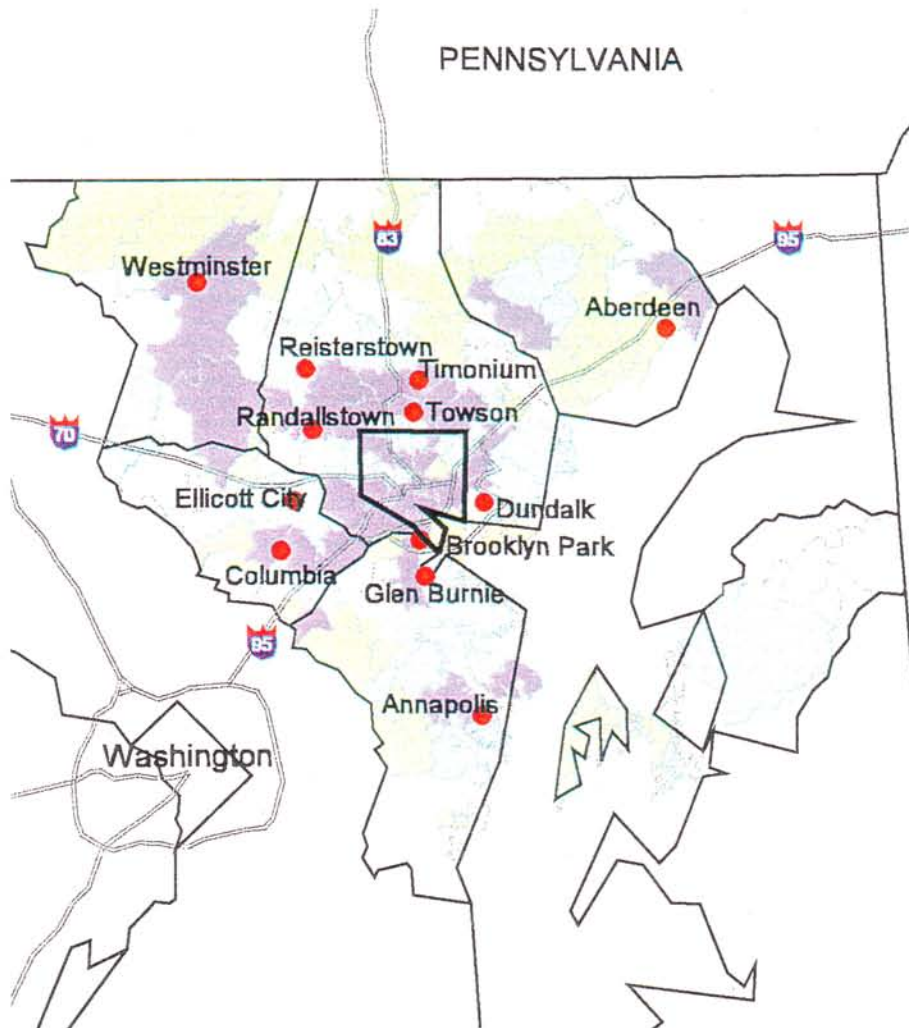
Growth patterns in recent years have heavily favored the outer suburbs, rather than the city or the older inner-ring suburbs. The city's share of regional jobs dropped from 46% in 1982 to 35% in 1995, according to the Regional Economic Studies Institute at Towson State University. Recent job growth has been fastest in Carroll, Harford, Howard, and Anne Arundel counties. The State of Maryland's Office of Planning predicts that these growth trends will accelerate over the next 25 years.

Yet, an analysis of the geographic distribution of the two leading industry clusters reveals that the older urban and suburban areas of the region remain a strong base of operations for these clusters and a powerful source of their competitive advantage. These two leading clusters, Health Services and Business and Professional Services, are, respectively, the number one and number three job generators today and for the past two decades. Between them, they accounted for 19% of all jobs in the region in 1995 and 41% of metropolitan job growth from 1975 to 1995.

In the Health Services cluster, seven of the nine largest metropolitan hospitals are located inside the I-695 Beltway, and six of these are in Baltimore City. These six include the two leading medical research institutions, Johns Hopkins Hospital in east Baltimore and the University of Maryland Medical System downtown. Because these two hospitals are both major recipients of federal research funds, they are powerful engines of economic prosperity in health care and biomedical technology for businesses and jobs throughout the metropolitan region.

In the Business and Professional Services industry cluster, downtown Baltimore still serves as the region's main commercial center. Outside of downtown, most of the metropolitan commercial activity is spread around the suburban centers that have proliferated throughout the region over the past two decades. In Baltimore County, Business and Professional Services are concentrated around the I-695 Beltway in locations like Towson, Pikesville, Owings Mills, Security Boulevard, and the I-83/York Road corridor north of the Beltway in Timonium, Lutherville, and Hunt Valley. In Anne Arundel County, Business and Professional Services is centered in and around the BWI Business District, home of major companies such as Westinghouse and Mid-Atlantic Realty Trust. The rapid growth of BWI Airport and the accessible location of the BWI Business District served by major highways including I-295, I-95, and I-97 has generated so much business expansion in recent years that the BWI Business District now account for more than half of all the jobs in Anne

# Regional Employment Distribution Health Services Cluster Baltimore, MD MSA, 1995

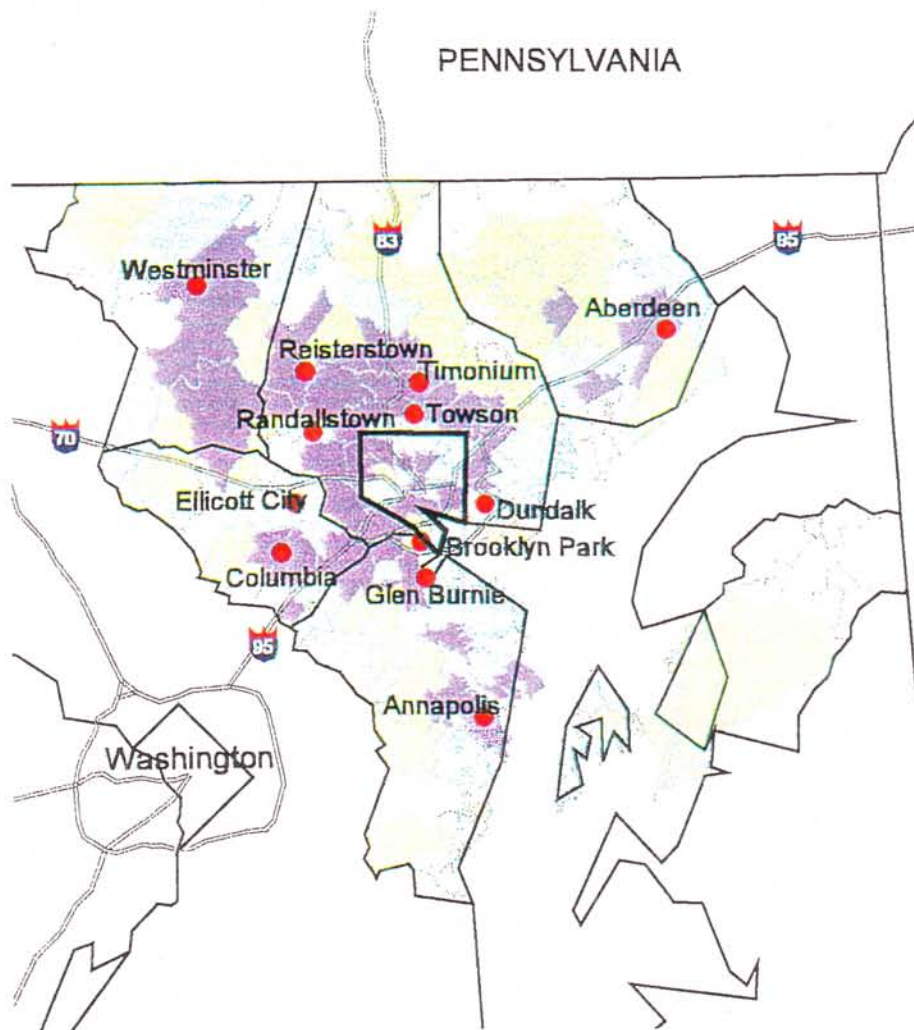







- Baltimore City
- Other Towns and Cities
- Major Highways
- Counties in the Baltimore MSA
- State Boundaries

## Employment by Zipcode





- 1 - 19
- 19 - 187
- 187 - 923
- 923 - 11,871

# Regional Employment Distribution Business & Professional Services Cluster Baltimore, MD MSA, 1995



-  Baltimore City
-  Other Towns and Cities
-  Major Highways
-  Counties in the Baltimore MSA
-  State Boundaries

## Employment by Zipcode

-  2 - 62
-  62 - 303
-  303 - 1,013
-  1,013 - 17,988

Arundel County. In Howard County, the key regional business center is in Columbia, national headquarters of the Rouse Company and the Ryland Group and location for numerous other growing companies. Other metropolitan centers of business expansion include the area along the I-95 corridor in Harford County, and between Westminster and I-70 in Carroll County.

The fastest growing, highest income locality in the Baltimore region is Howard County, due to its strategic location midway between Baltimore and Washington. The two regions are now included together by the Census Bureau in a Consolidated Metropolitan Statistical Area (CMSA). While the overall level of economic cooperation between the two metropolitan regions is not high, Howard County would clearly benefit from bringing these two regions closer together. Columbia, the county's population center, is very much a product of its central location, which is considered ideal for the growing number of dual wage-earner families with one family member working in each of the two regions. The MARC commuter rail line plus two major highways, I-95 and I-295, connect Columbia directly to Baltimore and Washington.

## **2. What is the metropolitan region's economic strategy?**

### ***2a. What economic development challenges and opportunities is the region facing, and how can they shape the metropolitan economic strategy?***

Over the past two decades metropolitan Baltimore has been struggling to create new jobs fast enough to replace those lost in declining industries and continue growing as a region. From 1975 to 1995, the region's total employment increased by 34.5%, compared to the national average of 52.3%. Manufacturing now represents less than 9% of the region's job base, down by more than 50% since the 1960s. Ongoing cutbacks in military procurement may lead to further downsizing among metropolitan Baltimore's aerospace and defense manufacturers. Moreover, the region was particularly hard hit by the 1991 economic recession, and has not yet generated enough new jobs to equal the level of metropolitan employment in 1990. Nevertheless, metropolitan Baltimore is blessed with several fast growing, highly competitive industry clusters, including Health Services and Business and Professional Services. The region's mid-Atlantic location, concentration of education and research institutions, skilled workforce, and proximity to the nation's capital afford it opportunities to prosper in the New Economy of the 21st Century. Metropolitan Baltimore's strengths were recognized last November when *Fortune* magazine named the region the 12th best in the nation for doing business. The well-developed life sciences sector brings together the region's health care leadership with its expanding biotechnology research base. Its strategic location and accessibility combined with high quality infrastructure offers the prospect of continued expansion in the key Transportation and Trade Services industry cluster. A lower cost of living and smaller scale than other Atlantic seaboard cities offers lifestyle advantages to attract businesses and residents.



Whether this potential can be transformed into dynamic growth in the metropolitan Baltimore economy depends on how well the region addresses several critical issues. Key among these is developing the skilled workforce to support growing industry clusters. For example, even the growing numbers of corporate support services operations and large-scale telemarketing and toll-free telephone customer service centers in the region need employees that are literate, articulate, and have a good work ethic. Education for entry level jobs in the New Economy remains a serious challenge in metropolitan Baltimore, where 14% of adults lacked a high school diploma in 1990 and many city and suburban schools face funding difficulties. On the other hand, the region's strengths in higher education are a considerable asset that can play a role not just in research and technology but in training tomorrow's skilled workforce. This is the goal of the metropolitan forum of universities and community colleges led by Towson State University that is working on targeting education and training to industry needs.

A related challenge is that of addressing the urban problems of poverty, unemployment, crime, and physical deterioration that are spreading beyond inner city neighborhoods to older suburban communities. Efforts such as the federal Empowerment Zone and Homeownership Zone, and the state Enterprise Zones are designed to reconnect troubled families and neighborhoods to the regional economic mainstream, but much more remains to be done. Incorporating the children growing up in these urban and suburban communities into the productive workforce will reinforce the long-term dynamism of metropolitan Baltimore's economy.

Maintaining and enhancing the region's excellent transportation infrastructure is essential for utilizing metropolitan Baltimore's strategic location to expand markets for global trade and increase regional warehousing and distribution activities. Necessary infrastructure investments for the future include dredging the Chesapeake Bay shipping channel to maintain the Port of Baltimore's competitiveness, and enlarging the railroad tunnels to permit access by "double-stack" freight rail cars. Also, developing a high-speed commuter rail link to Washington, D.C. will enable metropolitan Baltimore to benefit from increased economic growth in and around the nation's capital.

An additional challenge is developing the civic commitment and organizational capacity for a comprehensive collaborative metropolitan strategy for economic prosperity and quality of life. Better education and workforce development, for example, can only be accomplished through regional cooperation. In particular, the region can benefit from a well-funded, coordinated marketing and business promotion effort to rival those of metropolitan Baltimore's competitors.

## ***2b. How well organized is the metropolitan region for developing its economic strategy?***

Historically, metropolitan Baltimore has faced many obstacles to reaching consensus around common goals and difficulties in creating an institutional framework for implementing shared strategies. At times, business, government, and community leaders in metropolitan Baltimore have had less success in agreeing to a cooperative agenda than civic leadership in some other regions.

Earlier efforts to foster metropolitan Baltimore coordination include the 1963 creation by the state legislature of the Regional Planning Council (RPC), whose board consisted of both elected officials and citizen representatives, chaired by a civic leader. In 1989 RPC was renamed the Baltimore Regional Council of Governments (COG). The COG inherited RPC's responsibilities for developing a 20-year General Development Plan for metropolitan land use, transportation, economic development, housing, health, and other major concerns. The plan was designed to address regional issues of social and economic disparity such as income and employment gaps among racial and ethnic groups, and geographic concentration by race and income. Rather than fostering a consensus, the COG ran into trouble with state budget constraints, lack of cooperation from urban and suburban jurisdictions, and a desire by some county representatives to distance themselves from the city. The result was a controversy about COG's real value to the region, a debate that COG was losing by the early 1990s.

In 1991 Congress enacted the Intermodal Surface Transportation Efficiency Act (ISTEA), mandating the existence of a Metropolitan Planning Organization (MPO) to develop a regional blueprint for transportation investment in order to receive federal highway, transit, and transportation enhancement funds. With the more limited objective of developing a metropolitan transportation plan in order to receive federal funds the Baltimore Council of Governments was restructured and transformed into the Baltimore Metropolitan Council (BMC) on July 1, 1992. The BMC is led by a Board of Directors consisting of the executives of the major jurisdictions: Anne Arundel County Executive John Gary, Baltimore City Mayor Kurt Schmoke, Baltimore County Executive Dutch Ruppersberger, Carroll County Commissioner Donald Dell, Harford County Executive Eileen Rehrmann, and Howard County Executive Charles Ecker. The BMC has organized the Regional Cooperative Purchasing Group, enabling Baltimore City and the five county governments to benefit from cost savings through negotiating volume discounts for items such as fuel oil, fire trucks, emergency medical kits, library furnishings, rock salt, and ambulances. This stands as a successful accomplishment in terms of regional cooperation among local governments.

In addition to transportation planning and cooperative purchasing, the Baltimore Metropolitan Council acts as a forum for regional leaders to discuss and take action on key issues. For example, the BMC is currently involved in addressing questions of crime, commuting patterns, movement of goods in the region, solid waste disposal, air and water quality management, and land use planning. It also provides important economic, demographic, and geographic information and forecasting for metropolitan Baltimore. Since the federal ISTEA law encourages Metropolitan Planning Organizations to connect transportation plans with regional economic

goals, the BMC could play a significant role in helping to develop and implement a Metropolitan Baltimore Economic Strategy, with a major emphasis on strategic investment in transportation and infrastructure.

In 1993 the BMC reached a consensus on the need for a new organization to more aggressively promote the region to businesses around the world to work with companies interested in relocating, expanding, and investing in metropolitan Baltimore. Together, the BMC and the Greater Baltimore Committee (GBC), a leading regional business and civic association, established the Greater Baltimore Alliance (GBA). The GBA, structured as a federation of local government economic development officials and leading business executives, is modeled on similar efforts in St. Louis, Cincinnati, and other metropolitan regions. The GBA's Board of Directors is chaired by Mary Junck, publisher and CEO of The Sun, metropolitan Baltimore's major daily newspaper.

GBA got off to a slow start, but moved into action beginning in late 1995, when the GBA set up shop in the offices of the Greater Baltimore Committee. The GBA is building a spirit of cooperation and trust among the region's economic development professionals, many of whom have experience working with more than one jurisdiction within the region, either through local and state government or the private sector.

Most importantly, \$7.5 million in funding and in-kind contributions has been committed to support the GBA for the next five years. Of the total amount, two-thirds is coming from the private sector and one-third from the public sector. With funding commitments now in place, the GBA has recruited Ioanna Morfessis, one of the nation's top economic development professionals, to serve as its new president and chief executive officer. For the past seven years she headed the Greater Phoenix Economic Council, and previously she served as director of economic development for Montgomery County, Maryland. With the addition of Ms. Morfessis, the Greater Baltimore Alliance is expected to more successfully market the region to business prospects worldwide, helping metropolitan Baltimore to compete and win in the New Economy of the 21st Century.

The GBC is one of the most important regional organizations working to promote metropolitan economic cooperation. The GBC is a 40 year-old association of business and civic leaders whose newly adopted mission statement emphasizes its commitment "to improve the business climate of the Greater Baltimore region by organizing its corporate and civic leadership to develop solutions to the problems that affect the region's competitiveness and viability." The GBC engages in public policy analysis, strategic planning, and legislative advocacy for metropolitan issues, with special attention to the role of Baltimore City in the economic and cultural vitality of the region.

Metropolitan Baltimore enjoys an inherent advantage over many other regions in organizing itself for collaborative endeavors. The entire metropolitan region consists of Baltimore City and five county governments that contain few incorporated municipalities. This relatively streamlined governance structure can be an asset in promoting cooperative regional action.

## **2c. What are the key elements of the metropolitan region's economic strategy?**

***Developing Life Sciences and Information Technology-Based Industry Clusters:*** The region is building on the strength of its research and educational institutions to facilitate technology transfer and expand industry clusters such as Health Services and Medical Products, especially pharmaceuticals and biotechnology. Also benefiting are clusters in Electronics and Communications, and Business and Professional Services, with a focus on data processing and computer software. Organizations supporting research and development, technology transfer, technical assistance for small technology firms and incubators for business start-ups include the Center of Marine Biotechnology at the Columbus Center in Baltimore's Inner Harbor, the Technology Center and the planned Research Park at the University of Maryland Baltimore County, and the University of Maryland at Baltimore's Biotechnology Institute with its Medical Biotechnology Center. These and other institutions strengthen one of the region's strategic advantages -- a high concentration of scientists and engineers. In addition, private-public networks such as local Technology Councils and the Greater Baltimore Committee's Technology Council are working to promote the growth of technology-based firms in metropolitan Baltimore. These networks bring together entrepreneurs, researchers, and investors to support venture capital financing for new and growing businesses, and to promote cross-fertilization of technical expertise to facilitate technology transfer from research laboratories to the production and marketing of goods and services.

***Expanding Conventions and Tourism:*** The region is using new sports arenas and expanded convention and hotel facilities in downtown Baltimore as well as a wealth of waterfront attractions to draw increased tourism and convention business to the metropolitan area. Strategic public and private investments in the Baltimore Convention Center, Oriole Park at Camden Yards, the Ravens Stadium, and the Inner Harbor -- including the renovation of HarborPlace and the U.S.S. Constellation, and the development of the Power Plant and Port Discovery -- generate increased demand for hotels, restaurants, museums, retail stores, services, transportation, and other business opportunities. Further expansion of metropolitan Baltimore's Entertainment and Tourism industry cluster will require building a large "headquarters" hotel for the Convention Center. Also vitally needed is an aggressive national and international promotion campaign to inform potential tourists, conventioners, and business travelers of the region's many attractions, including Baltimore's Inner Harbor, historic Annapolis and the U.S. Naval Academy, annual arts festivals such as in Columbia and Bel Air, the Carroll County Farm Museum, the Maryland State Fair at the Timonium Fair Grounds, and the wide variety of recreational activities oriented around the Chesapeake Bay.

***Improving Education and Workforce Development to Support Industry Clusters:*** The foundation of prosperity in the New Economy is a well-trained and highly skilled workforce in every occupation. Even less skilled work will require much greater understanding of technology and enhanced ability to learn, communicate, and adapt to change. This will make education and employment training more economically essential than ever before, especially for people moving from welfare to work.

Presently, high dropout rates in the inner city and some older suburban communities make it more difficult for metropolitan Baltimore employers to fill many low to mid-level jobs, and makes the region less competitive in retaining and attracting firms. The new state-city partnership for managing Baltimore City's schools, combined with an increase of over \$250 million in state school aid over five years, is designed to address the inner city education and workforce development challenge. In addition, the State of Maryland has placed a high priority on improving all the public schools by establishing uniform standards and sharing resources to assist lagging school systems. This state initiative serves many urban and suburban communities throughout metropolitan Baltimore.

An increasing number of businesses located in fast growing, high income suburban areas with little affordable housing nearby -- such as parts of Anne Arundel County and Howard County -- have difficulty filling low wage job vacancies, at the same time that many people in Baltimore City and certain older inner ring suburbs cannot get to where the jobs are. One solution to this dilemma is to provide transportation and other support services enabling inner city residents to gain access to suburban employment. In metropolitan Baltimore, regional leaders are working together on a special initiative called Bridges to Work, with nearly \$2 million in grant funds from HUD and other sources. The BWI Business Partnership, representing many employers near the airport in Anne Arundel County, is working with the Historic East Baltimore Community Action Coalition to provide private bus service transporting East Baltimore residents, many of whom do not own cars, to jobs in the BWI Business District. Most of these jobs are full-time, paying at least \$6.60 per hour with benefits. In addition to providing transportation, the Bridges to Work initiative offers a full range of support services including employment training and job placement.

To deal with the broader range of employment skills needed for the region to remain competitive in the global marketplace, metropolitan Baltimore's community colleges are moving to the forefront of efforts to provide customized training for businesses and prepare local workers for skilled technology jobs through the new Greater Baltimore Advanced Technology Center. This joint metropolitan effort by eight community colleges is supported by an \$822,000 state grant. The community colleges work together through the Center to create specialized job training programs for the region's technology-oriented employers, in fields such as biotechnology, information technology, financial services, and technology-driven manufacturing. Finally, the region's major research universities and medical institutions, such as Johns Hopkins University and the University of Maryland, are playing a pivotal role in providing advanced education and skill upgrading to train the engineers, scientists, entrepreneurs, and professionals needed to grow the industry clusters of the New Economy.

***Maintaining Competitive Transportation Infrastructure:*** The Port of Baltimore has undergone major upgrading and should benefit from the next wave of rail consolidation. The impending division of Conrail between CSX and Norfolk Southern offers the prospect of more competition and lower shipping rates for metropolitan Baltimore, which has lost much of its competitive advantage over other Eastern seaboard ports in recent years. To regain the Port's competitiveness, metropolitan leaders are working on solutions to two major challenges -- dredging the Chesapeake Bay shipping channel for modern deep-hulled cargo ships; and enlarging Baltimore's railroad tunnels to accommodate double-stacked freight rail cars.



Baltimore-Washington International Airport (BWI) has emerged as a powerful engine of new job growth in the region. Its main competitive advantage is in low-fare air service. Currently, BWI is expanding its capacity by constructing longer runways and a new international terminal, in an effort to challenge other east coast airports for increased domestic and international air cargo and passenger traffic. To offset potential withdrawal of the US Airways regional hub at BWI, the airport is working to attract other air carriers, such as its successful recruitment of Southwest in 1994, which generated a 34% increase in airport jobs within one year.

***Marketing the Region:*** Public and private sector leaders from all parts of the region are working together to support the Greater Baltimore Alliance (GBA) with a \$1.5 million annual fund to promote metropolitan Baltimore as a good region to conduct business and invest funds. The GBA will serve as a "one-stop shop" for companies considering locating or expanding in the metropolitan region. A particular focus will be on attracting corporate headquarters. Regional business, government, and civic leaders also are cooperating to implement tax cuts and regulatory reforms, such as fast-track permitting, designed to retain and attract employers.

An emerging marketing strategy is the targeting of large non-profit employers and recruiting them to relocate to metropolitan Baltimore. Recent high profile relocations of non-profit organizations to the region have highlighted metropolitan Baltimore's attractiveness based on the combination of a relatively low cost of living with a good quality of life. Major charities such as the Annie E. Casey Foundation, Catholic Relief Services, Lutheran World Relief, and the International Youth Foundation have recently moved their headquarters to Baltimore. The Maryland Association of Nonprofits serves as an effective support center and advocacy agency for the non-profit sector, similar to a state chamber of commerce. Nationally, the non-profit sector has experienced a more rapid rate of job growth during the past 15 years than the private for-profit and public sectors. Metropolitan Baltimore leaders intend to capture a greater share of this job growth.

Though focusing on building the economic dynamism of the leading industry clusters, regional entrepreneurs are searching for potential niche opportunities in a variety of business sectors, including traditional manufacturing. A successful international marketing effort also can help change the region's image in many positive ways, establishing a clear sense of metropolitan identity, raising public confidence in metropolitan Baltimore's ability to prosper in the New Economy.

***Reconnecting Inner City and Inner Suburban Neighborhoods to Regional Prosperity:*** Restoring economic vitality to low-income communities must be a key element of any successful long-term Metropolitan Economic Strategy. The most significant recent effort to reduce concentrated poverty, promote community reinvestment, and move people from welfare to work was the designation of Baltimore City as a federal Empowerment Zone in December 1994. A total of \$100 million in grants are available for job training, business development, community building, affordable housing, and human services needs in some of the city's poorest neighborhoods. In addition, \$250 million in tax credits are provided for employers creating jobs in the Empowerment Zone and hiring Zone residents. Baltimore's Empowerment Zone is one of the most successful of the federally-designated Zones, generating 1,700 jobs and attracting companies such as Sylvan

Learning Systems and Osiris Therapeutics. Also, Baltimore City was designated in 1997 as a federal Homeownership Zone with nearly \$12.5 million in HUD funds to promote large-scale homeownership and community revitalization.

State-designated Enterprise Zones in the city and suburbs give tax breaks to companies expanding in older areas with high unemployment rates. Both Anne Arundel County and Baltimore County are placing a high priority on community conservation, encouraging public and private investment in older inner ring suburbs through state Enterprise Zones and locally funded efforts. For example, the Eastern Baltimore County Revitalization Strategy is a public-private initiative to coordinate government, business, and community development activity in North Point, Essex, and Middle River.

***Encouraging Community Redevelopment and a More Sustainable Region:*** In recent years, concern has grown regarding the increasing “job sprawl” of metropolitan Baltimore, especially in those areas not located along the I-95 corridor between Baltimore and Washington. This issue parallels the concern over continually expanding residential sprawl and the associated costs of duplicating existing infrastructure. In addition, sprawl development raises environmental issues due to the sensitive nature of the Chesapeake Bay ecosystem, which is itself an important source of economic activity for the region and is considered the area's leading quality of life attraction.

In order to attract and retain a skilled workforce, particularly the highly mobile, quality of life oriented entrepreneurs, regional leaders recognize the economic value of preserving the Chesapeake Bay, regional farmland and open space, and other desirable features of the landscape and environment. To this end, metropolitan business, government, and civic leadership is supporting efforts at the state and local level to promote “smart growth” -- revitalizing older communities and focusing growth on already built-up areas. This strategy helps reduce the pressures to build costly new infrastructure in outlying areas and encourages the most efficient use of existing utilities and transportation systems, which also improves regional air quality by reducing overall automobile usage. Efforts to revitalize older urban and suburban areas include restoring “brownfields” - hazardous, abandoned industrial sites - and redeveloping them for new industrial, commercial, and residential uses.

***Developing cooperation with Metropolitan Washington:*** The metropolitan Baltimore economy is increasingly integrated with the economy of the Washington, D.C. metropolitan region. Recent signs include the merger of Baltimore Gas and Electric (BGE) and the Potomac Electric Power Company (PEPCO) to form Constellation Power. But there are still obstacles to interregional cooperation, including economic, governmental, and cultural differences. For example, the two metropolitan regions use different systems for pricing and quoting commercial and industrial real estate rental rates. Some metropolitan Baltimore leaders believe that overcoming these interregional differences and working more closely together in the future can benefit metropolitan Baltimore, particularly in cooperating with metropolitan Washington to expand technology-oriented businesses and institutions, developing a broader, more diverse, and better educated workforce by sharing education and employment training in a consolidated labor market, engaging in common transportation and infrastructure projects such as a high-speed commuter train between Baltimore and Washington, and protecting the common environment of the Chesapeake Bay.

### 3. What can the federal government do to support the metropolitan economic strategy?

Metropolitan Baltimore political, business, and civic leaders were asked for their thoughts on the role that the federal government could play in supporting the region's growth and prosperity. Their answers included:

**Support revitalization of older commercial and residential centers.** Continue programs such as the Empowerment Zones and Homeownership Zones and make similar assistance available to suburban jurisdictions that are experiencing spillover effects from urban distress. The federal government can also provide funds to support local revitalization efforts in older commercial and residential centers. Metropolitan regions can use federal transportation funds for maintaining and enhancing existing infrastructure rather than promoting the development of sprawling exurbs.

**Provide incentives to local governments for metropolitan economic coordination.** The federal government could provide funding incentives for communities to work together on metropolitan economic strategies. For example, HUD is funding the Bridges to Work project through the Historic East Baltimore Community Action Coalition, linking east Baltimore residents to jobs in the BWI Business District in Anne Arundel County. Metropolitan Baltimore would benefit from federal support for other cooperative efforts, such as developing a centralized database on the region's available commercial and industrial sites.

**Help clean up brownfields.** The potential of cleaning up "brownfields" -- hazardous sites -- for economic development in older parts of metropolitan Baltimore will help revitalize these communities and save money on the costs of building new infrastructure for new development in outlying areas. Maryland has enacted state legislation designed to promote this brownfields redevelopment by limiting private liability for existing environmental hazards, but the initial cleanup required to restore such sites is very costly. The federal government can play a role in assisting state and local governments.

**Support infrastructure investments to develop the Transportation and Trade Services industry cluster and encourage growth in built-up areas.** The region requires major transportation investments for the Port of Baltimore to remain competitive. Dredging the Baltimore Channel up the Chesapeake Bay is a costly but vital undertaking if the Port of Baltimore is to accommodate the newest and largest shipping vessels. Baltimore's railroad tunnels need to be enlarged to accommodate double stacked cargo containers. It will cost \$40 million to lower the track in the Howard Street tunnel that runs beneath downtown Baltimore, one of three tunnels that need expensive modifications. For a more dynamic economic connection to the broader mid-Atlantic economy, a 30-minute high speed commuter rail link should be built from Baltimore to Washington, perhaps using "mag-lev" or other new rail technologies. Alternately, and probably less expensively, another line of track between the two cities might enable MARC trains to match the Metroliner's 35 minute running time at commuter prices. In addition, highway expansion projects should support strategies that encourage development in areas with existing infrastructure.

**Locate health care and other federal agencies in the region.** Given metropolitan Baltimore's proximity to Washington, the federal government can locate and consolidate federal facilities, particularly those related to health care and biomedical research, to support the region's economic revitalization. Decisions regarding location and consolidation of federal facilities should consider local economic development plans and needs, particularly regarding facilities that would support metropolitan Baltimore's health care and biomedical research strengths and promote revitalization of older communities in the region.

**Ease the conversion of surplus military facilities to other uses.** The federal government should take advantage of military downsizing in the Baltimore region by locating other federal facilities on unused properties or by working closely with local officials to convert properties to an appropriate private sector use. For example, the recent decisions to expand a research lab and locate a personnel center at Aberdeen Proving Ground in Harford County and build a \$50 million EPA laboratory at Fort Meade in Anne Arundel County help offset the impact of military downsizing in a way that utilizes the skills of the regional workforce. In the case of federal government departure from sites such as the David Taylor Naval Surface Warfare Center near Annapolis, federal officials should cooperate closely with local economic development officials to ensure that the site and facilities make a successful transition that accords with local economic plans and priorities.

**Upgrade federal data collection to reflect the economic changes of recent decades.** The current system of collecting and reporting employment by Standard Industry Classifications may be missing important new sectors as well as the different types of work that go on within individual reporting units. The federal government can assist local and regional economic development authorities by developing new measures that more accurately reflect modern economic activity.

## Exhibit 9

**Metropolitan Baltimore's 25 Largest Employers**

<b>Employer</b>	<b>Total MSA employment</b>	<b>Industry Cluster</b>
Johns Hopkins University	15,500	Education
Helix Health Inc.	11,250	Health Services
Johns Hopkins Health System	10,300	Health Services
Baltimore Gas and Electric Co.	8,100	Energy
Northrop Grumman Electronic Sensors and Systems Division	7,300	Aerospace & Defense
Giant Food Inc.	6,300	Retail Trade
Bethlehem Steel Corp. Sparrows Point Division and Bethship	6,250	Industrial Machinery
University of Maryland Medical System	5,900	Health Services
Bell Atlantic - Maryland Inc.	5,500	Electronics & Communications
NationsBank Corp.	4,100	Financial Services
Blue Cross and Blue Shield of Maryland Inc.	3,400	Financial Services
General Motors Truck Group, Baltimore Assembly Plant	3,300	Transportation Equipment
Greater Baltimore Medical Center HealthCare Inc.	3,200	Health Services
First Maryland Bancorp	3,000	Financial Services
St. Agnes Health Care	2,900	Health Services
Sinai Hospital of Baltimore	2,550	Health Services
USAir Group Inc.	2,450	Transportation & Trade Services
USF&G Corp.	2,450	Financial Services
St. Joseph Hospital Inc.	2,300	Health Services
Sweetheart Cup Co. Inc.	2,250	Agriculture & Food Processing
Senior Campus Living	2,100	Housing & Construction
McCormick & Co. Inc.	2,000	Agriculture & Food Processing
DavCo Restaurants Inc.	1,900	Entertainment & Tourism
Becton Dickinson Microbiology Systems and Primary Care Division	1,900	Medical Products
Anne Arundel Health Systems	1,800	Health Services

Source: Baltimore Business Journal



