



ENTERPRISE REAL ESTATE SERVICES

# THE INNER HARBOR STORY

A model of urban waterfront development, Baltimore's Inner Harbor offers an adventure in downtown revitalization.

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In the opinion of the American Institute of Architects (AIA), Baltimore's Inner Harbor is "one of the supreme achievements of large-scale urban design and development in U.S. history." The Waterfront Center, a Washington, D.C., clearinghouse of information, says it has become "justly celebrated . . . a model for cities throughout North America and, indeed, the world."

As the favorite gathering place for residents and for the 6.5 million tourists who visit Baltimore each year, the Inner Harbor has brought tens of thousands of new jobs and many millions of dollars per annum in increased taxes to the city. The buildup is still continuing, with \$550 million in new offices, hotels, residences, and entertainment venues being completed or placed under construction in the Inner Harbor area in 2001 and 2002.

It is hard to remember now that this same Inner Harbor is the focal point of an old Rustbelt city that, in the 1950s and 1960s, was considered D.O.A. by travel agents; was described by native son H.L. Mencken as "the ruins of a once-great medieval city"; and was the source of a collective inferiority complex shared by almost 1 million, mostly blue-collar citizens. Baltimore was the eighth-largest, and perhaps the least known, city in America. How all this changed is one of the most fascinating adventure stories in modern urban history.

## Phase I: Charles Center

By 1954, the first flight to the suburbs had prompted a ten-year decline in downtown property values—and therefore a comparable reduction in the city's tax revenues. Desperation was growing in the leadership of the city's business community, which created a Committee for Downtown to raise private funds for the preparation of a master plan that would be the basis for reversing the decline. That task was given to the Planning Council of the Greater Baltimore Committee (GBC), chaired by Hunter Moss (who later

The Baltimore Inner Harbor has won more Urban Land Institute Awards for Excellence (six) than any other project to date and has been a work in progress since the 1950s.

became chairman of the Urban Land Institute [ULI]) and directed by David A. Wallace, a leading city planner recruited from the Philadelphia Redevelopment Authority.

Halfway through their planning work, the business leaders concluded that it would take too long to plan for the entire 300-acre central business district (CBD): the “patient” could die on the operating table while the diagnosis was being determined. So the planning council set aside the master plan temporarily and focused its efforts on the planning of a single project large enough (22 acres) to make a difference, but small enough to be completed within the attention span of the leadership—perhaps ten years.

This became the plan for the \$140 million (in 1957 dollars) Charles Center Project, the first in the United States that called for the redevelopment of the very center of downtown. The feasibility of the project was analyzed and endorsed by the Baltimore Urban Renewal and Housing Agency (BURHA), chaired by Walter Sond-



Following the shipping industry's departure from the Baltimore waterfront, a plan arose to redevelop the area for other uses that included offices, housing, and tourist attractions.

heim, Jr. Then-Mayor Thomas D'Alesandro, Jr., made it a historic partnership by providing what only the municipal government could deliver—first, the necessary working capital in a \$25 million city bond issue; and second, the power of eminent domain, put in place when the Baltimore City Council adopted the urban renewal ordinance in 1958.

The next strategic decision was to create a “delivery system” to implement the plan for Charles Center. This took the form of a quasi-public management team outside of the municipal government, headed by the chairman of the Committee for Downtown, J. Jefferson Miller, under contract to the city for \$1 a year plus expenses. With the assistance of the GBC members, a formidable network of contacts was assembled to help with the dealmaking.

Though the rank and file of citizens doubted the project's chances of success, as it turned out, Charles Center uncovered a latent desire in the marketplace for sleek, new offices to replace the Victori-

an style that was in fashion before 1960. A hotly contested design competition was held in 1959 to select the developer of the first building, and One Charles Center—developed by Metropolitan Structures and designed by the world's most famous architect of the time, Mies van der Rohe—was completed in 1962.

By 1963, three more structures were completed or under construction and another six projects were in the final planning or design stages, including two more office buildings, a hotel, a department store, a theater, and an underground garage.

The quick success of the first project made it clear that the public and private sectors had gained the momentum and confidence required to tackle the redevelopment of the downtown waterfront—an area eight times as large as Charles Center.

### The Inner Harbor Plan

By this time, the shipping industry had completely abandoned the Inner Harbor, and the businesses surrounding the waterfront soon followed. There was an opportunity crying out for new users to capitalize on the waterfront's natural ambience, right at the doorstep of downtown. When Theodore R. McKeldin became mayor for the second time in 1963, he set the wheels in motion, and Wallace McHarg Associates of Philadelphia (now Wallace, Roberts & Todd) was commissioned to prepare a master plan for redevelopment of the area surrounding the Inner Harbor.

The plan that resulted had three main thrusts: first, a row of prestigious sites for office buildings along Pratt Street facing the waterfront; second, multifamily housing in the eastern and western sectors; and third, in the center, a public playground for Baltimoreans along the shoreline of the Inner Harbor. (No serious thought was given to attracting tourists; there were so few that no records were kept.)

The plan's basic mandate was to restore access to and enjoyment of the water to the people of the city. Approximately one-third of the planning area would be razed and rebuilt; the remainder, including city hall and the financial district, would be revitalized through rehabilitation.

It was projected that the plan would be fully realized within 30 years. However, there was one overarching problem: the Interstate Highway Program. In city after city, expressways were being built that cut CBDs off from their waterfronts, and for the Inner Harbor planners, an expressway crossing the mouth of the Inner Harbor was a given under existing laws.

In September 1964, the city announced the Inner Harbor Master Plan, and the voters quickly approved a bond issue of \$2 million to kick-start the program. The Charles Center management team was given the implementation assignment, and this time it opted to form a private corporation, Charles Center–Inner Harbor Management, Inc. (CC-IH), which had the same legal powers as any private company, but with the difference that its business was controlled by a contract with the municipality. Miller became the nonexecutive



chairman (in which he was later succeeded by Sondheim), while Martin L. Millspaugh, the deputy general manager of Charles Center, became president and chief executive officer of the corporation.

Their contract provided for the corporation to manage the redevelopment process under the direction of Robert C. Embry, Jr., the city's commissioner of housing and community development. The city paid all of the costs of the operation and provided logistical support. Title to all acquired properties and the proceeds from land sales remained with the city, and all agreements with third parties, such as developers, required the approval of the city's Board of Estimates. This was in open session, where any party could be heard.

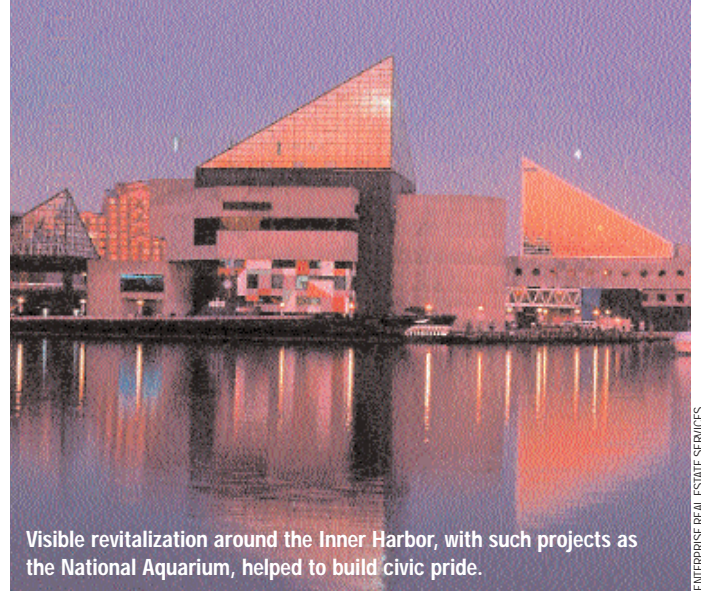
At the beginning, the management team was faced with the seemingly interminable administrative and technical processes of urban renewal—the “submerged part of the iceberg,” as it were. That entailed the acquisition of almost 1,000 properties and the relocation of more than 700 businesses—including the city's wholesale produce market, the state tobacco warehouse, and an operating fish-oil refinery—along with the task of disposing of toxic dredged materials.

The urban renewal process also meant dealing with 14 local, state, and federal agencies that had jurisdiction over some aspect of the land or water. However, one of those agencies was the State Highway Administration. CC-IH helped to persuade the highway commissioner to create a special, federally funded Design Concept Team, which was able to move the expressway plan entirely out of the Inner Harbor—initiating a process that other port cities later utilized to their benefit.

### The First Thrust: Headquarters Offices

By 1969, the momentum built up in Charles Center began to support the first thrust of the Inner Harbor Master Plan: the strategy of attracting prestigious office buildings to sites overlooking the harbor. The USF&G insurance company was the first to come forward, with a proposal to replace its old headquarters building in the financial district with a new, 36-story tower at the focal point of the Inner Harbor—the intersection of Pratt and Light streets. This commitment by a major, homegrown corporation lent credibility to the entire project, and it was followed by similar commitments from IBM, the Federal Reserve Bank, the C&P Telephone Company, Equitable Trust Bank, and the Federal Courts.

In 1972, the state's board of public works approved the construction of the 28-story World Trade Center, which was to become the touchstone of the project. No tax concessions were given for any of the new, privately owned buildings, and the city began to benefit significantly from the increase in property taxes that were being generated in the CBD. By 1975, the price awarded in a condemnation case showed that cleared Inner Harbor land was then worth more than the cost of acquiring the land and buildings a few years before.



Visible revitalization around the Inner Harbor, with such projects as the National Aquarium, helped to build civic pride.

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Both the Charles Center and Inner Harbor plans relied on a high standard of excellence of design, supported by an advisory architectural review board made up of the deans of architecture from Harvard, the Massachusetts Institute of Technology, and the University of Pennsylvania—chosen because they would have sufficient prestige to overrule the most illustrious of the developers' architects if necessary. This proved to be important: in Charles Center and the Inner Harbor, the board was called on to review the designs of a dozen AIA gold medalists or gold medal firms. In 1980, Charles Center was awarded the ULI's second Award for Excellence.

### A Playground for Baltimoreans

In each thrust of the Inner Harbor Master Plan, it was necessary for the public investment to go in first, before private capital could be attracted. To help that process along, the strategy was to start from the beginning to make visible things happen, no matter how small or temporary, so as to make news and establish the Inner Harbor as a real, successful undertaking in the public consciousness.

By 1973, following the third thrust of the plan, the shoreline around the Inner Harbor basin was rebuilt with new bulkheads to define the open space in the master plan. The streets were redesigned as wide boulevards surrounding the circle of parkland and a 35-foot-wide promenade was added at the water's edge—the feature that was to become the spine of the project and would later be extended outward for seven miles on both sides of the old harbor.

Since the Inner Harbor was a backwater of a Chesapeake Bay tributary with no water traffic, the strategy was to bring in floating attractions to activate the public space, in addition to the planned marina and finger piers for working boats. In came privately operated tour boats, a shuttle boat to the historic shrine at Fort McHenry, a dock for pedal boats that could be rented by the hour, a World War II submarine, and a coastal steamer converted into a restaurant. On the west shore, a 700-foot stretch of the bulkhead was dedicated as the Public Wharf for visiting ships, and it soon began to attract international tall, square-rigged vessels, such as the Russian *Tovarisch* and the Canadian *Bluenose*.

When Mayor William Donald Schaefer came into office in 1972, he quickly became a charismatic taskmaster and cheerleader for the

project. He set up an Office of Promotion in city hall, under the leadership of Sandra Hillman, a professional relations executive, and the shoreline began to hum with events like “Sunny Sundays” and festivals staged by Baltimore’s many ethnic neighborhoods. These events drew hundreds of thousands of residents and their friends and relatives to the shoreline on summer weekends. The city fair, first held in Charles Center in 1970, was moved to the Inner Harbor shoreline in 1973, where it drew an attendance of 1.5 million people over one weekend in September.

The playground for Baltimoreans that was depicted in the Inner Harbor Master Plan was in place by 1975, and Baltimoreans flocked to make use of it. Soon there was a change in the citizens’ feelings about their city—going from a collective inferiority complex to a strong surge of civic pride—and CC-IH proposed to create a symbol to lock that into place. The symbol turned out, appropriately, to be the *Pride of Baltimore*, an authentic Baltimore clipper ship, dedicated to sail around the world as the city’s ambassador to other nations. The *Pride* was lost in a tragic storm at sea in 1986, but a replacement, *Pride II*, was docked at the Inner Harbor in 1988.

The second thrust of the Inner Harbor Master Plan—housing—still had not lived up to the other uses after ten years. Only the federally assisted apartments for the elderly, developed by Christ Lutheran Church, had reached the construction stage by 1975. The city’s Department of Housing and Community Development (HCD) then generated a substitute for new housing by adopting a “homesteading” program for the Otterbein neighborhood in Inner Harbor West.

Through this program, the HCD offered the shells of dilapidated rowhouses for \$1 each to local residents who would agree to restore and live in them. The 150 units were fixed up for an average of \$50,000 each of borrowed funding. These rowhouses now bring upwards of \$350,000 in their rehabilitated 18th-century neighborhood. The success of this city-sponsored program proved there was a market for single-family, walk-to-work housing, and the remainder of the neighborhood has since been developed with upscale infill units.

By 1975, the pervasive feeling in the city was one of pride and optimism. The 100,000-square-foot Maryland Science Center was under construction on the shoreline, and the city announced its intention to build an aquarium and a new convention center. Moody’s national credit rating bureau raised the city’s rating for general obligation bonds, saving the city millions of dollars in interest payments and citing the Inner Harbor development as one of the reasons. Then, in 1976, a series of events took place that forever altered the impact of the Inner Harbor on Baltimore and the rest of the world.

### Arrival of the Tall Ships

The turning point for the Inner Harbor occurred in July 1976, when the square-rigged Tall Ships that serve as promotional ambassadors for countries from Europe to Asia and South America held a rendezvous in New York to celebrate the U.S. Bicentennial. Afterward,

eight of the Tall Ships came to Baltimore, where they tied up around the Inner Harbor and Fells Point to the east, and opened their decks for a public open house lasting for ten days. The response was electrifying: hundreds of thousands of people crowded the shoreline and, for the first time, large numbers came from outside the Baltimore area—not only from the far suburbs, but also from different parts of Maryland and other states. It was clearly a day-trip tourist event, which opened the eyes of the Inner Harbor managers and their clients in city hall.

As a result, CC-IH commissioned Economic Research Associates (ERA), a firm of tourism consultants, to analyze what it all meant. They reported back that the Inner Harbor did, indeed, provide a stage setting for a significant tourism industry. With the large number of residents spending leisure time there, the only thing missing was a critical mass of high-profile attractions to create a year-round tourist destination. For the rest of the 1970s, CC-IH’s top priority was to produce such attractions. The Maryland Science Center reached completion in 1976; the fully restored USF *Constellation*, reputed to be the first ship of the U.S. Navy, was restored and installed at the new Constellation Dock, and an observation deck opened on the top floor of the World Trade Center, followed by a 2,000-seat outdoor concert pavilion on Pier 6.

Then, between 1979 and 1981, four more major attractions were opened: first, the city won approval from the Maryland General Assembly for a \$35 million state bond issue to build the Baltimore Convention Center, which opened its doors in October 1979. The National Aquarium in Baltimore survived a hotly contested bond issue referendum and opened in 1981.

Next was the long-awaited Inner Harbor hotel, which had always been considered essential to creating the “people place” envisioned by the Inner Harbor Master Plan. The Hyatt Regency Baltimore opened in 1981, made possible by a \$10 million grant from the U.S. Department of Housing and Urban Development (HUD) under the Urban Development Action Grant (UDAG) program.



The square-rigged Tall Ships, which serve as foreign ambassadors to the United States, first docked in Baltimore in 1976. Their continued visits to the city help attract visitors from around the region to the Inner Harbor.



Meanwhile, the world-famous Baltimore developer James W. Rouse had created the festival marketplace—Harborplace—which opened in the Inner Harbor on July 4, 1980, after surviving a referendum petitioned by citizens who did not want to give up any of the open space on the shoreline. From the day it opened, Harborplace was the catalyst that pulled together all of the other attractions into a critical mass, fueling an explosion of local and out-of-town visitors. By 1982, attendance at the Inner Harbor was estimated at 20 million visits a year: two-thirds were locals, coming again and again; the other one-third, or 6.5 million people, consisted of tourists. In 1986, the shoreline received the ULI Award of Excellence.

The critical mass and the out-of-town visitation that it created put Baltimore in a new position among the world's cities. As the Inner Harbor's fame spread, the tourism industry added Baltimore to its destination lists, and the traffic of people through the Inner Harbor continued at the 1982 level. Harborplace recorded sales that were 60 percent above the Rouse Company's original estimates. The hotel became the most successful property in the Hyatt chain. Twelve other downtown hotels were either built or rehabilitated in the next few years—without any further city participation except in the form of clearing and selling sites for a fair market purchase price.

The rewards to the Baltimore community in terms of taxes, jobs, tourist expenditures, and business opportunities were immense. But in the long run, the change in the attitude of Baltimoreans toward their city may have been more important. In 1960, it had been fashionable for residents to apologize for the city; by 1990, the sense of pride was firmly entrenched, and it generated an even greater surge of development in the years after 1982.

### Renaissance II

The Inner Harbor Master Plan of 1964 was substantially completed within 20 years, instead of the 30 originally projected, and with three times as much development as was thought possible at the beginning. There was no sign of the pace subsiding; the new projects becoming available only accelerated in terms of number and diversity.

By 2000, upwards of 60 new projects were either built or recycled: 15 office buildings, 12 hotels, ten museums, and 17 other attractions, plus the Charles Center Subway Station, a new police headquarters building, and the campus of the Living Classrooms Foundation. The residential market slowly awoke, starting with the conversion of vacant old loft buildings and

Following the opening of the Hyatt on the Inner Harbor in 1981, 12 other hotels soon were developed.

the new, infill housing in the Otterbein neighborhood. By the 1990s, there were three high-rise condominium towers that sold slowly, but eventually established the Inner Harbor as a place for devotees of urban living.

Along the way there were undeniable failures—mostly attractions that simply did not have sufficient entertainment value to succeed. But the marketplace proved resilient, and nine out of 12 failed venues have since been revived to carry on with different uses.

By 1990, the newspapers announced that a “Renaissance II” was underway. The major attractions of 1979–1981—the science center, the aquarium, and the convention center—all had built major expansions, and the Inner Harbor area itself was expanding outward in all directions:

- to the north, with the Rouse Company's 1.2 million-square-foot, mixed-use Gallery project and a new wave of recycling in the old financial district—including Furness House, a small gem of an office building restored by the Cordish Company, which won a ULI Award for Excellence in 1993;

- to the east, with a 15-acre, mixed-use development known as Inner Harbor East that features five major buildings already developed by John Paterakis's H&S Properties on land that had been assembled by an unsuccessful speculator in the 1970s and 1980s;

- to the south, with the American Visionary Art Museum, winner of another ULI Award for Excellence, and Harborview, a 2,600-unit residential project under construction on the former site of a ship repair yard; and

- to the west, with the now-famous trend-setting major league baseball stadium, Oriole Park at Camden Yards, which won a ULI Award for Excellence in 1994.

Within the Inner Harbor area, several of the failed venues came back to life, including the historic Fish Market, converted into Port Discovery, an interactive children's museum. The most dramatic turnaround involved the former Power Plant, where an indoor





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Oriole Park at Camden Yards, home to Major League Baseball's Baltimore Orioles, sits just to the west of the Inner Harbor, attracting many more visitors to the area each year.

theme park languished for several years before being replaced by a Hard Rock Café, a Barnes & Noble bookstore, and the first ESPN sports bar.

Meanwhile, the nature of the "delivery system" itself was changing. While the CC-IH team had to learn on the job, a fresh generation of managers was growing up, trained in the new field of public/private partnerships. In 1989, CC-IH, then headed by Albert M. Copp, absorbed two other city-controlled corporations and in 1995 became the Baltimore Development Corporation (BDC), a 501(c)(3) organization headed by M. Jay Brodie. Today, the BDC manages the economic development program for the entire city.

### New Directions for the Millennium

As the new millennium has gotten underway, another 40 or more downtown projects have begun construction or reached completion. Many represent new trends that promise to influence downtown development for decades to come. A short list would include:

- Rediscovery of downtown Baltimore as a place to live. Twenty residential projects are completed or under construction, including new construction, the conversion of major existing office buildings, and the revitalization of old neighborhoods to the south and east.
- Generic offices in the "Digital Harbor." Abandoned industrial properties are being recycled into the sort of unadorned offices popular with today's young professionals and business firms, exemplified by the Tide Point project developed by Struever Bros., Eccles and Rouse.
- The addition of organized entertainment in the Inner Harbor area. The drawing power of the Power Plant is being amplified by the creation of bars, clubs, and restaurants catering to different tastes.
- Major growth in health and higher education facilities. The University of Maryland's hospital and professional schools alone are adding 1.2 million square feet at a planned total cost of more than \$600 million.
- Unique attractions that add to overall appeal. The American Visionary Art Museum showcases a new genre of paintings and sculptures, while the Douglas-Myers Memorial Waterfront Park and the Maryland Museum of African-American History and Culture will feature exhibitions and permanent collections that pertain to Baltimore's largest ethnic group.

■ The second renewal of the Charles Center project area. After 40 years, the covenants enforcing the Charles Center Renewal Plan are expiring, and new commitments are being made to reaffirm the area's quality by rehabilitating the office buildings, hotels, and urban plazas.

It is difficult to measure the effect of all this activity on today's market for Inner Harbor real estate. There are good signs and some not-so-good signs. The figures for the Inner Harbor tourism industry in 2002 show a decline for the second year in a row, attributed to the weak U.S. economy and the nationwide drop in tourism since the events of 9/11. The Baltimore Area Convention and Visitors Bureau has recently announced a reorganization triggered by the decrease in the number of conventions.

On the other hand, three development teams have entered a BDC competition for the right to build a new convention hotel; the Class A office vacancy rate has been hovering around 10 percent; and the sale in January 2003 of two major CBD office buildings for healthy prices indicates a strong future for the district. The new entertainment venues claim a resounding success in a business that caters to Baltimoreans.

To ensure that the Inner Harbor will remain a model of waterfront development for decades more to come, Baltimore has hired an urban design team led by New York-based architectural firm Cooper, Robertson & Partners to provide the first new plan of the Inner Harbor since its inception. Members of the urban design team include Baltimore firm Cho Benn Holback + Associates; Thomas Balsley Associates, a New York based landscape design group; and O.R. George Associates of Washington D.C. as transportation consultants. The team has worked for a year now to strengthen connections between the waterfront and the central business district (CBD), to preserve and enhance the public spaces, to create additional gateways to the waterfront, and to ensure traffic flow and parking options.

Still, it would be irresponsible to leave the impression that waterfront revitalization alone can solve the major, underlying problems that cities face today. At best, this kind of redevelopment can create a good center city in which to live, work, and relax. More important, perhaps, it can foster a new image and spirit that give citizens a fresh outlook, enabling them to deal with other issues and frustrations. In that sense, Baltimore is no exception. ■

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