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Real Estate Use and Demand Study: South Baltimore Gateway Industrial Areas
October 29, 2019
Prepared for the Baltimore Development Corporation



bae urban economics

October 29, 2019

Ira Kowler
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36 S. Charles Street, #2100
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Dear Ira:

BAE is pleased to submit this Real Estate Use and Demand Study: South Baltimore Gateway Industrial Areas for your review. The study includes a market analysis that provides a snapshot of the current industrial market of the South Baltimore Gateway Area, with a special focus on the Carroll-Camden Industrial Area. It also provides demand projections for jobs and employment. To complete this first part of the contracted work for the Baltimore Development Corporation (BDC), BAE researched relevant real estate and market trends in both Carroll-Camden and the Greater South Baltimore Gateway Industrial Area using several reliable data sources. Additionally, we interviewed real estate brokers who work in the Carroll-Camden and South Baltimore markets to gain their perspective on the real estate market in these areas.

The market analysis lays the foundation for the next part of the study, the Future Opportunities Analysis. The Future Opportunities Analysis discusses competitive advantages and challenges for the Carroll-Camden and South Baltimore Gateway industrial areas and identifies the advantages and associated opportunities that should be capitalized on. The Future Opportunities Analysis also examines issues that need to be addressed to help these industrial areas function as well as possible in today's market. This qualitative analysis takes into account feedback from interviews with business owners, developers, and other stakeholders working in the area; general observations; and best practices from other cities. The analysis concludes with recommendations that incorporate findings from both parts of the study.

We enjoyed working on this important project. Thank you for the opportunity.

Sincerely,



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INTRODUCTION

Baltimore City's South Baltimore Gateway contains several hubs of industrial activity. Historically, many neighborhoods in the Gateway – including the Carroll-Camden Industrial Area – have been attractive to industrial businesses due to their access to major regional roads and rail transit. Today, industrial users in the South Baltimore Gateway include regional, national, and international firms such as Holly Poultry, Sagamore Spirit Distillery, STX LLC, Ellicott Dredges, Emergent BioSolutions, Sherwin Williams, and more. In recent years, however, increased development in the City of Baltimore has caused land uses to increasingly shift from industrial to commercial and residential.¹ To help plan for future development in the South Baltimore Gateway while also preserving industrial uses to sufficiently meet demand, the Baltimore Development Corporation has engaged BAE Urban Economics to conduct a Real Estate Use and Demand Study.

The first part of the following report provides a snapshot of the current industrial market in Carroll-Camden and the South Baltimore Gateway and projects future demand for industrial space in the area. The second part of the report is a Future Opportunities Analysis that outlines competitive advantages to capitalize on and challenges that need to be addressed.

KEY FINDINGS

- Overall, according to both real estate brokers and CoStar, the South Baltimore Gateway area has a healthy industrial market with low vacancy. Rental rates are keeping pace with the comparison geographies (Southeast Baltimore County and Southwest Baltimore County).
- The industrial space in the South Baltimore Gateway is old, especially in Carroll-Camden. However, vacancies are low with a few property-specific exceptions.
- The vacancies that exist are not concentrated among buildings of a certain age or size though there are a few properties with particularly high vacancy rates. These sites, especially the larger former manufacturing sites, could potentially be targeted for redevelopment.
- There has been a rapid increase in land prices in the area, which is likely being driven by the Casino. This may make it difficult to preserve industrial space, as rents may eventually escalate to levels that are unaffordable to industrial businesses, which will apply pressure for alternative types of development (for example, commercial and residential).

¹ Background information obtained from the Request for Proposals published by the Baltimore Development Corporation on January 19, 2018.

- There has been a change in industrial use trends over the last fifty years. Since the 1970s, there has been a shift away from manufacturing toward warehousing and distribution. This change points to a decrease in employment density, as warehousing and distribution firms generally employ fewer employees per square foot than manufacturing firms.
- Overall, the South Baltimore Gateway is losing manufacturing jobs, while Carroll-Camden is gaining them.
- Industrial employment is projected to increase in Maryland through 2026 in all three industrial sectors: manufacturing, wholesale trade, and transportation and warehousing. The most growth is expected to be in transportation and warehousing.
- Due to the relative strength of the industrial markets in the South Baltimore Gateway and the Carroll-Camden Industrial Area, as well as the projected continued growth of industrial employment in Maryland, it is reasonable to expect that these areas will continue experiencing strong levels of demand.
- To ensure that these areas remain competitive with other industrial markets, it may be advantageous to ensure that underutilized industrial space is outfitted to accommodate the uses of growing industries, such as warehousing and storage and wholesale trade, as well as high-growth manufacturing markets.

METHODOLOGY

The following sections provide information about the geographies analyzed by the study as well as the data sources that were used.

Terms

The following terms are used throughout the report:

- **Industrial Property.** BAE obtained data from CoStar about properties classified as industrial, as well as properties classified as “flex.” Industrial uses include assemblage, processing, manufacturing, warehousing, distribution, maintenance facilities, and self-storage facilities. Flex buildings, which are designed to be versatile, have industrial uses that are employed in combination with office uses. For example, a flex property may function as a manufacturing center with an attached research and development (R&D) office. Throughout the report, the term “industrial” refers to properties with either industrial or flex uses.
- **Industrial Property Type.** The real estate analysis breaks down industrial properties by type based on CoStar data. There are ten industrial property types including manufacturing, warehouse, showroom, data hosting, and food processing. CoStar defines industrial property types by the way that the property is currently utilized. If the property is vacant, it is classified based on the way it is most likely to be utilized.

- **Employment Sector.** The real estate analysis analyzes local employment using U.S. Census data. The analysis breaks down local jobs into 20 sectors. These categories are based on The North American Industry Classification System (NAICS), which is the standard used by Federal statistical agencies in classifying business establishments to collect, analyze, and publish statistical data. The three sectors most likely to employ industrial workers are manufacturing, transportation and warehousing, and wholesale trade.
- **Employment Industry Class.** The real estate analysis identifies the geographic locations within the South Baltimore Gateway that have the highest concentrations of (1) jobs in all industry classes, (2) jobs in the goods-producing industry class, and (3) jobs in the trade, transportation, and utilities industry class. The goods-producing industry class consists of the following NAICS-based sectors: manufacturing, construction, mining, quarrying, and oil and gas extraction, and agriculture, forestry, fishing and hunting. The trade, transportation, and utilities industry class consists of the following NAICS-based sectors: wholesale trade, transportation and warehousing, retail trade, and utilities.
- **Employment Industry.** To assess future demand for industrial space in the South Baltimore Gateway, the study utilizes employment forecasts published by the Maryland Department of Labor, Licensing, and Regulation. These forecasts are analyzed at the sector level as well as the industry level. Industries are NAICS-based categories that are subcategories of sectors. They provide an additional level of detail about business activities.

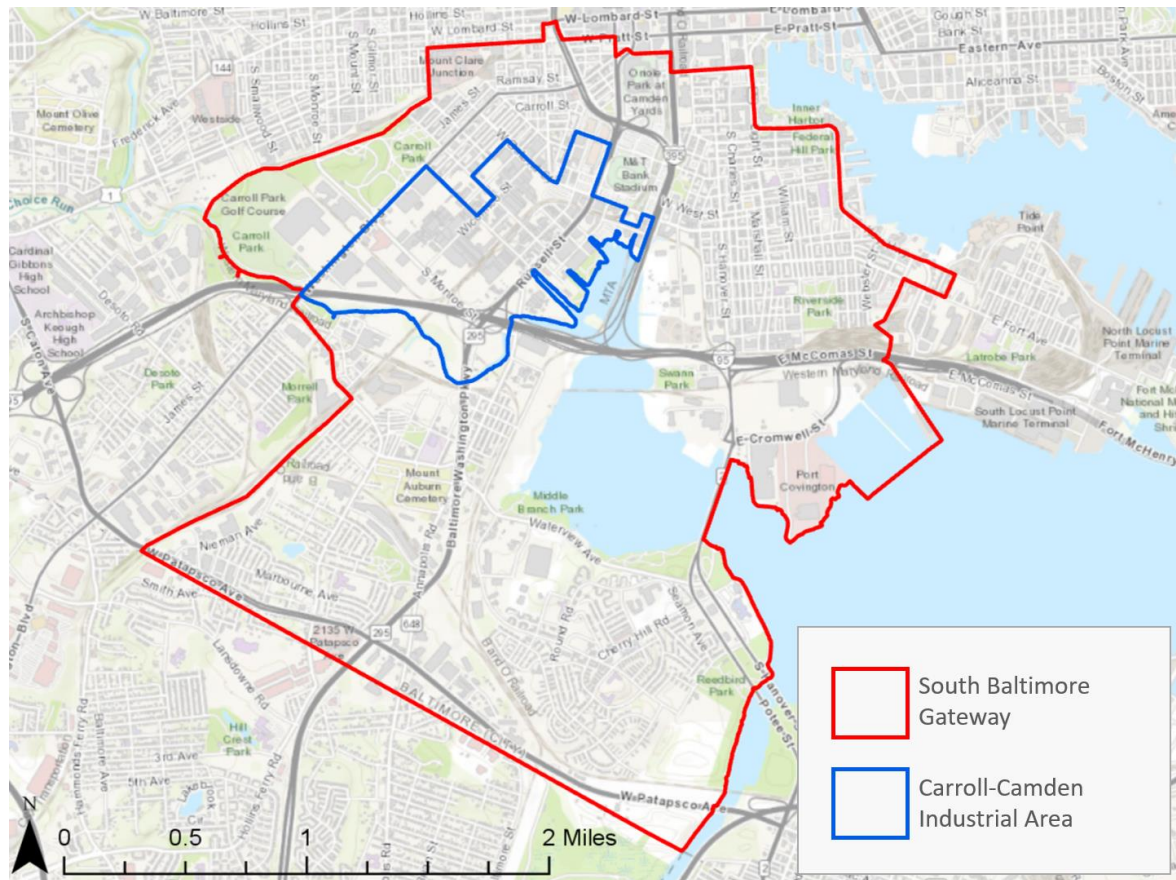
Geographies

The study focuses on the South Baltimore Gateway and the Carroll-Camden Industrial Area, both of which are shown in Figure 1. To provide regional context, the analysis compares the industrial markets in these geographies to the industrial markets two areas identified by brokers who were interviewed for this study: Southeast Baltimore County and Southwest Baltimore County. These geographies are illustrated in Figure 2.

Southeast Baltimore County is a large geographic area that includes Dundalk, Tradepoint Atlantic (the redevelopment of the former Bethlehem Steel site) as well as parts of Essex. Brokers indicate that the some of the older industrial areas offer similar locational advantages (access to highways, rail, etc.) as what exists in Carroll-Camden and South Baltimore. The brokers also believe that while the large sites, which are ideal for distribution facilities (i.e., Amazon, Under Armour, FedEx, etc.) that could not be accommodated very well in South Baltimore Gateway area, it is good to gauge the impact of this major redevelopment on the study area.

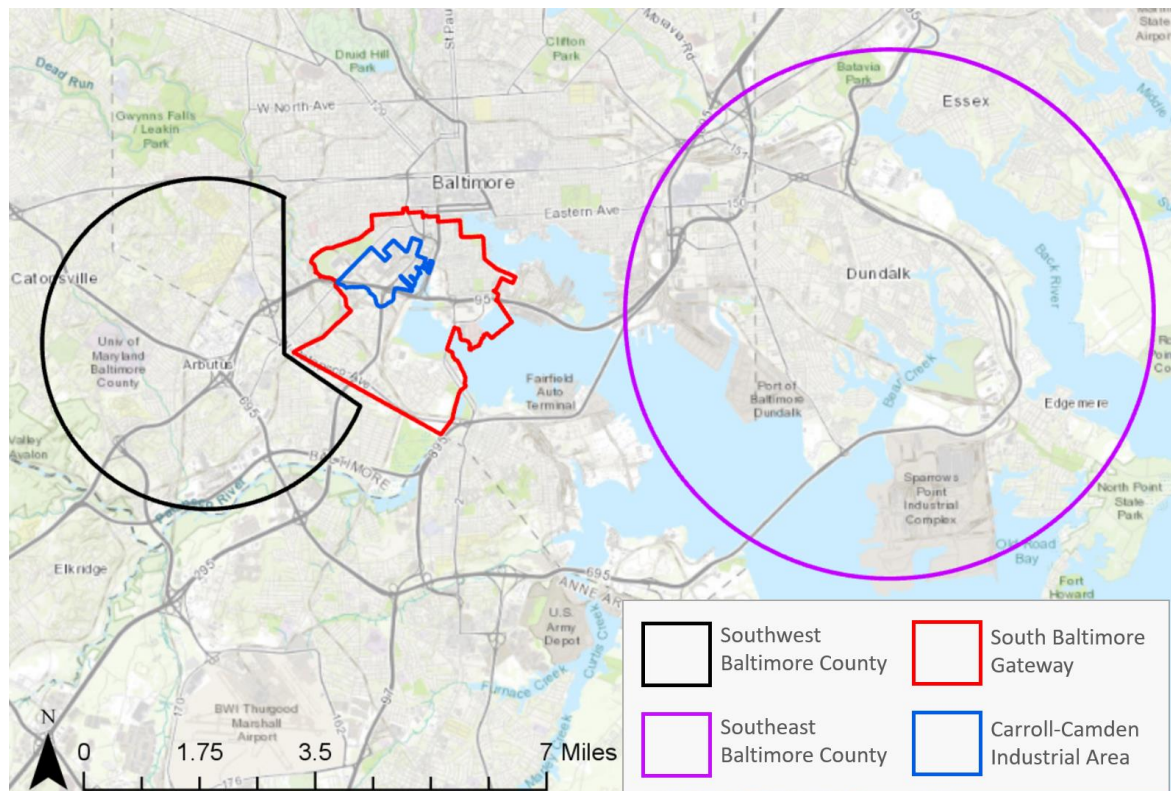
Southwest Baltimore County, which includes the portion of Baltimore County just beyond the Baltimore City line near where I-95 intersects I-695. There are several business parks in the area, particularly along Caton Avenue and Benson Avenue that brokers contacted for this study all agreed were directly competitive with Carroll-Camden and South Baltimore Gateway for industrial or flex users.

Figure 1: South Baltimore Gateway and Carroll-Camden Industrial Area



Sources: ArcGIS Pro, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Figure 2: Comparison Geographies and the South Baltimore Gateway and Carroll-Camden Industrial Area



Sources: ArcGIS Pro, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Data Sources

BAE utilized the following data sources to complete the study:

- Data about industrial and flex inventory, rents, vacancy rates, and uses were obtained through **CoStar**, a third-party provider of real estate market data.
- Information about industrial property sales was obtained from public records made available by the **Maryland Department of Assessments and Taxation**.
- Employment figures and information about the local labor market was obtained using the **U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD)** tool.
- Employment projections by sector for the state of Maryland were obtained from the **Maryland Department of Labor, Licensing, and Regulation**.
- The aforementioned analytical data was supplemented with information obtained through **interviews with industrial property brokers**. Representatives of the following

firms participated in these interviews: Cushman & Wakefield, Gold Commercial, Lee & Associates, Mackenzie Commercial and St. John Properties.

- The Future Opportunities Analysis, a qualitative analysis, was drawn from interviews with Carroll-Camden area businesses, developers of key projects, and other stakeholders.

BACKGROUND

Baltimore City's South Baltimore Gateway, shown in Figure 3 and Figure 4, contains several industrial hubs, including the Carroll-Camden Industrial Area, Westport, and Cherry Hill. These areas have historically been attractive to industrial businesses due to their access to major regional roads and rail transit. Today, industrial users in the South Baltimore Gateway include regional, national, and international firms such as Holly Poultry, Sagamore Spirit Distillery, STX LLC, Ellicott Dredges, Emergent BioSolutions, Sherwin Williams, and more. However, in recent years, increased development in the City of Baltimore has caused many properties in the area to shift their land uses from industrial to commercial and residential.

In 2014, the Horseshoe Baltimore Casino opened on Russel Street in the Carroll-Camden Industrial Area. In anticipation of the Casino, stakeholders in South Baltimore formed the Baltimore Casino Local Development Council and the created of the South Baltimore Gateway Master Plan.² The Master Plan set goals for the area in the following categories: transportation, sustainability, community safety, real estate investment and revitalization, economic growth, education, health, quality of life, and infrastructure. The plan calls for improved air quality in the face of industrial pollution and also suggests that redeveloping vacant industrial properties into residential and commercial projects along the waterfront in Cherry Hill and Westport could attract new investment in the area. The Master Plan was adopted by the Baltimore City Planning Commission on October 29, 2015.³

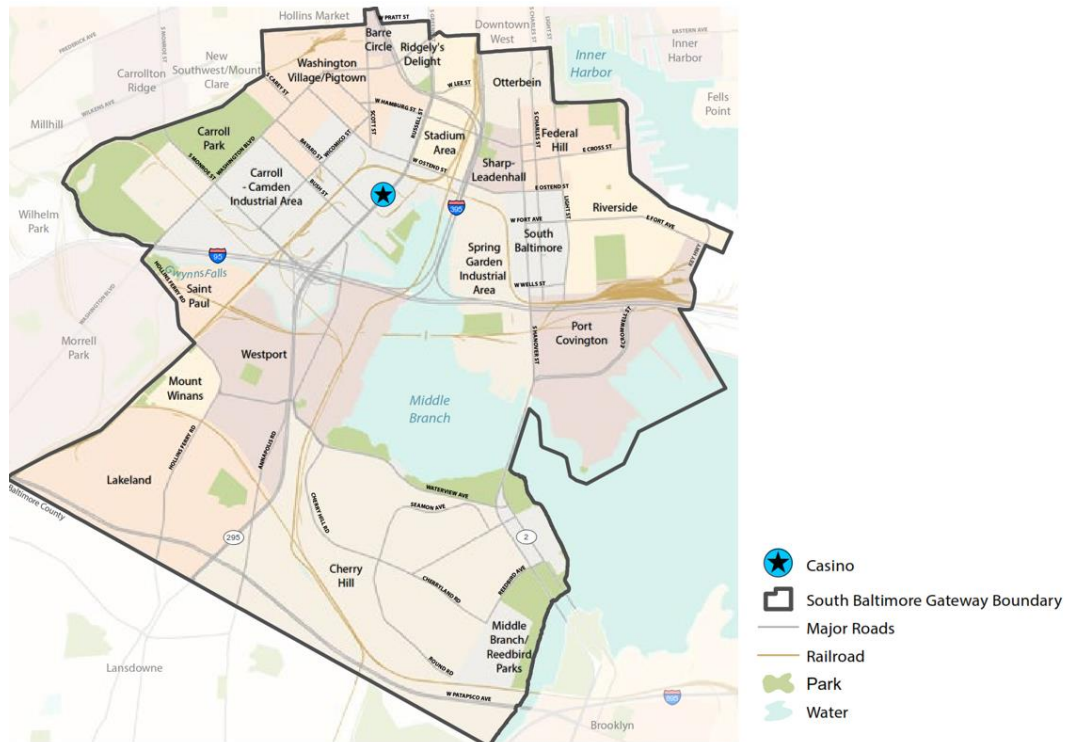
In order to assess the possibility of transitioning land uses in the South Baltimore Gateway, the Baltimore Development Corporation has expressed interest in gaining a deeper understanding of current industrial users, development pressure, and demand for industrial real estate in the area. This will enable the City to effectively manage development pressure, while also preserving industrial uses in the area. In particular, more research is needed on the Carroll-Camden Industrial Area. Since the 1980s, Carroll-Camden has been the subject of an urban renewal plan intended to preserve industrial uses in the face of increased commercial and residential development. However, the urban renewal plan is not consistent with the new zoning categories in *Transform Baltimore*, the City's new zoning code. Insights about the industrial market in the Carroll Camden Industrial Area will help the City and other stakeholders to assess how to best update the urban renewal plan.⁴

² Information obtained from the Request for Proposals published by the Baltimore Development Corporation on January 19, 2018.

³ 2015 South Baltimore Gateway Master Plan.

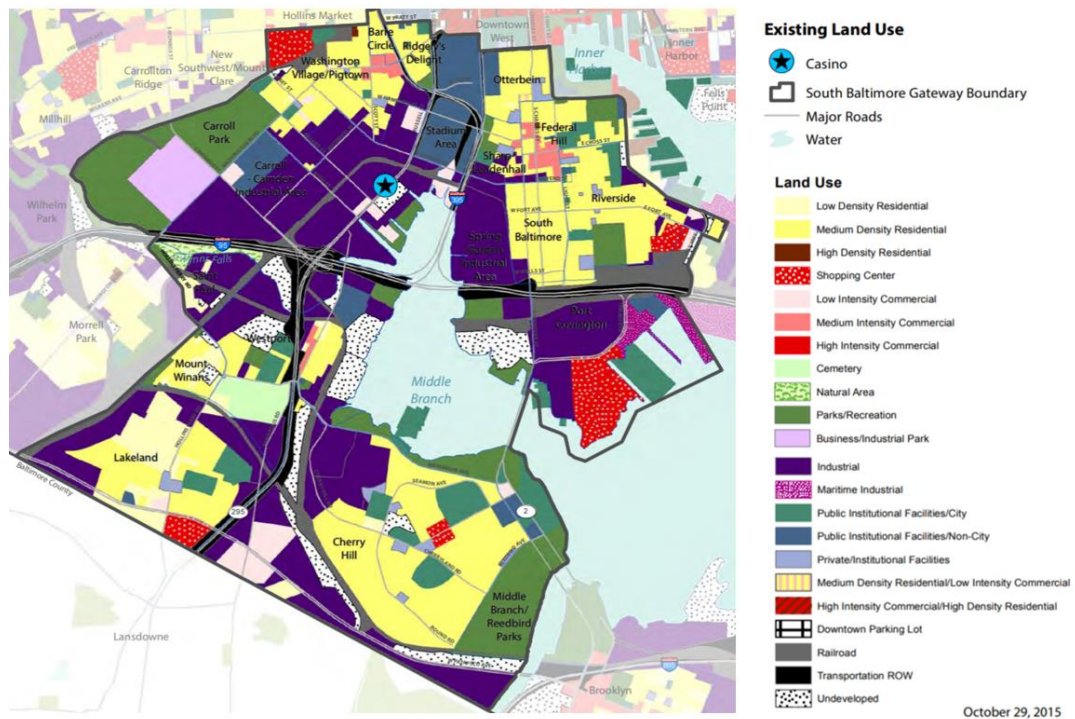
⁴ Information obtained from the Request for Proposals published by the Baltimore Development Corporation on January 19, 2018.

Figure 3: South Baltimore Gateway Neighborhoods



Sources: South Baltimore Gateway Master Plan, 2015.

Figure 4: Existing Land Uses in the South Baltimore Gateway, 2015



Sources: South Baltimore Gateway Master Plan, 2015.

CURRENT SNAPSHOT OF THE INDUSTRIAL REAL ESTATE MARKET

The following section discusses the findings of the real estate market analysis, including findings related to rents, vacancy rates, inventory growth, existing property uses, property sales, and property sizes. The real estate analysis also focuses on vacant industrial properties – where they are, how large they are, and how old they are. Finally, the analysis looks at employment trends.

Overview

Table 1 provides an overview of the industrial markets in the South Baltimore Gateway, the Carroll-Camden Industrial Area, Southeast Baltimore County, and Southwest Baltimore County.

Southeast Baltimore County has the largest inventory of industrial space (435 properties comprising approximately 27.1 million square feet of rentable space), followed by Southwest Baltimore County (246 properties comprising approximately 12.1 million square feet of rentable space). The South Baltimore Gateway contains 218 industrial properties comprising approximately 10.5 million square feet of industrial space. Nearly one-third of those properties (69 buildings comprising 3.8 million square feet of space) are in the Carroll-Camden Industrial Area.

All four geographies experienced a decline in the average triple net rental rate for industrial space between 2016 and 2017. The largest decline (18 percent) was in the South Baltimore Gateway. The average rent in the Carroll-Camden Industrial Area declined by 7 percent during this timeframe.

The average industrial vacancy rate is lowest in the Carroll-Camden Industrial Area (3.1 percent). In the South Baltimore Gateway, the average vacancy rate is 6.2 percent. Vacancy rates are significantly higher in the other markets (9.3 percent in Southeast Baltimore County and 8.1 percent in Southwest Baltimore County).

Table 1: Industrial Market Overview, 2017

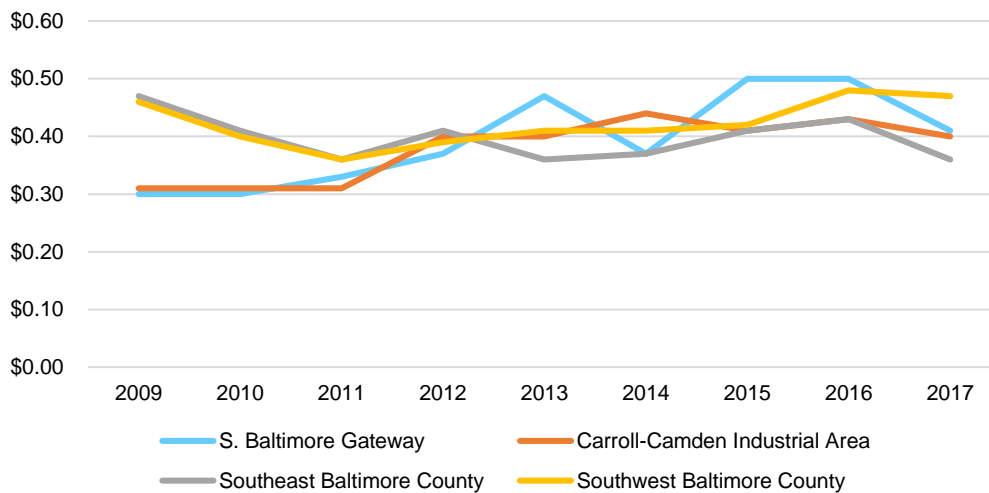
	S. Baltimore Gateway	Carroll- Camden Industrial Area	Southeast Baltimore County	Southwest Baltimore County
Summary, 2017				
Inventory (Buildings)	218	69	435	246
Inventory (SF)	10,535,592	3,849,633	27,142,468	12,143,613
Occupied Stock (SF)	9,883,557	3,729,955	24,618,731	11,157,477
Vacant Stock (SF)	652,035	119,678	2,523,737	986,136
Vacancy Rate	6.2%	3.1%	9.3%	8.1%
Asking Rents, PSF				
Avg. Rent, n/n/n, 2016	\$0.50	\$0.43	\$0.43	\$0.48
Avg. Rent, n/n/n, 2017	\$0.41	\$0.40	\$0.36	\$0.47
% Change	-18.0%	-7.0%	-16.3%	-2.1%

Sources: CoStar, 2018; BAE, 2018.

Rents

As illustrated by Figure 5, in 2009, industrial rental rates per square foot per month in the South Baltimore Gateway and the Carroll-Camden Industrial Area were significantly lower than in the other markets (\$0.30 and \$0.31 as compared to \$0.46 and \$0.47). However, this began to change in 2011. Since 2012, industrial rents in the South Baltimore Gateway and Carroll-Camden have largely kept pace with those in Southeast and Southwest Baltimore County. As mentioned above, triple net industrial rental rates in all four geographies declined between 2016 and 2017. As of 2017, the highest average rent was in Southwest Baltimore County (\$0.47), while the lowest was in Southeast Baltimore County (\$0.36). The average rent in the South Baltimore Gateway was \$0.41, while it was \$0.40 in the Carroll-Camden Industrial Area.

Figure 5: Average Industrial Rent (PSF), 2009 - 2017



Note:

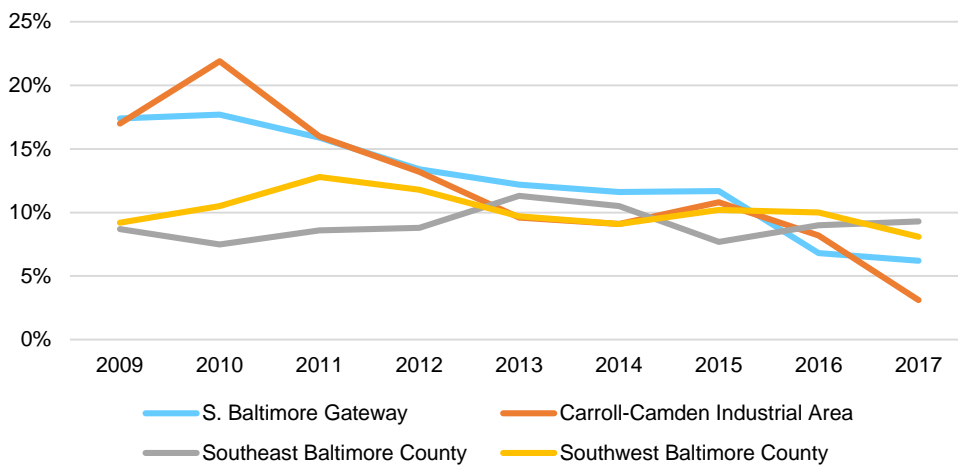
Rents are n/n/n

Sources: CoStar, 2018; BAE, 2018.

Vacancy Rates

As shown in Figure 6, average industrial vacancy rates in both the South Baltimore Gateway as well as the Carroll-Camden Industrial Area have fallen dramatically since 2009. Since 2016, vacancy rates in these markets have been lower than in Southeast and Southwest Baltimore County. Vacancy rates are especially low in the Carroll-Camden Industrial Area (3.1 percent in 2017).

Figure 6: Average Industrial Vacancy Rates, 2009 - 2017

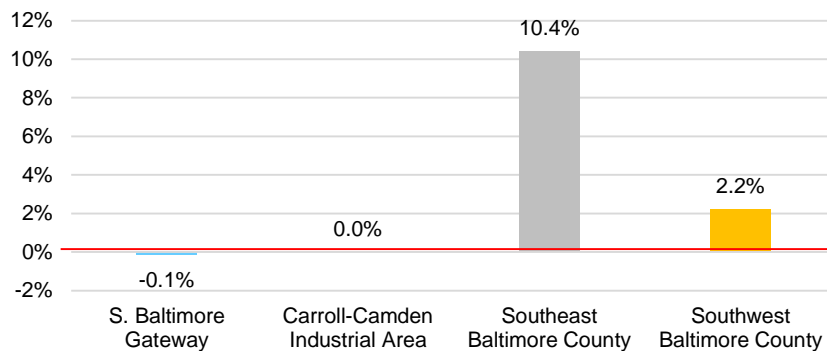


Sources: CoStar, 2018; BAE, 2018.

Inventory Growth

The South Baltimore Gateway saw no net growth in its industrial inventory between 2009 and 2017. In contrast, the amount of rentable industrial space in Southeast Baltimore County increased by 10.4 percent during this timeframe largely to the redevelopment of the former Bethlehem Steel site, particularly the Tradepoint Atlantic business park. In Southwest Baltimore County, the inventory increased by 2.2 percent.

Figure 7: Change in Total Square Feet of Industrial Space, 2009 - 2017



Note:

Changes in inventory are expressed as the percent change in square feet of rentable space.

Sources: CoStar, 2018; BAE, 2018.

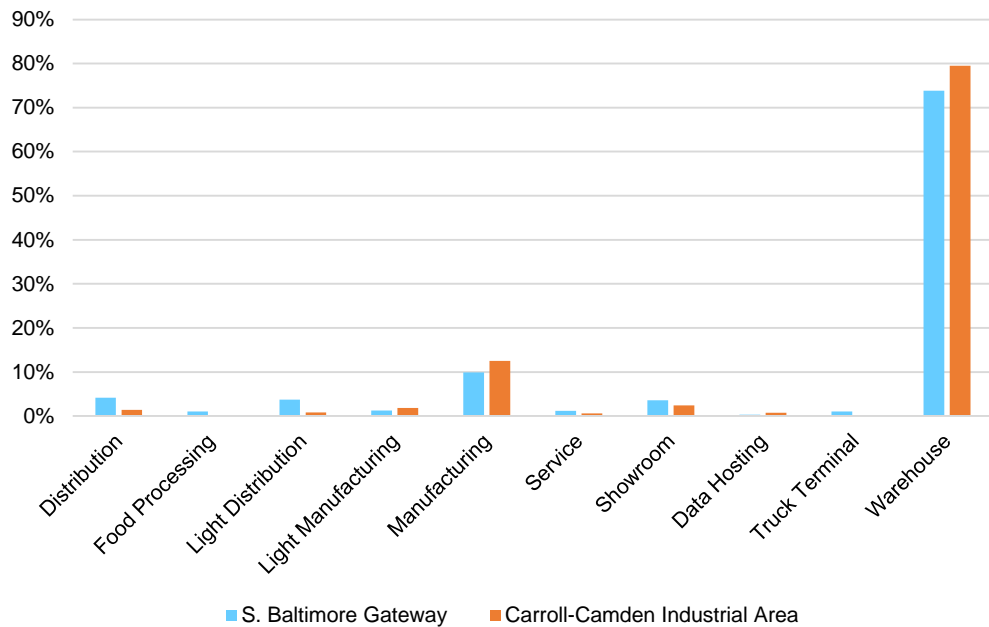
Industrial Inventory by Property Type

Figure 8 shows the breakdown of industrial inventory by property type in the South Baltimore Gateway. The vast majority of industrial space in the South Baltimore Gateway (nearly 80 percent) is in the warehouse category, which CoStar defines as appropriate for storage and/or distribution. In Carroll-Camden, nearly three-quarters of industrial space is comprised of warehouses. The second-most popular industrial property type in both geographies is manufacturing (12.5 percent of industrial space in Carroll-Camden and 9.9 percent of industrial space in the South Baltimore Gateway). Figure 9 shows the locations of each industrial property by its type as documented by CoStar.

As detailed in the *Methodology* section, CoStar defines industrial property types based on the activities that the property is used for (or, in the case of vacant property, the activities that the property is most likely to be used for). If a manufacturing firm utilizes warehouse space in the South Baltimore Gateway for storage/distribution purposes; in Figure 8 and Figure 9 that property would be categorized as a warehouse and not as a manufacturing property. Nevertheless, there is a clear inclination toward warehousing and distribution uses in the South Baltimore Gateway and in the Carroll-Camden Industrial Area.

Since the 1970s, the U.S. has seen a shift away from traditional manufacturing – when companies produce and distribute their own products while managing the supply chain from start-to-finish – toward a global supply chain that prioritizes price and efficiency. More goods are produced abroad, where materials and labor are less expensive, and then shipped, stored, and distributed throughout the United States. One of the most well-known companies capitalizing on this trend is Amazon, which recently opened a new 855,000 square-foot distribution center in Sparrows Point in Southeast Baltimore.⁵ Some examples of distribution firms in the South Baltimore Gateway include B. Green & Co., a wholesale grocery distributor; Patapsco Valley Sales & Supply Company, a wholesale distributor of garden and patio products; and Viking Chemicals, a wholesale distributor of cleaning and janitorial supplies.

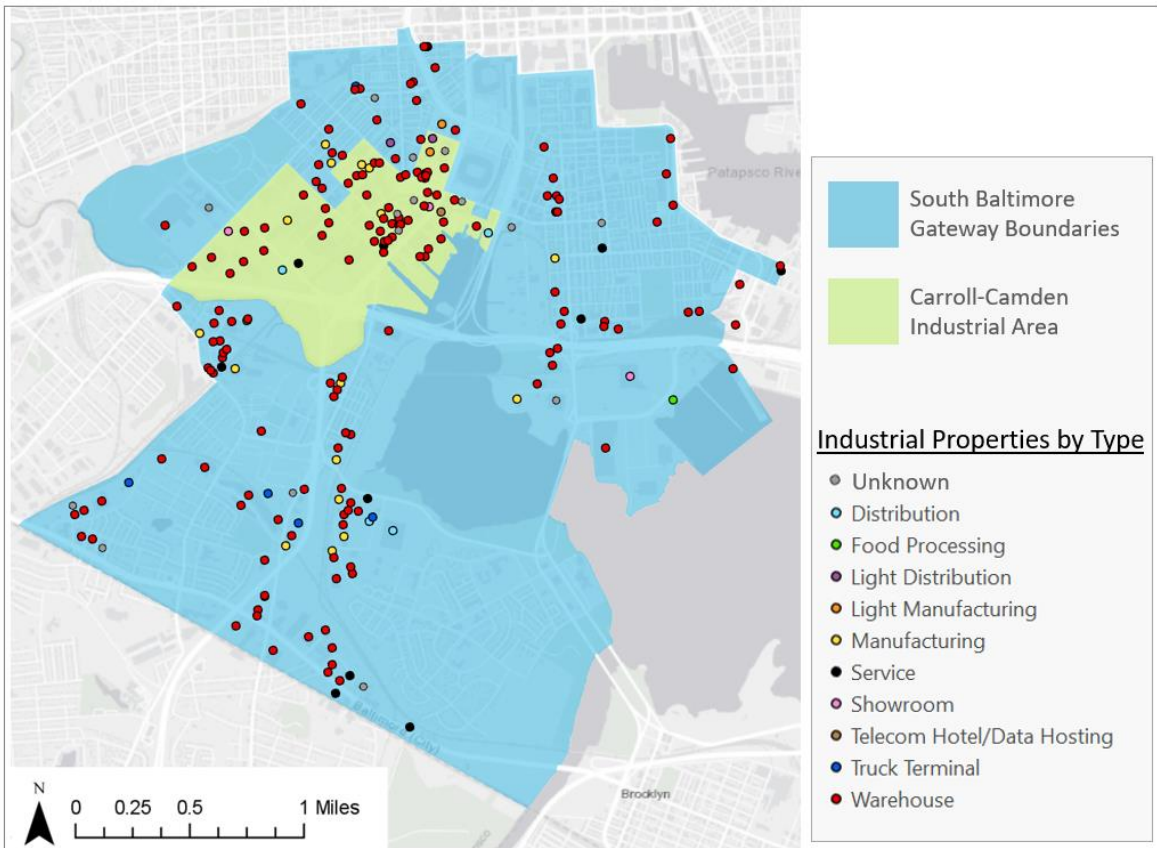
Figure 8: Industrial Inventory by Property Type (as a Percentage of Total Rentable Square Feet), June 2018



Notes:
 Only properties with a documented specific use are included.
 Sources: CoStar, 2018; BAE, 2018.

⁵ <http://www.baltimoresun.com/business/bs-bz-amazon-distribution-center-sparrows-point-20171107-story.html>

Figure 9: Industrial Properties by Location and Type, June 2018



Sources: ArcGIS Pro, 2018; CoStar, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Property Sales

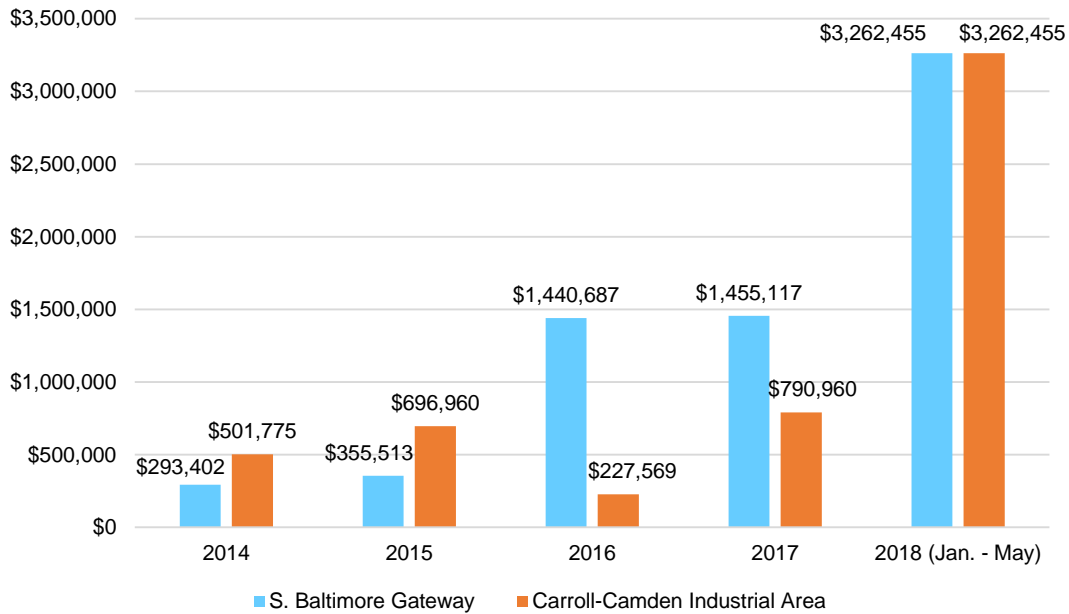
As shown in Figure 10 and Table 2, industrial property sale prices in the South Baltimore Gateway and Carroll-Camden Industrial Area have increased significantly in recent years. In 2014, the average price per acre paid for industrial property in the South Baltimore Gateway was approximately \$293,000; in Carroll-Camden it was approximately \$502,000. By 2017, the average price per acre had increased to approximately \$1.5 million in the South Baltimore Gateway and \$791,000 in Carroll-Camden. From January through May 2018, there were only two property sales in the South Baltimore Gateway: 1300 Warner Street and 1400 Warner Street, both of which were purchased by CBAC Gaming, the owners of Horseshoe Casino.⁶ CBAC Gaming paid approximately \$3.3 million per acre for the properties, which comprise 2.77 acres.

Figure 2 illustrates the geographic locations of the industrial properties that were sold from 2014 through May 2018. The highest-priced industrial properties are clustered in the

⁶ <http://www.southbmore.com/2018/05/01/horseshoe-casino-group-acquires-another-property-for-warner-street-entertainment-district/>

neighborhoods of South Baltimore, Sharp-Leadenhall, and Carroll-Camden. The lowest-priced properties are clustered in Westport and Cherry Hill.

Figure 10: Average Price per Acre Paid for Industrial Properties, January 2014 - May 2018



Notes:

Only includes properties for which complete addresses, land acreage, and sale prices are documented.

Sources: Maryland Department of Assessments and Taxation, 2018; BAE, 2018.

Table 2: Industrial Property Sales, January 2014 - May 2018

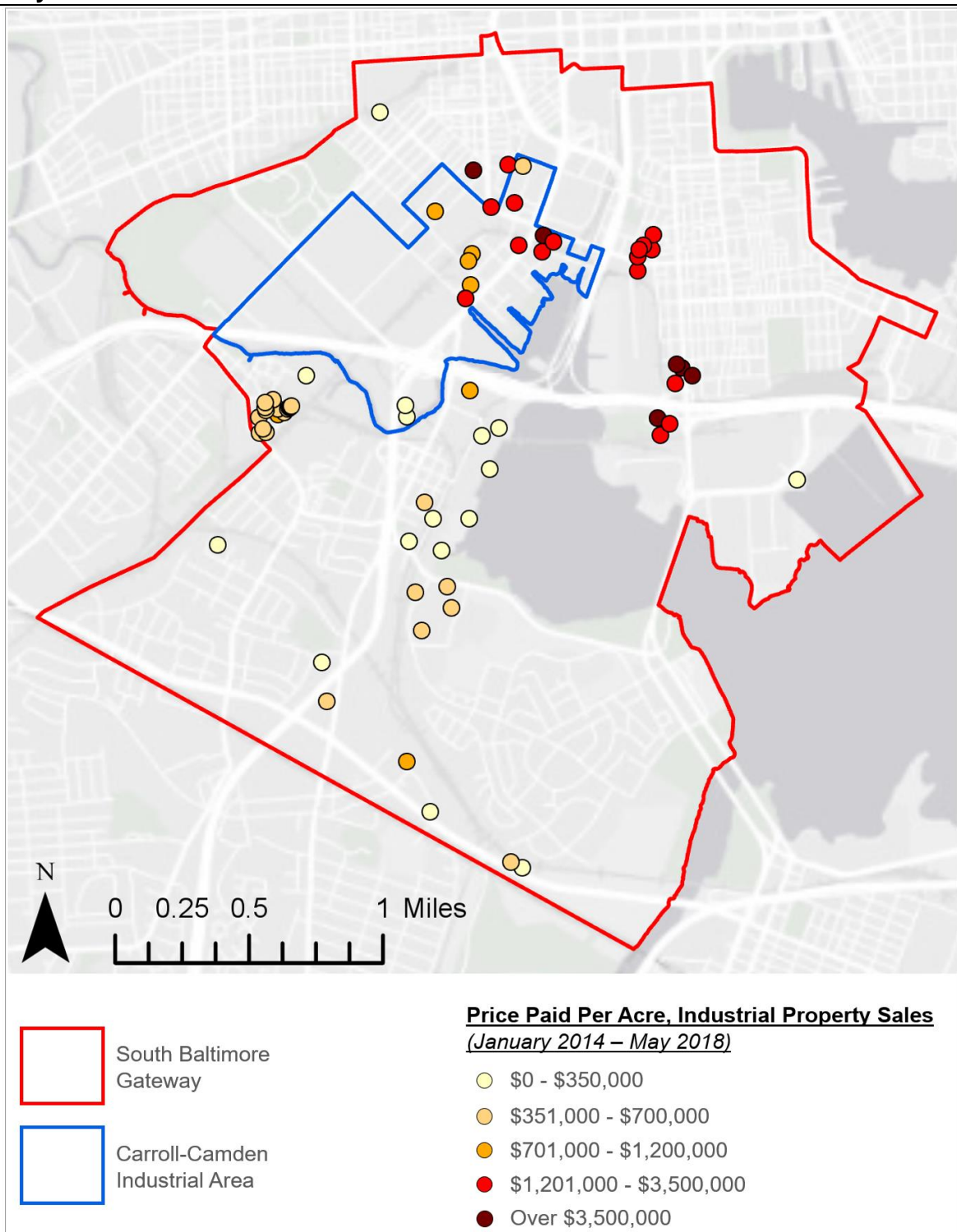
	S. Baltimore Gateway			Carroll-Camden Industrial Area		
	# of Industrial Properties Sold	Total Acres	Avg. Price per Acre	# of Industrial Properties Sold	Total Acres	Avg. Price per Acre
2014	30	43.11	\$293,402	3	5.63	\$501,775
2015	15	48.68	\$355,513	1	0.057	\$696,960
2016	14	16.97	\$1,440,687	4	7.16	\$227,569
2017	11	22.52	\$1,455,117	3	10.62	\$790,960
2018 (Jan. - May)	2	2.77	\$3,262,455	2	2.77	\$3,262,455
Total, Jan. 2014 - May 2018	72	134.06	\$717,704	13	26.24	\$835,821

Notes:

Only includes properties for which complete addresses, land acreage, and sale prices are documented.

Sources: Maryland Department of Assessments and Taxation, 2018; BAE, 2018.

Figure 11: Industrial Property Sales by Location and Price per Acre, January 2014 - May 2018

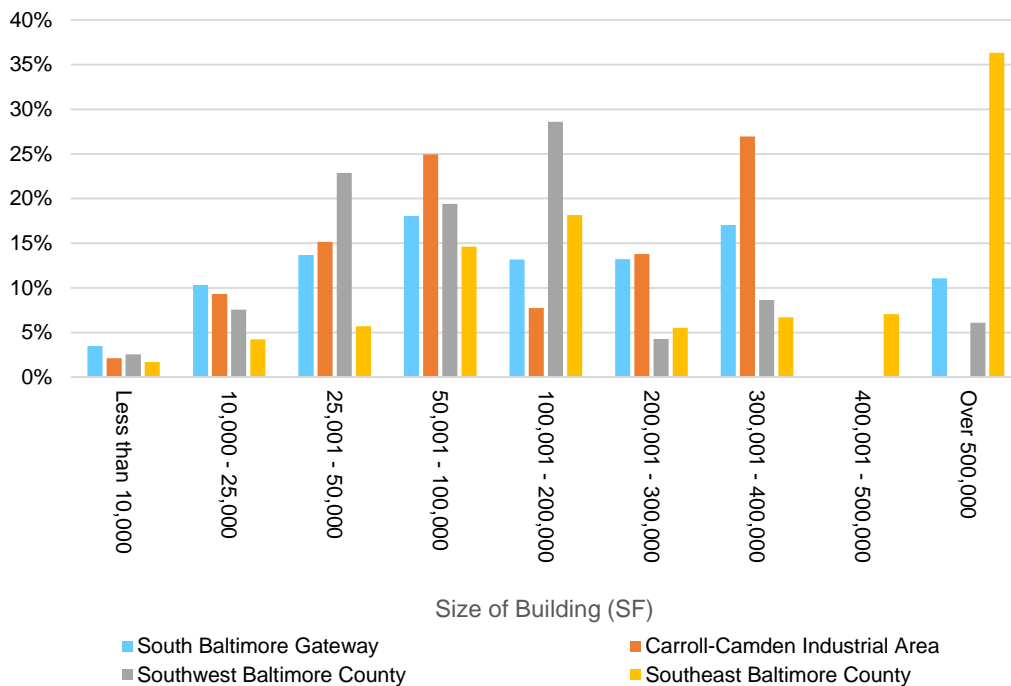


Sources: ArcGIS Pro, 2018; Maryland Department of Assessments and Taxation, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Industrial Properties by Size

Figure 12 illustrates the distribution of industrial space by building size in the South Baltimore Gateway, Carroll-Camden, Southwest Baltimore County, and Southeast Baltimore County. In both the South Baltimore Gateway and the Carroll-Camden Industrial Area, industrial space is fairly evenly distributed among buildings of a variety of sizes up to 400,000 square feet. In Southwest Baltimore County, there is a larger proportion of industrial space in buildings measuring between 100,000 and 200,000 square feet than in the other geographies. In Southeast Baltimore County, over 35 percent of industrial space is in buildings with more than 500,000 square feet of space; this is significantly more than in the other three geographies. Figure 13 further illustrates the wide variety of building sizes in the South Baltimore Gateway. The neighborhoods with the highest concentrations of large industrial properties (more than 300,000 square feet) are Carroll-Camden and Port Covington. Clusters of smaller industrial properties (100,000 square feet or less) appear in Carroll-Camden as well as in Westport and Cherry Hill along MD 295.

Figure 12: Percent of Total Industrial Space by Size of Building, June 2018

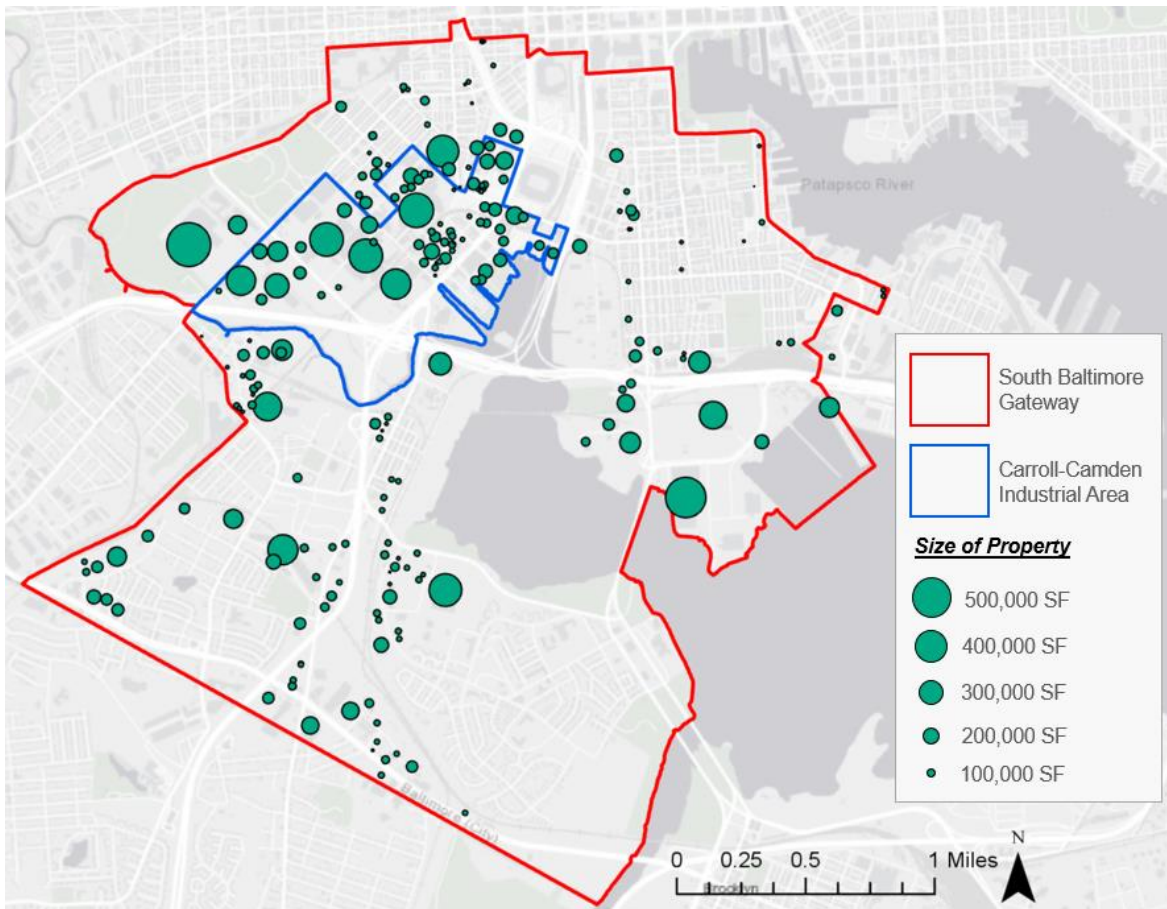


Note:

Percentages represent the percentage of total rentable industrial/flex square feet that can be found in each building size.

Sources: CoStar, 2018; BAE, 2018.

Figure 13: Industrial Properties by Location and Size, June 2018



Sources: ArcGIS Pro, 2018; CoStar, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

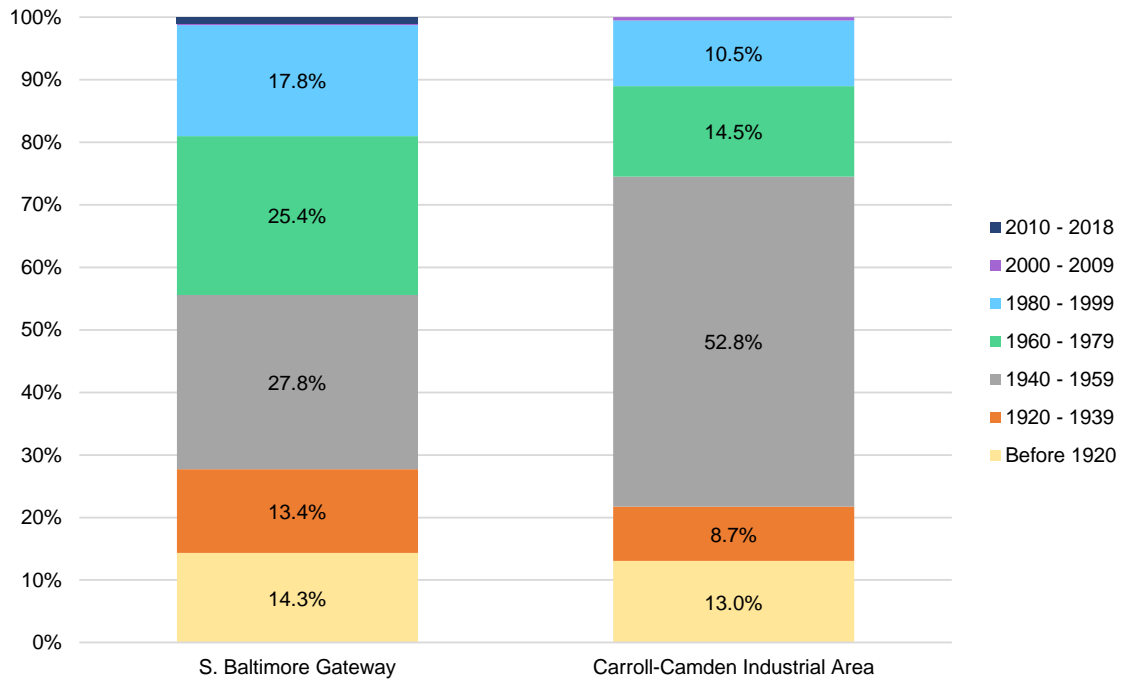
Industrial Properties by Age

Figure 14 illustrates the breakdown of industrial space by the year of construction. Approximately 56 percent of industrial space in the South Baltimore Gateway and 75 percent of industrial space in the Carroll-Camden Industrial Area was constructed before 1960.

Figure 15 shows the locations of industrial properties in the South Baltimore Gateway and also indicates when they were built. The oldest properties (those built before 1920) are clustered in the neighborhoods of Carroll-Camden, Washington Village/Pigtown, Sharp-Leadenhall, and South Baltimore. Only two industrial properties in the South Baltimore Gateway have been constructed since 2010. These are the 65,854 square-foot Sagamore Spirit Distillery at 301 East Cromwell Street in Port Covington (constructed in 2017), and the 37,500 square-foot Holly Poultry Processing Plant at 2121 Wicomico Street in Saint Paul (also constructed in 2017). As previously discussed in the *Inventory Growth* section, the South Baltimore Gateway experienced a slight overall net loss of industrial space between 2009 and 2017, showing that

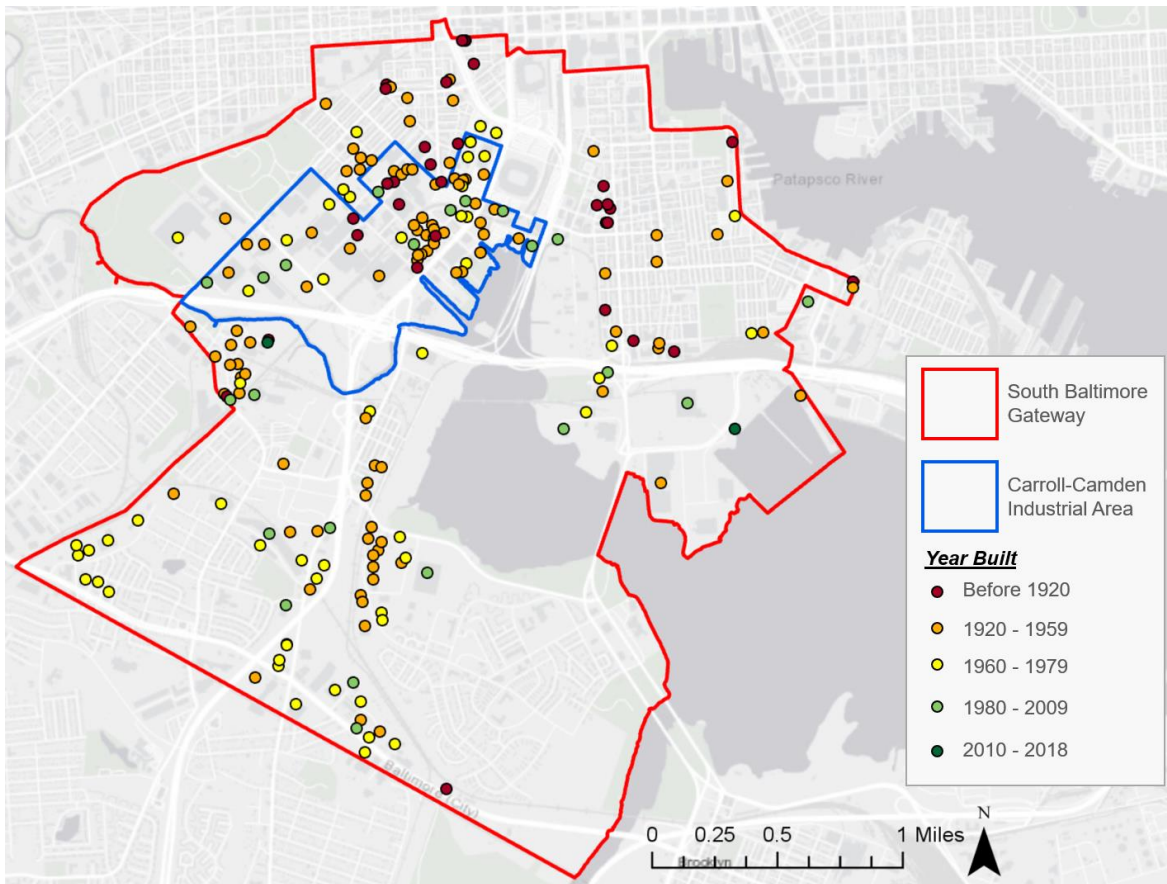
the amount of industrial space demolished during this timeframe exceeded the total square footage of these two new properties.

Figure 14: Industrial Space by Year Built (as a Percentage of total SF), June 2018



Sources: CoStar, 2018; BAE, 2018.

Figure 15: Industrial Properties by Location and Year Built



Sources: ArcGIS Pro, 2018; CoStar, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Detailed Analysis of Industrial Vacancy

To determine if there are any patterns with respect to industrial vacancy in the South Baltimore Gateway, BAE performed a deeper analysis of vacancy in relation to building size, age, and location. CoStar, a third party commercial real estate firm with a comprehensive database of real estate information of real estate information is the best source available for real estate information in the market. It should, however, be noted that the information available from CoStar is only for listed properties. There are many vacant properties in the area that are not listed in CoStar and therefore not counted in vacancy numbers.

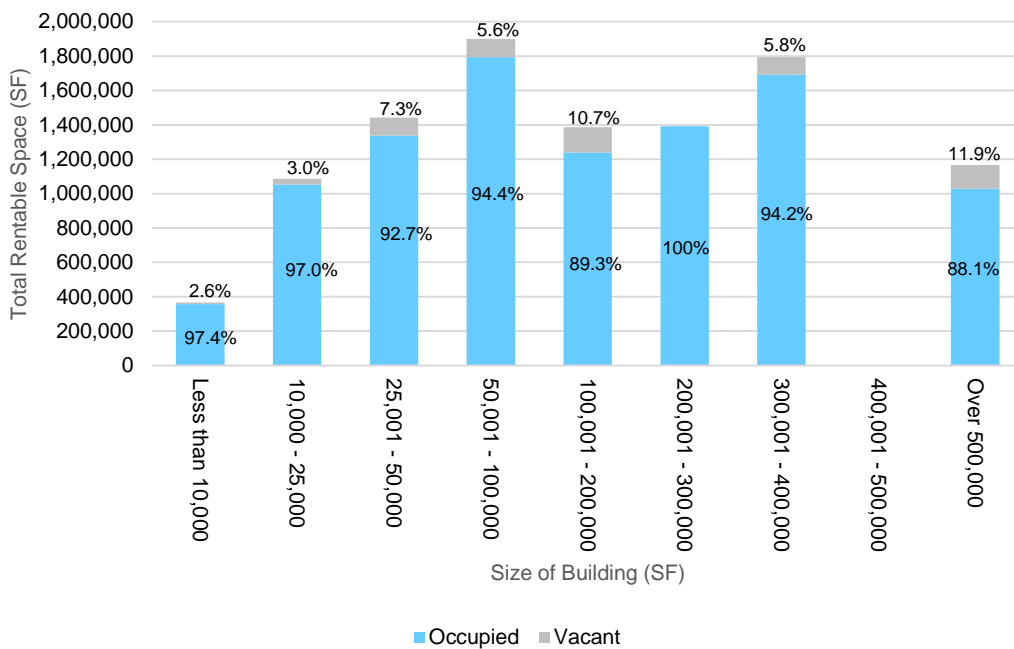
Vacancy by Building Size

Figure 16 shows the vacancy rates in industrial buildings of different sizes in the South Baltimore Gateway. Vacancy is fairly evenly distributed among buildings measuring more than 25,000 square feet. The highest vacancy rates are observed in properties with between 100,000 and 200,000 square feet of rentable space (10.7 percent vacancy) and properties with more than 500,000 square feet of rentable space (11.9 percent vacancy). The lowest

vacancy rates are observed in buildings measuring less than 10,000 square feet (2.6 percent vacancy) and between 10,000 and 25,000 square feet (3.0 percent vacancy).

Figure 17 shows the vacancy rates in industrial buildings of different sizes in the Carroll-Camden Industrial Area. Overall, industrial vacancy is low in Carroll-Camden. Almost all building size categories are 100 percent occupied. However, properties measuring between 25,000 and 50,000 square feet have a vacancy rate of 13.8 percent, and properties measuring between 100,000 and 200,000 square feet have a vacancy rate of 9.1 percent.

Figure 16: Vacant and Occupied Industrial Space by Building Size, South Baltimore Gateway, June 2018

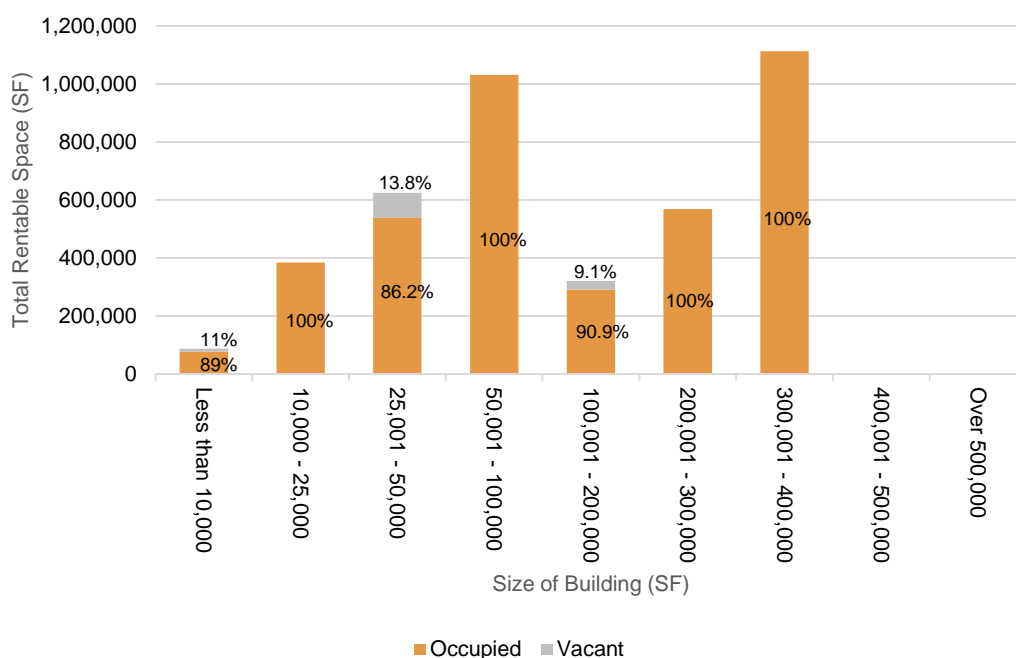


Note:

Percentages represent the percentage of space in each building size that is either occupied or vacant.

Sources: CoStar, 2018; BAE, 2018.

Figure 17: Vacant and Occupied Industrial Space by Building Size, Carroll-Camden Industrial Area, June 2018



Note:

Percentages represent the percentage of space in each building size that is either occupied or vacant.

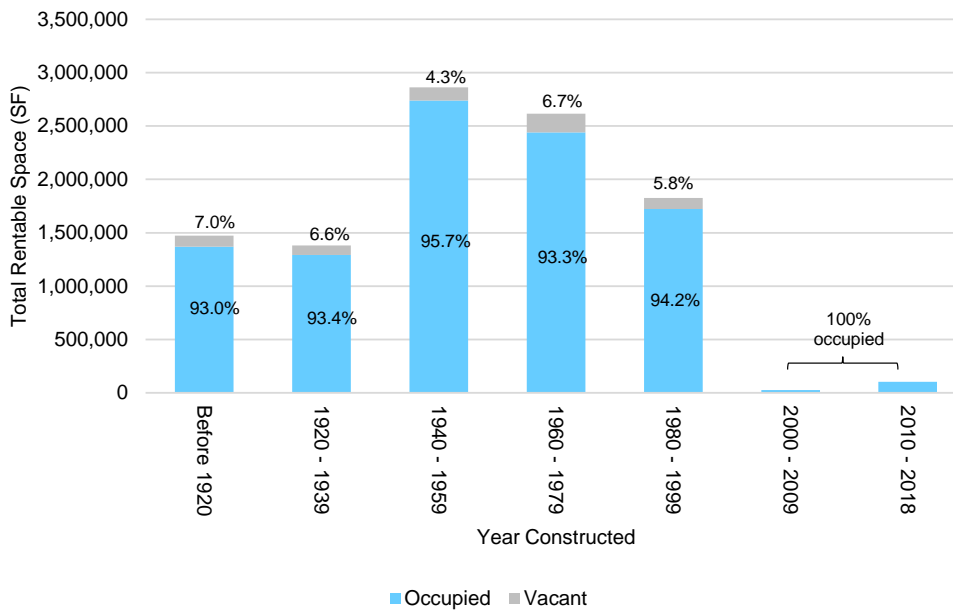
Sources: CoStar, 2018; BAE, 2018.

Vacancy by Building Age

Figure 18 shows the vacancy rates in industrial buildings of different ages in the South Baltimore Gateway. Again, industrial vacancy is relatively evenly distributed across buildings of various ages. Vacancy rates are between four and seven percent in all building age cohorts except for buildings constructed after year 2000, which have zero percent vacancy.

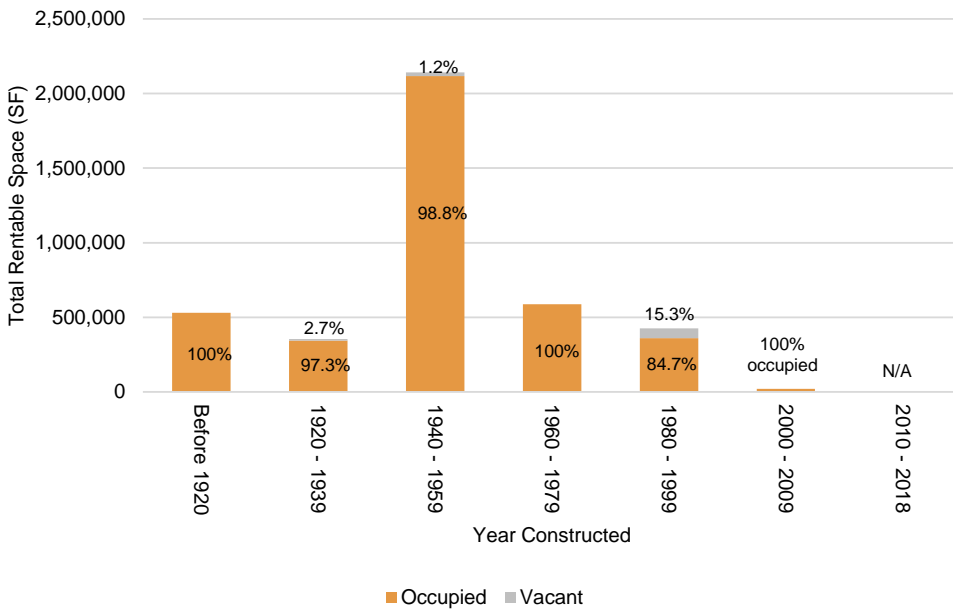
Figure 19 shows the vacancy rates in industrial buildings of different ages in the Carroll-Camden Industrial Area. Vacancy rates are less than three percent across all building age categories, except for buildings constructed between 1980 and 1999, which have 15.3 percent vacancy.

Figure 18: Vacant and Occupied Industrial Space by Year Constructed, South Baltimore Gateway, June 2018



Notes:
 Only properties with a documented year of construction are included.
 Sources: CoStar, 2018; BAE, 2018.

Figure 19: Vacant and Occupied Industrial Space by Year Constructed, Carroll-Camden Industrial Area, June 2018

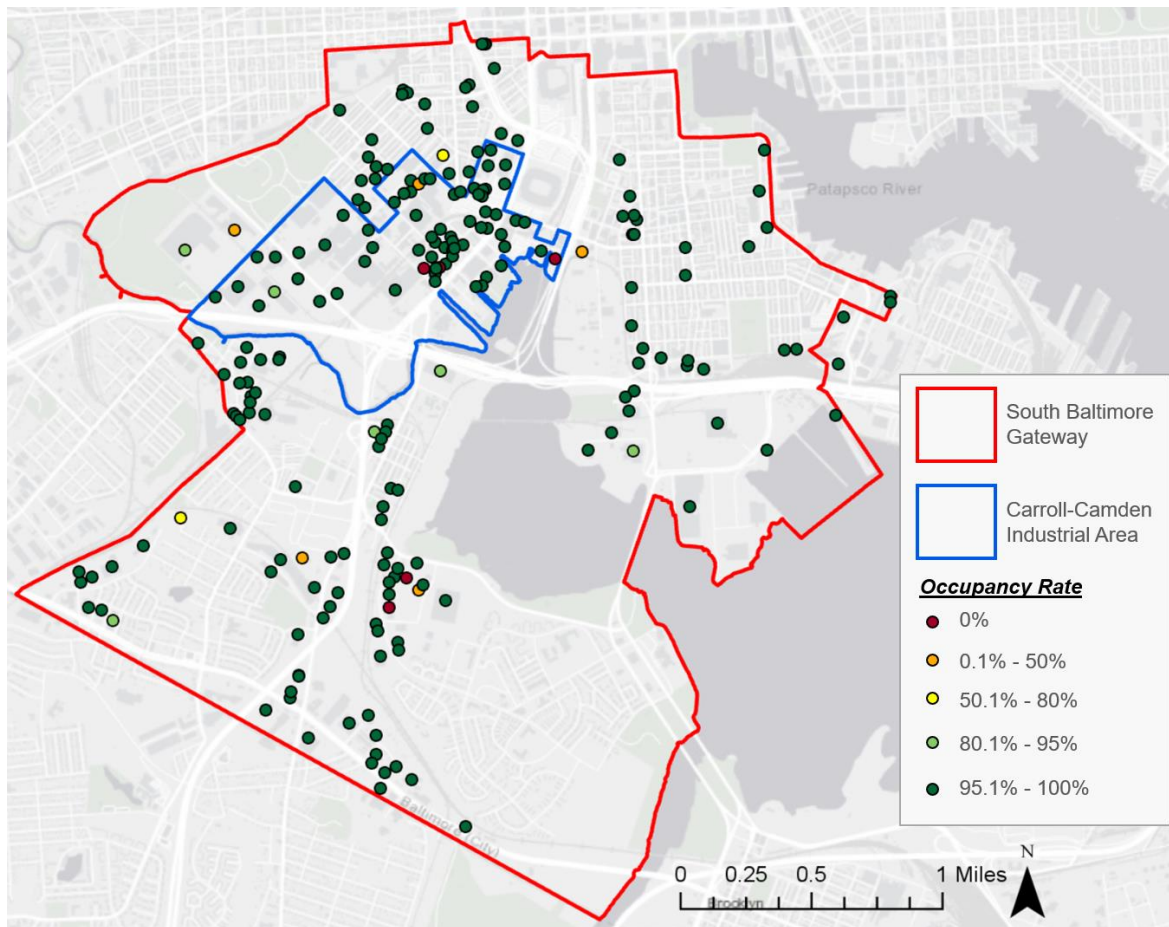


Notes:
 Only properties with a documented year of construction are included.
 Sources: CoStar, 2018; BAE, 2018.

Vacancy by Building Location

Figure 20 shows the locations of industrial properties in the South Baltimore Gateway and also indicates their vacancy rates. The vast majority of industrial properties have occupancy rates of over 95 percent. There are five properties with zero percent occupancy; three of these are in the Carroll-Camden Industrial Area and two of them are in Cherry Hill.

Figure 20: Locations and Occupancy Rates of Industrial Properties, June 2018



Sources: ArcGIS Pro, 2018; CoStar, 2018; Baltimore City Open GIS Data, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Vacancy by Individual Property

Table 3 provides a detailed overview of industrial properties that have less than 95 percent occupancy. As discussed in the sections above, industrial vacancy in the South Baltimore Gateway is relatively evenly distributed across buildings of various ages and sizes. However, an examination of industrial vacancy at the property level revealed that the majority of vacancy in the South Baltimore Gateway comes from four buildings: 1600 Cherry Hill (10.3 percent of total vacant space among properties with more than 5 percent vacancy) 1800 Washington Boulevard (12.6 percent of vacant space), 1100 Wicomico Street (16.1 percent of vacant space), and 2000 Washington Boulevard (21.5 percent of vacant space). This suggests that

there may be opportunities for targeted redevelopment while also enabling most industrial properties – the majority of which are successfully leased – to be preserved.

Table 3: Industrial Properties in the South Baltimore Gateway with Less than 95 Percent Occupancy, June 2018

Address	Occupancy Rate	Neighborhood	Year Built / Renovated	Stories	Total Rentable	Total Vacant	% of Total Vacant SF (a)
					SF	SF	
211 Stockholm St	0.0%	Carroll-Camden	1986	1	36,000	36,000	5.6%
1600 Cherry Hill Rd	0.0%	Cherry Hill	1959	1	66,075	66,075	10.3%
1601 Ridgely St	0.0%	Carroll-Camden	1920	1	25,108	25,108	3.9%
1600 Ridgely St	0.0%	Carroll-Camden	Unknown	1	10,000	10,000	1.6%
2924 Waterview Ave	0.0%	Cherry Hill	Unknown	1	9,570	9,570	1.5%
1220 Wicomico St	22.6%	Carroll-Camden	1951	0	32,292	25,000	3.9%
1800 Washington Blvd	33.4%	Carroll Park	1925 / 2002	8	105,080	81,457	12.6%
2720 Annapolis Rd	33.4%	Westport	1957	1	21,035	14,000	2.2%
2512 Erick St	34.1%	Cherry Hill	1956	1	13,500	8,900	1.4%
175 W Ostend St	39.3%	Spring Garden Industrial Area	1989	1	65,653	39,830	6.2%
1100 Wicomico St	69.4%	Washington Village/Pigtown	1900 / 2008	8	338,000	103,535	16.1%
2325 Banger St	74.3%	Lakeland	1955	1	37,000	9,500	1.5%
1915-1921 Annapolis Rd	81.3%	Westport	1972	1	160,100	30,000	4.7%
1325-1381 Western Ave	84.2%	Carroll-Camden	1989	1	185,468	29,268	4.5%
3101-3113 Lorena Ave	86.8%	Lakeland	1978	1	49,950	6,600	1.0%
2201 Russell St	92.1%	Westport	Unknown	1	38,056	3,000	0.5%
101 W Dickman St	94.5%	Spring Garden Industrial Area	Unknown / 2016	1	137,166	7,545	1.2%
2000 Washington Blvd	94.5%	Carroll Park	1967 / 1994	1	622,500	138,600	21.5%
Totals					1,952,553	643,988	100.0%

Note:

(a) The percentage of total vacant space in buildings in the South Baltimore Gateway with more than 5 percent vacancy.

Source: CoStar, 2018; BAE, 2018.

Transform Baltimore Rezoning

In December 2016, after planning staff led a long public process called Transform Baltimore, the City Council adopted a new citywide zoning code. Some of the key changes that went into effect with the rezoning on Carroll-Camden and South Baltimore Gateway included:

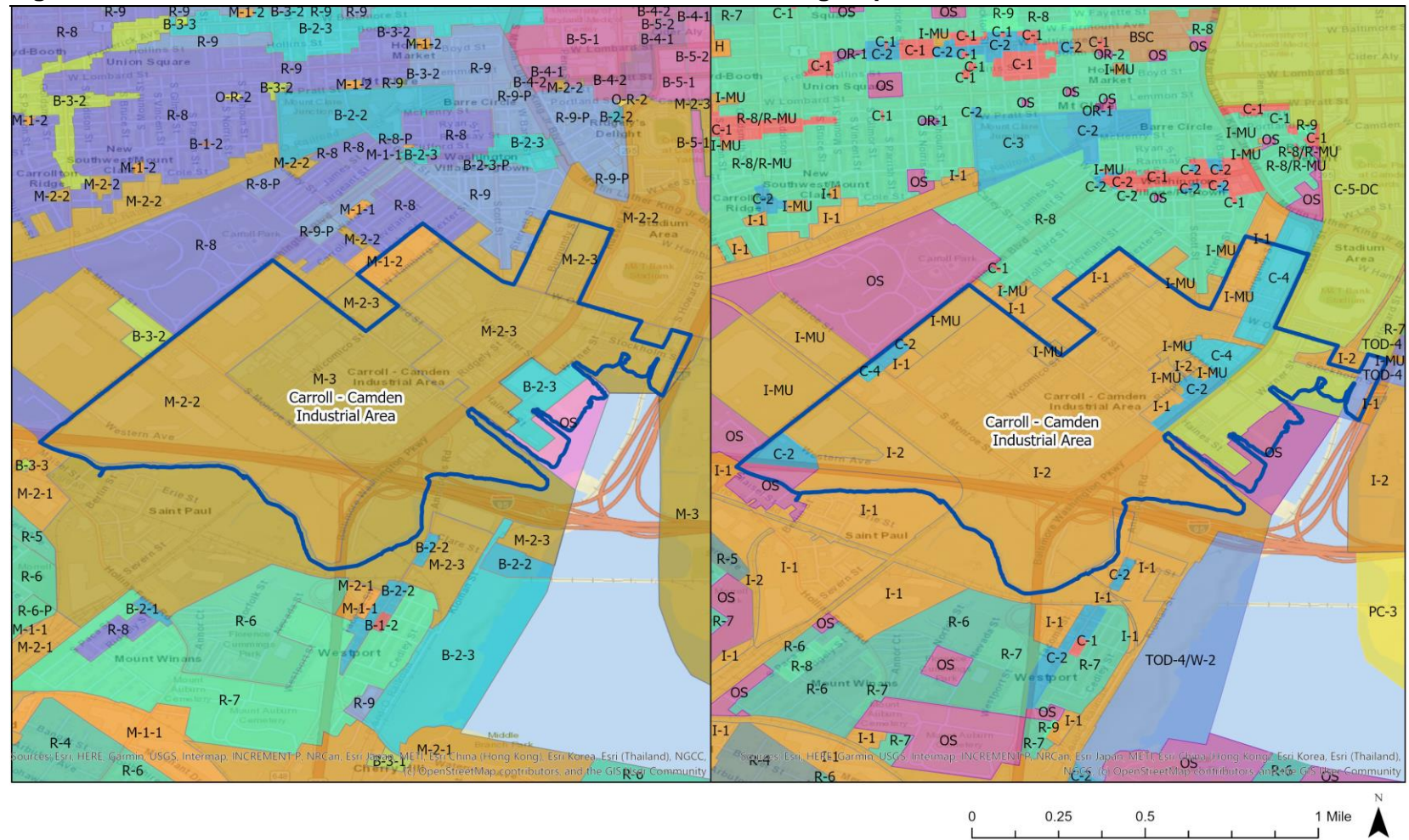
- Renaming of primary industrial zones from M-1-1, M-1-2, M2-2, and M-2-3 to I-1 and I-2;
- Changing Carroll-Camden M-2-2 and M-2-3, the heavy and heaviest industrial zoning classifications to I-1 and I-2, lighter industrial designations;
- Eliminating some of the heaviest industrial uses previously allowed in M zones
- In a few very select areas in South Baltimore Gateway areas (just five in Carroll-Camden) rezoning small properties located near residential districts (e.g., 1100 Wicomico Street) from primary industrial to a mixed use industrial zone IMU;
- With IMU allowing greater variety of commercial uses to be permitted than were in I-1 or I-2 and also permitting some residential uses including live-work and multi-family dwelling units, and residential care facilities with 16 or fewer residents;
- Changing what had been B-2-3 (Community Business and Commercial) districts in vicinity of the casino to C-5-DC (Downtown Commercial); and

- Changing a few small areas along Russell Street across from the football stadium and casino from industrial zones to commercial zones C-2 and C-4, community commercial districts, largely a recognition of change that had already taken place.

For a visual of rezoning in the Carroll-Camden and surrounding areas pre- and post-2017 see Figure 21 below.

It is too soon to tell the impact of the rezoning but without question it allows greater flexibility for uses in both Carroll-Camden and South Baltimore Gateway. For property owners in the new IMU, C-5-DC, C-2 and C-4 areas, the rezoning was welcome news.

Figure 21. Carroll-Camden Industrial Area Pre- and Post-2017 Zoning Map



Note: Pre-2017 zoning is represented in the left map and post-2017 zoning is represented in the right map.
 Sources: ArcGIS Pro, 2019; Baltimore City Open GIS Data, 2019; BAE, 2019.

Employment

The following section discusses findings related to employment in the South Baltimore Gateway. The analysis reviewed the total number of jobs and the growth in jobs over time, the distribution of jobs by sector, changes in jobs over time by sector, jobs by wages, and geographic areas with the highest concentrations of industrial jobs.

Overview

As of 2015, the South Baltimore Gateway had 24,277 jobs. As shown in Table 4, from 2005 to 2010, employment in the area decreased by 5.7 percent. However, from 2010 to 2015, it increased by 35.5 percent. In the Carroll-Camden Industrial Area, there were 4,510 jobs as of 2015. Local employment increased by 29.9 percent from 2005 to 2010 and again by 64.5 percent from 2010 to 2015. Without doubt the large increase in jobs in both areas from 2010 to 2015 was driven by the 2014 opening of the Horseshoe Casino Baltimore.

Table 4: Employment, 2005 – 2015

Year	S. Baltimore Gateway		Carroll-Camden Industrial Area	
	# Jobs	% Change	# Jobs	% Change
2005	18,956	-	2,111	-
2010	17,880	-5.7%	2,742	29.9%
2015	24,227	35.5%	4,510	64.5%
% Change, 2005 - 2015		27.8%	113.6%	

Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

Jobs by Sector

As shown in Table 5, the South Baltimore Gateway has 4,349 industrial sector jobs. Approximately 1,802 are in manufacturing, 1,831 are in wholesale trade, and 716 are in transportation and distribution. The Carroll-Camden Industrial Area has 1,425 industrial sector jobs: 826 manufacturing jobs, 557 wholesale trade jobs, and 42 transportation and warehousing jobs. A detailed table that includes the number of total employees in all sectors in each geography can be found in the Appendix.

Table 5: Industrial Sector Jobs, 2015

Sector	S. Baltimore Gateway		Carroll-Camden Industrial Area	
	Number	Percent	Number	Percent
Manufacturing	1,802	41.4%	826	58.0%
Wholesale Trade	1,831	42.1%	557	39.1%
Transportation and Warehousing	716	16.5%	42	2.9%
Total	4,349	100.0%	1,425	100.0%

Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

Figure 22 shows the distribution of all jobs in the South Baltimore Gateway and Carroll Camden Industrial Area by sector. The South Baltimore Gateway has a relatively diverse employment base. The sectors with the most jobs are arts, entertainment, and recreation (15.8 percent), accommodation and food services (10.9 percent), and administration and support, waste management, and remediation (10.3 percent). Approximately 7.4 percent of South Baltimore Gateway employees work in the manufacturing sector, 7.6 percent work in wholesale trade, and three percent work in transportation and warehousing.

In the Carroll-Camden Industrial Area, nearly 40 percent of workers are employed in the arts, entertainment, and recreation sector. Again, a large proportion of workers in this sector is driven by the Horseshoe Casino Baltimore. Over 18 percent of workers in Carroll-Camden are employed in the manufacturing sector, while 12.4 percent work in wholesale trade and 0.9 percent work in transportation and warehousing.

The *Industrial Inventory by Property Type* section highlighted that nearly three quarters of industrial space in the South Baltimore Gateway is classified by CoStar as warehouse space. However, only 58.6 percent of industrial sector employees are employed in the warehousing and transportation and wholesale trade sectors, suggesting a contradiction.

As discussed in the *Methodology* section of the report, one reason for this discrepancy is that industrial properties are categorized by CoStar based on the perceived most likely use of that specific property, while jobs are categorized by the U.S. Census Bureau based on NAICS codes. It is likely that these two data sources have classified some industrial establishments differently. Another reason for the discrepancy between the proportion of warehouse square footage and the proportion of jobs in the sectors of wholesale trade, transportation, and warehousing is that warehouses generally employ fewer workers per square foot than manufacturing facilities. According to research conducted by the NAIOP Research Foundation for the Regional Plan Association, on average, warehouse and distribution space requires 2,241 square feet per employee, while manufacturing space requires 892 square feet per

employee.^{7 8} This means that the average 200,000-square-foot manufacturing facility would employ 224 workers, while the average 200,000-square-foot warehouse would only employ 89 workers.

Change in Employment by Sector

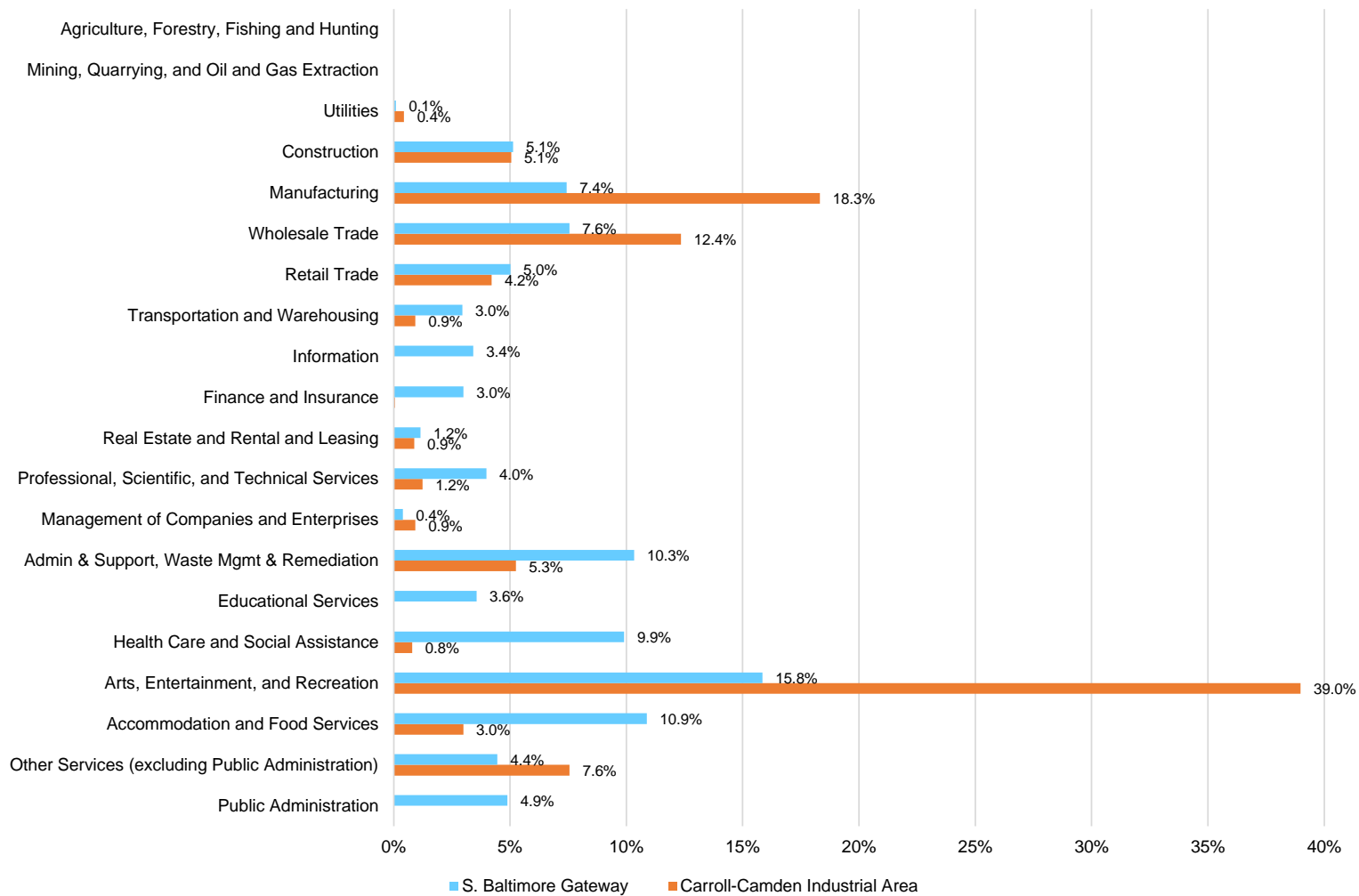
As shown in Figure 23, the South Baltimore Gateway gained 2,384 jobs in the arts, entertainment, and recreation sector from 2005 to 2015. Nearly 1,760 of these jobs were in the Carroll-Camden Industrial Area. While the South Baltimore Gateway also gained jobs in many other categories, it lost 764 manufacturing jobs, 229 wholesale trade jobs, and 293 transportation and warehousing jobs. During this timeframe, the Carroll-Camden Industrial Area gained 210 manufacturing jobs and seven transportation and warehousing jobs. It also lost 39 wholesale trade jobs.

A detailed table showing changes in employment by sector can be found in the Appendix.

⁷ Logistics Trends and Specific Industries that Will Drive Warehouse and Distribution Growth and Demand for Space, the NAIOP Research Foundation for the Regional Plan Association, 2010

⁸ Stabilization of the U.S. Manufacturing Sector and Its Impact on Industrial Space, the NAIOP Research Foundation for the Regional Plan Association, 2013

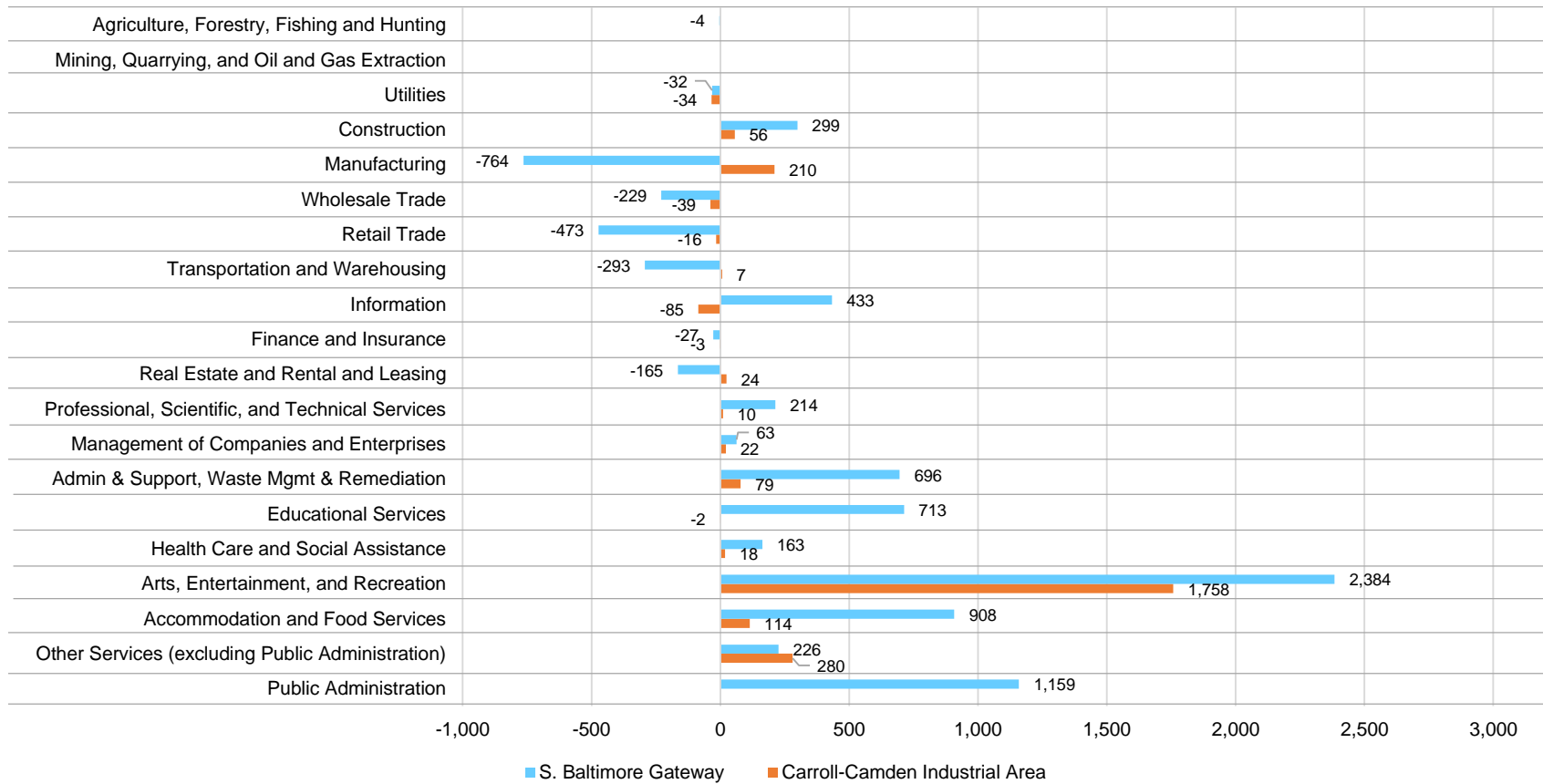
Figure 22: Jobs by Sector in the South Baltimore Gateway as a Percentage of Total Jobs, 2015



Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

Figure 23: Change in Total Jobs by Sector in the South Baltimore Gateway, 2005 - 2015



Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

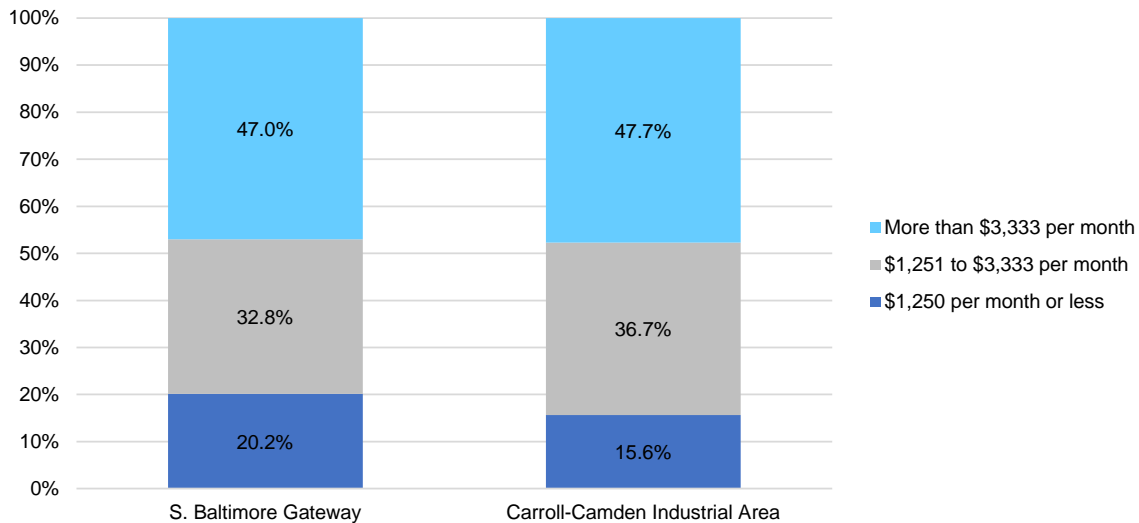
Jobs by Wages

The U.S. Census Bureau defines a primary job as the highest paying job for an individual worker for the year. Figure 24 illustrates the distribution of primary jobs in the South Baltimore Gateway and in the Carroll-Camden Industrial Area by monthly wages. Nearly half of primary jobs in both geographies pay more than \$3,333 per month. However, the South Baltimore Gateway has a higher percentage of jobs in the lowest-paid category (\$1,250 or less per month) than the Carroll-Camden Industrial Area (20.2 percent as compared to 15.6 percent).

As illustrated by Figure 25, from 2005 to 2015, the wage category with the most job growth in the South Baltimore Gateway was the highest-paid category (\$3,333 or more per month). Jobs in this category increased by 66 percent over the ten-year period. By contrast, jobs in the other wage categories increased by significantly less: jobs that pay between \$1,251 and \$3,333 per month increased by 1.9 percent and jobs that pay less than \$1,250 per month increased by 14.2 percent.

In the Carroll-Camden Industrial Area, significant job growth occurred across all three income categories, with the most growth occurring in the highest-paid job category. Jobs that pay more than \$3,333 per month increased by over 135 percent, jobs that pay between \$1,251 and \$3,333 per month increased by nearly 90 percent, and jobs that pay \$1,250 or less grew nearly 112 percent. Table A-3 in the Appendix contains additional details about job growth across income categories.

Figure 24: Jobs by Earnings, 2015

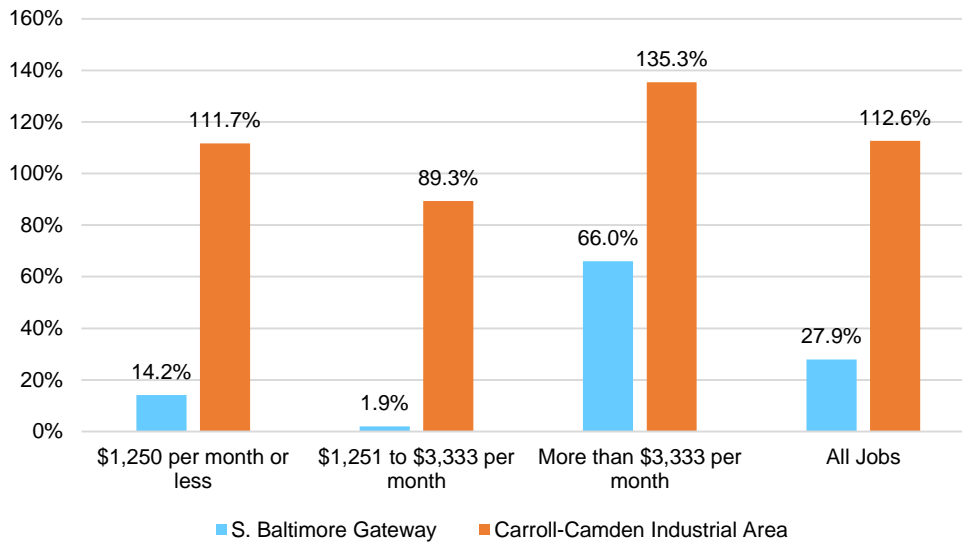


Note:

Includes primary jobs only.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

Figure 25: Percent Growth in Jobs by Monthly Earnings, 2005 – 2015



Note:

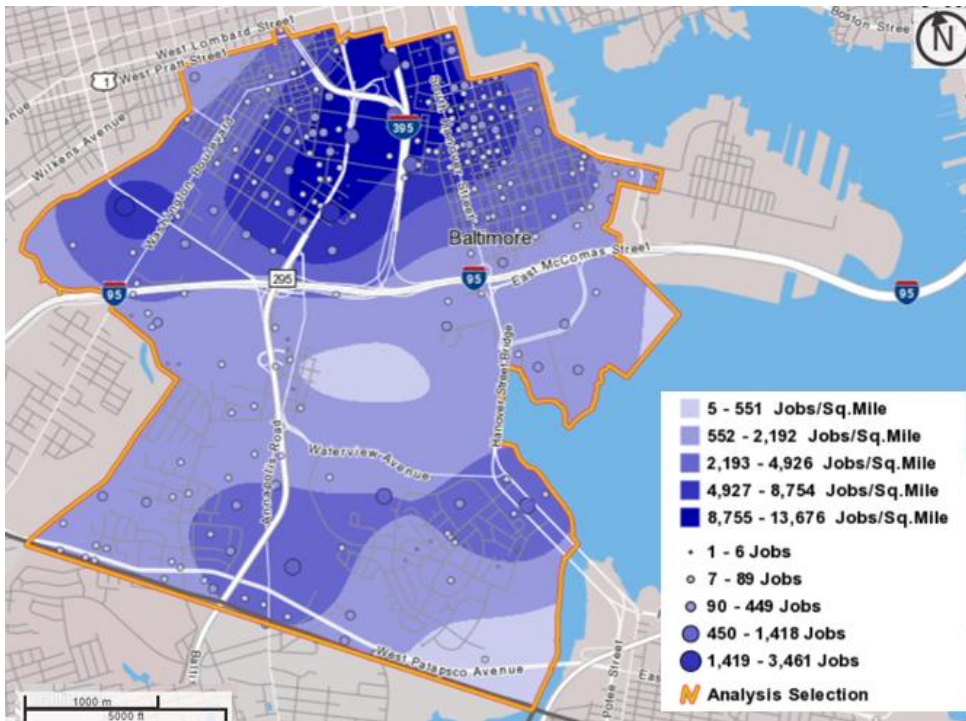
Includes primary jobs only.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

Jobs by Location and Industry Class

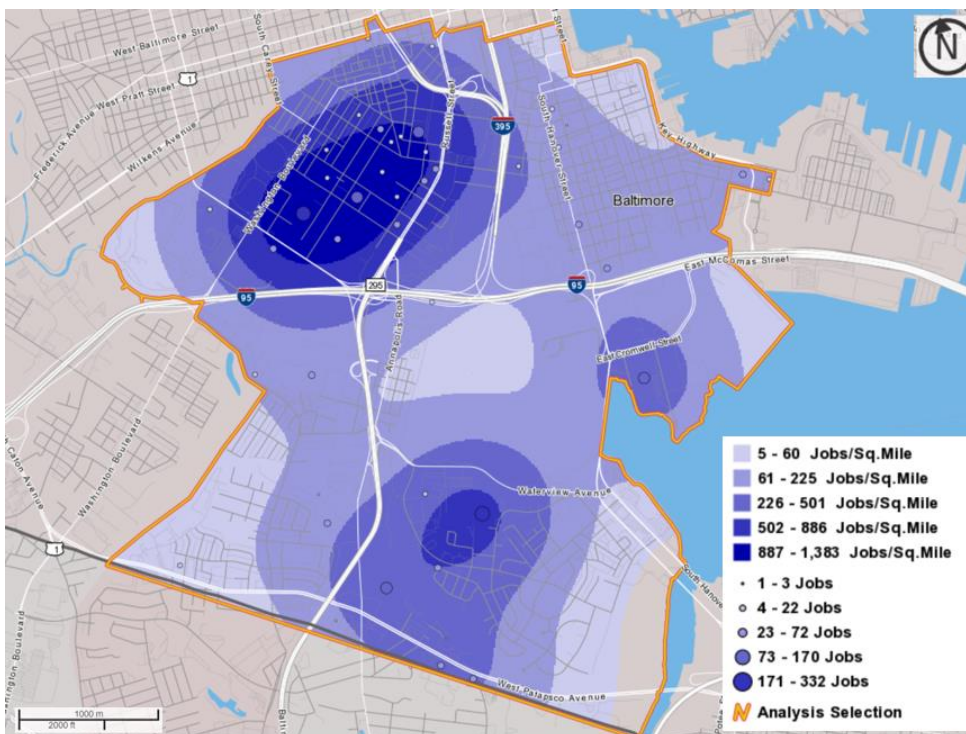
Figure 26 illustrates employment densities throughout the South Baltimore Gateway. Employment is most heavily concentrated in the Carroll-Camden Industrial Area, the Stadium Area, Ridgely's Delight, Sharp-Leadenhall, and Otterbein. Figure 27 shows employment densities in the South Baltimore Gateway for jobs in the Goods Producing industry class, which includes manufacturing jobs. These jobs are most heavily concentrated in the Carroll-Camden Industrial Area and Cherry Hill. Finally, Figure 28 shows employment densities for the Trade, Transportation, and Utilities industry class, which includes wholesale trade and warehousing jobs. These jobs are most heavily concentrated in Carroll-Camden, Cherry Hill, and Lakeland.

Figure 26: Employment Density Map, All Jobs, 2015



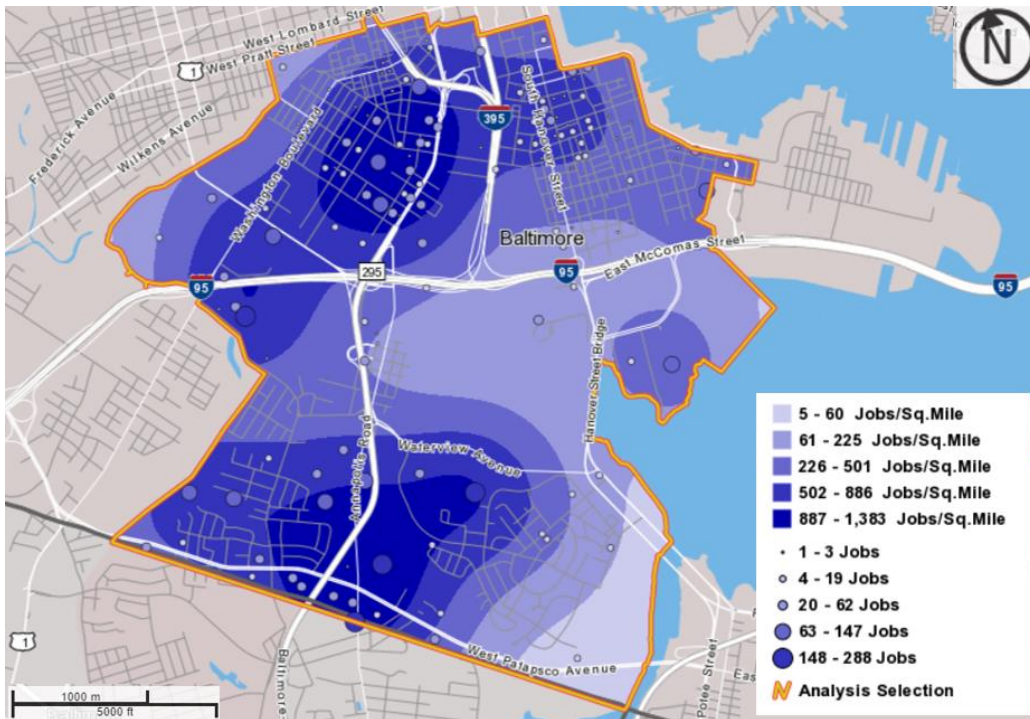
Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2018; U.S. Census Bureau, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Figure 27: Employment Density Map, Goods Producing Jobs, 2015



Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2018; U.S. Census Bureau, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Figure 28: Employment Density Map, Trade, Transportation, and Utilities Jobs, 2015



Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2018; U.S. Census Bureau, 2018; South Baltimore Gateway Master Plan, 2015; BAE, 2018.

Worker Commutes

As Table 6 shows, worker commutes in the South Baltimore Gateway are comparable to those in the smaller geography of the Carroll-Camden Industrial Area. Approximately one-third of workers in both geographies live in the City of Baltimore, while between 27 and 28 percent live in Baltimore County and approximately 11 percent live in Anne Arundel County.

Table 6: Worker County of Residence, 2015

<u>County of Residence</u>	<u>S. Baltimore Gateway</u>	<u>Carroll-Camden Industrial Area</u>
Baltimore City	32.9%	34.2%
Baltimore County	28.1%	27.2%
Anne Arundel County	10.6%	11.1%
Howard County	5.4%	5.1%
Harford County	3.6%	3.7%
Prince George's County	3.5%	3.4%
Montgomery County	2.6%	1.8%
Carroll County	1.8%	1.8%
York County, PA	1.0%	1.1%
Other Counties	10.5%	10.6%
Total	100.0%	100.0%

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

DEMAND PROJECTIONS

Findings in discussed in the previous *Current Snapshot of the Industrial Real Estate Market* section confirmed healthy demand for industrial space in the South Baltimore Gateway. This is especially true in the Carroll-Camden Industrial Area, where the average industrial vacancy rate is 3.1 percent. To assess whether demand for industrial space in the South Baltimore Gateway and the Carroll-Camden Industrial Area will continue in the future, this portion of the study looks at the percentage of Maryland's industrial jobs that are found within the South Baltimore Gateway and the Carroll-Camden Industrial Area, and also analyzes statewide industrial employment projections.

Local Industrial Jobs as a Share of Statewide Industrial Jobs

Table 7 shows the percentage of statewide employment in each sector that is represented by jobs in the South Baltimore Gateway and the Carroll-Camden Industrial Area, as indicated by the U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) data products. As of 2015, 1.7 percent of Maryland's manufacturing jobs were in the South Baltimore Gateway. This was also true for 2.1 percent of Maryland's wholesale trade jobs and 0.9 percent of Maryland's transportation and warehousing jobs.

As of 2015, approximately 0.8 percent of Maryland's manufacturing jobs were in the Carroll-Camden Industrial Area, as well as 0.6 percent of statewide wholesale trade jobs and 0.1 percent of statewide transportation and warehousing jobs.

Table 7: Jobs in the South Baltimore Gateway as a Percentage of Total Jobs in Maryland, 2015

Sector	Maryland	S. Baltimore Gateway		Carroll-Camden Industrial Area	
	Jobs	Jobs	Jobs as % of Maryland	Jobs	Jobs as % of Maryland
Agriculture, Forestry, Fishing and Hunting	5,183	0	0.0%	0	0.0%
Mining, Quarrying, and Oil and Gas Extraction	1,334	0	0.0%	0	0.0%
Utilities	9,653	22	0.2%	20	0.2%
Construction	152,730	1,244	0.8%	228	0.1%
Manufacturing	105,498	1,802	1.7%	826	0.8%
Wholesale Trade	87,686	1,831	2.1%	557	0.6%
Retail Trade	282,973	1,215	0.4%	190	0.1%
Transportation and Warehousing	82,883	716	0.9%	42	0.1%
Information	44,969	829	1.8%	0	0.0%
Finance and Insurance	95,983	727	0.8%	2	0.0%
Real Estate and Rental and Leasing	45,169	279	0.6%	40	0.1%
Professional, Scientific, and Technical Services	249,614	965	0.4%	56	0.0%
Management of Companies and Enterprises	26,213	96	0.4%	42	0.2%
Admin & Support, Waste Mgmt & Remediation	162,013	2,504	1.5%	237	0.1%
Educational Services	276,351	862	0.3%	0	0.0%
Health Care and Social Assistance	351,582	2,400	0.7%	36	0.0%
Arts, Entertainment, and Recreation	44,406	3,839	8.6%	1,758	4.0%
Accommodation and Food Services	216,804	2,635	1.2%	135	0.1%
Other Services (excluding Public Administration)	91,203	1,078	1.2%	341	0.4%
Public Administration	206,997	1,183	0.6%	0	0.0%
Total	2,539,244	24,227	1.0%	4,510	0.2%

Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

Statewide Employment Projections by Sector

According to projections made by the Maryland Department of Labor, Licensing, and Regulation, industrial jobs are expected to increase in Maryland through 2026. As shown in Table 8, from 2016 to 2026, manufacturing jobs are expected to increase by 0.9 percent, wholesale trade jobs are expected increase by 2.7 percent, and transportation and warehousing jobs are expected to increase by 7.7 percent.

Table 8: Maryland Employment Projections by Sector, 2016-2026

Sector	Jobs, 2016	Projected Jobs, 2026	Change	Projected % Change
Agricultural, Forestry, Fishing and Hunting	5,259	5,657	398	7.6%
Mining, Quarrying, and Oil and Gas Extraction	1,172	978	-194	-16.6%
Utilities	10,054	10,115	61	0.6%
Construction	160,901	181,202	20,301	12.6%
Manufacturing	103,589	104,505	916	0.9%
Wholesale Trade	85,918	88,267	2,349	2.7%
Retail Trade	291,295	307,852	16,557	5.7%
Transportation and Warehousing	84,370	90,886	6,516	7.7%
Information	41,434	43,857	2,423	5.8%
Finance and Insurance	95,225	100,927	5,702	6.0%
Real Estate and Rental and Leasing	45,037	46,440	1,403	3.1%
Professional, Scientific, and Technical Services	252,955	273,060	20,105	7.9%
Management of Companies and Enterprises	26,048	28,118	2,070	7.9%
Admin & Support, Waste Mgmt & Remediation	170,532	186,597	16,065	9.4%
Educational Services	143,752	154,567	10,815	7.5%
Healthcare and Social Assistance	369,131	432,773	63,642	17.2%
Arts, Entertainment and Recreation	47,461	51,233	3,772	7.9%
Accommodation and Food Services	227,049	246,679	19,630	8.6%
Other Services (Except Government)	91,191	97,463	6,272	6.9%
Public Administration	298,624	294,274	-4,350	-1.5%
Total	2,550,997	2,745,450	194,453	7.6%

Source: Maryland Department of Labor, Licensing, and Regulation, 2018; BAE, 2018.

Statewide Industrial Employment Projections by Industry

Table 9 provides a detailed overview of the projected growth for each of the three highlighted industrial sectors. The majority of industrial job gains are expected to occur in the transportation and warehousing sector (6,508 jobs total, representing a 7.7 percent increase). The industry with the most significant amount of projected growth is warehousing and storage (3,632 jobs, representing a 21.4 percent increase).

All industries in the wholesale trade sector are expected to gain jobs from 2016 to 2026, resulting in a total increase of 2,349 jobs. The largest gains are expected to occur in the industries of merchant wholesalers of durable goods (601 jobs representing an increase of 1.4 percent) and wholesale electronic markets and brokers (1,675 jobs representing an increase of 11 percent).

In the manufacturing sector, the industries that are expected to gain the most jobs statewide are computer and electronic manufacturing (1,397 jobs representing 7.9 percent growth), printing and related support activities (609 jobs representing 7.9 percent growth), transportation equipment manufacturing (352 jobs representing a 7.9 percent increase), furniture and related product manufacturing (307 jobs representing a 7.9 percent increase), and beverage and tobacco product manufacturing (252 jobs representing a 7.9 percent increase)

Some manufacturing industries are expected to experience significant losses, including the manufacturing of textiles, apparel, leather, paper, plastics and rubber products, nonmetallic minerals, primary metals, fabricated metals, and machinery. The food manufacturing sector, which is the second-largest sector in the state, is projected to lose 0.9 percent of its total jobs from 2016 to 2026 (a loss of 136 total jobs).

Table 9: Maryland Industrial Employment Projections by Industry, 2016-2026

	<u>Jobs, 2016</u>	<u>Projected Jobs, 2026</u>	<u>Change</u>	<u>Projected % Change</u>
Industries in the Manufacturing Sector				
Food Manufacturing	15,129	14,993	-136	-0.9%
Beverage and Tobacco Product Manufacturing	3,172	3,424	252	7.9%
Textile Mills	426	347	-79	-18.5%
Textile Product Mills	801	808	7	0.9%
Apparel Manufacturing	1,122	741	-381	-34.0%
Leather and Allied Product Manufacturing	192	168	-24	-12.5%
Wood Product Manufacturing	2,309	2,493	184	8.0%
Paper Manufacturing	2,699	2,419	-280	-10.4%
Printing and Related Support Activities	7,667	8,276	609	7.9%
Petroleum and Coal Products Manufacturing	833	809	-24	-2.9%
Chemical Manufacturing	11,515	11,604	89	0.8%
Plastics and Rubber Products Manufacturing	5,865	5,318	-547	-9.3%
Nonmetallic Mineral Product Manufacturing	4,383	4,080	-303	-6.9%
Primary Metal Manufacturing	960	827	-133	-13.9%
Fabricated Metal Product Manufacturing	7,876	7,625	-251	-3.2%
Machinery Manufacturing	6,415	6,083	-332	-5.2%
Computer and Electronic Product Manufacturing	17,573	18,970	1,397	7.9%
Electrical Equipment, Appliance, and Component Manufacturing	1,987	2,145	158	8.0%
Transportation Equipment Manufacturing	4,432	4,784	352	7.9%
Furniture and Related Product Manufacturing	3,862	4,169	307	7.9%
Miscellaneous Manufacturing	4,371	4,422	51	1.2%
Total, Manufacturing Jobs	103,589	104,505	916	0.9%
Industries in the Wholesale Trade Sector				
Merchant Wholesalers, Durable Goods	42,340	42,941	601	1.4%
Merchant Wholesalers, Nondurable Goods	28,397	28,470	73	0.3%
Wholesale Electronic Markets and Agents and Brokers	15,181	16,856	1,675	11.0%
Total, Wholesale Trade Jobs	85,918	88,267	2,349	2.7%
Industrial Industries in the Transportation and Warehousing Sector (a)				
Air Transportation	5,292	5,449	157	3.0%
Water Transportation	1,105	1,221	116	10.5%
Truck Transportation	16,047	16,493	446	2.8%
Transit and Ground Passenger Transport	21,020	21,483	463	2.2%
Scenic and Sightseeing Transportation	497	504	7	1.4%
Support Activities for Transportation	9,760	10,727	967	9.9%
Couriers and Messengers	13,533	14,253	720	5.3%
Warehousing and Storage	16,985	20,617	3,632	21.4%
Total, Industrial Transportation and Warehousing Jobs	84,239	90,747	6,508	7.7%
Total, Industrial Jobs	273,746	283,519	9,773	3.6%

Note:

(a) Non-Industrial Industries in the Transportation & Warehousing Sector have been removed.

Source: Maryland Department of Labor, Licensing, and Regulation, 2018; BAE, 2018.

Market Analysis Conclusion

Due to the relative strength of the industrial markets in the South Baltimore Gateway and the Carroll-Camden Industrial Area, as well as the projected continued growth of industrial employment in the state of Maryland, it is reasonable to expect that these areas will continue experiencing strong levels of demand. To ensure that these areas remain competitive with other industrial markets, it may be wise to ensure that underutilized industrial space that is in adequate condition to continue to house users is outfitted to accommodate the uses of growing industries, such as warehousing and storage and wholesale trade. Because some manufacturing industries are shrinking while others are expanding, it may be advantageous to further study the existing inventory of manufacturing space in the South Baltimore Gateway in order to ensure that the inventory is well-suited for manufacturing industries with growth potential.

FUTURE OPPORTUNITIES ANALYSIS

While the market analysis provides a quantitative assessment of the real estate market and business and employment conditions in the South Baltimore Gateway and Carroll-Camden areas, in order to understand how businesses are functioning in the area currently and what steps might be taken to help the area grow and prosper, BAE conducted a series of interviews with business owners, real estate brokers and developers, and other stakeholders. Interviews were conducted primarily with Carroll-Camden businesses, thus the discussions focused mostly on conditions in Carroll-Camden.

This part of the report includes an inventory of the key challenges and opportunities in the Carroll-Camden area as gleaned through the interviews and observations. Next is a review of the tools and programs, including grants, loans and tax credits currently available to businesses in Carroll-Camden. A summary of what is available is included in the Tools, Programs and Resources section below.

In addition, BAE researched other strategies used to preserve and grow industrial areas in the new economy in other cities. Summarized examples from other cities are included in the Case Studies and Best Practices section below.

Finally, pulling together the market analysis data together with the qualitative information obtained through interviews and research, the report includes recommendations for taking advantage of opportunities and addressing challenges that need to be resolved before being able to make positive changes in Carroll-Camden area.

Challenges and Opportunities

In order to gain a solid understanding of existing conditions for businesses and developments located in the Carroll-Camden area, BAE conducted interviews with owners or other representatives of nine businesses located in the area, developers and managers of three key development projects, and other stakeholders. Below is a list of the businesses and addresses represented by interviewees:

- Old Line Meats, 1600 N. Monroe Street
- Perfect Brew, 1547 Ridgely Street
- Fitch Co., 2201 Russell Street
- Len the Plumber, 1552 Ridgely Street
- STX, 1500 Bush Street
- Bollinger Roofing, 1501 Ridgely Street
- MarJam, 1600 Ridgely
- ToolBank, 1224 Wicomico Street
- Harbor Designs and Manufacturing, 1100 Wicomico Street, Suite 600

- Write Notepads, 1145 Wicomico Street

These business and developer interviews are in addition to the interviews conducted with real estate brokers working in the area as referenced in the Market Analysis.

The industrial businesses interviewed are diverse by type, size, and tenure. Some, but not all, of the businesses belong to the Carroll-Camden Business Association.

The developers interviewed include the owners of 1100 Wicomico Street, Gaslight Square, and the new Hammerjacks, now in the planning process. The stakeholders include leadership of the South Baltimore Gateway Partnership and BDC and Department of Planning staff actively working in the Carroll-Camden area.

At each of the business and developer interviews BAE asked how the business or development was faring, what the interviewee believed to be advantageous about the location, if they had any issues or concerns with being located in Carroll-Camden, and what sites might be considered opportunity sites for redevelopment/new development.

Below is a summary of the results of these interviews and follow-up observations, first listing the weaknesses and challenges, then the strengths and opportunities.

Weaknesses and Challenges

Aesthetics. The issue of what broadly would be called aesthetics or “curb appeal” was mentioned by most everyone interviewed. Although hard to define exactly, interviewees brought up problems in some parts of Carroll-Camden with trash, overall cleanliness and sanitation, and obvious neglect. In some cases this is just not keeping up with litter and dumping of trash items—the area around the Monroe Street ramp off of 295, which is publicly-owned land, was specifically mentioned for accumulation of litter and trash—but also includes the need for regular street cleaning. In other cases, the neglect of properties that are probably vacant does not contribute positively to the overall ambiance of the area. While a certain amount of grit appeals to some as an urban industrial vibe, poorly maintained and dilapidated buildings will discourage new businesses from locating in Carroll-Camden and others from investing there.

Safety and Security. The issue that nearly everyone interviewed raised as a challenge is the broad issue of safety and security. To be clear, no one indicated there was a serious crime issue but rather more nuisance crime that may involve local homeless population. Several also mentioned that there were drug users wandering through the area or using drugs in the parking lots and outdoor spaces in the area. The drug use seems to primarily occur in the evenings when most businesses are closed. One interviewee noted that there is an open-air drug market on Monroe Street that may be providing the drugs that are being used in the area.

While none of the interviewees reported any violent crime in the Carroll-Camden area in recent years, one business reported that they had experienced theft a few times in the past seven to eight years. This included theft of batteries and catalytic converters from trucks and refrigeration units from this business's building.

It should also be noted that three businesses/operations in the Carroll-Camden area have joined together to pay for a 24-hour security guard in the vicinity of buildings they occupy. These are STX, Ellicott Dredge, and Gaslight Square.

Infrastructure. Several of the interviewees mentioned infrastructure as an issue in Carroll-Camden specifically citing the condition of roads throughout the area, sidewalks, and stormwater management. For example, the road surface of Wicomico Street is cobblestones, but the stones and surface have not been maintained. The cobblestones should either be repaired or paved over. Other roads have potholes. Though some sidewalks in the area have been repaired or replaced in recent years (on parts of Ridgely and Bush, for example) others still need attention. One business, MarJam, indicated that the stormwater drain at the corner of Ridgely and Bayard was not functioning properly and water pools in the street when there are heavy rains and sometimes floods into their building.

Business Funding Assistance. Several interviewees indicated there needed to be more business funding available, whether from the City or others. This issue may have two parts: 1) a lack of awareness of the programs to do exist, including the façade grants, loan and tax credit programs; and 2) the need for small grants to assist with interior build out and possibly purchase of capital equipment, the type of changes that would allow businesses to expand, including hiring additional employees. One business owner specifically mentioned a program being managed by the Southeast Community Development Corporation that provides grant funding up to \$50,000 to assist with the cost of commercial build-out. A few interviewees also would like to see the South Baltimore Gateway Partnership, the organization that dispenses a portion of the Horseshoe Casino's revenues for improvements to the neighborhood, find a way to assist businesses in the area under the broad definition of community development revitalization.

Zoning. Several interviewees cited the need for the City to address the conflicts between the Urban Renewal Plan (URP) and *Transform Baltimore*. Most of the business representatives, though not all, believed *Transform Baltimore* rezoning, which provides more flexibility in uses, is appropriate for today's industrial areas. (As indicated in the description of zoning changes on pp. 30-31, owners of certain properties strongly support the recent changes.) Nearly everyone believes that heavy industry is mostly gone from this part of the City. Most also agreed that it is positive that the new zoning allows there to be transitional uses in the parts of Carroll-Camden closest to the stadiums and casino, east of Ridgely Street. And while those who brought up zoning understand that the URP supersedes *Transform Baltimore*, some questioned why the URP still exists at all. The owners of 1100 Wicomico Street are concerned

that the City would like to create another zone for their property that would make limited residential impossible in this large building, even in the long run. Others indicated that the City needs to do a better job enforcing zoning and requiring property owners to maintain their buildings and grounds.

Public Transportation. Although there was a mix of opinions regarding this topic, some interviewees cited a need for improved access to public transportation including a bus stop within Carroll-Camden and not just on its perimeter. This seems to be more of an issue for the businesses with larger numbers of employees. One business indicated a desire for the Charm City Circulator to extend its route through Carroll-Camden since the area has a significant number of employees.

Area Identity or Brand. A few interviewees mentioned that Carroll-Camden lacks an identity or brand. Without a clear identity or brand, and thus limited awareness that the area exists and offers much to small businesses, recruitment of new businesses is difficult. These interviewees recognize that the planned marketing and outreach efforts of the Carroll Camden Business Association could be helpful, but they also believe that BDC could do more to help promote the area to prospective businesses.

Strengths and Opportunities

Location and Access. Every interviewee stated that the Carroll-Camden location was advantageous for their business and convenient for most employees. Access to 95 and 295 is excellent. Vehicles making deliveries or service calls can get where they need to go easily from Carroll-Camden. Most of the businesses interviewed indicated that the bulk of their business is in the Washington DC area, including Northern Virginia, and that the southbound access, in particular, is good. Several of the interviewees indicated that the location next to the stadiums and near Downtown Baltimore is a positive.

Baltimore City and BDC Support. Many of the interviewees noted that Baltimore City, and especially the BDC, has been very helpful to them. This includes responding to complaints—several indicated they had quick responses when they made 311 calls—but also finding resources to make improvements to their properties. As noted later in the report, 12 Carroll-Camden businesses have received façade grants ranging from \$8,700 to \$25,000 for improvements on the outside of their buildings. BDC staff have also helped businesses navigate City government and have assisted in getting public agencies or departments to resolve other issues, including the Department of Public Works, which has helped with street cleaning and sanitation issues.

Horseshoe Casino. On the whole, the businesses interviewed agreed that the Horseshoe Casino was a positive addition to the Carroll-Camden area. At a minimum the businesses said there was a neutral effect (they noticed no difference) but several said that the casino increased police presence, thereby enhancing security in the area. Others indicated that the

new casino building and garage replaced dilapidated structures, which helped to clean up the area. One interviewee said the casino has proven to be a good business partner and that South Baltimore Gateway Partnership, which is funded by casino revenues, has in turn provided funding for non-profits working in Carroll-Camden and subsidized increased police presence, fire protection, and sanitation assistance.

Significant New Developments. Interviewees noted that new developments are in the planning process now that validate the investment potential of the Carroll-Camden area. First is 1100 Wicomico Street, an eight-story, 416,000 square foot building built more than 100 years ago as a warehouse for the Baltimore Bargain House. The building was purchased by Tower Hill Development in 2017. Presently, 1100 Wicomico is about 30 percent occupied with artists, biotechnology, fabricators, high tech industrial design and manufacturing, and textile/clothing manufacturing. The new owners have an ambitious rehabilitation plan for the building that includes retail and service uses on the lower floors, and lab space, light industrial/flex space, office space, a business accelerator, and other uses on the floors above. This building—which was once a business incubator owned by the City where Under Armour got its start as a business—has the potential to be an anchor for the Carroll-Camden area. The owners are pursuing New Markets Tax Credits to help finance their plans.

Other significant developments in the Carroll-Camden area are the new Hammerjacks entertainment center at 1300 Russell Street and Topgolf at 301 Stockholm Street. The plans for Hammerjacks include a two-level concert arena and an outdoor beer garden. Topgolf will feature a 240-yard high tech driving range, as well as a bar, restaurant and event space. These two developments, both in the planning process, represent an expansion of the designated entertainment zone near Horseshoe Casino.

Redevelopment Sites. Though in the present, vacant and underutilized buildings may not be contributing positively to aesthetics, these vacant buildings and sites offer opportunities for redevelopment and new developments that will increase commerce and employment in Carroll-Camden and potentially serve as anchors for the area. Interviewees confirmed that here are four such sites that are the best candidates for redevelopment:

- **1201 Wicomico Street:** An approximate 16-acre site with a 379,477 square foot building that once housed Durrett Sheppard Steel. Durrett Sheppard vacated the site more than 30 years ago. The building is more than 50 percent vacant, though a tenant, D & S Supply, occupies approximately 175,000 square feet.
- **1400 Bush Street:** A 21.12-acre site with a 600,000-square-foot building once occupied by Kaydon Ring & Seal, an aerospace parts manufacturer. In March 2016 Kaydon's parent, SKF USA Inc. announced the plant would be closing and operations would be phasing down through 2018. The facility is mostly vacant today. Reportedly, there is a contract on the site that is contingent on an environmental assessment.

- **701 W. Ostend Street:** A 4.04-acre site owned by the City of Baltimore. It does not have any improvements on-site and is used as a parking lot for Baltimore Ravens football games. It is known as “Lot O.” The Horseshoe Casino has an option on the property.
- **601 W. West Street:** A privately-owned 2.2-acre unimproved site currently being used as a parking lot for Baltimore Ravens football games. It is known as “Lot N.”

Tools, Programs, and Resources

There are many tools, programs, and resources available for businesses and developers seeking to invest in South Baltimore Gateway and Carroll-Camden. Before devising a work plan or recommendations for the advancement of Carroll-Camden it is helpful to summarize and assess what assistance is available now from local, state, and federal governments and to what extent the programs have been used in the Carroll-Camden area. Below is a listing of some of key programs available from city, state and federal governments.

City of Baltimore

BDC offers several financing tools for businesses and development in Carroll-Camden, This includes three active loan programs with fixed-rate financing at favorable terms. These are:

- **Baltimore Micro Loan Fund:** Loans for existing and start-up businesses to finance furniture, fixtures, machinery, and equipment. Loans in the amounts between \$5,000 and \$30,000 primarily for the purposes of adding jobs and encouraging private sector investment in Baltimore City. Applicants must be for-profit entities that are one of the following: sole proprietor, partnership, corporation, or LLC.
- **VLT Revolving Loan Fund:** Loans targeted for small, minority, and women-owned businesses located within 10 miles of an open casino site. Loans in amounts between \$30,000 and \$300,000 can be used for business acquisition, commercial real estate acquisition, the purchase of furniture, fixtures and leasehold improvements, and working capital.
- **Revolving Loan Funds – EDA/RLF and MILA/RLF:** These revolving funds can be used for the acquisition and improvement of land, facilities and equipment, including demolition, site preparation, renovation, and new construction. Loan amounts are up to \$500,000 or 35 percent of project cost. Eligible businesses are for-profit corporations.

According to BDC, no businesses in Carroll Camden took advantage of any of these loan programs in the last few years. Only one nearby business, Suspended Brewery Company, located at 912 Washington Avenue in Pigtown, took advantage of any of BDC’s loan programs in recent years. The business used the Micro Loan program to purchase equipment.

BDC also manages a façade improvement grant program that can be used by businesses in the Carroll-Camden area. Though this is a city-wide program designed to “aesthetically improve the look of commercial corridors,” there is a special version of the program called the South Baltimore Gateway Industrial Façade Improvement Grant for industrially-zoned properties located within the Casino Impact District. This version of the façade improvement grant program provides grants of up to \$25,000 for single industrial properties. Grants of up to \$10,000 are provided as a reimbursement with no match required. Grants above \$10,000 require a “dollar-for-dollar” reimbursement match up to an additional \$15,000. Grants may be used for exterior painting, window treatments, siding, awnings, transoms, signage, lighting, or other exterior improvements.

In recent years, 12 businesses in the Carroll-Camden area have received façade improvement grants including Len the Plumber, Gaslight Square, STX, Baltimore Community ToolBank, Bollinger Roofing, Ellicott Dredges, and Second Chance. The amounts of the grants provided to Carroll-Camden businesses ranged from a low of \$8,700 to a high of \$25,000.

State of Maryland

The state of Maryland through the Maryland Department of Commerce (MDC) offers financing to incentivize business development and expansion. The primary program that MDC uses to help fund growing businesses is Advantage Maryland (also known as MEDAAF) which provides loans and investments and occasional grants to support economic development initiatives. Generally, loans are provided with favorable terms but a local match of 10 percent (in this case from BDC) is required to receive the state financing. Businesses anywhere in the state, including in the Carroll-Camden area, could be eligible for Advantage Maryland funding, though typically it is reserved for businesses that will create at least 25 jobs. No businesses in Carroll-Camden have used the Advantage Maryland program in recent years.

The state, with assistance from local economic development agencies, also manages the Enterprise Zone tax program, which provides real property and state income tax credits for businesses located in designated Maryland Enterprise Zones in return for job creation and investments. Enterprise Zone real property tax credits include a 10-year tax credit on improvements to real property; it is an 80 percent credit in years one through five and it decreases 10 percent annually in years six through 10. Enterprise Zone income tax credits include a \$1,000 credit per new employee, and a \$6,000 credit over three years for hiring economically disadvantaged employees. These income tax credits may be carried over for five years.

A sub program of the Enterprise Zone program is the EZ Focus Area program. Focus Area benefits include real property tax credits of 80 percent of the increased assessed value for 10 years and personal property tax credits of 80 percent for 10 years on new investment in personal property. Focus Area income tax credits include a \$1,500 credit per new employee

and \$9,000 over three years for hiring economically disadvantaged employees. Focus Area income tax credits can also be carried over for five years.

The Carroll-Camden area is located within an Enterprise Zone and an EZ Focus Area, so qualifying businesses and property owners could take advantage of the program benefits outlined above. Though no business in the Carroll-Camden been able to receive Enterprise Zone/EZ Focus Area benefits in recent years, the Hammerjacks development now in planning does intend to use these state programs. Hammerjacks plans to employ 200 people and invest \$16-18 million in real and personal property.

U.S. Government

There are a few federal programs that could be beneficial to Carroll-Camden area businesses and new developments. On the business side, all of Carroll-Camden is located in a federal HUBZone. By being located in a HUBZone, which the U.S. Small Business Administration defines as a “historically underutilized business zone,” a business could be eligible to compete for the program’s set-aside contracts. The U.S. government limits competition for certain contracts to HUBZone-certified businesses in historically underutilized business zones. These business also receive a 10 percent price evaluation preference in contracting opportunities.

To qualify for the HUBZone program, the business must be a small business (under 500 employees), must be 51 percent or more owned by U.S. citizens, and have its principal office located in a HUBZone. Additionally, at least 35 percent of its employees must live in a HUBZone.

Being part of a HUBZone, the Carroll-Camden area should be able to attract government contractors that could use HUBZone benefits. This is especially true since Carroll-Camden has excellent access to both the Washington area, where most federal agencies have a presence, and to Woodlawn in Baltimore County, which is home to both the Social Security Administration and the Centers for Medicare and Medicaid Services (CMS). These two agencies do a significant amount of contract business.

Another tool that could be used by businesses in a portion of Carroll-Camden is the new federal Opportunity Zone program. An Opportunity Zone is an economically distressed community where new investments may be eligible for preferential tax treatment. The Opportunity Zone program was added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017. There are 8,700 such zones across the country as of today. Each zone, which is also an existing census tract, was nominated by the state they are part of, and then certified by the Secretary of the U.S. Treasury via his delegation to the Internal Revenue Service.

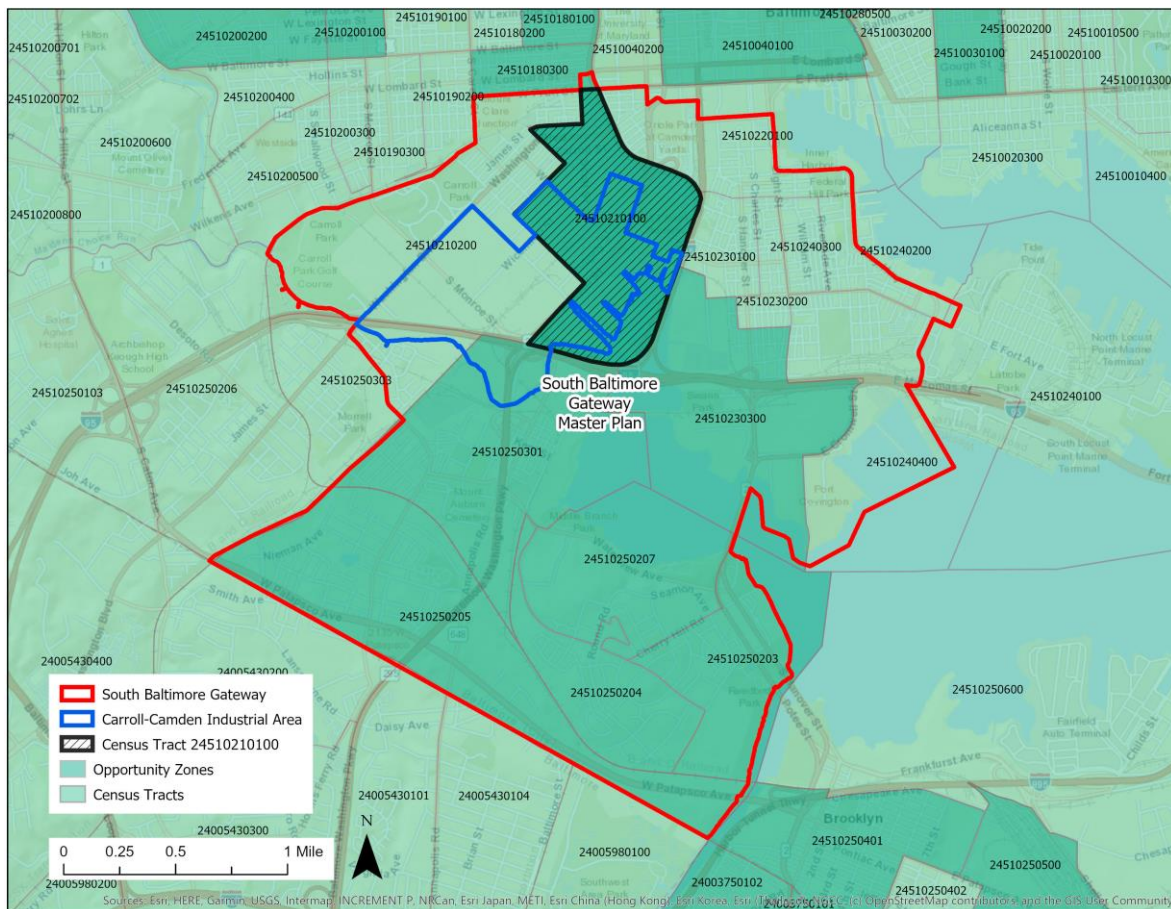
Opportunity Zones are an economic development tool designed to spur investment and job creation in economically distressed communities. Opportunity Zones work in this way:

- Investors in Opportunity Zone projects can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF), an investment vehicle that is set up as either a partnership or corporation for investing in eligible property located in an Opportunity Zone.
- This deferment can run until the earlier of the date on which the investment in a QOF is sold or exchanged, or until December 31, 2026.
- If the QOF investment is held for longer than five years, there is a 10 percent exclusion of the deferred gain.
- If held for more than seven years, the 10 percent of the deferred gain becomes 15 percent.
- And, if the investor holds the investment in the Opportunity Fund for at least 10 years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date the QOF investment was sold or exchanged.

As shown in Figure 28, the designated Opportunity Zone covers a portion of the Carroll-Camden area, Census Tract 21410210100, and six other Census Tracts in the South Baltimore Gateway Area. For owners of businesses investing in their properties and for developers taking on large new projects in Opportunity Zones, there is substantial potential benefit. Three of the four redevelopment sites in Carroll-Camden described in the previous section are located in the Opportunity Zone, all except 1400 Bush Street, the Kaydon Ring & Seal site. The owner of the new Hammerjacks intends to take advantage of the benefits of Opportunity Zones to attract investment in the project. This tax-deferred investment opportunity, together with benefits from the Enterprise Zone and EZ Focus Area, will help get the project off the ground.

Recognizing that Opportunity Zones may be a good investment tool for new development and redevelopment in part of Carroll-Camden, this new federal program has been somewhat controversial. Some believe that the selection of areas that are included within designated Opportunity Zones are areas that were already well on their way to being revitalized and are not truly distressed. These opinions will probably not force any boundary changes, at least in the short term, but nonetheless they should be noted.

Figure 29: Opportunity Zones in Carroll-Camden and South Baltimore Gateway



Sources: U.S. Department of the Treasury CDFI; ArcGIS Pro, 2019; Baltimore City Open GIS Data, 2019; BAE, 2019.

Case Studies and Best Practices

Two case studies from two different cities, Washington, DC and Philadelphia, are useful to look at before developing recommendations for the Carroll-Camden industrial area going forward. In both cases, planners, economists, and consultants were tasked with developing a strategy that would preserve at least some of the industry and industrial character in these areas while reckoning with development pressure for other uses. One, located in Washington DC, is an approach to allowing development flexibility in an area that was historically a wholesale distribution center, and another, in Philadelphia, sets policy for industrial land redevelopment, with sensitivity to protecting industrial uses in certain areas and allowing flexibility in other transitioning areas. Below is a summary of each of these cases that may be drawn from as best practices relevant to Carroll-Camden in Baltimore.

Florida Avenue-Union Market, Washington, DC

The Florida Avenue-Union Market area is a unique community in Northeast Washington DC, near the intersection of New York Avenue and Florida Avenue NE. Historically the area has been and to some extent, continues to be one of the city's primary locations for industrial wholesale distribution centered around food. The area was home to the Union Terminal Market beginning in 1931. Located at 4th Street and Florida Avenue NE, the market featured indoor stalls for 700 vendors, cold storage vaults, and a public café. Vendors sold meat, fish, dairy and produce six days a week to the public and markets and restaurants.

Though over time the market's function changed to primarily wholesale, the broader Union Terminal Market Area continued to grow and thrive into the 1980s. By that time the aging industrial spaces had begun to deteriorate, and merchants started to leave the area for modern distribution centers and supermarkets in the suburbs.

After the city's 2006 Comprehensive Plan called for an evaluation of the existing infrastructure, economic vitality and potential, as well as the historic significance of the area, the City undertook the *Florida Avenue Market Study*. This study provided a framework for strategic redevelopment of the area into a vibrant, mixed-use neighborhood that protects the look and feel of the historic markets, while providing a basis for new development and rehabilitation.

Today the site of the old Union Terminal Market has become the Union Market, which opened in 2012. It is a successful market with 48 vendors, including those selling meats, baked goods, cheese, dairy, wine and spirits, various prepared foods, and a few restaurants. The market has outdoor space for dining and hosts a farmers market during the season. It has become a community center and shopping and dining hub for the surrounding neighborhoods and still operates six days a week.

Though there is no question that Union Market has become an anchor for the neighborhood, most of the long-established wholesale operations remain on the streets surrounding the new market. Even with a few new businesses moving in, including several distilleries, a craft brewery, a bookstore, and an art theater, the urban industrial fabric of the area remains. This new incremental development has not stripped the area of its industrial character and function.

Though some believe the area has become less of a central marketplace or community center for the older neighborhoods that surround it than it has been historically, with the economic growth that has occurred in DC in the last several years that was probably inevitable. The market study called for maintaining low density market uses in the area around today's Union Market, with higher density on redevelopment sites outside the three- to four-block area around the market. The study included feasibility analysis for the redevelopment sites, including an assessment of how the redevelopment of sites into housing, office and retail

would affect the wholesale market area. Some of the redevelopment charted in the study has occurred in the years since.

Industrial Land Policy, Philadelphia, PA

Philadelphia has led the way among cities on how to manage industrial land in the current economy. Like Baltimore, and older industrial districts like Carroll-Camden, Philadelphia has a large amount of vacant industrial buildings and underdeveloped land. The City's *Industrial Land & Market Strategy*, prepared in 2010, set forth a process to determine how to assess what type of redevelopment is appropriate for industrial land given market conditions and the neighborhoods that surround it. The strategy also addresses methods for attracting developers and investors to support redevelopment objectives. This strategy has now been used in several identified industrial areas including the Philadelphia Navy Yard and sites in Northeast and Southwest Philadelphia.

In addition to updated zoning classifications that included Industrial mixed-use districts, not unlike what *Transform Baltimore* included when it became Baltimore's new zoning code in 2016, Philadelphia assessed its entire inventory of industrial land and categorized it into three industrial policy typologies, including:

- Industrial Protection Areas that should be protected and receive regulatory support and market certainty they will remain industrial;
- Industrial Intensification Areas that have the potential to accommodate more dense and productive industrial uses; and
- Transitioning Areas that are only marginally viable for modern industry, and are most suitable for smaller, niche industrial activity and are likely suitable for a mix of other uses as well.

Once the industrial land inventory was classified into these policy typologies, identified redevelopment sites could then be assessed for market potential of highest and best use. The process Philadelphia uses to determine the market potential starts with a site and buildings assessment that includes calculating the amount of potentially developable land, the condition of buildings on the site and whether they are considered contributing historic structures or have environmental issues, and the existence and quality of infrastructure on and around the site. The next step is applying zoning and other development limitations and determining the potential development envelope for the site. From there, scenarios are tested given the zoning, current real estate and socioeconomic markets and real estate supply/demand analyses.

Typically in these exercises, the analyst develops up to three scenarios to test, depending on how much flexibility the site has given its size, current physical development, and the neighborhood surrounding it. Each scenario is tested by determining income potential and the costs associated with construction or rehabilitation of the scenario's development program.

The difference between the income potential and the costs help to determine feasibility and the amount of estimated residual land value of the development scenario. The higher the residual land value, the more likely the project will be attractive to a developer.

This type of testing was done for the successful Philadelphia Navy Yard redevelopment and other sites in Northeast Philadelphia that include both industrial and other uses. The testing also helps to understand what type and how much investment the city may need to make to bring about redevelopment that adds value. This type of review could be prepared for any of the redevelopment sites identified in the Challenges and Opportunities section of this report. The two larger sites among the four, Kaydon Ring & Seal and the former Durrett Sheppard property, could accommodate the most options, while the two parking lot sites likely have greater per square foot revenue potential due to their locations.

Report Summary

It is clear from the Market Analysis and the Future Opportunities analysis that while there is a reasonably strong market for industrial use in Carroll-Camden, likely users are in the process of changing from heavy industrial to light industrial, flex, and commercial uses. This is particularly true for the part of Carroll-Camden east of Ridgely Street. This part of the area is closer to M&T Stadium, the Horseshoe Casino, and downtown in general. In the past few decades, many of the heavy industrial operations have moved from Carroll-Camden, most notably Durrett Sheppard Steel, which moved operations to a site in East Baltimore more than thirty years ago, and Kaydon Ring & Seal, which consolidated its plant at 1400 Bush Street into a more modern plant in Hanover, Pennsylvania in the last two years.

The shift away from heavier industrial uses was clearly recognized in Baltimore's recent rezoning effort, *Transform Baltimore*. New zones were created with this effort that expanded the definition of industrial and allowed for a graduated level of mixed uses in the new zones, with the most flexibility for mixed uses near the Horseshoe Casino and the least along Monroe Street over to Washington Boulevard.

Although the new zoning classifications allow the flexibility that would help make Carroll-Camden more viable as a mixed-use industrial area, the area is held back from maximizing its potential by issues relating to aesthetics, safety and security, condition of infrastructure, lack of awareness of available financing programs and resources, possible mismatch of resources available with needs of businesses and investors, confusion with zoning versus the Urban Renewal Plan, limited public transportation, and a lack of identity or brand for the area.

On the positive side, Carroll-Camden has several strengths and opportunities including an excellent location for highway access, particularly to the south and the Washington DC market area; good support from the City, especially the BDC; the Horseshoe Casino and the services it provides the area (enhanced police and fire protection, sanitation assistance, community grants); private investment in significant developments in the Carroll-Camden area including

rehabilitation of 1100 Wicomico, as well as new entertainment zone projects including Hammerjacks and Topgolf; and the existence of potential redevelopment sites ranging in size from 2.2 acres to 21.12 acres.

It is clear that there is market potential for Carroll-Camden as an industrial mixed-use area that would allow the retention of existing industrial spaces, the attraction of new light industrial, flex, and “maker” users along with some mixed uses ranging from commercial, retail, service, and limited residential. However, the area will be more likely to flourish if there is an anchor use in the district. Much of Carroll-Camden is off the beaten path for potential customers for commercial uses—whether hybrid retail-industrial (e.g., a craft brewery with tasting room or food business with retail sales) or pure retail. Customers of such operations, whether local or regional, will need to be drawn to a destination. This is what Union Market has done for the Florida Avenue Market Area in Northeast Washington, DC. Union Market is a local and regional destination that attracts visitors and customers but allows the historic wholesale distribution businesses to continue to remain and thrive. To maximize its potential for the community and the City’s benefit, there needs to be such an anchor in Carroll-Camden.

Recommendations

BAE offers the recommended actions listed below for South Baltimore Gateway Industrial Area, focused on Carroll-Camden. These recommendations are sorted into the categories of Existing Conditions and Streetscape; Tools, Programs, and Resources; Marketing and Outreach; and Redevelopment. The lead party to take the identified action and the suggested timing of implementation is also estimated. Timing is either short-term, within 18 months; medium-term, 18 months to three years; or long-term, three years and beyond.

Existing Conditions and Streetscape

1. **Improve trash and litter removal, street cleaning, overall sanitation.** City (Public Works). Timing: Short-term. Although this has improved in recent years, there are parts of Carroll-Camden, including Monroe Street near the 295 ramp, that are largely ignored. Street cleaning is sporadic and needs to be more consistent.
2. **Improve safety and security in area.** City (Police Department) and South Baltimore Gateway Partnership, with Carroll-Camden Business Association participation. Timing: Short-term. Though most crime in the area is nuisance crime and not typically violent crime, more eyes on the street through regular patrolling would help minimize crime. Recognizing that the City likely has limited ability to expand police resources, the South Baltimore Gateway Partnership may be able to fill the gap through expanded surveillance by its existing security staff or the funding of at least a pilot measure aimed at reducing vandalism, petty theft, and potentially drug use and distribution.

3. **Make road, sidewalk and other infrastructure improvements.** City (Public Works) and South Baltimore Gateway Partnership. Timing: Short-term to Medium-term. This should start with an inventory, collected by the city with input from area business and property owners, of all roads, sidewalks, storm sewers, and other infrastructure in Carroll-Camden that is currently in fair to poor condition. Poor condition would be anything that in its current state could potentially be harmful to people or property in the short-term. These improvements should be prioritized and completed in the short-term. An example of this is the stormwater drainage issue at the corner of Ridgely and Bayard that is causing flooding in the MarJam building when the area experiences heavy rains. Others infrastructure issues that are less acute could be completed over the medium-term.

Tools, Programs, and Resources

1. **Grow awareness of BDC's financing and business assistance programs to increase use by Carroll-Camden businesses.** BDC with Carroll-Camden Business Association. Timing: Short-term. Most of the interviewees were unaware of BDC's available financing programs and how they might be used to buy equipment, perform tenant build-outs, or even acquire property. BDC should do an information campaign targeted at Carroll-Camden businesses. The Micro Loan program, in particular, could be helpful to small, new businesses and especially helpful for the type of businesses that currently occupy or would occupy space at 1100 Wicomico or Gaslight Square.
2. **Increase awareness and use of state tax credit programs among Carroll-Camden property owners and businesses.** Maryland Department of Commerce with BDC. Timing: Short-term. All of Carroll-Camden is located in a State Enterprise Zone Focus Area. Historically, few have taken advantage of property and income tax credits available for businesses located within the zones. The benefits of Enterprise Zones could be especially valuable for larger development and redevelopment projects in Carroll-Camden, as it will be for the new Hammerjacks. Commerce and BDC should do an information campaign targeted at Carroll-Camden businesses.
3. **Increase awareness and use of the new federal Opportunity Zones program for use by Carroll-Camden property owners and businesses.** BDC with Maryland Department of Commerce. Timing: Short-term. A portion of Carroll-Camden is located in a federal Opportunity Zone. Developers, property owners, and businesses in Carroll-Camden could benefit from investors taking advantage of capital gains tax-deferment available in exchange for investment in projects in the designated zone. The developers of the new Hammerjacks, located in Carroll-Camden, plan to be among the first to use this tool in Baltimore. BDC and the Maryland Department of Commerce should host an information session on the program for developers considering projects and potential

investors in such projects, possibly including local banks and others who are also promoting the program to potential investors.

4. **Increase awareness of BDC's Façade Improvement Grant program to continue progress in improving the exteriors of buildings in Carroll-Camden.** BDC with Carroll-Camden Business Association. Timing: Short-term and on-going. The Façade Improvement Grant program, used by 12 Carroll-Camden property owners, has resulted in clean-up and general aesthetics improvement throughout the area. There are many more opportunities for property owners and their tenants to use this program in Carroll-Camden. BDC could host an information session and/or walking tour of the properties that have taken advantage of the program. This should be done in conjunction with Carroll-Camden Business Association.
5. **Explore the possibility of creating a new grant program to help fund light industrial/maker space build-outs in certain Carroll-Camden buildings.** BDC with assistance from the Maryland Department of Housing and Community Development. Timing: Short- to medium-term. Several business interviewees indicated that with a relatively small amount of grant funding to help with interior build-out, they would be able to expand the reach and employment of their businesses. BAE learned of a new program managed by the Southeast CDC that will provide business owners in the Highlandtown Main Street District with capital for permanent interior improvements to commercial buildings. The program is funded by the Baltimore Regional Neighborhood Initiative of the Maryland Department of Housing and Community Development. Since the Highlandtown program is new this year, BAE recommends observing whether the program is successful for the first two grantees and considering whether could be modified for capital funding for light industrial and maker space build-out in Carroll-Camden.

Marketing and Outreach

1. **Develop and implement a multi-pronged marketing plan for Carroll-Camden to attract new businesses and investment and encourage expansion by existing businesses.** BDC with assistance from South Baltimore Gateway Partnership and Carroll-Camden Business Association. Timing: Short-term for development of marketing plan or campaign and on-going implementation. As indicated by the several interviewees, Carroll-Camden is a largely unknown industrial district, even within the Baltimore area. It lacks a distinct identity or brand. There needs to be outreach and marketing to make Carroll-Camden more widely known so that the area can attract new businesses, convince existing businesses to expand, and generally attract new investment. Components of the marketing plan could include: information sessions (i.e., on financing programs, tax credits, other programs/resources available in Carroll-Camden, etc.), an enhanced website for Carroll-Camden marketing and promotion (this

could be linked to Carroll-Camden Business Association website), a schedule of on-site events in Carroll-Camden (e.g., info sessions followed by networking, walking tours), and open houses at particular businesses or multi-tenant buildings (e.g., 1100 Wicomico, Gaslight Square).

2. **Develop and implement a separate real estate-focused marketing initiative for Carroll-Camden in conjunction with real estate brokers working in the area.** BDC and real estate firms (national and local) who have listings and clients in Carroll-Camden. Timing: Short- to medium-term and ongoing. Maintain a searchable database of all real estate listing in Carroll-Camden that could be links on BDC website, Carroll-Camden Business Association and possibly other websites. This site should be regularly updated. When redevelopment sites have been designated these should be included as well, regardless of whether they are officially listed as open businesses.

Redevelopment

1. **Perform property-by-property inventory of Carroll-Camden assessing conditions, state of occupancy or vacancy, typology of use (per Philadelphia industrial land policy), whether building on site is contributing historic structure, and if there are known environmental issues.** BDC and Planning Department. Timing: Short-term. In order to be able to identify potential redevelopment sites, the City should have a good idea of what properties could be good candidates for new investment, now or in the future. It is likely that some property-by-property evaluation was done for *Transform Baltimore*, but at a minimum that should be updated, and the entire evaluation of Carroll-Camden presented graphically. This will allow economic developers and planners to focus on the most advantageous sites and determine where assemblage of properties would be possible to create ideal opportunities for redevelopment.
2. **Perform feasibility analysis of identified redevelopment sites to better understand development and revenue potential.** BDC with real estate economics consultant. Timing: Short-term for four sites identified in this report and ongoing as others are identified. In order to better understand the development and revenue potential of identified redevelopment sites, BDC should prepare a pro forma feasibility analysis for different scenarios (typically up to three) for each identified redevelopment site. The pro forma completed for each scenario would estimate income potential and costs associated with construction or rehabilitation of the scenario's development program. From there, it is possible to calculate the estimated residual land value of the development scenario to determine if the scenario would be attractive to a developer. BDC could start this testing of redevelopment potential with one or two sites at time, starting with one of the four sites identified in this report.

APPENDIX

A-1: Jobs by Sector, 2015

Sector	S. Baltimore Gateway		Carroll-Camden Industrial Area	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting	0	0.0%	0	0.0%
Mining, Quarrying, and Oil and Gas Extraction	0	0.0%	0	0.0%
Utilities	22	0.1%	20	0.4%
Construction	1,244	5.1%	228	5.1%
Manufacturing	1,802	7.4%	826	18.3%
Wholesale Trade	1,831	7.6%	557	12.4%
Retail Trade	1,215	5.0%	190	4.2%
Transportation and Warehousing	716	3.0%	42	0.9%
Information	829	3.4%	0	0.0%
Finance and Insurance	727	3.0%	2	0.0%
Real Estate and Rental and Leasing	279	1.2%	40	0.9%
Professional, Scientific, and Technical Services	965	4.0%	56	1.2%
Management of Companies and Enterprises	96	0.4%	42	0.9%
Admin & Support, Waste Mgmt & Remediation	2,504	10.3%	237	5.3%
Educational Services	862	3.6%	0	0.0%
Arts, Entertainment, and Recreation	3,839	15.8%	1,758	39.0%
Accommodation and Food Services	2,635	10.9%	135	3.0%
Other Services (excluding Public Administration)	1,078	4.4%	341	7.6%
Health Care and Social Assistance	2,400	9.9%	36	0.8%
Public Administration	1,183	4.9%	0	0.0%
Total	24,227	100.0%	4,510	100.0%

Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

A-2: Change in Jobs by Sector, 2005 - 2015

Sector	S. Baltimore Gateway				Carroll-Camden Industrial Area			
	2005	2015	Change (#)	Change (%)	2005	2015	Change (#)	Change (%)
Agriculture, Forestry, Fishing and Hunting	4	0	-4	-100.0%	0	0	0	-
Mining, Quarrying, and Oil and Gas Extraction	0	0	0	-	0	0	0	-
Utilities	54	22	-32	-59.3%	54	20	-34	-63.0%
Construction	945	1,244	299	31.6%	172	228	56	32.6%
Manufacturing	2,566	1,802	-764	-29.8%	616	826	210	34.1%
Wholesale Trade	2,060	1,831	-229	-11.1%	596	557	-39	-6.5%
Retail Trade	1,688	1,215	-473	-28.0%	206	190	-16	-7.8%
Transportation and Warehousing	1,009	716	-293	-29.0%	35	42	7	20.0%
Information	396	829	433	109.3%	85	0	-85	-100.0%
Finance and Insurance	754	727	-27	-3.6%	5	2	-3	-60.0%
Real Estate and Rental and Leasing	444	279	-165	-37.2%	16	40	24	150.0%
Professional, Scientific, and Technical Services	751	965	214	28.5%	46	56	10	21.7%
Management of Companies and Enterprises	33	96	63	190.9%	20	42	22	110.0%
Admin & Support, Waste Mgmt & Remediation	1,808	2,504	696	38.5%	158	237	79	50.0%
Educational Services	149	862	713	478.5%	2	0	-2	-100.0%
Health Care and Social Assistance	2,237	2,400	163	7.3%	18	36	18	100.0%
Arts, Entertainment, and Recreation	1,455	3,839	2,384	163.8%	0	1,758	1,758	-
Accommodation and Food Services	1,727	2,635	908	52.6%	21	135	114	542.9%
Other Services (excluding Public Administration)	852	1,078	226	26.5%	61	341	280	459.0%
Public Administration	24	1,183	1,159	4829.2%	0	0	0	-
Total	18,956	24,227	5,271	27.8%	2,111	4,510	2,399	113.6%

Note: Includes all jobs.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.

**A-3: Change in Jobs by Wage Category,
2005 - 2015**

Year	\$1,250 per month or less	\$1,251 to \$3,333 per month	More than \$3,333 per month
2005	317	831	869
2010	282	1,059	1,260
2015	671	1,573	2,045

Note:

Includes primary jobs only.

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), 2015; BAE, 2018.