

OFFICE OF FINANCE PROGRAMS
ENTERPRISE ZONES

ANNUAL STATUS REPORT
CALENDAR YEAR 2014
Economic Development Article

SECTION 5-709

Submitted by:

Maryland Department of Commerce

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MARYLAND ENTERPRISE ZONE PROGRAM

Maryland's Enterprise Zone Tax Credit Program (Program) is a joint effort between the State and local governments to provide tax incentives to businesses and property-owners located in some of the State's most economically distressed communities. The Program was created in 1982 with two enterprise zones (EZ) in two jurisdictions and has grown to include 29 EZs. In accordance with Chapter 305, Acts of 2001, the Department of Commerce (Commerce) has reviewed the effectiveness of the Program and prepared this report. Commerce wishes to acknowledge the efforts of the Comptroller of Maryland (Comptroller), the State Department of Assessments and Taxation (SDAT), and county and municipal EZ administrators for providing valuable information for this report.

As of December 2015, there are 29 EZs across the State and focus areas in Baltimore City and Prince George's County. The EZs are located throughout the State, with seven state-designated zones in Western Maryland, eleven on the Eastern Shore, five in Southern and Suburban Maryland, and six in Central Maryland.

On June 15 and December 15, 2015, Commerce designated the Federalsburg EZ, Chesapeake EZ, Cecil County EZ (expansion), Hancock EZ, and Fruitland EZ:

- Caroline County and Town of Federalsburg jointly applied for the new EZ designation in the Town of Federalsburg and vicinity. This is the first time Caroline County made an application for EZ designation since the EZ program was implemented in Maryland in 1982. The Federalsburg EZ includes three industrial parks and key commercial buildings within the Town of Federalsburg.
- Baltimore County applied to designate the North Point EZ and to expand it by including the Sparrow Point Peninsula and the Lafarge Quarry, as well as rename the zone to "Chesapeake EZ." The total size of zone expanded from approximately 3,800 acres to 7,000 acres.
- Cecil County applied to expand the existing Cecil County EZ (4,719 acres), which was designated in 2013 to include former US Naval Bainbridge Training Center and Tomes Landing Marina (1,249 acres) located within the town limits of Port Deposit.
- Washington County and Town of Hancock jointly applied for the EZ redesignation in the Town of Hancock and vicinity. The Hancock EZ is approximately 1,870 acres, including Hancock Industrial Park and the Stately Fulton Industrial Complex.
- Wicomico County and City of Fruitland jointly applied for the new EZ designation, which was once expired in June 14, 2015. The Fruitland EZ is approximately 130 acres, which is located at the southern end of Fruitland's city limits and extending into Wicomico County encompassing the Fruitland Business Park.

Table 1: Enterprise Zones

County	Enterprise Zone	Acres	Expires
Allegheny	Rt. 220 South	380	12/14/2019
	Gateway (Cumberland)	7,783	6/14/2022
	Frostburg	346	12/14/2024
Baltimore City	Baltimore City	13,453	6/14/2022
Baltimore County	Chesapeake (former North Point)	6,988	6/14/2025
	Southwest	1,304	6/14/2023
	Woodlawn	395	6/16/2021
Caroline	Federsburg	534	6/14/2025
Cecil	Cecil County	5,968	6/14/2023
Dorchester	Cambridge	1,661	6/14/2023
	Hurlock	433	6/14/2020
Garrett	Southern Garrett Industrial Park	254	12/14/2016
	Northern Garrett Industrial Park	107	12/14/2018
Harford	Aberdeen/Havre de Grace	8,936	6/14/2016
	Edgewood-Joppa	3,921	6/14/2024
Montgomery	Olde Towne-Gaithersburg	284	6/14/2018
	Glenmont	235	6/14/2023
	Long Branch –Takoma Park	125	6/14/2023
	Wheaton	491	6/14/2016
Prince George's	Prince Georges County	7,275	12/14/2019
Somerset	Crisfield	433	6/14/2016
	Princess Anne	1,155	6/14/2023
Washington	Hancock	1,871	12/14/2025
	Hagerstown	4,094	12/14/2022
Wicomico	Salisbury	4,220	12/14/2022
	Fruitland	129	6/14/2025
Worcester	Berlin	1,134	12/14/2016
	Pocomoke City	926	6/14/2022
	Snow Hill	233	6/14/2022
Expired Zones			
Allegheny	Rocky Gap State Park		12/14/2003
Calvert	Calvert Industrial Park		6/14/2003
Garrett	Central Garrett Industrial Park		6/14/2013
Montgomery	Silver Spring		12/14/2006
Washington	Washington County Interstate 81 Park		12/14/2001
St. Mary's	Lexington Park		12/15/2010
Montgomery	Tacoma Park (Focus Area only)		6/14/2008
Garrett	Keyser's Ridge Business Park		6/14/2014
Washington	Washington County Airport		6/14/2014
Focus Areas			
Baltimore City	Baltimore City		12/14/2017
	Orangeville/Holabird Industrial Area		6/14/2019
Prince George's	Prince George's County		12/14/2019

REAL PROPERTY AND INCOME TAX CREDIT USAGE

The primary benefits to businesses that are located within a Maryland EZ are eligibility for local property tax credits and State income tax credits. The Maryland General Assembly requires Commerce and the Comptroller to assess the effectiveness of tax credits provided to businesses in EZs, including the number and amount of credits granted annually and the success of the tax credits in attracting and retaining businesses within EZs.

This report addresses the number and amount of credits granted annually for each credit followed by a discussion of the information provided by the county and/ or municipal administrators on how the credits are used to attract and retain businesses.

Property Tax Credits

Eligible businesses in an EZ may claim a ten-year credit against local real property taxes on a portion of real property improvements. The credit is 80% of the assessment increase during the first five years. The credit then decreases 10% annually thereafter to 30% in the tenth year.

SDAT reports on the real property investment made in the EZ, the number of businesses receiving property tax credits and the State's one-half reimbursement back to the local jurisdictions for the property taxes abated as a result of the credits. Businesses will receive property tax credits totaling \$32.69 million in FY 2017. The credits are based on real property investments made by those businesses totaling \$2.84 billion. This translates to an average capital investment of \$3.6 million per business. The real property investment will cost the State \$16.34 million to reimburse the localities. Assuming the State's full obligation is met that is approximately \$650,000 lower than FY2016 despite the increase in capital investments by businesses for this year.

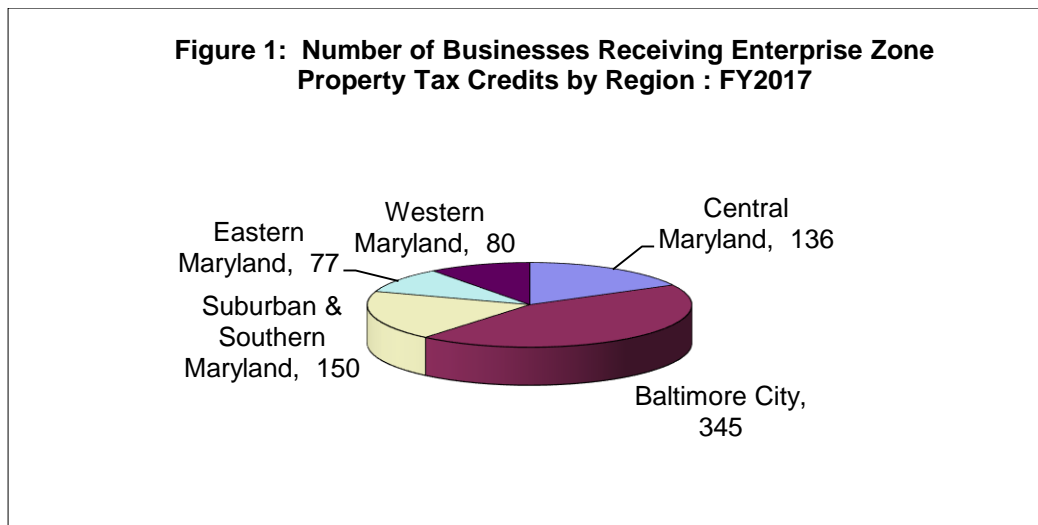
The amount of property tax credits granted to businesses hit highest in FY 2012 (\$38 million). Since then, the amount of tax credits given to businesses has been consistent around \$30 million.

As shown in Table 2, the overall amount of capital investment increased 3.75% from FY2016 to FY2017. The top five largest amounts of capital investments by the county/city are Baltimore City, Harford, Prince George's, Baltimore, and Montgomery Counties. Among city/counties that have had the largest percentage increase in investment dollars over the five-year period are Somerset and Prince George's Counties and Baltimore City. There has been no capital investment activity reported in Worcester County for FY 2016 and 2017.

Table 2: Capital Investment Made in Enterprise Zones					
County	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Allegany	45,662,346	46,161,007	46,161,007	28,156,769	37,789,552
Baltimore City	1,365,790,091	1,076,961,613	1,097,383,627	1,393,621,645	1,544,661,004
Baltimore County	188,153,900	180,868,928	179,148,067	253,704,747	180,475,480
Calvert	11,238,930	11,329,000	6,997,535	21,001,695	3,613,068
Cecil	196,253,652	132,711,889	201,847,273	152,817,667	112,964,022
Dorchester	8,101,937	3,495,935	3,495,935	2,849,868	1,055,702
Garrett	21,137,891	21,005,142	21,005,143	22,515,974	16,246,174
Harford	320,557,624	289,808,304	287,465,866	217,043,032	335,982,708
Montgomery	416,177,863	245,022,046	262,249,915	274,838,378	179,202,213
Prince George's	276,722,809	224,238,265	238,909,804	224,195,750	307,511,260
St. Mary's	15,557,896	23,889,032	31,772,305	23,541,228	14,435,233
Somerset	1,424,839	1,424,839	1,178,934	1,321,734	2,827,400
Washington	94,339,696	94,339,696	100,145,668	92,514,213	73,524,084
Wicomico	26,087,915	24,825,606	24,825,606	22,145,623	26,316,456
Worcester	1,030,557	603,924	644,691	0	\$0
Maryland	\$2,988,237,946	\$2,376,685,226	\$2,503,231,376	\$2,730,268,323	\$2,836,604,356

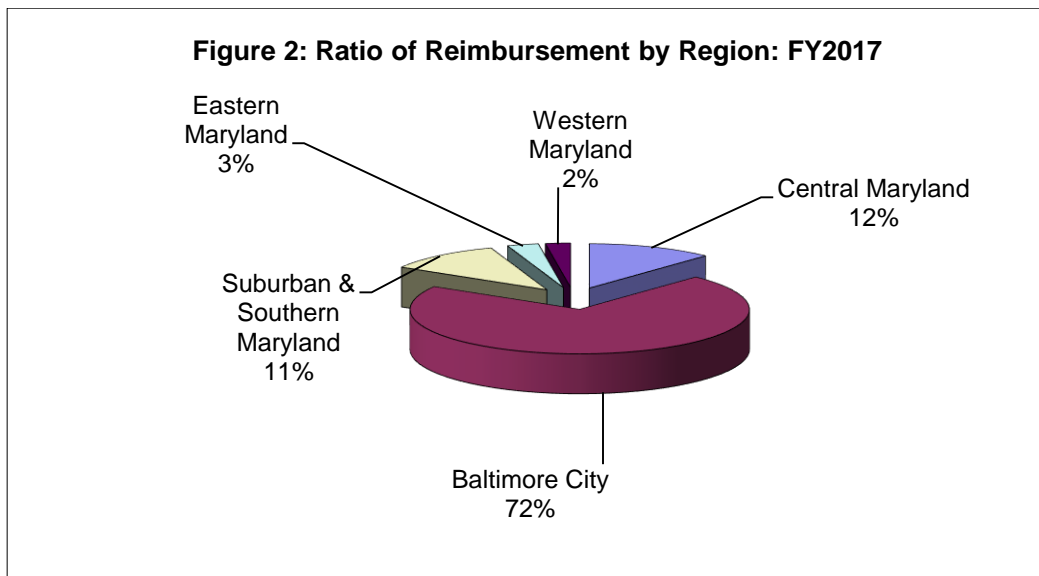
Sources: SDAT and COMMERCE

There is considerable variation by region in the usage of the Program. This variance is attributable to three factors: 1) eligibility for the Program—poorer areas can more readily meet the eligibility criteria for participation in the Program; 2) political choice to participate in the Program—the governing bodies of counties and their municipalities have sole authority to request creation of an EZ, and sole discretion to establish local standards that govern access by businesses to the program’s credits; and 3) private sector business expansion—the EZ has no costs unless businesses make new investments in real property. In FY 2017, 788 businesses across the State will receive property tax credits for investments in EZs. Figure 1 shows the location of these businesses by region.



Source: SDAT and COMMERCE

Figure 2 presents the distribution of property tax credit reimbursements by region for the upcoming fiscal year (FY2017). 72% of the reimbursement will go to Baltimore City, or \$23.38 million. This is followed by Central Maryland (\$3.93 million), Suburban and Southern Maryland (\$3.62 million), Eastern Maryland (\$0.98 million) and Western Maryland (\$0.78 million).



Source: SDAT and COMMERCE

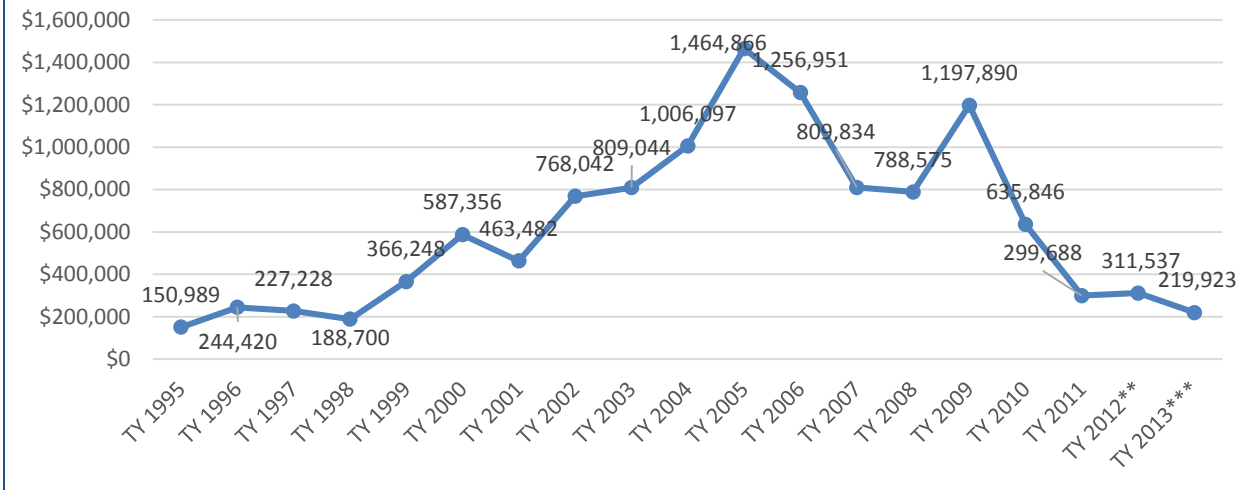
Income Tax Credits

Eligible businesses in an EZ may claim one-year or three-year credits for wages paid to new employees in new positions. The general credit is a one-time \$1,000 credit for each qualified new employee filling a newly created position in an EZ, or \$ 1,500 for each qualified new employee in a focus area. For economically disadvantaged employees, the credit increases to a total of \$6,000 per worker in an EZ or a total of \$9,000 per worker in a focus area distributed over three years. Businesses claim the EZ income tax credits on the 500CR form when they submit their business or individual income tax returns to the Comptroller. If the credit allowed in any tax year exceeds the State income tax liability for that tax year, a business entity may apply the excess as a credit against the State income tax for succeeding tax years until the earlier of the full amount of the excess is used or the expiration or the 5th tax year from the date on which the business entity hired the qualified employee to whom the credit first applies. The Comptroller collects and compiles this tax return data.

The Comptroller has provided consistent tax return data on the EZ income tax credits from tax years 1995 to 2013. As shown in Figure 3, the usage of the credits varies from year-to-year and hit a high in TY 2005. Businesses in EZs have earned a total of over \$11.0 million in income credits over this time period.

According to the Department of Labor, Licensing, and Regulation (DLLR), despite the fact that larger State income tax credits are given to businesses hiring economically disadvantaged employees, only a dozen employers have received Tax Credit Employer Certification from DLLR in the last five years.

Figure 3: Enterprise Zone Income Tax Credit TY1995-2013



**TY 2012 data is mostly complete, although there are some corporations whose filing date has not yet passed.

***TY 2013 data is incomplete

Source: Comptroller and Commerce

General Comments from Program Administrators

EZ administrators generally agree that the EZ real property tax credit is the most useful and effective EZ credit available to businesses that locate or expand in an EZ. Counties that have few other incentives to offer find that the property tax credits are very important. Several counties also noted that the credits are useful in retaining companies in the zone. Companies considering an expansion often decide to expand within the zone rather than move to another location outside of the zone.

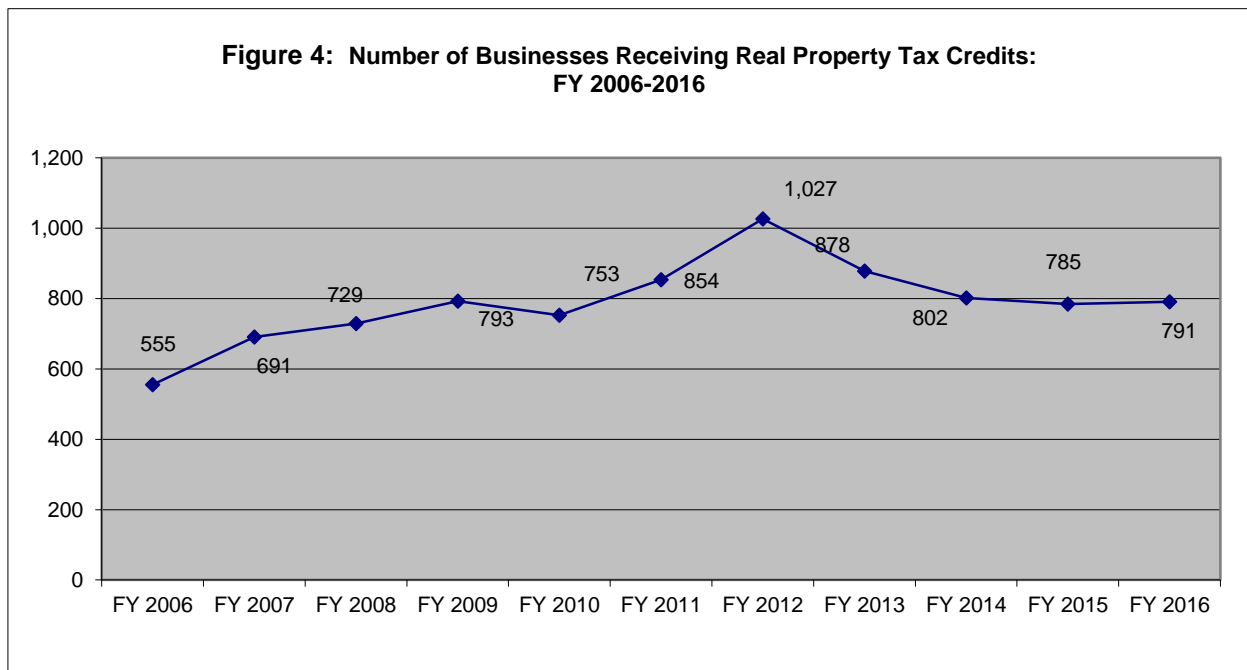
The income tax credits are perceived as secondary in importance in attracting businesses. Most of the businesses are small employers who do not always take advantage of the incentive due to wages paid and the perceived paperwork involved with obtaining the credits. Administrators report a large degree of interest in the credits and find them useful in marketing their areas to prospective businesses. In summary, the program continues to impact the EZ community and both real property and income tax credits give business an incentive to select and stay in the EZ.

BUSINESS ACTIVITY IN THE ENTERPRISE ZONES

Growth in Enterprise Zone Activity

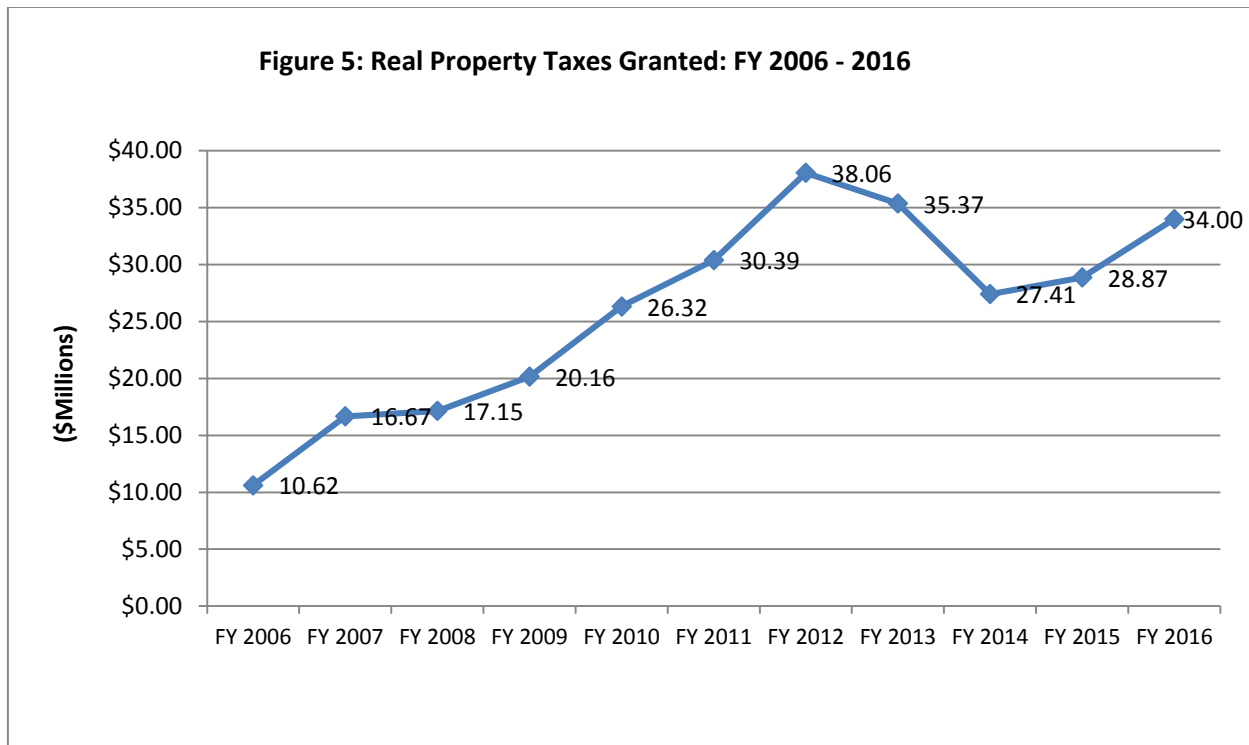
The program has been in existence for over thirty years and since FY 1985 has grown from two businesses in two zones receiving property tax credits to 791 businesses in FY 2015. Qualified businesses in an EZ receive property tax credits for a 10-year period. Therefore, a business receiving a real property tax credit in 2003, if it remained in operation, was still receiving some credit in 2012. In recent years, the trend has been for jurisdictions to apply to expand their existing zones. Bigger zones also mean more opportunities for businesses to apply for the credits.

The number of businesses receiving real property tax credits has generally increased from year-to-year. For the first time in FY 2013, the number decreased, falling almost 15%. This is largely due to a number of businesses reaching the end of their 10-year credit. Figure 4 illustrates the number of businesses receiving real property credits on an annual basis over the last ten years.



Source: SDAT and COMMERCE

As investment has grown, so has the amount of property tax credits granted to businesses in the zones. Real property taxes abated have grown from approximately \$58,000 in the first year to over \$30 million. Over the last ten years, the amount of property tax credits granted increased from almost \$10 million to \$34 million (Figure 5). As previously stated, the program had shown a decline in FY 2013 and 2014. The drop in the amount of property tax credits is due both to the decrease of businesses receiving the credit and the reassessment downward of some properties. However, the program has exhibited the upward trend since FY 2015.



Source: SDAT and COMMERCE

In general, the real property tax credit data provides information on the amount of credits granted and the usage of the credits. The number of businesses participating and the amount of eligible investment has generally grown over the life of the program.

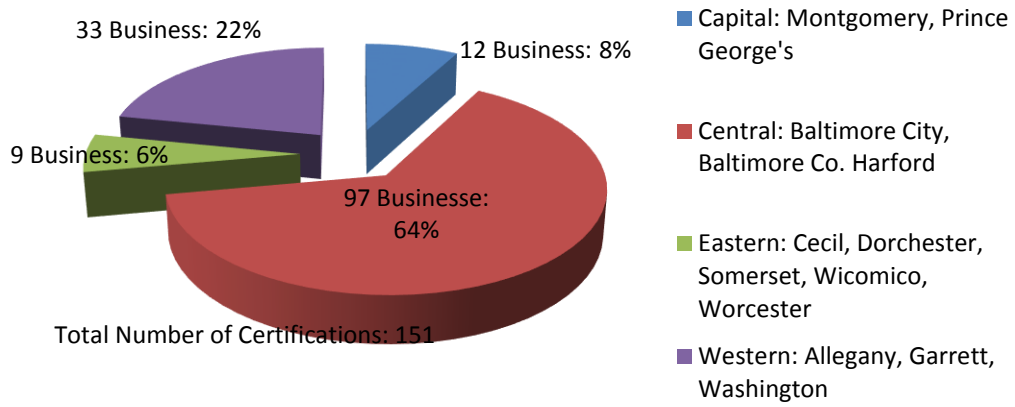
Activity Reports from Enterprise Zone Administrators

In addition to the information from SDAT and the Comptroller on the number and amount of credits granted annually, the local EZ administrator annual reports provide information on the activity of the businesses in their EZs and on their experience in using the credits. The report includes the number of existing jobs as of application date, the number of estimated new hires within next 12 months, and amounts of capital investments in EZs by new enterprise zone certified businesses in 2014. For the calendar year 2014, 29 out of 31 EZs (some expired EZs are still required to report, since some businesses have been receiving EZ tax credits). Local zone administrators reported that they certified 151 new businesses for the property and/or income tax credits in 2014, which was a 31% increase from 2013. Figure 6 shows the distribution of new EZ certifications by regions. Based on the administrator reports, the number of existing jobs as of application date were 3,998, and the estimated additional hiring within next 12 months by new certified EZ businesses were 3,850. Furthermore, 2014 new EZ certified businesses made a total of approximately \$879 million of capital investments in new construction, rehabilitation and equipment (Figure 7).^{1,2}

¹ For the calendar year 2014, only information on new EZ certified businesses were reported.

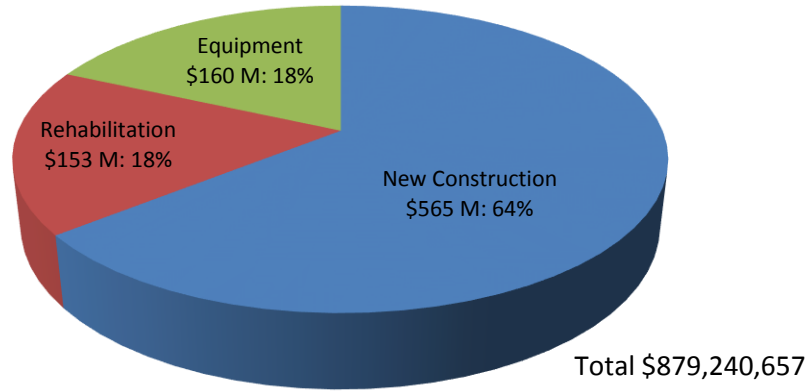
² Disaggregated property information was not available for Aberdeen/Havre de Grace EZ. All capital expenditures on rehabilitation were included in new construction.

Figure 6: New Enterprise Zone Certifications to Businesses in 2014



Data Sources: Zone Administrators and COMMERCE

Figure 7: Capital Investments in Enterprise Zone by New EZ Certified Business in 2014



Data Sources: Zone Administrators and COMMERCE

Case Study: Changes in Employment in Baltimore City Enterprise Zone

It is difficult to compare and analyze information on the amount of investment or jobs on a year-to-year basis because the information is, in any year, only reflective of the businesses that provided information to the EZ administrators and does not reflect the activity of all businesses in the all of the zones. To achieve more objective analysis, Commerce utilizes the commercial database, National Establishment Time-Series (NETS) to examine changes in employment in EZ. This report focuses on the Baltimore City Enterprise Zone.

Figure 8 shows the employment growth rates for the entire Baltimore City and EZ certified businesses in Baltimore City.³ To minimize scale effects the total numbers of employment are normalized by the numbers of business establishment. In general, EZ certified businesses have maintained higher employment growth rates, and the average employment growth rates between 1991 and 2012 are -3.45% for the entirety of Baltimore City and 3.01% for EZ certified businesses.



Data Sources: NETS, Baltimore Development Corporation

³ Baltimore Development Corporation identified the EZ certified businesses form NETS database,

Excerpts from Administrator Reports

Despite the slow growth in the economy, many EZ administrators reported success in attracting and retaining businesses to their EZ. Examples of EZ activities during 2014 are discussed below.

Excerpts from Administrator Reports: Impact of Enterprise Zone Program

Baltimore City Enterprise and Focus Area

Mindgrub is a mobile application firm that through the work of the BDC and incentives, including the Enterprise Zone, decided to move their 52 employees into 13,000 sf in Baltimore City. The firm anticipates creating an additional 25 positions over the next two years.

For ***Duke Realty***, the ability to locate and develop a property within the City's Enterprise Zone Focus Area was the determining factor in attracting Amazon into the City. Amazon is currently operating a 300,000 square-foot sortation center that will employ approximately 150 people and a massive 1,000,000 square-foot fulfillment center that will create approximately 1,600 new jobs for local residents and is expected to grow.

Marlin Steel Wire is a specialized wire fabricator that was able to double the size of their building and expand their workforce through the benefits available in the Baltimore City Enterprise Zone. The ability to access and use these credits allowed the BDC to help keep this expanding and important business located within the City.

Marjam Supply is a construction building supplier that purchased and moved to a new facility within Baltimore City due to the availability of a new facility that would retain their proximity within the northeast corridor and the availability to use the Enterprise Zone focus area tax credits including the employment, personal property, and real property benefits. Marjam purchased a 3.8 acre parcel and are planning on adding 25 new employees within the first two years.

The Baltimore City EZ program directly contributes to the overall quality of the City and its neighborhoods. The program helps maintain and expand the employment base within the City providing quality job opportunities for local residents. Additionally, the program helps to not only improve the neighborhoods through the attraction of new businesses that may provide new goods and services to the community, but the program also helps to allow existing businesses to remain and expand within the neighborhoods. Finally, the program allows for the formation of new businesses by local entrepreneurs. These small businesses are vital to expanding the economic base of the City and are opportunities for employment growth.

Baltimore County Enterprise Zones – Federal Center at Woodland, Southwest, and North Point

Federal Center at Woodlawn: The zone was approved in June of 2011, so it is still early to judge significant impacts on the surrounding community. There does seem to be a lot of interest among property owners in taking advantage of the zone benefits and we believe that the designation of the zone will provide owners the necessary incentive to take on renovations of properties that, in many cases, have been let go in recent years. During 2014 alone, approximately \$1.5 million capital investments were expected to be made and at least 30 new jobs created in this EZ.

Southwest: Since the zone was created in 1996, the Baltimore County Southwest area has seen much improvement. During 2014, 5 businesses were newly certified as EZ tax credit eligible businesses with 61 estimated additional jobs in the next 12 months and, over \$18 million capital investments were expected to be made by these businesses in this zone.

North Point: In North Point EZ, 3 businesses were newly certified as EZ eligible businesses and the estimated capital investments by those businesses totaled \$5.23 million.

Cambridge Enterprise Zone (Dorchester County)

Businesses are expanding their facilities with hopes of increasing their employment in Cambridge EZ.

Our EZ was expanded in 2011 to include our Technology Park. The community in the vicinity of the Tech Park will be connected to the City's water and sewer in 2015. This will be a big enhancement to this area which currently has failing septic systems. The gateways to our City are also being improved with curbs, sidewalks, banners, and signage and Maryland Avenue has become a 'green street'. Several dilapidated buildings will be taken down making Cambridge a more attractive place to do business.

Given that the goal of County and local economic development is to enhance efforts to increase private sector investments; to retain existing jobs and create new employment opportunities, and; to increase and stabilize the County's tax base, effectively marketing the County's EZ is critical.

Our strategy begins with defining specific industry sectors and individual businesses to which the EZ is to be marketed, as it relates to new business attraction and expansion. The strategy includes targeting new businesses that best fit the County's current and future industry mix, and complement existing businesses with an available skilled labor force. The strategy is reviewed and assessed to gauge our success in addressing stated goals and objectives, and insuring our strategy reflects the goals identified in the enterprise zone application, and to make appropriate adjustments and refine as needed.

As far as marketing to existing EZ business as part of our retention initiatives, helping existing businesses and industries located within the zone to grow and expand is critical given that the greatest percentage of new capital investments will most likely occur from existing firms. Essentially, we conduct periodic business visits to firms within the Cambridge EZ to provide information and to discuss ways that various enterprise zone incentives are beneficial, as well as provide information on other local and State of Maryland statutory and discretionary incentive programs.

Our strategy includes maintaining marketing collateral materials that best describe EZ, and any other applicable incentive programs offered as well as procedures for accessing those programs. The City and County distribute those marketing materials via the County and City websites, various social media and print media outlets, during retention visits, by direct mail, prospect inquiries, trade shows literature, industry and business fairs, the County Chamber office, and the County tourism office.

Additionally, the County and City hold workshops and forums to present information on the EZ program, combined with information on other available assistance (i.e. HUB Zone, job training, exporting, local financing, etc.). We along with the Cambridge Economic Development

office are able to monitor projects within the Enterprise Zone to ascertain which the incentives are being used, the level of private investments made, new jobs created, and existing jobs retained in order to obtain feedback from the firms that have expanded to Dorchester, and to determine what other assistance may be needed. Also a limited number of advertising placements in trade journals and publications to market the EZ could be employed, however, is not normally cost effective.

Furthermore, we maintain copies of testimonials from businesses using the enterprise zone program in order to share their successes with local media. This keeps them apprised of economic development activities. Finally, the City and County ED offices take advantage of opportunities to speak at business forums, such as chamber and rotary events, on the benefits of the Enterprise Zone program.

Cecil County Enterprise Zone

Three successful projects took place in the EZ during 2014. Two of these were expansion/retention projects. The third was rehabilitation of a manufacturing building. The first project was new construction resulting in a capital improvement of \$80,000 in Triumph Industrial Park and retaining 12 full-time and 2 part-time jobs.

The second project was \$1.2 million improvement of an existing 82,450 sq. ft. warehouse/distribution building in Peninsula Industrial Park. This improvement was necessary for an existing business expansion. The expansion also included the creation of 15 new, full-time jobs.

The third project was \$700,000 worth of rehabilitation work for an existing manufacturing building in Triumph Industrial Park that sustained significant fire damage. This improvement not only rustled in retaining a manufacturing company it also kept 45 full-time jobs in Cecil County.

The EZ program has had a positive impact on the community. With the program, there has been approximately \$2 million worth of investment into the community during g2014. Over 72 jobs has been retained and/or created as a result of the program.

Central Garrett Enterprise Zone (Garrett County)

The Central Garrett EZ is at capacity, and it did not qualify for re-designation in June 2013. Reports will continue to be submitted until such time as the current credits have run their course for each of the businesses located in the zone.

All businesses in the Central Garret EZ continue to hire employees and make capital investments in their properties and businesses. EZ businesses hired an additional six employees in calendar year 2014. The three businesses located in the EZ made the following capital improvements in calendar year 2014:

- New construction \$ 142,203
- Rehabilitation \$ 5,700
- Equipment \$ 395,837

Without the availability of the EZ property tax credits, it is doubtful these capital investments would have materialized.

There have been no significant changes in the surrounding community. The CGEZ is located in the Town of Accident, which is comprised of a mix between residential and commercial properties. Additional commercial and residential development has been occurring in the Town of Accident on a regular basis.

Frostburg Enterprise Zone (Washington County)

The EZ is a tool that Frostburg can use to attract businesses to the community and/or reinvest in their current building and/or expand their operations at the Frostburg location. The EZ, coupled with other State and locally managed incentive programs are effective in helping to attract and retain businesses in Frostburg, especially with the close proximity to PA and WV.

Sky Vapors LLC (The Vapor Room) has made a substantial investment to redevelop a building within Frostburg's Central Business District. This building needed a substantial private investment and the current owners were able to complete restore the building.

Zen Shi, LLC has been in business in Frostburg for several years, however the owners of the business purchased the building and have made substantial improvements to the interior and exterior of the building allowing the business to grow and be successful.

Fruitland Enterprise Zone (Wicomico County)

Millennium Microwave, a manufacturer of defense electronics, is one of the most successful businesses located in the city's EZ. The business has been located in Fruitland since 2000 and continues to exceptionally well regardless of the economic climate. Workforce has remained stable. While a small company, its sales and/or products have reached international markets. The company, leases its manufacturing space from a property owner who has and continues to benefit from property tax credits provided through the EZ program. With the property tax savings, the property owner has been able to reinvest the additional funds to build and upgrade the facility to accommodate the needs of businesses such as Millennium Microwave. As the property owner is continuing to receive request from potential business owners to relocate into his industrial park area, he is now looking to begin construction on additional buildings.

There have been a number of new businesses that have located within the EZ that offer much needed services locally and, accordingly, is an added convenience for the local residents, thus improving the local economy. Particularly, *DIY Marine*, located in our EZ that brings customers from other regions of the area due to the fact that they offer services and items that can't be easily obtained anywhere else on the shore.

The City annexed property in 2013, known as the *Crown Center*, that consisted of a large structure which houses multiple businesses, retail, sporting, daycare and food services. It is a very successful organization and is constantly expanding its services and workforce. Just recently they have expressed interest in becoming a certified so as to benefit from the EZ property and tax credit program.

Gateway Enterprise Zone (Allegany County)

Many of the industries located in the Gateway EZ, particularly those located in the North Branch Industrial Park, experienced growth or came to the County because of the program. *Hunter Douglas*, *Schroeder Industries*, and *Berry Plastics* all experienced healthy years and

all are planning additional hires, which can be attributed to the program. Additionally, *Webstaurant Store, Inc.* came to the County in 2014 and began operations that will eventually hire 150 new employees.

In the Gateway EZ, the main improvement around the zone can be seen by increased visibility as companies expand, which in turn will open additional opportunities for commercial development and revitalized areas, particularly near downtown Cumberland.

The EZ program is very important to development in Allegany County. In particular, the Gateway EZ is a large zone and therefore opens a large area of our County, particularly around Cumberland, for revitalization and new development.

Glenmont Enterprise Zone (Montgomery County)

In July 2014, Montgomery County partnered with Urban Land Institute (ULI) to provide a Technical Assistance Panel for the Glenmont Shopping Center, which is in the center of the Glenmont EZ. The panel's report evaluates the existing conditions of the 20-acre shopping center site and provides recommendations for overcoming some significant challenges. Additionally, better connections to existing public transportation investments, particularly the Glenmont Metro station and BusRapid Transit (BRT) network that may be developed in Montgomery County in the future, were encouraged by ULI panelists.

It is too early to determine whether the EZ designation has improved the community, but there has been renewed dialogue about the revitalization of the area and the importance of increasing density around the Glenmont Metro station. Because of the many different land owners involved in the shopping center, the County, or a developer, may want to consider some type of land assemblage, as recommended by the ULI panel, to better coordinate future development.

A major land owner/developer within the Glenmont EZ is planning to revitalize an outdated, multi-family housing project into a mixed-use, transit-oriented development that will provide numerous benefits to the Glenmont community, including:

- Approximately 90,000 sq. ft. of commercial space, which will provide a variety of options including an upscale grocery store;
- An increase in the diversity of housing options in the area, which currently are dominated by older, garden-style apartments and private homes; and
- An increase in the number of new and/or accessible housing units in a market where such housing is difficult to find.

Harford County Enterprise Zones – Greater Havre de Grace/Aberdeen, and Edgewood/Joppa

Having the EZ program in Harford County keeps us competitive with surrounding jurisdictions and has improved the look and added jobs to the Rt. 40 Corridor.

The new *Home2Suites Hotel* located in the City of Aberdeen along the Rt. 40 Corridor near the 715 Gate to APG and the Super Walmart, hotel has five stories and contains 107 suites. The property is LEED certified and a Maryland Green Travel Partner. The hotel is committed

to environmental practices including waste reduction and energy efficiency. The capital investment is estimated at \$8.3M and has created over 15 new jobs.

Frito-Lay has been located in Aberdeen since 1993, and is one of the major employers in Harford County employing over 350 people. Due to Frito – Lays success the company is expanding at its current location and constructing a 158,227 sq. ft. warehouse, building height of 78ft. The capital investment for the new warehouse is estimated at \$23.1M and the building was completed in late spring of 2015. Frito – Lay expects to starting hiring in the Fall of 2015 in a phased approach over 12 to 18 months creating an estimated 100 new jobs.

531 Chelsea Rd, Perryman is the new home of the leading beauty retailer, **Sephora**, headquartered in San Francisco, Sephora Americas operates more than 330 stores in the U.S. and Canada. Sephora has operated in Harford County since 2005 and currently has over 400 employees. It is moving from its current location in Riverside to the new 650,000 sq. ft. state of the art E-Commerce distribution facility. The capital investment for the new warehouse is estimated at \$16.3 M and will create an additional 200 full – time jobs by December 2017.

In 2013 **Clorox** signed a 10-year lease on a 945,720 sq. ft., distribution warehouse in Perryman. This is an expansion project for Clorox as the company was previously located on Old Post Rd in Aberdeen since 2001. Clorox will now be in close proximity to its manufacturing plant at 1319 Perryman Rd. facility is 350,000 sq. ft. The capital investment for the new warehouse is estimated at \$34.6M and will create an additional 91 full-time and 15 part-time jobs.

Hagerstown-Washington County Enterprise Zone

The Hagerstown-Washington County EZ has improved the community by providing incentives for companies to locate new or expand their operations in Washington County, MD. With the addition of new companies and expansion of existing, new employment opportunities where created for citizens of Washington County which has resulted in the lowering of the County’s unemployment rate. These jobs provided good wages and other benefits that allows for economic improvement to the region.

In calendar year 2014 there were 4 significant projects within the Hagerstown-Washington County EZ.

Tractor Supply Company – expanded its Washington County operation by leasing 252,000 sq. ft. of space vacated by PetSmart and increased its number of employees count by 80. They continue hiring in 2015. Tractor Supply Company utilized the Job Credit program to fill the new positions. Many of the displaced workers from PetSmart closing were hired by Tractor Supply Company.

The Liberty Property L.P. property located on Newgate Blvd was the successful site chosen from a three state area for the construction of a 615,000 sq. ft. manufacturing and distribution operation for a local company expanding in Washington County. The EZ program played a strong part in the company’s decision for remaining in Washington County.

Tempur-Sealy International will be expanding and hiring an additional 120 full-time employees and will be utilizing the job credits associated with the EZ program.

Fedex Ground Packaging System, Inc. continues to expand its operation that requires the hiring of additional employees. The company will be utilizing the EZ income tax credits to hire both disadvantaged and non-disadvantaged employees.

Hagerstown Regional Airport (Washington County)

The Hagerstown Regional Airport zone played an integral part in developing business on the airport and surrounding area. The loss of the zone in June 2014 will impact further development in the area.

The two businesses that leased space from local property owners resulted in the rehabilitation of two properties that had been vacant for a number of years. These companies *Aerial Force* and *Cumberland Truck Equipment Company* chose Maryland to expand their operation from Pennsylvania. By doing so they created nearly 25 new employment opportunities for residents of Washington County.

This zone has been a catalyst for the development of the airport and surrounding area. From the time it was established (1994) to its termination (2014) the income and property tax credit provided an incentive to an array of companies choosing this area to develop their business. Companies included the likes of *Sierra Nevada, Agusta Westland* and *Mecaer Aviation Group*. These companies, along with others, have provided solid employment opportunities that offer well-paying jobs for Washington County residents. The success of these companies and the opportunities they offer led to the area's improved economic conditions that ultimately made it ineligible to continue as an EZ based on the programs qualification criteria.

The twenty years that this zone had been active shows the benefits of the EZ program. A goal of the program is to improve the economic and employment conditions of the area. As demonstrated by the review of eligibility criteria while preparing the renewal application the program met its goals.

Keyser's Ridge Enterprise Zone (Garrett County)

Strata Safety Products, LLC (Strata) is the first resident of the Keyser's Ridge EZ. The county constructed a 10,000-sf facility on an approximate six-acre site. The facility is being leased by Safety Products, LLC, a division of Strata Worldwide, a global leader in mine safety solutions that promote a safer, more productive working environment both above and below ground. Strata designs and manufactures a range of state-of-the-art emergency refuge and safety equipment for mining and construction industries. Strata contracts with Pillar Innovations, LLC, located in the county's Northern Garrett EZ, who manufactures Strata's mine safety chambers.

There are both lease and job creation agreements in place. The lease agreement covers an original term of 5 years with a renewal clause for additional 5-year lease increments. The job creation agreement provides that Strata will create at least 25 permanent, full-time jobs by October 2017.

Strata had considered expanding its West Virginia facility. However, when management learned of the EZ tax credits available for locating a new facility in the Keyser's Ridge EZ, the decision was made to locate in Garrett County. The Strata project has increased the assessable real property tax base by \$708,800, thus increasing the County's and state's annual real estate tax revenue.

There have been no significant changes in the surrounding community. The area in which the Keyser's Ridge EZ is located has been, and continues to remain, comprised mainly of commercial businesses, with a very sparse residential population.

The County continues to market the remaining acreage (approximately 200 acres) at the Keyser's Ridge EZ and currently has a prospect interested in 100+ acres. The County is in the midst of additional infrastructure projects (water, sewer, roadways) at the Keyser's Ridge EZ to make the EZ more attractive to prospects.

American Woodmark, which purchased 36.873 acres in the Keyser's Ridge EZ on March 6, 2009, spent approximately \$2.5 million on site preparation, but has not yet constructed its facility. Staff in the Garrett County Department of Economic Development plans to have a meeting with American Woodmark's management team in early August 2015 to discuss its plans with respect to this property.

Long Branch/Takoma Park Enterprise Zone (Montgomery County)

There was no certification activity in the Long Branch/Takoma Park EZ in 2014, although the community has been actively engaged in improving its surroundings.

In the winter, the Long Branch brought in the award-winning design firm, Streetsense, to discuss way to revitalize the area. Additionally, EZ business owners have been involved in the development of the proposed Purple Line. Public art has also been part of the past year as the County's Department of Housing and Community Affairs helped to promote another mural in the community.

The Long Branch/Takoma Park EZ continues to struggle with development because the market is still weak. One of the reasons for the weak market is the remnants of recession, and some the weak market is attributable to the lack of a large, comprehensive public investment in the community similar to the revitalization efforts in Silver Spring or the proposed governmental office space in Wheaton. Due to the County's fiscal constraints, the redevelopment of Long Branch/Takoma Park will like be generated through grass-roots and small-business focused development for the next several years.

There are a few notable activities in Long Branch/Takoma Park communities. Construction has begun on the Long Branch Walkway Bridge Trail, which will provide a safe ADA compliant pedestrian and bicycle connection between the Long Branch Community Center and the Long Branch Library and the communities on both side of the Long Branch Creek.

Bikeshare has come to Long Branch via the Montgomery County Department of Transportation. Fifteen new bikes can be shared/rented in the community.

Northern Garrett Enterprise Zone (Garrett County)

The Northern Garrett EZ is at capacity.

ClosetMaid Corporation sold a portion of its acreage to *Beitzel Corporation* in June 2014. Beitzel Corporation is constructing its corporate headquarters on the lot. Construction is anticipated for completion in July 2015. Beitzel has plans to move its Springs, Pennsylvania facility to Garrett County once construction is complete.

Robosson Supply West, LLC closed its business enterprise as of December 31, 2014, but is in negotiations with **Exelon Generation** to purchase the lot. If successful, Exelon will take ownership of the property in spring 2015.

Although there was a net loss of 11 employees in calendar year 2014, the businesses in the Northern Garrett EZ continue to make capital investments in their properties and businesses. The businesses located in the EZ made the following capital improvements in calendar year 2014:

- New construction \$ 62,521.00
- Rehabilitation \$ 30,033.73
- Equipment \$ 1,059,031.00

Without the availability of the EZ property tax credits, it is doubtful these capital investments would have materialized.

There have been no significant changes in the surrounding community. The Northern Garrett EZ is located along the Interstate-68 corridor and is a part of the Town of Grantsville. Grantsville is comprised of a mix between residential and commercial properties. Additional commercial and residential development has been occurring in the Town of Grantsville on a regular basis.

Grantsville was recently designated as a State of Maryland Arts and Entertainment District. It is anticipated this designation will spur additional economic development in Grantsville and the surrounding area.

Olde Towne Gaithersburg Enterprise Zone (Montgomery County)

A long vacant building that once housed a restaurant (Roy's) at 2 East Diamond Avenue was acquired by a new restaurant owner, **LaCasita**, which operates 2 other locations in Montgomery County. Renovations underway, and we anticipate an EZ application to be completed in 2015. 199 unit apartment complex broke ground in 2015 as well.

Markedly, **Archstone Apartments**, which includes 389 market rate units, opened in 2013 and benefitted from the EZ's affordable housing waiver, impact fee waivers, and WSSC hook-up credits. Project is now 98% leased. Hidden Creek apartments also opened in 2013 with 300 apartments and is 95% leased. City will be breaking ground on a new park and streetscape enhancement project in 2016. Overall vacancy rate remains low at around 5%. New 199 apartment unit building expected to open in 2016.

Affordable housing waiver, impact fee waivers, and WSSC credit continues to draw the most attention and is considered the most important impacts by residential developers interested in pursuing projects in Olde Towne. Another meaningful assemblage is expected to be pursued in earnest in late 2015/2016, and these portions of the EZ program are considered to be critical for the assemblage's success.

Prince George's County Enterprise Zone

The EZ communities in Prince George's County are slowly improving by utilizing the ability to combine EZ program incentives with other County incentives.

Lyon Bakery was a successful EZ project in 2014 as we were able to utilize additional programs to attract this business from the District of Columbia. This relocation and expansion was financed with the County's Economic Development Incentive Fund. The business was very impressed by all the incentives we could offer. A total investment of \$11.7 million was made in the underserved area of Capitol Heights. The company will relocate their existing employees and create additional jobs for a total of 125 new full-time positions in Maryland and Prince George's County.

Route 220 South Enterprise Zone (Allegany County)

In the Route 220 South EZ, *American Woodmark* is still the main employer and has grown to nearly 500 employees since it began operation in Allegany County in 2004. Coupled with other state incentives like the One Maryland Tax Credit, American Woodmark chose to locate and expand in Allegany County because of the incentives, including the EZ Tax Credit. It is possible the company may expand further in the future, and the EZ program will be crucial to promoting that growth.

Along with American Woodmark's growth, Allegany County Economic Development is constructing a 40,000 square foot industrial shell building next to the American Woodmark plant to market to light manufacturing companies in an effort to enhance build out of the *Barton Business Park*. Additionally, there is a proposed housing development directly across Rt. 220 from the park, and adjacent properties have been opened up for new commercial development as a result of activity since 2004.

The EZ program is very important to development in Allegany County. In particular, the Rt. 220 South EZ is an important zone that promotes economic development in one of the County's premier industrial/business parks and is adjacent to Orbital ATK in nearby Rocket Center, West Virginia.

Salisbury Enterprise Zone (Wicomico County)

Downtown of City of Salisbury has seen substantial success with the EZ program in 2014. During the 2014 Calendar Year, 3 of our 6 applications were in Downtown buildings that sat vacant for a long period before 3 different business owners purchased and rehabilitated them. At 306 W Main, the developer purchased it and leased to a Downtown bridal shop that relocated from a much smaller shop into the larger space. 115 S Division was the site of the former Salisbury Fire Station Headquarters. When the Salisbury Fire Station Headquarters was relocated, the building at 115 S Division stood vacant for several years before being sold to a developer and being transformed into a Downtown Salisbury's newest concert venue. 201 W Main Street was an old vacant bank site in the heart of our Downtown. It sat vacant for many years before being purchased by the owners of Salisbury Dance Academy and they continue to do extensive renovations. These rehabilitation projects were all substantial and required a large financial undertaking.

2 of the 6 properties are just outside our Downtown and have helped the continuance of commerce and revitalization around the Urban Core. Just down the street from Downtown, Sby River LLC is a piece of land owned by Chesapeake Shipbuilding. As their business continued to grow exponentially, they continue to add improvements to their property to take on more business. They developed a new ship fabricating warehouse on this space (and are furthermore

constructing another on their adjacent site because business is booming). Further down the road from Chesapeake Shipbuilding, Two Farms Inc. is a newly constructed Royal Farms on the West Side of town. Not only was this a new development, but they also brought new jobs to the area.

The EZ has also been instrumental in our Industrial Area. This year we saw one application from Northwood Industrial park – Kraus Development at 520 Marvel Rd. Since their acquisition, they have completely renovated the building façade and interior and created three tenant spaces which are now 100% leased. Since taking occupancy, the tenants have added new jobs (although have not applied for the Income tax Credit)

The EZ program has been a widely used and supported program by developers and business people in Salisbury. In the past few years, we have seen vast revitalization efforts in our Downtown and the surrounding areas. It has certainly been used as a mechanism to facilitate and spur development concepts that may not have previously been financially feasible.

In terms of the property tax credit, Salisbury has seen a lot of rehabilitation of existing buildings. The EZ real property credit offers a much larger (front end) benefit to those who build from the ground up than for those who invest in rehabilitating existing infrastructure. When it comes to our Downtown, we have many people investing way more than the \$50,000 threshold to renovate and bring buildings up to code and create a workable space. That being said, if their assessment doesn't change or changes marginally, they won't see as much as large of a credit on their real estate taxes as a ground up developer would see.

Southern Garrett Enterprise Zone (Garrett County)

With the exception of an approximate 4-acre parcel, the SGEZ is at capacity. Total Biz Fulfillment, Inc. has announced plans to construct an additional 60,000-sf facility on its lot in 2015. GCC Technologies has constructed SCIF space in its facility and has an additional 15,000-sf in which to expand its business as needed.

All businesses in the SGEZ continue to hire employees and make capital investments in their properties and businesses. EZ businesses hired an additional twenty employees in calendar year 2014. The businesses located in the EZ made the following capital improvements in calendar year 2014:

- New construction \$ 29,500
- Rehabilitation \$ 94,932
- Equipment \$ 375,822

Without the availability of the EZ property tax credits, it is doubtful these capital investments would have materialized.

There have been no significant changes in the surrounding community. The SGEZ is located along Maryland Route 135 and is outside of any town limits. The area is comprised primarily of commercial enterprises; however, there is some residential and agricultural development in the area.

Wheaton Enterprise Zone (Montgomery County)

In hindsight, Wheaton's designation as an EZ was premature. Since its inception in 1998, there have only been about a dozen participants in Wheaton's EZ program. In Montgomery

County, we now know that the successful redevelopment of a struggling business district is not due to tax incentives, alone. Incentives need to be offered, in tandem with significant public investments in the community. Silver Spring is a great example of that. Nearly \$1 billion of public funding was invested within the Silver Spring EZ, and the County had dozens of successful participants in that EZ program.

The lackluster performance of the EZ in Wheaton is about to change, though. During the last several years, the community's goals, which are highlighted in the Wheaton CBD Sector Plan, have become increasingly achievable with the promise of public investments.

Recent public commitments in the Wheaton EZ include plans for the construction of a LEED gold standard government office building. This office building, which provide impossible for the private sector to create on its own in the current market (even with EZ tax credits), will provide new headquarters for the County's planning, permitting and Regional Services Center/urban district offices. The County's investment and long-term commitment to occupying the space with workers is important to the broader revitalization of Wheaton.

The County's public investments in construction, combined with the relocation of government jobs, the creation of public space, and renewed marketing for arts and entertainment will likely reinvigorate Wheaton's EZ, and facilitate privately-owned mixed use development.