



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

January 10, 2020

The Honorable Bill Ferguson
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Adrienne A. Jones
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 W Miller Senate Office Building
Annapolis, MD 21401

The Honorable Anne R. Kaiser
Chairman, House Ways and Means Committee
131 House Office Building
Annapolis, MD 21401

The Honorable Jay Walker
Chairman, Tax Credit Evaluation Committee
207 House Office Building
Annapolis, MD 21401

RE: RISE Zone Program Annual Report

Dear President Ferguson, Speaker Jones and Chairmen Guzzone, Kaiser, and Walker:

In accordance with §5-1407 of the Economic Development Article, I am pleased to submit the annual report on the Regional Institution Strategic Enterprise (RISE) Zone program. I look forward to your review of this report and am happy to furnish any additional information that is required. If you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,

Kelly M. Schulz
Secretary

cc: Members, Senate Budget and Taxation Committee
Members, House Ways and Means Committee
Members, Tax Credit Evaluation Committee

OFFICE OF FINANCE

**Regional Institution Strategic Enterprise (RISE) Zone
PROGRAM**

**ANNUAL STATUS REPORT
Economic Development Article
Section 5-1407**

Submitted by:

Maryland Department of Commerce

January 2020

REGIONAL INSTITUTION STRATEGIC ENTERPRISE (RISE) ZONE PROGRAM

OVERVIEW

The Maryland Regional Institution Strategic Enterprise (RISE) Zone program was enacted through CH 530, Acts of 2014. A RISE Zone is a geographic area that has nexus with a qualified institution and is targeted for increased economic and community development. Qualified institutions include institutions of higher education, regional higher education centers or non-profits affiliated with a federal agency.

The purpose of the RISE Zone program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Qualified institutions and local governments develop a targeted strategy to use the institutional assets and financial incentives to attract businesses and create jobs within the zone. A RISE Zone designation will be in effect for 5 years, with a possible additional 5-year renewal. Counties and municipalities are limited to a maximum of three RISE Zones. The program is administered by the Department of Commerce (Commerce).

Designating a RISE Zone first requires that institutions of higher education, regional higher education centers or non-profit organizations affiliated with a federal agency apply to Commerce to be designated a Qualified Institution. Qualified Institutions may then apply jointly with the county, municipality or the economic development agency of a county or municipality to designate a RISE Zone.

Businesses locating in a RISE Zone or an existing business doing a significant expansion within the Zone, may qualify for certain incentives, including the following:

- Real Property Tax Credits
 - A five-year real property tax credit on improvements of 50% for the first year and 10% in years 2-5. The county and municipality can choose, by local law, to increase the credit percentage.
 - If the RISE Zone is located in an Enterprise Zone, the credit is 80% per year for years 1-5.
 - If the RISE Zone is located in a Focus Area, the credit is 100% per year for years 1-5.
 - If the zone is renewed the credit is 10% in years 6-10, unless increased by the county or municipality.
- Income Tax Credits that are the same as the Enterprise Zone income credits (\$1,000 per new employee and up to \$6,000 over three-years for hiring economically disadvantaged employees).
- Assistance from the Commerce Business Concierge.

ACTIVITY

The following RISE Zones have been designated by Commerce since the program's inception:

- UMB Rise Zone in Baltimore City was designated December 8, 2015. The designation expires December 7, 2020.
- University of Maryland's Greater College Park RISE Zone was designated December 5, 2016 and will expire December 4, 2021.
- UMBC RISE Zone was designated May 18, 2017 and will expire May 17, 2022.
- Salisbury University was designated September 28, 2018 and will expire September 27, 2023.
- Morgan State University was designated September 28, 2018 and will expire September 27, 2023.
- Montgomery College was designated September 28, 2018 and will expire September 27, 2023.

RISE ZONE APPLICANT REPORTS

University of Maryland's Baltimore Campus RISE Zone

The UMB RISE Zone is a single building site within the University of Maryland BioPark. While the existing BioPark buildings surrounding the RISE Zone have experienced strong employment growth, the RISE Zone itself remains undeveloped and thus we have no businesses, employment, or capital investment in the RISE Zone at this time.

UMB and the City of Baltimore will be requesting an expansion of the UMB RISE Zone to include approximately 2 acres of land on the northwest corner of Martin Luther King, Jr. Boulevard and West Baltimore Street. The UMB Research Park Corporation has teamed with Ventas/Wexford (a REIT and a private developer) and the City of Baltimore to assemble this parcel. RPC and Ventas/Wexford have invested over \$15 million to acquire the site and to conduct preliminary site work. Ventas/Wexford plan to build two buildings totaling 500,000 Square Feet on the site. The first building is 320,000 SF, with capital investment of approximately \$190 million. We expect that over 100 companies with a total of 1,000 jobs will locate in the building. We are targeting breaking ground on the building on March 31, 2020. RISE Zone designation is critical to the financing of the building. Once this site is developed, we intend to develop 873 West Baltimore, which is the current RISE Zone site.

University of Maryland's Greater College Park RISE Zone

1. List of the businesses approved for a RISE Zone Incentive in FY 2019.

There have not been any businesses that have been approved for a RISE Zone Incentive in FY 2019.

2. Update on the progress of the proposed development projects.

College Park Place: A 157-room select service hotel with 23,000 square feet of retail, including a CVS. The hotel, a Cambria, and the CVS opened in 2017. The retail includes an independent restaurant called College Park Grill which opened July 2018 and Orange Theory Fitness Gym which opened January 2019.

Alloy by Alta (formerly Alta at Berwyn House): A 275-unit multifamily residential building which opened in late March 2019.

The Brendan Iribe Center for Computer Science and Innovation: A new computer science building located at the main entrance to campus, designed for cutting-edge work in virtual reality, augmented reality, computer vision, robotics and future computing platforms. The project celebrated the grand opening in April of 2019.

The Hotel at UMD: A 4-star hotel and conference center with 300 rooms, 43,000 square feet of meeting space, restaurants and a spa. It also has 20,000 square feet of innovation space for academic research, laboratory, incubator and start-up business uses. Tenants of the innovation space include the Capital One Innovation Lab, a partnership with the University that focuses on data analytics, machine learning, and cybersecurity; Immuta, a private sector data management firm; BlueVoyant, a global cyber security firm; and WeWork, a coworking company.

The Hall: A 15,000-square foot space that will house a premier food venue with an indoor-outdoor stage and courtyard, a teaching kitchen, performance spaces, and vibrant meeting spaces. The project is under construction and expected to open in 2020.

City Hall block redevelopment: The City of College Park and the University of Maryland have joined forces to redevelop the block bounded by Baltimore Avenue, Knox Road, Yale Avenue and Lehigh Road. The proposal is for a new City Hall and UMD office building as well as retail space and a public plaza. City offices have been relocated and demolition will begin Winter 2020.

Milkboy ArtHouse: A public-private partnership to build an arts venue, restaurant and bar in the heart of Downtown College Park. Opened May 2017.

Terrapin Row: A \$150 million redevelopment of the former “Knox Box” area as 420 units of student housing in multifamily buildings and townhouses, with 12,000 square feet of retail. Opened Fall 2016. The retail space is fully leased and includes an Amazon (drop-off location), Dunkin Donuts, Wings Over restaurant, Seoul (Korean fast-casual restaurant), and a food hall with several different food tenants.

Southern Gateway Project (Quality Inn block redevelopment): The redevelopment of a motel and diner as upscale, multifamily housing will offer 59,000 square feet of retail space and 393 new housing units. Bozzuto has been selected as the developer for the project. The plans for the project have been approved. Construction will begin this winter.

5801 University Research Court: A 75,000 square foot office building being developed as part of the UMD / COPT joint venture. The development opened 2018. The site is 80% leased by UMD's IT department which is being relocated from the UMD campus.

Flex product: 110,000 square feet of flex space in two buildings, jointly developed by UMD and St John Properties. Construction started in late 2016; opened summer 2018.

College Park / UMD Metro station joint development project (Atworth): A WMATA joint development project with Gilbane located on the station property consisting of a 431-unit multifamily residential building with 12,000 square feet of ground floor retail.

County parking lot: Republic Properties is developing this into a 160 room Marriott Residence Inn with 7,000 square feet of retail. The Planning Board hearing is scheduled for December 12th. Construction is expected to begin in 2020 with completion in mid-2022.

College Park Academy: An innovative, rigorous, college-preparatory public middle and high school charter school opened in fall 2013. This was launched by the City of College Park and UMD. Construction started in October 2016; the building opened on time in Fall 2017 for the 2017-18 school year.

Lidl: Lidl completed construction and opened on June 19th, 2019.

3. Effectiveness in attracting and retaining businesses in the RISE Zone.

The program is still relatively new and we did not expect instant results. New businesses emerged in this zone and created new jobs, but none of these businesses applied for any of the RISE Zone incentives and credits. Thus, we cannot definitively say that the incentives attracted the businesses to the RISE Zone.

While income tax credits are of course available under the program, one challenge is the focus of RISE Zone tax benefits on property taxes. Many companies in the College Park area, including those with University connections, are much more likely to lease space in existing buildings, rather than buy land, build new and take advantage of real property tax credits. For projects like the Flex product now being built (and leased) through the UMD/St. John Properties joint venture, using the RISE zone tax credits becomes complicated where some tenants may bring a qualified use, but others would not, making both application (and marketing) of the RISE property tax benefits than purchase it. We have anticipated applying RISE property tax benefits through landlords for the benefit of RISE eligible tenants, but the process is cumbersome and difficult to explain.

4. UMCP RISE Zone summary:

Fiscal Year 2019 Report	
No. of New Businesses	11
No. of New Jobs	124
Amount of Private Investment	\$273,892
Investment made by Qualified Institutions	\$0
No. of Businesses Eligible for Property Tax Credit	0
No. of Businesses Eligible for Income Tax Credits	0

UMBC RISE Zone

The UMBC RISE Zone was approved by Maryland Department of Commerce on May 18, 2017. This Zone includes the business and incubators located at North and South bwtech@UMBC research and technology park campuses.

During the FY2019, Baltimore County and bwtech@UMBC deployed an awareness strategy to inform businesses about the RISE Zone incentives and how to apply. In early 2019, Baltimore County created the new position of Director of Anchor Initiatives intended to leverage our Anchor Institutions' economic impact. A portion of the work product for this position is to better engage with the tenants at bwtech@UMBC to have a deeper understanding of their needs and potential growth and how we retain the companies in Baltimore County.

This past fiscal year, we have received one application from a business expecting to add a total of 12 new jobs. The FY2020 plan will be to continue raising the awareness of the RISE Zone to all 130+/- tenants and begin certifying companies to take advantage of the RISE Zone credit. Both UMBC and Baltimore County are excited to continue sharing this incentive with the bwtech businesses and anticipates this credit to save small businesses money while creating new jobs in growing industry sectors.

Salisbury University RISE Zone

The Salisbury University RISE Zone did not have any businesses take advantage of the RISE Zone designation this year, but the City is working towards bringing the Medical Education facilities (mentioned in the RISE Zone application) to fruition. The Eastern Shore Center for Interprofessional Education (ESCIPE) is a transformative 150,000 SF partnership between University of Maryland-Baltimore, Peninsula Regional Health System, University of Maryland-Eastern Shore and Salisbury University will bring medical education to the center of Salisbury. Private fundraising will begin in January 2020 and we will collectively seek this project to move to the top of the USM capital projects requests in the coming year.

Morgan State University RISE Zone

1. Provide a list of the businesses approved for a RISE Zone incentive in FY 2019.

N/A – TBD

2. Provide an update on the progress of the proposed development projects.

New Market Tax Credits: We have executed a Term Sheet with a Community Development Corporation (“CDC”) to make a New Markets Tax Credit (“NMTC”) equity investment in the Northwood Commons project to facilitate its completion. A subsidiary of a regional bank is acting as a subsidiary Community Development Entity (“CDE”) and investee of the CDC. We are negotiating the loan documents with the CDC and the CDE.

Leasing: Northwood Commons has executed letters of intent with several national, regional, and local retailers and restaurants, and continues to identify new businesses as candidates for the project.

Grocery Store: We have signed a lease with Lidl, a traditional grocery store that operates 10,000+ stores in 28 European countries and the United States.

Repeal of PUD: On September 12, 2019, the Baltimore City Planning Commission recommended to repeal the existing Planned Unit Development known as Northwood Commons (which has governed the zoning for the property for the past 40+ years), and the City Council passed the repeal on November 4, 2019. The bill was sent to the Mayor for signature. The reason for repeal is to simplify the development/approval process, and for the project to be in conformity with the recently new zoning adopted by the City Council through the “Transform Baltimore” process.

Site Design: Morris & Ritchie is working on site design, including the grading plan and the utilities plan. There will be all new utilities at Northwood.

Demolition: We are planning to demolish most of the existing structures at Northwood starting in December 2019.

3. Effectiveness in attracting and retaining businesses in the RISE Zone.

The RISE Zone has been helpful in attracting new businesses. Note that most tenants are making leasing decisions based on their potential to have profitable and successful businesses (not tax benefits per se). The benefits afforded by the RISE Zone are considered a very extra important benefit.

4. Morgan State University RISE Zone summary:

Fiscal Year 2019 Report	
No. of New Businesses	0
No. of New Jobs	N/A
Amount of Private Investment (\$)	N/A
Investment made by Qualified Institutions (\$)	
No. of Businesses Eligible for Property Tax Credit	TBD
No. of Businesses Eligible for Income Tax Credits	TBD

Montgomery College RISE Zone

1. Provide a list of the businesses approved for a RISE Zone incentive in FY 2019.

There have not been any businesses approved for the RISE Zone incentive in FY 2019.

2. Provide an update on the progress of the proposed development projects.

The proposed project for the first year of the RISE Zone designation was to identify a development partner to develop, design, construct, finance, operate and maintain a 150,000 square foot building/s containing a mix of wet laboratories and offices, which can be marketed to, and occupied by, private sector companies, agencies, organizations or entities in the life sciences, cyber security and other technology sectors. The Pinkney Innovation Complex for Science and Technology at Montgomery College (PIC MC) Foundation, the entity affiliated with Montgomery College, which manages the assets of the 40-acre section of the integrated academic, business and research campus in Germantown, conducted a Request for Proposals (RFP) process through the assistance of a real estate consultant. From the process, we selected the development team of Minkoff Development and South Duvall/Scheer partners. PIC MC signed a development agreement, with a negotiated ground lease attached, for this team to develop, design, construct, finance, operate and maintain a 120,000 square foot wet lab building at 19710 Observation Drive. The development agreement and the ground lease are currently pending approval through the Maryland Higher Education Commission for its review, recommendation and approval to the Board of Public Works. Upon these state approvals, and completion of the milestones in the development agreement, Dr. Pollard will execute the ground lease.

3. Effectiveness in attracting and retaining businesses in the RISE Zone

Our project is too early in its development stages in the attraction and retention of businesses to be able indicate its effectiveness. Our development team partners (Minkoff Development and South Duvall/Scheer) value the RISE Zone Designation. Together we are exploring how to best leverage this designation within the project, as an incentive to attract companies to PIC MC. From PIC MC's perspective, demonstrating a connection to the College as criteria for receiving the incentives will ensure businesses locating on the campus are actively involved with students, faculty and the campus community, which remain the mission-oriented objectives of PIC MC.

4. Montgomery College RISE Zone summary:

Fiscal Year 2019 Report	
No. of New Businesses	0
No. of New Jobs	0
Amount of Private Investment	\$0
Investment made by Qualified Institutions	\$250,000 (soft costs of legal, consultant, and other fees in the RFP process in selecting a developer were funded by PIC MC Foundation)
No. of Businesses Eligible for Property Tax Credit	0
No. of Businesses Eligible for Income Tax Credits	0