



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
R. Michael Gill | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

December 12, 2017

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

The Honorable Edward J. Kasemeyer
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 Richard S. Madaleno, Jr.
Co-Chairman, Tax Credit Evaluation Committee
3W Miller Senate Office Building
Annapolis, MD 21401

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

RE: RISE Zone Program Annual Report

Dear President Miller, Speaker Busch and Chairmen Kasemeyer and Kaiser, and Co-Chairmen Madaleno, 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.

The Honorable Thomas V. Mike Miller, Jr.
The Honorable Michael E. Busch
The Honorable Edward J. Kasemeyer
The Honorable Anne R. Kaiser
The Honorable Richard S. Madaleno, Jr.
The Honorable Jay Walker
December 12, 2017
Page 2

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,



R. Michael Gill
Secretary

Enclosure

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



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
R. Michael Gill | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

MEMORANDUM

TO: The Honorable Larry Hogan
Governor

THRU: Sean Powell
Deputy Chief of Staff, Governor's Office

FROM: R. Michael Gill
Secretary

DATE: December 12, 2017

SUBJECT: **RISE Zone Program Annual Report**

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.

Attachment

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

December 2017

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. 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.

The following higher education institutions were designated Qualified Institutions and we anticipate an application to designate a RISE Zone to follow.

- Salisbury University designated a Qualified Institution April 5, 2017
- Morgan State University designated a Qualified Institution August 2, 2017.
- Montgomery College designated a Qualified Institution September 11, 2017.

RISE Zone Applicant Reports:

University of Maryland's Greater College Park RISE Zone

1. List of the businesses approved for a RISE Zone Incentive in FY 2017

There have not been any businesses that have been approved for a RISE Zone Incentive in FY 2017.

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 will be a Cambria, and is scheduled to open in late 2017. The CVS opened in July.

Fuse 47 (formerly Alta at Berwyn House): A 275-unit multifamily residential building. A fire in April caused significant damage. A partial demolition began in June, and the whole building will then be rebuilt.

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. On schedule to open in June 2018.

The Hotel at UMD: A 4-star hotel and conference center with 300 rooms, 40,000 square feet of meeting space, restaurants and a spa. It will also have 20,000 square feet of innovation space for academic research, laboratory, incubator and start-up business uses. The hotel and retail (except the spa) have recently opened. The spa and the innovation space are on schedule to open in the next few months.

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. Under construction and scheduled to open in Spring 2018.

City Hall block redevelopment: A joint City/University project to redevelop the City Hall block with a new City Hall and enhanced civic space, a UMD office building and ground floor retail. Planning and negotiations are under way.

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.

Southern Gateway Project (Quality Inn block redevelopment): The redevelopment of a motel and diner as upscale, multifamily housing with ground floor retail. Negotiations underway, possible break ground in 2018.

5801 University Research Court: A 75,000 square foot office building being developed as part of the UMD / COPT joint venture. Construction started in November 2016; scheduled to open in February 2018.

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; scheduled to open in early 2018.

College Park / UMD Metro station joint development project: A WMATA joint development project with Gilbane located on the station property consisting of a 430-unit multifamily residential building with 12,000 square feet of ground floor retail. Planning, negotiations and WMATA approvals are under way. If approved, construction is expected to start in 2018.

County parking lot: A developer team was selected in January to build a 150-room hotel with 7,500 square feet of retail. Negotiations are under way; construction is expected to start in 2018.

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.

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 2017 Report	
No. of New Businesses	7
No. of New Jobs	95
Amount of Private Investment (\$)	\$128,500
Investment made by Qualified Institutions (\$)	\$8,440,000*
No. of Businesses Eligible for Property Tax Credit	0
No. of Businesses Eligible for Income Tax Credits	0

*Value of UMD land contributed to projects.

UMBC RISE Zone

(Because this zone was designated at the end of FY 2017, in place of a detailed report on activity in the fiscal year, the zone was asked to provide a summary of activity since its designation)

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 FY 2017, Baltimore County and bwtech@UMBC began developing an awareness strategy to inform businesses about the RISE Zone incentives and how to apply. The strategy included the development of an application, creation of marketing materials, the inclusion of RISE Zone benefits to websites, and planning in-person information sessions for bwtech tenants.

For the short time the RISE Zone has been established, tenants have already begun to express interest in the employment tax credit benefits which will have a significant positive savings for small and growing businesses.

The FY 2018 plan is to roll out the marketing strategy to all 130 tenants and begin certifying companies to take advantage of the RISE Zone credit. Both UMBC and Baltimore County are

excited to share this new incentive with the bwtech businesses and anticipates this credit to save small businesses money while creating new jobs in growing industry sectors.

UMB Rise Zone

UMB reports that the RISE Zone designation is critical to their goal of constructing a \$100 million, 250,000 square foot building in the BioPark. This building would be the seventh and largest building in the BioPark. It is anticipated that it will add 1,000 new jobs. While construction has not begun, UMB is working to attract an anchor tenant that will allow the private developer to proceed.