

OFFICE OF FINANCE

Regional Institution Strategic Enterprise (RISE) Zone
PROGRAM

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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 a 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.

The Maryland Department of Commerce (Commerce) administers the RISE Zone program. 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.

A RISE Zone designation is effective for 5 years, with a possible additional 5-year renewal. Counties and municipalities are limited to a maximum of three RISE Zones.

Businesses locating in a RISE Zone or an existing business doing a significant expansion within the RISE Zone, may qualify for real property tax credits, income tax credits and business concierge services. In addition, Chapters 206 and 207 of the Acts of 2021 modified the program to provide added benefits to certain businesses that locate in the RISE Zone and have a nexus to the Qualified Institution, including the rental assistance program and enhanced investor tax credits under the Biotechnology Investment Incentive Tax Credit and the Innovation Investment Tax Credit.

The incentives available under the RISE Zone program are as followed:

- Real Property Tax Credits
 - A business must locate in the RISE zone before January 1, 2023 to be eligible for the real property tax credit.
 - 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).
 - A business must locate in the RISE zone before January 1, 2023 to be eligible for the income tax credit.
- Rental Assistance Program
 - A Qualified Institution, political subdivision, county and/or a municipality may establish a program to provide rental assistance to a business that moves into or locates in a RISE Zone, has a nexus with a Qualified Institution located in the RISE Zone, and has been in active business no longer than 7 years.
 - The business is eligible for rental assistance for up to three years.
 - Subject to the availability of funding, Commerce must provide matching funds equal to three times the amount established by the Qualified Institution, political subdivision, county and/or municipality.
- Enhanced Investor Tax Credit
 - A qualified investor may be eligible for an enhanced income tax credit equal to 50% of the investment made to a Qualified Maryland Biotechnology Company (QMBC) under the Biotechnology Investment Incentive Tax Credit or to a Qualified Maryland Technology Company (QMTC) under the Maryland Innovation Investment Tax Credit Program.
 - The QMBC or QMTC must be located in a RISE Zone and be based on technology that was developed at the Qualified Institution within that Zone and must have been an active business not longer than 7 years.

ACTIVITY

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

Current RISE Zones:

- UMB RISE Zone in Baltimore City was designated December 8, 2015. That designation expired December 7, 2020. The Zone was redesignated on February 25, 2021 and it will expire February 15, 2025.
- University of Maryland's (UMD) Greater College Park RISE Zone was designated December 5, 2016 and redesignated August 27, 2022. It will expire August 27, 2027.
- Montgomery College RISE Zone was designated September 28, 2018 and renewed on September 28, 2023. It will expire September 29, 2027.
- Towson University's RISE Zone was designated June 13, 2023. It will expire June 12, 2028.

Expired Rise Zones:

- UMBC RISE Zone was designated May 18, 2017 and expired May 17, 2022.
- Salisbury University was designated September 28, 2018 and expired September 27, 2023.

- Morgan State University was designated September 28, 2018 and expired September 27, 2023.

RISE Zone Applicant Reports¹

University of Maryland's Greater College Park RISE Zone

There have not been any businesses who applied for the RISE Zone Incentive for the fiscal year 2023.

Southern Gateway: A joint venture between Bozzuto and Terrapin Development Company, the Southern Gateway project will bring 393-units of nonstudent rental housing to the market. The project also features more than 60,000 sf of ground floor retail, anchored by a grocery store and gym. The project received a PILOT from Prince George's County to help offset infrastructure costs, such as the extension of Calvert Road on the west side of Baltimore Avenue to connect the street grid. The project was completed in Summer 2022.

FY 23' update: Popular grocer Trader Joe's opened its first store in Prince George's County on the ground floor. First residential units opened in 2022.

- **Atworth:** Being planned by Gilbane, the Atworth anticipates 23 rowhomes, 27 live-work units and 431 apartments adjacent to the College Park Metro station. The project is being developed on a ground lease from WMATA.

FY 23' update: Atworth, which will feature 451 apartments and retail adjacent to the College Park Metro station, is almost finished ahead of a planned Spring 2024 opening.

- **Discovery Point:** A partnership between Terrapin Development Company and Brandywine Realty Trust is planning a \$300M, 500,000+ sf office hub at the gateway to the Discovery District. The first phase will bring 300,000 sf of Class-A office and research space, with future phases bringing additional office buildings, a structured parking garage and a residential apartment building.

FY 23' Update: Discovery Point, a new mixed-use development located next to The Hotel at the University of Maryland, is expected to break ground at the end of this year and be completed in 2025 or 2026.

Union on Knox: Terrapin Development Company and Greystar Real Estate Partners are bringing nearly 800 purpose-built student housing beds to Knox Road. The project will also feature 20,000sf of ground retail along a newly redesignated "festival street." Other elements of the project involve the creation of a "grand staircase" connecting UMD's campus and improvements to a neighboring park.

These reports were provided directly by the Zone Administrators and have not been edited by the Maryland Department of Commerce.

FY 23' update: Construction continues on Union on Knox, which will include apartments for nearly 800 students and 21,000 square feet of retail. The project, along with a new outdoor park area near UMD's south gate, are slated for a Fall 2024 opening.

• **IonQ:** Emerging as a growing industry around UMD is the explosion of quantum. UMD spin out company IonQ recently became the first publicly traded pure-play quantum computing company in the world, valued at \$2 billion. IonQ is headquartered in the RISE Zone and has ambitious plans to significantly increase its footprint and workforce in the upcoming years. The University has also made additional investments in quantum within the RISE Zone boundaries, including the establishment of the National Quantum Lab (Q-Lab) and Quantum Startup Foundry, which acts as an incubator for quantum startups.

FY 23' update: After two years of work, IonQ and UMD just launched the \$20 million National Quantum Lab in College Park. The National Quantum Lab, also known as the QLab, is a collaborative space for researchers, students, industry leaders, entrepreneurs and more in UMD's Discovery District. Lab users can research, develop and design quantum tech with the help of IonQ's quantum computers.

As in recent years, the program has yet to see full fruition. As reported, new businesses and projects have been started and are near completion and will have a significant economic impact on the RISE Zone and Greater College Park area. Although we cannot yet say that the RISE Zone's incentives have attracted more businesses and construction of new projects, we can confidently say that the incentives and recently added Rental Assistance funds will create more options for businesses.

Amount of Private Investment: \$150,000 (Terrapin Development Company)

Investment made by Qualified Institution: \$100,000 (UMD)

No. of businesses eligible for property tax credit: 0

No. of businesses eligible for income tax credit: 0

No. of businesses interested in the rental assistance program: 3-5

Montgomery College RISE Zone

The Germantown Campus is home to the Pinkney Innovation Complex for Science and Technology at Montgomery College, or PIC MC, a hub of education, business, and entrepreneurship, where industry partners co-locate and actively interact with faculty and students to achieve both educational and economic success. The Montgomery College Germantown Campus features the Holy Cross Germantown Hospital, an 80,000 square foot Medical Office Building, a 145,000 square foot bioscience educational building and the Montgomery County-owned, Germantown Innovation Center that is a business incubator with 24 startup life sciences companies.

The PIC MC Foundation works to enhance and align the work of the College with that of technology businesses by co-locating businesses on campus. It aims to create an integrated hub that actively promotes interaction between technology company staff, faculty and students to achieve the collective goal of educational and economic success.

Thus far, the PIC MC Foundation has attracted one developer with a tenant, Hughes Network Systems, to PIC MC, who will take advantage of the RISE Zone incentive. That tenant, Hughes Network Systems, LLC (Hughes), is an innovator in satellite and multi-transport technologies and networks for 50 years, provides broadband equipment and services; manages services featuring smart, software-defined networking; and end-to-end network operation for millions of consumers, businesses, governments and communities worldwide. The Hughes flagship internet service, HughesNet®, connects millions of people across the Americas, and the Hughes JUPITER™ System powers internet access for tens of millions more worldwide. Hughes supplies more than half the global satellite terminal market to leading satellite operators, in-flight service providers, mobile network operators and military customers. A managed network services provider, Hughes supports nearly 500,000 enterprise sites with its HughesON™ portfolio of wired and wireless solutions. Headquartered in Germantown, Maryland, USA, Hughes is owned by EchoStar.

The PIC MC Foundation is a supporting organization with Montgomery College. They manage the assets of the 40-acre section of the integrated academic, business and research campus in Germantown. Minkoff Development and South Duvall responded to an RFP from PIC MC in 2018 and the joint venture was awarded the exclusive development rights and long-term ground lease for the 5.67-acre parcel on the Montgomery College Germantown campus and located within a RISE & Opportunity zone in FY19.

PIC MC signed a development agreement, with a negotiated ground lease for this team to develop, design, construct, finance, operate and maintain a 120,000 square foot wet lab building at 19710 Observation Drive. The Maryland Higher Education Committee notified Montgomery College on November 22, 2019 it had approved the development agreement and ground lease. The Maryland Board of Public Works approved the development agreement and ground lease on April 22, 2020.

On August 10, 2022, a joint-venture between Minkoff Development and South Duvall signed a lease with Hughes Network Systems, LLC which modified the anticipated build-out and now reflects development of a 140,000 square foot build-to-suit high-tech manufacturing facility on the land. As stated above, the campus is currently home to the Pinkney Innovation Complex for Science and Technology at Montgomery College (PIC MC) with Holy Cross Germantown Hospital as its anchor tenant.

Located at 19710 Observation Drive in Germantown, Maryland, adjacent to the Hughes headquarters complex, the new high-tech manufacturing building will house production of Hughes satellite broadband and networking equipment.

- Construction began in August 2022
- Groundbreaking took place on October 3, 2022 *
- Full occupancy is expected by February 2024 Core and shell portion should be done by December 5, 2023 with the interiors done by January 11, 2024.

*The October 3 groundbreaking is significant because it was a celebration of the expansion of the partnership between Hughes Network Systems and Montgomery College which is being fostered by the construction of their state-of-the-art manufacturing facility on PIC MC property on the Germantown campus at 19710 Observation Drive.

PIC MC is excited about this mutually beneficial partnership with Hughes, where students will have the opportunity to interact with technology industry professionals on a regular basis. This transaction is the first of many anticipated collaborations between 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.

The new Hughes facility reflects Hughes long-standing commitment to Montgomery County, as a local employer and business leader for more than 50 years. This new facility will help Hughes advance their mission of connecting the unconnected around the world with innovative satellite and networking solutions. Montgomery County Students will be invited to learn and grow with Hughes. Hughes will continue to engage with the community where so many of their employees live and work.

Together Hughes and Montgomery County finalized a collaboration agreement with the purpose being to: 1) promote mutually beneficial opportunities that enhance Hughes, PIC MC, and the College; 2) strengthen the workforce in Montgomery County and the region; 3) provide the educational opportunities and support for College students and Hughes and College employees; and 4) create workforce development and career opportunities in fields where job opportunities exist. Hughes' interests include recruiting and retaining a sufficient and skilled workforce and providing educational opportunities for its employees. The College's and PIC MC's interests include advancing relevant post-secondary education, providing affordable, accessible and employer-aligned training, and partnering to offer experiential opportunities that lead to post

completion success for the College's students. Each party is committed to jointly contributing resources to achieve these mutually beneficial goals as set forth herein, as well as maintaining the flexibility to respond to new opportunities.

This lease has enabled Hughes to retain 300 of its employees in Montgomery County, at a location next door to its corporate headquarters and on Montgomery College's campus with a ready source for future workforce.

No. of New Businesses: 1 in process of being built and completion in December 2023 with full occupancy in January 2024

No. of New Jobs: Retention of 300 employees

Amount of Private Investment: Developer considers this information as proprietary

No. of Businesses Eligible for Property Tax Credit: 1

No. of Businesses Eligible for Income Tax Credits: 1

No. of businesses Interested in the Rental Assistance Program: 0

Towson University RISE Zone

No businesses were approved for RISE Zone incentives in FY 2023, as the Towson University Zone was designated only on June 13, 2023.

In March 2023, Towson University purchased the Armory building, terminating the original 15-year lease. TU now owns both 401 and 307 Washington Avenue properties. The facility at 401 Washington is now home to University Advancement (UA), Office of Technology Services (OTS) and the Strategic Partnerships and Applied Research (SPAR) divisions. Additionally, TU continues its substantial capital improvement to the building's interior. Towson University is still considering the addition of a café/bookstore, doubling as an event space, a welcome center or a variety of other uses.

Over the course of the next five years, Towson University will continue to increase its presence in Towson while attracting thousands of visitors and hundreds of businesses. The StarTUp at the Armory is strategically positioned to be a growth center and a connector for local area entrepreneurs, as well as Towson Student and Faculty Entrepreneurs. This new entrepreneurship ecosystem has directly served Baltimore County and the community of Towson. The Towson community - businesses, employees, educators, investors, and leaders - are situated to create and establish a new entrepreneurial cluster in the Towson urban core.

To date, Towson University has invested over \$20 million dollars into 401 Washington and the Armory, while relocating nearly 200 TU staff to 401. Investment dollars and staff numbers will continue to increase over the next five years. Moreover, TU anticipates that over the next two years, at least one company a year will graduate from the StarTUp at the Armory and need local space. TU anticipates that this will double, if not triple, within three years of fully occupying the new buildings.

StarTUp at the Armory saw significant outcomes in its fourth year of operations (2023):

- 12 active startups are utilizing office space on the second floor of StarTUp.

- 200 organizations reserved StarTUp business convening space.
- 10,000 overall visitors have occupied StarTUp coworking and conference room space.
- 38 of the 40 total startups from StarTUp's four accelerator cohorts remain active, supported through StarTUp space and/or the accelerator.
- These businesses represent aggregate employment of 275 employees in Maryland.
- As of fall 2023, StarTUp ventures have secured \$10,417,500 in funding, of which \$5,057,500 is non-dilutive funding. Non-dilutive funding offers ventures and owners greater freedom and control, compared to a dilutive funding model, which dilutes the entrepreneurs' ownership. The founder-friendly model demonstrated through TU's StarTUp Accelerator will further support efforts to retain these ventures in Baltimore County:
 - Stocastic, a venture in our inaugural cohort, was sold to Danaher in a \$9.3 Million all cash deal in October of 2022. Beckman (a subsidiary of Danaher) has located their headquarters in the StarTUp and increased staff to 12. Stocastic never received dilutive funding, the founders own 96% of the company, and both reside in Baltimore County. The state capital gains for each founder are just over \$250,000.
 - In winter of 2023, CamSkns was sold for \$450,000. Camskns also did not receive any dilutive funding, allowing the CEO to retain 100% ownership of the company.

Given that the property and income tax credits are limited to businesses locating in the RISE Zone before January 1, 2023, this designation's business attraction strategy relies heavily on the associated rental assistance program. While many of Towson University's current accelerator participants are not quite ready for office space, others have been accommodated in new incubator space in the Armory, and future space is limited. The rental assistance program for the Towson RISE Zone is currently in development and will serve to attract external startup companies as well as current and future accelerator participants.

State Department of Assessments and Taxation (SDAT)

SDAT reports that one property, MCB NORTHWOOD LLC, in the Morgan State RISE Zone is currently receiving a RISE Zone Credit. It is also located in an Enterprise Zone so the property will receive 80% credit for all 5 years of its RISE Zone credit. Tax year 2023 was the first year of credit for this property. The first reimbursement will be paid after the start of tax year 2024 on July 1.

Rental Assistance Program Activity

Chapters 206 and 207 of the Acts of 2021 required Commerce to report on the rental assistance program established by each RISE Zone. Additionally, the Maryland Department of Commerce and Comptroller of Maryland shall jointly assess each year the effectiveness of the tax incentives provided to businesses in the RISE Zones, including: the number and amounts of tax incentives granted each year; and the success of the tax incentives in attracting and retaining business entities in RISE Zones.

As of the end of fiscal year 2023, none of the existing RISE Zones have established a rental assistance program or applied for matching funds from Commerce. Fiscal year 2023 is the first program year in which this program received general funds totaling \$750,000.

Businesses that are located in RISE Zones have not applied to the local jurisdiction and/or claimed income tax credits on their tax returns.