

OFFICE OF FINANCE

Regional Institution Strategic Enterprise (RISE) Zone
PROGRAM

ANNUAL STATUS REPORT
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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 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 Innovation Investment Incentive 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.

- Assistance from the Commerce Business Concierge.
- 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 nexus with a Qualified Institution located 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 Incentive Investment Tax Credit or to a Qualified Maryland Technology Company (QMTTC) under the Maryland Innovation Investment Incentive Investment Tax Credit Program.
 - The QMBC or QMTTC must be located in a RISE Zone, is based on technology that was developed at the Qualified Institution within that Zone and has been in active business not longer than 7 years.

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. 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 Greater College Park RISE Zone was designated December 5, 2016 and redesignated August 27, 2022. It will expire August 27, 2027.
- UMBC RISE Zone was designated May 18, 2017 and expired 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 Reports¹

University of Maryland's Greater College Park RISE Zone

There have not been any businesses that have been approved for a RISE Zone Incentive in FY 2022.

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 will be complete in Summer 2022.

Atworth: Being planning 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.

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.

College Park Academy: College Park Academy (CPA) is a 6-12 public charter school through Prince George's County Public Schools. Formed in partnership with UMD, CPA provides a blended learning environment where students can earn up to 60 college credits by graduation. CPA's testing scores consistently rank in the top for Prince George's County.

Purple Line: The State of Maryland is investing \$5 billion into the 16-mile light rail system linking Prince George's and Montgomery Counties. Three of the Purple Line's stops are within the RISE Zone and will create a meaningful connection between UMD's main campus and the businesses located within the RISE Zone.

Baltimore Avenue Redesign: The Maryland Department of Transportation State Highway Administration (MDOT SHA) is investing \$29 million into a three-year construction project to turn Baltimore Avenue (US-1) into a "complete street." These improvements will improve safety for motorists, bicyclists, and pedestrians between College Avenue/Regents Drive to MD-193.

¹ These reports were provided directly by the Zone Administrators and have not been edited by the Department of Commerce.

Homeownership Program: The College Park City-University Partnership (CPCUP) has continued to grow and expand its homeownership program. The program provides forgivable loans of up to \$15,000 to UMD or City of College Park employees to purchase a home in College Park. The program recently awarded a loan to its 75th participant.

Maryland Economic Opportunity Center at University of Maryland, College Park: A hub helping to start, grow, and sustain small businesses from underserved communities across the state by connecting business owners with assistance in planning, financing, marketing, and other services and identifying and filling gaps in services available to the minority and women-owned small businesses. The Center also provides paid internships to UMD students to apply their academic lessons to the real world of helping underserved business owners to succeed. Total project cost estimated at \$2,250,000.

The program is still underperforming, as results year over year have not reached expectations. Although new businesses emerged in this zone and created new jobs, none have 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. With the addition of the Rental Assistance Program for the RISE Zone, we are anticipating an increase of activity. For context, historically businesses were not able to take advantage of the real property tax credit provided 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.

UMB RISE Zone

I'm delighted to report that we have made significant progress in the UMB Rise Zone. In FY2022, the University System of Maryland Board of Regents approved a 60,000 square foot lease in a planned building in the RISE Zone. Wexford Science & Technology, a private developer, broke ground on the building on October 11, 2022. The building, 4 Martin Luther King, Jr. Boulevard, is Phase One of a \$320 million development. Phase One is a 250,000 square foot building with a 40,000 square foot Flexible Lab space for early-stage life science companies and a 16,000 square foot event space/conference center. In addition, Wexford is renovating an historic firehouse for retail space. The buildings will open in September 2024. Wexford has made it clear that the RISE Zone designation was critical to their decision to move forward with this transformational investment.

Once the building opens, we will have considerable new businesses and new jobs locating in the RISE Zone. I have attached a packet of media coverage related to the groundbreaking.

Morgan State University RISE Zone

There have not been any businesses that have been approved for a RISE Zone Incentive in FY 2022.

The final Baltimore City Building Inspection was signed on 9/22/22. Please see the list of open businesses and projected opening dates for future businesses.

The RISE Zone credit is a very valuable, value-added benefit to offer Tenants, and they shall take advantage of the benefits once they start the operational phase of their respective business plans. Right now, they are in the construction phase.

MCB Northwood LLC

Occupant Name	Opening Date	Square Feet
Morgan State Univ	Jan-23	0
Zips Dry Cleaners	Feb-23	3,500
Le's Nail Bar	Dec-22	2,352
Barnes and Noble	May-23	10,949
Georgia Peach	Jul-23	2,191
Sunny's Subs	Jan-23	2,002
Pizza Hut	Dec-22	2,200
Quickway Japanese	Dec-22	2,200
IHOP	Dec-22	4,600
Beauty Plus	Jan-23	2,000
MSU - Public Safety	Jan-23	6,937

Currently Open

Tropical Smoothie	Sep-22	1,500
DTLR, Inc.	Sep-22	6,000
Chipotle	May-22	2,335
The Harbor Bank	Jun-22	2,323
McDonald's	Sep-21	2,400
Fulton Bank, N.A.	Dec-21	2,400
Lidl US Operations	Jul-22	29,089

Fiscal Year 2022 Report	
No. of New Businesses	16
No. of New Jobs	TBD
Amount of Private Investment (\$)	\$34,652,000
Investment made by Qualified Institution (\$)	\$1,500,000
No. of Businesses Eligible for Property Tax Credit	2
No. of Businesses Eligible for Income Tax Credits	N/A

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 Foundation works to enhance and align the work of the College with those of technology businesses by co-locating businesses on campus. They aim 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, we have attracted one Developer with a tenant, Hughes Network Systems, to PIC MC, who we believe 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; managed 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. To learn more, visit www.hughes.com or follow HughesConnects on Twitter and LinkedIn.

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 (HUGHES) 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 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 Fall 2023

*The significance of the October 3rd groundbreaking is that 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, the real estate development community and technology companies at Montgomery College where we are creating an integrated academic, business, and research campus to inspire the next generation of technology industry leaders.

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. MC 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 MC are in the process of finalizing 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, as well as 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 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;

Fiscal Year 2022 Report	
No. of New Businesses	1 in process of being built
No. of New Jobs	In process of being built
Amount of Private Investment (\$)	Developer considers this information as proprietary
Investment made by Qualified Institution (\$)	see above comment
No. of Businesses Eligible for Property Tax Credit	1
No. of Businesses Eligible for Income Tax Credits	1

Salisbury University RISE Zone

The Salisbury RISE Zone overlaps significantly with their Enterprise Zone and mirrors the Enterprise Zone benefits. In instances where Salisbury is seeking the tax credits, they are usually certified under the Enterprise Zone. The lynch pin for the RISE Zone for Salisbury was the ability to create a TIF (that would have partially funded private improvements) if/when the Health and Human Sciences partnership/project becomes a reality. With that being stalled, it could potentially be used on future projects at the same site or in the Zone in general.

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. As of the end of fiscal year 2022, 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 and it is anticipated that at least one RISE Zone will apply for matching funds.