

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 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 Reports¹

University of Maryland's Baltimore Campus RISE Zone

Unfortunately, we do not have any development in the UMB RISE Zone. Accordingly, we do not have any businesses, jobs, or meaningful private investments in the UMB RISE Zone.

The UMB RISE Zone is currently very small, consisting of a single building site. The private developer who owns the land in the UMB Rise Zone has informed UMB that it intends to develop other sites in the BioPark before the existing site in the current UMB RISE Zone. The developer has stated that receiving RISE Zone designation for those sites is critical to moving forward. As a result, UMB is seeking approval to expand the RISE Zone to cover multiple sites in the BioPark. Baltimore City has approved UMB's application for an expanded RISE Zone and UMB is now seeking State approval. We are confident that this expanded RISE Zone will generate significant capital investment and job creation. We expect to break ground in 2021.

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 2020. The program is still relatively 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.

Typically, the challenge related to Rise Zone prospects is the focus of 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. We have anticipated applying RISE property tax

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

benefits through landlords for the benefit of RISE eligible tenants, but the process is cumbersome and difficult to explain.

Below is a list of companies that have been added to the RISE Zone during FY20 (July 1, 2019 – June 30, 2020). As a point of reference, this table shows new and existing businesses that have either been attracted to the RISE Zone or expanded. The industries represented vary from manufacturing, engineering, consultancy and casual dining.

Company	Industry	Address	New Business or Expansion
Aerothreads	Aerospace Engineering/Fabrication	5650 Rivertech Court, Suite V	Expansion – moved from 4511 Knox Road
The Hall CP	Dining	4656 Hotel Drive	New Business
Newton Engineering	Aerospace engineering/fabrication	5650 Rivertech Court, Suite A	New Business – moved from Greenbelt area
Medcura	Medical device fabrication	5650 Rivertech Court, Suite S	Expansion – moved from UMD incubator in 5000 College Avenue
Sea Grant	Environmental research and education	5825 University Research Court, Suite 1350	Expansion – moved from 4321 Hartwick Road
Maryland Procurement Technical Assistance Center	Technical support for government contracting	5825 University Research Court, Suite 1300	Expansion – moved from 7100 Baltimore Avenue
Living Canopies	Production of outdoor furniture	5145 Campus Drive	Expansion
Maryland Clean Energy Center	Energy research and policy	5000 College Avenue, Suite 31010	Expansion
Playa Bowls	Food/Beverage	7417 Baltimore Ave	New Business
La Tao Hot Pot	Food/Beverage	8700 Baltimore Ave	New Business
Lidl	Grocery Store	8601 Baltimore Ave	New Business
Zhang Noodles	Food/Beverage	7313 Baltimore Ave	New Business

UMBC RISE Zone

No activity has been reported in the UMBC RISE Zone.

Salisbury University RISE Zone

No businesses were designated for RISE Zone benefits during FY2020.

The Medical Education facility is still under consideration by Salisbury University, but it is uncertain when this project will come to fruition. It is still a priority to them, but they are unable to put it on a timeline with the limited funding they have.

Our RISE Zone currently overlaps with our Enterprise Zone, so businesses that qualify for RISE Zone will typically opt to be designated under the Enterprise Zone instead. However, the RISE Zone could play a key role in the development of the medical education facility, due to the

ability to create a TIF that can fund private investment. From that standpoint, the RISE Zone program could be extremely helpful if/when SU pursues this development.

Morgan State University RISE Zone

Demolition: The site has been cleared, and all that remains are the building slabs. Phase 1 Building Demolition (consisting of the vertical improvements) was completed in June. All site work approvals have been obtained, and we are commencing Phase 2 Demolition (below slab/grade), and site work in November.

Financing/ New Market Tax Credits: We closed on our financing with Fulton Bank on December 31, 2019, and a New Markets Tax Credit (“NMTC”) equity investment coordinated by Harbor Bank.

Leasing: Northwood Commons has commitments (executed leases and letters of intent) with several national, regional, and local retailers and restaurants, including Lidl (Grocery Store), Barnes & Noble College, and several other tenants. Our Leasing Team continues to identify new businesses as candidates for the project.

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

Architecture: JP2 Architects is working on the building design.

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.

Montgomery College RISE Zone

There have not been any businesses approved for the RISE Zone incentive in FY 2020. The PIC MC Foundation, a supporting organization with Montgomery College, manages the assets of the 40-acre section of the integrated academic, business and research campus in Germantown. It selected the development team of Minkoff Development and South Duvall/Scheer Partners in FY19. 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 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. The development team of Minkoff and South Duvall/Scheer Partners created a marketing brochure which has been used for marketing discussions with real estate brokers and life sciences and technology companies. Given the COVID 19 environment with a building that has not started construction, the signing of the first tenant is not been completed.

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 still 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.

Investment has been made by Qualified Institution in the amount of \$250,000 (soft costs of legal, consultant, and other fees in the RFP process in selecting a developer were funded by PIC MC Foundation).