



# HOWARD COUNTY DEPARTMENT OF PLANNING AND ZONING

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*Subject:* Route 1 Tax Credit Annual Report to Council for Renovated, Upgraded or Rehabilitated Properties

*To:* Liz Walsh, Chair, Howard County Council

*From:* Amy Gowan, Director, Department of Planning and Zoning

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Larry Twele, President and CEO, Howard County Economic Development Authority

*Date:* September 1, 2021

The Departments of Planning and Zoning (DPZ) and Finance and the Howard County Economic Development Authority (HCEDEA) are submitting the annual report on the Real Property Tax Credit for Renovated, Upgraded or Rehabilitated Property adjacent to Route 1, as specified in the Howard County Code Title 20. Section 20.129D(K). This program supports revitalization of properties along the Route 1 corridor and eligible properties within a specified expanded boundary in Elkridge. The program offers a financial incentive for commercial and industrial property owners to renovate, rehabilitate, and upgrade properties through a property tax credit of up to \$100,000. The program is capped at \$250,000 per year.

## *Background:*

The 2011 Robert Charles Lesser & Co. (RCLCO) Study identified Route 1 as an important employment corridor for the county but acknowledged that long stretches include “a hodgepodge of longstanding commercial visual blight.” In response, CB 9 – 2014 was enacted to fund a four-year tax credit program for commercial and industrial properties along Route 1.

On June 9, 2017, the County Council amended Section 6 of Council Bill 9-2014 (an uncodified section) to extend the "Renovated, Upgraded, or Rehabilitated Property Adjacent to Route 1 Tax Credit" through the taxable year ending June 30, 2020. It also permitted the payment of approved credits beyond June 30, 2020, should the amount of the tax credit exceed the approved property's annual county tax bill. Extending the program two additional years allowed the tax credit program to continue while planning activities occurred along the Route 1 Corridor.

Through the end of 2020 and beginning of 2021, DPZ released [several assessments](#) of the Route 1 Corridor as baseline data to inform recommendations for opportunity areas along the corridor. These recommendations will be incorporated into HoCo By Design, the next General Plan update and will guide future zoning to achieve a balanced mix of uses and other incentives to revitalize the proposed opportunity areas.

On October 5, 2020, CB-52-2020 was introduced after the Route 1 Tax Credit program sunset on June 30, 2020, to reestablish the Route 1 Tax Credit program through the taxable year ending June 30, 2026. CB-52 was approved on November 4, 2020, and became effective on January 5, 2021. The bill restarted the credit and extended the program to June 30, 2026. CB-52 included several provisions to enhance the attractiveness of the program and boost participation.

- **Increase the maximum property size from the previous 10 acre maximum to 15 acres:** This adds 13 additional eligible properties into the program
- **Allow up to 10% of soft costs for eligible expenses:** Since architectural & engineering fees can be a significant cost for these types of improvements, this provision makes the tax credit more attractive to property owners. Soft costs have been allowed in the past and this eligible expense is common to many tax credit programs.
- **Increase the length of eligibility to receive the credit from four years to five years:** For some property owners with lower tax liabilities, this makes the program more attractive by extending the time period of the payout.
- **Reduce the annual program maximum to \$250,000 from the previous annual limit of \$500,000:** Given recent budget constraints, the reduced cap limits the potential annual fiscal impact to the County. The County has not reached the higher annual limit in previous years, but activity has increased since inception and is anticipated to continue increasing as targeted marketing is conducted.

*2021 Reporting Requirement:*

From the effective date of January 5 to the April 1 deadline to complete the work, three projects were approved for a total of, \$49,298.50 in tax credits. The tax credits for these three properties have been applied to the July 2021 (FY22) tax bill.

**Projects approved in FY 2021 (tax credit granted on FY 22 tax bill)**

Owner Name	Parcel	Property Address	Eligible Project Costs	Total Amount Approved	Tax Credit Amount Applied to FY 22
<b>The Savage Limited Liability Company</b>	06-402445	9375 Washington Blvd., Laurel	\$29,786.00	\$20,600.50*	\$20,600.50
<b>Hasan Habibi &amp; Mortzaee Ashraf T/E</b>	01-182099	5871 Washington Blvd., Elkridge	\$15,186.00	\$15,186.00	\$4,573.14
<b>Weick Properties LLC</b>	01-182862	5800 Main Street, Elkridge	\$13,512.00	\$13,512.00	\$4,695.15

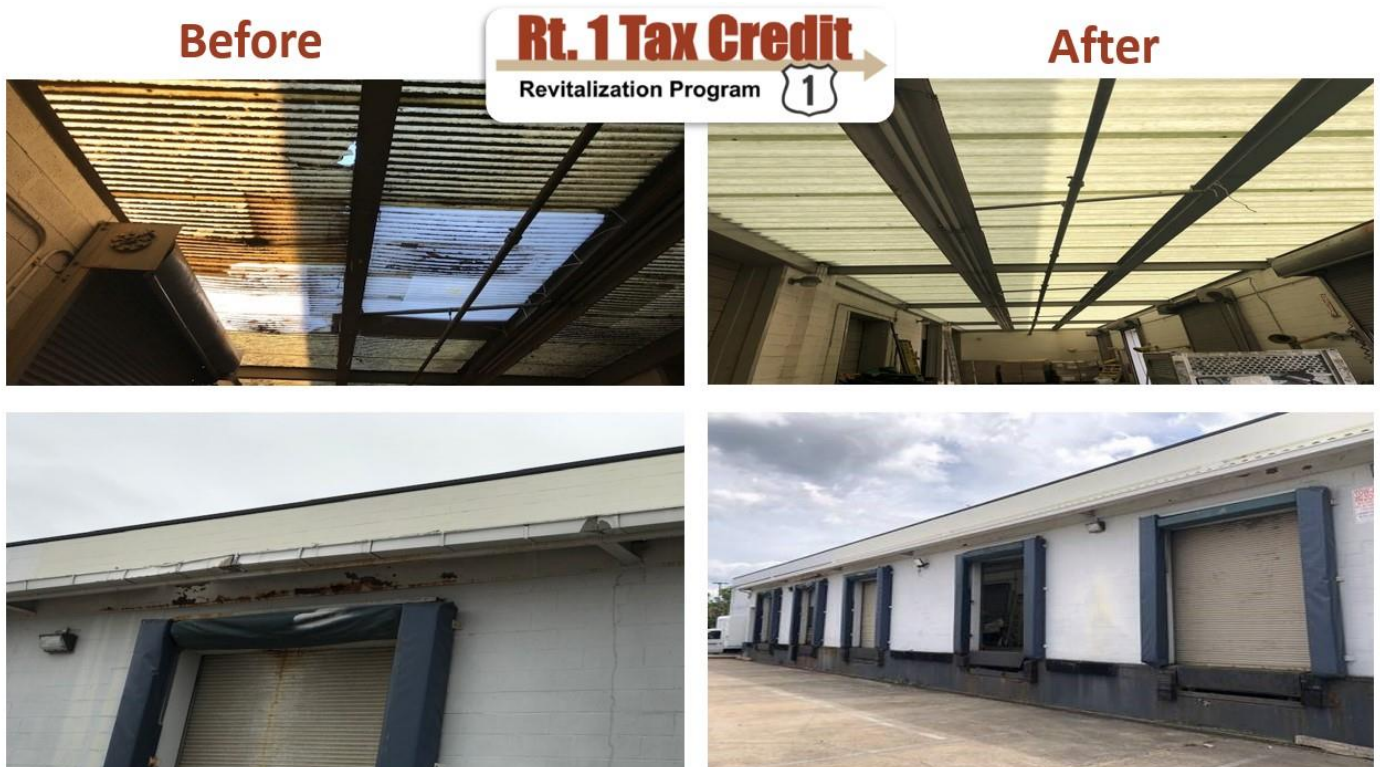
\* This is the applicant's third tax credit project and is only eligible for the remainder of the \$100,000 cap on the tax credit

**Projects approved prior to FY 21 with credit carried-forward into FY22.**

Owner Name	Parcel	Property Address	Eligible Project Costs	Total Amount Approved	Tax Credit Amount
Ridge View LLC	06-433723	9994 Washington Blvd.	\$146,500.00	\$146,500.00	\$3,853.20
5782 Main Street LLC	01-176188	5782 Main Street	\$180,458.00	\$180,458.00	\$6,472.03

*9375 Washington Blvd.*

The property at 9375 Washington Boulevard (pictures below) replaced the entire loading dock roof, down spouts and trim on the loading dock. This is the third project which this owner has completed using the Route 1 Tax Credit and has reached their per parcel allowance of \$100,000. The prior two projects included adding a stone veneer, roof line trim, exterior painting, docking bumpers, awning installations, lighting, landscaping, and trash enclosure.



*5871 Washington Blvd.*

The structure at 5871 Washington Boulevard replaced the four deteriorating windows on the front façade of the main building with new aluminum windows and a new matching door. The owner is currently working with HCEDA to potentially secure additional loans and is interesting in applying for additional Route 1 tax credits to complete a larger, more transformational scope.

Before

**Rt. 1 Tax Credit**

Revitalization Program



After



*5800 Main Street, Elkridge*

The commercial property at 5800 Main Street in Elkridge replaced the existing dying bushes with new ones, installed new standing seam roofs over both entry ways, and seal coated and restriped the parking. This owner is also considering applying for similar roof repairs in the near future for the parts of the roof that were not updated by this project.



## Evaluation

The Route 1 tax credit program is administered by the Department of Finance and HCEDA with DPZ acting as the lead agency.

As discussed above, Council Bill 52-20 became effective January 2021. Unlike prior years of the program DPZ, Finance and EDA were faced with a condensed timeline to recruit applicants and ensure projects were complete by April 2021. A new DPZ staff member was brought on board in January 2021 to lead the Route 1 tax program and was quickly immersed in advancing it. The COVID-19 pandemic impacted the ability to conduct face-to-face outreach, site visits, and generally spread the word that the program had been reauthorized and reshaped.

However, between January and August 2021 the tax credit program has made great strides and includes the following accomplishments:

- Enhanced coordination between EDA-DPZ-Finance, which includes regular meetings to evaluate projects, and co-creation and deployment of an outreach strategy.
- For the first time, the program has a pipeline of project applications pending review and approval. This increased subscription was the result of EDA's renewed outreach including the design of a new logo and postcard that was mailed to properties in eligible geographic areas. EDA also posts in their weekly newsletter and the Ball Bulletin and reaches out to realtors doing work in the eligible area to make sure they are aware of the incentive and can effectively communicate it to clients.
- Updated the Route 1 website for enhanced usability, including more robust information on the process and eligibility requirements and posting 'before and after' photos so candidates can assess their fit for the program and understand the impact.

- A web mapping application to identify eligible parcels and visually represent where the Route 1 Tax Credit projects have taken place.
- Coordinated with the Resource Conservation Division (RCD) of DPZ to ensure the tax credit is sensitive to historic sites. The web mapping application also includes sites with historic designations to encourage proactive discussion before an owner applies or participates in a consultation meeting.

Route 1 is a complex corridor and the more EDA and DPZ works with stakeholders and potential applicants the more we understand and can modify the program to better position it for success. Below are some notable challenges the team has discovered and the initial ways we are addressing them:

- *Limited number of small business owners that have the upfront funds to invest in transformative projects*
  - Coordinating with small property owners to better educate them on additional programs that EDA sponsors including loans and other incentives
  - Working with applicants on most impactful projects to ensure that there will be real visual change along the corridor
- *Lack of understanding by property owners on how the tax credits function*
  - Adding more material on DPZ's Route 1 website that focuses on common knowledge gaps
  - Dedicating a specific staff member to each applicant who can guide them through the process
- *Limited County funds and a strong pipeline of projects*
  - While the reauthorization of the program reduced the funding level from \$500,000 to \$250,000, the need for corridor beautification still exist. As of August 13<sup>th</sup>, twenty-two (22) businesses have expressed interest, staff have convened eleven (11) consultation meetings and three (3) applications have been submitted. There is a strong potential for funds to be exhausted within the first few months of the credit being open and likely not enough funding to meet full the demand.
  - EDA, DPZ and Finance are developing a prioritization list of eligible tax credit activities to ensure that there is agreed upon internal guidance when evaluating applications on a rolling basis to expedite processing and increase project impact.
- *Lack of interest in the program by businesses that are the most visually blighted*
  - Continuing to build up awareness of the program, including discussions of appropriate program signage on Tax Credit recipient parcels and marketing success stories.
  - EDA/DPZ proactively builds relationships with the owners to make sure there is trust and understanding around this incentive.
- *No eligibility for properties with a residential component*
  - The program is limited to industrial and commercial properties but the need for visual improvements extends the entire corridor. The team works with all properties to understand the limitation especially in the Elkridge area, where the residential component is prominent.
  - This challenge could be addressed if the credit is reauthorized in four years.

The tax credit program team's goal is to fund applications with the most impact and continue to increase subscription each year. The program is currently authorized for four more years so there are opportunities to align with Route 1 recommendations in HoCo by Design General Plan Update.

The tax credit program team is available if Council would like a presentation at an upcoming monthly meeting.