



HOWARD COUNTY DEPARTMENT OF PLANNING AND ZONING

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Subject: FY 22 Route 1 Tax Credit Annual Report to Council for Renovated, Upgraded or Rehabilitated Properties

To: Opel Jones, 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, 2022

The Departments of Planning and Zoning (DPZ) and Finance and the Howard County Economic Development Authority (HCEDA) 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.

On October 5, 2020, CB-52-2020 was introduced after the Route 1 Tax Credit program sunset on June 30, 2020. This bill became effective on January 5, 2021 and 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 added 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.

2022 Reporting Requirement:

From July 1, 2021, to the deadline for project completion of April 1st, 2022, five projects were approved for a total of \$250,000.00 in tax credits. The tax credits for these five properties have been applied to the July 2022 (FY23) tax bill. In the table below, the "Initial Tax Credit Request" lists the amounts that were include and approved in the initial application and the "Total Amount Approved" is the amount that the applicant was granted after project completion. "Initial Tax Credit Request" and "Total Amount Approved" differ due to various factors such as:

- Unforeseen construction expenses trigger the need for 125% allowance
- The applicant utilizes 10% for soft costs
- The invoices submitted were less than the original quotes, or
- The invoices submitted were higher than the original quotes and were confirmed as being eligible
- The construction project has administrative amendments to the scope after Committee approval

Projects approved in FY 2022 (tax credit granted on FY 23 tax bill)

Owner Name	Parcel	Property Address	Initial Tax Credit Request	Total Amount Approved	Tax Credit Amount Applied to FY 23
WABASEA GROUP LLC (Patapsco Bikes)	01-179683	5746 Main Street, Elkridge, MD 21075	\$37,900.00	\$37,900.00	\$4,034.71
David J. & Deborah A. Marc (Hair Station)	01-169297	5849 Washington Blvd., Elkridge, MD 21075	\$12,549.00	\$13,709.00	\$2,343.35
Aireco Supply, Inc.	06-392946	8860 Gorman Rd., Laurel, MD 20723	\$123,042.00	\$100,000.00*	\$31,944.04
Vishnu Corporation (Super 8)	06-414613	9920 Washington Blvd., Laurel, MD 20723	\$30,630.00	\$29,627.18	\$21,469.42

Andrews Real Estate Holdings, LLC.	06-391532	8414 Washington Blvd., Jessup, MD 20794	\$68,763.82	\$68,763.82	\$8,508.47
Total:				\$250,000.00	\$68,299.99

* This applicant has maxed out their \$100,000 cap on the tax credit.

Projects approved prior to FY 2022 with credit carried-forward into FY23.

Owner Name	Parcel	Property Address	Initial Tax Credit Request	Total Amount Approved	Tax Credit Amount Applied to FY 23
Ridge View LLC	06-433723	9994 Washington Blvd., Laurel, MD	\$146,500.00	\$100,000.00	\$4,379.47
5782 Main Street LLC	01-176188	5782 Main Street, Elkridge, MD	\$180,458.00	\$100,000.00	\$6,506.16
Hasan Habibi Mortazae Ashraf T/E	01-182099	5871 Washington Blvd., Elkridge, MD	\$15,186.00	\$15,186.00	\$4,573.14
Weick Properties, LLC.	01-182862	5800 Main Street, Elkridge, MD	\$13,512.00	\$13,512.00	\$4,744.17
Total:					\$20,202.94

5746 Main St.

The Patapsco Bikes property at 5746 Main Street (pictures below) replaced the windows on the first level with vinyl with tempered glass, repaired the roof, installed new shingles, and added a ramp with stairs. In addition to the Route 1 Tax Credit, the applicant used private funding to make additional exterior and interior enhancements which resulted in the total overhaul of the building. With proximity to the Patapsco State Park and BWI trail, the business is well situated to serve the vibrant cyclist community of Elkridge.



5849 Washington Blvd.

The Hair Station property at 5849 Washington Boulevard (pictures below) replaced the windows on the upper level with new energy efficient double pane windows, replaced the glass basement windows, and applied a stone veneer on the exposed foundation. Private financing was used to complete a project on the side of the building that replaced the windows, painted the basement entrance, and added a mulch bed. This property prominently fronts the Route 1 right-of-way at the southern entrance of Elkridge and contributes to area's small-town charm.



8414 Washington Blvd.

The Andrews Equipment Company at 8414 Washington Boulevard (pictures below) replaced the front doors, glazed the windows with commercial grade materials, replaced the awnings, and installed new signage. These improvements not only modernized the building, but also made the businesses more visible to those driving along Route 1.



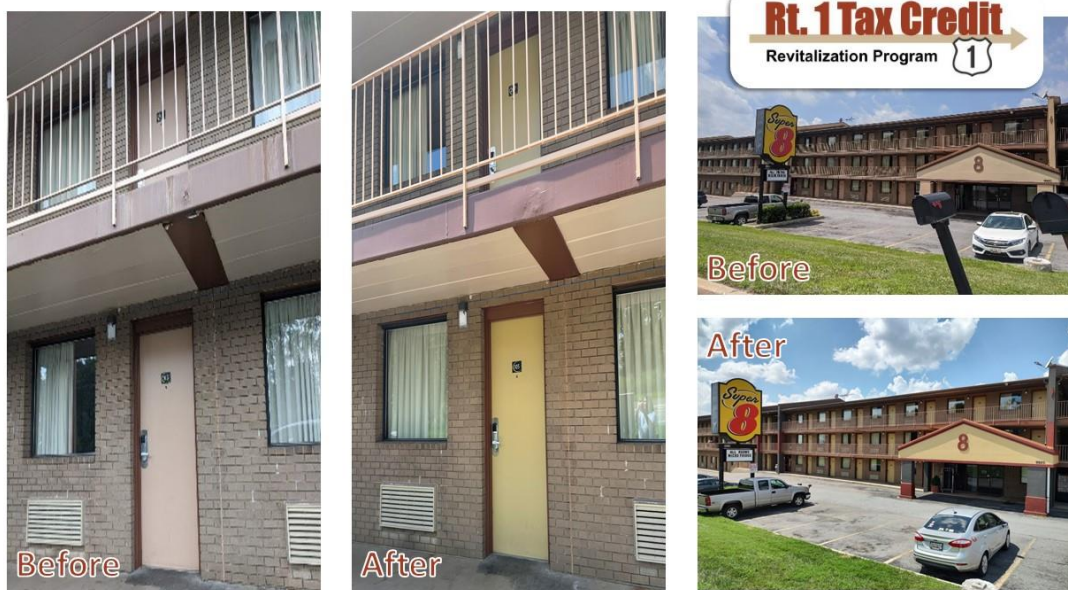
8860 Gorman Rd.

Aireco Supply at 8860 Gorman Road (pictures below) replaced the fence along Route 1 with a new black aluminum fence, planted evergreen trees which will mature to shield the truck loading area from Route 1, and installed new windows along the front entrance.



9920 Washington Blvd.

The Super 8 Motel at 9920 Washington Boulevard (pictures below) repaired stucco paint on the front of the building, removed rust, resealed the concrete joints, painted balcony ceilings on the 1st and 2nd floor, painted doors, and painted the railing. The enhancements to the building's façade have refreshed the aesthetic appearance of a prominent structure along the corridor.



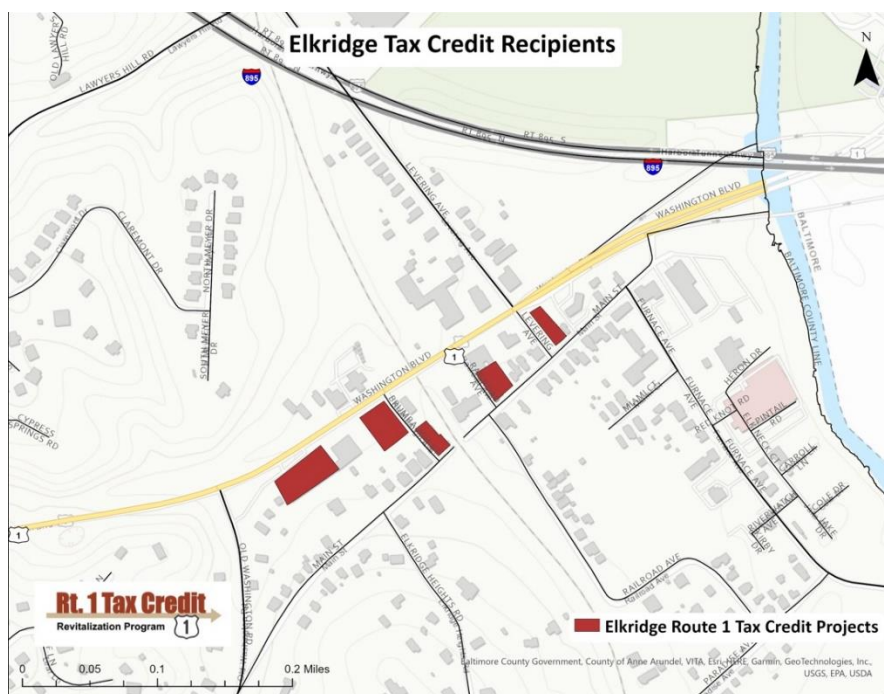
Evaluation

Much of the work performed for the Route 1 Tax Credit Program in FY21 supported the FY22 accomplishments. In FY21, the program was operating under a condensed timeline. This left the program team with limited time to recruit applicants and ensure projects were complete by April 2022. In FY22, DPZ, Finance and EDA benefited from having built relationships in the previous year. The COVID-19 pandemic had less impact on the ability to conduct face-to-face outreach, site visits, and generally spread the word that the program had been reauthorized and reshaped.

Accomplishments

More specifically, in FY22, (July 2021-June 2022) the tax credit program celebrated the following accomplishments:

- For the first time, the program fully allocated its \$250,000 yearly allotment which was allocated to 5 tax credit projects. This is the greatest amount of tax credits allocated in program history.
- EDA and DPZ held regular meetings to evaluate projects and there was regular communication between the program team and DILP and Zoning to better understand other permitting and zoning requirements.
- The Route 1 website was updated to enhance the understanding of the program. It now includes more detailed information on the process and eligibility requirements and has 'before and after' photos so candidates can better assess their fit for the program and understand the intended impact.
- Throughout both FY 21 and FY 22, EDA referred multiple businesses to the program and did significant outreach.
- Overall, there were more 'word of mouth' inquiries about the program and positive feedback from awardees saying the process was easy to work through.
- The addition of two tax credit projects created a 'cluster of change' in Elkridge, with five total tax credit projects located along a prominent 1,000-foot stretch of Route 1.



Challenges

Route 1 is a complex corridor. As EDA and DPZ continue to work with stakeholders and potential applicants, program staff can better understand the Corridor's challenges and how to respond to them. Below are some ongoing and new programmatic challenges and the project team's efforts to address them:

- *Limited number of small business owners that have the upfront funds to invest in transformative projects*
 - Educating small business owners on additional programs that EDA sponsors, including loans and other incentives that may assist with upfront costs
 - Working with applicants to shape an application to best meet financial limitations
- *Lack of understanding among property owners on how tax credit functions*
 - Adding more material on DPZ's Route 1 website that focuses on common knowledge gaps
 - Assigning a specific staff member to each applicant who can guide them through the process
 - Providing five-year tax credit estimates and estimates of property owners yearly tax burden based on data provided by the Department of Finance helped property owners understand the financial benefit.
- *Applicants faced challenges with supply chain issues and high cost of construction materials*
 - Working closely with the applicants and Department of Finance to adjust the schedule to ensure minor delays could be accommodated and create a strategy to adjust the scope of work to ensure partial credit could still be achieved, if necessary.
- *Lack of interest in the program by businesses that are the most visually blighted*
 - Continuing to build up awareness of the program, including marketing success stories.
 - Building relationships with the owners to foster trust and understanding around this incentive.

Future Considerations for Reauthorization

When the program was reauthorized in 2020, the total annual allocation was reduced from \$500,000 to \$250,000 in response to budgetary restrictions at that time. For the first time in the program's history staff was able to fully exhaust the tax credits in FY22, with at least one application unfunded and delayed to the next fiscal year. FY 22 proved that with substantial outreach and word of mouth inquiries, this program was able to fully expend the allocated tax credits. However, should demand continue to grow over the next fiscal year as anticipated, the program's total annual credit limit could become a constraining factor.

The program accepts applications on a non-competitive, first-come-first-serve basis with no guarantee that high impact projects will receive County tax credits each year. Once tax credits are exhausted each fiscal year, property owners must wait until the next funding cycle to participate. If demand continues to exceed available tax credits, staff may need to explore creating a competitive scoring system in the future to prioritize tax credits for high impact projects.

The current program authorization extends to January 2026 during which time the implementing agencies will continue to seek applications that lead to strong visual improvements along the Corridor and maximize the full allocation. Additionally, HoCo By Design will include recommendations for enhancements to the Route 1 tax credit program, along with other economic development tools to revitalize the Corridor. After adoption of HoCo By Design, these recommendations should be considered in future reauthorizations.

The Route 1 Tax Credit team is available if the Council would like a presentation at an upcoming meeting.