



HOWARD COUNTY DEPARTMENT OF PLANNING AND ZONING

3430 Court House Drive ■ Ellicott City, Maryland 21043 ■ 410-313-2350

Lynda D. Eisenberg, AICP, Director

FAX 410-313-3467

Subject: FY 2023 Route 1 Tax Credit Annual Report to Council for Renovated, Upgraded or Rehabilitated Properties

To: Christiana Rigby, Chair, Howard County Council

From: Lynda D. Eisenberg, AICP, Director, Department of Planning and Zoning
Rafiu Ighile, Director, Howard County Department of Finance
Jennifer Jones, President and CEO, Howard County Economic Development Authority

Date: September 1, 2023

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 for an additional year:** 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.

2023 Reporting Requirement

From July 1, 2022, to the deadline for project completion of April 1, 2023, five projects were approved for a total of \$245,247.26 in tax credits. The tax credits for these five properties have been applied to the Fiscal Year (FY) 2024 tax bill issued in July 2023. In the table below, “Initial Eligible Project Costs” are the amounts which were approved and “Total Amount Approved” is the amount that the applicant was granted after project completion. “Eligible Costs” and “Total Amount Approved” differ due to various factors, such as:

- The construction project has administrative amendments to the scope after approval,
- The applicant utilizes 10% for soft costs,
- Unforeseen construction expenses trigger the need for 125% allowance,
- 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.

Projects approved in FY 2023 (tax credit granted on FY 2024 tax bill)

Owner Name	Account Number	Property Address	Initial Eligible Project Costs	Total Amount Approved	Tax Credit Amount Applied to FY 24
5820, LLC (Fleetpro)	01-174002	5820 Washington Blvd., Elkridge, MD 21075	\$79,109.80	\$ 75,516.16	\$22,780.52
DC North (Holiday Inn Columbia-Jessup)	06-422349	5849 Washington Blvd., Elkridge, MD 21075	\$100,000.00	\$100,000.00*	\$73,261.17
Amani Investments Group LLC	06-407986	10140 Route 1 Laurel, MD 20723	\$34,500.00	\$34,500.00	\$3,014.62
Galaxy Electronics INC (Galaxy Electronics)	06-472729	9885 Washington Blvd., Laurel, MD 20723	\$ 24,410.74	\$ 24,279.10	\$13,607.88
JNS Realty, LLC (Napa Auto Parts)	01-178512	7430 Washington Blvd., Elkridge, MD 21075	\$ 8,532.45	\$10,952.00	\$3,813.65
Total:				\$245,247.26	\$116,477.84

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

Projects approved prior to FY 2023 with credit carried forward into FY 24 (total tax credit granted on FY 24 tax bill)

Owner Name	Parcel	Property Address	Initial Eligible Project Costs	Total Amount Approved	Tax Credit Amount Applied to FY 24
Ridge View LLC	06-433723	9994 Washington Blvd., Laurel, MD	\$146,500.00	\$100,000.00*	\$4,474.10
5782 Main Street LLC	01-176188	5782 Main Street, Elkridge, MD	\$180,458.00	\$100,000.00*	\$6,540.30
Hasan Habibi Mortazaee 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	\$4,072.68
Wabasea Group LLC (Patapsco Bikes)	01-179683	5746 Main Street, Elkridge, MD 21075	\$37,900.00	\$37,900.00	\$4,109.74
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*	\$33,058.76
Vishnu Corporation (Super 8)	06-414613	9920 Washington Blvd., Laurel, MD 20723	\$30,630.00	\$29,627.18	\$8,157.76
Andrews Real Estate Holdings, LLC.	06-391532	8414 Washington Blvd., Jessup, MD 20794	\$68,763.82	\$68,763.82	\$9,279.11
Total from FY2023 (see chart above)					\$116,477.84
Total Tax Credit Applied to FY2024					\$193,086.78

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

Summary of FY23 Tax Credit Projects

7900 Washington Blvd

The Holiday Inn Columbia East property at 7900 Washington Boulevard (pictures below) renovated the exterior with a double coat of paint and revamped stucco. Located at a bustling intersection, the tax credit covered the majority of the repainting costs with additional investment by the owner. The hotel has also invested in window and interior improvements which further expand the impact of the County's tax credit.



7430 Washington Blvd.

The Napa Auto Parts property located at 7430 Washington Boulevard (pictures below) replaced missing signage with an LED lighted sign. The exterior was also refreshed with a new coat of paint. These improvements not only modernized the building, but also made the business identifiable to those driving along Route 1.



5820 Washington Blvd.

The Fleet Pro property located at 5820 Washington Boulevard revamped the exterior with fresh paint and new awnings. Improved lighting fixtures were installed along the perimeter of the building to provide safety and enhance ambiance. This property prominently fronts the Route 1 corridor towards the West entrance of Elkridge and contributes to the other nearby improvements supported through the Route 1 Tax Credit Program.



10140 Route 1/ Washington Blvd

Amani Investment Group LLC located at 10140 Route 1/Washington Boulevard removed and replaced all windows, repainted a vibrant blue and refurbished and repaired the porch with sanding and column replacement. The owner completely overhauled the commercial building to create a flexible commercial space and the Route 1 Tax Credit façade enhancements have transformed the aesthetic appearance of a previously blighted structure along the corridor.



9885 Washington Blvd.

Galaxy Electronics Assoc., Inc. located at 9885 Washington Boulevard improved the exterior through new paint on the columns, upgraded monument signage, window repair/replacement, and fresh mulch. These improvements enhance the businesses' modern appeal.



Evaluation

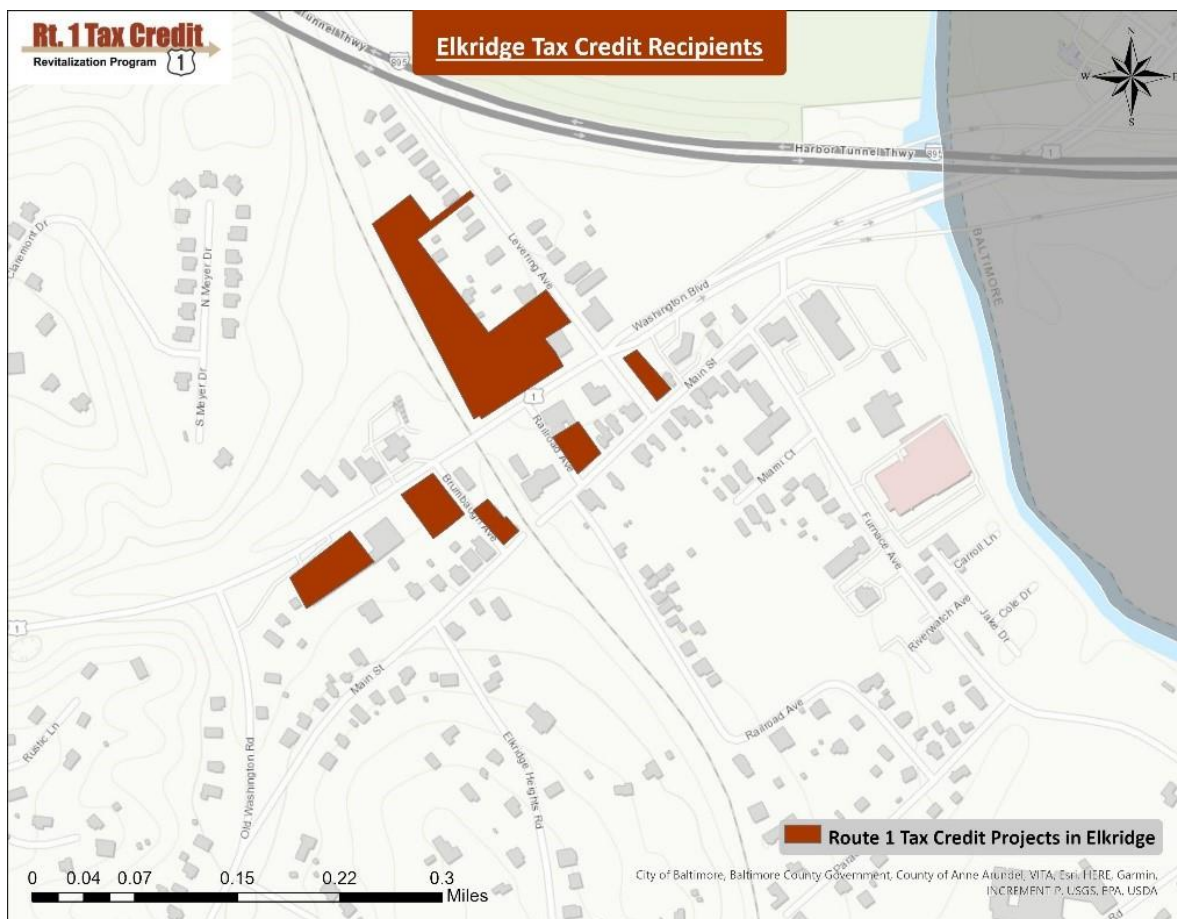
The Route 1 Tax Credit Program continued the success of FY 22 throughout FY23. In FY22, the tax credit was fully allocated for the first time in the program's history. In FY23, the tax credit amount was also fully allocated at \$250,000, but actual expenditures were just over \$245,000 because an applicant changed their scope during construction for a cost savings. DPZ, Finance and EDA continued to have a productive working relationship which facilitated efficient administration of the program. Additionally, in-person outreach, site visits and past program participants assisting in the promotion of the program have helped ensure a steady flow of applicants.

Accomplishments

More specifically, in FY23, (July 2022-June 2023) the tax credit program celebrated the following accomplishments:

- For the second time, the program allocated its \$250,000 yearly allotment which was allocated to five tax credit projects.
- The Route 1 website has continued to be updated to educate potential program/tax credit users. It now includes more detailed information on the process and eligibility requirements and has 'before and after' photos with scopes of work so candidates can better assess their fit for the program and understand the intended impact.
- In FY23, EDA targeted outreach to eligible commercial and industrial properties which boosted inquiries about the program.
- Past program participants share via 'word of mouth' their positive experiences with the program which has helped boost program interest.

- In September 2022, a press release was distributed outlining the Route 1 Tax Credit Program’s accomplishments and promoting the next round which was picked up by Business Monthly and the Patch. The tax credit program was also promoted in the Quarterly Department of Planning and Zoning’s newsletter “DPZ Digest” and Calvin Ball’s weekly newsletter “The Ball Bulletin”.
- The tax credit projects continued to create a ‘cluster of change’ in Elkridge with now six properties located along a prominent 1,000-foot stretch of Route 1 that occurred between FY21-FY23. See map below.



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, many of which have remained similar over the past few years, 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 scale their applications to best meet their financial limitations
- *Lack of understanding among property owners on how tax credits function*
 - Adding more material on DPZ’s Route 1 website that focuses on common knowledge gaps

- Providing interested program participants/property owners with total tax credit estimates for their proposed scope of work and demonstrating how this impacts their yearly tax burden.
- *Applicants faced challenges with limited contractor availability 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 creating a strategy to adjust the scope of work to ensure partial credit could still be achieved, if necessary.
- *Less 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 second time in the program's history staff was able to fully exhaust the tax credits in FY23. Fiscal years 22 and 23 demonstrated that with substantial outreach and word of mouth inquiries, this program has sustained demand that we anticipate retaining and possibly growing. As a result, the program's total annual credit limit could become a constraining factor in meeting this demand.

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 fiscal year to participate. If demand continues to exceed available tax credits, staff could 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 Program team is available if the Council would like a presentation at an upcoming monthly meeting.