



HOWARD COUNTY DEPARTMENT OF PLANNING AND ZONING

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Subject: FY 2024 Route 1 Tax Credit Annual Report to Council for Renovated, Upgraded or Rehabilitated Properties

To: Deb Jung, 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: August 30, 2024

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 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.

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.

2024 Reporting Requirement

Three projects were approved for a total of \$85,199.10 in tax credits in FY24. The tax credits for these three properties have been applied to the Fiscal Year (FY) 2025 tax bill issued in July 2024. 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” may 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, and/or
- the invoices submitted were higher than the original quotes and were confirmed as being eligible.

Projects approved in FY24 (tax credit applied to FY25 tax bill)

Owner Name	Account Number	Property Address	Initial Eligible Project Costs	Total Amount Approved	Tax Credit Amount Applied to FY25
5815 Corridor LLC (VersaTech)	06-486738	5820 Washington Blvd., Elkridge, MD 21075	\$69,868.00	\$69,868.00	\$37,768.79
Gardenia LLC	01-158767	5841 Washington Blvd., Elkridge, MD 21075	\$5,889.00	\$5,889.00	\$3,615.72
Eastern Hospitality, LLC (White Elk Motel)	01-173863	6195 Washington Blvd., Elkridge, MD 21075	\$9,442.10	\$9,442.10	\$8,717.06
Total:				\$85,199.10	\$50,101.57

Projects approved prior to FY24 with credit carried forward into FY25 (total tax credit granted on FY25 tax bill)

Owner Name	Parcel	Property Address	Initial Eligible Project Costs	Total Amount Approved	Tax Credit Amount Applied to FY25
DC North (Holiday Inn)	06-422349	7900 Washington Blvd., Jessup, MD	\$100,000.00	\$100,000.00	\$26,738.83
5782 Main Street LLC	01-176188	5782 Main Street, Elkridge, MD	\$180,458.00	\$100,000.00 *	\$6,765.46

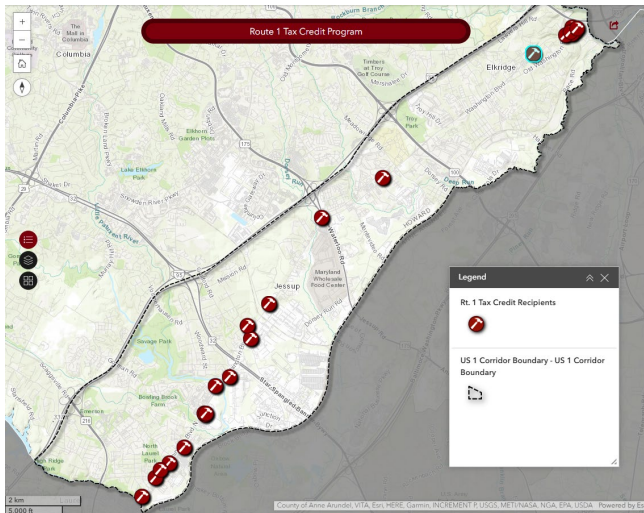
Hasan Habibi Mortazaee Ashraf T/E	01-182099	5871 Washington Blvd., Elkridge, MD	\$15,186.00	\$15,186.00	\$1,466.58
Amani Investments Group LLC	06-407986	10140 Route 1, Laurel, MD	\$34,500.00	\$34,500.00	\$3,140.35
Wabasea Group LLC (Patapsco Bikes)	01-179683	5746 Main Street, Elkridge, MD	\$37,900.00	\$37,900.00	\$4,497.21
David J. & Deborah A. Marc (Hair Station)	01-169297	5849 Washington Blvd., Elkridge, MD	\$12,549.00	\$13,709.00	\$2,386.58
Aireco Supply, Inc.	06-392946	8860 Gorman Rd., Laurel, MD 20723	\$123,042.00	\$100,000.00*	\$34,997.20
8510 Corridor LLC (VersaTech)	06-486738	8510 Corridor Road, Savage, MD	\$69,868.00	\$69,868.00	\$37,768.79
Andrews Real Estate Holdings, LLC.	06-391532	8414 Washington Blvd., Jessup, MD	\$68,763.82	\$68,763.82	\$10,347.08
5820 LLC (FleetPro)	06-486738	5820 Washington Blvd., Elkridge, MD	\$69,868	\$69,868	\$23,454.50
Gardenia LLC (RW&W Tax Services)	01-158767	5841 Washington Blvd., Elkridge, MD	\$5889	\$5889	\$3,615.72
Eastern Hospitality, LLC (White Elk Motel)	01-173863	6195 Washington Blvd., Elkridge, MD	\$9442.10	\$9442.10	\$8,717.06
JNS Realty LLC	01-178512	7430 Washington Blvd., Jessup, MD	\$10,952.20	\$10,952.20	\$3,946.32
Galaxy Electronics Associates, Inc	06-472729	9885 Washington Blvd., Laurel, MD	\$24,279.10	\$24,279.10	\$10,671.22
Total from FY24 (see chart above)					\$50,101.57
Total Tax Credit Applied to FY25					\$178,512.90

Summary of FY24 Tax Credit Projects

White Elk Motel

6195 Washington Blvd, Elkridge, Maryland

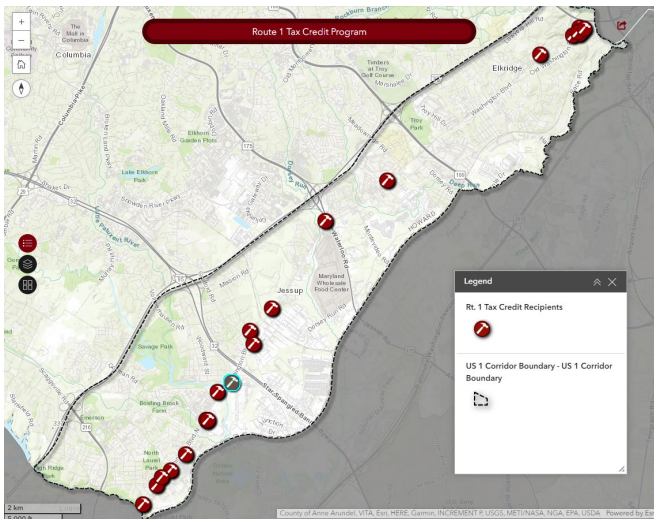
The White Elk Motel property in Elkridge, located at 6195 Washington Boulevard, updated their original roadside motel signage. This 'refresh' keeps the historic vintage feel but substituted the original rusted White Elk for a new hand painted sign and swapped out the neon light for LED.



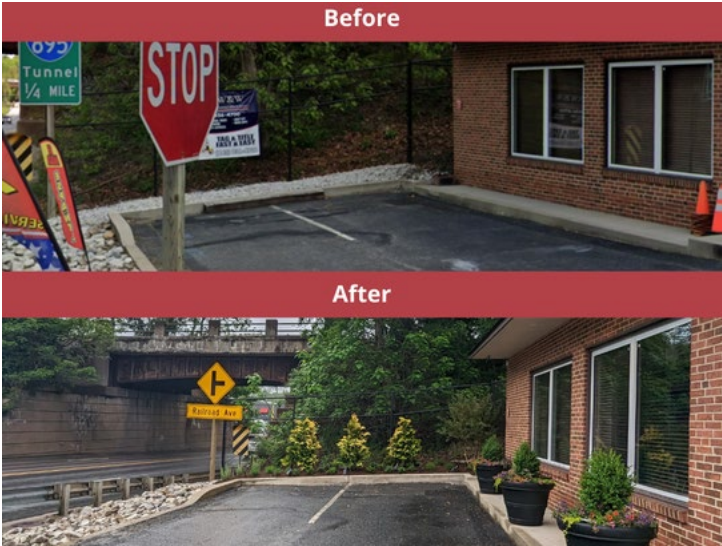
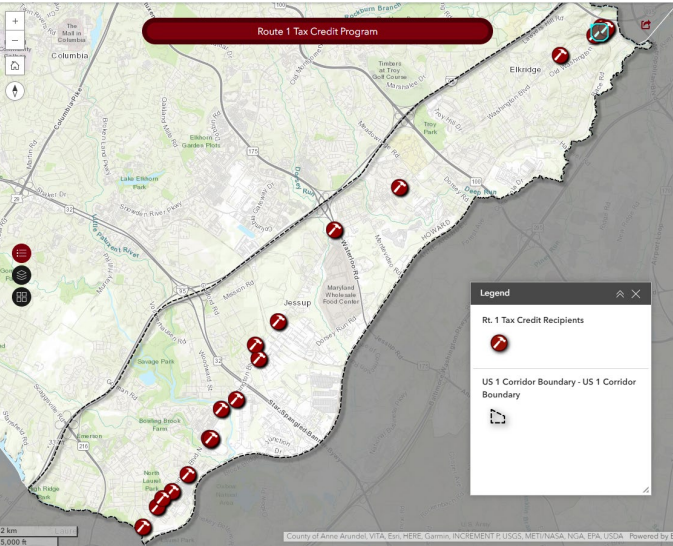
VersaTech, Inc.

8510 Corridor Road, Savage, Maryland

The VersaTech property, located at 8510 Corridor Road in Savage, enhanced the landscaping around their business. They enclosed a dumpster and upgraded the landscape beds in areas visible from Route 1. This involved improving the mulch beds with plantings in the front of their building and in the parking islands on their property.



Located at 5841 Washington Boulevard, this Elkridge applicant creatively integrated landscaping into a small site with large freestanding planters and installed plants along the side of the property, improving stormwater management on the site.



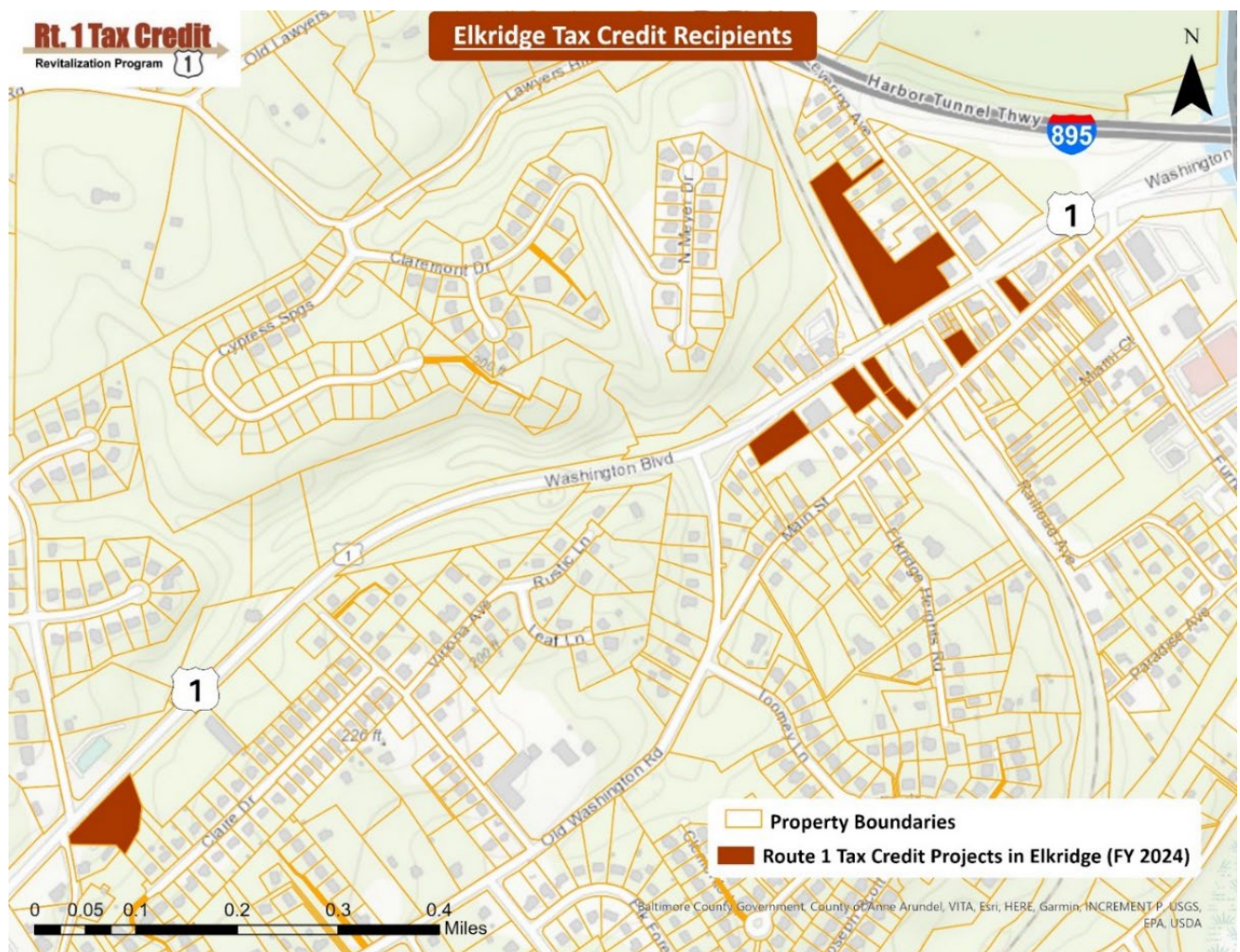
Evaluation

The Route 1 Tax Credit Program allocated \$85,199.10 tax credits to three property owners in FY 24. While this is less than what was allocated in FY 22 and FY23 (when the annual tax credits were fully allocated) the program continues to support impactful facade improvements to properties in the Route 1 Corridor. DPZ, Finance and EDA continued to have a productive working relationship which facilitated efficient administration of the program. The in-person outreach, site visits and past program participants assisting in the promotion of the program was even more robust this year. To encourage participation, staff directly contacted businesses to alert them about the program and DPZ worked with EDA to develop and distribute a newly designed promotional postcard to eligible businesses and property owners.

Accomplishments

More specifically, in FY24, (July 2023-June 2024) the tax credit program celebrated the following accomplishments:

- The Route 1 website was updated with FY24 projects to expand the number of examples available to potential program/tax credit users. It includes 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 FY24, EDA targeted outreach to eligible commercial and industrial properties with the mailing of a flyer and then a postcard which boosted inquiries about the program. The mailings went to 330 addresses.
- Past program participants shared via 'word of mouth' their positive experiences with the program which has helped boost program interest.
- In October 2023, a press release was distributed outlining the Route 1 Tax Credit Program's accomplishments and promoting the next round. 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" and at Route 1 Alliance meetings.
- The tax credit projects continued to create a 'cluster of change' in Elkrige with now seven properties improved between FY21 and FY24, all located along a prominent 1,000-foot stretch of Route 1. See Elkrige Tax Recipients map below.



Challenges

Route 1 is a complex corridor. As EDA and DPZ continue to work with stakeholders and potential applicants, program staff 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.
- 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.
- Marketing and promoting the program to businesses that are the most visually blighted
 - Continuing to build up awareness of the program, including marketing success stories.
 - EDA has increased the number of staff on-the-ground and established the Route 1 Business Alliance meetings to build relationships with business owners and promote numerous small business incentives, including the Route 1 Tax Credit Program.

Future Considerations for Reauthorization

The recently adopted Route 1 Corridor Plan (2023) discusses the tax credit program as an important reinvestment tool. Policy RTE1-4 states "Increase opportunities for reinvestment of commercial and industrial properties in the Route 1 Corridor to address blight through new and existing zoning tools and tax credits" (page 42).

The current program authorization for the Route 1 Tax Credit Program sunsets in June 2026. 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; however, there could be opportunities in the future to increase the annual allocation. Although the full \$250,000 was not allocated in FY24, the tax credit was fully allocated in fiscal years 2022 and 2023.

As demonstrated through the years, outreach, marketing and promotion and one-on-one communication with property and business owners, increases program interest. DPZ and EDA are currently ramping up their marketing and promotions efforts through the Route 1 Alliance, social media, promotional materials including videos and more "boots-on-the-ground." These efforts may result in an increase in program usage in FY25 and a pipeline of interested participants.

The 2023 Route 1 Corridor Plan includes recommendations for enhancements to the Route 1 Tax Credit Program, along with other economic development tools to revitalize the Corridor. Specifically, on page 39, the Plan suggests:

- Expanding the Tax Credit Program's reach, scope and funding to encourage greater participation,
- Prioritizing visually transformational projects or identifying other geographic priority areas outside of future Route 1 Activity Centers,
- Allowing commercial properties that includes a small number of residential units to participate (currently, these properties are ineligible for participation), and
- Increasing the total program appropriation to \$500,000 annually.

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