


<b>FROM</b>	<b>NAME &amp; TITLE</b>	Robert Cename, Chief <i>R. C. C.</i>	CITY of <b>BALTIMORE</b> <b>MEMO</b>	
	<b>AGENCY NAME &amp; ADDRESS</b>	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	<b>SUBJECT</b>	City Council Bill 20-0503-University of Maryland at Baltimore – Approving Applications for Designation as a RISE Zone		

DATE:

**TO**

The Honorable President and Members of the City Council  
City Hall, Room 400

April 29, 2020

**Position: Does Not Oppose**

The Department of Finance is herein reporting on City Council Bill 20-0503, University of Maryland at Baltimore – Approving Applications for Designation as a RISE Zone, the purpose of which is to approve the application of the University of Maryland at Baltimore (UMB), for the designation of a Regional Institutional Strategic Enterprise Zone (RISE Zone) along West Baltimore Street, as identified in the bill. This designation will represent an expansion to the existing University of Maryland innovation district and BioPark, and allows for improvements on properties within this expanded area will be entitled to the local property tax credit mandated by the State Tax-Property Article § 9-103.1 (RISE Zone/Focus Area).

**Background**

RISE Zones, which are designated by the State Department of Commerce, are located in immediate proximity to a qualified institution and targeted for increasing economic and community development. Counties and municipalities in the State are limited to a maximum of three RISE Zones and these designations are in effect for 5 years, with a possible additional 5-year renewal. Currently, Baltimore City has two RISE Zones:

- Morgan State University, with 10.2 acres set to expire on September 27, 2023
- UMB, with 1.7 acres along West Baltimore Street set to expire on December 7, 2020

The proposed legislation intends to designate a new Zone along the soon to expire designation on West Baltimore Street.

Eligible projects within a RISE Zone are entitled to a five-year property tax credit at 50% credit in the first taxable year and at least 10% credit in the second through fifth taxable year. If the RISE Zone is renewed, the credit is extended for five years with at least a 10% annual property tax credit. However, if the RISE Zone is located within an Enterprise Zone (EZ)/Focus Area, projects developed within this area are entitled to an enhanced property tax credit of 100% of the eligible assessment for the first five years and 80% credit for the next five years. The area within this legislation meets these criteria. Finally, like the Enterprise Zone, property tax credit costs resulting from improvements within RISE Zones are partially reimbursed by the State (50%).

UMB previously applied for this credit to develop a similar project, but that project did occur. The proposed designation is being requested in anticipation of a BioPark development that will happen in several phases, the first being a \$189 million development for a mixed-use office building that includes retail space and a renovation of the Poppleton Firehouse. Overall, there will be an estimated \$600 million capital investment.

## Fiscal Impact

The estimated fiscal impact for the proposed legislation only accounts for the development of the first phase of the project, which includes an office building with anticipated construction costs of \$189 million. The total anticipated cost of the project is estimated at \$600 million; however, there is no clear indication if other phases of the project will be completed at this time. For fiscal analysis, the \$189 million anticipated construction cost is assumed to represent the initial assessment subject to the credit and this value is assumed to increase year over year by a rate of 2.5%.

The fiscal impact of this legislation is based on the comparison of two scenarios:

- **Scenario 1:** City Cost of RISE Zone and EZ Credits  
Shows the estimated tax credit cost to the City after the RISE Zone designation, which would allow the projects to receive 100% credit for the first five years and 80% credit for the following five years on the value of the eligible improvements
- **Scenario 2:** City Cost of EZ Credit  
Shows the estimated tax credit cost to the City for EZ/Focus Area credits, which all developments in this area are all eligible for, and entitles projects to a 10-year 80% credit on the value of the eligible improvements.

The table below shows the comparison of these scenarios for the 10-year credit period:

10-Year Impact Analysis - Scenario Comparison			
	Scenario 1	Scenario 2	
	RISE/EZ/Focus	EZ/Focus	Difference
Est'd Gross Property Taxes	\$47,601,000	\$47,601,000	\$0
Total Tax Credit Cost	\$42,547,000	\$38,081,000	\$4,466,000
State Reimbursement	\$21,273,500	\$19,040,500	\$2,233,000
<b>City Cost</b>	<b>\$21,273,500</b>	<b>\$19,040,500</b>	<b>\$2,233,000</b>
<b>City Net Property Tax Revenues</b>	<b>\$26,327,500</b>	<b>\$28,560,500</b>	<b>-\$2,233,000</b>

Under the default scenario that developed projects within this area are entitled to the EZ/Focus Area tax credit, the proposed legislation would only represent a \$2.2 million additional cost to the City over the 10-year credit period. The credit will proportionally increase if other phases of the project are ultimately carried over.

## Conclusion

The Department of Finance recognizes the importance and benefit to the City of promoting projects that have direct impact in the creation of jobs and economic development to this area in particular and the City in general, but is concerned about compromising additional City resources that may not be needed for this development. However, the RISE Zone designation proposed by this legislation would leverage additional long-term taxable assessment to the City.

**For the reasons stated above, the Department of Finance does not oppose Council Bill 20-503.**

cc: Henry Raymond  
Matthew Stegman  
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