

CITY OF COLLEGE PARK, MARYLAND
WORKSESSION AGENDA ITEM



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Meeting Date: April 19, 2016

Presented By: Bill Gardiner
Assistant City Manager

Proposed Consent Agenda: No

Originating Department: Planning

Issue Before Council: City Participation in the Regional Institution Strategic Enterprise Zone (RISE) with the University of Maryland, Prince George's County, and Riverdale Park

Strategic Plan Goal: Goal 3: High Quality Development and Reinvestment

Background/Justification:

In 2014, the State created the RISE Zone program to encourage investment and job creation near universities committed to economic development in their communities. The City has been working with the University, the County, the CPCUP, and Riverdale Park on a joint RISE Zone application. The Prince George's County Council has introduced a resolution in support of the RISE Zone with a five-year, 75 percent County tax credit for high-technology new investment.

The RISE Zone application has been amended in response to Council comments during the February 16 Worksession discussion.

The application specifies that anywhere in the entire RISE Zone (see map), new commercial and industrial buildings will be eligible for the minimum real property tax credit on the increased value of the property due to new investment (a new building or the expansion / major renovation of an existing building). Hotels, motels, grocery stores, and retail are NOT included in this category of commercial and industrial.

The proposed tax credits are:

City of College Park:	50 percent first year, 10 percent following four years
Prince George's County:	50 percent first year, 10 percent following four years

Additionally, the application proposes that within the Innovation District and the Research Park areas of the RISE Zone, new investment for high technology businesses in the fields of engineering, data analytics, earth sciences, virtual reality, cybersecurity, quantum computing, linguistics, additive manufacturing, e-commerce, robotics, aerospace, biotechnology and similar industries will be eligible for the following real property tax credits on the increase to the property assessment:

City of College Park:	50 percent for five years
Prince George's County:	75 percent for five years

The intent of the higher RISE Zone tax credits is to attract technology investment to these specific parts of the RISE Zone. The proposed tax credits are significant and targeted. The RISE Zone incentives offered by the State, County, municipalities, and University should lead to new investment that would not occur otherwise.

The revised application states that the County will consult with the municipalities and the University and will be responsible for determining whether a business or development meets the criteria to receive the RISE Zone benefits. Prior to a determination of eligibility, copies of all RISE Zone applications will be provided to the municipalities and the University. The eligibility for the credit will be established by the application process, and the value of real property tax credits will be calculated after construction and a new assessment.

In order for the City to participate in the RISE Zone application, it must do the following:

1. Hold a public hearing on the application.
2. Pass a resolution approving the City's real property tax credit for qualified businesses for each year of the five-year term of the RISE Zone. A draft resolution is attached with the proposed tax credit levels noted above.
3. Provide a statement from the Planning Department that the boundaries of the proposed RISE Zone do not overlap a development district established under the Economic Development Article, Title 12, Subtitle 2, Annotated Code of Maryland, or a special taxing district established under the Local Government Article, Title 21, Annotated Code of Maryland.
4. Approve the application, which includes the Zone goals, the types of businesses / industry sectors eligible for the incentives, the boundaries of the Zone, and anticipated development in the Zone.

Fiscal Impact:

The RISE Zone tax credits for new development apply only to the increase in assessed value due to new construction of an eligible property. The RISE Zone has no impact on the City's existing real property tax revenue. The RISE Zone incentives are designed to attract investment that otherwise would not occur—without the incentive, the tax revenue would not increase; with the incentive, the tax revenue increases but not at the full rate.

The information below and in the attached chart provide a simple estimate of potential City real property tax revenue and RISE Zone tax credits for 300,000 square feet (sf) of new commercial development eligible for the credit.

The estimate assumes the 300,000 sf of development is completed at the same time, and provides the revenue and tax credit information for the two levels of credit: the required minimum for commercial and industrial development, and the higher credit for high technology development.

The estimate assumes that 300,000 square feet of new commercial property would be assessed at \$180 per square foot, or a total of \$54 million. (\$180 is the average per square foot assessed value of three new office buildings in the research park).

At the minimum required level (50% credit year 1, and 10% credit years 2-5), the RISE Zone tax credit total over five years would be \$162,810. The City new tax revenue would be \$741,690.

At the higher credit level for high technology development, the City RISE Zone tax credit of 50% for five years results in new City tax revenue of \$452,250.

Council Options:

1. Schedule for April 25, 2016 the public hearing and a Council vote on the City's participation in the Greater College Park RISE Zone application. The City intends to provide the minimum real property tax credit for certain commercial and industrial development in all parts of the RISE Zone, and a five-year, 50 percent tax credit for new high technology development located in the Innovation District and the Research Park.
2. Schedule a public hearing on the City's participation in the Greater College Park RISE Zone application, and establish a different real property tax credit level.
3. Request staff to obtain additional information regarding the application and bring the item back for discussion.
4. Decide not to participate in the RISE Zone application.

Staff Recommendation:

Option 1.

Recommended Motion: If Council chooses to participate in the Greater College Park RISE Zone, the motion following the public hearing could state:

I move that the Council approve Resolution XXX, authorizing the City's participation in the proposed Greater College Park RISE Zone application.

Attachments:

Revised RISE Zone application and Map of Proposed Boundaries
Spreadsheet with calculations of hypothetical City tax revenue and RISE Zone tax credits
Draft Council Resolution supporting the RISE Zone

Hypothetical RISE Zone Tax Credit and New City Revenue
Assumes 300,000 sf of new, eligible development over five years

Year	New Development SF	Assessed Value (\$180 per square foot)	City Real Property Tax	New City Revenue MINIMUM RISE Credit	New City Revenue 50% RISE Credit**	New City Revenue 75% RISE Credit**
1	300,000	\$54,000,000	\$180,900	\$90,450	\$90,450	\$45,225
2	0		\$180,900	\$162,810	\$90,450	\$45,225
3	0		\$180,900	\$162,810	\$90,450	\$45,225
4	0		\$180,900	\$162,810	\$90,450	\$45,225
5	0		\$180,900	\$162,810	\$90,450	\$45,225
		5-year Total:	\$904,500	\$741,690	\$452,250	\$226,125

**** Only high technology businesses in the Innovation District and the Research Park are eligible.**

Note: If the County supports supports a five-year RISE Zone credit at 75% for each year, the value of its incentive would be more than four times the value of the City incentive at 50%, because the County tax is much higher than the City tax. See the estimate below.

Hypothetical RISE Zone Tax Credit and New Prince George's County Tax Revenue

Year	New Development SF	Assessed Value (\$180 per square foot)	County Real Property Tax	New County Revenue MINIMUM RISE Credit	New County Revenue 75% RISE Credit**
1	300,000	\$54,000,000	\$540,000	\$270,000	\$135,000
2	0		\$540,000	\$486,000	\$135,000
3	0		\$540,000	\$486,000	\$135,000
4	0		\$540,000	\$486,000	\$135,000
5	0		\$540,000	\$486,000	\$135,000
		5-year Total:	\$2,700,000	\$2,214,000	\$675,000

**** Only high technology businesses in the Innovation District and the Research Park are eligible.**