Howard County
Internal Memorandum

Subject: Testimony on CB-52-2020

A bill reestablishing a tax credit against the County tax imposed on certain commercial or industrial real property located adjacent to Route 1 that is renovated, upgraded, or rehabilitated, under certain conditions; establishing the amount, terms, conditions, and duration of the credit; providing for an application procedure and administration of the credit; establishing a sunset provision; and generally relating to property tax credits.

To: Lonnie R. Robbins
Chief Administrative Officer

From: Amy Gowan, Director
Department of Planning and Zoning
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Date: October 6, 2020

The Departments of Planning and Zoning (DPZ) and Finance, and the Economic Development Authority supports CB-52-2020 which reestablishes and extends the "Renovated, Upgraded, or Rehabilitated Property Adjacent to Route 1 Tax Credit" (Route 1 Tax Credit) through the taxable year ending June 30, 2026.

Background

The Route 1 Tax Credit program "sunset" on June 30, 2020. This bill restarts the credit and provides for a program duration to June 30, 2026. The Route 1 Tax Credit program encourages revitalization along the Route 1 corridor by helping owners renovate and improve the appearance of their properties. The program creates a financial incentive for commercial and industrial property owners with frontage onto Route 1, or adjacent to a property with Route 1 frontage, through a property tax credit for renovation, rehabilitation and upgrades to their properties.

CB52 includes several provisions intended to enhance the attractiveness of the credit to property owners:

- It increases the maximum property size from the previous 10 acres to 15 acres. This would increase by 13, the number of eligible properties that have the potential to make a significant visual impact if frontage and landscaping were improved.

- It allows up to 10% of soft costs for eligible expenses. Since architectural and engineering fees can be a significant cost for these types of improvements, this provision would make 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.
- It increases the length of eligibility to receive the credit from four to five years. For some property owners with lower tax liabilities, this will make the program more attractive by extending the time period of the payout.
- Finally, the bill reduces the annual program maximum to $250,000 from the previous annual limit of $500,000. Given recent budget constraints, the reduced cap would limit the potential annual fiscal impact to the county. The County has not reached the higher annual limit in previous years, but activity has increased since inception and is anticipated to continue increasing as targeted marketing is conducted.

Given the reasons stated above, DPZ, Finance and the EDA supports Council Bill 52-2020 and respectfully requests the Council's favorable consideration.

cc: Jennifer Jones, Deputy Chief of Staff
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