

## Regional Institution Strategic Enterprise Zones

The Enterprise Zone tax credit program, established in 1982, is intended to encourage economic growth within economically distressed areas of the State and to increase employment of the chronically unemployed. As of September 2013, there are 30 enterprise zones in 12 counties and Baltimore City. The Secretary of the Department of Business and Economic Development may only designate an area as an enterprise zone if it is in a priority funding area and satisfies at least one criterion related to economic distress.

**Senate Bill 600/House Bill 742 (both passed)** establish the Regional Institution Strategic Enterprise (RISE) Zone Program, to be administered by the Department of Business and Economic Development (DBED). The purpose of the program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located.

### Eligible Entities/Institutions

The bills define a qualified institution as an entity designated by the Secretary as a qualified institution and which may include (1) a regional higher education center; (2) an institution of higher education; or (3) a nonprofit organization that is affiliated with a federal agency. The Secretary may designate an institution as a qualified institution if the institution (1) has evidence of an intention to make a significant financial investment or commitment, use the resources and expertise of the institution to spur economic development and community revitalization, and create a significant number of new jobs in an area that is proposed to become a RISE zone; (2) has demonstrated a history of community involvement and economic development within the communities that the institution serves; and (3) meets the minimum financial qualifications established by the Secretary.

### Application Process

A qualified institution may apply jointly with a county, municipal corporation, or the economic development agency of a county or municipal corporation to DBED for designation of an area as a RISE zone. The Secretary may not approve more than three RISE zones in a county or municipal corporation and may not designate a RISE zone within a development district or special taxing district. RISE zones must be located in the immediate proximity to a qualified institution unless the proposed zone is located within a rural part of the State and an appropriate nexus for the increased economic and community development is established with the qualified institution. RISE zone designations are effective for five years, but DBED may extend this designation for an additional five years on request of the applicants.

### Incentives/Assistance for Businesses

Qualifying business entities that locate in a RISE zone are entitled to a property tax credit, an income tax credit, and priority consideration for assistance from the State's economic development and financial assistance programs, including the Maryland Economic Adjustment Fund, the Maryland Economic Development Assistance Authority and Fund, the Maryland

Industrial Development Financing Authority, and the Maryland Small Business Development Financing Authority. Tax credits may be awarded to a business entity that (1) moves into or locates in a RISE zone on or after the date that the zone is designated or (2) is located within the zone prior to designation if the business entity makes a significant capital investment or expansion of its labor force after a RISE zone is designated. A business may not qualify for tax credits unless DBED, in consultation with the county or municipal corporation in which the zone is located, certifies that the business and its location are consistent with the target strategy of the zone.

### **Types of Credits**

There are two types of income tax credits for eligible firms located within a RISE zone: a general income tax credit and a larger income tax credit for hiring economically disadvantaged employees. The general income tax credit is a one-time \$1,000 credit per new employee filling a newly created position, or \$1,500 for each qualified new employee in a focus area. For economically disadvantaged employees, the credit increases to a total of \$6,000 per new employee, or \$9,000 per new employee in a focus area.

### **Business Concierge**

The measures require the Secretary to assign a business and community development concierge, who is an employee of DBED, to a RISE zone to assist entities locating in the RISE zone with (1) State or local permit and license applications; (2) accessing existing programs at DBED, the Department of Housing and Community Development (DHCD), the Maryland Department of Transportation, the Department of Labor, Licensing, and Regulation, or the Maryland Technology Development Corporation; and (3) any other authorized activities relating to the development of the RISE zone.

### **Bond Financing**

The bills extend the authority of counties and Baltimore City to issue bonds supported by tax increment financing (TIF) or other similar financing instruments in order to finance certain costs within a RISE zone. Several expanded uses under the bills for TIF bond proceeds in RISE zones include historic preservation, environmental remediation, parking lots, schools, affordable or mixed-income housing, stormwater management, innovation centers and laboratory facilities, and any facilities or structures of any type whether for public or private use that support the purposes of the RISE zone.

### **Adopting Regulations and Stakeholder Outreach**

The Secretary must adopt regulations for evaluating qualified institution applications and may establish other requirements by regulation for designation as either a RISE zone or a qualified institution. Before adopting regulations implementing the program, DBED is required to organize a group of interested parties, stakeholders, and community development experts in order to receive advice on the proposed regulations.