

DW0110
Department of Planning – Capital

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

| <i>Projects</i> | <i>Prior Auth.</i> | <i>2015 Request</i> | <i>2016 Est.</i> | <i>2017 Est.</i> | <i>2018 Est.</i> | <i>2019 Est.</i> | <i>Beyond CIP</i> |
|------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|
|------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|

| | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Patterson Center Renovations | \$0.150 | \$0.350 | \$0.000 | \$3.100 | \$2.950 | \$0.000 | \$0.000 |
| St. Leonard' Creek Shoreline Erosion Control and Public Access | 0.000 | 0.000 | 0.350 | 3.250 | 0.000 | 0.000 | 0.000 |
| Total | \$0.150 | \$0.350 | \$0.350 | \$6.350 | \$2.950 | \$0.000 | \$0.000 |

| <i>Fund Source</i> | <i>Prior Auth.</i> | <i>2015 Request</i> | <i>2016 Est.</i> | <i>2017 Est.</i> | <i>2018 Est.</i> | <i>2019 Est.</i> | <i>Beyond CIP</i> |
|---------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|
|---------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|

| | | | | | | | |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| GO Bonds | \$0.150 | \$0.350 | \$0.350 | \$6.350 | \$2.950 | \$0.000 | \$0.000 |
| Total | \$0.150 | \$0.350 | \$0.350 | \$6.350 | \$2.950 | \$0.000 | \$0.000 |

CIP: *Capital Improvement Program*
GO: general obligation

Note: The total funding for the Patterson Center Renovations project has increased from \$4,950,000 in the 2013 CIP to \$6,550,000 in the 2014 CIP.

Grant and Loan Capital Improvement Program
(\$ in Millions)

| Program | 2013 Approp. | 2014 Approp. | 2015 Request | 2016 Est. | 2017 Est. | 2018 Est. | 2019 Est. |
|----------------|-------------------------|-------------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|
|----------------|-------------------------|-------------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|

| | | | | | | | |
|--|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| Sustainable Communities Tax Credit Program | \$7.000 | \$10.000 | \$10.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| Maryland Historical Trust Revolving Loan Fund | 0.270 | 0.250 | 0.350 | 0.300 | 0.300 | 0.300 | 0.300 |
| African American Heritage Preservation Grant Program | 1.000 | 1.000 | 1.000 | 1.000 | 0.000 | 0.000 | 0.000 |
| Maryland Historical Trust Capital Grant Fund | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.700 | 0.700 |
| Total | \$8.270 | \$11.250 | \$11.350 | \$1.300 | \$0.300 | \$1.000 | \$1.000 |

| Fund Source | 2013 Approp. | 2014 Approp. | 2015 Request | 2016 Est. | 2017 Est. | 2018 Est. | 2019 Est. |
|--------------------|-------------------------|-------------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|
|--------------------|-------------------------|-------------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|

| | | | | | | | |
|--------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| PAYGO GF | \$0.000 | \$10.000 | \$10.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| PAYGO SF | 7.120 | 0.100 | 0.200 | 0.150 | 0.150 | 0.150 | 0.150 |
| GO Bonds | 1.150 | 1.150 | 1.150 | 1.150 | 0.150 | 0.850 | 0.850 |
| Total | \$8.270 | \$11.250 | \$11.350 | \$1.300 | \$0.300 | \$1.000 | \$1.000 |

Note: No out-year funding is projected for the Maryland Sustainable Communities Tax Credit Program since the tax credit is not included in the 2014 *Capital Improvement Program*. HB 510 (Sustainable Communities Tax Credit Program – Extension and Alteration) has been introduced in the 2014 legislative session and would alter and extend the tax credit through fiscal 2019, but does not specify an amount. The fiscal 2013 appropriation of \$7.12 million in special funds includes \$7.0 million for the Sustainable Communities Tax Credit Program from the Budget Restoration Fund. This is due to the funding being allocated from the Budget Restoration Fund special fund as part of Chapter 1 of the 2012 First Special Session (Budget Reconciliation and Financing Act of 2012).

Summary of Issues

Sustainable Communities Tax Credit Program Reauthorization and Old Project Cleanup: HB 510 (Sustainable Communities Tax Credit Program – Extension and Alteration) has been introduced in the 2014 legislative session. Proposed changes include adding small commercial projects in

sustainable communities to the eligible uses of the nonbudgeted tax credit. **The Department of Legislative Services (DLS) recommends that Maryland Department of Planning (MDP) comment on why the small commercial projects are not included as an allocation of funding from the budgeted tax credit that could be made available throughout the year on a first-come, first-served basis only to small commercial projects.**

Summary of Recommended PAYGO Actions

1. Historical Preservation – Capital Appropriation

Concur with Governor's allowance of \$200,000 in special funds.

2. Sustainable Communities Tax Credit

Concur with Governor's allowance of \$10,000,000 in general funds.

Summary of Recommended Bond Actions

1. Jefferson Patterson Park and Museum

Approve \$350,000 in general obligation bond authorization for planning the Patterson Center Renovations.

2. African American Heritage Preservation Grant Program

Approve \$1,000,000 in general obligation bond authorization for the African American Heritage Preservation Grant Program.

3. Maryland Historical Trust Capital Loan Fund

Approve \$150,000 in general obligation bond authorization for the Maryland Historical Trust Revolving Loan Fund.

Program Description

The mission of MDP Preservation Services program is to preserve historical and archeological resources by providing financial incentives to property owners and enforcing regulations. MDP currently has four capital programs that serve to preserve historical and archeological resources: the Maryland Sustainable Communities Tax Credit Program, the Maryland Historic Trust (MHT) Revolving Loan Fund, the MHT Capital Grant Fund, and the MHT African American Heritage Preservation Grant Program. All four programs seek to promote the acquisition and rehabilitation of historic properties by providing low-interest loan funds, tax credits, or grants, depending on the program. In addition to funding for three of the four capital programs, there is funding in MDP's fiscal 2015 allowance for the State-owned Patterson Center Renovations project at Jefferson Patterson Park and Museum.

- **Maryland Sustainable Communities Tax Credit Program** – The Maryland Sustainable Communities Tax Credit Program was created by the Sustainable Communities Act of 2010 (Chapter 487 of 2010) as an extension and alteration of the existing Heritage Structure Rehabilitation Tax Credit Program – a budgeted tax credit. The program has a commercial and a residential component, but only the commercial component is a budgeted tax credit. The tax credits offered are generally equal to 20% of qualified rehabilitation expenditures, not to exceed \$3 million for commercial rehabilitations and \$50,000 for a single-family, owner-occupied residence. The tax credit is increased to 25% for a commercial rehabilitation that meets specified energy efficiency standards. Under current law, the credit is also available to qualified rehabilitated (nonhistoric) commercial buildings located in a Main Street Maryland Community or a sustainable community. The credit for these qualified rehabilitated structures is equal to 10% of qualified rehabilitation expenses; no more than 10% of commercial credits awarded in each fiscal year may be awarded to these qualified rehabilitated structures. Funding for the program is required for the commercial credit in fiscal 2011 through 2014, and MHT is authorized to award an unlimited amount of residential credits to applications received through June 30, 2014. HB 510 (Sustainable Communities Tax Credit Program – Extension and Alteration) has been introduced in the 2014 legislative session and would alter and extend the tax credit through fiscal 2019 but does not specify an amount.
- **MHT Revolving Loan Fund** – The MHT Revolving Loan Fund provides loans to nonprofit organizations, local jurisdictions, business entities, and private individuals for the purpose of acquiring, rehabilitating, or refinancing all categories of real property listed in or eligible for listing in the Maryland Register of Historic Properties. Short-term financing (up to two years) may also be available for predevelopment work required or recommended by MHT that is to be undertaken in advance of a construction project being funded with federal or State monies. The program may also be used to fund the cost of rehabilitation of historic property owned by MHT and for the acquisition of historic property by MHT. In return for loans, most recipients must convey to MHT a perpetual historic preservation easement on the property.

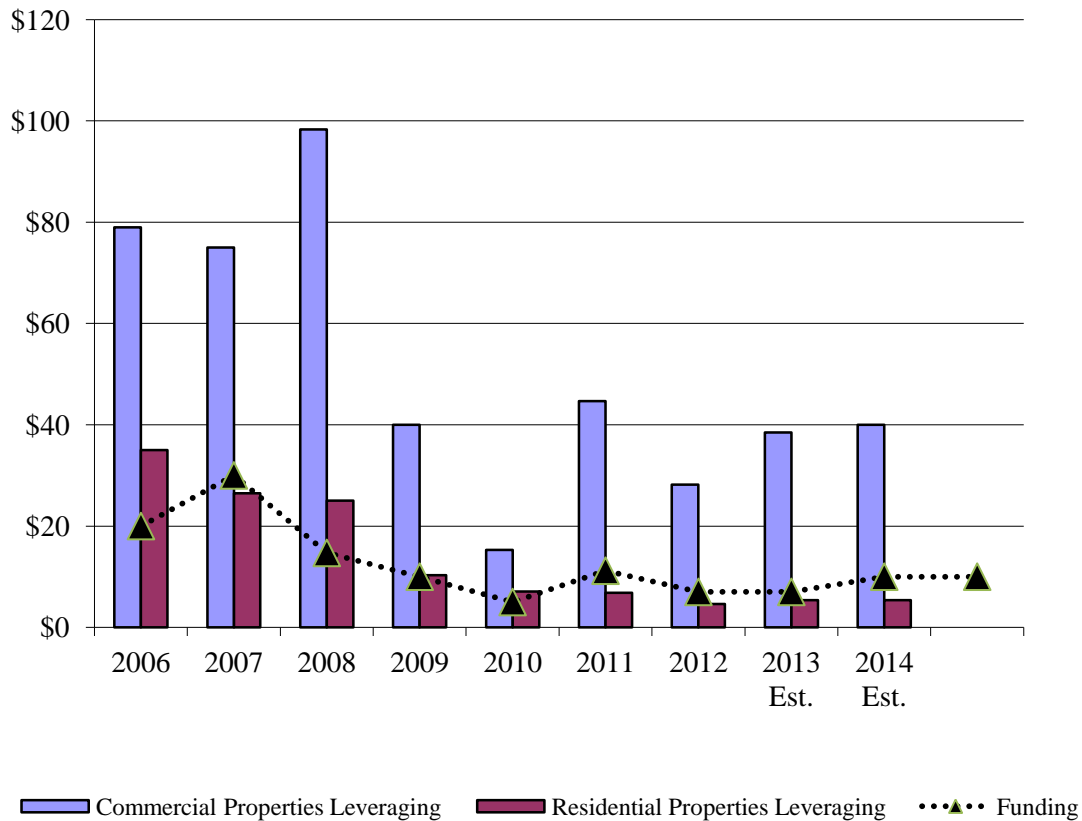
- **MHT African American Heritage Preservation Grant Program** – The MHT African American Heritage Preservation Grant Program was created by the African American Heritage Preservation Program (Chapters 278 and 279 of 2010) to identify and preserve buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland. The program is administered by MHT in partnership with the Commission on African American History and Culture. Beginning in fiscal 2012, the Governor must include \$1 million in the annual capital budget submission for program grant projects. Grants may be made to a business entity, individual, political subdivision, or nonprofit organization. Factors considered in granting applications include the public necessity and urgency of a project; the need for additional sources of funding for a project; the estimated cost and timeliness of executing a project; the viability of matching funds for a project; and geographic diversity. Nonprofit organizations are not required to provide matching funding, but for all other recipients, the grant funding requires a match from any combination of federal, county, municipal, or private sources, and State participation must not exceed 50% of the total project cost. Unless waived by the Secretary of MDP as infeasible, grantees must enter into an agreement to preserve and maintain the property. If the property is historic real property, then the agreement must be a recordable historic preservation easement.
- **MHT Capital Grant Fund** – The MHT Capital Grant Fund provides grants to nonprofit organizations, local jurisdictions, business entities, and individuals to assist with acquisition, rehabilitation, or restoration of properties listed, or eligible for listing, on the National Register of Historic Places. Nonprofit organizations and local jurisdictions may also receive funding for predevelopment costs directly associated with a project to rehabilitate or restore historic properties. Successful applicants must give MDP a perpetual preservation easement prior to the receipt of funds. The maximum grant offered is \$50,000.

Performance Measures and Outputs

Sustainable Communities Tax Credit Program

As shown in **Exhibit 1**, the Administration does not anticipate any leveraging of funding in fiscal 2015 since the tax credit officially sunsets at the end of fiscal 2014, and legislation extending it has not yet been enacted. MDP notes that over the program's history, 4,446 Part 2 applications for proposed work have been approved with estimated rehabilitation costs of \$1,746 million, which would equate to \$349.1 million in potential credit awards. Of the 4,446 applications, 608 are for commercial projects at a value of \$278.7 million and 3,838 for owner-occupied residential projects at a value of \$70.5 million

Exhibit 1
Sustainable Communities Tax Credit
Measure of Private Investment and Program Funding
Fiscal 2006-2014 (Est.)
(\$ in Millions)



Note: No commercial tax credits were authorized in fiscal 2005. The former Maryland Heritage Structure Rehabilitation Tax Credit was first budgeted in the State budget as a tax credit in fiscal 2006 and became the Maryland Sustainable Communities Tax Credit Program on June 1, 2010. The tax credit sunsets at the end of fiscal 2014; therefore, managing for results measures are not provided for fiscal 2015 even though funding is included in the fiscal 2015 allowance.

Source: Governor's Budget Books, Fiscal 2006-2015

MDP has not developed separate Managing for Results (MFR) measures for the Sustainable Communities Rehabilitation Tax Credit in order to capture the 10% credit for nonhistoric buildings and the 25% credit for historic properties that qualify as high performance structures. MDP notes that to date, no projects have been approved for the 10% credit; therefore, an additional measure showing the 90% leveraging of private investment has not been incorporated into its MFR measures.

The 25% credit includes a 5% additional credit for historic projects that are seeking Leadership in Energy and Environmental Design (LEED) Gold certification. As of January 2014, only one project has submitted and been approved with a Part 3 certification accompanied by an approved LEED Gold certification, which is required in order to achieve the 25% credit. In fiscal 2011, four projects were approved for the 25% credit at the Part 2 application stage. However, only two of these projects stand to benefit from the 25% credit because their credit allocation at the 20% level is less than the \$3 million per project cap. For fiscal 2012, one project was approved for the 25% credit at the Part 2 application stage. In fiscal 2013, four projects have been approved for the 25% credit at the Part 2 application stage. One of these projects will receive no additional benefit from the 25% credit because the credit allocation at the 20% level exceeds the \$3 million per project cap. In fiscal 2014, two projects have been approved for the 25% credit at the Part 2 application stage. Due to the time lag between pre-selection for the 25% credit and the actual submission of LEED Gold certification, MDP suggests that an appropriate MFR measure would be to show projects that reserved a credit of 25% at the time of the Part 2 application approval.

MHT Revolving Loan Fund

While not formally included in its MFR measures, MDP does report on the types of projects served by the MHT Revolving Loan Fund. In the past, MDP has indicated that tight commercial lending conditions have made the MHT Revolving Loan Fund desirable, and it has not had trouble finding recipients for loans. Therefore, funding constraints – both the amount of funding and the fact that only loans are available – appear to limit the amount of loans provided.

Exhibit 2 shows the breakdown of properties that have received loans by category. As can be seen, the Revolving Loan Fund averages about 1.6 projects per year between fiscal 2005 and the fiscal 2015 estimate, most of which are properties that are rehabilitated. For fiscal 2011 to 2013, all approved projects have been executed, which has not necessarily been the case in prior years.

Exhibit 2
Historic Properties Preserved
Fiscal 2005-2015 (Est.)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014 Est.</u> | <u>2015 Est.</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|------------------|
| Approved Projects | 3 | 1 | 3 | 2 | 4 | 2 | 2 | 1 | 1 | 1 | 2 |
| Types of Projects Executed | | | | | | | | | | | |
| Historic Properties Acquired | 1 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |
| Historic Properties Rehabilitated | 1 | 0 | 1 | 2 | 1 | 1 | 1 | 1 | 0 | 1 | 1 |
| Historic Properties Refinanced | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Projects Executed | 2 | 0 | 2 | 2 | 2 | 1 | 2 | 1 | 1 | 1 | 2 |

Source: Maryland Department of Planning

African American Heritage Preservation Grant Program

MDP does not report MFR measures for the African American Heritage Preservation Grant Program. MDP has noted that it usually treats non-State investment that is leveraged by a program as a performance measure but that the African American Heritage Preservation Grant Program does not require nonprofit applicants to provide matching funds. Instead, MDP has suggested that the match provided by local governments might be an appropriate alternative measure and that a potential objective would be to leverage a non-State match of more than 50% for each grant awarded to local government applicants.

MDP's project application deadline for fiscal 2015 was July 15, 2013, and selected projects are included in the 2014 CIP. **Exhibit 3**, which includes information about fiscal 2015 project selections, shows three trends: (1) a decline in the number of applications from fiscal 2013 (24) to fiscal 2014 (16) but then a substantial increase for fiscal 2015 (28); (2) a decline in the amount of non-State matching funds leveraged between fiscal 2013 (\$170,960) and 2014 (\$112,565) and then an increase estimated for fiscal 2015 (\$129,900); and (3) relatively few local government applicants in the first four years of the program as shown by the low numbers of applicants required to provide non-State matching funds.

Exhibit 3
African American Heritage Preservation Grant Program Measures
Fiscal 2012-2015 (Est.)
(\$ in Millions)

| <u>Performance Measures</u> | | <u>2012</u> | <u>2013</u> | <u>2014 Est.</u> | <u>2015 Est.</u> |
|-----------------------------|---|----------------|----------------|------------------|------------------|
| Input: | Applications received | 27 | 24 | 16 | 28 |
| Output: | Grants awarded | 16 | 15 | 12 | 14 |
| Input: | Funds requested | \$2.07 | \$1.97 | \$1.48 | \$2.34 |
| Output: | Grants awarded | \$1.00 | \$1.00 | \$1.00 | \$1.00 |
| Output: | Non-State matching funds leveraged | \$0.48 | \$0.17 | \$0.11 | \$0.13 |
| Output: | Applicants required to provide non-State matching funds | 3 ¹ | 1 ² | 0 | 2 ³ |
| Output: | Non-State matching funds leveraged by local government applicants | \$0.16 | \$0.05 | \$0.00 | \$0.06 |
| Outcome: | Percent of non-State investment leveraged by local government applicants compared to total project cost | 50% | 50% | n/a | 50% |

¹ Two local governments and one business entity

² One local government

³ Two local governments

Source: Maryland Department of Planning

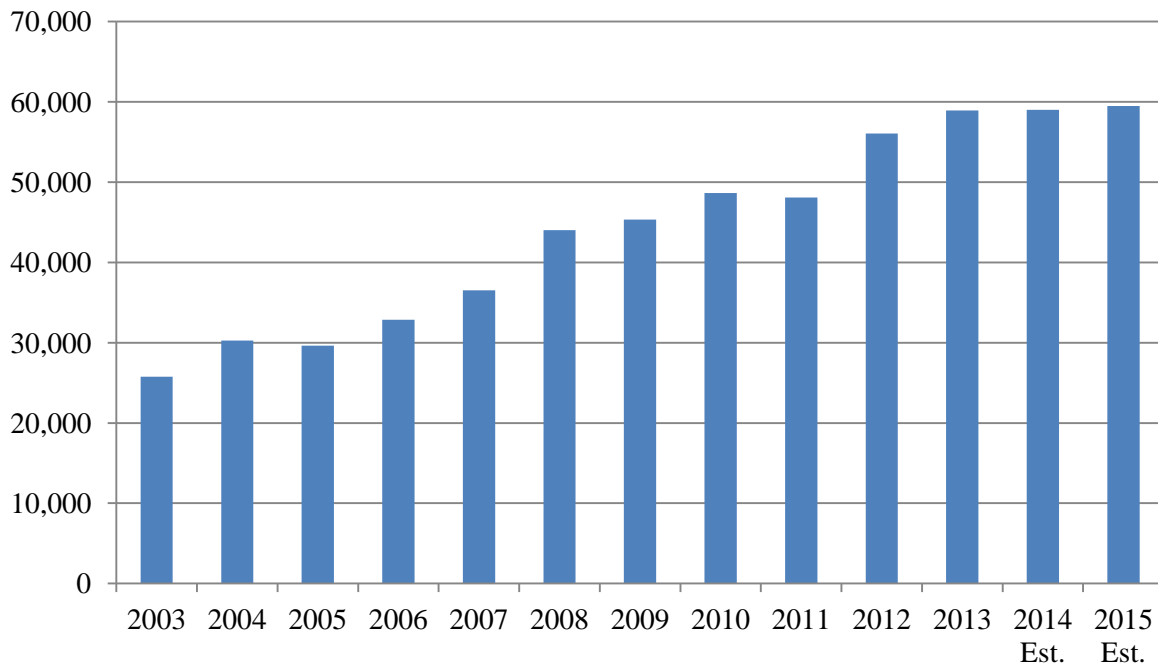
MDP notes that applications may have increased for fiscal 2015 due to the outreach efforts it undertook after the relatively low number of applications in fiscal 2014. These outreach efforts included increasing the number of workshops for potential applicants from five to six and promoting the program at two separate events in Baltimore City and Baltimore County prior to the fiscal 2015 application deadline. Overall, MDP found that in fiscal 2015, there were fewer repeat applicants and more new applicants, which is a change from the situation last year when some multi-phase projects had not come in for the next phase of funding because the applicants were working to expend available funds to show concrete progress before reapplying.

Patterson Center Renovations

The Patterson Center Renovation project is the one State-owned capital project in MDP's fiscal 2015 allowance. Attendance is the primary performance measure for Jefferson Patterson Park and Museum. As shown in **Exhibit 4**, attendance steadily increased between fiscal 2003 and 2010 before dropping in fiscal 2011 (48,075) and increasing in fiscal 2012 (56,075). MDP attributes the overall increase over the time period shown to the following.

- **Availability** – There has been a recent focus on keeping the park grounds open seven days a week for 52 weeks a year, which has increased trail use and thus attendance.
- **Improved Events** – Educational programs such as a Children's Day on the Farm have been improved, summer camps have been expanded, and groups such as the Center for Talented Youth have been attracted.
- **Marketing** – MDP has developed a closer relationship with local media outlets and has marketed rental facilities through certain channels.

Exhibit 4
Jefferson Patterson Park and Museum Attendance
Fiscal 2003-2015 (Est.)



Source: Governor's Budget Books, Fiscal 2003-2015

Budget Overview

Grant and Loan Programs

Three of MDP's four historic preservation programs are funded in the fiscal 2015 operating and capital budgets.

- **Maryland Sustainable Communities Tax Credit Program** – The fiscal 2015 allowance includes \$10 million in general funds, which is level with the fiscal 2014 working appropriation. The Maryland Sustainable Communities Tax Credit Program is not included in the 2014 CIP since the Administration considers it a financing mechanism and not a pay-as-you-go capital program. HB 510 (Sustainable Communities Tax Credit Program – Extension and Alteration) has been introduced in the 2014 legislative session to alter and extend the program and is discussed in this analysis as an issue.

- **MHT Revolving Loan Fund** – The fiscal 2015 allowance includes \$200,000 in special funds and \$150,000 in general obligation (GO) bonds, for a total appropriation of \$350,000. This reflects an increase of \$100,000 in special funds relative to the fiscal 2014 appropriation but is consistent with the 2013 CIP.
- **MHT African American Heritage Preservation Grant Program** – The fiscal 2015 capital budget bill includes \$1 million in GO bonds for the African American Heritage Preservation Grant Program, which is level with the fiscal 2014 authorization and consistent with the 2013 CIP. Final funding in fiscal 2016 is reflected in the 2014 CIP.
- **MHT Capital Grant Fund** – No funding was provided in fiscal 2015, which is level with the zero appropriation in fiscal 2014 and consistent with the 2013 CIP. Funding is projected to be provided next in fiscal 2018 according to the 2014 CIP. MDP notes that this funding is requested contingent upon the provision of at least 1 of the 2 regular positions that previously administered the program. As a sign of interest in the program, MDP notes that in fiscal 2013, it solicited interest for \$158,000 in remaining funding from prior years and received 49 eligible applications requesting \$777,990.

State-Owned Project

The fiscal 2015 capital budget bill includes \$350,000 in GO bonds for planning the renovation of three buildings at the Patterson Center at the Jefferson Patterson Park and Museum in Calvert County. The buildings were designed by Gertrude Sawyer, a Cambridge School of Architecture graduate, and the entire Patterson Center complex is considered an example of the American Country House from the 1932 to 2002 period. Overall, the main residence, pump house/garage, pool house, gardener's cottage, greenhouse, and beach house are contributing resources to the Patterson Archeological District, a designated district listed in the National Register of Historic Places. The second and final phase of a historic structures report – condition assessment and treatment plan – was completed for the entire Patterson Center complex on April 25, 2013, and informs the capital request.

As shown in **Exhibit 5**, the planning cost has increased from \$250,000 to \$350,000 between the 2013 and 2014 CIPs and the overall estimated cost for the Patterson Renovations project has increased from \$4,950,000 in the 2013 CIP to \$6,550,000 in the 2014 CIP, an increase of \$1,600,000. The main difference is an increase of \$1,400,000 in construction costs projected for the out-years, which is primarily due to an adjustment in the per square foot cost estimate from around \$100 to \$225 for the main residence. Another factor is the decision to split fund the project and move it back in the CIP, which added 18 months to the cost escalation factor. The Department of Budget and Management notes that the increase in fiscal 2015 planning costs reflects updated information on the design requirements of restoring an historic structure. The prior year appropriation of \$150,000 was made available as matching funds for the federal Save America's Treasures grant that paid for development of the Historic Structures Report and will be used to support the development of design specifications.

Exhibit 5
Patterson Center Renovations Project Funding
2013 vs. 2014 CIP (Est.)
(\$ in Millions)

| | <u>Fund Use</u> | <u>Prior Approp.</u> | <u>Fiscal 2015 Request</u> | <u>Future Estimated</u> | <u>Estimated Total</u> |
|------------|-----------------|----------------------|----------------------------|-------------------------|------------------------|
| 2013 CIP | Planning | \$0.150 | \$0.250 | \$0.050 | \$0.450 |
| | Construction | \$0.000 | \$0.000 | \$4.500 | \$4.500 |
| | Equipment | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| | Total | \$0.150 | \$0.250 | \$4.550 | \$4.950 |
| 2014 CIP | Planning | \$0.150 | \$0.350 | \$0.100 | \$0.600 |
| | Construction | \$0.000 | \$0.000 | \$5.900 | \$5.900 |
| | Equipment | \$0.000 | \$0.000 | \$0.050 | \$0.050 |
| | Total | \$0.150 | \$0.350 | \$6.050 | \$6.550 |
| Difference | Planning | \$0.000 | \$0.100 | \$0.050 | \$0.150 |
| | Construction | \$0.000 | \$0.000 | \$1.400 | \$1.400 |
| | Equipment | \$0.000 | \$0.000 | \$0.050 | \$0.050 |
| | Total | \$0.000 | \$0.100 | \$1.500 | \$1.600 |

CIP: *Capital Improvement Program*

Exhibit 6 reflects the condition of the buildings and proposed capital improvements.

Exhibit 6
Patterson Center Renovations Problems and Solutions

| <u>Building</u> | <u>Current Use</u> | <u>Problem</u> | <u>Solution</u> | <u>Proposed Use</u> |
|-----------------|---|---|--|--|
| Main house | Functionally inadequate for first floor visitation and planned public uses. | Water leaks in the roof and basement; decrepit heating, ventilation and cooling system; lack of compliance with fire and electrical codes and Americans with Disabilities Act (ADA) requirements. | Renovate to meet current fire and electrical codes and ADA requirements; and replace the antiquated heating, ventilation and cooling system. | Historic house museum with administrative offices on the second floor. |

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| <u>Building</u> | <u>Current Use</u> | <u>Problem</u> | <u>Solution</u> | <u>Proposed Use</u> |
|------------------------|--|---|---|---|
| Pool house | Storage. | Lack of compliance with ADA requirements; erosion of asbestos cement roof shingles; and mechanical and electrical system corrosion. | Install ADA-compliant toilets; replace the roof; and replace the mechanical and electrical systems. | Event support facility for weddings and other income-producing activities mainly as bathrooms with ADA-compliant toilets. |
| Garage | Storage. | Lack of compliance with fire and electrical codes; and need to replace the roof. | Renovate to meet current codes; and replace the roof. | Event support facilities for weddings and other income-producing activities and multi-purpose room for schoolchildren and small groups. |
| Site work | Limited parking and access for emergency vehicles. | Lack of compliance with ADA requirements and night lighting; front gate restrictions on emergency vehicle access; and insufficient visitor parking. | Install ADA-accessible walkways and night lighting; conduct site improvements to allow access for emergency vehicles; construct visitor parking; and generally improve and restore the grounds. | Greater access for persons with disabilities, emergency vehicles, and visitor parking. |

Source: Department of Budget and Management

The Department of Legislative Services (DLS) recommends that MDP comment on the anticipated ongoing operations and maintenance costs for the Patterson Center once the renovations are complete and the anticipated increase in income-producing activities.

Issues

1. Sustainable Communities Tax Credit Program Reauthorization and Old Project Cleanup

HB 510 (Sustainable Communities Tax Credit Program – Extension and Alteration) has been introduced in the 2014 legislative session. The major changes are reflected in **Exhibit 7**.

Exhibit 7 Sustainable Communities Tax Credit Program Extension and Alteration Legislation

| <u>Credit Type</u> | <u>Change</u> | <u>Reason</u> |
|---------------------------|---|--|
| Nonbudgeted Tax Credit | Adds small commercial projects in Sustainable Communities to the eligible uses. | Allow small commercial projects that could not otherwise compete with large commercial projects under the budgeted tax credit to receive consideration; address the short turnaround time needed by small commercial projects by being available on a rolling basis as opposed to the once-a-year allocation from the budgeted tax credit. |
| Budgeted Tax Credit | Abolishes 10% commercial credit for non-historic structures in Sustainable Communities. | No successful applications. |
| | Modifies credit expiration provisions. | Concerns about lack of authority to cancel expired tax credits. |
| | Modifies expired tax credit certification processing to retain funds in the reserve fund. | Policy change. |
| | Extends to fiscal 2015-2019. | Continue tax credit program. |

Source: Maryland Department of Planning; Department of Legislative Services

For the nonbudgeted tax credit, the major change is the addition of small commercial projects in sustainable communities. While the per project costs would be capped at \$50,000, and the Administration estimates only a \$700,000 revenue loss liability in fiscal 2017, there is uncertainty about how broadly sustainable communities designations may be drawn and thus how many projects would be

eligible for the tax credit. There is a liability for the State's General Fund since claimed tax credits reduce State revenues.

The Administration's fiscal 2015 budget proposal assumes revenues from the modification of credit expiration provisions under the budgeted tax credit. Specifically, the Administration anticipates \$19,096,632 in transfers to the general fund to reflect cancelled projects. **DLS recommends that MDP comment on why the small commercial projects are not included as an allocation of funding from the budgeted tax credit that could be made available throughout the year on a first-come, first-served basis only to small commercial projects.**

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State Owned Projects (\$ in Millions)

| | <i>FY 2015</i> | <i>FY 2016</i> | <i>FY 2017</i> | <i>FY 2018</i> | <i>FY 2019</i> |
|--|----------------|----------------|----------------|----------------|----------------|
|--|----------------|----------------|----------------|----------------|----------------|

| Patterson Center Renovations | | | | | | |
|-------------------------------------|--------------------------|---------|---------|---------|---------|---------|
| | Estimated Operating Cost | \$0.000 | \$0.100 | \$0.000 | \$0.100 | \$0.000 |
| | Estimated Staffing | 0 | 0 | 0 | 0 | 0 |

The operating budget impact statement reflects the need for \$100,000 in fiscal 2016 to fund the cost of moving household items out of the Patterson House to allow for design and construction. There is an identical cost in fiscal 2018 to return the household items to the renovated house. MDP notes that additional operating funds are being requested for new positions and expenses to operate the Patterson Center facility, which are not reflected above.

Consolidated Administrative Expenses – All Programs
(\$ in Millions)

| | FY 2013 Actual | FY 2014 Estimated | FY 2015 Estimated |
|--|---------------------------|------------------------------|------------------------------|
|--|---------------------------|------------------------------|------------------------------|

| | | | |
|--|----------------|----------------|----------------|
| Sources: | | | |
| Special Funds | | | |
| Sustainable Communities Tax Credit Program | \$0.254 | \$0.269 | \$0.295 |
| Maryland Historical Trust Revolving Loan Fund | 0.048 | 0.042 | 0.043 |
| African American Heritage Preservation Grant Program | 0.000 | 0.000 | 0.000 |
| Subtotal – Special Funds | \$0.302 | \$0.311 | \$0.338 |
| General Funds | 0.040 | 0.038 | 0.041 |
| Total Funds | \$0.342 | \$0.349 | \$0.380 |

| | | | |
|--|----------------|----------------|----------------|
| Uses: | | | |
| Direct Expenses | \$0.342 | \$0.349 | \$0.380 |
| Indirect Expenses (legal, marketing, asset management) | 0.000 | 0.000 | 0.000 |
| Total Direct and Indirect Expenses | \$0.342 | \$0.349 | \$0.380 |

MDP notes that salaries and operating costs are charged to the Sustainable Communities Tax Credit Program and MHT Revolving Loan Fund and that recent increases are due to cost-of-living adjustments and increments for fiscal 2014 and 2015. Other costs that might fluctuate from year-to-year include travel and contractual services.

MDP notes that 1 position staffs the MHT Revolving Loan Fund, Capital Grant Program, and African American Heritage Preservation Grant Program, so the costs for the African American Heritage Grant Program are included in the costs for the Revolving Loan Fund. This position is funded with 50% general funds and 50% special funds, but MDP indicates that it is only able to identify direct costs or salaries for the general funds.

Summary of Other Projects in the Capital Improvement Program

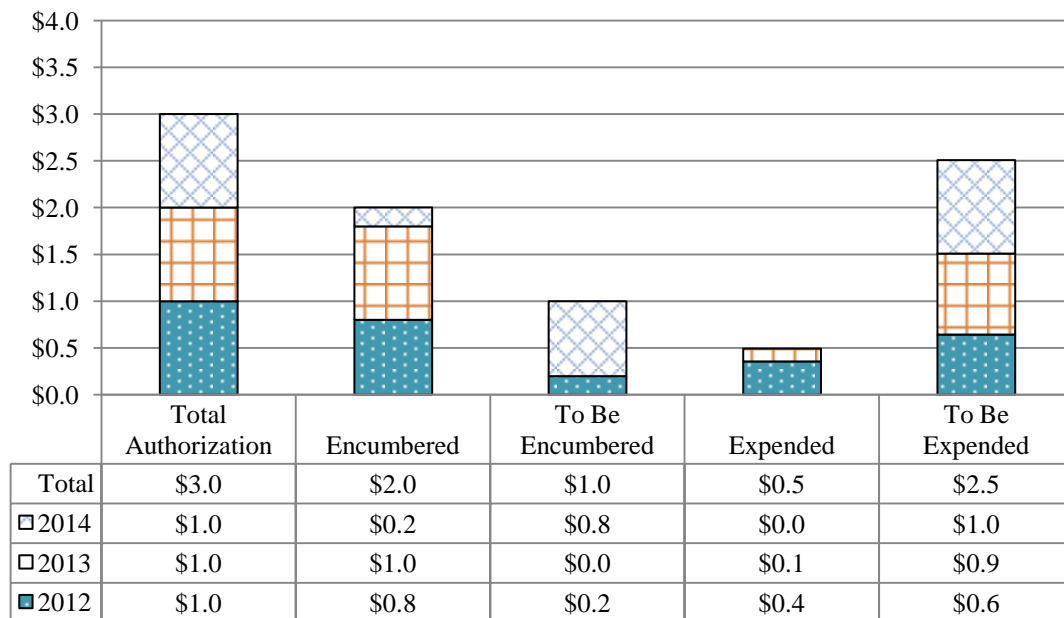
Similar to the 2013 CIP, there is out-year funding programmed in the 2014 CIP for a State-owned facility and for a grant and loan program. The State-owned facility is the St. Leonard's

Creek Shoreline Erosion Control and Public Access project at Jefferson Patterson Park and Museum, which is programmed for GO bond funding of \$350,000 in fiscal 2016 for planning; and \$3,250,000 in fiscal 2017 for planning (\$25,000) and construction (\$3,225,000). MHT Capital Grant Fund is the grant and loan program and it is programmed to receive \$700,000 in fiscal 2018 and 2019, the first such funding since \$700,000 was authorized in fiscal 2009.

Encumbrances and Expenditures

Exhibit 9 reflects the encumbrance and expenditure schedule for the African American Heritage Preservation Grant Program. As can be seen, the majority of funding to be encumbered is from the fiscal 2014 authorization, while the amounts to be expended are relatively evenly spread over the three years the program has received funding. MDP notes that the fiscal 2012 and 2013 unexpended funding reflects projects for which easements need to be completed or other legal or site control issues have to be resolved, and projects underway for which only part of the funds have been expended.

Exhibit 9
African American Heritage Preservation Grant Program
Program Inception through January 2014
(\$ in Millions)



Source: Maryland Department of Planning

PAYGO Recommended Actions

1. Concur with the Governor's allowance of \$200,000 in special funds for the Maryland Historic Trust Revolving Loan Fund.
2. Concur with the Governor's allowance of \$10,000,000 in general funds for the Sustainable Communities Tax Credit Program.

GO Bond Recommended Actions

1. Approve \$350,000 in general obligation bond authorization for planning the Patterson Center Renovations.
2. Approve \$1,000,000 in general obligation bond authorization for the African American Heritage Preservation Grant Program.
3. Approve \$150,000 in general obligation bond authorization for the Maryland Historical Trust Revolving Loan Fund.

Fund Data

Sustainable Communities Tax Credit Reserve Fund Commercial Projects Fiscal 2006-2014

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
| Appropriation | \$20,000,000 | \$30,000,000 | \$15,000,000 | \$14,700,000 | \$7,000,000 | \$10,000,000 | \$7,000,000 | \$7,000,000 | \$10,000,000 |
| BPW Reductions | 0 | 0 | -300,000 | -4,700,000 | -2,000,000 | 0 | 0 | 0 | 0 |
| Net Appropriation | \$20,000,000 | \$30,000,000 | \$14,700,000 | \$10,000,000 | \$5,000,000 | \$10,000,000 | \$7,000,000 | \$7,000,000 | \$10,000,000 |
| Carry Over | 0 | 328,744 | 9,939,939 | 490 | 0 | 1,180,490 | 490 | 32,831 | 1,035 |
| Total Available | \$20,000,000 | \$30,328,744 | \$24,639,939 | \$10,000,490 | \$5,000,000 | \$11,180,490 | \$7,000,490 | \$7,032,831 | \$10,001,035 |
| Reductions and Unallocated | -1,404,744 | 12,257,685 | 571,744 | -490 | -1,180,490 | -490 | -42,490 | -161,212 | 0 |
| Net Allocated | \$18,595,256 | \$42,586,429 | \$25,211,683 | \$10,000,000 | \$3,819,510 | \$11,180,000 | \$6,958,000 | \$6,871,619 | \$10,001,035 |

BPW: Board of Public Works

Source: Maryland Department of Planning

Fiscal 2015 African American Heritage Presevation Grant Program Projects

| <u>Subdivision</u> | <u>Project Title</u> | <u>Estimated Cost</u> | <u>2015 Amount</u> | <u>Total State Share (%)</u> |
|---------------------------|---|------------------------------|---------------------------|-------------------------------------|
| Anne Arundel | Highland Beach Town Hall Museum Annex | \$92,000 | \$46,000 | 50.0 |
| Anne Arundel | Wilson Farmstead | 56,900 | 50,000 | 87.9 |
| Baltimore City | Prince Hall Grand Lodge | 95,000 | 95,000 | 100.0 |
| Baltimore City | The Church of St. Katherine of Alexandria | 104,000 | 92,000 | 88.5 |
| Baltimore City | Union Baptist Church of Baltimore | 95,000 | 95,000 | 100.0 |
| Baltimore | St. Luke's Methodist Church Fellowship Hall | 100,000 | 95,000 | 95.0 |
| Calvert | Kings Landing Park/Camp Mohawk | 30,000 | 15,000 | 50.0 |
| Dorchester | Christ Rock Methodist Episcopal Church | 95,000 | 95,000 | 100.0 |
| Kent | Asbury United Methodist Church | 100,000 | 95,000 | 95.0 |
| Kent | Janes United Methodist Church | 125,000 | 95,000 | 76.0 |
| Montgomery | Sandy Spring Odd Fellows Lodge | 50,000 | 50,000 | 100.0 |
| Prince George's | Mount Nebo A.M.E. Church | 94,000 | 84,000 | 89.4 |
| Somerset | St. James Methodist Episcopal Church | 75,000 | 75,000 | 100.0 |
| Washington | Tolson's Chapel | 18,000 | 18,000 | 100.0 |
| Totals | | \$1,129,900 | \$1,000,000 | |

Fiscal 2014 Sustainable Communities Tax Credit Projects

| <u>Project Name</u> | <u>County</u> | <u>Description</u> | <u>Estimated Project Costs</u> | <u>Credit Amount</u> |
|--|----------------------|---|---------------------------------------|-----------------------------|
| The Parkway Theatre | Baltimore City | Restore abandoned theatre. | \$8,000,000 | \$2,000,000 |
| St. Michael the Archangel Church Complex | Baltimore City | Conversion of church complex to commercial office space and residential apartments. | 7,300,000 | 1,460,000 |
| Baltimore Trust Company | Baltimore City | Conversion of office building to residential apartments and commercial retail space | 75,000,000 | 3,000,000 |
| Warfield Complex Building "F" | Carroll | Conversion of former institutional dormitory to office space | 3,862,633 | 772,527 |
| Baltimore Arts Tower/Bromo Seltzer Tower | Baltimore City | Restoration of building exterior | 2,500,000 | 500,000 |
| Clipper Mill (Whitehall Mill) | Baltimore City | Conversion of mill complex to residential apartments and commercial space | 17,325,000 | 584,191 |
| 400 Race Street | Dorchester | Rehabilitation of commercial and residential apartment building | 600,000 | 120,000 |
| Nanticoke Lodge Masonic Temple | Caroline | Exterior renovation of former Masonic Hall and commercial building | 150,000 | 30,000 |
| Cumberland Arms Apartments | Allegany | Renovation of former hotel building as residential apartments | 5,817,269 | 1,454,317 |
| 110-112 South Cross Street | Kent | Renovation of historic commercial building | 400,000 | 80,000 |
| Total | | | \$120,954,902 | \$10,001,035 |