

DW0110
Department of Planning – Capital

Capital Budget Summary

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

<i>Projects</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
Patterson Center Renovations	\$0.500	\$0.000	\$3.350	\$3.150	\$0.000	\$0.000	\$0.000
St. Leonard's Creek Shoreline Erosion Control and Public Access	0.000	0.261	3.250	0.000	0.000	0.000	0.000
Maryland Archaeological Conservation Laboratory – Expansion and Renovation	0.000	0.000	0.000	0.000	0.000	0.400	5.400
Total	\$0.500	\$0.261	\$6.600	\$3.150	\$0.000	\$0.400	\$5.400

<i>Fund Source</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
GO Bonds	\$0.500	\$0.261	\$6.600	\$3.150	\$0.000	\$0.400	\$5.400
Total	\$0.500	\$0.261	\$6.600	\$3.150	\$0.000	\$0.400	\$5.400

CIP: *Capital Improvement Program*
GO: general obligation

Note: The total funding for the Patterson Center Renovations project has increased from \$6,550,000 in the 2014 CIP to \$7,000,000 in the 2015 CIP. In contrast, the St. Leonard's Creek Shoreline Erosion Control and Public Access project has decreased from \$3,600,000 in the 2014 CIP to \$3,511,000 in the 2015 CIP. New funding of \$400,000 in GO bonds is reflected for the Maryland Archaeological Conservation Laboratory – Expansion and Renovation project in fiscal 2020 with an out-year estimate of \$5,400,000 for a total project cost of \$5,800,000.

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

<i>Program</i>	<i>2014 Approp.</i>	<i>2015 Approp.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>
Sustainable Communities Tax Credit Program	\$10.000	\$9.000	\$9.000	\$0.000	\$0.000	\$0.000	\$0.000
Maryland Historical Trust Revolving Loan Fund	0.250	0.350	0.300	0.300	0.300	0.300	0.300
African American Heritage Preservation Grant Program	1.000	1.000	1.000	0.000	0.000	0.000	0.000
Maryland Historical Trust Capital Grant Fund	0.000	0.000	0.000	0.000	0.600	0.600	0.600
Total	\$11.250	\$10.350	\$10.300	\$0.300	\$0.900	\$0.900	\$0.900

<i>Fund Source</i>	<i>2014 Approp.</i>	<i>2015 Approp.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>
PAYGO GF	\$10.000	\$9.000	\$9.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	0.100	0.200	0.300	0.150	0.150	0.150	0.150
GO Bonds	1.150	1.150	1.000	0.150	0.750	0.750	0.750
Total	\$11.250	\$10.350	\$10.300	\$0.300	\$0.900	\$0.900	\$0.900

Note: No out-year funding is projected for the Maryland Sustainable Communities Tax Credit Program since the tax credit is not included in the 2015 *Capital Improvement Program*. Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) altered and extended the tax credit through fiscal 2019 but did not specify an amount. The fiscal 2015 appropriation of \$9 million for the Sustainable Communities Tax Credit Program reflects the fiscal 2015 negative deficiency of \$1 million.

Summary of Issues

African American Heritage Preservation Grant Program Re-authorization: Legislation has been introduced in the 2014 legislative session – HB 130 (African American Heritage Preservation (AAHP) Program – Reestablishment and Revisions) – to reestablish, with alterations, and make permanent the AAHP Program. Substantive changes include requiring the Governor to include \$1 million in the AAHP Grant Fund each year, allowing the Maryland Department of Planning (MDP) to set a new grant application submission date, and adding an emergency grants provision. **The Department of Legislative Services (DLS) recommends that MDP comment on how the program will be implemented if re-authorization legislation fails. In addition, DLS recommends that budget bill language be added that specifies that the \$1 million authorization shall be administered under the Maryland Historic Trust (MHT) Capital Grant Fund program guidelines if legislation reauthorizing the AAHP Grant Program is not enacted.**

Summary of Updates

Sustainable Communities Tax Credit Reserve Fund Project Update: Chapter 464 of 2014 (Budget Reconciliation and Financing Act (BRFA) of 2014) and Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) both impacted the Sustainable Communities Tax Credit Program’s operations. Chapter 464 of 2014 authorized the transfer of \$19,096,632 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2014. MDP notes that \$18,971,632 in expired post-fiscal 2006 commercial credits were reported to the Comptroller as being eligible for transfer on June 2, 2014, and that the \$125,000 in unused funding from fiscal 2013 was reverted by the Comptroller on June 1, 2014. Chapter 601 of 2014 modified the geographic cap and provided for both a small commercial nonbudget tax credit and guidelines for cancellation of pre-fiscal 2005 tax credits.

Summary of Recommended PAYGO Actions

1. Concur with Governor’s allowance of \$300,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.
2. Concur with Governor’s fiscal 2016 allowance of \$9 million in general funds for the Sustainable Communities Tax Credit Program and the \$1 million in general funds fiscal 2015 negative deficiency.

Summary of Recommended Bond Actions

1. St. Leonard's Creek Shoreline Erosion Control

Approve the \$261,000 general obligation bond authorization for planning the St. Leonard's Creek Shoreline Erosion Control and Public Access project.

2. African American Heritage Preservation Program

Add budget bill language specifying that the African American Heritage Preservation Grant Program shall be administered under the Maryland Historic Trust Capital Grant Fund program guidelines if re-authorization legislation fails.

Program Description

The mission of the 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 MHT Revolving Loan Fund, the MHT Capital Grant Fund, and the MHT AAHP 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 2016 allowance for the St. Leonard's Creek Shoreline Erosion Control and Public Access project. Out-year funding is programmed for two State-owned projects at Jefferson Patterson Park and Museum: the Patterson Center Renovations and the Maryland Archaeological Conservation Laboratory – Expansion and Renovation projects.

- **Maryland Sustainable Communities Tax Credit Program** – The Maryland Sustainable Communities Tax Credit Program was created by the Sustainable Communities Act of 2010 (Chapter 487) as an extension and alteration of the existing Heritage Structure Rehabilitation Tax Credit Program – a budgeted tax credit. Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) altered and extended the program. The program has a commercial budgeted tax credit and both a small commercial and residential nonbudgeted tax credit. The small commercial nonbudgeted tax credit has a \$4 million overall cap for the fiscal 2015 through 2017 time period, the qualified rehabilitation expenditures cannot exceed \$500,000 per project, and the structure must be located within a sustainable community. 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 both single-family, owner-occupied residences and small commercial projects. The tax credit is increased to 25% for a commercial rehabilitation that meets specified energy efficiency standards. The tax credit is no longer available for qualified rehabilitated (nonhistoric) commercial buildings located in a Main Street Maryland Community or a sustainable community. Funding for the program is required for the commercial credit in fiscal 2015 through 2017. MHT is authorized to award an unlimited amount of residential credits to applications received through June 30, 2017.
- **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.

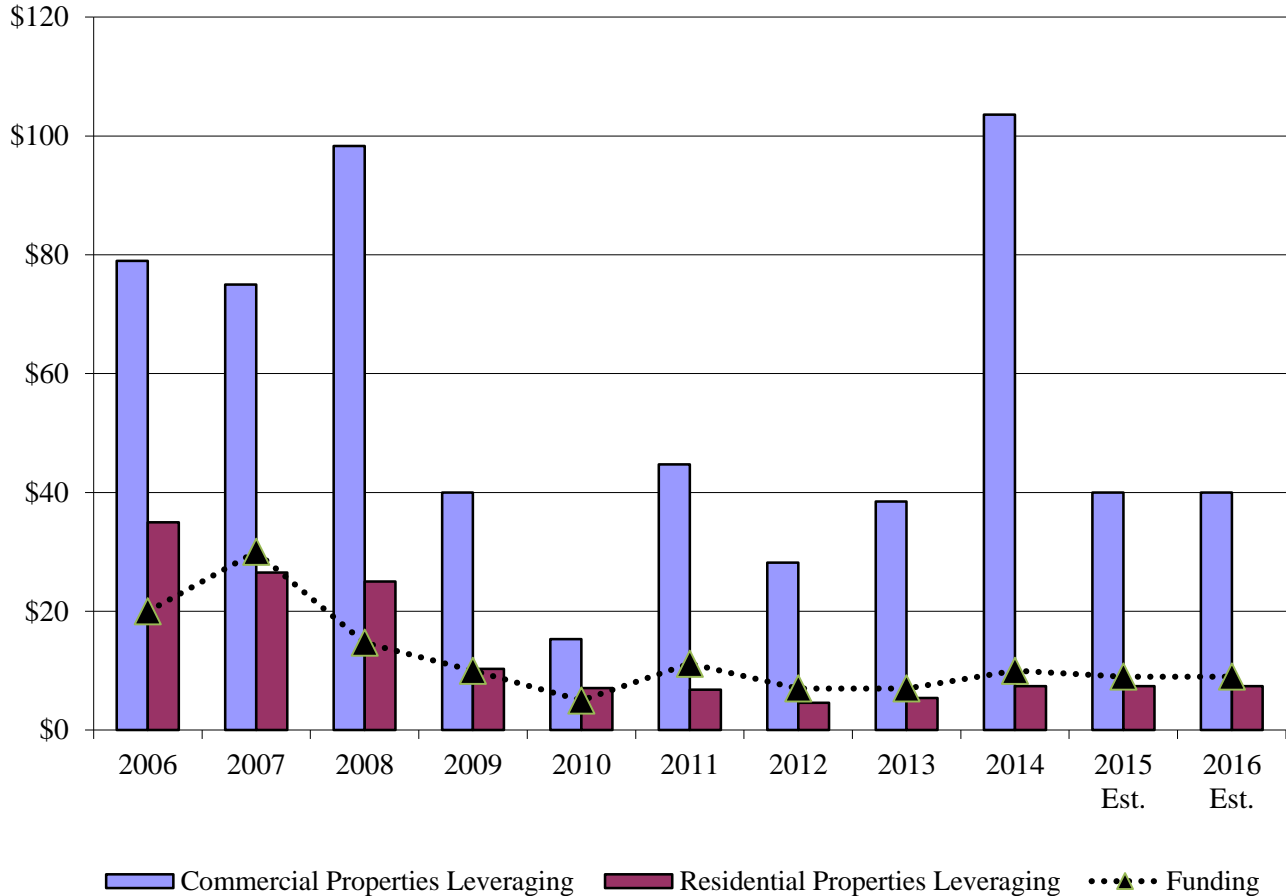
- **MHT AAHP Grant Program** – The MHT AAHP Grant Program was created by the AAHP Program (Chapters 278 and 279 of 2010) to identify and preserve buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland. The program is administered by MHT 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. An uncodified section of statute terminates the program after five years on May 31, 2015. The Department of Budget and Management (DBM) has interpreted this uncodified section to reflect the intent to provide funding for fiscal 2012 through 2016, and so fiscal 2016 is the final year of funding. 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**, there was a substantial increase between fiscal 2013 and 2014 in the investment leveraged for both rehabilitation of historic commercial properties and historic owner-occupied residential properties. For the commercial properties, the investment leveraged increased from \$38.5 million to \$103.6 million, or 169%; residential properties' investment leveraged increased from \$5.4 million in fiscal 2013 to \$7.4 million in fiscal 2014, or 37%. MDP notes that the substantial increase in commercial property investment leveraged between fiscal 2013 and 2014 is due to two large projects that had project costs in excess of the \$15.0 million in costs eligible for the credit under the \$3.0 million per project cap: Baltimore Trust Company Building, with an estimated cost of \$75.0 million; and the Clipper Mill Project, with an estimated cost of \$17.3 million. MDP notes that

Exhibit 1
Sustainable Communities Tax Credit
Measure of Private Investment and Program Funding
Fiscal 2006-2016 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 fiscal 2015 funding reflects the proposed \$1 million negative deficiency that reduces the appropriation to \$9 million.

Source: Governor’s Budget Books, Fiscal 2009-2016

over the program’s history, 4,634 Part 2 applications for proposed work have been approved, with estimated rehabilitation costs of \$1,803 million, which would equate to \$360.7 million in potential credit awards. Of the 4,634 applications, 616 are for commercial projects with a value of \$288.4 million and 4,018 for owner-occupied residential projects with a value of \$72.3 million.

MDP has not developed separate Managing for Results (MFR) measures for the Sustainable Communities Rehabilitation Tax Credit in order to capture the 25% credit for historic properties that qualify as high-performance structures. 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 2015, 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. In fiscal 2015, one project was approved for the 25% credit at the Part 2 application stage.

Due to the time lag between preselection 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 averaged about 1.4 projects per year between fiscal 2005 and 2014, most of which are properties that were rehabilitated. For fiscal 2011 to 2014, all approved projects have been executed, which has not necessarily been the case in prior years. In terms of fiscal 2015 projects, the MHT Board of Trustees and MDP have approved funding for stabilization and rehabilitation of the Gardener's Cottage at Jefferson Patterson Park and Museum; this project involves extensive interior and exterior rehabilitation of the property. This funding restores the project since it was taken out of the plan for the Patterson Center Renovations project. Board of Public Works approval for the project was expected on February 18, 2015. In terms of other interest, there are an additional two potential borrowers that expressed interest in fiscal 2015 that may be ready for fiscal 2016 funding.

Exhibit 2
Historic Properties Preserved
Fiscal 2005-2016 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</u>	<u>2015 Est.</u>	<u>2016 Est.</u>
Approved Projects	3	1	3	2	4	2	2	1	1	1	2	2
Types of Projects Executed												
Historic Properties Acquired	1	0	0	0	1	0	1	0	1	0	0	0
Historic Properties Rehabilitated	1	0	1	2	1	1	1	1	0	1	1	2
Historic Properties Refinanced	0	0	1	0	0	0	0	0	0	0	1	0
Projects Executed	2	0	2	2	2	1	2	1	1	1	To be determined	To be determined

Source: Maryland Department of Planning

AAHP Grant Program

MDP does not report MFR measures for the AAHP 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 AAHP 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 2016 was July 15, 2014, and selected projects are included in the 2015 *Capital Improvement Program (CIP)*. **Exhibit 3**, which includes information about fiscal 2016 project selections, shows three trends: (1) a decline in the number of applications from fiscal 2013 (24) to 2014 (16), but then substantial increases for fiscal 2015 (27), and then again for fiscal 2016 (34); (2) a decline in the amount of non-State matching funds leveraged between fiscal 2012 (approximately \$480,000) and the fiscal 2016 estimate (approximately \$40,000); and (3) relatively few local government applicants in the five years of the program, as shown by the low numbers of applicants required to provide non-State matching funds. MDP notes that applications may have increased for fiscal 2016 due to outreach efforts such as conversations both one-on-one and in grant workshops, relationships formed with African American heritage-orientated organizations, and by responses to public inquiries. Fiscal 2015 was the first year in which an online application was introduced.

Exhibit 3
African American Heritage Preservation Grant Program Measures
Fiscal 2012-2016 Est.
(\$ in Millions)

<u>Performance Measures</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 Est.</u>	<u>2016 Est.</u>
Input: Applications received	27	24	16	27	34
Output: Grants awarded	16	15	12	14	13 pending
Input: Funds requested	\$2.07	\$1.97	\$1.48	\$2.29	\$2.96
Output: Grants awarded	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00 pending
Output: Non-State matching funds leveraged	\$0.48	\$0.17	\$0.11	\$0.13	\$0.04
Output: Applicants required to provide non-State matching funds	3 ¹	1 ²	0	2 ³	0
Output: Non-State matching funds leveraged by local government applicants	\$0.16	\$0.05	\$0.00	\$0.06	\$0.00
Outcome: Percent of non-State investment leveraged by local government applicants compared to total project cost	50%	50%	n/a	50%	n/a

¹ Two local governments and one business entity.

² One local government.

³ Two local governments.

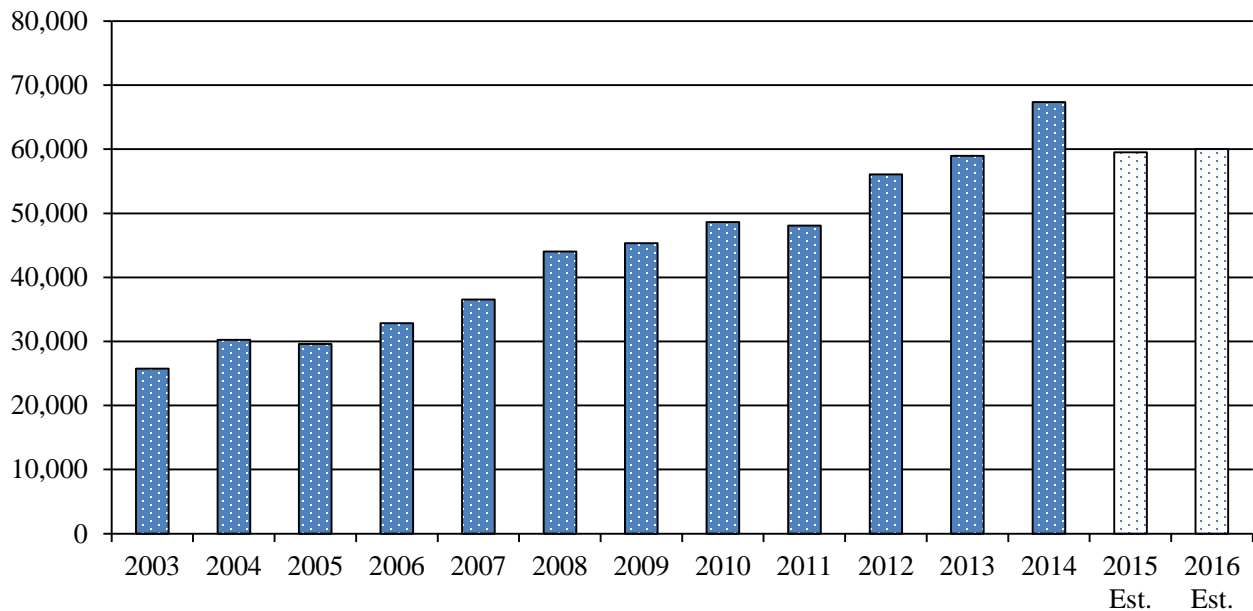
Source: Maryland Department of Planning

Patterson Center Renovations

The Patterson Center Renovation project is next slated for funding in fiscal 2017. Attendance is the primary performance measure for the 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 then increased again between fiscal 2012 (56,075) and 2014 (67,378). MDP has attributed 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** – The three days of War of 1812 activities, including a two-day Bicentennial celebration, in fiscal 2014 were key draws. 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 2003-2016 Est.



Source: Governor’s Budget Books, Fiscal 2003-2016

Budget Overview

Fiscal 2015 Cost Containment

The fiscal 2016 operating budget includes a \$1 million negative deficiency appropriation for the Sustainable Communities Tax Credit Program, and there is a provision in SB 75/HB 72 (BRFA of 2015) that would revert \$58,000 in excess operating revenue from the Sustainable Communities Tax Credit administrative fees collected in fiscal 2014. MDP notes that it is unsure how it will apply the \$1 million negative deficiency, since the fiscal 2015 awards for \$10 million were made on December 10, 2014, but that there could be forfeited funding if projects do not meet the March 18, 2015 fee deadline or an equitable reduction in tax credit awards may be implemented. A reversion to the general fund does not appear to be the appropriate method by which to handle the \$58,000 revenue transfer given that the fund is a nonlapsing special fund and thus, would require a transfer provision in the BRFA of 2015. This concern will be addressed as part of the analysis of the BRFA of 2015.

Fiscal 2016 Proposed Budget

Grant and Loan Programs

Three of MDP's four historic preservation programs are funded in the fiscal 2016 operating and capital budgets.

- **Maryland Sustainable Communities Tax Credit Program** – The fiscal 2016 allowance includes \$9 million in general funds, which is level with the fiscal 2015 working appropriation once the fiscal 2015 working appropriation is adjusted for the proposed \$1 million negative deficiency. The Maryland Sustainable Communities Tax Credit Program is not included in the 2015 CIP since the Administration considers it a financing mechanism and not a pay-as-you-go capital program. Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) altered and extended the program and is discussed in this analysis as an update.
- **MHT Revolving Loan Fund** – The fiscal 2016 allowance includes \$300,000 in special funds. This equals the 2014 CIP appropriation for fiscal 2016 but reflects a change in the fund mix from an even amount of special funds and general obligation (GO) bond authorization. The change is due to available balance for loans. Capitalization funding of \$150,000 in GO bonds is next programmed for fiscal 2017 in the 2015 CIP.
- **MHT AAHP Grant Program** – The fiscal 2016 capital budget bill includes \$1 million in GO bonds for the AAHP Grant Program, which is level with the fiscal 2015 authorization and consistent with the 2014 CIP. The 2014 CIP reflects final funding for the program in fiscal 2016; however, legislation has been introduced in the 2015 legislative session to extend the program, which is discussed as an issue in this analysis.

- **MHT Capital Grant Fund** – No funding was provided in fiscal 2016, which is level with the zero appropriation in fiscal 2015 and is consistent with the 2014 CIP. Funding is projected to be provided next in fiscal 2018 according to the 2015 CIP, although this funding is reduced by \$100,000 relative to the \$700,000 reflected in the 2014 CIP. In the past, MDP has noted 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 noted that in fiscal 2013, it solicited interest from properties on which MHT holds a historic preservation easement for \$158,000 in remaining funding from prior years and received 49 eligible applications requesting \$777,990.

State-owned Project

The fiscal 2016 capital budget bill includes \$261,000 in GO bonds for planning the St. Leonard's Creek Shoreline Erosion Control and Public Access project. The project entails the construction of the following.

- **Shoreline Erosion Control Measures** – The 25-foot high bluffs were undercut by wind and wave action after Hurricane Isabel in September 2003. Shoreline erosion has increased to two feet a year since Hurricane Isabel, in contrast to the almost zero foot shoreline erosion along the Jefferson Patterson Park and Museum shoreline that already has living shoreline erosion control measures in place. In addition, high and low marsh plant habitat is in danger of being lost that would otherwise support nesting terrapin and horseshoe crabs. The project intent is to reduce shoreline erosion to almost zero feet per year, which will also help to protect historic and cultural resources such as Native American, early colonial, and War of 1812 artifacts. A \$50,000 grant received from a combination of the Chesapeake Bay Trust, National Oceanic and Atmospheric Administration, and the Maryland Department of the Environment for design of a 2,000 linear foot living shoreline will be used to inform the current project design.
- **Pier and Boardwalk** – There is no public boat access on St. Leonard Creek, and the boating public has made numerous enquiries about how to access Jefferson Patterson Park and Museum. The construction of a pier and boardwalk will provide water access to students and other visitors, such as the boating public.

The overall project cost has decreased from \$3,600,000 in the 2014 CIP to \$3,511,000 in the 2015 CIP due to a reduction in the project design cost. While MDP is aware of the Department of Natural Resources' Shore Erosion Control revolving loan fund, it did not pursue funding from this source because there would be no cost savings to the State.

Issues

1. African American Heritage Preservation Grant Program Re-authorization

Legislation has been introduced in the 2014 legislative session – HB 130 (African American Heritage Preservation Program – Reestablishment and Revisions) – to reestablish, with alterations, and make permanent the AAHP Program. For each fiscal year, the Governor must include in the annual operating or capital budget an appropriation of \$1 million to the AAHP Grant Fund, a special fund established by the bill. The fiscal note for the bill notes that no additional positions are required to implement the bill. The following program changes appear to be substantive.

- **Application Date** – The bill changes the date by which an application for an AAHP Grant may be submitted from July 15 each year to a date established annually by MHT and the Commission on African American History and Culture. MDP notes that flexibility in establishing an application date will allow for a date to be set that is closer to the beginning of the new fiscal year, thus, allowing applicants to be able to access funding more quickly.
- **Emergency Grants** – The bill creates a procedure and establishes requirements for the award of emergency grants by the Secretary of Planning and authorizes the Secretary to reserve up to 20% of the money available in the AAHP Grant Fund to award grants to eligible emergency AAHP projects not otherwise applied for during the regular application cycle. MDP notes that this provision is in keeping with the guidelines for its existing MHT Capital Grant Fund program and is necessary to be able to address emergencies quickly such as stabilizing damaged structures after fire, flood, or other disasters.
- **Sunset** – The bill makes permanent the AAHP Grant Fund and requirement to provide an annual appropriation of \$1 million. Under current law, the AAHP Program is set to terminate May 31, 2015. MDP notes that this provision also brings the AAHP Program in line with the existing MHT Capital Grant Fund program guidelines.

If HB 130 and all other re-authorization bills fail, there will be no explicit program guidance for the fiscal 2016 \$1 million authorization. This is because DBM has interpreted the uncodified section of statute attached to the AAHP Program’s original authorization as the intent to provide five years of funding, despite the May 31, 2015 termination date. **DLS recommends that MDP comment on how the program will be implemented if re-authorization legislation fails. In addition, DLS recommends that budget bill language be added that specifies that the \$1 million authorization shall be administered under the MHT Capital Grant Fund program guidelines if legislation reauthorizing the AAHP Program is not enacted.**

Updates

1. Sustainable Communities Tax Credit Reserve Fund Project Update

Chapter 464 (BRFA of 2014) and Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) both impacted the Sustainable Communities Tax Credit Program’s operations. The impacts and MDP’s comments are as follows.

Budget Reconciliation and Financing Act of 2014

The BRFA of 2014 authorized the transfer of a total of \$19,096,632 from the Sustainable Communities Tax Credit Reserve Fund to the general fund in fiscal 2014. This funding reflected the amount of post-fiscal 2006 budgeted tax credits that were not anticipated to be claimed, including \$125,000 that went unused in fiscal 2013 and \$18,971,632 associated with 26 tax credits issued in fiscal 2006 through 2010 that had not been claimed. MDP notes that a total of \$18,971,632 in expired post-fiscal 2006 commercial credits were reported to the Comptroller as being eligible for transfer on June 2, 2014, and that the \$125,000 in unused funding from fiscal 2013 was reverted by the Comptroller on June 1, 2014.

Sustainable Communities Tax Credit Program – Extension and Alteration

The Sustainable Communities Tax Credit Program re-authorization legislation implemented the following.

- **Geographic Cap** – The legislation reduced the maximum percentage of tax credit allowed in any county from 75% to 60%. MDP notes that the reduction in the geographic allocation percentage cap did not have a major effect on the fiscal 2015 funding round because even though Baltimore City reached the 60% cap, there was still residual funding remaining after other jurisdictions received full funding that could be applied to Baltimore City projects.
- **Small Commercial Nonbudget Tax Credit** – The legislation added a new small commercial nonbudgeted tax credit program. MDP notes that it was permitted to approve application for the credits in January 1, 2015. As of February 4, 2015, MDP has received six applications of which two have been approved at the Part 2 stage, accounting for \$38,000 of the \$4,000,000 cap for the fiscal 2015 through 2017 time period.
- **Canceled Projects** – The legislation modified provisions relating to pre-fiscal 2005 canceled projects. MDP notes that there were 40 pre-2005 commercial tax credit projects that were canceled at an estimated \$17,893,753. However, these projects received credits before there was a budgeted tax credit, and so from an accounting point of view, this would be considered an adjustment to revenues and not a transfer to the general fund to offset a tax liability as is done under the budgeted tax credit. In addition, there were four projects that were not canceled as follows: one project submitted a Part 3 and was approved for work completed before the credit expiration date in the amount of \$208,582; and three other projects met the requirements of active projects and so, retained the anticipated credit value of \$1,180,000.

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement – State-owned Projects (\$ in Millions)

	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>
St. Leonard’s Creek Shoreline Erosion Control and Public Access					
Estimated Operating Cost	\$0.000	\$0.001	\$0.008	\$0.008	\$0.008
Estimated Staffing	0	0	0	0	0

The operating budget impact statement reflects the need for \$1,000 in fiscal 2017 and \$8,000 for each of fiscal 2018 through 2020 for the St. Leonard’s Creek Shoreline Erosion Control and Public Access project. Example costs include salaries for increased maintenance and security requirements, electricity for security, maintenance of boardwalk and improvements, and general maintenance supplies.

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

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
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Sources:			
Special Funds			
Sustainable Communities Tax Credit Program	\$262,654	\$281,170	\$341,954
Maryland Historical Trust Revolving Loan Fund	43,405	45,769	44,444
African American Heritage Preservation Grant Program	0	0	0
Subtotal – Special Funds	\$306,059	\$326,939	\$386,398
Total Funds	\$306,059	\$326,939	\$386,398

Uses:			
Direct Expenses	\$306,059	\$326,939	\$386,398
Indirect Expenses (legal, marketing, asset management)	0	0	0
Total Direct and Indirect Expenses	\$306,059	\$326,939	\$386,398

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

MDP has noted in the past that 1 position staffs the MHT Revolving Loan Fund, the Capital Grant Program, and the AAHP Grant Program, so the costs for the AAHP Program are included in the costs for the Revolving Loan Fund.

Summary of Other Projects in the Capital Improvement Program

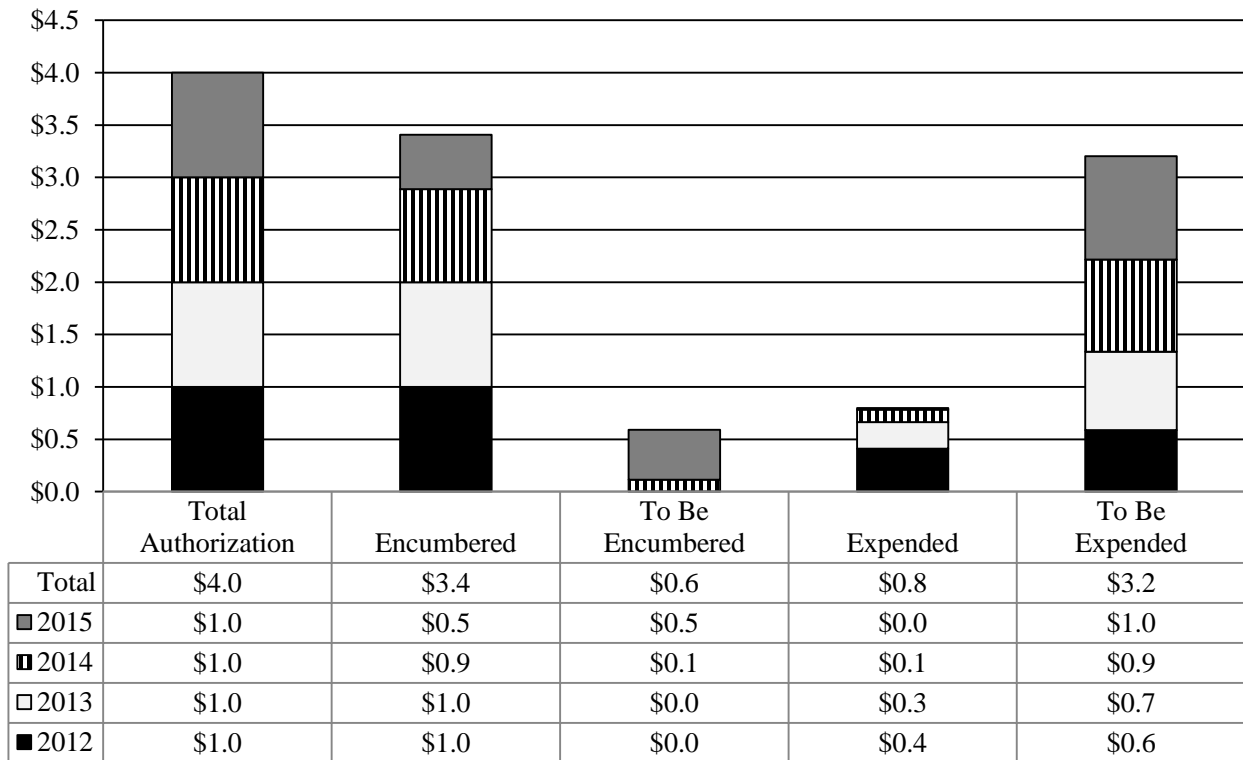
There is out-year funding programmed in the 2015 CIP for the Patterson Center Renovations project and the MHT Capital Grant Fund, as well as new funding for the Maryland Archaeological Conservation Laboratory – Expansion and Renovation project. As noted previously, the MHT Capital Grant Fund – a grant and loan program – funding is reduced from \$700,000 to \$600,000 for fiscal 2018 and 2019 between the 2014 and 2015 CIP. This funding still reflects the first such funding since \$700,000 was authorized in fiscal 2009. The other funding changes are as follows.

- **Patterson Center Renovations** – The total funding for the project has increased from \$6,550,000 in the 2014 CIP to \$7,000,000 in the 2015 CIP. MDP notes that in November 2014 the final revised program was submitted, which was based on the Patterson Center Condition Assessment and Treatment Plan report, prepared by Quinn Evans Architects, and the final review and revision of the cost estimate worksheet by the Department of General Services. These final appraisals took additional account of the historic nature of the property and increased both the design costs and the estimated cost per square foot renovation costs. The \$350,000 in the fiscal 2015 GO bond authorization is being used to procure the services of professionals to prepare a final design plan. The pre-bid meeting for the design work is scheduled for February 17, 2015, with the expectation that a firm will be selected to do the design work in spring 2015.
- **Maryland Archaeological Conservation Laboratory – Expansion and Renovation** – The Maryland Archaeological Conservation Laboratory – Expansion and Renovation project is included in the 2015 CIP for the first time since at least the 2009 CIP. Initial funding of \$400,000 in GO bond authorizations for planning would be provided in fiscal 2020 and \$5.4 million in construction funds beginning in fiscal 2021 for a total project cost of \$5.8 million. The project entails the following: (1) create additional and more efficient storage space for artifact collections and archives; (2) provide additional workspace for cleaning artifacts as they come in from the field; (3) correct health and safety deficiencies in work areas; (4) correct equipment inefficiencies and improve function to reduce repairs and permit increased capability in treatment of artifacts; (5) provide separate and larger isolation area for fumigation to reduce hazards to health and safety; (6) upgrade the security system; and (7) upgrade the heating, ventilation, and air conditioning system. MDP notes that the project can wait until fiscal 2020 because staff have been diligent about maximizing the amount of space for archaeological collections, but that the Maryland Archaeological Conservation Laboratory is expected to be full by fiscal 2020 and thus, the expansion should be postponed no longer.

Encumbrances and Expenditures

Exhibit 5 reflects the encumbrance and expenditure schedule for the AAHP Grant Program. As can be seen, the majority of funding to be encumbered is from the fiscal 2015 authorization, while the amounts to be expended are relatively evenly spread over the first three years the program has received funding. The \$3.2 million still to be expended is rather sizeable given the relative short period of the program’s existence. In response, MDP notes that projects are normally given a two-year window but that very few projects meet this schedule due to the following possibilities: inexperience on the part of the nonprofit applicants, lack of design team involvement, limited available qualified preservation contractors, and the time required to convey an historic preservation easement to MHT. MDP further notes that if a project is clearly not moving forward, then it has the option to cancel a grant or not to extend the project completion date on the grant agreement and that under the revisions to the program outlined in the re-authorization bill, MHT will have greater flexibility in re-using funds from cancelled projects, which will provide an incentive to be more aggressive in cancelling grants.

Exhibit 5
African American Heritage Preservation Grant Program
Program Inception through January 2015
 (\$ in Millions)



Source: Maryland Department of Planning

PAYGO Recommended Actions

1. Concur with Governor's allowance of \$300,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.
2. Concur with Governor's fiscal 2016 allowance of \$9 million in general funds for the Sustainable Communities Tax Credit Program and the \$1 million in general funds fiscal 2015 negative deficiency.

GO Bond Recommended Actions

1. Approve the \$261,000 general obligation bond authorization for planning the St. Leonard's Creek Shoreline Erosion Control and Public Access project.
2. Add budget bill language specifying that the African American Heritage Preservation Grant Program shall be administered under the Maryland Historic Trust Capital Grant Fund program guidelines if re-authorization legislation fails.

DW0110A African American Heritage Preservation Program \$ 1,000,000

Add the following language:

Further provided that if legislation reauthorizing the African American Heritage Preservation Grant Program is not enacted, then the funding shall be administered in accordance with the standards established under Section 5A-328 of the State Finance and Procurement Article.

Explanation: The General Assembly is concerned that \$1 million is authorized in general obligation bond authorization for the African American Heritage Preservation Grant Program in fiscal 2016, and yet it is possible that legislation reauthorizing the program and providing grant funding guidelines will not be enacted before the May 31, 2015 termination date of the program. Therefore, this budget language specifies that the \$1 million authorization shall be administered under the Maryland Historic Trust Capital Grant Fund program guidelines if legislation reauthorizing the African American Heritage Preservation Grant Program is not enacted.

Fiscal 2016 African American Heritage Preservation Grant Program Projects

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>2016 Amount</u>	<u>Total State Share (%)</u>
Baltimore City	Ebenezer A.M.E. Church and Parish House	\$100,000	\$100,000	100.0
Baltimore County	Pine Grove United Methodist Church and School House	100,000	100,000	100.0
Calvert	Kings Landing Park/Camp Mohawk	73,000	73,000	100.0
Caroline	Community Civic League of Federalsburg/Laurel Grove Road School	98,000	98,000	100.0
Carroll	Sykesville Colored Schoolhouse	15,000	15,000	100.0
Charles	Old Pomonkey High School	95,000	95,000	100.0
Dorchester	Christ Rock Methodist Episcopal Church	100,000	100,000	100.0
Frederick	Catoctin Furnace African American Cemetery	87,000	87,000	100.0
Prince George's	Frederick Douglass Square at the University of Maryland	100,000	100,000	100.0
Somerset	John Wesley Methodist Episcopal Church	40,000	40,000	100.0
Talbot	Asbury Methodist Episcopal Church	100,000	100,000	100.0
Talbot	Bethel African Methodist Episcopal Church	14,000	14,000	100.0
Wicomico	Charles H. Chipman Cultural Center	78,000	78,000	100.0
Total		\$1,000,000	\$1,000,000	

Fiscal 2015 Sustainable Communities Tax Credit Projects

<u>Project Name</u>	<u>County</u>	<u>Description</u>	<u>Estimated Project Costs</u>	<u>Credit Amount</u>
Footer’s Dye Works	Allegany	Conversion of an industrial factory to commercial restaurant and apartment use.	\$7,962,208	\$1,990,552
Eastern Pumping Station/ Baltimore Food Hub	Baltimore City	Conversion of former pumping station to a mixed use food center business incubator.	15,000,000	3,000,000
Fells Point Recreation Pier	Baltimore City	Conversion of the former municipal pier building for use as a hotel and restaurant facility.	39,851,734	3,000,000
Florence Crittenton Home	Baltimore City	Conversion of former mill owner’s mansion/social services campus for use as rental apartments.	2,600,000	520,000
Eastwick Motor Company/ Load of Fun	Baltimore City	Conversion of a 1914 Ford dealership for use as an arts organization center and restaurant.	6,100,000	453,968
511 Poplar Street	Dorchester	Rehabilitation of commercial building for retail and rental residential use.	225,000	45,000
Carrollton Hall	Howard	Restoration of the 1832 mansion house for use as community meeting space and museum.	3,902,400	780,480
Taylor’s Furniture Store	Howard	Rehabilitation of a retail and residential building for use as restaurant and office space.	750,000	150,000
Doughoregan Manor Work House	Howard	Rehabilitation of a 1760’s plantation building for use as rental residential housing.	300,000	60,000
Total			\$76,691,342	\$10,000,000