

DW0110
Department of Planning – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
Patterson Center Renovations	\$4.714	\$4.590	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Maryland Archeological Conservation Laboratory Expansion and Renovation	0.668	0.215	9.342	0.000	0.000	0.000	0.000
Total	\$5.382	\$4.805	\$9.342	\$0.000	\$0.000	\$0.000	\$0.000

Fund Source	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
GO Bonds	\$5.382	\$4.805	\$9.342	\$0.000	\$0.000	\$0.000	\$0.000
Total	\$5.382	\$4.805	\$9.342	\$0.000	\$0.000	\$0.000	\$0.000

CIP: *Capital Improvement Program*
GO: general obligation

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

Program	2019 Approp.	2020 Approp.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.
Historic Revitalization Tax Credit Program	\$9.000	\$9.000	\$9.000	\$0.000	\$0.000	\$0.000	\$0.000
Maryland Historical Trust Revolving Loan Fund	0.300	0.300	0.300	0.300	0.300	0.300	0.300
African American Heritage Preservation Grant Program	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Maryland Historical Trust Capital Grant Fund	0.600	0.600	0.600	0.600	0.600	0.600	0.600
Total	\$10.900	\$10.900	\$10.900	\$1.900	\$1.900	\$1.900	\$1.900

Fund Source	2019 Approp.	2020 Approp.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.
PAYGO GF	\$8.906	\$9.000	\$9.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	0.394	0.300	0.300	0.150	0.150	0.150	0.150
GO Bonds	1.600	1.600	1.600	1.750	1.750	1.750	1.750
Total	\$10.900	\$10.900	\$10.900	\$1.900	\$1.900	\$1.900	\$1.900

GF: general funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Note: No out-year funding is projected for the Historic Revitalization Tax Credit Program (formerly the Maryland Heritage Structure Rehabilitation Tax Credit Program), since the tax credit is not included in the 2020 *Capital Improvement Program*. Chapter 211 of 2019 (Economic, Housing, and Community Development – Opportunity Zone Incentives) renamed the Heritage Structure Rehabilitation Tax Credit Program as the Historic Revitalization Tax Credit Program and extended the tax credit through fiscal 2024 but did not specify an amount.

Summary of Recommended PAYGO Actions

1. Approve the Governor’s allowance of \$300,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.
2. Approve the Governor’s allowance of \$9,000,000 in general funds for the Historic Revitalization Tax Credit Program (formerly the Maryland Heritage Structure Rehabilitation Tax Credit Program).

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Maryland Archeological Conservation Laboratory Expansion and Renovation Approve the \$215,000 general obligation bond authorization for the Maryland Archeological Conservation Laboratory Expansion and Renovation project at Jefferson Patterson Park and Museum.	
2. Patterson Center Renovations Delete the \$4,590,000 general obligation bond authorization for the Patterson Center Renovations project.	\$4,590,000 GO
3. African American Heritage Preservation Grant Program Approve the \$1,000,000 general obligation bond authorization for the African American Heritage Preservation Grant Program.	
4. Maryland Historical Trust Capital Grant Fund Approve the \$600,000 general obligation bond authorization for the Maryland Historical Trust Capital Grant Fund.	
5. SECTION 2 – Maryland Department of Planning – St. Leonard’s Creek Shoreline Erosion Control Approve the deauthorization of \$999,828 in general obligation bonds for the St. Leonard’s Creek Shoreline Erosion Control project.	
Total General Obligation Reductions/Additions	\$4,590,000

Summary of Budget Reconciliation and Financing Act Recommended Actions

1. The Department of Legislative Services recommends a separate Budget Reconciliation and Financing Act provision to reduce the transfer of funding from the Dedicated Purse Account in fiscal 2020 by the \$4,590,000 needed for the Patterson Center Renovations project.

Program Description

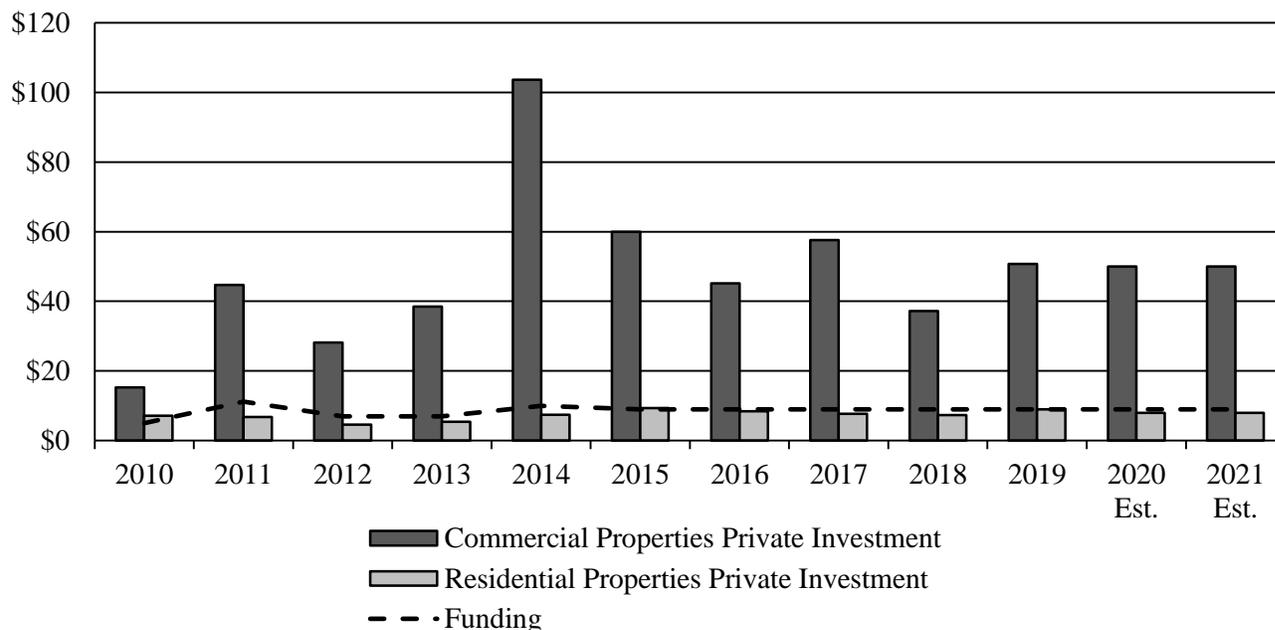
The mission of the Maryland Department of Planning (MDP) Preservation Services program is to preserve historical and archeological resources by providing financial incentives to property owners and enforcing regulations. As shown in **Appendix 1**, MDP currently has four capital programs that serve to preserve historical and archeological resources: the Historic Revitalization Tax Credit Program (formerly the Heritage Structure Rehabilitation Tax Credit Program); the Maryland Historical Trust (MHT) Revolving Loan Fund; the MHT Capital Grant Fund; and the MHT African American Heritage Preservation (AAHP) Grant Program. All four programs seek to promote the acquisition and rehabilitation of historic properties by providing low-interest loans, tax credits, or grants, depending on the program.

Performance Measures and Outputs

Historic Revitalization Tax Credit Program (formerly the Heritage Structure Rehabilitation Tax Credit Program)

Exhibit 1 illustrates the level of private investment for both commercial and residential credits. While funding has remained consistent at \$9.0 million annually, the level of private investment associated with the commercial credits fluctuates based on the mix of projects selected for State credits with some projects resulting in more private investment than others. In general, the amount of private investment to credit is approximately four to one.

Exhibit 1
Historic Revitalization Tax Credit Program
Measure of Private Investment and Program Funding
Fiscal 2010-2021 Est.
(\$ in Millions)



Source: Governor’s Fiscal 2009-2020 Budget Books; Maryland Department of Planning

Budget Overview

Fiscal 2021 Proposed Budget

All four MDP historic preservation programs are funded in the fiscal 2021 operating and capital budgets as well as the Patterson Center Renovation’s general obligation (GO) bond capital project and the Maryland Archeological Conservation Laboratory Expansion and Renovation GO bond capital project.

Tax Credit and Grant and Loan Programs

Historic Revitalization Tax Credit Program

The fiscal 2021 allowance includes \$9,000,000 in general funds, which is level with the fiscal 2020 working appropriation. There were 19 applications for fiscal 2020 funding requesting a total

of \$24 million for construction projects, totaling more than \$235 million in estimated costs. The eight projects that received tax credit funding in fiscal 2020 are listed at the end of this analysis.

MHT Revolving Loan Fund

The fiscal 2021 allowance includes \$300,000 in special funds. The 2019 *Capital Improvement Program* (CIP) programmed \$150,000 each in special funds and GO bonds for fiscal 2021, but there is sufficient fund balance available to avoid the need to use GO bonds and level fund the program in fiscal 2021. Capitalization funding of \$150,000 in GO bonds is programmed in the 2020 CIP for fiscal 2022 and every year thereafter through the end of the five-year planning period. Early loan payoffs have mitigated the need for GO bond funds since fiscal 2018, but this is not likely to continue since no early loan payoffs were received in fiscal 2020. Recent program activity includes a \$175,000 direct grant for the Gardner’s Cottage at Jefferson Patterson Park and Museum, and a \$300,000 fiscal 2020 loan for acquisition of the Knights of Pythias Building. In fiscal 2021, there is the potential for a loan for 633 Portland Street in Baltimore City for an historic tavern that is being converted into a brewery with exhibit space planned for the second floor of the building.

MHT AAHP Grant Program

The fiscal 2021 capital budget bill includes \$1 million in GO bonds for the AAHP Grant Program, which is level with fiscal 2020 and consistent with what was programmed in the 2019 CIP. The program is mandated to receive at least \$1.0 million annually; therefore, the 2020 CIP reflects funding for the program through the end of the five-year planning period. The 12 projects that received GO bond funding in fiscal 2020 are listed at the end of this analysis.

Exhibit 2 reflects the encumbrance and expenditure schedule for the AAHP Grant Program. This shows that there is \$396,000 of funds authorized prior to fiscal 2016 still remaining to be expended by grantees. While MDP normally gives grantees a two-year timeframe following encumbrance to begin to draw down on the funds, very few projects meet this schedule due to 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. If warranted, MDP has the option to cancel a grant or not extend the project completion date.

Exhibit 2
African American Heritage Preservation Grant Program
Program Inception through January 2020
(\$ in Millions)

<u>Fiscal Year</u>	<u>Authorization</u>	<u>Funds</u>		<u>Balances</u>	
		<u>Encumbered</u>	<u>Expended</u>	<u>To Be Encumbered</u>	<u>To Be Expended</u>
Prior Years	\$4.000	\$4.000	\$3.604	\$0.000	\$0.396
2016	1.000	1.000	0.876	0.000	0.124
2017	1.000	1.000	0.428	0.000	0.572
2018	1.000	1.000	0.139	0.000	0.861
2019	1.000	0.998	0.000	0.002	1.000
2020	1.000	0.000	0.000	1.000	1.000
Total	\$9.000	\$7.998	\$5.048	\$1.002	\$3.952

Source: Maryland Department of Planning

MHT Capital Grant Fund

The fiscal 2021 allowance includes \$600,000 in GO bonds for the MHT Capital Grant Fund. The funding level is consistent with what was programmed in the 2019 CIP, and the 2020 CIP reflects \$600,000 in GO bond funding annually for the remainder of the five-year planning period. Since program reinstatement in fiscal 2018, grant applications have far exceeded available funding. In fiscal 2018, 69 eligible applications were received requesting \$5.1 million with 7 grants awarded. In fiscal 2019, 46 eligible applications were received requesting \$3.2 million with 10 grants awarded. For the fiscal 2020 grant cycle, the online application will be available February 10, 2020, with applications due March 23, 2020, and awards anticipated to be announced in late May or early June 2020. **Exhibit 3** reflects that the MHT Capital Grant Fund is encumbering funding in a timely manner, but the expenditures appear to be lagging.

Exhibit 3
MHT Capital Grant Fund
Program Inception Through January 2020
(\$ in Millions)

<u>Fiscal Year</u>	<u>Authorization</u>	<u>Funds</u>		<u>Balances</u>	
		<u>Encumbered</u>	<u>Expended</u>	<u>To Be Encumbered</u>	<u>To Be Expended</u>
Prior Years	\$19.561	\$19.561	\$19.561	\$0.000	\$0.000
2016	0.000	0.000	0.000	0.000	0.000
2017	0.000	0.000	0.000	0.000	0.000
2018	0.600	0.600	0.053	0.000	0.547
2019	0.600	0.410	0.054	0.190	0.546
2020	0.600	0.000	0.000	0.600	0.600
Total	\$21.361	\$20.571	\$19.668	\$0.790	\$1.692

MHT: Maryland Historical Trust

Source: Maryland Department of Planning

State-owned Projects

Patterson Center Renovations

The Patterson Center Renovations project consists of renovating three buildings at Jefferson Patterson Park and Museum in Calvert County – the main house, pool house, and garage – in order to fulfill the function of a house museum. Renovations include remediating structural failures; upgrading to meet current codes for fire, electrical, and the Americans with Disabilities Act; and landscaping. The fiscal 2020 operating budget bill included \$3,875,000 in general funds in the Dedicated Purpose Account (DPA) to complete construction and equipping of renovations to the Patterson Center. The funding was not released from the DPA, so the funding has been delayed by a year. Fiscal 2021 funding includes \$4,590,000 in GO bonds for construction (\$4,565,000) and equipment (\$25,000). The total project cost has increased from \$8,589,000 in the 2019 CIP to \$9,304,000 in the 2020 CIP, or \$715,000, due to an increase in construction funding from \$3,850,000 to \$4,565,000; the equipment funding remains at \$25,000. The increase in cost is due to the escalation to midpoint that has increased from 9.67% to 15.97% during the period of the project delay. MDP notes that the delay means that the facility infrastructure remains at risk, including electrical, HVAC, and fire suppression systems.

Maryland Archeological Conservation Laboratory Expansion and Renovation

The Maryland Archeological Conservation Laboratory is an archaeological research, conservation, and curation facility housed at Jefferson Patterson Park and Museum. It is a clearinghouse for archaeological collections associated with land-based and underwater projects conducted by State and federal agencies and for major collections acquired through private donation. As shown in **Exhibit 4**, the total project cost increased by \$337,000 from \$9,888,000 to \$10,225,000 between the 2019 CIP and the 2020 CIP. Construction costs increased by \$308,000 and planning costs by \$29,000. The project originally was slated to receive \$4,699,000 in fiscal 2021, but this funding largely has been shifted to fiscal 2022 as a result of facilities renewal work that still needs to be completed. This work was delayed by a year as a result of the termination of a contractor’s work for lack of performance in April 2019. The facilities renewal work is now back on track with a December 4, 2019 Board of Public Works agenda award of \$2,081,375 for replacing siding, waterproofing, and roofing at the facility. The preconstruction meeting for this project is scheduled for February 13, 2020.

MDP notes that it currently stores 9,341 boxes and that the overall capacity of the current building storage is 10,352 boxes, which means that it can only store another 1,011 boxes. Given that MDP has been in negotiations with the Archaeology in Annapolis project for 1,800 boxes, the current building will run out of available storage imminently if the expansion is not completed. In terms of the future capacity, MDP has noted in the past that the requested expansion will accommodate 6,700 boxes for a total of 17,052 boxes. If 150 boxes are received per year – the normal number of boxes when large collections are not received – the building space could be expected to last approximately 45 years.

Exhibit 4
Maryland Archaeological Conservation Laboratory Expansion
2019 and 2020 Capital Improvement Programs
(\$ in Thousands)

2019 Capital Improvement Program

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Planning	\$668	\$186	\$0	\$854
Construction	0	4,488	4,489	8,977
Equipment	0	25	32	57
Total	\$668	\$4,699	\$4,521	\$9,888

2020 Capital Improvement Program

Planning	\$668	\$215	\$0	\$883
Construction	0	0	9,285	9,285
Equipment	0	0	57	57
Total	\$668	\$215	\$9,342	\$10,225

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	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
<i>Difference</i>				
Planning	\$0	\$29	\$0	\$29
Construction	0	-4,488	4,796	308
Equipment	0	-25	25	0
Total	\$0	-\$4,484	\$4,821	\$337

Source: Department of Budget and Management; Department of Legislative Services

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2021-2025
(\$ in Millions)

	2021	2022	2023	2024	2025
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Maryland Archeological Conservation Laboratory Expansion and Renovation						
	Estimated Operating Cost	\$0.439	\$0.263	\$0.134	\$0.138	\$0.143
	Estimated Staffing (Regular Position)	1.00	1.00	2.00	2.00	2.00
	Estimated Staffing (Contractual Full-time Equivalents (FTE))	0.00	0.00	0.00	0.00	0.00

In total, 2 positions are needed – a digital archivist and an archeologist III. One of the positions is needed beginning in fiscal 2021. Both positions are needed beginning in fiscal 2023. Moving and storage funds for the collections during the renovation and construction are needed in fiscal 2021 and 2022.

Patterson Center Renovations						
	Estimated Operating Cost	\$0.117	\$0.122	\$0.312	\$0.322	\$0.329
	Estimated Staffing (Regular Position)	1.00	1.00	3.00	3.00	3.00
	Estimated Staffing (Contractual FTEs)	1.00	1.00	1.00	1.00	1.00

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One administrator II position and 1 horticulturalist contractual FTE are needed in fiscal 2021. An additional 2 positions – a maintenance chief and education specialist – are needed beginning in fiscal 2023. Communications, fuel and utilities, supplies and materials, and equipment – both replacement and additional – are also needed beginning in fiscal 2023.

Total Operating Impact						
	Estimated Operating Cost	\$0.555	\$0.384	\$0.445	\$0.461	\$0.473
	Estimated Staffing (Regular Position)	2.00	2.00	5.00	5.00	5.00
	Estimated Staffing (Contractual FTEs)	1.00	1.00	1.00	1.00	1.00

Deauthorizations

The fiscal 2017 capital budget bill included \$3,091,000 to design and construct shoreline erosion control measures and other improvements along St. Leonard’s Creek at Jefferson Patterson Park and Museum. The project came in under budget, so the unused GO bond authorization is being repurposed for other projects, as shown in **Exhibit 5**.

Exhibit 5 Deauthorizations

<u>Project</u>	<u>Deauthorized Amount</u>	<u>Reason</u>
St. Leonard’s Creek Shoreline Erosion Control	\$999,828	The project came in under budget, so the unused general obligation bond authorization is being repurposed for other projects.

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

PAYGO Recommended Actions

1. Approve the Governor's allowance of \$300,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.
2. Approve the Governor's allowance of \$9,000,000 in general funds for the Historic Revitalization Tax Credit Program (formerly the Maryland Heritage Structure Rehabilitation Tax Credit Program).

Budget Reconciliation and Financing Act Recommended Actions

1. The Department of Legislative Services recommends a separate Budget Reconciliation and Financing Act provision to reduce the transfer of funding from the Dedicated Purse Account in fiscal 2020 by the \$4,590,000 needed for the Patterson Center Renovations project.

Maryland Historic Revitalization Tax Credit Fiscal 2020 Projects

<u>Project</u>	<u>County</u>	<u>Estimated Project Costs</u>	<u>Credit Amount</u>
Rehabilitate the Glenn L. Martin Plant #2 / Middle River Depot complex	Baltimore County	\$75,000,000	\$3,000,000
Rehabilitate the buildings at 1629 and 1631 Aliceanna Street	Baltimore City	1,300,000	260,000
Rehabilitate the historic Penn Station building	Baltimore City	68,000,000	3,000,000
Rehabilitate the Strawbridge Methodist Episcopal Church	Baltimore City	1,400,000	294,250
Rehabilitate the former Evangelical Lutheran Church building	Baltimore City	2,000,000	400,600
Rehabilitate the former livery at 417 North Howard Street	Baltimore City	1,500,000	300,600
Rehabilitate the former loft-style manufacturing buildings	Baltimore City	6,600,000	1,185,922
Rehabilitate Day Village	Baltimore County	25,000,000	627,582
Total		\$180,800,000	\$9,068,954

African American Heritage Preservation Program Fiscal 2020 Projects

<u>Project</u>	<u>Location</u>	<u>Legislative District</u>	<u>Grant Amount</u>
Rehabilitate the interior and exterior of the Asbury M.E. Church	Easton	37B	\$100,000
Rehabilitate the exterior of the Bethel African Methodist Episcopal Church	Cambridge	37A	100,000
Rehabilitate the Ellsworth Cemetery	Westminster	5	65000
Rehabilitate the interior and exterior of the Emmanuel Episcopal Church tunnels	Cumberland	1C	100,000
Rehabilitate the exterior of the Fairmount Heights World War II Monument	Fairmount Heights	24	12,250
Rehabilitate the interior and exterior of the Fruitland Community Center, formerly Morris Street Colored School	Fruitland	38B	44,000
Rehabilitate the interior of the Liberty Grace Church of God bowling alley	Baltimore	41	100,000
Rehabilitate the interior and exterior of the McConchie School	La Plata	28	99,000
Rehabilitate the exterior of the North Street Swimming Pool	Hagerstown	2B	100,000
Rehabilitate the interior and exterior of the Sotterley Plantation slave cabin	Hollywood	29A	78,000
Rehabilitate the exterior of the 1903 Warren United Methodist Church	Dickerson	15	100,000
Rehabilitate the interior and exterior of the Zion Methodist Episcopal Church	Federalsburg	37B	100,000
Total			\$998,250

Appendix 1 Program Descriptions

- ***Historic Revitalization Tax Credit 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, and the qualified rehabilitation expenditures cannot exceed \$500,000 per project. 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 eligibility for small commercial projects includes row homes sold as part of a certain type of development project and both agricultural and post World War II structures that meet certain requirements. The tax credit is increased to 25% for a commercial rehabilitation that meets specified energy efficiency standards. Commercial rehabilitations within an opportunity zone qualify for an additional tax credit and increased maximum tax credits. Funding for the program is required for the commercial credit in fiscal 2018 through 2024. The Maryland Historical Trust (MHT) is authorized to award an unlimited amount of residential credits to applications received through June 30, 2024.

- ***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 2 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 term historic preservation easement on the property with an easement term ending 5 years after the date of the loan payoff or 15 years from recordation, whichever is longer.

- ***MHT African American Heritage Preservation Grant Program:*** The program is administered by MHT in partnership with the Commission on African American History and Culture. For each fiscal year, the Governor must include in the annual operating or capital budget an appropriation of \$1 million to the African American Heritage Preservation Grant Program Grant Fund. 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. Unless waived by the director of MHT as impracticable, infeasible, or not necessary under the circumstances if the property receiving a grant is historic real property individually listed in or individually eligible for listing in the Maryland Register of Historic Properties; then a term historic preservation easement must be conveyed to MHT. The term of the easement is tied to the amount of funding received; each \$5,000, or portion thereof, in funding will result in 1 year of easement term, with a minimum easement term of 15 years.

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- ***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. In return for grants, most recipients must convey to MHT a term preservation easement prior to the receipt of funds that is tied to the amount of funding received; each \$5,000, or portion thereof, in funding will result in 1 year of easement term, with a minimum easement term of 15 years. The maximum grant offered is \$100,000, and there is a matching requirement for local jurisdictions, business entities, and individuals of either cash or an in-kind contribution in an amount at least equal to the grant.