

Testimony of Brandon Schultz,
AIA, LEED Homes, LEED AP BD+C, NCARB
Principal, Quinn Evans Architects

Before the Senate Budget and Taxation Committee
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Pertaining To: SB978, Historic Rehabilitation Tax Credit Improvement Act of
2020
Support

On behalf of myself and Quinn Evans Architects, I thank you for the opportunity to provide testimony on the value of historic preservation in Maryland.

Quinn Evans, is a national architectural firm with expertise in historic preservation and adaptive reuse. We have over 200 employees with offices in Baltimore, Washington DC, Richmond, Ann Arbor, Detroit, and Madison.

Why this Bill Matters

From the perspective of historic preservation and economic development, it is incredibly important to adequately fund the commercial Historic Revitalization Tax Credits, Maryland's historic tax credit program. Since 1996, these job-creating credits have fueled real and lasting economic growth across the entire state. They invest in projects that improve the economic situation of the communities where they are located.

What this Bill Does

This legislation requires that the Governor appropriate \$15 million annually for the Competitive Commercial Historic Tax Credit program, followed by annual stepped increase to reach full funding at \$30 million by FY25. The program is currently funded for FY19 at \$9 million.

Why You Should Vote for This Bill

Maryland's Historic Revitalization Tax Credits are an integral part of the state's revitalization economy, employing thousands of Marylanders during the construction period and beyond. Despite the program's direct economic benefit to the communities where these historic rehabilitation projects occur, since 2002, investment in this tax credit funding has been tragically low. Indeed, the FY21 budget has the program funded at only \$9 million for all of Maryland, while the need grows exponentially every year and outstrips available funding by millions of dollars.

Case in point: Quinn Evans has a project in Hagerstown, the Alexander House, which has applied for the state historic tax credits every year since 2016 but has never been awarded the full amount requested. In fact, the amount awarded has gone down each of the past three years. In 2017 we were awarded just under \$243,000 of the \$3M requested. In 2018 we were only awarded a little over \$166,000 or 5.5% of the requested credit. For FY 2019, the owner of the property opted to not even bother with the credit application due to the unlikelihood of being awarded tax credits. As a result, the tenant in place rehabilitation of 95 units of affordable senior apartments has had to greatly reduce the scope of work due to the gap in financing created by not receiving full state credits through the past three funding cycles. The necessary reductions to the scope of work have included code minimum energy improvements to features such as windows and HVAC systems where more efficient systems had been planned previously. These reductions have a direct impact on what the elderly residents of the Alexander House will have to pay in monthly utility bills. Because the local electric utility is the City of Hagerstown, the owners were not able to apply for Empower funds because the City of Hagerstown Light Department does not contribute to that fund.

It's been a tough holding period for the building while we await full funding. Plumbing lines and roofs continue to leak resulting in greater costs for "band-aid" repairs. Important life safety upgrades and the installation of a kitchen and bath exhaust system have similarly been stalled while the owner, general contractor, and design team figured out how to address all of the necessary repairs and improvements necessary to ensure that the building continues to serve elderly residents for at least another 20 years.

Further reductions in scope of work have also been required to the common areas that directly benefit the residents. Services such as an on-site resident services coordinator, on site social worker, etc. have been reduced as well.

The Alexander House is one of Hagerstown's tallest and most prominent buildings. The retail portions of the building fronting onto the public square are currently unoccupied. The abandoned and rotting storefronts are in desperate need of repair and rejuvenation of these spaces will enhance the security and viability of the Public Square and downtown Hagerstown.

So, although this project is a prime example of what the historic tax credit should be incentivizing and investing in, the current lack of state funding in the Historic Revitalization Tax Credit has prevented a worthy project from moving forward earlier. Currently the project is scheduled to begin construction during the summer of 2019, pursuing only Federal Historic Tax Credits.

Alexander House is also home to 85 employees, both with the owner of the building, The NHP Foundation and their staff, and the local TV station, WHAG. Prime retail space on the Washington Square also sits vacant waiting restoration.

As a result of the Alexander House project not having been awarded the full state historic tax credit, over \$18M of investment has been stalled in Hagerstown. The \$11.8 M renovation of the apartments alone is projected to bring between 130-150 construction workers to the building over 17 months of construction, workers who would frequent local business such as the Public Square café for a morning coffee or lunch at the Plum or the Rhubarb House across the street. The result of this work would significantly improve local businesses in downtown Hagerstown while generating additional property tax income.

One large historic tax credit project can have a very positive economic effect for a broader area than just the project site. The general contractor estimates that this project would contract for more than 80% of the work with local, Maryland based providers.

Increasing funding for state historic tax credits would result in more projects across Maryland, while returning more to the state treasury than it would cost. In fact, an Abell Foundation report found that for every \$1 invested by Maryland in the

historic tax credit program – over \$400 million since 1997 - there is about \$8.13 in economic activity generated – or over \$3.2 billion since the program's creation.

Now is the time to invest in Maryland's economy and communities by increasing the funding for the State Historic Tax Credit program.

Support

About Quinn Evans

Since our founding in 1984, Quinn Evans has looked forward. Advancing sustainable design. Unlocking the potential of existing buildings. And unleashing new and innovative possibilities—always with respect for the heritage of the communities shaped by our work. Along the way, our diversity and expertise have grown, bringing us to where we are today. A thriving, multi-faceted team with six offices, national impact and a shared commitment to helping places and people thrive.