

**DW0110**  
**Department of Planning – Capital**

***Capital Budget Summary***

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**Grant and Loan Programs**  
**(\$ in Millions)**

	<i>FY 2011 Approp.</i>	<i>FY 2012 Approp.</i>	<i>FY 2013 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommendation</i>
Sustainable Communities Tax Credit Program*	\$10.000	\$9.000	\$7.000	-22.2%	\$7.000
Maryland Historical Trust Revolving Loan Fund	0.300	0.100	0.270	170.0%	0.270
African American Heritage Preservation Grant Program	0.000	1.000	1.000	0.0%	1.000
<b>Total</b>	<b>\$10.300</b>	<b>\$10.100</b>	<b>\$8.270</b>	<b>-18.1%</b>	<b>\$8.270</b>

\* The fiscal 2012 appropriation for the Sustainable Communities Tax Credit Program is reduced by \$2 million due to fiscal 2012 budget bill language that restricted the funding to the Film Production Rebate Program contingent on the failure of House Bill 1148 and Senate Bill 672 of 2011. Senate Bill 672 was enacted as Chapter 672 of 2011, and so the Sustainable Communities Tax Credit Program funding will revert to the general fund at the end of fiscal 2012 leaving an effective appropriation of \$7 million for the program in fiscal 2012.

***Summary of Updates***

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***Historic Structures Report Phase II Status:*** The Patterson Center is the collective term for the six historic buildings at Jefferson Patterson Park and Museum in Calvert County, which require renovation to address safety and Americans with Disabilities Act accessibility concerns. The commissioning of a two-part Historic Structures Report has been initiated in order to determine the significance of the Patterson Center (Phase I) and determine the conditions and necessary treatment (Phase II). Maryland Department of Planning (MDP) issued the request for proposals for Phase II of the Historic Structures Report on January 20, 2012, with a closing date of March 13, 2012.

## ***Summary of Recommended PAYGO Actions***

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1. Concur with Governor's allowance of \$120,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.
2. Concur with Governor's allowance of \$7,000,000 in general funds for the Sustainable Communities Tax Credit Program.

## ***Summary of Recommended Bond Actions***

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

## ***Program Description***

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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.

- **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 as 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. 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.
- **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 pre-development 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

*DW0110 – Department of Planning – Capital*

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 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.

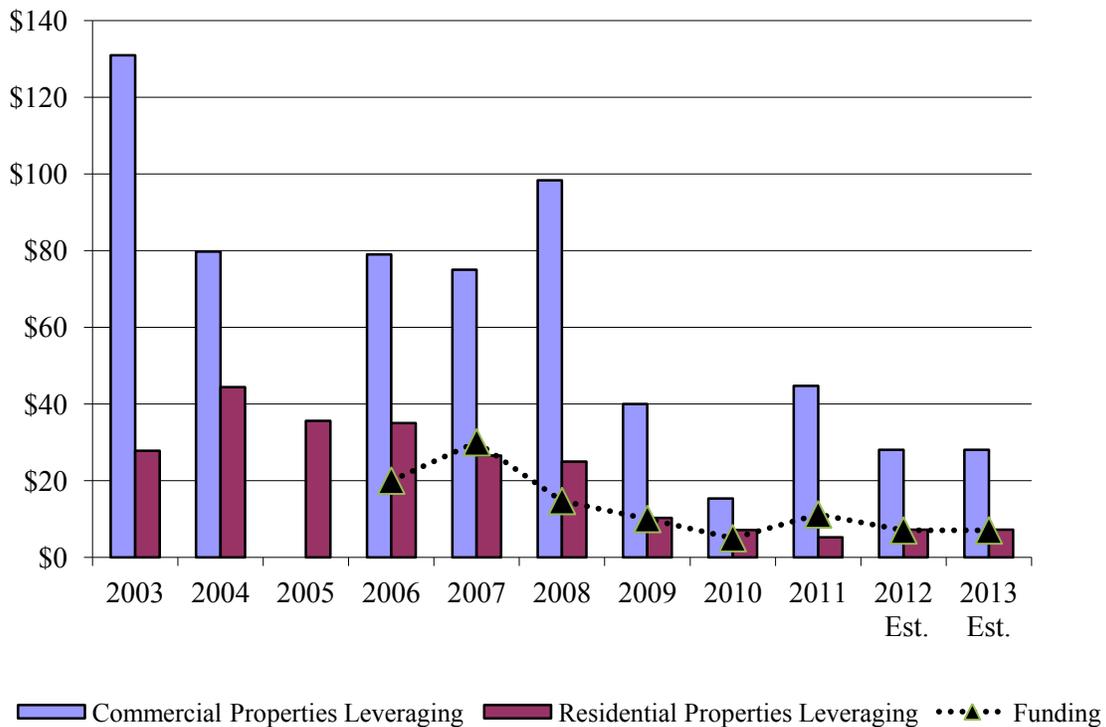
- **MHT Capital Grant Fund** – The MHT Capital Grant Fund provides grants to nonprofit organizations, local jurisdictions, business entities, and individuals to assist with acquisition, rehabilitation, or restoration of properties listed on, or eligible for listing on, the National Register of Historic Places. Nonprofit organizations and local jurisdictions may also receive funding for pre-development 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.

## Program Performance Measures and Outputs

### Sustainable Communities Tax Credit Program

As shown in **Exhibit 1**, there has been a steady decline in the funding level and the corresponding commercial and residential property rehabilitations expenditures leveraged by the tax credit.

**Exhibit 1**  
**Sustainable Communities Tax Credit**  
**Measure of Private Investment and Program Funding**  
**Fiscal 2003-2013**  
**(\$ 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 effective level of funding of \$7 million is reflected for fiscal 2012.

Source: Governor’s Budget Books, Fiscal 2006-2013

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, and so an additional measure showing the 90% leverage in private investment has not been incorporated into its MFR measures.

For the 25% credit, which is a 5% additional credit applied to historic projects that are seeking Leadership in Energy and Environmental Design (LEED) Gold certification, no projects have yet submitted a Part 3 application with the certification, which is required in order to achieve the 25% credit. In fiscal 2011, four projects have been 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. 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. MDP indicates 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 appear to limit the amount of loans provided. There are also a high percentage of projects each year that appear to be cancelled. For instance, the Revolving Loan Fund had cancelled encumbrances of \$350,000 in fiscal 2011 for the project The Mount and \$17,028 in fiscal 2012 for the project Skipjack Lady Katie (\$14,600) and the projected cancellation of a prior-year loan for the same project (\$2,428).

**Exhibit 2** reflects the breakdown of properties executed by category of acquired, rehabilitated, and refinanced properties. As can be seen, the Revolving Loan Fund averages about 1.4 projects per year, most of which are properties that are rehabilitated.

**Exhibit 2**  
**Historic Properties Preserved**  
**Fiscal 2005-2013**

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

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 notes 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 suggests that the match provided by local governments might be an appropriate alternative measure and that an example objective would be to leverage a non-State match of more than 50% for each grant awarded to local government applicants. **Exhibit 3** shows that MDP has had relatively few local government applicants in the first two years of the program, and the threshold for success of 50% has been reached but not surpassed. MDP notes that the program leveraged a total of \$484,000 in fiscal 2012 and \$480,835 in fiscal 2013, although only \$157,000 is required to match the State funds in fiscal 2012, and \$50,000 is required in fiscal 2013. The remainder in each year reflects nonprofit organization funds that are leveraged but are not required to be provided as matching funds.

**Exhibit 3**  
**African American Heritage Preservation Grant Program Measures**  
**Fiscal 2012-2013**

<u>Performance Measures</u>	<u>2012 Est.</u>	<u>2013 Est.</u>
<b>Output:</b> Total number of grants awarded	16	15
<b>Output:</b> Total amount of non-State matching funds leveraged	\$484,000	\$480,835
<b>Output:</b> Total number of applicants required to provide non-State matching funds	2	1
<b>Output:</b> Total amount of non-State matching funds leveraged by local government applicants	\$157,000	\$50,000
<b>Outcome:</b> Percent of non-State investment leveraged by local government applicants compared to total project cost	50%	50%

Source: Maryland Department of Planning

## Capital Improvement Program

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

<i>Sources</i>	<i>2011 Approp.</i>	<i>2012 Approp.</i>	<i>2013 Request</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>
PAYGO GF	\$10.000	\$9.000	\$7.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	0.100	0.100	0.120	0.100	0.200	0.150	0.150
GO Bonds	0.200	1.000	1.150	1.150	1.150	1.150	0.150
<b>Total</b>	<b>\$10.300</b>	<b>\$10.100</b>	<b>\$8.270</b>	<b>\$1.250</b>	<b>\$1.350</b>	<b>\$1.300</b>	<b>\$0.300</b>

Note: The fiscal 2012 appropriation of \$9 million in general funds will be reduced by \$2 million due to the reversion of Sustainable Communities Tax Credit Program funding at the end of fiscal 2012.

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

<i>Program</i>	<i>2011 Approp.</i>	<i>2012 Approp.</i>	<i>2013 Request</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>
Sustainable Communities Tax Credit Program*	\$10.000	\$9.000	\$7.000	\$0.000	\$0.000	\$0.000	\$0.000
Maryland Historical Trust Revolving Loan Fund	0.300	0.100	0.270	0.250	0.350	0.300	0.300
African American Heritage Preservation Grant Program	0.000	1.000	1.000	1.000	1.000	1.000	0.000
<b>Total</b>	<b>\$10.300</b>	<b>\$10.100</b>	<b>\$8.270</b>	<b>\$1.250</b>	<b>\$1.350</b>	<b>\$1.300</b>	<b>\$0.300</b>

Note: No out-year funding is projected for the Maryland Sustainable Communities Tax Credit Program since the tax credit is not included in the 2012 *Capital Improvement Program*. The legislation altering and extending the tax credit requires the Governor to include an appropriation to the commercial program through fiscal 2014, but no amount is specified.

## ***Budget Overview***

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Three of MDP’s four historic preservation programs are funded in the fiscal 2013 operating and capital budgets.

- **Maryland Sustainable Communities Tax Credit Program** – The fiscal 2013 allowance includes \$7 million in general funds, which is level with the effective fiscal 2012 working appropriation once the \$2 million reversion is accounted for. The Maryland Sustainable Communities Tax Credit Program is not included in the 2012 *Capital Improvement Program* (CIP) since the Administration considers it a financing mechanism and not a pay-as-you-go capital program.
- **MHT Revolving Loan Fund** – The fiscal 2013 allowance includes \$120,000 in special funds and \$150,000 in general obligation (GO) bonds, for a total appropriation of \$270,000. This is \$170,000 greater than the \$100,000 provided in fiscal 2012 but less than the 2011 CIP projection of \$150,000 in special funds and \$150,000 in GO bonds.
- **MHT African American Heritage Preservation Grant Program** – The fiscal 2013 capital budget bill includes \$1 million in GO bonds for the African American Heritage Preservation Grant Program, which is level with the fiscal 2012 authorization and consistent with the 2011 CIP. The Administration has changed its projections for out-year funding. In the 2011 CIP, the African American Heritage Preservation Grant Program was scheduled to receive final funding in fiscal 2015, while in the 2012 CIP, final funding is projected for fiscal 2016. MDP explains that the statute speaks of a five-year time period. Since the program did not receive initial funding until fiscal 2012, fiscal 2016 would be the fifth year of funding.
- **MHT Capital Grant Fund** – No funding was provided in fiscal 2013, which is level with the zero appropriation in fiscal 2012 and consistent with the 2011 CIP. MDP notes that it needs additional staffing to support the program. Funding is projected to be provided next in fiscal 2017 according to the 2012 CIP.

## ***Updates***

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### **1. Historic Structures Report Phase II Status**

The Patterson Center is the collective term for the six historic buildings at Jefferson Patterson Park and Museum in Calvert County including the main house, pool house, greenhouse, garage, gardener’s cottage, and beach house. The buildings require renovation to address safety and Americans with Disabilities Act accessibility concerns. The commissioning of a two-part Historic Structures Report has been initiated in order to determine the significance of the Patterson Center (Phase I) and to determine the conditions and necessary treatment (Phase II).

*DW0110 – Department of Planning – Capital*

MDP issued the request for proposals for Phase II of the Historic Structures Report on January 20, 2012, with a closing date of March 13, 2012. A deficiency appropriation was included in the Governor's fiscal 2012 budget submission for \$150,000 in federal funds from the National Park Service's Save America's Treasures funding for this purpose.

Phase II of the Historic Structures Report has been delayed several times: first until December 2010, then until spring 2011, and now with an anticipated completion date of March 2012. Currently, the 2012 CIP slates the Patterson Center to receive planning funding of \$250,000 in fiscal 2015 to be followed with \$75,000 in planning funding and \$4.6 million in construction funding in fiscal 2016.

## ***PAYGO Recommended Actions***

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1. Concur with Governor's allowance of \$120,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.
2. Concur with Governor's allowance of \$7,000,000 in general funds for the Sustainable Communities Tax Credit Program.

## ***GO Bond Recommended Actions***

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

***Fiscal 2013 African American Heritage Preservation Grant Program Projects***

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<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>2013 Amount</u>	<u>Total State Share (%)</u>
Anne Arundel	Wilson Farmstead Improvements	\$127,000	\$100,000	78.7%
Baltimore City	Two Sisters' Houses Restoration	112,000	100,000	89.3%
Baltimore City	Union Baptist Church of Baltimore Improvements	80,000	40,000	50.0%
Baltimore	Mt. Gilboa AME Church Renovation	138,000	100,000	72.5%
Calvert	Briscoe Grey Heritage Farm – George E. Rice House Improvements	100,000	50,000	50.0%
Charles	Old Pomonkey High School Renovation	68,200	50,000	73.3%
Dorchester	Christ Rock Methodist Episcopal Church Renovation	164,000	100,000	61.0%
Montgomery	Sandy Spring Old Fellows Lodge Renovation	100,000	100,000	100.0%
Queen Anne's	Kennard High School Renovation	121,260	100,000	82.5%
St. Mary's	Brome Plantation – Slave Quarter Restoration	41,525	20,000	48.2%
Talbot	Ashbury Methodist Episcopal Church Improvements	118,000	14,000	11.9%
Washington	Tolson's Chapel Cemetery Improvements	40,000	35,000	87.5%
Wicomico	Charles H. Chipman Center Improvements	72,000	72,000	100.0%
Wicomico	San Domingo Rosenwald School Renovation	97,500	90,000	92.3%
Wicomico	Wetipquin Community Center Rehabilitation	101,700	29,000	28.5%
<b>Total</b>		<b>\$1,481,185</b>	<b>\$1,000,000</b>	

***Fiscal 2012 Sustainable Communities Tax Credit Projects***

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<u>Project Name</u>	<u>County</u>	<u>Description</u>	<u>Est. Project Costs</u>	<u>Credit %</u>	<u>Credit Amount</u>
Hebrew Orphan Asylum	Baltimore City	Former orphanage/hospital to community health care center	\$10,184,283	25%	\$2,546,070
Mt. Vernon Mill #1	Baltimore City	Mill complex to mixed uses residential/office/restaurant	43,359,740	20%	2,417,359
Public School No. 37	Baltimore City	Vacant educational to 22 apartment and office spaces	2,850,000	20%	570,000
Senator Theatre	Baltimore City	Renovation of historic theatre	1,500,000	20%	300,000
1911 Building	Dorchester	Renovation of commercial/residential spaces	1,500,000	20%	300,000
Centreville Armory	Queen Anne's	Former armory to educational use	4,122,848	20%	824,569.60
<b>Total</b>			<b>\$63,516,871</b>		<b>\$6,958,000</b>

Note: The Hebrew Orphan Asylum project applicant has pre-selected that they plan to achieve the Leadership in Energy and Environmental Design Gold certification, but have not yet done so. Fiscal 2013 applications are expected to be due on August 31, 2012, with funding announcements made in fall 2012.