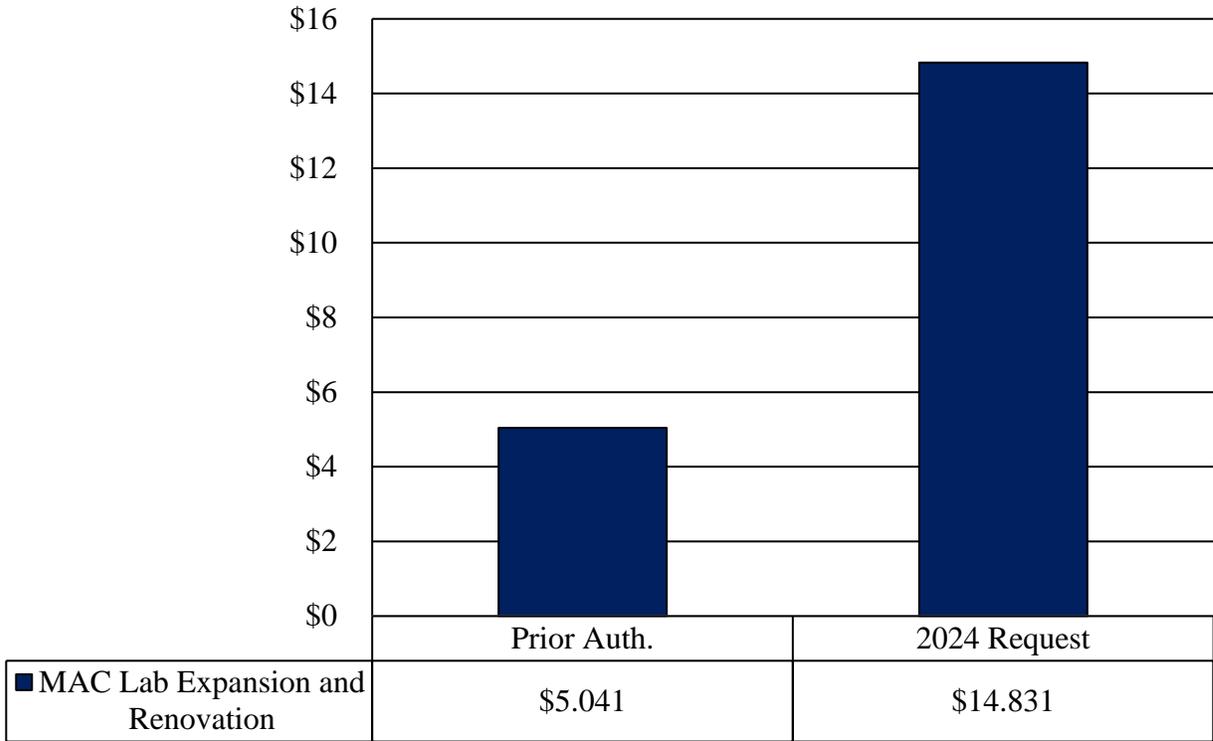


DW00
Department of Planning – Capital

Capital Budget Summary

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



MAC Lab: Maryland Archeology Conservation Laboratory

Note: All funding is provided by general obligation bonds. The proposed fiscal 2024 budget would complete the funding for the MAC Lab Expansion and Renovation project, and no other Maryland Department of Planning projects are programmed for funding in the 2023 *Capital Improvement Program*.

Key Observations

- ***Mandated Funding Levels for Two Programs Increased:*** Legislation enacted in the 2022 session increased the mandated funding level for both the African American Heritage Preservation Program and the Historic Revitalization Tax Credit Program.
- ***Maryland Historical Trust (MHT) Capital Grant Fund Oversubscribed:*** Annual grant requests significantly outpace funding levels.

For further information contact: Carrie Cook

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PAYGO Recommended Actions

1. Concur with Governor’s allowance.

GO Bond Recommended Actions

1. Approve authorizations for the Maryland Archeology Conversation Laboratory major project, African American Preservation Grant Program, Maryland Historical Trust Capital Grant Fund, and Maryland Historical Trust Loan Program.

Updates

- ***Patterson Center Renovations Near Completion:*** Construction is ongoing at the Patterson Center. This State-owned capital project is the only major renovation to occur since construction of this facility, which is on the National Register of Historic Places. While there was no capital funding in the fiscal 2024 allowance, operating costs continue, and the agency expects construction to be completed by summer 2024. Once construction is complete, it will take four to six months to prepare the facility, including reinstallation of furnishings and collections, for programming and tours. The agency has requested 4 new positions in the fiscal 2024 allowance to support regular tours and programs for the public, which will begin after the capital project concludes.
- ***Amendments to Prior Authorizations:*** The capital budget bill includes six amendments extending the termination date of prior authorizations made for the African American Heritage Preservation Program and two amendments extending the termination date for prior authorizations made for the shoreline erosion control measures at St. Leonard’s Creek at the Jefferson Patterson Park and Museum. These amendments are necessary to keep the funds available for encumbrance and expenditure.
- ***Historic Easements Report:*** Pursuant to the 2022 *Joint Chairmen’s Report*, the agency submitted a report that included an inventory of easements currently held by MHT, the process by which it evaluates properties for easements and the impact of historical easements on the viability of projects. The report summarizes aspects of the program, including:
 - ways in which the agency acquires easements;
 - the benefit of privately owned historic properties being managed with the oversight of the agency’s technical expertise;

- the process by which changes are made to properties held under easements; and
- situations in which an easement may be terminated.

Of note, the report states that current MHT staffing levels, combined with vacancy and turnover rates, make it difficult for agency personnel to meet review deadlines, respond to requests and inquiries, and generally administer the various easement programs in an effective and timely manner. **The Maryland Department of Planning (MDP) should comment on how personnel challenges have impacted program administration and how additional positions, particularly in light of recent mandated funding increases for two programs, may help address these challenges.**

Summary of Fiscal 2024 Funded State-owned Projects

Maryland Archeological Laboratory Renovation and Expansion

Project Summary: This project will construct an addition and renovate the Maryland Archeological Conservation Laboratory (MAC Lab) at Jefferson Patterson Park and Museum in Calvert County. The MAC Lab provides care, collection, storage, and interpretation of the State’s archeological and historical collections and records. The project will expand the storage capacity of the facility while improving storage conditions, ensuring that the MAC Lab can continue to accept new artifacts and serve as the designated repository for the State’s archeological collections.

New/Ongoing: Ongoing	
Start Date: September 2021	Est. Completion Date: September 2024

Fund Sources:								
(\$ in Millions)	Prior Auth.	2024	2025	2026	2027	2028	Beyond CIP	Total
GO Bonds	\$5.041	\$14.831	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$19.872
Total	\$5.041	\$14.831	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$19.872

Fund Uses:								
(\$ in Millions)	Prior Auth.	2024	2025	2026	2027	2028	Beyond CIP	Total
Planning	\$1.570	\$0.039	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$1.609
Construction	3.411	14.792	0.000	0.000	0.000	0.000	0.000	18.203
Equipment	0.060	0.000	0.000	0.000	0.000	0.000	0.000	0.060
Total	\$5.041	\$14.831	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$19.872

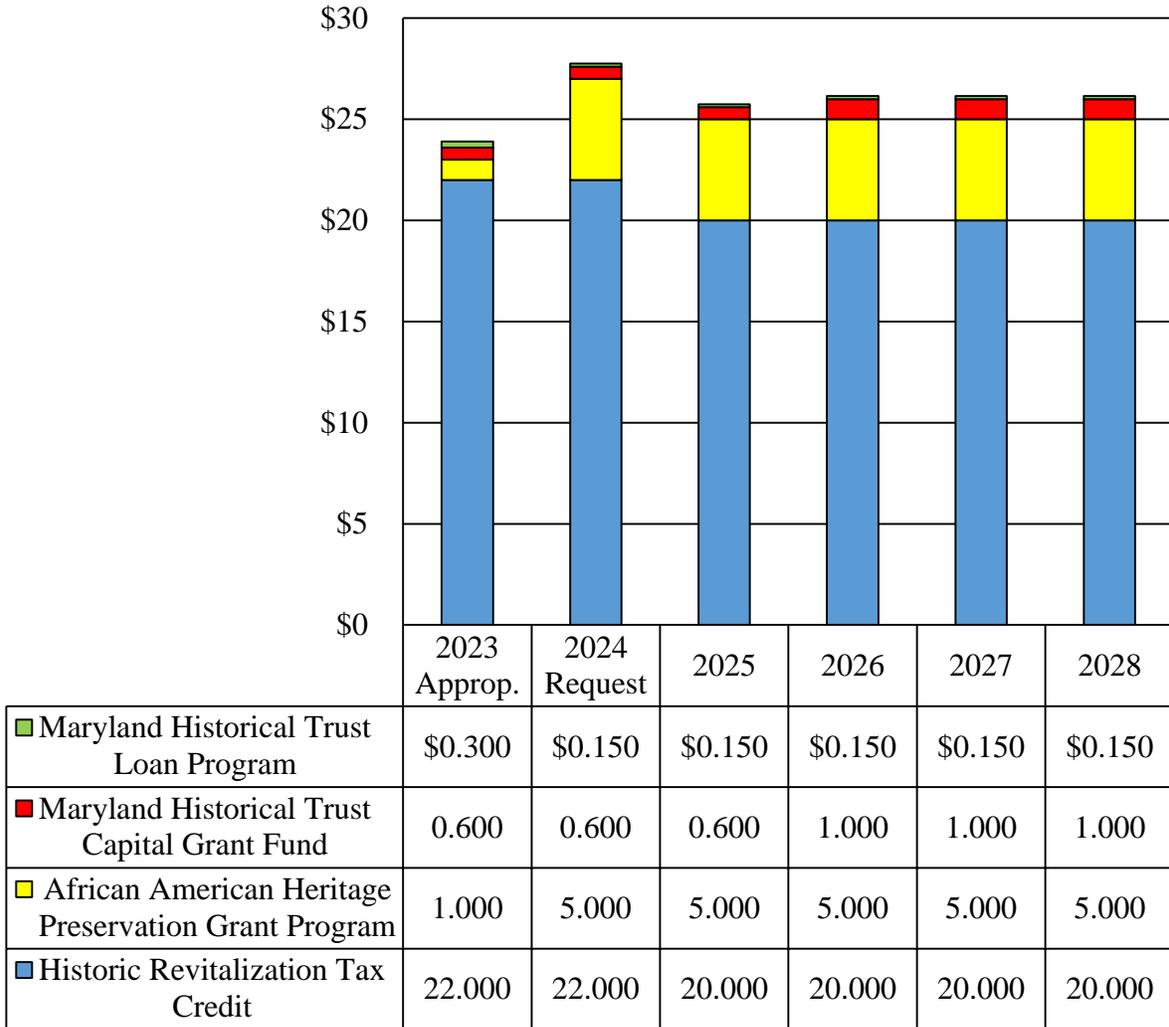
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- **Need:** This project will expand storage capacity of the MAC Lab to ensure that it can continue to accept more collections while also improving storage conditions throughout the facility. The existing facility has insufficient space and failing mechanical systems.
- **Project Status and Schedule:** Design was completed in December 2022. The fiscal 2024 budget completes the funding needed for construction that will commence in May 2023 and conclude in September 2024.
- **Changes:** The total project cost is now estimated at \$19.8 million, an increase of \$6.8 million over the 2022 *Capital Improvement Program*. According to the Department of Budget and Management, essential items were omitted from the original project scope in error and have been reincluded, resulting in an increase to the cost estimate. Project costs have also increased generally due to design delays. The revised cost estimate is based on the 95% Construction Documents from the design, so the fiscal 2024 funding should provide enough funds to award the construction contract.
- **Other Comments:** The agency requested 1 digital archivist position in the fiscal 2024 operating budget to assist in processing, restoring, and interpreting additional collections that this project will allow the facility to take on.

Budget Overview of Grant and Loan Programs

The department oversees four capital grant and loan programs: the Historic Revitalization Tax Credit Program, the MHT Loan Program, the MHT Capital Grant Fund, and the African American Heritage Preservation Program. These programs work toward the department’s mission of protecting and interpreting historic properties by supporting nonprofit organizations, local governments, and individuals in preserving historical resources throughout the State. As shown in **Exhibit 1**, the fiscal 2024 request includes \$22 million for the Historic Revitalization Tax Credit Program, \$150,000 for the MHT Loan Fund, \$600,000 for the MHT Capital Grant Fund, and \$5 million for the African American Heritage Preservation Program.

Exhibit 1
Grant and Loan Program Fiscal 2024 Request
Fiscal 2023-2028
(\$ in Millions)



Source: Department of Budget and Management

In fiscal 2023, funding for the Historic Revitalization Tax Credit program was split between general and special funds. In fiscal 2024 through 2031, \$20 million in annual funding is provided exclusively through the General Fund, as shown in **Exhibit 2**. The increase in general obligation bond funding in fiscal 2024 is due to a mandated increase to \$5 million annually for the African American Heritage Preservation Program.

Exhibit 2
Capital Grant and Loan Program by Fund Source
Fiscal 2023-2028
(\$ in Millions)



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

Source: Department of Budget and Management

Historic Revitalization Tax Credit Program

Program Description: The Historic Revitalization Tax Credit Program seeks to incentivize private sector investment in the rehabilitation and reuse of historic buildings and to promote investment in local economies. Through the homeowner, competitive commercial, or small commercial tax credit programs, owners of certified historic properties may receive a State income tax credit to cover a portion of qualifying rehabilitation expenses.

- **Changes:** Chapters 449 and 450 of 2022 extended the program through fiscal 2031, in addition to making changes to both the competitive commercial and small commercial programs. The bill increased the annual appropriation to the reserve fund for the competitive commercial program to \$20 million each year and increased the cap for qualifying reimbursement for commercial projects, depending on the opportunity zone qualification level. Additionally, the bill established a new trust account for small

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commercial projects, which will receive a \$2 million annual appropriation from fiscal 2024 to 2031.

- ***Projects Selected:*** The fiscal 2023 list of projects and credit awarded can be found in **Appendix 2**.
- ***Concerns:*** Currently, applicants for the tax credit program are unable to apply online and must instead mail printed forms to the agency for review, adding time to both the application and review processes. The agency has been working with the National Park Service’s (NPS) Department of Technical Preservation Services on integrating MDP’s submittal portals and processes with an online application being developed for the Federal Rehabilitation Tax Credit Program. Integration with the NPS system is crucial because many applicants for the Maryland program also apply for federal historic tax credits. While NPS continues to make progress toward the development of their online system, it has become apparent that the federal system will not offer all desired functionalities, including the ability for users to enter information into forms online. Therefore, MDP hopes to develop a more robust online system that would allow project submittals, correspondence, historic property inventory, and determination of eligibility forms to be accessible and submitted through an online portal. While agency staff has been working since calendar 2015 to modernize and streamline processes, the agency notes that additional funding would assist in expediting the development of an online application and data management system, particularly given competing information technology priorities. Rollout of such a system would greatly improve the historic tax credit and related programs for applicants and expediting reviews by staff.

Maryland Historical Trust Loan Program

Program Description: The MHT Loan Program 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 Places.

- ***Changes:*** The fiscal 2024 appropriation does not include general funds, continuing the program with only special funds and reducing the annual amount from \$300,000 to \$150,000 beginning in fiscal 2024.
- ***Projects Selected:*** From fiscal 2019 through 2021, this program only received one application and issued one loan per year. In 2022, no loans were issued due to staffing challenges and reduced program inquiries resulting from unfavorable interest rates. The position that administers the program was vacant from July 2021 to January 2022, and existing staffing levels were not sufficient to administer the program. The agency notes that the position has been filled and inquiries have increased since mid-2022. The \$300,000 in special funds appropriated for fiscal 2022 remains in the fund, bringing the total amount available in the fund for fiscal 2024 to \$516,530.

- Other Comments:** Under the program’s statute, the fund may be used not only to provide loans but also to pay for MHT to acquire historic properties or to pay costs to restore or rehabilitate historic properties owned by MHT. In accordance with this provision, the agency has used program funds to rehabilitate various properties at Jefferson Patterson Park and Museum, including \$175,000 in fiscal 2015, \$175,000 in fiscal 2019, and \$300,000 in fiscal 2021. While it is within the trust’s legal authority to use program funding to support preservation of their historic projects and properties, repeated use for purposes other than loans requires recapitalization to keep the program afloat, given the resulting lack of incoming loan repayments. **MDP should comment on any anticipated future use of loan program funding to support Jefferson Patterson Park and Museum or other trust-owned projects. The agency should also be prepared to discuss notifying the budget committees in advance when loan program funding will be used for MHT projects to promote greater transparency and allow the committees to plan funding accordingly.**

Maryland Historical Trust Capital Grant Fund

Program Description: The MHT Capital Grant Fund provides grants to nonprofit organizations, local jurisdictions, business entities, and individuals to assist with the 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.

- Changes:** Funding for the program plans to increase to \$1 million annually beginning in fiscal 2026. However, as shown in **Exhibit 3**, the amount of funding requested in recent years has significantly outpaced available grant funds. Given sustained high demand for the program and a low funding success rate, the agency may seek to accelerate the timeline for the planned funding increase.

Exhibit 3
Maryland Historical Trust Capital Grants Awarded
Fiscal 2019-2022

<u>Year</u>	<u>Funds Requested</u>	<u>Applications Received</u>	<u>Funding Awarded</u>	<u>Requested Funds Awarded</u>	<u>Applicants Assisted</u>
2019	\$3,483,500	49	\$600,000	17%	20%
2020	2,765,000	42	600,000	22%	24%
2021	2,651,500	31	600,000	23%	19%
2022	3,359,750	39	600,000	18%	18%

Source: Department of Budget and Management

- ***Encumbrances and Expenditures:*** The agency notes that the impacts of the COVID-19 pandemic, including impacts to the construction industry and associated workforce and material shortages, have drastically slowed many grant projects, resulting in delays in processing final reimbursements. MDP has seen a significant decline in responses to requests for proposals, and often must repeat the process to receive competitive bids.
- ***Projects Selected:*** The fiscal 2022 list of projects and grants awarded can be found in **Appendix 3**.

African American Heritage Preservation Program

Program Description: The African American Heritage Preservation Program supports local government and nonprofit organizations in identifying and preserving buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland. This competitive grant program is administered by MHT in conjunction with the Maryland Commission on African American History and Culture (MCAAHC).

- ***Changes:*** Chapter 29 of 2022 increased the mandated appropriation for this program from \$1 million to \$5 million annually. This increase will have a substantial impact on both the amount of projects that will receive funding and the personnel required to administer the program.
- ***Encumbrances and Expenditures:*** The program has struggled to expend funds after encumbrance in a timely manner. Of grants awarded from fiscal 2019 to 2022, 80% of encumbered funds wherein grant agreements were signed have yet to be expended. The agency notes that progress on many projects supported by this program was stalled during the COVID-19 pandemic. Unexpected pandemic and supply chain-related delays, coupled with increased material and contractor costs, have raised the cost of projects, in some cases substantially above original estimates. Grantees are often unable to accomplish their goals with the funds awarded, and many are in the process of raising additional funds to complete their projects. The agency expects that many existing grantees will reapply for additional funding, which would allow both original and new grant funding to be reimbursed (expended) upon project completion.
- ***Projects Selected:*** The higher annual appropriation is expected to significantly increase the number of funded projects. While Chapter 29 increased the per project grant cap to \$500,000, MCAAHC made the decision to increase the cap from \$100,000 to only \$250,000. In recent years, there were around 35 to 45 applicants and 12 to 14 projects assisted each year. If the cap established by MCAAHC remains unchanged, the agency could assist as few as 20 projects at the \$250,000 level or as many as 100 projects at the \$50,000 level each year.

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- **Concerns:** The program will likely face logistical challenges given existing issues expending funds, coupled with the dramatic funding increase with no guaranteed additional staffing. However, the annual allocation and project cap increase enabled by Chapter 29 may allow grantees that have been unable to complete their projects due to cost increases to apply for additional funding.
- **Other Comments:** The agency notes that, given the five-fold increase in annual appropriation, it may seek additional staffing in the fiscal 2025 budget request to support increased operations.

Appendix 1
Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2024-2028
(\$ in Millions)

	2024	2025	2026	2027	2028
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MAC Lab Expansion and Renovation						
	Estimated Operating Cost	\$0.375	\$0.407	\$0.256	\$0.270	\$0.286
	Estimated Staffing	1.0	2.0	2.0	2.0	2.0

The agency requested 1 additional position, a digital archivist, in fiscal 2024 to support preservation, documentation, and interpretations of expanded collections at the MAC Lab. The agency expects to request an additional archeologist position in a future fiscal year.

Appendix 2
Maryland Historic Revitalization Tax Credit Projects
Fiscal 2023

<u>Project</u>	<u>County</u>	<u>Estimated Project Costs</u>	<u>Credit Amount</u>
The Fidelity Building	Baltimore City	\$45,000,000	\$5,000,000
F.W. Woolworth Company Building	Dorchester	16,500,000	4,537,500
The Ford Building	Baltimore City	10,500,000	2,100,000
The Markley Building	Baltimore City	10,000,000	2,500,000
Heinz’s Riverside Abattoir	Baltimore City	8,367,437	1,673,487
Uptown Mansion	Baltimore City	7,200,000	1,800,000
Crown Cork and Seal	Baltimore City	25,000,000	1,456,205
Prospect Hall	Frederick	3,000,000	600,000
The McMullen Building	Allegany	2,320,693	260,000
Long Green Farm Barn	Baltimore	2,000,000	400,000
Powell Building	Worcester	1,457,993	364,498
Pocomoke Firehouse	Worcester	1,289,629	257,926
Stewart and Mowen Funeral Home	Baltimore City	1,278,665	255,733
11 North Main Street to Pitt Street	Worcester	1,168,112	292,028
Groff’s Mill	Baltimore	1,100,000	220,000
Glen Arm Station	Baltimore	912,320	182,464
Plinlimmon Farm	Baltimore	560,000	112,000
15-19 Main Street	Worcester	412,770	103,193
Total		\$138,067,619	\$22,115,034

Source: Maryland Department of Planning

Appendix 3
Maryland Historical Trust Capital Grant Fund Projects
Fiscal 2022

<u>Project</u>	<u>County</u>	<u>Grant Amount</u>
<i>Parren J. Mitchell House and Cultural Center</i>	Baltimore City	\$100,000
Buckingham House and Industrial School Complex – Bank Barn	Frederick	100,000
Charles H. Chipman Cultural Center	Wicomico	100,000
Easton Armory	Talbot	90,000
<i>USCGC Taney</i>	Baltimore City	85,000
<i>Elk Landing – Stone House</i>	Cecil	61,000
Hays House	Harford	50,000
Total		\$586,000

USCGC: United States Coast Guard Cutter

Note: The list of projects receiving the Maryland Historical Trust Capital Grant funding in fiscal 2023 is not yet available. This table shows projects that will receive fiscal 2022 funding but were not previously reported as funding was not recently or will be soon encumbered. Italics denotes encumbrance is not yet final.

Source: Maryland Department of Planning

Appendix 4
African American Heritage Preservation Grant Program Projects
Fiscal 2023

<u>Project</u>	<u>County</u>	<u>Grant Amount</u>
Eastport Elementary School	Anne Arundel	\$100,000
Hoppy Adams House	Anne Arundel	100,000
Mount Auburn Cemetery	Baltimore City	100,000
Parren J Mitchell House and Cultural Center	Baltimore City	100,000
Mt. Calvary United Methodist Church	Anne Arundel	86,000
Mt. Zion Memorial Church	Somerset	86,000
Adams Methodist Episcopal Church and Cemetery	Anne Arundel	80,000
Buffalo Soldier Park	Wicomico	74,000
Mt. Nebo AME Church (Fiscal 2022)	Prince George’s	67,000
New Bethel Methodist Episcopal Church	Worcester	67,000
Boyds Negro School	Montgomery	50,000
Richard Potter House	Caroline	50,000
Ridgely Methodist Church	Prince George’s	50,000
Elk Landing – Hollingsworth House (Fiscal 2022)	Cecil	48,000
St. James African Union First Colored Methodist Protestant Church	Baltimore	30,000
Old Wallville School	Calvert	27,000

Note: Projects that indicate fiscal 2022 are supported with fiscal 2022 funding but were not previously reported as funding was recently encumbered.

Source: Maryland Department of Planning