

**KATIE FRY HESTER**  
*Legislative District 9*  
Carroll and Howard Counties

Education, Health, and  
Environmental Affairs Committee

Chair, Joint Committee on  
Cybersecurity, Information Technology  
and Biotechnology



*Annapolis Office*  
James Senate Office Building  
11 Bladen Street, Room 304  
Annapolis, Maryland 21401  
410-841-3671 · 301-858-3671  
800-492-7122 Ext. 3671  
KatieFry.Hester@senate.state.md.us

**THE SENATE OF MARYLAND**  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of SB978 - Historic Tax Credit - Transferability, Funding, and Extension (Historic Revitalization Tax Credit Improvement Act of 2020)**

February 18th, 2020

Chairman Guzzone, Vice Chair Rosapepe, members of the Budget and Tax Committee:

Today, I am pleased to be the sponsor of legislation before this committee that will help make the Historic Revitalization Tax Credit, a catalyst of economic growth and a key tool for neighborhood revitalization, a more effective program.

Preserving our historic places is not a partisan issue. Each district we represent has its own important history – and a unique historic built environment worth preserving. Over the past 20 years, these preservation tax credits have helped renew nearly 700 commercial structures, funding projects in every county. From Footer Dye Works in Cumberland and Philips Packing Plant in Cambridge, to National Park Seminary in Silver Spring and Fort Ritchie in Washington County, communities around the state have utilized the historic tax credit as an important revitalization tool.

This proposed legislation makes several changes to support the preservation and restoration of some of our state's most significant and historic resources.

1. Provides for a stepped increase in the level of funding for the large commercial historic tax credit program.
2. Increases the per-project cap once full funding for the program is realized
3. Allows the Historic Tax Credit to be transferred from the credit recipient to third parties, providing greater access to up front liquidity.
4. Extends the authorization of the program through Fiscal Year 2028.

This bill is the result of Senate Bill 741, passed in 2019, which directed the Maryland Secretary of Planning to contract with a consultant to conduct a study on the adaptive reuse of historic properties located within the state that are or were owned by the state or the federal government. When we embarked on this study, we knew it was important for three key reasons:

1. The large inventory of Maryland's historic state-owned buildings, which includes more than 1,200 structures between just four state agencies.
2. The bare minimum maintenance of this inventory is expensive, and is still not sufficient to prevent deterioration in some cases.
3. There is a strong, well documented history of lucrative return on investment from the recapitalization of historic structures.

Across the state of Maryland, many government complexes sit vacant, but continue to cost the state's taxpayers large sums of money. For example, the Crownsville Campus was once a self-sufficient hospital. Since its closure in 2004, the State has spent over \$2 million annually to keep it mothballed, secure, and mowed, according to the Maryland Department of Health, despite the fact that many of the buildings on the campus are perfect candidates for restoration.

Meanwhile, the economic benefits associated with the use of the historic tax credit in Maryland have been well documented. According to a report by the Abell Foundation For every \$1 of tax credits issued through the Heritage Structure Rehab Tax Credit, \$8.13 of economic activity is generated, and a historic tax credit program funded at just \$15 million can be anticipated to result in the creation of nearly 800 jobs during the construction period.

Success stories even exist in Maryland for reference. Utilizing federal and state historic tax credits, CASA redeveloped the historic McCormick-Goodhart Mansion (constructed in 1924) into the CASA Multicultural Center. With a project cost of \$13.7 million, the new 18,000-square-foot center allows CASA to double the number of beneficiaries the organization can serve each year from 3,000 to 6,000, while reducing its environmental impact by meeting LEED Gold standards in the process. The project also resulted in the creation of 90 temporary jobs created during the construction, 121 permanent jobs upon completion, and contributions of \$705,800 in state and local taxes.

The development allows CASA to better serve low income families in the community, including educational, vocational, and employment services, as well as English as a second language (ESL) services. The project also allows the organization to expand its reach to other underserved populations in Langley Park.

At the height of our historic tax credit program, Maryland invested nearly \$80 million annually. Unfortunately, in 2002, Maryland capped the historic tax credit program, requiring an annual appropriation in the state's PAYGO capital budget. Since then, this program has lost nearly 90% of its funding. As of the proposed FY21 budget, although authorized for \$30 million, the state historic tax credit program has received only a \$9 million appropriation. With each project capped at \$3 million, the amount of support Maryland is able to give is embarrassingly low. For comparison, neighboring Virginia invests nearly \$100 million annually in their historic tax credit, and West Virginia funds their historic tax credit programs at \$30 million.

Maryland's historic tax credit could be a powerful investment tool, if we choose to make the appropriate adjustments and investments. **For that reason, I respectfully request a favorable report from this committee.**

Sincerely,



Senator Katie Fry Hester  
Howard and Carroll County