

Testimony of Nicholas A. Redding  
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Before the  
Senate Budget and Taxation Committee  
February 18, 2020

Pertaining To: SB978, Historic Revitalization Tax Credits- Transferability, Funding, and  
Extension  
*Support*

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On behalf of the staff and Board of Directors of Preservation Maryland and our thousands of statewide supporters, I thank you for the opportunity to provide testimony on the value of history and preservation in Maryland.

Preservation Maryland is the statewide voice for historic preservation that works to protect the best of Maryland. Since 1931, we have worked tirelessly to protect the places, stories and communities in Maryland that matter.

Why this Bill Matters

Maryland's Historic Revitalization Tax Credit is one of the most effective community revitalizations tools available. Unfortunately, as of FY19, Maryland invested only \$9M in this program for the entire state. By comparison, Virginia invests nearly \$100M annually in their state Historic Tax Credit program. Massachusetts and Wisconsin, each with similar state budget and population size to Maryland, both invest \$50M annually in their state HTC, and West Virginia is now funding their HTC at \$30M. Maryland has fallen far behind.

Additionally, federal tax reform has weakened the federal Historic Tax Credit, and we must work at the state level to make Maryland's Historic Revitalization Tax Credit, a proven economic driver and community investment program, even stronger and more effective.

What this Bill Does

This legislation allows the state Historic Tax Credit to be transferred outside of partnerships and provides for a stepped increase in funding to the large commercial

program beginning with \$15M in FY2022. It also extends the authorization of the program through FY2028.

### Why You Should Vote for This Bill

The overhaul of federal tax code has increased the cost of completing rehabilitation projects due to slower vesting of the federal Historic Tax Credit. Maryland must work to offset this damaging impact to community development. Projects in affluent communities that have strong economic fundamentals are still likely to get done, particularly if they can attract patient capital investors who don't require immediate tax benefits. Unfortunately, projects offering investors marginal returns in distressed communities – *which ultimately require these incentives and projects the most* – may no longer move forward.

SB978 would help counteract some of the negative financial aspects on historic preservation as a result of federal tax reform. If developers who receive historic tax credits for their large-scale projects are allowed to transfer the credits outside of the development partnership, they would be able to bridge financing gaps that would otherwise stall or kill the project entirely. Making these credits transferable would cost the state nothing and would in no way affect the historic preservation standards to which the resulting redevelopment projects would be held. In fact, allowing for the transfer of the Historic Revitalization Tax Credits results in more of those credits actually going towards funding the projects they were awarded to. It's a small policy change that would have huge impact. . Indeed, this esteemed Committee has seen the value of this and passed legislation allowing for the transfer of these credits the previous two years before it was amended out in the House.

Avoiding a cataclysmic drop-off in redevelopment projects can be accomplished without a dramatic fiscal impact to the state budget thanks to the powerful return-on-investment inherent in our Historic Tax Credit program. Increased appropriations to the Historic Tax Credit program almost always pay for themselves in increased property tax revenue and job creation. With the proposed \$6M increase in funding for FY2022, the state of Maryland should expect an additional \$48 million return and the generation of nearly 200 jobs during the construction period.

Unlike many tax credit programs, the state Historic Tax Credit generates positive revenue for the state at an 8:1 return, creates permanent jobs, and increases local property tax revenues. When buildings are rehabilitated, they pay more in local taxes which support better schools, roads, and healthcare without the need for more state dollars.

Over the last few years, this committee has passed common sense policy changes to the Historic Revitalization Tax Credit that has made it an even stronger tool for community revitalization, including additional credits for affordable housing projects and projects within Opportunity Zones. Unfortunately, until there is more funding for the program, those strengthening changes can only accomplish so much. While we understand the constraints on available funding in a tough budget year, the transferability of the Historic Revitalization Tax Credits would ensure more money goes to catalytic redevelopment projects in communities where investment is needed the most, from Western Maryland to the Eastern Shore and everywhere in between.

This tax credit is not a hand out - it is an investment in Maryland’s communities and economy. SB978 would make it an even stronger program and increase its positive impact across the state. That is why I respectfully urge a favorable report of SB978.

**Support**

**HISTORIC TAX CREDIT CHARTS**

| Fiscal Year | Historic Tax Credit Funding | Economic Activity Generated | Jobs Created (During Construction) |
|-------------|-----------------------------|-----------------------------|------------------------------------|
| 2022        | \$15M                       | \$120M                      | 735                                |
| 2023        | \$20M                       | \$160M                      | 980                                |
| 2024        | \$25M                       | \$200M                      | 1,225                              |
| 2025        | \$30M                       | \$240M                      | 1,470                              |

