

Testimony of Elly Cowan
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Before the
Senate Budget and Taxation Committee
February 17, 2021

Pertaining To: SB659, Historic Revitalization Tax Credits- Small Commercial Projects -
Alterations
Support

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

The Small Commercial program of Maryland's Historic Revitalization Tax Credit is one of the most effective community revitalizations tools available. It helps with the rehabilitation of our state's historic communities, while also stimulating the local economy. According to a recent Abell Foundation report on the economic impacts of the state's historic tax credit program, every \$1 in historic tax credits sees a generation of \$8.13 in economic activity. In FY15, legislation established the program by authorizing the Maryland Historical Trust to award a maximum of \$4 million in credits to small commercial projects. Unfortunately, this authorized threshold for funding was reached in 2020, and the Maryland Historical Trust can no longer award credits through this program, leaving many projects across the state unable to move forward.

What this Bill Does

This legislation extends the life of the Small Commercial Historic Tax Credit by increasing the authorized funding amount by \$1 million.

Why You Should Vote for This Bill

Maryland's Historic Tax Credit (HTC) is a widely embraced and successful solution to many of the economic and neighborhood revitalization challenges facing Maryland's communities today. The economic revival of our small towns and urban downtowns requires incentives like the HTC to focus investment where it is needed most. Maryland must prioritize its programs that encourage job growth and stimulate investment and revitalization.

The state's Small Commercial HTC program is one such economic recovery tool. Since its inception in 2015, it has leveraged millions in private investment into communities while helping more than 100 historic properties. This program encourages the redevelopment of modest scale, Main Street type rehabs taken on by individuals or small developers. Projects range from those with \$5,000 to \$500,000 in Qualified Rehabilitation Expenditures- with a per-project cap of \$50,000 in credits in a 24-month period. Recent policy changes, such as no longer requiring a commercial component, have made it popular as a key neighborhood revitalization tool across the state.

Because of its success in encouraging private investment in the reinvigoration of historic communities, the program's original authorized funding amount of \$4 million has been depleted, despite many projects that need the program to move forward. Fortunately, avoiding a 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. HB865 increases the original authorized funding amount to the program by \$1 million – from \$4 million to \$5 million. With the \$50,000 per-project cap, this additional authorized funding would result in at least 20 new projects moving forward. Additionally, given the 8:1 proven return on investment for HTCs, the \$1 million investment from the state would result in the generation of \$8 million in economic activity. By extending the program through funding authorized by this legislation, the HTCs will be able to aid in Maryland's process of economic recovery.

The Covid-19 pandemic has had a cataclysmic effect of the revitalization economy, which embraces the entire breadth of historic rehabs – the developers, contractors, craftsmen, designers. It employs thousands of Marylanders in good paying, permanent positions. 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.

SB659 would help counteract some of the negative financial aspects on historic preservation as a community development tool. Individuals and small developers who receive these credits are able to bridge financing gaps that would otherwise stall or kill their projects entirely. Increased authorized funding for this Historic Tax Credit program would result in more projects and allow the private sector do what it does best. It would return more to the state through generated economic activity, increased property tax revenue, and job creation. When buildings are rehabilitated, they pay more in local taxes which support better schools, roads, and healthcare without the need for more state dollars. It is also a cost efficient way to focus investment to historically disinvested communities, 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. SB659 would extend the life of a critical program and increase its positive impact across the state. That is why I respectfully urge a favorable report of SB659.

Support