

SB659 Testimony-Preservation Maryland-FAV.pdf

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Position: FAV

Testimony of Elly Cowan
Director of Advocacy, Preservation Maryland

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 on 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

SB0659-02.17.21--Historic Revitalization Tax Credi

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Position: FAV



TESTIMONY PRESENTED TO THE SENATE BUDGET & TAXATION COMMITTEE

SENATE BILL 659 - HISTORIC REVITALIZATION TAX CREDIT – SMALL COMMERCIAL PROJECTS - ALTERATIONS

Sponsor – Senator Guzzone

February 17, 2021

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Support

The Greater Baltimore Committee (GBC) supports Senate Bill 659, which increases the maximum aggregate amount of initial tax credit certificates that the Director of the Maryland Historic Trust may issue from \$4 million to \$5 million. Since projects eligible to receive credits under the program are small, with a maximum of \$500,000 in qualified rehabilitation expenditures, this change will allow more small commercial projects to benefit from the credit.

The Historic Revitalization Tax credit has been extremely effective as an incentive for property owners to rehabilitate aging structures. Unfortunately, in recent years, the demand for these tax credits has far exceeded the supply. To note, the following notice appears on the Maryland Historic Trust's web page:

“The legislation creating the Small Commercial Tax Credit program authorized MHT to issue Initial Credit Certificates for projects in an amount not to exceed 4 million dollars in tax credits.

MHT is currently in receipt of and processing applications that, if approved, would result in the program being fully subscribed. Please note that all applications are being processed in the order in which they were received and that once all funds have been fully obligated MHT will cease accepting new applications.”

Raising the limit from \$4 million to \$5 million will allow many additional projects to receive tax credits through the program, creating more economic activity as businesses struggle during the current economic crisis.

In addition, this bill is consistent with one of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

Strategic and effective investments in business growth. The State must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investments in industry growth.

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 659.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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Small Commercial HTC Bills HB865 SB659 _BCHS_Senat

Uploaded by: Hairston, Heather

Position: FAV



PRESERVING & TELLING BALTIMORE'S STORIES

10 February 2021

Senator Guv Guzzone
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Senator Guzzone,

As President of the Baltimore City Historical Society, I am writing in support of the Small Commercial Historic Revitalization Tax Credit bill (HB865/SB659) which would authorize MHT to issue up to \$1 million in credits. While greater funding would be ideal, this proposal will keep the program alive and functioning. The simple fact that initial funding has been depleted speaks to the popularity of and need for the program. Compliance with the *Secretary of the Interior's Standards for Rehabilitation* and MHT's review process encourage a historically appropriate and architecturally sensitive approach to these renovations that otherwise might not be achieved. Additionally, as a design professional, I have experienced the program's benefit as a key tool for neighborhood revitalization. Many of our non-profit clients pursue this credit as a necessary means to undertake these small but involved and thorough renovations. Seeing the effect that even just a few of these completed projects has on the overall well-being of a neighborhood is evident to residents and visitors alike. Local non-profits are acutely aware of their neighborhood's needs and this tax credit allows them to act on what they do best. Furthermore, this tax credit is an important means of encouraging high quality design and historic preservation here in Baltimore.

Sincerely,

Heather Hairston, BCHS President

Trace Architects_SB659 Small Commercial Projectss.

Uploaded by: Hairston, Heather

Position: FAV

12 February 2021

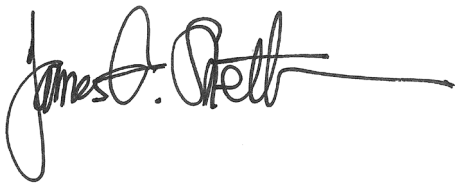
Senator Guy J. Guzzone
Miller Senate Office Building
3 West Wing
11 Bladen St.
Annapolis, MD 21401

Re: **SB659 Historic Revitalization Tax Credit – Small Commercial Projects – Alterations**

Dear Senator Guzzone:

I am writing in support of Senate Bill 659, Historic Revitalization Tax Credit – Small Commercial Projects – Alterations. As an architect with many non-profit and small developer clients, this program has been instrumental in providing gap funding for renovations, many in distressed neighborhoods. Moreover, while supporting quality rehabilitations, it promotes homeownership opportunities including many for first-time buyers.

Regards,

A handwritten signature in black ink, appearing to read "James G. Shetler", followed by a long horizontal flourish.

James G. Shetler, AIA
President

Letter of Support for SB659 - Sakinah Linder 02.15

Uploaded by: Linder, Sakinah

Position: FAV

Keen Preservation Solutions LLC

Mailing Address: 301 N. Juniata ST #562, Havre de Grace, MD 21078
410-243-8703 ♦ sakinah@keenpreservation.com

February 15, 2021

The Honorable Guy Guzzone
Senate Budget and Taxation Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: Support Letter for Senate Bill 659

Dear Chair Guzzone and members of the Committee:

Thank you for the opportunity to offer my support for SB659 – Historic Revitalization Tax Credit – Small Commercial Projects – Alterations program.

Since its inception in 2015, Maryland's Historic Revitalization Small Commercial Tax Credit program has helped the rehabilitation of over 100 Main Street-like small businesses and other historic properties all across the state. The popularity of this program is evidenced by how quickly the originally authorized \$4 million was allocated to small rehab developments, especially after the addition of small, for-sale residential projects as eligible structures. Now that the initial funding has been depleted, without the Small Commercial Historic Revitalization Tax Credit, many shovel-ready projects will not move forward.

SB659 would authorize an additional \$1 million, which (at a \$50,000 per-project cap) would result in at least 20 state and local tax-generating, income-producing and job-creating projects beginning renovations throughout the state. Maryland's historic tax credits have a proven 8:1 return on investment to the state and create nearly 50 well-paying jobs during the construction period for every \$1 million in historic tax credits.

As a real estate development consultant, I represent clients (developing mixed-use and for-sale homeownership projects) who would benefit from the Small Commercial Tax Credit in order to keep these developments feasible—particularly as it relates to the for-sale homeownership component of their projects. This vital program not only supports the financial sustainability of small businesses, but it also helps to preserve housing affordability, an essential by-product of the Historic Tax Credit program.

The Historic Revitalization Tax Credit for Small Commercial Projects is a community and economic development financial tool, which preserves the historic fabric of Maryland's oldest communities. Investing in this relatively young program is smart stewardship. By approving \$1 million to the Small Commercial Tax Credit program, small businesses-owners and developers will invest in their communities, incentivizing others to do the same. As published in the Abell Foundation's *Economic Benefits of Maryland's Historic Revitalization Tax Credit Program* report, for every \$1 invested by the state spurs \$8.13 in economic activity.

For all of these reasons, I respectfully urge a favorable report on SB659. Thank you.

Sincerely,



Sakinah Linder
Owner & Principal, Keen Preservation Solutions LLC

SB659_MDP_Info_Gruzs.pdf

Uploaded by: Gruzs, Adam

Position: INFO



Maryland
DEPARTMENT OF PLANNING
MARYLAND HISTORICAL TRUST

HEARING DATE: February 17, 2021

BILL NO: SB0659

COMMITTEE: Budget and Taxation

POSITION: Letter of Information

FOR INFORMATION CONTACT: Adam Gruzs (410) 767-4613

TITLE:

Historic Revitalization Tax Credit - Small Commercial Projects - Alterations

BILL ANALYSIS:

SB659, crossfiled with HB865, would increase the aggregate statutory cap on the small commercial component of the Maryland Historic Revitalization Tax Credit Program by an additional \$1 million.

POSITION AND RATIONALE:

The Historic Revitalization Tax Credit Program, administered by the Maryland Historical Trust (MHT), encourages private sector investment in the rehabilitation and re-use of commercial and residential historic buildings by providing eligible projects with a state income tax credit equal to 20 percent of qualified rehabilitation expenditures. The program supports three categories of projects – owner-occupied residential, small commercial, and competitive commercial.

Small commercial rehabilitations are defined as projects that do not exceed \$500,000 in total qualified rehabilitation expenses. The credit is capped at \$50,000 in a 24-month period and must have a minimum of \$5,000 of eligible expenses to qualify. The MHT Director is limited by statute from awarding no more than \$4 million in credit certificates for projects qualifying under the “small commercial” component of the program.

As a result of changes to the historic tax credit program during the 2019 session of the General Assembly (SB581), the universe of projects eligible as “small commercial” projects has significantly expanded to include the redevelopment of rental residential housing as well as the speculative commercial development of housing units for sale to homeowners.

Currently, all the authorized \$4 million in credits has been allocated/reserved based on the approval of 119 projects and MHT is not authorized to approve any further projects. Therefore, this legislation seeks an increase in the aggregate statutory cap on small commercial tax credit project awards by an additional \$1 million⁰ so that MHT may continue to offer this component of the historic tax credit program.

Designed to encourage the redevelopment of historic buildings, the Historic Revitalization Tax Credit Program has a track record of creating positive spin-off effects – creating jobs, enhancing property values, encouraging reinvestment and transforming neglected neighborhoods into places where people want to live, work and play.

Over the past six years, small commercial projects with estimated costs under \$500,000 have been processed under the same provisions as the homeowner component of the program. As a result, small business owners are able to submit applications and receive awards in a timely way – allowing them to start their project more quickly and remove them from the high bar of competing against the type of large, often signature or landmark properties, that tend to be more successful in the commercial project ranking process.

In order to continue to provide support for these small business owners – the backbone of Maryland’s small towns and Main Streets – an increase in the aggregate statutory cap on small commercial tax credit project awards is needed.