



# SB 885 | Economic and Community Development - Income Tax Credit for Catalytic Revitalization Projects

TESTIMONY OF SENATOR KATIE FRY HESTER



Footer Dye Works in Cumberland



Philips Packing Plant in Cambridge



National Park Seminary in Silver Spring



Fort Richie in Washington County





# Large inventory of vacant historic buildings



Crownsville Campus



Springfield (Warfield) Hospital



# 2019 Study & Recommendations



## Advancing the Preservation and Reuse of Maryland's Historic Complexes

### Challenges and Opportunities

Prepared for: The Maryland Department of Planning  
January 28, 2020

1. Large inventory
2. Expensive to maintain
3. Great ROI

### Steering Group

Secretary Robert S. McCord

Senator Katie Fry Hester

Delegate Regina Boyce

John Renner, VP Cross Street Partners

Nick Redding, ED Preservation Maryland

# Historic revitalization economic benefits



- Every \$1 of tax credits issued = \$8.13 of economic activity
- \$15 million tax credits = nearly 800 jobs during the construction period (20% more jobs as compared to new construction)
- Increased property values from 20%- 31%
- Increased local tax revenue = increased education funding

# SB885 – What does it do?

## Establishes a new Income Tax Credit for Catalytic Revitalization Projects:

- Does not interfere with the American Rescue Act
- Authorizes an income tax credit capped at \$15M per project, to be claimed over at least 5 years following completion of the project
- **Will not impact the budget for several years** - a tax credit issued in year 1 cannot be taken until the project is complete, likely to be 5 years after initial issuance
- Tax credit may be transferred, refundable or carried forward by the certificate holder
- Allows issuance of only one certificate within a 2 year period; sunsets program in 2031

*Applies to the **substantial rehabilitation** of a property in the state: that was **formerly owned by either the state or the federal government**; the rehabilitation of which will **foster economic, housing, and community development** within the community in which the property is located; and that is **out of service** and was **formerly used as a college or university, k–12 school, hospital, mental health facility, or military facility or installation.***



## SB885 addresses #1 Barrier in MD: lack of adequate tax credit

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In Ohio, the legislature removed its \$5 million per-project cap and established a special “catalytic” category of state tax credits

- One competitive \$25 million tax credit available for large projects every two years.
- Incentivize the redevelopment of large projects such as the Goodyear Headquarters in Akron and the May Department Store in Cleveland.
- The first project to receive a catalytic tax credit of \$25 million was the rehabilitation of the Music Hall in Cincinnati.

**Recommendation 1.1.3: Establish a “catalytic category” in the Maryland Historic Revitalization Tax Credit program patterned after Ohio’s state historic tax credit.**

Catalytic projects are large scale rehabilitation projects offered every two years which will foster significant economic development and are eligible to receive up to \$25 million in tax credits subject to review and approval by the State Historic Preservation Office. For Maryland, the Consultant Team would recommend a minimum catalytic credit of up to \$35 million to reflect the scale of many of the state’s historic complexes.



# Why Vote for This Bill?

1. Creates high quality jobs in Maryland.
2. Transforms properties that are financial drains into engines of economic activity for their local communities.
3. Preserves our history as a State.

**Bottom line:** This bill catalyzes historic preservation and economic activity, all at the same time!

