

KATIE FRY HESTER
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Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony in Support of SB885 - Economic and Community Development - Income Tax Credit for Catalytic Revitalization Projects

April 1st, 2021

Chairwoman Kaiser, Vice-Chair Washington, and Members of the Ways and Means Committee:

Thank you for your consideration of Senate Bill 885, to create an Income Tax Credit for Catalytic Revitalization Projects. Each district we represent has its own important history – and a unique historic built environment worth preserving. Over the past 20 years, Maryland’s 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.

However, there are still gaps in our ability to fund the historic preservation of our formerly owned state and federal complexes, particularly for larger projects. Across the state of Maryland government complexes sit empty but continue to cost the state’s taxpayers large sums of money, while other previously vacant complexes are now generating new tax revenues. Take for example the Crownsville Campus, which 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.

Alternatively, new estimates show that Springfield Hospital, also known as the Warfield complex, in Sykesville could be generating substantial income for the town and county: up to \$1,750 per 1,000 square feet per year for retail, office, industrial or institutional uses and as much as \$4,200 per unit per year for residential uses. With the right support and investment, historic properties like Warfield can be transformed from drains on the State budget into vibrant engines of economic growth and opportunity for the communities they are in. This is a worthwhile investment for the State of Maryland, and for our constituents.

This proposed legislation establishes a new refundable and transferable income tax credit to support catalytic revitalization projects. This would apply to projects aimed at the rehabilitation

of formerly owned State and Federal complexes, the rehabilitation of which will foster economic, housing, and community development within the surrounding community. Administered by the Secretary of the Department of Housing and Community and Development, the Department would be authorized to issue a tax credit certificate, capped at \$15,000,000 per project, every two years. The tax credit may be claimed over 5 years, and can only be claimed upon completion of the project. Therefore, this tax credit will have no impact on the state budget for several years while projects are being completed, and any impact would be spread over 5 budgetary years. This tax credit would also be transferable from the credit recipient to third parties, providing greater access to up front liquidity and increasing the usefulness of the tax credit. The Department will establish application and certification processes for the issuance of catalytic revitalization tax credits. Finally, the Department is not authorized to issue a tax credit until 2025 unless the Comptroller determines that issuing the certificate will not result in a reduction or repayment of Federal funds under the Federal American Rescue Plan Act of 2021.

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 expense of bare minimum maintenance of this inventory, which is still not sufficient to prevent deterioration in some cases.
3. A well documented history of significant return on investment from the revitalization of historic structures.

The economic benefits associated with historic revitalization have been well documented in Maryland. 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.

This new catalytic redevelopment income tax credit could be a powerful tool for investment and revitalization, if we choose to implement it. Across the State, we can turn our aging and deteriorating complexes into vibrant spaces that contribute economically and socially to our communities. **For that reason, I respectfully request a favorable report for Senate Bill 885.**

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester
Carroll and Howard Counties