

# **SB289 Testimony.pdf**

Uploaded by: Bree Jones

Position: FAV

# PARITY

## **SB289/HB27 Historic Revitalization Tax Credit – Small Commercial Projects In Support**

January 31st, 2022  
Budget & Taxation Committee

To the Budget & Taxation Committee:

I am writing in support of Bill SB289, Historic Revitalization Tax Credit – Funding and Extension

My name is Bree Jones, and I am the Founder and CEO of Parity Homes. Parity is an equitable development company working in Old West Baltimore to heal neighborhoods experiencing hyper vacancy. Parity acquires and rehabilitates vacant and abandoned properties by the block, and creates pathways for friends, families, neighbors and other social groups to affordably own these homes on a collective basis. At the core of our work is “Development without Displacement”. We practice real estate and housing development through a racial equity lens to ensure that people who have been historically disinvested of wealth are able to participate in and benefit from reinvestment into their communities.

Despite best efforts of organizations like mine, structural barriers to create homeownership, wealth-building, and community revitalization opportunities in historically Black neighborhoods persist. One of the most obstinate challenges in rehabilitating architecturally historic properties in these neighborhoods is the differential between the cost of renovation and the final appraised value and affordability level of the post-renovated property. For example, in neighborhoods like those in historic Old West Baltimore, construction costs to rehabilitate severely dilapidated properties with historical features can be upwards of \$350K per structure. However, the appraised value (the price that homes can be sold for according to banks) is closer to \$200K. This difference in cost and value is called the Appraisal Gap and is one of the primary suppressors of market activity and redevelopment in distressed neighborhoods.

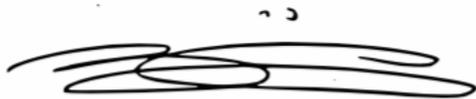
Current subsidy funding to spur development in disinvested areas is scarce, competitive, and inadequate. The Maryland Historic Trust Small Commercial Projects Historical Revitalization Tax Credit is a one-of-a-kind – it is the only tax credit that can be used towards the development costs for residential historic renovations and is one of the few funding sources available to Baltimore City developers working to create attainable and architecturally historic housing in the Black Butterfly. Without the credit, not only is historic preservation not economically possible, but redevelopment as a whole is unfeasible. My organization and others like mine desperately need the Maryland Historic Trust tax credit to make our projects work financially and to retain the beautiful historic architecture present throughout Old West Baltimore. While the tax credit represents a minor expenditure for the state budget, there is incredible return on investment in the form of reduced burden on city and state services caused by vacancy, the healing and revitalization of Maryland’s most precious communities, and the introduction of new taxpayers and homeowners into state tax revenue.

For these reasons, I request a favorable report of SB289. I would also like to advocate for at least \$1M in stop-gap funds for FY23 to avoid disruption in historic homeownership production across the state.

Regards,

**Bree Jones**

Executive Director & Founder  
Parity Baltimore Incorporated

A handwritten signature in black ink, appearing to read 'Bree Jones', with a stylized flourish underneath.

(914) 484-3130

bree@parityhomes.com

# **SB289\_FAV\_Preservation Maryland.pdf**

Uploaded by: Eleanor Cowan

Position: FAV

Testimony of Elly Colmers Cowan  
Director of Government Affairs, Preservation Maryland

Before the  
Senate Budget and Taxation Committee  
February 2, 2022

Pertaining To: SB289, Historic Revitalization Tax Credits- 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. It is a catalyst of economic growth and a key tool for neighborhood revitalization. Unfortunately, as of the Governor's proposed FY23, Maryland is investing only \$12M in this program for the entire state. By comparison, neighboring 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.

The Competitive Commercial program of the Historic Revitalization Tax Credit encourages the rehabilitation of large keystone projects across the state, but its potential impact has been hamstrung by a lack of funding. The Small Commercial program, which encourages private investment in the rehabilitation of more modest, Main Street-scale historic structures, is currently without funding, despite the stop-gap funding passed out of this committee last year. The need is there, but unfortunately the funding is not. This legislation establishes annual funding for the program that is poised to be effective aid for economic recovery.

Today, I am proud to offer our support of SB289 which will address this funding famine and close the gap on our regional competitiveness.

### What this Bill Does

SB289 proposes to:

- Establish the Small Commercial Project Trust Account and annually funds it at \$4M;
- Increase funding for the Competitive Commercial program to at least \$24M for FY25-26 and at least \$36M for FY27-31; and
- Reauthorize the Historic Revitalization Tax Credit through FY31.

### Why You Should Vote for This Bill

Maryland's Historic Revitalization 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. As it considers where and how to spend the current surplus, Maryland must prioritize its programs that encourage job growth and stimulate investment and revitalization.

Unlike many tax credit programs, the state HTC 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. Additionally, as an economic activity, historic rehabilitation greatly outperforms new construction in job creation. Rehabilitation project costs are on average 60 percent labor and 40 percent materials compared to new construction, which is about 40 percent labor and 60 percent materials. In addition to hiring local labor, historic rehabilitation materials are more likely to be purchased locally. As a result, approximately 75 percent of the economic benefits of these projects *remain in the communities* where these buildings are located.

Over the last few years, this esteemed committee has passed common sense policy changes to the Competitive Commercial HTC, which focuses on large scale rehabilitation projects. Those changes have 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. The proposed stepped funding increase to this HTC program 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.

Since the Small Commercial HTC program's 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 Small Commercial program's original authorized funding amount of \$4 million was depleted in 2020, despite many projects that need the program to move forward. Last year, the General Assembly passed emergency stop-gap funding of an additional \$1M to keep the program alive. However, that funding was spent down in just *4 months*, and the program is currently shuttered. There is obviously a great need for this program that SB289 seeks to address.

Avoiding a drop-off in these small-scale 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. SB289 establishes annual funding of \$4M to this vital program. With the \$50,000 per-project cap, this annual funding would result in at least 80 new projects moving forward. While every community may not necessarily have a large-scale project that could be helped by the Competitive Commercial project, communities in every corner of Maryland will be able to directly benefit from the additional funding for the Small Commercial program.

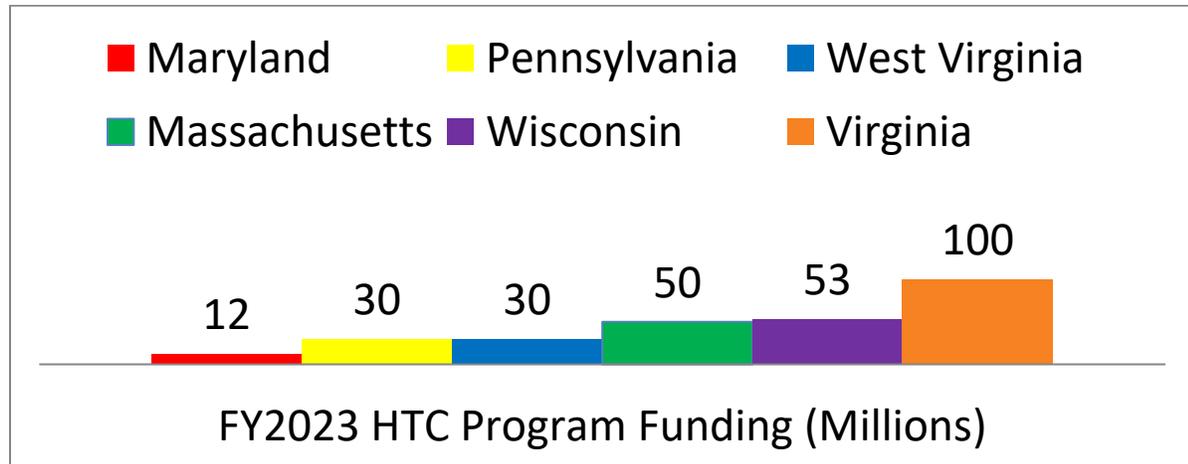
Projects in affluent communities that have strong economic fundamentals are still likely to get done, particularly if they can attract patient capital investors who don't require immediate tax benefits. Unfortunately, projects offering investors marginal returns in historically and systemically disinvested communities – *which ultimately require these incentives and projects the most* – may no longer move forward without incentives like the Historic Revitalization Tax Credit.

In conclusion, this tax credit is not a handout - it is an investment in Maryland's communities and economy. SB289 would exponentially increase the program's positive impact across the state. That is why I respectfully urge a favorable report of SB289.

**Support**

**HISTORIC TAX CREDIT CHARTS**

Fiscal Year	Competitive Commercial Historic Tax Credit Funding	Economic Activity Generated	Jobs Created (During Construction)
2025-26	\$24M	\$195M	1,200
2027-31	\$36M	\$293M	1,800



**SB 289 Support Letter - 1-31-22.pdf**

Uploaded by: Johns Hopkins

Position: FAV

# BALTIMORE HERITAGE

WORKING TOGETHER TO PRESERVE AND PLAN BALTIMORE'S FUTURE  
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Barbara K. Weeks

Johns W. Hopkins  
*Executive Director*

January 31, 2022

The Honorable Guy Guzzone  
Budget and Taxation Committee

## **Re: Support for SB 289: Historic Revitalization Tax Credit Funding and Extension**

Dear Chairman Guzzone:

I am writing in support of SB 289: Historic Revitalization Tax Credit Funding and Extension.

We at Baltimore Heritage have worked for nearly 60 years helping disinvested communities revitalize. SB 289 has at least two components that would significantly boost efforts in Baltimore and across the state.

The first is that it would increase funding for small commercial projects to \$4 million. These are the main-street businesses that are especially in need of assistance today during the Covid-19 crisis.

The second is that the bill would increase funding for general commercial projects to \$12 million per year. As we have seen in neighborhood after neighborhood in Baltimore, the redevelopment of large buildings like the American Brewery building in East Baltimore and the Hebrew Orphan Asylum in West Baltimore can have transformational impacts far beyond their walls. SB 289 would help more communities benefit from this type of game-changing assistance.

Sincerely,



Johns W. Hopkins

# **Testimony SB 289 .pdf**

Uploaded by: Marvin "DOC" Cheatham

Position: FAV

CORY V. McCRAY  
Legislative District 45  
Baltimore City

DEPUTY MAJORITY WHIP

Budget and Taxation Committee

*Subcommittees*

Vice Chair, Capital Budget

Pensions

Chair, Public Safety, Transportation,  
and Environment



James Senate Office Building  
11 Bladen Street, Room 221  
Annapolis, Maryland 21401  
410-841-3165 · 301-858-3165  
800-492-7122 Ext. 3165  
Cory.Mccray@senate.state.md.us

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

**TESTIMONY OF SENATOR CORY McCRAY**

Pertaining To: SB 289 | Historic Revitalization Tax Credit- Funding and Extension

Before the Budget and Taxation Committee

**Why This Bill Matters:**

Maryland's Historic Revitalization Tax Credit, our state's historic tax credit, is a catalyst of economic growth and a key tool for neighborhood revitalization.

Today, I am pleased to be the sponsor of legislation before this committee that will increase the potential impact of this key community investment tool. The bill addresses urgent funding needs and extends the life of the program. The Competitive Commercial program of the Historic Revitalization Tax Credit encourages the rehabilitation of large keystone projects across the state, but its potential impact has been hamstrung by a lack of funding. The Small Commercial program, which encourages private investment in the rehabilitation of more modest, Main Street-scale historic structures, is currently without funding, despite the stop-gap funding passed out of this committee last year. The need is there, but unfortunately the funding is not. This legislation establishes annual funding for the program that is poised to be effective aid for economic recovery.

Preserving our historic places is not a partisan issue. Each district we represent has its own important history – and historic built environment worth preserving. SB 289 will help safeguard our state's past and invest in our communities' futures.

**What This Bill Does:**

In addition to extending the authorization for the Historic Revitalization Tax Credit program as a whole until FY31, the proposed legislation creates the Small Commercial Project Trust Account within the program's Reserve Fund and annually funds it at \$4M beginning in FY24. The bill

also establishes a minimum funding amount for the large Competitive Commercial historic tax credit: \$24M in FY25-FY26 and \$36M in FY27-FY31.

### **Why You Should Vote For This Bill:**

Funding projects all across the state, Maryland's Historic Revitalization Tax Credit (HTC) has a proven track record of catalyzing neighborhood revitalization projects. There are three programs within the HTC: Competitive Commercial, Small Commercial, and Homeowners. SB 289 will address the funding famine suffered by the two commercial programs and will help close the gap on our regional competitiveness.

The Competitive Commercial program funds largescale rehabilitation projects. At its height, Maryland invested nearly \$80 million annually in the program. Unfortunately, in 2002, Maryland capped the program, requiring an annual appropriation in the state's PAYGO capital budget. Since then, this program has lost nearly 90% of its funding. As of the FY23 budget, the state historic tax credit Reserve Fund will receive a \$12 million appropriation, up from \$9 million for nearly a decade. With each project capped at \$3 million, the total available is still embarrassingly low.

Around the nation, the value of state historic tax credit programs has been widely accepted. Unfortunately, at \$12 million for the entire state, Maryland's program is falling behind. Neighboring Virginia invests nearly \$100 million annually in their historic tax credit, and West Virginia funds their historic tax credit programs at \$30 million.

Established in 2015, the Small Commercial historic tax credit program focuses on encouraging the redevelopment of small scale and Main Street projects taken on by individuals or small developers. The program received an initial authorization of \$4 million, with a per-project cap of \$50,000 in credits in a 24-month period. Recent policy changes to the program, such as no longer requiring a commercial component, have made it popular as a key neighborhood revitalization tool, with over 100 projects throughout Maryland utilizing the program since 2015. As a result, the initial authorization amount was depleted in 2020. The General Assembly passed legislation in 2021 to add an additional \$1M in funding to the program. The need for these credits is so great that the program was once more depleted within 5 months, and the program can no longer issue credits. This has left many shovel-ready projects unable to move forward. Fortunately, we can address this problem by creating the Small Commercial Trust Account and annually funding the program.

The economic benefits associated with the use of the historic tax credit in Maryland have been well documented. According to a report by the Abell Foundation, for every \$1 of tax credits issued through the Historic Revitalization Tax Credit, \$8.13 of economic activity is generated, and nearly 50 jobs are created during the construction period. Beginning in FY25, the increased funding for the historic tax credit program proposed in SB 289 is anticipated to result in the generation of **over \$227 million in economic activity** and the creation of **nearly 1,500 new jobs**

during the construction period. As the General Assembly continues to focus on economic recovery in the face of the Covid-19 pandemic, it is important to note that historic preservation projects encourage private investment in the revitalization economy, help generate state and local tax revenue, and increase the property value of the project and surrounding properties.

The funding in SB 289 will allow the both the Competitive and Small Commercial programs of the Historic Revitalization Tax Credit to continue to be effective and powerful community revitalization and economic recovery tools in every district across Maryland. Thank you for your consideration of this important legislation, and I urge the committee to move the bill with a favorable report.

Respectfully,

A handwritten signature in blue ink, appearing to read "Cory", with a stylized flourish at the end.

Cory V. McCray  
45<sup>th</sup> District

**SB0289-BT-FAV.pdf**

Uploaded by: Natasha Mehu

Position: FAV



BRANDON M. SCOTT  
MAYOR

*Office of Government Relations  
88 State Circle  
Annapolis, Maryland 21401*

**SB 289**

February 2, 2022

**TO:** Members of the Budget and Taxation Committee  
**FROM:** Natasha Mehu, Director of Government Relations  
**RE:** Senate Bill 289 – Historic Revitalization Tax Credit – Funding and Extension  
**POSITION:** **Support**

Chair Guzzone, Vice Chair Rosapepe and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 289.

SB 289 would require the Governor to include an appropriation in the Budget Bill to the Historic Revitalization Tax Credit reserve fund of at least \$24,000,000 for fiscal years 2025 & 2026 and at least \$36,000,000 for fiscal years 2027 through 2031. The bill additionally establishes the small commercial project trust account within the Reserve Fund for the purpose of issuing tax credit certificates for small commercial projects and requires the Governor to include an appropriation to the trust account of at least \$4,000,000 annually for fiscal years 2024 through 2031. The legislation also extends the deadline for utilization of the credits from July 1, 2024 to July 1, 2031.

Historic Tax Credits are essential to supporting comprehensive, equitable neighborhood development initiatives. Buildings that benefit from these tax credits are often the most visible and most distressed. This affects both real and perceived market health, visibly distressed vacant buildings contribute to a perception that these communities are not a place for or worth investments. These credits have provided funding for the rehabilitation and redevelopment of several commercial anchors in the City of Baltimore including the 85,000 square foot Hoen Lithograph Building. This building is now the home of the Center for Neighborhood Innovation, a vibrant, mixed-use complex that provides job opportunities and training. Additional projects supported by Historic Revitalization Tax Credits include the Gieske & Neiman Tobacco Warehouse in EBDI and 620 N Caroline Street in the Perkins Somerset Oldtown (PSO) Footprint. These projects create construction and permanent jobs and provide significant property tax revenue while attracting additional private investment that contributes to larger neighborhood revitalization initiatives.

The Hoen Building is a good example of the synergistic investment that inspires confidence and leads to catalytic equitable development. As the Hoen building was undergoing redevelopment, private and community- based developers focused efforts on redeveloping the blocks of vacant homes surrounding the site as new homeownership opportunities.

620 North Caroline Street is one of many catalytic and synergistic projects that are transforming East Baltimore as part of the Perkins Somerset Oldtown Transformation Initiative that when complete are projected to represent \$1 billion in public and private investment. The Chick Webb Center, adjacent to 620 North Caroline will be undergoing a nearly \$20 million upgrade and just a few blocks away, construction is underway at the former Somerset Housing Site where over 500 affordable and market rate units are coming online representing a total investment of more than \$200 million.

We respectfully request a **favorable** report on Senate Bill 289.

*Annapolis – phone: 410.269.0207 • fax: 410.269.6785*

*Baltimore – phone: 410.396.3497 • fax: 410.396.5136*

*<https://mogr.baltimorecity.gov/>*

**SB289\_MRA\_FAV.pdf**

Uploaded by: Sarah Price

Position: FAV

# MARYLAND RETAILERS ASSOCIATION

*The Voice of Retailing in Maryland*



## **SB289 Historic Revitalization Tax Credit – Funding and Extension Budget and Taxation Committee February 2, 2022**

**Position:** Favorable

**Background:** SB289 would extend the Historic Revitalization Tax Credit and mandate a funding structure to maintain its solvency into the future.

**Comments:** The Maryland Retailers Association (MRA) strongly supports SB289, which would have a positive impact on Maryland’s Main Streets and other small business communities.

The MRA has a partnership with the Main Street Maryland program, which includes 33 officially designated Main Streets across the state from Oakland to Ocean City. The qualifications to gain that official designation include that a community must include a significant number of historic commercial buildings. The expansion of the Historic Revitalization Tax Credit would support the upkeep required for historic structures and would incentivize more businesses to invest in preserving Maryland’s historic buildings. Renewed interest in these districts could also help other communities to meet that qualification for becoming an official Main Street by bringing developers and businesses to underutilized historic commercial districts. This would boost the state’s small businesses by providing additional communities access to grant funding and other unique resources from both the State and the Retailers Association.

Mandating funding and making sure that these credit opportunities are available into the future will have a real, tangible positive impact on Maryland’s economy and business community. With this in mind, we would urge a favorable report on SB289. Thank you for your consideration.

# **SB 289 Historic Revitalization Tax Credit-Funding**

Uploaded by: Barbara Wilkins

Position: INFO



# Maryland

DEPARTMENT OF BUDGET  
AND MANAGEMENT

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*Governor*

BOYD K. RUTHERFORD  
*Lieutenant Governor*

DAVID R. BRINKLEY  
*Secretary*

MARC L. NICOLE  
*Deputy Secretary*

## **SENATE BILL 289 Historic Revitalization Tax Credit - Funding and Extension (McCray)**

### **STATEMENT OF INFORMATION**

**DATE: February 2, 2022**

**COMMITTEE: Senate Budget & Taxation**

**SUMMARY OF BILL:** SB 289 extends the sunset on the Historic Revitalization Tax Credit from FY 2024 to FY 2031; increases the current \$12 million annual mandated appropriation to \$24 million in FY 2025 and FY 2026, and to \$36 million in FY 2027. The bill also creates a new \$4 million annual mandate in FY 2024 through FY 2031 for a Small Commercial Project Trust Account.

**EXPLANATION:** The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the \$16 million increase in the annual mandated appropriation amount that impacts the FY 2024 to FY 2026 budgets and the \$28 million increase in the FY 2027 to FY 2031 budgets.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which will require spending allocations for FY 2024 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2022.

Changes to the Maryland Constitution in 2020 provide the General Assembly with additional budgetary authority, beginning in the 2023 Session, to realign total spending by increasing and adding items to appropriations in the budget submitted by the Governor. The legislature's new budgetary power diminishes, if not negates, the need for mandated appropriation bills.

Fully funding the implementation of the Blueprint for Maryland's Future (Kirwan) will require fiscal discipline in the years ahead, if the State is to maintain the current projected structural budget surpluses. Mandated spending increases need to be reevaluated within the context of this education funding priority and the Governor's tax relief proposals.

Economic conditions remain precarious as a result of COVID-19. High rates of inflation and workforce shortages may be short lived or persist, thereby impacting the Maryland economy. While current budget forecasts project structural surpluses, the impact of the ongoing COVID-19 pandemic continues to present a significant budgetary vulnerability. The Department continues to urge the General Assembly to focus on maintaining the structural budget surplus.

**For additional information, contact Barbara Wilkins at (410) 260-6371 or [barbara.wilkins1@maryland.gov](mailto:barbara.wilkins1@maryland.gov)**

45 Calvert Street · Annapolis, MD 21401-1907

Tel: 410-260-7041 · Fax: 410-974-2585 · Toll Free: 1-800-705-3493 · TTY Users: Call via Maryland Relay

<http://dbm.maryland.gov>