



Maryland
DEPARTMENT OF PLANNING
MARYLAND HISTORICAL TRUST

HEARING DATE: February 28 at 1:00 PM

BILL NO: HB674

COMMITTEE: Appropriations

POSITION: Support with Amendments

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TITLE: Maryland Historic Trust – Historic Preservation Partnership Program and Fund - Established

BILL ANALYSIS:

As initially drafted, HB674 extinguished the Maryland Historical Trust (MHT) Historic Preservation Loan Program and Fund, and replaced it with the "Historic Preservation Partnership Program and Fund" which would require MHT to transfer all loan fund appropriations as well as current and future loan repayments to a "qualified cooperating nonprofit organization." Under this scenario, MHT would cease to have the ability to make loans, use loan repayments to support administration of its existing loan portfolio, or use loan funds to pay for rehabilitation of historic properties owned by MHT. Instead, the recipient organization would use MHT loan funds to acquire historic properties for resale or lease, to restore or rehabilitate historic properties owned by the organization for resale or lease, and to make loans to other nonprofit organizations, political subdivisions, and business entities to acquire, rehabilitate, restore or refinance historic properties, and to make loans to individuals to rehabilitate or restore national historic landmark properties. The recipient organization would also use the funds for administrative and programmatic expenses associated with carrying out these activities.

Anticipated amendments to the bill would allow MHT to continue to make loans from the MHT Loan Program and Fund, use funds to support administrative costs necessary to manage its existing loan portfolio, and would permit MHT to make transfers from the MHT Loan Fund to a "qualified cooperating nonprofit organization" for all of the types of activities envisioned in the initial bill draft.

POSITION AND RATIONALE:

Created in 1973, the MHT Loan Program has made over 60 loans during the fifty-year life of the program. MHT Loans are designed to provide assistance to historic properties, often endangered, that have access to few alternative funding sources or that require more funding than the MHT Capital Grant Program provides. To be eligible for loans, properties must be listed on or eligible for listing on the Maryland Register of Historic Properties. Loan funds can be used for acquisition, rehabilitation and refinancing of historic properties. Loan funds can also be used to finance rehabilitation of historic properties owned by the Trust. Loan recipients are required to convey an historic preservation easement on the assisted property to MHT.

The MHT Loan Program was especially active during those years when interest rates were high and public funding for historic preservation projects was scarce. In recent years, the program has been less active and supported almost entirely by loan repayment monies. Over the past five years only the FY23 capital budget included an influx of new cash consisting of \$150,000 in general fund monies.

Elements which depress demand for the MHT Loan Program include the fact that most non-profit organizations and local governments prefer to seek grant funds which do not need to be repaid. During years of low-interest rates, conventional loans from commercial lenders were more attractive to potential applicants since those loans do not require the conveyance of an historic preservation easement to MHT. In the case of business entity and private individual applicants, the statutory requirement that they provide evidence of their inability to obtain or afford private financing has severely restricted the universe of potential applicants for the MHT Loan Program.

While the MHT Loan Program continues to serve a public purpose, there is an untapped opportunity to use the MHT Loan Fund to support statewide nonprofit partners in carrying out capital historic preservation projects in ways that are fast and flexible. MHT supports amendments to HB674 that leave the MHT Loan Program intact but allows the agency to direct MHT Loan Fund monies to selected nonprofit partners who can then use the funds in creative and entrepreneurial ways to capitalize and build their own loan program or to acquire or rehabilitate historic properties that are in critical condition. In this way, the MHT Loan Program may support multiple paths to positive preservation outcomes.