

## Study of the Redevelopment of Historic Government Complexes

### Report of the Steering Committee to the Maryland Department of Housing and Community Development and the Maryland Department of Commerce

December 31, 2021

#### Background

During the 2019 legislative session, legislation (*Senate Bill 741 - Secretary of Planning – Adaptive Reuse of Historic Properties – Study*) sponsored by Senators Hester, Ready, Salling and Young was enacted by Governor Larry Hogan requiring the Secretary of the Maryland Department of Planning (Planning) to conduct a study of obstacles to and opportunities for the redevelopment of historic real property formerly owned by state and federal government agencies. The bill required that a Steering Committee composed of the Secretary of Planning, a member of the Senate and of the House of Delegates, a representative of the private sector with experience in historic preservation, and a representative of a nonprofit organization with experience in historic preservation oversee development of the study.

In summer 2019, members of the Steering Committee (Committee) were selected:

- Robert S. McCord, Secretary, Maryland Department of Planning
- Katie Fry Hester, Senator
- Regina T. Boyce, Delegate
- John Renner, Manager, Timshel LLC
- Nicholas Redding, Executive Director, Preservation Maryland

Chaired by Secretary McCord, the Committee oversaw hiring of the consultant team of Widell Preservation Services, LLC, BAE Urban Economics, Inc., and Sparks Engineering, Inc., to develop recommendations in support of the redevelopment and adaptive reuse of excess historic campuses. The consultant team worked on the project throughout fall 2019, and presented their final report to the Steering Committee in January 2020. That report, entitled *Advancing the Preservation and Reuse of Maryland's Historic Properties*, was submitted to the Governor and General Assembly in fulfillment of the requirements of SB741 by Jan. 31, 2020.

Subsequently, during the 2021 legislative session, legislation sponsored by Senator Hester (*Senate Bill 885 - Economic and Community Development – Income Tax Credit for Catalytic Revitalization Projects and Historic Revitalization Tax Credit*) was enacted by Governor Hogan, which required the Steering Committee to reconvene and make recommendations based on the findings of the 2020 study to the Maryland Department of Housing and Community Development (DHCD) and the Maryland Department of Commerce (Commerce) on or before Dec. 31, 2021. This report is being submitted in fulfillment of the requirements of SB885.

#### Steering Committee Recommendations

The Committee reconvened in May 2021 to review all of those recommendations included in the *Advancing the Preservation and Reuse of Maryland's Historic Properties* report, identifying which recommendations had been accomplished and prioritizing action on the remaining recommendations. The Committee concluded that the two recommendations of greatest

importance to the successful redevelopment of historic government complexes would be the creation of a Historic Properties Disposition and Preservation Team embedded in DHCD and increased appropriations to the Historic Revitalization Tax Credit Program administered by the Maryland Historical Trust (MHT).

#### A. Creation of a Maryland Historic Properties Disposition and Preservation Team

Included in the 2020 report as Recommendation 3.4: “Establish a dedicated state-level Historic Complex Divestment Team.” This concept is modeled after the State of Rhode Island’s Integrated Facilities Management (IFM) team, which is located in the state’s Division of Capital Asset Management and Maintenance. Rhode Island’s IFM team serves as the property manager for state-owned properties once they are closed and awaiting transfer out of state ownership. The IFM team oversees mothballing, security, and maintenance of the properties while vacant.

Creation of a “Historic Properties Disposition and Preservation Team” in Maryland that is charged with pre-disposition planning of historic state government complexes would improve outcomes for these properties. The Committee recommends that DHCD administer and fund this interdisciplinary team, which would seek to involve multiple state agencies.

Co-chaired by the Secretaries of the Department of General Services and DHCD, the team would be comprised of the Secretaries of the following departments:

- Maryland Department of Planning
- Maryland Department of the Environment
- Maryland Department of Health
- Maryland Department of Labor
- Maryland Department of Natural Resources
- Maryland Department of Commerce

Additional agencies would rotate on and off the team depending upon the particular needs and conditions of the historic complexes going through the surplus process. The State Historic Preservation Officer would serve in an advisory capacity. Opportunities to engage other state agencies, local government, nonprofit and private partners in the work of the team should be identified on a project-by-project basis. A member of the Senate and a member of the House of Delegates and Preservation Maryland will maintain an ex-officio position on the disposition team and be provided with an opportunity to engage and support the work of the team. The team may also consult with the Maryland Environmental Service, as needed.

Establishment of the team would **not** require legislation and could be memorialized in COMAR as a component of the State Clearinghouse process. However, there remains the possibility that additional resources and legislation may be required in the future should they be required to facilitate the activities and/or programs conducted by the team.

The purpose of the team would be to ensure the financial success and appropriate stewardship of deaccessioned state-owned properties once they are made available for use by private entities. The team would leverage expertise capable of evaluating environmental hazards, historic preservation opportunities, engineering issues, local zoning requirements, and market conditions all aimed at identifying optimal development opportunities for surplus state properties. Sections

3, 4, and 5 of the report *Advancing the Preservation and Reuse of Maryland's Historic Properties* provide a menu of strategies that will be explored and may be employed as further described in Attachment 1.

In its first years, the team will focus its efforts on the following areas:

- Identify and maintain information on state historically significant complexes and properties
- Facilitate site and building assessments and the work necessary for stabilization and preservation
- Evaluate environmental and historical remediation requirements
- Develop a plan for future disposition and/or preservation
- Identify and make available funding resources
- Execute contracts of sale or restoration/preservation work
- Support creation of a “Maryland Historic Trades Corps” through Preservation Maryland
  - Modeled after The Campaign for Historic Trades, a national program of Preservation Maryland that expands training in the field of historic trades.
  - Creates an apprenticeship program for skilled workers in specialized trades for preservation of historic structures in Maryland.
  - Supports the state’s largest historic resource property owner, the Maryland Department of Natural Resources.

The first meeting of the team will be scheduled for January 2022. A joint meeting of the Committee and the team will take place in September 2022.

#### B. Increased Appropriations for the Historic Revitalization Tax Credit Program

The Maryland Historic Revitalization Tax Credit Program is cited as the state’s most significant financial investment in historic preservation and is designed to incentivize the redevelopment and reuse of historic buildings, neighborhoods, and resources. In addition to preserving the state’s historic resources, the program has also demonstrated a significant track record in creating positive spin-off effects in our communities through creating jobs, enhancing property values, and leveraging private investment. Funded at \$9 million annually since 2016, Maryland’s historic tax credit program is in the mid-range of neighboring states such as Pennsylvania (\$5 million), Delaware (\$8 million), West Virginia (\$30 million), and Virginia (\$100 million).

Recommendation 1.1 in the 2020 report recommended various changes to the Maryland Historic Revitalization Tax Credit Program that would increase funding available to state-owned historic complexes. Instead of separating out a portion of the annual tax credit appropriation for use by state historic complexes only, the Committee is recommending an overall increase to the program.

#### Conclusion

Ensuring the successful redevelopment of previously government-owned properties will benefit local communities that have historically hosted these complexes and will generate significant returns to the state treasury. Creative thinking and proactive planning that addresses how to best leverage these assets should be done before they are turned over to the private sector. Creation of

a team led by DGS and DHCD, and potential increases to the Historic Revitalization Tax Credit Program, administered by MHT, may achieve these goals, resulting in better outcomes for these properties and a more substantial return on investment for the state.

## **Attachment 1**

Sections 3, 4, and 5 of the report *Advancing the Preservation and Reuse of Maryland's Historic Properties* provide a menu of strategies that may be employed by the Maryland Historic Properties Disposition and Preservation Team. These strategies include the following:

3. MHT Easement Program: Build upon recommendations set forth in MHT's December 2018 Report on historic easements:

3.1 Revise if, when, and how historic easements are formulated—target formulation during due diligence and planning phase prior to conveyance.

3.2 Formulate a preservation or mitigation strategy to satisfy the needs and conditions of individual properties.

4. Codes, Standards, and Historic Rehabilitation Treatments: It is important to resolve potential conflicts among codes, historic preservation requirements, and Historic Revitalization Tax Credit guidelines prior to conveyance. Doing so streamlines compliance for the developer.

4.1 Establish project -specific guide to codes, standards, and historic rehabilitation treatments.

4.2 Prepare a thermal and moisture protection model of a representative building as part of the pre-disposition planning process.

4.3 Determine in the pre -disposition phase the extent of deterioration and whether dangerous conditions, distinct life safety risk, or substantial structural damage exists, on a per -building basis.

4.4 Prepare in the pre -design phase a Fire and Life Safety assessment with guidance for the expected range of occupancies.

5. Conveyance Strategies and Terms: Maryland should formulate a disposition strategy, utilizing a variety of conveyance mechanisms:

5.1 Explore ground leasing historic complexes as the state's preferred conveyance.

5.2 When the state or a locality invests in a redevelopment project, sales agreements or long -term leases can be structured for potential back-end participation in the financial success of the project.