PRESERVATION
MARYLAND

Sustainable Communities Tax Credit (SB 285/HB475)
FY2011 Legislation

What is the Sustainable Communities Tax Credit?

The Sustainable Communities Tax Credit (SB 285/HB475) is a component of Governor Martin O'Malley's proposed Sustainable Communities Act of 2010. The goal of the Act is to promote greater coordination to achieve investment in housing, historic preservation, economic and transportation development in existing neighborhoods and town centers.

The administration wants to broaden the 14-year-old Heritage Tax Credit program as the Sustainable Communities Tax Credit to help stimulate local economies, create construction jobs and support ecologically friendly development.

Why is it Important?

The Heritage Structure Rehabilitation Tax Credit Program is due to sunset after this fiscal year. If the program is allowed to sunset with no reauthorization, Maryland would lose one of its most important tools both for historic preservation and economic revitalization.

No program in Maryland has been as successful at revitalizing existing buildings as the Heritage Structure Tax Credit. It is a model of sustainable development and of public/private partnership. Every dollar of State rehabilitation tax credits generates $8.53 in economic activity and each million dollars in rehabilitation tax credits generates 72.5 jobs, an Abell Foundation report concluded last year.

What are the Changes to the Program?

While the 14-year-old program has leveraged private sector investment throughout the state – in more than 2,600 residential and 550 commercial properties – one critique has been that it is weighted towards jurisdictions with older properties such as Baltimore city. In response, the administration is proposing that up to 40 percent of the credits be made available to non-historic structures in established areas, such as Main Street business districts, Transit-Oriented Development areas near light-rail or train stations, and BRAC enterprise zones. The credit will be 10 percent of rehabilitation costs for non-historic structures, 20 percent for historic structures and 25 percent for historic renovations with LEED energy-saving certification. This is believed to be the first program of its kind in the nation to link historic preservation with "green" construction.

The proposed legislation also restores the program to a true tax credit format, and includes a switch from an annual appropriation to a five-year authorization. This change provides predictability for state fiscal managers and project sponsors, and allows for the return to rolling, and prompt, review system in which projects are green-lighted or denied within 30 days. There is no fiscal impact until FY 2011 or more likely FY 2012.

The proposed changes would align Maryland with a recent and significant shift in the federal government that also focuses on sustainability and aims to better coordinate transportation, environmental protection and housing investments.

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24 West Saratoga Street, Baltimore, Maryland 21201-4227 • 410-685-2886 • FAX 410-539-2182 • www.PreservationMaryland.org