

Maryland Historical Trust Heritage Structure Rehabilitation Tax Credit Program (Commercial)

FY2007 Operating Budget appropriation request: \$30 million

Amendments to the program: SB223/HB341

- **The Heritage Structure Rehabilitation Tax Credit Program is one of the State's most powerful Economic Development and Community Revitalization tools.** The State Tax Credit Program, complemented by the Federal Rehabilitation Tax Credit Program, is necessary to achieve the key agency outcome goal of preserving historical and archeological resources by providing financial incentives and technical assistance to property owners.
- **Since 1997 approximately 1,587 residential and 321 commercial rehabilitations statewide have been certified.** The projects represent a combined total of \$786 million in private investment.
- **For commercial projects alone, the Governor's Task Force on the Tax Credit Program reported that for every tax dollar paid out by the State, \$1.02 was returned in the first year and \$3.31 the fifth year after the project's completion.**
- **In addition, the positive impact of the tax credit assisted rehabilitation projects on community and neighborhood revitalization initiatives has been tremendous.**
- **Goals for this program:**
 - **To encourage private investment** in the revitalization of Maryland's historic communities through the promotion of both the state and federal rehabilitation tax credit programs.
 - **To promote the adaptive reuse of under-utilized historic structures in depressed communities.**
 - **To assist in the creation of stable and safe neighborhoods** and decent affordable housing.
 - **To facilitate project planning** for commercial and homeowner applicants to ensure compliance with the Secretary of the Interior's "Standards for Rehabilitation."
- **Senate Bill 223/HB341 would make 5 changes** to the 2004 version of the Maryland Heritage Structure Rehabilitation Tax Credit Program statute.
 1. **Eliminate required preference for structures that are individually listed on the National or local registers of historic places over contributing structures in historic districts.** The 2004 legislation requires the Maryland Historical Trust, in awarding initial credit certificates, favor most heritage structures over the class of heritage structures located in historic districts designated by local governments and the class of structures deemed to be heritage structures by the Maryland Heritage Areas Authority. This bill would eliminate that preference.
 2. **Eliminate the limitation of awards to any single jurisdiction.** The 2004 statute also prohibited any single jurisdiction from receiving more than 50% of the value of all initial credit certificates that could be awarded. This bill would eliminate that limitation.
 3. **Allow exploratory work on a project to be considered rehabilitation expenditures.** The Program currently cannot award initial credit certificates for rehabilitation work that is completed prior to approval of rehabilitation plans. This restriction prohibits applicants from claiming the credit for exploratory work that must be done on a project in order for the applicant to prepare realistic rehabilitation plans, and for work that must be undertaken immediately in emergency situations in order to preserve a heritage structure. This bill would allow those costs as qualified rehabilitation expenditures.
 4. **Extend the project time frame requirements from 24 to 30 months.** The current law limits the credit for commercial rehabilitations to work completed within 24 months after award of the initial credit certificate. This bill would extend that timeframe to 30 months, in line with the typical project time line for similar projects under the Program.
 5. **Extend the Commercial Tax Credit Program to 2012.** The Program currently sunsets on July 1, 2008. This bill would extend the Program termination date to July 1, 2012.
- **This Program encourages the private sector to undertake Historic Rehabilitation Projects that provide jobs during and after the construction period.** These jobs contribute to the tax base of the affected communities as well as to the State.
- **Tax credit assisted projects also promote community revitalization through the rehabilitation of historic commercial and owner-occupied residential properties.** In some cases, neighborhoods have been revived from near abandonment to become safe, vital centers of modest commerce and residences as a result of the rehabilitation work undertaken by property owners and developers using the tax credit.