

# Maryland Historical Trust Sustainable Communities [Rehabilitation] Tax Credit Program

Talking Points for Advocates

**FY 2013 Budget Request: \$7 million**

**Ask the General Assembly to maintain the \$7 million appropriation for the Sustainable Communities Tax Credit Program**

## **What is it?**

The Maryland Sustainable Communities Tax Credit Program is the reauthorized and improved version of the popular Heritage Structure Rehabilitation Tax Credit Program that was established in 1996 to **encourage the redevelopment of historic buildings and revitalization of our older communities by offering project sponsors tax credits** equal to 20% of eligible rehabilitation costs for historic properties. The Heritage Structure Rehabilitation Tax Credit Program was set to expire in June 2010, but during the 2010 legislative session, the Maryland General Assembly passed a reauthorization bill entitled the Sustainable Communities Tax Credit.

The Maryland Sustainable Communities Tax Credit Program provides Maryland income tax credits based on a percentage of the qualified capital costs expended in the rehabilitation of a structure for the following types of projects:

- 20% credit for “certified historic structures” that are owner-occupied, single-family residences
- 20% credit for “certified historic structures” that are commercial buildings
- 25% credit for “certified historic structures” that are high-performance commercial buildings
- 10% credit for non-historic, “qualified rehabilitated structures”

*The Program has been hailed as Maryland’s most powerful and effective Smart Growth, economic development, historic preservation and community revitalization tool.*

The Program has **facilitated 598 historic commercial building and 3,532 owner-occupied residence rehabilitations**. Those projects have produced over **\$1.673 billion in total direct rehabilitation expenditures** by owners and developers, assisted by approximately \$334 million in State tax credits—a fivefold return on Maryland’s investment. The credits have transformed older neighborhoods into vital places to live, work and play, while creating jobs, investment and tax revenue for Maryland

## **How is funding appropriated?**

The Sustainable Communities Tax Credit Program receives an annual appropriation through the two-step State budget process. The first step is inclusion of an appropriation amount in the budget developed by the Governor and the Department of Budget and Management. This budget is introduced to the Maryland General Assembly during the legislative session. The General Assembly may approve the amount in the Governor’s budget or reduce or eliminate it, but the General Assembly cannot increase the amount. In FY 2012, the Governor’s budget included an appropriation of \$10 million for the Program, but it was reduced to \$7 million by the General Assembly. It is critical that the General Assembly maintain the \$7 million appropriation in the FY2013 budget.

## **Why is the program important?**

- Rehabilitation of historic buildings stimulates job creation and economic activity faster than new construction. Rehabilitation projects create more construction-related jobs than new construction. Most new construction costs are divided 50/50 between labor and materials. Rehabilitation projects generally are 70% labor – almost always acquired locally.

- Rehabilitation projects generate significant short and long term returns on investment for both State and local governments.
- The majority of rehabilitation projects are undertaken in communities where needed infrastructure already exists, eliminating or significantly reducing public costs frequently associated with new construction.
- Rehabilitation projects significantly impact local governments' tax base by returning vacant or underutilized properties to the tax rolls and catalyzing construction activity in adjacent areas.
- Rehabilitation projects contribute to creating environments and communities that are attractive to tourists. A survey in 2008 found that 69% of visitors preferred to visit historic districts on their trips. Those "heritage tourists" spent more than \$2.3 billion dollars in the state in 2001.
- Rehabilitation of existing buildings utilizes less energy than new construction by utilizing embodied energy in existing materials.
- Commercial buildings built before 1920 are more energy efficient than commercial buildings built between 1921 and 2000. On average, buildings constructed after 2000 are only more efficient than historic buildings if they are built to LEED standards.
- Rehabilitation projects generate less landfill waste than new construction.
- Rehabilitation projects, particularly those in distressed communities, serve as catalysts for further investment, helping to revitalize neighborhoods and stimulate new social and economic activity.
- Tax Credits create opportunities for public-private partnerships, further leveraging public investment from all levels of government.

### Examples of Projects Funded

- **Miller's Court Rehabilitation (Baltimore City)** –The former H.F. Miller & Sons Tin Box and Can Manufacturing Company, located at the junction of two transitional neighborhoods, was converted to a vibrant, mixed-use development by Seawall Development Company. Vacant for almost twenty years, the site had become a haven for squatters and graffiti artists. The 75,000 square foot historic structure was converted to 35,000 square feet of commercial office space targeted at nonprofit groups supporting the Baltimore City Public School System and forty apartments targeted at school teachers new to Baltimore City (Teach for America participants in particular). Central to this project is the effort to create a supportive environment for teachers, a collaborative environment for the nonprofits assisting the public school system, and a stable, welcoming institutional presence for the surrounding community. Ultimately, it is hoped that the Miller's Court project will provide catalytic development in this disinvested section of Baltimore.
- **9 North Centre Street, Cumberland** –This three-story building in downtown Cumberland was mostly boarded up and underutilized when it was purchased in 2006 with a vision of creating "a building where arts and people can live and work to make Cumberland a better place." The building was converted into much-needed gallery and performance space for the Allegany Arts Council, with 5,200 square feet of office space located on the second floor and five residential units on the third floor. The creative use of open interior spaces, restoration of the character-defining wood floors and tin ceilings and replicated storefront make this a significant project that has had a positive impact on businesses along North Centre Street.
- **450-452 Race Street, Cambridge** – Formerly known as the McCrory's building, 450-452 Race Street is an exuberant brick landmark built around 1910 in downtown Cambridge. The owner used tax credits to undertake a full rehabilitation of the structure, returning the Race Street façade to its 1910 appearance and restoring the interior decorative metal ceilings, wood floors, and plaster work. Outfitted for a restaurant on the first floor and apartments on the upper floors, the building is once again regarded as both an architectural gem and a commercial asset to the revitalization of Cambridge's downtown Main Street area.

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