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Budget and Taxation Committee

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

TESTIMONY OF SENATOR CORY McCRAY

SB 289 | Historic Revitalization Tax Credit- Funding and Extension

Good afternoon Chair Vice Chair and members of the committee

Why This Bill Matters:

Maryland's Historic Revitalization Tax Credit, our state's historic tax credit, is a catalyst of economic growth and a key tool for neighborhood revitalization.

Today, I am pleased to be the sponsor of legislation before this committee that will increase the potential impact of this key community investment tool. The bill addresses urgent funding needs and extends the life of the program. The Competitive Commercial program of the Historic Revitalization Tax Credit encourages the rehabilitation of large keystone projects across the state, but its potential impact has been hamstrung by a lack of funding. The Small Commercial program, which encourages private investment in the rehabilitation of more modest, Main Street-scale historic structures, is currently without funding, despite the stop-gap funding passed out of this committee last year. The need is there, but unfortunately the funding is not. This legislation establishes annual funding for the program that is poised to be effective aid for economic recovery.

Preserving our historic places is not a partisan issue. Each district we represent has its own important history – and historic built environment worth preserving. SB 289 will help safeguard our state's past and invest in our communities' futures.

What This Bill Does:

In addition to extending the authorization for the Historic Revitalization Tax Credit program as a whole until FY31, the proposed legislation creates the Small Commercial Project Trust Account within the program's Reserve Fund and annually funds it at \$4M beginning in FY24. The bill

also establishes a minimum funding amount for the large Competitive Commercial historic tax credit: \$24M in FY25-FY26 and \$36M in FY27-FY31.

Why You Should Vote For This Bill:

Funding projects all across the state, Maryland's Historic Revitalization Tax Credit (HTC) has a proven track record of catalyzing neighborhood revitalization projects. There are three programs within the HTC: Competitive Commercial, Small Commercial, and Homeowners. SB 289 will address the funding famine suffered by the two commercial programs and will help close the gap on our regional competitiveness.

The Competitive Commercial program funds largescale rehabilitation projects. At its height, Maryland invested nearly \$80 million annually in the program. Unfortunately, in 2002, Maryland capped the program, requiring an annual appropriation in the state's PAYGO capital budget. Since then, this program has lost nearly 90% of its funding. As of the FY23 budget, the state historic tax credit Reserve Fund will receive a \$12 million appropriation, up from \$9 million for nearly a decade. With each project capped at \$3 million, the total available is still embarrassingly low.

Around the nation, the value of state historic tax credit programs has been widely accepted. Unfortunately, at \$12 million for the entire state, Maryland's program is falling behind. Neighboring Virginia invests nearly \$100 million annually in their historic tax credit, and West Virginia funds their historic tax credit programs at \$30 million.

Established in 2015, the Small Commercial historic tax credit program focuses on encouraging the redevelopment of small scale and Main Street projects taken on by individuals or small developers. The program received an initial authorization of \$4 million, with a per-project cap of \$50,000 in credits in a 24-month period. Recent policy changes to the program, such as no longer requiring a commercial component, have made it popular as a key neighborhood revitalization tool, with over 100 projects throughout Maryland utilizing the program since 2015. As a result, the initial authorization amount was depleted in 2020. The General Assembly passed legislation in 2021 to add an additional \$1M in funding to the program. The need for these credits is so great that the program was once more depleted within 5 months, and the program can no longer issue credits. This has left many shovel-ready projects unable to move forward. Fortunately, we can address this problem by creating the Small Commercial Trust Account and annually funding the program.

The economic benefits associated with the use of the historic tax credit in Maryland have been well documented. According to a report by the Abell Foundation, for every \$1 of tax credits issued through the Historic Revitalization Tax Credit, \$8.13 of economic activity is generated, and nearly 50 jobs are created during the construction period. Beginning in FY25, the increased funding for the historic tax credit program proposed in SB 289 is anticipated to result in the generation of **over \$227 million in economic activity** and the creation of **nearly 1,500 new jobs**

during the construction period. As the General Assembly continues to focus on economic recovery in the face of the Covid-19 pandemic, it is important to note that historic preservation projects encourage private investment in the revitalization economy, help generate state and local tax revenue, and increase the property value of the project and surrounding properties.

The funding in SB 289 will allow the both the Competitive and Small Commercial programs of the Historic Revitalization Tax Credit to continue to be effective and powerful community revitalization and economic recovery tools in every district across Maryland. Thank you for your consideration of this important legislation, and I urge the committee to move the bill with a favorable report.

Respectfully,

A handwritten signature in blue ink, appearing to read "Cory V. McCray". The signature is fluid and cursive, with a large initial "C" and a long horizontal stroke.

Cory V. McCray

State Senator