

**Testimony of Steven D. McCleaf
March 7, 2023**

**State of Maryland
Senate Budget and Tax Committee
SB0783:**

**Historic Properties Disposition and Preservation Team and Extension of the Income
Tax Credit for Catalytic Revitalization Projects**

Members of the Committee:

My name is Steven McCleaf of Langley Realty Partners, LLC and Warfield Companies, the owner and developer of Warfield at Historic Sykesville (“Warfield”). Warfield was previously owned by the State of Maryland for decades and was one of three complexes used as case studies in the 2020 Department of Planning report, *Advancing the Preservation and Reuse of Maryland’s Historic Complexes*. Warfield was also the first recipient of the state’s Catalytic Revitalization Tax Credit in early 2022, the creation of which was one of many recommendations outlined in the study.

The study also recommended establishing an independent historic complex divestment team responsible for the preservation and disposition of state-owned and formerly federally owned historic complexes. The state has a variable approach to how it plans and implements the disposition of its historical complexes. Contrary to popular belief, Maryland State Clearinghouse is not set up to fully manage the disposition process of surplus real estate. Its role is primarily one of notification of state agencies, affected local governments, and the public about a proposed state government unit disposal of property.

Therefore, we support establishing a Historic Properties Disposition and Preservation Team as set forth in SB0783. If implemented correctly, this team has the potential to ensure that important state historic resources are preserved and put back into productive service and back on the tax rolls.

We propose one amendment to the section of the bill establishing the aforementioned team, which we have discussed with Senator Hester: The bill should include a provision specifically requiring the team to obtain third-party market studies to determine the highest and best use of individual properties and to relate this to local zoning and overall financial viability. Furthermore, the team should be specifically required to commission an independent study of the fiscal and economic impact of the redevelopment of properties to their highest and best uses.

These analyses are essential to maximizing property value and, hence, sales proceeds. Furthermore, such analyses are essential to ensuring informed, productive discussions with local and county governments regarding land use and helping the state determine ROI on taxpayer investments in such properties.

We also support extending the sunset for the catalytic revitalization tax credit from 2031 to 2035, but propose additional modifications to the program, all of which we have discussed with Senator Hester. These amendments include:

- Giving a bonus tax credit for projects incorporating affordable housing. We suggest a 10% bonus (bringing the total tax credit to 30% of allowable basis) to any project dedicating at least 50% of gross floor area to workforce and/or low-income housing (defined as housing catering to households at 60% of AMI or less). The 10% bonus would be applicable to the gross residential building area for residential units, common areas, and related accessory uses (e.g. community centers, recreational facilities, business/co-working centers, and the like).
- Clarifying the costs allowable in tax credit basis for the avoidance of confusion in the writing of regulations.
- Clarifying the rules on transferability of the tax credit for the purposes of:
 - Providing more certainty to investors regarding the marketability of the tax credit; and
 - Prohibiting any transfer of the tax credit as part of an involuntary transfer (e.g. foreclosure, reversion, etc.) of a project's real property or the ownership interests in the entities owning the project's real property without the recipient's express written consent.

We have provided detailed language on the proposed additions and clarifications to both Senator Hester and the Department of Housing and Community Development and look forward to providing additional input upon request.

In conclusion, we support SB0783, subject to the amendments proposed above.