Advancing the Preservation and Reuse of Maryland's Historic Complexes

Challenges and Opportunities

Prepared for: The Maryland Department of Planning

January 28, 2020

Steering Committee

This study, Advancing the Preservation and Reuse of Maryland's Historic Complexes (Study), has been directed by a steering committee with the following members:

Robert S. McCord	Maryland Secretary of Planning	State of Maryland
Senator Katie Fry Hester	Maryland Senate	State of Maryland
Delegate Regina Boyce	Maryland House of Delegates	State of Maryland
John Renner	Vice President of Development, Cross Street Partners	Private Sector
Nick Redding	Executive Director, Preservation Maryland	Non-profit Sector

The Steering Committee met monthly in person or by phone with the Consultant Team to oversee the research completed and results of the Study. The Chair of the Steering Committee is Robert McCord, Secretary of the Maryland Department of Planning.

Acknowledgements

The Consultant Team wishes to acknowledge the advice and support of the Maryland Department of Planning Staff: Sandy Schrader, Deputy Secretary of Planning; Adam Gruzs, Chief of Staff; the Maryland Historical Trust Staff: Elizabeth Hughes, Director, Anne Raines, Deputy Director; Collin Ingraham, Chief, Office of Preservation Services; Megan Klem, Preservation Officer, Tax Credit Program; Steven McCleaf, Langley Realty Partners, LLC (Warfield Project); Tamar Osterman, Senior Business Development Representative, Office of Business Development, Maryland Department of Commerce; Atif Chaudhrey, Director of Facilities, Maryland Department of Health.

Consultant Team

Cherilyn Widell, Principal of Widell Preservation Services, LLC, led the Consultant Team. Ms. Widell is a former federal and state preservation officer with extensive experience in the preservation and redevelopment of historic complexes. David Shiver is a Principal at BAE Urban Economics, Inc., a nationally known real estate consultancy, who has planned and implemented the reuse and redevelopment of several large-scale historic complexes in Virginia and California. Mr. Shiver was supported by BAE Vice President, Mary Burkholder. Patrick Sparks, President, Sparks Engineering, Inc., is a structural engineer who specializes in adaptive reuse of historic buildings, preservation technology, and risk assessment.

Cherilyn Widell	David Shiver, MCP, MBA	Patrick Sparks
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Widell Preservation Services, LLC	BAE Urban Economics, Inc.	Sparks Engineering, Inc.
Chestertown, Maryland	Berkeley, California	San Antonio, Texas

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Dear Readers,

The State of Maryland is in the unique position of owning a diverse real estate portfolio which includes some of the oldest buildings in the United States. Although caring for these properties can present challenges, they embody an untapped potential for redevelopment. Preserving and re-purposing these properties will benefit the State by improving environmental outcomes, creating jobs, and generating economic returns through strategic community revitalization.

When we embarked on this study, we knew it was important for three key reasons: the size of the inventory, the cost of building maintenance, and the potential return on investment from responsible redevelopment. The large inventory of historic state-owned buildings includes more than 1,200 structures between just four state agencies. The maintenance of this inventory is expensive, yet the expense is still not sufficient to prevent deterioration. The Maryland Department of Health, for instance, spends more than $2.5 million on grounds maintenance and security on an inventory of pre-1970 buildings, the majority of which are not currently in use. At the same time, there is inherent value in this inventory which the state could leverage for financial gain. Although there are challenges, we must prudently evaluate the opportunity to reinvest this value. By recapitalizing on our previous investments, we can preserve our history, protect our environment, and revitalize our communities for the benefit of future generations of Marylanders.

Cumulatively, the recommendations in this study create a strategic roadmap for entrepreneurial historic preservation. As the report lays out, in order to succeed we need to invest early in thoughtful planning to guide the pre-disposition process and consider alternative preservation mechanisms that include public-private partnerships, and/or ground-leasing to ensure proposed uses that recognize market realities. Decreases in redevelopment costs and delays can be achieved by creating project specific building code guides and assessments that will streamline the rehabilitation process. To incentivize private sector investment at these sites, we must consider leveraging and expanding federal and state incentives that have the potential for unlocking future income for the State.

Over the next three to five years, the State will be seeking to divest itself of multiple historic complexes like those addressed by this report. These buildings, after thoughtful pre-disposition planning, could be repurposed for use, allowing the state to realize the economic impact of revitalization. For every $1 million dollars spent on historic preservation, approximately 6.4 direct jobs and 5.6 indirect jobs are generated in the state economy! *This is our opportunity to change Maryland's approach from one of estate sale manager - at below market rates - to that of a thoughtful developer with a holistic view of preservation, community revitalization, and environmental sustainability.*

It has been a pleasure to serve on the Redevelopment of Historic Government Complexes Steering Committee over the past nine months. We would like to thank the incredibly talented multi-disciplinary extended team, led by Cherilyn E. Widell, Principal, Widell Preservation Services, David L.R. Shiver, Principal BAE Urban Economics, and Patrick Sparks, President, Sparks Engineering, Inc. for their work on this project. We have given serious consideration to the preservation and redevelopment of historic state-owned

complexes in Maryland. We encourage our readers to think about the possibility these recommendations present both in your locality and across the state. Together, we can capitalize on the value of our history in order to preserve it.

Sincerely,

Robert S. McCord	Maryland Secretary of Planning	State of Maryland
Senator Katie Fry Hester	Maryland Senate	State of Maryland
Delegate Regina Boyce	Maryland House of Delegates	State of Maryland
John Renner	Vice President of Development, Cross Street Partners	Private Sector
Nicholas Redding	Executive Director, Preservation Maryland	Non-profit Sector

Executive Summary

This Study was mandated by Senate Bill 741 which directed the Secretary of Planning to contract with a consultant to conduct this Study on the adaptive reuse of historic properties located within divested state or federally owned historic complexes. The Study has identified key success factors and primary obstacles to the preservation and redevelopment of historic properties and developed recommendations and an historic resource package of existing, new and improved enticements and programs that could be applied to support projects.

KEY BARRIERS

1 **State Historic Tax Credit Program:** With a $3 million per project cap and $9 million annual appropriation, Maryland's Revitalization Tax Credit Program is not structured adequately to benefit the redevelopment of former state-owned complexes.

2 **Land Use Restrictions:** Redevelopment options for historic complexes are unduly limited by restrictions on site planning, use, and density caused by legislation, policy, regulation, easement stipulations, and competing local stakeholder interests.

3 **Condition Assessment Information:** State-owned historic complexes are not being adequately assessed or evaluated prior to disposition leading to a devaluation of the asset, uncertainty, and a lack of interest from developers and investors.

4 **Disposition Pre-Planning:** The State lacks a consistent approach and the expertise to plan and implement the disposition of its historic complexes through comprehensive upfront land use, business planning and entitlement work that would enhance the value of these properties and potentially accelerate their disposition.

5 **Preservation Maintenance:** State agencies are not adequately maintaining historic building complexes before or after disposition. This lack of maintenance ultimately leads to widened funding gaps for redevelopment due to severe structural deterioration.

RECOMMENDED POLICY AND LEGISLATIVE ACTIONS

The Consultant Team has formulated a set of recommendations, summarized here, that will advance the redevelopment of the three case studies as well as other historic complexes that are planned for disposition in the future.

1 **Adopt New Provisions in the Maryland Historic Revitalization Tax Credit Specifically Targeted to Divested Government-Owned Complexes:** Adjust existing programs to 'move the needle' on financing the redevelopment of divested historic complexes:

- 1.1.1 *Provide incentives in the MD Historic Revitalization Tax Credit program specifically targeted to the redevelopment of state-owned historic complexes, by eliminating the per-project and annual appropriation dollar caps.*
- 1.1.2 *Increase the MD Historic Revitalization Tax Credit by 5 percentage points from 20% to 25% for divested government-owned historic complexes.*
- 1.1.3 *Establish a "catalytic category" in the MD Historic Revitalization Tax Credit program patterned after Ohio's state historic tax credit.*
- 1.1.4 *Permit the MD historic revitalization tax credit to be transferred by developers to third parties.*
- 1.2 *Provide an option for property tax abatement in addition to tax increment financing.*
- 1.3 *Take advantage of opportunities to expand zones / designations.*
- 1.4 *Increase funding for the Strategic Demolition Fund and improve access to this fund for divested government-owned properties.*
- 1.5 *Support the development of Maryland-only Community Development Entities that maximize the use of the federal New Market Tax Credits Program.*
- 1.6 *Explore the creation of a MD New Markets Tax Credit Program.*
- 1.7 *Explore the creation of a PACE program targeting the use of private capital to finance rehabilitation and remediation of formerly state-owned historic complexes.*
- 1.8 *Explore partnering with Preservation Maryland and its recently launched Campaign for Historic Trades.*

2 **Pre-Disposition Due Diligence and Planning:** To expedite disposition of historic complexes in a cost-effective manner and generate value to Maryland, a consistent, adequately funded approach should be established:

- 2.1 *Use or rehabilitation of available existing historic buildings instead of acquisition, new construction, or leasing when practical as mandated by the Maryland Historic Trust Act of 1985 ("the Act").*
- 2.2 *Conduct preservation maintenance, including mothballing to limit asset degradation per the Act.*
- 2.3 *Conduct historic property surveys, condition assessments, monitoring, and reporting.*
- 2.4 *Establish a dedicated state-level Historic Complex Disposition Team.*
- 2.5 *Adequately fund due-diligence and pre-disposition planning.*
- 2.6 *Mandate timelines and standards for planning redevelopment.*

3 **MHT Easement Program:** Build upon recommendations set forth in MHT's December 2018 Report on historic easements:

- 3.1 *Revise if, when, and how historic easements are formulated—target formulation during due diligence and planning phase prior to conveyance.*
- 3.2 *Formulate a preservation or mitigation strategy to satisfy the needs and conditions of individual properties.*

4 **Codes, Standards, and Historic Rehabilitation Treatments:** It is important to resolve potential conflicts among codes, historic preservation requirements, and Historic Revitalization Tax Credit guidelines prior to conveyance. Doing so streamlines compliance for the developer.

4.1 Establish project-specific guide to codes, standards, and historic rehabilitation treatments.

4.2 Prepare a thermal and moisture protection model of a representative building as part of the pre-disposition planning process.

4.3 Determine in the pre-disposition phase the extent of deterioration and whether dangerous conditions, distinct life safety risk, or substantial structural damage exists, on a per-building basis.

4.4 Prepare in the pre-design phase a Fire and Life Safety assessment with guidance for the expected range of occupancies.

5 **Conveyance Strategies and Terms:** Maryland should formulate a disposition strategy, utilizing a variety of conveyance mechanisms:

5.1 Explore ground leasing historic complexes as the state's preferred conveyance.

5.2 When the state or a locality invests in a redevelopment project, sales agreements or long-term leases can be structured for potential back end participation in the financial success of the project.

6 **Maryland Case Study Specific Recommendations:** The Consultant Team recommends a set of actions to support the redevelopment of the three Maryland case studies. Please refer to page 46 for a list of these recommendations.

Background and Charge of Steering Committee

The disposal of excess and underutilized historic real property by state and federal government agencies is often challenged by competing stakeholder interests, regulatory constraints, large funding gaps, geographical location, local real estate market strength, and site planning limitations.

This study was mandated by Senate Bill 741 which directed the Maryland Secretary of Planning to contract with a consultant to conduct a study on the adaptive reuse of historic properties located within the state that are or were owned by the state or the federal government. The Study identifies key success factors and primary obstacles to the preservation and redevelopment of historic properties and develops a historic resource package of recommendations related to the state's historic rehabilitation tax program and other incentive programs, easement program, and process and standards that could be applied to support projects.

This study was performed under contract with the Maryland Secretary of Planning in coordination with the Maryland Historical Trust (MHT). It examines: (i) successful preservation and redevelopment projects of complexes within Maryland that are or were government-owned; (ii) the challenges of preserving and redeveloping such historic complexes; and (iii) recommend solutions.

The legislature found that it is in the public interest to identify solutions in support of the redevelopment and adaptive reuse of historic campuses and complexes in a manner that is economically feasible, results in positive preservation outcomes, supports local community development goals, and considers exceptional circumstances.

The purposes of the study are to:

- Identify the elements common to the successful redevelopment of complexes and campuses, based on an analysis of selected completed projects;
- Identify the challenges of projects that have yet to begin and analyze how existing programs may offer solutions to the challenges;
- Make recommendations on changes to existing programs and regulations or the development of new programs leading to a historic resources package to be considered by the Secretary of Planning and the General Assembly for the 2020 Legislative Session;

- Identify existing federal, state, and local governmental and private programs and resources that have been used to support preservation and redevelopment projects, demonstrating both the limitations and positive impacts of such programs;
- Identify primary obstacles and key success factors to the preservation and redevelopment of historic properties, including how specific components contribute to the cost-value balance of a project; and
- Demonstrate how the historic resource package of new programs could specifically impact the redevelopment of the Divested Maryland Historic Complex Case Studies.

The study focused on complexes consisting of multiple buildings that are or were owned by the federal government or the state. The study identified how major components contribute to the delicate cost-balance of a project, including:

- Structural conditions;
- Environmental and health considerations;
- Local community economic development goals;
- Prevailing market real estate conditions;
- Material, labor, and other regulatory requirements; and
- Available tax credits and other incentives.

The Consultant Team also developed a historic resource package of existing new and altered enticements, programs, and resources that can be applied to support the preservation of campuses and complexes, including:

- Existing federal, state and local governmental and private programs and resources that have been used or can be used to support projects such as the preservation of campuses and complexes;
- Potential new support programs that could be created to help support projects such as the preservation of campuses and complexes and
- Regulatory changes that might be effective in balancing financial, fiscal, economic development, preservation, and local community goals.

Finally, the Consultant Team developed three case studies of historic complexes not yet preserved or redeveloped, and exemplify how the major components outlined contribute to the delicate cost-value of the project and demonstrate how the historic resource package developed could positively impact the redevelopment of the historic complexes or campuses.

Methodology

This Study identifies the challenges of redeveloping Maryland's historic government complexes through a synthesis of case studies: three undeveloped properties and three successfully developed properties. The Team chose three undeveloped Maryland historic complexes (Glenn Dale, Warfield, and The Tome School) from among properties identified by the Steering Committee. They are located in urban, suburban and rural locations in different parts of Maryland. We also reviewed three fully redeveloped historic complex projects outside of the state to extract key concepts that helped make those projects successful. These projects are Fort Monroe, VA; Liberty at Lorton, VA; and Liberty Station, San Diego, CA. Each selected case study is a currently or previously federal or state-owned complex consisting of multiple buildings on acreage parcels, with more than 50,000 square feet in total gross floor area.

The Consultant Team drew on its prior experience to look at factors identified by the Steering Committee including structural conditions, environmental and health considerations, local economic development goals, prevailing market and real estate considerations, and materials, labor and other regulatory requirements.

Our findings and recommendations are based upon our on-site observations at the three undeveloped Maryland properties and our review of policies, guidance, and other governing regulations, as well as interviews with representatives for the identified complexes. This report provides specific commentary on several regulatory and policy issues and makes recommendations on approaches to rectify certain apparent barriers to redevelopment. The study recommendations are necessarily based upon the professional judgment of the Consultant Team. Further development of the recommendations is needed prior to implementation.

Divested Historic State Complex Case Studies

In collaboration with the Steering Committee, the Consultant Team selected the Glenn Dale, Warfield and The Tome School complexes for assessment and evaluation. Table 1 provides a summary of basic information for each historic complex.

Table 1: Three Divested Historic State Complexes Case Studies

Basic Information	Glenn Dale	Warfield	The Tome School
Location	Glenn Dale, Prince George's County	Sykesville, Carroll County	Port Deposit, Cecil County
Acres	216	75	50
# Buildings	23	22	13
Ownership	Maryland - National Capital Park & Planning Commission	Warfield Companies	Bainbridge Development Corporation
Ownership	Bi-County Agency	Private developer	State-chartered EDC
Historic Designation	Glenn Dale Tuberculosis Hospital and Sanatorium National Register of Historic Places (2011)	Springfield State Hospital Women's Facility National Register of Historic Places (2000)	Tome School for Boys Historic District National Register of Historic Places (1984)
Local Historic Designation	None	Locally Designated	None
Contributing Structures	17	16	13
Easement Held by MHT	Statutory requirement limits development, there is no MHT easement.	Easement held by MHT with design review conducted by Sykesville Historic District Commission	MHT plans to acquire an easement upon transfer of the property out of state ownership

GLENN DALE

Background and Location

Glenn Dale Tuberculosis Hospital and Sanatorium was built in 1933. The complex is historically significant for its role in the treatment of tuberculosis and as an example of an early 20th century therapeutic campus.

Glenn Dale was closed in 1982 and ownership transferred to the Maryland - National Capital Park and Planning Commission in 1994. A state statute limited the use of this property as a continuing care retirement community, but no qualified developers were identified for this use. The restriction was not repealed until 2018.

The facility is located on a 206.11-acre tract and the buildings are spaced at large distances from one another. The property is located 15 miles outside Washington, D.C.

Buildings and Grounds

The buildings at the Glenn Dale site can generally be divided into three groups:

- The two hospital buildings are the largest on the site and have reinforced concrete frames and floor plates. These two buildings have mostly retained integrity of the exterior masonry walls and floor plates. The roof structures are wood-framed and are likely deteriorated.
- Intermediate-sized buildings (such as dormitories, administrative buildings and the boiler plant) have exterior load bearing masonry walls with steel joists and concrete slabs on a metal deck. These buildings have also retained integrity of the exterior brick walls and floor plates, though the risk of corrosion to the steel framing is quite high, particularly where the steel is embedded in the masonry walls.
- The various staff-quarters buildings are wood-framed with brick veneer, and they appear to be severely deteriorated. Rehabilitation of these buildings to any historic standard may not be feasible.

The site has remained vacant for almost four decades and has suffered from vandalism and deterioration. Many of the buildings at Glenn Dale clearly exhibit *hazardous* or *dangerous conditions*[1], *distinct life-safety risks*, and in the case of the staff quarters, *substantial structural damage,* per the International Existing Building Code. These are important compliance triggers[2] that will affect how the project is perceived and treated by the design team and building official, unless it can be shown that the underlying structure is sound enough to be repaired.

Redevelopment Status

According to M-NCPPC it is likely that the available utilities to the site may be inadequate to support a feasible redevelopment, and major infrastructure upgrades may be required. While no historic preservation or conservation easement has been placed on the property, it is subject to a Maryland Land Use Code provision (Section 17-402) that mandates that 150 undeveloped acres be maintained as part of the M-NCPPC park system and the 60 developed acres "preserve portions and features of the property that are historically, architecturally, and culturally significant."

Because of the high degree of deterioration at Glenn Dale, it is necessary to prepare a thorough condition assessment and reevaluate the integrity of the remaining character-defining elements. The Alexander Company of Madison, Wisconsin, which successfully redeveloped the National Park Seminary Project in Montgomery County, MD, which was once part of Walter Reed Hospital, is currently planning to redevelop this site.

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[1] "The building or structure has collapsed, has partially collapsed, has moved off its foundation, or lacks the necessary support of the ground; or there exists a significant risk of collapse, detachment or dislodgement of any portion, member, appurtenance or ornamentation of the building or structure under service loads."

[2] While historic buildings are exempt under the IEBC from the *substantial structural damage* provisions engineers and building officials are not always aware of or favorable to that exception. In the case of *distinct life-safety risks* and *dangerous or unusually hazardous conditions*, the building official has broad authority to disallow exceptions.

WARFIELD

Background and Location

The Warfield Complex is a National Register-listed and locally designated historic district located in Sykesville, Carroll County, Maryland. It comprises the historic core of the women's facility at Springfield State Hospital, a public mental institution that was developed over the period of 1898 to 1939. The site was selected for Springfield State Hospital because it was close to leading medical and mental health care professionals at Johns Hopkins Hospital and Sheppard Pratt Hospital in Baltimore. The property contained natural springs and was well suited for farming, grazing and orchards which provided both therapeutic work and food for residents.

Buildings and Grounds

The complex has 16 buildings which contribute to the significance of the National Register Historic District. The complex displays a late 19th century "colony" plan; a transition toward treating mental illness as a medical condition. Multiple environmental reports from differing consultants have confirmed the buildings have lead and asbestos containing materials. There are no obvious foundation problems and the building materials are generally of good quality and appear to be in fair to good condition. The buildings at the Warfield complex are in better condition than Glenn Dale and The Tome School.

Redevelopment Status

The Maryland Department of Health surplused the Warfield complex in 1995 but the state of Maryland did not deed the property to the Town of Sykesville until 2001.

The Town of Sykesville created the Warfield Development Corporation which was tasked with creating financing for projects and subleasing the property. The Town envisioned the property to be a place to "live, work and play" so that residents would not have to leave town to go to work. In 2002, Sykesville issued Historic Preservation Guidelines, approved by the Maryland Historical Trust, for the Warfield Complex. These were followed by the Warfield New Construction Guidelines in 2010; these were revised in 2017.

In October 2004 a perpetual easement was signed between the Town of Sykesville and the Maryland Historical Trust. The document included 45 pages of photographic documentation entitled Exhibit A depicting all the contributing buildings on the property. This exhibit documented the properties covered under the easement that the "grantor shall keep in as good, clean and safe condition"

in perpetuity. The easement and a subsequent Memorandum of Agreement (2011) define the respective roles of MHT and the Sykesville Historic District Commission in review of proposed rehabilitation and new construction on the site.

The Warfield complex property sold to a private developer for $7.6 million in June 2018. It had taken the Town of Sykesville 18 years to sell the property; only three buildings comprising just 15 percent of the vacant space had undergone rehabilitation during that time period. The money received by the Town from the sale was mostly used to pay for public road improvements to Springfield Avenue by the State of Maryland.

The developer, Warfield Companies, now has control of the facility and is working toward revitalization with mixed residential and commercial use.

THE TOME SCHOOL

Background and Location

The Tome School for Boys was founded in 1894, with most of the buildings dating from c. 1900-1905. The school went into decline in the 1930s and was closed in 1941. From 1942 to 1974 it was used as the Naval Academy Prep School and Bainbridge Naval Training Center until deactivated in 1976. In 1978 the Susquehanna-Chesapeake Jobs Corps Training Center was located on the property. In 2000, the site was transferred to the State of Maryland, which subsequently turned it over to the Bainbridge Development Corporation. The Bainbridge Development Corporation (BDC) was created by the Maryland General Assembly in 1999 to plan, initiate and oversee the activities necessary to convert the 1,200-acre site into reuse opportunities which would maximize the economic contribution from the re-development.

The historic property consists of 13 contributing buildings, roads and landscaping located on a cliff above the town of Port Deposit, 200 feet above the Susquehanna River. The property is approximately five miles from I-95, the main north/south artery on the East Coast.

Buildings and Grounds

The buildings were designed by James Cameron MacKenzie of the architectural firm of Boring and Tilton who designed the U.S. Immigration Station at Ellis Island. The principal buildings are constructed of Port Deposit granite, an important building material that was used in the construction of Fort Monroe in Hampton, VA and countless churches and public buildings in the mid- Atlantic.

Before and during ownership by the state of Maryland, The Tome School buildings were subjected to arson, fire, and vandalism. As with the other properties in this Study, there is little sign of foundation related distress in the buildings. The granite and brick masonry walls are thick, well mortared, and without significant deterioration. However, it appears that the wood roof structures and interior framing of most of the historic buildings at The Tome School are severely deteriorated. Most of the windows and doors are missing or badly damaged, and essentially all of the interior finishes are unsalvageable. The wood-framed cottages are lost to decay. Almost all buildings will probably fall under the International Existing Building Code categories of *hazardous* or *dangerous conditions*, *distinct life-safety risks*, and *substantial structural damage*. BDC has commercial liability insurance but no special coverage on the buildings at The Tome School.

Redevelopment Status

There are some site contamination issues (polycyclic aromatic hydrocarbons and heavy metals) at the Tome School property, though those concerns have been reduced somewhat by a revision in the state threshold criteria. Asbestos and lead-based paint in the buildings are known by the BDC. The Tome School property has received environmental certification for future residential use. Because of the size and age of the site, major infrastructure investments for roads and utilities are expected to cost $40 million.

The Tome School lies within the property owned by the BDC in Cecil County. MTPM, LLC holds the development rights for the entire BDC site. BDC will transfer ownership of the land to MTPM as they execute development parcels. The development rights and ownership for The Tome School site and one hundred acres in close proximity to the school site has been retained by BDC and will not be transferred to MTPM to allow for development of the school site. The Maryland Historical Trust plans to place an easement on The Tome School property if it is transferred out of state ownership.

Summary of Existing Conditions of Three Divested Historic Complexes

Although a condition assessment was not within the scope of this Study, we did observe the buildings at the three sites and developed the following general impressions:

- The properties have been in a state of physical neglect for long periods of time, spanning decades.
- Many of the buildings have substantial load-bearing masonry walls but the roofs and other wood framing are severely decayed.
- Windows and doors, as well as interior finishes and features that may have been previously considered significant are in many cases now completely lost.
- Smaller wood-framed buildings, such as cottages and staff quarters are severely damaged and, in many cases, not reusable.

The severe extent of decay is directly proportional to the interval of time in which no substantive building maintenance is done. This decay of the cultural resources has several negative impacts. First, the decision to assign historic significance is based to a large extent on the level of physical integrity of the building elements. The state of decay, however, is progressive, so the longer the facility is allowed to deteriorate, the less integrity it will retain. A condition assessment done early in the process may have little meaning after even a few years of deterioration.

Loss of integrity can mean a loss in significance. For facilities like Glenn Dale, Warfield and Tome School, a re-evaluation of their physical integrity in light of current conditions is advisable. Second, the lack of maintenance results in a loss of asset value to the state and increases the need for gap financing – financing that the state often ultimately pays for through its Historic Revitalization Tax Credit and other incentive programs. Third, without a condition assessment of undeveloped state-owned properties, insurance coverage of these unoccupied assets is likely to reflect worst case scenarios resulting in increased insurance costs which must be underwritten by the state.

It is essential that the condition assessment be reasonably proximate in time to the transfer, and that measures are taken (prescribed, funded and executed) to stabilize the buildings. It should be noted that the Maryland Department of Health reported to the Consultant Team that the agency is preparing to close three more state hospital complexes over the next three years. In a 2015 Department of Health Study, the agency stated that: “strategies to streamline and accelerate the disposal process should be explored”. Consultant Team interviews with Department of Health personnel confirmed the need to improve the transfer process.

There are large funding gaps in each historic complex studied, which are, to a large extent, a result of physical deterioration of the buildings, as at Glenn Dale, Warfield and Tome School, which is caused by decades of neglect, and lack of adequate maintenance

and security. Stewardship and use of state-owned historic properties by all units of the State of Maryland government is required by the Maryland Historical Trust Act § 5A-326[3], which grew out of policy from the Board of Public Works. Like Section 110 of the National Historic Preservation Act for *federal* agencies as well as similar laws in *other* states such as New York, Maryland state agencies are required by the Maryland Historical Trust Act section 5A-326(a) 3 to "use any available historic building under its control to the extent prudent and practicable before acquiring, constructing, or leasing a building to carry out its responsibilities" and to not neglect their historic buildings or allow them to fall into decay.

"ensure that no property listed in or eligible to be listed in the Historic Register be allowed to deteriorate significantly..."

The Department of General Services staff indicated in interviews with the Consultant Team that it is the responsibility of each agency to secure, mothball, and evaluate its historic complexes even when the state Department of General Services is acting as the project manager for the agency. Agency budget and funding priorities have not always fully supported maintenance of state-owned property. MHT does give the buildings a high level of protection at the time that they pass out of state ownership, usually by placing an historic preservation easement on the property.

Successful Redevelopment Case Studies

The Consultant Team identified three successful case studies of historic complexes or campuses outside of Maryland that have been preserved or redeveloped which include strategies that may be applied in Maryland.

- Fort Monroe, Hampton, VA
- Liberty at Lorton, Lorton, VA
- Liberty Station, San Diego, CA

At Fort Monroe, for example, historic properties are being leased rather than sold with an easement by the Commonwealth of Virginia in order to protect the historic resources. This enables them to be protected in this National Historic Landmark district on both the interior and exterior. The Liberty Station project, especially the uses for the historic buildings, was developed closely with the City of San Diego based on market studies. Another alternative to easements, the use of a state memorandum of agreement was developed for the Liberty at Lorton, Virginia which provides a design review role for the Virginia State Historic Preservation Officer. The agreement was recommended by the developer, Dave Vos of Alexander Company who led the successful redevelopment of the National Park Seminary Project in Montgomery County, MD.

[3] https://mht.maryland.gov/documents/PDF/MHTAct5A325-326.pdf

Table 2: Three Successful Case Studies Outside of Maryland

Basic Information	Fort Monroe	Liberty at Lorton	Liberty Station
Location	Hampton, Virginia	Lorton, Virginia	San Diego, CA
Acres	565	511	550
# Buildings	259 total; 169 contributing	263 total; 110 contributing	300 plus; 66 contributing
Total Building Sq. Ft.	2.2 million sq. ft.		3 million sq. ft.
Other Assets	Marina and RV Park Chamberlain Hotel National Monument	Workhouse Arts Center Golf course Training area for firefighters Prison museum	High Tech High School Nonprofit cluster Museums Golf course
Ownership	Single; Commonwealth of Virginia	Fairfax County and The Alexander Company and Elm Street Development	City of San Diego in partnership with Corky McMillin Companies under long term lease
Governance	12 voting member Board of Trustees: Senator and Delegate in whose district Fort Monroe lies, 2 appointed by the City of Hampton; 8 appointed by the Governor of Virginia. National Park Service Superintendent for easement properties Fort Monroe Historic Preservation Officer; Fort Monroe Programmatic Agreement; Fort Monroe Historic Preservation Manual and Design Guidelines	An 80-acre Master Development was planned for The Laurel hill Adaptive Reuse Area in partnership with Fairfax County Government, Elm Street Development Company and Alexander Company	City of San Diego obtained a Master Lease agreement in 1995 and adopted a Redevelopment Plan for NTC in 1997 City Partnered with Corky McMillin Companies Master Developer since 1999 who retains and sells long term leases NTC Foundation- Non-profit responsible for rehab and operation of the Civic Arts and Cultural Center at NTC
Authorizing Legislation	Fort Monroe Authority Act, Code of Virginia § 2.2-2336.	Public Law 101-510 Base Closure and Realignment Commission Recommendation, 1993	Transferred to City of San Diego by Navy May 3, 2000
Historic Designation	National Historic Landmark District; National Monument (partial)	Lorton Reformatory listed on the National Register of Historic Places, February 6, 2006	National Register of Historic Places Historic District nominated July 5, 2001

FORT MONROE, HAMPTON, VA

Background and Location

Fort Monroe is located in Hampton, Virginia, positioned on Old Point Comfort, a barrier spit that is situated where Hampton Roads Harbor meets the southern end of Chesapeake Bay. From this 565-acre site's strategic position in the harbor, Old Point Comfort lighthouse began welcoming ships in 1802. The U.S. Army operated the installation for 192 years, from 1819 when its construction commenced up until September 15, 2011 when it was deactivated and the U.S. Department of the Army began to transfer parcels to the Fort Monroe Authority (FMA), a state-charted entity charged with the planning and redevelopment of the installation. A portion of the property was declared the Fort Monroe National Monument by the President in November 2011.

Buildings and Grounds

Fort Monroe is a National Historic Landmark with an inventory of 2.2 million square feet in 259 buildings of which 169 are contributing structures. Fort Monroe is home to some of the finest military architecture including; Romanesque, Queen Anne, Colonial Revival, Gothic Revival, Beaux Arts, Classical Revival, Art Deco, and International styles. The property has dramatic views of the Chesapeake Bay, significant open space, coastal defense batteries, and a pentagon-shaped fortification with inner parade ground.

Building conditions generally were good at time of transfer, but some buildings that had not been occupied at time of transfer were in fair or poor condition. A cluster of non-historic apartments had to be demolished due to their poor condition and damage from storms. Infrastructure was in fair to good condition but was not built to local municipal standards and could not be transferred to local utility providers.

Redevelopment Status

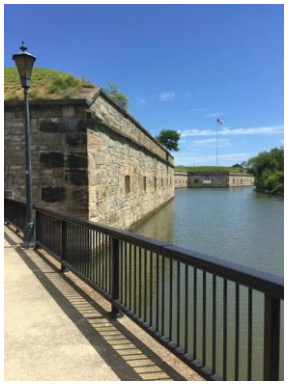
Prior to conveyance, the Commonwealth of Virginia funded a master planning program with the FMA in partnership with the City of Hampton. The FMA's master plan was signed by the Governor in 2013 and it provides a framework for rehabilitation and adaptive reuse of historic structures, as well as compatible new development, that is all based upon a business plan leading to financial sustainability for the FMA. The City of Hampton incorporated the FMA master plan as a Special Public Interest zoning district within the City's Comprehensive Plan and zoning code. Rehabilitation, adaptive reuse, and new construction at Fort Monroe are subject to the terms and conditions of a programmatic agreement negotiated and signed in 2009 by the Virginia State Historic Preservation Officer, Commonwealth of VA, U.S. Army, Advisory Council on Historic Preservation and National Park Service and over twenty

interested parties as part of the Section 106 process under the National Historic Preservation Act. Detailed design guidelines were formulated after the programmatic agreement was in place.

The U.S. Army provided caretaker funding to operate and maintain Fort Monroe, and the Commonwealth of Virginia has invested heavily, starting with the upfront funding of building and condition assessments, planning, building repairs, and selective demolition and continuing with appropriations for capital improvements, including the Casemate Museum. Operation and maintenance of infrastructure has been contracted out to a private public works entity.

During Army stewardship, the Chamberlain Hotel had been rehabilitated by a local developer as a market-rate senior living complex with 133 units. The FMA initiated an interim leasing program prior to transfer and successfully leased the fort's inventory of residential units which are continuing to be leased under a residential leasing program. This early occupancy kept buildings occupied and heated and provided revenue for maintenance.

FMA also initiated a robust program of special events to bring Hampton Roads residents to the installation and attract additional leasing interest. Leasing the fort's one million square feet of commercial space has been challenging but functional spaces have been leased to a variety of businesses. The remaining inventory of historic non-residential structures have been offered for adaptive reuse for both commercial and residential uses and the FMA is currently in discussions with an experienced private developer to negotiate a long-term ground lease. Fort Monroe's reuse and redevelopment has also had impact outside the installation. The neighborhood shopping district, Phoebus, that lies just at the other end of the causeway that links Fort Monroe to Hampton has undergone significant revitalization with new restaurants and services.



LIBERTY (FORMER LORTON PRISION), FAIRFAX COUNTY, VA

Background and Location

The District of Columbia Workhouse and Reformatory were established in the early 20th century in response to a call from President Theodore Roosevelt to create a new kind of correctional facility, a "prison without walls," that would be a model of reform.

Located outside D.C. in Fairfax County, Virginia, the 511-acre historic Lorton Prison is listed on the National Register of Historic Places and is a Virginia Landmark District. Conceived during the Progressive Era, the facility's mission was to reform offenders by putting them to work on the prison farm or teaching prisoners with longer sentences a trade that would enable them to become and remain productive members of society. Built in a countryside setting, the design of the buildings and the campus itself was intended to inspire the prisoners and to be an integral part of the rehabilitation process. The Lorton site is also important for its association with the women's suffrage movement: In 1917, suffragists were imprisoned at the complex's Occoquan Workhouse by D.C. police for picketing the White House.

Buildings and Grounds

This property has an inventory of 263 buildings and structures in Colonial Revival, Beaux Arts, and Bungalow/Craftsman styles, of which 110 buildings are contributing. The penitentiary buildings of the 1930s were constructed by the prisoners themselves, using brick manufactured at the on-site kiln complex from Occoquan River clay. Since the complex was vacated in 2001, redevelopment planning and implementation occurred relatively soon after closure, limiting degradation of historic resources. The district landscape is characterized by rolling topography and open meadows, edged by groves and thickets of trees and shrubs. The open land within the center of the district is edged northeast and southwest by the Reformatory and Penitentiary and Workhouse complexes. Substantial residential, recreational, and industrial developments have been initiated or completed along the margins or in the vicinity of the district.

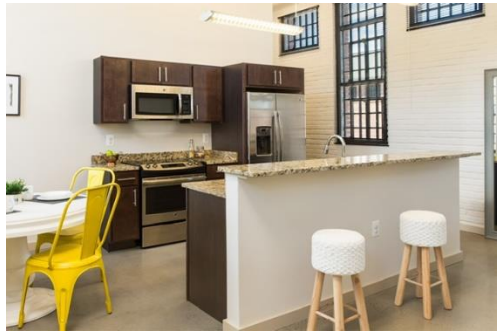
Redevelopment Status

Fairfax County has an office of Public/Private Partnerships through which the County prepared an initial master plan for the property prior to conveyance in 1999 and initiated a nomination to the National Register which was completed in 2006. A developer was engaged in 2008 to complete a master planning update of the property and provide a coordinated development program. The

County and developer undertook an engagement process by establishing a Project Advisory Citizen's Oversight Committee to ensure feedback and support. The master plan sets forth entitlements for 165 apartments, 157 townhouses, 24 single-family homes, and up to 100,000 square feet of office and retail space. The development team branded the project "Liberty." The County entered into a long-term ground lease with the developer and contributed approximately $12.8 million to fund infrastructure improvements.

Historic preservation requirements were implemented through a Memorandum of Agreement signed in 2001 by the U.S. General Services Administration, the County, the Fairfax County Park Authority, Fairfax County Public Schools, the Federation of Lorton Communities, the Lorton Heritage Society, the Northern Virginia Regional Park Authority, the Virginia Department of Historic Resources (Virginia SHPO), and the Advisory Council on Historic Preservation. The master plan is reflected in the Fairfax County, Virginia Comprehensive Plan.

To date, the core prison barracks have been adaptively reused to provide 165 apartments that are fully leased (see photos of Liberty Crest Apartments below), 83 new for-sale townhouses and 24 single-family homes that are reported to have had strong sales. Phase II commenced construction in 2018 and will provide approximately 60,000 square feet of retail/commercial and 74 additional for-sale townhouses.



LIBERTY STATION, SAN DIEGO, CA

Background and Location

Located 2.5 miles northwest of downtown San Diego, near the northernmost point of San Diego Bay, this 550-acre former Naval Training Center was constructed in the 1920s and 1930s and used by the Navy until 1997 when it was closed under the 1995 Base Realignment and Closure Act. The property was listed on the National Register of Historic Places in 2001. The City of San Diego gained ownership of the entire property in 2000 to ensure that planning and development was integrated and driven by a common vision.

The site is home to the historic Sail Ho Golf Course, which was built in the 1920s by Albert Spalding of Spalding Sports and is the City's oldest golf course. The site retains the historic training structure USS Recruit, formerly a commissioned "non-ship" of the U.S. Navy. The structure consists of a two-thirds scale model of a Navy frigate built into the ground; the Navy used the structure to teach shipboard procedures to recruits, and it was nicknamed the USS "Neversail."

Buildings and Grounds

The complex has over 300 buildings with 3 million square feet of space. The complex was built in the Spanish Colonial Revival style with Pueblo influences and design elements with a scaled-down approach. The superintendent of the City's well- known Balboa Park designed the complex's original landscaping. The Navy vacated the complex incrementally, and the City was concerned about security and the ongoing maintenance of the facility. The City and the Navy entered into a master lease agreement in 1995 (prior to full closure and conveyance), allowing the City the interim use of more than half of the property with approximately 75 occupied buildings. The City then sublet buildings to various parties including film companies, nonprofit organizations, City departments, and small businesses. This agreement also allowed the City to maintain the buildings and landscape areas at a higher standard of maintenance than an otherwise decreasing Navy caretaker budget could provide.

Redevelopment Status

When the Navy announced its intent to close the training center, the City established a 27-member commission to formulate a vision and plan for the site. Ultimately the commission recommended, and the City adopted, a detailed specific plan for property in 2001 that was the basis for solicitation of a master developer though a competitive process. The City and developer negotiated a development agreement and long-term lease.

A Memorandum of Agreement under Section 106 of the National Historic Preservation Act was negotiated between the California State Historic Preservation Officer, the Navy, Advisory Council on Historic Preservation, City of San Diego, Save Our Heritage, San Diego Historical Society, San Diego Archaeological Society, Viejas Group of Capitan Grande Band of Mission Indians and The Peninsula Community Planning Group in July, 1998. The historic district was also designated under the City of San Diego local historic preservation ordinance. A set of guidelines ("Naval Training Center Guidelines for the Treatment of Historic Properties") was prepared and approved by the City's Historical Resources Board to guide rehabilitation. All projects within the district must be consistent with the Secretary of the Interior's Standards for Rehabilitation. Project sponsors for improvements for new buildings or additions to buildings within the district are sent to the California State Historic Preservation Officer (SHPO) for a determination of consistency with the Secretary of the Interior's Standards for Rehabilitation. If requested by the SHPO, they are also reviewed by the City of San Diego Historical Resources Board for a recommendation before final approval of the required permit.

The redevelopment program divided the complex into a series of districts: retail and commercial district, promenade, educational district, residential district, hotel district, office district, Rock Church, 52 Boats Memorial, and open space. The Sail Ho Golf Course was renovated as part of the complex redevelopment.

Liberty Station is nearly built out with few remaining development opportunities. Current projects include a boutique hotel and performance venue. The complex is home to 50 local businesses, entertainment venues, High Tech High School, arts center, 40 restaurants, and 350 market-rate rental residential units. The Navy retained a portion of the site for approximately 500 units of military housing that was developed and is now occupied.

LESSONS LEARNED FROM SUCCESSFUL CASE STUDIESS

Several lessons can be drawn from these three case studies that have relevance to Maryland as it rethinks its approach to the historic preservation of its state-owned complexes designated for a surplus action:

- The time between closure and planning and redevelopment was minimized as much as possible, limiting the degradation of historic assets.
- In two of the case studies, a robust interim leasing program was established to have functional buildings occupied to limit physical decline, enhance security, and to generate revenues that could be reinvested into the property.
- Federal historic tax credits were used extensively.
- Significant state and local investments were made to close project financial feasibility.
- Prior to conveyance, the state or local agency owners funded pre-conveyance master planning that included financial strategies to ensure redevelopment feasibility and design guidelines to ensure consistency with historic preservation standards.
- Reuse of the exiting historic buildings first was key to stimulating a market for new construction product.
- All three case studies created a strong brand: “Freedom’s Fortress” (Fort Monroe), “Liberty” (Lorton Prison) and “Liberty Station” (San Diego Naval Training Center) and the owners programmed a variety of community and special events to keep the sites active and attract potential renters, owners, and businesses.

Adaptive reuse of a portion of former Lorton prison for community retail.

Recommendations

The Consultant Team has formulated a set of recommendations based upon (i) a review of background materials; (ii) tours of the three historic complexes; (iii) interviews, comments and discussions with local site representatives, state officials, Study Steering Committee members and stakeholders; and, finally, (iv) the Team's collective experience with redeveloping historic complexes.

The Consultant Team's recommendations for the Steering Committee's consideration are organized into five broad categories:

1. MD Historic Revitalization Tax Credit and other state incentive programs
2. Pre-Disposition Due Diligence and Planning
3. Historic Preservation Easements
4. Codes, Standards and Historic Rehabilitation Treatments
5. Conveyance Strategies and Terms
6. Maryland Case Study-specific Recommendations

1 MD HISTORIC REVITALIZATION TAX CREDIT AND OTHER STATE INCENTIVE PROGRAMS

After reviewing the state's existing Historic Revitalization Tax Credit program as well as programs from other states and jurisdictions, the Consultant Team has formulated a set of recommendations for the Steering Committee's consideration. The primary focus of these recommendations is to ensure that the dollar pool of available tax credits better matches the scale of investment needed to implement a historic complex reuse plan. In addition to the limited expansion of the tax credit program, the Consultant Team makes recommendations that have the potential to incrementally improve development feasibility through abatement of certain taxes, and re-evaluating existing designations so that as many formerly owned state historic complexes as possible are eligible to participate in as many state and federal incentive programs as possible.

Maryland's existing Competitive Commercial Historic Revitalization Tax Credit Program is not structured to benefit the adaptive reuse of large former state-owned complexes when compared to the state tax credit programs in other states. Maryland has a $3 million per-project cap and the $9 million aggregate cap for the entire program and these caps force the state's program to distribute tax credit allocations competitively and in relatively small amounts compared to the federal investment tax credit and other state tax credit programs studied for this report.

Prior to the Great Recession, Maryland appropriated significantly more budget to its Historic Revitalization Tax Credit program as evidenced by Table 2. Between 1999 and 2009, the annual dollar value of approved or appropriated credits ranged from $14 to $43 million, compared to $7 to $10 million after 2009.

Table 3: History of MHT Historic Revitalization Tax Credit Program

Year	Governor's Budget Request	Amount Reduced by General Assembly	Amount Approp	Amount Reduced by Cost Containment	Amount Not Awarded Due to Geographical Restrictions	Amount Approved Credits	Notes
1997						3,084,842	Credit @ 10%
1998						1,131,229	Credit raised to 15%
1999						23,006,706	Credit raised to 25%
2000						27,015,879	Tax credits become refundable; tax exempt entities become eligible.
2001						43,282,204	Credit reduced to 20%; Commercial projects capped at $3 million per project.
2002						41,102,069	
2003						23,000,000	General Assembly caps credit @ $23 million, 1st come - 1st served.
2004						24,923,942	General Assembly caps credit @ $15 million available January 1, 2004 (1st come - 1st served), adds $10 million during 2004 Session to be awarded before July 1, 2004 (competitive rating & ranking), 50% cap on single jurisdiction established. Final year of reporting by calendar year.
2005						0	Legislature imposed moratorium.
2006	20,000,000	0	20,000,000		328,744	19,671,256	Governor mandated to request $20 million. 1st year reporting by fiscal year.
2007	30,000,000	0	30,000,000 (+328k balance)		10,039,685	20,289,059	Governor mandated to request $30 million.
2008	25,000,000	10,000,000	25,039,685	300,000		24,678,195	Geographical cap raised to 75%; General Assemby reduced budget request $10 million contingent on approval of a budget amendment to bring in $10 million + unobligated balance.
2009	14,700,000	0	14,700,000 (+671,489 balance FY08)	4,700,000 DBM cost containment; 671,489 DBM Reduction to balance 2008		10,000,000	Reduced $4.7 million by DBM cost containment. FY 2008 carryover balance reduced $671,489 by DBM cost containment action in FY 2009.
2010			5,000,000			5,000,000	
2011			10,000,000 + 1,180,000			11,180,000	11,180,000 (Rollover - unobligated funding FY 1,180,000)
2012			7,000,000	Reduced 42,000		6,958,000	
2013			7,000,000			7,032,341*	
2014			10,000,000			10,001,035*	
2015			10,000,000	Reduced 520,000		9,480,000	
2016			9,000,000			9,040.646*	
2017			9,000,000			9,108,844*	
2018			9,000,000			9,000,000	
2019			9,000,000			9,082,101.30*	
2020			9,000,000			9,000,000	

Adopt new provisions in the Maryland Historic Revitalization Tax Credit program specifically targeted to divested government-owned historic complexes.

Adoption of a mix of these options will 'move the needle' on project feasibility by expanding the Maryland Historic Revitalization Tax Credit funding available to projects with large capital financing requirements.

The Consultant Team has formulated several options for this recommendation:

Recommendation 1.1.1: Provide incentives in the Maryland Historic Revitalization Tax Credit program specifically targeted to the redevelopment of state-owned complexes, by eliminating the per-project and annual appropriation dollar caps.

Recommendation 1.1.2: Increase the Maryland Historic Revitalization Tax Credit by 5 percentage points from 20% to 25% for divested government-owned historic complexes.

Recommendation 1.1.3: Establish a "catalytic category" in the Maryland Historic Revitalization Tax Credit program patterned after Ohio's state historic tax credit.

Catalytic projects are large scale rehabilitation projects offered every two years which will foster significant economic development and are eligible to receive up to $25 million in tax credits subject to review and approval by the State Historic Preservation Office. For Maryland, the Consultant Team would recommend a minimum catalytic credit of up to $35 million to reflect the scale of many of the state's historic complexes.

Recommendation 1.1.4: Permit the Maryland Historic Revitalization Tax Credit to be transferred by developers to third parties.

Direct transfer is the ability by a project developer to make an outright transfer or assignment of the Maryland Historic Revitalization Tax Credits to a third party for some consideration. Currently, the state program does not permit such transfers or assignments, although it has a refundable tax credit component. Transferability offers the developer increased opportunities to provide greater equity for complex projects. This legislative change will cost the state nothing and not change the way the state historic tax credits are administered. It will provide a second viable tax credit financing option for rehabilitation developers with difficult revitalization projects such as divested state historic complexes. Among those states that provide historic tax credits, 75% offer the developer transferability.

Recommendation 1.2: Provide an option for property tax abatement in addition to tax-increment financing.

Under current state authorities, businesses or projects generating employment can qualify for a ten-year property tax abatement in Enterprise Zones or a five-year rebate under the state's Brownfields Revitalization Incentive Program. Consideration should be

given to a full or partial property tax abatement for up to ten years for state-owned historic complexes. Local agencies could limit the property tax rebate to what is required to close a financial feasibility gap. A developer electing to utilize this incentive would not be able to also utilize tax-increment financing. Giving developers a choice between a multi-year abatement or tax increment financing would provide flexibility for overcoming project feasibility constraints.

Another option is a program currently used in Montgomery County, Baltimore City, and Frederick where the annual property tax credit is set to a maximum of 25 percent of documented expenses for exterior maintenance, restoration, and/or preservation work. However, there would be an administrative cost to manage this type of program that is higher than a simple abatement. Eligibility for local tax credits for historic properties requires local historic designation which would have to be done at the local government level.

Recommendation 1.3: Take advantage of opportunities to expand zones/ designations.

There are numerous state and federal designations such as Enterprise Zones, Sustainable Communities, Community Impact Projects, and Brownfields, that could benefit the redevelopment of historic complexes. As part of the due diligence and pre-development planning, the state and its local agency partners should review state and federal funding programs and seek changes to existing designations or obtain new designations, as needed, before transfer, to ensure that the project can access as many financial tools as possible to support redevelopment.

Recommendation 1.4: Increase funding for the Strategic Demolition Fund and improve access to this fund for divested government-owned properties.

Use the MD Department of Housing and Community Development Strategic Demolition Fund to remove old furniture, non-historic additions, and deter vandalism in state-owned buildings to improve marketability of the structure and make the durable materials and structural strength more visible.

The Consultant Team also recommends (i) removal of the requirement that eligible properties must be located in a sustainable community if the applicant property is a state-owned or formerly state-owned historic property; and (ii) provide preference in the application process for applicant properties that are state-owned or formerly state-owned historic properties.

Recommendation 1.5: Support the development of Maryland-only Community Development Entities that maximize the use of the federal New Markets Tax Credit Program.

Currently, Maryland projects compete with the rest of the United States for limited allocation from national Community Development Entities. (CDEs) Unlike other states such as Ohio, Maryland does not have "captive" state CDEs meaning that the CDE only provides New Markets Tax Credit allocations to projects in Maryland. This means a loss of federal money. A Maryland CDE could be created that would focus directly on historic preservation projects like the three complexes. It could also encourage the development of local economic development agencies like the Baltimore Development Corporation to create local CDEs.

More than 15 states have a New Markets Tax Credit Program that mirrors the federal New Markets Tax Credits Program. Developing a similar program in Maryland is likely to bring in more federal money for these projects to the state.

Recommendation 1.6: Explore creation of a Maryland New Markets Tax Credit Program.

Recommendation 1.7: Explore creation of a PACE program targeting the use of private capital to finance rehabilitation and remediation of formerly state-owned historic complexes.

PACE stands for "Property Assessed Clean Energy" and is designed to further the advancement of clean energy solutions and the reduction of energy costs. Maryland passed PACE-enabling legislation in 2009 and the first commercial PACE program, MD-PACE, began operating in 2015. Through MD-PACE, commercial, industrial, and non-profit properties use private capital to finance 100% of efficiency and renewable energy upgrades which are then repaid as a long-term surcharge on the property which is added to the property's tax bill. This recommendation proposes the development of a PACE program designed to assist with financing rehabilitation or remediation of historic properties such as the divested historic complexes that are the focus of this report.

Recommendation 1.8: Explore partnering with Preservation Maryland and its recently launched Campaign for Historic Trades, a partnership with the National Park Service, to determine the feasibility and cost of launching a trades training program focused on rehabilitation projects at former government complexes.

Preservation Maryland has won just one of ten social innovation prizes from the J.M. Kaplan Fund in New York for its program, The Campaign for Historic Trades which bridges the gulf between preservation and job creation. The rehabilitation of divested state historic complexes will generate hundreds of jobs in the historic trades. These projects should be looked upon and supported by the MD Department of Commerce as a center for workforce development.

Across the construction field, estimates suggest that at least 200,000 more workers are needed to meet current demand. The Campaign for Historic Trades addresses this challenge. In partnership with the National Park Service and its Historic Preservation Training Center in Frederick, MD, the Campaign supports six months of paid, on-the-job instruction in one of America's national parks, plus post-training job placement services. By focusing recruitment on recent veterans and young adults, the Campaign also meets a need for greater diversity within the preservation field.

Redevelopment and rehabilitation of these large complexes also presents a compelling opportunity for workforce development. In Maryland and across the nation there is a crushing need for trades people and these campuses could become real-world classrooms for training.

2 Pre-Disposition Due Diligence and Planning

Both Section 110 of the National Historic Preservation Act and the 1985 Maryland Historical Trust Act call for proactively identifying, documenting and protecting the historic resources of this nation and the state of Maryland. Sound stewardship is not just a nod toward the protection of history. The government buildings of this state are capital assets constructed of durable materials. They represent tens of millions of dollars of unrealized treasure which through whole building recycling can reduce greenhouse gases, reduce state capital expenditures, and create more jobs than new construction, all while saving heritage.

Building and site conditions are not assessed or adequately evaluated prior to disposition by Maryland's agencies, leading to uncertainty for potential developers and investors.

The Consultant Team observed that the state has a variable approach to how it plans and implements the disposition of its historic complexes. While the perception of many is that the Maryland State Clearinghouse handles pre-disposition planning for state agencies disposing of state property; State Law provides the Clearinghouse with only a limited role in this process.

The State Clearinghouse function is primarily one of notification - of other state agencies, effected local governments, and the public - about a proposed state government unit disposal of property. The Clearinghouse then uses the responses received from the notification process to craft an appropriate recommendation to the Board of Public Works regarding the proposed state government unit action. The Clearinghouse is not set up to assess or evaluate building and site conditions of these valuable state assets.

Complexes such as the Warfield Complex have been transferred to local entities without any due diligence information gathering or pre-planning.

Property information is dispersed and held by multiple agencies or not readily available in some cases. Agencies, such as the Department of Health and Department of Natural Resources, and even the Department of General Services, are not set up to process the disposal of complexes of historic structures that present multipart challenges for successful reuse. These properties are complicated by their nature, having clusters of buildings on large parcels with a network of roads and pathways, utility systems, and other infrastructure, and they require a multidisciplinary team of real estate, planning, engineering, and environmental professionals to understand the property and plan for their optimal reuse and conveyance. The original use of the hospital properties as convalescent hospitals and mental health facilities dictated that they were located geographically in restful or agricultural areas. Some are still a distance from urban centers and would not generate higher rents and demand which could be part of the financial solution.

Properties are not assessed or evaluated prior to disposition by the state of Maryland leading to uncertainty for potential developers and investors. The level of development expertise available to plan and implement redevelopment varies significantly among the case studies of undeveloped complexes.

STEWARDSHIP

The 1985 Maryland Historical Trust Act and amendments requires under § 5A-326 Protection and Use of Historic Properties:

(a) In general… cooperation with the Trust and subject to available resources, each state unit shall:

(1) establish a program to identify, document, and nominate to the Trust each property owned or controlled by the state unit that appears to qualify for the Historic Register;

(2) ensure that no property listed in or eligible to be listed in the Historic Register is inadvertently transferred, sold, demolished, destroyed, substantially altered, or allowed to deteriorate significantly; and

(3) use any available historic building under its control to the extent prudent and practicable before acquiring, constructing, or leasing a building to carry out its responsibilities.

Protection and use of historic properties by units of the state of Maryland Government

Former state mental health hospitals in other states have been very successfully reused to create a campus of state agencies. Two examples are the Pastore Center in Cranston, Rhode Island and the former New Hampshire State Hospital in Concord, New Hampshire.

The Pastore Center Campus (pictured right) is a state-owned complex in Rhode Island that was formerly a state mental hospital and prison with thirty-five buildings totaling 1.5 million square foot of floor space. The historic buildings were rehabilitated and now house over fifteen state government agencies including the Department of Motor Vehicles, the Department of Labor and Training, the Department of Business Regulation, and the Executive Offices of Health and Human Services, among others.

Recommendation 2.1: Use or rehabilitate available existing historic buildings instead of acquisition, new construction, or leasing when practical as mandated by the Maryland Historical Trust Act of 1985 ("the Act").

State agencies should lead by example when it comes to housing their operations within historic buildings. New construction or leasing should be allowed only after a state agency demonstrates that the reuse of an existing historic building can no longer meet its needs and has consulted with the Trust. Pre-World War II masonry buildings can be cost effective compared to new construction

on a life-cycle cost basis, both with and without factoring in the monetized value of greenhouse gas (GHG) emissions (Scope 3 Carbon Emissions).

There has been longstanding perceived policy conflict between federal and state mandates to improve energy efficiency and to preserve historic and non-historic older properties. Recent research, however, indicates that older buildings, particularly those constructed prior to the mid-1940s (prior to the widespread use of modern HVAC systems), offer opportunities to improve energy efficiency when undergoing rehabilitation. The U.S. Energy Information Agency published a study in 2003 that indicated that the per square foot energy consumption of buildings built before 1920 has been less than buildings built in later decades until recently when adopting energy saving building systems and operations has become widespread.

This recommendation would require coordination among the Maryland Historical Trust, Department of General Services, and Department of Budget and Management but would protect value of these assets.

Recommendation 2.2: Conduct preservation maintenance including mothballing to limit asset degradation per the Act.

Recommendation 2.3: Conduct historic property surveys, condition assessments, monitoring and reporting.

State agencies with real property management responsibilities should be required to prepare a baseline report, as discussed earlier, inventorying and assessing historic properties under its control and projecting the future disposition of those properties in support of the state's economic development goals.

Vacant and underutilized state-owned historic properties are typically under-resourced and face accelerated decay even before a decision to dispose of an historic state property has been made. As a result, at the time that state-owned historic complexes like Warfield are transferred out of state ownership, buildings have deteriorated significantly decreasing the value of the asset and any hope for a profitable sale or reuse of the property by another state entity. There is also little or no information available about the building from which to construct a disposition and marketing strategy in a timely manner.

The stewardship responsibilities of Maryland state agencies should mirror that of federal agencies in the 2003 Preserve America Executive Order. These responsibilities would include preparation of an assessment of the current status of its inventory of historic properties, the general condition and management needs of such properties and the steps underway or planned to meet those management needs. The assessment would also include an evaluation of the suitability of the agency's historic properties to meet future agency operation needs and identify properties the agency anticipates de-accessioning over the next five years.

This baseline report should be made available to the Secretaries of the Departments of Planning, General Services and Budget and Management and the Director of the Maryland Historical Trust. Every third year following preparation of this baseline report, each agency with real property management responsibilities should prepare a report on its progress in identifying, protecting and using

historic properties in its ownership and make the report available to the Director of the Maryland Historical Trust and the Secretaries of Planning, General Services and Budget and Management.

Recommendation 2.4: Establish a dedicated state-level Historic Complex Divestment Team.

The State should establish an independent Historic Complex Divestment Team that is responsible for and exclusively focused on the preservation and disposition of state-owned and formerly federally owned historic complexes. The value proposition behind this recommendation is the preservation and/or enhancement of the state's asset value through comprehensive upfront land use and business planning and entitlement work as part of the disposition process. This small but dedicated, multidisciplinary team would work in partnership with local jurisdictions and stakeholders. State appropriations would be required to implement this recommendation. Please refer to Appendix A of this Study for a thorough discussion of the proposed roles and responsibilities of the Historic Complex Divestment Team and suggested location for the Team in Maryland State Government.

This Historic Complex Divestment Team could be patterned after the function of the Integrated Facilities Management Team (IFM Team) which is located in the Division of Capital Asset Management and Maintenance (DCAMM) in the State of Rhode Island established under Title 42 State Affairs and Government Chapter 42-11 Department of Administration Section 42-11-2.9 Division of Capital Asset Management and Maintenance. DCAMM oversees facilities and property management for the State of Rhode Island by region. A designated DCAMM IFM Team which is overseen by the State Properties Committee serves as the property managers for closing or divesting state-owned properties statewide while they are in limbo for a future use. A full time chief of the Team oversees three full time employees, one of which has a background in construction. They are responsible for planning and design, construction, environmental matters, engineering and security for closing state complexes and properties. The IFM Team can tap into different skills from the larger DCAMM Division for needed skills located in the region where the divesting property is located. The Team may also obtain the services of a real estate professional with a license as needed.

The state agencies divesting a property, "send us the keys in an envelope", stated a DCAMM staff member. The IFM Team then mothballs, sells, or leases the state building or prepares for it for demolition, depending on the required outcome. Following prescribed state management and maintenance protocols, the Team boards up the buildings as soon as the utilities are taken down, posts contact information for an emergency, and establishes security needs. The fire department is contacted, and a detailed work plan for maintenance of the property is prepared. The IFM Team also works with the state's Risk Department regarding self-insurance on the property. All state agencies must inform DCAMM of a building closure two years ahead of closure to allow for a divestment plan to be developed for the property by the IFM Team.

The DCAMM IFM Team encourages the integration of stewardship, design, construction, operations and maintenance of state-owned property. The DCAMM IFM team has had multiple successes in redeveloping historic properties and the Consultant Team has interviewed senior staff and the Rhode Island State Historic Preservation Office regarding their operations.

Adoption of this recommendation could lead to a higher level of consistency of maintenance, property due diligence, planning, and disposition strategies for the state's historic complexes.

Scope of Responsibilities

This dedicated team would have a broad range of responsibilities that could be fulfilled by a combination of full-time staff and contractors. To "do it right," the team's responsibilities would include, but not be limited to:

Property Information and Database

- Collection of property records, including archival plans and documents, as-built drawings, maintenance records, surveys, energy consumption records, and photographs, at point of agency decision to surplus or close a historic complex.
- Preparation of a building and infrastructure database for each complex.

Site and Building Assessments

- Preparation of a Baseline Conditions Report characterizing existing buildings, infrastructure capacity and condition, circulation, soils and hydrology, natural and cultural resources, and environmental conditions.
- Completion of Building Condition Assessments with photo-documentation and identification of durable materials and building vulnerabilities (to inform maintenance plans and rehabilitation treatment planning and design).
- Conducting a Phase I Environmental Assessment (site-wide).
- Preparation of a boundary survey and identification of easements, encroachments, and rights-of-way.
- Completion of a Historic Resource Survey that includes both buildings and landscapes.

Planning and Entitlements

- Preparation of a National Register Nomination or amended nomination, as needed, prior to disposition.
- Development of design guidelines for rehabilitation and redevelopment at the complex that identify opportunities and constraints related to meeting the Secretary of the Interior's Standards for Rehabilitation and acquisition of federal and state tax credits (i.e. guidelines that clearly specify what a developer can do and not do).
- Commissioning a sustainability and energy study for the site and its historic buildings that identifies energy conserving treatments and potential for alternative energy generation to reduce overall carbon footprint of the site's redevelopment (including, for example, generation of power for sale back to the grid).
- Determination of required state and local land use approvals and schedule to secure same in partnership with the local jurisdiction with land use authority and community stakeholders.
- Preparation of required planning studies and environmental reviews for new uses of the site.
- Estimation of building rehabilitation costs and capital costs associated with repairing, replacing, or upgrading infrastructure.
- Formulation of an historic preservation easement and/or alternative agreement (in partnership with MHT) that sets forth historic preservation requirements at the time of conveyance by the state.

- Determining how any existing and unforeseen environmental remediation obligations will be allocated among the relevant parties.

Reuse Business Plan

- Preparation of property business plan with land use entitlement strategy, site and building costs, proposed governance structure, real estate market assessments, financial feasibility testing, estimation of potential revenue to the state, allocation of any remediation obligations, and disposition strategy.
- Formulation of a business plan in a manner that achieves buy-in from local stakeholders and is responsive to the needs of the local market so that prospective developers better understand the conditions associated with properties offered for sale or lease.
- Identification of a conveyance strategy for the property based on the specific circumstances and proposed uses.
- Conducting a cost-benefit analysis that indicates how the property business plan would best preserve and/or enhance value for the state and its taxpayers.

Site Preparation and Maintenance

- Developing an interim preservation plan that includes a cyclical maintenance plan, prioritization, security, mothballing procedures (per National Park Service Preservation Brief #31); and pest management plan.
- Budgeting and securing adequate funds for the interim preservation plan to ensure that buildings do not deteriorate and lose value during the planning and conveyance process.
- Developing a system for regular maintenance reporting and monitoring.

Disposition and Conveyance

- Preparing the property for marketing including stabilization, to remove non-historic or deteriorated portions of the building for building presentation.
- Conducting selective demolition to allow visitation and better marketing, including things like furniture, broken glass, vandalized materials to allow prospective buyers to see the qualities of the building.
- Conducting regionwide or nationwide marketing campaign which targets the community of developers of old and historic properties especially former state and federal owned complexes through attendance at meetings, ULI and historic preservation media outlets (see Prince Georges County Redevelopment Authority Model).
- Planning and Implementing a public process for selection of a qualified party to undertake the redevelopment of the complex.
- Negotiation of development agreements, purchase and sale agreements, and/or ground leases with the selected party.

Organizational Placement

The Consultant Team formulated several options for where this dedicated team could be placed and discussed the various pros and cons associated with each option. Potential options include:

- An existing state department such as the Department of Planning, Department of Housing and Community Development, or Department of General Services.
- A new unit under the Maryland Economic Development Corporation (MEDCO).
- A new state-chartered corporation or reuse authority.
- A multidisciplinary team under contract to the state of Maryland.

Criteria for organization placement should include:

- An organization with an entrepreneurial culture and lack of silos;
- Ability to attract talent with planning and real estate expertise;
- Ability to work with and across multiple Maryland Departments and local agencies; and
- Visibility and prominence to gain budget support.

These options are presented in Appendix A.

Recommendation 2.5: Adequately fund due-diligence and pre-disposition planning.

Regardless of which approach to establishing a dedicated Historic Complex Divestment Team is selected, the state of Maryland will need to increase its investment in the upfront planning and entitlement work prior to disposition. The state has multiple interests in the outcome of these properties: generating new revenues from sale or lease, preserving important cultural and natural resources, advancing economic development, and expanding its fiscal base. Many local jurisdictions do not have the capacity or experience to undertake the planning and redevelopment of these complex properties and the state is in the best position to lead in this effort in partnership with local agencies. The Consultant Team estimates that each due-diligence and planning effort will range between $1.0 and $3.0 million per complex, depending on the scale (acres and number of buildings) and complexity of the property.

Recommendation 2.6: Mandate timelines and standards for planning redevelopment.

The Consultant Team has observed in two of the three Maryland case studies that redevelopment can be delayed significantly when the reuse goals and desired outcomes by local stakeholders and land use decision makers do not reflect what is supportable in the market or what is financially feasible. The cost of delay is borne by the state in the form of a property's rapid deterioration and accompanying loss of value. In other cases, however, a local jurisdiction might have the experience and capacity to undertake the planning as the lead agency. To address these circumstances, the state should consider adoption of guidelines that specify a maximum timeframe for land use approvals (e.g. two years) and specify that local governments adequately fund their pre-development and entitlement programming to ensure that state interests are protected.

3 Maryland Historical Trust Easement Program

In order to mitigate the adverse effect of exchanging / transferring an historic property, it is standard practice for the MHT to acquire an easement on historic state-owned property that is recorded upon transfer of title to a non-state entity. While there is nothing in an historic preservation easement per se that should constrain rehabilitation and adaptive reuse of a property –and many other states also record historic preservation easements when property is conveyed—the Consultant Team heard from developer stakeholders that historic preservation easements at times have been a significant constraint on reuse when easement provisions do not align with the current condition of the property or limit the potential for infill development with new, compatible construction. In short, easements sometimes conflict with the ability of a developer to leverage the value of new construction to pay for the rehabilitation or adaptive reuse or easements specify the rehabilitation and preservation of historic resources that have been degraded to the point where rehabilitation is not physically feasible.

The recommendations from the MHT's 2018 Report included a continued request for perpetual easements as mitigation for the adverse effect of transfer out of state or federal government ownership but only when the historic property being transferred out of state or federal ownership is individually listed or individually eligible for listing on the National Register.

The Consultant Team has reviewed the recommendations and changes in MHT policy and formulated the following recommendations focused on planning for the disposition of state-owned historic complexes:

Recommendation 3.1: Revise if, when and how historic preservation easements are formulated.

Under current MHT practice, easements have been formulated and recorded on historic complexes when conveyed by the state to a non-state entity but before comprehensive due-diligence, pre-planning evaluations, and reuse feasibility assessments have been undertaken. Historic preservation easements for the state's historic complexes should be formulated as part of state-led land use and business planning process and informed by building and site assessments and local real estate market conditions. The Historic Complex Reuse Team would include the participation of MHT staff who would collaborate with the team to prepare the scope and terms of the easement. Through this collaborative process, an easement can be an asset that reinforces and adds value as an element of a well-formulated and realistic business plan for the property.

According to the MHT, an amendment may in certain circumstances described below be possible to change under the following conditions:

1. The requested amendment is permitted under current law;
2. The request is consistent and compatible with the intent and purposes of the original easement terms;
3. The request is in conformance with the Secretary of the Interior's Standards for the Treatment of Historic Properties (36 CFR Part 68); and

4. The owner can demonstrate to the satisfaction of the Easement Committee that the amendment will increase or prolong the protection, maintenance, and useful life of the property.

Easement modifications must be approved by the MHT Board of Trustees and may require the property owner to submit legal documentation, but the modification itself is drafted by MHT and the Office of the Attorney General. As with an original Deed of Easement, the modification is recorded in the land records once executed.

Recommendation 3.2: Formulate a preservation or mitigation strategy to satisfy the needs and conditions of individual properties.

There is no statutory requirement for a perpetual preservation easement to be the sole instrument for mitigation by the state upon disposal of a state property. It is prudent, practical and in the state's interest to consider any and all options to mitigate the adverse effect caused by the permanent removal of an historic property from state or federal ownership and the protections afforded by the NHPA and the MHT Act.

As an alternative to a perpetual or term-easement, the MHT should consider alternative mechanisms which work alone or in concert with each other to ensure long-term preservation of the property. These alternatives such as a memorandum of understanding with the local jurisdiction, a development agreement with the property developer, and/or a ground lease with negotiated historic preservation requirements and standards that facilitate and expedite project review and strengthen the enforcement of protection of the historic property. Under any of these alternative instruments, a property owner would be continued to be required to apply to the MHT to make changes to the property and any such changes must be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

The Consultant Team recommends the development of a different set of mitigation tools for state-owned complexes which may pass out of state ownership in the future. This process may also be used for one of the Study sites, the Tome School, which has not yet passed out of state ownership. The process begins at the time that the state agency abandons the complex, ideally two years before actual disposition occurs. A combination of these documents would be needed, tailored to a specific project and level of protection that is warranted.

Memorandum of Understanding or Memorandum of Agreement. A Memorandum of Understanding or Memorandum of Agreement are very similar documents with only nuanced differences. At the very beginning of the surplusing process, MHT would enter into an agreement with the state agency that is disposing of the property that would require a development agreement be established with the new owner of the property before it leaves state ownership. It would outline how the MHT would have enforcement, envision how all project review would be worked out in advance and work with the local government to do pre-planning, identify market conditions, eliminate questions. It would engage the local government to get involved in development of the project with established roles and deadlines. It could include design review at the local government level if it was a Certified Local Government. It could establish the respective roles and responsibilities of the MHT, the local agency, and private developer for reviewing, approving, and implementing rehabilitation and adaptive reuse projects as well as subsequent alterations and

improvements. Obligations would have to be completed before the transfer or lease of the property occurs. An MOU or MOA could say how the development agreement, ground lease or even an easement will be developed before the document is written. This can help avoid project delays associated with back and forth interactions regarding historic preservation treatments between a local government, the project developer, and MHT.

Development Agreement. A development agreement is an agreement between a land use agency and a property owner (or owner of a leasehold estate in the case of a ground lease) that sets the terms and conditions for development or redevelopment of a property. Development agreements set forth the permitted use or uses, density and intensity of development, development standards (if different from zoning code), planning and construction milestones, obligations for off-site improvements and/or community benefits, open space and public facility dedication, and proof of project financing, for example. It is common for certain development agreement obligations to survive the agreement. For historic properties, a development agreement can include terms and conditions regarding rehabilitation standards, limitations on use, and process for subsequent alterations. These provisions can survive the agreement and be in force in perpetuity or for a set term.

A similar process could be used for state owned complexes which will not leave state ownership but be conveyed for adaptive reuse to a developer or local government through a long-term ground lease. At the very beginning of the surplusing process, MHT would enter into an agreement with the state agency that is leasing the property which would require a ground lease be established with the lessee of the property. It could specify standards and treatments for the historic properties ahead of project planning and outline how the state agency would protect the historic property through the design and construction process. If the lessee does not meet the standards and guidelines, the lessee would be in default and the breach of a lease, MHT has leverage and is better able to enforce the lease rather than sue under an easement. The state would administer the lease and would have a programmatic agreement with state agencies and the developing party. If the lessee does not meet its historic preservation obligations, the state would determine that the lessee is in default – a potentially powerful enforcement mechanism since the lessee's economic investment or financing could be at risk.

Long-term Ground Lease. A long-term ground lease typically has a term greater than 50 years. It is a contract between the landowner (e.g., the state) and a developer (and its successors and assigns). As with a development agreement, the ground lease can specify standards and treatments. If the lessee does not meet its historic preservation obligations, the state would determine that the lessee is in default; a potentially powerful enforcement mechanism since the lessee's economic investment or financing could be at risk. An easement, on the other hand, would require filing a suit to enjoin a violation of easement terms, or making a demand to restore the property, or entering the property to correct the breach at state cost; all of which would take greater effort and resources on the part of the state.

4 Codes, Standards and Historic Rehabilitation Treatments

Recommendation 4.1: Establish project-specific guide to codes, standards, and historic rehabilitation treatments.

For sustainable long-term success of any redevelopment project it is important to meet modern standards of life safety, building performance, and energy consumption to the extent that such compliance is feasible and consistent with the historic character of the buildings. But conflicts often arise among redevelopment goals, code compliance, historic preservation restrictions, and tax incentives.

For these reasons, it is important to define *prior to conveyance out of state ownership* the codes, standards, and exceptions that may apply to the redevelopment phase. Importantly, the proposed use of the historic property must be compatible with the actual existing conditions[4]. In other words, resolving potential conflicts ahead of time among codes, historic preservation requirements, and Historic Revitalization Tax Credit requirements is the best way to streamline compliance for the developer. The goals of these actions include narrowing down which kinds of uses a particular building is best suited for in order to identify an appropriate development scheme for the property, reducing as much as possible the perception of risk in order to attract developers, and assisting the state to establish an appropriate purchase price for the property.

Applicable Codes

The Maryland Building Performance Standards (MBPS) require each jurisdiction to use the model codes promulgated by the International Code Council (I-Codes) (e.g. International Building Code (IBC), International Fire Code (IFC), International Energy Conservation Code (IECC)). The State of Maryland has adopted the 2018 edition of the I-codes effective March 25, 2019. Each local jurisdiction in Maryland may modify these codes to suit local conditions with the exception of the IECC and the Maryland Accessibility Code (MAC).

Fortunately, in recent years, the I-Codes have evolved to provide a great deal of flexibility for the reuse and adaptation of historic buildings, including many exceptions, alternative compliance methods, and reduced design loads. Specifically, the IBC now invokes the International Existing Building Code (IEBC) directly, so no separate local adoption of the IEBC is needed. In general, historic buildings are exempt from mandatory improvements relative to the building's pre-damage condition. For instance, here are a few examples of code flexibility:

- The code official can accept existing floors and approve operational controls to limit the live load, rather than requiring strengthening of the floor system.

[4] Whole Building Design Guide https://www.wbdg.org/design-objectives/historic-preservation

- Retrofit for seismic and wind is not required when the work is limited to repairs.
- The allowable floor area for historic buildings under change of occupancy can be 20% larger than allowed by the IBC.
- Alternative methods may be used to comply with fire-resistance requirements.
- Required occupancy separations of 1 hour may be omitted where the building is provided with an automatic fire extinguishing system.

Still, the exact application of the codes remains a project-specific challenge when trying to meet competing goals. The building official and the A/E team may be reluctant to allow exceptions if they perceive *distinct life-safety risks*, *hazardous or dangerous conditions*, or *substantial structural damage*. The presence of these conditions rightly increase scrutiny. With regard to substantial structural damage, the current IEBC is clear that historic buildings are broadly exempt from the full requirements of the code for new buildings; but many engineers and building officials are not always aware of or favorable to that exception. In the case of hazardous or dangerous conditions and distinct life-safety risks, the building official has full discretion to compel compliance with the new code if he chooses.

As part of the pre-disposition planning, develop a project-specific guide to reconciling codes, standards and historic rehabilitation requirements, and to identify appropriate design exceptions. By doing this up front, a great deal of perceived risk is eliminated, and the process of code analysis will help focus the various stakeholders on the key issues. Assure that these guidelines are compatible with the Secretary of the Interior's Standards (SOIS), code compliance, and federal tax credit rules. The project-specific guidelines would be used by the *Historic Complex Divestment Team* in planning, and to inform the actual work on the buildings.

The project-specific guide should consider a range of expected (not exhaustive) alternative uses. This guide would not be a complete code analysis for specific projects; rather, it would point out where the building's actual features and conditions would be either favorable or unfavorable to certain uses.

The following is a partial list of codes and standards to be used in developing the project-specific guidance:

- Secretary of the Interior's *Standards* (SOIS) *for Rehabilitation* and *Guidelines for Rehabilitating Historic Buildings*
- *IEBC*, especially Chapter 12 – *Historic Buildings*
- *IECC* + Building science best practices for mixed-humid climates
- NFPA 914 *Code for Fire Protection of Historic Structures*
- Technical Preservation Guideline 3.1—*Fire Safety Retrofitting*, U.S. General Services Administration, 2001
- ADA requirements and variances for historic buildings

Recommendation 4.2: Prepare a thermal and moisture protection model of a representative building as part of the pre-disposition planning process.

Energy Conservation and Building Science

Maryland is in a particularly challenging climate (IECC Zone 4A – Mixed-Humid[5]) —having significant heating and cooling, high moisture levels most of the year, and many areas of moderate to high rainfall. Controlling the infiltration of moisture-laden air into the building envelope and keeping moisture away from cold surfaces are major goals. Accomplishing this in a historic building can be especially challenging. Importantly, historic buildings may have significant intrinsic energy features (such as thermal mass) that may not be accounted for in simplified analyses. The field of *Building Science* is the technical discipline for diagnosing and designing thermal and moisture performance[6] using the principles of physics applied to building assemblies. Testing and computer models are often used to assure proper performance.

There has been a longstanding perceived policy conflict between federal and State mandates to improve energy efficiency and to preserve historic and non-historic older properties. Recent research, however, indicates that older buildings, particularly those constructed prior to the mid-1940s (prior to the widespread use of modern HVAC systems), may offer opportunities to improve energy efficiency when undergoing rehabilitation. This is because of intrinsic characteristic of older buildings (interior thermal mass, passive ventilation, passive solar, natural light, etc.) Moreover, it is the reuse of the existing building stock that represents one of the greatest opportunities to reduce greenhouse gases[7].

Recommendation 4.3: Determine in the pre-disposition phase the extent of deterioration and whether dangerous conditions, distinct life safety risk, or substantial structural damage exists, on a per-building basis.

Structural

Although the *substantial structural damage* trigger is technically waived in the IEBC for historic buildings, as discussed above the presence of such damage will no doubt influence the approach taken to the buildings by both the building official and the design team.

In the section Divested Historic State Complex Case Studies, the Consultant Team found that the buildings at Glenn Dale and Tome School could be considered to have *dangerous conditions* and *distinct life-safety risks,* and some may be interpreted to have *substantial structural damage.*

Recommendation 4.4: Prepare in the pre-design phase a Fire and Life Safety assessment with guidance for the expected range of occupancies.

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[5] Building America Best Practices Series, Volume 7.3 *Guide to Determining Climate Regions by County*, U.S. Department of Energy.

[6] Building Science Concepts by Ted J. Kesik, Ph.D., P.Eng., MASHRAE, University of Toronto, https://www.wbdg.org/resources/building-science-concepts accessed September 9, 2019.

[7] Demonstrating the Environmental and Economic Cost-Benefits of Reusing DoD's World War II Buildings

Fire and Life Safety

The Maryland Fire Code relies on the International Fire Code as a model. The IFC does, fortunately, provide a route to historically appropriate standards. It incorporates by reference *NFPA 1 Fire Code* which invokes *NFPA 101 Life Safety Code*. *NFPA 101* in turn allows compliance with *NFPA 914, Code for Fire Protection of Historic Structures*, and addresses the identification of existing conditions, planning and fire protection practices for historic buildings.

5 Conveyance Strategies and Terms

To date, the Consultant Team has noted that the typical state practice is to transfer its fee interest to a local agency and ultimately a private developer, usually with a substantial state investment to provide gap financing. Under this structure, the state cannot recapture any of the future value of its real property. Rhode Island has a policy of ground leasing its historic complexes which permits it to participate in the future income generation of the project. This is a common approach utilized by many institutional and public agency owners of both historic structures as well as underutilized or vacant land.

Recommendation 5.1: Explore ground leasing historic complexes as the state's preferred conveyance.

Ground leases can be structured to permit the state to participate in increases in value or revenue once a project matures and reaches stabilized operations. As part of the business planning for a historic complex, the dedicated Historic Complex Divestment Team should evaluate whether a ground lease or fee sale realizes the best value to the government. The state agency will continue to have responsibility for fulfilling the Maryland Historical Trust Act for stewardship of the property. In some cases, especially for affordable housing projects, a fee sale might be preferred due to the particular nature of the mix of public and private financing associated with an affordable housing development. In most commercial for-profit development programs, a ground lease is feasible.

MEDCO would be the agency best positioned to manage ground leases for these historic complex properties. MEDCO could work closely with DGS to accomplish this, as DGS would need to be the lead agency responsible for obtaining Board of Public Works approval for further development/redevelopment on any of the properties.

Recommendation 5.2: When the state or locality invests in a redevelopment project, sales agreements or long-term leases could be structured for potential back end participation in the financial success of the project.

Ground leases offer flexibility in structuring ground rent payments to the State or local agency owner to respond to the economic and risk profile of a project. For example, base ground rent can be deferred until a specified project revenue or net operating income threshold is met. Alternatively, rent can be structured as participating, with the agency owner receiving a percentage of gross revenue and percent share of refinancing or leasehold sale proceeds. Base rent can also be set as a percent of land value as

established through an appraisal process that occurs once the project matures. These basic approaches can also be combined to offer a mix of minimum assured ground rent and variable additional rent through percentage or participating rent provisions.

6 Maryland Case Study-Specific Recommendations

The Consultant Team has formulated a set of specific recommendations to advance the redevelopment of the three Maryland case studies evaluated for this Study:

Recommendation 6.1: Glenn Dale

- *Recommendation 1.1.1:* Provide incentives in the MD Historic Revitalization Tax Credit program specifically targeted to the redevelopment of state-owned historic complexes, by eliminating the per-project and annual appropriation dollar caps.
- *Recommendation 1.1.2:* Increase the MD Historic Revitalization Tax Credit by 5 percentage points from 20% to 25% for divested government-owned historic complexes.
- *Recommendation 1.1.3:* Establish a "catalytic category" in the MD Historic Revitalization Tax Credit program patterned after Ohio's state historic tax credit.
- *Recommendation 1.1.4:* Permit the MD historic revitalization tax credit to be transferred by developers to third parties.
- *Recommendation 1.2:* Provide an option for property tax abatement in addition to tax increment financing.
- *Recommendation 1.3:* Take advantage of opportunities to expand zones / designations.
- *Recommendation 1.4:* Increase funding for the Strategic Demolition Fund and improve access to this fund for divested government-owned properties.
- *Recommendation 1.5:* Support the development of Maryland-only Community Development Entities that maximize the use of the federal New Market Tax Credits Program.
- *Recommendation 1.6:* Explore the creation of a MD New Market Tax Credit Program.
- *Recommendation 1.7:* Explore the creation of a PACE program targeting the use of private capital to finance rehabilitation and remediation of formerly state-owned historic complexes.
- *Recommendation 4.1:* Establish project-specific guide to codes, standards, and historic rehabilitation treatments.
- *Recommendation 4.2:* Prepare a thermal and moisture protection model of a representative building as part of the pre-disposition planning process.
- *Recommendation 4.3:* Determine in the pre-disposition phase the extent of deterioration and whether dangerous conditions, distinct life safety risk, or substantial structural damage exists, on a per-building basis.

- *Recommendation 4.4:* Prepare in the pre-design phase a Fire and Life Safety assessment with guidance for the expected range of occupancies.

Recommendation 6.2: Warfield

- *Recommendation 1.1.1:* Provide incentives in the MD Historic Revitalization Tax Credit program specifically targeted to the redevelopment of state-owned historic complexes, by eliminating the per-project and annual appropriation dollar caps.
- *Recommendation 1.1.2:* Increase the MD Historic Revitalization Tax Credit by 5 percentage points from 20% to 25% for divested government-owned historic complexes.
- *Recommendation 1.1.3:* Establish a "catalytic category" in the MD Historic Revitalization Tax Credit program patterned after Ohio's state historic tax credit.
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- *Recommendation 1.4:* Increase funding for the Strategic Demolition Fund and improve access to this fund for divested government-owned properties.
- *Recommendation 1.5:* Support the development of Maryland-only Community Development Entities that maximize the use of the federal New Market Tax Credits Program.
- *Recommendation 1.6:* Explore the creation of a MD New Market Tax Credit Program.
- *Recommendation 1.7:* Explore the creation of a PACE program targeting the use of private capital to finance rehabilitation and remediation of formerly state-owned historic complexes.

In addition to the above the Consultant Team has formulated additional specific recommendations for Warfield including:

a. Explore availability of funding from the State of Maryland for environmental remediation, building stabilization, and selective demolition using Strategic Demolition Fund and Historic Revitalization Tax Credit funds.

b. Explore availability of funding from the State of Maryland for the demolition of the decommissioned water tower located in Parcel H and relocation of the connected 12" water main that serves both Warfield and state-owned facilities located along Buttercup Road.

c. Perform an updated study to identify necessary infrastructure improvements on or in close proximity to the Warfield property that may benefit Warfield and government-owned properties in the immediate vicinity.

d. Explore land use changes that will permit redevelopment of the Warfield campus in a manner that is responsive to existing market demand based on updated market and feasibility study findings.

e. Explore the transfer to the current owner of Warfield certain surplus land and buildings owned by the State of Maryland and part of the Springfield Hospital Center and Maryland Police and Correctional Training Commissions campuses to support redevelopment of the Warfield campus.

Recommendation 6.3: The Tome School

- *Recommendation 1.1.1:* Provide incentives in the MD Historic Revitalization Tax Credit program specifically targeted to the redevelopment of state-owned historic complexes, by eliminating the per-project and annual appropriation dollar caps.
- *Recommendation 1.1.2:* Increase the MD Historic Revitalization Tax Credit by 5 percentage points from 20% to 25% for divested government-owned historic complexes.
- *Recommendation 1.1.3:* Establish a "catalytic category" in the MD Historic Revitalization Tax Credit program patterned after Ohio's state historic tax credit.
- *Recommendation 1.1.4:* Permit the MD historic revitalization tax credit to be transferred by developers to third parties.
- *Recommendation 1.2:* Provide an option for property tax abatement in addition to tax increment financing.
- *Recommendation 1.3:* Take advantage of opportunities to expand zones / designations.
- *Recommendation 1.4:* Increase funding for the Strategic Demolition Fund and improve access to this fund for divested government-owned properties.
- *Recommendation 2.2:* Conduct preservation maintenance, including mothballing to limit asset degradation per the Act.
- *Recommendation 2.3:* Conduct surveys, condition assessments, monitoring, and reporting as required by the Act.
- *Recommendation 3.1:* Revise if, when, and how historic easements are formulated—target formulation during due diligence and planning phase prior to conveyance
- *Recommendation 3.2:* Formulate a preservation or mitigation strategy to satisfy the needs and conditions of individual properties.
- *Recommendation 4.1:* Establish project-specific guide to codes, standards, and historic rehabilitation treatments.
- *Recommendation 4.2:* Prepare a thermal and moisture protection model of a representative building as part of the pre-disposition planning process.
- *Recommendation 4.3:* Determine in the pre-disposition phase the extent of deterioration and whether dangerous conditions, distinct life safety risk, or substantial structural damage exists, on a per-building basis
- *Recommendation 4.4:* Prepare in the pre-design phase a Fire and Life Safety assessment with guidance for the expected range of occupancies.
- *Recommendation 5.1:* Explore ground leasing historic complexes as the state's preferred conveyance.
- *Recommendation 5.2:* When the state or a locality invests in a redevelopment project, sales agreements or long-term leases should be structured for potential back end participation in the financial success of the project.

Return on Investment from Historic Preservation

The recommendations put forward in this Study call in many cases for additional state funding of historic tax credit programs as well as of due diligence and pre-planning activities. The literature related to the economic impact and benefits of historic preservation consistently demonstrates a positive return on investment from state funding of historic preservation through the federal and state historic rehabilitation tax credit and other historic preservation grants and funding programs.

A recent study prepared for the State of Pennsylvania found that for every one million dollars spent on historic preservation, approximately 6.4 direct jobs and 5.6 indirect jobs are generated in the state economy[8]. This study also estimated that if the state increased its cap on the Pennsylvania Historic Preservation Tax Credit to $50 million, an additional 2,800 jobs and $160 million in labor income would be generated. Another study for the Delaware Division of Historical and Cultural Affairs in 2010 found that for every one million dollars invested in historic preservation, 14.6 direct and indirect jobs are generated –and that historic preservation investment generates more jobs per dollar spent than new construction[9]. Additionally, an impact study, Economic Benefit of Maryland's Historic Revitalization Tax Credit Program by Real Property Research Group was prepared for the Abell Foundation in Fall, 2019. It discusses the economic impact and return on investment of Maryland's tax credit in detail. Historic preservation investments also increase state and local tax receipts through increased property values, higher levels of spending, and increased economic activity and income.

Other economic benefits that are realized through a robust historic preservation tax credit program include[10]:

- Strengthening neighborhoods and increasing home values and rents –adaptive reuse projects enliven places and attract new residents and investment;
- Enhancing place-based economic development, particularly in rural areas that can benefit from heritage tourism and an increase in local quality of life; and
- Conserving natural resources and advancing community sustainability goals by focusing growth and development in established neighborhoods and not in green fields.

[8] *The Missing Key: A Study of the Impact and Potential of the Pennsylvania State Historic Tax Credit*, PlaceEconomics, 2019.

[9] *The Delaware Historic Preservation Tax Credit Program: Good for the Economy, Good for the Environment, Good for Delaware's Future*, PlaceEconomics, 2010.

[10] See University of Delaware, Complete Communities Toolbox, https://www.completecommunitiesde.org/planning/inclusive-and-active/preservation/, accessed November 23, 2019.

Programs and Incentives in Maryland

The state of Maryland and the federal government provide many tools and resources for historic preservation and local economic development. Many of these programs could be used to support the redevelopment of historic complexes currently owned by the state, though some are subject to geographic restrictions that, absent further action, preclude their application to some or all of the three sites under study. Some have funding limitations that are not scaled to the capital requirements to successfully rehabilitate or reuse the sites. Major programs are outlined below. This list is not intended to be exhaustive, but rather to suggest the range of programs in place and to specify how they may be used and how they might be changed to support the redevelopment of larger historic complexes. A summary table of these programs is presented in Appendix B.

To evaluate these programs relative to the three divested Maryland case studies, the Consultant Team prepared Table 4 with basic demographic and economic data:

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Table 4: Demographic & Economic Profiles of MD Divested Historic Complexes

Warfield

	Warfield		Carroll County	Baltimore-Columbia-Towson MSA	Maryland	USA
	Census Tract	Two Mile Radius				
Unemployment Rate (a)	4.3%	2.3%	2.7%	4.2%	4.4%	4.6%
Poverty Rate (b)	12.4%	4.7%	5.3%	10.2%	9.2%	13.8%
Median Income (a)	$108,032	$113,086	$95,323	$78,691	$81,440	$60,548
Change in population, 2000 - 2010 (c)	10.9%	10.1%	10.8%	6.2%	9.0%	9.7%

Glenn Dale Hospital

	Glenn Dale Hospital		Prince George's County	Washington-Arlington-Alexandria MSA	Maryland	USA
	Census Tract	Two Mile Radius				
Unemployment Rate (a)	3.7%	4.4%	5.8%	4.1%	4.4%	4.6%
Poverty Rate (b)	4.6%	3.8%	8.1%	7.7%	9.2%	13.8%
Median Income (a)	$131,403	$124,610	$81,800	$102,025	$81,440	$60,548
Change in population, 2000 - 2010 (c)	70.1%	42.9%	7.7%	16.5%	9.0%	9.7%

Tome School

	Tome School		Cecil County	Philadelphia-Camden-Wilmington MSA	Maryland	USA
	Census Tract	Two Mile Radius				
Unemployment Rate (a)	3.7%	4.8%	3.8%	5.0%	4.4%	4.6%
Poverty Rate (b)	14.2%	9.5%	8.3%	12.8%	9.2%	13.8%
Median Income (a)	$57,479	$63,910	$76,048	$69,632	$81,440	$60,548
Change in population, 2000 - 2010 (c)	9.8%	21.2%	17.6%	4.9%	9.0%	9.7%

Notes:
(a) 2019 Esri Estimate
(b) 2013 - 2017 ACS Five-Year Data
(c) As reported by 2000 and 2010 Census
Sources: Esri Business Analyst; U.S. Census Bureau; BAE, 2019.

FEDERAL HISTORIC REHABILITATION TAX CREDITS

U.S. Department of the Interior

A 20 percent income tax credit is available for the rehabilitation of the interior and exterior of historic, income-producing buildings that are determined by the Secretary of the Interior, through the National Park Service, to be "certified historic structures". Certified Historic Structures are historic properties which are listed on the National Register of Historic Places or are contributing buildings within a local historic district that have been certified by the Department of the Interior. The MHT and the National Park Service review the rehabilitation work to ensure that it complies with the Secretary's Standards for Rehabilitation. The Internal Revenue Service defines qualified rehabilitation expenses on which the credit may be awarded. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit. An owner must spend the adjusted basis or $5,000 on the rehabilitation, whichever is more.

There is no cap on the amount of tax credit that can be awarded for the project provided all claimed costs are qualified rehabilitation expenditures.

All three divested historic complex study sites are eligible for the federal rehabilitation tax credits. Note that Public Law 115-97, the federal tax legislation enacted on December 22, 2017, retained the 20 percent Historic Tax Credit, but required that it be taken over a minimum of five years.

MARYLAND HISTORIC REVITALIZATION TAX CREDITS

There are two Historic Revitalization Tax Credit Programs in Maryland available to developers of former state-owned historic complexes. They are the Competitive Commercial Tax Credit and the Small Commercial Tax Credit programs. These programs, which are administered by the Maryland Historical Trust, may be used together or phased.

Competitive Commercial Tax Credit[11]**.** Owners of income-producing certified historic properties may apply to receive a state income tax credit equal to 20 percent of eligible qualified rehabilitation expenditures for projects that exceed either 50 percent of the basis value of the structure or $25,000, whichever is greater. An additional 5% credit is available for projects which meet criteria for LEED Design, or participation in the Low-Income Housing Tax Credits, with an additional 7.5% for projects located in Opportunity Zones. This program is limited to the annual appropriation, which has averaged $9 million in recent years. The amount of a tax credit award

[11] The Maryland Historic Revitalization Tax Credit Program was established in 1997. The state authorized a 10 percent tax credit against state income taxes for the rehabilitation of historic properties that equaled 10 percent of qualified rehabilitation expenditures. In 1999, the state tax credit was raised to 25 percent of qualified rehabilitation expenditures. The following year tax credits became refundable and tax-exempt entities became eligible for the credit. In 2001, the credit was reduced to 20 percent and individual commercial projects were capped at receiving no more than $3.0 million dollars per project –a restriction that has remained in place since that time. In 2003, the General Assembly placed a cap on the cumulative total tax credits available at $23.0 million dollars and made it available on a first-come, first-served basis. In 2005, the Legislature imposed a moratorium on the program. In 2006, the Governor requested and received a $20.0-million-dollar tax credit appropriation. Between 2006 and 2015, the amount of the tax credit program cap has fluctuated between $7.0 million and $20.0 million. This cap has remained at $9.0 million dollars since 2016.

or per-project cap for any project is currently capped at $3 million. Awards are made on an annual basis through a competitive process.

With the current per-project cap of $3 million dollars and an annual appropriation of only $9 million dollars for ALL Maryland tax credit projects, the Maryland Historic Revitalization Tax Credit is currently not a viable investment tool for the divested Maryland Historic Complex study sites.

Small Commercial Tax Credit. Owners of certified historic properties may receive a state income tax credit equal to 20 percent of qualified rehabilitation expenditures for projects that range from $5,000 to $500,000; however, the credit is capped at $50,000 per project. Recent changes to these credits removed the prohibition on residential use and allowed the program to be used by developers for projects that will create rental housing or speculative condo units for resale. This program could also be used for the hazard mitigation phase of a project with divested historic complexes such as Warfield. This program could be very beneficial to the redevelopment of state-owned historic complexes if the 4-million-dollar aggregate cap on the Small Commercial Tax Credit program was removed. Of particular value for developers of Glenn Dale, Warfield, and The Tome School may be the use of the small commercial tax credit for predevelopment infrastructure, environmental cleanup, and site development costs. Credits are awarded on a first-come, first-served basis, up to the current authorized aggregate cap of $4 million.

With the exception of owner-occupied use, developers of any of the three divested historic complex case study properties could be eligible and use these credits, as all of the divested Maryland Historic Complex study sites are listed on the National Register of Historic Places.

Maryland's Historic Revitalization tax credits are extremely low compared to other states and disproportionate in size to the size of the need for the redevelopment of former state-owned complexes.

It is possible to combine both credits for a project and also to phase a project over a period of years and segments, e.g. obtain the Small Commercial credit for a hazard mitigation phase of the project, followed by the rehabilitation phase which could be achieved through single or multiple phase Competitive Commercial or Small Commercial projects. Two years ago, the state statute for the program was revised to allow separate tax credit applications for individual parcels within a historic complex, rather than requiring a single application for the entire site, with all its limitations and caps. It is worth noting that the federal tax credit would still treat the multiple parcels as a single project.

Due to the scale of the properties, a single phase of one or more buildings can have eligible redevelopment costs easily exceeding $50 million which would exceed the cap for the entire program in one year.

Even by phasing the redevelopment of an historic complex, Maryland's existing Competitive Commercial Historic Revitalization Tax Credit Program is not structured to benefit the adaptive reuse of large former state-owned complexes. Maryland has a $3 million per-project cap and an annual appropriated cap that has averaged only $9 million over the past several years. These caps force the State's program to distribute tax credit allocations competitively and in relatively small amounts compared to the federal historic tax credit and other state tax credit programs studied for this report.

The National Trust for Historic Preservation recently completed an inventory of all state historic tax credit programs and provided a state-by-state comparison[12] According to this inventory, there are 34 states that have state historic tax credits and among these 16 have no annual aggregate cap on the total dollar pool of tax credits available. The 18 states which do have a cap on the use of the program average $25 million compared to the $9 million appropriated by the State of Maryland. Most states do not have an annual per-project cap but for most of those which do, it is $5 million, compared to Maryland's per-project cap of $3 million.

Other states also have special programs for specified types of historic resources. For example, the percentage of available tax credit in New York is increased to 25 percent of qualified rehabilitation expenditures (QRES) for barns, in South Carolina to 25 percent for mills, and in North Dakota to 25 percent for projects in Renaissance Zones. An extra 5 percent is added to the existing tax credit in North Carolina for "target areas or sites."

In Ohio, the legislature removed its $5 million per-project cap and established a special "catalytic" category of state tax credits, available once per biennial (every two years). This catalytic category makes one competitive $25 million tax credit available for large projects every two years. According to a State of Ohio program representative interviewed by the Consultant Team, the intent of the catalytic tax credit program was to incentivize the redevelopment of large projects such as the Goodyear Headquarters in Akron and the May Department Store in Cleveland. The first project to receive a catalytic tax credit of $25 million was the rehabilitation of the Music Hall in Cincinnati. Ohio has also established a state New Market Tax Credit program and noted that the state historic tax credit is often used with the state's Low-Income Housing Tax Credit Program (LIHTC). Tax incentives are important because they help fill the financial gap, provide equity to the owner and incentivize and monetize historic preservation.

STATE HISTORIC GRANTS AND LOANS

Maryland's historic grants and loans are too small to be significant to drive private sector investment.

Historic Preservation Capital Grants. MHT accepts applications on an annual basis for grants to fund the acquisition of, rehabilitation or restoration of, or pre-development costs for properties listed on or eligible for the Maryland Register of Historic Properties. Non-profits, businesses, local governments, and individuals are eligible to apply, though only non-profits and local governments may claim pre-development costs as eligible costs. All applicants, except for non-profits, must match grant funds dollar-for-dollar. To be competitive, applications must demonstrate that the proposed project will have a strong public benefit. All grant recipients must convey an easement to MHT. Each grant is capped at $100,000, and, in the Fiscal 2019 application year, the program was capped at $600,000, making this program of limited use for redevelopment of the three state-owned study complexes unless the appropriated amount is increased.

Historic Preservation Loan Program. MHT accepts applications on a rolling basis for loans to fund the acquisition, rehabilitation, and refinancing of properties on or eligible for the Maryland Register of Historic Properties. Select pre-development costs are also

[12] Understanding State Historic Tax Credits, National Trust for Historic Preservation, November 2018, see pages 30-32.

considered an eligible use. Applicants may be businesses, non-profits, individuals, or local governments. Businesses and individuals must demonstrate that private-sector financing cannot be obtained for the proposed project.

Loans are offered up to the available balance of the loan fund at the time of application but may not exceed the lesser of (a) 90 percent of the purchase price of the property or (b) 80 percent of the appraised value of the property for acquisition projects. For rehabilitation projects, loans are capped at the lesser of (a) 80 percent of the post-rehabilitation appraised value of the property or (b) 100 percent of project costs.

The three Maryland case study properties are eligible to apply for MHT capital loans. However, a project owned by a business entity or individual would only be eligible for a loan if private sector financing cannot be obtained for the proposed project. Further, the amount of funding available through the loan program annually (approximately $300,000) is negligible compared to the need for the redevelopment of these three Maryland state-owned complexes.

PROPERTY ASSESSED CLEAN ENERGY (PACE)

Maryland Clean Energy Center; PACE Financial Servicing, LLC

Nonresidential properties in most Maryland counties are eligible to finance improvements including solar panel installation and HVAC upgrades through the state's Property Assessed Clean Energy (PACE) system. These improvements are paid for up front by a capital provider registered with the state; over time, lenders are repaid through a special property tax assessment. Most participating counties entrust administration to the state through MD-PACE which is a partnership between the Maryland Clean Energy Center (MCEE) and the PACE Financing Program. Prince George's and Montgomery counties administer their own PACE programs. All three case study properties lie in counties with an active PACE program and would be eligible for participation. A PACE-like financing tool for historic preservation created for historic state-owned complexes could provide private capital providers for upfront financing to commercial property owners for qualifying improvement projects and collect the repayment through annual or semi-annual surcharges on the property's tax bill.

ENERGY SAVINGS PERFORMANCE CONTRACTS (ESPC)

Maryland Board of Public Works

The Board of Public Works approved an Indefinite Delivery Contract for nine energy service companies (ESCOs) that compete on Energy Performance Contracts (EPCs) to develop and implement comprehensive energy efficiency and guaranteed savings programs for state government facilities. The ESCOs identify cost savings, infrastructure modernization, sustainability and revenue enhancement opportunities and implement a bundle of efficiency and technology improvements to be funded by project savings. These energy programs may be extended to state-owned complexes which are leased from the state of Maryland. Rhode Island has found ways to return energy to the grid from state facilities through the use of ESCOs.

Performance contracting, also known as Energy Savings Performance Contract (ESPC) or a Guaranteed Energy Savings Contract, is a valuable tool for achieving infrastructure modernization, budget reduction, efficiency, and sustainability goals without the need

for upfront capital expenditure. Performance contracts are budget neutral. Project costs are paid for by the guaranteed savings realized from efficiency upgrades. ESCOs may be a way to reduce infrastructure costs for the three study complexes.

MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY AND FUND (MEDAAF)

Maryland Department of Commerce

Also known as Advantage Maryland, MEDAAF offers five financing opportunities to businesses and local governments. Applicants for all these programs must be located in a Priority Funding Area. All three case study sites, Warfield, Glenn Dale and The Tome School are located in Priority Funding Areas.

Maryland's MEDAAF has substantial opportunity to "tweak" existing programs in a way that drives historic preservation AND economic development.

Strategic Economic Development Opportunities. Projects that provide significant economic development on a state or regional level are eligible for low-interest loans that can be used for land acquisition, infrastructure improvements, buildings, fixed assets, leasehold improvements, and working capital.

Local Economic Development Opportunities. Projects that provide significant economic development on a local level are eligible to receive loans, conditional loans, or grants through MEDAAF. This assistance can be used for land acquisition, infrastructure improvements, buildings, fixed assets, leasehold improvements, and working capital. The jurisdiction in which the project is to take place must sponsor the project and provide a guarantee, direct loan, or grant in an amount equal to at least 10 percent of the financial assistance provided by the state.

Direct Assistance to Local Jurisdictions or Maryland Economic Development Corporation (MEDCO). Through MEDAAF, the state may provide up to $3 million in assistance to local governments or MEDCO in the form of a loan, conditional loan, or grant. Funds may be used for purposes including land acquisition, infrastructure improvements, acquisition of fixed assets, leasehold improvements, up to 70 percent of the cost of a feasibility study, and up to 50 percent of the cost of preparing a local economic development strategic plan.

Regional or Local Revolving Loan Fund. Local jurisdictions may receive up to $250,000 in grants annually to capitalize revolving loan funds (RLFs) and must match contributions from the state. RLFs may offer assistance in the form of loans, loan guarantees, or interest subsidies.

Special Purpose Programs. In addition to the above programs, MEDAAF offers grants and loans on a competitive basis to projects engaged in a range of activities, including brownfields redevelopment and arts and entertainment districts. Projects must be determined by the state legislature to be critical to Maryland's economic health and development.

ENTERPRISE ZONES TAX CREDITS

Maryland Department of Commerce

One million dollars of construction dollars spent on the rehabilitation of historic buildings generates 10-12 more jobs than one million dollars of new construction.

Businesses located in a designated Maryland Enterprise Zone may claim a one-time $1,000 state income tax credit for each new qualifying employee filling a newly created position. The rehabilitation of the three divested state-owned complexes could be centers for workforce development. Building rehabilitation projects are *very* labor intensive. That is because the division of costs of building rehabilitation projects are 60 percent for labor and 40 percent for materials in comparison to new construction which is 40 percent labor and 60 percent materials. The money paid for labor costs is more likely to stay in the state vs. the money paid for materials costs which is dispersed nationally and internationally. Businesses hiring "economically disadvantaged employees" may claim credits over three years, the amount of which declines from $3,000 to $1,000. An economically disadvantaged employee is one who, prior to becoming employed, was unemployed for at least 30 consecutive days and is eligible to participate in workforce training under the Workforce Innovation and Opportunity Act or is otherwise certified by the Maryland Department of Labor. These credits may not be combined for a single employee.

Preservation Maryland has just been chosen to receive one of ten social innovation prizes from the J.M. Kaplan fund in New York for its program, entitled "The Campaign for Historic Trades" which bridges the gulf between preservation and job creation. The rehabilitation of the three divested state historic complexes will generate hundreds of jobs in the historic trades. These projects should be looked upon and supported by the MD Department of Commerce as a center for workforce development.

Across the construction field, estimates suggest that at least 200,000 more workers are needed to meet current demand nationwide. The Campaign for Historic Trades addresses this challenge. In partnership with the National Park Service and its Historic Preservation Training Center in Frederick, MD. The Campaign supports six months of paid, on-the-job instruction in one of America's national parks, plus post-training job placement services. By focusing recruitment on recent veterans and young adults, the Campaign also meets a need for greater diversity within the preservation field. The current and future divested historic complexes could and should be viewed as workforce development centers for the historic trades which provide good paying jobs to Marylanders while protecting the state's heritage.

In addition, businesses in an Enterprise Zone enjoy a ten-year credit against local real property taxes on property expansions, renovations, or capital improvements within an Enterprise Zone which benefits developers. This credit amounts to 80 percent of eligible assessed value in the first five years of the program and decreases by 10 percentage points annually over the following five years. To receive credits, businesses must be certified as eligible by the zone's local administrator.

None of the three case study properties currently lies within an Enterprise Zone. However, any political subdivision in the state of Maryland may seek Enterprise Zone designation for an area within its borders experiencing elevated unemployment, elevated poverty, relatively low income, or depopulation leading to economic decline. The Maryland Secretary of Commerce reviews

petitions twice annually and may award up to six Enterprise Zone designations each year. Of the three sites, The Tome School site may best meet the state's criteria, but this has not been confirmed by the Consultant Team. All three sites have certainly experienced elevated unemployment upon closure of the facilities and should be designated by the Secretary of Commerce as Enterprise Zones.

ENTERPRISE ZONE FOCUS AREA TAX CREDITS

Maryland Department of Commerce

Portions of an Enterprise Zone that are designated "Focus Areas" provide businesses with expanded income tax credits ($1,500 for each new job , or an amount ranging from $4,500 to $1,500 over three years for Economically Disadvantaged Employees) as well as a ten-year, 80-percent credit on eligible investments in real and personal property.

Focus Areas must satisfy at least three criteria denoting economic disadvantage, including elevated unemployment, elevated poverty, relatively high rates of crime, high incidence of substandard housing, and high commercial vacancy. The Secretary of Commerce reviews applications for Focus Zone designation concurrently with Enterprise Zone applications. It is unlikely that the three sites would meet these criteria, but other state-owned historic complexes may quality and this incentive program could be attractive to businesses located in historic complexes formerly owned by the federal or state government.

NEW MARKETS TAX CREDITS

U.S. Department of the Treasury, Community Development Financial Institutions Fund (CDFI Fund)

The New Markets Tax Credit (NMTC) program grants individual and corporate investors a credit against their federal income tax for investing in certified Community Development Entities (CDEs), which, as their primary mission, serve low-income communities. CDEs can include banks, developers, non-profit service providers, and local governments. The tax credit totals 39 percent of the investor's initial CDE investment and is claimed over seven years.

To become certified as a CDE, an organization must submit a CDE Certification Application to the U.S. Department of Treasury Community Development Financial Institutions Fund for review. The application must demonstrate that the applicant meets each of the following requirements to become certified:

- Be a legal entity at the time of application;
- Have a primary mission of serving Low Income Communities; and
- Maintain accountability to the residents of its targeted Low-Income Community.

More than 15 states also have a state New Markets Tax Credit Program that mirrors the federal program. Developing a Maryland program is likely to bring in more federal money for these projects to the state.

Approximately $1.3 billion in credits were authorized in 2017, and legislation is pending to permanently authorize the program with a higher cap. Authority to issue NMTCs is allocated annually to CDEs throughout the U.S.

To be eligible for the NMTC program, investments must fund projects located in census tracts that have a median income less than or equal to 80 percent of area median income (AMI) and/or a poverty rate greater than or equal to 20 percent. The census tract containing The Tome School site qualifies with median income of 78.26 percent of AMI, based on 2011 records.

Based on 2015 ACS data the census tracts containing the other two case study sites do not qualify by either measure, but are unlikely to qualify in the future, as both have median incomes of more than 125 percent AMI and poverty rates below 10 percent.

LOW-INCOME HOUSING TAX CREDIT (LIHTC)

U.S. Department of the Treasury

The federal Low-Income Housing Tax Credit program is popular in Maryland and can be used to finance affordable housing, and these credits have been combined with federal historic tax credits to fund adaptive reuse projects with an affordable housing component. The allocation of 9% LIHTCs is competitive in Maryland. The competition is based on a rating of the project in the state's Qualified Allocation Plan. To qualify for this program, the three case study complexes should be designated as Community Impact Projects for 16 max points. See 4.2.1 in the Qualified Allocation Plan for Maryland under the Maryland multifamily financing program guide to enable these projects to compete well in the ranking for the allocation of the LIHTC in Maryland.

There is also a 4% Low-Income Housing Tax Credit which is not competitive and readily available in Maryland. Many developers of historic building complexes such as the three study sites combine the low-income housing tax credits with the federal and state tax credits for historic buildings to increase the profitability of the development project. There is also an enhancement of the Maryland Historic Revitalization Credit for use with the Low-Income Housing Tax Credit.

BROWNFIELDS REVITALIZATION INCENTIVE PROGRAM (BRIP) AND VOLUNTARY CLEANUP PROGRAM

Maryland Department of Commerce; Department of the Environment

Potential purchasers and current owners of brownfield properties may receive financial assistance (in the form of grants or low-interest loans) to conduct environmental assessments necessary to enter Maryland's Voluntary Cleanup Program or Oil Control Program.

Properties that qualify for either program may receive assistance for up to 70 percent of rehabilitation costs. In addition, these properties are eligible to receive a local real property tax credit of 50 percent to 70 percent of the increased value of the site for a five-year period. The funds can help limit liability of future landowners, fund a soils management plan and provide incentives in the form of favorable loans and potential property tax abatement. If the site is located in an Enterprise Zone, this tax credit may be extended for an additional five years.

The definition of a brownfield site is "real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant."

All three of the divested Maryland historic complex study sites should be designated Enterprise Zones so that they can access the funding from BRIP and Voluntary Cleanup Program.

A site that qualifies for this incentive program may qualify for real property tax credits as well. The site must be located in a jurisdiction that participates in BRIP and be owned by an inculpable person. For five years after cleanup, a site may qualify for a real property tax credit between 50 percent and 70 percent of the increased value of the site. (In an Enterprise Zone, the tax credit may last for up to 10 years). This credit, combined with other real property tax credits, may not exceed 100 percent of the tax on the increased value of the site.

Maryland's MDHCD has an opportunity to work with these historic complexes as sustainable communities that need revitalization, funding for non-profits, and attracting new businesses.

None of the three case study sites has yet received a brownfield designation needed to qualify for rehabilitation assistance and the property tax credit. It is unclear whether the Warfield site would qualify for BRIP even if designated a brownfield; Carroll County does not specify whether it participates in the incentive program. The Glenn Dale and The Tome School sites, however, would certainly be eligible, as both Prince George's County and Cecil County participate in the program.

NEIGHBORHOOD BUSINESSWORKS

Maryland Department of Housing and Community Development

Maryland-based small businesses, local development corporations, and non-profit organizations engaged in community revitalization are eligible to apply for low-cost financing through the Neighborhood BusinessWorks program. Up to $5 million is available for the construction and permanent financing of commercial and mixed-use projects, as well as for the acquisition or refinancing of stabilized, performing commercial and mixed-use facilities. Up to $3 million is available for the construction, acquisition, or rehabilitation of facilities that are to be occupied or used by qualified nonprofits. Applications will be evaluated on the basis of their viability and contribution to the surrounding neighborhood; their readiness to proceed if assistance is granted; and their cash flow and collateral. Preference is given to projects with ground-floor retail or business uses that generate street-level activity, and to projects that improve a vacant or underutilized site. BusinessWorks loans provide flexible gap financing to small businesses locating or expanding in locally designated neighborhood revitalization areas.

All three case study complexes lie within a MD sustainable community and priority funding area and could use this program to reuse historic buildings for business or mixed use.

COMMUNITY LEGACY

Maryland Department of Housing and Community Development

The Community Legacy program provides local governments and community development organizations with funding for projects aimed at strengthening communities through activities including business retention and attraction, mixed-use development, streetscape improvements, and real estate acquisition.

To qualify for the program, communities must receive Sustainable Communities designation through DHCD. Municipal or county governments must (a) define a geographic area with an existing built environment that needs revitalization or state investment to strengthen the local market, and (b) present a Sustainable Community Action Plan that includes initiatives and programs for the revitalization of the designated area.

Though not yet designated as Sustainable Communities, all three complexes fulfill the criteria as places where public and private investments and partnerships achieve development of a healthy local economy, protection and appreciation of historical and cultural resources, a mix of land uses, affordable and sustainable housing and employment options, growth and development practices that protect the environment and conserve air, water and energy resources, encourage walkability and recreational opportunities and, where available, enhance access to transit.

None of the three case study sites is currently located in a Sustainable Community, though The Tome School and Warfield sites sit close to the borders of existing Sustainable Communities. These designations expire in 2020 and 2022, respectively; when they do, local governments may request designation.

MARYLAND ENVIRONMENTAL SERVICES

MES is a not-for-profit entity which provides expertise, services and solutions on a for fee basis for environmental mitigation ranging from water and water treatment, remediation of asbestos, siting solar building sites, wetlands remediation, energy audits, and environmental testing and compliance. MES does not provide funding. They can complete testing and evaluation for a site such as testing of soil, air, asbestos or lead. MES defines the needed scope of work, offers oversight and management and shortens the procurement process for completing environmental work. They could act like an owner's representative and may be a good partner to the Consultant Team's recommended pre-disposition team.

CREDIT ENHANCEMENT AND LEASING

Lenders underwrite the credit of tenants to make sure they will reliably pay rent and operating expense reimbursements. Projects located in weaker markets will need to lease space to non-credit tenants. One of the most effective ways the local or state government could support development projects is to provide long term credit leases to provide services, generate economic activity and support project financing.

MARYLAND COMMERCE AND TEDCO

MD Commerce is charged with bringing in or bringing back companies to Maryland and finding places for relocation. Commerce could promote the state-owned historic complexes as green, sustainable, walkable choices because of the embodied energy in the historic buildings and cultural landscapes which provide recreational opportunities for employees. The revitalization of historic complexes outside of Maryland such as the Presidio of San Francisco has drawn information technology companies such as Industrial Light, & Magic and Pixar to occupy spaces in old buildings because they are unique spaces which allow easy access to hiking, biking

and nature from the workspace. A priority for TEDCO is to fund scalable start-up companies less than 2 years old in the Builder Fund and attract tech startup and cybersecurity companies. The redevelopment of old state-owned complexes provides excellent space for small companies as tenants to work collaboratively with other small companies within the same complex.

The Maryland Technology Economic Development Corporation Innovation Infrastructure Fund (TEDCO) funds development of spaces and programs supporting entrepreneurs, start-ups and technology transfer. They should target the case study state-owned complexes to support these kinds of activities.

MARYLAND STRATEGIC DEMOLITION FUND

The existing Maryland Strategic Demolition Fund targets projects that are located inside or outside Baltimore in Sustainable Communities within Priority Funding Areas. All three case study complexes, Warfield, Glenn Dale and The Tome School are eligible for the program. Funds are targeted at projects that can have a high economic and revitalization impact. Eligible projects are demolition of derelict old buildings which do not contribute to the historic significance of a complex or historic district, site acquisition and assembly of land to create redevelopment sized parcels for solicitation or planned site development. The funds may also be used for construction-level architectural and engineering designs.

This program could be used to provide upfront demolition of non-contributing structures, features and environmental abatement. The money could also be used to remove furniture, later additions, graffiti, etc. in an effort to remove the perception of risk for marketing the property to developers.

This program could be a very important existing Maryland incentive program which could be part of the Historic Preservation Incentive Package for the redevelopment of former state-owned historic complexes. Demolition of entire complexes with money from this program is not appropriate, however the program could be expanded to include upfront demolition of non-contributing historic structures, non-contributing features and environmental abatement.

LOCAL GOVERNMENT INSURANCE TRUST (LGIT)

The LGIT might be an excellent tool that could be used by local government for environmental impairment liability for the three MD complexes which were studied. Insuring through LGIT might provide a source of funds to limit liability for future landowners of former state historic complexes and could provide mitigation funds for previously unknown or undetected hazardous materials discovered on redevelopment sites during the construction process.

Since 1987, local government entities in the state of Maryland have covered their primary and excess liability, auto, environmental, property, boiler and machinery through the Local Government Insurance Trust (LGIT). LGIT was founded by the Maryland Association of Counties (MACo) and the Maryland Municipal League (MML) in answer to difficulties towns, cities and counties then faced in securing affordable insurance. LGIT is a member-owned association authorized by state law, wholly owned and managed by its local government members. The Trust's main purpose is to provide joint self-insurance programs or pools for towns, cities

and counties in the state of Maryland. The concept is simple - rather than paying premiums to buy insurance from an insurance company, local governments contribute those premiums into a jointly owned fund. The money in that fund is used to pay for the members' claims, losses and expenses.

OTHER STATE AND LOCAL INCENTIVES

Mills Act Program

Historic property owners in the state of Washington and California are eligible for tax relief through the Current Use Taxation or Mills Act Program. Both states establish a "current use" property tax assessment for qualifying property that is lower than the "highest and best use" assessment level that is applied to most land in the community.

The reduction in taxable value ranges from 50 to 90 percent for the portion of the property in "current use." For example, an historic property which may have a former hospital located on it and will be converted into housing will be taxed for the housing use, not the high rise commercial use which may be the zoning of the land upon which the historic hospital is located.

In addition, landmark property owners qualify for a 50 percent reduction in taxable value for the land buffers, special habitat, and the percentage may be higher. In California, the Mills Act benefit is executed through a contract between the property owner and local government for ten years. It provides property tax relief if the owner pledges to rehabilitate and maintain the historic property. It is especially beneficial to owners who have made major improvements. Valuations of Mills Act properties are determined by the income approach rather than the market approach. Tax savings are substantial- ranging from 40 to 60 percent of property tax annually. See California Code Article 12, Sections 50280-50290 and California Revenue and Taxation Code, Article 1.9 Sections 439-439.4. This legislation could greatly benefit and encourage the redevelopment of former state-owned historic complexes in Maryland.

The City of Boulder, Colorado has a waiver of city sales tax on construction materials which is available when applying for a building permit, if at least 30 percent of the value of materials is for the building's exterior (Section 3-2-6(w)).

Limitations

These findings and recommendation are based on a review of policies, guidance, and other governing regulations, as well as interviews with representatives at the identified complexes. This report provides specific commentary on several regulatory and policy and makes recommendations on approaches to rectify certain apparent barriers to redevelopment. The study was not exhaustive, and our recommendations are necessarily based upon the professional judgement of the Consultant Team. Some matters of importance may have been omitted. Further development of the recommendations is needed prior to implementation.

Appendix A: New State-Chartered Corporation or Reuse Authority

Existing State Department. This report recommends creation of a Historic Complex Divestment Team responsible for and exclusively focused on the preservation and disposition of state-owned and former federal-owned historic complexes. The roles and responsibilities of this team are more fully described on the following pages. The dedicated unit can be integrated into an existing Maryland department such as the departments of Planning, Housing and Community Development, or General Services. The Consultant Team has made a preliminary review of these options and noted potential pros and cons associated with each.

After consultation with the Steering Committee this analysis can be refined with additional stakeholder input.

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Department of Planning. Figure 1 presents an option to house the unit within the existing Maryland Department of Planning. The Historic Complex Team could be a separate division that draws support from other Planning divisions and units, including the Maryland Historical Trust.

Figure 1: Dedicated Unit in Maryland Department of Planning

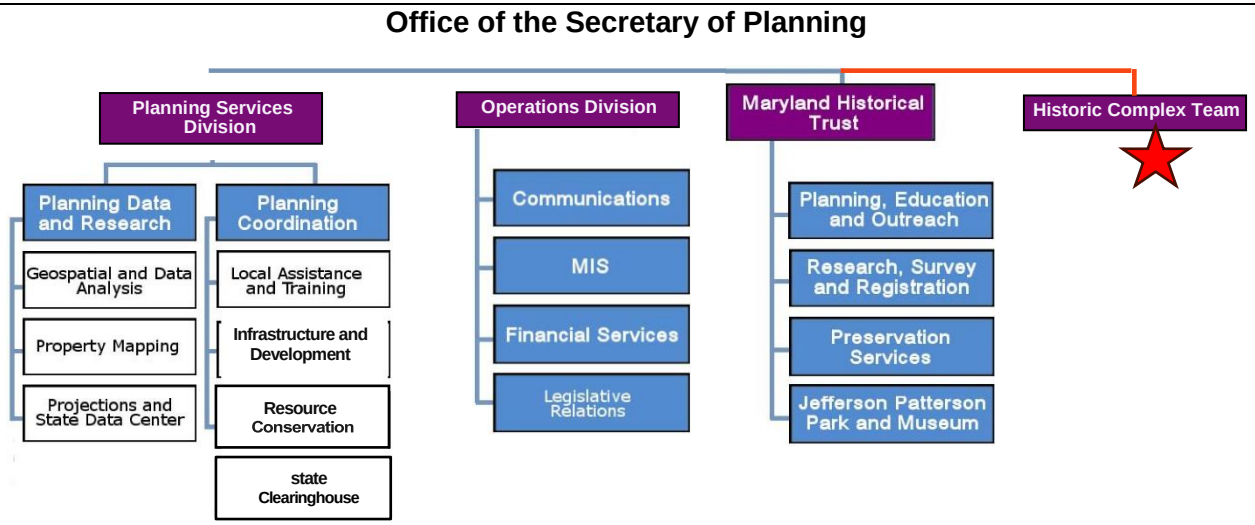
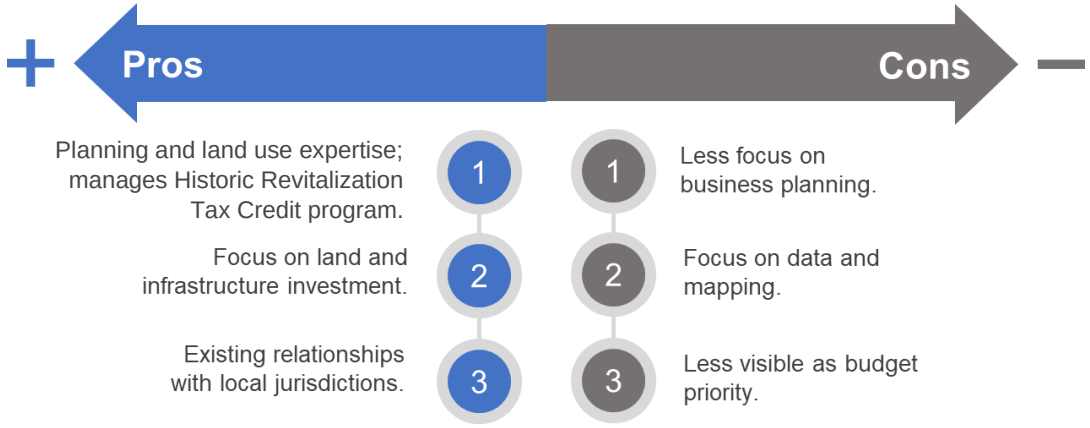


Figure 2: Pros and Cons - Maryland Department of Planning



Department of General Services. Figure 3 presents an option to house the unit within the existing Maryland Department of General Services. The Historic Complex Team could be a separate unit within the Real Estate Division.

Figure 3: Dedicated Unit in Maryland Department of General Services

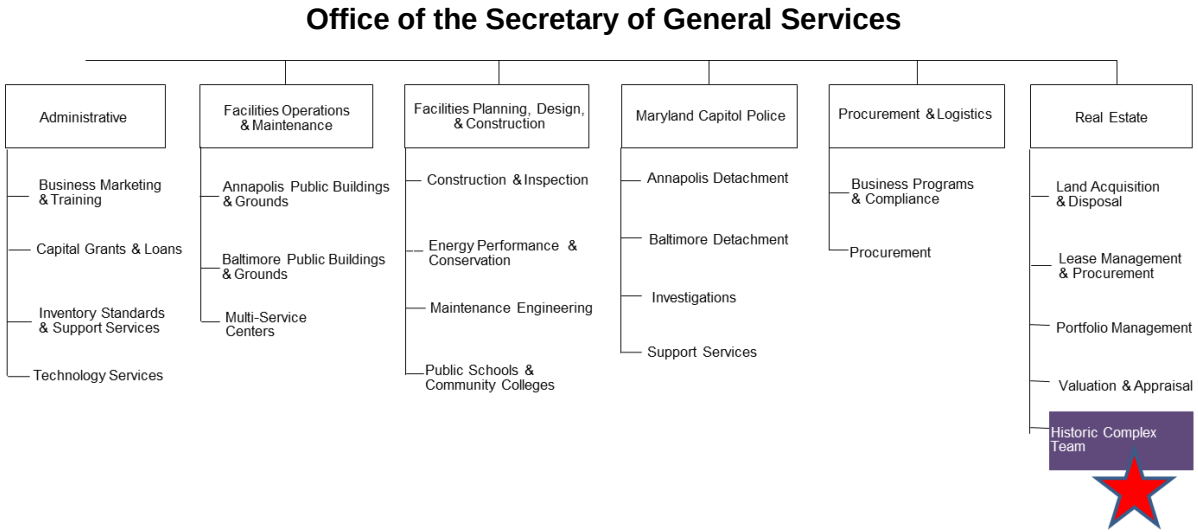
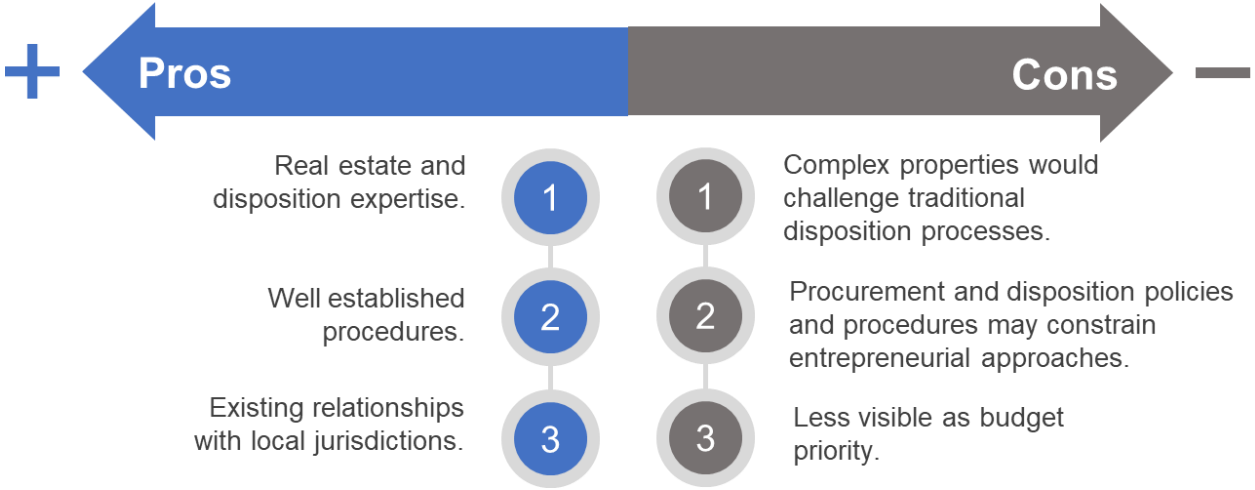


Figure 4: Pros and Cons - Department of General Services



Department of Housing and Community Development. Figure 5 presents an option to house the unit within the existing Maryland Department of Housing and Community Development. The Historic Complex Team could be a separate division such as "Historic Complex Redevelopment" that reports to the Office of the Secretary.

Figure 5: Dedicated Unit in Maryland Department of Housing and Community Development

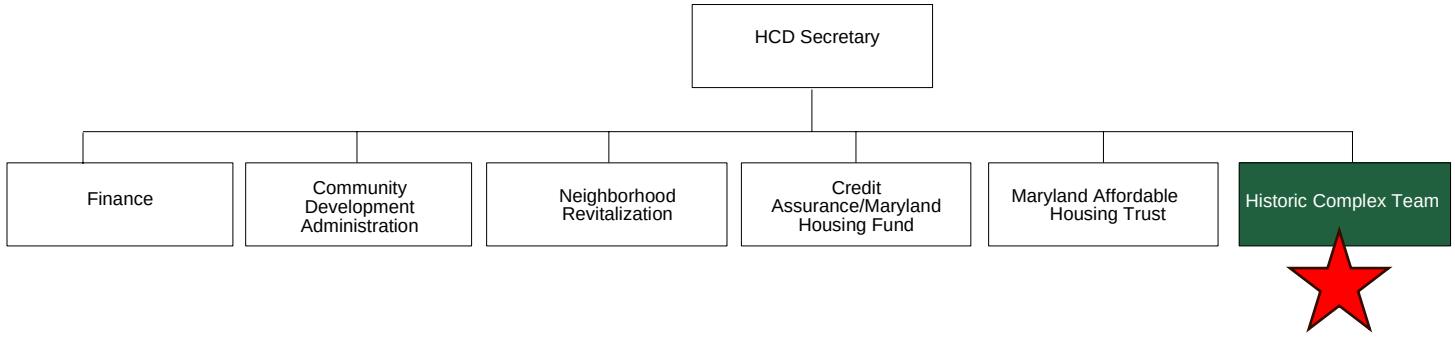
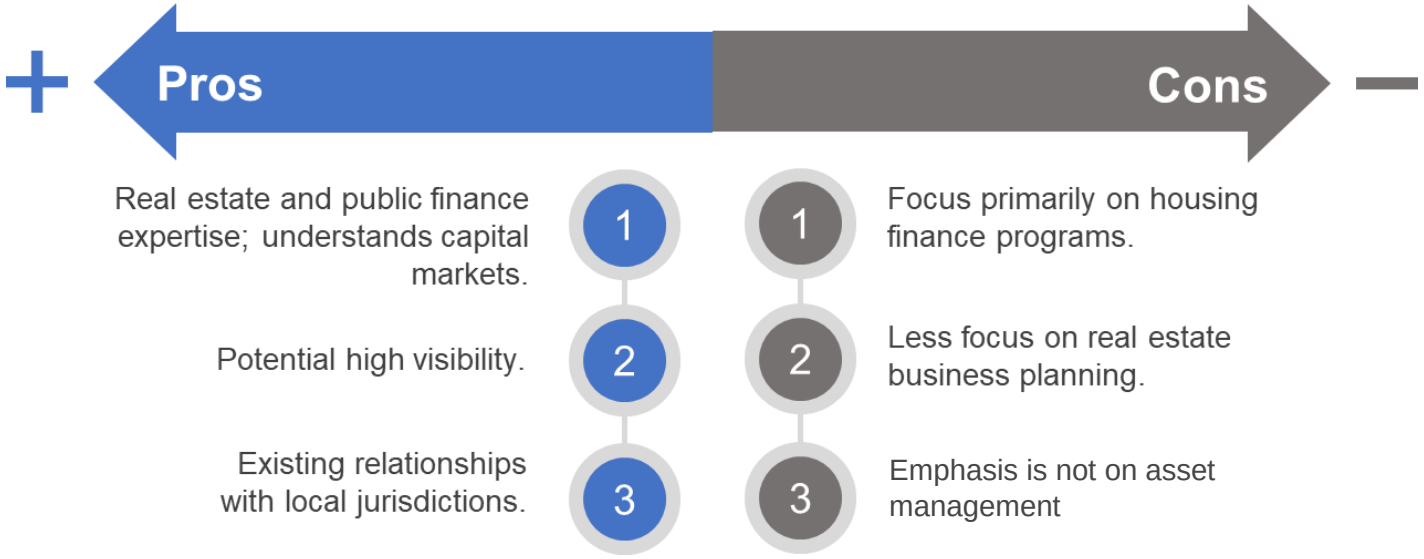


Figure 6: Pros and Cons - Department of Housing and Community Development



Dedicated Unit in MEDCO. Figure 7 presents an option to house the unit within the existing Maryland Economic Development Corporation. The Historic Complex Team could be a separate unit that works in partnership with a local development corporation established to implement redevelopment similar. This model is similar to the Bainbridge Development Corporation that is managed by MEDCO. The difference is that under this scenario, MEDCO would receive state appropriations to fund staff and contractors for the dedicated unit that would provide expertise to its local partner and lead due-diligence and pre-planning activities.

Figure 7: Dedicated Unit in MEDCO

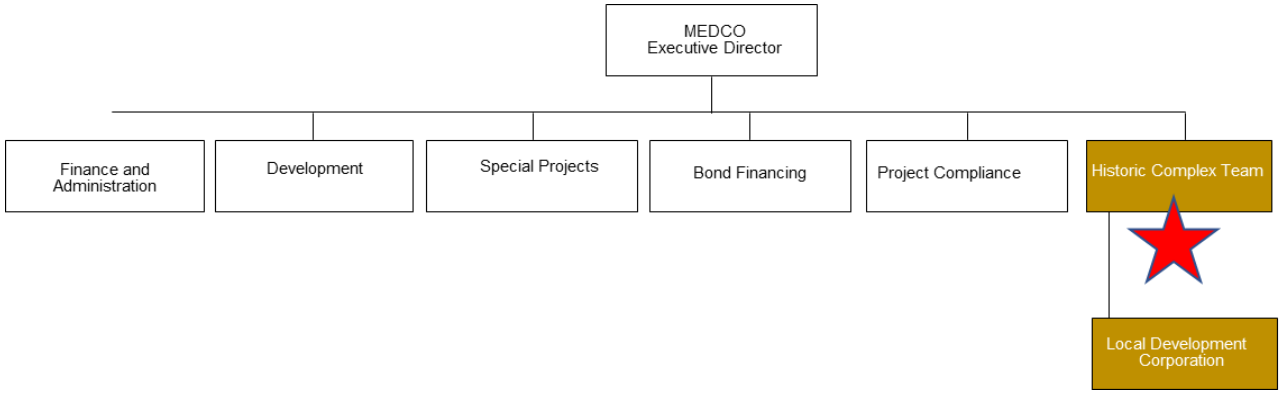
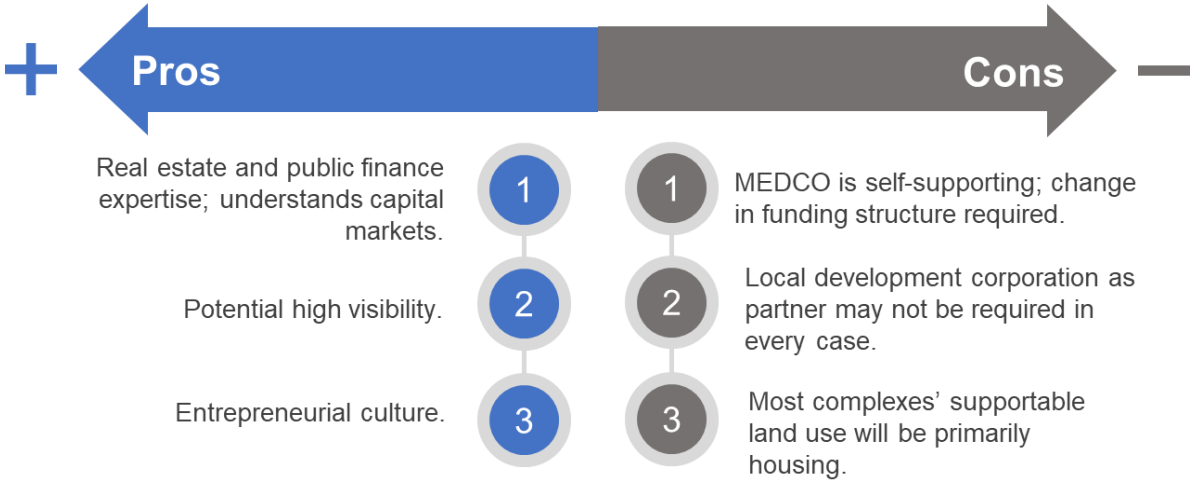


Figure 8: Pros and Cons - MEDCO



Maryland Environmental Service. Figure 9 presents an option to house the unit within the existing Maryland Environmental Service. The Historic Complex Team could be a part of the not-for-profit corporation and provide this service to the State of Maryland.

Figure 9: Dedicated Team in the Maryland Environmental Service

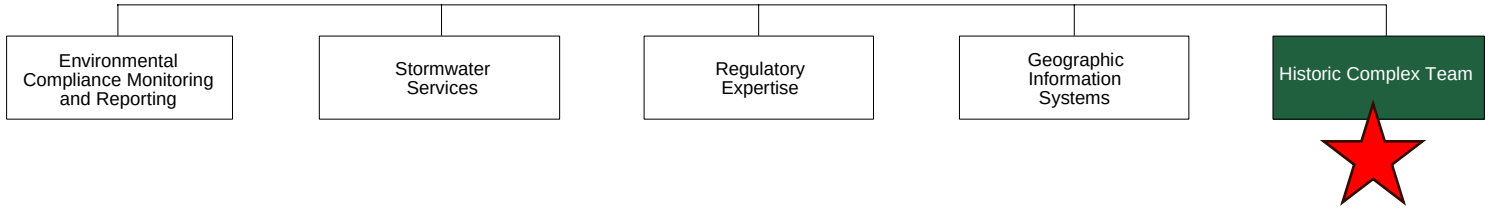
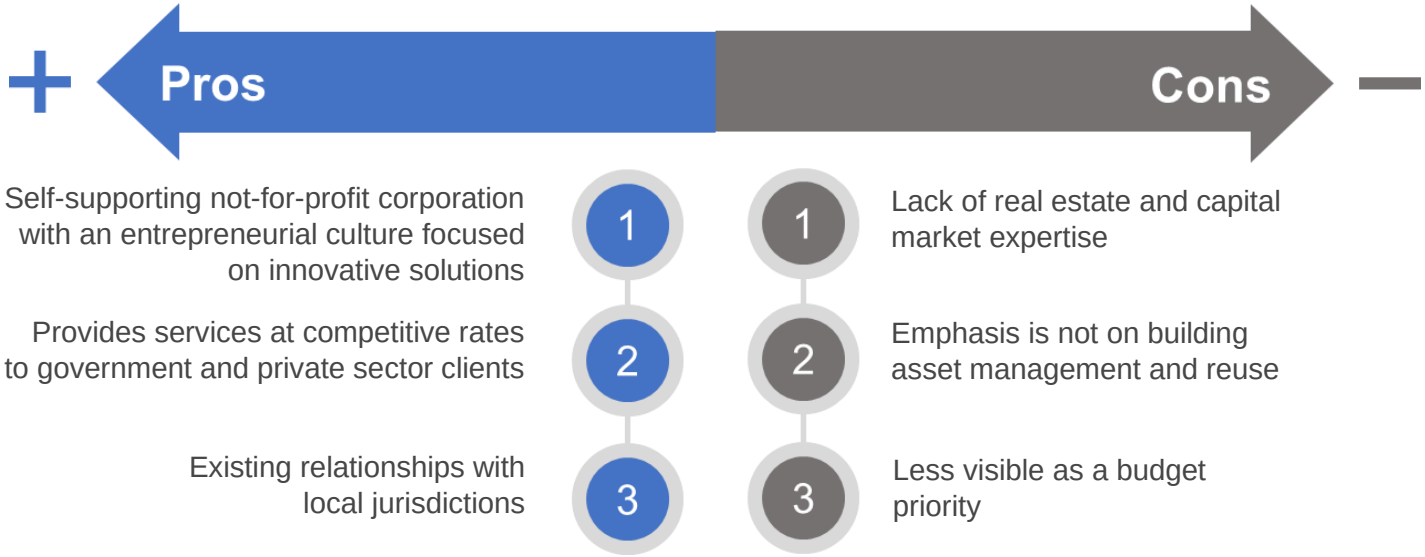


Figure 10: Pros and Cons – Maryland Environmental Service



Appendix B: *Table 5: Existing Programs and Resources*

Federal Rehabilitation Tax Credits

U.S. Department of the Interior	***Magnitude***	***Relevance***	***Comparison***	***Recommendation***
https://www.nps.gov/tps/tax-incentives.htm *The Federal Historic Tax Credit program, provides a 20 percent federal tax credit to property owners who undertake a substantial rehabilitation of a historic building in a commercial or other income producing use, while maintaining its historic character.*	*No cap on amount awarded if they are qualified rehabilitation expenditures.*	***Case Studies:*** *Applicable for all three historic properties, with the exception of residential owner-occupied use.* ***Other Clusters****: Applicable to other historic complexes.*	*Not applicable.*	*No change recommended.*

State Historic Tax Credits

Competitive Commercial Tax Credit	***Magnitude***	***Relevance***	***Comparison***	***Recommendation***
https://mht.maryland.gov/taxcredits_competitive_commercial.shtml *Owners of income-producing certified historic properties may apply to receive a state income tax credit equal to 20 percent of eligible qualified rehabilitation expenditures for projects that exceed either 50 percent of the basis value of the structure or $25,000, whichever is greater.*	*Per-project cap is currently $3 million and is subject to a program-wide cap that is subject to annual appropriations ($9 million average cap over last several years)*	***Case Studies:*** *Applicable for all three historic properties, but program caps are out of scale with costs and funding requirements.* ***Other Clusters:*** *Same.*	*Ohio offers a 25% income tax credit, $60 million annual aggregate cap, and $5 million annual per project cap with the exception of "catalytic" projects which are capped at $25 million. Virginia offers a 25% income tax credit and no annual aggregate nor per project cap.*	*Exempt historic complexes from aggregate and per project caps.*
Small Commercial Tax Credit	***Magnitude***	***Relevance***	***Comparison***	***Recommendation***
https://mht.maryland.gov/taxcredits_small_commercial.shtml *Owners of certified historic properties may receive a state income tax credit equal to 20 percent of qualified rehabilitation expenditures for projects that range from $5,000 to $500,000.*	*$50,000 per project cap and $4 million aggregate cap.*	***Case Studies:*** *Of limited use for case study properties; potential to fund hazardous material mitigation in project phases.* ***Other Clusters:*** *Same.*	*Not applicable.*	*Increase $4 million aggregate cap.*

State Historic Grants and Loans

	Magnitude	Relevance	Comparison	Recommendation
Historic Preservation Capital Grants https://mht.maryland.gov/grants_capital.shtml *Grant program to fund the acquisition of, rehabilitation or restoration of, or pre-development costs for properties listed on or eligible for the Maryland Register of Historic Properties. Non-profits, businesses, local governments, and individuals are eligible to apply.*	*$100,000 per project cap and $600,000 total program appropriation.*	***Case Studies:*** *Of limited use for case study properties.* ***Other Clusters:*** *Same.*	*Not applicable.*	*No change recommended.*
Historic Preservation Loan Program https://mht.maryland.gov/loans.shtml *Loan program to fund the acquisition, rehabilitation, and refinancing of properties on or eligible for the Maryland Register of Historic Properties.*	*The approximate annual appropriation to this program is $300,000. Loan limit is 90 percent of purchase price of the property or 80 percent of the appraised value of property; for rehabilitation projects, loans are capped at 80 percent of post-rehabilitation appraised value of the property or 100 percent of project costs.*	***Case Studies:*** *Applicable to the three case study properties, however, project owned by a business entity or individual would only be eligible for a loan if private sector financing cannot be obtained for proposed project.* ***Other Clusters:*** *Suited for nonprofit or local government properties.*	*Not applicable.*	*No change recommended.*

Property Assessed Clean Energy (PACE)

	Magnitude	Relevance	Comparison	Recommendation
Maryland Clean Energy Center; PACE Financial Servicing, LLC https://www.md-pace.com/ *Nonresidential properties in most Maryland counties are eligible to finance improvements including solar panel installation and HVAC upgrades through the state's Property Assessed Clean Energy (PACE) system. These improvements are paid for up front by a capital provider registered with the state; over time, lenders are repaid through a special property tax assessment.*	*Determined case by case.*	***Case Studies:*** *Applicable to the nonresidential development program components of all three case study properties.* ***Other Clusters:*** *Applicable to nonresidential properties.*	*Not applicable.*	*Explore creation of a PACE program targeting the use of private capital to finance rehabilitation and remediation of formerly state-owned historic complexes.*

Energy Savings Performance Contracts (ESPC)

Maryland Board of Public Works	Magnitude	Relevance	Comparison	Recommendation
Board of Public Works approved an Indefinite Delivery Contract for nine energy service companies (ESCOs) that compete on Energy Performance Contracts (EPCs) to develop and implement comprehensive energy efficiency and guaranteed savings programs for state government facilities.	*Determined through performance contracting, also known as Energy Savings Performance Contract (EPSC).*	***Case Studies:*** *Can be a method to reduce infrastructure costs for redevelopment.* ***Other Clusters:*** *Same.*	*Rhode Island has been able to structure rehabilitation programs with retention of power plant facilities and selling power to the grid. Can be a source of revenue.*	*Explore how this program can be applied under a ground lease conveyance scenario or retain fee ownership of power plant facility.*

Maryland Economic Development Assistance Authority and Fund (MEDAAF)

Strategic Economic Development Opportunities	Magnitude	Relevance	Comparison	Recommendation
https://commerce.maryland.gov/fund/programs-for-businesses/medaaf *Projects that provide significant economic development on a state or regional level are eligible for low-interest loans that can be used for land acquisition, infrastructure improvements, buildings, fixed assets, leasehold improvements, and working capital.*	*Maximum assistance, provided directly to businesses or through MEDCO in form of a loan, cannot exceed the lesser of $10 million or 20 percent of the current fund balance.*	***Case Studies:*** *All three case study complexes are located within Priority Funding Areas.* ***Other Clusters:*** *Projects that provide significant economic development on a state or regional level.*	*Not applicable.*	*No change recommended.*

Local Economic Development Opportunities	Magnitude	Relevance	Comparison	Recommendation
https://commerce.maryland.gov/fund/programs-for-businesses/medaaf *Projects that provide significant economic development on a local level are eligible to receive loans, conditional loans, or grants through MEDAAF. This assistance can be used for land acquisition, infrastructure improvements, buildings, fixed assets, leasehold improvements, and working capital.*	*MEDAAF funded $11.1 million in FY 2018.*	***Case Studies:*** *All three case study complexes are located within Priority Funding Areas.* ***Other Clusters:*** *Projects that provide significant economic development on a local level.*	*Not applicable.*	*No change recommended.*

Direct Assistance to Local Jurisdiction or Maryland Economic Development Corporation (MEDCO) https://commerce.maryland.gov/fund/programs-for-businesses/medaaf *Assistance to local governments in the form of a loan, conditional loan, or grant. Funds may be used for purposes including land acquisition, infrastructure improvements, acquisition of fixed assets, leasehold improvements, up to 70 percent of the cost of a feasibility study, and up to 50 percent of the cost of preparing a local economic development strategic plan.*	***Magnitude*** *Up to $3 million to local governments or MEDCO in form of loan, conditional loan, or grant.*	***Relevance*** ***Case Studies:*** *All three case study complexes are located within Priority Funding Areas.* ***Other Clusters:*** *Local government or MEDCO projects.*	***Comparison*** *Not applicable.*	***Recommendation*** *No change recommended.*
Regional or Local Revolving Loan Fund *https://commerce.maryland.gov/fund/programs-for-businesses/medaaf* *Local jurisdictions may receive up to $250,000 in grants annually to capitalize revolving loan funds (RLFs) and must match contributions from the state. RLFs may offer assistance in the form of loans, loan guarantees, or interest subsidies.*	***Magnitude*** *Up to $250,000 in grants annually and must match contributions from the state.*	***Relevance*** ***Case Studies:*** *All three case study complexes are located within Priority Funding Areas, however the $250,000 is small give scale of the three case studies.* ***Other Clusters:*** *Projects that provide significant economic development on a state or regional level.*	***Comparison*** *Not applicable.*	***Recommendation*** *No change recommended.*
Special Purpose Programs *https://commerce.maryland.gov/fund/programs-for-businesses/medaaf* *MEDAAF offers grants and loans on a competitive basis to projects engaged in a range of activities, including brownfields redevelopment and arts and entertainment districts.*	***Magnitude*** *This amount varies. In FY 17 and 18, there were no settle transactions or funding appropriated, however, FY 16 $125,000 was awarded to one art/entertainment project and FY 15 $855,000 was awarded to two art/entertainment projects and five brownfield projects.*	***Relevance*** ***Case Studies:*** *Projects must be determined by the state legislature to be critical to Maryland's economic health and development.* ***Other Clusters:*** *Same.*	***Comparison*** *Not applicable.*	***Recommendation*** *Consider appropriations for historic complexes.*

Enterprise Zones Tax Credits

Maryland Department of Commerce	Magnitude	Relevance	Comparison	Recommendation
https://commerce.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit *Businesses located in a designated Maryland Enterprise Zone may claim a one-time $1,000 state income tax credit for each new qualifying employee filling a newly created position.*	*Statewide expenditures on Enterprise Zone Tax Credits (including Enterprise Zone Focus Area Tax Credits) averaging $26.1 million annually.*	***Case Studies:*** *Per eligibility requirements, none of the three case study properties are located within designated Maryland Enterprise Zones but can petition and seek for Enterprise Zone designation and eligibility if area is experiencing elevated unemployment, poverty, relatively low-income, or depopulation leading to economic decline. Currently the Tome School site deems to be the most promising since the site best meets the State's criteria.* ***Other Clusters:*** *Projects may be considered if they lie within a designated Maryland Enterprise Zone.*	*Not applicable.*	*Explore making all former state and federal owned properties designated as Maryland Enterprise Zones*

Enterprise Zone Focus Area Tax Credits

Maryland Department of Commerce	Magnitude	Relevance	Comparison	Recommendation
https://commerce.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit *$1,500 income tax credit for each new job or $1,500 to $4,500 over three years for Economically Disadvantaged Employees, as well as a ten-year, 80 percent credit on eligible investments in real and personal properties.*	*Statewide expenditures on Enterprise Zone Tax Credits (including Enterprise Zone Focus Area Tax Credits) averaging $26.1 million annually.*	***Case Studies:*** *Three case study sites would not be applicable.* ***Other Clusters:*** *State-owned historic complexes may qualify if they fit criteria that denotes economic disadvantage, including elevated unemployment, poverty, relatively high rate of crime, high incidence of substandard housing, and high commercial vacancy.*	*Not applicable.*	*No change recommended.*

New Markets Tax Credits

U.S. Department of Treasury, Community Development Financial Institutions Fund (CDFI Fund)	Magnitude	Relevance	Comparison	Recommendation
https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx *The New Markets Tax Credit (NMTC) program grants individual and corporate investors a credit against their federal income tax for investing in certified Community Development Entities (CDEs), which, as their primary mission, serve low-income communities. CDEs can include banks, developers, non-profit service providers, and local governments. The tax credit totals 39 percent of the investor's initial CDE investment and is claimed over seven years.*	*Approximately $1.3 billion authorized annually.*	***Case Studies:*** *Tome School site is the only qualifying project based on AMI qualification.* ***Other Clusters:*** *Projects located in census tracts of less than or equal to 80 percent AMI and/or have a poverty rate greater than or equal to 20 percent can qualify.*	*Many states, such as Ohio, have created a state new market tax credit program which, when combined with state historic tax credit, federal rehabilitation tax credit, and nine percent LIHTC, are used to finance redevelopment of local historic complexes, such as the three historic sites used in study.*	*Support the development of Maryland-only Community Development Entities that maximize the use of the federal New Markets Tax Credits Program and Explore creation of a Maryland New Markets Tax Credits Program.*

Low-Income Housing Tax Credit (LIHTC)

U.S. Department of Treasury	Magnitude	Relevance	Comparison	Recommendation
https://dhcd.maryland.gov/HousingDevelopment/Pages/lihtc/default.aspx *The Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.*	*In 2019, there are $16.4 million estimated tax credits to be allocated.*	***Case Studies:*** *Potentially useful for development programs with affordable housing; can be combined with historic tax credits and/or new market tax credits.* ***Other Clusters:*** *Same.*	*Not applicable.*	*No change recommended.*

Brownfields Revitalization Incentive Program (BRIP) and Voluntary Cleanup Program

Maryland Department of Commerce; Department of the Environment	Magnitude	Relevance	Comparison	Recommendation
https://commerce.maryland.gov/fund/programs-for-businesses/brownsfields-tax-credit https://mde.maryland.gov/programs/Land/MarylandBrownfieldVCP/Pages/index.aspx *Potential purchasers and current owners of brownfield properties may receive financial assistance (in the form of grants or low-interest loans) to conduct environmental assessments necessary to enter Maryland's Voluntary Cleanup Program or Oil Control Program.*	*Receive up to 70 percent of rehabilitation costs of assistance and 50 to 70 percent of the increased value of the site for a five-year period of local real property tax credit.*	***Case Studies:*** *None of the three case study sites have received brownfield designation to qualify for program; however, while the Warfield site would not qualify, the Glenn Dale and tome School sites would be eligible since both Prince George and Cecil County participates in BRIP.* ***Other Clusters:*** *Projects may be eligible if the site is located in a jurisdiction that participates in BRIP and be owned by a non-responsible party.*	*Not applicable.*	*No change recommended.*

Neighborhood BusinessWorks

Maryland Department of Housing and Community Development	Magnitude	Relevance	Comparison	Recommendation
https://dhcd.maryland.gov/Business/Pages/NBW.aspx *Maryland-based small businesses, local development corporations, and non-profit organizations engaged in community revitalization are eligible to apply for low-cost financing through the Neighborhood BusinessWorks program.*	*Up to $5 million of low-cost financing for construction and/or acquisition of commercial and mixed- use projects; and up to $3 million of low-cost financing available for construction, acquisition, or rehabilitation of qualified nonprofits.*	***Case Studies:*** *All three case study properties are eligible for funding.* ***Other Clusters:*** *Other historic clusters would also qualify.*	*Not applicable.*	*No change recommended.*

Community Legacy

Maryland Department of Housing and Community Development https://dhcd.maryland.gov/Communities/Pages/programs/CL.aspx *The Community Legacy program provides local governments and community development organizations with funding for projects aimed at strengthening communities through activities including business retention and attraction, mixed-use development, streetscape improvements, and real estate acquisition.*	***Magnitude*** *Depends on how much gets approved each year; Dept. of Housing and Community Development approved $6 million in capital funds for FY 2020.*	***Relevance*** ***Case Studies:*** *None of three case study property is located in designated Sustainable Community although Tome School and the Warfield are located close to the border of a designated Sustainable Community.* ***Other Clusters:*** *Projects within designated Sustainable Communities.*	***Comparison*** *Not applicable.*	***Recommendation*** *Seek exemptions from the Sustainable Communities requirement so that divested state historic complexes can access these funds.*
Maryland Environmental Services https://www.menv.com/services/funding *Provides expertise, services and solutions for environmental mitigation ranging from water and water treatment, remediation of asbestos, siting solar building sites, wetlands remediation, energy audits, and environmental testing and compliance.*	***Magnitude*** *Services rendered on a fee basis; does not provide project funding.*	***Relevance*** ***Case Studies:*** *Potential resource to provide a service for fee.* ***Other Clusters:*** *Same.*	***Comparison*** *Not applicable.*	***Recommendation*** *No change recommended.*
Maryland Commerce and TEDCO https://www.tedcomd.com/	***Magnitude*** *In 2019, there was $27.1 million appropriated.*	***Relevance*** ***Case Studies:*** ***Other Clusters:*** *Projects that target redevelopment of spaces and programs, start-ups and technology transfers that would be located in state-owned complexes.*	***Comparison***	***Recommendation*** *Former state and federal owned historic complexes should be targeted for redevelopment of spaces and programs, start-ups and technology transfers.*
Use Local Government Insurance Trust https://www.lgit.org/	***Magnitude***	***Relevance*** ***Case Studies:*** *Could be utilized by the 3 case study properties for environmental impairment liability.*	***Comparison***	***Recommendation*** *No change recommended.*

Appendix C: *Table 6: Selected State Agency Surplus Projections*

		Current			5 Year Projection				
Agency	**# Buildings**	**Occupied/Utilized**	**Unoccupied/Not Utilized**	**Other**	**Occupied**	**Unoccupied**	**Other**	**Approx Size**	**Approx Maintenance***
DGS	19	17	1	1	17		1 surplus 1 unknown	none provided	none provided
DJS	11	9	2	0	9		2 surplus	none provided	none provided
DNR	1104	880	152	42 unspecified 29 razed 1 n/a	none provided	none provided	none provided	1,669,153	none provided
MDH	89	25	57	6 leased 1 surplus storage	none provided	none provided	3 surplus	1,362,230	$2,512,603
MMD									
TOTAL	1223	931	212					3,031,383	$2,512,603

* The Department of Health completed a report in 2015 which identified their closed facilities with sq. footage and identified that they would be closing three facilities in the next 5 years and identified the sq footage and the cost for "maintenance" of closed structures by sq. feet.

Appendix D

Historic Preservation Tax Credit Information Flyers

The City of Frederick Maryland

A GUIDE TO THE HISTORIC PRESERVATION PROPERTY TAX CREDIT

Historic Preservation Commission

*Planning Department * 140 West Patrick Street*
*Frederick, MD 21701 * 301-600-1499*

Tax paying property owners may apply for a property tax credit equal to 25 percent of the properly documented expenditures incurred for exterior work that contributes to the restoration or preservation of a structure designated by the City of Frederick (Historic Preservation Overlay). In order to be eligible, the project must have prior HPC approval and a permit unless the project is only for eligible work on the *Minor Rehabilitation List*. Not all work that receives HPC approval is necessarily eligible for the tax credit.

In order to qualify, minimum eligible expenditures must total at least $500. The maximum total credit for any given year is $7,500. Applications are due on April 1st following the calendar year in which the expenditures were incurred and are applied to next year's tax bill. If the amount of the credit exceeds the tax liability, the amount can be carried over for up to five years. The credit is transferrable if the property is sold before the credit is fully claimed. The City may recapture the credit if the structure is subsequently demolished.

ELIGIBLE:

Examples of eligible work include, but are not limited to:

- Repointing;
- Repairing windows, doors, sills and lintels;
- Repairing or replacing roofs in-kind or with a historically appropriate material;
- Exterior painting;
- Replacing deteriorated trim, siding or ornament in-kind;
- Restoring or repairing an architectural feature, such as a porch or shutters, based on documentary or physical evidence;
- Installing storm windows or storm doors;
- Replacing vinyl or other modern windows with historically appropriate windows based on documentary or physical evidence;
- Replacing modern metal or hollow doors with historically appropriate doors based on documentary or physical evidence;
- Gutters and downspout repair or replacement; and
- Uncovering and repairing original siding.

INELIGIBLE:

- Interior work;
- New construction or an addition;
- New building features or site features not based on documentary evidence;
- The installation or repair of mechanical equipment;
- The installation or repair of electrical or plumbing systems;
- The installation or repair of utilities (not including work on the *Minor Rehabilitation List*);
- The installation or repair of solar or geothermal systems;
- Plantings or tree removal;
- Professional services;
- Value of property owners' time;
- Permit fees; and
- Work completed without prior HPC approval and a permit unless on the *Minor Rehabilitation List*.

PLEASE CALL THE PLANNING DEPARTMENT AT 301-600-1499 FOR MORE INFORMATION.
www.cityoffrederick.com/preservation

Commission For Historical And Architectural Preservation

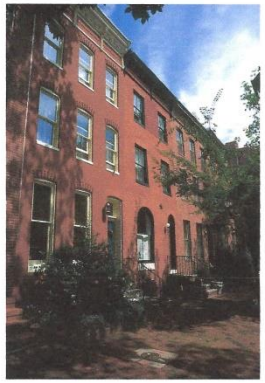
Baltimore City Tax Credit for Historic Restorations and Rehabilitations

phone: (410) 396-4866
e-mail: HistoricTaxCredit@BaltimoreCity.gov
website: http://chap.baltimorecity.gov/tax-credits

The Baltimore City Commission on Historic and Architectural Preservation (CHAP) administers the historic review of the 10-year Historic Restoration and Rehabilitation Tax Credit, a comprehensive property tax credit granted on the increased full cash value directly resulting from qualifying improvements to commerical and residential historic properties.

Program Eligibility:

- Property must be located in a National Register or Baltimore City Historic District, or be individually listed on the National Register, or a Baltimore City Landmark.
- The application must be pre-approved by CHAP before any work is started.
- The project must result in a total investment of at least 25% of the initial full cash value of the property.
- All work must meet CHAP's Design Guidelines.



Pre-Approval Process:
The application is an online application available at:
https://cityservices.baltimorecity.gov/PropertyTaxCredits

What is required for the preliminary application (before work is started)?

- Clear, color photographs of the interior & exterior
- Description of project scope of work
- Drawings of proposed changes
- Authorization to Proceed (if located in local historic district)
- Proof of ownership (HUD1, deed, signed purchase agreement, or tax bill)

Final Certification:
What is required for the final application (after work is complete)?

- Clear, color photographs of the interior & exterior.
- Documentation of all permits, including the Use and Occupancy permit.
- Complete cost documentation (actual cost incurred during the project).

Calculating the Historic Tax Credit
A Simplified Fictional Example

A. Pre-Improvement Full Cash Value	= $100,000
B. Post Improvement Full Cash Value	= $300,000
C. Baltimore City Tax Rate	= 0.02268
D. Tax Credit Percentage	= 100%
HISTORIC TAX CREDIT *(B-A) * C * D*	**= $4,536**

*Savings of **$45,360** on property taxes over 10 years.*

**For additional information regarding the actual calculation and the specific credit amount contact the Department of Finance.*

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