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**Maryland**  
**DEPARTMENT OF PLANNING**  
**MARYLAND HISTORICAL TRUST**

Study of the Redevelopment of Historic Government Complexes  
Meeting of Study Steering Committee  
Tuesday, July 13, 2021 at 1 PM  
Virtual Meeting

Steering Committee Members Present: Senator Katie Fry Hester; Delegate Regina Boyce; John Renner, Nicholas Redding.

Steering Committee Members Absent: Robert S. McCord, Secretary of the Maryland Department of Planning.

Other Attendees: Steven McCleaf, Langley Realty Partners; Tamar Osterman, MD Department of Commerce; Sara Barra, MD Department of Health; Hunter Pickels, MD Department of Housing and Community Development; Jane Roger, MD Department of General Services; Elizabeth Hughes, Anne Raines, Collin Ingraham, Maryland Historical Trust.

I. Call to Order

Elizabeth Hughes called the meeting to order at 1:06 pm.

II. Approval of Minutes

Mr. Renner made a motion to approve the minutes of the June 8, 2021 meeting as submitted. The motion was seconded by Mr. Redding and approved unanimously.

III. MD Community Development Entity (1.5)

Ms. Hughes reported that, at Mr. Renner's suggestion, she had communicated with Tony Smith, Executive Vice President of SB Friedman Development Advisors, about the steps required to create a state affiliated Community Development Entity (CDE) capable of accessing federal New Markets Tax Credits. Mr. Smith indicated that he was not available for the July 13<sup>th</sup> meeting but would look forward to speaking with the Steering Committee at a future meeting.

IV. Report on Items from June Meeting

- Zone Designations (1.3)

- DHCD Funding Sources (1.4)

Mr. Pickels reported that “Sustainable Community” designations can be expanded to include state complexes to provide access to funding programs at DHCD provided the property is already included in a PFA (Priority Funding Area). In such cases (e.g. Glen Dale Hospital), the local jurisdiction must apply to the Smart Growth Subcabinet for the Sustainable Community designation. If the property is not already located within the boundaries of a PFA, then legislation would be required to first obtain PFA status before seeking the Sustainable Community designation. While DHCD grant funds available to projects in designated Sustainable Communities are relatively small compared to the overall financial needs of large-scale government complex redevelopment projects, it can be very helpful to obtain these funds in the early stage of projects when there are more capital constraints. In so far as changes to “Sustainable Community” designations can already be accomplished under existing law, there is no need for legislative action to accomplish this recommendation.

During the June 8<sup>th</sup> meeting, the working group discussed whether it would be desirable to make for profit developers eligible for DHCD grants – a statutory change that would require legislative action. Mr. McCleaf noted that in so far as developers can work in partnership with CDCs or create their own CDCs in order to access these funds, such a change may not be necessary. This approach requires substantial planning in advance, however. The Steering Committee’s final report should address this opportunity with the caveat that advance planning is necessary for success. All agreed that changing the law to allow for-profit developers to access DHCD grant funds would not be desirable.

- Property Tax Abatement (1.2)

Ms. Hughes reported that the Office of the Attorney General has advised that county governments cannot exempt property from property taxes on their own; the Maryland General Assembly must enact laws to create exemptions from all taxes, local and state. If there is to be an exemption from property taxes to incentivize redevelopment of historic complexes, the exemption will have to be enacted by the General Assembly. Rather than a blanket exemption authorization for these types of projects, consideration on a case-by-case basis is likely desirable.

The Steering Committee discussed whether property tax abatement for these historic complexes could serve as a disincentive, since the economic return to the state resulting from redevelopment of these properties is often described as a increase in state and local tax revenues.

Additional types of tax incentive and waiver strategies were discussed – including tax credits associated with enterprise zones, high performance tax credits for multi-family projects, and building material sales tax waivers. Ms. Osterman stressed that while tax incentives can be helpful, initiatives that increase the equity investment in the property is what will have the most significant positive impact. Mr. McCleaf added that permitting increased density and matching projects with market drivers are crucial to ensuring project success.

Delegate Boyce asked what historic government complex rehabilitation in Maryland may be considered the most successful to date and whether a formula for success can be extracted from that example. Ms. Hughes and Mr. Redding both identified the National Park Seminary project,

located in Forest Glen, Maryland. Originally built as a private girl's school, the complex was later acquired by the Walter Reed Army Hospital and then declared surplus in the 1970s. In 2003, a development team lead by the Alexander Company began a redevelopment of the property that included rehabilitation of the many eclectic historic structures on the site as well as infill new construction. MHT holds an historic preservation easement on the property and the complex includes a range of residential units and types. Because the local community did not want commercial development at the site, some buildings which are better suited to commercial rather than residential purposes are underutilized. The project involved significant private investment and state and federal rehabilitation tax credits at a time when the state tax credit program remained uncapped. Mr. Redding suggested that the Alexander Company be invited to present to the Steering Committee about how the funding came together, the local zoning decision making process, etc.

The committee discussed the tension between what a community wants in a redevelopment and what market studies show that a project can support. Mr. Renner noted that some subsidies can allow a profit-minded developer to ignore market considerations and deliver what the community has asked for – this has been Cross Street's business model.

Senator Hester recommended that the Steering Committee focus on the top 2 or 3 most effective incentives or actions that should be put into place to support redevelopment of historic government complexes. A plan for implementation of those actions should be developed in advance of the start of the 2022 session. Senator Hester proposed the following three actions as most important:

1. Raise cap on the state revitalization tax credit.
2. Create predisposition team which readies excessed historic government complexes for redevelopment (undertakes market study, etc.)
3. Create a state affiliated CDE and/or create a Maryland New Markets Tax Credit Program
  - Historic Tax Credit (1.1.1; 1.1.2)

Mr. Redding reported on discussion with Preservation Maryland's lobbyist regarding efforts to increase the historic tax credit cap during the 2022 legislative session. They are now planning on hosting 4 to 6 open houses, likely in August, at project locations – some completed, some in need of redevelopment – at different sites around the state. They are also considering hosting an open house at the Cambridge Packing House in August so that legislators can stop by on their way to MACO. One-page summaries of each of the 3 actions that the Steering Committee is supporting could be made available at these open houses. Mr. Redding expressed concern about advocating both for an increase in the historic tax credit and creation of a state new markets tax credit program and recommended focusing on an increase in the historic tax credit instead. A meeting with Senator Guzzone is needed to discuss any tax credit proposal.

- MD New Markets Tax Credits Program (1.6)

In advance of the meeting, Senator Hester distributed materials about New Markets Tax Credits for the Committee's review including a brief overview of 16 state New Markets Tax Credit

Programs and a powerpoint presentation by Cross Street Partners entitled New Markets Tax Credits 101. Mr. Pickels asked why there would be a preference for creation of a state New Markets Tax Credit as opposed to providing direct assistance to projects. He noted that the cost to the state would be the same in the end but with tax credits a lot can be lost in the transaction process. Mr. Renner stated that, from a developer's point of view, layering a state new market tax credit with a federal one has negligible costs, although he is familiar with at least one state that awards a grant to every project that is awarded federal New Markets Tax Credits as an alternative to creating a state New Markets Tax Credit Program. The Committee will review the materials shared by Senator Hester in advance of the next meeting.

- MD Community Development Entity (1.5)

Ms. Hughes will endeavor to set up a meeting with Tony Smith and interested members of the Steering Committee if he is unable to attend a regularly scheduled meeting of the Committee in order to discuss how to create a state affiliated CDE. A critical question is whether legislation will be required to set up a state affiliated CDE or if DHCD is already empowered to do this and it is simply a matter of submitting a CDE application to the CDFI Fund of the U.S. Department of the Treasury for certification. If it is simply a matter of preparing and submitting an application, it is unclear if the application can be prepared using existing resources at DHCD or if consultant support will be needed.

- Historic Complex Disposition Team

This agenda item was deferred to the August meeting due to time constraints.

#### V. Proposed Meeting Schedule

Ms. Hughes will distribute a meeting poll in order to schedule an August meeting date. She will try to coordinate the meeting date with Tony Smith.

In advance of the next meeting, Steering Committee members should review the New Markets Tax Credit materials distributed by Senator Hester. Ms. Hughes hopes to share background materials regarding the creation of CDEs in advance of the next meeting as well.

The meeting adjourned at 2:30 pm.