



Maryland
DEPARTMENT OF PLANNING
MARYLAND HISTORICAL TRUST

Study of the Redevelopment of Historic Government Complexes
Meeting regarding Creation of CDEs
Tuesday, August 17, 2021 at 11 AM
Virtual Meeting

Steering Committee Members Present: Senator Katie Fry Hester; Delegate Regina Boyce; Laura Houston for Preservation Maryland; Robert S. McCord, Secretary of the Maryland Department of Planning.

Steering Committee Members Absent: John Renner

Other Attendees: Tony Smith, S.B. Friedman Investment Advisors; Tamar Osterman, MD Department of Commerce; Hunter Pickels, MD Department of Housing and Community Development; Elizabeth Hughes and Collin Ingraham, Maryland Historical Trust.

Secretary McCord called the meeting to order at 11:08 A.M.

Meeting participants introduced themselves. Elizabeth Hughes thanked Tony Smith for making time to speak with the group about the steps involved in creating a state affiliated Community Development Entity (CDE) capable of leveraging federal New Markets Tax Credits.

Tony Smith, Executive Vice President of S. B. Friedman Investment Advisors, began his presentation by providing an overview of the history of Federal New Markets Tax Credits. Created in 2000, these credits are allocated annually on a competitive basis to CDEs. CDEs are mission driven, non-governmental entities; however, the entities may be affiliated with units of government. The Michigan Economic Development Corporation is an example of a CDE that closely coordinates with a government entity. There are also examples in Colorado and Pennsylvania; these entities are affiliated with the state housing finance agency.

CDEs that are successful in receiving awards of NMTCs are those which have at least a five-year track record of sizeable (\$150K - \$250K) lending and investing in low-income census tracts. CDEs must be accountable to their service area and maintain an advisory board consisting of at least 5 representatives associated with the area (e.g. residents, clergy, business owners, etc.).

A CDE NMTC award of \$30 to \$50 million may fund 3 to 4 projects at about \$10M each. Large commercial banks typically purchase these credits from the CDEs at \$.75 on the dollar. CDEs will often charge fees to assist in paying for their operations.

Mr. Smith estimated that it may take up to 5 months to stand up a CDE. Development of the CDE application and data collection needed to support certification is time intensive and is typically prepared by a consultant familiar with the federal application process. Mr. Smith projected that the minimum cost for this service is \$75,000; often, the consultant will continue to provide services to the CDE following certification and assist with the vetting of projects being proposed for NMTCs. Staffing of the CDE would be necessary and could likely be provided by the state affiliated entity. Staffing needs would largely be administrative in nature.

Once established, review and action on the CDE application for NMTCs takes approximately 90 days. Therefore, should Maryland wish to apply for NMTCs in the fall of 2022, work on development of the CDE should begin 9 months in advance of the NMTC application deadline.

Mr. Pickels indicated that he was unsure whether DHCD had the statutory authority to establish an affiliated non-profit organization for this purpose. He will inquire about this with DHCD counsel.

The working group discussed whether establishing a CDE capable of leveraging NMTCs would be an effective tool for the redevelopment of historic government complexes, many of which are not located in low-income census tracts and therefore are ineligible for NMTCs. Mr. Smith indicated that he would send a link to a mapping tool to the working group which should help determine whether the properties of concern to the group are located in NMTC eligible census tracts.

Secretary McCord thanked Mr. Smith for sharing his time and expertise.

The meeting adjourned at 2:32 pm.