

## **Maryland Department of Planning Response to FY17 Capital Budget Analysis**

### **Issues**

***Staffing Shortage Appears to be Ongoing: The Department of Legislative Services (DLS) recommends that the Maryland Department of Planning (MDP) comment on the status of staffing the residential and small commercial tax credit programs and the current application review time.***

**MDP Response:** Three positions within the Maryland Historical Trust's Office of Preservation Services are responsible for review of applications for the Sustainable Communities Tax Credit (SCTC) Program. One of these positions became vacant on June 17, 2015; a second position became vacant on September 1, 2015. Recruitment for these positions began immediately and concluded in mid-December. Only one of the top two candidates accepted our offer of employment – she started work on January 11, 2016. The agency is continuing to work with DBM to fill the second vacant tax credit position.

When the program is fully staffed, our standard application review time is 30 to 40 days – although it is often less depending upon the complexity of a given project. By temporarily re-assigning existing staff with experience in the tax credit program to work overtime, we have been able to maintain our work flow with less delay than initially anticipated. Our estimate for new application reviews is close to our fully staffed review time and is estimated at 30-60 days from receipt of a complete application.

***Maryland Historical Trust Revolving Loan Fund Expenditure: DLS recommends that MDP comment on the impact of the expenditure for the Gardener's Cottage on the capitalization schedule for the MHT Revolving Loan Fund.***

**MDP Response:** We feel that this direct expenditure on the maintenance and rehabilitation of State-owned property is not only money well spent toward the preservation of the State's historic resources, but also that its impact on the overall health of the loan fund is minimal. If instead of making this expenditure MHT had made a loan to an outside borrower, assuming 3% interest on \$175,000 principal, the revenues would have been only around \$5,000 per year.

***Sustainable Communities Tax Credit Reserve Fund Project Status: DLS recommends that MDP and MHT comment on the outreach efforts to increase credit participation in jurisdictions that have been historically underrepresented in the award of tax credits;***

**MDP Response:** In response to requirements included in the 2014 legislation reauthorizing the Sustainable Communities Tax Credit Program, MHT began a targeted campaign to promote the availability of the new Small Commercial Tax Credit initiative. This initiative also focused on furthering our objective to reach out to areas of the state that have historically been underrepresented in the submission of applications or receiving tax credit awards. Below is a list

of the meetings, conferences and workshops that were completed during the first year of this effort. Eighty percent of these workshops took place in areas that have been historically underrepresented in the award of tax credits.

MHT's participation in larger conferences such as MML, MACo, MPCA and MET allowed us to reach out to a broad and diverse audience of elected officials, municipal administrators and planning officials from across the state in the promotion of these programs. In addition to these larger events we also engaged in more targeted consultations and outreach to local planners and preservation professionals to educate, advise and strategize on ways to increase the effectiveness and visibility of our programs. Examples of this can be found in our meetings with the planning staff in both Prince George's and Montgomery Counties that resulted in subsequent community workshops. MHT also maintains and regularly updates information resources on the tax credit website. Applicants and local officials can easily access newly developed, quick facts sheets for each tax credit program, along with FAQs and Instructions on how to apply.

The outreach initiative has moved forward smoothly in its first year, however unanticipated vacancies in some key organizational and tax credit program positions have slowed our progress in recent months.

MHT plans to continue our efforts in outreach and promotion through presentations and intergovernmental coordination as well as the development of online resources such as case studies, tutorials and blog entries promoting the program. We will also highlight examples of the programs' success stories.

Meeting presentations to date:

- 4/8/2014 Lauraville homeowner's association meeting
- 6/24/2014 Pigtown Main Street
- 5/14/2015 Baltimore Regional Neighborhoods Initiative
- 8/3/2014 Maryland Main Streets Quarterly meeting
- 6/30/2014 Meeting with Prince George's MNCPPC
- 6/4/2014 Meeting with Montgomery County planners and preservationists
- 10/23/2014 Meeting with Baltimore County Landmarks Commission
- 2/11/2015 Baltimore Developer Roundtable sessions hosted by Jubilee Baltimore/  
Midtown Development Corp.
- 5/20/2015 Baltimore Developer Roundtable sessions hosted by Jubilee Baltimore/  
Midtown Development Corp.

Conference sessions to date:

- 6/10/2014 Maryland Municipal League Conference, MML (joint presentation with DHCD)
- 8/13/2014 Maryland Association of Counties Conference, MACo (joint presentation with  
DHCD)
- 10/17/2014 Maryland Planning Commissioners Association Conference, MPCA
- 4/30/2015 Maryland Environmental Trust Conference, MET

Community workshops:

2/2/2015 Port Deposit  
3/18/2015 Centreville  
11/20/2014 Elkton community and economic development workshop  
2/11/2014 Frederick homeowner workshop  
9/25/2014 Hyattsville  
11/18/2014 Takoma Park  
1/20/2015 Frederick commercial workshop  
2/24/2015 Rockville  
4/23/2015 Hagerstown  
5/6/2015 Easton  
6/10/2015 Washington Grove  
7/28/2015 Laurel/Savage community development workshop

***Sustainable Communities Tax Credit Reserve Fund Project Status: DLS recommends that MDP and MHT comment on how creating, enhancing, supporting, and revitalizing sustainable communities fits into existing and new strategies to take advantage of federal and State infrastructure investment opportunities;***

MDP Response: In general, the Department of Planning recognizes that the rehabilitation of underused or vacant historic properties is, in and of itself, sustainable development. This redevelopment captures the innate energy and value of an existing resource while finding a new use and purpose for the site. Encouraging the rehabilitation of properties that are already tied into a community's existing infrastructure can greatly reduce demands for new roads and services thereby concentrating investment in our existing neighborhoods and town centers. Further, as part of our selection criteria, the commercial tax credit prioritizes the funding of projects that include workforce housing in order to promote affordable housing.

The Sustainable Communities Tax Credit is often employed to support the goals of the Sustainable Communities Program, administered by the Department of Housing and Community Development. This place-based designation offers a "toolbox" of resources that support holistic strategies for community development, revitalization and sustainability. To participate in the program, applicants (county or municipal governments) are required to identify an area in need of revitalization and develop an "Action Plan" that outlines a comprehensive strategy that will promote environmentally, economically and socially responsible growth and development in existing older communities. To date, 88 communities have been designated.

Once designated, local governments, small businesses, individuals, non-profit partners and property owners are eligible to apply to various programs, such as the Sustainable Communities Small Commercial Tax Credit program. In addition to the tax credit program, the Sustainable Communities designation is also a threshold requirement for the Community Legacy and Neighborhood Business Works programs housed with the Department of Housing and Community Development. Currently, there are a total of 12 programs that either require the Sustainable Communities designation as a threshold for eligibility to apply or offer additional incentives or bonus points if the applicant is from a Sustainable Community area. Essentially,

the Sustainable Communities Program encourages the "stacking" and coordination of scarce State resources.

***Sustainable Communities Tax Credit Reserve Fund Project Status: DLS recommends that MDP and MHT comment on and the process for reviewing rehabilitation activity and preventing fraudulent claims and whether the review process is sufficient to detect and deter potential fraud.***

MDP Response: In response to past comments from audits of the program we have implemented the following procedures to combat the possibility of fraudulent awards of tax credits:

#### Homeowner and Small Commercial

- Staff reviews all receipts and paid invoices along with spreadsheets matching the claimed expenses to the specific work items approved in the application.
- Staff follows up with site visits or requests for additional documentation for questionable costs or claims.
- In cases where costs are being prorated between eligible and ineligible expenses we request and review the methodology and documentation of how eligible costs were determined.
- Questionable claims are brought to the Director or OAG for consideration.

#### Competitive Commercial

- A certified public accountant must certify that final qualified rehabilitation costs for all projects accurately reflect the actual costs of the project and that they are properly chargeable as an eligible capital cost. Staff reviews accountant certification for errors based on subject lines.

MDP feels that the current process for reviewing rehabilitation activity and preventing fraudulent claims is sufficient to detect and deter potential fraud.

#### **Budget Overview**

***Patterson Center Renovations: DLS recommends that MDP comment on the current income potential plans for the property given the Historic Structures Report completed for the property, which included a building reuse (market feasibility) study.***

MDP Response: The Historic Structures Report did not address revenue-generating activities. The report concerned only the history and existing condition of the Patterson Center structures. Since its inception, Jefferson Patterson Park and Museum has continued to pursue revenue-generating activities – for example, pavilion rentals, and more recently, conservation work. JPPM undertook a Re-Use Study, not funded with State money, to consider revenue-generating opportunities at the Patterson Center. No revenue-generating activities can take place at the Patterson Center until renovations are complete and additional staff positions are provided.

JPPM recognizes the need to generate revenue through any available means. We project that it will take at least four years for rental income to grow from \$5,000 to \$25,000 per year. These numbers are premised entirely on the provision of staff positions to assist with event rentals and manage the facility. A reasonable expectation would be that, five years after the completion of the renovation, earned income from the property will reach \$25,000 annually.

### **Summary of Other Projects in the CIP**

***Maryland Archaeological Conservation Laboratory: DLS recommends that MDP comment on the impact on the Maryland Archaeological Conservation Laboratory if construction is not completed until fiscal 2022.***

**MDP Response:** The situation would become unworkable. The MAC Lab has a capacity of 10,352 boxes. We currently store 8,194 boxes. Over the last five years, we have received an average of 190 boxes per year in “routine” accessions. We will also be receiving the following collections over the next five years (number of boxes in parentheses): Coursey (400), Smith’s St. Leonard (250), Archaeological Society of Maryland (150), and the University of Maryland (50). In all likelihood, we will also receive requests to store additional collections of which we are currently unaware. Given these numbers and contingencies, the MAC Lab will reach its capacity within five (5) years. If the MAC Lab can no longer accept collections, the original purpose in constructing the lab will be defeated. Archaeological objects of importance to the State of Maryland, which we would need to delay accepting, might suffer irreversible damage if improperly stored.

### **Encumbrances and Expenditures**

***African American Heritage Preservation Grant Program: DLS recommends that MDP comment on what provisions in Chapter 371 of 2015 (African American Heritage Preservation Program – Reestablishment and Revisions) provided additional flexibility in reusing funds from canceled projects.***

**MDP Response:** Chapter 371 of 2015 established the “African American Heritage Preservation Grant Fund” as a “special, non-lapsing fund that is not subject to reversion.” This language is parallel to that used to establish the MHT Capital Historic Preservation Grant Fund.

During the 2010 session of the General Assembly, SB319/HB915 created the program but not the Fund. The original statutory language for the program stated that “the Governor shall include in the annual Capital Budget submission \$1,000,000 for African American heritage preservation capital projects.” With the 2015 reauthorization, that language was revised to read, “The Governor shall include in the annual operating or capital budget \$1,000,000 to the AAHP Grant Fund”.

Going forward, our practice will be that if any project is cancelled or surrenders funds, those remaining funds will continue to reside in the Fund until the next grant round, at which time they will be made available for award.

**PAYGO Recommended Actions:**

**1. Maryland Historical Trust Revolving Loan Fund**

Concur with the Governor's allowance of 150,000 in special funds.

MDP Response: Concur

**2. Sustainable Communities Tax Credit**

Concur with the Governor's fiscal 2017 allowance of \$9 million in general funds for the Sustainable Communities Tax Credit Program.

MDP Response: Concur

**GO Bond Recommended Actions:**

1. Patterson Center Renovation: Approve the \$327,000 general obligation bond authorization for the Patterson Center Renovations.

MDP Response: Concur

2. St. Leonard's Creek Shoreline Erosion Control: Approve the \$3,091,000 general obligation bond authorization for the St. Leonard's Creek Shoreline Erosion Control project.

MDP Response: Concur

3. African American Heritage Preservation Grant Program: Approve the \$1,000,000 general obligation bond authorization for the African American Heritage Preservation Grant Program.

MDP Response: Concur

4. Historical Preservation Loan Fund: Approve the \$150,000 general obligation bond authorization for the Maryland Historical Trust Revolving Loan Fund.

MDP Response: Concur