

D40W11
Department of Planning – Capital

Capital Budget Summary

(\$ in Millions)

	<i>FY 2009 Approp.</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
Maryland Historical Trust Revolving Loan Fund*	\$0.200	\$0.300	\$0.300	0.0%	\$0.250
Maryland Heritage Structure Rehabilitation Tax Credit Program**	10.000	5.000	5.000	0.0%	5.000
Total	\$10.200	\$5.300	\$5.300	0.0%	\$5.250

Fund Source					
General	\$10.000	\$5.000	\$5.000	0.0%	\$5.000
Special	0.200	0.150	0.100	-33.3%	0.100
PAYGO Subtotal	\$10.000	\$5.150	\$5.100	-1.0%	\$5.100
GO Bonds	0.000	0.150	0.200	33.3%	0.150
Total	\$10.200	\$5.300	\$5.300	0.0%	\$5.250

*The fiscal 2009 Maryland Historical Trust Revolving Loan Fund appropriation of \$450,000 was reduced by \$250,000 in general funds as part of the Board of Public Works actions on October 15, 2008.

**The fiscal 2009 appropriation for the Maryland Heritage Structure Rehabilitation Tax Credit was reduced from \$14.7 million to \$10.0 million to reflect the voluntary reversion of \$4.7 million as part of the October 15, 2008 Board of Public Works actions. Similarly, the fiscal 2010 appropriation for the Maryland Heritage Structure Rehabilitation Tax Credit Program has been reduced to reflect the voluntary reversion of \$2,000,000 as part of the August 26, 2009 Board of Public Works actions. Although shown above, the fiscal 2011 allowance for the program is deleted, contingent upon enactment of legislation authorizing the program as a nonbudgeted tax credit.

Summary of Issues

Proposed Reauthorization of the Maryland Heritage Structure Rehabilitation Tax Credit: The Maryland Heritage Structure Rehabilitation Tax Credit is scheduled to sunset at the end of fiscal 2010. Senate Bill 285 and House Bill 475 have been introduced in the 2010 legislative session to reauthorize the program as a nonbudgeted tax credit and to expand the type of eligible projects. **The Department of Legislative Services (DLS) recommends adding language in the budget bill that, in addition to the existing language making the appropriation contingent upon the enactment of legislation reauthorizing the program as a nonbudgeted tax credit, would reduce the appropriation contingent upon the failure of legislation reauthorizing the program as a budgeted tax credit.**

Proposal to Transfer Tax Credit Reserve Fund to the General Fund: Section 11 of the Governor’s Budget Reconciliation and Financing Act (BRFA) of 2010 proposes to transfer \$39,693,790, or the remaining balance of the Heritage Structure Rehabilitation Tax Credit Reserve Fund, to the general fund on or before June 30, 2010. The amount to be transferred is dependent upon the amount of tax credits that are claimed in fiscal 2010. **DLS recommends the rejection of the BRFA of 2010 action to transfer the Heritage Structure Rehabilitation Tax Credit Reserve Fund to the general fund.**

Summary of Recommended Actions – PAYGO

Maryland Historical Trust Revolving Loan Fund

1. Concur with Governor's allowance.

Maryland Heritage Structure Rehabilitation Tax Credit Program

1. Add language to the general fund appropriation.

Summary of Recommended Actions – Bond

<u>Program</u>	<u>Action</u>	<u>Amount</u>
1. Maryland Historical Trust Revolving Loan Fund	Reduce	\$50,000
2. De-authorization of Patterson Center Renovations (2008 Maryland Consolidated Capital Bond Loan)	Approve	404,000

Overview

The Maryland Department of Planning (MDP) assumed responsibility for two capital programs as a result of Chapter 440 of 2005: the Maryland Historical Trust Revolving Loan Fund (MHT) and the Maryland Heritage Structure Rehabilitation Tax Credit Program. These two capital programs seek to promote the acquisition and rehabilitation of historic properties by providing low interest loan funds and tax credits.

Programs

- **Maryland Heritage Structure Rehabilitation Tax Credit Program** – The fiscal 2011 allowance includes \$5 million in general funds. However, the fiscal 2011 budget bill includes language that would eliminate the \$5 million contingent upon legislation reauthorizing the program as a nonbudgeted tax credit (Senate Bill 285 and House Bill 475 of 2010). The \$5 million appropriation is level with the fiscal 2010 working appropriation. The other action in the fiscal 2011 allowance pertaining to the tax credit is Section 11 of the Administration’s Budget Reconciliation and Financing Act of 2010 which proposes to transfer \$39,693,790, or the remaining balance of the Heritage Structure Rehabilitation Tax Credit Reserve Fund, to the general fund on or before June 30, 2010. This proposed transfer is raised as an issue in the Maryland Heritage Structure Rehabilitation Tax Credit analysis.
- **MHT Revolving Loan Fund** – The fiscal 2010 allowance includes \$0.3 million for the MHT Revolving Loan Fund, which is comprised of \$0.1 million in special funds and \$0.2 million in general obligation bonds. This funding is level with the fiscal 2010 working appropriation but represents a decrease of \$50,000 in special funds and an increase of \$50,000 in general obligation bonds.

Funding De-authorization

As introduced, the 2010 session Maryland Consolidated Capital Bond Loan (MCCBL), includes a provision that would de-authorize prior year general obligation bond authorizations for renovations of the Patterson Center at Jefferson Patterson Park and Museum. The de-authorization is for \$404,000 of the \$554,000 for renovations at the Patterson Center initially funded in the 2008 session MCCBL. MDP states that this de-authorization is warranted due to the State’s current fiscal situation and the lack of readiness to proceed with the design of the Patterson Center renovations. Instead, the remaining \$150,000 will be used as a match for a \$150,000 federal Save America’s Treasures grant budgeted as a fiscal 2010 deficiency in MDP’s operating budget. This grant will allow for development of a phased Historic Structures Report that will ensure construction sensitive to the historic features of the property. The Historic Structures Report will be completed in two phases: a Phase I significance assessment by June 2010 and a Phase II conditions assessment and treatment report by December 2010. **The Department of Legislative Services recommends that the de-authorization of \$404,000 for renovations at the Patterson Center be approved.**

Maryland Historical Trust Revolving Loan Fund (Statewide)

GO Bonds	\$200,000	Recommendation:	Reduce general obligation bond authorization by \$50,000
PAYGO SF	\$100,000		

Bill Text: Provide funds for the Maryland Historical Preservation Loan Program to assist in the protection of historic property. The funds appropriated for this purpose shall be administered in accordance with § 5A-327 of the State Finance and Procurement Article.

Program Description: The Maryland Historical Trust (MHT) Revolving Loan Fund provides loans to nonprofit organizations, local jurisdictions, business entities, and private individuals for the purpose of acquiring, rehabilitating, or refinancing all categories of real property listed in or eligible for listing in the Maryland Register of Historic Properties. Short-term financing (up to two years) may also be available for predevelopment work required or recommended by MHT that is to be undertaken in advance of a construction project being funded with federal or State monies. The program also may be used to fund the cost of rehabilitation of historic property owned by MHT and for the acquisition of historic property by MHT. In return for loans, most recipients must convey to MHT a perpetual historic preservation easement on the property.

Maryland Historical Trust Revolving Loan Fund Prior Authorization and Capital Improvement Program

**Authorization Request
(\$ in Millions)**

<i>Fund Source</i>	<i>2009 Approp.</i>	<i>2010 Approp.</i>	<i>2011 Allowance</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
PAYGO GF	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	0.200	0.150	0.100	0.200	0.150	0.150	0.250
GO Bonds	0.000	0.150	0.200	0.200	0.150	0.150	0.150
Total	\$0.200	\$0.300	\$0.300	\$0.400	\$0.300	\$0.300	\$0.400

*The fiscal 2009 Maryland Historical Trust Revolving Loan Fund appropriation of \$450,000 was reduced by \$250,000 in general funds as part of the Board of Public Works actions on October 15, 2008.

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The fiscal 2010 allowance provides \$200,000 in general obligation bond funds and \$100,000 in special funds for this program. This represents level funding with the fiscal 2010 working appropriation but a shift of \$50,000 from special funds to general obligation bonds. The 2010 *Capital Improvement Program* reflects relatively level funding through the five-year planning period with an even split between special funds and general obligation bonds in all but fiscal 2015. MDP notes that the funding level reflects previous levels of support, program interest, and available special fund balance.

Maryland Historical Trust Revolving Loan Fund Data

Fund History

	<i>FY 2009 Actual</i>	<i>FY 2010 Estimated</i>	<i>FY 2011 Estimated</i>
Beginning Balance	\$511,323	\$145,722	\$52,278
Revenue			
General Funds	\$0	\$0	\$0
General Obligation Bonds	0	150,000	200,000
Loan Repayments and Interest	86,955	83,346	174,035
Cancelled Encumbrances	62,801	18,210	0
Total Revenue	\$149,756	\$251,556	\$374,035
Total Available	\$661,079	\$397,278	\$426,313
Encumbrances			
Grants and Loans*	\$450,000	\$300,000	\$300,000
Operating Expenses	65,357	45,000	45,000
Total Encumbrances	515,357	345,000	345,000
Ending Balance	\$145,722	\$52,278	\$81,313

*Fiscal 2010 loans made as of February 3, 2010 = \$300,000.

The fund data reflects fiscal 2009 and 2010 cancelled encumbrances. The fiscal 2009 cancelled encumbrance of \$62,801 reflects unneeded funding for three projects: Crisfield Heritage Foundation, Inc. for the refinancing of the mortgage on the J. Millard Tawes House; Peerless Rockville Historic Preservation, Ltd. for acquiring Frieda's Cottage at Chestnut Lodge; and for the Susquehanna Museum of Havre de Grace. The fiscal 2010 cancelled encumbrance of \$18,210 reflects unneeded funding for the Brunswick Railroad Museum.

The fiscal 2010 encumbrances are reflected in the project list.

Maryland Historical Trust Revolving Loan Fund Program Analysis and Performance

One of the primary goals for this program is the protection of historic properties eligible for listing on the Maryland Register of Historic Properties through assisting in the acquisition and rehabilitation of those properties. As shown in **Exhibit 1**, demand for loans from this program has varied in recent years, likely due in part to the availability of low commercial loan rates and the reluctance of property owners to grant permanent easements to the Maryland Historical Trust. It was estimated that there would be three projects in fiscal 2009 while the actual number of projects was four – the most activity reflected in the Exhibit 1 time period. For fiscal 2010 and 2011, the estimated number of projects is down to two historic properties rehabilitated per year.

Exhibit 1 Historic Properties Preserved Fiscal 2003-2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>
Historic Properties Acquired	0	1	2	0	0	0	0	0	0
Historic Properties Rehabilitated	0	2	1	0	1	2	3	2	2
Historic Properties Refinanced	0	0	0	0	1	0	1	0	0
Total	0	3	3	0	2	2	4	2	2

Source: Maryland Department of Planning

Currently, this program appeals to nonprofits and local governments who are not reluctant to grant historic preservation easements as a condition of the loan. Because it is run on a first-come, first-served basis, the loan program also provides for more immediate funding relative to the Maryland Historical Trust Capital Grant Fund grants, which are awarded once a year on an annual cycle.

If commercial interest rates rise, demand for the revolving loan program may increase. MDP loans to business entities and individuals bear interest at a fixed annual rate, 0.125% higher than the most recently sold State general obligation bonds. Loans to nonprofit organizations and political subdivisions may bear interest at a rate not to exceed that for business entities or individuals. Even at this low loan rate, the loan fund is not well situated to compete with commercial banks because of the permanent easement requirement. An additional challenge is that the loan program stipulates that loans to individuals and business entities may be made only when private financing cannot otherwise be obtained.

MDP states that it has worked to market the revolving loan fund more aggressively and has granted an exception for the perpetual easement in order to improve loan performance. MDP has marketed the revolving loan fund statewide – both with the tax credit program and through Preservation Maryland. MDP lifted the perpetual easement requirement on properties deemed to have lost their interior historical integrity under the condition that a property is situated in a locally designated historic district that still protects the exterior of the property.

Recommended Actions

GO Bond Recommended Actions

DW0110A Maryland Historical Preservation Loan Program \$ 150,000

Allowance
200,000

Change
-50,000

Authorization
150,000

Explanation: This action reduces the Maryland Historical Trust Revolving Loan Fund general obligation bond authorization by \$50,000 to reflect the availability of special fund balance that could be brought in via a budget amendment.

Fiscal 2011 Proposed Projects

MDP indicates that it has received one substantial request for fiscal 2011 funding. Captain Farley has requested up to \$200,000 for rehabilitation of the oyster schooner *Kathryn Lee*.

Current Project Status

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>Prior Auth.</u>	<u>Amount</u>	<u>Total State Share (%)</u>	<u>Status</u>
Baltimore City	Rehabilitation of the Mount	\$2,852,127	\$149,400	\$200,600	12.3%	Encumbered
Dorchester	202 High Street	439,410		\$99,400	22.6%	Submitted to the Board of Public Works
Total			\$149,400	\$300,000		

Maryland Heritage Structure Rehabilitation Tax Credit Program (Statewide)

PAYGO GF	\$5,000,000	Recommendation:	Add language reducing the appropriation contingent upon the failure of legislation reauthorizing the program as a budgeted tax credit
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Program Description: The Maryland Heritage Structure Rehabilitation Tax Credit Program (HSRTC) is administered by the Maryland Historical Trust (MHT) and provides tax credits equal to 20% of the qualified capital costs expended in the rehabilitation of a certified heritage structure. Certified structures must meet one of the following requirements: (1) is listed on the National Register of Historic Places; (2) is designated as a historic property under local law and determined by MHT to be eligible for listing on the National Register of Historic Places; (3) is located in a historic district listed in the National Register of Historic Places or in a local historic district that MHT determines is eligible for listing on the National Register of Historic Places and is certified by MHT as contributing to the significance of the district; or (4) is located in a certified heritage area and is certified by the Maryland Heritage Areas Authority as contributing to the significance of the certified heritage area. The credit is available for owner-occupied residential property as well as commercial property; however, there is no aggregate cap or reserve fund for the residential tax credits. The residential tax credit program operates as a traditional tax credit program. The maximum amount of credits earned for an individual owner-occupied rehabilitation project may not exceed \$50,000.

Chapter 76 of 2004 shifted HSRTC from a traditional tax credit program to a tax credit program that is subject to an annual appropriation, with an aggregate limit for the awarding of commercial credits. The HSRTC program was scheduled to sunset on June 30, 2008, until the enactment of Chapters 566 and 567 of 2007, which among other changes extended the termination date through fiscal 2010, altered the maximum amount of total initial credit certifications issued in a fiscal year that may be allocated in one county or Baltimore City from 50 to 75%, and eliminated specific annual funding levels.

Senate Bill 285 and House Bill 475 have been introduced in the 2010 legislative session to reauthorize HSRTC and to make substantive changes to the program similar to Senate Bill 258 and House Bill 309 of 2009 (both failed). The major change is to convert HSRTC back to a nonbudgeted tax credit similar to the way it was structured before 2004 and to expand the types of projects eligible for funding.

Prior Authorization and Capital Improvement Program

**Authorization Request
(\$ in Millions)**

<i>Fund Source</i>	<i>2009 Approp.</i>	<i>2010 Approp.</i>	<i>2011 Allowance</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
PAYGO GF	\$10.000	\$5.000	\$5.000	\$0.000	\$0.000	\$0.000	\$0.000
Total	\$10.000	\$5.000	\$5.000	\$0.000	\$0.000	\$0.000	\$0.000

Note: The fiscal 2009 appropriation for the Maryland Heritage Structure Rehabilitation Tax Credit was reduced from \$14.7 million to \$10.0 million to reflect the voluntary reversion of \$4.7 million as part of the October 15, 2008 Board of Public Works actions. Similarly, the fiscal 2010 appropriation for the Maryland Heritage Structure Rehabilitation Tax Credit Program has been reduced to reflect the voluntary reversion of \$2.0 million as part of the August 26, 2009 Board of Public Works actions.

The Governor’s fiscal 2010 budget plan includes a \$2 million reversion from the fiscal 2010 appropriation that lowers the appropriation to \$5 million. This reduction was announced as part of the August 26, 2009 Board of Public Works actions. No out-year funding is projected since the tax credit is not included in the 2010 *Capital Improvement Program* and because of the uncertainty concerning whether and how the tax credit will be re-authorized.

Due to the \$5.0 million fiscal 2010 restriction placed on the program, the program approved four commercial tax credit projects totaling \$5 million through February 2010. MDP indicates that it is unlikely to receive any fiscal 2011 applications until after the status of the program is resolved.

Fund Data

Fund History

	<i>FY 2009 Actual</i>	<i>FY 2010 Estimated</i>	<i>FY 2011 Estimated</i>
Beginning Balance	\$671,490	\$490	\$0
Revenue			
General Funds	\$10,000,000	\$5,000,000	\$5,000,000
1% Fee Special Funds	100,000	50,000	50,000
Total Revenue	\$10,100,000	\$5,050,000	\$5,050,000
Total Available	\$10,771,490	\$5,050,490	\$5,050,000
Encumbrances			
Credits Approved	\$10,000,000	\$5,000,000	\$5,000,000
Credits to Be Awarded	0	0	0
Operating Expenses	100,000	50,000	50,000
Board of Public Works Actions	671,000	490	0
Total Encumbrances	\$10,771,000	\$5,050,490	\$5,050,000
Ending Balance	\$490	\$0	\$0

Information as of February 3, 2010.

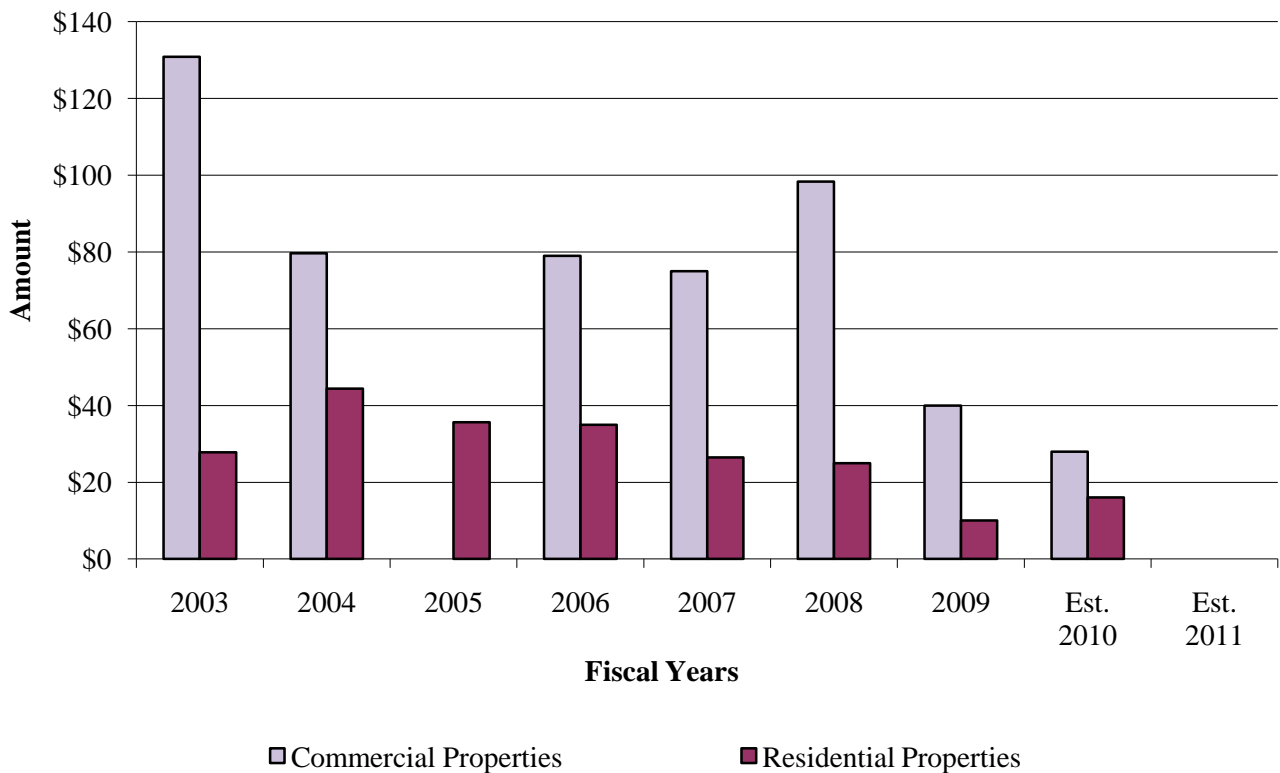
Note: The fiscal 2009 estimated general funds revenue of \$10.0 million reflects the voluntary reversion of \$4.7 million from the original appropriation of \$14.7 million. The fiscal 2010 estimated general funds revenue of \$5.0 million reflects the voluntary reversion of \$2.0 million from the original appropriation of \$7.0 million. The Board of Public Works (BPW) actions reflect a voluntary reversion of \$0.7 million in fund balance for fiscal 2009 that was approved at the March 4, 2009 BPW meeting. A similar fund balance reversion is anticipated for fiscal 2010.

Program Analysis and Performance

As shown in **Exhibit 2**, there has been a steady decline in the amount of private investment associated with projects that have received tax credits for commercial property rehabilitation. Declining funding levels, from \$30 million in fiscal 2007 to \$5 million in fiscal 2010, have reduced the amount of private investment resulting from the program. In addition, a sluggish commercial real estate market looks to have dampened the interest of private investment in larger projects, and instead the number of smaller projects which entail lower levels of private investment has increased.

Similarly, the amount of private investment leveraged by residential properties has declined as well, although residential properties are not limited by the annual appropriation. The fiscal 2011 estimate reflects the uncertainty surrounding the reauthorization of the tax credit.

Exhibit 2
State Rehabilitation Tax Credit – Measure of Private Investment
(\$ in Millions)



Note: No commercial tax credits were authorized in fiscal 2005. The fiscal 2011 estimate reflects the expiration of the legislation on June 30, 2010.

Source: Governor’s Budget Books, Fiscal 2006-2011

Issues

1. Proposed Reauthorization of the Maryland Heritage Structure Rehabilitation Tax Credit

The Maryland Heritage Structure Rehabilitation Tax Credit is scheduled to sunset at the end of fiscal 2010. Senate Bill 285 and House Bill 475 have been introduced in the 2010 legislative session to reauthorize HSRTC and to make substantive changes to the program similar to Senate Bill 258 and House Bill 309 of 2009 (both failed). The major change is to convert HSRTC back to a nonbudgeted tax credit similar to the way it was structured before 2004. However, unlike a true tax credit, Senate Bill 285 and House Bill 475 as introduced would cap the overall amount of commercial tax credits issued at \$50 million between fiscal 2011 and 2013 and would provide annual upper limits to the amount of credits that can be authorized within this time period. In addition, the two bills would increase the percent of qualified rehabilitation expenditures to 25% for properties that are both historic properties and high performance buildings and expand eligibility for tax credits to non-historic properties in certain types of communities.

The proposed revisions to the Maryland Heritage Structure Rehabilitation Tax Credit specify an upper limit but not an actual amount for the total tax credit value that can be redeemed in any one year within the three-year period. Therefore, the State still is exposed to uncertainty about how much revenue loss it will experience in any one year unlike with the current annually appropriated HSRTC. **Exhibit 3** provides a comparison of the existing HSRTC and the proposed Sustainable Communities Tax Credit.

Reauthorizing the program as a budgeted tax credit allows the General Assembly to set an actual, as opposed to upper limit, annual credit amount in the context of current fiscal conditions and relative to other budget priorities. While the proposed legislation would cap the amount of claimed credits for fiscal 2011 through 2013, this does not give the General Assembly the ability to set the upper limit of the State's fiscal exposure on an annual basis. **The Department of Legislative Services (DLS) recommends adding language in the budget bill that, in addition to the existing language making the appropriation contingent upon the enactment of legislation reauthorizing the program as a nonbudgeted tax credit, would reduce the appropriation contingent upon the failure of legislation reauthorizing the program as a budgeted tax credit. By doing this, the \$5 million general fund appropriation would be deleted if either a nonbudgeted tax credit was reauthorized or no tax credit was reauthorized and would leave the appropriation only if a budgeted tax credit was reauthorized.**

**Exhibit 3
Comparison of Existing and Proposed Tax Credits**

<u>Parameter</u>	<u>Existing Maryland Heritage Structure Rehabilitation Tax Credit</u>	<u>Proposed Sustainable Communities Tax Credit</u>
Level of annual tax credit	Unspecified	Specified: \$50.0 million over three years
Budgetary certainty	Annual appropriation	Capped authorization: up to \$20 million in fiscal 2011; up to \$15 million in fiscal 2012; and up to \$15 million in fiscal 2013
Application process	Competitive grant program based on ranking system: underrepresented jurisdictions, smart-growth advancing	Eligibility based on ranking system: underrepresented jurisdictions, smart growth-advancing, local regulatory streamlining, sustainable communities, 50 years old for non-historic properties
Credit amount (% of qualified rehabilitation expenditures)	20% historic properties	20% historic properties; 25% historic properties/high performance building; 10% non-historic properties in Designated Main Street, Maple Street, TOD, and Sustainable Community (fiscal 2012)
Refundability	Yes, commercial and residential	Commercial: tax liability over 10 years Residential: continued refundability Refundability for small commercial projects
Reporting requirement	Annual report: credit numbers	Annual report: credit numbers and revitalization of a community

OLA: Office of Legislative Audits
TOD: Transit Oriented Development

Note: The July 2008 OLA audit recommended that paid invoices or cancelled checks for expenditures be submitted for certification of tax credits. Neither the existing statute nor the proposed statute require this level of documentation but instead require that the individual or business entity state under oath the amount of the individual or business entity's qualified rehabilitation expenditures.

Source: Maryland Department of Planning; Department of Legislative Services

2. Proposal to Transfer Tax Credit Reserve Fund to the General Fund

Section 11 of the Administration's Budget Reconciliation and Financing Act (BRFA) of 2010 proposes to transfer \$39,693,790, or the remaining balance of the Heritage Structure Rehabilitation Tax Credit Reserve Fund, to the general fund on or before June 30, 2010. The amount to be transferred is dependent upon the amount of tax credits that are claimed in fiscal 2010.

At this point, there appears to be the assumption that approximately \$11.0 million will be transferred in fiscal 2010, leaving \$39,693,790. However, a couple of big tax credits recently were claimed which raises the Department of Legislative Services estimate of fiscal 2010 transfers to approximately \$13.0 to 14.0 million. This would reduce the amount of available balance to be transferred to between \$36.7 and \$37.7 million.

The transfer to the general fund usually occurs each year based on the number of credits claimed. As a result, the State reimburses itself when revenue is lost. However, under the Administration's proposal, the monies to offset future revenue losses will be transferred to the general fund in fiscal 2010 leaving no funds to offset those future losses. **Given there is no net gain to the State's fiscal position as a result of this transfer, DLS recommends the rejection of the BRFA of 2010 action to transfer the Heritage Structure Rehabilitation Tax Credit Reserve Fund to the general fund.**

Recommended Actions

1. Add the following language to the general fund appropriation:

Further provided that this appropriation shall be reduced by \$5,000,000 contingent upon the failure of legislation reauthorizing the program as a budgeted tax credit.

Explanation: This action deletes the appropriation if legislation reauthorizing the Maryland Heritage Structure Rehabilitation Tax Credit as a budgeted tax credit fails. In combination with the existing budget bill language, the appropriation is deleted if legislation reauthorizing the program as a nonbudgeted tax credit is enacted or if legislation reauthorizing the program as a nonbudgeted tax credit fails. Therefore, the \$5 million appropriation will be deleted if it is not needed for the program.

Fiscal 2011 Proposed Projects

MDP has not received any commercial tax credit applications for fiscal 2011 due to the uncertainty surrounding the funding for the program and the impact of the potential changes proposed in the reauthorizing legislation introduced as Senate Bill 285 and House Bill 475 in the 2010 legislative session.

Current Project Status

As of January 2010, MDP had approved four commercial tax credit projects totaling \$5 million (see the following list). In terms of nonbudgeted residential tax credits, MDP had approved 74 credits representing \$888,021, as of January 2010. However, MDP estimates 292 residential projects in total for fiscal 2010 representing \$4,045,193.

<u>Recipient (Company or Individual)</u>	<u>County</u>	<u>Project Name</u>	<u>Credit Amount</u>
Evan Morville, Seawall Development	Baltimore City	Druid Mill	\$2,920,000
William S. Kelly, Kelly Financial Group, LLC	Harford	Proctor House	100,000
Nicholas P. Alexander, Forest Glen Condo, LLC	Montgomery	National Park Seminary – Gymnasium	\$800,000
Joseph M. Alexander, Forest Glen Condo, LLC	Montgomery	National Park Seminary – Power Plant, Firehouse, Practice Hall	1,180,000
Total			\$5,000,000*

* Of this amount, \$2,920,000 has been approved for projects in Baltimore City.