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Plan would benefit developers who revitalize historic buildings

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State tax credits helped preserve Montgomery Park, which is now among the city's biggest office buildings.

(

Baltimore Sun photo by Doug Kapustin

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Economic development advocates and preservationists are backing a plan to offer up to $100 million in state tax credits over five years to developers who rehabilitate historic buildings, saying the financial benefits will outweigh the cost to the state.

The proposal by

Gov. Martin O'Malley

, to be considered by legislative committees in Annapolis this week, would extend and revamp the state's existing historic tax credit program. Advocates say the proposal would reverse changes to the program made in 2003, which discouraged developers from applying because it was unclear how much money was available for a project. Proponents say the tax incentive, offered for commercial and residential projects for up to 20 percent of its cost, had been one of the most effective of its type in the nation. It began in 1997 and spurred economic development and revitalization of communities in Baltimore, Annapolis and small towns across the state.

"These are often the projects that, but for the tax credit, even in good economic times, the project would not have been completed," said Donald C. Fry, president of the ***Greater Baltimore Committee***.

Tax credits have helped leverage private–sector investment in the redevelopment of more than 2,600 residential and 550 commercial properties. Some of the better–known projects include the Tide Point office complex in

Locust Point

, a former soap factory; Montgomery Park, the former Montgomery Ward catalog warehouse that is now among Baltimore's biggest office buildings; and the American Can Company office and retail complex in Canton

. "The tax credit has been the most powerful tool for rehabilitation of historic properties in Maryland," said Tyler Gearhart, executive director of Preservation Maryland.

But because it is uncertain whether and how much will be funded each year, his group says, developers of larger projects are moving work to other states.

State bills to reauthorize the tax–incentive program, which expires in July 2010, would return the program to more of a pure tax credit and add a bonus for "green" buildings. The tax credits now function as an annual grant program.

Under the proposal, the tax credits would be available through a five–year authorization rather than an annual appropriation in the state budget, a change designed to give developers a better sense of how much money a project could receive. The state allocated $25 million in fiscal year 2008 and $14.7 million in fiscal 2009.

Developers can claim the income–tax credit for buildings that are classified as historic once they complete a project. The cost to the state would be up to $100 million in income–tax revenue, an impact the state would likely not see until 2011 or 2012.

In 2004, state lawmakers approved changes to cut costs and prevent Baltimore from taking the majority of credits while allowing other areas to better compete.

The ***Greater Baltimore Committee*** estimates that the credit has yielded more than $3 in economic impact for every dollar in tax incentives, as well as jobs and transformation of older neighborhoods. In the past eight years, 145 projects in Baltimore used the tax credit for commercial rehabilitation – slightly more than 60 percent of statewide commercial projects during that period. Those projects leveraged $22.5 million in tax credits into $113 million in private investment for city buildings, according to state data provided by the GBC.

Highlights: Greater Baltimore Committee