

City hotel projects win tax credits

\$17M in state's preservation funds goes to Baltimore deals

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Several hotels being developed downtown received major awards of state historic tax credits under a new formula that allows Baltimore City commercial projects to reap a larger share of the credits.

City hotel projects that received million-dollar tax credit awards included the Hotel Indigo on Redwood Street; the B&O Building redevelopment, which will include a Hotel Monaco; a Quality Inn slated for the 100 block of St. Paul Street; and a project to add a hotel to the top floors of Penn Station. A Red Roof Inn & Suites planned for Front Street received \$640,000 in tax credits.

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Other city projects that received large tax credit awards include a mixed-use development in Pigtown; the rehabilitation of a former uniform company building on the city's west side; and the redevelopment of a swath of single-family rowhouses near Penn Station.

Since 2004, no one jurisdiction could receive more than 50 percent of the tax credits awarded for commercial projects in a year. But critics said Baltimore had more historic buildings than other parts of the state, and limiting the credit was cutting off redevelopment opportunities. City preservation groups and others, including the **Greater Baltimore Committee**, lobbied for a change.

This year, the amount of commercial tax credit awards any jurisdiction can receive was raised to 75 percent of the

credits given in a year. City projects received just over \$17 million of the \$24.7 million awarded this year for the commercial credits.

That amount "is very significant and is a good sign that there are significant needs still in the city to be addressed," said Greater Baltimore Committee president Donald C. Fry.

When the 50 percent cap was in place, its critics said millions of dollars in tax credit money that had been budgeted went unused because there weren't enough applicants from other parts of the state. This year, all of the money budgeted for the tax credits was awarded, said Daniel Sams, who administers historic tax credit programs for the Maryland Historical Trust.

Raising the cap on the amount of city projects "was a huge help," said Tristan O'Connell of tax credit consulting firm O'Connell and Associates, which worked with many of the developers applying for the credits. O'Connell also is the developer on a Pigtown project that received \$960,000 in tax credits.

The city acquired that property in the 900 block of Washington Boulevard through "quick-take" eminent domain and put it out for bid last year. Plans call for a restaurant called "Thirsty Pig BBQ," about 2,500 square feet of retail space, artist lofts and residential units, O'Connell said. The redevelopment will cost more than \$6 million, O'Connell said.

The Westside Lofts at 311 W. Baltimore St. received just over \$1 million in tax credits. Developers including Neil Katz and Mark Shapiro are redeveloping the former Howard Uniform Co. building at the site, planning ground-level retail and apartments, according to O'Connell, who consulted on the project.

Many developers say the tax credits can make the numbers work in the costly field of redeveloping historic properties — and can help revitalize neighborhoods that have languished.

Red Canyon Properties received about \$1 million in tax credits to redevelop roughly 20 rowhouses into apartments on Brentwood Avenue and other streets near Penn Station.

"The tax credits were a major incentive for us to try to break into this neighborhood," said Ibrahim Sheikh, chief operating officer of Red Canyon, which he said has redeveloped older buildings into apartments in Brooklyn, N.Y. "Without these tax credits, these projects probably



would not be feasible for us to do.”

Sheikh estimates Red Canyon is spending \$5 million to \$6 million to redevelop the Brentwood Avenue properties.

Projects that apply for the credits are graded on criteria ranging from a building's condition to whether it is a rare example of an architectural style and where it is located within a block. The high visibility of corner properties means that when one is rehabilitated, it encourages more redevelopment in the block — so corner buildings tend to score higher, said Sams.

The state has typically announced the commercial tax credit recipients in July, but this year's awards were released Oct. 3. Questions about the delay were referred to the Maryland Historical Trust's Michael Day, who could not be reached.

Several developers and others applying for credits said they could not move forward with their projects until the awards were announced.

Red Canyon's Sheikh estimates that the delay could cost the developer \$500,000. Red Canyon lost a construction loan because it did not meet the lender's deadline to start building, said Sheikh.

The developer had planned to do most of the exterior work on its projects over the summer, but the delay means winter weather will further affect the project schedule, Sheikh said. Still, he said Red Canyon plans to submit more project applications for the tax credits next year.

It's still unclear what next year could bring for the historic tax credit program. When legislators raised the cap on the amount of a city's projects that could receive commercial tax credits, they also took away a requirement that at least \$30 million a year be budgeted for the credits.

The Greater Baltimore Committee will continue to advocate for \$25 million to \$30 million in annual funding for the tax credit program, Fry said.

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