Sustainable Maryland

Accelerating Investment in the Revitalization and Livability of Maryland’s Neighborhoods

A Report to the Task Force on the Future for Growth and Development in Maryland

By the Revitalization Incentives Workgroup

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Task Force on the Future for Growth and Development in Maryland

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Introduction
I. INTRODUCTION

In its December 2008 report, *Where Do We Grow From Here?*, the Task Force on the Future for Growth and Development in Maryland recommended a review of the State’s neighborhood revitalization incentives. Revitalization incentives are those programs and financing tools that aim to produce new investment and economic vitality in Maryland’s older communities. In response to the Task Force recommendation, the Maryland Department Housing and Community Development convened a Revitalization Incentives Workgroup (the Workgroup) composed of leaders from the public and private sectors (Appendix A). This report sets forth the Workgroup’s key findings about the State’s existing tools for neighborhood revitalization as well as the Workgroup’s recommendations for accelerating neighborhood reinvestment to achieve more sustainable and livable communities for Maryland families.

Reinvestment in existing communities has been an important aspect of Maryland’s Smart Growth efforts since the first neighborhood revitalization program and target area were established in legislation in 1995 as the Neighborhood Business Development Program and Designated Areas. The Priority Funding Areas Act of 1997 established a larger and much discussed framework for focusing growth-related State funding.

Core revitalization programs such as Neighborhood Business Development (now operated as Neighborhood BusinessWorks), Community Legacy and the Heritage Structure Rehabilitation Tax Credit were designed to catalyze new investment in targeted areas where infrastructure, community assets and transit opportunities exist. While other of Maryland’s Smart Growth programs help finance land preservation and protect environmental resources, Maryland’s revitalization toolkit aims at renewing the vitality, livability and sustainability of the State’s older communities.

The Smart Growth approach has achieved wide support from the many different stakeholders who understand the imperative of protecting the State’s natural resources and the corresponding link to investments that bring new life to Maryland’s older neighborhoods. In the 2009 General Assembly Session, Governor Martin O’Malley introduced, and the General Assembly passed, a package of bills in furtherance of the Governor’s “Smart, Green and Growing” agenda, renewing and setting the course for the State’s commitment to Smart Growth in the years ahead. Growing “smarter” and “greener” is more than ever before seen as both a moral and economic imperative.

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1 Defined by the 1997 Priority Funding Areas Act, Priority Funding Areas are areas where the State and local governments want to target their efforts to encourage and support economic development and new growth. For details visit: http://www.mdp.state.md.us/fundingact.htm.
The nation’s economy is just emerging from a severe recession characterized by a disruption in the mortgage lending and financial markets. Main Street America has been significantly hurt through high rates of home foreclosures, job losses, restriction of small business credit, and a significant decline in home values. In addressing the economic downturn through stimulus funding, the new Administration in Washington has substantially increased the federal focus on the needs of America’s older communities through infrastructure, transportation and housing investment. Additionally, the federal departments of Transportation, Housing and Urban Development, and the Environmental Protection Agency have committed to an unprecedented level of coordination through a new Livable Communities initiative. This bodes well for future opportunities for achieving Smart Growth through reinvestment in Maryland communities.

Maryland is in a position to capitalize upon this direction at the federal level because of its own renewed focus on growing smart and green; however, the Workgroup concludes that there continue to be too few incentives and too many barriers to reinvesting in older communities. Challenges include the cost of bringing aging infrastructure to modern standards, achieving the support of residents, and meeting the regulatory requirements of agencies at the State and local levels. These challenges often create a funding gap and increase the time required for implementing projects in existing communities. Filling the funding gap is traditionally where federal, state, and local government investments have been able to help communities move forward with revitalization initiatives. The economic downturn and subsequent impact on public budgets threaten the ability of local governments and the State to respond.

Because of this, Maryland is at a Smart Growth crossroads. The State and its partners have significant opportunity to make progress even in this difficult economy. A new sustainable communities agenda can achieve progress for Maryland families, for the neighborhoods in which they live, and for the environment.

In order to formulate its findings and recommendations, the Workgroup sought to understand Maryland’s current set of revitalization programs and to identify gaps that could be creatively and cost effectively addressed. The Workgroup met between May and December of 2009 and reviewed key revitalization programs and initiatives as well as best practices from Maryland and other states. Many programs in Maryland’s “revitalization toolbox” have been in existence for ten or more years, making it possible to take a critical look at program outcomes (Appendix B). The environment in which these programs were created and the field of community development has changed. The public has become much more attuned to issues of climate change and stewardship of environmental resources. Green building technology and sustainable development practices are being widely adopted for construction projects large and small. The Workgroup took a fresh look at opportunities for achieving more sustainable communities in this context.
A. KEY FINDINGS

• The State of Maryland has established multiple designations (i.e., geographic areas that are targeted for specific investments) that have focused resources and led to successful revitalization outcomes in certain communities; but these designations do not always focus investment in the same areas. In addition, resources available across State agencies need to be more transparent and easier to access by local users.

• State programs and incentives with a proven track record of effectiveness are funded at historically low levels (due to economic and budgetary constraints), reducing their ability to address critical revitalization needs.

• The “best of the best” revitalization projects (those that can have the biggest impact) are not receiving an adequate level of coordination, incentives, and investment from local and State agencies. State and local revitalization incentives focus on filling funding gaps; but, a need exists for early and patient capital and land assembly support for high impact projects.

• The State’s revitalization incentives alone are not sufficient to encourage major levels of private investment in older communities with weaker markets and higher regulatory barriers. Financing tools that can leverage transformative levels of private investment -- such as the New Markets Tax Credit program, Community Development Financial Institutions and Tax Increment Financing -- are needed.

• Local leadership is fundamental to success in neighborhood revitalization; however, insufficient operating support exists to support the work of community-based partners. In particular, nonprofit lending institutions and community development corporations are under-capitalized. Support from public, private, and philanthropic sources is limited outside of the State’s most urbanized areas.

• The Maryland Building Rehabilitation Code for existing buildings (formerly known as “Smart Codes”) is not well utilized. Instead, local code officials frequently apply standards more typical and appropriate to new construction. This can be a barrier to reinvestment and reuse of older buildings.

• Maryland agencies have renewed their smart growth partnerships through the Governor’s Smart Green and Growing initiative. There are new opportunities for joint endeavors due to the Recovery Act, Base Realignment and Closure (BRAC), and other federal policy changes, which propose to better integrate federal investment to achieve sustainable communities, including the DOT, HUD, EPA inter-agency partnership.
• Maryland’s local communities are increasingly adopting green building, sustainable development, and resource conservation practices; however, major new resources for green investment, including from the federal Recovery Act and Regional Greenhouse Gas Initiative (RGGI), could be better aligned with revitalization investment.

• There are important opportunities surrounding transit locations to innovate in the development of mixed-use, compact, inclusive and livable communities.

• Revitalization investment has a direct correlation to job creation, and job opportunities could be made more accessible to families in existing communities.

• The foreclosure crisis and related economic downturn have stalled many neighborhood revitalization initiatives. There is a need to help households recover and neighborhoods stabilize.

B. SUMMARY RECOMMENDATIONS

The Workgroup’s recommendations and action items are grouped within four goals. The recommendations identify effective programs in Maryland’s existing revitalization toolbox while also recommending new tools and strategies. Best practices in Maryland and from other states are highlighted in the report’s sidebars. In many cases, existing programs are working well, but are not funded sufficiently or targeted effectively to maximize revitalization. In every case, the recommendations recognize that strong public and private partners are essential for revitalization initiatives to be effectively implemented and sustained.

Vision: Sustainable and Livable Neighborhoods for Maryland Families.

• **Goal 1:** Attract and sustain private investment in revitalization areas and projects.

• **Goal 2:** Preserve the authentic “sense of place” and historic character of Maryland communities.

• **Goal 3:** Advance green and sustainable development practices in tandem with revitalization investment.

• **Goal 4:** Connect Maryland families to economic opportunity in improving communities.
Goal 1: Attract and sustain private investment in revitalization areas and projects.

Recommendation 1: Better align Maryland’s revitalization target areas and agency programs in order to focus and leverage increased private investment.

Recommendation 2: Sustain Maryland’s core community reinvestment and revitalization programs and local workforce. When economic conditions allow, expand resources for core programs such as Community Legacy, Neighborhood BusinessWorks, and the Heritage Structure Rehabilitation Tax Credit.

Recommendation 3: Increase the investment power of nonprofit Community Development Financial Institutions (CDFI) in Maryland and focus investment in revitalization target areas.

Recommendation 4: Reduce barriers and increase incentives for private–sector development and investment in revitalization target areas.

Recommendation 5: Expand use of local Tax Increment Financing (TIF) and the federal New Markets Tax Credit (NMTC) program for transformative Smart Growth projects in revitalization target areas.

Goal 2: Preserve the authentic “sense of place” and historic character of Maryland communities.

Recommendation 6: Support economic development and sustainable design in Maryland’s existing communities by strengthening incentives for the rehabilitation of historic commercial and residential properties.

Recommendation 7: Develop consumer-friendly financing strategies for rehabilitation of older homes in revitalization target areas.

Recommendation 8: Promote use of the Maryland Building Rehabilitation Code (formerly known as “Smart Codes”)².

² The Maryland Rehabilitation Code is now Chapter 34 of the International Building Code.
Goal 3: Advance green and sustainable development practices in tandem with neighborhood revitalization investment.

Recommendation 9: Provide incentives for green and sustainable development in revitalization target areas.

Recommendation 10: Encourage private investment in the redevelopment and reuse of vacant or poorly performing commercial properties – also known as “greyfields” – into mixed-use developments that better serve their surrounding neighborhoods.

Recommendation 11: Align federal, State, and local agency investment in mixed-use, mixed-income Transit-Oriented Developments (TOD), creating compact, livable communities.

Goal 4: Connect Maryland families to economic opportunity in improving communities.

Recommendation 12: Preserve and create affordable and workforce housing options in revitalization target areas, particularly near jobs, transit, and good schools.

Recommendation 13: Sustain and increase job opportunities in revitalization target areas.

Recommendation 14: Help families and neighborhoods recover from the foreclosure crisis.
Neighborhood Revitalization in Maryland
II. NEIGHBORHOOD REVITALIZATION IN MARYLAND

A. Setting Clear Goals For Sustainable Maryland Communities

There is a critical link between growth in existing communities and stopping sprawl and related environmental degradation. In addition to the environmental and economic benefits of investing in existing communities, neighborhood revitalization is an end in itself that preserves and builds on the historic integrity and assets of a community. The buildings and places that collectively form a community tell stories from the past. Community members who know and appreciate their shared heritage are often more willing to work for their community’s future.

Focusing growth where community infrastructure exists is a practical imperative in any economic time, but especially today. Attracting private investment to older areas will require a new and substantial commitment to investment where growth is most appropriate, which means engaging residents in an active and constructive dialogue involving growth plans. New and clear goals are needed to achieve the most sustainable and equitable outcomes from this investment.

The Workgroup offers the following four goals for achieving more sustainable and livable Maryland communities:

- **Goal 1**: Attract and sustain private investment in revitalization areas and projects.
- **Goal 2**: Preserve the authentic “sense of place” and historic character of Maryland communities.
- **Goal 3**: Advance green and sustainable development practices in tandem with revitalization investment.
- **Goal 4**: Connect Maryland families to economic opportunity in improving communities.

**Goal 1: Increase and Sustain Private Investment**—In order for a community to attract “private investment” and build a sustainable economy it has to make sense to private individuals and businesses to invest there. In the early stages of revival, public sector support is critical to filling gaps in the viability of new enterprises, giving confidence to private investors that a return on investment can be achieved. In the later stages of revival, the private sector responds to the momentum of past successes on its own and sustainably.

**Goal 2: Preserve Community “Sense of Place”**—Sustainable economic growth can greatly capitalize on historic community assets. Historic buildings and sites are non-renewable resources that provide the
underpinning of a community’s unique “sense of place.” The preservation and adaptive reuse of these resources, as well as the promotion of compatible infill design, leads to the creation of distinctive neighborhoods that stimulate community pride and attract visitor and investor interest. Equally important, rehabilitation projects create jobs, save landfill space and reduce the need for infrastructure investments in revitalization areas.

**Goal 3: Advance Green and Sustainable Development Practices**—This is an emerging and critical emphasis in the world of neighborhood revitalization. Investment in revitalization projects, large and small, should “go green.” On larger infill projects and greyfields redevelopments, site and building design can incorporate new strategies for the conservation of water and energy resources. Retrofitting of homes with energy efficient appliances and low-flow fixtures can reduce household bills throughout a target neighborhood. And the use of such environmental practices in revitalization activities can engage citizens in advancing their own environmental stewardship. For example, the installation of rain barrels in a neighborhood can significantly reduce local water run-off and result in the reuse of rainwater for lawns and gardens.

**Goal 4: Connecting Families to Emerging Economic Opportunities**—If a local economy revives and attracts private investment, it is likely that property values and business activity and jobs will increase. It is also desirable for long-term residents of modest means to be able to participate in the revival of their community by having access to emerging jobs and workforce housing. Revitalization that happens without benefit to working families is a missed opportunity to help strengthen Maryland’s middle class.

**B. Investing in Revitalization Target Areas**

The first Smart Growth program in Maryland established in statute a new “target” for State investment called Designated Neighborhoods (through the 1995 statute that also developed the Neighborhood Business Development Program, now being administered as Neighborhood BusinessWorks). Over time, additional statutory designations were created to target resources.

Many Maryland communities have applied for and achieved multiple designations and, therefore, are able to focus multiple State grant, loan, and tax incentives in one area. For example, nearly all of Maryland’s 23 designated Main Streets also have achieved designation as local or national historic districts, Designated Neighborhoods, and Community Legacy Areas. Ten of the Main Streets are also designated as Arts & Entertainment Districts.

With the exception of Maryland Heritage Areas, and some locally or nationally designated historic districts, all of the geographic designations occur inside Maryland’s PFA. Heritage Areas are not subject to PFA requirements because many include rural areas with historic properties and districts with byways and trails.
Several additional designations were established in the last two years. Through DHCD’s Neighborhood Conservation Initiative, local governments statewide established target areas to direct federal neighborhood stabilization funds to communities negatively impacted by foreclosures and subprime lending. In addition, Smart Sites is a new project-based designation administratively established by Governor Martin O’Malley and the Smart Growth Sub-Cabinet; this designation identifies high impact Smart Growth projects for agency coordination and funding.

Targeting and “layering” scarce public resources over time to select areas is critical to transforming older communities into vibrant places with new economic opportunity. Maryland revitalization designations focus scarce public investment, both State and local, in order to leverage increased private investment. Many of these were established during the “first wave” of Smart Growth legislative activity, from 1996 to 2001. A summary of these designated areas and related revitalization programs is provided in this section. Appendix B contains more information on the core programs that are targeted to these designated areas. Appendix C provides statewide maps that show the location of revitalization target areas.
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<tr>
<th>Designation</th>
<th>Year Created</th>
<th>Lead Agency</th>
<th>Number Designated</th>
<th>Eligible Programs / Incentives</th>
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<td>Income and real property tax credits in return for job creation and investments.</td>
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<td>A&amp;E Districts</td>
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<td>Smart Sites</td>
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<td>DHCD</td>
<td>15</td>
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**Designated Neighborhoods**—The “Designated Neighborhood” (DN) concept was created through early Smart Growth legislation in 1995 in conjunction with the Neighborhood Business Development Program (renamed Neighborhood BusinessWorks). DN was originally conceived as a means for focusing revitalization-oriented funding from various State agencies. State programs that are targeted to or enhanced in DN’s include DHCD’s Neighborhood BusinessWorks and Office Space Conversion Program for Rental Housing, as well as the Department of Business and Economic Development’s Job Creation Tax Credit and the Maryland Department of Transportation’s Sidewalk Retrofit Program.

Staff review of investment activity in DN’s shows that 90% of all Community Legacy funding has gone into DN’s. And, as required by statute, 100% of NBW funding has gone into DN’s. The NBW program was seeded with $43 million in State general funds that established a revolving loan pool that generated more than $90 million in loans and grants to for-profit and non-profit businesses respectively to establish or expand enterprises that benefit and serve their surrounding neighborhoods. NBW has been one of the State’s most successful revitalization tools in that it has catalyzed such neighborhood serving enterprises while also returning significant program income that has revolved into further investments in job-producing neighborhood businesses (Appendix C).

**Local and National Register Historic Districts**—There are two types of historic district designations that serve as the threshold to eligibility for historic property rehabilitation programs. Historic districts listed in the National Register of Historic Places (National Register) are designated by the U.S. Department of the Interior as being historically significant at the local, state, or national level for their association with important events or people and/or because of their distinctive architecture. Local Historic Districts are designated by county and municipal governments through a historic area zoning ordinance. In some cases, properties may lie within both a National Register and locally designated Historic District.

Historic properties within a district’s boundaries for residential and commercial rehabilitation may be eligible for the Maryland Heritage Structure Rehabilitation Tax Credit (Rehab Tax Credit) projects. There are 198 historic districts listed in the National Register of Historic Places in Maryland, and 48 municipalities and counties that have local historic preservation ordinances (many local districts are also listed in the National Register). Baltimore City has 57 of the 198 National Register historic districts. Twenty-two of the National Register historic districts are Maryland Main Street Communities.

Established in 1998, **Main Street Maryland** is both a designation and a technical assistance program that targets new investment in Maryland’s traditional and historic downtown business districts. There are currently
Dundalk’s Renaissance

The Dundalk Renaissance Corporation (DRC) is a non-profit community development corporation dedicated to revitalizing the greater Dundalk community. The DRC implements community-endorsed revitalization plans and helps homeowners with renovation incentives in addition to doing their own green home renovations to attract new buyers to the community.

DRC is also the lead entity for Dundalk’s designation as a Maryland Main Street and Maple Street community. DRC helps reinforce Dundalk’s small town feel by strengthening local businesses in its town center.

23 Main Street Maryland Communities. Baltimore City also has 10 locally designated Main Street communities and administers its own Main Street program. Designated Main Streets are eligible to receive Main Street Improvement (MIP) funding if State resources are budgeted for that program.

Main Street Maryland designations are determined through a competitive process. Communities are selected based on their commitment to improve their traditional business districts through the four-point approach of the National Trust for Historic Preservation’s National Main Street Center. Beginning in 2008, Main Street Maryland programs also incorporated a Fifth Point: Clean, Safe, and Green. To encourage the “greening” of Main Street communities, DHCD and DNR have recently published a “Greening Downtown” guide with best practices for encouraging resource conservation as well as community engagement in greening.

In 2008, DHCD established the Maple Street designation as a complement to Main Street in order to encourage more investment in residential communities in and around Main Street districts. Four Maple Street communities have been designated to date: Cambridge, Cumberland, Dundalk and Westminster.

**Arts and Entertainment Districts**—Maryland has 18 Arts and Entertainment (A&E) Districts. The A&E districts include 10 designated Main Streets in addition to districts in older suburban communities such as Wheaton and Bethesda. Created by State legislation in 2001, Maryland remains the only State with a statewide tax benefit designation for A&E districts. The tax benefits include local property tax credits for property owners who undertake renovations that result in: 1) live-work space; 2) space for arts or entertainment; 3) income tax benefits in the sale of artistic work by qualified resident artists (which are sold within the A&E district or county); and 4) admissions and amusement tax exemption. Community sponsors (government or nonprofit groups) apply for A&E designation through the Maryland Arts Council.

**Community Legacy Areas**—Created by State legislation with strong leadership from local government partners in 2001, Community Legacy (CL) provides flexible funding to fill gaps in support left by other more restrictive State and local programs. CL grants and Loans are made in designated Community Legacy Areas — areas in which a community has developed a multi-year plan for revitalization. Local governments and nonprofit community development organizations are eligible to apply for CL funding. Because of its flexibility, program funds are able to be used by local project sponsors at every stage of the revitalization process including: economic feasibility studies; predevelopment expenses; operating support for nonprofit development organizations; site acquisition and assembly; infrastructure upgrades; building renovation; and, special district signage. CL and NBW are often used in conjunction with one another and also along with Maryland’s Historic Rehabilitation Tax Credit to fill funding gaps in private financing. Due to budget constraints, Community Legacy program funding has declined from a high of $10 million in 2001 to a low of $2.2 million in fiscal year 2010.
Maryland Heritage Areas—Created by the General Assembly in 1996, Maryland’s Heritage Areas are locally designated and State certified regions where public and private partners make commitments to preserving historical, cultural and natural resources for sustainable economic development through heritage tourism. The Maryland Heritage Areas Authority (MHAA) provides targeted State financial and technical assistance within a limited number of areas designated as “Certified Heritage Areas.” Capital project assistance is further focused on Target Investment Zones within each heritage area to produce an immediate visible preservation and economic development impact. Non-Capital and Capital grants are available to nonprofits and local governments within Certified Heritage Areas. Other incentives targeted to Heritage Areas include Maryland Heritage Structure Rehabilitation Tax Credits for buildings used for heritage tourism-related purposes; loans for acquisition, new construction, rehabilitation, and business development for nonprofits, individuals, and businesses.

New Designations—The following designations have been established in the past two years.

(a) BRAC Revitalization and Incentive Zone Program. In 2008, Senate Bill 206 established the BRAC Community Enhancement Act and BRAC Zones. The intent of BRAC Zones is to foster growth related to Base Realignment and Closure process in areas that are already designated for growth, provide local governments with financial assistance for public infrastructure, and align other state resources and programs to assist local governments and businesses located in the BRAC zones.

- Under BRAC Zones, funds must be used for infrastructure improvements in the designated Zone. Each year, the amount to be paid to all local jurisdictions is the amount appropriated in the State budget up to a cumulative cap of $5,000,000.
- BRAC Zones also receive automatic eligibility for Neighborhood BusinessWorks and Community Legacy funding.

(b) Transit Oriented Development (TOD) Zones. Currently, there are thousands of acres of undeveloped and underdeveloped land within a half-mile of Maryland’s 112 transit stations. Transit-oriented development is a critical part of any strategy to eliminate traffic congestion by reducing our reliance on automobile travel. Transit-oriented development can achieve compact mixed-use communities around transit sites and can promote revitalization of nearby existing communities. Senate Bill 204 confirmed that transit oriented development is a transportation purpose. By establishing transit-oriented development as a transportation purpose, the legislation put TOD on equal footing with other transportation funding priorities and will facilitate the use of state resources and land. The bill defined TOD as dense, mixed use, deliberately planned development within a half-mile radius of transit stations designed to increase transit use.
House Bill 300, passed in 2009, further enhanced TOD policy by giving local governments the authority to create special taxing districts to support TOD improvements, operations and maintenance. The Bill also authorizes the use of Maryland Economic Development Corporation (MEDCO) bonds for Tax Increment Financing and special taxing districts.

(c) Neighborhood Conservation Areas. Neighborhood Conservation Areas were established administratively by Maryland DHCD as areas to receive federal Neighborhood Stabilization Program (NSP) funds from the Housing and Economic Recovery Act of 2008 (HERA). These funds are targeted to those Maryland communities that have been most hard hit by foreclosure and subprime lending. Nearly $24 million in State NSP funding is being invested in Neighborhood Conservation Areas. This designation also resulted in alignment of State NSP funds with another $24 million in NSP funds received directly by the local jurisdictions of Baltimore City, and Montgomery, Prince George’s and Baltimore Counties.

(d) Smart Sites. The Smart Sites initiative was launched in 2009 with site-specific capital projects that encourage the alignment of public and private investment in the most exemplary Smart Growth projects statewide. Smart Sites are demonstrating innovative partnerships to catalyze smart growth in appropriate areas throughout Maryland, from large TOD initiatives to smaller Main Street infill projects. It is anticipated that a second round of Smart Site nominations will be solicited in the spring of 2010. Partnerships that include green building practices that promote growth and revitalization in appropriate areas are encouraged, including rehabilitation of key historic properties in older residential and business districts; mixed-use Transit Oriented Development; innovative school construction; mixed income housing near employment, schools and services. While the first round of Smart Sites was nominated by State agencies, it is anticipated that subsequent rounds will be nominated by local municipal and county governments as well as State agencies.
C. Building Blocks for Sustainable Communities:

Over the last fifteen years, Maryland communities that have made the most revitalization progress share the following characteristics, or "building blocks" for sustainable success:

- A specific local target area that has attained multiple State “designations” that make the community eligible for maximum access to State revitalization funding.
- Strong local leadership and partners from the public and private sectors that coordinate and leverage financing to implement ongoing initiatives.
- A multi-year investment strategy that is both realistic and ambitious, providing a road map for local stakeholders to create a more sustainable economy and livable community life.

On-the-ground capacity for choosing revitalization priorities, developing feasible long-term investment strategies and marshalling significant public and private sector investment is fundamental to the past success and future acceleration of revitalization in Maryland’s neighborhoods. The next section will describe further the State and local roles in implementing revitalization Initiatives.


The State’s role in neighborhood revitalization has traditionally been in three areas:

- Establishing a framework of locally designated target areas for State investment in order to focus State grants, loans and tax incentives to benefit target areas.
- Administering State and federal resources to benefit those target areas.
- Providing technical assistance to local partners.

During the O’Malley-Brown Administration, inter-agency Smart Growth policy and project coordination has been fundamental to accelerating reinvestment in local communities. Local leaders engage community input, identify their community’s revitalization priorities and work with partners to assemble financing. This important “revitalization workforce” is comprised of municipal and county government staff and elected leaders, local nonprofits and their Board and committee volunteers, and local private developers and their investors.

The capability of the local revitalization workforce to win and manage resources and then implement projects is fundamental. The most effective local partners are able to work with diverse stakeholder groups to identify
Local Leadership Moves
Cumberland Forward

Cumberland was a major 19th century transportation hub with a significant industrial job base until the 1970’s. By the 1990’s Cumberland leaders and boosters began to restructure the City’s economic base. Their new vision included turning the largely vacant but historic downtown back into a vibrant center for community life.

In addition to the historic downtown, the nearby terminus of the C&O Canal and historic train station were identified as key assets for reinvestment.

Ten years later, the downtown now has a high occupancy rate and the Canal Place festival grounds is surrounded by new retail space and a new hotel. This progress took more than a decade of sustained leadership and public private partnerships, assisted by more than $5 million in Community Legacy and Neighborhood BusinessWorks funding and Heritage Structure Rehab Tax Credits.

In the Cumberland example, the City’s small nonprofit Main Street organization has been annually supported in part by the City. In other communities that may have fewer municipal resources, the local nonprofit development organizations struggle to survive and achieve a scale of work needed to accelerate their community’s revitalization. Just as Maryland Heritage Area grants support the State’s heritage tourism industry, a sustained source of support for revitalization-oriented nonprofits is needed.

The strength of the local revitalization workforce has been weakened by the nation’s economic downturn. In particular, community-based nonprofit organizations have been hard hit. Nonprofits have typically operated with minimal financial and human resources to sustain service to local communities, and the economy challenges them further to sustain their mission work. Only a small number of nonprofit developers – community development corporations (Cads) – have achieved and sustained the scale needed to be significant partners in neighborhood reinvestment.

In spite of these challenges, the leadership and support of local partners remains critical to the success of State investment in revitalization. State revitalization programs focus primarily on capital investments rather than support for the local management capacity to finance and implement revitalization projects. In order to have strong partners to execute revitalization initiatives, operational funding is needed for them. Maryland resources such as Community Legacy operating funding, Community Investment Tax Credits (CITC) and Main street Improvement Program (MIP) funds have been important sources of operating support for nonprofits.

Nonprofit Lenders are an underutilized neighborhood reinvestment partner in Maryland.

Nonprofit lenders, more formally known as Community Development Financial Institutions (CDFIs), are community banks with a social mission. CDFIs across the nation assemble affordable capital – grants, loans and tax credits – which is used to make revitalization projects feasible. They provide low-cost and patient capital on flexible terms for a range of housing, small business and mixed-use projects that benefit communities. CDFIs are often a critical connector between public sector and private sector interests and capital.
The U.S. Treasury Department estimates that each dollar invested in a CDFI leverages $27 in private capital investment; however, for the most part, Maryland’s CDFI community is not a strong factor in the revitalization and sustainability of local communities. The most active nonprofit CDFI in Maryland is the Philadelphia-based The Reinvestment Fund (TRF). TRF and its community-based partner BUILD have assembled $10 million in capital to invest in the rebuilding of the Oliver and Greenmount West neighborhoods of East and Central Baltimore.

Other Maryland-based CDFIs include three banks (Advance Bank, Industrial Bank, The Harbor Bank of Maryland), nine nonprofits (Baltimore Community Lending, Inc., Enterprise Community Loan Fund, Maryland Capital Enterprises, Inc., NeighborWorks Capital, Calvert Social Investment Foundation, Community Capital of Maryland, Open Door Housing Fund, Community Development Ventures, Prince George's Financial Services Corporation), and three credit unions (Douglas Memorial Federal Credit Union, First Combined Community Federal Credit Union, and The Mount Lebanon Federal Credit Union).

The U.S. Treasury's own CDFI Fund could substantially bolster local CDFI resources and subsequent investment in Maryland’s revitalization target areas. The Treasury CDFI Fund provides a 1:1 match in capital for funds raised by local CDFIs up to a variable maximum dollar amount. The current Congress has recently authorized a record amount of funding for the CDFI Fund. However, local CDFIs have to be able raise a significant local match in order to leverage significant Treasury funds.

City First, Washington, D.C.

City First Bank of DC is Washington D.C.’s only bank solely dedicated to community development finance. City First’s mission is to strengthen underserved communities in Washington DC and the surrounding suburbs.

City First has raised and deployed $120.8 million in New Markets Tax Credit financing. Over 80% of City First loans are in low- and moderate-income census tracts.

City First financing has helped to create or retain 2,064 jobs, build or preserve 1,474 units of affordable housing and develop more than 621,407 square feet of community facilities.

Between 2004-2007 City First originated more than $153 million in loans for small companies and nonprofit organizations engaged in community development initiatives. Development projects in which City First has invested include Tivoli Square in Washington, D.C. and the American Brewery in Baltimore.
Accelerating Neighborhood Reinvestment
III. ACCELERATING NEIGHBORHOOD REINVESTMENT

The Workgroup is offering fourteen recommendations and related strategies for accelerating reinvestment in Maryland communities. These recommendations and strategies are organized below within four goals for achieving more sustainable communities.

- **Goal 1:** Attract and sustain private investment in revitalization areas and projects.
- **Goal 2:** Preserve authentic “sense of place” and historic character in Maryland communities.
- **Goal 3:** Advance green and sustainable development practices in tandem with revitalization investment.
- **Goal 4:** Connect Maryland families to economic opportunity in improving communities.

A. INCREASE PRIVATE INVESTMENT IN REVITALIZATION

In order for a community to attract private investment and build a sustainable economy it has to make sense to invest there. In the early stages of revitalization, public sector support is critical to making projects financially feasible, giving private partners the confidence to make investments that may otherwise not be bankable.

The following recommendations are primarily aimed at attracting private investment in areas where market conditions are insufficient to attract investment without strategic subsidy. Most State and local revitalization incentives are in place to fill funding gaps; but, the Workgroup concludes that a need exists for *early and patient* dollars in addition to incentives, like tax credits, that provide resources in later project stages.

**Recommendation 1:** Better align Maryland’s revitalization target areas and agency programs in order to leverage increased private investment.

- Update, simplify, and potentially reduce the number of revitalization target areas in consultation with state and local partners.
- Create a “one stop” community reinvestment resource online at the Smart, Green, and Growing web site, www.green.maryland.gov.
- Consolidate application processes and timelines of community revitalization programs, where feasible, across agencies.
- Accelerate the implementation of the “best of the best” high impact revitalization projects through Smart Sites and through coordination and streamlining of permitting and regulations (green taping) at State and local levels.
In Maryland there are ten State-designated target “overlays” for encouraging investment in older communities (Appendix C). A number of these designations – such as Designated Neighborhoods, Community Legacy, historic districts, and Main Streets – overlap in the same areas. For instance, downtown Cumberland is a Main Street, a Designated Neighborhood, a Historic District and a Community Legacy Area.

Targeting scarce public resources geographically has helped transform many distressed, older communities into vibrant places with new economic activity; however, in many cases, the designations have overlapping geographic areas and policy objectives. Multiple designations can complicate administration and may be confusing for local applicants.

The Workgroup also recommends more coordination on the application processes for complementary agency program resources. In the fall of 2008, State agencies moved in this direction with the establishment of the Sustainable Communities awards. Four state agencies worked together to coordinate three streams of community planning funding into one application process. As a result, 18 low-to-moderate income communities gained streamlined access to grants to update their local comprehensive plans, including the addition of water resource and municipal growth chapters that were required to be complete by late 2009.

**Recommendation 2:** Sustain Maryland’s core community reinvestment and revitalization programs and local workforce. When economic conditions allow, expand resources, for core programs such as Community Legacy, Neighborhood Business-Works, and the Heritage Structure Rehabilitation Tax Credit.

- Increase operating support for local partners that are implementing revitalization initiatives through the Community Investment Tax Credit and Community Legacy.
- Expand Main Street and Maple Street designation to eligible communities and increase promotion of these communities for heritage tourism.
- Reauthorize the Maryland Heritage Structure Rehabilitation Tax Credit (slated to sunset on June 30, 2010) and enhance its effectiveness in revitalization areas.
- Increase neighborhood business lending and job creation through partnerships between private sector lenders and Neighborhood BusinessWorks.
- Sustain smart growth regional planning staff at Maryland Department of Planning in order to assist smaller communities develop sustainable community plans.
- Expand the engagement of the environmental community in support of revitalization programs.
Most of the programs that comprise Maryland’s revitalization tool kit were developed within the last 15 years. Third-party evaluations show a significant economic impact has resulted from fairly modest State investments (Appendix B). For instance, in the States 2009 fiscal year, State and federal investments of $48.5 million in DHCD Neighborhood Revitalization resources resulted in a statewide economic impact of more than $400 million dollars, or $32 for every $1 of public investment.

State funds for revitalization catalyze significant private investment in construction and business operations and result in jobs and neighborhood services that are sustained beyond the initial grants. Although public budgets are very constrained, the costs of not investing are significant. For instance, a number of infill and redevelopment projects in older communities across Maryland are stalled because of the economic downturn.

There are very few sources of operating funding that can be used to seed revitalization staff for programs such as new Main Street organizations or hire expertise for community studies in the early stages of revitalization. However, small ($25,000-$50,000) operating grants to support local planning and capacity building efforts often have a large return on investment. For example a $50,000K grant support a Regional Urban Design Assistance Team (RUDAT) in Cambridge has resulted in ongoing public-private partnerships to renew the Main Street business and arts district.

Recommendation 3: Increase the investment power of nonprofit Community Development Financial Institutions (CDFIs) in Maryland and focus expanded capital in priority revitalization target areas.

- State and local officials should work with the Maryland Asset Building Community Development (ABCD) Network, the Federal Reserve and others to reconvene the network of Maryland CDFIs and develop strategies for increased nonprofit lending.
- Provide incentives for philanthropic and bank investment in such lenders for Smart Growth and revitalization projects.
- Consider establishing a “CDFI Fund” at the State level (such as New York State has legislated) to help CDFIs raise matching funds from the Treasury’s CDFI Fund.
- Encourage CDFI investments in revitalization target areas, including those rural areas where little or no CDFI activity currently exists. Strengthen partnerships between State agencies and CDFIs.
Recommendation 4: Reduce barriers and increase incentives for private-sector development and investment in revitalization target areas.

- Establish “green tape teams” to coordinate local and State regulatory reviews and permitting and to accelerate priority revitalization projects such as Smart Sites.
- Support local government land assembly, land banking, and revitalization planning.
- Expand support for low-cost financing for local infrastructure such as through the enhanced Local Government Infrastructure Finance (LGIF) program.
- Reduce or subsidize impact fees for high impact projects in revitalization target areas.
- Extend “green tape” incentives for developers that integrate high quality, sustainable development practices – for instance those encouraged by the LEED for Neighborhood Development (ND) standards.

Recommendation 5: Expand use of local Tax Increment Financing (TIF) and the federal New Markets Tax Credit (NMTC) programs for transformative Smart Growth and revitalization projects.

- Enhance use of TIF in Maryland to achieve Smart Growth and sustainable community goals within PFAs and revitalization target areas.
- Consider State and local strategies for using TIF to leverage “up front” financing for high impact projects that cannot move forward with just “back end” tax credits.
- Encourage mixed-income development projects by allowing TIF expenditures to help create or rehabilitate workforce housing.
- Work with federal liaisons to ensure that Congress sustains the NMTC program.
- Strengthen partnerships between holders of NMTCs and State agencies in order to focus tax credit benefits on high priority Smart Growth projects, such as TODs.


A number of States coordinate with local governments to use TIF as a vehicle for encouraging transformative Smart Growth and neighborhood reinvestment projects. Pennsylvania provides a credit enhancement to qualifying TIF projects in the form of a loan guarantee of up to $5 million. Connecticut converts a local jurisdiction’s pledge of future incremental tax revenues into an upfront cash grant to the developer. Kentucky extends a limited “moral obligation” guarantee, which makes TIF bonds more marketable through creation of a supplemental reserve for debt service payments. This is a similar approach to Maryland’s recent enhancement of its Local Government Infrastructure Financing program.
Tax increment financing is a tool commonly used by local governments to help pay for infrastructure and other public improvements needed to move a priority development project forward. TIF works by setting aside the future tax base of a given property or “TIF district.” A bond is then sold by a local government or redevelopment authority to pay for improvements to the property based on the anticipated rise in the amount of local property taxes. The difference between this newly generated tax figure and the original assessable base is then dedicated to pay back the municipal bonds that funded initial site and infrastructure improvements.

A number of local Maryland governments have used TIF to help support local projects since the tool was first authorized by the General Assembly in 1980. These include Baltimore City, Anne Arundel County, and Prince George’s County among others. Prince George’s County has been granted specific authority to use TIF in association with costs of convention centers. Baltimore City’s TIF authorization allows for subsidies needed to create affordable housing and for the redevelopment of abandoned and distressed properties. 2008 and 2009 legislation expanded the TIF authority in conjunction with TOD and BRAC Zone development.

The NMTC program is an economic development tool administered by the U.S. Treasury program in conjunction with its CDFI Fund. Created in December 2000, NMTC provides significant tax incentives for private-sector, market-driven investments in businesses and real estate development projects located in designated low-income urban and rural communities across the nation. Nationally, $21 billion in tax credit authority has been allocated including an additional $1.5 billion recently provided through the Recovery Act.

The NMTC Program permits investors to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. CDEs located in Maryland have received 22 awards totaling $1.333 billion in tax credits – the 5th highest total in the country. These awards however are not restricted to use in Maryland. An additional $694 million in tax credits have been awarded to entities that include Maryland as a potential receiving jurisdiction for their awarded credits, but are located in other states.

In Maryland, for the most part, the NMTC program is being used in Baltimore, including the redevelopment of neighborhoods north of the Johns Hopkins Medical Campus by the East Baltimore Development Initiative (EBDI). The NMTC program is financially complex tool, and associated legal costs often make it unfeasible for use in smaller scale projects.
Examples of Maryland project benefiting from the NMTC include:

<table>
<thead>
<tr>
<th>Project</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miller's Court *</td>
<td>$9.4 million</td>
</tr>
<tr>
<td>The CASA Multicultural Center*</td>
<td>$7.9 million</td>
</tr>
<tr>
<td>East Baltimore Life Sciences Park</td>
<td>$18.9 million</td>
</tr>
<tr>
<td>Belvedere Square</td>
<td>$11.5 million</td>
</tr>
<tr>
<td>Hippodrome Theater</td>
<td>$2 million</td>
</tr>
<tr>
<td>The Tremont Grand Hotel and Conference Center</td>
<td>$7.1 million</td>
</tr>
<tr>
<td>Salisbury Regional Shopping Center</td>
<td>$8.5 million</td>
</tr>
</tbody>
</table>

*Project also assisted by the MD Heritage Structure Rehabilitation Tax Credit and Neighborhood BusinessWorks programs.

**B. PRESERVE SENSE OF PLACE AND HISTORIC CHARACTER**

**Recommendation 6:** Support economic development and sustainable design in Maryland's existing communities by strengthening incentives for the rehabilitation of historic commercial and residential properties.

- Reauthorize the Maryland Heritage Structure Rehabilitation Tax Credit that is slated to sunset on June 30, 2010.
- Give priority to historic rehabilitation projects that incorporate energy efficient and sustainable design best practices.
- Consider enhanced incentives for tax credit investments in revitalization target areas, such as Maryland Main Street and Maple Street designated areas.
- Better integrate the use of the tax credit with other State and local incentives, such as Enterprise Zones.

The Maryland Heritage Structure Rehabilitation Tax Credit is an important economic development and community reinvestment tool. Maryland's rehab tax credit projects have provided more than an $8.50 return on each State dollar invested.

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**Miller's Court, Home for Teachers and Nonprofits**

Aided by a $700,000 NBW loan and $1.7 million in State Heritage Rehab Tax Credits, the long vacant Miller Tin Can and Box Factory reopened this year. It is fully leased and includes 40 affordable apartments targeted to new teachers working in Baltimore City public schools and 35,000 square feet of office space for non-profit organizations working to help public schools.

The project was also made possible by $3 million in Federal Historic Tax Credits, and $5.8 million in New Market Tax Credits as well as loan support from Baltimore City.
Despite the Heritage Structure Rehabilitation Tax Credit’s success, the law authorizing the program is scheduled to sunset on June 30, 2010. Reauthorization of the program will provide the opportunity to make this important redevelopment tool more desirable for developers working in revitalization areas. Improving tax credit predictability, prioritizing preservation projects that meet LEED Gold or similar standards, and enhancing its utility in Main Street and Maple Street areas should all be pursued.

Recommendation 7: Develop consumer-friendly financing strategies for rehabilitation of older homes in revitalization target areas.

- Create affordable mortgage financing tools for the rehabilitation of owner-occupied residential properties, potentially as a pilot program in designated Maple Street or foreclosure impacted communities.
- Consider State and local tax incentives that could increase marketability of target neighborhoods for rehabilitation investment.
- Support access to nonprofit homeownership education for consumers, particularly first-time home buyers.

Recommendation 8: Promote use of the Maryland Building Rehabilitation Code (formerly known as “Smart Codes”)³.

- Reconvene the Maryland Building Rehabilitation Code Advisory Council to promote local use of “Smart Codes,” making the rehab of older buildings more cost-effective while maintaining high safety standards.
- Expand training and technical assistance for local planning and building code staff, builders, and other stakeholders.

Financing mechanisms for acquisition and rehabilitation of residential properties are a critical community development tool. This is especially true in older, distressed communities where property values are depressed and substantial rehabilitation work may be needed to bring homes up to market standards. Targeted property tax incentives, combined with local promotion and education can support efforts to help older residential areas with weak real estate markets become “communities of choice”.

³ The Maryland Rehabilitation Code is now Chapter 34 of the International Building Code.
Green Infrastructure: Chicago and Seattle

Chicago's 2000 miles of alleys is the equivalent of five midsize airports. Under its Green Alley Initiative, the city is using sustainable building materials to retrofit and repair aging roadways. New surfaces will include permeable concrete and porous asphalt designed to reflect heat, reducing the urban heat island effect on summer days. 46 green alleys were completed in a 2007 pilot, and the city is now using the same approach for all alley improvements which also include the installation of energy efficient lighting.

Seattle's 2nd Avenue Street Edge Alternative (SEA) project entailed the redesign of an entire city block with a number of green infrastructure techniques, reducing storm water runoff and improving community livability.

The original 25-foot-wide street was replaced with a 14-foot-wide and new rain gardens designed to infiltrate water runoff were added. Street parking was replaced with angled parking, and a sidewalk was installed on one side of the street. The final design reduced imperviousness more than 18%

For more information on “green infrastructure” strategies, see From Rooftops to Rivers, by the Natural Resources Defense Council (Appendix D).

C. ADVANCE GREEN AND SUSTAINABLE DEVELOPMENT PRACTICES:

Recommendation 9: Provide incentives for green and sustainable development practices in revitalization target areas.

- Integrate green standards and priorities into as the award of such revitalization programs as Community Legacy, Neighborhood BusinessWorks, MDOT Community Enhancement, and the Heritage Structure Rehabilitation Tax Credit.
- Streamline permitting (green taping) for projects that integrate high quality development practices – for instance those encouraged by LEED for Neighborhood Development (ND) standards.
- Help communities adopt green approaches to community design, planning and infrastructure investment, through education on best practices. Community resources include “From Rooftops to Rivers,” by the Natural Resources Defense Council and “Going Green Downtown,” by Maryland’s DHCD and DNR.
- Focus community grants for energy efficiency and retrofits in revitalization target areas.
- Expand partnerships with MEA, Chesapeake Bay Trust and other environmental funders and advocates to increase their investment in revitalization target areas.

The link between environmental stewardship and revitalization is a critical and emerging emphasis in the field of neighborhood revitalization. Choosing to invest in existing communities can preserve natural resources, protect the environment, and enhance quality of life while growing the economy and avoiding the social and economic costs associated with sprawl development. Local strategies to promote energy efficiency, reduce storm water runoff, and conserve water can result in economic benefits for residents and businesses.

Recommendation 10: Encourage private investment in the redevelopment and reuse of derelict or poorly performing commercial properties – “greyfields” – into mixed-use developments that better serve their surrounding neighborhoods.

- Assess the scale of declining or vacant commercial properties statewide, with a particular focus on key areas targeted for growth and revitalization.
- Based on findings in the needs assessment, implement an initiative to reuse and revitalize greyfield properties in revitalization target areas.
Greyfields are defined as economically obsolete shopping malls, retail strip centers, and other older commercial properties that have vacant or marginal stores and declining revenue. Because they are often very visible, these sites can discourage investment in surrounding, established communities, while encouraging the flight of investment (residential and commercial) to greenfields and areas not planned for development.

The redevelopment of greyfields provides an opportunity for compact, pedestrian-friendly, infill development. Because they tend to be located in older communities or inner ring suburbs, they provide an opportunity to convert outdated single use (retail only), auto-oriented sites into mixed-use communities with improved transit and services. Greyfields redevelopment is one example of the "growth" side of Smart Growth – restoring investment and economic vitality to Maryland’s older communities.

**Recommendation 11: Align federal, State and local agency investment in mixed-use, mixed-income Transit-Oriented Developments (TOD), creating compact livable communities.**

- Promote livable community design principles in the development of TODs, including a “complete streets” approach.
- Work with State, local and private partners to respond to federal funding opportunities that may arise from the new HUD/DOT/EPA collaboration.
- Build local capacity to better plan for and implement transit-oriented development projects and policies.
- Expand authority and flexibility in use of tax increment financing at designated transit-oriented developments.
- Focus State agency incentives and coordination on transit-oriented development sites and increase funding for these programs for this purpose.
- Consider enhanced incentives for TOD projects that incorporate housing that is affordable to the workforce at a range of income levels.

The O’Malley-Brown Administration has increased the State’s focus on transit-oriented development, including through enabling legislation for Transit Oriented Development Zones. On October 27, 2009, Governor O’Malley issued an Executive Order directing state agencies to formally evaluate the potential of locating state office space and laboratories in developments adjacent to transit stations when evaluating office space in the future. The order outlines specific criteria that must be considered as part of the selection process.
Integrating appropriate land use, transportation and environmental initiatives is key to achieving sustainable communities. Integrating land use and transportation planning can result in vibrant, mixed-use communities that serve residents with a variety of housing needs and incomes. It can also avoid the economic, social and environmental costs associated with sprawling, auto-oriented development. Maryland already recognizes this relationship through initiatives such as TOD zones, and in rating and ranking of funding applications through housing and community development programs.

The incorporation of “livable community design” principles into TODs is important. Livable principles include road designs that promote walking and other forms of mobility. The “complete streets” concept seeks to promote access for everyone, whether young or old, motorist or bicyclist, walker or wheelchair user, bus rider or shopkeeper. Most streets are designed only for speeding cars, or often, creeping traffic jams. A complete streets approach ensures that transportation planners and engineers design and operate roadways with all users in mind - including bicyclists, public transportation vehicles and riders, and pedestrians of all ages and abilities. Instituting a complete streets policy in the planning and development of transportation improvements can avoid public and private costs associated with retrofits in future years.4

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4 For additional information visit the National Complete Streets Coalition website: http://www.completestreets.org/
D. CONNECT MARYLAND FAMILIES TO ECONOMIC OPPORTUNITY:

Recommendation 12: Preserve and create affordable and workforce housing options in revitalization target areas, particularly near jobs, transit and good schools.

- Enact appropriate statutory revisions to enable the creation of Community Land Trusts that maintain housing affordability for Maryland’s improving and prospering communities.
- At transit-oriented development sites, and other major redevelopment sites, provide incentives for the inclusion of affordable and workforce housing options.
- Review feasibility of expanding Anne Arundel County’s Rent-to-Own program, providing renters or former homeowners a pathway to asset building and homeownership.
- Document, and where applicable, replicate best practices from Maryland DHCD’s initiative to preserve 9,000 units of affordable rental housing over the next 10 years, including through green retrofits catalyzed by a national award from the national John D. and Catherine T. MacArthur Foundation.

Recommendation 13: Sustain and increase job opportunities in revitalization target areas.

- Increase Neighborhood Business Works financing and other small business investment in revitalization target areas, through expanded partnerships with community lenders and the Small Business Administration.
- Coordinate with the Maryland Department of Labor, Licensing and Regulation and Department of Human Resources to connect job opportunities to residents in revitalization areas, including such green jobs as retrofitting homes for energy conservation.
- Develop a microenterprise fund to help launch home-based and neighborhood serving businesses in revitalization areas.


Despite the national economic downturn, Cambridge’s Main Street business district is holding its own; however, the nearby Pine Street community – an historic African American community – has not seen the same level of progress. The neighborhood once had a bustling business district of African-American owned businesses, but much was destroyed in a 1968 fire. There are many long-time residents who are now engaged in planning the future for their neighborhood. In 2008, the community was granted the State’s new “Maple Street” designation that provides a focus for new residential investment. And last summer, Governor O’Malley designated the area as one of 15 new Smart Sites statewide.

New funding commitments from Community Legacy and CDBG will create and rehabilitate green affordable housing for local households.
Recommendation 14: Help families and neighborhoods recover from the foreclosure crisis.

- Maintain and build the capacity of the nonprofit housing counseling and legal services network to help families avoid foreclosure or achieve a soft landing.
- Ensure that lenders maintain their bank owned REO properties so that vacant properties do not become a blighting influence on neighborhoods.
- Facilitate partnerships between lenders and nonprofit developers to rehabilitate REO properties for workforce housing, reinforcing community stability.
- Help families develop financial recovery budgets, and savings and credit repair strategies.

If a local economy revives and attracts private investment, it is likely and desirable for property values to increase and for businesses to expand. This revival of the market may have the unintended consequence of making the community less affordable to working families of modest means. There may be a real or perceived trade-off between community progress and the ability of families to participate in this progress. Therefore, it is the Workgroup’s recommendation that revitalization investments that encourage private market investment with public subsidy, also work to connect all families to new economic opportunity.

This can begin by making sure that all residents are engaged in the planning and revival of their community. The CambridgeLives! Initiative cited at the right is one example of how this can happen well in Maryland.
Appendices
A. Revitalization Incentives Workgroup

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PNC Bank
Marty Baker
MDOT – Office of Planning and Capital Programming
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Karl Brendle
City of Laurel, Dept. of Development Management
Natalie Chabot
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Amanda Conn
MDP – Office of the Attorney General
Nicole Diehlmann
MDP – Maryland Historical Trust
Michele Dinkel
Maryland Association of Counties
Candace Donoho
Maryland Municipal League
Elizabeth Glenn
Baltimore County Office of Community Conservation/Maryland ABCD Network
John Greiner
DHCD – Office of Research
LaAndra Jones
DHCD – Neighborhood Revitalization
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Jon Laria
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DHCD – Neighborhood Revitalization
Chris Patusky
MDOT – Office of Real Estate
Bill Pencek
DBED – Division of Tourism, Film and the Arts
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City of Westminster
Sally Scott
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Maryland ABCD Network
Kurt Sommer
DHCD – Office of the Secretary
Aakash Thakkar
EYA Development
Caroline Varney-Alvarado
DHCD – Office of the Secretary
Aaron Wade
High Point Development
Hara Wright-Smith
DHCD – Office of Research
B: Review of Core State Revitalization Programs

Most of the incentives that contribute today to the revitalization of Maryland’s neighborhoods were put in place in the mid- to late 1990s and early 2000’s with the launching of an array of Smart Growth programs, listed in order of legislative authorization):

There are many more State programs that support neighborhood revitalization. However, the programs above form the core of Maryland’s revitalization toolbox.

As noted earlier, many communities have multiple designations and receive funding from multiple sources over time. In particular, most of the State’s Main Street communities are: (a) designated as either local or National Register historic districts that can utilize Maryland Heritage Structure Rehabilitation Tax Credits; (b) “Designated Neighborhoods’ that can use NBW small business loans, and; (c) Community Legacy areas with multi-year plans for using Community Legacy grants and loans.

Prior to the launching of the State’s revitalization programs, investments in older communities focused mostly and importantly on meeting the basic life needs of lower income households. These investments continue and come primarily from federal programs such as the Community Development Block Grant (CDBG), the Community Services Block Grant (CSBG), and US Department of Agriculture (USDA) programs. CSBG supports the work of seventeen Community Action Agencies statewide that help Maryland’s most vulnerable populations.

In contrast, the State’s neighborhood current revitalization programs tend to emphasize community-wide benefits of public investment - the creation of economically healthy communities where people can live securely, and have convenient access to work opportunities and amenities that improve the quality of family life and community life.

What has been accomplished by the specific revitalization programs? What’s working? How might the programs be improved? To answer these questions, this report draws upon independent program evaluations as available and input from workgroup members and the stakeholder groups they represent, including direct program users. This input is summarized briefly below.

The Neighborhood BusinessWorks (NBW) loan program is the earliest of Maryland’s Smart Growth tools for revitalization. NBW provides subordinate, gap financing, to new or expanding small businesses and nonprofit organizations in Designated Neighborhoods throughout the State. It was the first of many neighborhood revitalization tools implemented in Smart Growth’s first wave, 1995 to 2002, and was initially called the Neighborhood Business Development Program. Neighborhood BusinessWorks has invested a total of $71,527,048 in grant and loan funding in 508 small businesses and nonprofits in Designated Neighborhoods, leveraging $262,602,417 in private investment. NBW helps small businesses and nonprofits locate or expand in Designated Neighborhoods that are generally located in a community’s core business district.

NBW has direct and short-term impact in targeted areas because of its leverage of significant private investment and its focus on first floor business or retail space use that generates street level activity.

Examples of NBW loan projects:

- Café Hon, Baltimore City (1995)
- Craig’s Pharmacy, Cambridge (1998)
- Lily Pad Café, Denton (2007)
- City Pets, Baltimore City (2008)
- Arrow Bikes, Hyattsville (2008)
- The Brexton Hotel, Baltimore City (2009)

Examples of NBW grant projects:

- 1000 Friends of Maryland offices, Baltimore City (2001)
- Live Baltimore Home Center offices, Baltimore City (2003)
- Southeast CDC and Creative Alliance, Baltimore City (1997)
- Allegany Arts Alliance offices and gallery, Cumberland (2007)
- Main Street offices and gallery, Cambridge (2007)
- Potomac Playmakers, Inc., Hagerstown (2008)
An evaluation of the impact of NBW was produced in 2003 by Lippman, Frizzell & Mitchell LLC and partners. The study analyzed the impact of 276 NBW loan and grant projects financed between 1995 and 2002. The analysis summarized job and wage creation and also project-related state and local tax revenues.

Key findings in the NBW report include:

- 47% of NBW projects reused vacant buildings; virtually all involved increasing ground floor activity, increasing pedestrian and consumer traffic in older business districts
- For program activity 1996 to 2002, 276 NBW grants and loans totaling $42.2 million leveraged an additional $123.3 million in capital and 3,249 jobs in targeted revitalization areas.

2. Maryland Heritage Structure Rehabilitation Tax Credit: Established 1996

The Maryland Heritage Structure Rehabilitation Tax Credit Program is administered by the Maryland Historical Trust, an agency of the Maryland Department of Planning. As of February 2009, the Maryland Heritage Structure Rehabilitation Tax Credit provided nearly $343 million in State credits or refunds since inception in 1996. This investment has helped in the renovation and/or reuse of 3033 historic residential structures and of 589 commercial structures whose total project costs exceeds $1.5 billion.

The Maryland Heritage Structure Rehabilitation Tax Credit Program (RTC) was designed to encourage the redevelopment of historic buildings and revitalization of our older communities by offering project sponsors tax credits of up to 20% of eligible rehabilitation costs. Both commercial and owner-occupied residential historic buildings are eligible for the program. To qualify, properties must be certified heritage structures (listed in the National Register of Historic Places, designated as a local landmark, or a contributing element within the boundaries of an historic district). While the majority of rehabilitation projects are residential, the majority of the expenditures have involved larger commercial structures.

From 1996 to 2002, Maryland’s Heritage Structure Rehabilitation Tax Credit program was a leader nationally in the number and scale of commercial projects it enabled. Between 2002 and 2004, the commercial program was progressively cut back (capping annual expenditures and expenditures per property, instituting annual competitive rating and ranking, etc.).

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6These numbers are Part II approved projects as of 2/26/09.
Over the course of the past three years, that number has declined due to the decrease in funds available for the Program. The RTC remains one of the Trust's most popular and effective programs for the rehabilitation of historic properties, leveraging private investment of at least 80 percent per project.

From a community revitalization perspective, the Heritage Structure Rehabilitation Tax Credit program’s greatest impact may be the catalytic nature of the projects it has supported. The Maryland Heritage Structure Rehabilitation Tax Credit supports projects that are often turning points for abandoned or neglected communities, spurring additional rehabilitation and new construction projects and thus elevating the tax base for the project’s jurisdiction. Tax Credit projects are often supported by other State revitalization programs such as Neighborhood BusinessWorks and Community Legacy.

Examples are the American Can Complex and Tide Point projects in Baltimore cited in the March 2009 Abell Report\(^7\). The American Can project stimulated a tripling of building permit activity in the adjacent neighborhood, and neighborhood property values rose 17.6% in the 4-year period after completion. This compared to citywide property values rising 4.4%. The Tide Point project helped spark revitalization of Baltimore's Locust Point neighborhood (e.g., Silo Point, Foundry on Fort, McHenry Row). Average property values and construction permits in the neighborhood grew about fivefold.

Other notable commercial projects include:

- Miller's Court, Baltimore City, 2008 (also supported by NBW)
- Tide Point, Baltimore City
- Centrepoint Block, Baltimore City
- National Park Seminary at Forest Glen, Silver Spring, ongoing
- 450-452 Race Street, Cambridge (also supported by NBW)
- 9 N. Centre Street, Cumberland (also supported by NBW)

3. Main Street Maryland: Established 1998

The Main Street Maryland program is primarily a technical assistance program for renewing the State’s most historic core business districts. The program has a long-standing partnership with the National Main Street Center for training. A small State staff team (1.5 FTEs) coordinates technical assistance and training resources to increase the capacity of now twenty-three local Main Street organizations to implement revitalization strategies in their historic business districts. All of Maryland’s Main Streets utilize the National Main Street Center’s 4-point approach to revitalization which focuses recruiting volunteer leaders and members to advance strategies in the following four areas: Design, Promotion, Organization and Economic Restructuring.

The Main Street communities that have shown the most revitalization progress have made a consistent commitment to having the level of local staff and volunteer capacity needed for the organization set and achieve priorities. Since the inception of the program, 1008 small businesses and 4184 local jobs have been created. Local Main Street partners report $160,677,752 in private investment, $147,258,380 in public investment in investment and 426,629 volunteer hours have been produced on Main Streets since inception of the program. In FY09 through June 30, Maryland’s Main Street organizations reported a collective total of 42,109 in volunteer hours, the equivalent of more than 20 staff members.

In the last year two new features have been added to the MSM program and embraced by designated partners – a fifth revitalization focus, “Clean, Safe & Green”; and an expansion of the Main Street designation to include surrounding residential areas, an expansion area dubbed “Maple Street.” To assist communities with greener approaches to building and for resource conservation, DHCD and DNR recently completed a “Going Green Downtown Guide”.

Except for the Rehab Tax Credit, most of the State’s revitalization tools have focused on the revitalization of traditional business districts. The Maple Street initiative was established in the summer of 2008 to expand revitalization impact to residential areas, starting with those areas around Main Streets. Four communities were approved for expansion of the Main Street designation to include their targeted Maple Street areas: Cumberland’s Virginia Avenue; Westminster’s Pennsylvania Avenue; neighborhoods surrounding Dundalk’s Main Street; and, Cambridge’s Pine Street Community. Targeted investments have been made in these areas using Community Legacy, Main Street Improvement Program (MIP), and Maryland Heritage Areas.

The funding stream most directly associated with Main and Maple Street designations is the Main Street Improvement Program (MIP) that was established by State legislation in 1990, but has been funded inconsistently. Most recently, MIP funds in the amount of $300,000 were awarded in the summer of 2008. Main Streets are given
priority for access to MIP funds; but other business districts are eligible to use MIP funds that are not first allocated to designated Main Streets. And, as noted earlier, projects in most of the designated Main Streets are also eligible for the Maryland Heritage Structure Rehabilitation Tax Credit, NBW, Community Legacy, and A&E incentives because their local stakeholders have applied for and been awarded these other designations.


Community Legacy is the smart growth counterpart of Rural Legacy. The program objective is a community that residents are proud to call home, that visitors enjoy experiencing, and family entrepreneurs can establish sustainable small businesses that provide appreciated neighborhood services and that employ local residents. Community Legacy is a flexible revitalization resource to fill gaps not met by other State incentive programs. The program uniquely requires practical multi-year plans for investing in revitalization.

CL engages multiple State agencies in the review of Community Legacy applications and award recommendations with the idea that agencies coordinate their investments. Recommendations are reported to the Community Legacy Board, chaired by the Secretary of DHCD, and including the Secretaries of Planning, Transportation and Natural Resources. Since its inception in 2001, eight funding rounds have yielded awards of $58.9 million to 526 projects with a total direct leverage of $292.7 million.

Community Legacy is one of the State’s most popular revitalization programs with local public and nonprofit leaders because of its flexibility, and they report that the requirement to have a plan has significantly aided them in achieving lasting impact. The CL program has been funded from a high of $10 million in its initial year to a low of now $2.2 million in FY2010 (due to budget cuts necessitated by the nation’s economic downturn).

As conceived in 2001, the program would focus on a limited number of Community Legacy Areas to maximize impact of public and private investment. However, the first round of Community Legacy attracted more than $100 million in proposals (for $10 million in funding) and, ultimately, it was decided to name 52 Community Legacy areas. That has grown to the current number of 98 CL areas. In the summer of 2008, the Smart Growth Center at the University of Maryland completed a report entitled, “Evaluating the Impacts of the Community Legacy and Neighborhood BusinessWorks Programs: A Review of Twelve Selected Communities.” The report concluded that “these programs are having visible, lasting and catalytic effects in the communities where Community Legacy and Neighborhood BusinessWorks investments are being made.”


The State of Maryland is the first state in the country to sponsor Arts and Entertainment Districts as a way to stimulate the economy and improve quality of life. Eighteen Arts and Entertainment Districts have been designated statewide. Arts and Entertainment districts enable local jurisdictions, municipalities, counties, or a combination thereof, to apply for state designations for the Arts and Entertainment Districts within their boundaries and offer tax incentives as provided by law.

Arts and Entertainment Districts (A&E) include many Main Streets, but also older suburban communities such as Wheaton. Created by State legislation in 2001, Maryland was one of the first states to establish a statewide tax benefit jurisdiction for A&E districts. The tax benefits in A & E districts include local property tax credits for owners of properties that undertake renovations that create live-work space or space for arts and entertainment purposes; income tax benefits in the sale of artistic work by “qualified resident artists” which are sold within the A&E district or its County; and, lastly an admissions and amusement tax exemption. Community sponsors (government or nonprofit groups) apply for A&E designation through DBED on what recently has been a semi-annual schedule.

There have been 18 A&E districts designated in Maryland, including in such historic small towns as Cumberland and Snow Hill, and urban neighborhoods in Baltimore City such as Station North, as well as older suburbs such as Wheaton and Bethesda in Montgomery County and the Route1/Gateway corridor in Prince George’s County. There is no specific funding stream for A&E Districts, however, these districts often have other designations such as historic districts, Main Streets, and Community Legacy areas that give them access to State revitalization resources.

6. Maryland Heritage Areas Program: Established 1996

The Maryland Heritage Areas Program seeks to promote economic development while preserving historic, cultural and natural resources through heritage tourism. By combining heritage tourism, small business development and historic and natural resource conservation, the program assists in the revitalization of Maryland’s communities. The network of eleven certified heritage areas represents a collaboration of local government entities, nonprofit organizations, and property and business owners working together to focus resources to improve the State’s older communities. The Maryland Heritage Areas Authority is an independent unit within the Executive branch of State government; however, the Heritage Areas Program is administered by the Maryland Historical Trust, an agency of the Maryland Department of Planning.
A report entitled *Investing in Our Communities: Maryland’s Heritage Areas Program*, evaluated the impact of the program in 2003. From 1997 to 2003, the MHAA awarded nearly $4.4 million in grants that leveraged approximately $2.5 million from local governments and more than $600,000 in federal funds. An analysis of the seven most mature heritage areas over a five-year period shows that every grant dollar awarded generates a total of $4.61 in annual, ongoing state and local tax revenues. During the construction phase, these seven heritage areas generated 328 full-time equivalent jobs and an estimated $403,096 in state and local tax receipts. During the first full year after the construction phase, the heritage area effort generates $248 million in total economic expenditures, 3,364 full-time equivalent jobs, $68.6 million in wages and salaries, and an estimated $17 million in state and local taxes. According to the report, “Put simply, the program pays for itself.”

Since this report was completed, two additional heritage areas have been certified and at least one other is pursuing certification. MHAA funding has increased to $3 million annually. This increased funding has allowed heritage area entities to expand heritage tourism activities and generate new economic activity in the State.

The Program is currently undertaking a strategic planning process to evaluate program successes and determine how the program should move forward. The Heritage Areas Program can be maintained and improved by maintaining the annual appropriation at $3 million. Additional resources may be needed as the program shifts from building a system of Certified Heritage Areas to implementing the tourism-related economic development programs outlined in each heritage area’s State-approved Management Plan. As the program shifts its emphasis from construction to implementation of the heritage areas system, additional resources will be needed to respond to the growing demand for project support.

7. Enterprise Zone Tax Credits: Established 1982

Businesses locating in a Maryland Enterprise Zone may be eligible for income tax credits and real property tax credits in return for job creation and investments made in the zone. Businesses that locate in one of Maryland’s focus areas may also be eligible for personal property tax credits. Benefits include:

**Real property tax credits:** Ten-year credit against local real property taxes on a portion of real property improvements. Credit is 80 percent the first five years, and decreases 10 percent annually thereafter to 30 percent in the tenth and last year.

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*Rodney Harrell, Maryland Heritage Areas Authority, *Investing in Our Communities: Maryland’s Heritage Areas Program, 2003.*
**Income tax credits:** One- or three-year credit for creating new jobs. The general credit is a one-time $1,000 credit per new employee. For economically disadvantaged employees, the credit increases to a total of $6,000 per employee distributed over three years.

**Focus area tax credits:** Businesses locating in a focus area within the Baltimore City or Prince George’s County enterprise zones may be eligible for the following tax credits:

**Real property tax credits:** Ten-year, 80 percent credit against local real property taxes on a portion of real property improvements (credit does not decline in a focus area as it does with the standard benefit).

**Personal property tax credits:** Ten-year, 80 percent credit against local personal property taxes on new investment in personal property within a focus area.

**Income tax credits:** One- or three-year credit for creating new jobs. The general credit is a one-time $1,500 credit per new employee. For economically disadvantaged employees, the credit increases to a total of $9,000 per employee distributed over three years.
C. Maps

Designated Neighborhood Areas and PFA boundaries
Historic Districts and PFA boundaries

Maryland's National Register Historic Districts

[Map showing Maryland's National Register Historic Districts and Priority Funding Areas]

Maryland Department of Planning
Maryland Historical Trust
Main Street and Maple Streets areas and A&E Districts
Community Legacy Areas and Designated Neighborhood Areas

Maryland's
Community Legacy Areas & Designated Neighborhoods
Heritage Areas and PFA boundaries
Maryland Smart Sites and BRAC Zones

Maryland's Smart Sites & BRAC Zones

Smart Sites
BRAC Zones
Priority Funding Areas

[Map showing various locations and areas marked as Smart Sites, BRAC Zones, and Priority Funding Areas.]

Maryland
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D. Bibliography and Resources

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