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8 city projects due state tax credits

They were among 51 seeking funds from \$10 million awarded for historic redevelopment; \$10 million also allotted beyond Baltimore

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Eight redevelopment projects in Baltimore will get \$10 million in Maryland historic tax credits this fiscal year, marking the first time the state program has pitted developers against one another in competition and limited the number of city projects.

The eight Baltimore projects, including conversions of historic buildings to hotels and apartments, were chosen from among 51 city projects that applied to the Heritage Preservation Tax Credit Program for fiscal 2006. Tax-credit winners in the city included the redevelopment of the Maryland Trust Building at Calvert and Redwood streets, a survivor of the Great Fire of 1904, into a 97-room Marriott Springhill Suites; the conversion of the Jefferson Building on North Charles Street into apartments; and the redevelopment of the **Fells Point** Recreation Pier into a three-story, European-style boutique hotel.

Developers and preservationists widely credit the tax program with helping to preserve and revitalize city neighborhoods and downtown by making possible projects such as the redeveloped Tide Point office complex in Locust Point and the refurbished Hippodrome Theater on the city's west side.

But many remain critical of changes approved by state lawmakers in 2004, which capped the total tax credit awards at \$20 million and set limits on the number of projects from Baltimore by stipulating that no jurisdiction can receive more than half the allotment.

Gov. Robert L. Ehrlich Jr., who had proposed continuing the program that was set to expire in 2004, announced the winners yesterday during a news conference, a total of 36 historic redevelopment projects getting the \$20 million in credits statewide.

"It is an incredible development tool, and secondly, it preserves our incredibly rich heritage in the city and state," Ehrlich said. But he said the law should make the credits more widely available. "We can improve it if we change the statute. Baltimore should be leading the charge to improve the bill."

Comptroller William Donald Schaefer, who joined the governor at yesterday's news conference, put it more bluntly, saying an effective tool for preservation had been watered down.

"It's a dumb law, and it has to be changed," Schaefer said. "It limits the money spent and where it's spent."

The city was the only jurisdiction to have qualified projects go unfunded. The program received 28 applications from outside Baltimore and funded all of them, said J. Rodney Little, director of the Maryland Historical Trust, an organization of the state Department of Housing and Community Development that administers the tax-credit program. Those 28 applications did not use up the entire \$10 million available to them, leaving about \$500,000 on the table.

While the law is intended to promote private commercial investment, "the consequence of the way this law is written is that, in effect, it singles out one jurisdiction where such investment is stifled," said Donald C. Fry, president of the **Greater Baltimore Committee**.

Baltimore projects that were denied credits include the Stafford Hotel on Mount Vernon Place, planned for redevelopment into apartments, and the rehabilitation of the Henry Louis Mencken House museum on Hollins Street and the Garrett Jacobs Mansion, also on Mount Vernon Place, the landmark headquarters of the Engineering Society.

"Baltimore City has the lion's share of commercial buildings that are eligible for the tax credits, and yet we're capped at a level that doesn't allow us anywhere near what we could be using," said Johns Hopkins, executive director of Baltimore Heritage. "The state is sitting there with extra money they can't give out because of an artificial cap on Baltimore City. I'm frustrated as a Baltimore City advocate."

Under the state program, applicants can get credits equal to 20 percent of the qualified capital costs of rehabilitating a certified heritage structure.

"That's often an amount that makes or breaks a project," Hopkins said. "There are projects in the past that would not have gone forward."

Among the Baltimore projects awarded yesterday, the **Fells Point** Recreation Pier was one of two statewide to receive the maximum dollar amount of \$3 million.

"All of these kinds of projects, by the nature of the additional work to keep the historical significance and historical accuracy, end up costing more," said J. Joseph Clarke, developer of the **Fells Point** Recreation Pier. "What attracts [developers] to do them is the availability of the credits."

Clarke said the award of tax credits will allow him and his partner, New Orleans-based HRI Properties, to move ahead with plans to redevelop the landmark pier, an early-20th-century port of entry for immigrants that was later used for city recreation programs. The developers plan a 145-room hotel managed by Kimpton Group, a hotel chain that operates boutique hotels such as the Hotel Monaco in Washington and the Hotel Monaco San Francisco.

Steven Bloom of PMC Property Group said \$703,607 in tax credits will help with the \$20 million cost of redeveloping the NESCO complex, a 19th-century warehouse on Light Street in South Baltimore, into 190 market-rate apartments. The project received only a partial tax credit, rather than 20 percent of the project cost, because of the project's ranking at a point where Baltimore City's allocation was mostly used up.

Still, Bloom said, "without the federal and state tax credits, these projects are difficult to do."

For most developers, state historic tax incentives remain a significant incentive, said Cindy Hamilton, a senior associate with Portland, Ore.-based Heritage Consulting Group, a consultant on historic redevelopment projects around the country and on the Maryland Trust Building hotel project in Baltimore.

"In the states where there is a state tax credit, there's so much more rehab activity," Hamilton said.

OTO Development, based in Spartanburg, S.C., is buying the Maryland Trust Building and plans to own and operate the hotel, a 97-room Marriott Springhill Suites the company hopes to start building in November.

"These projects can't ever depend on getting the credits because the credits are so competitive," Hamilton said. "You can't bank on them, but it makes all the difference in the world to turn these buildings around."