

## FW: CLARIFICATION REQUEST

From: Owen McEvoy -DHCD- <owen.mcevoy@maryland.gov>  
Sent: Tuesday, May 3, 2022 11:34 AM  
To: Stacy Link <slink@sykesville.net>  
Subject: Re: CLARIFICATION REQUEST

Madam Mayor,

Below are my responses to your questions. The Department continues to standby and hope both sides will come to a zoning solution which will allow for the historic parcel to be redeveloped and the buildings restored.

The answer to your questions are in bold:

The \$15M and the \$6M (\$21M) is accessible to Warfield in absence of the historic building redevelopment including 177 workforce housing units. Correct?

**My Department does not administer MHT so I do not think it is proper to answer that part of your inquiry.**

As for the Catalytic income tax credit, the law states "A catalytic revitalization project is the substantial rehabilitation of a property in the State that is out of service, was formerly owned by the State or federal government, and is a property that was previously used as a college or university, K-12 school, hospital, mental health facility, or military installation. The rehabilitation must foster economic, housing, and community development."

**The credit is awarded to the developer as an income tax credit, but is tied to the project. The building/site must check the above boxes. The end use of the rehab project could be anything that could foster economic, housing, and community development. While we have not formulated any published regulations on the program, the Department's policy is that the end use of the project could be commercial, retail, or housing.**

The funds for the housing units in the historic buildings would come from LIHTC and this funding is mutually exclusive from the MHT's tax credit and DHCD Catalytic Historic Tax Credit, the latter of which do not require a housing component whatsoever. Correct?

**Deferring again on the MHT credit. However, it is correct that the CHTC does not require a housing component, but it is allowable under the law.**

Is there anything that would prevent Warfield from using the Catalytic Historic Tax Credit and/or the Maryland Historic Trust tax credits for a commercial development in any of the buildings on the historic parcel?

**See above answer.**

We previously spoke about the fact that the \$15M for the redevelopment of the historic buildings was not tied to any particular end use—i.e. 100% residential vs. 100% commercial vs. a mixed use). Therefore, a denied PEC Zoning Text Amendment petition does NOT affect their ability to use either the \$15M from DHCD or the \$5M from MHT to redevelop the historic parcel. And further, making use of any part of the \$21M in tax credits to do the things that must precede any and all uses for the buildings, like remediating environmental hazards, fixing roof leaks, protecting historic glass windows, and preparing the buildings (cold dark shells) for whatever redevelopment (use) shall take place, would be within the guidelines of the Catalytic HTC language as well as an MOU with DHCD. Is all of this accurate?

**I defer to my previous answer on MHT, since that is not administered by our Department. You are correct that nothing in the law establishing the CHTC is precluding the Developer from obtaining the benefit of the credit and beginning to accrue costs from preserving the historic building before a zoning change is made by the local jurisdiction.**

**However, I cannot speak to financial constraints/timelines the Developer may be adhering to that would make the restoration of those buildings without their requested zoning not economically viable.**

Secretary Holt explained to me how LIHTC is calculated? I recall it was quite convoluted but generally, it's based on the number of units and the overall cost of the project—correct? And in this case the "project" is inclusive of only the redevelopment of the historic parcel and does not include infill development of the vacant parcels fronting Route 32—correct?

**Yes. LIHTC credits are applied only to the part of the project, or units, that provide affordable housing to individuals with incomes in certain ranges determined by federal government guidelines. So...in this case...177 units that are planned on the historic parcel. My understanding is the remainder of the planned units are market rate, which our tax credits and other funding from department programs could not be used for.**

Any easy way to figure out our much tax credit equity is this:

-a 4% LIHTC credit deal pays for about 30-35 percent of the project costs, lowering the rents the developer can then charge

-a 9% LIHTC credit deal pays for 70 percent of the project. This is highly competitive and are awarded after an intensive, competitive application process.

Secretary Holt also informed me that LIHTC could be applied to some commercial use as well. Can you please expand upon this?

**The answer is yes, but with a caveat. Let me explain. The LIHTC equity is solely based upon the part of the project that is housing related. However, we have done deals where a developer built or rehabbed a building where the first floor was commercial/retail. That space, while permitted, does not get the benefit of the LIHTC credits. Only the square footage that is residential in nature.**

Hope that's clear.

Have the developers submitted an application to DHCD for LIHTC credits equal to 177 units?

**No. While this a preservation/housing project the Department frequently supports in other parts of the state and we would strongly consider supporting (subject to underwriting), we do not have currently have an application in our pipeline.**

Has Warfield signed the MOU with DHCD, for the \$15M tax credit? Are there benchmarks that would require progress on historic building stabilization? How long is the Catalytic Historic Tax Credit "good for?"

**No, we have issued an award letter which I believe both the Department and Developer have already provided the town. Internally, we are working on program guidelines and procedures but nothing has been finalized yet. We typically require agreements with our program awardees that include clawback provisions for unused awards if a project becomes stalled/significantly delayed.**

**The law requires: "A taxpayer must claim the credit over five years, beginning with the year in which the project is completed. Subject to specified conditions, the tax credit is transferable."**

Hope this answers your questions. Given the Department's award of the CHTC, there is a tremendous opportunity to reimagine the Warfield campus for generations to come. We hope all sides will work together to forge a path forward.

Owen