

Open Work Session
Implementation of a HORIZON Program
December 1, 2020

Mr. John Psota, Acting County Executive; Ms. Julia Glanz, City of Salisbury Administrator and Acting Mayor; and Andy Kitzrow, Deputy City Administrator, came before Council. Mr. Dodd said Mr. Psota has requested a presentation on the HORIZON Program.

Mr. Psota said, in recent meetings with Acting Mayor Julia Glanz and Deputy City Administrator Andy Kitzrow, they have shared a request for Wicomico County's support for a real property tax program called HORIZON, or Hotel and Residential Incentive Zone, located within Salisbury's Downtown District. He explained, the primary goal is to accelerate the construction or expansion of hotel or multifamily residential development, and to increase economic activity in accordance with their planned strategy as proposed in their Envision Salisbury Master Plan. He said he will point out, in discussions with the City, it is understood that the tax incentive proposed would be on the improved property value; therefore, the current assessed value prior to any redevelopment would continue to be taxed. He said, as a result, the County would not be foregoing any current property tax. He said, additionally, there would be a reevaluation of the continuance of the tax incentive after three years, should certain benchmarks be reached. He said, after tonight's presentation, he asks Council consider approving a resolution of support for this Zone by consensus, and join Salisbury as they seek enabling State Legislation to establish the HORIZON Program. He clarified, this prospective resolution of support would not obligate the County to the HORIZON Program.

Ms. Glanz thanked Council for having them and letting them share their plan for the HORIZON Program with the County. She said Mr. Kitzrow has been the brain behind the operation, and has done tremendous work developing this proposal, so she is going to let him lead the discussion, and she will interject as necessary.

Mr. Kitzrow said he would like to go through the high-level ideas behind the HORIZON Program that are in this Power Point presentation to help Council understand how they got to where they are, and why they are there. He said he knows some people have heard bits and pieces of the Program, but this is a good opportunity for Council to hear directly from the source on what they are proposing.

Mr. Kitzrow said, as mentioned, it is the Hotel or Residential Incentive Zone, and that is how they came up with the HORIZON acronym. He said the goal is to incentivize people through tax abatements to do something, whether it is to relocate a business, or relocate where they live, not only in Salisbury, but to have people relocate to Wicomico County, choose to live here, choose to play here, or choose to build a business here rather than Worcester County, Sussex, or other surrounding Counties. He said one of the reasons they looked at Salisbury is it is the core of the County, and the downtown area is the core of development, and the largest City within the County.

Mr. Kitzrow said there are some existing tax incentive programs, and Council may be familiar with them, but he is going to highlight some of the programs. He said the Enterprise Zone is a State initiative that is specifically focused on commercial areas within the State of Maryland. Referring to his slide, he said

most of the areas in pink cover the downtown area; however, the issue is that it is restricted to just commercial development, and the goal of the HORIZON Program is targeting residential development, not commercial development, so the Enterprise Zone would not qualify for the majority of the targeted developments they are looking at. He said Council may be familiar with the RISE Zone Program, which is an economic revitalization tool at their disposal; however, unfortunately, it goes from the University all the way up to the wrong side of the River, so they do not actually have the RISE Zone that reaches into the downtown Salisbury core, which is what they have been focusing on, so they would not be able to take advantage of the RISE Zone program with where they are targeting their residential development.

Mr. Kitzrow said there are some other big programs, such as PILOT, which stands for Payment in Lieu of Taxes, and is an interesting way that governments use to help offset some property taxes. He said there is also TIF, which is Tax Incremental Financing. He said the PILOT may work, but it is very unique to each specific project, they would still need some enabling Legislation, and it is not all-encompassing, so they would have to negotiate with each individual development with different terms, and, at this point, they are not necessarily looking to do that. He said the current PILOTs the City offers are for market rate housing and/or student housing. He said TIF is a public financing option that is available specifically to help subsidize redevelopment infrastructure and community improvements. He said these can be very cumbersome, and they are very specific, so the tax dollars they would generate from that would go specifically into infrastructure projects, in a sense earmarking the revenue they would be collecting. He said, moreover, typically with the TIF district, all properties would receive the incentive rather than targeted projects, and HORIZON is targeting very specific styles of projects.

Referring to his slide, Mr. Kitzrow showed a map of the area the HORIZON Zone would be targeting. He said it is two of the downtown zoning districts, including the Central Business District, and the Riverfront Redevelopment District. He said the seven stars indicated on the map are seven major, meaning over \$10-million-dollar, potential developments. He clarified, \$10 million not just in the overall property value, but an increase in assessed value that exceeds \$10 million dollars. He said some of these are currently in the pipeline, and some have been in the pipeline and are soon to be out for bid. He said they chose this area because they have people who are interested in developing in the core of the County right in downtown, and they wanted to incentivize these developments to see them move forward. He then referred to his slide showing the potential development projects. He said the Ross is 86 units with 300 beds, Salisbury Town Center would be another 290 individuals, and Marina Landing would be upwards of 80 to 90 people, and Downtown Lofts, 500 Riverside, and SBY Marketplace are beautiful redevelopment projects. He said, of those six projects, they are in excess of \$75 million dollars and over 750 occupants. He said they actually updated those numbers with some of their future projections including Lot 10 and what is potentially able to be done at 500 Riverside with this type of incentive, and those numbers are closer to over \$100 million dollars of increased assessed value with over 1,000 occupants living downtown in this area with a potential additional tax revenue of a million dollars a year.

Mr. Kitzrow said, as they all know, they are in the middle of a pandemic, and the impact of COVID-19 has been impacting the development world where they are looking for some additional options to help them with their long-term economic recovery and navigate some of their development decisions. He said, as mentioned, this is part of their Master Plan they adopted in 2016, and it is one of their strategic

goals. He said infill construction is also an important piece, and when they think about redevelopment doing infill construction, it is usually the least burdensome on their current services.

Mr. Kitzrow said they are looking at a 20-year term, and his slide shows the term summary and what the credits would be for years one through five. He said the revenue potential for a project that is \$10 million is almost \$1.1 million, and with a \$20 million-dollar project they could be looking at \$2.1 million dollars. He said, of those six projects, every single one of those qualifies for over \$10 million dollars with a couple of those exceeding the \$20 million-dollar threshold, so they are talking about a lot of money.

Mr. Kitzrow said he wants to go over some specifics about the program. He said, within the program application, the way this would roll out is an eligible development project or somebody who is interested in taking advantage of this incentive program would apply similar to the way they currently apply for an Enterprise Zone tax credit, so they would apply to the City and County to see if they qualify. He said the City has their eligibility requirements already outlined, which is included in Council's packet, and those who would qualify and agree to the terms of the application and agreement would then qualify for the full-term of 20 years of the incentive program. He said he will go into details about the actual program, but he also wants to help everybody understand what the next steps are Legislatively. He said the City currently passed a Resolution on November 23 supporting this program, and they are looking for the County to do something very similar supporting this Resolution. He said the next step after that is to go to the State to create enabling Legislation to be able to have tax incentives for residential development in target areas. He said, once that is approved, they would then be able to codify the program through an ordinance, and then start accepting applications and move forward with their development goals.

Mr. Kitzrow said, as Mr. Psota mentioned, there is some oversight throughout the process. He explained, they have a ten-year sunset on this program they are proposing with a three-year reevaluation of the program, so if they wanted to ramp up the incentive, reduce the incentive, or change the terms, they could definitely do that. He said, additionally, at any time, through Resolution, one of the Councils would be able to suspend their participation in the HORIZON Program and therefore not allow any new applications to be presented. He said, additionally, these can exist unilaterally. He clarified, if the City sets up the HORIZON Program and the County chose not to participate, it could still exist and people could still receive a property tax credit on their City property tax and vice versa.

Mr. Kitzrow said he would like to pause for a moment to see if there are any questions before he goes into any more details.

Mr. McCain thanked Mr. Kitzrow for the information and summary as it is very helpful. He said Mr. Kitzrow mentioned it has a sunset provision after ten years, and the sliding scale encompasses a 20-year timeframe. He then asked, even though it sunsets after ten years, can it still continue, to which Mr. Kitzrow responded, yes. He explained, the ten-year sunset is for new applications, and 20 years is the term of the program. He said, additionally, one of the reasons for the three-year reevaluation and ten-year sunset is they have people who are interested now, and they want to give them a very lucrative opportunity to build now. He said they want to get things moving, and think it is great for the County to

start seeing some of this development now. He said they cannot guarantee it a decade from now, and they may not be able to guarantee it three years from now, so getting it now is what they are pushing.

Mr. McCain said he sees that one of the bullet points says the Council may approve modifications to the program and suspend or terminate the continuance of the program at any time by Resolution. Ms. Glanz said the goal is to get folks in now to build and see development and see a continued revitalization of downtown. She said they just spent \$12 million dollars on Main Street, and they want people to come and enjoy it and use it, and have more businesses, restaurants, and heads and beds downtown. She clarified, if every development Mr. Kitzrow showed came in tomorrow and started building within a year from now, they would cut it off because there would not be any more need for it, and they do not want to continue to give those breaks if they do not need to. She said they feel they need to do this right now because some of these projects are struggling to meet that next hurdle, and they do not want to be sitting here ten years down the road thinking back that they should have done this while they had the chance to get these buildings off the ground.

Mr. McCain said this is pretty typical in a lot of downtown redevelopments, and, in fact, he likes to use the example of Greenville, South Carolina, which is almost a mirror image of Salisbury because a river runs through the middle of the town. He said, going back 15 to 20 years ago, nothing was going on downtown, and all of their shopping was three or four miles north on the interstate, just like Salisbury retail being north of downtown. He said they provided incentives to those initial developers to get them in there and get three or four major projects started, and then after that they did not have to do it anymore because all of the investors wanted to be in Greenville, and now it is a huge success story. He said they always need that incentive in the beginning to provide the motivation for people to invest.

Mr. Kitzrow said he appreciates Mr. McCain's comments, and, to continue with that thought, there is that domino effect of development where there has to be someone first through the door but then other people will follow. He said what is not highlighted in the packet is residual effects. He explained, when they put \$100 million dollars of property in a core, all of the surrounding property values will increase, which is the idea of the rising tide, meaning all ships rise with the rising tide. He said, finally, he wants to be clear that this is a signature program targeting very lucrative projects of \$10 million dollars or larger, so they are not small remodels or small fixes because those are able to move forward, and they are moving forward right now, so they do not need the incentive. He clarified, they are incentivizing the type of development that redefines a City or an area, and attracts businesses who may want to relocate into a County or suburb surrounding a City because of what their vibrant downtown looks like.

Mr. Holloway said, if he understands what Mr. Kitzrow just said, they are looking for a tax incentive for these new projects, and the one they are talking about mainly is the Ross because that is who he has heard mostly about in the past few weeks. Ms. Glanz responded, many of these projects are at the door talking to investors. She said she thinks the Ross project is the furthest along and has been the splashiest, so it is in their face, but Lot 1, Devreco, the marina project, Lot 16 on the River, and the Ross are all ready to go. Mr. Holloway said, but what has instigated this is the Ross project, that is what they have heard. He then asked if that is correct, to which Ms. Glanz responded, it is a piece of it, but they are in challenging times. Mr. Holloway said Mr. Kitzrow just said they are asking for a tax break for these buildings going in, but taxes on other buildings near them may increase because of the values of the

property, so they are going to give tax breaks to the people building the new buildings, and the people who own the buildings and have been there and have been paying taxes all of these years are going to have to pay more taxes. He then asked if that is correct, to which Mr. Kitzrow responded, that is how property values increase. Ms. Glanz said, when people see their home tax assessment go up, it hurts when they see that bill, but when they are ready to sell it is a good thing. Mr. Holloway said that is right, but not everybody sells, to which Ms. Glanz responded, but they will see the residual impact and benefit of having 1,000 new folks living in their core and spending their money.

Ms. Glanz said she would like to hit on the fact that the City Council has adopted this, and once the State, hopefully, enables the City to do this program, the City will adopt an ordinance to do that, and they hope the County will come along and do that as well. She said she thinks it is important to look at this as a glass half full and not a glass half empty because they could sit there all day and wish and hope for all of these developments to come in, and they may on their own, or they may not, but they do not think they will at the pace they would like them to right now, so it is important to move this forward.

Ms. Glanz said the majority of the tax dollars that will be paying for services for folks living downtown are the City tax dollars. She said she does not think there is going to be a large impact on the County tax roll because the services provided to any of these developments are water and sewer, and they have the capacity, and police and fire, which are the City's tax dollars. She further explained, these are not going to be people with a lot of children impacting the school system, and the majority are going to be generally healthy because many will be in a younger age bracket living in apartments downtown, so the risk, in her view, seems to be limited, so she wanted to share that perspective. She said, looking at it half full, it will be tax dollars that are new to the County without a lot going out for services.

Mr. Cannon asked if this would be similar to what they do right now, whereas the City usually goes through the process with Enterprise Zones and then it comes to the County Council for their blessing, or do they think the County would have a completely separate set of guidelines and applications, to which Mr. Kitzrow responded, the easiest way is if there is one application with potentially a couple modifications. He said the City would do the heavy lift and say this has been approved by the City, and the County would then receive that. He said, like they do with Enterprise Zones right now, that seems to be a pretty smooth transition, so it would follow suit. Ms. Glanz said, to answer Mr. Cannon's question more directly, she thinks the County could implement a different program, but they are going to the State for the ability to have a tax incentive program for residential properties and hotels. She clarified, the City is going to put the HORIZON Program in place, and the County could do something a little differently if they wanted to, but they hope the County will do something. Mr. Cannon said he likes this. He clarified, at first, he had some reservations because he does not really believe in government getting too involved in helping subsidize projects to a certain extent, but, to him, this really is not a situation where they are actually subsidizing anything, they are simply forgiving money they do not even have yet, and they would not have that money if it were not for the growth that these projects would create. He said, in a sense, their primary goal as a Council is to be pro-business, pro-growth, and proactive to begin with, and that is what he thinks the City has done, and he applauds them for this. He said they talk all the time about the fact that they do not want to increase taxes, but they want to increase the tax base, and this does increase the tax base, and is actually one of the first tangible products that has come before this County where they can actually participate in helping create that growth.

Mr. Cannon said he understands Mr. Holloway's reservations about businesses downtown, but, if he actually talks to the people and businesses downtown, what they want more than anything is some catalyst to make downtown grow. He said they are very excited about what the City has done on Main Street, they are very happy about that, and he thinks they would welcome this with open arms as far as seeing the City grow. He said he thinks how the City grows really benefits the County as a whole. He said, as he understands, they are looking at revenues with all total projects right now of about \$25,000, but when they develop these projects and create incentives, the County alone is going to see hundreds of thousands of dollars in revenue, which the entire County can benefit from, and he thinks that is what they need to look at. He said Ms. Glanz talked about it being half empty or half full, and the half full side is not looking at what money the County would lose if they gave them tax breaks, it is looking at how much money they are going to get every year they create viable projects, and that is what this does.

Mr. Holloway said he understands Mr. Cannon's enthusiasm, but he thinks someone made the statement that these would not come unless they give this abatement, to which Mr. Kitzrow responded, they do not know, and it is one of those things like, if they build it, will they come, so is it a field of dreams or not. He said what they do know is, other than the River Place on Riverside, they have not seen any large-scale development in this area in over 20 years, and some of these projects have been in the works going on five to seven years without real movement. He said he does not want to speak out of turn for the developers, and some of them are here, but, in talking with them, when they start getting into the size and scope projects they are looking at, this extra bump or nudge is what gets them to that finish line. He said it starts to make their private equity investments and starts the cashflow in a way where people will put in this type of money. He clarified, again, he does not want to speak on behalf of the developers, and he is not necessarily a finance person, so he does not know.

Mr. Holloway said he was looking through some of the emails he got about prospective investors, and there were some pretty good promises made about returns on their investment, and he is just wondering if they should be giving tax abatements to ensure better returns on somebody's investment. He then asked if this is more or less like a bailout for a developer to get them to come, and if that is where they are at, to which Mr. Kitzrow responded, to get them to come, again, from discussions he has had, when they start to look at private equity and people who have that type of money, they do not have boundaries. He clarified, they can invest their several million dollars in Salisbury, Salt Lake City, or Greenville, South Carolina, and whoever is going to give them the best return is where they are going to invest their money, so they have to look at whether they want to attract that type of business or not. He said he thinks that is why it is as lucrative as it is, to be able to help them decide who is going to give them the best incentive, so it is a strategy. Mr. Holloway said it sounds to him like they have already decided on the one project coming to Salisbury. He said they have purchased the property and tore the buildings down that were already there, so he thinks that decision has been made as far as that property goes anyway. He said he does not know about the other projects, but, as he said, this thing has been centered around this one project so far, and he is just saying that the decision has been made to build it, but now the City folks are coming to Council asking to do a tax abatement. Ms. Glanz responded, she thinks it is important to note that they have a pandemic that came in the middle of it, which shook up some things financially, and for the project Mr. Holloway is speaking of specifically, and others, they did not expect a pandemic. Mr. Holloway said there is a construction boom going on all over the country,

and there is not much of a holdback on construction, just go buy a two by four and she will find out. Ms. Glanz responded, she cannot speak to that, but all she knows is that, from the conversations they have had, they have been pushing and pushing to make these developments happen as much as they can from the City side of things, and nudging them as hard as they can. She said they can ask any of the developers how annoying they are because the City wants to see these projects happen, and they have not, and she does not think they have just been holding out. She clarified, she does not think Devreco has been holding out for something better, she thinks they just have been struggling to get over that finish line. She said the question is, what does the County have to lose? She clarified, if they sit back and do nothing, maybe they will get 100 percent of it over 20 years in the future, or they may not, but they can guarantee that many of these projects are going to happen with this program. She said they have spoken to the developers, they have spoken to their investors, and it is cash in now, so they could either have 50 cents or none, but she does not see what there is to lose here. She said she would also like to share that the business community in Salisbury and Wicomico County is behind this and think it is good for business, and that heads and beds in any area makes the rest of the dollars turn.

Mr. Hastings said, as the Council Representative who represents a good amount of the City, he thinks this is an exciting time to be a Salisbury resident. He said today he was walking around downtown and happened to be walking by Mojo's, and they are a struggling business. He said they need density, and they need folks down there now. He said with COVID they have to spread apart, but they needed this six years ago, so this is really exciting to see. He said, in his view, and all of their views, these are construction jobs, this is the future to really put Salisbury on the map, and he has to hand it to both of them and to the City of Salisbury for helping lead this. He said there is not a City in the State of Maryland that is more focused on trying to make sure that they grow their businesses and grow their downtown than what Salisbury is doing, and this is just another example of what they are doing. He said he thanks the business community who has worked really hard to try to make sure this happens.

Mr. Hastings said, as far as taxes, folks often reach out saying there is going to be some rich company not paying taxes. He then asked, to be clear, would they be paying taxes on the unimproved property for this period of time, to which Mr. Kitzrow responded, the taxes that are currently being paid would continue to be paid, period. He clarified, the abatement is only for the improvements, so the increase to the assessed value is what receives the credit, and what is interesting is that several of these potential developments are on City parking lots that currently pay zero taxes, so they only go up from there.

Mr. Hastings asked, if they move forward tonight with a resolution of support, is that the end all be all? He further asked, to reiterate the next steps, does this go to the General Assembly, to which Ms. Glanz responded, yes. She clarified, this evening they are primarily asking Council for a resolution of support saying they would like to see this enabling Legislation at the State level, and that is it for tonight. She said they would take it to the State, and they would hopefully adopt it because both the City and County Councils and Administrations are behind this. She said, come April once this is passed, the City Council would create their own ordinance enabling this program on the City side, and they hope the County would do the same. She reiterated, tonight they are just asking for a resolution of support.

Mr. Hastings asked, just to make sure he is hearing this right, if they move forward, at any point in time any Council can immediately suspend activities by a simple Resolution if they feel like this is not

something that is beneficial, or if they feel like the folks are getting a raw deal, or business owners are having too much of an issue, to which Mr. Kitzrow responded, they can suspend any future applications, but they would still have to continue with the agreements that are already in place. He said, also, it is still an application process, and every project still has to be approved on the merits of each individual project. He clarified, once they create the ordinance, it does not mean the floodgates open and everybody can do what they want, they still have checks and balances along the way.

Mr. Hastings again thanked Mr. Kitzrow and Ms. Glanz, and all the folks trying to make this happen. He said they really need jobs as they are likely heading into a recession, so this is a time where they really need to run as fast as they can towards good economic development inside the growth area, and he thinks they are all trying to make that happen.

Mr. Dodd clarified, this is a Work Session, so they cannot have any formal action tonight.

Mr. Kitzrow said this is not the only program that can exist. He said he knows they are focusing on signature pieces of development in the core of downtown Salisbury, but they also understand that it is important to look outside the core and look into their neighborhoods, and look at other opportunities that exist to be able to incentivize or support growth and programs. He clarified, though this is what they are coming before Council with, it is not the only path forward when looking and thinking about the County. He said they are focusing on Salisbury, but this same program can exist elsewhere, or various versions of this, or completely separate programs, so it is not this or nothing, but it can be a variety of opportunities. He said that was brought up in their City meeting.

Mrs. Acle thanked Ms. Glanz and Mr. Kitzrow and said she really appreciates them both coming in and giving this very detailed explanation. She said she likes the thought of the County and the City working collaboratively towards a common goal.

Mrs. Acle asked, with the Enterprise Zone, is there any way they can do a residential zone, to which Mr. Davis responded, that is what this is. Mr. Kitzrow responded, they can, in theory, create a residential zone that can have any type of eligibility requirements, but this is a very specific high-valued residential zone tax credit program. He said it is \$10 million dollars in these two districts, very finite pieces of their larger map, but they are even exploring this in different capacities if they want to target redevelopment within neighborhoods or a larger area. He said the enterprise zone expands vastly larger than what they are targeting right now. Ms. Glanz said, just to clarify, they are going to the State to ask for enabling Legislation to do tax incentives for residential properties, and that is as simple as it is. She said afterwards the County could decide to do something in District 2 that incentivizes residential development, or in Mr. Dodd's District. She clarified, the City is asking for this, but the County could add on and do their own thing Countywide if that is their goal. Mrs. Acle asked, for this particular project, it would be similar to the Enterprise Zone, but a residential zone, to which Ms. Glanz responded, yes.

Mrs. Acle said they mentioned the sunset clause. She then asked if that was for three years, to which Ms. Glanz responded, in three years they will reevaluate it, and if they see an influx of development and no longer need this because it is happening on its own, and they have done what they wanted to have happened, they will cut it off. She said the sunset is just for developers to get in. She said, for example, if

the Lot 1 development gets in but then does not do anything and they sit on it for whatever reason, they have ten years to do that. Mrs. Acle asked if they would consider doing shorter terms, such as maybe a one-year sunset clause, to which Mr. Kitzrow responded, the City is not interested in doing it that short, but, again, the County can make its own decision, understanding how long it takes for development to happen. He explained, from lining up financing to actual certificate of occupancy, they are looking at two to two and a half years, so one year may be aggressive, and that is why they have that three-year initial phase. He said, no matter what, they are going to reevaluate it and see if the 20-year term tax schedule is too lucrative, so they are definitely going to take a look at it three years from now, which he would say is the shortest they would want to go. He said, with a hard ten years, similar to the Enterprise Zone, they may choose to change the entire program or completely suspend it after ten years, so, again, it is for the developer or the community to understand the opportunity and get in now because things may change in three years, or definitely in ten years.

Mr. Holloway said anybody who has paid attention to him since he has been on the Council knows he is probably the largest supporter of tax cuts and not having higher taxes, and all of the Councilmembers who have been here for a long time have heard him say that, but he also believes in fairness. He then asked, when the Orchards was built, was it given a tax abatement, to which Ms. Glanz responded, she does not believe so. Mr. Holloway asked if they paid for having their water and sewer hooked up and for infrastructure? He said he thinks they did, and they are making it, and they are there. He said they did not get that, so to say that this will not happen unless they give a tax abatement he thinks is something. He said it might not happen with the people who are doing it now, but it could happen anyway with somebody else. He said infrastructure is built on need, and if people see the need and see the way they can make money, they are going to go for it. He said he does not blame them for wanting a tax abatement, but somebody has to make up the difference, and Wicomico County has obligations that the City does not have. He clarified, they have the Board of Education, and they have the Detention Center out there, and that is something the City does not pay for. He said the County also has the State's Attorney's Office, which is something the City does not pay for that the County funds, so there is a little bit of difference in the funding part of it when the County has to fund things the City is not funding, and he thinks it is a little easier for the City to say they will do a tax abatement to get somebody to come downtown. He said he does not blame them for doing it, but he does not know what to say when he looks at this Ross project and sees this big room full of exercise machines, and when somebody asks him why their taxes keep going up, but this big building is built downtown and gets a tax break, so why are they not getting a tax break. He said he has reservations about this, and he thinks they know that.

Mr. McCain said he gets Mr. Holloway's points and he understands that concern, but when they look at examples like the Orchards, they chose not to go downtown, they chose to go where they went because of the proximity to the college, and also the relationship with the college, as well as the other projects that were built around that same time. He said none of those chose to go downtown, which, once again, kind of gets to the importance of incentivizing, and is a little bit downtown redevelopment 101. He said, from the standpoint of all downtown redevelopments, when looking across the country he can pick a random City, and they all began with some kind of incentive. He said, when Mr. Kitzrow had his slide up earlier and talked about TIF, Enterprise Zones, and PILOTS, they have all come out of that, and they are all designed to provide those incentives for target areas, like, in this case, their downtown. He said he also thinks it is important to point out that the only thing being asked of Council at this point in time is

simply a letter of support for this, and it does not obligate them. He said Mr. Psota noted in his comments that this is not obligating them to anything at this point. He said Ms. Glanz made the comment that there is no harm, no foul as they sit here today in terms of supporting something like this. He said the details of it and the weeds can be gotten into later, but the purpose right now is what Mr. Psota is asking, for Council to support the HORIZON Program, and what the County's program might look like might be something different, but it is not obligating the County to anything at this point in time.

Mr. Cannon said he thinks what they need to understand is the justification for government incentives, and Council already approved the Ross project for government incentives. He said, when SWED and the City of Salisbury came before Council with the Enterprise Zone, Council approved it, and agreed unanimously to endorse this project and give tax incentives, but then they found out this project was not commercial, and of course the Enterprise Zone is referenced to commercial only. He clarified, Council approved incentives, so nothing has really changed, the only difference is now they are asking it to be on a residential project as opposed to a commercial project. Mrs. Acle said the Enterprise Zone could be a residential zone, and that would be the same tax incentive, but this is the HORIZON, so it is something different. Mr. Cannon explained, the Enterprise Zone is specifically for commercial. He said, when they applied for it, there were a few errors made down the line, including by Council, whereas he believes it was overlooked that this project is primarily residential, and they had to pull back on the Enterprise Zone credits because that would have only been for commercial property. Mrs. Acle said, but they could make this a residential zone, to which Mr. Cannon responded, that is what they are doing. He explained, they are making this program residential so they can get that approved and get those benefits out there. Mrs. Acle responded, but the HORIZON Program is a higher tax than residential in an Enterprise Zone, to which Mr. Cannon responded, the schedule is a little bit different, and it is only based on whatever the potential future taxes could bring in for the County.

Mr. Kitzrow then explained to Mrs. Acle that the Maryland Enterprise Zone is a State program that benefits commercial development for a ten-year tax abatement program with a certain schedule that starts at 80 percent and goes down to 40 percent after ten years, and the program already exists. He said they could theoretically create the exact same thing that targets residential with the same schedule and same year period if they chose to, but from talking to developers, they did not think that went far enough to entice business, and was not enough of a discount, so they decided to go bigger.

Ms. Glanz again clarified that tonight they are only asking for a letter of support to enable them to continue having the conversation. She said it sounds like there are some different ideas on what the County portion would or should look like, so that is a discussion for later down the road, but it could exactly mirror the Enterprise Zone if that is what Ms. Acle's hopes are, if she has a consensus on that. Mrs. Acle said she is just trying to think how they can all work collaboratively with the City, and if this is what their vision is, she thinks they need to support their municipality's and City's long-term plans.

Mr. Holloway asked if they have had any feedback from their Lower Shore Delegation about this, to which Ms. Glanz responded, they have chatted with a few, and Delegate Carl Anderton has agreed to sponsor it for them. Mr. Holloway asked if they have talked to anyone else on the Senate side, to which Ms. Glanz responded, they have not had the conversation with them yet. Mr. Holloway again asked if they have talked to the Senate about this, to which Ms. Glanz responded, not yet, but knowing if they

have a letter of support from both Councils, most likely those types of Bills do not really have an issue getting through. She said, across the State, Cities and Counties go for this type of enabling Legislation frequently. Mr. Holloway said Ms. Glanz is saying this is the initial part of this. He then asked what she would be coming back to the County for if the Council agreed to do this, to which Mr. Kitzrow responded, they would not necessarily have to come back physically. He said they have draft Resolutions and ordinances if Council wanted to talk about it a little more in detail and bat the idea around. Mr. Holloway said, if this was approved tonight by Resolution, it would be approved, to which Mr. Kitzrow responded, if Council approved moving forward tonight, they would draft a Resolution and then pass it at their next Session. Mr. Holloway asked if they would have to come back and discuss anything else about the project, to which Mr. Kitzrow responded, if Council wanted their opinions, or to invite some developers or business people to further the depth of the conversation, that is up to Council, and they would be happy to come back, but they would not necessarily need that. Mr. Holloway asked, if Council voted on this, would it be the final decision to give the tax abatement, to which Ms. Glanz responded, no. She again explained, all they are asking tonight is for a Resolution of support to have the conversation with the Delegation and with Annapolis to enable it. Mr. Holloway clarified, he meant it would be final for the County, and the City would have to go to the Legislature, to which Ms. Glanz responded, yes, at that point. She said there would be another conversation at a City Council meeting where they will have to adopt their own Legislation with the specifics of the program of what they want to see in the City of Salisbury, and they would ask again if the County is interested at that time, and what those specific criteria would be for the County if they would like to move forward. Mr. Dodd said Mr. Kitzrow said he would not have to come back, so that is kind of confusing.

Mr. Davis said he thinks, before Council even does a Resolution, they should know what the City is going to send to Annapolis. He said, before Council sends a letter of recommendation, they should know what the City is sending to Annapolis on paper instead of just sitting here talking about it. He said, if not, if Council sits here and agrees to something, they do not really even know what they are agreeing to because, as Mr. Kitzrow said, they do not have to come back to Council once they get it to Annapolis, so they should know what is going to Annapolis before they agree to it. Mr. Kitzrow said he will restate what he said earlier; if Council would like to invite them back for further conversation, they would love to come back and chat with them. Mr. Dodd said he thinks that would be a good idea because there are a lot of questions, and they are getting more information every day on it, and it can be quite confusing, so he would hate to get a consensus on the very first Work Session they have. He said he would like them to come back, to which Ms. Glanz responded, they would be happy to.

Ms. Glanz asked Mr. Kitzrow if the packet Council received included a copy of what the City is sending to Annapolis, to which Mr. Kitzrow responded, there was not a copy of the proposed Legislation that would go to Annapolis, but there is a draft Bill of the Legislation that he can have in Council's inbox. Mr. Dodd said he is looking at a map and a draft Resolution, but no other information. Ms. Glanz said, in concept, without having it in front of them, and they are happy to get them a copy, it is just enabling Legislation that would allow the City and the County, if they so choose, to have whatever they decide a residential tax incentive is down the road. She clarified, it is not saying exactly this HORIZON Program, it is just saying that the City of Salisbury and Wicomico County can create a residential tax incentive. Mr. Kitzrow added, right now they cannot. Ms. Glanz said this is just enabling the City to then come together again

as two Bodies to put that on paper and to codify it. She said, again, all they are asking is for a letter of support to allow Annapolis to have a further conversation.

Mr. Cannon said a lot of this is already before Council. He said they know there is a 20-year proposal for tax incentives, and they actually have as close as they get to the anticipated dollar values that will benefit the developer and the County, so they have all of that. He said they know there is going to be a three-year evaluation and a ten-year sunset, and that is really all the Council needs to know, to which Mr. Davis responded, not really. He said any time Council supports anything in Legislation, they usually know what the Legislation is, what they are proposing, and what is going to be presented to the Legislators before Council sends a letter of support, and right now they really do not know what is going to be proposed. He said they have listened to it in theory, but as far as the letter they are going to give to the Delegation, the Council does not know. Mr. Cannon said they are asking that their letter could simply say what the County's basis for support would be, and their basis would be they agree to the 20-year tax incentives, they agree to the three-year evaluation period, and they agree to the ten-year sunset. He said they could say that right now, and they do not have to say they agree carte blanche with what the City is sending, the County's letter of support would itemize exactly what the County would like to see done, and, that being said, they have already said the County has that option. He then asked if he is correct, to which Mr. Kitzrow responded, yes. He said he did not include it in the packet because it did not necessarily have direct impact on this conversation, but what was included was the Resolution, the proposed application, and the ordinance they would be submitting to the City Council in April so they could see the details of what that looked like. He said he wishes he could just share it with Council right now because it is very simple. He said he understands Mr. Davis' reservations about agreeing to something he cannot see, and he has no problem getting that to everybody first thing, but it is very simple. Ms. Glanz clarified, their documentation is not as detailed as what Mr. Cannon said, it is just asking for enabling Legislation to create a tax incentive program for residential properties, that is it. She said then in April what they decide on is the purview of the City Council and Administration, and the County Council and Administration. She said what the State will approve will not get into the weeds of what they have been spending a lot of time talking about tonight, it will just enable them to put a program together at a later date.

Mr. McCain said, as Mr. Cannon said earlier, they are doing this in terms of the Enterprise Zone, it is just that large-scale residential is not allowed in that. He said an Enterprise Zone always has to be commercial, even though these projects are much larger than what Council approves time and time again in the Enterprise Zone.

Mr. Holloway asked how the tax abatement for the Enterprise Zone works in comparison with the figures on what they are doing here, to which Mr. Kitzrow responded, the Enterprise Zone is a ten-year abatement program. He said the first five are at 80 percent, and then it steps down from there over the next five years at 70, 60, 50, 40, 30, and then it is over. Mr. Holloway said, so this is a lot more lucrative, to which Mr. Kitzrow responded, this is definitely a lot more lucrative. He said, as he mentioned earlier, they were considering mirroring the Enterprise Zone, but, talking with developers, it was not lucrative enough, and he can get into all the details on the science behind it, but he is sure they do not want to hear all of that. Mr. Holloway then asked if they are letting the developers drive this train, or is the City driving it, to which Mr. Kitzrow responded, they want to see economic development, and they have

decided that the HORIZON Program as drafted would be a great engine and tool they would have to incentivize and entice large-scale signature development in downtown Salisbury. He said, based off their conversations with local developers, and regional and national private equity development, this type of program would be able to have them look at Salisbury to develop. He said, as far as whether the developers are driving it or Salisbury is driving it, it is kind of a marriage in a sense. He clarified, this is what the City is willing to give, and they had to ask themselves if that would entice the developers enough to want to build here rather than someplace else, and they have definitely perked some interest, so that is where they think they have found the sweet spot.

Ms. Glanz said, like Mrs. Acle, if the Enterprise Zone model is something Mr. Holloway is interested in, the County can have that conversation whenever they want, but this program is what the City is going to do, and what the City is willing to do, and the County can do what it wishes. She clarified, they need to go to the State to get the enabling Legislation to have their own ordinances locally.

Mr. Holloway said, as he said earlier, the County has a lot more obligations than the City when it comes to funding. He said God bless Mr. McCain for standing up for the schools like he does, and he knows he has over the years. He said every year when they go to budget it is a big argument about who is going to get funded, and he knows the City goes through it when they go through their budget process, but the County has a lot more obligations than the City does. Ms. Glanz responded, yes, the County has a bigger budget, but she would refer to Mr. Cannon's point about this being a way to increase the tax base without increasing taxes, and they cannot do that all the time, so, again, it is a glass half full model. She said the services the County will have to provide to the 1,000 people who will be living in this District would have limited impact on the County budget. Mr. Holloway said maybe the City could give a better tax abatement and the County would not have to be involved, to which Mr. Cannon responded, the County has to recognize that this would be revenue for the County too. He said right now the Ross project alone is bringing in about \$19,000 a year, but if they follow through with this and this project turns out to be as successful as they anticipate, it will be \$196,000 a year. He said, if they want to increase their tax base, that is what they need to do, and that is why it is a government incentive. Mr. Holloway asked what the figure would be if they did not give a tax abatement, to which Mr. Cannon responded, it would be \$196,000, but the project probably will not happen, and that is what they are saying. He said, if they do not do this, he is willing to say that ten years from now they will see nothing changing. Mr. Holloway said the ground has been broken. Mr. Cannon explained, this is why they have the Enterprise Zone, and that is why they have tax incentives, there is a reason for that.

Mr. Hastings said, just to point out, the City of Salisbury is their County seat, and the City and County are together as one. He clarified, when the City does well, the County does well. He said, as Ms. Glanz mentioned, potentially this is going to increase their tax base without increasing the amount of taxes or expenses the County has to pay. He said this is generally a really good thing, and they are not even talking about jobs, jobs, jobs, which is highly important given where they are going with the economy they are likely going to have. He said this is just one step, and he does not know what the timeline is, and maybe they can let Council know what the next steps really look like, but, as a whole, they as a County have to do their best to support the City of Salisbury and the growth, and he does not doubt for a second that they can all come together. He said the County can tailor their own program that fits all of

their needs, but, above all else, they have to make sure they are working hard to support those who are already working hard, and the City of Salisbury is doing that.

Mr. Dodd said they would like to wrap this up. He said they did a good job with their presentation, and he really appreciates their straightforwardness and their honesty. He said it sounds like some Councilmembers have some reservations, and it sounds like some want to go straight forward with this, so he is going to ask what Council wants to do. He said he would prefer to do another Work Session so they can have a lot of this worked out.

Mr. Dodd asked Mr. McCain if he wants to move forward, to which Mr. McCain responded, he is more than fine providing a letter of support because that is all Council is doing. He clarified, they cannot even talk about these programs if they do not get the State to, basically, give them that permission to have residential tax abatements. He said right now they cannot do it in the City, and they cannot do it in the County, so this is all they are talking about tonight. He said some Councilmembers are trying to solve what their program is going to look like, but that is for a later day. He said right now the question is just whether the Council will support a letter asking for the State to allow Wicomico County and the City of Salisbury to do residential tax abatements, and that is all they are asking.

Mr. Dodd asked Mr. Davis what his thoughts are, to which Mr. Davis responded, he would still like to see what is going up to Annapolis.


Mr. Dodd then asked Mr. Holloway his thoughts, to which Mr. Holloway responded, they need to wait.

Mr. Dodd asked Mrs. Acle what she wants to do, to which Mrs. Acle responded, she would like to see exactly what is going to go up to Annapolis just to review it before Council gives their approval.

Mr. Dodd then asked Mr. Hastings his thoughts. Mr. Hastings asked if this timeline makes sense as far as any delay, to which Mr. Kitzrow responded, he literally can send this to everybody's inbox. He said he can have as much information prepared as quickly as Council would like them to return, and they would request to be on the next Session so they can talk about this, and if there are any additional specific questions, they can come prepared to answer those more directly.

Mr. Dodd asked Mr. Cannon for his thoughts, to which Mr. Cannon responded, he thinks they all recognize that time is of the essence, especially since this is December and they know what they have to get to Annapolis in a very timely fashion. He said he would think that at their next meeting, by the very latest, they have to have a vote as to whether or not they are going to send the letter, and have the letter drafted for Council by the next meeting based on what the City has presented. He said he would assume that whatever the City is sending to Annapolis is already 90 percent structured, to which Mr. Kitzrow responded, it is 100 percent structured, he just has to know if they are going to include Wicomico County in that Bill, or if it is just going to say the City of Salisbury. He clarified, it is written as Wicomico County and the municipal corporations within Wicomico County, which would include Salisbury. Mr. Cannon asked if that is part of what Council has already received, to which Mr. Kitzrow responded, not the Maryland State Enabling Legislation because, again, it is a draft and he did not want to be presumptuous to say that the County is already going to be included without having had this

conversation with them. Mr. Cannon asked if Mr. Kitzrow could get that to Council and he would be in favor of having that done, and he also thinks they could have a letter ready by the next meeting as well. There was no further discussion.


Larry W. Dodd, President, District 3


Joe Holloway, Vice President, District 5


Ernest F. Davis, District 1


Nicole Aele, District 2


Josh Hastings, District 4


John T. Cannon, At-Large


William R. McCain, At-Large


Laura Hurley, Council Administrator