

**Open Work Session**  
**Residential Incentive Zone Program**  
**July 6, 2021**

Mr. John Psota, Acting County Executive, came to the podium and thanked everyone for all the comments on this topic tonight. He said he has seen a lot of public comments in his time and the impassioned information that was brought forth this evening was greatly, greatly appreciated.

Mr. Psota said, as far as Mr. Holloway's comments on how they got where they are on the residential tax incentive zone, it was initiated by the City of Salisbury in their effort to establish a hotel or residential tax credit zone (HORIZON) to spur development in Downtown Salisbury, and the County submitted a letter of support for enabling Legislating to allow such an incentive. He said, in this past Legislative Session with the support of the Lower Shore Delegation and their State Senators, a Bill allowing a property tax credit for hotel or residential development was unanimously passed by both the House and Senate and became law effective July 1. He said, accordingly, the Salisbury City Council recently unanimously approved an ordinance which offers such a tax credit to incentivize large-scale hotel or multifamily residential development in the Central Business District and Riverfront District Downtown. He said the City of Salisbury, the Salisbury Area Chamber of Commerce, and the Greater Salisbury Committee represented tonight by Mr. Mike Dunn, have requested from the County Executive's Office that a similar tax credit initiative be put forth to the County Council for their deliberation and consideration. He said the City of Salisbury and the State of Maryland have clearly made development and redevelopment of the Downtown District a high priority and have invested millions of dollars in its continuing effort, and he believes collaboration and support of their municipalities is important to the overall health of their communities. He said now he invites the Mayor of Salisbury, Jake Day, to address the Council and explain how important this is to the community.

Mayor Jake Day then came before Council and said it is a pleasure to be with them. He said it has been a long time, maybe two years since he has been before this Body, and well over a year since he sat in these Chambers, and he is looking forward to being back at it. He said he also wants to thank President Dodd for entertaining this concept and he wants to thank the County Council for the collective support for the enabling Legislation that the Maryland General Assembly passed. He said, particularly, Senator Carozza, Delegate Anderton, and Delegate Adams carried a lot of water on this Bill in Annapolis and he knows every Bill is a hard fight, so he appreciates their support and that of the entire General Assembly and Governor Hogan. He said he also wants to thank the County Executive and Mr. Wilber for working diligently to craft a policy proposal that meets the County's expectations.

Mayor Day said they are here because it is their job to set the stage for growth, and there are a few facts that are not in dispute. He said the Wicomico County Comprehensive Plan and the City of Salisbury Comprehensive Plan make clear that residential growth in Wicomico County should be concentrated in the metro core in existing developed areas, partly because virtually all other development has been permanently restricted in Maryland, but also very obviously because when they make an investment it should produce multiplied returns paying not only for the services that the development consumes, but also producing new economic activity. He clarified, only one type of development does that – mixed use concentrated development, as proximity and density lead to increased economic activity. He said, if they want to grow their economy and grow the economic windfalls for their community, they have the right

comprehensive plans in place already to support it, they just have not come to terms with the fact that it is tough to get some of those projects off the ground.

Mayor Day said they are not a particularly wealthy community. He said their real estate values, while the fastest climbing in Maryland, are considered affordable and he thinks, while they all appreciate that, they also recognize that for those who own a home, business, or a property, that fact represents a major barrier to doing more with their property, such as getting a loan for home improvements, selling it to upgrade, buying a second property, or developing something that the market does not yet value at a premium. He said those things are out of reach for most of them; however, they are changing, they are a particularly fast-growing community. He said U.S. News and World Report reported last month that Salisbury is now the 13<sup>th</sup> fastest growing City in America and also reported that they are tied for the second fastest rate of net migration in America, meaning that more people are moving here at a faster rate than any but one other City in America. He said the greatest threat right now to their long-term prosperity and the immediate risk to their continued strength is the inability to house those who want to be here. He said, with only about 17,000 City residents in the workforce and more than 43,000 jobs in the City of Salisbury, they desperately need to add more housing. He said, for most of his life he has heard the lament of the generations who came before him who said people keep moving to Sussex, Talbot, or Worcester Counties, but Talbot and Worcester Counties are no longer adding population. He clarified, Sussex County is, but their median age has skyrocketed in the last decade thanks to retirees flooding in and their median age is now over 54 years old. He said, meanwhile, the median age here has plummeted to below 27 years of age and this same dynamic is causing an affordability crisis. He explained, available housing supply is at its lowest ever right when demand is at its highest and right when their economy is heating up. He said they should consider in their deliberations in the City and County the role that increasing supply will play on market pricing. He said people are choosing Salisbury and they are choosing Wicomico County, and their population is becoming younger, more diverse, and better educated, and those are facts, not aspirations.

Mayor Day said he attended an event last week of new corporate leaders and professionals who have moved to Salisbury in the last few months, and that event is now going to be held every quarter in Downtown Salisbury. He said he stood in a room filled with doctors, corporate executives, nurses, and professors, all of whom just chose this place and did not choose to move to one of their neighbors, so they should feel proud of themselves for finally turning the tide on where professionals live who choose to move here. He said, that being said, demand is as high as it has ever been; according to the most recent housing study completed in Salisbury, they now have a below 4 percent residential vacancy rate. He clarified, that is not only abnormal, but it is not as good of news as it sounds as, while they want their housing units occupied, of course, they desperately need more and that is a great indicator of it. He said the market is not producing those units at the rate they need them to in part due to labor shortages, rising labor costs, and rising costs of raw materials like lumber. He said, with that said, the greatest challenge they face is that the development their community has already declared as the highest importance – dense residential development in the urban core – is expensive and simply does not demand the rental rates to pay for it. He said the expense side of the pro forma is the same as it would be in Washington DC, Kansas City or Phoenix, but the income side of the pro forma is much, much lower.

Mayor Day said he thinks they have a sense of the problem, but what are they going to do about it? He said they can look at what they have already tried, and they have tried a few things. He clarified, in Downtown Salisbury alone they have created the EDU-free zone, which is a wastewater fee credit that

eliminates a major cost of development; they have consolidated the construction permitting process from seven departments to one; they have created the Riverwalk incentive whereby they offer a property tax credit equal to the cost of developing the Riverwalk; and they have created a soil bank where they offer fill dirt for free to developers, something they have an excess of. He said, beyond Downtown, they have created the Opportunity Zone, the First Responders Property Tax Credit that eliminates property taxes for their first responders in the City, and the Single Family Fee Moratorium making it free in terms of fees paid to the City to build single-family houses in the City eliminating \$22,000 on average in fees for houses built in the City of Salisbury resulting in the first housing starts in the City in a decade. He said Wicomico County not only has the Opportunity Zone program as well, but they both have the RISE Zone tax credit program, the Arts and Entertain District tax credit program, the C-PACE financing program, and the very critical Enterprise Zone program that has been in place for 40 years. He said, in other words, he thinks they have been open to all ideas, and over time he thinks they have shown a willingness to do what it takes to close the deal. He said they worked to get the jobs, the housing, and the people they want, the proof is in the pudding. He said, since 2010, while the Wicomico County tax base has declined 2 percent in value overall thanks to the massive correction after the great recession, Salisbury's real estate values in the same time have jumped 10 percent. He said, since he was first elected, Salisbury has now permitted \$460 million dollars in construction in the City resulting in \$200 million dollars in increased tax base. He said every dollar in value that they generate through new development and construction is a dollar saved from their tax bills, and their job is to see that, to be visionaries, and to set the stage for success for others. He said, while every other County on the Eastern Shore is losing population or stagnating, they are showing continued health. He said, furthermore, they are seeing all of that population growth right in their metro core. He said they have become inundated with annexation requests and the resurrection of the so-called zombie single family housing projects that died in 2008 and 2009, but those are the low-hanging fruit, the greenfield simple development projects, not what their plans call for, which are the higher density complex projects in their core.

Mayor Day asked, what can they do now? When developers wrote their pro forma for their projects in Downtown Salisbury, they assumed the Enterprise Zone tax credit applied not only to the commercial part of their project but to the residential part as well recognizing that hotel and multifamily uses are often appraised as commercial use. He clarified, clearly, the law did not allow for that at that time, but thanks to the Maryland General Assembly and Governor Hogan, it does now. He said the Legislation before the Council applies only to very large projects over \$10 million dollars in one very small zone, and that is precisely how incentives should work. He said incentives are meaningless if they apply to everything and meaningful if they apply to the narrow area where they are trying to produce a specific result that they thus far have been able to produce. He said, forgive him if it is a little too militaristic, but what they are looking for is a sniper rifle, not a 500-pound bomb – ready, aim, fire, not ready, fire, aim, and that is the reason this is targeted only at this narrow subset of development.

Mayor Day said it is worth noting that right now the highest rental values for commercial and residential real estate in their region are demanded in Downtown Salisbury. He said they have been able to see constant renovation of the historic buildings in Downtown, including a now 100 percent full Powell apartment building which sat empty for nearly two decades. He said they have a historical record number of restaurants in their Downtown and there are currently four historic buildings under renovation, but these projects have been able to proceed without this incentive in part due to the fact that they are smaller and can rely on local lenders. He explained, they do not have a single lender in

their area who has the lending capacity to finance the larger projects being incentivized. He said, to the outside funds and banks that are considering Salisbury and Wicomico County, he has had to personally get on the phone with them and tell them why they are a community that is open to business.

Mayor Day said, taking a look at the totality of the eligible area - the Central Business District and the Riverfront Redevelopment District, they estimate that there are seven main undeveloped parcels that currently have proposed development for residential or hotel uses, and those seven parcels have an estimated \$106 million dollars in proposed development on them right now. He clarified, that is \$106 million dollars in new assessed value and \$180 million dollars in new construction expenditures. He said the nature of this proposed tax credit means that Wicomico County will immediately upon completion experience new revenue from that \$106 million dollars, and the beauty of that new revenue in Wicomico County is, so long as they keep the revenue cap in place, it will require that they lower the property taxes for everyone in Wicomico County. He clarified, in other words, even with the incentive in place, they will be forced as a result of the development to reduce everyone else's taxes.

Mayor Day said there are countless economic benefits to the population growth other than property taxes that come from this incentive, but what is also being left out of the discussion is that, while Salisbury has no income tax so they will not benefit from these new workers added to their community in that way, the County does, so that is new revenue to the County. He said, furthermore, do not forget the many millions of dollars that will be spent directly in their businesses, and it is worth noting that \$180 million in new construction spending has a greater than 2:1 multiplier effect. He clarified, that is \$360 million dollars during the years of construction spent in their economy related solely to the seven projects mentioned. He said it is 1,000 new residents in Downtown Salisbury, and if they look anything like the current residents of Downtown Salisbury, and they estimate that they would, they would be Tidal Health doctors, Salisbury University students, Salisbury University professors, police officers, government employees, and military officials. He said, while he does not think it is their job to use government power to restrict or dictate who should live somewhere, it is certainly their responsibility to make it possible for those who wish to. He said, furthermore, he believes it is not their responsibility to protect government revenue over economic activity. He said his mantra in all discussions about growth is that they want to see economic activity first and additional government revenue last.

Mayor Day said, to illustrate his point, as he said, they can quantify \$106 million dollars in new assessed real estate value that has been proposed that would benefit with this tax cut. He said, while the City of Salisbury has adopted a very different and more generous tax credit program to assist these projects, their proposals have similar effects. He said, if all of that development were to be realized, once they came into being that would result in \$25 million dollars of new City taxes over 25 years and \$23 million dollars in new County taxes over 25 years, but the truth is that everybody in this room knows that is monopoly money, not real money. He clarified, it has not happened without this incentive, and it is not going to happen without this incentive. He said, if none of it were realized, they would get a total of \$600,000 between the City and the County over 25 years. He said it does not exist, it is not his, it is not the County's, and they cannot count it any more than they can count unhatched chickens.

Mayor Day said, to talk real money, if all of that development were to be realized as the result of incentives as proposed they would realize a new \$11 million dollars in revenue to the City of Salisbury in the first 25 years alone, but the County, due to the differentiations in the program as proposed, would receive a new \$17 million dollars in tax revenue. He clarified, that is \$17 million dollars in tax revenue

that everyone who owns property in Wicomico County will not have to pay over the next 25 years. He said that means, once again, they are going to have to cut their property tax rates so long as they keep the revenue cap in place. He said the beautiful thing to him, and what is remarkable is that the Council saw this long before he did as he did not see this aspect of it, is what he read on the Council Agenda for tonight with the next item. He said the Council saw precisely that the math shows that they will have to return every dollar they gain to the pockets of the citizens of Wicomico County who do not benefit from one of these proposals, and that is precisely what economic engines should do. He clarified, they should generate more than enough to pay for the services consumed, but also produce economic benefits at the core of their City and County that benefit everyone else. He said tonight they are asking the Council to pay more than the fair share to help rise every Wicomico County boat with this tide.

Mayor Day thanked Council for their time and said he is happy to answer any questions they have.

Mr. Holloway clarified, there is no bank in Wicomico County that could finance this \$10 million dollar project, to which Mayor Day responded, that is correct. Mr. Holloway asked if Mayor Day is serious, to which Mayor Day responded, the lending capacity of their local lenders is \$5 million. Mr. Holloway restated, there is no bank in Wicomico County that can finance a \$10 million project, to which Mayor Day responded, they can bring up somebody on a bank board who can speak to that, but that is correct.

Mrs. Acle said that was quite the presentation and she liked the graphic organizer, to which Mayor Day responded, they are just connecting the dots, that is all.

Mrs. Acle said she has had the question for awhile about the process on applying for the Enterprise Zone, and she is somewhat concerned about the developer who applied for this and thought he was getting it. She then asked if they need to revise that process or look at how they are doing this so whoever is applying for it understands what the guidelines are before moving forward. Mayor Day responded, he does not know which developer Mrs. Acle is talking about, but he knows of several developers who in their pro forma had an assumption that the residential component of a mixed use building would be appraised as commercial use with the multifamily piece because that is how it gets appraised, and made the assumption that it would thus qualify for the Enterprise Zone tax credits, which was not the case. He clarified, it is the case now because it qualifies for the HORIZON component, which is parallel to the Enterprise Zone. He said, whether or not that is a problem with the application process, he is not sure, but they have not had this problem because they have not had residential development in the Enterprise Zone on this scale, so he has never seen this particular question brought up. Mrs. Acle asked if there have now been a couple, to which Mayor Day responded, yes, there have been a couple.

Mr. McCain said, in his business office they have a commercial division and a residential division, and all multifamily projects and hotel projects are always in the commercial division in the real estate realm. He said, when most people think of residential they are thinking single family residential, but things of this scale normally fall into the commercial realm. Mayor Day said, as a planner, he thinks of it by the use, so he would think of it the same way the law thinks of it or thought of it before, which is that the use is residential in nature. Mr. McCain said lenders lend it as a commercial loan, not a residential loan.

Mr. Holloway asked if Mayor Day considers the Ross project a viable project, which is what brought this to the forefront, to which Mayor Day responded, it is not his job to say who has a viable project or not. He said the way he approaches economic investment is outside dollars in are a good thing, so he will take it. He said he wants to reduce the burden on his homeowners and businesses in the City and grow

the economy, and that is why they have not raised taxes in the City. He said they have relied on economic growth and investment through real estate development to essentially fund the growth they have seen. He said he would like to think that everything that gets to the stage of Board of Zoning Appeals approval, Historic District Commission approval, and Planning Commission Approval is viable, but they have seen lots of projects that stall at that point, so whether or not that means commercial or market viability, he is not sure, but he believes in every project that is brought to the table in Salisbury when someone says they want to invest in their community.

Mr. Holloway asked if bringing a project like this forward if it cannot stand on its own two feet without a tax incentive is something this town should support? He said so many other businesses have been built in Wicomico County over the years without a tax incentive, and he knows Mayor Day is going to say this is a \$10 million dollar project. He said there is not only that, but they are offering a 15 percent return on their money to any investors, and he is wondering how that evens out. He said he cannot even get one percent on a CD at a bank, but they are promising a 15 percent return on investment money, to which Mayor Day responded, he is not familiar with how people are choosing to finance their real estate deals, but what he does know is the point Mr. Holloway makes about many businesses being built without this particular incentive is that many businesses were also built without the Enterprise Zone incentive, the Arts and Entertainment District incentive, or the RISE Zone incentive, but he thinks the moment in time plays a role in their objectives as a community. He said, as a community through elections and the adoption of plans, not just their Comprehensive Plans, but their Downtown Masterplan and Route 13 Corridor Study, all of these things have said the type of development they want and where they want concentration, and they have validated that through countless public processes and through community input over and over and over again. He said they know what they want to do and they have looked at successful models around the country and have tried to shift towards the things that grow an economy, and the very fundamental thing is that having a successful core leads to a successful overall economy.

Mayor Day said, with respect to the particular use, he did not come before this Council five years ago saying he thought they needed this, it came through dialogue and the recognition of what has and has not worked. He said they adopted the single family home Property Tax Fee moratorium on the basis of spending decades building single family homes in the City of Salisbury and around the community, but it stopped because of the market, and for them it was a very different math problem, but similar, just a smaller scale. He clarified, it was they can build this same house in Sussex County and attract the person who would live there and get them to move there because he can get a \$50,000 premium, and Salisbury looked at what they could do to make that easier, so they cut \$22,000. He said those are death in taxes, the guaranteed things. He said City connection fees are the same way, and they look at that as a guaranteed thing, so giving that up was not something they gave up easily. He said they spent a decade not building a single house in the City of Salisbury, but they have over 180 permitted since then, and hundreds more in the pipeline. He said he thinks, clearly, giving that up is beneficial to all of them, not just the City of Salisbury, but those are Wicomico County taxpayers in full as well.

Mayor Day said, as for the question of whether or not it would stand on its own two legs, he listened to the people who are bringing an investment here, bringing a development here, and when he talks on the phone with lending officers in D.C. or Baltimore and they say they are interested in their market, but they ask what kind of reception they are going to get when their community does not produce the same returns that Baltimore or Washington do. He said his response is they want to find a way to get to the solution they want without costing them something, and he thinks the beauty of this proposal as it is

written is that it rises all boats, they all gain. He clarified, they only gain dollars from this, they cannot lose any dollars, so nothing is lost. He said, with the revenue cap he recognizes they have to design a way to figure out how they are going to cut when they get this estimated new revenue, so they have to offset that somehow, and he thinks a dividend out to taxpayers or some prorated sharing of that benefit is completely fair. He said he will benefit from that as a Wicomico County taxpayer, so he is not opposed to that, but he thinks the Council has to design that themselves, and designing it only for those who have not benefited from this tax incentive makes perfect sense. He said it is a direct correlation to say someone can benefit from this incentive, but everybody else is not going to bear the cost, so they are going to spread that benefit out to everybody else, and it is not just going to be realized by the developers, but there is a net economic and tax revenue benefit to all of them. He said because of the revenue cap they must offset it, so everybody gets to share, and he thinks that is a good idea.

Mr. Holloway asked if the City is underwriting any of this loan for the developers, to which Mayor Day responded, they do not underwrite loans.

Mrs. Acle said she has a few questions for Mr. Psota. Mr. Psota then came before Council. Mrs. Acle said she thinks during the Public Comments portion of their Legislative Session earlier this evening Ms. Smith and Mr. Brett Davis both brought up good points. She said Ms. Smith brought up how this is going to affect their school buildings. She then asked if Mr. Psota has done any type of analysis on how this will affect the long-term impact of their school building fund, to which Mr. Psota responded, no.

Mr. Ernie Davis clarified, it does not have an impact because they do not control the school budget. Mrs. Acle said residents pay school tax, to which Mr. Davis responded, as the County Council, they do not control the School Board budget, they do their own budget, and the Council cannot tell them what to put in their budget. He said Ms. Smith mentioned they want to put in an incentive to recruit teachers, but that is not the Council's job. Mrs. Acle clarified, she is saying that when there is a resident in the City, they pay property tax, and a portion of that goes to the school buildings, so if they are not charging that resident property tax then they are not getting that tax for school buildings. She clarified, she is not speaking about the teacher incentive to live here. Mr. Davis said the property taxes do not go directly to school buildings, to which Mrs. Acle responded, but there is a school tax. Mr. Davis said they do not have a school tax, to which Mrs. Acle responded, when property taxes are paid, a portion goes to the schools. Mr. Davis clarified, that goes into the general fund budget and then when the School Board brings their budget to the County, they approve their budget. Mrs. Acle said they will be decreasing that if residents are not paying the tax. Mr. Davis clarified, they cannot decrease the School Board budget, as they all know, so they cannot give them less than what they have previously given them. Mrs. Acle said, if there is a resident here who is not paying property tax, that means they are not collecting money that could potentially go to their schools, but there could be students attending those schools, so it is more of a burden on the infrastructure without getting the tax base to compensate. Mr. Davis said he does not understand how someone could live in the County as a resident and not pay taxes, to which Mrs. Acle responded, because it is a residential building and they are not going to pay taxes. Mr. Davis said they will not own the building, so they would not be paying taxes anyway, they would be paying rent to the owner. He clarified, renters do not pay property tax, the owner of the building pays the property tax.

Mr. Cannon said, if anything, the additional people who are going to be brought in are going to be paying more income taxes and sales taxes, to which Mrs. Acle responded, but they are not going to be paying property taxes. Mr. Cannon said renters do not pay property taxes, and the building owner will

still be paying property taxes. He clarified, they are not eliminating the property taxes, they will always pay the base property taxes and then they will graduate the increased costs over ten years. Mrs. Acle said they will not be paying the full amount of taxes, but they are going to have residents living there who could potentially be using the public school system. Mr. Cannon said they will be paying increased taxes in increments, to which Mrs. Acle responded, but they will not be paying the full amount, so she is asking what the impact of that is. Mr. Cannon said he thinks the word visionary was used before, so what happens in ten years is the idea that they invest now for the return they are going to receive, and in ten years they are going to have millions instead of thousands. Mrs. Acle said she does not know the answer because she is not an economist and has not done that analysis, that is why she is asking Mr. Psota if he has looked at that since he is putting this forward.

Mr. McCain said Mayor Day actually kind of addressed that when he said, if these projects come to fruition, that is \$17 million dollars over 25 years that comes to Wicomico County, which increases their revenue and will help pay for the schools. He said he sees what Mrs. Acle is saying, but long-term they are increasing their assessable base. He said they are deferring a part of the property tax in those initial years, but as this winds down over the ten-year period, every year they are collecting more and more property tax, so they are collecting that money for the schools, if that is the case. He clarified, just because people are going to be living Downtown does not necessarily mean they are going to have kids in the school system, to which Mrs. Acle responded, but they could. Mr. McCain said they could be retirees or whatever it might be. Mrs. Acle said in the beginning they looked at how they are going to balance that, to which Mayor Day responded, he has looked into that.

Mayor Day said the math on that \$106 million dollars of estimated new assessed value, assuming all seven of those parcels are built out, over 25 years would be \$600,000 in new County revenue over that time period, and that is guaranteed no matter what, even if nothing is built. Mr. Hastings asked Mayor Day to say that one more time, to which Mayor Day responded, today, if they do nothing, Wicomico County will get \$600,000 over 25 years from those seven parcels. Mrs. Acle said there would be no one living there, to which Mayor Day responded, no one will be there and nothing will be happening, and there will be empty city-owned parking lots and two empty lots at 500 Riverside and where the Ross is planned, so it would be nothing. He said, if the incentive goes into place and there is \$106 million dollars of new value, which is a conservative estimate of the value that is currently proposed, that would result in \$17 million in new tax revenue to Wicomico County. He clarified, there is no scenario, none whatsoever, where they could do anything where they would lose \$1. He said there is no way to lose \$1, so it is either status quo of \$600,000 or \$17 million. He said the argument Mrs. Acle is making, and it is an important one, is what about the \$8 million dollars they could get if they built all of that with no incentive, and his point was that is monopoly money, it does not exist. He said no one is going to build those projects if there is no incentive and the incentive does not exist, so the only question is do they want the \$600,000 or do they want the \$17 million, and the incentive creates the possibility. He clarified, nothing in life is guaranteed, and if it was all guaranteed they would all be toasting at the top of one of these buildings right now, and they are not, they are sitting here having this conversation. He said the incentive creates that net gain of \$17 million over the first 25 years and \$11 million to the City over those 25 years because their incentive is a 20-year tax incentive that starts with 100 percent, whereas the County's starts at 80 percent, so immediately at year one the County starts to gain 20 percent of the value in tax revenue.



Mrs. Acle asked if the County's program is different from the City's, to which Mayor Day responded, it is. Mrs. Acle said that is why she was asking Mr. Psota what the difference was and what the impact will be, to which Mayor Day responded, it is a \$6 million dollar difference. Mr. Psota added, the County's is ten years versus 20 years.

Mr. Dodd said Mayor Day just said the County's starts at 80 percent, but he is looking at the tax schedule for 20 years and during years one through five it is 100 percent, to which Mr. Davis responded, that is the City's, the County's is ten years. Mr. McCain added, the County's is 80 percent in the first five years and then in year six it goes to 70 percent, in year seven it goes to 60 percent, in year eight it goes to 50 percent, in year nine it goes to 40 percent, and in year ten it goes to 30 percent.

Mr. Holloway asked if they changed it from what was initially presented to the County, to which Mr. Cannon responded, what has been put in the Brief Book is what the Council requested, which was ten years, similar to the Enterprise Zone. Mr. Holloway asked, when did the Council request that because he does not remember, to which Mr. Cannon responded, in their last Work Session they said they would feel much more comfortable with ten years instead of 20, and they wanted something that was more similar to the Enterprise Zone.

Mr. McCain said he hates to use this term, but, at the end of the day, the County's program is a very much watered down version of what the City is doing. He said it is half the term and the County actually collects money in year one right from the start.

Mrs. Acle asked, if a developer builds five apartment units and in those five units there are families who have kids who are going to school, is it correct that the owner of that building is not paying property tax, to which Mayor Day responded, they are paying property tax immediately. He clarified, in year one they are paying 20 percent. Mrs. Acle said a portion of that money goes to the public school system, to which Mayor Day responded, that is correct, and this is a legitimate line of dialogue because what they do not know is who will occupy them. He said, in his comments he said he does not think it is their business as government officials to dictate who can live where, so he does not think they can restrict families from living Downtown and he does not think they should restrict certain ages from living Downtown because he does not think that is their job, their job is to set the stage. He said, if a developer thinks their project is going to work somewhere, good luck, and they want to see that because they want their tax revenue and they want them to spend money in their shops and restaurants. He said what he thinks is important to look at is just the history, and they do not just have the 20 apartments at the Powell Building, they have 180 residents in Downtown right now, and they do not have any children living in Downtown. He said those are all new apartments that have been renovated within the last ten years, every single one of them has been renovated or newly established in the last ten years, and all of those are occupied as either condominiums, rental units or apartments, and all of them continue to attract adults without children, that has been the trend. He said some are empty nesters, some are corporate executive types, and some are government employees, police officers, etc. and thus far, again, they just have not seen families choose this. He said that is a national trend and he thinks they could all probably look up the statistics and this type of product does not typically attract families with children.

Mayor Day said the other thing he would urge everyone to remember is that, while he thinks it is very fair to ask what a retiree is paying into the system versus what they are getting out of it as far as education dollars and what a family is putting in versus what they are getting out of it, he thinks in this case they have to remind themselves that they do not tax people based on who they have living in their

home. He clarified, they do not set property taxes based on who lives there, they try to set a fair average, they apply it to residential and commercial, it applies across the board, and the incentives in this case apply to commercial in the form of Enterprise Zone and residential now in the form of HORIZON, so it is leveling that part of the playing field. He said, in that respect, they have not had trouble getting commercial projects in Downtown as restaurants have boomed and the renovations have been fantastic, it is just the big residential projects that have been challenging. He said, if they did not think this was good economically and they did not think this was what their plans call for, which they do, then there would be no reason to pursue this, but they have said this is the path they are on, they are going to pursue this, the voters have supported it, their residents have supported it, so let's continue down that path, and this is what it is going to take. He said, again, he would not have supported this or participated in it if he did not think it is what is needed to get them to the finish line, and he thinks in this moment it is what they need to get to the finish line.

Mrs. Acle asked Mr. Psota to get her the tax schedule of what percentage is paid on a property to the school system as she is sure Finance has that schedule somewhere. Mr. Holloway said he thinks it is a little over half out of the complete budget, to which Mr. McCain responded, he thinks it is 62 percent. Mr. Davis said it is in the budget book.

Mr. Cannon said education is not paid by property tax, it is a combination of income tax receipts as well as property tax, and one thing they have not talked about is that the income tax receipts will also increase. He said, if they get new beds and heads Downtown or anywhere in Wicomico County, he would have to think that even the income tax they would receive from that would more than offset what they are looking at in a property tax loss. Mr. Holloway said they are talking about this being a student housing project, to which Mr. Cannon responded, he understands, but if they are talking about kids, they are not talking about students, they are talking about parents, and in that case they will be receiving some type of funds from income taxes. Mrs. Acle said it is not from income tax, it is from real property, to which Mayor Day responded, the tax credit being offered is on real property, there is no tax credit being offered on income tax. Mrs. Acle clarified, school tax is on property tax, to which Mr. Cannon responded, income taxes and property taxes go into the general fund and then they write the check to the Board of Education. Mr. McCain said, when he said 62 percent, that is of the County's revenue. Mr. Cannon clarified, nothing is earmarked for education.

Mr. Hastings said, just to advance the understanding of HORIZON, it stands for hotel and residential, and people who go to hotels do not usually send their kids to schools, so he wants to make sure that is understood. He said he also wants to make sure it is understood that the City infrastructure for fire and police is happening Downtown, so that is not a drain on any Wicomico County taxpayers. He said he has received numerous emails about how this is going to be a big burden to the folks in Mardela, but that is not the case, the burden is going to be on the city. He then asked why they have hotels as part of this calculus, to which Mayor Day responded, hotels are specifically excluded from the Enterprise Zone.

Mayor Day said there are only two uses excluded from the Enterprise Zone – residential multifamily and hotel, so this extends it to all uses. He said he thinks the more important point is why Salisbury and Wicomico County would be interested in that, and he can tell them that they saw amusement taxes and hotel/motel tax receipts rise dramatically when the National Folk Festival arrived, but the one complaint they continue to hear from the national planners of that event are that they do not have enough hotel rooms, they do not have enough hotel rooms proximate to their Downtown, and they do not have

enough hotel rooms in their City. He said, that being said, they do not have a huge tourism industry in their County that runs year round, so it is tough to justify that, but there is a major hotel chain right now that has a signed agreement with a developer in their City, and that project very likely could be Downtown and he wants to see more of those. He said, in planning their projects and development for the future, hotels are a part of virtually every conversation.

Mr. Hastings said the whole impetus of this has been to support Downtown Salisbury, but Salisbury is a City, so the obvious questions they have been getting by email is what the geographic scope of this should look like, how the County should support that, could this go to other areas, and do they want development elsewhere. He said he does not know if there is anything Mayor Day would like to say on that, to which Mayor Day responded, he can offer his opinion, which is that any time they create geographic boundaries for anything he thinks literally each property owner is going to ask to have that extended to them. He said they have dealt with that every time they have amended a map before the City Council. He said, as the President of the Maryland Municipal League, he is a big fan of local self-determination, and if a municipality is able to say this is the type of development they are seeking and this is the type of incentive they want and goes to another level of government saying this is what they need to incent that development, as long as they support it and it is something they can afford to do and they believe it can produce those results, he thinks the response should be, by all means. He said he thinks if the Town of Sharptown were to come to the Council today and say they believe they should incentivize this type of development in their town, they should say, by all means. He said he thinks if the Town of Willards were to do the same thing, or the City of Fruitland or the Town of Delmar, their response should be that they are with them and they want to incentivize what they are asking for as well. He said this is what their plans called for and say they should be developing and building, so they need help getting that done, they need help getting to the finish line. He said, again, otherwise they would be standing on top of those buildings right now.

Mr. Hastings said, as a representative of the City of Salisbury, as the majority of his District is the City of Salisbury, he wants to be able to support what the City wants to do, and he has said that from the beginning. He said the City has gone through a very extensive process from the General Assembly and getting all the members of the General Assembly, including all democrats and republicans altogether on board. He said the Governor walked their Downtown only a couple of days ago and was proud to see the investments happening. He said the City of Salisbury was the one that went out of their way to help incentivize growth. He said he looks forward to the day that Hebron knocks on their door and says they want to grow, they have a plan for growing within the growth area, and here is how they are going to do it and they need the County's help, but that is not happening today, it is the City of Salisbury that needs this. He said, above all else, he wants to be able to support as quickly as possible what the City is doing. He said he also wants to be clear that this is not going to be built by Oompa Loompas, they do not have any mysterious group of folks coming in to build, this is going to be real human beings. He said they talk a big game about how they want to support their future so future Wicomico County residents can be plumbers, electricians, masons, etc. but when push comes to shove, are they here to then support the development of these very large structures within their Downtown? He said he hopes they are and he hopes from here on out they use this as a statement that Wicomico County is putting itself on the map when it comes to the State of Maryland, that they back up their most important municipality, the City of Salisbury. He said he would love to continue to see them support that.

Mr. Dodd said they were talking about limiting who could live there and originally when this discussion started the Ross project was going to be student housing. He then asked if they are no longer talking about student housing at the Ross, to which Mayor Day responded, his understanding is that it is 300-some beds of student housing. He said he had lunch with Salisbury University President Wight today and his Chief of Staff, and their understanding is that it is targeted for student housing. He clarified, that is a little less than one-third of the 1,000 or so beds that are proposed on these seven lots. He said there are another 670-680 beds proposed, which would be for whoever.

Mr. Holloway said he understands they all passed this last week, to which Mayor Day responded, the City Council did. Mr. Holloway said this is his issue with it – Wicomico County has a lot more obligations than the City of Salisbury does when it comes to budgeting, to which Mayor Day responded, different obligations. Mr. Holloway said the County has the State's Attorney's Office, they have the Board of Education, which none of that comes out of the City's budget. He said the County has the Detention Center, which does not come out of the City budget. He said they have the court system, Emergency Services, and the Airport, but the City does not budget any of that. He said every year the Council sits during budget time and wrings their hands about what they are going to do about money. He said Mr. McCain brought up the Detention Center earlier in the meeting. He then asked if that was about funding, to which Mr. McCain responded, no, that is a different subject. Mr. Holloway said three years ago the Greater Salisbury Committee and the Chamber of Commerce put together a committee to study the revenue cap and tried to convince the County Council to either alter or get rid of the revenue cap. He said altering it would mean higher taxes for the citizens of Wicomico County, but now they are endorsing free taxes, or almost free taxes, for development. He said it kind of goes one way or the other back and forth. He said Mr. Mike Dunn can talk about that if he wants, but that is what they were doing, and it was said that they need to alter the revenue cap in case they have a hurricane or something like that, but now they are talking about discount taxes for a special group of people.

Mr. McCain said they need to remember that they need to keep the long-term perspective in mind. He said they are basically looking at some short-term delays in how much tax they are collecting in return for long-term major gains to their tax revenue. He clarified, this enhances their revenue.

Mr. McCain said they have had a really long discussion on this so he would like to propose that they move this to be introduced as Legislation at their next meeting to at least get this process moving forward. He clarified, they would need to still have continued discussion. Mr. Holloway said he would like to see this have Public Hearings on it, to which Mr. McCain responded, they have to. He explained, as Legislation, the process is to introduce it at the next meeting and then they would have to advertise for a Public Hearing, and that would possibly be at the meeting after that. Mrs. Hurley said they have to do two weeks' worth of advertising, so most likely there would be a gap in between as far as meetings just to allow enough time for the advertising. Mr. McCain said then the next step, if they want to move this forward, which he proposes, would be to try to introduce this at their next meeting, to which Mrs. Hurley responded, and then the Public Hearing could possibly be at the second meeting in August.

Mr. Dodd said they have heard from a lot of people who had some good points, such as Mr. Brett Davis and Mr. Gillis. He then asked if the Council is going to consider that before they move on because Dr. Seinkbel and Mr. Taylor had some good points, and Ms. Joan Smith from the Wicomico County Education Association brought up some good points. He said they need to consider moving on, so the plan is to take a consensus if that is what this Body wants to do.

Mr. McCain said he proposes they move this to Legislation.

Mr. Davis said he wants to move on and get it over with.

Mr. Holloway said no.

Mr. Cannon said yes, without a doubt.

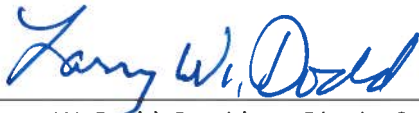
Mr. Hastings said yes, certainly.

Mrs. Acle said no.

Mr. Dodd said he is not ready to move on this, but there is a consensus, so they are going to move on with it.

Mayor Day thanked the Council.

There was no further discussion.



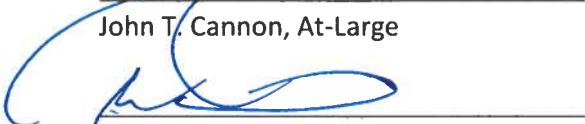
Larry W. Dodd, President, District 3



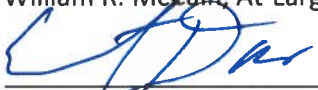
Joe Holloway, Vice President, District 5



John T. Cannon, At-Large



William R. McCain, At-Large



Ernest F. Davis, District 1



Nicole Acle, District 2



Josh Hastings, District 4



Laura Hurley, Council Administrator