

Open Work Session
Letter of Support for HORIZON Program
December 15, 2020

Mr. Andy Kitzrow, Deputy Administrator for the City of Salisbury, and Ms. Julia Glanz, City of Salisbury Administrator/Acting Mayor, came before Council. Mr. Kitzrow passed out a handout and thanked Council for allowing them to present to Council. He said today the City is looking for a letter of support for State enabling Legislation for market rate residential development. He said, included in his handout is the letter of support that their Acting Mayor is sending forward to the Eastern Shore Delegation, which was referenced by Delegate Anderton earlier when Council met with him.

Mr. Kitzrow said they would like the Council to consider tax abatement Legislation in the near future to help incentivize largescale residential development in downtown Salisbury, and the preferred option is the HORIZON Program, as previously discussed. He said option two would be a modified HORIZON Program, and option three would be another incentive program. He said they do implore the timeliness of these decisions. He said their goal is to have the letter of support at the beginning of the Maryland General Assembly Session, so the sooner they can have their letters of support sent and the Legislation drafted and presented, the faster this will get moved through the State. He said, from the local Legislation side, if Wicomico County chooses to move forward with an abatement program, it just helps their local developers and investors decide if they are going to invest in Salisbury so they can start to line up and finalize their financing, and ultimately start construction.

Mr. Kitzrow said he submitted two endorsement letters, one which specifically highlights the Salisbury market. He said Salisbury is a tertiary marketplace in that it is a risky place to invest large-scale money, so they have to be more lucrative if they want that type of private investment to come here. He said also, downtown Salisbury does not have any large-scale residential developments, so it is an unknown market, so, again, there is a little bit more risk there.

Mr. Kitzrow said the final document in the packet is just a comparison of long-term investment, and is a side by side comparison of what would happen in 40 years if the County picked the HORIZON Program as is, or did a modified program complimentary to the Enterprise Zone, so a 20-year tax credit versus a 10-year tax credit. He said, if that same investment development decided to cut back its investment from \$20 million to \$10 million as a result of a reduced incentive, there would be a significant tax abatement savings, and the tax credit would not be as high, but the County would also be foregoing \$1.6 million dollars of potential tax revenue. He concluded, this is just to understand the comparison of what a \$10 million dollar versus \$20 million-dollar development project looks like over 40 years.

Mr. Hastings said, if he understands correctly, Mr. Kitzrow is asking for support in two-parts. He said the first is for a letter from Council to go to the State to give enabling Legislation, and the second part is for the County to consider its own program, whether that be an easy residential program, a HORIZON Program, or a third program yet to be determined. He said he imagines folks on the developers' side want to try to get this out expeditiously, but just taking this in parts is the first step. He said he agrees with going forward with at least a letter of support for the County and City to go ahead and at least get approval for what other jurisdictions around the State already have the ability to do. He said he thinks it

is a positive to add Wicomico County among those jurisdictions to then also be able to create a program, but first and foremost they have to be able to actually get the State of Maryland to enable them to do that. He said, as much as possible, he thinks he would like Council to move in that direction. He said he wants to have a better understanding of what a County program could really look like, and what would be the most equitable and agreeable among all of Council, as well as the business community.

Mr. Holloway asked if there are any other programs like this in Salisbury where a developer gets a 100 percent tax break, to which Mr. Kitzrow responded, not similar to the HORIZON Program. Mr. Holloway asked if this is new, to which Mr. Kitzrow responded, this Program is new. Mr. Holloway said, from what he understands, County and City taxes are basically the same, so if someone has a \$500 County tax bill, they have a \$500 City tax bill. He then asked if this Program is a \$360,000 tax break per year for the first five years, to which Mr. Kitzrow responded, for a \$20 million-dollar Program, yes, he believes so.

Mr. Holloway asked if there has been a study done to see if more student housing is needed? He said, from what he understands, there has been an overabundance of student housing. He clarified, he is not counting this year because he knows they have COVID, but he was looking up the Orchards, and they have never really been full. Mr. Kitzrow responded, the City is not creating studies for what is being built, they are interested in the size and scope of what is being built, and it is independent developers' decision to choose what they put there. He clarified, the City has not looked at specific projects. Ms. Glanz clarified, this Program is for all residential development in the high-rise capacity of five stories or above, so it is not just for student housing. She said all of these developers have to do their own market studies before they get bank financing, and it has to make sense for the bank, so they would not come here if they could not make it work. Mr. Holloway asked if it concerns them that once this is passed they will see other developers stepping forward and wanting a tax break such as this? He clarified, he knows there are parameters set on this, but, as was said at the last meeting, this could be changed at any time. He asked if it concerns them that, if they go down this road, they are going to have an influx of people saying they did this for these folks, so they want it, to which Mr. Kitzrow responded, he would not say it is concerning. He said they are interested in continuing dialogue with developers whether it is residential, commercial, or any facet of opportunity that exists. He said right now they are focused on the signature style projects, but they are open to furthering conversations on anything that helps people who want to invest and have economic development within the community.

Mr. Dodd said Mr. Holloway mentioned college students, and during their meeting earlier today one of the Councilmembers mentioned about enrollment in colleges being on the decline. He said someone sent Council a document last week about Salisbury University trending going down, and has been going down for the past ten years. Ms. Glanz said that is not accurate. She clarified, enrollment is down this year. She explained, she is on the Alumni Board, and they just had an admissions meeting this past week, and enrollment has not been going down over the last ten years, it has been going up over the ten-year average. She said this year, obviously, enrollment is down because of COVID, and she does not think anybody can make any statement on what the future will do for college housing, but, again, this Program is not just for college housing, it is for residential, multifamily, or whatever someone wants to build that has beds in it. Mr. Dodd said he was under the impression that the Ross building was for student housing, to which Ms. Glanz responded, the Ross project is, but, again, they are talking about seven properties in the downtown core they would like to see residential mixed-use development on.

Mr. Hastings asked, from a City perspective, what will happen when they have this amount of individuals who would occupy these buildings, to which Mr. Kitzrow responded, they would be there 24/7. He clarified, if they have come down to downtown Salisbury on a Saturday or Sunday morning, it is a ghost town because people are not waking up downtown in the numbers they are hoping for. He said they would like their restaurants to be open for breakfast, lunch, and dinner, and they would like their retailers to be full and open seven days a week. He said it just generates turn because they have people waking up downtown, to which Ms. Glanz added, which generates tax dollars for all of them.

Mr. McCain said he will echo Mr. Hastings' comments made earlier. He said there are two parts to this, and he thinks they need to focus on support for enabling Legislation because they cannot do anything if they do not have enabling Legislation, which is really just adding a tool in their toolbox for economic investment in their area.

Mr. McCain said, in reference to Mr. Holloway's question about whether they have anything with tax abatements, the Enterprise Zone actually gives tax abatement. He clarified, it is a different program, but the irony of it is that Council gets requests for those all the time, and they unanimously approve them all the time. He said none of those projects come to Council because the incentive made them come, it is usually always an afterthought where their business is doing well so they added some employees, or they expanded their space, so now they qualify for the business enterprise tax credit, whereas this is something to initiate and provide incentive for development in their downtown, which benefits everyone in the County, and that is the idea behind it. He said the idea is they hope it encourages people to do it, that is the way the Program is designed, and one of the good things about the HORIZON Program is that it has sunset provisions and revisions in there, and it does not go on forever, but is a Program to give the initial incentive. He said, at the last meeting he said that is pretty much downtown redevelopment 101. He explained, it almost always comes from some kind of incentive governmentally because the risk is usually too great out of the gate for those initial couple of developers, but if they can get the success stories from those who had help in the beginning, that is what attracts.

Mr. McCain said he just wants them to remember their focus. He clarified, he wants to focus on the fact that supporting the enabling Legislation, to him, is a positive all the way around. He said it gives them another tool, and they have to come back and decide if they are going to just mirror what the City has done, which he thinks is a good Program, or are they going to have any revisions, but that is a conversation for another day.

Mr. Kitzrow said, just to echo Mr. McCain's point, market rate residential development enabling Legislation with what has been provided in the packet and the way it is written is an opportunity that a program could be set up to help solve some of their water/sewer issues throughout the County. He explained, they could incentivize that type of development through this State enabling Legislation, where right now he does not think they can. He said think about the bigger picture, most importantly with the letter of support, and then if they want to dive down deep into this style of tax abatement, Council can take their time on that if they need to.

Mr. Holloway said they had their Legislators here earlier today, and the County is going to possibly get passed down more costs from the State. He said they also had the Board of Education here earlier today, and they said they are not going to get as much for school funding. He said, if they build all of these apartments, they are going to need more funding for schools, but they will not be collecting taxes. He said Mr. McCain mentioned incentives, and he agrees with incentives, but this is a 100 percent tax break for five years. He said this is not just an incentive, this is a giveaway. Mr. McCain said, if it does not happen, they will get \$0, to which Mr. Holloway responded, he knows that, but they do not give away their taxes. He said he believes in low taxes as much as anybody, and has fought that ever since he has been here. Mr. McCain said they would not be giving away anything. He explained, the taxes that are being paid now would continue, and if the projects get done, then they get that abatement, but gradually over time those taxes get paid. Mr. Holloway asked if they should do that for the whole County? Why not? He said he had a farmer today who cannot get his beans out because it has rained, so should they give him free taxes because he cannot harvest his crops? He said it is the same difference, to which Mr. McCain responded, he disagrees with that. Mr. Holloway said there is not much difference to it. Mr. Hastings said they hold back the impact fees for any residential development, so they actually have done that in a different light. He said they do not currently pay the impact fees like they used to.

Mr. Holloway said, when they were talking to the Liquor Dispensary earlier today he heard his fellow Councilman say that they should not create an unfair tax advantage for other businesses, and this is just another unfair tax advantage for anybody else who wants to build something outside of this zone. Mr. Cannon clarified, it was not the term "creating an unfair tax advantage," it was allowing government to compete against the free enterprise system. Mr. Holloway said that is what they are doing, to which Mr. Cannon responded, no. Mr. Holloway said, yes, they are, to which Mr. Cannon responded, what they are doing here is trying to create an incentive, which is what everyone has always done. He said, similar to what Mr. McCain said, they passed the Enterprise Zone, to which Mr. Holloway responded, the Enterprise Zone is completely different than this. He said he voted for the Enterprise Zone for years, and he knows what the Enterprise Zone is, but this is completely different. He said they are not talking about giving away \$2-3 million dollars a year with the Enterprise Zone for one building. He said this is one building they are talking about. He said this is the information Council has been supplied, it is in their Brief Book, and is what they got on their table today, and it is about that one building, and that is why it is on their table. Mr. Cannon said, if Mr. Holloway wants to talk about one building, they are talking about a piece of property right now that brings in around \$19,000 a year, but by the time that project is completed, they will be bringing in \$196,000 a year, and that will pay for more than the school children Mr. Holloway is worried about. He clarified, that is the difference here. Mr. Holloway said it will not be bringing in anything because they are not going to be collecting taxes on it, to which Mr. Cannon responded, by the time this project is completed, and by the time they get through the schedule, there will be \$196,000 a year, or Mr. Holloway can roll the dice and do absolutely nothing. Mr. Holloway said they will not be paying anything for five years, to which Mr. Cannon responded, they will be paying the taxes on the base rate as it exists right now. Mr. Holloway said it is a piece of vacant land. Mr. Cannon said, if they do nothing, they will be paying that for the next five years, and the next ten years. Mr. Holloway said, if the need is there, somebody will build a building there.

Mr. Holloway said, at the last meeting, Mr. Kitzrow made the comment that they will make up revenues by increasing the assessment of other buildings close to that. He then asked if Mr. Cannon thinks it is fair

that someone gets a 5-year tax abatement, which is actually 20-years, but all the other buildings around downtown Salisbury are assessed more to make up the difference. He said they talked about fairness in taxation this morning when the Legislators were here.

Mr. Cannon said they have had this conversation before. He said the businesses downtown are in favor of this, and the Chamber of Commerce is in favor of this. He said somehow or another they have to be pro-business, period, and pro-business sometimes means they have to create incentives. He said he knows when they all ran for Office the last two times, if Mr. Holloway can remember, they were in a recession, and the only thing they talked about was how they were going to be pro-business, and how they were going to do whatever they could to create economic development in this community. He said this is an economic development driver. He explained, if these buildings go in, they will see the jobs created, they will see people coming downtown, and they will literally see a vibrant downtown. He said Salisbury has gone a long way of improving Salisbury, and it has been very beneficial, and will be very beneficial to Wicomico County, and this is just one more tool they will have that will allow them to benefit industries that want to come to this area. Mr. Holloway said, but Mr. Cannon wants to give up the taxes to do it, to which Mr. Cannon responded, they are not giving up taxes. He explained, what they are doing is forgiving the total taxes that might be imposed until the project is completely finished through the schedule they create. He said they have to look further than five or ten years down the road. He said they are supposed to be looking at what is going to happen in 15 or 20 years, and that is what this creates. He said he just does not understand because this is no different than the Enterprise Zone, except it is residential instead of commercial. Mr. Holloway said there is a lot of difference because the Enterprise Zone is not a 100 percent tax break, to which Mr. Cannon responded, if Mr. Holloway wants to get into that discussion, that is fine. He said they can look at 100 percent, or they can look at maybe 90 percent or 80 percent. He said they can adjust that, but they are not even getting off of square one, which is really the problem here.

Mr. Cannon said he would have thought that today they would have had a letter prepared so they could discuss it in a Work Session, and he thought they would have some format of a schedule prepared so they would be able to discuss it in this Work Session instead of regurgitating the same information over and over again here.

Mr. McCain said the comment was also made by Mr. Holloway that somebody else is going to come along, but that has not happened. He said these projects are still sitting there, and there is a vacant lot dead center on the River. He said he has been in the real estate business for 32 years, and that lot has been sitting there vacant for 30 years. He said it has been talked about being developed, but no one will pull that trigger because that incentive is just not there. He said no one is coming along and filling these gaps, so they are getting nothing.

Mr. Hastings said, first and foremost, Council is here for a letter of support, which is what it says on the Agenda, to be able move forward with this Legislation, which Council received copies of ahead of time, and they have copies here now. He said he thinks it is really important to note that the City of Salisbury has done its part. He said this is not Mardela coming forward, it is not Willards, Pittsville, or others. He said the City of Salisbury is really something special, and they have done their part. He said the City is saying they want the County to support what they have been working so hard to get to with the

downtown redevelopment. He said they all remember urban Salisbury from 20 years ago. He said he has spent his entire life listening to what it is like to get somebody downtown, and now they literally have downtown businessowners right here who need folks downtown, and they need that density. He clarified, he is saying that Salisbury, Maryland has done their part when it comes to trying to make sure they have crossed all their T's and dotted all their I's, and they have put together a plan and a path forward, and they are working with their businessowners so they can have something special down here, and make Salisbury look the way that they want it to look. He said, as the Councilman for the core part of the City of Salisbury, he has to say, yes, they have plenty of space. He said there are homes all around him next to the college where he can look out his dining room window and see three homes where they could have single family homes and not rentals again, and there is a lot more that they could do with putting more individuals downtown. He said this is what they have talked about his entire life. He said the City of Salisbury has done their part, the business leaders have spoken up and have done their part, and he says this is Council's opportunity to at least take step one, which is to support this effort going forward with the General Assembly, and then come back and make sure they have a clear plan in place. He clarified, Council can change these numbers if they choose to go forward, and it is up to them because it is their program, but, for the here and now, Council should support what Salisbury is doing, and God bless them, they have done a great job and they deserve it.

Mrs. Acle said she wholeheartedly supports the City, and they clearly have a mission, but she just does not think the County is ready to move on this. She said they have not done enough research, they have not vetted this, and unless they are going to do something, she does not feel good about passing Legislation that is just going to sit there. She said it just does not seem like it is a good use of their resources. She clarified, she 100 percent supports the City and what they want to do, she just does not think the County is ready at this time. She said she has had several questions from business leaders in the District 2 community, and she could sit there and go through all of them with everyone, but it is really pointless because this is what they have developed.

Mr. Holloway said, in regards to Mrs. Acle's statement, the County does not have any control over what the City does. He said, as far as Wicomico County, if they want to give a tax incentive, give it to everybody in Wicomico County, every taxpayer, the taxpayers who have been paying taxes for the past 40 or 50 years, and the folks who have just bought a home who have to write a tax check and are suffering because of COVID. He said everybody wants to bring up "because of COVID," so he will say there are a lot of people out here who are not working. He said landlords may not have to charge as much rent if property taxes in Wicomico County were not what they were, so, if they want to give a tax incentive, give it to everybody in Wicomico County, not a select few, which they are doing.

Mr. Kitzrow said the difference between a tax incentive versus tax reduction is very important, and there is a difference that maybe needs to be clarified. He then asked if Mr. Holloway is saying he wants to incentivize everybody living in Wicomico County through a tax reduction for everybody, or is he saying they should incentivize economic development? Mr. Holloway said he does not think Mr. Kitzrow came here to ask Council questions. He said he thinks Council is who are supposed to be asking the questions, but he will answer it. He said he hears all the time about people living in Worcester or Sussex County because taxes are cheaper.

Ms. Glanz said she was listening to Council's meeting earlier, and Mr. Cannon made mention of the same thing, that folks are building in Sussex County, they are not building here. She said this is a tool, and they should forget what they are talking about downtown. She said, if Council does not come along with the City on this letter of support, that is all they are asking for today. She said she hopes Mrs. Acle is listening as well because that is all they are asking for today. She said, if Council does not do that because they have not thought through the numbers, or they want some more time on that, she completely respects that, and that is their prerogative, but they will have to go back and have this same conversation over again with their Delegation when the City could just add Wicomico County's name after theirs and make this a smoother process. She said they would have that tool in their toolbox, like Mr. McCain said, and then the County can figure out how they want to do it, if it is in District 2, or if it is in Mr. Holloway's District, or if it is downtown. She said it does not matter because, again, that is the County's prerogative, and it is up to them. She said, again, she hopes Council will sign onto the letter.

Mr. McCain said that is a good segue into the comment he has been trying to make. He said he would like for Council to just get a consensus from each Councilperson on whether they want to do a letter of support or not, to which Mr. Dodd responded, they are going to, and that is the reason they are here for the Work Session. He said he did not know the City was coming, but he is glad they are here.

Mr. Holloway said Ms. Glanz said the County would have to go back to the Delegation, but they would not have to go back to the Delegation to lower the tax rate in Wicomico County, they can do that on their own. Ms. Glanz responded, yes, they can do that on their own. She said she is a taxpayer, so she would love that.

Mr. Cannon said Mr. Holloway is talking about giving money back to the taxpayers, but they have a 2 percent revenue cap in Wicomico County. He said, if they increase the property taxes to the degree that this project will increase the property taxes, they will be forced to lower property tax rates throughout the County, so, yes, this would be a perfect project to give money back to the taxpayers of Wicomico County. Mr. Holloway said that is not going to happen any time soon.

Mr. Davis asked Mr. Dodd if they can do a rollcall for consensus so they can move beyond this. Mr. Cannon responded, if Councilmembers are talking, he thinks it is up to the President to decide that, to which Mr. Davis responded, but they are not talking about what they are here for.

Mr. Davis said they are here to get consent on a letter, but they are talking about raising taxes and lowering taxes, and that is not what they are here for. He said the Agenda says consent on a letter to support Salisbury, and Council is getting into raising taxes and lowering taxes, but they are not here for that, they need consent on a letter.

Mr. Cannon responded, he appreciates that, and he wants to move forward with that as well, but Mr. Davis needs to understand there are two things they have to do here, and there is a sense of urgency on both. He said one is the letter of support, and the other one is figuring out what schedule the County is going to do, to which Mr. Davis responded, they could do that at a later date. Mr. Davis said that is not what is on the Agenda now, to which Mr. Cannon responded, he understands, but points need to be made sometimes, and he leaves that up to the President of the Council to make that decision.

Mr. Dodd said he will move forward with the roll call, but first they should define the letter, and what it is going to say. He then asked if it should say the Council is supporting the City of Salisbury doing this tax abatement, to which Mr. Davis responded, that is it.

Mr. McCain suggested the letter should say the County is asking for the ability for enabling Legislation for the County. He clarified, that does not commit the County. Mr. Dodd asked if Mr. Davis is okay with that, to which Mr. Davis responded, as long as it is not committing the County, that is fine.

Mr. Dodd asked Mr. McCain if he agrees with the letter, to which Mr. McCain responded, yes, he is for it.

Mr. Dodd asked Mr. Davis if he is okay with sending the letter, to which Mr. Davis responded, yes.

Mr. Dodd asked if Mr. Holloway is okay with sending the letter, to which Mr. Holloway responded, no.

Mr. Dodd asked Mrs. Acle if she is in favor of sending the letter. Mrs. Acle responded, to clarify, is this a letter of support for the City, but not including the County for Legislation, to which Mr. Dodd responded, correct. Mr. McCain also responded, no, that is incorrect. Mr. Cannon clarified, it is for the City and the County, to which Mrs. Acle responded, then she is not in favor of that. Mr. Cannon explained, it is for enabling Legislation.

Mr. Dodd asked Mr. Hastings if he is in support of sending the letter, to which Mr. Hastings responded, yes, he supports the letter.

Mr. Dodd asked Mr. Cannon if he is in support of sending the letter, to which Mr. Cannon responded, yes.

Mr. Dodd said he is not in favor of sending the letter.

Mr. Dodd said there are enough votes for a letter for support for the City, to which Mr. Cannon clarified, for the City and the County. Mr. Hastings also clarified, to go forward with enabling Legislation, to which Mr. Dodd responded, that is right, but it is not committing the County to anything.

Mr. Cannon said he thought he made a request at the last meeting that they have a letter prepared for this meeting today so Council could review the letter in a Work Session. He said he also had said that he thought they needed to get started with some type of structure as far as a schedule is concerned, but he does not see either one of those having been done over the last two weeks. Mr. Dodd said they were not ready for that, but thank you for asking. Mr. Cannon clarified, what he is getting at is that they are just kicking the can down the road, so he would hope that in two weeks when Council comes back here they will have this as a Work Session definitely with a letter, and a modified schedule of exactly where the Council wants to go.

Mr. Dodd said it seems like Mr. Cannon is trying to force stuff on the Members who do not support this at this time, to which Mr. Cannon responded, he would say the same to Mr. Dodd. He clarified, he is

saying they have four Members who want to see a letter, so he thinks it is very important that they review this and bring it to the table as a Work Session with a letter, and let everyone make that decision on their own. Mr. Dodd said it deserves another Work Session. Ms. Glanz said she included the letter the City is writing that went along with their Resolution, and she is happy to send the Word file so Mr. Cannon can make edits. There was no further discussion.



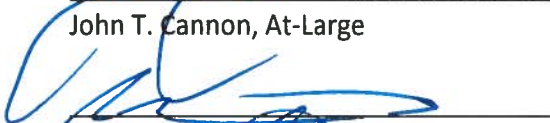
Larry W. Dodd, President, District 3



Joe Holloway, Vice President, District 5



John T. Cannon, At-Large



William R. McCain, At-Large

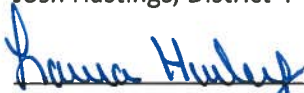


Ernie Davis, District 1



Nicole Acle, District 2

Josh Hastings, District 4



Laura Hurley, Council Administrator