

CITY OF SALISBURY
WORK SESSION (VIA ZOOM MEETING)
OCTOBER 19, 2020

Public Officials Present

Council President John “Jack” R. Heath
Councilwoman Angela M. Blake
Councilwoman April Jackson

Council Vice President Muir Boda
Councilwoman Michele Gregory

Public Officials Absent

Mayor Jacob R. Day

In Attendance

City Administrator Julia Glanz, Deputy City Administrator Andy Kitzrow, Department of Infrastructure & Development (DID) Director Amanda Pollack, Fire Chief John Tull, Finance Director Keith Cordrey, City Attorney Mark Tilghman, and City Clerk Kimberly Nichols.

On October 19, 2020 the Salisbury City Council convened in a Work Session at 4:30 p.m. via Zoom. The following is a synopsis of the topics discussed:

Faith Baptist Church Annexation Agreement amendment

DID Director Amanda Pollack reported the City received a request from the First Baptist Church to modify their annexation agreement, dated December 18, 2006 and finalized in 2007, with terms not currently included in the City’s annexation agreements. The City had one similar request on the Hobbs Road annexation property recently where they sought to remove some of the more outdated terms of their annexation agreement. The request was pulled earlier in the Spring, but at that time, Council had approved moving forward with the amendment. Ms. Pollack said there were two assessment fees on a per unit basis for residential development not consistent with the City’s current agreements, as fees were now based on the size of the property and the financial impacts. The annexation agreement also included the concept development plan, which has now changed. The church wanted to market the property and wished to have a different concept included. The amendment was preliminary and DID had not begun negotiating before receiving Council’s feedback on negotiating a new agreement. Ms. Pollack requested permission from Council to proceed and return to Work Session at a later date.

Pastor Robert Reinhert reported the property was under contract with a developer in 2007 but the development prospects dwindled. They were doing what they could to market the property and asked the Council to consider the conditions Ms. Pollack explained. Once there was a buyer for the property, the buyer would submit the concept plan.

Council reached unanimous consensus to move forward with the annexation agreement amendment.

Budget Amendment to accept a grant for \$24,951 from the Wicomico County Health Department (WiCHD)

Fire Chief John Tull reported the WiCHD received a direct allocation of funds through the Federal Coronavirus Relief Fund designed to help support Emergency Medical Response expenses including emergency medical transportation related to COVID-19. The Fire Department requested to purchase commercial grade washer extractors and dryers for two of the City's fire stations. The request was approved by the WiCHD at a total cost of \$24,951.28.

Council reached unanimous consensus (4-0) to advance the legislation. President Heath was experiencing technical difficulties and asked Mr. Boda to preside over the meeting.

Budget Amendment to accept a grant for \$7,500 from the Wicomico County Health Department to purchase emergency medical supplies and equipment for the Safe Station

Chief Tull reported the budget amendment was a continuation of services provided by the Fire Department over the past year. The WiCHD received funding from Mid-Shore Behavior Health for a Safe Station program. The Fire Department partnered with the Health Department and agreed to provide non-emergent medical checks to all individuals that entered the Safe Station, and would receive \$2,500 on a quarterly basis over the next three quarters. The funds from the program would be used to purchase additional medical supplies and equipment.

Council reached unanimous consensus (4-0) to advance the legislation to legislative session. President Heath was still disconnected and Mr. Boda continued to conduct the meeting.

Budget Amendment to accept a grant for \$4,600 from the Wicomico County Health Department to operate the Salisbury-Wicomico Firstcare Team (SWIFT Team)

Chief Tull discussed the budget amendment for additional SWIFT funding. Over the past several years, the City received grant funding from the Maryland Community Health Resources Commission (CHRC) which was awarded to the County, and the City was a subrecipient of the funds. In FY2018, the CHRC awarded the WiCHD \$90,000 and had previously sub-granted \$81,920 to the City of Salisbury. The County had additional money previously earmarked for the City in the amount of \$4,600. Chief Tull requested approval to accept the funds for SWIFT.

Council reached unanimous consensus to advance the budget amendment to legislative agenda.

New Development Incentive program

Deputy City Administrator Andy Kitzrow presented a PowerPoint on a tax incentive program called HORIZON (“Hotel or Residential Incentive Zone”). He discussed the City's Enterprise Zone, RISE Zone, PILOTS (Payment in Lieu of Taxes), and TIFs (Tax Incremental Financing). He explained HORIZON was a tax credit program that would incentivize large scale hotel or multi-family residential development in the Central Business District and Riverfront Redevelopment District. There were seven (7) projects in the pipeline or development stage located within the proposed HORIZON district, including “The Ross” on Main Street, Salisbury Town Center, Marina Landing, Downtown Lofts, 500 Riverside, SBY Market Center, and Lot 10. The projects would represent an increase in assessed value of \$75 million and over 750 new people living in the downtown corridor.

Mr. Kitzrow explained the four (4) following reasons for creating a tax credit program that focused on residential, multi-family in Downtown:

1. Due to an expected challenging recovery from the Pandemic, an influx of people residing downtown would have a significant positive impact on retail and restaurant businesses located downtown and help with short- and long-term economic recovery.
2. The program would continue to support the Envision Salisbury Master Plan, adopted in 2016, which was to promote Downtown as the epicenter for continued growth in the City.
3. A strategic goal in the FY21 Budget was for a strong economy. HORIZON would incentivize business ownership, improve support for current business owners and prioritize quality-of-life for residents to make the City attractive to businesses and their employees.
4. When infill construction is done into an existing community, it helps redevelopment to allow the density crucial to development.

Mr. Kitzrow discussed reasons for the 25-year term and term summary and explained the average tax credit over the 25-year term would be a 56% credit.

Ms. Jackson said she noticed most of the area was around the waterfront, and did not see Fitzwater Street in the area. She asked what would happen to displaced people in the neighborhood when development began. City Administrator Julia Glanz said it was drawn down the middle of the street with no houses, and there would be no displaced people. The tool would speed up development, and went hand in glove with the City's Housing and Community Development efforts. A realtor would help with redeveloping some of the lots the City purchased in the Fitzwater neighborhood.

Ms. Blake asked if it might be beneficial to give Habitat for Humanity (Habitat) a tax credit. The span of time from purchase of property to the time to sell it is typically a four (4) year period. The County was not open to providing a tax credit, and she was unaware whether the City did in the past. She stated two benefits of giving Habitat or Salisbury Neighborhood Housing Service (SNHS) tax credits for when they prepared a home for sale. One was that they could rehab and sell it quicker because funds for taxes could go back into rehabbing the property. Another benefit was that it incentivized homeownership, clean-up, and rehabbing some of the homes in the area around the big developments. Not only would it be more esthetically pleasing, but it could compliment residential and commercial simultaneously.

Ms. Gregory shared Ms. Jackson's concerns and concurred with Ms. Blake's ideas. She asked how many of the homes on the other side of Fitzwater Street were homeowner occupied and how many were rentals. Mr. Kitzrow said there were 12 – 15 homeowner occupied homes in the Hill Street area out of 300 properties. Ms. Gregory was concerned that landlords would raise rents without actually improving the property.

President Heath thought the project had very little impact on the Hill Street area homes. The City should work to raise the property values of the other homes, but that discussion had to be separate. Ms. Jackson supported redeveloping the area, but would not support it if she did not know what would happen to her constituents living there. Ms. Glanz reported the only two

properties on Fitzwater Street that would be impacted had already been approved by Council to be sold , which were Marina Landing and Lot 30.

Finance Director Keith Cordrey reported the Finance Department could easily administrate the HORIZON program. The rates were very aggressive and it would reinforce the City's objectives.

President Heath asked if the Year 1 to 5 of the Term Summary was a 100% tax credit on the incremental tax, not the base tax, and Mr. Kitzrow said it was. President Heath said that then the base taxes would be collected as is so that there would be no loss of tax revenue on the City's side until we got to the end, at which time we would then have the benefit of all the taxes coming on. Mr. Kitzrow concurred with President Heath.

Four developers and builders provided the following comments:

1. When seeking property Downtown to build "The Ross," he wanted to create a landmark property and be in line with the Salisbury Master Plan. "The Ross" would house 300 residents, have a public rooftop café, and employ 30 – 100 construction workers daily during its construction. In order for future development to take place, significant amounts of capital needed to be raised. The projects proposed on Lot 1, Lot 10, Lot 16, 500 Riverside, and The Ross, and others, would cost millions of dollars. If looking at \$100,000,000 in development, and with the best-case scenario banks lent 60% - 70% of that value, then \$30 million in equity had to be attracted. The capital providers had no borders on where to invest and looked for the highest risk adjusted to return available in market. Salisbury and Wicomico County were competing against the other big markets in the nation, and many had those types of incentives involved already.
2. In doing "The Ross," he called upon over 350 financial institutions, family offices and private investors to look at projects in Salisbury. The most common response he received was the returns were not high enough. That was the reason why projects had extended timelines and some were cancelled. This needed addressing and HORIZON would help.
3. A community restaurant owner liked the simplicity of the HORIZON program and the incentives it would bring to help Downtown boom.
4. With the added challenges of COVID-19 in the City and nation, the HORIZON program was a critical incentive to attract the necessary capital to develop projects downtown.
5. The developer for Lots 1 and 11 was happy to see Council working on these issues. The rates were low, and market value had returned. HORIZON would be a very attractive incentive to his company to provide market rate housing. It was an honor being part of a project conceived in the early 1960's. HORIZON would make it a reality.
6. The program was targeting exactly as it should on the long term. There were many tax incentive programs that end in ten (10) years and the beauty HORIZONS was that it passed the ten (10) year threshold. This was necessary in attracting the kind of capital to build these jobs. He endorsed any action taken on this program by the City Council.
7. There was a legitimate concern about ensuring the projects worked well with local neighborhoods. The good thing was most of the projects were not near housing, with the exception of Fitzwater. The program would spur new development not just Downtown.
8. Downtown needed foot traffic which would come from apartments. Building vertical would create the density needed to spur retail.

Council reached consensus to place a homeownership incentive discussion on an upcoming Work Session agenda and to move forward with the HORIZON program. Ms. Jackson did not wish to move forward with the HORIZON program until she had the answers to her questions.

Motion to convene in Closed Session

At 5:38 p.m. President Heath called for a motion to convene in Closed Session to consult with counsel to obtain legal advice on a legal matter and to consult with staff, consultants, or other individuals about pending or potential litigation in accordance with the Annotated Code of Maryland §3-305(b)(7)(8).

Ms. Jackson moved, Ms. Blake seconded, and the vote was unanimous to enter into Closed Session.

Reconvene in Open Session / Report to Public

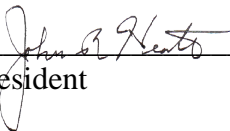
At 6:00 p.m., upon a motion and seconded by Mr. Boda and Ms. Gregory, respectively, and approved by unanimous vote in favor, the Closed Session adjourned. Council convened in Open Session whereby President Heath reported that while in Closed Session Council had received an update on litigation and discussed pending litigation.

Adjournment

With no further business to discuss, the Open Session immediately adjourned.



City Clerk



Council President