

CITY OF SALISBURY
WORK SESSION (VIA ZOOM MEETING)
NOVEMBER 2, 2020

Public Officials Present

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

Council Vice President Muir Boda
Councilwoman April Jackson

Public Officials Absent

Mayor Jacob R. Day
Councilwoman Michele Gregory

In Attendance

City Administrator Julia Glanz, Deputy City Administrator Andy Kitzrow, Housing & Community Development Director Ron Strickler, City Attorney Mark Tilghman, and City Clerk Kimberly Nichols.

On November 2, 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:

Budget Amendment to accept funds for repairs to Zoo vehicle

Field Operations Deputy Director-Service Ben Baker reported one of the Zoo vehicles had an accident on site and was repaired by a local vendor. The funds should have been sent to the vendor, but were sent to the General Fund. He requested the insurance adjustment from the vehicle totaling \$848.15 be transferred to 40000-534308 - Field Operations Zoo Vehicle Account.

Council reached unanimous consensus to move forward with the budget amendment.

Budget Amendment to accept a Maryland Bikeways Grant agreement

Transportation Project Specialist Will White reported the City was awarded two Bikeways Grants to provide funding for the final design of the Rail Trail, Phase 1 and W. College Ave Bikeway projects. Both were 80% grants, and a 20% match was required by the City.

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

Hall Drive Annexation agreement

Permits and Inspections Manager Bill Holland reported the annexation went before the Planning Commission in February and was re-zoned R-8A. The annexation would add about an acre to the Corporate Limits and have a net positive impact to the City. Once developed, the property would have a value of approximately \$1.2 million with expected revenue of approximately \$12,120 and estimated annual costs of approximately \$4,500. He said the annexation would have a positive fiscal impact of approximately \$7,500 per year. The owner would pay a development assessment fee of \$3,650 per dwelling unit to be used towards beautification and revitalization of existing neighborhoods. The property would return to the Planning Commission before development.

The annexation plan proposed two buildings- one with four units and the other with six units. It included stormwater management facilities, a closed dumpster area, and an open recreation site.

Council reached unanimous consensus to move forward with the annexation.

Human Rights Advisory Committee Bylaw Amendments

Program Specialist Laura Baasland reported on two requested changes from the Human Rights Advisory Committee in the bylaws, Section 1.a – Membership. The first proposed amendment would remove the requirement to have “at least one (1) high school student” and amend it to read “at least one (1) youth representative aged 16-24 years.” The requirement was intended to ensure committee youth representation. However, the committee was unable to fulfill this requirement and the position has been vacant. They were confident in finding a successful candidate .

The second amendment proposed was to remove “members shall serve staggered terms of four (4) years; eight (8) members will serve four (4) year terms beginning and ending in even years, and seven (7) members will serve four (4) year terms beginning and ending in odd years. If a member resigns in the middle of a term, their replacement will serve the remaining length of the resigning member’s term.” The amendment would replace the clause with “Members shall serve two (2) year terms.” This would keep membership revolving with fresh ideas and input, and allow more community members to serve and enable easier membership management.

Council reached unanimous consensus to advance the legislation to legislative agenda.

Neighborhood Revitalization Incentive Program discussion

Deputy City Administrator Andy Kitzrow presented a PowerPoint on a tax incentive program called HORIZON (“**H**otel or **R**esidential **I**ncentive **Z**one”). He discussed the City’s Enterprise Zone, RISE Zone, PILOTS (Payment in Lieu of Taxes), and TIFs (Tax Incremental Financing). 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, 500 Riverside, Marina Landing, Downtown Lofts, SBY Market Center, and Lot 10. The projects represent an increase in assessed value of \$75 million and over 750 new people living downtown.

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 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 re-development 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 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 the map was drawn down the middle of the street with no houses included; there would be no displaced people. The tool 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 would be beneficial to give Habitat for Humanity a tax credit. The span of time from purchase of property to the time to sell it was typically a four (4) year period. The County was not open to providing a tax credit, and she was unaware whether the City did so 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, (1) they could rehab and sell it quicker because funds for taxes could go back into rehabbing the property, and (2) it incentivized homeownership, clean-up, and rehab of some of the homes in the area around big developments. It would be more esthetically pleasing and would complement both residential and commercial.

Ms. Gregory shared Ms. Jackson's concerns and concurred with Ms. Blake. She asked for the numbers of homes on the other side of Fitzwater Street that were homeowner occupied and rentals, and was concerned that landlords would raise rents and not improve their properties. Mr. Kitzrow said there were 12 - 15 homeowner occupied homes out of 300 in the Hill Street area.

President Heath said the project had very little impact on the Hill Street area homes. The City should work to raise the property values those homes in a separate discussion. Ms. Jackson supported redeveloping the area, but would not agree to HORIZON if she did not know what would happen to her constituents. President Heath asked if 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 the base taxes would be collected as is so there would be no tax revenue lost by the City until they got to the end with all taxes coming on. Ms. Glanz noted the only two properties on Fitzwater Street that would be impacted 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.

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 occur, significant capital had to be raised. Projects proposed on Lot 1, Lot 10, Lot 16, 500 Riverside, The Ross, and others would cost millions of dollars. If looking at \$100,000,000 in development, and the best-case scenario banks lent 60% - 70%, 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 big national markets, and many had those types of incentives involved already.

2. In doing “The Ross,” he called over 350 financial institutions, family offices and private investors to look at projects in Salisbury, and most commonly was told the returns were not high enough. That was why some projects had extended timelines or were cancelled.
3. A restaurant owner liked HORIZON’s simplicity and it would 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 said rates were low and market value had returned. HORIZON would be an 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.
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, HORIZON passed the ten (10) year threshold. This was necessary to attract capital to build these jobs.
7. There was concern with ensuring the projects worked well with local neighborhoods, but most of the projects were not near housing, with the exception of Fitzwater.
8. Downtown needed foot traffic and vertical builds will create density needed to spur retail.

Council reached consensus to place homeownership incentives on a Work Session agenda and to move forward with HORIZON. Ms. Jackson needed her questions answered before supporting it.

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

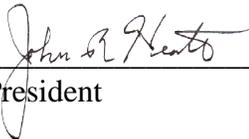
At 6:00 p.m., upon a motion and seconded by Mr. Boda and Ms. Gregory, respectively, and unanimously approved, the Closed Session adjourned. Council convened in Open Session and President Heath reported that Council received an update on litigation and pending litigation.

Adjournment

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



City Clerk



Council President