

CITY OF SALISBURY
SPECIAL WORK SESSION
MARCH 25, 2024

Public Officials Present

Council President D'Shawn M. Doughty
Vice President Angela M. Blake
Councilmember Michele Gregory

Mayor Randolph J. Taylor
Councilmember April R. Jackson
Councilmember Sharon C. Dashiell

In Attendance

City Administrator Andy Kitzrow, Media Specialist Jordan Ray, Executive Administrative Assistant Jessie Turner, Fire Chief Rob Frampton, City Clerk Kim Nichols, City Attorney Laura Ryan, and members of the public and members of the public

On March 25, 2023 the Salisbury City Council convened at 6:00 p.m. in Legislative Session in Council Chambers of SBY Headquarters, located at 115 S. Division Street. Upon the adjournment of the legislative session at 6:36 p.m. Council immediately convened in the Special Work Session.

Lot 10 Subrecipient Agreement

Mayor Taylor reported the City received a grant from the Department of General Services (DGS) for \$4 million in the form of two grants in the amount of \$3 million and \$1 million for the Lot 10 project. He reported he had met with Nick Simpson (the developer) and discussed his budget and stated his challenge as Mayor and fiduciary of the City was to ensure that the implementation of the grant was properly done. He struggled to find someone at DGS to help him manage the grant and to put together the subrecipient agreement. He met with Mr. Simpson, had an hour-long conference call with DGS, and met with Dierdre Bell, who was with the agency for many years and implemented Paygo grants throughout the state. Based on Mr. Simpson's budget, Ms. Bell gave him the restrictions on what the funding could be used for. She said she could forward that email to Council, and was looking for her to put it on her letterhead just to confirm that we all understood. He said he would love to see a conference center/hotel build in that section. The question became, with the funding, how could we participate legally within the terms of the grant. He said we articulated everything we thought we could do with the grant, and sent that to her asking her to respond affirmatively. We would then work with Mr. Simpson.

Ms. Jackson asked how much the grant was for, and Mayor Taylor answered it was a total of \$4 million and was defined as an infrastructure grant. He was trying to get to the limits of what those infrastructure numbers looked like and what was an infrastructure item. If all of the funds were unspent in one location we could ask to repurpose it.

President Doughty asked how Mayor Taylor became skeptical or concerned about what the items may be used for and when did that come up in conversation. Mayor Taylor said that from what he heard from the beginning we were going to be funding what sounded like design cost, engineering costs related to the actual construction of the building. He said it did not sound like infrastructure to him. He said he spent a lot of time in the lending business and administered a lot of construction loans and knew the difference. He said he was trying to get comfortable with the grant limitations and reached out to DGS directly. The first couple of times he said he was unsuccessful with getting it defined for him, but this past week he was successful.

President Doughty asked what sort of timeline was he giving this person from DGS and had she relayed how long it would take her to formally let him know. Mayor Taylor sent her a letter asking her to confirm where we were and he did not know when she would reply. Ms. Jackson asked if this grant was the one she questioned about using in other areas of the City for infrastructure and she was told “no.” It was specifically for this. President Doughty said he had just been appointed and Mayor Taylor was not the Mayor yet. Ms. Jackson responded that she had asked the question since then, and President Doughty concurred. Mayor Taylor said he asked the same question, and the answer was that the grant was awarded on the basis of Lot 10, which was the purpose of it. Ms. Bell told him if we did not use it all in that location, then for defined purposes that were prescribed in the grant they could repurpose it but we had to come back and explain it fit the criteria of the grant in another project.

Ms. Gregory asked Mayor Taylor if he anticipated the funding being more than sufficient to cover Lot 10, and Mayor Taylor replied, “yes.” Mr. Kitzrow said if he wanted to take \$2 million from the project and put it into a different project, they had to make a recommendation to the state which would decide if they wanted to repurpose it for our project. Once we returned money, we may not get it back. If there was an opportunity with any sort of state funding, it was still a discussion because that was given to and approved by legislation for that project. There could be some strings attached. President Doughty asked if there was something Mayor Taylor wanted to use the funds for, and he replied nothing came to mind but they could certainly find a place.

President Doughty said just knowing construction costs, that could certainly be used. Mr. Kitzrow said the state would not fund day to day operation costs. This was an investment into some large-scale project. If we wanted to pave streets we probably would not get it for that. It had to be for a capital request that we saw as a high priority that had some support from our local legislative body. President Doughty asked why we were waiting on that answer for the third time. Mayor Taylor said these funds were earmarked for Lot 10 infrastructure, whether it was \$2 million or \$3 million. All we knew was what he estimated for which was design for vertical construction, engineering for vertical construction which were unrelated to the public works part of the infrastructure. This was where he was having the challenge. We did not know what the costs were yet, and if we saw we had extra money we could have that conversation. President Doughty asked if we knew that, then why were we waiting for that answer yet again for the third time. Given what Mr. Kitzrow said, if we possibly wanted to

reallocate these funds we would have to speak to the state again, but we were told that these funds were allocated for the Lot 10 project by two different governors.

Mr. Doughty asked, since if we did have to spend money on anything else we would have to go back to the state, why we hadn't started the process. The developer, Nick Simpson, was invited to join Council.

(There was an outburst from a member of the public and President Doughty told him he would be asked to leave if he continued.)

Mr. Simpson said they had met with DID and it had been a long process. It cost \$35,000 to just do the site survey and \$35,000 for the traffic surveys. All of those things were just getting to the infrastructure ability to move a project forward.

(Mr. Simpson was interrupted by the same member of the public who spoke out, this time by getting up out of his chair and standing directly beside Mr. Simpson, who was seated. He finally took a seat when asked to stop doing this.)

Mr. Simpson said this had been going on for a long time. This particular parcel went to RFP three times over a half a decade. In the third RFP they moved forward. We knew in the beginning we had to have a grant from the state and work closely with the state to get the funds so it was not a burden on the local taxpayer. He said he felt like they were being traded down the road. These funds were critical in making the hotel happen, or else it would not happen. He informed Council he already spent at least a half a million dollars in good faith working with the City on this original exhibit that he emailed to the Council and the state. It was the basis of how they gave the grant. He advised they were getting tight on deadlines and had commitments to Hilton and to moving the project forward with our LDA. He added it felt like there was a bit of contention and wanted to make sure that they were getting the money from the state because it was free to the taxpayer. The moment they broke ground, they would pay permit fees equivalent to a house assessment of \$250,000 in the City limits for 80 years. He said he wanted to ensure that we were aware that that if the funding did not go through in its entirety, that the project would not go forward.

Mayor Taylor said he would love the project to happen but was concerned with the terms which was why he reached out to DGS directly. He asked to confirm that they did not have a firm cost of what the actual infrastructure costs were, and Mr. Simpson thought they had a pretty good idea. He said the small, Ross project was over \$1.4 million in site work infrastructure and it was a much smaller site. All of the local contractors would be hired for the infrastructure work, amounting to millions of dollars. Mayor Taylor said we've done the due diligence and could fund infrastructure costs and design related infrastructure costs. Some of the things on Mr. Simpson's budget he could not fund because they were not part of the infrastructure. Mr. Simpson thought they should work together to see if there was a reshuffle because if the funding was changed or reduced, they would not invest in the project anymore because he did not have the ability to raise the money for it. He added that from day one it had a \$6 million grant and he was

already being asked to do it on \$4 million. He said this was free money from the state that they were going to turn down, and he guaranteed the reps of the state would not let the City move this elsewhere and would be very upset.

President Doughty asked Mr. Kitzrow for his professional opinion on the project's fund and design. Mr. Kitzrow said he was not part of the DGS conversation that Mayor had last week. The infrastructure was a loose term, and as told to the City that there was flexibility within it to include all things pre-development, pre-construction, and site plans. That was what was conveyed to Mr. Simpson under the idea that his budget could be spend in that capacity. If there was a change to that based off of recent conversations, that was news to him and not what was presented to him. President Doughty thought he and the rest of Council would be more comfortable being in on that conversation because it sounded to him like this sudden shift that this person from DGS was saying. Mayor Taylor said that as the Mayor he could have that conversation and put together the letter that she gave him. As far as creating another conference call, he said he already had two. He would give Council what she sent to him, and they were welcome to follow up with her. He said he wanted projects downtown. There had been some due diligence issues within the City in the last half decade or whatever and it was a repetitive problem. He was trying to make sure he did not fall into the same repetitive trap as the past half-decade and was just trying to do his job. Mr. Doughty said there were certain agreements that the City was already in that we could not erase history on. Mr. Kitzrow said it was very important for the history of Council to understand that for Lot 10 the City did not go to a traditional LDA, but we sold the property outright with some strings attached on what type of a development it had to be. The City did not own the property, so if it was to fall apart, we did not have the same relationship to that parking lot that we had on other parking lots. He said he was concerned for our future use of the space and wanted Council to be mindful of the situation. President Doughty asked what could be expected for this project to be moved forward and an agreement to be drafted for Council to see. Mayor Taylor said he thought it could be done this week to get a firm understanding of what the parameters were and that we could sit down with your list and try to figure out how those two melded. He would send her another email tomorrow and let her know we needed a response so that we could go back to Council, but he already told her that.

Ms. Blake stated she would like the grant re-sent to the Council because we were dealing with money, and there was a big piece of this that was legislative. She added that the Mayor single-handedly did not make decisions. Council would look at what the grant said. She wanted to have the DGS contact name and number. She also asked Ms. Ryan if the Mayor was not going to sign off on the grants, could Council have a way to sign off on them to get them moving forward. Ms. Ryan said she had not worked on this closely, but understood that the next step was that there needed to be a subrecipient agreement, which was what she thought Ms. Blake was asking whether or not the Council could sign off but would let Council know. She thought Ms. Konyar did those types of agreements, and was familiar with the form. She understood that agreements themselves did not change a whole lot, but more so the exhibits that talked about where the money went and how it was used, but she would find out.

Ms. Dashiell told Ms. Blake that she did not understand Mayor Taylor to say he would not sign off on it, and he then said he already signed off on it two months ago. Mr. Doughty explained the process. The grants were received to the City, and thereafter a subrecipient agreement was drafted that detailed how the grants were to be used by the developer in conjunction with the City. That was where we were right now and how Mr. Simpson and the company were able to use the funds.

Mayor Taylor said Ms. Bell sent the money over last week. The next step was to set forth the subrecipient agreement that not only spelled out what could be funded but how it was going to be funded. He had not turned down the grant. There was a draft started, per Ms. Ryan and the status of it was the exhibit of where the money went, which was the hold up. Mr. Doughty said then it was reasonable that by the April 8th Work Session we should be seeing a draft of the subrecipient agreement. Mayor Taylor agreed if they could come to terms on what it was going to be spent on. Ms. Blake asked for a copy of the grant to see what the terms were because she heard there was a difference in what the grant actually said. Mr. Kitzrow said they referred to it as grant funded, but these were direct Paygo allocations from \$3 million from House Bills and \$3 million from General Legislation and another million from the governor's supplemental budget. Because it did not run through a traditional grant process typically when money was received from the state there would be an additional grant agreement with terms. Ms. Blake also wanted a copy of what the City sent the state on how they anticipated spending the money.

Mr. Doughty restated that we should be able to look at a subrecipient agreement on April 8, 2024 and Council would have a draft. Mr. Kitzrow said that the subrecipient agreement that was the current draft that existed included an Exhibit B that detailed the allocation of the funding. Typically when we presented an agreement the other party has agreed to those terms, too. He asked Mr. Simpson if the City presented an agreement that was less than \$4 million to the project, would he look to move forward on that agreement and would there even be something to present to Council on April 8th because bringing something to Council that was not going to even be considered by the developer was premature and he did not want to waste everyone's time. Mr. Simpson answered that they sent in a \$6 million request to the state which was approved in a "3-1" and then a pre-authorization for this year which was kicked to the following year, which may or may not come through. At the \$4 million, it would be a razor thin margin and they would have to get creative on the design of the structure to make \$4 million work. He added that they were already down \$2 million to start, and hopefully the "wow" factor with the conference center and everything that we wanted the project to be could happen. He said "no" was the quick answer. We could not move the project forward and it would be expensive to stop it and go in a different direction. He would just sell the property and recoup his losses. He looked forward to working with Mayor Taylor to figure it out.

PUBLIC COMMENTS

The following comments were received from 5 members of the public:

- The first time a subrecipient agreement was mentioned was at the first reading of Ordinance 2839 in November 2023. Nothing else was heard about it until this Special Work Session discussion with no accompanying documents. Asked where the documentation was. Grant funds were accepted in November and Mayor Taylor signed in December. Guidance provided were line items and House Bill 200 and House Miscellaneous grants of \$3 million and \$1 million, respectively, and were for City infrastructure with no mention of Lot 10. Show the grant approval letter that mentioned Lot 10. The developer was getting enough money from the HORIZON program and got the lot for well under the appraised value.
- The developer said if they did not receive the money they could not do the project. The same thing was said about The Ross and a month after he was granted the HORIZON program he sold 51% interest. Another developer for student housing did not receive HORIZON program benefits or cuts on their connection fees, and paid over a million dollars to improve Division Street. They had to pay property tax and The Ross did not. He could show plenty of infrastructure needing improvement.
- Lot 10 was a parking lot and there were no more in Downtown. If you did not have a credit card and only used cash, you could not use the parking garage. Speaker explored fifty different towns, cities and communities across Delmarva, and was astounded that Salisbury was the only place where we did not have year-round paid to park parking lots. Had nothing against hotels but the biggest thing was location. If we need a new hotel, asked what was wrong with the old Salisbury Mall location that's been empty for a decade. But instead we're going to take another parking space away. We don't need another hotel Downtown.
- When Mayor Taylor was speaking earlier, speaker thought he was trying to look at the rules that governed the use of the money that we've received from the state, and that he was trying to look at the way the rules were written and the way they meshed with the proposed budget from the developer. And then everybody started yelling at everybody. She felt Mayor Taylor was just trying to do his fiduciary job and ensure he wasn't going to be found liable later on. He was trying to make sure he understood the rules that governed the money to be used by the developer. She did not know why all the yelling had to happen.
- Told the public that when it came to applying for these large capital grants and being a subrecipient, she was familiar with the intense documentation. She did not know what Mr. Simpson's package to the state looked like, but what she has sent filled a five-ring binder. Kudos for being able to get \$4 million and to have it already in your account. Habitat had to spend the money first and then received reimbursement.

Housing Task Force

President Doughty asked Mr. Kitzrow how to get a Housing Task Force started in the City. Once we talked about how then we would like to discuss what the task force would look like. He was looking for a general Council discussion.

Mr. Kitzrow said that a task force would be a Mayoral appointed committee. After building the task force, they would be charged with a very specific mission and would typically end with some sort of recommendation, policy or guidelines to be presented to Council for consideration. Depending on the topic and scope of what the public would be asked, it would be determined how many people were needed and what the breakdown looked like. Administration typically managed that discussion by helping solicit the people and then make a recommendation to Council, or it could be something as an internal piece. He was unaware if the Council had ever created a task force. If it was something like housing, which was a big conversation along with affordable housing and the homeless. He thought the more specific unless it was a broader topic, then it would have more sub-committees and drill down from there. If that was the initial interest meeting answering what they might to talk about, he said he thought there were some things brought up today and recently that could be topics of discussion. The final piece would be determining the length of time they would want to meet. They could have a conversation forever or say let's try to come to a resolution in the next six months and some recurring schedule would be created. We would start with the intended outcomes that we would want and what we hoped to achieve and then work backwards to who should be involved and how that should be undertaken.

President Doughty asked Mayor Taylor if he wanted to have a Mayor's Committee. Mayor Taylor said he was one of the founding members of SNHS and was on the board for over fifteen years and was involved in housing every day. He added that he definitely thought there was a housing issue, and Greater Salisbury was considering doing something along those lines. Conceptually, he said he was not opposed to a task force. This was the first he heard about it and would have to think about it. Council thought it would be a great idea. Ms. Blake told Mayor Taylor that Greater Salisbury was starting a housing task force and would probably announce it themselves. She hoped they would get it started by the end of Spring or into Summer and thought to maybe merge or have City representatives on the task force. It would be good to reach out to Molly to combine the effort to have more perspectives with housing including asking SNHS about their task force and do more of an integration instead of it being just a City committee.

President Doughty said he thought a lot of us were doing the smaller work but he wanted the City to support this and to have a part in it. We had unhoused persons as well as affordability issues but he did not want this sitting around.

Council reached unanimous consensus to look into forming a task force.

PUBLIC COMMENTS


- Speaker agreed this was a fantastic idea and wanted to let Council know that the City already paid for a consultant to do the analysis. There were two different ones. The Analysis of Impediments to Fair Housing had the key findings and data, and the 5-Year Consolidated Plan already had the goals and strategies identified. There were 493 comments from the public already, and there was a lot of data.

What was needed was a well-designed action plan with accountability and dollars allocated and people assigned with achievable deadlines.


- Speaker from Zoom concurred that she thought the City needed a task force to address housing and the unhoused population specifically when it came to rentals in housing. There was a large percentage of properties in the City and County that were higher than fair market rent. That was leaving a lot of agencies that provided resources to the unhoused population as well as those seeking housing unable to get into housing. There were countless numbers of Section 8 vouchers that were outside in the community not being used because we had landlords and property managers who required Section 8 voucher holders to still make three times the rent or have a credit score of over 600. She sent an email earlier outlining some solutions and action the City could take. She advised bringing in the Human Rights Advisory Chair and herself (Chair for Truth Committee) to put together a general recommendation from both committees to the Mayor's Office as to what the task force should look like. She thought the community should be the ones to kind of form this and it did not need to be merged with any other task force and should be specific to the City.
- Speaker did not agree with merging the Housing Task Force with the Greater Salisbury committee. It probably had a very different focus and the committees should act independently of each other.

ADJOURNMENT

With no further business to discuss, President Doughty adjourned the Special Work Session at 7:34 p.m.



City Clerk



Council President