

MINUTES OF THE ECONOMIC DEVELOPMENT COMMITTEE MEETING

3:00 p.m.

November 13, 2020

Mayor Genshaw brought the meeting to order with the following committee members present: Trisha Newcomer, Director of Economic Development and Community Relations, Councilman Dan Henderson, Mrs. Joan Neal and Charles Anderson, City Manager.

Mrs. Trisha Newcomer presented Agenda Item #1, review and consider a potential fee reduction and tax abatement request from Liborio Seaford, LLC (SCTM # 331-5.00-11.00 & 331-5.00-11.01) known as Melanie's Ridge. Mrs. Newcomer showed an aerial photo of the property which is just west of Trinity Logistics and south of the Mears Campus. She added that they have received plan approval for 280 apartments at this location and have started some of the sitework. A request has been received from the property owner asking for relief from the fees as well as a tax abatement for the property. She also shared pictures of Christina Apartments in Smyrna, DE which are similar to this project.

Mr. Lou Ramunno, the property owner was present to represent the property. Mr. Ramunno explained that there has been about a 10% increase in the project costs due to COVID. They has been an increase in lumber and other material costs due to pandemic production cuts, wildfires, demand surges, etc. This has placed an extra strain on his project. There has also been an increase in other costs for construction. He also noted that it has been difficult to secure project subcontractors, as they choose to work on the east side of the county, as those jobs pay more. Due to the longer build time, he plans to lose about three months of rent. Therefore, he is asking for relief from the fees and the property taxes.

Mayor Genshaw asked if there has been any fee reduction or tax abatements given to any other apartment complexes? City Manager Anderson stated that the Belle Ayre R-3 developer was given relief on water and sewer tap fees. He added that incentive was to get that property developed because it had sat empty for about a decade. City Manager Anderson added that a fee reduction and tax abatement was given for The Residences at River Place project.

Councilman Henderson asked what the details of the deal that was made with Seaford Development Association? Mrs. Newcomer stated that for the property taxes, for the first five years the improvements were fully exempt; they are billed on land value only. After year five, the improvement value is billed at 20% and then increases by 20% each year going forward. City Manager Anderson added that the first building did receive EDU count credits. Mrs. Newcomer stated that for the current building, the fees were waived in lieu of demolition of properties downtown. Councilman Henderson asked if there were any utilities at the Lawrence Building when it was there? City Manager Anderson stated that they were served by DPL and on well and septic service. Mrs. Newcomer pointed out that there is already a concession waiver of electric equipment and labor for this project in the amount of \$46,721.12.

Mrs. Neal asked about the fee calculation proposal. According to the proposal received from Mr. Ramunno, it states that the anticipated construction cost is \$35 million; Mr. Ramunno confirmed that is still correct. On the building permit fee calculation, it states \$38 million; she asked what is the difference in the prices? Mrs. Newcomer stated that the Building Official uses the international building code evaluation table that is based on the square footage. Mrs. Neal asked what the rent amount for these apartments would be? Mr. Ramunno stated that an estimate would be for a one bedroom it will

be \$1,000 a month and for a two bedroom until it would be \$1,200-\$1,500. Mrs. Neal stated that the City has been working hard to promote homeownership within the City. She expressed some concerns with any kind of fee waiver or permit fees relief. She believes that it conflicts with incentivizing homeownership. Mayor Genshaw added that incentives that were provided to The Residences at Riverplace were given prior to get the project started and on land that sat vacant for a long period of time. There were many complications with that property to be developed. Mayor Genshaw added that the City is trying to encourage homeownership.

Mrs. Neal asked what the timeline for completion would be? Mr. Ramunno estimated about a 3-4 year completion for the project that would include completion of the pool and clubhouse.

Mrs. Newcomer shared with the committee that currently one of the parcels does receive farmland tax exemption. Once the permit is pulled for this project, that exemption will go away.

City Manager Anderson stated that Mr. Ramunno has stated that one of the things that brought him here today with this request was due to the increase in lumber and windows as well as carry costs. The prices for these items can go up and down in the future. He added that he would recommend to not look at the entire project; he would look at one phase at a time.

Mrs. Newcomer stated that she had the Building Official run the cost for water and sewer taps fees for a single building. For just the water and sewer taps on seven buildings, it would be a total cost of \$99,400.00. She added if the 75% reduction on all estimated fees was done which was the original ask, it would be \$1,133,573.60.

Mrs. Neal asked what the estimated cost to the City would be to add about 600 residents to the City for additional police, roadways, etc. City Manager Anderson stated that there will be a small piece of the roadway that will be public; all of the other streets will be private. He added that it would be dependent on how well the rentals are managed. There are some apartment complexes in the City that require minimum police responses and others that have a lot of police activity. He added that with growth, there are additional costs for schools, fire department, etc.

Mayor Genshaw asked if there were any ideas for consideration. City Manager Anderson stated that the original request of 75% fee reduction was a significant ask. He added that for phase 1 only for water and sewer tap fees, it would be a fee reduction of \$99,400.00. It was explained that this incentive is similar to what has been offered to other developers in the City. If desired, this could be reviewed at for future phases as the project develops. For tax abatement, City Manager Anderson explained that it is a long-time item that has to be manually tracked by staff. City staff would recommend to offer the water and sewer tap fee reduction for consideration. Mrs. Neal asked how many phases there were in the project? City Manager Anderson stated that there are four.

Mayor Genshaw shared that these are market rate apartments.

Mrs. Neal asked Mr. Ramunno what was the timeline was for phase 1? Mr. Ramunno stated that he would plan to pull the permits this month and get at least two foundations in prior to winter. He hopes to have phase 1 completed within a 1-1 ½ year. City Manager Anderson added that this has been a difficult piece of land to develop.

A discussion of a possible tax abatement was then held by the Committee. City Manager Anderson shared with the group that this is an estimation of the taxation. City Manager Anderson explained that there are 35 buildings total with a \$35 million investment. Therefore, a million-dollar building would be

\$3,400.00 in property taxes. So, if there are 7 buildings, that would be \$23,800.00 annually in property taxes that would be abated.

Mrs. Neal made a motion to recommend to the Mayor and City Council consider relief for Liborio Seaford, LLC (SCTM# 331-5.00-11.00 & 331-5.00-11.01) known as Melanie's Ridge, of the water and sewer tap fees for Phase 1 only, with construction to be completed within two years of the issuance of the building permit. Councilman Henderson seconded the motion; motion so passed with all present voting in favor.

Mayor Genshaw stated that the information will be placed on the agenda for the next City Council meeting to be held on November 24, 2020.

With no other business or questions, Mayor Genshaw asked for a motion to adjourn. Councilman Henderson so moved; Mrs. Neal seconded the motion; motion so passed with all present voting in favor. The meeting was adjourned at 3:39 p.m.

Tracy Torbert, City Clerk