

MINUTES OF THE ECONOMIC DEVELOPMENT COMMITTEE MEETING

3:00 p.m.

July 18, 2019

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

Trisha Newcomer presented Agenda Item #1, discuss and review two applications for the Rental to Homeownership Incentive Program.

Mrs. Newcomer gave a brief summary of the Rental to Homeownership Incentive Program. In order to qualify for the incentive, the property must be an existing single family residence within the Seaford City limits; used exclusively as a rental property for a minimum of three years immediately prior to conversion; the new owner must occupy the property within one year of the date of purchase; has been recommended by the Economic Development Committee and approved by the Seaford City Council; organizations with non-profit status do not qualify and the property owner must be in good standing with all City accounts at a zero balance.

Mrs. Newcomer provided information about the amount of the incentive for the buyer and seller. For the buyer, the City will abate the City property tax charge, for a qualifying property, for five years after occupancy by the property owner. The City will graduate the City property tax charge for a five year period (year 1 – no property tax charge, year 2 – 20% of the tax assessment) until year 6 when the property will be charged the full property tax assessment in effect at such time. The tax incentive is non-transferable. For the seller, the City will provide an incentive equal to five times the full property tax assessment in effect at the time of transfer to a qualifying property owner. The City will disburse the seller incentive once the qualifying buyer occupies the property. It was added, in order to be considered for the agreement, an application must be submitted and an agreement outlining the terms and uses of the incentive must be formed with the City of Seaford, the seller and the property owner(s) prior to any funds being distributed to the seller or property taxes are reduced for the buyer.

The first property; application # 2019-0004 is located at 422 N Hall Street which has been a rental for 3.75 years. The property is being purchased by John Evelyn Phipps and the sellers are Ashley and Denna Mills. For this property, the seller would receive an incentive in the amount of \$2,643.50. The buyer would receive a tax abatement for five years as follows:

- Year 1 – no property tax charge
- Year 2 – \$105.74
- Year 3 - \$211.48
- Year 4 - \$317.22
- Year 5 - \$422.96
- Year 6 - \$528.70 (full amount)

Mrs. Newcomer reminded the group that these figures are based on our current tax assessment.

The second property; application #2019-0005 is located at 206 E Spruce Street which is owned by Laurence Monyihan. This property is being purchased by Raymond & Stephanie Sauveur and was a

rental property for 40 years. The seller will qualify for an incentive in the amount of \$1,970.30. The buyer would receive a tax abatement for five years as follows:

- Year 1 – no property tax charge
- Year 2 – \$78.81
- Year 3 - \$157.62
- Year 4 - \$236.44
- Year 5 - \$315.25
- Year 6 - \$394.06 (full amount)

Mrs. Newcomer added that all of the applications brought forward today have been run through the financial good standing ordinance and do qualify.

Mayor Genshaw asked for any questions or comments from the committee. Hearing none; he then called for a motion. Mr. Anderson made a motion to accept applications # 2019-0004 and #2019-0005 for the Rental to Homeownership Incentive Program as presented. Mrs. Neal seconded the motion; motion so passed with all present voting in favor.

Mrs. Newcomer then presented New Business Item #2, discuss the request of Santosh Viswanathan, CEO of Lakeshore Chrysler Dodge Jeep Ram, to participate in cost sharing of expenses relating to developing a 25,000 square foot new car dealership.

Mr. Viswanathan came forward to present the request. He stated that Fiat Chrysler of America and himself are considering Seaford as a location to build a new 25,000 square foot brand new state of the art facility. He added that they are currently in the process of getting their permits from DelDOT and DNREC.

This new facility will be on the north side of the City just north of Lowe's. He added that the facility will employ 25 people to start and at its steady state, it will employ approximately 55 people. On average, an employee working at a Delaware dealership generates approximately \$56,082 in average earnings. Mr. Viswanathan pointed out that these will be new jobs to Seaford and these types of employees generally serve as a sound tax base for properties and other services in the community. Many of them will become new homeowners in and around the Seaford area. This new facility is in an opportunity zone and will be in the northern corridor of Seaford which is part of Seaford's master plan in growing the northern corridor.

Mr. Viswanathan pointed out that this location is not being serviced (water, sewer, electric) by the City of Seaford even though it is annexed into the City. He added that they would like to maintain a presence and play a part in the growth of the northern corridor, however, they do need assistance from the City of Seaford.

He added that Lakeshore Motor Company with its Jeep, Ram, Chrysler and Dodge brands will be a solid anchor and attract other retailers to Seaford. It would also bring shoppers from neighboring communities to have their vehicles serviced daily, thus frequenting other retail and restaurant establishments around Lakeshore Motor Company.

In 2018 franchises such as Mr. Viswanathan in Delaware paid \$113 million in state sales taxes to the State of Delaware. Additionally, his company has contributed \$43 million in state and federal income taxes to the State of Delaware. Franchised Auto Dealers like himself created a total of 6,070 jobs in Delaware to generate \$3 Billion in Total Sales in Delaware in 2018.

Mr. Viswanathan stated that he is looking for the City to help with 50% participation in the expenses related to having water, sewer and electricity to this location. He is asking the City for help in the amount of \$181,616.00, which represents 50% of the total cost. The total cost is as follows:

City Cost – Water and Sewer to site: \$243,232.00

Estimated engineering: \$50,000.00

Connection & permit fees: \$70,000.00

Total Cost: \$363,232.00

Mayor Genshaw asked how the proposed facility here in Seaford compares to the one that Mr. Viswanathan has in Smyrna? Mr. Viswanathan stated that it was pretty identical; this facility does have more acreage than the one in Smyrna.

Mr. Neal asked how far along in the process the project was? Mr. Viswanathan stated that he does have a contract on the property and it is currently in the due diligence period. He has also applied for permits due to the urgency that Chrysler has put on him for the project. Chrysler would like to see something at this facility by November of this year which is a strong push. He did communicate with them that he is looking at something for Spring time frame of next year. He added that he has already been communicating with DelDOT about the entrance and he is looking at doing a submission to DelDOT in late August. It was added that DelDOT would like to have everything done in two meetings.

Councilman Henderson arrived at 3:15 p.m. and was provided a quick overview of Mr. Viswanathan's request.

Councilman Henderson asked about the local dollar impact to the zip code as far as economic impact. Mr. Viswanathan stated that when they built their Smyrna location; they helped the Town of Smyrna build a master plan in the corridor of Route 1 and they mentioned that having such a beautiful facility such as his; it was a plus for the Town. Since they built their location; more businesses came and some remodeled. It has generated a lot of commercial activity for the Town than it did before his facility was built. He added that he is not able to give an exact dollar amount of the impact. The facility is also now electric certified which brings many people to his location.

Mrs. Neal asked how long he felt it would take to employ the full capacity of 55 people? Mr. Viswanathan stated that he plans to start with 25 people which will be the core people. He feels that it will be in short order that he will be up to his full workforce.

Mrs. Newcomer then reviewed the information on the request of Mr. Viswanathan. Staff has been working on this project for a period of time and reviewed the information. Mrs. Newcomer pointed out that the estimate for the water and sewer which is \$243,232.00 is for the whole portion. The City took that number and divided it in half; the City would like to help grow and fund what would be on public use; not on private property. She added that the numbers that have been given are an estimate. The Building Official ran a fee estimate based on their plan as of today which was provided to Mr. Viswanathan. City staff is recommending to eliminate the water and sewer tap fees which don't come in play with this project which is a cost savings of \$2,375.00. The stormwater impact fee also does not come into play with this project that would be a cost savings of \$29,490.10. With the elimination of those three items; it would provide a cost savings of \$31,865.10. In addition, the electric distribution line extension cost would be \$71,482.37. City staff would like to recommend to City Council to give up the

equipment and labor that would be associated in this project for a cost savings of \$38,385.08. The last item that was referenced in the project estimate was the project engineering at a cost of \$50,000.00. This is the project engineering; it was staff's thought that the City's portion would be about 30% which totals \$15,000.00. This gives a total of \$150,988.18 in potential relief that the City could provide for the project.

City Manager Anderson then reviewed the funding options for the project. The reserve account numbers were given for each account; in water reserves there is \$1.5 million, water impact fees there is \$467,000.00 currently in the account. In sewer reserves there is currently \$3.2 million and sewer impact fees currently have a balance of \$861,000.00. Mr. Anderson stated that once the project is completed, the City would be able to reimburse the developer using these funds if the group desires. Mrs. Newcomer reminded the group that these figures are cost estimates at this time. Once the project moves forward, the numbers may need to be adjusted.

Councilman Henderson made a motion that the ED committee extend a recommendation to City Council in favor of Lakeshore Chrysler, Jeep, Ram to participate in cost sharing relating to developing a 25,000 square foot new car dealership in the amount of \$150,988.18.

Mrs. Neal asked if this number was concrete if there are changes in the development? Mr. Anderson stated that this is the best-known estimate at this time giving the credits in fees and splitting the engineering. The numbers may need to be adjusted as the project moves forward. Mrs. Neal seconded the motion; motion so passed with all present voting in favor.

With no other business or questions, Mayor Genshaw asked for a motion to adjourn. Mr. Anderson so moved; Councilman Henderson seconded the motion; the meeting was adjourned at 3:38 p.m.

Tracy Torbert, City Clerk