

## MINUTES OF THE ECONOMIC DEVELOPMENT COMMITTEE MEETING

7:30 a.m.

April 8th, 2022

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. Newcomer presented Agenda Item #1: Review and consider a request from The Residences at River Place, LLC for a tax abatement reset for buildings I, II & Club House (601 Water Street, STMP#431-5.00-314.03; 701 & 721 Water Street, SMTP#431-5.00-314.00) and a tax abatement request for buildings III & IV (159 S. North Street, STMP#431-5.00-318.00; 149 S. North Street, STMP#431-5.00-323.00).

Mrs. Newcomer began by going over the status of each of the phases at the Residences at Riverplace. She explained the request from the developer, Mr. David Perlmutter, is in an effort to obtain a similar tax incentive as one he has received through a program utilized in Salisbury, Maryland.

Mrs. Newcomer noted the expressed reasoning for the tax abatement and reset requests are due to increased construction costs and the continued effects of the pandemic. She explained the details of the request and noted this tax abatement program would be for a term of 20 years and requires the site to have an assessed value of at least \$10 million upon completion. She noted, If the development is completed in phases, each property must assess at that same value.

Mr. Perlmutter came forward and explained he was not previously aware the Residences at Riverplace properties would be taxed before completion of construction, which was a setback for him. He said that Salisbury is also participating in other programs that decrease all tap and permit fees.

Mrs. Newcomer then solicited any questions from the Committee.

Mrs. Neal asked Mr. Perlmutter what the current occupancy rate is at the apartments. He explained it is currently at full occupancy, not accounting for turnover. He added that they would also be rolling out new rates for building #3 very soon. The apartments in Building #3 will be more modern, with several upgrades.

Councilman Henderson asked Mrs. Newcomer if the calculation for the tax reduction included the future building #4. Mrs. Newcomer explained it was requested Building #4 be included in this program; however, there is no consideration value listed in the scenarios because it wouldn't begin until the certificate of occupancy is received. She noted that current figures will show the taxable amount based on the land since Building 4 is not complete yet.

City Manager Anderson asked if the figures were for all three existing buildings. Mrs. Newcomer explained the program would start for Building #3 when the Certificate of Occupancy is issued.

Councilman Henderson asked if there were any revenue estimates for utilities that would offset these reductions. City Manager Anderson noted it could be challenging to gauge the economic impact of an apartment building. Dan suggested around 20% in electric profits; City Manager Anderson stated that would be a reasonable estimate based on operations costs.

Mrs. Neal asked what the value of the incentives these projects have been given? Mrs. Newcomer stated the current value is \$624,187.06; The project has received DDD funding from the State aside of City funds. The Mayor asked what those totals were. Mrs., Newcomer advised Phase I & II received \$671,000.00 on completion. There is a current DDD reservation in for Building #3, with a commitment of \$660,000.00 from the State. She added that this project did not receive any incentives from Sussex County.

Councilman Henderson inquired whether the developer had received any additional assistance from the Delaware State Housing Authority (DSHA). Mrs. Newcomer explained that the DSHA is looking to assist developers due to increased costs. While the estimated cost for Building #3 is \$7.6 million, it still makes sense to continue, just with a lower profit margin.

Mrs. Neal asked if the City currently had any family dwelling incentives or if they plan to offer something like the Horizon Program in the future.

City Manager Anderson explained the City would need to identify specific guidelines for this type of program; however, it could be something the City looks to develop.

Mrs. Newcomer also noted that the City's Downtown Development District designation will expire in 2025 and can be extended for another 5 years. She did note the City intends to apply for the extension.

Councilman Henderson stated he feels resetting the existing program and extending it for an additional 20 years is a generational commitment and that there would likely be a completely different group of city staff administering the program. He added that while we hopes the current economic crisis will abate itself and costs will decrease, we do not have any guarantees.

Mr. Perlmutter stated he would be happy to accept a reset on the buildings but felt it necessary to present what other cities are doing. He added that he is glad to see the City is looking to extend the Downtown Development District Program.

Councilman Henderson stated he would like to help the development continue down the current path, but the City must be mindful of the other stakeholders involved. He then suggested resetting the existing reduction on the three (3) existing buildings and the clubhouse.

Mrs. Neal expressed her concerns regarding the need for economic development programs specific to Seaford and noted the City should not continue to offer incentives on a one-off basis.

Councilman Henderson suggested a clean reset on the 2 existing phases and a 10-year abatement on building #3 once the Certificate of Occupancy is issued.

City Manager Anderson asked if Building #4 would be included in that recommendation. Councilman Henderson stated no, just the approved phases.

City Manager Anderson noted Building #4 could be brought back in the future as the project progresses.

Mayor Genshaw suggested Building #4 be included in the recommendation since it is already agreed that it would eventually be included in the program.

Councilman Henderson then made a motion to recommend a reset for the current phases and agree to the same terms for Building #4 upon issuing the Certificate of Occupancy. City Manager Anderson seconded the motion.

Mayor Genshaw then asked for a roll call vote.

Mrs. Newcomer voted yes,

City Manager Anderson Voted yes,

Dan Henderson Voted yes,

Mrs. Neal voted no.

Mrs. Newcomer presented New Business Item #2: Discuss and consider a percentage requirement of workforce housing options as a stipulation for future incentives.

Mrs. Newcomer began by stating there needs to be a method in which developers can offer workforce housing incentives and suggested a program that could reserve a percentage of the developed housing for local workers. She added that this item is just open for discussion at this time and would require continued development.

Councilman Henderson stated that this program should be incorporated into the City's current housing incentive programs.

City Manager Anderson noted that while there are currently a lot of developer incentives, when the property transfers to the real estate side, the incentive never seems to flow down to community members. He added that developers and real estate agents should be looking to offer discounted rates to professionals moving into the area or the City's existing workforce, including police officers, firefighters, teachers, etc.

With no other questions or comments, Mayor Genshaw solicited a motion to adjourn. Councilman Henderson made a motion to adjourn, and Mrs. Neal seconded the motion. The meeting ended at 8:23 a.m.

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Ashley Heinicke, City Clerk