

MILFORD CITY COUNCIL  
MINUTES OF MEETING  
April 11, 2016

A Meeting of the Economic Development Committee was held in the Joseph Ronnie Rogers Council Chambers at Milford City Hall on Monday, April 11, 2016.

PRESIDING: Economic Development Committee Chairman Garrett Grier

IN ATTENDANCE: Economic Development Committee Member:  
Councilman Christopher Mergner and Councilman James Starling Sr.

Mayor Bryan Shupe

City Manager Eric Norenberg and Deputy City Clerk Christine Crouch

Chairman Grier called the meeting to order at 6:01 p.m.

Planning and Economic Activities Coordinator Rob Pierce were also in attendance.

*Downtown Development District Project/Incentive Program*

Planning Coordinator Pierce said he wants to discuss some proposed economic development and redevelopment incentives. Last month, the incentive ordinance for the Greater Milford Business Complex was adopted; he then gave a brief overview of the potential designated Downtown Development District (DDD) area.

He recalled the DDD was created by the State of Delaware and DDD Act of 2014 signed by Governor Markel in June of that year. The goal is to spur private capital investments in commercial business districts, stimulate job growth and improve the commercial vitality of districts and other neighborhoods; help build a stable community of long-term residents by improving housing opportunities and assist local governments in strengthening neighborhoods.

Mr. Pierce said this is a partnership between the designees which presently include the City of Dover, City of Seaford and City of Wilmington. The program offers grant and loan opportunities for those cities and private investors within those areas.

The State of Delaware has opened the program for new cities to apply for the designation and Milford is currently working on an application which is due by June 1, 2016. A package of local incentives is being created that will make up 20% of the overall score.

The planning coordinator reported the Delaware State Housing Authority provides a real estate investment incentive which will rebate up to 20% of the hard cost of private investors for residential, commercial or industrial real estate. They also try to promote home ownership through financing, assistance and other grant options.

They also encourage affordable multi-family rental sites. As a result, a large portion of the money funnels through the housing authority. Mr. Pierce feels it is important to come up with a couple of options to promote home ownership, owner-occupied units and revitalization of aging housing stock.

When questioned, Mr. Pierce referenced a map showing the area currently proposed as the DDD.

Mayor Shupe informed the committee the program allows up to 178 acres within the designation. They have attempted to work as much housing into the downtown as possible. Mr. Pierce then confirmed the total designation for Milford is 169.2 acres.

When asked what occurs if a request comes from one street away from the designation, Mr. Pierce explained that any applications will be forwarded to the State of Delaware for compliance. If not within the designated area, it will not be considered. The property is either in or out and about one-third is commercial which aligns with the Downtown Master

Plan.

However, there is also a need to focus on the low-income residential, older housing market in the southeast and northern downtown areas.

Mr. Mergner expressed concern about the amount of rentals in this area; Mr. Pierce stated there are 171 rentals in the downtown area.

Mr. Pierce has created a new economic development incentive program targeting the DDD area. Eligible projects could include any new residential or commercial construction redevelopment or expansion within the downtown development district. The fair market value of the materials used to perform the improvements will need to exceed \$15,000.

He added that it must be for commercial, office or residential use and conform to the intent of the ordinance.

Other development incentives will include abatements of taxes on the value of the improvements. For example, the assessment would remain at the pre-improvement value for ten years for tax purposes.

Mr. Grier asked if we should consider a tax abatement on a property that transfers from a rental to an owner-occupied residence. Mr. Pierce said we could opt to blanket the abatement across the board and give tax abatements to all owner-occupied units or target the ones that transition from rentals to owner-occupied.

Mr. Grier does not agree with a blanket abatement and only recommends the transfer to owner-occupied. He would not want to lose the income from those that currently exist as owner-occupied homes.

Mayor Shupe asked Mr. Pierce to review the incentives offered by state agencies that we may need to consider when discussing ideas for the Milford application.

City Manager Norenberg referenced the document in the packet with programs various state agencies from agriculture to corrections to housing. Each provides incentives that are available either statewide though enhanced within the development district or that may be special to the downtown development district. They may provide assistance with down payment and settlement aid, mortgage products, homeowner financing, real estate development, etc.

The city manager referenced the City of Dover incentives for review. To incentivize properties, transfer taxes were eliminated for the seller of the property. He said they have been trying to come up with ways to incentivize selling a revenue-producing rental property. One thing they may consider is foregoing the associated transfer fee because it is easier to incentivize the buyer versus the seller in most cases.

He hopes the committee will consider some of the ideas as they continue to develop the application for the DDD.

Mr. Norenberg also stated that if there are no legal problems with the transfer tax abatement when transferring a rental to owner-occupied property, he would recommend both the transfer tax and property tax improvement abatement. Mr. Grier feels it more important to see the improvements regardless of whether it is a rental or not.

Mr. Pierce explained the incentives provided by the state give landlords the opportunity for low-interest loans for some rehabs.

Mayor Shupe feels if the state offers that, perhaps part of Milford's application should include the improved values on renovations will be waived for x amount of years to encourage such improvements.

Mr. Mergner is unsure if that is enough and feels other things should be added.

Mr. Grier expressed concern about the little savings when abating the taxes on a renovation project; the city planner agreed that a \$150,000 tax bill is approximately \$700 a year. However, the bigger the investment, the more savings in property taxes.

Mr. Grier feels that we need to come up with quite a bit more for it to be attractive.

Mr. Pierce said he compared this to the successful applications from last year and the tax waiver on improvements was included on each. Though it is not much, it proved the city was willing to reduce future revenues. However, he feels that transfer taxes could be a big hit though he is unsure how that would impact the city budget.

Mr. Grier does not feel this small area will have a major impact to the city's revenue stream. Mr. Mergner agreed adding that the whole idea is to incentivize homeowners to upgrade and increase the value of their properties. Mayor Shupe does not feel we can incentivize a homeowner who is not interested adding that we need to focus on those people who are already considering it.

Mr. Grier feels that substantially increasing the value of the home by a certain percentage is worth a full tax abatement. He is talking major projects versus reducing the taxes by only \$20 a year for example. Perhaps we should consider increasing the value of the home by 30 percent or greater. Mr. Mergner asked how that value would be established and whether we would need an appeal process. Mr. Grier pointed out we pay Tyler Technologies an annual fee to do exactly this. He feels this would be a small number per year and believes it is 10% each year. Adding three properties would not be a major impact to their workload in his opinion.

When asked the percentage of the scoring criteria involved housing, Mr. Pierce explained that 50% of the score is based on the needed impact (poverty, age of housing, blight, etc.).

Mr. Grier's noted that commercial and residential go hand in hand. As visitors come in town, they pass through some neglected neighborhoods before they get to the business/downtown area. That can make people keep traveling and never stop.

Mr. Pierce feels improving our residences will feed into the businesses and commercial upgrades typically encourage residential improvements.

Mr. Mergner then questioned electric use/rates and whether that could be discounted. Mayor Shupe added that commercials can acquire up to 20% of their hard costs for construction. Someone building a \$1 million structure, that is part commercial, is eligible for up to \$200,000 in grants through the DDD. Mayor Shupe reported the State of Delaware invested just under \$10 million for Seaford, Dover and Wilmington.

Mr. Grier asked if there is a similar offer for residential properties; Mayor Shupe said for home ownership. Mr. Pierce explained they provided assistance with down payments and closing costs as well as special financing.

Mr. Grier asked if the area on the river is developed with a mix residential/commercial, would be eligible. Mr. Pierce said yes, the housing authority has money for a transformative project which would be similar to the project planned there.

It was then confirmed that what Mr. Pierce discussed, mirrored the City of Dover's application. Mr. Pierce noted the first table was in place, the second table will be modified and the third table contained new incentives.

Mr. Grier pointed out the city impact fee waiver is already offered; transfer tax abatement is being discussed. Mr. Mergner does not have a problem with the transfer tax waiver if it is a small amount.

Mr. Grier asked how long the tax abatement for owner-occupied housing is recommended; Mr. Pierce said Dover provided it for three years.

When asked if the committee is comfortable with what is being proposed, Mr. Mergner and Mr. Grier both stated they were. Mayor Shupe said he has heard this is going to be very competitive this year and felt it was appropriate to get the committee opinions, in addition to any new idea they may have.

Mr. Mergner asked if we have polled any local businesses to ask for their opinions.

Mr. Pierce then discussed impact fees noting that in the business park, they based the impact fee waivers on job creation though that is not the intent of the downtown area. That intent is to incentivize growth and redevelopment.

The planning coordinator threw in incentive beneficiaries that may qualify for a waiver of 5% of total private investment. He felt making it should be percentage based. He noted that 5% equates to about 1 EDU for every \$100,000 invested. It could be tweaked to 10% or equivalent to 2 EDU's. He did not want it strictly based on EDU's but preferred waiving a percentage of the impact fees.

Mayor Shupe feels the only challenge he sees is a big project that could have a significant impact on the city system. He suggests it be written with a maximum. For example, a housing project with 50 to 100 units is going to impact that downtown system and will subsequently cost the city user's money for water and sewage.

Mr. Pierce said he capped impact fees at \$50,000; a \$1 million project would receive a \$50,000 waiver or 5% contribution from the city.

In the meantime, the planning coordinator will find out from the City of Dover if they provide a blanket forgiveness of all impact fees regardless of the cost. He agrees with Mayor Shupe that some big projects could end up costing the city in the long run.

Mr. Grier pointed out that only water and sewer impact fees are mentioned and asked if electric impact fees are included. He then asked if it would be better to cap it at a dollar figure; Mr. Pierce said we could waive one EDU for every \$100,000 but only up to 10 EDU's (for example).

The committee asked that they be given some additional time to think about this. Mayor Shupe said this is not needed until the end of May which is why he wanted to have it discussed today. In the meantime, we can start talking with businesses and determine what would incentivize those businesses.

Mr. Norenberg explained that they wanted to give council the first view of the whole DDD program, scope of the boundaries, etc. That gives council three meetings to work on the various aspects as they go through the application process. At the second meeting in May, we will need a resolution authorizing the application be submitted.

He noted that the actual incentives do not have to be adopted by city council in advance.

Mr. Grier would like at least one incentive that is really aggressive. As an example, someone with a \$175,000 to a \$750,000 piece of property, should receive a big abatement and possibly five to ten years of tax abatement. He prefers something 'real' and not only a couple thousand dollars.

Mayor Shupe added that if it is successful, it can be done in different districts throughout the city. This can be more of a pilot program to see if it works. He personally has had several individuals come to him because they know Milford is applying for the DDD and they are familiar with its success and the 20% grant possibility.

In the next few weeks, he is willing to inform council of what those projects are and let council decide if this fits into the overall vision for the downtown.

The mayor referenced the Downtown Master noting that the DDD application proves Milford wants more growth and development downtown. Though we want more commercial, we also want to raise the value of our housing stock, but at the same time, present some projects that may help meet that goal.

Mr. Pierce confirmed that the committee is recommending that 50% of the original value for any improvement should receive a full abatement for ten years. Mr. Grier highly recommends that whether it is five or ten years. However, he recommends this be presented to the finance director for his opinion before council makes a final decision.

Mayor Shupe said that what they are doing with the business park right now is similar to what will be done in this situation. For example, we are discussing possible incentives in which the city will not be collecting certain fees. Though the city

is not giving them out of pocket money, we are not increasing revenues though the developer is saving money.

Mr. Pierce stated that the other thing that needs to be considered is that all these items will have to be tracked. He is trying to keep things relatively simply because the incentives have to be fed back to the state so that they may monitor Milford's progress. Once we start getting into rebates, transfer taxes, etc., it becomes much more involved than what was done in the business park with flat abatements.

The last item, Mr. Pierce referenced was the waiver of permit fees. If the committee agrees, the city could waive a one-time 100% waiver of all fees related to new building construction or site plans.

Mr. Grier asked the cost of a typical building permit fee for a large project in the business park. Mr. Pierce our permit fee is \$5.00 per thousand up to \$1 million; Ms. Crouch confirmed it then becomes \$2 per thousand for anything over a million.

The planning coordinator stated the building permit for a \$200,000 house would be \$1,000.

Mr. Grier recommends the committee continue to brainstorm. Mr. Pierce will do some further research and amend the draft with some of the items discussed tonight.

Mr. Grier reiterated that he likes the increase in the value by 50% and a tax abatement for a specific period of time.

Mayor Shupe said there are some current owners that would take advantage of that.

Mr. Mergner pointed out there are professional costs associated with these projects, such as engineering and architectural fees, that can really drive up the cost of a project. Mr. Grier pointed out that the grant aspect helps pay some of those costs. He recalled having to come up with quite a bit of unexpected money with his carwashes, particularly as he got close the end of the construction.

*Adjourn*

With no further business, Mr. Mergner moved to adjourn the Economic Development Committee meeting, seconded by Mr. Starling. Motion carried.

The Committee Meeting adjourned at 6:44 p.m..

Respectfully submitted,



Terri K. Hudson, MMC  
City Clerk/Transcriber