

[EXT]:SB 794 & HB 1179

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Dear Senator Guzzone,

My name is John Palmer. I am a resident of Wicomico County and a member of the Wicomico County School Board. I am sending this information in a fax because we've had some problems with connecting with the prompt on the Maryland General Assembly Homepage. I know others have had similar problems so I hope they will be able to get through to you.

I am writing in opposition to SB 794. This legislation is going to be devastating to the future of Wicomico County's revenue. Right now very few citizens know anything about this legislation. It has been kept in the dark because the people pushing this legislation know what will happen if the citizens get full wind of this and what it will cause. They will petition to rescind this bill in 2022. This has been designed to aid a group of developers and investors who have run out of funding for their project. It is a great deal for them but lousy for the future of our county. When it was brought out at a County Council meeting to have some kind of public input or acknowledgement of this legislation it was voted down by the same four council members who wanted this legislation.

I don't know what has gotten into our Eastern Shore Delegation on this issue and I don't know who they are listening to to push this. It's definitely not the citizens because they don't know about it. I'm sure this is what they will be telling you when this comes up. I get these from what we've been told.

1. We have more important issues at the top of our list
2. We are only doing what the county government wants.(yes, all four of them. It takes five votes to get an agenda item added but only four votes to spend millions of dollars on speculation on developers. Perhaps that should be changed in the current Charter Review Committee).
3. Well, all five city council members plus the four county members want this. It's easy to see why the city would want this. It's less money they have to spend and free money from the county. Why can't our delegation see this?. I'm still not clear why two of the four members who voted for this legislation could have future problems with the property that they own in the city and the appraisal business one had but sold it and is now employed by the same business. Do you know what this will look like when the citizens find out about what's going on?
4. This will give people jobs and students will have more rooms.(Right. Always a good phrase to throw in there. Tugs at your heart doesn't it? The last six hundred room student hotel was built with private funding and has never been occupied more than eighty-five percent).

Senator, I would like to see this bill pushed back to the county to be scrutinized not only by the council, who wanted to approve this at the first hearing, but also receive some kind of public input and perhaps raising the votes required to five members instead of just four for a matter that will affect the future of the entire County.

Thank you for your time Senator. You guys have a tuff job. John Palmer.

HOUSE BILL 1179 & SENATE BILL 794 -- WOULD YOU BELIEVE ...

The only Maryland County with a property tax revenue limit ("cap") that does not have a real estate transfer tax and pleads poverty when asking for more "disparity grant" and other state funding now wants to waive its property tax for major residential facilities. A bare majority of the Wicomico County Council have induced members of the Wicomico County Delegation to seek this enabling legislation to allow the Council to provide a "property tax credit" for both hotel and multifamily residential development without any significant limits as to the time/duration, amount, etc., of the tax waiver.

The undisclosed purpose of this proposed property tax policy should cause HB 1179/SB 794 to be deposited in the circular file. The following facts are a matter of public record.

Salisbury City officials and potential developers want to implement a huge property tax abatement scheme - called the "Horizon Program" - for large-scale residential and hotel development in and near downtown Salisbury. Those facilities would be totally free of property tax (100% credit) for five years following completion, and for the next 15 years the tax would be partially waived. During the 20-year period, the average annual waiver would be 70%, equal to the entire taxes for 14 years. The City Council is all in favor of this increase for the bottom line of those developers and their investors. Not surprisingly, groups like the local Chamber of Commerce also support the public giveaway.

City officials and potential developers have asked the County to provide a similar tax waiver to further benefit the developers and investors. To gain the necessary (fourth) County Council member's support, its request for this legislation does not mention the scope of the tax waiver under the Horizon Program, but simply suggests that the County wants enabling legislation so it can provide a tax waiver in the indefinite future if that seems to be needed. This is patent subterfuge - the other three members of the Council who voted to request this legislation, including a real estate appraiser and a major landlord, openly support the 20-year tax giveaway. That is the genesis of HB 1179/SB 794.

This unlimited tax credit legislation is not prudent public policy. The closest generally similar enabling legislation, which appears in section 9-304(f) of the *Tax-Property Article*, authorized the City of Baltimore to waive its property tax on new market-rate residential facilities at a specified and declining rate that averaged 30% over a 5-year period, equivalent to the entire tax for 1.5 years. That expressly limited enabling legislation expired in 2001. The unlimited tax credit legislation in HB 1179/SB 794 would enable a much greater tax waiver that would be unfair to the owners of existing or newly built residential facilities elsewhere in Salisbury or anywhere in the County. The waiver could be even longer lasting and greater in amount than under the Horizon Program.

Proponents of HB 1179/SB 794 have presented bogus argument to support the proposed tax revenue giveaway: for example, that it is like the Enterprise Zone tax credit. Another myth is that developers/investors and construction lenders from elsewhere consider Salisbury too insignificant ("tertiary") to do or finance large-scale development in the City. That is plain nonsense – in recent years there has been much large-scale residential development in Salisbury, including a major (648 bed) student housing project (*University Orchard*) that was developed and financed by firms from elsewhere. It opened in 2014, and several years ago it was purchased by a group of investors from elsewhere. That facility has received no tax waiver or "credit." Nor have the many other residential and hotel/motel facilities in Salisbury and elsewhere in Wicomico County.

A prospective downtown developer that wants to build a student housing facility is seeking investors (\$50,000 minimum investment), stating that they will have an IRR of over 15% and tax benefits. Under HB 1179/SB 794 and the Horizon Program, that facility would be relieved of all property tax for 5 years, during which, at its current assessment, the *University Orchard* facility would be taxed over \$1,000 per student bed every year in City and County property taxes. There would be significant property tax disparity for the following 15 years. Information about that proposed facility ("The Ross") is enclosed.

Rewarding certain developers and their investors by property tax credit would be unfair to both the owners of similar facilities, who would be at a substantial competitive disadvantage, and all property owners, who would pay more taxes to cover the lost revenue due to the waiver. And it would be horrid public policy for another reason.

According to the City of Salisbury, the residential and hotel facilities that would be largely tax-free for 20 years under the Horizon Program would have an assessed value of \$75 Million. At the County's current tax rate, that would result in about \$3.5 Million of lost revenue during the initial (100% waiver) 5-year period and about \$10 Million during the entire 20-year tax waiver period, assuming modest assessed value increase. At Salisbury's current tax rate, its lost revenue would be somewhat greater. Wicomico County is now the next to the lowest county in per capita property tax revenue and in the portion of its revenue from property tax (only Allegheny County is lower) according to DLS data. It is also among the highest in dependence on state grants.

Don't be deceived by certain local public officials and developers or by organizations such as the Chamber of Commerce and Greater Salisbury Committee that support this foolhardy legislation. The deliberately concealed purpose of HB 1179/SB 794 is to enable outrageously huge public welfare for the affluent at the expense of the County and its residents. Disregard the possible compromise suggestion that these bills could be made acceptable by amendment adding limits on the duration and/or amount of the tax credit. That's pure hogwash, and why put lipstick on a pig that should go straight to slaughter?