

**AS AMENDED ON OCTOBER 26, 2015
ORDINANCE NO. 2364**

AN ORDINANCE OF THE CITY OF SALISBURY, MARYLAND AMENDING CHAPTER 3, REVENUE AND FINANCE, OF THE CITY CODE BY ADDING CHAPTER 3.22 FOR THE PURPOSE OF ESTABLISHING AN ADVANCED TELECOMMUNICATIONS SYSTEMS PROPERTY TAX CREDIT.

WHEREAS, Section 9-228, Tax-Property Article, of the Annotated Code of Maryland gives counties and municipalities the option to offer a tax credit on real property for renovations to commercial or residential buildings to meet state-of-the-art communications and utility standards for accommodating advanced computer and telecommunications systems; and

WHEREAS, the City of Salisbury has an interest in incentivizing the revitalization of the Downtown; and

WHEREAS, the enabling legislation, within the Annotated Code of Maryland, gives the municipality the ability to define the eligible area for this tax credit as within areas that are designated as sustainable communities; and

WHEREAS, the Downtown Historic District, as defined in Salisbury Code 17.60, falls within Salisbury's sustainable community; and

WHEREAS, the City of Salisbury will be installing fiber optic cables in the Downtown to support and encourage the usage of advanced computer and telecommunications systems in the Downtown; and

WHEREAS, an Advanced Telecommunications Systems Property Tax Credit will further the City of Salisbury's aim of revitalizing the Downtown generally and encouraging the usage of advanced telecommunications system technology specifically.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that Chapter 3 be amended by the addition of Chapter 3.22 as set forth herein:

Chapter 3.22

ADVANCED TELECOMMUNICATIONS SYSTEMS PROPERTY TAX CREDIT

Sections:

3.22.010 Definitions

3.22.020 Advanced telecommunications systems property tax credit

3.22.030 Implementation

3.22.010 Definitions

As used in this chapter, the following terms shall have the meanings indicated:

- A. “Licensed Appraiser” means an appraiser that is licensed with the Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors of the Maryland Department of Labor, Licensing, and Regulation.
- B. “Cost of Qualify Renovations” means the added value to the property as a result of the renovations as determined by a third-party licensed appraiser.
- C. “Eligible Area” means the area of the City of Salisbury that has been designated as the “Downtown Historic District, pursuant to the Salisbury Code 17.60.
- D. “Qualifying Renovations” means renovations to a commercial or residential building that the Director of the Department of Information Technology or his designee determines to qualify for this tax credit under the guidelines in 3.22.020(D).

3.22.020 Advanced telecommunications systems property tax credit

- A. Pursuant to the authorization contained in Section 9-228, Tax-Property Article, Annotated Code of Maryland, the City of Salisbury elects to provide an advanced telecommunications systems property tax credit for the taxable years beginning July 1, 2016.
- B. There is a City of Salisbury advanced telecommunications systems property tax credit against real property for commercial or residential buildings in the eligible area to which qualifying renovations have been made to meet state-of-the-art communications and utility standards for advanced computer and telecommunications systems described in section 9-228, Tax-Property Article, Annotated Code of Maryland.
- C. For any taxable year, the total amount of property tax credits for a single property may not exceed the lesser of:
 - 1. Ten percent (10%) of the cost of qualifying renovations to a commercial or residential building to meet state-of-the-art communication and utility standards for accommodating advanced computer and telecommunications equipment; or
 - 2. The City of Salisbury property tax otherwise due for that taxable year.
- D. A property tax credit may be granted under this chapter if the Director of the Department of Information Technology or his designee:
 - 1. Before construction commences, review and approves the plans for the renovations as meeting industry standards published by the Electrical

- Industry Association and Telecommunications Industry Association (EIA/TIA Building Standard 568); and
2. During construction and on completion of construction, reviews and approves the implementation of the renovations as conforming to the approved plans based on the appraisal report of a third-party licensed appraiser.

E. This tax credit may apply for up to ten taxable years, beginning with the fiscal year following final approval in accordance with subsection 3.22.020(D).

3.22.030 Implementation

A. To administer the program, the Business Development Specialist of the City of Salisbury shall distribute and receive any forms that are required for application to the program. The Business Development Specialist may begin soliciting applications on the date of passage.

B. Properties that currently receive a property tax credit under Section 9-103 or 9-103.1, Tax-Property Article, Annotated Code of Maryland, are not eligible for the Advanced Telecommunications Systems Property Tax Credit created under this chapter. If a property applies for and receives a property tax credit under Section 9-103 or 9-103.1, Tax-Property Article, Annotated Code of Maryland, the property will no longer be eligible for the property tax credit created under this chapter.

C. The cost of the appraisal of the property shall be borne by the owner of the property.

AND BE IT FURTHER ORDAINED that this Ordinance shall take effect from and after the date of its final passage.

THIS ORDINANCE was introduced, read and passed at a meeting of the Council of the City of Salisbury, Maryland, held on the 26th day of October, 2015, and thereafter, a statement of the substance of the Ordinance having been published as required by law, was finally passed by the Council on the 9 day of November, 2015.

ATTEST:

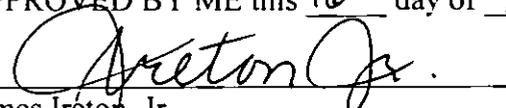


Kimberly R. Nichols
CITY CLERK



Jacob R. Day
CITY COUNCIL PRESIDENT

APPROVED BY ME this 16th day of November, 2015.



James Iréton, Jr.
MAYOR

INTER

OFFICE

MEMO

OFFICE OF THE MAYOR

To: City Council
From: Theo Williams
Subject: Edits to Tax Credit for Advanced Telecommunications Systems
Date: Oct 13th, 2015

In order to cover 100% of the cost of renovations, the added improvement to the property would have to equal approximately 10.3% or less of the original value of the building. As can be seen in the attached examples, when the value of the improvement to the building is equal to 10.3% of the value of the property, the yearly property taxes due equals 1/10th of the improvement. As shown in the first example, a \$1,300 improvement on a property worth approximately \$12,621, when reassessed would be worth \$13,921. The annual tax due would be \$130.44, while the credit would be worth \$130, saving the tax payer 100% of the cost of the renovation over the course of ten years.

The numbers supplied in the examples, however, reflect the cost of installing the upgrades, which do not translate to an equitable increase in the assessment value. These values were taken from Mr. Garrett's attached estimates of installing CAT6E and Fiber cables in variously-sized businesses. Thus, while wiring a small office with Fiber cables may cost \$16,910, the building upon its reassessment may not increase by that much and thus the real savings from the tax credit then would fall below 100%. If, however, in continuing with this example, the property was already worth \$181,000, then the taxes otherwise due would cover the cost of the renovation.

Moreover, and I hate to complicate things further, the current definition of "Cost of Qualifying Renovations" means "the added value to the property as a result of the renovations as determined by a third-party licensed appraiser," which may not be equal to the added value of

reassessment. Nor will that necessarily equal the cost of the renovations. If council wishes for this tax credit to cover 100%, or the closest to 100%, of the renovations, council would need to change the definition of "Cost of Qualify Renovations" to mean "the cost of installing the qualifying renovations." This can become a bit convoluted if the installation of the renovations was done by the owner themselves and not a contractor.

Regardless of the definition of cost of qualifying renovations, most upgrades, according to Mr. Garrett's examples, would be between \$1,300 and \$84,000, meaning that a building would have to be assessed at \$816,000 or less to achieve 100% return on investment. The majority of buildings in the Downtown would fall within this range. Renovations exceeding this could lead to substantial revenue loss for the City of Salisbury.

Any tweaks that council wishes me to make can easily be achieved before this ordinance goes to first reading. I look forward to any further questions that you have.

Cc: Julia Glanz, Bill Garrett, Laura Kordzikowski, Keith Cordrey