



CITY OF HAGERSTOWN, MARYLAND

Department of Community & Economic Development

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TO: Scott Nicewarner, City Administrator

FROM: Chris Siemerling, Economic Development Specialist
Amanda Gregg, Finance Specialist

DATE: June 11, 2024

RE: Invest Hagerstown FY25 Funding Levels

At the June 11, 2024 Work Session, staff will review the attached Chart of Components and Funding Levels. Staff seek a determination of the funding levels for each of the program components for FY25. The chart provides an outline based on past years. A total of \$975,000 is available in Fiscal Year 2025 (July 1, 2024 to June 30, 2025).

Attachments:

1. Chart of Components and Funding Levels
2. Draft Motion for Funding Level Chart
3. Budget Book Section 4, Pages 10-12 - Economic Redevelopment Fund – Invest Hagerstown Program History and FY25 Budget

c: Review Committee

INVEST HAGERSTOWN GRANT PROGRAMS
FY2025 Chart of Components and Funding Levels – 06/11/2024

City Center Redevelopment Grant Program – Grants from a minimum of \$150,000 to a maximum of \$250,000 and require a minimum 2:1 match from the developer. Projects ranging \$450,000 to \$750,000+.	\$500,000
City-Wide Redevelopment Grant Program – Grants from a minimum of \$5,000 to a maximum of \$25,000 and require a minimum 2:1 match from the developer. Projects ranging \$15,000 to \$75,000+.	\$185,000
Homeownership Grant Program – Down payment and closing cost assistance that provides loan-to-grants of \$7,500 to eligible homes within City limits to enhance home ownership in the area. Eligible homes may not exceed 125% of the average home sale price within City limits.	\$165,000
Rental Property Rehabilitation Grant Program – Grants of \$7,500 to a maximum of \$20,000 to assist with rental property rehabilitation to market rate rental and requiring 2:1 match. Projects ranging from \$22,500 to \$60,000+. Projects receiving grants greater than \$7,500 require 2 or more units within a single property/parcel.	\$80,000
Commercial Sign & Façade Grant Commercial sign grants range from a minimum of \$250, to a maximum of \$1,500 and require a minimum 1:1 match from the business owner to promote brand visibility and customer awareness Façade grants range from a minimum of \$2,500 to a maximum of \$7,500 and require a minimum 1:1 match from the developer to improve storefront elements and enhance City Center. Projects ranging from \$5,000 to \$15,000+.	\$45,000
Total	\$975,000

**REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND**

DATE: June 18, 2024

TOPIC: **Approval of FY2025 Invest Hagerstown Grant Program Funding Levels**

Charter Amendment	—
Code Amendment	—
Ordinance	—
Resolution	—
Other	<u>X</u>

MOTION:

I hereby move for the Mayor and City Council to approve the Invest Hagerstown Grant Program's funding levels for FY2025 according to the attached chart.

The program includes five categories: 1.) the City Center Redevelopment Grant Program; 2.) the City-Wide Redevelopment Grant Program; 3.) the Homeownership Grant Program; 4.) the Rental Property Rehabilitation Grant Program; and 5.) the Commercial Sign & Façade Grant Program.

Mayor and City Council approve the City Center Redevelopment Grant applications, and will approve the reuse of any uncommitted/undisbursed and/or forfeited commitments in the City Center Redevelopment Grant category.

The program Review Committee approves the grant applications across the other categories, and will approve the reuse of any uncommitted/undisbursed and/or forfeited commitments in all categories, except the City Center Redevelopment Grant category, with the ability to reuse such funds across any of those program components.

Funding of this program will come from the Economic Redevelopment Fund Invest Hagerstown line items in the Fiscal Year 2025 budget.

DATE OF INTRODUCTION:	6/18/2024
DATE OF PASSAGE:	6/18/2024
EFFECTIVE DATE:	6/18/2024

ECONOMIC REDEVELOPMENT FUND - PROGRAM DESCRIPTION
FISCAL YEAR 2024/2025

DEPARTMENT / PROGRAM OVERVIEW

The Department of Community and Economic Development administers the Economic Redevelopment Fund which includes multiple economic incentive programs and property resale initiatives.

Properties Held for Resale

The following properties held in this fund were recently sold:

- 216 S. Propsect - sold in February 2023
- 11850 Indian Lane - sold in August 2023

11850 Indian Lane Expenditures	FY17	FY18-20	FY21-FY24	Total
Acquisition	\$ 467,896	-	-	\$ 467,896
Demolition/Construction/Rehabilitation	\$ -	\$ 102,231	\$ 6,700	\$ 108,931
Total	\$ 467,896	\$ 102,231	\$ 6,700	\$ 576,827

Invest Hagerstown Program:

In order to stimulate redevelopment and investment in Hagerstown, the Mayor and City Council created multiple incentive programs under the Invest Hagerstown initiative. Each incentive program offered substantial City incentives for commercial redevelopment, mixed-use redevelopment, and residential investment.

Beginning in FY19, the Invest Hagerstown program was re-implemented with dedicated funding from the General Fund real estate tax rate. Funding was provided in the amounts shown for each fiscal year to support various incentive program components:

FY19	\$549,000
FY20	\$800,000
FY21	\$804,000
FY22	\$819,000
FY23	\$855,000
FY24	\$928,000
FY25	\$975,000 Budgeted

Since FY19, the Invest Hagerstown Program has leveraged more than \$55.4 million in private sector investment, more than 370 new jobs, and 92 new homeowners. Additionally, the program has resulted in more than 185 new or renovated units.

Invest Hagerstown - FY25 Proposed Budget:

The FY25 Budget includes \$975,000 for funding of the Invest Hagerstown Program. The components of the program are expected to model similarly to the FY24 program with some possible variation.

Invest Hagerstown - Program Components:

The Invest Hagerstown program has several program components:

1. City Center Redevelopment Grant Program: Grants from a minimum of \$150,000 to a maximum of \$250,000 and requiring a minimum 2:1 match from the developer. Projects ranging \$450,000 to \$750,000+.
2. City-Wide Redevelopment Grant Program: Grants from a minimum of \$5,000 to a maximum of \$25,000 and requiring a minimum 2:1 match from the developer. Projects ranging \$15,000 to \$75,000+.
3. Homeownership Loan to Grant Program: Provides down payment/closing cost assistance funding of \$7,500 City Wide. Funding is provided as a 0% interest loan to applicants buying a home in the City of Hagerstown and loan converts to a grant if applicant resides in home for five years.
4. Rental Property Rehabilitation Grant Program: Grants from a minimum of \$7,500 to a maximum of \$20,000 for rental property rehabilitation to market rate rental and requiring 2:1 match. Projects \$22,500 to \$60,000+.
5. Commercial Sign & Facade Grant Program: Grants for commercial signs from a minimum of \$250 to a maximum of \$1,500 requiring a 1:1 match. Projects ranging from \$500 to \$3,000+. Grants for facade improvements from a minimum of \$2,500 to a maximum of \$7,500 requiring a 1:1 match from the developer. Projects ranging from \$5,000 to \$15,000+.

A chart for the actual expenditures of the Invest Hagerstown program since FY19 is shown below:

Invest Hagerstown Program Incentives	FY19-FY21	FY22	FY23	FY24	FY24	FY25
Expenditures	Actual	Actual	Actual	Budget	Estimated Actual	Proposed Budget
City Center Redevelopment	\$ 1,330,000	\$ 750,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
City Wide Redevelopment	\$ 294,000	\$ 151,182	\$ 100,979	\$ 175,815	\$ 187,021	\$ 185,000
Homeownership	\$ 209,835	\$ 99,916	\$ 149,835	\$ 172,500	\$ 172,500	\$ 165,000
Rental Property Rehabilitation	\$ 7,500	\$ 52,500	\$ 40,000	\$ 96,206	\$ 85,000	\$ 80,000
Fascade: Invest Hagerstown	\$ 14,898	\$ 41,500	\$ 11,550	\$ 50,950	\$ 50,950	\$ 45,000
Total Expenditures per Year	\$ 1,856,233	\$ 1,095,098	\$ 802,364	\$ 995,471	\$ 995,471	\$ 975,000

Invest Hagerstown – FY14 Initial Program:

The initial program was funded in FY14 with \$1,500,000 in funding from General Fund Reserves. The Invest Hagerstown Program provided grants up to \$250,000 for eligible redevelopment projects in the City Center and up to \$50,000 for eligible redevelopment projects City-wide. The City partnered with the private sector to assist in moving development forward. This program resulted in a combined private and public investment City-wide estimated at \$4,173,000.

The Invest Hagerstown Program also provided down payment/rehab grants up to \$7,500 for homebuyers purchasing a vacant home within the City of Hagerstown. The Invest Hagerstown Program also provided down payment/rehab incentives for homebuyers in City Center and a rental subsidy for renters in City Center with the goal of attracting a more diversified population Downtown. This program assisted 24 homeowners City wide and 7 homeowners in City Center for a total of 31 homeowners. The program also assisted 18 renters in City Center.

By the end of FY19, all of the funding of the initial program was expended or committed for this program.

ECONOMIC REDEVELOPMENT FUND - PROPOSED EXPENSES AND REVENUES
FISCAL YEAR 2024/2025

ACCOUNT DESCRIPTION	2022/23	2023/24		2024/25	2024/25
	ACTUAL	BUDGET	EST. ACTUAL	PROPOSED	% CHANGE
REVENUES					
State Community Legacy Grant	\$ 200,000	\$ 475,000	\$ 75,000	\$ 575,000	21.1%
State Strategic Demolition Grant	-	140,000	140,000	-	-100.0%
ARPA - Economic Incentives	-	234,573	234,573	-	-100.0%
Interest on Investments	19,250	8,000	42,000	25,000	212.5%
Other Revenues	11,628	11,950	1,996	-	-100.0%
Total Revenues	230,878	869,523	493,569	600,000	-31.0%
EXPENDITURES					
Administrative Expenditures	38,478	30,120	17,909	18,000	-40.2%
Property Acquisition and Renovation					
Costs: Properties Held for Resale	-	-	17,454	-	0.0%
Current Property Expenditures	14,964	9,660	3,644	3,633	-62.4%
PEP Subsidized Rent Payments	87,441	131,500	131,500	131,500	0.0%
Economic Incentives	54,813	35,000	35,000	35,000	0.0%
Economic Incentives: Community Legacy Grant	-	475,000	75,000	575,000	21.1%
Economic Incentives: Restaurant Ready Grant *	-	234,573	234,573	-	-100.0%
Economic Incentives: Strategic Demolition Grant	-	140,000	140,000	-	-100.0%
City Center Redevelopment: Invest Hagerstown	500,000	500,000	500,000	500,000	0.0%
City-Wide Redevelopment: Invest Hagerstown	100,979	175,815	187,021	185,000	5.2%
Homeownership Grant: Invest Hagerstown	149,835	172,500	172,500	165,000	-4.3%
Rental Property Rehab: Invest Hagerstown	40,000	96,206	85,000	80,000	-16.8%
Facade: Invest Hagerstown	11,550	50,950	50,950	45,000	-11.7%
USMH Housing Catalyst #3 **	222,260	26,000	26,000	26,000	0.0%
Loss on Sale of Capital Assets	14,181	-	-	-	0.0%
Total Expenditures	1,234,501	2,077,324	1,676,551	1,764,133	-15.1%
OTHER FINANCING SOURCES (USES)					
Transfers from General Fund	200,000	200,000	200,000	347,000	73.5%
Transfers from General Fund: Third Parking Deck	120,000	-	-	-	0.0%
Transfers from General Fund: Invest Hag Incentives	855,000	928,000	928,000	975,000	5.1%
Transfers from GF Fund Bal: Third Parking Deck	580,000	-	-	-	0.0%
Transfers (to) Parking Fund Fund ***	(700,000)	(500,000)	(500,000)	-	-100.0%
Total Other Financing Sources	1,055,000	628,000	628,000	1,322,000	110.5%
Net Change in Fund Balance	51,377	(579,801)	(554,982)	157,867	-127.2%
Beginning Fund Balance	1,196,849	1,248,226	1,248,226	693,244	-44.5%
Ending Fund Balance	\$ 1,248,226	\$ 668,425	\$ 693,244	\$ 851,111	27.3%

* FY24 Budget and Estimated Actual include \$235K ARPA funding utilized for Restaurant Ready Grant Incentive program.

** FY23 Actual includes a \$200K Community Legacy grant pass thru for student housing projects.

*** FY24 Estimated Actual includes transfer for new Parking Deck from sale proceeds of Indian Lane.