



Sage Policy  
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# **City of Cambridge Economic Development Executive Summary**

Submitted by:

Sage Policy Group, Inc.

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On behalf of:

City of Cambridge, MD

April 2010

# City of Cambridge Economic Development Strategic Plan

## A. Executive Summary

### Strategic Context

The City of Cambridge is genuinely the “jewel of the Delmarva peninsula.” Cambridge possesses all the resources and history to earn that label: breathtaking waterfront views, the Blackwater Wildlife National Refuge, a heritage that among other things includes the legacy of the great Harriet Tubman, a University of Maryland medical facility, a quaint and historic downtown, a concentration of artists and small business owners, tranquility and easy access to several major cities.

Despite its myriad advantages, the City has not achieved an acceptable degree of economic success relative to other Eastern Shore population centers. The primary purpose of this economic development strategy is to analyze the City’s opportunities, weaknesses, competitive environment and place within the 21<sup>st</sup> century economy in order to develop a set of action plans that will accelerate business formation, promote investment, bolster employment opportunities, speed income growth and vastly increase the size of the City’s long-run tax base. The report also provides a guide for recommendation implementation, including estimating the cost and benefits of implementing the recommendations.

### Methods/Approach

The Sage consulting team approached this endeavor from a number of different angles, including a comprehensive literature review, dozens of interviews with key community stakeholders, extensive data analysis, a comprehensive SWOT analysis, and leveraging of previously acquired experience in crafting economic development strategies on behalf of other communities.

### Community Profile

The community is characterized by high unemployment, low incomes, low educational attainment, poor educational outcomes, deteriorating housing stock in many areas, high vacancy downtown, high industrial vacancy, lack of visitation and tourist activity relative to competitor communities and high taxes. These elements are highlighted in the report’s SWOT analysis.

Conversely, the community is also associated with rapid small business formation, available developable land, waterfront, a historic downtown and quaint architecture, proximity to several large cities, a growing community of artisans, the legacy of Harriet Tubman, the presence of the four-star Hyatt resort, adjacency to Route 50, a can-do workforce, an area attractive for retirees, a University of Maryland-operated medical center and innumerable stakeholders who care deeply about the City.

### *Nine Recommendations Grouped in Five Categories*

The recommendations detailed below are intended to accentuate the community's myriad strengths while deemphasizing some of the more challenging aspects of the economic environment.

During development of this report, Steering Committee members repeatedly emphasized how important ongoing improvement in Dorchester County's preK-12 education system is to the City of Cambridge's economic development success. The Sage consulting team could not agree more. Better schools would attract additional families, which in turn would stimulate more economic activity/investment, key City of Cambridge objectives. However, no recommendations regarding the quality of public education have been offered since implementation of any recommendations would be beyond the domain of the Mayor and City Council of Cambridge, for whom this report is most directly intended.

Steering Committee members also emphasized how important it is for City government to be fully attuned to the needs of business. The goal is to create a more harmonious relationship between local employers and City government. Steering Committee members and other contributors to this report repeatedly stated that the processes at the local government level for developing businesses is often challenging. This is unfortunate and must be addressed. One of the report's recommendations addresses this issue directly. Moreover, during of the formation of the City's Comprehensive Plan, there were discussions regarding the potential reversal of previously approved real estate developments. This struck a number of key local investors as being unfriendly to business and also had the potential of rendering the City vulnerable to legal challenges. It is suggested that the City not pursue reversal of development approvals as part of a broader strategy to improve Cambridge's business climate.

#### **1. Leverage Cambridge's Waterfront**

##### **Implement Waterfront 2020 Plan**

The state-owned Sailwinds property represents an opportunity for Cambridge to develop a must-see attraction – the type that will induce visitors from the Cambridge Hyatt and travelers to and from Ocean City to spend time in Cambridge. Accordingly, the City should work with appropriate partners to implement the Waterfront 2020 concept plan. The Waterfront 2020 endeavor embodies a comprehensive renovation plan for an area stretching from Great Marsh Park to the Hyatt Resort site along the Choptank River. This should be the City's number one Economic Development Project given the short available timeframe, particularly because the lease period of the Port Property of Sailwinds will expire in 2014. No aspect of economic development in Cambridge is as potentially impactful as this and therefore there should be a significant level of urgency regarding implementation of the Plan.

Sage strongly recommends that Waterfront 2020 Plan be implemented through collaboration with State Government. Specifically, the City must immediately begin developing a Request for Information (RFI) in conjunction with the State to identify potential developers with visions consistent with the goals of job creation, tax base formation and enhanced visitation. Sage recommends part of the initiative be to support the development of the Richardson Foundation's

project on the adjacent waterfront property, including workshops in boatbuilding and other potential maritime activities. Sage also suggests the creation of an Interactive Museum and Learning Center on the Sailwinds Property with Harriet Tubman being an ideal focus to pursue.

## **2. Downtown Initiatives**

### **A. Cambridge Micro-Enterprise Center**

Sage envisions that this could be accomplished through creating a Micro-Enterprise Center or business incubator for small, startup businesses in downtown Cambridge. The Micro-Enterprise Center could ultimately share resources with the ongoing Dorchester Technology Park, including counselors in law, business plan development, finance/accounting and human resources. The downtown incubator will not focus on technology firms, but shall focus on arts and crafts and specialty retail. If managed properly (Sage proposes by City of Cambridge Economic Development), the micro enterprise center could attract regional downtown entrepreneurs from nearby jurisdictions, turning Cambridge Main Street into the “center of Eastern Shore Entrepreneurship.”

### **B. Strategic Use of Chesapeake College**

The College’s relocation plan is supported by some of the stakeholders in the City. In Sage’s view, however, the City must realize that the Campus presence in the city provides many advantages. One is incoming students, and two, one more spaces filled in down town (i.e. lowered vacancy rate) and three, education. These advantages have to be reconciled into the economic development.

The existing site is undoubtedly too small given the ongoing expansion in demand for lifelong learning, but until the College is ready to move ahead financially with something more ambitious, the goal should be to utilize the existing site more efficiently by creating synergy between the City and the College. The City shall commence discussions with Chesapeake College to retain the campus downtown and to render basic improvements to the site to improve the look and feel of Main Street.

## **3. Business Friendly Initiatives**

### **A. Substantial tax breaks for new downtown construction or significant rehabilitation**

Given the ongoing weakness in the broader economy, tight credit and Cambridge’s desire to accelerate population growth and tax base formation, Sage proposes that the City provide developers with significant property tax breaks beginning on 7/1/2011 lasting through 6/30/2015. With the help of the Steering Committee, the consulting team identified a triangular area of downtown enclosed by three streets – High, Washington and Trenton Streets and north along Cambridge Creek to include the Port Property of Sailwinds – as representing an ideal location for the tax break district.

The tax break as proposed would allow developers/investors to pay one-fifth of their increased City tax obligations in tax break year 1 (increases in property values due to improvements only),

two-fifths during year two, three-fifths during year three and four-fifths during year four. The reduction in tax obligation pertains only to investments in excess of \$50,000/structure. It should be noted that investment could begin today, with applicable paperwork showing the level of investment qualifying for the tax break submitted as early as July 1<sup>st</sup> of next year. In other words, the proposed start date of the tax break in 2011 does not penalize developers who invest in their properties in 2010. An example of how the tax break should be implemented is presented in Section B. In order to maximize the positive impact of the proposed recommendation, the City should also provide a reduction on impact fees and excise taxes within the downtown district area (as defined in the new comprehensive plan) for new development.

Simultaneously, the City should create a system to conduct more frequent property inspections in order to monitor the maintenance of properties downtown to preserve assessed values and tax base. To reinforce the impact of these efforts, the City should consider working with key landlords to improve economic outcomes. Presently, there exist a handful of landlords who preside over a significant fraction of Cambridge's under-performing property. These properties are associated with chronically high vacancy and diminish downtown vitality. The City could address this in a number of ways. First, it could work with existing landlords to induce the establishment of reasonable asking rents or promote other actions to reduce vacancy, including property improvement. This should be the responsibility of Cambridge Economic Development.

In the future, the City could also attempt to purchase the underperforming properties with the intention of the re-selling those properties to more engaged investors and property managers.

#### B. Adopting a Business Friendly Approach to Government

The City of Cambridge is already engaging in an important aspect of economic development by building its capacity for business retention and creation on an ongoing basis. This effort is embodied in the operations of Cambridge Economic Development, which has become an important resource for local businesses with particular concerns or general need for information regarding workforce issues, government process issues and/or other aspects of doing business.

The study team notes that economic development is not simply a matter for Cambridge Economic Development. Every agency must be actively engaged in the mission of creating an environment that is attractive and supportive to and of local businesses. The ultimate objective is to maximize job creation and income formation. Job creation and income formation represent the highest order of economic development goals. To this end, Cambridge Economic Development quickly should complete a city Business Friendly Initiative with all major agency heads to submit an action plan (with stated modified procedures).

#### **4. Impactful Marketing Campaigns**

##### **A. Industrial Space Marketing Campaign**

Cambridge must make producers aware of the availability of both trainable labor and leasable industrial space. Sage envisions the budget for the marketing to be overseen by Cambridge Economic Development. The emphasis should be placed on the existing notable companies as well as the Dorchester Technology Park, an effort led by Dorchester County Economic Development. In the short-term, much can be accomplished without a budget by leveraging the services of local brokers.

##### **B. Senior Living/Healthcare Sector Campaign**

Cambridge possesses the key elements necessary to position itself as a retirement destination. In order to raise the City's profile along this dimension, Sage recommends that Cambridge embark on an aggressive marketing campaign targeted toward elderly population. Focus should be given to the City's healthcare infrastructure, waterfront and availability of tax break (see below). Effective use of the Internet and social media will be critical.

#### **5. Accelerating Residential Investment and Improving Quality of Existing Housing**

##### **A. Special Retiree Tax Break for Existing Housing Stock**

Beginning as soon as possible and lasting until 12/31/2015, the City of Cambridge should offer a special retiree tax break for those households headed by an individual age 60 or older moving on a full-time basis to the City and purchasing for owner-occupancy. The eligible individuals would receive 50 percent reduction in their real estate tax obligation over the course of three years. The goal of the tax break is to reduce the inventory of unsold housing units in the City and to create an environment more conducive to residential development. This will accelerate tax base formation and will also help support Main Street and other revitalization efforts.

##### **B. Cambridge's Gateway/Thoroughfare Overlay District**

Investment can and should be accelerated by reforming the current zoning code in the city. The City of Cambridge should select an area that includes important thoroughfares to serve as a pilot special code enforcement district. Of particular importance are highly visible city gateways, including the district along Maryland Avenue, Cedar, Washington, Pine, Glasgow and Locust Streets. The goal should be to accelerate investment in existing properties and to induce transfer of ownership from lax property managers to engaged ones. The new zoning should also address the problem of concentration of Section 8 housing in the community.

## Conclusion

These recommendations have been designed to function together to create an economic environment more conducive to business formation, growth and survival. They have also been fashioned to maximize private investment in the community and to dramatically accelerate job creation. In sum, faithful implementation of these recommendations would also be associated with the following:

- successful development of the Sailwinds property;
- more rapid population growth;
- reduced unemployment and higher household incomes;
- greater investment;
- higher quality housing stock and more impactful commercial development;
- rapid small business formation;
- expanded visitation;
- improved quality of life;
- improved appearance of community gateways;
- enhanced reputation of Cambridge as a first-class retirement destination;
- reduced urban decay;
- lower downtown vacancy rates;
- lower industrial vacancy rates; and
- enhanced educational opportunities for City residents.

## B. Fiscal Notes for Downtown and Senior Tax Breaks

### 1. Business Friendly Initiative

An important aspect of the Business Friendly Initiative is a tax break for downtown developers. The Downtown/Waterfront Development district tax break represents a triangular area bounded by and including High, Washington and Trenton Streets and north along Cambridge Creek to include the Port Property of Sailwinds. Developers who invest more than \$50,000 will be eligible for the following tax reductions during the period July 1, 2011 until July 1, 2015. It is important to note that the investment downtown can begin before July 1<sup>st</sup>, 2011. For instance, a developer who completes more than \$50,000 worth of work on a downtown property in calendar year 2010 would be eligible for a tax break in fiscal years 2012, 2013, 2014 and 2015. This developer/investor would therefore qualify for all four years of the tax break. However, an investor who completes their work on December 31<sup>st</sup>, 2014 (for example) would only qualify for one year of tax break (2015). The goal of this timing is to induce significant acceleration in investment in the near-term.

- i. Year 1 – responsible to pay 20% of the regular tax on the increased assessed value
- ii. Year 2 – responsible to pay 40% of the regular tax on the increased assessed value
- iii. Year 3 – responsible to pay 60% of the regular tax on the increased assessed value
- iv. Year 4 – responsible to pay 80% of the regular tax on the increased assessed value

#### Example

Given the ongoing weakness in the broader economy, tight credit and Cambridge's desire to accelerate population growth and tax base formation, Sage proposes that the City provide developers with a property tax break on improvements beginning on 7/1/2011 lasting through 6/30/2015.<sup>1</sup> This tax break would allow developers/investors to pay only one-fifth of the tax levied on the assessment due to the improvements. For example, a downtown property owner owns a property with an assessed value of \$240,000. The property owner makes improvements that increase the assessed value to \$300,000. Thus, this property owner's new property tax obligation for Year 1 is calculated as follows:

$$\begin{aligned} & \mathbf{\$240,000} \text{ (assessment prior to improvements)} \times \mathbf{0.676/\$100} \\ & \text{plus} \\ & \mathbf{\$60,000} \text{ (the difference between the existing assessment and the} \\ & \text{new assessment based on improvements)} \\ & \mathbf{\times 0.676/\$100 \times 0.2 =} \\ & \text{New Property Tax Amount with Tax Break} \\ & \mathbf{\$1,703.52} \end{aligned}$$

In other words, without the tax break, their tax liability would be \$300,000 multiplied by the City tax rate, which would equal \$2,028.00. With the tax break, the tax on the property is \$1,703.52

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<sup>1</sup> According to Maryland State Department of Assessments and Taxation, reassessment for new construction or improvements takes place twice a year (spring and fall).

for year one. Without the tax break or improvements the taxes collected on the \$240,000 property would only be \$1,622.40.

## 2. Senior Tax Break

The three-year 50 percent reduction in City property tax for older residents who migrate to the City and move into existing vacant houses on the basis of owner occupancy lasts between July 1<sup>st</sup> 2010 and December 31<sup>st</sup>, 2015. The advantage to the City is reduction in available housing supply, which will help to stabilize housing values (assessments) and expand existing tax revenues over time. Additionally, increased City population will add to overall economic support for retail and commercial activities.

### Method of Fiscal Analysis

No public data is available specifically regarding senior migration to Cambridge, MD. However, according to a 2006 study published by the Maryland Department of Planning, between 1995 and 2000, Dorchester County experienced in-migration of 576 senior citizens aged 55 and older. This translates into average of 115 senior immigrants each year. That figure translates into 0.38 percent of total average population in the county between 1995 and 2000 according to the U.S. Census Bureau.

Sage utilized the presumption that senior in-migration to Cambridge would follow patterns observed countywide. In 2009, it is estimated that the population of Cambridge was 11,654. Based on this and the overall aging of the population since 2000, the study estimates that 46 senior households move to Cambridge in a typical year (11,654 people x .38% x 1.0367). This latter figure represents an adjustment factor that accounts for the general aging of the potential in-migrant population since 2000. The 46 household figure serves as the baseline estimate regarding how many senior households would move to Cambridge in the absence of a senior property tax break.

### Key Dorchester County Population Statistics

Dorchester County	1995-2000 average:
A. Senior Immigrant (age between 55 and older):	115
B. Population averaged between 1995 and 2000:	30,692
% of the Annual Senior Immigrant Population (A/B):	0.38%

The table below provides the expected evolution of Cambridge’s population with and without a tax credit. The column A indicates the number of in-migrants expected to come regardless of the tax break (“the natural case”). The study team estimates that of this group, two-thirds will be homeowners. Of that group, roughly two-thirds will qualify for the tax break by purchasing an available vacant unit. This translates into roughly 20 households who qualify for the tax credit even though they would have moved to Cambridge in any case. This group is an unintended beneficiary of the tax break and therefore represents an opportunity cost to the City of Cambridge. Cumulatively, the study team estimates that 44 additional senior households will be

living in the City by 2015 if the tax break is implemented (see difference Columns D and E below).

This is based on an estimate of market share gain, including from Denton, which will have a higher combined City-County tax rate if Cambridge administers the proposed senior tax break. Over five years, senior in-migration to Cambridge will be 19 percent greater according to study team estimates with the tax break than without.

Estimated evolution of Cambridge senior in-migration with and without tax incentive

	A: Senior In-migration (Senior households who would have come to Cambridge anyway)	B: Senior Home Owners under the natural case who qualify for the tax break (44% of senior in-migrants):	<i>Expected increase in the senior home owners due to tax break:</i>	C: Senior home owners with tax break	D: Cumulative Increase in Senior Home owners under no tax break scenario	E: Cumulative New Senior Home Owners with Tax Break
2011	46	20	+18	38	20	38
2012	46	20	+14	34	40	72
2013	46	21	+8	29	61	101
2014	47	21	+4	25	82	126
2015	47	21	+0	21	103	147
2016	48	21	+0	21	124	168
2017	48	21	+0	21	145	190
2018	49	22	+0	22	167	212
2019	49	22	+0	22	189	234
2020	50	22	+0	22	211	256
2021	50	22	+0	22	234	278
2022	51	23	+0	23	256	301
2023	51	23	+0	23	279	324
2024	52	23	+0	23	302	347
2025	53	23	+0	23	326	370

With respect to the additional 44 households, it is assumed that the average cost of home purchased by this group will be \$280,000/unit. The underlying tax rate is presumed to hold constant at 0.67/\$100 assessed value. The exhibit below reflects tax collection consequences for the tax break over the next 15 years. The study team concludes that the net cumulative fiscal impact between now and 2025 is over +\$706,000. However, the fiscal impact is slightly negative for the initial three fiscal years. This is because during the early years of the tax break, the City of Cambridge forfeits a portion of revenues that it would otherwise have collected from those who would have moved to the City even in the absence of the tax credit. However, by year 4, the impact becomes positive as a separate group of taxpayers has moved to the City precisely in order to take advantage of the tax break. Once the tax break lapses, the presence of these additional households boosts revenues.

The estimate of positive fiscal impact likely represents an understatement of true fiscal impact. The addition of households will strengthen retail and other business activity in the City, thereby increasing commercial real estate values. Moreover, the study team has not attempted to quantify the impact on property values associated with more rapid absorption of vacant properties. Presumably, more rapid absorption would be associated with higher real estate valuations over time.

	A: Tax Receipts without tax break by year	B: Tax Receipts with tax break by year	Benefit or cost for each year (numbers in parentheses are negative)
2011	\$38,093	\$35,871	\$(2,221)
2012	76,593	67,740	(8,853)
2013	115,506	95,609	(19,897)
2014	154,836	155,352	515
2015	194,587	207,096	12,509
2016	234,764	275,142	40,378
2017	275,370	339,619	64,249
2018	316,412	400,537	84,124
2019	357,893	436,133	78,240
2020	399,819	477,500	77,681
2021	442,193	519,310	77,117
2022	485,021	561,568	76,547
2023	528,308	604,279	75,971
2024	572,058	647,446	75,388
2025	616,277	691,077	74,800
			+\$706,548

## **Other Fiscal Implications associated with Strategic Recommendations**

These next seven recommendations each leverage existing City government resources, including the presence of Cambridge Economic Development. Whether or not implementing these recommendations will have significant fiscal impact is a function of the desired degree of implementation as well as the extent to which present City government capacity exists.

- **Waterfront 2020 Plan**

Since the State represents a key financial partner and private developers will participate, the fiscal impacts of implementation are not anticipated to be significant. However, the city may need to consider creative scenarios along with the state to be able realize the potential such as Tax Increment Financing or another incentive that will assure the project's success.

- **Micro-Enterprise Center**

There are two ways in which the City could accomplish the goal of creating an impactful Micro-Enterprise Center. The first would be to purchase a building presently for sale. The other would be to sell the City-owned property at Race and Cedar Streets to a developer and then to lease back all or part of the building for the City's Economic Development department and the new Micro-Enterprise Center. Sage initially envisions a Center encompassing 5,000 square feet. It may also be necessary for the City to hire a consultant to help with planning and design for the new Center.

Under a lease-back scenario, the cost to implement this recommendation is likely to be \$50,000/year for the location (based on \$10/square foot) and perhaps another \$50,000/year to provide the economic development office with enough start-up capital to adequately resource the Center. This represents, however, a bare-bones budget.

- **Strategic Use of Chesapeake College**

There is no significant short-term fiscal impact associated with this recommendation, though there may be costs to the City depending on any future partnerships developed with the College.

- **Adopting a Business Friendly Approach to Government**

There is no significant fiscal aspect associated with the implementation of this recommendation.

- **Industrial Space and Senior Living Marketing Campaigns**

The fiscal impact of these two recommendations is open-ended. Naturally, the greater the available budget, the higher quality and more impactful the marketing. The study team has recommended effective use of existing Internet platforms for marketing purposes as well as effective use of area realtors.

In the future when the financial situation is stronger, the city should consider budgeting the following:

Industrial Space Marketing - The budget for this endeavor should be set at \$35,000/annum.

Senior Living - The budget for this endeavor should be set at approximately \$50,000/annum.

- **Cambridge’s Gateway/Thoroughfare Overlay District**

The Gateway Overlay program is potentially costly, but initially, city implementation will likely make use of existing DPW staff, but in ways that are consistent with the Business Friendly Initiative recommendation. If additional personnel are needed to implement, Sage estimates the cost of implementation at \$45,000/annum.

## **C. Economic Development Strategy Implementation Plan**

### Introduction

This implementation plan revolves around nine discrete recommendations collectively designed to promote investment, job growth, tax base formation and stimulate greater visitation to Cambridge, MD. The consulting team has not attempted to prioritize these prescriptions since they are each considered important. That said, some of the suggested projects stand to have greater impact than others. Perhaps none will have greater impact than the one focused on commencement of the Waterfront 2020 Plan, which emerged from a charrette process begun in November 2008 and concluded in February 2009. That plan incorporated a plan for Cambridge's charming, but somewhat under-developed and under-utilized waterfront and the study team embraces the Plan in its totality.

The next several pages are devoted to details regarding the economic development strategy and timing of executing each recommended project. The order in which these projects are organized is not intended to denote priority. Rather, sequence serves as the primary sorting mechanism. In other words, those items that are to be implemented in the near-term are listed first. That said, a considerable fraction of implementation will be performed simultaneously. For each recommendation, the consulting team has worked to answer the questions of what, why, when, who and how.

### **1. Waterfront 2020 - Toward Impactful Mixed-Use Development on the Waterfront**

#### *What*

The Waterfront 2020 devises a plan to leverage Cambridge’s waterfront into significant job creation and enhanced visitation for an area stretching from Great Marsh Park to the Hyatt Resort.

#### *Why*

The goal of implementation in this instance is to successfully partner with the State of Maryland to develop the Port Property site in ways that promote tax base formation, greater visitation, employment and sustainability. One of the key aspects of the Waterfront 2020 plan is to develop additional local tourism infrastructure and to help connect the City's waterfront to its reascent downtown. Accordingly, the Waterfront 2020 concept plan encompasses comprehensive city renovations encompassing Governor’s Hall, Great Marsh Park, and the Hyatt Resort site.

Waterfront 2020 is designed to attract mixed-use development for Governor's Hall at Sailwinds, which is owned by the Maryland Port Authority and is leased to the City until July, 2014.

### *When*

In conjunction with a number of other recommendations, implementation begins immediately. However, it should be noted that Waterfront 2020 does not involve a one-time effort, but an ongoing effort to partner with the State, to communicate with legislators in Annapolis and with others to move development along quickly. Unlike other prescriptions, this one is limited by time. The City's lease with the State on the Sailwinds property ends in 2014. That means that Cambridge may only have four short years to accomplish what it needs to along its waterfront, including improving the pedestrian experience, overseeing commercial and mixed-use development and developing or redeveloping an amphitheatre.

### *Who*

The study team has determined that the City's Economic Development agency should oversee implementation and serve as the City's liaison to State implementers. As a start, CED could convene an advisory committee for the Waterfront 2020.

### *How*

Implementation in this instance is difficult because related effort must be both continuous and occasional. Constant engagement is required particularly with respect to the State, which in interviews has expressed ambitious plans for the Sailwinds property. Occasional effort must be supplied with respect to discrete steps in the development process, including oversight of any RFPs that are released, decisions regarding best development team, and guidance with respect to particular aspects of proposed developments. Moreover, the Economic Development department must be in regular contact with the Mayor and City Council, key legislators and City agency heads. To maximize impact, it is also critical for Cambridge Economic Development to work closely with the Richardson Maritime Museum, which also has ambitious expansion plans that could generate additional employment and other positive economic impacts. An expanded Richardson Maritime Museum in conjunction with faithful execution of the Waterfront 2020 Plan could provide Cambridge with a cluster of attractions that visitors to the Eastern Shore would be hard-pressed to bypass.

## **2. Cambridge Micro Enterprise Center - Stimulating Entrepreneurship, the Key to Job Growth and Income Formation**

### *What*

An ambitious undertaking to accelerate business formation in downtown Cambridge in key industries such as arts and entertainment, specialty retail and other services.

### *Why*

Business formation is critical to job growth. Indeed, much of the job growth that takes place over time in the U.S. economy is the result of small business formation as opposed to expansion. The proposed Micro Enterprise Center would be designed to support local entrepreneurs by providing reasonable rent and access to service providers such as attorneys and accountants. These professionals are often willing to work for highly discounted rates in the hope that tenants will eventually become clients.

The Center's focus would not be upon technology-intensive enterprises, but rather upon specialty retailers, artisans and service providers. In other words, the types of businesses that are likely to mature and become downtown tenants. One of the keys to success is to ensure that Center managers are willing to remove tenants who fail to demonstrate promise or progress. Removing these tenants systematically creates available square footage for the next generation of firms. It is also important for Center managers to allow businesses to graduate from the Center when they are ready to be independent.

### *When*

Of all the recommendations, this is arguably the most resource-intensive. Therefore, it is proposed that Cambridge Economic Development began planning for the Center immediately, but that City government should be prepared to wait at least two to three years before the Center becomes operational. It is hoped that after that period, City finances will be much-improved. To begin planning, the City may want to hire a consultant to determine the size and scope of the proposed Center. The study team recommends an initial scale of 5,000 square feet.

### *Who*

Cambridge Economic Development would oversee planning and development of the Center, including determining rents to be paid by tenants. CED would also be responsible for pursuing grant funds in support of micro enterprise center development.

### *How*

In conjunction with this recommendation, the study team proposes that the City develop its Micro Enterprise Center on City-owned land downtown. This would also serve as the new headquarters for Cambridge Economic Development. Services to tenants could be shared with the Tech Park now in development.

### **3. Chesapeake College Relationship Building - Ensuring Access to Higher Education within City Limits**

#### *What*

Creating a partnership with an expanding educational institution to both promote investment and to provide proximate higher education opportunities to the City's residents.

#### *Why*

The young represent an important and growing demographic group. Last year represented the largest college freshman class in U.S. history and this year's may be even larger. Therefore, providing services to the young represents an opportunity to generate economic growth and bolster spending. One of the primary attractions for young people is higher education. Moreover, one of America's greatest needs is accelerated formation of human capital. Few things are as important to the future of communities.

Though there is not universal agreement regarding the contributions that Chesapeake College presently renders to downtown, the study team has concluded that the College presence is preferable to lack thereof. It is the study team's understanding that for the time being, the College will continue to be situated downtown. However, the study team believes that it is important for the City to begin planning now in conjunction with the College for a future location within City limits, perhaps downtown. One can imagine the future development of a compact campus/building that would be designed to interact with downtown businesses more actively than presently occurs. The College could also serve as a source of active engagement for Cambridge's senior citizenry through the provision of courses targeted toward adult learners.

#### *When*

Implementation should begin immediately or nearly so.

#### *Who*

This function would be performed by Cambridge Economic Development. In a sense, there is little difference between the prospective efforts to build a relationship with the College and what Cambridge Economic Development has in mind with respect to general business retention efforts.

#### *How*

Economic Development leadership should set up meetings with College leadership immediately to begin forging a closer relationship and open a dialogue regarding future College expansion and location decisions.

#### **4. Downtown Tax Break - Stimulating Investment at the Community's Core**

##### *What*

A tax break to last for four years (July 1<sup>st</sup>, 2011 – June 30<sup>th</sup>, 2015) for a triangular area bounded by and including High, Washington and Trenton Streets and north along Cambridge Creek to include the Port Property of Sailwinds, the downtown/waterfront district as identified in the Comprehensive Plan. The tax break should be coupled with a five-year suspension (at least) of City impact fees to begin immediately.

##### *Why*

Cambridge has a lovely downtown replete with specialty retailers, salons, an array of restaurants and service providers. However, the downtown is also pockmarked by significant vacancy, which has been estimated to be as high as 50 percent. The goal of this recommendation is to accelerate investment downtown, whether in the form of rehabilitation or new construction. Ultimately, this should translate into a more vibrant downtown, a more attractive downtown and higher property values associated with bolstered City fiscal stability.

To produce the most impact, this prescription should be coupled with a suspension of both City and County impact fees/excise taxes. A number of prominent Cambridge developers have indicated that the proposed downtown tax break in and of itself may not be sufficient to produce significantly accelerated investment. They have indicated that a suspension of impact fees for five to ten years is necessary for this aspect of the plan to work.

##### *When*

There have been a number of stakeholders who have indicated that they would prefer the proposed downtown tax break, which is structured to encourage investment, to begin immediately. However, the study team believes that this particular tax break not commence until July 1, 2011, or roughly one year from economic development strategic plan. This delay is proposed because after one year, the Mayor, City Council and other stakeholders will understand fully the implication of the Senior Living Tax Break. In other words, the delay is suggested in order to promote fiscal predictability.

##### *Who*

This tax break must be embraced and adopted by the Mayor and City Council. Implementing will also require the active participation of the Dorchester County Council.

##### *How*

Appendix iii provides a fiscal note for this recommendation. Within five years, this tax break translates into a net fiscal positive for the City according to study team estimates.

The study team has also learned from a variety of sources that many properties on the City's main corridors are owned by a few owners who are not maximizing the economic impacts of their properties. The City owns property on the corner of Cedar and Race Streets and could use that property to set a positive example for other owners.

## **5. Business Friendly Initiative - Valuing Business and Proving It**

### *What*

A set of City government-wide measures to better serve existing businesses and induce greater entrepreneurship within City limits.

### *Why*

Interviews and other communications with local businesses and other stakeholders strongly indicate a lack of sufficient understanding regarding the contributions of local businesses to quality of life and opportunity. In other words, many business owners, developers and others feel chronically underappreciated, which is counterproductive in a community that clearly needs accelerated job creation and associated opportunities for family income. There are two goals associated with the recommendation. The first is business retention; the second is business attraction.

Cambridge Economic Development has already put together a draft of a Business Friendly Initiative. Key components of the proposed initiative include greater contact with entrepreneurs, routine personal visits and/or calls to major employers, and ongoing contact with smaller businesses, including those located downtown, at strip centers and within the balance of the community.

### *When*

A stepped-up implementation should begin immediately. Through its Economic Development agency, the City should also continue to provide retention and attraction services.

### *Who*

This would largely be the domain of Cambridge Economic Development. It is worth noting that several of the prescriptions require Economic Development effort. Clearly, the capacity of the agency to implement well is an issue. Accordingly, it is likely that the agency will require additional personnel over time.

However, all agencies of City government (e.g., Department of Public Works, Planning and Zoning, Police, etc.) must orient their performance platforms around the notion of service to business. In other words, there should be a shared success metric that revolves around the level of investment and job creation, and less emphasis on, for instance, the number of citations issued to area businesses for failure to comply. Ultimately, striking a balance between Code

enforcement and being business friendly is challenging (see for instance recommendation two). However, for Cambridge to become what it needs to be, creating a more business friendly environment is imperative.

#### *How*

Business retention and attraction are as much art as science. What appears to be critical is continuous contact with area businesses and support for them under various circumstances. The study team suggests that Cambridge Economic Development quickly complete its Business Friendly Initiative plan. Furthermore, all major agencies should engage in similar efforts and develop action plans focused on the provision of more business friendly governance

### **6. Industrial Space Marketing Campaign - Taking Advantage of Cambridge's Rarified Offerings**

#### *What*

An effort to attract businesses to Cambridge by marketing available industrial zoning, properties and infrastructure in order to accelerate job creation and income formation.

#### *Why*

Industrially-zoned land and available facilities are becoming increasingly scarce along the Eastern Seaboard of the U.S. Although there is presently a conventional wisdom that indicates that industrial production will inexorably move offshore over the decades ahead, there are factors that indicate otherwise. The recent global experience with \$147 per barrel of oil in summer 2008 has convinced many producers that they must retain at least part of their production base proximate to their customers. Moreover, a growing number of U.S. headquartered companies are finding their global locations to be increasingly hostile, including in China where a growing number of American companies is expressing dissatisfaction with China's business climate.

Because Cambridge possesses available infrastructure, industrial zoning and available industrial square footage, it is important for the City to reach out to industrial users. These users of space and labor are often rejected in other communities in favor of more attractive residential and commercial development. However, while that development may be more appealing to the eye, it is not more appealing to the pocketbook. According to the Bureau of Labor Statistics, in 2008, the typical American production worker earned in excess of \$15/hour, a more than living wage in an Eastern Shore context.

#### *When*

Vacant space is available now and correspondingly marketing should begin immediately.

### *Who*

As with the marketing campaign targeted toward seniors, implementation will be the responsibility of the City's Economic Development agency. Naturally, every citizen can serve as a City ambassador and the study team hopes that there will be a general attempt to promote Cambridge as a place in which to live, work and play.

### *How*

It will be critical to leverage scarce resources by tapping into the local industrial brokerage community. In the future, there may be money for a full-fledged marketing campaign, which would include (potentially) radio and newspaper advertising. However, in the short-term, the City may be able to do little more in the way of formal advertising beyond the City's website.

Intense focus should be given to the area's railroad links, available labor supply, proximity to Philadelphia, Baltimore and Washington, D.C. and other amenities, including infrastructure. In conjunction with the Business Friendly Initiative described below, realtors must be made aware of the idea that Cambridge is open for business. There should be an effort to tie-in directly to realtors' web sites.

## **7. Senior Living Marketing Campaign - Toward a Cambridge-based Industry Cluster**

### *What*

Effective use of the Internet, social media and other information channels to market Cambridge's quality of life to America's rapidly expanding senior population.

### *Why*

In conjunction with the tax break described above, Cambridge should launch a Senior Living Marketing Campaign in order to accelerate population growth, real estate transactions, development, retail sales and business formation. The goal is to create a wave of retiree and pre-retiree movement in the area, thereby stimulating demand for goods and services particular to this demographic group. The formation of new Cambridge-based businesses around that demand would in turn attract other retirees and pre-retirees and ultimately translate into additional development and tax base formation.

### *When*

The study team proposes that this marketing campaign begin immediately. One of the primary objectives is to make prospective buyers aware of the tax break described above. It should also be noted that prospective buyers presently benefit from extraordinarily attractive fixed mortgage rates, which represents another reason to commence execution in the short-term.

### *Who*

Implementation of the Campaign would be the responsibility of the City's Economic Development agency. Because of extraordinarily scarce resources, Economic Development personnel must leverage the services and connectivity of local brokers, who often serve as educators of the public regarding their purchasing options and their respective merits.

### *How*

The study team proposes that Economic Development personnel speak to every significant local realtor to explain the proposed tax break for older buyers and also to provide other information potentially relevant to prospective buyers. In the future, there may be money for a full-fledged marketing campaign, which would include (potentially) radio and newspaper advertising. However, in the short-term, the City may be able to do little more in the way of formal advertising beyond the City's website.

That said, promotional material should be provided on the City's website. The City could also produce a page focused upon services available to seniors. Toward this end, there should also be a strong link to Dorchester General Hospital/Shore Health and its promotional materials, including materials on-line.

## **8. Retiree Tax Break - Getting the Housing Market to Move Again**

### *What*

This tax break is designed to rejuvenate the City's residential real estate market, bolster spending power and create greater opportunities for businesses that supply services/goods to seniors.

### *Why*

During the housing boom, Cambridge experienced rising property values and significant new development. This was consistent with both greater employment opportunity and emerging tax base. However, with the housing market rocked by a downturn of historic proportions, the active inventory of unsold units has soared. Moreover, with housing prices no longer rising and with consumer confidence still fragile, many households have sought to identify ways to trim household budgets. One of the ways to do this is to live in jurisdictions with lower property tax rates. Cambridge, MD is not necessarily one of those jurisdictions. For instance, the combined City/County property tax rate in Cambridge/Dorchester is 1.526% per \$100 of assessed value. In Easton the corresponding rate is 0.823% and in Denton 1.39 percent. The tax credit as proposed would close the tax gap with Easton and would create a market advantage vis-à-vis Denton.

The goal of the proposed tax break is to induce an extraordinarily important demographic group to move to the city, thereby reducing the active inventory of unsold homes, raising property values and accelerating residential development. The prescription is only targeted to households headed by an individual 60 years or older and would cut their property taxes in half for up to

three years. That individual's name must be listed on the Deed to qualify for the tax break. Tax credits are only available for purchases of properties that are presently vacant. To be eligible, the property must be vacant at the time of initial property listing by a realtor. A realtor must confirm that the property is in fact eligible for the tax break on this basis. By targeting retirees and pre-retirees, the recommendation leverages Cambridge's waterfront, the presence of a significant medical center and the presence of a working downtown with a significant artistic community, restaurants and salons.

#### *When*

Ideally, the tax break would be made available to seniors as early as July 1, 2010. This would involve notifying the realty community, which will be important in spreading the news that the tax break is available.

#### *Who*

This tax break must be embraced and adopted by the Mayor and City Council.

#### *How*

The tax break requires no out-of-pocket expenditures by the City and will have minor budgetary impact over the first several years. This incentive measure would represent a net fiscal positive after three years. It is important to note that the proposed tax break does not impact transfer taxes/fees, only property tax payments. The property tax break would sunset after 12/31/2015. For purchasers to take full advantage of the tax credit, they would need to settle on their home/unit by 12/31/2012.

### **9. Gateway Overlay - Creating a Positive Initial Impression**

#### *What*

The provision of stepped up code enforcement for highly visible thoroughfares into and out of Cambridge.

#### *Why*

First impressions matter. The goal is to improve the appearance of key gateways to the city through systematic City Code enforcement. Parenthetically, many cities face challenges with the look and feel of their gateways. Gateways represent major thoroughfares. Often, because of their strategic locations, they were developed for industrial purposes and therefore lack the quality of appearance that most visitors covet. Frequently, gateways were developed residentially, but housing stock tends to be older along these gateways and if not maintained this can contribute to a community's reputation as being shabby rather than chic.

For purposes of this recommendation, the study team in conjunction with the strategic plan's steering committee has identified the following gateways as deserving particular focus: Cedar Street, Washington Street, Maryland Avenue, Pine Street, Locust Street and Glasgow Street. However, given the scarcity of resources, the Mayor and City Council may want to prioritize amongst these thoroughfares. In that case, the most practical approach may be to emphasize the gateways most closely associated with traffic emerging from Route 50, namely Cedar Street, Maryland Avenue and Washington Street.

#### *When*

Implementation should begin immediately.

#### *Who*

Implementation will be overseen by the Mayor and City Council and will be performed by the City's Department of Public Works. The Mayor and City Council may want to identify highest priority gateways. Toward this end, the City should actively pursue available State of Maryland and federal funds, though applying for these monies is likely to be labor intensive. The consulting team suggests that Cambridge Economic Development be charged with applying for available federal and State grants.

#### *How*

The study team fully understands how constrained municipal resources are in the wake of the Great Recession and given the State of Maryland's reduced capacity to offer assistance to local governments. The Gateway Overlay program is potentially costly, but initially, city implementation will likely make use of existing DPW staff, but in ways that are consistent with the Business Friendly Initiative recommendation.