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3/20/13 | 1358 views



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## City's bait to attract retail now tops \$55M

\$40 million tax incentive for Sweetwater project largest offer yet

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Brennen Smith/Decatur Daily

Lizzy Clemons and Anna Peck shop Tuesday at Target in Decatur. The city took out a \$4.8 million loan to purchase land at the U.S. 31/Beltline Road intersection for the developer of The Crossings of Decatur shopping center, which houses anchor store Target.



Incentives for retailers locating in Decatur now top \$55 million as the manufacturing town tries to remake itself into a business-friendly, regional shopping mecca.

The latest incentive package approved by the city Monday would be, by far, Decatur's largest: up to \$40 million in land, infrastructure and sales tax rebates for the first phase of a proposed mixed-use development called Sweetwater in Decatur-annexed Limestone County.

Phase 1 of Sweetwater would feature a "destination retailer" believed to be Bass Pro Shops, a hotel and three restaurants.

While Decatur residents enjoy the additional shopping and dining choices, the mounting tax incentives leave some worried.

"I'm pro-business, but I feel like the city is putting itself in the position of picking sides," said John Wilhite, of Decatur, "and I'm not sure that's fair to our existing businesses."

Decatur has given sales tax incentives to big box, chain store retailers and commercial developers. Each one that has passed through City Hall was given considerable study, said Wally Terry, Decatur community and economic development director.

"I don't like (incentives), and I don't think any (city officials) are just crazy about them," Terry said.

District 4 Councilman Charles Kirby voted for incentives for Decatur Mall and Sweetwater, but said he is "philosophically against them" because they represent "corporate welfare."

He raised questions at Monday's council meeting about the risks to the city with the Sweetwater deal.

"I believe our potential retail bleed will be accelerated with this development," Kirby said. "I contend we are establishing parameters that will have a massive negative economic impact on Decatur Mall and other retailers. I would have never made the mall deal knowing this deal would follow. It just wouldn't make sense."

Terry said the \$6.8 million incentive package given to Decatur Mall owner Garrison Investment Group last summer is more like a "redevelopment" project.

"It's hard to say who is deserving and who isn't, but we always ask, 'Does it fit a need we have in our community?'" Terry said. "We've had people ask for them that we've said no to."

Companies seeking city incentives must fill out a questionnaire. Multi-tenant shopping centers are given top priority, Terry said.

"But there are other considerations: Does it serve a blighted area? Is it new and unique? Will it draw customers from outside our area? Will it attract other businesses?" Terry said.

## First foray

The city's first foray into retail incentives came in 2006 during Mayor Don Kyle's first administration. Decatur took out a \$4.8 million loan to purchase land at the U.S. 31/Beltline Road intersection for the developer of The Crossings of Decatur shopping center.

A Target and Old Navy operate there, and in the past year, the center has picked up chain eateries Moe's Southwest Grill and Gigi's Cupcakes.

"The city entered new territory when it went through The Crossings development," said Jim Page, who was vice president of the Decatur-Morgan County Chamber of Commerce at the time.

"It had never really gotten involved in a retail project, from an incentive standpoint, before then. They took a leap of faith. That risk has paid off and is paying off because it spurred other development."

Decatur was able to make The Crossings deal because the state Legislature passed Amendment 772 two years earlier. The law allowed, for the first time, a city or county government to offer incentives.

The frequency of Decatur's multi-million-dollar development deals picked up in the past two years under former Mayor Don Stanford. The city agreed to \$482,000 in sales tax abatements for Olive Garden and \$2.7 million for Market Shoppes' developer Blackwater Resources in 2011.

Last summer, the council approved tax incentives to the mall owners in exchange for doubling sales and investing at least \$16 million into the Beltline Road commercial center.

Decatur also has spent \$279,000 for utilities and traffic infrastructure for Market Shoppes, where anchor tenant Kohl's department store opened this month.

Excluding the Sweetwater incentives, the city has signed off on \$9,982,000 in sales tax abatements for Olive Garden, Market Shoppes and Decatur Mall in the span of a year. Olive Garden's incentives expire after five years, while those for Market Shoppes and Decatur Mall are 10-year agreements.

"The project across the river is something different," Terry said. "But these other incentives, we try to compress them, time-wise, as much as we can."

### Incentives' effect

When discussing tax abatements, the case is often made that the incentives only take effect if a business is successful. Of the approved retail incentives, only the Sweetwater deal involves revenue normally designated for Decatur's school system, which, for the past 30 years, has annually received one cent of the city's 4-cent sales tax. The Decatur school board and City Council will meet 6 p.m. Friday at City Hall to discuss that penny and its future.

Others argue shops proliferate around an anchor retailer that opens with the aid of incentives, and the city collects regular sales tax revenue from those new shops.

"Incentives are investments," Kyle said. "Often you'll see where one hotel goes up, another one goes up right beside it."

But public investments in private projects don't always succeed.

A study conducted in St. Louis found 20 years of local government diversion of \$5.8 billion in area developments resulted in virtually no economic payback. More than 600 small retailers, employing 10 or less, closed in the past 10 years.

The study concluded that retail gains seem to come at the expense of neighboring towns. The New York Times reported in December that cities and counties across the country are offering \$80 billion in incentives each year.

Terry, a former banker, said more so than incentives, a renewed emphasis on building good working relationships among city employees, developers and businesses is paying dividends.

"The incentive we're giving people every day is the turnaround on projects — 30 and 60 days, rather than months and years," he said. "They understand we're going to enforce our codes, but they also know we're going to help them get up and running.

"We have that good reputation in developer circles, and it's that reputation that matters the most."

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### Decatur deals for retail

- **September 2006:** The Crossings of Decatur. The city borrowed \$4.8 million to purchase property for The Crossings.
- **June 2011:** Olive Garden gets \$482,000 in tax incentives. The city agrees to refund for five years 1½ percent of municipal sales taxes collected.
- **July 2011:** Market Shoppes developer Blackwater Resources gets up to \$2.7 million in tax receipts generated by Kohl's department store in the first 10 years. The maximum sales-tax rebate from the city would be \$3.5 million over 10 years.
- **November 2011:** Blackwater Resources gets another \$162,000 from city for road improvements to U.S. 31 in front Sixth Avenue/Brooks Street Southeast shopping center.
- **March 2012:** The city and Decatur Utilities provide \$117,000 to bury utilities underground for Blackwater Resources' Market Shoppes development: \$62,000 paid by the city and \$55,000 by DU.
- **August 2012:** Decatur Mall owners Garrison Investment Group gets up to \$6.8 million in tax incentives during 10 years. Garrison must invest at least \$16 million to retain 1.5 percent of proceeds on new retail activity and 0.75 percent on existing tenants that expand their operations. The new Carmike 12 and the renovated and expanded Belk do not count.
- **March 2013:** Decatur approves up to \$40 million in tax incentives for Sweetwater developer Genesis USA and anchor tenant. Genesis would get \$12 million for land and infrastructure while anchor retailer would keep 3 percent of city's 4-percent sales tax for up to 20 years or until it reached a \$28 million cap. City would use remaining penny sales tax — typically dedicated to schools — to pay back \$12 million.
- **Total future sales tax revenue rebated:** \$37,982,000

- **Other incentives (infrastructure):** \$17,079,000
- **Total:** \$55,061,000

City of Decatur

#### **Notable retailers with no incentives**

- Academy Outdoor Sports
- Walmart Neighborhood Market
- Mellow Mushroom