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Sent: 5/19/2014 6:03:50 P.M. Eastern Daylight Time
Subj: Re: Impact on Bull Street Taxes

Ali:

The intent of this bill is to provide tax credits that will make renovation of the Babcock Building (Babcock) economic for a developer. The approach is similar to the Textile Mill tax credits that have enabled renovation of textile mills across the state (i.e. Granby, Whaley). The form is expansion of the Abandoned Buildings tax credit because of where that legislation already was in the process when work was started on this this year.

The rationale is that if the state owned a building, like Babcock, and through state neglect, the building's renovation costs are not economic, the state should provide an incentive for the private sector to make the investments to bring the building back into the stream of commerce, especially if the building is historic and the community agrees it needs to be preserved.

The legislation would remove the existing Abandoned Buildings tax credit cap of \$500,000 and allow the credit to be taken over 2 years instead of 5, for a building like Babcock. It would also increase the state 10% historic tax credit to 25% on buildings like Babcock. The combined effect would be a net \$13,300,000 cost in each of the first two years on the Babcock rehabilitation, as estimated by the BEA in the attachment linked in this thread.

For the City, there are two things to consider. First, if the state offers these incentives and it brings private investment to renovate Babcock and put it back into the stream of commerce and on the tax roles, the City will benefit from the taxes generated and from the follow-on development around such a large signature property, or "anchor tenant." In essence, this would be a \$26.6 million state boost to the development of Bull Street.

Second, the legislation provides a path for the developer to take the credits against local property taxes, rather than against state taxes. To date, as far as we can find, no developer on any project even remotely as large as Babcock (textile mill renovations across the state) has taken the credits against local taxes for the following reasons:

1. Local property taxes do not add up to enough for the developer to take them against their own taxes and selling the taxes to a 3rd party diminishes the value of the tax credits.

2. The state credits are immediately available to the developer. However to take the credits against local taxes, the developer has to get affirmative permission from the local municipal government, and then survive the veto power of other taxing authorities that share in the local taxes (Richland County and Richland One School District in the case of Babcock). No developer wants to declare that they will take the credits against local taxes and then find out later that a local authority disapproved them when the developer can automatically take the credit against its much higher state tax burden.

So, while there is a scenario under which the effects of this legislation could cause the City to shoulder the burden of these tax credits, the chances of that happening are exceedingly remote because to pursue that path is to the detriment of the developer. Indeed, the BEA fiscal impact document assumes the developer will take the credits against state taxes.

The prospects for passage of this legislation this year are 50-50, at best. Proponents began work late and there are a number of key legislators who have not yet signed off on passage. Nevertheless, proponents are working to try to get it passed this year so that they can try to get work on Babcock and any other similar structures started. The Municipal Association is working for passage of the bill.

Though it may not appear so, I have tried to keep this brief. If you have questions, please do not hesitate to ask us.

Thanks.

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On Mon, May 19, 2014 at 4:23 PM, Wilson, Teresa B <twilson@columbiasc.net> wrote:

Kyle,

Please brief Council on the implications of this legislation as we have been discussing. Mrs. Plough would specifically like to know how the passing could impact City revenue streams. Thanks,

Teresa

From: LPlough@aol.com [<mailto:LPlough@aol.com>]
Sent: Saturday, May 17, 2014 1:19 PM
To: Wilson, Teresa B
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Subject: Impact on Bull Street Taxes

Teresa,

What is the impact this bill will have on Bull Street city property tax revenues?

http://www.bea.sc.gov/webfiles/BCB_BEA/Senate%20Fiscal%20Impact/SB_234_%28as_amended_5-8-14%29.pdf
<http://www.bea.sc.gov/webfiles/BCB_BEA/Senate%20Fiscal%20Impact/SB_234_%28as_amended_5-8-14%29.pdf>

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