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Bolton: Costco deserves some blame for Richland County deal gone sour

By Warren Bolton

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Richland County, SC — RICHLAND County Councilman Greg Pearce didn't hesitate to agree to a meeting when he got a call in July indicating that Costco was interested in opening a store in the Columbia area.

When someone wants to bring a desirable warehouse retailer such as Costco to town "you better believe I'll meet with him," he said, and so he met with Tex Small, president of Mount Pleasant-based Avtex Commercial Corp., the developer for Costco.

Mr. Pearce said he, fellow members and economic development and planning staff worked hard to bring Costco to Richland County. So he was surprised when the retailer dropped out of negotiations. When he read an article in *The State* in which the county got some blame for not landing Costco, he got angry.

Although he had cooled off a bit by the time we talked last week, he was still a little warm. I don't blame him. After all, he was the first person approached about the county possibly helping Costco and had worked toward that end only to see it unravel.

"They called me first to see if any help was available, and that's not unusual," Mr. Pearce said. What he found unusual was the county being blamed despite its effort.

The fact that County Council had agreed to provide incentives of any kind to a retailer suggests Richland officials wanted this deal to happen. County policy long has forbidden such perks. But county officials felt it was worth offering incentives to get Costco.

If Costco believes it can thrive in the Midlands, the developer would be wise to come back to the table — where it left Richland officials with incentives in hand — even if it means finding a location that's not as costly to develop. The developer chose a site that was going to blow its budget by about \$3 million. That's too much to ask the county to absorb.

While I can see offering limited assistance in special circumstances — and I'm not sure the Costco deal is one of those, although county officials believe it is — it's not the county's job to get private developers out of jams. In this case, with Richland willing to give some amount of aid, the developer needed to find a way to make up any difference or acknowledge it had chosen the wrong location, one too costly to develop.

Far from the county shortchanging Costco, Mr. Pearce said, he got the county's planning department involved after his July meeting and turned the matter over to the economic development folks. The county began

exploring ways to address some of the developer's problems, including hundreds of thousands of dollars in road improvements.

"We tried everything we could to help them in that vein," Mr. Pearce said.

With the developer encountering additional problems with the site, County Council's economic development committee began considering possible incentives to ensure Costco would open in Richland County. Although neither side has revealed exactly what the county offered, Mr. Small has said road improvements and topography issues pushed costs \$3 million beyond budget.

"He never asked for any \$3 million," Mr. Pearce said.

Richland Councilman Seth Rose, a member of the council's economic development committee, said he supported the effort to aid Costco and that he thought things were moving along fine.

"We actually did something unique in that we did offer an incentive that's never been done before for a retailer," Mr. Rose said. But while the committee was willing to take the unprecedented step, it also had to "be prudent with Richland County tax dollars," he said.

In other words, while the council was willing to help, it didn't intend to open the people's pocketbook and tell Costco to "help yourself" — and rightly so.

In a letter to the editor Thursday, council Chairman Kelvin Washington said the county was "willing to reduce the property tax burden over a number of years to offset the cost of the road improvements the company would have to make."

Mr. Pearce said he doesn't think the proposed tax break "opened the Pandora's box for every Walmart and Lowes' to come in here and want to be incentivized."

Whatever the offer was, it wasn't enough for Costco.

So, as one council member put it, "Costco basically took their ball and walked away."

That despite the fact that County Council had given first reading approval of a package by title only, with no formal agreement on the table. Mr. Pearce said the council was waiting for the developer to present a draft agreement and had anticipated giving the matter second reading approval on Dec. 10. But the developer pulled out. The next thing he knew, Mr. Pearce said, the county was being blamed.

"We absolutely were not at fault," he said. "I've bent over backward trying to help them," and the entire council "was enthusiastic about Costco from the get go."

"We tried everything we could," he said. "I was led to believe everything went along well."

"I wish I knew what really happened."

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Read more here: <http://www.thestate.com/2013/12/22/3170866/bolton-costco-deserves-some-blame.html#storylink=cpy>

Editorial: Richland County must clarify where it stands on incentives for retailers

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Today's Deal

Richland County, SC — THE COMMUNITY is split over whether Richland County should have offered a large retailer an incentive package to help it locate in the Midlands: Those who believe Costco would expand shopping choices and spur the surrounding economy lament that the deal seems to have soured, while others believe the county never should have considered giving a private enterprise perks that ultimately would be shouldered by taxpayers, including the new business's competitors.

Frankly, county officials haven't shared enough details to determine whether taxpayers would be getting enough bang for their bucks. But what is clear is that County Council should take this opportunity to openly debate the broader issue of extending incentives to retailers.

On the state level, we have said — and will continue to say — that South Carolina should not extend special tax breaks to recruit and subsidize retailers: Retail traditionally brings low-paying jobs. When government provides an incentive to those businesses, it gives them an edge over competitors. It's a practice that is sure to snowball into others demanding similar treatment.

That said, there have been times when we have endorsed local governments giving incentives to private investors, including retailers. One such instance was when Columbia gave a developer \$1.6 million to help transform the Confederate Printing Plant into a Publix, to help boost the once-blighted Vista. Mast General got similar assistance via stimulus funds when it moved to Main Street as part of the effort to spur downtown revitalization. The same concept is at play with the city's promise to spend millions of dollars on infrastructure to help a developer build a huge mixed-use project at the old State Hospital site on Bull Street, which would place a nearly 200-acre site on the tax rolls and spur development across the region.

The intent in each of these instances wasn't simply to make a private enterprise a success; that's not government's job. While it can be argued that the city promised too much in the Bull Street deal, the idea is to provide limited, reasonable local incentives to help a private investor develop a blighted area or redevelop key property that would otherwise sit dormant, yielding little or no property taxes.

If County Council decides to begin extending such incentives, it should adopt — and communicate to the public — rules that spell out the circumstances and the degree to which it will offer the perks. Over the years, the county has chosen not to give incentives to retail businesses, hewing instead to the more conservative approach of offering breaks only to manufacturers and large employers that bring hundreds of jobs and higher wages. But council members considered doing it for Costco, feeling that adding this retailer to the market, with the economic impact it would bring, was worth taking the unprecedented step.

But the deal has foundered, with the developer claiming the county didn't provide enough of an incentive and Richland officials saying they were blindsided when the developer pulled back.

Whether this deal gets done or not, County Council must clarify whether its longstanding policy against offering incentives to retailers has come to an end.

Read more here: <http://www.thestate.com/2013/12/22/3170869/editorial-richland-county-must.html#storylink=cpy>

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