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Columbia gives $2.1M in tax cuts to out-of-state student housing developers

By CLIF LeBLANC
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Tax benefits for three student complexes

Columbia is extending 50 percent property tax cuts for 10 years to some developers who are building downtown student housing. Here are the city's estimates on their annual tax bills for the buildings and land:
• A $60 million complex to be built at Assembly and Pendleton streets normally would pay $1,839,600 yearly. Its tax bill would be $919,800 with the cut.
• A $40 million complex at Blossom and Huger streets normally would pay $1,226,400. Its tax bill would be $613,200 with the cut.
• A $40 million complex that abuts the nearby Palmetto Compress warehouse in the Vista normally would pay $1,226,400. Its tax bill also would be $613,200 with the cut.

SOURCE: Columbia's chief financial officer Current student housing complexes

Nine complexes that are on Richland County's tax books will pay a total of $5.7 million in property taxes for 2013, the county assessor's office reports. Altogether, the complexes have a market value of $279.7 million.

Here is a breakdown of the complexes, the years they went on the tax books, their market values and their most recent property tax bills.

COLUMBIA, SC — Three resort-style student housing complexes being built in downtown Columbia by out-of-state developers are the first to receive a 50 percent tax break designed to lure student housing projects into the city's core.

The complexes are slated to open within two years along edges of the Vista near the University of South Carolina campus. They are being developed by firms in Columbus, Ohio, and New York City. Together, they will save about $2.1 million in taxes each year for 10 years.

The unusual tax break for student housing was created by Richland County at the request of Columbia Mayor Steve Benjamin.

Benjamin has complained that the city missed out on the tax revenue from a student housing boom along Bluff and Shop roads – outside the city limits but close to downtown – over the past eight years. He wants the taxes from construction as well as the influx of students downtown.

Skeptics say the tax break is not only unnecessary, but it creates an unfair advantage for select developers. "Research showed us the projects were not going to happen (in the city center) if we did not have some kind of tax incentive," Benjamin said last week.

"This is using an economic development tool to create the urban, vertical development we need," he said. "I requested it. I take responsibility for it."

The estimated $2.1 million break for the three complexes that separately will overlook Blossom Street and Assembly Street contrasts with $5.6 million that eight existing complexes that do not have the tax break pay in property taxes for 2013, according to Richland County figures.

The largest tax bill among those eight – most of which are not inside the city limits – is $1.2 million for the Woodlands of Columbia, the records show. The lowest bill is about $28,000 for a portion of the Olympia & Granby Mill Apartment complex protected by the Bailey Bill, a state law that extends tax incentives as a way to preserve historic structures.

A half-off tax break for 10 years also might apply to the proposed Bull Street neighborhood where Greenville developer Bob Hughes announced last summer he expects to have subcontractors build student housing.

Hughes could not be reached Friday for comment. But City Hall staffers say he has yet to apply for a 50 percent reduction.

The Hub, an 850-bed, high-rise complex on Main Street slated to open in August, is not eligible for the tax break. One of the requirements to qualify is that complexes must be served by private, not public, parking. Owners of The Hub are leasing spaces in an adjoining city-owned garage, said assistant city manager Missy Gentry.

Richland County assessor John Cloyd said he advised county officials against the tax break when they consulted with him earlier this year.

“In order to encourage people to invest in Richland County, they’ve come up with this scheme,” Cloyd said. “The problem is that once ... you enter into the arena of giving somebody an advantage over somebody else, somebody’s going to squeal and want the same break.”

Cloyd said he understands that investing in student housing is a risky business that relies on the fickle nature of students who move to the next, shinier complexes. One complex near Williams-Brice Stadium, formerly known as Riverside, had financial troubles and had to reorganize, Cloyd said.

Joe Taylor, the state’s former commerce secretary who has an office in the Vista, is more blunt than the assessor.The tax break creates an unfair business advantage and has implications of possibly violating unfair trade practice laws.

“The only guys that get this are the big guys with big money,” Taylor said, citing the Woodlands example.

“They’re going to pay a million, two (in taxes). And somebody downtown is going to pay half of that,” Taylor said, “You think that’s fair?”As to whether the developers would have built downtown anyway, Taylor indicated that was obvious.“Boeing can build anywhere. You can only build student housing near universities.”

Incentive demands large investments

The student housing tax incentive comes amid an explosion of complexes with upscale amenities including pools, sand volleyball courts and fitness centers.

The latest number on new student housing complexes show they will add about 3,500 beds on or around the USC campus. The university’s proposed 919-bed facility, with a mix of public and private investment, would be tax exempt.

To enact the tax cut, the county must designate specific parcels of land as “multi-county industrial or business parks.” In this case, the other county is Fairfield, which will receive 1 percent of the taxes.

The city gets about 20 percent of every property tax dollar levied on Columbia property. The lion’s share, about 60 percent, goes toward public schools. The county receives the other 20 percent.

Historically, counties have limited tax breaks to corporate headquarters and manufacturing companies that bring with them many new jobs. Richland County Council chose earlier this year to extend the break to other large investors.

Normally, buildings and land used for student housing complexes are assessed at 6 percent for tax purposes under state law. Furnishings and equipment are assessed at 10.5 percent.The new tax break will not apply to furnishings or equipment, which are considered “personal” property. Buildings and land are considered “real” property and taxed at the lower rate, Cloyd said.

Columbia, with the county’s blessing, offers the tax break only for large student housing complexes.

Investors must spend at least $40 million in private money to build the structure, must owe at least $750,000 in annual property taxes before the tax break and must build their own parking garages without public money.

The student housing complexes approved for the break so far are:• A two-building, 214-bed complex owned by Edwards Communities, a national, Ohio-based student housing development company. The project will abut the Palmetto Compress warehouse that is being redeveloped as a multi-use structure.• A 640-bed, five-story complex across Blossom Street from the Edwards site. That complex, with and adjacent parking garage, will be developed by Park 7 Group based in Manhattan on land owned for years by Columbia developer Ben Arnold.• A complex at Assembly and Pendleton streets near USC’s School of Music. Details about that project are not readily available. It is to be developed by Park 7 on land owned for years by the family of state Rep. Beth Bernstein, D-Richland.

Tax implications

Columbia’s chief financial officer, Jeff Palen, estimated the financial implications of the tax break.

His figures are based on investment values of $60 million for the Assembly Street complex and $40 million each for the five-story building at Blossom and Huger streets and the nearby Edwards complex.

If the $60 million complex paid the usual amount of real property taxes, the annual bill would be about $1.9 million, according to Palen’s estimates. With the reduction, it would be $919,800 yearly for 10 years.

The $40 million complexes normally would each pay $1,226,400 annually. With the tax break, their yearly bill would be $613,000, Palen calculates.

Altogether, the three complexes would pay $4,292,400 yearly without the break, he estimates. The 50 percent cut will turn the combined annual tax payments to $2,146,200.In comparison, the 850-bed Hub will be billed $981,120 yearly, Palen estimates, on an investment believed to be about $32 million.Further, the eight student housing complexes on the county’s tax roll since 2005 have a combined market value of $279.6 million and pay a combined $5.7 million in real property taxes yearly, according to the assessor’s office.

Three of those – Woodlands, with a $56 million market value; Aspyre, with a $48.6 million market value; and Copper Beech, with a $46 million market value – would appear to meet the minimum investment benchmark.

But they would need to have privately built parking garages to be eligible for the break.

One of those properties, a portion of the Olympia/Granby complex, has a market value of $26.7 million and its 2013 tax bill is a mere $27,791. That’s about one-tenth of the $231,726 bill for the adjoined building with less than half the market value ($111,673,542) that is not protected by the Bailey Bill incentive for preserving historic structures.

Taylor complains that the real problem in the county and city is that property tax rates are too high.

He rejects conventional wisdom that rates are high because Columbia has so many local, state and federal government buildings that are tax exempt. Fort Jackson also does not pay property taxes.

“I used to think that, too,” Taylor said of offsetting higher tax rates. “But USC and the State House raise the value of the property around them.” That, in turn, increases taxes on those properties.

Benjamin has a simple response to those who argue that the city should not hand out such tax breaks. “The alternative is very little tax revenue from undeveloped land."

Current student housing complexes

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Here is a breakdown of the complexes, the years they went on the tax books, their market values and their most recent property tax bills.
Aspyre 2010 48,696,314 $1,176,784
Stadium Suites 2005, 2009 $36,934,864 $676,613
University Oaks 2005 $22,593,124 $546,263
Copper Beech 2007, 2009 $45,961,618 $1,119,835
Woodlands 2010 $56,015,900 $1,217,111
Club at Carolina Stadium unavailable $17,808,646 $425,038
Olympia & Granby Apts 2006, 2009 $38,432,426 $259,517
Lofts at USC 2012 $13,242,841 $235,880

SOURCE: Richland County Assessor's Office
MAP OF STUDENT HOUSING PROJECTS
Reach LeBlanc at (803) 771-8664.

Read more here: http://www.thestate.com/2014/04/19/3397786/columbia-gives-21m-in-tax-cuts.html#storylink=cpy

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