

THURSDAY FEBRUARY 11 2016

\$1.00

VOL. 125TH, No. 359
STAY CONNECTED THESTATE.COMFACEBOOK.COM/THESTATENEWS
TWITTER.COM/@THESTATETODAY: MOSTLY SUNNY HI: 49 LO: 31
YESTERDAY: HI: 41 LO: 27 PRECIP: (as of 5 p.m.) 0.00"
FORECAST: 8C

The State

EXCLUSIVE

Suit might undo huge tax breaks for student housing

Plan favors some projects at the expense of others, attorney argues

BY CLIF LEBLANC
cleblanc@thestate.com

A new lawsuit threatens to unravel millions of dollars in student housing tax breaks that led to a burst of high-end, dormitory-like construction in the Capital City in the past two

years.

The suit contends that it was illegal for Richland County and the city of Columbia to extend 50 percent property tax breaks to five complexes whose owners

invested at least \$240 million collectively to build apartments intended to keep university students living in the city center rather than moving into private housing just outside of town.

The surge of construction, now reaching completion, is to bring some 3,000 students downtown.

The state law that the city and county used to create multi-county industrial or business parks – the legal mechanism that is the basis of the tax breaks – does not allow for residential construction, the suit by the Greenville-based S.C. Public Interest Foundation and Columbia resident Rusty DePass states. The suit also alleges the tax breaks amount to unequal

SEE BREAKS, 6A

THURSDAY FEBRUARY 11 2016
THESTATE.COM



The Peak student housing complex near Columbia's Five Points is among those to receive a half-off property tax break for the next 10 years.

FROM PAGE 1A BREAKS

taxation on similar properties.

"The statutory purpose of these parks is to stimulate the growth of industrial jobs," plaintiff attorney Jim Carpenter wrote in the suit mailed Tuesday to the Richland County Clerk of Court. "The tax breaks ... simply amount to a tax break for favored taxpayers at the expense of other taxpayers."

"This is a business and (industrial) investment park and they're putting apartments in it," Carpenter said in an interview. He handles litigation for the government watchdog foundation created by Neel Sloan, a retired Upstate road paving contractor and government gadfly.

Carpenter characterized as a misuse of the law what the two local governments have done to lure out-of-state companies to invest in residential properties, not industrial job-creating projects inside city limits. "Fundamentally, you're picking winners and losers in the marketplace," the attorney said.

The attorney argues that creating the tax breaks — which expired Dec. 31 — also flies in the face of standardized, fair taxes.

"These tax breaks amount to selective taxation, rather than equitable taxation, and they are unlawful and unconstitutional," the Greenville lawyer wrote in the suit. Mayor Steve Benjamin said Wednesday the city and county have used the state law on multi-county parks properly and "in an exciting way." He said the tax break allows Columbia, a city with hundreds of tax-exempt properties that are owned by government or nonprofit groups, to build its tax base.

"I wish that lawyers from Greenville would spend more time paying attention to the exciting things we're doing in Columbia rather than seeking litigious actions to economic development," Benjamin said.

Columbia and Richland County offered the tax

breaks starting in 2014 to student housing developers who invested a minimum of \$40 million, were building a 400-plus-space parking garage and faced a minimum property tax bill of \$750,000 per year before tax credits would be applied. Out-of-state student housing developers began announcing complexes and applying for the tax breaks, which city and county councils authorize.

The Station at Five Points, being built at Harden and Gervais streets, for example, will pay between \$780,000 and \$858,300 yearly under the tax break, compared to \$1,560,000 and \$1,716,000 in taxes if the owners had not received the break.

Efforts to reach Columbia's economic development director this week were unsuccessful. But a tally he released last summer showed that four of the complexes would have paid \$4.5 million annually in property taxes for the buildings alone, not the land. The tax break reduced that yearly total to about \$2.2 million. The fifth complex, to be built in the Bull Street neighborhood, had not been announced at that time.

The central issue in the suit is one raised by skeptics of the tax incentive since the city and county began using it at Benjamin's suggestion because the city had lost out on many such projects built just outside Columbia.

"To encourage people to invest in Richland County, they've come up with this scheme," then-Richland County Assessor John Cloyd told The State newspaper in April 2014. "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."

Joe Taylor, the state's former commerce secretary, was more direct than Cloyd. "The only guys that get this are the big guys with big money," Taylor said at the time. Developers who don't get the tax break "are going to pay a million, two (in taxes). And somebody downtown is going to pay

Tax-break recipients

Student housing developers who have been approved to get half-off their property taxes for a decade. Their tax breaks are the object of a new lawsuit.

- Manhattan-based Park 7 Group is building Park Place, a 640-bed complex at Blossom and Huger streets.
- Edward Communities, based in Ohio, built Greene Crossing, a 727-bed complex on Pulaski Street.
- Park 7 also is developing a 684-bed complex at Assembly and Pendleton streets near USC's School of Music.
- Atlanta-based Peak Campus Development is building the Station at Five Points, a 660-bed complex at Gervais and Harden streets.
- Haven Campus Communities of Atlanta plans to build 234 apartments in the new Bull Street neighborhood. It was the last to apply for the tax break before it expired Dec. 31, 2015. This tax break has not been finalized by either city or county councils.

half of that. You think that's fair?"

DePass, a critic of city government, said Carpenter approached him about six weeks ago with the idea of suing.

"We have a stark-raving mad City Council that has started handing out tax credits in places all over the city," said DePass, who is active in Republican politics. "My concern has been as a citizen and taxpayer is that we're going to end up with a bunch of crummy, broken-down buildings in about 20 years," he said of a student population that could damage the apartments and move to newer, shinier complexes.

DePass said Carpenter persuaded him that what the city and county did violates the legislative intent for multi-county industrial parks.

Another questionable aspect of how these parks are created is that rich counties benefit far more than the poorer counties with which they partner, Carpenter said. The multi-county aspect of the state law pairs wealthier counties that more easily attract investment with poor neighboring counties, so the poorer ones can benefit as well.

"All you have to do is team with the poor county, and the rich county gets 99 percent of the take (fees or property taxes). Here's little ol' Fairfield getting 1 percent," Carpenter said of the county that is partnered with Richland County to create the parks for the housing complexes. "It's all a ruse."

Should a judge agree with the legal challenge, companies getting breaks might have to pay their full tax bills. Carpenter said that if the agreements are deemed illegal, "They're on the hook for the taxes. Whether the city and the county would enforce it retroactively, I don't know."

Service

S & SERVICE

The State

<p style="margin: 0;">Home Improvement</p> <p style="margin: 0;">R & S Maintenance & Repair</p> <p style="margin: 0; font-size: small;">Landscaping • Carpentry Plumbing • Painting Roof Maintenance & Pressure Washing</p> <p style="margin: 0; font-size: small;">Call Roger 803-206-7785 No Job Too Small Free Estimate</p>	<p style="margin: 0;">Landscaping/Trees</p> <p style="margin: 0;">Newman's Lawn & Tree Service</p> <p style="margin: 0; font-size: small;">✓ Tree Removal & Trimming ✓ Stump Grinding ✓ Irrigation Repair & Install ✓ Clean up jobs</p> <p style="margin: 0; font-size: x-small;">Licensed & Insured</p> <p style="margin: 0; font-size: small;">803-318-0128 Dorrell Newman</p>
--	--

\$0 per week with your ad on this page.

Source: Southborough Columbia, SC Mid-Ter Fall 2011 Study