

Retail Development Incentives

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Background

- ❑ Industrial incentives are typically based on jobs and income tax base
- ❑ Retail incentives are based primarily on sales tax and occupational tax revenue
- ❑ Incentives provided at local level, not state level

Reasons to Offer Retail Incentives

- Keep local dollars local
 - Retain residents' disposable income
- Draw sales from outside your area:
 - Neighboring municipalities
 - Tourism
- Create new sales tax revenue (increase the pie)
 - Novel development
 - Entertainment value
- Improve local quality of life

Incentive Methods

- Amendment 772
- Infrastructure Assistance
- Revenue Sharing
- Tax Increment Financing
- Cooperative District
- Non-Financial Tools

Amendment 772

- ❑ Municipality may lend or grant public funds to businesses to promote economic development
- ❑ Seven day notice of public meeting
- ❑ Municipality determines public purpose
- ❑ Broad powers for offering incentives
- ❑ Consider local amendments

Infrastructure Improvements

- Easy to implement under 772
- Types of improvements to public infrastructure may include:
 - Roads/Intersections/Traffic Signals
 - Project Visibility/Lighting/Street Signs/Banners/District Designation
 - Water Supply/Sewage/Drainage
 - Landscaping Rights of Way

Revenue Sharing

- Incentive payment to developer based upon performance
- Establish tax base/future potential growth of site without incentives
- Developer uses funds to:
 - Offset costs (improve feasibility of project)
 - Improve infrastructure
 - Lure anchor tenants
- Duration/percentage/cap of revenue share
- AG Opinions

Tax Increment Financing

- Designate a TIF district:
 - Blighted/economically distressed areas
 - Certain military areas
- Issue bonds to fund infrastructure improvements/project development
- Use incremental increase in property tax revenue to service debt

Capital Improvement Cooperative Districts

- ❑ Determine sales tax elasticity
- ❑ Impose fees similar to sales tax based upon gross receipts
- ❑ Issue bonds payable from district revenue
- ❑ Allocate portion of fees to developer/development services
- ❑ Share revenue sources among participating municipalities

Non-Financial Tools

- Expedited Permitting
- Rezoning
- Economic Impact Analysis
- Marketing/Project Promotion

Examples

- Bass Pro Shops
- Grand River
- Celebrate Alabama
- Office/Medical Relocation

Deciding to Offer Incentives

- Will the development:
 - Improve QoL?
 - Bring new/unique retailers?
 - Generate long-term tax base?
 - Occur without incentives?
 - Cannibalize existing retail?
- Other uses of the site (HBU)?
- Current tax base/growth potential of site?
- Developer's financial commitment?

Other Considerations

- Upfront vs. Performance Based
- Caps on Incentives
 - Duration
 - Percentage
 - Amount
- Development Agreement
- Recapture Provisions (“clawbacks”)