

*THE WONDERFUL WORLD OF MUNICIPAL ECONOMIC DEVELOPMENT*

Ray Jones, Emily Luther  
Parker Poe Adams & Bernstein, LLP

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**1. Municipal Economic Development in Context**

**a. Federal Tools**

- i. Federal income tax credits

**b. State Tools**

- i. State income tax credits

**c. County Tools**

- i. Property tax credits, abatements, and other arrangements

**d. Municipal Tools**

- i. Grants
- ii. Cooperative property tax arrangements with counties
- iii. Revenue generating procedures
- iv. Assisting businesses with applications for federal/state income tax credits

**2. Grants Available to Municipalities**

**a. Community Development Block Grant Entitlement Program (41 U.S.C. 5301)**

- i. Administered through the federal Housing and Urban Development department
- ii. The Community Development Block Grant Entitlement Program provides annual grants to entitled cities nationwide

- iii. Entitled South Carolina cities are Aiken, Anderson, Charleston, Columbia, Florence, Greenville, Hilton Head Island, Rock Hill, Spartanburg, Summerville, and Sumter
- iv. Applies to metropolitan cities with populations over 50,000
- v. Funds can be used to acquire real property, rehabilitate residential and non-residential structures, construction of and improvements to public facilities, and assistance to profit-motivated businesses to carry out economic development and job creation/retention activities
- vi. Examples
  - 1. Hilton Head Island – used entitlement funds to upgrade existing dirt roads and public improvements to facilities benefiting low and moderate-income residents
  - 2. Spartanburg – used entitlement funds to secure a \$4,000,000 loan to assist the Renaissance Park Hotel project

**b. State Community Development Block Grant**

- i. South Carolina can also provide grants to smaller units of local government that are not “entitled cities”
- ii. Generally, these are cities with populations smaller than 50,000 and not on the “entitled” list
- iii. Funds can be used to acquire real property, rehabilitate residential and non-residential structures, and local development corporations or for-profit entities to carry out economic development activities
- iv. Municipalities can apply for Community Infrastructure grants (minimum \$50,000; maximum \$750,000), Community Enrichment grants (minimum

\$50,000; maximum \$500,000), Neighborhood Revitalization grants (minimum \$50,000; maximum \$500,000), Special Projects grants (minimum \$50,000; maximum \$150,000), and Urgent Need grants (minimum \$50,000; maximum \$500,000)

v. Examples

1. Orangeburg – Received \$400,000 for redevelopment of the Boswell Street neighborhood
2. Edgefield – Received \$328,455 for the purchase of a fire truck

**c. Rural Community Development Initiative Grants**

- i. Administered through the federal Housing and Urban Development department
- ii. Provides funds for a city or town with less than 50,000 inhabitants that is not an “urbanized area contiguous and adjacent” to such a city or town.
- iii. Minimum grant award is \$50,000; maximum award is \$250,000.
- iv. Funds can be used to improve housing, community facilities, and community and economic development projects in rural areas

**d. Hometown Economic Development Grant**

- i. Administered by the Municipal Association of South Carolina
- ii. Provides \$25,000 grants for economic development projects making a positive impact on a municipality’s quality of life
- iii. Examples:
  1. Estill – grant helps demolish 26 vacant, dilapidated housing structures

2. Lancaster – grant pays for professional services related to developing downtown farmers’ market and open-air pavilion
3. Spartanburg – grant will assist with African-American business development initiative

**e. Façade Improvement Grant**

- i. Administered by municipalities
- ii. Usually forgivable loans or reimbursements given by cities to property or business operators in a specified area for exterior improvements to property
- iii. Examples
  1. Columbia – loans up to \$20,000 for improvements fronting Two Notch Road
  2. Greenville – one-time reimbursement up to \$10,000 per property for certain streets in commercial districts

**f. Fixing America’s Surface Transportation Act**

- i. Administered by the federal Department of Transportation
- ii. Provides funds for “transportation alternatives” including on- and off-road pedestrian and bicycle facilities, infrastructure projects for improving non-driver access to public transportation, construction of boulevards and other roadways, and similar activities
- iii. Examples
  1. Greenville County – Received \$4,000,000 toward driverless taxis designed to improve mobility for some and reduce traffic congestion for all

### **3. Property Tax Benefits for Companies**

#### **a. Bailey Bill (S.C. Code Ann. sections 4-9-195 and 5-21-140)**

- i. Allows local governments to offer a property tax abatement to encourage rehabilitation of historic properties for up to 20 years
- ii. Requires cooperation between a city and county
- iii. Examples
  1. City of Beaufort and Beaufort County – County taxed rehabilitated properties located in Beaufort’s historic district over 50 years old at their pre-rehabilitation values for 10 years to encourage rehabilitation

#### **b. Special Source Revenue Credit (4-1-175 and 4-29-68)**

- i. Allows businesses located within a “joint county industrial and business park” within a municipality to be “reimbursed” for certain investment and project costs

### **4. New Revenue Resources for Municipalities**

#### **a. Tax Increment Financing (31-6-10)**

- i. Allows municipalities to incur debt for the redevelopment of a project area and use the additional property tax revenue generated by the redevelopment projects to pay off that debt
- ii. Must target the redevelopment of blighted areas, and each project must be publicly owned
- iii. Examples
  1. Columbia – Implemented a TIF for street, bridge, and utility system improvements for the Vista area

2. Myrtle Beach – Implemented a TIF for street and parking infrastructure improvements in the area left vacant by the deactivation of the Myrtle Beach Air Force Base

**b. Municipal Improvement Districts (S.C. Code Ann. section 5-37-10)**

- i. Allows municipalities to establish a special assessment district assessing fees to property owners in the area to fund public improvements providing a benefit to properties in the district
- ii. Examples
  1. Rock Hill – The City created the “Riverwalk Municipal Improvement District” to help pay debt associated with creating public infrastructure including collector roads, sidewalks, curbs and gutters, and public recreation facilities

**c. Local Hospitality and Accommodations Taxes/Fees**

- i. In addition to state hospitality and accommodations taxes, municipalities may impose local hospitality and accommodations taxes
- ii. Local accommodations taxes may not exceed 3%, while local hospitality taxes may not exceed 2%
- iii. Hospitality taxes are charged on charges for food and beverages
- iv. Accommodations taxes are charged on rental and other charges for rooms, campground spaces, lodgings, or sleeping accommodations
- v. Examples
  1. Greenville – Revenues went to fund Falls Park
  2. Rock Hill – Revenues went to fund sports tourism facilities

**5. State income tax credits**

**a. Federal Historical Rehabilitation Tax Credit**

- i. Administered by the National Park Service and the Internal Revenue Service
- ii. Provides a 20% income tax credit to businesses for the rehabilitation of historic, income-producing buildings deemed “certified historic structures” by the National Park Service
- iii. Properties must be either on the National Register of Historic Places or contribute to a National Register historic district
- iv. The State Historic Preservation Office of the South Carolina Department of Archives and History reviews rehabilitation plans to ensure compliance
- v. Owner-occupied residential areas are not eligible
- vi. Examples
  - 1. Columbia – 701 Whaley Street (before and after pictures)

**b. State Historical Rehabilitation Tax Credit**

- i. Administered by South Carolina
- ii. Provides a 10% state income tax credit to businesses
- iii. Developers who successfully complete the federal tax credit process (discussed previously) automatically qualify for the state credit
- iv. Can be paired with the federal credits
- v. Examples
  - 1. Columbia - 701 Whaley Street (before and after pictures)

**c. Federal Non-historic Rehabilitation Tax Credit**

- i. Same as federal historical rehabilitation tax credit but for the rehabilitation of “non-historic buildings placed in service before 1936”

- ii. Only non-residential properties
- iii. Building must meet three additional criteria:
  - 1. 50% or more of existing external walls must remain in place as external walls
  - 2. 75% or more of existing external walls must remain in place as either external or internal walls
  - 3. 75% of internal structural framework must remain in place
- iv. Examples

**d. Abandoned Buildings Credit (12-67-100)**

- i. Administered by South Carolina
- ii. Offers a state income tax or property tax credit for the expenses incurred in the rehabilitation of a building or structure in which at least 66% of the space has been closed continuously to businesses for income producing purposes for at least 5 years
- iii. Requires different minimum rehabilitation expenses based on population:
  - 1. \$250,000 expense per building unit in unincorporated areas of a county or a municipality with 25,000 people or more
  - 2. \$150,000 for unincorporated areas of a county or a municipality with 1,000 to 25,000 people
  - 3. \$75,000 for unincorporated areas of a county or a municipality with less than 1,000 people
- iv. Examples

**e. Jobs Tax Credit (12-6-3360)**

- i. Administered by South Carolina



- ii. Grants certain businesses a state income tax credit if they create and maintain a specified number of net new jobs in a taxable year
- iii. Maximum reduction is 50% of corporate income tax liability
- iv. Eligible businesses include manufacturing, processing, tourism, warehousing, banking, distribution, research and development, and agribusiness operations
- v. Provides tax credits, ranging from \$1,500 to \$8,000, for each new, full time job created
- vi. Each county is annually placed into a tier based on unemployment rates and per capita income
- vii. The more economically distressed an area, the higher the tax credit for locating within it
- viii. Examples

**f. Textile Communities Revitalization Credit (12-65-10)**

- i. Administered by South Carolina
- ii. Grants tax credits to business for renovating, rehabilitating, and redeveloping abandoned textile mill sites
- iii. Applies to textile mills and the surrounding land and improvements which were used directly for textile manufacturing operations or ancillary uses
- iv. Credit can apply to either state income tax or to local taxing entity's property tax
- v. Can be combined with federal and state historical buildings credits
- vi. Examples

1. Rock Hill – The Cotton Factory (before and after)

## **6. The Past, Future, and Possibilities of Municipal Tools**

### **a. Past**

#### **i. Retail Facilities Revitalization Tax Credit (12-4-320)**

1. Repealed 2016
2. Provided state income or property tax credits for the improvement, renovation, and redevelopment of abandoned retail facilities in South Carolina

### **b. Future**

#### **i. Community Development Tax Credit (S.412 and H.3842)**

1. Plans to increase the community development tax credit from 33% to 100% and expand eligibility of financial institutions to use the tax credits for targeted investments in low wealth communities

### **c. Possibilities**

#### **i. Renewable Energy Economic Development and Jobs Act (S.44)**

1. Creates favorable property tax policies for solar industry investors and developers in order to attract new capital investments
2. Despite support for the legislation, the bill has been stalled for later debate

## **7. Municipal Economic Development in Neighbor States**

### **a. Georgia**

#### **i. Georgia Cities Foundation**

1. A non-profit subsidiary of the Georgia Municipal Association promoting economically sustainable projects through a revolving loan fund program

ii. Green Communities Fund

1. Provides low interest financing to business for energy efficient and sustainable improvements to downtown commercial properties
2. Loans range from \$10,000 to \$250,000
3. Funded by a grant from the Georgia Environmental Facilities Authority
4. Also provides training programs

iii. Georgia Downtown Association

1. Non-profit organization devoted to advocacy, education, and marketing to focus public attention on the value of downtowns

**b. North Carolina**

i. Main Street Solutions Fund

1. A reimbursable grant-matching program providing grants up to \$200,00 to local governments to assist small businesses in downtown developments
2. Matches one state dollar for every two non-state dollars
3. Established by N.C. Gen. Stat. § 143B-472.35

ii. State Mill Rehabilitation Tax Credits

1. Grants state tax credits for the rehabilitation of historic mill properties

**c. Tennessee**

i. State-wide FastTrack program assists Tennessee communities to attract companies, jobs, and capital investment

1. FastTrack Economic Development Fund:

- a. State fund providing grant support to companies locating in Tennessee

2. FastTrack Infrastructure Program:

- a. State fund providing grants to local communities for public infrastructure improvements
- b. Require local matching funds based on a community's ability to pay