$6.7M revenue at stake with Costco tax break

Project could generate $9 million a year in sales tax

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Public bodies such as the Lafayette Parish School System and Lafayette Consolidated Government could lose out on about $670,000 a year in property taxes for 10 years if a payment-in-lieu-of-taxes proposal for a shopping center anchored by Costco is approved by a little-known volunteer board.

The project is expected to create 2,500 construction jobs, 1,100 permanent jobs and generate nearly $9 million a year in sales taxes, Ryan Pecot, senior leasing executive with Stirling Properties, told the City-Parish Council at its May 27 meeting.

City-Parish President Joey Durel supports the proposal, telling the council a store of Costco's caliber would move Lafayette from a C retail market to a B retail market, which may attract other such stores.

But some believe that not collecting property taxes for 10 years by such public bodies as the school system, which is grappling with a See COSTCO, Page 5A
$22 million budget deficit, too big a price to pay. They raise other questions about the project not complying with the newly approved comprehensive plan and the fairness of giving one small group of developers tax breaks that others haven’t been afforded. They also balk at the fact that such a decision will be made by a group of volunteers instead of elected officials accountable to voters.

The plan calls for the 450,000-square-foot shopping center, which may be called Ambassador Town Center, to be built on about 60 acres of a 124-acre tract of land on Ambassador Caffery Parkway between Kaliste Saloom Road and Frem Boustany Road. The property runs alongside Our Lady of Lourdes Regional Medical Center.

The land is owned by descendants of Frem Boustany; GBB Properties Two LLC (Geraldine Boustany Boesch Ramsay) and DBR Properties LLC (Doris Boustany Reggie and Edmund Reggie Jr.). The developers are Stirling Properties of Covington, which developed the shopping center on Louisiana Avenue using a government program called TIF (Tax Increment Financing), and CBL and Associates of Chattanooga, Tennessee, the company that owns Acadiana Mall.

Durel said during the May 27 council meeting that he had a conversation with Costco Wholesale Warehouse representatives about a year ago at the International Council of Shopping Centers convention, and he has since been approached by a developer with the idea of bringing Costco to Lafayette.

The developers and landowners want to take advantage of a government program called PILOT — payment in lieu of taxes — to help with the project.

Under the PILOT program, the developers would pay to install roads, drainage, utilities and other infrastructure — not just on the shopping center property, but around it. Talks have included building a road parallel to Ambassador Caffery Parkway from Kaliste Saloom Road to Frem Boustany Road or even to Verot School Road.

The owners and developers would turn over ownership of the land and buildings to the Lafayette Industrial Development Board so that they would not have to pay property taxes for an estimated 10 years to partly compensate for the cost of building the roads and other infrastructure. The IDB, a volunteer group that would have to approve the PILOT program, would then sell bonds to reimburse the developers for infrastructure costs.

Today, the property owners pay only $350 a year in property taxes on the entire 124 acres of undeveloped land, which is assessed as agricultural land because they bale hay on it, said Conrad Comeaux, Lafayette Parish Tax Assessor.

If the Costco-anchored shopping center were built, Comeaux estimated the property taxes would be about $670,000 a year for the buildings and land. Over 10 years, the school system, jail, Lafayette Consolidated Government and other agencies would forfeit $6.7 million or more in property taxes. Sales taxes would still be collected and remitted to those entities.

Historically, local governments have not reimbursed developers for new development infrastructure costs, Comeaux said. He’s concerned that approving the PILOT program will have other developers lining up for the same kind of deal.

"From a public official standpoint, this is a major policy shift in how projects are funded," he said. "And for that reason, we need to really consider the implications of these decisions with this PILOT.”

Tim Supple, a local developer who served on the Citizen Advisory Committee for the comprehensive plan, has several problems with the proposal: Taxpayers are being asked to forfeit money to landowners and developers, and the proposal conflicts with the comprehensive plan.

“They’re taking taxes for schools, fire and paying the landowner so he can raise the price of his land. It’s that simple," Supple said Friday.

Costco will come to Lafayette if the price is right, he said.

“If they want Costco, lower the price of the land,” Supple suggested.

Even more concerning is the long-term effect of taxpayers paying to build roads and infrastructure for the developers, who then will expect the city to maintain them, he said.

“What we know from every economic study that’s been done, it proves that with those kinds of developments, the property taxes on big box stores is not enough to pay for the upkeep," Supple said.

Details of the shopping center proposal have not been made public, but it is rumored to be another Target-style shopping center.

That is the polar opposite of the comprehensive plan that was just approved for Lafayette, Supple said.

The comprehensive plan encourages mixed-use developments in which residences and businesses such as retail and medical offices share buildings in neighborhoods that are pedestrian friendly.

Industrial Development Boards were created under state law, and PILOT programs are allowed by law as well.

City-Parish Councilman Don Bertrand, who served on the local board prior to 2009, said the IDB or its predecessor handled bonds that allowed for the development of many shopping centers in Lafayette.

There are currently six non-paid members of the Lafayette IDB: Jessica Alain, president, with the Allen and Gooch law firm; Peter Strawitz III, vice chairman, with Edward Jones; Jeremy Hanson, secretary, with Van Eaton and Romero (and the son of 15th Judicial District Court District Attorney Mike Harson); Rova Sadredini Boustany, treasurer, with the 15th Judicial District Court District Attorney’s Office (and married to a distant relative of the Boustans who own the land); Jenny Roberts-Axelrod with C.H. Fenstermaker and Associates; and Jose Rios.

“This is not some sinister backroom, cigar-smoking folks,” Bertrand said. “They will review whether or not this project is viable, whether or not the numbers are correct.”

Allain declined to comment.

The board is subject to the state Open Meetings Law, so its meeting to discuss and vote on the PILOT proposal must be published at least 24 hours in advance and must be open to the public.

“The board plans on being transparent,” Strawitz said Friday.

The City-Parish Council voted May 27 to endorse the PILOT proposal. Bertrand voted in favor of the plan, although he said the PILOT plan is not his first choice for funding the infrastructure.

Bertrand said he’d prefer tax increment financing (TIF) and has worked for three years to create a TIF district along the Ambassador Caffery Parkway corridor from the Vermilion River near Academy Sports to Broussard.

The goal was to pay for sewer, electricity, fiber and other infrastructure, but Bertrand said he doesn’t have enough support for the plan. Tax increment financing is a way to pay development costs with taxes generated by the development.