

Taxpayers vs. Special Interests

Written by Kathleen McCarthy
Tuesday, 08 May 2001 18:00

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The opinions of the Quad City Times editorial board are often a source of amusement for those of us who bother to educate ourselves on the issues that concern Davenport taxpayers. This entity's blanket support of Self-Supporting Municipal Improvement Districts (SSMIDs) for THF Realty to pay for infrastructure improvements that provide access to their own development of a Super Wal-Mart and Home Depot is but one more confirmation of the QC Times' editor's philosophy, that ads are news too. The paper's claim (in May 5th's editorial) that the new Super Wal-Mart is not sprawl is ridiculous. It is a textbook case of sprawl. And SSMIDs are just another way for developers to pass their costs on to others. In this case, the costs will be passed on to THF's tenants, who will in turn pass them along to us, the consumers. As for the *QC Times*

' opinion, Super Wal-Mart represents advertising dollars, so to expect anything objective from its editorial board on this particular subject would be dreaming.

Let's examine the *QC Times* lauding Wal-Mart for agreeing to not ask for a reduction in taxes for their abandoned "dark" store, for the first time in their history no less. The editorial board would have you think that this is pure largess on Wal-Mart's part. The truth is, it would be a deal-breaker for their new store if they tried. Besides, this way Wal-Mart can maintain their control of the building and keep any competition from locating there for the next two years. At the end of which, Davenport taxpayers have the option to buy the building, thanks in whole to 6th Ward Alderman Bob McGivern. Does it get more absurd than this, especially when Wal-Mart is not particularly interested in this purchasing deal?

My guess is that Alderman McGivern has taken the purchase agreement's language straight from that useless agreement struck between the previous council and the Davenport School District several years back. Obligating Wal-Mart to a "reasonable best effort" to market their property bears an uncanny resemblance to requiring the School District's "good faith effort" to find a suitable reuse for theirs (referring to the old Sugar Bowl, now expunged from the face of the earth). We all saw the ineffectuality of that agreement, but here we go again. Even corporate counsel John Martin states that the dark store purchase agreement "may require interpretation." What are we doing deliberately drafting agreements that require interpretation? What is wrong with plain language that strongly makes the point so that no interpretation is required? The parties are purposely making it vague so they can eventually avoid its terms. The

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big question is why? There are many other remedies for making sure that Wal-Mart's abandoned building gets another tenant. Taxpayers being forced into the real estate business clearly isn't one of them; even THF admits this. Such an agreement is a disincentive for the property owner to sell the store before two years. One would think that Alderman McGivern, especially being in the real estate business himself, would discern this, but obviously not. Or is something else going on here that the public isn't aware of—some hidden agenda that Davenport taxpayers aren't privy to?

These unprecedented side deals, such as SSMIDS and dark store purchases, beg the question: What does Alderman McGivern have to gain from such arrangements? We have already seen unethical conduct on this council with Alderman Englemann voting on a development deal that he had a personal and professional interest in as a CPA. If a citizen hadn't exposed him for the conflict of interest and stopped him from voting, he would not have abstained and continued his shabby conduct. How much more of this is going on with this council? Alderman McGivern is rabidly supporting THF Realty's development proposals without any of the substantive data usually required, such as a merit and feasibility study or an economic impact study, for projects of this tremendous size, estimated at \$60 million when it is completed. The strategic data that would normally be forthcoming from most prudent communities has been forgone in Davenport with no clear rationale for abdicating such critical responsibility, other than to say that the process is consistent with the way we have done things in the past. Hardly a legal rationale, let alone a professional one.

Alderman McGivern, with the backing of Aldermen Sherwood, Mortiz, and Brown, claims that we have never demanded so much from a developer before. Well, councilmen, we have never had such massive development occur in one place before. Even economic development staff admits that there is nothing extraordinary about what we are requiring from the developer. The amount of infrastructure improvements being mandated is totally proportionate to the amount of development that will occur by THF. And THF's own traffic consultant was very clear when she stated that the street improvements will not greatly improve the traffic condition at the 53rd/Elmore intersection, but will only maintain the current status quo, with a slight upgrade for drivers turning from Elmore onto 53rd Street. After that, however, the congestion will not be significantly mitigated. In other words, the intersection improvements will only absorb a portion of the new traffic created by their own new development.

There is another grave concern that has just been unearthed. THF Realty's property is within the Northern Urban Revitalization Area designated for a special tax exemption program. There is no language in the City's charter, or in the state law's language stopping new construction from being eligible. The City claims that new construction is not eligible in the Northern Urban Revitalization Area, only in the Southern, but there is nothing in writing that supports this claim other than one sentence in a city brochure and a single reference in what appears to be a policy statement for the exemption program. However, these statements are a direct contradiction to the actual language of the ordinance, which clearly states all improvements are eligible, including new construction, within such designated areas—hardly enough to stand up to any kind of legal challenge that THF could decide to bring at a later date. It would certainly be worth their time and money to do so with their projected \$58 to \$60 million in property values at stake. And it would be consistent with past predatory strategies. What is it going to take to get our

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elected officials to represent Davenport taxpayers over individual special interests?

The City of Davenport must insist on a waiver that eliminates any possibility of THF or anyone else involved with this development from seeking any tax exemptions whatsoever, or this whole thing is in the toilet. If THF refuses, it should be a "deal killer" for our officials. If THF is eligible and they apply for tax exemption, the entire justification for this development becomes moot. The exemption would mean that THF is exempt from paying property taxes on any improvements they make over a specific period of time. The exemption program is used as an incentive to get people to invest in areas that would not otherwise attract investment, such as blighted neighborhoods, brownfields, etc. TIF and SSMIDs were created for the same exact reason, but that criterion is not stopping this council from considering two SSMIDs for new development of greenfields for a Super Wal-Mart and Home Depot. Nor did these very explicit criteria stop this current council from implementing a TIF for Sentry Insurance up on 53rd Street, the fastest growing corridor in the State of Iowa. Why should it be any different for THF's development project, or the one coming up behind it for Jersey Farm Partners? The biggest question of all is when is the shameful abuse of the spirit of these laws going to stop? If we depend on the moral character of this council to stop it, then we do so at our own peril. Alderman McGivern has publicly stated that his allegiance is to the legal requirements, not the moral obligations, of development in Davenport. Obviously the majority of this council concurs with him.