

The statement below was submitted by Citizens Oak Ridge (COR) to the Oak Ridger for inclusion in the May 9, 2007 election special supplement of the newspaper. The Oak Ridger informed COR that there was no specific word limit, but the newspaper retained the right to "edit" submittals. Unshaded text represents what was printed, while the shaded text was edited out by the Oak Ridger.

It Doesn't Add Up

The City of Oak Ridge is poised to again grasp for an illusory golden ring. It proposes to pay GBT Realty a \$10.5 million subsidy (about 16% of total project cost) to create Crestpointe shopping center in the hope that the center will generate a windfall in tax revenues for the City. Up to six million of the \$10.5 million would be raised through a bond issue, while the remaining \$4 million would come from drawing down City reserve funds. These reserve funds will have to be replenished fairly swiftly (most likely by more borrowing). The June 5 referendum will decide the fate of the up to \$6 million to be raised by a bond offering. The city's proposal is:

1. Fiscally Irresponsible
2. Unfair to Existing Local Business
3. an example of Poor Planning and Project Siting

Financially Irresponsible

The City has an obligation to the community to perform independent and appropriate critical analyses of all projects proposed before making major financing decisions. In this case, the City has not performed the appropriate analysis. If Target chooses to locate in Oak Ridge, it will do so on the basis of a market analysis of the Oak Ridge trade area. The City's decision to subsidize a development should be based on no less thorough an analysis.

There are serious flaws in the City's analysis, decision process and public discussion that undermine its claim of financial viability. *(If the City's analysis were submitted in a marketing or finance class, it would receive an "F".) First, the City's estimate of the net increase in retail sales (and, thus, sales tax revenue) is based upon square footage to be built, rather than the square footage that the market can support. If the City believes that the local market can support more square footage and produce a gain of \$60 million in sales annually, it needs to provide evidence for this claim.*

We are skeptical that the City's trade area can do so. A \$60 million gain would require \$2,180 of new spending by every man, woman and child in Oak Ridge and is an unlikely scenario. The City owes its citizens rigorous analysis of our ability to draw from other areas (specifically how many people, from where, spending how much). *Marketing analysis shows that it is unlikely that Oak Ridge can draw many folks from the Knoxville suburbs as they will be drawn to the larger retail "center of gravity" in west Knoxville.* Even with the overstatement of proposed project benefits and an understatement of costs to the City, the City's expected annual return (to both the City and the Oak Ridge school system) amounts to about \$25/year in property taxes for a \$120,000 house. This does not appear to be a "windfall" to us.

Second, City officials have repeatedly cited a TVA Anderson County retail sales "leakage" study in making the case for the City expenditure. They have suggested that the "net leakage" from the entire County (approximately \$90 million) is potentially recoverable to Oak Ridge through a Crestpointe development. However, they fail to note that the bulk of the leakage described is for products that will not be sold at Crestpointe such as \$60 million in gasoline sales.

Third, the discussed purchase price for Pine Ridge by GBT is substantially above market value. No bank would lend money on a deal where property was purchased at an above market price, nor would a bank would lend money without knowing the identity of those that are a party to the deal. *Since the City is proposing to enable the sale through a \$10.5 million public subsidy, the City is obligated to disclose the terms of the proposed sale and the individuals who are parties to the transaction.*

Unfair to Existing Business

Most of the sales at a Crestpointe center would be cannibalized from existing Oak Ridge businesses. It is damaging to the local business climate and is inherently unfair that the taxes of local merchants should be used to subsidize their competitors. *This is especially true when the subsidy works against the City's own Master Plan for development. This unfair competition is likely to cause some existing retailers to go out of business, reducing both City sales and property tax revenues. Further, it will discourage unsubsidized new small retail business from opening in the City and contribute to a blighted area in the City center.*

Poor Planning and Project Siting

The most advantageous location for new retail is in proximity to existing retail, thereby providing synergies that benefit both old and new retailers. Crestpointe's isolated location prevents the creation of a "critical mass" and pulls traffic away from existing retail areas. There are better locations for a Target in Oak Ridge. *The City deal itself shows us that the Pine Ridge site is not suitable, as is. The project requires a \$10.5 million public giveaway and massive earthwork to make it suitable. This work will take time and about \$9 million to blast and transport rock (enough to nearly fill Neyland Stadium) and create an ugly 50 foot high, 2000 foot long retaining wall.*

Comparing other sites that would not receive City money to Pine Ridge with City money is not a legitimate comparison. Considering all sites absent City money, other sites could be developed more quickly, at lower cost and would be more beneficial in terms of retail and land planning impacts. Other sites would do far more to help schools and the City budget. GBT wants 60 acres, not Target. A regular Target requires 8 to 13 acres in retail area. A SuperTarget (if feasible for the Oak Ridge market) needs 17 to 19 acres. Crestpointe costs Oak Ridge the opportunity to locate retail more appropriately without significant expenditure of public money and the opportunity to use the Pine Ridge site for a non-subsidized purpose.

We Need Your Help

The City is already burdened with \$134 million in debt including \$6.255 million for the Centennial (Parcel A) Golf Course (an earlier can't lose scheme). A \$10.5 million corporate welfare gift to GBT will add to that debt at a time when additional borrowing is contemplated for the new high school (*see City of Oak Ridge 2007 budget*).

As a local advocacy group supporting improved decision-making on major public expenditures, Citizens Oak Ridge (COR) opposes the expenditure of \$10.5 million in City monies for Crestpointe. COR is an all-volunteer grassroots organization. We do not have the help of City staff, a PR firm or a war chest for advertising. We do have a website (www.citizensoakridge.com), a phone (220-0829) and many concerned Oak Ridgers working to ensure sound decision-making, fiscal responsibility and good planning for a better future for Oak Ridge. We urge you to VOTE NO in the City bond referendum, and to get the word out to your friends and family.