



Pyramid Deal Should be Killed Before It Hits Taxpayers

Ultimately, \$30 million of taxpayer money would be backing a \$150 million conversion of The Pyramid to a Bass Pro Shops super store.

Also, the distinction must be made between taxpayers putting up the money on the front end or becoming a fallback position if revenue streams don't hit their marks. And it's that distinction that makes this a close call.

Bass Pro Shops is a proven brand in a competitive retail sector. It has a consistent business philosophy broad and agile enough to change with the times.

But in a recent 200-page report by consulting firm RKG Associates Inc. – the latest in a series of reports in the checkered 20-year life of The Pyramid first as an idea and later as bricks and mortar – one key sentence bears repeating over and over again: Retailing is a volatile business. However, the consultants also express confidence in the formula they've used to project annual revenues of \$19 million for city and county government.

But with that amount of confidence, why is it necessary to make government a

backstop?

Bass Pro Shops CEO Jim Hagale is at the top of an organization nimble and aware enough to respond to changing times and survive in the marketplace. The level of attention he and his corporate team would bring to a Memphis enterprise has plenty of appreciation for how unique our community is.

But the skill that a privately held company exhibits toward its bottom line does not justify the use of taxpayer money of this kind or on this scale, be it on the front end or as a failsafe.

If revenue streams don't hit their marks, it's safe to assume local government will be feeling the pain more on every front. And as a result it will be even less prepared to meet the added legal challenge of paying for a "destination lifestyle center" that is tanking.

Either way, you are on the hook if you pay sales and property taxes.

Tax revenue invested in infrastructure in a targeted area is money that doesn't go in the general fund. Tax incentives have to be balanced with the economic return they will generate. That's not some feel-good dec-

laration of optimism. It's black and white on the ledger and local government still doesn't have the hang of doing the math in too many of those kinds of deals.

"This won't cost taxpayers one red cent," was the battle cry of the planning stages for construction of The Pyramid in the late 1980s. Anyone still believe that?

Also at issue is what has happened in the surrounding area since The Pyramid opened in late 1991. Uptown and St. Jude Children's Research Hospital are transforming the North End landscape. And both entities are involved in the Bass Pro effort.

But it is their hard work and belief in what they are doing, more than the presence of The Pyramid, that has changed the neighborhood. It's happened without The Pyramid being a major player.

What happens in the shiny pointy building on the riverfront doesn't seem to have much of an impact on what is a new future for this part of town. The parking lots and undeveloped property across Front Street and to the north suggest someone is waiting for The Pyramid. But how long will it be before the speculators are affected by what's

happening to the east of their property?

For \$30 million, we could get a real start on someone's backyard of blight without having to wait for the dollars to turn over from consumer to merchant to state to local coffers to programs. That doesn't touch on the issue of the dollars that get stuck to the sides on the journey to eventually fighting blight.

On the surface, the Bass Pro idea seems to be a matter of dollars and cents. But reassurances that the City Council or Shelby County Board of Commissioners must approve every step along the way ignore political realities.

If the Pyramid project doesn't win October's "beauty contest" for new market tax credits in a Washington that is about to change administrations, the game plan will change again and at the very least, taxpayer money backing this will move a bit closer to the front. The argument will be that it's too late and too much invested then to call it off. Instead we could be figuring out what is next and send the message that whatever it is, taxpayers will not be on the hook. So how about calling it off now? ■

Bass Pro Deal Good for Memphis

Scott Ledbetter is chair of The Pyramid Reuse Committee.

BY SCOTT LEDBETTER

Four years ago, the city and county mayors asked me to chair a committee of 18 corporate leaders, elected officials and other professionals to analyze The Pyramid and recommend its best adaptive reuse. We met weekly for 18 months and heard many ideas.

Meanwhile, the mayors instructed us to select a use that didn't involve financing with local tax dollars. Public museums and similar attractions were omitted from consideration.

Our committee refused to pursue users not able to prove financial capability. We sought sponsors bringing substantial balance sheets with histories of successful operations – not just ideas supported by artist sketches, weak feasibility studies or primary reliance on borrowed money. The selected use had to leverage community assets and contribute to an economic improvement for the area and not merely shift commerce across the city.

We contacted cities with large surplus public facilities to learn from their experiences and find out which professional consultants they used. No city had, we found, successfully created an economic generator from a major former sports arena.

Twenty national consulting firms responded to our request for proposals and we chose RKG Associates and Bartram &



Cochran of New Hampshire.

We asked them to help narrow the selection and they indicated the economic value for a commercial destination lifestyle center would be more than twice that of a theme park or aquarium and more than five times that of an office use.

The highest and best use was determined to be a "for-profit, destination lifestyle, retail and tourism user," which has turned out to be Bass Pro Shops.

These are some of the reasons a Bass Pro store is the best reuse for The Pyramid:

- Bass Pro is the world's leading outdoor retailer with 47 stores, \$2.7 billion in annual sales and more than 100 million visitors annually.
- Bass Pro drives economic development. Cities, states and developers pay between \$25 million and \$35 million (and more in public incentives) to recruit it. Bass Pro stimulates economic development and successfully turns around areas in urban settings.
- Bass Pro is listed as a top attraction in states where its stores are. Its one-of-a-kind features such as tall indoor waterfalls, massive aquariums, natural exhibits, conservation programs, marina attractions and hotel and restaurant facilities attract millions of people each year. ■

Bass Pro Deal's Deficiencies Revealed

Mike Ritz is a member of the Shelby County Board of Commissioners.

BY MIKE RITZ

The proposal for Bass Pro Shops to control and become the primary tenant of The Pyramid has many deficiencies that have been identified for months and ignored or glossed over. Bass Pro is a great company with a good retail concept, but it is privately owned and its financial conditions, trends and management are invisible to the public.

The city and county mayors and Bass Pro Shops signed a letter of intent in 2005 with a second signed in June 2007.

This February, a third letter was revealed to the County Commission containing conditions for a possible lease. This was the first time the commission sworn in September 2006 was asked to review or consent to any matter related to Bass Pro. The proposal before the commission is essentially identical to the February letter.

Here are some major deficiencies as I see them:

- RKG Associates, the city's consultant, says Shelby County will receive \$10,448,787 a year from the county's 7 percent sales tax. If this were only the case! The county does not have that rate. That's the state rate! This error has been in the report since 2005.
- Bass Pro will lease The Pyramid from a to-be-formed nonprofit entity. This will assure Bass Pro will never pay any property



taxes for the 55-year lease term with options. Nor will any of the ancillary uses on the 31-acre Pyramid site pay property taxes.

• Bass Pro executives expect a gift of \$30 million from the city and county when they sign the lease. It's a gift because they do not have to pay it back. Based on inquiries with experts, only about

\$10 million of federal funds (Brownfield and new market tax credits) are reasonably available to backstop this gift.

If we borrow \$20 million to give Bass Pro, over 25 years, we will pay \$35 million in principal and interest. That is 1 cent annually on the county tax rate. The city proposed another source of money for this gift to be incremental property tax growth in the Uptown Tax Increment Financing (TIF) District. Property tax increments in that district are already committed to Uptown Development. The best place for backstopping the \$20 million will be state sales tax revenues from the Downtown Tourist Development Zone (TDZ) subject to state consent. Parts of the TDZ state sales tax are committed to Convention Center bonds and part to FedExForum bonds.

We do not need to put at further risk our ability to repay either of these bond issues. Is it any wonder Bass Pro proposed this rent, tax and gift arrangement? ■