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Sandhill owes \$1.2 million in late taxes

Recession fallout hits Midlands' largest shopping center

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The Village at Sandhill — the Midlands' largest retail complex — is late on \$1.2 million in county property taxes, a local sign of the nationwide struggle of retailers and commercial real estate owners in the wake of the Great Recession.

Developer Alan Kahn blames the economy. Three of the Northeast Richland center's large retailers filed for bankruptcy protection recently and some of its 118 tenants have been slow to pay rent, he said.

Kahn said he already has paid \$3.2 million in taxes to Richland County and plans to pay the remainder, which was due Jan. 15, in two or three weeks.

He has until the end of the year to pay before the county could move to seize the property, which includes much of Village of Sandhill's town center shopping district, home to the development's residential component. The county already has assessed a 15 percent penalty.

"In 45 years, I've never once been in this position," said Kahn, who owns 13 malls in four states. "I've never had a national retailer over 25,000 square feet in any of my centers go bankrupt — and last year we had three in one place."

The Village at Sandhill's tax issues come as commercial real estate struggles nationwide.

Shopping centers rely on refinancing short-term loans, but some have run into problems as banks balk at declining property values and falling rent revenue — either because centers have had to offer discounts or because retailers have failed, said Ron Anderson, vice president of research for commercial real estate firm NAI Avant in Columbia.

Rents have dropped as much as 40 percent in some suburban areas around the Midlands, said Hance Jones, a commercial broker with CB Richard Ellis.

"When tenants go out of business or they find a cheaper spot down the road, you've just got less money coming in the pot to pay the tax," he said. "You can't make the remaining tenants cover the void. The developer or owner is left to pay the price."

It is not surprising that Kahn's village would be late on its taxes considering the economic climate, Anderson said. Paying loans and other bills take priority for most landlords because late taxes don't have the immediate consequences of other delayed payments, he said.

Kahn said he has not offered many rent discounts to tenants, and he has been able to get the loan financing he needs for Village at Sandhill.

'Tough year'

Other Midlands-area malls — Columbiana Centre, Columbia Place, Midtown at Forest Acres and Dutch Square Center — paid their 2009 taxes on time, according to county records.

Those malls have been around for decades. The Village at Sandhill's first stores opened in 2004, in the midst of a residential building boom in Northeast Richland that ground to a halt a couple of years ago.

Richland County treasurer David Adams said Kahn and other property owners at Sandhill have paid the taxes on 185 parcels — including numerous condos.

Tax maps show the 11 parcels with unpaid taxes represent the heart of the Village at Sandhill – it's "town center" shops and even its fountain and amphitheater. Also included are the outparcels where Books-A-Million and Arizona's Steakhouse are located and the parking lot in front of the JC Penney store, according to county records.

Included in Kahn's late tax bill is \$417,000 needed to pay down \$20 million in bonds used to build roads, utilities and landscaping. Kahn has paid \$1.3 million toward the bond this year.

A committee of Richland County Council was briefed on the status of the bond last week. County administrator Milton Pope said Kahn, not county taxpayers, would be on the hook for any deficit.

Adams said he has spoken with Kahn – whose center is one of the most valuable pieces of property that he has had to mark delinquent — and expects the bill to be paid.

"It's just a tough year for a lot of people," Adams said. "We're seeing people who we've never seen before come in and set up payment plans."

Adams said his office has sent out about 12,000 delinquent notices this year, up from the norm of 10,000 to 11,000.

Not mixing money

Kahn said he could use money from other shopping centers or other divisions of his many businesses — which include MB Kahn Construction as well as office, warehouse and residential development — but didn't want to mix money.

"Each center stands on its own," he said. "And I think that is appropriate."

Sandhill has been hurt by some national tenants slow to pay their rents. Several retailers are challenging some of charges — which include money for insurance, grounds maintenance and taxes.

"A lot are legitimate questions," Kahn said. Because of the economy "they just make you go through that extra level. They pay slower, but they are responsible companies and will pay up eventually."

The real hit came from Bi-Lo not paying rent for about a year after the grocery chain filed for bankruptcy protection, Kahn said.

The departure of Ashley Furniture and Sofa Express, both of which filed for bankruptcy protection, also put a big hiccup in Sandhill's cash flow.

"The Bi-Lo thing really hurt us," he said. "But they are (recovering) this year."

There are other signs of recovery, Kahn said.

Gold's Gym since has moved into the Ashley space, and Kahn said he is negotiating with tenants for the Sofa Express location.

Kahn added that 90 percent of the village's square footage is occupied, and sales at stores have risen 13 percent over the past two years.

"What I've had to do is carry on," he said. "We'll be good for next year."

Staff writer Dawn Hinshaw contributed.