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RE:  It’s Time to End the Riverdance

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Wilmington’s Riverfront Development Corporation (RDC) received $3.5 million through the state’s capital budget in July, bringing the taxpayers’ total investment in the riverfront since 1995 to over $280 million. Now, starting with a $2 million request, the RDC is proposing that taxpayers pick up as much as one-third of the tab for a $39 million hotel at the Riverfront’s public entrance. Is this simply throwing more money down a rat hole?

Certainly, seed capital from government was necessary to get the ball rolling in the riverfront area. And there have been some positive results. The City, county and state governments have gained back about 20% of the taxpayers’ investment through wage, income, property and gross receipts tax revenues. The public infrastructure and activity has attracted over $650 million in private investment.

All is not coming up roses, however. Blockbuster events have not worked at the convention center and overall event activity is down. While the major restaurants appear to be doing fine, two-thirds of the retail space next to the convention center is vacant and there are ample condos for sale. The perception, not the reality, of poor public safety, and the lack of easy access still seem to be constraints to retail trade.

The RDC’s argument for the subsidized hotel seems to be “if you build it, they will come.” It is hypothesized that a 10 story hotel with 180 rooms will attract mid-sized conferences and conventions. With a hotel, the RDC claims that it will no longer be a “ward of the bond bill.”

The proposal is complicated by conditions in the hotel market. The New Castle County hotel market is already over supplied. As of 2007, compared to the Philadelphia metropolitan area, NCC had about 60% more hotels per 100,000 population and per 100,000 private jobs, and roughly half the sales revenue per hotel. Since 2007, employment and payroll among NCC’s hotels has fallen, as have occupancy rates.

The City already has four fine hotels. These are largely supported by the active corporate law industry bringing a steady stream of well paid visitors. As a small city, Wilmington does not have the density of entertainment and other attractions that help drive the convention trade.

The Delaware Hotel and Lodging Association, whose members have been paying the gross receipts taxes that help to subsidize RDC, rightfully want to know if the state will now make capital funds available to all Delaware hotels.

While the RDC has withdrawn its initial $2 million request, they are expected to return to the feed bag. The solution to this dilemma is simple. During the past five years the RDC has received over $10
million from the state capital budget. Since the RDC is now 16 years old, it is time to leave home. In next year’s bond bill give the RDC a graduation gift of $5 million. That will be the end of pouring taxpayers money into the riverfront.

The RDC can then decide what the most effective use of the $5 million would be. It could put all of it into the hotel venture. Or it could use some of the money to attract an anchor store to drive retail traffic to the moribund Shipyard Center. Or it could improve access to the riverfront (a prominent entrance way with decent signage on Justison Street?) Or it could use the money to continue to pay employees for the next five years.

This would relieve the state, the legislature and the Delaware Economic Development Office from having to decide if granting the next request will finally send the RDC into remission from its addiction to public funds.

Since its birth, in 2011 dollars, nearly $300 million of taxpayers’ money has been used to “raise up” the RDC. Now, make the final gift and allow it to live independently, to sink or finally swim.

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