

# Frederick Melo: You don't know TIF!

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By the time these words reach print, I'll be moderating a panel on magic money, peppering experts from across the country with questions outside my pay grade, opening my mouth, inserting my foot.

In my experience, this is the only way to chip away at an intimidating subject: jump into the deep end of the tax-increment financing pool and hope for clarity.

That's tax-increment financing as in "TIF," or magic money.

With wide variation, every state except Arizona subscribes to this formula for controlling blight by drawing private-sector investment to dead corners of cities and suburbs alike.

It's like magic, because it uses tax revenue that doesn't yet exist. St. Paul loves TIF, and TIF may or may not love St. Paul back.

Some say it's an addictive relationship that needs to stop. Others call it the best shot this city has at happiness, or at least growing good jobs.

The city's 55 or so TIF districts have played varying roles in building the St. Paul Saints stadium in downtown St. Paul, the Williams Hill business center along Phalen Boulevard where a new HealthPartners neuroscience center opened last year, and the Dominion senior housing complex on East Seventh Street.

TIF helped build the twin Hamline Station affordable apartment buildings along the Green Line, the luxury Penfield apartments at 10th and Minnesota streets, the new Treasure Island Center that replaced a vacant downtown Macy's department store, and the professional soccer stadium under construction in the Midway.

With that money, cities and economic-development authorities don't have to come up with their own tax dollars up front to acquire blighted land, demolish abandoned gas stations, get rid of the asbestos in old canning factories, hook up a sewer line, add sidewalks and street lighting and get it all into the hands of the private sector.

Instead, private developers get private loans, bonding funds or pay-as-you-go notes to cover those expenses. They then pay back those obligations gradually, across a couple of decades or more, using money that would have otherwise gone to pay their new property taxes.

## CLEANING UP WITH YOUR OWN TAXES

You read that right.

In other words, for upward of 20 years, funds generated by a brand-new corporate headquarters' increased property value don't go to the city to fix your potholes or pay librarians or firefighters or cops. They don't go to schools or teachers' salaries or county social workers or the county jail. Instead of boosting the general fund, those property tax dollars are redirected to pay off TIF debts.

This, to critics, is like you turning to the city, county and school district and saying, "Instead of paying you guys my property tax increase, can I use that money to clean the asbestos out of my attic?"

Now imagine doing that every year for 26 years. St. Paul collects more than \$20 million annually toward paying off these TIF obligations, which is about 9 percent of what the city collects in property taxes.

Some folks close to the city have drawn a line: Ramsey County opted out of the large “Downtown St. Paul Events District” TIF district that runs from 2009 to 2023, which effectively extended a previous TIF district from the 1970s.

On the other hand, TIF has many defenders who argue that in some areas, it’s the only game in town — the chief, if not exclusive, economic-development tool that a struggling city can use to fight blight, fund affordable housing and jump-start a depressed economy.

St. Paul is looking better than it has in years, if you ask me, and maybe some of that has to do with the city’s 55 or so TIF districts.

Every TIF debate centers on a fundamental “*but for*” question: Would the private sector have invested in the Williams Hill business area or Treasure Island Center anyway, even if it hadn’t been offered TIF incentives? But for TIF, would it have run off somewhere else, like Minneapolis or Bloomington or Denver?

Don’t look to me for answers, I’m heading to Cambridge with and *but for* nuthin’.

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## **ON THE WEB:**

**Chicago’s TIF map:** [webapps.cityofchicago.org/ChicagoTif/](http://webapps.cityofchicago.org/ChicagoTif/)

**“TIF at a Turning Point”:** [tinyurl.com/TIFTurningPoint](http://tinyurl.com/TIFTurningPoint)

**More reading on TIF:** [lincolnst.edu/search/site/TIF](http://lincolnst.edu/search/site/TIF)

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Somehow, the good people at the Lincoln Institute of Land Policy in Cambridge, Mass., discovered my TIF fascination and invited me to a two-day journalism conference outside Boston, my hometown.

The final panel this weekend, as it turns out, is all about TIF.

“That could be an eye-opener!” I says to myself, and to no one in particular. “Why don’t you moderate the panel?” says the fine folks at the institute, who apparently heard my inner dialogue. “No,” I says. “No, seriously, do it,” they says.

So I’m doing it.

## **THE BLIGHT OF APPLES**

At a time when companies like Amazon.com are asking cities “How far will you stoop to woo me?” TIF is the biggest deal no one is talking about, except for at least four people on a Saturday afternoon: myself; Ron Rakow, former commissioner of assessing for the city of Boston; Rachel Weber, a professor of urban planning at the University of Illinois at Chicago; and professor David Merriman, also from the University of Illinois at Chicago, who is writing the definitive report on how TIF is being employed from coast to coast.

TIF horror stories — and success stories — run the gamut.

Did you hear the one about the Walmart SuperCenter that received \$2 million in TIF to move in and replace an apple orchard in Sauk County, Wis.?

The good folks of Baraboo, Wis., have a funny way of defining “blight,” but hey, sometimes progress requires giving away the farm.

Back in 2009, someone who is probably at the bottom of the Chicago River wearing cement sneakers right now inquired how much TIF money the city of Chicago had in the bank.

Chicago, which had a city budget of \$6 billion at the time, had TIF revenues on hand of \$1 billion. That’s a big stash of cash over and above the city’s operating budget, and that’s “billion” with a “B.”

It must be nice to have a \$1 billion shadow budget that few reporters or members of the public even know to ask about.

Who controls that cash? Back then, it was a commission of 15 folks appointed by then-Mayor Richard Daley — folks who answered to the mayor himself.

To give the Windy City some credit, Chicago — which once assembled more than 80 TIF districts in four years — has done something that St. Paul hasn’t gotten around to: [mapping all its TIFs on a public web page](#). It’s also assembled a task force to study reining TIF in.

Then there are stories like the Penfield, a luxury housing development the city of St. Paul built in its downtown using TIF. The project attracted a badly needed Lunds grocery, and the city was soon able to sell the Penfield at a profit.

Here’s my advice: The next time someone tells you the top issue in St. Paul is parking and/or potholes, give them a long, hard look and yell, “You don’t know TIF!”