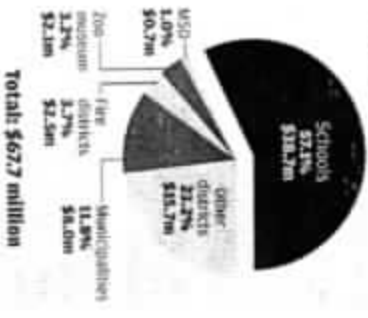


Editorial: Rock Hill offers up lesson in danger, folly of TIFs

PROPERTY TAXES DIVERTED TO TIF DISTRICTS
City of St. Louis and St. Louis Co., 2010



SALES TAXES DIVERTED TO TIF DISTRICTS



EDITORIAL BOARD:
Here's an economic development quiz for building city managers:

A company, let's call it CVS Pharmacy, comes to you saying it wants to build a new store at a key

intersection in your city. Let's call the intersection the northeast corner of McKnight and Manchester roads and the city Rock Hill. The company wants no taxpayer handouts, and you've been trying unsuccessfully to develop the corner for going on two decades.

Should you:

- a. Issue a building permit quicker than you can say ha-ehing!
- b. Ask the company to hold off a bit and refile its permit request seeking the taxpayer help it doesn't need because it will help you grab \$500,000 sitting in the bank from your failed previous attempts to develop the property.

In today's still slow-moving economy, "a" seems the obvious choice.

In this real-world example, the city of Rock Hill is leaning toward "b."

Seriously.

The subject is the damaging development culture surrounding tax increment finance districts. For those on all sides of the political spectrum who have become suspicious of the benefits of TIFs — which allow developers to leverage future tax dollars to finance new construction — Rock Hill's current debate over a proposed CVS Pharmacy is a prime example of everything that is wrong with this overused and abused development tool.

Rock Hill has struggled with developing the busy McKnight and Manchester intersection since the 1990s. In 1998, it declared a residential area at the northwest corner of the property blighted to clear the way for a tax increment finance district. Like many such efforts, the move cast a dark cloud over property values while developers and the city fiddled away, falling for a variety of reasons to ever put in place a plan to bring commerce to the valuable but allegedly "blighted" property.

In 2005, the city struck a deal with Novus Development to bring a Target to the intersection. As tax increment finance districts do, the district started putting tax receipts into an escrow account to build up enough cash to pay for the site work.

But the development plan died in the bad economy. The city cut Novus out and signed a new developer. Still, the deal never materialized.

Here's the dirty little secret about TIFs that cities don't like taxpayers to know: Much of the money collected by TIFs isn't really theirs to collect, although the law allows them to do so anyway. TIF districts collect property tax or sales tax revenue (or both) that would have gone to schools, libraries, fire and ambulance districts and other taxing bodies. Elected officials who represent the taxpayers in those jurisdictions don't get a say in what happens to their future revenue.

That's because the countywide tax increment finance commissions on which they sit can get overturned by city councils. Those commissions increasingly have been voting no on new TIFs in the St. Louis region. But the votes are paper tigers.

The result is that a lot of school and library and ambulance money goes into TIF districts to benefit municipalities and bond attorneys and developers.

In 2010, according to information compiled by the East-West Gateway Council of Governments, \$67.7 million in property taxes was diverted from various government entities in the city of St. Louis and St. Louis County for the benefit of TIFs. More than half of that money, \$38.7 million, should have gone to school districts. Another \$36.3 million in sales tax revenue was diverted.

That's fine if the diverted money fed an economic need, but it didn't. Various East-West Gateway reports have determined that at best, TIFs move some retail money around between competing municipalities. There has been next to no economic benefit for the St. Louis region in terms of net new jobs since the use of this development tool exploded over the last two decades.

The losers here are the zoo, public transportation, schools, fire districts, sewer districts and even the municipalities that make the often ill-fated decisions to create the TIFs.

Others for the most part are cut out of the equation, which is why lawmakers should have passed a bill last year giving the countywide TIF commissions more clout.

The result of that legislative inaction is Rock Hill. A national brand-name business is knocking on the door, and the city is putting it on hold so city officials can figure out a way to grab money that should have gone to schools to begin with and use it to move the city's firehouse, part of which is on the site where CVS wants to build.

It's decisions like this that are causing Democrats and Republicans to question the wisdom of TIFs.

Here's what Rock Hill should do, rather than scheme how to grab money that wasn't its in the first place: Welcome CVS with open arms. Dissolve the TIF that never worked. Give the money back.

If the city can't afford to move its firehouse, ask the voters for help.

Don't be surprised, however, if they aren't in a giving mood.

By MO