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Here's real proof that downtown doesn't need TIFs
March 19, 2014
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At first glance, there's nothing surprising about the surge in development on Michigan Avenue between Wacker Drive and Millennium Park. After all, the stretch forms a nexus between downtown office towers, Mag Mile shopping and a glittering tourist attraction. And it's got plenty of drab low-rise buildings ripe for redevelopment. It seems only natural that developers would grab sites for high-end hotels and apartment buildings, while restaurants pop up to serve nearby office workers, residents and tourists strolling Michigan Avenue.

The surprise is what's missing: government subsidies through tax-increment financing or other breaks. You read that right — development is taking off without a dime of municipal support. That's noteworthy in downtown Chicago, most of which has been part of a TIF district at some point over the past couple of decades.

Today, the LaSalle-Central Loop TIF covers a big chunk of downtown, while other TIFs encompass booming neighborhoods to the west, south and north.

LET THE MARKET DECIDE

As originally intended, TIFs did help revitalize some seedier parts of the city, including chunks of downtown. But former Mayor Richard M. Daley kept TIF funds flowing even as the Loop boomed. So a tool for helping poor neighborhoods became a honey pot for high-end downtown projects. Ironically, the three-block strip of Michigan Avenue south of the river sat fallow when it was part of the old Central Loop TIF, which expired in 2008. Local interests quickly proposed a special taxing district for the area, hoping to raise \$165 million for improvements including a version of Rome's "Spanish Steps" on the east side of Michigan Avenue. When that went nowhere, they pleaded for another TIF.

Ald. Brendan Reilly, whose 42nd Ward takes in the area, **shot down** that idea, saying, "Owner reinvestment and market forces should ultimately decide 'winners' and 'losers,' not TIF subsidies." Lo and behold, Mr. Reilly's market forces have accomplished what government subsidies couldn't. Developers **woke up to the potential** of a neighborhood transformed by Millennium Park, which opened in 2004 and draws more than 4 million visitors annually.

"The tourist walk is now from Water Tower to Millennium Park," says Anthony Rossi, managing partner of M&R Development LLC, which is spending \$116 million on an almost-complete 42-story apartment building at 73 E. Lake St., near Michigan Avenue.

HOTELS GALORE

Mr. Rossi's project is one of several reshaping the corridor. A Hotel Indigo is slated for the vacant 12-story property at 168 N. Michigan Ave. Developer John Buck plans an apartment tower at 200 N. Michigan Ave., while three other hotels are in the works nearby. These projects join the Hard Rock Hotel, which opened 10 years ago at 230 N. Michigan Ave., and a pair of expense-account restaurant/bars — Chuck's and Sweetwater — that improved dining options in the area.

Retail developers are **targeting the area**, too, lured by store rents that have tripled to about \$150 per square foot since 2009, according to David Stone, president of Stone Real Estate Corp. in Chicago. "That's a pretty big number for south of the river," Mr. Stone says.

And it won't cost taxpayers a cent. City coffers will reap the full benefit of taxes generated by the new hotels, restaurants and stores. A TIF would have siphoned off significant amounts from city schools and other general municipal uses.

There's an important lesson here for Mayor Rahm Emanuel, who's doing a pretty good imitation of his predecessor where TIFs are concerned.

Mr. Emanuel conferred a \$29 million TIF subsidy on an office high-rise under construction at Lake and Canal streets, an area doing just fine on its own. He's **providing \$55 million in TIF money** for another McCormick Place hotel near a new DePaul University basketball arena in the booming Near South Side neighborhood. He even approved TIF funding for a Mariano's grocery store in another upscale enclave west of downtown.

Meanwhile, hotels and apartment projects were sprouting unassisted along an unloved stretch of Michigan Avenue. "It's clear TIFs weren't needed to generate that kind of development," says Gail Lissner, vice president at Appraisal Research Counselors in Chicago.

Exactly. And if Michigan Avenue's forgotten corridor doesn't need subsidies, Mr. Emanuel should think twice before handing out more TIF money downtown.

UPDATE: A spokesman for Mayor Emanuel got back to me with this response after deadline last night:

"Mayor Emanuel believes TIF can be a useful tool in the economic development toolbox, either for specific development projects or to drive growth in specific Chicago neighborhoods where TIF's are established. However, he has also said that TIF is not the only tool, and he has also ushered in substantial TIF reforms, including enhancing transparency for residents by posting TIF information online and by establishing a first-ever TIF surplus policy.

The area around North Michigan between Randolph and Wacker was at one time part of the Central Loop TIF district, and Central Loop TIF investments were instrumental to the renaissance of State Street, the revitalization of the North Loop theater district, the conversion of East Loop office buildings, and the development of Millennium Park — all of which substantially and clearly improved the area, drawing further investment and development. These TIF-related initiatives help to draw visitors, residents, and businesses to the area south of the Michigan Avenue bridge, which

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in turn made it attractive to the private investment you are seeing today. As you are aware, every TIF district has different goals and redevelopment plans. And it's not reasonable to take different development projects in different parts of the city at different times and claim to know whether they could have happened without TIF investment." Follow Joe on Twitter at [@CahillOnBiz](#).

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DOUGLAS R. 13 days ago
"Here's real proof that downtown doesn't need TIFs"

No Joe Cahill, here is real proof that your really don't know what you are talking about....as usual.

Millennium Park, the forcing function behind your entire argument, utilized TIF money.

+2

Dennis M. 14 days ago
But surely it's relevant that the primary driver for this new development—Millennium Park— was paid for in part with TIF money.

+2

JOE Z. 14 days ago
From Millennium Park to Water Tower Place over \$1 billion has been spent to keep the city vibrant. While our south side and west side starve for development dollars. If Mayor Emanuel says he is mayor of this entire city, he should start working with innovators on developing creative solutions for our deeply deprived south and west sides. Note, I am a north side resident.

+2

PAUL R. 14 days ago
Millennium Park, Wacker Drive, New Eastside, State Street all subsidized over the last couple decades with TIF. All the drivers for this market which you cite.

+2

Marcus A. 14 days ago
TIFs appear to help developers, but the real beneficiaries are long-time property owners able to sell property at inflated prices due to the TIF subsidy. Look no

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further than the proposed project at Montrose and Clarendon where the foreign sellers will pocket millions of dollars more than their land is worth simply due to TIF support. The property would easily develop without TIF support, but developers need TIF to overpay for the land.

And while the current renaissance on Michigan Avenue is taking place without a TIF, Mayor Daley spent hundreds of millions of dollars to create Millennium Park – the TIF-like catalyst for this recent development.

Reply

+2



PATRICK H. 14 days ago

Having worked and profited from TIF projects over the years, I completely agree that without TIFs, land and building values find their own levels. The only real beneficiaries of the TIFs are the land or building sellers that are getting the boost of TIF dollars to escalate the price of the property. Get rid of all TIFs and let the free market determine what property is worth. If there is a need for a project, it will get built or redeveloped and the seller is paid accordingly. The concept of TIF has lost it's focus and purpose.

Reply

+1



PEG W. 11 days ago

I agree with your point, but Millennium Park drew \$95,000,000 directly from the Central Loop TIF, even though it is not part of the area included in the TIF. The estimated cost of the project to date (taking into account the astronomical maintenance fees and the ongoing legal boondoggle that is the Park Grill) is just under a billion dollars. Even the late Everett Dirksen would admit that we are talking about real money here.

Reply

0



KAREN M. 14 days ago

Excellent point. We need to stop paying developers to build in areas where they would do it anyway, which is most of the City.

If taxes were collected normally wouldn't that help (a little) with the current budget crisis?

And BTW, kudos to the state for pulling back on bribes to get companies to move here.

Reply

+1



MICHAEL B. 14 days ago

Lincoln Park, Lakeview, Depaul, Bucktown....they all made it on their own without TIF assistance using developer sweat equity and acumen.

Reply

+2



Ken G. 14 days ago

All it is is taxpayer financed welfare given to developer contributors to pay to play contribution hustler Rahm Emanuel. Buck gave \$50,000 plus to Rauner and Rossi has donated to all the dem players like Madigan, Preckwinkle and Daley. Typical of the Rahm/Rauner pay to play.

Reply

0



Karen H. 14 days ago

Did you read the article? It said that they didn't use TIFs for these projects.

Reply

+2



PEG W. 11 days ago

Read it again, and more carefully.

Reply

0

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