

VIEWPOINT

St. Paul's shrinking commercial tax base: A fiscal warning sign

BY DAVID SCHULTZ

For a city that aspires to be progressive, equitable and well-governed, Saint Paul faces an uncomfortable arithmetic problem. The estimated market value of its commercial and industrial real estate has been falling for three consecutive years. That decline is more than a real estate story. It is a slow-moving fiscal crisis with consequences that ripple through city services, school funding, homeowner tax bills and the very programs that define the city's civic ambitions.

The numbers tell a clear story. According to the city of Saint Paul's Annual Comprehensive Financial Reports and Ramsey County assessment data, the nominal estimated market value of the city's commercial and industrial property rose from \$14.2 billion in 2016 to \$23.6 billion in 2023. Since then, it has declined each year — to \$23.1 billion in 2024 and \$22.4 billion in 2025, with preliminary figures for 2026 suggesting a further drop to \$22.1 billion.

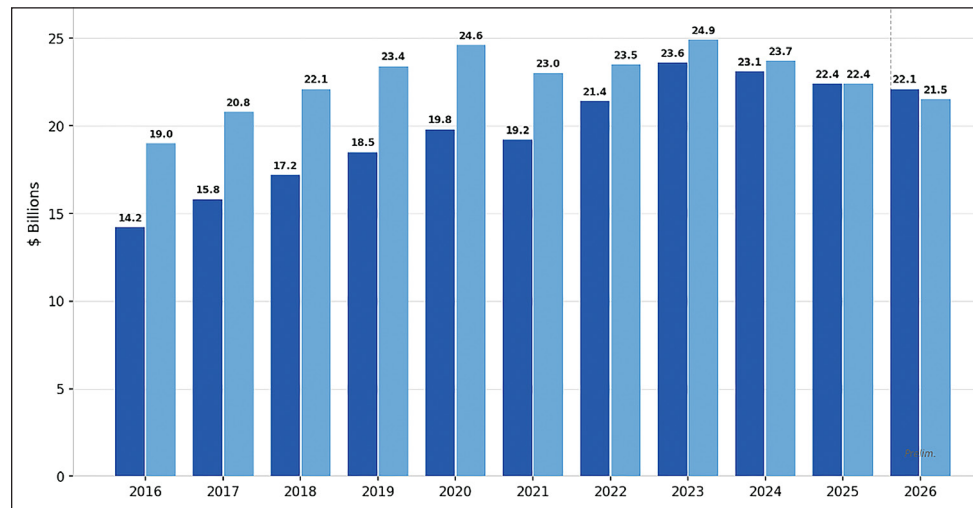
In inflation-adjusted 2025 dollars, the picture is even starker. Real commercial property values peaked at roughly \$24.9 billion in 2023 and have since slid to an estimated \$21.5 billion in preliminary 2026 figures, erasing in just three years nearly all of the real gains made since 2021.

Equally telling is the commercial and industrial sector's share of the city's total net tax capacity, the measure that determines how much of the overall tax burden falls on each type of property. In 2016, commercial and industrial properties accounted for nearly 30% of Saint Paul's net tax capacity. By 2026, that share has fallen to roughly 23%. That eight-point shift represents billions of dollars in taxable value that have quietly migrated off the commercial ledger.

Pandemic isn't the sole explanation

It would be tempting to attribute this erosion to the COVID-19 pandemic. Remote work hollowed out office buildings. Retail corridors suffered. Downtown Saint Paul was hit hard, with commercial net tax capacity in the central business district falling roughly 11% between 2024 and 2025.

But the timing of the data complicates a simple pandemic narrative. Commercial values dipped in 2020 and 2021, then recovered, posting nominal gains through 2023. The three-year decline that followed came after the acute phase of the pandemic had passed. Whatever is driving the current erosion, it is not solely a COVID hangover. It reflects something



The estimated market value of the commercial and industrial property in Saint Paul in billions of dollars from 2016-2026. The dark blue represents the nominal amount, and the light blue is inflation-adjusted in 2025 dollars. The data are derived from the city of Saint Paul's annual comprehensive financial report and the Ramsey County Assessor's annual assessment report. The 2026 figures are based on preliminary assessments from the Ramsey County Assessor.

more structural — an investment climate in Saint Paul that has made commercial property owners and developers increasingly cautious and in some cases has driven them elsewhere.

Less revenue for city services, schools

Property taxes are the financial foundation of city government. When commercial values fall, the city collects less revenue from that sector. To hold revenues steady, it must raise tax rates across the board. Saint Paul has done just that, hiking its levy while watching the commercial base contract. The practical consequence is a squeeze on city services, including street repairs, bridge maintenance, parks and public safety.

The city's streets are already on a reconstruction cycle that stretches well beyond a century — more than double the functional lifespan of a road. Fixing that backlog requires a growing, not a shrinking, tax base.

Less visible but equally significant is what the erosion of commercial property value means for the Saint Paul Public Schools. Minnesota's school funding formula is deeply entangled with local property wealth. When the commercial base shrinks, the local revenue available to support education either contracts or is compensated for with increases elsewhere, whether through state aid adjustments, levy increases or both. In a district already navigating significant budget pressures, the declining commercial tax base is a headwind that rarely makes headlines but compounds quietly year after year.

The shifting tax burden

When one sector of the property

tax base shrinks, the burden shifts. In Saint Paul, that means homeowners are carrying a growing share of the city's total tax obligation. For a city where affordability is already a serious challenge, this shift lands hard on families who own modest homes.

Here the city's rent control ordinance compounds the problem rather than relieves it. By capping rent increases, the policy discourages investment in rental housing construction and renovation, reducing the future supply of rental units and the commercial property tax base those units would generate. Homeowners facing higher taxes, meanwhile, have a stronger reason to question whether Saint Paul remains the right place to live.

The problem with TIF

Saint Paul is the largest user of tax increment financing (TIF) in Minnesota, a distinction that deserves more scrutiny than it typically receives. TIF districts capture the growth in property tax revenue from new development and redirect it to finance the incentives that attracted that development in the first place. For up to 26 years, that incremental tax revenue does not flow to the city's general fund, the school district or county services.

The cost of providing city services to properties inside a TIF district (police, fire, streets, libraries) is borne by everyone outside those districts. The result is a structural subsidy that, while intended to spur development, simultaneously shrinks the effective commercial tax base available to fund current services.

Saint Paul had over 7.9% of its taxable property captured in TIF projects as

of 2024. Every dollar locked in a TIF district is a dollar that is not available to reduce tax rates, fund schools or repair a street. When TIF is used judiciously and transparently, it can be a legitimate tool. When it becomes the default response to every development challenge, it becomes a mechanism for privatizing gains while socializing costs.

A progressive paradox

Former Mayor Melvin Carter and the City Council pursued an ambitious progressive agenda — expanded social services, equity programs, affordability initiatives and infrastructure investment. These are genuine and in many cases worthwhile goals. But progressive governance is expensive, and it requires a tax base capable of sustaining it. A city cannot fund expansive public programs on a contracting commercial foundation.

The uncomfortable question that policymakers and voters must confront is whether some of the regulatory and fiscal choices made in recent years (rent control, aggressive TIF deployment, a business climate that investors have found increasingly uncertain) have accelerated the erosion of the very commercial tax base that those programs depend on. Correlation is not causation, and urban fiscal dynamics are complex. But when commercial property values fall for three straight years in a recovering economy, the causes deserve honest examination rather than reflexive reassignment to external forces.

Saint Paul has real assets — a skilled workforce, anchor institutions, significant public investment and neighborhoods of genuine vitality. The city can build on those strengths. But doing so requires recognizing that a shrinking commercial tax base is not merely a data point in an assessor's report. It is a slow leak in the fiscal foundation on which everything else depends.

Patching that leak requires policies that attract and retain commercial investment, not ones that treat it as an inexhaustible resource to be taxed, regulated and redirected at will. The cycle the current data describes — declining values, shifting burdens, rising costs, departing businesses and residents — is easier to reverse before it accelerates than after.

David Schultz is a professor in the Political Science Department at Hamline University and a resident of Summit Hill.

To help birds, douse the lights

Scientists estimate that we've lost approximately 40% of our bird population since the 1990s. That's a horrific loss in a short time. Many things can be blamed: loss of habitat, grass supplanting natural vegetation, extensive use of pesticides on lawns and farmlands. Another factor is increased light pollution in cities and suburbs.

Birds use light as some of their "dead reckoning" in migrating to and from their breeding grounds. Two basic things we can do to help them survive are to turn off all unnecessary lights at night, put needed lights on motion-activated timers, especially during the two months after spring solstice and before fall solstice, and plant native species in place of grass on parts of lawns.

This has been a hard winter. I've noticed chickadees missing from my yard and fewer blue jays, and I've not seen a grackle, starling, pigeon or mourning dove in more than 12 years. The birds and the butterflies and the bees — all struggling with our messing up the planet — means

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that with each loss we're closer to an environmental collapse. And it'll eventually include humans at the rate we're going.

Wouldn't you like to have a healthy, diverse planet for your children to enjoy? Start small and turn off unneeded lights at night.

*Kathleen Deming
Macalester-Groveland*

Courtesy on Metro Transit

If someone asks for a "courtesy ride" on a Metro Transit bus, one might expect that the recipient of that ride would act courteously. This is seldom the case.

Recently, I was on a Metro Transit bus, seated near the driver, when three men got on, all of them asking for a courtesy ride. All three smelled strongly of marijuana. They began talking very loudly to each other, until one of

them started getting fresh with a young girl, telling her his friend had his own crib and she might be interested in getting to know him better.

The girl kept her face averted, did not give him the time of day, but he continued to bother her. Fortunately, for that young girl and everyone else on the bus, the three "gentlemen" got off of the bus a few steps later.

*Ann Redding
Tangletown, Minneapolis*

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