



ECONOMIC DEVELOPMENT SUBSIDIES

Patrick Tuohey

THE PROBLEM: Excessive use of economic development subsidies has diverted much-needed tax revenue to developers and away from schools and other public services. In the past 15 years, Saint Louis City alone has distributed \$709 million originally intended for municipal services to developers via tax increment financing (TIF) and tax abatement. Studies from across the country indicate that these subsidies fail to generate promised jobs and growth.

For a project to qualify for some subsidies, the city must declare a parcel of land “blighted,” but the standards for doing so are very low—developers can qualify for subsidies for undeveloped fields or for buildings that are merely vacant. Under the current definition even the governor’s mansion could be blighted!

THE SOLUTION: *Economic development reform.*

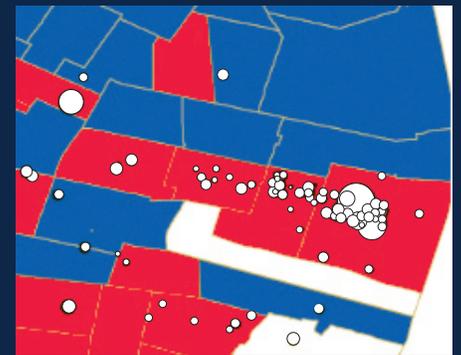
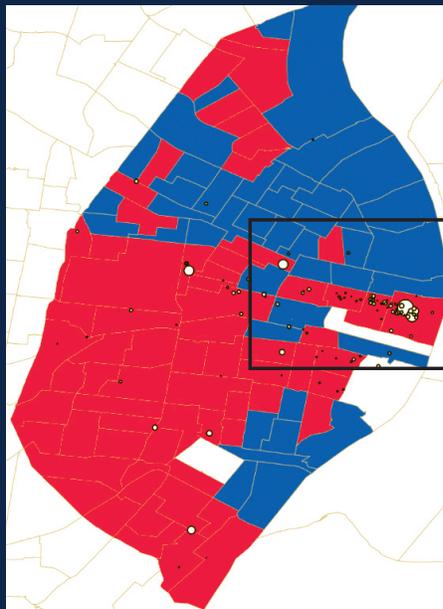
The legal definition of *blight* should be narrowed to ensure that only truly needy projects would qualify. Other reforms that would help rein in these giveaways include moving TIF decision-making to the county level, providing greater voice for other impacted taxing jurisdictions such as schools, and capping subsidies.

WHO ELSE DOES IT? Various TIF and economic development reform efforts are underway in other states. California, which pioneered TIF in 1952, ended the existing program in 2012 due to the cost.

THE OPPORTUNITY: Focusing state law on addressing actual blight and doing so in communities suffering from high unemployment and poverty will go a long way in making sure that public policy addresses real needs and doesn’t just reward the politically well connected.

TIF IN SAINT LOUIS

In St. Louis City, TIF projects, marked by white dots, appear mostly in wealthy areas (red) than in poor (blue).



Source: United States Census Bureau American Community Survey, 2010–2014.

KEY POINTS

- TIF projects active in Missouri have collected almost \$2.5 billion since their inception and do not deliver their promised benefits.
- Many subsidies are not used in the economically depressed areas they were designed to assist. In Saint Louis, less than 25% of TIF spending occurs in the poorer half of the city.

SHOW-ME INSTITUTE RESOURCES

Policy Study: “Does Tax-Increment Financing Pass the ‘But-For’ Test in Missouri?”

Policy Study: “Tax Increment Financing and Missouri”