TIF Is A Bad Idea That Refuses To Die

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Tax increment financing (TIF) is the Rasputin of Saint Louis County – the bad idea that keeps coming back and refuses to die. Despite TIF’s documented failures, Ellisville and interested developers are considering the establishment of a new TIF district in the southwest quadrant of Clarkson and Manchester Roads. The TIF district would take the tax dollars generated by the development and divert them back to the developer. County leaders from both parties, including Steve Ehlmann in Saint Charles and Charlie Dooley in Saint Louis, have seen the harm that TIF is causing our region. The TIF commission and the city council should reject this proposal.

TIF has had numerous negative economic effects in Saint Louis County. TIF has increased government involvement in the economy, sparked abuse of eminent domain, and made subsidies a permanent fixture of development. Furthermore, TIF has failed at its main purpose: economic growth. The East-West Gateway Council of Governments concluded that TIFs and other incentives have created jobs at the rate of one retail job for every $370,000 in taxpayer subsidies. That is not a road to growth – it is a road to ruin.
An Iowa study of TIF usage concluded that, “On net (…) there is no evidence of economy-wide benefits, fiscal benefits, or population gains.” Another study from Illinois found that economic growth in cities that did not use TIF was stronger than in cities that did, because TIF subsidies caused an inefficient allocation of resources.

Consistent with those findings, cities’ heavy use of TIF has distorted economic growth and subsidized less efficient, politically-favored developments in Saint Louis County. Citizens are free to choose between shopping at Walmart or mom-and-pop stores, but cities should not give Walmart an advantage over their competition through subsidies.

Everyone wants a “do-something” leader. So, even though the evidence says TIF is bad for the region’s economy, municipal leaders support TIFs within their city. They can claim political credit for the “new” businesses, while playing kick-the-can with the adverse consequences for the other taxing districts, like the schools. Most residents of the Rockwood School District do not live in Ellisville; they have no way of voicing their opposition.

I urge this TIF commission and Ellisville to recognize that the constant quest for retail tax incentives is harming the region’s economic base. By passing this TIF, Ellisville might gain in the short term, but at the expense of other taxing districts that also serve its citizens. More importantly, it will continue the downward spiral of incentive-based retail developments that shrinks our region’s tax base to benefit private developers.

Ellisville can address long-term revenue issues by switching to pool sales tax status. The city, its residents, and its taxpayers would then benefit from development throughout the county. I hope the TIF commission and Ellisville can lead the way to a new realization for our region, where economic development works for everyone when governments do not play favorites and businesses succeed or fail on their own merits.

David Stokes is a policy analyst at the Show-Me Institute, which promotes market solutions for Missouri public policy.

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