



## Subsidies in St. Louis, Part 2: Economic Development Blunders

Published on *Show-Me Institute* (<https://showmeinstitute.org>)



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City officials, developers, and corporate welfare proponents have touted the benefits of development incentives like tax-increment financing (TIF) to taxpayers for years. These subsidies make investments like the [construction of office towers](#) and [entertainment districts](#) possible, helping to create jobs and rejuvenate neighborhoods. Or so we've been told.

The recently released St. Louis Development Corporation (SLDC) [incentive report](#) casts doubt on those claims. Incentives, the report concludes, provide *little or no economic development benefits*. They may help put up shiny new buildings, but they don't genuinely boost Saint Louis's economic health.

This is [what the research tells us](#) :

*There is little or no connection between the use of incentives and job growth.* Although proponents claim TIF will help bring jobs to the area, there is almost no connection between increased employment and TIF. For every \$1 million of TIF invested, there are only seven associated jobs (p. 95). And the few construction-related jobs created by TIF have huge costs. In [2015](#), each job created by TIF in St. Louis cost taxpayers more than \$53,000.

But it gets more disturbing. According to [Missouri's annual TIF report](#), even when controlling for developments less than 5 years old, less than 35% of projected jobs listed in developers'

proposals have actually been created or retained by TIF projects in St. Louis. And because TIF [job creation figures are self-reported and unaudited](#) —it’s possible that even the 35% number is overstated.

*TIF does not help rejuvenate neighborhoods or spark further investment.* When researchers looked at neighborhoods with incentive-driven development, they found that only the parcels that receive incentives increase in value. The SLDC report found zero evidence that a statistically significant increase in property values can be attributed to the effect of TIF-spurred development. The neighborhoods surrounding TIF projects are no more likely than unincentivized areas to see other large investments without incentives. In short, so-called “[anchor developments](#)” provide no real benefit to their neighborhoods.

The researchers concluded that, “[w]hile there may be disagreement about the value of some packages, it is clear that *the City gains no net benefit from an extremely costly program with no real economic development impact*” (p. 6, my emphasis). Along the most important measures of success—job creation and neighborhood revitalization—incentives appear to fail, making it hard to justify continuing to spend tens of millions of dollars each year subsidizing development projects.

(Read part 1 in the series [here](#) )

## About the Author



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