



***Are dollars spent on tax credits to purchase land better than dollars spent on education or public health?***

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***Kacie Galbraith is a policy researcher at the Show-Me Institute, which promotes market solutions for Missouri public policy.***

# TESTIMONY

March 27, 2013

## PRIVATE GAIN WILL NOT SOLVE SOCIAL PAIN: LET THE DALATC EXPIRE

***By Kacie Galbraith***

***Testimony Before The Missouri Senate Jobs, Economic Development, and Local Government Committee***

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### **To the Honorable Members of This Committee:**

Ladies and gentlemen, thank you for the opportunity to testify today. My name is Kacie Galbraith and I am a policy researcher for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own. This testimony is intended to explain why extending the Distressed Area Land Assemblage Tax Credit (DALATC) is not a strong strategy to benefit the economic and social health of Missouri.

The Distressed Area Land Assemblage Tax Credit should expire as planned on August 28, 2013. The only beneficiary of this tax credit has already received a substantial amount in state aid from this tax credit – more than \$40 million. He is also likely to receive about \$390 million in local incentives. All of this money is a multi-million dollar gamble on a single project that may have no benefit to the state.

When the state spends millions of dollars on one potential development, it is taking a huge risk with taxpayers' money. The state is risking that one developer will transform North Saint Louis and remove all of its societal problems. This is a gamble on a project that does not even have a concrete plan. How can we trust that the bet will pay off? Who is on the line if this project fails?

Every dollar that we spend on tax credits is a dollar that the state must take away from another program. This commission should consider whether the benefits of vacant land assemblage are worth cutting the budget of another state program. Are dollars spent on tax credits to purchase land better than dollars spent on education or public health? We all bear the cost, but with the DALATC, only special interests receive the benefit.

The North Side Saint Louis developer claims that his project will have a broad impact and reduce problems such as

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unemployment, high school dropouts, out-of-wedlock births, and murders. But large-scale government planning is not likely to solve the social problems in Saint Louis.<sup>1</sup> Often, with new development, current residents can no longer afford to live in the new community. These residents then must move to another area in the city, simply moving the social issues to a different location. According to a 2009 NorthSide Regeneration presentation, the developer envisions that 75 percent of area residents will have a college education. That is a lofty goal. It is possible, but many ignore the likelihood that such a drastic increase in college attendance figures will result not from a greater number of existing north side residents attaining higher education, but largely from a new population of better-educated residents moving in and displacing many current residents. It may be alluring to believe the NorthSide project would have a profound effect on social issues but there is little evidence to support this hypothesis.

In fact, previous efforts in Saint Louis would suggest the contrary. In recent years we have spent millions of dollars to develop Washington Avenue and surrounding streets downtown.<sup>2</sup> Despite heavy expenses, the area still experiences high crime rates.<sup>3</sup> Pruitt-Igoe is an even more pertinent example of a large-scale revitalization failure. Erected in the 1950s in Saint Louis, the Pruitt-Igoe housing project did not fix any of the city's ills and furthermore, became a national embarrassment. As *The Economist* eloquently put it, it "became a notorious symbol of failed public policy and architectural hubris,

its 33 towers razed a mere two decades later."<sup>4</sup> While we can learn from Pruitt-Igoe's failures, we should not be blind to the possibility of NorthSide's failure manifesting in a different way.

Pouring more state assistance into this project may help NorthSide Regeneration achieve windfall gains, but it is unlikely to be the miracle to revitalize Saint Louis. It would be a mistake to prioritize this one developer over the rest of the state and its residents' many needs.

## NOTES

<sup>1</sup> While NorthSide Regeneration is a private developer, I hardly call this a private development when the government has a large stake in the financing and development of the project.

<sup>2</sup> Stahl, Bruce. October 21, 2011. "A Hundred Million Here, A Hundred Million There . . .," Show-Me Daily. View online here: <http://www.showmedaily.org/2011/10/a-hundred-million-here-a-hundred-million-there%E2%80%A6.html>.

<sup>3</sup> Byers, Christine. June 1, 2012. "Washington Avenue to be closed to traffic on weekend nights," *St. Louis Post-Dispatch*. View online here: [http://www.stltoday.com/news/local/crime-and-courts/washington-avenue-to-be-closed-to-traffic-on-weekend-nights/article\\_7c81543c-ab65-11e1-9c63-001a4bcf6878.html](http://www.stltoday.com/news/local/crime-and-courts/washington-avenue-to-be-closed-to-traffic-on-weekend-nights/article_7c81543c-ab65-11e1-9c63-001a4bcf6878.html).

<sup>4</sup> J.S. October 15, 2011. "Why the Pruitt-Igoe housing project failed." *The Economist*. View online here: <http://www.economist.com/blogs/prospero/2011/10/american-public-housing>.



4512 West Pine Blvd. | Saint Louis, MO 63108 | 314-454-0647 | [www.showmeinstitute.org](http://www.showmeinstitute.org)

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