



TESTIMONY

September 7, 2016

EXTENSION OF THE CHESTERFIELD VALLEY TRANSPORTATION DEVELOPMENT DISTRICT

By Michael Highsmith

Testimony Before the Chesterfield City Council

TO THE HONORABLE MEMBERS OF THIS COMMITTEE:

My name is Michael Highsmith, 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 and local policy. The ideas presented here are my own. This testimony is intended to discuss the viability of a new ice complex in Chesterfield and to inquire about the specific uses of public funds. The proposed extension of the Chesterfield Valley Transportation Development District (TDD), which currently imposes a 3/8-cent sales tax on the Chesterfield Valley area, would generate revenue that would be used to assist in financing the development of the ice complex.

In June, Ballard*King & Associates performed a cursory market analysis for the Staenberg Group to explore whether current economic conditions

are conducive to the construction of a new ice complex. The primary goal of the study was to explore the community need and demand for an ice-skating facility in Chesterfield. A few of the findings from the analysis do not seem to justify the use of public funds for the project. I would like to discuss a few quotes from the analysis:

“Local ice rink operators report that the current demand for ice time has not exceeded the supply which has resulted in creating a ‘buyers market.’”

The market analysis found that there is not a substantial unmet demand for ice time in Saint Louis. Increased competition is always a good thing from a consumer standpoint, as it can lead to lower prices and more attractive products. But if demand is currently being met, is it the public’s duty to provide funding for another entrant into the market?

ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY

“It is clear that the need for bringing an additional 2-3 sheets of ice into the St. Louis market at this time is not being driven by an increased demand for ice time and programs but rather reflects an interest by the user groups to replace the Hardee’s Ice Arena, find better prime-time ice slots and newer, more modern ice facilities.”

If the reasoning behind attracting a new development is not an increase in demand, but rather the goal of more modern facilities and attractive time slots, then is it fair to tax all of the Chesterfield Valley area in order to fund an easily excludable good—in other words, a good that can be funded by user fees? It is possible that the proposed complex will attract many skaters, but it may not be fair to charge residents and shoppers in the Valley who will never use the facility.

The analysis also says that hockey in Saint Louis has relatively high participation costs. Ice hockey is an expensive sport to participate in; when factoring in registration and tournament fees, equipment, and travel costs it is not uncommon to see the cost per player reach \$2,500 per year. It is possible that extending the sales tax across the board would essentially shift the cost burden of participation onto people who will not participate or visit a new facility.

“Without question many of the existing ice rink providers have a concern over the possibility that a new ice center would adversely impact their market...”

Again, if a buyer’s market exists in the Saint Louis area, then public funds put toward the development of a new entrant would increase competition among suppliers. The analysis says that “the likely fall out will be in the form of a price war for ice rental rates among the existing rinks in an attempt to keep their current clients.” The study lists 22 ice rinks, with the nearest one to the Hardee’s Ice Arena being 17 minutes away, so it does not appear that without the Hardee’s Ice Arena ice would be inaccessible.

“Should this facility (the Hardee’s Ice Arena) close, the proposed Chesterfield Ice Complex development will immediately fill the void in ice time which should pave the way to success.”

With the Hardee’s Ice Arena closing, a new complex in the area would keep residents from being deprived of easy access to ice rinks, but if the local demand for access is sufficient to sustain a successful business venture, then is it the public’s duty to provide funding for such a venture? Conversely, if a new rink would not be profitable enough in the area due to a lack of demand and heavy competition, then wouldn’t it make sense to allow other ice rinks that are already in operation to provide services to Chesterfield skaters?

When considering whether the TDD’s lifespan should be extended to help finance construction of an ice facility, the TDD commission and local residents should consider if the cursory study that has been performed provides

enough information to allow voters to make an informed decision. A concept-level cost estimate was provided in July that indicated the costs involved in the construction of ice facilities, but that estimate does not take into account any specific site, location, or project. Revenue generated through a TDD is limited to funding transportation-related expenses, and in order to better understand what expenses would be needed for the Chesterfield Ice Rink project a final cost estimate is crucial. Outlining potential uses for the funds would allow voters to formulate a more educated opinion on the matter.

I do not intend for this testimony to appear in opposition to an ice rink being built in Chesterfield. In fact, if such a venture is likely to be sustainable, I would encourage it. Instead I hope to raise questions regarding the necessity of public funding for a complex and whether enough information is currently available to allow an informed decision on the extension of the TDD. The cursory market analysis does not seem to justify the use of public funds for an ice rink, and a more thorough edition would be welcome. Additionally, if the current project details are insufficient regarding costs and benefits, then there is reason to hesitate before committing public funds to a vaguely defined project.

Michael Highsmith is a policy researcher for the Show-Me Institute.

**5297 Washington Place | Saint Louis, MO 63108 | 314-454-0647
3645 Troost Avenue | Kansas City, MO 64109 | 816-561-1777**