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TESTIMONY

November 15, 2021

COUNCIL BILL # 2021-275: SGF SPORTS COMMUNITY IMPROVEMENT DISTRICT

By David Stokes

Testimony before the Springfield City Council

TO THE HONORABLE MEMBERS OF THE SPRINGFIELD CITY COUNCIL:

My name is David Stokes. I am the Director of Municipal Policy at the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state and local policy. The ideas presented herein are my own and summarize research regarding community improvement districts and other taxing-district subsidies.

Missouri has seen an explosion of new taxing districts during the past couple of decades. These districts are primarily used to redirect public tax dollars toward private purposes. They include the use of tax-increment financing (TIF), Chapter 100 bonds, transportation development districts (TDDs), community improvement districts (CIDs), and other programs.

Council Bill 2021-275 proposes creating the SGF Sports Community Improvement District in Springfield. The creation of this new special taxing district is poor public policy, repeats the mistakes of the past, and sets a bad precedent for the future.

They two most harmful aspects of this proposal are the lack of any public vote and the use of tax dollars to loan the developer money under the guise of recouping the money eventually through the CID's sales tax. In this transaction, the city is acting as if it were a real estate investor.

Greene County learned the hard way last decade that governments should not engage in real estate speculation. The county subsidized the private Jamestown residential and commercial development by creating a neighborhood improvement district (NID) to pay off bonds it issued in support of the proposal. It assumed the future taxes would suffice to pay

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off the bonds. It assumed wrong. When the Jamestown project failed, Greene County taxpayers were on the hook to pay off the rest of the bond debt. Springfield should learn from that costly mistake.

Moreover, if the city is going to provide tax money up front to subsidize this private, youth sports facility, why aren't the voters of Springfield allowed to have a say in how their tax money is being spent? By using a CID and intentionally drawing boundaries to exclude voters, the city can engage in "tax" gerrymandering to prevent any voter participation. Even Springfield's economic development director admits this up-front subsidy is "unusual,"¹ and goes against your city's own tax subsidy guidelines.²

The Missouri state auditor's office and other local oversight agencies have routinely flagged CIDs for many troubling practices.³ These include failure to use competitive bidding, board member conflicts of interest, failure to produce or provide necessary financial reports, not notifying shoppers of the added taxes as required by law, and improperly collecting sales taxes from businesses outside of the districts. State auditors of both parties have consistently called for much greater oversight, transparency, and other limits on CIDs.⁴ The Kansas City auditor's office also recently released an audit documenting many of these same problems with CIDs within Kansas City.⁵ Economic subsidies are not Christmas presents to be gifted one after the other. If a development such as the SGF Sports Complex cannot succeed without multiple subsidy programs, it is not the job of the taxpayers to ensure it goes forward anyway.

CIDs often fund primarily private assets with public dollars. Usually, those public dollars come from sales taxes imposed within CIDs. Many CIDs consist of nothing more than one parcel of property and have sales taxes imposed on the public for the private benefit of that one property owner. These private benefits for uses such as parking lots or landscaping for retail developments are paid for by tax dollars, rather than private investment, and the benefits accrue almost entirely to the private party. This means that, "the majority of [...] CID tax collection and spending is the result of one group or entity—developers and landowners—imposing taxes on another group—ordinary consumers—who are unaware of the tax and have no say in how the funds are collected or distributed."⁶ That is not sound public policy.

Another major problem with CIDs is one of transparency. The state auditor's office has issued reports documenting deficiencies in the operation, management, and accountability for the expenditure of public dollars by these districts throughout Missouri. CIDs frequently fail to comply with state laws in a number of areas, including the transparency of the special taxes, the bidding process for use of the public dollars, and the annual reporting on how the money is spent. In Springfield, Missouri State Auditor Nicole Galloway specifically cited the Kansas Battlefield CID for improperly collecting almost a quarter million dollars of tax money.⁷ In a separate report from 2017, Galloway identified Springfield's College Station TDD for multiple abuses, including failures to notify shoppers of the tax and failure to include area residents on the TDD board.⁸

In summary, this CID would be very poor policy for Springfield and is not in the interest of its citizens or taxpayers. Springfield would be wise to learn from Greene County's mistakes and should not expect taxpayers to subsidize private proposals such as the SGF Sports Development.

NOTES

1. Sullender, Andrew, *Springfield News-Leader* article, Nov. 9, 2021, <https://www.news-leader.com/story/news/politics/2021/11/09/sports-town-springfield-cent-sales-tax-after-city-investment/6248291001>.
2. City of Springfield website: <https://www.springfieldmo.gov/663/Community-Improvement-District>. Accessed November 9, 2021.
3. Missouri State Auditor, "Community Improvement Districts," Report No. 2018-056, August 2018.
4. Ibid.; Missouri State Auditor, "Lake Lotawana Community Improvement District," Report No. 2012-133, October 2012.
5. Kansas City Auditor, "Performance Audit of Community Improvement Districts," April 2021.
6. Renz, Graham and Tuohey, Patrick, "Overgrown and Noxious: The Abuse of Special Taxing Districts in Missouri," Show-Me Institute Report, June 2019, p. 13.
7. Missouri State Auditor, "Community Improvement Districts," Report No. 2018-056, August 2018, p. 19.
8. Missouri State Auditor, "Transportation Development Districts," Report No. 2017-020, April 2017.