



# TESTIMONY

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## RESOLUTION 110 AND THE LIGHTHOUSE LANDING DEVELOPMENT PROPOSAL

*By David Stokes*

Testimony Before the Transportation and Commerce Committee of the  
St. Louis Board of Aldermen

### **TO THE HONORABLE MEMBERS OF THIS COMMITTEE**

Ladies and gentlemen, thank you for the opportunity to testify today. My name is David Stokes and I am the director of municipal policy 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 relates to limiting the use of tax abatements within the City of St. Louis, and specifically regarding the Lighthouse Landing development along the Mississippi River. My comments are based on research that I have conducted and reviewed.

Over the past decade, the Missouri General Assembly has taken several steps to preserve the state's instrumental flood plains from subsidized development. In 2003,

a law was passed that disallowed the use of tax-increment financing (TIF) in the flood plain within Saint Charles County.<sup>1</sup> In 2007, many other parts of Missouri were added to the preservation list as part of the Hunting Heritage Protection Areas Act, which limited the use of TIF within the 100-year flood plain in Missouri, though there were numerous exclusions.<sup>2</sup> In 2020, the use of TIF in flood plains was banned in most of Missouri, including the City of Saint Louis and St. Louis County.<sup>3</sup> Resolution 110 before this committee authorizes a 25-year tax abatement for the Lighthouse Landing development north of I-270 along the Mississippi River, and I believe this would be unwise for several reasons.

In general, heavy use of tax subsidies in hopes of generating economic growth has not been beneficial to St. Louis. An East-West Gateway Council

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of Governments study of the Saint Louis region concluded that TIFs and Transportation Development Districts (TDDs) have created jobs at the rate of one retail job for every \$370,000 in taxpayer subsidies.<sup>4</sup> That is not a road to growth—it is a road to economic failure.

Other studies have also found that tax subsidies fail at job creation and economic development. A study of the use of TIF in Iowa concluded that, “On net . . . there is no evidence of economy-wide benefits (trade, all non-farm jobs) fiscal benefits, or population gains.”<sup>5</sup> Another study from Illinois found that economic growth was stronger in cities that did *not* use TIF than in cities that did use TIF.<sup>6</sup> A Show-Me Institute study of Enterprise Zones (EZs) in Missouri determined that there was no evidence to support the idea that EZs generated more growth in counties or cities that used them compared to those that did not.<sup>7</sup>

But tax abatements are not the only issue in the case of the Lighthouse Landing development. There is, more generally, a concern with subsidizing development in flood plains. As a state famously defined by its rivers, Missouri should preserve its water resources and heritage. St. Louis does not need blanket rules forbidding any and all development within the 100-year or 500-year flood plains. However, we should ensure that we are not subsidizing such developments. Those subsidies lead to an absurd circle where taxpayers subsidize development within areas where there is a predictable chance the development will have to be subsidized again if it experiences flood damage. At the very least, developers who wish to turn the flood plain into commercial developments should do so without taxpayer assistance. While this particular location may no longer be in the flood plain as technically defined, it is still along our country’s greatest river, still susceptible to flooding, and still located in a spot where subsidizing additional development can make inevitable, future, regional flooding more harmful.

Approximately 9 percent of Missouri is within a flood plain.<sup>8</sup> That is a significant total. Nobody knows what the proper amount of development within the flood plains is. Some would argue it should be zero. Whatever it is, by definition, when you subsidize something you get more of it than normal market forces would produce. While subsidies for certain things (public safety, for example) might be good policy in some cases, I do not believe flood plain development is one of those cases.

St. Louis should preserve its river areas and flood plains for recreation, shipping, hunting, fishing, environmental benefits, and other important reasons. One effective way to do that is to limit subsidies within those areas. Resolution 110 expands the use of tax subsidies—in this instance a property tax abatement—along the Mississippi River. The evidence is strong that the use of these tax abatements will not actually help grow St. Louis’s economy, but it is guaranteed to do damage in other ways.

## NOTES

1. RSMO 99.847.
2. RSMO 252.243 The primary exclusion was that TIF could still be used within the flood plain in any urban area, defined as having more than 50,000 people and categorized by the U.S. Census as an “urbanized” area. There were additional exclusions as well.
3. RSMO 99.847.
4. East-West Gateway Council of Governments. “An Assessment of the Effectiveness and Fiscal Impact of the Use of Local Development Incentives in the St. Louis Region.” Final Report, January 2011, page 18.
5. Swenson, David, and Liesl Eathington. “Do Tax Increment Finance Districts in Iowa Spur Regional Economic and Demographic Growth?” Department of Economics, Iowa State University, April 2002, page 11.
6. Dye, Richard, and David Merriman. “The Effects of Tax Increment Financing on Economic Development.” *Journal of Urban Economics*, Volume 47, Issue 2, March 2000: pages 306–328.
7. Stokes, David, “Measurements of Enterprise Zones: Comparative Economic Growth in Missouri Counties,” Show-Me Institute, June 2012, <https://showmeinstitute.org/publication/subsidies/measurements-of-enterprise-zones-comparative-economic-growth-in-missouri-counties>.

8. Shipley, Sarah “A Flood of Development: Unprecedented Growth in the Flood Plain Brings Riches and Risks” *St. Louis Post-Dispatch*, July 28, 2003. Missouri has 6,400 square miles of flood plain out of a total of 67,900 square miles.



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