



TESTIMONY

October 20, 2022

BOARD BILL 95: THE LIGHTHOUSE ST. LOUIS COMMUNITY IMPROVEMENT DISTRICT

By David Stokes

Testimony Before the Ways and Means 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 multiple tax subsidies within the City of St. Louis, and specifically regarding the Lighthouse Landing development proposal 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.¹ 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.² 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.³ Board Bill 95 before this committee authorizes a sales tax and special assessment for the Lighthouse St. Louis Community Improvement District (Lighthouse CID) north of I-270 along the Mississippi River, and I believe this would be poor public policy (especially the sales tax element).

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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 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.⁴ 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.”⁵ Another study from Illinois found that economic growth was stronger in cities that did *not* use TIF than in cities that did use TIF.⁶ 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.⁷

The Missouri state auditor’s office and other local oversight agencies have routinely flagged community improvement districts (CIDs) for many troubling practices.⁸ 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.⁹ Economic subsidies are not Christmas presents to be gifted one after the other. If a development such as the Lighthouse Landing project 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.”¹⁰ 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.¹¹

But tax subsidies 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 county’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.

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. Board Bill 95 expands the use of tax subsidies—in this instance a community improvement district and sales tax—along the Mississippi River. The evidence is strong that the use of these tax subsidies 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. Missouri State Auditor, “Community Improvement Districts,” Report No. 2018-056, August 2018.
9. Ibid.; Missouri State Auditor, “Lake Lotawana Community Improvement District,” Report No. 2012-133, October 2012.
10. Renz, Graham and Tuohey, Patrick, “Overgrown and Noxious: The Abuse of Special Taxing Districts in Missouri,” Show-Me Institute Report, June 2019, p. 13.
11. Missouri State Auditor, “Community Improvement Districts,” Report No. 2018-056, August 2018.



5297 Washington Place · Saint Louis, MO 63108 · 314-454-0647
1520 Clay Street · Suite B-6 · North Kansas City, MO 64116 · 816-561-1777

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