



TESTIMONY

November 2, 2023

ORDINANCE FROM THE CITY OF MARYLAND HEIGHTS TO CREATE THE WESTPORT PLAZA III COMMUNITY IMPROVEMENT DISTRICT

By Avery Frank and David Stokes

Testimony Before the City of Maryland Heights City Council

TO THE HONORABLE MEMBERS OF THIS COUNCIL

Our names are Avery Frank, research assistant at the Show-Me Institute; and David Stokes, the Institute's Director of Municipal Policy. The Show-Me Institute is a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are our own and summarize research regarding community improvement districts (CID) and particular concerns for the City of Maryland Heights.

Missouri has seen an explosion of new taxing districts and subsidies during the past two decades. These districts are used primarily 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. We have testified numerous times against these types of programs in the past, and for a successful municipality like the City of Maryland Heights the necessity and potential benefits from a new taxing district are even less apparent.

This ordinance would create and establish the Westport Plaza III Community Improvement District in the City of Maryland Heights.¹ The creation of this new special taxing district (SD) is unwise public policy, repeats the mistakes of the past, and sets a bad precedent for the future. The most harmful aspects of this proposal are the lack of any public vote (on an entity which could potentially levy a separate tax on consumers for an entire generation—27 years), the near-complete control of this new taxing entity by one company's representatives, and the use of tax

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dollars to loan the developer money under the assumption that the money eventually will be recouped through the CID and other sales taxes. In particular for this CID, four of the five proposed members on the board of directors work for the same company—hardly a diversity of interests and voices. This concern over conflict of interests is not unfounded given our state’s history.

The Missouri State Auditor’s Office along with local oversight agencies have routinely flagged CIDs for many troubling practices.² 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, more transparency, and other limits on CIDs.³ The Kansas City auditor’s office recently released an audit documenting many of these same problems with CIDs within Kansas City.⁴ In Springfield, Missouri State Auditor Nicole Galloway specifically cited the Kansas Battlefield CID for improperly collecting almost a quarter million dollars of tax money.⁵

Economic subsidies are not Christmas presents to be gifted one after the other. If a development such as this cannot succeed without multiple subsidy programs, it is not the job of the taxpayers to ensure it goes forward anyway. The Westport area is a vibrant, popular place for all types of businesses and social gatherings. Instead of creating a new CID for Westport to surreptitiously tax customers more to pay for the area’s upkeep and expansion, the city could lower existing taxes for all businesses to allow the property owners in Westport to spend more of their own money on these projects. Taxpayers don’t need to fill this request from a private developer with even more tax subsidies. The necessity for the City of Maryland Heights to take this risk and grant this new subsidy is not apparent.

Greene County learned the hard way in the 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. County leaders assumed that future taxes would suffice to pay off

the bonds. It assumed incorrectly. When the Jamestown project failed, Greene County taxpayers were on the hook to pay off the rest of the bond debt.⁶ The City of Maryland Heights should learn from that costly mistake.

CIDs often fund primarily private assets with public dollars. Usually, those public dollars come from sales taxes imposed within CIDs. Often, improvements 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.”⁷ This is not sound public policy.

In summary, the proposed CID would be unwise public policy for the City of Maryland Heights and would not be in the interest of its citizens or taxpayers. Taxpayers should not be expected to subsidize private developers. The necessity and potential benefits of undertaking the inherent risks associated with establishing, operating, and phasing out a CID are not apparent. We encourage this council to look at this proposal, using Missouri history as a guide.

Thank you for your time, we hope you take our comments into consideration.

NOTES

1. City of Maryland Heights Council Meeting Packet. November 2, 2023.
2. Missouri State Auditor. “Community Improvement Districts.” Report No. 2018-056, August 2018.
3. Missouri State Auditor. “Lake Lotawana Community Improvement District.” Report No. 2012-133, October 2012.
4. Kansas City Auditor. “Performance Audit of Community Improvement Districts.” April 2021.
5. Ibid.; Missouri State Auditor, “Community Improvement Districts.” Report No. 2018-056, August 2018.
6. Gounley, Thomas. “Springfield Developer Buys Troubled Jamestown Property from Greene County.” *Springfield News-Leader*, 25 Nov. 2015, www.news-leader.com/story/news/business/2015/11/25/springfield-developer-buys-troubled-jamestown-property-greene-county/76386794/.
7. Renz, Graham and Tuohey, Patrick. “Overgrown and Noxious: The Abuse of Special Taxing Districts in Missouri.” Show-Me Institute Report. June 2019, p. 13.



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