

The Use of Development Incentives in the St. Louis Region – Update August 2012

Introduction

In January 2011, East-West Gateway Council of Governments published a report, *An Assessment of the Effectiveness and Fiscal Impacts of the Use of Development Incentives in the St. Louis Region*, in response to a board charge that directed staff to document the use of incentives and the impact on the St. Louis region. This memo provides an update on the use of tax increment financing (TIF) and special taxing districts in the region.

The update includes information on TIF districts, community improvement districts (CIDs), transportation development districts (TDDs) and business development districts (BDDs) implemented since the 2011 report. Additionally, the update adds newly reported information for some districts and refines data based on better reporting.

Tax Increment Financing (TIF)

Table 1 provides estimates of the use of tax increment financing (TIF) for the counties in the St. Louis region for Illinois from 1986 to 2009 and for Missouri from 1987 to 2011. A total of \$3.1 billion have been committed to TIF districts in the St. Louis region over this time period. Almost half of this amount has already been collected and allocated to those districts (\$1.5 billion) while the remainder is anticipated to be collected over the life of the TIF districts. Based on the total estimate of dollars diverted, an average of \$61.8 million was diverted to TIF districts on an annual basis over the 24-year period.¹

Table 1

Tax Dollars Collected to Date and Total Committed for Tax Increment Financing Districts

	Number of TIF Districts ¹	Taxes Collected to Date ²	Total Public Tax Commitment ³
<i>Missouri Counties (1987 to 2011)</i>			
Franklin	2	\$181,064	\$39,148,695
Jefferson	7	\$8,249,688	\$99,012,000
St. Charles	13	\$92,443,536	\$189,918,502
St. Louis City	124	\$155,915,033	\$1,050,142,312
St. Louis County	85	\$552,545,370	\$1,058,353,999
Missouri Subtotal	231	\$809,334,692	\$2,436,575,509
<i>Illinois Counties (1986 to 2009)</i>			
Madison	41	\$171,047,569	unknown
Monroe	2	\$3,904,056	unknown
St. Clair	68	\$498,427,325	unknown
Illinois Subtotal	111	\$673,378,950	\$673,378,950
Regional Total	342	\$1,482,713,643	\$3,109,954,459

Notes: (1) The number may be different as of the date of this report, because these numbers reflect reporting as of 2011, and there is a lag in time between establishment of a district and its report to the state. Additionally, some districts may have dissolved or been revised but those changes have not been recorded properly. (2) In Illinois sales and utility taxes are diverted for a handful of districts that were created before legislation changed, limiting diversion to only property taxes. (3) Data on total commitments to TIF projects for Illinois and some Missouri projects is not available or not reported, therefore historical "to date" data is used instead.

Sources: Missouri Department of Economic Development and Illinois Department of Revenue. County property tax records and municipal financial reports were used to supplement the state databases. The state reports were the primary data sources.

¹ It is a 23-year time period for IL and 24 –year period for MO. The longer time frame was used for this figure.

Local governments in all counties of the region have used TIF for development in their communities with a larger number in the more urban and suburban areas, and very few in the rural areas. Local governments in St. Louis and St. Clair counties have diverted the most tax dollars to TIF districts, \$552 million and \$498 million respectively, accounting for nearly three-fourths of the total collected dollars. The city of St. Louis has the largest number of districts with 124 districts. Belleville, in St. Clair County, is the municipality that collected the largest amount of tax dollars to-date, \$169 million, for its 20 TIF districts. The city of St. Louis is second with \$156 million and East St. Louis is third with \$145 million for eight districts.

The total public tax commitment to TIF districts represents the total amount of anticipated TIF reimbursable costs over the life of the districts in Missouri. This information is not available for Illinois districts. In Missouri, an additional \$1.6 billion in future revenues are already committed to these districts.

The primary sources for TIF data and information are the Missouri Department of Economic Development (DED) and the Illinois Department of Revenue (DOR). Additionally, property tax records from Jefferson, St. Charles, and St. Louis counties were used to supplement the reports to DED when municipalities did not file reports or did not include the amount of PILOTs² diverted as well as for historical data.

Municipalities in Missouri are required to file annual reports to DED on each active TIF district. Prior to 2009 there was no incentive or punishment for municipalities that did not adhere to this requirement. In 2009, the Missouri legislature modified TIF statutes to (1) prohibit municipalities that fail to file a completed annual report with DED from implementing any new TIF projects for at least five years; (2) require DED to submit the annual TIF reports to the State Auditor's Office (SAO); and (3) require the SAO to post the reports on the agency website in a searchable database available to the public. In the first year of reporting under the new law, DED saw a 50 percent increase in the number of reports filed for both the St. Louis region and the state.

Since the number of districts reported to the state prior to 2009 is inconsistent, property tax records are used to examine the growth in the use of TIF. The DED reports are used as the main source because they provide more information on TIF districts, including the amount of sales tax dollars diverted and the total tax commitment.³ For Illinois, the Department of Revenue data is used throughout the report.

Differences from 2011 Report

A net of three TIF districts were added to the database since the 2011 report, bringing the regional total to 342 districts. Two additional years of TIF reports from the respective state departments were used to update and refine the data.⁴ Some districts were added to the database because they were newly created or reported on for the first time while other districts were removed from the database because they dissolved with no activity.

² Payments in Lieu of Taxes (PILOTs): incremental real property tax revenue diverted to the special allocation fund for a TIF district

³ The difference in the total amount of PILOTs diverted for Missouri by DED and the counties is \$96 million - \$562 million according to county records verse \$467 million recorded in DED reports. There are several potential reasons for the difference including the lack of consistent reporting to DED and different reporting time periods.

⁴ Missouri Department of Economic Development (2010 and 2011) and Illinois Department of Revenue (2008 and 2009)

This update records an additional \$333 million collected for projects to-date, bringing the total to \$1.5 billion, and an additional \$473 million committed to projects for a total of \$3.1 billion.

Growth in the Use of TIF

Consistent with the approach to development in most metropolitan areas in the U.S., the use of tax incentives for economic development in the St. Louis region has grown over the past 20 years. The exact growth is hard to determine due to the lack of consistent historical data. For this section of the report property tax records are used for Missouri.

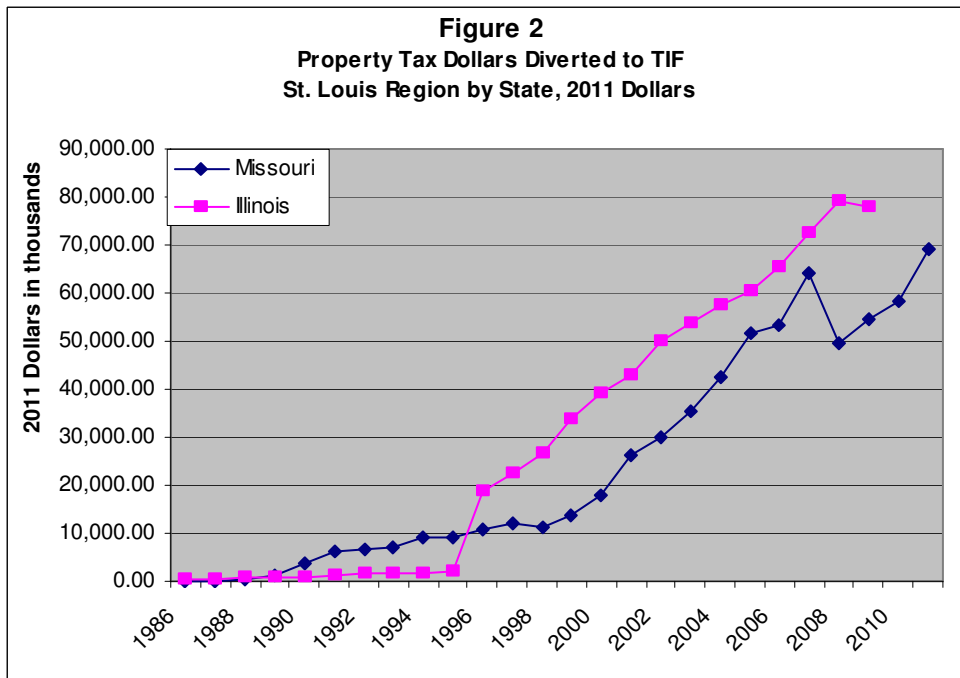
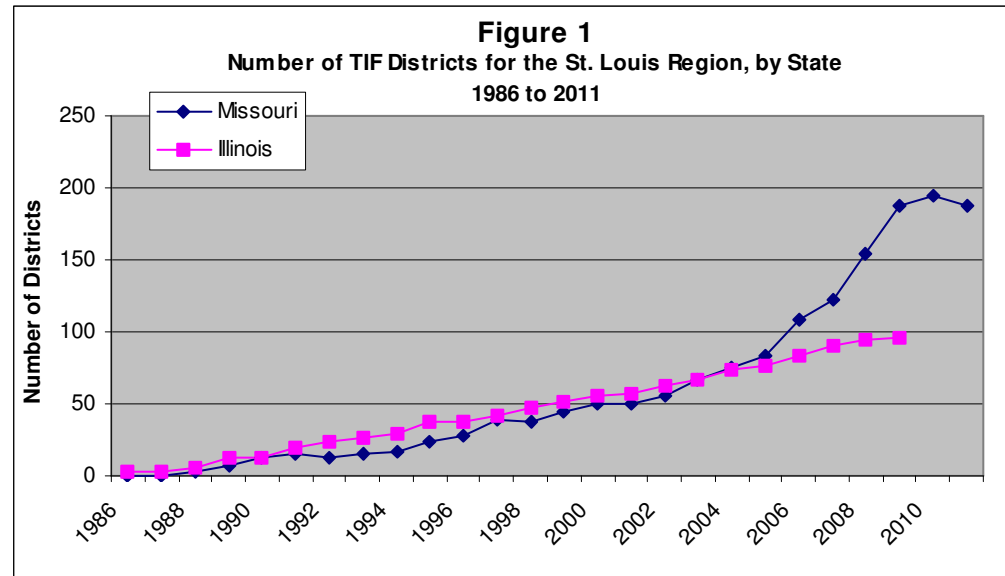


Figure 1 shows the growth in the number of TIF districts for Missouri and Illinois. The number of districts has increased in Illinois from three in 1986 to 96 in 2009 and in Missouri from three in 1988 to 191 in 2011. The number of districts has increased in every county of the region with few decreases over the time period. The largest decrease in the number of districts is for St. Louis County where the number of districts went from a high of 61 in 2008 to 54 in 2011.

The amount of tax dollars diverted to TIFs has also increased in every county of the region. Figure 2 shows the amount of property tax dollars diverted in Missouri and Illinois for the counties in the St. Louis region. Table 2 provides the total amount of property tax dollars diverted to TIF by county in nominal dollars.

Table 2**Total Property Tax Dollars Diverted to TIF Districts, by County****1986 to 2011**

	Madison	Monroe	St. Clair	St. Louis	St. Louis City	St. Charles	Jefferson	Franklin	Regional Total
1986	\$103,193								\$103,193
1987	\$235,430								\$235,430
1988	\$377,862			\$194,735					\$572,597
1989	\$458,835			\$685,155					\$1,143,990
1990	\$458,835			\$2,227,254					\$2,686,089
1991	\$819,920			\$3,663,548					\$4,483,469
1992	\$933,173			\$4,237,150					\$5,170,323
1993	\$1,048,239			\$4,274,751	\$205,431				\$5,528,421
1994	\$1,056,647			\$4,898,025	\$1,191,076	\$2,553			\$7,148,301
1995	\$1,347,724			\$4,980,857	\$1,188,516	\$158,355			\$7,675,451
1996	\$3,149,920		\$10,090,774	\$6,315,353	\$857,400	\$249,822	\$63,221		\$20,726,490
1997	\$4,161,887	\$6,952	\$11,955,162	\$6,857,902	\$1,095,813	\$548,197	\$77,573		\$24,703,487
1998	\$4,475,509	\$79,917	\$14,892,358	\$5,112,229	\$1,852,124	\$1,125,785	\$85,112		\$27,623,033
1999	\$4,936,566	\$113,061	\$19,798,572	\$7,879,859	\$821,431	\$1,305,408	\$105,771		\$34,960,669
2000	\$5,654,801	\$132,189	\$24,118,311	\$10,483,164	\$875,015	\$2,061,206	\$110,921		\$43,435,608
2001	\$7,002,949	\$170,440	\$26,563,057	\$16,440,942	\$1,029,539	\$3,095,850	\$140,096		\$54,442,873
2002	\$9,212,653	\$249,386	\$30,462,051	\$18,451,090	\$1,612,184	\$3,731,058	\$152,525		\$63,870,947
2003	\$10,623,273	\$270,600	\$33,202,949	\$23,073,653	\$1,667,161	\$4,183,632	\$178,689		\$73,199,957
2004	\$13,811,357	\$294,357	\$34,206,926	\$28,795,869	\$2,340,179	\$4,381,596	\$129,534		\$83,959,817
2005	\$15,131,645	\$329,677	\$36,974,397	\$36,442,947	\$2,583,632	\$5,659,431	\$206,684		\$97,328,414
2006	\$15,888,589	\$351,153	\$42,342,665	\$38,188,117	\$2,948,099	\$6,463,595	\$25,943		\$106,208,159
2007	\$17,021,658	\$393,173	\$49,688,909	\$45,972,145	\$5,712,480	\$7,638,006	\$107,226		\$126,533,596
2008	\$17,457,034	\$536,248	\$58,087,956	\$32,059,184	\$7,555,746	\$7,738,831	\$394,886		\$123,829,884
2009	\$18,224,553	\$976,904	\$55,160,383	\$30,289,701	\$13,186,392	\$7,596,079	\$771,054		\$126,205,066
2010	Not Available	Not Available	Not Available	\$33,313,577	\$14,015,570	\$8,222,621	\$945,525	\$127,219	\$56,624,512
2011	Not Available	Not Available	Not Available	\$31,273,562	\$28,414,535	\$8,198,815	\$1,091,245	\$24,892	\$69,003,049

Employment in TIF Districts

The DED annual TIF report form asks for estimates of projected new and retained jobs and actual new and retained jobs. Of the 231 TIF Districts recorded in Missouri, 168 (72 percent) completed at least one of the four job number related fields. The job fields are not a legislatively required component of the report; therefore many reporting entities leave the fields partially or completely blank. The self-reported numbers are not verified and do not take into account if the jobs were moved from elsewhere in the region, were created using additional tax dollars nor do the districts report on the quality of the jobs. No jobs data is available through the Illinois TIF reports.

Table 3 provides the total number of jobs, taxes collected to-date, anticipated TIF reimbursable costs, anticipated total project cost, and the estimated cost per actual new and retained jobs based on to-date collections and the estimated cost per projected new and retained jobs based on anticipated TIF reimbursable costs for all of the TIF districts that reported each of the job related fields.

The 148 districts reporting a projected number of new jobs estimated they would create 124,485 jobs over the life of the TIF districts and retain an additional 3,387 jobs at a cost of \$12,098 per job. About the same estimate of \$12,000 is seen for the districts reporting projected retained jobs numbers (29 districts reporting at a cost of \$12,330 per projected new or retained jobs).

About half of the TIF districts in Missouri (115 of 231) reported actual to-date new job numbers. These districts reported they have created 40,154 jobs and retained 3,282 jobs at a cost of \$12,630 per job.

Table 3

Estimated Projected and Actual to-Date Jobs for all TIF Districts in the MO Portion of the St. Louis Region, by Job Field Reported

Job Field Reported	Number of Districts Reporting	New Jobs Projected	New Jobs Actual To Date	Retained Jobs Projected	Retained Jobs Actual To Date	Taxes Collected to-Date	Total Anticipated TIF Reimbursable Costs	Anticipated TOTAL Project Costs	Actual New and Retained Jobs per to-Date Collections	New and Retained Jobs Projected per Anticipated Reimbursable
New Jobs Projected	148	124,485	22,242	3,387	2,988	\$501,023,969	\$1,547,035,381	\$9,620,146,719	\$19,858	\$12,098
New Jobs Actual to-Date	115	35,213	40,154	3,282	5,291	\$573,967,631	\$900,333,612	\$4,119,998,054	\$12,630	\$23,388
Retained Jobs Projected	29	14,714	7,350	3,704	3,305	\$161,878,690	\$227,111,904	\$866,664,077	\$15,193	\$12,331
Retained Jobs Actual to-Date	29	8,600	21,827	3,363	5,477	\$215,861,459	\$325,143,859	\$1,103,878,077	\$7,906	\$27,179

Note: In order to obtain the best possible estimate of the number of jobs projected and created, data was compiled for those districts that filled out each job field. For example, all of the data in the first row is the total reported for all of the districts that reported a number in the “new jobs projected” field.

Special Taxing Districts

Community Improvement Districts (CIDs)

There are currently 121 Community Improvement Districts in the city of St. Louis, Franklin, Jefferson, St. Charles, and St. Louis counties in Missouri. Almost half of the districts (48 percent) are in the city of St. Louis, a quarter in St. Louis County, and the remainder in the other three counties. CIDs are permitted to establish a sales tax up to one percent, a special assessment, and a property tax. Eighty-nine of the CIDs have a sales tax and 35 have a property tax or special assessment. Twelve of the districts have both sales tax and a special assessment or property tax. The amount collected through special assessments and property taxes is not known.

The number of districts in Table 4 includes all districts but only 67 of the districts have collected sales tax dollars (the tax commitment to-date). The 67 districts that collect a sales tax have committed \$26.2 million to the special districts from 2006 through 2011. Table 5 shows the number of districts collecting sales tax and the amount collected from 2006 through 2011. The number of districts and the amount of tax dollars has increased steadily over the six-year period.

Table 5

Number of Community Improvement Districts and Amount of Sales Tax Dollars Collected, by Year 2006 thru 2011

Year	Number of Districts ¹	Tax Dollars Collected
2006	4	\$608,291
2007	23	\$1,441,826
2008	38	\$3,597,889
2009	49	\$5,963,084
2010	61	\$6,513,415
2011	67	\$8,058,645
Total	---	\$26,183,150

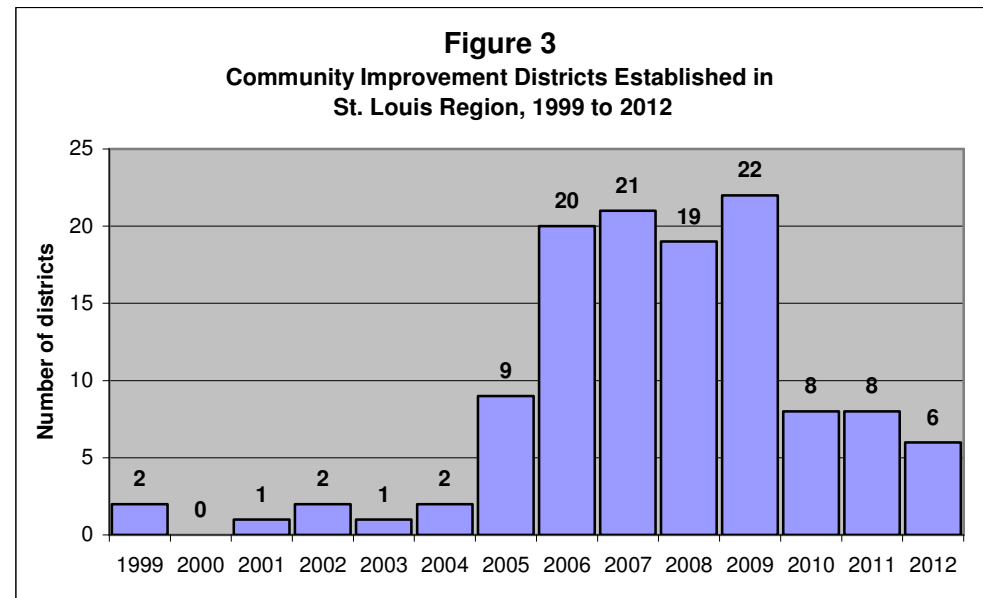
(1) Starting in 2010 DOR stopped reporting amount of tax dollars collected for CIDs that have less than six taxpayers to preserve confidentiality. Eleven CIDs fall under this rule in 2011. (2) An additional 22 districts are reported to have a sales tax in place but have not collected any taxes according to DOR.

Table 4

Community Improvement Districts Established, 1999 thru 2012, by County and Sales Tax Dollars Collected 2006 thru 2011

County	Number of Districts	Tax Commitment to Date
Franklin	5	\$1,722,447
Jefferson	8	\$416,896
St. Charles	20	\$6,788,991
St. Louis	30	\$10,423,496
City of St. Louis	58	\$6,831,320
Total	121	\$26,183,150

Figure 3 shows the number of districts established from 1999 through 2012. There was a surge in the number of districts created between 2006 and 2009 with fewer, but still a number of, districts created in the last few years.



Transportation Development Districts (TDDs)

There are 94 Transportation Development Districts in the St. Louis region. About half are in St. Louis County with nearly a quarter in each the city of St. Louis and St. Charles County. In total, TDDs in the St. Louis region anticipate a total of \$925 million in public revenue to-be-collected over their life. TDDs are typically created for up to a 40-year period. In addition to sales tax, TDDs can impose a property tax, special assessments, or tolls. The amount collected through these sources is not available.

Reporting on sales tax dollars collected is not reliable until after 2010. Prior to 2010 EWG recorded a total of \$43 million being collected by TDDs in the region from 2002 to 2009. In 2010, DOR began collecting sales tax for TDDs and therefore the amount collected is now consistently available. In fiscal year 2011, 40 districts collected \$24.8 million in sales taxes. Over the entire period, 59 districts collected \$74.9 million. An additional 28 districts collected sales tax, but to preserve confidentiality the amount is not reported by DOR because the districts have less than six taxpayers.

Figure 4 shows the number of TDDs established in the St. Louis region from 1999 to 2012. Similar to CIDs, there were a large number of districts created between 2004 and 2007 with fewer, but still a number of, districts created in more recent years.

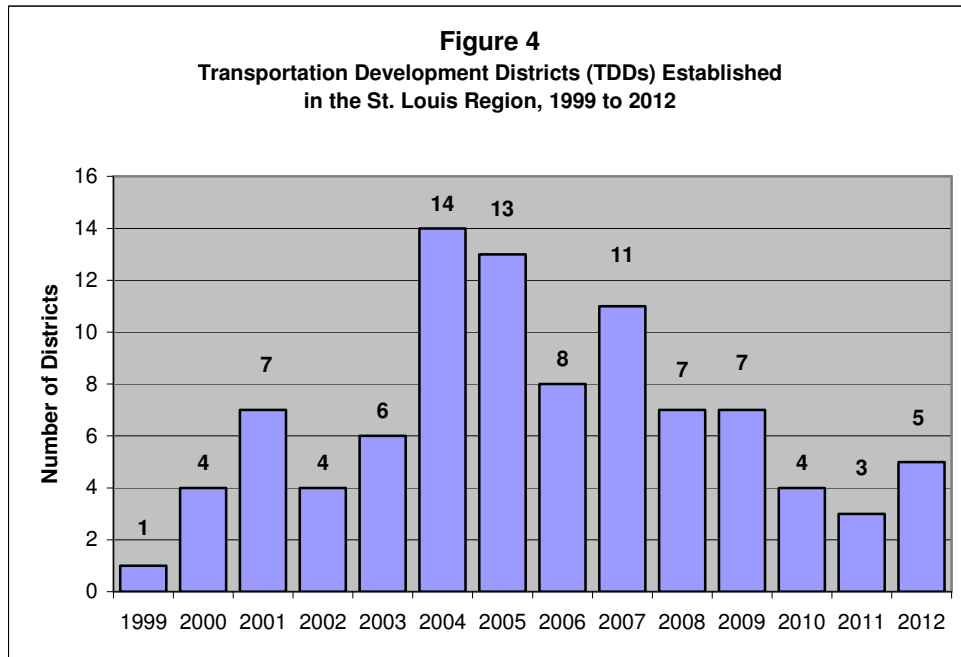


Table 6
Estimated Project Costs, Total Tax Commitment, and Sales Tax Collected to-date for Transportation Development Districts

County	Districts Created from 1999 thru 2012			
	Number of Districts ¹	Estimated Project Costs	Total Tax Commitment/Anticipated Revenues ²	Sales Tax Collected to-Date ^{3,4}
Franklin	1	\$2,688,640	\$2,520,000	\$2,863,791
Jefferson	4	\$42,314,512	\$76,450,000	\$0
St. Charles	19	\$86,675,405	\$141,187,879	\$8,506,384
St. Louis	48	\$370,456,460	\$622,589,719	\$62,686,038
City of St. Louis	22	\$83,841,495	\$82,521,128	\$831,779
Total	94	\$585,976,512	\$925,268,726	\$74,887,992

(1) One TDD is in Richmond Heights and the city of St. Louis. It is counted in the city of St. Louis. (2) Estimated project costs and anticipated revenues are reported by the State Auditor's Office. Information is self-reported by districts and not audited. Although districts are supposed to file with the SAO, there is no penalty for not doing so. Information is not available for all TDDs. (3) Prior to 2010 sales taxes were collected by TDDs directly and were not recorded for all districts. Starting in 2010 sales taxes are collected by DOR and is now consistently available. (4) Starting in 2010 DOR stopped reporting amount of tax dollars collected for TDDs that have less than six taxpayers to preserve confidentiality. Twenty-eight TDDs fall under this rule in 2011.

Business Development Districts (BDDs)

There are a total of 27 Business Development Districts in Madison, Monroe and St. Clair counties. Most of the districts have a one percent sales tax rate, one district has a rate of 0.75 percent, and two districts have a rate of 0.50. A total of \$13.5 million has been collected through these taxes. Table 7 provides the number of districts and the amount of tax dollars collected by the districts by county for 2006 through 2011. Seventeen municipalities in the three counties have created districts. Collinsville in Madison County has created the largest number of districts with five and Belleville’s four districts have collected the most tax dollars (\$4.8 million), accounting for 26 percent of the total tax commitment thus far.

Table 7
Sales Tax Dollars Disbursed to
Illinois Business Development Districts
2005 thru 2011

<i>County</i>	<i>Number of Districts</i>	<i>Total Tax Commitment</i>
Madison	16	\$7,217,917
Monroe	1	\$152,857
St. Clair	10	\$6,138,457
Total	27	\$13,509,231

Source: Illinois Department of Revenue, Disbursements to Local Governments

Table 8

Number of Illinois Business Development Districts and Amount of Sales Tax Dollars Disbursed to Districts, by Year 2005 thru 2011

<i>Year</i>	<i>Number of Districts</i>	<i>Annual Tax Commitment</i>
2005	1	\$21,042.05
2006	2	\$67,752.72
2007	12	\$334,960.47
2008	14	\$1,616,177.67
2009	17	\$3,241,412.98
2010	21	\$3,907,532.96
2011	27	\$4,320,352.48

Source: Illinois Department of Revenue, Disbursements to Local Governments

There has been a growth in the number of districts and the amount of tax commitment over the seven years the tool has been in existence. Table 8 shows the number of districts and the amount of sales tax dollars disbursed to the districts by year. There was only one district in 2005, an additional one was created in 2006, and then 10 districts were created in 2007, the largest number created in any one year. The second largest number created in one-year was six in 2011. Of course, as the number of districts increased the amount of tax dollars collected for these special districts also increased.