Use of Economic Development Incentives in the St. Louis Region

The following are key findings from East-West Gateway's final report on the use of development incentives in the St. Louis region. The full report, *An Assessment of the Effectiveness and Fiscal Impacts of the Use of Development Incentives in the St. Louis Region*, is available at ewgateway.org

More than $5.8 billion has been allocated to subsidize private development

- $3.6 billion of what otherwise would have been collected as tax dollars have been diverted to subsidize private development, with an additional $2.2 billion committed in future years.
- Over $2.6 billion has been committed through the use of tax increment financing (TIF) alone.
- Due to inadequate reporting on the use of tax incentives, the actual total costs are higher, likely at least $6.4 to $7.2 billion.

Use of TIF negatively affects neighboring municipalities

- Municipalities that invest in retail TIFs can increase their own sales tax revenues, but at the expense of neighboring municipalities.
- Retail TIFs in one area of the region were found to decrease job growth in other areas.

Focusing on expanding retail is a losing economic development strategy

- 80% of TIF and transportation development district (TDD) expenditures have been for retail oriented development.
- Although $2 billion in TIF and TDD investments were for retail development from 1990 to 2007, only 5,400 retail jobs were added to the region, a cost of about $370,000 per job.
- During that same time period, there has been a concentration of retail establishments resulting in important sales tax dollars supporting fewer local governments.

Massive tax expenditures have not resulted in economic growth for the Region

- Job growth was 0.8% annually from 1990 to 2007, with a significant slowdown after the year 2000, when the growth fell to 0.2% annually.
- From 1990 to 2007 the region lost more than 35,000 goods-producing jobs, while gaining about 200,000 generally lower paying service-providing jobs.
- Taxable sales in the region grew moderately from 1993 to 2000, and since that time have been relatively flat.

Local governments in the region are under fiscal stress

- Two-thirds of local governments report they are under fiscal stress.
- One-quarter of local governments do not view their city as fiscally sustainable in two to five years; one-third do not view their city as fiscally sustainable in 10 and 20 years.
- More than 60% of municipalities saw a decline in inflation adjusted sales tax receipts between 1993 and 2007.
- Nearly half of taxing entities saw a decline in property tax revenue between 2003 and 2007.
- Over 90% of municipalities cut services or increased taxes/fees in response to fiscal pressure.

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