



Saint Charles County Grows Without TIFs

By David C. Stokes

Local governments throughout Missouri continue their never-ending quest to lure favored businesses and keep the chosen ones they already have within their boundaries, by granting tax abatements, tax increment financing (TIF), and tax exemptions. Yet not every government entity in Missouri is playing this game. One local government in particular has vociferously opposed TIFs, and has been extremely careful with its use of other development tools. How has it worked for them? The government in question, Saint Charles County, has been the fastest-growing county in the state for three decades.

While governments constantly seek to both raise tax revenues and lure businesses, too often they first enact burdensome tax codes and regulations, then give away the store to the select businesses they want to lure in. Wouldn't it be much easier on everybody to create a favorable tax and regulatory climate across the board, and trust that it will lure businesses and development to your community? Saint Charles has chosen the latter plan, and the economic growth in the county speaks for itself.

Saint Charles has not only refused to use TIFs, it has actively fought court battles when cities within the county have attempted to use them. The cities within Saint Charles know they will have a fight on their hands every time they attempt to enact a new TIF. The result is that only 491 parcels of property in Saint Charles are involved in a TIF, compared to 1,808 in Saint Louis County and 2,293 in Saint Louis city. The fact that all of the TIF parcels in Saint Charles and most in Saint Louis County are within municipalities is a strong argument for having these decisions made at the county level.

An analysis conducted by business consultants for the Saint Charles Economic Development Council in 2004 stated, "TIF financing [sic] is often not easy to get approved," citing this as one of the few drawbacks to the county's business climate. Of course, the consultants — who are in the business of getting incentives for their clients — relied on the constant canard that maintaining a competitive edge requires increased use of government incentives. Recent history has demonstrated that Saint Charles has done just fine, thank you, with

Summary

Local governments often try to lure favored businesses with tax breaks or TIFs. But Saint Charles County rejects these incentives, and has been Missouri's fastest-growing county in Missouri for three decades. It's more important to create a favorable tax and regulatory climate across the board, attracting a wide base of business and development.

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very limited use of incentives.

The county has also refused to issue tax abatements and exemptions, while it has judiciously managed the use of tax-free revenue bonds for projects. Basic economics teaches that a wider tax base enables lower rates for everyone, and these low taxes are certainly one of the reasons the population of Saint Charles has increased from 145,250 in 1980 to 348,844 in 2007. Comparing property tax rates across boundaries can be tricky, but one tax levy in particular compares directly and consistently. The commercial surcharge that is added to commercial property tax bills in every Missouri county totals \$1.64 per \$100 of assessed valuation in Saint Louis city, \$1.70 in Saint Louis County, and just \$0.53 in Saint Charles. Clearly, when taxes are this low, you don't need to dole out tax breaks.

Obviously, many other factors explain the tremendous growth throughout Saint Charles, and some of the county's cities have aggressively used TIFs and other incentives for their own developments. Has the use of incentives by municipalities like Saint Peters and O'Fallon had a greater impact on the area's economic growth than the county's prudence has? One might argue that, but the county's general low-tax and pro-business policies have been in effect for three decades. The use of incentives by cities has come too recently to explain most of the growth.

Like an arms race, local governments throughout Missouri fear unilateral TIF disarmament would put them at an economic disadvantage. Saint Charles County has shown that it is possible for a local government to avoid the use of tax giveaways and still be a growing, thriving community. I hope other governments throughout Missouri will learn from this example.

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