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TESTIMONY

February 4, 2014

HOUSE BILL 1501: THE DALATC DOES NOT DESERVE TO BE RENEWED

By David Stokes

Testimony Before The Missouri House Economic Development Committee

To the Honorable Members of This Committee:

Thank you for the opportunity to testify today. My name is David Stokes and I am the director of local government 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 is intended to briefly state my opinion about the proposal in this bill regarding the Distressed Areas Land Assemblage Tax Credit (DALATC) based on research that the Show-Me Institute has conducted.

When the previous DALATC program expired last year, Missouri taxpayers benefitted. According to the Missouri Accountability Portal, the primary beneficiary of that DALATC program has already received approximately \$43 million from it in tax credits for a project in North Saint Louis. That money

is in addition to a \$390 million Tax Increment Financing (TIF) subsidy package that the City of Saint Louis approved for the exact same project. That is a total subsidy approaching a half billion dollars. When, and how much, is enough? The subsidy game is now a part of the mindset of business in Missouri. The legislature did the right thing by refusing to extend this tax credit last year, and that discipline would continue to benefit Missouri taxpayers going forward.

When the state spends millions of dollars on one potential development, it is taking a huge risk with taxpayers' money. The state is risking that one developer will transform North Saint Louis and remove all of its societal problems. How can we trust that the bet will pay off? Who is on the line if this project fails?

Every dollar that we spend on tax credits is a dollar that the state must take away from another program. This committee should consider whether

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the benefits of vacant land assemblage are worth cutting the budget of another state program. Are dollars spent on tax credits to purchase land better than dollars spent on education or public health? We all bear the cost, but with the DALATC, only special interests receive the benefit.

The primary beneficiary of the DALATC program to date claims that his project will have a broad impact and reduce a wide variety of social problems in Saint Louis. But large-scale government planning is not likely to solve the social problems in Saint Louis.¹ Often, with new development, current residents can no longer afford to live in the new community. These residents then must move to another area in the city, simply moving the social issues to a different location.

According to a 2009 NorthSide Regeneration presentation, the developer envisions that 75 percent of area residents will have a college education. That is a

lofty goal. It is possible, but many ignore the likelihood that such a drastic increase in college attendance figures will result not from a greater number of existing North Saint Louis residents attaining higher education, but largely from a new population of better-educated residents moving in and displacing many current residents. It may be alluring to believe the NorthSide project would have a profound effect on social issues but there is little evidence to support this hope.

Pouring more state assistance into this project may help NorthSide Regeneration achieve windfall gains, but it is unlikely to be the miracle to revitalize Saint Louis. Furthermore, it would be a mistake to expand the DALATC to one additional section of Missouri, as this bill does. Tax relief for businesses in Missouri should be focused generally, not on one or two large projects. It would be a mistake to prioritize these projects over the rest of the state and its residents' many needs.

NOTE

¹ While NorthSide Regeneration is a private developer, one can hardly call this a private development when the government has a large stake in the financing of the project.



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