



A Snake, or CID, in the Grass

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By: Graham Renz

After a year of controversy and egregious accounting errors, the University City TIF plan has been [approved](#). The plan calls for \$70 million in future property, sales, and other tax revenues to be returned to the developer, Novus, as a subsidy for the \$190 million development.

There is much to bemoan in the deal. Besides the fact that nearly half of the project's costs will be covered by taxpayers, the upfront payments from Novus the city negotiated—funds to improve the Olive Blvd. corridor and Third Ward in general—[have been cut in half](#), at least in the short term.

But there is something else lurking in the deal worth worrying about.

Although it seems to have been a part of the plan from the outset, a community improvement district, or CID, will be created in the main development area. The district will be controlled by the developer, and will collect a 1% sales tax to fund . . . pretty much anything associated with the development (see [pp. 20-21](#)). (CIDs often fund site improvements, such as earthwork and infrastructure, but it is not uncommon for them to fund developments [more directly](#).) And while the final agreement states that no other CIDs or related districts may be formed in the area, it only prohibits proposed districts that would *overlap with the main development area*, not the entire development footprint, which extends south of Olive Blvd (see [pp. 21-22](#)). So there could be even more special sales taxes for University City in the future.

So, what does this mean? In short, more taxpayer money than meets the eye will subsidize the project. In more concrete terms, it means that everyone who shops in the main development area, where a Costco is slated to be built, will pay an extra 1%. That might not sound like much, but it is important to keep in mind that CIDs and their close cousin, transportation development districts (TDDs), have collected [more than a billion in revenue](#) from Missourians since their inception. As I've detailed previously, CIDs and TDDs are growing at alarming rates, and have [altered the state's tax landscape](#). Perhaps it should be no surprise that they're written into this recent mega-deal.

If policymakers at the local level seem inclined to approve handouts like these, what can be done to stop taxpayer abuse? As Patrick Tuohy and I make clear in a [recent paper](#), the most effective reforms would come at the state level, and would either prohibit developers from forming CIDs and TDDs without a public vote (what will likely happen in the case of this CID) or rescind their sales taxing authority. Short of these reforms, consumers can only brace themselves for higher and higher taxes.

Disclaimer: The author lives in University City's Third Ward.

About the Author



*Graham Renz
Policy Analyst*

Graham Renz is a policy analyst at the Show-Me Institute.

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5297 Washington Place 3645 Troost Avenue
Saint Louis, MO 63108 Kansas City, MO 64109
Phone: (314) 454-0647 Phone: (816) 287-0370
Fax: (314) 454-0667

Email: info@showmeinstitute.org

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