Good Riddance to Bad Policy

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The Joplin Globe recently reported that Joplin’s disaster recovery tax-increment financing (TIF) district is being closed after eight years, and any funds therein will be paid out to the appropriate taxing jurisdictions. This is good news in that the district could have lasted up to 23 years; instead, it was shuttered after only 8 years. The fact remains that the TIF district should have never been created in the first place.

Joplin’s city council created the TIF district following the devastating tornado that hit Joplin in 2011. As I detailed in my 2017 case study:

While Joplin was certainly blighted, the speed with which the city was rebuilt—and the overwhelming amount of private, unsubsidized capital that was used to do so—give the lie to the claim made by Wallace Bajjali in Joplin, and other developers around Missouri, that capital just won’t move without taxpayer subsidies. In this case, the developer never delivered on promises, leaving the redevelopment corporation to just buy and sell land while the real work of redevelopment was done by individual homeowners and private companies.

What makes the Joplin experience different from most others is that for whatever reason, the
partners in the development firm had a falling out. The company vacated its offices and none of its grand TIF plans were realized. This allowed us a rare opportunity to examine the rebuilding in the absence of subsidized TIF activity. When a TIF plan results in new construction, the plan itself is typically credited with the result. But in Joplin, the reconstruction was just the result of individuals and businesses rebuilding on their own.

That rebuilding was impressive, and TIF subsidized development did not play a significant role (just over $20 million was collected by the TIF district from its creation to closure, compared to more than $2 billion in insurance claims). As I observed in the 2017, this is what Joplin had accomplished a mere six years after the tornado:

Joplin has been rebuilding itself—largely from the proceeds of insurance claims that the but-for test never considered! Not only has Joplin recaptured all lost assessed property value and then some, but the city claims that the population was higher in 2015 than it was in 2010 before the tornado.

We know from study after study after study that TIF is ineffective at spurring business growth or job creation. Instead, TIF frequently just lines the pockets of developers with taxpayer cash—often for doing what there were going to do anyway. If there were any doubt of this, one need only look to the people of Joplin, who rebuilt without TIF and in a quarter of the time promised by the TIF plan.

It is long past time that Missouri legislators rein in the use and abuse of economic development incentives such as TIF. Municipal policymakers are diverting hundreds of millions of dollars away from important public projects and for no appreciable gain.

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Patrick Tuohey works with taxpayers, media, and policymakers to foster understanding of the conse

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