City of St. Louis, Missouri
City Economic Development Incentives

May 5, 2016

The PFM Group
Financial & Investment Advisors

Two Logan Square, Suite 1600
18th & Arch Streets
Philadelphia, PA 19103
215.567.6100 phone
215.567.4180 fax

www.pfm.com

Table of Contents

Executive Summary

Executive Summary

Introduction

As with most major US cities, the City of St. Louis uses a variety of tax and other incentives to foster economic development. These incentives include tax increment financing (TIF), tax abatements and bond financing; they are often coupled with state and federal incentives, such as the state historic tax credit and the federal New Markets Tax Credit. Over a 15 year period, the value of the primary City tax incentives (through TIF and tax abatement) has totaled $709 million.

While economic development incentives are broadly used, there are legitimate questions about their efficacy and administration. To gain a better understanding of past and present use of incentives in the City and across the country, the St. Louis Development Corporation (SLDC) commissioned this study.

Public Financial Management, Inc. (PFM) partnered with St. Louis University and the University of Missouri-St. Louis on the study research and analysis. The project team conducted numerous interviews with subject matter experts related to city planning and development – both internal and external stakeholders. The project team benchmarked economic development incentive use and administration among peer cities around the country and in the St. Louis region. The project team also obtained, cleaned and analyzed historic data related to incentive use and outcomes associated with specific projects and/or broader neighborhoods and the City as a whole. Finally, the project team met on several occasions with the project sponsor and project manager to report on project progress, identify key issues and concerns and to verify and validate findings.

This report to the SLDC represents the PFM project team's analysis and recommendations. These recommendations reflect the perspectives and opinions of the project team; it should not be implied or assumed that they reflect the perspectives and opinions of the SLDC, St. Louis city elected officials or its departments and agencies.

Existing City Economic Development Incentives

The City can draw upon a wide variety of city, state and federal tax incentives. Because they have differing impacts on City finances, they should be split into essentially three categories: City tax incentives, City bond issues and federal tax credits. Each of these categories will be analyzed in depth. Of these, City tax incentives are in many ways most critical to this discussion and analysis. These are:

- TIF: $401.6 million
- Tax abatement: $307.5 million

These most directly reflect budget 'choices' for the City – as it represents forgoing some portion of tax (mostly property tax) revenue for economic and city development purposes. Among the other two categories, New Markets Tax Credits ($235.1 million) provide a federal tax benefit but do not reduce revenues at the City level. Local bonds ($2,912.0 million) is not foregone revenue for the City or its taxpayers. In these cases, the bonds themselves are not an obligation of the City; the City acts as a source of conduit financing for other entities, and the bonds are repaid from revenue associated with the projects. In fact, the advantage of these types of bonds is that they are often issued as tax exempt bonds, meaning the bondholders' interest is not taxed for federal (and in some instances state) personal income tax purposes.

In the case of TIF and tax abatement, however, there may well be some diverted revenue, although even for these programs it can be argued that in many cases the actual development or property improvement would not have taken place 'but for' the incentive. If that is actually the case, there would have been no additional revenue to forego. It is worth noting that, at least in the case of tax abatements, there is no specific 'but for' test to be answered before an abatement may be granted.

Besides these highlighted programs, there are a variety of other state and local tax incentive programs that enter into the discussion about incentive use. In many instances, various incentives are 'layered' to create

an overall package for a potential developer or business. On the other hand, residential incentives (primarily abatement) are less likely to be layered (but still may, as in the case of the state historic tax credit). In general, the tools available to the City are similar to those used in other cities around the country – particularly as it relates to tax incentives that target property taxes. Because property taxes are, on average, the largest source of local government revenue in the country, it is logical that tools like TIF and abatement would also be prevalent in cities around the country.

A notable exception to standard tax incentive tools concerns the City's earnings tax. For St. Louis, the earnings tax (rather than the property tax) is its largest revenue source, accounting for 32 percent of general fund revenue in 2014. While the City has been able to tailor some incentive packages (on a case-by-case basis) to ameliorate the effects of the earnings tax, there is no formalized City incentive that would reduce the payment by businesses or individuals of the City earnings tax. While this set of circumstances exists in other cities with a form of local income tax, there are a number of cities that have fashioned a form of local income tax credit program, and several of these programs from other cities are described within the report.

Benchmarking

Both national peer cities and cities within St. Louis County were surveyed on issues surrounding the local use of tax incentives. National peer benchmarking cities were selected for their similarity to St. Louis in terms of population, economy and demographics as well as cities with which St. Louis competes for businesses and residents. Local benchmarking cities were selected to provide a representative sample within the St. Louis, Missouri region.

Nationally, St. Louis is similar in most respects to the peer cities. Most use the same incentive programs, and the focus of benchmarking was primarily TIF and tax abatement. There is a fair amount of divergence in policy around TIF, but this is largely driven by the State's TIF statute. While most states restrict the revenue that may be diverted to TIF projects to the increase in property tax related to the TIF project or district, Missouri also allows up to 50 percent of economic activity taxes (EATs) to be diverted to the TIF. In Missouri, the EATs eligible for diversion are most local taxes on sales, gross receipts, earnings and utilities.[1] As it relates to tax abatement, a significant number of the benchmarked cities require either (or both) a cost benefit analysis prior to award of the abatement and have job creation criteria as part of the decision to award. St. Louis does not require either for tax abatement.

While the national peer cities generally pursue policies around TIF and abatement that are similar to St. Louis, the local peer cities are quite different in many respects. First, TIFs are not widely used in the local peer cities. In cases where there are TIFs, typically there are just one or two within the city. Second, tax abatement is either not used or restricted to commercial development. Finally, it is notable that no other local peer city levies an earnings tax; for most of these cities, sales, utility and property taxes are the major revenue source (and one, Chesterfield levies no property tax).

Past Performance

The project team analyzed local incentives data for economic development projects between 2000 and 2014 to answer four questions:

1. What is the dollar amount of incentive use?
2. Where and when have incentives been used in the City?

[1] Missouri Revised Statutes, 99.805(4), August 28, 2015. Accessed electronically at http://www.moga.mo.gov/mostatutes/stathtml/09900008051.html

3. What are the characteristics of incentivized projects in terms of either available data on incentives or the available data on the projects?
4. How were incentives layered to complete projects, particularly where local incentives were used alone and where local incentives were combined, with state level or other incentives?

The project team used a variety of mapping tools, models and other methods in its analysis, which are described in greater detail in the report and appendices. Based on this analysis, the following are the conclusions drawn related to past incentive performance:

A. *Characteristics of Incentives*

- The largest dollar value of local tax incentives came from TIF ($402 million) and tax abatement ($307 million). In terms of state incentives, the largest amount was in real estate related tax credits ($1.48 billion), followed by state investments/bonds ($249 million).
- Given the nature of the different incentives, the amounts from the different incentives are not directly comparable. For some incentives, the amount represents the amount forgiven in future tax receipts (tax abatement and TIF), for some the forgiven amount is used to complete the project (TIF) and for others the amount is redeemable on state or federal taxes (state tax credits and New Markets Tax Credits).
- Most of the local and state incentives are for real estate investments, and, of the total amount, the largest percent goes to commercial projects (45 percent) followed by residential projects (36 percent). Residential projects are a larger share of state incentives than local incentives (36 percent to 13 percent).

B. *Geographic Patterns of Incentive Use*

- Incentive use is highly concentrated in a few areas of the City of St. Louis. A handful of neighborhoods have received roughly two-thirds of the value of credits.
- However, this is because incentives follow the overall patterns of development and developers and other real estate actors use incentives to pursue specific types of projects in specific types of neighborhoods.
- Even with the general association between incentive use and overall permit investment, some neighborhoods receive proportionally more incentives than other neighborhoods. These include some lower-income neighborhoods as well as more stable residential neighborhoods and commercial areas.
- State incentives generally shift the overall share of incentives to lower income neighborhoods with weaker housing markets, primarily through the use of the state local income tax credit.
- Alternatively, there are a number of neighborhoods with weaker housing markets and some level of permit investment that have not received many incentives. This suggests the need for reviewing incentives to ensure that they are structured to be applicable to all neighborhoods that need them.
- Conversely, there is significant incentive use, particularly through tax abatement, in neighborhoods with strong housing markets. This suggests, absent a more formal "but for" process to providing the incentives, a need to set clear policy on at what point city incentives will not be used.
- Patterns of incentive use are highly geographically distinct. For example, low income tax credit projects, often times also receiving tax abatement, are clustered in key neighborhoods to the north and south of downtown; mixed use and multi-family projects, using TIF, tax abatement and other state tax credits, can be found in the central corridor, and many historic tax credit projects or neighborhood tax credit projects, sometimes with the use of tax abatement, are found in historic and often stable neighborhoods in south St. Louis and the central corridor.
- While city officials ultimately can control where developers choose to do particular types of projects, they can work to distribute incentives more broadly across the city and work with developers to pursue a variety of redevelopment strategies within neighborhoods.

C. Impact of Incentive Use

- There is a strong association between incentive use and increased assessed value and aggregate permit investment from 2000 to 2014.
- This is probably because incentive use follows overall investment patterns.
- Conversely, there is little relationship between incentive use and an increase in jobs within neighborhoods.
- Much of the benefit to neighborhoods from incentive use comes from increased assessed values of the parcels that receive the incentive and other investments. For example, assessed values rise significantly for incentivized parcels for both parcels that receive TIF and parcels that receive TA, particularly when those local incentives are matched by state real estate incentives.
- On the other hand, there is little evidence of significance spillover effects around incentivized parcels after the use of incentives. Across most project types, there is no significant change in the trajectory of assessed value, permit investments or jobs.
- This suggests that city development officials should be careful about ascribing local or neighborhood effects to a specific incentivized project. While there might be cases where incentivized projects are transformative for local communities, it is probably the sustained, consistent use of both incentives and overall investment over time, including investments of a variety of types, which increases local economic outcomes and transforms local communities.

Incentives Discussion

There are a variety of factors that businesses (or individuals) consider when making decisions to locate a business or make improvements to existing commercial or residential structures. There is a substantial body of research and writing around the decision making process and the degree to which tax incentives may (or may not) contribute to that decision. While the argument for or against the use of incentives is something of a moot point in most large cities (because the vast majority use these forms of incentives), the actual structure and administration of the programs themselves may impact on performance. At the very least, governments and their taxpayers seek to ensure that incentive programs operate within the established legal requirements and that the programs advance the developmental goals of the city.

To further the discussion of effective operation and administration of tax incentive programs, the project team analyzed:

- What are the existing policies and requirements related to current incentives that help create success?
- Are there opportunities to modify policies and requirements, management or reporting processes and procedures for existing programs that might improve their overall effectiveness or efficiency?
- Are there gaps in the current set of tax incentive offerings by the City, and if so, what are the opportunities to close those gaps?

In general, the City's existing policies and requirements align with standard practices among other large cities. The application and approval processes are readily available in writing and formalized. There are clearly identified roles and responsibilities for City staff throughout the process, as well as how ultimate decisions will be made. At the same time, some aspects of the current systems can create confusion and/or limit transparency. In some cases, this is a product of the City's sometimes fragmented governance system: aspects of the tax incentive administration, operation and reporting process are often split among multiple City departments – and in many instances led by multiple separately elected City officials. It is also notable that the 28 individual Aldermen can heavily influence the process, particularly as it relates to abatements, and this may impact on broader City development objectives as well.

Most of the analysis around opportunities to modify policies or requirements focused on strategic direction and financial impact. Within the area of strategic direction, most cities seek, to the extent possible, to use

incentives and other development policies to advance its comprehensive plan. While this is certainly an important consideration in St. Louis as well, the engagement of Aldermen in a ward-by-ward process of advancing and approving incentives for economic development may make this more difficult. One approach that might ameliorate the separate nature of involvement in decisions on incentives would be to use more of a zone basis for program eligibility or approval. This is the case for the joint city-state Enhanced Enterprise Zone program.

Determining the likely financial impact of incentives is a critical component of any application and award process. Various projects and incentive packages can be viewed from the perspective of a matrix of project outcomes – both in terms of their cost to taxpayers and their economic development impact. While there may be disagreement about the value of some packages, it is clear that the City gains no net benefit from an extremely costly program with no real economic development impact. As a result, the City needs tools to determine where on the cost/impact matrix a development is likely to land and whether the expected benefit is worth the cost.

The existing programs, applications and approvals require a significant amount of (often useful) information from applicants; at the same time, the quantitative assessment of some of the data provided is less extensive than many of the benchmarked peer cities. For example, the cost benefit analysis and impact of abatement on job creation is not a requirement for St. Louis. Even where quantitative information is gathered – such as on the TIF application - the application process for approval does not specifically identify the weights to be provided in an assessment. There are cities that have developed versions of scorecards or quantification/weighting of criteria, and this should be an area of attention for the City.

Augmenting Existing Incentives

The logical place to consider augmenting existing incentives concerns the earnings tax. As the City's largest revenue source, it is likely that at least certain types of businesses will be most attracted to an incentive that in some ways reduces its tax impact. A review of other cities with income-based taxes suggests a number of approaches. In general, these approaches:

- Have significant requirements in terms of new jobs to be created within the City
- Have requirements for the wages and benefits from the new jobs to be created – these should be above average jobs (in many comparable cities, well above average jobs)
- May be limited to certain areas of the City where job creation would not necessarily be expected to occur absent the benefit
- May be limited to the types of jobs to be created (i.e., non-retail jobs)

Should the City pursue some form of additional economic development incentive, it is imperative that it be a targeted program that does not erode the existing tax base. To ensure this, it is recommended that such a tax incentive, at a minimum:

- Be available only for the location of businesses from outside of the City or to add net new jobs within the City
- Be time-limited, and reduce the tax benefit over time
- Require regular reporting on jobs, wages and other relevant economic impacts
- Contain claw backs for non-performance

Recommendations

In many respects, considerations of changes in policy or procedures that may result from the analysis of the data or other aspects of the report (such as peer city benchmarking) are best left to the City of St. Louis professional staff and policymakers who are charged with the day-to-day operation of the City. In many cases, what may be described as 'best practices' or recommendations from a study of this type will be outweighed by local policy, political, economic, social or other considerations.

With that caveat, the policy team makes several broad recommendations that can be shaped, as needed, to fit the unique public policy needs of the City:

1. **Establish a formal framework for reporting and analyzing the incentives data contained within this report.** It is often noted that what gets measured gets managed. While the City has made significant strides to improve the data associated with these incentives, it will benefit from a regular, formal policy on gathering, analyzing and reporting this data.

2. **Build greater quantitative measures into the application scoring process for incentives.** The City's policies for its key incentives provide ample opportunity to focus on projects that are in the best interest of the City. At the same time, many of the considerations within the applications do not lend themselves to quantification or explain their relative value among the many requirements to be considered. As a result, potential applicants – and the general public – cannot readily determine what may or may not be deemed a project worthy of consideration for a City tax incentive.

3. **Require additional reporting from incentive recipients.** There is a legitimate need for policymakers to have information related to the value of the tax incentives they provide to individuals and businesses. This study was charged with assessing the value of those incentives, particularly related to how it impacted on property (assessed value) and the overall City economy (such as jobs). Given the magnitude of the tax incentives offered by the City, there can be a legitimate expectation that those receiving these benefits will provide the City with periodic reports related to the economic outcomes associated with these incentives.

4. **Focus incentive use around a City-wide plan for development.** The review of other city approaches to the use of incentives suggests that St. Louis is something of an outlier in its approach. In particular, surrounding communities have largely focused their development efforts around a city-wide plan that does not appear to be the controlling factor in St. Louis. The involvement of the 28 individual Aldermen in economic development activities is notable: while this may provide tailored approaches that fit the needs of a particular ward, it is difficult to shape a coherent, comprehensive citywide plan for development from 28 individual approaches to development.

5. **Develop a formal tax incentive related to creating high skills/high wage and benefits jobs.** Tax incentives exist to assist individuals or businesses with location to or improvements within the City that create a benefit for both the City and the individual or business. This suggests that these incentives should apply to taxes that would otherwise be paid to the City but might be foregone or diverted for some purpose. That explains why TIF and tax abatement are frequently used around the country for city economic development purposes.

   The City should create a formal tax incentive related to high skills and high wage/benefits jobs. As noted in multiple examples from other cities, this approach can advance specific city economic development needs. While not necessarily a requirement, the City may also wish to consider whether this incentive would be only available for particular portions of the City. Other cities have made this a downtown incentive; it would also be possible (as in other cities) to confine it to certain types of businesses or industry.

I. Introduction

Project Scope

Overview

For hundreds of years, cities have been an integral part of national, state and local economies. From their inception, cities have served as a location for commerce and a source of labor, raw materials, goods and services. Over time, major cities have also served as the economic, cultural and recreational engine for larger metropolitan areas that include many additional local governments – including cities and towns, counties and school districts.

The City of St. Louis (City) is by far the largest city within one of the country's larger metropolitan areas. Spanning two states and multiple counties, the St. Louis Metropolitan Statistical Area (MSA) ranked 19th in population in 2014, with over 2.8 million inhabitants.[2] While the St. Louis MSA continues to increase in population,[3] the City of St. Louis has not experienced a commensurate population change. Since the 2000 census, the City has seen nearly a 9 percent population decrease, from 348,189 to 317,419.[4] It is notable that the City has slowed its population decline in recent years, as the estimated 2014 population is a reduction of less than 2,000 from the 2010 estimate of 319,365.[5]

In this respect, the experience of the City is similar to that of other major US cities. Similar city population declines (and declines in the percentage of city population within its MSA) have been experienced by (among others) the cities of Cincinnati, Cleveland, Memphis and Pittsburgh.[6] Of course, population share for a City within a metropolitan area is not the only measure of the strength and viability of a City economy, but similar relative shares of the City and the surrounding metro area in other aspects reveal similar declines.

Of course, City leaders understand the importance of fostering both population and economic growth within their borders. Most City tax structures are based on wealth, income or consumption, and these require local businesses and residents to support City services. The major credit rating agencies also understand this, and each takes economic development activities and climate into consideration in determining the credit ranking of US local governments.[7]

Given this set of circumstances, it is understandable that most US cities provide some forms of economic development incentives to seek to attract and retain local residents, businesses and industry. The types and extent of use of these incentives varies widely – often from state to state and region to region. The use of incentives raises a number of important public policy issues and questions, which often touch on issues of effectiveness, efficiency and equity. These are all important topics, and each was considered and analyzed as a part of this project and will be discussed in this report.

Project Scope

In 2014, the St. Louis Development Corporation issued a request for proposal (RFP) to engage a consultant to provide services related to a review and analysis of economic development incentives available to

---

[2] U.S. Census Bureau, American Fact Finder, 2014 Population Estimates. Accessed electronically on August 14, 2015 at http://factfinder.census.gov/rest/dnldController/deliver?_ts=458486889918

[3] For example, the U.S. Census Bureau data for the 2000 census estimated the St. Louis MSA's population at 2,603,607. Accessed electronically on August 14, 2015 at http://www.census.gov/population/cen2000/phc-t3/tab03.txt.

[4] US Census Bureau, accessed electronically on August 14, 2015 at https://www.stlouis-mo.gov/data/2000-census-summary.cfm and http://quickfacts.census.gov/qfd/states/29/2965000.html

[5] Ibid.

[6] Based on comparison of US Census Bureau data for the years 2000 and 2014.

[7] For example, Standard and Poor's has, for many years published an article that provides guidance on key characteristics of high performing governments. Their 'top 10' characteristics includes 'a well-defined and coordinated economic development strategy.' Standard and Poor's, 'The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers,' July 23, 2012. Accessed electronically on August 20, 2015 at http://www.standardandpoors.com/ratingsdirect

encourage growth within the City. The scope of services within the RFP primarily included the following activities:

a. Update analysis from a 2009 revenue study completed for the City; focus would include a gap analysis of the types of businesses and industries that are underserved by existing incentives and programs;
b. Benchmark the available City incentives with peer cities within the region and beyond;
c. Analyze specific alternatives to incentives that involve City earnings tax;
d. Identify types of businesses with greatest potential for locating to the City with change to earnings tax based on industry, job-creation, workforce make-up and taxable value of their facilities and associated sales and activity within the City;
e. Analyze likely economic impact from the location of businesses to the City with a change to earnings tax;
f. Analyze the economic and fiscal impact to the City and the region of the use of various tax incentives to evaluate incentive amount, private investment amount, location, taxable value to and after project, and jobs created or housed in projects;
g. Inventory through maps locations of specific projects receiving redevelopment tax incentives – locally, regionally;
h. Review and analyze changes in assessed land values and economic activity in the vicinity of tax incentivized projects;
i. Compare local property tax revenues and sales tax collections pre and post development;
j. Facilitate presentations and meetings as needed to discuss findings and recommendations

In February 2015, Public Financial Management, Inc., (PFM) was retained by the City to conduct this review and analysis of its economic development initiatives, as well as best practices research that can yield recommendations on how to most effectively utilize tax and other incentives within the City. The St. Louis Development Corporation (SLDC) sought to identify historic and ongoing efforts to incent businesses to relocate or expand their presence in the City, and provide recommendations on what the City can do to best align its efforts with desired goals. In its project proposal and for the resulting project, PFM partnered with Saint Louis University (SLU) and the University of Missouri-St. Louis (UMSL) to conduct research and analysis for the report.

After extensive discussion with the SLDC related to the areas of most interest related to tax incentives for economic development within the City, it was agreed to primarily focus on the following areas:

- Tax Increment Financing (TIF)
- Real Estate Tax Abatements
- Chapter 100 Sales Tax Exemption for Eligible Personal Property
- New Markets Tax Credits
- Enhanced Enterprise Zone
- Tax Exempt Bonds

Project Background and Methodology

In 2009, PFM conducted a comprehensive revenue study for the City of St. Louis. While this was a wide-ranging analysis of the City's existing revenue structure and those of peer cities, it contained a chapter that focused exclusively on the City's tax (and other economic development) incentives. As previously noted, updating this earlier analysis was a key project activity, and this report uses the 2009 peer cities as part of its benchmarking; this study expands on that earlier effort by adding additional benchmark cities – both regional and nationally. The list of national benchmark cities are:

- Austin, TX
- Baltimore, MD
- Boston, MA
- Charlotte, NC
- Denver, CO
- Detroit, MI
- Indianapolis, IN
- Kansas City, MO
- Louisville, KY
- Memphis, TN
- Minneapolis, MN
- Omaha, NE
- Raleigh, NC

Cities were selected based on similar characteristics to St. Louis – such as population, geography, similar business components, similar governance structure – and, where relevant, with similar tax structures (such as the inclusion of an income-based tax similar to the earnings tax). For comparison purposes, the benchmark cities for the 2009 revenue study were Baltimore, Kansas City, Minneapolis and Omaha.

The project team also examined economic development policies and practices for other Missouri cities in the St. Louis metropolitan area. These cities are:

- Brentwood
- Chesterfield
- Clayton
- Kirkwood
- Maryland Heights
- University City

While there are no perfect matches for the City, comparing policies among peer cities can help to identify areas of common interests and approaches. It may also reveal opportunities for the City to augment its existing policies and procedures.

To gather data from peer cities, PFM used a hybrid approach of electronic surveys administered to cities, alongside of telephonic and internet-based outreach. A database was constructed to help house and analyze the data, to draw parallels and identify differences amongst each city's approach to economic development incentives. A discussion of relevant findings is included throughout this report.

Of course, to undertake this comparative analysis, it was necessary for the project team to be familiar with the City (and State of Missouri) existing tax incentives. The project team researched existing state statute as well as the City charter and ordinances; it also relied on extensive discussions with city subject matter experts within the SLDC, the City Planning Department, City Assessor's Office and others to gain a solid understanding of existing incentives and requirements for their use.

The project team also conducted extensive one-on-one and group interviews and focus groups with internal and external stakeholders. These information gathering opportunities focused both on existing programs – what works well, what challenges exist, what modifications might improve programs – and on what gaps exist within the current City tax incentive offerings. These discussions did, in case cases, also discuss non-tax incentive methods for fostering and/or spurring economic development within the City. While these discussions are largely outside the scope of the study, they underscore the fact that economic development strategies cannot be readily compartmentalized. These complementary strategies have been analyzed and considered by the project team where appropriate, particularly during discussions of 'gaps' in existing City tax incentives.

The report also analyzed the impact of existing incentives currently offered in St. Louis. In particular, project team members from SLU and UMSL have collaborated with the City to collect, examine, and analyze the

data and draw (where possible) conclusions about the City's current economic development course. Their findings provide context on the City's historical approach to economic development and provide a data foundation for discussions of existing and possible augmentations to economic development incentive policy for the City.

The final section of the report provides discussion related to alternatives to existing incentives. It also highlights areas where the City already aligns with best practices. An Appendix is included that provides supporting data that has helped shape recommendations and analysis.

The project team would like to acknowledge and thank, in particular, the leadership and staff of the SLDC, who have provided extensive expertise and analytical and policy guidance and support throughout the project. The project team would also like to thank the many dedicated leaders and professional staff within City government who assisted us – in particular, leadership and staff of the Mayor's Office, the Comptroller's Office, the City Planning Department and the Assessor's Office.

This report to the SLDC represents the PFM project team's analysis and recommendations. These recommendations reflect the perspectives and opinions of the project team; it should not be implied or assumed that they reflect the perspectives and opinions of the SLDC, St. Louis city elected officials or its departments and agencies.

II. Existing City Economic Development Incentives

Existing City Economic Development Incentives

Background

The City of St. Louis (City) relies upon a mix of state and local economic development incentives to foster economic development within the City. These efforts are frequently focused on attracting new or retaining existing business and industry. At the same time, certain tax incentives are also targeted at residential taxpayers. This is often the case for older cities where rehabilitation of existing infrastructure is a key need in many neighborhoods.

While City incentives are the primarily focus of this study, they should not be viewed in a vacuum. As is the case with all of the benchmarked cities, St. Louis also relies upon a variety of state tax (and other) incentives when pursuing economic development opportunities. There are also federal tax incentives that are also relied upon – in many instances, resulting incentive packages rely on a combination of local, state and federal incentives. In the analysis of the City's incentives, these additional options and opportunities will be noted, particularly where they fill gaps that may be important for certain types of eligible recipients.

Tax Incentives in St. Louis: Overview

Currently, the City offers the following City and State economic development tax benefit programs:[8]

- **Real Estate Tax Abatement.** A City incentive program for commercial, industrial or residential uses that assists individuals, developers and businesses with renovation and new construction projects. It provides that the real estate assessment on improvements will be based on the pre-development value, with a usual term of full abatement for 5 or 10 years. The state statute authorizes the City to provide up to 25 years of abatement (10 years at 100 percent abatement, plus 15 years at 50 percent abatement).
- **Enhanced Enterprise Zone Tax Credits.** A City-State incentive program for projects located in an Enhanced Enterprise Zone, which is a geographic area designed by the City and certified by the State Department of Economic Development, based on certain demographic criteria, the potential to create sustainable jobs in a targeted industry and a demonstrated impact on local industry cluster development. The program offers State tax credits and City real estate tax abatement for investments in machinery, equipment, furniture, fixtures, land and building.
- **Rebuilding Communities Tax Incentives.** A State incentive program for targeted businesses that relocate or invest in a designated 'Rebuilding Community.' The entire City has been designated as eligible for this program. An eligible business may receive up to a 40 percent tax credit on income taxes due for up to three years.
- **Missouri Brownfield Re-Development Program.** A State incentive program that provides state tax credits and/or grant, loan or guarantee funds for eligible redevelopment/remediation of states that have been abandoned for at least three years and have contamination caused by hazardous substances.
- **Historic Tax Credits.** A State incentive program for the redevelopment of historic structures for commercial and residential use. The tax credit is equal to 25 percent of the eligible costs and expenses of the rehabilitation of approved historic structures. The credit may be used to offset State taxes from the previous two years, the year of renovation and an additional 10 years going forward.
- **Missouri Quality Jobs Program.** A State incentive program that, for eligible businesses, allows for the retention of the state withholding tax for new jobs and refundable or sellable state tax credits for new jobs the average wage of equals or exceeds the county average wage and where the company offers health insurance and pays at least 50 percent of the premium.
- **Tax Increment Financing (TIF).** A City program designed to help finance certain eligible improvements to property using the new tax revenue generated by the project after its completion. This new tax revenue includes increased assessment on real property as well as 50 percent of any

[8] City of St. Louis: Economic Development Programs and Incentives, June 2012.

new local economic activity taxes (such as sales taxes, earnings taxes, utility taxes) while the TIF is in effect.

- **Chapter 100 Bond Program.** A City-State financing mechanism reserved for major projects (over $1 million) that create or retain a significant number of jobs. Chapter 100 bonds provide a personal property and manufacturer's tax abatement for the term of the financing.
- **Tax Exempt Revenue Bond Financing.** A City financing method for major project funding. Eligible projects are limited to certain types, including multifamily housing projects where at least 20 percent of the units are reserved for households meeting certain guidelines on household income; fixed asset financing for manufacturing concerns and 501(c)(3) corporations, publicly owned facilities and pollution control facilities. Because the bonds are long term capital and tax exempt for bond purchasers, interest rates are generally 85 to 90 percent of prime for fixed interest transactions and even lower for floating rate transactions.

In addition to these City and State incentives, there are two federal programs that provide tax benefits for economic development purposes:

- **Empowerment Zone (EZ) Tax Credits.** A federally-funded program that provides tax credits to qualifying businesses, including the EZ Wage Credit, Accelerated 179 Depreciation and Capital Gains benefits. To qualify for the tax credits, the business must be located in the Greater St. Louis Regional EZ. While this program was available during the years under review, it is no longer available.
- **New Markets Tax Credit Program.** Designed to stimulate private investment in distressed areas (located within defined highly distressed census tracts) by awarding federal tax credits to investors equal to 39 percent of their investment. SLDC is the City's certified development entity and administers the tax credit allocation, which it has deployed to assist real estate developments and operating companies.

As the prior list shows, the City can draw upon a wide variety of city, state and federal tax and other incentives. These incentives have differing impacts on City finances; as a result, it is useful for discussion purposes to separate them into categories based on who provides the assistance (city versus state or federal) and how the assistance impacts City finances. For purposes of the following discussion, these can be split into three categories: City tax incentives, other government credits (primarily federal but also state) and City bond issues. Each of these will be analyzed in depth within the report.

Of the three categories, City tax incentives are central to this discussion and analysis. These are:

- TIF - $401.6 million
- Abated property assessments (City share) - $307.5 million

Combined, these have totaled $709.1 million over 15 years. These are combined and separated from the other incentives because they represent some level of foregone City revenue. In the case of TIF and abatement, there is a real possibility that the City is accepting a reduction in its tax revenue in return for new economic activity. It could be argued that some (perhaps most) of this forgone revenue would not have materialized without the incentive (which is commonly referred to as the 'but for' test – the project would not have occurred and the economic activity that results in the additional tax revenue would also not exist but for the incentive), but it is also likely that some tax revenue is being lost by the City as a result of these incentives.

While TIF and abatement may be considered foregone revenue (subject to the discussion in the preceding paragraph), this is not the case for state and federal tax credits and local bonds. In the case of the federal New Markets Tax Credits (which is an oft-used incentive program), the benefit is a credit against federal taxes and has no impact on City revenue. In the case of local bonds (which have totaled $2,912.90 million), the St. Louis Development Corporation and/or the Industrial Development Authority act as a conduit issuer of the bonds on behalf of the benefitted corporation or public entity, which his responsible for their repayment. The tax benefit flows from the federal and state government to those who purchase the bonds in the form of the interest paid on the bonds being exempt from federal and state income taxes. There is

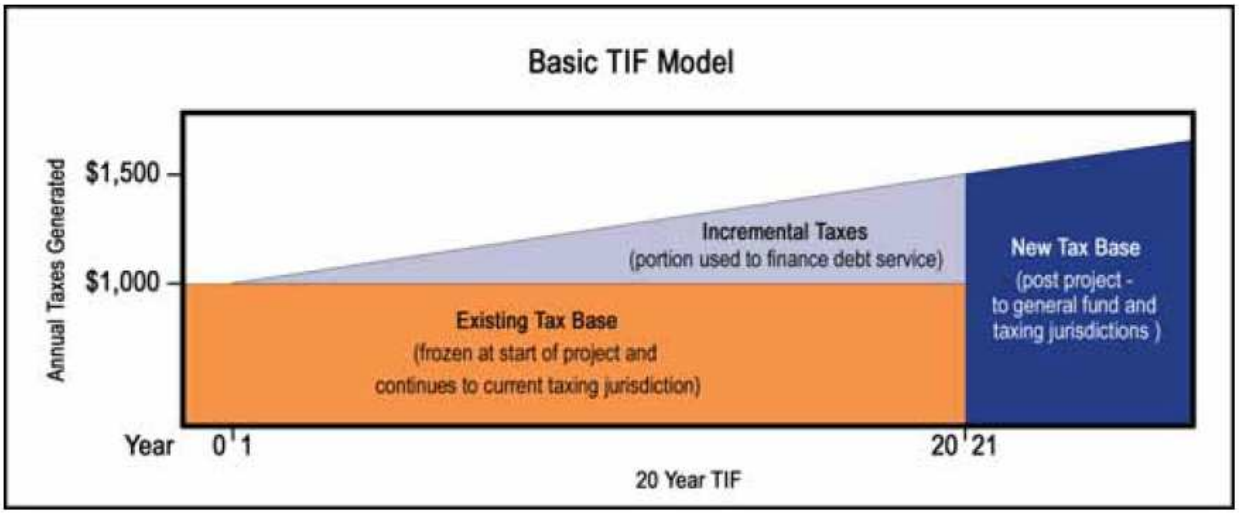
no real impact on the City budget from issuing these bonds, and they should not be characterized as a tax incentive in the same discussion with TIF and property tax abatement.

It should also be noted that during this same time period, St. Louis projects have received approximately $2.03 billion in state incentives. Again, while important for economic and community development, these state incentives in no way reduce City revenue.

Tax Increment Financing

As noted in the 2009 report, Tax Increment Financing (TIF) continues to be one of the City's most frequently relied on economic development tools. Originating in California in 1952, TIF has exhibited strong growth throughout the country. TIF is currently used in 49 states and the District of Columbia[9]. TIF's popularity is tied to its relative ease of use and comparative lack of upfront costs associated with it. Like other economic development tools, TIF's goal is to stimulate development – or redevelopment – in areas unlikely to attract development interest absent a stimulus. Typically, a city first establishes a TIF zone or district, which is a geographical area designated for economic development through the use of tax incentives. Once geographical boundaries have been established, the initial assessed value of all the property within the district is determined. When new development occurs within the TIF district, the city re-directs the tax revenue above the initial assessed value (generally referred to as the increment) during the time frame of the TIF district into a separate fund or account. This provides a separate revenue stream that can be used for improvements within the TIF district – ranging from general public infrastructure to direct construction costs. As a result, with minimal financial investment at the onset, a city may be able to undertake necessary improvements in an area that creates new development without raising taxes or issuing new debt.

This image illustrates the basic TIF model:



Source: Tax Increment Finance Best Practices Reference Guide. Council of Development Finance Agencies.

Historically, St. Louis has used TIF to help spur economic development mostly on a project-by-project basis. Currently, there are three multiple project TIF districts in place as well as numerous single project TIFs. Once development in one of these districts occurs, property taxes paid to state and local governments for TIF projects are frozen for a maximum of 23 years, with the additional property tax generated by increased assessed valuation flowing into a TIF special fund.[10] These additional taxes can be collected by the City as Payments in Lieu of Taxes (PILOTs). Half of the City's economic activity taxes (EATs) – including City

[9] TIF is not used in Arizona.

[10] https://www.stlouis-mo.gov/government/departments/sldc/economic-development/tax-increment-financing.cfm

sales, utility, and earnings' taxes – can be also allocated to the fund.[11] This practice of incorporating economic activity taxes into the special fund is not common amongst other comparable cities.

As in other cities, St. Louis' TIF policies seek to accomplish key city economic development goals, including job creation and retention, reduction of blight, increased property values, increased tax revenues, reduced poverty levels, economic stability and self-sufficiency, healthy and stable neighborhoods, and a strengthened employment and economic base.

To achieve these goals, the City maintains the following TIF development policy requirements:

1. Each Applicant must demonstrate that without the use of TIF, the project is not feasible and would not otherwise be completed.
2. If the project will involve the issuance of bonds or notes, the Applicant must show that payments in lieu of taxes (PILOTS) generated by the project will, at a minimum, have a projected debt service coverage ratio of 1.1 for each annual period and/or economic activity taxes (EATS) generated by the project will, at a minimum, have a projected debt service coverage ratio of 1.25 for each annual period. This limitation may be waived if the project involves redevelopment of existing structures, includes a significant jobs component or involves the assembly and clearance of land upon which existing structures are located. Note that a more conservative (i.e., higher) debt service coverage ratio may be required at the discretion of SLDC staff based on an assessment of market conditions and risk.
3. It is the goal of the City that the total amount of TIF assistance should not exceed fifteen percent (15%) of the total project costs. This limitation may be waived if the Application involves redevelopment of existing structures, includes a significant jobs component or involves the assembly and clearance of land upon which existing structures are located.
4. TIF assistance for public infrastructure (i.e., off-site street improvements, utility, street lighting) and extraordinary costs associated with removal of existing man-made site conditions is favored.
5. Preference will be given to projects that use other means of public assistance (such as a transportation development district or community improvement district), thereby reducing reliance on TIF and other property tax abatement mechanisms.
6. Each TIF application must include:
    a. Documentation illustrating that the Applicant has explored alternative financing methods other than TIF assistance; and
    b. Evidence that the Applicant possesses financial and technical ability to complete and operate the project.
7. The Project shall not negatively impact the credit rating of the City.
8. Projects that create jobs with wages that exceed the community average are favored. Each Applicant must provide the following statistics:
    a. The total number of additional employees that will be hired and potential that they will be hired from the local population; and

[11] Missouri Revised Statutes, 99.805(4) (August 28, 2015) defines EATS as " the total additional revenue from taxes which are imposed by a municipality and other taxing districts, and which are generated by economic activities within a redevelopment area over the amount of such taxes generated by economic activities within such redevelopment area in the calendar year prior to the adoption of the ordinance designating such a redevelopment area, while tax increment financing remains in effect, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments. For redevelopment projects or redevelopment plans approved after December 23, 1997, if a retail establishment relocates within one year from one facility to another facility within the same county and the governing body of the municipality finds that the relocation is a direct beneficiary of tax increment financing, then for purposes of this definition, the economic activity taxes generated by the retail establishment shall equal the total additional revenues from economic activity taxes which are imposed by a municipality or other taxing district over the amount of economic activity taxes generated by the retail establishment in the calendar year prior to its relocation to the redevelopment area."

   b. The skill and educational levels, and range of salary and compensation required, for jobs expected to be created.

9. Each Applicant shall provide a *pro forma* financial statement, showing the projected capitalization rate if the project is built without TIF assistance and the projected capitalization rate if the project is built with TIF assistance.
10. Each Applicant shall fully comply with Executive Order #28 dated July 24, 1997, as amended, relating to minority and women-owned businesses participation. It should be pointed out that the City will not execute a Redevelopment Agreement until it has been determined that the applicant has met the requirement of Executive Order #28.
11. If the project will involve development/redevelopment of vacant land, it should conform to the Strategic Land Use Plan and any other component of the City's Comprehensive Plan and serve as a catalyst for further high quality development or redevelopment.
12. Each Applicant shall fully comply (and ensure compliance by "anchor tenants") with the provisions of St. Louis City Ordinance #60275 which is codified at Chapter 3.09 of the Revised Ordinances of the City of St. Louis related to entering into a "first-source" agreement with the St. Louis Agency on Training and Employment ("SLATE") if the project includes employment opportunities.
13. Preference will be given to projects that do not combine TIF assistance with other forms of tax abatement.
14. The projects shall meet all Americans with Disabilities Act and/or Fair Housing Act standards, as applicable, for design and shall be provided to the City's Office on the Disabled for review at a reasonable time prior to application for building permits.
15. Projects involving redevelopment of existing retail, commercial, office or industrial sites should serve to stabilize areas that have or will likely experience deterioration.
16. Projects for retail and service commercial uses should be targeted to those that encourage an inflow of customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City.
17. Projects involving development/redevelopment of business areas should include information regarding:
    a. The proposed business type;
    b. The population areas from which the project will draw; and
    c. The businesses of similar types that would be competing with TIF area businesses.
18. Projects involving redevelopment of existing residential neighborhoods should serve to stabilize areas that have or are likely to experience deterioration.
19. Projects involving new residential development should fulfill a significant housing need for the City's current and/or projected population without substantially impacting public services and facilities including schools. An applicant may propose that a portion of the PILOTS be declared as surplus and passed through to property taxing jurisdictions to minimize the impact of residential development on the property taxing jurisdictions.
20. Projects involving residential development should encourage a diversity of household income levels.

The City also specifies that if certain minimum requirements are not met, the amount of TIF assistance may be reduced. These requirements consist of:

- Minimum employment levels;
- Deadline for completion of public infrastructure construction;
- Deadline for completion of TIF project; and,
- Minimum levels of investment or other requirements related to cost savings and excess profits.[12]

[12] https://www.stlouis-mo.gov/government/departments/sldc/documents/tax-increment-financing-application.cfm

TIF eligibility is heavily influenced by the "but for" test– the determination that the development would not have occurred "but for" the offering of the incentive.[13] Financing is provided only after projects are stabilized and beyond the early years of development risk. In addition, to ensure TIF-financed developments produce good financial outcomes for the City, there is a claw back policy requiring that in the event a developer's net income exceeds the initially projected amount, the amount of City TIF financing will be reduced by 75 percent of the excess.[14]

Overview of TIF Utilization

After years of population decline and economic transition, St. Louis is now seeing new growth in its central neighborhoods. From 2000 to 2010, the number of college-educated young adults living within three miles of the urban core increased by 138%. Not only was this growth rate faster than at any time in the past half-century,[15] but it was also the fastest among all U.S. metro areas with over 1 million residents.

Despite this, St. Louis continues to have an abundance of older vacant properties. In an effort to remedy this, St. Louis has made heavy use of TIF to redevelop neglected and abandoned properties, mostly within, or close to, the downtown center. Similar to findings in the 2009 report, the City has continued to show success in redeveloping properties into profitable developments, particularly those centered on its downtown area and adjacent neighborhoods. Along with TIF, state development incentives, including the Missouri rehabilitation tax credit for historic properties, continue to be accessed for economic development projects within the City.

Due to its aging house stock, St. Louis has also used TIF for residential projects, often involving rehabilitation of older structures into lofts and condominiums with ground level retail. As noted in the following table, residential projects comprise nearly 13% of all TIF projects. Commercial (36%) and mixed use projects (13%) have also been primary uses for TIF financing.

St. Louis TIF Project Types		
2008	Number of Projects / Districts	106
	% Commercial Projects	31.1%
	% Residential Projects	50.0%
	% Mixed Use Projects	22.6%
	% Retail Projects	18.9%
	% Industrial Projects	0.9%
2015	Number of Projects / Districts	140
	% Commercial Projects	35.7%
	% Residential Projects	12.9%
	% Mixed Use Projects	43.6%
	% Retail Projects	N/A[16]

[13] This is a requirement of the Missouri state statute that authorizes TIFs [99.800-865, specifically 99.810.1(1)] and is common among state statutes across the country. The purpose is to ensure, to the extent possible, that TIF is used as a catalyst for projects that would not otherwise occur. Part of the argument in favor of a TIF is that the increased taxes exist because of the TIF – in this way, local governments are not worse off than they would be without the TIF, since it is unlikely that there would have been regular growth in property tax revenue over the lifetime of the TIF.

[14] St. Louis is unique among Missouri municipalities in this respect, but a "claw back" provision represents a TIF best practice; see "An Assessment of the Effectiveness and Fiscal Impacts of the Use of Development Incentives in the St. Louis Region" East-West Gateway, January 2011 accessed electronically at http://www.ewgateway.org/pdffiles/library/dirr/TIFFinalRpt.pdf

[15] Ihnen, Alex. "Millennials are Saving St. Louis and Why We Need More of Them." nextSTL. January 2014. Accessed electronically at http://nextstl.com/2014/01/millennials-saving-st-louis/

[16] SLDC no longer uses this classification

	% Industrial Projects	N/A[7]

As the following table shows, TIF investments have generally met financial expectations for the City. The higher expenditures during FY2007 and FY2008 were due to the City's $17 million TIF bond issue in support of the One City Centre Redevelopment Project. Unlike nearly all other City TIF projects, it is notable that this project will require General Fund support if incremental tax revenue is not sufficient to cover bond payments.

TIF Revenues and Expenditures

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual
Revenue	$4,153,313	$4,153,313	$7,530,061	$7,974,895	$8,455,058
Expenditures	$4,153,313	$7,633,500	$7,530,061		
Difference	$0	-$3,480,187	$0		
	FY2011 Actual	**FY2012 Actual**	**FY2013 Actual**	**FY20014 Projected**	**FY2015 Projected**
Revenue	$10,271,877	$10,716,673	$12,391,708	$13,874,540	
Expenditures					
Difference					

Sources: "Tax Increment Financing and Other Economic Development Incentive Revenues" St. Louis Budget Division, 2015.

City of St. Louis: TIF and Other Economic Development Incentive Revenues

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Property Taxes (PILOTS)	$9,265,911	$11,891,577	$11,749,493	$12,375,623	$14,791,868	$15,137,066
State Sales Taxes	$726,060	$484,997	$557,276	$652,214	$543,033	$602,986
City Sales Taxes	$3,472,299	$4,186,203	$4,418,902	$4,847,332	$5,010,678	$5,320,526
Public Schools Sales Taxes	$52,306	$38,644	$29,909	$47,544	$41,201	$45,532
Metro Parks District Sales Taxes	$35,432	$39,613	$38,968	$42,984	$46,747	$77,975
Earnings & Payroll Taxes	$1,882,056	$2,065,925	$2,422,774	$3,284,086	$3,894,091	$5,093,640
Franchise Utility Taxes	$539,071	$666,437	$591,999	$676,464	$639,964	$853,464
Transportation Development District (TDD)	$129,677	$261,932	$318,200	$501,959	$483,895	$545,035
Community Improvement Districts (CID)	$639,114	$631,226	$677,580	$1,041,307	$1,034,186	$1,006,981
License Taxes, Misc., & Other	$1,162,704	$1,058,147	$924,905	$1,079,427	$1,031,779	$1,154,908
Total:	$17,904,630	$21,324,701	$21,730,006	$24,548,940	$27,517,442	$29,838,113

Source: TIF and Other Economic Development Project Revenues document, July 2014[17]

[17] https://www.stlouis-mo.gov/government/departments/budget/documents/upload/TIF-Other-Economic-Development-Project-Revenues-document-July-2014.pdf

Moreover, the City has experienced a slight negative change in new jobs created as a percent of projected. In 2008, the City created approximately 56 percent new jobs as a result of TIF, in 2013 – the latest year for which figures were available – the percent dropped to approximately 45 percent. The percent of jobs retained through the use of TIF has also declined, from 90 percent in 2008 to 74 percent in 2013. Without additional data it is hard to measure whether 2013 was an outlier year – or whether job creation is actually dropping despite the use of TIF. This is an area where further data analysis may help guide future decisions, and the incorporation of job metrics in TIF applications and evaluations would assist in this analysis.

Job Creation Performance

	Actual New Jobs % of Projected	Actual Retained Jobs % of Projected
2008		
Kansas City	56.4%	85.7%
St. Louis	56.0%	90.0%
2013		
Kansas City	77.6%	87.0%
St. Louis	45.2%	74.0%

Source: 2013 Annual Report Summary Local Tax Increment Financing Projects in Missouri

Tax Abatement

Popular since the 1970s, tax abatements are an economic development tool to attract potential business (and residential) developers. As is typically the case, St. Louis' tax abatement policy freezes the tax assessment of new improvements at the pre-development level. Missouri state statue allows abatements to last up to 25 years, with the first 10 years eligible for complete (100 percent) abatement, and the remaining years eligible for partial abatement of 50 percent. To qualify for an abatement of more than 10 years, a project must show extraordinary costs, development obstacles, or promise of extraordinary impact.

Tax abatements are generally approved less selectively than TIF districts. While TIFs are generally reserved for key development projects, tax abatements have often been used on a more widespread basis in broader redevelopment areas. Additionally, tax abatements tend to have a quicker approval process and generally involve less scrutiny and outside interest.

Despite some disagreement around their effectiveness, tax abatements continue to be an oft-utilized economic development tool throughout the nation. As with TIFs, abatements carry little or no upfront costs. Concerns are sometimes raised that individual abatements are not always necessary for a project to get off the ground – unlike TIF there is no 'but for' test in state statute authorizing the use of abatements. In this case, those who take advantage of abatements may believe that 'some tax reduction is better than none.' While the reduced taxes may be small, the perspective may be that any reduction is greater than no reduction.[18] A concern is that as abatements become routinely used by cities, developers come to expect them and are viewed more as an entitlement than a benefit to be garnered on a case-by-case basis.

Tax Abatement Policy in St. Louis

The City's tax abatement process is largely driven by a particular geographic area's ability to receive designation as a redevelopment area. The City guidelines around the tax abatement process generally permit them for any residential, commercial, or industrial project in a redevelopment area. As noted in the St. Louis revenue study conducted in 2009, the tax abatement program in St. Louis has been in effect for

[18] The Ugly Truth about Tax Abatements – and Strategies to Benefit from Them. ICMA Press. 2011. Accessed electronically at http://clerkshq.com/content/Attachments/SouthKingstown-ri/tm110707_E.pdf

many years; as a result, there are a small percentage of parcels that have received multiple rounds of tax abatement throughout their history (although even in those limited instances, it has generally only been twice).[19]

Unless a project is in an area already designated as a redevelopment area, to become eligible the area must be approved by either the Land Clearance for Redevelopment Authority (LCRA) or the Planned Industrial Expansion Authority (PIEA), as well as the Board of Aldermen. In practice, properties in areas of the City that are part of the State Enhanced Enterprise Zone are also able to secure property tax abatements.

The following requirements must be met for a project to be eligible:

- Properties must be new construction or extremely deteriorated requiring extensive rehabilitation
- The Alderman of the ward in which the property is located must support the project (so that legislation can be introduced to authorize it)
- An application for small property tax abatement must be submitted for each property requesting tax abatement

All applications require additional information on project costs, the number and types of new jobs anticipated to be created (for commercial projects), the method of project finance, information on needed public improvements, type of development, use of the property, and other information pertaining to the building's condition as well as the effects on the community.

Tax Abatement Evaluation

The City's tax abatement policies are generally expansive enough to allow for a variety of eligible developments. Somewhat unique to St. Louis, because tax abatement is authorized by ordinance, tax abatement approval is dependent on the support of the Alderman of the ward where the development is located; the Alderman may apply special conditions as a condition of support. In many similar cities, tax abatement criteria for eligible projects are specifically defined, and City Council involvement is limited to end review and approval of projects.[20]

---

[19] East West Gateway Council of Governments. "An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region: Interim Report. " January 2009, accessed electronically at http://www.ewgateway.org/pdffiles/library/dirr/tifinterimrpt.pdf.

[20] An example is the City of Fort Worth, Texas' General Tax Abatement Policy, effective June 22, 2014 through June 21, 2016. That policy provides general eligibility criteria (which identify characteristics of greatest interest to the City), as well specific criteria for residential and commercial/industrial projects to be eligible. In several instances (such as requirements for expenditure of construction costs by M/WBE companies), where exceptions are sought, they are acted upon by an Advisory Committee (such as in this instance, the M/WBE Advisory Committee) which then is considered by the City Council. While the recommendation is non-binding, the policy requires that it be taken under advisement by the City Council.

Further, the policy provides that applications are submitted to the Housing and Review Department, who will consider the application based on specific criteria included in the policy. That review then leads to a recommendation to the Housing and Economic Development Committee. The City Council then may consider with the power to approve or deny. It is notable that the policy makes no other mention of City Council involvement; the policy also expressly requires that 'the applicant must provide evidence to the City that demonstrates that a tax abatement is necessary for the financial viability of the development project proposed. The policy may be viewed at http://fortworthtexas.gov/uploadedFiles/HED/Business/tax-abatments-2014.pdf.

This is not an isolated case, and government finance organizations like the GFOA generally provide a similar timeline for evaluation of economic development incentives. For example, the Great Plains GFOA, in a presentation on 'Economic Development Policy: The Basics and Best Practice, October 23, 2014, identified a 'best practices' evaluation policy as follows:

> "*STAFF REVIEW: Review of the Application will be conducted by the City's Economic Development Committee, and if necessary by other City Staff, the City's Financial Advisor, Bond Counsel and any other outside consultant deemed necessary for review of the Application. Initial review time will be approximately 30 days from the date the completed Application is submitted to the City. However, more or less time may be required for particular Applications. Upon receipt of a complete Application and after review by the City's Economic Development Committee, the Economic Development Committee shall forward a recommendation to the City Council for consideration. The recommendation of the City's Economic Development Committee may be approved, denied, or amended by the City Council. Applicants will be notified of the City's Economic Development Committee forwarding the Application to the Council Study Session. Applications that*

The City does not have restrictions or caps in place around the percentage of property assessed value that can be subject to tax abatement. In comparison, peer cities, such as Memphis and Denver, limit the property tax eligible for abatement at certain levels. Memphis allows 25 percent of County taxes or 20 percent of City taxes to be abated, and Denver permits up to 50 percent of the jurisdiction's levy on taxable personal property to be abated.

Research and history show that properties subject to tax abatement tend to change ownership often, complicating an analysis of the total cost of abatements for a single property.[21] This often complicates monitoring and tracking of abated properties in concert with other city incentives. An additional challenge is that the City Assessor's Office only maintains records on individual parcels; any comparison of total incentives offered to a company or property owner is not possible.[22]

As mentioned in the 2009 report, the lack of a cost benefit analysis, job creation or property value improvement standards, and other criteria makes it difficult to determine if tax abated developments help foster City goals. As a result, a significant amount of City property tax capacity has been committed in support of projects that may or may not provide a net economic benefit to the City.

New Markets Tax Credit

The US Congress created the New Markets Tax Credit (NMTC) program in December 2000 by passage of the Community Renewal Tax Relief Act of 2000. The program is administered by the Community Development Financial Institutions Fund (CDFI Fund), which is housed within the Department of the Treasury. The NMTC Program uses federal tax incentives to attract private capital into operating businesses and real estate developments in urban and rural low-income communities (LIC). Through July 2015, the CDFI Fund had awarded approximately $43.5 billion in NMTC authority over 12 rounds of awards[23]

As an example of its leveraging potential, nationally from 2003 to 2009, $6 billion in NMTC generated nearly $70 billion in financing to business and commercial real estate projects in low-income communities.[24] Qualifying projects include commercial and industrial facilities, retail and mixed-used projects, community facilities, and equipment and working capital for operating businesses. It has been estimated that the NMTC program has created or retained an estimated 700,000 jobs nationally, and supported the construction of 17.1 million square feet of manufacturing space, 49.4 million square feet of office space and 42.7 million square feet of retail space.

On June 15, 2015, the US Treasury Department announced the allocation of 2014 NMTCs. The SLDC, as well as multiple St. Louis banks and developers were awarded approximately $300 million of federal New Markets Tax Credits. The SLDC share of the allocation was $45 million, which it is using to offer financing alternatives for jobs-producing real estate and business projects that leverage private investment, with preference given to projects that produce jobs and help eliminate blight.

---

are determined to be incomplete or do not conform to the City's policy will not be forwarded to the City Council. Applicants will be notified of the determination that the Application will not be forwarded and should be modified before being considered in the future." As with the Fort Worth policy, the involvement of City Council is limited to approval or rejection and is not a part of the initial evaluation of the application.

[21] Ibid.

[22] Ibid.

[23] "Introduction to the New Markets Tax Credit Program," Community Development Financial Institutions Fund, August 26, 2015. Accessed electronically at https://www.cdfifund.gov/Documents/For%202015%20Round%20-%20Introduction%20to%20NMTC%20Program.pdf

[24] Ibid., p.6

As example of past uses, a St. Louis case study highlighted by the New Marketss Tax Credit Coalition, the City Garden Montessori Charter School is, according to the case study, 'a key feature in the redevelopment of the McRee Town Neighborhood, near the Missouri Botanical Gardens.' To assist in redevelopment of the neighborhood, SLDC provided $5 million in NMTC financing for the school's new facility in a repurposed historic building. As with similar efforts, the project also received federal and state historic tax credits. The new charter school facility opened in 2012 and has helped to attract families to what was envisioned as housing for young professionals attracted to its proximity to downtown St. Louis. The project resulted in 7 new full-time and 3 part-time employees.[25]

While the NMTC expired at the end of 2014, it was extended in December 2015 for an additional five years at a level of $3.5 billion a year. Missouri Senator Roy Blunt was a co-sponsor of the extension in the Senate (S-591).

Enhanced Enterprise Zones

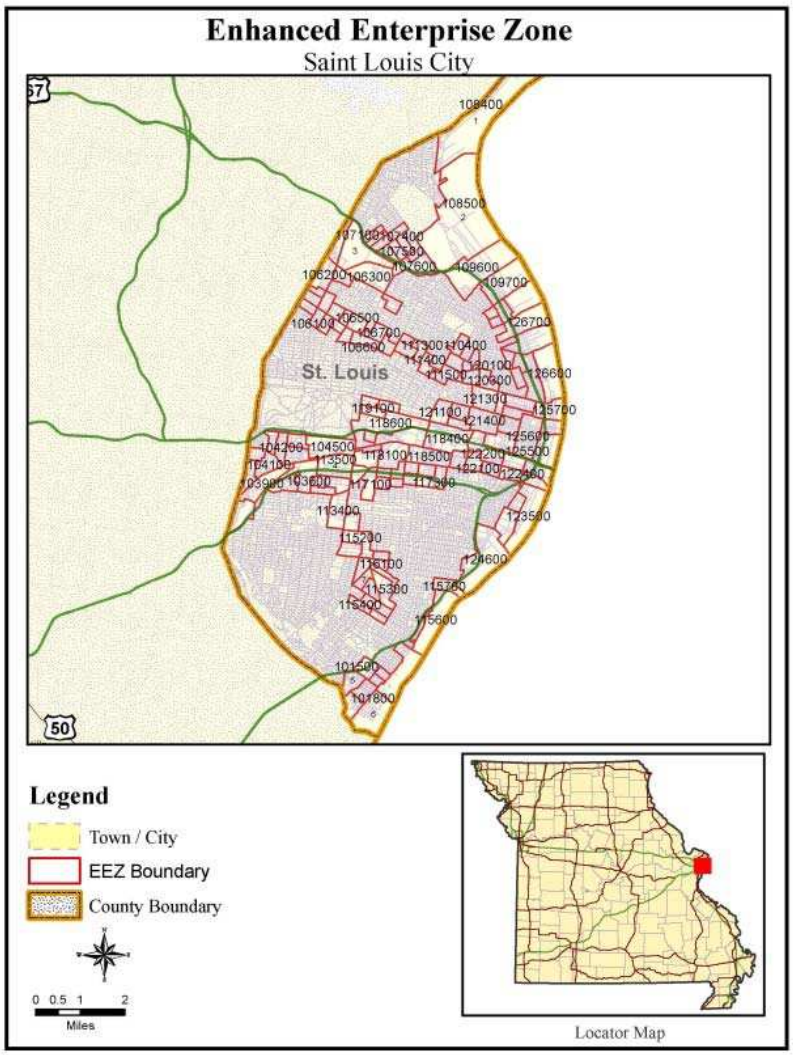
Enhanced Enterprise Zones (EEZ) are specified geographic areas designated by local governments and certified by the Missouri Department of Economic Development (DED). Zone designation is based on certain demographic criteria, the potential to create sustainable jobs in a targeted industry and a demonstrated impact on local industry cluster development. The Zone designation demographic criteria currently use population and income data from the U.S. Census Bureau's 2000 Census. Unemployment information is updated annually using data from the U.S. Bureau of Labor Statistics.

As previously noted, eligible businesses within the EEZ may receive 10 year tax abatement on City real estate taxes. Businesses can also receive a state tax credit to be applied to Missouri State Corporate Income tax, excluding withholding tax. Tax credits can only be applied to tax liability for the year in which they were earned. The tax credits are refundable or may be transferred sold or assigned. If sold, the sale price cannot be less than 75% of the par value of the tax credits.

Tax credits will be an amount authorized by the DED, based on the state economic benefit, supported by the number of new jobs, wages and new capital investment that the project will create. Tax credits issued statewide under this program are limited to $24,000,000 annually, effective August 28, 2008. Applicants must be eligible for and receive at least 10 years local property tax abatement at 50 percent pursuant to the local enhanced enterprise zone plan. Projects relocating employees from one Missouri location to another Missouri location must obtain the endorsement of the governing body of the community from which the jobs are being relocated.

The following identifies the areas of the City that qualify as part of the EEZ program:

[25] New Markets Tax Credit Coalition Case Studies, accessed electronically at http://nmtccoalition.org/wp-content/uploads/Missouri-City-Garden.pdf.



Chapter 100 Sales Tax Exemption for Eligible Personal Property

As previously noted, Missouri statute (Chapter 100) authorizes governmental entities to issue Industrial Development Bonds to finance industrial development projects for private corporations, partnerships or individuals. There is no preset limit on the amount that may be authorized. As explained in the discussion of tax exempt bonds, this often provides a lower interest rate because of the tax-exempt nature of the bonds. However, there is an additional tangible tax benefit for bonds issued under the authority of Chapter 100.

Eligible businesses receive a sales tax exemption on tangible personal property purchased through Chapter 100 bonds for non-manufacturing purchases. Companies eligible for Chapter 100 bond financing include manufacturing, warehousing, distribution, office, research and development, agricultural processing, and services in interstate commerce. Retail and services in intrastate commerce and others are not eligible.

To be eligible, the project cannot have been announced; bonds already approved/issued; or personal property already purchased. The project must:

- Involve competition with another state; therefore, a comprehensive state/local incentive proposal will be involved in an attempt to win the project;

- Have above-average wages with benefits, or be in an economically distressed or blighted area;
- Include local incentives provided to the project commensurate with the state incentives, relative to the new state/local tax revenues created by the project;
- Have a positive state fiscal benefit, including all the state incentives proposed for the project; and
- Have an indication that the city or county have approved the local sales tax exemption.[26]

Tax Exempt Bonds

As explained in the previous section, the City may issue tax exempt industrial development bonds to finance projects for private corporations, partnerships and individuals. Their tax-exempt nature generally makes it possible to issue them at lower interest rates than through conventional financing.

It is notable that these bonds, besides being a generally less costly source of capital are also a revenue stream for the SLDC. In return for arranging the financing, SLDC collects an administrative fee that is used both to support this program and other economic development activities of the SLDC.

Other Incentives

The beginning of this chapter details a number of other programs that support economic development activities within the City. These are not the entirety of the available resources. Among other funding streams include:

- **Community Improvement Districts (CID).** These districts may be created to finance a variety of public facilities, improvements or services. A CID is generally a separate political subdivision with the power to impose a sales tax, a special assessment or a real property tax, although it may also be a nonprofit corporation with the power to impose special assessments. CIDs may fund public facilities or improvements, such as pedestrian plazas, land and streetscapes, parking garages and other facilities, sidewalks, streets, site improvements, etc. CIDs are created by ordinance, and it must obtain voter approval for the imposition of special assessments, property taxes or a sales tax.
- **Neighborhood Improvement Districts (NID).** These districts fund public facilities or improvements similar to those of a CID. It is created either by election held or a petition circulated within the NID. It requires the same voter approval required for general obligation bonds. It may also be formed by ordinance. NIDs are financed with special assessments. Charges may be assessed equally per front foot, per square foot or by any other reasonable assessment plan.
- **Transportation Development Districts (TDD).** These are a separate political subdivision that is created to fund, promote, plan, design, construct, improve, maintain and operate one or more transportation-related projects or activities. A TDD may impose a sales tax, property tax or special assessment. A TDD may also collect tolls or fees. A TDD is limited to special assessments, a property tax not to exceed $0.10 per $100 of assessed valuation or a sales tax of up to one percent or tolls and fees for use of the project.
- **Sales Tax Rebate/Development Agreements.** The City may enter into an agreement with a property owner of a retail establishment where the owner agrees to fund the costs of public improvements and the City agrees to reimburse the owner for the cost of the improvements (plus interest at an agreed upon rate) from the sales tax generated by the project. This is in some respects similar to impact fees that are often used in other cities to pay for public improvements necessary to accommodate the development.

Beyond these incentives, which all involve some use of revenue, there are other forms of business assistance that may be accessed. These include specialized training (such as through SLATE – the St. Louis Agency on Training and Employment), business assistance (such as through the Missouri Small

[26] Missouri Department of Economic Development, Chapters 100 Sales Tax Exemption, Personal Property, accessed electronically at: https://ded.mo.gov/BCS%20Programs/BCSProgramDetails.aspx?BCSProgramID=90

Business Development Center) and business incubators that include the St. Louis Enterprise Center – Midtown, the Center for Emerging Technology (CET), BEGIN New Venture Center and T-Rex.

III. Benchmarking

Benchmarking

The project team compared St. Louis to peer cities in a variety of areas. The benchmark topics include city revenue structures, use of and types of tax incentives and related policies and procedures.

Tax Structure

While the overall St. Louis tax structure is not the focus of this study (which was the primary focus of the 2009 revenue study), it is often a relevant factor in determining whether existing tax incentives for economic development purposes have sufficient impact on the decision of residents or businesses to undertake activity based on the incentives offered. To assist with that discussion, the following identifies the key aspects of City tax structures.

Property Tax

Every comparable city collects a real property tax. This is nearly always the case in US cities, as the property tax is the most common form of local tax and is also the largest source of local tax revenue. The following chart provides the city real property tax rates per $100 of assessed value.

Municipality	Real Property Tax Rate Per $100 Assessed Value	Taxable Value Percent of Market Value
Austin	0.48	100
Baltimore	2.13	100
Boston	1.21[27]	100
Charlotte	1.28	100
Denver	3.31	7.96 residential 29.00 commercial
Detroit	6.88	100
Indianapolis[28]	2.92	100
Kansas City	1.60	Residential 19 Agricultural 12 All other 32
Louisville	0.1255	100
Memphis	3.40	25
Minneapolis	1.67	100
Omaha	0.4922	100
Raleigh	0.438	100
St. Louis	7.5850	Residential 19 Agricultural 12 All other 32

There are a variety of issues that make comparisons difficult. As noted, in some states (particularly Colorado and Missouri), the property tax rate is reduced because taxable value is less than 100 percent of assessed value. It is also notable that Baltimore, Denver, Louisville and St. Louis are either independent cities or combined city-county governments. This means that there is no additional county property tax rate (as there are for Austin, Boston, Charlotte, Detroit, Indianapolis, Kansas City, Memphis, Minneapolis, Omaha and Raleigh).

[27] This is the residential rate; the rate for commercial and industrial property is $2.95.

[28] The State of Indiana imposes property tax caps that limit property taxes to 1 percent of total gross assessed value of residential property.

Finally, every benchmark city also collects some form of personal property tax, but they vary widely in terms of the personal property taxed and the rate. This helps explain why some cities/states provide for tax incentives related to personal property, which is nearly always business personal property like machinery or equipment.

Local Wage Tax

While property taxes are the primary source of local government revenue nationally, local wage/income taxes are prominent in some states. In Missouri, the earnings tax is permitted and collected in its largest two cities, Kansas City and St. Louis. In St. Louis, the rate – 1.00 percent – applies to both residents and non-residents who commute to the City for work. While surrounding cities do not impose an earnings tax, St. Louis' rate is not atypically high; Baltimore, Detroit, Indianapolis, and Louisville all have rates that exceed the 1.00 percent rate collected by St. Louis. Although not a peer city for the purposes of this report, Philadelphia's rate, which is 3.9102% for residents and 3.4828 for Non-Residents, is an example of a much higher local income tax rate.

The following table illustrates the resident and non-resident earnings/income tax rates for the ten comparable jurisdictions:

Municipality	Resident Tax Rate (percent)	Non-Resident Tax Rate (percent)
Austin	0.00	0.00
Baltimore[29]	3.05	3.05
Boston	0.00	0.00
Charlotte	0.00	0.00
Denver	$5.75 per month on compensation over $500	$5.75 per month on compensation over $500
Detroit	2.50	1.25
Indianapolis[30]	1.77	0.4425
Kansas City	1.00	1.00
Louisville	2.20	1.45
Memphis	0.00	0.00
Minneapolis	0.00	0.00
Omaha	0.00	0.00
Raleigh	0.00	0.00
St. Louis	1.00	1.00

Source: Telephonic or on-line data provided by the jurisdictions

Of the comparable cities, it should also be noted that the States of Texas and Tennessee do not impose a broad-based state personal or corporate income tax. As a result, their tax burdens will differ from those of the other comparable cities, whose states do impose these taxes.

In circumstances where a tax structure generally (or a wage tax specifically) serves as a cause of concern related to a city's economic activity, some researchers argue that (where possible) modifying existent tax

[29] All Maryland counties are required to assess an income tax. Baltimore, as the State's sole Independent City, also assesses an income tax.

[30] All Indiana Counties assess an income tax. This is actually the tax rate for Marion County. Because it is the only comparable city with a county income tax, it has been included for comparison purposes.

rates may be of greater benefit than offering tax incentives. By bringing the cost of doing business down, a city may be able to create a better, long-term climate for economic growth, which time-limited incentives cannot accomplish.[31] This topic was discussed at length in the 2009 revenue study but is not within the scope of this study.

State Tax Incentives

Nationally, states continue to rely on economic development incentives to assist in attracting potential businesses. A 2012 survey by the New York Times analyzed the most commonly used incentives, by state. It is not surprising that the incentives tend to align with the more common forms of taxation used within that state. The survey findings are presented in Table 1 within the Appendix to this report. As the data in the table depicts, some form of a sales tax refund is the most used economic development tool across the nation, as it is provided in 32 states. Some form of a Corporate Income Tax Credit – the most common tool in 12 states – comes in second place. It is also the most commonly used tax incentive tool in Missouri.

While state incentives are also outside the scope of this study, their importance should not be overlooked. In most of the comparable cities (and for St. Louis as well), state incentives are prominently displayed on websites and in brochures that highlight available economic development incentives – particularly for businesses and industry.

Local Tax Incentives

As noted in the discussion in the previous chapter, St. Louis provides an array of available economic development tools, including tax incentives. The following compares and contrasts, as possible, the policies and approaches of the City and its benchmarked peers.

TIF Use

While TIF is widely used, the extent of that use varies. Among the benchmark cities, assessed value within TIF districts as a percent of total city assessed value is from 1 to 6 percent. However, there are some outliers: Louisville's percentage is over 12 percent, and Detroit's is over 36 percent. While it would seem important to do so, several cities do not maintain readily accessible data on total assessed value of TIF districts or other key information related to TIFs (such as the TIF excess value, average assessed value of the increment within city TIF districts or the number of TIF districts/projects. In this respect, the effort of the City within this study to inventory and maintain these types of data is notable.

The following details key factors related to TIFs that are found in all (or nearly) all of the comparable cities.

[31] Laura Reese, "If All You Have is a Hammer: Finding Economic Development Policies that Matter." American Review of Public Administration, 44:6, 2014, p627-655. See also: Patrick Anderson, Alex Rosaen, and Hillary Doe. "Michigan's Business Tax Incentives." Anderson Economic Group. May 2009.

Benchmarking

	St. Louis	Kansas City	Omaha	Baltimore	Minneapolis	Memphis	Raleigh
Maximum TIF District Term (State Statue)	23 years	23 years	15 years	40 years	25 years	15 years	City does not have a history of using TIF, although State statue allows it in NC
Cost-Benefit Analysis Requirement? By Whom?	Yes, Applicant hires consultant or attorney, works with City	Yes, Applicant hires consultant or attorney	Yes, Either City or Applicant hires consultant or attorney	Yes, Baltimore Development Corporation Staff	Yes, by consultants under the supervision of City Staff	Yes, Applicant hires consultant or attorney	
Require "But For" Test?	Yes	Yes	Yes	Yes	Yes	Yes	
Eligible Uses	Blight, economic stability, employment opportunities	Blighted areas, conservation areas or economic development areas	Redeveloping substandard & blighted areas	Development districts (blighted)	Redeveloping blighted areas	Preserve or enhance the tax base, provide low- or moderate-income housing or assist in the prevention, reduction or elimination of blight.	
TIF Benefits	Property taxes frozen for up to 23 years - PILOTS + 50% of sales and utility taxes paid to special allocation fund.	Property taxes frozen for up to 23 years - PILOTS + 50% of sales and utility taxes paid to special allocation fund.	Property taxes frozen for up to 15 years, PILOTS allocated to financing public costs associated with project.	Property taxes frozen for up to 40 years - PILOTS allocated to special fund that pays debt for City expenditures in support of development.	Additional property taxes paid as a result of the development allocated to a fund paying for part of the redevelopment costs.	Property taxes frozen for up to 15 years - 95% of PILOTS paid to special allocation fund.	
All Taxing Jurisdictions?	Yes	Yes	Yes	City only	Yes	Yes	
Pay-Go or Bond-Finance?	TIF Notes (bonding)	Mostly pay-as-you-go	TIF Loan to Developer (Pay-as-you-go)	Bonding	Pay-as-you-go preferable to bonding	TIF Bond	
Bond Backing Entity	City	City	City	City	City	City	

Benchmarking

	Austin	Boston	Charlotte	Denver	Detroit	Indianapolis	Louisville
Maximum TIF District Term (State Statue)	30 years	20 years TIF 30 years DIF[33]	30 years	25 years	30 years	25 years	30 years
Cost-Benefit Analysis Requirement? By Whom?	Yes	Yes	Yes	Yes, Cost of study part of selection process	Yes	Yes	Yes, consultant
Require "But For" Test?	Yes	Yes, indirectly	Yes	Yes	Yes, indirectly	Yes	Yes
Eligible Uses	Distressed areas, urban design or historic preservation, public investment in prior 5 years and 5 year forecast, affordable housing, transit, transportation, addition of park or greenbelt, job creation	TIF Zone must be in area approved by the EACC as an Economic Opportunity Area or found to be in an area 'presenting exceptional opportunities for economic development'	TIF funds 'may be used only for projects that enable, facilitate or benefit private development within the development financing direct, the revenue increment of which is pledged as security for the debt instruments' – referred to as self-financing bonds.	Must meet City criteria of: - Fit within City ..plan - Meet blighted ..conditions[34] - Approve final ..viability study	- Contaminated - Blighted - Functionally ..obsolete	Connect future redevelopment sites and identify catalyst projects within the district Sets stage for future transit improvements and oriented development Promote connectivity by linking neighborhoods to anchor institutions, parks and commercial districts	Primarily used to help local governments in declining or underperforming urban areas where development would not otherwise occur

[32] State participates with local governments in three TIF programs: Real Property Ad Valorem Tax Revenues, Signature Projects, and Mixed-Use Redevelopment in Blighted Urban Areas.

[33] In Massachusetts, TIFs encourage job retention and creation, property reinvestment and promotion of certain areas for city economic development. DIFs (District Improvement Financing) fund public works, infrastructure and development projects. Predefined districts pay incremental tax revenues to cover project costs. Bonds are repaid by new property taxes.

[34] City also provides for Targeted Redevelopment Areas, which focus singularly on redevelopment of blighted land.

Benchmarking

	Austin	Boston	Charlotte	Denver	Detroit	Indianapolis	Louisville
TIF Benefits	City will contribute 100% of its property tax and sales tax increment. Tax increment revenues may be expended only for purposes described in the project and TIF financing plan.	Real estate property tax exemption; may be eligible for a personal property tax exemption for existing and new property (movable property exclusive of land and buildings.	Sponsoring local government dedicates the new tax revenue arising from any increases in assessed property values in the district to service the bond debt.	Captures the net new or incremental taxes that are created when a blighted property is redeveloped and use those incremental revenues to help finance the project.	Developers who complete projects with eligible remediation and/or infrastructure activities may be reimbursed through TIF for specific costs to prepare the site for redevelopment	TIF revenue is used to pay debt that is borrowed on the expected increment or to directly fund the projects and activities used in redevelopment or economic development projects within the TIF district.	Local TIF – real property tax increments, occupational license tax increments (up to 100% of incremental property and occupational tax can be pledged by the local government); state can pledge state sales tax, real property taxes, individual and corporate income tax and limited liability entity tax.
All Taxing Jurisdictions?	Yes (counties cannot issue TIF bonds)	Yes	Yes	Yes	Yes	County	Yes
Pay-Go or Bond-Finance?	TIF Bond	TIF Bond	TIF Bond	Bonds and Reimbursement	TIF Bonds	TIF Bond	Pay-Go
Bond Backing Entity	City	City	City	City	City	County	NA

As the table data suggests, while TIF policies are broadly similar across cities, unique state statute and interpretation can result in variations in policies and procedures. What all cities share in common is a requirement of a cost-benefit component of the selection process, along with a "but-for" test. Although unique in each case, the cost-benefit analysis usually requires the applicant – or a third party – to provide the anticipated costs of undertaking the project, alongside the estimated benefits to the neighborhood and community as a result of the project's development. This not only allows for more data-driven and informed decision making but also ensures that developers can be held accountable to their promised outcomes.

The 'but-for' component of the application process is undertaken to establish that the subsided development would not have occurred sans the use of TIF – or, *'but for'* the use of incentive. Its purpose is to prevent the unnecessary – and excessive – use of TIF, as well as to protect public funds from being used inappropriately; for if a development would have occurred anyway, the granting of TIF diverts tax revenue from the local recipients (such as school districts). However, as project research confirms, it remains a sometimes contentious part of the application process, as it can be difficult to "prove" that development is unlikely to occur without subsidies.

Each city also places emphasis on accomplishing its economic development goals, as reflected in the cities' designation of TIF districts for areas that are blighted, distressed or otherwise in need of assistance. St. Louis' maximum TIF life term – at 23 years – does not vary considerably from

comparable jurisdictions, and is in line with most research around utilization of this form of incentive. The City may wish to review its extension policy and the frequency of use. It is generally recognized that extensions should only be granted in circumstance of extraordinary need or promise of extraordinary result.

The following table provides some additional detail on TIF issues for the comparable cities. For this set, St. Louis is not included. Additional information on St. Louis TIF policy was provided in the previous chapter.

	St. Louis	Kansas City	Omaha	Baltimore	Minneapolis	Memphis
Additional Restrictions or Requirements	Minimum requirements include employee levels, completion deadlines, levels of investment.	Project should focus on building small businesses or microenterprises Project should promote access to and financial support for public transit Project should propose development adjacent to areas of existing development activity Project should promote crime reduction and enhance perception of safety	Must eliminate actual or potential hazard to the public. Project should be in an area with a pattern of declining property assessment.	The total assessed property valuation of TIF districts cannot exceed four percent of the City's taxable property.	TIF restricted to developments meeting specific CITY development objective.	TIF applications must comport with and advance the Community Redevelopment Agency's 'Workable Program' strategic plan. Must present a feasible method for relocating displaced families in safe and sanitary dwellings without undue hardship.
Additional Financial Issues	Goal of the City that total amount of TIF assistance not exceed 15 percent of total project costs. There are debt service coverage requirements if bonds or notes are to be issued.	Project should request less than the maximum duration and extent of incentives available	Minimum total project development is $500,000. Project should create at least one job per $10,000 value in TIF loan. The City assumes no responsibility for the financing of any TIF loan or bond.	TIF bonds must be secured by guarantee of at least one developer. Tax increment in excess of debt service is allocated to the City for use for any purpose. A special tax district must be created for each TIF to recover the cost of debt service on TIF bonds if incremental revenue is insufficient.	Requires periodic City review of excess increment to determine if a reduction of the TIF is warranted.	

Benchmarking

	St. Louis	Kansas City	Omaha	Baltimore	Minneapolis	Memphis
Public versus Private Improvement Issues	Assistance for public infrastructure is favored.	Project should preserve, enhance or build infrastructure in areas defined by the city	Public improvements/higher level of public improvements projects are favored.		Only public improvements and public redevelopment costs are eligible for TIF.	Priority is given to projects for improvement of public infrastructure.
Public Engagement	TIF Commission must hold a public hearing on redevelopment plan and project area.	TIF Commission must hold a public hearing on redevelopment plan and project area.				
Economic Impact			Project should create new businesses or business operations. Project should create at least one job per $10,000 value in TIF loan.		Rigorous economic analysis and risk assessment are performed for each project.	
Factors that Provide Additional Weighting in the Approval Process	Projects that create jobs with wages that exceed the community average are favored.		Rehabilitation of City landmarks is favored. Single, stand-alone retail projects are generally not preferred.			Gives due consideration to provision of adequate park and recreational areas, with special consideration to the health, safety and welfare of children.

Benchmarking

	Austin	Denver	Detroit	Indianapolis	Louisville
Additional Restrictions or Requirements	Requires project plan and financing plan. Zone cannot be created if more than 10 percent of its total assessed value is residential (excluding publicly owned property)	Area must be considered blighted. The redevelopment must be consistent with the vision and goals laid out for the area in the City's Comprehensive Plan	To be eligible, properties must be contaminated, blighted or functionally obsolete.	Projects should support neighborhood goals, connect future redevelopment sites and promote connectivity.	City typically uses third party consultants to evaluate proposals.
Additional Financial Issues	No more than 15 percent of City tax base may be in all zones, and no more than 5 percent in a single zone. Bonds may only be issued by City (Counties can participate but not issue bonds)	Process requires completing financial and impact analysis. If bonds are not issued, developers are reimbursed.	Eligible for reimbursement (sample): demolition, site preparation, public infrastructure improvements, lead/asbestos abatement.	Must generate more than enough incremental property tax revenue to support the requested TIF incentive.[35]	May be used for public infrastructure and as redevelopment assistance; meant to focus on blighted areas.
Public Engagement		At least one community meeting is held to review the proposed plan. Has to be no objection by any property owners or tenants.		The adoption stage includes communication among members, the affected public, the MDC and the City/County Council. Public disclosure is achieved by holding public forums.	
Economic Impact		Process requires completing financial and impact analysis		Has a gap funding analysis to determine if public funds are needed to fill a gap in the return for potential investors or to pay for infrastructure in the project area.	
Factors that Provide Additional Weighting in the Approval Process					

[35] Has a TIF neutralization component, which is a legally required process that is intended to neutralize the effect of external factors on the base and increment.

Additional Discussion on Local TIF Approaches

Some cities use a unique approach to TIF financing and implementation, highlighted below:

Charlotte, NC

The City of Charlotte, North Carolina, offers a Synthetic Tax Increment Financing program, which slightly varies from the traditional definition of TIF programs, which the state terms 'self-financing bonds.' One significant difference is that unlike traditional TIF, the synthetic TIF does not require the establishment of a TIF district. Instead, locally approved financing is repaid by 45% or 90% of the incremental property tax growth generated by the development. The City's three funds which receiving funding from property taxes – the General Fund, Debt Service, and Pay As You Go – each contribute its pro-rata share to the development. The focus of synthetic TIF is a public/private partnership aimed to fulfill the City's land planning goals in conjunction to serving as an economic development tool. The City limits the use of synthetic TIF at 3% of annual property tax levy, annually. [36]

The following are financing categories:

- Infrastructure Investment
- Public Asset Purchase
- Economic Development Grants

The financing parameters are:

- Must be on reimbursement basis (private sector property tax payments must be made prior to city/county payments)
- Private sector guarantees are pledged in the form of Development Agreements
- 'But for' test requirement
- City priorities and goals must be met
- City has influence over the type and form of the project

Indianapolis, IN

In recent years, the City of Indianapolis, Indiana, has focused attention on evaluating the City's use of TIF financing, as evidenced by the City's publication of findings by its Tax Increment Financing Study Commission In June 2012. The report focused on exploring the policies and procedures around the establishment of TIF districts, current TIF districts and associated fund balances, debt obligations, and an increase in transparency around the process.

The following highlights the City's reasoning behind creation of the report, as well as highlights steps taken by a peer jurisdiction to evaluate – and improve – their TIF processes:

- Changes in tax structure, specifically the implementation of property tax caps (circuit breaker) has affected property tax revenue flow.
- Lack of fiscal and performance transparency has made the TIF information data difficult to obtain, and thus hard to measure or evaluate. Additionally, until state mandated in 2012, there was no mandatory reporting for TIF-related information.
- Procedures and guidelines around managing excess property tax revenues in TIF districts was lacking, allowing for a liberal interpretation of how excess revenue can be spent.
- A need for countywide coordination of infrastructure planning existed.
- TIF bonds typically carry a higher cost than general obligation bonds as they normally have a higher interest rate. Because funds are not used until the end of the bond term, the need to reserve funds until TIF termination causes an effective increase in interest rates.

[36] City of Charlotte: Neighborhood and Business Services. Synthetic Tax Increment Financing (TIF) Program. Accessed electronically at http://charmeck.org/city/charlotte/nbs/ed/Pages/TIFProgram.aspx

As a result of the study, the City aims to create concrete guidelines and expectations around the current process, including:[37]

- Clearly define the management and decision-making process for using TIF
- Establishment of transparent financial practices, accounting, reporting and monitoring
- Development of a strategy to analyze segments of the City's Comprehensive Plan to determine areas that need redevelopment of economic improvement.
- Request changes to policies or requirements of state law.

As the Indianapolis report suggests, peer jurisdictions are working to create increased transparency around TIF policies, as well as periodically evaluating the policies and procedures to ensure they continue to be effective within the context of changing City and state statute and legislation.

Detroit, MI

The City of Detroit has recently expanded its economic development toolbox to include Targeted Redevelopment Areas (TRA), which fall under the state's Brownfield Redevelopment law.

The function of the TRA is to use TIF to make improvements to a designated area, specifically the Eastern Market area. This allows for the revenue generated from rehabilitated or otherwise re-developed projects to go toward future projects in the same neighborhood. The primary difference between TRAs and TIFs is that unlike TIFs, TRAs do not solely focus on redevelopment of blighted areas.[38]

The City hopes to expand this program out of the inaugural Eastern Market area into other neighborhoods, in a concentrated effort to continue to redevelop neighborhoods that are suffering from a similar lack of development interest.[39]

Louisville, KY

The City of Louisville is taking steps to decrease some of its TIF district areas. The Louisville Arena Authority, specifically, has passed a resolution to shrink the size of a TIF district by four square miles. The reason for the decrease was due to the TIF district's structure being too diverse and unrelated to the activities of the arena, which led to lower than anticipated tax benefits. As a result, the City has lost anticipated cash flow.

The Louisville Arena Authority hopes that decreasing the size of the TIF district will have economic benefits for the City, allowing access to the previously committed state funding, as the economic benefits will not be offset by changes in business activities beyond the economic reach.[40]

Omaha, NE

The City of Omaha has a unique approach where the developer loans the City funds that are disbursed back to the project or used for public improvements. Once TIF tax increment monies start flowing, the money is refunded to the developer to amortize the loan, with the tax increment applied after the tax payments have been received by the City. What this means for the City, is that its faith and credit is never pledged to any particular development. This means the City does not have to make a revenue commitment upfront, and is a much more economically harmless approach to TIF developments. In general, pay-as-you-go systems are regarded as the safest financing methods for TIFs, as expenditures are closely related to the incremental tax revenue generated from the district.[41]

---

[37] Indianapolis-Marion County Council TIF Study Commission. June 2012. Accessed electronically at https://in53.files.wordpress.com/2012/07/tif-commission-final-report-2012-06-28-for-print.pdf

[38] A TIF-Esque Strategy Is on the Table for Detroit's Eastern Market. Next City: Inspiring Better Cities. Bill Bradley. February 2014.

[39] Ibid.

[40] Louisville Arena Authority hopes shrinking TIF district will increase revenue. Louisville Business First. September 2013.

[41] "Efficient and Strategic TIF Use: A Guide for Wisconsin Municipalities." Center on Wisconsin Strategy. December 2006

g

atement Policies

etail related to general tax abatement policies for the peer cities.

St. Louis	Kansas City	Baltimore	Minneapolis	Omaha	Memphis
new development enovation property ty upon approval he Board of ermen. Enterprise es preapproved	Enhanced Enterprise Zone, Urban Renewal Area	Enhanced Enterprise Zone, Manufacturing Facilities	Historic Properties, Areas receiving improvements to public infrastructure	Business meeting state new investment and job creation criteria	Large capital investment and high levels of job creation may qualify for a property tax abatement
ears, possible 15 e at 50%	10 years, possible 15 more at 50%1	10 years for Enterprise Zone, indefinitely for Manufacturing Personal Property with annual renewal	Varies, Public infrastructure program ends August 1, 2009	Real Property Tax, up to 10 years; Personal Property Tax, up to 15 years	15 years
	Yes (Tier 1 projects only)	No	Yes	No	Yes
	No	Yes	Yes	Yes	Yes
% abatement of property tax on ed value of new elopment.	50% property tax abatement for 10 years for real estate improvements (can be extended for an additional 15 years)	80% credit against portion of real property improvements. Drops 10% annually after 5 years. 80% for full 10 years if located in Focus Area. 100% exemption of manufacturing personal property.	Up to 100%	Reduction or total abatement of real and/or personal property tax liability, depending on nature of business and amount of new investment and job creation	25% of County taxes and 20% of City taxes may be abated

Benchmarking

	Austin	Charlotte	Denver	Detroit	Louisville
Eligible Property for Abatement	Projects that encourage the retention and development of existing businesses through property tax exemptions or reductions	Tax exemptions available for improvements on brownfields	Projects in designated economically distressed areas of the state: having a high unemployment rate, low per capita income, or a low population growth rate.	Projects include manufacturing, mining, research and development, wholesale trade, and office operations. Retail business and casinos are not eligible	Issuance of an Industrial Revenue Bonds to finance the establishment/expansion of industrial facility can be used to obtain abatement of property taxes for the duration of the bond issue.
Length of Abatement	10 years	5 years	10 years	The law does not contain a maximum, or a minimum number of years.	30 years
Cost Benefit Analysis Required?	No	No	No	Typically part of process	Yes
Job Creation Criteria?	Yes	No	No, but encouraged	No, but encouraged	Yes
Property Tax Eligible for Abatement	Exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation	Year Percent of Appraised Value Excluded Year 1 90% Year 2 75% Year 3 50% Year 4 30% Year 5 10%.	Up to 50 percent of the jurisdiction's levy on taxable personal property	All new personal property taxes (state and local) of a business in targeted areas	Up to 100%

Source: Telephonic and online outreach to jurisdictions

St. Louis' 10 year tax abatement period is generally in line with other peer cities, which also tend to limit the timeframe to approximately a decade. As mentioned in preceding chapters, St. Louis allows for an extension on abatements; although limited data exists on the frequency of extension utilization, it is typically recommended that extensions only be used for projects with extreme need or the promise of extreme positive impacts for the City.

As in other peer cities, St. Louis targets tax abatements within Enterprise Zones. Baltimore and Kansas City both follow a similar practice and also use Enterprise Zones as a form of 'gatekeeper' for abated properties. St. Louis' significant reliance on Alderman involvement in the process is outside of the norm; it is notable that the City allows abatements for any Board of Aldermen-approved property.

Similar to its TIF guidelines, St. Louis' tax abatement policies allow for abatements on the added value from property improvements. Some peer cities abate a fixed percentage of total property tax liability or adjust the abatement in line with the fulfillment of job creation and new investment criteria. Baltimore, for instance, employs a "sliding scale" model that reduces the percentage of taxes abated in the later years of the abatement. This allows for reduction of the benefit in later years when the City cost of providing service to the property will likely be higher. It is notable that Missouri state statute does not provide for this form of 'sliding scale' approach to abatement.

City Earnings/Income Tax Incentives

As previously noted, a majority of the benchmarked cities do not have an income-based City tax. The following describes incentives (as applicable) that may be offered in those cities that do have this tax.
None of the benchmarked cities provide a City credit or exemption from their earnings or income tax. Nearly all rely on state (or federal) income tax incentives based on new jobs created, types of jobs, size of the local investment, location of the investment, etc.

Because of the smaller sample size of benchmarked cities that have an income or earnings tax, the project team conducted additional research surrounding other major cities with an earnings or income tax. The following identify earnings or income tax incentive programs that exist in other cities around the US:

New York City, New York:
The City provides a number of tax credits that may be applied against City taxes, including:

- **Industrial Business Zone Relocation Tax Credit.** This provides a one-time tax credit against the business' City tax liability of $1,000 per relocated employee within the City's 21 Industrial Business Zones. The credit cannot exceed the lesser of actual relocation costs or $100,000.
- **Lower Manhattan Relocation Assistance Program.** This provides a City tax credit of $3,000 per job for 12 years for two types of businesses relocating to eligible premises within Lower Manhattan. Eligible businesses have either conducted significant business operations outside of New York City for at least 24 consecutive months or have a sufficient number of employees from outside of New York City to increase its payroll in the City by 25 percent. Eligible premises must be nonresidential and must have been improved by construction or renovation.
- **NYC Biotech Tax Credit.** This tax credit provides small biotech companies with a refundable credit for facilities, operations and training. Funding targets expanding firms with up to $250,000 a year to eligible firms.

Columbus, Ohio:
The City has incentive programs tailored to particular zones and types of businesses. These include:

- **The Mile on High Incentive Program.** It is designed to assist existing and new businesses within a designed area in downtown. It provides a variety of possible tailored tax (and other) incentives, including property tax abatement, grants and business loans. It also tailors incentives around its City income tax. These include:
  - Performance incentive payments equal to 50 percent of local income tax withholdings for a period equal to a lease term minus two years not to exceed a maximum of five years

- Job growth retail incentive payment equal to 25 percent of local income tax withholdings for a period equal to a lease term minus two years not to exceed a maximum of five years

- **Downtown Business Incentive.** This program is targeted to businesses locating or expanding in downtown. This is a cash payment equal to 50 percent of the local income tax withholdings for eligible new employees for a negotiated term for a minimum of 10 new jobs created and retained within the downtown area.

Toledo, Ohio:
The City's Municipal Jobs Tax Credit Program provides credits to businesses, by ordinance, against municipal income (payroll) taxes on businesses net profits based on new municipal income tax revenue generated from new jobs. All types of businesses are eligible for the program with priority given to manufacturing, distribution, service companies and other types of businesses that involve interstate competition. The program gives the Director of Economic and Community Development the flexibility in determining which companies are eligible to apply for the credit. The businesses must create a minimum of 25 new, fulltime jobs within 3 years, and pay at least 150 percent of the state minimum wage. The maximum tax credit equals 50 percent tax emption of eligible full-time employees per year, for up to 10 years, for businesses located within a State Enterprise Zone; the maximum credit is up to 80 percent for 10 years within their Enterprise Communities designation.

Toledo also has an Expansion Incentive Grant Program. While it is not a tax incentive per se, its purpose is both to incent economic development and municipal income tax growth – and it could be tailored as a tax credit program. Eligible businesses are located or considering locating within prescribed areas of the City whose payroll is expected to create significantly increased income tax receipts for the City. The award is made based on actual growth in payroll income tax revenue retained by the City over expected revenue benchmarks as defined by the agreement.

Cleveland, Ohio:
The City's Job Creation Incentive Program is designed to attract new businesses. Grant assistance can be applied to new businesses creating five or more new jobs in the City within the first year or for existing businesses with substantial job creation. Grants may be up to 0.5 percent of new payroll in the City for up to three years; restaurants and retail businesses are not eligible. Applicants must submit certified payrolls no later than March 31st of each year, with grant payments approved by April 30th, with timely submission of employment and payroll information. The City also has a similar program (in terms of requirements and benefits) targeted specifically to the Technology sector.

Cincinnati, Ohio:
The City's program is similar to those in Toledo and Cleveland. Cincinnati will provide a Job Creation Tax Credit to a company that expands or moves into the City. The credit requires that net, new jobs be created in the City. The credit is applied against a company's net profits tax obligation for a future number of years. It requires a commitment to create or relocate a minimum of 25 new full-time permanent jobs within three years. In some circumstances (such as particularly high wage jobs), a minimum of 10 new, full-time jobs may also be eligible. The tax credit is calculated on a percentage of new payroll taxes that are paid to the City.

The City also has a Property Reinvestment Agreement Program that operates similarly to the Job Creation Tax Credit. It has the same job requirements for eligibility but is tailored to businesses that make a significant capital investment in the City. In that case, they receive a cash rebate, once again determined on a percentage of new payroll taxes that are paid to the City for the new employees.

Philadelphia, Pennsylvania:
Given its position as the City with the highest earnings/income tax rate, it is not surprising that the City offers several tax credit programs aimed at reducing some of that tax burden for eligible applicants. The following describes some of these:

- **Job Creation Tax Credit.** Eligible businesses must demonstrate the ability to create at least 25 new full-time jobs or increase full-time workforce in the City by at least 20 percent within a five year period. The qualifying jobs must be full-time and have an average hourly wage of $12.00 (annually

adjusted for inflation). Eligible businesses may claim a credit of $5,000 (or 2 percent of the annual wages paid, whichever is higher) for a total of $25,000 (only for jobs created in 2015). Currently, jobs created after 2015 are eligible for a one-time, $5,000 tax credit.

- **Jumpstart Philly.** Designed to attract new businesses and entrepreneurs that create jobs in the City by exempting them from paying the City business income and receipts tax during the first two years of operation. Additionally, certain business licensing and permit fees will be waived. Eligible businesses must be a 'new business' and have at least three full-time employees who are not family members and work in Philadelphia at least 60 percent of the time by the first 12 months of the business and continuously through the 18-month anniversary of the business continuously through to the 24 month anniversary of operations.
- **Community Development Corporation (CDC) Tax Credit.** The program encourages and rewards local businesses for making a contribution and commitment to Philadelphia CDCs and their economic development efforts in distressed parts of the City. In return for contributing $85,000 per year to a CDC for ten years (with yearly renewals) a business, or two businesses partnering for the total grant amount of $85,000, receive a credit of $85,000 per year against their Philadelphia Income and Receipts Tax obligation.
- **Credit for Employment of Returning Veterans of the Armed Forces.** This provides a local tax credit for hiring veterans who are qualified employees. To qualify, the qualified veteran must also pay wages subject to the City earnings tax at an average hourly rate of at least 150 percent of the federal minimum wage. For the business to receive a credit of up to $2,000 each year, the employee must be employed by the business for more than six months. The maximum credit for any employee for all tax years is $4,000.

From these examples, it is notable that most of the programs are targeted in one or more ways. These include a focus on a particular area within the city, types of businesses or industry, types of workers or job characteristics. Perhaps the one general characteristic is a focus on new jobs – although some programs also target existing jobs. This is understandable, as the lost tax revenue is more likely to be justified (in terms of a cost benefit analysis) if the jobs (and hence the tax revenue associated with them) do not currently exist.

Of course, new jobs carry with them an expectation/demand for city services. While cities are sometimes willing to overlook that fact in return for jobs (and what can be assumed to be additional economic activity that will create other tax revenues), it is notable that the incentive programs are either time limited and/or, in some cases, provide a credit against a portion of the income taxes (as opposed to the entire amount).

The following table identifies relevant attributes of these programs, which can be useful when conducting a gap analysis of the City of St. Louis economic development incentives.

City	Program	Specific Area of City	Targeted Industry or Individuals	New Jobs	Retained Jobs	Wage Require-ments
New York	Industrial Business Zone Relocation Tax Credit	✓		✓		
	Lower Manhattan Relocation Assistance Program	✓		✓		
	Biotech Tax Credit		✓	✓		
Columbus	Mile on High Incentive	✓				
	Downtown Business Incentive	✓		✓	✓	

Toledo	Municipal Jobs Tax Credit			✓		✓
	Expansion Incentive Grant	✓		✓	✓	✓
Cleveland	Job Creation Incentive			✓		
	Technology Job Incentive		✓	✓		
Cincinnati	Job Creation Tax Credit			✓		
	Property Reinvestment Agreement		✓	✓		
Philadelphia	Job Creation Tax Credit			✓		✓
	Jumpstart Philly			✓		
	Community Development Corporation Tax Credit					
	Employment of Returning Veterans Tax Credit		✓			✓

Benchmarking

Based on the benchmarking, the following identifies by type of incentive/program those that are offered in each of the benchmark cities. In some cases (such as historic tax credits), these programs are primarily provided by the State but are included here because some states do not offer them. Other common state programs (such as industrial revenue bonds) are not included because they are offered in all 50 states.

Terminology can differ (for example, business improvement districts are known in some cities or states as municipal or community improvement districts), but the focus for this table is on the essence (rather than the name) of the projects. In some cases, there is also overlap – for example, enterprise zones are primarily an area designation (rather than a specific benefit), and incentives (like tax credits or grants) will often be located in these areas.

	Enterprise Zone	Research Credit	Develop-ment Credit	Other Tax Credit	New Jobs Grant	New Jobs Credit	Training Credit	TIF	Tax Abatement	Historic Tax Credit	Brown-fields	Tax Exempt Financing	Business Improvement Districts
Austin	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓
Baltimore	✓			✓				✓	✓	✓	✓		✓
Boston	✓	✓	✓	✓				✓	✓	✓	✓	✓	✓
Charlotte		✓	✓	✓	✓		✓	✓		✓	✓		
Denver	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Detroit	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓
Indianapolis	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
Kansas City	✓			✓		✓		✓	✓	✓	✓	✓	✓
Louisville	✓					✓		✓	✓	✓	✓	✓	✓
Memphis				✓				✓	✓				✓
Minneapolis		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Omaha						✓		✓	✓	✓		✓	✓
Raleigh		✓			✓	✓				✓	✓		✓
St. Louis	✓			✓		✓		✓	✓	✓	✓	✓	✓

St Louis Local Peer City Benchmarking

The team explored the development activities for selected cities in St Louis County. The goal for this aspect of the project was to explore how adjacent cities with active economic development programs approached development using the same tools available to the city of St Louis. These cities are a different type of benchmark for St Louis; while they are geographically comparable, there are substantial differences in population, demographics, etc. Nonetheless, there are useful lessons worth profiling.

Benchmarking

	St. Louis	Brentwood	Chesterfield	Clayton	Kirkwood	Maryland Hts	University City
Structure of economic develop-ment program	PDA directs planning activities and SLDC business development. While the PDA maintains the city comprehensive plan, the Aldermen have significant involvement in ward development activities.	Planning directs development projects Development activity defined by comprehensive plan. Manage activity through code enforcement and plan updates.	Has director of economic development. Development activity defined by economic development strategic plan.	Has director of economic development Development activity defined by economic development strategic plan.	Planning and public works directs development projects Development activity was only recently defined by comprehensive plan.	Has director of economic development Development activity defined by economic development strategic plan	Has director of economic development Development activity defined by economic development strategic plan.
Use of TIF	Has used TIF throughout the city – total dollar value of approximately $400 million from 2000 to 2014.	Has one TIF in north end. TIF is not a development tool of choice.	Had one TIF district for the Chesterfield Valley, which they were able to retire early.	They approved one district in 2008 but project never materialized due to recession.	Any TIF decisions are driven by the redevelopment authority.	Generally only grants TIF after a stringent review process that insures the blight requirement has been met.	Retired only in 2012. Set up as a pay-as-you-go district. Used to fund infrastructure to attract investment.
Use of tax abatement	Tax abatement has been used for both commercial and residential development. Total dollar value of abatements was approximately $307 million from 2000 to 2014.	Tax abatement used only for commercial development. A redevelopment commission makes determination.	The city levies no property tax so there is nothing to abate at the local level. Abatement is managed at the County level.	Uses Chapters 100 and 353 for commercial uses only.	The redevelopment authority guides tax abatement decisions. They have a small local property tax but do not abate residential projects. The market is too strong.	The city grants tax abatement only for commercial projects. Typically offered as a part of a larger incentive package. Developers receiving tax abatement are expected to report performance metrics.	They do not use tax abatement. Last used in 2011 to attract commercial development.
Taxation	Differs from benchmark communities in that the largest general revenue source is earnings tax (32.4 percent). Sales tax, by contrast, is 10.4 percent.	Brentwood is a point-of-sale community. They control 100% of their sales tax. They also levy tax on personal and real property.	Chesterfield is pool community. Primary source of revenue is utility tax followed by sales tax.	Clayton is a point of sale community Primary sources of revenue are property and sales taxes.	Kirkwood is a hybrid point of sale/pool city. A large portion of the retail is located in the point of sale section.	Maryland Heights participates in the sales tax pool. They additionally receive revenue from their casino.	University City levies a .25 cent sales tax to fund economic development activities across the city. They are a pool city on the receiving end of the tax.
Similarities in approach compared to City of St Louis	NA	They have implemented several non-TIF special taxing districts that include, TDD, CID.	Their economic development activity is very diverse.	They use a variety of tools to support a variety of projects.	They address economic development issues in small segments. The agenda is limited given they are so built out.	The city is very diverse in its economic development profile.	The city is challenged with a socioeconomic divide between the northern and southern sections of the municipality.

	St. Louis	Brentwood	Chesterfield	Clayton	Kirkwood	Maryland Hts	University City
Differences in approach compared to City of St Louis	NA	They have a strong housing market, which influences their use of tax abatement. They hold a non-voting seat on CID board.	They tend to pursue projects that will have a regional impact. This is influenced by the fact that they are a primary sales tax revenue generator for the region.	They subject all incentive-supported projects to a strict but-for test, evaluating impact on schools and other taxing authorities.	They are not interested in growing their industrial base. They are concerned that it would require too many resources and face too much competition in the region.	The city is very proactive in attracting development, favoring a market based approach to incentivizing projects.	Economic development activities appear to be centrally organized through city hall.

Overall, it appears that the unifying theme for the municipalities examined is planning. Each city reported that some sort of plan dictates most development activity. Some of the municipalities have developed specific economic development plans while others have a larger, comprehensive plan that guides development and incentive decisions.

City of Brentwood

Brentwood, a bedroom community located almost 2 miles west of the City, is known as a regional retail destination. The 2013 population of 8,032 represents a 4.4% increase since 2000. In 2013, estimated median household income was $69,023, a 36.3% increase since 2000. Median housing values in 2013 were estimated at $180,686, a 55% increase since 2000. According to 2013 estimates the population is predominately white (82.9%) followed by Asians (8.6%), people who identify as Hispanic (4.2%), and African Americans (2.8)[42]. Brentwood is described as, "…a premier residential community," that offers multiple housing options, a fully staffed public safety program, and full service administrative capabilities, e.g. city owned trash and recycling services[43].

Brentwood has a wide variety of business and employment options. Within its 1.5 square miles, more than 630 businesses provide a broad spectrum of services, functions, and products, including more than one million square feet of retail development. As a part of the mid-county employment hub, city administrators point out that daytime population in Brentwood typically swells to around 22,000. While much of this increase can be attributed to retail destinations, they also point to sizable industrial and commercial activity. Hanley Industrial park is home to many technology and life sciences enterprises. They also note that many of the national brand retailers located in Brentwood are the best performing stores for those brands in the region. Brentwood is an attractive location for national retailers due to its proximity to major transportation corridors. At the southern terminus of Interstate 170, Brentwood's retail options are highly visible as travelers make their way on or off I64. Brentwood is an important economic component of St Louis County.

Brentwood economic development activities are directed by the planning department, guided by the City's comprehensive plan (which was just recently updated). They manage development work mostly through code enforcement and plan updates. The City struggles with flooding issues in certain parts of the community so code enforcement is key to countering negative impacts from flood plain development. The most recent plan update served as a catalyst for redevelopment that accommodates flood plain issues. This was in response to flooding experienced in previous

[42] US Census of Population and Housing

[43] https://www.brentwoodmo.org/index.aspx?nid=412

years. The city established a redevelopment corporation to work with the aldermen, planning and zoning commission, and the public to address redevelopment challenges. The corporation typically takes the lead in establishing the level of public involvement and private investment.

Economic development tools recognize that one-size-does-**not**-fit-all. As a result, the tools implemented depend on the project, e.g. there is no standard approach to TIF or tax abatement. Brentwood has one TIF project on the north side of the city funded by developer-backed bonds. Since the municipality has their own fire, safety, and school districts they work closely with impacted entities when deciding on projects that affect revenue flow. The goal with these projects is to ensure that the goals for all stakeholders are addressed, thus PILOTs are commonly negotiated with these kinds of projects. Generally speaking, however, TIF is not the development tool of choice.

There is one CID where the city holds a non-voting seat on the board. The developer receives funds on a pay-as-you-go basis, thus the developer shoulders more of the development risk. Tax abatement is used exclusively for commercial development, which is typically used to support more complicated aspects of redevelopment, e.g. asbestos removal.

SIMILARITIES: They have implemented several non-TIF special taxing districts that include, TDD, CID.
DIFFERENCES: They have a strong housing market, which influences their use of tax abatement. They also hold a non-voting seat on the CID board.

City of Chesterfield

Chesterfield is a newer community in the far western edge of St Louis County, approximately 25 miles west along I64. Incorporated in 1988, the City was once six separate towns/communities. Brought together by a desire to share services (mainly a post office), Chesterfield is now the second largest city in the county. Its 2013 population of 47,749 represents a 2 percent increase since 2000. In 2013, estimated median household income was $96,564, a 13.2 percent increase since 2000. Median housing values in 2013 were estimated at $323,003, a 24.1 percent increase since 2000. According to 2013 estimates the population is predominately white (82.3 percent) followed by Asians (10.2 percent), people who identify as Hispanic 3.2 percent), and African Americans (3 percent)[44].

The Chesterfield economy is robust with over 2,000 businesses and more than 42,000 employees working in the community. Employers range from bio tech/life sciences (Monsanto) to major health care services (St Luke's Hospital and Delmar Gardens Enterprises). In addition, Chesterfield is home to one of the County's five business incubators. VenureWorks-West County, operated by the St Louis Economic Development Partnership, offers office, warehouse, and production space for start-up and early-stage small to mid-sized businesses[45]. More prominently, Chesterfield Valley and the surrounding vicinity provide the region with premier shopping opportunities that include one of the largest retail shopping malls in the region and two premium outlet malls. Chesterfield Mall incorporates more than 1.2 million square feet of retail while Chesterfield Commons (located in Chesterfield Valley) provides more than 2.5 million square feet. The two outlet malls provide an additional 600,000 square feet making the municipality a super-regional shopping destination[46].

[44] US Census of Population and Housing

[45] http://www.chesterfield.mo.us/economic-development.html

[46] http://www.stltoday.com/business/local/been-shopping-in-chesterfield-no-surprise-for-the-retail-hub/article_d925c8bb-3074-557e-b745-190b23d7ba2f.html

g

Chesterfield is defined by its economic development strategic plan. The general focus is on job creation and capital toward regional impact. The city participates in the sales tax pool and while they do not receive additional benefit from participation as a part of their regional contribution.

y source of revenue for the City, followed by sales tax. There is no local property tax, thus there is no local tax abatement county tax abatement do come in from developers but always for commercial, not residential, development. Requests are n and decisions to grant are based on job creation, with a 50% cap on the amount.

earlier (1994) and among the largest regional TIF districts ($72 million in bonds and more than $80 million in tax dollars Chesterfield Valley. Proceeds were used to fund major transportation and storm water infrastructure improvements that n of an I64 overpass and improvements to the Monarch-Chesterfield levee. Due to the success of the project the city was early, in 2007[47]. The City is not currently offering TIF for several reasons, which include political opposition to the tool, eterminations due to overall economic health, and lack of need due to market demand for development.

oment tools are TDD and CID. There currently three TDDs, one in Chesterfield Valley, and two that support the outlet malls. ding infrastructure needs for one of the outlets with plans to shift funding targets toward broader municipal infrastructure CID projects are paid up. The city takes an active role in district management, holding at least one seat on each board. This erests are upheld.

economic development activity.
y tends to pursue projects that will have a regional impact. This is influenced by the fact that they are a primary sales tax e region.

Louis County, the City is a prominent hub for regional commerce. The 2013 population of 15,884 represents a 23.9 percent 2013, estimated median household income was $90,056, a 28.7 percent increase since 2000. Median housing values in $584,146, a 32.8 percent increase since 2000. According to 2013 estimates the population is predominately white (74.8 ans (10.6 percent), African Americans (9.1 percent), and people who identify as Hispanic (2.5 percent)[48]. It is among the oth in the county and the region.

strong, with a large daytime population (46,000), suggesting that the City is a prominent destination for commerce. The quare feet of office space, most of which is class A, and has a 90% occupancy rate. There is an additional 1 million square rhood districts. With three prominent universities (Washington University, Fontbonne University, and Concordia Seminary), opportunity for advanced workforce training. Additionally, major employers include Brown Shoe, Enterprise Rent-a-Car

urban-journals/city-ends-valley-tif-district-years-early/article_9e666eb0-4456-5a0a-909c-e03207f5e1a3.html

headquarters, and Centene Corporation. The St Louis County government offices round out the robust economy additionally attracting prominent law offices that support these institutional functions[49].

The City uses their Downtown plan as a framing document for economic development rather than focusing on a specific economic development plan. Thus, economic development is couched in a broader planning strategy that incorporates less tangible aspects of place e.g. a recent proposal to widen sidewalks is about more than community livability. Wider sidewalks will provide more al fresco dining opportunities for restaurants making the area more attractive for that kind of development. Economic development goals are woven in with broader planning goals and initiatives.

Primary tools used to support development include sales tax reimbursement and abatement for any existing blighted areas, e.g. chapter 100, Chapter 353, support for parking operations through their employee parking incentive program[50], and special taxing districts that include transit oriented development (TOD) and CID. As a general practice, the city does not use TIF. The tool is too difficult to use due to a cumbersome review process. There is one approved district that was established in 2008 but the project never materialized as part of the fallout from the Great Recession. Thus, the city has three CIDs and one TOD district. They have a position on one CID board, the 'Centene' CID as the expenditures for that CID have broader impacts on the city as a whole. The Ladue Marketplace CID is a county implemented CID. When approving sales tax reimbursements and tax abatement for Chapter 100 and 353 districts, they carefully evaluate each project on respective merits, often holding one-on-one meetings with both the developer and the affected taxing districts. The City employs an extensive but-for analysis, carefully analyzes the developer's books to ensure that all taxing districts are treated equally, (e.g. impacts on schools, crime, and density are carefully evaluated). More generally, Clayton is a point-of-sale community but does not seek to attract retail for the sake of sales tax receipts. The City seeks to attract businesses that support broader quality-of-life factors.

SIMILARITIES: They use a variety of tools to support a variety of projects.
DIFFERENCES: They subject all incentive-supported projects to a strict but-for test, including reviews that focus on equal treatment for all taxing districts.

City of Kirkwood

Kirkwood is a historic community located in the southwestern section of St Louis County. Referred to as the "Queen of the Suburbs," this mostly residential community is known for high property values, quality public schools, safe neighborhoods, and solid city services that support the community. The 2013 population of 27,596 represents a 1% increase since 2000. In 2013, estimated median household income was $74,266, a 34.7% increase since 2000. Median housing values in 2013 were estimated at $232,366, a 48% increase since 2000. According to 2013 estimates the population is predominately white (88.2%) followed by African Americans (6.9), people who identify as Hispanic (1.8%), and Asians (1.4%)[51]. The city represents one of the many bedroom communities for the region.

Kirkwood operates without a designated economic development plan. The City relies on planning and development frameworks developed in their comprehensive plan. The City is primarily built out, with no more opportunities for large scale projects. Thus, most projects involve small scale retail

[49] http://www.claytonmo.gov/Business/Economic_Development/Major_Employers.htm

[50] The parking assistance program provides employee parking discounts for downtown retail and restaurant employees as a way to support downtown retail establishments.

[51] US Census of Population and Housing

and infill housing. Vacancy is not a problem. City officials determined at the time that there was not a need for a separate economic development plan given the demand for development in Kirkwood. The city is now developing a separate plan that will help the city coordinate with existing businesses to support their needs. The city wants to take a more proactive approach to economic development to stay ahead of any potential economic challenges that may lie ahead.

The City has a local property tax but it is fairly low. There is an opportunity to use tax abatement but they currently do not since most of the city is not blighted (with the exception of Meacham park), and justifying its use would be difficult. Additionally, tax abatement is controversial in Kirkwood as residents do not like the idea of siphoning resources away from municipal services. They would question the need for or any benefit from it.

The primary development tools used in Kirkwood are TIF, TDD, CID, and NID, all of which generally focus on retail development. There is not much of an industrial base in Kirkwood so most of the non-residential development is commercial/retail in nature.

There are two TIFs that funded mixed use projects in the city. One TIF request was developer initiated, the other was city initiated. Both operate as districts. The projects were reviewed and rewarded through a local commission. TIFs are considered on a project by project basis. There is no general sense either in support or rejection of TIF as a development tool. If a developer requests TIF support then the project is evaluated based on standard TIF criteria. The average payoff for a TIF project is 12 years.

The CID is funding infrastructure for a new grocery store that is under construction at Manchester and Kirkwood Roads. Only one business is currently involved but the City hopes to grow the district to include more businesses. The funds generated by the CID support infrastructure. The City has a seat on the CID governing board.

Sales receipts are very important to the City tax base. That revenue stream comprises a majority of the City's revenue. Kirkwood is a hybrid POS/pool city. Only two percent of the municipality, the Kirkwood commons TIF project, is in the pool. The rest of the city is POS. This structure resulted from annexation activity. The annexed part of the city is in the pool and from that section, the City estimates that they send approximately $1 million to the pool each year.

More generally, Kirkwood has a relatively small industrial base. Most of the community is a mix of established residential neighborhoods and retail-based commercial development. The City's economic development focus frames Kirkwood as a destination, livable community with walkable neighborhoods, and a historic downtown. The city sees nothing to gain by growing the industrial base, estimating it would draw down too many resources and compete with other parts of the region. City officials indicated they did not see an upside to it. Instead, the economic development focus is on highest and best use for commercial corridors like Big Bend Boulevard. Thus, the City addresses economic development issues in small segments. There is no sweeping agenda given that the City is so built out.

SIMILARITIES: They address economic development issues in small segments. The agenda is limited given they are so built out.
DIFFERENCES: They are not interested in growing their industrial base. They are concerned that it would require too many resources and face too much competition in the region.

City of Maryland Heights

Maryland Heights is a second-ring community located in the west central section of St Louis County. The 2013 population of 27,436 represents a 6.5 percent increase since 2000. In 2013, estimated median household income was $57,815, an 18.7 percent increase since 2000. Median housing values in 2013 were estimated at $150,441, a 40.5 percent increase since 2000. According to 2013 estimates the population is predominately white (65.6 percent) followed by Asians (11.6 percent), African Americans (11.1 percent), and people who identify as Hispanic (8.2 percent)[52]. Slightly more diverse than the other local benchmarks, Maryland Heights offers a solid housing stock, a well-regarded public school system, and access to multiple modes of transportation.

Maryland Heights has a distinctly different market and economy than other cities in St Louis County. A regularly updated comprehensive plan directs most development activity. Officials indicated that developing a separate economic development plan will get in the way of what they see as thriving economic activity, noting however that the process is decentralized. Most development requests are initiated through the department of community development where thorough plan review frames each project. They indicated that the process made sense for them since most projects start with planning questions, e.g. zoning, permitting, etc. If the project is sizeable and the developer is requesting incentives then the department of economic development gets involved.

The City employs a process that starts with the end result, assessing needs and impacts for the entire project then looks backward to determine what is needed to accomplish the project. Questions they consider are whether it is a quality project, what are the 'but-for' issues associated with the incentive request, and what are the politics surrounding the project. The City generally does not grant TIF requests unless it is clear that the blight requirement has been met. Same holds true for tax abatement. Regarding tax abatement, in certain locations when the project represents a major redevelopment effort, involving anchor institutions in the area, a Chapter 353 district might be considered. There is a political calculus when making such decisions.

Other projects might be completely City-initiated to accomplish stated planning goals. These projects typically result from city officials driving around the community, noticing areas ripe for redevelopment. In instances the City will develop an incentive package to attract new development to the area, e.g. infrastructure investment, tax abatement, site assembly, etc., issuing an RFP for projects. A clear example of this kind of practice is the World Wide Technologies, a very important business to Maryland Heights. In that case, the City created a 353 district that included additional properties in order to satisfy the blight determination. World Wide Technologies ended up seeking Chapter 100 abatement from St Louis County to round out the project. In another example, the Westport Plaza had peaked about 20 years ago. Officials determined that the location needed help to regenerate interest in the location. In this instance, City officials are considering a TIF district to be set up as a conservation district. With conservation districts, the blight rule is less stringent, and overall economic development is an acceptable goal.

Maryland Heights is not currently using CIDs or TDDs to support development. Officials indicated they are interested in that form of development support but do not intend to sit on the governing board when a district is established. In more challenging development cases, the City is hard pressed to approve tax abatement for any project that generates more school aged children. The City is concerned that additional strain on the school districts will have a detrimental development effect. And unlike cities such as Chesterfield, Maryland Heights struggles with limited cash flow

[52] US Census of Population and Housing

so tools they use are limited and typically project specific, e.g. 353, TIF, CIDs/TDDs. The City takes a market oriented approach to economic development. If there's no market, they don't approve. With tax abatement, the City typically asks the developer to "prove up" the cost of the development. The developer is expected to report performance metrics, e.g. ROI on cost of abatement as the project and abatement period progress. The City will sometimes vary the level of the abatement over the term of the project, e.g. offer lower abatement in the beginning so as to minimize the initial impact on the schools. From a revenue perspective, the City participates in the sales tax pool. They additionally receive revenue from their casino.

SIMILARITIES: Very diverse in its economic development profile.
DIFFERENCES: Very proactive in attracting development, favoring a market based approach to incentivizing projects.

City of University City

University City is a diverse, vibrant inner ring suburb located in the far central/eastern section of the county. The city shares a border with St Louis and in many ways, shares similar characteristics. The 2013 population of 35,148 represents a 6.1 percent decrease since 2000. In 2013, estimated median household income was $52,613, a 28.6 percent increase since 2000. Median housing values in 2013 were estimated at $205,841, a 93.48 percent increase since 2000. According to 2013 estimates the population is predominately white (50.3 percent) followed by African Americans (38.2 percent), Asians (3.8 percent), and people who identify as Hispanic (4.2 percent)[53]. It is a full-service city, indicating that the municipality supports its own police, fire, schools, and refuse services.

University City bases much of its economic activity on an economic development work plan that is separate from the comp plan. Additionally, general economic development programing is supported by a 0.25 percent, city-wide sales tax. The sales tax pays for an economic development manager and provides additional salary support for planning and community development activities that impact economic development. Remaining funds from the tax are used across the city for activities designed to enhance economic development, e.g. street beautification, security, chamber events, a farmer's market, and targeted redevelopment activities on Olive Blvd. and the Loop. The City is a pool city, receiving revenue support rather than providing retail sales dollars.

Redevelopment activities are designed to promote innovation and further workforce opportunities. For example, the City is establishing a maker's space on Olive Blvd. as a way to stimulate entrepreneurial activity. Additionally, the City has an incentive program that use forgivable loans to support further redevelopment on Olive Boulevard and are engaged in place-making activities like developing a traffic management response on Olive to enhance further economic development in sections that have been slow to redevelop. They are looking into ways to slow traffic as a way to encourage more shopping along the corridor.

The City does not use tax abatement very often (last used it in 2011) as there is not much support for the tool. Many see it as siphoning away much needed tax dollars from taxing districts that need the funds (e.g. schools and fire). Officials indicated, however, that if a project was located in the redevelopment target areas along Olive Boulevard where very little residential development is located, there may be more support, as residents may see the need. The same holds true for TIF projects. The City retired its only TIF, located on Olive Boulevard, in 2012. The TIF was set up as a pay-as-you-go district designed to fund infrastructure improvements that could enhance development potential. As a part of the project, the City

[53] US Census of Population and Housing

purchased two lots within the TIF district, one at North and South and Olive and other on Midland in a floodplain. The intention was to use TIF funds to support infrastructure improvements and issue an RFP to redevelop the North and South lot and move forward with plans to convert the Midland lot to a greenscaped park. This treatment for the Midland lot was designed to address flooding issues. The additional reason TIF is seldom used is that the City is pretty well built out, thus there is little room for large TIF redevelopment.

SIMILARITIES: Challenged with a socioeconomic divide between the northern and southern sections of the municipality.
DIFFERENCES: Economic development activities appear to be centrally organized through city hall.

Discussion

What becomes evident when considering the economic development activities for these six municipalities is the relationship between planning and development activity. Whether there is an independent economic development plan or a comprehensive plan guiding the work, each city relies on a predetermined process and framework. Additionally, the dependence on TIF to support development is declining across the municipalities, and tax abatement is almost exclusively used for commercial development. Finally, most of the municipalities are closely involved in the work happening in special taxing districts like CIDs and TDDs. Many have a position on the governing boards of these districts. It is evident that City leaders are concerned with resident support for incentives that have a potential impact on tax revenue.

IV. St. Louis Incentives Past Performance

Analysis of Past Performance

Past Incentive Use

The main analytical task of the project team was the analysis of past City of St. Louis tax incentive use and the exploration of the impact of incentive use on project and neighborhood level economic outcomes. In terms of the past use of incentives, the project analyzed local incentives provided for economic development projects between 2000 and 2014 to answer four questions:

5. Where and when have incentives been used in the City?
6. What is the dollar amount of incentive use?
7. What are the characteristics of incentivized projects in terms of either available data on incentives or the available data on the projects?
8. How were incentives layered to complete projects, particularly where local incentives were used alone and where local incentives were combined, with state level or other incentives?

The first section of this chapter describes the main types of incentive data analyzed for the project, with subsequent sections detailing the findings. The Appendix provides detail about the source of incentive data, how the data was cleaned, and how the data was mapped and aggregated for this initial analysis.

Discussion of Incentive Data

The project team acquired information on incentive use provided to projects in the City from 2000 through 2014, specifically the location, incentive amount, date of use and other data on the characteristics of the incentivized project. In terms of locally authorized incentives, these included:

- *Tax abatement* (under a variety of provisions including Chapter 99), where the city exempts a portion of after improvement assessed property value for a specific period in time (5 or 10 years generally);
- *Tax incentive*, where the city designates a TIF district where a percentage of after improvements increases in property, sales and other local taxes are used to fund project improvements;
- *New Markets Tax Credits*, a federal tax credit program where the city provides allocations of credits for equity investments into projects in return for reductions in federal tax liability;
- *Enhanced Enterprise Zone (EEZ)*, a joint city/state incentive, where 10 year city property tax abatement is paired with a variety of state level incentives; and
- *Local bond financing*, where the City, through a variety of entities, releases tax exempt bonds that are purchased by investors, with the proceeds of the bond sales used to fund a variety of resident and commercial projects, including the refinancing of existing projects, and the economic activity generated from the projects used to pay off the bonds.[54]

A number of locally-based incentives were not analyzed. First, there was little consistent data on transportation development districts (TDDs), either in terms of their location, use or their expected cost in terms of public funds. TDDs are equivalent to TIF districts, in that a portion of post-improvement public taxes are used to fund improvement costs. As of 2014, there were 5 TDDs in the City, mostly alongside retail or commercial development districts. While the Missouri Department of Revenue does collect and report sales tax receipts going into TDDs, data is suppressed for districts with less than six firms reporting data. Additionally, the project team did not analyze special tax districts—districts enacted by voters/property owners within specified areas to levy an additional property assessment to fund district activities such as security, public enhancements, marketing, etc. Local assessor data only noted the location of special tax districts, and data on these districts—largely their annual summary of expenses and revenues—is only available from the Department of Revenue at cost.

Finally, data on Enhanced Enterprise Zones only include the location of the incentive and when the incentive was granted; therefore, the analysis does not directly include the value of these incentives. Given

[54] More information on local development incentives can be found at https://www.stlouis-mo.gov/government/departments/sldc/.

that these incentives include real estate abatement, it is expected that the tax abatement data includes abatements under this program.

In order to understand the layering of incentive use, the project team also acquired data on most state incentives used for economic development in the City. Generally, these incentives are of three major types:

Tax credits, where the state provides a credit reduction in state taxes in exchange for some improvement or investment in economic development. In terms of **real estate** credits, these incentives mainly include:

- Low income housing tax credits, used for the provision of affordable housing
- Historic preservation tax credits for the rehabilitation of property in local historic districts or property designated as historic buildings
- Neighborhood preservation tax credits, used to rehabilitate owner occupied housing in much of the City
- Brownfield tax credits, a tax credit which can be used for investments to clean up contaminants and environmental hazards on project sites
- Distressed Area Land Assemblage tax credit, a tax credit which reimburses the cost of acquiring and holding vacant property within designated areas.[55]

These state tax credit programs generally provide subsidies to property owners in return for investments in residential and commercial property. While each program has differing qualifications, all generally operate through a State review process where developers apply for credits, receive authorization, complete improvements and either apply for credits for redemption or syndicate the credits to an equity investor for additional financing to pay for the cost of improvement. Some of these credits can be sold or syndicated to investors or other entities and others are purely used by property owners.

Outside of real estate credits, there are a small number of business-related state tax credit programs for investments in capital improvement, job creation, etc. Some of these credit programs are authorized by the Missouri Development Finance Board (MFDC) and others are operated by the Missouri Department of Economic Development. Additionally, there are a number of contributory tax credit programs operated by the State, generally available to non-profits. Under these programs, non-profit entities apply for allocations of the credits for specific (generally non-real estate related), projects and then provide credit redemptions to donors who make donations to those projects.

Tax financing incentives: Missouri provides a limited number of tax incentive tools. These operate very similar to the local TIF incentive, except they utilize state tax revenues to fund project improvements. One of the larger ones, no longer active, is the Missouri Downtown Economic Stimulus Act (MODESA) which was jointly operated by the Missouri Department of Economic Development and MFDC.

Investments: Like the City, the State provides some bond financing for local projects; most of this financing is done through the Missouri Housing Development Corporation (MHDC), including some projects where MHDC is the owner of the facility.

Basic Findings: How Much, Where, When and For What

As detailed in the Appendix, each incentive record was geocoded to a 2014 parcel map of the City. The mapped data point included not just the geographic location of the incentive (parcel, block and neighborhood) but also the year of the incentive use and the dollar value associated with the incentive.

Value of Incentive:

[55] More information on state level incentives can be found at: https://ded.mo.gov/Programs.aspx.

Analysis of Past Performance

The total amount of incentives provided to projects in the City between 2000 and 2014 was $3.85 billion. There was also $2.03 billion in state level incentives provided during the same time period. Table 1 lists the incentive totals for each of the local and state incentives studied.

Table 1: Summary of Incentive Use by Categories of Local and State Incentives
City of St. Louis, 2000 to 2014

	$$ Value	% of Total
Tax Abatement	$307,497,450	8.0%
TIF	$401,627,629	10.4%
Bond Financing	$2,911,968,463	75.5%
New Market Tax Credits	$235,142,412	6.1%
Total Local Incentives	$3,856,235,954	
Tax Credit		
Real Estate Related		
Low Income	$413,537,429	20.4%
Historic Preservation	$867,464,208	42.8%
Neighborhood Preservati	$32,451,384	1.6%
Brownfield	$138,897,637	6.9%
Distressed Area Land Ass	$28,957,305	1.4%
Business	$62,265,374	3.1%
Contributory	$49,851,297	2.5%
Tax Financing	$81,400,000	4.0%
Investments	$249,273,550	12.3%
Total State	$1,924,098,184	

* does not include another $14,000,000 not associated with a specific location

Source: Various. See Apendix 1 for listing of data sources.

Locally, the table shows both the prominence of TIFs ($402 million over the period) and property tax abatement ($307 million) and the extensive use of local bond financing ($2.91 billion). At the state level, there are also significant investment activities through the use of bonds ($249 million) and tax increment financing ($81 million). However, tax credits are the largest form of state incentive, with real estate related incentives at $1.48 billion for the period and business and contributory tax credit programs at $165 million and $50 million respectively.

In reporting the total dollar amount of incentives, both local and state, it should **not** be assumed that this represents either a cost to local/state taxpayers or the total investment made into projects based on the incentives. **The dollar amounts mean different things based on the different incentives.** For example:

- For tax abatements (both abatements provided under Chapter 99 and abatement under EEZ) the table reports an estimate of the local share[56] of property taxes abated based on that total exempt amount and an average of commercial and residential property for the 15 year period studied.[57]

- For tax financing incentives, the dollar amount represents the amount of initial investment into the TIF project through TIF bonds or notes, based on information from the St. Louis Development Corporation (SLDC) or the Missouri Department of Revenue for local TIF projects or MHDC for state TIFs. In other words, this is the amount that was invested in TIF projects—either at commencement of the TIF district or as part of separate redevelopment project areas—and not the amount captured through increased local taxes.
- For New Markets Tax Credits, the amount represents the amount of the federal credit awarded to the developer for the projects, based on SLDC records.
- For bond financing, the amount represents the value of tax exempt bonds released by City agencies for financing or refinancing, based on SLDC records. State bond investment data comes from information compiled by MHDC.
- For state tax credits, the dollar value represents the value of taxes redeemed for a particular year for a specified project, based on a listing of tax credits maintained by the Missouri Department of Economic Development. Business related credits included information provided by MHDC.

Thus, the dollar amounts are not strictly comparable across the incentive types.

- For some incentives, such as local property abatements, the dollar amount represents an amount forgone by local governments and not captured by taxes. For example, for local property abatements, the incentive amount is an estimate of the property tax bill that an owner of an abated property does not pay.
- For tax financing incentives, the amount represents the initial investment in the project, but does not include other costs (interest and fees) that are ultimately paid out of the public flow from the project, nor the total flow from the increment of taxes collected in the district throughout its lifetime.
- For New Markets Tax Credits, the allocation amount is substantially more than tax redemption value, depending upon how the credit allocation is structured.[58]
- For bond financing, the amount represents the proceeds of the bond sale.[59,60]

In order to adequately compare incentives, much of the analysis separates out real estate incentives—such incentive types such as tax abatement, local and state level tax increment financing and real estate focused

[56] Local share includes not just the property tax revenue going to the City of St. Louis for general purposes, but also the share going to other public governments, such as St. Louis Public Schools, the Community Children's Service Fund, the Museum and Garden District, etc. This local share estimate was calculated using the historical tax rates for the city, available at https://www.stlouis-mo.gov/government/departments/assessor/. As of 2014, the city taxed residential property $7.5850 for each $100 of assessed value and the city's share was only $1.6063 of that total tax rate, approximately 21%.

[57] To analyze property abatements, the project team used two distinct data streams. SLDC's abatement log lists every property receiving abatement in the City by the date of the abatement letter, but does not include any data on the value of the abatement. By contrast, Assessor tax master data includes the value of the abatement, but does not include data on when the abatement started or will end. Assessor data was used to assess the value of the abatement; however, the project team concludes that this is a conservative estimate—i.e., missing likely abated value—as not all abated properties based on the SLDC information have corresponding exemption records in the tax master data. See Appendix 1 for more discussion of this issue.

[58] Informally, one local development source estimates that this redemption value averages around 60% of the allocation amount.

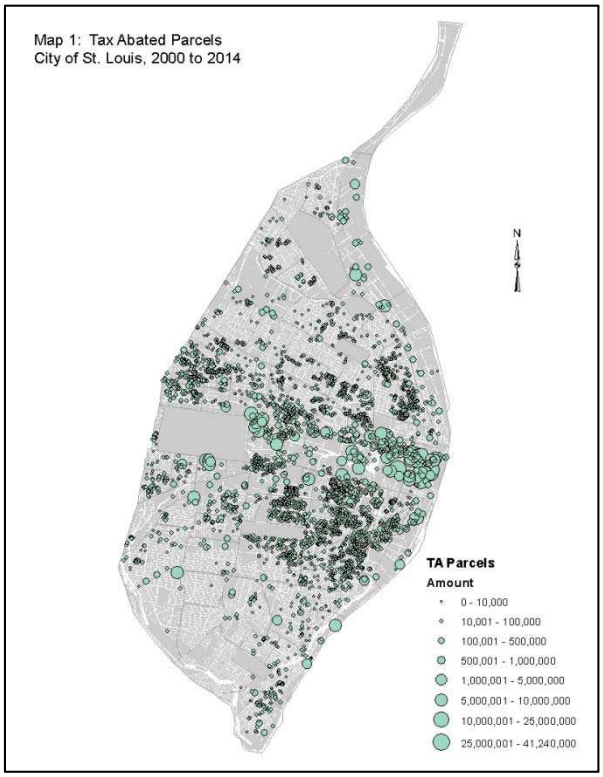
[59] According to local development officials, because these bond-financed projects are special purpose bonds and paid off using project revenue, local bonding occurs at very little cost to local government and in fact the city makes significant fees off of the bonds. The exception is when the bonded project is owned by city and local government (or some subsidiary agency) that is liable should the project not perform.

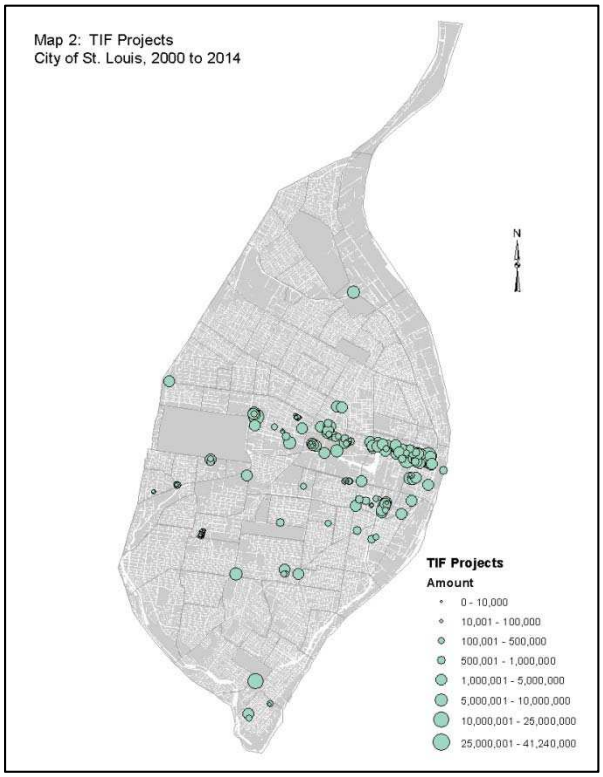
[60] A small number of bond projects received multiple bond issues over the course of the study period.

tax credits—with other incentives such as local bonding, state bond and grant investments in business operations and business or social tax credits.

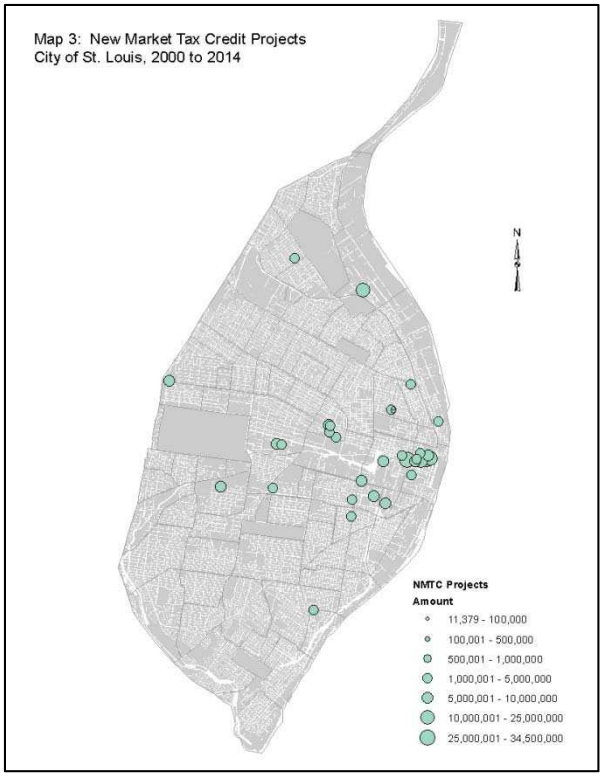
Location of Incentive Use

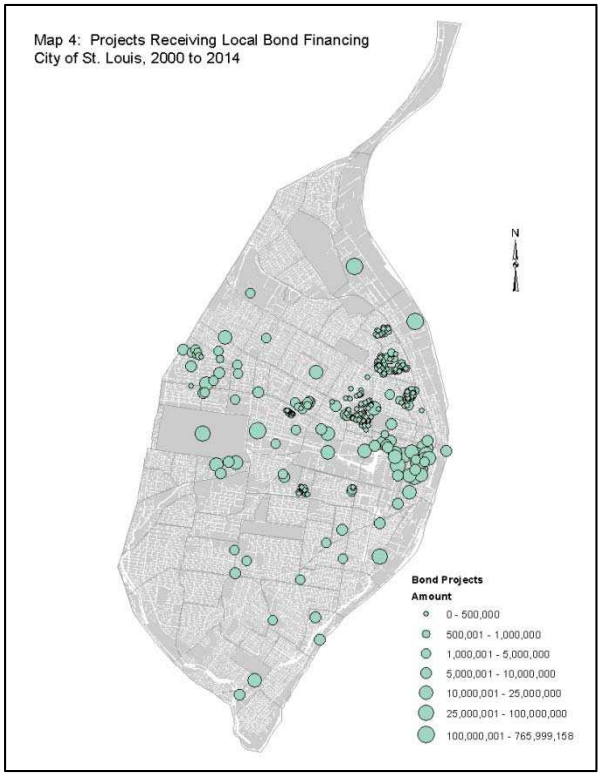
Mapping the use of incentives to a parcel base map of the City of St. Louis provides the opportunity for a depiction of the location of incentive use.[61] Maps 1 through 4 show the location and dollar value of the four major local incentives—tax abatement, tax increment financing, New Markets Tax Credits and local bond financing. The location dot is specific to the parcel that received the incentive and is scaled by the dollar value of the incentive.



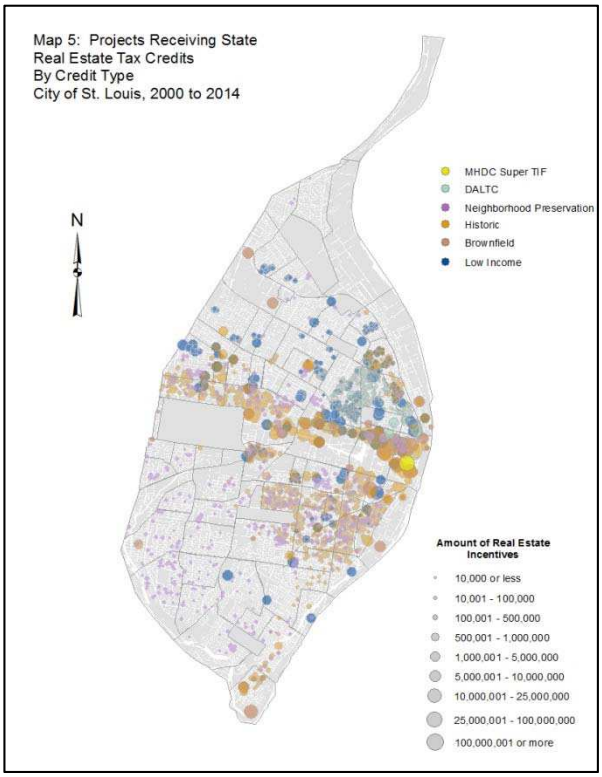


[61] Where incentives were provided on a project level basis to a multi-parcel site, the incentive amount was parsed to each parcel based upon either the share of the parcel's unit count (for residential projects) or the share of all permit investment (for commercial projects). Appendix 1 provides more details on this.





These maps show the distinct geographic pattern of incentive use during this period, with tax abatements spread throughout the City and TIF districts concentrated in the central portion of the City. Much of the portion of St. Louis south of downtown and east of Grand has received tax abatement and the largest values in tax abatement are found in the central corridor. Map 3 (New Markets Tax Credits) shows that there are far fewer projects receiving these credits and that examples of the projects can be found throughout the City. Similarly, there has been a wide distribution of local bond projects, including larger projects in the central corridor and smaller projects in residential areas on both the north-side and south-side of the City.



While the first impression of the maps is that incentives are widespread, only a small number of parcels (approximately 8,000) received some form of incentive funding during this period. Additionally, as will be discussed later in the report, about half of the parcels received just tax abatement—which on average have the smallest incentive dollar values.

Map 5 shows the distribution of state level real estate related tax credits[62] tax credits by both type of the credit and dollar value. There are similarly strong geographic patterns in the use of state incentives,

[62] Real estate tax credits do not include business related credits or the contributory credits as discussed above.

particularly based on the type of state tax credits. Historic preservation tax credits are restricted to historic districts and areas with qualifying historic property—mainly in the central and southeast portion of the city. Neighborhood preservation tax credits are mostly in the south portion of the city and low income credits primarily in the central and northern part of the city. Brownfield tax credits are found throughout St. Louis, including Downtown—where they were used extensively for commercial to residential conversions—and in commercial areas for industrial or commercial development.

Other Descriptive Data on Incentives Use

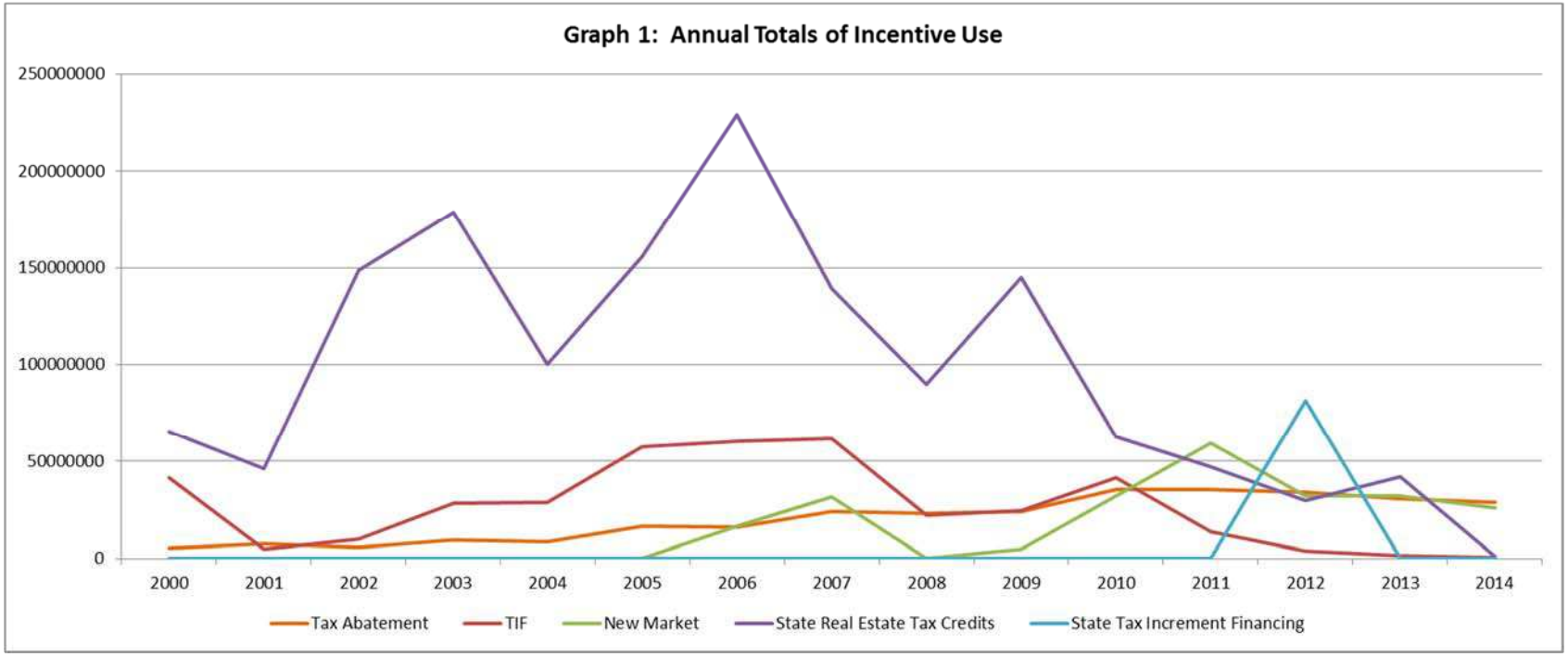
Based on data available on incentives, a variety of additional descriptive analyses were completed. Table 2 shows the time trends in terms of use of the incentives—both for the four categories of local incentives, the four categories of state tax credits and for state level tax financing and investment by MHDC. Graph 1 charts the annual totals of real estate incentives by year.

Analysis of Past Performance

Table 2: Annual Summary of Incentive Use by Categories of Local and State Incentives
City of St. Louis, 2000 to 2014

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Local Incentives															
Tax Abatement	$5,313,429	$7,591,348	$5,750,036	$9,529,419	$8,523,763	$16,739,385	$16,318,164	$24,123,676	$23,292,567	$24,022,847	$35,282,165	$35,417,581	$33,792,798	$30,951,984	$29,043,122
TIF	$41,640,000	$4,649,000	$9,981,802	$28,462,152	$28,741,919	$57,580,000	$60,300,000	$61,886,000	$22,410,000	$24,520,000	$41,728,649	$13,612,144	$3,949,107	$1,750,000	$416,856
New Market Tax Credits	$0	$0	$0	$0	$49,383	$0	$16,720,933	$31,872,096	$0	$5,000,000	$32,000,000	$59,500,000	$32,000,000	$32,000,000	$26,000,000
Bond Financing	$779,144,142	$45,750,000	$37,944,998	$475,661,000	$58,305,000	$217,341,110	$63,505,529	$96,359,995	$146,900,000	$131,601,922	$399,496,003	$92,753,783	$213,439,667	$76,910,000	$76,855,314
State Incentives															
Real Estate Tax Credits	$65,507,423	$46,162,658	$148,539,120	$178,625,870	$100,451,529	$155,802,137	$229,293,295	$139,286,744	$89,865,867	$144,946,659	$62,530,809	$47,181,497	$29,968,169	$41,853,027	$1,288,160
Business Tax Credits	$17,813,028	$2,793,698	$46,848,452	$16,201,081	$7,919,007	$2,859,419	$694,781	$4,117,020	$17,933,012	$11,051,955	$6,149,819	$4,741,569	$6,867,016	$3,619,013	$15,563,676
Contributory Tax Credits	$5,454,426	$2,462,997	$2,478,504	$7,085,608	$4,144,910	$5,213,858	$2,797,634	$2,007,446	$3,072,079	$3,130,192	$2,623,937	$1,735,841	$2,984,414	$2,653,103	$2,006,348
Tax Increment Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$81,400,000	$0	$0
Investments	$44,555,000	$2,500,000	$0	$45,760,000	$18,500,000	$28,995,000	$1,800,000	$0	$5,000,000	$25,000	$17,000,000	$2,582,500	$52,362,700	$30,193,350	$0

Source: Various. See Apendix 1 for listing of data sources.



Each of the incentive types exhibits a particular temporal pattern. For example:

- While TIFs peak in 2007 and fall after then, reflecting the effects of the real estate related slowdown of that period, tax abatements steadily rise throughout this period, reflecting their continued use in smaller residential projects.
- By contrast, New Markets Tax Credits continue to rise since 2008, reflecting their use as an alternative to TIF funding for some commercial projects.
- The graph particularly demonstrates the ongoing importance of state tax credits in local development projects, particularly in the peak of development investment from 2000 to 2007, as well as the decline in their use since 2007—a function of both the real estate decline as well as changes in state authorization in the credits.

Table 3 breaks out the incentives by the three main incentive types (tax abatement, tax financing and investment) for local and state incentives separately.

Table 3: Summary of Incentive Use by Incentive Type
City of St. Louis, 2000 to 2014

	All Incentives		Local Incentives		State Incentives	
	$$ Value	%	$$ Value	%	$$ Value	%
Abatement	$307,497,450	5%	$307,497,450	8%	$0	0%
Tax Increment Fir	$483,027,629	8%	$401,627,629	10%	$81,400,000	4%
Tax Credit	$1,931,474,216	33%	$235,142,412	6%	$1,696,331,804	84%
Investment	$3,161,242,013	54%	$2,911,968,463	76%	$249,273,550	12%
Total	$5,883,241,308		$3,856,235,954		$2,027,005,354	

Source: Various. See Apendix 1 for listing of data sources.

In terms of dollar values, investments (i.e., bond financing) is the largest form of local incentive use (in terms of percentage) and all incentives, followed by tax credits (84 percent of state incentives and 33 percent of all incentives). In terms of potential cost to taxpayers, TIFs lead the list for local incentives (10 percent) followed by abatement (8 percent) and tax credits lead the list for state incentives.

Table 4 details incentive use based upon the land use of the project—commercial, residential, mixed use or institutional.[63]

[63] Project types were determined by examining the current land use of the parcel on which the incentives was used. Some checking was done for land use codes that were indeterminate or where the other information on the project did not concur with the land use designation. "Institutional" projects were incentives provided to public entities or non-profit agencies generally. See Appendix 1 for more detail on this process and the meaning of the types.

Table 4: Summary of Incentive Use by Project Type
City of St. Louis, 2000 to 2014

	All Incentives		Local Incentives				State Incentives			
			All Incentives		Real Estate Incentives		All Incentives		Real Estate Incentives	
	Value	%	Value	%	Value	%	Value	%	Value	%
Commercial	$2,665,571,633	45%	$2,004,529,673	52%	$506,476,078	54%	$655,720,077	33%	$314,784,253	20%
Institutional	$978,537,274	17%	$815,224,369	21%	$63,595,553	7%	$154,036,341	8%	$63,172,755	4%
Residential	$1,214,052,954	21%	$487,260,203	13%	$101,746,204	11%	$725,572,509	36%	$718,323,641	46%
Mixed Use	$1,011,176,706	17%	$542,509,587	14%	$266,704,963	28%	$467,560,295	23%	$459,361,696	29%

Note: Approximately $1.8 million of local property tax abatements are not categorized.
Land use categorized as vacant land are not shown in table (0.2% of total incentive value).
Source: Various. See Apendix 1 for listing of data sources.

Data are broken out for all incentives—local and state incentives—and local and state real estate incentives (omitting investments and state level business and contributory taxes). Business projects comprise the largest users of incentives at the local level and overall; for example, 52 percent of local incentives and 45 percent of all incentives go to business projects, compared to just 33 percent of state incentives. By contrast, a greater share of state incentives go to residential projects—36 percent at the state level, compared to just 13 percent at the local level.

Neighborhood Patterns

A second stage of this descriptive analysis summarizes incentive use by city neighborhood to compare neighborhoods and types of neighborhoods with the patterns of incentive use. Table 5 lists city neighborhoods and their incentive use by incentive type. Table 6 summarizes incentive use for all local and state incentives and real estate focused incentives specifically.[64]

[64] Real estate related incentives include tax abatement, TIF and New Market tax credits on the local level and state real estate tax credits and tax increment financing incentives on the state level, but exclude local bond financing, state financing or state level business or contributory tax credits and investments.

Table 5: Neighborhoods with Aggregate Value of Incentive Use
City of St. Louis, 2000 to 2014

	Business Credits*	Social Tax Credits**	State Real Estate Tax Credits	MHDC Investment	Tax Abatement	Local Tax Exempt Bonds	New Market Tax Credits	TIF	Total Incentives	% Total
Downtown	$19,652,545	$7,569,120	$310,488,986	$379,742,500	$86,108,782	$1,679,531,815	$89,500,000	$168,651,823	$2,744,763,733	47%
Downtown West	$2,773,274	$4,380,701	$285,843,681	$3,000,000	$36,495,427	$203,995,000	$44,500,000	$75,743,379	$662,731,462	11%
Central West End	$6,333,824	$7,547,101	$138,312,697	$30,832,170	$28,643,593	$144,715,018	$11,000,000	$37,633,400	$408,981,170	7%
Near North Riverfront	$1,476,766		$5,968,051		$3,142,314	$220,000,000	$5,000,000		$235,587,131	4%
Midtown	$14,915,033	$1,068,531	$56,080,040	$4,130,700	$38,999,903	$42,362,000		$26,450,000	$184,006,206	3%
Covenant Blu/Grand	$3,096,038	$5,739,206	$86,833,616	$3,125,000	$6,833,500	$30,449,397	$20,000,000	$16,290,000	$173,256,697	3%
North Riverfront	$2,096,223				$4,975,817	$121,000,000	$10,500,000	$6,150,000	$144,722,040	2%
Soulard	$143,150	$315,540	$34,026,147		$3,466,991	$41,455,000		$5,320,000	$85,861,404	1%
West End	$266,569	$289,805	$28,855,474		$4,292,186	$34,635,000	$9,000,000	$2,100,000	$80,038,127	1%
Hyde Park	$219,000		$42,034,109		$1,442,479	$30,400,000			$74,095,588	1%
Parks		$2,645,070		$7,923,350		$52,225,000			$62,793,420	1%
Peabody	$206,363	$17,758	$31,402,497		$522,680		$8,000,000	$19,300,000	$59,511,003	1%
JeffVanderLou		$1,978,195	$33,226,811		$5,077,353	$17,531,782		$1,200,000	$59,014,140	1%
St. Louis Place	$160,947	$267,824	$23,918,518		$2,415,600	$17,373,848	$1,642,412		$45,916,445	1%
Cheltenham	$1,020,248	$6,115,859	$459,395		$7,932,765	$25,600,000		$2,400,000	$43,528,267	1%
Carondolet	$552,227	$143,697	$1,680,287		$1,799,733	$27,930,000		$11,000,000	$43,287,952	1%
Columbus Square	$206,952		$32,862,255		$510,432	$9,400,000			$42,979,639	1%
Old North St. Louis	$339,646	$140,933	$23,859,911		$872,069	$11,857,732	$2,000,000		$39,164,992	1%
Tower Grove South	$637,651	$39,363	$5,640,042	$2,000	$2,033,924	$10,821,668		$12,949,000	$33,576,020	1%
Lafayette Square	$334,322		$16,635,490		$2,715,660		$8,000,000	$4,695,770	$33,038,527	1%
The Gate District			$12,679,039		$6,544,000	$6,276,001	$5,000,000	$1,000,000	$32,291,486	1%
Patch	$531,693	$685,895	$21,157,104		$1,178,216			$3,277,717	$26,830,624	0%
Visitation Park			$16,373,956		$830,682	$9,000,000			$26,294,585	0%
DeBaliviere Place	$7,137		$14,913,993		$1,521,647	$8,770,000			$26,146,566	0%
Vandeventer			$7,000,001		$543,701	$18,499,999			$26,111,992	0%

Table 5: Neighborhoods with Aggregate Value of Incentive Use (con't)
City of St. Louis, 2000 to 2014

	Business Credits*	Social Tax Credits**	State Real Estate Tax Credits	MHDC Investment	Tax Abatement	Local Tax Exempt Bonds	New Market Tax Credits	TIF	Total Incentives	% Total
The Ville		$64,363	$11,766,818		$352,379	$13,205,000			$25,505,525	0%
Forest Park SE	$523,170	$337,220	$20,861,295		$2,674,249				$24,720,585	0%
Kings Oak	$32,966	$738,079			$12,858	$23,640,000			$24,423,903	0%
Carr Square	$53,830	$21,471	$14,913,770		$1,670,393	$7,610,000			$24,269,465	0%
Wells/Goodfellow		$3,975	$5,786,582		$728,686	$16,200,000			$22,719,243	0%
Mount Pleasant	$75,000		$2,998,797		$2,283,666	$14,226,000	$2,000,000		$21,623,463	0%
Benton Park	$182,432		$15,073,650	$25,000	$3,145,376			$1,000,000	$20,995,959	0%
Fox Park	$137,854	$250	$8,666,948		$1,322,508	$6,275,000	$4,000,000		$20,766,984	0%
The Greater Ville	$298,620	$356,986	$18,594,100		$1,044,712				$20,304,414	0%
McRee Town	$62,325		$1,243,287		$3,449,621	$7,150,000	$5,000,000		$17,156,175	0%
Tower Grove East	$8,504		$9,267,944		$1,443,497	$4,900,000		$231,540	$16,828,448	0%
Shaw		$274,074	$11,068,270		$2,566,241			$570,000	$15,999,842	0%
Fountain Park			$7,068,571		$941,433	$7,605,000			$15,671,462	0%
Lasalle	$371,180	$3,335,571	$2,972,946		$668,945	$6,660,000		$1,300,000	$15,375,222	0%
Kosciusko	$265,276		$5,623,973	$3,000,000	$5,147,601				$14,036,850	0%
Skinker/DeBaliviere	$265,661		$10,136,711		$2,742,368	$160,000			$13,992,726	0%
Gravois Park		$75,000	$8,073,423		$1,085,307	$3,675,000			$13,371,223	0%
College Hill		$406,847	$5,062,576		$113,393	$7,500,002			$13,122,818	0%
Tiffany	$656,357	$649,036	$4,487,474		$2,962,744	$3,773,201		$390,000	$12,958,812	0%
The Hill	$358,719	$108,929	$85,948		$2,711,777		$8,000,000	$1,320,000	$12,784,174	0%
Mark Twain/1-70	$846,440		$2,693,057	$1,800,000	$614,968	$5,000,000			$10,954,464	0%
Benton Park West		$1,489,141	$4,220,866		$635,669	$3,500,000			$10,369,588	0%
Hamilton Heights		$89,275	$4,903,553		$584,400	$3,750,000			$9,327,228	0%
Walnut Park East		$15,573	$6,682,990		$405,663		$2,000,000		$9,104,226	0%
Dutchtown	$107,245	$130,675	$2,790,918		$1,527,975	$4,410,000			$9,012,334	0%

Table 5: Neighborhoods with Aggregate Value of Incentive Use (con't)
City of St. Louis, 2000 to 2014

	Business Credits*	Social Tax Credits**	State Real Estate Tax Credits	MHDC Investment	Tax Abatement	Local Tax Exempt Bonds	New Market Tax Credits	TIF	Total Incentives	% Total
Academy		$94,452	$3,327,929		$217,789	$4,250,000			$7,944,170	0%
Bevo Mill	$6,914		$5,998,910		$710,460				$6,854,529	0%
Marine Villa			$4,441,549		$1,556,309				$6,148,287	0%
Southwest Garden	$104,180	$591,681	$259,314		$1,394,651			$1,340,000	$4,489,081	0%
Penrose		$104,594	$3,673,158		$345,864				$4,161,087	0%
Kingsway East		$780,128			$456,547	$2,450,000			$3,701,200	0%
Kingsway East			$3,635,000		$33,600				$3,668,600	0%
McKinley Heights		$25,625	$2,604,723		$596,685				$3,557,327	0%
Franz Park					$2,151,965			$808,904	$3,426,893	0%
Clayton/Tamm	$2,000,000	$3,610			$848,547			$506,096	$3,406,717	0%
North Hampton		$600,613			$464,766	$2,200,000			$3,347,430	0%
St. Louis Hills	$36,260	$36,932			$2,299,532				$3,084,200	0%
Lindenwood Park	$112,445		$1,204,732		$1,339,997				$3,080,832	0%
Mark Twain	$225,000		$2,290,002		$300,617				$2,917,883	0%
O'Fallon			$1,734,766		$685,581				$2,499,391	0%
Fairgrounds Nbhd	$19,200		$2,195,000		$256,012				$2,470,212	0%
Clifton Heights		$400,067			$1,740,625				$2,214,641	0%
Compton Heights			$1,818,547		$264,301				$2,150,130	0%
Boulevard Heights					$44,568				$706,141	0%
Ellendale	$268,584				$299,669				$587,053	0%
Wydown/Skinder			$62,279		$418,009				$520,288	0%
Hi-Pointe			$314,106		$132,709				$477,203	0%
Baden	$68,099				$398,565				$472,981	0%
North Point	$150,000	$172,533			$60,238				$407,766	0%
Lewis Place	$47,075				$349,164				$396,239	0%

Table 5: Neighborhoods with Aggregate Value of Incentive Use (con't)
City of St. Louis, 2000 to 2014

	Business Credits*	Social Tax Credits**	State Real Estate Tax Credits	MHDC Investment	Tax Abatement	Local Tax Exempt Bonds	New Market Tax Credits	TIF	Total Incentives	% Total
Holly Hills					$213,446				$295,059	0%
Walnut Park West					$139,008				$139,008	0%
South Hampton	$12,430				$42,342				$112,946	0%
Princeton Heights									$79,663	0%
Riverview									$0	0%

Note: Cells with $0 amounts not shown for legibility.
Source: Various. See Apendix 1 for listing of data sources.

Table 6: Neighborhoods with Summary of Incentive Use
City of St. Louis, 2000 to 2014

	Total State Incentives	% Total	Total Local Incentives	% Total	Total Incentives	% Total	Total Real Estate Incentives	% Total	State Real Estate Incentives	% Total	Local Real Estate Incentives	% Total
Academy	$3,476,381	0%	$4,467,789	0%	$7,944,170	0%	$3,599,718	0%	$3,327,929	0%	$217,789	0%
Baden	$74,416	0%	$398,565	0%	$472,981	0%	$404,882	0%	$0	0%	$398,565	0%
Benton Park	$16,850,583	1%	$4,145,376	0%	$20,995,959	0%	$20,813,527	1%	$15,073,650	1%	$4,145,376	0%
Benton Park West	$6,233,919	0%	$4,135,669	0%	$10,369,588	0%	$5,380,447	0%	$4,220,866	0%	$635,669	0%
Bevo Mill	$6,144,069	0%	$710,460	0%	$6,854,529	0%	$6,847,616	0%	$5,998,910	0%	$710,460	0%
Boulevard Heights	$661,573	0%	$44,568	0%	$706,141	0%	$706,141	0%	$0	0%	$44,568	0%
Carondolet	$2,558,219	0%	$40,729,733	1%	$43,287,952	1%	$14,662,028	1%	$1,680,287	0%	$12,799,733	1%
Carr Square	$14,989,071	1%	$9,280,393	0%	$24,269,465	0%	$16,584,163	1%	$14,913,770	1%	$1,670,393	0%
Central West End	$186,989,159	9%	$221,992,011	6%	$408,981,170	7%	$250,385,228	9%	$138,312,697	9%	$77,276,993	8%
Cheltenham	$7,595,502	0%	$35,932,765	1%	$43,528,267	1%	$10,792,160	0%	$459,395	0%	$10,332,765	1%
Clayton/Tamm	$2,052,074	0%	$1,354,642	0%	$3,406,717	0%	$1,403,107	0%	$0	0%	$1,354,642	0%
Clifton Heights	$474,016	0%	$1,740,625	0%	$2,214,641	0%	$1,814,575	0%	$0	0%	$1,740,625	0%
College Hill	$5,509,423	0%	$7,613,395	0%	$13,122,818	0%	$5,215,969	0%	$5,062,576	0%	$113,393	0%
Columbus Square	$33,069,207	2%	$9,910,432	0%	$42,979,639	1%	$33,372,687	1%	$32,862,255	2%	$510,432	0%
Compton Heights	$1,885,829	0%	$264,301	0%	$2,150,130	0%	$2,150,130	0%	$1,818,547	0%	$264,301	0%
Covenant Blu/ Grand Center	$99,683,800	5%	$73,572,897	2%	$173,256,697	3%	$133,972,056	5%	$86,833,616	6%	$43,123,500	5%
DeBaliviere Place	$15,854,920	1%	$10,291,647	0%	$26,146,566	0%	$17,369,429	1%	$14,913,993	1%	$1,521,647	0%
Downtown	$720,971,313	36%	$2,023,792,420	52%	$2,744,763,733	47%	$1,038,010,253	36%	$391,888,986	26%	$344,260,605	36%
Downtown West	$301,997,656	15%	$360,733,806	9%	$662,731,462	11%	$451,582,487	16%	$285,843,681	19%	$156,738,806	17%
Dutchtown	$3,074,360	0%	$5,937,975	0%	$9,012,334	0%	$4,364,414	0%	$2,790,918	0%	$1,527,975	0%
Ellendale	$287,384	0%	$299,669	0%	$587,053	0%	$318,469	0%	$0	0%	$299,669	0%
Fairgrounds Nbhd	$2,214,200	0%	$256,012	0%	$2,470,212	0%	$2,451,012	0%	$2,195,000	0%	$256,012	0%

Table 6: Neighborhoods with Summary of Incentive Use (con't)
City of St. Louis, 2000 to 2014

	Total State Incentives	% Total	Total Local Incentives	% Total	Total Incentives	% Total	Total Real Estate Incentives	% Total	State Real Estate Incentives	% Total	Local Real Estate Incentives	% Total
Forest Park SE	$22,046,335	1%	$2,674,249	0%	$24,720,585	0%	$23,860,195	1%	$20,861,295	1%	$2,674,249	0%
Fountain Park	$7,125,029	0%	$8,546,433	0%	$15,671,462	0%	$8,066,462	0%	$7,068,571	0%	$941,433	0%
Fox Park	$9,169,476	0%	$11,597,508	0%	$20,766,984	0%	$14,353,880	1%	$8,666,948	1%	$5,322,508	1%
Franz Park	$466,023	0%	$2,960,869	0%	$3,426,893	0%	$3,426,893	0%	$0	0%	$2,960,869	0%
Gravois Park	$8,610,916	0%	$4,760,307	0%	$13,371,223	0%	$9,621,223	0%	$8,073,423	1%	$1,085,307	0%
Hamilton Heights	$4,992,828	0%	$4,334,400	0%	$9,327,228	0%	$5,487,953	0%	$4,903,553	0%	$584,400	0%
Hi-Pointe	$344,494	0%	$132,709	0%	$477,203	0%	$477,203	0%	$314,106	0%	$132,709	0%
Holly Hills	$81,613	0%	$213,446	0%	$295,059	0%	$295,059	0%	$0	0%	$213,446	0%
Hyde Park	$42,253,109	2%	$31,842,479	1%	$74,095,588	1%	$43,476,588	2%	$42,034,109	3%	$1,442,479	0%
JeffVanderLou	$35,205,006	2%	$23,809,135	1%	$59,014,140	1%	$39,504,163	1%	$33,226,811	2%	$6,277,353	1%
Kings Oak	$771,045	0%	$23,652,858	1%	$24,423,903	0%	$12,858	0%	$0	0%	$12,858	0%
Kingsway East	$794,653	0%	$2,906,547	0%	$3,701,200	0%	$471,072	0%	$0	0%	$456,547	0%
Kingsway East	$3,635,000	0%	$33,600	0%	$3,668,600	0%	$3,668,600	0%	$3,635,000	0%	$33,600	0%
Kosciusko	$8,889,249	0%	$5,147,601	0%	$14,036,850	0%	$13,771,574	0%	$5,623,973	0%	$5,147,601	1%
Lafayette Square	$17,627,097	1%	$15,411,430	0%	$33,038,527	1%	$32,704,205	1%	$16,635,490	1%	$15,411,430	2%
Lasalle	$6,746,277	0%	$8,628,945	0%	$15,375,222	0%	$5,008,471	0%	$2,972,946	0%	$1,968,945	0%
Lewis Place	$47,075	0%	$349,164	0%	$396,239	0%	$349,164	0%	$0	0%	$349,164	0%
Lindenwood Park	$1,740,834	0%	$1,339,997	0%	$3,080,832	0%	$2,968,387	0%	$1,204,732	0%	$1,339,997	0%
Marine Villa	$4,591,978	0%	$1,556,309	0%	$6,148,287	0%	$6,148,287	0%	$4,441,549	0%	$1,556,309	0%
Mark Twain	$2,617,266	0%	$300,617	0%	$2,917,883	0%	$2,692,883	0%	$2,290,002	0%	$300,617	0%
Mark Twain/1-70	$5,339,497	0%	$5,614,968	0%	$10,954,464	0%	$5,108,024	0%	$2,693,057	0%	$614,968	0%
McKinley Heights	$2,960,643	0%	$596,685	0%	$3,557,327	0%	$3,531,702	0%	$2,604,723	0%	$596,685	0%

Table 6: Neighborhoods with Summary of Incentive Use (con't)
City of St. Louis, 2000 to 2014

	Total State Incentives	% Total	Total Local Incentives	% Total	Total Incentives	% Total	Total Real Estate Incentives	% Total	State Real Estate Incentives	% Total	Local Real Estate Incentives	% Total
McRee Town	$1,556,554	0%	$15,599,621	0%	$17,156,175	0%	$9,943,850	0%	$1,243,287	0%	$8,449,621	1%
Midtown	$76,194,303	4%	$107,811,903	3%	$184,006,206	3%	$125,660,642	4%	$56,080,040	4%	$65,449,903	7%
Mount Pleasant	$3,113,797	0%	$18,509,666	0%	$21,623,463	0%	$7,322,463	0%	$2,998,797	0%	$4,283,666	0%
Near North Riverfront	$7,444,817	0%	$228,142,314	6%	$235,587,131	4%	$14,110,365	0%	$5,968,051	0%	$8,142,314	1%
North Hampton	$682,664	0%	$2,664,766	0%	$3,347,430	0%	$546,817	0%	$0	0%	$464,766	0%
North Point	$347,527	0%	$60,238	0%	$407,766	0%	$85,233	0%	$0	0%	$60,238	0%
North Riverfront	$2,096,223	0%	$142,625,817	4%	$144,722,040	2%	$21,625,817	1%	$0	0%	$21,625,817	2%
O'Fallon	$1,813,810	0%	$685,581	0%	$2,499,391	0%	$2,499,391	0%	$1,734,766	0%	$685,581	0%
Old North St. Louis	$24,435,191	1%	$14,729,801	0%	$39,164,992	1%	$26,826,681	1%	$23,859,911	2%	$2,872,069	0%
Parks	$10,568,420	1%	$52,225,000	1%	$62,793,420	1%	$7,923,350	0%	$0	0%	$0	0%
Patch	$22,374,691	1%	$4,455,933	0%	$26,830,624	0%	$25,613,037	1%	$21,157,104	1%	$4,455,933	0%
Peabody	$31,688,323	2%	$27,822,680	1%	$59,511,003	1%	$59,286,883	2%	$31,402,497	2%	$27,822,680	3%
Penrose	$3,815,224	0%	$345,864	0%	$4,161,087	0%	$4,056,493	0%	$3,673,158	0%	$345,864	0%
Princeton Heights	$79,663	0%	$0	0%	$79,663	0%	$79,663	0%	$0	0%	$0	0%
Riverview	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%
Shaw	$12,863,601	1%	$3,136,241	0%	$15,999,842	0%	$15,725,768	1%	$11,068,270	1%	$3,136,241	0%
Skinker/DeBaliviere	$11,090,357	1%	$2,902,368	0%	$13,992,726	0%	$13,567,065	0%	$10,136,711	1%	$2,742,368	0%
Soulard	$35,619,413	2%	$50,241,991	1%	$85,861,404	1%	$43,947,714	2%	$34,026,147	2%	$8,786,991	1%
South Hampton	$70,604	0%	$42,342	0%	$112,946	0%	$100,516	0%	$0	0%	$42,342	0%
Southwest Garden	$1,754,430	0%	$2,734,651	0%	$4,489,081	0%	$3,793,220	0%	$259,314	0%	$2,734,651	0%
St. Louis Hills	$784,668	0%	$2,299,532	0%	$3,084,200	0%	$3,011,008	0%	$0	0%	$2,299,532	0%
St. Louis Place	$24,484,585	1%	$21,431,860	1%	$45,916,445	1%	$28,113,826	1%	$23,918,518	2%	$4,058,012	0%

Table 6: Neighborhoods with Summary of Incentive Use (con't)
City of St. Louis, 2000 to 2014

	Total State Incentives	% Total	Total Local Incentives	% Total	Total Incentives	% Total	Total Real Estate Incentives	% Total	State Real Estate Incentives	% Total	Local Real Estate Incentives	% Total
The Gate District	$13,471,484	1%	$18,820,001	0%	$32,291,486	1%	$26,015,485	1%	$12,679,039	1%	$12,544,000	1%
The Greater Ville	$19,259,702	1%	$1,044,712	0%	$20,304,414	0%	$19,648,809	1%	$18,594,100	1%	$1,044,712	0%
The Hill	$752,396	0%	$12,031,777	0%	$12,784,174	0%	$12,316,526	0%	$85,948	0%	$12,031,777	1%
The Ville	$11,948,146	1%	$13,557,379	0%	$25,505,525	0%	$12,236,162	0%	$11,766,818	1%	$352,379	0%
Tiffany	$5,832,867	0%	$7,125,945	0%	$12,958,812	0%	$7,880,218	0%	$4,487,474	0%	$3,352,744	0%
Tower Grove East	$10,253,411	1%	$6,575,037	0%	$16,828,448	0%	$11,919,944	0%	$9,267,944	1%	$1,675,037	0%
Tower Grove South	$7,771,428	0%	$25,804,592	1%	$33,576,020	1%	$22,077,338	1%	$5,640,042	0%	$14,982,924	2%
Vandeventer	$7,068,291	0%	$19,043,700	0%	$26,111,992	0%	$7,611,993	0%	$7,000,001	0%	$543,701	0%
Visitation Park	$16,463,903	1%	$9,830,682	0%	$26,294,585	0%	$17,294,585	1%	$16,373,956	1%	$830,682	0%
Walnut Park East	$6,698,563	0%	$2,405,663	0%	$9,104,226	0%	$9,088,653	0%	$6,682,990	0%	$2,405,663	0%
Walnut Park West	$0	0%	$139,008	0%	$139,008	0%	$139,008	0%	$0	0%	$139,008	0%
Wells/Goodfellow	$5,790,557	0%	$16,928,686	0%	$22,719,243	0%	$6,515,268	0%	$5,786,582	0%	$728,686	0%
West End	$30,010,941	1%	$50,027,186	1%	$80,038,127	1%	$44,846,753	2%	$28,855,474	2%	$15,392,186	2%
Wydown/Skinder	$102,279	0%	$418,009	0%	$520,288	0%	$520,288	0%	$62,279	0%	$418,009	0%

Note: Cells with $0 amounts not shown for legibility.

Source: Various. See Apendix 1 for listing of data sources.

The data shows that projects in a handful of neighborhoods—Downtown, Downtown West, and the Central West—capture about two-thirds of the value of incentives. The use of state incentives are marginally more widely distributed outside of the central corridor than local incentives—due in particular to the widespread use of historic and other incentives in residential neighborhoods. On the other hand, local incentives boost projects in local industrial areas—the North Riverfront, particularly—where there is little state incentive use. The table also shows that some city neighborhoods have very few incentivized projects, including areas in the northern and the southwestern portion of the city.[65]

Given that much of this incentive use requires investments by private developers, it should be understood that these neighborhood totals reflect the choices of developers to invest in particular types of projects in particular markets.

These projects include:

- The use of historic tax credits, TIF financing and tax abatement to redevelop lofts downtown
- The use of historic tax credits and tax abatement to redevelop property in historic districts in the City
- The use of low income tax credits, tax abatement and other incentives both state and local to construct affordable housing in some north and south St. Louis neighborhoods.

Additionally, because Downtown has been an area of significant developer activity over the last 15 years, it is logical to expect that it has been the location of a significant amount of incentives. For example, Downtown, which had $2.8 billion in total and $1.1 billion in real estate related state and local incentives from 2000 to 2014, had over $9.7 billion in total permit activity in the same period.

A project team conclusion from analysis of the data is that **areas with higher overall investment are likely to see greater use of incentives**, and **the raw dollar amounts of incentive might not tell the whole story regarding their distribution in the City**.

In order to assess whether certain neighborhoods receive proportionally more incentives, Table 6 shows the past real estate incentive use—total, state and local—as a function of total permit investment.[66]

[65] A full listing of all city neighborhoods with their amounts for all of the incentives analyzed is in Appendix 2.

[66] Permit data comes from the City of St. Louis Building Division. See Appendix 1 for how permit value was determined. It is generally understood that permit value, as a self-reported measure made when applying for permits, undercounts the actual value of investment, particularly for smaller, residential projects.

Table 7: Ratio of Incentive Use to Permit Amount
City of St. Louis, 2000 to 2014

	Permit Amount	Total Real Estate Incentives	Pct	State Real Estate Incentives	Pct	Local Real Estate Incentives	Pct
Mount Pleasant	$17,445,990	$7,322,463	42%	$2,998,797	17%	$4,283,666	25%
North Riverfront	$93,192,335	$21,625,817	23%	$0	0%	$21,625,817	23%
McRee Town	$44,543,132	$9,943,850	22%	$1,243,287	3%	$8,449,621	19%
Peabody Darst Webbe	$153,890,856	$59,286,883	39%	$31,402,497	20%	$27,822,680	18%
Fox Park	$32,772,049	$14,353,880	44%	$8,666,948	26%	$5,322,508	16%
Lafayette Square	$100,305,288	$32,704,205	33%	$16,635,490	17%	$15,411,430	15%
The Hill	$91,307,987	$12,316,526	13%	$85,948	0%	$12,031,777	13%
Tower Grove South	$123,011,395	$22,077,338	18%	$5,640,042	5%	$14,982,924	12%
West End	$143,114,242	$44,846,753	31%	$28,855,474	20%	$15,392,186	11%
Coventant Blu/Grand Center	$402,500,235	$133,972,056	33%	$86,833,616	22%	$43,123,500	11%
Patch	$46,013,440	$25,613,037	56%	$21,157,104	46%	$4,455,933	10%
Franz Park	$31,425,600	$3,426,893	11%	$0	0%	$2,960,869	9%
Midtown	$803,492,197	$125,660,642	16%	$56,080,040	7%	$65,449,903	8%
St. Louis Place	$59,986,545	$28,113,826	47%	$23,918,518	40%	$4,058,012	7%
The Gate District	$188,255,341	$26,015,485	14%	$12,679,039	7%	$12,544,000	7%
Benton Park	$63,471,389	$20,813,527	33%	$15,073,650	24%	$4,145,376	7%
Carondolet	$200,655,146	$14,662,028	7%	$1,680,287	1%	$12,799,733	6%
Walnut Park East	$38,008,465	$9,088,653	24%	$6,682,990	18%	$2,405,663	6%
Cheltenham	$177,167,151	$10,792,160	6%	$459,395	0%	$10,332,765	6%
Clifton Heights	$30,125,201	$1,814,575	6%	$0	0%	$1,740,625	6%
Downtown West	$2,919,588,206	$451,582,487	15%	$285,843,681	10%	$156,738,806	5%
Lasalle	$37,113,497	$5,008,471	13%	$2,972,946	8%	$1,968,945	5%
Clayton/Tamm	$26,105,706	$1,403,107	5%	$0	0%	$1,354,642	5%
Old North St. Louis	$62,021,286	$26,826,681	43%	$23,859,911	38%	$2,872,069	5%
Fountain Park	$20,578,931	$8,066,462	39%	$7,068,571	34%	$941,433	5%
Kosciusko	$121,822,858	$13,771,574	11%	$5,623,973	5%	$5,147,601	4%
Soulard	$209,255,143	$43,947,714	21%	$34,026,147	16%	$8,786,991	4%
Shaw	$76,125,741	$15,725,768	21%	$11,068,270	15%	$3,136,241	4%
JeffVanderLou	$163,229,003	$39,504,163	24%	$33,226,811	20%	$6,277,353	4%
Carr Square	$44,009,596	$16,584,163	38%	$14,913,770	34%	$1,670,393	4%
Downtown	$9,670,111,430	$1,038,010,253	11%	$391,888,986	4%	$344,260,605	4%
Near North Riverfront	$236,180,077	$14,110,365	6%	$5,968,051	3%	$8,142,314	3%
Southwest Garden	$83,486,568	$3,793,220	5%	$259,314	0%	$2,734,651	3%
Gravois Park	$33,331,209	$9,621,223	29%	$8,073,423	24%	$1,085,307	3%
Walnut Park West	$4,791,865	$139,008	3%	$0	0%	$139,008	3%
Kingsway East	$16,188,990	$471,072	3%	$0	0%	$456,547	3%
Marine Villa	$55,342,048	$6,148,287	11%	$4,441,549	8%	$1,556,309	3%
Hyde Park	$58,215,418	$43,476,588	75%	$42,034,109	72%	$1,442,479	2%
McKinley Heights	$24,554,760	$3,531,702	14%	$2,604,723	11%	$596,685	2%
Tower Grove East	$70,356,206	$11,919,944	17%	$9,267,944	13%	$1,675,037	2%
The Greater Ville	$44,772,357	$19,648,809	44%	$18,594,100	42%	$1,044,712	2%
O'Fallon	$30,386,747	$2,499,391	8%	$1,734,766	6%	$685,581	2%
DeBaliviere Place	$68,376,546	$17,369,429	25%	$14,913,993	22%	$1,521,647	2%
Visitation Park	$39,008,882	$17,294,585	44%	$16,373,956	42%	$830,682	2%
Forest Park Southeast	$125,829,802	$23,860,195	19%	$20,861,295	17%	$2,674,249	2%
Lindenwood Park	$65,972,718	$2,968,387	4%	$1,204,732	2%	$1,339,997	2%
Tiffany	$166,638,294	$7,880,218	5%	$4,487,474	3%	$3,352,744	2%
Compton Heights	$13,276,615	$2,150,130	16%	$1,818,547	14%	$264,301	2%
Dutchtown	$80,565,108	$4,364,414	5%	$2,790,918	3%	$1,527,975	2%
Benton Park West	$33,840,150	$5,380,447	16%	$4,220,866	12%	$635,669	2%
Fairgrounds Neighborhood	$13,692,348	$2,451,012	18%	$2,195,000	16%	$256,012	2%
Holly Hills	$12,008,291	$295,059	2%	$0	0%	$213,446	2%
Central West End	$4,460,523,190	$250,385,228	6%	$138,312,697	3%	$77,276,993	2%
Hamilton Heights	$34,357,400	$5,487,953	16%	$4,903,553	14%	$584,400	2%
Baden	$24,458,292	$404,882	2%	$0	0%	$398,565	2%
Bevo Mill	$49,846,235	$6,847,616	14%	$5,998,910	12%	$710,460	1%
Skinker/DeBaliviere	$209,716,863	$13,567,065	6%	$10,136,711	5%	$2,742,368	1%
Penrose	$26,991,804	$4,056,493	15%	$3,673,158	14%	$345,864	1%
Wells/Goodfellow	$59,046,957	$6,515,268	11%	$5,786,582	10%	$728,686	1%
Mark Twain/1-70 Industrial	$54,598,529	$5,108,024	9%	$2,693,057	5%	$614,968	1%
North Hampton	$41,756,643	$546,817	1%	$0	0%	$464,766	1%
Ellendale	$29,482,352	$318,469	1%	$0	0%	$299,669	1%
Mark Twain	$29,807,020	$2,692,883	9%	$2,290,002	8%	$300,617	1%
Vandeventer	$58,438,060	$7,611,993	13%	$7,000,001	12%	$543,701	1%

Table 7: Ratio of Incentive Use to Permit Amount (con't)
City of St. Louis, 2000 to 2014

	Permit Amount	Total Real Estate Incentives	Pct	State Real Estate Incentives	Pct	Local Real Estate Incentives	Pct
Columbus Square	$59,533,626	$33,372,687	56%	$32,862,255	55%	$510,432	1%
Lewis Place	$45,544,474	$349,164	1%	$0	0%	$349,164	1%
Hi-Pointe	$17,965,105	$477,203	3%	$314,106	2%	$132,709	1%
Academy	$31,717,851	$3,599,718	11%	$3,327,929	10%	$217,789	1%
College Hill	$17,278,774	$5,215,969	30%	$5,062,576	29%	$113,393	1%
Wydown/Skinder	$81,914,428	$520,288	1%	$62,279	0%	$418,009	1%
The Ville	$70,819,611	$12,236,162	17%	$11,766,818	17%	$352,379	0%
North Point	$19,183,993	$85,233	0%	$0	0%	$60,238	0%
Kingsway East	$12,916,397	$3,668,600	28%	$3,635,000	28%	$33,600	0%
St. Louis Hills	$1,450,908,527	$3,011,008	0%	$0	0%	$2,299,532	0%
Boulevard Heights	$32,589,964	$706,141	2%	$0	0%	$44,568	0%
South Hampton	$32,070,477	$100,516	0%	$0	0%	$42,342	0%
Kings Oak	$52,225,812	$12,858	0%	$0	0%	$12,858	0%
Parks	$389,081,851	$7,923,350	2%	$0	0%	$0	0%
Princeton Heights	$33,466,479	$79,663	0%	$0	0%	$0	0%
Riverview	$17,144,365	$0	0%	$0	0%	$0	0%

Source: Various. See Apendix 1 for listing of data sources.

The ratio of incentive use to permit investment shows a very different pattern than the raw dollar amounts. When neighborhood are ordered based on the ratio of total real estate incentives—both local and state—to permit investments, the neighborhoods that are receiving proportionally a greater share are more economically distressed neighborhoods with transitional housing markets, particularly neighborhoods in North St. Louis. It is logical to conclude that the increased importance of incentives in these areas represents the added subsidy need to complete developments.

However, when neighborhoods are ordered by the ratio using just local real estate incentive, a more varied group of neighborhoods rises to the top, including not just transitional housing markets but stable residential and mixed use areas. This suggests that state real estate incentives include more directly targeted incentives to weaker housing markets and local real estate incentives go to a much more economically varied group of neighborhoods. This latter group includes not just economically distressed areas (such as Peabody/Darst/Webbe and McRee Town) but also to other residential, commercial and industrial areas (such as Fox Park, Lafayette Square, North Riverfront and The Hill).

Incentive Project Patterns

The final exploratory analysis identifies how incentives were used in combination with each other. Table 8 shows the frequency of incentive combinations, focusing upon the combinations of local tax abatement, TIFs and local bond financing with each other and with real estate focused state incentives generally and with the most prominent state tax credit programs specifically.[67]

[67] The table shows the count of incentivized parcels receiving various incentive combinations at the building level. Thus, a parcel with multiple subparcels (for example, a condo) with multiple units with tax abatement would count as one.

Table 8: Layering of Incentives
City of St. Louis, 2000 to 2014

	Count	%
TIFs		
Total Incentivized Parcels	288	
...with TIFs alone	154	53%
...with TIF and Tax Abatement alone	11	4%
...with TIF and State Real Estate Incentives alone	94	33%
...with TIF and Tax Abatement and some state Real Estate Incentive	15	5%
…with Low Income Tax Credits	7	2%
…with Neighborhood Preservation Tax Credits	1	0%
…with Brownfield Tax Credits	33	11%
…with Historic Tax Credits	81	28%
Tax Abatement		
Total Incentivized Parcels	5,692	
...with Tax Abatement alone	4,102	72%
...with Tax Abatement and TIF alone	11	0%
...with Tax Abatement and some state Real Estate Incentives	1,481	26%
...with Tax Abatement and TIF and some state Real Estate Incentive	15	0%
…with Low Income Tax Credits	469	8%
…with Neighborhood Preservation Tax Credits	339	6%
…with Brownfield Tax Credits	34	1%
…with Historic Tax Credits	834	15%
State Real Estate Incentives		
Total Incentivized Parcels	3,390	
…with state Real Estate Incentives alone	1,701	50%
...with TIF and State Real Estate Incentives alone	94	3%
…with Tax Abatement and some state Real Estate Incentives alone	1,481	44%
...with TIF and Tax Abatement and some state Real Estate Incentive	15	0%
…Low Income Tax Credits	627	18%
…Neighborhood Preservation Tax Credits	706	21%
…Brownfield Tax Credits	89	3%
…Historic Tax Credits	1,504	44%
…Low Income Tax Credits	151	24%
…Neighborhood Preservation Tax Credits	366	52%
…Brownfield Tax Credits	22	25%
…Historic Tax Credits	589	39%

Source: Various. See Apendix 1 for listing of data sources.

Tax abatement is both the most frequently used of the local incentives and most frequently used by itself. For example, 72 percent of the parcels that received tax abatement from 2000 to 2014 received no other incentive. Comparatively, a smaller percent of TIF projects received no other incentive (53 percent), with the other roughly half of the projects receiving some form of state tax incentive, particularly historic tax credits. Outside of their use in combination with local incentives, many projects receive a state tax credit with no local incentive. For example, while 81 TIF projects and 834 tax abatement projects received historic tax credits, these combined numbers are roughly half of the total number of parcels which received historic tax credit during this time. This suggests that there is significant State investment through tax credits in economic development projects in which the City has no participation.

This data on how incentives are used in combination with each other reinforces initial impressions that there are distinct types of projects that developers pursue and use incentives to complete. Table 9 groups incentivized projects into four main types on the basis of their combinations in layering pattern, the value of incentives and their project use.[68]

Table 9: Project Types Based on Layering of Incentives

City of St. Louis, 2000 to 2014

		All Incentives		Real Estate Incentives	
	Count	Average Incentive Value	Total Incentive Value	Average Incentive Value	Total Incentive Value
TA Alone					
Commercial	500	$160,666	$80,332,810	$160,666	$80,332,810
Residential Single Family	3144	$11,435	$35,952,481	$11,435	$35,952,481
Residential Multifamily	105	$91,339	$9,590,567	$91,339	$9,590,567
Mixed Use	56	$134,851	$7,551,644	$134,851	$7,551,644
TA with Low Income					
Residential Single Family	341	$235,608	$80,342,220	$199,695	$68,096,142
Residential Multifamily	41	$3,372,443	$138,270,153	$2,562,683	$105,070,000
TA with Neighborhood Preservation					
Residential Single Family	226	$54,271	$12,265,338	$50,335	$11,375,796
TA with Historic					
Commercial	73	$972,562	$70,997,055	$906,101	$66,145,354
Residential Single Family	641	$292,889	$187,742,112	$183,057	$117,339,547
Residential Multifamily	65	$3,656,532	$237,674,595	$2,778,045	$180,572,957
Mixed Use	37	$2,199,867	$81,395,071	$2,144,386	$79,342,275
TIFs Alone					
Commercial	35	$1,251,915	$43,817,011	$1,251,915	$43,817,011
Residential Single Family	106	$39,230	$4,158,424	$39,230	$4,158,424
TIF with State Real Estate Tax Credits					
Commercial	18	$3,981,817	$71,672,710	$3,808,060	$68,545,075
Residential Single Family	20	$118,781	$2,375,620	$118,781	$2,375,620
Residential Multifamily	11	$6,205,570	$68,261,267	$4,687,388	$51,561,267
Mixed Use	43	$13,348,504	$573,985,661	$11,455,067	$492,567,891

Note: Some categories with smaller parcel counts (some TIFs and parcels with land use codes of institutional and vacant land) are not shown

Source: Various. See Apendix 1 for listing of data sources.

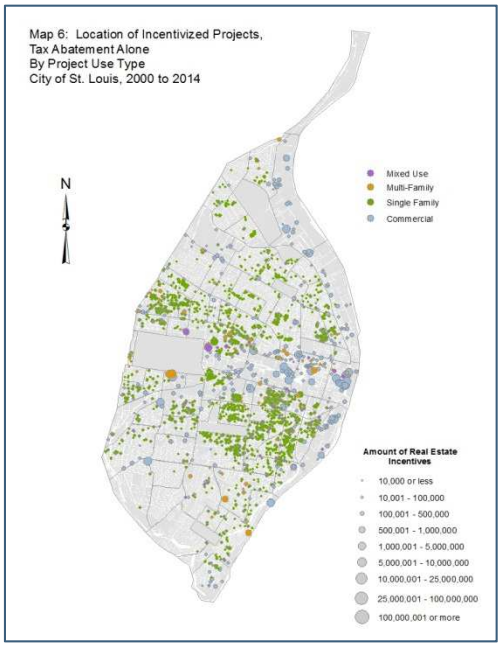
[68] This grouping also use additional parcel level data—unit count data and condo codes where unit counts were not available—to identify residential projects (4 or less units) and multifamily projects. Since unit count data is not available for all residential projects, it is difficult to compare average incentive use across single family and multi-family parcels in terms of average incentive use.

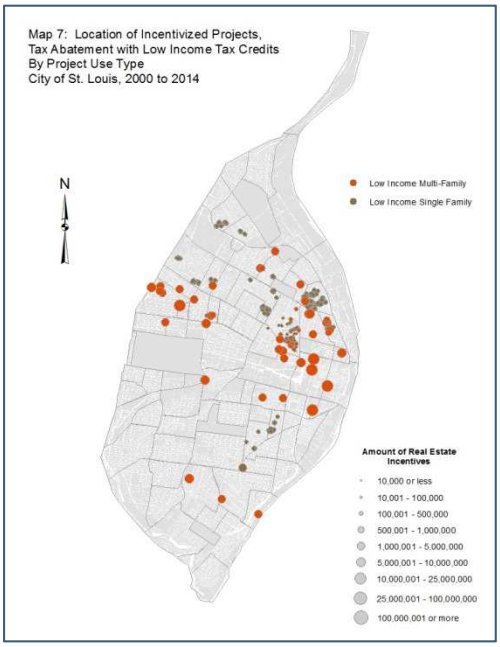
The types include:

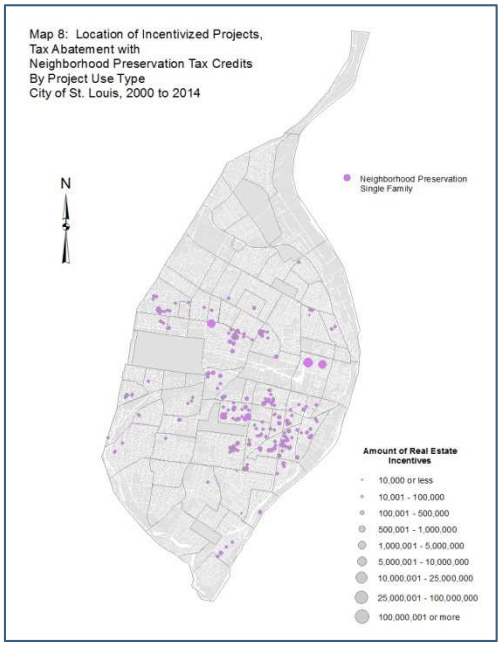
- Mixed use loft conversions utilizing a range of local and state incentives
- Stand-alone commercial projects involving just TIFs
- Tax abated properties utilizing a variety of state tax credit incentives
- Stand-alone tax abatement for residential properties.

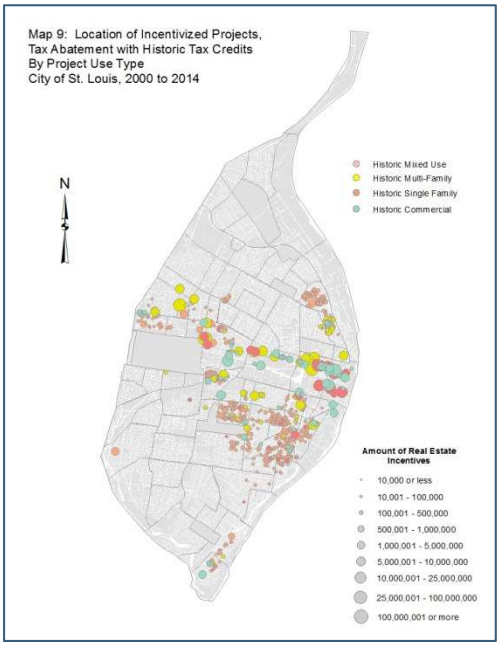
On the low end of average incentive use are residential single family projects, with projects that used tax abatement alone averaging $11,000 in total incentive use and TIF-alone projects averaging $39,000 in incentives. Tax abatement projects that also utilized Neighborhood Preservation Tax Credits averaged $54,000 in incentives. Commercial, mixed use and TIF projects—both TIFs alone and with state real estate incentives—generally have larger total and average incentive values.

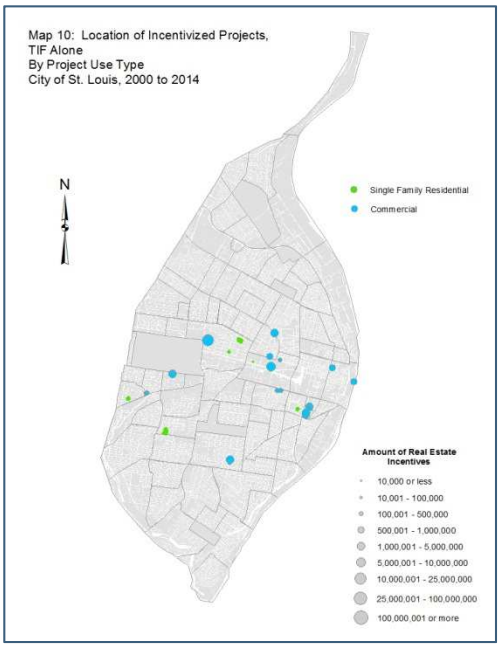
Additionally, there is geographical consistency in these groupings, with certain types of projects more likely to occur in certain locations in the city. Maps 6, 7, 8, 9, and 10 show the location of the projects by their main types, with the dot location colored by the subtype of the project and scaled by the value of the overall real estate incentive amount.











The geographic pattern of the various project types suggests that they might accurately depict the decisions developers make in pursuing different types of projects in different parts of the city.

Besides their descriptive use in detailing past incentive use, these groups are natural groups in which to assess the impact of incentive use on local economic outcomes. Accordingly, the next portion of the report returns to these project groups, showing changes in economic outcomes before and after the use of tax abatement and TIFs for both the project parcel and for the area around the incentive.

Incentive Impacts

Having described the past patterns of incentive use, the next section of the report summarizes findings related to the impacts of their use. The analysis broadly focuses on three levels of impacts, where available: the level of the incentivized parcel, the surrounding area and the neighborhood.[69] While a variety of data

[69] Given the large number of changes in parcel ids over time, assessments were geocoded to a common parcel base map (i.e., parcels in 2015). Where parcel ids no longer existed, assessments were geocoded using property addresses or other parcel information. The analysis did not take into account the likely small number of parcel combinations or subdivisions over time; the latter issue might over-estimate earlier values for some parcels. The surrounding area was defined as 500 feet from the incentivized parcel, using the parcel boundaries to compute the buffer. See Appendix 1 for further discussion.

were considered as economic outcomes, the report focuses upon three main ones: assessed value of properties, permit investments and jobs.[70]

This section proceeds with three sequential views of the impact of incentive use. First, the report details findings from looking at incentive use at the neighborhood—correlating incentive use and changes in economic outcomes pooled over the time period. These findings suggest on average there is significant association at the neighborhood level between local real estate incentive use and important neighborhood economic outcomes, particularly concerning assessed value and permit investment. In this sense, the location of incentive use matters; there are some neighborhoods that exhibit both high incentive use and high economic outcomes, others with high incentive but low economic outcomes, and others where incentive use and economic outcomes appear to not be related.

Second, the analysis follows changes in the three main economic variables over time for both TIF projects and projects that used tax abatements based on a subset of the more numerous project types listed in Table 9.[71] Time in this analysis is based on when the project used a local incentive (either TIF or the tax abatement). By doing so, the analysis shows assessed value, permit investment and the number of jobs before the use of the incentive and after. These time trends are presented both at the project site as well as within the local area of the project, defined as 500 feet from the incentivized parcel.

Third, the analysis presents a case study in an attempt to get a more practical understanding of the use of TIFs within a local context—one comprising the near south-side area of Lafayette Square, Peabody/Darst/Webbe and LaSalle Park. The case study reviews both the patterns of incentive use in these areas as well as changes in assessed values and other economic indicators throughout this period.

The Impact of Incentives at the Neighborhood Level

A starting point for understanding how incentives impact neighborhoods are the findings previously discussed that incentive use varies significantly across neighborhoods. A few neighborhoods have received a significant amount of the incentives, a larger number have received some—with types of neighborhoods receiving more of one type than the other—and a few neighborhoods have received almost none. Similarly, neighborhoods have followed different paths in relation to the economic outcomes over the 15 year period; these are summarized in Table 10.

[70] Other variables examined were parcel property sales, sales tax revenue and gross payroll. Property sales were eliminated as a large number of incentivized parcels, as well as the 500 foot buffer around them, had few or no sales in a large number of the years analyzed. Sales tax revenue and gross payroll were not available at a small enough geographic level to make meaningful conclusions. Employment data are only available at the block level from 2002 to 2013, so no analysis of changes in jobs at the parcel level was possible. See Appendix 1 for further details.

[71] In order to get sufficient cases to make meaningful conclusions, some of the categories in Table 9 are combined.

Table 10: Changes in Economic Outcomes, 2000 to 2014, by Neighborhood
City of St. Louis, 2000 to 2014

Name	Assessed Value, 2000	Assessed Value, 2014	Change in Assessed Value, 2000-2014	Percent Change in Assessed Value, 2000-2014	Aggregate Permits Investment, 2000-2014	Jobs, 2002	Jobs, 2013	Change in Jobs, 2002-2013	Percent Change in Jobs, 2002-2014
Lafayette Square	$14,354,130	$42,523,910	$28,169,780	196.25	$100,305,288	803	841	38	4.73
Benton Park	$12,130,840	$34,336,860	$22,206,020	183.05	$63,471,389	663	960	297	44.8
DeBaliviere Place	$20,619,890	$54,286,250	$33,666,360	163.27	$68,376,546	504	845	341	67.66
McRee Town	$8,071,360	$19,064,760	$10,993,400	136.2	$44,543,132	2,235	1,515	-720	-32.21
Boulevard Heights	$49,554,120	$111,870,850	$62,316,730	125.75	$32,589,964	529	625	96	18.15
Franz Park	$12,334,130	$27,440,910	$15,106,780	122.48	$31,425,600	495	699	204	41.21
Forest Park Southeast	$14,685,290	$32,463,100	$17,777,810	121.06	$125,829,802	2,681	2,590	-91	-3.39
Downtown	$333,107,348	$719,926,950	$386,819,602	116.12	$9,670,111,430	34,706	33,362	-1,344	-3.87
Cheltenham	$18,917,100	$40,150,140	$21,233,040	112.24	$177,167,151	3,629	3,591	-38	-1.05
Shaw	$28,192,040	$59,445,480	$31,253,440	110.86	$76,125,741	1,247	810	-437	-35.04
Fox Park	$8,242,595	$16,653,750	$8,411,155	102.04	$32,772,049	646	409	-237	-36.69
Wydown/Skinker	$13,735,170	$27,377,190	$13,642,020	99.32	$81,914,428	34	330	296	870.59
McKinley Heights	$6,071,670	$12,094,660	$6,022,990	99.2	$24,554,760	905	671	-234	-25.86
Clifton Heights	$17,328,020	$34,113,510	$16,785,490	96.87	$30,125,201	1,045	956	-89	-8.52
Compton Heights	$11,412,870	$22,142,300	$10,729,430	94.01	$13,276,615	330	22	-308	-93.33
Skinker/DeBaliviere	$31,257,830	$60,129,100	$28,871,270	92.36	$209,716,863	548	1,536	988	180.29
Peabody, Darst, Webbe	$6,756,180	$12,875,730	$6,119,550	90.58	$153,890,856	160	435	275	171.88
Lasalle	$10,087,510	$18,952,390	$8,864,880	87.88	$37,113,497	1,718	1,199	-519	-30.21
Tower Grove South	$57,080,236	$106,378,260	$49,298,024	86.37	$123,011,395	2,987	2,913	-74	-2.48
Tower Grove East	$21,712,370	$40,231,980	$18,519,610	85.3	$70,356,206	1,058	1,092	34	3.21
Downtown West	$136,273,984	$249,047,930	$112,773,946	82.76	$2,919,588,206	40,066	44,847	4,781	11.93
Central West End	$196,871,110	$356,906,559	$160,035,449	81.29	$4,460,523,190	26,519	37,293	10,774	40.63
Old North St. Louis	$5,261,450	$9,527,570	$4,266,120	81.08	$62,021,286	698	661	-37	-5.3

Table 10: Changes in Economic Outcomes, 2000 to 2014, by Neighborhood (con't)

City of St. Louis, 2000 to 2014

Name	Assessed Value, 2000	Assessed Value, 2014	Change in Assessed Value, 2000-2014	Percent Change in Assessed Value, 2000-2014	Aggregate Permits Investment, 2000-2014	Jobs, 2002	Jobs, 2013	Change in Jobs, 2002-2013	Percent Change in Jobs, 2002-2014
Hi-Point	$11,849,780	$21,142,600	$9,292,820	78.42	$17,965,105	291	361	70	24.05
Midtown	$90,480,570	$159,971,300	$69,490,730	76.8	$803,492,197	9,386	7,439	-1,947	-20.74
Covenant Blu/ Grand Center	$27,834,060	$48,226,830	$20,392,770	73.27	$402,500,235	2,742	5,312	2,570	93.73
The Hill	$39,017,980	$67,407,820	$28,389,840	72.76	$91,307,987	8,500	6,107	-2,393	-28.15
Southwest Garden	$36,876,530	$63,337,850	$26,461,320	71.76	$83,486,568	3,345	2,791	-554	-16.56
Princeton Heights	$39,737,790	$67,843,750	$28,105,960	70.73	$33,466,479	806	705	-101	-12.53
South Hampton	$41,533,615	$70,619,720	$29,086,105	70.03	$32,070,477	1,109	1,231	122	11
North Riverfront	$21,795,810	$36,805,730	$15,009,920	68.87	$93,192,335	4,356	3,533	-823	-18.89
St. Louis Hills	$78,302,020	$130,113,380	$51,811,360	66.17	$1,450,908,527	1,521	1,505	-16	-1.05
North Hampton	$44,390,320	$73,567,550	$29,177,230	65.73	$41,756,643	2,327	1,721	-606	-26.04
Holly Hills	$19,773,290	$32,534,020	$12,760,730	64.54	$12,008,291	458	397	-61	-13.32
JeffVanderLou	$20,716,200	$34,051,540	$13,335,340	64.37	$163,229,003	1,705	1,941	236	13.84
Lindenwood Park	$64,401,510	$105,166,020	$40,764,510	63.3	$65,972,718	1,947	1,658	-289	-14.84
West End	$21,327,660	$34,230,040	$12,902,380	60.5	$143,114,242	2,450	1,389	-1,061	-43.31
Kosciusko	$31,382,200	$50,268,600	$18,886,400	60.18	$121,822,858	3,389	3,185	-204	-6.02
Carondelet	$34,774,740	$53,349,255	$18,574,515	53.41	$200,655,146	2,215	2,233	18	0.81
Hyde Park	$6,037,080	$9,194,830	$3,157,750	52.31	$58,215,418	489	269	-220	-44.99
The Gate District	$25,050,780	$38,140,700	$13,089,920	52.25	$188,255,341	1,713	6,689	4,976	290.48
Columbus Square	$7,522,380	$11,449,060	$3,926,680	52.2	$59,533,626	403	156	-247	-61.29
Vandeventer	$6,160,800	$9,320,210	$3,159,410	51.28	$58,438,060	250	377	127	50.8
Visitation Park	$3,359,680	$4,947,520	$1,587,840	47.26	$39,008,882	83	110	27	32.53
Lewis Place	$5,359,520	$7,828,140	$2,468,620	46.06	$45,544,474	571	462	-109	-19.09
Bevo Mill	$53,752,900	$78,264,490	$24,511,590	45.6	$49,846,235	2,443	2,705	262	10.72

Table 10: Changes in Economic Outcomes, 2000 to 2014, by Neighborhood (con't)

City of St. Louis, 2000 to 2014

Name	Assessed Value, 2000	Assessed Value, 2014	Change in Assessed Value, 2000-2014	Percent Change in Assessed Value, 2000-2014	Aggregate Permits Investment, 2000-2014	Jobs, 2002	Jobs, 2013	Change in Jobs, 2002-2013	Percent Change in Jobs, 2002-2014
Benton Park West	$10,281,190	$14,398,840	$4,117,650	40.05	$33,840,150	1,279	822	-457	-35.73
Clayton/Tamm	$22,246,160	$30,622,960	$8,376,800	37.66	$26,105,706	4,279	2,048	-2,231	-52.14
Fountain Park	$5,347,710	$7,297,600	$1,949,890	36.46	$20,578,931	895	598	-297	-33.18
St. Louis Place	$8,342,630	$11,302,589	$2,959,959	35.48	$59,986,545	708	404	-304	-42.94
Mount Pleasant	$16,626,810	$22,283,025	$5,656,215	34.02	$17,445,990	807	534	-273	-33.83
Hamilton Heights	$6,748,203	$9,034,660	$2,286,457	33.88	$34,357,400	284	304	20	7.04
Dutchtown	$50,408,570	$66,609,130	$16,200,560	32.14	$80,565,108	2,481	1,755	-726	-29.26
Marine Villa	$15,045,240	$19,595,370	$4,550,130	30.24	$55,342,048	2,192	2,270	78	3.56
Patch	$18,138,530	$23,480,618	$5,342,088	29.45	$46,013,440	2,411	1,120	-1,291	-53.55
Near North Riverfront	$43,351,340	$53,285,890	$9,934,550	22.92	$236,180,077	4,840	5,642	802	16.57
Ellendale	$22,239,930	$27,153,510	$4,913,580	22.09	$29,482,352	1,467	2,950	1,483	101.09
Soulard	$70,017,370	$80,686,790	$10,669,420	15.24	$209,255,143	4,183	2,053	-2,130	-50.92
Mark Twain/I-70 Industrial	$81,525,120	$93,345,160	$11,820,040	14.5	$54,598,529	3,244	4,922	1,678	51.73
Riverview	$8,626,350	$9,208,240	$581,890	6.75	$17,144,365	1	49	48	4800
Gravois Park	$14,920,460	$14,975,190	$54,730	0.37	$33,331,209	612	893	281	45.92
Academy	$10,562,020	$10,596,510	$34,490	0.33	$31,717,851	879	691	-188	-21.39
Tiffany	$30,511,920	$29,714,990	-$796,930	-2.61	$166,638,294	11,003	2,500	-8,503	-77.28
Kingsway West	$11,466,850	$11,160,310	-$306,540	-2.67	$16,188,990	731	710	-21	-2.87
Fairground Neighborhood	$3,967,560	$3,805,790	-$161,770	-4.08	$13,692,348	455	226	-229	-50.33
College Hill	$5,078,122	$4,663,590	-$414,532	-8.16	$17,278,774	349	116	-233	-66.76
North Point	$16,840,395	$15,415,900	-$1,424,495	-8.46	$19,183,993	177	347	170	96.05
Baden	$26,792,620	$24,087,990	-$2,704,630	-10.09	$24,458,292	1,354	1,241	-113	-8.35
O'Fallon	$13,902,470	$12,189,480	-$1,712,990	-12.32	$30,386,747	267	182	-85	-31.84

Table 10: Changes in Economic Outcomes, 2000 to 2014, by Neighborhood (con't)

City of St. Louis, 2000 to 2014

Name	Assessed Value, 2000	Assessed Value, 2014	Change in Assessed Value, 2000-2014	Percent Change in Assessed Value, 2000-2014	Aggregate Permits Investment, 2000-2014	Jobs, 2002	Jobs, 2013	Change in Jobs, 2002-2013	Percent Change in Jobs, 2002-2014
Mark Twain	$14,974,160	$12,678,490	-$2,295,670	-15.33	$29,807,020	315	254	-61	-19.37
Penrose	$21,148,674	$17,606,600	-$3,542,074	-16.75	$26,991,804	590	411	-179	-30.34
The Greater Ville	$15,752,720	$12,179,240	-$3,573,480	-22.68	$44,772,357	732	461	-271	-37.02
Carr Square	$11,813,960	$9,063,780	-$2,750,180	-23.28	$44,009,596	1,507	1,065	-442	-29.33
Walnut Park West	$9,802,070	$7,366,490	-$2,435,580	-24.85	$4,791,865	12	244	232	1933.33
Kingsway East	$12,207,720	$8,876,600	-$3,331,120	-27.29	$12,916,397	369	214	-155	-42.01
Walnut Park East	$13,785,000	$9,472,240	-$4,312,760	-31.29	$38,008,465	156	156	0	0
The Ville	$7,329,480	$4,518,194	-$2,811,286	-38.36	$70,819,611	415	255	-160	-38.55
Wells/Goodfellow	$67,211,436	$40,997,893	-$26,213,543	-39	$59,046,957	868	829	-39	-4.49
Kings Oak	$11,848,760	$7,184,950	-$4,663,810	-39.36	$52,225,812	1,674	978	-696	-41.58

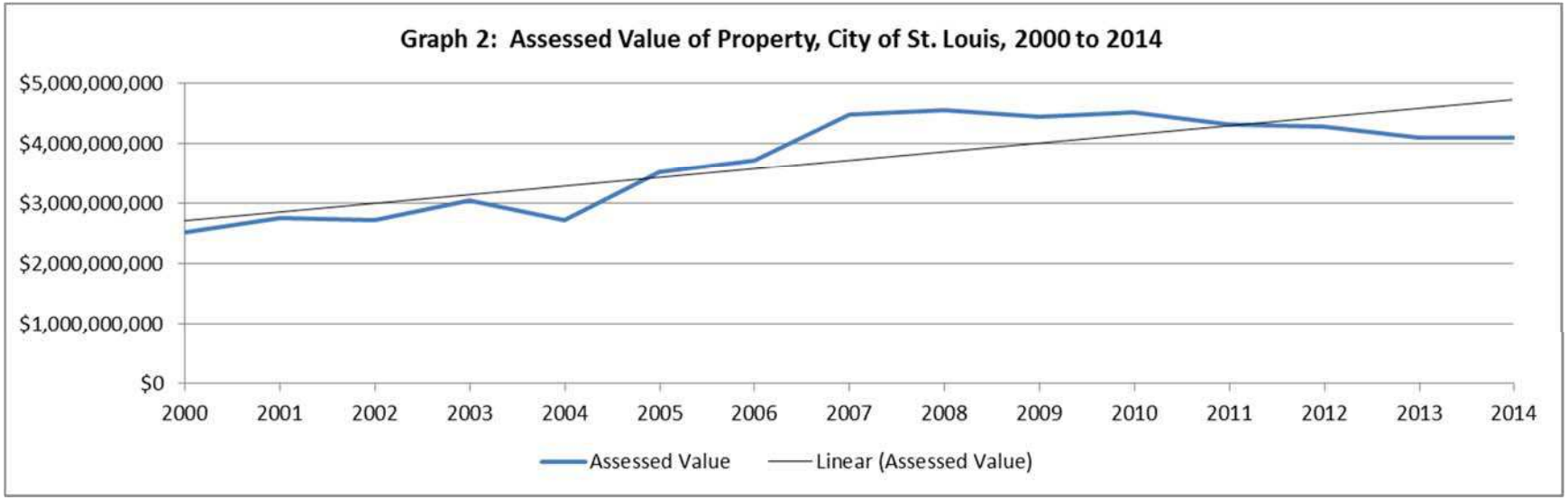
Source: Various. See Apendix 1 for listing of data sources.

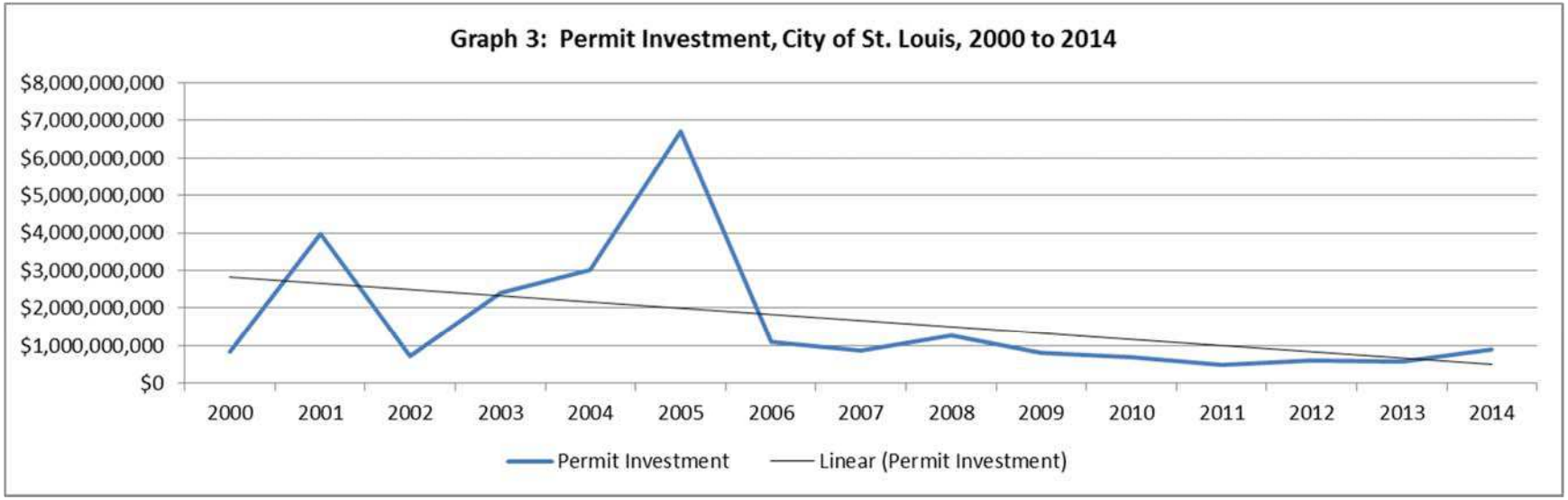
Neighborhoods with large increases in assessed values over the period also saw the largest aggregate permit investments; by contrast, neither change in assessed value or permit investment is related to change in jobs.[72] Approximately one quarter of the neighborhoods lost assessed value over the period, with Wells/Goodfellow (a residential area in the northwest portion of St. Louis) and Kings Oak (a primarily commercial area south of Forest Park) at the bottom of the list at a 39 percent decline over the period. While Downtown, the Central West End and Downtown West lead the list with both the highest change in assessed value and the largest aggregate permit investment, Lafayette Square and Benton Park lead with the highest percent change in assessed value over the period (196 percent and 183 percent respectively), followed by DeBaliviere Place (163 percent) and Botanical Heights (136 percent).

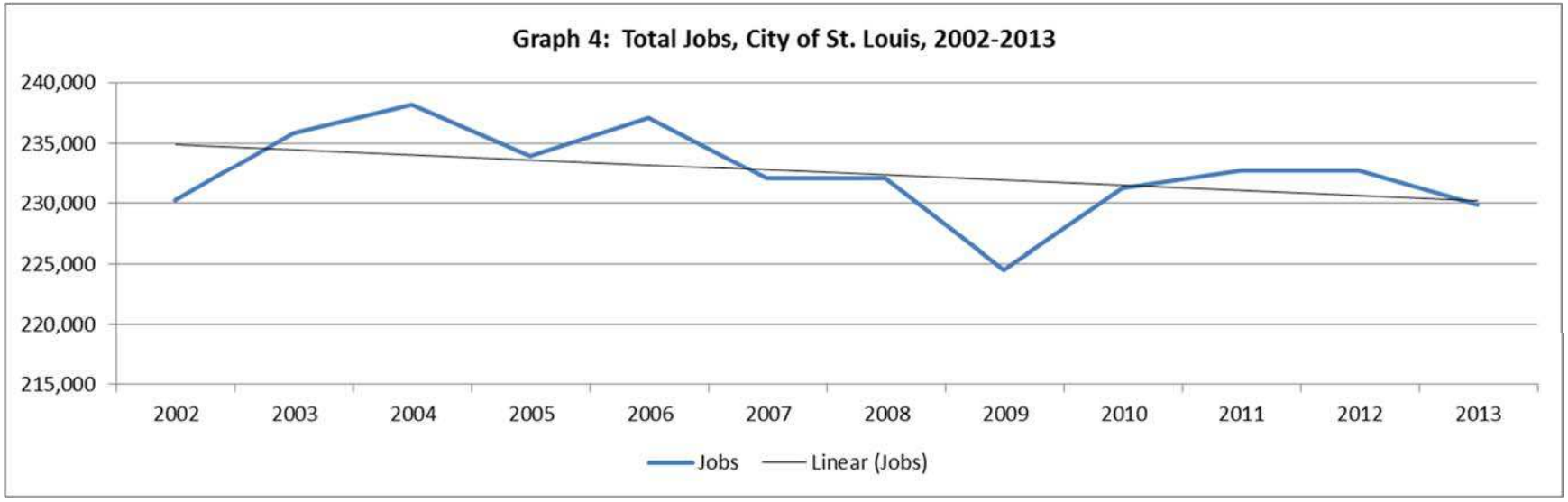
Graph 2, 3 and 4 show the city-wide trend in assessed value, permit investment and jobs over the same period.

[72] The resulting Pearson's correlation coefficient for changes assessed value and aggregate permit investment is 0.96—a high degree of correlation—compared to 0.22 for assessed value and jobs and 0.26 for permit investment and jobs.

Analysis of Past Performance






Graph 4: Total Jobs, City of St. Louis, 2002-2013
240,000
235,000
230,000
225,000
220,000
215,000
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Jobs
Linear (Jobs)

Analysis of Past Performance

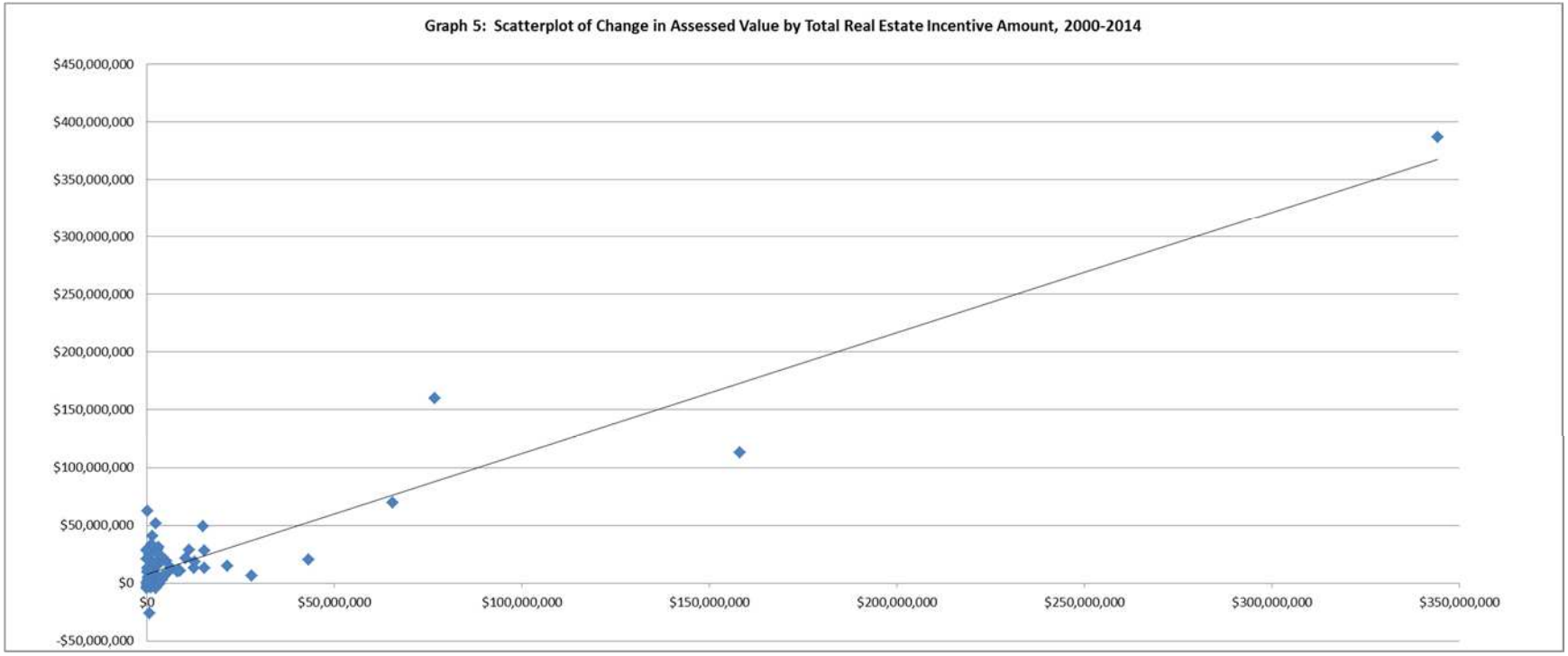
Over the analyzed time period, assessed value increases approximately $143 million per year. By contrast, permit investments decrease approximately $167 million and the number of jobs decreased by 430 jobs per year. Additionally, there is year-to-year variability in the data. For example, assessed value increases in the years up to 2008 and declines marginally after that. Permit investment peaks between 2002 and 2005 and falls to a stable annual pattern afterward. Jobs in the City peaks in 2004, falls through 2009 and rises by 2013 to match the number in 2002.

Pooled over the fifteen year period, total local incentive use[73] can be compared to changes in assessed value (Graph 5), aggregate permit investment (Graph 6) and changers in jobs (Graph 7) to show both the linear relationship between the two variables and how specific neighborhoods do or do not fit the line[74].

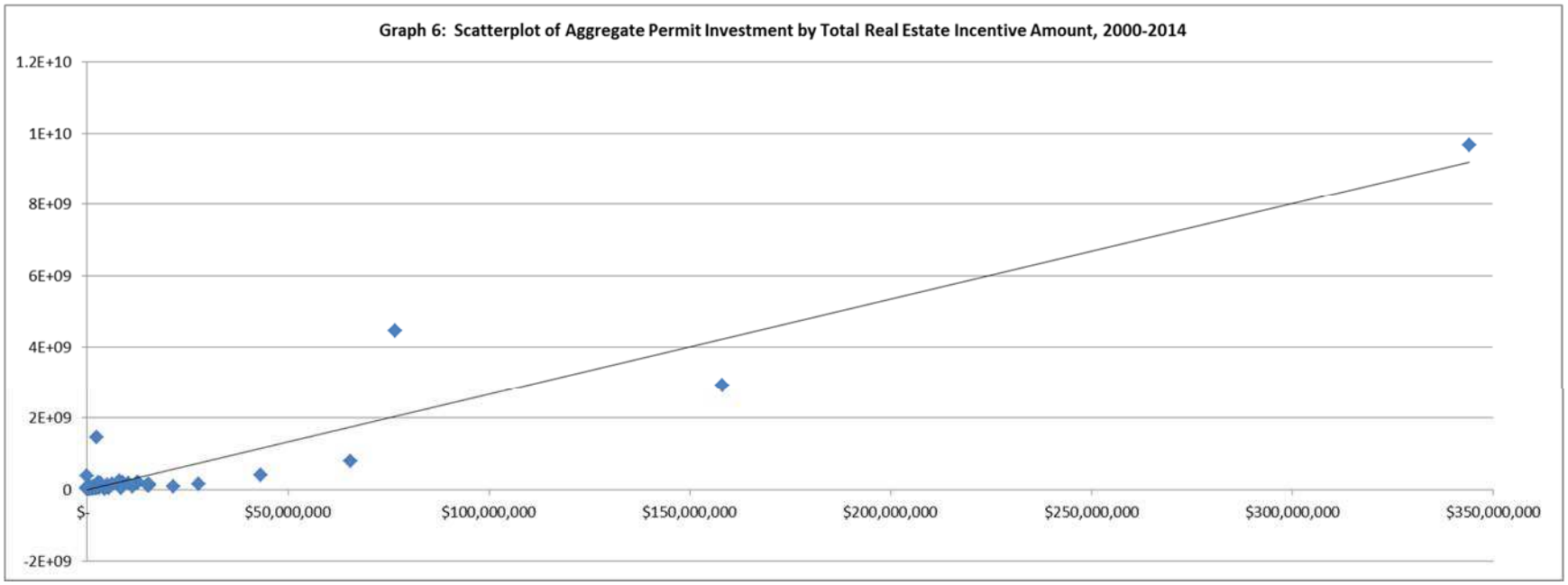
[73] In this case, this includes tax increment financing, New Market Tax Credits and tax abatement.

[74] Aggregate investment is used to capture total investment in neighborhoods over the period.

Analysis of Past Performance



Analysis of Past Performance



Analysis of Past Performance

The graphs can be roughly divided into four parts based on whether neighborhoods are below or above the line and the dollar value of incentives the neighborhoods receive.[75] For example, the lower left part of the graph represents those with lower incentive use and lower economic outcomes and the upper left part of the graph represent neighborhoods with higher economic outcomes but low incentives use.

Using the data, a linear coefficient[76] can be calculated representing the change in the economic variables for each $1.00 change in incentive use. This means for each $1,000 of incentive use, there is an associated:

- $1,060 in increased assessed value
- $26,730 in increased aggregate value

For jobs, the relationship with incentive use is smaller in terms of the coefficient; each $1,000,000 of incentive use is associated with an increase of about 7 jobs within the neighborhood.

It should be noted that these estimates are biased in that they represent just the bivariate association between the two variables and do not take into account other neighborhood level predictors of the economic outcome.[77] Additionally, pooling the data over the 15-year period obscures year-to-year variation in both incentive use and the economic outcomes and a more granular relationship between the two. These linear relationships suggest (at best) that, on average, neighborhoods that have seen increases in assessed value and large aggregate permit investment have also seen large incentive use. Put in another way, the characteristics of neighborhoods probably matter as much for the decisions of developers to use incentives as the incentives themselves for driving neighborhood change.

Patterns of Economic Impacts before and after the Use of Incentives

While the preceding analysis suggests that developers successfully pursue incentives to produce financially viable projects and that those projects are associated with positive economic outcomes across neighborhoods, those findings don't take into account the wide variation in the use of incentives. The neighborhood analysis obscures the fact that there is significant geographic variation in where incentives have been used, the patterns of incentive use and the use of specific incentive patterns for types and size of projects.

One way to demonstrate this is to track economic outcomes before and after the use of incentives based upon different types of projects. To do so, the timing of TIF and tax abatement projects (based on their parcel location) was identified based upon the when the project was completed for TIF projects[78] and based on the first year of tax abatement for tax abatement projects.[79] The result was that parcel and area property assessed could be compared over time based on 10 years before the use of the incentive and 10 years after the assessment.[80] In order to get sufficient cases to make meaningful comparisons, the categories

---

[75] . While there are a few neighborhoods with very high incentive use—leading to a clustering of most neighborhoods at the left part of the graph—other testing not shown in this report suggests that they don't substantially impact the linear fit.

[76] Computed using least squares regression.

[77] A more robust model of the economic impact of incentives—a panel data model—would include not just total local investment amounts, broken out by the various incentive amounts, as well as state incentive amounts, with data not pooled over the period but broken out by each year. Panel data models would also include other so-called "fixed effects"—such as the effects associated with specific neighborhoods or effects of specific years—to better capture impacts from characteristics shared by groups of neighborhoods across and within specific years.

[78] The analysis relied upon a TIF log compiled by City of St. Louis development staff to identify project completion dates; these were logged for analysis as TIF Year "0." A small number of TIF projects did not have completion dates; in these cases, completion dates were determined by analyzing permit data and other development project sources. See Appendix A for more details.

[79] The analysis used tax master data from the Assessor to note abated properties. The first instance of abatement was considered Tax Abatement Year "0." For those where tax abatement began prior to 2000 (the first year of tax master data analyzed), the tax abatement start date was computed by taking the last year of abatement and subtracting "10"—the standard length of tax abatement. See Appendix A for more details.

[80] This time frame was chosen given the smaller number of projects with data before and after this time range.

of projects in the descriptive analysis of incentive use (Table 9) were combined to six types each for TIF and tax abatement projects:

- Projects using just that type of incentive (TIF alone projects and tax abatement alone projects
- Projects using that incentive and some state real estate tax credit
- Commercial projects
- Single family residential projects
- Multi-family residential projects
- Mixed use projects.

Time trends are shown for changes both at the level of the incentivized parcels and for the area surrounding the incentivized parcel (500 feet based on the shape of the parcel).[81]

Finally, two statistics for each year are reported: both the average economic impact variable (assessed value, permit investment and jobs) for the groups as well as the ratio of the value of economic impact variable for that year to the value of the economic impact variable in Year "0." While the first allows for a good estimate of the annual changes in outcomes for a specific project types, the second allows for a better comparison of changes across project types.

In reporting these average values, the analysis does not take into account other factors that might account for their changes. Thus, these trends do not constitute statistical tests of the relationship between incentive use and economic outcomes but are more a general description of economic outcomes. Additionally, the analysis does not report confidence intervals around the averages, meaning that there may or may not be any statistical difference between the estimates in different years—and thus no change across the years; this is relevant for years in which averages are drawn from a small number of cases, particularly in years further before or after the use of the incentive.

Changes in Assessed Value for TIF Projects

Table 11 shows the average assessed value of incentivized parcels that received TIF funding based on their TIF Year.[82] Graph 8 shows the average values and Graph 9 shows the ratio values over the TIF Year period.

[81] Based on assessed values for the 500 foot buffer areas were calculated, these include the assessed value of the incentivized parcel. See Appendix A for more details.

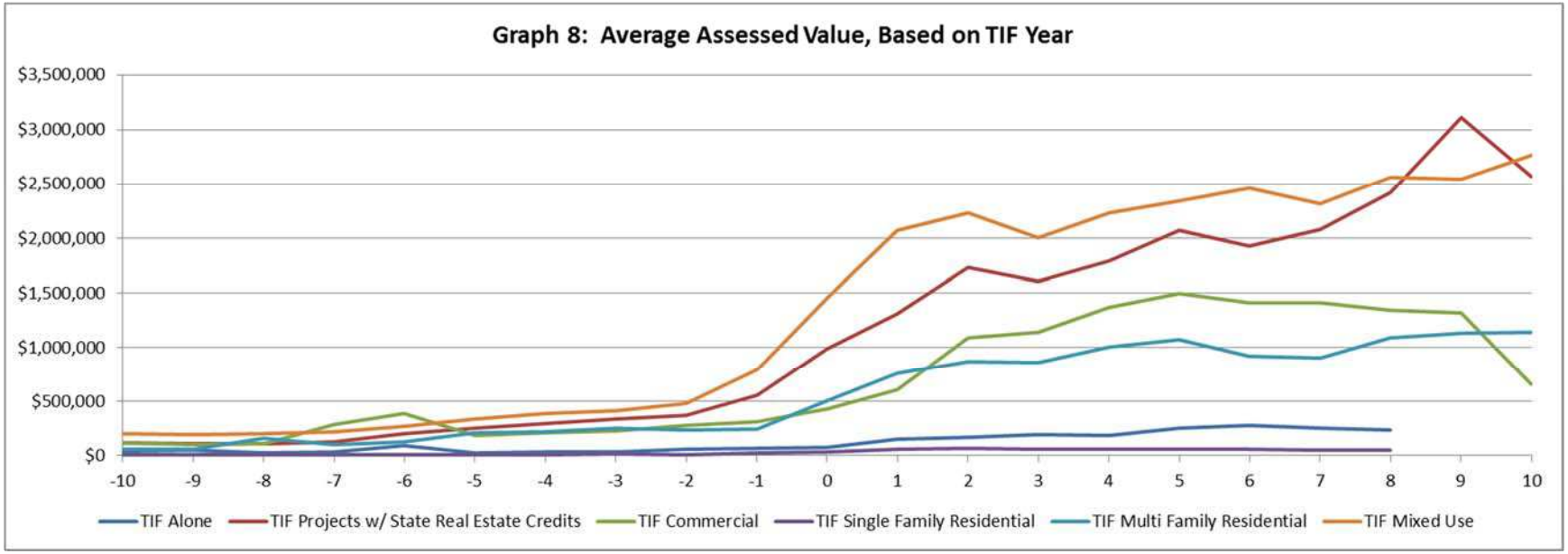
[82] Those years missing averages are years for which no cases existed.

Table 11: Average Assessed Value for Incentivized Parcels Based on TIF Year and Project Type
City of St. Louis, 2000 to 2014

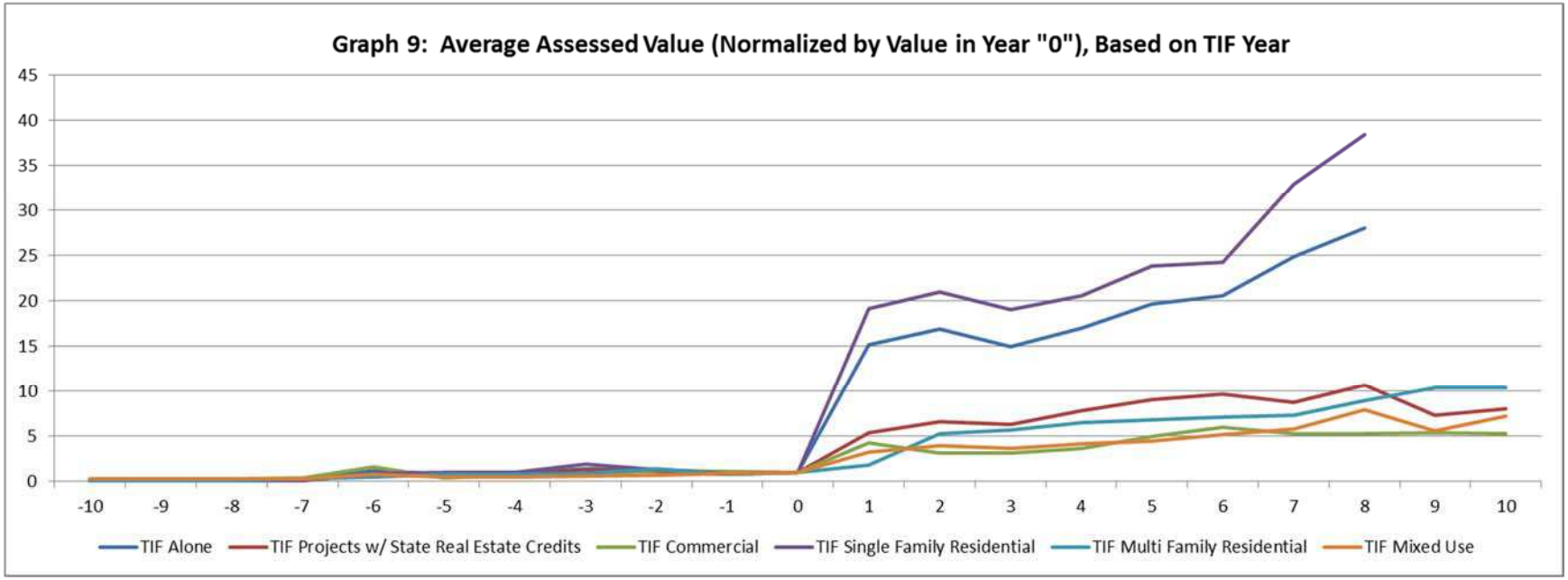
Year	TIF Alone	TIF Projects w/ State Real Estate Credits	TIF Commercial	TIF Single Family Residential	TIF Multi Family Residential	TIF Mixed Use
-10	$42,697	$118,667	$120,710	$10,012	$59,850	$200,672
-9	$51,524	$111,457	$102,591	$9,814	$59,533	$191,077
-8	$27,499	$109,501	$108,813	$3,763	$156,433	$202,951
-7	$28,803	$124,811	$283,332	$4,782	$97,361	$220,102
-6	$92,976	$201,517	$385,137	$5,691	$125,961	$269,722
-5	$23,942	$253,799	$186,008	$5,321	$211,466	$338,496
-4	$35,053	$291,104	$207,077	$5,343	$217,712	$390,013
-3	$30,448	$337,355	$225,529	$12,504	$251,526	$417,714
-2	$54,801	$375,109	$276,667	$7,654	$235,430	$482,333
-1	$70,497	$559,155	$312,547	$20,133	$243,833	$795,844
0	**$78,074**	**$985,694**	**$428,297**	**$35,318**	**$509,029**	**$1,459,271**
1	$150,578	$1,314,455	$610,953	$59,199	$762,514	$2,073,017
2	$171,769	$1,738,743	$1,094,056	$63,952	$871,327	$2,236,606
3	$196,944	$1,610,937	$1,145,396	$55,911	$860,083	$2,003,408
4	$182,922	$1,792,545	$1,368,019	$57,593	$1,003,107	$2,230,911
5	$254,175	$2,071,864	$1,500,437	$55,019	$1,071,077	$2,342,447
6	$280,586	$1,926,605	$1,409,803	$55,060	$921,313	$2,463,834
7	$254,205	$2,078,845	$1,412,208	$46,984	$900,813	$2,317,035
8	$235,451	$2,423,912	$1,346,938	$45,637	$1,089,489	$2,561,495
9		$3,111,937	$1,316,988		$1,134,393	$2,550,180
10		$2,571,292	$659,211		$1,138,980	$2,763,502

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance



Analysis of Past Performance



The table and accompanying graph show a strong upward trend in average assessed values around the year of TIF use. The fact that the trend in most cases starts a year prior may be due to the timing of property assessments to the project completion date or the fact that certification of project completion occurs after effective project completion. As suggested by the project type data presented in Table 9, mixed use TIFs and commercial TIFs have higher average assessed values than residential TIFs; additionally, TIFs that utilize state tax credits have both higher use of incentives and higher resulting average assessments. By contrast, Graph 3 shows a somewhat different view of these time trends, normalizing the annual averages by the assessment value in year "0." In comparison to other project types, residential TIFs show the greatest increase in assessed value—an almost 20 fold increase after the use of the TIF. This probably reflects the significantly low assessment of residential properties prior to use of the incentive (either as vacant buildings or, more likely in the case of TIF residential projects, vacant land).

One interesting note to each of the time trends maps is that increases in assessed value are generally quite moderate after the initial increase after TIF use; this is mostly true for all of the project types. Thus, while on average assessments increase 65 percent in the year prior to TIF completion, 55 percent in the year following TIF completion, and 24 percent for year "1" to "2," their rate of increase averages 3 percent for the next six periods, ranging from a decrease of 4 percent to an increase of 12 percent.

Table 12 and Graphs 10 and 11 replicate this analysis for the 500 foot area around the incentivized parcels.

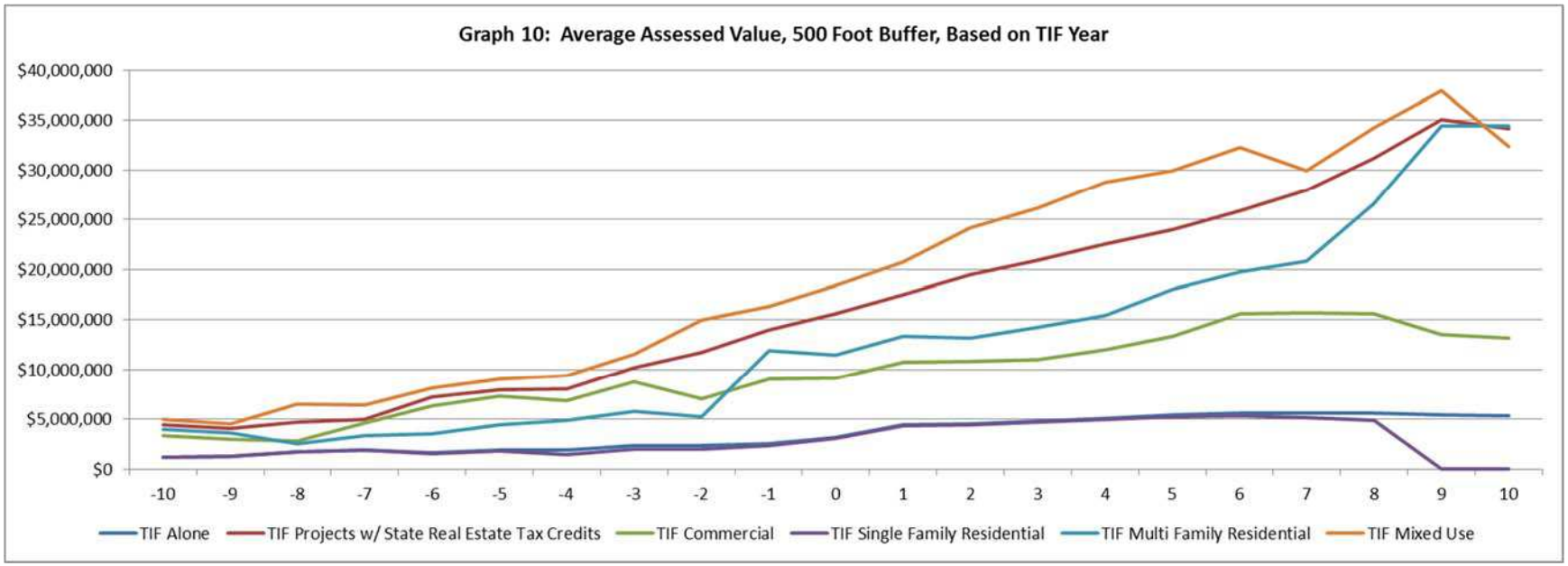
Table 12: Average Assessed Value for 500 Foot Buffer Around Incentivized Parcels Based on TIF Year And Project Type

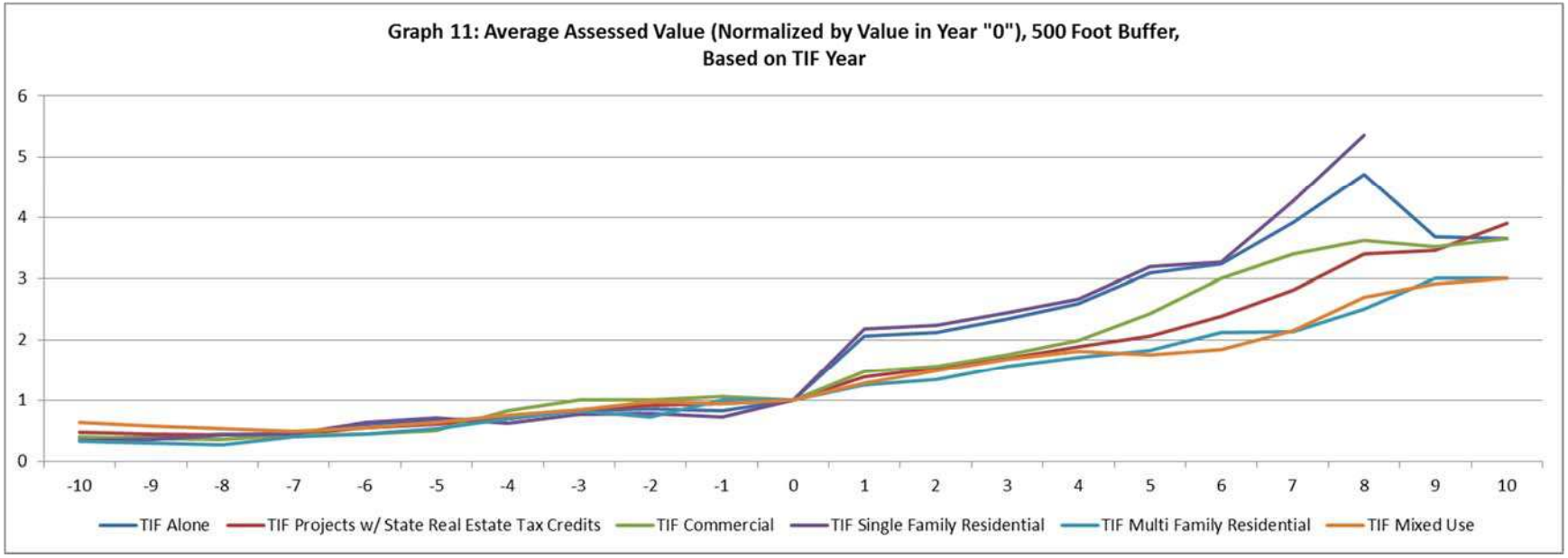
City of St. Louis, 2000 to 2014

Year	TIF Alone	TIF Projects w/ State Real Estate Tax Credits	TIF Commercial	TIF Single Family Residential	TIF Multi Family Residential	TIF Mixed Use
-10	$1,189,714	$4,414,061	$3,339,234	$1,227,629	$3,996,300	$4,999,119
-9	$1,332,002	$4,128,063	$2,971,959	$1,310,144	$3,599,060	$4,544,812
-8	$1,762,120	$4,744,258	$2,825,424	$1,762,300	$2,589,203	$6,498,648
-7	$1,944,536	$5,014,259	$4,626,629	$1,935,751	$3,326,181	$6,422,538
-6	$1,676,126	$7,248,746	$6,323,640	$1,578,934	$3,541,193	$8,154,588
-5	$1,945,091	$7,945,098	$7,373,548	$1,848,687	$4,471,231	$9,000,950
-4	$1,932,392	$8,057,967	$6,907,105	$1,473,232	$4,915,138	$9,403,073
-3	$2,399,849	$10,229,760	$8,807,081	$1,978,516	$5,773,177	$11,554,888
-2	$2,377,783	$11,755,278	$7,033,325	$2,044,324	$5,261,714	$14,962,869
-1	$2,600,718	$13,978,854	$9,024,710	$2,334,503	$11,901,835	$16,359,232
0	**$3,188,405**	**$15,625,734**	**$9,132,047**	**$3,142,550**	**$11,449,856**	**$18,431,596**
1	$4,417,892	$17,510,820	$10,744,029	$4,367,927	$13,396,619	$20,746,099
2	$4,551,428	$19,519,266	$10,816,141	$4,470,367	$13,193,076	$24,154,556
3	$4,816,913	$20,946,185	$11,021,329	$4,719,786	$14,291,287	$26,195,190
4	$5,072,821	$22,538,936	$12,031,491	$4,993,478	$15,472,765	$28,816,798
5	$5,458,067	$24,037,036	$13,366,573	$5,279,916	$18,061,466	$29,964,029
6	$5,603,585	$25,885,690	$15,644,819	$5,369,796	$19,808,065	$32,278,831
7	$5,623,630	$27,918,666	$15,738,693	$5,127,059	$20,812,964	$29,957,983
8	$5,659,432	$31,246,532	$15,613,777	$4,896,953	$26,615,498	$34,230,179
9	$5,408,126	$35,065,867	$13,564,549		$34,428,916	$37,986,256
10	$5,389,720	$34,174,829	$13,193,811		$34,413,384	$32,363,042

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance




Graph 11: Average Assessed Value (Normalized by Value in Year "0"), 500 Foot Buffer, Based on TIF Year
6
5
4
3
2
1
0
-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10
TIF Alone
TIF Projects w/ State Real Estate Tax Credits
TIF Commercial
TIF Single Family Residential
TIF Multi Family Residential
TIF Mixed Use

The contrast between these findings and those presented above are striking. In nominal terms (Graph 4), average assessed values for the buffer areas rise gradually throughout the period—both before and after the use of TIFs. This trend is more pronounced for some types of projects, such as mixed use TIFs, TIFs with state real estate tax credits, and commercial TIFs. However, across all types of TIFs, assessed values within the areas surrounding TIFs increased on average higher prior to the use of the TIF than after—14 percent compared to 8 percent.

Changes in Assessed Value for Tax Abatement Projects

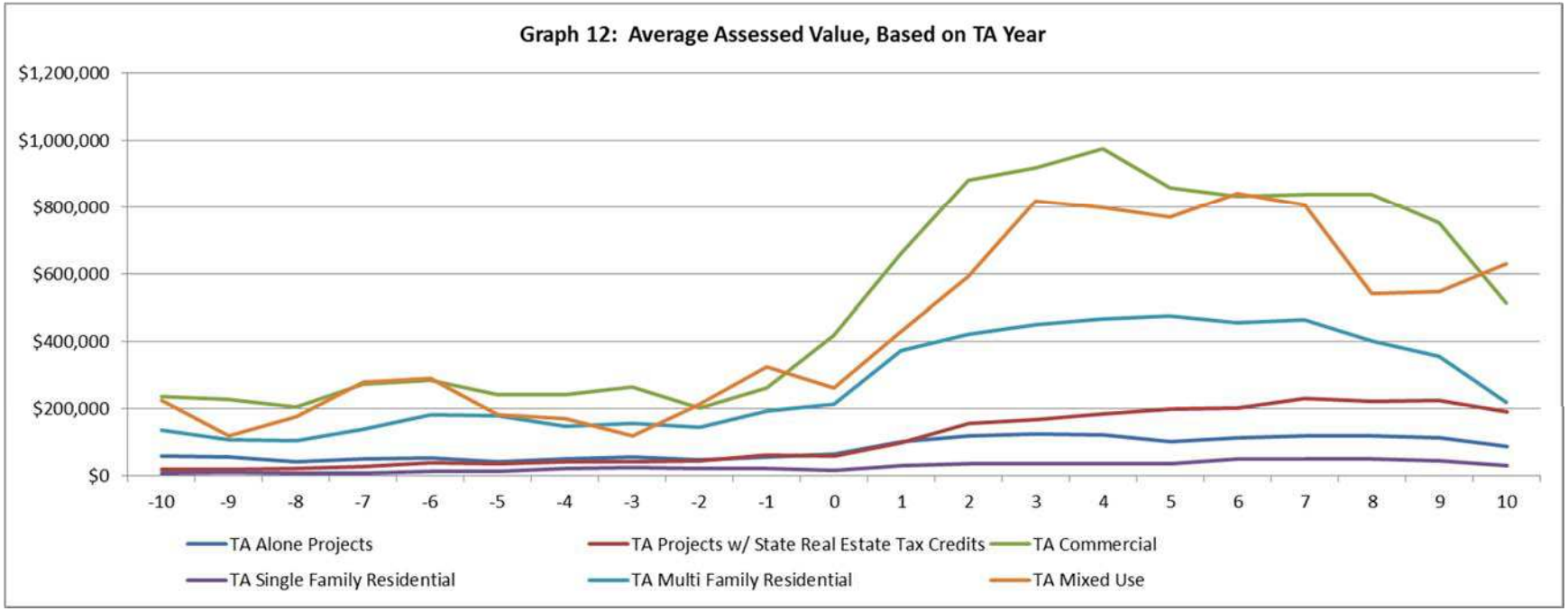
Table 13 shows the average assessed value of incentivized parcels that received tax abatement based upon their tax abatement year, using equivalent categories as above. Graph 12 charts the average assessments values over time and Graph 13 the ratio values over time.

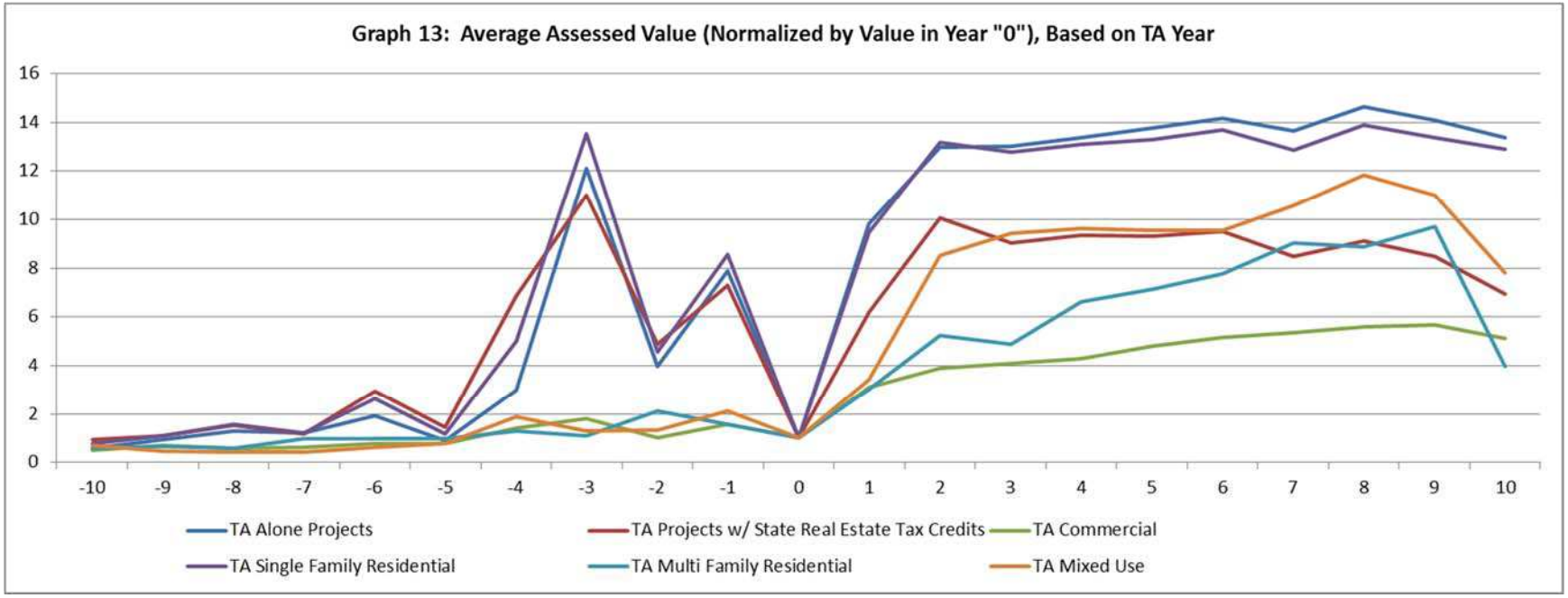
Table 13: Average Assessed Value for Incentivized Parcels Based on Tax Abatement Year and Project Type
City of St. Louis, 2000 to 2014

Year	TA Alone Projects	TA Projects w/ State Real Estate Tax Credits	TA Commercial	TA Single Family Residential	TA Multi Family Residential	TA Mixed Use
-10	$59,269	$16,719	$234,597	$5,423	$134,765	$223,600
-9	$54,845	$17,705	$226,258	$8,004	$107,248	$117,043
-8	$40,045	$21,101	$203,355	$7,377	$102,750	$173,814
-7	$49,205	$25,863	$271,275	$6,984	$136,501	$277,905
-6	$52,811	$37,564	$285,071	$12,365	$181,948	$288,258
-5	$41,679	$36,184	$241,346	$11,803	$178,841	$180,178
-4	$48,431	$39,462	$241,395	$19,401	$145,080	$169,414
-3	$55,598	$41,290	$264,561	$22,610	$154,377	$116,507
-2	$45,163	$42,483	$201,912	$21,063	$142,253	$212,886
-1	$53,780	$61,486	$260,409	$21,969	$193,226	$322,367
0	**$64,906**	**$58,538**	**$418,822**	**$15,809**	**$212,092**	**$260,851**
1	$101,182	$96,500	$660,393	$28,607	$371,023	$430,285
2	$117,683	$154,265	$879,779	$35,899	$420,833	$593,449
3	$123,770	$167,333	$919,152	$35,098	$449,852	$819,060
4	$121,409	$184,467	$976,065	$35,774	$467,258	$798,514
5	$100,478	$197,040	$857,591	$35,613	$474,180	$770,878
6	$113,361	$200,636	$833,828	$49,422	$456,067	$841,974
7	$117,155	$230,682	$839,270	$48,754	$462,587	$806,962
8	$117,221	$219,425	$838,758	$49,473	$400,614	$541,655
9	$111,368	$223,575	$751,390	$42,457	$354,727	$546,750
10	$85,240	$189,034	$512,933	$30,511	$217,657	$630,465

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance




Graph 13: Average Assessed Value (Normalized by Value in Year "0"), Based on TA Year
16
14
12
10
8
6
4
2
0
-10
-9
-8
-7
-6
-5
-4
-3
-2
-1
0
1
2
3
4
5
6
7
8
9
10
TA Alone Projects
TA Projects w/ State Real Estate Tax Credits
TA Commercial
TA Single Family Residential
TA Multi Family Residential
TA Mixed Use

The nominal time trend (Graph 12) shows a similar pattern for TIF projects generally, with a strong upward trend in average assessed values after the first year of abatement. This is most visually obvious for commercial and mixed use projects but also true for other categories of tax abatement projects. Across all categories of projects, average assessed values increased 61 percent in the first year after the initiation of tax abatement—the higher annual increase over the entire period. However, as in the case of TIF projects, assessed values level off after this initial boost—31 percent in the second year of abatement and an average of 4 percent in the six periods following.

By contrast, viewing assessed values normalized by values in Year "0" (Graph 13) exhibits an unusual pre-abatement increase for single family tax abatement projects and tax abatement projects that utilize state tax credits. The two are likely linked, given the strong overlap between single family tax abatement projects that utilize historic, neighborhood preservation or low income credits. This trend might have to do with the timing of tax credit use and tax abatement—with tax credits kicking in prior to the initiation of abatement—or it could be due to impacts of other local factors impacting these properties prior to incentive use.

Table 14 and Graphs 14 and 15 replicate this analysis for the 500 foot area around tax abatement projects.

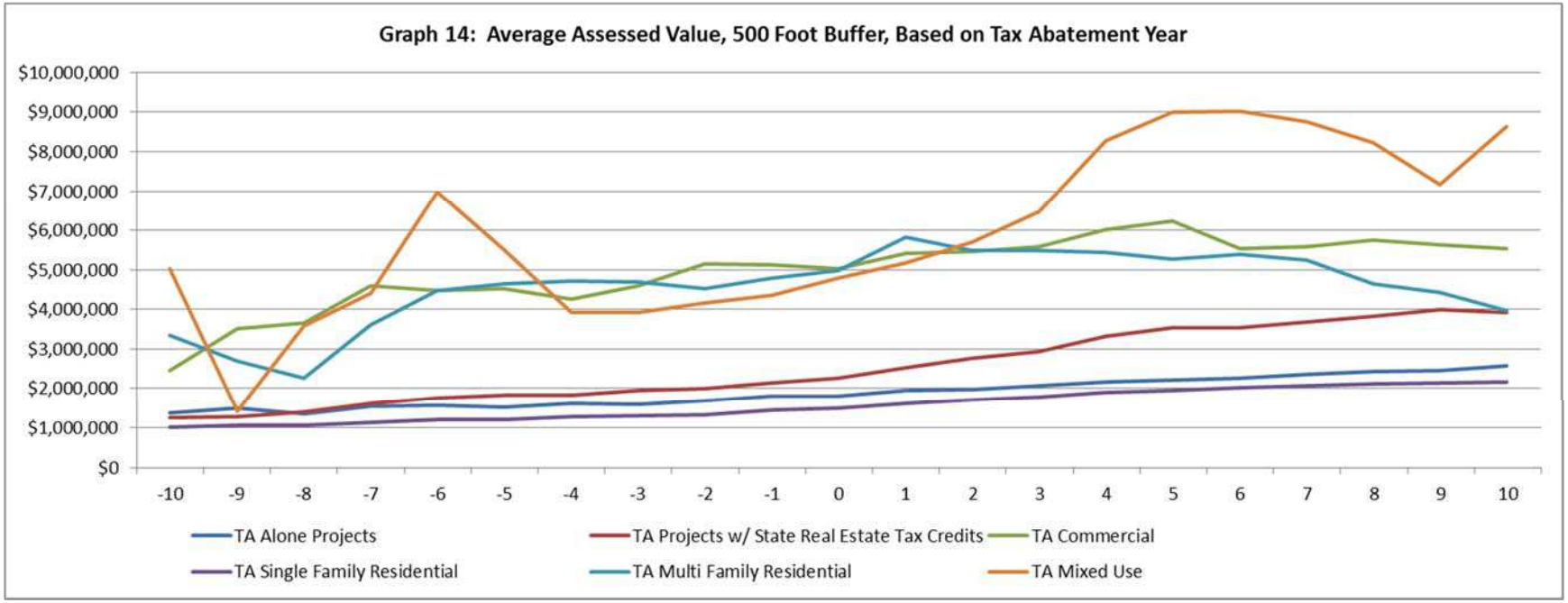
Table 14: Average Assessed Value for 500 Foot Buffer Around Incentivized Parcels Based on Tax Abatement Year and Project Type

City of St. Louis, 2000 to 2014

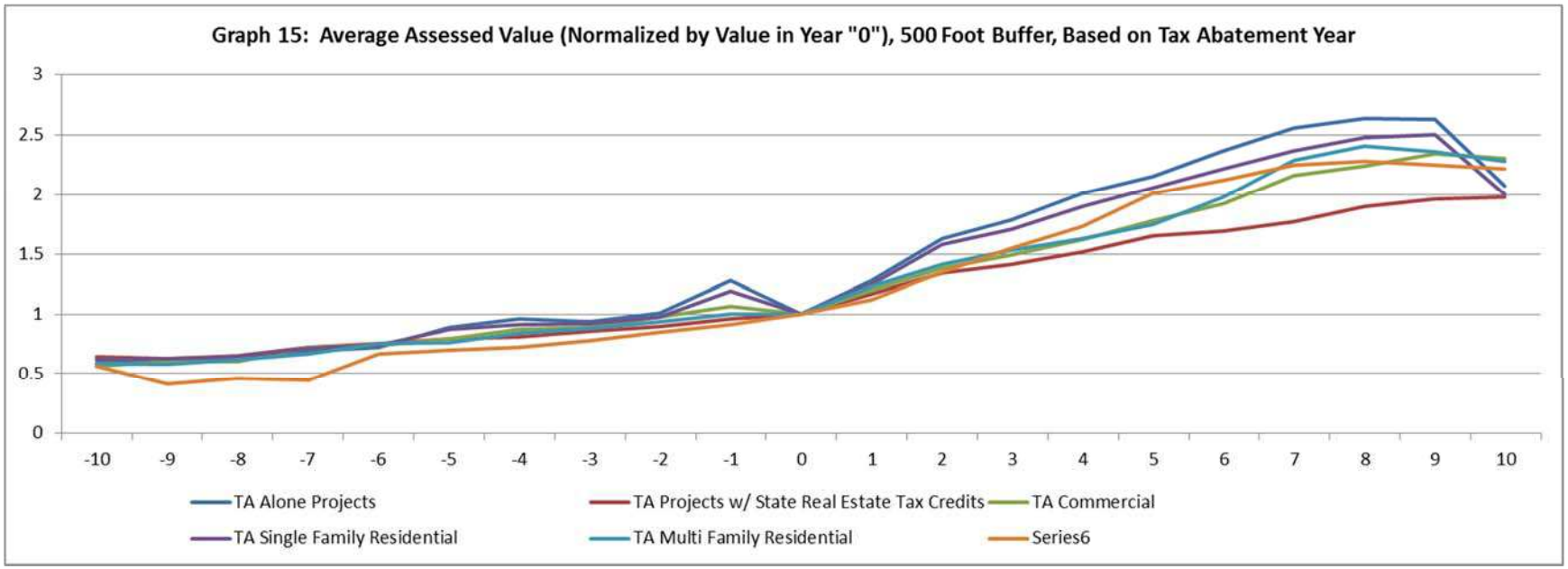
Year	TA Alone Projects	TA Projects w/ State Real Estate Tax Credits	TA Commercial	TA Single Family Residential	TA Multi Family Residential	TA Mixed Use
-10	$1,376,761	$1,257,058	$2,449,292	$1,017,188	$3,339,656	$5,027,755
-9	$1,498,635	$1,283,454	$3,508,930	$1,054,096	$2,707,368	$1,430,011
-8	$1,357,646	$1,398,538	$3,650,625	$1,051,380	$2,258,280	$3,581,384
-7	$1,543,796	$1,616,444	$4,605,650	$1,139,447	$3,616,578	$4,397,069
-6	$1,562,477	$1,764,477	$4,475,315	$1,199,089	$4,473,185	$6,985,240
-5	$1,527,628	$1,839,035	$4,528,215	$1,207,016	$4,647,170	$5,517,063
-4	$1,610,989	$1,818,909	$4,269,986	$1,279,722	$4,723,588	$3,917,507
-3	$1,599,107	$1,954,940	$4,604,543	$1,307,890	$4,684,403	$3,930,157
-2	$1,684,091	$2,001,903	$5,151,370	$1,331,338	$4,529,629	$4,164,254
-1	$1,798,200	$2,137,446	$5,119,378	$1,452,401	$4,782,920	$4,365,556
0	$1,810,324	$2,275,274	$5,034,995	$1,489,555	$4,972,429	$4,799,053
1	$1,940,471	$2,537,762	$5,424,923	$1,609,174	$5,833,683	$5,175,735
2	$1,985,435	$2,774,820	$5,468,899	$1,717,392	$5,487,238	$5,700,807
3	$2,059,952	$2,929,447	$5,589,778	$1,780,231	$5,478,991	$6,482,773
4	$2,173,990	$3,323,439	$6,025,295	$1,901,772	$5,440,597	$8,288,284
5	$2,217,957	$3,537,018	$6,224,698	$1,958,021	$5,280,438	$9,003,415
6	$2,267,934	$3,540,538	$5,535,366	$2,020,698	$5,383,602	$9,028,353
7	$2,361,289	$3,694,248	$5,590,527	$2,075,866	$5,253,907	$8,754,229
8	$2,421,949	$3,826,535	$5,745,121	$2,124,112	$4,637,561	$8,219,567
9	$2,452,536	$3,990,037	$5,629,474	$2,146,621	$4,428,983	$7,175,980
10	$2,575,944	$3,919,650	$5,531,797	$2,168,102	$3,977,379	$8,633,270

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance



Analysis of Past Performance



The time trends are much more gradual over the period, both in nominal terms (Graph 14) as a ratio of Year "0" values (Graph 15). Only in the case of mixed use projects, and to lesser extent multi-family projects, is there a significant average increase in assessed values after the initiation of the TIF. For all projects, the average annual percent changes in assessed values are greater prior to the initiation of the TIF when compared to after—8 percent to 4 percent. In nominal terms, there is an unexpected increase in average assessed values of mixed use projects prior to the initiation of tax abatement; this could be due to the impact of other large investments in the areas where these projects are located—primarily in the city's central corridor.

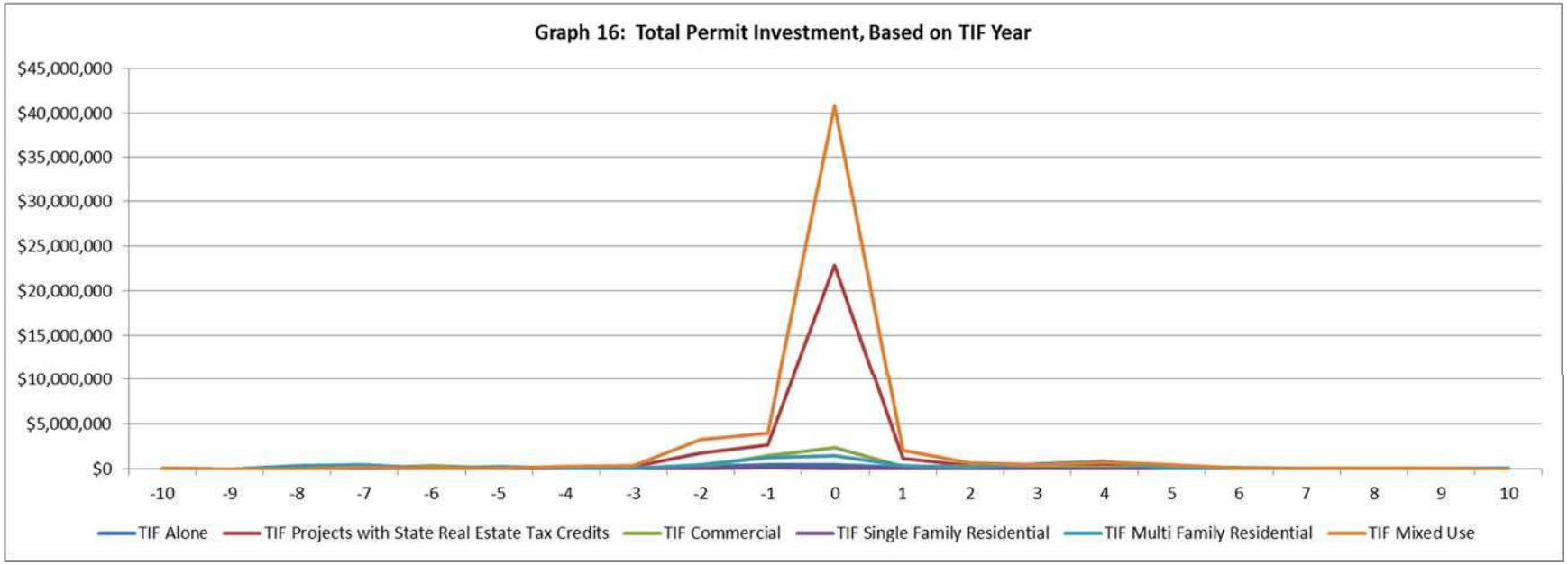
Changes in Permit Investments for TIF Projects

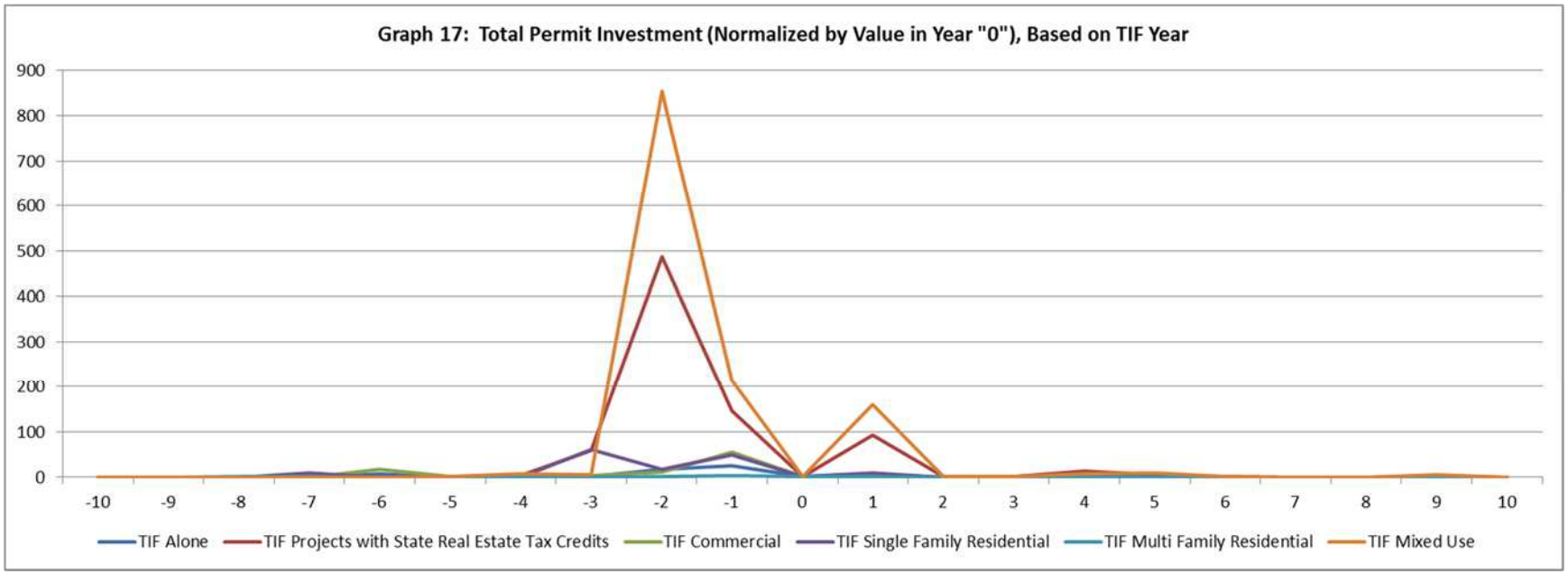
Besides property assessments, local development officials have noted the potential impact of incentives on additional investments in the city, both at the level of the incentivized parcel and in the surrounding areas. Table 15 shows the average permit investment for incentivized parcels based upon the parcel's project type and the year before and after use of the incentive; Graph 16 and 17 summarized the averages both in nominal terms as a function of permit investment in the year of incentive use.

Table 15: Total Permit Investment for Incentivized Parcels Based on TIF Year and Project Type
City of St. Louis, 2000 to 2014

Year	TIF Alone	TIF Projects with State Real Estate Tax Credits	TIF Commercial	TIF Single Family Residential	TIF Multi Family Residential	TIF Mixed Use
-10	$52	$7,011	$7,721	$0	$1,500	$11,107
-9	$11	$2,930	$633	$0	$667	$4,367
-8	$147	$2,587	$6,566	$0	$328,027	$1,314
-7	$136	$105,708	$101,254	$1,312	$490,786	$176,581
-6	$71,151	$13,972	$308,239	$98	$16,526	$14,591
-5	$15,289	$89,723	$68,620	$11,630	$208,609	$72,491
-4	$13,070	$138,236	$43,108	$8,638	$99,723	$209,925
-3	$19,024	$243,411	$66,502	$14,335	$33,278	$390,130
-2	$211,293	$1,753,227	$299,883	$54,502	$487,198	$3,267,001
-1	$420,202	$2,673,052	$1,463,109	$115,823	$1,280,726	$3,955,872
0	$469,743	$22,817,399	$2,319,566	$72,695	$1,451,949	$40,824,357
1	$201,362	$1,113,384	$242,566	$60,172	$345,702	$2,029,051
2	$98,751	$325,282	$224,817	$2,161	$143,381	$610,052
3	$119,181	$226,391	$224,984	$1,150	$559,280	$457,565
4	$116,311	$419,765	$132,597	$4,254	$845,836	$725,619
5	$107,361	$190,917	$231,397	$64	$937	$469,785
6	$2,298	$52,253	$149,236	$525	$13,049	$25,124
7	$19,058	$10,254	$22,728	$3,607	$17,843	$55,519
8	$817	$8,544	$13,790	$826	$6,636	$14,300
9	$1,071	$33,555	$35,533		$18,543	$36,611
10	$10,137	$31,964	$12,003		$53,571	$149

Source: Various. See Apendix 1 for listing of data sources.


Graph 16: Total Permit Investment, Based on TIF Year
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10
TIF Alone
TIF Projects with State Real Estate Tax Credits
TIF Commercial
TIF Single Family Residential
TIF Multi Family Residential
TIF Mixed Use


Graph 17: Total Permit Investment (Normalized by Value in Year "0"), Based on TIF Year
900
800
700
600
500
400
300
200
100
0
-10
-9
-8
-7
-6
-5
-4
-3
-2
-1
0
1
2
3
4
5
6
7
8
9
10
TIF Alone
TIF Projects with State Real Estate Tax Credits
TIF Commercial
TIF Single Family Residential
TIF Multi Family Residential
TIF Mixed Use

Permit investment spiked within incentive permits around the date of incentive use; the large increases just prior to incentive year "0" suggest a lag in the designation of TIF completion after investment. Mixed use projects—and projects that use state real estate tax credits, which include significant numbers of mixed use projects, have the highest overall permit investment, with other projects below.

Table 16 and Graphs 18 and 19 repeat the analysis for permit investment before and after the use of TIF, both in nominal and ratio terms, for the 500 foot buffers around the incentivized parcel.

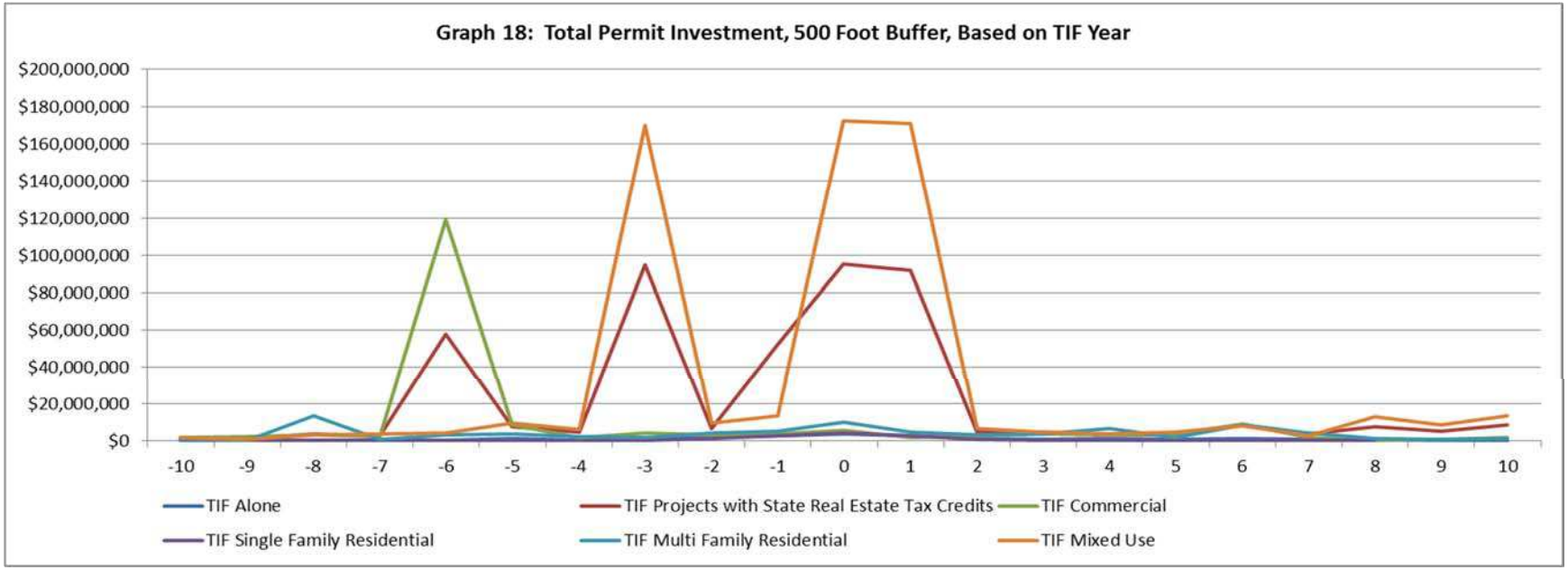
Table 16: Total Permit Investment for 500 Foot Buffer Around Incentivized Parcels Based on TIF Year and Project Type

City of St. Louis, 2000 to 2014

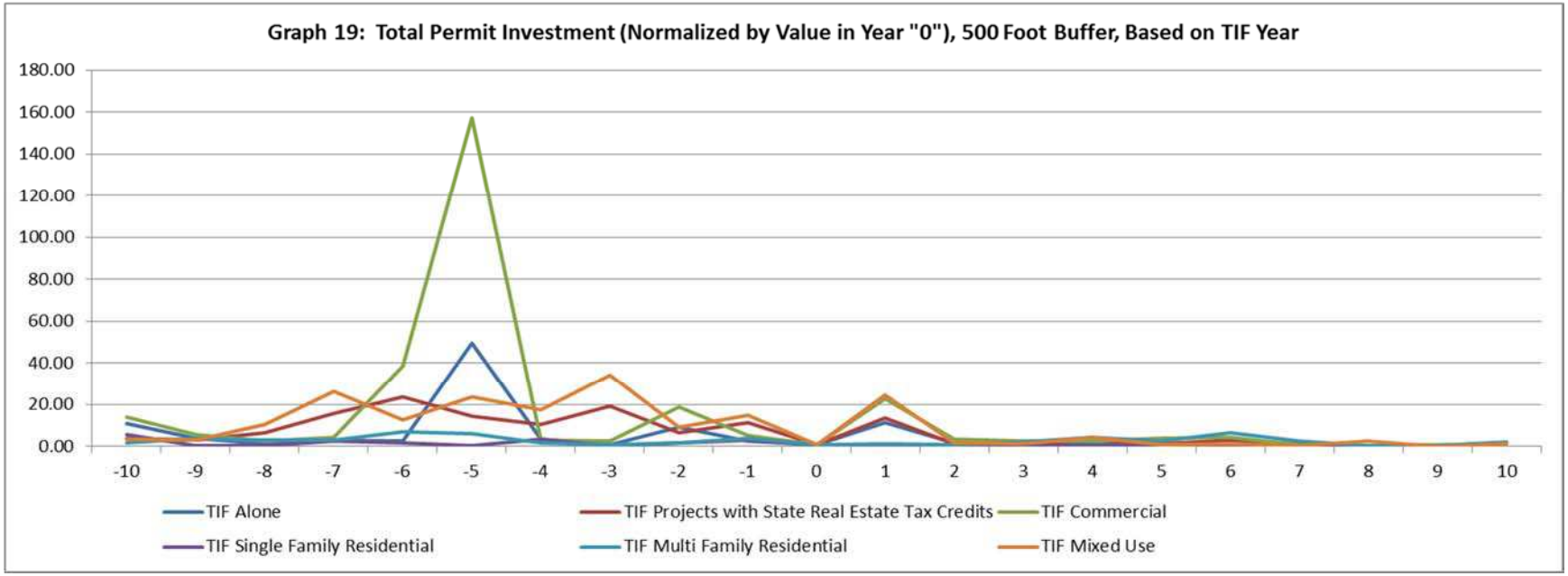
Year	TIF Alone	TIF Projects with State Real Estate Tax Credits	TIF Commercial	TIF Single Family Residential	TIF Multi Family Residential	TIF Mixed Use
-10	$829,897	$1,414,579	$1,831,248	$478,379	$925,654	$1,729,343
-9	$522,468	$1,471,974	$2,262,657	$80,213	$447,697	$995,340
-8	$326,033	$4,072,735	$3,135,710	$217,965	$13,682,896	$3,445,336
-7	$450,715	$2,711,106	$2,295,499	$434,298	$1,000,216	$3,676,762
-6	$505,453	$57,956,322	$119,085,748	$163,123	$3,296,371	$4,121,483
-5	$1,285,728	$7,812,197	$8,553,379	$237,682	$3,787,506	$9,546,070
-4	$445,990	$4,907,949	$2,122,643	$165,949	$2,614,275	$6,385,545
-3	$1,236,477	$94,716,568	$4,130,126	$538,970	$1,717,963	$170,030,230
-2	$2,002,577	$6,934,584	$3,442,495	$1,526,942	$4,166,272	$9,760,898
-1	$2,753,387	$51,810,141	$3,933,939	$2,729,156	$5,303,133	$13,377,474
0	$3,985,370	$95,118,943	$5,642,317	$4,351,290	$10,024,283	$172,666,874
1	$2,918,438	$91,658,596	$1,970,054	$2,867,004	$4,903,293	$171,275,624
2	$1,364,923	$4,759,160	$2,672,376	$819,460	$3,189,369	$6,845,538
3	$815,203	$4,666,484	$4,063,073	$270,013	$3,941,957	$4,649,821
4	$1,473,878	$3,301,269	$3,566,950	$448,546	$6,664,301	$3,779,379
5	$800,085	$3,144,809	$3,929,029	$28,508	$1,725,815	$4,894,400
6	$1,402,035	$8,693,725	$9,126,126	$295,457	$8,949,581	$8,143,246
7	$847,261	$3,860,585	$1,879,075	$283,364	$4,505,287	$2,762,338
8	$1,165,690	$7,584,835	$676,723	$383,518	$1,250,449	$13,150,157
9	$214,564	$5,458,994	$1,077,909		$789,265	$8,494,214
10	$95,809	$8,495,787	$1,955,598		$1,280,925	$13,735,332

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance



Analysis of Past Performance



The data show very interesting patterns of significant investments prior to the use of incentives, particularly for commercial and mixed use projects. This could mean:

- There was significant prior investment that did not use TIF incentives—in other words, TIF investment followed non-incentivized investment
- There was prior investment that utilized other types of investments, likely state tax credits alone or state tax credits and tax abatement, and/or
- There was prior investment that used TIF, but that investment was so much more significant that the later TIF investment does not show as a factor in the averages after year "0"

The relatively flat investment after the use of TIF suggests that, all other things being equal, the spillover effects from TIFs are relatively minor.

Changes in Permit Investments for Tax Abatement Projects

The next set of tables and graphs chart annual average permit investment based upon the years before and after tax abatement. Table 17 and Graphs 20 and 21 show findings regarding investments at the level of the incentivized parcel.

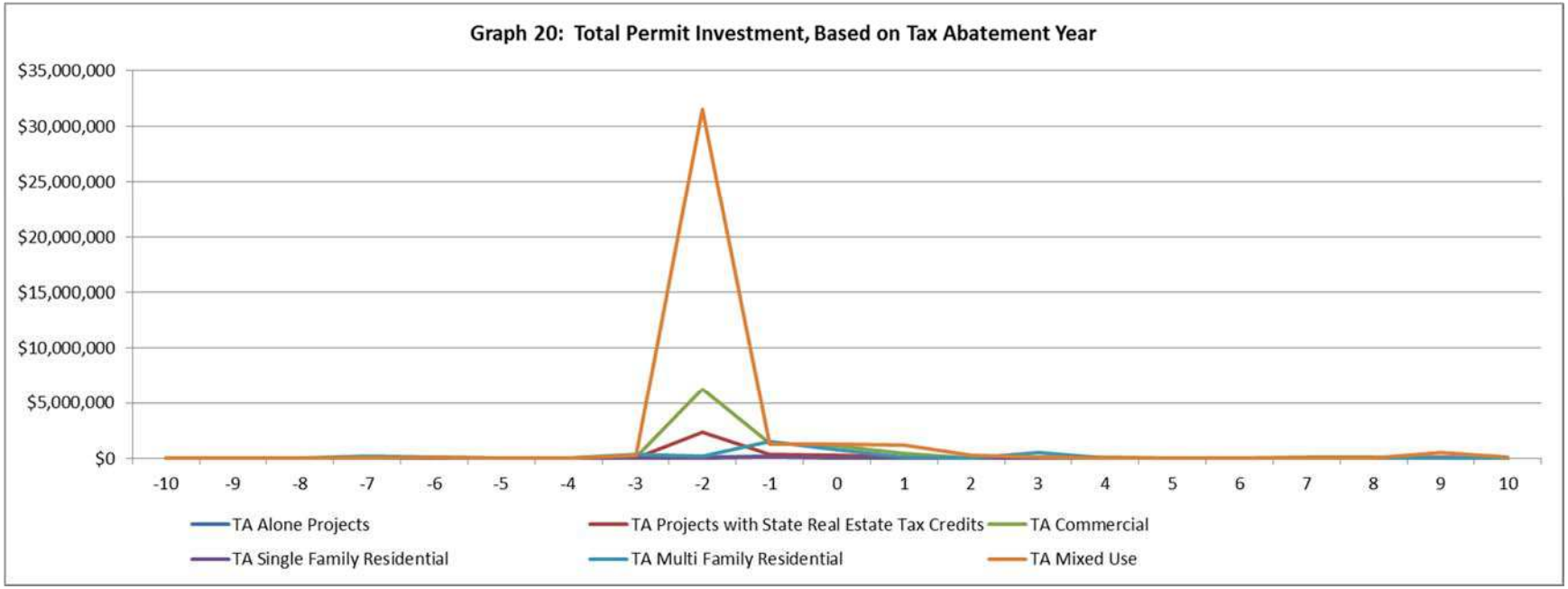
Table 17: Total Permit Investment for Incentivized Parcels Based on Tax Abatement Year and Project Type

City of St. Louis, 2000 to 2014

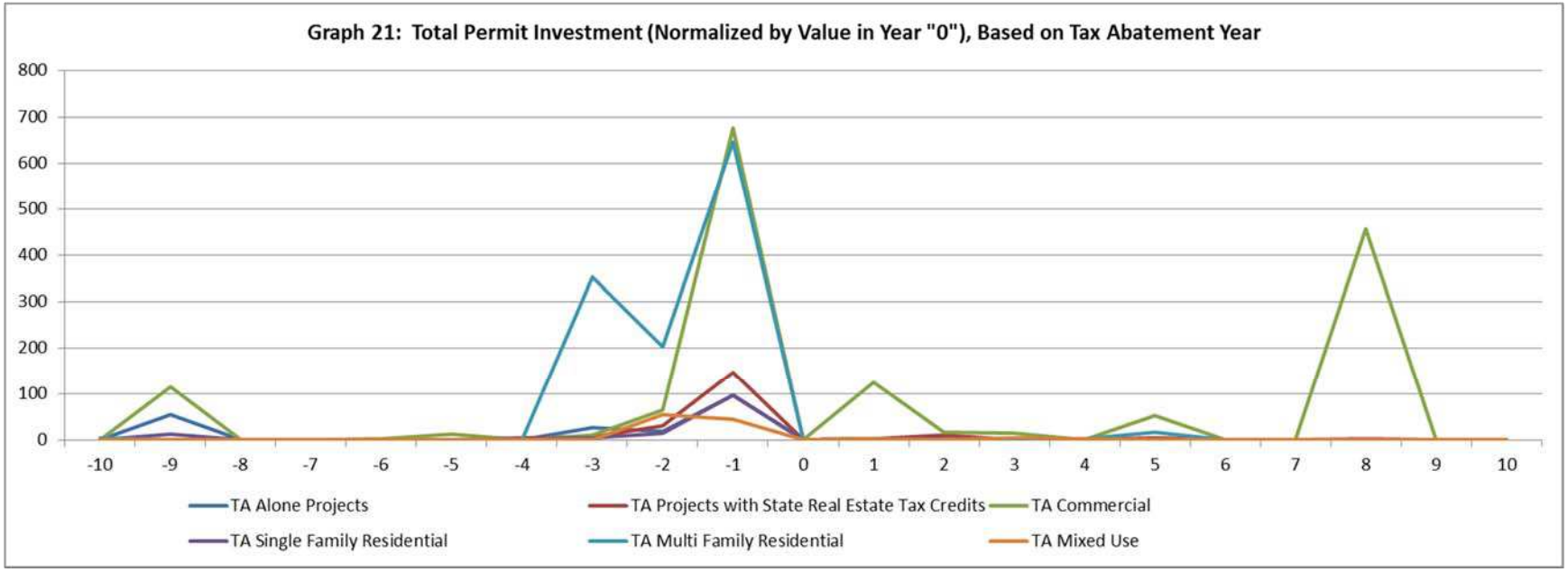
Year	TA Alone Projects	TA Projects with State Real Estate Tax Credits	TA Commercial	TA Single Family Residential	TA Multi Family Residential	TA Mixed Use
-10	$4,525	$312	$34,588	$209	$2,579	$173
-9	$9,951	$757	$42,265	$515	$3,810	$188
-8	$4,057	$448	$12,512	$208	$36,540	$0
-7	$1,847	$15,704	$20,146	$182	$157,046	$51,520
-6	$5,670	$15,706	$32,665	$506	$126,781	$72,500
-5	$5,534	$3,199	$12,850	$1,615	$43,032	$57,268
-4	$2,847	$6,463	$13,558	$1,684	$38,096	$15,956
-3	$31,470	$27,030	$130,652	$7,353	$376,381	$250,360
-2	$98,755	$2,366,821	$6,211,433	$24,240	$230,563	$31,508,197
-1	$218,696	$364,523	$1,357,972	$86,996	$1,508,057	$1,306,164
0	$95,203	$242,574	$1,124,480	$39,240	$771,359	$1,300,538
1	$35,172	$86,206	$469,032	$11,801	$112,249	$1,198,490
2	$8,783	$29,213	$45,562	$3,287	$12,166	$254,271
3	$5,386	$71,624	$35,903	$1,258	$552,050	$74,791
4	$13,180	$10,574	$79,470	$3,204	$33,287	$26,273
5	$4,368	$7,539	$30,399	$1,983	$16,471	$38,108
6	$3,530	$3,348	$27,388	$1,188	$4,734	$8,062
7	$4,206	$2,299	$74,723	$408	$7,552	$13,913
8	$6,558	$9,268	$79,840	$442	$2,464	$43,630
9	$7,005	$85,736	$60,837	$523	$2,982	$559,539
10	$6,042	$15,268	$37,170	$501	$1,448	$89,903

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance



Analysis of Past Performance



The large average investments prior to the first year of abatement probably reflect the lag between permit investment and tax abatement, but it could alternatively suggest that incentive use proceeds after non-incentivized investment. The upturn in normalized investment in Graph 20 for commercial projects in year 8 is somewhat misleading; while the nominal averages do suggest a slight increase in investment on average during this year, the ratio amount overstates it, as it based on values in Year "0" and not the likely timing of permit investment—probably the years proceeding. Still, there does seem to be a pattern of reinvestment in commercial tax abatement projects 8 years after the use of tax abatement.

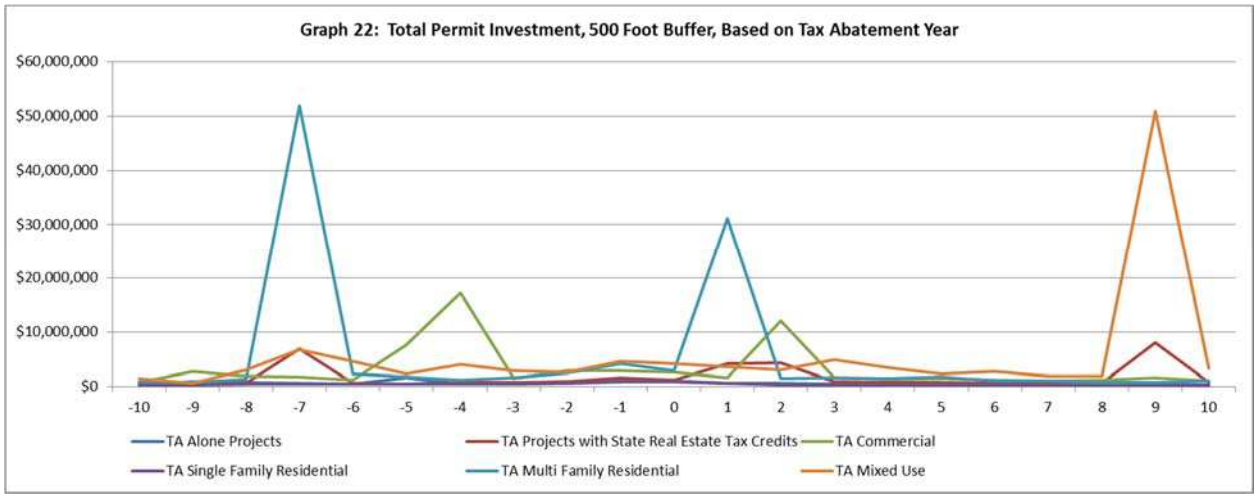
The final set of tables and graphs (Table 18 and Graphs 22 and 23) show average permit investments within the 500 foot areas around the tax abated project.

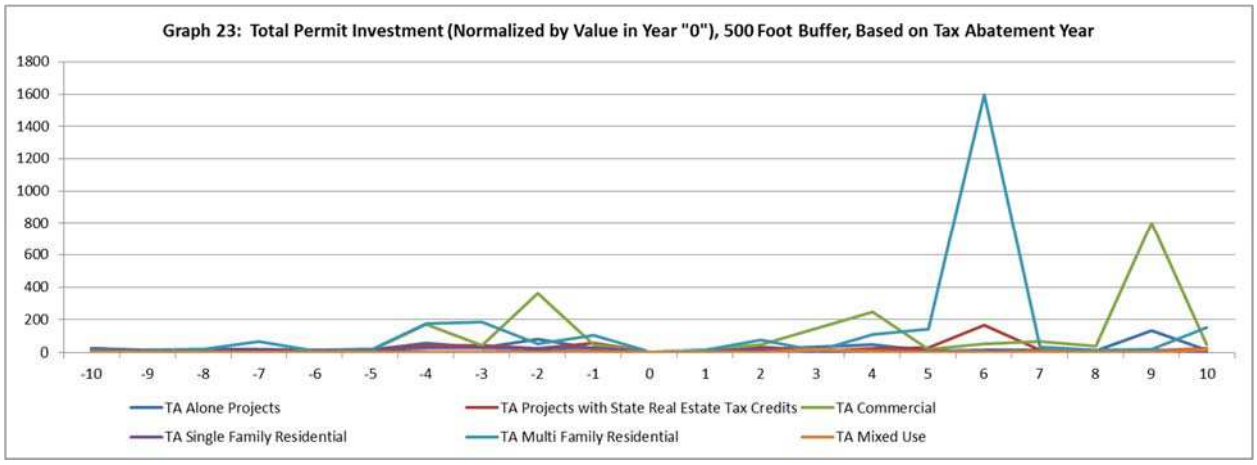
Table 18: Total Permit Investment for 500 Foot Buffer Around Incentivized Parcels Based on Tax Abatement Year and Project Type

City of St. Louis, 2000 to 2014

Year	TA Alone Projects	TA Projects with State Real Estate Tax Credits	TA Commercial	TA Single Family Residential	TA Multi Family Residential	TA Mixed Use
-10	$420,838	$350,726	$767,412	$310,720	$831,657	$1,427,387
-9	$957,342	$407,728	$2,804,918	$370,536	$705,762	$582,551
-8	$733,170	$620,531	$1,836,091	$475,249	$1,295,174	$2,979,768
-7	$536,429	$6,944,961	$1,726,745	$430,447	$51,940,210	$6,809,654
-6	$529,622	$647,569	$1,192,592	$438,601	$2,365,476	$4,672,449
-5	$1,593,285	$528,668	$7,565,280	$401,419	$1,684,403	$2,318,686
-4	$468,275	$736,311	$17,163,871	$411,218	$1,234,967	$4,066,241
-3	$666,799	$703,545	$1,531,357	$528,930	$1,674,739	$2,920,089
-2	$863,780	$916,975	$2,943,446	$614,213	$2,486,454	$2,624,503
-1	$1,158,843	$1,556,455	$2,882,435	$934,374	$4,240,664	$4,663,912
0	$1,055,727	$1,124,083	$2,598,723	$831,277	$2,890,104	$4,146,788
1	$615,816	$4,223,841	$1,637,856	$536,616	$31,187,833	$3,677,559
2	$535,519	$4,304,106	$12,057,378	$387,302	$1,492,168	$2,988,153
3	$490,569	$892,888	$1,623,693	$369,031	$1,646,402	$4,917,230
4	$401,037	$738,769	$1,250,598	$291,375	$1,449,996	$3,449,439
5	$427,468	$763,865	$1,454,035	$339,545	$1,702,159	$2,390,627
6	$427,844	$659,186	$1,150,215	$326,875	$1,072,404	$2,802,245
7	$401,571	$516,856	$1,051,430	$295,743	$1,045,770	$1,954,378
8	$363,504	$573,349	$1,128,712	$257,547	$675,327	$1,896,079
9	$367,256	$8,082,594	$1,548,391	$248,357	$816,144	$50,869,957
10	$387,175	$757,333	$1,010,874	$238,664	$1,000,720	$3,346,602

Source: Various. See Apendix 1 for listing of data sources.


Graph 22: Total Permit Investment, 500 Foot Buffer, Based on Tax Abatement Year
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10
TA Alone Projects
TA Projects with State Real Estate Tax Credits
TA Commercial
TA Single Family Residential
TA Multi Family Residential
TA Mixed Use


Graph 23: Total Permit Investment (Normalized by Value in Year "0"), 500 Foot Buffer, Based on Tax Abatement Year
1800
1600
1400
1200
1000
800
600
400
200
0
-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10
TA Alone Projects
TA Projects with State Real Estate Tax Credits
TA Commercial
TA Single Family Residential
TA Multi Family Residential
TA Mixed Use

The pattern of average investments show both project types with significant investment prior to use of incentive (multi-family projects) and project types with significant investments after incentive use (mixed use projects). Additionally, average investment amounts spike one year after the beginning of tax abatement for multi-family investments—and less so for commercial projects. These spikes could represent some spillover effect or may be an issue with the timing of tax abatement and permit investment.

Changes in Jobs for TIF and Tax Abatement Projects

The final set of time trends look at changes in jobs using small area employment data provided by the U.S. Census Bureau. Because jobs are measured at the lowest level of blocks, it is not possible to track changes in jobs at the parcel level.[83] Jobs are a particularly important economic outcome for the City, as they directly impact City tax revenue based on the City earnings tax, which currently represents 32%[84] of the City's general fund revenue. Unfortunately, the job data only includes the number of workers, and not their payroll information, so no direct analysis can be made in terms of earnings tax revenue.

Table 19 and Graphs 24 show the average numbers of jobs within 500 feet of TIF projects.

[83] Some data does exist at the project level. The city's TIF log includes a project of jobs created by TIF funded activities. Additionally, TIF developers are required to file an annual report with the Missouri Auditor (http://auditor.mo.gov/TIF/SearchTIF.aspx) that includes this information. However, neither source is a comprehensive as needed to complete this sort of analysis.

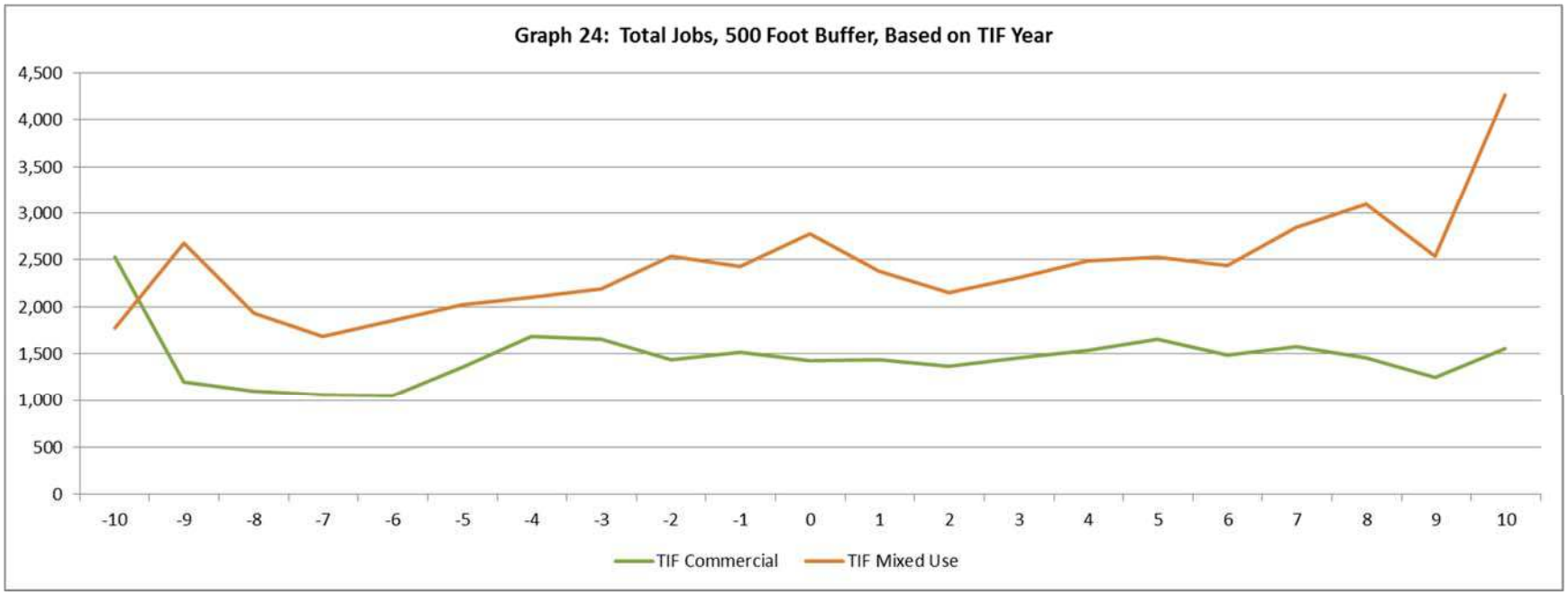
[84] City of St. Louis Office of Comptroller, 2014. *2014 Comprehensive Annual Financial Report City of St. Louis.* https://www.stlouis-mo.gov/government/departments/comptroller/documents/upload/FY2014_CityStLouis_CAFR.PDF.

Table 19: Total Jobs for 500 Foot Buffer Area Based on TIF Year and Project Type
City of St. Louis, 2000 to 2014

Year	TIF Alone	TIF Projects with State Real Estate Tax Credits	TIF Commercial	TIF Single Family Residential	TIF Multi Family Residential	TIF Mixed Use
-10		1,374	2,530	59	1,848	1,777
-9	142	2,216	1,198	72	1,360	2,678
-8	185	1,679	1,099	137	1,192	1,934
-7	281	1,461	1,064	134	1,125	1,682
-6	328	1,408	1,049	289	1,091	1,851
-5	423	1,576	1,354	404	1,179	2,020
-4	271	1,672	1,688	170	1,018	2,099
-3	259	1,763	1,659	158	777	2,189
-2	269	1,973	1,441	154	811	2,537
-1	274	1,974	1,512	164	864	2,433
0	305	2,166	1,424	163	935	2,779
1	363	1,851	1,436	174	900	2,382
2	360	1,782	1,365	174	883	2,155
3	375	1,781	1,454	183	944	2,313
4	347	1,873	1,532	115	986	2,489
5	353	1,892	1,653	135	899	2,528
6	422	1,971	1,488	143	862	2,436
7	584	2,137	1,573	52	1,052	2,845
8	1,361	2,409	1,457		1,135	3,090
9	1,109	2,145	1,250		1,276	2,534
10	1,394	3,054	1,554		1,342	4,270

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance



The graph focuses just upon annual averages for commercial and mixed income projects, under the assumption that these are most likely related to changes in jobs. The average trend around mixed income projects is marginally upward over the period, with an average annual increase of 4%. The trend is slightly "U" shaped, with jobs decreasing up to the approximate point of TIF use and then increasing afterward. By contrast, the average number of jobs for commercial projects is largely flat before and after TIF use, with some of the largest annual increases in jobs occurring prior to the use of the TIF.

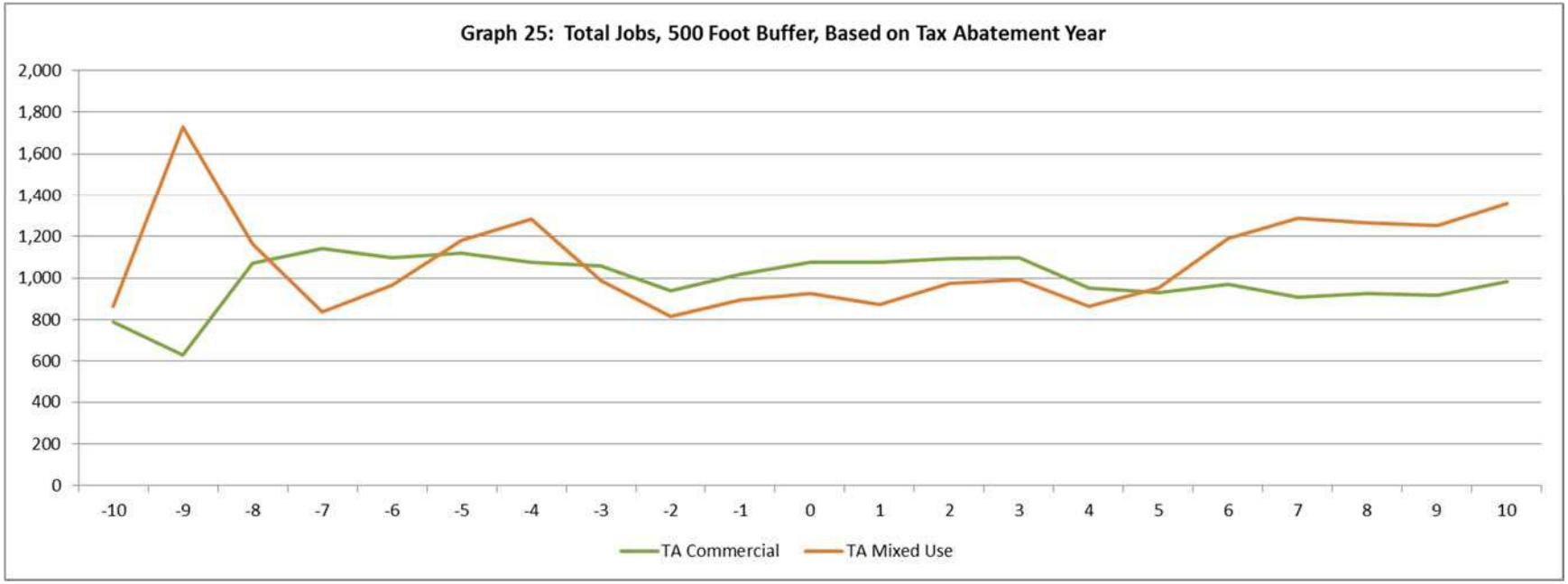
Lastly, Table 20 and Graph 25 show the average number of jobs within 500 feet of tax abated parcels.

Table 19: Total Jobs for 500 Foot Buffer Area Based on Tax Abatement Year and Project Type
City of St. Louis, 2000 to 2014

Year	TA Alone Projects	TA Projects with State Real Estate Tax Credits	TA Commercial	TA Single Family Residential	TA Multi Family Residential	TA Mixed Use
-10	240	255	789	143	844	864
-9	224	208	630	130	662	1,730
-8	343	215	1,073	139	690	1,164
-7	374	233	1,141	154	935	838
-6	319	254	1,097	157	781	963
-5	300	263	1,122	164	704	1,179
-4	280	252	1,077	153	707	1,281
-3	261	255	1,056	146	784	989
-2	243	236	940	137	733	814
-1	250	260	1,018	142	669	894
0	258	263	1,073	137	770	925
1	264	249	1,076	137	737	873
2	266	250	1,091	134	717	972
3	244	271	1,095	133	549	992
4	217	273	950	130	533	863
5	217	274	929	126	533	951
6	238	269	969	127	554	1,191
7	236	293	910	132	507	1,286
8	247	316	924	137	461	1,265
9	262	349	916	148	413	1,254
10	278	430	981	154	475	1,358

Source: Various. See Apendix 1 for listing of data sources.

Analysis of Past Performance



The table and graph are similar to the last set, with mixed use projects showing a marginally upward increase in jobs over the period and commercial projects showing no real linear pattern over the period. Even more so than the case of TIF projects, jobs in areas around mixed use tax abated projects decline significantly prior to the use of the incentive and increase modestly afterword.

Summary of Impacts

In summary, the trend analysis seems to concur with the initial analysis that, while incentives are associated with positive economic benefits at the neighborhood level, these impacts are restricted largely to the parcels and project areas in which the incentive occurs. On average, there is little evidence of clear spillover effect from the use of incentives across most of the projects for most of the economic impacts. Impacts at the level of parcel or project area are most clear for assessed value—indeed, this impact is relatively long lasting, meaning that the city could potentially continue to recoup the benefits of the incentive use after the incentive period ends— which is often 10 years for tax abatement and much longer for TIFs.

City of St. Louis Neighborhood Peer (Cluster) Analysis

To understand incentive use at the sub-city level, the project team developed a set of neighborhood peer groupings or clusters that represent locations of comparable incentive activity. These clusters are a useful unit of analysis, as certain types of incentives and the total volume of incentive investment may deviate based upon underlying neighborhood characteristics. Determining attributes of the clusters included built environment characteristics such as land usage, zoning and regulatory issues, and the type and density of structures in the local area. Additionally, resident socioeconomic characteristics indicated the relative willingness of private investors to pursue projects (and solicit incentives) in a local area. While these comparisons may not necessarily produce a statistically significant contribution in a robust statistical model of incentive use, they can help identify the manner in which similar neighborhoods use incentives.

Variable Selection

Variables from two categories thought to be predictive of incentive use were considered: variables describing the built environment and those describing the economic conditions of the resident population.

Characteristics of the Built Environment

Several different characteristics were considered to distinguish the built environment with City neighborhoods.

As a proxy for land use, the project team selected a set of zoning categories to designate the types of land use permissible onsite for developers and occupants.[85] Based upon the zoning categories designated in the City's 2000 parcel data file, the following variables were created:

- Residential zoned area (Class A through E) as a percent of total zoned area[86]
- Commercial zoned area (Class F through I) as a percent of total zoned area
- Industrial/unrestricted zoned area (Class J and K) as a percent of total zoned area

Socioeconomic Characteristics

Resident socioeconomic and demographic characteristics may also suggest development activity in an area. These variables provide an indication of the proportion of the resident population at the lower and upper ends of the City's resident income and education distribution[87].

Four variables using data from the 2000 Census Summary File 3 (SF3) block group data were derived:

- Percent of households with income below $20,000 in 2013 dollars (approximately the lower quarter of households);
- Percent of households with income above $40,000 in 2013 dollars (approximately the upper half of City households);
- Percent of adults (25 years or older) without a high school or equivalent degree (28.7 percent of total age group in the City); and,
- Percent of adults (25 years or older) with a 4-year undergraduate degree or more (19.1 percent of total age group in the City)

Racial diversity was also considered using a dissimilarity variable. This variable estimates the probability that any two residents, selected at random, not having the same racial/ethnic background based upon

[85] We recognize that zoning does not indicate the specific presence of a land use but land use designations from the city parcel data files were too inconsistent to provide for a robust cluster analysis. Land use for a given parcel may change regularly provided the usage does not conflict with local zoning designations. These changes are difficult to monitor and record.

[86] Land area for certain categories Zoned area for a given category as a percent of total area is not applicable as publicly owned facilities and open spare area frequently not designated with a zoning category.

[87] We recognize that census data is subject to data sampling issues, we simplified this approach and combined income and education categories to reduce the effect of sampling error.

identification categories used by the US Census Bureau. The five identification categories used in this analysis were Hispanic of any race, and non-Hispanic categories for white, black, Asian, and a grouping of all other census categories (which includes Native American, Pacific Islander and those who identify as multiracial). No allocation methods were required for this variable as the City obtains special tabulation data directly from the US Census Bureau for population and race data within neighborhoods.

Neighborhood Clustering

Clusters were separately constructed for both the built environment (zoning ratio) variables and the socioeconomic/demographic (education, income, and racial diversity) variables. Neighborhood Z-scores were calculated to scale for each of the variables. Cluster groups specifying different numbers of groups were computed using a kmeans algorithm.[88] In the initial zoning cluster analysis, six neighborhoods were immediately identified as "outliers".

The following neighborhoods were identified as two distinct neighborhood peer groups and were removed from any further peer group identification procedures before recalculating Z-scores for the remaining neighborhoods and continuing the analysis.

Neighborhood Peer Group	Component Neighborhoods
Central Business District	2 (Downtown and Downtown West)
Industrial	4 (Kosciusko, Mark Twain/I-70 Industrial, Near North Riverfront, North Riverfront)

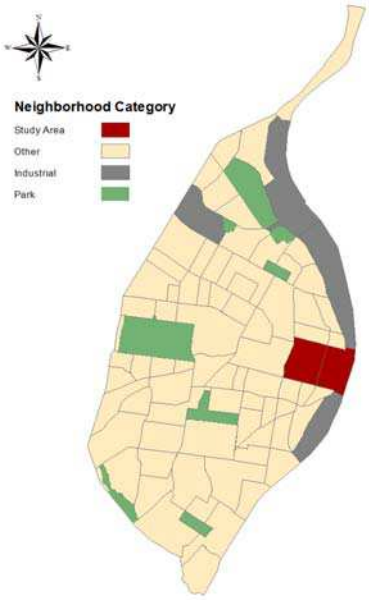
For the socioeconomic/racial category data set, groupings of between 4 and 8 clusters were specified. Even numbered cluster counts of 4, 6 and 8 were more consistent than models using an odd number of cluster groups. The cluster count of 6 (k=6) was used in the final neighborhood peer analysis.

Note that the initial analysis revealed a set of 6 clusters in addition to the Central Business District and Industrial clusters.

Like any mathematical form of estimation, clustering algorithms are subject to various limitations. The number of clusters selected and the universe of neighborhoods included within the cluster algorithm have a direct bearing on the determination of neighborhood groups. In certain cases, neighborhoods may be geographic or variable outliers within their cluster and may be more similar to neighborhoods within other clusters. This is more common in scenarios in which neighborhoods are placed outside of a larger cluster because the algorithm is biased towards creating clusters of similar size rather than clusters of greatest similarity. We reviewed the initial clusters, paying specific attention to geographic and variable outliers, and noted two primary geographical outliers: Riverview and North Point. Riverview was originally grouped within the South Grand neighborhood cluster and North Point was grouped with the Southwest City cluster. When re-running the algorithm, the project team limited the neighborhoods for Riverview and North Point to North City and their respective initial groups. These neighborhoods were grouped with other North City neighborhoods in this secondary test. Accordingly, both were included in the North City neighborhood cluster in the final analysis. Similar secondary screening analyses for other geographically isolated neighborhoods such as Peabody Darst Webbe and McRee/Botanical suggest that the original allocation grouped these neighborhoods correctly.

The composition of two initial clusters was also volatile in response to changes in the universe of neighborhoods when running the algorithm under various scenarios. Neighborhoods within these two clusters tended to move between these two clusters. For this analysis, these two groupings have been combined, which is referred to as Transitional in the analysis. Refer to Table 2 for a list of neighborhoods by cluster. Statistical data of incentive and land use for each neighborhood cluster follows.

[88] Calculations were made using R, a spatial statistics software program.



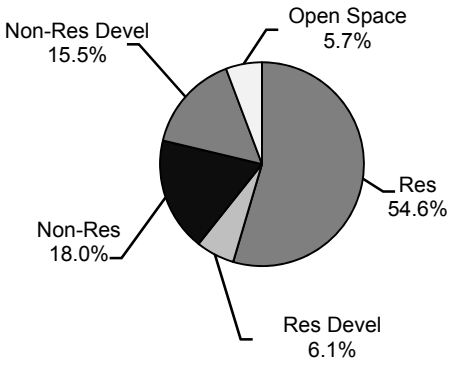
Central Business District

The Central Business District of the city is comprised of two neighborhoods: Downtown and Downtown West. These two neighborhoods, while primarily non-residential, have emerging residential activity. Heavy use of incentives, primarily TIF followed by historic tax credits, support development in this cluster. Assessed value and appreciation are strong in this cluster.

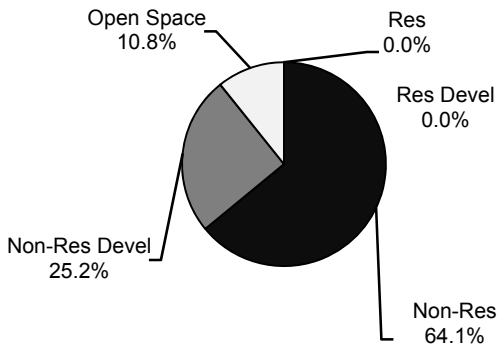
3

Land Use and Zoning Patterns (2014)[89]

City Non-CBD/Industrial Average

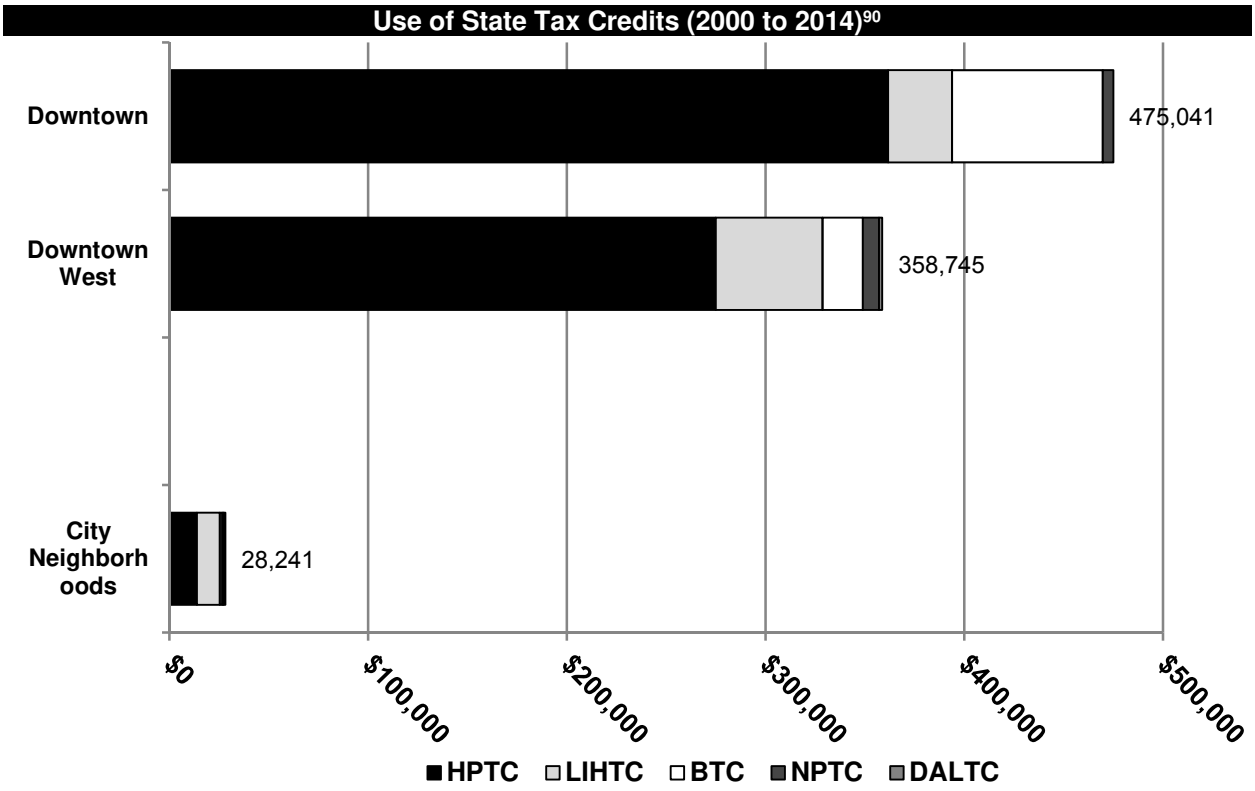


Neighborhood Peer Group

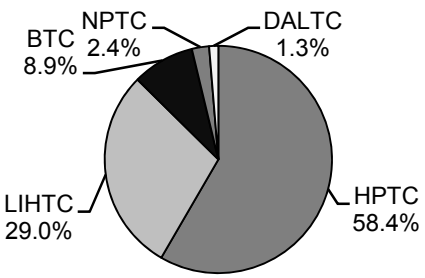


Land use within the central business district is primarily commercial. While housing is present within both neighborhoods, it is not specifically designated residential as part of the city's land use designation system. Significant opportunities for additional non-residential development still exist, with over 25 percent of land designated as being targeted for development.

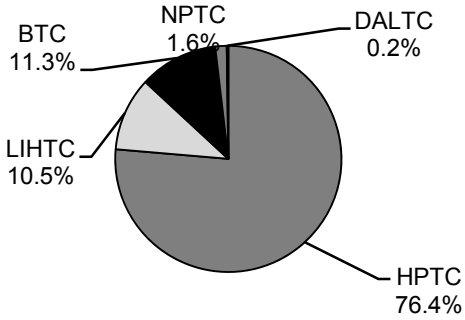
[89] Land use categories aggregated from City of St. Louis official land use designations. Residential (Res) and residential development (Res Devel) categories are comprised of Residential Preservation Areas (RPAs) and Residential Development Areas (RDAs), respectively. Open space includes only Recreational/Open Space Preservation and Development Areas (ROSPDAs). Non-residential (non-res) is comprised of Neighborhood Commercial Areas (NCAs), Regional Commercial Areas (RCAs), Business/Industrial Preservation Areas (BIPAs) and Specialty Mixed Use Areas (SMUAs). Non-residential development (Non-Res Devel) includes Business/Industrial Development Areas (BIDAs), Institutional Preservation and Development Areas (IPDAs) and Opportunity Areas (OAs).



City Non-CBD/Industrial Average

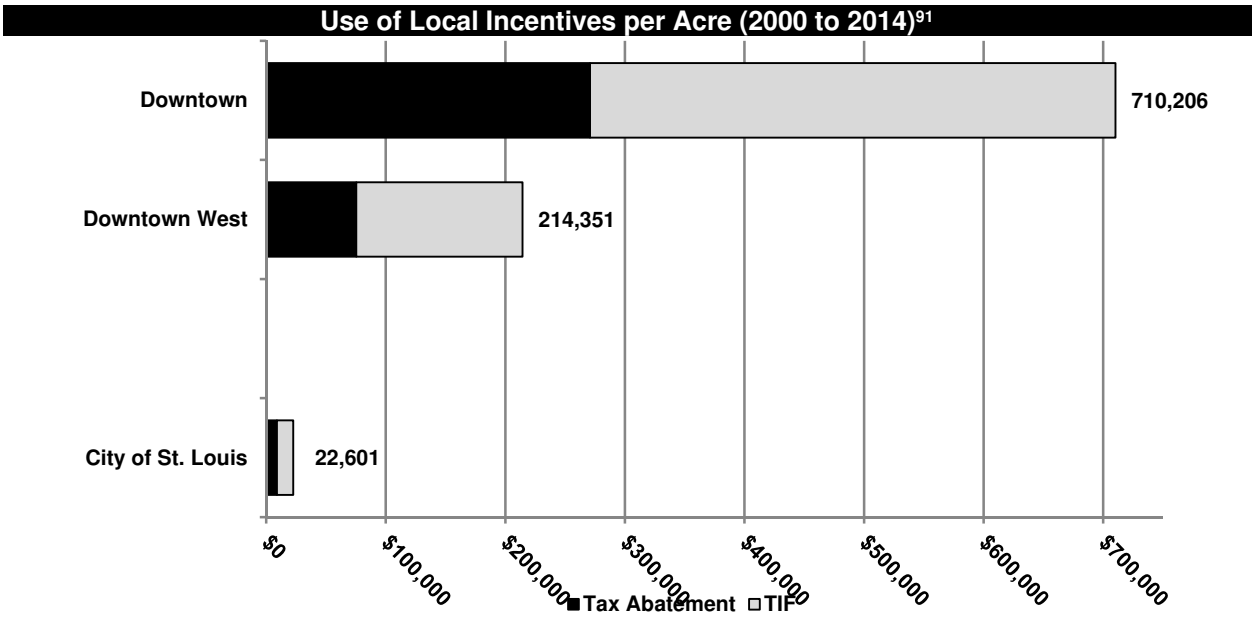


Neighborhood Peer Group

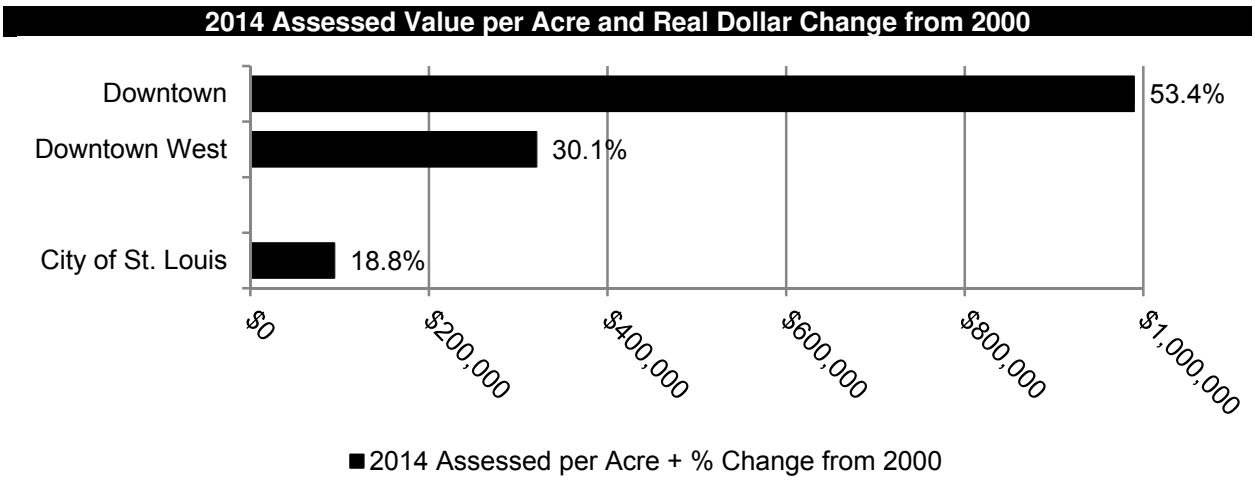


The Central Business District (CBD) Cluster has the second highest use of historic tax credits on a proportional basis and the highest use of the credit per acre within the city. Brownfield credits are commonly used for environmental remediation, primarily asbestos removal.

[90] State tax credit incentive programs included are historic preservation tax credits (HPTC), low income housing tax credits (LIHTC), brownfield tax credits (BTC), neighborhood preservation tax credits (NPTC) and distressed area land tax credits (DALTC).



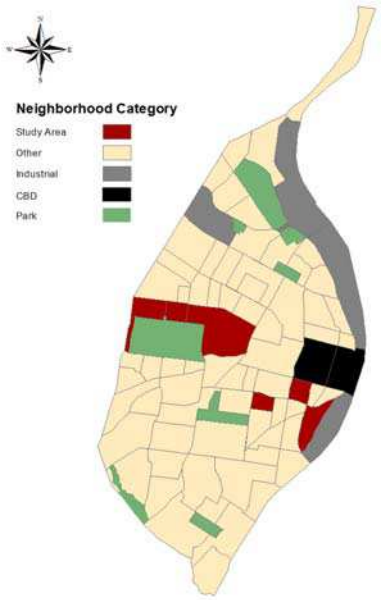
Downtown and Downtown West utilize local incentives at the highest rates in the city. TIF is the primary form of local incentive in use.



Neighborhoods comprising the central business district have the highest assessed value per acre in the City and also exhibit greater than average appreciation than the rest of the City.

[91] TIF data taken from state and local databases. Tax abatement derived from the City of St. Louis Assessor Tax Master Files. To normalize the impact of both incentive types, adjustments were made to the assessed value abated every year in the period to arrive at the reduction in tax. The reduction in tax is analogous to the funding provided under TIF for development. Reduction on tax for abatement was estimated to be 8.7 percent of assessed value for neighborhoods in the Central Business District and Industrial clusters and 7.5 percent of assessed value for neighborhoods in other clusters. These numbers approximate the actual tax to assessed value ratios found in these neighborhoods. Acreage is defined as total neighborhood acreage, including land not available for development such as streets and alleys.

[92] Assessed value collected from the City of St. Louis parcel tax records. The most recent version of the parcel tax records can be found at: http://stlcin.missouri.org/citydata/downloads/prcl.zip. The calculation excludes non-taxable owner codes from the data set (Owner Code 2 and Owner Code 4).

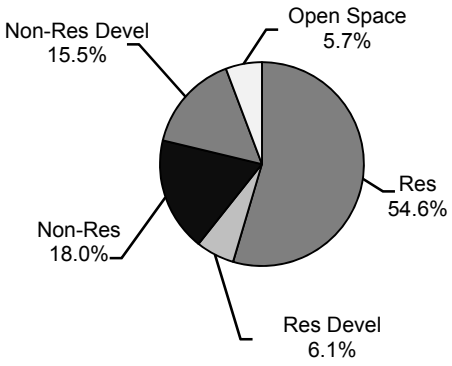


Central Corridor[93]

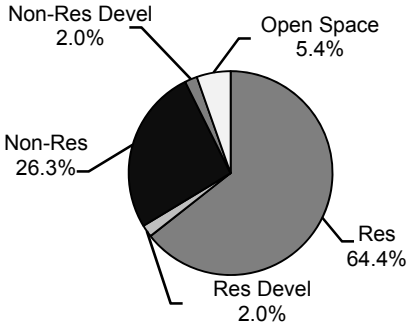
The seven neighborhoods in this peer group can be broadly characterized as the most economically vibrant historic neighborhoods in the city. Like the CBD cluster, they demonstrate strong assessed value per acre and overall appreciation. Unlike the CBD, residential land uses dominate. Likewise, incentive use heavily favors historic tax credits. The neighborhoods that comprise this group include the Central West End, Compton Heights, DeBaliviere Place, Lafayette Square, Skinker DeBaliviere, Soulard and Wydown Skinker.

Land Use and Zoning Patterns (2014)

City Non-CBD/Industrial Average

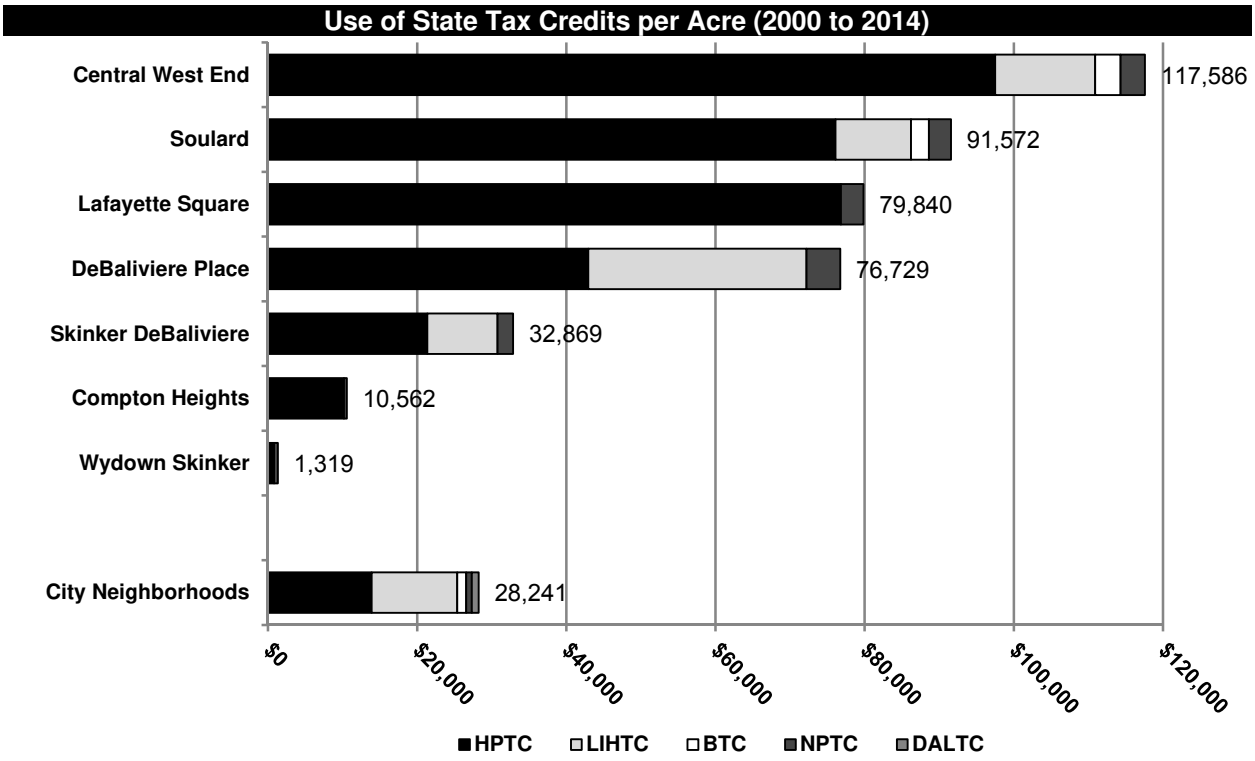


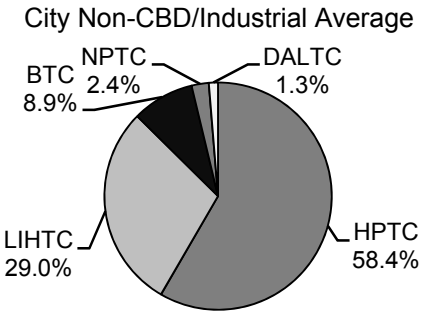
Neighborhood Peer Group

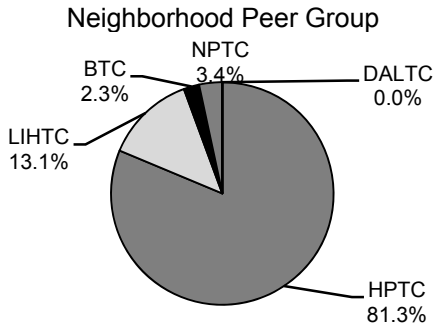


On average, the land use patterns within the neighborhood group are more heavily residential than non-residential. Very little land has been designated for either non-residential or residential redevelopment (4.0 percent of total land).

[93] Refer to footnotes in the Central Business District neighborhood cluster for computational details and sources for the charts and graphs in this section.



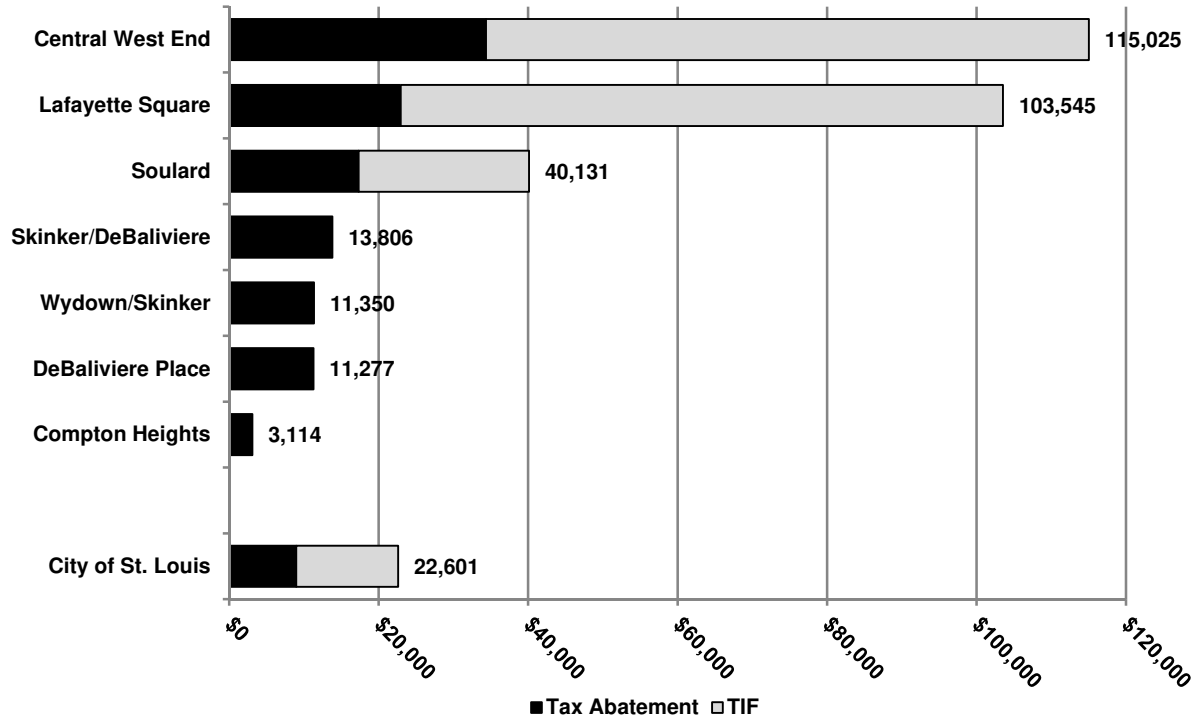




State tax credit use within the neighborhood group varies considerably between neighborhoods, yet historic tax credits are the most prominent, which are most frequently used in the context of larger projects (the Central West End), neighborhood commercial projects (Lafayette Square and Soulard) or on the rehabilitation of multi-family housing stock (Skinker DeBaliviere and DeBaliviere Place).

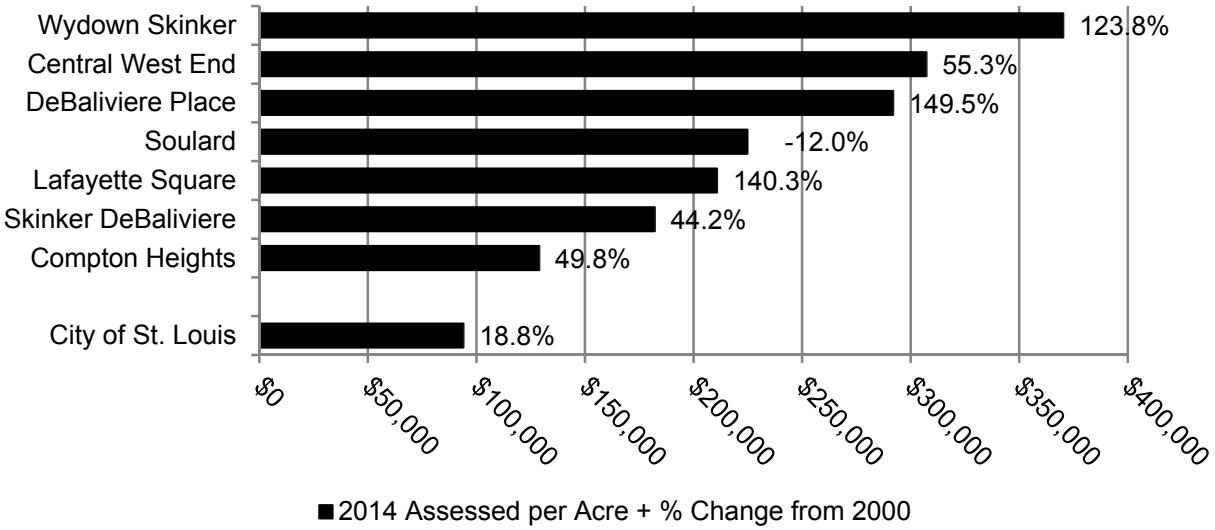
Analysis of Past Performance

Use of Local Incentives per Acre (2000 to 2014)

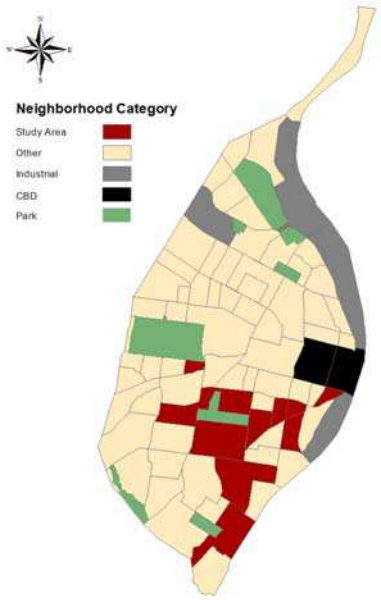


TIF is the dominant local incentive within the cluster and appears to be commonly paired with tax abatement among those neighborhoods with the higher rates of tax abatement use. Tax abatement use is moderate among areas with a higher proportion of multi-unit housing and mixed land use patterns. As a neighborhood containing more single family homes on larger lots, Compton Heights is an outlier.

2014 Assessed Value per Acre and Real Change from 2000



This cluster has experienced the highest assessed value appreciation of any cluster within the city. Note that Soulard is an outlier within this neighborhood group. The presence of manufacturing and commercial operations depressed assessed value, much of which was a result of the 2007-2009 national recession.

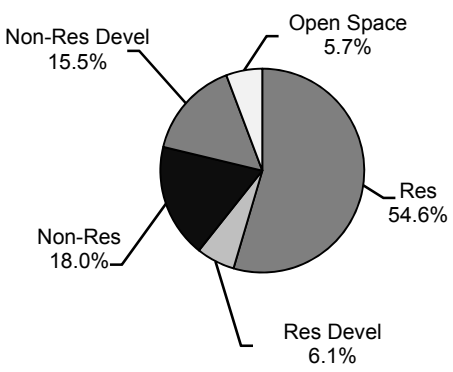


South City/South Grand[94]

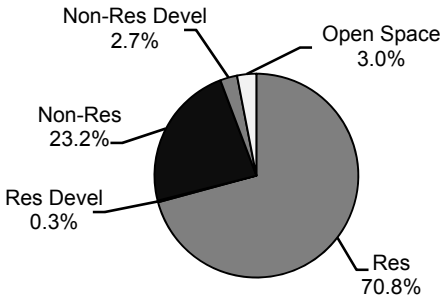
This neighborhood peer group contains 11 neighborhoods and a large portion of the City's historic district housing stock. These neighborhoods primarily cluster around South Grand Avenue, south of Tower Grove Park. With the exception of Kings Oak, they are predominantly residential with connections to active commercial corridors. Neighborhoods within this group are: Benton Park, Carondelet, Dutchtown, Fox Park, Kings Oak, LaSalle Park, McKinley Heights, Southwest Garden, Shaw, Tower Grove East and Tower Grove South.

Land Use and Zoning Patterns (2014)

City Non-CBD/Industrial Average

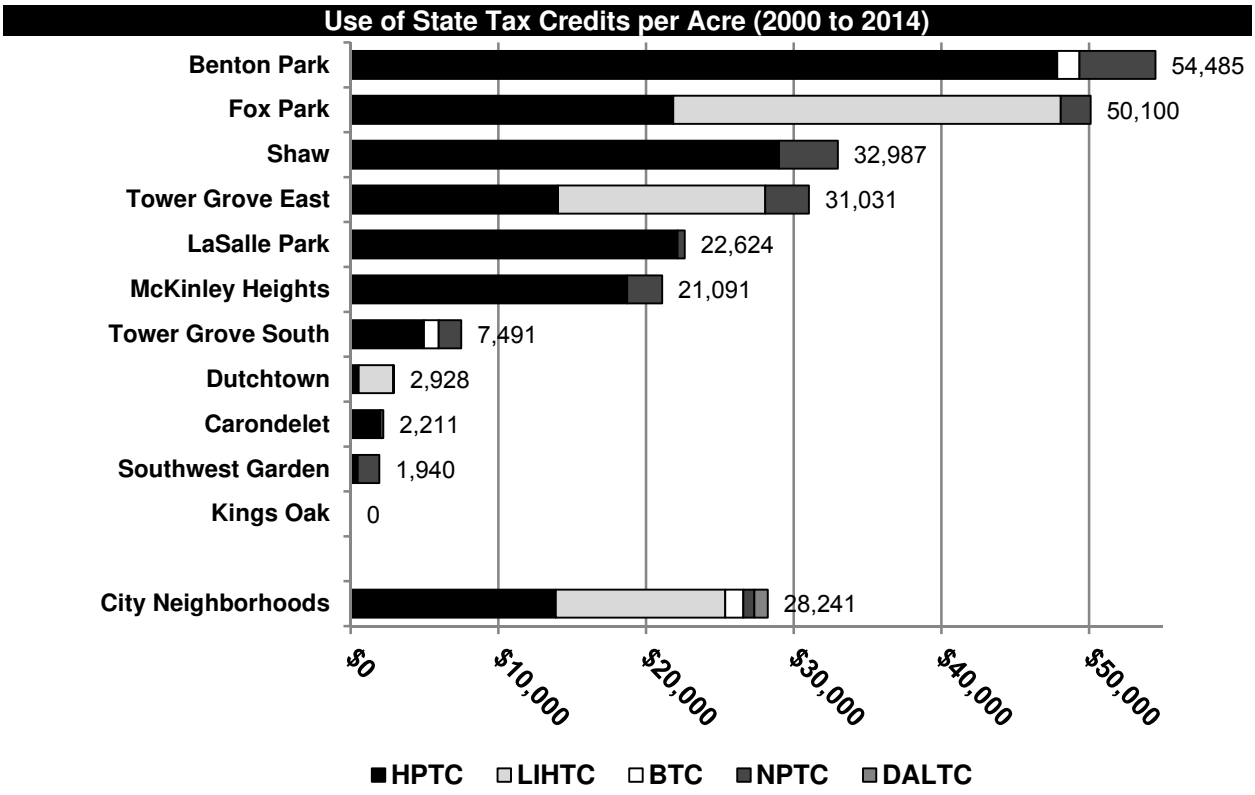


Neighborhood Peer Group

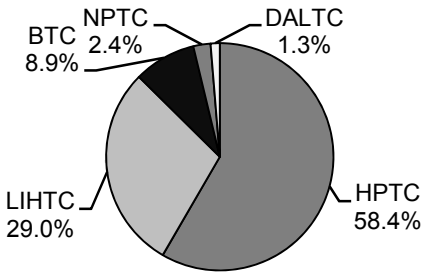


This neighborhood peer group contains a high concentration of historic structures. With 70.8 percent of total land use designated as already existing residential use (within the "Res" category), these neighborhoods are typically among the more established residential communities in the City. Industrial use and commercial larger than those of the neighborhood scale are generally restricted to corridors within the cluster.

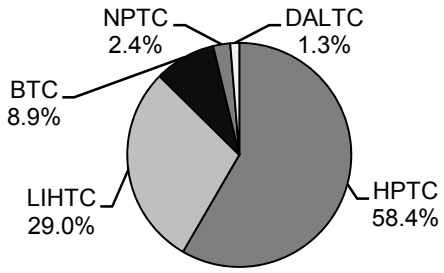
[94] Refer to footnotes in the Central Business District neighborhood cluster for computational details and sources for the charts and graphs in this section.



City Non-CBD/Industrial Average

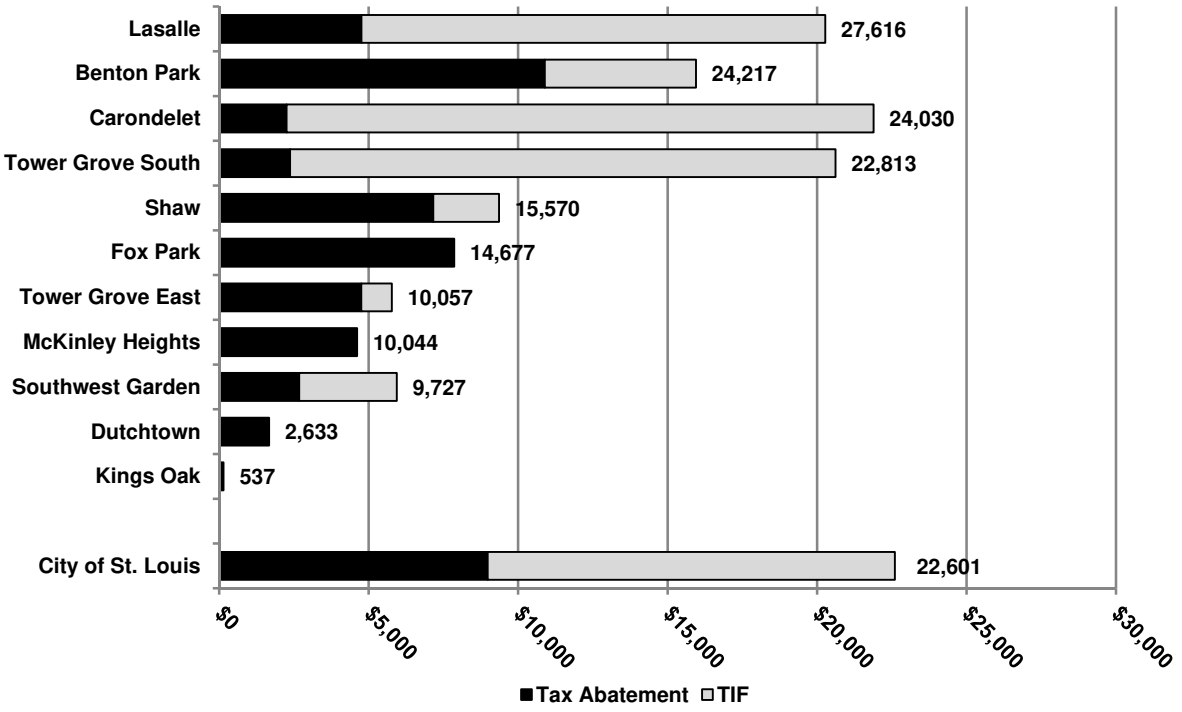


Neighborhood Peer Group



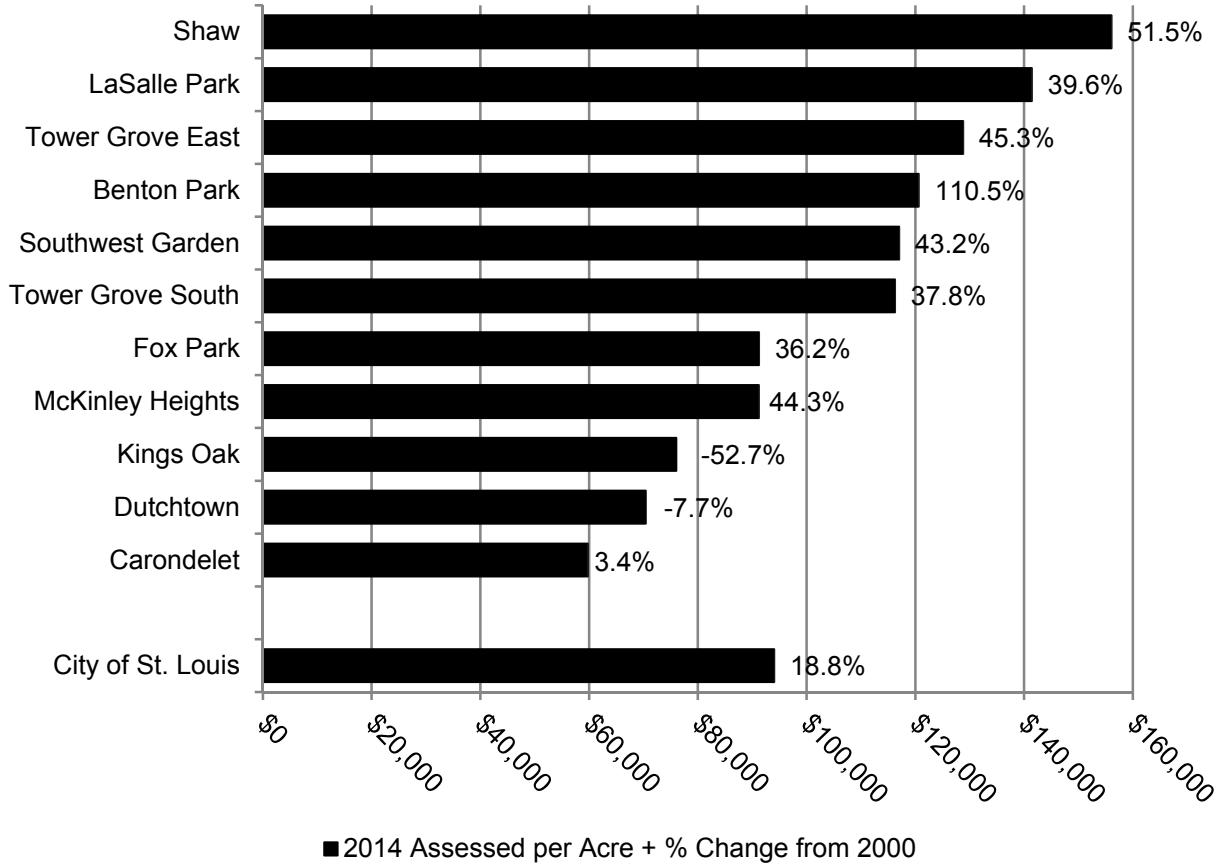
As reflected in the high use of historic tax credits, this neighborhood grouping contains much of the City's historically-designated housing and neighborhood commercial stock. LIHTC is also used, albeit used unevenly across neighborhoods within this cluster.

Use of Local Incentives per Acre (2000 to 2014)

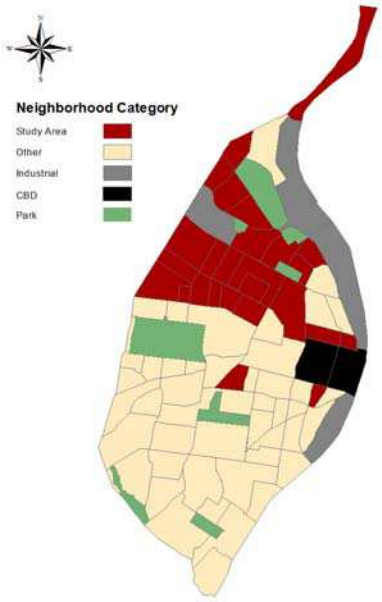


These neighborhoods frequently use local tax abatement for scattered residential and non-residential redevelopment. Overall use of TIF is more significant but is generally limited to areas along primary commercial corridors and or in industrial neighborhoods near the riverfront or railway lines.

2014 Taxable Assessed Value per Acre and Real Dollar Change from 2000



Neighborhoods located near the eastern portion of boundary between the Central Corridor and South City (in a wider are centered roughly on Fox Park and Tower Grove East) have experienced higher than average assessed value appreciation from 2000 to 2014. These neighborhoods also have assessed valuations per acre roughly equal to or greater than the overall city average for neighborhoods outside of the CBD and primary industrial areas. Cluster neighborhoods outside of this area in Kings Oak, Dutchtown and Carondelet have consistently lagged the City's assessed value metrics, both in absolute terms and in appreciation from 2000 to 2014.

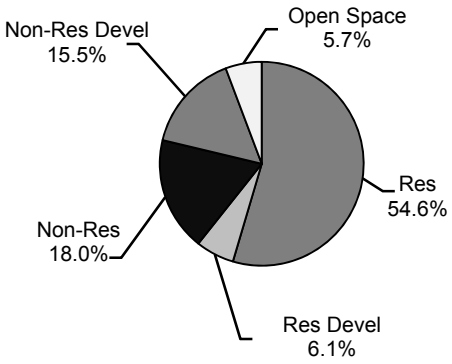


North City[95]

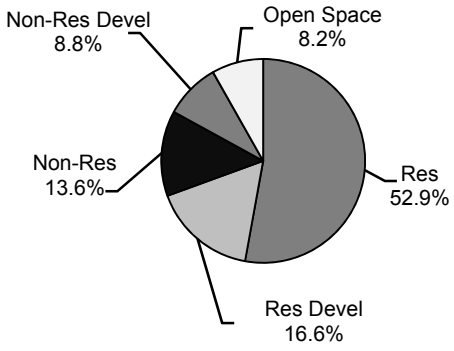
These neighborhoods include many of the City's most economically challenged neighborhoods as of 2000, including 2 neighborhoods on the southern edge of the Central Corridor (McRee Town/Botanical Heights and Peabody Darst Webbe). With the exception of Columbus Square, Peabody Darst Webbe, and Visitation, these neighborhoods have limited incentive use (both state and local) most likely due to past disinvestment which fueled further decline. The following neighborhoods are included in this cluster: in addition to 24 North City neighborhoods: Academy, Carr Square, College Hill, Columbus Square, Fairground, Fountain Park, the Greater Ville, Hamilton Heights, Jeff Vanderlou, Kingsway East, Kingsway West, Lewis Place, Mark Twain, McRee Town/Botanical Heights, North Point, O'Fallon, Peabody Darst Webbe, Penrose, Riverview, Vandeventer, the Ville, Visitation Park, Walnut Park East, Walnut Park West, Wells Goodfellow, and the West End.

Land Use and Zoning Patterns (2014)

City Non-CBD/Industrial Average

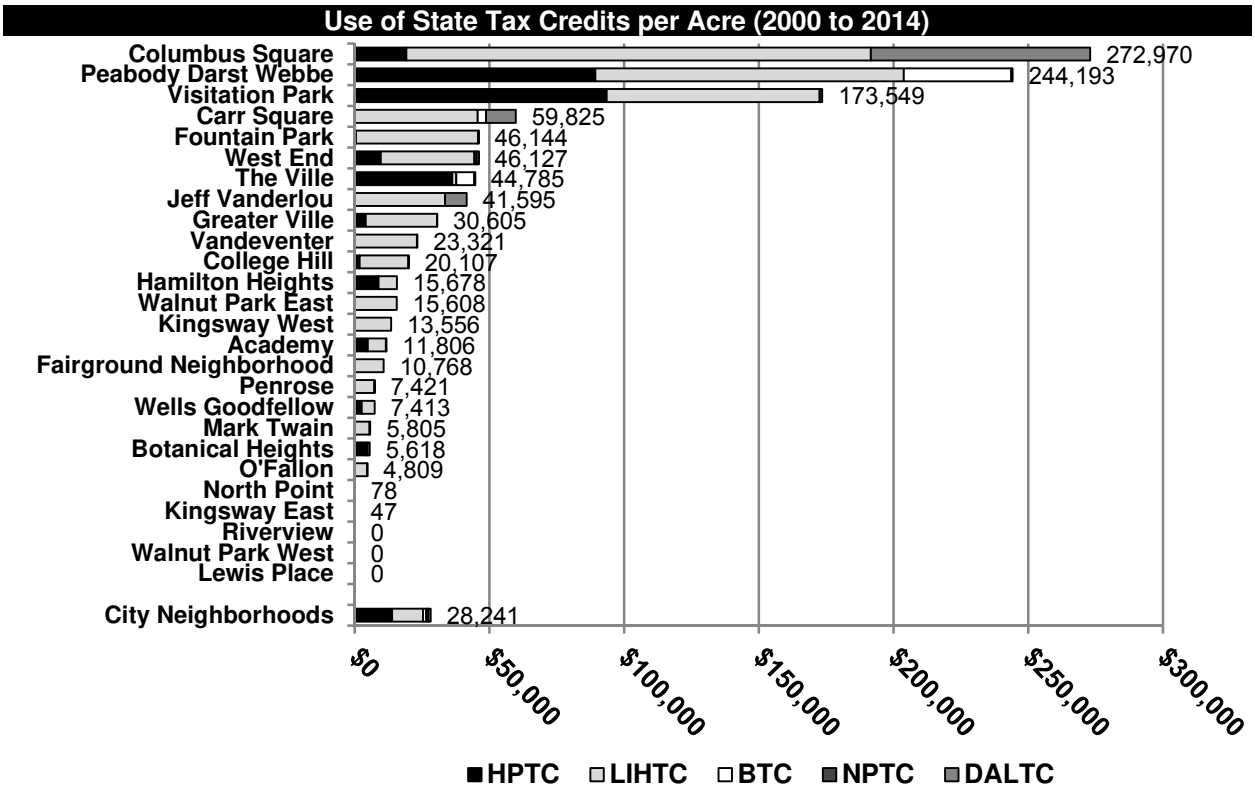


Neighborhood Peer Group

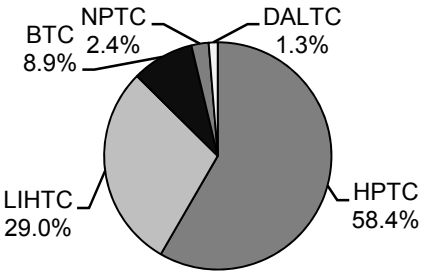


The North neighborhood peer group contains more residential and non-residential areas set aside for future development than other non-industrial/CBD areas within this City. The group also contains less open space/recreational land than other peer groups within the City, although it should be noted that large parks designated as their own city neighborhoods both within and adjacent to this cluster have been excluded from the computation of open space.

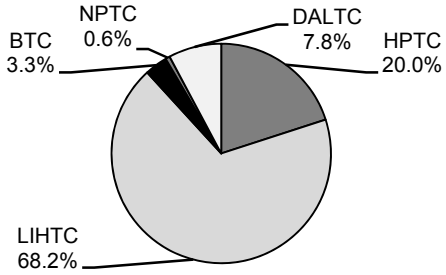
[95] Refer to footnotes in the Central Business District neighborhood cluster for computational details and sources for the charts and graphs in this section.



City Non-CBD/Industrial Average

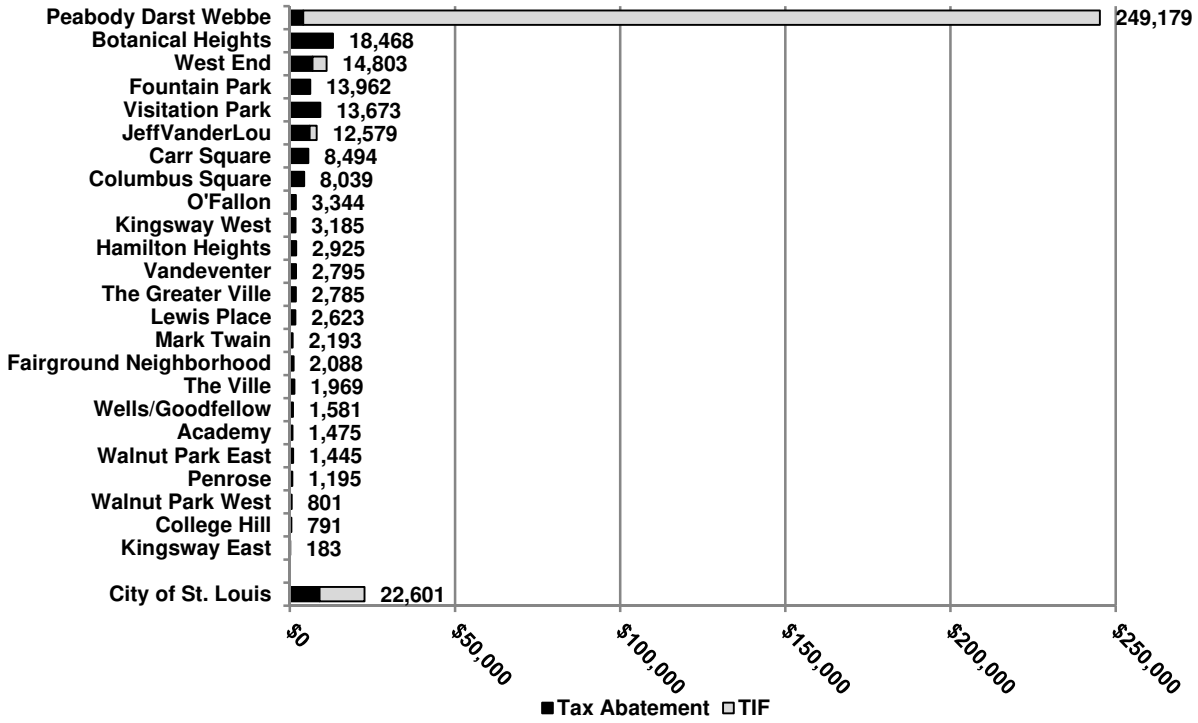


Neighborhood Peer Group



This neighborhood peer group contains the highest concentration of LIHTC use in the City. State incentives are most heavily used in areas adjacent to the City's central corridor. A limited number of neighborhoods within the peer group have eligibility for historic tax credit use, which restricts these neighborhoods' ability to utilize the dominant form of state tax credit use in the City.

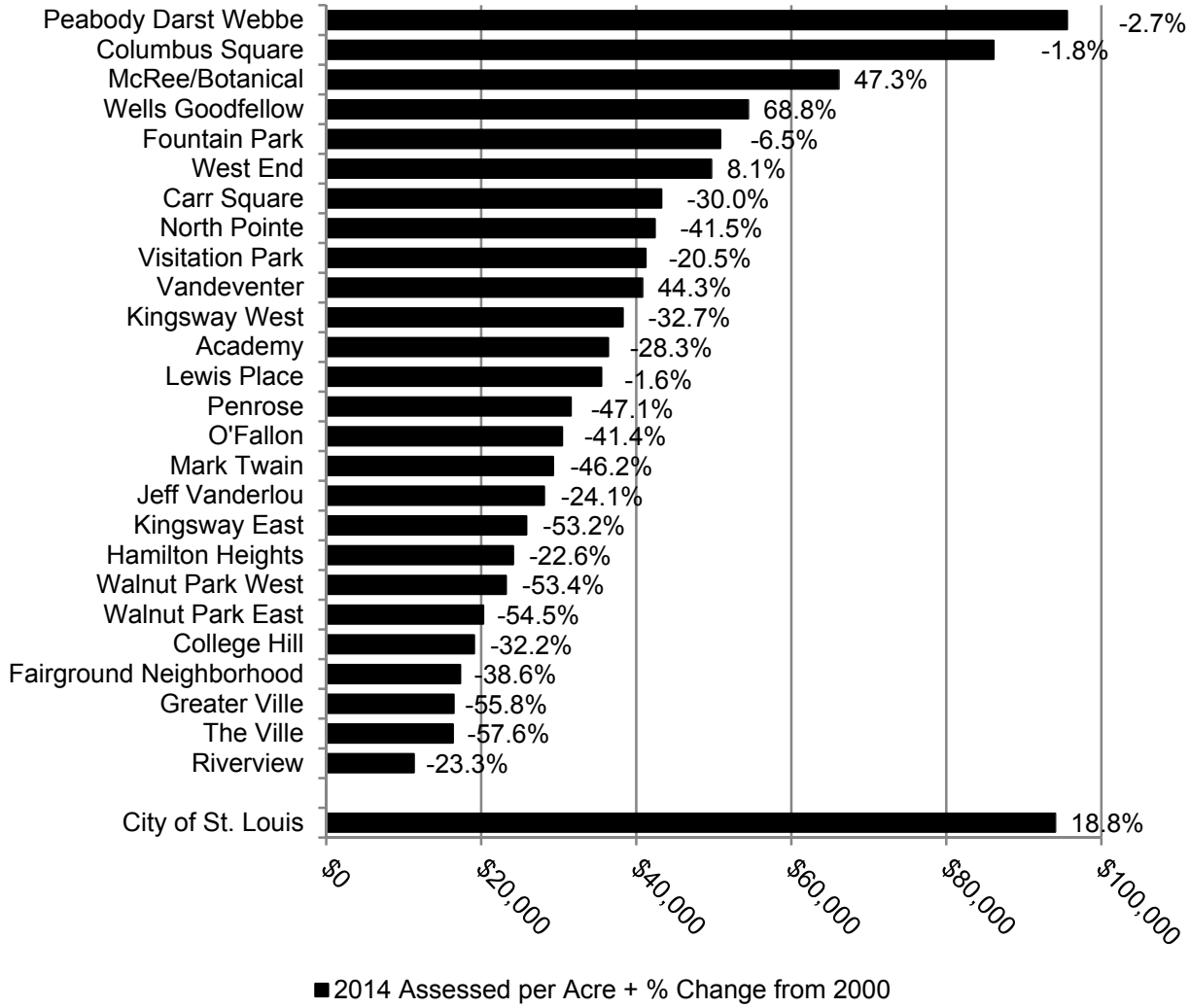
Use of Local Incentives per Acre (2000 to 2014)



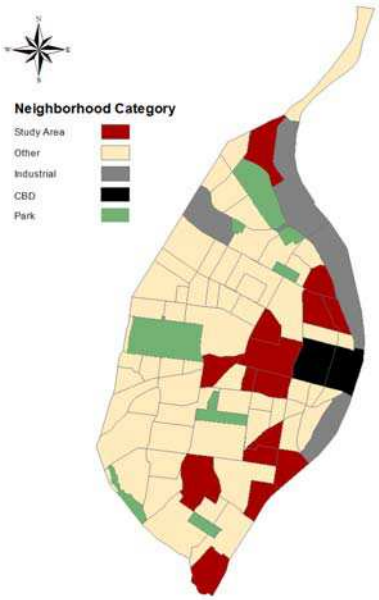
With the exception of a few neighborhoods experiencing heavy LIHTC use, incentive use is low within the cluster and relies much more heavily upon tax abatement. Abatement is very restricted outside of neighborhoods immediately adjacent to the City's central corridor.

Analysis of Past Performance

2014 Assessed Value per Acre and Real Dollar Change from 2000



The majority of neighborhoods within the peer group have experienced real depreciation to assessed values from 2000 to 2014. Areas experiencing assessed value appreciation are primarily restricted to neighborhoods adjacent to the City's central corridor.

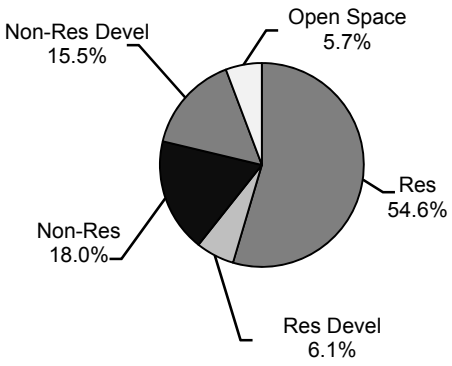


Transitional[96]

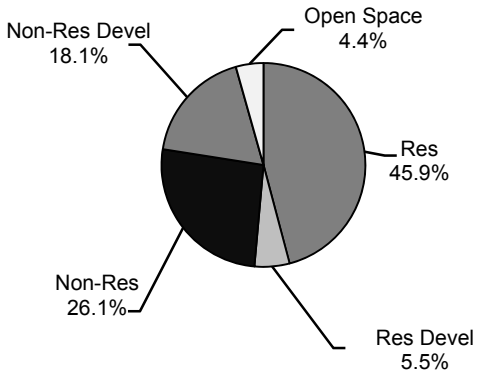
This peer group includes 15 neighborhoods, many of which have comparatively mixed land use. They are identified as transitional based on development activity indicating markets that are either shifting positively or negatively. They include Baden, Benton Park West, Bevo Mill, Covenant Blu-Grand, Forest Park Southeast, the Gate District, Gravois Park, Hyde Park, Marine Villa, Midtown, Mount Pleasant, Old North St. Louis, the Patch, St. Louis Place and Tiffany.

Land Use and Zoning Patterns (2014)

City Non-CBD/Industrial Average

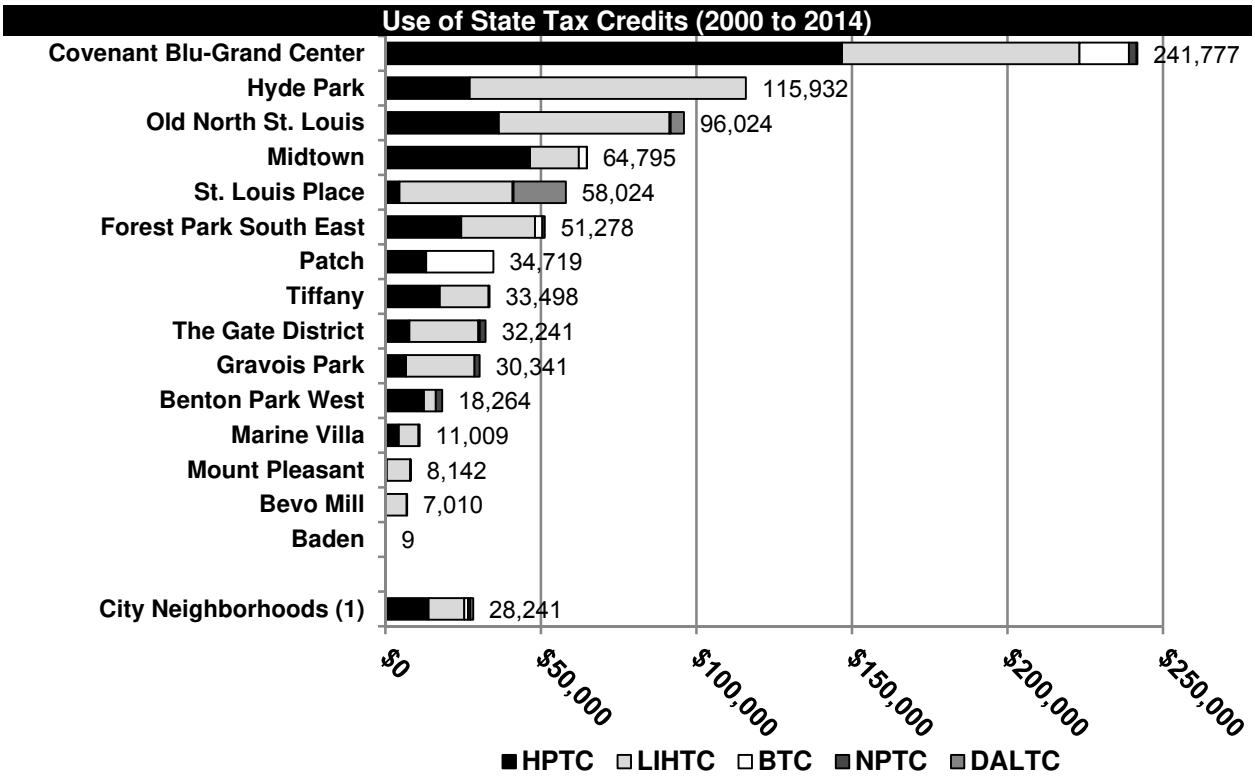


Neighborhood Peer Group

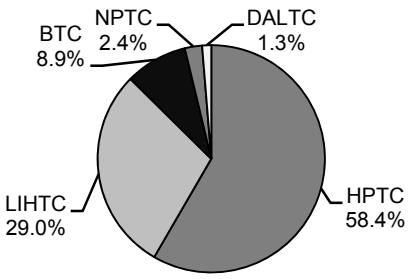


Land use within his cluster can be characterized as less residential than other neighborhoods outside of the CBD and industrial neighborhoods within the city. Outside of the industrial neighborhoods, Clusters 5 and 6 and the CBD have similarly a similarly high proportion of land designated for non-residential development.

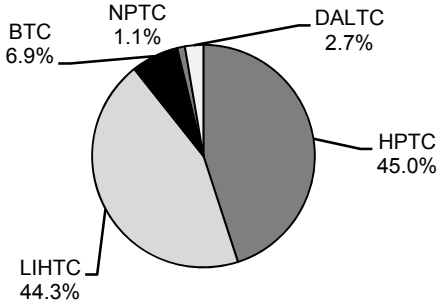
[96] Refer to footnotes in the Central Business District neighborhood cluster for computational details and sources for the charts and graphs in this section.



City Non-CBD/Industrial Average

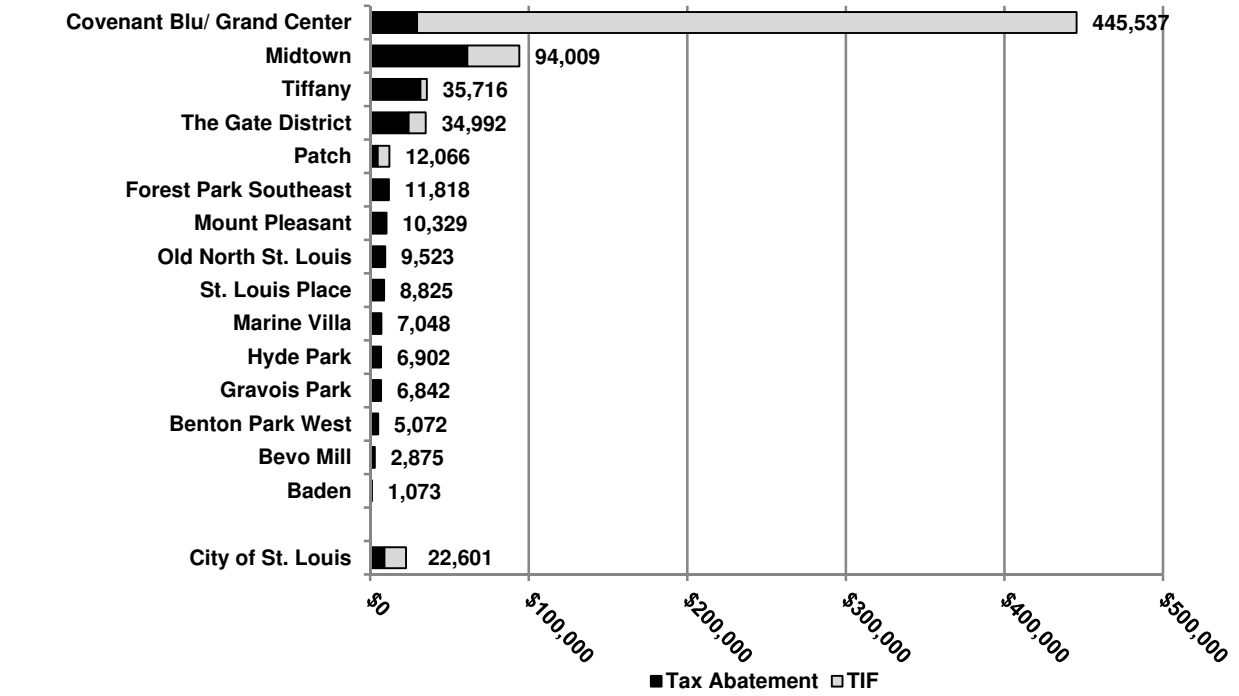


Neighborhood Peer Group



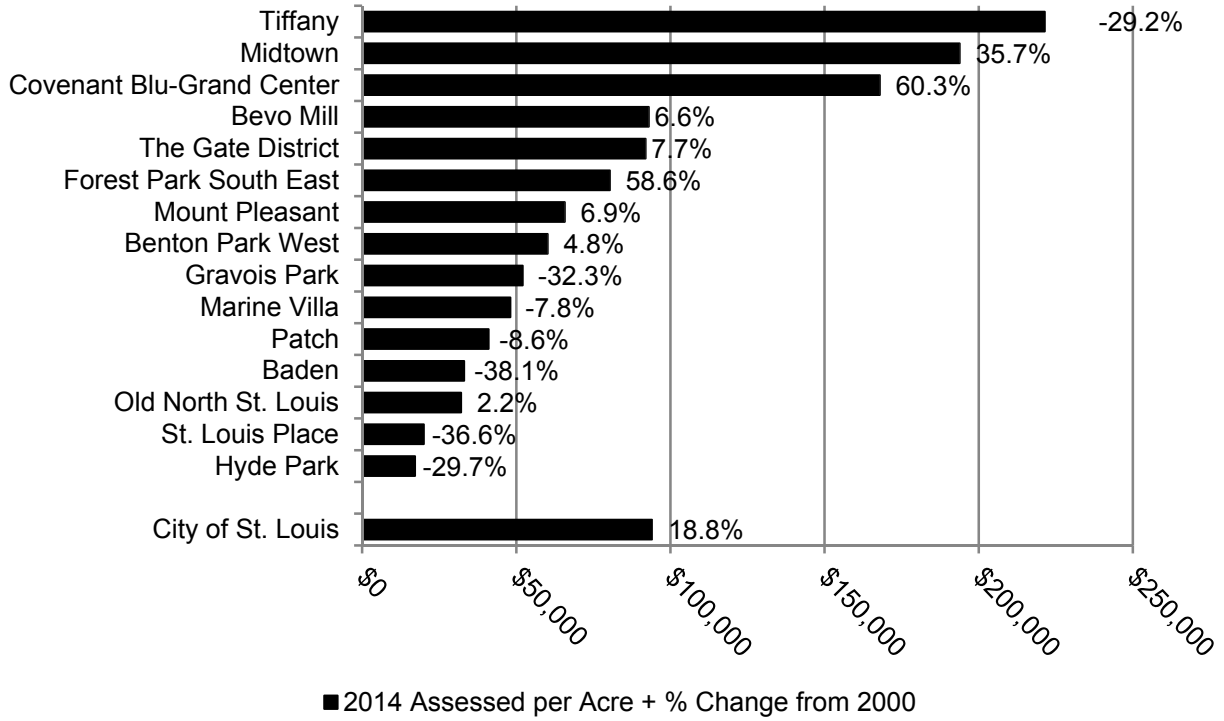
State tax credit use within Cluster 5 is highly variable based upon local factors related to institutional and industrial presence (Forest Park SE, the Gate District, the Patch, and Tiffany) and adjacency to other areas receiving substantial outside investment (St. Louis Place).

Use of Local Incentives (2000 to 2014)

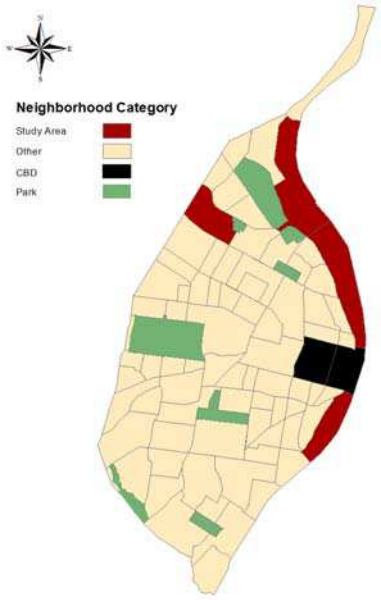


Areas with the strongest institutional presence within the cluster (the Gate District and Tiffany) have experienced higher than average levels of local incentive use. Other areas trail the city-wide average among non-CBD/industrial neighborhoods. Tax abatement is the primary local incentive tool.

2014 Assessed Value per Acre and Real Dollar Change from 2000



Assessed value appreciation lags within the cluster in all areas with the exception of Forest Park Southeast, Grand Center and Midtown.

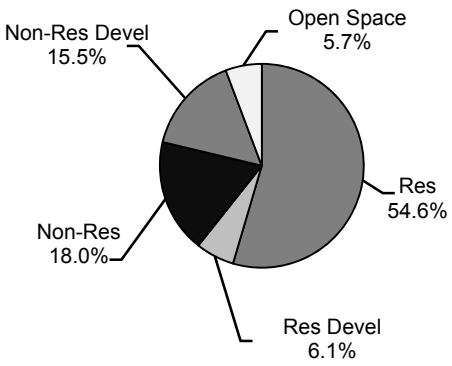


Industrial[97]

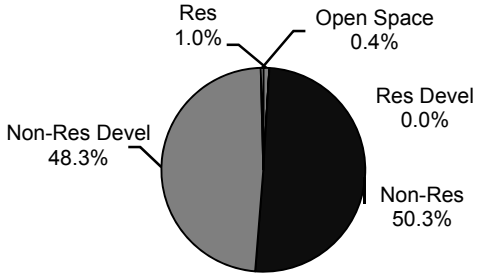
The industrial neighborhood cluster includes 4 neighborhoods almost exclusively comprised of industrial land use within the city: Kosciusko, Mark Twain/I-70, Near North Riverfront and North Riverfront.

Land Use and Zoning Patterns (2014)

City Non-CBD/Industrial Average



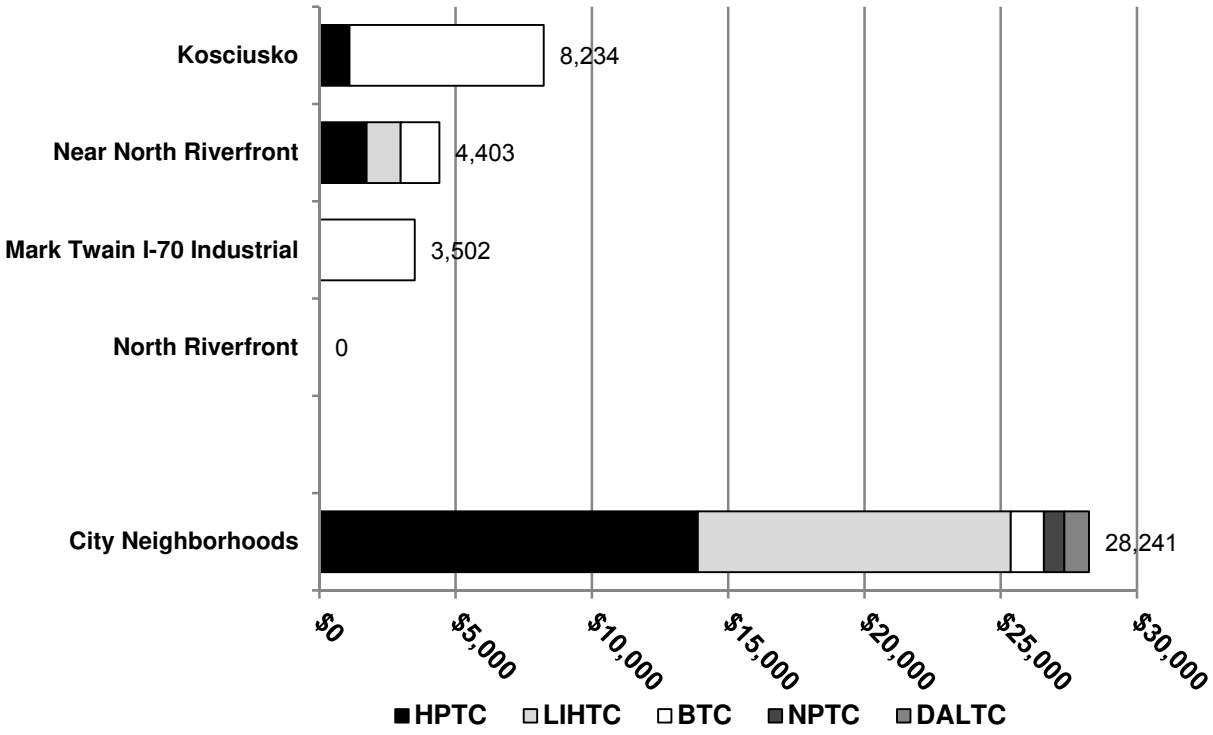
Neighborhood Peer Group



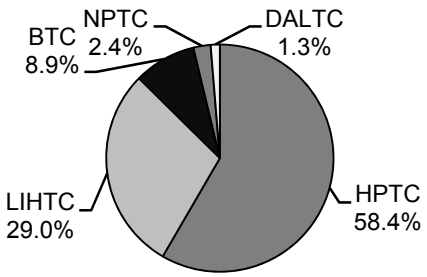
The land use patterns in the neighborhood grouping are evenly split between non-residential preservation areas and non-residential development areas. Both are overwhelmingly industrial.

Use of State Tax Credits per Acre (2000 to 2014)

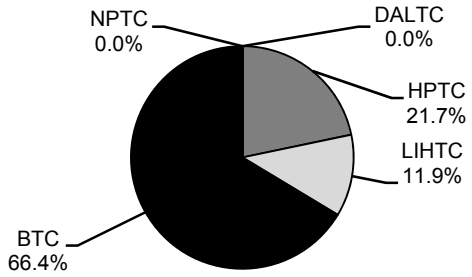
[97] Refer to footnotes in the Central Business District neighborhood cluster for computational details and sources for the charts and graphs in this section.



City Non-CBD/Industrial Average



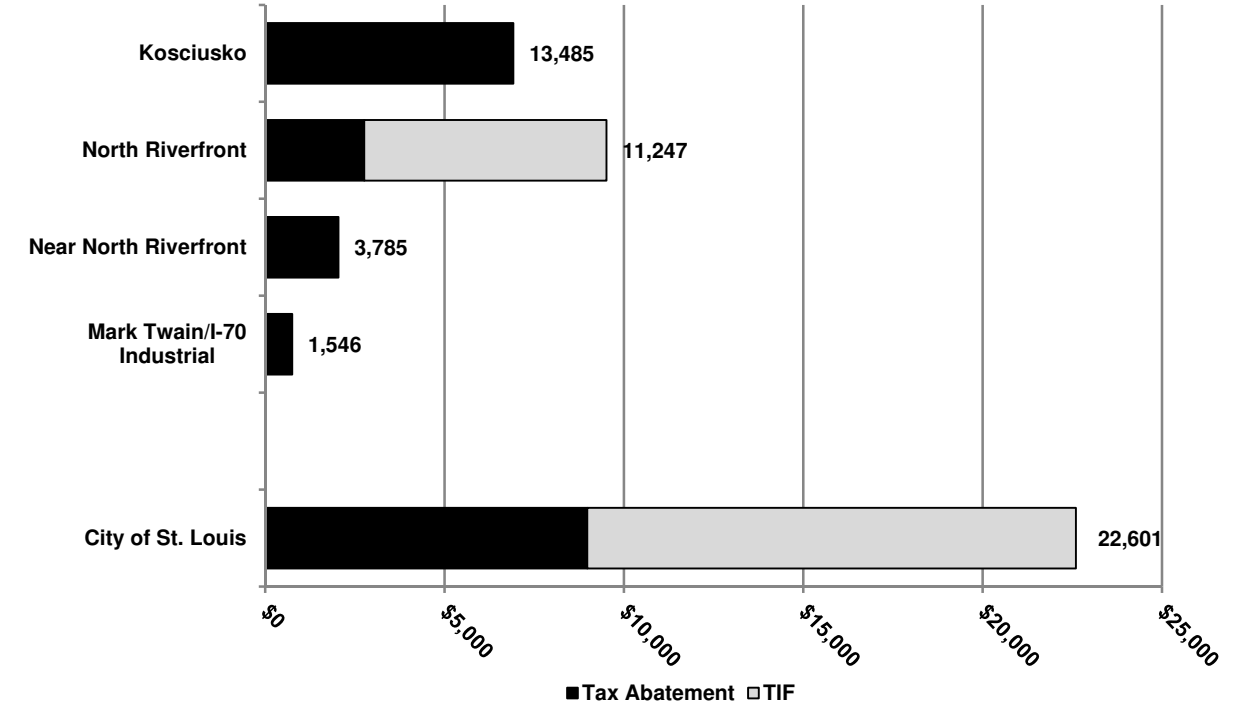
Neighborhood Peer Group



Brownfield tax credits are used within the City most extensively in the industrial neighborhood group. Overall state incentive use lags other clusters within the City.

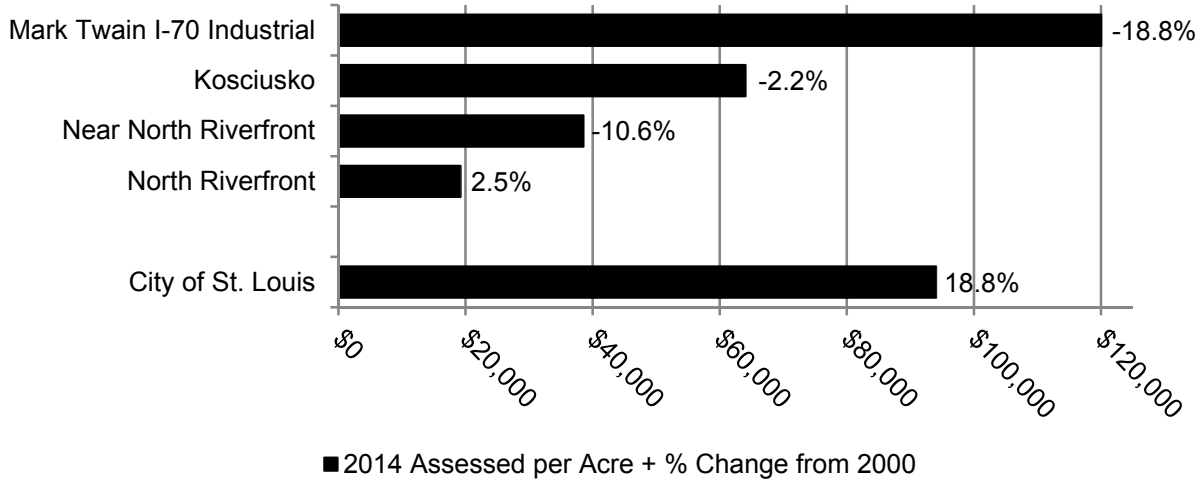
Analysis of Past Performance

Use of Local Incentives per Acre (2000 to 2014)

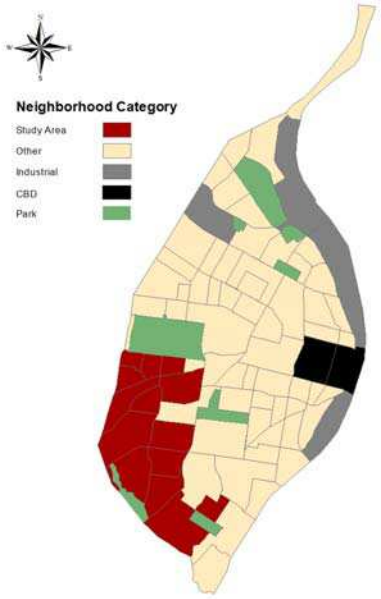


The industrial neighborhood group utilizes local abatement with lower intensity than the City on average with tax abatement being the predominant form of local incentive.

2014 Assessed Value per Acre and Real Dollar Change from 2000



Assessed valuation among industrial neighborhoods has generally lagged the rest of the City, remaining relatively constant in real terms.

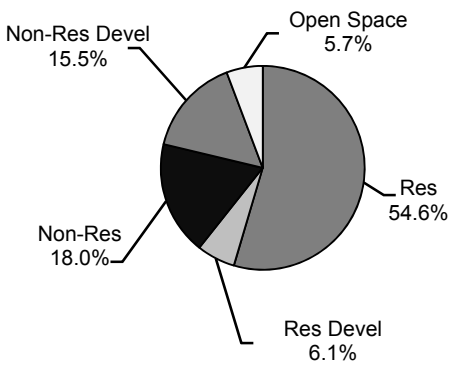


Southwest City[98]

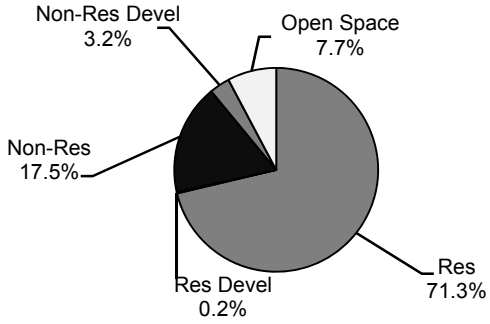
This neighborhood peer group contains 14 neighborhoods located in the southwestern portion of the City. The cluster is characterized as stable and predominantly residential. Given the market stability, there is relatively little incentive use in this cluster. Neighborhoods include the following: Boulevard Heights, Cheltenham, Clayton-Tamm, Clifton Heights, Ellendale, Franz Park, the Hill, Hi-Pointe, Holly Hills, Lindenwood Park, North Hampton, Princeton Heights, St. Louis Hills and Southampton.

Land Use Patterns (2014)

City Non-CBD/Industrial Average



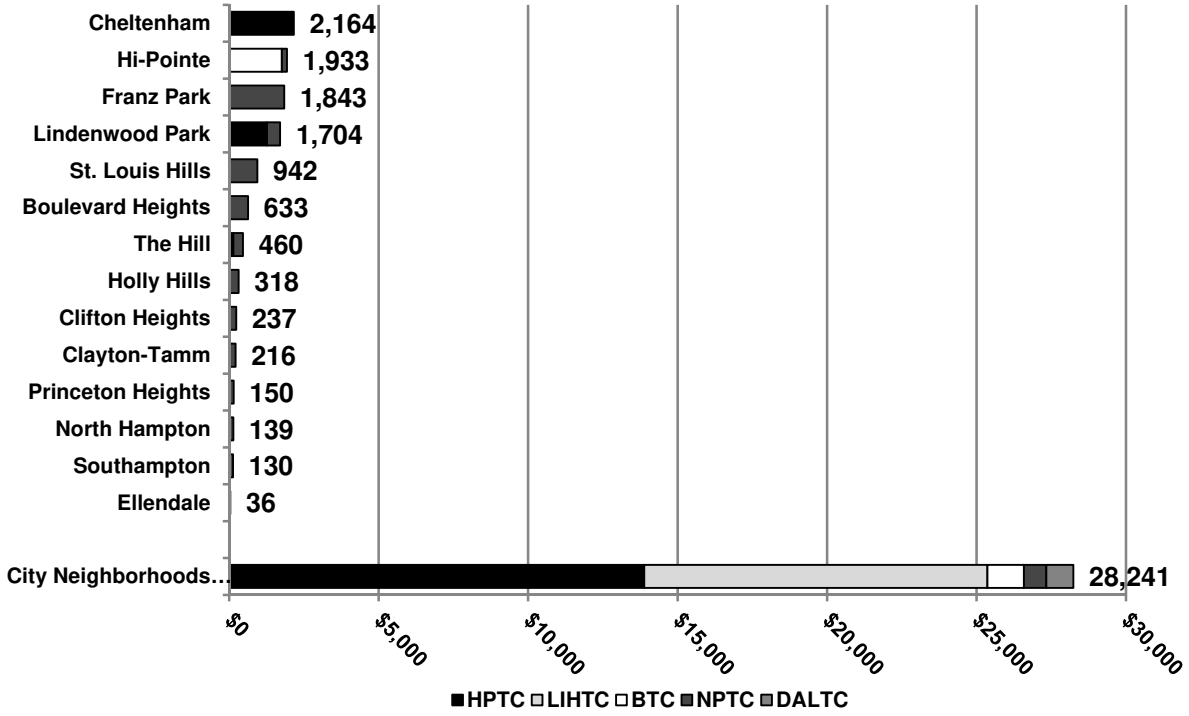
Neighborhood Peer Group



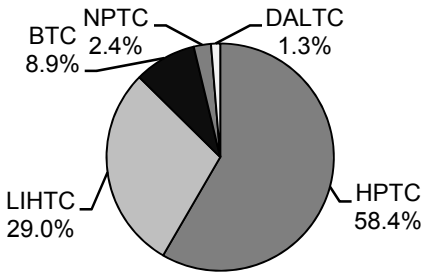
The Southwest neighborhood peer group contains the highest concentration of established housing (as opposed to areas designated for residential development) of any peer group within the City. These neighborhoods could be characterized as being more similar to many of the older suburban neighborhoods adjacent to the city than other neighborhood clusters within the City.

Use of State Tax Credits per Acre (2000 to 2014)

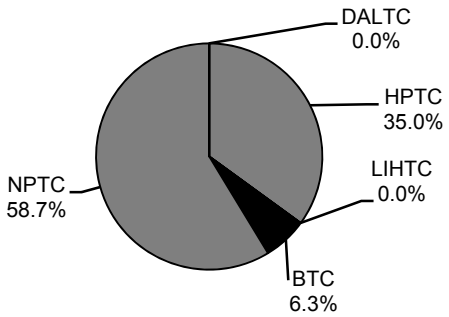
[98] Refer to footnotes in the Central Business District neighborhood cluster for computational details and sources for the charts and graphs in this section.



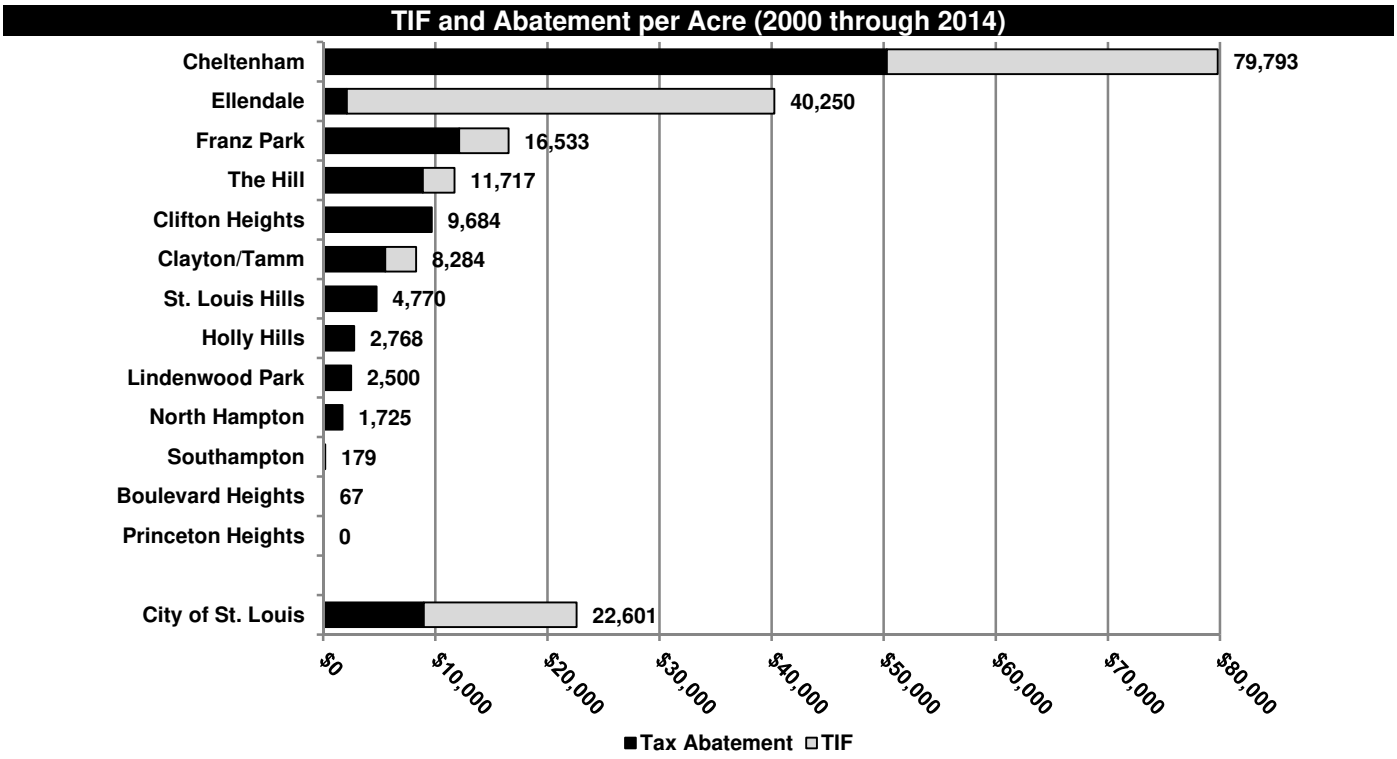
City Non-CBD/Industrial Average



Neighborhood Peer Group

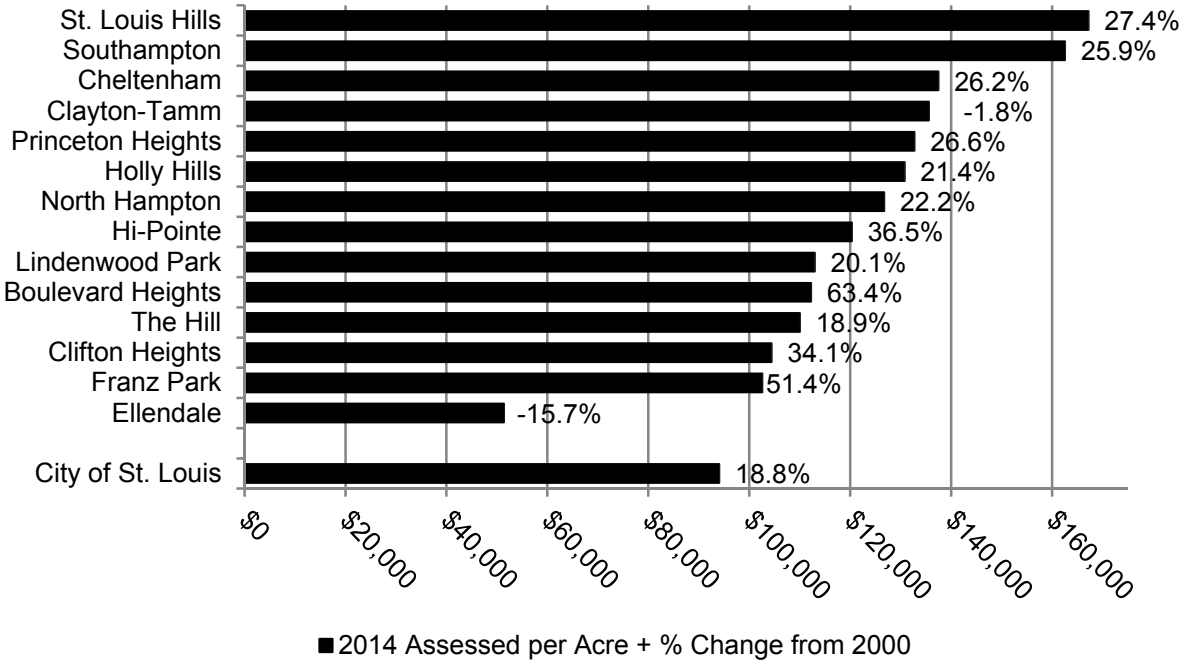


State tax credit use in neighborhood group is characterized by low rates of overall use as many areas are ineligible for the programs due to current economic and built environment characteristics. The group relies more heavily upon neighborhood preservation tax credits relative to other programs.



Local incentive use within the neighborhood group is focused primarily upon areas adjacent to the rail and industrial corridor along Manchester Avenue and Interstate 44. Areas further from this corridor receive far lower rates of local incentives per acre than other non-industrial/CBD neighborhoods within the City. TIF is more frequently used for larger non-residential projects while tax abatement is used in a more scattered pattern.

2014 Assessed Value per Acre and Real Dollar Change from 2000



Reasonably consistent assessed value appreciation occurred within the neighborhood group from the period 2000 to 2014. This may be due in large part to the stability of the residential neighborhoods within this cluster. The sole exception to this trend is Ellendale, which contains a higher proportion of industrial land use than other neighborhoods within the group.

Local Area Study

Planning, development and the use of incentives cannot be measured using a universal evaluation metric as the goals of every local area/neighborhood are different. From the perspective of the City, quality of life, socioeconomic mobility, diversity of neighborhood characteristics, economic development, and sustainable practices are all important criteria in planning and development decisions. Depending upon the mutually agreed upon goals of stakeholders, different paths may be taken to reach local area objectives. Measuring returns on investment for endeavors designed to enhance education, social mobility, and access to quality housing for those who cannot afford it is difficult as the benefits may not be measurable in the short term. Positive (or negative) outcomes may also be attributed to influences independent of the development framework and similarly, the benefits (or costs) of development may accrue to areas outside of the area for which the framework has been designed.

Based on the findings from the cluster analysis, the project team identified a neighborhood case study where further examination of incentive use can be more insightful. Several factors were considered in the selection of the case including, but not limited to:

- Changes in assessed property valuation
- Intensity of incentive use
- Variance in the types of incentives used
- The character and deviation of the types of developments and real property located within the study area
- Theoretical “returns” derived from incentive use from the period 2000 to 2014, which may or may not be attributed to incentive use or other features
- The applicability of the incentive use patterns within the study area to other areas within the city.

The resulting case study included Lafayette Square, Peabody Darst Webbe and adjacent residential areas within a walkable distance of approximately 15 minutes of the boundaries of the aforementioned study area neighborhoods. Neighborhoods included within this extended catchment area incorporated LaSalle Park and portions of Soulard, Benton Park, Fox Park and the Gate District.

Lafayette Square

Initial residential development around Lafayette Park dates to the 1850s. Over the next 20 to 25 years, the area around the park became arguably the most highly sought after residential property in the City. After its initial period of success, over the ensuing decades the neighborhood faced a series of challenges through World War II which ultimately led to the area receiving a "slum" designation. These challenges included competition from other neighborhoods both inside and outside the City, damage related to the Tornado of 1896 and changes in regional land use and transportation patterns.

Lafayette Square achieved historic designation by the State of Missouri in 1972[99]. With the assistance of this distinction and the establishment of the Lafayette Restoration Committee at roughly the same time, the neighborhood began to attract private investment leading to the rehabilitation of several prominent homes within the neighborhood. After 20 years of small scale rehabilitation projects, the neighborhood efforts began to bear fruit in attracting a broader cross section of visitors and investment to the area. More recent investments include retail-oriented commercial development focused on the eastern end of Lafayette Park and the northern section of the neighborhood, adjacent to Chouteau Avenue.

Peabody Darst Webbe

Peabody Darst Webbe traces its name to the three public housing projects developed in the area from the 1940s through the early 1960s as part of land clearance and resettlement policies that were popular at that time: Clinton-Peabody, Darst and Webbe. The earlier developments were a mixture of row houses and high rise apartment buildings located on the site of the current neighborhood. The original redevelopment effort was created in response to policy decisions to clear areas designated as substandard for residential habitation. These areas included the former Chestnut Valley, Mill Creek Valley and the Kosciusko residential neighborhoods.

Beginning in 1995 with the demolition of sections of the Clinton-Peabody apartments, the St. Louis Housing Authority and partnered stakeholders redeveloped the housing within the development to a mixture of affordable, market rate, and available for sale housing units. Approximately $46.7 million of federal assistance via HUD's Hope VI program was critical to the completion of the Darst and Webbe tower demolition and redevelopment segments of the project.[100] By addressing the most severely distressed portions of this neighborhood, city leaders felt that filling this "donut hole" would have a positive spinoff effect on surrounding neighborhoods.

Adjacent Neighborhoods

As previously noted, the study area assessing the impact of local incentive use includes all or portions of several adjacent neighborhoods, including Soulard, Benton Park, McKinley Heights, Fox Park, LaSalle Park and the Gate District. With the exception of three blocks at the northern edge of Soulard and structures within the Gate District, all structures are within the boundaries of either state certified or national historic districts[101]. These neighborhoods were not areas that marketed heavily to more affluent segments of St. Louis at the time of their development, and thus may be described as more architecturally varied and accessible. Residential structures include single-story shotgun residences, multi-story single- and two-family structures originally intended to house workers, and larger homes similar to those surrounding Lafayette Park.

---

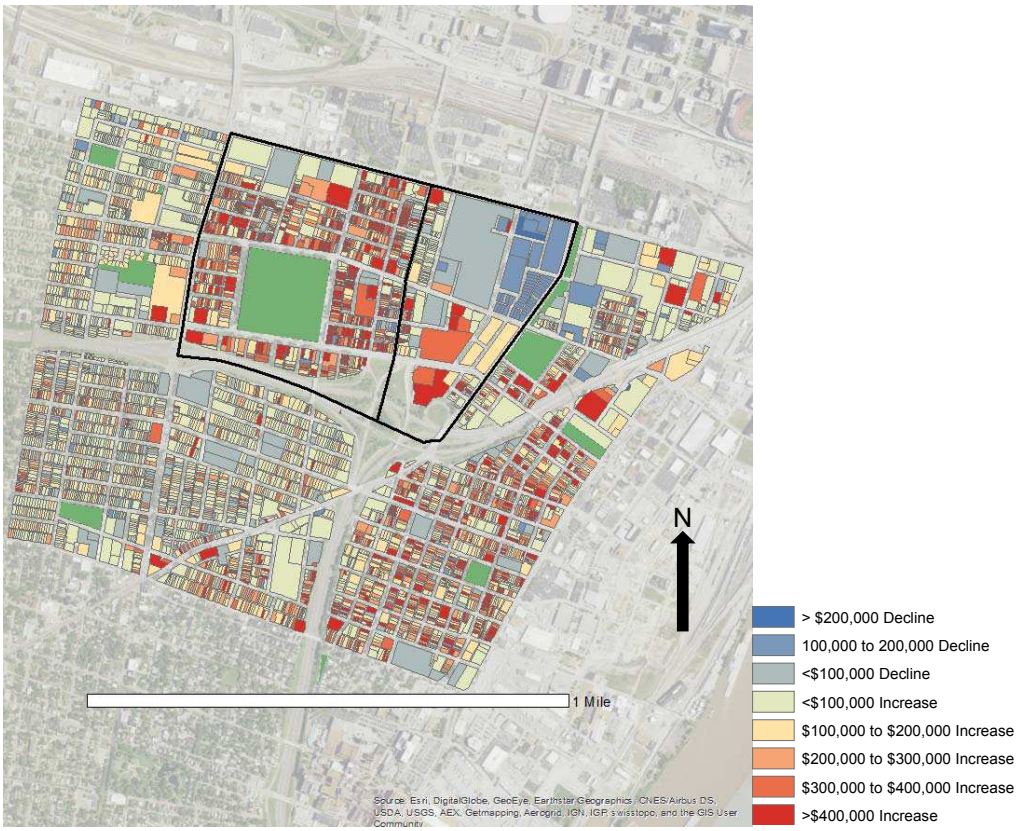
[99] Neighborhood's state historic register application: http://dnr.mo.gov/shpo/nps-nr/72001557.pdfshif

[100] http://www.hud.gov/offices/pih/programs/ph/hope6/grants/planning/planning.pdf

[101] St. Louis City Historic District public shapefile as of August 15, 2015. http://stlcin.missour.org/citydata/downloads

Change in Taxable Assessed Value per Acre 2000-14

As demonstrated on the following map, increases in taxable assessed property values have been highest in Lafayette Square, the southern portion of Peabody Darst Webbe near the former City Hospital site and in the northern portion of Soulard included within the study area.



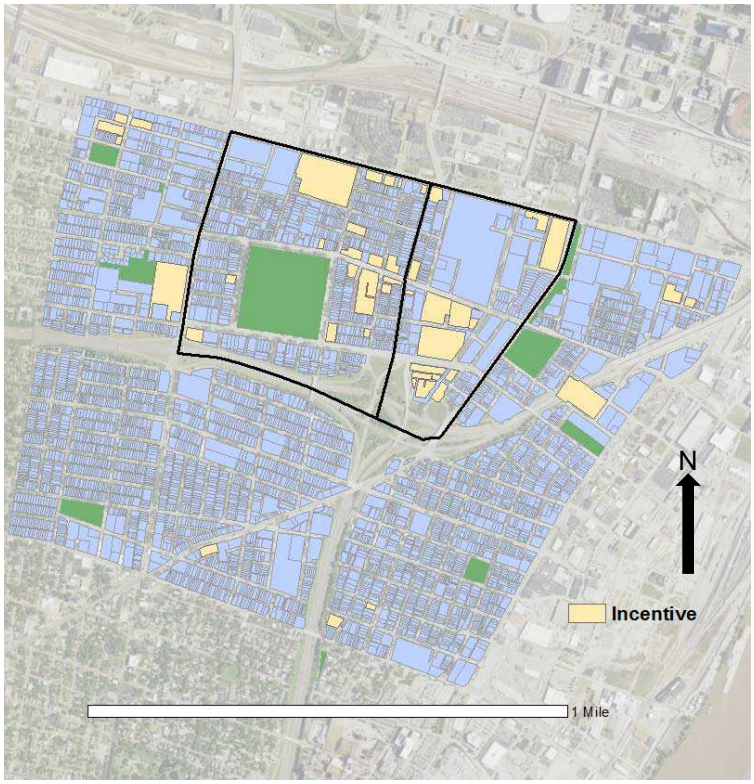
TIF Projects

TIF projects have yielded different outcomes between neighborhoods within the local study area. The two TIF projects in Lafayette Square are distinctly different. One project involves a single district approach incorporating multiple parcels around Park Avenue to enhance retail, entertainment and commercial activity. The second TIF project supported development activity at strategic, high-visibility areas within the neighborhood in order to define the neighborhood's presence, boundaries and "brand." Sample projects within this second TIF district include a multi-unit housing development at Jefferson and Lafayette Avenues, multi-unit housing and commercial development at Mississippi and Chouteau Avenues, residential development at the corner of Mississippi and Lafayette Avenues and the conversion of a church into a multi-unit, residential building adjacent to the park on Missouri Avenue.

TIF within Peabody Darst Webbe has been used to both redevelop land vacated by the demolition of public housing and for the rehabilitation of pre-existing structures associated with the former City Hospital. TIF has been a primary tool used to promote economic diversity through the introduction of market rate housing that may not otherwise be feasible within the neighborhood. These projects include market rate housing at the former City Hospital (now known as the Georgian), market rate and affordable townhomes and retail establishments near Lafayette Avenue.

Analysis of Past Performance

The following map depicts areas of TIF usage within the study area.



Using the increase in assessed valuation of TIF properties compared to the TIF investment as a proxy for TIF investment "multiplier," Peabody Darst Webbe generated greater TIF investment return, as noted in the following table.

2000 to 2014 TIF Investment and Assessed Value

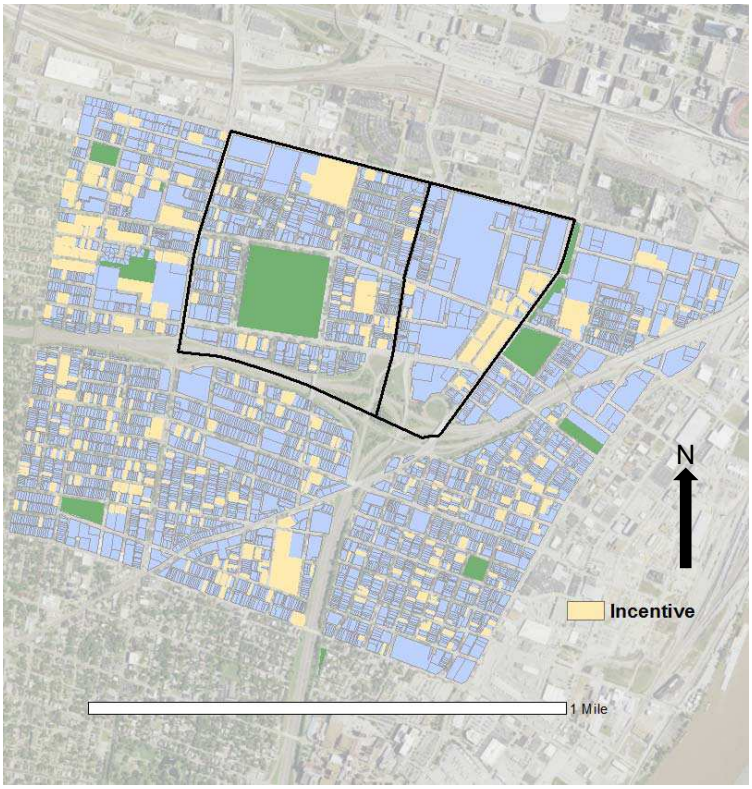
Neighborhood	TIF Assistance ($mm)	TIF Parcel Assessed Value Change ($mm)	Value Change / Assistance Multiple
Lafayette Square	$5.21	$8.81	1.7x
Peabody Darst Webbe	$1.11	$5.75	6.4x
Adjacent Areas	$3.82	$6.38	1.7x

These multiplier differences can be attributed to two factors. TIF usage in Peabody Darst Webbe is accompanied by other forms of tax incentives, which itself is a source of appreciation/equity. Leveraging these other sources of equity appears to generate a higher TIF multiplier. Further, areas within Peabody Darst Webbe using TIF often included vacant parcels with low initial property tax revenue generation.

Analysis of Past Performance

Tax Abatement

The frequency and use of tax abatement as a development incentive varies over the local study area. The map below displays where tax abatement is currently in use within the study area:



Projects using tax abatement within the local study area reflect the following statistics:

	Residential				Commercial			
	Projects	Abatement	Acres	Abatement/ Acre	Projects	Abatement	Acres	Abatement/ Acre
Benton Park	20	$ 504,900	1.98	$ 254,500	1	$63,000	5.83	$ 10,800
Fox Park	84	1,569,000	7.20	217,800	1	4,500	0.11	41,000
Lafayette Square	35	944,200	7.74	122,100	7	655,200	3.97	164,900
LaSalle Park	4	128,400	0.32	406,100	4	314,400	2.47	127,000
McKinley Heights	56	724,500	4.77	152,000	0	NA	NA	NA
Peabody Darst Webbe	6	107,900	0.38	284,600	1	351,000	0.26	1,364,700
Soulard	52	1,380,400	4.51	305,800	6	670,900	1.16	579,700
The Gate District	83	1,527,300	9.93	153,900	11	1,516,700	5.30	286,200
Total	340	$6,886,500	36.83	$187,000	31	$3,575,700	19.10	187,200

In examining tax abatement use in Lafayette Square, it appears that the tool is used more sparingly than in other parts of the study area, even when comparing similar projects (residential to residential, commercial to commercial). The most intense uses by category (abatement per acre) are: large parcel residential along Tucker in the Peabody Darst Webbe neighborhood, single parcel residential (likely substantial renovations of what are now valuable properties) in Soulard, and the St. Raymond's apartments in LaSalle

Park. Gate District has used a fair amount of tax abatement in terms of land coverage, and the units themselves are single family homes on empty sites off California Street. It is worth noting that the parcels in the Gate District appear to have lower abatement support, considering these sites are typically ground-up projects that resemble the new homes in the Botanical Heights/McRee neighborhoods. With respect to commercial use, Lafayette Square, the Gate District, Soulard, and LaSalle Park all have diverse, mixed use projects receiving abatement. Of those, only eight projects had more than $100,000 of abatement: There were three of these projects in the Gate District, two in the Soulard neighborhood, and one each in LaSalle Park, Peabody Darst Webbe and Lafayette Square (Wireworks). All but one of these eight projects is between $100,000 and $370,000 in terms of the value of the tax abatement. The only project that was over $370,000 was the roughly $1,000,000 in abatement (this is assessed value not taxed) for the Holiday Inn Express near the corner of Jefferson and Lafayette. It is also notable that with many of these projects, the line between commercial and residential can get blurred. For example, there is some residential abatement invested in multi-unit apartments that are coded as residential uses while in other cases this use is considered commercial. One would assume that a commercial use might include residential projects held for lease, but this is not always the case, e.g. some of the housing units associated with the St. Raymonds project in LaSalle are classified as commercial, while others are classified as residential. The senior housing project in the Gate District is classified as a commercial use.

There is not a discernible pattern with respect to how abatement is used within the study area, with the exception of general market demand limitations on project types. For example, neighborhoods reaching a demand inflection point (with Soulard being further along in this process, including portions of the Benton Park and Fox Park neighborhoods) appear to use small parcel residential abatement most frequently. Neighborhoods that have reached this point previously (Lafayette Square) and other neighborhoods that have not reached this point (such as the Gate District) have relatively fewer small parcel, one-off residential projects. Apartments and senior housing tend to utilize abatement where market prices permit their development, in areas such as Peabody Darst Webbe, portions of LaSalle Park, and the Gate District, in particular.

State Tax Credit Usage

As noted previously, development decisions are predicated upon many factors that vary across neighborhoods. State and federal incentives have strict qualification requirements that restrict use to specific geographic locations at specific intensities throughout the City. Historic tax credits are restricted to designated historic districts and/or qualifying structures. Neighborhood preservation tax credits are restricted to qualifying census tracts based upon socioeconomic data and the allocation of these credits is further complicated by the use of a lottery. Neighborhood preservation tax credits also contain lower caps for individual parcel investments compared to historic tax credits, thus reducing the use of these credits. As indicated in the table below, neighborhood preservation tax credits have a higher theoretical return (1.0x to 1.5x assessed value change to tax incentive award ratio) than historic preservation tax credits (0.3x to 0.5x). It is difficult to draw any direct conclusions regarding the relative efficacy of these programs. The relative scarcity of neighborhood preservation tax credits may suggest that this program is more efficiently used in the market by the properties best qualified to benefit from the incentive. The theoretical return matrix has severe limitations, however. The relatively low usage of neighborhood preservation tax credits may be insufficient to increase property tax revenue without coordinated use with other incentive forms, such as the less restrictive historic tax credit. The metric also does not directly account for an investment's ability to generate assessed value increases for proximate properties. Further, it also does not account for employment growth or in the growth of other sources of municipal revenue such as various license, franchise tax or earnings tax revenue.

In addition to regulatory restriction on the use of various incentives, the objectives of each incentive type vary considerably. The aim of LIHTC is to provide quality housing to residents who would otherwise be unable to afford it. The LIHTC aim contrasts sharply with historic tax credits, which are frequently used to rehabilitate housing that is in demand by those who can afford market rate rents and purchases. For affordable housing projects, the change in assessed value compared to LIHTC investment does not

address the fundamental use of the incentive program. Thus, the theoretical return of 0.0x to 0.1x is not an applicable measure of the program's impact.

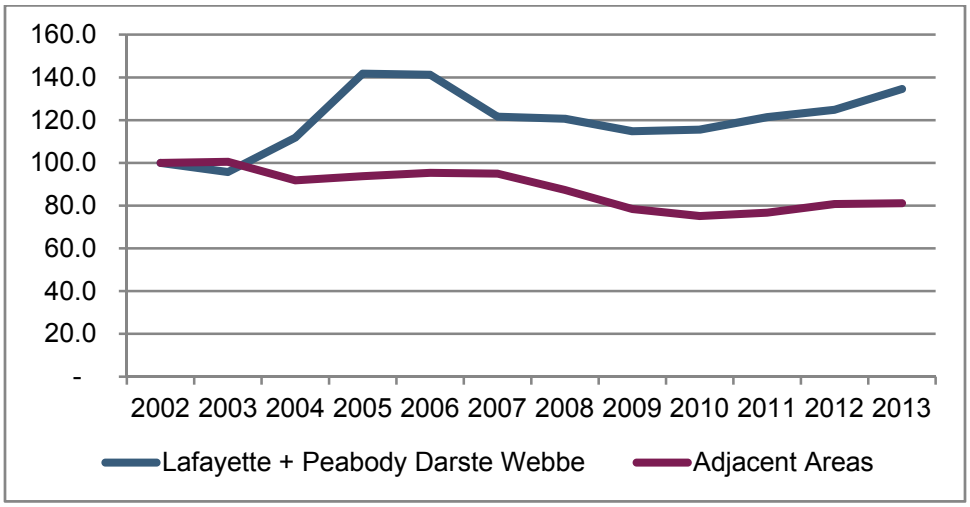
	Change in Assessed Value / Tax Credit Amount		
Neighborhood	LIHTC	Neighborhood Preservation	Historic Tax Credits
Lafayette Square	No projects	1.5x	0.4x
Peabody Darst Webbe	0.0x	1.1x	0.3x
Adjacent Areas	0.1x	1.0x	0.5x

Spatial Benefits of Development

According to US Census Bureau data on jobs located within the study area, Lafayette Square and Peabody Darst Webbe have experienced growth in both the number of primary area jobs and residents holding primary jobs (regardless of location). These benefits have not extended to adjacent residential neighborhoods[102]. The following tables demonstrate job growth both the neighborhood and among residents within the area over the past decade.

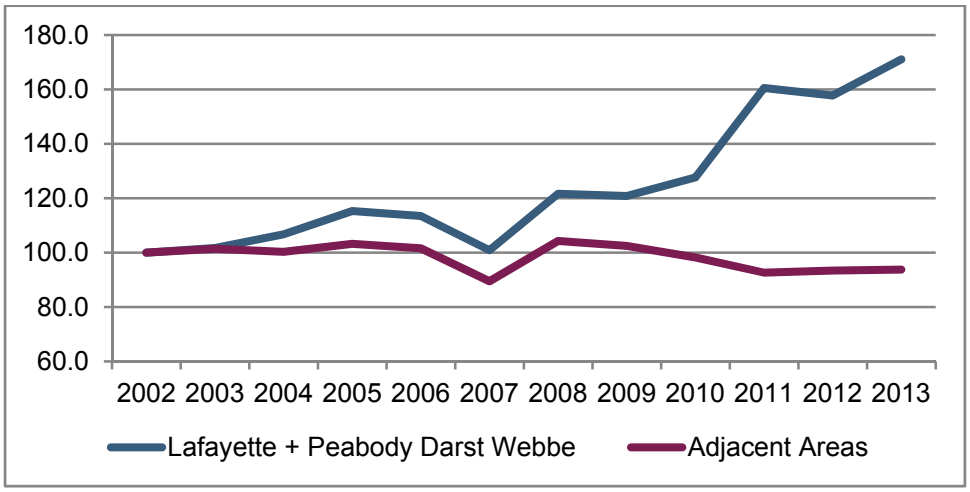
.

2002 to 2013 Primary Jobs Located in Neighborhoods (Indexed to 100)



[102] http://onthemap.ces.census.gov/

2002 to 2013 Primary Jobs Held by Residents of Neighborhoods (Indexed to 100)



We note that the lack of similar workplace and resident employment growth in other areas may be attributed to several factors. The neighborhoods are separated by a high volume network of roadways, which separates Lafayette Square from Peabody Darst Webbe and both neighborhoods from other adjacent residential areas. These roadways include Interstates 44 and 55, Jefferson and Gravois Avenues, Tucker Boulevard, and Truman Parkway.

Despite the complexities of the local transportation network, development characteristics within the area may have hindered the ability of surrounding areas to leverage the investment within Lafayette Square and Peabody Darst Webbe. Retail locations utilizing TIF along Lafayette Avenue in Peabody Darst Webbe is vehicle oriented.

Key Findings

From this lengthy and detailed discussion it is evident that past and current use of economic development incentives does not lend itself to cut and dried methods or methodologies to determine likely success or explain past successes or failures. In fact, one of the lessons learned from the work of the project team is that multiple attempts to create a computer-generated model of successful past incentives or characteristics that would be readily apparent to guide future decision-making were all ultimately unsuccessful. In this case – which may reflect features of the City itself as well as limitations in the models used – the resulting formulas, algorithms and equations did not result in a model that would be useful for decision-making.

With that caveat, the following describes some of the key findings that may be useful for policymakers as they both craft incentive policies and evaluate the use of incentives for projects.

D. Characteristics of Incentives

- From 2000 to 2014, projects in the City received a total of $3.85 billion from various local incentive programs, including tax abatement, tax increment financing (TIF), New Markets Tax Credits and local bonding. Another $2.03 billion came from State of Missouri incentives, including business credits, real estate tax credits, contributory tax credits and state investments/bonds and grants.
- The largest dollar value of local incentives came from local bond financing ($2.91 billion), followed by TIF ($402 million) and tax abatement ($307 million). In terms of state incentives, the largest amount was in real estate related tax credits ($1.48 billion), followed by state investments/bonds ($249 million).

- Given the nature of the different incentives, the amounts from the different incentives are not directly comparable. For some incentives, the amount represents the amount forgiven in future

tax receipts (tax abatement and TIF), for some the forgiven amount is used to complete the project (TIF) and for others the amount is redeemable on state or federal taxes (state tax credits and New Markets Tax Credits).

- Most of the local and state incentives are for real estate investments, and, of the total amount, the largest percent goes to commercial projects (45 percent) followed by residential projects (36 percent). Residential projects are a larger share of state incentives than local incentives (36 percent to 13 percent).

E. *Geographic Patterns of Incentive Use*

- Incentive use is highly concentrated in a few areas of the City of St. Louis. A handful of neighborhoods have received roughly two-thirds of the value of credits.
- However, this is because incentives follow the overall patterns of development and developers and other real estate actors use incentives to pursue specific types of projects in specific types of neighborhoods.
- Even with the general association between incentive use and overall permit investment, some neighborhoods receive proportionally more incentives than other neighborhoods. These include some lower-income neighborhoods as well as more stable residential neighborhoods and commercial areas.
- State incentives generally shift the overall share of incentives to lower income neighborhoods with weaker housing markets, primarily through the use of the state local income tax credit.
- Alternatively, there are a number of neighborhoods with weaker housing markets and some level of permit investment that have not received many incentives. This suggests the need for reviewing incentives to ensure that they are structured to be applicable to all neighborhoods that need them.
- Conversely, there is significant incentive use, particularly through tax abatement, in neighborhoods with strong housing markets. This suggests, absent a more formal "but for" process to providing the incentives, a need to set clear policy on at what point city incentives will not be used.
- Patterns of incentive use are highly geographically distinct. For example, low income tax credit projects, often times also receiving tax abatement, are clustered in key neighborhoods to the north and south of downtown; mixed use and multi-family projects, using TIF, tax abatement and other state tax credits, can be found in the central corridor, and many historic tax credit projects or neighborhood tax credit projects, sometimes with the use of tax abatement, are found in historic and often stable neighborhoods in south St. Louis and the central corridor.
- While city officials ultimately can control where developers choose to do particular types of projects, they can work to distribute incentives more broadly across the city and work with developers to pursue a variety of redevelopment strategies within neighborhoods.

F. Impact of Incentive Use

- There is a strong association between incentive use and increased assessed value and aggregate permit investment from 2000 to 2014.
- This probably because incentive use follows overall investment patterns.
- Conversely, there is little relationship between incentive use and an increase in jobs within neighborhoods.
- Much of the benefit to neighborhoods from incentive use comes from increased assessed values of the parcels that receive the incentive and other investments. For example, assessed values rise significantly for incentivized parcels for both parcels that receive TIF and parcels that receive TA, particularly when those local incentives are matched by state real estate incentives.
- On the other hand, there is little evidence of significance spillover effects around incentivized parcels after the use of incentives. Across most project types, there is no significant change in the trajectory of assessed value, permit investments or jobs.
- This suggests that city development officials should be careful about ascribing local or neighborhood effects to a specific incentivized project. While there might be cases where

incentivized projects are transformative for local communities, it is probably the sustained, consistent use of both incentives and overall investment over time, including investments of a variety of types, which increases local economic outcomes and transforms local communities.

V. St. Louis Economic Development Incentives Discussion

Discussion

Overview

As noted in the Introduction, economic development is generally a vital component of a strategy to maintain a vibrant city. Economic development strategies can come in a variety of forms, and many (if not most) cities employ a variety of programs and offerings to attract and retain residents and businesses. This is understandable, as no two individuals or businesses will have exactly the same interests or requirements.

While there will be variations (for many of the reasons described above), there are some general considerations that drive business location decision-making. Among them are:

- **Workforce.** There is generally a need for sufficient quantity and necessary skills for both short-term and long term needs. In some cases, access to high education and other locations that provide training and skills advancement opportunities are important.
- **Community fit.** A business may need to be compatible with the social, economic and political demographics of the surrounding area.
- **Logistics**. Suitable transportation options and costs are a factor for (in particular) prospective manufacturing and warehousing facilities
- **Markets**. Many businesses choose locations that provide ready access to customers and suppliers. While this is most notable for retail businesses, it is also true for any business that seeks to cluster with similar types of businesses.
- **Government**. This can encompass a variety of issues, including environmental, labor, regulatory and tax issues.
- **Incentives**. A business and a city may negotiate a variety of financial and other incentives to induce a company to locate. These can include cash, land or other grants, reductions in operating costs (such as training or utilities) or reductions or diversions of taxes or tax revenue.

There has long been significant discussion and disagreement over the importance of tax incentives in business location decisions. There are reasonable arguments on both sides of this discussion, and it is unlikely that a definitive assessment will ever be possible.

Those who generally oppose tax incentives argue that other factors are more significant in the business decision-making process. They point out that labor and other costs of doing business are generally a much larger cost component than state or local taxes and that community factors like community fit and available workforce have a great impact on location success or failure. Finally, they would point to a variety of studies (and practical application) that suggest there is little positive economic effect on a city from broad-based tax incentives for economic development.[103]

Those who support tax incentives will often note that, good or bad, tax incentives are a component of most city and state economic development strategies. As a result, there is an expectation on the part of businesses that a city and state interested in attracting or retaining their business will be willing to at least consider providing incentives – and to not do so may lead to businesses dismissing a city or state in the early stages of the site selection process. For incentive supporters, a city that chooses not to provide incentives while their competitors do is engaging in a form of unilateral disarmament that could have significant negative consequences. Supporters can also generally point to specific instances where incentives have helped obtain or retain a business – or improve the economic condition of a neighborhood or area of a city. Finally, they would argue that in many businesses and industries, heightened competition

[103] See, for example, Alan Peters and Peter Fisher, "The Failures of Economic Development Incentives," Journal of the American Planning Association, Winter 2004, Vol. 70, No.1, pp. 27-37 (accessed electronically at https://www.mackinac.org/archives/2009/nr043009-petersfisher.pdf) and Dan Gorin, "Economic Development Incentives: Research Approaches and Current Views," Federal Reserve Bulletin, October 2008, pp. 61-73 (accessed electronically at http://www.federalreserve.gov/pubs/bulletin/2008/pdf/econdev08.pdf).

and other factors have reduced profit margins and made tax issues a more important factor in profitability and site location discussions. [104]

This study was not focused on determining the 'correct answer' to this policy dispute. Further, to some extent this is an academic discussion. While the debate on whether or not tax incentive are effective rages on, in practice, local governments continue to offer them, and there is little evidence that this is changing or will change in the near future.[105] Where both sides would likely agree is that incentive policy should be structured to obtain as much public benefit as possible and provide as much data for research and analysis on this public benefit as well. In that respect, there are a number of resources that provide guidance on how to structure these types of programs.[106]

In line with recommended best practices, the focus of this discussion is on past economic performance of City tax incentives and opportunities to improve on performance in the future. It is notable that many City policies related to tax incentives recognize the value in making an informed evaluation of the value of tax incentives – both for the community and for the receiving party. In this respect, City policy already recognizes the validity of the concern that tax benefits only be provided when they are necessary for the success of the venture and/or are offered in an amount that is sufficient (but no more) to obtain the benefits for the City.

This controversy has been studied and written about in the St. Louis region. In 2011, the East-West Gateway Council of Governments published a study on the fiscal impacts of the use of development incentives in the St. Louis Region. While that study was focused on the entirety of the metropolitan St. Louis region rather than the City itself, it concluded that the use of the studied tax incentives in the region was ineffective both as a way to increase regional sales tax revenue or to produce a significant increase in quality jobs. It also indicated that the incentives had not had a general beneficial economic impact on the region. Among its specific findings:[107]

- There are examples of the effective use of development incentives but they are greatly outnumbered by projects that produce localized benefits at a high cost with little or no demonstrable economic benefit.
- The use of TIF and other tax incentives, while positive for the incentive-using municipality, has negative impacts on neighboring municipalities.
- Across all incentive programs, the provisions for uniform reporting of revenues, expenditures and outcomes (jobs, personal income, increases in assessed value, etc.) are weak.

---

[104] See, for example, Timothy J. Bartik, "Solving the Problems of Economic Development Incentives" in Reining in the Competition for Capital, Ann Markusen, ed., W.E. Upjohn Institute for Employment Research, 2007, pp.103-140. Accessed electronically at http://dx.doi.org/10/17848/

[105] A 2014 local government economic development survey by the International City/County Management Association (ICMA) with over 1,000 local government respondents found that the use of business incentives was primarily about the same over the last five years (Much larger 7%, Larger 16%, About the same 61%, Smaller 7%, Much smaller 8%). ICMA Survey Research, 'Economic Development 2014 Survey Results,' p. 7. Accessed electronically at http://icma.org/en/icma/knowledge_network/documents/kn/Document/306723/ICMA_Economic_Development_Survey_Results_2014

[106] For example, the Government Finance Officers Association (GFOA) identifies developing an economic development incentive policy as a best practice. This includes identifying goals and objectives, financial incentive tools and limitations, an evaluation process, performance standards and monitoring and compliance. http://www.gfoa.org. A good practical discussion of the subject area related to property tax incentives was done by Daphne Kenyon, Adam Langley and Bethan Paquin of the Lincoln Institute of Land Policy ('The Effective Use of Property Tax Incentives for Economic Development,' Communities and Banking, Federal Reserve Bank of Boston, Fall 2013, pp. 5-7). Among their recommendations are to take a targeted approach and evaluate effectiveness. Accessed electronically at http://www.bostonfed.org/commdev/c&b/index.htm

[107] East-West Gateway Council of Governments, "An Assessment of the Effectiveness and Fiscal Impacts of the Use of Development Incentives in the St. Louis Region, Final Report" January 2011. Accessed electronically at http://www.ewgateway.org/pdffiles/library/dirr/TIFFinalRpt.pdf

Discussion

While the East-West Gateway report makes a reasonable case for its findings and conclusions, it is far from a compelling indictment of all uses of economic development incentives. Indeed, the report notes that there are effective uses of incentives; in fact, it highlights effective use of incentives by the City of St. Louis but argues that economic benefit in this case comes at the expense of other communities within the region. This is worth discussion as a regional issue, but it does not provide a compelling indictment of the City use of these incentives: a case can be made that the surrounding communities have certain advantages in competition for jobs and residents that at least balance out these negative impacts. Indeed, one earlier study of the use of TIF in Kansas City and St. Louis concluded that use in the St. Louis region should be shifted more to the inner core (City of St. Louis) and away from outer cities.[108]

The East-West Gateway report does highlight an important area for discussion – and it is a topic addressed later in this chapter – around the necessary data and data collection practices to gain a better understanding of the economic and other impacts of tax incentives. While there are examples that the data collection processes are improving, there are opportunities to better coordinate the collection, analysis and reporting of data necessary for informed decisions in this area. It is likely that the work done on data collection and analysis for this report will provide another step forward in those efforts.

As the East-West Gateway report concluded independently, the previous chapter of this study has provided data and analysis that suggests that there are instances where past incentives have provided a positive return on investment for the City. At the same time, it also suggests that in other instances the case either has not been made or cannot be made with the information available to the project team. This leads to the logical follow-up questions for discussion:

- **What are the existing policies and requirements related to current incentives that help create success?**
- **Are there opportunities to improve on policies and requirements, management or reporting processes and procedures for existing programs that might improve their overall effectiveness or efficiency?**
- **Are there gaps in the current set of tax incentive offerings by the City, and if so, what are the opportunities to close those gaps?**

Each of these questions will form the basis of the following discussion. In many instances, there is overlap between the subject areas, and the report will highlight those and refer the reader to the location of that discussion as necessary.

Existing Policies and Procedures

As discussed earlier, the City has specific policies and procedures in place for all of its tax incentive programs. Many of the explanations for the programs and the requirements are found on the City's website related to the St. Louis Development Corporation. Many of these requirements are found in City ordinance or the City charter or are available in writing from the City or the SLDC. The following details key aspects of existing City policies and procedures.

City Economic Development

City economic development is conducted by several entities – the following are details of their responsibilities:

---

[108] Tomas Luce, "Reclaiming the Intent: Tax Increment Finance in the Kansas City and St. Louis Metropolitan Areas," The Brookings Institution Center on Urban and Metropolitan Policy, April 2003. The report notes that ". . . only nine of the St. Louis region's 33 TIF districts lie in the region's core. Conversely, 14 of the region's 38 TIF districts lie west of the region's major ring road (I-270). These districts, moreover, contain 57 percent of the TIF-captured property tax base in the region. By contrast, the Kansas City region shows a pattern more consistent with the revitalization goals of TIF." Accessed electronically at http://www.brookings.edu/es/urban/publications/lucetif.pdf

Planning and Urban Design Agency (PDA). Its mission is to focus on planning for the future of the City through effective measures of planning, design review, construction plan approval, code compliance, and housing assistance. Among its responsibilities is serving as staff for the Planning Commission and Preservation Board about specific projects and agenda actions, to develop and maintain tools for planning and research, such as GeoStLouis (an online mapping tool primarily suited for researching property snapshots) Historic District maps and designations; and the Strategic Land Use Plan of the St. Louis Comprehensive Plan. It is also responsible for several City sustainability initiatives. The Planning Office within the PDA is responsible for neighborhood plans, topical plans and comprehensive plans for the City. The planning staff is included in multi-disciplinary team efforts to assist neighborhood residents and businesses in improving and stabilizing the physical, social, and economic qualities of neighborhood life. The Planning Office is responsible for updating the Strategic Land Use Plan of the St. Louis Comprehensive Plan (SLUP). The SLUP is a guide to the future development of the City of St. Louis.

- **St. Louis Development Corporation.** Its mission is to stimulate the market for private investment in City real estate and business development and improve the quality of life for everyone who lives, works, and visits the City. Among its responsibilities is to serve as staff support for the City's 10 economic development authorities and boards.[109] It also has a key role in city business development – SLDC and its authorities and agencies proactively engage in a wide variety of activities to address business attraction, retention and expansion goals. SLDC also administers the tax incentive economic development programs that are the focus of this study, and it provides other development services, including developing and owning two business incubators, manages, maintains, markets and sells property acquired in the name of Land Reutilization Authority (LRA), the Land Clearance for Redevelopment Authority (LCRA) and the Planned Industrial Expansion Authority (PIEA) and provides access to site assembly and site preparation programs and services that encourage the redevelopment of abandoned, underutilized, and environmentally compromised City properties.
- **Board of Aldermen.** The law making body of the City, there are 28 Aldermen, one from each ward, and a President. The Board has two committees that have primary responsibilities for economic development: the Housing Urban Development and Zoning Committee (HUDZ) considers all matters pertaining to housing, urban development and zoning, including the Community Development Administration and Commission, the St. Louis Development Corporation and the appropriation and disbursement of all federal monies administered by these agencies; and the Neighborhood Development Committee, which considers blighting and redevelopment plan bills for unoccupied properties outside of downtown. It is also notable that there is an expectation that those seeking tax incentive assistance from programs administered by the SLDC will have the active support, from its inception, of the Alderman within the ward of the proposed development or redevelopment so that authorizing legislation can be introduced and approved.

The descriptions of responsibilities suggest that while there is some overlap, the PDA is primarily responsible for neighborhood and comprehensive plans for the City. In a typical City process, planning helps to set strategic direction for development and land use (likely with assistance, in this case, from the PDA relating to specific data and information). Based on that plan, the SLDC would focus its assessment of potential project applications (and its discussions with developers and others) on those projects that align with the plan. Ultimately, as those responsible for the City budget and actions requiring legislative approval, the Board of Aldermen would either approve or reject the projects approved by the SLDC.

In practice, the City's process is quite different. In particular, the involvement of individual members of the Board of Aldermen is unusual. As an example of that involvement, the SLDC advises potential tax abatement applicants that "It is imperative that a company or individual seeking tax abatement obtain the support of the Alderman of the Ward in which the development is proposed" so that legislation can be

[109] The 10 are the Industrial Development Authority (IDA), Land Clearance for Redevelopment Authority (LCRA), Land Reutilization Authority (LRA), Land Development Company (LDC), Planned Industrial Expansion Authority (PIEA), Port Authority and Tax Increment Financing Commission (TIF), Enhanced Enterprise Zone Board (EEZB), Port Authority, Clean Energy Development Board and St. Louis Local Development Company.

introduced authorizing the tax incentives. While it would be presumptuous to assume that individual Aldermen do not take into consideration the City's development plan (and that alignment is a part of the City's overall policy as it relates to TIF), it is certainly not a requirement. As a result, it is possible that the City has multiple perspectives on the appropriate use and application of its various tax incentives based on the particular Ward in which the development would take place.

This may well be a possible explanation for some of the data on past use of City tax incentives. That data suggests that much of the use of tax incentives has been concentrated in the central corridor of the City and downtown.

City Application Process

As is now standard practice, the City's applications for tax incentives are available on the City's SLDC website. While none of them can be submitted online, few of the comparable cities provide that option. The City process is also articulated for each of the incentives, in terms of the consideration of the application and the balance of the timeline for approval.

The applications' required information and eligibility generally align with standard practice. It is notable that TIFs, tax abatement and the Chapter 100 bond program all are authorized by state statute, and all have state eligibility requirements. For example, state statute requires that eligible TIF projects satisfy the 'but for' test and are located in either a blighted or conservation area.[110]

It is notable that while the applications request a significant amount of detailed information – and suggest favored areas for projects, an explanation of how favored or desired characteristics will impact on scoring is not provided – and generally not quantified.

For example, the application for Chapter 99 tax abatement includes as attachment E a Sustainability Impact Statement, which includes 66 items within six functional categories and development-related objectives of the City's Sustainability Plan and the Mayor's Sustainability Action Agenda. These include items that may be considered quantitative (such as 'expand the City's urban tree canopy' or 'increase bike racks by 150 percent') but mostly are items that are qualitative (and often subjective) in nature (such as 'foster innovation' and 'provide healthy interior environments in commercial buildings'). Besides the difficulty in determining applicability, there is no quantitative (or qualitative) scoring method offered to guide how the impact of a project on sustainability will be considered on an application by application basis. This lack of a scoring methodology is not an isolated case; in the description of TIF policy guidelines, it is noted that 'projects that create jobs with wages that exceed the community average are favored' and each applicant must provide information on total number of expected additional employees (and potential that they will be hired from the local population) and skill and educational levels and range of salary and compensation for the jobs to be created. While this is all valuable information (and should be a part of the evaluation process), there is no clear explanation or guidelines as to how those factors will be weighed in the process. It is notable that SLDC has recently hired a financial analyst to negotiate terms of TIF and tax abatement agreements with developers.

City Approval Process

As previously noted, the SLDC provides a description of the approval process for each of the tax incentive programs, and they generally follow with standard practice. In the case of TIFs, which are often high-impact, high-dollar projects, there are multiple rounds of review, beginning with a consideration by the SLDC/City staff of overall eligibility. As already noted, this process involves ensuring that the applicant meets all City (and, in many instances State) requirements. After that staff review, the application is

[110] Missouri Revised Statutes, Section 99.810.1 (August 28, 2015). It is notable that the statute also requires that the areas "has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing. Such a finding shall include, but not be limited to, a detailed description of the factors that qualify the redevelopment area or project pursuant to this subdivision and an affidavit, signed by the developer or developers and submitted with the redevelopment plan, attesting that the provisions of this subdivision have been met;" (accessed electronically at http://www.moga.mo.gov/mostatutes/stathtml/09900008101.html)

submitted to the City's TIF Commission, which meets to review the application and may establish a public hearing date. This then leads to notices being sent and/or published for the public hearing and requesting alternative applications for the development of the site contained in the original application. After a review of any alternative applications by the SLDC and City staff, the TIF Commission will determine whether to pursue the original application or an alternate application. After a public hearing, the TIF Commission will select an applicant and make a recommendation to the Board of Aldermen, who will consider the recommendation. If it is approved, the applicant and the City will execute an agreement.

This process provides multiple opportunities for the review of the proposed project and applicant by multiple parties. It provides significant opportunity for the general public or other interested parties to submit alternate proposals or comment on the application. It is notable that information on these proposed projects is readily available on the SLDC website.

While this process contains many elements that could be considered best practices, there have been reports that are critical of the TIF process. Besides the East-West Gateway study previously mentioned, the regional group Better Together has published reports suggesting that a regional approach to TIF would be more effective. Its 2014 report highlights features of the existing system, including the ability of a city to override a decision by the TIF Commission with a two-thirds vote (in the case of St. Louis by the Board of Aldermen) and the ability of the city alone to establish a TIF.[111] Of course, the requirements for establishing a TIF and overriding a decision of the TIF Commission are state requirements and apply to all TIFs throughout the State of Missouri. It is notable that Missouri is seen, in several respects, to have a more expansive TIF statute than most states.[112]

City Project Management and Reporting Process

The City's ongoing involvement in a project varies from program to program. In the case of a TIF, which can last for up to 23 years and can involve a significant dedication of tax revenue to it, the ongoing review is significant. In this case, annual monitoring by the City and the SLDC takes place to ensure compliance with performance standards, and 'claw backs' may be included in the TIF redevelopment agreement.[113] In the case of other programs, the ongoing involvement is not as significant. In the case of property improvements subject to tax abatement, the general approach for small projects (under $1 million) is for the redeveloper to sign a tax abatement affidavit prepared by the City and send it back when the project is substantially completed (along with photos of the completed project and, as needed, occupancy permits). For large projects (over $1 million), the developer must sign a redevelopment agreement, and when the developer meets the agreement guidelines, the abatement is granted.

Some aspects of past reporting made it difficult for the project team to gather and analyze data. Part of this relates to the diffused responsibilities for data collection, analysis and reporting within City government. The following describes these differing responsibilities within City government:

- St. Louis Development Corporation is responsible for overall project management and, as required, project reporting (particularly related to TIF projects)
- City Assessor is responsible for determining assessed value of property both at the start and throughout the life-time of projects (primarily related to TIF and tax abatement)

---

[111] "Tax Increment Financing in the St. Louis Region, Better Together, May 2014, accessed electronically at http://www.bettertogether.com.

[112] See, for example, George Lefcoe, "Competing for the Next Hundred Million Americans: The Uses and Abuses of Tax Increment Financing," 43 Urban Lawyer, 2011, pp. 427, 452 and Thomas Luce, "Reclaiming the Intent: Tax Increment Finance in the Kansas City and St. Louis Metropolitan Areas," The Brookings Institution Center on Urban and Metropolitan Policy, April 2003 (accessed electronically at http://www.brookings.edu/es/urban/publications/lucetif.pdf).

[113] The TIF application notes that TIF assistance may be reduced or eliminated if specified minimum requirements are not met as provided for in the redevelopment agreement related to minimum levels of employment during project implementation, deadlines for completion of construction of public infrastructure and the entire project and minimum levels of investment or other requirements are not met.

- City Collector of Revenue is responsible for collecting and reporting sales and other activity-based taxes that may be subject to EATs
- City Comptroller is responsible for City financial reporting

During the data collection and analysis phase, historic data – such as relating to property assessed value – was often not handled in a uniform manner. As a result, it was often difficult to ensure the accuracy and comparability of the data. While later data appears to be reported in a more uniform manner, that lack of consistency will continue to be an issue when comparing current and past performance related to economic development tax incentives.

Likewise, there is little comprehensive data on economic performance related to specific economic development incentives. Unless (primarily in the case of TIF), job and wage performance measures were built into redevelopment agreements, there was no requirement for those receiving economic development incentives to report the information, and no specific reporting was done.

It should be noted that there are reporting requirements at the State level for various programs – TIF is an example. Those reports related to project performance are available from the State. The City also provides reports on individual TIF projects on its website.

Opportunities for Process Improvement

Within each of the categories in the previous discussion, there are opportunities to make process improvements. At the same time, some aspects of the system would be difficult to modify: most obviously, those aspects that are embodied in state statute cannot be changed by the City without the consent or participation of the State. Likewise, there are actions by other local governments in the St. Louis metropolitan area that cannot be readily controlled by the City. Finally, even within City policy, there are competing actors and policy priorities that may compete with recommendations related to the specific topic of economic development tax incentives.

Economic Development Planning

As previously noted, in most cities, economic development incentives are considered to be a tool to be used to advance the overall development plan, and city departments with development responsibilities work with those responsible for planning to implement that approach.

The St. Louis approach of involving the Alderman for the particular ward where the development would occur is not necessarily an impediment to that approach, but it involves the legislature at a much earlier point in the process than is normally the case.

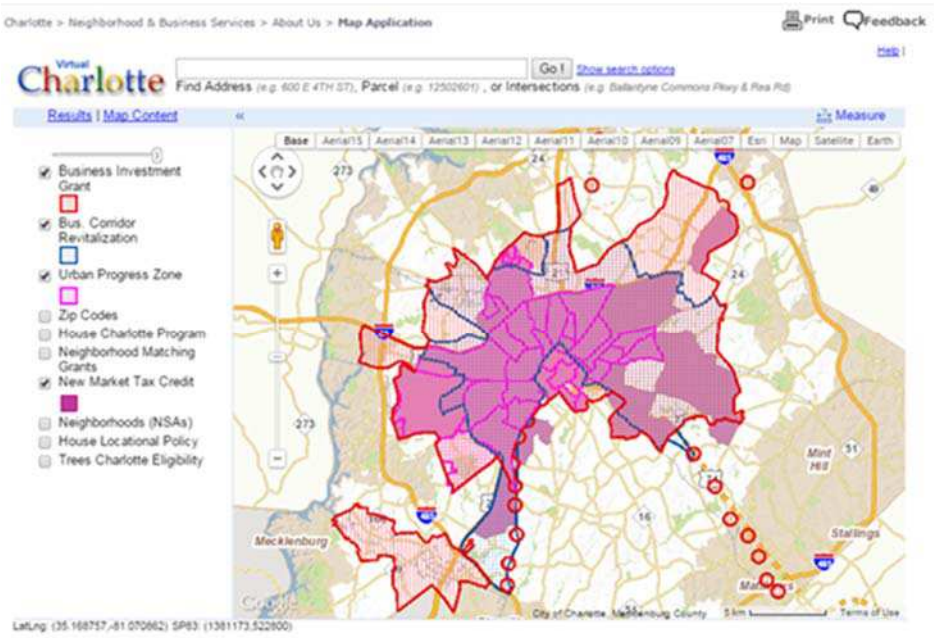
It may well be the case that it would not be politically feasible or practical to dramatically end this involvement. It may well be that this involvement also provides opportunities for more neighborhood and ward engagement around development. To reflect that fact, an alternative would be to build on a zone-based approach toward eligibility for certain economic development incentive programs.

A zone-based approach identifies particular areas with characteristics that make it most suitable for economic development incentive programs. As the analysis in the previous chapter indicates, there is ample data that can be analyzed to identify areas that are logical candidates for specific types of incentive programs. In fact, the City already participates in a zone-based program, Enhanced Enterprise Zone Tax Credits, which is a City-State incentive program for projects in geographic areas designed by the City and certified by the State Department of Economic Development, based on certain demographic criteria. This approach could be expanded to include other programs – or could be tailored to provide additional weighting in the eligibility process.

The City of Charlotte uses zones for eligibility for multiple City tax incentive programs. Its Business Investment Grant Program, Business Corridor Revitalization Program, Urban Progress Zone Program and

Discussion

New Markets Tax Credit Programs all use zones to determine eligibility. The following map was created from the City's website, which provides a tool to plot eligibility for each program individually or in the aggregate.



Application, Review, Approval and Reporting/Compliance Processes

Both TIF and tax abatement have been the subject of much study and discussion as it relates to best practices. For TIF, the following categories provide recommendations related to best practices.

TIF: Determining Eligibility

A meta-review of TIF literature confirms the need (already discussed) for strict financial and performance standards.[114] Given the more liberal nature of the benefits from TIF in Missouri compared to other states, only projects that provide maximum financial and material benefit to the City are likely to yield a positive result in a cost-benefit analysis.

Cost-benefit analysis, and the adherence to the 'but for' test, serve as two initial eligibility determinants that cities use to determine the suitability of projects for a TIF. Performing a cost-benefit analysis as part of the application process can aid decision-makers in determining whether the project will have a net positive impact on its host community, and whether granting economic development incentive(s) will yield revenue growth. During this assessment stage, any negative externalities – including a potential increase in city expenditures as a result of the project – should be weighed to measure net impact. It is generally accepted that the cost-benefit analysis should be performed by the City or a third-party and not be part of the developer's application process.[115]

[114] "Creation, Implementation and Evaluation of Tax Increment Financing" Government Finance Officers Association, February 2014. Accessed electronically at http://www.gfoa.org/creation-implementation-and-evaluation-tax-increment-financing

[115] The project team has created an Excel workbook that can be used as a starting point for calculation of the cost-benefit for a TIF district. This workbook is provided as a final project deliverable to the City.

Regardless of the broader goal of a rigorous cost-benefit analysis, there are other scoring mechanisms that can also be developed to provide some relative ranking of the value of an application. As an example, the City of Dallas uses a TIF scoring criteria that provides specific point score weights to both potential financial and policy benefits from a TIF project. Both the financial and the policy aspects of the score card have a 100 point scale; to move forward, a project must receive a minimum score of 70 points on both the financial and policy scales.[116]

While encouraging commercial activity through TIF is often expected, retail-only developments are often not the best candidates for TIF subsidies due to their low-wage, low-quality job opportunities. These types of jobs not only have nominal (if any) positive effect on surrounding property values[117] but also are unlikely to spur additional developer or resident interest in the community. Moreover, retail-only developments also have a greater likelihood of facing economic obsolescence, often going out of existence well before the full retirement of TIF bonds. Coupled with the frequency of relocation that is common amongst new retail developers, these forms of projects should be treated with special care when evaluating them for types of economic development subsidies.

TIF: Financial Protections

An additional reason for a thorough cost-benefit analysis before the onset of a project is encouraged is due to the frequency with which TIF projects yield tax revenues at levels below those estimated in the initial TIF application. When this occurs, funds may be lacking to pay TIF bond principal and interest. Kansas City has had significant experience with this, often having to use General Fund revenue to cover TIF Bond payments for underperforming TIF districts.[118] The creation of Special Tax Districts is one remedy used by cities to address this concern. Special Tax Districts are typically structured to impose special property tax levies on TIF projects which have failed to generate adequate revenue to cover TIF bond payments – granting the city an opportunity to shift the risk of project failure to the developer by requiring the developer to bear a greater percentage of the project cost when tax revenues prove insufficient. The city of Baltimore, for instance, has successfully used this approach to recover the costs associated with underperforming TIF projects – the city typically requires the establishment of a Special Tax District contiguous with the creation of the TIF district to protect itself from the potential of such risk.[119]

An alternate approach of mitigating the risk associated with issuing TIF bonds is the setting of a ceiling on the total percentage of assessed property valuation subject to TIF, or by avoiding TIF funding for districts that account for a large portion of assessed property valuation. Indeed, it is often a recommended best practice that cities should implement a cap on the total percentage of assessed property value to avoid financial distress as a result of TIF financing.

Tax Abatement Best Practices

Best practices and recommendations on the usage of tax abatements often confront the challenge of evaluating the effectiveness of implementing abatements as an economic development tool. Despite the hardships of accurately predicting their success, abatements continue to be a widely utilized component of a city's economic development package. The following are generally considered best practices for tax abatement program implementation:

---

[116] The Dallas TIF scorecard is included in the Appendices.

[117] Center on Wisconsin Strategy. "Efficient and Strategic TIF Use**:** A Guide for Wisconsin Municipalities." December 2006. Accessed electronically at http://www.cows.org/_data/documents/1071.pdf

[118] In its FY2016 adopted budget, the City of Kansas City, Missouri appropriated a total of $26.3 million from its general fund to pay for debt service for 8 TIF projects. The majority of the debt service payment ($15.1 million) is for the TIF associated with KC Live. City of Kansas City Adopted Budget, FY2015-16, p. 319. Accessed electronically on August 20, 2016 at https://data.kcmo.org/Finance/Adopted-Budget-FY2015-16/ciiw-zn5p?

[119] TIF Policy and Implementation White Paper: Baltimore Development Corporation. October 2010.

- Spillover Effects – tax abatements should be evaluated to determine if the development will impose additional fiscal stress through the required extension of city services. If the increase in tax revenue from the new development is not sufficient to cover these costs, tax abatement is not advisable.[120]
- Tangible Benefits – when possible, a cost-benefits analysis calculation should incorporate use of quantifying potential positive and negative externalities which may result from implementation. Increased reliance on quantitative data can help decision makers hold developers accountable to promised outcomes.
- Avoidance of Long Term Abatements – adhering to short-term tax abatements is preferred; as they decrease the possibility developments will become economically obsolete before they start generating new property tax revenue.
- Compliance with City Goals – abatements should generally be granted to those projects that meet a City's vision and goals – such as decreasing the unemployment rate, diversifying the local economy, or encouraging business in otherwise unattractive areas.
- Linking Abatements to Outcomes – incorporating performance standards into an application process is highly encouraged as it allows the City to fully measure the positive impact – or lack thereof – of granting abatements. An additional benefit of this is the ability of a city to integrate "claw backs" into abatement policies, which may help a city recoup any, or part of, forgone revenue should a project not meet its projected goals.
- Periodic Monitoring of Results – cities should regularly monitor the performance and outcomes of tax abated developments. In addition to creating more transparency and an increased attention to records keeping, this information may also be helpful in setting or adjusting a City's policy on future tax abatements.

In conclusion, tax incentives are found to be most useful – and effective – when used under the right sort of circumstances. As uncovered by some researchers, the most conducive environment for tax incentives to thrive is one where incentives are granted after a careful consideration of a cost-benefit analysis and when supplemented by performance requirements that ensure local benefits in return for granting the incentive.[121]

Tax Abatement Evaluation

St. Louis' generally has a relatively easily securable tax abatement policy, with the City's criteria expansive enough to allow for a variety of eligible developments. Unique to St. Louis, the approval of tax abatement is heavily influenced by the Alderman of the ward where the development is located, who often can apply special conditions or unrelated demands on the development as a condition of support. St. Louis appears to be an outlier with its heavy involvement of Aldermanic participation as other peer jurisdictions do not seem to have similar requirements.

The City currently does not have any restrictions or caps in place around the percentage of property assessed valuation that can be subject to tax abatement. In comparison, peer cities such as Memphis and Denver do limit the property tax eligible for abatement at much lower levels – with Memphis allowing 25 percent of County taxes or 20 percent of City taxes to be abated, and Denver permitting up to 50 percent of the jurisdiction's levy on taxable personal property. Establishing a ceiling on the percentage of property tax eligible for abatement can help ensure that the City does not experience a threat to its property tax base.

Research and history shows that properties subject to tax abatement tend to change ownership often, making it difficult to analyze the total cost of abatements for a single property.[122] This often complicates

[120] Robert W. Wassmer. "The Increasing Use of Property Tax Abatement as a Means of Promoting Sub-Sub-National Economic Activity in the United States." California State University, Sacramento. December 12, 2007/

[121] The Ugly Truth about Tax Abatements – and Strategies to Benefit from Them. ICMA Press. 2011.

[122] East West Council of Governments." An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region." January 2009. Accessed electronically at http://www.ewgateway.org/pdffiles/library/dirr/TIFFinalRpt.pdf

monitoring and tracking of abated properties in concert with other City incentives. An additional challenge is that the City Assessor's Office only maintains records on individual parcels; any comparison of total incentives offered to any single company or property owner is not possible.[123]

Opportunities for Augmenting Existing Incentives

As previously discussed, the current City tax incentives are similar to those of its peer cities. Of course, St. Louis is different in some respects from these peer cities: unlike most of them, its largest revenue source is an income tax (the earnings tax) rather than a wealth tax (the property tax). Given that most tax incentives are based on the taxes that a potential incentive recipient will pay, this can alter the typical equation.

It is also notable that in many of the states where local government income taxes (like the earnings tax) are imposed, they are used by many (if not most) of the cities in the area. This is different from the situation in Missouri, where only the cities of St. Louis and Kansas City impose an earnings tax. As a result, the need to ameliorate the negative aspect of that particular tax may be more pronounced, as the tax would not be a factor in considering a business location in any other city in the surrounding area.

This also comes into consideration in state-to-state comparisons. As previously noted, in many instances, state incentives are as (or more) important as City incentives. As with City incentives, it is expected that State incentives will align with state tax structures. In a majority of states, the income tax is the largest source of state revenue. As a result, many state tax incentives are income tax credits or exemptions. This is certainly the case in Missouri. However, in the case of income tax credits among logical locations within the State of Missouri, the same tax credits will be offered regardless of the city where the development takes place. However, only Kansas City and St. Louis will also impose a City income (earnings) tax. This may be an important consideration for certain businesses or projects.

In examining the existing tax structure and the existing incentives, it is clear that any gap analysis will identify businesses or individuals who have a significant relationship with the earnings tax as the gap area for tax incentives. Most of the existing city tax incentives are focused on the property tax (both for TIF and tax abatement). In the case of TIF projects, there is also the opportunity to transfer some other taxes (primarily sales tax) for other uses. However, there is no incentive program that is specifically targeted at the earnings tax.

In looking at the characteristics that might impact location decisions for businesses impacted by the earnings tax, one would look to those where wages are a larger share of overall costs. It is evident that businesses where there is a significant capital investment could gain a useful benefit from property tax based incentives like TIF and tax abatement.

In the case where other cities have an income tax, cities have often devised methods for providing a tax incentive related to that particular tax. It is generally an incentive that requires the creation of new jobs, and often those jobs have to pay above the average wage within the City. In some cases, those benefits are focused on a particular portion of the city (often the downtown area).

In a gap analysis, a certain type of business emerges that does not fit well with the current set of City incentives. That business will likely have the following characteristics:

- Not capital intensive (so property tax-based incentives like TIF and abatement are of less value)
- Significant percentage of high-paying jobs (so the earnings tax becomes a significant consideration for both its workers and the business itself)
- Flexible in terms of business location (not tied to a particular location or area because of proximity to customers or clients and little or no physical infrastructure

[123] Ibid.

From this description, it is evident that these characteristics describe many information-based businesses that have often been located in the City's downtown area. While many businesses with these attributes are still located in the downtown area, it is notable that, for instance, the City of Clayton has over seven million square feet of office space; while this is far less than the CBD's over 23 million square feet of office space, it is far larger than would be expected given the resident populations of St. Louis and Clayton. It is logical to assume that some of this relates to the fact that the City has an earnings tax and Clayton does not.[124]

Based on the fact that the earnings tax is the largest single source of revenue for the City and the fact that there are readily identifiable business characteristics that would benefit from an income tax-based incentive, it would be logical for the City to explore that sort of formal incentive.

From the discussions with the SLDC and other stakeholders, it is evident that the City has, on a case-by-case basis, provided some forms of incentives that reduce the tax liability for companies related to the earnings tax. These are, however, informal types of packages that are done on a case-by-case basis. While the project team understands that there is a case to be made for flexible arrangements that are tailored to a particular situation, this approach is difficult to maintain for a variety of reasons. These include:

- Businesses may not be aware of these opportunities and dismiss St. Louis as a result
- The City may be hesitant to offer an incentive because it will set a precedent for other businesses
- Other businesses will view the previous incentive ceiling as the floor, since there are no established policies in place

From this analysis, it suggests that the City would be better served by creating a formalized policy related to granting of credits or exemptions to the earnings tax. From the experience of other cities (both generally around incentives and specifically related to an earnings tax), this incentive should:

- Have significant requirements in terms of new jobs to be created within the City
- Have requirements for the wages and benefits from the new jobs to be created – these should be above average jobs (in many comparable cities, well above average jobs)
- May be limited to certain areas of the City where job creation would not necessarily be expected to occur absent the benefit
- May be limited to the types of jobs to be created (i.e., non-retail jobs)

Of course, the City should also require significant reporting for the businesses that access this sort of an incentive. There should be requirements for (at least) annual reports on the business progress on meeting the requirements for the incentives. There should also be claw backs built into the incentive that require the business to return incentives should they fail to meet or maintain their required job (or wage and other benefit) levels.

[124] Of course, there are a variety of other factors that enter into location considerations, including transportation, parking, location to customers, public safety, available relevant space, etc. It should be noted that average rents are generally higher in Clayton than in downtown St. Louis, and that is also a factor that has to be taken into consideration.

VI. Recommendations

Recommendations

This study and report have focused a great deal of time and attention on how incentives have worked within the City over the past 15 years. From the project team's perspective, one of the key outcomes from this work will be the resulting data – which has been in many respects cleaned and made useful for further analysis – as well as the analysis that accompanies it.

In many respects, considerations of changes in policy or procedures that may result from the analysis of the data or other aspects of the report (such as peer city benchmarking) are best left to the City of St. Louis professional staff and policymakers who are charged with the day-to-day operation of the City. In many cases, what may be described as 'best practices' or recommendations from a study of this type will be outweighed by local policy, political, economic, social or other considerations.

With that caveat, the policy team makes several broad recommendations that can be shaped, as needed, to fit the unique public policy needs of the City:

1. **Establish a formal framework for reporting and analyzing the incentives data contained within this report.** It is often noted that what gets measured gets managed. While the City has made significant strides to improve the data associated with these incentives, it will benefit from a regular, formal policy on gathering, analyzing and reporting this data. It is notable that the Governmental Accounting Standards Board is now requiring much of this reporting for state and local governments for financial reports commencing in December 2015 and beyond. As a result, some of this financial reporting is going to be a requirement in any event. At the same time, it is the analysis as well as reporting of the data, both in terms of its history and its trends, which will be useful to policymakers and administrators in the years to come.

2. **Build greater quantitative measures into the application scoring process for incentives.** The City's policies for its key incentives provide ample opportunity to focus on projects that are in the best interest of the City. At the same time, many of the considerations within the applications do not lend themselves to quantification or explain their relative value among the many requirements to be considered. As a result, potential applicants – and the general public – cannot readily determine what may or may not be deemed a project worthy of consideration for a City tax incentive. There are examples of peer cities that have developed more quantifiable methods for evaluating projects, and the City can look to them to develop its own form of scorecard or scoring methodology. While there will generally be qualitative factors that must be weighed in the decision making process, these factors should be the exception rather than the rule. In the current process, that is not the case.

3. **Require additional reporting from incentive recipients.** There is a legitimate need for policymakers to have information related to the value of the tax incentives they provide to individuals and businesses. This study was charged with assessing the value of those incentives, particularly related to how it impacted on property (assessed value) and the overall City economy (such as jobs). While the data related to assessed value is readily attainable, that is not the case for data related to economic impacts. The relative dearth of data made it very difficult for the project team to assess these economic impacts.

   Given the magnitude of the tax incentives offered by the City, there can be a legitimate expectation that those receiving these benefits will provide the City with periodic reports related to the economic outcomes associated with these incentives. The City should establish, as part of its incentive application and approval policy, regular reporting requirements for relevant incentives related to jobs created, wages and benefits for those jobs and any other key economic outcomes. While some businesses may find the reporting requirements to be onerous, the data is already collected in other peer cities and for other state and federal programs.

4. **Focus incentive use around a City-wide plan for development.** The review of other city approaches to the use of incentives suggests that St. Louis is something of an outlier in its approach. In particular, surrounding communities have largely focused their development efforts around a city-wide plan that does not appear to be the controlling factor in St. Louis. The

involvement of the 28 individual Aldermen in economic development activities is notable: while this may provide tailored approaches that fit the needs of a particular ward, it is difficult to shape a coherent, comprehensive citywide plan for development from 28 individual approaches to development.

One option that might allow the City to gradually move to a more comprehensive approach would be to craft a 'zone approach' similar to what exists for existing Enhanced Enterprise Zone Tax Credits. This way of identifying particular areas of a city for certain economic development programs has been used in a variety of ways in the benchmarked cities. It would also be possible to craft an approach that didn't limit incentives to particular neighborhoods or zones but weighted the application scoring process for certain areas. In that sort of approach, a worthy project would not be eliminated because of its location but would have its score adjusted up or down as a result.

5. **Develop a formal tax incentive related to creating new high skills, high wage and benefits jobs within the City.** Tax incentives exist to assist individuals or businesses with location to or improvements within the City that create a benefit for both the City and the individual or business. This suggests that these incentives should apply to taxes that would otherwise be paid to the City but might be foregone or diverted for some purpose. That explains why TIF and tax abatement are frequently used around the country for city economic development purposes.

   While the City certainly seeks job creation and economic activity in its economic incentive programs, other cities have demonstrated the value of a sharply focused program with significant benefits associated with creating new, high quality jobs. This can be focused on creating a demarcation point between existing incentives (that may over time revert to a 'lowest common denominator' around simple job creation) and a new set that require much stronger and more focused high quality job creation – and reporting requirements that provide continued evidence of its impact.

   The City should create a formal tax incentive program related to high quality job creation. As noted in multiple examples from other cities, this approach can advance specific city economic development needs. To ensure this, the policy for the tax incentives should likely include the following features:

   - Be available only for businesses that create net new jobs in the City. The number of new jobs can also be set as a floor
   - Require wage rates (and/or benefits) above some level, such as 150 percent of the City average wage
   - Require a set number of years at the identified new jobs/wage rate levels
   - Include reporting and claw back requirements

   While not necessarily a requirement, the City may also wish to consider whether this incentive would be only available for particular portions of the City. Other cities have made this a downtown incentive; it would also be possible (as in other cities) to confine it to certain types of businesses or industry.

VII. Appendix

Appendix

Table 1.

State	Top Incentives by State		
Alabama	Cash grant/loan	Sales Tax Refund	Corporate Income Tax Credit
Alaska	Corporate Income Tax Credit	Cash grant/loan	
Arizona	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Arkansas	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
California	Corporate Income Tax Credit	Corporate Income & Personal Income Tax Breaks	Sales Tax Refund
Colorado	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Connecticut	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Delaware	Cash grant/loan	Corporate Income Tax Credit	Personal Income Tax Credit
District of Columbia	Cash grant/loan	Property Tax Abatement	Corporate Income Tax Credit
Florida	Sales Tax Refund	Cash grant/loan	Corporate Income Tax Credit
Georgia	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Hawaii	Corporate Income Tax Credit	Personal Income Tax Credit	Cash grant/loan
Idaho	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Illinois	Sales Tax Refund	Corporate Income Tax Credit	Personal Income Tax Credit
Indiana	Corporate Income Tax Credit	Personal Income Tax Credit	Cash grant/loan
Iowa	Corporate Income Tax Credit	Personal Income Tax Credit	Cash grant/loan
Kansas	Sales Tax Refund	Corporate Income Tax Credit	Personal Income Tax Credit
Kentucky	Personal Income Tax credit	Sales Tax Refund	Corporate Income Tax Credit
Louisiana	Corporate Income Tax Credit	Property Tax Abatement	Personal Income Tax Credit
Maine	Sales Tax Refund	Property Tax Abatement	Corporate Income Tax Credit
Maryland	Corporate Income Tax Credit	Sales Tax Refund	Cash grant/loan
Massachusetts	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Michigan	Sales Tax Refund	Property Tax Abatement	Corporate Income Tax Credit

Minnesota	Sales Tax Refund	Corporate Income Tax Credit	Personal Income Tax Credit
Mississippi	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Missouri	Corporate Income Tax Credit	Cash grant/loan	
Montana	Cash grant/loan	Property Tax Abatement	Personal Income Tax Credit
Nebraska	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Nevada	Sales Tax Refund	Cash grant/loan	Property Tax Abatement
New Hampshire	Corporate Income Tax Credit	Cash grant/loan	
New Jersey	Corporate Income Tax Credit	Sales Tax Refund	Cash grant/loan
New Mexico	Corporate Income Tax Credit	Cash grant/loan	Personal Income Tax Credit
New York	Corporate Income Tax Credit	Property Tax Abatement	Sales Tax Refund
North Carolina	Sales Tax Refund	Corporate Income Tax Credit	Property Tax Abatement
North Dakota	Sales Tax Refund	Cash grant/loan	Corporate Income Tax Credit
Ohio	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Oklahoma	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Oregon	Property Tax Abatement	Corporate Income Tax Credit	Cash grant/loan
Pennsylvania	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Rhode Island	Sales Tax Refund	Corporate Income Tax Credit	Personal Income Tax Credit
South Carolina	Sales Tax Refund	Cash grant/loan	Corporate Income Tax Credit
South Dakota	Cash grant/loan	Sales Tax Refund	Free Services
Tennessee	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Texas	Sales Tax Refund	Property Tax Abatement	Corporate Income Tax Credit
Utah	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Vermont	Sales Tax Refund	Cash grant/loan	Corporate Income Tax Credit
Virginia	Sales Tax Refund	Cash grant/loan	Corporate Income Tax Credit
Washington	Sales Tax Refund	Corporate Income Tax Credit	Property Tax Abatement

West Virginia	Sales Tax Refund	Corporate Income Tax Credit	Cash grant/loan
Wisconsin	Sales Tax Refund	Property Tax Abatement	Corporate Income Tax Credit
Wyoming	Sales Tax Refund	Free Services	Cash grant/loan

Source: New York Times.

St Louis County Case Studies Interview List

City of Brentwood: Justin Wyse, AICP, PTP – Assistant City Administrator / Director of Planning and Development
City of Chesterfield: Libbey Tucker, CEcD – Community Services & Economic Development Director
City of Clayton: Gary Carter, CEcD – Director of Economic Development
City of Kirkwood: Ryan Spencer, AICP – City Planner and John Adams, CPA – Director of Finance
City of Maryland Heights: Mark Levin – City Administrator
City of University City: Jodie Lloyd – Manager of Economic Development

Statistical Methods for Neighborhood Clusters

The clustering approach utilized in this analysis applied two statistical approaches:

1. Interpolation of socioeconomic census data to the City of St. Louis' officially-designated neighborhoods; and,
2. Clustering of the neighborhoods based upon the interpolated statistical variables from the prior step using the k-means clustering algorithm in the statistical software program r.

The method allows for groupings of like neighborhoods according to both built environment and socioeconomic variables. The incentives can then be analyzed based on these like comparisons that incorporates a set of stronger and more objective sub-city factors.

Neighborhood Socioeconomic Indicator Interpolation

The smallest geographic unit for which local area socioeconomic data is generally available through the census is the census block group level. Because block groups do not adhere to traditional neighborhood boundaries recognized by the City of St. Louis, interpolation is required to estimate these variables at the neighborhood geographical unit.

Aerial interpolation techniques may be inaccurate in an urban context as the patterns of settlement and development are highly variable. Allocating population and household data based upon area would allocate households and population to parts of the block group in which do not live[125]. To reduce the errors associated with aerial interpolation, educational attainment and income data was allocated using block level household counts.

Census block files were connected to neighborhood boundaries using GIS and each census block was assigned a neighborhood code. 2000 Census block group data for the four income and education variables was computed on a per household basis. These ratios were applied to the household counts in census blocks falling within their respective block groups to arrive at an estimate of the income and education variables at the census block level. Census blocks within each neighborhood were then aggregated to arrive at neighborhood-level education and income estimates.

[125] For a variety of reasons, including vacancy and the presence of competing land uses such as industrial, commercial, and open space.

Appendix

Table 2

Central Business District	Central Corridor	South City/ South Grand	North City	Transitional	Industrial	Southwest City
Downtown West	Central West End	Benton Park	Academy	Baden	North Riverfront	Ellendale
Downtown	Compton Heights	Carondelet	Carr Square	Benton Park West	Near North Riverfront	Franz Park
	DeBaliviere Place	Dutchtown	College Hill	Bevo Mill	Kosciusko	Clifton Heights
	Lafayette Square	Fox Park	Columbus Square	Covenant Blu-Grand Center	Mark Twain I-70 Industrial	The Hill
	Skinker DeBaliviere	Kings Oak	Fairground Neighborhood	Forest Park South East		Boulevard Heights
	Soulard	LaSalle Park	Fountain Park	Gravois Park		Lindenwood Park
	Wydown Skinker	McKinley Heights	Greater Ville	Hyde Park		Hi-Pointe
		Shaw	Hamilton Heights	Marine Villa		North Hampton
		Southwest Garden	Jeff Vanderlou	Midtown		Holly Hills
		Tower Grove East	Kingsway East	Mount Pleasant		Princeton Heights
		Tower Grove South	Kingsway West	Old North St. Louis		Clayton-Tamm
			Lewis Place	Patch		Cheltenham
			Mark Twain	St. Louis Place		Southampton
			McRee/Botanical	The Gate District		St. Louis Hills
			North Point	Tiffany		
			O'Fallon			
			Peabody Darst Webbe			
			Penrose			
			Riverview			
			Vandeventer			
			The Ville			
			Visitation Park			
			Walnut Park East			
			Walnut Park West			
			Wells Goodfellow			
			West End			

Appendix

Data Sources and Methods for Analysis of Past Incentive Use and Impact

Analysis of Past Incentive Use

Source of Incentive Data

Tax Abatement (Chapter 99 and Enhanced Enterprise Zones):

Information on tax abatements came from three sources. First, the St. Louis Development Corporation (LSDC) provided a log of approved Chapter 99 tax abatement approvals, with the date of approval, the address, the parcel identification number (in some cases), the name of the developer applying for abatement, and the length of abatement. The parcel identification was missing for most of the records after 2008; additionally, some records included multiple addresses. Data on the length of the abatement was missing from most of the records.

Second, SLDC provided approval information on other types of tax abatements, principally the EEZ approvals. This smaller number of approvals included the year of approval and the project name and an address in most cases.

Third, the project extracted from City of St. Louis assessment data through their Tax Master data files from 2000 to 2014 all parcels that had both a "1" owner code and a "2" owner code. According to staff in the Assessor Offices, these codes were used to identify tax abated parcels (of a variety of types), with the value of the "1" representing the pre-improvement assessment level and the "2" record representing an estimate of the value of the property—both the "1" amount and the value of abated improvements.

As will be discussed further below, the project team used assessment data to determine both the location and value of tax incentives.

Tax Increment Financing (TIFs):

SLDC provided a log of all approved tax increment financing projects, with the project identification number, the project name, TIF and project amount, year of approval, year of completion, and some basic data on the type of project and estimated impact in terms of jobs. The project team supplemented this information using annual TIF reports from the State of Missouri's Annual TIF reports (http://auditor.mo.gov/TIF/) as well as data on TIFs gathered by the project team for a previous analysis of TIFs conducted for East West Gateway Council of Governments (EWG).

Local Bond Financing

The project team used paper files logging annual issuance of bonds to create a data file of all bond activity from 1995 onward. The records were organized by issuing agency (LCRA, PIEA, etc.) and included the date/year of issuance, the name of the project, the type of bond and the amount of bond issuance.

State Tax Credits

Data on state tax credits came from the State of Missouri's Missouri Accountability Portal (MAP), where data on all state tax credits issued from 2000 was available. The credit information was organized by credit type and included identifying information on credit redemptions, including the customer name, project name, project address, dollar amount of the credit issued and the legislative district.

State Investments

The project team requested and received from the Missouri Housing Development Corporation (MHDC) all investments, grants and other allocations made by MHDC in the City of St. Louis under all statutory

authorizations. This data include the data/year of approval, the project name and the total value of the incentive.

Other Data Acquisition Issues

The project discussed utilizing other data, both incentive as well as impact data. For example, the project team looked at Transportation Development District data available from the State of Missouri via DOR's public information sites; however, data on the value of those incentives was missing from most TDDs in the city due to data repression; consequently, that data was not analyzed. The project team also reviewed information on local special tax districts, but could determine no feasible method for gathering data on the value of those districts and, as a result, they were not included in the analysis. Chapter 100 incentives were not investigated due to both the lack of information as well as the low level of their use for the study period.

General Procedures for Cleaning Incentive Data

All data utilized by the project team was logged and stored locally on the project team. An investigation was made as to the quality and characteristics of the data and report back to the team via emails and project meetings. Much of the discussion of the team was less over the quality of the existing data as the possibilities of getting other types of data. Where possible, similar or the same variables received standard names across data sets to facilitate analysis and comparison.

Other level of cleaning involved incentive data files that included records on projects that were never started and/or never cleaned and for which the proposed incentive was never awarded. This was generally only the case for TIFs. In all cases, these records were logged in the City data file has "never started" or some similar descriptor. These records were dropped from the analysis.

There were specific procedures for determining the characteristics of incentives, particularly when this data was missing from the data files. Some of those details are discussed below where relevant with a specific analysis.

Geocoding Incentives

All instances of incentive use (approximately 60,000 from 2000 to 2014) were geocoded to a map of the City of St. Louis using a current 2015 parcel map as the base. This resulted in a point location in the middle of the identified parcel. Ultimately, this allowed the team to tie the use of the incentive to a specific parcel, identified by their parcel handle, and to identify patterns of incentive use.

The project used an iterative geocoding process to determine the parcel location. In the case of records that included either a parcel identification number or a parcel handle:

1. The incentive record's PID was first used to locate the parcel.
2. If the incentive record's PID did not tie to an existing (2015) parcel, the record PID was compared to a list of existing sub-parcel PIDs to find a building-level PID that would match to the base map.

The second point refers to the specific difficulties of geocoding records that represented a sub-parcel record—most commonly, a condominium within a building. In those cases, the PID generally would not match to the handle associated with the parcel. To identify the building parcel, records unmatched from the second stage of the process were matched with a list of current sub-parcel records that included the current building handle. Among other things, this means that the team did not track incentives at the sub-parcel level. In others words, the descriptive and impact analysis does not follow specific condos over time, but aggregates all of the incentives to the building level.

In the case of records without a PID or handle, a series of methods were used to identify the appropriate parcel:

1. Incentive record addresses were compared a current list of parcel addresses.
2. Records were compared across incentive data files by address or project name.
3. Using a mapping program, property addresses were compared to parcel records in order to identify parcels that matched addresses; from there, parcel information (owner name) and other associated data (including permit investment history) were looked at to confirm the correct location.

Where incentive records were missing any location information, the project team conducted google searches and looked through other city records to determine the location of the incentive.

While the project team initially geocoded the City's tax abatement log, ultimately the project team the assessor tax master data to identify abated parcels; the method of geocoding assessor data is detailed below.

Ultimately, less than 100 incentive records could not be geocoded, less than .01% of all incentive investigated.

Geocoding Multi-Parcel Incentives

A number of incentive types included records where incentives were used for multi-parcel projects. For example, local income tax credit for projects could be for multi-family buildings comprising one large parcel or they could be for multi-parcel scattered site developments. In order to have a common geographic level for displaying and analyzing incentives, these records were broken out into the component parcels that received the parcels. Generally, city assessor and ownership information and other information available publicly over the web were used to determine the project locations. Where PIDs or project handles were missing, these were determined used the general method above. A second process (described below) was used to distribute the value of the incentive to the parcels.

Special care was taken in parsing out the use of incentives for TIFs. For all TIFs, current parcel data was used to identify all parcels within City TIFs. For those cases, where the TIF district comprised just one parcel, the TIF was geocoded to those parcels. In those cases where the TIF comprised more than one parcel, a parcel-specific investigation was conducted to determine where investment occurred because of the TIF. Where the investment occurred over more than one parcel, the TIF was allocated to the parcels that received investment.

There were three cases of district TIFs were investment data provided no real evidence regarding the use of the TIF. These included the Lafayette Square TIF, the Grand Center TIF and the St. Louis Innovation District/CORTEX TIF. For these district level TIFs, the geographic size of the TIF is significantly bigger than the project sites incentivized via the TIF. In those cases, it would be inaccurate to distribute the TIF incentive on all parcels in the TIF. Accordingly, either city disbursement information, held at SLDC's offices, or other summary documents publicly available on the TIFs were analyzed to determine when and where TIF funds were used to fund redevelopment activities. One district TIF—the Near Southside TIF—had relatively clear documentation that allowed apportionment of the redevelopment parcel areas (RPAs) to specific parcels and projects.

Identifying Project Type

Tying the incentive to a specific parcel allowed the team to merge additional parcel data to the incentive record. One of the most important was data around the current and historic land use of the parcel which was used to help determine the project type for which the incentive was used. For some incentives, the project type was easy to determined given the requirements for its use; for example, low income tax credits and neighborhood tax credits are only available for residential property. Other incentives, however, can be used for a variety of project types, and so other data was used to determine them. This included current land use data, other parcel data and other secondary data from the city. Single family residential projects were designated on the basis of less than four units; multi-family housing was anything more than 4 units.

Mixed use projects were identified via a land use code of both a residential use and secondary commercial land use code. Institutional project types were based on the ownership of the projects by public governments or nonprofit organizations and a use of the property or project for public or charitable uses.

It should be noted that some past incentives are logged on vacant residential property. This is both because of incentives for acquisition and assembly of vacant properties (DALTC) and because a small number of incentivized projects have been torn down since the use of the incentive.

Estimating Incentive Value

In most cases, the incentive records detailed a dollar value of the TIF. This could either be the amount of taxes redeemed, the amount of the bond issue, or the total amount of the PILOT or EATs from a TIF district that were used for TIF projects. For other incentives, the project team had to determine a method for estimating the value of incentive; this was most significant for the case of local tax abatement, where no good log of that value existed. Additionally, the project team had to determine a general method of allocating incentive amounts reported at the project level for multi-parcel projects, such as for scatter site developments receiving low income tax credits.

Estimating Tax Abatement

In terms of local tax abatement, the team first identified parcels that received tax abatement during the period of analysis using the Assessor's Tax Master Data. Assessor records included an owner-code that detailed the type of assessor record—"0" indicating the standard record and "1" and "2" for records that had some form of local property tax records. For the purposes of identifying a parcel that was under tax abatement in a specific year, the analysis used any record with "2" owner code. In order to determine the abated proportion of the parcel's assessment, all "2" records were matched with their "1" record and the total assessment of the "1" record was subtracted from the "2" record. This abated assessment was used to calculate an abated tax amounts by multiplying the abated assessment amount by the property tax rate for the year and property type of the record.

In a small number of cases, subtracting the "1" record from the "2" resulted in a negative number. This was an indication that the Assessor did not estimate the value of the "2" parcel for that record; according to the Assessor's office, this occurred more frequently prior to 2008 and a review of assessor office procedures. In those cases, the negative number was replaced with a 0 value. Additionally, it is likely some parcels are missing their "1" record, meaning that the resulting "2" minus "1" calculation includes only the full assessed amount and the amount of abated taxes is overestimated.

There are also good reasons to think that the amount of abated property taxes is inflated given that owners likely pay attention to that "2" value when abatement ends. In others, all of the normal assessment processes that could likely happen to reduce an assessment—namely, a challenge by a property owner—do not likely occur while the property is under abatement.

Estimating the Value of Multi-parcel Incentives

In a number of cases, incentive reports are for multi-parcel projects and the incentive amount must be distributed across the various parcels. For residential projects, incentive amounts were apportioned based upon their share of residential units. For commercial projects, the amounts were apportioned by on the square feet of the parcel.

For the Lafayette district TIFs, apportioning TIF investments was made on the basis of their distribution based on disbursement records help by SLDC staff. Some portion of the disbursements made was for developer costs that could not be tracked back to a specific project. For the Grand Center TIF, disbursement records were crosschecked with a summary of TIF investments contained in aldermanic legislation reauthorizing the projects. For the Cortex TIF, disbursements summaries and other secondary

documentation tracked TIF expenditures to the specific RPAs where incentivized projects had been completed.

Comments on Methods Involving the Descriptive Analysis of Incentive Use

Most aspects of the descriptive analysis of incentive use flowed from the data provided from provided from the original data sources. The exception is the project type data, which was determined via analysis of the incentives and the parcels that were incentivized. The neighborhood location was identified through their location on a map and utilized the neighborhood boundaries used by the City. The caveat is the addition of a neighborhood "0" to represent the geography of City parks, where there was some use of incentives.

A small number of TIFs did not include start or end dates, particularly concerning the projects within district TIFs. Permit investment information was used to identify when investment occurred, and thus when the TIF was used. It is likely that some of the TIF start dates are a year or two before the investment, given the pacing between when the TIF was approved and when other pre-development activities on those projects were finished.

The process of identifying projects types started with dividing the incentivized parcels into the main types based on the incentive and parcel information. The grouping of project types used in the investigation of the past use of incentives is larger than the group used in the assessment of impact. The latter group excludes project types with only a small number of cases—for example, multi-family projects that used TIF alone or mixed use projects that used TIF alone.

Analysis of Impact

Source of Incentive Data

The project team collected other data used to assess the impact of incentives.

Property assessment

The project team received from the City of St. Louis Tax Master files for each year annual from 2000 to 2014. This data represented the annual draw from the assessment records used to mail property bills. The data include the tax year, the parcel identification number, class codes and redevelopment codes used by the assessor, land use, current assessed value of the parcel (broken out by land, improvements and total) and the owner's name and address.

While the tax master data was the data set to calculate assessment information, the project team also used for checking purposes other parcel level assessor data compiled over the last fifteen years by project partners, available from the City of St. Louis through their Planning Department (http://dynamic.stlouis-mo.gov/citydata/downloads/).

Permit Data

The project utilized current and historic permit investment data available publicly from the City of St. Louis at their public download site (http://dynamic.stlouis-mo.gov/citydata/downloads/). This data, broken out by a variety of permit types, includes the location of the permit, the estimated project amount of the permit, the type of work of the permit application, the current and proposed use of the property, and the owner and contractor name and contact information.

Employment

The project type utilized small area employment statistics created by the U.S. Census through their Longitudinal Employer-Household Dynamics project, available via a public download tool at http://lehd.did.census.gov/data/. Block level estimates on the LEHD Origin-Destination Employment

Statistics (LODES) are available from 2002 to 2013 and include the total count of workers within a census block. Other data, not used by the project, detail basic characteristics of workers, not including, however, gross or categorized payroll or wages.

Other employment and business statistic data was consulted, including U.S. Census County and Zip Code Business Patterns (http://www.census.gov/econ/cbp/index.html), as well as public taxable sales data available from the Missouri Department of Revenue (http://dor.mo.gov/publicreports/#pubtax); however, this data was not used for the impact analysis).

Other Data Acquisition Issues

Other sources for other economic impact data were investigated but ultimately not used. The project team acquired parcel sale data from the City of St. Louis public GIS website (http://dynamic.stlouis-mo.gov/citydata/downloads/), and both geocoded that data as well as constructed initial estimates of average sales over time for both incentivized parcels and the areas around parcels. Ultimately, those analyses were not included in the final draft because of the sparseness of sales both at and around most incentivized parcels over this time period.

The team also considered using either County Business Pattern data or State of Missouri taxable sales data at the zip code level to identify their relationships with incentive use; however, this was not pursued under the thinking that this level of geography was too broad to warrant those types of comparisons.

The team also spent considerable time talking with local officials about utilizing other types of local data to assess impact, particularly business-related held by the St. Louis License Collector and Collector of Revenue under the recognition that other data sources are at best an approximation of the impact of incentive use on business development, employers and employees and sales and income taxes. Ultimately, a connection could not be made with those officials.

Geocoding and Cleaning Impact Data

Like the incentive data, all of the impact data was geocoded to a 2015 base map of the City of St. Louis, resulting in a point in the middle of the parcel identified with impact data record. The exception is the jobs data, which are aggregate counts at the block level; this data was joined to a map of census blocks in the city as of 2010.

Permit Investment

Because the permit data is kept up to date—and the PIDs of expired permits are substituted over time with successor PIDs, all permit records could be easily geocoded. The permit data used includes all building, electrical, plumbing and mechanical permits. The permit data was cleaned to eliminate from analysis all cancelled permits—both permits with an explicit cancel code or a cancel date—zoning permits, $0 value permits or permits that had been open over 5 years. The permit value used for the analysis is an estimated value of the permitted work provided by the owner/contractor upon application for the permit. This is acknowledged to be an underestimate of the actual investment amount, because the permit fees are based on this value. In other words, there is a clear incentive, particularly for smaller projects, to under-report the investment amount. For larger projects where the level of scrutiny is higher—including situations where incentive use is conditioned on details regarding project uses and expenses—this amount is more likely to be accurate.

Property Assessments

The Tax Master (TM) data included 14 years of assessment data, with approximately 135,000 parcels and sub-parcels each year. In order to determine both the level of tax abatement as well as the changes in assessed value before and after the use of the incentive, the bulk of this data had to geo-located with some

degree of precision. Geocoding of assessor data proceeded as in a similar manner as the incentive data, with a couple exceptions.

1. The TM's PID was first used to locate the parcel; if it matched a PID for 2015 base map, it would be geocoded to that record.
2. If the TM's PID did not tie to an existing (2015) parcel, it was matched to a list of existing sub-parcel PIDs to see if it matched to an existing condo building.
3. All records unmatched through these records were subsequently geocoding to a parcel base of the year of the data. This was done in the recognition that this probably met changes in the shapes and sizes of parcels over time—with some parcels being combined and others being subdivided. This meant that further analyses that utilized matching up parcels over time would capture assessment amounts of parcels with different sizes and different assessments.
4. Finally, the remaining unmatched TM data was matched one to one by looking at the address and characteristics of the TM record with the address and characteristics of the 2015 parcel record.

The problem of unmatched assessor records was more severe than the case of incentive data. One issue was the changes in PIDs from year to year for reasons not entirely transparent from the data—for example, a change in PID in the last digit of the number, even when from all other data there were no other changes in the parcel. Moreover, the degree of unmatched increased as the age of the data increased. Most data after 2010 geocoded easily to the parcel 2015 base map, but there were significantly more issues with TM data in the early 2000's. Ultimately, the decision was made to ensure the 100% match of TM data with owner codes "1" and "2," meaning that other records, particularly those with "0" owner-code, were left off the map. The degree of unmatched records varied from year to year, but never amounted to more than 1,000 records any year out of approximately 130,000 records.

Estimating Assessed Value over Time

Three levels of the impact analysis—that of the neighborhood, surrounding area and neighborhood—started with the mapped assessment data for each of the years between and including 2000 and 2014. If the assessment data failed to be mapped, it would not be included in this portion of the analysis. Additionally, the assessment data was cleaned; first, all parcels with owner codes of more than "2" were eliminated from the analysis, as these represent additional tax assessments and payments. Second, all the matched "1" and "2" records were cleaned to remove the "1" record; this eliminated the abated assessment and ensured that any calculation of property value included just the total estimate of value.

Neighborhood summaries of assessed value were computed by matched the mapped assessment value by a neighborhood map (including the addition of neighborhood "0" to represent parks). Assessments of property value on the basis of the incentivized parcel was done by first identifying incentivized parcels on the 2015 base map and sequentially, year after year, summarizing all assessment records on those parcels. Thus, if an early assessment record was for other parcels that overlapped the incentivized parcel, it was included in the calculation. This means an over-inflation of value concerning an existing parcel that had once been a part of a larger parcel.

In terms of identifying assessed value in the surrounding area around incentivized parcels, the first decision point was to pick 500 feet as a standard, under the assumption that for many residential neighborhoods, 100 feet approximates one block. Secondly, 500 feet buffers were drawn around the incentivized parcels using their parcel boundaries as the starting point for the buffer. This avoided the problem of using the centroid point of the parcel where for larger parcels 500 does not extend past the parcel boundary. Then, each year of assessment data was summarized based on the borders. One constraint to this method is that the 500 feet assessed values include assessed values of incentivized parcels.

Identifying "Before" and "After" the Use of the Incentive

The last significant decision point relating to the analysis involved determining when incentives were used in the cases of TIF projects and tax abatement projects. In order to determine assessed values, permit

investments and job numbers before and after the use of the incentive, some year “0” had to be designated for each project record.

In terms of TIF projects, if the original TIF record had an ending date list, the ending date was used; if it had no ending date but a starting date, the starting date was used. If the TIF data had neither—or, if the investment was within a district TIF for which no specific detailed investment data was collected—the starting date was estimated from permit investment data or other secondary data collected by SLDC.

In terms of tax abatement projects, the analysis of TM data with an owner-code of “2” noted the first year and last year that the parcel indicated abatement and the last year. If available TM data (from 2000 to 2014) showed 10 or more years of abatement, the first year of abatement was logged as Year “0.” If the span of abatement was less than 10 years and the parcel was abated in 2000, then year “0” was assumed to be 10 years before the last year of abatement—under the assumption that most abatements, particularly those earlier in time, were for 10 years. Finally, if the span of abatement was less than 10 years and the last year of data (2014) showed abatement, then the starting year was assumed to be the first year that indicated abatement.

Appendix

Sources

The list below represents sources reviewed to gather best practice research and recommendations. Where a source was especially influential, it is footnoted directly in the report.

Incentives (best practices)

"Evaluating and Managing Economic Development Incentives, Government Finance Officers Association, February 2014, accessed electronically at http://www.gfoa.org/evaluating-and-managing-economic-development-incentives

"Evaluating Data and Financial Assumptions in Development Proposals," Government Finance Officers Association, February 2014, accessed electronically at http://www.gfoa.org/evaluating-data-and-financial-assumptions-development-proposals

"Performance Criteria as a Part of Development Agreements," Government Finance Officers Association, February 2013, accessed electronically at http://www.gfoa.org/performance-criteria-part-development-agreements.

Laura A. Reese, "Informing the Debate, The Michigan Economic Development Toolkit: Finding Policies that Matter," The Institute for Public Policy and Social Research, Michigan State University, Summer 2012, accessed electronically at http://ippsr.msu.edu/publications/ARTaxIncentives.pdf

Incentives (generally)

"A Report on the Philadelphia CDC Tax Credit Program," Philadelphia Association of Community Development Corporations, October 2008, accessed electronically at http://www.pacdc.org/wp-content/uploads/2009/06/CDCTaxCredit_2008.pdf

"City of Philadelphia - Job Creation Tax Credit," Philadelphia Department of Commerce, accessed electronically at http://www.phila.gov/commerce/Documents/JCTC.pdf

Stephen Ellis, Grant Hayden and Cynthia Rogers, "A Game Changer for the Political Economy of Economic Development Incentives," Arizona Law Review 2014, accessed electronically at http://scholarlycommons.law.hofstra.edu/cgi/viewcontent.cgi?article=1845&context=faculty_scholarship

Dan Gorin, "Economic Development Incentives: Research Approaches and Current Views," Federal Reserve Bulletin, October 2008, accessed electronically at http://www.federalreserve.gov/pubs/bulletin/2008/pdf/econdev08.pdf

"ICMA Economic Development Survey Results 2014," International City/County Management Association, accessed electronically at http://icma.org/en/icma/knowledge_network/documents/kn/Document/306723/ICMA_Economic_Development_Survey_Results_2014

"Incentives and Assistance for Businesses in Downtown Columbus," City of Columbus brochure, accessed electronically at http://columbus.gov/uploadedfiles%5CMayor%5CDowntown%20Economic%20Incentives.pdf

"Job Creation Incentive Program, City of Cleveland brochure, accessed electronically at http://www.pacdc.org/wp-content/uploads/2009/06/CDCTaxCredit_2008.pdf

Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin, "The Effective Use of Property Tax Incentives for Economic Development," Communities and Banking, Federal Reserve Bank of Boston, Fall 2013, accessed electronically at http://www.bostonfed.org/commdev/c&b/2013/fall/effective-use-of-property-tax-incentives.pdf

"NYC Business Incentives Guide," New York City Economic Development Corporation, accessed electronically at http://www.nycedc.com/system/files/files/service/NYCEDC_BusinessIncentivesGuide_0.pdf

Alan Peters and Peter Fisher, "The Failures of Economic Development Incentives," Journal of the American Planning Association, Winter 2004, accessed electronically at https://www.mackinac.org/archives/2009/nr043009-petersfisher.pdf

"Show Us the Local Subsidies: Cities and Counties Disclosing Economic Development Subsidies," Good Jobs First, May 2013, accessed electronically at http://www.goodjobsfirst.org/sites/default/files/docs/pdf/showusthelocalsubsidies.pdf

"Toledo Expansion Incentive (TEI) Guidelines," City of Toledo Department of Development, accessed electronically at http://toledo.oh.gov/media/29827/Toledo-Expansion-Incentive-TEI-Guidelines.pdf

"Toledo Municipal Jobs Tax Credit Program," City of Toledo, accessed electronically at http://toledo.oh.gov/media/34405/Municipal-Jobs-Creation-Tax-Credit-MJCTC-Guidelines.pdf

Daniel J. Wilson, "Competing for Jobs: Local Taxes and Incentives," Federal Reserve Board of San Francisco Economic Letter, February 23, 2015, accessed electronically at http://www.frbsf.org/economic-research/publications/economic-letter/2015/february/jobs-state-tax-incentives-economic-growth/

Lingwen Zheng, "Trapped in the Race to the Bottom: Who is Using Business Incentives Now?" 2009, accessed electronically at https://www.planning.org/divisions/economic/scholarships/2009/pdf/zheng.pdf

St. Louis-specific

Alex Ihnen, "Millennials are Saving St. Louis and Why We Need More of Them," nextSTL. January 28, 2014, accessed electronically at http://nextstl.com/2014/01/millennials-saving-st-louis/

"An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region: Interim Report," East-West Gateway Council of Governments, January 2009, accessed electronically at http://www.ewgateway.org/pdffiles/library/dirr/tifinterimrpt.pdf

"An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region: Final Report," East-West Gateway Council of Governments, January 2011, accessed electronically at http://www.ewgateway.org/pdffiles/library/dirr/TIFFinalRpt.pdf

Tax Abatements

Kevin C. Gillen, "Philadelphia's 10-year Property Tax Abatement Program," April 2013, accessed electronically at http://www.biaofphiladelphia.com/ufiles/abatement_report.pdf

Luke Middleton, "Literature Review: Tax Abatements and Economic Development Incentives," University of Kansas Center for Economic and Business Analysis Policy Research Institute, Technical Report Series, Number 49, January 2001. Accessed electronically at http://www.ipsr.ku.edu/resrep/pdf/r49.pdf

"Statement Number 77: Tax Abatement Disclosures," Governmental Accounting Standards Board, August 2015, accessed electronically at http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176166283745&acceptedDisclaimer=true

Appendix

"The Ugly Truth About Tax Abatements – and Strategies to Benefit from Them," In Focus, Vol 43, No. 11, 2011, ICMA Press. Accessed electronically at http://clerkshq.com/content/Attachments/SouthKingstown-ri/tm110707_E.pdf

"Understanding Tax Abatements—including Exemptions and Payments in Lieu of Taxes (PILOTs)," Freddie Mac, accessed electronically at http://www.freddiemac.com/multifamily/resources/tax_abatements.pdf

Robert W. Wassmer, "The Increasing Use of Property Tax Abatement as a Means of Promoting Sub-Sub-National Economic Activity in the United States,". California State University, Sacramento. December 2007.

TIF

Richard Briffault, "The Most Popular Tool: Tax Increment Financing and the Political Economy of Local Government," The University of Chicago Law Review, 2010, accessed electronically at http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/64544960dad76b9f8825793600694a5b/$file/77-1-taxincrementfinancing-richard%20briffault.pdf

Paul F. Byrne, "Tax Increment Financing and Missouri: An Overview of How TIF Impacts Local Jurisdictions," Show-Me Institute. April 13, 2012, accessed electronically at http://showmeinstitute.org/publication/corporate-welfare/tax-increment-financing-and-missouri-overview-how-tif-impacts-local

"Creation, Implementation and Evaluation of Tax Increment Financing," Government Finance Officers Association, February 2014. Accessed electronically at http://www.gfoa.org/creation-implementation-and-evaluation-tax-increment-financing

"Criteria for Evaluating Proposed City TIF Districts," City of Dallas, June 17, 2015, accessed electronically at http://citysecretary.dallascityhall.com/resolutions/2015/06-17-15/15-1144.pdf

Sherri Farris and John Horbas, "Creation vs. Capture: Evaluating the True Cost of Tax Increment Financing," Journal of Property Tax Assessment & Administration, Volume 6, Issue 4, 2009, pp. 5-28, accessed electronically at http://www.cookcountyassessor.com/forms/creationvscapture.pdf.

George Lefcoe, "Competing for the Next Hundred Million Americans: The Uses and Abuses of Tax Increment Financing," 43 Urban Lawyer, 2011, accessed electronically at http://weblaw.usc.edu/centers/class/class-workshops/cleo-working-papers/documents/C10_14_paper.pdf

Tomas Luce, "Reclaiming the Intent: Tax Increment Finance in the Kansas City and St. Louis Metropolitan Areas," The Brookings Institution Center on Urban and Metropolitan Policy, April 2003, accessed electronically at http://www.brookings.edu/es/urban/publications/lucetif.pdf

Matthew Mayr, "Efficient and Strategic TIF Use: A Guide for Wisconsin Municipalities," University of Wisconsin-Madison Center on Wisconsin Strategy, December 2006, accessed electronically at http://www.cows.org/_data/documents/1071.pdf

"Minneapolis Tax Increment Financing Policy," Community Planning and Economic Development, September 27, 2011, accessed electronically at http://www.ci.minneapolis.mn.us/cped/resources/reports/cped_tax_increment_policy

Jason Rittenberg, "Getting the Most Out of Tax Increment Finance," Development Finance Issues, Issue 3, 2011, Council of Development Finance Agencies, accessed electronically at http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=dfp3-feat2-tif.html

Appendix

Toby Rittner, “Tax Increment Finance: A Success-Driven Tool for Catalyzing Economic Development and Social Transformation,” Community Development Investment Review, Federal Reserve Bank of San Francisco, April 2013; accessed electronically at http://www.frbsf.org/community-development/publications/community-development-investment-review/2013/april/tax-increment-finance-success-tool-economic-development-social-transformation/

Gary L. Sullivan, Steve A. Johnson and Dennis L. Soden, “Tax Increment Financing (TIF) Best Practices Study,” IPED Technical Reports, Institute for Policy and Economic Development, University of Texas-El Paso, 2002, accessed electronically at http://digitalcommons.utep.edu/cgi/viewcontent.cgi?article=1020&context=iped_techrep

“Tax Increment Finance Best Practices Reference Guide,” Council of Development Finance Agencies, 2007, accessed electronically at http://pipta.org/wp-content/uploads/2014/06/TIF-Best-Practices-Reference-Guide.pdf

“Tax Increment Finance Study Commission Final Report,” Indianapolis-Marion County Council, June 2012. Accessed electronically at https://in53.files.wordpress.com/2012/07/tif-commission-final-report-2012-06-28-for-print.pdf

“Tax Increment Financing Guideline Point System,” City of Rockford, Illinois, accessed electronically at http://www.ci.rockford.il.us/media/410381/Approved%20Scoring%20System%20Appendix%20A%209%2022%202014.pdf

“TIF Policy and Implementation White Paper,” Baltimore Development Corporation, October 2010 accessed electronically at http://msa.maryland.gov/megafile/msa/speccol/sc5300/sc5339/000113/014000/014623/unrestricted/20120459e-005.pdf