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Exploring Patterns of Tax Increment Financing Use and Structural Explanations in Missouri's Major Metropolitan Regions

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Abstract

This article examines tax increment financing (TIF) in Kansas City and St. Louis, two heavy users of the tool under the same statutory authority. Based on a complete database of TIF projects through 2013 (2012 for Kansas City) and numerous interviews with local government officials in both metropolitan areas, we explore the TIF use of these two cities, which have different structural aspects and have gone through sharp policy changes, to examine if central cities that use different strategies beget different outcomes in their suburban areas. We document distinctly different patterns of use in the two central cities. When St. Louis dramatically increased its TIF use under Mayor Francis Slay, the number of projects per year in the suburbs increased. Kansas City suburbs appeared to fill the gap in TIF use when the city sharply decreased its use of TIF under Mayor Mark Funkhouser. More research is needed to determine the factors that drive these mixed effects and if they hold true by context and in other metropolitan areas.

Introduction

Tax increment financing (TIF) can be defined as “a geographically targeted tax, expenditure, and regulatory inducement to a specific location” that works by using “taxes derived from the increases in assessed values (the tax increment) resulting from new development... to pay for infrastructure needs and development expenditures in the TIF district” (Man, 2001: 1). This incentive is different from a tax abatement, which eliminates the need to pay taxes on any portion of the improvements

to the property for a specific period of time, for example, 10 years. Why is this difference important? The proposed benefit of TIF is that development or redevelopment can be funded with future revenue as opposed to current revenue or foregone revenue. At the time a locality uses TIF, the locality frequently sells a bond and pays it back from future revenue typically via increased property taxes generated from the development. In theory, this program provides an incentive for development that might otherwise not occur.

Critics argue that in practice TIF subsidizes development in a region that would have occurred anyway, but not necessarily in that particular location, were it not for the TIF. For example, real estate consultants have adopted and promoted TIF as an urban development strategy and at times at the expense of other economic development opportunities (Weber and O'Neill-Kohl, 2013). A bigger concern of critics is that TIF also has the potential to take revenue from districts, such as schools and library districts, which would have otherwise been gained in the form of property tax increases from the development. The one time that would not be the case is when a region shares a state border and the movement of development across the state border would actually produce a net loss for a particular state but not the region. Another criticism is that TIF projects are not evaluated on serving regional land-use needs. This evaluation would require a regionwide perspective to consider whether the location of a particular project is the best use of the land and whether that project would be better allocated elsewhere to utilize land within the region in a more appropriate manner (Luce, 2003: 4–5).

As municipalities look for ways to move ahead after the recession of 2007–2009, it is important that their limited resources work in ways that generate the best outcomes overall. This consideration raises the possibility that how a central city uses TIF may have a negative influence at the regional level if it draws investment from suburbs that might be a better location for certain projects than in the central city. However, little is known about the effect of central city TIF strategies on economic development outcomes in the suburbs. Given that previous studies have shown the existence of competitive dynamics in TIF use, it is plausible that the TIF use of a region's largest political and economic entity could have an outsized effect on the surrounding suburbs. Moreover, if central cities pursue different strategies, those strategies could obviously lead to different effects in the suburbs. Teasing out these relationships can advance our knowledge of how to advance the economic well-being of regions and combat the worst aspects of competitive behavior, such as a competition described by Tiebout (1956), in which cities chase revenue opportunities while trying to push out land uses they deem less desirable such as low-income housing.

No evidence of significant research exists on whether large central cities' TIF use has an effect on the way suburbs of those cities respond and use TIF, although it seems likely core cities could be influencing the use of TIF regionwide. As such, this research explores whether the activities of central city might shape the behavior of the suburbs when it comes to the use of TIF. Specifically, this research examines the policies and practices of Kansas City and St. Louis and the way their TIF usage influences the outcomes of their suburban areas' TIF use. We aim to answer the question of whether or not central-city TIF use affects the use of TIF in suburban cities in the same metropolitan statistical areas (MSAs) within the same state.

Utilizing the nearly comprehensive data on TIF generated by the *TIF Annual Reports* (2010–2014) of the Missouri Department of Economic Development, we were able to map and chart TIF use and search for patterns in the adoption of this economic development tool between 1988 and 2013. In addition, we used extensive interviews to confirm our understanding of the usage patterns in each region and to reach some tentative explanations for the reasons cities adopted certain patterns. Our findings were mixed but suggestive. Kansas City and St. Louis, both in Missouri, are definitely pursuing different TIF strategies, with larger projects in Kansas City and more numerous projects in St. Louis. As Kansas City reduced its use of TIF, the Kansas City suburbs stepped in to fill an economic development vacuum that Kansas City created by lessening its use of TIF. In St. Louis, something else is uniquely happening in the region, as the increase in TIF in the core city did not result in a reduction in the suburbs. Finally, our interviews show that many aspects of TIF remain controversial 30 years after the state legislature originally authorized TIF.

This article begins with a review of the literature on the strategies of cities to use TIF in general and the way TIF projects in particular fit into the overall regional economic development schema. An emphasis is on qualitative studies of major uses of cities. We then discuss the procedures and methods we used in the study and present an analysis of the results. In the conclusion, we consider policy implications and directions for further research.

Literature Review

California was the creator of the first TIF statute in 1952 in response to the decline of federal funding for slum clearance and redevelopment provided in statutes in the 1930s and 1940s (O'Toole, 2011: 7; Van Fossen, 2010: 749). When Congress repealed Title I of the 1949 Housing Act in 1974, eight other states provided local governments the authority to use TIF. Nearly all the other states were using TIF by 2000 (Johnson and Man, 2001).

The effect of TIF use has been studied from the perspective of outcomes for jurisdictions. Some authors analyzed the effect of TIF projects on spatial inequality (Anderson and Wassmer, 1995; Dye and Merriman, 2000). Sands, Reese, and Trudeau (2007: 68–69) find the balance of needs, both citywide and for neighborhoods, is important to prevent taxing jurisdictions of “have” and “have not” neighborhoods, where some neighborhoods are excluded from growth in their library or school tax base for years due to the constraints of TIF funds paying off a bond, for example. In this case, additional potential revenue that may have gone to a school district or library is diverted to the TIF until the loan is paid, while neighboring non-TIF districts in the region may see property tax revenues rise and realize those benefits during the life of the TIF. Similarly, Merriman, Skidmore, and Kashian (2011) find that significant property value reallocation occurs with TIF use rather than absolute property value increases. As fruitful future research, Merriman, Skidmore, and Kashian (2011: 243) also recommended careful consideration of who benefits from TIF use and who does not. To this point, Pacewicz (2013: 415) found that “the degree to which cities use TIF is puzzling, because urban leaders believe that their own use of TIF is fiscally unsustainable and yet continue to create TIF-backed securities at ever-higher rates.”

The literature is unclear about the relationship between central cities and suburbs. Some scholars contend suburbs are no longer dependent on cities and that suburbs compete for economic activity, although other scholars note suburbs and cities are interconnected, complementing one another's economies (Ihlanfeldt, 1995). Pelissero and Fasenfest (1989: 303–305) found the type of suburb is a predictor of the way the suburb behaves within a region. The suburbs' policy orientation drives their stance from reactive to aggressive with regard to their approach to economic development issues.

The literature also reveals differences in outcomes due to forms of governance and leadership. Feiock, Jeong, and Kim (2003) noted that mayor-council governments and council manager governments bring with them different styles and motivations that result in action that is more long term and less risky from council—manager forms of government to more high risk behavior that can lead to short term political benefits, which is behavior more likely associated with mayor council governments. DeSoto, Tajalli, and Opheim (2006) found that regardless of the type of government (that is, council managers or mayor-council), mayors' capacity to govern has strengthened over time, enhancing both their authority and management strategies. This enhancement provided mayors with more latitude to address issues in their cities. Even though relationships between cities and suburbs, in regard to their regional economies, is still debated, more evidence exists that mayors, regardless of form of government, can play a formidable role in economic policy, orientation, and outcomes of their cities.

A previous examination of the spatial patterns of municipal TIF use (Mason and Thomas, 2010) found that being geographically nearer or adjacent to a city that uses TIF increases the likelihood of the use of TIF on other cities. This relationship has implications for metropolitan regions as a whole. For example, if what Mason and Thomas (2010) found applies to a region and not only to cities in general, then cities that compete more by using TIF would potentially do so regardless of the size of the city with which they compete due to being adjacent cities. In turn, larger central cities might find the cities nearest them use TIF more often than cities farther away. Betz et al. (2012) found a proximity argument that supports metropolitan factors are at play and identified that not only counties with more Republican voters increase the number of economic development activities undertaken but also their proximity to a metropolitan region. Felix and Hines (2013) found two features of communities offering incentives for development include cities that are closer to state borders and those that are poorer, but not necessarily the poorest communities, were the cities more likely to use tax incentives. Additionally, they found at the county level the economic conditions of the area are inversely associated with implementing economic development policies. Another way regional differences may affect outcomes could be due to regions within a state having unique fiscal governance systems and, as such, this similarity has an effect on both the degree and way TIF is used in a region, as Weber, Hendrick, and Thompson (2008) found. Pacewicz (2016: 265–266) found additional evidence that regional factors may be at play and concluded that the ability of city leaders to maximize TIF outcomes for their jurisdiction relies on local considerations such as geographical, fiscal, and regulatory constraints, which in turn created different outcomes by place. Taken together, spatial proximity and regional differences may have their own unique effects, such as fostering competition in one situation and pleading no contest between areas in another region. However, consideration of the way large cities within a metropolitan region use TIF as part of a larger economic development strategy has been given scant attention.

Research Design and Methodology

The St. Louis and Kansas City metropolitan regions dominate Missouri's use of TIF. They provide two interesting cases to explore, because their central cities have the most TIF projects by far. These two cities have different structural aspects, as explained in the following paragraphs. Moreover, the two cities underwent sharp policy changes, which gives us the opportunity to explore whether central cities that use different strategies beget different outcomes in their suburbs. This article examines three questions. The first is, what patterns can be seen in the use of TIF in the St. Louis, MO-IL and Kansas City, MO-KS MSAs? Second, what role, if any, does competition from other communities within their MSA in Missouri or adjacent neighboring states (that is, Kansas and Illinois) play that are part of the greater MSA? In relation to the second question, several explanations may be found, for example, the city and the suburbs are complements, so if a core city engages in the use of TIFs, the suburbs are less likely to do so. Alternatively, it could be that if the core city does not use TIF, the suburbs will secure their own development using TIF. It is equally likely that when a core city uses TIF, the suburbs behave as competitors and aggressively seek development using TIF as well, which was previously demonstrated in Missouri suburbs among the adjacent cities in suburbs and more rural areas (Mason and Thomas, 2010). Alternatively, it is possible that if the core city does not use TIF, the suburbs also do not pursue TIF to enhance their development prospects. The third question explores the causes that might account for the patterns found? Could leadership, geography, structural aspects of government, or path dependency play a role?

Kansas City and the city of St. Louis are the two largest cities in Missouri in terms of geography, population, and economic impact. Kansas City is the largest city, with a population of 459,787 (as of 2010), but resides in the second largest MSA, with a population of 2,087,471. St. Louis is the second largest city in the state of Missouri, with population of 319,294 (as of 2010), but resides in the most populous MSA in the state of Missouri, with 2,811,588 people (U.S. Census Bureau, 2016). The geography of Kansas City is much larger, encompassing 319 square miles compared with only 66 square miles for St. Louis, yet the geography of the MSAs are the reverse, with Kansas City being smaller at 7,856 square miles and the St. Louis MSA being larger at 9,391 square miles (Geolytics, 2000). The Gross Metropolitan product of the Kansas City MSA within Missouri is \$41.68 billion (as of 2004), which is 20.5 percent of the Missouri Gross State Product compared with the city of St. Louis MSA within Missouri at \$80.94 billion, which is 39.8 percent of the state's Gross State Product (Global Insight, 2006: 59). Both cities have mayor-council governments, and the MSAs each have their own Metropolitan Planning Organizations that are also councils of governments. The Metropolitan Planning Organization in St. Louis documented incentives used to support hundreds of projects in eight counties across the region that raise concerns about the regional economic value of TIF (EWGCOG, 2011).

Using the nearly comprehensive data on TIF generated by the *TIF Annual Reports* (2010–2014) of the Missouri Department of Economic Development, we tabulated the data by city and suburb for the two regions and searched for patterns in the adoption of this economic development tool. In addition, we conducted extensive semi-structured interviews to confirm an understanding of the usage patterns in each region and to reach some tentative explanations for why cities adopted the patterns they did.

For this study, we interviewed people in a variety of positions, including four current and former economic development officers, five city officials, four school board members, three TIF commissioners, and one other person from the core cities and their in-state suburbs. We conducted 17 interviews from 2012 to 2014. We identified initial interviewees from state and local economic development agencies and used the snowball technique to increase the variety and number of interviewee perspectives. We sampled a range to begin to identify at least some of the mechanics through which city and suburbs argue for or against TIF use in each of the regions. We continued interviews until we were learning little if anything new from the additional interviews. We assured interviewees confidentiality and, therefore, are not referenced individually. This method provided a wealth of inductive qualitative evidence derived from the participants' perspectives as opposed to the researcher.

All interviewees were from areas that used TIF, because we were interested in understanding more about TIF use. We do not attempt to say our findings are generalizable. Our goal is to ask the question and explore the relationships between cities and suburban TIF use, if one exists. Adhering to Small's (2009: 10, 25) advice for studying processes that are not known, we used qualitative research, which is superior for this type of work and illuminates more information than other types of research when asking questions about how and why processes work. Additionally, we place in juxtaposition a rare case and period involving the mayors of Kansas City and St. Louis for comparison in the same approximate timeframe. These more recent mayors of the core cities of St. Louis and Kansas City took very different approaches to the use of TIF. The city of St. Louis dramatically increased its TIF usage after the election of Mayor Francis Slay (2001–2016), whereas Kansas City substantially decreased its TIF usage during the administration of Mayor Mark Funkhouser (2007–2011). These differences may help to further illuminate the relationship between central cities and suburbs. In this way, we follow Small's unique or deviant case emphasis to understand more about what is going on in general; for example, "when X occurs, whether Y will follow depends on Z" (Small, 2009: 21, 23). The deviant case can provide emergent knowledge from the cases, although not populations of similar cases (Small, 2009: 20), to reveal knowledge and perhaps develop hypotheses about a broader picture of the relationships between cities and suburbs and their TIF use. Finally, the creation of tables and graphs by year permits an examination of TIF use by both regions to examine if any regional effects were due to the differences in TIF use by the central cities of the metropolitan areas. The maps provide information on the spatial proximity of TIF use within the region and in relation to their proximity to the central cities.

Economic Development Strategies

In Missouri, three means occur to justify the use of TIF for redevelopment—blighted, conservation, or economic development areas. The definition of each follows.

- Blighted area is an area that by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions that endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or societal liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

- Conservation area is any improved area within the boundaries of a redevelopment area in the territorial limits of a municipality, in which 50 percent or more of the structures are aged 35 years or more.
- Economic development area is any area or portion of an area within the territorial limits of a municipality that does not meet the requirements of blighted or conservation areas, respectively, and in which the governing body of the municipality finds that redevelopment will not be solely used for development of commercial businesses that unfairly compete in the local economy and is in the public interest, because it will—
 - Discourage commerce, industry, or manufacturing from moving their operations to another state.
 - Result in increased employment in the municipality.
 - Result in preservation or enhancement of the tax base of the municipality.

The definition of blight is particularly vague, which, coupled with permitted uses of TIF for economic development, make the tool ripe for any project (Kelsay, 2007: 14–15). Between 2005 and 2012, TIF bond sales by state reveal that Missouri ranked fourth at \$722 million in TIF bonds of all the states that have adopted TIF in the United States, behind California, Colorado, and Connecticut (O'Toole, 2011). Additionally, Missouri is 1 of only 18 states to allow for economic activity taxes that permit taxes for earnings, profits, utilities, and sales taxes in addition to the standard use of property tax increases for reimbursement of a development plan (Briffault, 2010). In Missouri, 50 percent of the economic activity tax increment can be used to help fund the development plan. Missouri even provides for a Super TIF, which makes available the entire economic activity tax increment to the developer (Kelsay, 2007: 2).

In one influential early study, The Brookings Institution found that the Kansas City region had six cities with TIF districts, and the vast majority of the districts were in the central core of the city (Luce, 2003: v). The author found that TIF was more likely to be used in stressed communities than in nonstressed communities in Kansas City compared with St. Louis (Luce, 2003: 13). The suburbs closest to Kansas City were also greater users of TIF than the more far-flung areas (Luce, 2003: 8). As we detail in the following sections, these patterns have changed since the study's publication.

Kansas City Economic Development Strategy

One striking feature of Kansas City TIF projects is the large number of huge projects, with a TIF value of more than \$100 million. Of the 100 Kansas City TIF projects listed in various issues of the Missouri Department of Economic Development's *TIF Annual Reports* (2010–2014), 9 have values of more than \$100 million (exhibit 1).

More than one-half of interviewees suggested that the most likely reason for the numerous large projects is that Kansas City officials try to make the city conducive for businesses and developers to stay in the state of Missouri, instead of the Kansas side of the region. The large TIF projects are a result of the intensity of the competition Missouri has with the state of Kansas as a way to keep jobs and businesses in the Missouri side of the region.

Exhibit 1**Kansas City TIF Projects With Reimbursable Costs of More Than \$100 Million**

Name of Project	Date	TIF Value (\$)	Total Project Cost (\$)	Aid Intensity^a (%)
Briarcliff West	1990	116,567,038	547,896,964	21
Hickman (Aventis)	1992	230,104,500	655,199,600	35
Santa Fe	1993	166,931,257	575,791,682	29
Shoal Creek	1994	130,718,310	186,246,912	70
Riverfront	1999	225,527,306	582,558,906	39
Pershing Road	2000	314,434,599	589,057,605	53
Three Trails	2002	186,144,576	949,355,059	20
Kansas City Live	2004	167,948,209	371,135,195	45
H&R Block	2004	292,317,824	308,399,088	95

TIF = tax increment financing.

^a *Aid Intensity is TIF reimbursable costs divided by total project costs.*

Source: Missouri Department of Economic Development (2011)

Illustrating this point, one interviewee explained that developers, who demonstrate they cannot make the project finances work without the incentive, initiate most uses of TIF. The interviewee went on to explain—

We have a few proactive TIFs where we take an area considered blighted and make a conscious decision to stimulate redevelopment. There are a number of TIFs used to stimulate redevelopment for our neighborhood. Our metro area is split by a state line with affluent suburban communities in Kansas and we have aggressive battles on business retention. Business leaders have been trying to get Kansas and Missouri states to stop it. Recently, Kansas got AMC headquarters for 47 million dollars to move 5 miles across the state line.¹

Although a common use of TIF for development in Kansas City is for large projects, five TIF districts in Kansas City use TIF for home repair projects. Individual projects can receive up to \$20,000; the program has resulted in “\$3.8 million in public and private reinvestments in 400 neighborhood homes as of 2008” (PeopleTrust, 2011: 14). Looking at the years 1988 through 2006, prior to the election of Mayor Funkhouser, Kansas City approved 118 TIF projects. From 2007 through 2011, only 5 TIF projects were approved.

St. Louis Economic Development Strategy

TIF usage in St. Louis differs in important respects from that in Kansas City. Only 3 of 132 TIF projects in St. Louis have a subsidy value more than \$100 million, as listed in exhibit 2 (Missouri Department of Economic Development, 2014, 2013, 2012, 2011, 2010).

The average size of TIF projects and the average *aid intensity*² in St. Louis are lower than in Kansas City.³ Only 10 St. Louis projects have a TIF value of more than \$20 million. By contrast, in Kansas City, 28 projects have a TIF value of more than \$20 million. It should be no surprise that St. Louis has a low aid intensity because the city’s policy is to adhere to a 15-percent limit for each project, except under special conditions (PFM, 2016: 17).

¹ For more on this move, see Hawley (2011).

² This term is borrowed from the European Union, where it is defined as subsidy/investment. This standardized measure enables comparison of the size of subsidies given to projects of different magnitudes.

³ Calculated from Missouri Department of Economic Development (2015, 2014, 2013, 2012, 2011).

Exhibit 2

St. Louis TIF Projects With Reimbursable Costs of More Than \$100 Million

Name of Project	Date	TIF Value (\$)	Total Project Cost (\$)	Aid Intensity ^a (%)
Grand Center	2002	104,679,000	531,316,000	20
Northside	2009	390,648,325	3,634,000,000	11 ^b
Cortex	2012	158,200,000	2,200,000,000	7

TIF = tax increment financing.

^a Aid Intensity is TIF reimbursable costs divided by total project costs.

^b This figure does not include state tax credits the project received, making the true aid intensity higher.

Sources: Good Jobs First (2017); Missouri Department of Economic Development (2011); Volkmann (2009)

Since Luce's (2003) report was published, the city of St. Louis began to use TIF exponentially more frequently. This greater intensity in usage resulted from the election of Mayor Slay (2001–2017), who inaugurated the widespread use of the tool in St. Louis. Prior to 2002, the city of St. Louis had approved a total of 11 TIF projects, but 121 projects were approved from 2002 through 2013. The average aid intensity for the entire period was 36 percent in Kansas City versus 9 percent in St. Louis, as exhibits 3 and 4 show.

Exhibit 3

Kansas City—Number and Amount of TIF Projects, by Year

Year	Number Approved	Total TIF Reimbursement (\$)	Total Project Cost (\$)	Average Aid Intensity (%)
1988	2	36,902,828	85,632,052	43
1989	0	0	0	NA
1990	1	547,896,964	547,896,964	100
1991	4	32,769,144	276,760,144	12
1992	5	339,019,319	947,470,993	36
1993	4	179,944,707	691,863,307	26
1994	15	339,528,180	789,067,022	43
1995	5	61,026,473	134,459,599	45
1996	4	59,584,585	376,033,522	16
1997	6	64,889,767	165,207,382	39
1998	6	36,123,575	156,142,172	23
1999	19	370,668,283	975,724,443	38
2000	15	440,791,216	889,601,960	50
2001	0	0	0	NA
2002	3	236,465,494	1,130,470,381	21
2003	4	56,706,803	730,240,373	8
2004	13	485,385,007	949,838,897	51
2005	4	73,276,366	238,888,067	31
2006	7	166,441,551	786,704,789	21
1988–2006	117	3,5127,420,262	9,872,002,067	21
2007	1	1,720,000	15,022,034	11
2008	3	65,437,277	194,591,696	34
2009	1	4,233,145	18,046,801	23
2010	0	0	0	NA
2011	0	0	0	NA
2007–2011	5	71,390,422	227,660,531	32
2012	1	2,621,500	44,203,654	6
Total	123	3,601,432,184	10,143,866,252	36

NA = not applicable. TIF = tax increment financing.

Source: Missouri Department of Economic Development TIF Annual Reports (2010–2014)

Exhibit 4**St. Louis—Number and Amount of TIF Projects, by Year**

Year	Number Approved	Total TIF Reimbursement (\$)	Total Project Cost (\$)	Average Aid Intensity (%)
1988	0	0	0	NA
1989	0	0	0	NA
1990	1	14,365,000	53,312,932	27
1991	1	2,728,919	44,860,000	6
1992	0	0	0	NA
1993	0	0	0	NA
1994	0	0	0	NA
1995	0	0	0	NA
1996	0	0	0	NA
1997	1	300,000	3,518,000	9
1998	1	14,500,000	14,500,000	100
1999	3	50,140,000	244,510,258	21
2000	1	400,000	3,850,000	10
2001	3	12,600,000	21,320,000	59
1988–2001	11	95,033,919	385,871,190	25
2002	10	119,986,332	737,381,811	16
2003	11	49,382,458	222,783,871	22
2004	23	110,376,919	637,738,179	17
2005	15	39,275,000	278,809,316	14
2006	17	142,896,000	820,244,372	17
2007	10	36,410,220	215,557,174	17
2008	15	59,113,361	421,147,134	14
2009	8	406,203,325	8,233,920,390	5
2010	3	30,517,640	125,859,866	24
2011	2	5,670,000	21,901,000	26
2012	4	9,550,000	58,253,830	16
2013	3	45,950,000	544,975,000	8
2002–2013	121	1,055,331,255	12,318,571,943	9
Total	132	1,150,365,174	12,704,443,133	9

NA = not applicable. TIF = tax increment financing.

Source: Missouri Department of Economic Development TIF Annual Reports (2010–2014)

According to one local official, an important reason for the lower number of large TIF subsidies in St. Louis is that, unlike Kansas City, very few were district-type TIF projects. Indeed, this official said the city had only three such projects—Lafayette Square, Grand Center, and Cortex.⁴ Instead, a large number of St. Louis' tax increment financing projects consisted of the renovation of a single historic downtown building. Additionally, according to one official, Kansas City has more Greenfield TIF projects than St. Louis does.

According to one local official, the perception and reality of the city's decline drove St. Louis' economic development strategy. The city's population was 856,796 in 1950 and fell to 319,294 in the 2010 census, a drop of 63 percent (Moore, 2011). Moreover, as the city is not part of any county, it does not have the option to annex adjacent areas to spur growth. "Our challenge was to give people confidence the city had a future," said this interviewee.

St. Louis had been an early adopter of TIF in 1990 with the St. Louis Marketplace project, but it struggled to keep tenants (Tucci, 1996). The city was saddled with paying off general

⁴ A fourth, Northside, was in legal limbo at the time of the interview, although the Missouri Supreme Court later approved it.

obligation bonds due to the poor performance of the project, rather than having shifted the risk to bondholders with revenue bonds. Until Mayor Slay came into office, the city largely avoided the use of TIF as a result of that bad experience. Under Mayor Slay, St. Louis approved scores of new TIF projects, many of which were to rehabilitate a single building.⁵ Except for one other project, the city avoided the use of general obligation bonds.

Patterns of Tax Increment Financing Use in the Kansas City and St. Louis Suburbs

Because scores of suburbs surround both Kansas City and St. Louis and the competitive dynamics of the core cities in regions are different, it makes no sense to say an overall strategy of use was present in the suburbs. However, it is possible to identify clear patterns of use that changed over time. Interviewees underscored this point when asked to describe the strategy or pattern of TIF use and competition with suburbs, cities, and states. One interviewee indicated the strategy was “willy nilly.” Another interviewee from Kansas City pointed out that in terms of competition with the suburbs, “not much with Missouri suburbs because the state is not involved in those situations.” A St. Louis interviewee noted: “Municipalities are a mixed bag; some are very competitive. But generally, there has been cooperation with the Council and three [undisclosed] suburban cities.”

In Kansas City, suburban TIF use increased in amount and number after 2001 (exhibits 5 through 8), when a number of TIF projects were approved at the fringes of the Kansas City metropolitan area, in contrast to the findings of Luce (2003). From 1988 through 2006, 69 TIF projects were approved whereas from 2007 to 2011, 26 TIF projects were approved.⁶ In general, the use of TIF in Kansas City supersedes that of the suburbs by wide margins, however, prior to 2007, the use of TIF spiked in both Kansas City and its suburbs.

The number of TIF projects increased around 2002, but the actual amount of reimbursable TIF in the suburbs did not surge until slightly prior to 2007. After 2007 and during the recession, the use of TIF subsided substantially in both the city and suburbs, although TIF use was slightly greater by suburban cities than Kansas City during this period. Furthermore, the use of TIF was considered destructive in Kansas City when dealing with competition from another state. One economic developer noted—

There is very intense inter-state competition, a race to the bottom it is sometimes called, that makes taxes move to another area giving the business/developer a huge incentive, but we have the same number of jobs with a new building and remodeled location but the other state may gain tax revenues.

Another interviewee noted the effect of cross state competition in Kansas City as—

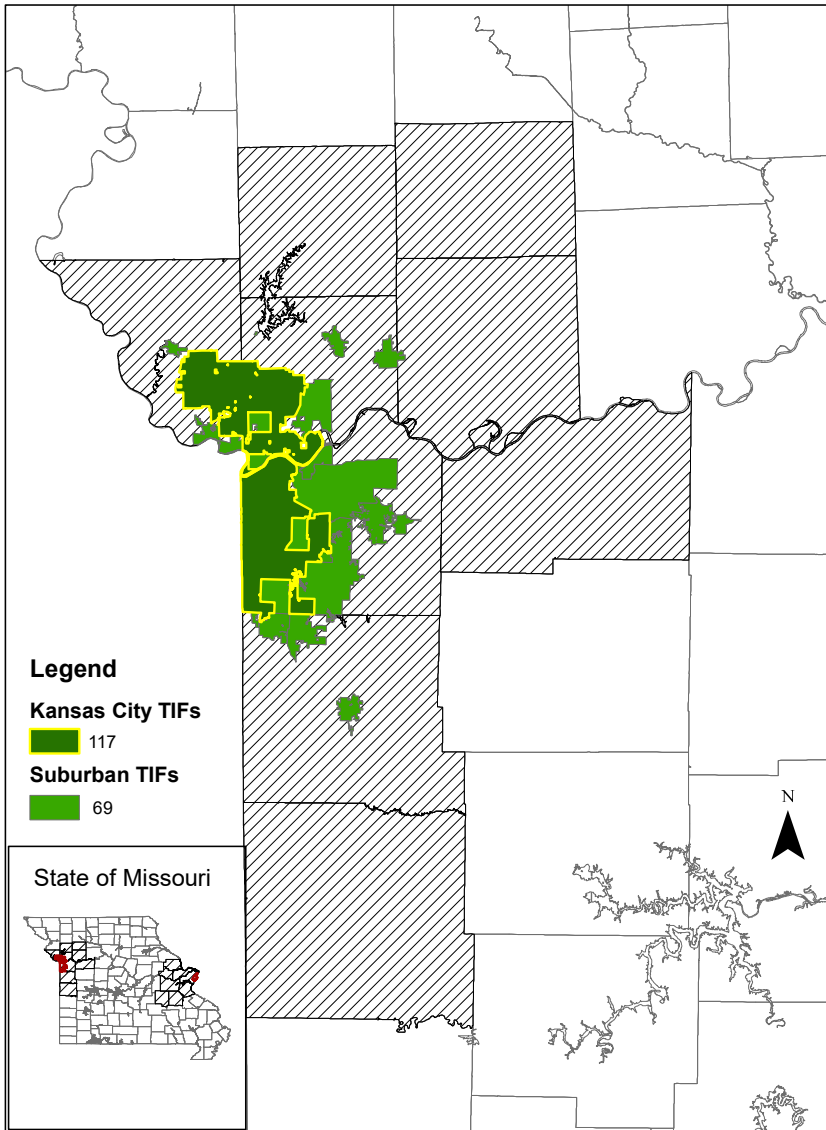
... impossible to describe how intense and destructive not just that it is not helpful but it hurts the state of MO and [the funds] could be used for development but it is squandered.

⁵ See project descriptions in Missouri Department of Economic Development (2011).

⁶ See exhibits 3 and 13 for overall use of TIF in the Missouri part of the Kansas City metropolitan area.

Exhibit 5

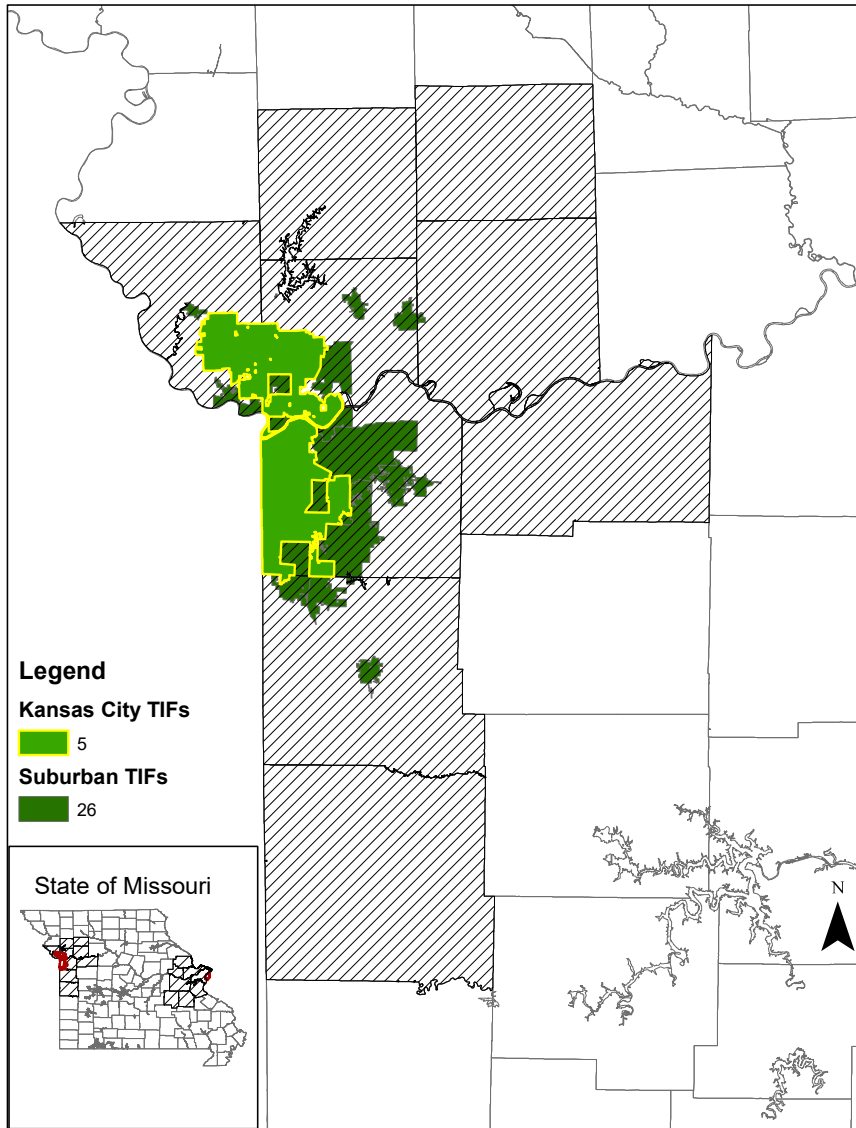
Kansas City and Suburbs—Number of TIF Projects, 1988–2006



TIF = tax increment financing.
Note: Striped area represents the study area.

Exhibit 6

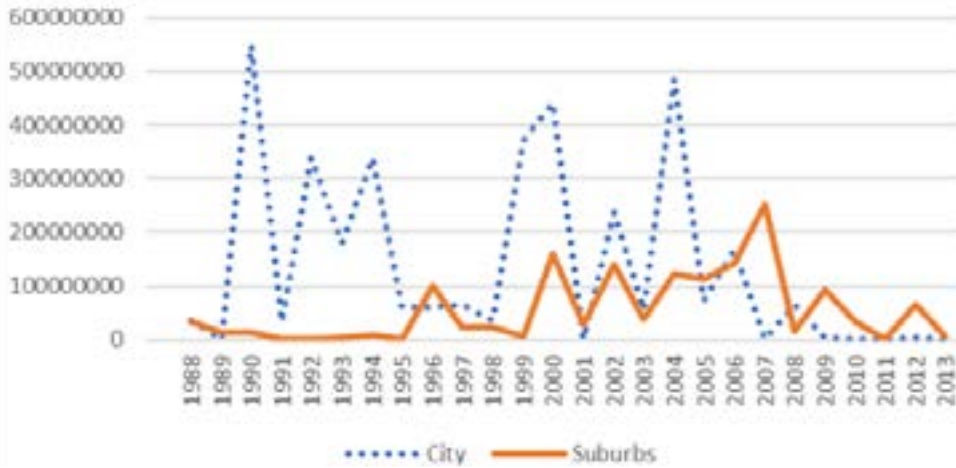
Kansas City and Suburbs—Number of TIF Projects, 2007–2011



TIF = tax increment financing.
Note: Striped area represents the study area.

Exhibit 7

Kansas City and Suburbs—Total Reimbursable TIF, 1988–2013



TIF = tax increment financing.

Exhibit 8

Kansas City and Suburbs—Number of Approved TIF Projects, 1988–2013



TIF = tax increment financing.

Another interviewee noted the competition or strategy of TIF use is—

Varied depends on what portion of the city you are talking about. It varies [even more] in the suburbs and seems to be used to stimulate growth and economic development quicker and I think to attract consumers to the area and this has proven to be the case that you will see in an area in our school district.

As one measure of this intensity, the Hall Family Foundation in Kansas City documented \$217 million in state subsidies through the Promoting Employment Across Kansas Program, or PEAK, in Kansas and the Missouri Works Program in Missouri that were used during 5 years to lure companies across the state line within the Kansas City MSA. Ultimately, 3,289 jobs moved from Missouri to Kansas, and 2,824 jobs moved in the other direction, a net of 465 in Kansas' favor (*The Economist*, 2014). This outcome works out to \$466,667 per net job in subsidies, and even those 465 jobs are not new to the metropolitan area. Before this article was completed, on November 5, 2017, the border war got a typical John Oliver sendup on his show "Last Week Tonight" (Campbell, 2017).

From 2014 to 2016, momentum was strong for tamping down this job piracy. In 2014, the Missouri General Assembly passed a law that would ban the use of Missouri Works Program subsidies for relocations within the Kansas City metropolitan area. This ban would come into effect if the state of Kansas were to pass a corresponding law by August 2016 (Eulitt, 2016). However, just when it seemed that a truce was in reach, Kansas Governor Sam Brownback proposed legislation for a truce in 2016 that included exceptions for creating net new jobs or constructing a new building costing \$10 million or more. Missouri leaders did not approve of these changes, and the agreement collapsed (Eveland and Stafford, 2016).

In the St. Louis suburbs from 1988 through 2001, 42 TIF projects were approved, and 48 projects approved from 2002 through 2013. TIF was not used in a significant way in the suburbs until the mid-1990s. The first big uptick in TIF use for the city of St. Louis is not until 2001 (exhibits 9, 10, 11, and 12).⁷

The pattern of TIF usage in the St. Louis suburbs appears similar throughout the time period after the mid-1990s. Additionally, the overall average aid intensity of St. Louis' suburbs was 20 percent compared with 27 percent in the Kansas City suburbs (exhibits 13 and 14). However, a marked difference prevails in the average aid intensity for Kansas City (36 percent) compared with the city of St. Louis (9 percent).⁸

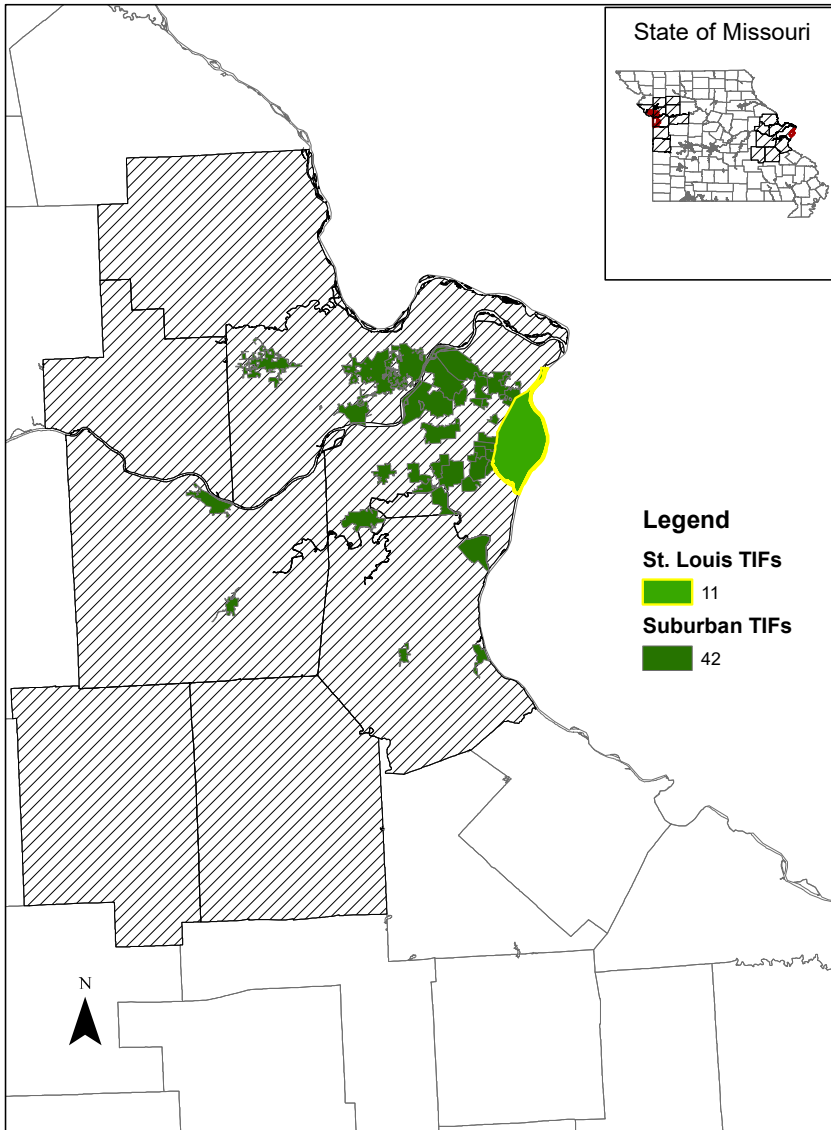
Summing up the kind and spatial allocation of TIF in the Kansas City and St. Louis regions, we found the TIF projects were larger in Kansas City and mainly in the downtown area, although in the Kansas City suburbs, TIF projects are nearer the city and airport and typically involve retail or commercial development with a small percentage of total TIF dollars going to housing. In St. Louis, we noted TIF projects are smaller and primarily involve single-building developments and retail, with a noteworthy exception of one large retail and commercial TIF that performed so poorly it stymied TIF use for years, prior to Mayor Slay taking office. In the St. Louis suburbs, TIF was occasionally used in areas adjacent to the city of St. Louis. However, these suburban St. Louis TIF projects were much more likely to be farther from the city of St. Louis than in the Kansas City region. Throughout St. Louis and its suburbs, retail was the predominant use of TIF. In both regions, the primary use of TIF did not seem to be in areas that were particularly blighted nor greenfields, but rather near neighborhoods and often for retail, and in the case of Kansas City, for more stressed areas in general.

⁷ See exhibits 4 and 14 for overall TIF use in the Missouri part of the St. Louis metropolitan area.

⁸ See exhibits 3 and 4.

Exhibit 9

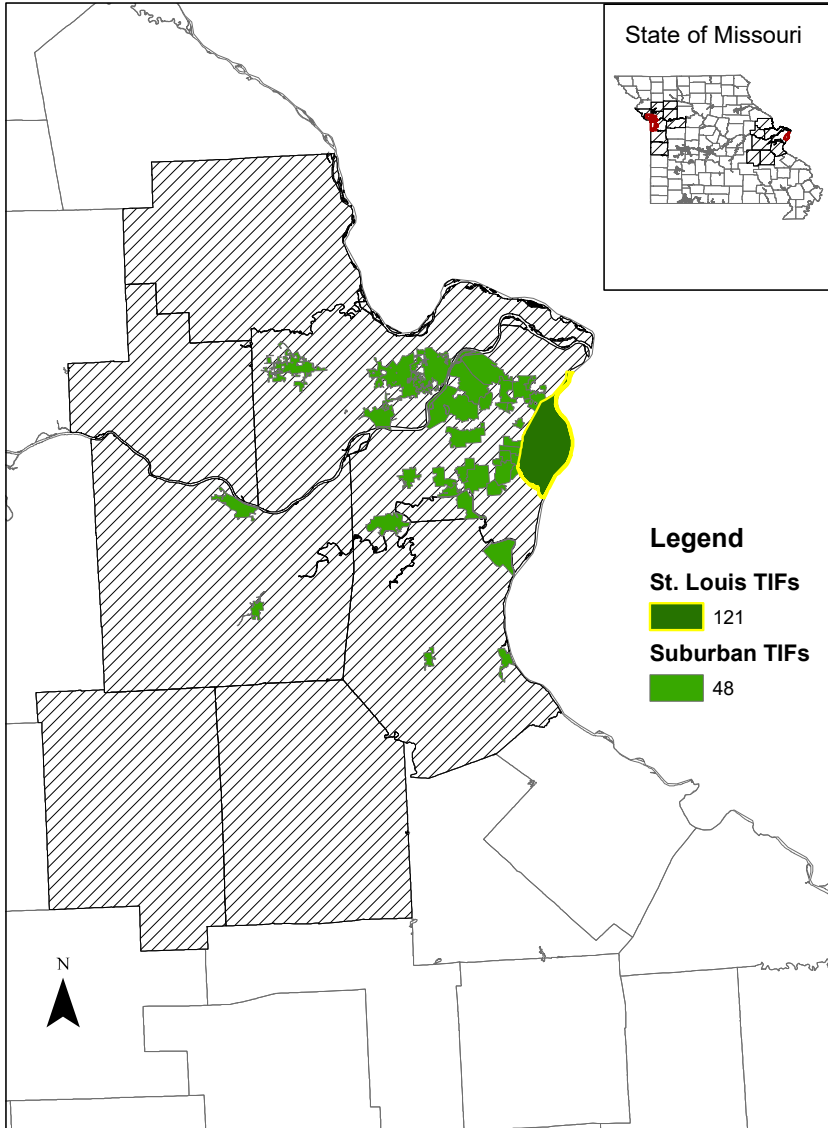
St. Louis City and Suburbs—Number of TIF Projects, 1988–2006



TIF = tax increment financing.
Note: Striped area represents the study area.

Exhibit 10

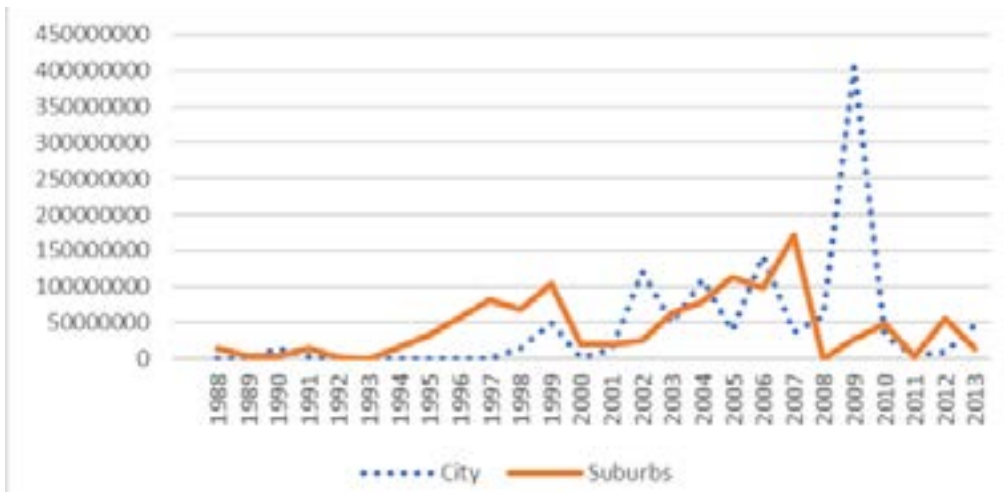
St. Louis City and Suburbs—Number of TIF Projects, 2002–2013



TIF = tax increment financing.
Note: Striped area represents the study area.

Exhibit 11

St. Louis and Suburbs—Total TIF Reimbursement, 1988–2013



TIF = tax increment financing.

Exhibit 12

St. Louis and Suburbs—Number of Approved TIF Projects, 1988–2013



TIF = tax increment financing.

Exhibit 13

Kansas City Suburbs—Number and Amount of TIF Projects Approved, by Year

Year	Number Approved	Total TIF Reimbursement (\$)	Total Project Cost (\$)	Average Aid Intensity (%)
1988	1	33,922,324	33,922,324	100
1989	3	12,514,891	37,255,078	34
1990	1	12,408,045	13,732,580	90
1991	0	0	0	NA
1992	0	0	0	NA
1993	1	3,073,176	13,054,813	24
1994	1	8,380,910	80,810,850	10
1995	0	0	0	NA
1996	3	100,815,450	254,606,578	40
1997	3	24,268,198	68,491,196	35
1998	3	22,955,374	120,173,275	19
1999	4	5,872,880	48,544,000	12
2000	7	160,766,568	577,083,932	28
2001	2	28,127,186	68,294,794	41
2002	11	140,747,476	471,634,760	30
2003	5	38,786,713	273,535,623	14
2004	3	123,634,098	479,428,624	26
2005	12	111,805,341	508,923,957	22
2006	9	141,966,146	574,841,327	25
1988–2006	69	970,044,776	3,624,333,711	27
2007	12	251,235,442	1,018,294,757	25
2008	5	14,612,855	68,406,345	22
2009	5	92,186,351	438,256,312	21
2010	3	33,818,560	93,584,163	36
2011	1	1,850,000	6,030,216	31
2007–2011	26	393,703,208	1,624,571,793	24
2012	3	66,557,088	136,598,024	49
2013	1	6,296,249	22,203,161	28
Total	99	1,436,601,321	5,407,706,689	27

NA = not applicable. TIF = tax increment financing.

Source: Missouri Department of Economic Development TIF Annual Reports (2010–2014)

Exhibit 14**St. Louis Suburbs—Number and Amount of TIF Projects, by Year**

Year	Number Approved	Total TIF Reimbursement (\$)	Total Project Cost (\$)	Average Aid Intensity (%)
1988	1	14,366,800	49,428,000	29
1989	3	3,177,280	3,177,280	100
1990	2	2,845,620	2,845,620	100
1991	3	14,416,380	46,416,380	31
1992	1	2,096,000	36,771,000	6
1993	0	0	0	NA
1994	1	15,430,000	57,000,000	27
1995	2	33,680,000	142,080,000	24
1996	6	56,730,000	556,735,421	10
1997	8	82,102,000	684,349,000	12
1998	6	69,046,000	370,141,000	19
1999	6	104,699,421	278,980,033	38
2000	1	19,600,000	133,683,000	15
2001	2	19,985,000	64,645,000	31
1988–2001	42	438,174,501	2,426,251,734	18
2002	5	25,750,000	90,500,000	28
2003	6	63,152,194	172,793,000	37
2004	4	79,381,530	202,809,855	39
2005	6	113,150,000	825,346,562	14
2006	8	98,112,748	729,481,038	13
2007	8	171,954,890	888,439,743	19
2008	0	0	0	NA
2009	1	26,750,000	26,750,000	100
2010	4	48,520,000	93,120,000	52
2011	1	4,002,000	23,552,000	17
2012	4	55,085,750	148,335,975	37
2013	1	15,000,000	46,199,000	32
2002–2013	48	700,859,112	3,247,327,173	22
Total	90	1,139,033,613	5,673,578,907	20

NA = not applicable. TIF = tax increment financing.

Source: Missouri Department of Economic Development TIF Annual Reports (2010–2014)

Findings

The processes of employing TIF in St. Louis and Kansas City reveal several significant differences. First, the outlooks of the mayors may have an influence on TIF usage. In Kansas City, Mayor Funkhouser is on record opposing TIF use. Moreover, Kansas City has term limits for the mayor, whereas St. Louis does not. Mayor Slay, who vastly increased TIF use in St. Louis, was reelected to his fourth term in 2013. Second, Kansas City faces much more competition from cities in Kansas than St. Louis faces from cities in Illinois. In the judgment of several interviewees, relatively little competition occurs between Missouri cities in the Kansas City metropolitan area. By contrast, in the St. Louis metropolitan area, a relatively high level of competition exists among cities within the region, especially in regard to retail projects.⁹ The third difference is that the TIF Commission in Kansas City consists of 11 persons, with 6 appointed by the city and 5 by the school board and

⁹ Some competition is found between the city of St. Louis and Clayton, an upscale suburb that is the county seat of St. Louis County, for office and headquarters projects. Thus, St. Louis recently gave a \$7 million TIF to Laclede Gas Company for a new headquarters after it threatened to move to Clayton (Weiderman, 2013).

other affected taxing districts. St. Louis, by contrast, has only 9 people on the TIF Commission,¹⁰ with six appointed by the city, two representing the school board and one representing all other taxing districts. This six-to-three city-appointed majority makes it easier for proposed TIF projects to receive commission approval in St. Louis than in Kansas City, whereas in Kansas City the majority is six to five. According to one official, the St. Louis TIF Commission has never rejected a proposal brought by the St. Louis Development Corporation. A fourth factor interviewees mentioned is that Kansas City has an advisory panel to the TIF Commission and St. Louis does not.

One interviewee in St. Louis noted, “The city didn’t use TIF much [before Slay’s election] but did use lots of tax abatements. Now that they use TIF, it’s for small projects with the occasional large one.” Another local official in St. Louis pointed out the tension between the city and the school board, which perfectly overlap in area, in regard to both TIF and tax abatement. Indeed, the school board sued the city over a tax abatement in 1992 (*St. Louis Post-Dispatch*, 1992).

In Kansas City and its suburbs, a symbiotic relationship is present, about which one interviewee in Kansas City indicated—

It has enhanced development in terms of bricks and mortar...there are negative and positive impacts both [for cities and suburbs] if you talk to the superintendent of [undisclosed] suburb they have big box retail abated at 75 percent but they felt nothing was going to happen without doing it. In my district [in the central city] TIF enhances the quality of life for residents but if we get additional students that erodes our district revenue.

He went on to note that their school district crosses into both city and suburban boundaries. This overlap also happens further out in the suburbs as well, where one community’s school district has a large number of students from a neighboring city. The upshot is Kansas City or the hinterland city may have a TIF that is increasing revenue from sales tax from a “big box retail,” yet a school district with an overlapping boundary has property tax abated, making the school district suffer while serving two communities—one with the development and one that does not realize the sales tax revenue. In essence, a similar phenomenon plays out in the central city, first-ring suburbs, and communities further out because of overlapping taxing jurisdictions with communities that use TIF and those that do not. Another interviewee provided a more explicit example of the way this scenario has played out.

The [undisclosed] TIF has caused a tremendous amount of growth in our district. This growth has been both on the side of retail development and residential. Parents looking for a quality school system and easy access to the Interstate, International Airport, and quality shopping now have many subdivisions from which to choose on the one side of our school district. There are many positive aspects of this growth, but there are also many challenges that this growth has caused, ranging from overcrowded schools to traffic congestion. It has also caused some political tension with the City of [Undisclosed], since the taxes are collected by Kansas City, but much of the expense of educating the new students falls on the businesses and homeowners in [undisclosed] city.

¹⁰ This difference derives from the state TIF Statute.

Another Kansas City interviewee noted when “cities and suburbs share profits, it affords them regional benefits. When working together, they can get benefits of a stadium or amenities. But when you compete, they spend it on corporate welfare. It is a cancer dragging down the whole region.”

In terms of the quantity of TIF developments in the two periods, the total number of suburban TIF projects approved dropped from 69 through 2006 to 26 during 2007 to 2011. However, the number of TIF projects averaged per year through 2006 was 3.5 compared with an average of 5.2 TIF projects per year in the Kansas City suburbs. In the St. Louis suburbs, TIF projects increased both in number and on average from 42 prior to and through 2001, an average of 3.2 TIF projects per year, to 48 after during 2002 to 2013, or on average 4 TIF projects per year. After 2001, a greater frequency of use prevailed in the suburbs, and those communities using TIF were nearer the central city than previously. Once again, much of the city’s change in TIF use was tied to the mayor in office during the time. Mayor Funkhouser had a reputation of retrenching from the use of TIF, whereas Mayor Slay advocated it as a way for the city of St. Louis to move forward. The actions of the central city have an impact on the suburbs but in different ways. In the case of Kansas City, the suburbs appear to use the tool more when the central city does not. In the case of the city of St. Louis, the suburbs increased their use slightly as the city increased its frequency of TIF use considerably. In both cases, suburban use continued and also declined most precipitously during the recession years.

Discussion and Conclusions

Although more research is clearly needed in regard to the central cities, the lack of mayoral term limits may play a role in St. Louis by making it easier for the mayor to put into place a desired economic development strategy. In Kansas City, the mayor has limited opportunity (two 4-year terms) and must be strategic in leveraging the support of stakeholders who helped the mayor get elected or may be in a position to help in future elections. Additionally, St. Louis faces little competition from Illinois on economic development projects. Most competition comes from within the region on the Missouri side of the state. In the case of Kansas City, the state of Kansas began to leverage state dollars that make competition for economic development with the city of Kansas City, Missouri fierce in a way that more often leads to a bidding war between the state and the city. One interviewee specifically spoke to this issue noting—

Have to have both states say no to playing the game but no one wants to be the first to say no because they don’t want the development to go to the other side. Kansas tax cuts and tax incentives that Governor Brownback supports. In KC it is with TIF, but not in Kansas state. It is definitely a brutal situation for KC as it is on the border. This won’t be as big of deal in St. Louis because the Illinois side is not as attractive.

Moreover, in St. Louis mayoral appointees enjoy a six-to-three majority on the TIF Commission compared with a six-to-five majority for Kansas City on its TIF Commission, making it easier for St. Louis to pass TIF proposals than Kansas City. Indeed, the St. Louis TIF Commission has never rejected a proposed TIF, whereas the Kansas City TIF Commission rejected at least three. In addition, the data suggest that central city subsidy choices cast a shadow over the economic

development decisions of their suburbs, at least in the Kansas City area, which faces strong neighboring-state competition with potentially substantial effects. Finally, our interviews show that many aspects of TIF remain controversial 35 years after the state legislature originally authorized TIF. The most significant issue remains the ability of a municipality to use the property tax revenues that would have gone to other taxing districts as part of the funding for a TIF subsidy in Missouri. In a number of other states, the school board and other taxing districts can opt out or even have veto power over TIF proposals.

In particular, the 2001 election of Mayor Slay in St. Louis, who served four terms through 2017, led to a drastic increase in the use of TIF in the city. In Kansas City, by contrast, the city saw far fewer TIF projects approved when Funkhouser was mayor from 2007 to 2011.

The findings are suggestive. Kansas City and St. Louis definitely are pursuing different TIF strategies, with larger projects in Kansas City. The onslaught of new developments in St. Louis (more than 100 since Mayor Slay was elected compared with about 6 before his election) may contribute to an increasingly competitive atmosphere in the region. The two periods that saw annual increases in TIF projects in the St. Louis suburbs were the pre-Slay years (1988–2000) with 46 TIF projects and the Slay years (2001–2013) with 53 TIF projects. In the Kansas City suburbs, the number of projects decreased from 73 during 1988 through 2006 to 26 during 2007 through 2011. With the exception of 2007, the suburbs of Kansas City, Missouri also appeared to reduce their use of TIF. Perhaps this reduction was due to the economic recession, or perhaps they were following the lead of the central city and not competing as assertively for development. In the St. Louis region, the increase in TIF in the core city is also witnessed in the suburbs but nowhere near the degree as the central city. These findings suggest that to a small extent, suburbs may take cues from their central cities, but the outcomes are somewhat different. In the Kansas City region, the suburbs picked up the use of TIF when the core city was not using TIF as much. This result may corroborate Felix and Hines' (2013) findings that interstate competition breeds more tax incentive use than intrastate competition. In short, in the case of Kansas, this outcome may be due to the large size of TIF projects the core city pursued to keep the state of Kansas from moving business out of the state but remain within the region. In St. Louis, TIF use in the suburbs is more or less similar, perhaps because competition of TIF use is with adjacent cities, regardless of whether that city is a core city. This situation may be because the city of St. Louis is less of a threat than Kansas City is in terms of being a magnet for development opportunities or because St. Louis faces less interstate competition in their region than the Kansas City region.

In light of these findings, a review of the Missouri TIF statute is necessary to investigate changes that would further regional cooperation instead of intraregional competition, such as all communities sharing in the cost and benefits of the TIF, such as the effect on taxing resources for all the jurisdictions that benefit from the economic development. The Missouri General Assembly in 2008 created county TIF Commissions in St. Louis, St. Charles, and Jefferson Counties, which replaced individual municipal TIF Commissions.¹¹ However, more broad-based actions, as the

¹¹ The county TIF Commissions can recommend against local TIF projects, but a two-thirds majority of the local city council can override the county TIF Commission recommendations, leading one local official to describe the county TIF Commissions as “toothless” and suggest that their decisions be made final; that is, not subject to override by the municipality.

one suggested here, are needed in the region and statewide. One reason cooperation may not be attractive, as one interviewee noted, is “Nice word ‘Truce’ if you are winning why would you quit if you were Kansas why let you catch up?” Another driver that might prevent more cooperation is the reverse; if you are behind, why not try to use every advantage or tool you have to gain jobs or development? Some interviewees underscored the need for reform, including this person who indicated—

KC and perhaps St. Louis are similar in that they are difficult in terms of helping you understand [TIF use] as the players and the plan, the vast number of players, they ways [TIF uses] are set-up and the way TIF is being used.... Having said that, there is no one in taxing jurisdictions that is not frustrated by TIF.

Ultimately, our findings suggest the way central cities use TIF may also influence the way suburban cities use TIF as well. To some degree, the core city’s behavior may bolster suburbs, where the outlying cities replicate the similar behavior, in the case of St. Louis, but may not be competing explicitly with the city of St. Louis for development, as other studies have shown cities often do in adjacent city competition. In the case of Kansas City, suburban cities may take the lead when the core city does not use the tool as much. This reversal of roles has tremendous implications for the way our regions grow, especially regions that cross state lines and may have another competing source for development. Driving the size and aid intensity of TIF, not only in the city but also regionwide, may be the fact that Kansas City, Kansas and other Kansas-side suburbs compete for jobs and development so fiercely.

In the case of Kansas City, one might say that the city behaves in a risk-averse fashion, as the state of Kansas’s grab for development threatens the city’s investment and tax base. Later, when Kansas City declines to engage in the bidding with the state of Kansas, this tactic sends a signal to its suburbs that they may want to engage in risky decisions to avoid a loss in regional development. It also appears in contrast to Pacewicz’s (2013) findings that Kansas City, under the direction of Mayor Funkhouser, was behaving in a less puzzling manner in terms of financial sustainability, as Funkhouser curbed the use of TIF. In the case of St. Louis, the behavior of using TIF may be perceived more as a gain compared with the previously poor experience with TIF that made the city reluctant to use it, in addition to the cost of the perception and reality of the city’s decline. For the city of St. Louis, obtaining development at some cost, or a small loss, warrants some level of TIF use for the city to improve its image, especially when they do not face much competition from the neighboring state of Illinois. Also, St. Louis may have acted sustainably, using their tax incentives to focus on smaller TIF projects, although more numerous than the Funkhouser-administration period. The suburbs of St. Louis probably do not see the city as a competitor, but rather hope that the city’s demise will be stymied and not spread. This strategy would subdue the competition from the suburbs and make it not as reactive to the behavior in the central city, as seen in Kansas City. In a one-state study, the end effect on a bistate region, if any, is hard to determine. However, other taxing jurisdictions, such as libraries and school districts, suffer from less revenue and potential tax value loss, which should return in 23 years, except in places like St. Louis where the city and the county share the same geographic boundaries. Furthermore, more often than not, by the time properties again generate tax revenue, the loss in property value that is taxed negates the gain. Some interviewees in the Kansas City area have even called for amendments to the TIF

length. One interviewee suggested the length of the TIF should end when the development is complete or simply made more definitive. Another interviewee noted that the current 23-year period could be expanded by 10 more years when the TIF boundaries are expanded and that TIF redevelopment plans can be amended many times.

In St. Louis, where virtually no competition for jobs and development occurs regionally with the neighboring state of Illinois, TIF use in the central city (St. Louis, Missouri) is concentrated on smaller projects. Although project size has increased in the suburbs in both regions, the findings reveal that TIF size and aid intensity are not as large in the St. Louis metropolitan area as in Kansas City. It is possible that the communities' perceptions of their situations influence the views of their TIF actions. For example, Kansas City facing real losses to Kansas and St. Louis facing no threat from Illinois may help explain two divergent patterns of TIF use in these central cities but complementary ones with their suburbs. One solution for cities and taxing districts under siege or wishing to improve their state, whether their anchor is one of loss or gain, would be to share in both the benefits and costs of the TIF projects regionwide. In the case of Kansas City, the city could become a formidable threat to the State of Kansas in a bidding war when it comes to jobs and growth. In the case of St. Louis, the allocation of costs and benefits could be more evenly distributed and enrich the entire community, as opposed to abating only momentarily a further decline. Much like Sands, Reese, and Trudeau (2007) note, this strategy could help balance regionwide both city and neighborhood needs. Finally, our interviews show that many aspects of TIF remain controversial 30 years after the state legislature originally authorized TIF.

More research is needed, specifically on additional comparisons of central cities and their suburbs. Consideration to municipalities' anchoring points (of loss or gain) along with the more structural factors—such as mayoral term limits, commission majorities, regional competition, barriers to cooperation, and historical use, as well as amount and size of TIF projects—would be helpful to determine driving factors and further explain existing patterns of TIF use.

In light of these findings, changes to the Missouri TIF statute are probably necessary to promote regional cooperation more than intraregional competition. Although it is possible, cities might not want to forgo their competitive nature for fear of losing a chance at development or giving another area an edge, surrendering tax dollars to development that might be just as well suited in another part of the region, may need to be considered. An equity based approach to using development incentives regionally may return better outcomes for all jurisdictions than competing with tax dollars that may affect the future of services such as education. In 2007, the Missouri General Assembly established county TIF Commissions in St. Louis, St. Charles, and Jefferson Counties, where municipalities have only 3 of the 12 votes, and negative decisions by the Commission require the cities to obtain a two-thirds city council supermajority to approve a TIF (Butler, 2012: 65). The city of Ellisville did override the county TIF Commission in 2012 adopting an \$11 million TIF for a Wal-Mart store (Deere, 2012), and several St. Louis interviewees suggested that these county TIF Commissions should be strengthened to make it even more difficult for a city to adopt a TIF proposal that the commission has ruled against. In 2016, the state legislature did just that, restricting TIF in those cases to expenditures on land clearance and building demolition only (Schlinkmann, 2016). The situations that several Kansas City interviewees described suggest that extending the law statewide could be a valuable reform. In fairness to both the communities and

the regions, it may be that now is the time to take a regional approach to economic development. If the spoils and costs are shared more evenly across a region, not unlike the case of Minneapolis-St. Paul's regionwide economic development revenue sharing and joint development of wastewater infrastructure, some unintended consequences may be averted.

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