

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**City of St. Louis**

**Local Taxing Districts**

Report No. 2019-114

November 2019

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of St. Louis - Local Taxing Districts

Establishment and Evaluation of Local Taxing Districts	The City of St. Louis does not have a comprehensive economic development plan that provides a strategic approach for establishing and evaluating local taxing districts.
Community Improvement Districts	City officials allow Community Improvement Districts (CIDs) to form and operate without adequate public scrutiny to ensure these districts are in the best interest of the public. The city does not have procedures in place to ensure CIDs in the city provide annual budgets and annual performance reports as required by state law.
Transportation Development Districts	City officials do not scrutinize proposed Transportation Development District (TDD) projects to ensure the project is in the best interest of the public or if the cost of the project is a prudent use of taxpayer funds. The city has not appointed advisors to any of the TDD Board of Directors as required by state law.
Special Business Districts	The city did not establish any of the 21 current Special Business Districts in accordance with state law.

In the areas audited, the overall performance of this entity was **Poor**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# City of St. Louis - Local Taxing Districts

## Table of Contents

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State Auditor's Report	2
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Introduction	
Background .....	4
Scope and Methodology .....	7

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Management Advisory Report - State Auditor's Findings	
1. Establishment and Evaluation of Local Taxing Districts .....	9
2. Community Improvement Districts .....	11
3. Transportation Development Districts .....	15
4. Special Business Districts .....	17

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Appendixes	
A Layered Incentive Developments .....	19
B City of St. Louis Response .....	20

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## **NICOLE GALLOWAY, CPA** **Missouri State Auditor**

To the Honorable Mayor  
and  
Executive Director, St. Louis Development Corporation  
City of St. Louis, Missouri

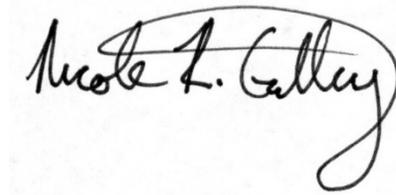
We have audited certain operations of the City of St. Louis regarding the administration of local taxing districts in fulfillment of our duties under Section 29.200.3, RSMo. The State Auditor initiated audits of the City of St. Louis in response to a formal request from the Board of Aldermen. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2018. To minimize duplication of effort, we reviewed the report and the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2018. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions related to local taxing districts.
2. Evaluate the city's compliance with certain legal provisions related to local taxing districts.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions related to local taxing districts.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the administration of local taxing districts by the City of St. Louis.

Additional audits of various officials and departments of the City of St. Louis are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the word "Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# City of St. Louis - Local Taxing Districts

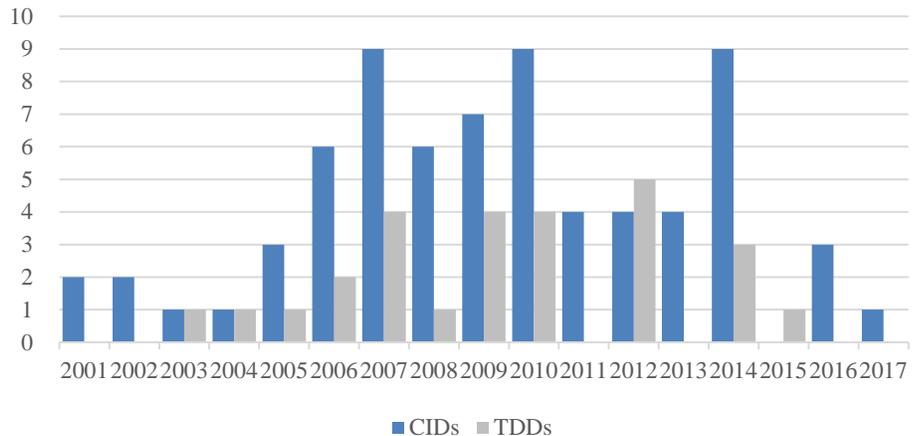
## Introduction

### Background

The City of St. Louis uses a variety of local taxing districts (LTDs) to help provide public improvements and services to specific communities within the city. These LTDs include community improvement districts (CIDs), transportation development districts (TDDs), and special business districts (SBDs).

Figure 1 shows the total number of CIDs formed in the city each calendar year from 2001 through 2017 and TDDs formed in the city each calendar year from 2003 through 2015 based on information provided by the city.

Figure 1: Number of CIDs and TDDs formed by calendar year



Source: Prepared by the State Auditor's Office (SAO) using data from the City Register.

### Community Improvement Districts

The CID Act was established in 1998 and allows for the formation of CIDs under Sections 67.1401 to 67.1571, RSMo. CIDs are separate legal entities, either a political subdivision or a not-for-profit corporation. They are established to pay for either public improvements, or private projects if the area is declared blighted. The projects are funded by these districts through a sales and use tax, special assessment, or real property tax imposed by the district. As of June 30, 2018, city records indicate 86 CIDs existed in the city.

### Formation

The process of forming a CID is initiated by the property owner/developer submitting a petition to the city requesting formation. The city is then responsible for determining if the petition complies with the legal requirements and must hold a public hearing before the city can adopt an ordinance approving the petition and establishing the district.

### Funding methods

While various funding methods are allowed by law, 79 percent of CIDs formed in the city that responded to our questionnaire during a statewide CID audit<sup>1</sup> are funded with sales taxes imposed on taxable retail sales within the

<sup>1</sup> SAO, *Community Improvement Districts*, report number 2018-056, issued August 2018.



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## City of St. Louis - Local Taxing Districts Introduction

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district boundaries. Special assessments are the funding method used by approximately 21 percent of the CIDs within the city that responded to our survey.

### Municipality involvement

The city is required to:

- Receive the petition requesting formation, ensure the petition contains all the elements required by law, hold a public hearing regarding the proposed district, and if desired, establish the district via an ordinance.<sup>2</sup>
- Perform required tasks outlined in the petition requesting formation, such as appoint board members.

For additional information on CIDs, see Report No. 2018-056, issued August 2018.

### Transportation Development Districts

The TDD Act was established in 1990 and allows for the formation of TDDs under Section 238.200 through 238.280, RSMo. TDDs are separate political subdivisions established and organized for construction, operating, and/or maintaining of transportation-related projects. The projects are funded by sales and use tax, special assessment, or real property tax imposed by the district. As of June 30, 2018, city records indicate 31 TDDs existed in the city.

### Formation

The process of establishing a TDD is initiated by the filing of a petition in the circuit court of the city. The circuit court subsequently hears the case and makes a decision whether to authorize the establishment of the district.

### Funding methods

While various funding methods are allowed by law, 100 percent of TDDs formed in the city that responded to our questionnaire during a statewide TDD audit<sup>3</sup> are funded with sales taxes imposed on taxable retail sales within the district boundaries.

### Municipality involvement

In instances where the TDD's project is not intended to be merged into the state highways and transportation system, the Local Transportation Authority (LTA), in this case, the city, is required to:

- Appoint one or more advisors to the board of directors.<sup>4</sup>
- Approve the project prior to the construction or funding of the project.<sup>5</sup>

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<sup>2</sup> Section 67.1421, RSMo.

<sup>3</sup> SAO, *Transportation Development Districts*, report number 2017-020, issued April 2017.

<sup>4</sup> Section 238.220.5, RSMo.

<sup>5</sup> Section 238.225, RSMo.



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## City of St. Louis - Local Taxing Districts Introduction

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- Approve any modifications to the project.<sup>6</sup>
- Enter into an agreement with the TDD regarding development and future maintenance of the project.<sup>7</sup>

For additional information of TDDs, see Report No. 2017-020, issued April 2017.

### Special Business Districts

SBDs are authorized under Section 71.790 through 71.808, RSMo. SBDs may impose additional property taxes and business licenses to fund certain public improvement and services within the district. As of June 30, 2018, city records indicate 21 SBDs existed in the city.

### Formation

The process of forming an SBD is initiated by the city conducting a survey and investigation to determine the nature and location of the improvements as well as other factors. Then, a petition is filed by the property owners requesting formation and the city may establish the district via an ordinance.

### Funding methods

SBDs are allowed to impose a property tax and a business license tax within the district.

### Municipality involvement

The city is required to:

- Perform the survey and investigation and file the report in the City Clerk's office, which is available for public inspection.<sup>8</sup>
- Form the district via ordinance.<sup>9</sup>
- Appoint an advisory board or commission to make recommendations as to how the revenue of the SBD will be used.<sup>10</sup>

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<sup>6</sup> Section 238.225.3, RSMo.

<sup>7</sup> Section 238.225.3, RSMo.

<sup>8</sup> Section 71.792, RSMo.

<sup>9</sup> Section 71.794(4), RSMo.

<sup>10</sup> Section 71.798, RSMo.



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City of St. Louis - Local Taxing Districts  
Introduction

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## Scope and Methodology

The scope of our audit included, but was not limited to, the year ended June 30, 2018.

Our methodology included gathering information regarding LTDs through discussions with various officials of the city and the St. Louis Development Corporation (SLDC)<sup>11</sup> and reviewing information maintained by these entities. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We reviewed the petition and formation documents for selected CIDs. We discussed the city's oversight of LTDs with city officials. We also reviewed information maintained by the Department of Revenue and Department of Economic Development regarding sales tax collections and compliance with reporting requirements. We performed site visits to selected LTDs to review the project.

In addition, the SAO issued statewide audits of CIDs<sup>12</sup> and TDDs<sup>13</sup> in 2017 and 2018. As a part of these audits, the SAO sent questionnaires to districts using contact information provided by or obtained from the Department of Economic Development, Department of Revenue, Missouri Department of Transportation, and the various districts. The surveys requested information, including the board composition, the number of years the district can exist, the nature of the district project, the types of revenues (taxes, assessments, or user fees), if the district is associated with other economic incentives, and if the district is located in a blighted area.

We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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<sup>11</sup> The St. Louis Development Corporation acts as the economic development arm for the city of St. Louis and works to foster economic growth within the city by encouraging private investment in both city real estate and business development.

<sup>12</sup> SAO, *Community Improvement Districts*, report number 2018-056, issued August 2018.

<sup>13</sup> SAO, *Transportation Development Districts*, report number 2017-020, issued April 2017.



## City of St. Louis - Local Taxing Districts Introduction

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The SAO also performed individual audits of the 1225 Washington TDD<sup>14</sup> in 2015, the Washington Avenue TDD<sup>15</sup> in 2014, and the St. Louis Convention Center Hotel TDD<sup>16</sup> in 2012.

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<sup>14</sup> SAO, *1225 Washington Avenue Transportation Development District*, report number 2015-062, issued August 2015.

<sup>15</sup> SAO, *Washington Avenue Transportation Development District*, report number 2014-098, issued October 2014.

<sup>16</sup> SAO, *St. Louis Convention Center Hotel Transportation Development District*, report number 2012-143, issued November 2012.

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# City of St. Louis - Local Taxing Districts

## Management Advisory Report

### State Auditor's Findings

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#### **1. Establishment and Evaluation of Local Taxing Districts**

The City of St. Louis does not have a comprehensive economic development plan that provides a strategic approach for establishing and evaluating local taxing districts. As a result, the city does not consider if the proposed district, corresponding project, and the resulting taxation of the public is in the best interests of the city and the public.

The city establishes Community Improvement Districts (CIDs) and Special Business Districts (SBDs) and approves Transportation Development District (TDDs) projects without a comprehensive economic development plan to aid in decision making by local leaders. City officials do not have any guidance or criteria to use when evaluating the merits of a proposed district. As a result, they perform a cursory review of the proposed district, mostly to ensure the legal requirements are met, conduct public meetings as required by state law, and then approve the district. No critical evaluation of the merits are considered when determining if the proposed district, and corresponding project and taxation of the public, is in the best interests of the city and the public. This has resulted in developers establishing local taxing districts (LTDs) where the purpose of the district is not well defined, where it is questionable if the project is in the best interests of the public, and where multiple economic incentives and LTDs are approved for the same area. These LTDs overlap each other, resulting in the public paying significantly higher sales tax rates, while allowing the developer to also benefit from the use of Tax Increment Financing (TIF) and Tax Abatement (TA). For the purposes of this report, these districts will be referred to as layered incentive districts (LID).

During 2017 and 2018, the city implemented a new financial model used to evaluate the financial feasibility of TIFs and large TAs.<sup>17</sup> LTDs are included in this analysis if the developer seeking the TIF or large TA notifies the SLDC of their intent to also use an LTD. This method of evaluating LTDs is insufficient for the following reasons:

- The merits of the LTD(s) are not considered. Instead, the LTDs are only evaluated to determine the extent of potential cash flows to the developer. No consideration is performed to determine if the LTD is structured in a way that provides adequate protection to the public or if the LTD and the proposed LTD project are in the best interest of the City and the public.
- The only LTDs included in this financial model are the LTDs the developer is combining with a TIF and/or a large TA and if the same developer discloses the LTD information to the SLDC for analysis. There is no requirement for all proposed LTDs to be evaluated. As a result, 0 of

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<sup>17</sup> A Tax Abatement is considered large if the project is greater than \$1 million.



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City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

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the 138 LTDs that existed in the city as of June 30, 2018 have been included in a financial analysis.

Layering of taxing districts

We identified 25 LIDs where two LTDs overlap, resulting in an additional 2 percent sales tax in these areas. The majority of these LIDs include a TIF, which redirects incremental sales and property taxes to the developer, or TA, which allows the property owner/developer to not pay additional property taxes as the value of the property increases as a result of the development. The 25 LIDs identified contain 25 TDDs, 24 CIDs, 16 TIFs, and 3 TAs. During the year ended June 30, 2018, the LTDs located in these LIDs collected approximately \$5.5 million in sales taxes. The sales tax rate charged in these 25 LIDs is the highest in the state at 11.679 percent. City officials stated combining LTDs with a TIF results in the TIF debt being repaid sooner and by the taxpayers that are the 'users' of the project. However, city taxpayers are already subject to the highest sales tax rates in the state, and the city does not evaluate if the use of these tax dollars are in the best interest of the public.

See Appendix A for the listing of these 25 LIDs and the dollar amount of associated LTD sales tax revenue during the fiscal year ended June 30, 2018.

Designing and implementing an economic development plan could provide guidance or limitations on the following:

- The goals the city is looking to achieve by allowing the LTDs to exist
- Any preferred LTD locations
- Any criteria for desired or undesired LTD projects
- Any preferred LTD funding methods
- Limitations on the life and the allowable debt of the LTD
- Limitations on the number and purpose of LTDs

A plan could also provide clear responsibilities and duties when it comes to evaluating and monitoring the LTDs to ensure the goals of both the city and district are being achieved.

While the city has an economic development plan in conjunction with the St. Louis Economic Development Partnership, city officials have indicated the plan does not include any guidance on the use of LTDs. By defining parameters in a comprehensive economic development plan for establishing and issuing LTDs, the city and the Board of Aldermen will be able to provide more assurance the districts created are in the best interest of the public.



City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

MAR finding numbers 2, 3 and 4 contain recommendations specific to the city's handling of CIDs, TDDs and SBDs.

## Recommendation

The City of St. Louis establish a comprehensive economic development plan that defines parameters for establishing and approving local taxing districts. In addition, the comprehensive economic development plan should establish thresholds on the number of districts approved and the amount of taxes to be collected.

## Auditee's Response

*The city provided a written response. See Appendix B.*

## Auditor's Comment

The city's response references the use of a financial analysis model to evaluate the need for LTDs. Our review found that as of June 30, 2018, no active LTDs were processed through the analysis model referenced. Based on discussions with city personnel, any current or future LTDs processed through that model will be analyzed, however the extent of that analysis is to determine if LTD revenues are necessary for the viability of the project under analysis. No evaluation of the merits of the LTD, or evaluation of whether the LTD is structured in such a way to protect taxpayers, is included. Our recommendation is intended to ensure the city has guidelines established regarding when such LTDs are appropriate, to ensure criteria are established related to the structure and governance of any LTDs or projects approved, and to provide the Board of Alderman and the public additional assurance any LTDs and their projects are in the best interest of the taxpayer.

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## 2. Community Improvement Districts

City officials allow CIDs to form and operate without adequate public scrutiny to ensure these districts are in the best interest of the public. They also do not monitor these districts after formation to ensure they operate in the best interest of the public. In addition, the city does not have procedures in place to hold the CIDs accountable when they fail to comply with state reporting requirements. As of June 30, 2018, there were 86 CIDs within the city according to the City Register. Annual revenues for these CIDs are approximately \$10 million.

### 2.1 Minimal public scrutiny when districts are formed

City officials do not perform adequate public scrutiny of the CIDs before allowing them to form and tax the public. A petition requesting the formation of a CID is required to be filed with the City Registrar, with state law<sup>18</sup> requiring the petition to contain certain elements.<sup>19</sup> The city is then required to hold a public hearing and then may adopt an ordinance to establish the

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<sup>18</sup> Section 67.1421.2(3), RSMo.

<sup>19</sup> Certain required elements include the legal description of the district, a 5-year plan stating the purposes of the district as well as the services to be provided, improvements to be made, an estimate of the costs to be incurred the method of selecting the board, a statement as to whether the petitioners are seeking a blighted designation for the district, and the proposed length of time for the existence of the district.



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City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

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City does not require district purpose to be well defined

CID.<sup>20</sup> The city has complied with all of these requirements. However, additional scrutiny of these petitions is necessary to protect public interests. When a petition to form a CID is received, representatives of the city stated a legal review is performed to ensure all the required elements are included in the petition. However, based on discussions with city officials and a review of city records, the city does not ensure the purpose of the district is well defined or that the board contains independent representation.

The city does not require district petition documents contain a well-defined purpose. While state law requires the petition to state the general purpose of the district, the estimated costs to be incurred, and the proposed length of time the district will be in existence, district petition documents do not always specifically define the district project. As a result, the city has allowed districts to form with vague purposes.

Our review of the petition documents for 18 CIDs that are included in the LIDs discussed in MAR finding number 1 determined none of the 18 had a well-defined purpose. For example, 13 of the petitions reviewed included the following language specifically or with minor changes:

*The contemplated improvements and services consist of any of the improvements and services authorized under the Act<sup>21</sup> including, without limitation...*

Of the remaining 5 districts, 2 used this language except the district was not authorized to acquire property by condemnation.

Requiring the CID petition to better define the purpose of the district would provide better information to city officials when evaluating the merits of the district and would help protect the public interest by ensuring CID revenues are only used for intended purposes.

Boards are not required to include anyone independent

The city does not require anyone independent of the developer/property owner(s) to be on the board of directors if no registered voters reside within the district (i.e. the CID is created for retail development). While state law allows the city to dictate the make-up of the board before formation of the district, the city does not require independent representation prior to approving the petition. As a result, many of the district boards do not include anyone independent of the developer/property owner. During a statewide CID

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<sup>20</sup> Section 67.1421.4, RSMo.

<sup>21</sup> The CID Act - Sections 67.1401 through 67.1571, RSMo.



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City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

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audit,<sup>22</sup> we determined the following from the St. Louis established CIDs that responded to our questionnaire:<sup>23</sup>

- The property owner/developer has a controlling interest (greater than 50 percent) on the board of 51 of the 53 CIDs, or 96 percent, that have appointed a board.
- There is no one independent of the property owner/developer on the board of 42 of the 53 CIDs, or 79 percent that have appointed a board.

Approving CIDs without adequate scrutiny results in CIDs that lack independent representation, projects that are not well defined and projects that overlap with other incentives creating additional LIDs in the city. Our statewide audit of CIDs illustrates the weaknesses in CID state law and recommended municipalities perform a more critical review of district petition documents to ensure the interests of the public are considered. While state law does not require CIDs be structured in such a way to ensure public representation on the board or require the project to be well defined, doing so provides greater protection to the public.

### Districts can be established to pay TIF liabilities

A review of established CIDs identified districts created with the sole purpose of paying down tax increment financing (TIF) liabilities, thereby ensuring the developer is repaid for TIF reimbursable costs sooner than otherwise would occur. The questionnaires completed from the statewide audit of CIDs indicate 30 of the responding 55 CIDs (55 percent) are part of a TIF. These arrangements can involve most CID revenues going toward the TIF, instead of only 50 percent like other economic activity taxes. State law already includes funding mechanisms for developers to be reimbursed for TIF projects but developers/property owner(s) are establishing CIDs to provide additional funding for TIF projects. City officials stated the financial involvement of an LTD as part of the financial structure of a project is viewed as a positive since it generates additional revenue, and results in the user of the particular project helping to pay for the development.

It is not clear if state law intended the formation of CIDs for this purpose, and while a CID used to pay TIF debt is clearly in the best interest of the developer, it is not clear whether such a district is in the best interest of the public paying the additional tax.

## 2.2 Lack of transparency

The city does not have procedures in place to ensure CIDs in the city provide annual budgets and annual performance reports as required by state law.

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<sup>22</sup> SAO, *Community Improvement Districts*, report number 2018-056, issued in August 2018.

<sup>23</sup> We sent a questionnaire to all identified CIDs requesting various information, including the composition of the board of directors. Not all CIDs responded to our request for information.



City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

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Budgets

We determined 85 of 86 of the CIDs reviewed (99 percent) did not submit a proposed annual budget for fiscal year 2018 to the city within the statutory required time frame. One district submitted a budget, but city records did not indicate when it was received. Of the 85 districts, 71 (83 percent) did not submit budgets and 14 submitted their budgets after the statutory required timeframe. These 14 districts submitted their budgets between 165 and 544 days (average of 261 days) after the statutory deadline.

State law<sup>24</sup> requires that no earlier than 180 days and no later than 90 days prior to the first day of each fiscal year, each CID's Board of Directors shall submit to the governing body of the municipality a proposed annual budget, setting forth expected expenditures, revenues, and rates of assessment and taxes, if any, for such fiscal year.

Annual performance reports

We determined 56 of 86 (65 percent) of the CIDs reviewed did not submit the annual performance report for fiscal year 2018 to the city within the statutory required time frame. Of these 56 districts, 55 did not submit reports and 1 submitted the report after the statutory required timeframe.

State law<sup>25</sup> requires that within 120 days after the end of each fiscal year, each CID's Board of Directors shall submit to the governing body of the municipality an annual performance report, stating the services provided, revenues collected and expenditures made by the district during such fiscal year, and copies of written resolutions approved by the board during the fiscal year.

Conclusion

Compliance with reporting requirements is necessary for public transparency. While state law does not require the city to actively enforce the above reporting requirements, it is in the best interests of the city and the taxpayers to ensure compliance.

Recommendations

The City of St. Louis:

- 2.1 Establish procedures to perform and document an evaluation of CID petitions to ensure a potential district is in the best interest of the public before adopting an ordinance establishing the district. Also, ensure the CID is structured in a way that provides independent oversight of CID activities.
- 2.2 Establish procedures to ensure CIDs are submitting annual budgets and annual performance reports to the city within the timeframe required by state law.

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<sup>24</sup> Section 67.1471.2, RSMo.

<sup>25</sup> Section 67.1471.4, RSMo.



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## Auditee's Response

*The city provided written responses. See Appendix B.*

## Auditor's Comment

The city's response states, correctly, that the city is in compliance with state law when approving CID petitions. Our finding does not cite noncompliance, but rather the need for more effective oversight and scrutiny to protect taxpayers. The city also implies that some level of scrutiny is applied by the public or the voters, however, based on survey responses in our statewide audit<sup>26</sup> of CIDs, 26 of the 42 CIDs (62 percent) in the city were created and voted on not by the public, but by the property owners that benefit from them.

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### 3. Transportation Development Districts

City officials do not review proposed TDD projects to ensure the project is in the best interest of the public. Additionally, they do not monitor TDDs to ensure the TDDs complete the projects as approved by the city. As of June 30, 2018, there were 31 TDDs within the city limits, according to city records. During the year ending June 30, 2018, these TDDs received approximately \$3.8 million in sales taxes.<sup>27</sup>

#### 3.1 Minimal public scrutiny when projects approved results in public money for private assets

City officials do not scrutinize proposed TDD projects to ensure the project is in the best interest of the public or if the cost of the project is a prudent use of taxpayer funds. This weakness has allowed developers and property owners to use public money to pay for private assets. For example, our TDD audit report<sup>28</sup> discussed projects that involved parking lots that had already been constructed that did not appear to benefit the public.

Adequately scrutinizing proposed TDD projects will help ensure the project is in the best interests of the city and the public.

#### 3.2 No oversight of district boards

The city has not appointed advisors to any of the TDD Board of Directors as required by state law. During a statewide TDD audit,<sup>27</sup> we determined the following from the St. Louis established TDDs that responded to our questionnaire:<sup>29</sup>

- The property owner/developer has a controlling interest (greater than 50 percent) on the board of 11 of the 12 responding TDDs, or 92 percent.
- There is no one independent of the property owner/developer on the board of 10 of the 12 responding TDDs, or 83 percent.

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<sup>26</sup> SAO, *Community Improvement Districts*, report number 2018-056, issued in August 2018.

<sup>27</sup> Sales taxes are imposed and collected by the TDDs that have imposed a sales tax. These monies are then sent to the Missouri Department of Revenue (DOR). The DOR retains a collections fee and then remits the remaining collections to the respective TDDs.

<sup>28</sup> SAO, *Transportation Development Districts*, report number 2017-020, issued April 2017.

<sup>29</sup> We sent a questionnaire to all identified TDDs requesting various information, including the composition of the board of directors. Not all TDDs responded to our request for information.



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City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

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We identified one instance where the TDD modified the project without obtaining approval from the city, which could have been detected had the city appointed advisors to the Board. The Washington Avenue TDD project was to provide public parking in the city by leasing a parking lot and making it available to the public (using the method described in section 3.1 by using public money to pay for private assets). However, the property owners do not allow the public access to the parking lot but instead only lease the spaces to tenants of their loft apartment building. The Washington Avenue TDD still imposes the sales tax on the public but provides no benefit to the public. This issue was communicated to city officials in October 2014<sup>30</sup> and they have taken no action to address the problem.

According to a city official, state law does not require the city to perform oversight of TDDs, including tracking and monitoring. As a result, city officials do not perform any tracking or oversight of TDDs. However, state law<sup>31</sup> requires the city to appoint one or more advisors to the board of directors if the TDD project is not going to be merged with the state highway system. These advisors have the authority to participate in all board meetings and discussions, whether open or closed, and have access to all records of the district and its board of directors. Given the large percentage of TDD board of directors that do not have anyone independent of the property owner/developer on the board, appointing advisors independent of the property owner/developer would provide assurance the TDD board of directors make decisions that benefit the public. City officials said this requirement is an unfunded mandate from the state and expressed concern about finding individuals to serve in this capacity. However, it is in the taxpayers' best interests to have some form of public representation on these public entity boards.

## Recommendations

The City of St. Louis:

- 3.1 Establish procedures to perform an evaluation of proposed TDD projects and document their results to ensure the project is in the best interest of the public and the cost of the project is a prudent use of taxpayer funds before approval.
- 3.2 Establish procedures to ensure advisors are appointed to the TDD Board of Directors in accordance with state law.

## Auditee's Response

*The city provided written responses. See Appendix B.*

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<sup>30</sup> Washington Avenue Transportation Development District, report number 2014-098, released in October 2014.

<sup>31</sup> Section 238.220.5, RSMo.



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## Auditor's Comment

The city's response suggests the State Auditor's Office (SAO) is required by state law to provide oversight of TDDs. Section 238.272, RSMo, provides the SAO the discretion to audit TDDs if necessary and has done audits of TDDs including a review of the oversight of TDDs in the City of St. Louis. The City of St. Louis is the transportation authority with project approval responsibilities for TDDs within its city limits, and is the most appropriate entity to provide the oversight recommended.

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## 4. Special Business Districts

The city did not establish any of the 21 current SBDs in accordance with state law. We determined the city did not perform a survey and investigation report for all of these SBDs as required by law, resulting in a general lack of transparency between the city, the district, and the public.

Prior to establishing an SBD, state law<sup>32</sup> requires the governing body of the municipality to conduct a survey and investigation. In addition, this survey and investigation is required to be written in a report, filed with the City Register, and made available for public inspection. City officials could not provide any explanation for why these documents were not required or on file.

## Recommendation

The City of St. Louis establish procedures to ensure survey and investigation reports are prepared for all SBDs, filed with the City Register, and made available to the public.

## Auditee's Response

*The city provided a written response. See Appendix B.*

## Auditor's Comment

The city's response makes reference to the existence of required survey and investigation documents. During audit fieldwork and as of the report exit conference, city officials provided us no evidence of the existence of these documents.

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<sup>32</sup> Section 71.792, RSMo, requires the survey and investigation "for the purposes of determining the nature of and suitable location for business district improvements, the approximate cost of acquiring and improving the land therefor, the area to be included in the business district or districts, the need for and cost of special services, and cooperative promotion activities, and the percentage of the cost of acquisition, special services, and improvements in the business district which are to be assessed against the property within the business district and that part of the cost, if any, to be paid by public funds."



City of St. Louis - Local Taxing Districts  
Management Advisory Report - State Auditor's Findings

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## Overall Conclusion

LTDs are development tools established by state law intended to help encourage development at the local level. State law also leaves oversight primarily up to local officials, including approval of CID and SBD petitions and approval of TDD projects, and the ability to participate in the governance of these districts. State law also requires various documents and reports to ensure transparency and aid in local oversight. The city has not used the tools provided by state law to provide any meaningful oversight of LTDs, and has made no coordinated effort to strategically evaluate LTD petitions and projects. By taking action to be more critical of LTD petitions and projects, and by taking a more active role in providing oversight of LTDs, the city can help ensure the tax dollars that go toward these districts are used in the most effective manner possible and in the best interest of taxpayers.



Appendix A  
 City of St. Louis - Local Taxing Districts  
 Layered Incentive Developments

	TDD	CID	Additional LTD Sales Tax Rate	Sales Tax Revenue, June 30, 2018	TIF	Tax Abatement
1	1225 Washington	1225 Washington	2 percent	\$ 140,673	Yes	No
2	1831/2000 Sidney St	1831/2000 Sidney St	2 percent	***	No	Yes
3	2118 Chouteau	2017 Chouteau	2 percent	***	No	No
4	212 S Grand	212 S Grand	2 percent	93,489	No	Yes
5	501 Olive ****	501 Olive	2 percent	***	No	No
6	620 Market St	620 Market St	2 percent	***	No	Yes
7	705 Olive	705 Olive	2 percent	***	No	Yes
8	Ballpark Village	Ballpark Village	2 percent	303,369	Yes	No
9	Broadway Carrie	North Broadway Carrie	2 percent	131,706	Yes	No
10	Broadway Hotel ****	Broadway Hotel	2 percent	729,994	No	No
11	CB 5421-5975 Loop Trolley	* *	2 percent	212,145 790,733	Yes	No
12	City Hospital Laundry	City Hospital RPA 2 Ph1	2 percent	94,497	Yes	No
13	City Hospital Powerhouse	City Hospital Powerhouse	2 percent	***	Yes	No
14	Crowne Plaza	Crowne Plaza	2 percent	124,513	No	No
15	Euclid Buckingham	Euclid South	2 percent	***	Yes	No
16	Hampton/Berthold	Hampton/Berthold	2 percent	62,191	Yes	No
17	Laurel	Laurel	2 percent	177,592	Yes	No
18	Magnolia	Magnolia	2 percent	***	No	Yes
19	Railway Exchange Bldg	Railway Exchange Bldg	2 percent	22,992	Yes	No
20	Residence Inn Downtown	Residence Inn Downtown	2 percent	***	No	Yes
21	St. Louis CCH 3	St. Louis CCH 3	2 percent	1,081,158	Yes	No
22	St. Louis Food Hub	Georgian Square	2 percent	***	Yes	No
23	Union Station	Union Station	2 percent	713,572	Yes	No
24	Washington Avenue**	1133 Washington	2 percent	***	Yes	No
25	Washington Avenue**	1100 Washington	2 percent	***	No	Yes
Total				\$5,486,650		

\* The Loop Trolley TDD includes the CB 5421-5975 TDD. There is not a corresponding CID.

\*\* The Washington Avenue TDD includes the 1133 Washington and 1100 Washington CID.

\*\*\* This amount is redacted at the request of the Department of Revenue, but is included in the cumulative total. The Department of Revenue declines to disclose sales tax revenue for LTDs when fewer than 7 businesses are within their boundaries, citing Section 32.057, RSMo.

\*\*\*\* The 501 Olive LTD and the Broadway Hotel LTD have been approved for a tax abatement, however, the tax abatement has not been implemented because the project is either not complete or just been completed and the tax abatement was not implemented prior to June 30, 2018.



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response



OFFICE OF THE MAYOR  
CITY OF ST. LOUIS  
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LYDA KREWSON  
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October 2, 2019

Hon. Nicole Galloway  
State Auditor's Office  
P.O. Box 869  
Jefferson City, Missouri 65102

Re: City of St. Louis Response to State Auditor's Findings Regarding Local Taxing Districts

Dear Auditor Galloway:

The City of St. Louis sincerely thanks you and your staff for the time invested in preparing your report relating to the creation and operation of local taxing districts in the City of St. Louis. Although Community Improvement Districts (CID), Transportation Development Districts (TDD) and Special Business Districts (SBD) are all separate political subdivisions apart from the City, the City has a significant interest in ensuring that these districts are created and operated in an appropriate manner. Whenever it participates in the creation of a local taxing district, the City must consider the public's best interest and be responsive to the property owners and voters that petition or vote for the creation of these districts and the right to impose additional taxes or assessments upon themselves.

The City has reviewed the State Auditor's findings. Several of these findings are policy proposals that the City does not necessarily disagree with, but that require state legislation to implement effectively. Additionally, the City has identified several instances where the State Auditor's findings are inaccurate or as to which the City has a different opinion regarding best practices or policies. The City's responses to the State Auditor's findings are set forth below:

**1. Establishment and Issuance of Local Taxing Districts**

**Auditor Finding:** The City of St. Louis does not have a comprehensive economic development plan that provides a strategic approach for establishing and evaluating local taxing districts. As a result, the city does not consider if the proposed district, corresponding project, and the resulting taxation of the public is in the best interests of the city and the public.

**City's Response:** The plan described by the State Auditor is not required by state statute. Nonetheless, the City is currently in the process of formulating its Equitable Economic Development Strategy plan and will consider the State Auditor's findings as this plan is finalized. This plan is expected to be completed by January, 2020.





Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

**Auditor Finding:** [T]he city does not consider if the proposed district, corresponding project, and the resulting taxation of the public is in the best interests of the city and the public.

The city establishes Community Improvement Districts (CIDs) and Special Business Districts (SBDs) and approves Transportation Development District (TDDs) projects without a comprehensive economic development plan to aid in decision making by local leaders. City officials do not have any guidance or criteria to use when evaluating the merits of a proposed district. As a result, they perform a cursory review of the proposed district, mostly to ensure the legal requirements are met, and then approve the district. No consideration is given to determine if the proposed district, and corresponding project and taxation of the public, is in the best interests of the city and the public.

**City's Response:** The State Auditor's conclusion that the City does not consider if the proposed district, corresponding project and the resulting taxation of the public is in the best interests of the City and the public is incorrect. The State Auditor alleges that the City performs only a cursory review of the proposed districts to determine legal compliance, which is also incorrect. These false conclusions (1) do not take into account the economic and political differences among various local taxing districts and their corresponding projects, (2) significantly undervalue the economic modeling analysis performed by the St. Louis Development Corporation (SLDC), and (3) ignore the role of the public, the affected residents and property owners, and the City's elected Board of Aldermen in planning for and implementing local taxing districts.

Local taxing districts can be divided into "neighborhood level" and "site-specific" districts. Approval of legislation to create a neighborhood level district, such as a CID or SBD that encompasses an entire business district or several blocks, is the culmination of many months or even years of community planning and outreach. In contrast, site-specific CIDs and TDDs are usually associated with a single redevelopment project, that may have also undergone months or years of planning.

When legislation is finally introduced to create the neighborhood level district, the policy and political calculations have already been thoroughly analyzed by a critical mass of the affected residents and businesses and the sponsoring alderman. In these cases, City staff's role at the time legislation is being considered is largely to ensure legal compliance because the policy and political issues have been thoroughly vetted and resolved.

Site-specific CIDs and TDDs rarely exist without accompanying TIF or tax abatement for such projects. SLDC and City staff review proposed site-specific districts in connection with the other incentives because funding available from a district may be integral to the financial feasibility of the project or may reduce the need for TIF or tax abatement. SLDC has developed a detailed economic model to analyze requests to create local taxing districts in connection with other economic development incentives for projects over \$1,000,000 (projects under \$1,000,000 are unlikely to involve local taxing districts because of the costs of



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

forming and operating such districts). This model takes into account both the need for an incentive and estimated tax revenues expected to be available to the City and other taxing districts as a result of the project. If the project does produce the sufficient tax revenues, net of any incentives, in comparison to similar properties and in consideration of what is needed to adequately fund government services, the project and associated request to form a local taxing district will not be recommended.

The State Auditor concludes that merits of local taxing districts are not adequately taken into account as part of SLDC's analysis. The City disagrees. As noted above, the merits of a neighborhood level district are best evaluated as part of the community planning and outreach that occur prior to the introduction of legislation to create the district. The merits of a site-specific district cannot be evaluated in a vacuum; the City must evaluate whether the accompanying redevelopment project is in the best interests of the City. The SLDC analysis takes into consideration whether the requested incentive amount is necessary for the proposed project to be completed and whether the proposed project will, net of any tax incentives, generate sufficient taxes relative to what similar properties generate and what is needed by the City to fund governmental services.

Additionally, other aspects of the project may be reviewed by the City's Planning Commission and Preservation Board. If TIF is involved, the City's TIF Commission will also review the project. Due to the timing of when a developer actually closes on the purchase of property, a petition to create a site-specific CID or TDD may come months after TIF, tax abatement and zoning approvals. Without the context of these prior project approvals, the approval of a local taxing district may seem cursory, but, in reality, would be another step in a series of related project analysis and approvals, many of which occurred many months prior to the approval of the related local taxing district.

Finally, the City notes that it has 28 elected aldermen. In almost all cases, an alderman for a specific ward introduces the legislation for the creation of local taxing districts in his or her ward. Aldermen are routinely involved in the planning process of local taxing districts, either through participation in neighborhood groups or through consultations with developers wishing to undertake projects in an alderman's ward. If the alderman believes that a local taxing district is appropriate, it is then up to that alderman to convince a majority of his or her counterparts to approve the legislation. The ultimate determination of whether a thorough analysis of a proposed local taxing district has occurred is part of the sponsoring alderman's decision to introduce legislation and the other aldermen's decision to vote in favor or against the legislation.

**Auditor's Finding:** This has resulted in developers establishing local taxing districts (LTDs) where the purpose of the district is not well defined, where it is questionable if the project is in the best interests of the public, and where multiple economic incentives and LTDs are approved on the same area. These LTDs overlap each other, resulting in the public paying significantly higher sales tax rates, while allowing the developer to also benefit from the use of Tax Increment Financing (TIF) and Tax Abatement (TA). For the purposes of this report, these districts will be referred to as layered incentive districts (LID).



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

**We identified 25 LIDs where two LTDs overlap, resulting in an additional 2 percent sales tax in these areas. The majority of these LIDs include a TIF, which redirects incremental sales and property taxes to the developer, or TA, which allows the property owner/developer to not pay additional property taxes as the value of the property increases as a result of the development.**

City's Response: State law permits overlapping local taxing districts. Additionally, the use of overlapping districts on large development projects can reduce the need for TIF and tax abatement that burden city-wide taxing districts. Essentially, for a project that warrants assistance, the City and the proponent of the project must often determine whether it is better to place a heavier burden on the ultimate users of the project (through local taxing district sales taxes or assessments) or the City, the school district and other city-wide taxing districts (through more generous tax increment financing and tax abatement incentives).

The State Auditor's findings also criticize applying funds from taxing districts to TIF obligations. Not only does state law permit applying funds from local taxing districts to the payment of TIF obligations, it can speed up the repayment of those obligations (which allows for the termination of TIF at an earlier date – a significant benefit to the school district and other taxing districts).

**Auditor's Recommendation:**

**We recommend the Board of Aldermen establish a comprehensive economic development plan that defines parameters for establishing and approving local taxing districts. In addition, the comprehensive economic development plan should establish thresholds on the number of districts approved and the amount of taxes to be collected.**

City's Response: See discussion above.

**2. Community Improvement Districts**

**2.1 Minimal public scrutiny when districts are formed**

**Auditor's Finding:** City officials allow CIDs to form and operate without adequate public scrutiny to ensure these districts are in the best interest of the public.

**The city does not perform adequate public scrutiny of the CIDs before allowing the CIDs to form and tax the public.**

City's Response: The City complies with all requirements of the Community Improvement District Act, Sections 67.1401 to 67.1571, RSMo. (the "CID Act") regarding the formation of community improvement districts. As noted above, "neighborhood level" districts are often the culmination of years of community planning and outreach and "site specific" districts receive a comprehensive evaluation in concert with their accompanying development or redevelopment project.



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

**Auditor's Finding:** [T]he city does not have procedures in place to hold the CIDs accountable when they fail to comply with state reporting requirements.

**City's Response:** The CID Act does not provide an enforcement mechanism or a penalty if a CID fails to file budgets or annual reports with the City in a timely manner. State legislation to amend the CID Act to include an enforcement mechanism or penalty should be considered.

**Auditor's Finding:** The city does not require district petition documents contain a well-defined purpose. While state law requires the petition to state the general purpose of the district, the estimated costs to be incurred, and the proposed length of time the district will be in existence, district petition documents do not always specifically define the district project. As a result, the city has allowed districts to form with vague purposes.

**City's Response:** The State Auditor's findings conclude that the project descriptions in many of the petitions for the creation of community improvement districts were not well-defined. These project descriptions are almost always drafted by the proponents of the district and the City's review of a petition upon submission to the City ensures that all project descriptions meet the requirements of the CID Act.

Moreover, the City believes that many of these project descriptions are not vague when placed in the context of the larger project. Prior to legislation concerning the creation of a community improvement district, the Board of Aldermen will often have already considered legislation concerning TIF, tax abatement and zoning and will be well-informed about the overall project. Redevelopment agreements or cooperation agreements entered into in connection with overall project may have contractually limited the scope of the district project.

The City also believes that some districts, by their very design, are intended to exercise a wide array of powers under the CID Act and, accordingly, broad project descriptions have been purposefully included in the petition to create the district. Ultimately, these project descriptions are validated by the property owners signing the petition to create the district and the qualified voters approving the taxes and assessments for the district.

**Auditor's Finding:** The city does not require anyone independent of the developer/property owner(s) to be on the board of directors if no registered voters reside within the district. While state law allows the city to dictate the make-up of the board before formation of the district, the city does not require independent representation prior to approving the petition. As a result, many of the district boards do not include anyone independent of the developer/property owner.

**City's Response:** Under the CID Act, a member of the board of directors of a district must generally be the authorized representative of property owner or business owner within the community improvement district. The State Auditor suggests that these boards have "independent representation." It is not clear who would provide this independent representation. However, the City believes that, with respect to some districts, it is in the City's best interest to negotiate for the contractual right to have a property owner or business owner authorize a City



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

designee to serve on the board of directors. The City will continue to evaluate which proposed districts warrant this heightened level of public oversight. The City notes that this level of oversight (1) goes beyond the requirements of the CID Act and (2) due to limited City resources, is not practical for all districts.

The City further notes that, with respect to community improvement districts created in connection with TIF or tax abatement, redevelopment agreement terms will often provide limits on the duration or governance of the district. Enforceable contractual control over a developer or district can provide more effective oversight than designating one member of five-member board.

**2.2 Lack of transparency**

**Auditor's Finding:** The city does not have procedures in place to ensure CIDs in the city provide annual budgets and annual performance reports as required by state law.

**City's Response:** Under the CID Act, community improvement districts are separate political divisions or nonprofit corporations and are distinct, legal entities that are not part of the City. The CID Act does not provide the City with an enforcement mechanism to ensure each community improvement district within its boundaries submits a copy of its budget to the City within the timeframe required by the CID Act. Compliance is the responsibility of the community improvement district which is a separate and distinct political subdivision established under state law.

From time to time, the City Registrar, the Clerk of the Board of Aldermen and SLDC have received budgets from community improvement districts. The City will endeavor to create a central repository for these filings so that receipt can be more easily tracked.

**Auditor's Recommendation:**

We recommend the City of St. Louis:

**2.1 Establish procedures to perform and document an evaluation of CID petitions to ensure a potential district is in the best interest of the public before adopting an ordinance establishing the district. Also, ensure the CID is structured in a way that provides independent oversight of CID activities.**

**2.2 Establish procedures to ensure CIDs are submitting annual budgets and annual performance reports to the city within the timeframe required by state law.**

**City's Response:** See discussion above.

**3. Transportation Development Districts**

**3.1 Minimal public scrutiny when projects approved results in public money for private assets**

**Auditor's Finding:** City officials do not review proposed TDD projects to ensure the project is in the best interest of the public. Additionally, they do not monitor TDDs to ensure the TDDs complete the projects as approved by the city.



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

**City officials do not scrutinize proposed TDD projects to ensure the project is in the best interest of the public or if the cost of the project is a prudent use of taxpayer funds.**

City's Response:

As permitted by the Missouri Transportation Development District Act, Sections 238.200 to 238.280, RSMo. (the "TDD Act"), almost all of the transportation development districts in the City have been created by a petition of the property owners within the proposed transportation development district filed with the Circuit Court. Although the City was served a copy of the petition filed in the Circuit Court, the City has limited control over the creation process. Under the TDD Act, transportation development districts are created as separate political subdivisions and are distinct, legal entities that are not part of the City. While the City believes it provides proper oversight of transportation development projects that affect public rights-of-way, the City understands the State Auditor's concerns regarding transportation development districts that do not affect public rights-of-way. The City has limited oversight abilities under the TDD Act and other law in connection with these projects, but will evaluate measures that can be taken with respect to future districts and projects.

The City further notes that state law specifically empowers the State Auditor to audit transportation development districts every three years. The City welcomes the State Auditor's statutorily-required oversight of the transportation development districts within its boundaries.

**Auditor's Recommendation:**

**3.1 Establish procedures to perform an evaluation of proposed TDD projects and document their results to ensure the project is in the best interest of the public and the cost of the project is a prudent use of taxpayer funds before approval.**

City's Response: Sec discussion above.

**3.2 No oversight of district boards**

**Auditor's Finding: The city has not appointed advisors to any of the TDD Board of Directors as required by state law.**

City's Response: As noted above, most of the transportation development districts in the City were created by petition of the property owners within those districts and, pursuant to the TDD Act, those property owners elect the board of directors for those transportation development districts. The TDD Act does permit the City to designate a person to serve as a non-voting advisor to the board of directors. However, for purposes of practical implementation, the provision of an advisor is dependent upon (1) the board of directors notifying the City of a meeting place and time in sufficient time for the City to identify the appropriate person to serve as advisor and (2) funding or other resources to allow the advisor, should he or she be an employee of the City, to advise the transportation development district in lieu of performing other job responsibilities. Even if an advisor did attend the



Appendix B  
City of St. Louis - Local Taxing Districts  
City of St. Louis Response

board of directors meeting, he or she, as a non-voting advisor, would still not have any authority to prevent or resolve the concerns raised by the State Auditor.

The City notes that, with respect to transportation development districts created in connection with TIF or tax abatement, redevelopment agreement terms will often provide limits on the duration or governance of the district. Enforceable contractual control over a developer or district can provide more effective oversight than appointing a non-voting advisor.

**Auditor's Recommendation:**

**3.2 Establish procedures to ensure advisors are appointed to the TDD Board of Directors in accordance with state law.**

City's Response: See discussion above.

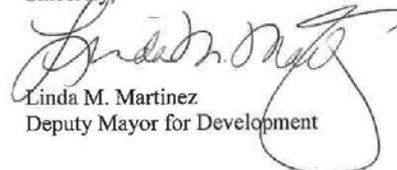
**4. Special Business Districts**

**Auditor's Recommendation:**

**The City did not establish any of the 21 current SBDs in accordance with state law. We determined that the city did not perform a survey and investigation report for all of these SBDs as required by law (resulting in a general lack of transparency between the city, the district, and the public).**

City's Response: The State Auditor alleges that the surveys and investigations required by Section 71.792, RSMo. were not prepared in connection with the approval of the SBDs. This is an untrue statement. SBDs are only created after extensive community planning and outreach. The ordinances approving the creation of the SBDs recite that surveys and investigations were performed and filed with the City Register as required by law. Aldermen and attorneys that were involved in the creation of some of the more recently-created SBDs clearly remember those documents existing. A search of the City Register's files and the files of persons involved in the creation of the SBDs has produced some, but not all of the actual survey and investigation documents. The City believes that the survey and investigation documents that it cannot locate were sent to the City Register, but have been misfiled over the course of several decades. The City will review its record-keeping policies to ensure that these documents are properly retained for any newly-created SBDs.

Sincerely,



Linda M. Martinez  
Deputy Mayor for Development