



# Charging Onward

MasterCard, WingHaven fuel growth spurt for O'Fallon, Mo.

Photo Collage



**Promised infrastructure improvements: \$27.4 million**  
**State tax credits: \$10 million**  
**Total incentive package: \$44 million**  
**Luring MasterCard's Global Technology and Operations headquarters to O'Fallon, Mo.: Priceless, say company and government officials.**

By Laura J. Hopper

### Will you be paying by MasterCard today?

If so, chances are you're generating revenue for the city of O'Fallon, located about 30 miles west of downtown St. Louis.

Surrounded by grassy hills and a 12-acre lake on O'Fallon's southern border sits MasterCard's computer nerve center—its Global Technology and Operations (GTO) headquarters. Inside, about 2,300 employees oversee the computer systems that settle MasterCard's credit-card transactions from around the world.

As many as 40 million credit-card authorizations are processed on a busy day in O'Fallon, with an estimated \$1 trillion in credit-card volume each year. The office generates about \$300 million in annual revenue, according to MasterCard's most recent figures. Missouri and O'Fallon estimate their share at \$18 million in total tax revenue.

The millions in business and tax revenue—along with the prestige of hosting MasterCard's largest office building—didn't come without a price for O'Fallon and for the state of Missouri. After MasterCard decided in 1997 to merge its four technology offices in the St. Louis area into one location, O'Fallon found itself in fierce competition with a Dallas suburb.

O'Fallon officials responded by teaming up with Missouri and St. Charles County to put together a \$44 million incentive package. It included:

- \$27.4 million in highway improvements;
- \$10 million in tax credits funded through the state's Build Missouri program, which offers incentives to new or relocating businesses that will create at least 500 jobs;
- \$3 million in state job training programs for MasterCard employees;
- \$1.2 million in business facility tax credits;
- other refinanced loans and community-development grants totaling more than \$1.6 million; and
- a \$785,000 rate discount on electricity service from AmerenUE.

"We found the perfect piece of land for our operations and employees," says MasterCard Vice President Linda Locke, "and we found a city administration that was extremely interested in doing what it took to get us here."

While hunting for its new site, MasterCard also discovered something else that proved to be a key factor in its final decision: an 1,100-acre development that included homes, corporate offices, stores, schools, health-care

## O'Fallon, Mo.

### BY THE NUMBERS

<b>Population</b> .....	O'Fallon: 69,136 (2004)
	St. Charles County: 316,574 (2003)
<b>Labor Force</b> .....	O'Fallon: 24,566 (2000)
	St. Charles County: 156,972 (2000)
<b>Unemployment Rate</b> .....	O'Fallon: 4.3 percent (2004*)
	St. Charles County: 4.1 percent (2003)
	(*average rate through October 2004)
<b>Per Capita Income</b> .....	O'Fallon: 21,774 (2000)
	St. Charles County: 23,592 (2000)
<b>Top Five Employers</b>	
CitiMortgage.....	4,500
MasterCard International Inc.....	2,300
Fort Zumwalt School District.....	2,000
MEMC Electronic Materials Inc.....	1,270
True Manufacturing.....	1,000

facilities, a golf course and even a town square—all within a community known as WingHaven.

Originally developed in 1999, WingHaven is based on an architectural concept known as “new urbanism.” Under this plan, residential subdivisions are surrounded by all the amenities of a traditional urban neighborhood—shops, churches, libraries and workplaces—all within a short walk or drive.

With the combination of economic incentives and an ideal residential neighborhood for its employees, MasterCard was hooked: The company broke ground in 1999 to build its GTO headquarters along WingHaven’s southern edge.

When the GTO arrived, O’Fallon was already in the midst of a 10-year growth spurt. But the widely publicized WingHaven/MasterCard partnership helped complete the transformation of this former farm town and railway stop into a bustling suburb in the heart of one of the fastest-growing counties in the United States.

### From the K-Stop to the Technology Corridor

Thirty years ago, O’Fallon’s center thoroughfare—Highway K—was a two-lane road with few distinguishing markers beyond the K-Stop gas station and a Hardee’s restaurant.

Today, commuting along Highway K requires frequent traffic stops as drivers turn in and out of restaurants, groceries and retail outlets. And the city’s growth—particularly in the past 10 years—has paralleled that of its central corridor:

- Population has risen from 28,000 in 1995 to more than 69,000 in 2004.
- About 11,000 homes were in O’Fallon in 1995; now, the city has more than 23,000 homes.
- Twenty-six new businesses opened in O’Fallon in 1995. Last year, 242 opened. O’Fallon currently has about 1,500 businesses with an estimated 20,000 jobs.
- Annual sales revenue in 1995 was approximately \$322 million. Last year, it was just under \$1 billion, a milestone that the city expects to pass this year.

City leaders give credit for these numbers to O’Fallon’s emphasis on infrastructure improvements and on well-planned zoning, as well as on capitalizing on the momentum of the overall growth of St. Charles County. The county’s population increased by 33 percent from 1990 to 2000, compared with an increase of 13.1 percent for the United States and 9.3 percent for the state of Missouri. The wave of growth swept westward from St. Louis County through the city of St. Charles in the 1980s, St. Peters in the 1990s and, now, O’Fallon.

“The growth could have skipped us if O’Fallon hadn’t been open to it,” says Anne Zerr, the city’s chamber of commerce president. “The farmers would have stayed around and hung on to their

land. The city recognized that change and potential growth was coming, and they took the proper measures to plan for it and support it.”

Widening and other safety improvements to Highway K—along with the construction of some new interchanges where the main road intersects major highways—were financed in part through the Missouri incentives already promised to MasterCard. Other money came through the use of “transportation development districts,” which allow developers to petition for up to a 1 percent sales-tax increase on their property to finance transportation improvements in that area.

O’Fallon also sought to boost its economic development prospects by working with St. Charles County to create a technology corridor along the southern edge of Highway 40, adjacent to the WingHaven development. The cluster of technology firms stretches from O’Fallon’s southeastern border into the Missouri Research Park in unincorporated St. Charles County.

Among these firms is another major addition to the city’s corporate roster: Citigroup, a New York-based banking and insurance company that opened its \$85 million CitiMortgage financial center in O’Fallon in 2003. With a staff of 4,500, CitiMortgage is O’Fallon’s largest employer. As with MasterCard, Missouri and O’Fallon teamed up to make the Citigroup deal happen, offering incentives that included \$5 million in road improvements near the CitiMortgage site and \$1.45 million in tax abatements from O’Fallon.

### Running Out of Room

Despite the seeming emphasis on technology firms along the southern border, city officials hesitate to label O’Fallon as being geared toward a particular industry. They cite a similar grouping of manufacturing firms in the city’s northern region, firms such as MEMC Electronic Materials, which makes silicon wafers, and True Manufacturing, which produces freezers and commercial coolers.

Libbey Simpson, the city’s director of economic development, says, “We have a good retail base, a good manufacturing base and certainly a strong office segment. So if one segment should suffer, another could help carry the economy.”

More growth is on the way with the 2006 addition of the 72-bed BJC Progress West Healthcare Center and the construction of the \$40 million Caledonia shopping center near WingHaven.

Sandwiched between St. Peters to the east and a potentially hot community of the future, Wentzville, to the west, O’Fallon has little room to grow in either direction. As a result, the city has had to turn away at least one new piece of business. Applied Food Biotechnologies, an O’Fallon firm that makes pet-food flavorings, decided to open its new research and development facility in



Not everything in O’Fallon is new. Old Town is north of I-70 along Highway K. The clock tower is a landmark there.

Wentzville because it couldn’t find affordable space to expand in O’Fallon.

“We’re OK with that because we’d rather keep them in the region and keep those jobs here instead of having them pull out entirely,” Simpson says.

An even greater concern for O’Fallon is maintaining room for residential growth and promoting the construction of affordable homes (\$100,000 to \$200,000) and low-cost rental housing, Simpson says. Given that the westward migration of St. Louis County residents in search of cheaper housing played a key role in O’Fallon’s previous growth spurt, city officials fear a similar exodus out of O’Fallon if workers can’t find an affordable home near their jobs.

“Affordable housing is a critical issue for not just O’Fallon but all of St. Charles County,” Simpson says. “We call it ‘workforce housing.’ For instance, a single mother or somebody who’s in a service industry—such as the fire department, police, nursing or teaching—can find it challenging to afford a home in St. Charles County. So, the problem then is that your workers can’t afford to live in your community.”

St. Charles County set up a task force a few years ago to study the issue and has now recommended “inclusionary zoning,” which requires developers to intersperse less-expensive homes within their residential developments. Wentzville will probably be the first community to pilot the program, but O’Fallon hopes to follow suit, Simpson says.

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