



## **KC Chamber Recommendation**

### **June Ballot Measure to Cap Kansas City Economic Development Incentives at 50%**

*Approved by KC Chamber Board of Directors April 29, 2019*

#### **Adopted Position:**

**The KC Chamber opposes Question 1 on the June 18<sup>th</sup> ballot to establish Ordinance No. 180928, which would establish a 50 percent cap on ad valorem property taxes that may be utilized in furtherance of certain economic development projects in Kansas City, MO, and instead encourages a collaborative and thoughtful effort to develop a well-informed framework to guide an effective tax incentive plan for the city that will allow it to remain competitive and develop special incentive opportunities for development in under-resourced neighborhoods.**

#### **BACKGROUND**

Ordinance No. 180928 (the "Ordinance") would establish a 50 percent a cap on ad valorem property taxes that may be utilized in furtherance of economic development projects in Kansas City, MO, through the Land Clearance for Redevelopment Authority, the Planned Industrial Expansion Authority of Kansas City, Missouri, the Kansas City, Missouri Port Authority, the Tax Increment Financing Commission of the City of Kansas City, Missouri and the City of Kansas City, Missouri. The Ordinance was precipitated by an initiative petition submitted by a group of individuals organized as the Coalition for Kansas City Economic Development Reform and the election to determine if the terms set forth in the Ordinance become effective will be held on June 18<sup>th</sup>. This is the same date as the KCMO Mayoral run-off election.

#### **KC CHAMBER CONCERNS:**

The proposed cap is arbitrary, too restrictive, and would have a devastating impact on the ability to use economic development incentives in Kansas City's most blighted and under-resourced neighborhoods. The KC Chamber instead calls for the city to work in partnership with the Economic Development Corporation of Kansas City and community groups to develop a well-informed, research-based plan and updated set of criteria to guide adoption of an effective tax incentive policy that will allow the City to remain competitive, while providing for deliberate and effective use of economic development incentives in blighted neighborhoods.

#### **RATIONALE:**

- Currently, Kansas City agencies do not abate the existing tax base. Instead, they only abate a portion of the taxes on the incremental increase in assessed value that results from the redevelopment which would not occur but for the use of the incentive tools available after in-depth third-party financial analyses. These redevelopment projects remediate blight, stabilize neighborhoods, brings jobs and other much needed economic development resources and services to the city.
- Examination of tax incentive polices of the 10 largest cities in our metropolitan area shows that Kansas City, MO already has one of the most restrictive incentive caps in the region and that no local municipality caps incentives at a rate of 50% of ad valorem taxes, as proposed in Ordinance No. 180928. The Chamber believes the Ordinance could have a meaningful, if unknown, impact on the economic incentive 'Border War' between Kansas and Missouri. We cannot determine if the petitioners considered the policies of surrounding communities in creating the proposed caps in the Ordinance and, without such consideration, company relocation between states without creation of regional net new jobs is possible as a result of this Ordinance. Additionally, the Ordinance puts Kansas City, MO at a national economic disadvantage when compared to peer cities. The messaging that is put forth through this policy could create an anti-growth image that might deter future developers and employers from locating to not just the city, but the entire region.

- KCMO's current development incentives cap contains important exceptions, which permit for deviations from standard practice in extraordinary circumstances. The KC Chamber believes that such exceptions are critical to catalytic projects, particularly those in historically under-resourced neighborhoods where new development projects are already scarce. The Chamber believes a policy that treats all portions of the City identically, as this one does, will limit the city's capacity to leverage investments like the Center City Sales tax and Opportunity Zones. Limiting the available tools for economic development will have a drastic impact on new construction of affordable and mixed-income housing across the city and primarily in the urban core.
- The Ordinance offers insufficient evidence on how the 50 percent cap was determined. While the Chamber agrees that further review of tax incentive use is necessary, any change of this magnitude should be done with fact-based decision making and input from stakeholders and researchers.