

CSDGKC Incentive Reform Recommendations

Context:

- In 2019, more than \$45 million abated/redirected from local school districts by KCMO (per City GASB 77 report)
- KCMO offers longer terms (up to 25 years) and at higher levels (up to 75-100%) than most peer communities
- Benchmarking Examples: Kansas, Ohio, Louisiana, California, Minnesota, Alabama, St. Louis, Chicago, Indianapolis, Tulsa, San Antonio, Cleveland, Philadelphia, Omaha, Des Moines

Key Areas of Concern:

- School districts and TJs rely more heavily on property taxes than the City yet have no authority over the decisions to divert/abate their property taxes. For many incentive programs, appointed boards have authority to grant up to 25 years of abatement without any support from the affected school district/TJs
- Many projects have been granted longer and deeper incentives without demonstrating any significant policy objective/benefit to the City and TJs
- Not all school districts/TJs receive timely notice of incentive plans/projects across all agencies
- While all KCMO school districts have concerns about the level of abatements granted by KCMO, districts serving high needs students experience the highest abatement levels per student

Reform Recommendations:

Key Principle: School Districts and TJs Should be Partners in All Economic Development Decision-Making that Impacts Their Revenues

- 1. Longer/Deeper Incentives Should Have Buy-in From School Districts and Non-City Taxing Jurisdictions**
 - Authorize that school districts/TJs would have opt-in authority for any project seeking longer/deeper incentives (in excess of 10 years @ 50%)
 - Monitor development agreements and establish accountability measures to fulfill commitments
 - Preserve authority of City Council to override school district/TJs with a two-thirds supermajority vote
 - Exempt continuously distressed census tracts (i.e., Eastside)
 - Cover no more than 20% of project costs with public incentives
- 2. Ensure Consistent and Equitable Process for All School Districts**
 - Require universal application for all incentive programs (plans and projects)
 - Give notice to school districts/TJs upon submittal of universal application (for plans/amendments/projects) so their input that can be factored into 3rd party analysis, staff recommendations and plan documents
 - CSDGKC members are open to a streamlined process for projects requesting 10 years @ 50% or less with the understanding that not all projects warrant incentives. Projects should provide public benefit, still meet but-for requirements, and require early review/input of affected taxing entities
- 3. Reforms Should Apply to All Incentive Programs**
 - Expand the ordinance to include both real and personal property taxes
 - Sunset all grandfathered projects that have not been initiated
 - Apply caps/reforms to all new projects/plans and any amendments to existing agreements/plans that have a fiscal impact to the affected taxing jurisdictions in all incentive programs

CSDGKC Reform Recommendations (continued):

4. Implement Targeted Efforts to Address Barriers to Eastside Development

- Continue to exempt Eastside projects from Lucas Ordinance caps and opt-in requirement
- Streamline but-for analysis and blight study for Eastside projects
- Implement proactive single family URA Plan for Eastside neighborhoods
- Create strategies to address additional barriers to eastside development (e.g., development fund)

Proposed Opt-in Language:

For new plans/plan amendments/development agreements that are approved by the City Council: “The City Council shall not enact a resolution or ordinance for the creation of any new or amended development plan, redevelopment plan, cooperative agreement or development agreement that would allow for the abatement, exemption or redirection of ad valorem real and personal property taxes in excess of 10 years @ 50% from an affected taxing jurisdiction unless the chief executive, governing body, or designee of the affected taxing jurisdiction submits a resolution or written approval for exceeding that threshold at or prior to the hearing, or the City Council passes an approving resolution by a two-thirds super-majority vote after a public hearing that allows for public testimony from the affected taxing jurisdictions.”

For projects in existing plan areas that do not require approval by the City Council: “In the course of considering a request for any ad valorem real and personal property tax abatement, exemption or redirection, the City Council recommends that the economic development agencies shall not approve the abatement, exemption or redirection of ad valorem real and personal property taxes in excess of 10 years @ 50% from an affected taxing jurisdiction unless the chief executive, governing body, or designee of the affected taxing jurisdiction submits a resolution or written approval for exceeding that threshold at or prior to the hearing, or the City Council passes a resolution by a two-thirds super-majority vote after a public hearing that allows for public testimony from the affected taxing jurisdictions.”