September, 2016

Competitive Pressures on Kansas City, Missouri and the Role of TIF Incentives
What is Tax Increment Financing (TIF)

- Missouri’s most significant redevelopment tool; net new taxes only; proven results.
- Strict policies and procedures enforced by ordinance in Kansas City, Missouri. Projects funded with new, redirected revenues.
- Allows recovery of eligible development/construction costs through capture of a portion of the “increment”- increased real property and economic activity (earnings, sales, utility) taxes.
- 100% of property taxes and 50% of economic activity taxes captured for up to 23 years for a standard TIF.
- TIF allows taxing jurisdictions to avoid decline in real property taxes and all new personal property taxes are captured by taxing jurisdictions.
- “Super TIF” (other 50% of EATS) and “State Supplemental” (up to 50% of new State sales or withholding taxes) may be available and requires City TIF by state statute.
Use of TIF Tax Dollars

- **Local Taxes Today**
- **Local Tax Base**

### Total New Increment of Additional Taxes

- ![Tax Increment Available to Developer Via PILOTS & EATS](image)
- ![Tax Increment to Taxing Jurisdictions to KCMO via EATS](image)
- ![Local Tax Base Frozen - Eliminates Declines & No Redirection of New Personal Prop. Taxes](image)
- ![Local Taxes Today](image)
What Impact Have TIF Projects Had on Kansas City, MO?

- # of Active KCMO TIF Plans: 61
- # of TIF Plans Approved: 78
- Jobs Created & Retained: 44,328
- Public Investment: $542 Million
- Private Investment: $5.9 Billion
- Public Infrastructure: $719.5 Million
- Total PILOTS: $211.8 Million
- Total EATS: $385.8 Million

Note: Information from Worldox #182740
The Use of TIF in Kansas City

• TIF Projects in KC area primarily for Redevelopment Purposes
  • 26 of 61 active TIFs are focused solely on blighted areas

• Non Blighted TIFs (conservation & economic development) are primarily used for public infrastructure

• Plan Preparations and Review Includes Representatives of Taxing Jurisdictions
  • School Districts
  • Counties
  • Other
Examples of Projects With Major Impact on Downtown

- Power & Light District
- Freighthouse
- IRS
- H&R Block
- Trozzolo
- Civic Mall

Impacts on Downtown:
- Spurs Residential & Office Development
- Positive Momentum & Image for Downtown Development
Power & Light District

- Jobs Created/Retained: 1,003
- Total Investment: $12 Million

West side of Walnut, between 13th & 14th Streets

Original Assessed Value: $1.4 Million
Current Assessed Value: $16.3 Million

14th Street looking west
22nd & Main TIF
Freight House

- Jobs Created/Retained: 213
- Total Investment: $22.6 Million

Original Assessed Value: $318,440
Current Assessed Value: $2.6 Million
Pershing Road TIF
IRS Service Center

- Jobs Created/Retained 5,590
- Total Investment $388.4 Million
- Public Infrastructure $14.1 Million

Original Assessed Value: $908,640
Current Assessed Value: $55.1 Million
1200 Main TIF
H&R Block Headquarters

- Jobs Created/Retained 2,211
- Total Investment $137.3 Million

Original Assessed Value: $1.7 Million
Current Assessed Value: $20.1 Million
Baltimore Place TIF
Trozzolo (8th & Wyandotte)

• Jobs Created/Retained  45
• Total Investment  $6.3 Million

Original Assessed Value: $216,000
Current Assessed Value: $554,000
Civic Mall TIF
Federal Courthouse

- Jobs Created/Retained 551
- Total Investment $37.3 Million
- Public Infrastructure $13.5 Million

Original Assessed Value: $2.1 Million
Current Assessed Value: $40.5 Million
Non-Downtown Projects

Midtown:
• Linwood & Main
• Plaza Library

South:
• Burns & McDonnell
• Cerner

East:
• Aldi (39th & Prospect)
• Blue Parkway Town Center
• Blue Ridge Crossing

North:
• Briarcliff West
• Shoal Creek
Midtown TIF

Linwood & Main

- Jobs Created/Retained: 915
- Total Investment: $86.3 Million

Original Assessed Value: $1.1 Million
Current Assessed Value: $8.5 Million
Brush Creek Corridor TIF
Plaza Library

• Jobs Created/Retained 1,412
• Total Investment $69.1 Million

Original Assessed Value: $0
Current Assessed Value: $18 Million
Bannister & Wornall TIF
Burns & McDonnell

- Projected Jobs Created/Retained: 2,100
- Total Investment: $75.4 Million
Bannister & I-435 TIF
Cerner

- Projected Jobs Created/Retained: 16,000
- Projected Total Investment: $4.45 Billion
- Projected Public Infrastructure: $186 Million
39th & Prospect TIF

Aldi

• Jobs Created/Retained  61
• Total Investment       $3.3 Million

Original Assessed Value: $0
Current Assessed Value: $507,222
Brush Creek Corridor TIF
Shoppes at Blue Parkway

• Jobs Created/Retained  1,902
• Total Investment  $69.5 Million
• Public Infrastructure  $11.7 Million

Original Assessed Value: $184,442
Current Assessed Value: $5.1 Million
Blue Ridge Mall TIF
Blue Ridge Crossing

- Jobs Created/Retained: 128
- Total Investment: $76.2 Million
- Public Infrastructure: $1.8 Million

Original Assessed Value: $1.1 Million
Current Assessed Value: $7.7 Million
Briarcliff West TIF

- Jobs Created/Retained: 1,345
- Total Investment: $85.6 Million
- Public Infrastructure: $85.6 Million

Original Assessed Value: $636,200
Current Assessed Value: $47.6 Million
Shoal Creek Parkway TIF

- Jobs Created/Retained: 386
- Total Investment: $73 Million
- Public Infrastructure: $73 Million
TIF Housing Programs

- Units Completed: 1,228
- TIF Funds Used: $9 Million
- Owner Match: $3.3 Million

Tax Increment Financing funded housing programs were put into place:
- To help reduce blight in the housing stock in a benefit area surrounding a TIF development.
- TIF Plans with Housing components: Midtown (active); Chouteau / I-35 (active); North Oak (active); Winchester (active); Southtown/31st & Baltimore (in place, but not active); 43rd & Main (terminated); Union Hill (in place, but not active); Bannister & I-435 (new, no projects to date)
- Exterior improvements are the main focus, along with safety and health.
- Improving home exteriors help stabilize neighborhoods and improves housing conditions, which stabilizes the tax base.
- TIF housing programs are layered with City & other improvement programs to address issues in target areas in collaboration with neighborhoods and residents to provide the greatest impact.
TIF Housing – Before & After

814 E. 33rd Street

- Roofing was replaced.
- Porch railing was dangerous and was repaired.
- Some rotten and broken siding and exterior trim was replaced.
- Much needed exterior paint was applied to protect the exterior surfaces.
TIF Housing – Before & After

3828 Paseo

- Exterior wood rot was replaced.
- Much needed exterior paint job to preserve the exterior wood.
- The window spring balances were adjusted to work properly and broken glass replaced.
- Positive drainage was installed to protect the foundation.
TIF Housing – Before & After

3640 Virginia

- Front windows were replaced back to historic sizes.
- Soffit, fascia and gutters were replaced.
- A new front entry door unit was installed and a
- Much needed exterior paint.
- Cobble stone steps were reset and stair railings
  were replaced.
Causes of Urban Decline

• Interstate Highway Development & Federal Housing Subsidies Provides Public Support for Suburbs
• Suburban Competition – Post WWII Phenomena
• Higher Income Families Moving to Suburbs
• Urban areas are Generally Inherently More Complicated & Expensive to Develop and Redevelop
Examples of Urban Decline
The Adjacent Competition
Where Does KC Missouri Stand vs Its Regional Competition?

- Kansas City, MO
- Johnson County, KS
- Jackson County, MO
Median Household Income
Comparison by Population

Source: U.S. Census
Population Growth Trends
Comparison by Population

Source: U.S. Census
Median Value
Owner-Occupied Housing

Source: U.S. Census
Class A Office Space Comparison
Inventory by Number of Buildings

Source: Colliers via CoStar
Class A Office Space Comparison
Inventory by Vacant Sq. Ft.

Source: Colliers via CoStar
Employment Trends
Longitudinal Employer-Household Dynamics

Source: MARC
Urban Development vs. Greenfield Development

1. Direct Factors
   - Land Cost - $2/sf. Greenfield vs up to $60/sf. Downtown
   - Relocation – No existing residents or structures vs. multiple
   - Environmental contamination – Minimal in suburban areas
   - Physical Infrastructure - New versus aging or decaying
   - Acquisition & Assembly – Less cost & time in suburban
   - Likely Clearance & Demolition costs for downtown
   - Surface Parking $4,000/space vs structured parking $20,000/space.

2. Indirect Factors
   - Schools – Suburbs vs. Urban Achievement Levels
   - Crime – Lower perception in suburbs
   - Growth demographics in suburbs vs. flat or declining demographics in central city
What Are the Consequences for Kansas City, Missouri Not Competing Well?

Tax Revenue Lost From:

- Drops in Urban Population
- Personal & Corporate Income Taxes Declining
- Higher Income Residents Leaving for Suburbs/KS
- Sales Taxes Captured by Kansas
- Declines in Property Taxes
- Decline in Image for Kansas City Metro
Conclusions

• Most TIF plans are “pay as you go”— risk of nonperformance is on private developer.
• “But For”—TIF Incentive requires demonstration of financial need—sets a high standard for public funds.
• Developers are only reimbursed after demonstrating proper use of funds in accordance with TIF budget.
• Benefits of Improved Public Infrastructure
Conclusions

• No decrease in existing public revenues. Freezes existing taxes and generates new personal property taxes for all public taxing jurisdictions.

• Proven results
  o 44,328 Jobs
  o $1.2 Billion Investment
  o Blight Remediation & Public Improvements
Conclusions

• TIF generates secondary development.

Putto Sculpture, 12th Street TIF (Art)

Brush Creek TIF (Public Improvements)

Briarcliff West TIF (Retail)

Shoal Creek TIF (Residential)
Final Conclusions

- TIF has been instrumental in addressing blight and transforming KCMOs physical infrastructure.