

# ED&I Policy Factors Analysis

## Southtown Urban Life Development TIF Plan

### September 5, 2008



**ED&I Policy Background:** The City’s adopted Economic Development and Incentive (ED&I) Policy outlines six desired outcomes for the City’s economic development efforts, including:

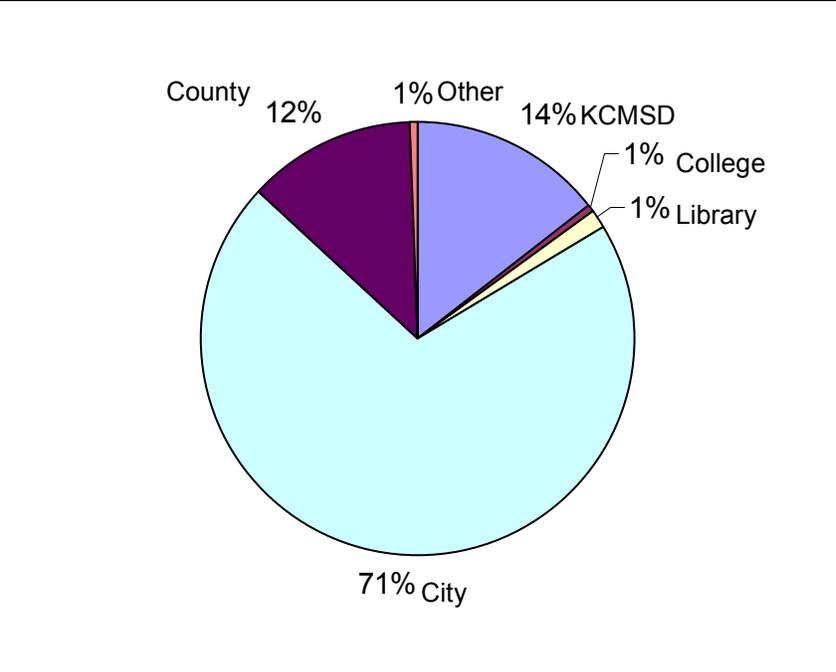
- Create quality jobs;
- Strengthen the economy and build the wealth of Kansas City;
- Sustain a high quality of life;
- Promote stewardship of the City’s resources;
- Maintain and develop affordable, quality housing opportunities; and
- Promote comprehensive opportunities for education, skills development and lifelong learning.

The ED&I Policy outlines that every application for public investment shall be subject to a “but-for” test that addresses both fiscal and social considerations and evaluates a proposed project’s attention to the City’s desired Policy outcomes. Included in the “but-for” test is an analysis of 22 policy factors (see below) that are measures of the Policy’s desired outcomes.

The following table provides the City Planning and Development and Finance Departments’ analysis of the Southtown Urban Life Development TIF Plan as it relates to the ED&I Policy and the Policy’s measurement factors.

ED&I Policy Factors	Supports Factors			
	Yes	No	N/A	TBD
<p><b>Reduce or Remove Blight</b></p> <p>The TIF Commission made a determination that the project area meets the definition of a “blighted area.”</p>	<b>X</b>			
<p><b>Jobs and/or Development Targeted to Economically Distressed Areas</b></p> <p>The majority of the TIF Plan area is included in an economically distressed area as defined by the ED&amp;I Policy.</p> <ul style="list-style-type: none"> <li>• 70% of City median HH income (Definition): \$26,039;</li> <li>• Project census block groups (80-2, 80-3, 79-4) median HH income: \$16,223 - \$28,000 (43.6% - 75.3% of median)</li> <li>• Surrounding census block groups (80-1 &amp; 80-4) median income: \$22,500 &amp; \$32,097 respectively.</li> </ul>	<b>X</b>			
<p><b>Generate Net New Jobs for Unemployed Residents</b></p> <p>The development team has developed a partnership with the Full Employment Council in order to assist unemployed residents secure jobs located at the site.</p>	<b>X</b>			

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<p><b>Generate Net New Quality Jobs</b></p> <p>The applicant has indicated that it cannot accurately estimate the number of quality jobs generated by the project as future employees will be hired by its tenants.</p>				<b>X</b>										
<p><b>High Ratio of Private to Public Investment</b></p> <p>Based on the development team’s estimated cost of the project and sources and uses of funds for all phases, all projects, the private to public investment ratio is as follows:</p> <table border="1" data-bbox="191 640 1084 714"> <tr> <td><b>Private</b></td> <td><b>52%</b></td> </tr> <tr> <td><b>Public</b></td> <td><b>48%</b></td> </tr> </table> <table border="1" data-bbox="191 745 1084 850"> <tr> <td><b>Total Development Cost:</b></td> <td><b>\$90,502,552</b></td> </tr> <tr> <td><b>Total Private Sources:</b></td> <td><b>\$46,740,313</b></td> </tr> <tr> <td><b>Total Public Sources:</b></td> <td><b>\$43,762,239</b></td> </tr> </table> <p><b>Total Public Participation Allocated by Taxing Jurisdiction based on the Total Public Sources requested:</b></p>  <p>The pie chart illustrates the distribution of public participation across various taxing jurisdictions. The largest portion, 71%, is allocated to the City. Other significant contributors include KCMUSD at 14% and County at 12%. Smaller allocations of 1% each are shown for Other, College, and Library.</p>	<b>Private</b>	<b>52%</b>	<b>Public</b>	<b>48%</b>	<b>Total Development Cost:</b>	<b>\$90,502,552</b>	<b>Total Private Sources:</b>	<b>\$46,740,313</b>	<b>Total Public Sources:</b>	<b>\$43,762,239</b>	<b>X</b>			
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<p><b>Project Focused on Building Small Business or Microenterprises</b></p> <p>The developer has indicated that the “proposed project will focus on attracting small businesses as tenants and includes small business training.” This factor is evaluated as TBD since the tenant mix is not currently known.</p>				<b>X</b>										

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<p><b>Preserve, Enhance, or Build Infrastructure in Priority Areas</b></p> <p>The project will include major infrastructure improvements on the project site, including storm water and storm sewer improvements to address flooding problems in the area. The development team will be required to submit drainage studies upon platting. In addition, the developer will be required to submit design guidelines as part of the rezoning process that will identify streetscape enhancements and other improvements required for development.</p>	X													
<p><b>Results of Fiscal Model Show Net Positive Benefit to the City</b></p> <p>The requested level and term of incentive for the proposed commercial project will have a net negative fiscal impact to the City.</p>		X												
<p><b>Mitigate Potential Financial Impact on Other Taxing Jurisdictions/Provide an Immediate Share of Increment to Schools &amp; Others</b></p> <p>The project requests the maximum level and duration of statutory tax increment financing (TIF), i.e. 100% of the incremental increase in property tax (PILOTs) and 50% of incremental revenues generated by earning, utility and sales taxes (EATs) for 23 years. The project also requests Super TIF to allow for the redirection of 100% of incremental revenues generated by earning, utility and the City's portion of sales taxes for 23 years.</p> <p>The total potential financial impact on other taxing jurisdictions based on estimated property valuations are as follows:</p> <table border="1" data-bbox="191 1247 1081 1524"> <thead> <tr> <th>Taxing Jurisdiction</th> <th>Total estimated share of forgone tax revenue w/ requested incentive over the life of the incentive, in current dollars</th> </tr> </thead> <tbody> <tr> <td>KCMO School District</td> <td>\$14,453,052</td> </tr> <tr> <td>Library</td> <td>\$1,311,870</td> </tr> <tr> <td>Jackson County</td> <td>\$12,487,755</td> </tr> <tr> <td>Metro Junior College</td> <td>\$622,503</td> </tr> </tbody> </table> <p><i>Source: KCMO Tax Impact Analysis, 8/8/08</i></p>	Taxing Jurisdiction	Total estimated share of forgone tax revenue w/ requested incentive over the life of the incentive, in current dollars	KCMO School District	\$14,453,052	Library	\$1,311,870	Jackson County	\$12,487,755	Metro Junior College	\$622,503		X		
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<p><b>Offer Workforce Development Activities (Job Training, Advancement Opportunities, Skill Development)</b></p> <p>The project includes a partnership with the Full Employment Council that will include assistance with job applicants and training programs.</p>	X													

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<p><b>Produce Affordable Housing Opportunities</b></p> <p>The TIF Plan does not include any residential units, however the developer has agreed to designate certain buildings in the URD Plan as “Potential Mixed Use” or “Retail/Mixed Use” which will include a mix of retail, residential, and/or office for such buildings. The plan of record – 63<sup>rd</sup> Street Corridor Development Plan – recommends a mix of residential, commercial and mixed use at this location and the designation of certain buildings as potential mixed use will bring the project into conformance with the area plan. The developer’s URD site plan does include 28 townhouse units for a future phase of development, but these units are not included as part of the TIF Plan and the developer does not know at this time whether any future residential units will qualify as affordable.</p>				X				
<p><b>Minimize Negative Impacts on Existing Kansas City Businesses</b></p> <p>The developer seeks to attract small retail tenants and is targeting banks and a neighborhood full-service grocer and other retailers to provide goods and services to the immediate market area. The project proposes to produce net job growth at small business level and parts of the development are geared toward small businesses. The project’s market study indicates that there are currently no traditional big box stores within three miles of the proposed project. Although the study cites some competitors within the area, there are currently sparse retailing options which greatly enhance the position of Citadel Plaza. Due to the lack of retail option in the area, many residents have sought goods and services in other surrounding neighborhoods. At the time of this analysis, not all tenants have been identified. Therefore, this factor is recorded at “TBD.”</p> <p><i>Adapted From: “Citadel Plaza at Blue Hills: Review of Market and TIF Revenue Projections.” May 2007. Development Strategies.</i></p>				X				
<p><b>Promote Crime Reduction and Enhance Perception of Safety</b></p> <p>The applicant has indicated that the new construction and substantial infrastructure improvements will create a quality development with increased customer traffic that will aid in the reduction of crime. In addition, the project plans to include a kiosk station for the Kansas City Police Department.</p>	X							
<p><b>Promote Environmental Protection, Conservation and the Protection of Natural Resources</b></p> <p>The developer has proposed to address the following categories of environmental sustainability:</p> <table border="1" data-bbox="191 1827 1081 1969"> <tr> <td data-bbox="191 1827 412 1898">Sustainable Site Selection</td> <td data-bbox="412 1827 1081 1898"> <ul style="list-style-type: none"> <li>• Pedestrian connections and open space</li> <li>• Use of reflective roofing materials</li> </ul> </td> </tr> <tr> <td data-bbox="191 1898 412 1969">Water Efficiency</td> <td data-bbox="412 1898 1081 1969"> <ul style="list-style-type: none"> <li>• Rainwater irrigation systems</li> </ul> </td> </tr> </table>	Sustainable Site Selection	<ul style="list-style-type: none"> <li>• Pedestrian connections and open space</li> <li>• Use of reflective roofing materials</li> </ul>	Water Efficiency	<ul style="list-style-type: none"> <li>• Rainwater irrigation systems</li> </ul>				X
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<p><b>Protect or Enhance Existing Housing Stock</b></p> <p>The proposed development will demolish 17 houses that are environmentally contaminated with asbestos and provide retail services which should be an asset to the surrounding community. In addition, the storm water/storm sewer improvements will reduce flooding in the area. During the rezoning process, City staff will review the site plan to ensure adequate connections are provided between the adjacent residential community and project site.</p>		X											
<p><b>Provide Direct Support for Primary, Secondary, Post-secondary, Vocational or Technical Education in Kansas City</b></p> <p>The applicant has not indicated whether the project will provide any programmatic support for education in Kansas City (internships, job shadowing, etc).</p>					X								

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<p><b>Request Less Than the Maximum Duration and Extent of Incentives Available</b></p> <p>The Developer is requesting TIF and Super TIF to include the redirection of 100% of the incremental increase in property tax and 100% of incremental revenues generated by earning, utility and the City's portion of sales taxes for 23 years (only 50% of the County's portion of the sales tax will be redirected). The public debt to support this project will be tied to project revenue and backed by an annual appropriation pledge from the City of Kansas City, Missouri.</p>		X		
<p><b>Promote Access to and Financial Support for Public Transit</b></p> <p>The project is located in an area that is well served by transit. In addition, the proposed light rail alignment will serve this area. The KCATA and development team have reached an agreement regarding an easement for light rail on the eastern edge of the project site. The developer has also indicated that it will provide enhanced connections to the planned light rail station south of 63rd Street east of Prospect. The project also proposes to include climate control and artistic designs for bus shelters. These details and location of the bus shelters should be reflected on the URD site plan and in the project's design guidelines.</p>	X			
<p><b>Proposed Development Adjacent to Areas of Existing Development Activity</b></p> <p>The project is an infill site surrounded by existing developments that are currently being supported by tax increment financing and real property tax abatement.</p>	X			
<p><b>Provide Workforce Support to Employees (Day Care, Housing, Transportation)</b></p> <p>The developer's partnership with the Full Employment Council will provide workforce support/training programs through the welfare to work program. It is not known whether future tenants will provide additional workforce support to their employees.</p>	X			
<p><b>Enhance the Cultural and Arts Environment of the City</b></p> <p>The developer has indicated that it is working with several local cultural and arts groups, including Artists in the Room and anticipates a 1% arts overlay for the project. City staff does not have information on these programs and it is not known whether funding will be available to fund the program. Additional information on the arts elements of the project can be included in the design guidelines that will be a required as part of the rezoning.</p>				X

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<p><b>Compliment Existing Kansas City Businesses/Contribute to Existing Business Cluster</b></p> <p>The proposed development will not only create additional commercial and retail opportunities for the adjacent neighborhood but also serve the employees and visitors to the Research Medical Center campus on the southwest corner of 63rd and Prospect. Research Medical Center is identified as a major stakeholder in the field of biosciences, one of Kansas City's priority business clusters.</p> <p>Additionally, as stated in the 2007 "Citadel Plaza at Blue Hills: Review of Market and TIF Revenue Projections", big box retailers, new restaurants and gas/convenience stores will attract commuters to the development from the high traffic HWY 71 corridor, providing potential spillover benefits to existing retail in the area.</p> <p><i>Adapted From: "Citadel Plaza at Blue Hills: Review of Market and TIF Revenue Projections." May 2007. Development Strategies.</i></p>	X			
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**Summary:**

The Citadel project fulfills several of the policy factors, including: Development Targeted to an Economically Distressed Area, Provide Infrastructure in Priority Areas, Protect/Enhance Existing Housing Stock, and Promoting Public Transit and Crime Reduction and Enhancing Perception of Safety. In addition, the developer's partnership with the Full Employment Council will help fulfill several policy objectives including: Provide Workforce Support, Jobs for Unemployed and Provide Workforce Development Activities. Staff was unable to fully evaluate several of the factors due to the preliminary nature of the project (i.e., tenants are not known and therefore quality jobs cannot be evaluated). City staff would like to provide the following additional information for consideration:

1. **New Markets Tax Credits (NMTC).** The project is located in a "highly distressed" area as defined by the US Treasury, which is the federal allocator of NMTC. City staff has met with the Developer to discuss the potential for using NMTC in the project as an opportunity to introduce alternative funding to the project as a way to offset the impact of the proposed public incentive on impacted taxing jurisdictions. The Developer has agreed to this proposal and has committed to pursuing NMTC as a funding source for this project.
2. **Performance Measures.** The ED&I Policy includes a number of statements related to the use of clawbacks, or performance measures, as a tool to provide accountability to the public if an incentive has been granted. Performance measures consistent with public debt backed by the City's annual appropriation pledge are incorporated in the Cooperative Agreement for Plan of Financing.