

Economic Development

and Incentive Policy



Implementation Documents:
City Economic Development and Incentive Policy

City of Kansas City
Economic Development Corporation of Kansas City
Kansas City Economic Development Statutory Agencies

April 14, 2008

Economic Development & Incentive Policy Implementation

Progress Update

PARTICIPANTS

- City of Kansas City, Missouri
 - ✓City Planning and Development
 - ✓City Finance
 - ✓City Law
- Economic Development Corporation
 - ✓Tax Increment Financing Commission
 - ✓Land Clearance for Redevelopment Authority
 - ✓Enhanced Enterprise Zone Boards
- Planned Industrial Expansion Authority

<http://www.kcmo.org/finance.nsf/web/edpolicy>

Economic Development & Incentive Policy Implementation

Progress Update

PURPOSE

Use of Incentives and Other Public Investment

- Achievement of 6 Policy outcomes
 - ✓ Create quality jobs
 - ✓ Strengthen the economy and build wealth of Kansas City
 - ✓ Sustain a high quality of life
 - ✓ Promote stewardship of City resources
 - ✓ Maintain and develop affordable, quality housing opportunities
 - ✓ Promote comprehensive opportunities for education, skills development and lifelong learning
- Incentives are available throughout the City, but are limited
- Substantive and early role for City staff in review process

PROCESS

Application Intake and Review

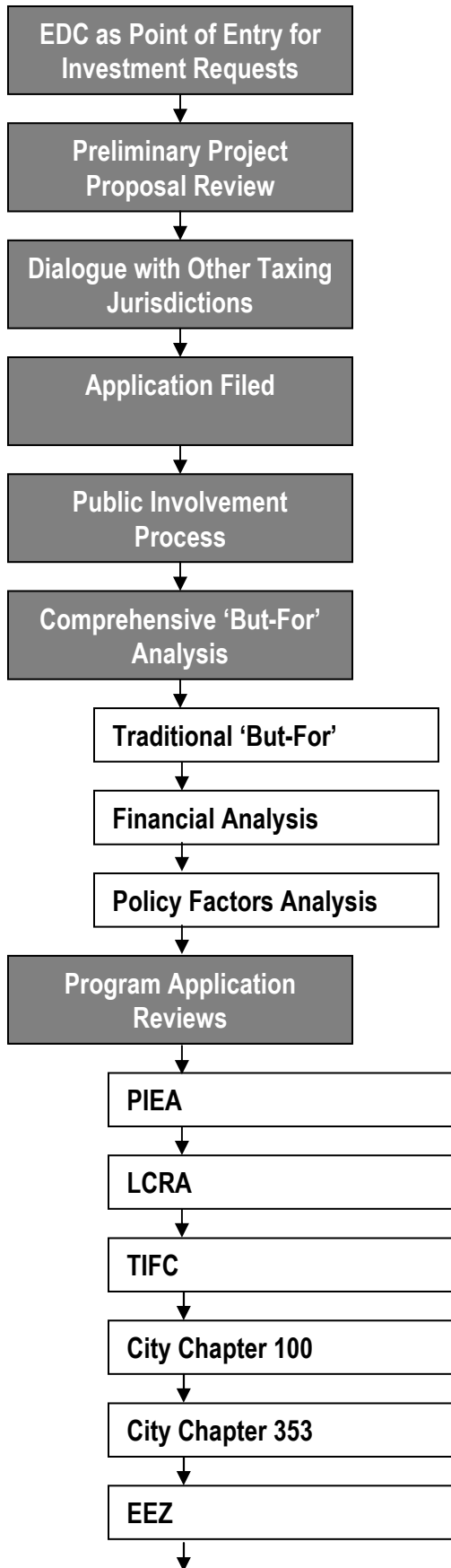
- Consistent process
- Public access
- Transparent
- 22 Policy factors – Social/Fiscal impacts
- City Council approval of all incentives
- Substantive involvement of other taxing entities

PERFORMANCE

Project Evaluation/Policy Compliance

- Standardized approach to project performance monitoring
- Enforcement of contract
- Performance thresholds
- Citizens' Evaluation Committee

Pre-Application & Application Review Process



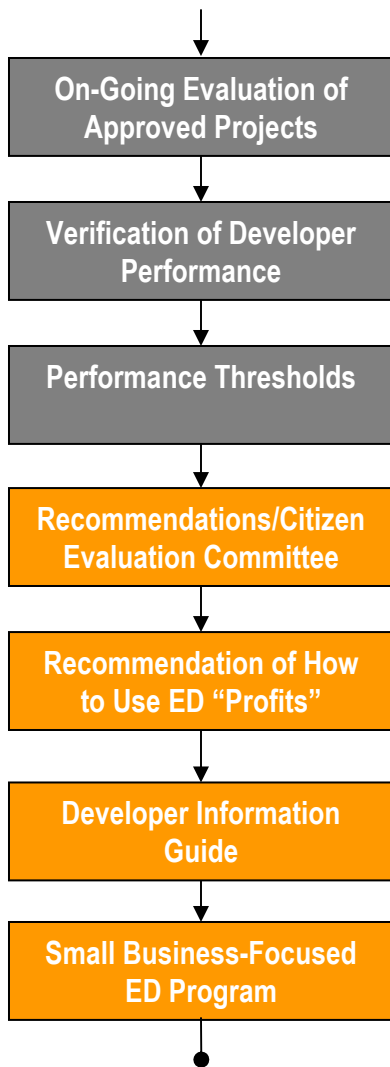
Economic Development & Incentive Policy Implementation

High-Level Implementation Brief

Key

Process Substantively Complete

Future Work



Economic Development & Incentive Policy Implementation

High-Level Implementation Brief

Key

Process Substantively Complete

Future Work

Preliminary Project Proposal Review

- Not specifically required by ED&I policy
- Intended to provide early guidance to developers on most likely path to successful conclusion

Dialogue with Other Taxing Jurisdictions

- EDC serves as coordinator of developer contact with other taxing entities
- Intended to garner early input of the taxing entities to inform the developer and policy makers about the impacts of the proposed development
- Requires upfront developer payments to other taxing entities be fully disclosed and accounted for in the 'but-for' analysis

Public Involvement Process

- Intended to engage public early in process
- Two stage implementation based upon budget and technical capacity
 - > *Stage One*: basic website with mailing list manager (electronic mail) notifications when new information is posted to website
 - > *Stage Two*: advanced website with GIS integration providing must greater public control over what ED information they receive, as well as ability to access project files online

Economic Development & Incentive Policy Implementation

Detailed-Level Implementation Brief

Comprehensive 'But-For' Analysis

Traditional 'But-For'

- Required for every project
- Standardized requirements for third-party analyst reports
- Standardized RFP format for selection of third-party analysts

Financial Analysis

- Standardized inputs
- Standardized assumptions
- Presentation of a single, comprehensive analytical tool with detailed information for policymakers on interpretation of results

Policy Factors Analysis

- Standardized approach
- Uses qualitative, quantitative and informational measures of compliance with the ED&I policy
- Includes some mandatory requirements: context and net benefit (which can be financial or otherwise)
- Includes a focus on a number of "key" factors: removal of blight; creation of quality jobs; etc.
- Provides a framework of general guidance of a staff recommendation, but does not take a formulaic approach

Economic Development & Incentive Policy Implementation

Detailed-Level Implementation Brief

Program Application Reviews

- ED&I Policy requires all incentives to be approved by City Council
- City and EDC staff have spent significant time reconciling this requirement with the statutory framework of the various ED programs
- Approvals fall into three categories: (1) statutory board recommendation, City Council approval; (2) City Council delegation of final approval to statutory agency; and (3) a blend based upon circumstances.

PIEA

- Council approves all incentives
- Process modified to require City Council approval of BOTH district creation and plan authorization

LCRA

- Council delegates approval to statutory agency
- Incentives are limited to no more than 10 years at no more than 100%

TIFC

- Council approves all incentives
- Process significantly revised to provide a greater role for City staff earlier in the process
- Process modified to prevent material changes to items before TIFC after packets have been distributed

City Chapter 100

- Council approves all incentives
- Process modified to allow EDC to perform “go/no-go” recommendation
- Incorporates other components of ‘but-for’

City Chapter 353

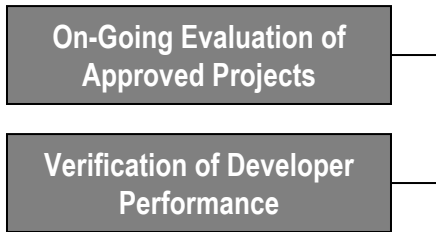
- EDC responsible for administration
- Flexibility of program remains in place

EEZ

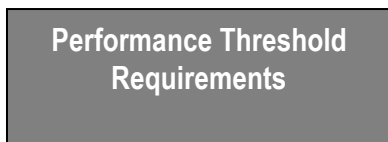
- Blend approval
- Council delegates approval for abatements of up to 10 years and up to 100% to EEZ Boards
- Higher intensity incentives require a complete ‘but-for’ analysis and are subject to Council approval

Economic Development & Incentive Policy Implementation

Detailed-Level Implementation Brief



- Items for evaluation/performance review are negotiated and included in a schedule adopted by the City Council at the time of approval of an incentive grant
- Projects are assigned to “frequent” or “infrequent” review categories based upon the type of project and risk to the City
- City coordinates with statutory agencies to prevent overlap and undue burden to the developer in managing project performance
- Performance thresholds are triggered by unmitigated underperformance



- Performance thresholds are specified for every economic development project receiving incentives
- Performance thresholds are tied to performance representations made in application for assistance
- Performance thresholds are imposed proportionately to level of underperformance
- Developer will be provided with a reasonable period to cure underperformance

ED&I Policy Implementation

FINAL Preliminary Project Proposal Review Process

November 27, 2007

Purpose

The purpose of the preliminary project proposal review process is for the developer, prior to initiating the formal application process through EDC, to outline the proposed development and to hear initial feedback from EDC, City Finance and City Planning and Development staff. The end-goal of the process is to facilitate applications for incentives assistance that (1) minimize to the absolute extent possible the financial impacts of the anticipated incentives request (and, therefore, maximize non-City investment in the project) and (2) conform fully to the ED&I Policy, addressing both fiscal and social considerations.

Expectations and outcomes

The expectations and outcomes of the pre-application process include:

For the developer

- Early identification of City staff or EDC concerns with or opposition to all or portions of the proposed development
- Early identification of perceived weaknesses of the development proposal, especially related to compliance with the ED&I Policy
- An opportunity to vet the development proposal informally before committing the time and financial resources necessary to make formal application to the EDC

For City Finance

- An early look at proposed projects, especially for compliance with the ED&I Policy
- An opportunity to broaden the discussion on non-City subsidized vehicles to fund project gaps

For City Planning and Development

- An opportunity to take an early look at land use issues, zoning considerations, conformance to the Comprehensive Plan and its applicable components (area plans, transportation plan, etc.)
- An early look at proposed projects for compliance with the ED&I Policy

For EDC

- An opportunity to get City staff on the record earlier as to their potential concerns about a proposed development
- An opportunity to learn about the City's perspective on the proposed development's conformance to the ED&I Policy

When is a Project Ready for Preliminary Review?

A project is ready for Preliminary Review when the developer is able to present the following information:

- 1) A written and illustrative (schematic) description of the project, along with a general infrastructure plan
- 2) An identification of the location of the project and a quantification of the developer's degree of site control
- 3) A preliminary sources and uses budget for the project, identifying any gap to be filled with public assistance and describing the source(s) of private financing
- 4) A preliminary identification of the type and extent of incentives to be requested
- 5) A brief review of the project's conformance to the 22 ED&I Policy Factors

EDC, as soon as the developer has demonstrated its ability to produce the information above, will schedule the preliminary meeting with the Review Team (see below).

The developer should plan its submittal of information required for a Preliminary Review such that the Preliminary Review will occur no later than two weeks prior to the developer filing a formal application for assistance with EDC.

Review Team Composition

The Review Team will include representatives from the City departments and agencies listed below. In order to maintain the continuity of the group and to produce consistent feedback from project-to-project, City departments and agencies will endeavor to assign consistent personnel to the team.

Core Review Team members will generally attend each review:

- City Manager's Office representative (coordinator)
- Development Finance staff
- EDC and Statutory Agency staff
- Law Department staff
- City Planning and Development staff

Supplemental Review Team members will join the Core team as required by each individual project. Example supplemental expertise areas include:

- Zoning
- Housing
- Water Services

- Public Works
- Public Safety

Confidentiality and Free Flow of Information

Review Team members will execute a standard confidentiality statement for each project reviewed. Review Team meetings will not be open to the public. To promote a free flow of information between the developer and the City and to the extent possible, the developer's information and the Review Team's analysis will be shielded from disclosure under Missouri sunshine laws.

Last Revised: November 27, 2007

DRAFT

ED&I Policy Implementation

FINAL—Dialogue with Other Taxing Jurisdictions

January 14, 2008

Purpose

The Policy indicates that the City will favor projects that provide immediate financial benefits to other taxing jurisdictions and that a dialogue with those taxing jurisdictions should begin early in the process. Specifically:

- “...applications for public investment are encouraged to begin an early dialogue with taxing jurisdictions that will be impacted by the public investments requested for the project.” (ED&I Policy, pg. 11)
- “...the City favors projects that provide immediate financial benefit to other taxing jurisdictions, unless those taxing jurisdictions have explicitly consented to the full abatement or redirection of their portion of incremental taxes.” (ED&I Policy, pg. 11)
- “...the use of tax increment finance (TIF) is an appropriate economic development tool. The redirection of up to 50% of incremental economic activity taxes is appropriate.” (ED&I Policy, pg. 11)
- “...the use of property tax abatement is an appropriate economic development tool. Granting the maximum available period and level of abatement is not the City’s standard practice...” (ED&I Policy, pg. 11)

This paper outlines the process by which other taxing jurisdictions are consulted about proposed public investments that might affect those jurisdictions and addresses the meaning of “immediate financial benefit.”

Interaction with Other Taxing Jurisdictions

The Task Force felt strongly that other taxing jurisdictions should be consulted and have an opportunity for comment as part of the City’s process for granting public incentives that might impact these governments. The Task Force did not see this consultation as a “veto right,” but as a way to open early dialogue to encourage developers to seek and structure incentives that present the least detrimental impact to these entities.

In order for the input of the taxing jurisdictions to be considered, they need to be presented with sufficient information about the project early enough in the process to be able to provide substantive comments for consideration by the statutory agencies and/or City Council. Ideally, developers will use the feedback of the taxing jurisdictions to make modifications to their plan of finance to allow the project to proceed, but to minimize negative impact to these entities.

- Each taxing jurisdiction creates a single point-of-contact for the City, the EDC, the statutory agencies and developers to use to make contact with the jurisdiction about proposed economic development projects, and regularly updates this information with the EDC. The EDC maintains the master database of contacts for use by other parties.

Because of the sheer number of taxing jurisdictions involved, it is not practical for the City or the EDC to be responsible for identifying relevant parties at each taxing jurisdiction on each transaction. Ideally, the taxing entity will provide a unified email address (such as edcontact@entity.gov), fax number and/or phone number to serve as a clearinghouse for economic development information.
- The EDC coordinates developer/applicants' contacts with taxing jurisdictions and engages these jurisdictions prior to any formal application being filed. During this contact, the EDC, together with the developer/applicant, provides enough information about the proposed project to the taxing jurisdiction to enable it to estimate the potential financial and social impacts of the development.
- Not less than 30 days prior to the first public hearing on any application for incentives before the City or any of the statutory agency boards, the EDC prepares and delivers to each impacted taxing jurisdiction a term sheet describing at least: (a) the physical location of the project (in plain English, i.e. no metes and bounds-only descriptions); (b) a brief description of the project proposed, including the anticipated land-uses, to include approximate square footages, etc.; (c) a brief sources and uses schedule and brief narrative description of the funding for the project, including a quantification of the incentives sought, their extent and duration; (d) a high-level calendar for implementation of the project, including anticipated groundbreaking and completion dates; (e) the date of the application was filed and the EDC/statutory agency file number for the project; (e) a discussion of whether the application materials are de novo or whether they are revisions to an existing application; and (e) a quantification of the potential financial and social impacts on each affected taxing jurisdiction.
- Not later than 20 days following receipt of the EDC term sheet, the affected taxing jurisdiction may provide comment for the record in writing related to the proposed development. EDC, the City and any statutory agencies will include any such comments in the official agenda packets of the boards/committees reviewing the applications.
- Not later than 5 days prior to the first public hearing, the EDC places into the record a written summary of the dates of its contact with other taxing jurisdictions and a narrative summary of how the applicant took the impacts on such jurisdictions into account in preparing its application.

- In their official actions, the boards/committees of the EDC, the City or any statutory agency will make a finding of the degree to which the project minimizes or attempts to minimize the impacts on other taxing jurisdictions.

Project Benefits to Other Taxing Jurisdictions

The Policy indicates that the City favors projects that provide an “immediate financial benefit” to other taxing jurisdictions. The Task Force discussed at length the hardship, especially, that lengthy redirections or abatements of tax revenues impose. For impacted school districts, for instance, many long-lived incentives outlast an entire K-12 generation of students.

The Task Force stated in its policy that projects receiving incentives generally should redirect or abate less than the maximum amounts allowed. By ensuring that some incremental revenues pass through to all taxing jurisdictions from day one, each would see immediate financial benefits.

This approach is further supported by the Task Force’s statements on the granting of property tax abatements and the creation of TIFs, indicating (as shown above) that less than a full abatement/redirection would be the norm rather than the exception.

While the Task Force did not address specifically developer payments to one or more taxing jurisdictions, it is important to note that these payments, unless fully disclosed, have the potential to distort the but-for analysis, cost-benefit analysis, and City fiscal analysis performed on a project. In addition, these payments may create conflicts with the Policy’s requirements that incentives will be granted in an amount necessary to make a project feasible, but no more (see page 10 of the Policy).

- Projects that require less than the maximum amount or term of incentive permitted will receive more favorable consideration than those that do not.
 - By allowing some incremental taxes to pass through to all taxing jurisdictions, immediate financial benefit from the project is provided to those entities.
- Developer payments to one or more taxing jurisdictions must be fully and timely disclosed by the developer to the City, EDC and applicable statutory agency so that any such payments can be factored into the comprehensive but-for analysis.
 - A developer’s failure to disclose these payments fully and timely may create inaccurate or distorted results from any or all of these analyses and may cause unintended cross-subsidization by one taxing entity of another.

Last Revised: January 14, 2008

ED&I Policy Implementation

FINAL Public Involvement Process

March 18, 2008

Purpose

The Policy requires citizens of the community to have a formal role in the incentive granting process. Specifically:

- “...the City uses a formal process to engage Kansas City residents in the application review process and, at a minimum, makes detailed information about the application and proposed project available to the public timely enough to allow public comment to the EDC, City Council, Council Committees, or the boards of the City’s partner agencies, on the pending application.” (ED&I Policy, pg. 7)

Citizen Involvement Process

The City, EDC and statutory agencies work jointly to implement the following process for public information about and involvement with applications for economic development incentives.

Interim Process (implemented immediately and improved throughout 2008)

- The City creates and posts to its website a relatively simple webpage providing alerts (see below) and helpful links to economic development program descriptions, key partners (EDC, statutory agencies, Missouri DED) and other information.
- As soon as possible, and hopefully coincidental to the Preliminary Project Proposal Review meeting, the EDC prepares and delivers to the City for posting on the City’s proposed project website a public fact sheet, including:
 - 1) Project Name
 - 2) Project Address, closest major cross-streets, and council district
 - 3) Developer Name
 - 4) Project Description (geographic boundaries, square feet categorized by land use, number of residential units and proposed price range, whether condo or rental)
 - 5) Affected incentive area (TIF plan area, PIEA area, URA) [with link to a pdf map with incentive area overlays]
 - 6) List of affected taxing jurisdictions
 - 7) Type and amount of public incentive requested with hyperlink to a page which connects to the state statute and local policy which governs the incentive type requested
 - 8) Preliminary Sources and Uses budget demonstrating the gap to be filled by public investment

- 9) Brief description of procedural requirements (hearings before statutory boards, City Plan Commission, City Council, etc.) and/or a link to the process flowchart for the incentive(s) being requested
 - 10) Schedule (if available) of public hearing dates and locations with a column to describe what is being discussed at the public hearing and the outcome (pass, held, continued, etc.)
 - 11) Name of and contact information for EDC project manager.
- As major milestones are met, the EDC will update the public fact sheet and route to the City for posting on the City's website.
 - The City will develop and maintain an electronic mail notification list where interested parties can sign up to receive an automatic email notification when a new public fact sheet has been added to the proposed development website.

Final Process (implement in 2009)

- The City will create a GIS-enabled database of proposed project information. Project data will be accessed through a web interface incorporating live GIS-driven maps identifying the locations of proposed projects. Members of the public, by clicking on these identifiers, will be carried to a download page where they can access such items to include the public fact sheet, council fact sheet, site plans, elevation drawings, traffic studies, feasibility studies, fiscal impact analysis results, but-for studies, and other information about the project as it becomes subject to disclosure under Missouri's sunshine laws.
- Data to be included in the database (or linked from the database) for each project include: (a) the physical location of the project (in plain English, i.e. no metes and bounds descriptions only); (b) a brief description of the project proposed, including the anticipated land-uses, to include approximate square footages, etc.; (c) a brief sources and uses schedule and brief narrative description of the funding for the project, including a quantification of the incentives sought, their extent and duration; (d) a high-level calendar for implementation of the project, including anticipated groundbreaking and completion dates; (e) the date of the application was filed and the EDC/statutory agency file number for the project; (f) a discussion of whether the application materials are de novo or whether they are revisions to an existing application; and (g) notice of where and when the public may provide verbal or written testimony about the proposed project.

- The City will continue to maintain its electronic mail mailing list where interested members of the public may sign up to receive notifications that new projects have been added to the website.
- The City, the EDC and all statutory agencies accommodate and welcome public comment on each application for incentives, both in writing and via public hearing. In order to provide the public ample time to review materials and inform themselves on the details of a project, any material changes to applications trigger a five-day notice period to the public from the time revised information is posted to the website before any public hearing or other official action may be taken.

Last Revised: March 18, 2008

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ED&I Policy Implementation

FINAL Comprehensive 'But-For' Analysis

April 8, 2008

Purpose

The Policy requires that "...the City and all of its partner agencies use a standard, 'but-for' test that includes both fiscal and social considerations, evaluates the project's attention to the City's Policy Outcomes, and is broader than just a calculation of developer rate of return. The 'but-for' analysis is used on *every* public investment decision." The administration of a standard, comprehensive 'but-for' test:

- Assists in determining whether a development would occur without incentives;
- Protects the short- and long-term financial interest of taxing jurisdictions;
- Prevents unnecessary and/or excessive use of incentives for private development;
- Ensures evaluation of the proposed project against the City's ED&I Policy.

This paper outlines the process by which the 'but-for' test will be used, the information required to complete it and the reporting of the results to policymakers.

Application of the Test and 'But-For' Components

The City, the EDC and each statutory agency will perform a 'but-for' analysis on all projects requesting incentives.

The components of the comprehensive 'but-for' analysis include:

Item	Purpose	Administered by
Traditional 'but-for' analysis	Determines whether the project would be reasonably anticipated to develop without incentives and documents the developer's projected rate of return. The analysis also includes a brief status quo taxation analysis, identifying likely tax collection trends if no development were to occur in the project area.	Third-party pursuant to RFP
Fiscal impact analysis	Determines the fiscal impact of the proposed project on the City's financial condition by comparing the direct public costs incurred to service a project and the direct tax revenue benefits generated by the project.	City
Project cost/benefit analysis	Determines the net benefit of the proposed project, including those of other taxing jurisdictions.	EDC
Project review for compliance with ED&I Policy	Identifies the social benefit component of the 'but-for' and addresses the proposed project's achievement of policy outcomes.	City

City staff (in cooperation with the appropriate incentive-granting agency as applicable) will compile the four pieces of information required for the complete 'but-for' and will provide analysis of the proposed project's 'but-for' test outcome, to include both a narrative and the completion of a preliminary City Economic Development Project Fact Sheet, Economic Development & Incentive Policy Factors Analysis, and the results of both the Fiscal Impact and Cost/Benefit analyses and models.

Process

Day	Procedural Step
0	Developer files application for public assistance with the EDC
10	Upon receipt and after verification that all required materials have been submitted, the EDC forwards to or copies the application packet to the City (City Manager's Office, Development Finance, and City Planning and Development) and, if applicable, the appropriate statutory agency for review. The complete application packet will include, at a minimum, all items listed in the "Information Required from Applicant" section below.
15	Within five days after delivery to the City, the EDC schedules a meeting with the applicable statutory agency and the City to address pre-analysis issues, including any incomplete or missing application information, modifications to the request for proposals for the traditional 'but-for' calculation, and any special conditions related to the project. The group also develops a specific calendar for the proposed project's approval process.
25	Within 10 days of this meeting, the EDC or the applicable statutory agency disseminates an RFP for the traditional 'but-for' analysis.
30	Within 5 days of dissemination, the EDC or statutory agency reviews RFP responses and appoints a traditional 'but-for' analysis provider.
44	Within 14 days of appointment, the traditional 'but-for' analysis provider delivers its draft report to the EDC, the statutory agency and the City.
44	On or before the deadline for delivery of the traditional 'but-for' analysis provider's draft report, the City will prepare the preliminary Fiscal Impact Analysis, the EDC will prepare the preliminary Cost-Benefit Analysis, and the City will review the proposed project for compliance with the ED&I Policy.

49	After delivery of all preliminary materials, the City, EDC and applicable statutory agency will have 5 days to provide comments on all draft materials, which may result in revised analyses.
51	Final analyses will be disseminated between the City, EDC and applicable statutory agency within 2 days following receipt of comments. The clock for the City's review of the information does not commence until the final analyses are complete, even if it takes more than 2 days.
81	The City will have no less than 30 days to review all information, finalize its comprehensive 'but-for' analysis report, and prepare the City Economic Development Project Fact Sheet, Economic Development & Incentive Policy Factors Analysis, and City Fiscal Impact Model Results Summary Report prior to its inclusion in a packet for action by any agency (EDC, City Plan Commission, statutory agency board). If substantial changes to the development budget or underlying project assumptions are submitted by the developer after the packet is delivered to the appropriate statutory agency, the project will be held at the statutory agency until all project information is finalized and the City has an opportunity to perform a full and final review of the proposed development.

Information Required from the Applicant

The developer of the proposed project has the responsibility to provide the information necessary to complete the 'but-for' analysis. The City, the EDC and the statutory agencies will modify standard incentive applications to include all information needed to complete the analysis.

Information requested will include, but not be limited to, documents, analyses and studies related to:

- Internal rate of return
- Gross profit to the developer
- Cash-on-cash return
- Allocation of costs (hard vs. soft)
- Projected impact to other taxing jurisdictions of the proposed project, with and without the incentives requested (tax impact analysis).
- A demonstration of how the development will yield a net increase in market value for the project site
- A complete sources and uses schedule, documenting the project's financing gap, and enumerating the private sources of equity and debt. Specifically, the applicant must demonstrate what private financing has been committed for the project with Letters of Commitment. Tax credit

equity if any (including but not limited to LIHTC, HTC, NMTC) must also be included in the sources and uses.

- Pro forma cashflows (before tax), both by individual land use and aggregated, documenting project net operating income annually through no less than 10 years following stabilization of the project
- A narrative discussion of the public purpose for which the requested financial assistance to the project will be used.
- A narrative discussion of the extent to which the proposed project addresses the City’s 22 ED&I Policy factors
- An analysis of the impact of other financing sources on the total project budget and the need for other public incentives (e.g., tax credits (new market, low income housing, historic, state and federal; subsidy layering analysis; etc.)
- Demonstration that the amount of incentives requested is the amount that makes the project feasible, but no more

Review of Policy Factors

Generally, the City will assign the analysis function for an application’s compliance against the ED&I Policy’s 22 factors according to the table below:

Policy Measurement	Responsibility
Reduce or remove blight	City Planning and Development
Jobs and/or development targeted to economically distressed areas	City Planning and Development
Generate net new jobs for unemployed residents	Shared (CPD, Dev Fin)
Generate net new Quality Jobs	Shared (CPD, Dev Fin)
High ratio of private to public investment	Development Finance
Project focused on building small business or microenterprises	Shared (CPD, Dev Fin)
Preserve, enhance or build infrastructure in priority areas as defined by the City	City Planning and Development
Results of City fiscal model show net positive benefit to the City	Development Finance
Mitigates potential financial impacts on other taxing jurisdictions/ provides an immediate share of increment to schools & others	Development Finance
Offer workforce development activities (job training, advancement opportunities, skill development)	City Planning and Development

Produce affordable housing opportunities	City Planning and Development
Project minimizes negative impacts on existing Kansas City businesses	Shared (CPD, Dev Fin)
Promote crime reduction and enhance perception of safety	City Planning and Development
Promote environmental protection, conservation and the protection of natural resources	City Planning and Development
Protect or enhance existing housing stock	City Planning and Development
Provide direct support for primary, secondary, post-secondary, vocational or technical education in Kansas City	Development Finance

Requests less than the maximum duration and extent of incentives available	Development Finance
Promote access to and financial support for public transit	Shared (CPD, Dev Fin)
Proposed development adjacent to areas of existing development activity	City Planning and Development
Provide workforce support to employees (day care, housing, transportation)	Shared (CPD, Dev Fin)
Enhance the cultural and arts environment of the City	City Planning and Development
Project complements existing Kansas City businesses/contributes to existing business cluster	Development Finance

Procurement of Traditional ‘But-For’ Analysis Services

On all projects requesting public investment, the City, the EDC or the appropriate statutory agency will advertise for proposals from qualified service providers to complete the traditional ‘but-for’ analysis, the purpose of which is to determine the proposed development’s economic viability with and without incentives and to document the developer’s estimated rate of return.

In order to ensure consistency from project to project across providers of the traditional ‘but-for’ analysis, the City, the EDC and each statutory agency will employ standard RFP language, as well as standard assumptions and documentation requirements, including the Standards of Analysis described below, for the providers. The standard language is provided as **Attachment A**.

To expedite the reviews, the City, the EDC and the statutory agencies, jointly, may prequalify a pool of potential providers via a formal request for qualifications process and then, at the time an application is filed, use a brief RFP process to solicit pricing quotations.

ATTACHMENT A

Standards of Third-Party 'But-For' Analysis

Third-party analysts will adhere to the following standards in their preparation of the traditional 'but-for' analysis:

- Cost inputs contained in the submitted project budget should be justified by the developer, and documented and verified by the analyst.
- Sensitivity analyses should be included to help define the assumptions for the internal rate of return analysis.
- Internal rate of return (IRR) calculations will be performed using (1) the developer's assumptions *and* (2) the analyst's own professional judgment, related to such items as sales per square foot, land sale values, etc.
- Reversion values in the IRR calculations will include the value of any remaining incentives granted to the project but unamortized at the time of reversion.
- Current market conditions must be defined by sub-market trend data.

Last Revised: April 8, 2008

DRAFT

[LOGO]

Request for [Qualifications/Proposals]
'But-For' Analysis Provider
for the [Agency Requesting]

Overview

The [Agency Requesting] (the "Agency") seeks proposals from firms interested in providing "but-for" analysis for publicly-supported development activities. Specifically, the Agency anticipates using the winning respondent(s) to provide 'but-for' analyses on development proposals requesting the use of tax increment finance (TIF); property tax abatement; City guarantees of debt; and direct incentives.

Responses must be prepared according to this Request for Proposals and delivered *by electronic mail only* to:

[contact person]

Responses must be delivered to [contact] **no later than [due date], at 4:00 P.M.**, Central Time.

Document revised: December 21, 2007

I. Introduction

The [Agency name] (the “Agency”) is the administrator of the [incentive] program for the City of Kansas City, Missouri. In order to comply with statutory requirements and to ensure adherence to the City’s Economic Development and Incentive Policy (the “Policy”), the Agency seeks firms to provide independent, review and analysis of development proposals, leading to the ‘but-for’ analysis described in the Work Description below.

2. Work Description

The successful respondent(s) will be responsible to provide the following services to the Agency, including but not limited to:

- Familiarity with the statutory requirements of the various development finance tools available to Missouri cities.
- Reviewing and analyzing development applicant-provided information about the project.
- Reviewing and analyzing development applicant-provided pro forma financial information.
- Providing independent analysis and recommendations related to appropriate assumptions for development financial pro formas, to include such items as sales per square foot, annual sales, market property valuation, operating costs, etc. Construction costs must be verified.
- Preparing a status quo tax analysis identifying the likely trends in future tax collections (property, sales, earnings tax, etc., as applicable to the situation) if development did not occur in the subject area and the current conditions without development went on, unchanged and undeveloped.
- Working closely with and assisting Agency staff and its transaction professionals in analyzing and making recommendations regarding development proposals.
- Presenting the firm’s findings and conclusions to Agency staff, its transaction professionals, its board, as well as city council committees and the city council as a whole.
- Producing ‘but-for’ analyses to allow the Agency to comply with the City’s Economic Development and Incentive Policy. Analysis will include a discussion of the risks associated with the project and a discussion of how the proposed project budget compares with other comparable projects.
- Producing ‘but-for’ analyses to allow the Agency to comply with statutory requirements related to tax increment financing. The analysis will describe the need for public assistance by demonstrating the profitability and feasibility of the project.
- Producing ‘but-for’ analyses that will be reproduced in the agenda packets for formal action by the Agency’s board [and/or the Kansas City Council].

-
- Attending in-person and conference call meetings with Agency staff and its transaction professionals and/or the private development team.
 - Preparing analyses in full compliance with the Standards of Analysis discussed in paragraph 5 below.
 - Other related work as may be assigned.

3. Prequalification of Firms

As a result of this RFP process, the Agency anticipates prequalifying one or more firms to provide 'but-for' analysis services. Qualifying firms will be asked to submit fee quotations on a project-by-project basis for a defined scope of work. Qualifying firms may or may not be asked to perform work for the Agency during the term of their engagement (depending upon the level of development finance activities within the community).

4. Basis of Evaluation

The Agency will review timely and responsive proposals using its own staff and other professionals deemed appropriate.

Proposals for prequalification will be evaluated based on the following criteria:

- A. The background of the firm and its experience in providing the services requested, especially to other Missouri communities;
- B. The quality and expertise of the staff team that would be assigned to the Agency's account; and
- C. The firm's focus on this type of work

The Agency reserves the right to:

- A. Interview or request additional information from any firm prior to its selection; or
- B. Consider information about any firm from other sources in addition to information submitted by the firm.

Please limit your total response to 15 pages.

If additional information is necessary to interpret the requirements of this RFP, please direct your questions in writing to **[contact information]**. No telephone inquiries are permitted. All questions (less identification of the requestor) and the Agency's response to the request will be shared with all firms receiving the RFP. *Communication with any member of the [Agency's Board] or any employees or representatives of the Agency during the response and evaluation period concerning any matter related to this Request for Proposals is grounds for immediate disqualification.*

5. Standards of Analysis

The firm will complete its analysis in compliance with the City of Kansas City's written standards for third-party 'but-for' analysis.

6. Format of Proposals

All responses to this RFP must follow substantially the outline presented below. Responses should be delivered electronically in an Adobe PDF-compatible file. Please do not submit any information not specifically requested in the RFP.

- A. *Firm Background and Expertise.* Provide some background on your firm. When was it founded? Why did it get into the business of providing 'but-for' analyses? What other services does the firm provide? Provide addresses and phone numbers for any office of the firm from which this type of work is performed.
- B. *Staff Resources and Account Team.* Please describe the firm's staffing in general. Please identify and provide brief resumes for all firm members expected to work on the Agency's account. For each firm member working on the Agency's account, please identify the role of that person in your staff team and the percentage of total time dedicated to the Agency each individual will contribute. *The Agency will expect the individuals identified to actually be the ones to perform work if your firm is selected.*
- C. *Approach.* Please provide a discussion of your firm's anticipated approach to the scope of services identified in **Section 2 (Work Description)** of this RFP. Are there additional, related services that your firm routinely provides?
- D. *Standards of Analysis.* Please describe in detail any specific concerns or proposal exceptions related to the Standards of Analysis described in paragraph 5 above.
- E. *Comparable Work.* **(This section is exempted from the page limit and may be included in an appendix.)** Please identify comparable assignments completed (or currently underway) since January 200[5] for clients with similar scopes of services to that identified in this RFP. For each assignment, please provide:
 - i. An identification of your client (public vs. private; issuer name, etc.);
 - ii. A brief description of the project and your assignment deliverables;
 - iii. The firm members primarily responsible for your firm's work;
 - iv. The size of the project (public vs. private);
 - v. The development finance tool or tools employed by the project;
 - vi. A brief summary of your 'but-for' conclusion; and
 - vii. Contact information for your principal liaison with the client.
- F. *Value Added.* Provide up to five case studies identifying how your firm brought exceptional value to your client in a transaction (related to 'but-for' analysis). How do these case studies illustrate the differentiation between your firm and your competitors?

-
- G. *Lessons Learned.* Provide one or two case study examples where a project you worked on subsequently turned out differently than the results of your analysis. Provide a brief post-mortem: what happened? what could have been done differently? what did your firm learn from the experience?
- H. *Insurance Coverage.* Please detail the applicable insurance coverages and policy limits your firm carries related to professional liability, errors and omissions, etc.
- I. *Litigation, Investigations.* Please identify and detail any litigation, investigations or other adverse actions taken against the firm since 2000 in its practice of providing and reviewing 'but-for' analyses or related work.

7. Delivery of Proposals

All responses to this RFP must be delivered to the Agency via electronic mail no later than [due date], at 4:00 P.M. Central Time. Proposals should be addressed to:

[contact name and information]

Responses should be limited to 15 pages.

Delivery of a proposal signifies the willingness of the proposer to comply fully with the requirements of this RFP in its work, if any, with the Agency, including specifically related to the Standards of Analysis in paragraph 5 above, unless exceptions have been noted as part of your response (see 6(d) above).

The Agency is not liable for any cost or expense incurred by the respondent in the preparation of its response to this RFP.

ED&I Policy Implementation

FINAL Financial Impacts

April 10, 2008

Purpose

One of the outcomes of the City's Economic Development & Incentive Policy is to promote the stewardship of the City's financial resources by measuring the fiscal impacts of the economic development plan or policy on city government (ED&I Policy, pg. 5).

To ensure that direct fiscal impacts to the City are considered and measured, the use of a fiscal model is an essential part of the economic development project review process as stated in the ED&I Policy:

- "...City staff prepares and the City Council reviews a summary fiscal and social impact analysis, transmitted with any development-related agenda item to be considered by the City Council or its committees, for every project under consideration. This statement identifies the extent to which the proposed project conforms to this policy and achieves the City's Policy Outcomes. (ED&I Policy, pg. 7)
- "...the City and all of its partner agencies use a standard, "but-for" test that includes both fiscal and social considerations, evaluates the project's attention to the City's Policy Outcomes, and is broader than just a calculation of developer rate of return. The but-for analysis is used on every public investment decision." (ED&I Policy, pg. 10)
- "...the City determines the economic, fiscal and social costs and benefits of every economic development investment it makes." (ED&I Policy, pg. 11)
- "...every project requesting incentives is analyzed to determine its potential impact on the City's finances." (ED&I Policy, pg. 11)

Additionally, each application for public investment is to be reviewed for its attention to 22 policy factors, one of which is that the results of the City fiscal model show a net positive benefit to the City.

Until adoption of the ED&I Policy, the City has relied solely on a cost/benefit analysis to estimate the costs and benefits generated by a project being considered for incentive programs such as, but not limited to, Tax Increment Financing (TIF), Downtown & Rural Economic Stimulus Act (DESA), Missouri Development Finance Board (MDFB), and Chapter 100. Per state statute, the use of a cost/benefit analysis is required to show the economic impact of the TIF, DESA, MDFB, or Chapter 100 plan on each taxing district which is at least partially within the boundaries of the redevelopment area. The recent use of a fiscal impact analysis by the City has enhanced the analytical process by allowing City staff to identify specific, direct potential costs and benefits generated by a proposed project on the City, estimating their impact to the

operational budget. Results of the fiscal impact analysis have provided decision makers with additional, valuable information that can be used to better assess the impact of a proposed incentive and assist them in their deliberations on the commitment of public resources in the form of economic development incentives. By using a combined cost/benefit and fiscal impact analysis, decision-makers are provided a more complete look at the potential impacts of the City's participation in an economic development project involving incentives.

Both the cost/benefit and fiscal impact analyses are based on the use of modeling techniques. A brief description of each is provided below:

Models

Cost/benefit and fiscal impact models are inherently different types of analyses. Whereas a cost/benefit model is used to estimate a broad scope of potential economic costs and benefits that can be attributed to a project, a fiscal impact model estimates only potential costs and benefits that can be directly produced by a project.

Cost/benefit model – The purpose of a cost/benefit model is to identify and estimate the costs (which include the use of incentives) and benefits that the project will generate to determine the net economic impact of the project on the City as well as other taxing districts impacted by the City's use of incentives. Included in the estimation are *direct, indirect and induced costs and benefits* attributed to the project that have an impact on the City and other taxing districts.

Fiscal impact model – The purpose of a fiscal impact model is to identify and estimate the *direct financial implications* to the City **only** as a result of participating in a project through the use of incentives. Although the methodology of a fiscal impact model is similar to that of a cost/benefit model, its purpose is focused on providing decision-makers with an understanding of the financial impacts of land use and incentive granting decisions on the City's operational budget.

Recognizing the individual merits of each model, it is important that the results of both models are presented in a way that allows decision-makers an opportunity to consider the range of potential economic and financial impacts of the City's participation in an economic development project and to help facilitate the decision-making process for committing public resources in the form of economic development incentives.

A Comprehensive Analytical Tool

In an effort to better understand and communicate the nuances and results of the modeling techniques, City and EDC staff met to analyze model outputs. A number of factors, highlighted below, outline each technique. Additionally, recommendations are provided that reconcile differences that underlie each technique and allow for the delivery of a comprehensive analytical tool to assist decision-makers in their deliberations on the commitment of public resources in the form of economic development incentives.

- **General assumptions/inputs** – Modeling techniques rely on the use of various assumptions/inputs to determine estimated project costs and benefits including but not limited to number of jobs per square foot of retail or office space, persons per household, City costs per resident, average existing and new home values, etc.
 - **Recommendation – Assumptions/inputs will be based on the City’s budget, census data, market/industry data or other sources and will be used to update the models annually in a consistent way.**
- **Sales shift/displacement (“substitution effect”)** – In the development of any new commercial/retail project, the potential for that development to attract sales (and sales tax) away from other existing commercial/retail centers is real and is likely to occur, especially where population growth is static, like in many parts of Kansas City. Although the percentage of sales in the new development resulting from sales shifted or displaced from other existing developments is difficult to determine, it is often estimated in market studies and other feasibility studies.
 - **Recommendation – The analysis will use a default sales shift/displacement factor of 25% unless the developer, the City or the EDC provides a third-party market study demonstrating the reasonableness of using a different percentage.**
- **Offsite revenues/benefits** – Offsite revenues represent sales and/or residential property tax revenues that are generated outside the project area. For example, an office development project may generate tax revenues throughout the community as a result of office employees’ consumption occurring in the City or as a result of office employees living in the City, and therefore generating both sales and property taxes. Projects do generate offsite revenue, however, if the City wanted to sum the benefits of all developments in the City, including offsite benefits for all projects would result in some “double-counting.” Likewise, if the City only aggregated direct benefits attributed to each development, some off-site benefits would be missed.

- **Recommendation – Modeling results will present offsite revenues as “Additional Net Benefits to Consider” (see Attachment A). The presentation of offsite benefits will provide decision-makers with additional, valuable information that can be used to better assess the impact of a proposed project and the use of incentives.**
- **Business personal property sales tax** – Similar to offsite revenues/benefits, personal property sales tax generated by personal property purchased outside the development project area but within Kansas City by the businesses located in the development project area may provide additional benefits to the City.
 - **Recommendation – Modeling results will present the sales tax collected on project business tenants’ personal property purchased outside of the project footprint as “Additional Net Benefits to Consider” (see Attachment A). The presentation of business personal property sales tax will provide decision-makers with additional, valuable information that can be used to better assess the impact of a proposed project and the use of incentives.**
- **Business personal property (equipment)** – Businesses located in the development project area may own personal property which could provide additional benefits to the City in the form of personal property taxes.
 - **Recommendation – Modeling techniques will be expanded to include an independent input for business personal property based on the developer assumptions or market averages for the industry.**
- **Construction** – A number of costs and benefits may accrue to the City as a result of the construction activity associated with a project being considered for incentives. Construction jobs created and construction materials purchased represent just some of the potential real benefits generated by project related construction activity. Costs associated with construction are also real and may include operational costs to the City, increased traffic or congestion that can result in reduced productivity or lost revenue, as well as social costs such as pollution.
 - **Recommendation – Potential earnings tax receipts generated through construction activity will be modeled. Modeling results will present sales taxes generated as a result of construction activity as “Additional Net Benefits to Consider” (see Attachment A). The presentation of sales taxes generated**

on construction material purchases will provide decision-makers with additional, valuable information that can be used to better assess the impact of a proposed project and the use of incentives.

- **Jobs** – The inclusion of jobs associated with a proposed project is an important factor in estimating the costs and benefits of a proposed project to the City. One approach to estimating the impact of the jobs is to include both new and retained jobs associated with a proposed project. Another approach is to only include jobs associated with new businesses locating to the City or new jobs created by existing businesses. Both approaches have their advantages and disadvantages. A drawback to the first approach is when existing, retained jobs are included, a portion of the revenues the City currently collects from those existing jobs will be redirected to the proposed project and thereby reducing earnings tax revenue the City is already collecting. A drawback to the second approach is that it does not weigh the potential loss of revenue if the existing jobs are lost to another jurisdiction due to relocation of the business outside of Kansas City.
 - **Recommendation – Modeling results will present earnings tax revenue generated from retained jobs as “Additional Net Benefits to Consider” (see Attachment A). Presenting earnings tax revenue generated from retained jobs will provide decision-makers with additional, valuable information that can be used to better assess the impact of a proposed project and the use of incentives.**

Summary of Comprehensive Analytical Tool

The use of cost/benefit and fiscal impact analyses provides a complete look at the potential impacts of the City’s participation in an economic development project through the use of incentives. While individually the cost/benefit and fiscal impact analyses offer two perspectives on the impact of the use of incentives, if used as a comprehensive analytical tool, the results of both analyses will provide decision-makers with a thorough look at the total impacts of the City’s use of incentives in its economic development efforts.

Attachment A provides an example of how the results of the comprehensive analytical tool will be presented to decision makers.

ATTACHMENT A

Comprehensive Analytical Tool

A fiscal and cost/benefit analysis has been completed for the XYZ Tax Increment Finance (TIF) Plan. In completing the analysis, the applicant's assumptions have been reviewed. The following analysis includes the same assumptions as those contained within the Plan and does not use economic multipliers for projecting the costs or benefits.

Please find below a summary of the projected net benefits as well as projected additional net benefits to consider. All benefits are net of costs and are shown as in *constant dollars*. Copies of the model summary pages are attached for further review.

NET BENEFIT (THROUGH [DATE])	
General assumptions and inputs:	
<ul style="list-style-type: none"> • Earnings tax from 20 construction jobs • Earnings tax from 10 new jobs @ \$35,000 • Real Property Taxes from \$15 million of construction • Personal Property Taxes on \$5 million of equipment • Sales Taxes from \$10 million of retail sales (includes 25% sales shift factor) • Utility Taxes 	
TOTAL NET BENEFIT	\$300,000

ADDITIONAL NET BENEFITS TO CONSIDER (THROUGH [DATE])	
+ Offsite Benefits <ul style="list-style-type: none"> ○ Resident Employee Personal Property Taxes ○ Resident Employee Real Estate Taxes ○ Sales Tax on Retail Purchases by employees 	\$75,000
+ Business Personal Property Sales Tax	\$25,000
+ Additional Inputs/Assumptions <ul style="list-style-type: none"> ○ Sales tax on construction material purchases ○ Hotel/Motel Taxes ○ Retained Jobs 	\$50,000
TOTAL ADDITIONAL NET BENEFITS TO CONSIDER	\$150,000

ED&I Policy Implementation

FINAL Application Evaluation System

April 14, 2008

Purpose

The Policy requires that the City, the EDC and statutory agencies maintain a standard, consistent system for the consideration of applications for public investment. Specifically:

- “...The EDC and the City use the same standard, quantifiable, objective system to evaluate the extent to which project applications address the City’s economic development Policy Outcomes.” (ED&I Policy, pg. 6)
- “...The impact on existing businesses of a proposed development is considered when incentives are proposed...including a quantification of potential substitution effects, a quantification of adverse impact on other areas of the City...and a description of whether unfair competition would result from public investment being made in the project.” (ED&I Policy, pg. 7)

Framework

The implementation team used the following framework for the creation of the system. The creation of the evaluation system followed four steps:

- 1) Define and clarify the 22 Policy Factors (Definition)
- 2) Quantify or Qualify the Factors (Counting)
- 3) Rate/Rank the Factors (Keeping Score)
- 4) Put the Score into Context (Evaluation)

Steps 1 and 2 are a challenging balance of seeking to implement the spirit of the policy, while keeping the result “implementable.” On their own, however, the results of these steps do not provide policymaking guidance. The results of evaluation system must be made to be relative and the relative “scoring” must have some context when compared to alternatives, future projects and past results.

Some options for scoring include:

- Weighting
- Quantitative

- Qualitative
- Informational (Yes, No, n/a)
- Some Blend of the Others

In order for the scoring system to be perceived as objective and fair, the implementation team used the following admonitions. The scoring system needs to be:

- **Uniformly Applied** and **Calibrated** (it should be consistent from reviewer to reviewer)
- **Scalable** (it must work for both small projects and large projects)
- **Universal** (it must work for all project types)
- **Transparent** (all parties must understand how it works; applicants should have a strong sense for how their application will be evaluated)

Policy Factor Review Process

The City coordinates review of any application for public investment against the twenty-two Policy Factors. This evaluation process seeks to answer the question: “For \$X of public investment, what is the public getting in return?” The answer may be monetary (future tax revenues), economic (new jobs and other investment) or even aesthetic (additional arts funding).

In addition to the Policy Factors, there are two questions that must be affirmatively addressed in order for the project to make sense.

Prerequisite Considerations

- 1) **Context.** Is this the right project in the right location at the right time? A subsidized project in a naturally growing area may not make sense. If the context is not right, the project should not receive public investment.
- 2) **Net Benefit.** If the context makes sense, does the cost? A project that requires significant public investment without solid prospects to provide return on the public’s investment should not be undertaken.

Factors Analysis

If a project addresses the prerequisite considerations, it must be evaluated in the framework of the 22 Policy Factors. Some of these factors naturally favor stronger consideration, both given the weight provided them in the Task Force deliberations, as well as their potential impact to the city. These **Key Factors** include:

KEY FACTORS	DEFINITION	MEASURE
Reduce or remove blight	Defined by the program for which the applicant is applying. If applying for a program that does not require a blight study, developer may choose the blight standard from the other ED programs	Qualitative; description of the blight removal by the developer
Jobs and/or development targeted to economically distressed areas	Jobs located in a distressed area and/or jobs likely to target distressed areas as defined in the Policy at: Page 9, "Development of Economically Distressed Areas".	Informational (Y/N, is the project located in an economically distressed area as defined by the Policy?) and Quantitative (# of jobs to total new jobs)
Generate net new jobs for unemployed residents	Best faith effort: communication and outreach. Applicant submits plan to address communication and outreach to unemployed residents.	Qualitative and quantitative (# of net new jobs for unemployed residents to total new jobs, number of new full-time and part-time jobs for unemployed residents)
Generate net new Quality Jobs	Report ratio of Quality Jobs to total jobs created as defined by Policy at: Page 2 "Create Quality Jobs". "Net new" means the job does not currently exist in Kansas City and its creation does not result directly in a job loss elsewhere in Kansas City. The Quality Jobs measurement is evaluated against the most current labor statistics data available at: http://www.bls.gov/oes/current/oes_28140.htm Using the BLS data (above), a Quality Jobs Matrix must be completed by applicant, available from City Planning staff.	Quantitative (# of part-time, full-time, and <i>quality</i> full-time jobs to total jobs).
High Ratio of private to public investment	Report ratio. "Public" includes any subsidy (direct, abated, redirected), but does not include TDD, CID or NID (self-supporting) revenues	Quantitative (ratio)
Results of City fiscal model show net positive benefit to the City	Results of fiscal impact model show net benefit to City	Informational
Produce affordable housing opportunities	Compliance with City Housing policy (City Ordinance 070062); plan of compliance provided. Project provides no less than neutral impact on the City's affordable housing stock.	Qualitative (level of compliance with Housing Policy and impact on affordable housing stock)
Project minimizes negative impacts on existing Kansas City businesses	Focus on substitution effects. How much substitution is expected to occur and what is the application doing to minimize substitution effects?	Quantitative (how much substitution) and qualitative (plan for mitigation)
Requests less than the maximum duration and extent of incentives available	Measurement of amount of incentive requested against "prevailing practice": LCRA: 10 yrs at 100% TIF: 50% of EATS for 23 years + 100% of <i>ad valorem</i> for 23 years PIEA: 10 years at 100% + 15 years at 50%	Quantitative

In addition to the Key Factors above, the Task Force identified **Additional Factors** that require evaluation:

ADDITIONAL FACTORS	DEFINITION	MEASURE
Project focused on building small businesses or microenterprises	Little or no negative impact of project on existing small businesses; project produces net job growth at small business level; demonstrate that rents, size of rental space and type of development (e.g., infill versus destination) is geared toward small business	Qualitative (burden on applicant to document small business focus)
Preserve, enhance or build infrastructure in priority areas as defined by the City	Use "priority areas" from established City policy: CDBG target areas; NMTC/EEZ areas; projects identified in multi-year CIP; FOCUS plan areas; projects/infrastructure needs identified in adopted area and neighborhood plans; projects that reduce deferred maintenance backlog	Qualitative (how development addresses existing plans)
Mitigates potential financial impacts on other taxing jurisdictions / provides an immediate share of increment to schools & others	The project requests less than the maximum duration and extent of incentives available, therefore minimizing the financial impacts on affected taxing jurisdictions.	Qualitative and quantitative
Offer workforce development activities (job training, advancement opportunities, skill development)	Applicant-defined workforce development activities; a written plan of action	Informational (yes, no, what the plan is)
Promote crime reduction and enhance perception of safety	Extent to which the project documents current level and type of crime and proposes a plan to reduce crime or enhance the perception of safety, including the possible incorporation of Crime Prevention through Environmental Design (CPTED) elements in project development plan	Qualitative
Promote environmental protection, conservation and protection of natural resources	Extent to which the development plan ties environmental sustainability with economic development in these categories and those contained in the Green Solutions Position Paper available at: http://www.kcmo.org/water.nsf/web/communitypanelmeet?opendocument Categories of Sustainability: • Sustainable Site Selection • Water Efficiency • Energy & Atmosphere • Materials & Resources • Indoor Environmental Quality • Extent to which design is progressive and innovative	Qualitative (review of plan)
Protect or enhance existing housing stock	Net loss/gain of existing housing stock and level of affordability of replaced units and replacement units (quantitative) and the consistency of the plan with existing community goals for housing protection or enhancement (City Ordinance 070062).	Quantitative (number and affordability of units replaced compared to number and affordability of replacement units) and qualitative (value of that housing stock to community goals and City Council adopted housing policies)
Provide direct support for primary, secondary, post-secondary, vocational or technical education in Kansas City	Applicant provides documentation of efforts to be undertaken including programmatic support for education in Kansas City (internships, job shadowing programs, etc).	Qualitative

	Not intended to be fulfilled through developer up-front payments to schools.	
Promote access to and financial support for public transit	Development incorporates transit-oriented design; does not redirect sales tax related to transportation purposes in economic development incentive plans and projects. Project is located within ¼ mile of one or more stops for two or more public bus lines usable by building occupants.	Quantitative (Developer provides a site vicinity drawing showing the project site and the location of all existing bus stops within ¼ mile of the site and a listing of each bus line that serves the site vicinity and the distance from the bus stop to the project site in miles)
Proposed development adjacent to areas of existing development activity	Infill vs. greenfield; determination of whether the project is adjacent to existing development	Informational and qualitative
Provide workforce support to employees (day care, housing, transportation)	Applicant-provided plan; employer-provided or –subsidized transportation	Qualitative
Enhance the cultural and arts environment of the City	Historic preservation; public art displays; other support for arts and culture	Qualitative
Project complements existing Kansas City businesses / contributes to existing business cluster	Project is part of an industry/business type identified as a business cluster according to publicly-available information produced by EDC or KCADC available at: http://thinkkc.com/SiteLocation/Industries/Industries_main.php	Informational (proposed development in a cluster or not)

Evaluation

For each project, the City intends to produce a narrative summary of its evaluation of the project. After considering the project prerequisites and policy factors, City staff may provide one or more recommendations for consideration by statutory agency boards and/or the City Council:

If the project does not meet the prerequisites, City staff will likely recommend the project not be approved and advanced.

If a project does not substantially address the Key Factors, City staff may recommend the project not be approved and advanced without modification.

For a project that meets the prerequisites but does not substantively address Key Factors, City staff may recommend that the project's attention to the Additional Factors should be sufficient to garner approval and advancement.

These steps and the overall application evaluation are intended to address the fundamental balance of public investment versus public benefit. The factors analysis process is intended to provide policy makers with the information necessary to inform their judgment of the project's success in balancing these competing interests.

Last Revised: April 14, 2008

ED&I Policy Implementation

FINAL Planned Industrial Expansion Authority (PIEA)

April 14, 2008

Purpose

The Policy indicates that the City Council maintains the authority to provide final approval over all economic development incentives grants. Specifically:

- “...the City Council has final approval over *all* incentives or public investments granted by the City or any of its partner economic development agencies.” (ED&I Policy, pg. 7)

The Planned Industrial Expansion Authority (PIEA) was formed in 1974 pursuant to state statute to foster commercial and industrial development in specifically designated redevelopment areas. The PIEA is authorized by RSMo 100.310-100.620. The powers of the PIEA include: issuance of bonds for land acquisition, construction and equipment purchases; the use of eminent domain; and the granting of tax abatements of up to 100% for up to 25 years.

PIEA Incentive Approval Process

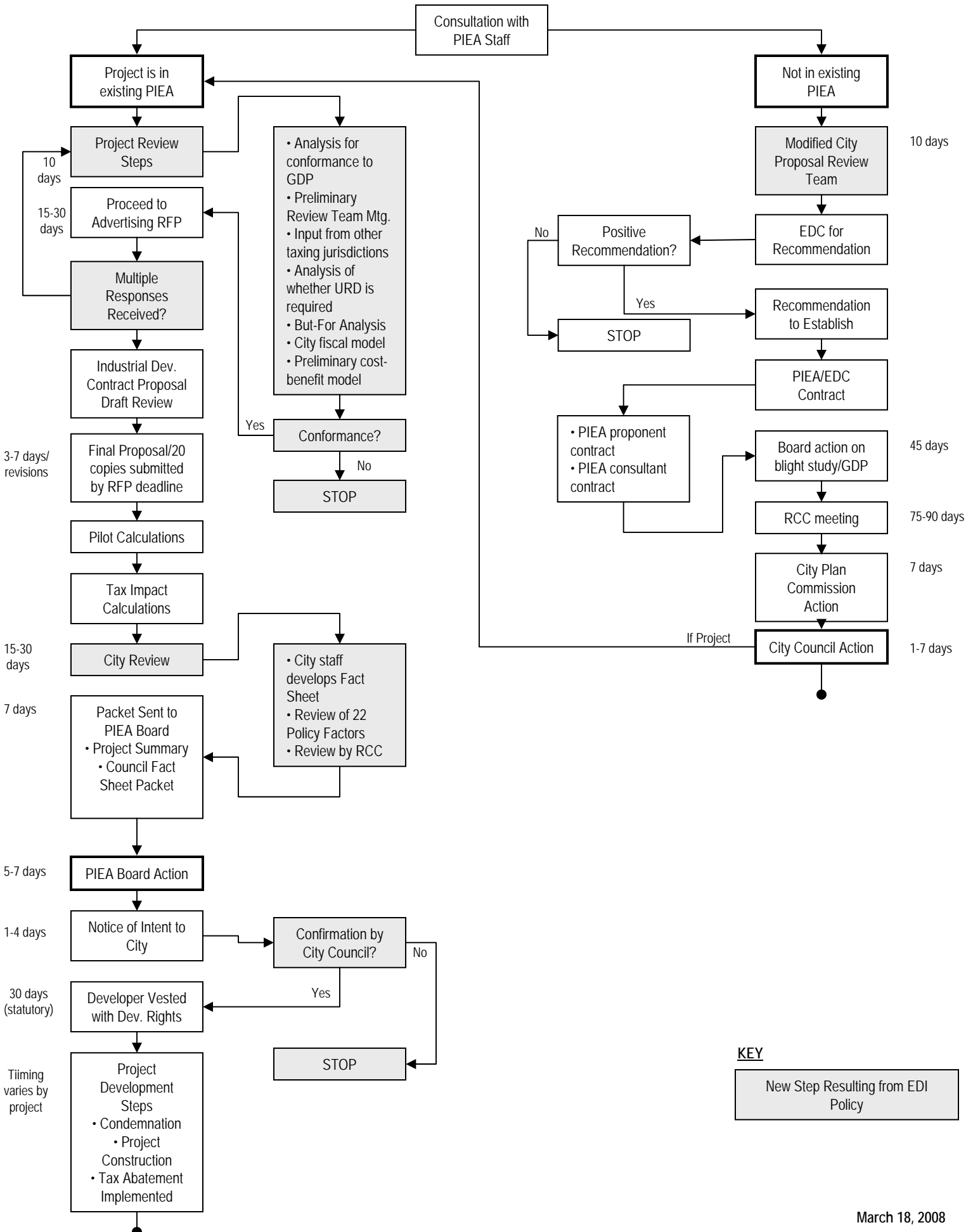
In order to comply fully with the ED&I Policy, the PIEA made a significant alteration to its approval process, delegating final approval for any PIEA Project to the City Council. The City Council now approves both PIEA Districts and each PIEA Project within those districts.

Process Diagram

A diagram reflecting the PIEA program review processes is attached to this document.

Last Revised: April 14, 2008

PIEA Review Process



ED&I Policy Implementation

FINAL Land Clearance for Redevelopment Authority (LCRA)

April 14, 2008

Purpose

The Policy indicates that the City Council maintains the authority to provide final approval over all economic development incentives grants. Specifically:

- “...the City Council has final approval over *all* incentives or public investments granted by the City or any of its partner economic development agencies.” (ED&I Policy, pg. 7)

The Land Clearance for Redevelopment Authority (LCRA) exists to remove blighted properties and encourage redevelopment within designated Urban Renewal Areas. LCRA, with City Council approval, has the authority to grant property tax abatement, issue bonds and assist with land acquisition. Property tax abatements are limited to amounts of up to 100% for up to 10 years.

In 1951, the Missouri legislature enacted the Land Clearance for Redevelopment Authority Law (LCRA Law), RSMo 99.300 *et seq.* It is one of several Missouri statutes intended to encourage municipalities to curb urban blight and encourage the redevelopment of real property.

Property Tax Abatement Process

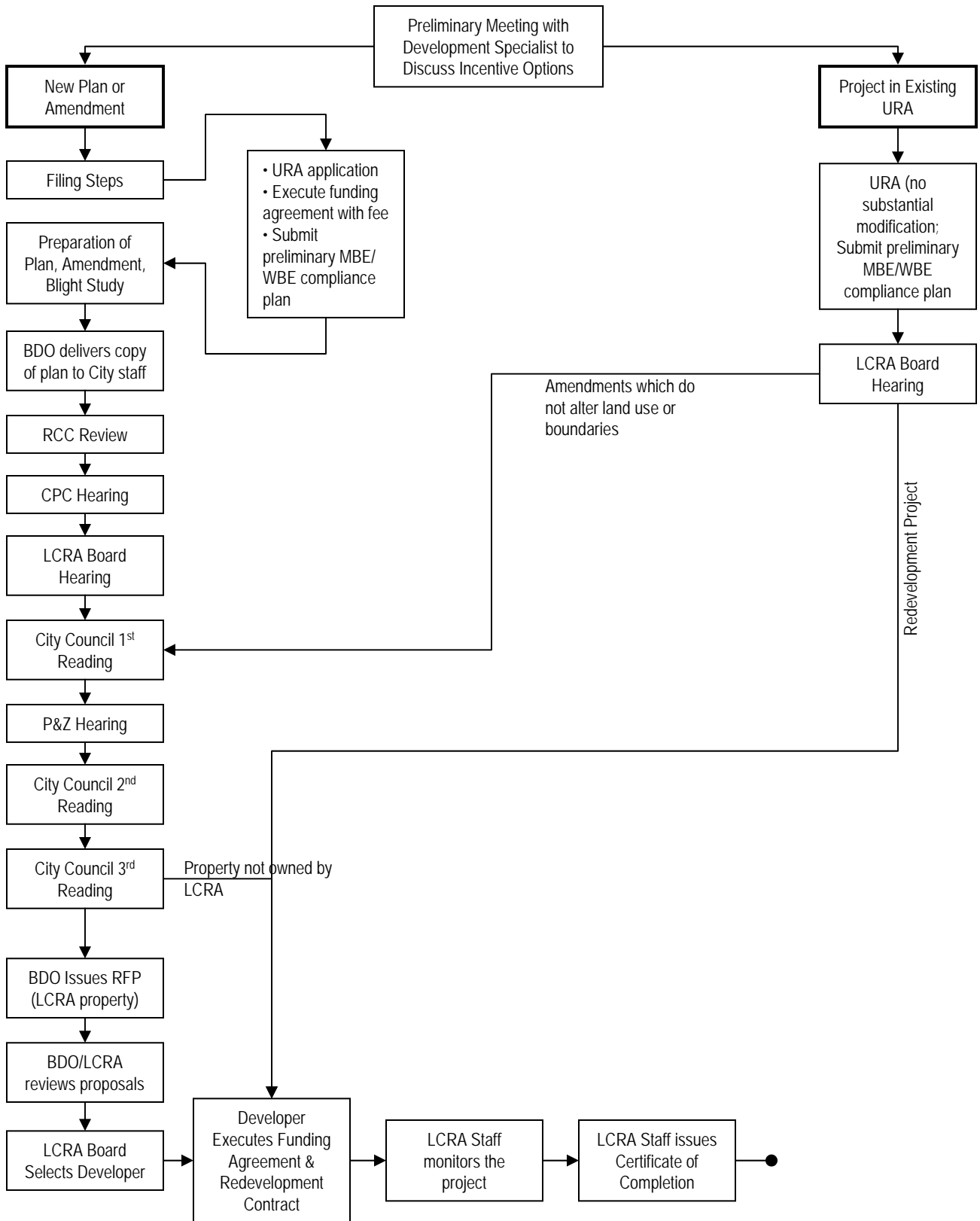
For LCRA property tax abatements of up to 100% of value for no longer than 10 years (all abatements permitted by the LCRA Law at the time of the ED&I Policy adoption), the City Council delegates final approval of these incentives to the LCRA Board. LCRA staff is responsible for coordinating the comprehensive ‘but-for’ analysis related to these incentives consistent with the other requirements of ED&I Policy implementation.

Process Diagram

A diagram reflecting the LCRA program review processes is attached to this document.

Last Revised: April 14, 2008

LCRA Review Process



ED&I Policy Implementation

FINAL Tax Increment Financing Commission (TIFC)

April 14, 2008

Purpose

The Policy indicates that the City Council maintains the authority to provide final approval over all economic development incentives grants. Specifically:

- “...the City Council has final approval over *all* incentives or public investments granted by the City or any of its partner economic development agencies.” (ED&I Policy, pg. 7)

Tax Increment Financing (TIF) is a financing and development tool that allows future real property taxes and other taxes generated by new development to pay for costs of construction of public infrastructure and other improvements. TIF encourages development of blighted, substandard and economically underutilized areas that would not be developed without public assistance. The authority to undertake TIF is provided in RSMo 99.800 *et seq.*

The powers of TIF are exercised by its Board of Commissioners who are citizens of the city appointed by the mayor, and representatives of the affected taxing districts. With TIF, property taxes are frozen for up to 23 years (maximum life of a TIF project). Increases in city and county taxes due to new construction, rehabilitation and infrastructure improvements from the project are abated for up to 23 years.

Instead, property owners make PILOTS (Payments In Lieu Of Taxes), for the amount of the taxes abated, to a special allocation fund as well as 50% of all local Economic Activity Taxes (EATs) (e.g.. sales, utility, and earnings taxes) generated within the project. These funds are used to reimburse the developer for approved project costs.

Any overages in the PILOTS are reallocated to the appropriate taxing districts.

The municipality's or county's condemnation powers can be used in a TIF area to acquire property for use by a private developer implementing a project contemplated in the TIF plan

Process Diagram

In order to comply fully with the ED&I Policy, the TIFC made a significant alteration to its approval process, incorporating the various requirements of the policy. A diagram reflecting the revised TIFC program review process is attached to this document.

Last Revised: April 14, 2008

TIFC Project Review and Procedural Timeline (ED&I Policy Implementation Group)

#	Event	Days	Comments
1	* Preliminary Project Review Meeting (TIFC Staff, City Staff, Developer) * 2nd Project Review Meeting (TIFC Staff, City Staff, Developer) – Approximately 1 week from receipt of additional information * Developer Directed to Have Formal Meeting With City Planning & Development regarding Land Use, Zoning, And Related Matters That Can Impact TIF Plan Budget & Related Financial Analyses * Developer Directed to Meet With Neighborhoods	TBD	No application yet submitted only proposal/budget outline (ED&I)
2	2nd Project Review Meeting (TIFC Staff, City Staff, Developer) – Approximately 1 week from receipt of additional information	TBD	Respond to any inquiries from 1st meeting (ED&I)
3	Developer Directed to Have Formal Meeting With City Planning & Development Regarding Land Use, Zoning, And Related Matters That Can Impact TIF Plan Budget & Related Financial Analyses	TBD	
4	Developer Directed to Meet With Neighborhoods	TBD	
5	COMPLETE APPLICATION & DEPOSIT SUBMITTED - Executive Director Informed Regarding New Plan/Amendment²	-95	
6	Copy of Application Sent to City Manager, City Planning & Development and City Finance Departments	-94	(ED&I)
7	TIFC Staff/CPD/Finance Meeting to Discuss Application		(ED&I)
8	Preliminary Cost/Benefit Model	-85	Copy to CPD & Finance (ED&I)
9	Mayor/City Manager/City Council Informed	-80	Description of Plan & Cost/Benefit
10	Issue RFPs For All Professional Services	-75	
11	Affirmative Action Monitor Notified & Goal-Setting to Begin	-75	
12	Standard But-For Analysis Process Begins (see companion)		Standard "But-For" includes 1. IRR Calc., 2. Cost Benefit Model, 3. Fiscal Impact Model, 4. Factors Analysis
13	Receive RFP Responses, Submit to Affirmative Action Subcommittee for Recommendation (Contracts < \$10,000 selected by Executive Director)	-70	
14	Notify Developer of Mandatory Joint Meeting With All Affected Taxing Jurisdictions – Present Plan and Preliminary Cost/Benefit; 21-Day Negotiation Period	-65	Developer must disclose any agreements (ED&I)
15	TIFC Selects Professional Services (Contracts under \$10,000 selected by Executive Director)	-60	
16	TIFX Approves Funding Agreement⁵ (PRIOR month's Board Meeting)	-60	
17	URD Process Begins		
18	All financial information delivered to outside Financial Consultant & internal analyst ⁷	-60	
19	Developer/Applicant Presented With Fee Schedule for Professional Services	-60	

TIFC Project Review and Procedural Timeline (ED&I Policy Implementation Group)

#	Event	Days	Comments
20	Preliminary "But For" Analysis Received From Consultant	-45	Copy to CPD & Finance (ED&I)
21	Mail Notice of Public Hearing by certified mail to Affected Taxing Districts & solicit representation from Affected Districts ⁴	-45	
22	Issue RFP for Alternative Developers; Due In 30 Days From Date of Notice	-44	\$20,000 deposit due with application
23	DRAFT Components of Standard "But For" Routed Among EDC and City Staff for Review and Comment. Comments from CPD/Finance to 3rd Party Consultants & Internal Analyst on Cost/Benefit & "But For"	-40	(ED&I)
24	All Comments Due on Draft of Standard But-For Materials. Final "But For" Analysis Prepared and Cost/Benefit Model Completed	-35	C/B Model prepared internally; "But For" prepared by consultant
25	FINAL Versions of All Components of Standard But-For Routed Among EDC and City Staff	-30	(ED&I)
26	1st Publication of Notice of Public Hearing Published in KC Star, KC Hispanic News & The Call ⁸	-30	
27	COMPLETED PLAN AVAILABLE FOR PUBLIC REVIEW	-30	
28	Meeting w/Taxing Jurisdictions/TIFC Staff/Developer; Review Plan & Cost/Benefit Analysis	-25	
29	Representation Notice To Be Received From Noticed Taxing Districts	-15	
30	City Staff Routes First Draft Fact Sheet / EDC Routes First Draft of TIFC Presentation		
31	Proposal Due to RFP For Alternate Developers⁶	-14	
32	Mail Notice to Affected Property Owners by certified mail ³	-10	Large mailings to go well before statutory 10-day limit
33	Response From CPD Staff/CPC Stating Plan is in Conformance With City Comprehensive Plan, FOCUS, Zoning, et al	-10	
34	2nd Publication of Notice of Public Hearing published in KC Star, KC Hispanic News & The Call ⁸	-10	
35	CPD, Finance and TIFC staff meet to discuss outstanding issues, review and finalize fact sheet and TIFC presentation		
36	Mail Notice of Public Hearing by certified mail to Affected Taxing Districts & solicit representation from Affected Districts - FOR AMENDMENTS NOT REQUIRING 45 DAYS ONLY ³	-10	
37	Notice to Taxing Districts regarding changes to Plan prior to Public Hearing Closing ⁹	-10	
38	TIF Board Packet Closed and Packet ready for mailing; All information for public hearing must be delivered to Director, including staff reports & consultant reports. Any material changes to application or presentation materials at this point will require deferral of item until subsequent meeting.	-6	

TIFC Project Review and Procedural Timeline (ED&I Policy Implementation Group)

#	Event	Days	Comments
39	Public Hearing before TIFC	0	
40	Public Hearing Closed, Plan Approval By TIFC ¹⁰	0	
41	Notice to Taxing Districts\Newspaper for any changes other than those requiring 45 notice before Ordinance approval ¹¹	10	
42	TIFC Staff to request City ordinance for Plan/Amendment & all Projects no earlier than 14 days after TIFC approval and no later than 90 days	15	
43	Finance and Audit Committee	21	
44	2nd Reading of Plan Ordinance	22	
45	3rd Reading & Approval of Plan Ordinance	29	
46	Plan Ordinance Effective after City Council Approval	39	

NOTES:

This Schedule may change as a result of changes to the legislation and TIFC procedures.

- 1 The Commission meets regularly every second Wednesday of the month.
- 2 Amendments altering the redevelopment area boundaries, changing land use, and substantially changing the nature of the plan require a 45 day notice and follow the same schedule as a new plan.
- 3 City Plan Commission may only meet once in August. Therefore August TIFC Public Hearing may require an earlier CPC Hearing. Please consult with City Planning & Dev.
- 4 Not less than date. Notice should be sent before this date.
- 5 Funding Agreement and Affirmative Action Subcommittee selected professionals are to be presented to the Commission one month prior to scheduled public hearing.
- 6 See Bidding Policies & Procedures.
- 7 Outside Financial Consultant conducts "But For" Analysis. Internal analyst verifies levy rates and revenue projections (cost benefit).
- 8 Not more than date. This is the first date that the notice could be published.
- 9 Only required if plan is changed prior to closing of public hearing.
- 10 TIFC Staff is to receive an Officers Certificate and written documentation of established goals prior to the public hearing. The Affirmative Action Monitor is to certify compliance during the public hearing. See Affirmative Action Policy.
- 11 Only required if plan is changed after TIFC public hearing but before adoption by ordinance and such change does not enlarge the exterior boundaries of the redevelopment area or areas and does not substantially affect the general land uses established in the redevelopment plan or substantially change the nature of the redevelopment projects.

ED&I Policy Implementation

FINAL City Chapter 100 Program

March 18, 2008

Purpose

The Chapter 100 program is an incentive program used to encourage the purchase, construction, extension and improvement of a variety of interstate commerce, industrial, office and agricultural industries. The program permits the issuance of self-supporting bonds (commonly known as industrial revenue bonds) and generally provides both real and personal property tax abatement. With the approval of the State of Missouri, some sales taxes may also be abated. Bonds are issued and the corresponding tax abatements are generally provided for a period of up to 10 years with 50% tax abatement.

City Committee Substitute for Resolution No. 041033 provides significant guidance on the Chapter 100 process. Except as specifically noted below, this process supplements Committee Substitute 041033.

Recommendations

The approval of the ED&I Policy necessitates modification to the existing Chapter 100 process.

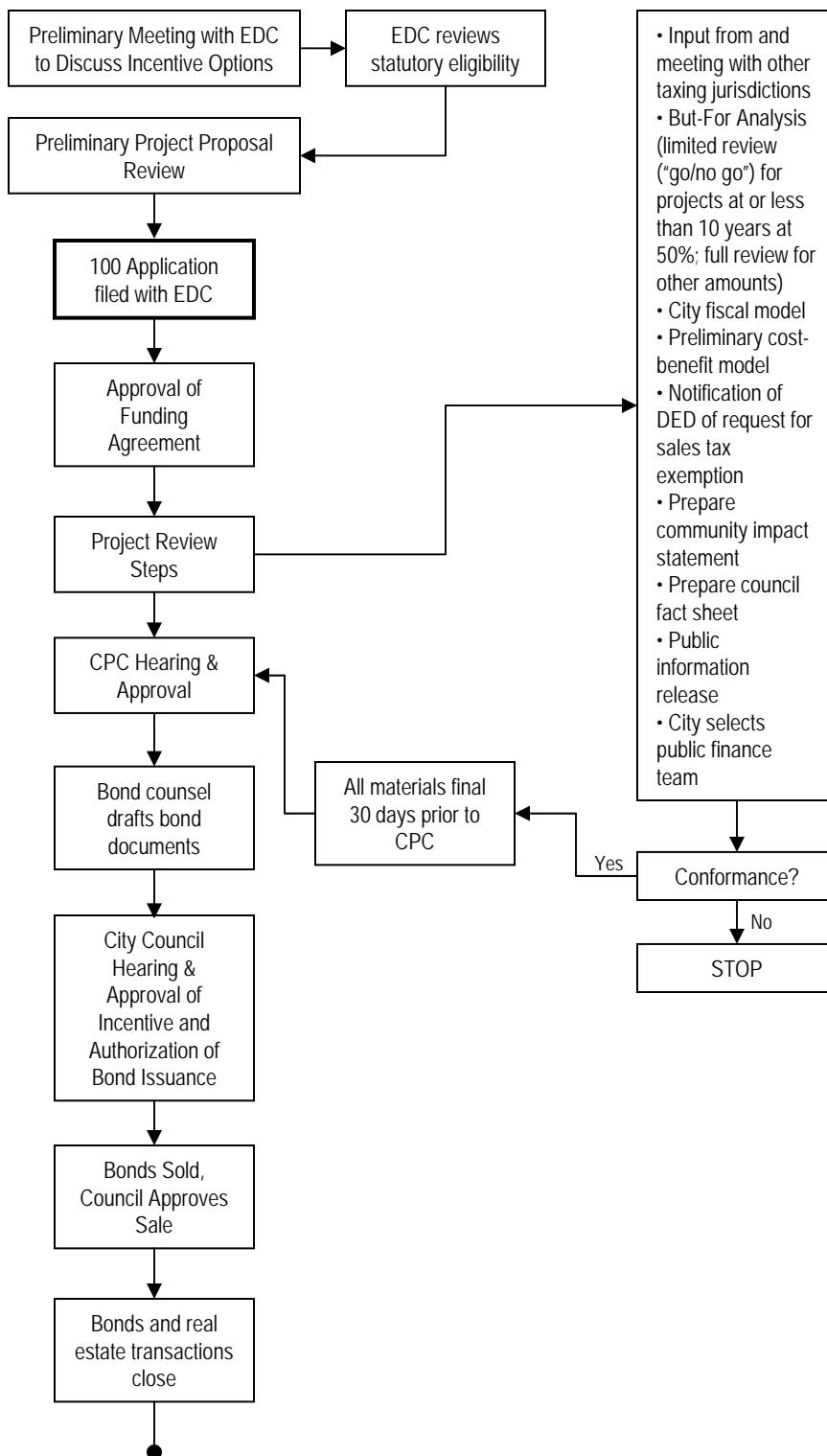
- 1) Pursuant to the ED&I Policy, the EDC is the initial point of entry for all requests for incentives. EDC ensures that the project qualifies for Chapter 100 under state statute and City ordinance and policy.
- 2) Prior to formal application being filed, and after the developer makes initial contact with EDC, the anticipated project is reviewed as part of the Preliminary Project Proposal Review process.
- 3) Once filed with EDC, the application is routed to City staff and the comprehensive but-for analysis process commences, with three exceptions:
 - a. *Standard 'But-For' Analysis.* For projects requesting the standard amount (50%) and duration (10 years) of abatement, EDC does not engage a third-party analyst, but performs its own "go/no-go" analysis much like with LCRA. Projects requesting non-standard abatement terms will trigger a full, standard but-for review.
 - b. *Cost-Benefit Analysis.* Pursuant to state statute, the cost-benefit analysis must include an estimate of impacts on all taxing entities (community colleges, etc.).
 - c. *Community Impact Analysis.* City policy prescribes the content and delivery of a Community Impact Analysis related to Chapter 100 projects. City staff integrates the CIS into the standard Council Fact Sheet to ensure consistency with other incentives programs. Abatement requests for personal property only do not require a Community Impact Statement to be completed.

Section 4(d) of the existing Chapter 100 policy is replaced by the factor analysis which is conducted as part of the comprehensive but-for analysis on any incentive project.

Last Revised: March 18, 2008

DRAFT

City Chapter 100 Program Process



ED&I Policy Implementation

353 Process

April 10, 2008

Purpose

The Policy indicates that the City Council maintains the authority to provide final approval over all economic development incentive grants. Specifically:

- “...the City Council has final approval over *all* incentives or public investments granted by the City or any of its partner economic development agencies.” (ED&I Policy, pg. 7)
- “...the City and all of its partner agencies use a standard, “but-for” test that includes both fiscal and social considerations, evaluates the project’s attention to the City’s Policy Outcomes, and is broader than just a calculation of development rate of return. The but-for analysis is used on *every* public investment decision.” (ED&I Policy, pg. 10)
- “The Economic Development Corporation serves as the initial point-of-entry for all application for public investment in economic development projects.” (ED&I Policy, pg. 6)

The 353 Program offers tax abatement for the redevelopment of blighted areas for a period up to 25 years and provides acquisition assistance through the City’s power of eminent domain. For a redevelopment project to be eligible for 353 tax abatement benefits, a redevelopment corporation must be established and approved by the State of Missouri’s Secretary of State.

The typical 353 abatement terms are 10 years with 100% abatement of real estate taxes on the improvements followed by 15 years with abatement of 50% of the total taxes on the property. The 353 program is unique as it may provide 25 years of tax abatement on single family housing. For all 353 projects, the real property tax assessed on the property (land and improvements) prior its transfer to the 353 Corporation is generally required in Phase I of the tax abatement term to be paid as Payment In Lieu of Taxes (PILOTs) to Taxing Districts during the tax abatement term. However, the City Council may vary the duration and level of abatement from project to project. City Council must approve a finding of blight and also approve the redevelopment plan to cure the blight, and the Council also has final approval of all 353 property tax abatements.

The program is defined in state statute, Chapter 353 RSMo, and also Chapter 74 of the City Code of Ordinances. This is the only City economic development program defined in such detail in a City ordinance. In addition, the program is unique in having an 8% earnings limit in state statute. The developer is limited to earn 8% per annum on the cost of the redevelopment project.

Process Diagram

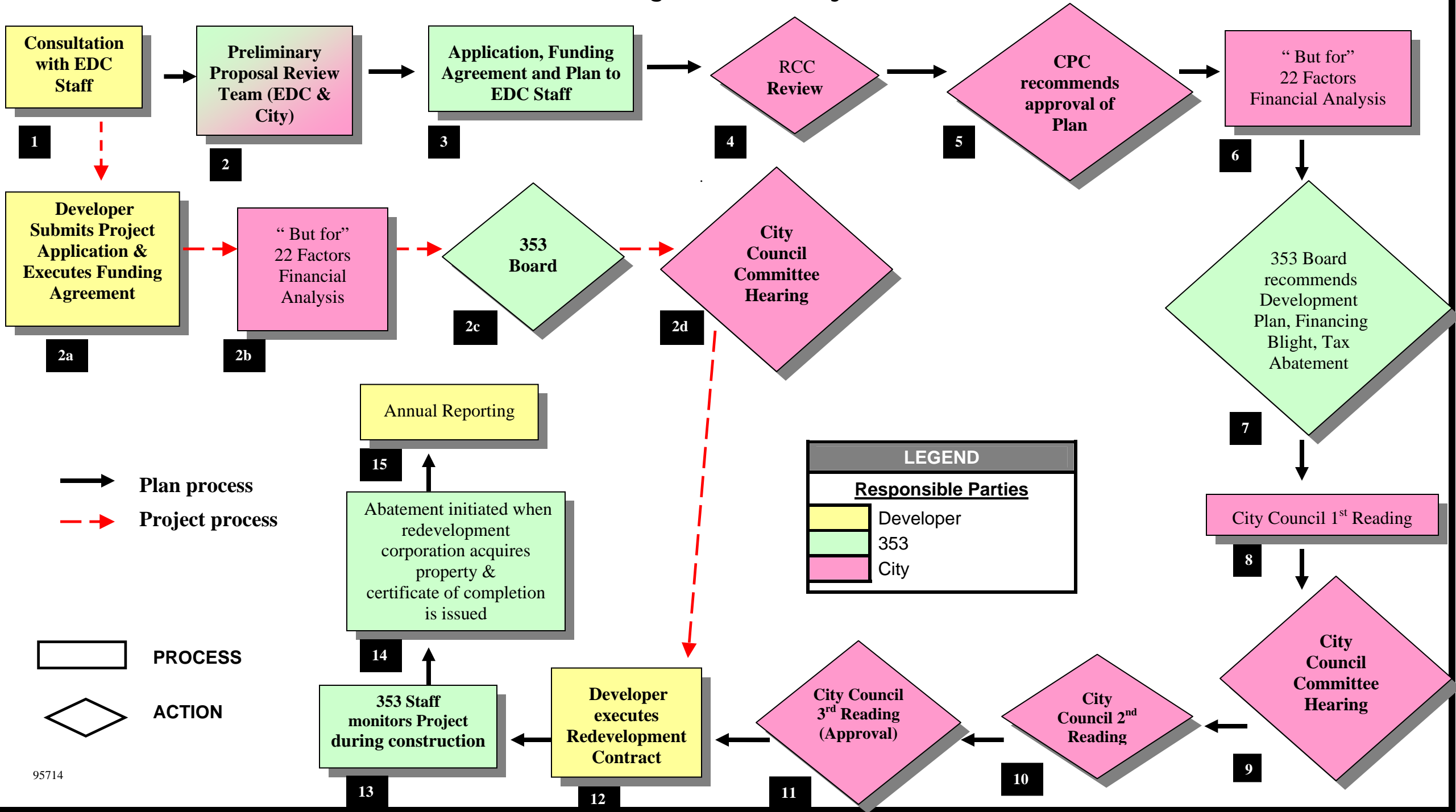
A diagram reflecting the 353 program review process is attached to this document.

Recommendations

1. City Council modifies Chapter 74 to recognize EDC as the recipient of Chapter 353 applications and make other needed changes to Chapter 74 to implement fully the requirements of the Economic Development & Incentive Policy. City Finance Department, City Development Department and/or the delegated authority of the Economic Development Corporation have responsibility for ongoing monitoring and compliance of all 353 plans and projects. The annually reported items related to 353 plans and projects, including the annual report, will be sent to the Director of City Development and the Director of City Finance unless modified with future Chapter 74 revisions.
2. The EDC staff reviews the developer's Chapter 353 application and presents it to the Chapter 353 Advisory Board and City Council for approval of blight, financial feasibility, and the term and amount of tax abatement.
3. City Council appoints a Board to consider the blight, financial feasibility and tax abatement components of the 353 program, separate from the URD zoning process for the redevelopment area. This Board comprises the board members for the Enhanced Enterprise Zone #2, which includes a representative of the Kansas City Missouri School District and Jackson County.
4. The City Plan Commission will be responsible for reviewing the land use and development aspects of the 353 development plan in addition to reviewing and recommending on the Urban Redevelopment District (URD) zoning plan. Development aspects of the 353 plan in general include those items listed in Section 74-13(b) of the Kansas City code.
5. The Council appointed board (recommendation #3) and the City Plan Commission serve as advisory boards to the City Council.
6. Projects seeking Chapter 353 benefits are required to follow the full review and approval process including ROI analysis prepared by EDC staff, City fiscal impact analysis, EDC cost-benefit analysis, policy factors analysis, and advisory board approval.

Last Revised: April 10, 2008

Flow Chart showing 353 Plan/Project Process



ED&I Policy Implementation

FINAL Enhanced Enterprise Zone Approval Process

March 18, 2008

Purpose

The Policy indicates that the City Council maintains the authority to provide final approval over all economic development incentives grants. Specifically:

- “...the City Council has final approval over *all* incentives or public investments granted by the City or any of its partner economic development agencies.” (ED&I Policy, pg. 7)

The Enhanced Enterprise Zone (EEZ) Program is a hybrid local/state incentive program available to specific types of businesses located in geographic areas identified by the Missouri Department of Economic Development. Qualifying businesses are eligible for State tax credits on the basis of the creation of sustainable jobs within a targeted industry. Facility owners that house the qualifying businesses may receive real property tax abatement.

Property Tax Abatement Process

If an EEZ qualifying business is notified of State assistance, the facility owner will receive a standard property tax abatement of up to 50% of value for up to 10 years.

- For EEZ property tax abatements of up to 50% of value for no longer than 10 years, the City Council delegates final approval of these incentives to the EEZ Board. EEZ staff is responsible for preparing the ‘but-for’ analysis related to these incentives.

Facility owners may apply for non-standard abatements with either or both longer terms and higher amounts of abatement.

- For EEZ property tax abatements in excess of 50% of value or for terms longer than 10 years, the City Council, pursuant to state statute (RSMo 135.950 *et seq.*), maintains the right to provide final approval of such requests. Facility owners seeking non-standard EEZ abatements are required to follow the full review and approval process (ROI analysis prepared by EEZ staff; City fiscal impact analysis; EDC cost-benefit analysis; policy factors analysis; and EEZ Board approval).

Process Diagram

A diagram reflecting the EEZ program review processes is attached to this document.

Last Revised: March 18, 2008.

ED&I Policy Implementation

FINAL Project Compliance Review System

April 14, 2008

Purpose

The Policy requires that the City, coordinated by the City Manager's Office, conduct on-going compliance review of each approved project (ED&I Policy, pg. 9):

- "...the City has a formal process by which it measures, on a continuous basis over the life of any public investment granted, the extent to which the performance of a project meets or exceeds the promises identified in the application." (ED&I Policy, pg. 9)
- "...the City routinely audits information provided in reports from projects having been granted public investment to verify the information provided." (ED&I Policy, pg. 9)
- "...the City may employ a third-party to provide verification of project performance." (ED&I Policy, pg. 9)
- "...the City is responsible for the enforcement of the development agreement, including clawback provisions for underperformance." (ED&I Policy, pg. 9)

Review Process

For new or amended plans/projects approved after the adoption of the Economic Development & Incentive Policy, the City Manager's office has appointed the Development Finance Division of the Department of Finance to coordinate the review of projects with incentives grants. The City employs a standard approach to project review, as described below:

- 1) *Basis of Review.* The basis for on-going evaluation will be a performance matrix developed by City staff using the development agreement as a guide. The City Council will approve this performance matrix as part of its approval of any incentive grant. The City Council's approval of the matrix will imbue City staff with the authority for enforcement of performance standards, in conjunction with the applicable statutory agency, as well as to modify the matrix to account for post-approval project modifications. The performance matrix will identify exactly the criteria against which the City will evaluate the project moving forward.
- 2) *Tracking.* The City relies upon (i) City-sourced data (such as information from the Revenue Division), (ii) publicly-available data (such as tax information from Jackson County), and (iii) developer-provided data in its reviews. Developer-provided data will be verified on a random basis by City staff or City-engaged third-party analysts.

- 3) *Scorekeeping.* The City will use standard evaluation metrics for each incentive program to serve as the basis for evaluation of project performance.
- 4) *Quantification of Benefit.* Recognizing that a dollar today is worth more than one tomorrow—and reflecting that the City’s investment opportunities are finite and constrained—the City will track project fiscal performance regularly against project application pro formas nominally and on a discounted (present value) basis. The discount rate to be used is the City’s cost of capital (one proxy might be the 10-year US Treasury rate) plus a risk premium (such as two percent).
- 5) *Reporting.* The City will employ one or more “at-a-glance” measures to provide information about the project’s performance and the value to the City, its citizens and taxpayers. These measures might include: City return on investment (including risk-adjusted return); project value at risk (assessment of potential downside risk to City; a calculation of the opportunity cost of the project (providing a quantitative or qualitative analysis of the opportunities the City bypassed to invest in the project); avoidance of reblighted conditions; and, developer return on investment (to ensure that incentives granted have not resulted in over-subsidy of the project).
- 6) *Verification of Project Data.* Initially, Development Finance Staff, City Planning and Development Staff and City Auditor’s Office staff will work jointly to verify and analyze project data. Long-term, an economic development ombudsman could coordinate this activity.

Data are collected via the means discussed above. Additionally, developer-provided data are verified through a variety of means, including site visits to the project and interviews with project managers.

City staff will coordinate with economic development partner agencies to ensure that data collection, analysis and reporting requirements do not overlap and that project information is shared. To the extent that reports and analyses prepared by these partner agencies are in substantial compliance with the requirements herein, the City at its sole discretion may choose to rely upon that report or analysis. The City, however, retains the ultimate authority on verification of project compliance.

One of the roles of the evaluation process is to assist in improving project performance and compliance with City rules. As a result, developers/project managers will have an opportunity to review and comment on draft, periodic evaluations prepared by City staff.

The City will assign projects into “frequent” and “infrequent” review categories based upon the factors identified below. Frequent reviews will occur as needed, but at least annually. Infrequent reviews will occur as needed on a schedule to be determined by City staff, but generally not less than every three years.

- Projects with outstanding bonds will be assigned to frequent review until the bonds are retired.
- Large projects (in excess of \$20 million of public investment) generally will be assigned to frequent review through at least five years following stabilization.
- Projects involving Super TIF, State TIF and/or MoDESA generally will be assigned to frequent review throughout the life of the incentive(s), regardless of project size.
- Projects involving tax abatement in excess of 15 years generally will be assigned to frequent review throughout the life of the incentive, regardless of project size.
- Projects for which performance thresholds have been imposed will be assigned to a review schedule in accordance with an underperformance remediation plan.

7) *Enforcement.* If required, a developer’s failure to perform may result in financial and other penalties. The end result of the evaluation is to identify whether: the project is performing at or above expectations; the project is underperforming and requires corrective action; the project is in default of the agreement and performance threshold actions are appropriate.

In order to ensure consistency and easy of administration, the City uses an exception-based tracking system (where and to the extent possible) for projects. Those projects requiring corrective action or performance threshold actions are brought automatically to the analyst’s attention.

Last Revised: April 14, 2008

ED&I Policy Implementation

FINAL Performance Thresholds

April 14, 2008

Purpose

The Policy includes a number of statements related to the use of clawbacks, or *performance thresholds*, as a tool to provide accountability to the public after an incentive has been granted. Specifically:

- “...the City requires the use and enforcement of clawbacks on every project as a tool for accountability when making public investments in economic development projects, unless the project presents no risk to the City.” (ED&I Policy, pg. 11)
- “...the City may employ a third-party to provide verification of project performance.” (ED&I Policy, pg. 9)
- “...the City is responsible for the enforcement of the development agreement, including clawback provisions for underperformance.” (ED&I Policy, pg. 9)

Performance thresholds are:

- Included in every Development Agreement where City incentives are granted;
- Tied to the delivery of promised benefits to be based on the 22 ED&I Policy Factors and/or other performance measures included in the application for incentives and negotiated by the City, the developer and the City’s partner agencies;
- Enforced after a reasonable time has been provided to the developer to cure deficiencies in performance;
- Enforced in an amount proportional to the amount of the underperformance;
- Related, as much as possible, to the type of incentive or incentives granted to the project.

This paper outlines the process by which performance thresholds are documented, imposed and enforced.

Documentation of Performance thresholds

Every development agreement entered into by and between the City or any of its partner agencies and a developer will contain performance threshold provisions as described in this paper. The performance threshold language will state that, if a project fails to deliver the agreed-upon, specific level of public benefit in the specified period of time, the developer must repay some or all of the incentive already received, make compensating payments (in cash or in lieu

of cash), and/or forfeit future incentive benefits. “Benefits” vary by project but are generally those financial and social improvements to the community derived from the proposed project as measured against the ED&I Policy’s 22 Policy Factors.

Each development agreement will contain a schedule of performance threshold provisions and descriptive definitions of the standards against which the project’s performance will be evaluated.

Imposition of Performance Thresholds

Performance thresholds for all projects granted incentives will be tied to standard, minimum project performance criterion, such as those illustrated below, and will vary from project-to-project:

- **Maintenance of minimum development property valuation**
A developer projecting community benefits through the increase in property tax valuation resulting from the development property improvements will be expected to deliver the projected valuation increases. The developer, in its application for incentives, should be conservative in its estimates of future value to account for project-specific causes of underperformance, as well as macroeconomic considerations, as the projections in the application will be used as the baseline for performance going forward.
- **Maintenance of site improvements**
A project projecting benefits through the elimination of blighting and/or insanitary conditions will be expected to ensure that the site does not become re-blighted. The developer, in its application for incentives, should anticipate sufficient financial reserves for repair/replacement at the site.
- **Net new retail/office tenants**
A developer projecting community benefits through the attraction of new retail, office or industrial tenants will be expected to deliver a final development comprised of comparable tenants and to maintain those tenants over the life of the incentive. (“Comparable” tenants will be defined in the development agreement. “New” tenants to do not include those already located in the city of Kansas City.) The developer, in its application for incentives, should be conservative in its claims about future occupants to avoid underperformance in this area. Projected versus actual substitution effects in the surrounding area will also be considered as part of regular performance evaluations. Substitution effects will be measured and documented by the City as part of its on-going compliance reviews of incentivized projects.
- **Minimum occupancy level**
A developer projecting community benefits based in part on the maintenance of specific occupancy levels will be expected to meet or exceed those projections. The developer, in its application for incentives, should be conservative in its estimates of future occupancy to account for project-specific causes of underperformance, as well as macroeconomic considerations. Projected versus actual substitution effects in the surrounding area will also be considered as part of regular performance evaluations, as well will be market vs. affordable housing unit mix (where applicable).

- **Market lease rates**
A developer projecting community benefits through the generation of certain levels of lease rates will be expected to produce actual lease rates meeting or exceeding those estimates. The developer, in its application for incentives, should be conservative in its estimates of future lease rates to account for project-specific causes of underperformance, as well as macroeconomic considerations.
- **Net new job creation and new “quality” job creation**
A developer projecting community benefits through the creation of net new jobs and the creation of “quality” jobs, as defined by the Policy, will be expected to meet or exceed those projections. The developer, in its application for incentives, should be conservative in its estimates of future job creation to account for project-specific causes of underperformance, as well as macroeconomic considerations.
- **Wage attainment and maintenance**
A developer projecting community benefits through the creation and/or maintenance of net new wages will be expected to meet or exceed those projections. The developer, in its application for incentives, should be conservative in its estimates of future increases in the wage base to account for project-specific causes of underperformance, as well as macroeconomic considerations. Projected versus actual substitution effects in the surrounding area will also be considered as part of regular performance evaluations.
- **EATs generation levels and timing**
A developer projecting the creation of incremental economic activity taxes (EATs) will be expected to meet or exceed those projections. The projected timing of the creation of increment will also be evaluated. The developer, in its application for incentives, should be conservative in its estimates of future EATs development and growth, as well as the timing of the creation of the EATs, to account for project-specific causes of underperformance, as well as macroeconomic considerations.
- **Debt service coverage**
A developer projecting certain levels of revenue coverage on bonds issued to support the project will be expected to meet or exceed the coverage projections. The developer, in its application for incentives, should be conservative in its estimates of project performance and its scheduling of debt service to allow for project-specific causes of underperformance, as well as macroeconomic considerations.

The assumptions provided by the developer and used in the EDC cost/benefit model and the City’s fiscal impact model related to the timing and amount of fiscal and social benefits (e.g., quality jobs created, level of funding for the arts, etc.) will serve as the minimum thresholds that must be attained by the project to avoid performance threshold enforcement.

Generally, the types of performance thresholds imposed will be related to the area of underperformance. For instance, underperformance against pro forma EATs will result in reductions in EATs-driven incentives. Underperformance against pro forma property valuation or lease-up will result in reductions in property tax-driven incentives. Performance thresholds for underperformance on social issues may include liquidated damages (cash penalties) assessed against the developer (to be used to mitigate the lack of performance on social

issues), delays in the payment of scheduled incentives, reductions in the developer's fees, and/or reductions in EATs or property tax-driven incentives.

For property tax abatement incentives, the granting of property tax abatement will be based upon the completion and maintenance of the proposed development and fulfillment of policy measures, as well as the maintenance of an agreed-upon minimum post-development property valuation. For example, once the abatement term has commenced, underperformance against policy measures and/or any decrease in the actual market value of the development property as established by the County Assessor, or as agreed to by the City and developer, will result in the reduction or complete termination of the abatement based on the level of actual underperformance and impact to the City, with specific terms to be negotiated by the Statutory Agency, City and the developer.

Use of Performance thresholds Where City is at Risk

If a situation arises where the City's financial condition might be harmed by the enforcement of a performance threshold, the City may seek alternative approaches. These approaches might include, but are not limited to: creating senior or junior liens on property or other assets; drawing upon personal guarantees of the developer; triggering springing letters of credit; triggering springing special assessment levies; imposing reductions in developer fees; imposing higher private equity requirements; and deferring enforcement of performance thresholds with retroactivity rights (to enforce the performance thresholds later in the project's life when the clawback enforcement would not jeopardize the City's financial position).

Enforcement of Performance Thresholds

Performance thresholds will be enforced based on the levels of project performance as projected by the developer in its application for incentives (the same performance used to determine the City's fiscal impact and the EDC's cost/benefit). Performance thresholds generally will be enforced in proportion to the level of actual underperformance. Substantial underperformance, as defined in each development agreement, may, at the City's discretion, trigger contract revisions permanently lowering the level of incentive provided to the project.

Regular Reporting and Underperformance Cure Period

The developer will report on, and the City or its agent(s) will review, actual versus promised fiscal and social benefits on a regular basis. The City may, at its discretion and pursuant to the Policy, employ third-party verification services, to perform this work. Any underperformance will be noted and the developer will have time to cure the underperformance. If the underperformance is not cured, performance thresholds may be enforced retroactively to the initial date of documented underperformance.

Last Revised: April 14, 2008

performance thresholds may be enforced retroactively to the initial date of documented underperformance.

Last Revised: April 14, 2008

ED&I Policy Implementation

FINAL Small Business Development Initiatives

April 14, 2008

Purpose

The Policy provides significant guidance related to initiatives to enhance the development of small businesses in Kansas City:

- **Definitions:** a “small business” has between 10 and 49 employees. A “micro-enterprise” has less than 10 employees. The City may consider complementary annual revenue definitions, as well as these employment level definitions.
- **Improved coordination:** the City coordinates an effort to refocus the mission and activities of existing small business support agencies.
- **Enhanced accountability:** the City coordinates an effort to enhance the accountability of existing small business support agencies.
- **Streamlined internal processes:** the City employs a formal process to streamline its internal processes by which small businesses obtain licenses, permits and certifications.
- **Small business advocate:** the City funds a formal small business advocate/ombudsman function to assist small businesses in obtaining permits, licenses and certifications, and in applying for public assistance.
- **Focus on distressed communities:** the City addresses the unique concerns of small businesses located in distressed communities.
- **Financial support:** the City has direct financial participation in programs to create, develop and sustain small businesses.

Small Business Initiative Implementation

The comprehensive revision of Kansas City’s small business development initiatives was not undertaken by the Working Group. The Working Group recommends the EDC coordinate a broad-based effort, including the full breadth of small business agencies throughout the community, to begin a process toward coordinating, streamlining and enhancing development initiatives for small businesses.

The Working Group further recommends that the City Manager appoint a key staff person to evaluate and implement the City-related recommendations of the ED&I Policy (streamlined process, small business advocate).

Last Revised: April 14, 2008