



Kansas City Hires Fox to Watch Henhouse

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By: *Patrick Tuohey*

According to the [Kansas City Business Journal](#), the City of Kansas City has approved contracting with the Council of Development Finance Agencies (CDFA) to "conduct a comprehensive analysis of the city's historic use of incentives and the resulting impacts." Their report may be used to assess the effectiveness of economic development subsidies, but what do we know about this organization?

First of all, CDFA is not an accounting or financial auditing firm. According to their [website](#), they are:

a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing hundreds of public, private and non-profit development entities.

Their mission is "to promote the common interest of Development Finance Agencies with respect to public policies and programs," which isn't exactly what you'd expect from an independent, disinterested organization.

In short, we've agreed to pay up to \$350,000 to an association that represents development financiers and their "interests" to evaluate the effectiveness of our development financing. How

likely is it that CDFA will be critical and impartial? This is a legitimate concern, [because Mayor James has already stated](#) that “City Hall doesn’t do a good enough job of promoting how economic development benefits the city.” Are we paying for analysis, or for cheerleading?

To assess their own economic development programs, the Saint Louis Development Corporation hired [The PFM Group](#) , an independent public financing advisory company. Of themselves, [PFM writes](#) ,

Founded April 11, 1975 on the principles of expert, unbiased advice, the PFM Group of companies also provides investment advisory and management/budget consulting services to clients across the country and are recognized as industry leaders.

For \$180,000—*roughly half of what Kansas City proposes to spend*—PFM completed [a substantive analysis of St. Louis economic programs](#) and concluded that TIF and abatement are extremely costly and have little or no economic development impact. (We’ve reviewed their findings [here](#) .)

Other studies of economic development subsidies like TIF have been conducted by scholars at universities such as the [University of North Carolina-Chapel Hill](#) and [Washburn University in Topeka](#) . These studies, along with works published in the [Journal of Urban Economics](#) , and in [Urban Studies](#) have raised serious concerns regarding the impact of economic development subsidies. Other regions have found substantial costs associated with little economic benefit, so Kansas City should take its self-evaluation seriously.

States like California, which ended TIF in 2012, and cities like St. Louis should be applauded for facing the reality of their economic development policies. Not so in Kansas City. If our leaders are serious about promoting good policy, they need to be willing to seek out independent, disinterested research and make the appropriate changes.

About the Author



*Patrick Tuohey
Director of Municipal Policy*

Patrick Tuohey is the Director of Municipal Policy at the Show-Me Institute.

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[2] <http://companies.bizjournals.com/profile/council-of-development-finance-agencies/1520026/>

[3] <http://www.cdfa.net/cdfa/cdfaweb.nsf/pages/about.html>

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[5] https://nextstl.com/wp-content/uploads/St.-Louis-City-Economic-Incentives-Report_FINAL-May-2016-1.pdf

[6] <https://www.pfm.com/about-pfm/>

[7] <http://showmeinstitute.org/blog/subsidies/subsidies-st-louis-part-2-economic-development-blunders>

[8] <https://planning.unc.edu/people/faculty/williamlester/LesterTIFinChicagoforthcoming.pdf>

[9] <http://edq.sagepub.com/content/24/1/13.abstract>

[10] <http://www.sciencedirect.com/science/article/pii/S0094119099921496>

[11] <http://usj.sagepub.com/content/40/10/2001.short>

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|-----------------------|-----------------------|
| 5297 Washington Place | 3645 Troost Avenue |
| Saint Louis, MO 63108 | Kansas City, MO 64109 |
| Phone: (314) 454-0647 | Phone: (816) 287-0370 |
| Fax: (314) 454-0667 | |

Email: info@showmeinstitute.org

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