Businessman John Wannamaker famously quipped, “Half the money I spend on advertising is wasted; the trouble is I don't know which half.” The same may be true for Kansas City’s economic development incentives, but when the City Council sought to study their effectiveness, the folks who benefit from the current system had their own ideas.

Kansas City leaders have been enriching politically connected private developers through a seeming endless stream of taxpayer incentives. Politicians and developers alike claim the subsidies are necessary to revitalize downtown Kansas City. This is debatable. Though taxpayers have subsidized new restaurants and bars, data from the city’s Regulated Industries Division indicate that the number of liquor licenses and health cards has been flat citywide. Subsidies didn't create businesses or jobs, they merely moved them. And thanks to generous incentive deals, they moved to areas where they don't contribute to the tax base.

Likewise, the city has given generous subsidies to companies to build their headquarters here; this includes H&R Block, which, rather than actually adding jobs just moved them from elsewhere...
in the region. Kansas Citians recently learned the subsidies to hotels are so big and numerous that the market is overbuilt—causing the city’s convention and visitor’s bureau to fret that hotel room rates may crash! Meanwhile, all these subsidies direct money away from a school district in which 90 percent of children qualified to receive free or reduced-price meals.

Worse, none of these subsidies appear to be helping Kansas City’s economy. A recent report from the Brookings Institution ranked Kansas City 78th out of the top 100 metropolitan areas in economic growth—a score that is likely padded by the growth of Johnson County, Kansas.

In the face of public unrest over Kansas City’s subsidy culture, the city council called for a study of incentives and their impact. As reported in the Star, the city awarded the study contract to a trade group sponsored by developers and their lawyers. The resulting study, if one wants to use that term, contained so many methodological lapses that a reader could be forgiven for thinking they were intentional. When the report was presented to the council, it was clear that it did not deliver on its basic purpose: helping policymakers adopt better policy.

From my own investigation into the study process—using the open records law to examine the proposal and bids received, draft reports, and emails—it is clear that the incentive report relied greatly on individuals and organizations with interests in maintaining the current system. One email from a development financier made explicit that the study needed to politically protect the subsidies against the interference of “citizen petitioners.” That note was dutifully passed on from the head of the organization that vets subsidy applications, to the city employee overseeing the study, to the vendor writing it. And when the Greater Kansas City Chamber of Commerce drafted a statement opposing an effort by those same “citizen petitioners” to cap tax-increment financing incentives, they cited the study’s findings. The report seems to have accomplished its mission.

The way this study was undertaken should outrage everyone in Kansas City, especially the councilmembers who called for it to be written. The council should retract the study, investigate how it was conducted, and act swiftly to hold individuals and organizations accountable. A new, independent study is needed.

Moreover, the system by which Kansas City awards such subsidies is in need of overhaul. Taxpayer funds should be protected against self-interested developers, attorneys, and consultants, as well as the organizations they fund. Taxpayers have sacrificed too much—and seen too little return—for mere half measures.

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