More Hotels; Fewer Taxes

By: Patrick Tuohey

Despite the fact that Kansas City just held an election in which the city's profligate use of tax subsidies played a major role, the city council is at it again. This time, the council is using its public borrowing power to help developers avoid the taxes that all other Kansas Citians are expected to pay. To add insult to injury, the goal is to build something Kansas City may already have too much of: hotels.

First, let's make clear that the hotel market in Kansas City is already crowded. The Kansas City Star made this point just a few months ago, and it's something developers themselves admit. It's so bad that the city's tourism board is asking for more public funding to help sell rooms to address the fear that too many hotels will reduce hotel rates (as hotels compete for guests). In short, problems created by subsidizing hotel construction resulting in foregone tax revenue are to be solved by directing even more of the remaining tax dollars toward subsidizing hotel sales departments. If you think this is crazy, it gets worse.

Despite all this, some Kansas City Councilmembers want to offer more tax breaks to build two hotels near Country Club Plaza. (Regarding a crowded hotel market, the immediate area around the plaza area is already served by 12 hotels.) Specifically, the plan this time around is to have...
taxpayers underwrite $80 million in bond debt. With Chapter 100 bonds, the property taxes may end up being abated as long as the bonds are outstanding. This means that for up to 20 years, there may be no property taxes paid on the projects—taxes that might otherwise be used for police, public safety, and roads.

Twenty years is a long time to abate property taxes. Back in 2004, the council passed an ordinance in which it agreed, “Bonds will be issued for a term not to exceed 10 years. Bonds issued for personal property shall have a term limited to the life of the personal property, but not to exceed 10 years.” This new effort, however, just waives that 10-year limit. *Laissez les bons temps rouler!*

Mayor Quinton Lucas told *KCTV5 News*,

> There is no money coming from taxpayer sources to directly fund this. The question on the bond obligation is to what extent is the city pledging its full faith in credit in connection with the lending?

The first claim is misleading at the very least. The project doesn't use *existing* taxpayer sources, but it may abate or redirect the taxes *that would have been paid* but for this ordinance. It's a distinction without a difference. As for the second part, that is a whole other consideration: If the project goes belly up and no taxes are being redirected to bond payments, will bondholders come after the City of Kansas City, the folks who issued the bonds? This is not an easily resolved question.

If hoteliers want to invest their own resources in Kansas City—and themselves reap the rewards—that is welcome. If they agree with VisitKC that the market is already saturated and choose not to invest, that is understandable. But taxpayers should not be asked to go without so that one more developer, one more well-heeled lobbyist or one more connected attorney can earn a few bucks selling Kansas City what we may already have too much of.

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