

Kirk McClure
707 Tennessee Street
Lawrence, Kansas 66044-2369

May 7, 2008

Diane Stoddard
Assistant City Manager, City Manager's Office
City of Lawrence, City Offices
6 East 6th Street
Lawrence, Kansas 66044-0708

Re: Comments on the proposed TIF/TDD policies

Dear Diane,

Thank you for sending the draft polities and background memo on the Tax Increment Financing (TIF) and Transportation Development District (TDD).

I support the adoption of policies such as these.

Specifically, such TIF and TDD policies should:

- Require a formal proposal.
- Be used judiciously, for projects that demonstrate a substantial and significant public benefit ("benefit:cost" analysis).
- TIFs and TDDs must be used only where, but for the subsidy, the project will fail ("but for" analysis).
- Seek the least possible risk for the public sector (pay-as-you go is preferred to the creation of new public debt).
- Should be targeted toward redevelopment and stabilizations of existing neighborhoods rather than new development.

All of these provisions are found in the draft policies, and this is laudable.

I would suggest that additional issues should be considered.

- The “but for” analysis is now hampered by the developer withholding information on the project from the public. If the public is being asked to become a partner in the development, investing large sums of money, then all partners, including the taxpayers, should be able to review the project’s projected income, expenses, and development costs. Without this information, it is not possible for the public to assess the risk involved in partnering with the developer in the financing of the project. While a consultant may express an opinion of the viability of the project, the public deserves more. Consultants answer narrow questions, and their reports do not disclose all of the needed information. As a result, too many communities have granted wasteful TIF subsidies to projects that could have been developed without the subsidy funds. An open and accessible analysis process will help to assure the public that their funds are not being squandered.
- The process for identifying and quantifying that a substantial and significant public benefit will be generated needs greater rigor. This needs to involve a benefit cost analysis that is open for scrutiny and debate just as is the “but for” analysis. Asking the public to invest significant sums of money needs to be justified by such a study. The assumptions used in the study need to be transparent so that the public can be convinced that their future tax revenues are being well utilized.
- The TIF policy is lacking a statement saying that a pay-as-you-go proposal would be favored over one that requires that the City issue debt to fund the project.
- The TIF policy is lacking a statement saying that the tax increment repaid to the project will not be more than the project costs expended under the terms of the agreement.

Minor language revisions:

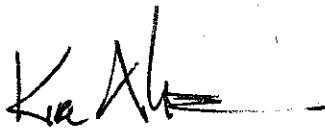
- The statement “Projects that have at least a 50% developer contribution toward the total project costs will be viewed more favorably” lacks clarity. The nature and form of the developer contribution needs to be explained. Few developers make equity contributions in excess of a few percent of total costs. Lenders and investors cover that vast majority of costs.

Procedural change

- Policies are only as good as their implementation. Too often the decision on a TIF proposal becomes one of simply approving or denying the developer's proposal. Very often the outcome should be a negotiated alternative that is beneficial to both the developer and the City. One of the difficulties with the economic development process in Lawrence is that there is no single staff person with skills in managing the negotiations on projects of this type. The taxpayers of Lawrence deserve to have someone with skills in economic development and real estate development who works for the City. This person should not work for a consulting firm; this person should not work for the Chamber of Commerce or other advocacy organization. The taxpayers, and the City Commissioners, need to have someone who represents the interests of the City as a whole and who will negotiate from a position of knowledge. The developer will always seek the most that they can get from a subsidy mechanism. The taxpayers need to be assured that someone has negotiated the best possible agreement for the City.

Thank you for the opportunity to comment on these draft policies.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk McClure", with a horizontal line extending to the right.

Kirk McClure