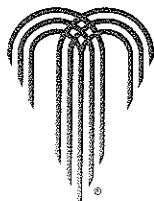


CITY OF FOUNTAINS
HEART OF THE NATION



KANSAS CITY
MISSOURI

Office of the Mayor

Mayor Mark Funkhouser

29th Floor, City Hall
414 East 12th Street
Kansas City, Missouri 64106-2778

Kansas City
Missouri



2006

(816) 513-3500
Fax: (816) 513-3518

July 11, 2007

Dear Economic Development and Incentive Policy Task Force Member:

I want to take this opportunity to thank members of the Economic Development and Incentives Task Force for your time. I appreciate your efforts. I also want to take this opportunity to share a few of my thoughts on your task of making recommendations about how the city should use economic incentives to encourage economic development and help achieve important public goals.

Both money *and* mission matter. As a city, we have to pay attention to what we are trying to achieve while paying attention to the money. As City Auditor, I emphasized both aspects of the use of economic incentives. I made recommendations intended to improve the city's ability to achieve public goals while protecting the city's financial condition.

Because money and mission matter, we need to identify our goals for both. We need goals and measures for the city's financial condition. We also need goals and measures for community conditions. We need to use those goals and measures in making decisions about when and where to use economic incentives and when we evaluate our use of incentives. I've attached a memo my staff wrote to me with examples of some measures of community conditions.

I believe this task force's work is very important. It is also timely. The city council asked you to report your recommendations regarding the economic development and incentive policy by August 30. That is a tight timeframe. You have some strong resources available to you. The City Manager has provided staff and a consultant team to help you. The consultants bring expertise in a range of skills, including engaging internal and external stakeholders, identifying best practices, and developing policy frameworks and strategies. I encourage you to develop general policy direction soon, within the next few meetings, to ensure that you, stakeholders, and the public have time to discuss your work before it is finalized.

Sincerely,

Mark A. Funkhouser
Mayor

Attachment

cc: City Manager

Date: July 9, 2007
To: Mark Funkhouser, Mayor
From: Joan Pu, Mayor's Office
Subject: Measurements of Community Conditions

You asked me to look at measurements of community conditions that could help the Economic Development and Incentives Policy Task Force to consider the social consequences of economic development and incentives to the community.

Based on my work on developing quality of life indicators, city services performance reports, and tax incremental financing audits, I think a couple of social-economic measurements are robust indicators as (1) communities cross the country and the world consistently identify them as essential to their quality of life and (2) each indicator is correlated to a bunch of other indicators. That is to say, improvement of one indicator may be the result of improvement of other indicators and may subsequently improve some other indicators.

These indicators include:

- Median household income
- Unemployment rate
- Public high school graduation rate
- Infant mortality
- Racial dissimilarity in the community

The City Auditor's city services performance reports also include some good indicators that were selected with the help from a community advisory committee.

- Physical conditions:
 - Percent of neighborhood housing that need major repairs
 - Percent of neighborhoods with no sidewalks or with deteriorated sidewalks, with streetlight problems, or with deteriorated catch basins
- Social characteristics:
 - Racial dissimilarity index
- Wealth:
 - Household income
 - Home ownership rate
 - Value of owner occupied housing
 - Number of homeless individuals and families
- Employment:
 - Unemployment rate
 - Employment growth rate
- Education:
 - High school graduation rate
- Health and Safety:
 - Infant mortality rate
 - Crime rates

The 1998 TIF audit report¹ recommended performance measures, including outcome indicators, for development and redevelopment programs, such as,

- Number of persons employed by businesses within the plan area
- Number of persons employed as a percent of projected employment
- Change in police responses and reported crime.

The report also pointed out that outcome measures are difficult to develop for reasons. “First, it is difficult to determine the extent to which the incentive caused the development. Second, it is difficult to quantify the economic activities that occur within an area that would have occurred at another location.”

Because outcome measures are difficult to develop, it is useful to include explanatory information when measures are reported. Explanatory indicators provide additional information that may affect a program’s performance. For example, important explanatory indicators for a TIF plan might include general information about the community condition, such as community-wide employment growth and crime rates².

¹ City Auditor’s Office, City of Kansas City, Missouri, *Performance Audit. Tax Increment Financing*. Kansas City, MO 1998

² City Auditor’s Office, City of Kansas City, Missouri, *Performance Audit. Tax Increment Financing*. Kansas City, MO 1998, p24.