



February 9, 2024

VIA EMAIL TO ASSESSMENT.TAXATION@SENATE.KS.GOV

The Honorable Caryn Tyson, Chair
Senate Committee on Assessment and Taxation
Kansas State Senate
300 SW 10th Avenue
Topeka, Kansas 66612

RE: City of Westwood, Kansas, Opposition to Senate Bill No. 468

Dear Senator Tyson:

On behalf of the Governing Body of the City of Westwood, Kansas, I wish to advise the Senate Committee on Assessment and Taxation of the City's opposition to Senate Bill No. 468. As drafted, and among other things, this bill would prohibit cities from exceeding their revenue neutral rate (RNR) if, within the previous year, such city had approved certain incentives such as tax increment financing (TIF) and industrial revenue bonds (IRB). This would be the case even a city complied with all RNR notice, hearing, and voting requirements of K.S.A. 79-2988.

The City opposes this legislation as it reflects fundamental misunderstandings of how incentives such as TIF work and their impact on municipal budgets. Senate Bill No. 468 seems to presume that, if a city has provided certain incentives, such as TIF, then the city would therefore be voluntarily ceding monies it otherwise would have been able to receive (such that a city should then be required to lower its tax rate for having voluntarily given up such money). But that is not how these types of incentives work.

At the risk of oversimplifying matters, and using TIF as but one example, when a TIF is established, the "base year" taxes are locked in, and no taxing jurisdictions lose (or voluntarily cede) any tax monies that they were already receiving. Rather, the incentive under TIF is a portion of future tax monies that are generated by the new project, to support redevelopment of blighted or at-risk-of-blight areas. That is to say, cities do not waive or give up existing revenues, but instead only forego (for a limited period of time) future revenues from a project.

Of course, cities would not receive those additional revenues "but for" the project. In that sense, Senate Bill No. 468 seems to take for granted that redevelopment projects—and additional tax revenue—would happen anyway without incentives. That, of course, is not true. Therefore, what Senate Bill No. 468 does is punish cities for incentivizing redevelopment, requiring them to go to a revenue neutral rate even though (1) the city has not ceded or waived any current tax revenue through TIF (retaining the base year), (2) a redevelopment project—with potential future tax revenues—would not have happened without the incentive, and (3) residents may support not using a revenue neutral rate so that quality city services can continue to be provided.

Furthermore, TIF can actually be used to relieve the burden on taxpayers. In Westwood, for example, we have negotiated an agreement with a developer whereby all TIF revenues would serve a "public purpose" (in our case, a larger new city park, the funds for which the City would not have been able to generate—without significant tax increases—"but for" the TIF program). The Legislature should not stifle this type of creativity.

We would also point out that not-for-profits can benefit from these types of incentives. For example, in Westwood, we have authorized the issuance of IRBs for the Midwest Transplant Network, allowing them to expand their operations and enabling them to better provide their life-changing (and life-saving) work in organ donation. It is bad public policy to force cities to choose between incentivizing these types of projects and not exceeding the revenue neutral rate, especially where our local residents support both paths.

Accordingly, we strongly urge the Senate Committee on Assessment and Taxation, as well as the entire Kansas Legislature, to reject Senate Bill No. 468. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "David E. Waters". The signature is fluid and cursive, with the first name "David" being the most prominent.

David E. Waters, Mayor
City of Westwood, Kansas
4700 Rainbow Boulevard
Westwood, Kansas 66205
david.waters@westwoodks.org

cc: Leslie Herring (via email to leslie.herring@westwoodks.org)
Senator Ethan Corson (via email to ethan.corson@senate.ks.gov)
Representative Rui Xu (via email to rui.xu@house.ks.gov)
Kansas League of Municipalities (via email to neberline@lkm.org; sduncan@lkm.org)