

Perspectives on Economic Development Incentives & Economic Growth in Wichita

By Michael Austin
Director, Center for Entrepreneurial Government
Kansas Policy Institute

Perspective on Economic Growth in Wichita

Isolating the drivers of authentic economic growth

Population Dynamics

- Table 1 highlights the populations for each metro area as a share of IA, KS, MO, NE, OK
- Each metro area grew its population share from 1970 to 2020.
- Wichita was the only metro to not grow in the last decade
 - Reflecting small size and high concentration of manufacturing

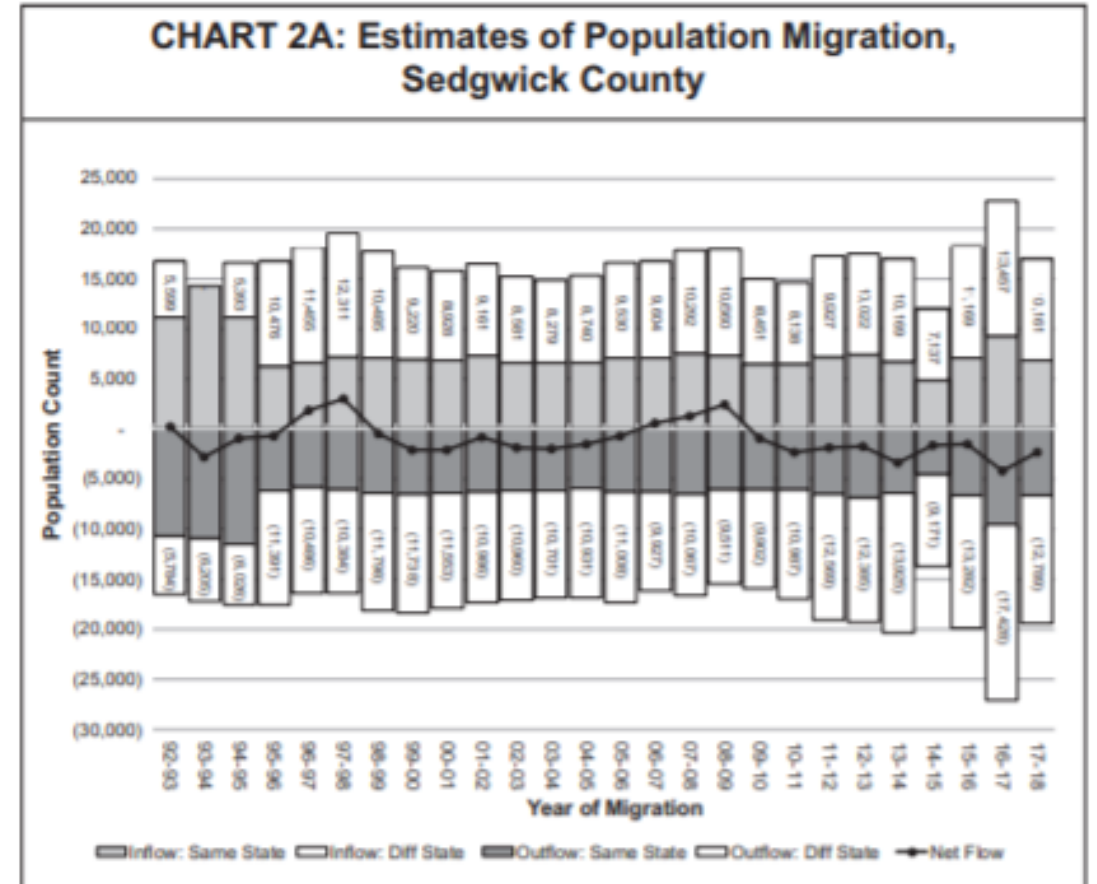
	1970	1980	1990	2000	2010	2020e
Des Moines	2.76%	2.73%	2.84%	3.01%	3.33%	3.69%
Kansas City	10.91%	10.48%	11.14%	11.48%	11.87%	12.21%
Okla. City	5.52%	6.11%	6.60%	6.84%	7.32%	7.86%
Omaha	4.71%	4.56%	4.67%	4.79%	5.05%	5.30%
Tulsa	4.34%	4.98%	5.18%	5.37%	5.47%	5.59%
Wichita	3.32%	3.27%	3.48%	3.57%	3.63%	3.59%

Source: U.S. Census Bureau; author's calculations

*Note: To simplify the problem associated with Kansas City and Omaha straddling state borders, and to generate a unified perspective for the larger geographic region, *the metro area shares are based on the aggregate population of: Iowa, Kansas, Missouri (less the independent city of St. Louis), Nebraska, and Oklahoma.

Population Dynamics

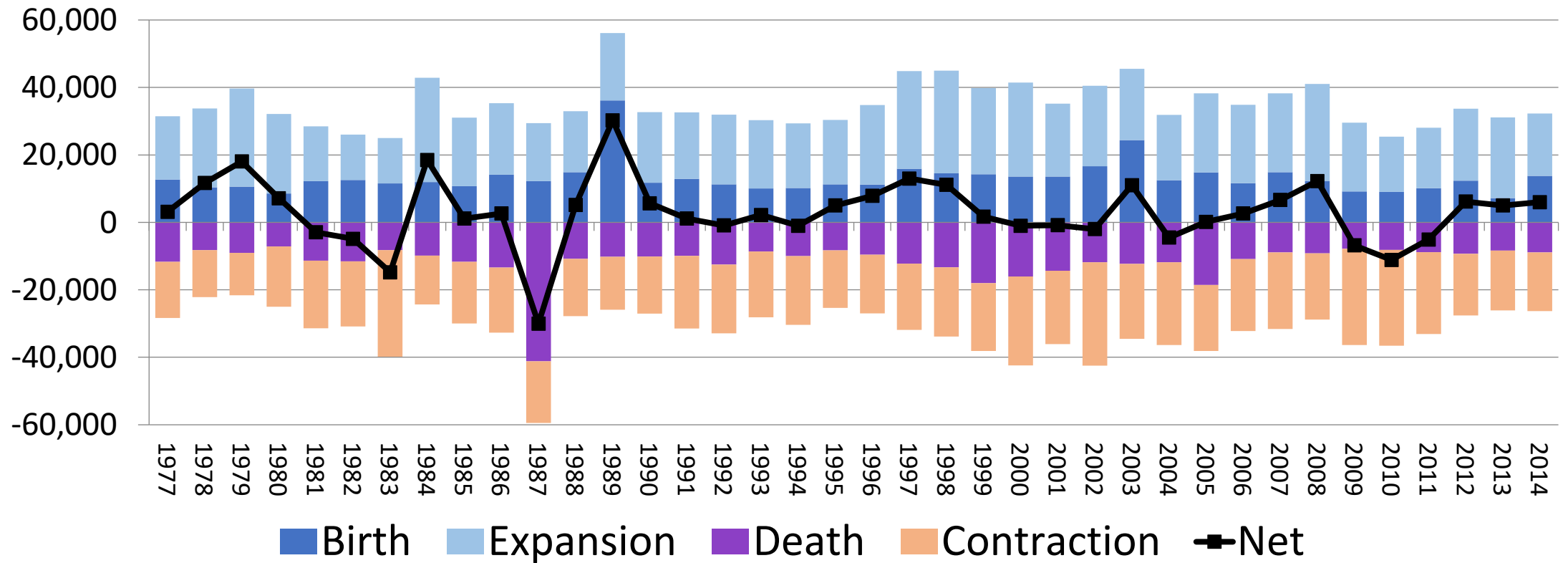
- Chart 2a shows estimated migration of people into and out of Sedgewick County from 1992 to 2018
- On the net, Sedgewick County loses a few hundred households to KC and several dozen to out of state metros, Dallas, OKC, Tulsa, Houston, and Phoenix



Employment Dynamics

Annual Business Establishment Count Averages:

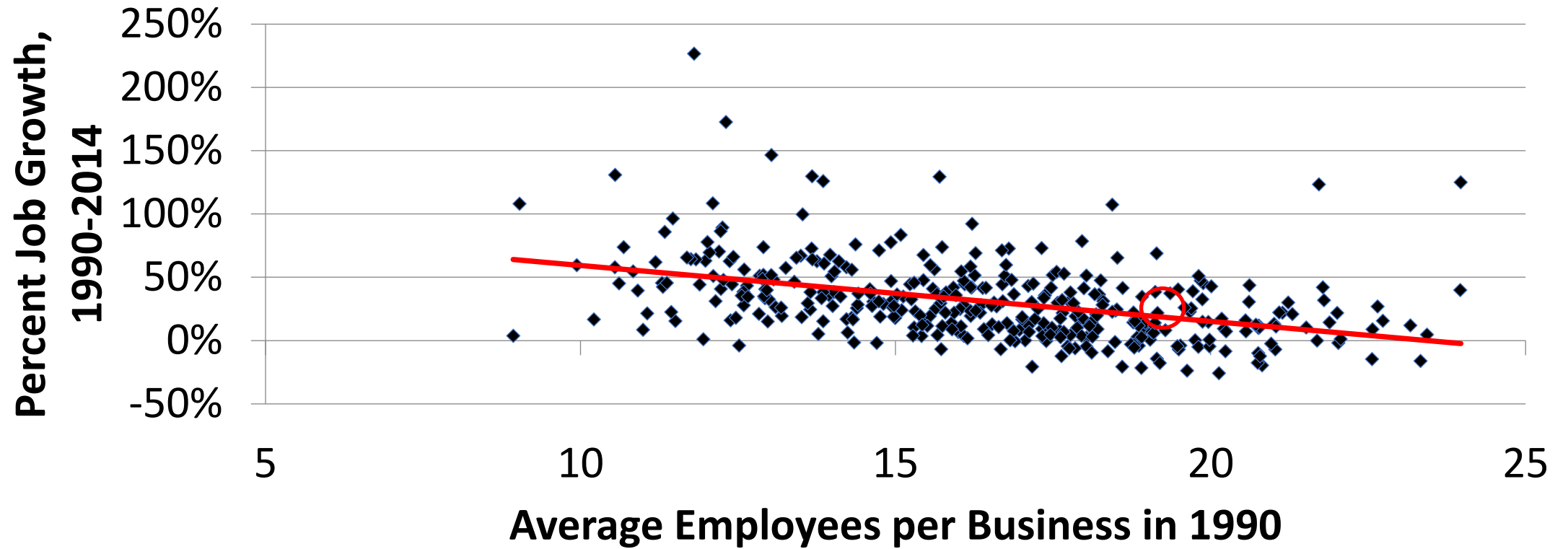
Birth/Death > 1,250 Expand/Contract > 3,200 No Change > 3,600



Employment Dynamics

Smaller Businesses, Faster Job Growth
(Data for 366 Metro Areas)

○ = Wichita (19.1, 20%)



Perspective on Economic Development Incentives

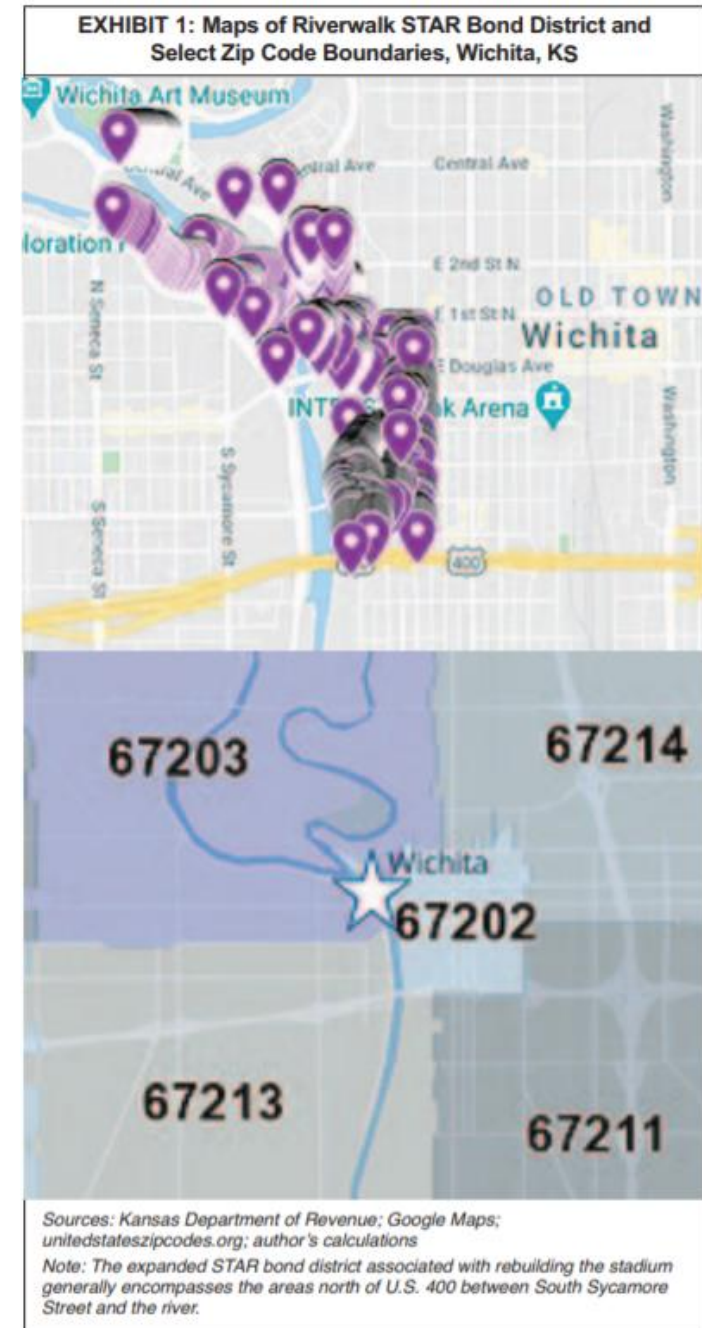
Analysis on the job mechanics of STAR Bonds in Wichita

Job Mechanics of STAR Bonds

- STAR Bonds: issue of public debt to finance approved projects. Debt is paid back through sales tax revenues of the area post development
- To evaluate STAR Bonds, we looked at two STAR Bond projects (Riverwalk & K-96/Greenwich) in Wichita with a focus on two concerns
 - Did STAR Bonds in Wichita promote job growth in the designated area and surrounding region?
 - Did STAR Bonds in Wichita create job growth in an area that wouldn't have occurred otherwise?

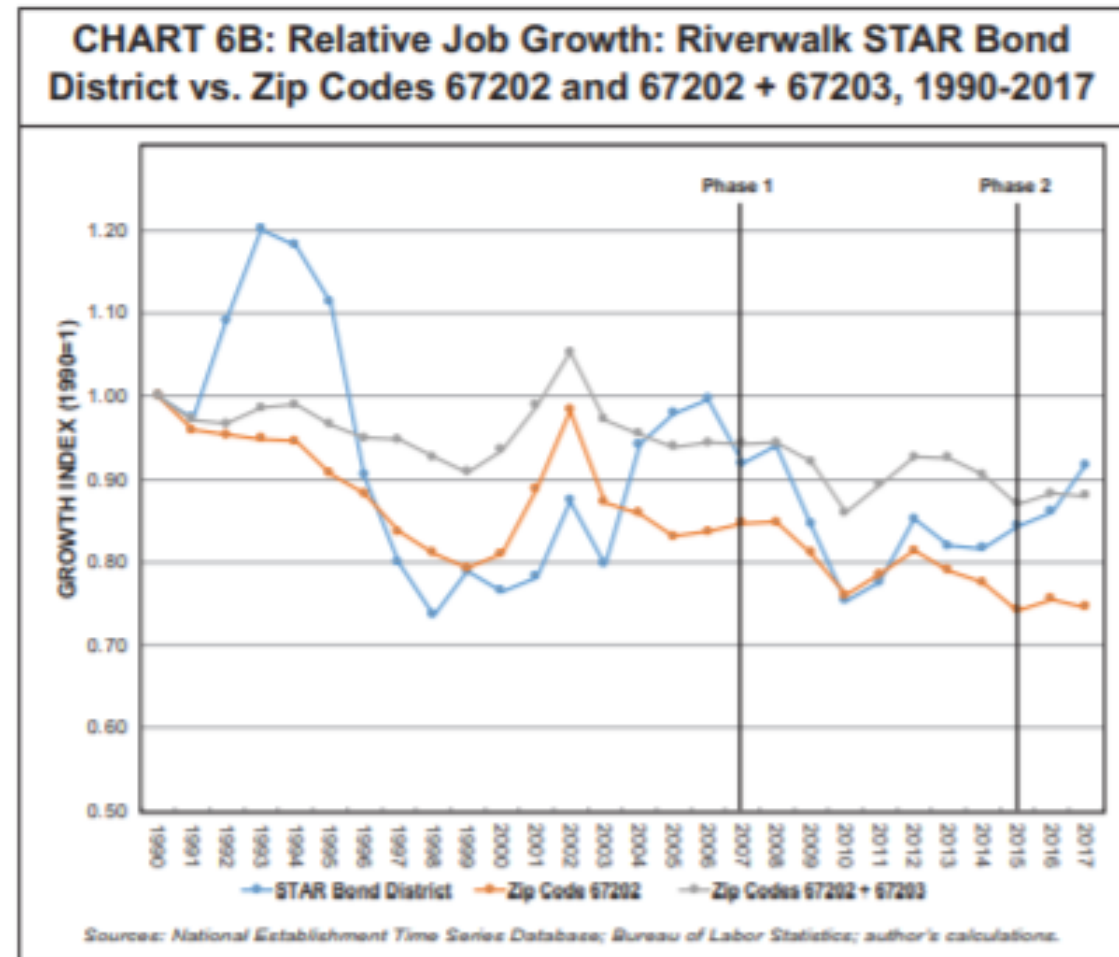
Wichita Riverwalk STAR Bond District

- Wichita issued \$11.9 million for the STAR Bond in Phase 1, and another \$4.8 million in Phase 2
- Top Map illustrates a sample of business locations for sales tax-diversion to STAR Bonds
- The bottom map illustrates the location of the STAR Bond district - noted as a star image - with surrounding zip codes
- Job counts were pulled from the National Establishment Time-Series Database or NETS
 - NETS allows us to report job counts of specific businesses at specific addresses
 - Job counts are procured for the star bond as well as the larger zip code areas associated with the districts



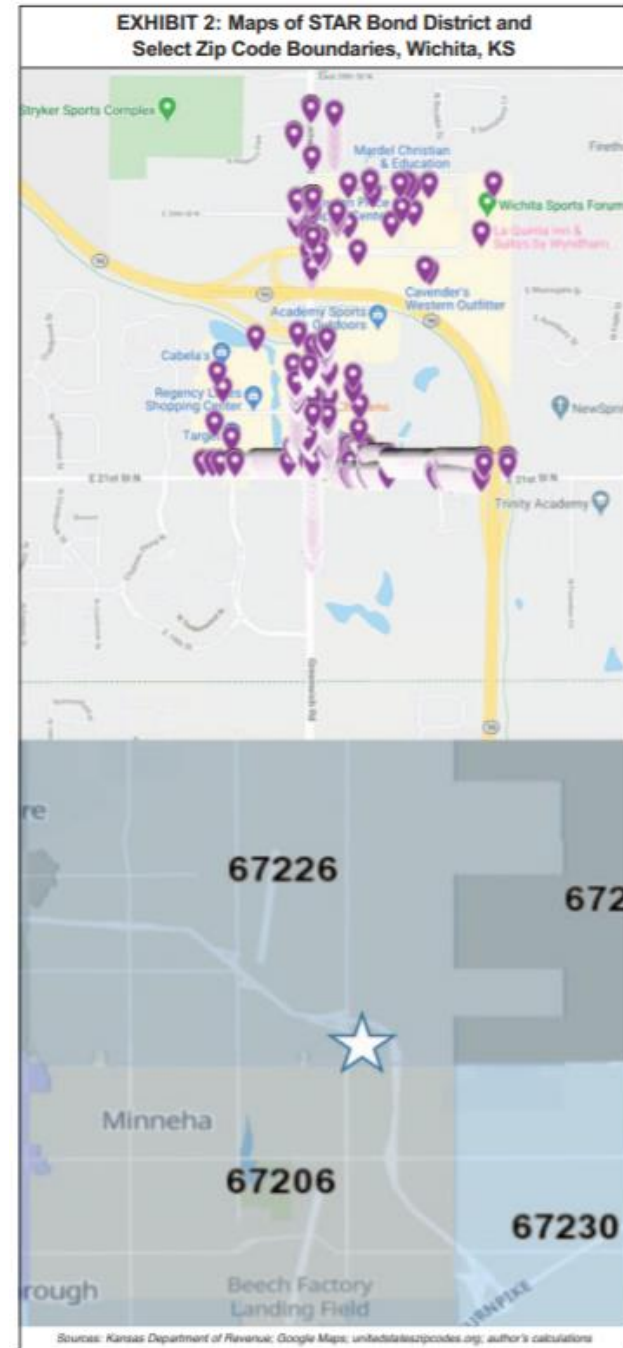
Wichita Riverwalk STAR Bond District

- Chart 6b shows the relative job growth trends of the Riverwalk, zip code 67202, and zip codes 67203 combined from 1990 to 2017.
 - Job counts in the STAR Bond district had a steep decline during the 1991 recession, rebounded up until 2006.
 - The STAR Bond program began in 2007, but so did the Great Recession, a rebound began again in 2011 and has continued to 2017.
- Notice the spike in 2002, when jobs in the district grew by 190, jobs in the combined 67202 and 67203 rose by 2,781 jobs. This shows relative magnitudes and potential connection the STAR Bond area has to the overall area.
- However, even though jobs in the district increased starting in 2014, it had virtually zero influence on overall job change in the larger zip code areas.
- It could indicate the STAR Bond project merely rearranged the pattern of economic development



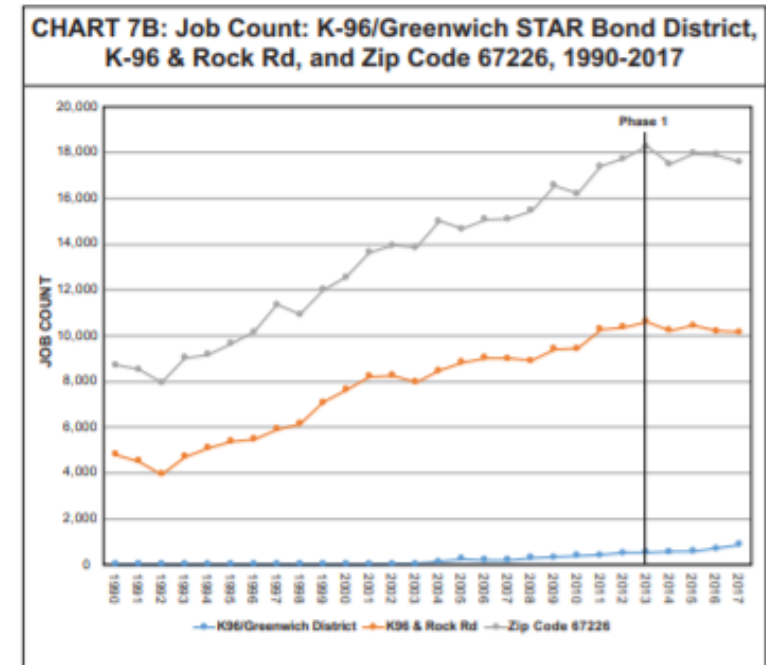
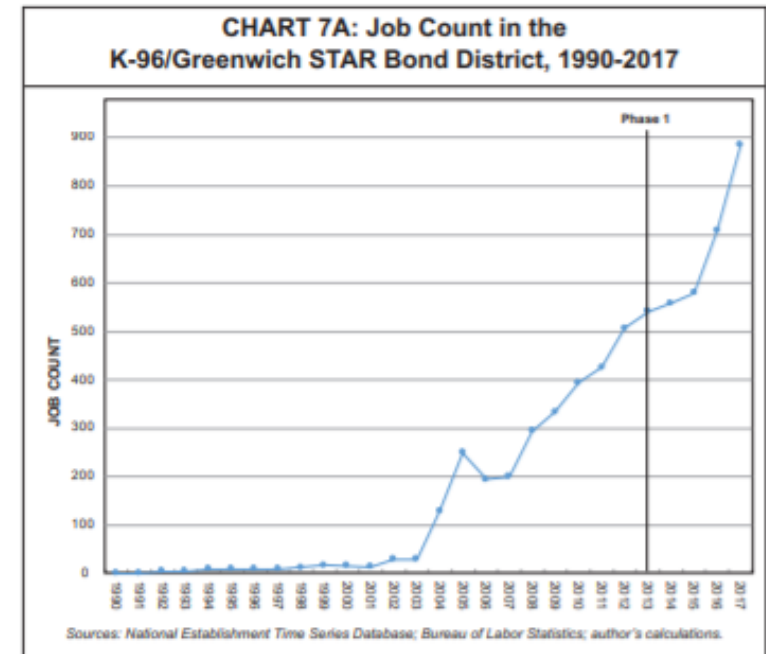
K-96/Greenwich Rd. STAR Bond District

- Wichita issued \$36.3 million for the STAR Bond in Phase 1, and another \$33.2 million in Phase 2
- Unlike the Riverwalk area, the K-96/Greenwich district only had four full years of operations as the area was primarily a “greenfield”
- However, the area of Greenwich Rd to the south has developed steadily over the past 1.5 decades
- Since the STAR Bond is primarily a new development it begs the question...
- Would the area of K-96 and Greenwich Road have developed without the taxpayer-financed incentives?



K-96/Greenwich Rd. STAR Bond District

- In Chart 7a, the answer to that question seems to be a “yes.”
 - Two years after Phase 1 development, the district gained almost 300 jobs, moving at a faster clip than before the economic development incentive.
- Chart 7b displays job growth in zip code 67226, K-96 and Rock Road, and the STAR Bond district. Two things to note
 - The zip code and K-96 & Rock Road hosts significant residential and commercial activity that by far exceeds the job gains reported for the STAR Bond.
 - Growth in the Road Road area and the zip code leveled off after 2013 (coincidentally with Phase 1)
- With no growth in the surrounding area, it’s another example of STAR Bonds redirecting or redefining growth.



In Summary

- Kansans have long understood Wichita as a specialized economy in aerospace and manufacturing, but that has brought both negatives and positives.
 - Under manufacturing supply chain shocks, growth has slowed.
 - Sedgwick county can attract people for jobs and opportunities it has, but it still loses people to other areas with different or more economic opportunities.
- This has led to a fervent call for economic development incentives to create more jobs and opportunities for growth, namely the use of STAR Bonds.

In Summary Continued

- Economic Development is not a mechanistic process driven by strategic planning and engineering.
 - It's an organic process driven by trial and error, through the formation of new business (or the activation of existing business) finding a market with under-served demand.
 - Such trial and error is a necessity, because if people knew how to create them, there would be an abundance of them.
- In this way, STAR Bonds as an economic development tool, will rarely produce net-new economic growth.
- The Riverwalk and K-96/Greenwich STAR Bonds may reveal economic growth on the surface, but expanding the observation to include nearby zip codes reveals it's an expensive exercise in the rearrangement of existing business activity.

Questions?

Thank You