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To: State of Kansas Legislature

Regarding: Tying economic incentive programs to the Revenue Neutral Rate (RNR) process

From: Dietrich Kastens (Councilman for City of Atwood, KS) dietrich@kastensinc.com

This is a letter in opposition of tying the RNR process to the various economic incentive programs currently available from the State. In small municipalities, developing infrastructure to support growth and development is a tremendous economic burden, that also exposes the municipality and the citizens of the community to new risks. Currently, there are four ways a city can fund such development:

1. Using already collected tax monies
2. Using the grant process
3. Issuing a bond, or
4. Using an economic incentive program

Most small cities do not have the budget flexibility to develop a large connection or infrastructure project using in-house monies. Grants are a risky proposition as a tool for development. Grant timing often doesn't match a need, the grant process often encompasses months to get through and, in the end, you still have to "win" it. Issuing a bond is a more common approach yet carries a lot of challenges. Is the city in an economic position to even qualify for and pass a bond? Do the taxpayers want to take a large development gamble? If the bond is passed and development is delayed or even abandoned, it is the city and its citizens that are still obligated for the bond.

The City of Atwood is currently evaluating establishing a Reinvestment Housing Incentive District (RHID) as a means to build critical infrastructure needed to provide access and utilities to an area of the City that seeks to be developed into residential housing. Using this valuable tool means that:

1. There is ZERO new debt risk for local taxpayers,
2. There is ZERO new cost to local taxpayers,
3. There is ZERO new cost to State wide taxpayers (the RHID is a recapture, not a subsidy-based program).
4. Offers the highest probability to provide the investment needed for growth and development,
5. The process is transparent and the city has oversight, and
6. The process has been used successfully in other local, small communities.

Although we are still in the evaluation phase for using an RHID, our citizens have been front and center with questions, concerns, thoughts and recommendations. They are very much part of the process. Without the RHID tool, the development the city seeks to do currently would not take place as the city does not have any other tools that feasibility and practically can accomplish this task in a timely fashion. Likewise, without the development of city infrastructure, the property developer will most likely abandon that development project altogether. Adding more hoops to jump through, and more strings attached will just continue to make development in small, rural municipalities more difficult.

Thanks,

Dietrich Kastens