

Highlights

Why We Did This Audit

The Central City Economic Development (CCED) Sales Tax is near the midpoint of its 10-year lifespan. This sales tax is expected to generate about \$10 million annually.

Some stakeholders have concerns about the slow progress of projects with approved funding.

The city also has a fiduciary duty to safeguard public tax monies by following rules, regulations, and the city's policies and procedures.

Objectives

- Are Central City Economic Development Sales Tax projects making progress towards completion?
- Were Central City Economic Development Sales Tax funds spent according to contracts for the projects in our sample?

Background

Kansas City, Missouri, voters approved the CCED Sales Tax on April 4, 2017. The purpose of this 10-year, 1/8 cent sales tax is to fund economic development projects in the Central City which is defined as the area bounded by 9th Street on the north, Gregory Boulevard on the south, The Paseo on the west, and Indiana Avenue on the east.

The five-person CCED board evaluates and recommends proposals to the City Council for funding. The City Council passes ordinances to authorize CCED funds use. A typical ordinance authorizes the Housing and Community Development Department director to negotiate and execute a contract with an awardee. The department then executes the contract including disbursement of CCED funds.

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PERFORMANCE AUDIT – August 2023

Central City Economic Development Sales Tax Projects Making Progress, Clarifying Roles and Responsibilities Can Improve Oversight of Funds

What We Found

Most of the Central City Economic Development (CCED) projects in the sample we reviewed are making progress. Contractors reported current barriers to timely completion of projects were increases in costs, other funding source requirements, and insufficient total project funding. Three projects, awarded almost three years ago, have not yet entered into a funding agreement. Inactive projects tie up limited resources and the Housing Department has not established a policy imposing deadlines for contract execution or substantial progress.

Many CCED projects are not submitting project updates to the Housing and Community Development Department as required. Updates help the city monitor CCED fund use and ensure dollars are spent according to the agreed upon contract.

The CCED board is acting as an administrator of CCED funds after the City Council approves project awards by directing staff in contract negotiations and oversight. State statute and city code establish the CCED board as a recommending body to the City Council, not as an administrator of funds. Board direction has caused staff some confusion in how to monitor projects and may cause some gaps in oversight.

City staff and contractors for two projects we reviewed did not follow contract requirements. One contractor accessed funds from a disbursement agent without the city's knowledge and may have improperly transferred money away from the CCED project. The city issued the final reimbursement on another project without obtaining the required deed restriction or adequate documentation for expenses. This allowed the contractor to sell the property without city knowledge, jeopardizing the project's goal to provide affordable housing to veterans.

What We Recommend (full list on back)

We make recommendations to develop guidance for city staff in implementing deadlines for CCED projects, clarifying project monitoring roles, pursuing city funds that may have been improperly transferred, and enforcing city contract requirements to meet the desired outcome for the CCED program.

Management agreed or agreed in part with all nine of the recommendations. Implementing our recommendations will help safeguard about \$15 million in current but not yet disbursed CCED funds and over \$50 million in future tax revenues projected through the end of this program.



**KANSAS CITY
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Office of the City Auditor

Douglas Jones, CGAP, CIA, CRMA – City Auditor
21st Floor, City Hall, 414 E. 12th St.
Kansas City, Missouri 64106

816-513-3300

cityauditor@kcmo.org

[@KCMOCityAuditor](https://twitter.com/KCMOCityAuditor)

[KCMO.GOV/CITYAUDITOR](https://www.kcmo.gov/cityauditor)

Recommendations	Management Agreement
1. The director of housing and community development should ensure deadlines established in Section 74-12 of the Code of Ordinances are included in all CCED contracts.	Agree In Part
2. The director of housing and community development should develop policies and procedures for addressing CCED projects with expiring funds as outlined in Section 74-12 of the Code of Ordinances and include in those policies, procedures to address inactive projects below the \$300,000 threshold established in this City Code section.	Agree In Part
3. The director of housing and community development should establish policies and procedures to guide enforcement in a consistent and fair manner including and up to the withholding or recalling of funds and direct staff to enforce contract provisions when contractors do not comply.	Agree
4. The director of housing and community development should develop a policy to periodically examine project details and financial records of projects that do not require direct financial reporting to the city.	Agree
5. The director of housing and community development should clarify roles and responsibilities of city staff including contract development and project monitoring to all parties after the City Council approves CCED funds.	Agree
6. The director of housing and community development should confirm the contractor’s use of CCED funds for the Conrad Wright Media Building project, and pursue legal remedies for improper use if necessary.	Agree In Part
7. The director of housing and community development should ensure all CCED projects’ disbursement agents are aware of their role as described in the contracts.	Agree
8. The director of housing and community development should ensure city staff enforce documentation reimbursement requirements.	Agree
9. The director of housing and community development should explore options to enforce the Neighborhoods United deed restriction requirement.	Agree

