

# Oversight of Community Improvement Districts

## Scope Statement – May 2020

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### Background

Authorized by state law, a Community Improvement District (CID) is created when a majority of property owners (calculated by both assessed value and per capita) submit a proper petition to the city and the City Council holds a public hearing and adopts an ordinance establishing the CID. CIDs may be formed as a political subdivision of the state or as a not-for-profit corporation.

There are currently 74 CIDs in Kansas City. The activities and powers of districts are outlined in state law and established in the individual CID petitions. CIDs may use collected revenues and borrowed funds for a variety of purposes including, but not limited to, security, maintenance, refuse collection and disposal, landscaping, property acquisitions, and promoting tourism and business activities.

Some CIDs were formed as perpetual entities. In 2012, however, the City Council limited the life span of new CIDs to twenty years, while allowing automatic renewal of one or more successive ten-year terms.

### Why audit oversight of community improvement districts?

The use of CIDs continues to grow. State law requires CIDs to submit a proposed annual budget to the City Council for review and comment; an annual report to the city clerk of the services provided, revenues, and expenditures; and copies of resolutions approved by the CID board to the city clerk. Our 2007 CID audit found CIDs were not consistently meeting their statutory reporting requirements.<sup>1</sup>

Depending on the structure, CIDs may impose special assessments and taxes within district boundaries. CIDs established as political subdivisions may impose up to a one percent sales and use tax for most retail sales on top of existing sales taxes. Our 2017 audit of a single CID, primarily funded through a one percent sales tax, found weaknesses in its transparency and accountability to the public.<sup>2</sup>

### Audit objective

Our objective is to answer the following question:

- Is the city exercising oversight of CIDs?

### Audit methods

We will review Missouri state statutes to understand the reporting requirements and how CIDs are established; interview city staff and review city ordinances and resolutions to understand the city's current oversight of CIDs; and review literature and studies to identify practices to strengthen CID oversight.

### Anticipated release date

We plan to issue the audit report in September 2020.

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<sup>1</sup> [Community Improvement District Reporting Needs Improvement](#), Office of the City Auditor, Kansas City, Missouri, December 2007.

<sup>2</sup> [Independence Avenue Community Improvement District Should Improve Accountability and Transparency](#), Office of the City Auditor, Kansas City, Missouri, April 2017.