

**OFFICE OF THE CITY AUDITOR**

**PERFORMANCE AUDIT**

April 2021

**Community Improvement  
Districts: Strong Oversight  
Needed to Ensure Public  
Benefit, Transparency, and  
Accountability**



CITY OF  
KANSAS CITY,  
MISSOURI

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## Office of the City Auditor

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Kansas City, Missouri 64106

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April 27, 2021

Honorable Mayor and Members of the City Council:

This audit evaluates whether the city is exercising oversight of Community Improvement Districts (CIDs). Oversight covers evaluation of proposed CIDs, the City Council's decision to approve or not approve the establishment of CIDs, and ongoing monitoring of CIDs' compliance with requirements outlined in state statutes, city policy, and establishing petitions.

The city's current review process focuses on ensuring provisions and information required by the state and city are included in petitions. The city does not critically evaluate elements such as public benefit (particularly important for single beneficiary CIDs), the purpose and plan of the proposed district, sales tax burden impact in the proposed district as well within the city, overlaps with other economic incentives, and alignment with city goals. A robust evaluation of these elements by city staff would provide the City Council with information to consider when they deliberate the merits of and whether to approve the establishment of proposed CIDs. State statutes give the City Council significant power over the establishment of CIDs and this authority to approve or not approve a proposed CIDs is one of the city's most important oversight tools.

Once CIDs are approved, CIDs petitions serve as guiding principles for the CIDs. Before approval, the city council can incorporate additional accountability and oversight into petitions that the district must follow, such as reducing CID lifespans and eliminating automatic renewals; requiring CIDs to report on expenditures for public infrastructure or services benefiting the public, and submitting an annual financial statement.

Over a third of CIDs did not submit a proposed budget and over a quarter did not submit an annual report as required by state statutes. The City Council could impose a fine on CIDs for failure to timely submit required reports to the city. In addition, the City Planning and Development Department should monitor CID reporting status as required by city policy to better inform the City Council, enhance public accountability and transparency, and ensure CIDs are performing in the best interest of the public.

We make recommendations to improve existing CID policy to strengthen oversight, transparency, and accountability of CID activities and compliance with reporting requirements. Additionally, this audit provides the city manager with information to assist in responding to [Resolution 200309](#).

The draft report was sent to city manager and director of city planning and development on March 26, 2021 for review and comment. Their responses are appended. We would like to thank staff from City Planning and Development and Law departments, and City Manager's Office for their assistance and cooperation during this audit. The audit team for this project was Vivien Zhi, Joyce Patton, and Nancy Hunt.

  
Douglas Jones, CGAP, CIA, CRMA  
City Auditor

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# **Community Improvement Districts: Strong Oversight Needed to Ensure Public Benefit, Transparency, and Accountability**

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## **Table of Contents**

Introduction	1
Objective	1
Background	1
Community Improvement Districts in Kansas City	1
Findings and Recommendations	3
City Should Use CID Petition Process to Ensure CIDs Benefit the Public and Align with City Goals	3
Evaluation of Proposed CIDs is Limited	3
Public Benefits of CIDs Not Evaluated	4
Impact of Proposed CIDs Overlapping with Other Development Districts is Not Assessed	5
City Should Incorporate Additional Accountability into CID Petitions	6
Reduce CID Lifespans and Eliminate Automatic Renewals	6
CIDs Did Not Submit Reports to City as Required by State Law	7
City Did Not Monitor CID Reporting Status	9
Recommendations	10
Appendix A: Objective, Scope, & Methodology, and Compliance Statement	11
Why We Did This Audit	11
Audit Objective	11
Scope and Methodology	12
Statement of Compliance with Government Auditing Standards	12
Scope of Work on Internal Controls	13
Appendix B: City Manager’s Response	14
Appendix C: Director of City Planning and Development’s Response	16

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## **List of Exhibits**

Exhibit 1. Number of CIDs in Kansas City 2002 - 2020 (cumulative by year)	2
Exhibit 2. Number of CIDs by Revenue Source	2
Exhibit 3. Active CIDs by Type (cumulative by year)	5
Exhibit 4. CIDs Overlapping with Other Economic Development Districts	5
Exhibit 5. Required CID Reports Submission Calendar	8
Exhibit 6. Status of FY2021 Proposed Budget Submittals	8
Exhibit 7. Status of FY2019 Annual Report Submittals	8

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# Introduction

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## Objective

*Is the city exercising oversight of Community Improvement Districts (CID)?*

To answer our objective, we reviewed Missouri state statutes, city ordinances and resolutions; interviewed city staff; examined CID petitions, annual reports and proposed budgets filed with the city; and reviewed literature and studies related to CIDs and economic development.

We conducted this audit in accordance with Government Auditing Standards.

See Appendix A for more information about the audit objective, scope, methodology, and compliance with standards.

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## Background

### **Community Improvement Districts in Kansas City**

Authorized by state law<sup>1</sup>, the process to create a Community Improvement District (CID) begins when a majority of property owners within the defined area of the proposed CID submit an appropriate petition to the city. The City Council holds a public hearing on the CID petition to determine whether to continue the process of establishing the CID. If the City Council decides to continue the process, an ordinance to establish the CID goes through the city's legislative process. City Council approval of the ordinance results in the establishment of the CID.

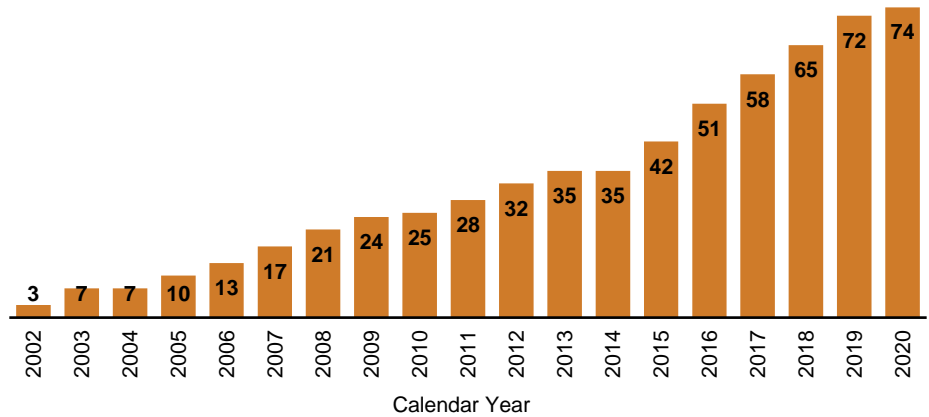
From 2002 to May 2020, City Councils approved 77 CIDs in Kansas City; 74 are still active. (See Exhibit 1.) The activities and powers of districts are outlined in state law and established in individual CID petitions. CIDs may use collected revenues and borrowed funds for a variety of purposes including, but not limited to, security, maintenance, refuse collection and disposal, landscaping, property acquisitions, and promoting tourism and business activities.

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<sup>1</sup> Community Improvement District Act, Revised Statutes of Missouri §67.1401.

*Community Improvement Districts: Strong Oversight Needed to Ensure Public Benefit, Transparency, and Accountability*

Exhibit 1: Number of CIDs in Kansas City 2002 - 2020<sup>2</sup> (cumulative by year)



Source: City Clerk’s website and City Auditor’s Office analysis of CID petitions.

Since May 2020, seven new CIDs have been established and three more CIDs are currently seeking Council approval.

CIDs may be formed as a political subdivision of the state or as a not-for-profit corporation. Depending on the structure, CIDs may impose taxes and/or special assessments within district boundaries. CIDs established as political subdivisions<sup>3</sup> may impose up to a one percent sales and use tax for most retail sales on top of existing sales taxes. The majority of CIDs in Kansas City impose a sales tax. (See Exhibit 2.)

Exhibit 2: Number of Active CIDs by Revenue Source



Source: City Auditor’s Office analysis of CID petitions.

<sup>2</sup> KCI-I29 CID, 3 Trails CID, and Renaissance Plaza CID were disbanded in 2012, 2015, and 2017, respectively.

<sup>3</sup> RSMo §70.210 defines political subdivision as counties, townships, cities, towns, villages, school, library, road, sewer, fire districts, water districts, county hospitals 911 or emergency services board, any board of control of an art museum and any other public subdivision or public corporation having the power to tax.

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## Findings and Recommendations

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### City Should Use CID Petition Process to Ensure CIDs Benefit the Public and Align with City Goals

The city's petition review process does not evaluate proposed Community Improvement Districts' public benefit, the purpose and plan, sales tax burden in proposed districts as well within the city, overlaps with other economic incentives, and alignment with city goals. A robust evaluation of these elements by city staff would provide the City Council with information to consider when they deliberate the merits of whether to approve the establishment of proposed CIDs.

#### Evaluation of Proposed CIDs is Limited

The city does not conduct comprehensive evaluations of the merits of proposed Community Improvement Districts (CIDs) prior to their approval. State statutes give the City Council significant power over the establishment of CIDs. The City Council's authority to approve or not approve a proposed CID is one of the city's most important oversight tools and added analysis can assist the decision-making process.

Currently the city's evaluation of proposed CIDs is limited. The City Planning and Development and Law departments review petitions to ensure they include provisions and information required by the state and city. City reviews of petitions may cover per capita requirements, number of parcels, length of term, audit authority, and five-year plan.

Other city economic development programs, such as Tax Increment Financing (TIF)<sup>4</sup>, require information about and an evaluation of the proposed project's potential economic and other impacts or benefits to the community. The Government Finance Officers Association's (GFOA) guidance on economic development policy recommends a clearly defined evaluation process for the purpose of consistency and transparency when reviewing proposals.<sup>5</sup> This type of evaluation would include:

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<sup>4</sup> Tax Increment Financing (TIF) District is an area designated to be blighted, conservation, and/or economic development. The purpose of a designation is to improve areas affected by blight or adverse conditions that make private investment unlikely, thereby enhancing the city's tax base. A portion of the increased taxes generated by the development may be used to help pay for development costs.

<sup>5</sup> "Best Practices – Establishing an Economic Development Incentive Policy", Government Finance Officers Association.

- Evaluation criteria should align with the jurisdiction’s goals and objectives of economic development.
- An evaluation of the impact on the tax base and revenue.
- A determination whether the project would proceed if the incentive were not provided.
- Performance standards, that are either quantitative or include an objective assessment that can determine if the standard is met.
- Monitoring and compliance.

### **Public Benefits of CIDs Not Evaluated**

The city does not evaluate public benefits<sup>6</sup> when considering a proposed CID. Current city policy notes the city will consider the public benefit of CIDs. The city does not have a process to evaluate whether the creation of single beneficiary or community-based CIDs have public benefits that align with the city’s goals and objectives.

#### **Two Types of CIDs**

##### **Single Beneficiary CID – InterContinental CID**

Location: InterContinental Hotel  
Date Established: October 2016  
Revenue Source: One percent sales tax  
Purpose of CID: To improve insanitary or unsafe conditions and deterioration of the hotel.

##### **Community-Based CID – Waldo CID**

Location: Either side of Wornall Road between Gregory Blvd and 85<sup>th</sup> St.  
Date Established: December 2008  
Revenue Source: One half percent sales tax and \$150 special assessment per property within the CID.  
Purpose of CID: Provide maintenance of public areas and transportation related improvements within the CID; implement a comprehensive image and marketing program; advocate and provide assistance to attract further investment within the CID.

There is a risk that single beneficiary CIDs may not provide sufficient public benefits and that single beneficiary CIDs could subsidize prior poor maintenance practices. Single beneficiary CIDs could favor property owners and developers over the public because the CID sales tax proceeds generated from the public shopping in the district primarily benefit the property owners or developers.

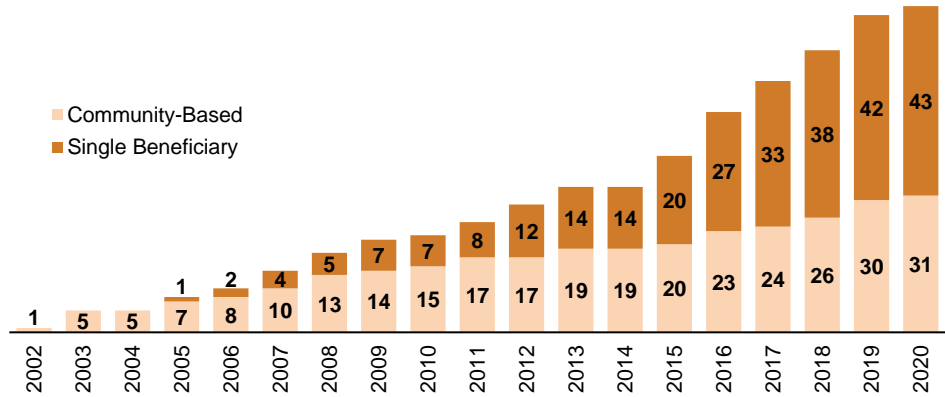
The public does not support single owner CIDs or sales tax. A city survey showed 75 percent of respondents said they disagree or strongly disagree that a single commercial property owner should be able to create a CID and impose a CID sales tax as a source of revenue to fund improvements on their own property.<sup>7</sup>

<sup>6</sup> Single beneficiary CIDs are those CIDs with a single owner or developer, or a single parcel.

<sup>7</sup> CID Policy Proposal and Public Feedback Summary, City of Kansas City, Missouri, September 2020.

Despite their lack of public support, the majority of CIDs approved since 2015 have been single beneficiary. Currently, 43 of 74 active CIDs in the city are single beneficiary CID; 42 of these levy an additional sales tax. (See Exhibit 3.) The remaining 31 CIDs are community-based and the city also does not evaluate their public benefit.

Exhibit 3: Active CIDs by Type (cumulative by year)

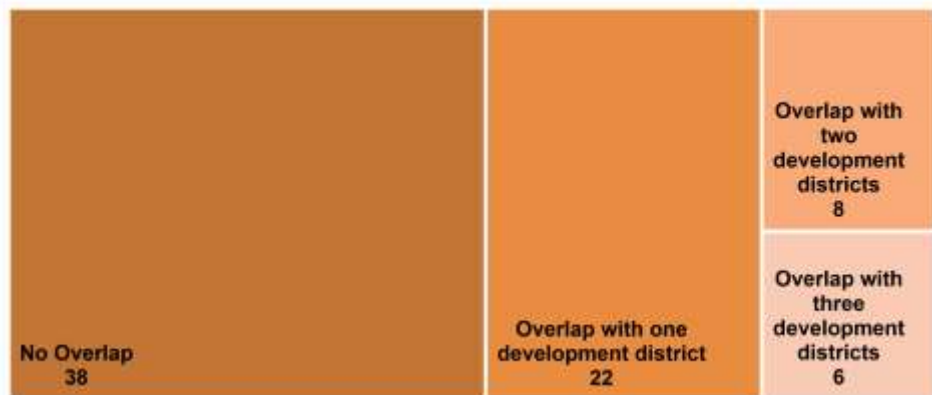


Source: City Auditor’s Office analysis of CID petitions.

**Impact of Proposed CIDs Overlapping with Other Development Districts is Not Assessed**

The city does not assess whether proposed CIDs will overlap with existing economic development districts. GFOA recommends evaluating the impact of economic development projects on the tax base and revenues.<sup>8</sup> Currently, 36 of 74 CIDs overlap with at least one or more other development districts, including Tax Increment Financing (TIF) district, Transportation Development District (TDD), or another CID. (See Exhibit 4.)

Exhibit 4: CIDs Overlapping with Other Economic Development Districts



Source: Parcel Viewer and City Auditor’s Office analysis.

<sup>8</sup> “Best Practices – Establishing an Economic Development Incentive Policy”, Government Finance Officers Association.



Allowing a CID to be established where a TDD or another CID already exists can create a higher tax burden, which could cause people to shop elsewhere. There are locations where two sales tax CIDs overlap with each other resulting in an additional 1.5-2% sales tax. Across the city, total sales tax rates in CIDs range from 9.466% to 11.6%. When the city recently asked the public for feedback on CIDs, 86 percent of respondents agreed or strongly agreed the city should evaluate existing and future sales tax burdens when considering a proposed CID. Additionally, about 70 percent of respondents said overlapping CIDs that result in more than 1% in CID sales tax being collected should be prohibited or limited to a specific number.<sup>9</sup>

When a CID overlaps with a TIF district, the district receives assistance through public monies via the CID sales tax plus redirected taxes. Information and analysis of overlapping incentives, their potential impact on the public, and whether they are distributed in an equitable manner would be useful information to the City Council when they decide on the best use of economic development tools.

Recommendation

To ensure Community Improvement Districts align with the city's overall economic development goals and serve the best interest of the public, the city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that includes a comprehensive evaluation process for proposed CIDs that, at a minimum, assesses public benefit, sales tax burden, overlapping economic development districts, and alignment with city goals.

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## **City Should Incorporate Additional Accountability into CID Petitions**

Once CIDs are approved, CIDs petitions serve as guiding principles for the CIDs. Before approval, the city council can incorporate additional accountability and oversight into petitions that the district must follow.

### **Reduce CID Lifespans and Eliminate Automatic Renewals**

Long lifespans and automatic renewals reduce the city's oversight and reduce CIDs' accountability. CID petitions include the proposed lifespan of the district. When the City Council approves the petition establishing the CID, the CID's lifespan is set, and the city cannot change it. Since 2013 the city has generally limited CID lifespans to 20 years and allows petitions to provide for the

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<sup>9</sup> CID Policy Proposal and Public Feedback Summary, City of Kansas City, Missouri, September 2020.

district to be automatically continued for one or more successive 10-year terms without having to submit a new petition unless the City Council has adopted a resolution rescinding the automatic renewal.<sup>10</sup> However, a CID term can exceed 20 years in order to repay debt used to fund capital improvements.<sup>11</sup> Currently, 44 CIDs have lifespans of 30 years or more including 17 CIDs that have perpetual lifespans.<sup>12</sup> Shorter lifespans would allow the city to evaluate CIDs' performance and alignment with the city's goals and objectives sooner, if needed, and avoid wasted time and public resources.

Shorter CID term limits as well as the elimination of automatic renewals would encourage more accountability. For example, a five-year term allows the CID enough time to produce results towards its five-year plan and increases the CID's accountability to the city when its term expires. Shorter terms require more frequent renewals, which if based on performance, incentivize CID officials to follow the rules and achieve goals set out in their petitions. Automatic renewals and perpetual CIDs provide no incentive for the CID to be accountable to the city and ultimately the public. CID's that borrow money for capital improvements may need longer term limits in order to repay debt. Eliminating automatic renewals of these districts would allow the city to evaluate whether the CID is still meeting the needs of the district and the city as a whole after debt is paid.

#### Recommendation

To ensure CIDs are accountable to the city and public and receive more frequent evaluation of their public benefit, the city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that establishes shorter lifespans for CIDs and rescinds automatic renewals.

#### **CIDs Did Not Submit Reports to City as Required by State Law**

Over a third of CIDs did not submit a proposed budget and over a quarter did not submit an annual report as required. Missouri statutes require CIDs to submit their proposed annual budget to the city for review between 90 and 180 days before the beginning of each fiscal year.<sup>13</sup> CIDs are also required to submit an annual report to the city on district activities within 120 days after the end of each fiscal year.<sup>14</sup> (See Exhibit 5.)

<sup>10</sup> [Resolution 130844](#), November 7, 2013.

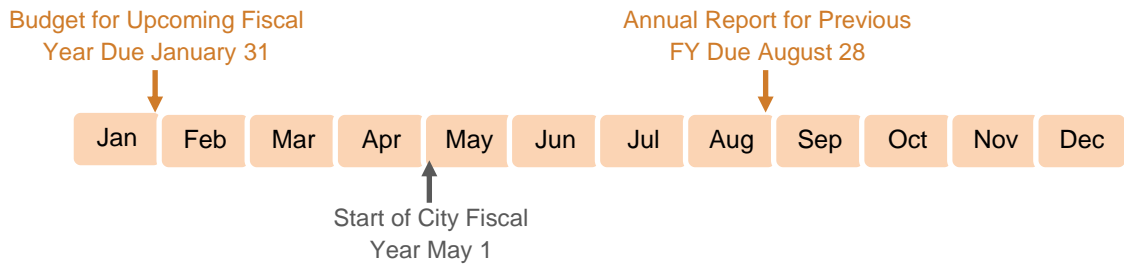
<sup>11</sup> Resolution 130844.

<sup>12</sup> The passage of [Resolution 120605](#), March 7, 2013 and Resolution 130844, November 7, 2013, ended the practice of allowing CIDs to have a perpetual lifespan.

<sup>13</sup> RSMo §67.1471. 2.

<sup>14</sup> RSMo §67.1471. 4.

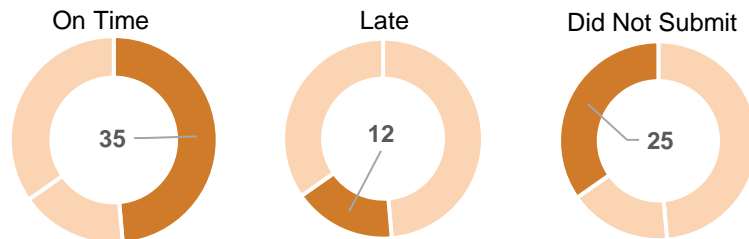
Exhibit 5: Required CID Reports Submission Calendar



Source: Revised Statutes of Missouri §67.1471.

**Late and missing proposed budgets.** More than half of CID’s required to submit a fiscal year 2021 proposed budget either submitted the budget late or not at all. (See Exhibit 6.) The proposed budget should include expected expenditures, revenues, and rates of assessments and taxes for the fiscal year. The city may provide written comments or suggestions on the budget up to 60 days prior to the beginning of the fiscal year; however, CIDs are not required to take any action related to the city’s comments.

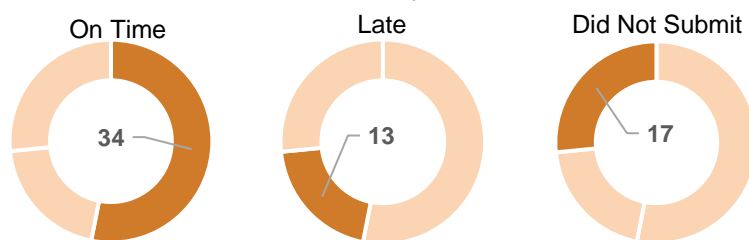
Exhibit 6. Status of FY2021 Proposed Budget Submittals



Source: LUSI and City Auditor’s Office Analysis.

**Late and missing annual reports.** Additionally, about 47 percent of the CIDs required to submit a fiscal year 2019 annual report either submitted the report late or not at all. (See Exhibit 7.) The annual report should include information on the services provided, revenues collected, expenditures made by the district, and copies of CID board resolutions.

Exhibit 7. Status of FY2019 Annual Report Submittals



Source: LUSI and City Auditor’s Office Analysis.

Compliance with reporting requirements enhances public accountability and transparency. Budgets indicate how CIDs intend to spend their funds. Annual reports provide a snapshot of activities and accomplishments during the year. Budgets and annual reports promote accountability and transparency. These documents allow the City Council and public to evaluate how CIDs intend to expend funds, whether funds were spent as expected, whether goals were achieved, and whether expenditures were in alignment with the CID's petition. This information is particularly important when a CID levies sales taxes and expends public monies.

The public wants more accountability and transparency from CIDs. The city recently asked the public whether CIDs should be required to submit a budget indicating the amount of revenues used for public infrastructure or services benefiting taxpayers in the district. Respondents overwhelming (about 93%) said 'Yes'.<sup>15</sup> Requiring CIDs that collect and/or use \$100,000 or more in public tax monies to provide the city an annual financial statement prepared by a CPA is another way to enhance public accountability and transparency.

Although state law requires CIDs to submit proposed budgets and annual reports to the city, state law does not include any fines or consequences for failure to do so. Assessing a fine, similar to that assessed to political subdivisions for failure to timely submit annual financial reports to the state auditor,<sup>16</sup> could provide an incentive to CIDs to submit required reports to the city.

#### Recommendation

To promote accountability and transparency, and ensure CIDs submit proposed budgets and annual reports as required, the city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires reporting on expenditures for public infrastructure or services benefiting the public, submittal of an annual financial statement, and also imposes a fine for failure to timely submit required reports to the city.

#### **City Did Not Monitor CID Reporting Status**

City Planning and Development did not monitor CID reporting status as required by city policy. The City Planning and Development Department is required by resolution to annually report to the city council those CIDs that failed to submit their proposed budgets and annual reports within the time limits

<sup>15</sup> CID Policy Proposal and Public Feedback Summary, City of Kansas City, Missouri, September 2020.

<sup>16</sup> RSMo §105.145(2)9. Any political subdivision that fails to timely submit a copy of the annual financial statement to the state auditor shall be subject to a fine of five hundred dollars per day.

provided by state statute, and whether the work performed conformed to previously submitted budgets.<sup>17</sup> City Planning and Development did not track whether CIDs submitted reports according to state statute. As a result, the department did not report CID non-compliance to the City Council and whether CIDs performance follows their budgets.

Recommendation To better inform the City Council, enhance public accountability and transparency, and ensure CIDs are performing in the best interest of the public, the director of city planning and development should report to the City Council those CIDs that failed to submit required reports on time, fines assessed for failure to timely submit required reports, and whether the work performed by each CID conforms to its submitted budgets every year.

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## **Recommendations**

1. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that includes a comprehensive evaluation process for proposed CIDs that, at a minimum, assesses public benefit, tax burden, overlapping economic development districts, and alignment with city goals.
2. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that establishes shorter lifespans for CIDs.
3. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that rescinds automatic renewals for CIDs.
4. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires reporting on expenditures for public infrastructure or services benefiting the public.
5. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires submittal of an annual financial statement.
6. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that imposes a fine for failure to timely submit required reports to the city.
7. The director of city planning and development should report to the City Council those CIDs that failed to submit required reports on time, fines assessed for failure to timely submit these reports, and whether the work performed by each CID conforms to its submitted budgets every year.

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<sup>17</sup> Resolution No 120605.

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## Appendix A: Objective, Scope, & Methodology, and Compliance Statement

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We conducted this audit of oversight of Community Improvement Districts (CIDs) under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor’s primary duties.

A performance audit provides “objective analysis, findings, and conclusions to assist management and those charged with governance and oversight, with among other things, improving program performance and operations, reducing costs, facilitating decision making by parties with responsibility for overseeing or initiating corrective action, and contributing to public accountability.”<sup>18</sup>

### Why We Did This Audit

The use of CIDs continues to grow. Our 2007 CID audit found CIDs were not consistently meeting their statutory reporting requirements to the city.<sup>19</sup> Depending on the structure, CIDs may impose special assessments and taxes within district boundaries. 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>20</sup>

### Audit Objective

This report is designed to answer the following question(s):

- Is the city exercising oversight of Community Improvement Districts?

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<sup>18</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2018), pp. 10, 11.

<sup>19</sup> [Community Improvement District Reporting Needs Improvement](#), Office of the City Auditor, Kansas City, Missouri, December 2007.

<sup>20</sup> [Independence Avenue Community Improvement District Should Improve Accountability and Transparency](#), Office of the City Auditor, Kansas City, Missouri, April 2017.

## **Scope and Methodology**

Our audit focuses on whether the city is exercising oversight of CIDs. Our audit methods included:

- Reviewing Missouri Revised Statutes, city ordinances, and resolutions related to CIDs to identify CID petition and approval processes and reporting requirements.
- Reviewing petitions establishing CIDs to identify CID characteristics including the life span, governance type, and revenue source.
- Reviewing LUSI, annual reports, and proposed budgets submitted by CIDs to the city to determine CIDs' reporting status for fiscal year 2019 annual report and fiscal year 2021 proposed budget.
- Using the city's Parcel Viewer mapping tool to determine whether each CID overlapped with Transportation Development Districts (TDD), Tax Incremental Financing (TIF) area, and other CIDs.
- Reviewing audits, studies, and policies and procedures of other jurisdictions to identify approval process and reporting requirements other jurisdictions use for improvement districts.
- Reviewing CID Policy Proposal and Public Feedback Summary (September 2020) presentation to understand citizens' views on CIDs.
- Interviewing staff from the Law and City Planning and Development Departments to understand their processes in reviewing CID petitions.
- Interviewing a City Councilmember to understand her concerns related to city oversight of CIDs.

## **Statement of Compliance with Government Auditing Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed confidential or sensitive.

**Scope of Work on Internal Controls**

We assessed internal controls relevant to the audit objective. This included review of written policies and procedures and practices used to ensure CIDs submitted their annual reports and proposed budgets on time and whether the city is providing oversight of CIDs during the CID evaluation process. We determined that the following components and principles of internal control were significant to our audit objective:

- Control environment
  - Exercise oversight responsibility
  - Enforce accountability
- Information and communication
  - Communicate internally
  - Communicate externally

We identified internal control deficiencies related to CID reporting requirements and petition evaluation process and discuss the details of these deficiencies within the body of the report.



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## Appendix B: City Manager's Response

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### Inter-Departmental Communication Office of the City Manager

RECEIVED

APR 26 2021

CITY AUDITOR'S OFFICE

**Date:** April 21, 2021  
**To:** Douglas Jones, City Auditor  
**From:** Brian Platt, City Manager  
**Subject:** Response to Performance Audit: *Community Improvement Districts: Strong Oversight Needed to Ensure Public Benefit, Transparency, and Accountability*

- 1. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that includes a comprehensive evaluation process for proposed CIDs that, at a minimum, assesses public benefit, tax burden, overlapping economic development districts, and alignment with city goals.**

**Agree.** In 2017, pursuant to Resolution 160784, the City Manager's Office completed a comprehensive review of existing ordinances and best practices regarding single-beneficiary, hotel and general CIDs and submitted various recommendations to the Mayor and City Council to establish a consolidated policy on Community Improvement Districts, which were not adopted. Over the past year, in conjunction with Resolution 200309, the City Manager's has endeavored to update its review of CID policies with specific attention to overlapping CIDs, tax disparities, single-beneficiary CIDs, blight findings/standards, engagement with affected communities, transparency, and reporting requirements. A community survey was developed and disseminated in the fall of 2020 and a presentation of the results was presented to Mayor and City Council on November 12, 2020. The Manager's Office is currently in the process of drafting a comprehensive ordinance for consideration by Mayor/Council taking into account public feedback and the results of this audit and which may be followed by subsequent codification.

- 2. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that establishes shorter lifespans for CIDs.**

**Agree in Part.** The current City policy limits CIDs to a 20-year term, which may be automatically renewed for one or more ten-year terms without having to submit a new petition, with exceptions if the CID revenues are pledged to debt. The City should continue its practice of allowing for CID terms that coincide with the repayment terms for debt which is being serviced by anticipated revenues from a CID. A distinction may also need to be made regarding the lifespans of CIDs for community-based districts and single-beneficiary districts. CID revenues for community-based districts are often used to pay for on-going operational costs such as security and/or maintenance, which the City would desire to continue. However, single-beneficiary CIDs are often used to complete specific redevelopment projects and may not need to continue once those improvements are completed and paid for.

**3. *The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that rescinds automatic renewals for CIDs.***

**Agree.** The Manager's Office is currently in the process of drafting a comprehensive ordinance for consideration by Mayor/Council taking into account public feedback and the results of this audit and which may be followed by subsequent codification, which we anticipate will include provisions relating to automatic renewals.

**4. *The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires reporting on expenditures for public infrastructure or services benefiting the public.***

**Agree.** The Manager's Office is currently in the process of drafting a comprehensive ordinance for consideration by Mayor/Council taking into account public feedback and the results of this audit and which may be followed by subsequent codification, and which we anticipate will include provisions on budget reporting requirements including breakouts for public infrastructure expenditures.

**5. *The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires submittal of an annual financial statement.***

**Agree in Part.** It is important for the City to monitor financial practices of CIDs to ensure that taxpayer dollars are used responsibly and consistent with standard accounting practices. The Manager's Office is currently in the process of drafting a comprehensive ordinance for consideration by Mayor/Council taking into account public feedback and the results of this audit and which may be followed by subsequent codification, and which we anticipate will include provisions related to annual financial reporting.

**6. *The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that imposes a fine for failure to timely submit required reports to the city.***

**Agree.** Imposing penalties may increase timely and complete reporting from existing and future CIDs. The Manager agrees with the intent of this recommendation, subject to confirmation of the City's legal authority to impose such fines/penalties and an analysis of implications of the Hancock Amendment.

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## Appendix C: Director of City Planning and Development's Response

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### City Planning and Development Department

#### Office of the Director

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Kansas City, Missouri 64106-2795

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RECEIVED

**Date:** April 21, 2021

**To:** Douglas Jones, City Auditor

**From:** Jeffrey Williams, AICP Director *Jones*

**Subject:** Response to Performance Audit: *Community Improvement Districts: Strong Oversight Needed to Ensure Public Benefit, Transparency, and Accountability*

APR 22 2021

CITY AUDITOR'S OFFICE

7. ***The director of city planning and development should report to the City Council those CIDs that failed to submit required reports on time, fines assessed for failure to timely submit these reports, and whether the work performed by each CID conforms to its submitted budgets every year.***

**Agree.** I do agree with the areas of reporting related to measuring each CID's performance as outlined above. Furthermore, I recommend this reporting should be done through the utilization of City prescribed forms to assure the highest degree of standardization in receiving the requested information from each CID. However, and after consultation with the City Manager, it is high likely that City staff from multiple departments (not just City Planning and Development staff) would be assigned the responsibilities of performing the requested CID monitoring and assessment as outlined in future CID policy and standard operating procedure documents.

cc: Brian Platt, City Manager