

# **Bond Case Briefs**

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## **On the KC Front-Burner: Infrastructure and an \$800 million Bond Proposal.**

Kansas City's big airport debate is on the back burner.

A streetcar expansion election for Main Street has been postponed.

So what is the City Council up to?

The focus for the rest of this year is likely to be on one of the city's most formidable challenges. It's also the never-ending source of griping from residents: inadequate streets, sidewalks, bridges, flood control and public buildings.

"Basic infrastructure has to be paramount," Mayor Sly James says. "We have to take care of some immediate needs."

City Manager Troy Schulte agrees the city's massive deferred maintenance backlog can't wait any longer. He's proposing an \$800 million bond authorization that voters would decide next spring. It's believed to be the largest general obligation bond proposal in city history.

"There aren't any conversations about an airport, about streetcar or light rail or anything like that," Schulte told an audience of about 60 residents at a recent neighborhood gathering. "What I'm talking about is the very basic infrastructure that we need to continue to operate in the city."

Schulte and the City Council aren't pretending they can address the problem in a financially painless way.

"It would require a property tax increase," Schulte bluntly told the crowd.

Critics say that could make it hard to pass, especially on the East Side where people already struggle financially. And a grass-roots proposal for a different tax is in the works that would be targeted just to East Side improvements rather than citywide ones.

The signature project to build support for the citywide bond package could be a new animal shelter at Swope Park to replace a horribly outdated facility for Kansas City's four-legged friends. But the bulk of projects would be street and sidewalk fixes all over the city. So, as city spokesman Chris Hernandez said, one slogan for this initiative could be "puppies and pavement."

James and Schulte said they're trying to keep the bond financing as affordable as possible, which is why the target dollar amount is about \$800 million, not \$1 billion or more.

This is a work in progress, and much could change. But as initially conceived, the bonds would be issued in \$40 million increments annually over 20 years and paid off with property tax proceeds.

The Finance Department calculates that, for the owner of a \$140,000 home and a \$15,000 car, the increase in the first year would be \$7.50 on a city property tax bill that's currently about \$500.

That's not much more than the price of a McDonald's Double Quarter Pounder meal and large Coke.

However, the tax increase would compound each year as more bonds are issued, amounting to about \$150 more per year for the average homeowner at the end of 20 years.

The election would be April 4, 2017, because, under the vagaries of Missouri law, voter approval for bonds in that election requires a 57 percent supermajority. If the election were held later next year, it would require an even higher majority, 66.7 percent.

The council must approve ballot language in January, so that means hashing out details in the next few months.

"That's the conversation this fall at City Hall," Schulte said, citing low interest rates and job creation as other pluses for the program. "There's no better time like the present to just bring this forward."

### **Huge needs**

James says he realized Kansas City had a massive deferred maintenance problem when he first took office in 2011. At that time, he proposed a possible \$1 billion bond package.

The idea fizzled, in part because the Fitch credit rating agency put the city on a "negative" watch. Kansas City already had a high debt load from guaranteeing several hundred million dollars in bonds for projects like the downtown Power & Light District, various hotels and parking garages, and other economic development ventures.

But the city has continued to pay down debt over the past five years, and its credit rating has improved. In the next decade, Schulte said, more principal should come off the books each year in \$80 million increments. Meanwhile, the city would be adding about \$40 million per year in general obligation bond debt, which has the best interest rates and can be its own economic development engine.

Right now, Kansas City spends money in relatively paltry amounts on many infrastructure projects, because dollars are spread thin among so many needs. So it can take forever to complete big projects. The Blue River channel project, just completed, took 50 years. The Turkey Creek tunnel restoration project has already taken years and still needs \$15 million more. Brookside flood control is a \$30 million problem.

"It delays things because we do it \$1 million at a time," Schulte said.

The council may also ask next April to renew the city's 1-cent sales tax for infrastructure, set to expire in 2018. That sales tax raises about \$70 million per year, but it too is spread thin among too many projects. If the bond money could pay for big-impact projects, Schulte suggested, the sales tax dollars could provide a consistent, sustainable funding source for basic maintenance.

Without this extra money, Kansas City will just keep falling farther and farther behind on crucial repairs, said Public Works director Sherri McIntyre. She points out that, according to a recent pavement analysis, only 55 percent of the city's roads were rated in good to fair condition, while 45 percent were rated poor or worse.

Currently, the city spends about \$10 million per year resurfacing about 170 miles of roadway. But with 6,600 lane miles of roads, Kansas City should spend \$40 million or more per year to fix 600 miles per year, she said.

Among possible street projects:

- Wornall Road from 79th Street to 47th Street, which should be fully rebuilt.
- Blue River Road, which is sliding into the Blue River in several locations.
- Holmes Road in south Kansas City.
- Two-lane Northland roads that need widening like North Brighton from Pleasant Valley Road to 76th Street, and Parvin Road.

Schulte also hopes to use bond money to fix crumbling sidewalks in low-income neighborhoods, where costs exceed what residents can afford. But both Schulte and James acknowledge a challenge with that strategy.

Until now, Kansas City has required homeowners to pay for sidewalk upgrades with their own money, which can be \$5,000 or more, although financed over 15 years. What do city officials tell people who have paid for their own sidewalks and now have to pay a property tax increase for other people's sidewalks?

"Unfortunately, this is an issue of the collective good," Schulte said, pointing out that property values in affluent areas can support a homeowner's \$5,000 sidewalk investment, but not in depressed areas. "From an urban revitalization standpoint ... I think curbs and sidewalks are the best way to do it."

### **Neighborhood reaction**

Council members believe voters will support the plan, since citizen satisfaction surveys every year give top priority to streets.

"The issue I hear about probably more than any other is infrastructure," said 6th District Councilman Kevin McManus. "I would put it up with public safety and economic development as things that people care about."

But longtime South Kansas City neighborhood leader Carol Winterowd reminded the council that some significant development projects are tax abated, meaning owners pay little or no property tax into city coffers. If this involves a property tax increase, she said, everyone should pay a fair share.

The Finance Department is gathering data on how much property is abated but does not yet have that information.

The Rev. Sam Mann, spokesman for the Urban Summit, which advocates for the East Side, said his group is working on its own ballot proposal for next spring: a one-eighth-cent sales tax that would raise money specifically to benefit the Prospect Corridor from Ninth Street to Gregory Boulevard. He said the group wants something more targeted than a citywide general obligation bond package.

"It's going to be a hard sell, because it's too general," Mann said of the bond proposal.

But 5th District Councilwoman Alissia Canady, who represents part of east and south Kansas City, thinks residents will see its job creation and economic benefits.

"This council will be reviewing that information to make sure it makes sense and it is fair," she said. "Fair is not going to be allocated by council district but based upon the needs, making sure our

infrastructure is addressed and making sure we're doing that wisely."

THE KANSAS CITY STAR

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