

# Tax Fairness for All Wichitans

*Why “Vote No” is best for all Wichita*

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On February 28<sup>th</sup>, Wichitans will vote on whether the Ambassador Hotel should be allowed to keep 75 percent of its guest tax collections for its own use.

Those who ask citizens to “Vote Yes” to create jobs leave out an important fact: **The hotel developer has said that the hotel will open regardless of the outcome of the election.** Your vote of “No” will not stop the hotel from opening, and will not prevent any jobs from being created.

## Why “Vote No”

**The Ambassador Hotel will benefit from at least eight government programs**, all of which cost the taxpayer. Voting No on February 28<sup>th</sup> will take away the ninth layer of taxpayer subsidy from the hotel. **Voting No leaves the other eight layers of generous taxpayer subsidy intact.**

**Voting No protects local businesses.** According to the Wichita State University study that hotel developers use, **50 percent of the Ambassador Hotel’s business is taken away from existing hotels.**

**Voting No protects the city’s Convention and Tourism fund.** This fund’s source of income is the hotel guest tax, which is used not only to promote Wichita, but also for maintenance and upgrades to Century II. The fund is losing \$2 million this year, and its balance will soon be near zero. Voting Yes on February 28<sup>th</sup> diverts future revenue away from this fund and into the pockets of one hotel developer. **It is likely that Wichitans across the city will have to make up the missing revenue. That’s an unfair burden to city taxpayers, and an important reason to vote No.**

**Voting No protects other Wichita hotels from being placed at a competitive disadvantage to the Ambassador Hotel.** This important principle of fairness to all businesses is essential if Wichita is to attract other business investment.

**Voting No helps protect the principle that taxation should be for public purposes, not for private gain.**

## The entire taxpayer-funded subsidy package

It’s important to know that your taxes pay for a many-layered subsidy package for the Ambassador Hotel.

- \$3,325,000 in tax increment financing. This diverts money from services like police, fire, and schools to provide benefits to the developers, in this case parking for the hotel.
- \$4,245,000 in city funding under the capital improvement plan (CIP), to build parking for the hotel.
- \$3,800,000 in tax credits from the State of Kansas. Taxpayers across Kansas have to make up this missing revenue. Kansas Governor Sam Brownback has recognized the cost to the state of this expenditure program that is implemented through the tax system, and has proposed its elimination.
- \$3,500,000 in tax credits from the U.S. government. Taxpayers across the country have to make up this missing revenue.
- \$537,075 in sales tax exemptions on purchases during the construction and furnishing of the hotel. That’s missing revenue that other Kansas taxpayers have to make up.
- \$60,000 per year in community improvement district (CID) sales tax. The hotel charges an extra two cents per dollar sales tax, which the state returns to the hotel.
- \$134,000 per year in guest taxes. A special city charter ordinance would allow the hotel to keep 75 percent of its guest tax, instead of that revenue going to the city’s convention and tourism fund. This is the ordinance that is the subject of the February 28th election.
- \$127,499 per year (estimated) in rental revenue to the developers from a sweetheart lease deal.
- Participation in Wichita's facade improvement program, which provides special assessment financing that is repaid over time.

**All told, this project will receive \$15,407,075 in taxpayer funds to get started, and then \$321,499 per year for the first five years, with smaller amounts for 22 years.**

Voting No on February 28<sup>th</sup> will remove only the guest tax rebate from this list of subsidy programs, at a cost savings to Wichita taxpayers estimated at \$2.25 million over 15 years.

### **The WSU Study**

The Wichita State University Center for Economic Development and Business Research performed an analysis of the Ambassador Hotel project. **Ambassador Hotel subsidy promoters and the City of Wichita leave out important information contained in this study.**

Perhaps the most important misconception is that the city's investment in public subsidy for the hotel has a positive return. The WSU study reports these results:

	ROI	Cost-benefit ratio
City Fiscal Impacts, General Fund	163.2%	2.63
City Fiscal Impacts, Debt Service Fund	-17.2%	0.83
City Fiscal Impacts, Total	-9.8%	0.90

It is only for the General Fund that the impact is positive. For the Debt Service Fund -- and in total -- the impact is negative (or less than one for cost-benefit ratios). But "Vote Yes" supporters and the City of Wichita cite only the positive impact to the General Fund. This is in spite of the fact that the cost of the Ambassador Hotel subsidy program to the General Fund is \$290,895, while the cost to the Debt Service Fund is \$7,077,831 -- a cost factor 23 times as large.

### **Missing information**

There is also missing information in the WSU study. For the state of Kansas, the study shows a positive economic impact. The only costs to the state that the study includes are that of the sales tax exemption. But the state is contributing \$3,800,000 in tax credits, at a cost of that same amount to the state's treasury. The WSU study does not include these costs, and we can't ignore them.

### **Substitution factor – taking away from others**

It's important to recognize that the WSU study reports that for this industry, a substitution factor of 50 percent applies. This means that half the jobs and revenue attributed to the Ambassador Hotel are taken away from other Wichita businesses.

As to the 978 construction jobs that hotel backers promote, these are not new jobs. The author of the WSU study states: "It is likely that these expenditures merely support existing construction jobs." Also, the Kansas Democratic Party has criticized the Ambassador Hotel for relying on large numbers of out-of-state workers instead of hiring Kansans.

### **Opposing crony capitalism**

Supporters of the Ambassador Hotel subsidy programs say it's important not to oppose the Wichita City Council and its policies of crony capitalism and corporate welfare as economic development. But recent experience tells us that often these subsidy programs are not needed, and when given, they often don't work.

Taxpayers in Wichita – and also across Kansas and the entire country – are being very generous to the developers of the Ambassador Hotel. Voting No on February 28<sup>th</sup> will prevent only a small part of a \$15 million subsidy package from taking effect. Voting No will not stop the city council from opening its taxpayer-funded wallet to other developers.

Voting No protects important principles of public policy, and above all, tax fairness to all Wichita businesses.

### **Tax Fairness for All Wichitans**

More information may be found at the campaign's website at dtwichita.com. Or contact Bob Weeks, campaign chair, at bob.weeks@gmail.com or 316-708-1837.

Paid for by Tax Fairness for All Wichitans, Kim Potochnik, treasurer. Contributions in any amount from individuals or businesses may be sent to:

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