



Too Many Hotels in KC, According to Hotel Developer Seeking Subsidies

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In a blog post [earlier this year](#) I wondered about Kansas City, “If previous subsidies successfully created a vibrant economic center, then why are they still needed?” [The recent news](#) that Drury Hotels is withdrawing its application for tax-increment financing (TIF) makes this question relevant again.

The reason for the withdrawal is that Drury’s original request for TIF was only partially approved by the Economic Development Corporation (EDC). Drury would have received some taxpayer support if the development had gone forward—but not as much as requested.

Consider the letter from a development attorney working for Drury announcing the withdrawal. According to the letter, the subsidy is needed not because downtown is an economically challenged market, but because there is too much hotel development.

From the letter (which is available in its entirety via the link at the bottom of this post):

Additionally, Drury believes that the Project is financially risky, particularly given the projected doubling of downtown hotel room inventory over the next twenty-four months. Drury anticipates that a substantial decline in revenue per available room will take place over the next several years while the market absorbs this unprecedented growth in available rooms.

Let that sink in. Developers think that the area is overdeveloped, so taxpayers need to protect them from the risk of low revenue due to market saturation.

We only know this because a representative of this developer stated its position bluntly in writing. How many other developers—hotel or otherwise—are using economic development subsidies not to address a public need, but to protect themselves from offering too much of a private product?

Reading the letter, it's difficult to understand why the EDC would have recommended *any subsidy at all* for hotel development. Downtown clearly has enough hotel rooms; taxpayers don't need to fund any more. Unfortunately, the [EDC is funded with fees paid by TIF recipients](#), so they have every incentive to say yes. Maybe Kansas City leaders need to follow [Nashville's lead](#) and put a halt to TIF until the process can be improved.

 [Drury letter to EDCKC.pdf](#)

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[2] <https://showmeinstitute.org/blog/subsidies/downtown-subsidies-forever>

[3] <https://www.bizjournals.com/kansascity/news/2018/10/22/drury-withdraws-downtown-hotel-plans.html>

[4] <https://showmeinstitute.org/blog/subsidies/edc-gets-it-wrong>

[5] <https://www.tennessean.com/story/news/2018/10/02/nashville-put-freeze-new-development-incentives/1496596002/>

[6] https://showmeinstitute.org/sites/default/files/Drury_letter_to_EDCKC.pdf

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