



March 15, 2024

Kansas City Royals  
Kauffman Stadium  
1 Royal Way, Kansas City, MO 64129

Kansas City Chiefs  
Arrowhead Stadium  
1 Arrowhead Drive, Kansas City, MO 64129

Members of the Jackson County Legislature  
Jackson County Courthouse  
415 E 12th Street Kansas City, MO 64106

All:

We are writing to share our assessment of the Community Benefits Agreement (CBA) negotiations to date and to apprise you of our next steps in response to the Kansas City Chiefs' and Royals' (the "Teams") pursuit of tax dollars for their stadium projects.

#### **A. Background**

We write during a time when rents are skyrocketing and Kansas City has become the number one city nationally for rent increases.<sup>1</sup> For every 10 low-income people who need affordable housing, only four units are available.<sup>2</sup> Our eviction rates are on the rise and tenants are reeling.

We also write during a time of record corporate profits, when it is the norm — not the exception — for service and hospitality employers to not pay living wages and benefits that safeguard the health and well-being of our community members. Against the backdrop of Kansas City's history of racial and economic segregation along the Troost divide, tens of thousands of city residents — and disproportionately women and workers of color — go to work each day but struggle to pay their rent or bills. Moreover, Black and Brown workers have disproportionately borne the brunt of good union jobs being steadily replaced by low-wage non-union service jobs throughout the Midwest over the last 40 years, by being forced into low-quality jobs with unlivable wages and the grinding stress of poverty. These workers and tenants comprise the base of our coalition.

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<sup>1</sup> Hawley-Bates, Savannah, 2024, "Rents in Kansas City and Missouri are rising faster than almost anywhere else in the U.S.," KCUR.

<sup>2</sup> "The Gap Report," 2023, The National Low Income Housing Coalition.

As poor and working people in our community struggle, our sports teams seek up to two billion dollars in public financing for stadium construction and remodels through a regressive sales tax that will disproportionately fall on the backs of those barely able to make ends meet and especially people of color. In fact, consumption taxes like general sales taxes are the most regressive type of taxes and “the most significant drivers of racial inequity in state and local tax codes.”<sup>3</sup> With these tax subsidies, Kansas City will be known for more than just rapidly increasing rents; should the tax pass, it will also be known for *the highest public subsidy ever paid to sports teams*.

Years of studies have been amassed on publicly funded stadiums. **Eighty-six percent of economists oppose public investment in stadium projects** because the projects fail to generate benefits to the community that outweigh the cost.<sup>4</sup> The costs associated with this project include:

- The new, permanent jobs generated by stadiums will be service jobs that pay low wages and lack benefits;
- The new stadium development proposed by the Royals and supported by the Chiefs will cause substantial gentrification and increases in already skyrocketing housing costs<sup>5</sup>;
- Sales taxes are flat taxes that especially burden poor and working-class people<sup>6</sup>;
- The Tax Increment Financing (TIF) and other tax breaks and benefits to be sought by the teams will divert much needed money from schools, infrastructure, and other critical social programs.<sup>7</sup>
- The sales tax will cancel out other opportunities to fund projects that would actually serve our community directly.<sup>8</sup>

In order to address these concerns and be acceptable at all, these proposed developments should satisfy two critical criteria: (1) do no harm to the community; and (2) uplift the community in ways that are transformative and impactful. A CBA that would justify such excessive use of tax-payer dollars must be transformative. Our vision and the teams’ vision appear deeply misaligned.

## **B. Status of the Negotiations**

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<sup>3</sup> Hill, Misha, 2021, “Taxes and Racial Equity: An Overview of State and Local Policy Impacts, Institute on Taxation and Economic Policy, <<https://itep.org/taxes-and-racial-equity/>>.

<sup>4</sup> Wolla, Scott. A. Ph.D, 2017, “The Economics of Subsidizing Sports Stadiums,” Federal Reserve Bank of St. Louis.

<sup>5</sup> Lauermann, John, 2022, “Stadiums, Gentrification, and Displacement: A Comparative Overview of U.S. Cities,” [Sports Stadiums and Environmental Justice](#).

<sup>6</sup> Misra, Tanvi, 2015, “How Local Sales Taxes Target the Poor and Widen the Income Gap,” Bloomberg.

<sup>7</sup> Pablo Aquiles-Sanchez & Laura Dresser, 2024, “Covering the Bases; Community Benefits for Public Subsidies in Kansas City,” High Road Strategy Center.

<sup>8</sup> Pablo Aquiles-Sanchez & Laura Dresser, 2024, “Covering the Bases; Community Benefits for Public Subsidies in Kansas City,” High Road Strategy Center.

The window for negotiating a robust, powerful and transformative CBA with the Royals and the Chiefs is quickly closing. In addition to providing the Royals with our list of proposals one year ago, together with a copy of the Milwaukee Bucks CBA as a model, we have now provided fully fleshed out versions of those same proposals in detail. The process has been bifurcated between a private Labor Table, where living-wage union jobs are being negotiated, and the table organized by Jackson County (the “County Table”), where our focus is affordable housing.

Unfortunately, the responses we have received from the teams at the County Table largely ignore the community’s demands, fail to make meaningful progress on racial and economic justice, and assign value to the Teams’ own customary charitable works in an attempt to bloat the CBA’s value without actually providing the community the benefits sought. The yawning gap between what we believe to be reasonable and what the Teams believe is their obligation regarding an affordable housing agreement has seeded overwhelming doubt that such an agreement is anywhere within reach without a dramatic shift from the teams.

To date:

- We have provided detailed joint proposals to the Teams during the negotiations called for by the County Table (Attached as Exh A).<sup>9</sup>
- Negotiations at the Labor Table are progressing and we remain hopeful that an agreement that creates thousands of living-wage union jobs in the stadium and ancillary development is possible.
- The ratio of community benefits to stadium development costs proposed by the Teams in their CBA for the County Table is incredibly lopsided. Even the Teams’ traditional giving dwarfs what they are offering to the community in the way of benefits: Foundations affiliated with and supported by the Royals and Chiefs have historically contributed more in grants to the community (\$6.5 million total in 2022) than what the Teams are setting aside for community benefits, despite their intention to amass up to two billion dollars from tax-payers. In 2022, the Kansas City Royals Foundation<sup>10</sup> provided \$3 million in financial support, with a total of \$23 million in grants from its founding to the present.<sup>11</sup> In 2022, the Hunt Family Foundation provided \$3.5 million in financial support to over 100 organizations in KC with a total of \$26 million in contribution over the past 10 years.<sup>12</sup> Meanwhile, in a single month, the Teams have contributed \$2 million towards their “Vote Yes” campaign. But the dollar amount of community benefit proposed by the Royals in comparison to the cost of the stadium (which is directly funded by the Jackson County

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<sup>9</sup> The table was tasked by the County to address the topics in the proposal.

<sup>10</sup> Royals.com, “The Kansas City Royals Foundation” <<https://www.mlb.com/royals/community/foundation>>. and “Royal Charities Inc Form 990”, 2022, ProPublica, <<https://projects.propublica.org/nonprofits/organizations/451286323/202323199349317507/full>>

<sup>11</sup> *Id.*

<sup>12</sup> Chiefs.com, “Anne Scharf: Biography”, <<https://www.chiefs.com/team/front-office-roster/anne-scharf>>.

taxpayers through the sales tax) is not at the top of all stadium CBA examples that were shared with the Royals and public.<sup>13</sup> Among the top tier of stadium CBAs are the Milwaukee Bucks Arena CBA, whereby the Bucks committed \$250 million in community benefits out of a \$500 million projected stadium cost, as well as the Los Angeles Clippers Arena CBA, whereby parties committed \$100 million towards community benefits, and allocated \$80 million<sup>14</sup> towards affordable housing alone for a \$2 billion stadium cost.<sup>15</sup>

- The true cost that Jackson County taxpayers will shoulder for the stadium is not made clear in the CBAs. The Royals are getting a “cash advance,” of which they’ve earmarked \$350 million up front for the stadium, which Jackson county taxpayers will pay back in extra taxes over the next 40 years. An amortization schedule on \$350 million with a municipal bond interest rate for a loan term of 40 years generates a likely public cost of up to \$2 billion for the Royals \$350 million bond, which is the true cost of the publicly funded cash advance.
- The Royals insist that the ½ cent sports stadium sales tax will only produce \$350 million of public financing; however, Jackson County residents are estimated to contribute up to \$2 billion through the sales tax, half of which will go to the Royals. That the Royals will use most of the tax to pay off previous debts, underwrite new debts, and maintain a new stadium, does not diminish the billions of dollars in regressive taxation that would be levied and the disproportionate impact that would have on poor and working class people. Nor does it account for the additional \$700 million in public financing that the team will seek from Kansas City and the state of Missouri.

### **C. Next Steps for the Coalition for Good Jobs and Affordable Housing for All**

The Good Jobs and Affordable Housing for All Coalition remains committed to a Bucks-style CBA that also contains an ambitious affordable housing plan. We know that it will take a deep commitment from the Royals and long hours of negotiations to reach such an agreement by March 19, the deadline our Coalition has set for a CBA to be reached.

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<sup>13</sup>“Agreement Between Bucks LLC and Alliance for Good Jobs”, 2016, Columbia.edu, <<https://climate.law.columbia.edu/sites/default/files/content/CBAs/Agreement-Between-Milwaukee-Bucks-LLC-and-Alliance-for-Good-Jobs-1.pdf>> and “Attachment A: Community Benefits Program”, 2001, Staples CBA, <<https://www.datocms-assets.com/64990/1656455735-staplescba.pdf>>.

<sup>14</sup> ABC7.com Staff, “Ballmer, Clippers Announcing \$100 Million Investment in Inglewood amid Plans for New Arena”, 2019, abc7.com, <<https://abc7.com/los-angeles-clippers-steve-ballmer-inglewood-arena-100-million-investment/529786/>>.

<sup>15</sup> Greif, Andrew, “Clippers Club Proposes about \$100 Million in Benefits to Inglewood as Part of Arena Deal”, 2019, LA Times, <<https://www.latimes.com/sports/clippers/story/2019-09-10/club-proposes-committing-about-100-million-in-benefits-to-inglewood-as-part-of-arena-deal>>.

On the other hand, our Coalition has found participation in the County Table to be unproductive at this point. It is not clear that we have a genuine seat at that table which would permit us to freely negotiate a transformative affordable housing agreement. Nor is it clear that we would be able to stop a weak CBA from being crafted, signed and then promoted as having satisfied the community's insistence on community benefits, when in fact it fell far short.

The elements of a real CBA are captured by its name. The **C**ommunity must be at the table to negotiate the terms; the agreement must produce material **B**enefits to the community; and the **A**greement must be legally binding and enforceable by the Community. To date, neither team has indicated a commitment to these indispensable components.

As such, we are formally announcing our departure from the County CBA table and plan to continue negotiations with the Royals separately at the Labor Table.

Sincerely,



Gina Chiala

Executive Director

Heartland Center for Jobs and Freedom



Jeremy Al-Haj

Executive Director

Missouri Workers Center