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Remarks to Comprehensive Review Commission - 8/24/23

Thank you to the Commission for allowing me to be here today to reframe some of the information that's been presented, as well as bring additional context to some of the discussion we've heard.

I've heard this Commission talk a lot about the "subsidy" that the rest of the county pays for services in the USD. Dr. Coomes presented data to the Commission that analyzed unemployment insurance records to track how much employees are paying in occupational taxes. Those records were tied to their home addresses. The fact is that even in this new post-COVID remote work / hybrid work environment, neighborhoods like Indian Hills and Fern Creek are not creating jobs.

You can't divorce occupational taxes from the location of the businesses that generate them. As Rebecca Fleischaker shared with you last week, 62,000 employees come to work in just the Central Business District (less than one half of a square mile) alone. When you look at the entire USD, it accounts for 39% of the jobs in Louisville, despite making up only 31% of the population and 16% of the county land area.

The amenities and investments in our urban core do not just benefit those who live in the urban core. Louisville typically has about 16.4 million visitors per year, and 70% of all visitors experience Downtown during their trip. Some of our city's biggest attractions are in the USD: in FY23, there were 2.3 million visits to NuLu, 1.1 million visits to the zoo, and 1.2 million visits to the KFC Yum! Center. These visits include tourists as well as residents from throughout the county: 60% of visitors to the Louisville Science Center who reside in Jefferson County live outside the

USD, and just over half of Jefferson County residents who visit Waterfront Park live outside the USD.

This kind of activity requires investment in services and infrastructure. Therefore, it is not accurate to say that the Urban Services District is not “self-sustaining,” but the suburbs are.

There’s a well-known phrase in urban development – ‘you can’t be a suburb of nowhere’. And that is indeed true when we look at the data. Studies from Urban 3 and URBEX have shown that across the US, the suburbs are a net revenue loss for cities and are subsidized by the revenue generated in dense, mixed-use urban centers.

I’m a resident of a suburban city, but I assure you I could not be standing here today without traveling on a combination of Metro and State roads – a 7-mile journey that includes only 1/10 of a mile on a suburban city street. And I can’t even buy gas in that city. I have to go to the USD or formerly unincorporated areas for that service. And who responded to downed trees on those roads, but within that city’s limits after the storms a few weeks ago- Louisville Metro Public Works.

Nickle and diming expenditures by geography is a slippery slope. Metro provides countless services to the areas outside the USD that are not accounted for in this study (72% of building permits and inspections outside the USD, restaurant health inspections, the central 9/11 dispatch system) just to name a few. It should also be noted that at the time of merger, the City of Louisville was the only beneficiary of the dividend from the Louisville Water Company since they were wholly owned by the City of Louisville. Today, that dividend of $20 million annually is put into the General Fund and many former county facilities now have "free" water -- the jail, police stations outside the USD, the Hall of Justice, metro parks and golf courses.

The truth is we need more services across Louisville Metro. The whole point of merging city and county governments was to improve services across the county. Instead of continuing to speak of divides, we should be looking at ways that government agencies throughout Louisville can work together to deliver better services. Yet, here we are arguing about which fire department responds where.

We launched our economic development strategic planning efforts earlier this month. The initial data indicates that Louisville is growing too slowly - just 6% over the past 10 years, according to Ginovus, our nationally recognized consulting firm. We also had negative growth (-2%) for our prime working age residents (25-54 years old) between 2010-2019. Compared to regional peers Nashville (13%), Columbus (8%), Oklahoma City (7%), Indy (3%), we are third from the bottom – only Cincinnati (-4%) and St. Louis (-6%) have seen a bigger decline in this population group. Not only are we losing our prime employees but also these are the people that start and grow local businesses.

The issues that unify us are a community-wide goal of growing our population, creating intellectual and financial capital, continuing to drive efforts to improve our friends at JCPS, JCTC, University of Louisville and the rich array of public and private higher education institutions, including one of the few HCBU's in the nation. And finally driving access to economic prosperity in our most underserved and poorest neighborhoods.

Investing in the urban core means investing in the types of amenities people want and cities need to attract talent. People and businesses move to cities because of their vibrant urban centers – even if they don't live or locate within those centers. To win in economic development today, it is not only about chasing businesses; it's about chasing people. In urban planning, we say that retail follows rooftops, so do other businesses. They follow the talent pools.

The fact is having a unified government helps us get things done. Unified we are the 45th largest metropolitan area in the country. That gets us noticed.

For example, the Department of Economic Development is working on a significant potential EV investment that is over $500 million. We wouldn't be entertaining such an investment if we were unmerged – we might not even make the list if we fall out of the top 50 largest US cities. The company representative made a point to note that having only one executive and one legislative branch locally gave us an advantage. It remains to be seen if we will land the project, but it's one more example of how merger helps us advance our economy.

On the topic of capital investments: Metro is always looking for opportunities to leverage federal funds. Naturally, that funding is going to skew in favor of the USD because of federal requirements to prioritize areas experiencing higher levels of poverty and a historic lack of investment. For example, the vast majority of CDBG-eligible tracts are in the USD. Most of our capital investments have multiple sources of funding (federal, state, private contributions or matches). For this reason, as Dr. Coomes has admitted, his methodology for allocating the capital investments to inside or outside the USD is not precise, and I would argue, not helpful for this conversation, as so many of these investments have community-wide benefit.

Because of merger, Louisville also now qualifies for significantly more federal funding. During COVID and the resulting economic fallout, Louisville received $148 million more in American Rescue Plan funding than we would have if unmerged. Having a single allocation to Louisville-Jefferson County created efficiencies because we were not duplicating processes and back-end infrastructure, and it allowed us to have a larger impact by funding initiatives with a county-wide impact, such as our eviction prevention work.

When Rebecca spoke to this Commission, Chairman Nemes asked her what the state can do to help. As the research presented to this Commission has shown, Louisville has one of the lowest per capita revenues of our peer cities, so it should come as no surprise to anyone on this Commission then that that we have unmet needs. The biggest contributor to Louisville being underfunded is the disparity between what we send to Frankfort and the fraction we get back. What the Commission hasn't talked about enough is the relatively high tax burden that the *state of Kentucky* places on residents. When local and state taxes are combined, Louisville residents have a high overall tax burden. However, as previous Dr. Coomes has demonstrated, we only receive about 50 cents on the dollar back from Frankfort. The current state funding formula is having serious negative consequences for the entire city – both inside and outside the USD. This helps explain why our residents feel like they are getting taxed a lot while we're also spending less per capita than our peers.

Lexington has a slightly lower per capita local tax rate, but when you do a side-by-side comparison, it shows that Lexington is able to charge a lower USD tax rate because 74% of Lexington residents live in the USD, which is its highest tax zone, compared to 31% in Louisville. And in Lexington, every new development pays the higher rate, while in

Louisville, it is static based on geography. Because of this, Lexington is able to allocate $300+ more dollars per person in spending despite its lower tax rates.

We've also repeatedly heard from the public their dissatisfaction with the state of our road infrastructure. However, many of the problematic roads identified are actually state roads. The formula for the state road funding was designed in the 1940s and favors rural areas. Louisville needs a greater share of the road fund than it currently receives to help not only with road maintenance but also to keep up with new development that puts pressure on our existing infrastructure.

Speaking of development, we consistently hear that the Planning Commission "approves everything." This gets louder when apartments and especially subsidized apartments are involved, but the fact is we need more people and more housing everywhere. Earlier this year, Travel + Leisure Magazine named Louisville the fourth Most Beautiful and Affordable Place to Live in the U.S. How are we to maintain that affordability and attract talent without new housing? Our 2019 Housing Needs Assessment found that our city needs more than 31,000 additional housing units.

At the end of the day, Louisville needs more resources. We want to work with our leaders both within Jefferson County and at the state to find new tools we can use to ensure that the services we provide work for residents across our county, whether they live downtown, in Valley Station, in Anchorage, in Clifton or in J-town.