

## HOUSE BILL No. 2978

By Committee on New Economy

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AN ACT relating to Kansas economic development; concerning surplus state real estate; establishing redevelopment zones; amending K.S.A. 2001 Supp. 75-6609 and repealing the existing section.

*Be it enacted by the Legislature of the State of Kansas:*

New Section 1. This act shall be known and cited as the redevelopment zones program.

New Sec. 2. As used in this act unless the context clearly shows otherwise:

(a) "Kansas basic enterprise" means any enterprise:

(1) Which is located or principally based in Kansas; and

(2) which can provide demonstrable evidence that:

(A) It is primarily engaged in any one or more of the Kansas basic industries; or

(B) it is primarily engaged in the development or production of goods or the provision of services for out-of-state sale; or

(C) it is primarily engaged in the production of goods or the provision of services which will attract out-of-state buyers or consumers into the state; or

(D) it is primarily engaged in the production of raw materials, ingredients or components for other enterprises which export the majority of their products from the state; or

(E) it is a national or regional enterprise which is primarily engaged in interstate commerce or an affiliated management company of such an enterprise; or

(F) it is primarily engaged in the production of goods or the provision of services which will supplant goods or services which would be imported into the state; or

(G) it is the corporate or regional headquarters of a multistate enterprise which is primarily engaged in out-of-state industrial activities.

(b) "Kansas basic industry" means:

(1) Agriculture;

(2) mining;

(3) manufacturing;

(4) interstate transportation;

1 (5) wholesale trade which is primarily multistate in activity or which  
2 has a major import supplanting effect within the state;

3 (6) financial services which are provided primarily for interstate or  
4 international transactions;

5 (7) business services which are provided primarily in out-of-state  
6 markets;

7 (8) research and development of new products, processes or tech-  
8 nologies; or

9 (9) tourism activities which are primarily engaged in for the purpose  
10 of attracting out-of-state tourists.

11 New Sec. 3. There is hereby established within the department of  
12 commerce and housing a program providing for redevelopment zones.  
13 Such zones shall be on state surplus real estate sold by the secretary of  
14 administration pursuant to K.S.A. 2001 Supp. 75-6609, and amendments  
15 thereto.

16 New Sec. 4. (a) The secretary of commerce and housing shall de-  
17 velop an application form for a city or county wanting to have state surplus  
18 real estate declared a redevelopment zone. The form shall ask about and  
19 consider the:

20 (1) Strength and viability of the city or county's plan for the redevel-  
21 opment zone;

22 (2) anticipated activity in proposed zone including, but not limited to  
23 industrial, commercial or retail use;

24 (3) the impact such plans would have on the area around the rede-  
25 velopment zone; and

26 (4) any other information deemed appropriate by the secretary of  
27 commerce and housing.

28 (b) After reviewing the city or county's request, the secretary of com-  
29 merce and housing or the secretary's designee shall deny or grant the  
30 request. Should the request be granted, the secretary or such designee  
31 shall enclose in the decision letter to the applicant a document which the  
32 applicant shall deliver to the secretary of administration who shall then  
33 declare such state surplus real estate a redevelopment zone for a period  
34 not to exceed five years during which a Kansas basic enterprise or Kansas  
35 basic industry, upon the approval of the city or county and the secretary  
36 of administration and state finance council may purchase all or part of  
37 the real estate in the redevelopment zone. If only part of the redevel-  
38 opment zone is purchased, the remaining part of the redevelopment zone  
39 shall still exist until sold or the five years expired at which time the re-  
40 maining part of the redevelopment zone reverts back to the secretary of  
41 administration as state surplus real estate to be sold pursuant to K.S.A.  
42 2001 Supp. 75-6609, and amendments thereto.

43 (c) The secretary of commerce and housing shall by rules and regu-

1 lations implement the provisions of this act.

2 New Sec. 5. (a) Businesses wanting to purchase land in a redevel-  
3 opment zone shall seek approval as an eligible business from the city or  
4 county which requested the creation of the redevelopment zone.

5 (b) To be classified as an eligible business, the business shall:

6 (1) Be a Kansas basic enterprise or Kansas basic industry as defined  
7 in section 2, and amendments thereto;

8 (2) not have closed or reduced its operation in one area of the state  
9 to relocate substantially the same operation in a redevelopment zone un-  
10 less the business has received prior approval from the secretary of com-  
11 merce and housing;

12 (3) plan to stay in the zone for at least 10 years; and

13 (4) create new jobs in the area.

14 (c) Should the city or county find that the business is an eligible busi-  
15 ness, it shall issue such a finding in a letter to the business. The business  
16 shall take such letter to the secretary of administration as evidence that  
17 such business is qualified to purchase real estate in the redevelopment  
18 zone. The secretary of administration with the approval of the state fi-  
19 nance council shall then sell such real estate in the redevelopment zone  
20 to the eligible business pursuant to subsections (c) through (f) of K.S.A.  
21 2001 Supp. 75-6609, and amendments thereto.

22 New Sec. 6. A business which locates in a redevelopment zone shall  
23 be exempt from paying all of its state and local property tax, both real  
24 and personal, for a period up to 10 years and receive a state income tax  
25 credit for a period up to 10 years but which will be capped at the amount  
26 of such business' capital investment in the project once its business is in  
27 service. Such business shall also be exempt from paying state and local  
28 sales tax on materials purchased and used to build the business. Such tax  
29 exemptions and credits shall only be allowed for business in the redevel-  
30 opment zone.

31 New Sec. 7. (a) If a business receives the tax exemptions and credit  
32 but fails to maintain the eligibility requirements of subsection (b) of sec-  
33 tion 5, and amendments thereto, depending upon the reason for failing  
34 to maintain eligibility, the business may be subject to repaying all or part  
35 of the state taxes it had previously been exempt from or allowed a credit  
36 from upon the discretion of the secretary of commerce and housing.

37 (b) It shall be the duty of the city or county who requested the state  
38 surplus land to be declared a redevelopment zone, to inform the secretary  
39 of administration if an eligible business fails to maintain its eligibility.

40 Sec. 8. K.S.A. 2001 Supp. 75-6609 is hereby amended to read as  
41 follows: 75-6609. (a) When used in this section, "surplus real estate"  
42 means real estate which is no longer needed by the state agency which  
43 owns such real estate as determined in accordance with this section.

1 (b) (1) The secretary of administration shall develop criteria for the  
2 identification of surplus real estate, including but not limited to, a review  
3 of any legal restrictions associated with the real estate and the reasons for  
4 the state agency to keep the real estate. In accordance with such criteria,  
5 the secretary shall assist state agencies in the identification of surplus real  
6 estate. The secretary of administration shall periodically review the status  
7 of all real estate of state agencies subject to this section to determine if  
8 any of the real estate owned by state agencies is potentially surplus real  
9 estate. If any real estate owned by a state agency is determined by the  
10 secretary of administration, in consultation with the head of the state  
11 agency, to be surplus real estate in accordance with the criteria developed  
12 under subsection (a), then the secretary of administration shall recom-  
13 mend to the governor that such real estate be sold under the procedures  
14 prescribed by this section.

15 (2) The secretary of administration shall develop guidelines for the  
16 sale of surplus real estate. In accordance with such guidelines and upon  
17 the approval of the governor, after consultation with the head of the state  
18 agency which owns such surplus real estate, after consultation with the  
19 joint committee on state building construction and after approval by the  
20 state finance council under subsection (c), the secretary may offer such  
21 property for sale by one of the following means: (A) Public auction;  
22 (B) by listing the surplus property with a licensed real estate broker or  
23 salesperson; or (C) by sealed bid. Subject to the approval of the state  
24 finance council as required by subsection (c), the secretary of adminis-  
25 tration may sell surplus real estate and any improvements thereon on  
26 behalf of the state agency which owns such property.

27 (3) *After approval to sell the state surplus real estate under this sub-*  
28 *section, the secretary of administration upon receipt of a decision letter*  
29 *pursuant to subsection (b) of section 4, and amendments thereto, shall*  
30 *declare the state surplus real estate a redevelopment zone for five years*  
31 *and fulfill its duties under the redevelopment zones program, section 1 et*  
32 *seq., and amendments thereto.*

33 (c) Prior to the sale of any surplus real estate under subsection (b),  
34 the state finance council shall approve the sale, which is hereby charac-  
35 terized as a matter of legislative delegation and subject to the guidelines  
36 prescribed in subsection (c) of K.S.A. 75-3711, and amendments thereto.  
37 The matter may be submitted to the state finance council for approval at  
38 any time, including periods of time during which the legislature is in  
39 session.

40 (d) Prior to offering any real estate for sale, such property shall be  
41 appraised pursuant to K.S.A. 75-3043a, and amendments thereto, unless  
42 the appraisal is waived as provided in this subsection. The secretary of  
43 administration may waive the requirement for appraisal for any parcel of

1 surplus real estate that is to be sold at public auction under this section  
2 if the secretary of administration determines that it is in the best interests  
3 of the state to waive the requirement for appraisal for such parcel of  
4 surplus real estate. The costs of any such appraisal may be paid from the  
5 proceeds of the sale.

6 (e) Conveyance of title in surplus real estate offered for sale by the  
7 secretary of administration shall be executed on behalf of the state agency  
8 by the secretary of administration. The deed for the conveyance may be  
9 by warranty deed or by quitclaim deed as determined to be in the best  
10 interests of the state by the secretary of administration in consultation  
11 with the head of the state agency which owns the surplus real estate.

12 (f) (1) Any proceeds from the sale of surplus real estate and any im-  
13 provements thereon, after deduction of the expenses of such sale and any  
14 cost of appraisal of the surplus real estate, shall be deposited in the state  
15 treasury as prescribed by this subsection, unless otherwise authorized by  
16 law. On and after the effective date of this act, a portion of the proceeds  
17 from each such sale deposited in the state treasury shall be determined  
18 and designated by the state finance council acting on this matter which  
19 is hereby characterized as a matter of legislative delegation and subject  
20 to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and  
21 amendments thereto and acting on this matter in conjunction with ap-  
22 proval of such sale under subsection (c), to be credited to the surplus real  
23 estate fund or another appropriate special revenue fund of the state  
24 agency which owned the surplus real estate, as is prescribed by law or as  
25 may be determined by the state agency, except that such portion shall  
26 not exceed the amount equal to 50% of such proceeds unless otherwise  
27 required by state or federal law or by the limitations or restrictions of the  
28 state's title to the real estate being sold. In the case of proceeds from the  
29 sale of surplus real estate at a state mental health institution or a state  
30 mental retardation institution, such portion of the proceeds shall be cred-  
31 ited to the client benefit fund of such institution or to another special  
32 revenue fund of such institution for (A) rehabilitation and repair or other  
33 capital improvements for such institution, or (B) one-time expenditures  
34 for community mental health organizations if the real estate sold was at  
35 a state mental health institution or for community developmental disa-  
36 bilities organizations if the real estate sold was at a state mental retarda-  
37 tion institution, and, in any such case, shall be expended in accordance  
38 with the provisions of appropriation acts. After crediting the amount des-  
39 ignated by the state finance council, the remainder of the proceeds from  
40 each such sale deposited in the state treasury shall be credited to the state  
41 general fund.

42 (2) The amount of expenses and the cost of appraisal for each sale of  
43 surplus real estate pursuant to this section shall be transferred and cred-

1 ited to the property contingency fund created under K.S.A. 75-3652, and  
2 amendments thereto, and may be expended for any operations of the  
3 department of administration.

4 (3) Any state agency owning real estate may apply to the director of  
5 accounts and reports to establish a surplus real estate special revenue  
6 fund in the state treasury. Subject to the provisions of appropriation acts,  
7 moneys in a surplus real estate special revenue fund may be expended  
8 for the operating expenditures of the state agency.

9 (g) Any sale of property by the secretary of transportation pursuant  
10 to K.S.A. 68-413, and amendments thereto, shall not be subject to the  
11 provisions of this section.

12 Sec. 9. K.S.A. 2001 Supp. 75-6609 is hereby repealed.

13 Sec. 10. This act shall take effect and be in force from and after its  
14 publication in the statute book.

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