

Approved 2-18-87
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr. at
Chairperson

12:35 ~~a.m.~~/p.m. on February 12, 1987 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Arden Ensley, Revisor of Statutes
Lynne Holt, Legislative Research Department
Grace Cooper, Secretary to the Committee

Conferees appearing before the committee:

Karen McClain, Kansas Association of Realtors
James Turner, Kansas League of Savings Institutions
Kim Wells, Gaar and Bell
Dr. Charles Krider, University of Kansas

The meeting was called to order at 12:35 p.m. by the Chairman, Senator Wint Winter, Jr..

Senate Bill 73 - An Act enacting the Kansas development finance authority act.

Chairman Winter introduced Karen McClain, Director of Governmental Affairs for the Kansas Association of Realtors. Ms. McClain said that the Kansas Association of Realtors supports SB 73. She stated that the Association feels that someone from the real estate industry should be an integral part of the Kansas Development Finance Authority and she requested that SB 73 be amended to include a representative of the real estate industry who is knowledgeable in the area of housing development on the membership of the Authority. (See Attachment I for her statement.) Chairman Winter asked if the Association has a position on whether or not having the authority to issue housing bonds should be within the purview of the Authority. Ms. McClain answered that the Association is in the process of examining that question and is not, at this time, ready to make a decision.

The next conferee was James Turner, President of the Kansas League of Savings Institutions. Mr. Turner told the Committee that his Association would like to see SB 73 amended. He noted that while they have some reservations about the entire approach of the bill, their primary concerns are the provisos which would allow the use of such bond proceeds to finance housing for moderate income individuals and which would put the state in the position of being a direct lender in competition with the private sector. He said that his association respectfully requests that all of the provisions in the bill relating to housing be stricken. He pointed out that there is no demonstrated shortage of housing in Kansas for moderate income families. Mr. Turner called the attention of the Committee to a list of suggested amendments to SB 73 if the Committee feels that the housing provisions should remain in the bill. (Attachment II) He said that the effect of these suggested amendments would be to limit the provisos of the bond issues so that they would be limited to low income and to the elderly and perhaps could be utilized for rental units in a development scheme for low income families.

Mr. Turner also suggested an amendment to SB 73 which would provide that the state not be a direct lender. He stated that on page 11, line 391 of the bill provides a "loan to lenders" kind of qualification wherein the lending institution brings the business or industrial enterprise to the bonding authority for funding. He suggested that this should be amended to include housing, so that if housing is left in SB 73, there would be a finance agency instead of a finance authority. That authority would be involved in a loans to lenders program using the bond proceeds rather than being involved as a direct competitive lender.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 123-S, Statehouse, at 12:35 ~~am~~ p.m. on February 12, 19 87.

Mr. Turner said that although his organization supports the concept of SB 73 in general, they do oppose the bill in its present form. He stated that his organization would be a proponent of the bill if all the provisos relating to housing were stricken from the bill.

In answer to a question, Mr. Turner stated that, in general, the low income definition "tops out" in the \$11,000.00 to \$13,000.00 range. He said that the problem relates to moderate income levels, the definition of which goes up to around \$35,000.00.

Chairman Winter called on Kim Wells, Gaar and Bell, to give the Committee some observations and suggestions on SB 73 from a technical perspective. Mr. Wells said that the bill provides for ten members on the Authority. He suggested that this size is probably too large especially with respect to the bond financing activities, for there are times when any issuer of tax exempt bonds, specifically, needs to get together very rapidly to ratify bond sales. He stated that an Authority with six or seven members would be more manageable. Mr. Wells suggested, in the context of bond issues, that the use of teleconferences be specifically authorized subject to open meetings with the press notified in advance.

Mr. Wells discussed New Section 20, subsection (b) of SB 73. He observed that this is a little strange and he questioned why it was included in the bill. He noted that this subsection states, basically, that any member, officer, employee or agent of the Authority who is found guilty of violating the provisions of that section of the bill is barred from public employment in the state for five years. He said that this could include a quasi criminal action for some technical violation of the act and he noted that some people might be concerned about serving on the Authority under those circumstances.

He stated that the Committee should be aware that a great majority of the financing authorized in the bill, at least in the private purpose areas, is not going to be tax exempt bond financing.

Dr. Charles Krider, University of Kansas, spoke to the Committee on SB 73. He noted that the bill addresses two concerns that were discussed in the Kansas Economic Development Study. The first concern is the shortage of capital in the state in relation to economic development. This applies particularly to the financing of Kansas businesses which are either new or expanding. SB 73 contains one more device for allowing businesses and communities to package bonds and enter financial markets on a pool basis. He stated that the second concern which SB 73 addresses is that of local government infrastructure as it relates to economic development. The concern is this area was communities having the resources to build such things as water systems sewer systems and highways that are related to firms coming into an area or expanding in that area. The financing authority, as proposed in SB 73, would have the advantage of allowing communities to tap a large array of markets and perhaps lower the cost of financing those improvements. He stated that SB 73 is appropriate in both of these two concerns in terms of economic development objectives which have been identified.

Dr. Krider stated that if the housing provisions are left in SB 73, they would have to be justified on grounds other than economic development grounds.

The meeting was adjourned by the Chairman at 1:35 p.m..

GUEST LIST

<u>NAME</u>	<u>REPRESENTING</u>
HAROLD PITTS	KCOA
Doraine Stearns	Committee of Churches
KAREN MCCLATHY	Ks. Assoc. of REALTORS
Kim Wells	Gen & Bell
MARY CARSON	Attorney General's office
Jerry Dudley	Ks Bd of Agric.
Lynn Van Halst	KLSI
Allen Bell	Dept of Admin.
Tom Whitaker	Ks Motor Carriers Assn.
MARY S. TURKINGTON	Kansas Motor Carriers Assn
Steve Hirsch	State Treasurer
Mary Harper	Healy
CHARLES E. KRIDER	KU
Jim McBride	observer
Susan Dellison	Off of St. Joas
Jim Sumner	Ks. League of Savings
Jack Ranson	Ranson + Company, Inc.
Walter Cole	" "
Daniel Barclay	KDCC



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TO: SENATE ECONOMIC DEVELOPMENT COMMITTEE
FROM: KAREN MCCLAIN, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: FEBRUARY 11, 1987
SUBJECT: SB 73, Kansas Development Finance Authority

The Kansas Association of REALTORS® comes today to support SB 73, and to request an amendment.

We recognize that the economic instability has created gaps in what the private sector can do by themselves. In particular, we see the impact it has had in the area of housing, and the ability of Kansans to afford homes.

The housing industry plays an important part in Kansas, not only in terms of economic development, but also because owning a home is an American dream.

Accordingly, we feel that someone from the real estate industry should be an integral part of this Development Finance Authority. We request that Section 4 in lines 268 through 272, which lists the membership of the authority, should be amended to include a representative of the real estate industry, along with the representative from the agricultural business enterprise industry and the state's elderly population.

A representative from the real estate industry who is knowledgeable in the area of housing development would be an invaluable resource tool for the Authority, in their decisions about how to assist in meeting the housing needs of the state. Who better to provide a perspective on housing, than someone who knows what is out there and what's missing in the housing market.

We feel such an amendment would go a long way towards insuring the success of this piece of legislation and its intent. Thank you.

KLSI Kansas
League of
Savings
Institutions

JAMES R. TURNER, President • Suite 512 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

February 12, 1987

TO: SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: S.B. 73 (STATE DEVELOPMENT FINANCE AGENCY)

The Kansas League of Savings Institutions appreciates the opportunity to appear before the Senate Committee on Economic Development to present testimony on S.B. 73 which would create a state development finance authority.

While we have reservations regarding the State launching such an endeavor, our primary concern is language in the bill that would allow the use of such bond proceeds to finance housing for moderate income individuals and which would allow the State to be a direct lender in competition with the private sector. Accordingly, we would request that all references to housing finance be stricken from the bill.

There is no demonstrated need that there is a shortage of mortgage financing for moderate income individuals. In fact, many communities are presently restructuring local bond issues that were not utilized. There continues to be housing problems, particularly rental units, for low income persons who cannot repay a conventional loan. However, it is doubtful that low income families could meet loan repayments to retire the proposed bonds.

In an effort to limit the housing provisions of S.B. 73 to those areas where there is a demonstrated need, the League would suggest that the attached amendments be made to the proposal if it is the sentiment of the committee that housing provisions remain in the bill.

James R. Turner
President

JRT:bw
Encl.

2-12-87
Senate Economic
Development
Attachment II

AMENDMENTS TO S.B. 73

Page 1, Line 32.....after the word "low" by deleting the words
"and moderate."

Page 2, Line 63.....after the word "low" by deleting the words
"and moderate."

Page 3, Line 83.....after the word "low" by deleting the words
"and moderate."

Page 6, Line 205.....after the word "low" by deleting the words
"and moderate"

Page 6, Line 215 by adding the following sentence after the
period: "The bond proceeds shall not be used for lending
on a direct basis for housing development or for
residential housing for elderly persons or families
of low income."

Page 11, Line 391.....by inserting a comma after the words
"business enterprise" and deleting the word "or" and by
inserting following the comma after the words "industrial
enterprises" the words "or housing enterprises."