

Approved February 25, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by REPRESENTATIVE M. J. JOHNSON at
Chairperson

1:30 ~~am~~/p.m. on FEBRUARY 21, 1991 in room 521-S of the Capitol.

All members were present except:

Representative Benlon, excused
Representative Gomez, excused

Committee staff present:

Mike Heim, Legislative Research Dept.
Theresa Kiernan, Revisor of Statutes
Connie Smith, Committee Secretary

Conferees appearing before the committee:

Bob Knight, Mayor of Wichita
Bailis Bell, Airport Director, The Wichita Airport Authority
Bernie Koch, Wichita Area Chamber of Commerce
Jim Gregory, Beech Aircraft
Gary Sherrer, Wichita Airport Authority
Representative Elizabeth Baker
Representative Tom Sawyer
David Stremming, president of Airport Authority in Topeka

Chairman Johnson opened hearings on HB 2194.

HB 2194 - Airport authorities; property tax exemption

Bob Knight, Mayor of Wichita, testified in support of HB 2194 and provided written testimony. (Attachment 1)

Bailis F. Bell, Director of Airports for The Wichita Airport Authority, testified as a proponent to HB 2194 and provided written testimony. (Attachment 2) Mr. Bell explained that HB 2194 was drafted because in 1985, Sedgwick County challenged the tax exempt status of the Wichita Airport Authority by placing all airport properties on the tax rolls. Mr. Bell stated that Wichita requests being granted a statutory exemption as the Legislature has granted the Topeka Airport Authority and the Salina Airport Authority. Mr. Bell responded to questions from the committee.

Bernie Koch, Wichita Area Chamber of Commerce, testified in support of HB 2194 and provided written testimony. (Attachment 3)

Jim Gregory from Beech Aircraft Corporation testified as a proponent on HB 2194 and provided written testimony. (Attachment 4)

Gary Sherrer, Wichita Airport Authority, explained he supports HB 2194 because it is good legislation, it is fair, equitable and it is truly necessary. He urged the committee's consideration for passage. (Attachment 5)

Representative Brown expressed concern about the power of eminent domain. Ms Brown wanted to know what would prevent them from operating like a mini-city, using their power of eminent domain and adding all these other facilities that are not airport related and are not paying taxes.

Tom Powell, city attorney, explained the authority the airport has created in Chapter 3 contains a provision that anything located on the airport facility has to be airport related and they would be subject to same limitation as a city would be.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

room 521-S Statehouse, at 1:30 ~~x~~ p.m. on FEBRUARY 21, 1991

Representative Stephens asked for a list of businesses that are under lease by the Wichita Airport Authority. Mr. Powell stated that the committee would have a list on Monday morning. (Attachment 5-A)

Chairman Johnson called the committee's attention to a letter received from Patricia E. Baker, Associate Executive Director/General Counsel with Kansas Association of School Boards, who does not oppose or support HB 2194. (Attachment 6)

Hearing closed on HB 2194.

Chairman opened the hearing on HB 2189.

HB 2189 - Wichita airport authority; membership; powers.

Representative Elizabeth Baker, one of the sponsors of HB 2189, testified as a proponent and provided written testimony signed by her and Representative Tom Sawyer, another sponsor. (Attachment 7) Representative Baker stated that HB 2189 would clarify and affirm the tax exempt status that the Wichita Airport Authority currently enjoys.

Representative Tom Sawyer spoke in favor of HB 2189. Representative Sawyer stated he doesn't think it is good public policy to have private ownership on a public airport.

David Stremming, president of Airport Authority in Topeka, stated the airport authority falls under the strict guidelines of the FAA. Mr. Stremming stated the airport authority would never be allowed to purchase ground through eminent domain with the intent of generating industrial tenants, whether it be aviation related or not for the sole purpose of avoiding property tax. No written testimony.

Chairman closed the hearing on HB 2189.

Willie Martin, Sedgwick county, appeared before the committee to request legislation which concerns public improvements within Sedgwick co.; relating to the creation of benefit districts; assessing costs upon the property specially benefitted; and providing for financing of such improvements.

Representative Lahti moved to introduce the legislation requested by Ms Martin. Seconded by Representative Welshimer. The motion carried.

Representative Brown requested a bill on behalf of Vice-Chairman Gomez concerning zoning; relating to group homes.

Representative Harder moved to introduce the bill request; seconded by Representative Macy. The motion carried.

Representative Brown made a request for legislation concerning county sanitary codes. A motion was made by Representative Macy to introduce the legislation requested by Representative Brown. Seconded by Representative Sluiter. The motion carried.

A motion was made by Representative Stephens to approve the minutes of February 20, 1991; seconded by Representative Holmes. The motion carried.

Meeting adjourned at 2:40 p.m.

THE CITY OF WICHITA



OFFICE OF THE CITY MANAGER
CITY HALL — THIRTEENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4351

TESTIMONY BEFORE THE HOUSE LOCAL GOVERNMENT COMMITTEE HB 2194 FEBRUARY 21, 1991

CHAIRPERSON JOHNSON, AND MEMBERS OF THE HOUSE LOCAL GOVERNMENT COMMITTEE, I AM BOB KNIGHT, THE MAYOR OF WICHITA. ON BEHALF OF THE CITY OF WICHITA, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU IN SUPPORT OF HOUSE BILL 2194.

I WILL MAKE A FEW INTRODUCTORY COMMENTS, AND THEN TURN IT OVER TO BAILIS BELL, THE WICHITA AIRPORT DIRECTOR. MADAM CHAIRPERSON, I ASK THAT YOU DEFER QUESTIONS ON OUR TESTIMONY UNTIL MR. BELL HAS CONCLUDED HIS REMARKS.

HOUSE BILL 2194 RELATES TO THE TAX-EXEMPT STATUS OF WICHITA AIRPORT PROPERTIES. HISTORICALLY, ALL PROPERTIES OWNED BY THE WICHITA AIRPORT AUTHORITY HAVE BEEN TAX-EXEMPT. AT ONE TIME, THERE WAS A STATUTE THAT SPECIFICALLY GRANTED TAX-EXEMPT STATUS FOR WICHITA AIRPORT OWNED PROPERTY. THIS STATUTE GRANTING SPECIFIC EXEMPTION WAS REPEALED IN THE 1970s. IT WAS REPEALED ON THE THEORY THAT AN AMENDMENT TO K.S.A. 79-201(a) (THE STATUTE THAT PROVIDES FOR GENERAL EXEMPTIONS) HAD MADE THE EXISTENCE OF THE SPECIFIC STATUTE UNNECESSARY. A RECENT SUPREME COURT RULING HAS CLARIFIED THAT THE AMENDMENT TO K.S.A. 79-201(a) DID NOT, AS THOUGHT, PROVIDE AN EXEMPTION FOR AIRPORT PROPERTY. A CASE CHALLENGING THE WICHITA AIRPORT AUTHORITY TAX-EXEMPT STATUS WAS DISMISSED BY THE SEDGWICK COUNTY COMMISSION IN 1989. WITH THE DISMISSAL, THE WICHITA CITY COUNCIL AGREED TO SUCH LEGISLATION TO CLARIFY THE TAX-EXEMPT STATUS.

THE CITY OF WICHITA ASKS FOR THIS CLARIFICATION BECAUSE LOCAL POLICY IS FOR ALL PROPERTIES OWNED TO REMAIN TAX-EXEMPT, AS EVERYONE ASSUMED WAS THE CASE PRIOR TO THE RECENT SUPREME COURT CASE. THE WICHITA CITY COUNCIL, THE SEDGWICK COUNTY COMMISSION, AND THE WICHITA AIRPORT AUTHORITY, ARE ALL SUPPORTIVE OF LEGISLATION TO CLARIFY THIS STATUS. THEREFORE, WE ASK THAT YOU PASS LEGISLATION TO REFLECT LOCAL PUBLIC POLICY.

CLARIFICATION REGARDING THE TAX-EXEMPT STATUS OF AIRPORTS IS NOT NEW. IN 1989, THE STATE LEGISLATURE GRANTED TAX-EXEMPT STATUS TO THE SALINA AIRPORT AUTHORITY (K.S.A. 27-315), AND THE TOPEKA AIRPORT AUTHORITY ALSO HAS SUCH STATUS (K.S.A. 27-330). CONFORMITY WITH EXISTING STATE POLICY IS ESSENTIAL IF THE WICHITA AIRPORT AUTHORITY IS TO HAVE THE SAME ECONOMIC ADVANTAGE IN RECRUITING AVIATION RELATED BUSINESSES AS DO THE OTHER AIRPORTS WITHIN THE STATE.

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2-21-91
Attach 1

IT IS IMPORTANT TO NOTE THAT THE WICHITA AIRPORT AUTHORITY IS REQUIRED BY STATE STATUTE TO LEASE ALL PROPERTY FOR AVIATION RELATED PURPOSES. THE OTHER TWO MUNICIPAL AIRPORTS WHICH HAVE TAX-EXEMPT STATUS HAVE A NUMBER OF NON-AVIATION RELATED BUSINESS. THEREFORE, WICHITA IS THE "PUREST" AIRPORT AUTHORITY IN TERMS OF AVIATION RELATED BUSINESSES.

IT IS ALSO ESSENTIAL TO POINT OUT THAT TENANTS DO NOT OWN THEIR OWN FACILITIES, AS ALL PROPERTY IS OWNED BY THE WICHITA AIRPORT AUTHORITY. LEASE PAYMENTS, IN LIEU OF PROPERTY TAXES, SUPPORT THE MAINTENANCE AND IMPROVEMENTS TO THE AIRPORT, AND GENERATE SUBSTANTIALLY MORE REVENUE THAN WOULD RESULT FROM THE TAXATION OF SUCH PROPERTIES.

FINALLY, THE CITY OF WICHITA BELIEVES THAT TENANTS AT THE AIRPORT DESERVE CONSISTENT TAX POLICY. CURRENTLY, MID-CONTINENT AIRPORT HAS 68 AVIATION RELATED BUSINESSES LOCATED ON 3,245 ACRES. MANY OF THESE FIRMS HAVE MADE A SUBSTANTIAL INVESTMENT IN AIRPORT PROPERTY WITH THE UNDERSTANDING THAT REAL PROPERTY IS TAX-EXEMPT. THE CITY BELIEVES THAT IT IS ESSENTIAL FOR OUR TAX POLICY TO REMAIN THE SAME, AND THIS CAN BE ACCOMPLISHED BY THE PASSAGE OF HOUSE BILL 2194.

YOU WILL NOTE THAT HOUSE BILL 2189 IS IDENTICAL TO THIS BILL EXCEPT FOR THE CHANGE IN MEMBERSHIP TO THE AIRPORT AUTHORITY BOARD. THE BOARD WOULD BE EXPANDED TO TWELVE MEMBERS, WITH SEVEN APPOINTED BY THE CITY, AND FIVE APPOINTED BY THE COUNTY. THE CITY DOES NOT SUPPORT EXPANDING THE BOARD TO INCLUDE FIVE COUNTY APPOINTEES. THE AIRPORT IS A CITY OPERATION. THE INITIAL FINANCIAL INVESTMENT TO CREATE THE AIRPORT WAS FROM CITY DOLLARS. (WE BELIEVE THAT THE AIRPORT AUTHORITY HAS FUNCTIONED WELL AND HAS ADEQUATELY REPRESENTED ALL CONSTITUTIENTS.) ALL FINANCIAL TRANSACTIONS ARE RUN THROUGH THE CITY'S FINANCE DEPARTMENT, AND ULTIMATELY APPROVED BY THE CITY COUNCIL. THE WICHITA CITY COUNCIL BELIEVES THAT IT WOULD BE UNNECESSARY, CUMBERSOME, AND CONFUSING TO ESTABLISH A JOINT CITY-COUNTY AIRPORT AUTHORITY WHERE NO NEED OR PURPOSE SEEM TO EXIST.

THE CITY OF WICHITA IS, OF COURSE, SUPPORTIVE OF THE TAX-EXEMPT CLARIFICATION IN HOUSE BILL 2189, BUT NOT THE PROVISION TO EXPAND THE BOARD.

WITH THOSE COMMENTS BEFORE YOU, I WILL TURN IT OVER TO BAILIS BELL, THE WICHITA AIRPORT DIRECTOR.

**TESTIMONY OF
THE WICHITA AIRPORT AUTHORITY
CITY OF WICHITA, KANSAS
SUPPORTING HB 2194**

**BEFORE THE LOCAL GOVERNMENT COMMITTEE
OF THE KANSAS HOUSE OF REPRESENTATIVES**

FEBRUARY 21, 1991

PRESENTED BY:

**BAILIS F. BELL
DIRECTOR OF AIRPORTS
THE WICHITA AIRPORT AUTHORITY
CITY OF WICHITA, KANSAS**

*LB
2-21-91
Attach 2*

MADAM CHAIRPERSON AND COMMITTEE MEMBERS:

I AM BAILIS BELL, DIRECTOR OF AIRPORTS FOR THE WICHITA AIRPORT AUTHORITY OF THE CITY OF WICHITA, KANSAS.

THE CITY OF WICHITA, KANSAS AND THE WICHITA AIRPORT AUTHORITY ARE IN SUPPORT OF HB 2194.

BEFORE EXPLAINING FURTHER THE PURPOSE FOR THIS SUPPORT, PLEASE LET ME EXPLAIN THE NATURE OF THE BUSINESS OF THE WICHITA AIRPORT AUTHORITY.

THE AIRPORT AUTHORITY WAS ESTABLISHED BY THE CITY OF WICHITA IN 1975 PURSUANT TO K.S.A. 3-162, ET SEQ. THE BOARD OF PARK COMMISSIONERS OF THE CITY OF WICHITA OWNED AND OPERATED WICHITA'S MUNICIPAL AIRPORTS BEGINNING IN 1928 UNTIL THE 1975 RESTRUCTURING.

PRESENTLY THE WICHITA AIRPORT AUTHORITY OWNS AND OPERATES TWO AIRPORTS - WICHITA MID-CONTINENT AND COL. JAMES JABARA. WITH THE EXCEPTION OF SEVERAL IMPROVEMENTS OWNED BY THE U. S. GOVERNMENT, THE AUTHORITY OWNS ALL LAND AND IMPROVEMENTS ON BOTH AIRPORTS. THE IMPROVEMENTS TO THE NEARLY 4,400 ACRES OF LAND ARE THE HOMES OF 68 AVIATION RELATED BUSINESSES AND GOVERNMENTAL OPERATIONS WHICH EMPLOY APPROXIMATELY 9,000 PEOPLE.

THE AIRPORTS GAIN THEIR REVENUES FROM LEASE AND USER CHARGES, PRIVATE FINANCING, FEDERAL FUNDING, AND GENERAL OBLIGATION BONDING OF THE CITY OF WICHITA.

THE WICHITA AIRPORT AUTHORITY IS VERY MUCH INTO THE AIRPORT REAL ESTATE BUSINESS. NO PARTY EXCEPT THE AUTHORITY BENEFITS FROM THE RENTALS OF THE PROPERTIES. EACH AND EVERY TENANT IS IN THE AVIATION BUSINESS, AND DERIVE THEIR INCOMES FROM SUPPORTING AND SERVING THE PUBLIC AND THE AVIATION INDUSTRY. THE NET REVENUES DERIVED FROM THE REAL ESTATE OPERATIONS REMAIN ON THE AIRPORT, AND ARE USED TO FINANCE EXPANSION AND RECONSTRUCTION OF THE AIRPORTS.

FOR THE MOST PART, THE AIRPORTS ARE SELF SUPPORTING IN THAT THEY DO NOT REQUIRE THE USE OF LOCAL OR STATE TAX DOLLARS FOR THEIR OPERATION. THEY OPERATE ON A USER-PAY BASIS. ALL OF THE MUNICIPAL SERVICES TO THE PROPERTIES ARE FUNDED BY THE WICHITA AIRPORT AUTHORITY FROM ITS REVENUES.

SINCE THE BEGINNING OF MUNICIPALLY-OWNED AND OPERATED AIRPORTS IN 1928 IN WICHITA, THE STATE OF KANSAS HAS CONSIDERED THE AIRPORTS AS A MUNICIPAL FUNCTION. TRADITIONALLY, AIRPORTS REQUIRE EXTREMELY LARGE CAPITAL INVESTMENTS, YET PROVIDE LESS THAN DESIRABLE INCOMES IN THEIR NECESSITY STATUS. IN THE CASE OF THE WICHITA AIRPORT AUTHORITY, WE HAVE BEEN VERY FORTUNATE NOT TO REQUIRE PROPERTY TAX SUPPORT.

THIS BILL COMES BEFORE YOU BECAUSE IN 1985, SEDGWICK COUNTY CHALLENGED THE TAX EXEMPT STATUS OF THE WICHITA AIRPORT AUTHORITY BY PLACING ALL AIRPORT PROPERTIES ON THE TAX ROLLS. THE BOARD OF TAX APPEALS AGREED WITH THE WICHITA AIRPORT AUTHORITY THAT 2/3'S OF ITS PROPERTIES WERE TAX EXEMPT. THE REMAINING 1/3 OF THE PROPERTIES, WHICH HOUSE PORTIONS OF CESSNA AIRCRAFT COMPANY AND LEARJET, LIFEWATCH, FLIGHTSAFETY INTERNATIONAL, ALL RENTAL CAR SERVICE CENTERS, THE AIRPORT HILTON, AND SEVERAL OTHERS, WERE SOMEHOW CONSIDERED NOT ESSENTIAL TO THE OPERATION OF THE AIRPORT, AND THEREFORE TAXABLE.

IN 1986 A SHAWNEE COUNTY DISTRICT COURT AGREED THAT ALL WICHITA AIRPORT AUTHORITY PROPERTIES WERE TAX EXEMPT, AND SEDGWICK COUNTY APPEALED FURTHER. IN 1989 SEDGWICK COUNTY AGREED TO DROP THE APPEAL, AND TO SEEK WITH THE CITY OF WICHITA A SPECIFIC STATUTORY EXEMPTION.

THE ATTORNEYS REPRESENTING THE TAX CASE ON BEHALF OF THE WICHITA AIRPORT AUTHORITY ARGUED THAT ALL PROPERTIES IN QUESTION WERE EXEMPT PURSUANT TO ARTICLE 11, PARAGRAPH 1 OF THE KANSAS CONSTITUTION WHICH STATES: "ALL PROPERTY USED EXCLUSIVELY FOR STATE, COUNTY, MUNICIPAL . . . PURPOSES . . . SHALL BE EXEMPTED FROM PROPERTY TAXATION."

THE EXEMPTION FOR MUNICIPAL PURPOSES IS FURTHER SET FORTH IN K.S.A. 79-201A SECOND:

"ALL PROPERTY USED EXCLUSIVELY BY THE STATE OR ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE. ALL PROPERTY OWNED OR OPERATED BY THE STATE OR ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE WHICH IS USED OR TO BE USED FOR ANY GOVERNMENTAL OR PROPRIETARY FUNCTION AND FOR WHICH BONDS MAY BE ISSUED OR TAXES LEVIED TO FINANCE THE SAME SHALL BE CONSIDERED TO BE 'USED EXCLUSIVELY' BY THE STATE, MUNICIPALITY OR POLITICAL SUBDIVISION FOR THE PURPOSES OF THIS ACT."

ALL REAL AND PERSONAL PROPERTY OWNED BY THE WICHITA AIRPORT AUTHORITY QUALIFIES FOR THE EXEMPTION FROM PROPERTY TAXATION PER THIS ACT.

HOWEVER, SINCE THERE ARE VARYING OPINIONS AS TO HOW THIS ACT IS INTERPRETED, THE CITY OF WICHITA AND SEDGWICK COUNTY COME BEFORE YOU SEEKING A SPECIFIC LEGISLATIVE EXEMPTION TO STOP THE ARGUING.

WICHITA REQUESTS BEING GRANTED A STATUTORY EXEMPTION AS THE LEGISLATURE HAS GRANTED THE TOPEKA AIRPORT AUTHORITY AND THE SALINA AIRPORT AUTHORITY IN RECENT YEARS. IN ESSENCE THIS LEGISLATION CLARIFIES A STATUS THAT THE AUTHORITY HAS ALWAYS HAD, AND A STATUS THAT IS DESIRED AND ACCEPTED BY LOCAL POLICY MAKERS.

WITHIN THIS TESTIMONY I AM ALSO COMPELLED AS A PROFESSIONAL AIRPORT OPERATOR TO ADVISE YOU OF THE PRIMARY REASON USED FOR THE ESTABLISHMENT OF AIRPORT AUTHORITIES. I AM SPEAKING SPECIFICALLY TO THE JUSTIFICATION FOR THE PROPOSED AMENDMENT TO K.S.A. 3-163 WITHIN HB 2189. THE AMENDMENT PROPOSES ALTERING THE GOVERNANCE OF THE WICHITA AIRPORT AUTHORITY TO INCLUDE FIVE MEMBERS APPOINTED BY SEDGWICK COUNTY. CURRENTLY THE AUTHORITY IS COMPRISED OF SEVEN MEMBERS APPOINTED BY CITY COUNCIL. IN OTHER WORDS, THE WICHITA AIRPORT AUTHORITY IS AN ARM OF THE CITY OF WICHITA AND THE CITY COUNCIL IS THE FINAL APPROVING BODY.

USUALLY THE PRIMARY PURPOSE FOR ESTABLISHING AN "AIRPORT AUTHORITY" IS FINANCIAL. AIRPORTS OBVIOUSLY SERVE BROAD AREAS, AND OFTEN COUNTIES OR MUNICIPALITIES BAND TOGETHER TO ESTABLISH A BROAD TAX BASE TO SUPPORT AN AIRPORT. A GOOD EXAMPLE IS RIGHT HERE IN TOPEKA, KANSAS WHERE A CITY-COUNTY AIRPORT AUTHORITY WAS ESTABLISHED AND NOW TAXES SHAWNEE COUNTY RESIDENTS AND BUSINESSES APPROXIMATELY \$1 MILLION TO SUPPORT ITS AIRPORTS. IN THE CASE OF THE WICHITA AIRPORT AUTHORITY, THE BROAD TAXING BASE IS NOT REQUIRED AS NO TAXES ARE LEVIED FOR AIRPORT PURPOSES, AND THE REVENUES GENERATED FROM LEASE AND USE PAYMENTS ARE USED TO RETIRE GENERAL OBLIGATION BONDS ISSUED BY THE CITY OF WICHITA FOR AIRPORT PURPOSES.

I MUST ALSO MENTION THAT THE CITY OF WICHITA HAS TAKEN THE FINANCIAL RISK WITH ITS AIRPORTS SINCE 1928, AND I BELIEVE IT HAS DONE AN EXCELLENT JOB. I HAVE NOT SEEN ANY COMPELLING ARGUMENTS FOR CHANGE.

THANK YOU FOR YOUR ATTENTION.

WE WILL BE GLAD TO ANSWER ANY QUESTIONS.

TESTIMONY
HB 2194
HOUSE LOCAL GOVERNMENT COMMITTEE
Bernie Koch, Wichita Area Chamber of Commerce
Feb. 21, 1991

Madame Chairman, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce, appearing in support of House Bill 2194.

We support efforts to clear up the tax exempt status of the Wichita Mid-Continent Airport. Changing that status could ultimately result in the necessity to subsidize the operation of the airport with local tax dollars.

The Wichita area business community depends on the airport extensively. Many of our businesses, particularly our major companies, use it when travelling to their other sites, visiting customers, and to bring customers and associates into our area. Business people and other travellers from our region depend on Mid-Continent as well.

We believe that one of the reasons Mid-Continent has twice as many airlines as similarly sized cities is the efficient way it is financially structured and operated.

Passage of House Bill 2194 is necessary to continue those efficiencies and we urge you to support it.

Thank you for the opportunity to submit testimony.

BJ
2-21-91
Attach 3



TESTIMONY BY JIM GREGORY BEFORE
KANSAS HOUSE LOCAL GOVERNMENT COMMITTEE
THURSDAY, FEBRUARY 21, 1991

THANK YOU MADAM CHAIRMAN. MY NAME IS JIM GREGORY FROM BEECH
AIRCRAFT CORPORATION. BEECH HAS MANUFACTURING FACILITIES IN
WICHITA, SALINA AND ANDOVER, KANSAS. WE ALSO OWN A FIXED BASE
OPERATION ON WICHITA MID-CONTINENT AIRPORT.

WE APPEAR BEFORE THIS COMMITTEE TODAY ON BEHALF OF HOUSE BILL
2194 WHICH WOULD STATUTORILY CLARIFY THE PROPERTY TAX EXEMPTION
CURRENTLY UTILIZED AT WICHITA MID-CONTINENT AIRPORT. IT SHOULD
BE NOTED THAT WHILE BEECH HAS A FIXED BASE OPERATION ON WICHITA
MID-CONTINENT AIRPORT IT DOES NOT OPERATE ANY MANUFACTURING
FACILITIES THERE. THE KANSAS BOARD OF TAX APPEALS HAS, WE
BELIEVE, INDICATED THAT FIXED BASE OPERATIONS ARE DIRECTLY
RELATED TO AVIATION ACTIVITY ON THE AIRPORT AND CONSEQUENTLY
ALREADY ENJOY TAX ABATED STATUS ON THE AIRPORT.

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Attach. 4

THEREFORE OUR TESTIMONY TODAY DOES NOT DIRECTLY REFLECT SELF INTEREST. IN FACT, IT COULD BE ARGUED THAT OUR COMPETITORS IN THE LIGHT JET MARKETPLACE WILL BENEFIT MORE FROM THIS THAN WE WOULD.

OUR GENERAL SUPPORT FOR HOUSE BILL 2194 CENTERS AROUND SEVERAL FACTORS: 1) WE ARE A CORPORATE CITIZEN OF THE SALINA COMMUNITY WHERE OUR MANUFACTURING PLANT LOCATED ON THE SALINA AIRPORT EMPLOYS SEVERAL HUNDRED PEOPLE. THAT FACILITY CURRENTLY IS TAX EXEMPT. THAT STATUS WAS PART OF THE ECONOMIC DEVELOPMENT PACKAGE WHICH ORIGINALLY DREW US TO SALINA. 2) WE ARE ALSO A CORPORATE CITIZEN OF THE WICHITA COMMUNITY WHERE OUR MANUFACTURING FACILITIES ARE NOT ON CITY AIRPORT PROPERTY BUT LOCATED ACROSS TOWN.

FROM A COMMUNITY PERSPECTIVE WE SUPPORT THIS LEGISLATION. BEECH CURRENTLY HAS SOME SORT OF REAL ESTATE INTEREST ON A TOTAL OF 32

AIRPORTS THROUGHOUT THE COUNTRY. IN HEALTHIER DAYS WE HAVE HAD FACILITIES ON AS MANY AS 50 AIRPORTS AT ONE TIME. I HAVE PERSONALLY VISITED ALL OF THESE LOCATIONS AND I AM FAMILIAR WITH THE WAY LOCAL MUNICIPALITIES OR STATE AND REGIONAL GOVERNMENTS OPERATE THEIR AIRPORTS.

ADDITIONALLY, IN THE LAST 10 YEARS I HAVE PERSONALLY EVALUATED AT LEAST ANOTHER 50 AIRPORTS AS POTENTIAL SITES FOR BEECH LOCATIONS OR FOR OTHER REASONS. GENERALLY I AM FAMILIAR WITH THE WAY THEY OPERATE. THIS EXPERIENCE WITH OTHER AIRPORTS THROUGHOUT THE COUNTRY INDICATES THAT THE MOST SUCCESSFUL AIRPORTS ARE THOSE WHICH SATISFY AN ECONOMIC DEVELOPMENT NEED IN THEIR COMMUNITIES. I'D ALSO COMMENT THAT MOST OF THE 100 AIRPORTS I HAVE VISITED ARE THE SECONDARY AND TERTIARY AIRPORTS RATHER THAN THE MAJOR AIRLINE HUBS.

IN ALL OF THAT EXPERIENCE, SALINA IS PROBABLY THE COUNTRY'S BEST EXAMPLE OF A COMMUNITY WHICH HAS PARLAYED A FORMER MILITARY

AIRBASE INTO A TREMENDOUS COMMUNITY ASSET. THE SECONDARY AND TERTIARY AIRPORTS THAT ARE MOST SUCCESSFUL ARE THE ONES IN COMMUNITIES WHICH RECOGNIZE THE TREMENDOUS ECONOMIC DEVELOPMENT VALUE OF THE AIRPORT'S PRESENCE. MOST OF THE SUCCESSFULLY MANAGED AIRPORTS FULFILLING ECONOMIC NEEDS IN THEIR COMMUNITIES, IN TERMS OF JOBS-ATTRACTING INDUSTRY AND DEVELOPING EXISTING INDUSTRY, ARE THOSE THAT FRANKLY ARE SO WELL RUN THEY FUNCTION WITHOUT INTERFERENCE FROM OTHER LEVELS OF GOVERNMENT. THEY FUNCTION IN A SELF SUSTAINING FASHION WITH THE EXCEPTION THAT THEY RECEIVE AIRPORT IMPROVEMENT PROGRAM FUNDS FROM THE FEDERAL GOVERNMENT AS PART OF THEIR CONTRIBUTION TO THE NATIONAL AIRSPACE AND AIRWAY SYSTEM. THE TAX ABATEMENTS THAT ARE CURRENTLY IN PLACE AT THE WICHITA MID-CONTINENT AIRPORT AND AT OTHER AIRPORTS DO NOT DETRACT FROM THE CONTRIBUTION OF THE AIRPORT RESOURCE TO THE LOCAL COMMUNITY OR THE TAX BASE.

THOSE ABATEMENTS MERELY ALLOW THAT AIRPORT TO BE AS SELF SUSTAINING AS POSSIBLE. THAT SELF-SUSTAINING ASPECT IS A

REQUIREMENT FOR AIRPORT IMPROVEMENT PROGRAM FUND GRANT ASSURANCES
FROM THE FEDERAL AVIATION ADMINISTRATION.

IN THE CASE OF WICHITA THE LEASE REVENUE THAT IS DERIVED FROM
BUSINESSES AND OPERATIONS AT THE AIRPORT, EVEN IF THEY ARE
UNRELATED SPECIFICALLY TO AVIATION, CONTRIBUTE TO THE FINANCIAL
STABILITY OF THE AIRPORT RESOURCE.

THE WICHITA AIRPORT IS OBVIOUSLY THE BIGGEST AND MOST ATTRACTIVE
AIRPORT IN THE STATE. A GREAT MEASURE OF ITS SUCCESS CAN BE TIED
DIRECTLY TO THE AIRPORT BEING ABLE TO EXPLOIT ITS VAST LAND
RESOURCES. THOSE RESOURCES CONTRIBUTE TO THE OPERATION OF THE
AIRPORT IN TERMS OF THE LEASE PAYMENTS.

THE AIRPORT HAS INDUCED MANY COMPANIES TO BUILD FACILITIES ON THE
AIRPORT IN EXCHANGE FOR A NEGOTIATED REVERSION OF THE OWNERSHIP
OF THOSE FACILITIES TO THE AIRPORT UPON THE EXPIRATION OF THE
LEASE TERM. THE AIRPORTS CAN THEN IN TURN RE-LEASE THOSE

FACILITIES FURTHER ENHANCING THEIR REVENUE AND ABILITY TO BE SELF SUSTAINING.

RIGHT NOW THE WICHITA AIRPORT AUTHORITY OPERATES WITH AIRPORT IMPROVEMENT PROGRAM FUNDS FROM THE FEDERAL AVIATION ADMINISTRATION AND UPON REVENUE STREAMS GENERATED ON THE AIRPORT INCLUDING THAT GENERATED BY WHAT SOME MIGHT CALL NON-AVIATION RELATED ACTIVITIES. THIS HAS PERMITTED THE AIRPORT TO OPERATE AS A TREMENDOUS COMMUNITY ASSET WITHOUT LOCAL AND STATE BEING A DRAIN ON LOCAL AND STATE REVENUES. TAX ABATEMENTS ARE CRITICAL TO THE CREATION OF THIS FAVORABLE SITUATION.

FOR INSTANCE, CONSIDER AN INVESTOR WHO WANTS TO PUT UP A FACILITY OF SOME SORT -- AN OFFICE BUILDING OR A HOTEL NEAR THE AIRPORT TO SATISFY PERCEIVED CUSTOMER DEMAND. HE HAS TWO CHOICES. THE INVESTOR CAN BUY LAND AND BUILD HIS FACILITY ON NON-GOVERNMENT OWNED GROUND. THEN THE INVESTOR PAYS PROPERTY TAXES LIKE ANY OTHER PROPERTY OWNER. THE OWNER RETAINS AN EQUITY OWNERSHIP

POSITION IN LAND AND IN THE FACILITIES IN PERPETUITY. THEN HE OR SHE CAN DEVELOP HIS BUSINESS AND SELL IT AT A PROFIT, SECURE IN THE KNOWLEDGE THE FACILITY AND LAND ARE THE INVESTORS. THIS INVESTOR CAN ALSO TAKE ADVANTAGE OF THE VAGARIES OF THE REAL ESTATE APPRECIATING IN VALUE DEPENDING ON OTHER ACTIVITIES THAT OCCUR AROUND IT. IF THE PROPERTY IS CLOSE TO AN AIRPORT AND THAT AIRPORT IS A VIABLE PART OF THE COMMUNITY THEN THE PROPERTY IS ENHANCED BY ITS PROXIMITY TO THE COMMUNITY'S AIRPORT RESOURCE.

OR, THAT BUSINESS PERSON COULD BUILD IMPROVEMENTS ON LAND THAT IS OWNED AND MANAGED BY THE LOCAL AIRPORT AUTHORITY. THE INVESTOR DOESN'T PAY PROPERTY TAXES BUT HE DOES MAKE LEASE PAYMENTS TO THE AIRPORT, WHICH IS OBLIGATED UNDER THE FEDERAL AVIATION ADMINISTRATION GRANT ASSURANCES TO GET A FAIR RENTAL RETURN. THE INVESTOR CAN PUT UP A BUILDING AND MAYBE NEGOTIATE A LONG TERM LEASE WITH THE AIRPORT SO THE INVESTOR GETS TO KEEP THAT BUILDING FOR 25-30 YEARS, OR MORE. HOWEVER, THE INVESTOR PAYS GROUND RENT TO THE AIRPORT PROVIDING THE AIRPORT WITH A FAIR RETURN ON THE

GROUND RESOURCE AND IN SOME CASES THE AIRPORT CAN NEGOTIATE A FEE
BASED ON BUSINESS INCOME, FURTHER ADDING TO THE REVENUE STREAM.

HOWEVER, THAT BUSINESS PERSON CAN NEVER OWN THE GROUND BECAUSE
THE AIRPORT IS NOT PERMITTED TO SELL IT, GENERALLY, UNDER FAA
DEED RESTRICTIONS OF TRUST AGREEMENTS AND THAT BUSINESS PERSON
CAN ONLY OWN THE FACILITIES FOR THE NEGOTIATED LENGTH OF THE
LEASE. AT THAT POINT THE IMPROVEMENTS REVERT TO THE AIRPORT
AUTHORITY. AND THEN THE INVESTOR HAS THE PRIVILEGE OF PAYING FOR
THE IMPROVEMENTS ALL OVER AGAIN IF THE LEASE IS CONTINUED.

AS THE LEASE MOVES TOWARDS ITS TERMINATION DATE THE VALUE OF
THOSE IMPROVEMENTS AND OF THE LEASE DIMINISH OVER TIME. THAT
BUSINESS PERSON WILL FIND IT MORE DIFFICULT TO SELL THE BUSINESS
OR TO REALIZE A PROFIT ON THE BUSINESS CREATED AND GROWN BECAUSE
OF THE LEASE SITUATION.

IN AN ANALYSIS ONE CAN'T APPLY THE USUAL REAL ESTATE RULES OF THUMB TO THE RELATIONSHIP BETWEEN AN AIRPORT AND THE LOCAL TAXING AUTHORITY. IT'S A UNIQUE SITUATION THAT'S NOT UNDERSTOOD BY VERY MANY PEOPLE. I HOPE I HAVEN'T CONFUSED THE ISSUE WHICH IS REALLY VERY SIMPLE.

THIS LEGISLATION WOULD ALLOW THE WICHITA AIRPORT AUTHORITY TO CONTINUE TO OPERATE AS IT HAS VERY SUCCESSFULLY FOR MANY YEARS. BEECH COMES TO THIS DISCUSSION FROM THE PERSPECTIVE AS AN FBO OPERATOR ON THE AIRPORT, AND A CORPORATE CITIZEN.

THANK YOU FOR THE OPPORTUNITY TO BE HERE TODAY ON BEHALF OF HOUSE BILL 2194. I'LL BE HAPPY TO TRY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

TESTIMONY BEFORE LOCAL GOVERNMENT COMMITTEE

KANSAS HOUSE OF REPRESENTATIVES

FEBRUARY 21, 1991

Chairperson Johnson and members of the committee, my name is Gary Sherrer and I appear here today only as a private individual who has four years of experience as a member of the Wichita Airport Authority, two of those having served as president. As you consider this issue on House Bill 2194, I think there are five areas that would justify your support for this bill.

1. This bill is not asking for a tax exemption. It's only asking you to declare, with statute, what has been the practice for a number of years. There are no taxes being paid now on these properties, therefore, there will not be an adverse effect on any taxing unit. Remember that the Wichita Airport Authority operates without any city or county tax dollars, and therefore, is a different kind of entity than most. It is critical this uncertainty be removed. I have personally been involved with negotiations for possible economic development through obtaining new tenants related to the aircraft industry. When we come to the issue of tax, we are unable to give them, with any certainty, the status of what the future might hold for them. It would be very very beneficial and is critical to our economic development efforts in the aviation area that we have this matter settled.

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2. There is an issue here of fairness. This legislature has granted the airports of Topeka and Salina this type of statutory clarification. It is difficult to understand why the largest, most active and airport with the greatest economic impact, would be denied what has already been given to other Kansas airports. These airports may well be in competition at some point with the Wichita Airport Authority and it would be unfair to continue to allow them to operate under a different set of rules.
3. This request has been earned by the operation of the Wichita Airport Authority. As previously mentioned, not one penny of city or county tax dollars are used in this operation. Yet, we have completely remodeled the terminal facilities and expanded the services offered to the traveling public throughout Kansas. We have upgraded the runways, safety factors and the property itself. We have been able to do this because it is run in a business-like manner and has not taken a single penny out of the Wichita or Sedgwick County taxpayer's pocket. On the other hand, it has provided strong economic impact to the community.
4. This proposal is an equitable one. There are a number of tenants who have invested millions of dollars in building facilities, all with the understanding that those facilities would be exempt from property taxes. It would be an inequitable situation to change the rules on those people at a later date, particularly when some of their leases are fifteen and twenty year leases.

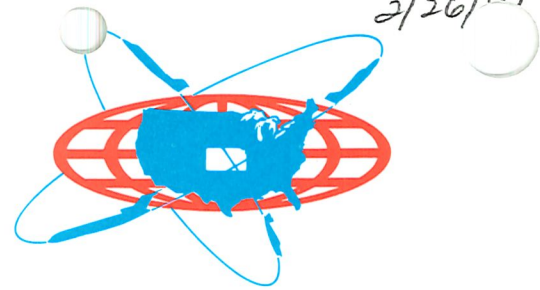
5. If for no other reason, the logic prevails on the side of passing this statute. Keep in mind that our tenants do not own the land. That belongs to the Wichita Airport Authority and truly to the City of Wichita. Please keep in mind that the tenants don't own the buildings. For the leases are written that all the properties and all their capital investments revert to the ownership of the Wichita Airport Authority and to the City of Wichita. Therefore, they don't own the land and they don't own the buildings that they have built with their own money. Where is the logic in now trying to tax them on the property?

In summary, I just urge your consideration of this bill because it is very much needed. Bringing this properties onto the tax rolls could be devastating to the operation of the airport and, in fact, would simply be passing on taxes to the people in the City of Wichita. For the above reasons, I would ask your favorable consideration of House Bill 2194. It is said that it is bad timing to ask for this bill, but I do not believe it is ever bad timing to pass good and justifiable legislation, which House Bill 2194 is. This is good legislation. It is fair legislation and it is truly necessary.

The Wichita Airport Authority

John Conlee, *President*
David S. Elkouri
John Hennessy
David Bayouth
James T. Calhoun
Jerry James
Gary Sherrer
Bailis F. Bell
Director of Airports

February 25, 1991



Wichita Mid-Continent Airport & Colonel James Jabara Airport

Monroe L. Funk, P.E., *Director of Engineering and Planning*
Dwight W. Greenlee, *Director of Administration*
James W. Loomis, A.A.E., *Director of Operations and Maintenance*
Angie Prather, *Director of Marketing and Communications*

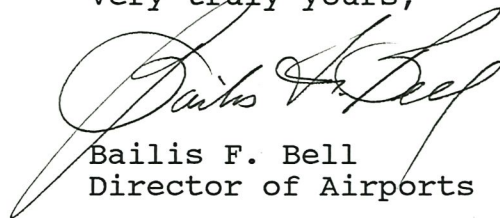
The Hon. Mary Jane Johnson
House Post Office
State Capitol
Topeka, KS 66612

Dear Representative Johnson:

At last week's hearing on HB 2194 before the House Local Government Committee, I was requested to provide a list of tenants of The Wichita Airport Authority. The tenants listed on the enclosed sheet are all primarily aviation related.

If there are further questions about the issue of clarifying the ad valorem tax exemption of The Wichita Airport Authority, please do not hesitate to contact me or Cathy Holdeman.

Very truly yours,



Bailis F. Bell
Director of Airports

BFB:cg
Enclosure

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Attach. 5-A

THE WICHITA AIRPORT AUTHORITY
TENANTS

WICHITA MID-CONTINENT AIRPORT

SCHEDULED AIRLINES

Air Midwest, Inc.
America West Airlines
American Airlines, Inc.
Continental Airlines, Inc.
Delta Air Lines, Inc.
Northwest Airlines, Inc.
Trans World Airlines, Inc.
United Airlines, Inc.
USAir, Inc.

AIR CARGO

(in addition to scheduled airlines)
Air Express International USA, Inc.
Air Freight Central of Kansas, Inc.
Air Wichita, Inc.
Airborne Express
Burlington Northern Air Freight
Emery Worldwide
Federal Express Corporation
Ryan Aviation Corporation
United Parcel Service
Wichita Air Cargo Delivery, Inc.

GENERAL AVIATION & OTHER TENANTS

AMR - Avanti Sales - North America
AMR Services
Air Capital Modification Center, Inc.
AirCenter One
American Bonanza Society Air Safety
Foundation
Aviation Association Management
Ballard Flying Service
Bank IV (VIA)
Bendix/King-General Avionics Division
Bevan-Rabell, Inc.
Board of Education - Aviation Education
Center
Cessna Aircraft Company
Cessna Finance Corporation
Commercial Jet Marketing Division
Employees' Flying Club
Wallace Division
Collins Avionics (Rockwell Intl.)
FlightSafety International, Inc.
Cessna Learning Center
Cessna Citation Learning Center
Cessna Mechanics Learning Center
Learjet Learning Center
ICT Instruments
International Flying Farmers
Jim Alexander Aircraft Sales
Koch Industries, Inc.
Learjet Corporation
Pratt and Whitney Aircraft of
Canada (U.S.) Ltd.
Rollins Burdick Hunter of Kansas, Inc.
Ryan Aviation
Triangle Copter Service
United Beechcraft, Inc.
Wichita Convention & Visitors Bureau
Yingling Aircraft, Inc.

GOVERNMENT OFFICES

Federal Aviation Administration
Air Traffic Control Tower
Airway Facilities Sector
Airway Facilities Unit-Nav/Com
Airway Facilities Unit-Radar
Automated Flight Service Station
Flight Standards District Office
Manufacturing & Inspection District Off.
Wichita Aircraft Certification Office
Kansas Highway Patrol
National Weather Service
U. S. Customs
U. S. Postal Service

CONCESSIONAIRES

APCOA, Inc.
Ackerley Airport Advertising
Airport Hilton Inn
American Cab, Inc.
Armstrong Shoe Shine
Armstrong Skycap Service
Avis Rent A Car System, Inc.
Best Cabs, Inc.
Budget Rent A Car of Kansas, Inc.
Chilton Vending Co.
Dobbs Houses, Inc.
Dollar Rent A Car
The Hertz Corporation
Midwest International, Inc.
National Car Rental
Smarte Carte, Inc.
Tele-Trip Company, Inc.

COLONEL JAMES JABARA AIRPORT

Midwest Corporate Aviation
United Beechcraft, Inc.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

February 19, 1991

PRESIDENT

James LaDuke
P.O. Box 1334
McPherson 67460

PAST PRESIDENT

Larry McCully
Route 4, Box 75
El Dorado 67042

PRESIDENT-ELECT

Tim Clapp
243 Village Road
Andover 67002

REGIONAL

VICE PRESIDENTS

REGION 1

Larry Mears
701 Kansas, P.O. Box 157
Atchison 66002

REGION 2

Richard Grant
812 Main
Osawatomie 66064

REGION 3

Warren Blaich
709 Spruce
Coffeyville 67337

REGION 4

Jerrrie Johannes
408 Elm
Marysville 66508

REGION 5

Doris Ridge
Route 2
Inman 67546

REGION 6

Judi Schoenherr
613 Park Road
Rose Hill 67133

REGION 7

Duane C. Muck
415 W. Jefferson, P.O. Box 350
Osborne 67473

REGION 8

Lorraine Ryan
McCracken 67548

REGION 9

Gary Fulton
303 East Third
Oakley 67748

REGION 10

Rosemary Clary
Box 836
Syracuse 67878

REGION 11

Melvin Davis
549 Tallyrand
Wichita 67206

REGION 12

Ruth Roubush
6 Wycklow
Shawnee Mission 66207

REGION 13

George Breidenthal
8026 Cleveland
Kansas City 66109

REGION 14

Curtis Hartenberger
2109 Huntoon
Topeka 66612

Rep. Mary Jane Johnson, Chairman
House Local Government
Kansas House of Representatives
State House, Room 426-S
Topeka, KS 66612

Re: House Bill 2194

Dear Chairman Johnson:

Due to a conflict in schedules, I will be unable to appear before the House Local Government Committee on Thursday, February 21. Please share my comments with members of the Committee.

The Kansas Association of School Boards does not oppose House Bill 2194 but does ask the Committee to consider the effects of this bill and others which exempt property from ad valorem taxes.

Unified school districts are dependent upon property taxes to fund over fifty percent of their budgets statewide. Any decrease in the tax base by exemption of property results in higher taxes for the remaining taxpayers. We understand that exemption from ad valorem taxes is a policy decision which has an impact on many aspects of the Kansas economy. Therefore, we do not specifically oppose this measure. Rather, we ask the Kansas Legislature to carefully consider each exemption and its effect on school district finances.

Thank you for your attention to our concerns.

Sincerely yours,

Patricia E. Baker
Associate Executive Director/
General Counsel

PEB/ogl

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2-21-91
Attach. 6

ELIZABETH BAKER
 REPRESENTATIVE, EIGHTY-SECOND DISTRICT
 SEDGWICK COUNTY
 601 HONEYBROOK LANE
 DERBY, KANSAS 67037



TOPEKA
 —
 HOUSE OF
 REPRESENTATIVES

CHAIR: SEDGWICK COUNTY
 LEGISLATIVE DELEGATION
 MEMBER: BOARD OF TRUSTEES
 WICHITA STATE UNIVERSITY
 REGIONAL OMBUDSMAN: KANSAS
 COMMITTEE FOR EMPLOYEE
 SUPPORT OF THE GUARD AND
 RESERVE
 COMMITTEE ASSIGNMENTS
 RANKING MINORITY MEMBER: FEDERAL &
 STATE AFFAIRS
 MEMBER: ECONOMIC DEVELOPMENT
 ELECTIONS

February 21, 1991

To: House Committee on Local Government

Re: HB 2189

HB2189, if enacted, would clarify and affirm the tax exempt status that the Wichita Airport Authority currently enjoys. Two governing bodies in Sedgwick County, the Wichita City Council and the Sedgwick County Commission, have agreed that this clarification is necessary and welcomed. In addition, HB2189 provides for an expansion of the governing board of the Wichita Airport Authority to 12 members. Seven of the members would be selected by the Councilmembers of the City of Wichita and five would be selected by the Sedgwick County Commissioners. The Wichita Airport Authority would be renamed to reflect its broader constituency as The Greater Wichita Airport Authority.

Years ago when Wichita was a sleepy little town, the Park Board operated the Airport. Over the years it has grown and grown and can certainly no longer be called a city function. It is a bustling beehive of activity providing for Kansans immediate access to all parts of the world. We are very proud of this efficiently operated and well-maintained regional airport, but there are many of us that feel that Sedgwick County, the authority who is responsible for assessment and equalization of property, should also have a voice on the Airport Authority Board. In addition, much of the land that has been acquired for the Airport's use has been land located outside the city limits of Wichita.

I urge your support of HB2189 and that you recommend it favorably for passage. Thank you.

Elizabeth Baker

John Sawyer

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2-21-91
Attached 7