

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on February 22, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Flaharty
Rep. Pottorff
Rep. Glasscock
Rep. Packer
Rep. King

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Nancy Kirkwood, Committee Secretary

Conferees appearing before the committee: Randy Speaker, Director of Housing, KDOCH
Shari Weber, Representative

Others attending: See attached list

Chairperson Allen called the Committee's attention to **HB2878** regarding tax incentives to improve property. Chairperson Allen announced testimony from Ann Koci, Commissioner, Adult and Medical Services Commission, had been passed out. It was written testimony only (Attachment 1).

Randy Speaker, Director of Housing, KDOCH, was recognized by Chairperson Allen to brief the Committee on the amendment which opens up the potential to utilize private capital to fund housing adaptation expenditures which was not available previously (Attachment 2).

Rep. Weber was recognized by Chairperson Allen to give a synopsis of her meeting; with Randy Speaker, KDOCH; Mary LaFaver, KDOCH; Joe Swalwell, City of Topeka; Karen France, Kansas Realtors Association; Representative Toplikar: to draw up an amendment to **HB2878** which would be in agreement to everyone.

Chairperson Allen recognized Bob Nugent, Revisor of Statutes, to explain the balloon and clarify the language in the added areas (Attachment 3).

Rep. Lane made a motion to adopt the balloon amendment with technical changes made. It was seconded by Rep. Toplikar. The motion carried.

Rep. Lane made the motion to pass **HB2878** out of Committee favorably as amended. Rep. Toplikar seconded the motion. The motion carried.

Chairperson adjourned the meeting at 4:53 p.m.

The next meeting is scheduled for March 4, 1996.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
GUEST LIST

DATE: Thurs Feb 22

NAME	REPRESENTING
Roger Traylor	FFD
[Signature]	Ks Dept of Commt HHS

**KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
ROCHELLE CHRONISTER, SECRETARY**

**Adult and Medical Services Commission
Ann Koci, Commissioner**

**TESTIMONY TO THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE
H.B. 2878
FEBRUARY 22, 1996**

Thank you Madame Chairman and members of the committee for the opportunity to submit written testimony in support of H.B. 2878.

In working with the Department of Commerce and Housing on our LIFE program (Living Independence for everyone), which is an initiative to help reduce Medicaid federal and state expenditures for long term care, we have become more aware of the need for adequate and appropriate housing for disabled and elderly Kansans. Section 5 of H.B. 2878 will help to enable this segment of the population to be able to remain in the community rather than having to be admitted into an institution. The language "taxpayer who makes expenditures for the purpose of making all or any portion of an existing facility accessible to individuals with a disability, which facility is used as, or in connection with such taxpayer's principal dwelling or the principal dwelling of a lineal ascendant or descendent shall be entitled to claim a tax credit..." encourages children of elderly disabled parents to modify housing in order for the parent(s) to remain in the home. We also understand that this bill will help in those areas that are not included as a "revitalization area".

In Kansas over half of the nursing home population is receiving Medicaid assistance. The 1995 actual Medicaid expenditures for adult care homes was \$264,960,190. For every individual that stays in the community and does not enter a nursing facility, over \$18,000.00 is saved annually. If we can encourage families and individuals to modify a home to accommodate a disabled person, institutionalization can be prevented.

Again, we support H.B. 2878 and hope the committee will pass it out favorably. We would be happy to respond to any questions and can be reached at 296-3981.

*Economic Development
February 22, 1996
Attachment 1*

**TESTIMONY TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
PROPOSED HOUSE BILL No. 2878 (Neighborhood Revitalization)**

**Presented By: Randy L. Speaker, Director of Housing
Kansas Department of Commerce & Housing
February 20 & 22, 1996**

Madam Chairperson and members of the Committee; I am honored to appear before you today in support of **HOUSE BILL No. 2878** and to reflect upon how changes to the existing Neighborhood Revitalization Act will have **positive effects upon housing opportunities in Kansas.**

At the Division of Housing, we are committed to providing housing opportunities to all Kansans through our development of resources, partnerships and technical assistance. The current Neighborhood Revitalization Act, in its current form, is a tool which provides some opportunities for communities to address their housing shortages.

The proposed amendments sharpen this tool and broaden its potential positive impact on communities and the state of Kansas dramatically. Seldom do we see legislation which can address a wide range of housing needs in a variety of communities - both large and small. Allowing a community to identify specific structures outside of the designated "Neighborhood Revitalization Area" opens this tool up to smaller communities which may not have identifiable neighborhoods like larger communities. Furthermore, a new resource is made available by allowing the accessibility component of the bill to be expanded to include the lineal ascendent or descendent of the taxpayer. In essence, this opens up the potential to utilize private capital to fund housing adaptation expenditures which was not available previously.

*Economic Development
February 22, 1996
Attachment 2*

As I mentioned on February 20, 1996 when I first appeared before you regarding this proposed legislation, I feel that the \$55,000 income limitation should be removed. I propose that those taxpayers who earn over \$55,000 per year should be able to invest in housing adaptation expenditures in partnership with their families and local communities. Two examples of how this will generate both economic activity and generate a savings to the state of Kansas are as follows:

SCENARIO #1 - Assume you have a young couple who earn over \$55,000. They have a widowed parent who has resided in her home of 25 years. The widow has a stroke which leaves her partially paralyzed and confined to a wheelchair. With the proposed amendments, she has two choices. Because the widow only receives social security of \$470 per month, one of her choices is to move to a nursing home. This will cost the state of Kansas \$18,258 per year on an average. Her second choice could be to have her house modified so she can remain at home. The cost of this to the state would be limited to \$3,600 (40% X (9,000) over multiple years. Furthermore, this does not consider any of the increased sales tax generated by the labor and materials used or the potential stabilization of the ad valorem tax base due to the increased longevity of the home.

SCENARIO #2 - Assume you are parents who have an adult disabled child who is currently in the Winfield State Hospital. Your adult child is faced with finding accessible housing in one of the surrounding communities. Because your income is over \$55,000, you cannot invest your own money in helping your child access suitable housing and receive the same benefit as someone with lesser income. With the proposed amendments, you could help contribute to the transition from institutional to community-based living for your disabled child.

In conclusion, we recognize that there is always a cost associated to a tax credit. However, the Kansas Department of Commerce & Housing feels that the benefits and savings derived by passage of HOUSE BILL No. 2878 exceed the costs.

HOUSE BILL No. 2878

By Representative Weber

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9 AN ACT concerning housing; relating to certain improvements to existing
10 structures; amending K.S.A. 1995 Supp. 12-17,115, 12-17,116, 12-
11 17,117, 12-17,118 and 79-32,176 and repealing the existing sections.
12

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

14 Section 1. K.S.A. 1995 Supp. 12-17,115 is hereby amended to read
15 as follows: 12-17,115. As used in this act:

16 (a) "Dilapidated structure" means a residence or other building
17 which is in deteriorating condition [and fails to meet minimum building
18 code standards] or a residence or other building which is in deteriorating
19 condition and because of age, architecture, history or significance is wor-
20 thy of preservation.

21 (a) (b) "Municipality" means any municipality as defined by K.S.A.
22 10-1101, and amendments thereto.

23 (b) (c) "Neighborhood revitalization area" means:

24 (1) An area in which there is a predominance of buildings or im-
25 provements which by reason of dilapidation, deterioration, obsolescence,
26 inadequate provision for ventilation, light, air, sanitation, or open spaces,
27 high density of population and overcrowding, the existence of conditions
28 which endanger life or property by fire and other causes or a combination
29 of such factors, is conducive to ill health, transmission of disease, infant
30 mortality, juvenile delinquency or crime and which is detrimental to the
31 public health, safety or welfare;

32 (2) an area which by reason of the presence of a substantial number
33 of deteriorated or deteriorating structures, defective or inadequate
34 streets, incompatible land use relationships, faulty lot layout in relation
35 to size, adequacy, accessibility or usefulness, unsanitary or unsafe condi-
36 tions, deterioration of site or other improvements, diversity of ownership,
37 tax or special assessment delinquency exceeding the actual value of the
38 land, defective or unusual conditions of title, or the existence of conditions
39 which endanger life or property by fire and other causes, or a combination
40 of such factors, substantially impairs or arrests the sound growth of a
41 municipality, retards the provision of housing accommodations or consti-
42 tutes an economic or social liability and is detrimental to the public health,
43 safety or welfare in its present condition and use; or

by reason of obsolescence,
inadequate provision of
ventilation light air or structural
integrity or is otherwise in a
condition detrimental to the
health safety or welfare of its
inhabitants.

*Economic Development
February 23, 1996
Attachment 3*

3-2

1 (3) an area in which there is a predominance of buildings or improve-
2 ments which by reason of age, history, architecture or significance should
3 be preserved or restored to productive use.

4 (e) (d) "Governing body" means the governing body of any municipi-
5 pality.

6 (d) (e) "Increment" means that amount of ad valorem taxes collected
7 from real property located within the neighborhood revitalization area or
8 from dilapidated structures outside the revitalization area that is in excess
9 of the amount which is produced from such property and attributable to
10 the assessed valuation of such property prior to the date the neighborhood
11 revitalization area was established or the structure was declared dilapi-
12 dated pursuant to this act.

13 Sec. 2. K.S.A. 1995 Supp. 12-17,116 is hereby amended to read as
14 follows: 12-17,116. The governing body of any municipality may designate
15 any area within such municipality as a neighborhood revitalization area if
16 the governing body finds that one or more of the conditions as described
17 in subsection (b) (c) of K.S.A. 1995 Supp. 12-17,115, and amendments
18 thereto, exist and that the rehabilitation, conservation or redevelopment
19 of the area is necessary to protect the public health, safety or welfare of
20 the residents of the municipality. The governing body may declare a
21 building to be a dilapidated structure if the structure satisfies the condi-
22 tions set forth in subsection (a) of K.S.A. 1995 Supp. 12-17,115.

outside of a neighborhood
revitalization area

23 Sec. 3. K.S.A. 1995 Supp. 12-17,117 is hereby amended to read as
24 follows: 12-17,117. (a) Prior to designating an area as a neighborhood
25 revitalization area or a structure to be a dilapidated structure, the gov-
26 erning body shall adopt a plan for the revitalization of such area. Such
27 plan shall include:

or designation of a dilapidated
structure

28 (1) A legal description of the real estate forming the boundaries of
29 the proposed area and a map depicting the existing parcels of real estate;

30 (2) the existing assessed valuation of the real estate in the proposed
31 area, listing the land and building values separately;

32 (3) a list of names and addresses of the owners of record of real estate
33 within the area;

34 (4) the existing zoning classifications and district boundaries and the
35 existing and proposed land uses within the area;

36 (5) any proposals for improving or expanding municipal services
37 within the area including, but not limited to, transportation facilities, wa-
38 ter and sewage systems, refuse collection, road and street maintenance,
39 park and recreation facilities and police and fire protection;

40 (6) a statement specifying what property is eligible for revitalization
41 and whether rehabilitation and additions to existing buildings or new con-
42 struction or both is eligible for revitalization;

43 (7) the criteria to be used by the governing body to determine what

1 property is eligible for revitalization;
2 (8) the contents of an application for a rebate of property tax incre-
3 ments authorized by K.S.A. 1995 Supp. 12-17,118 *and amendments*
4 *thereto*;

5 (9) the procedure for submission of an application for a rebate of
6 property tax increments authorized by K.S.A. 1995 Supp. 12-17,118 *and*
7 *amendments thereto*;

8 (10) the standards or criteria to be used when reviewing and approv-
9 ing applications for a rebate of property tax increments authorized by
10 K.S.A. 1995 Supp. 12-17,118 *and amendments thereto*;

11 (11) a statement specifying the maximum amount and years of eli-
12 gibility for a rebate of property tax increments authorized by K.S.A. 1995
13 Supp. 12-17,118; ~~and~~

14 ~~(12)~~ *the criteria to be used prior to declaring a building to be a di-*
15 *lapidated structure; and*

16 ~~(12)~~ (13) any other matter deemed necessary by the governing body.

17 (b) Prior to adopting a plan pursuant to this section, the governing
18 body shall call and hold a hearing on the proposal. Notice of such hearing
19 shall be published at least once each week for two consecutive weeks in
20 a newspaper of general circulation within the municipality. Following
21 such hearing, or the continuation thereof, the governing body may adopt
22 such plan.

23 Sec. 4. K.S.A. 1995 Supp. 12-17,118 is hereby amended to read as
24 follows: 12-17,118. (a) Following adoption of a plan pursuant to K.S.A.
25 1995 Supp. 12-17,117 *and amendments thereto*, the governing body shall
26 create a neighborhood revitalization fund to finance the redevelopment
27 of designated revitalization areas *and dilapidated structures* and to pro-
28 vide rebates authorized by this section. Moneys may be budgeted and
29 transferred to such fund from any source which may be lawfully utilized
30 for such purposes. Any municipality may expend money from the general
31 fund of such municipality to accomplish the purposes of this act.

32 (b) Moneys credited to such fund from annually budgeted transfers
33 shall not be subject to the provisions of K.S.A. 79-2925 through 79-2937,
34 and amendments thereto. In making the budget of the municipality, the
35 amounts credited to, and the amount on hand in, such neighborhood
36 revitalization fund and the amount expended therefrom shall be shown
37 thereon for the information of taxpayers. Moneys in such fund may be
38 invested in accordance with K.S.A. 10-131, and amendments thereto with
39 the interest credited to the fund.

40 (c) If the governing body determines that money which has been
41 credited to such fund or any part thereof is not needed for the purposes
42 for which so budgeted or transferred, the governing body may transfer
43 such amount not needed to the fund from which it came and such re-

(b) Prior to declaring a building to be a dilapidated structure, the governing body shall do the following:

(1) Obtain a legal description of the property to be declared dilapidated;

(2) determine the assessed value of the property to be declared a dilapidated structure, with separate values established for the land and structure;

(3) determine the owner of record of the structure.

1 transfer and expenditure shall be subject to the provisions of K.S.A. 79-
2 2925 through 79-2937, and amendments thereto.

3 (d) Any increment in ad valorem property taxes levied by the munic-
4 ipality resulting from improvements by a taxpayer to property in a neigh-
5 borhood revitalization area *or to a dilapidated structure* may be credited
6 to the fund for the purpose of returning all or a part of the property
7 increment to the taxpayer in the form of a rebate. Applications for rebates
8 shall be submitted in the manner and subject to the conditions provided
9 by the revitalization plan adopted under K.S.A. 1995 Supp. 12-17,117 *and*
10 *amendments thereto*. Upon approval of an application received hereunder
11 the municipality shall rebate ~~any~~ incremental increases in ad valorem
12 property tax resulting from the improvements ~~within 30 days of payment~~
13 by the taxpayer.

14 Sec. 5. K.S.A. 1995 Supp. 79-32,176 is hereby amended to read as
15 follows: 79-32,176. (a) Any resident individual taxpayer who makes ex-
16 penditures for the purpose of making all or any portion of an existing
17 facility accessible to individuals with a disability, which facility is used as,
18 or in connection with, such taxpayer's principal dwelling *or the principal*
19 *dwelling of a lineal ascendant or decedent*, shall be entitled to claim a tax
20 credit in an amount equal to the applicable percentage of such expendi-
21 tures or ~~\$3,000~~ \$9,000, whichever is less, against the income tax liability
22 imposed against such taxpayer pursuant to article 32 of chapter 79 of the
23 Kansas Statutes Annotated. Nothing in this subsection shall be deemed
24 to prevent any such taxpayer from claiming such credit: (1) For each
25 principal dwelling in which the taxpayer ~~may~~ reside, or facility used in
26 connection therewith; or (2) more than once, but not more often than
27 once every four-year period of time. The applicable percentage of such
28 expenditures eligible for credit shall be as set forth in the following sched-
29 ule:

30	Taxpayers Kansas Adjusted	% of expenditures
31	Gross Income	eligible for credit
32	\$0 to \$25,000	100%
33	Over \$25,000 but not over \$30,000	90%
34	Over \$30,000 but not over \$35,000	80%
35	Over \$35,000 but not over \$40,000	70%
36	Over \$40,000 but not over \$45,000	60%
37	Over \$45,000 but not over \$55,000	50%
38	Over \$55,000	40%

39 Such tax credit shall be deducted from the taxpayer's income tax liability
40 for the taxable year in which the expenditures are made by the taxpayer.
41 If the amount of such tax credit exceeds the taxpayer's income tax liability
42 for such taxable year, the amount thereof which exceeds such tax liability
43 may be carried over for deduction from the taxpayer's income tax liability

all or a part of

upon payment of taxes by the taxpayer the rebate must be made within 30 days after the next distribution date as specified in K.S.A. 12-1678A

descendant

or lineal ascendant or descendant

40%

0