

Approved: March 14, 1996
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 13, 1996 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Gooch, Harris, Jordan, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Trudy Aron, Executive Director, American Institute of Architects
Thaine Hoffman, Director, Department of Architectural Services
Representative Shari Weber
Representative John Toplikar
Ann Koci, SRS, Adult & Medical Services
Jamie Clover Adams, Vice President of Government Affairs, Kansas Grain and
Feed Association
Jim Magee, Independent Living Center, Salina
Ernest (Ernie) Mosher, City of Topeka
Randy L. Speaker, Director of Housing, Department of Commerce & Housing
Joe Swalwell, Executive Director, Downtown Topeka, Inc.

Others attending: See attached list

HB 2816 Architects, responsibility on certain projects

Trudy Aron, Executive Director, The American Institute of Architects, appeared in support of HB 2816. Ms. Aron stated that HB 2816 alters the liability of architects who enter into contracts with the State of Kansas by making architects responsible for their "negligent acts, errors and omissions" rather than being responsible for "all their errors". The present language is too broad. Professional liability insurance companies are advising architects not to sign contracts which contain the "all errors" language. HB 2816 inserts the language used by professional liability insurance companies. Attachment 1

Thaine Hoffman, Director, Department of Architectural Service, appeared in support of HB 2816. Mr. Hoffman stated the present architectural contracts are required by statute to read: "...the project architect shall be responsible for all of such architect's errors in the performance of such contract." HB 2816 would add the word "*negligent acts, errors or omissions* in the performance. . .". The request for the change in the statute is because the professional liability insurance policies use the proposed language and the inconsistency could create a situation where the insurance would not cover a certain situation. Attachment 2

Senator Harris moved, seconded by Senator Burke, that HB 2816 be recommended favorable for passage and referred to the Consent Calendar. The recorded vote unanimous was in favor of the motion.

Upon motion by Senator Burke, seconded by Senator Gooch, the Minutes of the March 11, 1996 meeting were approved.

Upon motion by Senator Burke, seconded by Senator Jordan, the Minutes of the March 12, 1996 meeting were approved.

HB 2878 Tax incentives to improve property

Senator Salisbury informed the Committee that tripling the tax credit and the increased number of taxpayers claiming the credit would impact the state general fund in FY 1997 about \$1.7 million according to

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 13, 1996.

Department of Revenue.

Representative Shari Weber, sponsor of HB 2878, briefed the Committee on the provisions of the bill. Representative Weber advised HB 2878 expands the current Neighborhood Revitalization Act to allow structures (not in a designated revitalization area) to apply for designation according to criteria set by the city or county. The owner would pay the ad valorem taxes in the same amount as before the rehabilitation for a period of years to be determined by the taxing entity. HB 2878 should increase the numbers of affordable housing in Kansas and not lose any tax revenue. HB 2878 also permits the taxpayer's principal dwelling or the principal dwelling of a parent or child for a tax credit when making the dwelling accessible to individuals with a disability. The provision allows the individual paying for the structural change to receive a tax credit. HB 2878 will assist in revitalization of some of our older homes and also assist those who are handicapped. Representative Weber stated the fiscal impact is hard to determine due to the many variables to be considered. Attachment 3

Representative John M. Toplikar testified in support of HB 2878. Representative Toplikar stated HB 2878 allows more people to participate and will increase the use of the Neighborhood Revitalization Act. HB 2878 further increases the amount an individual may claim as an income tax deduction when remodeling a house for the purpose of making it accessible to an individual with a disability. HB 2878 would allow elderly people to stay in their homes and help alleviate the need for institutionalization. Attachment 4

Ann Koci, Commissioner, Adult and Medical Services, Department of Social and Rehabilitation Services, submitted written testimony regarding HB 2878. Ms. Koci stated HB 2878 will help enable the disabled and elderly to remain in the community rather than having to be admitted to an institution. HB 2878 encourages relatives of disabled persons to modify housing in order for that they can remain in the home. Over half of the nursing home population in Kansas is receiving Medicaid assistance. For every individual that stays in the community and does not enter a nursing facility, over \$18,000 is saved annually. Attachment 5

Jamie Clover Adams, Vice President of Government Affairs, Kansas Grain and Feed Association (KGFA), appeared to offer an amendment to HB 2878. Ms. Adams advised the proposed amendment is identical to a provision contained in SB 405 which has passed the Senate. The amendment allows Hutchinson Community College to participate in the Tax Increment Financing district that has been established in Hutchinson. Six grain elevators are potentially responsible parties in a cleanup. Without this amendment, \$1 million that would have gone to clean up environmental contamination will not. Attachment 6

Jim Magee, Independent Living Specialist for Independent Connection, Salina, appeared in support of HB 2878. Mr. Magee stated he provides services in a 9-county area. Mr. Magee advised Independent Living Center has received a total of 536 persons who have requested some type of housing assistance. HB 2878 would assist persons to remain in their communities and provide assistance to families that need to make modifications to their homes in order to help a parent or a child. Attachment 7

Ernest Mosher appeared on behalf of Jim Kaup, City of Topeka, in support of HB 2878. The City of Topeka views the Neighborhood Revitalization Act as an important tool to promote urban development and expansion of the Act would encourage property owners to make improvement to dilapidated structures, thereby increasing the number of residences available for occupancy. Attachment 8

Randy L. Speaker, Director of Housing, Department of Commerce and Housing, testified in support of HB 2878. Mr. Speaker stated HB 2878 will have positive effects upon housing opportunities in Kansas. Mr. Speaker stated HB 2878 would have a positive impact on both rural and urban communities. Mr. Speaker stated the benefits and savings derived by passage of HB 2878 are positive and exceed the associated costs. Attachment 9

Joe Swalwell, Executive Director, Downtown Topeka, Inc., appeared in support of HB 2878. Attachment 10.

Senator Ranson moved, seconded by Senator Steffes, that **HB 2878** be amended by inserting **SB 405, expanding the tax increment financing law.** The voice vote was in favor of the motion.

Senator Gooch moved, seconded by Senator Steffes, that **HB 2878** be recommended favorable for passage as amended. The recorded vote was unanimous in favor of the motion.

HB 2826 Authorizing electronic filing of business documents

Senator Reynolds moved, seconded by Senator Burke, that **HB 2826** be amended on Page 1, line 21

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 13, 1996.

following the word "making" by inserting the following " , generating, distributing"; line 22, following the word "make" by inserting "generated, distributed" and further on line 22 by inserting a "comma (,)" following the word "instrument". The voice vote was in favor of the motion.

Senator Downey moved, seconded by Senator Reynolds, that **HB 2826** be amended by inserting the following: "For an image recognition and information storage system which is used by an agency to record and store information from records, papers or documents and which complies with standards recommended by the state archivist and approved by the state records board pursuant to K.S.A. 45-412, and amendments thereto, the agency's statement of the information shall be deemed to be an original record of the information for all purposes, including introduction into evidence in all courts or administrative agencies and a conforming amendment to K.S. A. 45-412." The voice vote was in favor of the motion.

Senator Reynolds moved, seconded by Senator Downey, that **HB 2826** be recommended favorable for passage as amended. The recorded vote was in favor of the motion.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for March 14, 1996.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: March 13, 1996

| NAME | REPRESENTING |
|---------------------|----------------------------------|
| TRUDY ARON | Am Inst of Architects |
| Jim Magee | Independent Connection / OCC Inc |
| Thaine Hoffman | DOAS |
| Ernie Mecher | City of Topeka |
| Jimmie Clover Adams | KS Grain & Feed Assn. |
| Mark Borrellum | KDOC + H |
| Randy L. Specker | KDOC + H |
| John Kinsell | Downtown Topeka |
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AIA Kansas

A Chapter of The American Institute of Architects
75th Anniversary 1921-1996

March 13, 1996



TO: Senator Salisbury and Members of the Senate Commerce Committee
FROM: Trudy Aron, Executive Director
RE: Support for HB 2816

I am Trudy Aron, Executive Director, of the American Institute of Architects in Kansas (AIA Kansas). Thank you for the opportunity to testify in support of HB 2816. We asked for the introduction of this bill. HB 2816 amends the statute which requires architects, who contract to provide design services for the State, to carry professional liability insurance. Subsection (b) makes the architect responsible for all their errors.

HB 2816 amends subsection (b) by making the architect responsible for their "negligent acts, errors and omissions." The change is needed to conform with what acts are covered by professional liability insurance available to architects and engineers.

Architects design one-of-a-kind structures. The law recognizes that professional services are based on reasoned judgment and that there is no one correct course of action, therefore, architects are not held to a standard of perfection. However, meeting a professional standard of care is part of any contractual obligation.

The State recognizes the need for liability insurance. Therefore, it is in the best interest of the State to make sure that its contract language does nothing to invalidate or lessen the protection that insurance affords. The Division of Architectural Services supports the bill.

To date, this statute has not caused a problem. However, professional liability insurance companies are advising our members not to sign contracts which contain the "all errors" language since their coverage is not this broad. As this contract language is in statute not just the state contract, our only redress is to ask the legislature to change the statute.

Thank you for allowing us this opportunity to provide you with information on our support for HB 2816. I'll be happy to respond to any questions you may have.

*Senate Commerce Committee
March 13, 1996*

700 SW Jackson, Suite 209
Topeka, Kansas 66603-3757
Telephone: 913-357-5308
800-444-9853
Facsimile: 913-357-6450

Attachment 1

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President Elect
Vincent Mancini, AIA

Secretary
Alan M. Stecklein, AIA

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Donnie D. Marrs, AIA

University Liaisons
John Gaunt, FAIA, KU
Eugene Kremer, FAIA, KSU

Executive Director
Trudy Aron, Hon. AIA, CAE

February 2, 1996

Re: Written Testimony

HB 2816, Change language in architectural contracts from
"errors" to "negligent acts, errors or omissions".

Our present architectural contracts are required by K.S.A. 75-1258(b) to reads "...the project architect shall be responsible for all of such architect's errors in the performance of such contract." This legislation would add the word "*negligent acts, errors or omissions* in the performance...".

There could be discussions as to who this favors. Adding the word "negligent" does somewhat restrict the meaning of the word "errors". "Negligent acts or errors" might generally be defined as below the standards of the profession. It is doubtful that we could win a suit for an error that was "above the standard of the profession", but that possibility exist. On the other hand, adding the word "omissions" would seem to be helpful to the state.

The reason for the change is that the professional liability insurance policies use the proposed language. The present discrepancy in language has caused problems on numerous occasions. When the proposed contract is reviewed by the consultant's attorney or insurance agent, they advise that the inconsistency could leave an area where the insurance would not cover the situation. The consultant is then advised not to sign the contract. The consultant is placed in the position of either not accepting the contract, or accepting the risk without insurance.

We question how much "protection" we actually receive by sticking to the term "error" rather than the industry standard "negligent acts, errors or omissions".

We therefore favor the proposed change.

Thaine Hoffman

Director - Department of Architectural Services

*Senate Commerce Committee
March 13, 1996
Attachment 2*

THE KANSAS HOUSE

REPRESENTATIVE, 68TH DISTRICT
CENTRAL & SE DICKINSON, MORRIS &
NORTHERN LYON COUNTIES

OFFICE: STATE CAPITOL—426-S
TOPEKA, KANSAS 66612
(913) 296-7639

HOME ADDRESS: 934 UNION ROAD
HERINGTON, KANSAS 67449
(913) 258-3526



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JOINT COMMITTEE ON CHILDREN AND
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DURING SESSION
LEGISLATIVE HOTLINE
1-800-432-3924

Representative Shari Weber

Testimony for Senate Commerce Committee
Re: H.B#2878 Hearing: March 13, 1996

Thank you for the opportunity to appear before the Committee today. I am anxious to share with you information about HB# 2878 and the impact I feel it will have upon the citizens of Kansas.

This bill reflects an expansion of current law enacted in 1994--The Neighborhood Revitalization Act. Currently this act allows city or county government to designate an area with deteriorating structures for a tax rebate after rehabilitation of the structure. To my knowledge, 3 communities in Kansas have designated revitalization areas. Those entities are Topeka, Atchison, and Russell. I have asked a representative from the Housing Division of the Department of Commerce and Housing to share with you some of the details of those cities' experiences.

This expansion would allow structures (not in a designated revitalization area) to apply for designation according to the criteria set by the city or county. Once the structure is rehabilitated and reassessed for ad valorem taxes, the owner would pay the new tax amount before the structure rehabilitation and tax amount after rehabilitation. In other words, the owner would continue to pay ad valorem taxes in the same amount as before the rehabilitation occurred for a period years to be determined by the taxing entity.

Currently, our property tax system tends to penalize those who maintain, upgrade and expand existing structures by elevating property taxes. On the other hand, we reward those who cause deterioration in structures, neglect maintenance and choose not to upgrade, by lowering the assessments and taxes on such property. By allowing a tax rebate on rehabilitated structures for several years, we encourage the rehabilitation of existing structures. This should increase the numbers of affordable housing to our housing stock in Kansas, yet not lose any ad valorem tax revenue for local taxing entities. After a period of years, (to

*Senate Commerce Committee
March 13, 1996*

Attachment 3 thru 3-2

be designated by the city or county involved) this concept, if implemented, should add revenue for local taxing entities from elevated assessments.

Another component of this bill is the expansion Section 5 (page 4) to include the taxpayer's principal dwelling or the principal dwelling of a parent or child for a tax credit when making all or any portion of an existing facility accessible to individuals with a disability. This option allows the individual actually paying for the structural change to receive a tax credit. The provision, in concept, would also lessen the financial burden of an accessibility structural change and perhaps free up housing stock that might have been utilized in a different manner without the accessibility change.

As you have heard in testimony during the interim 1995, there appears to be a direct correlation between economic development and housing in our state. For us to keep and attract quality people, quality jobs and industry, we must have adequate and affordable housing. Housing shortages are apparent across the state of Kansas, both in urban and rural areas of our state. The recently conducted 1995 Kansas Housing Blueprint Town Meetings provided a great deal of data reflecting on local, regional, and statewide housing needs. To quote from the Winter 1996 issue of "RoofTops", "although there appears to be some local resources, they do not appear to be sufficient to address the magnitude as well as the diversity of housing shortages that have been identified throughout the state." We have immediate need in the area of housing. Those need are currently not being addressed at a speedy rate.

Many of our towns have deteriorating or dilapidated structures which by reason of age, history, architecture or significance should be preserved or restored to productive use, therefore adding to both our housing stock and property tax base. HB# 2878 would help to address some of the immediate need for attention to deteriorating structures, if rehabilitated, could provide affordable housing.

It is my belief that quality housing is one of several BASIC need of families. A home is part of the glue that holds our Kansas families together. For that reason I would advocate your consideration of this bill which expands the scope of structural rehabilitation to include more structures, especially deteriorating house structures.

I thank you for your time and am available to answer questions.



STATE OF KANSAS



Re: HB 2878
Rep. Shari Freiber
District #108

DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1504
(913) 296-2436
FAX (913) 296-0231

Bill Graves
Governor

Gloria M. Timmer
Director

February 19, 1996

The Honorable Barbara P. Allen, Chairperson
House Committee on Economic Development
Statehouse, Room 174-W
Topeka, Kansas 66612

Dear Representative Allen:

SUBJECT: Fiscal Note for HB 2878 by Representative Weber

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2878 is respectfully submitted to your committee.

HB 2878 would expand the use of tax increment financing and the use of income tax credits for remodeling facilities to allow access for individuals with disabilities. Tax increment financing would be expanded to include dilapidated structures outside of the designated revitalization area. The income tax credit for remodeling structures for access by disabled individuals is increased to \$9,000 from the current amount of \$3,000 and use of the credits is extended to the principal dwelling of a lineal ascendent and descendent as well as the taxpayer. The provisions of the current law that establish a sliding scale for the percentage of the earned credit that may be claimed is not changed by the bill.

The bill would increase the availability of tax credits for taxpayers that remodel primary homes for disabled accessibility and increase the amount of the credits. This amount cannot be estimated, as it is based on taxpayer behavior. As a point of reference, credits claimed under the provisions on the existing tax credits have averaged \$12,215 per year between 1991 and 1994. The impact of the expansion of tax increment financing is not expected to be measurable.

Sincerely,

A handwritten signature in cursive script that reads "Gloria M. Timmer".

Gloria M. Timmer
Director of the Budget

cc: Sherry Brown, Commerce and Housing
Shirley Sicilian, Revenue

STATE OF KANSAS

JOHN M. TOPLIKAR

REPRESENTATIVE, 15TH DISTRICT

507 E. SPRUCE
OLATHE, KS 66061



HOUSE OF REPRESENTATIVES

OFFICE: 155 EAST
TOPEKA, KS 66612
(913) 296-7683

March 13, 1996

TESTIMONY IN SUPPORT OF HB 2878

TO SENATE COMMERCE COMMITTEE

This past fall the Joint Committee on Economic Development heard testimony from several conferees which encouraged our state to provide more tax incentives in order to create more housing opportunities in light of decreasing federal housing assistance to states.

HB-2878 addresses two chapters in our current law. The first is found in Sections 1 through 4 of the bill. It amends the Neighborhood Revitalization Act to also include residences or buildings which fall outside a municipality's revitalization "area". The purpose of this change is to allow more people to participate and to increase the use of the act by municipalities. I believe it is difficult for a city to draw clear cut lines in determining which houses are to be considered for the rebate and that if we allow the governing body to include property outside of the boundary this incentive may likely be more utilized across the state. I also believe that the greater use of this rebate can potentially open up more housing. For example, some residents may choose to fix up, get a rebate, then later sell their homes and move up to bigger and more expensive housing while opening up their older homes on the market to first time buyers.

The second part of the bill increases the dollar amount an individual may claim as an income tax deduction when remodeling a house for the purpose of making it accessible to an individual with a disability.

*Senate Commerce Committee
March 13, 1996*

Attachment 4 thru 4-2

This can be found in Section 5. It also expands the law (lines 35 and 36 of Pg. 4) to allow children of a person with a disability to equip either their own home or their parents' and qualify for the tax credit.

This amendment to the law attempts to address the testimony to the joint committee in regard to housing options for older Kansans. Conferees strongly encouraged us to do whatever we could to let elderly people stay at home where most want to be. Some counties' population of elderly citizens now make up about one quarter of their population.

We need to be joining most states now that we are moving away from institutionalizing our elderly by providing a greater incentive for them to stay at home and provide them a better quality of life.

Please support these changes to help create more housing opportunities in our state.

Rep. John Toplikar
15th District

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

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

**TESTIMONY TO THE SENATE COMMERCE COMMITTEE
H.B. 2878
MARCH 13, 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.

*Senate Commerce Committee
March 13, 1996*

Attachment 5

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**STATEMENT OF THE
KANSAS GRAIN & FEED ASSOCIATION
TO THE
SENATE COMMERCE COMMITTEE
SEN. ALICIA SALISBURY, CHAIR
REGARDING H.B. 2878
MARCH 13, 1996**

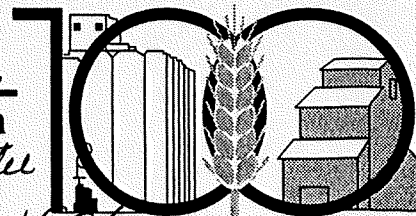
KGFA, promoting a viable business climate through
sound public policy for a century.

Senate Commerce

Committee

March 13, 1996

Attachment to their 6-3



The Kansas Grain and Feed Association

..... a voluntary state organization founded in 1896 providing governmental representation, educational opportunities and a wide variety of other services to the vast and indispensable grain and feed marketing system. The 1200 members of the KGFA include country elevators, subterminal and terminal elevators, feed manufacturers, grain merchandisers and allied industries such as railroads, grain exchanges, equipment manufacturers and insurance firms.

Madam Chair and members of the Committee, I am Jamie Clover Adams, Vice President of Government Affairs for the Kansas Grain and Feed Association (KGFA). KGFA is a voluntary state organization founded in 1896 to provide government representation, educational opportunities and a wide variety of other services to the vast and indispensable grain and feed marketing system. The 1200 members of the KGFA include both independent and cooperative country elevators, subterminal and terminal elevators, feed manufacturers, grain merchandisers and allied industries. Senator Salisbury, thank you for your willingness to allow me to appear today to offer the attached amendment to H.B. 2878.

The amendment is identical to language contained in S.B. 405 which was passed by this committee and the full Senate last month. However, the attached amendment only addresses the inclusion of all taxing jurisdictions in a tax increment financing (TIF) district to clean-up environmental contamination -- commonly known as the "Hutch TIF language." This change will allow Hutchinson Community College to participate in the TIF district that has been established in Hutchinson. Six grain elevators are potentially responsible parties (PRPs) in this clean-up, explaining the involvement of KGFA. Without this amendment, \$1 million that would have gone to clean-up will not.

KGFA asks that this language be added to H.B. 2878 because the original vehicle is stalled in the House Taxation Committee. Chairman Kline has clearly stated that he is not moving any tax bill and that I should find another vehicle to get the job done.

Thank you for your consideration. KGFA asks the Committee to amend H.B. 2878 to include the attached language and to pass the amended bill out favorably. I would stand for any questions you may have.

The following was taken directly from S.B. 405 as passed by the Senate

K.S.A. 1995 Supp. 12-1771a is hereby amended to read as follows: 12-1771a.

(a) The governing body of a city may establish an increment in ad valorem taxes using the procedure set forth in subsection (b) for projects that are initiated upon a finding that the area is a blighted area under subsection (a)(2) of K.S.A. 12-1771, and amendments thereto, when the following conditions exist:

(1) The proposed district has been identified by the Kansas department of health and environment or the United States environmental protection agency to be an environmentally contaminated area;

(2) the city has entered into a consent decree or settlement agreement or has taken action expressing an intent to enter into a consent decree or settlement agreement with the Kansas department of health and environment or the United States environmental protection agency that addresses the investigation and remediation of the environmental contamination;

(3) the consent decree or settlement agreement contains a provision that has the effect of releasing property owners who are not responsible for the contamination from the responsibility of paying the response costs of the investigation and remediation of the contamination; and

(4) the city intends to establish a redevelopment district pursuant to K.S.A. 12-1771, and amendments thereto, to wholly finance or partially finance the investigation and remediation of contamination within such district.

(b) An increment established after a city has found that the condition in subsection (a)(2) of K.S.A. 12-1771, and amendments thereto, exists shall be set on a yearly basis. For purposes of this section, a yearly basis shall be a calendar year. Each year's increment shall be an amount sufficient to pay the direct costs of investigation and remediation of the contaminated condition anticipated to be incurred that year including principal and interest due on any special obligation bonds or full faith and credit tax increment bonds issued to finance in whole or in part the remediation and investigation, costs relating to remediation investigation and feasibility studies, operation and maintenance expenses and other expenses relating directly to the investigation and remediation of contamination. Each year's increment shall not exceed 20% of the amount of taxes that are produced ~~from the~~ *by all taxing subdivision within any currently existing or subsequently created* redevelopment district area in the year the redevelopment district is first established, *notwithstanding that such subdivision was not required to receive notice of the establishment of the district.*

(c) The budget that establishes the yearly increment shall be certified by the city to the county clerk and county treasurer no later than August 25th, preceding the calendar year for which the budget is being set. Funds derived from an increment established by this section and interest on all funds derived from an increment established by this section may be used only for projects involving the investigation and remediation of contamination in the district.

(d) The real property taxes produced by the increment established under subsection (b) from a redevelopment district established under the provision of K.S.A. 12-1771, and amendments thereto, shall be allocated and paid by the county treasurer to the treasurer of the city and deposited in a special separate fund of the city to pay the direct cost of investigation and remediation of contamination in the redevelopment district. Any funds collected by the city from parties determined to be responsible in any manner for the contaminated condition shall be either: (1) Deposited in the same separate special fund created hereunder, and with all interest earned thereon, may be used only for projects involving the investigation and remediation of contamination in the established redevelopment district; or (2) distributed to parties who have entered into a contract with the city to pay a portion of investigation and remediation of the contamination in the redevelopment district and the terms of

such contract provide that such parties are entitled to reimbursement for a portion of funds they have expended for such investigation and remediation of contamination from the recovery of costs that are collected from other third party responsible parties.

A redevelopment district created under the provisions of this section shall constitute a separate taxing district. If all costs for such investigation and remediation of contamination in the redevelopment district have been paid and moneys remain in the special fund, such moneys shall be remitted to each taxing subdivision which paid moneys into the special fund on the basis of the proportion which the total amount of moneys paid by such taxing subdivision into the special fund bears to the total amount of all moneys paid by all taxing subdivisions into the fund.

(e) Nothing in this section shall prevent any city from establishing a redevelopment district for other purposes pursuant to K.S.A. 12-1770 *et seq.*, and amendments thereto, which may include part or all of the real property included in the district established under this section.

(f) Nothing in this section shall be construed to affect the obligations of the county to annually review the fair market value of property in accordance with procedures set by law or to affect the right of any taxpayer to protest and appeal the appraised or reappraised value of their property in accordance with procedures set forth by law.

(g) Commencing with the regular session of the legislature in 1993, each city that establishes a redevelopment district under this section shall make a status report on a biennial basis to the standing committee on commerce of the senate and the standing committee on economic development of the house of representatives during the month of January. The status report shall contain information on the status of the investigation and remediation of contamination in the redevelopment district.

K.S.A. 12-1775 is hereby amended to read as follows: 12-1775. (a) For the purposes of this act, the term "taxing subdivision" shall include ~~only~~ the county, the city ~~and~~, the unified school district *and any other taxing subdivision levying real property taxes*, the territory or jurisdiction of which includes ~~the~~ *any currently existing or subsequently created* redevelopment district. The term "real property taxes" includes all taxes levied on an ad valorem basis upon land and improvements thereon.

March 13, 1996

Testimony to The Senate Commerce Committee.

Thank you for the opportunity to testify about House Bill 2878. My name is Jim Magee.

I am an Independent Living Specialist for Independent Connection, a service, through OCCK, Inc. in Salina Kansas. We provide services in a nine county area in north central Kansas. As we were preparing this information for you we contacted five other centers for independent living in Kansas and asked them for the numbers of persons that they work with on housing issues. The total number of persons who requested some type of housing assistance was 536. These services would include helping a person locate housing, access issues with housing and other issues. Although we realize not all of these requests would have been effected by this bill some would have been.

One of the most difficult tasks that we assist people with is trying to find accessible housing in communities. Many of the persons look for months for housing that is accessible and are unable to find anything that meets their needs, so therefore persons most of the time do the modifications for their homes themselves. House Bill 2878 as we understand it would provide an increase in the amount of tax credit available for persons making modifications to their homes to make them more accessible. In this bill it is proposed that the tax credit increase from \$3,000.00 to \$9,000.00 per person depending on income. We believe that this would greatly benefit persons who have a low income and are trying to make modifications to their home. Persons with disabilities who purchase their own homes expend all of their funds just purchasing and basically maintaining their homes and do not have money for modifications. Persons who own a home and are injured or acquire a disability would be able to benefit from this tax credit as they look to modify their existing dwelling.

We also applaud the fact that the the bill would extend these tax credits to ancestors or offspring. This would increase the availability of access modifications for children with disabilities and older persons trying to remain in the community in their homes. The bill would provide assistance as families make needed accessibility modifications to their own homes or to assist their parents with those modifications.

As we strive for all persons to have access to the community we believe that initiatives like this make it possible for persons to become participants in their communities.

Thank you.

*Senate Commerce Committee
March 13, 1996
Attachment of thru 17-2*

3/11/96

Dear Committee,

My name is Jennifer Whatley and I have lived with a spinal cord injury, that resulted in quadriplegia, for 12 of my 25 years. Accessibility is crucial to safety and productivity in the lives of people, whatever the challenge may be, outside the residence but more importantly inside the home where an individual spends most of their time. Since accessibility helps a person achieve independence the whole family benefits.

I have lived with my uncle and aunt in Abilene since August of 1995, prior to that I lived with my grandparents in Baton Rouge, LA. Being that they are in their late 70's the degree of difficulty in caring for me increased significantly, therefore I consider myself fortunate to have family here in Kansas that can assist me with this challenge I face in life.

It would definitely be of help, to many families that cope with countless unknown difficulties to the general population, if those with the authority would make it easier in a financial way for individuals to have homes that are barrier free.

Sincerely,

Jennifer Whatley

Jennifer Whatley

J



CITY OF TOPEKA

City Council
215 E. 7th Street Room 255
Topeka, Kansas 66603
Phone 913-295-3710

LEGISLATIVE TESTIMONY CITY OF TOPEKA HOUSE BILL 2878

TO: Senator Salisbury and Members, Senate Commerce Committee

FROM: Jim Kaup, City of Topeka

DATE: March 13, 1996

RE: **HB 2878; Neighborhood Revitalization Act**

The City appears in support of HB 2878, as amended by the House.

Topeka legislators were the principal advocates for the Neighborhood Revitalization Act passed at the 1994 Session. The City of Topeka has used that law to create a neighborhood revitalization district. The City views the law as an important tool to promote urban redevelopment. Our City Council-adopted Legislative Policy Statement regarding the Neighborhood Revitalization Act supports its continuation and supports amendments necessary to better implement the 1994-passed law.

The City supports the purpose of HB 2878 to expand the property tax rebate feature of the act to "dilapidated structures" located outside a neighborhood revitalization area. This discretionary authority given to locally elected governing bodies to encourage property owners to make improvements to dilapidated structures is a feature which we would anticipate being utilized by the City of Topeka upon passage of HB 2878.

The City also appears in support of the proposed amendment to K.S.A. 1995 Supp. 12-17,118, as set out at page 4, lines 27:30. This amendment was proposed by the Shawnee County Clerk, Pat McDonald. Ms. McDonald has identified a way in which the property tax rebate procedure may be performed more efficiently and the City supports her proposal, as adopted by the House.

We respectfully request favorable action by this Committee on HB 2878.

*Senate Commerce Committee
March 13, 1996
Attachment 8*

TESTIMONY TO THE SENATE COMMERCE COMMITTEE
PROPOSED HOUSE BILL No. 2878 (Neighborhood Revitalization)

Presented By: Randy L. Speaker, Director of Housing
Kansas Department of Commerce & Housing

March 13, 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 needs.

The proposed amendments sharpen this tool and broaden its potential positive impact on communities and the state of Kansas. 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. It will also allow larger communities to address specific structures which may affect the values of properties located within targeted areas. After all, neighborhood values seldom follow distinct boundary lines. Furthermore, a new financial 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. A financial resource which has not always been available.

*Senate Commerce Committee
March 13, 1996*

Attachment 9 thru 9-2

We feel that the amendment which allows persons with incomes over \$55,000 to receive 40% of the tax benefit is a positive change. It will provide all tax payers the opportunity to direct their resources toward the cost of adaptation expenditures in partnership with their families and local communities. Two examples of how this bill 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 is 72 years old and has resided in her home for the past 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 to the state for the adaptation 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 with any tax credit. However, the Kansas Department of Commerce & Housing feels that the benefits and savings derived by passage of HOUSE BILL No. 2878 are positive and exceed the associated costs.



DOWNTOWN TOPEKA INC.

906 SOUTH KANSAS AVE. • TOPEKA, KANSAS 66612
TEL. (913) 234-9336 • FAX (913) 234-4448

SB 732 PRESENTATION

My name is Joe Swalwell. I live at 5507 W. 15th St. I am Executive Director of Downtown Topeka, Inc.

I was asked to testify before this committee today because of my involvement with SB 732, otherwise known as the Neighborhood Revitalization Act. I was contacted by Representative Weber to testify this morning on the bill before you.

As I understand the bill at this point, you are essentially amending SB732 to include "dilapidated structures," to the language which means "... a residence or other building which is in deteriorating condition, and fails to meet minimum building code standards, or a residence or other building which is in deteriorating condition and because of age, architecture, history or significance is worthy of preservation." This language would apply to buildings not located within an established neighborhood revitalization area. It would still require the municipality to complete interlocal agreements with the other taxing entities to accomplish this.

I do not have an objection to this, however, it seems to me that under most circumstances, a municipality might be wiser to create a neighborhood revitalization area that includes the building as well as other structures nearby that need revitalization. My logic is, that if there's one building in this area that needs work, there are probably several others. Also, it would save the municipality the repetitious work of obtaining interlocal agreements each time another building was designated "dilapidated."

I have brought with me a copy of our proposal to the City of Topeka for a Neighborhood Revitalization Program. It might provide you some information you could use in the future. The Topeka Neighborhood Revitalization Program is alive and well. I would be happy to answer any questions you may have regarding our experience.

*Senate Commerce Committee
March 13, 1996
Attachment 10 thru 10-5*

RECOMMENDATIONS ON SENATE BILL 732
TO THE CITY OF TOPEKA

DOWNTOWN TOPEKA INCORPORATED
MAY 16, 1994*

IN ORDER to address the problems of urban decline, security, population loss and decline in development, and to ensure a healthy and vital urban center that strengthens and nourishes the entire city, we must reaffirm the importance of Topeka's Urban Core.

Downtown Topeka and the surrounding central city area encompasses a government and commercial center with a residential base and existing infrastructure that provides an effective framework for revitalization. We must strengthen the linkages between the Core and suburban areas of the city, and pursue development throughout the city, which compliments and strengthens the Core.

We believe that the city government should:

- Strengthen and maximize efficiency in the Urban Core as the geographic and symbolic center of the city.
- Address issues of poverty and physical decline in the Core, prioritize areas for intervention and target incentives in order to assist and support people who live in the Core.
- Implement bold planning initiatives, create a positive business climate, implement creative efforts and target incentives in order to improve the environment for business and development in the Core.
- Improve physical conditions in the Core and upgrade the Core's image in order to increase the number of businesses and residences in the Core.

The City of Topeka now has the opportunity to target special districts within the city for revitalization. Senate Bill 732 enables municipalities to create neighborhood revitalization districts within their boundaries, and it provides rebates to taxpayers in those districts, equal to the amount of the incremental increases in property taxes, resulting from improvements made to the property. This bill is designed to encourage development that otherwise might not occur.

Downtown Topeka, Inc., the Business Improvement District, the Shawnee County Delegation and others, were instrumental in designing and supporting the bill in the State Legislature. Based on the success of a similar bill in Iowa, and with information from other states, we have several recommendations for carrying out the opportunities of this bill.

WE RECOMMEND for residential and commercial/industrial revitalization, the entire District within the boundaries of the Neighborhood Improvement Associations. A map of the area is enclosed. Based on our information, these Associations meet the criteria and intent of the law.

LOGIC: We felt that by staying with already accepted NIA's, we were not creating new boundaries. It had been determined many years ago that these neighborhoods should receive extra funding and the city as a whole had accepted that idea.

FOR RESIDENTIAL ONLY:

Qualified residentially assessed property owners are eligible to receive rebates of any tax equal to the amount of incremental increases resulting from improvements made to the property.

WE RECOMMEND a five year application* period from the time the law becomes effective.

Rebate period - 10 years

Exemption amount - 100% of the incremental increases added by the improvements

At the end of that period, the program is reviewed for its effectiveness.

LOGIC: We choose a five year application/eligibility period because it does take some time for people to understand the program and plan what they want to do. Some people will wait to see how the program works before they decide to try it.

We feel that by building in a sunset date, it requires a review to see if the plan was successful. The council may, if they determine the program was successful, extend the period of application/eligibility. The sunset clause allows the community to feel confident because if the program is not working, it will not be continued.

FOR COMMERCIAL/INDUSTRIAL ONLY:

Qualified commercially/industrially assessed property owners are eligible to receive rebates of any tax equal to the amount of incremental increases resulting from improvements made to the property.

WE RECOMMEND a five year application* period from the time the law becomes effective.

Rebate period - five years

Exemption amount - 100% of the incremental increases added by the improvements

We recommend that at the end of the five year period, the program is reviewed by the city for its effectiveness.

LOGIC: We recommend the five year application/eligibility period for the same reason we suggested in residential programs.

We want commercial properties included in all the areas because these can be the local businesses that are a part of the neighborhoods now, and this could be incentive to add other necessary services for the neighborhood.

WE FURTHER RECOMMEND that a target district for commercial/industrial development be placed within these boundaries. The area we recommend is within the old CCRA boundaries and North Topeka Downtown.

Residential areas within this target district will be consistent with the entire area.

For commercially assessed property within this target commercial/industrial development, qualified property owners are eligible to receive rebates of any tax equal to the amount of incremental increases resulting from improvements made to the property.

WE RECOMMEND a three year application period from the time the law becomes effective.

Rebate period - 12 years

Exemption amount - 100% of the incremental increases added by the improvements

At the end of the three years, we recommend that the target commercial/industrial district revert for the following two years, to a rebate period of five years, at 100% of the incremental increases. At the end of this two year period, the program will be reviewed by the city for its effectiveness.

LOGIC: The primary intent of Senate Bill 732 is to provide communities with a long-term increase and a stabilization in their tax base by encouraging rehabilitation or new construction which might not otherwise occur.

Our recommendations are based on this intent. We have selected areas which in our opinion meet the criteria and the intent of the law. The target commercial/industrial area that we have described requires an accelerated time frame and an increase in tax rebate benefits. The reason for the shortened application period is the acute necessity of getting projects started in this district. And the increase in tax rebate benefits is because the cost of putting together a real estate package in this area is more difficult.

WE FURTHER RECOMMEND:

- * The residential improvements should increase the value of the property at least 5% in order to be eligible, and the commercial improvements should increase the value at least 15% to be eligible.
- * The application can be filed for the rebate program at the same time of filing for a building permit. The approval of the rebate program would be the same date as approval of the building permit.
- * None of the suggested boundaries or districts imply any changes in city zoning for those areas.

The City Council may choose to include other specific recommendations for both neighborhood and target areas. The City Council may also choose what kind of residential and commercial programs are eligible for the Neighborhood Revitalization Act.

- * *We suggest that instead of "application", the term "eligibility" be used henceforth.*

THE NEIGHBORHOOD REVITALIZATION ACT

Senate Bill 732, the Neighborhood Revitalization Act, was signed into law by Governor Joan Finney on April 18, 1994. It became effective July 1, 1994. Any municipality in Kansas may implement this legislation by city ordinance.

The primary intent of the Neighborhood Revitalization Act is to provide communities with a long-term increase and stabilization in their property tax base by encouraging rehabilitation or new construction which might not otherwise occur.

Some specific benefits within the ordinance are:

- It will provide incentives for neighborhood housing improvements through property tax refunds
- The benefits of this ordinance will apply to individual homeowners as well as businesses
- It does not interfere with current property tax revenues
- The ordinance will create new long term tax revenue, without creating a fiscal burden for the city
- It will offer incentives for development in specific areas of our communities where development might not otherwise occur
- It will help create jobs because historically jobs follow development
- It will help reverse the outward migration of central city residents, and the resulting deterioration of the neighborhoods
- It will help to stabilize land values
- It will strengthen the fiscal capacity of our city government to grow and serve our community
- It provides a limited window of opportunity for participation, thereby prompting response from the community
- It will encourage commercial and industrial development in specific parts of the city

This ordinance can be the vehicle for dramatic change in the central city of Topeka. For further information, contact Downtown Topeka, Inc. at 234-9336.

* Minor changes made 8/26/94

