

Approved: February 3, 1997  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Bill Mason at 3:30 p.m. on January 30, 1997 in Room 423-S of the Capitol.

All members were present except: Barbara Allen (Excused)

Committee staff present: Lynne Holt, Legislative Research Department  
Rena Jefferies, Revisor of Statutes  
Beverly Renner, Committee Secretary

Conferees appearing before the committee: Butch Hardman, Hardman Real Estate, Inc.  
Christopher McKenzie, League of Kansas Municipalities  
Arthur Brown, Mid-America Lumbermens Association  
Randy Speaker, Director of Housing, Kansas Department of  
Commerce & Housing  
Representative Shari Weber

Others attending: See attached list

Butch Hardman, Hardman Real Estate, Inc. briefed the committee on the Tax Increment Financing (TIF) for residential infrastructure (Attachment 1). Current statute requirements for TIF are: 1) Project area should be designated an Enterprise Zone prior to July 1, 1992; 2) It is a blighted area; and, 3) It is an environmentally problem area. Rural areas find it difficult to meet these requirements and to meet growing economic development needs without proper housing for future employees. Current programs for low-to-moderate income families do not meet middle income housing needs. Mr. Hardman presented a proposed amendment that would allow a City, with the permission of the County and local School District, to adopt a TIF plan in those areas which are presently agricultural land, adjacent to a City, not currently served by sewers, having limited water supply and/or pressures and which agree to be annexed by the City prior to any TIF funded infrastructure construction. In the area to be developed, money for streets and other infrastructure needs is raised with special obligation bonds on a 10 or 15 year term. When houses are built and bought, the tax the homeowner would pay in property taxes instead goes to pay off the special obligation bond.

Lynne Holt updated the committee on the effect of legislation passed in 1996 with HB 2878 to the current statutes regarding TIF. Members of the audience contributed to the discussion with clarification and answers to committee questions. They included; Chris McKenzie, League of Municipalities; Arthur Brown, Mid-America Lumbermens Association; Representative Shari Weber; and, Director Randy Speaker, Department of Commerce and Housing.

Representative Tomlinson moved that the committee introduce a bill broadening the project area definition for TIF. The motion was seconded by Representative Long. Motion carried

Chairman Mason adjourned the meeting at 4:15.

The next meeting is scheduled for February 3, 1997.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
COMMITTEE GUEST LIST

DATE: January 30, 1997

NAME	REPRESENTING
Heather Randall	Whitney Benson, P.A.
Kelly Kuttala	City of Overland Park
Mechel Braun	
Doug Farmer	DOB



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January 27, 1997

Rep. Bill Mason, Chairman  
Economic Development Committee  
300 SW 10th, Room 446 North  
Topeka, KS 66612-1504

RE: Tax Increment Financing

Dear Representative Mason,

I am seeking you and your committee's support of an amendment to existing legislation that will, if enacted, help to spur housing construction throughout Kansas.

We are facing in Parsons, not unlike many, many communities across Kansas, a shortage of family housing for sale to those seeking middle to upper middle priced houses.

The single family mortgage revenue bond programs serve their very specific purpose to persuade people who have not owned a residence in the prior three years to buy a house. Such restrictions, including household income and house price limits are not helping communities fill the housing needs of those who cannot meet the requirements of the SFMRB financing.

In looking at the Kansas Tax Increment Financing law as a way to "make something happen" it has become very apparent that the law limits the use of such a tool to blighted area and pre-July 1992 designated enterprise zones. TIF does not currently allow such financing to be used to develop or re-develop areas which are unable to meet the blight test set forth in the law.

It is my belief and that of others who are now joining me in this effort that home building can be measurably boosted across Kansas if the community can use the incentive

ECONOMIC DEVELOPMENT COMMITTEE  
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Attachment 1

provided by TIF to finance such public infrastructure as sewers, water lines, roads, street lighting, traffic signals, etc.

The proposed slight amendment to K.S.A 12-1770 and 12-1771(a) will allow a City, with the permission of the County and local School District, to adopt a TIF plan in those areas which are (1) presently agricultural land, (2) adjacent to a City, (3) not currently served by sewers, (4) having limited water supply and/or pressures and which (5) agree to be annexed by the City prior to any TIF funded infrastructure construction.

The TIF law, and this amendment, continue to assure the School Boards and County Commissions the power of veto of any TIF plan if, in the opinion of one of those units of government, a plan is not in the best interest of the School District or the County.

Briefly, this is the way TIF works: in the area to be developed, money for streets and other infrastructure needs is raised with special obligation bonds on a 10 or 15 year term. When houses are built and bought, the tax the homeowner would pay in property taxes instead goes to pay off the special obligation bond.

This would require the taxing entities to forego the property tax (other than the tax that was in place prior to TIF ) they would otherwise receive until the special obligation bond is paid off. But when it is paid off, the property will go on the tax rolls and provide a boost to the city, county and schools.

Will you please join me in supporting this amendment? The State of Kansas is not negatively impacted by the amendment and all of the controls remain with the community units of government. It is strongly believed that the availability of single family housing, regardless of price, remains the principal obstacle for cities to overcome if they are to be successful in retaining and attracting employment. The amendment will give communities an even chance of winning the battle for jobs and tax base that are our life blood.

Please help. Suitable sites for single family housing are invariably not found in the developed areas of a community but more often on the outskirts. This amendment will

allow a community to "partner" in a way, with the developer/builder in an effort to reduce to small extent the cost of stretching water and sewer lines and building roads.

As you may be aware, our communities throughout Kansas need to get started meeting the housing needs right away and if this can become a priority it will enable us to begin meeting this need.

Our region must appropriately address housing issues if we are to continue the successful economic rebirth we have experienced over the past few years. Housing issues continue to rank as one of the biggest reasons we at times are not able to lure new, or grow existing businesses and opportunities these businesses create for the citizenry of our area. The proposed TIF legislation amendment language will create a better opportunity to solve the housing issue. I feel that your support of this amendment is critical for the long term well-being of our area.

Your support of the proposed amendment to K.S.A. 12-1770 and 12-1771(a) would be very much appreciated by myself and others concerned about our ability to successfully continue the advancement made in the quality of life in our region over the past several years

Thank you!

Sincerely,



James L. (Butch) Hardman, Jr., GRI, CRS

Encl: Suggested TIF amendment language

## NOTES

In the past, the Kansas City Kansas sub-division that used T.I.F. and failed, was used as an example of a major concern regarding T.I.F.

I would like to address that same failure as a reason to consider T.I.F. This sub-division was utilized through the "blighted area" of the current law. They tried to put upper income homes in a blighted area and failed to complete the project. If the Amendment to the existing Law (SB328) was in force, this sub-division would not have been forced to construct homes in a blighted area. This is the very reason to consider SB328 to allow a little more flexibility.

This Amendment is still in control of the city, county, and school district. If one or any of those units elect not to participate, then it can not be utilized. Please let the control stay at the local level. It may not work for every city or town, but give the control to them to decide.

Another issue that has been brought up is that there are other methods available to use for the infrastructure cost. I am told that this other alternative is through special assessments. Special assessments are not something new; we have had the ability to utilize them for a long time. However, with interest rates at record lows for the last 4 1/2 years and our housing storage even before that, why isn't this alternative being used now?

When you consider the cost of building lots in rural areas at the going price of about \$10,000 to \$12,000 a piece, and figure the cost of special assessments (for infrastructure) at an average of \$1,200 to \$1,500 annually per lot. If you had a sub-



division of 28 lots that would mean a developer would have specials to pay starting at \$33,600 to \$42,000 annually until the lots are sold off. I know that is an extreme, but it is still hard to manage when you are only getting \$10,000 to \$12,000 for the lots.

In the cities where lots sale for \$50, \$60, or \$70,000, and more, a piece, it works much better and special assessments are not a problem to a developer. Thus, why would a builder from the city want to come down to a rural area and develop land at the cost that we have to experience? That's why we (and in most rural areas) will probably have to rely on local builders, and Realtors to come forth to under take these projects; and without some sort of program, incentive, help of relief, or something through - T.I.F. it probably won't happen. It hasn't happened yet in the last several years.

When you consider the problems that towns like Iola, Hillsboro, Independence, and many more are facing (they have the industry committed and now have to address their housing shortage or their workers will commute from another town, taking their paycheck back home with them; in some cases with the bordering towns such as Independence and Fort Scott for instance that may be out of state.)

I know that T.I.F. is not going to work for every rural town but to some it might just be the difference. Some communities may use it to just take care of their existing needs and some will use it to help housing and obtain economic growth.

I have visited with the Kansas Department of Commerce and Housing about SB328 and they have informed me (and have testified) that this is another good tool for communities to use in trying to satisfy their housing needs.