

Approved: March 10, 1997
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 7, 1997 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Gooch, Harris, Jordan, Ranson, Steffes, Steineger and Umbarger.

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:
Sharon Patnode, Senior Auditor, Legislative Post Audit
Senator Ben Vidricksen
Skip Palmer, Chief Executive Officer, Wonderful World of Oz Theme Park

Others attending: See attached list

Upon motion of Senator Steffes, seconded by Senator Umbarger, the Minutes of the March 6, 1997 Meeting were unanimously approved.

Sharon Patnode, Senior Auditor, Legislative Post Audit, submitted a report: "Reviewing Tax Increment Financing in Kansas, Part 1: An Inventory". Ms. Patnode stated the 1976 Legislature enacted tax increment (TIF) laws to assist cities in developing blighted central business districts. The use of TIF has been statutorily broadened over the years and its use is on the increase. Part 1 of the report is an inventory of tax increment districts, along with basic information about each district. Attachment 1

Ms. Patnode stated the use of TIF has changed since 1976 when it allowed redevelopment projects to be established in blighted and commercial areas of central cities. TIF projects have expanded their use from "downtowns" to "central business districts"; to include establishments in enterprise zones, slum areas, environmentally contaminated areas; and in 1996, broadened to include "conservation areas.

Ms. Patnode stated Legislative Post Audit identified 32 redevelopment districts where tax increment financing was used in Kansas. Twenty five of the districts were in the Kansas City or Wichita metropolitan areas, all of which have been created since 1990.

Ms. Patnode stated the second part of the audit includes an in-depth review of a sample of districts with regard to the projects meeting statutory requirements and the effect of the projects on school district finance will be available the middle of April.

SB 280 Ownership of tax increment financed structures by developers

SB 325 - Use of tax increment financing to assist in development of a major tourist attraction

Lynn Holt, Legislative Research Department, briefed the Committee on **SB 280 and SB 325**. Ms. Holt stated both bills pertain to the section of the Tax Increment Financing (TIF) law, authorizing the use of transient guest, sales and use taxes to retire special obligation bonds issued to pay for infrastructure improvements. **SB 280** broadens the use of TIF to allow the use of transient guest, sales and use tax proceeds to retire special obligations bonds issued for construction of buildings or other structures owned by the developer. Attachment 2

Ms. Holt stated that **SB 325** amends the TIF law to expand the use of transient guest, sales and use

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 7, 1997.

taxes to include redevelopment projects that create major tourism areas in Kansas. **SB 325** creates a second test which the Secretary of Commerce and Industry must determine the project will meet before eligibility for TIF is available. Presently, the secretary must conclude a project provides at least \$300,000,000 in capital improvements in the state and creates at least 1,500 permanent and seasonal employment positions. **SB 325**, provides a finding by the secretary that tourism activity resulting from the project will attract not less than 115,000 out of state visitors annually and will generate not less than \$18.6 million in annual retail sales.

Senator Ben Vidricksen introduced Skip Palmer, CEO, Wonderful World of Oz theme park in Kansas City, Kansas, who will be testifying on **SB 280**, Tuesday, March 11.

SB 337 - Concerning the enterprise zone law

Lynn Holt briefed the Committee on changes to the enterprise zone laws proposed in **SB 337**. The Committee requested additional information on criteria to qualify for sales tax exemptions and job investment tax credits in a "nonmanufacturing enterprise zone". The Secretary of Commerce and Housing was also asked to present the Administration's view of the enterprise zones when **SB 337** is scheduled for consideration.

The Committee requested the Secretary of Commerce and Industry provide an overview of the State's philosophy in attracting tourism and what is expected from the state in the area of financing.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for March 10, 1997.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: March 7, 1997

NAME	REPRESENTING
BVO CORAUI	KCCY
Whitney Damron	City of FRS, FS
John M's Integm	Post Audit
Jean Barber	TIAR
Ben Vidreiksen	Senator
SE R...	OEC / OZ
Jim Kauf	City of Taseka
Noger Trauste	RGC
JASON PITSBURGER	BRAD SMOOT
Mark Barcellina	KDOCH
Susan Baker	Hein + Weir
Cap Law	Ottawa Ks
Bill Thompson	KDOCH
Steve Kelly	KDOCH
Spencer Kuntala	Myself
Kelly Kuntala	City of Overland Park



LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

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February 18, 1997

To: Members, Legislative Post Audit Committee

Representative Eugene Shore, Chair
Representative Richard Alldritt
Representative Doug Mays
Representative Ed McKechnie
Representative Dennis Wilson

Senator Lana Oleen, Vice-Chair
Senator Anthony Hensley
Senator Pat Ranson
Senator Chris Steineger
Senator Ben Vidricksen

This report contains a list of tax increment finance districts in Kansas, and some basic information about each district from our completed performance audit, *Reviewing Tax Increment Financing in Kansas, Part I: An Inventory*. At a later date, we will issue Part II of this performance audit, which will include an in-depth review of a sample of districts identifying whether statutory requirements were met. We also will address the effect of tax increment districts on school district finance and State aid in that report.

We would be happy to discuss the information presented in this report with any legislative committees, individual legislators, or other State officials.


Barbara J. Hinton
Legislative Post Auditor

*Senate Commerce
Committee*

March 7, 1997

Attachment 1-1 thru 1-18

EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

**Question 1: How Often Has Tax Increment Financing
Been Used in Kansas?**

Cities aren't required to report their establishment of redevelopment districts where tax increment financing is used. page 5
In general, cities aren't required to report any information about establishing or implementing redevelopment districts to any State agency or centralized repository. This makes it difficult to know for sure how many districts exist in Kansas. (State law does require cities that establish districts for environmental remediation purposes to report progress biennially to the Legislature.)

City officials reported that they'd used tax increment financing in 32 redevelopment districts. page 5
Of the 32 districts city officials identified, 25 were in the Kansas City or Wichita metropolitan areas. Hiawatha, Leavenworth, Manhattan, and Hutchinson were the smallest cities where tax increment financing was used or planned to be used. Preparing sites for private development and acquiring and demolishing blighted property are the activities most often undertaken by cities in redevelopment districts.

For those projects far enough along to know final costs, the smallest expenditure of city funds being repaid with tax increment revenues was \$200,000, in Roeland Park, to develop a public park adjacent to a McDonald's restaurant. The largest appears to be \$10.2 million spent by the City of Merriam for the Merriam Town Center. Cities often issue bonds to pay their share of project costs, although in one case we noted the city will reimburse the developer for certain costs, and in another the city will repay itself with the tax increment for initial development costs.

List of redevelopment districts, their locations, uses, and estimated costs page 7

This audit was conducted by Sharon Patnode and John McIntyre. If you need any additional information about the audit's findings, please contact Ms. Patnode at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (913) 296-3792, or contact us via the Internet at: **LPA@mail.ksleg.state.ks.us**.

Reviewing Tax Increment Financing in Kansas, Part I: An Inventory

The 1976 Legislature enacted tax increment laws to help cities bring development to blighted central business districts.

Over the years, the situations where tax increment financing can be used have been statutorily broadened, and their use seems to be on the increase. However, no centralized information about tax increment funded projects is available.

Legislators have expressed an interest in knowing the location, use, and number of tax increment financing districts in the State, whether the requirements of law have been met regarding tax increment financing projects, and what impact those projects have had on school district finance and State aid.

To provide legislators with this information on a timely basis for consideration during the 1997 legislative session, we are providing this information in two reports. This report—Part I—is an inventory of tax increment districts, along with basic information about each district that city officials provided to us. At a later date, we will issue Part II, which will include an in-depth review of a sample of districts identifying whether statutory requirements were met. We also will address the effect of tax increment districts on school district finance and State aid in that report.

This performance audit answers the following question:

1. How often has tax increment financing been used in Kansas?

To identify where and how often tax increment financing has been used. We asked the Department of Revenue, the League of Kansas Municipalities, the Kansas Association of Counties, and regional planning agencies across the State to provide lists of known districts. In addition, we talked with city officials in the State's larger communities to identify all the districts in those cities. We sent questionnaires to each city that has tax increment districts, requesting basic information on each district. In doing this work, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

Our findings begin on page 5, after a brief overview of tax increment financing in Kansas.

An Overview of Tax Increment Financing in Kansas

In 1976, tax increment financing laws were enacted to give Kansas cities a tool to finance certain costs for redevelopment projects in central business districts. Tax increment financing originally was designed to help cities restore central business districts that had suffered from the flight of businesses and residents to the suburbs.

To Use Tax Increment Financing, a City First Must Establish a Redevelopment District

A redevelopment district can be any size. Some are very small, such as half an acre, while others may encompass several square miles. According to State law, redevelopment districts can be created only in the following types of areas:

- *A blighted area:* An area would have to contain a number of factors—such as dilapidated buildings, unsanitary conditions, and high tax delinquency—to be deemed blighted. In general, the law doesn't require a specific number of instances for a blight factor to exist. For example, the law doesn't state that a preponderance of unsanitary conditions must exist before a city can claim "unsanitary conditions" as one factor leading to blight.
- *An enterprise zone:* Up until 1992, enterprise zones were created only in economically depressed areas of cities. Businesses located in these zones are given incentives to develop or expand. For tax increment financing purposes, the enterprise zone must have been created before July 1, 1992.
- *An environmentally contaminated area:* The area must have been deemed environmentally contaminated by the Department of Health and Environment or the U.S. Environmental Protection Agency.
- *A conservation area:* A conservation area is considered to be at risk of becoming a blighted in the near future.

To create a redevelopment district, the city must hold a public hearing, then must pass an official ordinance designating the district. Once a district is officially established, the assessed valuation of all property in the district is frozen for tax purposes for up to 20 years.

Cities, counties, and school districts continue to receive property taxes for these districts—based on the frozen assessed valuations—for as long as the redevelopment district exists. For this reason, the law gives counties and school districts the power to veto the establishment of a redevelopment district.

Generally after a redevelopment district is created, city officials work with one or more private developers to come up with a "redevelopment" project that's financially feasible, and that will generate enough new property tax revenue to cover the city's share of the project's costs. Such projects can include individual businesses, shopping centers, or the like. Once it's determined the project is financially feasible, the city works with the developer preparing a plan that describes in detail what will be constructed, and how that construction will be paid for.

State law allows cities to pay for certain redevelopment project costs, such as acquiring land, relocating residents who need to move from the district before the improvements can take place, relocating utilities, and preparing the site for future construction. The law also gives cities the authority to issue bonds to pay their share of project costs. Developers generally pay construction and other related costs through their own financing arrangements.

Increased tax revenues generated by new construction in a redevelopment district are used to pay off the city's share of the project. Once the city has completed its part of the project, the land is turned over to a developer, and the project is built. Presumably, any new construction in the district will increase the value of that property.

Tax increment financing isn't the same as tax abatement. Throughout the construction process and after the project is completed, the developer is required to pay taxes on the property based on the full value of the property, not just on the value that was frozen at the time the redevelopment district was established. The difference between the two—which is known as the tax “increment”—is placed into a special fund to repay bonds the city may have issued to pay for site work.

In addition to using property taxes to pay off the city's share of project costs, the city may pledge all, or a portion of, the increased city sales taxes and franchise fees generated within the redevelopment area.

One perceived benefit of tax increment financing is that it provides the county, city, or school district with at least as much tax revenue as they were receiving before the development began. Once the city's bond is paid off (no longer than 20 years), these localities presumably will receive greater tax revenues because of the increased value of the property. A major benefit of tax increment financing to the developer is that capital expenditures—such as buying land, relocating utilities, and grading sites—are being paid for by the city.

Tax Increment Financing Has Undergone Many Changes Since in 1976

Tax increment financing not only provides cities with a way to help finance central business district redevelopment, but it also allows cities to use the power of eminent domain in most private redevelopment projects. Because cities can condemn private property in a redevelopment district, the law also requires that a relocation assistance plan be created for displaced property owners and residents.

When the tax increment law first went into effect in 1976, it allowed redevelopment projects to be established in blighted, commercial areas of central cities. Over the years, statutory changes have expanded the program as follows:

- beginning in 1979, the focus of tax increment redevelopment expanded from “downtowns” to “central business districts.”
- beginning in 1982, redevelopment districts could be established in enterprise zones.

- beginning in 1984, cities could issue “full faith and credit” bonds to pay for their share of redevelopment project costs. (Before then, only special obligation bonds were allowed.) In addition, cities could issue temporary notes before the sale of full faith and credit bonds.
- beginning in 1989, redevelopment districts could be created in any slum or blighted area of a city (an expansion from their use in “central business districts”). The law, for the first time, described “redevelopment districts” as areas in which more than one project could occur. With this expanded definition, cities were authorized to collect a tax increment for assessed value increases from all property in the district, not only an individual project.
- beginning in 1991, redevelopment districts could be established in areas identified by State or federal environmental agencies as environmentally contaminated. Cities were authorized to use a portion of the district’s property taxes for investigation and remediation of the environmental problem. The law also required biennial reporting of remediation progress to the Legislature.
- several changes took place in 1996:
 - redevelopment districts could be created in less-than-blighted areas, called “conservation areas.” Cities were prohibited from using the power of eminent domain in conservation areas.
 - a property tax increment could be collected from all taxing subdivisions, not just the city, county, and school district, as was the case before 1996
 - cities could pledge all or a portion of sales tax and franchise fees generated within the redevelopment district to repay the city’s cost
 - cities could opt to take only a specified percentage of the tax increment, giving the remainder to the taxing subdivisions normally receiving it
 - any loss of tax increment revenue because of changes in the Statewide school finance formula will be paid by the State General Fund to cities

Redevelopment districts created in environmentally contaminated areas have a different purpose than regular tax increment districts. In Kansas, such districts have been created around areas with contaminated groundwater and soil. Their purpose is to prevent the future devaluation of property within the district’s boundary while the area is being cleaned up.

When the district is created, the city can take up to 20% of the property taxes produced in the district to pay clean-up costs. The city can continue to take this amount until the contamination is cleaned up, for a maximum of 20 years. Property owners in the district who are identified as polluters also are required to pay their portion of the clean-up costs, as determined by a feasibility study.

How Often Has Tax Increment Financing Been Used In Kansas?

We identified 32 redevelopment districts where tax increment financing has been used in Kansas. (A redevelopment district may contain more than one project funded with tax increment financing.) However, because cities aren't required to report any information about establishing or implementing tax increment districts, other districts and projects may exist. Most districts we could identify are in urban areas and have been created since 1990. Preparing sites for private development and acquiring and demolishing blighted property are the activities most often undertaken by cities in tax increment districts. In most cases, cities issue bonds to pay for their portion of development costs. However, sometimes the developer finances the total project, and is then partially reimbursed. Other times, the city uses other funds to pay for development, and repays itself with the tax increment.

Cities Aren't Required To Report Their Establishment of Tax Increment Districts

In general, cities aren't required to report any information about establishing or implementing redevelopment districts to any State agency or centralized repository. This makes it difficult to know for sure how many districts exist in Kansas. (State law does require cities that establish districts for environmental remediation purposes to report progress biennially to the Legislature.)

To try to identify where and how often tax increment financing has been used in Kansas, we asked the Department of Revenue, the League of Kansas Municipalities, the Kansas Association of Counties, and regional planning agencies across the State to provide lists of known districts. In addition, we talked with city officials in the State's larger communities to identify all the districts in those cities.

City Officials Reported That They'd Used Tax Increment Financing for 32 Districts

We used the information they provided to compile the list of districts and other information presented on the following pages. We reviewed that information to help identify the most common locations, uses, and costs for projects funded with tax increment financing.

Tax increment financing is most often used in urban areas. Of the 32 districts on our list, 25 were in the Kansas City or Wichita metropolitan areas. Hiawatha, Leavenworth, Manhattan, and Hutchinson were the smallest cities where it was used or planned to be used.

Even though the State law creating tax increment financing was passed in 1976, most districts have been created since 1990. Only two districts—one in Topeka and one in Manhattan—were created in the 1980s.

Preparing sites for private development and acquiring and demolishing blighted property are the activities most often undertaken by cities in redevelop-

ment districts. This often includes installing or relocating water and sewer lines, or constructing streets. In addition, cities can and have used the power of eminent domain provided by the tax increment statutes to acquire land, relocate former property owners or tenants, and demolish structures.

The law doesn't allow cities to construct or renovate buildings that eventually are sold to private developers. We did note one case where a historic home was renovated by the City of Lenexa. In that case, the building was owned by the City, not a private developer.

Because many projects are "pending" and final costs to the cities aren't known yet, it's difficult to describe the costs involved in more than a few projects. The smallest expenditure of city funds that is being repaid with tax increment revenues was in Roeland Park, where the City spent \$200,000 to develop a public park adjacent to a McDonald's restaurant. The largest city expenditure appeared to be the development of the Merriam Town Center at \$10.2 million.

Cities don't always issue bonds to pay for land acquisition, site preparation, and other city-provided improvements. Sometimes the developer finances the total project, and is then partially reimbursed by the city from the incremental tax revenues generated by the project. In another case, the city paid for site improvements with city funds, and will repay itself with the tax increment.

The following pages provide basic information about each tax increment financing district and project within those districts that we were made aware of. If we become aware of any additional projects, we'll report on those in Part II of this report.

Information about the Redevelopment District			Information About the Projects					Information About the City-Provided Financing			Information About Property Value & Taxes		
City	Date the redevelopment district was established	City officials said the land within the district had been designated as a/an:	Project name	Project description	Approximate size of development area	Current owner of property	Estimated total project cost	City officials plan to do the following work on this project:	City officials incurred the following debt to fund this work (through bond sale or other financing arrangement)	City officials said they decided to use tax increment financing for the project because:	The "frozen" base assessed value of the redevelopment district	The reported increase in property value (as of 1996)	Reported amount of additional taxes (increments) collected since district was created to pay off city debt for the project.
BROWN COUNTY													
Hiawatha	8/26/96	Blighted Area	Nachtigal	Housing Development	2.8 acres	Dave Nachtigal	\$785,000	Build streets and install utilities	No bonds issued yet.	Hiawatha is a small rural community that needs housing and tax increment financing made it possible to fund required public improvements	\$4,025	No increase in property value yet	None generated yet
JOHNSON COUNTY													
Lenexa	5/2/96	Enterprise Zone	Thompson Farm Preservation Project	Renovation of a historic home. A private developer has planned to build a commercial business adjacent to the historic farm property, but that development isn't included as part of the city's renovation of the farm.	2.3 acres for historic farmhouse and barn 83.5 acres for district	Lenexa	\$1,600,000	Renovate farm house, pay for architectural and engineering fees, surveying, and administrative, capitalized interest and legal costs for bonds.	\$605,000	Because of the high cost of renovation, the private sector was not willing to invest in the project. Without renovation, development in the surrounding area might have been deterred.	\$3,176,017	No increase in property value yet.	None collected yet.
Merriam	8/22/94	Enterprise Zone	Homestead Village	Construction of an extended-stay hotel.	5.2 acres	Securities Capital Group	\$4,250,000	Grade the project site, construct a retaining wall, and install storm sewers.	\$546,000 (The City will not issue a bond for this amount, but will repay the developer for site-related project costs.)	The site had been vacant for a number of years and was considered prohibitively expensive to develop. Developer asked for city's help in making site suitable for construction.	\$8,157,367	\$54,627	\$5,153
Merriam	3/27/95	Blighted Area	Merriam Town Center	Construction of a retail shopping center.	65 acres	Diversified Developers Incorporated	\$50,000,000	Acquire property for site, provide relocation assistance, and pay site development costs.	\$10,200,000	The developer was willing to assume risk if the increment was not adequate for bond repayment. The developer purchased the bonds when they were issued.	\$957,241	\$11,450	\$1,080

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1-9

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Olathe	3/7/95	Enterprise Zone	Strang Line Project/119th and I-35	Construction of a retail shopping center.	44 acres	Strang Line Development and Home Depot	\$4,057,200 (includes City portion and some developer financing)	Planned Uses: Acquire commercial buildings, relocate owners and tenants, demolish existing structures, grade project site, construct road, and pay for environmental and legal studies.	No bonds issued yet; however, City plans to issue about \$3,600,000 in bonds.	The area had fractured ownership, environmental contamination, problematic zoning, and limited access, which made development very expensive for a private developer.	\$835,663	\$85,000	\$9,702
Prairie Village	2/3/97	Conservation Area	Brighton Gardens	Construction of an assisted-living facility.	6 acres	Marriott Corp.	\$10,500,000	Assist developer in paying for property acquisition.	No bonds issued; City's share of project costs unknown.	The developer had lots of things to pay for and needed assistance from the City. Some of the developer's costs were for relocation allowance, environmental tests, demolition of 15 structures, and legal and environmental consultants.	County doesn't have this information available yet.	Not available	Not available
Roeland Park	5/11/91	Enterprise Zone	Project Area I - Old Downtown	Renovation of retail shopping area and construction of large retail store.	10 acres	Developer was Roeland Park Investment Group. Property is owned by Executive Hills Corp.	Not Available	Relocate water mains, sewer and utility lines, pay right-of-way costs, and acquire land.	\$500,000	The developer asked for the City's assistance, and other City funds weren't readily available.	\$583,952	\$1,316,718	\$122,124(a)
Roeland Park	1/29/92	Blighted Area	Project Area II - Park land	Construction of small city park adjacent to a McDonald's restaurant.	1/2 acre	City owns land. Land was bought from Goetlieb Trust which owns land in the remaining portion of the redevelopment district	Not Available	Acquire property for project site, pay for site improvements (sprinkler system and benches) and possibly provide park equipment, if it is not donated.	\$200,000	City officials felt tax increment financing was best means of financing small project.	\$14,929	\$183,692	\$17,037(a)(b)

(a) Full year values are from 1995

(b) City will use property tax increment and sales tax from McDonald's to pay off bonds.

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LEAVENWORTH COUNTY													
Leavenworth	1/8/91	Enterprise Zone	Walmart	Construction of new Walmart store	13 - 15 acres	Walmart	\$5,200,000	Grade the project site so construction could occur.	\$1,205,000	The project site needed more grading, more than Walmart was willing to finance. Walmart said it would move to Lansing if this site couldn't be made ready for a new store.	No base value because property was tax exempt before development.	\$1,556,248	\$710,093
Leavenworth	5/21/96	Enterprise Zone	Downtown Redevelopment	Construction of new car dealership	2.5 acres	Henry Masters	\$1,170,000	The city used its power of eminent domain to condemn property which is to be later turned over to the developer.	The City spent nearly \$120,000 to acquire property through condemnation. It then traded that property for a nearby property owned by this project's developer. The City will then use the property for another economic development project.	The city used the power of eminent domain allowed by the tax increment law to condemn property, which was traded to the developer of the car dealership.	Not applicable	Not applicable	Not applicable
RENO COUNTY													
Hutchinson	10/20/94	An environmental contaminated area	4th and Carey Remedial Investigation/ Feasibility Study	Feasibility study to determine property owners' level of responsibility for district's groundwater contamination	1,300 acres	Numerous	Not determined	Planned Uses for Phase II: Pay for remediation and containment clean up costs	The City will incur no cost for the feasibility study phase of the project because potentially responsible parties have agreed to contribute up to \$2 million to complete this phase.	The city needed to clean up a large area of contamination	\$9,143,635	There is no increase in value. (a)	\$175,049 (Collected in 1996)

(a) An environmental tax increment district is created to enable a city to clean up an environmental problem and keep property values from dropping drastically. The amount of taxes captured as the environmental increment is determined each year through a city's budget process; however, the amount cannot exceed 20% of the tax revenues collected from the district in the base year (the year the district is established). This increment is deducted from the moneys generally available to the city, county, and school district(s).

Information about the Redevelopment District			Information About the Projects				Information About the City-Provided Financing			Information About Property Value & Taxes			
City	Date the redevelopment district was established	City officials said the land within the district had been designated as a/an:	Project name	Project description	Approximate size of development area	Current owner of property	Estimated total project cost	City officials plan to do the following work on this project:	City officials incurred the following debt to fund this work (through bond sale or other financing arrangement)	City officials said they decided to use tax increment financing for the project because:	The "frozen" base assessed value of the redevelopment district	The reported increase in property value (as of 1996)	Reported amount of additional taxes (increments) collected since district was created to pay off city debt for the project.
RILEY COUNTY													
Manhattan	1983	Blighted Area	Downtown Redevelopment/Town Center Mall and Colony Square Office Complex	Construction of Colony Square Office Project, construction of downtown mall, and streetscape improvements.	15 square block area	Many owners	\$56,000,000	Acquire land for the Colony Square Office Park project, relocate private businesses, pay for streetscape improvements, and construct a public plaza and acquire property and relocate occupants of the Town Center Mall site.	\$9,270,000	The city needed to leverage federal Urban Development Action Grant funds.	\$2,688,648	\$6,644,541	\$6,280,839 (Collected from 1989-1996)
SEDGWICK COUNTY													
Wichita	1993	Blighted area	Old Town Redevelopment Project	Downtown shopping and restaurant area with farm and art market	Not Available	Several owners	\$11,000,000	Build streets, parking facility, boardwalks, and install street lights.	\$1,000,000 (This is an estimate. The City hasn't sold bonds yet.)	The city needed to raise funds for public/private economic development package	\$1,061,871		Because the City hasn't finalized the project plan, the increased assessed value hasn't been calculated yet. Once the plan is finalized and bonds sold, the tax increment will begin to be collected. None
Wichita	1995	Blighted area	East Bank	Hotel complex	Not Available	Hyatt Regency hotel	\$30,000,000	Construct a 500-car parking garage, a public park, and make street improvements.	About \$6,000,000	The city needed to collect funds for public/private economic development package	Unknown		Because the City hasn't finalized the project plan, the increased assessed value hasn't been calculated yet. Once the plan is finalized and bonds sold, the tax increment will begin to be collected. None

21-1

Information about the Redevelopment District			Information About the Projects				Information About the City-Provided Financing			Information About Property Value & Taxes			
City	Date the redevelopment district was established	City officials said the land within the district had been designated as a/an:	Project name	Project description	Approximate size of development area	Current owner of property	Estimated total project cost	City officials plan to do the following work on this project:	City officials incurred the following debt to fund this work (through bond sale or other financing arrangement)	City officials said they decided to use tax increment financing for the project because:	The "frozen" base assessed value of the redevelopment district	The reported increase in property value (as of 1996)	Reported amount of additional taxes (increments) collected since district was created to pay off city debt for the project.
Wichita	1995	Blighted area	21st & Grove	Strip mall, branch bank, Cessna training facility	less than one square mile	Several owners	\$17,000,000	Acquire and prepare project site for Cessna training facility.	\$700,000	The city needed to raise city funds for public/private economic development in an area of the City with a long history of blight	Unknown	Because the City hasn't finalized the project plan, the increased assessed value hasn't been calculated yet. Once the plan is finalized and bonds sold, the tax increment will begin to be collected.	None
Wichita	1996	Environmentally contaminated area	North Industrial Corridor	Clean up groundwater contamination	More than six square miles	Several owners	Not to exceed \$22,140,738	Study the costs of groundwater contamination clean-up.	Unknown at this time	The city needed to clean up a large area of contamination	Unknown	There is no increase in value. (a)	\$440,000 collected so far to be used for environmental remediation.
Wichita	1996	Blighted area	West Bank	Public skating rink adjacent to a proposed housing project	10 acres	Canlan Investment Corporation	\$17,000,000	Pay for site preparation and development costs to build a public ice skating rink.	\$600,000	The city needed to raise City funds for public/private economic development.	Unknown	Because the City hasn't finalized the project plan, the increased assessed value hasn't been calculated yet. Once the plan is finalized and bonds sold, the tax increment will begin to be collected.	
Wichita	1991	Environmentally Contaminated Area	Gilbert/Mossley	Clean up groundwater contamination	More than four square miles	Several owners	Not to exceed \$22,575,000	Study the costs of groundwater contamination clean-up.	Unknown at this time	The city needed to clean up a large area of contamination	Unknown	There is no increase in value. (a)	\$1,458,384 collected so far to be used for environmental remediation

(a) An environmental tax increment district is created to enable a city to clean up an environmental problem and keep property values from dropping drastically. The amount of taxes captured as the environmental increment is determined each year through a city's budget process; however, the amount cannot exceed 20% of the tax revenues collected from the district in the base year (the year the district is established). This increment is deducted from the moneys generally available to the city, county, and school district(s).

21-1
20

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SHAWNEE COUNTY													
Topeka		This district doesn't have a project, so no increment is being collected.	Water Tower Place										
Topeka		This project and district have been completed for some time. We are attempting to gather more detailed information about it, but don't have that information yet.	Santa Fe Building										
WYANDOTTE COUNTY													
Kansas City	8/15/91	Blighted Area	Pala Vista	Construction of residential housing.	5.8 acres	Bud Townsend and Frank Rueter: Construction Management Company, Inc.	\$2,250,000	Acquire project site, demolish existing structures, install utilities, grade and prepare project site, and construct streets.	\$335,000 of self financing by City	The developer wouldn't have done the project without tax increment financing.	\$22,512	\$145,338	\$66,370
Kansas City	8/12/92	Enterprise Zone	I-635 Industrial Park	Development of industrial park.	38.6 acres	D.L. Sandifer: Sandifer Leasing, Inc.	\$1,819,274	Install sewers and water main and construct streets.	\$529,274	The developer wouldn't have done the project without tax increment financing.	\$33,894	\$96,393	\$33,729
Kansas City	11/9/94	Blighted Area	Mt Zion	Renovation of Existing Apartments and Residential Subdivision	37.9 acres	Mt. Zion Economic Development Foundation and Gateway Housing L.P.	\$9,050,000	Planned Uses: Acquire project site, demolish existing structures, prepare project site, and make public infrastructure improvements.	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	\$216,959	No known increase yet	First increment will be collected in 1997.
Kansas City	11/9/94	Enterprise Zone	Gateway Gardens	Office Building leased to Environmental Protection Agency.	4.2 acres	Koll Realty	\$31,000,000	Planned Uses: Demolish existing structures and make proposed public improvements.	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	\$36,583	No known increase yet	First increment will be collected in 1997.

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Kansas City	12/7/95	Enterprise Zone	East Armourdale	Warehouse Facility	10 acres	Bill Wilhite: Prime Investment Company	\$2,500,000	Planned Uses: Acquire project site, demolish existing structures, and clear and prepare project site.	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	No assessed value.	No known increase yet	First increment will be collected in 1997.
Kansas City	1/10/96	Enterprise Zone	East Kansas Avenue/ Armourdale	Industrial Park	2 acres	Jim Thompson: Thompson Pet Pasta	\$825,000	Acquire project site and demolish existing structures.	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	\$22,480	No known increase yet	First increment will be collected in 1997.
Kansas City	6/26/96	Enterprise Zone	Freeway Corporate Center	Office and Industrial Park	31.67 acres	D.L. Sandifer: Sandifer Leasing, Inc.	\$23,280,000	Planned Uses: Make public infrastructure improvements and prepare project site.	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	\$690,725	No known increase yet	First increment will be collected in 1997.
Kansas City	2/21/96	Enterprise Zone	Meadowlark	Apartments, Office, and Office Warehouse	55.6 acres	Welsh Companies	\$29,050,000	Planned Uses: Acquire project site and grade and prepare site.	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	\$17,347	No known increase yet	First increment will be collected in 1997.
Kansas City	12/7/95	Blighted Area	Mt Carmel	New Housing Development	40 acres	Mt. Carmel Redevelopment Corporation	Private construction costs = \$3,584,000 Public costs = To be determined	Planned Use: Make public infrastructure improvements.	Temporary Notes = \$250,000	The project area didn't lend itself to successful marketing of infill housing.	\$81,094	No known increase yet	None
Kansas City	10/5/95	Blighted Area	Turtle Hill	Combination of rehabilitation of existing homes and new infill housing	79 acres	City Vision in conjunction with Turtle Hill	Private construction costs = \$5,813,000 Public costs = To be determined	Planned Use: Make public infrastructure improvements.	None at this time	The developer wouldn't have done the project without tax increment financing.	\$572,579	No known increase yet	None

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Kansas City	2/12/97	Enterprise Zone	Woodend	Industrial Development	19.1 Acres	K.C. Peterbilt	\$2,500,000	Acquisition and site preparation	Not Issued Yet	The developer wouldn't have done the project without tax increment financing.	\$10,188	No known increase yet	None
Kansas City	Pending	Blighted Area	All America City Infill Redevelopment District	New Housing Subdivision	50.5 acres	Kansas City and Community Builder of Kansas City, Missouri.	\$8,500,000	Planned Uses: Acquire project site, relocate owners and residents, demolish existing structures and make public infrastructure improvements.	None at this time	The developer wouldn't have done the project without tax increment financing.	Unknown	No known increase yet	None

March 6, 1997

To: Senate Committee on Commerce**From:** Lynne Holt, Principal Analyst**Re:** Tax Increment Financing—S.B. 280 and S.B. 325

Both S.B. 280 and S.B. 325 pertain to a section of the Tax Increment Financing (TIF) law—K.S.A. 12-1774(a)(1)(D)—which authorizes the use of transient guest, sales and use taxes to retire special obligation bonds issued to pay for infrastructure improvements intended for the Wonderful World of Oz theme park in Kansas City, Kansas. This section of the TIF legislation was enacted in 1993 with the passage of S.B. 421. Envisioned at the time was a financing package consisting of: \$60 million in bonds, \$105 million in equity raised through private financing, and \$210 million in construction loans which would be applied to the development of a theme park in Western Wyandotte County. According to an article written in May 1996, the project has increased in cost to an estimated \$440 million. The project is expected to involve construction of a 55-acre, \$370 million theme park and a \$70 million "Emerald Resort" complex north of the Sandstone Amphitheater in Bonner Springs. The proposed 3,500 acre site is bound by Parallel Parkway on the north, I-435 on the east, Interstate 70 on the south, and Highway 7 on the west. As is statutorily required, the project must be located within a redevelopment district. In this case the redevelopment district is an enterprise zone established prior to 1992, that would be expanded. Kansas City has passed a resolution requesting expansion of the enterprise zone but that request has not yet been transmitted to the Secretary of Commerce and Housing.

Prior to such a project being funded in this manner, the Secretary of Commerce and Housing is required statutorily to find that: capital improvements costing not less than \$300 million will be built for the redevelopment project and not less than 1,500 permanent and seasonal employment positions will be created in the state by such a project.

To date, Kansas City has not issued any special obligation bonds for the Oz project. Apparently, the financing for the project is not yet in place and the city will not issue the bonds until it is. Two other conditions would govern the issuance of these bonds (K.S.A. 12-1774a). First, in the event Kansas City were to default in payment of the bonds, no public funds may be used to pay the bondholders. Second, no assessment may be made on property abutting the project or any infrastructure construction connected to the project unless a determination has been made that the abutting property will derive some benefit from the construction.

Under existing law, proceeds from the sale of bonds can be used for land acquisition, site preparation, relocation assistance, public improvements (such as street, sewer, water, and other facilities), plazas, arcades, landscaping, fountains, benches, and other expenses needed for redevelopment. None of the bond proceeds may be used, however, for construction of buildings or other structures owned by the developer. S.B. 280 would amend the law to allow transient guest, sales and use tax proceeds to retire special obligation bonds issued to finance

*Senate Commerce
Committee
March 7, 1997
Attachment 2-1 thru 2-2*

construction of buildings or other structures owned by developers. In essence, the bill would expand the type of projects that could be financed from such bond proceeds.

S.B. 325 would amend the TIF law to expand the use of transient guest, sales and use taxes to include redevelopment projects that create major tourism areas in Kansas. In making a finding that a redevelopment project would create a major tourism area, the Secretary of Commerce and Housing would have to conclude that the tourism activity resulting from the project will annually attract not less than 115,000 out-of-state visitors and that the tourism activity resulting from the project will generate not less than \$18.6 million in annual retail sales. The project targeted by this bill is NASCAR which is considering a site in the Midwest for a stock car auto racetrack. Kansas City is currently considering whether or not to submit a bid for the racetrack. Gardner officials also considered applying for the track but decided against it.