

Approved: March 14, 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 13, 1997 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Feleciano, Gooch, 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:
Steve Kelly, Director, Business Development Division, Department of Commerce and Housing

Others attending: See attached list

Upon motion by Senator Barone, seconded by Senator Brownlee, the Minutes of the March 12, 1997 Meeting were unanimously approved.

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

Steve Kelly, Director, Business Development Division, Department of Commerce and Housing (DOCH), testified in support of **SB 325** which expands the use of tax increment financing (TIF) in support of tourism development. Mr. Kelly stated **SB 325** provides a financing vehicle to assist in attracting an automobile racing organization, International Speedway Corporation (ISC), the owner of the Daytona 500 speedway, which has expressed an interest in the development of a major auto racing facility in the Kansas City Area. Attachment 1

Mr. Kelly stated DOCH supports the use of TIF in the promotion of tourism developments. DOCH endorses a comprehensive study of the use of tourism in the state and establishment of a strategic plan. The ISC project is on a certain timeline, and the legislation is needed now in order to allow the ISC to use TIF financing.

Mr. Kelly testified the DOCH proposes **SB 325** be amended to add a specific targeted standard industrial classification (SIC) code for the race track project as an additional eligibility requirement.

Senator Brownlee submitted a balloon of **SB 325**, on Page 5, which establishes a specific eight numbered SIC code. Attachment 2

The Committee discussed the various levels of eligibility tests established in **SB 325**, whether it was necessary or whether such legislation hampers a project being developed.

Senator Steineger moved, seconded by Senator Ranson, that **SB 325** be amended on Page 5, Line 11, following the word "project" by inserting the following: "unless a project fits the standard industrial classification code 7948-0201, then capital improvements costing not less than \$100,000,000"; Line 17 by striking "not less than 115,000", Line 18 and 19 by striking the words and figures: "generate not less than 18.6 million dollars in annual retail sales", and insert in lieu thereof "be of economic benefit to the state".

The Chair named a Subcommittee of Senators Brownlee, Jordan and Steineger, to review **SB 325** and make a recommendation to the full Committee at its next meeting.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m
on March 13, 1997.

SB 337 - Concerning the enterprise zone law

Steve Kelly, testified that **SB 337** modifies the existing enterprise zone statutes to include race tracks as an eligible business under the Enterprise Zone Act. Mr. Kelly proposed the additional SIC code of 7948-0201 is a very targeted expansion and would allow an auto racing facility to benefit from the various credits and exemptions available through enterprise zones. These benefits include a 1% investment tax credit for capital investment in the facility, job creation tax credits in the amount of \$1,500 per new FTE job, and a sales tax exemption for construction materials, equipment and labor used in construction. DOCH is of the belief that this targeted expansion of the Enterprise Zone puts the State in a more competitive position. Attachment 3

The Committee questioned whether the legislation would create obstacles for developers and questioned the burden to DOCH in arriving at the numbers required by the additional criteria established in **SB 337**.

The Chair referred **SB 337** to the Subcommittee just named.

SB 280 - Ownership of tax increment financed structures by developers

Senator Steineger moved, seconded by Senator Ranson, that **SB 280** be amended on Page 2, line 15, following the word "by", inserting the following: "comma (,) or to be leased to". The voice vote was in favor of the motion.

Senator Feleciano moved, seconded by Senator Ranson, that **SB 280 as amended** be recommended favorable for passage. The recorded vote was unanimous in favor of the motion.

The Committee adjourned at 8:45 a.m.

The next meeting is scheduled for March 14, 1997.

**TESTIMONY BEFORE THE SENATE COMMERCE COMMITTEE
THE KANSAS DEPARTMENT OF COMMERCE & HOUSING
STEVE KELLY, DIRECTOR, BUSINESS DEVELOPMENT DIVISION
MARCH 13, 1997**

Madame Chair and members of the Committee. I am here today as a conferee on Senate Bill 325, an act involving expanded use of tax increment financing as a vehicle to support tourism development.

Tax increment financing is a tool which provides a local jurisdiction the ability to pledge certain incremental revenues, obtained following development or redevelopment of a designated area, to retire debt incurred in the development of the property. Tax increment financing in Kansas was originally designed to address the infrastructure needs associated with the redevelopment of blighted areas. In recent years TIF has been recognized as having potential for other types of development and, alternative uses have been proposed. Changes made in TIF legislation, several years ago dealing with the "Land of Oz", theme park in Wyandotte County are an example of a specific tourism related activity which the Legislature supported through changes in the TIF statute. This financing vehicle allows the project to, in a sense, pay its own way, as taxes collected from development stimulated by this financing are used to pay off the infrastructure debt.

Our agency has been working for several months with an organization in the automobile racing field that has expressed a keen interest in the development of a major auto racing facility in the Kansas City area as part of their strategic plan for growth and expansion into new markets. There has been considerable press coverage on this proposed facility in recent weeks and International Speedway Corporation, the owner of the Daytona 500 speedway and several other major auto racing facilities in the country, is now known to be the prospect. International Speedway Corporation is the parent of the NASCAR racing series which has enjoyed astounding growth over the past several years.

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Attachment 1-1 thru 1-3

The company is looking at both sides of the state line and there are several sites in Kansas that have been considered for the facility.

A track of this type has been proven to have very significant impacts on tourism visitation and revenues in other markets and it would most certainly be viewed as a premier tourism opportunity for Kansas. Initial plans call for a 75,000 seat stadium with a facility design that would allow for a doubling of facility capacity, an indication of the International Speedway's long term strategy. The infrastructure requirements for such a project can be quite high, far beyond the levels that a local unit can absorb, or that an agency such as ours can impact within our limitations of program funding.

We support the use of tax increment financing as a vehicle for the promotion of such tourism oriented development. While the project at hand is an auto speedway, it is important that we anticipate and recognize the future opportunities that will undoubtedly arise wherein TIF financing can be an important tool in assuring such projects will move forward. We think that over the long term an approach that allows for consideration of projects that meet certain base criteria is appropriate, as this would give the State the capacity to make determinations without the need for specific changes to the legislation as each new opportunity presents itself.

While such comprehensive legislation is certainly the long term goal, a review of tourism opportunities and the thresholds and impacts for TIF should be made before a major change in existing legislation is sought. While we share the interest of the Committee in a comprehensive long term solution to this issue, the International Speedway timeline does not allow the luxury of a longer term review to determine the appropriate breadth and focus of such an incentive. It is our view that the changes necessary to allow the International Speedway Corporation to use TIF financing on the project must be made now. Without this sort of financing vehicle it is doubtful whether Kansas can stay in contention for the project. It would be our suggestion, if it pleases the

Committee, that the bill be amended to add a specific targeted SIC classification for the race track project as an additional eligibility requirement.

We believe that SB325 provides a vehicle that allows the state a funding option for this major tourism opportunity. We ask that the Committee favorably consider passage of SB 325 with appropriate amendments, recognizing that the larger issues of TIF financing for tourism demand further study.

1 12-1696 *et seq.*, 79-3601 *et seq.*, 79-3701 *et seq.* and 12-187 *et seq.*, and
 2 amendments thereto, and which are collected from taxpayers doing busi-
 3 ness within that portion of the city's redevelopment district established
 4 pursuant to K.S.A. 12-1771, and amendments thereto, occupied by a re-
 5 development project if there first is a finding by the secretary of com-
 6 merce and housing that the redevelopment project is of statewide as well
 7 as local importance *or will create a major tourism area for the state*. In
 8 making such a finding that a redevelopment project is of statewide as well
 9 as local importance, the secretary must conclude at least: (i) That capital
 10 improvements costing not less than \$300,000,000 will be built in the state
 11 for such redevelopment project; and (ii) not less than 1,500 permanent
 12 and seasonal employment positions as defined by K.S.A. 74-50,114, and
 13 amendments thereto, will be created in the state by such redevelopment
 14 project. *In making a finding that a redevelopment project will create a*
 15 *major tourism area within the state, the secretary must conclude at least:*
 16 *(i) That the tourism activity resulting from the project will annually at-*
 17 *tract not less than 115,000 out of state visitors to the state and (ii) that*
 18 *the tourism activity resulting from the project will generate not less than*
 19 *18.6 million dollars in annual retail sales;*

20 (E) ~~(i)~~ from a pledge of a portion or all increased revenue received
 21 by the city from franchise fees collected from utilities and other busi-
 22 nesses using public right-of-way within the redevelopment district; ~~(ii)~~
 23 from a pledge of a portion or all of the revenue received by the city from
 24 sales taxes collected pursuant to K.S.A. 12-187, and amendments thereto;
 25 or

26 (F) by any combination of these methods.

27 The city may pledge such revenue to the repayment of such special
 28 obligation bonds prior to, simultaneously with, or subsequent to the is-
 29 suance of such special obligation bonds.

30 (2) Bonds issued under paragraph (1) of subsection (a) shall not be
 31 general obligations of the city, nor in any event shall they give rise to a
 32 charge against its general credit or taxing powers, or be payable out of
 33 any funds or properties other than any of those set forth in paragraph (1)
 34 of this subsection and such bonds shall so state on their face.

35 (3) Bonds issued under the provisions of paragraph (1) of this sub-
 36 section shall be special obligations of the city and are declared to be
 37 negotiable instruments. They shall be executed by the mayor and clerk
 38 of the city and sealed with the corporate seal of the city. All details per-
 39 taining to the issuance of such special obligation bonds and terms and
 40 conditions thereof shall be determined by ordinance of the city. All special
 41 obligation bonds issued pursuant to this act and all income or interest
 42 therefrom shall be exempt from all state taxes except inheritance taxes.
 43 Such special obligation bonds shall contain none of the recitals set forth

(i) That the project is designated within the
 standard industrial classification code
 7948-0201;

(ii)

(iii)

directly generated by the project

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 Attachment 2*

**TESTIMONY BEFORE THE SENATE COMMERCE COMMITTEE
THE KANSAS DEPARTMENT OF COMMERCE & HOUSING
STEVE KELLY, DIRECTOR, BUSINESS DEVELOPMENT DIVISION
MARCH 13, 1997**

Madame Chair, and members of the Committee. I am before you at this time to speak with you concerning SB 337, a bill that would modify existing enterprise zone statutes to include auto race tracks as an eligible business under the Enterprise Zone law, allowing such operations to receive benefits under E-Zone legislation.

This bill is a companion to SB 325 which is also under consideration by this committee. Under this proposed change, auto race tracks classified under SIC 7948-0201, that met the other eligibility requirements as listed on page 2, lines 12 through 15 of the bill could qualify for E-Zone benefits. This primary need for such a change, is driven by the fact that a race facility such as that proposed is classified as a retail business by the Kansas Department of Revenue. Enterprise Zones as they currently exist would not allow the use of Enterprise Zone incentives for a retail business if the community in which that business was located had a population of under 2500 people.

The addition of the specific SIC classification 7948 to the existing legislation, or its even more targeted extension 7948-0201, would allow an auto racing facility to benefit from the various credits and exemptions available through enterprise zones, such benefits include: a 1% investment tax credit for capital investment in the facility, job creation tax credits in the amount of \$1,500 per net new FTE job, and a sales tax exemption for construction materials, equipment and labor used in construction.

We feel that this targeted expansion of the Enterprise Zone statute provides this project with tax incentives that many other Kansas businesses enjoy and puts the State of Kansas in a more competitive position when viewed from the perspective of International Speedway Corporation.

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Attachment 3