

Approved: March 5, 1998  
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 4, 1998 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  
Bob Nugent, Revisor of Statutes  
Betty Bomar, Committee Secretary

Conferees appearing before the committee:  
Skip Palmer, President, Wonderful World of Oz  
Gary Anderson, Gilmore & Bell, P.C.  
Tom Gibson, A. B. Edwards & Sons, Inc.

Others attending: See attached list

**SB 675 - Authorizing KDFA bonds to be issued for projects of statewide and local importance**

Skip Palmer, President, Wonderful World of Oz, informed the Committee that Oz Entertainment Company (OES) has been considering a site in Wyandotte County for the Oz project. Two years ago, it was determined it would be prudent to identify an alternate site due to the new speedway project within a mile and one-half of the identified site in Wyandotte County and the impact of additional traffic and noise. The Sunflower Ammunition site consists of 9,065 acres and became available due to the Government Accounting Office (GAO) decision to sell all the sites, fourteen in all, located throughout the United States. **SB 675** is a result of the opportunity to purchase this property with a lease-purchase agreement.

Gary A. Anderson, Gilmore & Bell, P.C., testified in support of **SB 675**, stating the amendments are needed to ensure financing for the alternate site. **SB 675**, page 2 defines "project of statewide as well as local importance", and a project for which Secretary of Commerce and Housing has made a finding that: 1) capital improvements are of not less than \$300 million; not less than 1,500 permanent and seasonal employment positions are provided; and the project must be located outside of a city and within a federal enclave. Page 4 authorizes Kansas Development Financing Authority (KDFA) to issue bonds for a project of statewide as well as local importance. Page 6 authorizes KDFA to create a redevelopment district for a project of statewide as well as local importance and describes procedure for establishing a redevelopment district. Page 7 describes the requirements for a development plan. Page 8 describes the revenue sources available for payment of the bonds. Pages 8 - 10 describe real property tax increment procedure. Page 11 imposes a state transient guest tax of 5% within the redevelopment district. Page 13 imposes a state sales tax of 5.9% within the redevelopment district. Page 17 imposes a state compensating use tax of 5.9% within the redevelopment district; provides for the distribution of the state sales/use tax generated within the redevelopment district to pay costs of the redevelopment project, and authorizes various parties to enter into an agreement with respect to implementation of the redevelopment project. (Attachment 1)

Mr. Anderson provided the Committee a number of proposed amendments clarifying procedural matters, transmittal of redevelopment plan, and requirements for lease-purchase of a federal enclave.

Dick Murray, Vice President and Manager, A.G. Edwards & Sons, Inc., stated A.G. Edwards & Sons, Inc. has been engaged by Oz Entertainment Company (OES) to review the viability of a sales tax and revenue bond to capitalize the construction of a \$600 million theme park. A.G. Edwards has been advising OES on STAR bond structuring alternatives to maximize the impact of projected sales taxes and other taxes generated by the project. A.G. Edwards has recommended the STAR Bond issuance be broken into two series: senior lien series to be sold with debt service coverage of 1.75Xs or greater, and junior lien series sold with combined coverage of 1.25Xs. The senior lien bonds would be sold unenhanced with a priority lien on sales and occupancy tax revenues from the project. The junior lien would be sold to strategic investors, or

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 4, 1998.

carry third party enhancements such as a general government guarantee. (Attachment 2)

Mr. Palmer advised the site selection will be made by June 1 at which time it is necessary for a \$10 - 20 million for design and drawings; October 1, 1998 it is necessary for a \$25-35 million preferred stock for pre-development, site work, architectural drawings, etc., with a March 1 - April 1, 1999, construction start-up date.

In response to Committee questions, Mr. Palmer stated the Sunflower Ammunition site contained 2600 structures, 400 which have been removed; and there are 1500 acres in pristine condition. There is a concern about hazardous waste issues as nitrate contamination has been found and they know there is asbestos contamination. OES will be responsible for remediation. Mr. Palmer stated the cost to Kansas City and Wyandotte County for the preliminary feasibility and other required studies for the Oz project were as follows: Kansas City Public Building Commission \$400,000, City of Kansas City \$50,000 and Wyandotte County \$50,000, all amounts matched by OES.

The Chair appointed the following subcommittee to study **SB 675**: Senators Salisbury, Barone and Ranson. The Subcommittee will meet Monday, March 9, 1998 for its first meeting.

The Committee adjourned at 9:00 a.m.

The next meeting is scheduled for March 5, 1998.

# SENATE COMMERCE COMMITTEE GUEST LIST

DATE: March 4, 1998

NAME	REPRESENTING
BUD GRANT	KCCU
Bill Caton	KDFA
Rebecca Floyd	KDFA
Rick Wright	Gilmore + Bell
Gary Anderson	Gilmore + Bell
Dick Munnery	AG Edwards
Tom Gibson	A.G. Edwards
Mark Barcellona	KDOCAH
LARRY WIMM #	OSL
SKIP PALMER	OEC
DAVID WYSONG	Chair BOCC / Johnson County
Michelle Miller	Johnson County Government
Dick Carter Jr.	TIAR
Jean Barber	TIAR

**March 4, 1998**  
**GARY A. ANDERSON, GILMORE & BELL, P.C.**  
**SUMMARY OF STATUTORY CHANGES OF SENATE BILL 675**  
**WITH PROPOSED AMENDMENTS**

Page Number	Brief Explanation of Proposed Change
2	<p>Description of project of statewide as well as local importance</p> <p>Project must be located outside of a city and within a federal enclave</p> <p>Project must be designated by the secretary of commerce and housing</p>
4	Authorizes KDFA to issue bonds for a project of statewide as well as local importance
6	<p>Authorizes KDFA to create a redevelopment district for a project of statewide as well as local importance</p> <p>Describes procedure for establishing a redevelopment district</p>
7	Describes the requirements for a redevelopment plan
8	Describes the revenue sources available for payment of the bonds
8-10	Describes real property tax increment procedure
10	Provides for the transmittal of the redevelopment plan to various parties
11	Imposes a State transient guest tax of 5% within the redevelopment district
11-12	Procedural matters relating the collection of the State-imposed transient guest tax
13	Imposes a State sales tax of 5.9% within the redevelopment district
17	<p>Imposes a State compensating use tax of 5.9% within the redevelopment district</p> <p>Provides for the distribution of the State sales/use tax generated within the redevelopment district to pay costs of the redevelopment project</p> <p>Authorizes various parties to enter into an agreement with respect to implementation of the redevelopment project</p>

Senate Commerce Committee

Date *3-04-98*

Attachment # *1-1 thru 1-18*

**SENATE BILL No. 675**

By Committee on Federal and State Affairs

2-17

9 AN ACT concerning the Kansas development finance authority; author-  
10 izing the issuance of bonds for projects of statewide as well as local  
11 importance; amending K.S.A. 74-8907, 79-3603 and 79-3703 and  
12 K.S.A. 1997 Supp. 74-8902 and 74-8905 and repealing the existing  
13 sections.

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 1997 Supp. 74-8902 is hereby amended to read as  
17 follows: 74-8902. The following words or terms used in this act shall have  
18 the following meanings unless a different meaning clearly appears from  
19 the context:

20 (a) "Act" means the Kansas development finance authority act.

21 (b) "Authority" means the Kansas development finance authority cre-  
22 ated by K.S.A. 74-8903, and amendments thereto.

23 (c) "Agricultural business enterprises" means facilities supporting or  
24 utilized in the operation of farms, ranches and other agricultural, aqua-  
25 cultural or silvicultural commodity producers and services provided in  
26 conjunction with the foregoing.

27 (d) "Board of directors" means the board of directors of the authority  
28 created by K.S.A. 74-8903, and amendments thereto.

29 (e) "Bonds" means any bonds, notes, debentures, interim certificates,  
30 grant and revenue anticipation notes, interest in a lease, lease certificate  
31 of participation or other evidences of indebtedness, whether or not the  
32 interest on which is subject to federal income taxation, issued by the  
33 authority pursuant to this act.

34 (f) "Capital improvements" means any physical public betterment or  
35 improvement or any preliminary plans, studies or surveys relative thereto;  
36 land or rights in land, including, without limitations, leases, air rights,  
37 easements, rights-of-way or licenses; and any furnishings, machinery, ve-  
38 hicles, apparatus or equipment for any public betterment or improve-  
39 ment.

40 (g) "Construct" means to acquire or build, in whole or in part, in such  
41 manner and by such method as the authority shall determine to be in the  
42 public interest and necessary to accomplish the purposes of and authority  
43 set forth in this act.

1 (h) "Loans" means loans made for the purposes of financing any of  
 2 the activities authorized within this act, including loans made to financial  
 3 institutions for funding or as security for loans made for accomplishing  
 4 any of the purposes of this act and reserves and expenses appropriate or  
 5 incidental thereto.

6 (i) "Educational facilities" means real, personal and mixed property  
 7 of any and every kind intended by an educational institution in further-  
 8 ance of its educational program.

9 (j) "Facilities" means any real property, personal property or mixed  
 10 property of any and every kind.

11 (k) "Health care facilities" means facilities for furnishing physical or  
 12 mental health care.

13 (l) "Housing development" means any work or undertaking, whether  
 14 new construction or rehabilitation, which is designed and financed pur-  
 15 suant to the provisions of this act for the primary purpose of providing  
 16 dwelling accommodations for elderly persons and families of low income  
 17 in need of housing.

18 (m) "Industrial enterprise" means facilities for manufacturing, pro-  
 19 ducing, processing, assembling, repairing, extracting, warehousing, dis-  
 20 tributing, communications, computer services, transportation, corporate  
 21 and management offices and services provided in connection with any of  
 22 the foregoing, in isolation or in any combination, that involve the creation  
 23 of new or additional employment or the retention of existing employment.

24 (n) "Political subdivision" means political or taxing subdivisions of the  
 25 state, including municipal and quasi-municipal corporations, boards, com-  
 26 missions, authorities, councils, committees, subcommittees and other  
 27 subordinate groups or administrative units thereof, receiving or expend-  
 28 ing and supported, in whole or in part, by public funds.

29 (o) "Pooled bonds" means bonds of the authority, the interest on  
 30 which is subject to federal income taxation, which are issued for the pur-  
 31 pose of acquiring bonds issued by two or more political subdivisions.

32 (p) "Project of statewide as well as local importance" means a project  
 33 as to which the secretary of commerce and housing has made a finding  
 34 that at least: (i) Capital improvements costing not less than \$300,000,000  
 35 will be built in the state for such project; ~~(ii)~~ (ii) not less than 1,500  
 36 permanent and seasonal employment positions as defined by K.S.A. 74-  
 37 50114, and amendments thereto, will be created in the state by such

38 project;

39 ~~(p)~~ (q) "State" means the state of Kansas.

40 ~~(q)~~ (r) "State agency" means any office, department, board, commis-  
 41 sion, bureau, division, public corporation, agency or instrumentality of  
 42 this state.

43 Sec. 2. K.S.A. 1997 Supp. 74-8905 is hereby amended to read as

(iii) is to be located outside the city limits of any city; and (iv) is to be located at a site designated as a federal enclave as of January 1, 1998.

1 follows: 74-8905. (a) The authority is hereby authorized and empowered  
2 to issue bonds, either for a specific activity or on a pooled basis for a series  
3 of related or unrelated activities or projects duly authorized by a political  
4 subdivision or group of political subdivisions of the state in such amounts  
5 as shall be determined by the authority for the purpose of financing cap-  
6 ital improvement facilities, educational facilities, health care facilities and  
7 housing developments. Nothing in this act shall be construed to authorize  
8 the authority to issue bonds or use the proceeds thereof to (1) purchase,  
9 condemn, or otherwise acquire a utility plant or distribution system  
10 owned or operated by a regulated public utility or (2) finance any capital  
11 improvement facilities, educational facilities, or health care facilities  
12 which are authorized under the laws of the state to be financed by the  
13 issuance of general obligation or utility revenue bonds of a political sub-  
14 division, except that the acquisition by the authority of general obligation  
15 or utility revenue bonds issued by political subdivisions with the proceeds  
16 of pooled bonds shall not violate the provisions of the foregoing. Nothing  
17 in this subsection (a) shall prohibit the issuance of bonds by the authority  
18 when any statute specifically authorizes the issuance of bonds by the au-  
19 thority or approves any activity or project of a state agency for purposes  
20 of authorizing any such issuance of bonds in accordance with this section  
21 and provides an exemption from the provisions of this subsection (a).

22 (b) The authority is hereby authorized and empowered to issue bonds  
23 for activities and projects of state agencies as requested by the secretary  
24 of administration. No bonds may be issued pursuant to this act for any  
25 activity or project of a state agency unless the activity or project either  
26 has been approved by an appropriation or other act of the legislature or  
27 has been approved by the state finance council acting on this matter which  
28 is hereby characterized as a matter of legislative delegation and subject  
29 to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and  
30 amendments thereto. When requested to do so by the secretary of ad-  
31 ministration, the authority is further authorized and empowered to issue  
32 bonds for the purpose of refunding, whether at maturity or in advance of  
33 maturity, any outstanding bonded indebtedness of any state agency. The  
34 revenues of any state agency which are pledged as security for any bonds  
35 of such state agency which are refunded by refunding bonds of the au-  
36 thority may be pledged to the authority as security for the refunding  
37 bonds.

38 (c) The authority is hereby authorized and empowered to issue bonds  
39 for the purpose of financing industrial enterprises, agricultural business  
40 enterprises, educational facilities, health care facilities and housing de-  
41 velopments, or any combination of such facilities, or any interest in facil-  
42 ities, including without limitation leasehold interests in and mortgages on  
43 such facilities. No less than 30 days prior to the issuance of any bonds

1 authorized under this act with respect to any project or activity which is  
 2 to be undertaken for the direct benefit of any person or entity which is  
 3 not a state agency or a political subdivision, written notice of the intention  
 4 of the authority to provide financing and issue bonds therefor shall be  
 5 given by the president of the authority to the governing body of the city  
 6 in which the project or activity is to be located, or, if the project or activity  
 7 is not proposed to be located within a city, such notice shall be given to  
 8 the governing body of the county. No bonds for the financing of the  
 9 project or activity shall be issued by the authority for a one-year period  
 10 if, within 15 days after the giving of such notice, the governing body of  
 11 the political subdivision in which the project or activity is proposed to be  
 12 located shall have duly enacted an ordinance or resolution stating express  
 13 disapproval of the project or activity and shall have notified the president  
 14 of the authority of such disapproval.

15 (d) The authority is hereby authorized and empowered to issue bonds  
 16 for the purpose of establishing and funding one or more series of venture  
 17 capital funds in such principal amounts, at such interest rates, in such  
 18 maturities, with such security, and upon such other terms and in such  
 19 manner as is approved by resolution of the authority. The proceeds of  
 20 such bonds not placed in a venture capital fund or used to pay or reim-  
 21 burse organizational, offering and administrative expenses and fees nec-  
 22 essary to the issuance and sale of such bonds shall be invested and rein-  
 23 vested in such securities and other instruments as shall be provided in  
 24 the resolution under which such bonds are issued. Moneys in a venture  
 25 capital fund shall be used to make venture capital investments in new,  
 26 expanding or developing businesses, including, but not limited to, equity  
 27 and debt securities, warrants, options and other rights to acquire such  
 28 securities, subject to the provisions of the resolution of the authority. The  
 29 authority shall establish an investment policy with respect to the invest-  
 30 ment of the funds in a venture capital fund not inconsistent with the  
 31 purposes of this act. The authority shall enter into an agreement with a  
 32 management company experienced in venture capital investments to  
 33 manage and administer each venture capital fund upon terms not incon-  
 34 sistent with the purposes of this act and such investment policy. The  
 35 authority may establish an advisory board to provide advice and consulting  
 36 assistance to the authority and the management company with respect to  
 37 the management and administration of each venture capital fund and the  
 38 establishment of its investment policy. All fees and expenses incurred in  
 39 the management and administration of a venture capital fund not paid or  
 40 reimbursed out of the proceeds of the bonds issued by the authority shall  
 41 be paid or reimbursed out of such venture capital fund.

*in one or more series*

*a project of statewide as well as local importance*

42 (e) The authority is hereby authorized and empowered to issue bonds  
 43 for the purpose of financing ~~facilities and capital improvements in con-~~



sections 4 and 5 of this act

1 *nection with a redevelopment plan that is approved by the authority in*  
 2 *accordance with ~~K.S.A. 74-8921 and 74-8922 and amendments thereto~~*  
 3 *and is a project of statewide as well as local importance.*

4 (e) (f) The authority is hereby authorized and empowered to use the  
 5 proceeds of any bond issues herein authorized, together with any other  
 6 available funds, for venture capital investments or for purchasing, leasing,  
 7 constructing, restoring, renovating, altering or repairing facilities as  
 8 herein authorized, for making loans, purchasing mortgages or security  
 9 interests in loan participations and paying all incidental expenses there-  
 10 with, paying expenses of authorizing and issuing the bonds, paying inter-  
 11 est on the bonds until revenues thereof are available in sufficient amounts,  
 12 purchasing bond insurance or other credit enhancements on the bonds,  
 13 and funding such reserves as the authority deems necessary and desirable.  
 14 All moneys received by the authority, other than moneys received by  
 15 virtue of an appropriation, are hereby specifically declared to be cash  
 16 funds, restricted in their use and to be used solely as provided herein.  
 17 No moneys of the authority other than moneys received by appropriation  
 18 shall be deposited with the state treasurer.

19 (f) (g) Any time the authority is required to publish a notification  
 20 pursuant to the tax equity and fiscal responsibility act of 1982, the au-  
 21 thority shall further publish such notification in the Kansas register.

22 (g) (h) Any time the authority issues bonds pursuant to this section,  
 23 the authority shall publish notification of such issuance of bonds 14 days  
 24 prior to any bond hearing in the official county newspaper where such  
 25 bonds will be used and in the Kansas register.

26 Sec. 3. K.S.A. 74-8907 is hereby amended to read as follows: 74-  
 27 8907. (a) The bonds may be sold in such manner, either at public or  
 28 private sale, and upon such terms as the authority shall determine to be  
 29 reasonable and expedient for effectuating the purposes for which the  
 30 authority was created. The bonds may be sold at such price as the au-  
 31 thority may accept, including sale at discount or premium.

32 (b) The bonds shall be executed by manual or facsimile signatures of  
 33 the chairperson of the board of directors and the president of the au-  
 34 thority or of any other director or officer of the authority authorized to  
 35 make such signature by resolution of the board of directors. In case any  
 36 of the officers whose signatures appear on the bonds or coupons shall  
 37 cease to be such officers before delivery of such bonds or coupons, their  
 38 signatures, nevertheless, shall be valid and sufficient for all purposes. The  
 39 authority shall adopt and use a seal in the execution and issuance of the  
 40 bonds, and each bond shall be impressed or imprinted with the seal of  
 41 the authority.

42 (c) It shall be plainly stated on the face of each bond that it has been  
 43 issued under this act, that the bonds shall be obligations only of the au-

approv

has been designated by the secretary of commerce and housing as

(d) If the authority proposes to establish a redevelopment district, the authority shall adopt a resolution stating that the authority is considering the establishment of a redevelopment district. Such resolution shall:

(1) Give notice as provided in subsection (h) of K.S.A. 74-8905 and amendments thereto that a public hearing will be held to consider the establishment of a redevelopment district and fix the date, hour and place of such public hearing;

(2) describe the proposed boundaries of the redevelopment district;

(3) describe a proposed comprehensive plan that identifies all of the proposed redevelopment project areas and that identifies in a general manner all of the buildings and facilities that are proposed to be constructed or improved in each redevelopment project area;

(4) state that a description and map of the proposed redevelopment district are available for inspection at a time and place designated;

(5) state that the authority will consider findings necessary for the establishment of a redevelopment district.

The authority upon approval of a resolution that it is considering the establishment of a redevelopment district shall mail by certified mail a copy of such resolution to the county commission in which the proposed redevelopment district is located not less than 10 days prior to the date of the public hearing.

(e) Upon the conclusion of the public hearing, the authority may adopt a resolution to make any findings required by subsection (a) and may establish the redevelopment district. Such resolution shall contain a comprehensive plan that identifies all of the proposed redevelopment project areas and identifies in a general manner all of the buildings and facilities that are proposed to be constructed or improved in each redevelopment project area. The boundaries of such district shall not include any area not designated in the notice required by subsection (d). Any addition of area to the redevelopment district or any substantial change to the comprehensive plan shall be subject to the same procedure for public notice and hearing as is required for the establishment of the district.

(f)

(g)

1 thory, and that, in no event, shall the bonds constitute an indebtedness  
2 of the state of Kansas or an indebtedness for which the faith and credit  
3 or taxing powers of the state of Kansas are pledged. The payment of the  
4 principal of, redemption premium, if any, or interest on the trustee's and  
5 paying agent's fees in connection with the bonds may be secured by a  
6 lien on and security interest in facilities financed by bonds issued here-  
7 under, by lien or pledge of loans made or mortgages purchased by the  
8 authority and any collateral security received by the authority, including  
9 without limitation the authority's interest in and any revenue derived from  
10 any loan, lease or other financing agreements. It shall not be necessary  
11 to the perfection of the lien and pledge for such purposes that the trustee  
12 in connection with such bond issue or the holders of the bonds take  
13 possession of the loans, mortgages and leases or collateral security.

14 New Sec. 4. (a) In addition to the other requirements of this act,  
15 bonds issued by the authority under subsection (e) of K.S.A. 74-8905 and  
16 amendments thereto, shall be issued only after the authority establishes  
17 a redevelopment district and ~~adopts~~ a redevelopment plan for a project  
18 of statewide as well as local importance in accordance with subsections  
19 (b) and (c).

20 (b) The authority may establish a district to be known as a "redevelop-  
21 opment district" within the state that is:

22 ~~(1) Suitable for the construction of facilities for a project of statewide~~  
23 ~~as well as local importance;~~

24 ~~(2) is then located outside the city limits of any city, and~~

25 ~~(3) as of January 1, 1900, was designated as a federal enclave within~~  
26 ~~the meaning of army regulation 405-20.~~

27 (c) A project of statewide as well as local importance may be under-  
28 taken by ~~the authority or a developer on behalf of the authority~~, in one  
29 or more phases, within a redevelopment district after the redevelopment  
30 district has been established by the authority. To establish a redevelop-  
31 ment district the authority shall adopt a resolution that describes the  
32 boundaries of the redevelopment district and makes the findings required  
33 by this subsection. Any addition of area to the redevelopment district shall  
34 be subject to the adoption of a resolution of the authority supplementing  
35 or amending the original resolution establishing the redevelopment dis-  
36 trict.

37 ~~(d)~~ Any redevelopment plan undertaken within the redevelopment  
38 district may be in separate development stages. Each plan shall be  
39 adopted according to the provisions of section 5, and shall fix a date for  
40 completion. Any project constituting a part of an approved redevelopment  
41 plan shall be completed within 20 years from the date of the establish-  
42 ment of the redevelopment district.

43 ~~(e)~~ Any increment in ad valorem property taxes resulting from a re-

1 development district undertaken in accordance with the provisions of this  
 2 act, shall be apportioned to a special fund for the payment of the costs  
 3 of the project of statewide as well as local importance, including the pay-  
 4 ment of principal and interest on any bonds issued to finance such project  
 5 pursuant to this act and may be pledged to the payment of principal and  
 6 interest on such bonds. The maximum maturity on bonds issued to fi-  
 7 nance projects of statewide as well as local importance pursuant to this  
 8 section and subsection (e) of K.S.A. 74-8905 and amendments thereto  
 9 shall not exceed 20 years. For the purposes of this act, "increment" means  
 10 that amount of ad valorem taxes collected from real property located  
 11 within the redevelopment district that is in excess of the amount which  
 12 is produced from such property and attributable to the assessed valuation  
 13 of such property prior to the date the redevelopment district was estab-  
 14 lished, as determined under the provisions of section 8.

from the date of establishment of the redevelopment district.

15 (4) Before any project of statewide as well as local importance is un-  
 16 dertaken, a comprehensive feasibility study, which shows the benefits  
 17 derived from such project will exceed the costs and that the income there-  
 18 from will be sufficient to pay for the project, shall be prepared. Such  
 19 feasibility study shall be an open public record.

(h)  
 by the developer and submitted to the secretary of commerce and housing and the authority and an agreement between the authority and the developer with respect to implementing the redevelopment plan shall have been executed.

20 New Sec. 5. (a) If the authority or a developer proposes to undertake  
 21 a project of statewide as well as local importance within a redevelopment  
 22 district established pursuant to section 4, the authority or the developer  
 23 shall prepare a redevelopment plan. The redevelopment plan shall in-  
 24 clude:

- 25 (1) A summary of the feasibility study required by section 4;
- 26 (2) a reference to the redevelopment district established under sec-  
 27 tion 4;
- 28 (3) a comprehensive description of the project of statewide as well as  
 29 local importance;
- 30 (4) a description and map of the area to be redeveloped;
- 31 (5) detailed description of the buildings and facilities proposed to be  
 32 constructed or improved in such area; and
- 33 (6) any other information the authority deems necessary to advise the  
 34 public of the intent of the plan.

plan  
 , the secretary of commerce and housing and the county commission for the county in which the redevelopment district is located

35 (b) A copy of the redevelopment shall be delivered to the authority.  
 36 The authority may adopt the redevelopment plan by resolution passed by  
 37 a majority of the board of directors of the authority. Any substantial  
 38 changes to the plan as adopted shall be subject to further review and  
 39 approval by the authority. A redevelopment plan may be adopted by the  
 40 authority at the same time the authority establishes a redevelopment dis-  
 41 trict under section 4.

pursuant to

42 New Sec. 6. The authority may use the proceeds of bonds issued  
 43 subsection (e) of K.S.A. 74-8905 and amendments thereto, or any uncom-

1 mitted funds derived from those sources set forth in section 7, to imple-  
2 ment the redevelopment plan including, the payment or reimbursement  
3 of all costs of the project of statewide as well as local importance.

4 New Sec. 7. Any bonds issued by the authority under subsection (e)  
5 of K.S.A. 74-8905 and amendments thereto to finance the undertaking  
6 of any project of statewide as well as local importance in accordance with  
7 the provisions of this act, shall be made payable, both as to principal and  
8 interest:

9 (a) From property tax increments allocated to, and paid into a special  
10 fund of the authority under the provisions of section 8;

11 (b) from revenues of the authority or the developer derived from or  
12 held in connection with the undertaking and carrying out of any rede-  
13 velopment plan under this act;

14 (c) from any private sources, contributions or other financial assis-  
15 tance from the state or federal government;

16 (d) from a pledge of a portion or all of the revenue received by the  
17 state from transient guest sales and use taxes collected pursuant to K.S.A.  
18 12-187 *et seq.*, 12-1696 *et seq.*, 79-3601 *et seq.* and 79-3701 *et seq.*, and  
19 amendments thereto, ~~and which are collected~~ from taxpayers doing busi-  
20 ness within that portion of the redevelopment district established pur-  
21 suant to section 4 occupied by a project of statewide as well as local  
22 importance;

for a period not to exceed 20 years after the date of  
establishment of the redevelopment district;

~~23 (e) (1) from a pledge of a portion or all increased revenue received  
24 by any city from franchise fees collected from utilities and other busi-  
25 nesses using public right-of-way within the redevelopment district;~~

~~26 (2) from a pledge of a portion or all of the revenue received by any  
27 city from sales taxes collected pursuant to K.S.A. 12-187, and amend-  
28 ments thereto; or~~

~~29 (3) by any combination of these methods.~~

30 (f) The authority may pledge such revenue to the repayment of such  
31 ~~special obligation~~ bonds prior to, simultaneously with, or subsequent to  
32 the issuance of such ~~special obligation~~ bonds.

33 New Sec. 8. (a) For the purposes of this act, the term "taxing sub-  
34 division" shall include the county, the city, the unified school district and  
35 any other taxing subdivision levying real property taxes, the territory or  
36 jurisdiction of which includes any currently existing or subsequently cre-  
37 ated redevelopment district. The term "real property taxes" includes all  
38 taxes levied on an ad valorem basis upon land and improvements thereon.

39 (b) All tangible taxable property located within a redevelopment dis-  
40 trict shall be assessed and taxed for ad valorem tax purposes pursuant to  
41 law in the same manner that such property would be assessed and taxed  
42 if located outside such district, and all ad valorem taxes levied on such  
43 property shall be paid to and collected by the county treasurer in the

1 same manner as other taxes are paid and collected. Except as otherwise  
 2 provided in this section, the county treasurer shall distribute such taxes  
 3 as may be collected in the same manner as if such property were located  
 4 outside a redevelopment district. Each redevelopment district established  
 5 under the provisions of this act shall constitute a separate taxing unit for  
 6 the purpose of the computation and levy of taxes.

7 (c) Beginning with the first payment of taxes which are levied follow-  
 8 ing the date of approval of any redevelopment district established pur-  
 9 suant to K.S.A. 74-8921, and amendments thereto, real property taxes  
 10 received by the county treasurer resulting from taxes which are levied  
 11 subject to the provisions of this act by and for the benefit of a taxing  
 12 subdivision, as herein defined, on property located within such redevelop-  
 13 opment district constituting a separate taxing unit under the provisions  
 14 of this section, shall be divided as follows:

15 (1) From the taxes levied each year subject to the provisions of this  
 16 act by or for each of the taxing subdivisions upon property located within  
 17 a redevelopment district constituting a separate taxing unit under the  
 18 provisions of this act, the county treasurer first shall allocate and pay to  
 19 each such taxing subdivision all of the real property taxes collected which  
 20 are produced from that portion of the current assessed valuation of such  
 21 real property located within such separate taxing unit which is equal to  
 22 the total assessed value of such real property on the date of the estab-  
 23 lishment of the redevelopment district.

24 (2) Any real property taxes produced from that portion of the current  
 25 assessed valuation of real property within the redevelopment district con-  
 26 stituting a separate taxing unit under the provisions of this section in  
 27 excess of an amount equal to the total assessed value of such real property  
 28 on the effective date of the establishment of the district shall be allocated  
 29 and paid by the county treasurer to the treasurer of the state and depos-  
 30 ited in the redevelopment bond finance fund of the authority which is  
 31 hereby created to pay the costs of the project of statewide as well as local  
 32 importance, including the payment of principal of and interest on any  
 33 bonds issued by the authority to finance, in whole or in part, such project.  
 34 When such bonds and interest thereon have been paid, all moneys there-  
 35 after received from real property taxes within such redevelopment district  
 36 shall be allocated and paid to the respective taxing subdivisions in the  
 37 same manner as are other ad valorem taxes. If such bonds and interest  
 38 thereon have been paid before the completion of a project, the authority  
 39 may continue to use such moneys for any purpose authorized by this act  
 40 until such time as the project costs are paid or reimbursed, but for a  
 41 period not to exceed 20 years from the date of the establishment of the  
 42 redevelopment district.

43 (d) In any redevelopment plan or in the proceedings for the issuing

3

1 of any bonds by the authority to finance a project of statewide as well as  
2 local importance, the property tax increment portion of taxes provided  
3 for in paragraph (2) of subsection (c) may be irrevocably pledged for the  
4 payment of the principal of and interest on such bonds. The authority  
5 may adopt a redevelopment plan in which only a specified percentage of  
6 the tax increment realized from taxpayers in the redevelopment district  
7 is pledged to the payment of costs of the project of statewide as well as  
8 local importance. The county treasurer shall allocate the specified per-  
9 centage of the tax increment to the treasurer of the state for deposit in  
10 the redevelopment bond finance fund of the authority to finance the costs  
11 of the project if the authority has other available revenues and pledges  
12 the revenues to the project in lieu of the tax increment. Any portion of  
13 such tax increment not allocated to the authority for the project shall be  
14 allocated and paid in the same manner as other ad valorem taxes.

15 New Sec. 9. (a) No later than 30 days prior to a meeting of the board  
16 of directors of the authority at which a redevelopment plan that contains  
17 the provisions authorized by section 5 is to be considered by the authority,  
18 the secretary of the authority shall transmit a copy of the proposed re-  
19 development plan to be considered by the authority to the clerk, assessor  
20 and treasurer of the county in which the redevelopment district is located  
21 and to the governing bodies of the county and school district which levy  
22 taxes upon any property in the redevelopment district. A representative  
23 of each office or jurisdiction receiving a copy of the proposed redevelop-  
24 ment plan under this subsection shall have the right to be present and  
25 heard at the meeting of the board of directors of the authority at which  
26 the redevelopment plan is first considered by the authority.

27 (b) For any year in which taxes are to be paid to the redevelopment  
28 bond finance fund established under subsection (c)(2) of section 8, any  
29 increase in assessed valuation of taxable tangible real property within the  
30 redevelopment district in excess of an amount equal to the total assessed  
31 value of such real property on the date of the establishment of the re-  
32 development district shall not be considered by any taxing subdivision in  
33 computing any debt limitation or for any other purpose except for the  
34 levy of taxes and in determining the amount to be paid to such fund.

35 (c) The appraiser of any county in which a redevelopment district is  
36 authorized by the authority shall certify the amount of such increase in  
37 assessed valuation of real and personal property within the redevelopment  
38 district to the county clerk on or before July 1 of each year.

39 New Sec. 10. As used in sections 10 through 13 of this act, the fol-  
40 lowing words and phrases shall have the meanings respectively ascribed  
41 to them herein:

42 (a) "Person" means an individual, firm, partnership, corporation, joint  
43 venture or other association of persons;

1 (b) "Hotel, motel or tourist court" means any structure or building  
 2 which contains rooms furnished for the purposes of providing lodging,  
 3 which may or may not also provide meals, entertainment or various other  
 4 personal services to transient guests, and which is kept, used, maintained,  
 5 advertised or held out to the public as a place where sleeping accom-  
 6 modations are sought for pay or compensation by transient or permanent  
 7 guests and having more than eight bedrooms furnished for the accom-  
 8 modation of such guests;

9 (c) "Transient guest" means a person who occupies a room in a hotel,  
 10 motel or tourist court for not more than 28 consecutive days;

11 (d) "Business" means any person engaged in the business of renting,  
 12 leasing or letting living quarters, sleeping accommodations, rooms or a  
 13 part thereof in connection with any motel, hotel or tourist court.

14 New Sec. 11. (a) Upon notification to the director of taxation that  
 15 the Kansas development finance authority has established a redevelop-  
 16 ment district pursuant to section 4, there is hereby imposed a tax at the  
 17 rate of 5% upon the gross receipts derived from or paid by transient guests  
 18 for sleeping accommodations, exclusive of charges for incidental services  
 19 or facilities, in any hotel, motel or tourist court located in a redevelopment  
 20 district established pursuant to section 4, ~~for so long as such district is not~~  
 21 ~~located within a city which imposes such a tax.~~

22 (b) Any transient guest tax levied pursuant to this section shall be  
 23 based on the gross rental receipts collected by any business.

24 (c) The taxes levied pursuant to this section shall be paid by the con-  
 25 sumer or user to the business and it shall be the duty of each and every  
 26 business to collect from the consumer or user the full amount of any such  
 27 tax, or an amount equal as nearly as possible or practicable to the average  
 28 equivalent thereto. Each business collecting any of the taxes levied here-  
 29 under shall be responsible for paying over the same to the state depart-  
 30 ment of revenue in the manner prescribed by section 12 and the state  
 31 department of revenue shall administer and enforce the collection of such  
 32 taxes.

33 New Sec. 12. (a) The tax levied and collected pursuant to section 11  
 34 shall become due and payable by the business monthly, on or before the  
 35 last day of the month immediately succeeding the month in which it is  
 36 collected, but any person filing an annual or quarterly return under the  
 37 Kansas retailers' sales tax act, as prescribed in K.S.A. 79-3607, and amend-  
 38 ments thereto, shall, upon such conditions as the secretary of revenue  
 39 may prescribe, pay the tax required by this act on the same basis and at  
 40 the same time such person pays the retailers' sales tax. Each business  
 41 shall make a true report to the department of revenue, on a form pre-  
 42 scribed by the ~~secretary of revenue~~, providing such information as may  
 43 be necessary to determine the amounts to which any such tax shall apply

director of taxation

1 for all gross rental receipts for the applicable month or months, which  
2 report shall be accompanied by the tax disclosed thereby. Records of gross  
3 rental receipts shall be kept separate and apart from the records of other  
4 retail sales made by a business in order to facilitate the examination of  
5 books and records as provided herein.

6 (b) The secretary of revenue or the secretary's authorized representa-  
7 tive shall have the right at all reasonable times during business hours  
8 to make such examination and inspection of the books and records of a  
9 business as may be necessary to determine the accuracy of such reports.

director of taxation

10 (c) The ~~Secretary of revenue~~ is hereby authorized to administer and  
11 collect the transient guest tax levied pursuant to this act and to adopt such  
12 rules and regulations as may be necessary for the efficient and effective  
13 administration and enforcement of the collection thereof. Whenever any  
14 business liable to pay any transient guest tax refuses or neglects to pay  
15 the same, the amount, including any penalty, shall be collected in the  
16 manner prescribed for the collection of the retailers' sales tax by K.S.A.  
17 79-3617, and amendments thereto. All of the taxes collected under the  
18 provisions of this act shall be paid into the state treasury daily by the  
19 ~~secretary of revenue~~, and all moneys shall be credited at least quarterly  
20 by the state treasurer as directed in section 15.

director of taxation

21 New Sec. 13. (a) If any taxpayer shall fail to pay the tax levied pur-  
22 suant to section 11 at the time required by or under the provisions of  
23 section 12 there shall be added to the unpaid balance of the tax, interest  
24 at the rate per month prescribed by subsection (a) of K.S.A. 79-2968, and  
25 amendments thereto, from the date the tax was due until paid.

26 (b) If any taxpayer due to negligence or intentional disregard fails to  
27 file a return or pay the tax due at the time required by or under the  
28 provisions of section 12 there shall be added to the tax a penalty in an  
29 amount equal to 10% of the unpaid balance of tax due.

30 (c) If any person fails to make a return, or to pay any tax, within 30  
31 days after notice from the director, except in the case of an extension of  
32 time granted by the director, there shall be added to the tax due a penalty  
33 equal to 25% of the amount of such tax.

34 (d) If any taxpayer, with fraudulent intent, fails to pay any tax or make,  
35 render or sign any return, or to supply any information, within the time  
36 required by or under the provisions of section 12 there shall be added to  
37 the tax a penalty in an amount equal to 50% of the unpaid balance of tax  
38 due.

of taxation

39 (e) Penalty or interest applied under the provisions of subsections (a),  
40 and (d) shall be in addition to the penalty added under any other provi-  
41 sions of this section, but the provisions of subsections (b) and (c) shall be  
42 mutually exclusive of each other.

43 (f) Whenever, in the judgment of the director, the failure of the tax-



1 payer to comply with the provisions of subsections (b) and (c) was due to  
2 reasonable causes and not willful neglect, the director may waive or re-  
3 duce any of the penalties upon making a record of the reasons therefor.

4 (g) In addition to all other penalties provided by this section, any  
5 person who willfully fails to make a return or to pay any tax imposed  
6 under section 11 or who makes a false or fraudulent return, or fails to  
7 keep any books or records necessary to determine the accuracy of the  
8 person's reports, or who willfully violates any regulations of the secretary  
9 of revenue, for the enforcement and administration of the provisions of  
10 sections 10 through 12, or who aids and abets another in attempting to  
11 evade the payment of any tax imposed by section 11 or who violates any  
12 other provision of sections 10 through 12, upon conviction thereof, shall  
13 be fined not less than \$100 nor more than \$1,000, or be imprisoned in  
14 the county jail not less than one month nor more than six months, or be  
15 both so fined and imprisoned, in the discretion of the court.

16 Sec. 14. K.S.A. 79-3603 is hereby amended to read as follows: 79-  
17 3603. For the privilege of engaging in the business of selling tangible  
18 personal property at retail in this state or rendering or furnishing any of  
19 the services taxable under this act, there is hereby levied and there shall  
20 be collected and paid a tax at the rate of 4.9%, *except that within a*  
21 *redevelopment district established pursuant to section 4, the tax shall be*  
22 *paid at the rate of 5.9%, but only until such time as the bonds issued to*  
23 *finance or refinance the redevelopment project undertaken in the district*  
24 *have been paid in full;*

the earlier of: (1) the date

; or (2) 20 years after establishment of the redevelopment district

25 (a) The gross receipts received from the sale of tangible personal  
26 property at retail within this state;

27 (b) (1) the gross receipts from intrastate telephone or telegraph serv-  
28 ices and (2) the gross receipts received from the sale of interstate tele-  
29 phone or telegraph services, which (A) originate within this state and  
30 terminate outside the state and are billed to a customer's telephone num-  
31 ber or account in this state; or (B) originate outside this state and ter-  
32 minate within this state and are billed to a customer's telephone number  
33 or account in this state except that the sale of interstate telephone or  
34 telegraph service does not include: (A) Any interstate incoming or out-  
35 going wide area telephone service or wide area transmission type service  
36 which entitles the subscriber to make or receive an unlimited number of  
37 communications to or from persons having telephone service in a speci-  
38 fied area which is outside the state in which the station provided this  
39 service is located; (B) any interstate private communications service to  
40 the persons contracting for the receipt of that service that entitles the  
41 purchaser to exclusive or priority use of a communications channel or  
42 group of channels between exchanges; (C) any value-added nonvoice  
43 service in which computer processing applications are used to act on the

- 1 form, content, code or protocol of the information to be transmitted; (D)  
2 any telecommunication service to a provider of telecommunication serv-  
3 ices which will be used to render telecommunications services, including  
4 carrier access services; or (E) any service or transaction defined in this  
5 section among entities classified as members of an affiliated group as  
6 provided by federal law (U.S.C. Section 1504);
- 7 (c) the gross receipts from the sale or furnishing of gas, water, elec-  
8 tricity and heat, which sale is not otherwise exempt from taxation under  
9 the provisions of this act, and whether furnished by municipally or pri-  
10 vately owned utilities;
- 11 (d) the gross receipts from the sale of meals or drinks furnished at  
12 any private club, drinking establishment, catered event, restaurant, eating  
13 house, dining car, hotel, drugstore or other place where meals or drinks  
14 are regularly sold to the public;
- 15 (e) the gross receipts from the sale of admissions to any place pro-  
16 viding amusement, entertainment or recreation services including admis-  
17 sions to state, county, district and local fairs, but such tax shall not be  
18 levied and collected upon the gross receipts received from sales of ad-  
19 missions to any cultural and historical event which occurs triennially;
- 20 (f) the gross receipts from the operation of any coin-operated device  
21 dispensing or providing tangible personal property, amusement or other  
22 services except laundry services, whether automatic or manually operated;
- 23 (g) the gross receipts from the service of renting of rooms by hotels,  
24 as defined by K.S.A. 36-501 and amendments thereto, or by accommo-  
25 dation brokers, as defined by K.S.A. 12-1692, and amendments thereto;
- 26 (h) the gross receipts from the service of renting or leasing of tangible  
27 personal property except such tax shall not apply to the renting or leasing  
28 of machinery, equipment or other personal property owned by a city and  
29 purchased from the proceeds of industrial revenue bonds issued prior to  
30 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through  
31 12-1749, and amendments thereto, and any city or lessee renting or leas-  
32 ing such machinery, equipment or other personal property purchased  
33 with the proceeds of such bonds who shall have paid a tax under the  
34 provisions of this section upon sales made prior to July 1, 1973, shall be  
35 entitled to a refund from the sales tax refund fund of all taxes paid  
36 thereon;
- 37 (i) the gross receipts from the rendering of dry cleaning, pressing,  
38 dyeing and laundry services except laundry services rendered through a  
39 coin-operated device whether automatic or manually operated;
- 40 (j) the gross receipts from the rendering of the services of washing  
41 and washing and waxing of vehicles;
- 42 (k) the gross receipts from cable, community antennae and other sub-  
43 scriber radio and television services;

1 (l) the gross receipts received from the sales of tangible personal  
2 property to all contractors, subcontractors or repairmen of materials and  
3 supplies for use by them in erecting structures for others, or building on,  
4 or otherwise improving, altering, or repairing real or personal property  
5 of others;

6 (m) the gross receipts received from fees and charges by public and  
7 private clubs, drinking establishments, organizations and businesses for  
8 participation in sports, games and other recreational activities, but such  
9 tax shall not be levied and collected upon the gross receipts received from:  
10 (1) Fees and charges by any political subdivision, or any youth recreation  
11 organization exclusively providing services to persons 18 years of age or  
12 younger which is exempt from federal income taxation pursuant to section  
13 501(c)(3) of the federal internal revenue code of 1986, for participation  
14 in sports, games and other recreational activities; and (2) entry fees and  
15 charges for participation in a special event or tournament sanctioned by  
16 a national sporting association to which spectators are charged an admis-  
17 sion which is taxable pursuant to subsection (e);

18 (n) the gross receipts received from dues charged by public and pri-  
19 vate clubs, drinking establishments, organizations and businesses, pay-  
20 ment of which entitles a member to the use of facilities for recreation or  
21 entertainment;

22 (o) the gross receipts received from the isolated or occasional sale of  
23 motor vehicles or trailers but not including: (1) The transfer of motor  
24 vehicles or trailers by a person to a corporation solely in exchange for  
25 stock securities in such corporation; or (2) the transfer of motor vehicles  
26 or trailers by one corporation to another when all of the assets of such  
27 corporation are transferred to such other corporation; or (3) the sale of  
28 motor vehicles or trailers which are subject to taxation pursuant to the  
29 provisions of K.S.A. 79-5101 et seq., and amendments thereto, by an  
30 immediate family member to another immediate family member. For the  
31 purposes of clause (3), immediate family member means lineal ascendants  
32 or descendants, and their spouses. In determining the base for computing  
33 the tax on such isolated or occasional sale, the fair market value of any  
34 motor vehicle or trailer traded in by the purchaser to the seller may be  
35 deducted from the selling price;

36 (p) the gross receipts received for the service of installing or applying  
37 tangible personal property which when installed or applied is not being  
38 held for sale in the regular course of business, and whether or not such  
39 tangible personal property when installed or applied remains tangible  
40 personal property or becomes a part of real estate, except that no tax shall  
41 be imposed upon the service of installing or applying tangible personal  
42 property in connection with the original construction of a building or  
43 facility or the construction, reconstruction, restoration, replacement or

1 repair of a bridge or highway.

2 For the purposes of this subsection:

3 (1) "Original construction" shall mean the first or initial construction  
4 of a new building or facility. The term "original construction" shall include  
5 the addition of an entire room or floor to any existing building or facility,  
6 the completion of any unfinished portion of any existing building or fa-  
7 cility and the restoration, reconstruction or replacement of a building or  
8 facility damaged or destroyed by fire, flood, tornado, lightning, explosion  
9 or earthquake, but such term shall not include replacement, remodeling,  
10 restoration, renovation or reconstruction under any other circumstances:

11 (2) "building" shall mean only those enclosures within which individ-  
12 uals customarily live or are employed, or which are customarily used to  
13 house machinery, equipment or other property, and including the land  
14 improvements immediately surrounding such building; and

15 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water  
16 well, feedlot or any conveyance, transmission or distribution line of any  
17 cooperative, nonprofit, membership corporation organized under or sub-  
18 ject to the provisions of K.S.A. 17-4601 et seq., and amendments thereto,  
19 or of any municipal or quasi-municipal corporation, including the land  
20 improvements immediately surrounding such facility;

21 (q) the gross receipts received for the service of repairing, servicing,  
22 altering or maintaining tangible personal property, except computer soft-  
23 ware described in subsection (s), which when such services are rendered  
24 is not being held for sale in the regular course of business, and whether  
25 or not any tangible personal property is transferred in connection there-  
26 with. The tax imposed by this subsection shall be applicable to the services  
27 of repairing, servicing, altering or maintaining an item of tangible personal  
28 property which has been and is fastened to, connected with or built into  
29 real property;

30 (r) the gross receipts from fees or charges made under service or  
31 maintenance agreement contracts for services, charges for the providing  
32 of which are taxable under the provisions of subsection (p) or (q);

33 (s) the gross receipts received from the sale of computer software,  
34 and the sale of the services of modifying, altering, updating or maintaining  
35 computer software. As used in this subsection, "computer software"  
36 means information and directions loaded into a computer which dictate  
37 different functions to be performed by the computer. Computer software  
38 includes any canned or prewritten program which is held or existing for  
39 general or repeated sale, even if the program was originally developed  
40 for a single end user as custom computer software. The sale of computer  
41 software or services does not include: (1) The initial sale of any custom  
42 computer program which is originally developed for the exclusive use of  
43 a single end user; or (2) those services rendered in the modification of

the earlier of: (1) the date

; or (2) 20 years after the establishment of the redevelopment district

New Sec. 17. The secretary of commerce and housing, the state treasurer, the director of taxation, any bond trustee or fiscal agent are authorized to enter into agreements in connection with the implementation of any redevelopment project with a redevelopment district established pursuant to section 4 of this act.

18

19

1 computer software when the modification is developed exclusively for a  
2 single end user only to the extent of the modification and only to the  
3 extent that the actual amount charged for the modification is separately  
4 stated on invoices, statements and other billing documents provided to  
5 the end user. The services of modification, alteration, updating and main-  
6 tenance of computer software shall only include the modification, alter-  
7 ation, updating and maintenance of computer software taxable under this  
8 subsection whether or not the services are actually provided; and

9 (t) the gross receipts received for telephone answering services, in-  
10 cluding mobile phone services, beeper services and other similar services.

11 Sec. 15. K.S.A. 79-3703 is hereby amended to read as follows: 79-  
12 3703. There is hereby levied and there shall be collected from every  
13 person in this state a tax or excise for the privilege of using, storing, or  
14 consuming within this state any article of tangible personal property. Such  
15 tax shall be levied and collected in an amount equal to the consideration  
16 paid by the taxpayer multiplied by the rate of 4.9%, *except that within a*  
17 *redevelopment district established pursuant to section 4, the rate shall be*  
18 *5.9%.* ~~but only until such time as the bonds issued to finance or refinance~~  
19 *the redevelopment project undertaken in the district have been paid in*  
20 *fully.* All property purchased or leased within or without this state and  
21 subsequently used, stored or consumed in this state shall be subject to  
22 the compensating tax if the same property or transaction would have been  
23 subject to the Kansas retailers' sales tax had the transaction been wholly  
24 within this state.

25 New Sec. 16. All revenues collected or received from the state tran-  
26 sient guest tax established pursuant to sections 10 through 13, the state  
27 retailers' sales tax pursuant to K.S.A. 79-3603 and amendments thereto  
28 and the state compensating use tax, pursuant to K.S.A. 79-3703 and  
29 amendments thereto, which have been certified by the director of taxation  
30 to have been derived from taxpayers located in a redevelopment district  
31 shall be remitted to the state treasurer. The state treasurer shall credit  
32 all such revenues to the redevelopment bond fund established pursuant  
33 to section 4. The state treasurer shall make such biannual distributions  
34 on dates mutually agreed upon by the treasurer and the authority. The  
35 authority shall use all such moneys received pursuant to this section to  
36 pay the costs of a redevelopment project of statewide as well as local  
37 importance as described in K.S.A. 74-8902, and amendments thereto.

38 ~~Sec. 14.~~ K.S.A. 74-8907, 79-3603 and 79-3703 and K.S.A. 1997 Supp.  
39 74-8902 and 74-8905 are hereby repealed.

40 Sec. ~~15.~~ This act shall take effect and be in force from and after its  
41 publication in the Kansas register.

**PRESENTATION TO THE COMMERCE COMMITTEE  
OF THE KANSAS SENATE**

**INTRODUCTION**

Tom Gibson: Vice President - Investment Banking  
Dick Murray: Vice President and Manager  
National Real Estate Group

A.G. Edwards & Sons, Inc. has been engaged by the Oz Entertainment Company (OEC) to review the viability of a sales tax and revenue bond issue (STAR Bonds) to capitalize a projected sales tax revenue stream. Proceeds of such issue would help fund the costs of constructing a \$600+ million theme park and destination resort (the "Project") based on the Wonderful World of Oz and other Oz books and characters created by L. Frank Baum.

A.G. Edwards is a full service securities firm based in St. Louis, Missouri. The firm maintains over 600 offices nationwide employing about 6,300 investment brokers. A.G. Edwards is the fourth largest securities firm in the country, the largest based outside of New York.

In the tax-exempt market, A.G. Edwards is the 10th most active participant. In 1997, the firm managed over \$30 billion in financings. In the state of Kansas, A.G. Edwards managed \$211 million in financings in 1997, including a \$109 million senior managed financing for the Kansas Development Financing Authority.

**NATURE OF A.G. EDWARDS' ROLE**

A.G. Edwards has been working with OEC since April 1997. We have been advising on STAR Bond structuring alternatives that maximize the impact of projected sales taxes and other taxes generated by the Project. In addition, we have helped develop the overall proposed capital structure for OEC. A.G. Edwards will continue working in these capacities until the successful conclusion of a STAR Bond financing. With issuer approval, A.G. Edwards will be the senior manager of the proposed OEC STAR Bond offering.

Senate Commerce Committee

Date *3-04-98*

Attachment # *2-1 thru 2-3*

## **STAR BOND STRUCTURE**

A.G. Edwards has recommended a STAR Bond issuance broken into two series: a senior lien series to be sold with debt service coverage of 1.75Xs or greater, and a junior lien series sold with combined coverage of 1.25Xs. This bifurcation is necessary because of the uncertainty of the tax revenue projections and the start-up nature of the Project. The senior lien STAR Bonds would be sold unenhanced and would have a priority lien on sales and occupancy tax revenues from the Project. The junior lien STAR Bonds would be sold to strategic investors, or carry third party enhancement such as a federal government guarantee (see below). Based on OEC projections, A.G. Edwards believes that an amount of STAR Bonds can be issued consistent with the overall capital plan.

### **JUNIOR LIEN STAR BONDS**

If the Project is constructed on the Sunflower site, a federal government guarantee may be available for some portion of a junior lien series of STAR Bonds. The authority for such a guarantee is granted by the Armament Retooling and Manufacturing Support (ARMS) program which was established by an Act of Congress in 1993. ARMS is an opportunity for private businesses to utilize government ammunition industrial facilities and equipment. To promote this effort, the Army under the auspices of the ARMS program, can make a number of incentives available to private entities, including loan guarantees.

If this guarantee is not sufficient to justify the needed amount of STAR Bonds, A.G. Edwards has recommended two alternative ways to structure the junior lien STAR Bonds. The first alternative would be to sell these bonds to strategic partners that have a vested interest in seeing the Project open. The second alternative would be to pledge the proceeds of a property tax increment finance issue to the repayment of junior lien STAR Bonds if sales tax revenues do not meet certain targets.

## TIMING

OEC is currently negotiating with a provider of a maximum price construction contract guarantee. Once the common equity is in place, funds will be available to complete the design and architectural drawings, update third party reports, and finalize budgets. These are the prerequisites in order for the issuer of the maximum price construction contract guarantee to issue such guarantee. This guarantee will be the last requirement before STAR Bonds can be issued to public investors.

After the maximum price construction contract guarantee is issued, A.G. Edwards will begin marketing the proposed STAR Bond issue. Funding is currently scheduled for early 1999 for the STAR Bonds and the senior debt facility. Project groundbreaking is scheduled for March 1999 with completion in May of 2001.

## CONCLUSION

A.G. Edwards has reviewed information provided to us by OEC, including various consulting reports. Based on this information, representations made to us by OEC and others, and current market conditions, A.G. Edwards is confident that a STAR Bond issue can be structured to secure the proceeds necessary to make the entire capital plan feasible.

In the near term OEC expects to engage another national investment bank to raise the preferred stock and senior debt for the Project. A.G. Edwards will work closely with this investment bank.

With close cooperation from the state of Kansas, A.G. Edwards believes this Project can become a reality.