

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by Chairperson Carlos Mayans at 3:30 p.m. on February 22, 2000 in Room 519-S of the State Capitol.

All members were present.

Committee staff present: Michael Heim, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Theresa Kiernan, Office of the Revisor of Statutes
Lois Hedrick, Committee Secretary

Conferees appearing before the committee:

Senator Paul Feleciano, Jr.
Tom Powell, Attorney for Oaklawn Improvement District, Wichita
Gregory Ferris, Governmental Affairs Consultant, Wichita
William Jarrell, The Boeing Company, Wichita
Don Moler, League of Kansas Municipalities

Others attending: See Guest List, Attachment 1

The Chair explained that the meeting had been quickly called and posted in order to hear **HB 2877** (annexation of land located within an industrial district; limitations). He noted the committee approved introduction of the bill on February first. This hearing had been withheld until all involved parties were comfortable with the bill's provisions.

Senator Feleciano thanked the committee for hearing the bill and stated it affects a large part of the district he represents. He then introduced Tom Powell, Attorney for the Oaklawn Improvement District which had requested the bill (see Attachment 2). Mr. Powell stated the citizens of Oaklawn Improvement District (located southeast of Wichita, near the Boeing Company) are exploring the possibility of converting the district into a third class city. In 1997, Boeing was detached from the District and agreed to be subject to ad valorem taxes on general obligation bonds, in the amount of \$1,500,000 for rehabilitating sanitary sewers, that were outstanding at that time. Before proceeding to forming a city, the District asks it be given authority to enter into a 20-year non-annexation agreement with The Boeing Company to insure their payment of taxes on those outstanding bonds. Without this authority, Boeing would not be obligated to continue tax payments on the bonds, and the resulting tax increase would make it unaffordable for area residents to form a city.

Mr. Powell stated he and officials from the Oaklawn District met with officials of The Boeing Company, Wichita, and Sedgwick County to determine if there was any opposition to the bill. He indicated it is his understanding there is no opposition to the bill at this time.

Representative Shriver indicated the bill, if passed, could set precedent and other areas of the state could come forward with similar requests for legislation.

Gregory Ferris stated he had been hired by the Oaklawn District's Board to meet with Boeing and Wichita and Sedgwick County Commissioners, and noted there are no tax issues affected by **HB 2877**; it only affects the authority of the Oaklawn District to negotiate with Boeing. Without the bill there would be no negotiation.

William Jarrell, representing The Boeing Company, stated the company has taken no position on the bill at this time. Also, Don Moler of the League of Kansas Municipalities, stated the League has taken no position on the bill.

Representative Flower moved, and Representative Dahl seconded, that **HB 2877** be tabled. On voice vote, in the opinion of the Chair, the motion failed.

CONTINUATION SHEET

Representative Storm moved that HB 2877 be passed favorably. Representative Welshimer seconded the motion. In discussion, Representative Jeff Peterson noted that he was not comfortable with the bill and he opposed the motion. Representative Ethel Peterson noted her support since all of the South Central Legislative Delegation (four of whom are on the committee) indicated their support. On call of the motion, on voice vote, the motion was passed.

The minutes of the committee meetings held on February 15 and February 17, 2000 were approved.

The meeting was adjourned at 5:40 p.m.

The next meeting of the committee is on call.

**HOUSE COMMITTEE ON LOCAL GOVERNMENT
GUEST LIST
FEBRUARY 22, 2000**

[PLEASE PRINT]

NAME	REPRESENTING
Greg Ferris Ferris Consulting	Oaklawn Improved Dist
Tom Powell	OAKLAWN Improved Dist
Ron Shaver	Rep. David Hoff (KD)
Don Moler	LKM
Bill Jancee	BOEING
Dick Bauman	KDOT
Senator Paul Heacox	

**TESTIMONY BEFORE THE
HOUSE OF REPRESENTATIVES
LOCAL GOVERNMENT COMMITTEE**

HOUSE BILL NO. 2877

**Presented by Tom Powell
Hinkle Elkouri Law Firm L.L.C.
On Behalf of the Oaklawn Improvement District**

I am here today as the attorney for the Oaklawn Improvement District. In that regard, I stand before this Committee to testify as a proponent for House Bill No. 2877. The Oaklawn Improvement District is located southeast of the City of Wichita; the Boeing Company is to the east; the Arkansas River is to the west; another improvement district, the Sunview Improvement District, is to the north and the City of Derby is located to the South.

The Oaklawn Improvement District is a governmental entity that was created in the 1950s by the Sedgwick County Board of Commissioners under authority of the Improvement District Act (K.S.A. 19-2753 *et seq.*). Most of the homes located within the Oaklawn Improvement District were originally built in the 1950s to provide housing for Boeing workers. At this time there exists within the Oaklawn Improvement District approximately 1,100 households with an estimated population of over 3,000 persons. As an improvement district, the Oaklawn Improvement District operates a sanitary sewer and also operates a community facility that is located within the Oaklawn Improvement District. In addition, the Oaklawn Improvement District operates a park that is located within the Oaklawn Improvement District adjacent to the Arkansas River. The Oaklawn Improvement District has been involved in many other activities that have resulted in betterments to the area.

In the recent past the Board of the Oaklawn Improvement District and many of its citizens have been looking into the possibility of converting the improvement district into a new third class city.

One of the first steps that Oaklawn must take before it can seriously study the possibility of becoming a city is the passage by the state legislature of House Bill No. 2877. The background for this Bill is that property owned by The Boeing Company was detached from the Oaklawn Improvement District in 1997. At the time that the Boeing property was detached an ad valorem tax was being levied against the Boeing property to pay for a portion of the principal and interest payments due on Oaklawn Improvement District general obligation bonds. The state statute that allowed The Boeing Company land to be detached provided that after the detachment, detached property would continue to be subject to ad

valorem taxes to pay for general obligation bonds of an improvement district that were outstanding at the time of detachment until such bonds are paid.

If Oaklawn becomes a city under existing statutes, the city would assume responsibility for paying for all outstanding general obligation bonds of the improvement district that were outstanding at the time that the Oaklawn area went from an improvement district to a city. The results would be that the city could not collect an ad valorem tax from the detached Boeing property to pay for bonds that were outstanding at the time The Boeing Company property was detached from the improvement district. The city would have to levy a mill levy to pay for the bonds that would be 20 mills higher than the mill levy now being levied with the Boeing property included. This would make becoming a city unaffordable.

House Bill No. 2877, if passed, will give authority to the Oaklawn Improvement District to enter into a twenty year non-annexation agreement with the Boeing Industrial District. The Bill also provides that any land detached from the improvement district will continue to be liable for its proportionate share of outstanding bonds of the improvement district when the payment of the bonds is assumed by a newly formed city that takes over territory of an improvement district if the improvement district, prior to the city taking over, entered into a non-annexation agreement with an industrial district that includes the detached area within its boundaries. A twenty year non-annexation agreement entered into by an improvement district is binding upon a new city that takes over the improvement district.

The passage of House Bill No. 2877 does not mean that Oaklawn will become a city. The passage of House Bill No. 2877 instead makes it economically feasible for Oaklawn to continue to explore the possibility of becoming a city. At this time The Boeing Company, the City of Wichita and Sedgwick County have all three advised that they do not object to the passage of House Bill No. 2877. This does not mean that these entities will not, in the future, be opposed to Oaklawn actually becoming a city. The passage of this Bill only means that the citizens of Oaklawn can explore the possibility of becoming a city.

I want to thank the Committee for taking the time to listen to my testimony on this Bill.

cc: Oaklawn Improvement District