

## MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on February 01, 2001 in Room 123-S of the Capitol.

All members were present except: Senator Kerr

Committee staff present: April Holman, Legislative Research Department  
Robert Nugent, Revisor of Statutes  
Lea Gerard, Secretary

Conferees appearing before the committee: Leroy Alsup, City of Coffeyville  
Loren Medley, KEPCo  
Mike Mabrey, S.E. Kansas  
Jerry Lindberg, City of Pittsburg

Others attending: Guest List unavailable.

Mike Taylor, City of Wichita submitted reports to Committee members on the status and progress of two groundwater contamination areas. Ten years ago the City of Wichita sought changes to allow the establishment of environmental tax increment finance (TIF) for the clean-up of the two groundwater contamination areas, Downtown Wichita and the North Industrial District. Legislation required that every two years a report was to be filed on the status and progress of the two projects and submitted the first month of the legislative session to the Senate Commerce Committee and the House New Economy Committee (Attachment 1).

Senator Umbarger introduced Leroy Alsup, City Manager of Coffeyville. Members received information for the City of Coffeyville on their successes, investments and some of the issues of concern. (Attachment 2)

Mike Mabrey, Executive Director for Southeast Kansas, Inc. gave a brief summary of the objectives and needs in southeast Kansas (Attachment 3). Southeast Kansas formed an economic alliance to address the economic future of Southeast Kansas and the combination included leaders from major employers, Chambers of Commerce, education, agriculture, elected and government officials. They were formed to address five challenges that all local communities face in a new global economy: 1) to build on their strengths and unite all sectors in the community to achieve a common goal; 2) to increase business collaboration so that small enterprises can adopt the best practices; 3) develop communities that attract and welcome outside investment as well as growing local business enterprise; 4) build a workforce that is globally skilled, learning oriented, adaptable and perform at high standards; 5) develop leadership through community service.

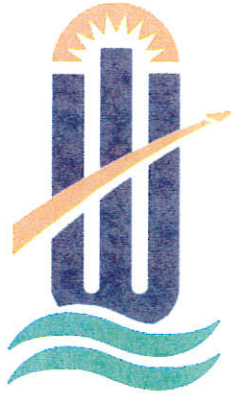
Jerry Lindberg, Director Economic Development City of Pittsburg gave an overview of three main economic development efforts that need to be retained or broadened to enhance the quality of life in Pittsburg, Crawford County and Southeast Kansas (Attachment 4).

Loren Medley, KEPCo Business Development Coordinator gave a summary of his involvement on rural economic development for the Kansas Electric Power Cooperative, Inc. (KEPCo) (Attachment 5).

Senator Steineger moved, seconded by Senator Brungardt that the Minutes of January 24 and 25, 2001 be approved. Motion carried.

The meeting was adjourned at 9:30 a.m.

The next meeting is scheduled for February 2, 2001 at 8:30 a.m.



CITY OF  
WICHITA

**Gilbert & Mosley  
Tax Increment Financing District**

**REPORT TO THE  
LEGISLATURE**

Senate Commerce Committee  
House New Economy Committee

January 2001

Senate Commerce Committee  
February 1, 2001  
Attachment 1-1

**Senate Commerce Committee  
House New Economy Committee**

**City of Wichita – Gilbert & Mosley Tax Increment Financing District  
2001 Report to the Legislature**

The Gilbert & Mosley Tax Increment Financing (TIF) Redevelopment District was established by the City of Wichita in 1991 as a secondary funding source for the investigation and remediation of the KDHE identified groundwater contamination site known as Gilbert and Mosley. This document is the 2001 biennial report to the Kansas Legislature on the status of the investigation and remediation project as required by K.S.A. 12-1771a(g). This report also supports legislation to extend the time that TIF funding may be used for environmental projects.

**Background**

The Gilbert & Mosley Site is located in Wichita, Kansas, and is approximately four miles long and 2 miles wide, encompassing approximately 3,850 acres. The land use within the Site is diversified and ranges from residential and recreational to commercial and industrial. It includes the Core Area.

In 1990, the Kansas Department of Health and Environment (KDHE) released a site investigation report that identified an area of groundwater contamination consisting of various chemicals of concern, particularly volatile organic compounds. KDHE recommended that the Site be evaluated for Superfund listing. In response to the KDHE determination, City of Wichita officials and members of the community voiced concern about the impact of these contaminants to human health and the environment. Also of concern was the resulting economic threat to property values and Core Area revitalization plans. The presence of the contamination posed issues of potential environmental liability that resulted in a reluctance of lending institutions to make loans for real estate purchases, business expansions or structure renovations.

In 1991, the City of Wichita assumed responsibility for the investigation and clean-up of the Gilbert & Mosley Site by creating a unique partnership with the business and financial community and local and state governments. The Gilbert & Mosley Site Project was initiated by the City after extensive community participation and support by citizens, local official, legislators, business representatives, and others. This project was intended to protect the health of the community while lifting the cloud of uncertainty that hung over Core Area after the discovery of groundwater contamination.

The Gilbert & Mosley Project is comprised of the following elements:

1. Environmental Study: Camp Dresser & McKee (CDM) was hired as the City's environmental engineer in February of 1991. Its field investigation of the Site was completed in July of 1992. Thereafter, CDM did the analytical work and prepared a Remedial Investigation/Feasibility Study (RI/FS). The RI/FS was submitted to KDHE in October of 1992. After revision and public comment, KDHE issued a Corrective Action Decision (CAD) in September of 1994, which identified cleanup standards and methods.

2. Kansas Department of Health and Environment (KDHE) and City of Wichita Settlement Agreement. On March 26, 1991, the City of Wichita entered into a voluntary Settlement Agreement with KDHE in which the City agreed to undertake the responsibility for the investigation and clean-up of groundwater contamination in the Gilbert & Mosley Site. The KDHE Agreement gave the City the authority to issue Certificates of Release to property owners, lenders, and others located within the Site who did not contribute to the contamination.
3. City of Wichita and Coleman Company Inc. Agreement. In 1991, the City entered into an agreement with one of the Potential Responsible Parties (PRPs), The Coleman Company, under which Coleman agreed to pay for the cost of the investigation (RI/FS), subject to future reallocation. A formula was established by which Coleman would pay its fair share of the cost of the clean-up.
4. TIF Legislation. During the 1991 Kansas Legislative Session, the City of Wichita sought changes to the State of Kansas "tax increment finance" law and amendments to the "cash basis" statutes. These changes allowed for the creation of tax increment financing districts for environmental conditions and enabled the City to commit operating revenues for more than one year (since the project was originally thought to be a 20 year project). During the legislative session statutes were amended to allow the City of Wichita to create an environmental TIF district for the Site. The legislation also allowed up to 20% of the district's ad valorem taxes to be used as a "secondary" financing source to supplement the financial contributions from the PRPs. Funds guarantee the financial ability to perform the clean-up and to provide actual funding for that portion of the costs that can not be recovered from responsible parties. tax increment finance
5. Certificate of Release and Lending Institutions. A number of lending institutions in Wichita entered into agreements stating that institutions will not refuse to make loans based solely on "environmental liability." To date, approximately 3500 certificates have been issued on properties in the Site and they continue to be available to eligible property owners. Certificates continue to facilitate real estate transactions and lending on properties located within the Site. Parties who hold Certificates of Release are entitled to the contribution protection that is provided under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). A holder of a Certificate of Release should not be subject to claims for response costs at the Site, as long as the certificate holder has provided information in its application for the certificate that is not false or misleading.
6. Citizen Involvement. Public input and participation in the project was gained through a citizen's advisory committee, a citizen's technical committee, and through the dissemination of public information. The City of Wichita created the two groups for the purpose of communicating information to the public and utilizing the expertise of the committee members to assist in implementation of the technical and non-technical aspects of the project.

7. Pursuit of Financial Support. The City committed to identify and vigorously pursue (through voluntary efforts or litigation) financial participation by all parties that contributed to the groundwater contamination. The City of Wichita realized that the funding mechanisms in place through the TIF and the Coleman Agreement would provide only part of the total cost of the project.

Remediation of the groundwater contamination of the Gilbert & Mosley Site is the underlying purpose of all of the effort and expenses of this project. An important concept of the City's innovative approach to a contaminated site was to avoid the remediation delays that have occurred in so many Superfund sites across the county. In planning and in reality, remedial investigation and design has been able to proceed on a concurrent track with the efforts to secure cost contribution from private parties.

A major success of the project to date has been the protection of property values in Gilbert & Mosley area. Commercial and real estate activity in the Core Area, Old Town, and adjacent areas has been brisk and vital. Businesses are able to get bank loans, Old Town has developed, and over \$250 million in Core Area investment and redevelopment has taken place – as investigation and remediation efforts continue. The City is not aware of any reduction of property values within the Site based upon the environmental conditions, and the City has participated along with Sedgwick County in successfully defending against isolated efforts to reduce those values.

#### **Investigation Status**

A remedial investigation (RI) has been completed to determine the nature and extent of contamination at the Site. The RI effort included: a characterization of the groundwater flow; estimated the rate of contaminant migration; assessed the risk to the human health and the environment; and made appropriate recommendations to address remediation. The RI was accomplished through: the installation of groundwater monitoring wells; groundwater sampling and analysis; hydrogeological studies; modeling of the contaminant flow; determination of the fate and transport of contaminants; and performing an assessment of potential risks to humans and the environment based on the data gathered from the field investigation and environmental modeling.

The procedures and protocols established by state and federal laws and regulations have been followed during the investigation and the development of the clean-up program for the Site. The primary guidance that was utilized is known as the National Contingency Plan (NCP). The NCP is a component of the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Although the Gilbert & Mosley Site is not a "Superfund Site," all of the investigative requirements of CERCLA were complied with to assure that an adequate investigation was performed. Additionally all state and federal "applicable, relevant and appropriate regulations" (ARARs) were adhered to during the investigative process and development of clean-up options.

Extensive groundwater sampling efforts have identified six different groundwater contamination plumes within the Site. (These plumes have been given alphabetical designations using the

letters A through F.). The Gilbert & Mosley RI found that these contaminate plumes emanate from multiple sources throughout the Site. The principle contaminants are Tetrachloroethene (PCE), Trichloroethene (TCE), 1, 2-Dichloroethene (1,2 DCE), 1, 1-Dichloroethene (DCE), Vinyl Chloride (VC), Chloroform, and Benzene. These compounds are generically referred to as volatile organic compounds (VOCs). These compounds are commonly used as degreasing solvents and cleaning fluids, or are degradation products of PCE and TCE. The concentration of contamination ranges from 10,000 ppb to 5 ppb.

As a consequence of the RI as required by law, KDHE issued a Corrective Action Decision (CAD) in September of 1994. The CAD identified and required several actions to be taken:

- Establish institution controls to reduce public exposure to the contamination. The risk assessment portion of the RI (dealing with impacts to human health and the environment) determined that despite the presence of these contaminants, risks to human health or the environment from exposure would be minimized or eliminated by: remediation measures for the Site; development of institutional controls; and public awareness to prevent exposure to the underlying contaminated groundwater. To protect the public health the City has adopted a water well code and continues with information efforts, including the development of an educational brochure that provides citizens with information on groundwater quality and the use of wells for purposes other than drinking. These measures were taken to protect citizens from exposure to contaminated groundwater from private wells. The code has provisions for enforcement to require well sampling, plugging of abandoned wells, and connection to public water supply for drinking water wells located in areas of groundwater contamination.
- Hydraulic containment of the contamination plumes. The City is required to prevent the migration of contaminated groundwater through the installation of extraction wells. Treatment and disposal of the groundwater is part of an overall groundwater remediation strategy.
- Installation of a compliance monitoring system in areas where contamination is not present. The purpose is to monitor, on a routine basis, the status of the contamination migration and effectiveness of the groundwater contamination clean-up system when it is installed in 2001.
- The development and installation of a long term groundwater monitoring system that will be used to monitor the quality of the groundwater for a minimum of 10 years after completion of the hydraulic containment phase of the project.

Individual source control activities are required to be established on sites where sources of contamination to the groundwater still exist. The purpose of this action is to eliminate and reduce the toxicity, mobility, and volume of waste/contaminant at specific locations within the Site. Source control will be required of individual property owners or the City at locations determined to be continuing sources of groundwater contamination. Some of the sources control activities have already been undertaken.

### **Identification and recovery from responsible parties**

The RI identified possible source areas for the VOCs that have contaminated the groundwater. These areas were further identified and narrowed by additional investigation by the City. The identification of each facility was based upon concentration of contaminants found in the groundwater in the proximity of the facility, public records regarding chemical usage and disposal practices, and computer modeling. The City required the owners or operators of the identified sites to participate in the cost of the investigation and clean-up.

A number of potentially responsible parties (PRPs) were identified. The Coleman Company initially agreed to accept responsibility for its fair share of site costs and has paid approximately \$1 million toward the full amount of its share.

In October of 1998, the City brought an action in United States District Court to recover costs spent in protecting the groundwater under the City. The lawsuit named 26 defendants which owned or operated businesses at 16 locations within the Site. The City believes these parties were responsible for historic or current contamination. The lawsuit sought recovery of about \$4.5 million in costs that had already been expended and the estimated costs for future clean-up.

To date, the City has reached settlement with eight parties and one non-party. The settlements total \$6.3 million in recovery by the City, including a commitment from the Kansas State Dry Cleaner Trust Fund to assume responsibility for activity that is valued at \$4.5 million.

Litigation efforts toward cost recovery continue with the remaining parties. Discovery is scheduled for completion in the near future and the pretrial conference is scheduled for March, 2001.

From the time the City undertook this project, there has been the potential of litigation. The City has always been forthright in its intent to use whatever means were necessary – including litigation – to recover costs from the parties responsible for the contamination of the Site. The City committed that it would aggressively seek these contributions and not place the burden of this project on the taxpayers. The unwillingness of the remaining defendants to pay their fair share or settle necessitates the continuing expenditure of costs and time for litigation.

### **Remediation Status**

Extensive groundwater sampling efforts have identified six different plumes of contamination in the Site. Plumes A, B, and E will be addressed by a groundwater treatment system. Plume C is not migrating or increasing in contaminate concentrations and, therefore, is currently being monitored to identify the potential need, if any, for future remedial action. Plume D is being addressed by the KDHE Dry Cleaner Trust Fund, and the City has made application for Dry Cleaner Trust Fund consideration for Plume F which has no viable PRPs.

While remediation has not proceeded as rapidly as the City originally envisioned, it is now well underway. Much preparatory work and investigation was needed before the first drop of water could be cleaned. The investigatory work has been continuous since the beginning of the Project. Plume remediation investigations were conducted in 1997-1998. The City Council recommended remedial design alternatives on March 2, 1999, and the remedial designs were

approved by KDHE late in 1999. Some clean-up has already been accomplished to date, with source control completed in 1998 on one site acquired by the City.

The City prepared a final design report ("Revised Final Interim Groundwater Remediation Plumes ABE Gilbert & Mosley Site") for the remediation and submitted this report to KDHE on September 21, 2000. KDHE approved the Final Design Report for the groundwater treatment system on October 5, 2000. The approval means the City of Wichita can move forward with actual construction of the system that will clean the pollution from the groundwater. The City of Wichita approved a contract with CDM to construct the treatment system on December 19, 2000. Construction activities will begin in the spring of 2001. Construction of the clean-up project is expected to be completed in the fall of 2001. The remedial system is expected to operate for 60 years.

The remedial system will address the major portion of the cleanup of groundwater in the Gilbert & Mosley site. The clean-up will pump approximately 1.2 millions gallons of water a day from 13 wells out of the underlying aquifer and pipe the water to a treatment system in Herman Hill Park, located in the south part of Wichita (southwest of the intersection of Pawnee and Broadway). The equipment to be installed is similar to that used at other sites locally and nationally. It has a high level of effectiveness and efficiency for removing contaminants so that the remediated water meets or exceeds drinking water standards (although there are no current plans to reuse the water for human consumption). The system will be designed to allow for beneficial reuse of the water for purposes such as irrigating landscaping along the River corridor or development of a meandering creek and water features at the Park.

The treatment system will be installed in a building to be constructed in Herman Hill Park. The groundwater treatment system will consist of a hydraulic-venturi air stripper unit and various other equipment items. The influent groundwater flow from the extraction wells will be pumped through a series of hydraulic-venturi treatment heads. These units will create highly turbulent jets of water that will create a large amount of surface area in the water flow. The high-speed water flow will also aspirate a flow of air to volatilize the contaminants and remove them from the water. The treated effluent water will then be discharged into the Arkansas River in accordance with a National Pollutant Discharge Elimination System (NPDES) permit that will be issued by KDHE.

The City is currently considering design enhancements for the treatment building that might include a covered public area, public restroom facilities, an aquarium, and various educational displays depicting a cross section of the groundwater aquifer, a map locating the extraction wells, and other environmental educational exhibits. These displays will highlight the project activities and will discuss the importance of protecting the environment. The treatment area will be designed to accommodate public tours and classroom activities. City staff members and other environmental educators will be involved in guided tours, presentations, training and related activities for the purpose of educating the public about water resources, groundwater remediation, impacts on aquatic habitat, and related issues. It is anticipated that the facility will be visited by school groups, civic organizations, and other interested groups.



The treated water discharge from the treatment system may be used to construct a meandering creek water feature that will drain into the Arkansas River. This meandering creek will enhance Herman Hill Park and will provide a positive use of the treated effluent water before it is discharged into the river.

### **TIF District Status**

The City now has two environmental TIFs authorized by K.S.A. 12-1771a. The first in the State was the Gilbert & Mosley TIF District. The City's second was the North Industrial Corridor (NIC) TIF site established in 1996.

When the City began searching for solutions to the Gilbert & Mosley dilemma, financing the investigation and remediation was the keystone. The Gilbert & Mosley Site, which included much of the Core Area, represented a significant portion of the total assessed valuation for local governments, all of which rely heavily on ad valorem property taxes. Property values in the nearby 29th & Mead Superfund site had already been reduced 40% by the county assessor. If this scenario were to occur in the Gilbert & Mosley Site, a city-wide reduction in assessed valuation of 2.6% would occur, which could mean a loss of over \$5 million in taxes annually for the City, County, and School District. Obviously, the City and other units of government had a very practical reason to avoid the impact of Superfund.

The City determined that it would provide a secondary source of financing to supplement the financial contributions of the PRPs. This secondary source was the Tax Increment Finance District. The initial plan of the City, based upon the assumption that property values in Gilbert & Mosley would be reduced with the discovery of contamination, was to use the increment created after the property values were restored. It was discovered that the timing of valuation as required by statute would not support the project and an amendment to the State law was needed. The result was the adoption of a special section of the TIF Act to specifically address environmental projects in 1991 Kansas Session Laws, ch. 29 (now K.S.A. 12-1771a). It was also necessary to amend the Kansas Cash Basis and Budget Laws to allow the City to commit to operating expenses of the project (as opposed to capital expenses) beyond one year. K.S.A. 12-1771(i).

The Kansas TIF for environmental projects has now been used on a number of projects throughout the State, including the two in Wichita. A city may establish an environmental TIF when the following conditions of the statute (K.S.A. 12-1771a(a)) are met:

- i. The proposed district has been identified as environmentally contaminated.
- ii. The city enters a consent decree or settlement agreement with KDHE or EPA agreeing to address "the investigation and remediation of the environmental contamination." This requires an up-front commitment to both the investigation (RI/FS) and the remediation (RD/RA) phases.
- iii. The consent decree or settlement agreement "contains a provision that has the effect of releasing property owners who are not responsible for the contamination from the responsibility of paying the response costs of the investigation and remediation of the contamination."

iv. The city intends to establish a TIF district to finance the project in whole or part.

Before any TIF project is initiated, a comprehensive feasibility study must be undertaken that shows the “benefits derived from such project will exceed the costs and that the income therefrom will be sufficient to pay for the project” (K.S.A. 12-1771(j)). Once established, an environmental TIF project contains the following elements:

- A city is allowed to use an amount of annual tax revenues up to 20% of the taxes that are produced in the first year of the project. This is an “artificial TIF” that is used only for environmental TIFs and does not depend on a change in valuation. It allows a city to plan and budget for specific amounts of funds each year, irrespective of the actual increment produced. This has also been referred to as a tax “decrement.” K.S.A. 12-1771a(b).
- A city establishes an annual budget (parallel to the city budgeting process) projecting the revenues and expenditures for the coming year and designating the portion of project costs expected to come from the TIF. Until this budget year, only a portion of the 20% decrement in Gilbert & Mosley was collected. K.S.A. 12-1771a(c).
- The tax funds are collected with other ad valorem taxes and paid into a special fund to be used only for the environmental project. Any TIF funds unused one year are carried over to the next year, and any unused TIF funds are to be refunded to the other taxing subdivisions at the end of the project. K.S.A. 12-1771a(d).
- The environmental TIF project must be completed within 20 years of the date of the consent decree. (While the environmental remediation could continue beyond that date TIF funds will not be available under the current statute.) K.S.A. 12-1771(g).
- TIF funds may be used to pay project costs directly or to pay principle and interest on special obligation bonds or full faith and credit tax increment bonds used to finance the project. Bonds may have a maximum maturity of 20 years (compared to 15 year for traditional TIF bonds). K.S.A. 12-1771(h).
- Biennial reports must be made to the Legislature on the status of the investigation and remediation. K.S.A. 12-1771a(g).

In the Gilbert & Mosley Site, TIF funds are used as a guarantee that the project will be completed, while the City has reserved all rights against potentially responsible parties. TIF funds are available to pay for “orphan shares,” or the shares of any non-participating party from whom the City has been unable to recover. The City has made a political commitment to the other taxing subdivisions, as well as the public, to use its best efforts to seek all contributions and minimize the need for TIF funds.

*The Gilbert & Mosley TIF budget and budget history are attached.*

### **Conclusion.**

The Environmental TIF remains as a viable and valuable tool for the City. Remedial efforts on the Gilbert & Mosley Site are active and proceeding at this time. It remains the City's position that those parties who are responsible for the contamination of the Gilbert & Mosley site should pay for that remediation. The City will continue to aggressively pursue contribution from those parties by all appropriate means including litigation, as it has from the beginning of this Project. The City is committed to the principle that the taxpayers should not have to bear the burden of the remediation costs. The TIF remains as a major funding mechanism for the ongoing remediation only until, and to the extent, contributions are obtained from the responsible parties. For the future, however, to ensure that TIF funding remains to complete the project, legislative changes will be needed.

### **Need for TIF Legislative Changes.**

While the TIF legislation has been effective to this point, the City sees that changes to the TIF statutes are necessary in the future. The primary concern is the 20 year limitation of completion of a project and the resulting implied limitation on the length of time for TIF district funding (K.S.A. 12-1771(g)).

At the time the City undertook this project, it assumed that an environmental project could be completed in 20 years. The statute likewise contemplates a 20 year project time frame. The City has discovered through its projects, however, that 20 years is now considered a short time for remediation, and project clean-ups are calculated over a much longer timeframe.

The problem is two-fold. The statute requires the project to be "completed within 20 years from the date a city enters into a consent decree agreement" (K.S.A. 12-1771(g)). First, the City has discovered that it takes a number of years after the agreement before clean-up can even begin. In the case of Gilbert & Mosley, the Agreement was in 1991 and the investigation was completed in 1992, but it was 1994 before KDHE approved the investigation. There have been subsequent delays in approval of the remedial design, as well, and the City did not get KDHE approval to proceed with construction until late 2000. It will be a full 10 years from the time that the City "entered into an ... agreement" until construction actually begins. That leaves only 10 years to complete the remediation of the project.

The second concern is the actual time required for remediation. While projecting 20 years for clean-up in 1991, the City's environmental engineers are now designing a remediation system approved by KDHE that will operate for at least 60 years. The experience of ten years has revealed much new information about both the science of remediation and the nature of the soil and groundwater under Wichita. While the capital expenditures, the most expensive part of the system, will be installed within the 20 year project time frame, there will continue to be on-going operation and maintenance expenses over the 60 year life. There will also be periodic replacement expenses, as well. Wichita's Gilbert & Mosley is not the only environmental project facing long review and design delays and extended remediation timeframes.

Several types of Legislative relief are needed:

- Amend K.S.A. 12-1771(g) to remove the absolute requirement that a project be “completed” in 20 years. It is suggested that there is no necessity to having a legal time limit on the project by statute, but rather defer to the requirements established by KDHE or EPA consistent with prevailing technology.
- Ensure that there is TIF funding to complete a significant portion of the project. Under the statute, bonds to finance remediation projects are limited to a maximum maturity of 20 years (K.S.A. 12-1771(h)). While a city may continue to collect the increment to pay principal and interest on bonds so long as they are outstanding, the direct costs of the investigation and remediation are currently limited to the 20 year TIF project time (K.S.A. 12-1771a(b)). The Act should be amended to ensure the availability of increment funding to complete or continue for the project beyond 20 years from the “agreement.” If a limitation on the District’s life is still deemed necessary, it is suggested that the limitation is more appropriately timed from the start of construction of remediation (e.g., “20 years from notice from KDHE or EPA to proceed with construction of the remedial system”) rather than from the date of the agreement.

These changes would reflect the reality of environmental projects and the experiences that cities are actually facing. Such changes would continue to encourage cities to become involved in environmental projects by ensuring continued availability of funding.

These legislative amendments could be incorporated into HB 2005 recommended by the Joint Committee on Economic Development and assigned to the House New Economy Committee, or by separate legislation.

01/24/00

# Gilbert & Mosley TIF

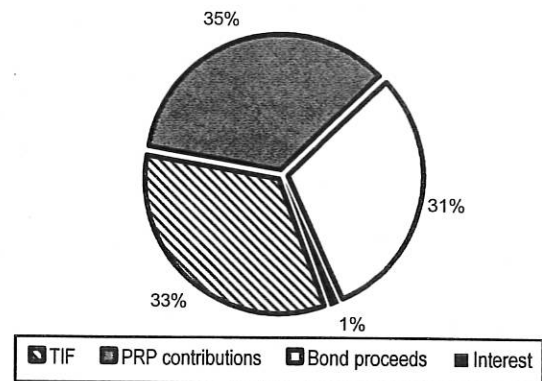
**Overview.** Kansas State law (KSA 12-1771a) allows the City to fund the cleanup of an environmentally contaminated area through the use of a special type of Tax Increment Financing (TIF). Tax increment financing involves the restoration of property values in a contaminated area to higher, pre-contamination levels, and capturing up to 20% of the "increment" of property tax produced by the valuation increase to pay cleanup costs.

Tax Increment Financing District #1 was established in August 1991 to fund the clean-up of groundwater contamination in the Gilbert & Mosley area. At that time, the City entered into an agreement with the Kansas Department of Health and Environment (KDHE) whereby the City agreed to undertake the clean up and avoid the substantial cost and stigma associated with designation of the district as a Superfund site.

**Finance and Operations.** Gilbert & Mosley project expenditures for 2000, 2001 and 2002 include capital, operational, debt service, and administrative costs. The project's remedial design has received final KDHE approval, and construction of the contamination abatement system is scheduled to begin in late 2000 and continue through 2002.

The remedial design as approved by KDHE involves extraction and treatment of the contaminated groundwater. Additional public amenities, such as a public education facility and an aquarium stocked with native fish, are currently under consideration.

Gilbert & Mosley TIF Fund  
Revenue Summary 1999-2002



The City has initiated cost recovery action against several local businesses and individuals identified as responsible for the contamination in the Gilbert & Mosley area. The City's legal staff and outside legal advisors aggressively pursue the goal of holding potentially responsible parties (PRPs) financially liable for all costs of the clean-up of contamination caused by PRPs in the district.

Remediation activities are not projected to be complete within the 20-year time period during which TIF funding can be legally made available. City staff are currently exploring options for addressing the statutory 20-year limitation, which could include petitioning the Kansas State Legislature for a waiver or extension of the deadline, or re-establishing the district upon its expiration.

Gilbert & Mosley TIF Fund Budget Summary

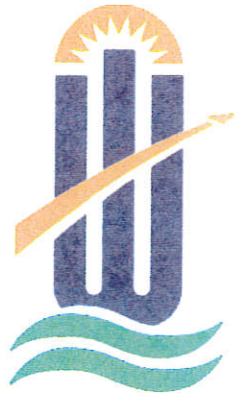
	1999 Actual	2000 Adopted	2000 Revised	2001 Adopted	2002 Approved
<b>Gilbert &amp; Mosley Fund Revenue</b>	<b>6,019,924</b>	<b>6,830,610</b>	<b>4,558,170</b>	<b>6,126,040</b>	<b>4,620,460</b>
Personal Services	26,122	41,660	40,800	42,730	45,870
Contractual Services	1,743,991	2,154,650	3,175,270	1,723,940	1,204,490
Commodities	4,238	4,050	3,250	3,250	3,250
Capital Outlay	1,938	4,004,000	3,500,000	3,504,000	2,000,000
Other	33,347	555,520	623,280	838,160	831,200
<b>Total Fund Expenditures</b>	<b>1,809,636</b>	<b>6,759,880</b>	<b>7,342,600</b>	<b>6,112,080</b>	<b>4,084,810</b>
Revenue Over (Under) Expenditures	4,210,288	70,730	(2,784,430)	13,960	535,650
Allocation - Future Debt Service	0	0	0	0	(500,000)
<b>Gilbert &amp; Mosley Fund Balance</b>	<b>2,796,807</b>	<b>84,879</b>	<b>12,377</b>	<b>26,337</b>	<b>61,987</b>
<b>Position Summary</b>					
Total FTE	1	1	1	1	1

1-12

**FUND HISTORY - TAX INCREMENT FINANCING DISTRICTS 1 & 2**

<b>FUND/CATEGORY</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>TOTAL</b>
<b>Tax Increment Financing District #1: "Gilbert &amp; Mosley" Site</b>									
<i>REVENUES:</i>									
--Property Tax Increment	\$503,975	\$414,391	\$454,138	\$362,710	\$429,328	\$485,046	\$624,327	\$718,915	\$2,649,588
--PRP Contributions	846,039	259,368	157,431	0	0	0	0	964,623	1,262,838
--Interest Earnings	4,492	14,564	46,501	75,490	59,618	60,329	37,138	36,386	260,994
--Bond Proceeds	0	0	0	0	0	0	0	4,300,000	
<b>TOTAL REVENUES</b>	<b>1,354,506</b>	<b>688,323</b>	<b>658,070</b>	<b>438,200</b>	<b>488,946</b>	<b>545,375</b>	<b>661,465</b>	<b>6,019,924</b>	<b>4,173,420</b>
<i>EXPENDITURES:</i>									
--Personal Services	\$393	\$1,258	\$0	\$10,430	\$0	\$19,333	\$37,521	\$26,122	\$31,414
--Contractuals	700,467	258,204	167,654	1,136,109	1,480,769	849,330	2,394,749	1,743,991	4,592,533
--Commodities	2,224	3,000	1,268	4,128	4,212	2,825	3,024	4,238	17,657
--Capital Outlay	0	0	51,500	481	1,266	1,421	145,422	1,938	54,668
--Other	246,250	0	0	0	9,350	25,299	41,367	33,347	280,899
<b>TOTAL EXPENDITURES</b>	<b>949,334</b>	<b>262,462</b>	<b>220,422</b>	<b>1,151,148</b>	<b>1,495,597</b>	<b>898,208</b>	<b>2,622,083</b>	<b>1,809,636</b>	<b>4,977,171</b>
<b>BUDGETED INCOME (LOSS): *</b>	<b>\$405,172</b>	<b>\$425,861</b>	<b>\$437,648</b>	<b>(\$712,948)</b>	<b>(\$1,006,651)</b>	<b>(\$352,833)</b>	<b>(\$1,960,618)</b>	<b>\$4,210,288</b>	<b>(\$803,751)</b>
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--Property Tax Increment	\$0	\$0	\$0	\$0	\$0	\$415,625	\$147,901	\$544,493	\$415,625
--PRP Contributions	0	0	0	0	382,500	0	0	0	382,500
--Interest Earnings	0	0	0	0	5,243	25,907	27,278	23,938	31,150
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<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>138,527</b>	<b>135,691</b>	<b>386,853</b>	<b>256,072</b>	<b>274,218</b>
<b>BUDGETED INCOME (LOSS):</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$249,216</b>	<b>\$305,841</b>	<b>(\$211,674)</b>	<b>\$312,359</b>	<b>\$555,057</b>

1-13



CITY OF  
WICHITA

**North Industrial Corridor (NIC)  
Tax Increment Financing District**

**REPORT TO THE  
LEGISLATURE**

Senate Commerce Committee  
House New Economy Committee

January 2001

**Senate Commerce Committee  
House New Economy Committee**

**City of Wichita - North Industrial Corridor (NIC) Tax Increment Financing District  
2001 Report to the Legislature**

The North Industrial Corridor (NIC) Tax Increment Financing (TIF) Redevelopment District was established in 1996. The District was established by the City of Wichita as a secondary funding source for the investigation and remediation of a site of groundwater contamination. This is the 2001 biennial report to the Kansas Legislature on the status of the investigation and remediation project as required by KSA 12-1771a(g).

**Background**

The NIC site is located in Wichita and is an area where the groundwater is contaminated by volatile organic compounds (VOCs). The site is roughly 5.5 miles long and 1.2 miles wide (approximately 4,000 acres) and is situated along the rail corridor that runs through the center of the City of Wichita. Land use in the area is primarily industrial and commercial mixed with some residential neighborhoods.

A portion of the Site, called the 29th & Mead Site, was placed on the EPA National Priorities List (NPL) as a "Superfund" site on February 21, 1990. The site has been under investigation since 1981 by the Kansas Department of Health and Environment (KDHE). In order to address the contamination, a number of businesses within the area formed a Potentially Responsible Party (PRP) group known as the Wichita North Industrial District (WNID). The WNID Group (23 property owners, including the City through ownership of urban renewal land) entered into an agreement with the KDHE to perform an environmental study known as a Remediation Investigation and Feasibility Study (RI/FS). After several years of data collection and investigation, the RI portion of the RI/FS was provided to the KDHE. KDHE denied approval of the 29<sup>th</sup> & Mead RI and requested that the WNID group expand its investigation. WNID did not respond satisfactorily to KDHE's request and KDHE subsequently referred the matter to EPA for additional investigation and possible enforcement. This eventually resulted in EPA's designation as a "Superfund" site in 1990.

One of the areas requiring additional investigation was the 13th & Washington area immediately adjacent and down gradient from the 29th & Mead Site. The City conducted a field investigation of that site on behalf of KDHE in 1993 that confirmed contamination had migrated from the 29th & Mead Site.

Of concern was a recurring theme of idle properties, economic stagnation, and a reluctance to lend money for real estate purchase, refinancing, remodeling or expansion due to the potential liability associated with Superfund designation for the area. As a result of the impact of this environmental liability, some property owners in the area sought relief from property taxes and were granted a 40% reduction in property valuations due to the groundwater contamination and related environmental conditions.



Because of the PRP Group's inability to complete an RI/FS and the expansion of the investigation area, businesses and property owners in the area began requesting that the City take on the Site utilizing the same action steps as in the Gilbert & Mosley model. The City initially did not think this would work because: 1) there was not enough tax base to support a TIF; and 2) Superfund listing seemed to complicate the process and did not make it a viable site. An added impetus for action was given by a combination of factors including: the loss of a large industry considering a move to that area of Wichita; the inability of some existing large businesses in the area to get financing to expand; and the belief that EPA was planning to take over the site and expand the Superfund area to include 13th & Washington.

In response to these circumstances the City of Wichita responded to the environmental and economic concerns by proposing a redevelopment plan for the area similar to the one previously implemented at the Gilbert and Mosley site. In early 1994, the City began actively working to see if a remediation project were possible for the area. The City believed two elements were essential to rescue the site: Delisting of the Site from the Superfund and restoration of property values. These processes were successful and culminated with a Settlement Agreement between the City of Wichita and KDHE on November 14, 1995. The TIF District to implement this project was established in January 1996.

As a result of the City of Wichita's efforts, the EPA deleted the site from the federal National Priority or "Superfund" List on January 31, 1996. This was a very unusual step by EPA and is a recognition of the City's success to date in providing funding and investigation for remediation project.

The NIC Project is comprised of the following elements:

1. Environmental Study. Camp Dresser & McKee (CDM) was hired as the City's environmental engineer in early 1997. It started with the uncompleted 29<sup>th</sup> & Mead RI data, gathered data from the various PRPs, and conducted several phases of its own field investigation.
2. Settlement Agreement with KDHE. KDHE was designated the lead agency by the EPA as part of the delisting. The City and KDHE negotiated the November 14, 1995, agreement where the City took responsibility for the completion of the investigation and clean-up of the entire site, with the City reserving the right to recover its costs from parties that caused the contamination. The KDHE Agreement gave the City of the Wichita the authority to issue Certificates of Release to property owners, lenders, and others located within the Site who did not contribute to the contamination.
3. Participant Agreement. A "Participant Agreement" was entered into by 28 PRPs to fund the RI/FS and to participate in the allocation of final remediation costs. The Participants also provided the results of their investigation and source control efforts to date. Several additional parties have joined the

Participant Group since its inception.

4. TIF District. The TIF District established for the NIC site is instrumental in supplementing the initial funding provided by the participants and in guaranteeing the funding necessary for the completion of the project. The City was able to use the environmental TIF legislation originally enacted for the Gilbert & Mosley District.
5. Certificate of Release and Lending Institutions. A number of lending institutions in Wichita entered into agreements stating that institutions will not refuse to make loans to entities that have Certificate of Release based solely on “environmental liability.” To date, over 1000 certificates have been issued on properties in the Site and they continue to be available to eligible property owners. Certificates continue to facilitate real estate transactions and lending on properties located within the Site. Parties who hold Certificates of Release are entitled to the contribution protection that is provided under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). A holder of a Certificate of Release should not be subject to claims for response costs at the Site as long as the certificate holder has provided information in its application for the certificate that is not false or misleading.
6. Citizen Involvement. The Project began with public meetings and citizen involvement. Communicating information to the public and utilizing the expertise of the citizens to assist in implementation of the technical and non-technical aspects of the project remains a strong goal. A citizen’s technical review committee established for the Gilbert & Mosley District is used for the NIC District.
7. Pursuit of Financial Support. The City committed to identify and vigorously pursue (through voluntary efforts or litigation) financial participation by all parties that contributed to the groundwater contamination.

Remediation of the groundwater contamination of the NIC Site is the underlying purpose of all of the effort and expenses of this project. An important concept to the City’s duplication of its previous innovative approach at the Gilbert & Mosley site was to avoid the remediation delays that have occurred in so many Superfund sites across the country and to restore property values quickly within the area of contamination. In planning and in reality, remedial investigation has been able to proceed on a concurrent track with the City’s efforts to secure participation and cost contribution by private parties.

A major success of the project to date has been the restoration and protection of property values in the District. Commercial and real estate activity has vigorously resumed as investigation and remediation efforts continue. The property values in the Site were restored to pre-contamination values and the City, with the support of Sedgwick County, has successfully defended against isolated efforts to reduce those values.

### **Investigation Status**

In addition to combining 13<sup>th</sup> & Washington and 29<sup>th</sup> & Mead into one NIC site, early investigative activities by KDHE and EPA had already identified sites within the NIC that required remedial activity. These specific sites were known as “operable units” where clean-up activity within the property boundaries was already underway. These sites included Evcon, Coleman/York, and Coastal Refinery. Additionally, sites north and adjacent were added to the NIC investigation including Unocal, USD 259, Phillips Pipeline Company, Continental Tank Car, and the Coleman Northeast Plant.

Fieldwork and the site investigation began on October 6, 1997. CDM submitted a revised work plan to KDHE to initiate the Remediation Investigation RI for the NIC site. The work plan and field sampling plan were subsequently approved and CDM is currently in the process of implementing the Phase II field investigation to determine the sources of contamination, nature, extent, concentration, ground water flow and characterization of the contamination to complete the RI. The RI will be completed in 2001 or early 2002.

After completion of the RI, work will begin on the Feasibility Study (FS) that will identify and assess the feasibility of various technologies available to remediate the ground water contamination.

The City has concurrently sought to identify source areas and responsible parties. The City is working with the identified properties to participate with the Group and is working with KDHE to identify where source control will be required.

Even though the site was delisted by EPA and EPA is no longer directly involved in the Site, EPA required reimbursement of its own costs. The City and 10 other PRP entered into a settlement agreement by which EPA was reimbursed \$226,000 of its costs.

### **TIF District Status**

The City now has two environmental TIFs authorized by K.S.A. 12-1771a. The first in the State was the Gilbert & Mosley TIF District. The City's second was the North Industrial Corridor (NIC) TIF site established in 1996.

The Kansas TIF for environmental projects has now been used on a number of projects throughout the State, including the two in Wichita. A city may establish an environmental TIF when the following conditions of the statute (K.S.A. 12-1771a(a)) are met:

- i. The proposed district has been identified as environmentally contaminated.
- ii. The city enters a consent decree or settlement agreement with KDHE or EPA agreeing to address “the investigation and remediation of the environmental contamination.” This requires an up-front commitment to both the investigation (RI/FS) and the remedation (RD/RA) phases.
- iii. The consent decree or settlement agreement “contains a provision that has the

effect of releasing property owners who are not responsible for the contamination from the responsibility of paying the response costs of the investigation and remediation of the contamination.”

iv. The city intends to establish a TIF district to finance the project in whole or part.

Before any TIF project is initiated, a comprehensive feasibility study must be undertaken that shows the “benefits derived from such project will exceed the costs and that the income therefrom will be sufficient to pay for the project” (K.S.A. 12-1771(j)). Once established, an environmental TIF project contains the following elements:

- A city is allowed to use an amount of annual tax revenues up to 20% of the taxes that are produced in the first year of the project. This is an “artificial TIF” that is used only for environmental TIFs and does not depend on a change in valuation. It allows a city to plan and budget for specific amounts of funds each year, irrespective of the actual increment produced. This has also been referred to as a tax “decrement.” K.S.A. 12-1771a(b).
- A city establishes an annual budget (parallel to the city budgeting process) projecting the revenues and expenditures for the coming year and designating the portion of project costs expected to come from the TIF. (Only a portion of the 20% decrement in NIC has been collected to date.). K.S.A. 12-1771a(c).
- The tax funds are collected with other ad valorem taxes and paid into a special fund to be used only for the environmental project. Any TIF funds unused one year are carried over to the next year, and any unused TIF funds are to be refunded to the other taxing subdivisions at the end of the project. K.S.A. 12-1771a(d).
- The environmental TIF project must be completed within 20 years of the date of the consent decree. (While the environmental remediation could continue beyond that date TIF funds will not be available under the current statute.) K.S.A. 12-1771(g).
- TIF funds may be used to pay project costs directly or to pay principle and interest on special obligation bonds or full faith and credit tax increment bonds used to finance the project. Bonds may have a maximum maturity of 20 years (compared to 15 year for traditional TIF bonds). K.S.A. 12-1771(h).
- Biennial reports must be made to the Legislature on the status of the investigation and remediation. K.S.A. 12-1771a(g).

In the NIC Site, TIF funds are used as a guarantee that the project will be completed. The City will seek reimbursement and payment from the Participants and has reserved all rights against other potentially responsible parties. TIF funds are available to pay for “orphan shares,” or the shares of any non-participating party from whom the City has

been unable to recover. The City has made a political commitment to the other taxing subdivisions, as well as the public, to use its best efforts to seek all contributions and minimize the need for TIF funds.

*The NIC TIF budget and budget history are attached.*

**Future of the TIF.**

The City believes that changes to the TIF statutes will be necessary in the future. The statute contemplates a 20 year project (K.S.A. 12-1771(g)). The City has discovered through its projects, however, that 20 years is now considered a short time for remediation, and project clean-ups are calculated much longer than that. The City has also discovered that it takes a number of years before clean-up can even begin, partly because of the review time required by KDHE. For example, the City only recently received the approval to proceed with the last phase of field investigation under an agreement signed in 1995. As a result of needing more time to complete projects, the City will be looking to the Legislature for an extension of the time frame for completing projects and collecting environmental TIFs.

*The rationale and proposals for TIF statute amendments are contained in the Gilbert & Mosley TIF Report to the Legislature.*

**Conclusion.**

The Environmental TIF remains as a viable and valuable tool for the City. Investigative activity in the Site, partially funded by the TIF district, is active and proceeding at this time. It remains the City's position that those parties who are responsible for the contamination of the NIC site should pay for that remediation. The City will continue to aggressively pursue contribution from those parties by all appropriate means including litigation, as it has from the beginning of this Project. The City is committed to the principal that the taxpayers should not have to bear the burden of the remediation costs. The TIF remains as a major funding mechanism for the ongoing remediation only until, and to the extent, contribution is obtained from the responsible parties.

01/24/01

# North Industrial Corridor TIF

**Overview.** Kansas State law (KSA 12-1771a) allows the City to fund costs related to the cleanup of an environmentally contaminated area through the use of a special type of Tax Increment Financing (TIF). This mechanism involves the restoration of property values in a contaminated area to their higher pre-contamination levels and capturing up to 20% of the "increment" of property tax produced by the valuation increase to pay cleanup costs.

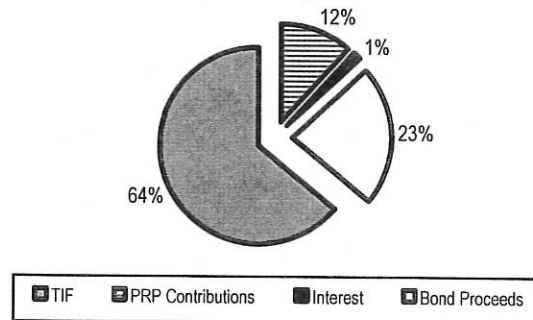
Tax Increment Financing District #2 was established in January 1996 to fund the clean-up of groundwater contamination in the North Industrial Corridor area. The City is currently investigating the area to identify the potentially responsible parties (PRPs) who caused the contamination. The City intends to make every effort to see that PRPs reimburse the City for as much of the clean-up costs incurred by the City and funded by the TIF as possible. Using a proactive approach, the City has sought to keep the lines of communication open between City staff, PRPs, and agencies such as the Kansas Department of Health & Environment (KDHE) and the Environmental Protection Agency (EPA) to head off conflicts that may otherwise force expensive and time-consuming legal action.

**Finance and Operations.** North Industrial Corridor (NIC) project expenditures for 2000, 2001 and 2002 include legal and project consultant fees, laboratory costs, KDHE/EPA oversight costs, testing/sampling materials, and other administrative costs.

Currently, City staff and the NIC project's primary contractor are conducting the remedial investigation phase of this project, whereby testing and sampling is done to determine the extent of contamination. In an unexpected development, KDHE is now requiring that this phase should

include a preliminary identification of PRPs, a change that will substantially increase the time and cost involved in this phase. This investigative phase is scheduled for completion in 2000, at which time development of a clean-up plan will begin. Remedial design will begin after these tasks are completed, with remedial construction (contamination abatement) scheduled to begin in 2002.

North Industrial Corridor TIF Fund  
Revenue Summary 1999-2002



The City has already received an initial payment for some of the remediation costs from one potentially responsible party. The City's legal staff and outside legal advisors will continue to aggressively pursue the project's goal of holding PRPs financially liable for the clean-up of all contamination they have caused in the district.

Certificates of release of environmental liability have been issued for many of the properties within the NIC site. These releases of liability promote fairness by ensuring that those proven not responsible for contamination in the district are not burdened by the legal difficulties of proving their lack of culpability.

North Industrial Corridor (NIC) TIF Fund Budget Summary

	1999 Actual	2000 Adopted	2000 Revised	2001 Adopted	2002 Approved
<b>North Industrial Corridor Fund Revenue</b>	<b>568,431</b>	<b>1,316,030</b>	<b>952,140</b>	<b>1,257,440</b>	<b>3,004,560</b>
Personal Services	0	600	600	600	600
Contractual Services	255,503	1,617,880	1,159,160	1,308,230	2,007,200
Commodities	569	8,350	4,450	2,750	2,750
Capital Outlay	0	0	4,130	150,000	1,000,000
<b>Total Fund Expenditures</b>	<b>256,072</b>	<b>1,626,830</b>	<b>1,168,340</b>	<b>1,461,580</b>	<b>3,010,550</b>
Revenue Over (Under) Expenditures	312,359	(310,800)	(216,200)	(204,140)	(5,990)
Allocation - Future Debt Service	0	0	(205,000)	205,000	0
<b>North Industrial Corridor Fund Balance</b>	<b>465,785</b>	<b>28,956</b>	<b>44,585</b>	<b>45,445</b>	<b>39,455</b>

1-21

**FUND HISTORY - TAX INCREMENT FINANCING DISTRICTS 1 & 2**

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<b>BUDGETED INCOME (LOSS):</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$249,216</b>	<b>\$305,841</b>	<b>(\$211,674)</b>	<b>\$312,359</b>	<b>\$555,057</b>

ec-1

# State Senate Commerce Committee “Rural Economic Development”

Thursday, February 1, 2001



- Leroy D. Alsup----- City Manager
- Jeff Morris----- City Finance Director
- Jeff Stewart----- Chamber: Director of  
Community & Economic  
Development

Senate Commerce Committee  
February 1, 2001  
Attachment

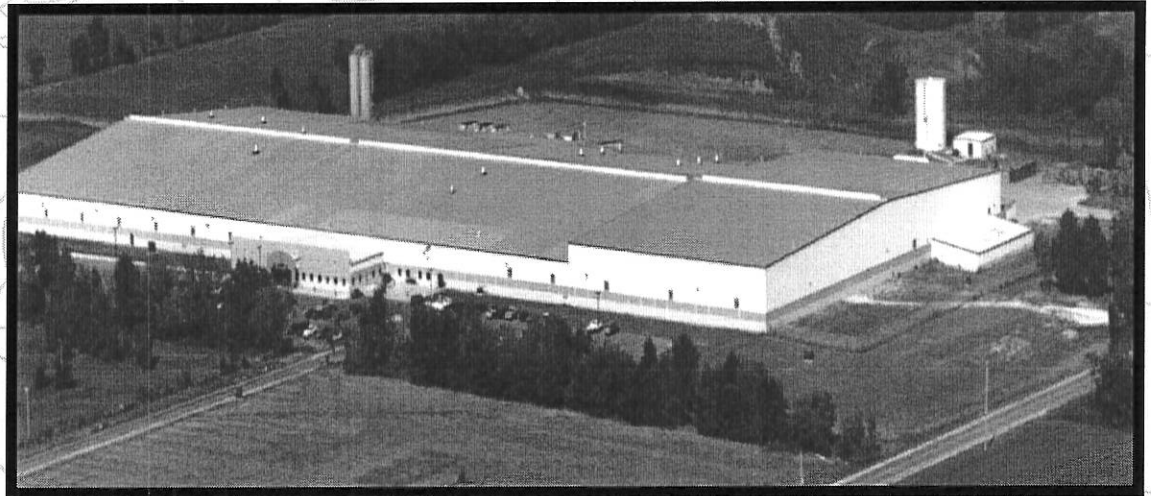


# American Insulated Wire Corporation

1995

315 New Jobs

20 Yr. Commitment



## LOCAL INDUCEMENT INCENTIVES:

- \$5.8 Million Public Grant from a Countywide 1¢ Retail Sales Tax.
- 10 Yr Real & Personal Ad Valorem Property Tax Exemption.
- Large Industry Electric Rate from the Coffeyville Municipal Electric Utility.
- Donation of 75.4 Acre Industrial Site.

## STATE INDUCEMENT INCENTIVES (KDOC&H) :

- \$500,000 CDBG ED Infrastructure Grant to Montgomery County.
- \$500,000 CDBG ED Infrastructure Grant to the City.
- State Training Grant to AIW & Coffeyville Community College.

**Coffeyville**  
KANSAS

# American Insulated Wire Corporation

## Written Inducement Agreement with set Performance Requirements



### Terms of Twenty Year Written Agreement :

- Payment in Lieu of Taxes required if Minimum Job creation not maintained.
- Claw Back provisions on \$5.8 Million Incentive Grant for nonperformance.
- Penalty Payment if facility is vacated prior to end of twenty (20) Yr. Agrmt.
- \$14.5 Million Investment by AIW in Building & Equipment.
- Employment Commitment- 250 Full-Time.
- Minimum Wage to count towards Employment Commitment- \$7.50 Hr.
- MCEDA has a second mortgage on the AIW Coffeyville Facility.
- MCEDA has a first lien position on AIW equipment .

**Coffeyville**  
KANSAS



# **Amazon.com**

**1999**

**1,000 New Jobs**

**15 Yr. Commitment**



## **LOCAL INDUCEMENT INCENTIVES:**

- \$1.2 Million Infrastructure Grant from Municipal Electric Utility Revenue.
- \$3.3 Million Incentive Grant from City Electric Utility Revenue
- 10 Yr Real & Personal Ad Valorem Property Tax Exemption from County.
- Economic Development Rider Electric Rate from the City Municipal Electric Utility.

## **STATE INDUCEMENT INCENTIVES (KDOC&H) :**

- \$500,000 KEOIF Forgiveness Loan to Amazon.com.
- State Training Grant to Amazon.com and Coffeyville Community College.

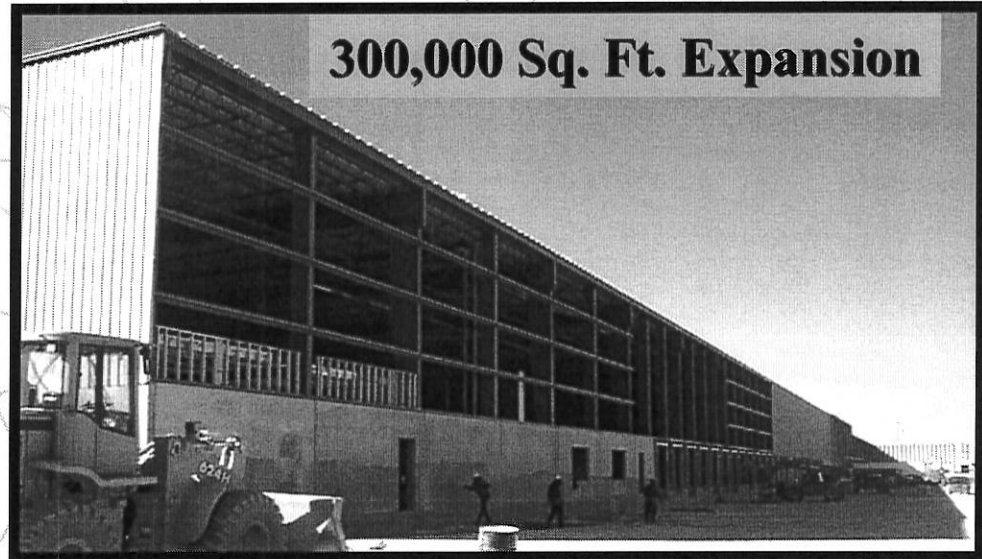
**Coffeyville**  
KANSAS

H.C



**Amazon.com**

**Written  
Inducement  
Agreement/with  
set Performance  
Requirements**



**Fifteen Year Written Agreement :**

- **Payment in Lieu of Taxes required if Minimum Job creation not maintained.**
- **Incentive Grant paid annually after job performance documented.**
- **\$37.5 Million investment by Amazon.com in Equipment & Leasehold Improvements.**
- **Minimum Employment Commitment- 300 Full-Time.**
- **Future Employment Goal: 600 FT by 12-31-01; 850 FT by 12-31-02 and 1000 FT by 12-31-03.**
- **Minimum Wage to count towards Employment Commitment- \$9.00 Hr.**

**Coffeyville**  
KANSAS

5-6

# Farmland Industries

1999

100 New Jobs

50 Megawatt Electric Load

20 Yr. Commitment



2-6

## Farmland Nitrogen Fertilizer Facility

- Farmland Capital Investment----- \$298 Million
- BOC Gases Capital Investment----- 44 Million
- Total \$342 Million

## Improvements to SE Kansas Electric Transmission Grid System

- PSO Delaware Substation & two 138 kV Transmission Lines \$30 Million
- City Substation B & Transmission Line Improvements 9 Million
- Total \$39 Million

**Coffeyville**  
KANSAS

# Farmland Industries



**Nitrogen Fertilizer Facility**

- **Farmland Payment Guarantee on all Electric Utility Revenue Bonds to Finance Electric Transmission Improvement.**
- **Backed by Safeco Ins Payment Surety Bond.**

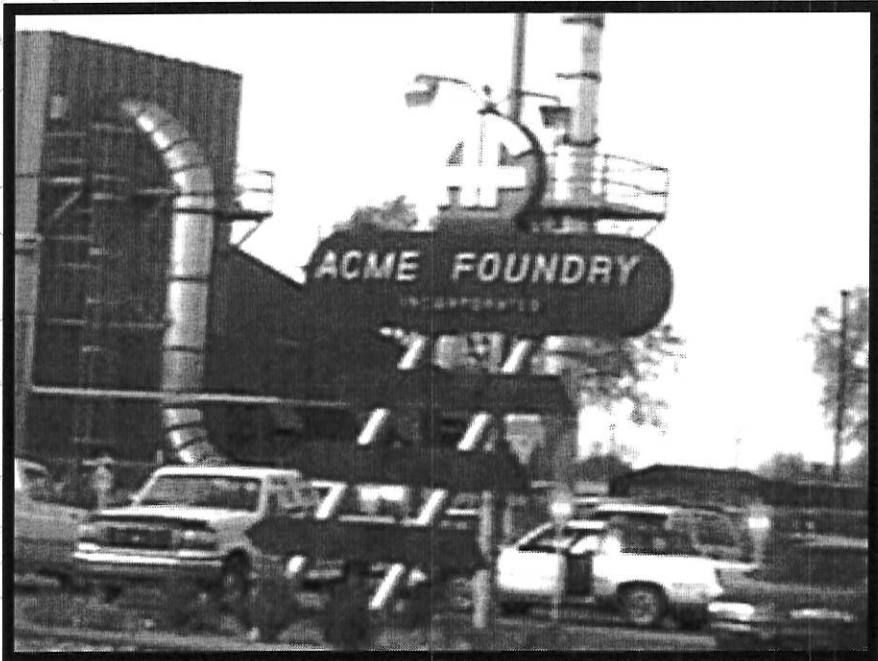
## **Community Margin to be generated from Farmland Electric Service**

- |                                  |                            |
|----------------------------------|----------------------------|
| • <b>Years 1-5 (2000-2004)</b>   | <b>\$ 400,000 Annually</b> |
| • <b>Years 6-10 (2005-2009)</b>  | <b>800,000 Annually</b>    |
| • <b>Years 11-20 (2010-2019)</b> | <b>1,200,000 Annually</b>  |



27

- **Coffeyville SEKTAM**
- **Acme Foundry & Magic Circle**

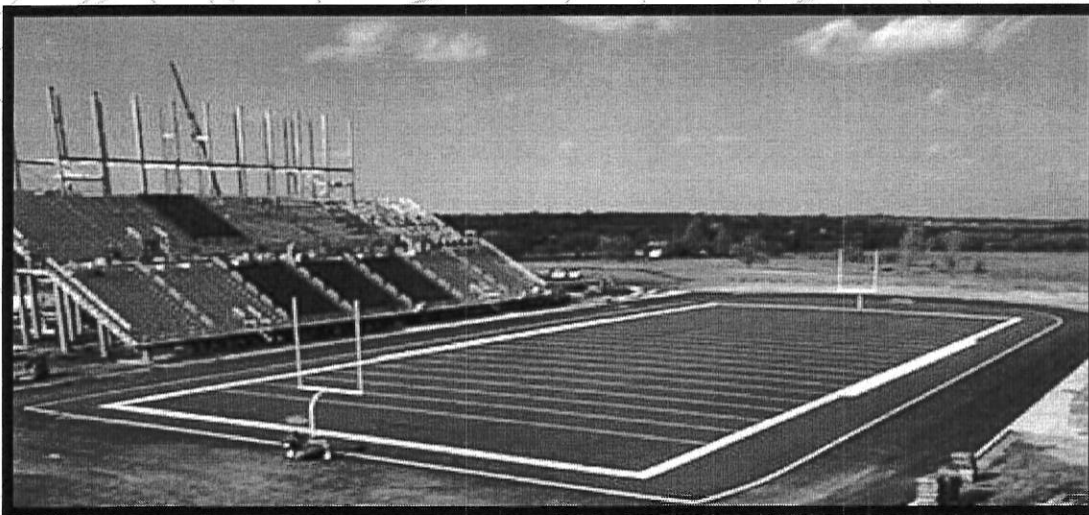


**Acme Foundry Expansion**  
**10 Yr Tax Exemption**  
**205 New Jobs**



**Coffeyville SEKTAM**  
**10 Yr Tax Exemption**  
**80 New Jobs**

# Veterans Memorial Stadium



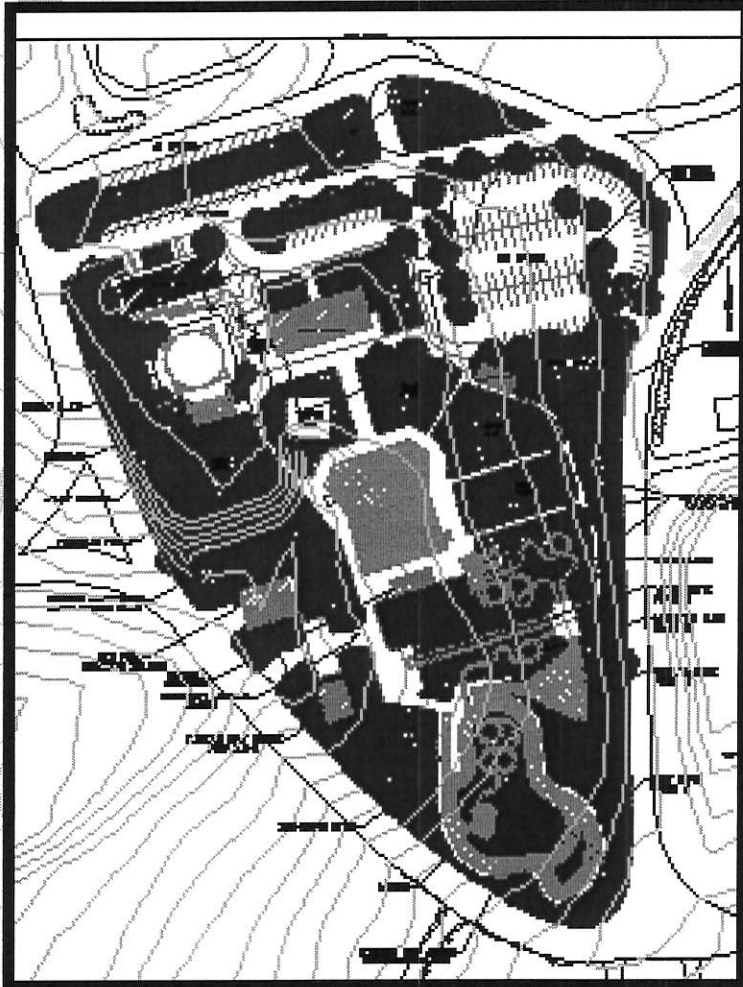
- **June 30, 2001 Completion Date**
- **5,000 Seating Capacity**
- **Fieldturf Playing Surface**
- **NCAA Sanctioned Track**
- **Public Reception Level**
- **Sky Box Level (7 Suites)**
- **Coach & Press Box Level**
- **High School:**
  - **Football, Track & Soccer**
- **Community College:**
  - **Football & Track**
- **Special Community Events**

**Coffeyville**  
KANSAS

2-9



# Outdoor Aquatic Center



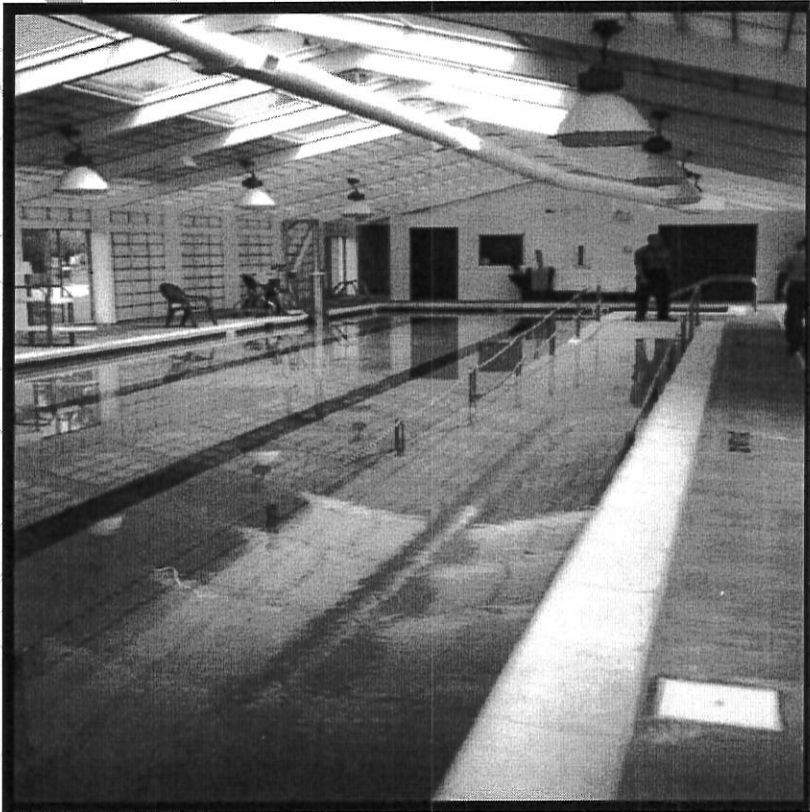
## Phase I

- November 2001 Completion Date
- Zero Depth Entry
- Two Water Slides
- 8 Competition/ Lap Lanes
- 1 & 3 Meter Diving Boards
- Shaded Spectator/Concession Area
- Children's Area
- Teenage Pavilion

## Phase II

- Stealth Slide
- Lazy River

# Indoor Pool



Lamar, Missouri Facility

## Currently in Design Phase

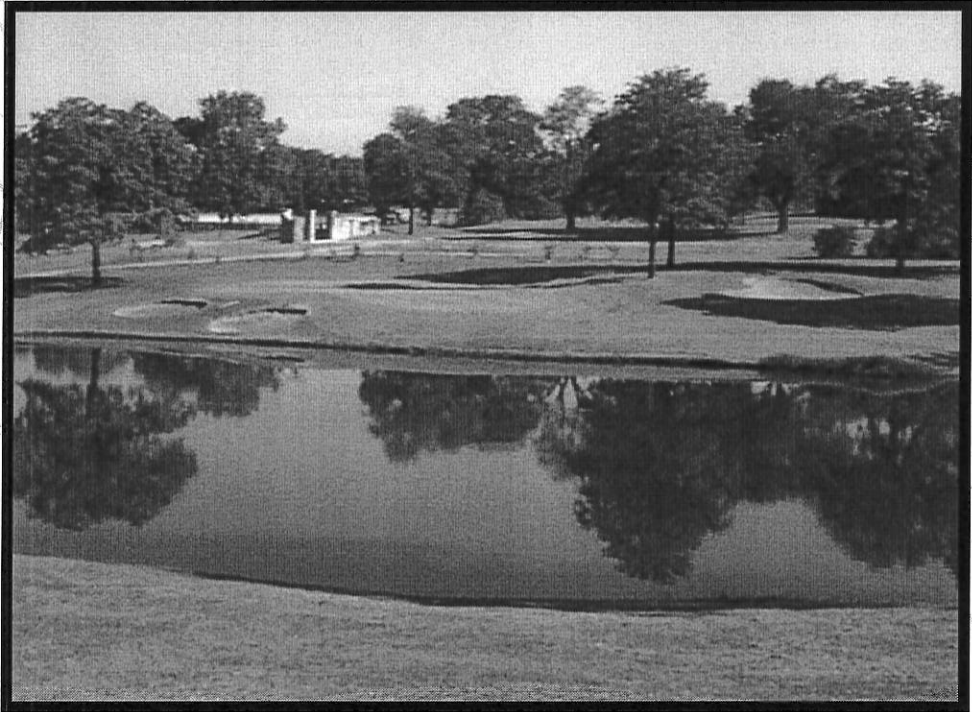
- **Exercise Room**
  - Stationary Equipment
- **Four Swim Lanes for:**
  - Recreation & Exercise Swimming
  - Therapeutic & Rehab Use

2-12



# Hillcrest Public Golf Course

- Perry Maxwell Design
- Expanded to 18 Holes in 1998
- Original 9 Renovation in Progress
- Clubhouse Expansion in 2001
  
- Par 72
- 6,554 Yards in Length
- Bermuda Fairways
- Bent Grass Greens
- Driving Range
- Practice Green
- Cart Rentals Available
- Pro Shop



# Playground Improvements



**Pfister Park**

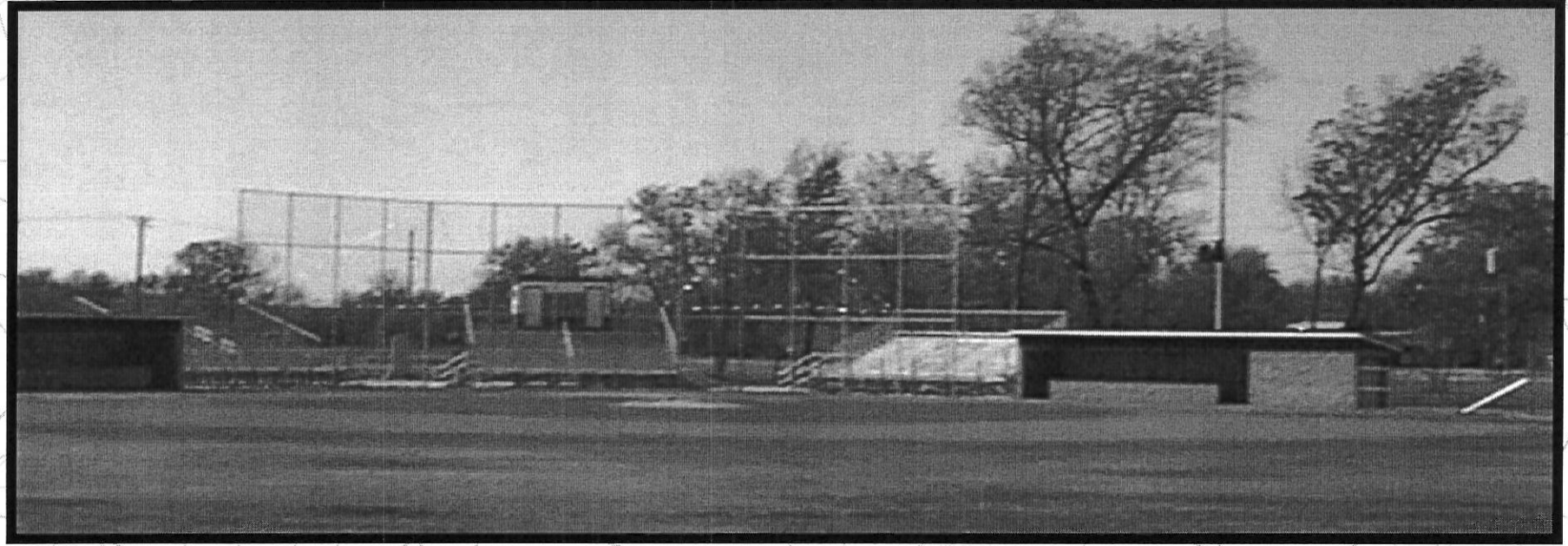


**Harmon Park**

M-C



# Walter Johnson Ball Field



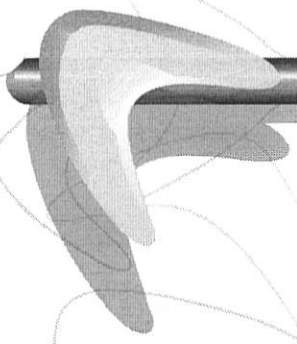
## Phase I

- Completed in 1999
- Coffeyville Community College Red Ravens
- USD 445 Golden Tornado
- Coffeyville Baseball Association Rockies

## Phase II

- Concession Stand Building

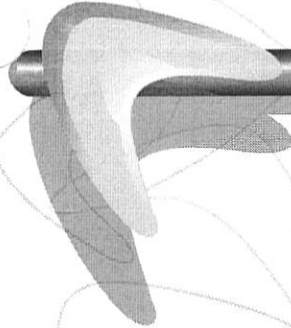




# **Priority Issues**

## **Rural Economic Development**

- **Continued Enhancement of State Economic Development Efforts**
- **Housing**
- **Education**
- **Transportation**
- **Environmental Regulations**
- **Board of Tax Appeals (BOTA)**
- **Economic Development & Leadership Training**



# **Continued Enhancement of State Economic Development Efforts**

**The State must continue to fund a strong Economic Development Program.**

**(What is competitive today may be obsolete by next month.)**

- **Impact of Global Economy Beyond State Control.**
- **Rapid Pace of Technology Advancements.**
- **Impact of Decisions by Out-of-State Corporate Boards.**
- **Network of State Contacts too valuable to lose touch with (Keep the pump primed).**

**Kansas Department of Commerce & Housing (KDOC&H)**

- **Quality Staff with wide range of expertise.**
- **Cooperative Demeanor & Professional Image.**
- **A Community Partner in many Major Projects.**
- **Provide Adequate Tools & Resources, Enhance their Flexibility & Turn them Loose to do the Job.**



61-C

# Housing

We have created new jobs but have not been able to stimulate the Housing Industry. How can the Public Sector be a catalyst to generate more housing construction?



- **New Housing Starts** are needed in all price ranges.
- **Few new Subdivisions** are being developed.
- **Limited In-Fill Development** is occurring on existing vacant lots.



- **Need Affordable Housing** reflective of local entry level wages.
- **Gap in Effort: Government** programs for Low to Moderate Income; Upper Income takes care of itself; how do we get housing for those in between?
- **Enhance Maintenance of Existing Housing Stock.**



- **Need for additional Multi-Family Apartments.**
- **Need for Duplexes.**



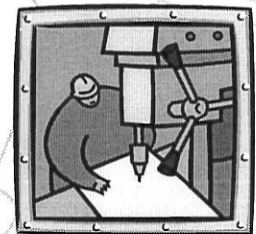
# Education



**Field Kindley High School**

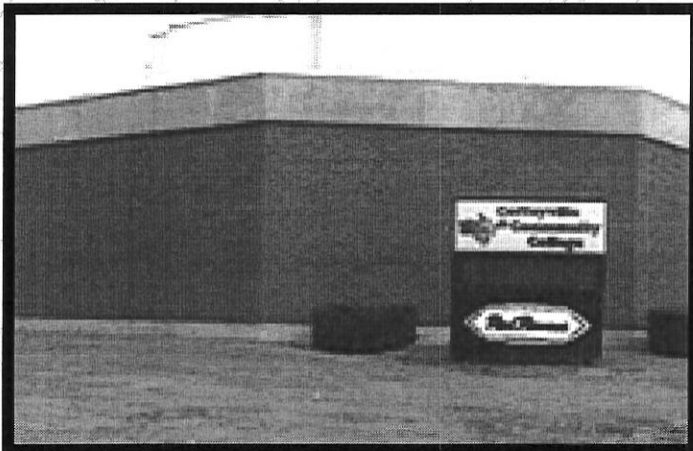
## **K –12 Issues:**

- Adequate Funding (State Funding Formula?)
- Aging Facilities
- Technology Advancements



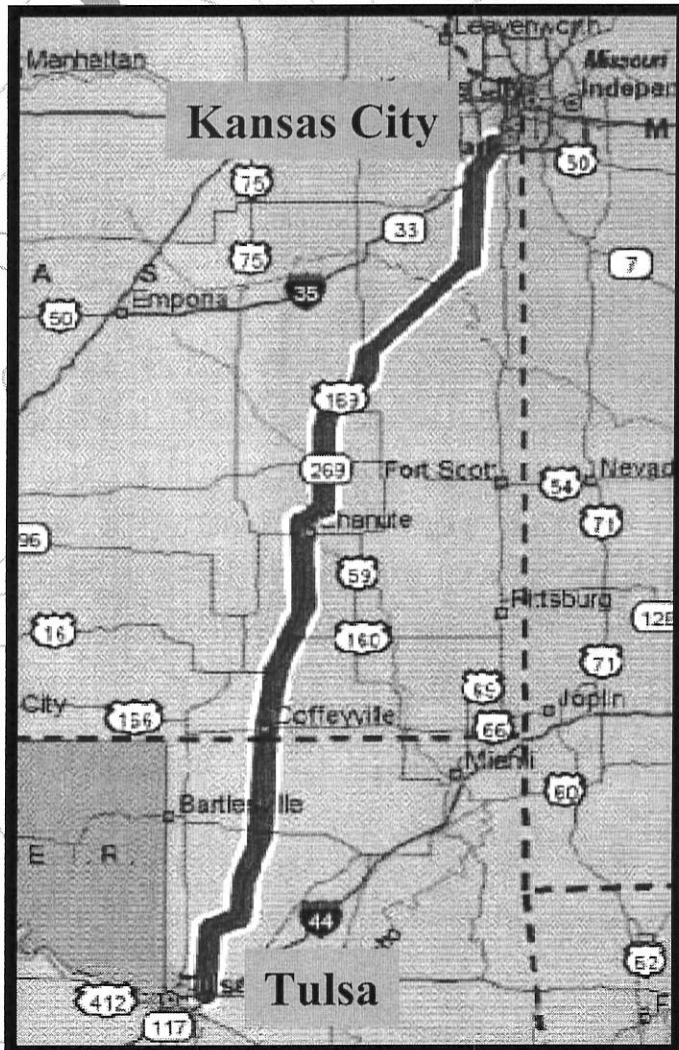
## **Post Secondary Issues:**

- Workforce Skills Training (Life-Long Learning)
- Distance Learning
- Access to Higher Ed for Professional Staff of Rural Business & Industry
- State Incentives to encourage merger of Coffeyville Community College & SEK Technical School

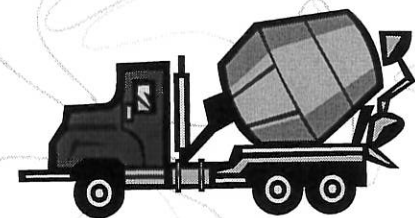


**Coffeyville Community College**

# Transportation



- **Maintain Full Funding for the 1999 State Comprehensive Transportation Program.**
- **Enhancement of Highway 169 Corridor from Tulsa to Kansas City.**
- **Continued support to Cities with Connecting Links through their Communities.**
- **Increase State Funding for Municipal Airports.**
- **Enforcement of Safety Standards & Maintenance of Rail Crossings.**



**Coffeyville**  
KANSAS



# Environmental Regulations



In 1999, the Kansas Department of Health and Environment presented revised water quality standards for Kansas to the Environmental Protection Agency. Six items remain unresolved, and as a result, on July 3, 2000, the EPA published water quality standards for Kansas that would supercede the authority of the KDHE.

The proposed water quality standards for the State of Kansas will cost in excess of \$100 million and could be as high as \$200 million.

All farm ponds must be made swimmable and fishable, and all ditches, ponds, swamps and rivers must support swimming and shellfish harvesting as well. Small communities that discharge into ditches and creeks with low flow will be the most significantly harmed by these unnecessary regulations.

Superceding the KDHE's provisions allows the federal government to come into Kansas and make determinations that will have adverse effects on the cities, agriculture and industrial bases of each community, not to mention the taxpayers.

Because of these adverse effects, I would respectfully urge you to halt EPA water quality regulations.

**Coffeyville**  
KANSAS



# Board of Tax Appeals (BOTA)

**Review of applications for Ad Valorem Property Tax Exemptions for Economic Development Purposes.**

**The commitment is made by the Local Taxing Authorities to forego property taxes on new investments for ten years in order to allow companies to invest those dollars in expanded facilities and new equipment to employ more workers. The Industries have already made the investment and have calculated those tax exemptions in their financing package. THEN WE SEND THE APPLICATION TO BOTA?**





# Board of Tax Appeals (BOTA)

Local Taxing Authorities invest public dollars in the future of their community and it seems then they must fight BOTA to have what should be simple tax exemption applications approved.

- **INCUBATOR:** Coffeyville Business Development & Training Center.
- **HISTORIC PRESERVATION & DOWNTOWN REVITALIZATION:** Midland Theater Restoration Project.
- **HOUSING DEVELOPMENT:** Acquisition of slum & blighted areas to accumulate property for future housing projects.

- Adversarial approach & attitude of BOTA?
- Lack of timely review & processing of applications.
- Ultra conservative interpretation of tax laws.



**Coffeyville**  
KANSAS

256

2-03

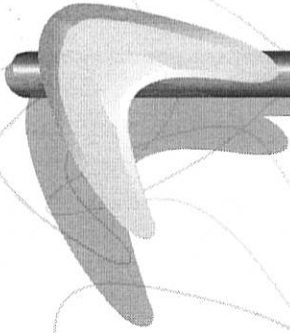
# Economic Development & Leadership Training



- Continued Training of Local Practitioners on State Economic Development Programs.
- Training for Local Practitioners on how to deal with Industrial Prospects when negotiating local incentives to induce an industry to select their community.



- Enhance efforts to provide Leadership Training to Local Community Leaders & Volunteers.



## **Local Contact**

**Leroy D. Alsup**  
**City Manager**  
**City of Coffeyville**  
**P.O. Box 1629**  
**7<sup>th</sup> & Walnut**  
**Coffeyville, KS 67337**  
**Phone 620-252-6163**  
**Fax 620-252-6175**  
**[lalsup@coffeyville.com](mailto:lalsup@coffeyville.com)**  
**[www.coffeyville.com](http://www.coffeyville.com)**



45-2

**Southeast Kansas, Inc.**  
formerly  
Southeast Kansas Economic Alliance /  
Mid America, Inc.

P. O. Box 664 Chanute, KS 66720-0644 T: 316/431-0080 F: 316/431-4805 Web: www.sekinc.org

**1.0 Objective –**

To retain, grow and attract high value-added jobs to Southeast Kansas.

**2.0 Method –**

Develop and implement a regional economic development strategy, campaign and organization. The approach is similar to development techniques used by Austin, Silicon Valley, and the governments of the fast-growth Asian countries.

**3.0 Need –**

3.1 Most Distressed Region – Kansas, Inc. rates Southeast Kansas as the state's most distressed region.

3.2 Population Loss – According to U.S. Census data, the 12 counties comprising Southeast Kansas have lost one-third of their population since 1930 declining from over 300,000 to 206,000 in 1997.

3.2 Other Indicators of Distress – Southeast Kansas ranks much lower in economic vitality than any other region in Kansas based on eight indicators.

**4.0 Organizational Structure and Management System –**

4.1 Executive Committee – Comprised of 5 persons, this group makes most policy decisions.

4.2 Board of Trustees – A board of up to 100 or more directors will meet at least once annually.

4.3 Management and Staffing – The organization is intended to be volunteer-driven. However, professional staff will be needed to maintain the organization, coordinate meetings and monitor progress.

Senate Commerce Committee  
February 1, 2001  
Attachment 3-1



- 4.4 Councils – From six to twelve councils will carry out the work of the organization in the council subject areas. Council effectiveness will depend upon chairs and members. When a council ceases to function, it will be deactivated.
- 4.5 Project Management System – A project management system will be used to move a portfolio of projects that are not under a council.

## 5.0 **Council and Project Deliverables –**

Specific goals must be stated by council chairs and project managers. A sample overview of early goals follows:

### 5.1 Agriculture –

- Develop a written value-added agriculture strategic plan.
- Design and conduct a communications campaign.
- Increase agriculture group activities.

### 5.2 Economic Developers / Chambers –

- Develop regional marketing materials to include a website and collateral materials (identity package, symbols, images, brochures, demographic support data).
- Implement plan to increase quantity and quality of workforce.
- Encourage high value-added jobs.

### 5.3 Education –

- Hold joint meetings of community colleges, technical schools, PSU and USD leaders, and manufacturing leaders.
- Develop projects to strengthen education, training and retraining with input from manufacturers.

### 5.4 Housing –

- Identify and support programs to develop new housing and refurbish existing housing.

### 5.5 Manufacturing –

- Advocate and obtain better delivery of local, state and regional services to enable existing industry to survive and grow.
- Grow membership in the Manufacturing Network to enable the network to conduct value-added networking activities between firms.

5.6 Legislative Caucus –

- Educate legislators on regional distress, vision, councils and projects.
- Provide Topeka liaison when there is a need.
- Following the lead of bellweather states such as Florida, North Carolina and California, introduce regional matching fund legislation.

5.7 Regional Planning Commission / Council of Governments –

- Produce and widely distribute the Comprehensive Economic Development Strategy (CEDS).
- Work through SEKRPC to assist cities and counties with grant funding for community development and economic development projects.

5.8 Tourism –

- Mobilize local and regional tourism plans and activities.
- Coordinate regional tourism promotion and activities with the Southeast Kansas Tourism Region (SEKTR).

5.9 Transportation –

- Identify and list regional transportation priorities.
- Provide transportation advocacy for the region.

6.0 **Organizational Capacity** –

Increase funding and participation through membership drive. Full time director to coordinate goals and objectives and to solidify the organization's efforts to promote Southeast Kansas.

7.0 **Measures of Success** –

7.1 Net Population Change – Reverse the ½% per year decline into a ½% per year increase.

7.2 Elderly Population Change – Reduce the percentage of elderly population by reversing the outmigration of educated youth.

7.3 Labor Force – Increase the quantity and quality of the workforce.

7.4 Long Term Employment Growth – Create a permanent upward trend in the number of high value-added jobs, i.e., those paying \$15 or more.

- 7.5 Short-Term Employment Growth – Create job growth via support to local employers in process and workforce improvements.
- 7.6 Per Capita Property Valuation – Increase property valuation by reversing the shrinking population, workforce preparation for higher paying jobs and the attraction of higher paying jobs.
- 7.7 Per Capita Income – Raising per capita income through better workforce preparation and the availability of higher paying jobs.
- 7.8 AFDTC / General Assistance Participants – Shrinking these numbers through better workforce preparation and the availability of higher paying jobs.
- 7.9 County Wealth Index / Rankings By K-State Extension – Show individual and group mobility by Southeast Kansas Counties in the wealth index.

**2001 Executive Committee**

Ann Charles, Chairman	Labette County	316-421-2000
Bob Ames Vice-Chair	Neosho County	316-473-2244
Jon Hotaling Past Chair	Coffey County	316-364-8780
Richard Oler Treasurer	Crawford County	316-231-7380
Mike Mabrey Executive Director		316-433-1949

**TESTIMONY**  
**BEFORE THE SENATE COMMERCE COMMITTEE**  
**THURSDAY, FEBRUARY 1, 2001**

**JERRY LINDBERG**  
**DIRECTOR OF ECONOMIC DEVELOPMENT**  
**CITY OF PITTSBURG**

Senate Commerce Committee  
February 1, 2001  
Attachment 4-P

Thank you Chairman Brownlee and members of the Senate Commerce Committee for allowing me the opportunity to address you today regarding my perspective for economic development in rural Kansas. I know you have heard from other economic development professionals from around Kansas regarding their opinions on this subject. I hope I can add to their comments.

There are three main economic development efforts that either need to be retained or broadened to enhance our quality of life in Pittsburg, Crawford County and Southeast Kansas. First, renew the lottery and, if possible, add more money for KTEC, KDOC & H and Kansas Inc. Second, expand the opportunity for learning job skills at the high school and college level. Third, continue to fully fund the transportation plan passed last year.

The lottery helps fund a variety of economic development projects not only in Pittsburg, but also through Pittsburg State University providing services to all of Southeast Kansas. The economic development initiatives fund or EDIF provides money for employee training, retraining and on-going programs such as the small business development center and the certified development company. Pittsburg received over \$200,000 from EDIF in FY2000. Crawford, Labette and Cherokee counties recently went together on an application to KDOC & H for a 50/50 matching grant to purchase equipment and supplies to start a welding program. The grant was approved and training will start in June in the vocational technical school in Columbus. Many area industries need welders and this matching grant, from lottery money, helps make this training available in our Southeast Kansas area.

From the Kansas Technology Enterprise Corporation, Pittsburg State University fares even better. The Kansas Polymer Research Center and Mid-America Manufacturing Technology Center receive \$550,000 from KTEC each year to staff these two centers. Both provide valuable services to industry at the local and regional level. MAMTC provides engineering and technical services to industry to boost productivity. The polymer research center provides research and technical assistance in polymers and plastics. In 1999, KTEC partnered with the City of Pittsburg and Pittsburg State University to fund the Alliance for Technology Commercialization. The ATC helps companies develop new technology that has commercial application, creating higher value jobs. The first company assisted by the ATC was located in Columbus, the second in Parsons and the most recent client is from Pittsburg. This alliance would not be possible without lottery money. Senator Barone and I both serve on the ATC board of directors.

As I understand the issue, the lottery money is currently capped at \$50 million going into the EDIF. Last year the lottery produced \$60 million, with the extra \$10 million going into the state's general fund. I would like to see the cap taken off and all the proceeds from the lottery going to help fund KTEC, KDOC & H and Kansas Inc. This would allow for continued growth of these three agencies, with more money available for economic development programs throughout the state.

The lack of skill training is critical all over Kansas because of the low unemployment numbers. To start with, job skill training needs to be addressed at the high school level. The school to careers partnership, a federal program started several years ago, is a great opportunity for students to learn job skills. The federal program started funding school to careers and is in the process of turning the long term effort over to the states to continue. The Kansas Legislature should definitely continue funding this program once the federal program is over. One aspect of school to careers is bringing people from business and industry together with school teachers to achieve goals at the local level. From the efforts of a community strategic planning session two years ago, we started a business/education partnership to have industry and Pittsburg High School working together. During this past year, we had several industries needing workers with a working knowledge in photo imaging. There was interest at the high school to teach a class in photo imaging to enhance their journalism and year book programs. The concern was if funds could be raised to buy the equipment and software necessary for the program. The school district did not have any money for a new class. We needed to raise \$26,000 to make this class a reality. Through the Business/Education Alliance, we raised the money and the photo imaging class was started in the fall of 2000 with 36 students enrolled. These students will learn a skill that will make them more valuable to local industry and make them more money when they start working.

Another area our Business/Education Alliance is looking at is cooperation among school districts with existing specialized job training programs. An excuse as to why one school district can not teach other students from outside their school district is because of the school funding formula. Crawford County has five school districts which we believe can work together and share class instruction with each other. Currently, Frontenac teaches a construction trades class. This is a skill that is needed throughout our area. Students from the other four school districts could commute to Frontenac to take this course, rather than duplicate the class in their own district. Each of the five school districts could teach a specific skill and specialize in it. Students could then select from one of these skills and be bused to that particular school. The proper funding or reimbursement needs to be worked out to compensate the school district. What we don't need is duplication. That just increases cost.

Finally, Southeast Kansas needs a four lane highway. Access to interstate style highways is where the future growth lies for Kansas cities. Southeast Kansas is long overdue for a four lane highway. Highway 400 from Wichita to Parsons is a vast improvement, but it's not a four lane. U.S. Highway 69 is scheduled for four lanes from Louisburg to Ft. Scott under the new transportation bill. We need to make sure funds are not diverted from the transportation plan to support many other worthy programs. The T 2000 program needs to stay intact. Pittsburg State University is the only board of regent's school not located on a four lane highway. With 6,000 students traveling on the highways, safety is a major concern. More and more students commute to college and live at home. PSU just recently opened an admissions office in Overland Park to attract

Johnson County students. A four lane highway will help not only get them to Pittsburg safely, but provide them an opportunity to attend the Kansas Technology Center and the specialized programs taught there.

Continue the lottery and remove the cap to better fund economic development programs that are out there to support new or existing industry. Continue to fund and develop the school to career program and support cooperation among school districts for specialized job skill training classes. Continue to fund the existing transportation plan for the next ten years, extending the needed four lane highway on U.S. Highway 69 into Southeastern Kansas. Thank you for allowing me to speak to you today.



# **Kansas Electric Power Cooperative, Inc.**

## **Presentation on Rural Development By Loren Medley, KEPCo Business Development Coordinator Before the Senate Commerce Committee, February 1, 2001**

Thank you for the opportunity to be here today as part of your hearings on rural economic development efforts in Kansas. My name is Loren Medley and for the past twelve years, I have been actively involved in economic development for the Kansas Electric Power Cooperative, Inc. (KEPCo). KEPCo was incorporated in 1975 as a not-for-profit generation and transmission cooperative utility and it is our responsibility to procure an adequate and reliable power supply for twenty-one distribution rural electric cooperative members (see map) at a reasonable cost.

KEPCo's power supply resources consist of a six percent ownership share in the Wolf Creek Generating Station, hydropower purchases from two federal power marketing administrations, plus partial requirement power purchases from regional utilities.

Our twenty-one members serve approximately 100,000 meters across the eastern two-thirds of rural Kansas. The RECs in Kansas average 2¼ meters per mile of distribution line; investor owned utilities can average 30-40 meters per mile of line while municipal systems sometimes serve more than 50 meters per mile of distribution line. Naturally, you can see why we are interested in rural economic development.

During the past three decades, rural Kansas population has declined due to age, attrition, and reduced economic opportunities on the farm and in rural areas. To combat this trend, you have heard from a variety of organizations working to create jobs and retain wealth in rural Kansas. KEPCo and its members believe that rural Kansas provides a quality of life worth fighting for and have developed a partnership with numerous local, state and federal organizations to successfully demonstrate the power of grassroots community development.

For example:

- A. KEPCo's most visible success story has been to access the USDA's Rural Economic Development Loan & Grant (REDLG) program. This program provides loans and grants at zero interest for the establishment and expansion of rural business and industry. KEPCo advises applicants on business materials and assists with the completion of paperwork required in the competitive process. Since

Phone: 785.273.7010

Fax: 785.271.4888

[www.kepco.org](http://www.kepco.org)

P.O. Box 4877

Topeka, KS 66604-0877

600 Corporate View

Topeka, KS 66615



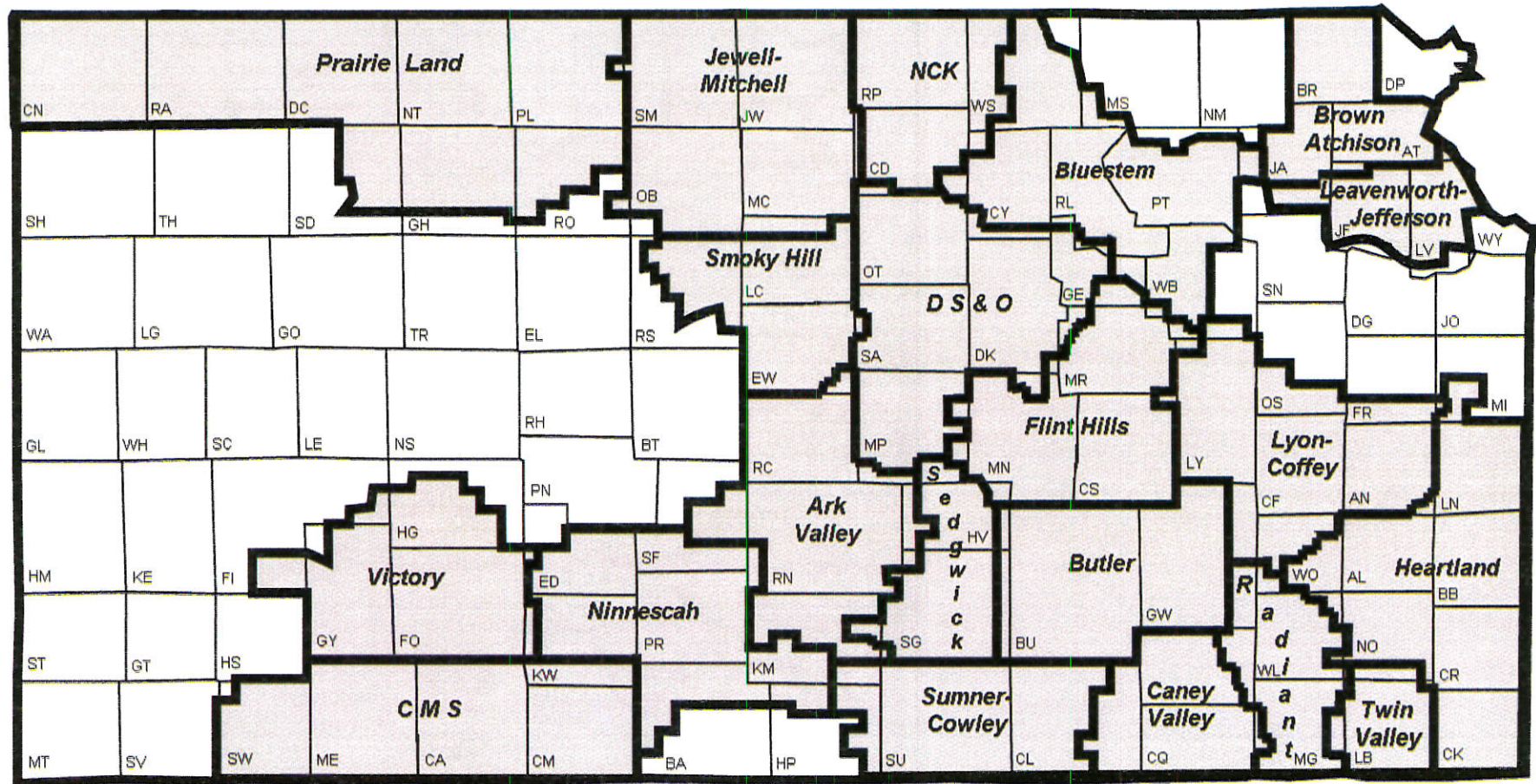
1991, KEPCo's efforts have secured \$6.9 million in zero interest loans for 23 rural Kansas projects, saved business owners \$12.4 million in interest costs, and created 529 new jobs. Furthermore, the projects boost county tax revenues, and in some areas, create the need for ancillary industries and businesses. I have attached a list of approved projects.

- B. KEPCo is very active in the state's efforts to add value to the raw material produced in Kansas. Both individual entrepreneurs and producer-owned cooperatives are being formed to process the state's agricultural abundance. KEPCo works with the Kansas Department of Agriculture, Kansas Department of Commerce and Housing, and the Extension Service at Kansas State University on value-added projects and has also been a sponsor of several conferences on the subject. These conferences have been directed at providing technical information, marketing strategies and networking with Kansas entrepreneurs.
- C. KEPCo is active in the Kansas P.R.I.D.E. Program that assists and recognizes communities for outstanding development efforts. We are also charter members of the Kansas Rural Development Council (KRDC). KRDC membership consists of State and Federal government representatives along with private sector individuals who work to coordinate rural development efforts among the variety of agencies toward a common goal. Currently, the major focus of KRDC is to stop the continued erosion of rail service to rural areas. I also represent KEPCo on the board of the National Rural Economic Developers Association.
- D. KEPCo considers it a priority to identify, train and motivate rural leaders. Therefore, KEPCo and its members provide a workshop called *Educating Community Volunteers in Community and Economic Development*. Through community-wide meetings, natural leaders are identified and asked to volunteer in areas of their interest. Prioritization of community improvement projects is done through a consensus process and work is planned and implemented. We have conducted this training in both Lincoln and Comanche counties.

These are just a few of the many efforts KEPCo has been involved in over the past decade of rural economic development. Rural development resources are usually tight and, therefore, KEPCo and its members demonstrate creative methods to find partners and programs that benefit not only the people of rural Kansas but everyone in the Sunflower State as well.

Thank you for your time and attention.

# Service Area



Kansas Electric Power  
Cooperative



# KEPCo MEMBER RURAL ECONOMIC DEVELOPMENT APPROVED LOAN AND GRANT PROJECTS

Sponsoring KEPCo member Project Name	Date Submitted	Type of project/ Use of funds	Total Project Cost	RD Loan Amount	Jobs Created
Ark Valley KK Farms	11/95	Construction of buildings and purchase of equipment for expansion of a sow farm	\$1,000,000	\$400,000	16
Bluestem Kansas Cowboy	1/96	Site preparation, building construction, and equipment for an equine center	\$370,531	\$275,000	23
Wamego City Hospital <i>(\$40,000 Revolving Loan Fund started and repayment of \$200,000 will expand the fund)</i>	7/00	Site improvements and building construction	\$3,011,750	\$200,000 <i>(Grant)</i>	20
Butler Butler Community College	12/94	Construction of additional classrooms at the Rose Hill High School	\$625,000	\$400,000 <i>(Grant)</i>	40
<i>(\$80,000 Revolving Loan Fund started and repayment of \$400,000 will expand the fund)</i> MidWest Electric Transformer	8/91	Construction of building for remanufacture of electric transformers	\$180,000	\$100,000	5
Caney Valley Bellar Farms	10/93	Construction of nursery building for swine production	\$320,000	\$120,000	4
CMS Prairie Pig Feeders	2/93	Construction of finishing floors for swine production	\$434,316	\$347,000	10
Flint Hills Marion Manufacturing	1/94	Building construction and equipment purchase for metal fabricator	\$452,000	\$318,000	4
Custom Manufacturing	4/95	Equipment purchase for production of custom equipment	\$1,189,000	\$325,000	23
Klassen Dairy	3/96	Construction of buildings and infrastructure for a dairy expansion	\$542,500	\$400,000	15
Morris County Hospital	8/98	Building expansion, equipment and additional parking	\$2,300,000	\$450,000	9
Heartland Debrick Truck Line	2/97	Construction of an office building and equipment	\$725,000	\$400,000	30
Leavenworth-Jefferson Ernest & Spencer Metals	9/93	Site preparation, building construction, and equipment purchase for metal fabricator	\$1,541,012	\$400,000	22
Precast Engineering & Mfg	10/96	Equipment purchase for a speciality precast concrete company	\$891,535	\$225,000	20
Lyon-Coffey Forbes Medical	2/96	Expansion of existing building and equipment	\$1,000,000	\$400,000	50
NCK Gerard Tank & Steel	6/96	Construction of building and purchase of equipment for expansion of water storage tank business	\$251,385	\$200,000	10
Radiant City of Cherryvale <i>(\$40,000 Revolving Loan Fund started and \$203,000 repayment will expand the loan fund)</i>	6/95	Fire fighting equipment purchase	\$254,888	\$203,000 <i>(Grant)</i>	0
Smoky Hill Moly Manufacturing	1/94	Building and equipment purchase for equipment manufacturer	\$227,444	\$181,000	10
Kansas Originals	3/93	Building and equipment purchase for retail	\$76,6513	\$41,000	20
City of Ellsworth <i>(\$80,000 Revolving Loan Fund started and \$400,000 repayment will expand the loan fund)</i>	4/95	Building construction and lease to a manufacturing company	\$1,141,000	\$400,000 <i>(Grant)</i>	100
Victory Cimarron Dairy	10/94	Site preparation, building construction and equipment purchase for a new dairy	\$5,565,000	\$400,000	80
Bonzai Products	1/98	Purchase of building and equipment for metal fabricator	\$338,550	\$271,000	8
<b>TOTALS</b>			<b>\$23,462,352</b>	<b>\$6,906,000</b>	<b>529</b>

**RURAL ECONOMIC DEVELOPMENT LOAN & GRANT PROGRAM  
USDA ~ RURAL DEVELOPMENT**

***Purpose:***

To provide ten year term loans at zero-interest to businesses and public purpose projects which promote rural economic development and job creation.

***Requirements:***

Any person or electric cooperative which is not delinquent on any outstanding federal debt or in bankruptcy proceedings may request consideration of a loan through a participating RUS borrower. Use of the loan proceeds cannot be for refinancing or paying existing debt. Enticement for relocation of a business is prohibited as a use of funds.

***How it works:***

**LOAN**

Contact your nearest electric cooperative to determine if they are/or are willing to participate in the program. Prepare a business plan and meet with the board of directors for the cooperative. Upon acceptance by the board, an application is prepared and submitted to the State Office of USDA-Rural Development. Applications are rated at the state level and scores are forwarded to Washington, D.C. for national ranking. Awards are made quarterly. Once a project is selected, loan agreements are prepared. For expansion of existing businesses, there is a one year deferral. The loan is then amortized over the remaining nine years. Start-up projects can request a second year deferral with the loan amortized in the following eight years.

**GRANT**

If there is a public purpose project with a nonprofit or local unit of government being the ultimate recipient (sponsor of the project), the cooperative can apply for a grant, establish a revolving loan fund and relend the money to the public purpose project. Repayment is made into the revolving loan fund and is kept locally for other development projects. The cooperative establishes lending requirements and the interest rates.

**LOAN OR GRANT**

A minimum loan amount is established at \$10,000 with the maximum business loan amount at \$450,000, typically for building and equipment. Public purpose projects qualify for a maximum of \$200,000 Federal dollars put into a project cannot exceed 80% of the total project amount.

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