

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:00 a.m. on March 08, 2001 in Room 123-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Don Mohler, League of Municipalities
Don Seifert, City of Olathe
Neil Shortlidge, City of Roeland Park

Others attending: See attached list.

The Committee proceeded to work the proposed amendments for **SB 298** and **HB 2034**.

Senator Emler moved, seconded by Senator Steineger, that **HB 2034** be amended on Page 2, Line 2 thru Line 6 to strike that wording ~~state, county, political subdivision, state department, board, bureau or fraternal organization, nonprofit organization, estate, trust, business or common law trust, receiver, assignee for the benefit of creditors, trustee or trustee in bankruptcy or any other service user.~~ The voice vote was unanimous in favor of the motion.

Senator Steineger moved, seconded by Senator Jenkins that the balloon amendments be accepted in **HB 2034**, Page 1 and 2. The voice vote was unanimous in favor of the motion.

Senator Steineger moved, seconded by Senator Emler to approve the balloon language on the third sheet. The voice vote was unanimous in favor of the motion.

Senator Jenkins moved, seconded by Senator Steineger that **HB 2034** be amended to accept the balloon amendment on Page 3, Line 16 that sunsets the advisory board on July 1, 2005. The voice vote was unanimous in favor of the motion.

Senator Emler moved, seconded by Senator Kerr, that **HB 2034** be conceptually amended to address the issue of a centralized fund does not mean a state-wide dispatch at one location. The voice vote was unanimous in favor of the motion.

Senator Jenkins moved, seconded by Senator Emler that **SB 298**, will be amended on Page 4, Line 23, Section (1); Line 29, Section (2); Line 37, Section (3) by adding "*necessary and reasonable.*" The voice vote was unanimous in favor of the motion.

Senator Emler moved, seconded by Senator Barone, that **SB 298** to approve the balloon amendments on Page 5 that addresses liability. The voice vote was unanimous in favor of the motion.

Senator Wagle moved, seconded by Senator Emler to conceptually amend that the administrator would be required to report to the appropriate Senate and House Committees every two years. Voice vote was unanimous in favor of the motion.

Senator Emler moved, seconded by Senator Wagle to make this a Senate Substitute Bill for **HB 2034**. Voice vote was unanimous in favor of the motion.

Senator Kerr moved, seconded by Senator Emler, that **HB 2034** be recommended favorable for passage. Motion carries. Senator Jordan, Senator Steineger and Senator Barone wish to be recorded as passing.

HB 2005

Bob Nugent, Revisor of Statutes, gave a brief overview to Committee members of **HB 2005** stating it is a product of the joint committee on Economic Development's summer study regarding tax increment financing statutes.

Don Moler, League of Municipalities, testified in support of **HB 2005** stating the TIF law is a tool for economic development purposes. It has been in existence for a quarter of a century and in that time, approximately 38 TIF projects have been undertaken by a small number of cities. The reason for this is the TIF law is incredibly complex. The League undertook this project through volunteer hours and interim studies to improve the existing language to help facilitate TIF projects in the future.

(Attachment 1).

Don Seifert, City of Olathe, testified in support of **HB 2005** (Attachment 2).

Neil Shortlidge, City Attorney, Roeland Park, testified in support of **HB 2005**. The City of Roeland Park was one of the first cities in the state to use TIF. The city has three redevelopment districts and all three were formed prior to the 1998 amendments. Two of those three districts are multiple project areas. The problem with the amendments made in 1998 is that there was no way of determining what the base year is when you have different project areas that come in different years. This takes it back to the pre 1998 time so it is the establishment date of the district that is the base year throughout the life of the district.

Meeting adjourned.

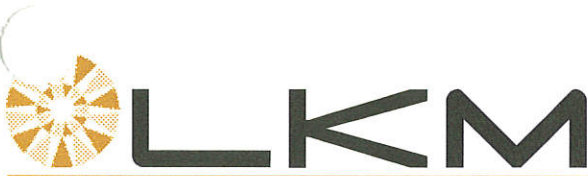
Next meeting scheduled March 09, 2001 at 8:30 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: MARCH 08, 2001

NAME	REPRESENTING
Whitney Damron	WYCO/KC, KS
Tom Gleason	Independent Telecom Group
Don Siefert	City of Olathe
Bill Swager	Shawnee County
Jerry J. Kingsley	Topeka Fire Dept.
Kevin Drain	Shawnee County
Scott Anglemeyer	KDOC#H
Rob Hodges	KTIA
Sandy Braden	Cingular
Nelson Krueger	Western Wireless
Mike Murray	Sprint
Neil Shortlidge	City of Overland Park
Mike Pepoon	Sedwick County
Judy Molen	KAC
Kelly Kuitala	City of Overland Park
Ashley Sheard	Johnson County
Raja Frencke	KGC



League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

TO: Senate Commerce Committee
FROM: Don Moler, Executive Director
DATE: March 8, 2001
RE: Support for Sub. HB 2005

Last spring, at the request of bond counsel for some of our member cities, the League of Kansas Municipalities requested an interim study on the current tax increment financing (TIF) statutes for the purpose of exploring some revisions. The statutes, as they exist, are very complicated and difficult to use, even for very large municipalities. In fact, probably only a handful of individuals in the state, those bond counsel who have done TIF projects for municipalities, fully understand the complexities of the law. For background, I have attached my testimony from the summer interim to better explain the League's support. With that explanation as a backdrop, the League supports streamlining the current TIF statutes to improve upon a very important economic development tool.

Sub. HB 2005 accomplishes the goals of the League and we believe is a fair representation of what the interim committee was seeking. Sub. HB 2005 solves many of the problems we have identified with the existing TIF law and makes the law easier to understand and more user friendly. The definitional problems, inconsistencies, and confusion of the current law are essentially rectified with the language of Sub. HB 2005. After working with a committee composed of bond counsels, the attorney generals office, city attorneys, and the revisor's office, we are convinced the bill improves existing language and will help facilitate TIF projects in the future.

In conclusion, the League's strongly supports Sub. HB 2005, as its language simplifies and streamlines the existing TIF statutes for the State of Kansas. We sincerely hope the committee will pass Sub. HB 2005 without further amendment.

Senate Commerce Committee
March 8, 2001
Attachment 1-1



League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

To: Joint Committee on Economic Development
From: Don Moler, Executive Director
Date: August 8, 2000
Subject: Tax Increment Financing

Thank you for the opportunity to appear here today to address the issue of Tax Increment Financing (TIF). The League was involved with the development of this important economic development tool back in the 1970s. During my 15 years at the League, I have seen cities use this tool to successfully jumpstart blighted areas that otherwise would have remained a stagnant part of the community. Today and tomorrow you will hear from several city officials (mostly from the larger metropolitan areas of the state) who will explain how TIF has helped their most economically depressed neighborhoods rise again. And, most importantly, you will hear how this engine of growth could be used in the less urban areas – if only the process were less daunting.

1. Vital Economic Development Tool

As cities struggle with the changing global economy, need for innovative economic development is growing. TIF is an important incentive-based tool that can help to sustain and redevelop our communities. The Legislature recognized this need in the purpose of the TIF act.

K.S.A. 12-1770 It is hereby declared to be the purpose of this act to promote, stimulate and develop the general and economic welfare of the state of Kansas and its communities and to assist in the development and redevelopment of blighted areas and deteriorating areas which are not yet blighted, but may be so in the future located within cities ...

2. TIF Benefits the State Government

The benefits of TIF do not stop at the borders of the “redevelopment district.” While the city, county and school district in which the redevelopment district lies eventually gain from the growth in the property tax base, the state typically gains an even larger windfall. When one considers the increases in various government revenues generated by more employees with more money to put back into the economy, it is not surprising that the benefits of TIF far outweigh the costs of the abated taxes. And this is exactly what cost-benefit analyses have shown over the years. The fact is the TIF law requires such a feasibility study before a redevelopment district is even created in the first place. If the costs outweigh the benefits, a project simply does not go forward.

And the beauty of TIF financing is that typically none of the other local government entities experience a decrease in revenue due to a redevelopment project. The base level of property

taxes still goes to the various taxing subdivisions. Usually, schools and counties experience increases in revenues – as the Performance Audit Report (*Tax Increment Financing in Kansas, Part II: Reviewing a Sample of Districts*) demonstrates. For example, a school district reportedly gained revenue during a TIF project due to an influx of students and a corresponding increase in base funding. Likewise, a city and county can expect revenue growth as property and sales taxes increase due to greater demand for housing and services.

3. Simplification is the Key

The League is always educating its member cities about state laws and how to interpret them. One of the most daunting tasks that my staff faces is trying to teach municipal officials about the TIF statutes. The League has a manual entitled “Economic Development Tools for Kansas Municipalities” with an entire section devoted to explaining TIF (see attachment). Just glancing at the “summary” time line on pages 12-15 of the attachment gives you an idea of the daunting task that city officials face. I would urge your committee to look at ways to simplify this valuable tool so that rocket scientists would not be needed to take advantage of the economic opportunities it can provide a community.

Blighting Factors. The *Post Audit Report* found that the Kansas TIF law is stricter than TIF laws in other states. Simplifying this Kansas law would not only make TIF easier to understand, but could put our state on a level playing field with our peer states. The report details how Kansas has a long list of factors to evaluate before TIF is allowed while other states have a much lower threshold. By reducing the Kansas threshold, TIF may appear more readily achievable in the eyes of governing body members from smaller cities. It will do much to remove the idea that this is a “big city” or urban economic development tool.

Use of TIF Proceeds. The *Post Audit Report* also pointed out that TIF proceeds in Missouri can be used for far more public purposes than in Kansas. Currently, K.S.A. 12-1773 limits what governing bodies can do with TIF monies to a short laundry list of uses. I would suggest that opening up TIF funds to be used for more creative public purposes will narrow the advantage Missouri and other states have over our own.

Intergovernmental Veto. Another impediment contained in our state TIF law is that it allows counties and school districts to veto the creation of a redevelopment district. While we value intergovernmental cooperation, the reality is that most county commissions and school boards do not view economic development/redevelopment as part of their job – or, at least, certainly not a priority. Giving them a veto unduly discourages governing bodies. And, as pointed out above, the revenue risk to counties and schools is virtually non-existent because the pre-development property tax base is still levied upon.

4. Conclusion

You will hear from a number of city officials who have faced down these statutes and lived to tell about it. Once they deciphered the statutes, they have used TIF to develop areas of their community that otherwise would have been unproductive. The Post Audit Report demonstrates

that city officials are using this economic development tool responsibly. The one city that did not follow the exact letter of this complex law quickly took action once it became aware of its noncompliance. The appendix of the Report seems to be a catalog of successes in progress; not failures.

The economic growth from a "redevelopment district" not only enriches the owners/developers of the district – it also provides increased property tax revenues and sales tax revenues that benefit all levels and subdivisions of Kansas government. Moreover, the state realizes even greater benefits due to increased sales tax revenues and a larger property tax base. Simplification of the TIF statutes will do much to put Kansas on a level playing field with other states. The League is anxious to work with your committee and the entire Legislature to streamline the TIF statutes and make them work more effectively. If we can do that, cities across the entire state will begin to see the power of this underused tool of progress.

1-4

~~1-3~~



MEMORANDUM

TO: Members of the Senate Commerce Committee
FROM: Donald R. Seifert, Policy Development Leader *DRS*
SUBJECT: **Substitute for HB 2005**; Tax Increment Financing Simplification
DATE: March 8, 2001

On behalf of the city of Olathe, thank you for the opportunity to appear today in support of Substitute for HB 2005 which would reorganize and clarify the existing TIF statutes at K.S.A. 12-1770 *et seq.* This bill resulted from an interim study of the TIF statutes by the Joint Committee on Economic Development. The bill unanimously passed the House after the House Committee on New Economy and a group of TIF practitioners collaborated to rework the introduced version.

The city of Olathe believes TIF is a very important tool for encouraging redevelopment projects in our state. Prior to using TIF, the city had a pre-1992 enterprise zone that serves as the foundation for its current TIF district and other TIF proposals. The city's experience with TIF is limited, but we believe successful. Created in 1995, the city's TIF district is located in an area at the northeast quadrant of the interchange of I-35 and 119th Street. The area was previously developed with a mix of older industrial and residential uses, with a significant environmental problem that remained from a former truck stop and service facility. Special obligation TIF bonds (not general obligation) were issued in 1997 and again in 1999 for environmental remediation, land acquisition, relocation, demolition, and public improvements. The TIF improvements encouraged the development of a 112,000 sq. ft. Home Depot facility and a 212,000 sq. ft. retail center developed by Block & Co. of Kansas City.

From an initial base assessed value of \$835,000 in 1995, the district's assessed value has grown seven fold to more than \$5.5 million today, representing private investment of more than \$25 million. In addition to property taxes, local sales taxes generated by the project are also pledged to retire the debt. The project is on track to retire its 10-year TIF bonds early.

Based on this experience, the city considers its TIF district to be highly successful. Although the city is very satisfied with its TIF district, we agree with other conferees that the TIF statute could be improved. Other locations in Olathe are presently under consideration for TIF. This bill offers a number of procedural clarifications that will make TIF easier for Olathe and all other cities to use on their next project. The procedural improvements in the bill will make TIF more closely track the real world development process.

Thank you again for the opportunity to appear in support of this bill. The city encourages the Committee to recommend it favorably for passage.

Senate Commerce Committee
March 8, 2001
Attachment 2-1

Wireline Subscribership
(figures obtained from the Kansas Corporation Commission March 1, 2001)

Penetration rate – 93.8%

Growth rate of wirelines – 1996 - 1,518,350
1999 - 1,609,382
Total growth - 91,032 (6%)