

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on March 18, 2003, in Room 522-S of the Capitol.

All members were present except: Representative Don Hill, Excused

Committee staff present: April Holman, Legislative Research
Renae Jefferies, Revisor of Statues
Fulva Seufert, Secretary

Conferees appearing before the committee: Michael Wilkes, Olathe City Manager
Diane Costello, Olathe Chamber of Commerce
Steve Graham, Titan Construction
Ed Wolverton, President, Wichita Downtown Development Corp.
Lori Usher, VP, Economic Development, Wichita Area Chamber of Commerce (written only)
John Rolfe, President/CEO, Greater Wichita Convention & Visitors Bureau (written only)
Mike Taylor, Government Relations Director, City of Wichita (written only)
Representative Larry Campbell

Others attending: See attached list

Chairman Wilk opened the meeting by asking Ms. April Holman, Legislative Research Department, to review **SB 235** - Providing for general STAR bond authority throughout the state. Following her explanation, Chairman Wilk opened the Public Hearing for:

SB 235 - Providing for general STAR bond authority throughout the state

Chairman Wilk welcomed the first conferee Mr. Michael Wilkes, Olathe City Manager, who said he was very much in support of **SB 235** as a statewide bill for STAR bonds which he believes would be an excellent tool for Kansas benefits. He did mention he had some concerns about the feasibility study which would require a marketing study examining the impact of STAR bonds on existing districts. (Attachment 1)

After some questions about his concerns about the feasibility study, Mr. Wilkes said that he might propose an amendment addressing his concerns. The Chairman thanks Mr. Wilkes.

The Chair recognized the second conferee, Ms. Diane Costello, Olathe Chamber of Commerce, who spoke in support of **SB 235** by saying she believes Kansas must be aggressive in the use of economic development tools. She said that **SB 235** offers an opportunity to improve access to STAR Bond authority. She further said that STAR bonds will not raise taxes, and that there would be no cost to the state, but rather STAR Bonds would jump-start the economy, increase tourism, create jobs, foster business investments, and bring new dollars into Kansas. (Attachment 2)

Chairman Wilk welcomed Mr. Steve Graham, Titan Construction, who spoke as a proponent for **SB 235**. He provided no written testimony, but stated that the STAR Bond tool that the state now has provides the state with the opportunity to enhance our state. He would like to see it expanded so the entire state could benefit.

The Chair next recognized Mr. Larry R. Baer, Assistant Legal Counsel, League of Kansas Municipalities, who spoke in support of **SB 235**. He specifically mentioned that the League supports tax increment financing and the broad base use of STAR bonds, and as amended, the bill provides for the expanded use. He said **SB 235** in its original form was nearly identical to **HB 2396**. He said that **SB 235** creates a definitive financial threshold. Yet it provides a means for the evaluation of projects, and he believes that the thresholds are fair and protect STAR bond usage from dilution. He mentioned that he thought the market study was an improvement in the original bill. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT at 3:30 p.m. on March 18, 2003 in Room 522-S of the Capitol.

The Chair welcomed Mr. Ed Wolverton, President, Wichita Downtown Development Corporation, who spoke as a proponent of **SB 235**. He mentioned that while he would continue to advocate the approval of **HB 2208**, he also was in favor of **SB 235** because it offers an opportunity to improve access to the STAR Bond program. He also stressed that "STAR bonds do not raise taxes, do not require any "out of pocket" cost to the State and spurs economic activity..." (Attachment 4). Mr. Wolverton also presented written testimony from Mr. Lori Usher, Vice President, Economic Development, Wichita Area Chamber of Commerce (Attachment 5) and John Rolfe, President/CEO of the Greater Wichita Convention & Visitors Bureau (Attachment 6).

Chairman Wilk called the committee's attention to the written testimony of Mr. Mike Taylor, Government Relations Director, City of Wichita, who had to leave early for Wichita and could not testify in person. (Attachment 7)

The Chair also called the committee's attention to the written only testimony provided by Mr. Blake Schreck, President, Lenexa Chamber of Commerce. (Attachment 8)

Chairman Wilk welcomed Representative Larry Campbell back to the Economic Development Committee, and Rep. Campbell spoke in support of **SB 235**. Rep. Campbell thanked the committee for hearing the bill and said that economic development has to do its work. He said that **SB 235** was a well crafted STAR bond proposal. He asked the committee if the state wanted to do a case by case evaluation or does the state want a STAR bond policy. He pointed out that he believed the legislature does its best work when it establishes policy, but that the policy needs to be tight and clearly defined. He said he believes **SB 235** is establishing a policy that can be communicated, and that once it is passed, the news will travel like wildfire. It will create jobs, bring in new capital, and help existing businesses to expand if crafted properly, which he believes it is. He reminded the committee that he thinks it is best to set a policy rather than to approve STAR bonds case by case or one at a time.

After numerous questions and considerable discussion, Chairman Wilk closed the Public Hearing on **SB 235**.

Representative Krehbiel made a motion to approve the minutes of the March 13, 2003 meeting. Representative Novascone seconded, and motion carried.

The next meeting will be Thursday, March 20, 2003, at which time **SB 235** will be considered and **ERO 30** will be discussed.

The meeting adjourned at 5:20 p.m.



Testimony on S.B. 235

Mr. Chairman and Members of the Committee:

It is my honor and pleasure to stand before you in support of S.B. 235. We believe that this bill provides a tool to help all local governments and the State of Kansas grow our economy. **Frankly, we can't lose sales tax dollars that we don't have!** This bill contains safeguards and thresholds that insure that it is truly a tool for major projects that will bring in outside dollars and not merely redistribute existing local spending.

As you may know, economic development has become a competitive business for states and local governments. We are seeing a domino effect across the country as other states are lining up to authorize tools such as STAR bonds to attract and retain development. In fact, a similar effort is gaining momentum in a state not ten miles from our border, a state in which we are in direct competition for a major project. As was written in the Kansas City Star this weekend, Bass Pro is looking to come to the Kansas City market. **That project should be generating revenue in Kansas, not Missouri.** STAR bonds will help make that happen.

As important as addressing competition and leveling the field for the State of Kansas, is the economic opportunity STAR bonds can create. Like the state, Olathe is facing significant economic challenges, and we fully believe the answer to those challenges is attracting high-impact economic opportunity, not raising taxes. STAR bonds are a powerful tool that allows us to do just that.

The City of Olathe fully supports efforts to provide this valuable economic tool for all of Kansas. We also fully recognize the need to use STAR bonds responsibly and with an utmost assurance of significant and positive economic impact for all of Kansas. We believe the definition of a "special bond" project currently within the bill's language will assure that impact.

The City of Olathe supports the expansion of the definition of a "TIF eligible area" to include a major commercial, entertainment, and tourism area as defined by the Secretary of Commerce. We believe such a provision will be helpful to allow cities throughout Kansas to use this tool on important projects. One such project that we are aware of is the \$10 million museum addition being discussed for the Cosmosphere in Hutchinson.

The City of Olathe would express concerns regarding the amendment requiring a marketing study examining the impact of STAR bonds on existing districts. While we understand the intent of this language, Olathe is in a unique position in that we are in direct competition with Missouri. As I stated above the facts are that some of these projects will come to the Kansas City metro area, on one side of the state line or the other. Without this tool, we will see projects emerging in Missouri that will not only compete with Kansas projects, but will take revenues that could be coming into the coffers of Kansas governments.

The City of Olathe strongly believes statewide STAR Bond authority will create a truly tangible tool for communities throughout Kansas to secure and retain major economic development, help create jobs, and generate revenue for our communities and our State. **We would urge your positive consideration of S.B. 235.**

House Economic Development
3-18-03
Attachment 1

House Economic Development Committee
Testimony in Support of SB 235
March 18, 2003

The Olathe Chamber of Commerce supports SB 235, which authorizes the statewide use of tax increment financing (TIF) and sales tax revenue (STAR) bonds to expedite major economic development projects. Any new economic development activity that a community generates benefits all of Kansas.

TIF authority and STAR Bonds have both proven to be powerful economic development tools in attracting new businesses to Kansas as witnessed by the growth adjacent to Kansas Speedway in Wyandotte County. STAR Bond authority is designed to encourage major economic development projects with a significant tourism component. These new tax dollars that will come into Kansas will tend to redefine tourism. It doesn't have to be the Disney Worlds or the Missouri Arches that generates tourism dollars, it is simply getting people to come to a particular destination to do something. The number one tourism destination in Kansas now is Cabela's, brought to you by STAR Bond authority. This new development would not exist *but for* the STAR bonds issued.

Our Board of Directors was supportive of the Kansas Speedway project and the use of STAR bonds to finance improvement in the tourism district created around the Speedway. The Olathe Chamber of Commerce will continue to be supportive of STAR Bonds if they can be used as an economic development tool that is fairly available to all communities in our state with qualifying projects.

In order to encourage significant economic growth for Kansas, we must be aggressive in the use of economic development tools. In this down economy it is critical to focus on legislation that stimulates and generates economic growth and that provides financial flexibility for payment of public costs which may be related to any project. SB 235 offers an opportunity to improve access to STAR Bond authority. STAR Bonds do not raise taxes, there is no cost to the State and yet this authority has the power to jump-start economic activity and tourism, create jobs, bring *new* dollars into the state, and new business investments.

We, therefore, urge your support and favorable action for SB 235.

House Economic Development
3-18-03
Attachment 2



OLATHE
CHAMBER OF COMMERCE
ONE VISION. ONE VOICE.

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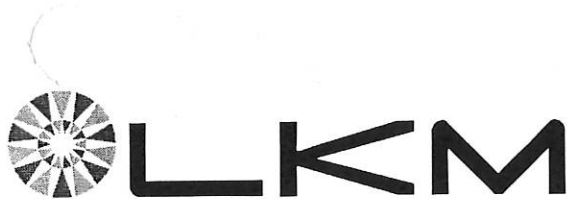
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League of Kansas Municipalities

Date: March 18, 2003
To: House Economic Development Committee
From: Larry R. Baer
Assistant Legal Counsel
Re: SB 235 - Testimony in Support

Thank you for allowing me to appear before the Committee today on behalf of the League of Kansas Municipalities and its member cities and present testimony in support of SB 235.

The League has long supported the continued use of tax increment financing to promote economic development and allowing maximum flexibility in the TIF laws. SB 235, as amended, provides for the expanded use of STAR bonds for the payment of public costs associated with the development of certain types of projects.

SB 235, as originally introduced in the Senate, was nearly identical to HB 2396 which the Committee considered about a month ago. A number of questions were raised at that time about the possibility of statewide access to STAR bonds. We believe that the amendments made to SB 235 by the Senate answer nearly all of the questions posed by this Committee on a statewide STAR bond usage.

SB 235 creates a definitive financial threshold for areas within metropolitan statistical areas but, yet, it provides a means for the evaluation of projects to be developed outside of a MSA. Through the use of separate thresholds, the potential for use of STAR bonds has been extended nearly statewide. We believe that both "threshold methods" are fair and protect STAR bond usage from dilution. Further, the requirement of the use of a marketing study and its consideration in the development plan approval process is an improvement in the original bill. Finally, SB 235 clarifies that if there is a pledging of state sales tax for payment of public costs associated with the project there must also be a pledging of the local sales tax component.

SB 235 can be an important tool to help stimulate and generate local economic development and growth and provide additional flexibility for the payment of public costs associated with an eligible project. We, therefore, urge your support for and favorable action on SB 235.

Thank you. I will stand for questions at the appropriate time.

House Economic Development
3-18-03
Attachment 3



**House of Representatives Economic Development Committee
Testimony in Support of SB 235
March 18, 2003**

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John Rolfe

PRESIDENT

Edwin J. Wolverton

The Wichita Downtown Development Corporation is a non-profit organization focused on stimulating new economic investment and activity. Because of our economic development focus, we are currently working legislation to create a Sales Tax Revenue (STAR) bond area in Sedgwick County that could help with a current project. As Senate Bill 235 proposes a method that would provide greater access to the STAR bond program, I support the bill.

As you know, the STAR bond program is a State initiative that allows local communities to issue bonds that are secured by growth in sales tax revenues from new businesses that locate into an authorized area. Although this is a State-wide program, Wyandotte County is the only community with STAR bond areas.

In examining the results from Wyandotte County, the STAR bond program has been a phenomenal success in generating new jobs and investment. Unfortunately, this success has not been duplicated by other communities because the current process for creating a STAR bond area is very difficult and cumbersome. It requires the State Legislature to approve an area, which can be unpredictable, labor intensive and time consuming. Once the legislature acts, the Secretary of Housing and Commerce must then determine the economic impact of a proposed project and declare that it will enhance tourism efforts or be of State-wide importance. As you can see, this process is hard for most communities and developers.

As you know, we are currently working with a project that could be a candidate for STAR bond funding. Negotiations continue to progress with a national, destination retail tenant and are now at a critical stage. The availability of STAR bonds will be important for bringing these discussions to a successful conclusion. While I cannot yet provide details about the prospect and their economic impact, this is a real project that will generate real benefits. Given the current status, I must stress the need for the committee and the Legislature to act during this session on this bill and HB 2208.

To provide greater clarity for our potential project, I want to ask the Committee to consider clarifying whether a special bond project can occur within an already established redevelopment district. The draft bill is unclear on the matter and it could require us to repeat a public hearing that has already occurred. As this would slow our project, we would like to see language that would address the issue by allowing the city to locate a special bond project within an existing redevelopment district.

One word of caution focuses on the standards for STAR bond projects. The requirements proposed in SB 235 are set high. I believe that it is important that these standards remain high so that areas seeking STAR bond financing have a true economic need. It is

imperative that any proposed area meet criteria on blighted conditions, conservation districts, enterprise zones and environmental contamination. In fact, I would recommend that all the criteria must be met rather than just one item.

The standards for investment, annual sales, state-wide impact and tourism enhancement must also be high. STAR bonds must not become a financing tool that subsidizes regional office parks or shopping centers that fail to attract unique, destination businesses with state-wide appeal. In my opinion, we should be concerned about allowing discount variety stores, home improvement warehouses, grocery stores, electronic supercenters and other similar shops to tap into STAR bond financing. This is especially true for market driven projects that would likely happen anyway due to population shifts and new growth patterns.

SB 235 offers an opportunity to improve access to the STAR Bond program. As STAR bonds do not raise taxes, do not require any "out of pocket" cost to the State and spurs economic activity, my organization supports the measure. While we will continue to advocate the approval of HB 2208 to create a STAR bond area in Sedgwick County, we believe that these two bills will have an immediate impact on our community and economy. As inaction will mean the loss of a critical tool that will create new jobs and business investment at a time when our economy desperately needs help, I encourage the committee to approve the bill and champion its approval by your colleagues in the Senate and House.

Thank you for considering my testimony.



Edwin J. Wolverton
President, Wichita Downtown Development Corporation



the Chamber
Wichita Area Chamber of Commerce

March 17, 2003

RE: Testimony on Senate Bill 235
Economic Development Committee

Dear Chairperson and members of the committee,

I am writing this testimony in support of Senate Bill 235.

The Wichita Chamber's economic development division has been a strong partner in supporting the downtown WaterWalk project. The City of Wichita selected and contracted with an investment group to develop a 25-acre site along the Arkansas River. The investors have announced a development plan that includes office, restaurant, residential and retail components that will require a total private investment of \$100 million. To help pay for public improvements, the City created a developer-funded Tax Increment Financing District to support public improvements including a parking garage, street improvements, sidewalks and the waterway, or canal. The City is also using roughly \$10 million in Capital Improvement Funds to improve the riverwalk and other elements within the area.

As is evidenced by this example and many others that have included the State's participation, the return on the investment of public sector dollars is significant. ***Public/private projects do work, and they work well.***

Currently, downtown Wichita is about 20 percent of the total tax base for the City of Wichita. Beyond the economic impact of new visitor dollars gained from developing attractions within the proposed Star Bond district, the ***overall increase in property values*** realized through the addition of office, restaurant, residential and retail components will have ***significant impact on our tax base for the city, county and school district.***

But furthermore, it is important to note the appeal that a renewed, vibrant downtown will have to new companies considering Wichita for relocation or expansion. While the supply of labor and cost of doing business will ordinarily be the top drivers for site selection decisions, often quality of life factors become the qualifier at the end of the race. Just as Wyndotte County has been granted your support of Star Bonds to add an appealing quality of life feature to their landscape, ***we need your support to develop a city that has special appeal to companies and qualified workers in order to keep our economy growing.***

While we enthusiastically support legislation that will give communities the opportunity to flourish with this new financing tool, ***we also insist that our particular project is depended upon swift action of the legislature this session.*** We urge you to embrace the vision that we have for southcentral Kansas by supporting this statewide bill, SB-235 just as you did the project specific legislation that was recently passed by the House – HB-2208.

Thank you for your consideration.

Sincerely,

Lori Usher
VP, Economic Development

Wichita Area Chamber of Commerce
350 West Douglas Avenue
Wichita, Kansas 67202-2970
316-265-7771 Fax 316-265-7502

House Economic Development
3-18-03
Attachment 5



To: Members of the House Economic Development Committee

From: John Rolfe, President/CEO of the
Greater Wichita Convention & Visitors Bureau

Date: March 18, 2003

This letter is regarding **Senate Bill 235** referring to the **STAR Bonds** proposal.

On February 20, 2003, our Board of Directors took a position of support of Senate Bill 235. The passage of this legislation will significantly enhance the economic development efforts of the proposed area and revenues locally and statewide. In addition, passage of this legislation will highly solidify a current project that is recruiting a major national destination retailer to Sedgwick County.

From a tourism perspective, the potential impact is immeasurable. Statewide access to STAR Bond funds could greatly enhance our ability to add attractions and amenities that would improve our convention and tourism development efforts. Quicker access to STAR Bonds not only will positively impact revenues to the South Central Kansas region, but also will have a large impact to all of Kansas, in the form of visitors within and outside of Kansas, with additional revenues to the State of Kansas.

The proposed STAR Bond area would greatly enhance our existing tourism product, as it is in the center of the community's museum district. By creating new attractions within this area, we can draw more visitors who will support existing attractions like Exploration Place, Botanica, Cowtown, the Mid-American All-Indian Center and others. This area is also in the heart of our convention district. The ability to use STAR Bonds to help finance public improvements that would add tourism attractions will strengthen our product and make us more competitive in recruiting regional and national conventions and trade shows.

Having served as the Deputy Secretary of the KDOCH, from 1995- late 1999, and a part of KDOCH when the initial STAR Bond legislation was passed, I know and understand the impact that this type of legislation can have on a region and the State. We all can see what this has done for the Wyandotte County area and the State of Kansas. It continues to draw an enormous amount of visitors to Kansas, and has been the catalyst for additional spin off companies and revenues to the State that benefits all Kansans.

In closing I have confidence in your vision for the Wichita/South Central region as well as the entire State and hope that you will support this legislation.

House Economic Development
3-18-03
Attachment 6



TESTIMONY

Mike Taylor, Government Relations Director
455 N Main, Wichita, KS. 67202
Wichita Phone: 316.268.4351
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mtaylor@wichita.gov

Senate Bill 235 STAR Bonds

**Delivered March 18, 2003
House Economic Development Committee**

The Wichita City Council wholeheartedly supports the use of STAR Bonds as a practical and effective tool to help attract and build projects which will benefit local communities and the entire State of Kansas.

The City of Wichita and its citizens have invested hundreds of millions of dollars in downtown Wichita over the past 15 years through public-private partnerships. We are renovating, revitalizing and reinvigorating downtown Wichita. Our community wants to make downtown Wichita a destination for tourists, a recreational and entertainment center for our citizens, a profitable place for business and a good place to call home for the growing number of people who want to live downtown. These are important goals which benefit all neighborhoods in Wichita, all of South Central Kansas and the entire State of Kansas.

The Wichita City Council and many other leaders in our community spend a lot of time trying to recruit businesses and boost the economy. The investments our community has made in the heart of the city are successful and are paying big dividends. We want to continue these economic development successes and continue making Wichita a great place to live and conduct business. We have asked for your help and partnership by approving the use of STAR Bonds for eligible projects in downtown Wichita in House Bill 2208, which this committee and the Kansas House of Representatives has already approved.

Other communities have similar goals and important projects for their areas as well. STAR Bonds are a proven tool which can and will assist those projects in moving from the drawing board to reality. Projects which can and will generate new taxes and new revenues for the local community and the State of Kansas.

House Economic Development
3-18-03
Attachment 7



The Historic Lackman-Thompson Estate

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Fax 913.888.3770

TO: Representative Kenny Wilk, Chairman
Members, House Economic Development Committee

FROM: Blake Schreck, President
Lenexa Chamber of Commerce

DATE: March 18, 2003

RE: **SB 235—Statewide STAR Bond Authority**

The Lenexa Chamber of Commerce would like to express its support for the concepts embodied in Senate Bill (SB) 235, which authorizes the statewide use of tax increment financing (TIF) and sales tax revenue (STAR) bonds to facilitate significant economic development projects.

TIF authority and STAR bonds have both proven to be potent economic development tools in attracting new businesses to Kansas. While the project parameters and other details contained in SB 235 may need to be further refined, allowing these tools to be more readily utilized statewide to promote unique development opportunities would encourage economic growth and create significant jobs, capital investment, and taxes across the state.

Because it would allow all communities in Kansas the opportunity to pursue significant projects that would positively impact the state, the Lenexa Chamber of Commerce urges the committee to consider SB 235 favorably. Thank you for your time and attention to this issue.

House Economic Development
3-18-03
Attachment 8