

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on March 20, 2003 in Room 123-S of the Capitol.

All members were present except: Senator Wagle, excused

Committee staff present: April Holman, Legislative Research
Mitch Rice, Revisor of Statutes
Sarah Samuelson, Secretary

Conferees appearing before the committee: Mike Taylor, City of Wichita
Larry Baer, League of Kansas Municipalities
Ed Wolverton, Wichita Downtown Development

Others attending: See attached list.

The meeting began with the approval of past committee minutes. Senator Emler moved to approve the minutes from February 19, 20, 21, 24, 25, 26, March 5, 6, and 7. Senator Bunten seconded. The motion carried.

Chairperson Brownlee opened the hearing on HB 2208. Mike Taylor, City of Wichita, testified as a proponent to the bill. (Attachment 1) He said that Wichita is doing a lot to develop and attract business, and he welcomes the state partnership. This bill would help Wichita continue to improve its downtown area. The Wichita WaterWalk is an exciting new project that will help create jobs and attract tourists and would benefit from this bill.

Larry Baer, League of Kansas Municipalities, testified in support of HB 2208. (Attachment 2) This legislation would encourage major economic development or redevelopment projects with regional or statewide importance. Starbonds and TIF laws have proven to be very effective vehicles to help attract and grow the economy.

Ed Wolverton, Wichita Downtown Development, testified in support of the bill. (Attachment 3) Starbonds would be a critical tool in Sedgwick County to support business development efforts. Starbonds do not raise taxes, do not create any "out of pocket" costs to the state, and they spur economic activity. Mr. Wolverton brought with him a number of written testimonies in support of the bill:

Lori Usher, Wichita Area Chamber of Commerce (Attachment 4)
John Rolfe, Greater Wichita Convention and Visitors Bureau (Attachment 5)
Cliff R. Sones, Wichita Independent Business Association (Attachment 6)
Ray Rancuret, Delano Neighborhood Association (Attachment 7)

Written proponent testimony was also provided by Don Seifert, City of Olathe. (Attachment 8)

The committee discussed the bill and asked questions of the proponents. The committee discussed the existing properties within the proposed Starbond areas, the benefits of the project to the entire state, contributions from Wichita and Sedgwick County, and environmental cleanup that has occurred on the property previously.

There were no opponents or neutral parties wishing to testify. Chairperson Brownlee closed the hearing on HB 2208. She announced that the committee will work this bill tomorrow, depending on what the House does with SB 235.

The meeting was adjourned at 9:25 a.m.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 8:30 a.m. on March 20, 2003 in Room 123-S of the Capitol.

The next meeting is scheduled for March 21, 2003, at 8:30 a.m. in Room 123-S.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: Thursday, March 20, 2003

NAME	REPRESENTING
Stephanie Buchanan	Budget
Kevin Barone	Men law firm
Megan Chalfant	Burgess and Associates
Mike Taylor	City of Wichita
Diane Costello	Olathe Chamber
Ed Wolverton	Downtown Development Corp
Allen Bell	City of Wichita
Winton M. Hinkle	City of Wichita
John Peterson	Ks Government Consulting
Erik Santorius	City of Overland Park
Larry R Baer	LKM
Don Seifert	City of Olathe
Mike Huffles	Wichita Economic Development Partners
PAT AYARS	WATERWALK
Gonzalson	WaterWalk III
Kathy Dannon	KCK Chamber
BENNY KOCH	CABELA'S
Bill Sneed	Ks Speedway Corp.
Scott Anglemeyer	KDOCFH



TESTIMONY

Mike Taylor, Government Relations Director
455 N Main, Wichita, KS. 67202
Wichita Phone: 316.268.4351
Topeka Phone: 316.648.6236
mtaylor@wichita.gov

House Bill 2208 STAR Bonds for City of Wichita Downtown Development

Delivered March 20, 2003
Senate Commerce Committee

The Wichita City Council wholeheartedly supports House Bill 2208 and enthusiastically endorses the use of STAR Bonds to help us move some major plans for downtown Wichita from the drawing board to reality.

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.

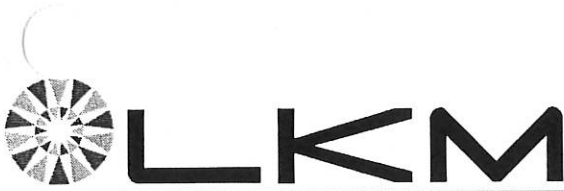
Downtown Wichita has had many successes in the past 15 years including: The Hyatt Hotel and Conference Center on the river front; major expansions and improvements to the Century Two Civic Center and Expo Hall; the world class Exploration Place Science Center; an innovative public-private partnership which saved the historic Eaton Hotel from ruin and turned it into beautiful downtown apartments; renovation of the neglected Keen Kutter Tool Building into the popular Hotel at Old Town; and The Old Town Entertainment District where blocks of rundown red brick warehouses are now filled with shops, restaurants, nightclubs and museums. These are just a few of the things we've accomplished.

Efforts to continue this progress are moving at a rapid pace. There are some very exciting plans for the Arkansas River corridor through downtown. Developments and attractions on both sides of the river offer a unique opportunity for our community to make the Arkansas River a focal point for tourism and local leisure activities. These plans can also give our economy a major boost at a time when we desperately need it.

The Wichita WaterWalk, with its grand canals and exciting retail, office and residential buildings promises to be a crown jewel which will create jobs, attract tourists, generate new revenues for the city and state, and become a gathering spot for Wichita residents to enjoy their community. The Wichita City Council has committed \$30-million in our Capital Improvements Program to help build much of the infrastructure and amenities for the WaterWalk development.

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 are asking for your help and partnership by approving the use of STAR Bonds for eligible projects in downtown Wichita.

Senate Commerce Committee
3-20-03
Attachment 1



League of Kansas Municipalities

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

Date: March 20, 2003
To: Senate Commerce Committee
From: Larry R. Baer
Assistant Legal Counsel
Re: HB 2208 - 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 on HB 2208. The League has long supported the continued use of tax increment financing to promote economic development and allowing maximum flexibility in the TIF laws. And, therefore, stands in support HB 2208.

We all hear about the need to "grow economy". STAR bond authority is designed to encourage major economic development or redevelopment projects with regional or statewide importance. STAR bonds and TIF laws have proven to be very effective vehicles to help attract and grow the new economy through the development of new areas and the redevelopment of existing blighted areas. However, one of the most challenging aspects of economic development is determining how to pay for the public costs associated with a new project. STAR bonds give cities additional flexibility in financing public costs. This is another tool, a very beneficial one, for cities to work with.

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



**Senate Commerce Committee
Testimony in Support of HB 2208
March 20, 2003**

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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 aggressively working to help create new jobs and bring new investment to the region's dominant business center. As a Sales Tax Revenue (STAR) bond area in Sedgwick County would be a critical tool to support business development efforts, we strongly support House Bill 2208 and encourage its passage.

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. We are hoping to generate similar economic gains by creating a STAR bond area in Sedgwick County.

House Bill 2208 is modeled precisely on existing legislation that created the two STAR Bond areas in Wyandotte County. It proposes an area of about 460 acres, which is well within the size of the current areas. The boundaries also meet all of the existing eligibility requirements as it contains blighted conditions, a conservation district, an environmentally contaminated area and is within a State enterprise zone. By meeting all of the state-mandated criteria, rather than just one, we believe that the proposed boundary makes a strong case for STAR bond eligibility. The proposed area also makes allowances for existing and anticipated land use development patterns.

The bill has two minor revisions to the Wyandotte County legislation. First, HB 2208 creates and defines a new term. As the existing legislation defines a "major tourism area" as an auto race track facility, HB 2208 builds on that foundation to introduce the term "major commercial, entertainment and tourism area." It further specifies a "river walk canal facility". Just as the Wyandotte County bill integrated the trigger project into the legislation, this language in HB 2208 does the same thing.

The second revision focuses on sales tax revenues eligible for STAR bond collections. Specifically, the Wyandotte County bill requires that all sales tax revenues collected within a STAR bond area must go to pay off the STAR bonds. HB 2208 specifies that only sales tax revenues generated by new businesses within a STAR bond area can be captured. This insures that a STAR bond project will maintain the current sales tax revenue stream from existing businesses and allows for the State to capture any growth in sales taxes from existing businesses already within a proposed area.

The bill also contains two additional clarifications. This includes a local provision that requires a public vote on an arena if a facility is proposed within the project area and if the arena proposes to use STAR Bonds. The other clarification requires local government to pledge new sales tax revenues generated by a project within a STAR bond area to pay off the bonds.

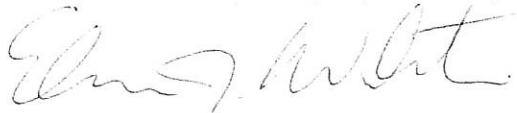
In terms of timing, Sedgwick County currently has project that may be eligible for STAR bonds. The Wichita WaterWalk is a mixed use, redevelopment project that would add significant commercial space within a unique and visionary urban environment. The project includes \$100 million in new private sector investment, \$20 million from a developer funded Tax Increment Finance district and \$10 million in public funds for public infrastructure.

The investors are now negotiating with a national, destination retail tenant that would be an anchor tenant for the project. As additional public infrastructure would be needed to support the project, STAR bond eligibility will be a critical element that can bring negotiations to a successful conclusion. While I cannot yet publicly divulge details about the prospect and their economic impact, this is a real prospect 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.

In short, we have project that already been publicly approved by the City of Wichita. We also have local, civic minded investors who are following the Wyandotte County model to seek the State's approval of a STAR bond area to help build public infrastructure. Lastly, we have a prospect that is almost ready to commit to the project and supply the necessary data for the Lieutenant Governor to make a STAR bond determination.

HB 2208 offers an opportunity for another community to participate in the STAR Bond program. As STAR bonds do not raise taxes, do not have 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 SB 235, 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.

Thank you for considering my testimony.



Edwin J. Wolverson
President, Wichita Downtown Development Corporation



the Chamber
Wichita Area Chamber of Commerce

March 17, 2003

RE: Testimony on House Bill 2208
Commerce Committee

Dear Chairperson and members of the committee,

I am writing this testimony in support of House Bill 2208.

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 project specific bill, HB-2208 just as you did the state-wide legislation that was recently passed by the Senate – SB-235.

Thank you for your consideration.

Sincerely,

Lori Usher
VP, Economic Development



To: Members of the Senate Commerce Committee

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

Date: March 20, 2003

Re: HB 2208

A handwritten signature in black ink, appearing to be "J. Rolfe", written over the printed name of John Rolfe.

On February 20, 2003, our Board took a formal position of support on the STAR Bonds proposal. The passage of this legislation will significantly enhance the economic development efforts of the proposed area and revenues locally and statewide.

From a tourism perspective, the potential impact is immeasurable. A large part of the 470 acres identified is, in fact, a major convention and tourism area. With the passage of this legislation, the possibilities are great for increasing our ability to add attractions and amenities that would improve our convention and tourism development efforts. This could be a major tourist attraction or a major national destination retailer or other ancillary developments that often occur as a result. These types of projects will not only impact revenues to the South Central Kansas region, but will have a large impact to all of Kansas, in the form of visitors within Kansas and from outside of Kansas, with additional revenues to the State of Kansas.

The proposed STAR Bond area would greatly enhance our existing tourism product. The area 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, Old Cowtown, the Mid-America All-Indian Center and others. This area also is 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 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 can all 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 benefit 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 by passing it.



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

LEGISLATIVE TESTIMONY – HB 2208

February 20, 2003

Testimony Provided to Senate Committee on Commerce

By Cliff R. Sones, President, Wichita Independent Business Association

Madam Chairperson and members of the Committee:

Thank you for the opportunity to provide written testimony in support of HB 2208. The bill provides a critical tool in the form of “STAR Bonds” to support business development efforts, which the members of the Wichita Independent Business Association (WIBA) support.

WIBA will celebrate its 72nd anniversary this May as a non-profit business association and we vociferously support free enterprise and quality competition. We have heard comments that the use of the star bonds would bring in a new business and create unfair competition for the existing businesses. Isn't that what made America great! Without competition we pay more and typically receive less service.

The STAR Bonds may be applicable to a project called the Wichita WaterWalk, which is a mixed-use redevelopment program that would add significant commercial space within an urban environment. The project includes \$100 million in new private sector investment, \$20 million from a developer funded Tax Increment Finance district and \$10 million in public funds for public infrastructure.

The investors are now negotiating with a national, destination retail tenant that would be an anchor tenant for the project. As additional public infrastructure would be needed to support the project, STAR Bond eligibility will be a critical element that can bring negotiations to a successful conclusion.

This project will create jobs and business development at a time when the State and Local economy is in the dumper. This is an important project for the State as well as the Sedgwick County area, as it will create new tax revenue.

We encourage the committee to approve this bill that will generate new and needed State and Local revenues.

Thank you for considering this testimony.

Cliff R. Sones
President, Wichita Independent Business Association

Senate Commerce Committee

3-20-03

Attachment 6

THE DELANO NEIGHBORHOOD ASSOCIATION.

232 South Millwood, Wichita, KS. 67213-4060.

Tel: (316) 264-4795

e-mail address: rayranc@southwind.net.

Fax: (316) 264-5205

March 18, 2003

To members of the Senate Commerce Committee
At
Topeka, Kansas.

Re: STAR Bond Testimony.

Members of the Senate Commerce Committee,

As its president I serve the Delano Neighborhood Association. Additionally, I am a member of the Delano Business Association and the President of the Delano Development Corporation.

I am writing to provide support for HB 2208 to create a STAR Bond eligible area in Wichita. A portion of the Delano area is within the created STAR Bond area.

The Delano Neighborhood Association represents about 10,000 residents and is focused on economic and community development projects to make the area a better place to live. The Business Association has about 100 members and is dedicated to creating a business environment for commercial property owners and significant work with our Metropolitan Area Planning Commission.

After years of work, the Mayor and City Council adopted the Delano Neighborhood Revitalization Plan. Major elements of the plan included:

- An urban village with mixed uses
- Continued expansion of the museum district
- Programs to stimulate home ownership
- Programs to stimulate building renovation and improvement projects
- Streetscape improvements
- Zoning and land use changes

A STAR bond area that includes a portion of the Delano Neighborhood will support the City-adopted plan and accelerate our redevelopment efforts. The legislation would be an especially critical tool for the urban village project, which is the northwestern corner of the proposed boundary.

Senate Commerce Committee

3-20-03

Attachment 7-1

The proposed boundary reaches into the museum district, which meets the tourism criteria within the existing legislation. The City and community have implemented many projects in this area and spent millions of dollars to define a museum district. Recent projects include realigning McLean Boulevard and building Exploration Place.

As the Aviation Museum and the African American Museum are both currently looking for locations in Delano and the museum district, the proposed STAR bond area could be critical in helping to develop these regional and state institutions.

The City has also just approved a streetscape improvement plan within the STAR Bond area. Due to higher than anticipated cost estimates, the City had to cut back on some elements of the streetscape plan. A STAR bond area, along with an approved project, could provide a new funding source that would allow the City to put these elements back into the improvement projects.

Thank you very much for considering this testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ray Rancuret', with a long horizontal flourish extending to the right.

Ray Rancuret
President



MEMORANDUM

TO: Members of the Senate Commerce Committee

FROM: Donald R. Seifert, Policy Development Leader *DRS*

SUBJECT: **HB 2208-** Star Bonds; Sedgwick County

DATE: March 20, 2003

On behalf of the city of Olathe, thank you for the opportunity to add support for HB 2208. This bill would allow the use of STAR bonds for a new category of "major commercial, entertainment and tourism" project of statewide importance located in Sedgwick County. As the committee knows, the city of Olathe supports broadening the use of STAR bonds for projects worthy of statewide significance without respect to geography. This committee and the full Senate have agreed with this position through passage of SB 235. Olathe supports HB 2208 because it is consistent with the city's position that STAR bond authority should be expanded beyond current law for significant projects as determined by the Secretary of Commerce.

To date, STAR bonds have been utilized in connection with the highly successful Kansas Speedway and related development in western Wyandotte County. This project has been a tremendous economic stimulus for both Wyandotte County and the state of Kansas. The project envisioned by Wichita interests also has potential to be a great success. However, as the committee recently heard from Olathe officials, there are other areas of the state where projects of statewide significance are being considered.

This committee is especially mindful of the need to encourage growth of the Kansas economy to help the state emerge from its current fiscal situation. Projects of statewide significance may not occur every day, but they can play a powerful role in growing our state's economy. Under either this bill or SB 235, STAR bond projects will still meet standards established by the Legislature and the Department of Commerce that define statewide significance. STAR bond projects will bring in new dollars and revenue from outside the state.

Thank you for the opportunity to submit this comment on HB 2208.

Senate Commerce Committee
3-20-03
Attachment 8