

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on March 18, 2004, in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Susan Kannarr, Legislative Research Department
Renaë Jefferies, Office of Revisor of Statutes
Helen Pedigo, Office of Revisor of Statutes
Fulva Seufert, Secretary

Conferees appearing before the committee:

Representative Doug Patterson
Mr. Allen Bell, Economic Development Director, City of Wichita

Others attending:

See Attached List.

Chairman Wilk asked Ms. Susan Kannarr, Legislative Research Department, to brief the committee on the following: **HB 2934 - Tax increment financing; river walk canal facility**
(Attachment 1)

Following the briefing, the Chair welcomed Representative Doug Patterson who said he always enjoyed testifying before the Economic Development Committee. Representative Patterson said he was in the committee to speak to the following:

Substitute HB 2801 - Tax increment financing definition on special bond projects.

Representative Patterson told the committee he was interested in specific projects such as the River Walk and the Kansas Speedway, and that he found encouragement in last year's bill. He also said he thought it would be great to let smaller communities tap into this resource. He said other states are looking at smaller projects without more restrictions. He cited Paola as an example where the town square has many empty store fronts and is just not the same as it used to be. He said Paola needs help to restore its Mom and Pop stores. Rep. Patterson said **HB 2801** proposes that communities of a certain size, as long as the project is of a certain minimal investment, use this legislation to revitalize themselves. This would create a certain level of new jobs. He mentioned that he thinks a 10 year time frame would be adequate. Representative Patterson referred to the "but for" wording which prompted some questions from committee members.

Chairman Wilk thanked Representative Patterson and opened the Public Hearing on **HB 2934 - Tax increment financing; river walk canal facility.**

- The Chair welcomed Representative Steve Brunk, committee member, who said some people from Wichita are working on the current STAR Bonds project and are having some difficulty getting the project together. He said the bill needs some tweaking and he wanted the committee to hear from them one more time. Rep. Brunk introduced Mr. Allen Bell, Economic Development Director, City of Wichita, who spoke as a proponent of **HB 2934** which would help to bring a Bass Pro Shops store to Wichita as a part of the Water Walk Redevelopment Project. He said they needed this to be able to use STAR Bonds to finance the construction of the building that will be leased to Bass Pro Shops. **House Bill 2934** makes this possible by adding the Water Walk project to the projects that are exempted from the blanket prohibition against using STAR Bonds to finance buildings owned by or leased to private developers. He mentioned other exempted projects like the Kansas Speedway project in Wyandotte County and a possible redevelopment project for the former Topeka State Hospital.

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on March 18, 2004, in Room 526-S of the Capitol.

During questions and discussion, concerns were expressed about what would happen if Bass Pro Shops pull out after 10-15 years and leave an empty building. Another member expressed concern because it appears to be chipping away at the original intent of STAR Bonds, and the radius of 500 miles is overlapping. When asked if this idea is dependent upon the idea of a casino, the answer was "yes." Rep. Annie Kuether refreshed the committee about the original race track and how it displaced a lot of families who had homes in the area of the project. Representative Brunk mentioned that this was a specific project which has been pared down to the water walk area which is blighted and polluted in an area of downtown that was rapidly deteriorating. He suggested it could be very specific just like the Cabela project and that no more than a certain percent could be used. He said developers are putting up a lot of money and that normally he would not like the idea, but this is a unique idea. He said he hopes Wichita can do the same thing that Cabela did in Kansas City, and that Wichita definitely needs this one piece of legislation to make this project work.

The committee members questioned Mr. Bell about whether he has been in communication with Secretary of Commerce, and he said that just today the Lt. Governor assured him that this bill will satisfy his concerns about its intent. Chairman Wilk referred to page 2 of the testimony concerning outcomes of the project and what dollars would be involved if the legislature does nothing. The answer given was they would be limited by the fact that they need to conclude the deal with Bass Pro Shops, and the retail leverage would be about 28 million of STAR Bonds. Mr. Bell said the total without STAR Bonds is about 105 million and somewhere around 130 million with STAR Bonds. (Attachment 2)

Chairman Wilk closed the Public Hearing on **HB 2934**.

The Chair announced that members could continue their discussion **of HB 2934**. Some of the discussion included the following:

- Do not always get things right the first time.
- Did the STAR Bond language in the bill for the water walk project include a definition of the river walk canal facility? The answer was that it was gutted by the Senate. Chairman Wilk pointed out that on page 3, line 32, the definition is there.
- Representative Huntington asked if the project was already under way and if STAR Bonds are being used. The answer was "no" and that tax increment financing was being used and that site preparation has begun. The original project included mixed use building and did not contemplate the Bass Pro Shop opportunity.
- Representative Novascone commented that it puzzles him as to why anyone from Wichita would be against this project.
- Mr. Bell said it was an important project for Wichita, and the ambiguity of language should not cause Wichita to lose this major opportunity.

Representative Hill made a motion to approve the minutes of the March 11, 2004, and Representative Boyer seconded. Motion passed.

The meeting adjourned at 4:35 p.m.

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March 18, 2004

To: House Economic Development Committee

From: Susan Kannarr

Re: H.B. 2934

As introduced by the Committee on Taxation, H.B. 2934 amends the tax increment financing law (K.S.A. 12-1770q) to add the construction of museums and related public areas to the list of allowable costs for redevelopment project costs.

Further, the bill includes a "river walk canal facility" to the list of projects where inclusion of costs related to the construction of buildings or other structures to be owned by or leased to a developer is allowed.

House Economic Development
3-18-04
Attachment 1



LEGISLATIVE TESTIMONY

TO: Chairman Wilk and Members of the House Economic Development Committee

SUBJECT: Testimony in Support of House Bill 2934

SUBMITTED BY: Allen Bell, Economic Development Director

DATE: March 18, 2004

Thank you for the opportunity to testify in support of House Bill 2934. The City of Wichita has sought the introduction of this bill to help bring a Bass Pro Shops store to Wichita as a part of the WaterWalk Redevelopment Project. In order to bring Bass Pro Shops to Wichita, we need to be able to use STAR bonds to finance the construction of the building that will be leased to them. House Bill 2934 makes this possible by adding the WaterWalk project to the projects that are exempted from the blanket prohibition against using STAR bonds to finance buildings owned by or leased to private developers. The other exempted projects include the Kansas Speedway project in Wyandotte County and a possible redevelopment project for the former Topeka State Hospital.

There is no question that in passing the statewide STAR bond legislation last year, the legislature intended to restrict the use of STAR bonds primarily to infrastructure improvements. The City of Wichita had originally introduced a project-specific bill that was closely modeled after the Wyandotte STAR bond legislation. We were nevertheless confident that we could accomplish our objectives on the basis of the legislation that ultimately became law, but that proved not to be the case.

Bass Pro Shops is the number one name in outdoor retailing and is the most sought-after tenant in commercial developments everywhere in the United States. In all the projects Bass Pro Shops has been in recently, they have gone in as a "lost leader" in the sense that they pay rents far below market rates in return for drawing very large numbers of customers into an area where other businesses can benefit. As a general rule, the rent they are willing to pay will cover operating and maintenance costs, but will not contribute significantly to the amortization of capital costs. In suburban developments, developers can spread the capital costs over several hundred thousand square feet of other retail space. In Shreveport, Louisiana for example, Bass Pro Shops is the anchor in a development that includes shops, hotels, restaurants and a casino. In Oklahoma City, where Bass Pro Shops is part of the downtown Bricktown area, where space for other retail is limited, the City financed the construction of the building with City bonds paid from the state and local sales taxes generated by the project.

Bringing Bass Pro Shops to Wichita will be a tremendous economic development achievement, not only for the WaterWalk Project but for the City and the entire region. In a letter to the editor published in today's *Eagle*, a citizen made the argument that Wichita needs a major attraction, to

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Attachment 2

Testimony on House Bill 2934
House Economic Development Committee
March 18, 2004

bring people in to the region where they can enjoy all the other great attractions we have. Bass Pro Shops will be a major attraction for Wichita. They will draw well over a million customers a year. WSU's Center for Economic Development and Business Research conducted an economic impact analysis, which estimates that visitors drawn to the region by Bass Pro Shops will spend over \$33 million annually, in excess of what they spend in the store. The overall economic impact is projected to be 1,482 new jobs, \$25 million in annual payroll and \$125 million in annual economic output.

The WaterWalk Project is a public-private partnership in which significant local public and private resources have been committed. The City of Wichita has committed to fund \$28.5 million in public improvements using tax increment financing, general obligation bonds paid from citywide property taxes and project-related parking fees, and federal grant dollars. The private developers have committed to invest over \$85 million in the construction of several large, multi-story, mixed-use commercial buildings.

This will be an outstanding, signature development for the City, the region and the state. With its key downtown location, it will mark Wichita as a progressive, world-class city where businesses will want to locate and stay and grow. With its location on the Arkansas River, it will anchor a beautiful "riverscape" that runs through downtown Wichita past Cowtown, the Art Museum, the Indian Center and the Keeper of the Plains, Exploration Place, modern downtown office buildings and hotels, beautiful bridges, Century II, Lawrence-Dumont Stadium and Bass Pro Shops.

Bass Pro Shops is ready to come to Wichita. But we will not be able to close the deal with them until we know we will be able to use STAR bonds to finance the construction of the building they would lease. The bill before you is carefully crafted to do just that. We do ask for one small change to the bill as drafted. The term "river walk canal facility" (which limits the exemption to the WaterWalk Project) needs to be moved down one line to signify that the building is in a redevelopment district that includes a river walk canal facility. As drafted, the language could be construed to mean that the building itself would have to have a canal running through it.

With this small change, the City of Wichita asks the Committee to pass this bill that will bring such a huge benefit to southcentral Kansas. I will be happy to answer any questions.

- 1 (14) landscaping and plantings, fountains, shelters, benches, sculp-
 2 tures, lighting, decorations and similar amenities; ~~and~~
 3 (15) *museums and related public areas; and*
 4 (16) all related expenses to redevelop and finance the redevelopment
 5 project.

6 Redevelopment project costs shall not include costs incurred in con-
 7 nection with the construction of buildings or other structures to be owned
 8 by or leased to a developer, however, the "redevelopment project costs"
 9 shall include costs incurred in connection with the construction of build-
 10 ings or other structures to be owned or leased to a developer which in-
 11 cludes an auto race track facility ~~or a river walk canal facility~~ or is in a
 12 redevelopment district including some or all of the land and buildings
 13 comprising a state mental institution closed pursuant to section 2 of chap-
 14 ter 219 of the 1995 Session Laws of Kansas.

*a river walk canal
 facility or*

15 (r) "Redevelopment district" means the specific area declared to be
 16 an eligible area in which the city may develop one or more redevelopment
 17 projects.

18 (s) "Redevelopment district plan" or "district plan" means the pre-
 19 liminary plan that identifies all of the proposed redevelopment project
 20 areas and identifies in a general manner all of the buildings, facilities and
 21 improvements in each that are proposed to be constructed or improved
 22 in each redevelopment project area.

23 (t) "Redevelopment project" means the approved project to imple-
 24 ment a project plan for the development of the established redevelop-
 25 ment district.

26 (u) "Redevelopment project plan" or "project plan" means the plan
 27 adopted by a municipality for the development of a redevelopment pro-
 28 ject or projects which conforms with K.S.A. 12-1772, and amendments
 29 thereto, in a redevelopment district.

30 (v) "Secretary" means the secretary of commerce.

31 (w) "Substantial change" means, as applicable, a change wherein the
 32 proposed plan or plans differ substantially from the intended purpose for
 33 which the district plan or project plan was approved.

34 (x) "Tax increment" means that amount of real property taxes col-
 35 lected from real property located within the redevelopment district that
 36 is in excess of the amount of real property taxes which is collected from
 37 the base year assessed valuation.

38 (y) "Taxing subdivision" means the county, city, unified school district
 39 and any other taxing subdivision levying real property taxes, the territory
 40 or jurisdiction of which includes any currently existing or subsequently
 41 created redevelopment district.

42 (z) "Special bond project" means a redevelopment project with at
 43 least a \$50,000,000 capital investment and \$50,000,000 in projected gross