

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 10, 2005 in Room 526-S of the Capitol.

All members were present except:
Valdenia Winn- excused

Committee staff present:
Kathie Sparks, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Renae Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:
Representative Ed O'Malley
John Weher, City Council Member - Mission
Michael Scanlon, City Administrator - Mission
Laura McConwell, Mayor of Mission
Matt Jordan, Dept. Of Commerce
Terry Leatherman, Kansas Chamber of Comm.

Others attending:
See attached list.

HB 2140 - Redevelopment district for financing investigation and remediation of flood-plain conditions; qualifications

Representative O'Malley gave a briefing on **HB 2140**. This bill is a technical clean-up to a piece of TIF legislation passed last year.

Honorable Laura McConwell, Mayor of Mission, gave testimony as a proponent for **HB 2140**. Three years ago when she became Mayor, there was \$2 million worth of commercial property in the flood plain area. Now, there is \$51 million worth of commercial property in the flood plain area. The flood plain runs through the commercial area. Rock Creek is the creek that is creating the problem. Rock Creek is a highly responsive flood plain. When it rains, Rock Creek rises very quickly and then recedes quickly after the rain has passed.

HB 2140 will allow the City of Mission, through redevelopment, to possibly handle some of the costs associated with flood improvements. (Attachment 1)

John Weber, City Council Member and City Council President from the City of Mission gave testimony as a proponent for **HB 2140**. The size of the flood plain in terms of commercial value is equal to all the commercial property in Barton, Cheyenne, Rawlins, Decatur, Norton, Phillips and most of Labette Counties. Combine all of this and you would have what equals the 100-year flood plain of Mission. The 100-year flood plain has grown towards the east and increased in size by over \$35,000,000. Mr. Weber ask the Committee to support **HB 2140** since this bill will create another way the City of Mission might be able to finance this expensive project. (Attachment 2)

Michael Scanlon, City Administrator for Mission spoke in favor of passage of **HB 2140**. Passage of this bill is not a want, but a very necessary need. Without the changes in the flood plain TIF law, our only options in financing this very large stormwater project would be likely to increase property taxes. (Attachment 3)

The Committee was given a handout showing the Rock Creek Project Milestones over the past year. (Attachment 4)

Representative Kuether made a motion to place **HB 2140** on the Consent Calendar. Representative Carlin seconded the motion. A vote was taken and motion passed. **HB 2140** will be placed on the Consent Calendar.

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on February 10, 2005 in Room 526-S of the Capitol.

Matt Jordan, Department of Commerce gave testimony as a proponent for **HB 2164**. This bill reinstates an economic development tool for rural communities that sunseted on July 1, 2004. This particular Rural Enterprise Zone Incentive allows counties with a population of 10,000 or less to offer sales tax exemptions on retail businesses that locate or expand within their jurisdictions. (Attachment 5)

The Committee was given letters from the Woodson County Chamber of Commerce (Attachment 6) and the Greater Morris County Development Corporation. (Attachment 7)

Terry Leatherman gave testimony as a proponent for **HB 2164** on behalf of the Kansas Economic Development Alliance (KEDA). KEDA's mission is to promote public policy to provide communities with tools to attract and retain business and industry. On behalf of economic development, KEDA would urge you to recommend **HB 2164** for passage. (Attachment 8)

Representative Carlson made a motion to add an amendment to **HB 2164** to change the date to 2010 and make a technical correction. Representative Treaster seconded the motion. A vote was taken and motion passed. **HB 2164** was passed out as favorable.

Representative Loganbill moved **HB 2265** favorable for passage. Rep. Kuether seconded the move **HB 2265** was passed out as favorable.

Representative O'Malley made a sub motion to amend page 3- lines 38-40 which would require that the plant that would be shut down would be in Great Britain, effective on publication in the register. Representative Hill seconded the motion. A vote was take, and motion carried.

Representative Kuether made a motion to pass **HB 2265** favorable for passage as amended. Representative Loganbill seconded the motion. A vote was taken and passed out as amended.

The meeting adjourned at 4:50 p.m. The next meeting is scheduled for February 15, 2005.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 2-10-05

NAME	REPRESENTING
Christy Caldwell	Topeka Chamber of Commerce
Terry Leatherman	Ks Chamber
Mike Schroeder	Rep. Don Hill

House Bill 2140

Testimony

Kansas House of Representatives
Economic Development Committee
Kansas State Capital
526-S
Topeka, Kansas
February 10, 2005
3:30 p.m.

Testifying

Honorable Laura McConwell, Mayor, Mission, Kansas
Mr. John Weber, City Councilmember, Mission, Kansas
Mr. Michael Scanlon, City Administrator, Mission, Kansas

Testimony Honorable Laura McConwell

My name is Laura McConwell and I'm the Mayor of Mission, Kansas. I'm here to testify in support of House Bill 2140.

House Bill 2140 is a bill that makes some corrections to the TIF Floodplain Statutes.

This particular legislation was introduced and passed last year to expand the Kansas TIF laws to allow the City of Mission and other City's with large areas of commercial property in a 100-year flood plain to create TIF districts using a 100-year flood plain as the determining factor.

We believe that a floodplain TIF district may be one of the ways that will allow us to make these very needed improvements in our community. The size of this stormwater project that we need assistance on is somewhere between \$15,000,000 and \$20,000,000 and for a community of 10,000 this is equivalent to all of our City's Infrastructure Improvement projects over the last 25-30 years.

A common question is why would the City of Mission have allowed the downtown to be built inside of a 100-year flood plain?

We didn't.

What has happened is that as the City developed and as Johnson County developed the amount of water running in Rock Creek has increased. This increase in run-off has been incremental and we now have reached a point that based on engineering models we have a 100-year floodplain that covers a substantial portion of our downtown area.

Rock Creek, which is the creek that is creating this problem, runs through our downtown then on into Fairway, Mission Hills and eventually flows into Brush Creek in Kansas City, Missouri.

So part of the difficulty for in this project is to figure out how we get the runoff of a storm through and then out of Mission without impacting other communities downstream negatively.

House Economic Development
Attachment 1 - 2
2-10-05

Testimony Mr. John Weber

My name is John Weber, City Council member and City Council President from the City of Mission. A large portion of this flood-plain is in my Ward. I'm also the Chairman of the City's Flood Plain Committee.

I was trying to figure out how to best communicate this problem to my constituents and to members of the Kansas House, so I put our City Staff to work looking for comparisons – here's what I came up with,

The size of our flood plain (in terms of commercial value) is the equal to taking

- all of the commercial property in Barton County, plus
- all of the commercial property in Cheyenne County, plus
- all of the commercial property in Rawlins County, plus
- all of the commercial property in Decatur County, plus
- all of the commercial property in Norton County, plus
- all of the commercial property in Phillips County,
- and almost all of the property in Labette County,

combining it all together and sticking it in a 100-year flood plain.

It would be like taking all of either Montgomery County or Harvey County's Commercial Property, adding another \$20,000,000 to it and placing the entire commercial area in the 100-Year flood plain.

In other words it's BIG!

For my Mission residents in terms of value it would be like placing over 425 houses in the flood plain or almost 20% of our total single family housing in the 100-year flood plain.

Because of the work of Johnson County our 100-year floodplain, which we thought was only in the center of our City, has grown towards the east and increased in size by over \$35,000,000. And while the size has grown so has the cost of making the improvements. A couple of years ago we thought the

Rock Creek is what engineers term a highly responsive flood plain. Meaning that when it rains Rock Creek rises very quickly and then recedes quickly after the rain has passed.

The volume of water that we're trying to tame is approximately 5,500 cubic feet per second. To help you visualize this volume of water this would be the equivalent of filling up a 2,000-sq. ft. house in about 3-5 seconds.

So what does it cost to tame this creek?

The cost of handling this volume of water is somewhere between \$15,000,000 and \$20,000,000. We have such a large range in our estimated because of the many utility relocations that we are going to be faced with, along with the fact that we have to carry this creek underneath 7 different streets as it winds through the downtown.

HB 2140 will allow the City of Mission another way – through redevelopment— to possibly handle some of the costs associated with these flood improvements.

For the Committee's information I've attached a two page brochure that outlines what we've done up to this point. Thank you for your time and if you have any additional questions I will be happy to answer them.

Testimony Mr. Michael Scanlon

My name is Mike Scanlon and I'm the City Administrator and I'm here today to speak in favor of House Bill 2140.

For my community passage of House Bill 2140 is not a want it is a very necessary need. Without these small changes in the Floodplain TIF law our only options in financing this very large stormwater project would be a very drastic and likely devastating increase in property taxes.

As you are aware commercial property owners pay a disproportionate share of the property tax bill. In our community if you were a business owner in the 100-year flood plain you would not only be facing a significant increase in property taxes but at the same time the likely addition of flood insurance as a cost of doing business.

A business owner in the flood plain would face a very serious decision....do I stay or do I move. I think we all know what the ultimate decision would be.

As businesses would leave our sales tax base would continue to erode placing an even greater burden on property tax. As the spiral continues it becomes a losing proposition.

We as the leaders in our community don't believe it has to be a losing proposition we think we can stop the impending blight, but only with your help.

I strongly urge that you support House Bill 2140 and give the citizens and their elected leaders and opportunity to stem the tide (stormwater) on commercial decline and redevelop and resurrect our floodplain.

Thank you for your time and if you have any questions I'm happy to answer them.

House Economic Development
Attachment 3
2-10-05

ultimate price tag might be somewhere in the neighborhood of \$8,000,000. That figure has grown by \$12,000,000 and that's just an estimate.

I'm not asking for money – I'm asking for you to support this bill which will create another way that we—the City of Mission—might be able to finance this very large and expensive project in our community of 10,000.

I thank you for your time and I would appreciate your support.

ROCK CREEK FLOODPLAIN NUMBERS

- **\$51,238,620** – Amount of commercial and residential real estate in the 100-year floodplain.
- **102** – Number of businesses that are in Mission’s 100-year floodplain.
- **\$450,000** – Amount of annual City Sales Tax collected in the 100-year floodplain.
- **50,000+** – Number of daytime visitors in Mission.
- **5,500 cfs** – Amount of water going underneath Mission Center Mall and into Fairway in a 100-year event.
- **\$15-20 million** – Estimated cost of improvements in Mission’s portion of the project
- **\$7.5 million** – Amount of Stormwater Management Advisory Council (SMAC) money available annually to all of the Community’s in Johnson County for flood control projects. (Check with the County)
- **1,832** – Number of Acres in Mission that drains into Rock Creek
- **\$5,000,000** + Amount of dollars spent on Rock Creek to date.
- **15,000** – Amount of manhours spent by City Employees working on flooding issues in the downtown district

ROCK CREEK PROJECT MILESTONES 2004

January

- City receives information indicating the floodplain has grown
- City holds private meetings with large commercial property owners
- City holds City Council work session to discuss expanded floodplain and expanded costs for solutions.
- City begins to contact downstream communities about the expanded floodplain and the possible implications on their communities
- City then implements a four-part strategy to begin identification of funding options (Stormwater Utility, Review with County our SMAC options, Contact State and Federal Officials, Introduce new TIF legislation to allow a special TIF district in a Floodplain)

February

- State Representative Ed O’Malley introduces House Bill 2891 Floodplain TIF legislation
- Mayor McConwell sends a letter out to all businesses updating them on the expanded floodplain and the steps the City was taking to resolve the problem
- Mayor McConwell meets with County leaders at City Hall to review the City’s options inside the SMAC program and guidance on State and Federal funding Options

- Mission Business Development Committee provides all business owners with update on floodplain plans

March

- Mayor McConwell and other City Officials go to Washington DC to meet with Kansas delegation to discuss funding alternatives
- Mayor McConwell and other City leaders appear provide testimony for House Bill 2891 in Topeka
- Mayor McConwell and other City leaders meet with representatives of the Kansas Department of Water Resources
- City starts planning on a number of different public meetings on the floodplain
- City approves Charter Ordinance establishing Stormwater Utility

April

- City hosts a City-wide meeting to discuss various floodplain issues in the City of Mission over 100+ residents and business owners attend.
- City approves contracts for Bond Counsel and Financial Advisory services.
- City establishes Redevelopment Study Area
- City prepares RFPs for Redevelopment Project Team
- House Bill 2891 is passed by the Kansas House

May

- City hosts May 8th Elected Officials
- House Bill 2891 is passed by the Kansas Senate

- City interviews and recommends Redevelopment Project Team

June

- Governor Kathleen Sebelius comes to the City of Mission to sign House Bill 2891 into law (Tax Increment Financing for Floodplains).
- Residential and Commercial inventory completed and Equivalent Residential Unit of 2500 square feet is established.

July

- Letters sent to property owners explaining boundaries of the flood plain (based on the Larkin Study)
- Letters sent to residential, commercial and apartment owners explaining fee structure and establishing informational meeting dates.
- Held two informational meetings where stormwater utility was explained in depth and questions were answered.
- Finalized inventory and numbers to be sent to County Clerk's Office to be placed on tax rolls for collection in 2005.

August

- Passed Ordinance No. 1125 officially establishing a stormwater utility.
- Submitted final inventory and amount to be collected to County Clerk's Office.
- Submitted 2005 Budget which includes 1 mill dedication and ERU collections to the Stormwater Utility.

September

- Mission established Expenditure Authority for utility.
- Mission began an inventory of all underground stormwater management assets.
- City and County officials travel to Washington, D.C. to seek Federal assistance for Rock Creek Floodplain Project.

October

- Kent Lage, Johnson County SMP, Mayor McConwell, Mission, Mayor St. Clair, Fairway, George Stafford, Aide Senator Brownback's Office, Ed O'Malley, State Representative, Mike Scanlon, Mission City Administrator meet to discuss federal funding of the Rock Creek Stormwater project.
- City Council upheld the recommendation of the Finance and Administration Committee and adopted the Rock Creek Property Buyout procedure.
- Mayor McConwell makes appointments to the City of Mission Redevelopment Committee.
- Mayor McConwell makes appointments to the City of Mission Flood Plain Planning Committee.

November

- City Council Public Works Committee considers contract with BNIM for a redevelopment study in the Rock Creek flood plain area.

- City Council approves contract with BNIM in an amount not to exceed \$209,104 for a redevelopment study in the Rock Creek floodplain area.
- Mission Flood Plain Planning Committee holds their first meeting.
- Mission Redevelopment Committee holds their first meeting.

December

- City receives notification that it received \$250,000 in Federal Assistance for the Rock Creek Stormwater project.
- City Council approves the purchase of real property at 5907 Outlook in the area of constructability in the Rock Creek Stormwater project. Purchase price \$117,000.
- City Council approves the purchase of real property at 5908 and 5916 Outlook, as well as parking lots identified as lots 162 and 163 in the area of constructability in the Rock Creek Stormwater project. Purchase price \$650,000.
- City Council reviews the 2005-2009 CIP list. As part of future year funding is the issuance of \$7,050,000 in General Obligation Bonds for the Rock Creek Stormwater project.
- City receives notification for the Environmental Protection Agency that they will be the administering authority on the federal grant.
- City Officials meet with State Representative O'Malley regarding other economic development legislation that the City of Mission would like to have considered.

11-2

4-2



KANSAS

DEPARTMENT OF COMMERCE
HOWARD R. FRICKE, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

February 10, 2005

Testimony to the House Committee on Economic Development
Matt Jordan, Director of Operations

House Bill 2164

Chairperson Gordon and members of the committee, the Department of Commerce appreciates the opportunity to testify in support of HB 2164. This bill reinstates an economic development tool for rural communities that sunset on July 1, 2004.

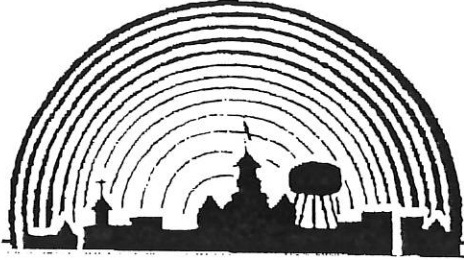
This particular Rural Enterprise Zone Incentive allows counties with a population of 10,000 or less to offer sales tax exemptions on retail businesses that locate or expand within their jurisdictions. This exemption relates to construction, machinery, and equipment costs associated with such location and expansion projects.

Through its dealings with communities, the Department of Commerce regularly encounters the challenges rural areas face with respect to declining population and loss of vital businesses. As you all might have already noted, retail businesses are a vital part of everyday life. Thus, the ability to attract and expand these businesses is an important aspect of rural economic development.

Commerce received calls from approximately 20 communities asking for help with renewal of this economic development tool. An example of the sentiments voiced by local economic development directors is shown in this letter from Shelia Lampe, Woodson County Chamber of Commerce.

Linda Craghead, Wabaunsee County Economic Development Council, is present today to answer questions and give first hand insight into the importance of this program to rural communities.

I wish to thank the committee for its time and would now stand for questions.



Woodson County Chamber of Commerce

108 S. Main P.O. Box 233

Yates Center, Kansas 66783

620 625 3235

Fax 620 625 2416

chamber@wccc.kscoxmail.com

February 10, 2005

Chairman Gordon, Vice Chairman Huntington, and Members of the Committee:

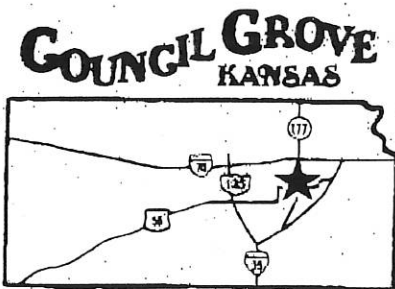
I am writing in favor of extension of the sales tax exemption for business relocation to small communities. This program has had a major impact in the Southeast region it has been used many times. The small communities have relied upon this tool to help develop our businesses. As a Chamber of Commerce Director in a small town I also am the Economic Development office. Being a small community we do not have a lot of options available. This was the one program that we had that was fair and could be used everywhere in the county not just the larger cities. I also serve on the Quad Enterprise Facilitation Board which has also relied on this program as an option to offer new and relocating business in our area. Please consider this program carefully as it is needed, not only in our Southeast Area but through out the entire state to help continue to build our local economies and in turn build a strong state economy.

Sincerely,

A handwritten signature in cursive script that reads "Shelia Lampe".

Shelia Lampe
Executive Director
Woodson County Chamber of Commerce
(Yates Center, Ks.)

House Economic Development
Attachment 6
2-10-05



THE GREATER MORRIS COUNTY DEVELOPMENT CORPORATION
P. O. Box 276 • Council Grove, Kansas 66846 • 620-767-7355

10 February 2005

House Economic Development Committee
State Capitol
Topeka, Kansas

Dear Members of this Committee:

This is written in support of reinstating the "Sales Tax Exemption" clause on new or remodeling construction in Kansas.

We have, in Morris County, several examples of how this "incentive" helped us and some of our industrial plants, encouraging them to either locate in our county – or to expand their operations here.

The first example is that of the Lexinet Corporation at Council Grove, a high-tech direct-response marketing firm that constructed a new warehouse in 2003 costing in excess of \$140,000 in order to add to their client base. This company employs 26 fulltime and six part-time workers – certainly a welcome industry in Council Grove.

At our Airport Industrial Park, located at the Herington Regional Airport in Morris County, there are two examples of new construction and/or remodeling and rehabilitating construction that benefits many employees.

US Stone Industries – a startup limestone processing and finishing operation at the airport – began its operations early in 2002 with 15 employees. They invested nearly a half-million dollars in remodeling a WWII B-29 hangar into a modern stone processing facility. Today that company employs 31 people – all new jobs in Morris County since 2002.

Hodgdon/Pyrodex – a black powder munitions company – has operated at the airport industrial park since the late 1980s. In 2004, after extensive research and negotiations, the company relocated their packaging, shipping and handling operations out of the Kansas City metro area to the Herington Regional Airport. To do so, the company invested a million-and-a-half dollars in four new buildings totaling 110,000 square feet and created 15 new jobs in Morris County.

House Economic Development
Attachment 7
2-10-05

House Economic Development Committee
10 February 2005
Page 2

In a small county like Morris, providing incentives for new or expanding companies on our very limited budget is challenging. Sales tax exemption on such construction noted above has proven beneficial in encouraging companies to invest in additions, upgrades or remodeling construction that results in keeping present companies in our county, stabilizing current employment levels or – as noted above – adding new jobs.

With this information at hand, we certainly support the reinstatement of the Sales Tax Exemption on such construction and trust that our Legislators will deem this an important incentive for all of Kansas.

Sincerely,



C. Kay Hutchinson
Executive Secretary

Legislative Testimony

HB 2164

February 10, 2005

Testimony before the Kansas House Committee on Economic Development
Terry Leatherman, Secretary/Treasurer of Kansas Economic Development Alliance



**THE KANSAS
CHAMBER**

The Force for Business

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Madam Chairperson and members of the Committee:

My name is Terry Leatherman, with the Kansas Chamber of Commerce and Industry. My appearance before the Committee today is as the Secretary/Treasurer of the Kansas Economic Development Alliance, an affiliate organization of the Kansas Chamber. On behalf of KEDA, thank you for this opportunity to express our support for HB 2164.

The Kansas Economic Development Alliance is an association for professionals and volunteers engage in economic development and growth in communities across Kansas. The KEDA's mission is to promote public policy to provide communities with tools to attract and retain business and industry. In the past, one of those tools for rural communities has been to attract retail businesses has been the process that would be reestablished by HB 2164.

HB2164 does not create a new program, but would extend the life of a useful program that has existed in the past to 2007. On behalf of economic development officials across our state, the Kansas Economic Development Alliance would urge you to recommend HB 2164 for passage.

Thank you for the opportunity to appear in support of HB 2164.

The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.

House Economic Development
Attachment 8
2-10-05