

Approved: 3-16-07

Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Vice-Chairman Terrie Huntington at 3:30 P.M. on March 12, 2007 in Room 519-S of the Capitol.

All members were present except:

Lana Gordon- excused

Don Myers- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department

Hank Avila, Kansas Legislative Research Department

Jason Long, Revisor of Statutes

Ann Deitcher, Committee Assistant

Others attending:

See attached list.

SB 316 - Codifying STAR Bond financing separately from tax increment financing (TIF).

The Vice-Chair called on Jason Long who explained the changes of note in the STAR Bond portion of **SB 316**. (Attachment 1).

Questions and answers followed.

Jason then explained the amendments to the Tax Increment Financing (TIF) portion of **SB 316**.

Questions and answers followed.

Kathie Sparks distributed copies of the Department of Commerce's response to the questions regarding the Workforce Investment Act 1B funding. (Attachment 2).

The meeting was adjourned at 4:20 p.m. The next meeting is scheduled for Tuesday, March 13, 2007.

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR SUBSTITUTE FOR
SENATE BILL NO. 316**

As Recommended by Senate Committee on
Commerce

Brief*

Substitute for Substitute for SB 316 would place the statutes for sales tax and revenue (STAR) bonds and tax increment financing (TIF) in separate statutes in law. Under current law, both STAR bonds and TIF are found in one set of statutes. In addition, the bill would make the following changes to STAR bonds and TIF law.

Sales Tax and Revenue (STAR) Bonds*

- The bill would allow counties to initiate STAR bond applications and projects when the project is wholly outside the boundaries of a city. Under current law for projects wholly outside the boundaries of a city, the county commissioners must pass a resolution approving the project and the city files the applications and initiates the bonds for the project.
- The bill would require any city or county to pledge 100 percent of the incremental revenue received by the city or county from any local sales and use taxes, including the city's or county's share of any county sales tax (depending on which entity is issuing the bonds) except for the amount committed to other uses by election of voters or pledged to bond repayment prior to the approval of the project. Under current law, the pledge is 100 percent of the revenue received by the city and county sales taxes for the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

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prc except for amounts committed to other uses by election of voters or pledged to bond repayment prior to the approval of the project.

The bill would allow the Secretary of Commerce the discretion to allow the use of state and local transient guest and use tax increments or franchise fees collected from utilities and other businesses using public rights-of-way within the project district to be pledged for principal and interest repayment of the bonds. Under current law, state and local transient guest and use taxes generated within the project district are pledged for principal and interest repayment of the bonds.

The bill would require that when property is taken by a city or county with eminent domain statute, the compensation would be 200 percent as required by the eminent domain statute. Under current law, the eminent domain statute requirement of 200 percent is required. In addition, the city would be required to pay an additional 25 percent on top of the eminent domain requirement.

The bill would require that if no ordinance or resolution is passed by the city or county within 30 days from the conclusion of the public hearing, then the STAR bond project district or bioscience development district would not be established. Current law is silent if a district is not adopted by the governing body of a city.

The bill would require that no additional bonds may be issued after July 1, 2007, for any STAR bond project approved prior to July 1, 2007. These provisions would not apply to STAR bond projects and bond amounts approved for the City of Manhattan Discovery Center on December 28, 2006, and the Schlitterbahn project in Wyandotte County on December 23, 2005. In addition, the bill would allow any city that created a redevelopment district as a major tourism area, major motorsports complex or major commercial entertainment and tourism area prior to the effective date of the act could, by

ordinance, elect to have the provisions of the bill applicable to such redevelopment district. Under current law, STAR bond statutes sunset on July 1, 2007.

- The bill would extend the STAR bond statutes until July 1, 2012. Under current law, the STAR bond statutes sunset on July 1, 2007.
- The bill would make the following changes to definitions:
 - River walk canal facilities would mean a canal and related water features which flows through a major commercial entertainment and tourism area and facilities related or contiguous thereto, including, but not limited, to pedestrian walkways and promenades, landscaping and parking facilities. Under current law, the definition includes "located adjacent to a river."
 - Tax increment would mean that portion of the revenue derived from state and local sales, use and transient guest tax imposed, collected from taxpayers doing business within the portion of a project district occupied by a STAR bond project that is in excess of the amount of base year revenue. The base year would be the 12-month period immediately prior to the month in which the STAR bond project district is established. The Department of Revenue would determine base year revenue by reference to the revenue collected during the base year from taxpayers doing business within the specific area in which a STAR bond project district is subsequently established. In addition, the local sales and use tax revenue sourced to another jurisdiction would not be included. Under current law, the statute has no definition of tax increment.
 - Major multi-sport athletic complex would mean an area that is utilized for the training of athletes, the practice of athletic teams, the playing of athletic games or the hosting of events. Such project may include playing

fields, parking lots and other developments including, grandstands, suites and viewing areas, concessions, souvenir facilities, catering facilities, visitor centers, signage and temporary hospitality facilities, but excluding hotels, motels, restaurants and retail facilities, not directly related to or necessary to the operation of such facility. Under current law, the definition ends after the second sentence above after "developments."

- Project costs would be amended by adding multilevel parking structures devoted to parking only.
- Project costs also would be amended by adding an incubator project, such costs also would include wet lab equipment including hoods, lab tables, heavy water equipment and all such other equipment found to be necessary or appropriate for a commercial incubator wet lab facility by the city or county in its resolution establishing such redevelopment district or a bioscience development district.
- Project costs also would be amended to include auto race track facility and major multi-sport athletic complex.
- Project costs would not include:
 - Costs incurred in connection with the construction of buildings or other structures. Under current law, costs incurred in connection with the construction of buildings or other structures, to be owned by or leased to a developer; however, the project costs shall include costs incurred in connection with the construction of buildings or other structures to be owned or leased to a developer which includes an auto race track facility;
 - Fees and commissions paid to developers, real estate agents, financial advisors or any other

consultants who represent the developer or any other businesses considering locating in or located in a redevelopment district. Under current law, fees, commissions paid to real estate agents, financial advisors or any other consultants who represent the businesses considering locating in a STAR bond project district;

- Moving expenses for employees of the businesses locating within the redevelopment district (current law);
 - Property taxes for businesses that locate in the redevelopment district (current law);
 - Lobbying costs (current law);
 - Any bond origination fee charged by a city or county (current law);
 - Any personal property as defined in KSA 79-102 (current law); and
 - Travel, entertainment, and hospitality (new exclusion).
- The bill would amend the county's and the local school board's authority to prevent a STAR bond project by stating that the provisions that allow a county or school district to stop a project would not apply if the redevelopment project plan or the bioscience development project plan provides that ad valorem property tax revenues of the county or the school district levying taxes would not be adversely impacted.
 - The bill would allow municipalities or counties to issue special obligation bonds, with the approval of the Kansas Bioscience Authority in a bioscience development district.

Under current law, special obligation bonds can be issued only in a redevelopment district.

Tax Increment Financing (TIF)

- The bill would add intermodal transportation areas to the list of eligible areas. Under current law, eligible area means a blighted area, conservation area, enterprise zone, major tourism area or a major commercial entertainment and tourism area or bioscience development area.
 - The bill would define an intermodal transportation area to mean an area of not less than 800 acres to be developed primarily to handle the transfer, storage and distribution of freight through railway and trucking operations.
 - The bill would permit redevelopment project costs for intermodal transportation area to include the acquisition of land for, and the construction and installation of, publicly-owned infrastructure improvements which serve an intermodal transportation area but may be located outside of the district.
- The bill would allow for project costs to include multi-level parking facilities. Under current law, the allowable is only parking facilities.
- The bill would allow redevelopment project costs to include costs incurred in connection with the construction of buildings or other structures to be owned or leased to a developer which includes an auto race track facility or a multi-level parking facility. Under current law, the project costs include construction of buildings or other structures to be owned or leased to a developer which includes an auto race track facility.

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- Project costs would be amended by adding an incubator project, such costs also would include wet lab equipment including hoods, lab tables, heavy water equipment and all such other equipment found to be necessary or appropriate for a commercial incubator wet lab facility by the city or county in its resolution establishing such redevelopment district or a bioscience development district.
 - The bill would amend the county's and the local school board's authority to prevent a TIF bond project by stating that the provisions that allow a county or school district to stop a project would not apply if the redevelopment project plan or the bioscience development project plan provides that ad valorem property tax revenues of the county or the school district levying taxes would not be adversely impacted.
 - The bill would allow cities to issue special obligation bonds, with the approval of the Kansas Bioscience Authority, in a bioscience development district. Under current law, special obligation bonds can be issued only in a redevelopment district.

Background

The bill was originally requested by the Joint Committee on Economic Development to place the STAR Bond and TIF statutes in separate sections of law. During the hearing on SB 316, the representative of the Department of Commerce requested four changes in the STAR bond statute, making STAR Bonds available to counties, funding source changes, sales tax increments and a 50 percent limit on project costs; the representative of the Schlitterbahn Project requested the change in definition of the river walk canal facilities; the representatives of the cities of Lenexa, Wichita, Overland Park, and Mission requested that multi-level parking facilities be added to project costs; the representatives of the City of Gardner requested the intermodal changes to the TIF statutes

and the representatives from the City of Olathe requested that 50 percent of the STAR bond proceeds could be used for buildings and structures so long as 50 percent of the project was not being financed with STAR bonds.

In addition, a representative of the League of Kansas Municipalities appeared as a proponent for the bill.

The Senate Committee amended Sub. For SB 316 as follows:

STAR Bonds

- Deleted "retail" from the allowed costs in the definition of multi-sport athletic complex;
- Added the provision that if no ordinance or resolution is passed by the city or county within 30 days from the conclusion of the public hearing, then such STAR bond project district or bioscience development district shall not be established;
- Deleted the additional 25 percent compensation for property owners above the required 200 percent compensation payments when property is taken by eminent domain;

TIF

- Added the provision that a multi-level parking facility may be owned or leased to a developer under redevelopment project costs; and
- Made a technical correction.

The fiscal note on the original bill indicates that enactment of the bill would not have a fiscal effect.

From: "Rae Anne Davis" <rdavis@kansascommerce.com>
To: "Kathie Sparks" <KathieS@klrd.state.ks.us>
Date: 3/7/2007 10:01 PM
Subject: Eaton

CC: "Patricia A. Clark" <pclark@kansascommerce.com>
Kathie,

The funds you asked about were for retraining employees that would have been displaced. Below is some specific information:

Workforce Investment Act (WIA) Skills Enhancement Training Grant

The Workforce Investment Act 1B funding is available to be used to avert a layoff by upgrading workforce skills in new machinery, equipment or technology. The Local Area Workforce Investment Board can provide \$120,000 for this specific purpose.