

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:36 a.m. on January 28, 2010, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Jennie Chinn, Executive Director, Kansas Historical Museum
Cristy Davis, Davis Preservation
Dale Goter, Government Relations Manager, City of Wichita
Jeff Fluhr, Wichita Downtown Development Corporation
Chris Dunn, Planning and Continuing Development Director, City of Leavenworth
Julia Manglitz, American Institute of Architects
Larry Baer, League of City Municipalities
Dale Craft, President of GTRUST Financial Partners; owner and developer of the historic Karlan building; and Legislative Chairperson for Kansas Bankers Association, Trust Division
Whitney Damron, on behalf of the City of Topeka
Ashley Jones-Wisner, Local Initiatives Support Corporation, Greater Kansas City
Luke Bell, Vice President of Governmental Affairs, Kansas Association of Realtors
Mike Taylor, Public Relations Director, Unified Government Public Relations, of Wyandotte

County

Jason Watkins, Director Government Relations, Wichita Metro Chamber of Commerce
Eric Stafford, Associated General Contractors of Kansas, Inc.
Kathleen Taylor Olsen, Kansas Bankers Association
Erik Sartorius, Overland Park, KS
Dale Nimz, Executive Director, Kansas Preservation Alliance, Inc
Richard Cram, Director, Division of Policy & Research, Kansas Department of Revenue .

Others attending:

See attached list.

Chairman Donovan asked if there was anyone present who wanted to request introduction of a bill. Dan Murray, representing the Home Builders Association of Greater Kansas City requested a bill allowing new home builders to pay taxes on those houses as inventory rather on appraised home rate. The committee will request the bill.

Sen. Steineger requested a consensual bill introduction to bring about a total sunset of all tax exemptions, making it effective in 2012, and requiring those organizations to place their requests for exemption once again and justify the need for their exemption. Chairman Donovan asked for questions and discussion. There was none. Without exception and without objection the bill will be requested.

Chairman Donovan opened the hearing and discussion on **SB 378 - Replace dollar cap limitation with 10% reduction in amount of income tax credit for expenditures for restoration and preservation of certain historic structures for fiscal year 2011**. He introduced Jennie Chinn, Executive Director, Kansas Historical Museum. Ms. Chinn said she had brought Patrick Zollner, Director of Cultural Resources to be available if he is needed. She told the committee the Historical Museum is very much in favor of this bill, because it allows for going back to no cap and a straight reduction across the board. (Attachment 1)

Chairman Donovan introduced Cristy Davis, from Davis Preservation a consulting firm for rehabilitating historic buildings. She spoke in favor of this bill. She feels it will make it possible for more preservation of historic properties in Kansas. (Attachment 2)

CONTINUATION SHEET

Minutes of the Senate Assessment and Taxation Committee at 10:36 a.m. on January 28, 2010, in Room 152-S of the Capitol.

Dale Goter, Government Relations Manager, City of Wichita was the next proponent for this bill. He said this issue is a priority of the Wichita Chamber of Commerce. This bill would not only be of value to the city of Wichita but also to the state. ([Attachment 3](#))

Mr. Goter introduced Jeff Fluhr, Wichita Downtown Development Corporation. He said the Downtown Development Corporation also is in favor of this bill. The DDC is supported by over 1,400 businesses in the downtown area, and together they are working to strengthen that area. Many older buildings have been restored and are now a viable part of the city. Many more such buildings are available, and the changes this bill will bring about will help not only rehabilitation of buildings but also make jobs available and eventually more downtown lodging and housing units available. ([Attachment 4](#)) Sen. Brownlee spoke in support of the work being done in Wichita and pointed out there is another aspect to these improvements: additional revenue is being put into the tax coffers. Sen. Lynn asked about the laborers who work on these projects. The answer was most of the work done on these projects is done by local craftsmen, which also puts money into the State tax collection.

Chairman Donovan introduced Chris Dunn, Planning and Continuing Development Director, City of Leavenworth. He brought along R.D. Johnson, owner of the High Noon Saloon and Brewery in downtown Leavenworth. Chris spoke about a major project that has been put on hold in Leavenworth because the cap on the State Historic Tax Credit program unintentionally ended the city's \$24,000,000 Stove Factory Lofts project. He explained the work that had been done to clean up toxic wastes, but when the cap was applied, investors stopped their support due to lack of the historic tax credit program. ([Attachment 5](#)) Col. Johnson spoke about the city's connection with Fort Leavenworth and the potential income (and taxes) that would be generated if this were to be passed. Sen Marshall asked for a map showing where these projects might be done. Col. Johnson said he would send a map to the committee secretary, for distribution to the committee.

Julia Manglitz, American Institute of Architects, representing AIA Kansas was recognized to speak in favor of [SB 378](#). She spoke about all the restoration projects throughout the state and all the jobs they provide. She pointed out that the projects that utilize the tax credit make private investors contribute three to five times the amount of the credit from the state. ([Attachment 6](#))

Larry Baer, Assistant General Counsel, League of City Municipalities explained how the support of this bill will benefit more than just the few cities speaking here today, but also the entire state. ([Attachment 7](#))

Next to speak was Daryl Craft, President of GTRUST Financial Partners; owner and developer of the historic Karlan building; and Legislative Chairperson for the Kansas Bankers Association, Trust Division. He feels it is important for all to know national studies have shown that historic rehabilitation creates economic development ten to twenty times the value of the tax credits granted. ([Attachment 8](#))

Whitney Damron spoke on behalf of the City of Topeka. He stated that renovating old properties and returning them to the tax rolls enhances neighborhoods, downtowns and communities by bringing these historic structures back into use, which ultimately benefits everyone. He went on to say, "... strongly believe programs such as the income tax credit for historic redevelopment can withstand even the most critical cost/benefit analysis and should be reinstated as provided for in [SB378](#)." ([Attachment 9](#))

There were many written pieces of testimony submitted in support of [SB 378](#). They were from: Ashley Jones-Wisner, Local Initiatives Support Corporation, Greater Kansas City ([Attachment 10](#)); Luke Bell, Vice President of Governmental Affairs, Kansas Association of Realtors ([Attachment 11](#)); Mike Taylor, Public Relations Director, Unified Government Public Relations, of Wyandotte County ([Attachment 12](#)); Jason Watkins, Director Government Relations, Wichita Metro Chamber of Commerce ([Attachment 13](#)); Eric Stafford, Associated General Contractors of Kansas, Inc. ([Attachment 14](#)); Kathleen Taylor Olsen, Kansas Bankers Association ([Attachment 15](#)); Erik Sartorius, Overland Park, KS ([Attachment 16](#)); Dale Nimz, Executive Director, Kansas Preservation Alliance, Inc. ([Attachment 17](#)); and Larry Weber, Wichita Downtown Development Corporation ([Attachment 18](#))

Richard Cram, Director, Division of Policy & Research, Kansas Department of Revenue presented the Department's neutral position on this bill. ([Attachment 19](#))

CONTINUATION SHEET

Minutes of the Senate Assessment and Taxation Committee at 10:36 a.m. on January 28, 2010, in Room 152-S of the Capitol.

Gary Hassenflu asked to speak to the bill. He said he was the largest developer using tax credits. He stated the economic development created from renovation of historical buildings benefits far exceed the costs to the state. He told the committee a \$7 million project would create 700 jobs.

Many others expressed comments in favor of this bill, generally saying the tax credit may cost the state, but taxes on materials and jobs created, as well as an increased value for the property itself, provide a positive return for the state.

There were no opponents of this bill present. Chairman Donovan closed the hearing.

Chairman Donovan announced the next meeting is scheduled for Wednesday, February 3, 2010. He expects to have hearings on: **SB 431 - Allowing taxing subdivisions to sell tax receivables on delinquent property;** **SB 432 - Allowing counties to recoup costs associated with using third parties to collect delinquent property taxes;** and **SB 433 - Kansas Wildscape Foundation sales tax exemption.**

The meeting was adjourned at 11:58 a.m.

SENATE
Assessment & Taxation Committee
GUEST LIST

DATE: JAN. 28, 2010

NAME	REPRESENTING
LARRY R BAER	LKM
John Peterson	Capital Strategies
Michelle Foster	Capital Strategies
Rick Kready	Pioneer Group
Christy Caldwell	Topeka Chamber of Comm.
Bernie Koch	KEPC
Kathy Olson	KS Builders Assn.
DICK CARTON	TIAC
Dale Nimz	KS. Bus. Alliance
JULIA MANGLITZ	AIA KANSAS
Michael Marsh	Marsh & Company
ERIK SARTORIUS	City of Overland Park
Jen Bruning	Overland Park Chamber
Sean Tomb	Director of The Budget
WANE WITTE	KTEC
Sabrina Wells	Kansas Insurance Department
Eric Steffel	AGC of Kansas
DAN MORGAN	Builders' Assn. & KC AGC

SENATE
Assessment & Taxation Committee
GUEST LIST

DATE: _____

NAME	REPRESENTING
JEFF FLWTR	WICKITA D.T. OEX. CORP.



**Testimony to
Senate Assessment and Taxation Committee
Senate Bill 378
January 28, 2010**

Thank you for the opportunity to appear before you today to discuss Senate Bill 378. We are here because the Kansas State Historical Society administers this program. We are very much aware of the state fiscal situation and understand that it is forcing the Legislature to make difficult decisions. However, we are here today to voice our support of Senate Bill 378 because the cap that was placed on this program last year has hindered its effectiveness. Administering the program with the cap has cost the agency more and has essentially stopped large (over \$250,000) rehabilitation projects until 2012.

Background

The State Rehabilitation Tax Credits for Historic Buildings was enacted in 2002. The program provides for a state income tax credit equal to 25 percent of qualified rehabilitation expenditures on properties that are listed on the National Register of Historic Places or the Register of Historic Kansas Places. In 2007 the program was amended to increase the tax credit to 30 percent of buildings that were owned by 501(c) 3 non-profit organizations. The tax credits are transferable allowing community non-profit organizations and local governments to take advantage of the program. Commercial developers also use the transferable credits to secure bank loans.

By statute all projects must exceed \$5,000 and conform to the Secretary of Interior's *Standards for Rehabilitation*. It is our responsibility at the Kansas State Historical Society to review project plans to ensure conformance with the *Standards*. Fees based on project costs support the program.

The following chart shows the amount of tax credits approved throughout the life of the program.

Fiscal Year	Eligible Project Costs	State Tax Credits Approved
2002	\$ 2,688,466	\$ 672,166
2003	\$10,925,124	\$ 2,731,281
2004	\$22,772,915	\$ 5,693,228
2005	\$23,120,167	\$ 5,780,041
2006	\$36,898,682	\$ 9,224,670
2007	\$14,662,398	\$ 3,677,539
2008	\$43,634,347	\$10,924,135
2009	\$55,177,245	\$14,045,876

It should be noted that tax credits approved in 2009 were higher due to one project that earned \$6.5 million in tax credits. The \$28 million project encompassed 47 buildings in Wyandotte County. If this project was removed from consideration the average amount spent each year on tax credits has been around \$5.8 million.

Impact on Agency

Senate Bill 378 would greatly streamline the agency's administration of the program. In order to implement the cap that is currently in place, the agency, working with the Department of Revenue, developed the attached guidelines. The guidelines are complex because rehabilitation projects often span two or three fiscal years, and the agency had many open projects at the time. These guidelines resulted in several projects having to wait several years before receiving their tax credits, and other projects becoming ineligible for tax credits until FY 2012. Some projects, which had secured funding based on potential tax credits, were canceled due to their loans being withdrawn. Even with a smaller number of projects the program with the cap has created more work for staff. Projects must be tracked differently and the agency must offer more staff assistance to individual projects. Senate Bill 378 would resolve these administrative challenges.

Thank you again for the opportunity to appear before you today. Patrick Zollner and I are here to answer any questions you may have.

Jennie Chinn,
 Executive Director
 Kansas State Historical Society
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 (785) 272-8681 x 205

Patrick Zollner,
 Director of the Cultural Resources Division
 Kansas State Historical Society
pzollner@kshs.org
 (785) 272-8681 x 217

May 28, 2009

**Guidelines for Implementation of Section 6, 2009 House Bill 2365 Amendments to
K.S.A. 79-32,211**

Section 6 of 2009 House Bill 2365 amended K.S.A. 79-32,211, the provisions of the Kansas State Rehabilitation Tax Credit Program, by adding the following sentence: "In no event shall the total amount of credits allowed under this section exceed \$3,750,000 for fiscal years 2010 and 2011." In order to implement this new cap on allowance of state historical rehabilitation tax credits for fiscal years 2010 (July 1, 2009-June 30, 2010) and 2011 (July 1, 2010-June 30, 2011), the following guidelines will apply.

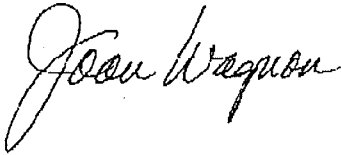
1. Tax credit certificates issued by the Kansas Historical Society, or any certificates of transfer of such credits issued by the Kansas Historical Society, with respect to qualified historic rehabilitation projects that have been placed in service by June 15, 2009 and all written applications, forms and other documentation needed for issuance of such tax credits are submitted to the Kansas Historical Society by June 15, 2009, shall not be affected by the cap provisions in Section 6, 2009 House Bill 2365 and will be fully allowed against outstanding tax liability.
2. For any qualified historic rehabilitation projects that are placed in service after June 15, 2009, or the necessary written applications, forms and other documentation with respect to a qualified historic rehabilitation project needed for issuance of tax credit certificates are submitted to the Kansas Historical Society after June 15, 2009, the fiscal year cap imposed in 2009 House Bill 2365 shall apply. Because the historic rehabilitation tax credit is nonrefundable (must be applied against existing tax liability) and any unused excess credit can be carried forward to future tax years for up to 10 years, experience has shown that on average, not more than 60% of the total credits issued in a given year will be allowed against actual tax liability, with the remaining balance being carried forward. For those historic rehabilitation projects subject to the cap as described above, the Kansas Historical Society will limit issuance of tax credit certificates to \$6.25 million per fiscal year during fiscal years 2010 and 2011. For any tax credit certificates that are issued, those tax credits are fully allowable against tax liability.
3. For any historic rehabilitation tax credits that the Kansas Historical Society has determined were earned during tax years (generally same as the calendar year) 2009 and 2010 but for which no tax credit certificate was issued because of the cap, the Kansas Historical Society shall advise the person earning the credits that such credits can be claimed, beginning in tax year 2011, and the Kansas Historical

Society will later issue tax credit certificates for such credits as appropriate. For projects that the Kansas Historical Society has limited the tax years when credits can be claimed due to the cap and for which tax credit certificates are issued effective for tax year 2011, the carryforward period shall begin in tax year 2011.

4. Qualified historic rehabilitation projects that involve qualified expenditures of \$250,000 or less will be counted toward the fiscal year cap, but it is not expected that issuance of tax credit certificates with respect to such tax credits will need to be limited.



Patrick Zollner, Deputy State Historic Preservation Officer
Cultural Resources Division
Kansas State Historical Society



Joan Wagnon
Secretary of Revenue



KANSAS

Kansas Historical Society
Patrick Zollner, *Director, Cultural Resources Division*

MARK PARKINSON, GOVERNOR

June 30, 2009

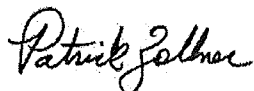
Addendum to Guidelines for Implementation of Section 6, 2009 House Bill 2365 Amendments to K.S.A. 79-32,211

Section 6 of 2009 House Bill 2365 amended K.S.A. 79-32,211, the provisions of the Kansas State Rehabilitation Tax Credit Program, by adding the following sentence: "In no event shall the total amount of credits allowed under this section exceed \$3,750,000 for fiscal years 2010 and 2011." In order to implement this new cap on allowance of state historical rehabilitation tax credits for fiscal years 2010 (July 1, 2009-June 30, 2010) and 2011 (July 1, 2010-June 30, 2011), the following guidelines will apply.

1. Tax credit certificates issued by the Kansas Historical Society, or any certificates of transfer of such credits issued by the Kansas Historical Society, with respect to qualified historic rehabilitation projects that have been placed in service by June 15, 2009 and all written applications, forms and other documentation needed for issuance of such tax credits are submitted to the Kansas Historical Society by June 15, 2009, shall not be affected by the cap provisions in Section 6, 2009 House Bill 2365 and will be fully allowed against outstanding tax liability.
2. For any qualified historic rehabilitation projects that are placed in service after June 15, 2009, or the necessary written applications, forms and other documentation with respect to a qualified historic rehabilitation project needed for issuance of tax credit certificates are submitted to the Kansas Historical Society after June 15, 2009, the fiscal year cap imposed in 2009 House Bill 2365 shall apply. Because the historic rehabilitation tax credit is nonrefundable (must be applied against existing tax liability) and any unused excess credit can be carried forward to future tax years for up to 10 years, experience has shown that on average, not more than 60% of the total credits issued in a given year will be allowed against actual tax liability, with the remaining balance being carried forward. For those historic rehabilitation projects subject to the cap as described above, the Kansas Historical Society will limit issuance of tax credit certificates to **\$6.25 million** per fiscal year during fiscal years 2010 and 2011. For any tax credit certificates that are issued, those tax credits are fully allowable against tax liability.
3. Qualified historic rehabilitation projects that had received approved Part 2 applications by June 15, 2009 with qualified rehabilitation expenditures (QRE) of greater than \$250,000 that are placed in service after June 15, 2009 and during state fiscal year 2010 will receive one third (1/3) of their earned credits in fiscal year 2010, one third in fiscal year 2011, and the remaining one third in fiscal year 2012. Projects in this category that are placed in service during state fiscal year 2011 will receive one third (1/3) of their earned credits in fiscal year 2011 and the remaining two thirds (2/3) in fiscal year 2012. This formula is based upon the current total amount of approved Part 2 QRE for projects over \$250,000:

\$58,760,415.27. The total potential state credits for these projects is **\$14,690,103.** This amount divided by three equals a yearly credit issuance of **\$4,896,701.**

- 3a. The issuance of credits will be continuously monitored. If the targeted issuance of credits has not been met by the last month of the fiscal year, then completed projects over \$250,000 that had a Part 2 submitted, but not yet approved, by June 15, 2009 will be next in line for a 1/3 allocation of tax credits.
- 3b. The Kansas Historical Society will continue to accept and review new tax credit applications for projects over \$250,000 QRE after June 15, 2009; however, it is not anticipated that these projects will be issued tax credits prior to state fiscal year 2012.
4. Qualified historic rehabilitation projects that involve qualified expenditures of \$250,000 or less will be counted toward the fiscal year cap, but it is not expected that issuance of tax credit certificates with respect to such tax credits will need to be limited. The total approved Part 2 QRE for projects under \$250,000 is **\$10,203,867,** and the total potential credits for these projects is **\$2,550,966.** Past history and current knowledge of the open projects indicates that only one third of these projects are likely to be completed within the next fiscal year (**\$850,322**), which will place the total yearly issuance of credits at approximately **\$5,747,023** for state fiscal years 2010 and 2011, leaving room within the cap to accommodate new projects under \$250,000.
5. For any historic rehabilitation tax credits that the Kansas Historical Society has determined were earned during tax years (generally same as the calendar year) 2009 and 2010 but for which no tax credit certificate was issued because of the cap, the Kansas Historical Society shall advise the person earning the credits in writing that such credits can be claimed, beginning in tax year 2011, and the Kansas Historical Society will later issue tax credit certificates for such credits as appropriate. For projects that the Kansas Historical Society has limited the tax years when credits can be claimed due to the cap and for which tax credit certificates are issued effective for tax year 2011, the carryforward period shall begin in tax year 2011.
6. By law, the Kansas Historical Society is bound by the cap in House Bill 2365. The issuance of tax credits will be monitored continuously to ensure compliance. For this reason these guidelines are subject to change without notice.



Patrick Zollner
Director, Cultural Resources Division
Deputy State Historic Preservation Officer

Testimony
Christy Davis, Davis Preservation
SB 378
Senate Taxation Committee
January 28, 2010

Mr. Chairman and Members of the Committee – I am Christy Davis and I am speaking in support of Senate Bill 378. I am the owner of Davis Preservation, a consulting firm that provides assistance to owners of historic buildings. My clients range from small business owners who are improving our downtown storefronts to developers making major investments in landmark buildings.

Over the past nine years, I have seen abandoned schools transformed into affordable housing, derelict warehouses converted into offices, and entire downtowns transformed from collections of vacant slip-covered buildings to thriving business districts. These projects have only been possible through the state rehabilitation tax credit program.

When I first began working in the field in 1999, the state's historic preservation toolbox included all sticks and no carrots. I watched as Kansas developers crossed the border to embark upon projects in Missouri, known for having the best rehab tax credit program in the nation. I attended a national conference where a developer stood up and asked the entire audience, "What's the Matter with Kansas?"

This all changed in 2001 with the enactment of the state rehab tax credit program. Since 2002, the \$66.4 million in state rehab tax credits allocated have leveraged \$264 million in private dollars, or a 400% return on investment. In addition, they have often leveraged federal tax credits. Because historic preservation is 50% more labor intensive than new construction, rehabilitation creates more jobs – jobs that cannot be out-sourced, repairing buildings that cannot be replaced. Stringent program requirements ensure that funding only goes to high-quality, successful, and completed projects.

Changes to the program in the 2009 legislature had dire consequences – not only for future projects, but also for projects underway. The intended 10% cut amounted to as much as 70% – threatened financing for existing projects and compromised the confidence of investors. Developers and downtown business owners who had purchased buildings and begun work with the promise of funding – developers whose financing was tied to leveraging the credits - were left holding the bag.

In his State of the State Speech, the Governor asked us to "protect what we have built over these last 150 years." As a fifth-generation Kansan whose ancestors helped create the state's rich building stock, I couldn't agree more. We all know that times are tight. The historic preservation community is not asking for special treatment. Senate Bill 378 would simply restore the program to its intended 10% cut – and restore the confidence necessary to once again encourage private investment.

Sn. Assmnt & Tax
1-28-10

Attachment # 2



Dale Goter
Government Relations Manager

TESTIMONY

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Kansas Senate Assessment and Taxation Committee

Hearing on SB378

Thursday, Jan. 28, 10:30 a.m. Room 152-S

Chairman Donovan and members of the Senate Assessment and Taxation Committee:

The City of Wichita urges your favorable consideration of SB378, which addresses a critical and unintended outcome of the state budget bill adopted by the 2009 Kansas Legislature.

The impact of that budget action has left a dramatic chilling effect on renovation and rehabilitation of various historic properties in south-central Kansas and across the state.

A primary interest in the Wichita community is the proposed renovation of the legendary Broadview Hotel at Waco and Douglas. The current owner, Drury Southwest, has worked in partnership with the City of Wichita to develop a renovation plan that will revive the Broadview as a foundation property in the revitalization of downtown Wichita.

Last year's budget action left this project in limbo, raising doubts about the state's commitment to projects that had, in good faith, made significant investment in anticipation of the continuation of the Historic Tax Credit program.

Projects such as the Broadview, along with dozens of others in our community, represent the City's commitment to preserving its heritage through renovation of historic structures. These projects pay significant return to the local community and to the state as a whole. Increased property valuations, stable neighborhoods and preservation of our historic landmarks are major elements of that return on investment.

Just as the State of Kansas is struggling to deal with tough economic times, local communities are also scrambling for the resources to meet the needs of their residents. Improvements to historic structures result in higher property valuations, which generate tax revenues necessary to sustain critical local services such as public safety.

The return on investment for the public dollar spent on historic renovation is totally recovered in a 10 year span from increased property taxes alone. That return is shared by local and state governments through their respective mill levies. That computation of return on investment does not include the various multipliers that result from restoring properties to an active role in local commerce, or the many jobs created by the renovation work itself.

For those reasons, the City of Wichita strongly supports passage of SB378.

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Sn Assmnt & Tax
1-28-10

Attachment # 3



Testimony

Jeff Fluhr, Wichita Downtown Development Corporation
Senate Bill 378
Senate Taxation Committee
January 28, 2010

Mr. Chairman and Members of the Committee, my name is Jeff Fluhr and I serve as the President of the Wichita Downtown Development Corporation (WDDC). The WDDC would like to express its support of the State Historic Tax Credit Program and Senate Bill 378. The WDDC is supported by over 1400 businesses within Downtown Wichita and since 2002 the organization has been working to strengthen the economic vitality of Downtown.

The Historic Tax Credit Program has been a viable instrument in the redevelopment of Downtown Wichita. Due to the program's previous predictability, key buildings within Downtown have returned to productive commerce versus vacant liabilities. Numerous buildings such as the Grant Telegraph Building, located in the Old Town District, now have commercial and residential occupants. In the Grant Telegraph project residential units range from \$300,000 to \$950,000. In 2008, the Old Town District was named one of the top ten neighborhoods in the country by the American Planning Association due to redevelopment projects such as the Grant Telegraph Building. Other buildings such as the Carnegie Library in Wichita's Business District have been converted from vacant buildings to offices; preserving not only our history but returning a building to a vibrant commercial use.

This program has allowed communities across the state with the opportunity to preserve buildings that represent the architectural vernacular of that city. It's a program that has helped ensure unique architectural identity, thus providing national distinction.

Currently the City of Wichita, the WDDC and the private sector are in the process of developing a new Downtown Master Plan. The national firm of Goody Clancy is developing this blueprint for Downtown. This team was selected in part due to their extensive economic expertise in residential, commercial, hotel and retail markets. On January 13th, 2010 the team presented initial market findings in these areas. Each area identified untapped market potential. In residential the firm of W-ZHA presented that Downtown Wichita has the market for 1,000 units at all levels of price points. In Wichita we have a supply of vacant or partially occupied historic buildings that may be utilized to meet this residential market demand. However, the probability of such projects utilizing historic structures is severely hindered without the State Historic Tax Credit Program. Therefore, the market may remain untapped and historic buildings vacant. The State Historic Tax Credit Program helps bring together the market demand and the financial capital to make such projects a reality.

With the changes in the program, other major projects such as the Broadview Hotel located in Downtown Wichita have stalled. This historic hotel was slated for renovation by Drury Southwest. This firm has renovated other such hotels in the country. The Broadview is central to Downtown's riverfront and the city's convention center. Also in the Goody Clancy initial market findings, it identified that we need additional hotel rooms to service the convention center. This renovation would provide over 100 jobs, approximately 200 convention style rooms, preserve an important historic architectural component of downtown and would stimulate surrounding private sector development.

Just as we are providing a predictable blueprint for Downtown Wichita's future development, it is imperative that the State Historic Tax Credit program once again have predictability. We appreciate your consideration in restoring the program and implementing the intended 10% cut as prescribed in Senate Bill 378.

Sn Assmnt & Tax
1-28-10

Attachment # 4

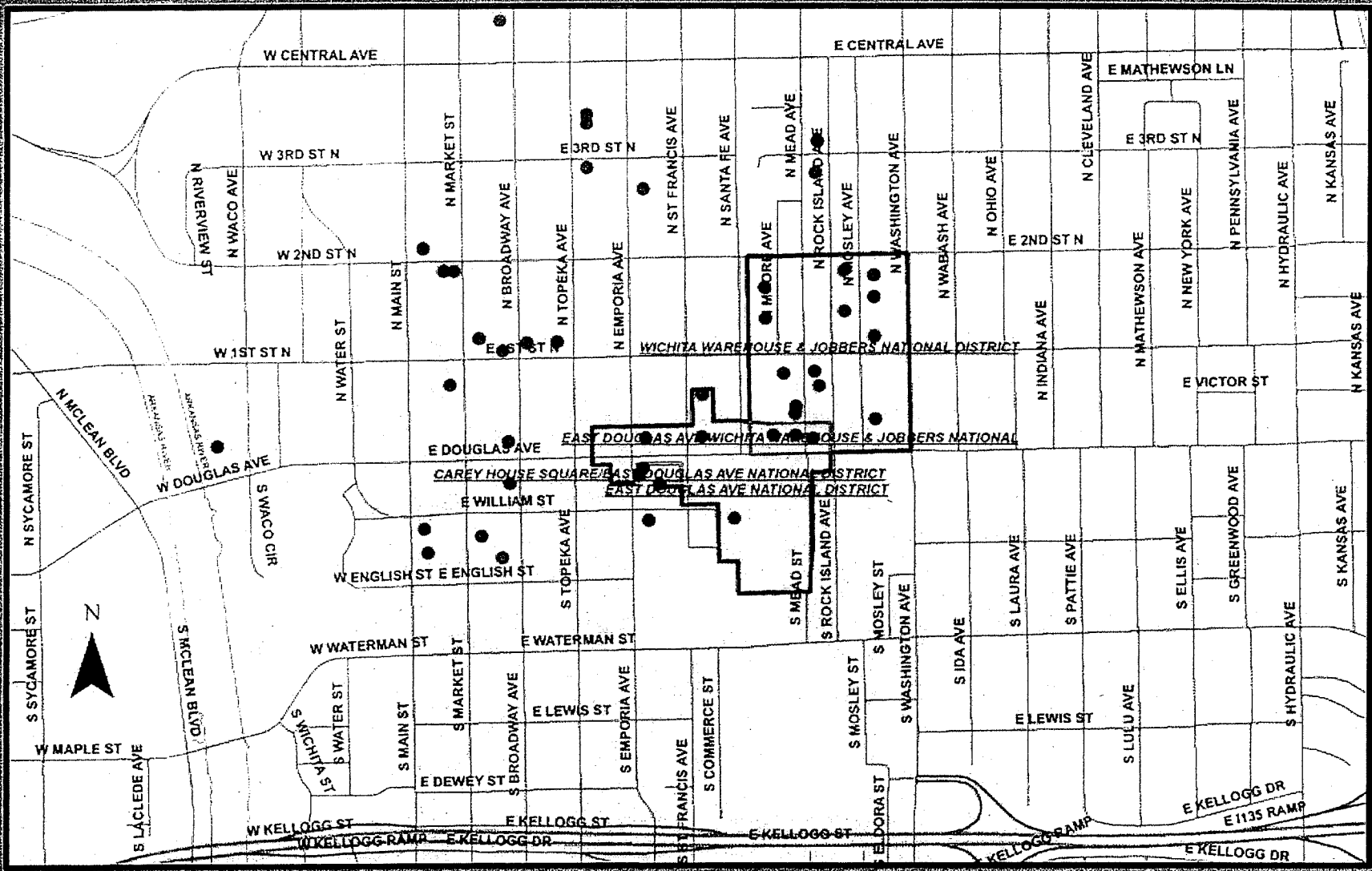
4-2

January, 2010



Projects





Historic Commercial Central Business District
Approximately \$46.7 M in certified rehab costs
\$11.6 M issued in State Historic Income Tax Credits



Carnegie Library - Fidelity Bank \$5 M rehab



Broadview Hotel - \$23 M rehabilitation

4-6

BEFORE



AFTER

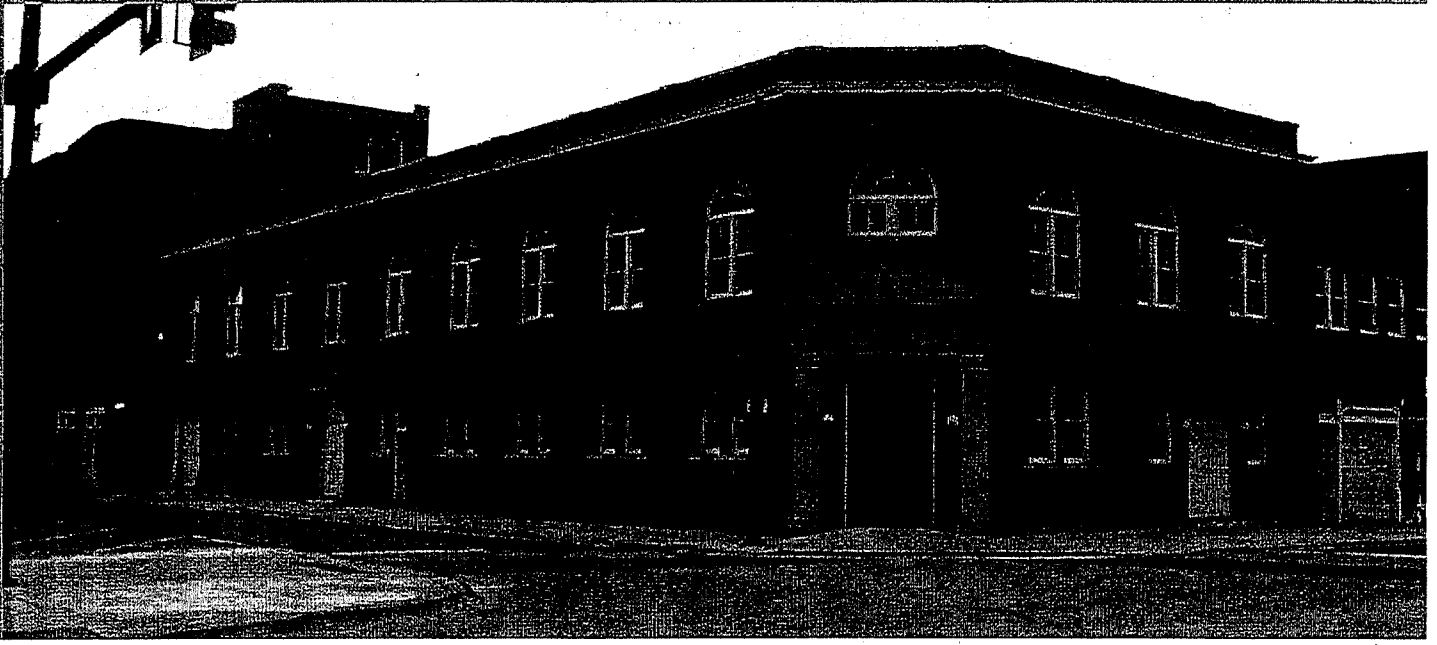


Brown Building - \$2.1 M exterior and interior rehabilitation



Eagle's
Lodge
#132

\$830 K
rehabilitation
cost



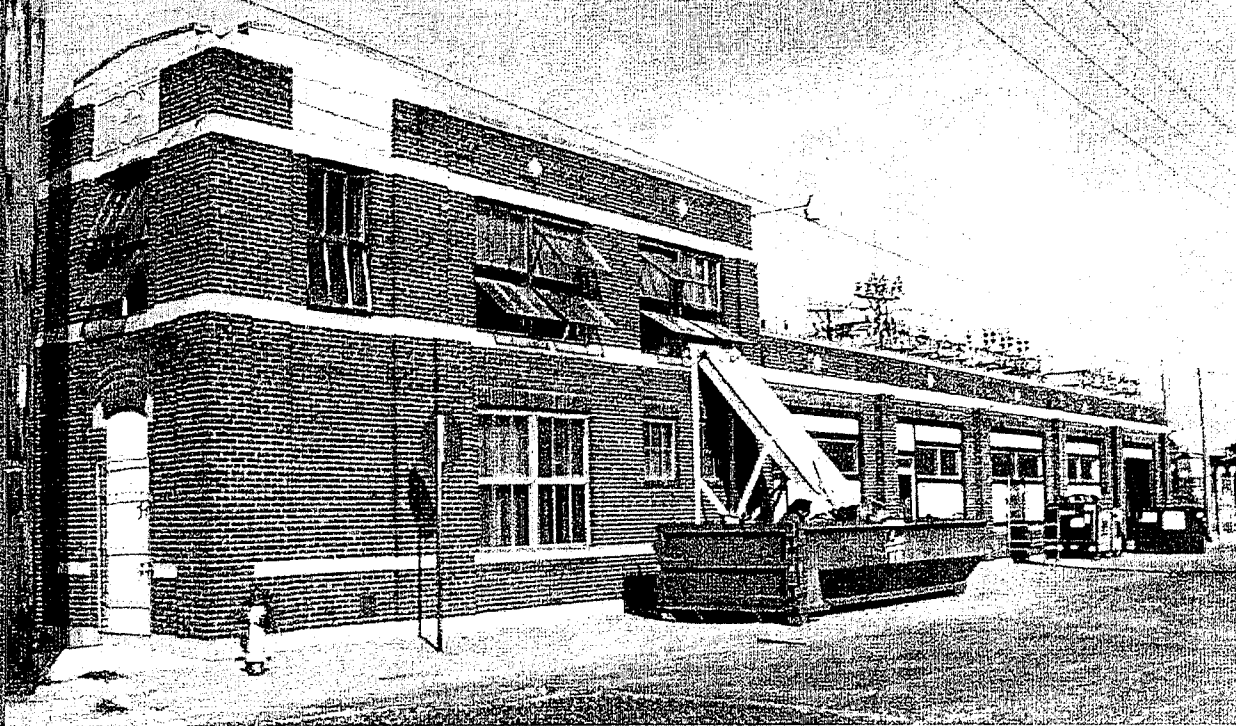


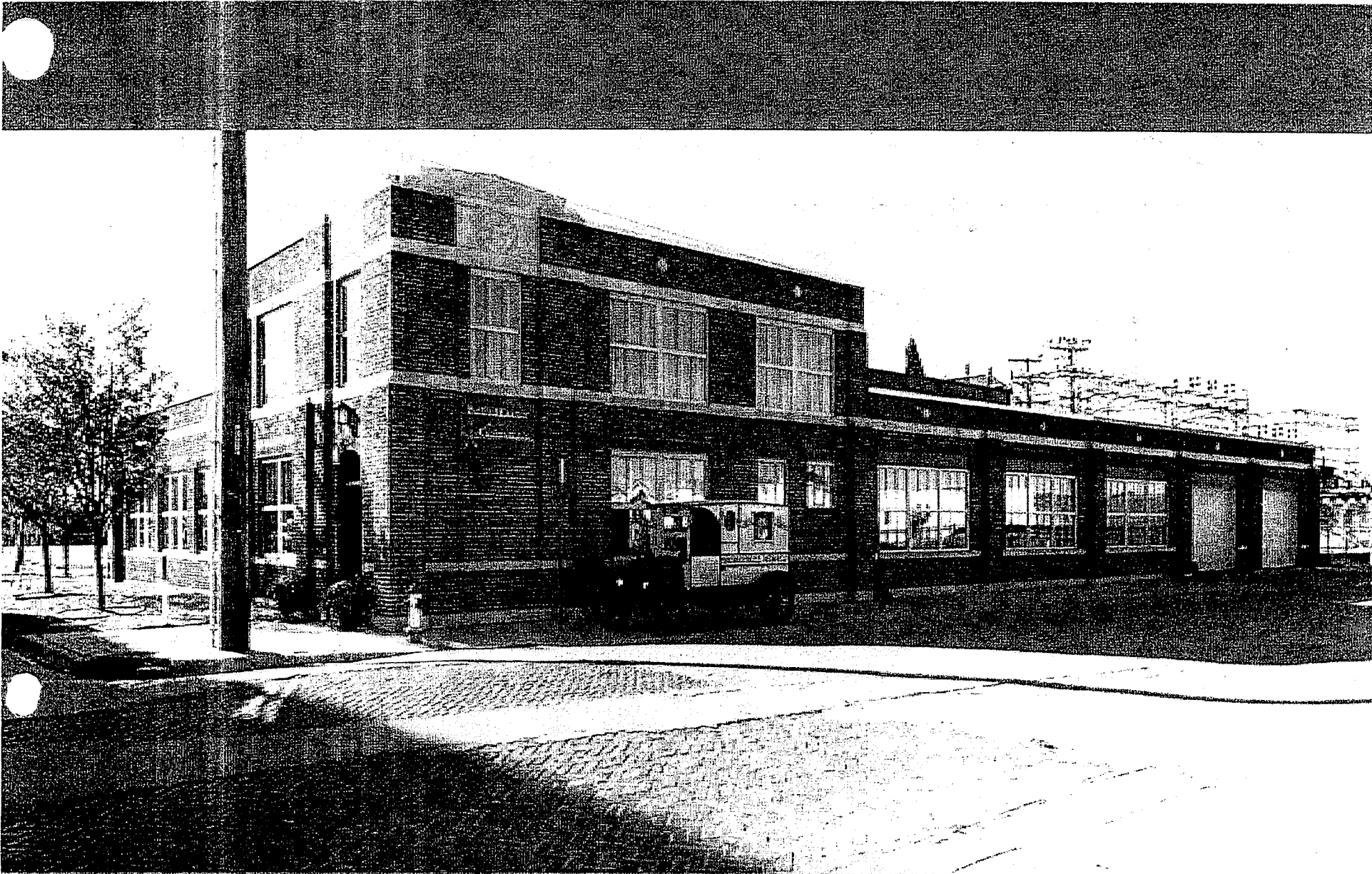
Kaufman Building
\$2 M storefront replacement, window repair and interior
rehabilitation



Keep Klean Building

\$350 K exterior and interior rehabilitation





Keep Klean completed rehabilitation

Stoner Apartment



4-12



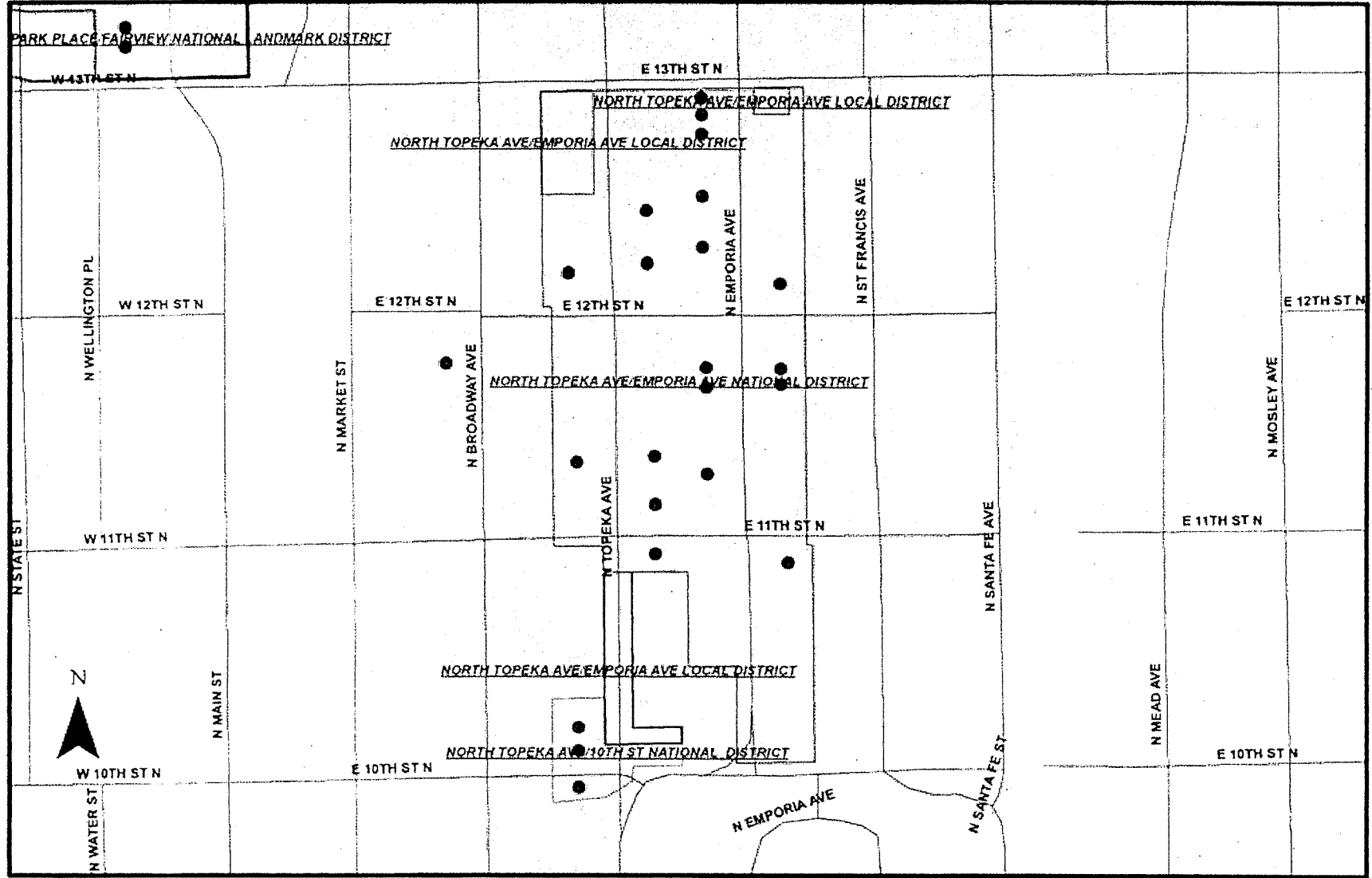
\$900 K rehabilitation for affordable housing units

4-13

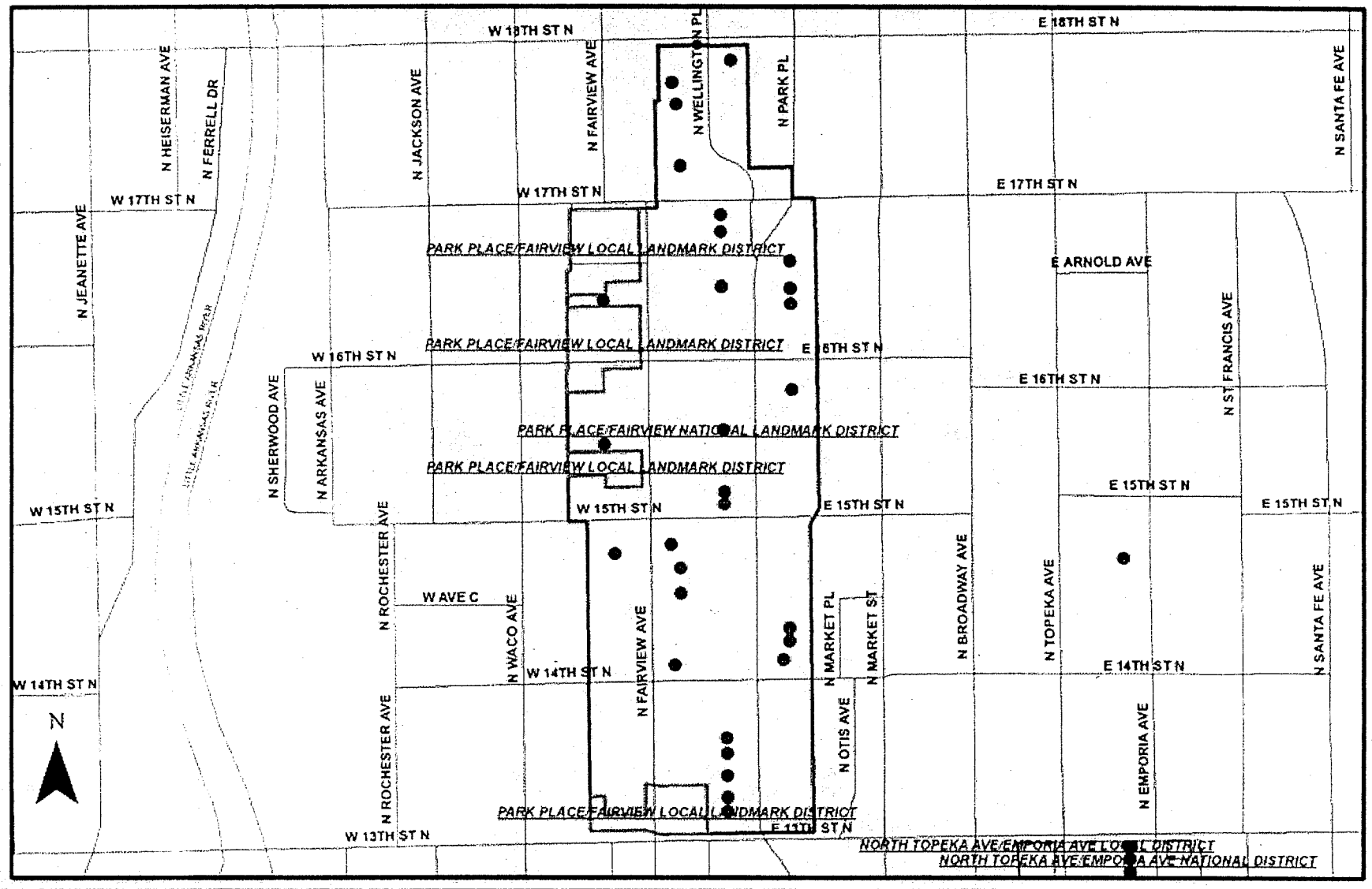
Wichita High School



**\$6 M rehabilitation project creating 64 housing units
6 units occupied, 5 under lease - just opened in December 2009**







4-11

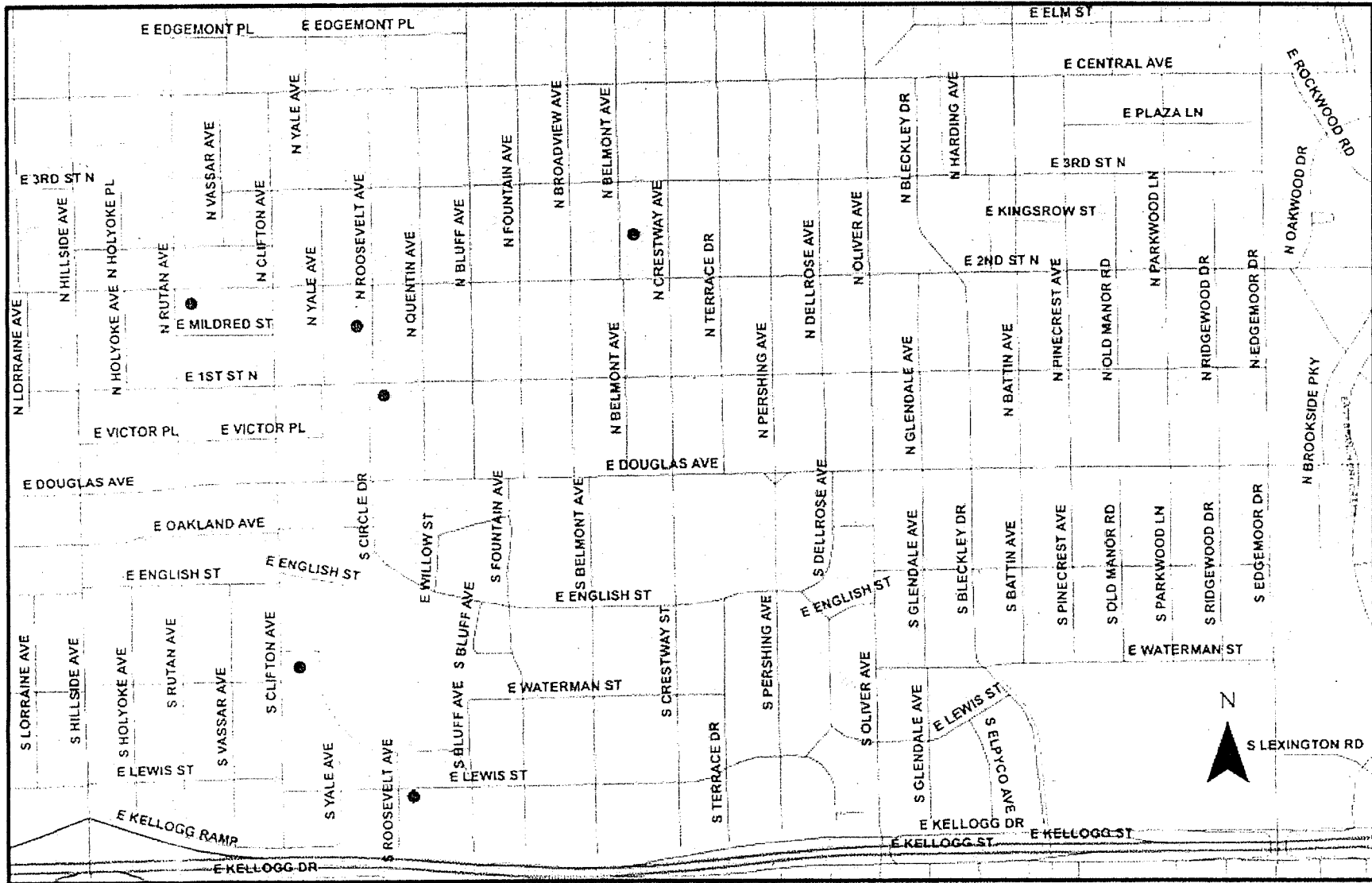


\$400 K rehabilitation - LW Clapp House

81-7



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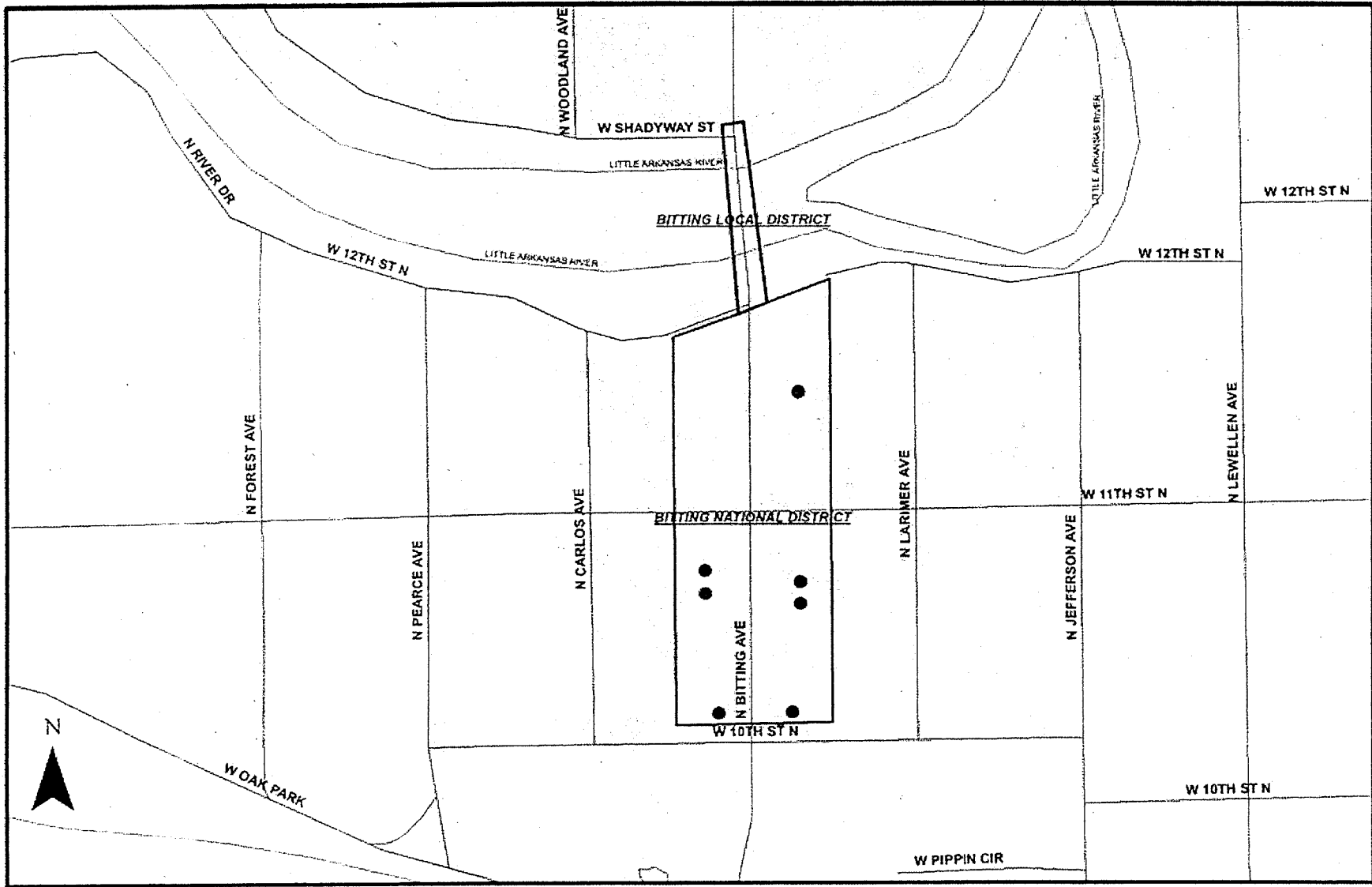


College Hill Neighborhood

Approximately \$460 K in certified rehab expenses
 \$115 K issued in State Historic Income Tax Credits



\$170 K College Hill - major slate roof repair and HVAC system



Tax credit projects in Bitting Historic District
\$70 K in certified rehab expenses
\$17.5 K issued in State Historic Income Tax Credits



First then, First now.
LEAVENWORTH LEADING THE WAY

The Stove Factory Lofts & State Historic Tax Credits

Representing the City of Leavenworth, Kansas
Christopher W. Dunn, AICP
Director of Planning & Community Development

January 28, 2010

Summary

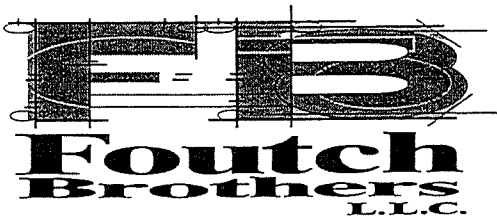
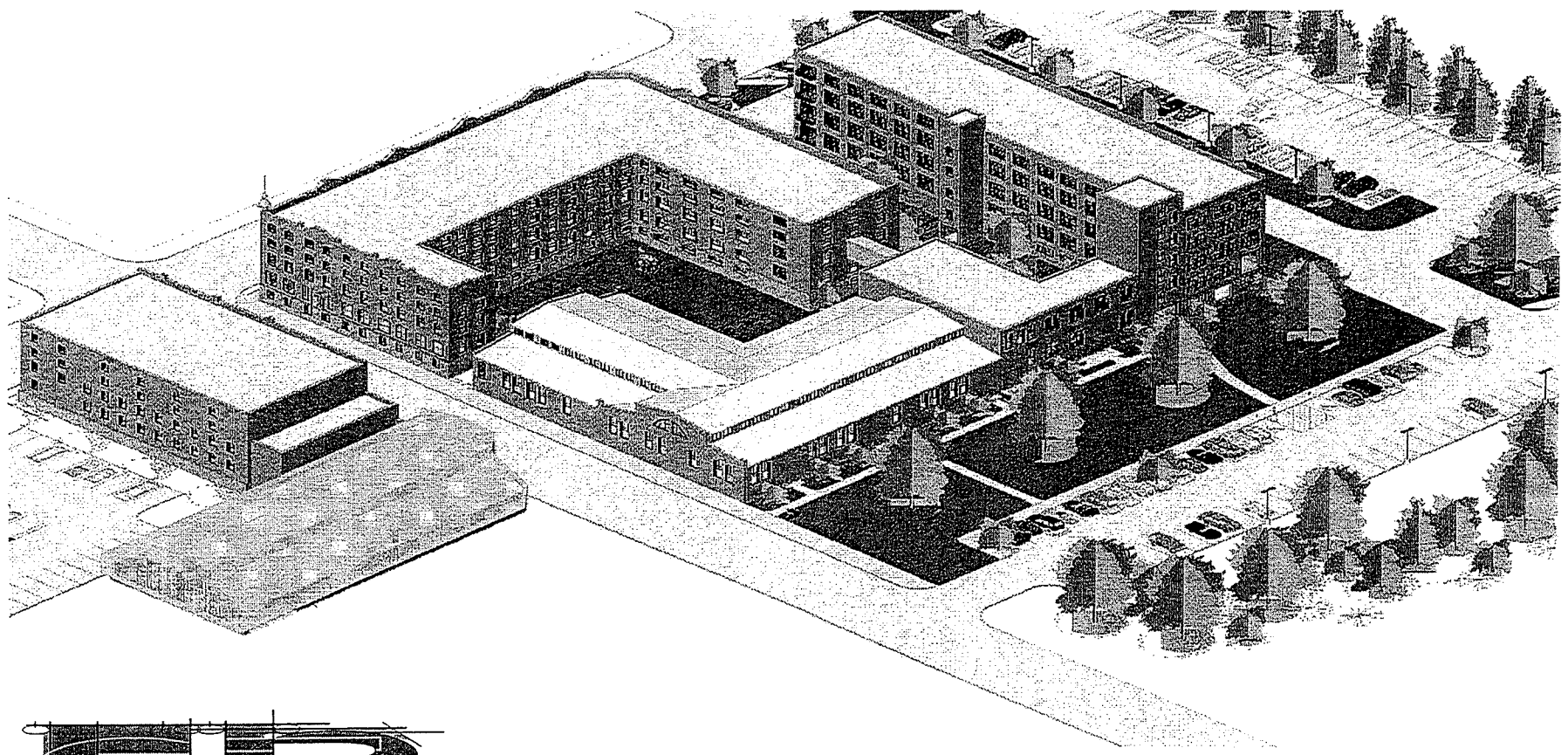
1. When the legislature capped the State Historic Tax Credit program last year it may have unintentionally ended the City of Leavenworth's **\$24,000,000** Stove Factory Lofts project. The Legislature's action placed the project on hold, which has prevented private investment of at least \$10,000,000 in the City of Leavenworth and generated an additional ~\$100,000 in unanticipated costs.
2. The Stove Factory Lofts project was years in the making, and to date, the City and Foutch Brothers LLC have around \$3,500,000 of direct investment just to prepare the site.
3. The Stove Factory Lofts were planned by the City of Leavenworth to stop the leakage of millions of dollars in hotel, conference, retail and hospitality money which flows into Missouri.
4. Since SHTC funding was capped by the legislature last year, developers and bankers have told us they are reluctant to underwrite a project with 'possible' tax credit financing.

Summary

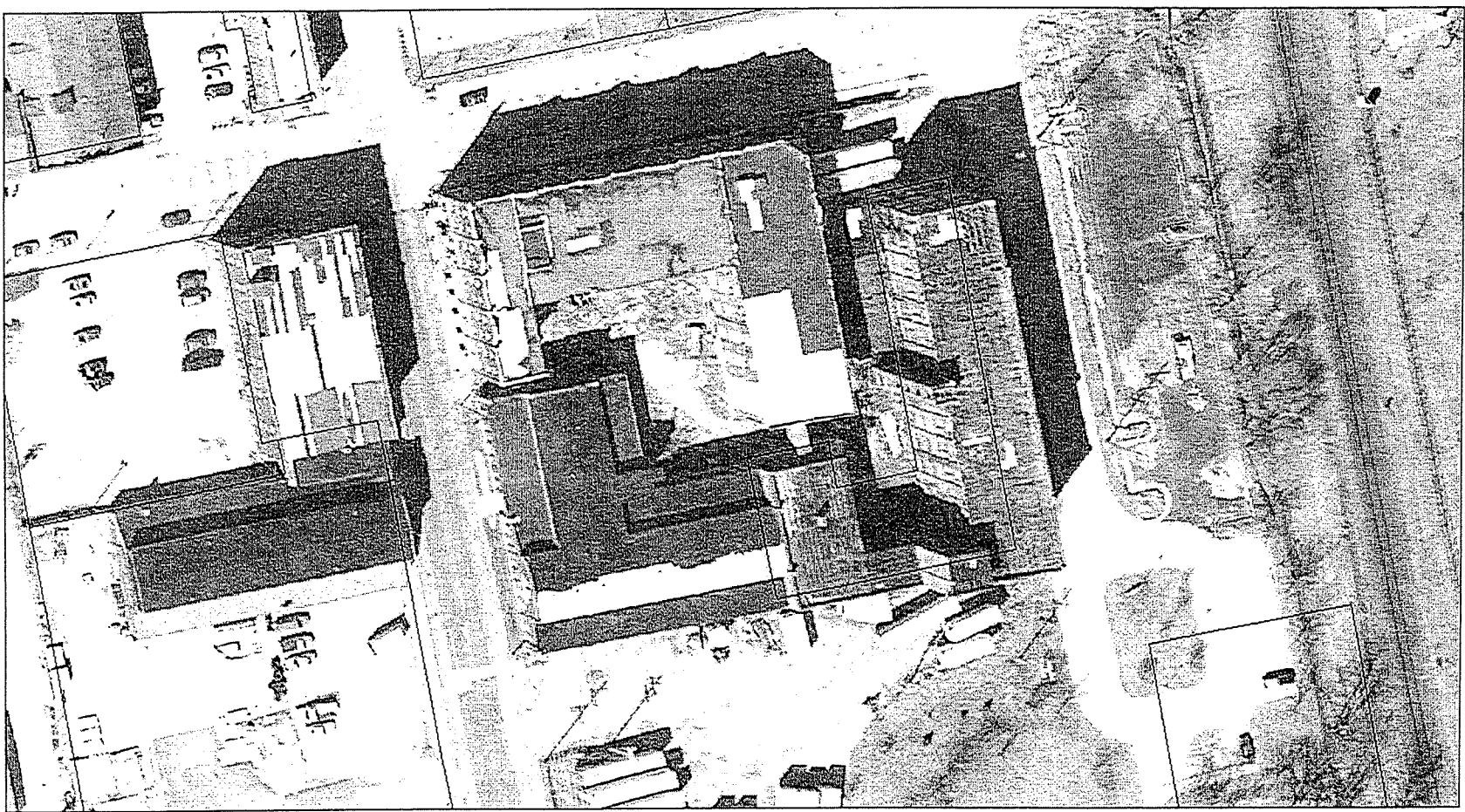
5. The Stove Factory Lofts are the type of project that could only be redeveloped with the help of the state and federal historic tax credit program.
6. The SHTC program helps cities fight blight and redevelop core areas, like the site in Leavenworth.
7. The projects that have been killed or put on hold have a real and measurable positive economic and social impact.
8. The current entire SHTC budget for 2010 & 2011 will not cover a project the size of the Stove Factory Lofts.
9. The City of Leavenworth has spent years working on this project.

The Stove Factory Lofts

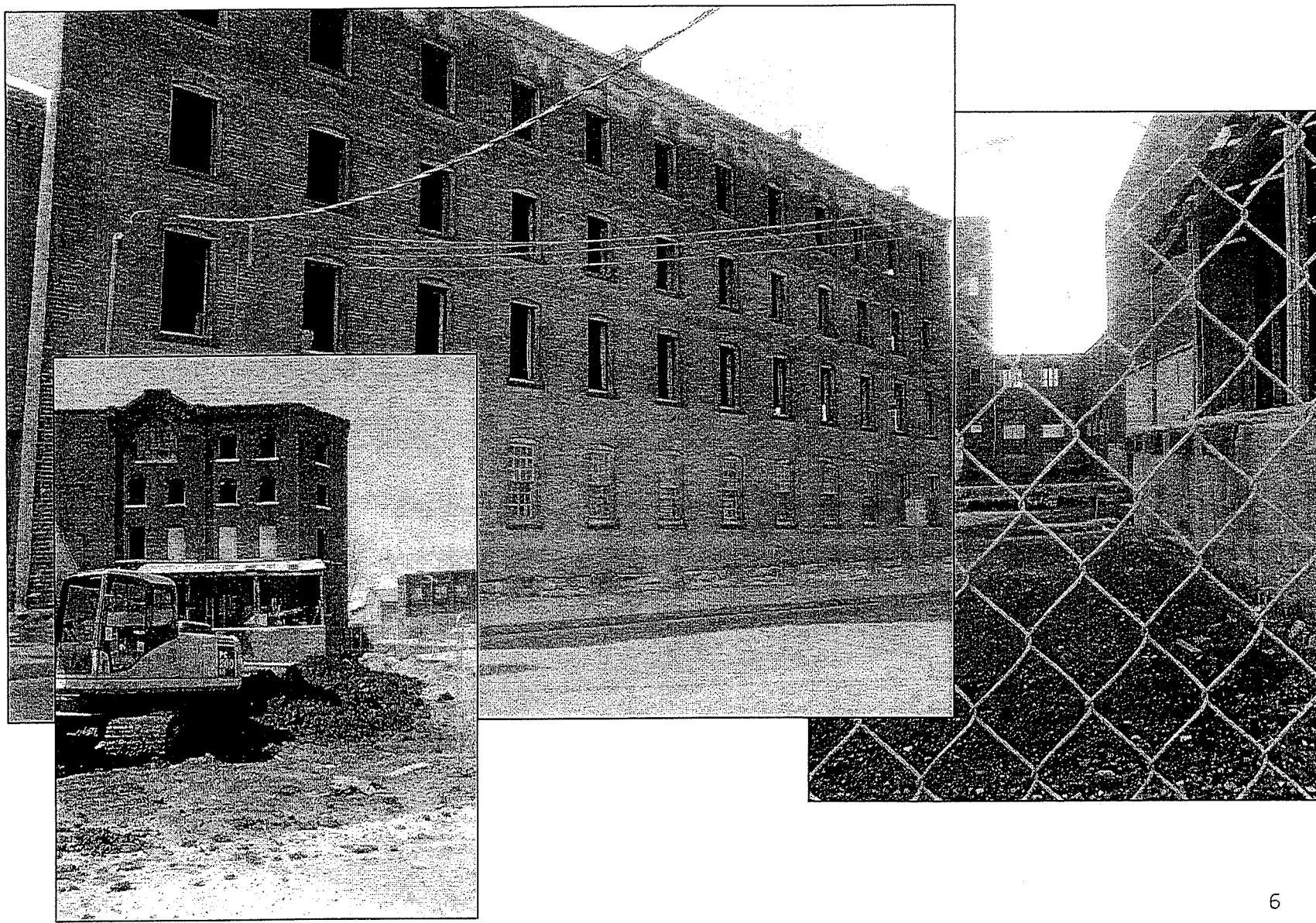
Located in Leavenworth's Historic Industrial District



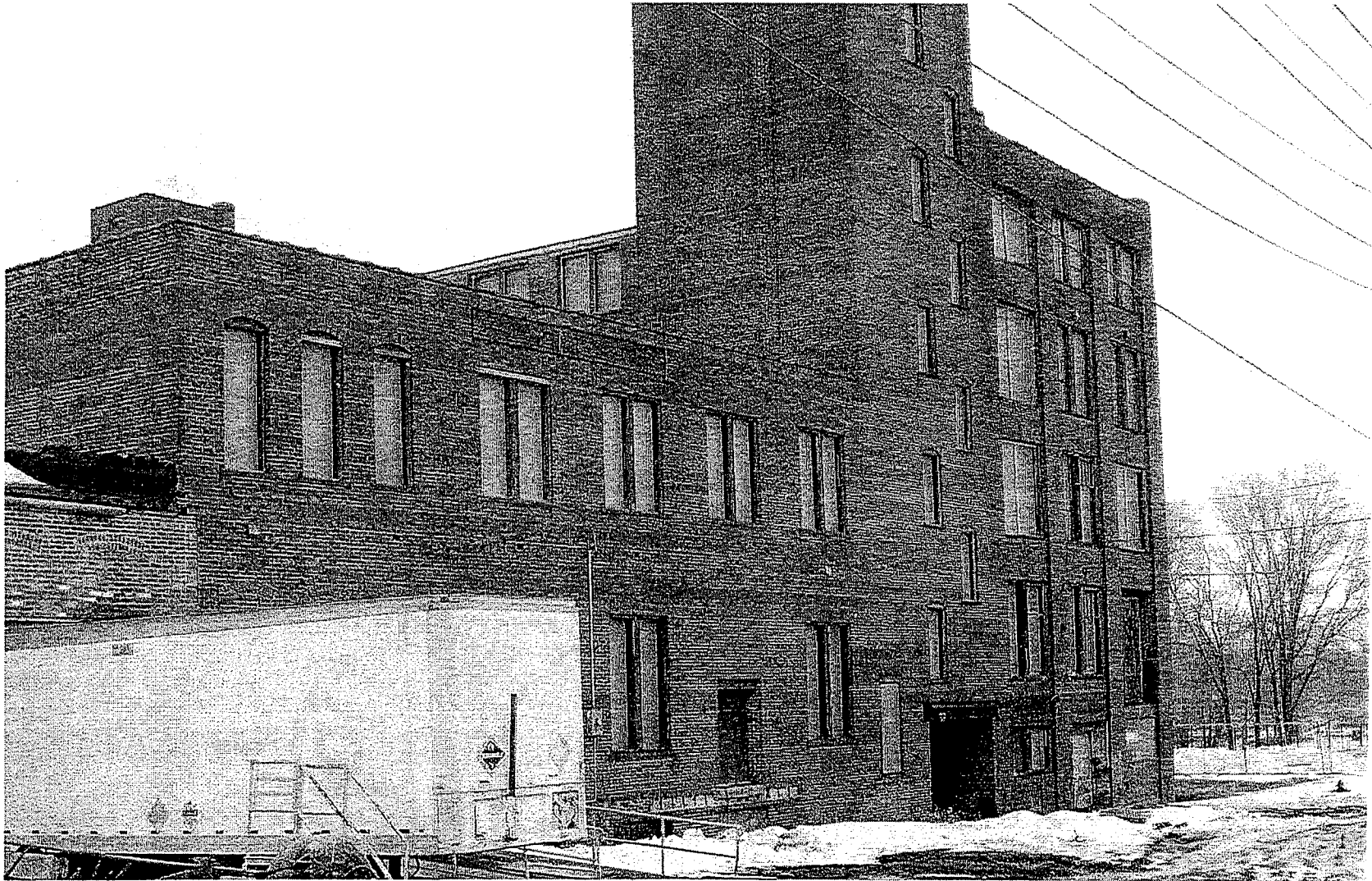
Site Aerial Photo



Site Photos



The Stove Factory Lofts after sealing 1000 windows because of the SHTC cap.



The Stove Factory Lofts Project

Use:	188 Condo Apartments & Corporate Units 25,000 SF Retail
Development Cost:	\$24,150,000
Timeline:	2010 Construction Start Completion in 2012
Jobs:	100 Construction — 15 Permanent Jobs

The **East** complex converts 3 buildings into 90 luxury apartments (1, 2 and 3 bedroom lofts), 48 all-inclusive corporate long-term stay hotel rooms (studio apartments), a 5,000 SF indoor pool, fitness center and recreation zones, and a 10,000 SF Banquet Facility.

The **West** building will add another 48 Corporate Suites and another 10,000 SF extension of the Retail and Banquet Facilities.

The Stove Factory Lofts Project

Community Impact:

This project is considered the Anchor Tenant to begin a new downtown revitalization of the Historic Leavenworth Industrial District that will include new retail, residential and hotel components.

Being only a mile from the main entrance of Fort Leavenworth, this project will provide greatly needed housing options for both military and civilian populations.

Lease-up is expected to be less than 6 months.

Three Partners

- The City of Leavenworth
 - Kansas Department of Health & Environment (KDHE)
 - US Environmental Protection Agency (EPA)
 - HUD: Community Development Block Grant (CDBG)
- Duane Becker – Tire Town (Original Site Owner)
- Foutch Brothers LLC (Redevelopment Team)

Financing

Foutch Brothers LLC

Fed Historic Tax Credits: \$3,796,500

~~KS Historic Tax Credits: \$4,577,600~~

New Market Tax Credits: \$2,670,150

Bank Loan: \$10,000,000

Owner Equity: \$3,105,750

10-Year Neighborhood Revitalization Tax Rebate (City-County Program)

City Participation

City Total Capital Outlay: \$976,628 (not including staff time)

City Obligated Funds: \$146,000

10-Year Neighborhood Revitalization Tax Rebate (City-County Program)

State & Federal Participation (Environmental Clean Up)

KDHE: \$200,000

EPA Brownfields: \$400,000

Other Successful Foutch Brothers Projects

Abernathy Building – Leavenworth, KS

The Mead Factory – St. Joseph, MO

The Corby Building – St. Joseph, MO

Fairbury 23 - Fairbury NE

Washburn Towers - Ottawa, KS

Find more at <http://www.foutchbros.com/>

Economic Impact of the Tax Credits

1. Leavenworth is the oldest City in the State of Kansas and has done an admirable job of preserving the City, State's and Nation's heritage found within its borders.
2. Since 2001, the state rehabilitation tax credit program has been a preservation and economic engine both for Kansas and Leavenworth.
3. Every dollar (\$1) in state rehab tax credits leverages at least three dollars (\$3) in private investment – and, in many cases, an additional eighty cents (\$.80) in federal tax credits.

Economic Impact of the Tax Credits

4. Since 2002, the money invested in state tax credit projects (before the multiplier effect) has created 4327 Kansas jobs, \$137.9 million in income, and leveraged \$263.9 million in private investment.
5. Among Leavenworth's tax credit success stories are the Abernathy Lofts project and the redevelopment of dozens of buildings at the Dwight D. Eisenhower VA Medical Center.
6. The 2003 Abernathy project, which earned both state and national preservation awards, created a new market for downtown businesses and generated new property-tax revenue by transforming an abandoned industrial building into fifty-four apartment units.

Economic Impact of the Tax Credits

7. Unfortunately, recent action by the Kansas Legislature has placed a similar proposed project at the Great Western Stove Company, as well as dozens of other shovel-ready projects statewide, on hold.
8. An intended 10% cut to the program resulted in a 70% cut that had a crippling effect on project financing. To obtain construction financing, developers must have capital.
9. Derelict buildings like the Great Western Stove Company often lack the intrinsic capital necessary to leverage the funds for redevelopment. For these projects, the tax credits, which can serve as collateral, provide a necessary source of gap financing.

Economic Impact of the Tax Credits

10. The redevelopment of the Great Western Stove Company has the potential to be a keystone in downtown revitalization and a local economic engine.
11. Because rehabilitation projects are 50% more labor intensive than new construction, the project will create jobs. For instance, \$1.05 of the proposed \$1.75 million will be spent on labor – versus \$700,000 in labor on a similar investment in new construction.
12. In addition, this project, like that on the Abernathy Lofts, promises to significantly increase property values, as well as property taxes, throughout downtown.
13. Repealing the cap will restore confidence in the program that property owners and investors need to continue to develop the state's historic properties, including the Great Western Stove Company.

History of the Great Western Manufacturing Company

The Great Western Stove Company Building is a symbol of Leavenworth's reign as an industrial powerhouse in the late nineteenth and early twentieth centuries.

Some of the buildings were constructed at a time when nearby Kansas City was not even included in the U. S. Census.

After Kansas was opened to white settlement in the 1850s, the bustling river town attracted throngs of industrious fortune-seekers forging west. Among those who staked claims in Leavenworth were A. F. Maison, E. P. Willson and P. Estes. In 1858, the three invested \$6000 in capital in a homegrown business that would become the Great Western Manufacturing Company.

By 1883, 150 employees at the company's sprawling complex of brick buildings turned out 20,000 stoves annually. By 1906, Great Western employed 800 men, or 4% of the city's population, and boasted \$1 million in capital (\$24 million in today's dollars).

History of the Great Western Manufacturing Company

The Great Western Stove Company Building evolved over a period of five decades. But the main four-story structure dates to 1882, a peak year in the city's industrial activities.

Between 1882 and 1883, Leavenworth's annual manufacturing volume doubled from \$10 million to \$20 million (\$456 million in today's dollars).

The Great Western Company failed to survive the Great Depression. When the property went on the auction block in 1939, the only bidder was the Reconstruction Finance Corporation (RFC), a government aid agency.

In 1941, the RFC sold the property to Kramer Machine and Engineering Products, which churned out metal products for the war effort.

When Kramer sold its holdings during the 1970s and 1980s, the Great Western Stove Company Building became a tire distribution center called Tire Town.

The redevelopment of the Great Western Stove Company Building promises not only to place this imposing structure back into productive use, but also to ensure that it continues to stand as a symbol of Leavenworth's rich industrial past.

Contacts

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Steve Foutch

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steve@foutchbros.com

January 28, 2010



AIA Kansas

*A Chapter of the American
Institute of Architects*

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J. Michael Vieux, AIA
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Nadia Zhiri, AIA
Lawrence
Secretary
Gary Nevius, AIA
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Topeka
Daniel (Terry) Tevis, AIA
Lenexa
Jason VanHecke, AIA
Wichita

Executive Director
Trudy Aron, Hon. AIA, CAE
info@aiaks.org

TO: Ways and Means Committee

FROM: Julia Manglitz, AIA, Representing AIA Kansas

RE: Support of SB 378

Good Morning, Chair Donovan and Members of the Committee. I am Julia Manglitz representing the American Institute of Architects in Kansas. I am a licensed architect and serve as the Chair of the AIA Kansas Committee for Historic Resources.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. Our members are designing projects for the future, aiming to meet the "triple bottom line": economy, healthy people and healthy environment.

AIA Kansas supports SB 378 that repeals the cap placed on the State Historic Tax Credit Program. The cap that was imposed during the last legislative session has had the unintended consequence of cutting the program 70% rather than the 2.5% cut proposed to all state tax credit programs to help balance the state budget. The manner in which the cut was made has jeopardized projects underway. This tax credit program is an essential economic and community development tool that creates jobs for architects, engineers and builders.

As architects we have the opportunity to see projects from their inception, as ideas put to paper, to their fulfillment, as a constructed reality. As members of our communities we are often aware of potential projects years before there is even money to put ideas to paper. The State Historic Tax Credit Program often provides that little bit of funding that tips the balance between a project that remains an idea and one that becomes reality.

The State Historic Tax Credit program helps clients, large and small, private and public undertake renovation projects on historic properties that build stronger communities. This program is truly an egalitarian program that is equally available to all communities, rural or urban, wealthy or economically disadvantaged. Individual property owners, from mom and pop businesses to corporations can use the credits to help finance improvements that enhance property values and attract more customers. City and county governments can utilize the program to stretch their own dollars and leverage funds from public-private partnerships and federal programs. Thirteen out of one hundred-five counties have used the program for courthouse projects, but those projects directly benefited nearly 20% of the state population. A small sample of projects that utilized the State Historic Tax Credit program to enhance their communities includes:

- Abilene: tax credits helped modernize and upgrade the public pool facilities.
- Kansas City: tax credits helped create affordable senior housing out of an abandoned school in an economically disadvantaged neighborhood.
- Salina: tax credits helped renovate an historic theater downtown that now draws patrons from all over the state to see nationally prominent performers.
- Chase County Courthouse: tax credits helped to modernize the mechanical systems and provide an elevator so that the Clerk of the Court and the Courtroom were accessible in a county with an aging population.

700 SW Jackson, Suite 209 · Topeka, KS 66603 · 800-444-9853 or 785-357-5308 · www.aiaks.org

Sn Assmnt & Tax
1-28-10

Attachment # 6

The projects that utilize the tax credit leverage private investment 3-5 times the credit received from the state. This private investment comes from inside and outside Kansas. The cuts instituted last year have jeopardized financing for projects underway and shaken the confidence of investors. In Wichita the North Market Apartment project that will provide needed low income housing and inject new life into a neighborhood struggling to combat crime is one such project. We need to take immediate steps to rectify this situation and restore the faith of investors and property owners.

Renovation projects, by their very nature, spend more project dollars on labor. The material for the building is there, what they require are skilled hands and minds to plan and execute the projects. And because these jobs center about a place the vast majority cannot be outsourced. Since the inception of this program in 2001 it has helped make construction projects possible in every corner of the state. Costs for projects either completed or planned for select major population areas in Kansas:

- Salina: \$11 million
- Topeka: \$11.1 million
- Lawrence: \$14.5 million
- Manhattan/Junction City: \$15.3 million
- Leavenworth: \$19.7 million
- Kansas City: \$45.6 million
- Wichita: \$97.7 million

Approximately sixty percent of the dollars spent on renovation projects go toward labor costs. That means jobs. Projects all over the state would not happen without the help this program provides. In the trying economic times we face this program is an essential tool for economic development and we urge your support for SB 378.



300 SW 8TH AVENUE, Ste. 100
TOPEKA, KS 66603-3951
P: (785) 354-9565
F: (785) 354-4186
WWW.LKM.ORG

Date: January 28, 2010
To: Senate Committee on Assessment and Taxation
From: Larry R. Baer
Assistant General Counsel
Re: SB 378
Testimony in Support

Thank you for allowing me to appear before you today and present testimony in support of SB 378 on behalf of the League of Kansas Municipalities and its member cities. SB 378 would amend K.S.A. 2009 Supp. 79-32,211, regarding income tax credits given for the restoration and preservation of historic structures.

The 2009 Legislature amended K.S.A. 79-32,211 to cap the tax credits allowed under the section at \$3,750,000 for fiscal years 2010 and 2011. The unintended consequence of this amendment was to, in effect, terminate the tax credit for the restoration and preservation of historic structures.

The changes proposed by SB 378 would correct this. It would also provide that the amount of the credit would be reduced by 10% for those qualified expenditures incurred during the effective date of the act and ending June 30, 2001.

Many cities have benefitted from the fact that developers and others have taken action to preserve historical properties located in their cities. The income tax credit authorized by K.S.A. 79-32,111 has served as an incentive for many of these projects. Without the continuation of the credits and the benefits extended to the developers, it is feared that many historical structures would not be restored or maintained. Thus, a city would lose a piece of its history and a link to its past.

For these reasons League of Kansas Municipalities supports the bill and asks for your support and requests that you pass it out favorably. Thank you.

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1-28-10
Attachment # 7

TESTIMONY ON **Senate Bill 378**
SENATE ASSESSMENT AND TAXATION COMMITTEE
Thursday, January 28, 2010

Thank you, ladies and gentlemen, for allowing me to speak with you this morning. My name is Daryl Craft. I'm actually here today wearing four hats. First, I am the President of **GTRUST** Financial Partners. We are a Topeka based Trust Company that is moving our office back into downtown Topeka. We started our business 20 years ago in downtown, have been on the west side of town for 15 years and want to go back.

Second, I am an owner and developer of the historic Karlan building, one block east of here. My company could not locate suitable space downtown so I decided to partner with Mike Fox and Mike Wilson to rehabilitate the Karlan building and apply for listing on the National Register of Historic Buildings. We purchased the building and started our rehab two weeks before the current cap was placed on historic credits. The value of the Kansas historic tax credits was an integral part of our financing package for the project.

My third hat is as the Legislative Chairperson for the Kansas Bankers Association Trust Division. We currently have at least one trustee member who is involved in a historic rehabilitation project as a result of a bequest in a trust.

And finally, I am here as a Kansan who believes that historic preservation is the right thing to do. In our case we are bringing back a beautiful building that had been allowed to deteriorate. We are also making a substantial improvement for our downtown and our community. Equally important, national studies have shown that historic rehabilitation creates economic development 10 to 20 times the value of the tax credits granted. Economic times are tough right now and the economic benefit of the jobs created by projects utilizing tax credits can't be understated.

I am here today speaking on behalf of all historic projects currently underway or planned in the state. There must be several dozen projects which have been affected by the cap on historic tax credits. However I can give you specifics about our project to show you how the tax credit program should work.

Our project is to rehab a 100 year old, four story structure. We purchased the building for \$400,000 and plan to spend \$2,600,000 to complete the rehabilitation. Cost of the building is not eligible for historic credits; neither are items installed in the building that can be removed, such as cabinets. Finally, items installed outside the footprint of the building are not eligible, such as air conditioning units installed on the ground outside the structure. Our "eligible rehabilitation expenses" are projected to be \$2.5 million.

The federal tax credit on that amount would be \$500,000 and the state tax credit would be \$625,000. If the developer does not have sufficient income to use the tax credits, which would be the case most times, then the credits are sold for a percentage of totals. In our case we expect to receive approximately 60% from the federal credit (\$300,000) and 70% from the state credit (\$438,000). That total of \$738,000 would be used to reduce the amount borrowed.

A lender expects a developer to pay 20% down and borrow 80%. In our case the full value of the credits would suffice for the 20% down, and the total loan would be \$2,147,000 (taking into consideration current developer equity in the project). Debt service at 6%, amortized over 20 years, would be approximately \$15,380/month.

With the current cap, there is uncertainty when we would receive our state tax credits, so financing will be calculated without the state credit. That leaves us with \$3,000,000 cost less \$300,000 federal credit and \$115,000 current developer equity, for a net of \$2,585,000. The bank will only lend 80% so the developers must separately borrow an additional \$185,000 to be placed into the project, and the primary bank will finance \$2,400,000. Total borrowing is \$2,585,000 with a monthly debt service of \$18,520. We would eventually get the Kansas tax credits in 2012, assuming additional changes are not made to the program, but permanent financing will have to be in place for at least two years at the higher borrowed amount.

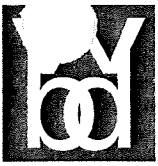
Our additional cost for financing under the current cap will be at least \$75,000 higher and could be even more, depending upon when the credits are actually issued.

900 Kansas LLC

It is my clear understanding that last May the legislative intent was to reduce the cost to the state for historic tax credits by 10%. This did not happen. The cap does not create cost savings; it creates cost deferral. And the unintended consequence of the cap is that it has made the financing aspects of historical restoration a mess.

I strongly urge you to vote in favor of this bill. Thank you for your time!





SUBMITTED REMARKS

TO: The Honorable Les Donovan, Chair
And Members of the
Senate Committee on Assessment and Taxation

FROM: Whitney Damron
On behalf of the City of Topeka

RE: SB 378 An Act concerning income tax credits; relating to credits;
expenditures for restoration and preservation of certain
historic structures.

DATE: January 28, 2010

Good morning Chairman Donovan and Members of the Senate Committee on Assessment and Taxation. My name is Whitney Damron and I am providing written comments in support of SB 378 to you today on behalf of the City of Topeka.

Earlier this month the City amended their 2010 legislative priorities list to include support for reinstatement of the income tax credits that were limited through actions of the 2009 Legislature for a period of two years.

Comments presented to the City Council is similar to the testimony that has been provided to you here today and that is simply that the income tax credit and other programs that have been instituted over the years to facilitate the renovation of historic properties have been successful and do withstand close cost/benefit scrutiny, even in these difficult financial times.

Over the years a number of properties in our City have made use of these tax credits and similar incentives adopted at the Federal, state and local level. Renovating old properties and returning them to the tax rolls enhances neighborhoods, downtowns and communities by bringing these historic structures back into use, which ultimately benefits everyone.

In the City of Topeka you can look no further than a block east of the statehouse where a major redevelopment is underway for the old Karlan's Furniture Store, which has remained vacant for several years. The developers of that project had anticipated using state income tax credits as a significant portion of their financing, which made this project feasible. The cap on existing credits has placed this project and others in Topeka and around Kansas in jeopardy.

While cities in Kansas are aware of the financial challenges facing state and local governments this year, we strongly believe programs such as the income tax credit for historic redevelopment can withstand even the most critical cost/benefit analysis and should be reinstated as provided for in SB 378.

On behalf of the City of Topeka, we appreciate your attention to our remarks submitted in support of this legislation.



January 28, 2010

Ashley Jones-Wisner
Local Initiatives Support Corporation
913-375-7264
www.lisc.org/KansasCity

RE: Senate Bill 378

Mr. Chairman and Members of the Assessment and Taxation Committee,

I want to thank you for the opportunity to present written testimony. My name is Ashley Jones-Wisner and I am Director of State Policy at Greater Kansas City LISC. Greater Kansas City LISC is a program area of the Local Initiatives Support Corporation, the nation's largest community development organization, dedicated to revitalizing urban core and rural neighborhoods. Currently, Greater Kansas City LISC's signature program, NeighborhoodsNOW, serves three Kansas City, Kansas Neighborhoods: Douglass-Sumner, Downtown KCK and St. Peter/Waterway.

Greater Kansas City LISC started the Kansas Housing Policy Network about three years ago. Although it began with only a hand-full of individuals from across the state, it has grown to include over 400 members interested in the creation of community development tools. The Kansas Housing Policy Network includes representations from the Homebuilders, Realtors, Homeless Providers and Advocates, Community Development Corporations, and many other interested entities.

One of the greatest challenges we face as we work with residents to revitalize their neighborhoods is the number of vacant, abandoned or dilapidated houses and buildings in the community. No matter how much funding we put into these neighborhoods, individuals are less likely to move into neighborhoods if they have to live next to one of these poorly kept structures. Property values in the neighborhoods also suffer, which affects both existing and potential residents and businesses. Since its establishment in 2001, the Kansas Historic Preservation Tax Credit program has incentivized the renovation of historic properties across the state. The program has given new life to numerous old downtowns and neighborhoods, as well as spurred economic development in both urban and rural communities. The program has also created jobs across the state since rehabilitation projects are 50% more labor intensive than new construction.

In almost all cases, community development corporations are the developers of last resort. Most of the areas serviced by nonprofits have had severe disinvestment over a prolonged period of time. Working in such disinvestment is hard, time-intensive work. Tools, such as this bill provides by making a simple change, will allow the work we do in these neighborhoods to both move at a pace that will allow our programmatic and monetary resources to be used efficiently and effectively.

We encourage you to support Senate Bill 378, for the purpose of ensuring safe, decent and affordable housing in Kansas communities.

Sn Assmnt & Tax
1-28-10

Attachment # 10



Luke Bell
Vice President of Governmental Affairs
3644 SW Burlingame Rd.
Topeka, KS 66611
785-267-3610 Ext. 2133 (Office)
785-633-6649 (Cell)
Email: lbell@kansasrealtor.com

To: Senate Assessment and Taxation Committee

Date: January 28, 2010

Subject: **SB 378** -- Correcting a Drafting Error in **2009 HB 2635** That Disproportionately Reduced the Value of Historic Preservation Tax Credits and Decreased Financing Opportunities for the Redevelopment and Rehabilitation of Historic Properties

Chairman Donovan and members of the Senate Assessment and Taxation Committee, thank you for the opportunity to submit written comments on behalf of the Kansas Association of REALTORS® in support of **SB 378**. Through the comments expressed herein, it is our hope to provide additional legal and public policy context to the discussion on this issue.

KAR has faithfully represented the interests of the nearly 9,000 real estate professionals and over 700,000 homeowners in Kansas for the last 90 years. Over the past several years, the credit crisis and the struggling economy have made it increasingly difficult for commercial real estate developers in Kansas to obtain the necessary financing to redevelop and rehabilitate historic properties into new residential, commercial and industrial facilities.

The availability of affordable development financing is extremely important to the overall stability of our state's economy and the commercial real estate market. Given the current problems in accessing affordable commercial development financing, the Kansas economy is suffering devastating stagnation and unemployment in the construction and real estate industries.

SB 378 would correct a drafting error in **2009 HB 2635** that disproportionately reduced the value of outstanding historic preservation tax credits awarded pursuant to **K.S.A. 79-32,211** and resulted in numerous unintended consequences for several ongoing development projects across the state. Although the intent of **2009 HB 2635** was to impose a 10% haircut on outstanding tax credits, the language used in that legislation unfortunately resulted in a much larger cut to this program that was around 55%, which is much larger than cuts made to other programs by that piece of legislation.

In a time of great turmoil and hardship in the construction and real estate industries, the effect of not correcting these cuts going forward could be catastrophic to the current efforts of many Kansas communities to redevelop and revitalize their blighted and decaying neighborhoods. Without the assistance of the historic preservation tax credit program, many developers will be unable to gain access to alternative financing in these difficult economic times, which will continue to slow the recovery and reinvigoration of the Kansas economy.

For all the foregoing reasons, we would urge the Senate Assessment and Taxation Committee to strongly support the provisions of **SB 378**. Once again, thank you for the opportunity to provide comments on **SB 378** and I would be happy to respond to any of your individual questions at the appropriate time.

Sn Assmnt & Tax
1-28-10

Attachment # 11



Testimony

Unified Government Public Relations
701 N. 7th Street, Room 620
Kansas City, Kansas 66101

Mike Taylor, Public Relations Director
913.573.5565 mtaylor@wycokck.org

Senate Bill 378 Historic Tax Credits

Delivered January 28, 2010
Senate Assessment and Tax Committee

The Unified Government supports Senate Bill 378.

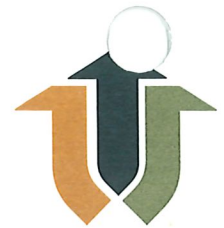
The Historic Tax Credits program is extremely beneficial to communities across the entire State of Kansas. An older community such as Kansas City, Kansas has many important, old buildings which can benefit from the use of Historic Tax Credits. In many cases, the tax credits are the difference between making an historic renovation feasible or not.

Last year's effort to cut costs to meet the budget shortfall had unintended consequences regarding the Historic Tax Credit program, putting many restoration development projects already underway in financial jeopardy.

The Unified Government urges the committee to recommend Senate Bill 378 favorably.

Sn Assmnt & Tax
1-28-10

Attachment # 12



WICHITA METRO
CHAMBER OF COMMERCE

January 28, 2010

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to provide written testimony in support of S.B. 378. The Wichita Metro Chamber of Commerce views the passage of S.B. 378 critical to the heart of downtown Wichita and our community's efforts to revitalize our downtown corridor.

As you are probably aware there were some unintended consequences associated with the 10% tax credit "haircut" passed in the waning hours of the 2009 legislative session. Due to the complexity of the Historic Preservation Tax Credit and the fact that these credits, in many cases, had been assigned or sold in efforts to finance revitalization projects the legislature, we believe, was unaware of the detrimental impact the cut would actually have.

One glaring example of the unintended consequences was the complete halting of the renovations on the Historic Broadview Hotel in the heart of downtown Wichita. This landmark hotel sits directly across the street from Century 2, our largest and most active convention center, and is a vital supplier of the needed hotel rooms in order to attract convention and tourism business. Upon enactment of last session's tax policy construction and renovations stopped in their entirety.

In addition, many projects in our Old Town area are also now on hold. Old Town was at one time a dilapidated section of old warehouses that has now been transformed into a bustling area of hotels, restaurants, bars, and even apartments.

We would urge the committee to see this investment for what it actually is; an investment that provides a great return for the state and the communities where the credits are used. Hundreds of jobs are created and taxes receipts are increased as a result of the Historic Preservation Tax Credit.

The Wichita Metro Chamber of Commerce urges the committee to report S.B. 378 favorable for passage to the entire Senate.

Thank you,

Jason Watkins
Director Government Relations
Wichita Metro Chamber of Commerce

Sn Assmnt & Tax
1-28-10
Attachment # 13



Building a Better Kansas Since 1934
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**TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE SENATE COMMITTEE ON ASSESSMENT & TAXATION
SB 378**

January 28, 2010

By Eric Stafford, Associated General Contractors of Kansas, Inc.

Mister Chairman and members of the committee, my name is Eric Stafford. I am the Director of Government Affairs for the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

The AGC of Kansas supports Senate Bill 378 and asks that you recommend it favorably for passage.

During last year's omnibus bill debate, an amendment was added which the state's historic preservation tax credit more severely than what was intended. Instead of the 10% cut as planned, a cap of \$3.75 million was placed on the total allocations available for all projects.

The commercial construction industry has been devastated by the recent economic downturn with nationwide unemployment just under 23%. In order for private sector development to begin, efforts need to be made to restore confidence in the marketplace. SB 378 takes a positive step in that direction for developers and lenders who face strict regulations and guidelines for financing historic preservation construction projects.

Again, the AGC of Kansas respectfully requests that you recommend SB 378 favorably for passage. Thank you for your consideration.

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Attachment # 14



January 28, 2010

To: Senate Committee on Taxation

From: Kathleen Taylor Olsen, Kansas Bankers Association

Re: SB 378: Historic Tax Credits

Mr. Chairman and Members of the Committee:

Thank you for the opportunity today to present written testimony in favor of **SB 378** which addresses what we believe were the unintended consequences of a last-minute amendment to the 2009 legislature's budget bill.

As you are aware, last year, most of the state's income tax credits received a ten percent "haircut" in an effort to balance the state's budget. Historic tax credits were singled out by a last-minute amendment on the floor of the Senate, and given what appeared to be an artificial cap on the total amount that could be claimed. This amendment has created uncertainty for these tax credits – especially as to rehabilitation projects that were in the beginning phases of construction.

The Kansas Bankers Association has as its members, banks of all sizes and from all corners of the state. We have heard from many of our bank members all across the state about historic rehabilitation projects that were in various stages, and now for which completion was in jeopardy.

Several of our members are directly involved in the financing of some of these historic projects. Those bankers tell me that – especially in our smaller communities – these projects would not happen without the ability to factor in the historic tax credit. Especially important for projects that are not income producing themselves, is the ability for the tax credits to be sold. Regardless of whether the tax credit is kept and used by the owner of the property, or whether the tax credit is sold to another party with income, there is a real value in the tax credit that enables many of these projects to move forward.

The rehabilitation of historic buildings not only keeps a community's streets from deteriorating, but these projects also provide valuable revenue to the community within which they occur, as well as providing valuable jobs that contribute to state tax revenue. Evidence of these things is found in the economic impact study completed by Rutgers University, and which has been referenced in previous testimony.

Kansas bankers care deeply about the economic viability of the communities which they serve. Many of our members have witnessed the value that these historic tax credits bring to a community, and we urge the committee to act favorably on **SB 378**.



ABOVE AND BEYOND. BY DESIGN.

8500 Santa Fe Drive
Overland Park, Kansas 66212
913-895-6000 | www.opkansas.org

Testimony before the Senate Assessment & Taxation Committee
Regarding Senate Bill 378
By Erik Sartorius

January 28, 2010

The City of Overland Park appreciates the opportunity to offer testimony in support of Senate Bill 378. This legislation addresses an unintended outcome of the state budget bill adopted by the 2009 Kansas Legislature.

Last year's budget action left several projects in limbo, raising doubts about the state's commitment to projects that had, in good faith, made significant investment in anticipation of the continuation of the Historic Tax Credit program.

Frequently, these projects pay significant return to the local community and to the state as a whole. Increased property valuations, stable neighborhoods and preservation of historic landmarks are major elements of that return on investment.

Just as the State of Kansas is struggling to deal with tough economic times, local communities are also scrambling for the resources to meet the needs of their residents. Improvements to historic structures result in higher property valuations, which generate tax revenues necessary to sustain critical local services such as public safety.

Again, the City of Overland Park appreciates the opportunity to support this legislation, and encourages the committee to recommend SB378 favorably for passage.

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Attachment # 16

To: Senate Assessment and Taxation Committee,
The Honorable Les Donovan, Chairperson
Room 123-E, State Capital Building, 300 SW 10th Avenue, Topeka, KS 66612

From: Dale Nimz, Executive Director
Kansas Preservation Alliance, Inc.
12120 State Line Road, #128, Leawood, KS 66209

Date: January 28, 2010

Re: Senate Bill 378, AN ACT concerning income taxation; relating to credits; expenditures for restoration and preservation of certain historic structures; amending K.S.A. 2009 Supp.79-32, 211 and repealing the existing section.

Senator Donovan, members of the committee, thank you for the opportunity to testify on this important proposed legislation. On behalf of the Kansas Preservation Alliance, the state-wide private not-for-profit organization advocating for historic preservation throughout the state, we strongly support Senate Bill 378.

After the end of the legislative session in 2009, members of the Alliance and many other Kansans who value historic buildings, neighborhoods, and downtowns were disappointed to find out that the Kansas Legislature had placed a restrictive cap on the Kansas State Rehabilitation Tax Credit Program. That legislative change disrupted plans and projects for the rehabilitation of historic buildings throughout the state.

By August, 2009, the Alliance, in cooperation with the Kansas Historic Preservation Office, began fund raising and hired a nationally known economic analysis consultant to prepare an Economic Impact Study of the State Rehabilitation Tax Credit Program. Early in January, 2010, the Alliance received the first draft of that study and I would like to present some of the preliminary conclusions to the committee.

The analysis documented the significant economic benefits of the program.

1) From FY 2002 through FY 2009, the state tax credit assisted 552 projects with an inflation-adjusted cost of \$263.9 million. In the twenty-one years before the state credit was implemented (1981-2001), Kansans completed only about 50 projects using the federal rehabilitation tax credit.

2) The state tax credit program has produced major economic benefits. The measurable economic impacts from the state-aided investment (\$60 million) include 4,327 jobs generating \$138 million in labor income, \$178 million in gross state product, and \$55 million in taxes (\$40 million federal, \$8 million state, and \$7 million local). The program

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primarily benefits the local and Kansas economies. The in-state wealth produced from rehabilitation amounts to \$138 million indicating a high 78% retention.

3) Historic rehabilitation economic impacts are multiplied throughout most sectors of the state's economy. Just under half of the jobs generated are in the construction industry as we would expect, but services as well as retail trade and manufacturing also benefit. Because of the interconnections in the state economy, other sectors not immediately associated with historic rehabilitation such as agriculture, mining, transportation, and public utilities also benefit.

3) A \$1 million investment in historic rehabilitation in Kansas produces a much better economic effect on employment, income, gross state product, and state-local taxes than investment in new construction, manufacturing, agriculture, and services. In fact, the investment in historic rehabilitation produced a better economic effect compared to a similar increment in new infrastructure investment (for example, building highways, a perennially popular stimulus to the state's economy).

4) Five individual case studies of particular projects included in the Economic Impact Study also pointed out additional qualitative benefits of the state tax credit program such as providing affordable housing and encouraging downtown economic development. If not for the state tax credit, several of these projects would not have been possible.

To date a \$66 million investment in the state tax credit has leveraged rehabilitation worth four times that amount (\$263.9 million). Investment is a cost, but the results of the Economic Impact Study document that the State Rehabilitation Tax Credit Program is a worthwhile investment, particularly in a recession. By re-using existing historic buildings and the supporting infrastructure, rehabilitation projects employ workers quickly, provide high-quality commercial and residential space, and improve the vitality of the surrounding community.

From FY 2002 through FY 2009, the Kansas State Rehabilitation Tax Credit Program was an unappreciated success. Because of the positive economic impacts, we urge you to approve Senate Bill 378 to raise the cap on this program or to remove the cap entirely so this program can help our state recover from the present recession.

Dale Nimz, Executive Director, Kansas Preservation Alliance, Inc.

www.kpalliance.org

785.979.8398

SUMMARY EXHIBIT 7

**Cumulative In-State (to Kansas) Economic and Tax Impacts of Cumulative Total
Rehabilitation Projects Using Kansas State Historic Preservation Tax Credits
(State-Alone or State-Federal Combined Credits, \$263.9 Million)**

	Economic Component			
	Output (000\$)	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	687.3	5	33.9	169.9
2. Agri. Serv., Forestry, & Fish	1,169.4	34	608.3	1,047.3
3. Mining	4,298.6	43	1,248.7	3,166.1
4. Construction	113,550.4	1,951	68,071.9	82,584.0
5. Manufacturing	67,371.7	487	16,984.9	25,385.5
6. Transport. & Public Utilities	13,133.0	89	3,313.3	6,330.6
7. Wholesale	13,788.0	122	5,606.9	6,113.3
8. Retail Trade	22,846.7	589	8,434.5	14,005.9
9. Finance, Ins., & Real Estate	19,431.3	183	6,528.5	11,755.9
10. Services	56,961.0	810	26,592.3	26,833.3
11. Government	1,500.9	15	452.2	697.8
Total Effects (Private and Public)	314,738.2	4,327	137,875.4	178,089.6
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	204,193.8	2,816	101,630.3	122,177.7
2. Indirect and Induced Effects	110,544.3	1,511	36,245.0	55,911.9
3. Total Effects	314,738.2	4,327	137,875.4	178,089.6
4. Multipliers (3/1)	1.541	1.536	1.357	1.458
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages—Net of Taxes				117,456.6
2. Taxes				27,138.9
a. Local				3,967.6
b. State				4,098.2
c. Federal				19,073.2
General				4,290.8
Social Security				14,782.4
3. Profits, dividends, rents, and other				33,494.1
4. Total Gross State Product (1+2+3)				178,089.6
IV. TAX ACCOUNTS		Business	Household	Total
1. Income—Net of Taxes		117,456.6	137,875.4	-----
2. Taxes		27,138.9	27,569.3	54,708.2
a. Local		3,967.6	2,804.0	6,771.6
b. State		4,098.2	3,514.7	7,612.9
c. Federal		19,073.2	21,250.6	40,323.8
General		4,290.8	21,250.6	25,541.4
Social Security		14,782.4	0.0	14,782.4
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				16.4
Income				522,444.3
State Taxes				28,847.1
Local Taxes				10,625.0
Gross State Product				674,826.2
INITIAL EXPENDITURE IN DOLLARS				263,904,401.0

Note: Detail may not sum to totals due to rounding.

*Terms: Direct Effects--the proportion of direct spending on goods and services produced in the specified region.
Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.
Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

SUMMARY EXHIBIT 8

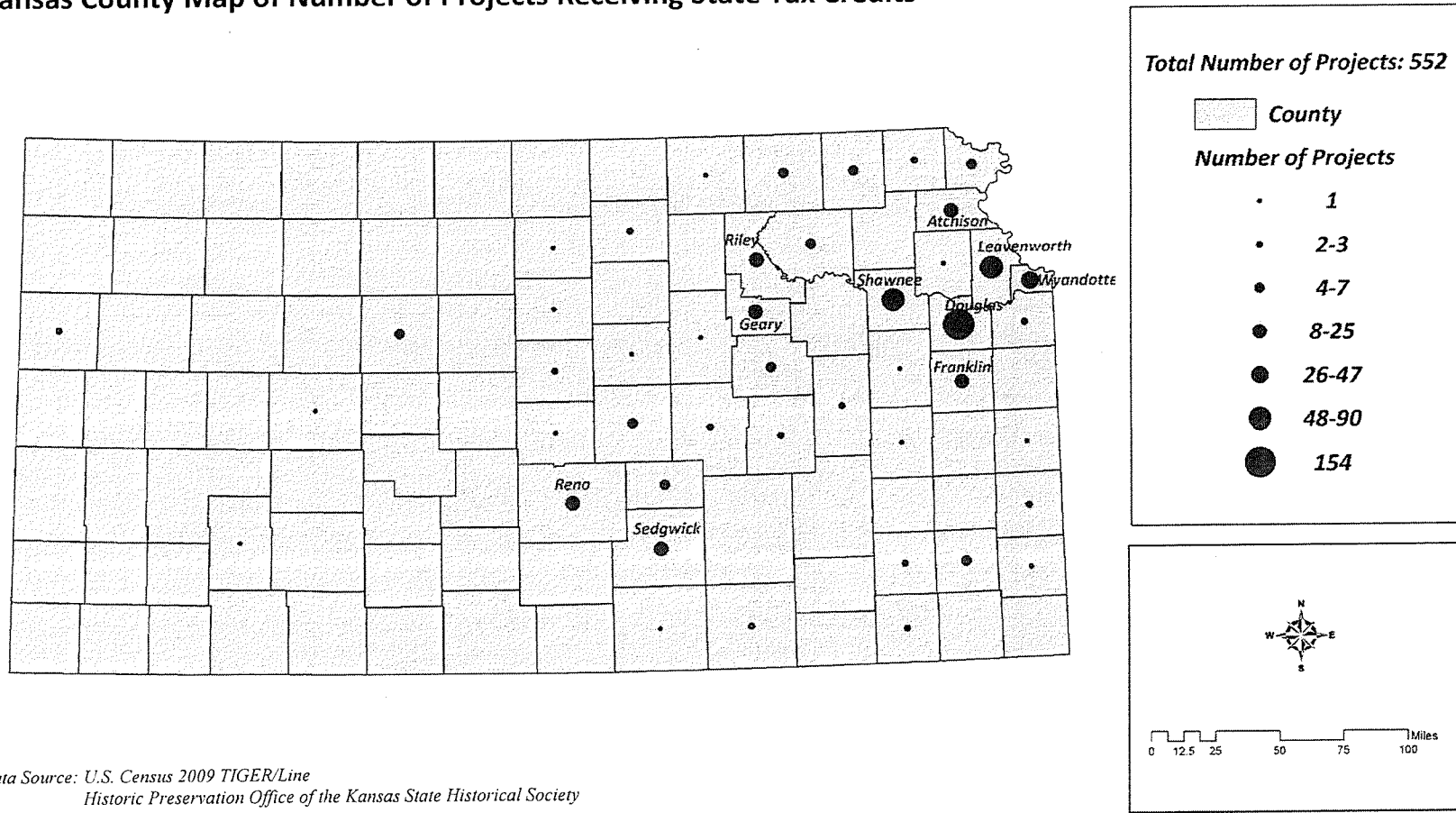
Annual Average In-State (to Kansas) Economic and Tax Impacts of Annual Average Rehabilitation Using Kansas State Historic Preservation Tax Credits
(State-Alone or State-Federal Combined Credits, \$33.0 Million)

	Economic Component			
	Output (000\$)	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	85.9	1	4.2	21.2
2. Agri. Serv., Forestry, & Fish	146.2	4	76.0	130.9
3. Mining	537.3	5	156.1	395.7
4. Construction	14,192.5	244	8,508.2	10,322.1
5. Manufacturing	8,420.7	61	2,122.9	3,172.9
6. Transport. & Public Utilities	1,641.5	11	414.1	791.3
7. Wholesale	1,723.3	15	700.8	764.1
8. Retail Trade	2,855.6	74	1,054.2	1,750.6
9. Finance, Ins., & Real Estate	2,428.7	23	816.0	1,469.3
10. Services	7,119.5	101	3,323.7	3,353.9
11. Government	187.6	2	56.5	697.8
Total Effects (Private and Public)	39,338.7	541	17,232.8	22,259.2
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	25,521.9	352	12,702.6	15,270.8
2. Indirect and Induced Effects	13,816.8	189	4,530.2	6,988.4
3. Total Effects	39,338.7	541	17,232.8	22,259.2
4. Multipliers (3/1)	1.541	1.536	1.357	1.458
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages—Net of Taxes				14,680.7
2. Taxes				3,392.1
a. Local				495.9
b. State				512.2
c. Federal				2,383.9
General				536.3
Social Security				1,847.6
3. Profits, dividends, rents, and other				4,186.4
4. Total Gross State Product (1+2+3)				22,259.2
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income—Net of Taxes		14,680.7	17,232.8	-----
2. Taxes		3,392.1	3,445.8	6,837.9
a. Local		495.9	350.5	846.4
b. State		512.2	439.3	951.5
c. Federal		2,383.9	2,656.1	5,040.0
General		536.3	2,656.1	3,192.4
Social Security		1,847.6	0.0	1,847.6
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				16.4
Income				522,444.3
State Taxes				28,847.1
Local Taxes				25,659.1
Gross State Product				674,826.2
INITIAL EXPENDITURE IN DOLLARS				32,985,037.0

Note: Detail may not sum to totals due to rounding.

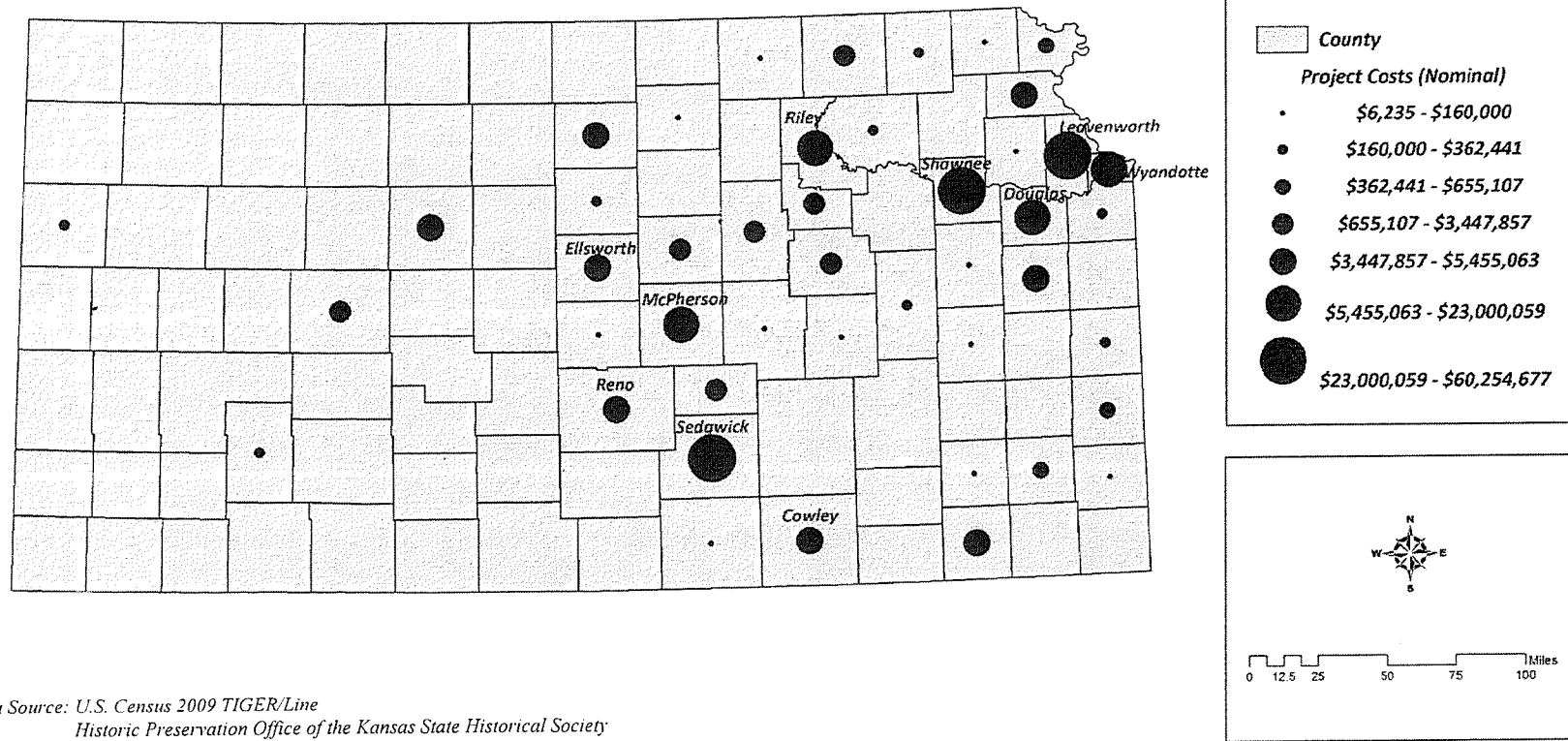
*Terms: Direct Effects--the proportion of direct spending on goods and services produced in the specified region.
Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.
Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

SUMMARY FIGURE 1
Kansas County Map of Number of Projects Receiving State Tax Credits



Data Source: U.S. Census 2009 TIGER/Line
Historic Preservation Office of the Kansas State Historical Society

SUMMARY FIGURE 2 Kansas County Map of Costs of Projects Receiving State Tax Credits



Data Source: U.S. Census 2009 TIGER/Line
Historic Preservation Office of the Kansas State Historical Society



Testimony

Larry Weber, Wichita Downtown Development Corporation
Senate Bill 378
Senate Taxation Committee
January 28, 2010

Mr. Chairman and Members of the Committee, my name is Larry Weber and I serve as the Chairman of the Wichita Downtown Development Corporation (WDDC). I appreciate this opportunity to reiterate the WDDC's support of the State Historic Tax Credit Program and Senate Bill 378.

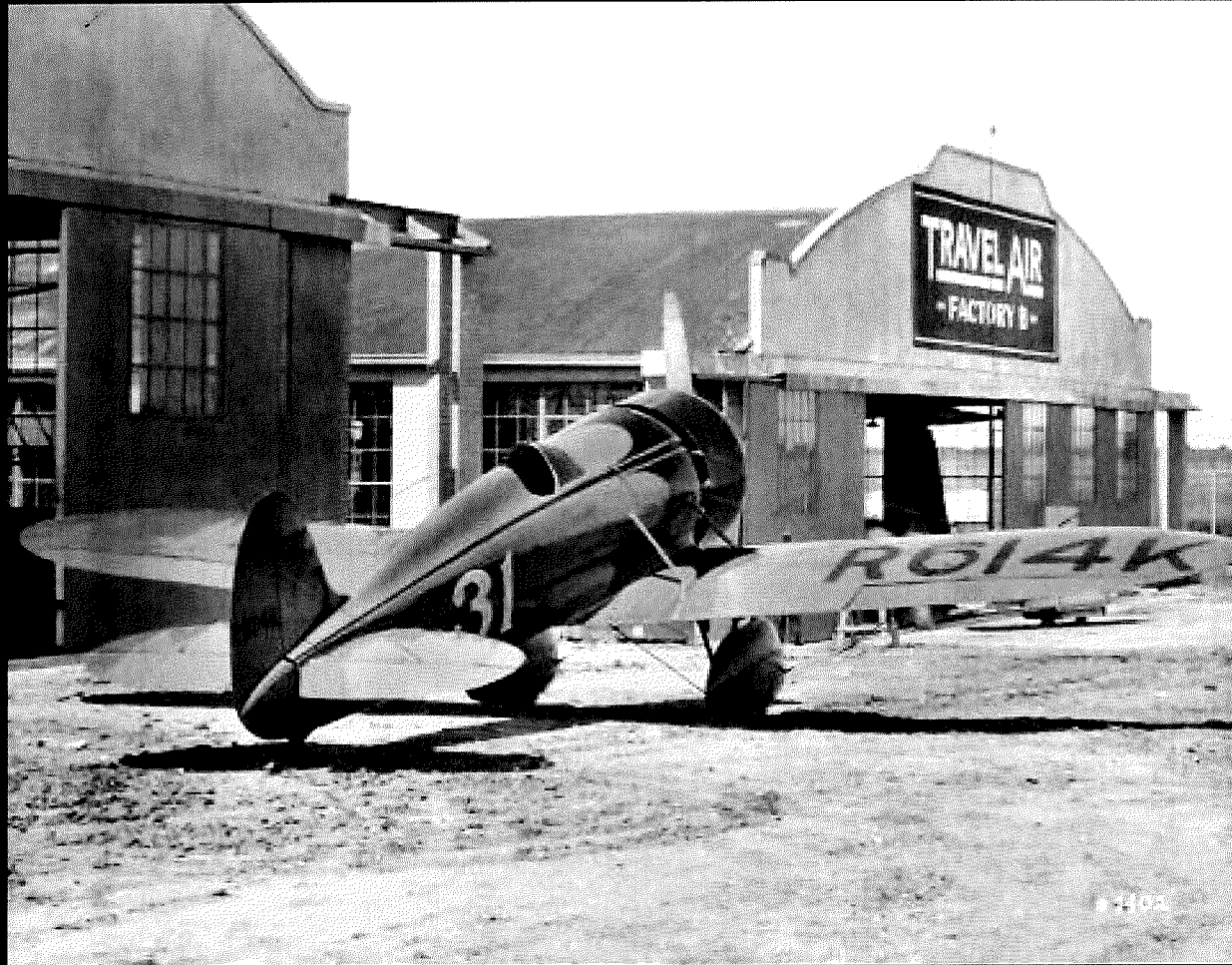
Per Mr. Fluhr's comments, this is an important program not only for the continued redevelopment of Downtown Wichita, but downtowns across the State of Kansas. Downtowns serve as economic centers for regions. Therefore, when we limit this program we are making a decision that has far reaching impacts.

This program allows us to be competitive with other states. In business development whether in the retention or recruitment of employees; strong, vibrant cities play a significant role. If a city is vibrant and growing it assists local companies with the employment base they need.

We have heard how this program has leveraged more than \$264 million in private sector development since 2002. This investment is helping our communities create jobs and foster an environment for business development.

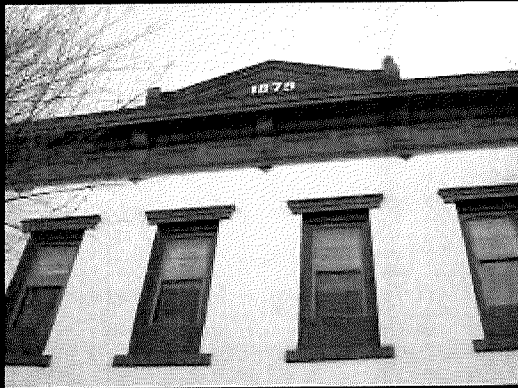
With the passage of Senate Bill 378, projects that have been placed on hold have the opportunity to move forward in turn benefitting the economy of our cities and the overall state. It also helps restore the national development community's confidence in the state of Kansas.

Thank you for your consideration in supporting Senate Bill 378.



Historic Buildings tell the
Kansas Story

The legislature hereby finds that the historical, architectural, archeological and cultural heritage of Kansas is an important asset of the state and that its preservation and maintenance should be among the highest priorities of government. KSA 75-2715 (1977)



Tax Credit Basics

- Enacted by 2001 Kansas Legislature
- Historic Preservation and Economic Development Success
- Spurred Major Investments in Downtowns & Older Neighborhoods



Essential to ...

- Leverage Financing/Gap Financing
- Draw Developers/Investors to Kansas
- Create Jobs
- Improve the Kansas Economy



Numbers

- Every \$1 of tax credits leverages at least an additional \$3 in private investment
- Many times, that \$1 leverages another \$.80 in federal credits
- Rehab creates more jobs than new construction because it is 50% more labor-intensive



Since 2002, the \$66.4 million in state tax credits allocated have...



- Leveraged **\$263.9** million in private investment.
- Created **4327** Kansas jobs



- Created **\$137.9** million in income, **\$178.1** million in gross state product (**\$82.6** million in the construction industry alone)

*The
Program's
Impact on
Wichita*





Case Study:
Wichita High School



Case Study: *Eagles Lodge, Wichita*



"If not for the historic tax credits I would not have renovated the building...It would not have been economically viable to do it." Jerry White, Property Owner



Eagles Lodge Numbers:

- Tenfold increase in property taxes.
- **\$1.2** million in private Investment.
- **95%+** of rehab costs to local workers.
- **\$230,000+** that would otherwise have been paid in federal taxes stayed in Kansas.



Case Study:
Kelly Mills, Hutchinson



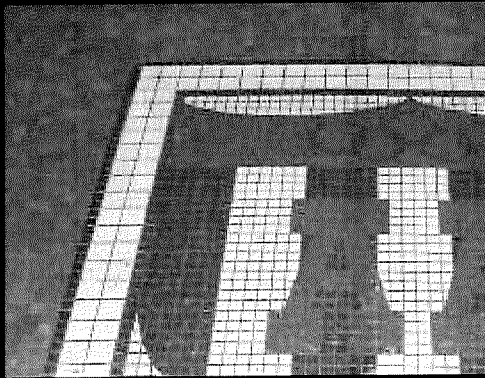


"The reason we worked with downtown development to purchase and restore a building ... was specifically to take advantage of this tax credit program. It's what we were counting on." Gina Nachtigal, Property Owner



What Happened in 2009:

Capped Tax Credit Redemptions at \$3.75 million for 2010 and 2011.



- Method of the cap cut the program by as much as 70%, versus an intended 10% cut.



- The cap affected both future projects and underway projects with a significant amount of risk and investment.



Unintended Consequences

- Halted Dozens of Shovel-ready projects already underway.
- Created Instability in the Market for Future Projects.
- Two key groups:
 - Projects in their formative phase
 - Pipeline projects with skin in the game



Case Study: ***Broadview Hotel, Wichita***



“The economic equation for the Broadview restoration is challenging, and the Kansas Historic Rehabilitation Tax Credits are an essential component ... Frankly, in today’s economic climate, HB 2365 in its current form puts the Broadview restoration in jeopardy.” Robert Drury, Drury Southwest

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