

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2978

As Recommended by House Committee on
New Economy

Brief*

HB 2978 would create the Redevelopment Zones Program. This program would provide for the establishment of redevelopment zones on state surplus real estate sold by the Secretary of Administration.

Designation as Redevelopment Zone

Under the bill, a state or county wanting to have state surplus real estate declared a redevelopment zone would apply for such a designation from the Secretary of Commerce and Housing. The application form would take into consideration the following points:

- ! Strength and viability of the city or county's plan for the redevelopment zone;
- ! Anticipated activity in the proposed zone including, but not limited to industrial, commercial, or retail use;
- ! The impact such plans would have on the area around the redevelopment zone; and
- ! Any other information deemed appropriate by the Secretary of Commerce and Housing.

If the application was approved, the Secretary of Commerce and Housing would designate the state surplus real estate a redevelopment zone for five years, during which time a qualified business could, upon

*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/cgi-bin/fulltext/bills.cgi>

approval of the city or county and the Secretary of Administration and the State Finance Council, purchase all or part of the real estate in the redevelopment zone. If only part of the redevelopment zone was purchased, the remaining part would exist until sold or for five years at which time it would revert back to the Secretary of Administration as state surplus real estate.

Purchase of Land in the Redevelopment Zone

A business wanting to purchase land in a redevelopment zone would seek approval as an eligible business from the city or county which requested the creation of the redevelopment zone. To meet the criteria for classification as an eligible business, the business must:

- ! Fall under the definition of Kansas basic enterprise or Kansas basic industry as defined in the bill;
- ! Not have closed or reduced its operation in one area of the state to relocate substantially the same operation in a redevelopment zone unless receiving prior approval to do so by the Secretary of Commerce and Housing;
- ! Plan to stay in the zone for at least ten years; and
- ! Create new jobs in the area.

Tax Treatment for Businesses Within Redevelopment Zone

Under the bill, a business which locates in a redevelopment zone would be exempt from all state and local property tax for ten years. The business would also receive a state income tax credit for ten years which would be capped at the amount of the business' capital investment in the project once the business is in service. Finally, the business would be exempt from paying state and local sales tax on materials purchased and used to build the business. This tax treatment would apply only for a business in the redevelopment zone. If a business received the tax exemptions and credits and failed to maintain eligibility for the program, the Secretary of Commerce and Housing could require that the business pay back all or part of the state taxes exempted or credited.

Background

The House Committee held a hearing on HB 2978, at which time representatives of the Topeka Chamber of Commerce and OPUS testified in favor of the bill.

The Division of the Budget reports that sufficient information is not currently available to estimate the revenue impact resulting from passage of HB 2978. However, the Department of Commerce and Housing estimates the cost of administering the Redevelopment Zones Program to be \$70,170.