SUPPLEMENTAL NOTE ON SENATE BILL NO. 482

<u>As Amended by Senate Committee on Commerce</u>

Brief*

SB 482 would make revisions, both stylistic and substantive, to four forms of economic development districts: community improvement districts (CID), redevelopment districts (sometimes referred to as tax increment financing or "TIF" districts), bioscience development districts, and transportation development districts.

Community Improvement Districts

One of the means by which a CID may be created under current law is for landowners to petition a municipality. (A municipality is defined by the 2009 CID Act to mean a city or county.) For the proposed CID district, the landowners have to represent more than 55 percent of the land area. The assessed value of the land area of the petitioning landowners has to be collectively worth more than 55 percent. The bill would define the "assessed value of the land area" to mean the value of the land and its improvements as recorded in the last county appraisal prior to the filing of the petition for the creation of a CID.

The bill would redefine the definition of administration costs that may be charged by a municipality to include the supervision of bonds. Current law permits municipalities to be reimbursed for project administration costs. The bill would retain the current statutory reimbursement cap on municipal costs which may not exceed 5 percent of total project costs.

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*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

When landowners petition for the creation of a CID, the bill would require signers to give notice of consent to the reallocation of assessments should any property in the district subsequently become exempt from assessments by operation of law. The bill would then give a municipality the power to reallocate assessments on the property remaining in the district.

The bill would provide a means for property to be added to a CID that has already been established. An additional landowner would be required to petition the municipality along with all property owners that had signed the original petition. The municipality's governing body may proceed without notice or hearing to add the land by ordinance or resolution.

The bill would clarify that when a CID sales tax is used to finance bonds, the sales tax would expire when either the bonds have been paid or when sufficient CID sales tax revenue has been raised to pay the bonds. The bill also would add clarifying language to the pay-as-you-go financing provisions.

Redevelopment Districts and
  Bioscience Development Districts

The bill would redefine the definition of "redevelopment projects costs" to include the costs of infrastructure that is located outside of the redevelopment district but is contiguous to any portion of the district and is necessary for the implementation of the redevelopment plan as determined by the city. Redevelopment costs would not include construction costs for buildings owned or leased by developers.

The bill would allow a city the option to pledge a portion of its transient guest tax and local sales tax to finance the special obligation bonds for redevelopment districts or bioscience development districts. Current law requires a city to pledge all such tax revenue to the payment of special obligation bonds.

Transportation Development Districts

Finally, the bill would provide a method for property to be added to transportation development districts (TDDs). An additional landowner would be required to petition the local unit of government. The local unit's governing body may proceed without notice or hearing to add the land by ordinance or resolution.

Background

The purpose of community improvement districts, which the Legislature authorized during the 2009 Session, is to promote and support economic development, including tourism and cultural activities; CID projects may include capital improvements, infrastructure, and certain operational costs for private businesses. The purpose of redevelopment districts is to promote and assist the general and economic welfare of the state; the Legislature authorized redevelopment districts over thirty years ago. Bioscience development districts were authorized by the Legislature in 2007; they may be created by a city or county but the prior approval of the Kansas Bioscience Authority is necessary. The purpose of a bioscience development district is to promote the bioscience industry in the state. Transportation development districts, in their most recent version, were authorized by the Legislature in 2003 to provide financing for infrastructure related to transportation and economic development.

Proponents included the law firm Gilmore and Bell and the cities of Lenexa, Manhattan, and Overland Park. The proponents stated that the bill would allow for flexibility at the local level for various development districts to grow and adjust to changing economic situations. Since the CID Act was adopted last year, cities and local developers have identified ways to clarify and enhance the creation of community

improvement districts. Other proponent testimony was provided by the Community Improvement Coalition which proposed amendments to the bill which that group believed would further clarify the bill.

There was no opponent testimony against the bill.

The Senate Commerce Committee adopted the amendments suggested by the Community Improvement Coalition. A definition for "assessed value of the land area" was included. The Committee restored the 5 percent cap on total municipal costs which the bill, as introduced, proposed to delete. The Committee deleted the proposed language that would have set the 55 percent threshold of assessed value of land to exclude the value of land improvements. Finally, language was added that would require all of the original petitioning landowners to agree to the expansion of a CID district.

The fiscal note prepared by the Division of the Budget indicates that the bill as introduced would not have an effect on state revenue.