ASSESSMENT AND TAXATION COMMITTEE

SB 63

Tuesday, February 3, 2015

TESTIMONY

Of

Michael L. Ryan, Mayor

Junction City, Kansas

Honorable Les Donovan, Chairman, and Members of the Senate Assessment and Taxation Committee, thank you for the opportunity to appear before you today in support of SB 63. My name is Mike Ryan, Mayor of the City of Junction City, Kansas. With me today is City Commissioner Jim Sands, City Commissioner Mick McCallister, City Manager Allen Dinkel, Assistant City Manager and Finance Director Cheryl Beatty; Planning and Zoning Director David Yearout, and Economic Development Director Tom Weigand.

SB 63 amends the Kansas Land Bank statute allowing a City Land Bank, which owns property with special assessments, to re-amortize the remaining special assessments that are due. This would affect the City only in the time line for the collection of the future revenues assessed to the lot. It does not change the City's annual debt payment as originally obligated.

To help you understand why this legislation is important to our community, you need to understand what happened to get us to this point.

In response to the return of the Big Red One to Fort Riley in 2005, Junction City with strong encouragement from the Army, the State of Kansas, and many others, pursued a very aggressive housing expansion program within the City. As part of the expansion, virtually all of the new subdivisions were supported through the establishment of special benefit districts to finance the infrastructure development of streets, water lines, sanitary sewer lines, and storm drainage. The new subdivisions created over 3,500 lots for single-family, two-family and multi-family housing development, which resulted in the construction of approximately 1,850 new single-family homes; 270 new two-family structures; and 214 new multi-family structures (totaling approximately 4,100 new dwelling units built since 2005 in Junction City).

Unfortunately, the construction of dwelling units did not consume all of the lots that had been created, leaving a balance of over 1,000 lots. Then in the beginning in 2008, a major economic recession resulted in the financial failure of many of the developers; resulting in massive property tax delinquencies, including the failure to pay the benefit districts' special assessments in several subdivisions. Court actions involving the failed developers, then delayed Geary County's ability to place properties with delinquent taxes up for tax sale. When able to process the tax delinquent properties, Geary County conducted multiple tax sales in 2013 and 2014 resulting in fewer than 30 lots being sold; leaving approximately 940 lots unsold. By law, the unsold properties became the property of Geary County.

In the summer of 2014, the City of Junction City pursued the formation of the Junction City Land Bank as a means, or tool, to work through the many problems associated with this large quantity of real estate that needed to be returned to the tax roles. The City informed the County of its desire to take possession of all the lots that did not sell at the tax sale. The deed transferring ownership of those lots to the Junction City Land Bank was recorded on December 30, 2014. It is our belief this land bank creation has resulted in Junction City being the owner of the largest number of lots in a Kansas Land Bank with outstanding special assessments against the lots.

The Junction City Land Bank board members, the City Commission, the Land Bank Advisory Committee, staff, and the cities' financial advisor have since explored many options on how to most effectively market the lots to get them back into private ownership; putting the lots back on the tax rolls. New privately owned homes will grow the Junction City tax base rather than having empty lots that burden on our local taxpayers.

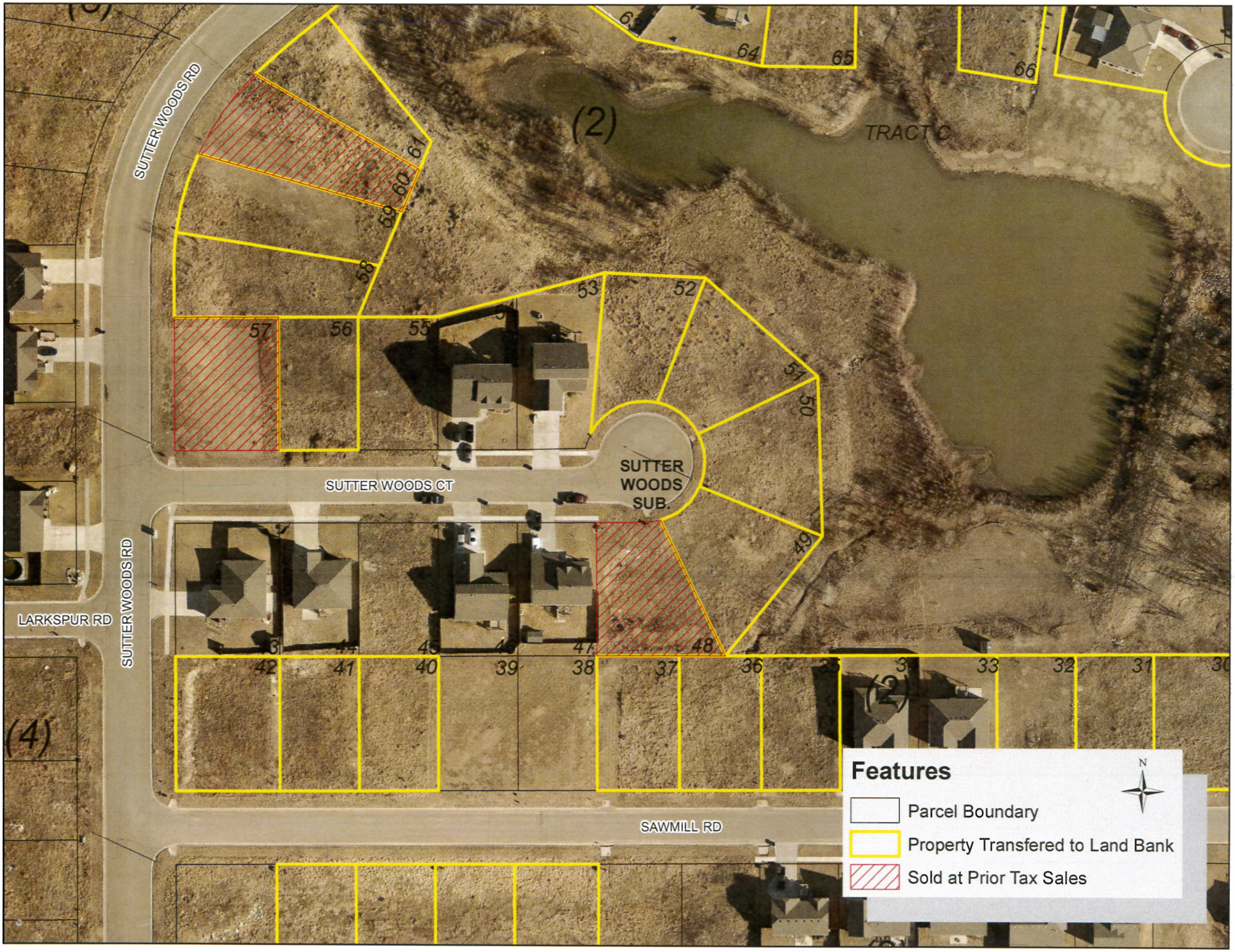
We seek the ability to re-amortize the remaining special assessments on these lots to make the lots more marketable to low and moderate income families. This will enable the creation of housing for soldiers and their families as originally planned and housing needed for other regional development. SB 63 would clearly grant the authority needed for such re-amortization to our governing body or any other city operating a Land Bank under this statute. This provides an opportunity to right-size the special assessments per lot per month.

We have attached a sample of lots in one of our developments now owned by the Junction City Land Bank. The original assessments on these lots are $2,079.08 per year, or $173.26 per month. Under the authority granted by this bill; presuming the City re-amortizes the remaining obligation over a new 20 years, the payments on these lots would be reduced to $1,455.36 per year or $121.28 per month, which makes the lots more attractive for buyers. Similar savings could be offered on lots in other subdivisions.

As stated earlier, the City must continue to make debt payment on the bonds as originally set, regardless of the revenue collected from the special assessment allocation that is spread against the benefit district lots. Obviously, Junction City has **not** been collecting a significant amount of specials from the lots now owned by the Land Bank. That annual amount due on the bonds will remain the same until the bonds are paid. The amount raised from the "city-at-large" will be adjusted based on how quickly the Land Bank lots are returned to the tax rolls.

It is our strong belief the ability to use the authority granted by SB63 will help Junction City resolve its' challenges quicker than it would otherwise happen if the bill is not supported. We are fully aware of how Junction City found itself the owner of so many **LEMONS**...we ask for your support to pass SB63 and be a partner in creating the best tasting **LEMONADE** in Kansas.

Again thank you for your time in allowing me to represent my 26,000 plus constituents in support of this amendment to the land bank statute.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LARKSPUR RD
SUTTER WOODS CT
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Features
Parcel Boundary
Property Transfered to Land Bank
Sold at Prior Tax Sales
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