

SESSION OF 2005

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2012**

As Amended by House Committee of the Whole

Brief*

Substitute for HB 2012 would amend sales tax and revenue (STAR) bonds and tax incremental financing bond law. The changes are as follows:

STAR Bonds

- The feasibility study for STAR bonds would require the following information:
 - Description of the project;
 - A statement of how the jobs and taxes obtained from the project will contribute significantly to the economic development of the state and region;
 - A statement concerning whether a portion of the local sales and use taxes is pledged to other uses and unavailable as revenue for the redevelopment project. If a portion of local sales and use taxes is committed, the applicant would describe the following:
 - The percentage of sales and use taxes collected that are committed; and
 - The date or dates on which the local sales and uses taxes pledged to other uses can be pledged for repayment of STAR Bonds;

*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>

- An anticipated principal and interest payment schedule on the bonds;
- Following approval of the redevelopment plan, the feasibility study would be supplemented to include a copy of the minutes of the governing body meeting or meetings of the city whose bonding authority would be utilized in the project, to show that the redevelopment plan has been created, discussed, and adopted by the city in a regularly scheduled open public meeting.
- For a proposed major commercial entertainment and tourism area applying for STAR bonds, the feasibility study would be required to also include:
 - visitation expectations;
 - economic impact;
 - the unique quality of the project;
 - the ability of the project to gain sufficient market share to remain profitable past the term of repayment and maintain status as a significant factor for travel decisions;
 - integration and collaboration with other resources or businesses;
 - the quality of service and experience provided, as measured against national consumer standards for the specific target market;
 - project accountability, measured according to best industry practices; and
 - the expected return on state and local investment that the project is anticipated to produce.
- The failure to include all information required in the feasibility study for a redevelopment project would not affect the validity of the bonds issued pursuant to the Act.
- The definition of redevelopment project costs was amended to mean those costs necessary to implement a redevelopment project plan or a bioscience development project plan including costs incurred for:
 - Acquisition of property within the redevelopment project area;

- payment of relocation assistance for persons dispossessed of ownership of property in a redevelopment district;
 - site preparation including utility relocations;
 - sanitary and storm sewers and lift stations;
 - drainage conduits, channels, levees, and river walk canal facilities;
 - street grading, paving, graveling, macadamizing, curbing, guttering, and surfacing;
 - street light fixtures, connections, and facilities;
 - underground gas, water, heating and electrical services, and connections located within the public right-of-way;
 - sidewalks and pedestrian underpasses or overpasses;
 - drives and driveway approaches located within the public right-of-way;
 - water mains and extensions;
 - plazas and arcades;
 - parking facilities;
 - landscaping and plantings, fountains, shelters, benches, sculptures, lighting, decorations and similar amenities; and
 - all related expenses to redevelop and finance the redevelopment project.
- The bill would prohibit the use of STAR bond proceeds from being spent on the construction of buildings or other structures to be owned by or leased to a developer; however, the “redevelopment project costs” would include costs incurred in connection with the construction of buildings or other structures to be owned or leased

to a developer which includes an auto race track facility. In addition, proceeds would not be available for:

- fees and commissions paid to real estate agents, financial advisors, or any other consultants who represent the businesses considering locating in a redevelopment district;
 - salaries for local government employees;
 - moving expenses for employees of the businesses locating within the redevelopment district;
 - property taxes for businesses that locate in the redevelopment district; and
 - lobbying costs.
- The auto race track facility would be limited to no more than \$310,000,000 of STAR bonds. If the project requires additional STAR bond funding, the Unified Government of Wyandotte County would be required to reapply to the Secretary of Commerce. Under current law, the auto race track facility has no limit on issuing STAR bonds.
 - Any city approved for a STAR bond project would be required to prepare and submit an annual report of the status of any STAR bond project describing the status of the project and any expenditures of the proceeds of the bonds that have occurred since the last annual report and any expenditures of the proceeds expected to occur in the future to the Governor, Kansas, Inc., and the Legislature by October 1. The reporting requirement also would apply to the auto race track project.
 - Relocation payments would be made to persons, families, and businesses who move from real property located in the redevelopment district or who move personal property from real property located in the redevelopment district due to the acquisition of the real property by the city would be considered relocation assistance.

- The Secretary of Commerce would be required to set a limit on the total amount of STAR bonds that may be issued for any redevelopment project.
- Property acquired by a city by eminent domain that is to be sold, transferred, or leased to a developer only would be subject to approval by the Secretary of Commerce. If the city sells or gives the property acquired by eminent domain, the developer would be prohibited from reselling the property at a profit. The resale would be void and ownership would revert back to the city.
- Any redevelopment project applying for approval from the Secretary of Commerce after January 1, 2006, that is intended to improve, update, or renovate existing facilities, only the increased portion of state sales taxes collected could be used to pay on the bonds for the project.
- The Division of Legislative Post Audit would be required to complete an audit of each STAR bond project and the city would pay for the cost of the audit. Any unauthorized payments would be repaid to the bond fund through an agreement with the Department of Revenue.

Tax Increment Financing Act

- The bill would clarify the tax increment financing statutes and amend the law so that a city may pledge all or a portion of the revenue received from local sales taxes for a local tax increment financing project.
- The bill also would make several technical corrections to the statutes.
- The bill would take effect upon publication in the *Kansas Register*.

Background

The original HB 2012 was developed by the Joint Committee on Economic Development. The substitute bill incorporates the amendments requested in the Legislative Post Audit Study of STAR Bonds.

In addition, amendments were added at the request of the Kansas Department of Revenue, Kansas Department of Commerce, and bond counsels representing several Kansas cities.

The House Committee of the Whole made the following changes to the bill:

- Added the provisions about eminent domain;
- Added the provision about any redevelopment project applying for approval from the Secretary of Commerce after January 1, 2006, that is intended to improve, update, or renovate existing facilities, only the increased portion of state sales taxes collected could be used to pay on the bonds for the project; and
- Changed the effective date to the *Kansas Register*.

The fiscal note on the bill indicates that passage would have no impact on the State General Fund or any administrative impact.