

MINUTES

JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

August 26-27, 2004
Room 519-S—Statehouse

Members Present

Senator Nick Jordan, Chair
Representative Kenny Wilk, Vice Chair
Representative Tom Burroughs, Ranking Minority Member
Senator Karin Brownlee
Senator Pete Brungardt
Representative Donald Dahl
Representative John Faber
Representative Lana Gordon
Representative Vern Osborne
Representative Valdenia Winn

Members Absent

Senator Jim Barone
Senator Donald Betts, Jr.
Representative Judith Loganbill

Staff

Kathie Sparks, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Helen Pedigo, Revisor of Statutes Office
Renaë Jefferies, Revisor of Statutes Office
Fulva Seufert, Committee Secretary

Others Attending

See attached list.

Conferees

Mike Taylor, Public Relations Director for the Unified Government of Wyandotte County
Michael Wilkes, City Manager, City of Olathe
Allen Bell, Director of Economic Development, City of Wichita
Leo Hafner, Deputy Post Auditor, Legislative Post Audit
Gary Anderson, Attorney and Director, Law Firm of Gilmore and Bell, P.C.
John Yearly, Attorney, Kansas Department of Commerce
Steve Graham, Vice President of Destination Development for RED Development, Kansas City, Missouri
Tracy Taylor, President, Kansas Technology Enterprise Corporation
Matt Jordan, Kansas Department of Commerce
Martha Neu Smith, Executive Director, Kansas Manufactured Housing Association
Richard Cram, Office of Policy and Research, Department of Revenue
Robert Haley, Kansas Development Finance Authority
Jerry Lonergan, Kansas, Inc.
Peter Jasso, Manager, Kansas Film Commission, Kansas Department of Commerce
Dr. Kevin Wilmott, Professor of Film Studies and Independent Film Maker, Kansas University
John Wymer, Independent Film Maker
Lance Mallia, Independent Film Maker

Thursday, August 26 Morning Session

The meeting was called to order by Chairman Nick Jordan at 10:00 a.m., on August 26, 2004 in Room 519-S of the Statehouse.

Chairman Jordan explained that the purpose of the Joint Committee on Economic Development is to maintain and promote economic development in Kansas and that the Committee is also charged with receiving annual reports from the Department of Commerce and Kansas, Inc. He referenced the following LCC topics:

1. **Use of STAR Bonds.** Review the use of sales tax and revenue (STAR) Bonds by local units of government to ensure that the original legislative purpose for this economic development tool is being utilized appropriately.
2. **Utilizing the Film Industry as an Economic Development Tool.** Study the impact of utilizing the film industry as an economic development tool in Kansas, especially: a closer examination of the opportunities for development of independent film making; recruitment of film productions to shoot within the state; workforce development for the film industry through education and training at universities and community colleges; and investments to provide equipment and facilities for film production.

Chairman Jordan welcomed Mr. Mike Taylor, Public Relations Director for the Unified Government of Wyandotte County, Kansas, who addressed the use of STAR Bonds in Wyandotte County. Mr. Taylor said the Kansas Speedway and Village West development in Wyandotte County

is the most remarkable economic development success story in the State of Kansas. He said this premier tourist destination in the State features two of the top three tourist attractions that are earning a notable place on the national map. He reported that this innovative tool has generated sales tax dollars and that all the stores and businesses in Village West and the Legends Shopping and Entertainment District will pay full property taxes with no cost to the local taxpayers. The project will generate millions of dollars in new revenues; new jobs, millions of dollars in sales and income taxes, and hundreds of millions in housing construction and related developments. This all started with the opening of the Kansas Speedway in 2001 which contributed to the development of Village West and its first retail tenants, Cabela's and Nebraska Furniture Mart. The Legends Shopping and Entertainment District will provide a convenient mix of retail stores and will be a destination shopping experience which will draw millions of visitors a year from as far away as 350 miles. He talked about the new construction of the one-of-a-kind \$20 million Legends Theater which will offer a unique experience of dining and theater.

Mr. Taylor presented the following projections:

- Ten million visitors annually;
- Two million square feet of development;
- \$870 million in combined public and private investment;
- \$450 million in annual sales;
- \$53 million in annual tax revenue;
- \$7 million in new property taxes;
- 4,000 new jobs (1,100 construction jobs);
- \$114 million in new housing construction in 2003 (Attachment 1).

Mr. Taylor's testimony included background information on KSA12-1770 under HB 2631 which is also referred to as the "STAR bond" legislation. His testimony explained their local government unification in 1997, the tourism district, the Kansas Speedway, Village West, Great Wolf Lodge, Nebraska Furniture Mart, Legends at Village West Shopping Center, Community America Ballpark, Chateau Avalon, and other developments. He directed the Committee's attention to a printed Economic Development Summary showing the facts relating to the developments and capital investment in Village West. Summary paragraphs were provided for the following tenants:

- T-Rex;
- Bozo's Hot Pit Bar B Q Restaurant;
- Ted's Montana Grill;
- Café Tu Tu Tango;
- Maurices;
- Cold Stone Creamery;
- EB Games;
- IZOD;
- Mikasa;
- Claire's;
- Pride o Kansas City;
- Sports Nutz; and
- The Buckle.

The following are tenants in negotiations and pending final approval:

- □ Dave and Buster's;
- □ Granite City Food and Brewery';
- □ Helzberg Diamonds;
- □ Coyote Ugly; and
- □ Linen 'n Things.

Mr. Taylor's testimony also included copies of two articles which have appeared in the *Kansas City Star* dated 2001.

Chairman Jordan asked Mr. Taylor how many of those businesses he thought would have come without STAR Bonds since the Kansas Speedway was built. Mr. Taylor replied that he thought none of them would have come if it were not for STAR Bonds. He said the businesses were courted, and other cities like Miami and Orlando are giving them good deals. Senator Jordan said he wondered what is proper for economic development and if we have gone too far in giving some private businesses advantages over other businesses. He commented that this needs to be determined when looking at the present policy.

Mr. Taylor said that Benchmark has seen its sales increase since the opening of the Nebraska Furniture Mart, so he thinks it has had a positive effect on other businesses. He said he could not comment on Cabela's since he has no similar business in which to compare.

Senator Brungardt inquired about what kinds of things are inappropriate for STAR Bonds. Mr. Taylor said that businesses that are innovative and will attract people from as far away as 300 miles need to be considered. Senator Brungardt said when uniqueness in retail development is a criteria, this becomes a key question as to what is actually unique.

Mr. Taylor mentioned that Cabela's is the number one tourist attraction in Kansas and the Kansas Speedway is number three.

Senator Brownlee said she wondered how a movie theater could be considered a world class destination. Mr. Taylor said it is the type of theater that will draw people because of the amenities it will offer, such as fine dining with a club, seat reservations, outstanding architecture, and the latest in sound system. He also said it would help in attracting people who are coming to vacation at the Great Wolf Lodge.

Senator Brownlee said the *Kansas Business Journal* indicated that the area is almost saturated with movie theaters and that teenagers go where their friends are going. She asked if the demographics support another theater. Mr. Taylor said he believed the theater was needed.

Chairman Jordan asked if the Dickinson Theater chain came to them and said they wanted to add a restaurant and club, would it be appropriate for STAR Bonds to be used? He also wondered what Kansas City, Kansas would think of this.

Mr. Taylor said that if it was for a single stand-alone theater, they would use the benchmarks required by STAR Bonds. It would need to be a world class destination theater and evaluated under the criteria.

Chairman Jordan said he was still struggling with the concept that the huge project that is considered unique will benefit all business.

Mr. Taylor said the Committee needs to look more at the fact it is not what you spend, but what you make.

Representative Dahl referred to the first page of Mr. Taylor's testimony where he referred to Village West and Legends and inquired if they will pay full property tax.

Mr. Taylor responded that when complete it will generate over \$7 million in property tax.

Vice Chair Wilk said that he did not think anyone questioned the tremendous success of what is in Wyandotte County. He also asked Mr. Taylor why he thought the other movie companies did not want to locate in the area and why Unified Government owns the movie theater.

Mr. Taylor replied that the interest from the other chains was to build a traditional theater. He said negotiations went on for over a year and then fell through. He said they knew that in order to make the total project work, the theater was needed, but they would have preferred that a developer do it without any STAR bond help.

Vice Chair Wilk expressed concern that Unified Government built the building and had hired a manager to run it. His other issue of concern was that the bonds were issued the day before SB 395 was signed into law, which has created a political situation when he is faced with explaining to Lansing folks. He said he felt that Unified Government had taken full advantage of the opportunity.

Chairman Jordan inquired if a cost benefit analysis has been done on this total project.

Mr. Taylor said that he did not know if a formal process involving an outside person has been done.

Chairman Jordan said it seemed to him that there should be figures to show that the cost of the project has brought a return on the investment.

Chairman Jordan thanked Mr. Taylor and welcomed J. Michael Wilkes, City Manager for the City of Olathe, who spoke in support of the Olathe arena project. Mr. Wilkes said that the City of Olathe has been pursuing the use of STAR Bonds since its application was expanded beyond the State's only current project in Wyandotte County. He said the project would create some 650,000 square feet of new retail stores, jobs, and a regional destination for those seeking shopping and entertainment opportunities. They hope to use STAR Bonds to finance eligible costs outlined in the State's tax increment financing statutes, such as site preparation, infrastructure, land acquisition, and relocation costs. In addition, it incorporates, excluding personal property, the STAR bond eligible costs for the vertical construction of a 9,000 seat, community-owned arena. Mr. Wilkes said they have submitted a proposal to the Lt. Governor's Office for tentative approval ([Attachment 2](#)).

Chairman Jordan commented about the definition of personal property and wondered if the permanent seats in the arena might be considered personal property.

Mr. Wilkes said that was one curve ball they had not anticipated, but he did not believe the project will be stopped if it is determined the seats are personal property.

Chairman Jordan inquired if there are any restaurants planned, and Mr. Wilkes said, if so, they would be completely privately built.

Senator Brungardt wondered if the plans called for things that will draw from a large area. Mr. Wilkes said he believed the arena is a market niche that is needed in the area and that it will draw from a large radius of people who want to see a particular team.

Senator Brungardt asked if it would not lend itself more to the description of a localized area.

Mr. Wilkes said it has been their experience so far that the legislation that is currently on the books is working and they have dropped the idea of attempting to add the contiguous section, be it right or wrong. The Lt. Governor has said it did not meet the test.

Senator Brownlee thanked Mr. Wilkes for including this information, but wondered why it was decided it did not meet the test. Mr. Wilkes said that it hinged mostly on the tie-in issue rather than just the contiguous issue, and that they fully respected the Lt. Governor's decision.

Chairman Jordan thanked Mr. Wilkes and welcomed Mr. Allen Bell, Economic Development Director, City of Wichita, who thanked the Committee for the opportunity to provide an update on the status of Wichita's plans to use STAR bonds as part of the financing package for the downtown WaterWalk Project. He reminded the Committee that this is a mixed use redevelopment project which is located in a deteriorated area immediately south of the City's Century II Convention Complex. He said it is a public-private partnership that will combine public improvements including a waterway, parking facilities, street improvements, plaza areas, an outdoor amphitheater and riverbank improvements with the private development of shopping, restaurants, offices, apartments and condominiums. He said that part of the WaterWalk Project will be fully financed with tax increment financing, general obligation bonds, and private sector financing and is not in any way contingent on STAR bond financing. He informed the Committee that the other major part of the project is the development of a major destination retail store in which the City plans to use STAR Bonds. He assured the members that they will not use STAR Bonds to finance any buildings or structures that will be owned by or leased to any private business entity, but the bonds will be used for infrastructure and other costs specifically authorized in the TIF statutes. He said that he hoped the Committee would leave the legislation as it is and give it time to work. He preferred no change in the legislation, but if there is, he mentioned one requirement that could use some refinement. This involved the "marketing study" requirement due to accessing hard, quantitative data on existing businesses. He suggested changing the reference to "market impact study." He also suggested it might help if the Secretary of Commerce were given more latitude and discretion in granting approval of STAR bond projects (Attachment 3).

Representative Dahl asked how far away was the proposed arena from the area. Mr. Bell said he was purposely being vague, but that they will not need the whole area. He said it would be approximately halfway between Old Town and the Walkway.

Chairman Jordan explained that there are a lot of complicated issues involved in the appropriate use of STAR Bonds. He said he struggles with rules and regulations in the Department of Commerce, but does not think the legislation needs to be rewritten. However, he felt it needs some study to know that it is whittled down to satisfy the Legislature.

Senator Brownlee asked what other states have done to attract Bass Pro.

Ms. Sparks responded that she had talked to the Economic Director of Independence, Missouri. She was informed that they established five overlapping districts for Bass Pro from state, local, and transportation TIFs. Bass Pro is basically putting up nothing and when the bonds have been repaid in 30 years, Bass Pro Shops will own everything. Their only commitment is that they

have to have a presence until the bonds are paid off. Ms. Sparks said that Oklahoma appears to be a little different, but she was not comfortable talking about it yet because she needs more verification.

Senator Brownlee said this rubs some people wrong because small business does not get the assistance and it becomes a fairness issue between the dollars for small business versus the large businesses.

Chairman Jordan adjourned the Committee for lunch. He asked members to be back at 1:00 p.m. instead of the stated 1:30 p.m.

Afternoon Session

Chairman Jordan opened the afternoon session at 1:00 p.m. He announced that there have been some changes in the Governor's administration. He received a call from Lt. Governor John Moore informing him that Mr. Fricke will be assuming the title of Commerce Secretary in the Department of Commerce and that he would be Lt. Governor full time. Duane Goossen will be the new Secretary of Administration along with his current title as Director of the Budget.

Chairman Jordan recognized Mr. Leo Hafner, Deputy Post Auditor, Legislative Post Audit, who presented a Scope Statement for Wyandotte County and the review of the use of bond moneys associated with the Kansas Speedway and the West Village Tourism District. Mr. Hafner said a performance audit would answer the following questions:

- Were costs associated with issuing the bonds used to finance the development of the Kansas Speedway and the West Village Tourism District reasonable?
- Were the bond proceeds spent for allowable purposes, and were the costs associated with the items purchased reasonable?
- What types of discounts or other perks have the Kansas Speedway or other businesses in the tourism district made available to Unified Government and Board of Public Utilities employees?
- Do the costs associated with a movie theater project being built in the tourism district exceed industry standards?

Mr. Hafner said the estimated completion time would be 12 to 14 weeks (Attachment 4).

Senator Brownlee said there was provision made by the 1998 Legislature allowing Wyandotte County to use STAR Bonds. She stated there are Attorney General opinions, and Mr. Hafner said they would look into this.

Vice Chair Wilk asked Mr. Hafner for some historical background. He asked for anything that comes to mind that would help the Legislature.

Chairman Jordan thanked Mr. Hafner and welcomed Mr. Gary Anderson, Attorney in the firm of Gilmore and Bell, Kansas City, Missouri, who said his firm specializes in public finance for state and local governments, primarily acting as bond counsel. He said he specializes in TIF and STAR

bond financing and similar economic development tools. He said he was here today to suggest some clarification and organizational changes that will make the TIF statute clearer and more user-friendly to Kansas cities. He said he would like the Committee to consider certain procedural changes to make clearer distinctions between purely local and state-tax-supported development districts. He made the following technical and general recommendations:

1. Establish a general procedural process for the creation of all traditional TIF and STAR bond-eligible districts (*i.e.*, district creation, notices and public hearings, county and school district veto when property taxes to be captured).
2. Modify certain definitions or add new definitions to deal with specific issues in certain districts. For example, the definition of eligible redevelopment project costs might not be the same for a TIF project and a STAR bond project or a bioscience project.
3. Provide specifically that the approval process by the Secretary of Commerce for special bond projects is a two-step process (*i.e.*, designation and approval).
4. Clarify any additional requirements for STAR bond projects (*i.e.*, cost benefit analysis, maximum percent of state sales tax receipts that could be pledged, etc.).
5. Clarify on a local TIF project that not all city sales tax must be pledged to payment of the bonds (Attachment 5).

Vice Chair Wilk asked if this legislation could be separated and if the Revisors could go ahead and prepare a draft separating STAR Bonds from TIF without causing any unintended consequences.

Mr. Anderson said that he thought this could be done without too much difficulty. He mentioned that Wyandotte has some special concessions with 400 acres.

Vice Chair Wilk cautioned Ms. Helen Pedigo, Revisor, that the original intent must be preserved. He said he likes the idea, but one consistent message is not to dramatically change the rules, but rather make it clear so legislators are more comfortable with the legislation.

Representative Faber asked about the cost analysis and how it feeds into a market study. Mr. Anderson said that it has to be a policy. He said the assumption is that providing these and getting accurate information is very difficult. He asked if there is a set of information the Secretary of Commerce and the legislators want. He advised that the Legislature might want to come up with some type of framework. Mr. Anderson asked if the Secretary has enough information to make an informed decision. He said they do not want to tie anyone's hands with too many specifics because then only very large projects will make it due to too many requirements. He hopes to avoid this. He also said that generally municipal bond buyers want national tenants they know who have big names. When asked if this was a two-step process and how it works, he said that in reality it is working like this now. He does not think it creates any problems and that it has been made clear that a designation is not an approval. He gave the rationale for the two-step process, saying that it involves a lot of lawyers and lots of money and that it is generally not appropriate to wait until the very end of the process to tell them it does not work.

Senator Brownlee said she wondered if some of this information could be put into the rules and regulations, and Mr. Anderson said that he believed some of these technical things could be put into the rules and regulations.

Vice Chair Wilk asked if there is enough to pay off the bonds or if it can accumulate over the life of the bonds. Mr. Anderson responded that he did not know if there is a statutory limit, but thinks it is their intent. Vice Chair Wilk then asked if it was the intent of the law. Mr. Anderson said that he does not think there is anything in the law that says they have to be prepaid once there is revenue, and that all revenue stays in place until the last bond is paid.

Vice Chair Wilk asked if there was any way five years from now if Unified Government comes up with another proposal, they can continue to use the original bonds. Mr. Anderson said that this would probably be legally possible. Vice Chair Wilk said that he has asked about how the revenue flows in and if this is private or public information. Mr. Anderson said that tax distribution agreement is a public document and provides for distribution of funds. He said special sales tax information is confidential by state law, and this is a tricky area because some bonds are payable by one primary source of revenue. The Attorney General can render an opinion, and there is no clear answer or guidance.

Chairman Jordan thanked Mr. Anderson and welcomed Mr. John Yeary, Attorney for the Kansas Department of Commerce, who informed the Committee that the Secretary of Commerce and Lt. Governor John Moore have established a review committee to assist in the evaluation of STAR Bond applications. In addition to John Moore, members include Joan Wagon, Secretary of Revenue; Tracy Taylor, President and CEO of Kansas Technology Enterprise Corporation; Jerry Lonergan, President of Kansas Inc; Steve Weatherford, President of Kansas Development Finance Authority; Rebecca Floyd, Executive Vice President and General Counsel of KDFA; and Steve Kelly, Deputy Secretary and Director of Business Development, Kansas Department of Commerce. Mr. Yeary said that he also assists the group by managing the application evaluation process.

Mr. Yeary's testimony outlined the process, and he said that to date applications have been received from Edwardsville, Wichita, and Olathe. They have also received a draft feasibility study from Abilene and a letter referencing a proposal being prepared by Overland Park. He said that no proposal has yet been approved, but Edwardsville, Wichita, and Olathe have all received confirmation that their proposals are located in "eligible areas" for the purposes of STAR bond financing. His testimony goes into more detail ([Attachment 6](#)).

Chairman Jordan said that the Committee would like a copy of the rules and regulations. He also asked for comments concerning the problems that have arisen during approval discussions. He posed such questions as how much a partner the state should be and a definite percentage or if it was okay that STAR Bonds finance \$200 million out of a \$300 million project. He said that a percentage might encourage some to ask for as much as they can get. Mr. Yeary said they struggle with the retail component and whether or not it is an anchor attraction. They also consider what is appropriate for the retail that drives the bonds and if the retail needs to be unique. These are all difficult questions, but in reality there has to be retail sales to pay off the bonds and very few are actually destination retailers. He said they are in the process of reviewing the two-step process. Blighted areas are easy to define like the Wichita RiverWalk. Olathe's project is attempting to qualify under major tourism attraction status.

Vice Chair Wilk asked if it was a true statement that everything that qualified for TIF bonds could qualify for STAR Bonds. Mr. Yeary said that types of things that can be financed is applicable for STAR Bonds, so the answer was "yes."

Senator Brownlee said she was surprised to learn that Wichita was approved based on land approval due to being in a blighted area, and Rebecca Floyd explained the blighted area conservation.

Representative Dahl mentioned that perhaps it would be wise to look at what local government fiscal involvement might contribute.

Mr. Yeary responded by saying that they do that now by looking at how much STAR bond money is requested and how much the city is putting in. He explained that in working on regulations the way MODESSA works is that it is too detailed so that no one is using it.

Representative Burroughs inquired about how a city's size or class utilizes STAR Bonds and if there are inequities built into it. Mr. Yeary said that it is difficult when considering rural versus metropolitan and there is an attempt to level the playing field. He said the committee does not consider the location, but focuses on the merits of what is proposed and on its merits as it fits the criteria.

Vice Chair Wilk asked if he thought the policies should be split. Mr. Yeary said that since there is no background on policy and STAR Bonds is new and the statute is new, it is unwieldy, but he hoped the Legislature would not try to fix it before it has been given a chance to work. He said that he thought the statute was not unworkable and not to throw the baby out with the bath water.

Chairman Jordan said that the legislative intent would be to simplify rather than make more complicated.

Chairman Jordan thanked Mr. Yeary and recognized Mr. Steve Graham, Vice President of Destination Development for RED Development, 4717 Central, Kansas City, Missouri, who provided a brochure with illustrations of The Legends of Village West, Kansas City, Kansas. He discussed the Village West development, The Legends, and what is next in their plans. Mr. Graham said that Kansas was on the cutting edge relative to this type of incentive with lots of investors taking a look. The site map he presented clearly shows they are just beginning since there is quite a bit of undeveloped land. He mentioned that in driving through the parking lot at Cabela's, it can be observed that over half the automobiles are from outside of Kansas. He said that this development has the potential of drawing over \$15 million a year. He compared this to Branson's \$8 million. His brochure lists demographics and facts and explains why he feels the Legends Shopping Center is a destination retail center, and that STAR Bonds has enabled this to happen. In projecting what is next, he said that future expansion will involve more resort type destinations. He said they are hoping to lure some that do not exist anywhere but Orlando, Las Vegas, San Diego, etc. and that they see this legislation as being the catalyst which gives Kansas a head start. He encouraged the legislators not to make substantial changes in the legislation ([Attachment 7](#)).

Representative Burroughs wondered since national attention is being drawn to STAR Bonds if developers were starting to reach out nationally. He also asked if there was any chance for International flavor and what the risks would be. Mr. Graham said that he believed in the next few years, STAR Bonds will attract venues and attractions that do not exist anywhere else in the country.

Senator Brungardt stated that he believed the attractions should be unique and one-of-a-kind. He asked for further expansion of who is deserving of STAR Bonds and the criteria that should be used.

Mr. Graham said that was difficult to determine, but he had no idea that their firm could reach the point where it is today. He said there are a handful of destination retailers, and they needed to look at exciting attractions and exciting things to do. He commended the legislators for their foresight and vision in adopting this piece of legislation.

Chairman Jordan thanked Mr. Graham, and Ms. Sparks told the Chair that Rules and Regulations from the Department of Commerce were being passed out to the Committee (Attachment 8).

Chairman Jordan said the agenda was going to shift gears to get an update on the Economic Growth Act. He welcomed Mr. Tracy Taylor, President, Kansas Technology Enterprise Corporation (KTEC), and thanked them for all their hard work on the Kansas Economic Growth Act. The Chair said that this is really a world class authority, and the BioScience component could not have happened without their efforts and expertise. Mr. Taylor said he would be remiss if he did not recognize all the people who helped with this project. He thanked Helen Pedigo in the Revisor's Office, the Department of Commerce, the Legislative Leadership and all the people who helped make this happen. He specifically addressed the BioScience component today and said that Matt Jordan from the Commerce Department would be addressing the Entrepreneurship Program later.

Mr. Taylor gave a background of KTEC's areas of focus which includes research and the following centers of excellence:

- □ HBC, University of Kansas;
- □ ITTC, University of Kansas;
- □ NIAR, Wichita State University;
- □ AMI, Kansas State University;
- □ KPRC, Pittsburg State University;
- □ EPSCoR, Experimental Program to Stimulate Competitive Research; and
- □ SBIR, Small Business Innovation Research Assistance.

The business assistance involved Incubators at the following:

- □ NISTAC, Manhattan;
- □ LRTC, Lawrence;
- □ ECJC, Lenexa;
- □ KUMCRI, Kansas City;
- □ ATC, Pittsburg;
- □ STC, Wichita;
- □ WKTC, Great Bend;
- □ Quest, Hutchinson; and
- □ MAMTC, Mid-America Manufacturing Technology Center.

Investments include the following KTEC Incubator Seed Funds:

- □ Manhattan Holdings (MACC);
- □ Kaw Holdings (LRTC);
- □ Wichita Ventures (WTC);
- □ Prairie Investments (ECJC);
- □ Precede Fund (KUMCRI);
- □ Quest Ventures (Quest);
- □ Milestone Ventures (ATC);
- □ Applied Research Matching Fund (ARMF); and
- □ Technology Commercialization Seed Fund (TCSF).

Mr. Taylor explained that the Kansas Economic Growth Act consisted of the following:

- ☐ Bioscience Initiative (KTEC);
- ☐ Established Kansas Bioscience Authority and Created Emerging Industry Investment Act;
- ☐ Entrepreneurship Initiative (KDOC); and
- ☐ Established Kansas Center for Entrepreneurship.

Mr. Taylor's update on KTEC's activities included the following information:

- In July 2003, KTEC facilitated discussion of Kansas' needs in the area of bioscience.
- Performed and commissioned extensive research on what had worked in other areas of the country.
- Worked with legislative leadership to craft the eventual legislation.
- Testified extensively before committees in the House and Senate.
- Helped facilitate naming of Bioscience Authority board members and release of news to press.
- Charged with facilitating the board's first meeting.
- Provide commercialization services to the Bioscience Authority for at least the first five years.
- Has also founded the Kansas Bioscience Organization (KansasBio), a bioscience trade association that will advocate for the industry and complement the BioAuthority's efforts.
- ☐ Contracted with New Economy Strategies (NES).
- ☐ At first Authority board meeting, NES will share the preliminary findings of its empirical research of Kansas' science.
- October 4-7, KTEC and NES will hold six prosperity summit-style meetings throughout the state in Kansas City, Wichita, Manhattan, Lawrence, Hays, and Pittsburg.
- KTEC and Kansas Bio have partnered to present a plant-made pharmaceutical symposium on November 9, in Hays.
- Symposium will feature Mark Drabenstott, Vice President and Director of the Center for the Study of Rural America. (Focus will be on how Kansas' agricultural assets can be leveraged in the bioscience arena.)

- □ Work to develop a revenue forecast for the Authority (Need to determine the baseline amount of bioscience tax revenues so the incremental increase above this baseline each year can fund the Authority and its efforts) (Attachment 9).

Chairman Jordan thanked Mr. Taylor and welcomed Mr. Matt Jordan, Director of Operation, Kansas Department of Commerce, who said that over the next decade the programs contained within the Economic Growth Act will provide economic development incentives through various funding mechanisms to grow emerging industries, serve existing employers, attract new businesses, and support small businesses in urban and rural communities. Mr. Jordan said that economic development needs to be bipartisan. The KDFA, Kansas Inc., Board of Regents, Commerce Department, and KTEC are all a team and are equal partners. He said the Kansas Downtown Redevelopment Program which Senator Jordan helped write, creates rules and regulations to allow rural business development. Mr. Jordan said the Kansas Center for Entrepreneurship and the Kansas Community Entrepreneurship Fund have been established to ensure collaboration of resources for assistance and to ensure capital is accessible to entrepreneurs from both rural and low-income communities. He estimated that this Center will generate close to \$3 million for business development in the next five years. The Angel Investor Tax Credit Program (worth \$20 million over ten years) will encourage new business start-ups and provide seed financing for business development. The Rural Business Development Program (\$7 million in tax credits over three years) will encourage individuals and businesses to invest in regional foundations in each of seven economic development regions in Kansas. He reported that the Enterprises Facilitation for small business and community development is active in 25 rural counties. Mr. Jordan reported that the Governor supports the significant increase in state funding to establish and market economic development programs, tourism activities, and regional marketing efforts to enhance the state's image. He said this was a high priority in all of the summit meetings. Lastly, the Governor's Strategic Military Planning Commission has been created and funded to secure and grow the important economic and homeland security interests (Attachment 10).

A question was asked about the map and Mr. Jordan said he would get color copies to the members tomorrow.

Vice Chair Wilk asked Mr. Taylor to elaborate on the Angel Investor Tax Credit Program and to refresh the Committee on the Enterprise Zone. Mr. Taylor said that three or four years ago the certified venture capital act was created which established Angel Capital Financing. He said at best it was a compromise that is good for the investor and good for the economy and that the State of Oklahoma has also used this. He reported that the Governor's FY 05 budget provides additional funding of \$100,000 to expand the state's financial support of the Enterprise Facilitation.

Chairman Jordan thanked both Matt Jordan and Tracy Taylor for all their fine work in helping the Legislature. The Chair referred to the agenda for the October 21 and 22 meeting and asked staff to do some draft legislation to separate the TIF and STAR Bonds language using the suggestions of Gilmore and Bell. Chairman Jordan proposed that the staff draft and mail out or e-mail to all members before the next meeting. He asked them to flag policy issues that need to be addressed.

Vice Chair Wilk reminded the staff that the intent should not be changed, but to simply make the law read more clearly.

Chairman Jordan said the meeting was adjourned, and the Committee would meet at 9:00 a.m., on Friday morning, August 27. The meeting adjourned at 4:00 p.m.

**Friday, August 27
Morning Session**

The meeting was called to order by Chairman Jordan at 9:15 a.m., on August 27, 2004, in Room 519-S of the Statehouse.

Chairman Jordan recognized Martha Neu Smith, Executive Director, Kansas Manufactured Housing Association (KMHA), who testified in regard to HB 2719—Kansas Manufactured Housing Act; prescribing installation standards; licenses for installers and apprentice installers; fees and civil penalties. She told the Committee that the Manufactured Housing Industry requested the introduction of HB 2719 during the 2004 Legislature to satisfy a change in federal law, under which they have been federally regulated by HUD since 1976.

She explained that on December 27, 2000, President Clinton signed the Manufactured Housing Improvement Act into law, which did several things for both the industry and the home buyer. She said that it created a private sector consensus committee to make recommendations to the Secretary of HUD on ways to keep their building codes up to date. She said that installation programs must include an installation standard, training and licensing of manufactured home installers, inspection of the installation, and a dispute resolution program. If the state fails to have an installation program in place by the December 27, 2005 deadline, HUD will administer the program for the state. Ms. Neu Smith said she knew that part of the concern of legislators was that the federal installation standard and rules were not published yet. She advised the Committee that not much has changed in that they are still not published. But she said HUD has released three letters that address the following issues:

- update on Proposed Rule for Model Installation Standard;
- update on the Proposed Rule for the Manufactured Home Installation Program;
and
- update on the Proposed Rule for the Dispute Resolution Program.

Ms. Neu Smith said that with the exception of the Model Installation Standard letter, the above-proposed requirements are for default states or states without a state installation program on December 27, 2005. Her testimony included information on the Installation Standard, training, licensing and testing, inspection, and dispute resolution.

She reported that to date 30 states already have these programs in place and that over 18 states have already started offering training courses. She commented that manufactured housing is one of the main providers of affordable homes for Kansans. She feels that HB 2719 is a reasonable approach to a federal requirement and urged the Joint Committee to make a favorable recommendation of the bill so that home buyers will not be forced to find their way through the hierarchy of the federal government (Attachment 11).

Vice Chair Wilk commented that this bill went through the House favorably 119-6, and he was curious about the Senate's concerns. The answer was that mainly it was because the federal standards were not published yet.

Senator Brownlee said there was disagreement between the Department of Revenue and KDFA, and that no one wanted the program.

Representative Osborne said that he has always supported manufactured housing; therefore, he felt we should be on the bandwagon and support HB 2719.

Chairman Jordan thanked Ms. Neu Smith and welcomed Mr. Richard Cram, Office of Policy and Research, Department of Revenue, who said he had brought along Robert Haley of the Kansas Development Finance Authority who is familiar with the federal Manufactured Housing Act and the 2000 changes to that law. He said that the Department still remains opposed to the legislation, and if the Committee should continue to move this legislation forward, the Department recommended the amendments that were in Secretary Wagnon's testimony before the Senate Commerce Committee on March 9, 2004 ([Attachment 12](#)). The following is a summary of their concerns:

- □ "The Director of Vehicles lacks the expertise to regulate installation of manufactured housing, examine and license manufactured housing installers, and mediate disputes concerning manufactured housing installation. Regulation of this industry does not belong with the Department of Revenue.
- □ If the Director of Vehicles is tasked with this responsibility, the Department will need to be given the statutory authority to conduct inspections and impose fees and penalties, as well as adequate resources to do the job right, including funding to hire, train and equip inspectors, set up a computer system to administer the program, either contract out or administer the licensing of installers, and handle the dispute resolution responsibilities.
- □ The federal standards for installing and siting manufactured homes that the Director of Vehicles is expected to administer do not even exist yet."

Chairman Jordan recognized Mr. Robert Haley of the Kansas Development Finance Authority and the Kansas Housing Resources Corporation, who said that the bill as drafted does not include either the KDFA or the Housing Resources Corporation. He stressed the following points:

- Given that Kansas will have an installation program and a dispute resolution program, whether the state administers it or not;
- Kansas residents will continue to have access to a consumer complaint process, whether the state administers it or not; and
- What is the benefit to the citizens of Kansas of legislation similar to 2004 HB 2719?

Mr. Haley questioned if HB 2719 even met the federal requirements ([Attachment 13](#)).

Representative Dahl said that he was a little confused on the dispute resolution. Mr. Haley said that federal law currently estimates the framework for a consumer complaint process. Representative Dahl asked if he thought the feds would understand the bill.

Senator Brownlee commented about the consensus process and said that the federal government will have a set of standards which has taken five years to develop. Kansas does not have the ability to be able to step up and say we need to look at what they have come up with and if it is in Kansas' best interests. Senator Brownlee suggested maybe the bill could be simplified. She

wondered how many local units of government do not have a unit to do the inspection. Mr. Haley said that half of the cities in Kansas (300 - 350) have the ability to do local inspections.

Vice Chair Wilk made the comment that this is policy, and we need to determine if we want the feds to regulate or do we want it to be part of a state entity? In answer, it was determined that the consumer is concerned about the expense of the feds doing it and it is an unnecessary burden to the consumer. However, there would be a cost even if the state does it. Representative Wilk said he would like to see the Housing group, the KDFA, and Manufactured Housing sit down and figure it out. Mr. Cram said that their position continues to be not wanting the state to be involved.

Chairman Jordan asked the groups to come back with a new resolution on October 21 and 22 at the next scheduled meeting of the Interim Joint Committee on Economic Development. He said if they did not have a new resolution at that time, then the same bill will be put before the 2005 Legislature.

Senator Brownlee reported that she has met with all the parties involved, but it is a total impasse.

Chairman Jordan thanked both Mr. Cram and Mr. Haley.

Chairman Jordan welcomed Mr. Jerry Lonergan, Kansas, Inc., who presented some trends in Kansas film production opportunities. His testimony included a power point presentation. In conclusion, he said that they have done the research to see if Kansas wants to pursue and grow a film industry (Attachment 14).

Representative Dahl questioned exactly what is the purpose of the Subcommittee Lights, Camera, Action (LCA).

Representative Gordon, Chair of the Subcommittee Lights, Camera, Action of the House Economic Development Committee, said that the Subcommittee was initiated because of some exciting ideas which were presented in the Economic Development Committee during the 2004 Session. She said their charge was to study in depth the possibilities of increased film making in Kansas with the hopes of being able to get a recommendation from this group.

Representative Burroughs echoed Representative Gordon's comments. He said this all started when a successful individual in Kansas produced a successful film. He mentioned the brain drain from Kansas and said this might be an opportunity to bring talented and creative people back to their home state of Kansas.

Representative Gordon said other resources were being combined and that there are lots of interesting possibilities and avenues to pursue.

Chairman Jordan commented that he ran a film commission in Kansas City and that it is an industry with some potential and deserves strategic planning.

Vice Chair Wilk spoke about Phil Anschutz in Denver who has a tremendous vision for wholesale family entertainment. He likened it to the Hall enterprise and slogan of "When you care enough. . ." He said J.C. Hall had a vision, and he thinks Phil Anschutz also has a vision.

Chairman Jordan thanked Mr. Lonergan and welcomed Peter Jasso, Manager, Kansas Film Commission, Kansas Department of Commerce, who informed the Committee about what the Kansas Film Commission is promoting. His testimony included a listing of Kansas Production Credits

and information on production dollars spent in Kansas and its economic impact on the state (Attachment 15).

Representative Dahl asked what he suggested the Economic Development Committee do.

Mr. Jasso said that the Kansas Inc. study to be completed in October will help them determine where the state needs to go.

Chairman Jordan thanked Mr. Jasso. He welcomed Dr. Kevin Wilmott, University of Kansas film professor and independent film maker, who said that his film is opening in Los Angeles and New York on January 14, 2005. He shared some interesting stories. One was about Martin Sheen, who he said spent seven years in becoming a screen writer. Dr. Wilmott said he chose to live and work in Kansas where he felt more opportunity in developing his ideas and using his artistic talent to actually make movies. His movie "CSA" was 100 percent produced in Kansas, and he used all Kansas people and was able to take advantage of the beautiful land. He said that "CSA" will be shown in Spain in December and that he has always wanted to visit Spain. He mentioned that the more power a film maker has allows him to determine where the film is made. He believes this is a good time for film making in Kansas because things are changing, especially the location where films are being made. A good film school is important and Kansas University has a good school. He said all a producer needs is one big success and all the other failures are forgotten. He reminded the Committee that films can be made cheaper in Kansas which means less risk for the film maker.

Representative Burroughs thanked Dr. Wilmott for staying in Kansas and for attracting others to do the same.

Vice Chair Wilk thanked him for being here, too. He asked Dr. Wilmott what he thought was going to happen to his Sun Dance success entitled "CSA?" Dr. Wilmott said the potential is exciting and he feels confident that the film will do well in England, Spain, Ireland, Germany, and perhaps France. He said that before his film was selected at Sundance, he was having trouble getting anyone interested. Once it was successful at Sundance, Hollywood thinks it is genius. He said that Hollywood never leads, but it follows by waiting for someone to tell them what to do.

Representative Gordon thanked Dr. Wilmott for his testimony and Jerry Lonergan for all his research.

Representative Burroughs introduced two film makers. The first was John Wymer who makes films for video and cable markets. Mr. Wymer said this market is larger than theatrical films. Mr. Wymer said he was self funded and wanted to stay in Kansas and give back to his community. No written testimony was provided.

Next, Representative Burroughs introduced Lance Mallia, Heartland Directors Guild (trade association) who produces all native films which are shot in high definition using digital technology. No written testimony was provided.

Chairman Jordan thanked these film makers for sharing their stories. A copy of the Grant Application that was distributed to the Kellogg Foundation was handed out to all members (Attachment 16).

Ms. Kathie Sparks passed out color copies of the map of Economic Development Regions used in Matt Jordan's testimony (Attachment 17).

There being no further business, the meeting adjourned at 11:45 a.m.

Prepared by Fulva Seufert
Edited by Kathie Sparks

Approved by Committee on:

October 21, 2004
(date)