

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on March 11, 2003, in Room 522-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research Department  
Fulva Seufert, Secretary

Conferees appearing before the committee: Steve Kelly, Business Development Director of Kansas Department of Commerce & Housing

Charles Ranson, President, Kansas, Inc.

Michael Peck, VP of Investments & Portfolio Management, KTEC (Written only)

Richard (Dick) A. Wertzberger, Senior Vice President, Director of Retail & Mortgage Banking in Manhattan

J. C. Lakhani, President, Commercial Group (Written only)

Representative Vaughn Flora

Harry "Butch" Felker, Mayor of Topeka

Chris Wilson, Director of Government Affairs of the Kansas Building Industry Association (KBIA)

Martha New Smith, Executive Director, Kansas Manufactured Housing Association (KMHA)

Steve Weatherford, President, KDFA

Others attending: See attached list

Chairman Wilk opened the meeting by asking Ms. April Holman, Legislative Research Department, to explain the following bill:

**SB 65 - Amending the Certified Capital Formation Company Act**

The Chairman opened the Public Hearing on **SB 65** and welcomed Mr. Steve Kelly, Business Development Director of Kansas Department of Commerce & Housing, who spoke as a proponent of **SB 65**. Mr. Kelly focused on two principles. First, the regulation should ensure that the substantive objective of the Act should be met and second, the Department should meet its fiduciary responsibility, both fiscal and legal. In order to address these two primary objectives, he offered some suggestions for amending the Act. The first involved the timetable for state payment of the tax credits. "Since sections (1)-(3) of K.S.A. 74-8225 are eliminated, references to these sections are deleted. K.S.A. 74-8116(d) is deleted in its entirety and subsection (e) is amended to read, Decertification a CFC shall cause the forfeiture of tax credits commencing with a taxable year of the investor or transferee in which the decertification arose."

He said he believed that these changes will increase the interest of investors and speed up investment in

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Kansas businesses. The Chairman thanked Mr. Kelly. ([Attachment 1](#))

The Chair recognized Mr. Charles Ranson, President, Kansas, Inc., who spoke briefly in support of the amendment because he thinks it will attract high quality fund management and high quality capital investors to the Capital Formation Companies program. Kansas, Inc. supports amendatory language that clarifies intent that persons who seek to become certified shall not have a history of criminal conduct, violation of securities law, or breach of fiduciary responsibility. ([Attachment 2](#))

Chairman Wilk asked if Kansas Technology Enterprise Corporation (KTEC) would also submit written testimony. ([Attachment 3](#))

Seeing no other conferees, the Chair closed the Public Hearing on **SB 65**.

Chairman Wilk reopened the Public Hearings for the following:

**HB 2395 - Authorizing the Kansas Development Finance Authority to issue mortgage revenue bonds**

**HB 2373 - Amending K DFA to allow loans directly to individuals to finance housing developments**

The Chair announced that there were still several people to testify and then there would be an open discussion where committee members and guests could interact.

Chairman Wilk welcomed Mr. Richard (Dick) A. Wertzberger, Senior Vice President, Director of Retail & Mortgage Banking in Manhattan, who testified in support of **HB 2395**. He said he moved to Kansas from Nebraska in 1991 and that Nebraska has had the Nebraska Investment Finance Authority for over 20 years. He said he was surprised to learn that Kansas was the last state in the union to form a Department of Housing, which means that Kansas is playing 20 years catch up with bordering states in meeting the needs of its citizens to own affordable housing. He also encouraged the committee to look at the board makeup since it does not appear to have anyone who has expertise with working with low to moderate income households. ([Attachment 4](#))

The Chairman called the committee's attention to the written testimony of J. C. Lakhani, President, Commercial Group, whose testimony supports **HB 2395** because it will utilize one agency to meet both home buyers and developers' needs. ([Attachment 5](#))

Chairman Wilk welcomed Representative Vaughn Flora, D-Shawnee County, who said he has been a housing advocate for the past 10 years. He also said he has long been a proponent of Kansas establishing a housing finance authority. He stated that **HB 2373** was proposed before **HB 2395** and that "**HB 2395** creates definitions and lays out a plan for issuing mortgage revenue bonds much more clearly than **HB 2373**." A major difference is that **HB 2373** allows the state to issue single-family mortgage revenue bonds, and **HB 2395** allows the state to become the single issuer for the state. He said, "Being the single issuer would allow the state more leverage to get a better bond interest rate as well as a better bond rating." He urged the committee to support **HB 2395** and not to work **HB 2373**. ([Attachment 6](#))

Chairman Wilk called the committee's attention to the written testimony of Mayor Harry "Butch" Felker of Topeka, who is a proponent of **HB 2395**. ([Attachment 7](#))

The Chair asked if there were any additional proponents, and seeing none, he recognized Ms. Chris Wilson, Director of Government Affairs of the Kansas Building Industry Association (KBIA), who said their board of directors had not had an opportunity to review the current proposal, and she felt it was a big step to take too swiftly. She pointed out two major complaints that they have heard about the program from other states are 1) that projects often go to non-profit housing groups and that for-profit builders do not have the opportunity to participate, and 2) there are often no housing agency board members with building expertise. She offered the following suggestions:

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1. Provide two or more positions on the KDFA board for members with building expertise.
2. Focus the program on lower income borrowers, as under the current statute
3. Provide for the continuation of these successful local programs that should not have to be sacrificed in order to make a state program available to other areas of the state. (Attachment 8)

The Chair next recognized Ms. Martha Neu Smith, Executive Director, Kansas Manufactured Housing Association (KMHA), who said she had several concerns with **HB 2395**. Her first concern was with the scope of authority KDFA will have and that KDFA would provide services to both low and moderate-income families. A second concern was that **HB 2395** would allow KDFA to originate home mortgage loans for the purpose of constructing or improving a home. She said they liked the down payment assistance program, but do not like the idea of originating home loans for construction due to competition with private business. Ms. Neu Smith asked the committee to consider the following:

- Narrowing the focus of the bill to address only low income families
- Eliminating the ability of KDFA to originate mortgage loans
- Providing positions on the KDFA Board of Directors to include individuals with housing expertise
- Including “modular home” as defined in K.S.A. 58-4202 ©) on page 3 of the bill (Attachment 9).

Chairman Wilk recognized Mr. Steve Weatherford, President, KDFA, who presented the following amendments for **HB 2395**:

- No Direct Lending. Page 4, line 32
- Use of Proceeds for Housing Programs. Page 10, line 11
- Typographical Fix. Page 11, line 19
- Volume Cap Carry Forward. Page 11, line 23
- Rural Set Aside. Page 11, line 10 (Attachment 10)

Chairman Wilk said that because of the late hour, the hearing would resume on Thursday, March 13, 2003. He also announced that the committee would be discussing **SB 65** on Thursday.

Representative Novascone made a motion to approve the minutes of the March 6, 2003, meeting. Represntative Loganbill seconded. Motion carried.

The meeting adjourned at 5:15 p.m.

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