

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on February 24, 2004, in Room 526-S of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee: Representative Doug Patterson

Others attending:  
See Attached List.

Chairman Wilk announced the first order of business would be a briefing by Ms. Kathie Sparks, Legislative Research Department, on the following bill:

**HB 2801 - Tax increment financing definition on special bond projects**

Ms. Sparks reviewed the new language on page 5 before Chairman Wilk opened up the Public Hearing on **HB 2801**.

The Chair welcomed Representative Doug Patterson who spoke in support of **HB 2801**. Rep. Patterson said that this was somewhat related to **SB 235** which the legislature passed last year authorizing STAR bonds pursuant to a TIF Plan for the large retail redevelopment project in Wichita and the River Walk Canal facility. He said this special bond project was defined in his written testimony, and that he had reviewed it and thought it was unfortunate that other communities could not take advantage of TIF STAR bonds for smaller projects. Rep. Patterson proposed two amendments. The first he called a "But For" test and the second said that only 50% of state increment should go to STAR bond debt service. His testimony included a copy of his only changes to the existing law. (Attachment 1)

During discussion and questions, Representative O'Malley explained that the original intent was to promote tourism. Representative Brunk asked if it was a business location or expansion and if it meant relocating. Rep. Patterson said that it adds one additional criteria category to the STAR Bonds criteria. When asked if destination taxing affected this bill, the answer was that there would be taxing on delivery charges, etc. Rep. Loganbill asked about new jobs and how these depended upon growth annual sales and how we could ensure that we would not get the low paying jobs. A question came up about how this could tag on to the bioscience bill, and it was determined it is independent, but can tag on. Rep. Patterson said that it was somewhat a rural development plan, too.

Chairman Wilk thanked Representative Patterson and closed the Public Hearing on **HB 2801**.

The Chair directed the committee's attention to Rep. Sloan's bill,

**HB 2539** - Kansas development finance authority; authorizing bonds for research facilities.

Representative O'Malley made a motion to move out **HB 2539** marked favorable for passage. Representative Boyer seconded. Motion passed.

Chairman Wilk told the committee that the following bill would be worked:

**SB 222 - Authorizing the Kansas Development Finance Authority to issue mortgage revenue bonds**

Chairman Wilk asked Kathie Sparks, Legislative Research, to brief the committee on **SB 222**.

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on February 24, 2004, in Room 526-S of the Capitol.

Ms. Sparks shared a handout she had prepared comparing the following bills: **HB 2393, HB 2395, and SB 222.** (Attachment 2)

The Chairman thanked Ms. Sparks, and recognized Representative Gordon who handed out three handouts. One was entitled, "Don't Expand State Housing Program," the second was, "Privatizing the Poor: How to Expand Low-Income Housing in Michigan," and the third was the balloon. (Attachment 3)

Representative O'Malley made a motion to amend page 1, line 14 to read amending K.S.A. 74-8902, 7408903, 74-8904, 7408905 and. Representative Boyer seconded. Motion passed.

Representative O'Malley made a motion to amend **SB 222** to clarify that notifications related to bonds issued pursuant to **SB 222** will be published in the Kansas Register. Representative Kuether seconded. Motion passed. (Attachment 4)

Discussion followed concerning Representative O'Malley's proposed amendment to restrict KDFA to no more than 10% of the home mortgage loans purchased or financed with bond proceeds in metropolitan statistical areas may be conventional home mortgage loans. There was a question regarding the definition of metropolitan which is defined under rules and regulations. Mr. Matt Goddard clarified that it was discriminatory language against a conventional lender.

Representative O'Malley made a motion to amend in Section 2, Page 7, lines 20 through 24 to read 10% of bond proceeds. Representative Boyer seconded. Motion failed.

Representative O'Malley made a motion to amend Section 2, page 7, lines 16 through 19 to read "provided that a lending institution shall have the option to retain servicing on conventional home mortgage loans originated by such lending institution." Representative Burroughs seconded. Motion passed.

Chairman Wilk announced that the committee was back on the bill as amended.

Representative Hill made a motion to insert "private activity" after the word "issue" on page 10, line 21 (h), and Representative Gordon seconded. Motion passed.

Representative Hill made a motion to add a sunset provision of January 1, 2008 or three years after its effective date to be inserted on page 10, line 27. Representative Gordon seconded. Motion failed 7 to 7. (Attachment 5)

Representative Krehbiel made a motion to add a new section to include auditing of the books and accounts and for the revisor to make the necessary technical corrections. Representative Gordon seconded. Motion failed.

Representative Krehbiel moved that on page 7, at the end of line 24 the following be inserted: Such standards and requirements shall be consistent with standards and requirements with which nongovernmental entities engaged in the purchase or home mortgage loans or the origination of home mortgage loans must comply, and shall not confer a competitive advantage on the authority. Representative Gordon seconded. Motion passed.

Representative Krehbiel made a motion for New Sub Section, page 7 to limit ability of KDFA to compete with the private sector. Representative Huntington seconded. Motion failed. (Attachment 6)

Chairman Wilk said the committee was back on the bill.

Representative Burroughs made a motion for the revisor to amend all the technical amendments, and Representative Boyer seconded. Motion passed.

Representative Craft made a motion to add a new section inserting that no mortgagor shall receive financing or other assistance from the authority in the purchase of a home without first satisfactorily completing a homebuyer education course. Representative Novascone seconded. Motion failed. (Attachment 7)

The Chairman announced the committee was back on the bill.

CONTINUATION SHEET

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Representative Gordon made a motion for a change in the board membership structure of the Kansas House Resource Corporation Board, and Representative Krehbiel seconded. Motion failed.

Representative Gordon made a motion to limit the duration of the contract and that the K DFA should not be a master servicer. Representative Krehbiel seconded. Motion passed.

Representative Gordon moved that the authority and any subsidiary and any agency or political subdivision of the state shall be prohibited from acting as a master servicer. Representative Krehbiel seconded. Motion failed 6 to 8.

Representative Gordon moved that no contract for a master servicer shall be in effect for a period of three years or \$350 million in mortgage loan servicing, whichever period of time is greater. Representative Krehbiel seconded. After discussion, Representative Gordon withdrew the motion with Representative Krehbiel's consent.

A handout from the George K. Baum & Company in reference to **SB 222** was distributed to committee members. (Attachment 8)

A handout from W. A. Fitzgerald, Commercial Federal Bank was also distributed. (Attachment 9)

Representative Krehbiel moved that the minutes of the February 17, 2004 meeting be approved, and Representative Hill seconded. Motion passed.

The Chair announced that the next meeting would be March 4, 2004. The meeting adjourned at 6:00 p.m.

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