

Approved: 4/1/93
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Vice-Chairperson, Pat Ranson, at 5:45 p.m. on March 22, 1993 in Room 254-E of the Capitol.

Members present: Senators Burke, Downey, Feleciano, Jr., Gooch, Harris, Kerr, Petty, Reynolds, Steffes and Vidricksen

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee: Senator Ben Vidricksen
Norman Gaar, Bond Counsel
Nick Jordan, Chairman, Kansas Tourism Commission
Joe Steineger, Mayor, Kansas City, Kansas
Kip A. Frey, Vice-President and General Counsel of Oz Resorts and Entertainment, Inc.

Others attending: See attached list

Hearing on SB 421--Certain city redevelopment projects, special obligation and tax increment bond financing

Senator Ben Vidricksen informed the Committee **SB 421** is a method of innovative financing that would allow an economic development tool to help finance a project of international importance. Landmark Corporation is the project manager. This project will meet all of the goals of Tourism 2000 Strategy study.

Norman Gaar, Bond Counsel, testified, the city of Kansas City, Kansas, and the state of Kansas have a unique opportunity to consider joining in a partnership with private industry to construct a destination family theme park in Kansas. This project would utilize the worldwide recognition of Dorothy and the Wizard of Oz.

Mr. Gaar explained in order for the state of Kansas and the city of Kansas City, Kansas, to be able to consider participating in this partnership as the public partners, it is necessary to ask the legislature to amend the Kansas redevelopment laws. **SB 421** permits the city of Kansas City, Kansas to utilize its existing enterprise zone to provide a campus for a destination theme park to be constructed with not less than \$300 million of private debt and equity capital, so long as it creates not less than 1,500 permanent and seasonal jobs in the state. The financial instrument that would be used to finance the public partnership for this economic development would be sales, use and transient guest tax revenue bonds. Such bonds could be issued only if the City is satisfied with the viability of the project and only if the State, acting through the Secretary of the Department of Commerce and Housing, is satisfied and makes a finding that capital is invested and jobs are created in the magnitude discussed above. Since the bonds and the interest thereon are payable from sales, use and transient guest taxes, neither the City nor its property tax payors are at financial risk. Kansas City, Kansas has taken official action to preclude the use of general obligation bonds for this project as is permitted in the existing redevelopment law, see Attachment 1.

Nick Jordan, Chairman, Kansas Tourism Commission, testified in support of **SB 421**. He listed five reasons why this is a good plan: 1) family project, 2) worldwide known, 3) unique, 4) well planned and designed and 5) creates high tech jobs.

Joe Steineger, Mayor, Kansas City, Kansas, testified that thousands of people will come to Kansas to go to the Wizard of Oz. The people of Kansas will have theme park to be proud of and will benefit from tourists traveling through the state.

Senator Vidricksen introduced Kip A. Frey.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 254-E Statehouse, at 5:45 p.m.
on March 22, 1993.

Kip A. Frey, Vice-President and General Counsel of Oz Resorts and Entertainment, Inc. testified **SB 421**, if enacted as drafted, would enable his company to structure financing for a \$350 million theme park and destination resort here in Kansas. Although the increment financing would comprise only one-sixth of the overall package, that portion is critical to the success of the entire project. Without \$60 million in tax increment financing, the project is not feasible, see Attachment 2.

During committee discussion the Committee determined in New Sec. 7, line 27, the word "biannual" is to be construed to mean "twice a year".

A conceptual motion was made by Senator Burke to amend the bill in a way that would take away the option of any taxing district to utilize general obligation bonds for full faith and credit of the city or any other taxing district. The motion was seconded by Senator Feleciano. The motion carried on a voice vote.

The committee meeting was adjourned at 6:40 p.m.

The next meeting is scheduled for March 23, 1993.

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: 3/22/93 (PM)

| NAME (PLEASE PRINT) | ADDRESS | COMPANY/ORGANIZATION |
|---------------------|---------------------------------|--------------------------------|
| MARK BARCELLINA | TOPEKA | KDOCH |
| Ora Reynolds | O. P. KS | HME |
| Roger Faudon | Topeka | Ks Gov. Consulting |
| Jean Barber | Topeka | TIA K |
| Tom Allen | " | Oz Resorts Inc. |
| Greg Gilstrap | Topeka | KDOCH |
| AL BASSETT | PO BOX 453 KC, KS 66117 | KCK CONVENT VISITORS BUREAU |
| Ken Seibert | 501 S.W. Blvd. K.C. KS 66103 | KCK CLUB PRES. |
| MARILYN GAAR | LEAWOOD | |
| M. Hauer | Topeka | City-View |
| David L. Ross | TOPEKA | KDOCH |
| George Barber | Topeka | Barber & Associates |
| KEVIN ROBERTSON | TOPEKA | Dr. LOUISIANA ASSN |
| NICK JORDAN | Overland Park | KS Tourism Commission |
| Kathleen | Byline | AP |
| V. Hauer | SPR | |
| Lillian Payay | Great Bend | |
| Kip Frey | Los Angeles | Oz Resorts & Ent. |
| WAVE WOSCIUK | TOPEKA | DOB |
| Frank Corbett | Ks, Ks | City Council |
| Al Ramsey | | Senate |
| Long Burns | KCK | KCK |
| Margaret Johnson | KCK | KCK |
| Les Stofus | Bonner Springs | MAYOR |
| Richard Kaminski | WYANDOTTE CO. | COUNTY COMMISSIONER |

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: _____

[illegible]

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KATHRYN PRUESSNER PETERS
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VENTURA COUNTY OFFICE
2310 PONDEROSA DRIVE
SUITE 1
CAMARILLO, CALIFORNIA 93010
(805) 987-3468

March 22, 1993

Members of the Committee

Re: Senate Bill No. 421

My name is Norman E. Gaar. I am a lawyer specializing in municipal finance and I represent the City of Kansas City, Kansas. I appear before this committee in support of Senate Bill No. 421.

The City of Kansas City, Kansas and the State of Kansas have a unique opportunity to consider joining in a partnership with private industry to construct a destination family theme park in Kansas. This project would utilize the worldwide recognition of Dorothy and the Wizard of Oz in Kansas as the story has been written in numerous books and made famous by the movie starring Judy Garland.

In order to be successful, the project must be constructed in the same magnitude as Disneyland in Anaheim, California and Disney World in Orlando, Florida. Such scale requires a partnership of public participation with private equity and debt financing. In order for the State of Kansas and the City of Kansas City, Kansas to be able to consider participating in this partnership as the public partners, it is necessary to ask the legislature to amend the Kansas redevelopment laws. Senate Bill No. 421 is the vehicle to do this. It would amend various statutes to allow the City, only after receiving permission of the State, to consider joining this partnership of economic development.

In general terms, Senate Bill No. 421 permits the City of Kansas City, Kansas to utilize its existing enterprise zone to provide a campus for a destination theme park, The Wonderful World of Oz, to be constructed with not less than \$300 million of private debt and equity capital so long as it creates not less than 1,500 permanent and seasonal jobs in our State.

The financial instrument that would be used to finance the public partnership for this economic development would be sales, use and transient guest tax revenue bonds. Such bonds could be issued only if the City is satisfied with the viability of the project and only if

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Attachment 1-1

the State, acting through the Secretary of the Department of Commerce and Housing, is satisfied and makes a finding that capital is invested and jobs are created in the magnitude discussed above. Since the bonds and the interest thereon are payable from sales, use and transient guest taxes, neither the City nor its property tax payors are at financial risk. The City has taken official action to preclude the use of general obligation bonds for this project as is permitted in the existing redevelopment law.

Senate Bill No. 421 amends various statutes relating to redevelopment projects and taxes in the following manner:

1. K.S.A. 1992 Supp. 12-1771 is amended on Page 1, Lines 24 to 31 in order to permit a grandfathered enterprise zone to be enlarged with the same limitations as the now repealed Enterprise Zone Act formerly permitted (not exceeding twenty-five percent (25%) of the City's land area) upon a finding by the Secretary of the Department of Commerce and Housing that the redevelopment project is of statewide importance.

There is a conformity amendment relating to enterprise zones on Page 2, Lines 11 to 14, inclusive.

2. The heart of the Bill appears in the amendment to K.S.A. 12-1774 appearing on Page 4, Lines 30 to 43, inclusive. This new section (D) permits a pledge of the sales, use and transient guest taxes collected within the redevelopment district to the repayment of sales, use and transient tax revenue bonds and the interest thereon, if the State acting through the Secretary of the Department of Commerce and Housing finds that the redevelopment project is of statewide as well as local importance. Such finding must at least include a project of capital improvements costing not less than \$300 million which creates not less than 1,500 permanent and seasonal jobs in the State as defined by existing statutes.

Since there are no sales, use or transient guest taxes currently collected within the City's enterprise zone, Senate Bill No. 421 would not cost either state or local government any out-of-pocket cash. It would merely delay the collection of such taxes for general state and local purposes for the time period necessary to repay the principal of and interest on the bonds issued to permit the public sector to participate in this partnership of economic development for our state by constructing the necessary infrastructure to make the project functionally viable.

3. K.S.A. 12-195 is amended on Page 7, Lines 18 and 19 for conformity purposes.

4. K.S.A. 1992 Supp. 12-1698 is amended on Page 11, Lines 25 and 26 for conformity purposes.

5. K.S.A. 79-3620 is amended on Page 12, Lines 13 to 27, inclusive, for conformity purposes in order to authorize the State Treasurer to transfer the appropriate taxes to a city bond finance fund for the purpose of paying the principal of and interest on bonds which would be issued in connection with a redevelopment project of statewide as well as local importance.

6. K.S.A. 79-3710 is amended on Page 13, Lines 2 to 17, inclusive, for conformity purposes as is set out in Paragraph 5 hereinabove.

7. New sections 7 and 8 are created on Page 13, Lines 18 to 38, inclusive, for conformity purposes in order to complete the authorization of the transfer of the various taxes by the State Treasurer to the city bond finance fund. One thing should be made clear in the committee report for this Bill, if such report is favorable, the use of the word "biannually" as it appears on Lines 21 and 27, carries the dictionary preferential use, that is, it means twice during each year or, semi-annually.

In addition, the Bill prevents the establishment or operation of a lottery within the redevelopment district.

The City of Kansas City, Kansas urgently requests this committee to act favorably on Senate Bill No. 421 and recommend its adoption by the full Senate so that it can be considered by the House of Representatives and the Governor and then utilized as another important tool in the economic development and the concomitant creation of an enormous number of new jobs in our state.

TESTIMONY OF KIP A. FREY
SENATE COMMERCE COMMITTEE
March 22, 1993

I am Vice President and General Counsel of OZ Resorts and Entertainment, Inc., the developer of the "Wonderful World of OZ" theme park and resort. I am here to express our support for Senate Bill 421.

In this day of increasing competition among the states for major economic development projects, we believe that the sales tax increment financing structure set forth in SB 421 will provide a significant advantage to Kansas, albeit one already available in many other states.

If enacted as drafted, SB 421 would enable my company to structure financing for a \$350 million dollar theme park and destination resort here in Kansas. Although the increment financing would comprise only one-sixth of the overall package (the balance of funds to be raised privately) that portion is critical to the success of the entire project. I am providing each Committee member with a letter from Bannon & Co., our investment banker, which highlights the fact that, without \$60 million in tax increment financing, the project is infeasible.

SB 421 allows for a state contribution to large economic projects with state-wide impact, but only with funds actually generated by that project. Thus, no reduction of existing revenue streams occurs under the bill, yet it facilitates a significant increase in jobs, income tax revenue and overall economic impact, together with enhanced sales tax revenues from surrounding businesses.

But as important as what the bill will do is what it will not do. In the case of the OZ Theme Park, SB 421 will NOT require any state or local authority to guarantee payments of the \$60 million in bonds that will be issued and retired by the tax increment. It will NOT require legislators to make a detailed judgement as to the feasibility of the project, because sale of these bonds will be contingent on sale of the entire project to the public markets--if the deal can't be sold, the bonds won't be issued. And SB 421 will NOT require any funds to be expended by the state unless and until the development is open for business and generating revenues.

In closing, we believe that we have created the possibility of a very large, very family-oriented destination resort in Kansas, one which can and should make all Kansans proud. We urge you to make that possibility a reality not by writing us a check, but by allowing us to use, for a time, funds that we will generate and which would not be available but for our efforts. We hope you will agree that this is a very reasonable investment for such a positive and important project.

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Attachment 2-1

BANNON & CO.

202 NORTH CAÑON DRIVE
BEVERLY HILLS, CALIFORNIA 90210
[310] 276-3555 fax [310] 276-0583

March 18, 1993

Mr. Robert B. Kory
OZ Resorts & Entertainment, Inc.
10960 Wilshire Boulevard, Suite 2224
Los Angeles, CA 90024

Dear Robert:

I am pleased to inform you that we received yesterday a firm commitment from Paine Webber to join our firm as co-manager of the financing for The Wonderful World of OZ theme park and resort in Kansas City, Kansas. I know that the financial analysis and due diligence process conducted first by our firm and then by Paine Webber has taken somewhat longer than you would have liked, and that both we and the senior analysts at Paine Webber in Los Angeles and then New York have subjected you to grueling due diligence sessions. Your command of this project, and the respect afforded you by your consulting team, have been exemplary.

As I explained in November, we believed from the outset that financing your project would require a joint effort by an entertainment specialist and a major Wall Street underwriter. We became convinced of the viability and integrity of your project in February. Now, Paine Webber has advised us that they are prepared to assist in every aspect of the financing effort including the initial private placement with strategic partners, placement of the construction loan, long-term debt financing, placement of the subordinated debt, public underwriting and municipal financing. Accordingly, we are drafting a co-manager agreement for your review.

There are two essential tasks that must be completed for this project to continue at the pace you have asked us to meet. First, the Kansas economic development legislation must be passed. It should be obvious to you after your sessions in New York with Paine Webber that this project is not feasible without the legislation that you have outlined. Major theme park projects require substantial economic development

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Mr. Robert B. Kory
March 18, 1993
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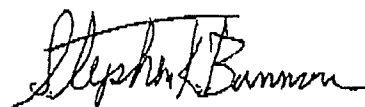
assistance, but this need is acute in Kansas because Kansas is not yet a tourist destination, although you have convinced us that with appropriate investment, your project can ultimately make Kansas City such a destination in the Midwest.

Second, we concur with your judgment that you must expand your board of directors. The caliber of individuals whom you have discussed with us will provide the credibility in the financial and entertainment communities necessary for our financing effort. We would be happy to provide any assistance you might request in this regard. We assume you have or are eliminating the negative elements disclosed to us.

I understand that the Kansas legislators would like confirmation of the status of our financing efforts on your behalf as well as our commitment to this project. Please feel free to provide a copy of this letter to the legislative leadership. I look forward to an opportunity to visit Kansas with you at the earliest convenient date. Until then, I would be happy to speak with key legislators by telephone. I am in New York for the next ten days.

After the enormous resources we have committed to analysis of your project, even the hard boiled skeptics in our firm have become believers in your project. We look forward to working with you and Paine Webber to take this project to a successful conclusion.

Sincerely,



Stephen K. Bannon

cc: Kip Frey, Esq.

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