

Approved: Feb 23, 1994
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:10 a.m. on February 22, 1994 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Committee Secretary

Conferees appearing before the committee: Sara Ullman, Johnson County Register of Deeds
Ed Schaub, Western Resources
Joe Swalwell, Downtown Topeka Inc.
Ernie Mosher, City of Topeka
Mary Martin, Johnson County Board of Commissioners

Others attending: See attached list

APPROVAL OF MINUTES

Senator Tiahrt moved to approve the minutes of February 21, 1994. The motion was seconded by Senator Bond. The motion carried.

Chairman Langworthy called the committee's attention to the testimony of James C. Marvin on **SB 733**. (Attachment 1)

SB 752--MORTGAGE REGISTRATION

Sara Ullman, Johnson County Register of Deeds, appeared in support of **SB 752**. (Attachment 2) She said this is merely a cleanup bill. There are two aspects to the bill, the first is the eliminating of the rounding up or rounding down in calculating mortgage registration fees. They desire to simplify the process by eliminating the rounding procedure. Calculations would be done using the actual indebtedness. The second item deals with allowing the lender to provide an affidavit that apportions the indebtedness in a multi-county mortgage. Allowing the lender to apportion the indebtedness between the properties in the various counties would eliminate the current time delays in disbursement of fees.

There were questions from the committee if this has an impact on second mortgages and the answer was "no". Second mortgages currently are exempt. It does apply to all mortgages including commercial, agricultural, and gas and oil.

Ed Schaub, Western Resources, stated they are neither proponents nor opponents. (Attachment 3) However, in reviewing the bill, he wanted to call the attention of the committee to a matter that could be of benefit to Kansas. He asked that the bill be amended to add an 8th exemption where a change of Trustee is appropriate and could result in increased business in Kansas. (See attached balloon on attachment 3) An example was given by Mr. Schaub.

The hearing was closed on **SB 752**.

SB 698--NEIGHBORHOOD AND CENTRAL CITY DEVELOPMENT

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:10 a.m. on February 22, 1994.

Joe Swalwell, Downtown Topeka, Inc., spoke in support of **SB 698**. (Attachment 4) He said through a study done for the city of Topeka, they determined there was an ongoing deterioration in the central city. Other cities in Kansas and also other states were contacted and they found that nearly all of these cities had similar conditions in their central areas. Several states have adopted legislation and ordinances that allowed them to grant special tax incentives for redevelopment. **SB 698** is a composite of several plans. He proposed a substitute bill. (Attachment 5)

There were many questions from the committee concerning the definition of neighborhood and who would determine where the neighborhoods were located. The statement was made that this is simply an abatement of taxes and whether or not that could be done under Kansas law. There were also questions about the payment of back taxes and Mr. Swalwell said they would have to be paid.

Ernie Mosher, City of Topeka, said they are generally supportive of **SB 698**. He stated there is a bill in the House, **HB 2736** which is similar. He said he thinks **SB 698** needs some significant changes. He thinks it is workable, it is needed in the blighted areas and they want something like this bill.

The members of the committee thought the concept of the bill was good but a number of problems need to be worked out.

SB 752--MORTGAGE REGISTRATION

Senator Bond moved to approve the amendment in the balloon on SB 752 and to pass the bill favorably as amended. The motion was seconded by Senator Martin. The motion carried.

SB 769--DELINQUENT REAL ESTATE TAX SALES

Mary Martin, Johnson County Board of Commissioners, said **SB 769** would help alleviate paper work and would help people to qualify for available social assistance but only if they are not delinquent in their taxes. The current statute permits the homestead owner to make partial redemption of delinquent taxes, but does not limit the number of times an owner may make partial redemption. They are requesting an amendment which would require delinquent taxes/special assessment must be paid in full within a reasonable period of time. The bill requires that once an owner makes partial redemption, they must then redeem all delinquent taxes within three years after the date of the partial redemption. Failure to do so would result in foreclosure.

Ms. Martin was asked if there was abuse of the system and she said a number of property owners simply stay a year ahead of foreclosure at the present time. She said they get ready to foreclose and they pay one years delinquent taxes. She said she had only seen one hardship case and the lady's attorney wanted her to catch up with the delinquent taxes so she would qualify for some social programs.

No action was taken on the bill.

The meeting was adjourned at 12:00 noon.

The next meeting is scheduled for Wednesday, February 23, 1994.

DATE: February 22, 1994

[illegible]

18 February, 1994

Remarks prepared for delivery before the Senate Assessment and Taxation Committee.

James C. Marvin, member, State Library Advisory Commission; former director, Topeka Public Library, now the Topeka and Shawnee County Public Library.

The Kansas Library Association, of which I am a long-time member, has asked me to speak on behalf of SB 733, which they endorse. It is a pleasure to do so.

During my 25 years as administrator of Topeka's public library, I was involved in all legislative initiatives regarding it, except the organizing statute. This activity has had me before numerous legislative committees on innumerable occasions. The interest and help of the Legislature has always been appreciated, even though the effort was frequently rather narrowly focused.

On my arrival in Topeka, its public library had a mill levy cap of $2\frac{1}{2}$ mills. After several years, working closely with the Salina and Hutchinson public libraries (both of which had grown into our population category described by statute), we were successful in obtaining an increase to 4 mills.

Several years ago, in seeking more assured financial support, we were successful in obtaining a mill levy raise to 6 mills, with the proviso that no annual increase could exceed $1/4$ mill, and that such intent to levy was to be published in advance, and subject to a protest petition and election. I was told at the time that this was the first instance where such a "ratcheting up" appeared in the Statutes. Be that as it may, the plan was successful, and while the $1/4$ mill was a rather narrow step forward, when coupled with valuation growth, allowed the library to plan ahead, without continually being buffeted by funding uncertainty. No levy has ever been protested by petition or election.

In my opinion, the library has acted responsibly with this small authority and has served its public well.

In the fall of 1992, voters in Topeka and the rural townships in Shawnee County which do not already have established libraries, voted to form a new public library unit of government. This newly organized library has a mill levy authority of from 5 - 8 mills, and the $1/4$ mill annual levy cap still exists. In visiting with the library's chief financial officer, I was told that the $1/4$ mill is not adequate. Although this library is not covered by this legislation, I feel they would be supportive of its intent.

Thank you for your consideration and help.

*Senate Assess + Tax
February 22, 1994
attach 1-1*

REGISTER OF DEEDS

KANSAS ASSOCIATION

PRESIDENT Rose Ann Rupp
VICE-PRESIDENT Jacque Webb

Sharlene Wright SECRETARY
Sue Neustifter TREASURER

TO: Senate Committee -- Assessment and Taxation

FROM: Sara F. Ullmann, Johnson County and Linda Fincham, Marshall County
Co-Chairs, Register of Deeds Association Legislative Committee

RE: Senate Bill 752

DATE: February 22, 1994

Thank you very much for the opportunity to testify. The Register of Deeds Association is here to ask for your support of S.B. 752. We believe that the changes requested clarify and simplify procedures in our office.

The first change deals with the elimination of the rounding process in calculating mortgage registration fees. Calculations would be done using the actual indebtedness, thus eliminating the rounding step. Historically, the rounding system was used to eliminate dealing with pennies in the collection of fees. When the additional one cent was added to fund the Heritage Trust Fund, pennies became a daily part of revenue collection. Therefore, we desire to further simplify the process by eliminating the rounding procedure.

The second items deals with allowing the lender to provide an affidavit that apportions the indebtedness in a multi-county mortgage. The current procedure requires that after the recording of a multi-county mortgage, the county treasurer in the county where the mortgage registration fees were collected, contacts the other counties involved concerning the appraised value of the property in their county. When all appraised values are reported, the apportionment of the mortgage registration fees is then calculated by the treasurer and disbursements are made based on this information. Allowing the lender to apportion the indebtedness between the properties in the various counties, would eliminated the current time delays in disbursement of fees.

We are happy to answer any questions concerning these changes.

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attach 2-1

**Testimony to Senate Assessment
and Taxation Committee**

**By Ed Schaub
Western Resources, Inc.**

Madame Chairperson and members of the Committee I am Ed Schaub representing Western Resources Inc. I am appearing today in regard to SB752.

We recognize the housekeeping nature of the bill and therefore are neither proponents nor opponents. The bill appears to have no fiscal impact. In reviewing the bill we identified a matter which we believe could be of benefit to the State.

K.S.A. 1993 Supp. 79-3102(d) provides 7 instances where mortgage registration fees are not required for a filing in the office of the Register of Deeds. We believe an 8th exemption where a change of Trustee is the only change being made is appropriate and could result in increased business in Kansas. I have attached our proposed amendment to this testimony.

In support of the proposal Western Resources is considering a change in Trustee under our existing mortgage. Under the existing statute we believe to do so could result in fees of several million dollars. The existing statute is a major disincentive to making such a change to a Kansas Trustee. While we have not yet selected a new Trustee it is our belief that adopting the proposed amendment could result in increased business opportunities for Kansas banks with the resultant benefits to our economy as a whole.

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attach 3-1*

1 all as may be assigned, continued, transferred, reissued or otherwise
2 changed by reason of, incident to or having to do with the migration
3 to this state of any corporation, by merger or consolidation with a
4 domestic corporation as survivor, or by other means, where the
5 original secured transaction, for which the registration fee has once
6 been paid, is thereby continued or otherwise acknowledged or val-
7 idated; (5) any mortgage or other instrument given in the form of
8 an affidavit of equitable interest solely for the purpose of providing
9 notification by the purchaser of real property of the purchaser's
10 interest therein; (6) any mortgage in which a certified development
11 corporation certified by the United States small business adminis-
12 tration participates pursuant to its community economic development
13 program; or (7) any mortgage for which the registration fee is oth-
14 erwise not required by law.

15 (e) The register of deeds shall receive no additional fees or salary
16 by reason of the receipt of fees as herein provided. After the payment
17 of the registration fees as aforesaid the mortgage and the note thereby
18 secured shall not otherwise be taxable.

19 Sec. 2. K.S.A. 1993 Supp. 79-3105 is hereby amended to read
20 as follows: 79-3105. When a mortgage covers property situated in
21 two or more counties, the registration fee herein provided for shall
22 be paid to the register of deeds and county treasurer as hereinbefore
23 provided, of the county where it is first presented for record, and
24 the county treasurer so receiving such fee shall apportion the same
25 among the counties in which the real property is situated, based
26 upon the respective county appraised valuations, and promptly pay
27 over such proportionate amounts to the respective county treasurers.
28 *The register of deeds shall require an affidavit setting forth the*
29 *appraised valuation of such property or, if there is no valuation for*
30 *the property, the fair market value of such property.* Should any
31 contention arise as to the division and distribution of such registration
32 fees, the same shall be referred to the state director of property
33 valuation, who is hereby authorized and directed to decide the same,
34 which decision shall be final.

35 Sec. 3. K.S.A. 1993 Supp. 79-3102 and 79-3105 are hereby re-
36 pealed.

37 Sec. 4. This act shall take effect and be in force from and after
38 its publication in the statute book.

any mortgage or other instrument
given for the sole purpose of
changing the Trustee; or (8)

PRESENTATION BY DOWNTOWN TOPEKA INC.
TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE
RE: SENATE BILL 698
SEN. ANTHONY HENSLEY
FEBRUARY 22, 1994

Thank you for allowing us time on your agenda.

Downtown Topeka Inc. is a volunteer organization, established in 1964. Our membership includes small and medium sized businesses and major corporations. Most of our corporate members have their headquarters in the core area. Over 17,000 workers in Topeka are employed by our members. DTI has a history of serving the city and our members as a resource for information and direction for the central city.

In July of 1992, Downtown Topeka Inc. called together a Blue Ribbon Panel of community leaders to review and study the needs of the central city. This panel was divided into six subcommittees: Taxes, Housing, Infrastructure, Building Space, Consumer Services and Human Services.

During the balance of 1992, these citizens met many times with experts and representatives of other cities, to explore these subjects. Each subcommittee made a series of preliminary recommendations. From these recommendations, it was concluded that we needed specific information in several areas.

The city agreed to sponsor additional research for DTI to gather that information. We provided to the city, a Property Valuation Profile, a Crime Profile and a Physical Survey of Properties. We presented our findings to the city Sept. 1, 1993.

As a result of these studies, it became apparent that there was an ongoing deterioration in our central city. We then contacted other cities in Kansas, and cities in other states, to compare our information and findings with their cities. We found that nearly all of these cities had similar conditions in their central city. We found several states, such as Iowa, Oklahoma, Oregon and Washington, had adopted legislation and ordinances that allowed them to grant special tax incentives for redevelopment.

This bill, #698, is a composite of several plans. In this Act, the State of Kansas would give governing bodies the authority to designate an area or areas of the city as redevelopment districts. Under the Act, qualified projects within the designated areas may be eligible to receive a refund on the increase in taxes that result from the improvements made. We envision this bill would have a limited time for people to apply. This would prompt them to take advantage of it quickly.

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attach 4-1

PRESENTATION BY DOWNTOWN TOPEKA INC.
TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE
RE: SENATE BILL 698
SEN. ANTHONY HENSLEY
FEBRUARY 22, 1994

The primary intent of this bill is to provide communities with a long-term increase and a stabilization in their tax base by encouraging rehabilitation or new construction which might not otherwise occur.

Some specific benefits within the Act are:

- * The Act will provide incentives for neighborhood housing improvements through tax refunds.
- * People with limited resources will be able to take advantage of this program.
- * The Act does not interfere with current tax revenues.
- * The Act creates new tax revenue, without creating a fiscal burden for the cities.
- * It will offer incentives for development in specific areas of our communities.
- * It will encourage commercial and industrial development in specific parts of the city.
- * It will help create jobs.
- * It will help reverse the outward migration of central city residents, and the resulting deterioration of the neighborhoods.
- * It will enhance the fiscal capacity for city governments to grow and serve their community.
- * The Act provides a limited window of opportunity for participation, thereby prompting response from the community.

We hope you will support this bill. We feel it provides flexibility so that each city may participate according to their needs.

Thank you.

Presented by Joe Swalwell, executive director
of Downtown Topeka Inc. Feb. 22, 1994.

PROPOSED BILL NO. _____

By

AN ACT concerning municipalities; relating to neighborhood revitalization.

Be it enacted by the Legislature of the State of Kansas:

Section 1. This act shall be known and may be cited as the Kansas neighborhood revitalization act.

Sec. 2. As used in this act:

(a) "Municipality" means any municipality as defined by K.S.A. 10-1101, and amendments thereto.

(b) "Neighborhood revitalization area means:

(1) An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare;

(2) an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, predominance of defective or inadequate street layout, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or

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constitutes an economic or social liability and is a menace to the public health, safety or welfare in its present condition and use; or

(3) an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

(c) "Governing body" means the governing body of any municipality.

(d) "Increment" means that amount of ad valorem taxes collected from real property located within the neighborhood revitalization area that is in excess of the amount which is produced from such property and attributable to the assessed valuation of such property prior to the date the neighborhood revitalization area was established pursuant to this act.

Sec. 3. The governing body of any municipality may designate any area within such municipality as a neighborhood revitalization area if the governing body finds that the rehabilitation, conservation, redevelopment or economic development of the area is necessary to protect the public health, safety or welfare of the residents of the municipality.

Sec. 4. (a) Prior to designating an area as a neighborhood revitalization area, the governing body shall adopt a plan for the revitalization of such area. Such plan shall include:

(1) A legal description of the real estate forming the boundaries of the proposed area and a map depicting the existing parcels of real estate;

(2) the existing assessed valuation of the real estate in the proposed area, listing the land and building values separately;

(3) a list of names and addresses of the owners of record of real estate within the area;

(4) the existing zoning classifications and district boundaries and the existing and proposed land uses within the area;

(5) any proposals for improving or expanding municipal

services within the area including, but not limited to, transportation facilities, water and sewage systems, refuse collection, road and street maintenance, park and recreation facilities and police and fire protection;

(6) a statement specifying what property is eligible for revitalization and whether rehabilitation and additions to existing buildings or new construction or both is eligible for revitalization;

(7) the criteria to be used by the governing body to determine what property is eligible for revitalization;

(8) the contents of an application for a rebate authorized by section 5;

(9) the procedure for submission of an application for a rebate authorized by section 5;

(10) the standards or criteria to be used when reviewing and approving applications for a rebate authorized by section 5; and

(11) any other matter deemed necessary by the governing body.

(b) Prior to adopting a plan pursuant to this section, the governing body shall call and hold a hearing on the proposal. Notice of such hearing shall be published at least once each week for two consecutive weeks in a newspaper of general circulation within the municipality. Following such hearing, or the continuation thereof, the governing body may adopt such plan.

Sec. 5. (a) Following adoption of a plan pursuant to section 4, the governing body shall create a neighborhood revitalization fund to finance the redevelopment of designated revitalization areas and to provide rebates authorized by this section. Moneys may be budgeted and transferred to such fund from any source which may be lawfully utilized for such purposes.

(b) Moneys credited to such fund from annually budgeted transfers shall not be subject to the provisions of K.S.A. 79-2925 through 79-2937, and amendments thereto. In making the budget of the municipality, the amounts credited to, and the amount on hand in, such neighborhood revitalization fund and the

amount expended therefrom shall be shown thereon for the information of taxpayers. Moneys in such fund may be invested in accordance with K.S.A. 10-131, and amendments thereto with the interest credited to the fund.

(c) If the governing body determines that money which has been credited to such fund or any part thereof is not needed for the purposes for which so budgeted or transferred, the governing body may transfer such amount not needed to the fund from which it came and such retransfer and expenditure shall be subject to the provisions of K.S.A. 79-2925 through 79-2937, inclusive, and amendments thereto.

(d) Any increment in ad valorem property taxes levied by the municipality resulting from improvements by a taxpayer to property in a neighborhood revitalization area shall be credited to the fund for the purpose of returning the increment to the taxpayer in the form of a rebate. Applications for rebates shall be submitted in the manner provided by the revitalization plan adopted under section 4. Upon approval of an application received hereunder the municipality shall rebate any incremental increases in ad valorem property tax resulting from the improvements within 30 days of payment by the taxpayer.

Sec. 6. Any two or more municipalities may agree pursuant to K.S.A. 12-2901 et seq., and amendments thereto, to exercise the powers and duties authorized by this act.

Sec. 7. This is enabling legislation for the revitalization of neighborhood areas and is not intended to prevent cities and counties from enacting and enforcing additional laws and regulations on the same subject which are not in conflict with the provisions of this act.

Sec. 8. This act shall take effect and be in force from and after its publication in the statute book.