



KANSAS BANKERS ASSOCIATION

Date: March 3, 2022

To: Senate Committee on Local Government
Senator Carolyn McGinn, Chair

From: Kelly VanZwoll, Assistant Vice President – Government Relations
Kansas Bankers Association

Re: Verbal Proponent Testimony – SB 510

Madam Chair and committee members, I am Kelly VanZwoll providing testimony on behalf of the Kansas Bankers Association (KBA). The KBA was organized in 1887, and our membership includes 99% of the 220 banks and savings & loans headquartered in Kansas. Our membership also includes 20 out-of-state commercial banks operating in Kansas. The Kansas banking industry employs more than 22,000 Kansans that provide financial services in every county across the state. Our organizational mission statement is:

"Together, we support our member banks and bankers with leadership, advocacy, and education to benefit the communities and customers they serve."

SB 510 would create the Kansas Vacant Property Act to prohibit municipalities from imposing fees or registration requirements on unoccupied residential or commercial property.

Some municipalities within Kansas have passed local ordinances creating vacant property registrations that require the owner to register and pay a fee for their vacant properties. These ordinances include financial institutions as "owners." However, when a financial institution forecloses, and the property is vacant during the foreclosure period, the lender is legally not allowed to sell the property until the foreclosure process is complete. The foreclosure process can last a minimum of 12 to 18 months. This means that under some of the existing ordinances, lenders would then be required to pay a fee to the city for that period even though the bank cannot do anything to the property. Even when the court foreclosure is complete and the property is sold at Sheriff's sale, there is an additional 3 to 12 month statutory redemption period which continues to block the bank's ability to do anything with the property. The bank would have to take additional legal action to reduce the redemption period.

Put another way, these ordinances require a bank to maintain and secure the real estate before becoming a true owner. Kansas law is quite clear that even during a foreclosure action, a bank cannot take any action towards any real estate, including the abatement of any nuisances.

Attached to this testimony is a proposed friendly amendment to clarify that this applies to lenders and financial institutions.



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We understand that vacant properties can be a safety hazard and support efforts to improve that. Our members believe in being strong community partners with our local municipalities; however, we believe imposing excessive fees for a vacant property registry is unnecessary and unfair in financial institutions that do not even own the property.

We support the concept of SB 510 and would be happy to work with any interested parties to make this legislation work. Again, Madam Chair, thank you for your time, and if you or the committee have questions or require additional information, don't hesitate to get in touch with me at kvanzwoll@ksbankers.com or (785) 232-3444.

Section 1. (a) This section shall be known and may be cited as the Kansas vacant property act.

(b) As used in this section:

(1) "Municipality" means any city, county, township or other political or taxing subdivision;

(2) "vacant property" means any parcel of residential or commercial real estate that:

(A) For property consisting of a single unit, is not occupied; or

(B) for property consisting of multiple units, has one or more units that are not occupied.

(c) No municipality shall adopt or enforce any ordinance, resolution or regulation and no agent of any municipality shall take any administrative action that requires any owner, operator, ~~or~~ manager, **lienholder or mortgagee** of any vacant property to:

(1) Register or otherwise submit such property to such municipality for inclusion in a record of vacant properties maintained by such municipality or any agent thereof; or

(2) pay any tax, fee or other charge for such property if such tax, fee or other charge is levied, assessed or otherwise imposed on the basis that such property is vacant property **or to enforce a mortgage by judicial means.**

(d) Any ordinance, resolution or regulation prohibited by subsection (c) that was adopted prior to July 1, 2022, shall be null and void.

(e) For purposes of this section, property shall be considered vacant regardless of the cause of such vacancy, including, but not limited to, default, foreclosure, probate or bankruptcy.

(f) Nothing in this section shall be construed to prohibit or otherwise limit a municipality from adopting or enforcing any ordinances, resolutions or regulations concerning vacant property that are applicable to other real property located in such municipality.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.