

## **STAR Bonds Renewal and Modification; House Sub. for SB 124**

**House Sub. for SB 124** supplements, amends, and reauthorizes the Sales Tax and Revenue (STAR) Bonds program (program).

### ***Restriction on Financial Benefits***

The bill states no state or local government official shall be employed by a STAR Bond project developer or manager through direct employment or through work as an independent contractor.

The bill defines a “state or local government official” as:

- A member of the Legislature;
- An appointed or elected official or officer of a state agency, office, board, commission, authority, or institution; and
- An appointed or elected official, officer, or member of the governmental authority of a city, county, township, school district, special district, board, or commission.

### ***Definitions***

The bill adds “major business facility” to the list of types of areas or facilities defined as “eligible areas” for the program. A “major business facility” is defined as a significant business headquarters or office building that is designed to draw a substantial number of new visitors to Kansas. The term “substantial” is not defined. The bill requires major business facilities to meet sales tax increment revenue requirements established by the Secretary of Commerce (Secretary) independent of associated retail businesses located in the STAR Bond project district and agree to provide visitor tracking data, including aggregate visitor residence zip code data, to the Secretary.

The bill also adds a “rural redevelopment project” to the list of eligible costs for which a STAR Bond project could expend funds. A “rural redevelopment project” is defined as a project that is not in a city with a population of more than 50,000; has regional importance; has a minimum of \$3.0 million in capital investment; allows for vertical building and rehabilitation; and would enhance the quality of life in the community and region. The bill does not define what is considered an enhancement of quality of life for the community and region.

The definition of “STAR Bond project district” is amended to state if a project is in a metropolitan statistical area, as defined by the federal Office of Management and Budget, then the district must be a contiguous parcel of real estate.

The bill amends the definition of “commence work” to require the work be done pursuant to an approved plan of construction. The bill amends the definition of “developer” to include, for reporting purposes, the names of the owners, partners, officers, or principals of the developer.

## ***Eligibility***

The bill adjusts the eligibility requirements for a project under the program by increasing the minimum required capital investment and projected gross annual sales amounts from \$50.0 million each to \$75.0 million each, or \$40.0 million each if the project is in a metropolitan area with a population between 50,000 and 75,000 and the project is deemed of high value by the Secretary.

The bill also includes rural redevelopment projects, as defined in the bill, as being eligible for the program.

## ***Project Proposal***

The bill clarifies and expands requirements that must be fulfilled prior to consideration or approval of a project under the program.

A city or county wishing to propose a project must first have a feasibility study conducted by one or more consultants. The bill requires these consultants to be selected and approved by the Secretary, and the costs paid by the developer, city, or county in question. The bill also gives the Secretary control and oversight over the scope of the project. The Secretary is also allowed to establish a list of preapproved consultants and preapproved study parameters and methods.

The “visitation expectations” element of the proposal is required to contain a plan detailing how the project’s number of visitors would be tracked and reported to the Secretary on a yearly basis. The plan must include the reporting of visitor zip code data to the Secretary in an aggregate manner without personal identifying information.

The bill requires the economic impact portion of a feasibility study for a STAR Bond project to include the anticipated effects of the project on the regional and statewide economies.

The bill also requires a net return on investment analysis; a summary of community involvement, participation, and support for the project; and a full disclosure of all federal, state, and local tax incentives applicable to the STAR Bond district to be included in the proposal. The information concerning tax incentives must be provided at the public hearing considering the adoption of the STAR Bond project plan.

The bill requires the resolution and ordinance required upon a city or county establishing a STAR Bond project district to include a description of all federal, state, and local tax incentives applicable to the STAR Bond district and any business located in the district.

The bill clarifies that if a developer has not commenced work on the project within two years of approval of the STAR Bond project plan, funding will cease, and the developer can resubmit the project to the Secretary for reapproval within one year.

## ***Financing***

Rural redevelopment projects can finance projects from sales tax revenues annually up to \$10.0 million and are not required to issue special obligation bonds unless the amount to be financed exceeds \$10.0 million for each project.

The bill states for all projects established after July 1, 2021, with existing sales tax revenue, such pledge cannot exceed 90.0 percent of new state sales tax collections in excess of the existing base sales tax revenue.

## ***Reporting and Website Links***

The bill requires the annual STAR Bond report provided by the Department of Commerce to the Legislature to include information on gross annual sales, gross annual sales projected pursuant to the STAR Bond project plan and feasibility study, and gross annual sales required to meet bond debt service requirements and other expenses. The report must also include visitor tracking plan data, including zip code residence data and a description of all federal, state, and local tax incentives applicable within the STAR Bond district or to any business located in the district.

The bill requires cities, counties, and developers to provide all information requested by the Secretary for the Department of Commerce Economic Development Incentive Program Database.

The bill requires cities and counties that have websites to include on the first page of their websites notice for the public hearing to consider the establishment of a STAR Bond district; the ordinance or resolution, including the STAR Bond project district plan and legal description of the district; and any information concerning public hearing records and feasibility studies for STAR Bond projects. Additionally, the bill requires direct links to information for each STAR Bond project within the Department of Commerce Economic Development Incentive Program Database.

## ***Sale of Land***

Any transfer of ownership in real property acquired with the proceeds of STAR Bonds under the program requires authorization from the Secretary and, while STAR Bonds remain outstanding, the disclosure of the sale price and the name of the purchaser and any individual owner, partner, officer, or principal of the purchaser.

## ***Sunset***

The program is authorized until July 1, 2026.