

Date: March 16, 2021
To: House Commerce
From: Trey Cocking, Deputy Director
Re: Testimony in Support of SB 124

We want to thank Chairman Tarwater and the Committee members for allowing the League of Kansas Municipalities the opportunity to testify in support of SB 124.

The League and our members are very supportive of extending the STAR Bond Act which is an extremely important economic development tool that can be used by Kansas municipalities to finance the development of major commercial, entertainment, and tourism areas. However, we are concerned with the amendment that was placed on the bill by the Senate Committee of the Whole and would ask that it be removed in the committee report.

Several significant projects and developments have been accomplished or are underway because of the financing options afforded under the STAR Bond Act. The most visible of these projects is Village West and the Kansas Speedway, which was paid off five years early and is now contributing significant, additional revenue to Kansas City, Wyandotte County and the State. There are many other projects across the State, perhaps not as visible, but just as important to the local and state economy. The City of Manhattan, for instance, had a STAR Bond project approved in 2006. The City issued \$50 million in STAR bonds in 2009 toward Manhattan's Downtown Redevelopment, including the construction of the Flint Hills Discovery Center which hosts over 80,000 visitors a year. In 2018, those visitors came from 48 states and 36 countries. Over \$100 million of private investment was leveraged during Manhattan's Downtown Redevelopment due to the influence of STAR Bonds. The property valuation of the downtown district grew from \$15.9 million in 2006 to over \$42 million in valuation today. It is anticipated the Bonds will be paid off by the end of 2022, well in advance of the district's life of 2026. The STAR Bond Act has proven it is an important piece of legislation for both local and statewide economic development. This Act has been used by both large and small cities including Kansas City, Atchison, Dodge City, Wichita, Garden City, Manhattan, Derby, Salina, and Topeka.

This bill would make STAR Bonds an even more powerful economic development tool and allow for greater usage in rural areas of Kansas. The rural development provision would allow for a project to occur outside of a major metropolitan area with a capital investment of at least \$3,000,000. Currently, the smallest project which has taken place is in Atchison with a total capital investment of \$10,425,000 with \$2,370,000 coming from STAR Bonds. The bill would also allow

STAR Bonds to be used for the construction of major business facilities which would allow for significant new headquarters construction or office building development. This provision would provide for a higher number of white-collar jobs that will improve and diversify the Kansas economy.

The League and our member cities are concerned with the amendment that was added on Senate floor, that would prohibit any state or local government official from directly or indirectly benefiting financially from any STAR Bond project. Our concern is that this is very broad language and that could impact a City Manager that receives a positive evaluation after the completion of STAR Bond project, it could also impact a councilmember that is also a doctor if they treat a patient that was involved in workers comp injury that occurred at the project. It would potentially limit the number of contractors and subcontractors that could bid on project. In addition, if an official owned a piece of property that had its value increased because of a successful project are they prevented from selling the property?

STAR Bonds continue to be an incredibly powerful economic development tool. We are very supportive of a five-year extension and would urge this committee to amend SB 124 and then report the bill favorably for passage.