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**STAR Bonds
SB 124**

February 9, 2020

Senate Committee on Commerce

Chair Olson, Members of the Committee: Thank you for the opportunity to submit testimony in favor of STAR Bond reauthorization, and as a proponent of SB 124. We appreciate the time and effort of the Chair and Committee to seriously study the issue of STAR Bond reform and reauthorization, and to hold hearings on the subject. We believe STAR Bond reauthorization is good public policy that allows for certain reforms to be made, while still allowing the program to continue so we can carry on with our work in creating first class regional and national attractions for the State of Kansas that drive tourism and consumer spending. We ask the Chair and Committee to consider a single amendment to Senate Bill 124, as more particularly described below. However, I would like to take a moment to first touch on a few of the meaningful and far-reaching impacts attributable to STAR Bonds and the public-private partnerships behind them.

STAR Bonds are one of the most powerful tools, if not *the* most powerful tool, for economic development in Kansas, and played a huge role in the about-face of Wyandotte County. It began more than twenty years ago with the Kansas Speedway, and STAR Bonds have continued to spur and stimulate other surrounding and supportive development, including the Village West STAR Bond project that, as of early 2020, had created 11,000 new jobs and, in turn, \$7 million of new State income taxes, as well as \$42 million in annual sales tax revenue for the State. Projects

made possible because of STAR Bonds include everything from Nebraska Furniture Mart, the Legends and Cabela's, to Sporting Kansas City, Children's Mercy Park and the U.S. National Training Center.

The impact of STAR Bonds isn't just limited to Wyandotte County, however; this tool has also produced substantial and positive results elsewhere in the State, including Garden City, Dodge City, Salina, Hutchinson, Wichita, Derby, and Goddard, to name a few. All of these projects have driven additional economic development in Kansas, and helped to provide new opportunities for many of our communities. My firm is very proud to have worked closely with this Committee, the legislature, the Governor, local government, and many other interested stakeholders in seeing these projects through fruition.

Above all else, STAR Bonds provide an important competitive advantage. The physical tourism and major business attractants of Kansas are few and far between. However, we do have a great business climate and some of the strongest public-private partnerships like STAR Bonds that are the envy of other states. I have been involved with innumerable projects and spoken about Kansas development incentives in a number of other jurisdictions around the country. Many are envious of STAR Bonds. They realize that this tool is about investing in our future now in order to realize tangible and substantial benefits down the road.

We applaud the Committee for seriously studying the issue of STAR Bond reform, and rise today as proponents of STAR Bond reauthorization and SB 124, subject to a single modification to K.S.A 12-17, 171(f). To ensure that STAR Bonds are not restricted in such a way as to prevent the influx of the private capital necessary to get these projects done, we ask that the following text

be struck from K.S.A. 12-17,171: “(f) *The transfer of any ownership interest in real property acquired with the proceeds from STAR bonds shall require the advance approval of the secretary.*”

The very definition of a public-private partnership is that both public and private dollars flow into a project to make it a success. Private capital cannot be premised on the need for future governmental action and approvals, however, as it’s critical that the rules for private debt and equity be established at the beginning of a project. Otherwise, potential lenders and investors will view the risk as too great and simply choose not to participate.

Hard-wiring a restriction on transfer into the statute would have a chilling effect on the ability to raise private capital and pursue the creative financing structures, including debt and joint ventures, that it takes to get these projects done. There is a long-standing tradition of strong collaboration and successful relationships among the State, local government and developers when it comes to STAR Bonds. We urge the Committee to remove this provision from the statute, and instead continue to handle appropriate restrictions through the Secretary’s approval letters and Development Agreements with the affected municipalities.

We urge the Chair and Committee to consider amending SB 124 accordingly.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Korb W. Maxwell', is positioned above the printed name.

Korb W. Maxwell