

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairwoman Lana Gordon at 3:30 P.M. on January 20, 2005 in Room 526-S of the Capitol.

All members were present

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Renaë Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Pat Hubbell, Heartland Park, Topeka
John Yeary, Department Of Commerce
Allen Bell, Director of Economic Development, Wichita
Mike Taylor, Unified Government of Wyandotte Co
Penny Postoak Ferguson, Asst. City Manager, Overland Park
Steve Graham, Vice President Destination Development, Red Development
Bud Burke, Olathe

Chairwoman Gordon recognized Pat Hubbell from Heartland Park, Topeka. Mr. Hubbell introduced a bill pertaining to Heartland Park. A motion was made by Representative Kuether to introduce the legislation proposed by Mr. Hubbell. The motion was seconded by Representative Novascone. A vote was taken, motion passed.

Helen Pedigo of the Office of Revisor of Statutes for the Legislature gave a briefing on STAR bonds. Basically, STAR bonds are one type of payment for tax increment financing. Tax Increment Financing (TIF) was authorized in Kansas in 1976. Subsequent years brought amendments extending its applications. In 2003, amendments provided statewide authority for STAR bonds to be used for special bond projects. A special bond project is a redevelopment project with at least a \$50 million capital investment and \$50 million in projected gross annual sales revenues.

Some types of projects STAR bonds can be used for are auto race track, major multi-sport athletic complex, and other major tourism and commercial entertainment projects.

A city may establish one or more special bond projects within the city and these projects are eligible for financing by STAR bonds. However, each project must be approved by the Secretary based upon Department of Commerce and statute criteria.

If the developer does not commence work on the project within 2 years of the project plan adoption date, STAR bond funding ceases. A marketing study is required, and if this study indicates a substantial negative impact on existing businesses in the projected market area, or if granting the special bond project would cause a default in the repayment of presently outstanding STAR bonds, the Secretary cannot approve the project.

STAR bonds may not be used to finance personal property as defined in the state's property tax laws. All cities that have projects financed with STAR bonds are required to prepare and submit an annual report to the Governor, the Secretary of Commerce, Kansas Inc. and the Legislature by October 1 of each year. (Attachment 1)

Representative Burroughs complimented the staff for keeping up on updating the rules and regulations after all the changes that were made last year. Chairwoman Gordon also complimented the staff for their work noting that the material is fairly easy to understand.

John Yeary of the Kansas Department of Commerce gave a presentation on Proposed STAR bond regulations as authorized by 2004 Session Laws. This proposal has been approved by the Department of Administration and is currently pending at the office of the Attorney General. After an application has been received, there

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is a two step process. Once the eligible area designation has been granted, overall approval of the special bonds project authority is required.

Upon completion of the Secretary's review of each special bond project plan, each applicant shall receive a written response containing a determination or seeking further information. Before the Secretary approves the use of STAR bonds to finance any special bond project, the applicant shall provide the Secretary with evidence that the applicant has with due diligence explored the background and financial viability of the principals involved in the development of the project.

Each city that issues STAR bonds shall file a report with the secretary each September until the STAR bonds are paid in full. (Attachment 2)

Chairwoman Gordon questioned whether the following items were addressed in the rules and regulations: 1. Internal rate of return, (2) the tax dollars of projects that the state will receive after payoff, and (3) impact on business. Mr. Yeary said they were not. In the interim Joint Committee on Economic Development, **HB 2012** was introduced in order to address some issues of importance to the committee.

Allen Bell, Director of Economic Development for Wichita, gave a presentation on the use of STAR bonds in Wichita. Wichita plans to use STAR bonds as part of the financing package for the Downtown WaterWalk Project.

The City of Wichita regards the use of STAR bond financing as a very important and very specialized economic development tool that should be used only for major projects that will draw visitors to a community from outside the region and state. (Attachment 3)

STAR bonds were used in Wyandotte County for the Kansas Speedway and Village West development. By using the innovative economic development tool known as STAR bonds, the newly generated sales tax dollars produced by the development go to help pay for the development. (Attachment 4)

On December 29, 2004, Secretary of Commerce, Howard Fricke approved an application for \$49.4 million of STAR bonds for an 8,000-seat event center in Overland Park. When completed, the events center will be part of a venue that includes a 330,000 square foot entertainment district. The projected cost for the events center and entertainment district is \$139 million.

Feasibility studies have been completed within the last month. Overland Park has signed letters of intent with RED Development, which is proposing the project, and with Centerplate, who is proposed to manage the events center. This project is expected to attract 3 million visitors, generate about 1,000 full-time equivalent construction jobs; have an indirect employment impact of 227 full-time equivalent jobs and \$3.75 million in personal income; create \$114 million in annual sales; and generate about 60,475 hotel room nights and lodging revenues of \$5.4 million. (Attachment 5)

Bud Burke of Olathe recognized the incredible potential STAR bonds could have on Kansas' economic climate. The City of Olathe successfully supported legislation that would make this tool available for cities across the state. Olathe is planning a project which will include a 9,000 seat arena for sporting events, family shows and concerts. The retail component is planned to include a 125,000 sq. foot destination retail store. The retail component also envisions including another 185,000 sq. foot major concept store.

Financing of the project has been negotiated and established in order for it to be submitted to the Olathe City Council for approval. It outlines city backing and addresses the placement and sale of STAR bonds. This project will be about a \$330 million dollar investment in Kansas with a major economic impact. To date, Olathe has conditional approval to issue \$50 million in STAR bonds for the project. The Secretary has indicated the project could be eligible for up to ½ of the total investment. (Attachment 6)

The meeting was adjourned at 5:10 p.m. The next meeting is scheduled for Tuesday, January 25, 2005.