

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
Rena 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

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on January 20, 2005 in Room 526-S of the Capitol.

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.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 1-20-05

NAME	REPRESENTING
Mike Stattles	KGC
April Holman	Kansas Action for Children
Matt Jordan	Commerce
John Yeary	Commerce
Steve Johnson	Kansas GAS Service
Christy Caldwell	Topeka Chamber of Commerce

NORMAN J. FURSE, ATTORNEY
REVISOR OF STATUTES

JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR



LEGAL CONSULTATION—LEGISLATIVE
COMMITTEES AND LEGISLATORS
LEGISLATIVE BILL DRAFTING
SECRETARY—LEGISLATIVE
COORDINATING COUNCIL
SECRETARY—KANSAS COMMISSION
ON INTERSTATE COOPERATION
KANSAS STATUTES ANNOTATED
EDITING AND PUBLICATION
LEGISLATIVE INFORMATION SYSTEM

OFFICE OF REVISOR OF STATUTES

300 SW TENTH AVE - STE 322, Statehouse—TOPEKA, KANSAS 66612-1592

PHONE (785) 296-2321 FAX (785) 296-6668

E-mail: Revisor'sOffice@rs.state.ks.us

HOUSE ECONOMIC DEVELOPMENT COMMITTEE STAR BONDS BRIEFING Helen Pedigo, Assistant Revisor

January 20, 2005

History: Tax increment financing was first used as a funding technique in California in 1952. Since that time, forty-eight states have passed legislation authorizing the use of TIF by local governments.¹ In Kansas, TIF was authorized in 1976.² Subsequent years brought amendments extending its application to: central business districts (1979)³; use of industrial revenue bonds within redevelopment project areas (1980)⁴; certain enterprise zones (1982)⁵; full faith and credit tax increment bonds (1984)⁶; environmental contamination areas (1991)⁷; conservation areas (1996)⁸; major tourism area - Oz Theme Park (1993)⁹; and other major tourism areas (1997)¹⁰. In 1997, the Legislature authorized the use of transient guest, sales and use tax proceeds to retire special obligation bonds. A 20-year repayment period was triggered by transmittal of the redevelopment plan, rather than creation of the redevelopment district.¹¹ Legislation also authorized that an auto race track facility be included in the allowable list of project costs, and that all tax payments, not just the increment, could be used to pay off TIF bonds. A compensation formula was set for property to be acquired for the auto race track. A minimum relocation payment was established at \$500.¹² At this time, the Sunflower Ammunition Site was added with a requirement of at least \$300 million in capital improvements and the Parsons Ammunition Site was added with at least \$5 million in capital improvements and at least 150 positions.¹³ Legislation expanded STAR bond financing to include buildings designated as historic theaters.¹⁴ Legislation passed in 2001 reorganized and clarified the existing statutes without making changes to the substantive law.¹⁵

2003 and beyond: In 2003,¹⁶ 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. If the project is located outside of a metropolitan statistical area, the Secretary of Commerce must find it to be in an eligible area and of regional or statewide importance. An eligible area includes a blighted area, conservation area, enterprise zone, historic theater, major tourism area (auto race track costing \$100 million or more), major commercial entertainment and tourism (includes, but is not limited to a major multi-sport athletic complex) area or bioscience development area (under control of the Bioscience Authority, used and maintained by a bioscience company; or includes a bioscience facility). A river walk canal facility is a canal and related water features located adjacent to a river which flows through a major commercial entertainment and tourism area and the facilities related or contiguous thereto. River walk canal facilities are included in the list of redevelopment project costs which may be financed by STAR bonds.

A city may establish one or more special bond projects within the city and these projects are eligible for financing by special obligation STAR bonds. However, each project must be approved by the Secretary based upon a required feasibility study. If the required marketing 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 payment of outstanding STAR bonds, the Secretary shall not approve the project. If the project is an arena in Wichita, the city's voters must approve the project before it is submitted to the Secretary for approval. This language was stricken in 2004 (2004 Kansas Session Laws, Chapter 183).

The law requires 100% of local sales tax be pledged to fund the special obligation bonds except for those amounts committed to other use by election of voters prior to the effective date of this act. A business shall not benefit from TIF if it relocates within 50 miles of the major commercial, entertainment and tourism area in Kansas. The maturity date of STAR bonds may not exceed 20 years.

The legislation sets out the procedure for project approval including plan requirements, a public hearing and approval by the Secretary. One of the required components of the project plan is a feasibility study showing whether the benefits, tax increment revenue and other financing of the special bond project are expected to be sufficient to pay for the special bond and the effect, if any, the special bond project will have on outstanding STAR bonds. A marketing study is required to examining the impact of the special bond project upon similar businesses in the projected market area.

If the developer does not commence work on the project within 2 years of the project plan adoption date, STAR bond funding ceases. An appeal to the Secretary within one year can restart the funding after which the two-year period for commencing work applies. Kansas resident employees shall be given priority consideration in construction employment. The State Treasurer is required to place state sales tax increment moneys from taxpayers doing business with the entities financed by a special bond project into the City Bond Finance Fund. Kansas, Inc. is required to include an analysis of STAR bonds in the agency's annual report on the cost effectiveness of economic development tax exemptions and credits. STAR bond authority for special bond projects will sunset on July 1, 2007.

Effective in June, 2004, TIF amendments allow any redevelopment district established prior to January 1, 2003, to continue to receive transient guest, sales and use taxes from taxpayers, whether or not revenues from such taxes are received by the city. This amendment covered an issue created when destination sourcing laws became effective. In addition, the bill includes the following components:

- STAR bonds may not be used to finance personal property as defined in the state's property tax laws.
- Redevelopment districts may be established wholly outside of a city's boundaries with written approval of the county commission.
- The Department of Commerce was given authority to adopt rules and regulations.
- Tax increment financing bonds are payable from all revenues received by the city or county from any transient guest, local sales and use taxes which are collected from

taxpayers doing business within that portion of the city's redevelopment district.

- A city that owns a building or structure that is financed in whole or in part by STAR bonds is allowed to engage a manager to manage such building or structure and the contractual relationship is not deemed a lease to a developer as defined in the tax increment financing laws. This is important because, in general, "redevelopment project costs" shall not include construction costs of buildings or other structures to be owned by or leased to a developer.

- A city that exercises eminent domain to acquire property must compensate the property owner at least 125 percent of the highest appraised valuation based on the highest of the prior three years assessed value.

- 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 that describes the status of any projects within the redevelopment area.

1. *Tax Increment Financing and Economic Development*, Edited by Craig L. Johnson and Joyce Y. Man, State University of New York Press, Albany, 2001.

2. 1976 Kansas Session Laws, Chapter 69, §4.

3. 1979 Kansas Session Laws, Chapter 52, §1.

4. 1980 Kansas Session Laws, Chapter 68, §4.

5. 1982 Kansas Session Laws, Chapter 75, §1.

6. 1984 Kansas Session Laws, Chapter 74, §1.

7. 1991 Kansas Session Laws, Chapter 59, §1.

8. 1996 Kansas Session Laws, Chapter 228, §2.

9. 1993 Kansas Session Laws, Chapter 213, §2.

10. 1997 Kansas Session Laws, Chapter 162, §2.

11. 1998 Kansas Session Laws, Chapter 169, §1.

12. 1998 Kansas Session Laws, Chapter 17, §6.

13. 1998 Kansas Session Laws, Chapter 199, §1.

14. 1999 Kansas Session Laws, Chapter 83, §4.

15. 2001 Kansas Session Laws, Chapter 103.

16. 2001 Kansas Session Laws, Chapter 97.

CURRENT TAX INCREMENT FINANCING STATUTES

REDEVELOPMENT DISTRICTS

Eligible Areas (12-1770a)

1. Conservation areas
2. Enterprise zone
3. Blighted areas
4. Historic theater
5. Major tourism area
6. Major commercial entertainment and tourism area
7. Bioscience development area

Types of projects (12-1770a)

1. Auto race track
2. Special bond projects
3. River walk canal facilities
4. Major multi-sport athletic complex
5. Bioscience development project
6. Other major tourism and commercial entertainment projects
7. Environmental cleanup

Financing of projects (12-1774)

1. Special obligation bonds, subsection(a), payable from:
 - A. Property tax (a(1)(A))
 - B. Revenue derived by the city (a(1)(B))
 - C. Private sources (a(1)(C))
 - D. (I) City transient guest tax (a(1)(D))
(II) State and local sales and use tax (a(1)(D))
 - E. (I) City revenue from franchise fees collected from utilities, businesses using a public right-of-way in a redevelopment area (a(1)(E))
(II) A pledge of all the city's revenue from sales tax (a(1)(E))
 - F. County transient guest, local sales and use taxes (a(1)(F))
 - G. Any combination of A through F
2. Full faith and credit tax increment bonds, subsection (b), available for a (A) 12-1770 redevelopment project or a (B) special bond project, payable from:
 - A. any method set out in 12-1774 (a) or combination thereof

RELATED TIF STATUTES

12-1771	Resolution procedure to establish a redevelopment or bioscience development district
12-1771a	Conditions required for establishing financing for environmentally contaminated areas
12-1771b	Additional procedures for a redevelopment district containing an auto race track facility and major tourism area
12-1771d	Requirements for designating a building as a historic theater area
12-1772	Procedures for establishing redevelopment or bioscience projects within a redevelopment or bioscience development district
12-1773	Requirements and procedures for condemnation proceedings

KANSAS DEPARTMENT OF COMMERCE

Proposed STAR Bond Regulations

Authorized by 2004 Session Laws of the State of Kansas, Chapter 183, Section 7

Presented to the House Economic Development Committee

January 20, 2005

**SPECIAL BOND PROJECT
PROCESS and RESOURCES AVAILABLE OVERVIEW**

Guidance is available to prospective applicants on the Kansas Department of Commerce website.

Commerce staff is available for consultation and informal discussion regarding possible projects.

The formal application process entails a City submitting an application to the Secretary which contains a description of the project, written documentation of redevelopment district establishment proceedings, contact information for project representatives, a description of all proposed sources of financing for the project including sources of revenue which may be pledged to pay any bonds issued, a draft feasibility study, and a market impact study for the proposed project. The Secretary may request additional information or ask questions about information submitted.

The Secretary issues a determination regarding whether the project is in an "eligible area" for STAR bond financing purposes.

Upon a finding by the Secretary that the project is in an "eligible area" the City works on submission of a full and complete special bond project proposal which includes evidence of compliance with each of the statutory requirements set forth in K.S.A. 12-1780c. The City should provide specific information about the sources, amounts and uses of the funds which will be pledged to the Project. This information should clearly identify each type of debt financing proposed to be used, e.g. STAR, TIF, GO, etc., and should specify the principal amount of each type of bond, the revenue sources proposed to be pledged, the City's component of sales and use taxes, and the proposed amortizations.

Upon receipt of a completed Proposal the Secretary may request any additional information that the Secretary may deem necessary or useful to his decision making process including: additional information regarding the methodology utilized to arrive at the projections, copies of contracts or letters of intent with project tenants or participants, etc.

Based on the totality of all the information provided in a City's proposal for a Special Bond Project, the Secretary will determine whether the project is a Special Bond Project and issue a written determination to the City.

110-9-1. Definitions. As used in these regulations, the following terms shall have these meanings:

(a) "Act" means K.S.A. 12-1770 et seq., and amendments thereto.

(b) "Applicant" means a city in Kansas seeking to finance a redevelopment project using STAR bonds.

(c) "City" means the governing body of an incorporated Kansas municipality.

(d) "Department" means the Kansas department of commerce.

(e) "Direct expenditures" means visitors' spending that directly supports the jobs and incomes of people and firms that deal directly with visitors brought to an area by a tourism attraction.

(f) "Eligible area" has the meaning specified in K.S.A. 12-1770a, and amendments thereto. This term may include noncontiguous land if the secretary determines that a sufficient connection exists appropriate for the proposed project.

(g) "Employee" means a person who is employed by a business to perform duties in connection with the operation of the business on one of the following bases:

(1) A year-round, full-time basis;

(2) a part-time basis, if the person is customarily performing the duties at least 20 hours each week throughout the taxable year; or

(3) a seasonal basis, if the person performs the duties for substantially all of the season customary for the position in which the person is employed.

(h) "Enabling effects" means the pattern of business development of compatible industries in an area or region due to direct, indirect, or induced expenditures and the

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environmental effects of a tourism attraction.

(i) "Fixtures" means goods, as defined in the uniform commercial code, K.S.A. 84-1-101 et seq. and amendments thereto, that have become so related to specific real property that an interest in them arises under real property law.

(j) "Indirect expenditures" means the amount of money expended in regional sectors that supply goods and services in support of the direct expenditures resulting from a tourism attraction.

(k) "Induced expenditures" means the increased sales within a region resulting from a tourism attraction.

(l) "Infrastructure" means the equipment and installations related to water, sewers, utilities, streets, easements, sidewalks, landscaping, parking lots, and other municipal and public services provided for a project. The term shall not include personnel and employees.

(m) "Local market area" means a radius of 50 miles from a redevelopment district, excluding areas not located within the state of Kansas.

(n) "Major commercial entertainment and tourism area" means an area that, in addition to meeting the eligibility requirements of K.S.A. 12-1770a(1)(z) and amendments thereto, is a statewide and regional destination. This term shall include any high quality, innovative entertainment and tourism attraction containing unique features that will increase tourism, generate significant positive and diverse economic and fiscal impacts, and be capable of sustainable development over time.

(o) "Market impact" means the economic effect of the implementation of a redevelopment plan.

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(p) "Market type" means a specification of the type of use or occupant space in a redevelopment subproject, including generalized office space, lodging, consulting services, health care offices, general retail, department stores, food service, and other retail establishments.

(q) "Municipal revenue sources" means the funds specified in K.S.A. 12-1774(a)(1), and amendments thereto, that will be used to pay the principal and interest of the special bond project, as defined in K.S.A. 12-1770a(z) and amendments thereto.

(r) "Personal property" has the meaning specified in K.S.A. 79-102, and amendments thereto. However, fixtures shall not be deemed personal property for purposes of these regulations.

(s) "Preapplication" means a voluntary submission of documentation by a city during the period after the adoption of a project plan in accordance with K.S.A. 12-1780c(e), and amendments thereto, when the applicant is seeking departmental input on or assistance with a proposed project, but is not yet seeking a final decision from the secretary.

(t) "Secretary" means the secretary of the department of commerce.

(u) "STAR bonds" means sales tax revenue bonds payable from the revenue sources identified in K.S.A. 12-1774(a)(1)(D), and amendments thereto. (Authorized by and implementing L. 2004, Ch. 183, § 7; effective P-_____.)

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110-9-2. Special bond project plan; additional documentation. Each applicant that desires to use STAR bonds to finance a special bond project in Kansas shall apply to the secretary for a determination that the project qualifies as a major commercial entertainment or tourism area. If the project is to be located in a redevelopment district that is wholly within a county but not within a city's limits, then after the county approves the creation of the district, a city within the county shall agree by interlocal agreement to be the county's sponsoring applicant.

(a) Each applicant shall provide the secretary with a special bond project plan prepared pursuant to K.S.A. 12-1780c, and amendments thereto. Each applicant shall also provide the following:

(1) Documentation that the city has met all resolution, hearing, and ordinance requirements;

(2) a statement on how the proposed project meets the eligibility limitations on bond authority set forth in K.S.A. 12-1770a(g), and amendments thereto;

(3) evidence of financial commitments by prospective project tenants;

(4) a proposed specimen bond;

(5) a project budget; and

(6) any other relevant information required by the secretary.

(b) The summary of the feasibility study included as part of the special bond project plan shall be prepared by an independent party with recognized expertise in preparing this type of study and shall include the following:

(1) The information required by K.S.A. 12-1770a(k), and amendments thereto;

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(2) a description of any project submitted under K.S.A. 12-1771d, and amendments thereto, to satisfy the requirements of K.S.A. 12-1770a(i), and amendments thereto;

(3) a statement of how the jobs and taxes obtained from the project will contribute significantly to the economic development of the state and region;

(4) a statement concerning whether a portion of the sales taxes collected pursuant to K.S.A. 12-187, and amendments thereto, is committed to other uses and unavailable as revenue for the redevelopment project. If a portion of sales taxes is so committed, the applicant shall describe the following:

(A) The percentage of sales taxes collected that is so committed; and

(B) the date or dates on which this diverted revenue can be pledged for repayment of special obligation bonds;

(5) an anticipated principal and interest payment schedule on the bonds; and

(6) a copy of the minutes of the governing body meeting or meetings of any city whose bonding authority will be utilized in the project, evidencing that a redevelopment plan has been created, discussed, and adopted by the city in a regularly scheduled open public meeting.

(c) If any of the items specified in this regulation are not included, the applicant shall be notified about the items or information required to be provided to the secretary before the secretary will respond. (Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1770a, as amended by L. 2004, Ch. 173, § 5, K.S.A. 2003 Supp. 12-1771d, K.S.A. 2003 Supp. 12-1780b, as amended by L. 2004, Ch. 183, § 5, and K.S.A. 2003 Supp. 12-1780c, as amended by L. 2004, Ch. 183, § 6; effective P-_____.)

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110-9-3. Certain findings; timing. If a finding by the secretary is required under K.S.A. 12-1774(a)(1)(D) and amendments thereto, the finding shall be made by the secretary within 60 days of the submission of the information required by K.A.R. 110-9-2 by the city to the secretary. The finding shall be published in the Kansas register within 30 days after being made by the secretary. A copy of this finding, when made, shall be mailed to the appropriate city clerk. (Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1770a, as amended by L. 2004, Ch. 173, § 5, and K.S.A. 2003 Supp. 12-1774(a)(1)(D), as amended by L. 2004, Ch. 183, § 4; effective P-_____.)

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110-9-4. **Secretary's review.** 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. (Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1770a(g), as amended by L. 2004, Ch. 173, § 5, and K.S.A. 2003 Supp. 12-1774(a)(1)(D), as amended by L. 2004, Ch. 183, § 4; effective P-_____.)

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110-9-5. Due diligence. 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. If any principal involved in the development of the project has been convicted of a felony or a misdemeanor involving moral turpitude or business or financial improprieties, or is now or has ever been charged with or convicted of any civil or criminal offense relating to the conduct of the business of the principal or the issuance, sale, or solicitation for sale of any type of security, the applicant shall disclose this information.

(Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1774(a)(1)(D), as amended by L. 2004, Ch. 183, § 4; effective P-_____.)

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110-9-6. Major commercial entertainment and tourism area; criteria. The following criteria shall be utilized by the secretary to determine whether a proposed project constitutes a major commercial entertainment and tourism area:

(a) Visitation, which shall include the following:

(1) Out-of-state visitation;

(2) visitation drawn from more than 100 miles distant from the community where the proposed project would be located; and

(3) the total annual visitation;

(b) economic impact, which shall include the following:

(1) Direct expenditures, as defined in K.A.R. 110-9-1;

(2) indirect expenditures, as defined in K.A.R. 110-9-1;

(3) induced expenditures, as defined in K.A.R. 110-9-1;

(4) enabling effects, as defined in K.A.R. 110-9-1; and

(5) direct job creation, defined as the total number of jobs supported by the proposed project, specified as full-time, part-time, or seasonal;

(c) the unique quality of the proposed project, in terms of any of the following:

(1) The national destination attraction market;

(2) a defined multistate market area;

(3) the Kansas destination attraction market;

(4) the ability of the proposed project to utilize the nature, culture, or heritage that is unique to Kansas; or

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(5) the ability of the proposed project to provide Kansas with a valuable, national market brand identity;

(d) the ability of the proposed project to gain sufficient market share to meet the following conditions:

(1) Remain profitable past the term of repayment of the STAR bonds; and

(2) maintain status as a significant factor for travel decisions;

(e) integration and collaboration with other resources or businesses, as determined by any of the following:

(1) Creation of overnight stays;

(2) collaboration or competition with other available retail and destination attractions;

(3) the ability of the proposed project to utilize the nature, culture, or heritage that is unique to Kansas; and

(4) short-term and long-term marketing plans, with emphasis upon cluster, niche, and cooperative marketing;

(f) the quality of service and experience provided, as measured against national consumer standards for the specific target market; and

(g) proposed project accountability, measured according to best industry practices.

(Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1770a, as amended by L. 2004, Ch. 173, § 5, and K.S.A. 2003 Supp. 12-1774(a)(1)(D), as amended by L. 2004, Ch. 183, § 4; effective P-_____.)

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110-9-7. Annual report. Each city that issues STAR bonds shall file a report with the secretary each September until the STAR bonds are paid in full. Each report shall include the following information:

- (a) The identification of each STAR bond project in the redevelopment district;
- (b) an updated list of all attractions and projects in the redevelopment district;
- (c) a list of the businesses attracted to the region encompassing the redevelopment district and details about the number of jobs created or maintained, investment amounts, and infrastructure services provided;
- (d) an estimate of the fiscal and economic impact of the redevelopment project businesses during the previous 12 months;
- (e) bond repayment status, including the amounts paid and the amounts remaining owed, and a comparison of these amounts to the projected bond repayment schedule; and
- (f) any other relevant information requested by the secretary. (Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1774, as amended by L. 2004, Ch. 183, § 4; effective P-_____.)

DEPT. OF ADMINISTRATION

NOV 18 2004

APPROVED BY FDL

2-13

110-9-8. Bond payments; bond payoff; subsequent special bond projects. (a) Each bond trustee shall distribute all revenues that have been pledged to pay the principal and interest on the special obligation bonds issued by a city to finance a special bond project in accordance with the provisions of the applicable bond resolution or trust indenture, upon distribution of the revenues by the Kansas department of revenue to the bond trustee.

(b) Whenever the secretary of revenue and the bond trustee determine that revenues sufficient to retire the special obligation bonds issued by a city to finance a special bond project have been collected and distributed to the bond trustee, thereafter all sales tax and other revenues shall be collected and distributed in the same manner as if the redevelopment district in which the special bond project is located had not been established.

(c) A city that has received STAR bond funding shall not receive additional STAR bond funding for any subsequent special bond project in the same redevelopment district without first receiving approval for each subsequent special bond project from the secretary. (Authorized by L. 2004, Ch. 183, § 7; implementing K.S.A. 2003 Supp. 12-1774, as amended by L. 2004, Ch. 183, § 4; effective P-_____.)

DEPT. OF ADMINISTRATION

NOV 19 2004

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2-14



LEGISLATIVE TESTIMONY

TO: Chairperson Lana Gordon and Members of the House Committee on Economic Development

SUBJECT: Testimony on Status of Wichita Star Bond Projects

SUBMITTED BY: Allen Bell, Economic Development Director

DATE: January 20, 2005

Thank you for the opportunity to update the Committee on the status of Wichita's plans to use STAR Bonds as part of the financing package for the downtown WaterWalk Project. As a reminder, the WaterWalk Project is a mixed use redevelopment project located in a deteriorated area immediately south of the Century II convention complex. It is a public-private partnership that will combine public improvements including a waterway, parking facilities, street improvements, plaza areas, an outdoor amphitheater and riverbank improvements with the private development of shopping, restaurants, offices, apartments and condominiums. That part of the WaterWalk Project will be fully financed with tax increment financing, general obligation bonds and private sector financing and is not in any way contingent on STAR Bond financing. Work on this portion of the project is well under way. Demolition of existing structures is almost complete. Architects are working on construction documents for both public and private improvements and construction will begin after the first of the year. Completion of this phase of the project is scheduled for the end of 2006.

The other major part of this project is the development of a major destination retail store that will help draw visitors to Wichita from a very wide area. In September, the City and WaterWalk developers announced that the destination retailer will be Gander Mountain, a Minnesota-based outdoor sports outfitter with 65 stores nationwide. Since then, negotiations for the development have been completed, the City Council has taken action to authorize the City's participation in the project and construction is set to begin this week. Gander Mountain plans to open its Wichita store on September 1, 2005.

Testimony on STAR Bond Status
House Committee on Economic Development
January 20, 2005

The City of Wichita still plans to use STAR Bonds as part of the financing package for the WaterWalk Project. STAR Bonds will be used for infrastructure and other costs specifically authorized in K.S.A. 12-1770a. The City's contribution to the construction of the Gander Mountain building is authorized in its approved capital improvement program and will not be financed with STAR bonds.

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. The statutes make that clear. We have not seriously contemplated the use of STAR bonds for other projects in Wichita and, at the present time, I cannot think of any future prospects for using STAR bonds in Wichita. On the other hand, I hope and trust that opportunities will present themselves in the future and when they do, we will be ready.

Thank you.



Testimony

Unified Government Public Relations
701 N. 7th Street, Room 620
Kansas City, Kansas 66101

Mike Taylor, Public Relations Director 913.573.5565
Don Denney, Media Relations Specialist 913.573.5544

STAR Bonds in Wyandotte County

Delivered January 20, 2005
House Economic Development Committee

The Kansas Speedway and Village West development in Wyandotte County is the most remarkable economic development success story the State of Kansas has ever seen. The area is the premier tourist destination in the State of Kansas, featuring two of the top three tourist attractions in the state and it is rapidly earning a notable place on the national map of places to visits.

Wyandotte County welcomes the 10-million people who are visiting Village West and the State of Kansas every year. What's perhaps the most amazing thing is that it's all happening at no cost to local taxpayers and no financial risk to the taxpayers of Kansas.

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. All stores and businesses in Village West and the Legends Shopping and Entertainment District pay full property taxes. And they will generate millions of dollars in new revenues and economic benefits annually, including: thousands of new jobs, millions of dollars in sales and income taxes and hundreds of millions in housing construction and related developments.

The success of this legendary development started with the opening of the Kansas Speedway in 2001. The Unified Government, Board of Public Utilities, the citizens of Wyandotte County and the State of Kansas teamed-up to bring the next generation NASCAR racing facility to Kansas. That bold decision led to development of Village West and its first retail tenants, Cabela's and Nebraska Furniture Mart.

Village West now features Community America Ball Park, home of the popular Kansas City T-Bones baseball team, the Great Wolf Lodge Resort, Chateau Avalon Hotel, Hampton Inn, Amini's Galleria, Russell Stover's, Arthur Bryant's Barbeque, Longhorn Steakhouse, Bob Evans, Applebee's, Ted Turner's Montana Grill, Jimmy Buffet's Cheeseburger In Paradise, McBride's Irish Pub and Sheridan's Frozen Custard. Coming soon are Lone Star Steakhouse, Johnny Carino's Italian Restaurant and Fire Mountain Grill.

Now, the progress, prosperity, pride and promise of Village West is continuing with The Legends Shopping and Entertainment District. The Legends will provide an impressive, convenient mix of retail stores to meet the daily needs of Wyandotte County and Kansas City metro residents. But it will also be a destination shopping experience which draws millions of visitors a year, many coming from more than 350 miles away.

The Legends will feature destination attractions by some of the world's most renowned entertainment and restaurant entrepreneurs, including Rainforest Cafe founder Steve Schussler, Hard Rock Cafe and House of Blues founder Isaac Tigrett and Dave Corriveau, founder of Dave and Buster's. The Legends will be the home of restaurants and attractions only found in places like Disneyworld, Miami, New York City and now... Kansas City, Kansas. All stores and businesses in the Legends Shopping and Entertainment District will pay full property taxes.

Construction is underway on the one-of-a-kind Legends Theatre. The Unified Government and Phoenix Theatres, LLC are partnering to build and operate the world-class, destination movie theatre in the Legends Shopping Center at Village West. The more than \$20-million theatre will host 14 screens and seat 3,000 people. The theater will offer a movie-going experience unique in the Kansas City metro. From the stunning architectural design to the state of the art sights and sounds, The Legends Theatre promises the stuff legends are made of.

House Economic Development
Attachment 14
1-20-05

Total investment in the Legends Shopping and Entertainment District is \$246-million. \$132-million in private investment dollars and \$114-million in public investment through the economic development tool known as STAR Bonds. STAR Bonds use the newly generated sales tax dollars produced by the development to help pay for the development. The Kansas Legislature approved STAR Bonds for Wyandotte County in the late 1990's.

The economic successes of the public/private partnerships which created Village West and Kansas Speedway are well documented and the projections are impressive:

- 10-million visitors annually
- Two-million square feet of development
- \$870-million in combined public and private investment
- \$450-million in annual sales
- \$53-million in annual tax revenue.
- \$7-million in new property taxes
- 4,000 new jobs
- \$114-million in new housing construction in 2003.

Ingram's Business magazine, a respected Kansas City publication recently reviewed the 30 Biggest Deals of the Past 30 Years in the Kansas City metro. The Kansas Speedway and Village West development was included. Ingram's said: *"The impact was both immediate and electric. The \$200-million in construction along the I-435 corridor generates more than \$300-million annually. Shrewd planning by the Unified Government also set the stage for retail and other development nearly equal to the Speedway itself. Overnight, KCK and western Wyandotte County became one of the hottest growth areas of the region. The timing was dramatic. KCK and Wyandotte County had been losing residents because of the lack of retail services and other amenities. That same lack of business hampered government services by lowering sales tax revenues and forcing up tax rates. The result was the kind of downward cycle that is hard to reverse."*

In December 2003, The Kansas City Star wrote:

"The biggest boom story continues to be the area around Kansas Speedway, where Cabela's and Nebraska Furniture Mart drew huge crowds. At times, it feels like the whole area is tilting noticeably toward western Wyandotte County."

And The Wall Street Journal noted in August 2003 that:

"KCK officials are even preparing to cut taxes at a time when local governments around the country are raising them."

There is a contention by some legislators that the way STAR Bonds were used in the Village West district does not meet the "spirit of the law" or is "not what the Legislature intended." Those allegations amount to revisionist history about what the law passed by the Legislature. What about the thousands of new jobs, the millions in new property taxes, and nearly half a billion dollars a year in economic activity did the Legislature not intend? Which part of those successes would critics of STAR Bonds undo if they could?

The fact is, everything Wyandotte County did with STAR Bonds, including the financing of personal property such as the animal displays in Cabela's and the audio-animatronics dinosaurs that will be displayed in the T-Rex Cafe was legal. Until Senate Bill 395 went into effect in June of 2004, the financing of personal property and buildings with STAR Bonds was legal. Even traditional Tax Increment Financing laws which were on the books long before STAR Bonds were created, allowed for amenities, landscaping, fountains, sculptures and many redevelopment expenses to be paid for with TIF proceeds. STAR Bonds were no different.

The insinuation that Wyandotte County slipped through a loophole in the law is not accurate. The development of the museums in Cabela's and the plans for the movie theatre were legal, approved, authorized and done with full knowledge of the previous Governor and Secretary of Commerce. It was also done with full public knowledge.

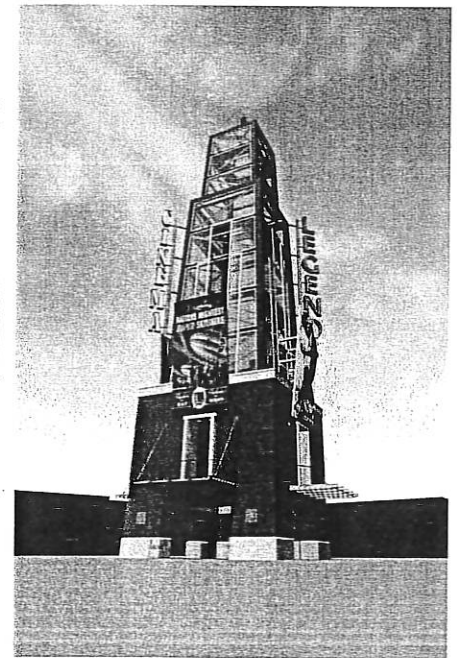
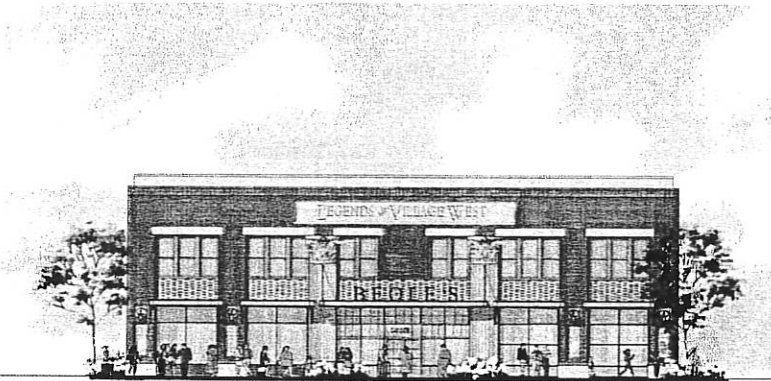
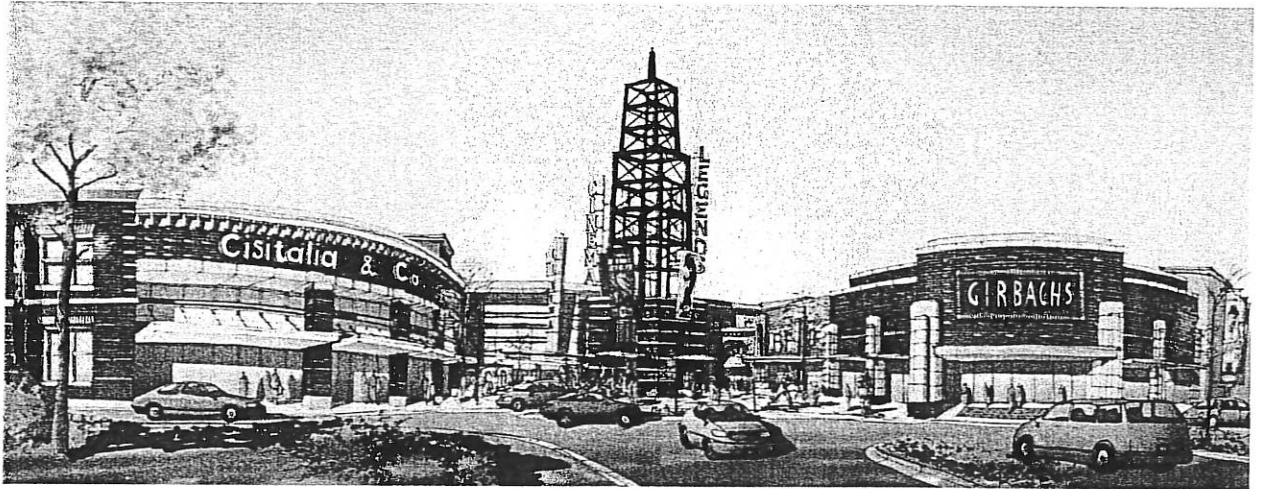
In March 2001 and again in November 2001, the Kansas City Star wrote detailed articles reporting the plan to use STAR Bond proceeds to finance personal property at Cabela's and build the movie theater. This topic was also widely discussed in public meetings of the Unified Government Commission and written about in other local newspapers. Wyandotte County did not sneak-around in this matter.

Are STAR Bonds being used appropriately? In the case of Wyandotte County and the Village West development, STAR Bonds are being used legally, effectively and have done exactly what was intended. Tremendous economic growth and prosperity for the State of Kansas with no financial risk.



Developments That Fit Your Lifestyle

THE LEGENDS



- Location:** I-435 & State Avenue
Kansas City, Kansas
- Size:** 100 Acres
- GLA:** 750,000 square feet
- Grand Opening:** Fall 2005

The Legends will be a vibrant addition to the Village West retail and entertainment destination development located in Kansas City, Kan. The Legends will offer specialty stores, unique retail, entertainment and dining venues to support and enhance any visitors' lifestyle.

Located within the single largest tourist attraction in Kansas, The Legends will be surrounded by major destinations, including leading outdoor retailer Cabela's, Nebraska Furniture Mart, a baseball stadium for the T-Bones Northern League baseball team, the Great Wolf Lodge resort featuring an indoor water park and the NASCAR Kansas Speedway.

The Legends will be sitting at the epicenter of a tourism district drawing potential customers from as far as 500 miles away. Village West is expected to serve more than 12 million people annually.

RED Development, LLC
Kansas City Office
4717 Central
Kansas City, MO 64112

816.777.3500
816.777.3501 fax

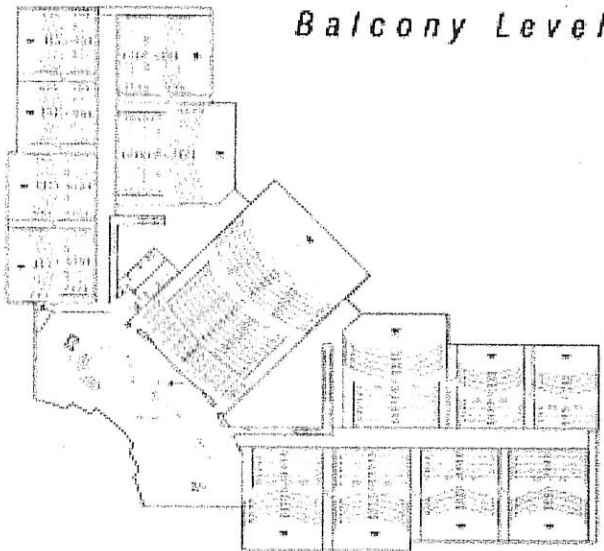
Scottsdale Office
6263 N. Scottsdale Rd.
Suite 222
Scottsdale, AZ 85250

480.947.7772
480.947.7997 fax

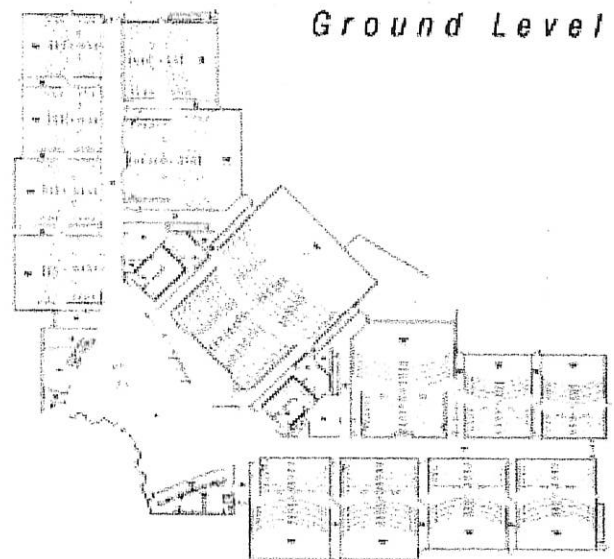
redddevelopment.com

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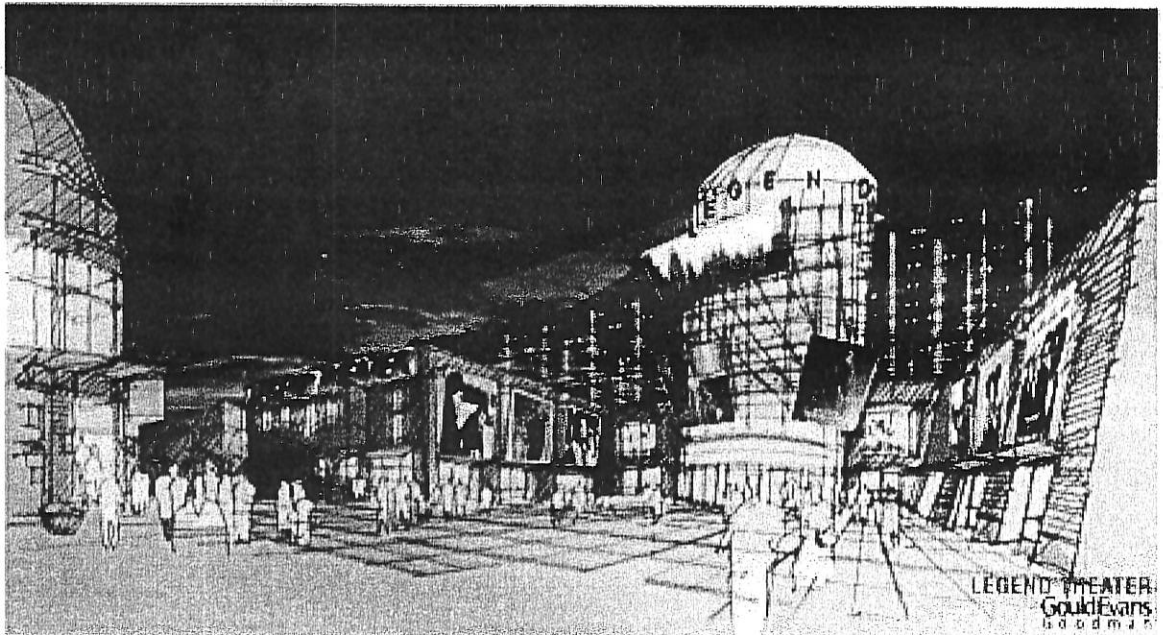
Balcony Level



Ground Level



the
legends theatre
at village west
 kansas city, ks





8500 Santa Fe Drive
Overland Park, Kansas 66212
913-895-6100 • Fax: 913-895-5003
www.opkansas.org

Testimony
Before The House Economic Development Committee
Regarding
Municipal Use of STAR Bonds

January 20, 2005

The City of Overland Park appreciates the opportunity to update the committee on our proposed arena and the role of STAR bonds in the project. We are excited about the progress of our development to date, and are even more enthusiastic about what it will mean to the City of Overland Park and the State of Kansas when completed.

We understand that some members of the legislature believe that STAR bonds have been used in a manner not intended under the original legislation. Senate Bill 395, passed by the legislature in 2004, addressed a number of these concerns. Our application to the Secretary of Commerce was made under rules and regulations promulgated by the Secretary based on discussions with the legislature. Among the requirements was a more in-depth feasibility study.

Secretary of Commerce Fricke approved our application for \$49.4 million of STAR bonds for an 8,000-seat event center on December 29, 2004. 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.

The city has signed letters of intent with RED Development, which is proposing the project, and with Centerplate, who is proposed to manage the events center. A number of steps remain prior to groundbreaking for the project. We are commissioning feasibility studies, working on timelines, working on retail tenants, and negotiating agreements.

The 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.

Thank you for providing us an opportunity to share some details about our project that will be utilizing STAR bonds for a portion of its financing. We are happy to share updates with you as appropriate, and look forward to showing you a completed product in the future.

House Economic Development
Attachment #5
1-20-05



TO: House Economic Development Committee Members
FROM: Bud Burke/Tim Danneberg, City of Olathe
SUBJECT: STAR Bond Update
DATE: January 20, 2004

Recognizing 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.

This tool has already proven successful, credited with creating the state's number one tourist attraction which is in Wyandotte County.

The intent of the legislation was clear; allow cities to take advantage of this tool, but to do so judiciously and only for major projects of regional significance. During last year's legislative session, there were concerns that this legislation would open the "flood gates" for projects that may not warrant such incentives and lead to a degradation on Kansas's competitive environment.

The opposite has occurred. The restrictions placed on STAR Bond eligibility require a great deal of work on the part of both cities and developers to secure the type of destination projects envisioned. Such work requires a great deal of time, commitment and private capital. In fact, the city is only aware of two STAR Bond projects being submitted to the Secretary of Commerce for his formal consideration to this point.

The due diligence and effort required to meet the requirements have taken Olathe a great deal of time. Our intent has, and continues to be to only deliver a project that will be of significant economic benefit to the Olathe and the entire state. As such, we continue working with the Secretary's office to finalize the components of the project and satisfy the intent of the legislation.

- The project is planned to include a 9,000 seat arena for sporting events family shows and concerts
- The retail component is planned to include an 125,000 sq foot destination retail store that is sought after by cities across North America
- The retail component also envisions including an 185,000 sq foot major concept store that will be new to the entire region as well as a "destination" type component of about 10,000 sp feet as envisioned by the Secretary.

House Economic Development
Attachment 5/6
1-20-05

- The 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.
- Included in that submission will be detailed financial studies outlining the potential impact and regional draw opportunities for the project.
- It is anticipated that about half of the project costs will be absorbed by the private sector.
- It will be about a \$330 million dollar investment in Kansas with a major economic impact.
- All revenue generated to pay STAR Bond financing will be revenue that would not exist but for the project.

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.

As envisioned by the legislation, the process has made it clear that only truly special projects for regional impact will move forward. This standard insures this tool will be used wisely and have the impact that was intended.

Regardless of the Olathe project, we strongly believe this tool is of incredible benefit to Kansas. It has shown to be effective, and the safeguards in place are addressing concerns expressed by the Legislature.