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MEMORANDUM

To: Chairman Tarwater and Members of the House Committee on Commerce, Labor
and Economic Development

From: Office of Revisor of Statutes

Date: March 10, 2025

Subject: Sub SB 197

I. SUMMARY

Substitute for SB 197 amends the STAR Bond Financing Act by:

1. Allowing vertical construction for projects in cities with a population under 60,000 if approved by the end of 2025;
2. removing authority for the use of eminent domain;
3. adding redevelopment of a mall as an eligible project;
4. increasing certain information transmitting and public transparency information publication requirements for the secretary and city and county governing bodies;
5. requiring collection and reporting of visitor data from all entities utilizing point-of-sale systems, as defined by the bill, within a STAR bond district;
6. prohibiting financial assistance from the state or state general fund moneys to be used for the purpose of paying STAR bonds; and
7. extending the STAR Bond Financing Act's expiration date to July 1, 2028.

II. DISCUSSION

A. Vertical Construction Allowed for Projects in Certain Cities; Deadline for Approval

The bill allows vertical construction for projects in cities with a population under 60,000 if the STAR bond project district is approved by the secretary prior to December 31, 2025. (New Section 2, pg. 2.) This provision was added by the Senate Committee of the Whole.

B. Authority for use of Eminent Domain Removed

The bill strikes the language in current law regarding use of eminent domain. (Sec. 3, amending K.S.A. 12-17,160, pg. 2.) In addition to the reference in Section 3, language discussing the use of eminent domain is removed in K.S.A. 12-17,172 at section 7, pages 22-23. Text is added specifically providing that "no city or county shall exercise eminent domain power to acquire real property for a STAR bond project." (Sec. 7, amending K.S.A. 12-17,172, pg. 23.)

C. Redevelopment of a Mall Added as Eligible Project

The redevelopment of a mall is added as an eligible project. Section 1 is a new section that discusses this new project type. A mall project may be located in a newly created mall STAR bond project district or in an existing STAR bond project district. STAR bonds issued for such a project may be financed by revenues as provided by the STAR bonds act for standard projects (K.S.A. 12-17,169(a)(1)) and may include 100% of the tax increment revenues from the district. Bonds issued may pay for any or all amounts of the overall project costs and shall not be limited to payment of only a certain percentage of total project costs. (New Section 1.)

The definition of eligible area, at Sec. 4, pg. 3 is amended to include a "mall facility." "Mall facility" is defined on page 10. "Mall facility" is also included within the definition of project costs at page 6, and includes:

"[A]ll costs necessary to implement a project plan for the redevelopment of a mall STAR bond project district, including costs incurred for the construction or renovation of interior and exterior structures, parking facilities and multi-level parking structures, infrastructure and utilities, the acquisition of personal property related thereto and any other related expenses necessary to develop and finance such mall facility"

(Sec. 4, amending K.S.A. 12-17,162, pg. 6.)

The definition of STAR bond project is amended to include an "approved mall STAR bond project as defined in subsection (ll).)" (Sec. 4., amending K.S.A. 12-17,162, pg. 7.)

Several definitions pertinent to a mall redevelopment project are also added in Sec. 4 at page 10:

"(jj) "Mall" means an enclosed area comprised of multiple interior facing businesses and stores primarily devoted to the in-person retail sale of goods and services and the parking, green space and arterial roads contiguous thereto.

"(kk) "Mall facility" means an area containing a mall that is located within the state of Kansas.

"(ll) "Mall STAR bond project" means an approved project to implement one or more project plans for the redevelopment of a mall STAR bond project district that:

"(1) Has a combined capital investment of at least \$10,000,000; and

"(2) contains a mall in which 50% or more of the total leasable area for businesses to operate in the mall is unoccupied.

"(mm) "Mall STAR bond project district" means the specific area declared to be an eligible area as determined by the secretary that will include a mall STAR bond project."

D. Information Transmission and Public Transparency Provisions

Under current law, the feasibility study required for approval of a project must include visitation expectations and a plan describing how the number of visitors to the STAR bond project district will be tracked and reported to the secretary on an annual basis. This reporting is amended to be required on a quarterly basis. (Sec. 5, amending K.S.A. 12-17,166, pg. 11.)

Current law requires that upon the governing body of a city or county adopting the STAR bond project plan, the clerk transmits a copy of the description of the land within the project district, the ordinance or resolution adopting the plan and a map showing the district boundaries to the county clerk, appraiser and treasurer of the county and the governing bodies of the county and school district. This information must be provided following adoption or modification of the plan on or before January 1 of the year in which the tax increment is first allocated to the taxing subdivision. The bill changes the timing of the transmittal of the information to within 90 days of the action by the city or county governing body and within 90 days of the selling of the bonds. (Sec. 5, amending K.S.A. 12-17,166, pg. 14.)

Current law requires that, if the STAR bond project plan is approved, the feasibility study must be supplemented to include the minutes of the governing body meetings of any city or county whose bonding authority will be used for the project pertaining to discussion of the project. The bill removes the condition of approval of the plan. (Sec. 5, amending K.S.A. 12-17,166, pg. 14.)

The bill requires that the city or county notify that the STAR bond project plan has been adopted and provide the amount of tax increment revenue received from the district on a continuing basis. (Sec. 5, amending K.S.A. 12-17,166, pg. 14.)

The secretary of commerce is required to make certain information available on the department's website:

- "(A) The feasibility study;
- "(B) the STAR bond project plan;
- "(C) the financial guarantees of the prospective developer;
- "(D) on a continuing basis, any subsequent modified versions of the information required by subparagraphs (A) through (C); and
- "(E) on a continuing basis, visitor data"

(Sec. 5, amending K.S.A. 12-17,166, pgs. 14-15.)

All of the above information must be provided Within 90 days of the adoption or modification by the city or county governing body of a STAR bond project plan, and within 90 days of the selling of the bonds. (Sec. 5(i), pg. 14.)

E. Collection of Visitor Data Required

The bill adds a requirement for all entities located in a STAR bond district using a point-of-sale system (as defined) to collect visitor data and provide such data to the secretary quarterly. Data is also to be collected from cash sales. (Sec. 5, amending K.S.A. 12-17,166, pg. 15.) The data is to be collected in aggregate form with no personally identifiable information and include visitor residence zip codes.

The secretary is directed to make the information available on the department's website within 90 days of receipt by the secretary. The secretary shall also include a calculation of the number of in-state and out-of-state visitors to the project each quarter. (Sec. 5, amending K.S.A. 12-17,166, pg. 15.)

F. Financial Assistance from the State or Use of State General Fund Moneys to Pay STAR Bonds Prohibited

The bill amends 12-17,169 to strike the reference to financial assistance from the state as a means of a source of payment for STAR bonds. (Sec. 6, line 11.) The bill also adds a

provision to the language addressing the bonds and bond payment that "under no circumstance shall state general fund moneys be pledged for the repayment of any special obligation bond issued by a city or county to finance a STAR bond project." This would include all projects, including any professional sports franchise project. (Sec. 6, amending 12-17,169, pg. 19.)

G. STAR Bond Financing Act Expiration Date Extended

Finally, the bill extends the expiration date of the STAR bond financing act for two years, from July 1, 2026 to July 1, 2028. (Sec. 8, amending K.S.A. 12-17,179, pg. 24.)

As amended by the Senate Committee of the Whole, the substitute bill was passed by the Senate 32 – 8.

If enacted, the bill would become effective July 1, 2025.

The bill as introduced extended the expiration date of the STAR Bonds Financing Act five years to July 1, 2030. There were no other provisions.