

Date: March 6, 2018

To: Senate Commerce

From: Amanda L. Stanley, General Counsel

Re: Testimony in Opposition to SB 432

I want to thank Chairwoman Lynn and the Committee members for allowing the League of Kansas Municipalities the opportunity to provide testimony in opposition to SB 432.

A number of significant projects and developments have been accomplished and/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 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 statewide economy. 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.

The League has concerns the additional requirements in the feasibility study in Section 6(b)(15) will not only be difficult to conduct, but stray from the original intent of the legislation. SB 432 requires “evidence of comparable project viability, to include demonstrated financial viability of at least three currently operating projects comparable to the project in scope and in project type that are located in the United States.” The original intent of STAR Bonds was to provide Kansas municipalities the opportunity to issue bonds to finance the development of unique commercial, entertainment, and tourism areas and use the sales tax revenue generated by the development to pay off the bonds. Cities are just as motivated as the State in seeing these projects succeed. These are projects cities see as giving their economy a big boost, not only inside the STAR bond project district, but also with other development and growth outside that area attracted by the STAR bond project.

Part of that success is directly related to the uniqueness of the project. This could make finding three comparable projects, that are willing to open their financial documents for comparison, extremely difficult. Take for example the new Field Station Dinosaur Park opening in Derby in May 2018, the Field Station is a unique experience where life-sized, realistic, robotic dinosaurs

come to life. There is only one other Field Station in the United States. Internet searches for comparable parks only locate four and one is in Germany. If SB 432 had been in effect when this project was approved as a STAR Bond project, finding not only three comparable projects, but three comparable projects willing to open their financials, might have been challenging. Additionally, SB 432 does not define what is a comparable project. In the case of the Field Station, is a comparable project only another dinosaur park with animatronic dinosaurs? Is it a museum? Is it an amusement park? As written, the proposed legislation is unclear. Additionally, in Section 6 (b)(5), SB 432 requires the city to show the unique quality of the project in the feasibility report while also showing multiple comparable projects in Section 6(b)(15). These two requirements seem at odds. While our members understand how scary it can be to take chance and invest in a certain economic development project, if the city and the State have done their due diligence on the project, the lack of comparable successful projects should not prevent the use of STAR Bonds on what could be the next Kansas success story.

Finally, the League has concerns that the formation of a three-person commission in SB 432 with one member appointed by the senate president, one member appointed by the speaker of the house and one member appointed by the secretary of commerce will politicize the approval of STAR Bond projects. STAR Bonds are an extremely important economic development tool for cities. These projects should be approved on an individual basis without even the appearance of the approval being influenced by politics.

We hope our concerns can be addressed; however, we will not be able to support legislation that has the potential to unduly burden and politicize an important economic development tool for our member cities.