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**TO: Senate Commerce Committee – March 8, 2018**

**FROM: Jason A. Gage, City Manager, City of Salina**

**SUBJECT: SB 434 Testimony Opposing and requesting amendments**

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**Request**

Thank you for providing the opportunity to submit testimony regarding SB 434. This bill addresses certain STAR Bond requirements. We are very appreciative of your time in considering this written testimony and respectfully request that you either oppose the passage of SB 434 in its current form or support suggested amendments.

**Reasons for Our Opposition**

The reasons for our opposition to this bill are as follows:

- This bill appears to add such extreme requirements that its passage would likely end the use of STAR Bonds altogether in Kansas.
- Without a legislative exception, this bill will kill Salina's STAR Bond project and related downtown redevelopment efforts, stranding tens of millions of dollars of current private and public investment obligation.
- STAR Bond issuance timing is based on multiple factors, with two highlighted herein. First, it is important to note that once STAR bonds are issued, the 20-year repayment clock starts. The first factor deals with the relationship between the STAR Bond issuance timing and the commencement of increment generating projects. To avoid incurring early bond payments and higher interest carrying costs with no supporting, increment-based revenue stream, it is best to issue STAR Bonds upon completion or near completion of the private, increment-generating projects. A second primary factor is the economy in general. Economic strength, prevailing interest rates and a host of other factors can significantly impact the total cost of bond issuance. Project timing delays could result in negative economic impacts to a project.

For your reference, Salina's project timeline is as follows:

Date	Action
5/8/15	KDoC Approval - STAR Bond District Creation
6/1/15	City Approval - Ordinance 15-10775 creating STAR Bond District
1/5/17	KDoC Approval - STAR Bond Project Plan, with conditional approval to Issue STAR Bonds
1/23/17	City Approval - Ordinance 16-10856 approving STAR Bond Plan
	City Approval - Ordinance 17-10873 approving Development Agreement

<b>1/12/18</b>	City Approval - Resolution 18-7513 approving First Amendment of Development Agreement
<b>1/12/18</b>	City Approval - Resolution 18-7511 approving Alley Entertainment Center Transferee Agreement
<b>1/12/18</b>	City Approval - Resolution 18-7512 approving Old Chicago Transferee Agreement
<b>1/12/18</b>	City Approval - Resolution 18-7510 approving Hotel Transferee Agreement
<b>7/13/17</b>	Substantial Completion and opening of <b>\$12.4 million</b> Salina Fieldhouse (downtown)
<b>3/5/18</b>	City Approval - Contract award for <b>\$12.1 million</b> in streetscape improvements
<b>3/1/18</b>	Construction Commencement – <b>\$3 million</b> Old Chicago (downtown)
<b>4/1/18</b>	Construction Commencement – <b>\$21 million</b> Homewood Suites Hotel (downtown)
<b>6/1/18</b>	Construction Commencement – <b>\$6.1 million</b> Alley Entertainment Center (downtown)

Salina’s private, increment generating projects will commence this spring with opening dates running from this winter to the summer of 2019. Absent a major change in economic factors, our intent is to issue STAR Bonds for these projects around early to mid-2019. If we are subject to the proposed of SB 434, our project will die in its entirety.

**Requested Action**

We respectfully request that you **oppose** SB 434 in its entirety at this time. If you choose to pass the bill from committee, we ask that the bill be amended to include an exception for current STAR Bond projects that have obtained district approval, but where bonds have not yet been issued. Otherwise, Salina’s downtown redevelopment efforts will terminate altogether.

Thank you for considering our legislative request!