

Carolyn Dunn  
Stafford County Economic Development  
In Support of HB 2607  
Oral testimony

Mr. Chairman and members of the committee, thank you for the opportunity to address you today.

I am from St. John, population 1204, and we are a town that no longer has a grocery store since the Dillons that had been there for 88 years closed in 2016. For the past two years community members have been working together to find a feasible and sustainable solution.

A primary challenge in getting a new operation going, as verified by two separate professional market studies, is that in the old building there isn't enough space to stock enough range of inventory to be a successful venture. There isn't enough room to have a deli or stock the variety of foods people desire. So if you can't get, for example, your favorite brand of yogurt at your local store, chances are you'll stock up at the big box store, and the local grocery store will struggle to stay in business with insufficient sales.

So we need a new building, but the fundamental problem is that constructing a new building is cost prohibitive in a small market. No private investor would choose to do it. However, any town that does not have the basic service of a local grocery store is dying, and our citizens have spoken clearly that they do not want to settle for that. This is evidenced by both a passage of a citywide referendum to enact a 1% sales tax that is in part being used to offset expenses of the grocery store, and by City Council passage of a Tax Increment Finance District that will also offset a portion of the cost. A local civic group has pledged \$10,000 each year for the next 10 years to pay debt. We've had dozens of volunteers contribute their time and expertise. Private donors have contributed nearly \$300,000. We competed successfully for one of 25 grants nationwide provided by the US Dept of Health and Human Services, the only project in Kansas funded, which was a critical component to getting the necessary funding in place.

The strategy we've determined can work is for our local economic development agency, Stafford County Economic Development, a 501 c3 charitable entity, to assume the responsibility of constructing and owning the building. The planning has incorporated multiple sources of activity into the building, to give it the greatest likelihood of success, and as such it will include fuel pumps and a pharmacy. The inclusion of these

additional amenities is expected to increase revenues nearly 25%, and the pharmacy is a service that Stafford County has not had locally for a generation. Stafford EcoDevo will be leasing the grocery and fuel to an established, reputable operator, and has a Letter of Intent committing a grocer to a 10 year lease if we can provide the building. The projected costs of construction are approximately \$3.8 million, which includes the fixtures and equipment, as well as a pharmacy and fuel pumps. Financing this is a large hill to climb for a community group in a small town, but we are almost there. Besides the grant funding and charitable contributions I stated, Stafford County Economic Development has been approved for a \$2.2 million loan. However, a gap of approximately \$300,000 still exists. Of the projected \$3.8 million cost, approximately \$250,000 of the cost of construction is sales tax on material and equipment (primarily coolers).

So, we are in a position that the remaining funding needed to be raised is primarily to pay sales tax, and Stafford County Economic Development asks the State's support to exempt this project from sales tax in order to make the investment feasible.

Some important points to consider:

1. Allowing an exemption to Stafford County Economic Development from sales tax on materials and equipment to construct supermarket does not require any expenditure from the State of Kansas.
2. Once the store is constructed and operational, it will collect approximately \$220,000 in Kansas Sales Tax each year into the future, not including motor fuel tax.
3. Without a fundamental service as groceries, a town is destined to wither economically. This puts a strain on many of the other services that the state government financially provides, including education, health care, housing, and social services.
4. This investment will create an estimated 33 jobs – so there is also a positive ripple effect to the state for years to come through Kansas Income Tax.

Thank you for your consideration of this proposal. I ask you to support its passage, and am glad to answer any questions you have.