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**TO: Senate Commerce Committee – March 6, 2018**  
**FROM: Jason A. Gage, City Manager, City of Salina**  
**SUBJECT: SB 432 Testimony Opposing and requesting amendments**

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**Request**

Thank you for providing the opportunity to submit testimony regarding SB 432, the STAR Bond amendment bill. We are very appreciative of your time in considering this written testimony and respectfully request that you either oppose the passage of SB 432 in its current form or support suggested amendments.

**Reasons for Our Opposition**

While this bill does include some reasonably warranted review, reporting and accountability provisions, we believe that in its current form the bill will create significant harm to Salina's current STAR Bond district and efforts to redevelop our downtown.

- We believe that creation of a STAR bond underwriting commission will significantly slow down the currently arduous process and create another group in which to negotiate through. We have high confidence in the Department of Commerce personnel for continuing to undertake this role.
- 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, 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
	City Approval - Resolution 18-7511 approving Alley Entertainment Center Transferee Agreement
	City Approval - Resolution 18-7512 approving Old Chicago Transferee Agreement
	City Approval - Resolution 18-7510 approving Hotel Transferee Agreement
<b>7/13/17</b>	Substantial Completion and opening of Salina Fieldhouse (downtown)
<b>March, 2018</b>	Construction Commencement – Old Chicago (downtown)
<b>April, 2018</b>	Construction Commencement – Homewood Suites Hotel (downtown)
<b>June, 2018</b>	Construction Commencement – 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 new requirements of SB 432, our project could be delayed at least one year, putting the private development projects in jeopardy. If we should issue STAR Bonds by July 1, 2018 (ahead of the bill’s effective date) and well ahead of project opening dates, we will significantly increase interest carrying costs, reduce projected increment revenue and potentially harm the financial stability of the overall project.

### Suggested Amendments

- Add language exempting from the new STAR Bond requirements any STAR Bond project that has legally created a STAR Bond District and obtained approval of the District from the Department of Commerce prior to the effective date of SB 432.
- Delete the bill reference to creation of a STAR Bond underwriting commission

### Requested Action

We respectfully request that you either not support SB 432 in its entirety at this time or amend the bill as suggested. A failure to specifically grandfather the current status of the Salina project may put our downtown redevelopment project in serious jeopardy.

Thank you for considering our legislative request!