

KORB W. MAXWELL, POLSINELLI PC
900 W. 48TH PLACE, SUITE 900
KANSAS CITY, MO 64112

**STAR Bonds
HB 2529**

February 17, 2020

House Committee on Commerce, Labor and Economic Development

Mr. Chairman, Members of the Committee: Thank you for the opportunity to rise today as a proponent of House Bill 2529. We appreciate the time and effort of the Chair and Committee to seriously study the issue of STAR Bond reform and reauthorization, and to hold hearings on the subject. We believe House Bill 2529 is good public policy that allows for certain critical reforms to be made, while still allowing the program to continue so we can carry on with our work in creating first class regional and national attractions for the State of Kansas that drive tourism and consumer spending. I do want to speak to a single amendment that we would ask the Chair and Committee to consider before concluding today. However, I would be remiss if I didn't first touch on a few of the meaningful and far-reaching impacts attributable to STAR Bonds and the public-private partnerships behind them.

STAR Bonds are one of, if not *the* most powerful tools for economic development in Kansas, and played a huge role in the about-face of Wyandotte County. It began more than twenty years ago with the Kansas Speedway, and STAR Bonds have continued to spur and stimulate other surrounding and supportive development, including the Village West STAR Bond project that has created 11,000 new jobs and, in turn, \$7 million of new State income taxes, as well as \$42 million in annual sales tax revenue for the State. Projects made possible because

of STAR Bonds include everything from Nebraska Furniture Mart, the Legends and Cabela's, to Sporting Kansas City and Children's Mercy Park, the U.S. National Training Center, and now the future American Royal complex that will bring us back to our agricultural roots while driving tourism and attracting business partners to foster much-needed office growth and development.

The impact of STAR Bonds isn't just limited to Wyandotte County, however; this tool has also produced substantial and positive results elsewhere in the State, including Garden City, Dodge City, Salina, Hutchinson, Wichita, Derby, and Goddard, to name a few. All of these projects have driven additional economic development in Kansas, and helped to provide new opportunities for many of our communities. My firm is very proud to have worked closely with this Committee, the legislature, the Governor, local government, and many other interested stakeholders in seeing these projects through fruition.

Above all else, STAR Bonds provide an important competitive advantage. We don't have mountains or beaches in Kansas, nor are we a major money and financial center. What we do have are some of the strongest public-private partnerships like STAR Bonds that are the envy of other states. I have been involved with innumerable projects, and spoken about and given testimony on Kansas development incentives, in a number of other jurisdictions around the country. Many are envious of our creative financing tools like STAR Bonds. They realize that these tools are about investing in our future now in order to realize tangible and substantial benefits down the road.

We applaud House Bill 2529 for the foregoing reasons and others, and ask for approval but with a single amendment. To ensure that STAR Bonds are not restricted in such a way as to prevent the influx of the private capital necessary to get these projects done, we request that the

following text be struck from K.S.A. 12-17,171: “(f) *The transfer of any ownership interest in real property acquired with the proceeds from STAR bonds shall require the advance approval of the secretary.*”

The very definition of a public-private partnership is that both public and private dollars flow into a project to make it a success. Private capital cannot be premised on the need for future governmental action and approvals, however, as it’s critical that the rules for private debt and equity be established at the beginning of a project. Otherwise, potential lenders and investors will view the risk as too great and simply choose not to participate. We understand that the issue is to avoid having the State speculate on land, but that is not the purpose of STAR bonds. The purpose is to engage in public-private partnerships that create first class regional and national attractions that drive tourism and consumer spending in Kansas.

Hard-wiring a restriction on transfer into the statute would have a chilling effect on the ability to raise private capital and pursue the creative financing structures, including debt and joint ventures, that it takes to get these projects done. There is a long-standing tradition of strong collaboration and successful relationships among the State, local government and developers when it comes to STAR Bonds. We urge the Committee to remove this provision from the statute, and instead continue to handle appropriate restrictions through the Secretary’s approval letters and Development Agreements with the affected municipalities. I am happy to stand for any questions you may have.

Respectfully submitted,



Korb W. Maxwell