

March 5, 2018

Senator Julia Lynn  
Kansas State Capital  
Topeka, Kansas 66621

Re: STAR BONDS  
Special Committee on Commerce  
**Individual Taxpayer Perspective**

The purpose of this written testimony is submitted to share some thoughts, insights, experiences and suggestions from the perspective of a tax paying citizen relative to STAR Bond Financing.

I experienced first hand the process of one STAR Bond project, call BlueHawk. This is a development located at the SE corner of 159<sup>th</sup> Street and Antioch Road, Overland Park, Ks. My experience consisted of attending a developer's presentation to explain their project. It also entailed attending and speaking at two formal City Council Meetings to provide input.

Before making my comments, I would like to provide a brief background disclosure that helped shape my insights and comments.

- Resident 21 yrs; Moved to Missouri; Returned to Overland Park, Ks in 2005;
- Banking career; Focus on Real Estate Lending; Both Residential & Commercial;
- Last five years in banking with an Overland Park, Kansas bank; Handled foreclosed properties. Responsible to figure out what the problem was, then get it corrected, and off the bank books in a timely and economical fashion;
- Served on a Planning and Zoning Commission for 11 years in Raytown, Mo;
- President of the Raytown Economic Development for four years in Raytown, Mo;
- President of Stonebridge Court Home's Assn, OP., Ks (4 yr term);
- Previously held real estate licenses in both Kansas and Missouri;
- Previously was Certified as a real estate appraiser for residential properties;
- University of Kansas – BA, 1967; MBA Rockhurst 1996.
- Currently Retired.

Listed below are some bullet points I thought pertinent relative to my tax payer experience with any STAR Bond Application.

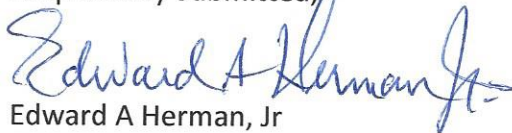
- The State of Kansas and the City of Overland Park go through an elaborate review process. However, at the end of the day, neither the State or local City have any legal financial liability in the event of a default to the bondholders. Reputational Risk can become a minor consideration to the benefit of obtaining large sums of outside capital for your City or State. Let the Buyer Beware would be a good comment to the Bond Buyer on due diligence.
- Before residents had the opportunity to speak at the City Council meeting, the City appeared willing to accept the "Feasibility Study" obtained, paid for, and furnished by the Applicant/Developer to the City Council. Since the Developer was the client, it did not appear to provide independent/objective oversight of the Feasibility Study to ensure inclusion of all appropriate content or conclusions.
- The Developer can easily have a Conflict of Interest when they hire and direct the scope of the Feasibility Study, and any objectives they initially have to achieve their desired results, i.e. maximize the possibility for approval of STAR Bond Financing;
- There does not seem to be any "Conflict of Interest" or ethical disclosure between parties seeking funding and the decision makers at all levels whether at the State, City or Vendors.
- At the time of the above BlueHawk STAR Bond request, there were two STAR Bond projects in distress or about to become distressed. One in Overland Park (OP) east of Metcalf on 135<sup>th</sup> street that according to newspaper reports, were having financial difficulty and seeking OP assistance for restructuring. Additionally, the STAR Bond Project called the Schlitterbaum in Wyandotte county had a fatality occur on site which was highly probably for litigation that may impact its viability. Both events were "game changers" for STAR Bond type financing My perception was: Not a concern to this decision process even though it may impact Kansas Financing Bond Ratings.
- There are at least ten "universal" principles that impact any tract of real estate. I believe several of these principles were violated with this BlueHawk request. In the interest of your time, I will only mention two but believe more apply. One principle relates to "Highest and Best Use". This principle has four components, two of the four relate to "financially possible", and "economically feasible".

- I understood the City Council had the opportunity to review the financial Income and expenses furnished for the project, and it was deemed adequate. The economic feasibility component did not seem properly addressed. In states with hockey arenas, how many locate an arena across the street from a hospital having emergency patient admissions. What issues contribute to the success or failure to establish the universal principle of "Economic Feasibility"?
- The Principle of Conformity looks at existing uses and whether the new project blends in. The developer called this area an "Entertainment District" when the existing uses included: A church and an apartment complex to the north; Two schools, (high & middle) along with residential uses on the west; and a large hospital within the development already under construction seems INCONSISTENT with this as an entertainment district and violates this real estate principle of "Conformity".
- The Inclusion of a 1) bank, 2) a grocery store, and 3) a fire/police property already in existence or under construction into the "STAR Bond District" seems to be a stretch to what should be considered in the District. Properties already built and operating were committed to by private equity and should not be "after the fact" included in a STAR Bond District. They may not otherwise have chosen to develop their sites.
- Lastly I would add that I "trust" there is a committee in place at the state level whose intent is focused on the best interest for the State of Kansas and not unduly influenced by the political process or the City desirous of outside capital coming to their City.

I hope my comments and insight shared help guide your discussion and deliberation on STAR Bond Financing.

Lastly I was asked to make this presentation at the state capitol. Be aware I am conflicted as a full time caregiver for a family member. Any commitment for an appearance places me at risk on a day to day basis beyond my control. My contact information is listed below.

Respectfully Submitted,



Edward A Herman, Jr

15912 Kessler St

Overland Park, Kansas 60085 E-mail: [eherman44@aol.com](mailto:eherman44@aol.com) (H) #913-897-0082