

City Hall
8500 Santa Fe Drive
Overland Park, Kansas 66212
www.opkansas.org

Date: March 8, 2018
To: Chairwoman Lynn and the Senate Committee on Commerce
From: Mayor Carl Gerlach, City of Overland Park
Re: Written Testimony in Opposition to SB 434

Thank you for allowing me to submit testimony on behalf of the City of Overland Park. The City opposes SB 434 because it would significantly weaken the effectiveness of STAR Bonds and place Kansas cities at a competitive disadvantage when trying to attract major development projects.

SB 434 would require that all new STAR Bond projects include a tourist attraction, limit the use of STAR Bond proceeds to the “tourist attraction component,” and prohibit proceeds from being used to pay for access roads to such attraction. The first problem with these changes is the legislation defines “tourist attraction” as intended to attract tourists; narrowly defines “tourist” to mean a person traveling for pleasure, culture or for a sports competition; and requires that either 30% or 20% of the tourists visiting the attraction live over 100 miles away. The City questions how a tourist’s intent for traveling to an attraction would be measured, and why it would matter. For example, if a visitor traveled to Overland Park to attend a business convention being held within a STAR Bond project, that visitor would be just as valuable to the community and State as other visitors. In addition, the requirement that visitors live 100 miles away would prevent the use of STAR Bonds for successful projects like Children’s Mercy Park, which has become one of Kansas’s most iconic attractions, but is intended to attract most of its visitors from the Kansas City area.

Second, the new requirements ignore that synergies between tourist attractions and other attractions that make STAR Bonds such a powerful economic development tool. For example, in a 2005 Legislative Post Audit report about the Kansas Speedway and Village West retail shopping center, the agency concluded:

“The [Kansas] Speedway and Village West have generated more than \$40 million in sales tax revenue in the redevelopment area. Within Village West, under a provision called “waterfall financing”, excess sales tax revenues from one project can be used to repay bonds for other projects. The redevelopment has successfully promoted economic development in Wyandotte County and the State, increasing property taxes, sales tax revenues, and creating new jobs... No one can argue that the Kansas Speedway and Village West redevelopment projects haven’t been enormously successful at bringing significant development to western Wyandotte County....”

Additionally, the proposed changes in Section 2(e) ignore recent trends in commercial development. The legislation would prohibit grocery stores; superstores; retail clothing,

furniture, and appliance stores; department stores; or businesses who sell merchandise similar to another business located within 25 miles. This expansive prohibition would essentially prevent any type of business from locating within an Overland Park STAR Bond project. As our population's purchasing preferences change, and brick and mortar businesses continue to struggle, mixed-use projects are becoming a popular way for developers to hedge against risk and cater to a variety of consumer demands. Limiting the use of STAR Bonds to single-use tourist attractions ignores these trends and would likely prevent cities from using the tool to attract major commercial developments. Although the legislation makes these prohibitions contingent on the use of incremental increases in State sales taxes and the cities not using other incentives, these are the very components that help make STAR Bonds so powerful. If a community is not able to use STAR Bonds to attract mixed-used projects, and leverage incremental increases in State sales taxes and other incentives to attract those projects, then Kansas will lose out to other states that are competing for transformative developments. Since the Overland Park is part of a metro area that spans two states, and is often in competition with the other state for businesses and development projects, the City requests that the legislature refrain from creating such competitive disadvantages.

Finally, the City questions the wisdom of Section 3(a)(1)(F)(i), which authorizes local governments to leverage more incremental increases in State sales taxes for STAR Bond projects if local sales taxes are higher. This would create a strange incentive for cities to increase sales taxes in order to obtain the maximum benefit from STAR Bonds.

Thank you for allowing me to submit testimony on behalf of the City. We respectfully request that the Committee not advance SB 434 to the full Senate for approval.

Sincerely,

A handwritten signature in cursive script that reads "Carl Gerlach".

Mayor Carl Gerlach