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Commerce, Labor, and Economic Development

E-1 Statewide STAR Bond Authority

What is a STAR Bond?

A state financing program that allows city governments to issue special revenue bonds that are repaid by all of the revenues received by the city or county from any transient guest taxes, local sales taxes, and use taxes that are collected from taxpayers doing business within that portion of the city's redevelopment district. In other words, a STAR Bond is a Sales Tax Revenue Bond with a 20-year repayment period. The exception to this is the Kansas Speedway facility which was granted a 30-year repayment period.

What type of project can use STAR Bond financing?

- A project with at least a \$50 million capital investment and \$50 million in projected gross annual sales revenues.
- A project located outside of a metropolitan statistical area that has been found by the Secretary of Commerce to be in an eligible area under Tax Increment Financing law and of regional or statewide importance.
- A major commercial entertainment and tourism area as determined by the Secretary of Commerce.
- Auto racetrack facilities, multi-sport athletic complexes, river walk canal facilities, historic theaters, Manhattan Discovery Center, Wyandotte County Schlitterbahn Project, museum facility, or a major motorsports complex in Shawnee County.

Is any project specifically excluded from use of STAR Bonds?

Projects including a gambling casino are specifically excluded from use of STAR bonds.

How does the STAR Bond Project work?

The law allows the governing body of a city to establish one or more special bond projects in any area in the city or outside of a city's boundaries with the written approval of the county commission. However, each special bond project must be approved by the Secretary of Commerce, based on the required feasibility study, prior to utilizing STAR bonds.

The city also is required to propose a project plan, hold a hearing on the plan, and adopt the project plan. One mandated component of the project plan is a marketing study conducted to examine the impact of the special bond project on similar businesses in the projected market area. A city that exercises eminent domain to acquire property must compensate the property owner with at least 200 percent of the appraised valuation, according to the eminent domain statute.

Finally, the city must do an extensive feasibility study which will include:

- Whether a project's revenue and tax increment revenue and other available revenues are expected to exceed or be sufficient to pay for the project costs;
- The effect, if any, the project will have on any outstanding special obligation bonds payable from the revenues used to fund the project;
- A statement of how the jobs and taxes obtained from the project will contribute significantly to the economic development of the state and region;
- Visitation expectations; the unique quality of the project; economic impact study; integration and collaboration with other resources or businesses;
- The quality of service and experience provided, as measured against national consumer standards for the specific target market;
- Project accountability, measured according to best industry practices;
- The expected return on state and local investment that the project is anticipated to produce;
- A statement concerning whether a portion of the local sales and use taxes are pledged to other uses and are unavailable as revenue for the project and, if the revenues are so committed, a detailed explanation of the commitment and the effect; and
- An anticipated principal and interest payment schedule on the bond issue.

The Secretary of Commerce places a limit on the total amount of STAR bonds that may be issued for any project. A city also is required to have an annual certified public accountant audit of each project.

What are the constraints placed on the developer?

The developer of a special bond project is required to commence work on the project within two years from the date of adoption of the project plan. If the developer does not commence work on the project within the two-year period, funding for the project ceases, and the developer has one year to appeal to the Secretary of Commerce for re-approval of the project. If the project is re-approved, the two-year period for commencement applies.

Also, the law requires that Kansas residents be given priority consideration for employment in construction projects located in a special bond project area.

What are eligible uses for STAR Bond proceeds?

- Property acquisition;
- Relocation assistance for property owners moving out of the project district;
- Site preparation work, including utilities relocations;
- Drainage conduits, channels, levees, and river walk canal facilities;
- Parking facilities, including multi-level parking structures devoted to parking only;
- Street improvements;
- Street light fixtures, connection, and facilities;
- Utilities located within the public right-of-way;
- Landscaping, fountains, and decorations;
- Sidewalks and pedestrian underpasses or overpasses; and
- Drives and driveway approaches located within the public right-of-way of an auto racetrack facility, major multi-sport athletic

complex, museum facility, and major motorsports complex.

to the city; any personal property as defined in KSA 79-102; or travel, entertainment, and hospitality.

What are ineligible uses for the STAR Bond proceeds?

Costs incurred in connection with the construction of buildings or other structures are not eligible. In addition, proceeds are not available for fees and commissions paid to real estate agents, financial advisors, or any other consultants who represent the developer or any other businesses considering locating in or located in a redevelopment district; salaries for local government employees; moving expenses for employees of the businesses locating within the redevelopment district; property taxes for businesses that locate in the redevelopment district; lobbying costs; bond origination fees paid

Other important information

- All cities that have projects financed with STAR bonds are to prepare and submit an annual report to the Secretary of Commerce by October 1 of each year.
- The Department of Commerce compiles an annual report on all STAR bond projects and submits them to the Governor and the Legislature by February 1 of each year.
- Reauthorized in 2012, the STAR bond authority next will sunset on July 1, 2017, unless continued by an act of the Legislature.

For more information, please contact:

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