

TO: City Commission
FROM: David Dillner, City Manager
SUBJ: Potential STAR Bond Project
DATE: October 16, 2015

The State of Kansas provides an opportunity for cities to capture the state's portion of sales tax receipts in addition to other local taxes for the payment of STAR bond project costs on projects that meet certain criteria and that have a major impact on economic development, particularly with respect to tourism. All projects must be approved by the Secretary of Commerce.

STAR bonds have been used as a financing tool for such projects as the Kansas Speedway/Village West in Kansas City, Kansas, the Heartland Park Racetrack in Topeka, the Kansas Underground Salt Museum in Hutchinson, and the Flint Hills Discovery Museum in Manhattan. Salina is in the process of developing a STAR bond project that will encompass an athletic fieldhouse and a car museum. Dodge City has also submitted an application for a STAR bond project for a revitalization of the Boot Hill Museum and surrounding area.

The concept of using STAR bonds is not new to Abilene. In 2004, the City looked at doing a STAR bond project to revitalize Old Abilene Town. This project did not move forward for various reasons.

The idea for another STAR bond project came from representatives of the Eisenhower Foundation in recent months. The Eisenhower Foundation is in the process of planning a major renovation to the Eisenhower Museum that is estimated to cost upwards of \$10 million. In conversations with the Kansas Department of Commerce, it is likely that most of the Eisenhower Foundation's project will not be eligible for STAR bond financing because exhibits are not an eligible project cost.

Even so, the Department of Commerce seems very open to the idea of a STAR bond project in Abilene as a way to leverage the investments planned by the Eisenhower Foundation. The Eisenhower Presidential Library, Museum, and Boyhood Home is considered a significant state and national attraction, and generates approximately 180,000 visitors each year. In addition, the remaining four members of the Five Star District provides additional tourism opportunities to further leverage with a STAR bond project.

One idea for an attraction of state and regional significance that could be considered for a STAR bond project is a National Chisholm Trail Museum that would complement the historical fact that Abilene is the terminus of the Chisholm Trail. The National Park Service is in the process of reviewing the feasibility of designating the Chisholm Trail and the Great Western Trail as National Historic Trails. A national museum that preserves the story of these great cowboy trails could be a great addition to Abilene. Another attraction may be equally enticing to visitors and a committee should be formed to research potential options for a significant tourism attraction to use STAR bonds if the City Commission desires to move forward.

A STAR bond project can be used to finance the development of a tourism attraction of state and regional significance. The revenue may also be used to finance related public improvements and some qualified private investments. There is also the potential to capture additional revenue if a Tax Increment Finance (TIF) District and Community Improvement District (CID) is overlaid over the STAR District. These two programs allow a City to capture the incremental increase in property taxes (TIF) and the increase in sales tax (CID) within the defined districts. If a hotel is also developed within the district, transient guest taxes may be included in the revenue to finance a STAR bond project. The districts may be organized so only new revenue is used to finance the projects.

The process for establishing a STAR bond project is relatively straightforward; the City must establish the geographic boundaries of the district and then prepare a project plan. Both of these exhibits are submitted to the Department of Commerce for review and approval.

The more detailed process is as follows:

1. Give notice and conduct a public hearing to consider the establishment of a STAR bond project district to include:
 - a. description of the proposed boundaries of the STAR bond project district; and
 - b. description of the STAR bond project district plan.
2. The city submits the proposed STAR bond project district to the secretary for a determination that the district is an eligible area.
3. Upon the conclusion of the public hearing and a finding by the secretary that the proposed project district is an eligible area, the governing body passes an ordinance that makes findings that the STAR bond project district proposed to be developed is a STAR bond project as defined by state law; contains a STAR bond project district plan that identifies all of the proposed STAR bond project areas and identifies in a general manner all of the buildings and facilities that are proposed to be constructed or improved in each STAR bond project area; and contains the legal description of the STAR bond project district and may establish the STAR bond project district.
4. Following the passing of said ordinance, the City prepares a feasibility study that provides information on the feasibility that the project will generate sufficient revenues to repay any bonds issued to finance the project.
5. The City conducts another public hearing on the project plan, and is required to provide notice to both the County and School District.
6. The governing body adopts an ordinance adopting the project plan. Following adoption, the project must commence work within two years, and the entire project must be completed within twenty years of adoption.

The STAR bond process provides an opportunity for the City to take a proactive approach to developing a tourism attraction to complement the existing Five Star District. Some improvements to the Five Star District may also be eligible for STAR bond financing depending on the scope of the proposed improvements.

The City Commission should discuss its interest in moving forward with a potential STAR bond project. The City Manager recommends establishing a steering committee to provide a recommendation on a possible attraction(s) that may be developed or improved with STAR bond proceeds. The committee could also facilitate a discussion about the STAR bond district boundaries and the improvements that would be desirable for inclusion in the project scope. All recommendations are subject to review by the Department of Commerce.