

SB 432 + SB 434 ONLY

2018

Substitute for SENATE BILL NO. 432

18rs3833

By Committee on Commerce

AN ACT concerning STAR bonds; relating to establishment of an underwriting commission; project information on department of commerce website; project costs; STAR bond project financial viability determination; requirements for project approval; audit report; reports to legislature; amending K.S.A. 2017 Supp. 12-17,162, 12-17,164, 12-17,166, 12-17,169, 12-17,171 and 12-17,176 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) There is hereby established the STAR bond underwriting commission. The commission shall consist of three members. One member shall be appointed by the senate president, one member shall be appointed by the speaker of the house and one member shall be appointed by the secretary of commerce. Each member of the commission shall have at least 10 years of experience in commercial banking, investment banking or real estate capital markets. Members may not be employed by or have any ownership or financial interest in a developer that has participated or is participating in a STAR bond project. A member shall not participate in a decision on an application submitted by the city or county in which the member resides or if the member has an ownership or financial interest in a business located in that city or county or locating or relocating into that city or county.

(b) The members first appointed to the commission shall be appointed within 60 days after the effective date of this act. Of the members first appointed to the commission, as determined by the senate president, speaker of the house and the secretary of commerce by agreement or by selection by chance, one member shall be appointed to serve for one year, one member shall be appointed to serve for two years, and one member shall be appointed to serve for three years. Thereafter, members shall be appointed for terms of three years and until their successors are appointed and qualified. A member may not serve more than two consecutive

terms. Whenever a vacancy occurs in the commission, a successor shall be appointed by the person holding the office that originally appointed the membership that is vacant.

(c) The commission shall evaluate and approve or deny applications for STAR bond projects and shall provide the secretary of commerce and the applying city or county with a written decision including the reasons for the decision. The commission shall limit its analysis and decision to the financial viability of the proposed project. The decision of the commission to deny an application shall be final, however the city or county may reapply, or when permitted by the commission, provide additional information or make modifications to the project plan for the commission's consideration. The secretary of commerce shall, upon receipt by the secretary, immediately provide the commission with applications, feasibility studies and all relevant information with respect to project financial viability in support of an application provided by the city or county and the developer to the secretary. For purposes of determining the financial viability of the proposed project, the secretary of commerce and the secretary of revenue shall provide additional information to the commission upon request, as consistent with state and federal confidentiality requirements, and the commission may request additional information from the city or county or the developer and may deny an application for failure of the city or county or the developer to provide the requested information. If the commission approves a project application, the secretary of commerce shall consider and approve or deny the project application pursuant to the provisions of the STAR bond financing act and the rules and regulations of the secretary. If the commission denies a project application, the project application shall not be considered by the secretary of commerce.

(d) The commission annually shall organize by electing one of its members as chairperson. Meetings of the commission shall be held upon call of the chairperson, or at the request of a majority of the commission, except that the commission shall not meet for more than a total of 21 days during any calendar year.

(e) Members of the commission attending a meeting of the commission shall be paid amounts provided in K.S.A. 75-3223(e), and amendments thereto.

(f) The commission shall fix and collect a fee from a county or city that submits a STAR bond project application for review by the commission. The fee shall be fixed in an amount that is sufficient to pay the cost of administering the provisions of this section by the commission, but not to exceed \$300. Upon approval by the commission chairperson, the secretary of commerce may collect the fee for the commission and remit the fee to the state treasurer as provided in section 2, and amendments thereto. The secretary of commerce shall provide staff and office equipment and facilities support to the commission as requested by the commission chairperson. Costs incurred by the secretary from providing support to the commission shall be recovered by the secretary pursuant to the provisions of K.S.A. 2017 Supp. 12-17,164(i), and amendments thereto.

(g) This section shall be a part of and supplemental to the STAR bond financing act.

New Sec. 2. (a) There is hereby established in the state treasury the STAR bond underwriting commission fee fund to be administered by the chairperson of the commission or the chairperson's designee. All moneys received by or for the STAR bond underwriting commission from fees shall be remitted to the state treasurer in accordance with the provisions of

K.S.A. 75-4215, and amendments thereto, who shall deposit the entire amount thereof in the state treasury to the credit of the STAR bond underwriting commission fee fund. All expenditures from the fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the commission or the chairperson's designee. All moneys credited to the STAR bond underwriting commission fund shall be expended for the administration of the powers, duties, functions and operating expenses of the commission.

(b) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the STAR bond underwriting commission fund established in subsection (a) interest earnings based on:

(1) The average daily balance of money in the STAR bond underwriting commission fee fund for the preceding month; and

(2) the net earnings rate of the pooled money investment fund portfolio for the preceding month.

(c) This section shall be a part of and supplemental to the STAR bond financing act.

New Sec. 3. (a) The secretary shall implement, maintain and update, on at least a monthly basis, a STAR bond program report page on the website of the department of commerce. The information shall be displayed in a spreadsheet format. The STAR bond program report page shall be immediately accessible to a website visitor by the website visitor selecting a link that is prominently identified and placed on the homepage of the website.

(b) The secretary of commerce may publicly disclose and shall provide the following

information on the STAR bond program report page, except as provided in subsection (d)(1) or (2), for each completed and active STAR bond project approved by the secretary and as the information is available to the secretary:

- (1) The applicant city or county, the location of each project, a general description of each project, and the city or county office or official administering the project;
- (2) the names of the STAR bond project developer or developers and the names of the principals and officers of each developer if the developer is a business entity;
- (3) the names of all individuals holding more than a 10% ownership interest in the developer and in any subsidiaries of the developer engaged in the project;
- (4) the name of the consultant that prepared the feasibility study, and studies included within the feasibility study, including, but not limited to, the market impact study;
- (5) the estimated total project costs, including:
 - (A) A breakdown by hard costs, with categories including, but not limited to, land acquisition, infrastructure, hard construction, architecture and engineering and total hard costs; and
 - (B) a breakdown by soft costs, with categories including, but not limited to, third-party professional costs, sales, miscellaneous soft costs and total soft costs;
- (6) the estimated total STAR bond eligible costs, including a breakdown by total hard and soft costs and by the categories including, but not limited to, the categories required by paragraphs 2(A) and (B);
- (7) the STAR bond budget approved by the secretary of commerce, including a

breakdown of expenditures of STAR bond proceeds by the categories utilized by the secretary of commerce with an explanation, if necessary, reconciling expenditure categories to the cost categories required by paragraphs 2(A) and (B) and paragraph (3), and changes to the STAR bond budget, if any, approved by the secretary;

(8) the estimated project completion date;

(9) the total amount of STAR bonds authorized to be issued by the secretary, the total amount of STAR bonds issued, the name of the STAR bond issuer, the date of issuance, the length of the term and the annual debt service payment made to service the STAR bonds issued;

(10) the STAR bond CUSIP, if available, STAR bond interest rate, cumulative interest repaid to the most current month, cumulative principal received to the most current month, and the current principal balance;

(11) whether the STAR bonds have been paid or refinanced, and summary details of any refinancing bond issuance;

(12) the estimated total gross STAR bond revenues, including, but not limited to, estimated total revenues from retail sales with a separate breakdown for estimated state sales taxes and estimated local sales taxes, to be produced over the term of the bonds issued;

(13) the total annual amount of STAR bond revenues received and used for the payment of STAR bonds issued for the project, with a breakdown by the total annual amount of local sales taxes or other local revenue contributions and by the total annual amount of state sales taxes;

(14) the respective percentage of state and local tax revenues going to payment of the bonds;

(15) the information provided in the report required by K.S.A. 2017 Supp. 12-17,169(c) (1), and amendments thereto. This information shall be provided to the secretary by the city or county;

(16) the information provided in the report required by K.S.A. 2017 Supp. 12-17,169(c) (2), and amendments thereto, at the time the report is provided to the legislative committees;

(17) summarized explanations provided by the secretary of commerce describing:

(A) The purpose of STAR bond funding in general and specifically to the project; and

(B) the criteria used by the secretary in approving the project, with citations to the governing statutes and rules and regulations; and

(18) the projected economic development benefits and outcomes of the project as described in the secretary's letter approving the project to the city or county and, if available, the method, metrics or measurements to determine the outcomes used by the secretary to measure the success of the project and annual updates on progress toward the projected outcomes.

(c) Except as provided by subsection (d)(1), cities, counties, developers, businesses and other recipients of STAR bond proceeds or financing with respect to approved STAR bond project costs shall provide information to the secretary of commerce as requested by the secretary to fulfill the requirements of this section. The secretary shall require as a condition of approval of a project and authorization for the issuance of STAR bonds that a city or county provide the information and contractually require any developer and any successor in the interest in the project of a developer to provide the information. The requirement to provide information shall be a continuing obligation. Ownership of a project shall not be transferred by a developer

without the consent of the secretary. Except if prohibited by federal law, the department of revenue is authorized to provide and shall provide any information to the secretary of commerce as necessary to fulfill the information disclosure requirements of this section.

(d) (1) The information required by subsection (b) shall not be provided to the secretary of commerce, or information required by subsection (b) shall not be disclosed by the secretary of commerce, if providing the information to the secretary or disclosure by the secretary, respectively, would violate any federal law or confidentiality provisions of any agreements executed before July 1, 2018, between a city, county, the secretary, developer, business or other recipient of STAR bond proceeds or financing. The secretary and cities, counties and developers shall require developers and businesses or other recipients of STAR bond proceeds or financing that may be required to disclose information to the secretary pursuant to subsection (c) to waive confidentiality with respect to the information required by subsection (b) in any agreements executed after July 1, 2018.

(2) Information specific to a developer or a business shall not be disclosed by the secretary prior to the developer or business locating or relocating in the STAR bond project district if, in the discretion of the secretary, the disclosure would be detrimental to the development of the STAR bond project.

(e) The secretary's costs arising from compliance with this section shall be recovered by the secretary pursuant to the provisions of K.S.A. 2017 Supp. 12-17,164(i), and amendments thereto.

(f) This section shall be a part of and supplemental to the STAR bonds financing act.

Sec. 4. K.S.A. 2017 Supp. 12-17,162 is hereby amended to read as follows: 12-17,162. As used in the STAR bond financing act, the following words and phrases shall have the following meanings unless a different meaning clearly appears from the context:

(a) "Auto race track facility" means: (1) An auto race track facility and facilities directly related and necessary to the operation of an auto race track facility, including, but not limited to, grandstands, suites and viewing areas, concessions, souvenir facilities, catering facilities, visitor and retail centers, signage and temporary hospitality facilities, but excluding (2) hotels, motels, restaurants and retail facilities, not directly related to or necessary to the operation of such facility.

(b) "Commence work" means the manifest commencement of actual operations on the development site, such as, erecting a building, excavating the ground to lay a foundation or a basement or work of like description which a person with reasonable diligence can see and recognize as being done with the intention and purpose to continue work until the project is completed.

(c) "De minimus" means an amount less than 15% of the land area within a STAR bond project district.

(d) "Developer" means any person, firm, corporation, partnership or limited liability company other than a city and other than an agency, political subdivision or instrumentality of the state.

(e) "Economic impact study" means a study to project the financial benefit of the project to the local, regional and state economies.

(f) "Eligible area" means a historic theater, major tourism area, major motorsports complex, auto race track facility, river walk canal facility, major multi-sport athletic complex, or a major commercial entertainment and tourism area as determined by the secretary.

(g) "Feasibility study" means a feasibility study as defined in K.S.A. 2017 Supp. 12-17,166(b), and amendments thereto.

(h) "Historic theater" means a building constructed prior to 1940 which was constructed for the purpose of staging entertainment, including motion pictures, vaudeville shows or operas, that is operated by a nonprofit corporation and is designated by the state historic preservation officer as eligible to be on the Kansas register of historic places or is a member of the Kansas historic theatre association.

(i) "Historic theater sales tax increment" means the amount of state and local sales tax revenue imposed pursuant to K.S.A. 12-187 et seq., 79-3601 et seq. and 79-3701 et seq., and amendments thereto, collected from taxpayers doing business within the historic theater that is in excess of the amount of such taxes collected prior to the designation of the building as a historic theater for purposes of this act.

(j) "Major commercial entertainment and tourism area" means an area that may include, but not be limited to, a major multi-sport athletic complex.

(k) "Major motorsports complex" means a complex in Shawnee county that is utilized for the hosting of competitions involving motor vehicles, including, but not limited to, automobiles, motorcycles or other self-propelled vehicles other than a motorized bicycle or motorized wheelchair. Such project may include racetracks, all facilities directly related and

necessary to the operation of a motorsports complex, including, but not limited to, parking lots, grandstands, suites and viewing areas, concessions, souvenir facilities, catering facilities, visitor and retail centers, signage and temporary hospitality facilities, but excluding hotels, motels, restaurants and retail facilities not directly related to or necessary to the operation of such facility.

(l) "Major tourism area" means an area for which the secretary has made a finding the capital improvements costing not less than \$100,000,000 will be built in the state to construct an auto race track facility.

(m) "Major multi-sport athletic complex" means an athletic complex that is utilized for the training of athletes, the practice of athletic teams, the playing of athletic games or the hosting of events. Such project may include playing fields, parking lots and other developments including grandstands, suites and viewing areas, concessions, souvenir facilities, catering facilities, visitor centers, signage and temporary hospitality facilities, but excluding hotels, motels, restaurants and retail facilities, not directly related to or necessary to the operation of such facility.

(n) "Market study" means a study to determine the ability of the project to gain market share locally, regionally and nationally and the ability of the project to gain sufficient market share to:

- (1) Remain profitable past the term of repayment; and
- (2) maintain status as a significant factor for travel decisions.

(o) "Market impact study" means a study to measure the impact of the proposed project

on similar businesses in the project's market area.

(p) "Museum facility" means a separate newly-constructed museum building and facilities directly related and necessary to the operation thereof, including gift shops and restaurant facilities, but excluding hotels, motels, restaurants and retail facilities not directly related to or necessary to the operation of such facility. The museum facility shall be owned by the state, a city, county, other political subdivision of the state or a non-profit corporation, shall be managed by the state, a city, county, other political subdivision of the state or a non-profit corporation and may not be leased to any developer and shall not be located within any retail or commercial building.

(q) "Project" means a STAR bond project.

(r) "Project costs" means those costs necessary to implement a STAR bond project plan, except that for STAR bond projects approved by the secretary on and after July 1, 2018, if paid from proceeds of special obligation bonds payable from the revenues described in K.S.A. 2017 Supp. 12-17,169(a)(1)(F), and amendment thereto, "project costs" means those costs necessary to implement the tourist attraction component of a STAR bond project plan, including costs incurred for:

- (1) Acquisition of real property within the STAR bond project area;
- (2) payment of relocation assistance pursuant to a relocation assistance plan as provided in K.S.A. 2017 Supp. 12-17,173, and amendments thereto;
- (3) site preparation including utility relocations;
- (4) sanitary and storm sewers and lift stations;

- (5) drainage conduits, channels, levees and river walk canal facilities;
- (6) street grading, paving, graveling, macadamizing, curbing, guttering and surfacing;
- (7) street light fixtures, connection and facilities;
- (8) underground gas, water, heating and electrical services and connections located within the public right-of-way;
- (9) sidewalks and pedestrian underpasses or overpasses;
- (10) drives and driveway approaches located within the public right-of-way;
- (11) water mains and extensions;
- (12) plazas and arcades;
- (13) parking facilities and multilevel parking structures devoted to parking only;
- ~~(14) landscaping and plantings, fountains, shelters, benches, sculptures, lighting, decorations and similar amenities;~~
- ~~(15)~~(14) auto race track facility;
- ~~(16)~~(15) major multi-sport athletic complex;
- ~~(17)~~(16) museum facility;
- ~~(18)~~(17) major motorsports complex;
- ~~(19)~~(18) related expenses to redevelop and finance the project, except that for a STAR bond project financed with special obligation bonds payable from the revenues described in K.S.A. 2017 Supp. 12-17,169(a)(1), and amendments thereto, such expenses shall require prior approval by the secretary of commerce; and
- ~~(20)~~(19) except as specified in paragraphs (1) through (18) above, project costs shall

not include:

- (A) Costs incurred in connection with the construction of buildings or other structures;
- (B) fees and commissions paid to developers, real estate agents, financial advisors or any other consultants who represent the developers or any other businesses considering locating in or located in a STAR bond project district;
- (C) salaries for local government employees;
- (D) moving expenses for employees of the businesses locating within the STAR bond project district;
- (E) property taxes for businesses that locate in the STAR bond project district;
- (F) lobbying costs;
- (G) any bond origination fee charged by the city or county;
- (H) any personal property as defined in K.S.A. 79-102, and amendments thereto; ~~and~~
- (I) travel, entertainment and hospitality; and
- (J) the costs of constructing an ingress or egress access road for the tourist attraction component of the project and any costs otherwise permitted by subsections (r)(1) through (19) directly associated with the construction of an ingress or egress access road for the tourist attraction component of the project.

(s) "Projected market area" means any area within the state in which the project is projected to have a substantial fiscal or market impact upon businesses in such area.

(t) "River walk canal facilities" means a canal and related water features which flow through a major commercial entertainment and tourism area and facilities related or contiguous

thereto, including, but not limited to, pedestrian walkways and promenades, landscaping and parking facilities.

(u) "Sales tax and revenue" are those revenues available to finance the issuance of special obligation bonds as identified in K.S.A. 2017 Supp. 12-17,168, and amendments thereto.

(v) "STAR bond" means a sales tax and revenue bond.

(w) "STAR bond project" means an approved project to implement a project plan for the development of the established STAR bond project district involving a tourist attraction with:

(1) At least a \$50,000,000 capital investment and \$50,000,000 in projected gross annual sales; or

(2) for areas outside of metropolitan statistical areas, as defined by the federal office of management and budget, the secretary finds:

(A) The project is an eligible area as defined in subsection (f), and amendments thereto; and

(B) would be of regional or statewide importance and includes a tourist attraction as defined in subsection (gg); or

(3) is a major tourism area as defined in subsection (l), and amendments thereto; or

(4) is a major motorsports complex, as defined in subsection (k).

(x) "STAR bond project area" means the geographic area within the STAR bond project district in which there may be one or more projects.

(y) "STAR bond project district" means the specific area declared to be an eligible area as determined by the secretary in which the city or county may develop one or more STAR bond

projects. A STAR bond project district includes a redevelopment district, as defined in K.S.A. 12-1770a, and amendments thereto, created prior to the effective date of this act for the Wichita Waterwalk project in Wichita, Kansas, provided, the city creating such redevelopment district submits an application for approval for STAR bond financing to the secretary on or before July 31, 2007, and receives a final letter of determination from the secretary approving or disapproving the request for STAR bond financing on or before November 1, 2007. No STAR bond project district shall include real property which has been part of another STAR bond project district unless such STAR bond project and STAR bond project district have been approved by the secretary of commerce pursuant to K.S.A. 2017 Supp. 12-17,164 and 12-17,165, and amendments thereto, prior to March 1, 2016. A STAR bond project district shall be limited to those areas being developed by the STAR bond project and any area of real property reasonably anticipated to directly benefit from the redevelopment project. After a STAR bond project district has been approved by the secretary, additional real property may not be included within the STAR bond project district unless the addition of real property is associated with a new STAR bond project to develop a new tourist attraction that is separate and distinct from any tourist attraction developed or being developed in the STAR bond project district.

(z) "STAR bond project district plan" means the preliminary plan that identifies all of the proposed STAR bond project areas and identifies in a general manner all of the buildings, facilities and improvements in each that are proposed to be constructed or improved in each STAR bond project area.

(aa) "STAR bond project plan" means the plan adopted by a city or county for the

development of a STAR bond project or projects in a STAR bond project district.

(bb) "Secretary" means the secretary of commerce.

(cc) "Substantial change" means, as applicable, a change wherein the proposed plan or plans differ substantially from the intended purpose for which the STAR bond project district plan was approved.

(dd) "Tax increment" means that portion of the revenue derived from state and local sales, use and transient guest tax imposed pursuant to K.S.A. 12-187 et seq., 12-1692 et seq., 79-3601 et seq. and 79-3701 et seq., and amendments thereto, collected from taxpayers doing business within that portion of a STAR bond project district occupied by a project that is in excess of the amount of base year revenue. For purposes of this subsection, the base year shall be the 12-month period immediately prior to the month in which the STAR bond project district is established. The department of revenue shall determine base year revenue by reference to the revenue collected during the base year from taxpayers doing business within the specific area in which a STAR bond project district is subsequently established. The base year of a STAR bond project district, following the addition of area to the STAR bond project district, shall be the base year for the original area, and with respect to the additional area, the base year shall be any 12-month period immediately prior to the month in which additional area is added to the STAR bond project district. For purposes of this subsection, revenue collected from taxpayers doing business within a STAR bond project district, or within a specific area in which a STAR bond project district is subsequently established shall not include local sales and use tax revenue that is sourced to jurisdictions other than those in which the project is located. The secretary of revenue

and the secretary of commerce shall certify the appropriate amount of base year revenue for taxpayers relocating from within the state into a STAR bond district.

(ee) "Taxpayer" means a person, corporation, limited liability company, S corporation, partnership, registered limited liability partnership, foundation, association, nonprofit entity, sole proprietorship, business trust, group or other entity that is subject to the Kansas income tax act, K.S.A. 79-3201 et seq., and amendments thereto.

(ff) "Tourist" means a person traveling for pleasure, culture or to attend or participate in a regional sports competition.

(gg) "Tourist attraction" means the component of a project specifically designed and intended to attract tourists. The department's determination as to whether a project includes a tourist attraction shall include a visitation requirement as follows:

(1) If the project is located within a city with a population greater than 50,000, that 30% of all visitors are tourists whose residences are located a distance from the project of more than 100 miles and that 30% of all visitors are tourists whose residences are located outside the state of Kansas; or

(2) if the project is located within a city with a population of less than 50,000, that 20% of all visitors are tourists whose residences are located a distance from the project of more than 100 miles.

Sec. 5. K.S.A. 2017 Supp. 12-17,164 is hereby amended to read as follows: 12-17,164.

(a) The governing body of a city may establish one or more STAR bond projects in any area within such city or wholly outside the boundaries of such city. A STAR bond project wholly

outside the boundaries of such city must be approved by the board of county commissioners by the passage of a county resolution.

The governing body of a county may establish one or more STAR bond projects in any unincorporated area of the county.

The projects shall be eligible for financing by special obligation bonds payable from revenues described by K.S.A. 2017 Supp. 12-17,169(a)(1), and amendments thereto.

(b)(1) Each STAR bond project shall first be approved by the STAR bond underwriting commission pursuant to the provisions of section 1, and amendments thereto, and by the secretary, if the secretary determines that the proposed project or complex sufficiently promotes, stimulates and develops the general and economic welfare of the state as described in K.S.A. 2017 Supp. 12-17,160, and amendments thereto, and that the project includes a tourist attraction component, as defined by K.S.A. 2017 Supp. 12-17,162, and amendments thereto, and that the project will result in a positive return on investment, as provided in subsection (b)(2). The secretary shall not approve any STAR bond project not approved by the STAR bond underwriting commission pursuant to the provisions of section 1, and amendments thereto. The secretary shall not approve any STAR bond project proposed by a city or county that has not submitted all reports and information to the secretary as required by this act and the rules and regulations of the secretary with respect to a new application for a STAR bond project or with respect to a previously approved STAR bond project.

(2) The secretary shall develop a net return on investment analysis and standards to apply to applications for STAR bond projects. The secretary shall not approve a project that the

secretary's analysis indicates will not result in a positive net return on investment to the state.

(3) The secretary, upon approving the project, may approve such financing in an amount not to exceed 50% of the total costs including all project costs and any other costs related to the project. The proceeds of such STAR bond financing may only be used to pay for incurred project costs.

(c) For a city proposing to finance a major motorsports complex pursuant to K.S.A. 2017 Supp. 12-17,169(a)(1)(C) or (a)(1)(E), and amendments thereto, the secretary, upon approving the project, may approve such financing in an amount not to exceed 50% of the STAR bond project costs.

(d) The secretary may approve a STAR bond project located in a STAR bond project district established by a city prior to May 1, 2003.

(e)(1) A project shall not be granted to any business that proposes to relocate its business from another area of the state into such city or county, for the purpose of consideration for a STAR bond project provided by K.S.A. 2017 Supp. 12-17,160 et seq., and amendments thereto.

(2) Except as provided in subsection (e)(3), a project shall not be granted to any business or developer that proposes to locate or relocate a business within a STAR bond project district, and a business shall not be permitted to locate or relocate within a STAR bond project district, if the business proposed to be located or relocated:

(A)(i) Is an establishment defined by 2017 NAICS code 452311 known as a warehouse club, superstore or supercenter, primarily engaged in retailing a general line of groceries,

including a significant amount and variety of fresh fruits, vegetables, dairy products, meats and other perishable groceries, in combination with a general line of new merchandise, such as apparel, furniture and appliances;

(ii) is an establishment primarily engaged in retailing one or more general lines of new merchandise, such as apparel, furniture and appliances and is 75,000 square feet or more in size;
or

(iii) is a department store defined by 2017 NAICS code 452210 that has separate departments for general lines of new merchandise, such as apparel, jewelry, home furnishings and toys, with no one merchandise line predominating, and that may sell perishable groceries, such as fresh fruits, vegetables and dairy products, but such sales are insignificant, and that may have separate customer checkout areas in each department, central checkout areas, or both; and

(B) retails a line of the same or similar merchandise, as determined by the secretary, as an established business located within 25 miles of the proposed location of the business.

(3) The provisions of subsection (e)(2) shall not apply if no portion of the state sales or compensating use tax revenue from the business identified in subsection (e)(2)(A) are pledged for the payment of any project costs or the payment of special revenue bonds issued pursuant to K.S.A. 2017 Supp. 12-17,169(a)(1), and amendments thereto, and the business receives no benefit from any economic development program of the city, county or state of Kansas and no tax credit or tax abatement from city, county or state taxes as an incentive or reward for locating or relocating within the STAR bond project district.

(f) A project shall not be approved by the secretary if the market study required by

K.S.A. 2017 Supp. 12-17,166, and amendments thereto, indicates a substantial negative impact upon businesses in the project or complex market area or the granting of such project or complex would cause a default in the payment of any outstanding special obligation bond payable from revenues authorized pursuant to K.S.A. 2017 Supp. 12-17,169(a)(1), and amendments thereto.

(g) A city or county shall not submit, and a project application shall not be accepted by the secretary, if a previously approved STAR bond project of the city or county has failed within five years prior to the date of any new project application of the city or county. For purposes of this subsection, "failure" means actual sales and compensating use tax revenues pledged for the payment of STAR bonds issued for the project, as provided by K.S.A. 2017 Supp. 12-17,169(a)(1)(C), (D), (E) or (F), and amendments thereto, are less than 50% of the projected sales and compensating use tax revenues or the city or county has defaulted on any STAR bonds associated with the project.

(h) A city or county shall not submit, and a project application shall not be accepted by the secretary, if any portion of the proposed STAR bond project district or any property located within ¼ mile of the boundaries of the proposed STAR bond project district was part of a tax increment financing district established pursuant to K.S.A. 12-1770 et seq., and amendments thereto, that failed. For purposes of this subsection, "failure " means cumulative city property tax increment revenues received by the city for the purpose of financing the tax increment financing district project were 50% less than the projected revenues.

(i) A project shall not be approved by the secretary if any principal involved with the project has a conviction for a felony in Kansas or a conviction for any crime in any other

jurisdiction that would constitute a felony under Kansas law. The secretary may require the submission of photographs and fingerprint records, provided to the specifications of the secretary, and a fee sufficient to cover the expense of a security background check, from any principal for the purpose of conducting a security background check of the principal. For purposes of this subsection, "principal " means any individual owner or partner of a developer if the individual or partner directly or indirectly owns or controls more than 10% of the equity in the proposed STAR bond project.

(g)(j) The maximum maturity of special obligation bonds payable primarily from revenues described by K.S.A. 2017 Supp. 12-17,169(a)(1), and amendments thereto, to finance STAR bond projects pursuant to this section shall not exceed 20 years.

(h)(k) The secretary shall not approve any application for STAR bond project financing which is submitted by a city or county more than one year after the STAR bond project district in which the STAR bond project is located has been established.

(i)(l) For the purpose of recovering the costs of the secretary and the department arising from fulfilling administrative, review, approval, oversight and other responsibilities under the STAR bonds financing act and from providing assistance to cities, counties and private businesses in relation to STAR bond projects, the secretary may assess an administrative fee of up to 1%, not to exceed \$200,000, of the amount of the special obligation bonds payable from revenues described by K.S.A. 2017 Supp. 12-17,169(a)(1), and amendments thereto, issued or reissued for STAR bond projects. The secretary may also recover any actual costs incurred by the secretary in excess of the fee. The fee, and any actual costs incurred by the secretary in excess of

the fee, shall be paid to the secretary from the proceeds of such bonds. All such moneys received by the secretary shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the STAR bond administrative fee fund, which is hereby created in the state treasury. All expenditures from the STAR bond administrative fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary or a person or persons designated by the secretary.

Sec. 6. K.S.A. 2017 Supp. 12-17,166 is hereby amended to read as follows: 12-17,166.

(a) One or more projects may be undertaken by a city or county within an established STAR bond project district. Any city or county proposing to undertake a STAR bond project, shall prepare a STAR bond project plan in consultation with the planning commission of the city, and in consultation with the planning commission of the county, if any, if such project is located wholly outside the boundaries of the city. Any such project plan may be implemented in separate development stages.

(b) Any city or county proposing to undertake a STAR bond project within a STAR bond project district established pursuant to K.S.A. 2017 Supp. 12-17,165, and amendments thereto, shall prepare a feasibility study. The feasibility study shall contain the following:

(1) Whether a STAR bond project's revenue and tax increment revenue and other available revenues under K.S.A. 2017 Supp. 12-17,169, and amendments thereto, are expected to exceed or be sufficient to pay for the project costs;

(2) the effect, if any, a STAR bond project will have on any outstanding special obligation bonds payable from the revenues described in K.S.A. 2017 Supp. 12-17,169, and amendments thereto;

(3) a statement of how the jobs and taxes obtained from the STAR bond project will contribute significantly to the economic development of the state and region;

(4) visitation expectations;

(5) the unique quality of the project;

(6) economic impact study;

(7) market study;

(8) market impact study;

(9) integration and collaboration with other resources or businesses;

(10) the quality of service and experience provided, as measured against national consumer standards for the specific target market;

(11) project accountability, measured according to best industry practices;

(12) the expected return on state and local investment that the project is anticipated to produce;

(13) 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 STAR bond project. If a portion of local sales and use taxes is so committed, the applicant shall describe the following:

(A) The percentage of city and county sales and use taxes collected that are so committed; and

(B) the date or dates on which the city and county sales and use taxes pledged to other uses can be pledged for repayment of bonds; ~~and~~

(14) an anticipated principal and interest payment schedule on the bond issue;

(15) a total project capitalization analysis;

(16) evidence of comparable project viability, to include demonstrated financial viability of at least three currently operating projects comparable to the proposed project in scope and in project type that are located in the United States. For purposes of a comparable project viability analysis, "demonstrated financial viability" means financial statements showing the project maintained positive net income, as defined by generally accepted accounting principles, for the most recent fiscal year and the two next preceding fiscal years; and

(17) any other evidence of financial viability of the proposed project as may be required by the secretary.

The failure to include all information enumerated in this subsection in the feasibility study for a STAR bond project shall not affect the validity of bonds issued pursuant to this act.

(c) If the city or county determines the project is feasible, the project plan shall include:

(1) A summary of the feasibility study done as defined in subsection (b) ~~of this section,~~
~~and amendments thereto;~~

(2) a reference to the district plan established under K.S.A. 2017 Supp. 12-17,165, and amendments thereto, that identifies the project area that is set forth in the project plan that is being considered;

(3) a description and map of the project area to be redeveloped;

(4) the relocation assistance plan as described in K.S.A. 2017 Supp. 12-17,172, and amendments thereto;

(5) a detailed description of the buildings and facilities proposed to be constructed or improved in such area; and

(6) any other information the governing body of the city or county deems necessary to advise the public of the intent of the project plan.

(d) A copy of the STAR bond project plan prepared by a city shall be delivered to the board of county commissioners of the county and the board of education of any school district levying taxes on property within the STAR bond project area. A copy of the STAR bond project plan prepared by a county shall be delivered to the board of education of any school district levying taxes on property within the STAR bond project area.

(e) Upon a finding by the planning commission that the STAR bond project plan is consistent with the intent of the comprehensive plan for the development of the city, and a finding by the planning commission of the county, if any, with respect to a STAR bond project located wholly outside the boundaries of the city, that the STAR bond project plan is consistent with the intent of the comprehensive plan for the development of the county, the governing body of the city or county shall adopt a resolution stating that the city or county is considering the adoption of the STAR bond project plan. Such resolution shall:

(1) Give notice that a public hearing will be held to consider the adoption of the STAR bond project plan and fix the date, hour and place of such public hearing;

(2) describe the boundaries of the STAR bond project district within which the STAR

bond project will be located and the date of establishment of such district;

(3) describe the boundaries of the area proposed to be included within the STAR bond project area; and

(4) state that the STAR bond project plan, including a summary of the feasibility study, market study, relocation assistance plan and financial guarantees of the prospective developer and a description and map of the area to be redeveloped or developed are available for inspection during regular office hours in the office of the city clerk or county clerk, respectively.

(f) (1) The date fixed for the public hearing to consider the adoption of the STAR bond project plan shall be not less than 30 nor more than 70 days following the date of the adoption of the resolution fixing the date of the hearing.

(2) A copy of the city or county resolution providing for the public hearing shall be by certified mail, return receipt requested, sent by the city to the board of county commissioners of the county and by the city or county to the board of education of any school district levying taxes on property within the proposed STAR bond project area. Copies also shall be sent by certified mail, return receipt requested to each owner and occupant of land within the proposed STAR bond project area not more than 10 days following the date of the adoption of the resolution. The resolution shall be published once in the official city or county newspaper not less than one week nor more than two weeks preceding the date fixed for the public hearing. A sketch clearly delineating the area in sufficient detail to advise the reader of the particular land proposed to be included within the STAR bond project area shall be published with the resolution.

(3) At the public hearing, a representative of the city or county shall present the city's or

county's proposed STAR bond project plan. Following the presentation of the STAR bond project area, all interested persons shall be given an opportunity to be heard. The governing body for good cause shown may recess such hearing to a time and date certain, which shall be fixed in the presence of persons in attendance at the hearing.

(g) The public hearing records and feasibility study shall be subject to the open records act, K.S.A. 45-215, and amendments thereto.

(h) Upon conclusion of the public hearing, the governing body may adopt the STAR bond project plan by ordinance or resolution passed upon a two-thirds vote of the members.

(i) After the adoption by the city or county governing body of a STAR bond project plan, the clerk of the city or county shall transmit a copy of the description of the land within the STAR bond project district, a copy of the ordinance or resolution adopting the plan and a map or plat indicating the boundaries of the district to the clerk, appraiser and treasurer of the county in which the district is located and to the governing bodies of the county and school district which levy taxes upon any property in the district. Such documents shall be transmitted following the adoption or modification of the plan or a revision of the plan on or before January 1 of the year in which the increment is first allocated to the taxing subdivision.

(j) If the STAR bond project plan is approved, the feasibility study shall be supplemented to include a copy of the minutes of the governing body meetings of any city or county whose bonding authority will be utilized in the STAR bond project, evidencing that a STAR bond project plan has been created, discussed and adopted by the city or county in a regularly scheduled open public meeting.

(k) Any substantial changes as defined in K.S.A. 2017 Supp. 12-17,162, and amendments thereto, to the STAR bond project plan as adopted shall be subject to a public hearing following publication of notice thereof at least twice in the official city or county newspaper.

(l) Any STAR bond project shall be completed within 20 years from the date of the approval of the STAR bond project plan. The maximum maturity on bonds issued to finance projects pursuant to this act shall not exceed 20 years.

(m) Kansas resident employees shall be given priority consideration for employment in construction projects located in a STAR bond project area.

(n) Any developer of a STAR bond project shall commence work on the project within two years from the date of adoption of the STAR bond project plan. Should the developer fail to commence work on the STAR bond project within the two-year period, funding for such project shall cease and the developer of such project or complex shall have one year to appeal to the secretary for reapproval of such project and the funding for it. Should the project be reapproved, the two-year period for commencement shall apply.

(o) The feasibility study, including the economic impact, market and market impact studies required by subsection (b)(6), (7) and (8), shall be conducted by one or more economic consultants selected and approved by the secretary, and the costs shall be paid by the developer or the city or county. The secretary shall have control and oversight authority over the scope and conduct of the studies. The secretary may establish a list of preapproved economic consultants and approved study parameters and methods.

Sec. 7. K.S.A. 2017 Supp. 12-17,169 is hereby amended to read as follows: 12-17,169.

(a) (1) Any city or county shall have the power to issue special obligation bonds in one or more series to finance the undertaking of any STAR bond project in accordance with the provisions of this act. Such special obligation bonds shall be made payable, both as to principal and interest:

(A) From revenues of the city or county derived from or held in connection with the undertaking and carrying out of any STAR bond project or projects under this act including historic theater sales tax increments;

(B) from any private sources, contributions or other financial assistance from the state or federal government;

(C) from a pledge of 100% of the tax increment revenue received by the city from any local sales and use taxes, including the city's share of any county sales tax, which are collected from taxpayers doing business within that portion of the city's STAR bond project district established pursuant to K.S.A. 2017 Supp. 12-17,165, and amendments thereto, occupied by a STAR bond project, except for amounts committed to other uses by election of voters or pledged to bond repayment prior to the approval of the STAR bond project;

(D) at the option of the county in a city STAR bond project district, from a pledge of all of the tax increment revenues received by the county from any local sales and use taxes which are collected from taxpayers doing business within that portion of the city's STAR bond project district established pursuant to K.S.A. 2017 Supp. 12-17,165, and amendments thereto, except for amounts committed to other uses by election of voters or pledged to bond repayment prior to the approval of a STAR bond project;

(E) in a county STAR bond project district, from a pledge of 100% of the tax increment revenue received by the county from any county sales and use tax, but excluding any portions of such taxes that are allocated to the cities in such county pursuant to K.S.A. 12-192, and amendments thereto, which are collected from taxpayers doing business within that portion of the county's STAR bond project district established pursuant to K.S.A. 2017 Supp. 12-17,165, and amendments thereto, occupied by a STAR bond project;

(F) from a pledge of ~~all or~~ a portion, as limited in this subparagraph of the tax increment revenue received from any state sales taxes which are collected from taxpayers doing business within that portion of the city's or county's STAR bond project district occupied by a STAR bond project, except that for any STAR bond project district established and approved by the secretary on or after January 1, 2017, such tax increment shall not include any sales tax revenue from retail automobile dealers. The maximum portion of the tax increment revenue received from state sales taxes to be pledged pursuant to this paragraph shall be determined as follows:

(i) If the city or county pledges local or county sales and use tax increment revenues pursuant to subsection (a)(1)(C) or (E) at a sales and use tax rate that is less than 2%, the maximum portion of the tax increment revenue received from state sales taxes to be pledged pursuant to this subsection shall be capped at a rate that is 60% of the state sales tax rate. If the city or county pledges local or county sales and use tax increment revenues pursuant to subsection (a)(1)(C) or (E) at a sales or use tax rate that is 2% or more, the maximum portion of the tax increment revenue received from state sales taxes to be pledged pursuant to this

subsection shall be capped at a rate that is 85% of the state sales tax rate; and

(ii) when an existing business located in this state relocates into or becomes part of a STAR bond project district, the sales and use tax increment revenue from the business in excess of the base year revenue determined for that business shall be allocated between the state and the STAR bond project district as provided in subsection (a)(1)(F)(i);

(G) at the option of the city or county and with approval of the secretary, from all or a portion of the transient guest tax of such city or county;

(H) at the option of the city or county and with approval of the secretary: (i) From a pledge of all or a portion of increased revenue received by the city or county from franchise fees collected from utilities and other businesses using public right-of-way within the STAR bond project district; or (ii) from a pledge of all or a portion of the revenue received by a city or county from local sales taxes or local transient guest and local use taxes; or

(I) by any combination of these methods.

The city or county may pledge such revenue to the repayment of such special obligation bonds prior to, simultaneously with, or subsequent to the issuance of such special obligation bonds.

(2) Bonds issued under subsection (a)(1) shall not be general obligations of the city or the county, nor in any event shall they give rise to a charge against its general credit or taxing powers, or be payable out of any funds or properties other than any of those set forth in subsection (a)(1) and such bonds shall so state on their face.

(3) Bonds issued under the provisions of subsection (a)(1) shall be special obligations

of the city or county and are declared to be negotiable instruments. Such bonds shall be executed by the mayor and clerk of the city or the chairperson of the board of county commissioners and the county clerk and sealed with the corporate seal of the city or county. All details pertaining to the issuance of such special obligation bonds and terms and conditions thereof shall be determined by ordinance of the city or by resolution of the county.

All special obligation bonds issued pursuant to this act and all income or interest therefrom shall be exempt from all state taxes. Such special obligation bonds shall contain none of the recitals set forth in K.S.A. 10-112, and amendments thereto. Such special obligation bonds shall, however, contain the following recitals: (i) The authority under which such special obligation bonds are issued; (ii) such bonds are in conformity with the provisions, restrictions and limitations thereof; and (iii) that such special obligation bonds and the interest thereon are to be paid from the money and revenue received as provided in subsection (a)(1).

(4) Any city or county issuing special obligation bonds under the provisions of this act may refund all or part of such issue pursuant to the provisions of K.S.A. 10-116a, and amendments thereto.

(b) (1) Subject to the provisions of subsection (b)(2), any city shall have the power to issue full faith and credit tax increment bonds to finance the undertaking, establishment or redevelopment of any major motorsports complex, as defined in K.S.A. 2017 Supp. 12-17,162(k), and amendments thereto. Such full faith and credit tax increment bonds shall be made payable, both as to principal and interest: (A) From the revenue sources identified in subsection (a)(1) or by any combination of these sources; and (B) subject to the provisions of subsection (b)

(2), from a pledge of the city's full faith and credit to use its ad valorem taxing authority for repayment thereof in the event all other authorized sources of revenue are not sufficient.

(2) Except as provided in subsection (b)(3), before the governing body of any city proposes to issue full faith and credit tax increment bonds as authorized by this subsection, the feasibility study required by K.S.A. 2017 Supp. 12-17,166(b), and amendments thereto, shall demonstrate that the benefits derived from the project will exceed the cost and that the income therefrom will be sufficient to pay the costs of the project. No full faith and credit tax increment bonds shall be issued unless the governing body states in the resolution required by K.S.A. 2017 Supp. 12-17,166(e), and amendments thereto, that it may issue such bonds to finance the proposed STAR bond project. The governing body may issue the bonds unless within 60 days following the conclusion of the public hearing on the proposed STAR bond project plan a protest petition signed by 3% of the qualified voters of the city is filed with the city clerk in accordance with the provisions of K.S.A. 25-3601 et seq., and amendments thereto. If a sufficient petition is filed, no full faith and credit tax increment bonds shall be issued until the issuance of the bonds is approved by a majority of the voters voting at an election thereon. Such election shall be called and held in the manner provided by the general bond law. The failure of the voters to approve the issuance of full faith and credit tax increment bonds shall not prevent the city from issuing special obligation bonds in accordance with this section. No such election shall be held in the event the board of county commissioners or the board of education determines, as provided in K.S.A. 2017 Supp. 12-17,165, and amendments thereto, that the proposed STAR bond project district will have an adverse effect on the county or school district.

(3) As an alternative to subsection (b)(2), any city which adopts a STAR bond project plan for a major motorsports complex, but does not state its intent to issue full faith and credit tax increment bonds in the resolution required by K.S.A. 2017 Supp. 12-17,166(e), and amendments thereto, and has not acquired property in the STAR bond project area may issue full faith and credit tax increment bonds if the governing body of the city adopts a resolution stating its intent to issue the bonds and the issuance of the bonds is approved by a majority of the voters voting at an election thereon. Such election shall be called and held in the manner provided by the general bond law. The failure of the voters to approve the issuance of full faith and credit tax increment bonds shall not prevent the city from issuing special obligation bonds pursuant to subsection (a)(1). Any project plan adopted by a city prior to the effective date of this act in accordance with K.S.A. 12-1772, and amendments thereto, shall not be invalidated by any requirements of this act.

(4) During the progress of any major motorsports complex project in which the project costs will be financed, in whole or in part, with the proceeds of full faith and credit tax increment bonds, the city may issue temporary notes in the manner provided in K.S.A. 10-123, and amendments thereto, to pay the project costs for the major motorsports complex project. Such temporary notes shall not be issued and the city shall not acquire property in the STAR bond project area until the requirements of subsection (b)(2) or (b)(3), whichever is applicable, have been met.

(5) Full faith and credit tax increment bonds issued under this subsection shall be general obligations of the city and are declared to be negotiable instruments. Such bonds shall be

issued in accordance with the general bond law. All such bonds and all income or interest therefrom shall be exempt from all state taxes. The amount of the full faith and credit tax increment bonds issued and outstanding which exceeds 3% of the assessed valuation of the city shall be within the bonded debt limit applicable to such city.

(6) Any city issuing full faith and credit tax increment bonds under the provisions of this subsection may refund all or part of such issue pursuant to the provisions of K.S.A. 10-116a, and amendments thereto.

(c) (1) For each project financed with special obligation bonds payable from the revenues described in subsection (a)(1), the city or county shall prepare, as directed by the secretary, and submit to the secretary by October 1 of each year, a report ~~describing that shall include the complete audit results and all addendums or schedules of the audit required by K.S.A. 2017 Supp. 12-17,176, and amendments thereto, and that shall describe~~ the status of any projects within such STAR bond project area, any expenditures of the proceeds of special obligation bonds that have occurred since the last annual report and any expenditures of the proceeds of such bonds expected to occur in the future, including the amount of sales tax revenue, how such revenue has been spent, the projected amount of such revenue and the anticipated use of such revenue. The department of commerce shall compile this information and submit a report annually to the governor, the senate commerce committee, the house commerce, labor and economic development committee and the legislature by ~~February 1~~ January 31 of each year.

(2) (A) In addition to the report referenced in paragraph (1), the department of

commerce, in cooperation with the department of revenue, shall submit a report to the senate commerce committee and the house commerce, labor and economic development committee by January 31 of each session. The report shall include the following information for the last three calendar years and the most current year-to-date information available with respect to each STAR bond district:

- (i) The amount of sales tax collected, and the amount of any "base" sales taxes being allocated to the district;
- (ii) the total amount of bond payments and other expenses incurred;
- (iii) the total amount of bonds issued and the balance of the bonds, by district and by project in the district;
- (iv) the remaining cash balance in the project to pay future debt service and other expenses;
- (v) any new income producing properties being brought into a district and the base revenue going to the state general fund and incremental sales tax increases going to the district with respect to such properties;
- (vi) the amount of bonds issued to repay private investors in the project with calculations showing the private and state share of indebtedness;
- (vii) the percentage of local effort sales tax actually committed to the district compared to the state's share of sales tax percentage committed to the district;
- (viii) the number of out-of-state visitors to a project, a discussion of the visitor attraction properties of projects in the districts, and a comparison of the number of out-of-state

visitors with the number of in-state visitors; ~~and~~

(ix) the feasibility study consultants that are approved by the secretary and the consultants who have conducted any part of a feasibility study during the year; and

(x) if any information or data is not available, an explanation as to why it is not available.

(B) Either the senate commerce committee or the house committee on commerce, labor and economic development may amend the information required in the report with additional requests and clarification on a going forward basis.

(C) The secretary shall prepare three-year and five-year progress reports on all STAR bond projects with outstanding bonds financed by state sales tax revenues pursuant to subsection (a)(1)(F). The progress reports shall include compilation and analysis of the information required by subparagraphs (A) and (B). The first progress report shall be due by January 31, 2019, and shall include all projects of a duration of three years or of five years or more than five years with outstanding bonds. The reports shall be submitted to the senate commerce committee and the house commerce, labor and economic development committee by January 31 of each session when required by this subparagraph.

(d) A city or county may use the proceeds of special obligation bonds or any uncommitted funds derived from sources set forth in this section to pay the bond project costs as defined in K.S.A. 2017 Supp. 12-17,162, and amendments thereto, to implement the STAR bond project plan.

(e) With respect to a STAR bond project district established prior to January 1, 2003,

for which, prior to January 1, 2003, the secretary made a finding as provided in subsection (a) that a STAR bond project would create a major tourism area for the state, such special obligation bonds shall be payable both as to principal and interest, from a pledge of all of the revenue from any transient guest, state and local sales and use taxes collected from taxpayers as provided in subsection (a) whether or not revenues from such taxes are received by the city.

Sec. 8. K.S.A. 2017 Supp. 12-17,171 is hereby amended to read as follows: 12-17,171.

(a) Any addition of area to the STAR bond project district, or any substantial change as defined in K.S.A. 2017 Supp. 12-17,162, and amendments thereto, to the STAR bond project district plan shall be subject to the same procedure for public notice and hearing as is required for the establishment of the STAR bond project district. Any such addition of area shall be limited to real property which has not been part of another STAR bond project district. Any addition of area must be associated with a new STAR bond project to develop a new tourist attraction that is separate and distinct from any tourist attraction developed or being developed in the STAR bond project district. The base year of a STAR bond project district, following the addition of area to the STAR bond project district, shall be the base year for the original area, and with respect to the additional area, the base year shall be any 12-month period immediately prior to the month in which additional area is added to the STAR bond project district.

(b) A city or county may remove real property from a STAR bond project district by an ordinance or resolution of the governing body respectively.

(c) A city or county may divide the real property in a STAR bond project district, including real property in different project areas within a STAR bond project district, into

separate STAR bond project districts. Any division of real property within a STAR bond project district into more than one STAR bond project district shall be subject to the same procedure of public notice and hearing as is required for the establishment of the STAR bond project district.

(d) Subject to the provisions of subsection (a), if a city or county has undertaken a STAR bond project within a STAR bond project district, and either the city or county wishes to subsequently remove more than a de minimus amount of real property from the STAR bond project district, or the city or county wishes to subsequently divide the real property in the STAR bond project district into more than one STAR bond project district, then prior to any such removal or division the city or county must provide a feasibility study which shows that the tax revenue from the resulting STAR bond project district within which the STAR bond project is located is expected to be sufficient to pay the project costs.

(e) Removal of real property from one STAR bond project district and addition of all or a portion of that real property to another STAR bond project district may be accomplished by the adoption of an ordinance or resolution, and in such event the determination of the existence or nonexistence of an adverse effect on the county or school district under K.S.A. 2017 Supp. 12-17,165(f), and amendments thereto, shall apply to both such removal and such addition of real property to a STAR bond project district.

Sec. 9. K.S.A. 2017 Supp. 12-17,176 is hereby amended to read as follows: 12-17,176.

(a) STAR bond projects using state sales tax financing pursuant to K.S.A. 2017 Supp. 12-17,169, and amendments thereto, shall be audited annually by an independent certified public accountant annually approved by the secretary at the expense of the city or county. The audit report shall

supplement the annual report required pursuant to K.S.A. 2017 Supp. 12-17,169, and amendments thereto. The secretary shall have control and oversight authority over the audit. Any preliminary audit report or findings and the completed audit report including all addendums or schedules shall be submitted by the independent certified public accountant to the secretary when directed by the secretary or at the same time as any preliminary report or findings or the completed report and all addendums or schedules are submitted to the city or county.

(b) Such audits shall determine whether bond financing obtained under K.S.A. 2017 Supp. 12-17,169, and amendments thereto, is being used only for authorized purposes. Audit results shall be reported to the house commerce, labor and economic development committee, the senate commerce committee, or successor committees, the governor and the secretaries of commerce and revenue during the legislative session immediately following the audit.

(c) If audit findings indicate that Bond funds have been used for unauthorized or ineligible purposes, the city or county shall repay to the bond fund all such unauthorized or ineligible expenditures. Such city or county shall enter into a repayment agreement with the secretary of revenue specifying the terms of such repayment obligation.

Sec. 10. K.S.A. 2017 Supp. 12-17,162, 12-17,164, 12-17,166, 12-17,169, 12-17,171 and 12-17,176 are hereby repealed.

Sec. 11. This act shall take effect and be in force from and after its publication in the statute book.