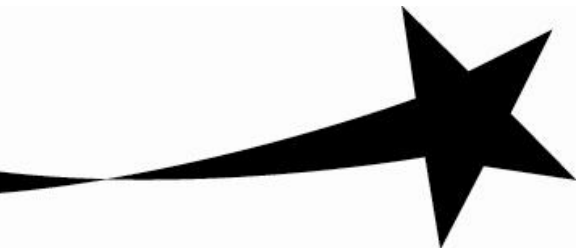




KANSAS
DEPARTMENT OF COMMERCE

David Kerr, Secretary



STAR Bond Annual Report
Testimony Presented by Kansas Department of Commerce
Senate Commerce Committee

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Kansas Department of Commerce
Testimony to
Senate Commerce Committee

Co-Chairs Brownlee and Jordan, and members of the committee, thank you for the opportunity to appear before you today to discuss Sales Tax and Revenue (STAR) bonds, a successful financing tool intended to promote the development of major tourism projects and stimulate the Kansas economy. The legislature has statutorily delegated to the Secretary of Commerce several duties related to STAR bonds. There has been a great deal of STAR bond program activity over the past year and the program continues to generate positive results. Commerce would like to bring the Committee up to date on the status of these projects.

K.S.A. 12-1771b and 12-1774 require each city to submit a report to the Secretary of Commerce by October 1 of each year. Commerce is then required to transmit such report to the Governor, Legislature, and Kansas, Inc. by February 1 of the following year. The annual reports from Unified Government of Wyandotte County, Topeka, and Hutchinson are included in your packets.

Cities using STAR bonds are also required to have an audit conducted by an independent certified public accountant annually to determine whether STAR bond financing is being used for authorized purposes. Commerce has compiled these audit reports and those are in your packets as well.

We would like to share some of the economic impact and other highlights from the annual reports. For example:

- Kansas Speedway/Village West district has over ten million visitors annually; has created over 3,500 new jobs generating over \$55 million in annual payroll; and contains over \$810 million in combined public and private investment with annual sales of over \$450 million. Recent developments include the grand opening of the Legends at Village West retail/entertainment district with over 624,000 square feet of space, with another approximately 44,000 square feet under construction. Nebraska Furniture Mart significantly

expanded its warehouse in 2006 and the Kansas Speedway continued its success with the Nextel Cup Banquet 400 on October 1, 2006. Virtually all bond proceeds up to the statutory limit have been expended. Unified Government reports over \$29 million in local sales taxes have been dedicated to payment of bonds and over \$77 million in state sales tax has been generated by this project.

- Heartland Park Racetrack/Topeka – STAR bonds in the amount of \$10,460,000 were approved for this project and were issued on March 30, 2006. Total redevelopment costs are estimated to be in excess of \$23 million and Phase 1 renovations to the racetrack and visitor amenities are complete. These improvements will help make Heartland Park a world class race and entertainment facility. Taking advantage of the renovations, the Sports Car Club of America held run-offs in October 2006 at the racetrack. \$9.7 million in STAR bond proceeds had been spent by September 30, 2006 and all STAR bond proceeds were expected to have been expended by calendar year end. The city reported around \$72,000 in local sales tax revenue through September 30, 2006. State sales tax in the amount of approximately \$131,000 has been generated to date.
- Kansas Underground Salt Museum/Hutchinson – This project was approved in July 2006. STAR bonds in an amount of \$4,810,000 were approved for this \$10.5 million destination development including a visitor center complex, underground museum with theatre and events center, elevator down to 650 feet underground and related amenities. This is the only attraction of its kind in the Western Hemisphere. Construction is virtually complete and the project should be operational by May 1, 2007. Potential economic impact could be over \$36 million annually. Approximately \$1.34 million in STAR bond proceeds were expended through September 30, 2006. Sales tax revenues of \$47,000 in local and \$253,000 in state sales taxes have been generated during the current reporting period.

We would also like to provide updates on the following projects which have been approved by the Secretary of Commerce but for which bonds have not yet been issued.

- Schlitterbahn Vacation Village/Unified Government of Wyandotte County – This project consists of a major water park resort, vacation village, and related amenities. The total project cost is approximately \$500 million and up to \$225 million of STAR bonds have been approved. The developers are in the process of widening and improving certain

transportation routes regarding this project and excavation work is expected to commence this spring.

- Flint Hills Discovery Center/Manhattan – This \$108 million project was approved in December 2006 for up to \$50 million in STAR bonds. The project includes a 30,000 square foot Discovery Center/Museum; hotel and conference center, 40,000 square foot theater; restaurants; and park area. Total economic impact on the area includes over \$160 million in capital investment, over 1,200 construction jobs worth \$27 million annual payroll, and over 1,000 permanent full time employees with annual payroll of over \$21 million.

Commerce continues to work with cities and developers on potential projects throughout the State.

These projects not only create jobs and spur capital investment; they also become quality of life recruitment tools and enhance the state's image. We appreciate the opportunity to discuss these exciting projects and would be happy to address any questions.