

STAR BOND ANNUAL REPORT – 2008

TO: The Honorable Kathleen Sebelius
Stan Ahlerich, President, Kansas Inc.
Stephen Morris, President of the Senate
Derek Schmidt, Senate Majority Leader
Anthony Hensley, Senate Minority Leader
David Wysong, Co-Chairperson, Commerce Committee
Julia Lynn, Co-Chairperson, Commerce Committee
Michael O’Neal, Speaker of the House
Ray Merrick, House Majority Leader
Paul Davis, House Minority Leader
Lana Gordon, Chairperson, Economic Development & Tourism Committee

FROM: David D. Kerr, Secretary of Commerce

DATE: January 30, 2009

In accordance with K.S.A. 12-17,169(c), here is the annual report for projects funded with special obligation bonds. K.S.A. 12-17,177(d) and 12-17,169(c) require each city with a project financed with special obligations payable from state sales tax revenue to submit a report to the Secretary of Commerce by October 1 of each year. The Kansas Department of Commerce (Commerce) is then required to compile and 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 (Attachment A), Topeka (Attachment B), and Hutchinson (Attachment C) are included.

Cities that have issued STAR bonds are also required to have an audit conducted annually by an independent certified public accountant to determine whether STAR bond financing is being used for authorized purposes. Commerce has compiled these audit reports and they are included (Attachment D).

Commerce would also like to share some of the economic impacts 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 \$850 million in combined public and private investment with annual sales of over \$450 million. The Legends at Village West retail/entertainment district continues to grow and has added numerous retail/entertainment venues. Cabela's completed expansion of its store and added over 7,500 square feet of power boat and ATV merchandise. The Kansas Speedway completed its eighth successful season of racing on September 28th with the Sprint Series Camping World RV 400. Virtually all bond proceeds up to the statutory limit have been expended. Over \$198 million in local and state sales taxes have been generated by this project.
- Heartland Park Racetrack/Topeka – Commerce approved STAR bonds in the amount of \$10,460,000 for this project and bonds were issued on March 30, 2006. Total redevelopment costs are estimated to be in excess of \$23 million. Phase 1 renovations to the racetrack and visitor amenities are complete. Additional improvements are planned to make Heartland Park a world class race and entertainment facility. All STAR bond proceeds have been expended. The city reported around \$145,000 in local sales tax revenue and state sales tax of \$359,311.52 through July 31, 2008. The city further reported that sales tax revenues may be insufficient to make the bond payments in 2009. Topeka issued these bonds as “full faith and credit” bonds and is responsible for debt service.
- Kansas Underground Salt Museum/Hutchinson – This project was approved in July 2006. STAR bonds in an amount of \$4,810,000 were approved for the \$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 complete and final project payments of \$4.8 million have been made. Potential economic impact is estimated at over \$36 million annually. Since the inception of the special sales tax district in August 2006, the total sales tax collected equaled \$1,361,416.41. Based on current projects, the bonds will be retired in 2014.

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.

- Mission Gateway Project – This project includes a 70,000 square foot state of the art aquarium attraction, movie dinner theater, hotel, festival space, and retail/entertainment venues. Total project cost is approximately \$307 million and up to \$63.16 million in STAR bonds are authorized. At build out, the project will generate 1,533 full-time equivalent and 1,525 indirect and induced jobs with total payroll of \$58 million. Annual retail sales in excess of \$120 million are forecast.
- Wichita WaterWalk – This project involves redevelopment and revitalization of public space on the banks of the Arkansas River and includes the Keeper of the Plains monument platform, pedestrian walkways, amphitheater promenade, fountains, waterfalls, and an interactive water show. Total project cost is approximately \$155 million and the project was approved for up to \$14.7 million in STAR bonds. The Project is estimated to bring 800,000 to one million new visitors annually to Wichita and to produce over 1,250 full time jobs and generate annual retail sales of over \$78 million.
- Schlitterbahn Vacation Village/Unified Government of Wyandotte County – This project consists of a major water park resort, vacation village, retail component, and related amenities. The total project cost is approximately \$700 million and up to \$225 million of STAR bonds have been approved. Construction has commenced and the developer anticipates the water park component will open in the summer of 2009. Approximately \$115 million in private funds have been expended on the project to date.
- 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 a 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. Litigation and the general economic downturn have prevented STAR bonds from being issued although progress on the North End of the project continues.

- During November 2008, Commerce also approved the establishment of a “STAR Bond Project District” for a museum project in Overland Park. Total project cost is estimated to be \$573 million and includes an American Museum of Natural History affiliated museum, a wetlands park, retail/entertainment development, prairie gardens, etc. Creation of a Project District is a preliminary procedural step in the STAR bond process. No Project Plan or formal application has been received and use of STAR bonds has not been authorized.

- Commerce has strived to use a consistent and objective methodology when analyzing potential STAR bond projects. Unfortunately, not all proposed projects are ultimately approved for STAR bond funding. These proposed projects did not receive STAR bond approval for the reasons set out below.
 - o Junction City. This project involved a military museum, waterpark, entertainment and retail developments, and related attractions. While the Project District was initially approved, Commerce never received a STAR Bond Project Plan. Consequently, designation for the District as an “eligible area” was rescinded on April 16, 2008.

 - o Olathe. The Gateway STAR Bond Project proposal centered on a “museum row” consisting of three destination type museums. The Project District was approved in July 2007. However, no Project Plan was submitted and that approval was rescinded on January 15, 2008.

Commerce continues to work with cities and developers on potential projects throughout the State. We appreciate the opportunity to discuss these exciting projects and would be happy to respond to any questions or provide additional information.